



MLGMA

<http://www.mlgma.org>

**MICHIGAN
LOCAL GOVERNMENT
MANAGEMENT ASSOCIATION**
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The Manager

The official newsletter of the Michigan Local Government Management Association

Affiliated with the Michigan Municipal League September 2004

2004 Summer Workshop Highlights

Charting a Better Course

by Jeff L. Mueller, City of Lathrup Village, Assistant City Administrator; Chair, 2004 Summer Workshop Planning Committee

Thanks to my fellow committee members and the staff of the MML for putting together a high-quality, well-attended summer workshop! While the final financial numbers aren't in yet, I can tell you we had 104 attendees (which included 17 first-time attendees), 123 guests—and most importantly, 88 putt-putt golfers! (I wish Pete Auger could putt as well without a baby in his arms!)

The committee planned a mix of sessions that would fall under the “nuts and bolts” category, as well as sessions that would improve

our overall “mental well-being.” Based on the evaluations, the committee was very successful in this regard.

I hope we continue our dialogue in future workshops on Strategies for Weathering Budgetary Change, Proposal A and Headlee.

Jason Eppler, 2005 Summer Workshop Chair, is already working fast and furious on a high-quality program. Please contact Jason if you have ideas for topics you would like to see next summer.

I wish to give my heartfelt thanks to all the attendees and to all the volunteers (including speakers and sponsors) for a wonderful low-cost/high-benefit summer workshop.

2005 Winter Institute: “Quick Takes”

Dennis Bow, City of Flushing, City Manager; 2005 Winter Institute Planning Committee

Greetings to all from the 2005 Winter Institute Planning Committee. Although 2005 seems a long way off, it will be here before you know it—and we need your help!

Actually, we are challenging all of you to come up with

entries to something new that we are calling “Quick Takes.” Sorry, there are no prizes for the winning entries, just a chance to show off something that you or your community have done in a unique way.

“Quick Takes” will be a series of five- to 30-minute presentations to be included as

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Board Meeting Highlights

The MLGMA Board held its third meeting of the year on July 20, 2004 at the beginning of the Summer Workshop at Boyne Highlands. Some of the meeting highlights are as follows:

- The Treasurer's report indicated that we did very well at the Winter Institute, attendance at the Summer Workshop is up and as a result we are having a very good year budget wise.
- Approved letter of support for Paul Ziehler, City Manager - West Allis, Wisconsin, for ICMA Midwest Vice President.
- We currently have three Range Riders available to serve the managers in Michigan: Bob Kenning, Terry Hofmeyer and Larry Collins.
- Scott Huebler, Chair of the Awards Committee is looking for recommendations for Association members deserving of special recognition.
- Brian Murphy, Village Manager, Beverly Hills has volunteered to be the Michigan representative to the 2005 ICMA Annual Conference Planning Committee.
- The Michigan Dinner at the 2004 ICMA Conference in San Diego will be on Monday night Oct. 18, 2004 at Buster's Beach House.
- The MLGMA Board voted to bar Steve Duchane, former City Manager, Sterling Heights, from future membership in MLGMA.
- Received an update on three ongoing ethics violation investigations of Michigan managers.

- Received a report on the MERS policy change that eliminates the ability of new managers to opt out of the MERS retirement system.
- Approved Garland Resort in Lewiston, Michigan as the site for the Summer 2005 Workshop on July 27-29, 2005.
- Received a report from Mike Young, City Manager, Rockford, concerning the on-going efforts of the Community Education Committee and the Civics Institute to get high schools to begin using the lesson plans that have been developed to teach students about the governmental process.
- Encouraged members to make contributions to the ICMA Fund for Professional Development. ICMA President, David Krings has a goal of reaching \$1.0 million in the Fund by the time of this year's annual conference.
- Received a report on possible changes to the Bromage Fellowship that would open this program up to other universities for participation.

- Encouraged managers to reach out to managers in transition and also managers who might be experiencing difficulty with their council or community.
- If you have questions concerning any of these Board issues, contact MLGMA President Mike Herman at: citymanager@ci.albion.mi.us.

2004 MLGMA BOARD MEETING SCHEDULE

The two remaining 2004 MLGMA Board meeting times and locations are listed below. Please send Agenda items, correspondence, etc. at least two weeks before a meeting to MLGMA President, Mike Herman. [E-mail: citymanager@ci.albion.mi.us or Fax: 517-629-4168.]

Friday, October 1, 2004
Mackinac Island, 8:00-9:30 a.m.

Friday, November 12, 2004
MML Lansing, 10 a.m.-2 p.m.

Duchane Barred from Membership

The MLGMA Board of Directors voted on July 20, 2004 to bar Mr. Steve Duchane, former City Manager in Sterling Heights, from future membership in MLGMA.

The MLGMA Board concurred in the findings of the ICMA Executive Board and the MLGMA Ethics Committee who found that Mr. Duchane violated Tenet 3 of the ICMA Code of Ethics when he misrepresented his educational credentials on the ICMA membership application, a résumé for employment and under oath during a deposition; applied for the ICMA Credentialed Manager designation when he knew that his educational credentials were falsified and did not meet the requirements for the credential; failed to correct a

falsification of his personnel file; and provided false documents in response to a media request for information about his credentials.

It is essential that MLGMA members adhere to the highest standards of ethical conduct in order to maintain public confidence in their profession, their local government and in their performance of the public trust. When an Association member fails to abide by the Code of Ethics and brings discredit to the Association and profession, then it is incumbent on the MLGMA Board to take appropriate disciplinary action.

The MLGMA Board believes that in the case of Mr. Steve Duchane, the review process and final decision were fair and just.

DEADLINE

MLGMA members are encouraged to submit articles for publication in *The Manager*. Please submit all copy for the Dec. 2004 issue to the editor, Sue Lee [leeford@comcast.net] by Monday, November 1, 2004.

2004 Fall Institute – Mission Point Resort, Mackinac Island

If you have not submitted your registration for the 2004 Fall Institute at Mission Point Resort (October 3 – 6) please take time to do so immediately. This year's Institute will provide many great sessions, including presentations from Nancy Zielke, GFOA president and Cynthia Faulhaber, Deputy State Treasurer, State and Local Finance. There will be sessions dealing with ac-

counting and auditing issues, ethics, technology, legislative updates and the Institute will close with a look at the issue of Retiree Health Care.

The Board of Directors has also made a change in the networking opportunities by moving the President's reception to Sunday night to act as a welcoming event. On Monday evening a fun night

is planned with dinner and casino games with prizes awarded based on entries into a random draw. Tuesday night will be the traditional banquet followed by a social hour or two.

The registration fee includes a ride to the Island on Shepler's Ferry Inc. See you on the Island in October.

Michigan's broken municipal finance system

There have been numerous changes over the years that affect the way local government is financed. The two most recognized changes are the Headlee Amendment and Proposal A. These changes were the result of proposals voted in by the electorate of the State of Michigan. I would like to acknowledge that the Headlee Amendment is a sound concept, and I do not advocate changing the Headlee Amendment. I further wish to concede that Proposal A is a sound concept, and I do not advocate changing Proposal A. So what are Headlee and Proposal A, and what's the problem?

The Headlee Amendment, ratified in 1978, intended to limit the growth of property tax revenue by controlling how a local government's maximum authorized millage rate is calculated. The Headlee Amendment requires that when growth on existing property community-wide is greater than inflation, the local government must "roll back"

its maximum authorized millage rate so that the increase in property tax revenue caused by growth on existing property does not exceed inflation. This is commonly referred to as a "Headlee roll back."

In March 1994, Proposal A also created a new methodology to determine property values for tax purposes with the introduction of taxable value. Taxable value on each individual property cannot increase by more than the lesser of inflation or five percent annually until a property is sold or "transferred," regardless of how quickly existing property values may be growing. This difference between state equalized value and taxable value when a property is sold or transferred and before taxable value is reset to state equalized value, is commonly referred to as the "uncapped value."

It all sounds pretty good so far. The problem is that when Proposal A passed and the legislature attempted to combine both proposals statutorily, there was an unintended compounding effect that was never part of what the voters approved. The legislature, in their implementation of Proposal A did two things. First, they used uncapped growth created by Proposal A to calculate your Headlee millage rate. Then they removed the ability of Headlee to move millage rates in both directions. This is a very real issue in many communities, and the consequences are crippling municipal finances.

Problem 1: Most people believe that a municipality benefits whenever a property is sold and uncapped, but that does not happen. Instead, when an individual property is uncapped, the homeowner pays taxes based on the reset taxable value as was intended, but the unintended consequence is that the community must use this growth in calculating a Headlee rollback of the local millage rate. What that all means

is that even though an individual purchaser is paying more, the increased revenue isn't realized by the community. It is nullified by virtue of an infinitesimally small reduction in millage rate across the rest of the community.

Problem 2: Headlee intended to fairly adjust millage rates in both directions to prevent run-away tax revenue growth during boom times, but it also recognized that there may be times that growth of property values would not keep pace with inflation, and that the pendulum needed to swing both ways. So Headlee allowed for a roll up as well as the roll back. After the legislature implemented Proposal A, millage rates can now go down when growth in value outpaces inflation, but cannot go up when inflation outpaces growth.

The Solution? Keep the Headlee amendment as it was intended: A fair and balanced approach to adjusting and controlling taxes. Keep Proposal A, which was a fair way to ensure that inflation and growth did not penalize someone that has been in their home for many years, and sought to provide balance and control in the wake of rapidly rising property values. The legislature needs to acknowledge that in implementing both proposals, mistakes were made that had unintended consequences that, left unchecked, will ultimately destroy the ability of local government to fund itself. This can only lead to a deterioration of services and degradation of communities. The needed correction will have almost no effect to any individual tax payer, but cumulatively will be a big first step towards correcting a broken municipal finance system and ensuring viable local government services.

*Anthony J. Minghine,
Finance Director,
Canton Charter Township*

Calendar of Events

Back to Basics III
Holiday Inn Express, Okemos
September 29, 2004

**55th Annual Fall
Training Institute**
Mission Pointe Resort,
Mackinac Island
October 3-6, 2004

2005 Spring Seminar
Kelfogg Center, East Lansing
March 18, 2005