



Planning Michigan Conference
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Putting Together the Leadership Team Your Community Needs to Move Forward



Presenters

Nicholas P. Lomako, AICP, PCP
Senior Vice President
Wade Trim

Charles “Chip” Smith, AICP, ASLA
Professional Planner
Wade Trim

Bill J. Kowalski, J.D.
Vice President, Director of Corporate Investigations
Rehmann Corporate Investigative Services

Daniel G. Byrne, J.D.
Attorney
Kerr, Russell, and Weber, PLC




Communities Facing Unprecedented Change

- Cities are facing high unemployment, a depressed housing market, and weak consumer spending.
- These factors have reduced taxes that cities collect for a fifth straight year. They are projected to decline 3.7% for 2011.
- 57% of cities reported they couldn't meet their fiscal needs in 2011.



Common Responses to Closing the Gap: Laying Off Employees

The August jobs report from the Labor Department revealed local government employment in the United States declined by 550,000 from peak levels in 2008.



Other Measures

- Freezing pay
- Furlough days
- Cutting services
- Raising fees
- Suspending building projects
- Government contracting
- Bankruptcy



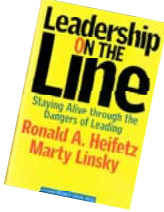
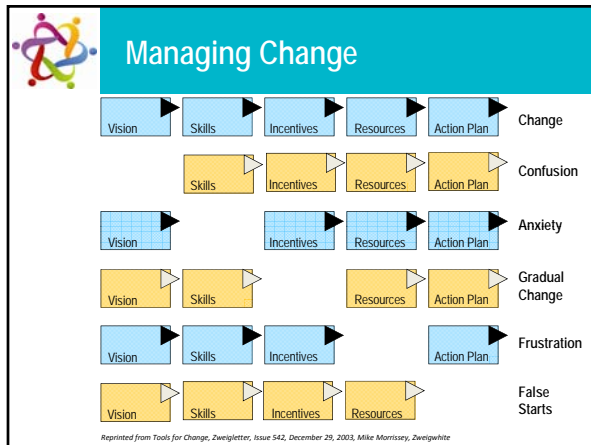
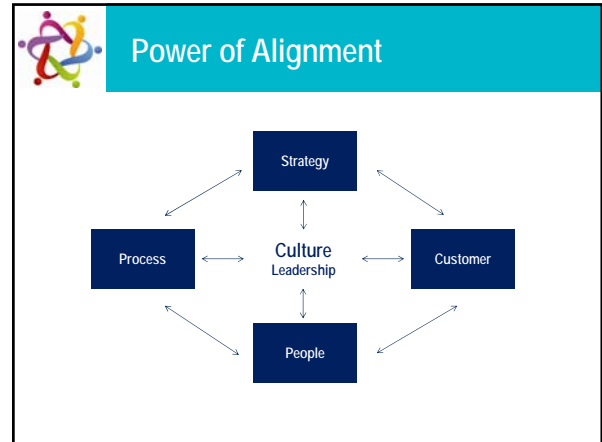
It's More than an Issue of Resources

- Focus on innovation
- Create a “change ready organization”
- Be smarter delivering key services



It is also About Exercising Leadership

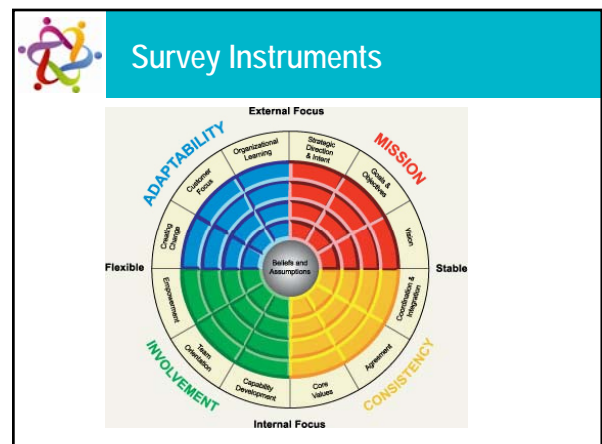
People capable of adapting to change... putting their credibility and position on the line in order to get people to tackle the problems at hand.

- ### Types of People
- **Dynamo**
 - Always working to learn something new
 - Actively build their career
 - Continuous self-improvement
 - **Cruiser**
 - Live off their existing skills
 - Have a job, not a career
 - **Loser**
 - Does not meet the basic standards of quality, service or work

Administrative Capacity Analysis

Evaluation Dimension	Score
Management Style	None ————— Critical
Organizational Structure	Pushdown ————— Pullup/soften
Staffing Requirements	
Number of People	Less Required ————— More Required
Skill Set	Strong ————— Weak
Systems Approach to Problem Solving/Program Design	Applied (short-term) ————— Not Applied (program based)
Strategic Plan Assessment	Relevant to Early Operations ————— Not Relevant to Early Operations



Key to Creativity Enablers and Barriers

A. Creativity Enablers	B. Creativity Barriers
1. Knowledge	21. Lack of self-driving
2. Level of control	22. Limited opportunities for self-development
3. Confidence	23. Few challenges
4. Open-mindedness	24. Lack sense of personal responsibility
5. Experience	25. Limited size of solution sets
6. Risk rewards	27. No role models
7. Leadership support	28. Narrow mental perspective
8. Leadership openness	29. Bureaucracy
9. Rewards	30. Fear
10. Training	31. Personal career instability
11. Emotional stability	32. Repetitive thinking
12. Resource inputs	33. Overconfidence
13. Subordinates	34. Time pressure
14. Lack of attachment	35. Procedural constraints
15. Discipline	36. No help
16. Persistence	37. Closed-minded leaders
17. Integrity	38. Group process constraints
18. Self-promotion	39. Pressure to conform
19. Incentives	40. Perfectionism
20. Boundary-breaking	41. Fear of failure
21. Understanding of reality	42. Fear of rejection
22. Self-censorship	43. Fear of being wrong
23. Reducing thinking and feeling	44. Widespread
24. Change	45. Personal Ethics
25. Risk taking	46. Internal voice
26. Honesty	47. Physical discomfort
27. Responsibility	48. Unhealthy backpack
28. Openness	49. Creative thinking
29. Self-learning	50. Lower thinking
30. Health	51. Acceptance
31. Self-care	52. Low self-evaluation of work

Fraud Detection and Prevention

Fraud Prevention: Proactive vs. Reactive

- "Trust" is not an internal control
- "Hope" is not a strategy

1. Develop a fraud training program
2. Implement an employee code of ethics
3. Develop **and follow** internal controls
4. Conduct periodic independent reviews of financial information
5. Conduct employee backgrounds
6. Conduct random investigations of suspected fraudulent compensation claims
7. Set up an employee issue hot line

Questions

Are you confident an effective procedure exists for receipt of information on potential fraud?


- Does it protect anonymity?
- Are whistleblower hotlines available?
- Are the lines of communication open to:
 - Supervisors
 - Department heads
 - Councils or decision makers

Are you Prepared?

If a fraud were alleged in your municipality or organization, would you be prepared to investigate and discover the truth?



Current Climate

How has the current economic climate impacted your internal controls?



Are we in the Perfect Storm?


- Downsizing often puts comptroller operations in the hands of one person, with little direct oversight
- Well-designed internal controls are sacrificed for “efficiency” and cost savings
- Economic stresses at home have an impact on “trusted” employees
- Temptation + increased opportunity
x greater need + ability to rationalize
= ??????

Questions


Are current approvals and internal reviews meaningful?

- Are they re-evaluated as circumstances change?
- Is there a high-level commitment to a code of ethics?
- Do the higher-ups abide by the code (role models)?




Pro-active Actions

- Create a culture of high ethical standards
- Constantly evaluate anti-fraud processes and controls
- Implement an oversight program



Conclusion

- Expect fraud
- Assess your risk
- Segregate duties
- Make approvals meaningful
- Screen and monitor vendors
- Closely monitor worker's compensation claims
- Zero tolerance – Prosecute offenders



Benefits (and Pitfalls) of Service Contracts

Benefits:

- Cost savings
- Increased performance standards
- Tailored performance measures/expectations
- Fix and cap variable costs
- Ability to limit and/or offload liability

Pitfalls:

- Potential source of litigation
- Headlee Amendment issues
- Michigan Construction Code



Performance Standards

- Completely a matter of contract/subject to negotiation
- Selling point (for both Contractor and Municipality)
- Payment of Contractor is dependent on substantial compliance with all performance goals and/or measurable progress to meeting goals
- Specific performance goals



Specific Performance Goals

- 24-hour turnaround time for answering customer calls; phone log
- 2-hour window for appointments
- Staff on call 24 hours a day for emergencies
- Residential plan reviews completed in 5 working days; commercial plan reviews completed in 10 working days
- After-hours/weekend inspections available
- Next-day building inspections
- Electrical/mechanical/plumbing/accessibility/energy inspections within 72 hours
- Staffed Office within City Hall
- Preparation of flyers and booklets outlining permitting and inspection procedures



Measuring Performance

- Daily, weekly and monthly updates concerning Contractor's activities, work, projects and anticipated costs
- Quarterly Comprehensive Performance Reports
 - Invoicing for services
 - Nature of services performed
 - Frequency and nature of complaints; Contractor responses to complaints
 - Findings of inspectors
 - Number and nature of plan reviews
- Monthly/Bi-Annual, Fiscal Year and Calendar year reports on permit, inspection and licensing activity (including revenues and expenditures)



Fixing Variable Costs

- Staffing Costs
- No Reimbursable Expenses
 - "No reimbursable expenses or other fee, cost charge, or other fee for the value or expense of any materials, goods, travel, mileage, depreciation, or other item related to the performance of the Services shall be paid by the City."
 - Offloading many miscellaneous but unknown costs
- Fixed monthly charge for most services
 - Fixed charge for basic services (including building inspection, plan review, etc), with Contractor receiving percentage of work over and above threshold per year.
 - Fixed charge for coordination of state/federal programs and grant services
- Base fee includes witness work for condemnation cases up to a certain hourly threshold
- Elimination of necessity of fleet vehicles and associated costs.



Limitation of Liability and Insurance Issues

- "Contractor agrees to indemnify, defend and hold harmless the City, its elected and appointed officials and employees from and against any claim, injury, damage, cost, expense or liability (including reasonable attorneys' fees and cost of defense) to the extent caused by the negligent acts, errors, or omissions of the Contractor, its agents, employees and subconsultants or anyone for whom the Contractor is responsible under this agreement"
- Insurance Requirements
 - Commercial general liability insurance
 - Comprehensive automobile liability insurance
 - Professional (errors and omissions) insurance
 - Workers compensation insurance
- City added to policy as certificate holder, along with City's elected and appointed officials
- Contractor pays deductible
- Contractor is "independent contractor" rather than employee
- Disclaimer of any waiver of governmental immunity for City



Pitfalls and Barriers

- Threat of Litigation
 - Michigan Association of Home Builders v Troy
- Headlee Amendment:
 - Requires local taxes be approved by voters.
 - Question becomes when "fees", "charges" or "assessments" are really disguised taxes
 - "Fee" revenue generally placed in a special fund, and used only for purpose for which the fee was charged. "Fee" must also be – in some sense – voluntary.
- The Michigan Construction Code



The Michigan Construction Code

- MCL 125.122 states: "The legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency or construction board of appeals under [the Construction Code], which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including without limitation, those services and acts as, in the case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and occupancy, and in case of a board of appeals, hearing appeals in accordance with this act. The enforcing agency shall collect the fees established under this subsection. **The legislative body of a governmental subdivision shall only use fees generated under this section for the operation of the enforcing agency or the construction board of appeals, or both, and shall not use the fees for any other purpose.**
- Michigan Attorney General Opinion 4885 seems to suggest that the "enforcing agency" enforcing the Construction Code must be an actual government employee.

