



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

CITY MANAGER CONTRACTS

**Senate Bill 325 (Substitute H-1)
First Analysis (9-22-93)**

**Sponsor: Sen. Dave Honigman
Senate Committee: Local Government
and Urban Development
House Committee: Local Government**

THE APPARENT PROBLEM:

Many cities employ a professional administrator to serve as city manager. Some managers do not have written contracts, but many reportedly do, and there is a serious question whether a city's legislative body can legitimately enter a contract that binds a succeeding legislative body, particularly since a 1988 appeals court decision. Representatives of city administrators are concerned about this lack of job security. Competent managers hired by one council can find themselves replaced by a succeeding council. They would like to see statutory authority for employment contracts that would remain in effect when a new legislative body was elected. For those managers who necessarily, because of charter provisions, serve at the pleasure of the council, contracts could spell out severance benefits. This issue is said to be of concern both to professional administrators and to elected city officials who would like to use contracts to better attract quality administrators.

THE CONTENT OF THE BILL:

The bill would amend the home rule cities act (MCL 117.3) to specify that the legislative body of a city could enter into an employment contract with an appointed chief administrative officer extending beyond the terms of the members of the legislative body unless the city charter prohibited such an employment contract. The contract would have to be in writing and specify the compensation to be paid to the chief administrative officer, any procedure for changing the compensation, any fringe benefits, and any other conditions of employment.

If the chief administrative officer served at the pleasure of the legislative body, the contract would have to so state and could provide for severance pay or other benefits in the event employment was terminated at the pleasure of the legislative body.

HOUSE COMMITTEE ACTION:

The Senate-passed version called for an employment contract "whether or not an employment contract is authorized by the city charter." The substitute reported by the House Local Government Committee allows for an employment contract "unless such an employment contract is prohibited by the city charter."

FISCAL IMPLICATIONS:

The Senate Fiscal Agency reports that the bill has no fiscal implications for the state. (5-3-93)

ARGUMENTS:

For:

The bill would offer professional city administrators some job security. It would permit a city, where not prohibited by charter, to enter into an employment contract with a city manager that extended beyond the term of the council that originated the contract. It also would require that if a manager was employed at the pleasure of the council, his or her contract would say so and could contain severance pay and other benefits in case the manager was not retained by a new council. (The bill would not require contracts for city managers but clarify their validity when used.) The bill would benefit not only city administrators but also those cities that want to use contracts to attract qualified managers.

Response:

It is possible such contracts could have the effect of frustrating the efforts of a newly elected council.

Against:

This is also said to be a problem with other units of government, such as townships and counties. The problem should be dealt with comprehensively.

Senate Bill 325 (9-22-93)

Response:

This bill would amend the home rule cities act and so cannot address these other governmental units. Other legislation would be needed.

POSITIONS:

The Michigan Municipal League supports the bill.
(9-21-93)