MEMORANDUM

cityofnovi.org

TO: VICTOR CARDENAS, CITY MANAGER

FROM: JAN ZIOZIOS, ACTING/DEPUTY ASSESSOR

SUBJECT: 2024 INFLATION RATE MULTIPLIER

DATE: OCTOBER 26, 2023

Mayor and Council –

Here is the annual communication for IRM (Inflation Rate Multiplier) for 2024. Details and explanation below.

- Victor

In 1978, voters approved an amendment to the Michigan constitution known as the Headlee Amendment. Headlee protected property owners from increases in taxes by rolling back the tax rates of millages so that growth would not exceed the rate of inflation from the existing tax base. In 1994, voters approved the Michigan Education Finance Amendment, or Proposal A. Proposal A separated taxable value from state-equalized value and caps increases in taxable value at 5% or the rate of inflation, whichever is less.

The effect of Headlee and Proposal A together means that millage rates are permanently reduced (or "rolled back") during periods of economic growth, which achieves the desired outcome of protecting taxpayers from taxes that are too high. (*Michigan Library Association*)

Michigan Department of Treasury has just released the 2024 Inflation Rate Multiplier, which will be 1.05. This will be the multiplier used in the 2024 Capped Value Formula. The calculation of the Inflation Rate Multiplier is set in statute in MCL 211.34d:

- "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.

- "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States Department of Labor, Bureau of Labor Statistics.

The capped value formula is as follows:

Inflation Rate Multiplier (IRM) Used in the 2024 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2024 Capped Value Formula is 1.05.

2024 CAPPED VALUE = (2023 Taxable Value – LOSSES) X 1.05 + ADDITIONS

- The formula above includes 1.05 because the inflation rate multiplier of 1.051 is higher than 1.05.

The multiplier used in the Headlee calculation is 1.051.

As a result, the City's millage rate of 10.5376 will not be affected as it hasn't since 2020.

Historical Inflation Rate Multipliers

The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A.

Year	IRM
1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044

Year	IRM
2010	0.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016
2015	1.016
2016	1.003
2017	1.009
2018	1.021
2019	1.024
2020	1.019
2021	1.014
2022	1.033
2023	1.05 (Capped Value) 1.079 (Headlee)
2024	1.05 (Capped Value) 1.051 (Headlee)

CITY CHARTER RATES, HEADLEE MAXIMUM RATES AND 2023 TAX LEVY

		ADJUSTED CHARTER MAXIMUM					
	CITY	HEADLEE					REMAINING
OPERATING FUNDS	CHARTER	2020	2021	2022	2023	2023 LEVY	CAPACITY
GENERAL FUND-Operating	6.5	4.7505	4.7505	4.7505	4.7505	4.7505	0
GENERAL FUND-PA 359 Advertising*	0	3.9214	3.9214	3.9214	3.9214	0.0106	0
MUNICIPAL STREET FUND	1.5	1.4197	1.4197	1.4197	1.4197	1.4197	0
PUBLIC SAFETY	1.8	1.3518	1.3518	1.3518	1.3518	1.3518	0
PARKS AND RECREATION	0.5	0.3648	0.3648	0.3648	0.3648	0.3648	0
DRAIN REVENUE FUND	1	0.7303	0.7303	0.7303	0.7303	0.6114	0.1189
CIP FUND	1	0.9514	0.9514	0.9514	0.9514	0.9514	0
LIBRARY FUND	1	0.7303	0.7303	0.7303	0.7303	0.7303	0
DEBT SERVICE FUNDS							Last Year of Levy
2008 LIBRARY DEBT FUND	(as needed)			N/A	N/A	0.3471	2027-28
2002 REFUNDING & STREET BONDS	(as needed)			N/A		0	2016-17
2010 REFUNDING BONDS	(as needed)			N/A		0	2015-16
						10.5376	