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Detroit Mayor Dave Bing calls for sacrifice to save city

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Detroit Mayor Dave Bing announces his plan to save the city from insolvency. "Simply put, our city is in a financial crisis," he said Wednesday in his live televised address. "That's not new. That's not an opinion. That is a fact." / Regina H. Boone/Detroit Free Press

Detroit Mayor Dave Bing's plan to rescue the city from financial collapse is largely based on the generosity of others: the State of Michigan, employee unions, retirees, contractors and the business community.

In an address meant to show Bing's efforts to stave off insolvency, the mayor proposed, among other ideas, a 10% salary cut for police and fire personnel for a savings of \$13 million; retiree

medical and pension reforms projected to save another \$8 million, and a less than 1% increase in the corporate tax.

The mayor, who spoke Wednesday during a live televised broadcast, repeated his warning that the city will run out of money by April and faces a \$45-million cash shortfall by the end of June.

"Simply put, our city is in a financial crisis, and city government is broken. That's not new. That's not an opinion. That is a fact," Bing said.

Government restructuring experts were skeptical.

"The mayor started down the right path," said Charles Moore, senior managing director for Conway MacKenzie, a Birmingham-based turnaround and restructuring firm that has helped reorganize municipalities and school districts. "But is it enough?"

Mayor Dave Bing: I don't want an emergency manager for city

He has said it many times before, and on Wednesday, he said it again.

In a broadcast from the Northwest Activities Center, Detroit Mayor Dave Bing said he will do all he can to keep the state from coming in to steer Detroit out of its fiscal crisis.

And the governor's office reacted quickly to Bing's plan, saying it expects the mayor to call for a preliminary financial review of the city's finances, a step the state takes -- as defined in the emergency manager law -- to help communities get their finances in order in advance of a formal request for an emergency manager.

Still, the mayor's announcement was in line with avoiding state interference.

"Let me make one thing perfectly clear: I don't want an emergency manager making decisions for my city," he said. "I am your mayor, and I want to continue to lead the city back."

To that end, Bing is proposing that the police and fire unions agree to a 10% salary cut, for a savings of \$13 million during the fiscal year, which ends June 30. "Cutting resources to police and fire is not the answer," he said.

Bing also plans to implement a 10% reduction in pay for city contractors and is looking for money from the state.

Bing said he is urging Gov. Rick Snyder and the Legislature to return \$220 million in state revenue sharing.

In 1998, the city agreed to lower its city income tax from 3% to 2% over a 10-year period in exchange for guaranteed levels of state revenue-sharing funds.

The law, signed under then-Gov. John Engler, allowed the city to suspend the tax decreases should unemployment go above 10%, which occurred in 2003. The city suspended the incremental tax decreases in 2004, leaving the tax at 2.5%. Bing said the city is still owed money from the state.

"That loss of more than \$220 million in revenue is enough to eliminate Detroit's current structural deficit and compensate for this fiscal year's \$45-million shortfall," he said. Snyder said in a statement Wednesday night: "Mayor Bing and I have worked closely over this past year, and I remain supportive of the city's efforts to resolve its financial problems.

"As I have said previously on this issue, I want to avoid an emergency manager if at all possible. Based on the mayor's remarks tonight and the severity of the situation he described, we anticipate he will be submitting a request for a preliminary financial review in the near future."

Charles Moore, senior managing director for Conway MacKenzie, a Birmingham-based turnaround and restructuring firm that has helped reorganize municipalities and school districts, said Detroit could explore bankruptcy as one solution because the city spends about \$125 million a year on debt from general obligation bonds alone.

If the city is not able to fix the problem, and an emergency manager is appointed and even that person is unable to fix things, a city with Detroit's debt load could be a good candidate for a Chapter 9 filing, he said.

That would allow the city to continue providing services without the persistent burden of debt, Moore said.

But for now the mayor said he plans to tap the business community for financial help. He announced plans to implementing a tax rate increase of less than 1% for Detroit corporations.

Bing's director of communications, Stephen Serkaian, said the increase would raise the city's corporate tax from 1% to 1.9%. He said he believes the increase could be implemented without City Council approval.

But former City Councilwoman Sheila Cockrel told the Free Press that any increase in the corporate tax would require a City Council resolution.

It remained unclear Wednesday how broadly Bing intended to apply the increase across the city's business community, which includes everything from mom-and-pop stores to giant corporations like General Motors.

Sandy Baruah, president and CEO of the Detroit Regional Chamber, said he had some concerns about raising taxes on employers but understood the dire nature of the city's crisis.

"I think the mayor laid out a fairly aggressive program which we will support in total," Baruah said.

"Anytime you talk about raising business taxes in an already high-tax area, you run the risk of making your business community less competitive, and that is of concern to us," he said.

Bing also is turning to employee unions for help. Among the concessions he is seeking:

- The elimination of furlough days for all city employees, including public safety. Workers would receive an across-the-board 10% pay cut.
- A 10% increase in employee health care coverage contributions.
- Pension reforms, including reducing excess payouts.
- Work rules that will reduce overtime costs.

"We simply cannot afford to provide the rich benefits packages that our employees have enjoyed for decades. This is not an attack on labor or our dedicated employees," Bing said.

Union leaders expressed no willingness to embrace Bing's call for concessions.

"The mayor doesn't bargain," said Catherine Phillips, chief negotiator for the American Federation of State, County and Municipal Employees (AFSCME) Council 25. "He throws the plan on the table and says, 'That's it,' like he's God," Phillips said. "I think it's disgusting. The problem isn't us, it's the layers and layers of management that should go."

City Council President Pro Tem Gary Brown said Bing's plan lacks urgency.

"I am disappointed he did not provide a plan or time line that will address our cash flow issue," said Brown, who opposed Bing's budget earlier this year because it didn't cut enough.

Brown said the council needs to take immediate action.

"I will not waver in augmenting any efforts by my council colleagues to further reduce our operating costs as we discuss a plan of action following the mayor's public address," Brown said.

During the speech, Bing also addressed problems with the bus system. Bing said on a daily basis, the city needs 305 rolling buses for optimal service, but during the last three months the city has been about 100 short.

Bing said that, effective immediately, he is eliminating furlough days for mechanics and will allow them to work nearly around the clock to fix the buses.

Bing said his administration has begun the process of selecting private management teams that would run both the DDOT and PLD.

"Given our fiscal crisis, spending money to fix lights, get the buses running and maintaining public safety requires sacrifice in other areas," he said. "None of us want financial decisions being made by a state-appointed emergency manager."

Meanwhile, one of the nation's largest private transportation companies, Cincinnati-based FirstGroup America, contracts with the Detroit Public Schools to transport students after the district privatized its bus system.

FirstGroup spokeswoman Jen Biddinger said private companies offer benefits that local municipalities can't, including nationwide buying power and economies of scale that result in substantial savings on fuel and parts, as well as management of bus service. FirstGroup provides transit service in 231 U.S. cities, including Denver, Phoenix and Houston.

The crowd at the speech was largely supportive of Bing's proposals.

Wilfred Beal, 61, who lives downtown, said he hopes Detroiters get behind Bing's proposals, even if it means privatization of some services.

"I see it as getting through the maze of bureaucracy to speed up what needs to be finished," Beal said. "There are pros and cons to privatizing, but I see the mayor has analyzed what's best for the city at this time."