



## Lessons from the Past and Direction for the Future

Detroit in Bankruptcy:  
Past, Present, and Future

*Labor@Wayne (CLAS) and  
the School of Business Administration (SBA)*

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- **Nonpartisan**
- **Private not-for-profit**
- **Promotes sound policy for state and local governments through factual research**
- **Relies on charitable contributions from Michigan foundations, businesses, organizations, and individuals**



## The Cards Detroit was Dealt

- No real need to be close to downtown for most Southeast Michigan residents
  - Most major cities → employment centers are downtown business district
  - Detroit → autos were/are major employment centers
  - Where are major auto plants?
    - Poletown & Jefferson Avenue
    - Highland Park
    - Dearborn
    - Wayne
    - Wixom
    - Warren
    - Sterling Heights
    - Livonia
    - Plymouth
    - Flat Rock



## The Cards Detroit was Dealt

- Highway system and suburban shopping malls
- Internal and external race issues
- Lax state oversight
- Weak state policies for urban core cities
  - Detroit's escalation of property/income/utility user tax rates
- Failure to develop regional authority(s)
- Elimination of residency requirements for city employees
- Union environment



## Long-Standing Problems of Detroit's Own Creation

- Sale of water & sewer services to suburbs
- Failure to join DDOT with SEMTA/SMART
- High level of detail in city charters
- City government seen as “employer of last resort”
- Economic Development – chasing “big ticket” development at expense of small businesses and residential neighborhoods
  - Over use of eminent domain



## Detroit Management Issues

- Pension Oversight and 13<sup>th</sup> checks
- Dependence on PA 312 binding arbitration for police and fire collective bargaining
- Culture of borrowing to cover structural deficits
- City council micro-management
- Corruption by elected officials and within departments
- Union friendly work rules
- Using uniformed police/fire officers for administrative duties
- Bureaucratic apathy/incompetence/red tape



## Recreating Detroit City Government

- Focus on basics: clean, safe city
- Professional city management:
  - Hire city manager or city administrator
  - Improve financial management
  - Multi-year budgeting





## Financial Management

- Get arms around revenue expectations
  - Realistic forecasting of revenue yield
  - Assume trends that exist will continue
  - End culture of borrowing as source of revenue
- Empower Budget Director (or someone) to make mid-year adjustments to expenditures when revenues are not meeting expectations
- Avoid budgetary gimmicks





## Right-Size City Services

- Union orientation and City Charter provision have kept nearly all services “in house”
- Contract for service delivery when possible
  - Private/Surrounding communities/county/state
- Regional amenities should be passed to regional entities for operations
- Capitalize on opportunities to collaborate with Detroit Public Schools
  - Purchasing
  - Grounds maintenance
  - Personnel functions
  - Etc.



## Tax Administration

- Get city out of the business of tax administration
  - Income tax administration could be done by state or consortium of cities
  - Property assessing could be done by Wayne County Equalization Department
  - Property tax collections could be done by Wayne County Treasurer
  - Casino tax administration could be in state hands



## Address Personnel Issues

- Reduce number of unions
- Either:
  - Close pension system to new employees
  - Transfer administration of pension system to MERS, and
  - Eliminate 13<sup>th</sup> check
- Reform work rules that punish (or do not reward) detrimental behavior



## Getting the City to Work

- Technology has to be in place and used by city employees
- Employees need to be refocused on customer satisfaction
- Employee training
- Clean safe neighborhoods
- Aid isn't coming with dollars
  - Accept in kind aid when it is offered



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