

Ann Arbor leaders must stop punishing citizens, stand up to unions

OTHER VOICES

BY JOHN L. BOYLE

It is not surprising to me that, even after raising fees (water bills, AATA bus rides, dog licenses, golf, cable TV, pool passes, etc.) and fines (parking tickets, other traffic tickets, late payment fines, etc.), the City of Ann Arbor is facing a \$6.1 million deficit for 2005-06, considering an income tax to raise additional revenue and threatening to cut services.

The problems with the city's finances in general and labor costs in particular have been absolutely obvious for many years. In a letter to *The News* published on July 2, 1989, I stated the wages and benefits for the police and firefighters far exceeding those for workers in the private sector would mortgage the city's future. In a second letter published in *The News* on May 22, 1991, I suggested the wages and benefits for Ann Arbor employees constituted an abuse of the taxpay-

er and that the city councils and city managers, who are responsible for this abuse, would be gone when the bills came due.

The city's problems certainly are not due to any reduction in revenue as total revenue - as well as the total-revenue-per-constituent-served - for the City of Ann Arbor has increased at twice the rate of inflation. Yet, despite increased revenue, the city is demanding still more tax revenue, threatening service cutbacks and deferring funding for infrastructure improvements, for pensions and for retiree medical benefits.

The city's problems are due to the fact that the pay and benefit packages paid to most of the city's workers are vastly superior to the pay and benefits available in the private sector, and those wages and benefits cannot be supported without continuously increasing taxes or continuously reducing services, or some combination of the two. Even if the proposed income tax were approved by the city's voters (generating between \$905,000 and \$18.6 million annu-

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ally) and even if no Greenbelt buys occur (a likely prospect so that those tax revenues can be available for operations), the city still will be facing financial doom.

The reasons Ann Arbor continues to suffer the indignity of continuously adding to the burdens of its citizens (residential and corporate) are primarily because of the following:

The city has, over the years, caved in to union demands for more pay and benefits so that now its employees can retire in their 40s and early 50s with million-dollar and multimillion-dollar retirement packages (pension plus medical benefits).

Rather than confront the need to reduce payroll and benefit costs (per employee and in total), the city failed to set aside

funds for (1) infrastructure (the water and sewer department needs \$200 million to replace just those pipes over 50 years old) and (2) retiree medical benefits (I estimate this funding shortfall to exceed \$150 million).

If just these two costs were financed over 25 years at six percent, they would add \$27.4 million per year to the current deficit bringing the current annual deficit to a whopping \$33.5 million.

To honor its commitments to both its taxpayers (current and future) and its employees, Ann Arbor's city council needs to stop raising fees, stop raising penalties and fines, stop raising taxes, and stop cutting services and start (1) privatizing services that can more cost-effectively and more efficiently be handled by private companies (including possibly police and firefighting services) and (2) adjusting its pay and benefit levels to reflect those in industry. If that means the city must commence tough negotiations with the municipal unions representing its employees (Police Offi-

cers Association, Firefighters Association, Teamsters and AF-SCME), then the city best get on with it as it will have to be done sooner or later and it will be much harder to do later.

The city's defense may be that other cities and states offer comparable wages and benefits. My response would be that these other cities and states also are, or soon will be, facing insolvency as the state of Michigan is and as the federal government will be when the \$57.5 trillion tab for Social Security and Medicare comes due. The "benchmark" should not be other soon-to-be-insolvent cities, it should be the corporate world which does not have the ability to postpone insolvency by taxing its customers, which cannot cut services and keep customers, which, according to the Bureau of Labor Statistics, paid an average wage of \$16.49 per hour in 2003 vs. \$23.56 per hour for municipal workers, and which, according to national compensation surveys, provided defined-benefit pensions to only 21 percent of its employees

vs. 90 percent for municipal workers.

If Ann Arbor wants to join the state of Michigan in watching residents and business move to other cities, other states or other countries, all the city has to do is add more taxes, fees and fines to the already-high cost of living or doing business in Ann Arbor and-or add to the burden of its residential and corporate citizens by cutting services.

Ann Arbor's city councils and managers have, over the years, assumed that gravity's downward pull was reserved for cities such as Flint, Hamtramck and Ecorse. It is not. If the City of Ann Arbor continues to punish its citizens residential and corporate with ever-increasing taxes, hidden taxes, deferred taxes and reduced services, it can and will commence down the slippery slope from vibrant city to urban decay.

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