

Day four of the confirmation hearings

Financial advisor details social cuts, increased policing in Detroit bankruptcy plan

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Friday's session of the Detroit bankruptcy confirmation hearings opened with continuing testimony from Detroit's chief financial officer, John Hill.

After reviewing once again his experiences on the financial control board that took over control of Washington DC's finances from the city's elected leadership between 1995 and 2001, Hill said that Detroit is "racing against time," and must move forward as quickly as possible with the radical restructuring of its finances.

Referring obliquely to mass opposition to what the measures contained in the city's Plan of Adjustment (PoA) entail, Hill warned, "Once a perception arises that the crisis is over it becomes very difficult to get movement."

Hill added, "This is not going to be easy to implement. If you think it will be you are wrong."

Before leaving the stand, Hill testified that the \$900,000 sum currently allocated to fund Detroit's Financial Review Commission (FRC) is insufficient. The PoA will empower the FRC to wield dictatorial powers over the city's finances for a period of no less than 13 years.

Next the court heard testimony from Charles Moore, senior managing director at Conway MacKenzie, a private consulting firm that has been hired to restructure the finances of various public entities in Michigan, including municipalities and school districts. Conway MacKenzie was also a consultant in the Obama administration's restructuring of the auto industry in 2009.

Moore confirmed during deposition in September 2013 that Conway MacKenzie secured the contract to

advise Detroit from then-Michigan Treasurer Andy Dillon's department. "My interactions [in pursuing the contract] have been essentially exclusively with the treasury department for the state of Michigan," Moore said.

Last summer, Dillon, a Democrat, offered Conway MacKenzie \$19 million for consulting services associated with the bankruptcy. In one of the numerous flagrant conflicts of interest surrounding the case, Dillon was subsequently offered a salaried position with Conway in the spring of this year.

Moore's testimony Friday made clear that he and his handsomely paid fellow consultants at Conway MacKenzie have played a central role in the creation of the Plan of Adjustment.

In several hours on the stand, Moore demonstrated a detailed knowledge of the \$1.7 billion in investments and \$7 billion in savings across six areas of municipal government laid out in the Plan of Adjustment.

Conway MacKenzie had prepared the plan's financial restructuring initiatives even before Emergency Manager Kevyn Orr took the city into Chapter 9 bankruptcy, Moore revealed during cross-examination by attorneys representing the Financial Guaranty Insurance Company. Moore testified that his firm worked with the Detroit Water and Sewerage Department (DWSD) prior to the bankruptcy to draw up financial projections and explore "options" related to privatization of the department.

The disparity between huge cuts and allocations for reinvestment is even greater than the primary figures suggest. Taking into account all of the "cost saving initiatives" demanded by the plan, net reinvestment in city operations and infrastructure amounts to just \$870

million.

The reinvestments outlined in the plan are directed primarily to the city's police and finance departments, and hundreds of millions of dollars are being mobilized to fund "blight removal"—i.e., the tearing down of houses and buildings. Cost-cutting measures, on the other hand, target key civilian functions such as public transportation, fire and emergency medical.

Major upgrades to the city's police force are provided for in the plan, Moore said in testimony. The police department will beef up its street patrol force by an additional 250 police officers and hire 250 new administrators, at a cost of \$250 million, to staff the department's offices. The department will also purchase 210 new cruisers for \$91 million. Three new police precincts will be created along with a new police training facility, and an "Integrated Police Information System" will be created using a portion of the \$150 million in IT funds allocated by the plan, Moore noted.

Detroit's finance department will receive major reinvestment under the plan, Moore stated, receiving \$101 million of the \$151 million allocated for the city's IT system by the bankruptcy plan.

Although the plan already calls for \$450 million for "blight removal," Moore testified that total costs for the city's efforts to tear down some 80,000 structures would probably be closer to \$800 million, or nearly as much as the \$870 in total net reinvestment contained in the plan. Moore noted in passing that some \$52 million in federal "Hardest Hit" funds, which are supposed to provide relief for distressed mortgage holders in Michigan, will be used for blight removal as well.

These hundreds of millions will be disposed of by the Dan Gilbert-led Blight Removal Task Force (BRTF), which is currently preparing to raze entire sections of the city to the ground, claiming that they have become "unviable." Moore defended the massive funding given to the BRTF during testimony, telling the court that some Detroit neighborhoods have already reached "blight tipping points" beyond which they can no longer be "saved."

The plan allocates a significantly more modest sum of \$42 million for fire department upgrades. At the same time, the plan will extract \$60 million in savings from the DFD by "cross utilizing" fire department employees as EMS technicians, replacing senior fire fighters with lower paid recruits and implementing a

general "attrition" of personnel.

The Detroit Department of Transportation (DDOT) must find \$54 million under the plan, to be achieved in part through more aggressive measures to counter "worker compensation fraud," Moore said.

DDOT will simultaneously increase revenue by issuing more traffic and parking tickets, Moore indicated. The city must deploy more "meter maids," Moore said, as he criticized supposed absenteeism among the city's traffic enforcement workers, which he said has driven down the number of tickets being issued, negatively effecting revenues.

As for the DWSD, said to be so indebted that it must enforce hundreds of water shutoffs per week against the population, the bankruptcy plan is demanding from it an additional \$428 million over the next nine years to offset the city's pension costs.

While the workers of Detroit are struggling to survive without water, the DWSD is to be squeezed for all it is worth. As attorney for Macomb County Allan Brilliant noted in court on Thursday, "From the first day [of emergency management], Emergency Manager Kevyn Orr and his team focused on monetizing DWSD assets."

The PoA is an act of larceny directed against an entire American city, carried out by the top government officials, both Democrat and Republican, along with leading figures from the private sector and judicial system.

Conway MacKenzie and an array of other lavishly paid legal and financial bagmen have assumed virtual control over the city's governance on behalf of powerful corporate and financial interests and are carrying out the de facto privatization of huge chunks of public wealth through the medium of the bankruptcy court.

This operation was planned well in advance and is being financed to a large extent with money looted from Detroit's own assets, including the city's most essential social infrastructure.



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