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March 25, 2014

Honorable Steven Rhodes, Federal District Court Judge
 Federal District Court Building – 7th Floor
 241 West Lafayette Street
 Detroit, Michigan 48226

Re: City of Detroit Bankruptcy

Honorable Judge Rhodes,

I am sending this letter to give my view point as a former City of Detroit employee and official during the years which led city government to its present sad position. I worked for the City of Detroit from 1953 – 1985 mostly in finance and budget positions. I served Mayor Gribbs as City Budget Director and as Deputy Finance Director to Mayor Young. Upon retiring from the City I served eight years as Finance Director of Washtenaw County and finally for five years as Vice President for Finance at Concordia University in Ann Arbor.

In retirement I have served on the Board of the Detroit Retired City Employees Association for over twenty-two years, including four years as the Retiree Representative on the Detroit General Retirement System.

I give you this background not to aggrandize my career. I do believe however that I can give you some important insights and views on how Detroit got into this mess and suggest things that can help turn Detroit around.

As far back as 1960 Detroit elected and career officials knew they were witnessing a ground swell change in our City. The population had begun its decline, assessed tax values leveled off and then began to decline also. No one, and I stress no one, could see the enormity of the decline. In the late sixties we had the Wayne University Urban Economics Department conduct a seminar on future trends and suggest remedies. They assured us that the decline would stop. They pointed out that in modern times no city in the world which had grown to over one million population had ever fallen below one million, due to self generating economics which sustained the city.

As we all know now, Detroit has changed that paradigm. My position on this malaise we find ourselves faced with was not due to mismanagement; it was not due to lazy bureaucrats and politicians wallowing in the City's assets; it was not due to incompetent management of the pension funds.

My experience leads me to believe that Detroit's present condition was caused by the departure of the auto industry, and a racist-fed escape to the suburbs, leaving the poorest element behind. At a time when Detroit government and School administration should have cut back due to the loss of population, they saw crime increasing, fires increasing, public health and education problems increasing. Metro Detroit population is at about the same level as it was fifty years ago. It is no longer inside Detroit. This urban area has become donut shaped.



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My main thought on the bankruptcy process is that the last people to suffer "retaliation" for the mess should be the city retirees. Did they cause it? Of course they did not. And there is an abundance of support in state laws and bankruptcy laws indicating that they are different from other stake-holders. The law calls this a protected class. Pension funds have been set aside to give special funding for the retirees. Regardless of what is being said about the condition of the two Detroit pensions, I believe they are in very good shape, much better than the average public pension fund. The amount owed, something between one billion and three billion is not due now. It is funded over a thirty-year period.

The unfunded liability will be dramatically lessened by the plans to put active employees into an IRA. The planned assistance from the Arts community and the State will decrease the unfunded amount. If the City would resume paying into the fund as required by law that will lessen the problem. Discontinuation of the 2 percent annual cost of living will help. On that last point I question whether it is even needed. If the now-discredited actuarial reports using unrealistic assumptions to misrepresent and enlarge the problem are replaced by realistic unbiased assumptions I believe you will find there will be no unfunded liability.

But there are politically inspired twists to the story to make it look much worse than it is. I believe the Governor has been misinformed by think tanks and has accepted their premises. He believes that the mismanagement of funds caused the problem. Compare the results of their investment process and you will find they are doing quite well. His end game, I believe, is to take control of the funds and move it to Lansing. The results of the local funds currently managed by the State are not so good. In fact the Detroit Funds are consistently outperforming the State managed funds. I further believe that the Emergency Manager has fallen into step with the Governor on this.

He should be concerned with restructuring city finances and services to recognize that that is the solution to Detroit's future. Incidentally, I agree with many of his tentative proposals but obviously do not accept his direction with the pension aspects. The crime problem, abandonment of property, dramatic arson increases and poor educational opportunities have to be properly addressed if Detroit is to be saved. If these matters are not dealt with, it is only a matter of time till Detroit will face another bankruptcy.

Thank you for reading my lengthy letter. Many of the officials I worked with are no longer with us. I feel an obligation to be their voice also.

Sincerely



Gerald F. Fischer