

CORRUPTION IN CITY GOVERNMENT

Beginning with the 1956 adoption of Ann Arbor's charter, taxpayers had been protected by a charter clause requiring contracts for purchase and public works be awarded to the "lowest responsible bidder." For 65 years the bid requirement protected the City from fraud, favoritism, or other similar abuses. The City prevailed in suits challenging bid approvals. Since the lowest responsible bid is a common requirement, there was ample legal precedent regarding the meaning of the requirement. The requirement did not force the City to choose the cheapest bid regardless of the qualification of the bidder. The City adopted rules for prequalification of bidders.

Nonetheless, in July of 2021, the City Council passed a resolution to present voters with a charter amendment that would remove from the charter "lowest responsible bidder" and replace it with "the bidder that provides the best value to the City." The Council approved the resolution to put the measure on the ballot although it received no advice from the staff or the City Attorney indicating there was a problem enforcing the 65 year old standard.

A coalition of labor union PACs spent \$35,000 promoting the measure. Ann Arbor voters received large glossy postcards praising the nebulous concept. The measure was presented to voters at a November 2021 special election that had a 17% turnout. Despite warnings that it would open the door to favoritism and corruption in bidding, voters approved the measure removing the low bid requirement. The door was opened to favoritism and corruption. After the measure was approved, Mayor Taylor received a \$10,000 contribution from the Michigan Laborers Political League. Before the election, I posted this on NextDoor

The City Council has placed on the ballot of the November election a charter amendment that would eliminate the requirement that contracts be awarded to the lowest responsible bidder. It would allow the City Council to award contracts to any firm it decides will provide "the best value to the City." No standards are provided in the amendment. It would seem to give the City Council unfettered discretion to award contracts to political favorites. I think it would lead to endless lawsuits.

There have not yet been any lawsuits, But it did not take long for the new language to be used to favor a contractor that had not submitted a low bid. The union effort saw its reward when the City Council rejected a staff recommendation to award a paving contract to the low bidder so it could award the contract to a unionized company. At the March 2022 meeting, Council Member Kathy Griswold put it bluntly: "I mean, this is corruption — I don't know how else to explain it."

The rejection of the low bidder in March 2022 cost taxpayers \$60,503.47. But that was only the beginning of the abuse. The rejection of low bidders for three contracts approved in the summer of 2022 cost taxpayers an additional \$839,000. What was the value the City received for rejecting the low bids? For a contract approved in June 2022, a justification was that the approved contractor had signed a union collective bargaining agreement. The recognition of union benefits was reflected in an additional \$5,000 donation to Mayor Taylor's reelection campaign.

Taxpayers received no value because of the charter amendment. Instead they saw City funds wasted. In the future they can expect more waste caused by contractors refusing to even participate in a corrupt bidding process.

Bruce Laidlaw
January 29, 2023

Addendum

On June 5, 2023, the Ann Arbor City Council awarded a contract for sewer and paving services to Bailey Excavating which was \$400,000 higher than the alternative bid. No where in the documents presented to the City Council or the public was there any indication of the amount of the low bid submitted by C I Contracting, Inc. The documents presented to the City Council simply contained a chart showing that the bid amount was outweighed by other subjective considerations. There was nothing to indicate that the alternative bidder was unqualified or otherwise not responsible.

The City staff was not asked to justify spending the additional \$400,000. Instead, Council Member Eyer spoke in support of the measure while making a personal attack on a resident who questioned the bid award. Eyer said that the questions raised by the resident were “reprehensible” and “potentially libelous.” But she made no effort to defend spending the additional \$400,000. Such wasteful spending has been enabled by a charter amendment that repealed the “lowest responsible” bid requirement and replaced it with a nebulous “best value” standard.

I spoke with the president of the company which submitted the alternative bid. He said when he made the bid, he filled out a lengthy form required by the City. After the “bidding” was complete he learned that the bid would be rejected because the amount of the bid was considered minor compared to other subjectively rated factors. He doubted whether his firm would ever again bid on City of Ann contracts.

Perhaps our City leaders consider a waste of \$400,000 little more than peanuts. But when you combine that with the over \$800,000 which has already been wasted by rejecting low bids, you see a disregard for ensuring the taxpayer dollars are spent for public purposes.