

Atwater: Another California city on the verge of bankruptcy

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Atwater, a city of 28,000, is on the verge of becoming the next municipal bankruptcy case in California.

Like California as a whole, Atwater is suffering the consequences of the protracted crisis of the world capitalist system. Official metrics place more than one-fourth of the population below the poverty line.

The precipitous drop in real estate values following the 2008 meltdown has depleted Atwater's tax revenues, severely undermining its finances. Revenues have declined by 20 percent since 2007, with property taxes falling from 5.2 to 3.8 million from 2007 to 2012.

In 2007, the median home value in Atwater fell from \$336,000 to \$140,000. In 2009 alone, the city's pension fund suffered a reduction of 23.4 per cent, and in the coming years workers will be required to make additional contributions to pension funds. The same conditions that are pushing Atwater's pension fund toward insolvency prevail throughout the state.

Austerity measures are being implemented in response to the city's financial situation. These include layoffs, wage cuts, and increased utility rates. City employees will be subject to a further wage decrease, a 15 percent cut on top of last year's 10 percent cut. Layoffs will include employees represented by the American Federation of State, County, and Municipal Employees (AFSCME). Laid off personnel will join the 21 percent of Atwater residents who are officially counted as unemployed.

On October 22, the Atwater City Council will meet to vote on declaring a "fiscal emergency," signaling imminent bankruptcy. The fiscal emergency will give the city greater "flexibility to negotiate" with unions. In other words, as an initial move toward full-blown bankruptcy, the purpose of declaring "fiscal emergency" is to enable the city to stop honoring its

contracts with employees and launch a brutal assault on their living standards.

As in Stockton, the working class and especially retired workers are being forced to pay for the economic crisis, which was caused by and has further enriched the capitalist class. Republicans and Democrats are in full agreement on the implementation of austerity measures against workers. President Obama's policies are virtually indistinguishable from those planned by his Republican opponent Mitt Romney, or those of California's Democratic governor, Jerry Brown.

In recent years, numerous corporations have used bankruptcy to escape their contractual obligations to retired workers. In California, the same process is emerging in city after city, as part of ever-intensifying attacks upon the working class internationally. The spate of municipal bankruptcies (Stockton, San Bernardino, Mammoth Lakes), as with corporate bankruptcies, ultimately enables a massive transfer of wealth from workers to the capitalist class.

Last week, the Atwater police department voted to accept a 22 percent pay cut to alleviate the budget shortfall. This is being used as an example for workers. Voluntary pay cuts are yet another mechanism for pushing the burden of the fiscal crisis onto the working class.

AFSCME has played an instrumental role in imposing such attacks throughout the country. In Detroit this month, the union brought a water workers strike to a dead end, exposing workers to the threat of being fired and emboldening the role of city officials who are preparing for harsher attacks on other workers (see "AFSCME regional, local leaders betray Detroit water workers strike").

In Atwater, AFSCME is operating behind the backs

of the workers. The union is not questioning the possibility of bankruptcy; on the contrary, it accepts the entire framework of necessary sacrifice and negotiates behind closed doors with city authorities on how best to administer the cuts. On October 3, a special meeting was called by the city council, including a closed session for a “Conference with Labor Negotiator.” Among the participants were representatives of AFSCME Local 2703.

At a city council meeting in May of this year, AFSCME representative Nancy Vinson essentially offered city workers up for sacrifice. She claimed that 35 workers are being asked “to contribute to the balance of the budget. These employees want to see the city stay afloat but it is not fair for these employees to make up the deficit of millions of dollars.”

In other words, workers will certainly sacrifice and the union will oversee in what proportion. No statement has been made in defense of these workers’ wages and pensions. Cuts have been accepted and justified as necessary to avoid worse measures.

Credit rating firm Fitch Ratings has downgraded the city’s debt on the basis of supposed leadership deficiencies of the Atwater City Council. This prepares and, in fact, is used as a justification for attacking wages, pensions and living standards of workers.

Regardless whether Atwater will stave off bankruptcy in the short-term, austerity measures will accelerate the ongoing contraction of the city's economy. The fiscal crisis pushing Atwater toward economic collapse is affecting every city in California, including the largest ones, such as Los Angeles and San Jose. David Kotok, chief investment officer at Cumberland Advisors, commented, “In California, we have a disease. And the disease is spreading.”

Kotok warned that “wholesale warnings and downgrades” will intensify the fiscal crisis of California’s cities, making it more difficult for cities to borrow. In the months ahead, the city and state governments of California will use tougher fiscal conditions to push through bankruptcies and similar measures aimed at attacking and repealing decades of hard-won gains of the working class. Several of the ballot propositions this November seek precisely to serve that purpose.

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