



Michigan not evaluating Wayne County despite leadership's statements of financial distress May 7, 2015

Even though **Wayne County** Executive Warren Evans has been using the [threat of state oversight](#) in [union negotiations](#), **Michigan** is not currently evaluating the municipality, said Michigan Treasury Department spokesperson Terry Stanton.

There are 18 potential triggers of a state-level financial review, Stanton said. It's important to note that while these triggers mean a state may review the municipality's finances, it does not mean the state has to review them.

The county has met at least one of these triggers. The act allows the state to investigate the finances of a municipality whose rating falls to BBB+ or lower from Standard & Poor's or Fitch Ratings, or Baa1 or lower from Moody's Investors Service, according to [PA 436](#). S&P downgraded the county's general obligation limited tax (GOLT) bonds to BB+ on 13 February, Moody's downgraded the same bonds to Ba3 on 6 February and Fitch downgraded them to B on 12 March.

However "no preliminary review has been commenced," Stanton said.

The state however, is likely aware of the county's financial distress, said Eric Lupher, president of the Citizens Research Council of Michigan.

"Wayne County has to be at the top or near the top of any list the state has of units of government the state needs to keep its eye on," Lupher said.

Another trigger for a state review is written notice of varying types from either the governing body or chief administrative officer, the Senate or House of Representatives, a creditor or registered voters. Each party has different requirements for their notice in order for it to be considered sufficient to start a review, according to PA 436.

Missed payments could also trigger the options of oversight, including depositing the minimum pension fund obligation, wages, salaries or other compensation, bonds or other long-term debt.

If the state were to go through the review process, if it believed that there's probable financial stress, then a review team would be appointed, Stanton said. The team will have 60 days to survey after which the governor, currently Rick Snyder, will determine if there is a fiscal emergency. The municipality can request a hearing if it does not agree with the governor's assessment and he or she would re-evaluate the status of the municipality, Stanton said.

After that there are four options for the local government to pick from – a consent agreement, a neutral evaluation process, an emergency manager or filing for Chapter 9, Stanton said.

"Wayne County's condition is largely a [condition] of the units of government that make up Wayne County," Lupher said.

Many local governments in southeast Michigan are struggling partially because of the region's decreasing population, Lupher said.

Of the 17 municipalities listed as working within the PA 436 framework on the state Treasury department [website](#), 10 of them, or 58.8%, are in Wayne County.

Allen Park, **Detroit**, **Hamtramck** and **Ecorse** are under Transition Advisory Boards having exited from emergency management. **Highland Park** is under [neutral evaluation](#), where it reaches an agreement with creditors to settle bills out of court. **Inkster** and **River Rouge** are operating under [consent agreements](#), where they have agreed with a state oversight agency to follow a plan to solve their fiscal problems. [Lincoln](#)



[Park](#), [Detroit Public Schools](#) and [Highland Park School District](#) are under emergency management, according to the Treasury's [website](#).

The county may not have the same level of assets as Detroit, which [emerged](#) from bankruptcy last year, Lupher said. Detroit has the Detroit Institute of Arts and was able to leverage that to form the "[Grand Bargain](#)" and exit bankruptcy. Wayne County does not have such an asset.

The largest infrastructure asset of the county is the [Wayne County Airport Authority](#), which operates the Detroit Metropolitan Airport, Lupher said. The county's finances are also bogged down by a [failed jail project](#).

Calls to Evans and his spokesperson were not returned.

A USD 24.9m tranche of Series 2009 GOLT bonds backed by the full faith and credit of the county which mature in 2039 last traded in odd lots on 24 April between 99.8 and 100 yielding 6.7% to 6.8%, according to *Electronic Municipal Market Access*. The county could be limited in its ability to raise funds by constitutional, statutory or charter regulations, according to the bond's official statement.

By Maryellen Tighe