State treasurer to review Wayne County's finances

Wayne County seeks financial emergency declaration from state

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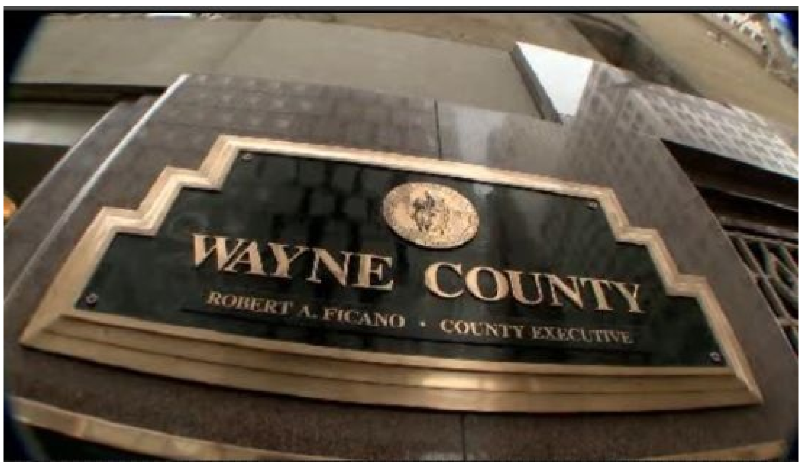

DETROIT - The Michigan Department of Treasury will conduct a preliminary review of Wayne County's $52 million structural deficit.

The move, announced Friday, comes two days after Executive Warren Evans asked Treasurer Nick Khouri for the review and for the state to declare a financial emergency in the county.

Evans said he wants to enter into a consent agreement with the state that will allow the county to continue negotiations with its stakeholders. Last week, Evans announced an agreement with about 5,000 retirees that will cut their health care benefits and save the county around $20 million each year.

"Our recovery plan provides a clear path to financial stability for the county, but we are keenly aware that our time frame to get the job done is quickly fading," Evan said in a statement. "Throughout this process, we are constantly evaluating where we stand and proactively seeking solutions to work ourselves out of this massive deficit."

A consent agreement would provide for remedial measures to address a financial emergency and could utilize state financial management and technical assistance to help alleviate it.

Wayne County has about 1.7 million residents. The county seat is located in Detroit, and Wayne's financial troubles follow the city's emergence late last year from the largest municipal bankruptcy in U.S. history.

Detroit shed or restructured $7 billion in debt during its bankruptcy.

In March, Evans announced a spending freeze, which blocked the filling of vacant positions and pay raises for current employees unless mandated by union contracts. It also restricted overtime, travel and major repairs. At the time, the county's pension system was less than 50 percent funded.

Evans was elected in November and inherited an unfinished downtown jail project that ran nearly $100 million over budget. Work has been stopped on the jail.

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Detroit's county seeks state help on fiscal woes, delays note sale

Michigan's Wayne County, home of Detroit, has asked the state for a fiscal emergency declaration to deal with a chronic budget deficit, spokesmen for the county and state confirmed on Thursday.

Wayne County Executive Warren Evans late on Wednesday formally asked Michigan Treasurer Nick Khouri to initiate a review process that would lead to a consent agreement between the county and the state.

The action led the county to postpone until next week the sale of nearly $187 million of general obligation, limited-tax notes through Bank of America Merrill Lynch that had been scheduled for Thursday.

"It is now expected to be rescheduled to Wednesday or Thursday of next week in order to give investors time to digest and react to the executive's announcement as well as understand the strengths and vitality of the delinquent tax program," Wayne County Deputy Treasurer Christa J. McLellan said in a statement.

In a letter to Khouri, Evans said the county's general fund budget deficit was projected to jump to $171.4 million in fiscal 2019 from $9.9 million this year due to declining tax revenue and escalating personnel costs. In addition, the county's finances are sagging under an $870 million unfunded pension liability and its credit ratings have fallen into the junk level.

Michigan Treasury spokesman Terry Stanton said the county's request was under consideration.

Wayne County's taxable notes, which mature on Dec. 1, 2017, will raise money to cover delinquent 2014 property taxes due the county and local governments in it.

In its offering document for the note sale, the county warned potential investors it could be headed to federal bankruptcy court if it did not implement its plan to address chronic budget deficits by curbing pension and healthcare benefits and cutting wages. That could lead to an appointment of an emergency manager, who could recommend a Chapter 9 municipal bankruptcy filing, the document said.

Detroit exited the biggest-ever municipal bankruptcy last year, shedding about $7 billion of its $18 billion of debt and obligations.

(Reporting by Karen Pierog; Editing by Lisa Von Ahn)