Wayne County finds itself under consent agreement

The Wayne County Commission has approved a consent agreement between the county and state in response to Gov. Rick Snyder’s declaration of a financial emergency in Wayne County.

On June 17, Wayne County Executive Warren Evans requested that the state review the county’s finances and declare a financial emergency under state law so the county could proceed toward a consent agreement. A series of reviews and reports followed, and Snyder declared the financial emergency July 30.

Among the items that led Snyder to declare a financial emergency in Wayne County, according to his report, were variances in the last four audits between revenues and expenditures ranging from $16.7 million to $23.7 million; unbudgeted expenditures, in violation of Public Act 2 of 1968; the unfinished jail project in downtown Detroit; and unfunded health care-related liabilities of about $1.3 billion.

The governor’s declaration required the Wayne County Commission to choose one of four options – consent agreement, neutral evaluation (a form of mediation), emergency manager or Chapter 9 bankruptcy – by Aug. 6. The Commission voted Aug. 6 to choose the consent agreement option. A proposed consent agreement was negotiated between the county administration and state Department of Treasury, which the Commission approved Aug. 13.

A consent agreement, as it relates to financially distressed municipalities under Michigan law (Public Act 436 of 2012), is a pact between the state and a local government that sets guidelines and goals to reach a clearly defined resolution of the financial distress. Both the state and the local government consent to the provisions of the agreement, many of which are required by state law. The agreement ends either when the state treasurer releases the local government or declares a breach of the terms of the agreement, which could lead to the appointment of an emergency manager.

The agreement includes:

- Remedial measures will be implemented to eliminate the county’s structural deficit. A structural deficit occurs when an entity requires more money to operate than it has available.
- The separate powers of the Wayne County executive and Wayne County Commission are largely retained, keeping the county’s operations in the hands of officials elected by the people.
- The county executive will have the additional power to impose contract terms on union employees whose contracts have expired, which affects almost all unions in the county.
- A “revenue estimating conference” will be held twice each year, with selected officials tasked with reviewing and reaching consensus on the county’s anticipated revenues.
- A series of reports must be filed with the state, including monthly reports of the county’s cash flow and cash position, and quarterly reports on the status of implemented remedial actions, financial status and potential liabilities, including pending lawsuits or legal actions to which the county is a party.
- By Jan. 31, 2016, the county executive must file a report with the state addressing the projected needs of the county jail system. Without referencing the unfinished jail project downtown, this provision requires the county to provide a plan, including proposed capital improvements, and projected available financial resources for the plan. It does not require a specific location for a jail, just that the county establish goals and funding for a solution.
- The agreement will continue for at least three years. The term extends for two fiscal years after the treasurer determines that the remedial measures have resulted in restoring the county to financial stability.
Alisha Bell
COMMISSIONER • DISTRICT 7
500 GRISWOLD, 7TH FLOOR
DETROIT, MICHIGAN 48226

Commissioner Bell presents a resolution on behalf of the Wayne County Commission to Rev. Jim Lee recognizing his outstanding leadership with the Metro Detroit Compassionate Action Network, which encourages city leadership to create and bring together efforts toward increasing compassion through local initiatives, policy and projects.