County is under consent agreement

The Wayne County Commission 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 support of the consent agreement. A proposed consent agreement was negotiated between the county administration and state Department of Treasury, which the Commission approved Aug. 13.

What is a consent agreement?

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 to reach a clearly defined resolution of the financial distress.

The agreement between Wayne County and the state of Michigan 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.
**Commission signs off on balanced budget**

The Wayne County Commission on Sept. 17 approved a $1.56 billion balanced budget for Wayne County for the 2015-16 fiscal year, which starts Oct. 1. The 2014-15 adopted budget was $1.68 billion, meaning that the 2015-16 budget was reduced by about $120 million, or more than 7 percent.

The budget was adopted under the parameters of Wayne County’s consent agreement with the state of Michigan, which went into effect Aug. 21. The agreement, approved by the Commission on Aug. 13, came on the heels of Gov. Rick Snyder declaring a state of financial emergency in Wayne County.

The budget – which the administration said will eliminate structural and accumulated deficits $52 million and $88 million, respectively, at the start of this calendar year, but have since been reduced, and aims to shore up a pension system that’s 47 percent funded – factors in several money-saving measures, including a reorganization plan that was unanimously approved by the Commission. The budget also reflects some employee pay, benefits and pension reductions starting Nov. 1, and elimination of retirees’ health care. They’ll receive a stipend instead.

Almost every department saw its budget reduced.

**HealthyChoice offering low-cost options**

Small businesses and individuals without health insurance have a low-cost option with Wayne County HealthyChoice.

The plan is open to certain businesses that don’t offer insurance to their employees and to Wayne County residents who meet income and other requirements. Among the plan options are:

- A Small-Business Program for businesses in Wayne and Oakland counties. The plan includes medical, dental and vision insurance, and the premium cost is shared between the employer and employee. Premiums and out-of-pocket costs are low – co-payments are minimal and no deductibles.
- Welcome Dental, a plan for Wayne County residents. Premiums are as low as $16 per month.
- Senior Dental, a plan for Wayne County residents 50 and older. Premiums are as low as $18 per month.
- Senior Vision, a plan for Wayne County residents 50 and older. The annual fee of $75 includes an examination and glasses.
- A Senior Prescription Savings Program for Wayne County residents 55 and older. The free program offers a discount card for those without prescription coverage.

For more information, visit www.waynecounty.com/hhs/HealthyChoice.htm or call 800-WELL-NOW (935-5669).

**Tax-foreclosed properties offered in online auction**

Thousands of tax-foreclosed properties are being sold in an online property auction conducted by the Wayne County Treasurer’s Office.

More than 20,000 residential, commercial and vacant parcels were put up for sale this month during the first phase of the auction. The deadline for registering to participate this month has passed, but potential buyers still have an opportunity to pick up remaining properties during the October portion of the auction, when bidding will start at $500.

Buyers must be registered and provide a deposit to bid. Registration for the October auction will take place Oct. 2-8. Interested people can register or get more information online and see a list of properties at waynecountytreasurermi.com.

Questions can be directed to 313-224-2864 or emailed to: WCTauction@waynecounty.com. The Treasurer’s Office provides assistance to help taxpayers remain in their homes, but if property taxes go unpaid for three years, the Treasurer is required by state law to foreclose and then sells the property by auction. Purchased properties must remain current on tax payments. The 2015 summer tax bill will be added to each purchase. All sales are “as is,” with no representations made as to the condition of any property.
With Wayne County now under a consent agreement with the State of Michigan to restore the county’s fiscal stability under agreed-to supervision by the state, a natural question is: How did the county get into financial trouble in the first place?

It is also natural to blame the financial problems on negative events that occurred within the county in the few years before Warren Evans became county executive in January 2015. Projects that were over budget, “sweetheart deal” pensions, the criminal indictment of some former employees and other unfortunate and sometimes outrageous occurrences harmed the county’s reputation.

Some may assume, then, that the county’s finances challenges exist because the county has been poorly run.

However, while bad management and ill-advised deals and practices certainly did nothing to help the county’s financial picture, they are not the main reason Wayne County is in trouble with its budget.

More than anything, it is the decrease in property values, and thus property tax revenue, that has caused the county to run the budget deficits that the state intervention is designed to resolve.

Local governments depend almost entirely on property taxes for operating revenue.

Over the last half-dozen or so years, property tax revenue in Wayne County (and elsewhere) has dropped dramatically as the value of property in the county has decreased. A property tax bill is determined by a formula that includes a property’s value and the tax rate (millage rate).

Many cities and school districts have kept their tax revenues from falling, and compensated for lower property values, by asking voters to approve new taxes or increased property tax rates.

However, the Wayne County tax rate has not gone up during that period. The result is a huge loss of revenue for the county. Wayne County is collecting over $100 million less in property taxes for the 2016 fiscal year compared to the 2008 fiscal year, a drop of nearly 30 percent.

And, this drop wasn’t gradual, it was a cliff, plummeting 20 percent between fiscal 2008 and 2011 alone, and drifting further downward in the five years since.

This chart shows how quickly the county’s tax base dried up with the housing market crash.

**Wayne County property tax collections**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$370 million</td>
</tr>
<tr>
<td>2008-09</td>
<td>$354 million</td>
</tr>
<tr>
<td>2009-10</td>
<td>$325 million</td>
</tr>
<tr>
<td>2010-11</td>
<td>$296 million</td>
</tr>
<tr>
<td>2011-12</td>
<td>$278 million</td>
</tr>
<tr>
<td>2012-13</td>
<td>$263 million</td>
</tr>
<tr>
<td>2013-14</td>
<td>$287 million</td>
</tr>
<tr>
<td>2014-15</td>
<td>$275 million</td>
</tr>
<tr>
<td>2015-16</td>
<td>$266 million (projected)</td>
</tr>
</tbody>
</table>

Even as property values rebound, the amount of revenue to the county and cities does not improve at the same rate. That’s because the state Constitution only allows the taxable value of property to rise by the rate of inflation, which was 1.6 percent last year. County tax revenue fell 28 percent from 2008-2015, but even if property values increased, say, 8 percent last year, the increase in tax revenue to cities and counties is capped at 1.6 percent.

Property taxes are the main single funding source (roughly 50 percent) of the county’s general fund, which is a finite pool of dollars earmarked for general operations.

So, while bad practices and high-profile controversies are problematic and unwanted, it is the loss of over $100 million in revenue each year that has Wayne County in a budget crisis.

**County enters consent agreement with state**

**AGREEMENT, from Page One**

- 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 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.

**How will residents be affected?**

Generally speaking, most residents won’t be affected at all. That’s not say certain county programs won’t be cut back or eliminated, which would affect those who use them. But no direct reduction of basic county services should be expected because of the consent agreement. County employees and retirees are being directly affected by the County Executive’s plans to improve the finances. Changes in pay, health care benefits and retirement will be felt by active employees, and traditional health care coverage is being eliminated for many retirees.
WCCCD campuses being patrolled by county sheriffs

Wayne County sheriff’s deputies will continue to patrol at Wayne County Community College District’s three Detroit campuses under a contract recently approved by the Commission.

Three deputies will patrol and a civilian will serve as an outreach worker under the agreement, which expires June 30, 2016. It’s the 11th year for the relationship between the college and county.

The deputies will assist the college’s police force between 7 a.m. and 11 p.m. weekdays when classes are in session at the Downtown Campus at 1001 W. Fort St., the Eastern Campus at 5901 Conner and the Northwest Campus at 8200 W. Outer Drive.

“The deputies will continue to not only make the Detroit campuses safe, they also will make the surrounding areas safe as well,” Commissioner Irma Clark-Coleman said. “It is important that Wayne County Community College students learn in a safe environment.

“In July, the value of this arrangement was proven when the Sheriff’s Office made an arrest of a woman who carried a loaded handgun in her purse at the Downtown Campus.”

The civilian employee’s job is to recruit new deputies and interns.

“That’s especially important because the Sheriff’s Office has really been struggling with overtime costs with jail staffing,” Commissioner Clark-Coleman said. “Hiring deputies to fill the many vacant positions in the jails will not only provide jobs to students, it will help the county considerably as it tries to resolve its financial issues. This contract is a win for everyone.”

The one-year contract is for $700,000 in new money, to be paid by the college. Combined with leftover money from last school year, the total actually will be $960,406. The money will pay for salaries, benefits and other expenses, and the college also will provide office space and equipment.