What is the Wayne County summer tax special assessment, and how I voted

(Editors Note: This is a letter from Commissioner Tim Killeen, D-Detroit, to his 1st District constituents.)

Thank you for your inquiry regarding the “WC Judgment” on your summer tax bill. Let me start with the simple and move to the more complex. This one-time levy is a Wayne County judgment levy. A judgment levy is allowed under Michigan law, whereby a judge can order a tax levy onto the tax bills without any vote of a legislative body. In this case, the judgment levy was the result of a Michigan Supreme Court decision last December that found that the county had violated the law when it moved some money around within the retirement system and ordered the repayment of $49 million.

Now we get to the complexities. Annually, the county must pay an amount called the annual required contribution out of its general fund to the retirement system when the pension plan is at less than 100 percent funded. Four years ago, this amount was $32 million. The previous county executive proposed to the Commission that money be moved from a fund that was already within the retirement system, a fund to give retirees a 13th check at the
end of the year as a hedge against inflation. By moving money already within the retirement system, the proposal sought to avoid having to pay the $32 million out of our general fund, the money we use to provide services.

There was much discussion at the time of the proposal as to its legality. In the end, I voted against the proposal, but it passed on an 8-7 vote. After four years of litigation and $1 million in legal bills for the county, the Michigan Supreme Court ruled that is was illegal to move that money and it must be paid back. In addition, there is an additional $17 million in lost earnings on that money that a Wayne County Circuit Court judge also ordered, bringing the total to $49 million.

More complexities: Current County Executive Warren Evans notified the court that Wayne County could not pay this levy and it was ordered onto the tax bills. Some of my colleagues on the Commission proposed that we take the money from other funds that were transferred from the county Treasurer’s Office to pay down the long-term debt of the county. Their argument was that, essentially, a court-ordered levy is “taxation without representation.” My colleagues also were arguing that they were protecting the taxpayer in the process. I have some sympathy for that point of view.

In the end, I rejected that argument and voted against using the earmarked money from the Treasurer’s Office for the following reasons. First, no matter how this is handled, taxpayers are handed the bill at the end of the day. It did not make any sense to me that by increasing the long-term debt of the county, money that eventually must be paid, would be cheaper for taxpayers. I know of no instance that by delaying paying a bill, it becomes cheaper. It seemed to me that this was a classic case of “kicking the can down the road.” My feeling was, and is, that it would be less expensive to the taxpayers by getting this judgment
paid right now by means of this levy. A 9-5 vote of the Commission approved the use of the Treasurer’s Office money to satisfy the judgment. I was a “no” vote.

The county executive then vetoed the action of the Commission. A vote was held to override the veto (a vote that needed a two-thirds plurality – or 10 votes – under the rules) and there were only six votes to override. Once again, I was a “no” vote, this time on the override question.

I would like to note that since then, the Commission has voted to get rid of the internal fund within the retirement system, and retirees will no longer receive a 13th check. The retirement system will be financially strengthened by eliminating those payments.

Sincerely,

Tim

(Tim Killeen, D-Detroit, is in his fifth term as a member of the 15-member Wayne County Commission. He represents the 1st District, which covers Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods and Detroit’s lower eastside.)