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Michigan Sets Formal Fiscal Review of Detroit's County.

(Reuters) – Wayne County, home to Detroit, was under “probable financial stress,” the state of Michigan said on Wednesday and announced plans to start a formal fiscal review.

The state’s Local Emergency Financial Assistance Loan Board said Governor Rick Snyder will appoint a review team that includes Michigan’s treasurer and budget director to see if a financial emergency exists.

“While county officials have taken some important steps in an effort to remedy the current crisis, the county continues to face significant financial difficulties that must be addressed now,” State Treasurer Nick Khouri, who chairs the Emergency Loan Board, said in a statement.

A preliminary review of the county pointed to chronic budget deficits projected to hit \$171.4 million by fiscal 2019 and big pension pressures. Since fiscal 2004, the county’s pension funding ratio has fallen to 45 percent from nearly 95 percent and the unfunded pension liability has climbed to \$910.5 million from just \$49.6 million, according to the review.

Detroit went through a similar process that led to the filing of the biggest U.S. municipal bankruptcy, which the city exited last December after shedding about \$7 billion of its \$8 billion of debt and obligations.

Wayne County Executive Warren Evans requested the review last month, asking the state for a fiscal emergency declaration and a consent agreement to fix the problem.

Last week, the county sold nearly \$188 million of taxable notes due on Dec. 1, 2017 with a hefty 6 percent yield and 5.75 percent coupon.

By REUTERS

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(Reporting By Karen Pierog; Editing by Grant McCool)