

# **Bond Case Briefs**

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## **Detroit's Home County Avoids Bankruptcy With State Agreement.**

Wayne County will operate under state oversight and enter into a consent agreement with Michigan, allowing the home county of Detroit to bolster its finances and avoid bankruptcy.

The Wayne County Commission voted 14 to 1 Thursday to approve a consent agreement with the state, Joseph Slezak, a county spokesman said in an e-mail. The pact stops short of Chapter 9 and will allow County Executive Warren Evans to impose pay and benefit cuts. The arrangement, negotiated between Evans and the Michigan treasurer's office, was delivered to the commissioners for consideration on Tuesday.

The move seeks to improve the county's cash position, end its \$52 million annual deficit and lower pension liabilities for its retirement system that is less than 50 percent funded. Wayne isn't alone. Three other Michigan municipalities and two school districts are under consent agreements.

Evans has 30 days to continue negotiations with unions before he can demand employment terms. After that, he has the power to enact wage or benefit reductions on the county's nine unions, which have expired contracts.

"This is a very sad day for Wayne County," said Gary Woronchak, chairman of the commission.

Under the pact, Wayne officials can't issue debt or sell county assets valued at more than \$50,000 without Treasurer Nick Khouri's approval.

### **Jail Bonds**

Moody's Investors Service said in July that the county's move to seek state help and spending cuts are "credit positive." Moody's rates Wayne Ba3, three steps below investment grade, and has noted that a consent agreement would empower local officials. The county has \$654 million of long-term general-obligation debt outstanding.

A portion of \$143 million outstanding of 10 percent jail bonds traded Thursday at an average of 84.8 cents on the dollar to yield 11.9 percent. That's down from an average of 96.4 cents on June 17, the day Evans asked the state for a financial emergency declaration. The federally taxable bonds that mature in December 2040 back an unfinished jail that costs the county \$14 million a year in debt service.

### **Bloomberg**

by Elizabeth Campbell

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