RECOVERY PLAN
WAYNE COUNTY, MICHIGAN

Additional data are being developed and gathered, while various critical financial and operational analyses are in process. Thus, statements contained in this plan are subject to material changes.

INTRODUCTION

Wayne County is at a cross-roads. Nearly a decade of declines in population, employment rates, and property values, coupled with poor management decisions has placed the County on the precipice of a financial collapse. Prior decisions that flew in the face of readily apparent economic conditions left significant legacy costs to be absorbed in the future. We can no longer push the problem into the future. We must face up to what is a dire financial situation.

The challenge is to remain solvent while continuing to deliver needed services. Clearly understanding the problems, honestly disclosing the size of the accumulated and on-going structural deficits and instituting a plan that eliminates those deficits is necessary now. We must reform County finances to operate within a balanced budget.

An accumulated deficit ballooning to over $150,000,000 at the end of 2013 was covered by transferring funds from the County's Delinquent Tax Revolving Fund ("DTRF") in FY 2014 and FY 2015. While these transfers resolved the accumulated deficit, they masked the real problems and exhausted the County's liquidity.

For years the County used "pooled" cash and short term borrowings to maintain liquidity and meet its financial obligations, in essence robbing Peter to pay Paul. The very DTRF funds used to resolve the County's accumulated deficit were part of this "pooled" cash account. The transfer of DTRF funds to the General Fund did not increase the "pooled" cash by one dime.

"Pooled" cash cannot hide the problem any longer. Until the annual structural deficits are reduced, the "pooled" cash will continue to decline. Present projections are that cash will be dangerously low by August 2015, and negative liquidity by June 2016. Without liquidity we can't pay our bills. Time is our enemy. Drastic remedial action is necessary now.

An annual structural deficit of $52 million can no longer be ignored. No easy fixes are left to solve the County's structural deficit.

INTRODUCTION

Even if the County succeeds in eliminating the structural deficit, there are additional enormous challenges to address. These challenges include:

- A grossly underfunded pension.
- The need for a new jail to replace aging jail facilities.
- A Prosecutor's Office that is understaffed and doesn't offer competitive wages.
- A Sheriff's Office that doesn't offer competitive starting wages.

Although the situation is dire, this Recovery Plan provides the first realistic roadmap to solvency and a financial state where the County can, again, engage in sensible long-term planning. This Recovery Plan is the product of a massive effort over the last six months to accurately assess the situation and develop solutions. This Plan answers these fundamental questions:

- What is the current financial situation of the County?
- What causes created the problem?
- What needs to be fixed and how do we fix it?

CURRENT FINANCIAL CONDITION OF THE COUNTY

CURRENT FINANCIAL CONDITION OF THE COUNTY

STRUCTURAL DEFICIT AND LIQUIDITY

Wayne County began running deficits in the 2008-2009 fiscal year and continued to run deficits until the 2012-2013 fiscal year. These deficits were:

- 2008-09 of $18.7 million
- 2009-10 of $33.4 million
- 2010-11 of $34.1 million
- 2011-12 of $53.1 million
- 2012-13 of $13.4 million

These fiscal years resulted in an accumulated deficit of $157,500,000. The detail is provided in the following chart:

CURRENT FINANCIAL CONDITION OF THE COUNTY

STRUCTURAL DEFICIT AND LIQUIDITY

($ in millions)	FISCAL YEAR ENDED ACTUAL						
	2008	2009	2010	2011	2012	2013	2014
Revenues							
Property taxes	$ 370.1	$ 353.7	$ 324.8	$ 295.8	$ 278.2	$ 263.4	$ 286.7
Other taxes	19.1	16.6	15.7	15.1	13.0	13.0	13.0
Parking fees	15.3	12.6	12.1	12.7	13.1	5.8	6.8
Cobo Hall liquor tax	3.5	2.9	2.8	3.0	4.8	6.3	7.4
State shared revenue	47.9	34.1	38.7	50.0	37.9	38.2	40.0
State court equity	19.8	18.6	17.9	16.4	14.8	14.3	13.7
Grants	51.1	49.6	48.9	60.1	44.0	35.8	33.2
Charges for services	67.7	67.4	62.9	107.0	120.3	113.8	117.4
Other revenue	7.3	11.5	8.7	6.9	7.3	16.6	23.8
Total revenues	601.8	567.0	532.5	567.0	533.4	507.2	542.0
Expenditures							
Salaries and wages	(130.5)	(123.2)	(107.0)	(119.8)	(115.0)	(108.6)	(107.8)
Overtime	(7.8)	(9.2)	(9.0)	(11.5)	(17.1)	(18.6)	(16.5)
Fringe benefits							
Health - Active	(25.0)	(20.9)	(20.0)	(22.9)	(25.0)	(22.7)	(20.8)
Health - Retiree	(20.4)	(17.1)	(16.4)	(18.7)	(20.4)	(18.6)	(17.1)
Pension	(18.4)	(24.1)	(23.7)	(12.1)	(34.4)	(44.1)	(44.1)
Other Benefits	(13.7)	(14.5)	(14.0)	(14.8)	(12.8)	(13.9)	(13.4)
Other operating expenditures	(146.6)	(154.8)	(150.6)	(159.9)	(144.3)	(125.0)	(127.9)
Other restructuring Initiatives	-	-	-	-	-	-	-
Operating expenditures	(362.4)	(363.8)	(340.7)	(359.7)	(369.0)	(351.5)	(347.6)
Net operating surplus	239.4	203.2	191.8	207.3	164.4	155.7	194.4
Transfers out to other funds	(251.0)	(210.7)	(216.1)	(241.2)	(219.8)	(199.2)	(198.8)
Debt service	(1.0)	(5.6)	(8.7)	(9.6)	(7.0)	(7.8)	(5.6)
Other non-operating	(5.2)	(5.6)	(4.4)	(7.4)	(7.8)	(11.0)	(12.5)
Structural surplus (deficit)	(17.8)	(18.7)	(37.4)	(50.9)	(70.2)	(62.3)	(22.5)
Transfer from Delinquent Taxes [1]	18.0	-	4.0	16.8	17.1	48.9	91.6
Annual surplus (deficit)	$ 0.2	$ (18.7)	$ (33.4)	$ (34.1)	$ (53.1)	$ (13.4)	$ 69.1
Accumulated Unassigned	$ (4.9)	$ (23.6)	$ (56.9)	$ (91.0)	$ (144.1)	$ (157.5)	$ (88.4)

[1] FY 2014 and FY 2015 includes one time transfers from the Delinquent Tax Revolving Fund of $91.6 million and $78.9 million.

Source: Wayne County Department of Management and Budget

CURRENT FINANCIAL CONDITION OF THE COUNTY

STRUCTURAL DEFICIT AND LIQUIDITY

The accumulated deficit amassed from 2008 to 2013 was substantially eliminated using extraordinary transfers from the DTRF of $91.6 million in FY 2013-14 and $78.9 million in FY 2014-15. While a portion of the annual DTRF transfer could be considered ongoing annual revenues, a significant portion of the FY 2013-14 and FY 2014-15 transfers represented one-time revenues. As a result, the DTRF will no longer have sufficient funds to hide the structural deficit in the future.

The use of the DTRF to resolve the accumulated deficit was a band aid that masked the serious problems with the structural deficit the County must immediately work to correct. Because the DTRF funds were always part of the County's "pooled" cash account, the transfer of those funds to the County's general fund did nothing to correct the County's cash problems caused by years of deficit spending.

CURRENT FINANCIAL CONDITION OF THE COUNTY

STRUCTURAL DEFICIT AND LIQUIDITY

The chart below demonstrates that, including transfers from the DTRF, the County's structural deficit will create a new accumulated deficit over $202.9 million by 2020 without immediate remedial action. More importantly, these future budget projections are ominous and foreboding the cash flow crisis the County will soon experience.

WAYNE COUNTY GENERAL FUND WITHOUT REMEDIAL ACTIONS

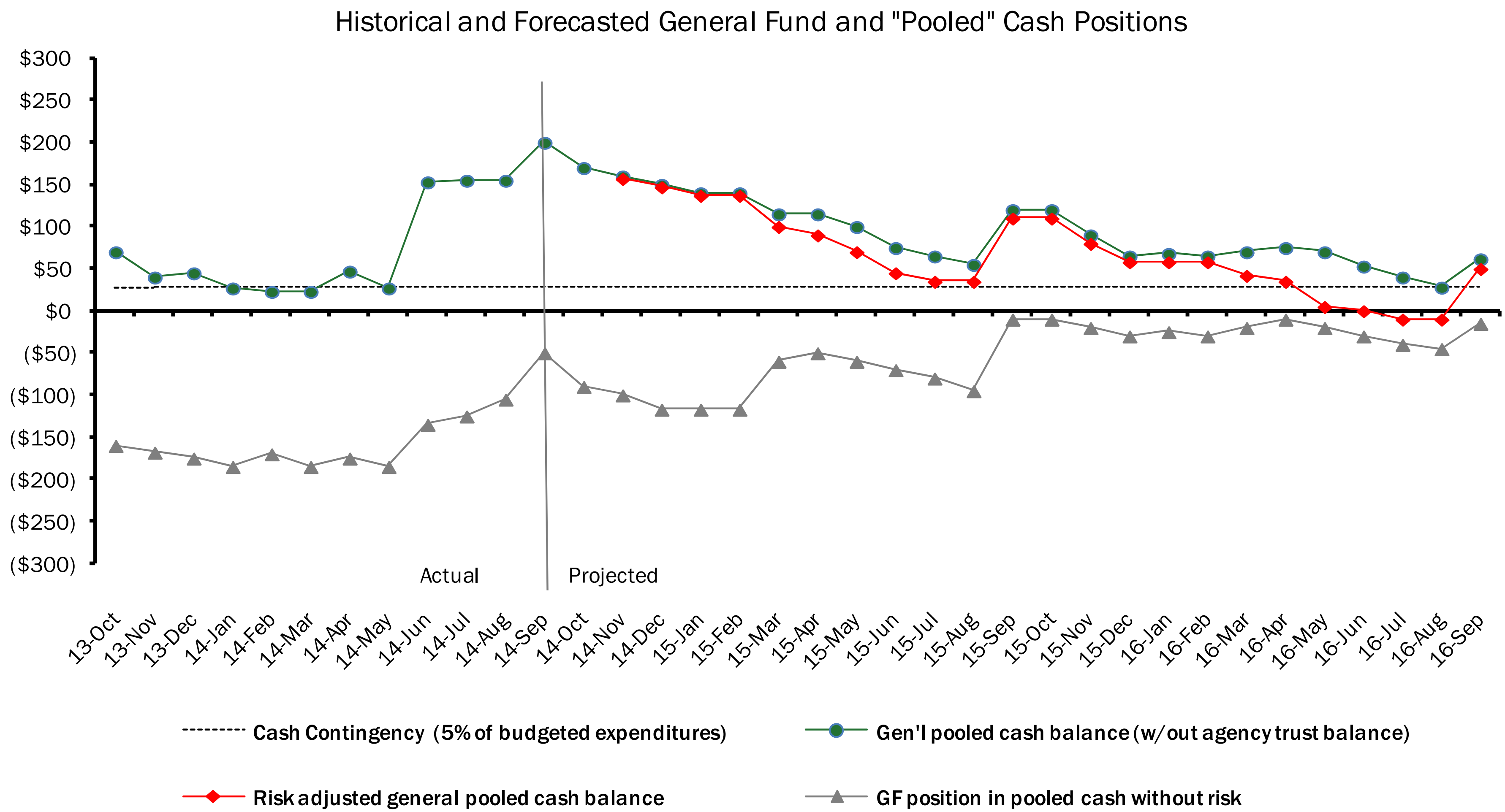
($ in millions)	FORECAST WITHOUT REMEDIAL ACTIONS					5 YEAR TOTAL
	2015	2016	2017	2018	2019	
Revenues						
Property taxes	$ 275.1	$ 275.8	$ 275.3	$ 279.0	$ 285.1	$1,390.3
Other taxes	13.3	13.3	13.4	13.4	13.4	66.8
Parking fees	6.1	6.1	6.1	6.1	6.1	30.5
Cobo Hall liquor tax	7.4	7.4	7.6	7.8	8.0	38.2
State shared revenue	50.0	50.0	50.0	50.0	50.0	250.0
State court equity	13.7	13.6	13.6	13.6	13.6	68.1
Grants	8.3	10.3	9.6	9.6	9.6	47.4
Charges for services	110.8	112.3	113.1	113.9	114.8	564.9
Other revenue	7.5	7.4	7.5	7.5	7.6	37.5
Total revenues	492.2	496.2	496.2	500.9	508.2	2,493.7
Expenditures						
Salaries and wages	(110.0)	(110.0)	(110.0)	(110.0)	(110.0)	(550.0)
Overtime	(15.6)	(15.6)	(15.6)	(15.6)	(15.6)	(78.0)
Fringe benefits						
Health - Active	(22.4)	(23.6)	(31.5)	(33.0)	(35.6)	(146.1)
Health - Retiree	(18.3)	(20.8)	(17.4)	(19.4)	(20.9)	(96.8)
Pension	(46.4)	(48.1)	(50.0)	(52.0)	(54.1)	(250.6)
Other Benefits	(14.2)	(14.2)	(14.4)	(14.5)	(14.6)	(71.9)
Other operating expenditures	(128.2)	(126.0)	(127.1)	(128.9)	(126.7)	(636.9)
Other restructuring Initiatives	-	-	-	-	-	-
Operating expenditures	(355.1)	(358.3)	(366.0)	(373.4)	(377.5)	(1,830.3)
Net operating surplus	137.1	137.9	130.2	127.5	130.7	663.4
Transfers out to other funds	(196.9)	(199.8)	(199.8)	(199.8)	(199.8)	(996.1)
Debt service	(5.5)	(4.7)	(4.3)	(4.2)	(4.1)	(22.8)
Other non-operating	(9.5)	(9.1)	(9.0)	(9.0)	(9.1)	(45.7)
Annual surplus (deficit) less DTRF Transfers	(74.8)	(75.7)	(82.9)	(85.5)	(82.3)	(401.2)
Transfer from Delinquent Taxes [1]	153.4	39.5	33.3	30.9	29.7	286.8
Annual surplus (deficit)	$ 78.6	$ (36.2)	$ (49.6)	$ (54.6)	$ (52.6)	$ (114.4)
Accumulated Unassigned	$ (9.9)	$ (46.1)	$ (95.7)	$ (150.3)	$ (202.9)	$ (202.9)

Source: Wayne County Department of Management and Budget

CURRENT FINANCIAL CONDITION OF THE COUNTY

STRUCTURAL DEFICIT AND LIQUIDITY

In February 2014, the County's "pooled" cash balance was $22 million, breaching the recommended standard of, at least, a 5% cash contingency balance. According to projections, we will continue dangerously low levels of "pooled" cash and will, potentially, run out of cash by June 2016 without remedial action.



Note: Does not include Delinquent Tax - net (use)/source after Nov. 14.

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED PENSION

The last actuarial report prepared by Gabriel Roeder Smith and Company for the Wayne County Employees Retirement System (WCERS) including the Wayne County Airport Authority (WCAA) is dated September 30, 2013. It covered the fiscal year through September 30, 2014. This Report concludes that the WCERS is underfunded in the amount of $910,500,000 and the assets in the pension system cover only 45% of what is needed to insure the full payment of all future pensions.

Comparatively, Detroit's pension plans were approximately 71% funded pre-bankruptcy. The County's ratio of unfunded actuarial accrued liabilities to annual payroll is 681%, or almost 7 to 1. That ratio in Detroit, just prior to bankruptcy, was only at 5 to 1. The WCERS is paying nearly as much in annual defined benefit pension payments, $123,700,000, as the County is paying in defined benefit plan salaries $125,500,000. There are 2,055 active county employees participating in the defined benefit plans and 5,308 county retirees or beneficiaries receiving annual pension payments. These numbers are ominous for WCERS ability to pay all future pension obligations. WCERS is grossly underfunded.

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED PENSION

Wayne County's Defined Benefit Pension Plans are severely underfunded and are a significant burden on the County's financial condition.

	County	Airport	Total
Participants			
Active employees	2,055	366	2,421
Retirees	5,308	186	5,494
Total	7,363	552	7,915
Ratio Active/Retiree	0.39	1.97	0.44
Active payroll ($m)	$ 125.5	$ 26.4	$ 151.9
Average pay/EE ($k)	$ 61.1	$ 72.2	$ 62.7
Retiree benefits paid ($m)	$ 123.7	$ 7.7	$ 131.4
Average pay/retiree ($k)	$ 23.3	$ 41.5	$ 23.9
Balance sheet			
Actuarial asset value ($m)	$ 672.3	$ 76.2	$ 748.5
Actuarial accrued liab ($m)	(1,512.8)	(132.0)	(1,644.8)
UAAL ($m)	$ (840.5)	$ (55.8)	$ (896.3)
Percent Funded	44.4%	57.8%	45.5%
FY 2014 Contribution			
Normal	11.6%	6.7%	10.8%
UAAL	41.3%	18.8%	37.3%
POAM Member Rate Adj.			
EE Contrib	-4.3%	-0.7%	-3.6%
Total %	48.6%	24.8%	
County contribution ($m)	$ 61.7	$ 7.2	$ 68.9
County contribution/active ($k)	$ 30.0	$ 19.8	$ 28.5

Notes:

- This valuation results in the County's required pension contributions to be very significant as a percentage of active wages.
- County contribution is 48.6% of payroll, mostly driven by a high UAAL. amortization (41.3%).
- On average, for each active employee, the County has to contribute. $30k to the pension plan.
- Average member contribution rate is approximately 4.63%.

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED PENSION

The County paid in FY 2013-14, 41.26% of payroll, or $60,851,819 into the pension system. Even with prior positive investment results, this significant contribution has had little effect on the Unfunded Accrued Actuarial Liability (UAAL). Despite actual returns of over 14% in 2012 and 2013, the UAAL increased. Whether there will be sufficient assets in the fund to support the accrued liabilities is of major concern.

The General Fund makes payments to mitigate this underfunding. Those payments are amortized over a 26 year period. This Recovery Plan assumes the 26 year amortization period will not be accelerated.

It is doubtful that this amortization period will be fast enough to insure that the County meets its obligation to pay its entire pension obligations as they arise. In an effort to address this concern, the Wayne County Retirement System Board of Commissioners adopted a new amortization policy. Starting in conjunction with the actuarial valuation dated September 30, 2014, which determines contribution for Fiscal Year 2016, the amortization period will be decreased by two years annually. Under this amortization schedule, annual pension contributions would reach approximately $268 million by fiscal year 2026. It is unrealistic to believe the County can afford such an accelerated contribution.

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED HEALTH CARE

The healthcare coverage provided by the County to its employees and its retirees is grossly underfunded. According to the County's most recent Other Post Employment Benefits (OPEB) actuarial valuation, the County retiree health care underfunding is $1.3 billion and funded at 0.8% of liabilities. The County currently has over 5300 retirees and 3200 active employees. OPEB obligations represent 40% of the County's long term obligations. Currently, 81% of County retirees are Medicare eligible and by 2020, 93% of County retirees will be Medicare eligible.

Categories	Contracts	Average Age
Employees	3,241	49
Retirees	5,317	72
Pre-Mirror	4,142	75
Medicare	3,348	79
Pre-Medicare	794	61
Mirror	1,175	63
Medicare	406	73
Pre-Medicare	769	57

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED HEALTH CARE

The chart below shows the OPEB underfunding:

Presented below is the summary of GASB 45 results for the fiscal year ending September 30, 2014 compared to the prior fiscal year as shown in the County's Notes to Financial Statement.

*Results shown in thousands

	As of October 1, 2012	As of October 1, 2013		
	Total	Total	MHA	County
Actuarial Accrued Liability	$ 1,568,535	$ 1,333,744	$ 8,075	$ 1,325,669
Actuarial Value of Assets	$ 0	$ 11,177	$ 0	$ 11,177
Unfunded Actuarial Accrued Liability	$ 1,568,535	$ 1,322,567	$ 8,075	$ 1,314,492
Funded Ratio	0.0%	0.8%	0.0%	0.8%

	FY 2012/13	FY 2013/14		
	Total	Total	MHA	County
Annual Required Contribution	$ 89,439	$ 77,541	$ 693	$ 76,848
Annual OPEB Cost	$ 89,486	$ 77,531	$ 628	$ 76,903
Annual Employer Contribution	$ 53,908[1]	$ 35,901	$ 309	$ 35,592

	As of September 30, 2013	As of September 30, 2014		
	Total	Total	MHA	County
Net OPEB Obligation	$ 216,571	$ 256,805	$ 1,719	$ 255,086

	As of October 1, 2014		
	Total	MHA	County
Total Active Participants[2]	3,430	0	3,430
Total Retiree Participants	4,984	46	4,938

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

[1] FY 2012/13 annual employer contribution includes (a) $44,802 in actual retirees' expense and (b) $9,106 in pre-funding contribution.

[2] Total active participants above only includes active employees who are eligible for retiree health benefits (regardless of current coverage election).

CURRENT FINANCIAL CONDITION OF THE COUNTY

UNDERFUNDED HEALTH CARE

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of October 1, 2013 compared to the prior year.

*Results shown in thousands

	As of October 1, 2012		As of October 1, 2013				
		Total		Total		MHA		County
Present Value of Future Benefits	$	**1,887,890**	$	**1,604,299**	$	**8,075**	$	**1,596,224**
Active Employees		795,901		717,307		0		717,307
Retired Employees		1,091,989		886,992		8,075		878,917
Actuarial Accrued Liability	$	**1,568,535**	$	**1,333,744**	$	**8,075**	$	**1,325,669**
Active Employees		476,546		446,752		0		446,752
Retired Employees		1,091,989		886,992		8,075		878,917
Normal Cost	$	**26,061**	$	**23,662**	$	**0**	$	**23,662**
Future Normal Cost	$	**293,294**	$	**246,893**	$	**0**	$	**246,893**

Present Value of Future Benefits (PVFB) is the amount needed as of October 1, 2012 and 2013 to fully fund the County's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of October 1, 2012 and 2013. This amount is a required disclosure in the Required Supplementary Information section.

Normal Cost is the portion of the total liability amount that is attributed and accrued for current year's active employee service by the actuarial cost method.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee by the actuarial cost method.

CURRENT FINANCIAL CONDITION OF THE COUNTY

DEBT

County supported debt, while not crippling, is of concern. Given the County's liquidity constraints, the assumption of additional debt to renovate existing jail facilities or complete the mismanaged jail project is presently unsupportable without implementation of this Recovery Plan and the identification of additional resources.

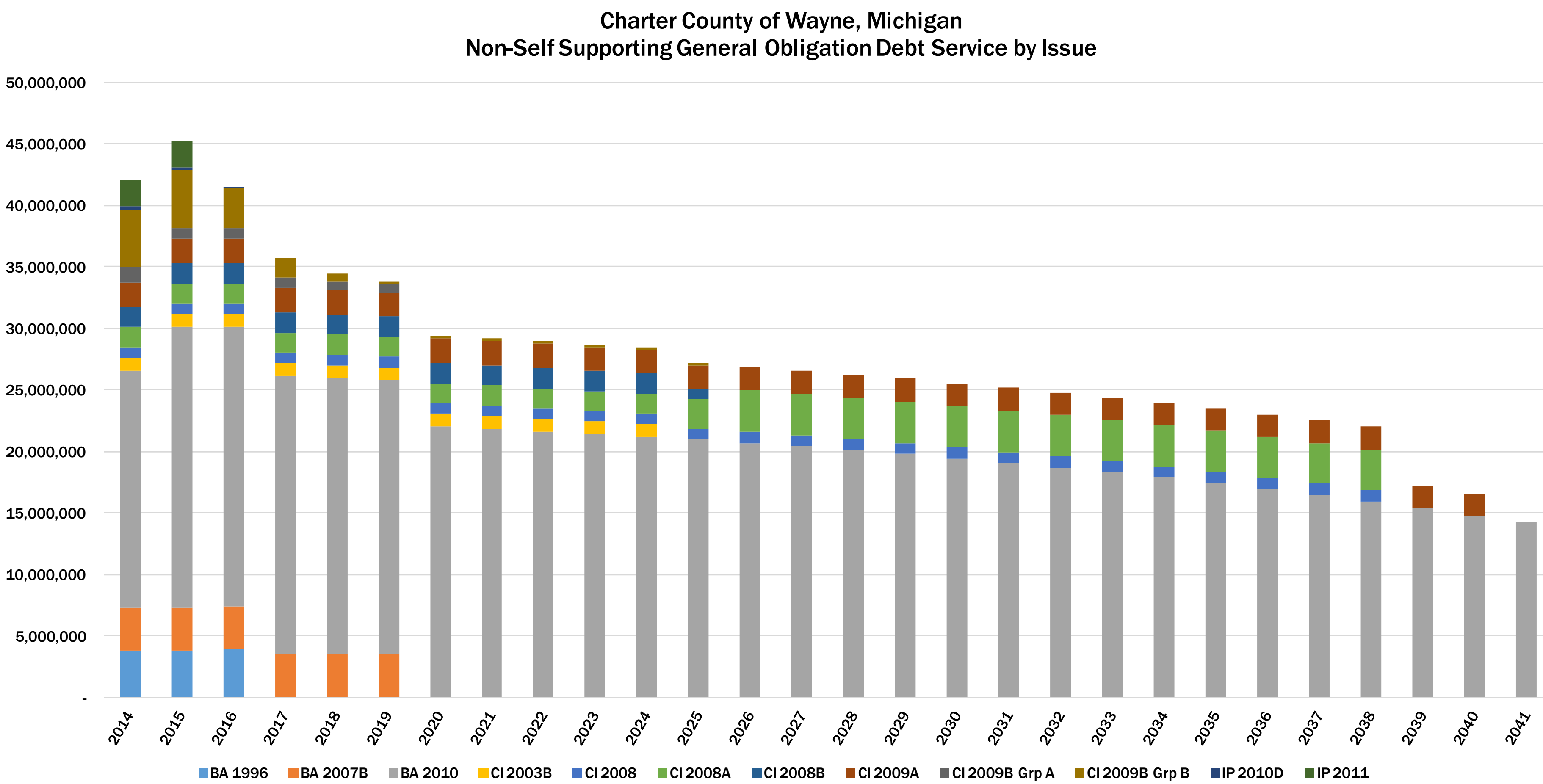
The chart below shows the County's direct debt:

OUTSTANDING DIRECT DEBT –NON-SELF SUPPORTING

Issue	Series	Outstanding Principal	Outstanding Coupon Range	Maturity	Call Date	Refunding Eligibility	Purpose
Building Authority							
Building Authority	1996	$ 7,185,000	5.250%	6/1/2016	6/1/2008 @ par	Current	Finance Capital Facilities
Building Authority Refunding Bonds	2007B	15,610,000	4.25 to 5.00%	12/1/2018	6/1/2017	Current	Refunding LGLP 1994A
Building Authority (Jail - RZEDBs)	2010	200,000,000	6.82 to 10.0%	12/1/2040	12/1/2020	Advance	Finance New Jail Facility
		$ 222,795,000					
Capital Improvement Bonds							
Capital Improvement Bonds	2003B	$ 8,125,000	4.0 to 5.25%	11/1/2023	11/1/2013 @ par	Current	Refunded Prior Bonds
Water Supply & Sewage Disposal Sys Imp Bds	2008B	11,710,000	4.75 to 5.70%	8/1/2038	8/1/2018 @ par	Advance	Finance Capital Facilities
Capital Improvement Bonds	2008A	32,875,000	4.375 to 5.00%	2/1/2038	2/1/2018 @ par	Advance	Finance Capital Facilities
Capital Improvement Bonds (Taxable)	2008B	13,315,000	5.375 to 5.50%	2/1/2025	2/1/2018 @ par	Advance	Finance Capital Facilities
Capital Improvement Bonds	2009A	23,515,000	6.750%	11/1/2039	12/1/2019 @ par	Advance	Finance Capital Facilities
Capital Improvement Bonds - Group A (Taxable)	2009B	3,500,000	5.80 to 7.00%	11/1/2018	11/1/2019 @ par	Advance	Finance Capital Facilities
Capital Improvement Bonds - Group B	2009B	10,465,000	5.00 to 5.375%	11/1/2024	11/1/2019 @ par	Advance	Finance Capital Facilities
		$ 103,505,000					
Installment Purchase Agreements							
Installment Purchase Contract Loan	2010D	$ 395,000		6/1/2016			
Installment Purchase Contract Loan (1)	2011	1,607,391		9/30/2015			
		$ 2,002,391					
		$ 328,302,391					

CURRENT FINANCIAL CONDITION OF THE COUNTY

DEBT SERVICE BY ISSUE

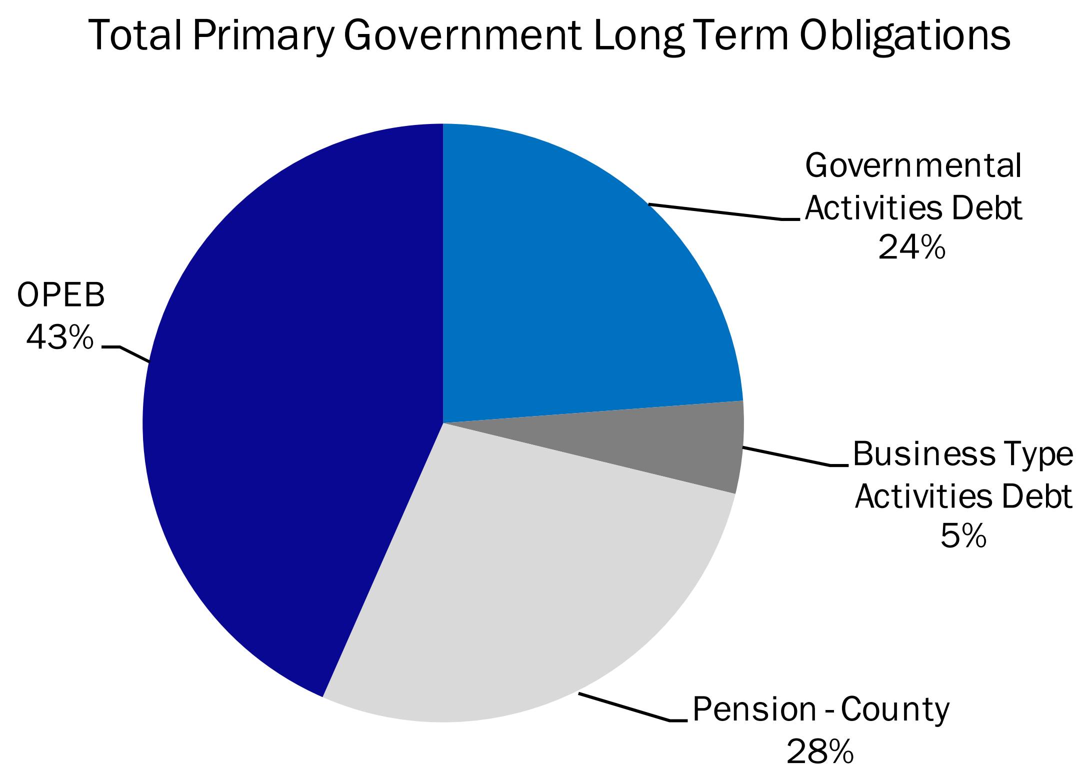


BA=Building Authority CI=Capital Improvements IP=Installment Purchase Agreements

CURRENT FINANCIAL CONDITION OF THE COUNTY

SUMMARY OF LONG TERM OBLIGATIONS

Over 70% of the County's long term obligations relate to health care and pension liabilities. This is depicted below:



Without remedial action, health care and pension liabilities will encompass an increasing percentage of the County's long term obligations.

CURRENT FINANCIAL CONDITION OF THE COUNTY

JAIL SPACE

One of the essential functions of county government is providing adequate jail space. Wayne County now operates three separate jails. One is literally falling apart and the other two are in need of substantial repairs. Whether the County finishes the partially-built jail on Gratiot or builds a new jail elsewhere, it will continue to need to operate the existing three jail facilities for at least three to five years.

Estimated costs to repair and maintain these facilities for the next five years approaches $100 million. Solving the County's structural deficit will not cover this expense. Even with required maintenance, eking out another 5 or 10 years of life from those aging facilities will be a struggle.

The long-term solution is to build one new highly efficient jail, resulting in significant savings in operation and maintenance expenses. Over the useful life of a new jail, these annual savings are likely more significant than the cost of building a new jail. However, the dire state of the County's finances does not allow the County to now do what is in its long-term interest. With success in implementing this Recovery Plan, the County can begin planning for a new jail.

CURRENT FINANCIAL CONDITION OF THE COUNTY

SEPERATELY ELECTED OFFICERS AND OFFICES

Unique to County government are offices that are managed by separately elected officers whose duties are established under the state constitution. With respect to Wayne County those officers include the County Sheriff, County Prosecutor, County Clerk, Register of Deeds and County Treasurer.

Historically, budgets for some of these offices, particularly the County Sheriff, have seen overruns. Prior County submitted budgets, that were approved by the Commission, were based upon assumptions of jail population that were understated solely to enact a balanced budget. When it became obvious that jail population did not decline to the budgeted amounts, the prior administration took no action to rectify projected budgetary deficits by enacting an amended budget.

The inability to hire and retain Sheriff deputies in Wayne County at adequate levels to staff the Jail has been a significant problem. A part of the problem has been the starting salaries for Wayne County Sheriff Deputies which is the lowest of the 5 county surrounding area at $13.60/hour compared to the next lowest $16.00/hour in Macomb County. The inability to hire an adequate number of deputies, coupled with a consent order to maintain 574 security personnel for all 3 of County's Jails, results in huge overtime costs.

CAUSES OF CURRENT FINANCIAL CONDITION

CAUSES OF CURRENT FINANCIAL CONDITION

The current dire state of Wayne County's fiscal situation is traceable to two major causes: loss of property tax revenue and fiscal and managerial mismanagement.

LOSS OF PROPERTY TAX REVENUE

A significant cause of Wayne County's fiscal situation is the loss of property tax revenue. Wayne County receives approximately 60% of its General Fund revenue from property taxes. In the 2007-08 fiscal year the County received approximately $408 million in property tax revenue. It fell to $289 million by the 2012-13 fiscal year. A sizeable reduction to manage when there is no corresponding reduction in the mandated functions required of Wayne County.

Wayne County gets 60% of its General Fund revenue from property taxes.

	07-08 Actual	08-09 Actual	09-10 Actual	10-11 Actual	11-12 Actual	12-13 Actual	13-14 Actual	14-15 Projected	15-16 Forecast	16-17 Forecast	17-18 Forecast	18-19 Forecast
Revenues *($ in millions)*												
Property and Other Taxes	$408.0	$385.8	$355.4	$326.6	$309.1	$288.6	$313.9	$301.9	$302.6	$302.4	$306.3	$312.6
Grants and Contracts	118.8	102.3	105.5	126.5	96.7	88.3	86.9	72.0	73.9	73.2	73.2	73.2
Other Revenue	74.9	79.0	71.6	113.9	127.5	130.3	141.2	118.3	119.7	120.6	121.4	122.4
Transfer from Delinquent Taxes	18.0	0.0	4.0	16.8	17.1	48.9	91.6	153.4	39.5	33.3	30.9	29.7
Total Revenues	**$619.8**	**$567.1**	**$536.5**	**$583.8**	**$550.5**	**$556.1**	**$633.6**	**$645.6**	**$535.7**	**$529.5**	**$531.8**	**$537.9**

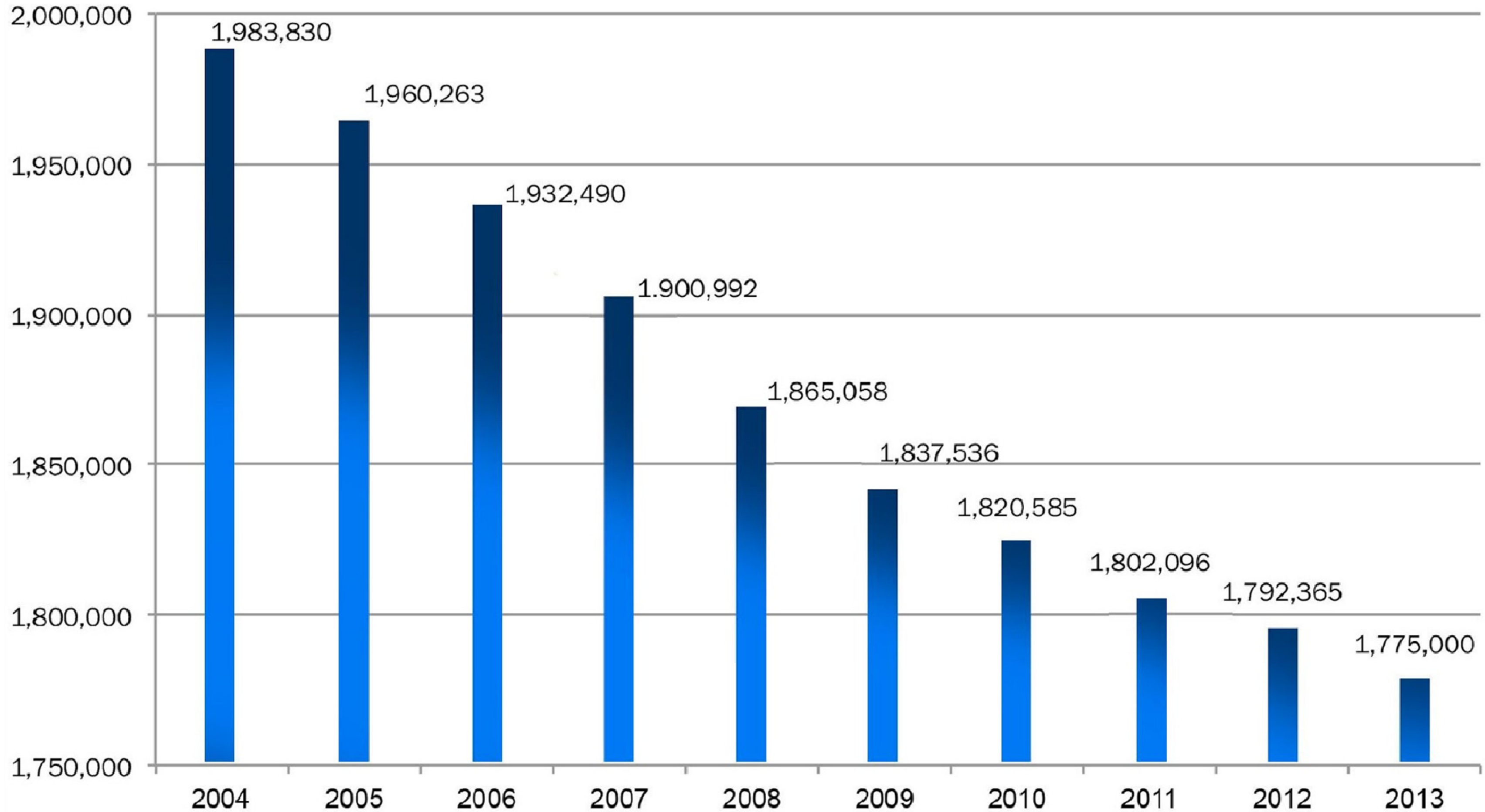
Source: Wayne County Department of Management and Budget

The causes of this huge reduction in property tax collections are generally associated with the adverse economic factors associated with Southeast Michigan over the last decade: population loss, high unemployment, lower than average income of Wayne county residents and falling property values.

CAUSES OF CURRENT FINANCIAL CONDITION

DECLINING POPULATION

From 2004 to 2013 the population of Wayne County fell from just under 2 million people to less than 1.8 million. The County's population has declined by 11%.

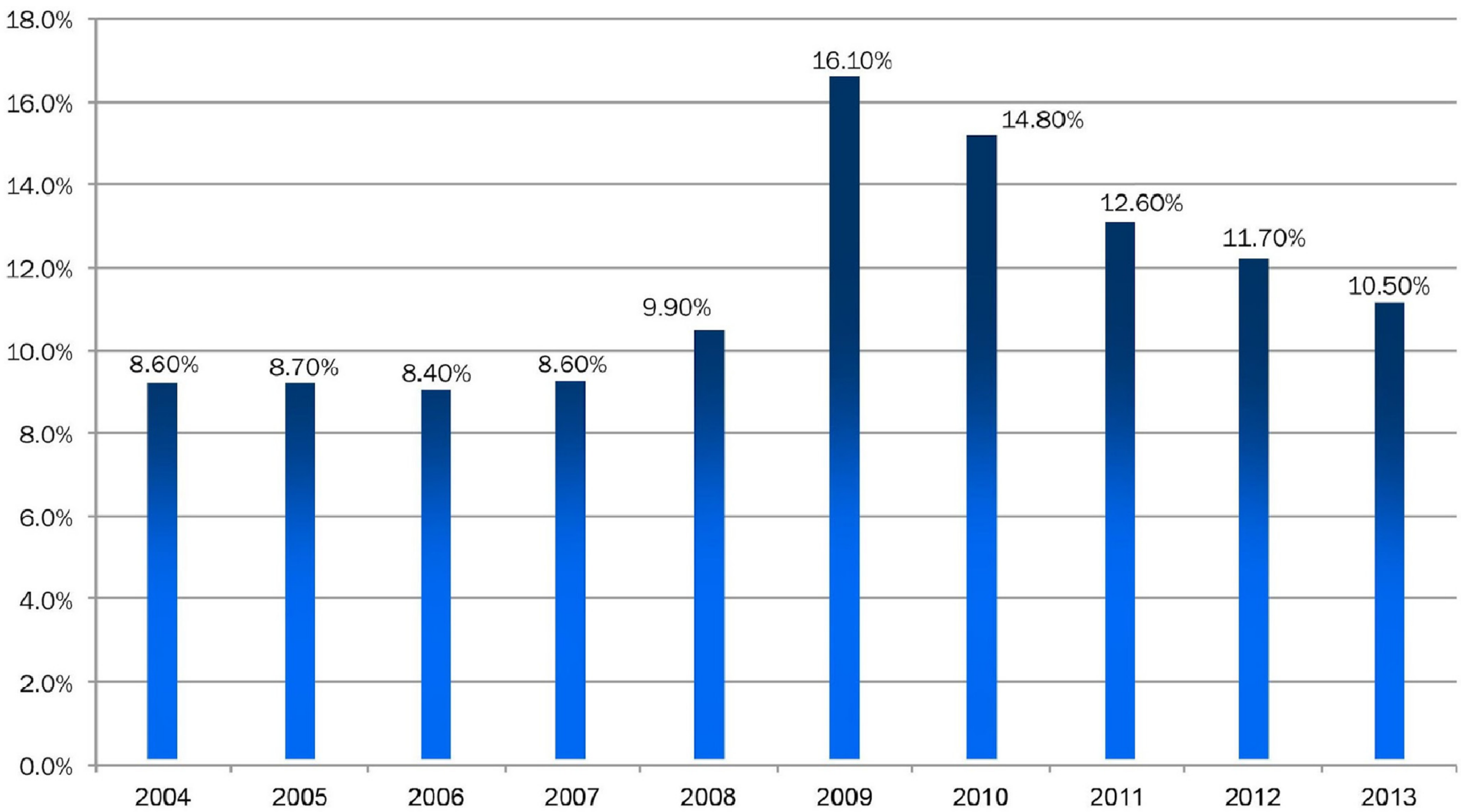


Source: P. Becker APB Associates – Demographer Report

CAUSES OF CURRENT FINANCIAL CONDITION

LOSS OF PROPERTY TAX REVENUE

Less people translates into less homeowners and less taxpayers. The problem was compounded by high unemployment.

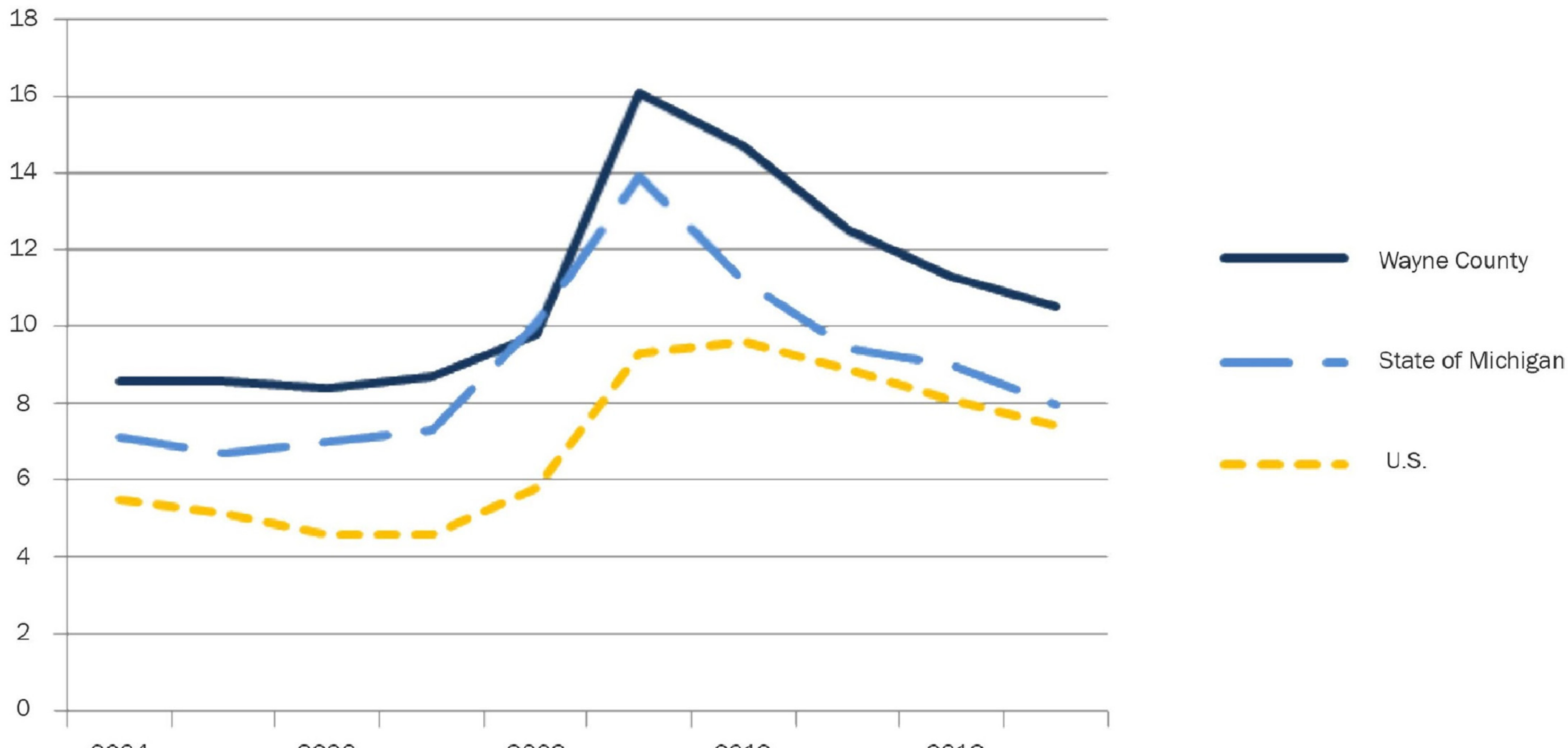


CAUSES OF CURRENT FINANCIAL CONDITION

WAYNE COUNTY UNEMPLOYMENT

Wayne County's unemployment rates have consistently remained higher than state averages before and after the most recent recession.

Annual Unemployment Rates

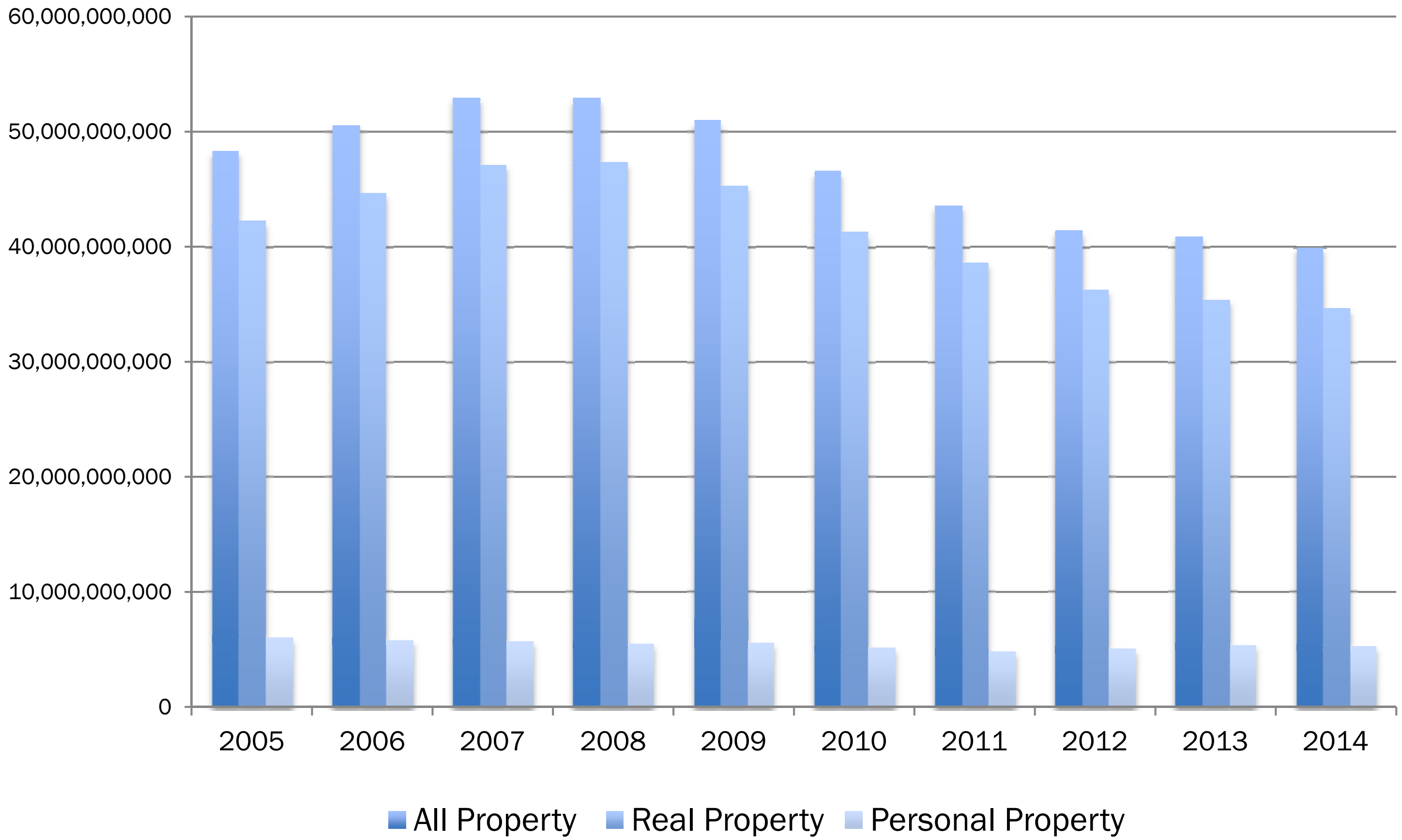


Source: US Government – Bureau of Labor Statistics

CAUSES OF CURRENT FINANCIAL CONDITION

AGGREGATE PROPERTY VALUES

At the same time Wayne County was struggling with the demographic changes, property values plummeted.



The County's property values decreased 25% from 2008 to 2014, resulting in the loss of nearly $12 billion in its taxable base and over $99 million of General Fund annual revenue.

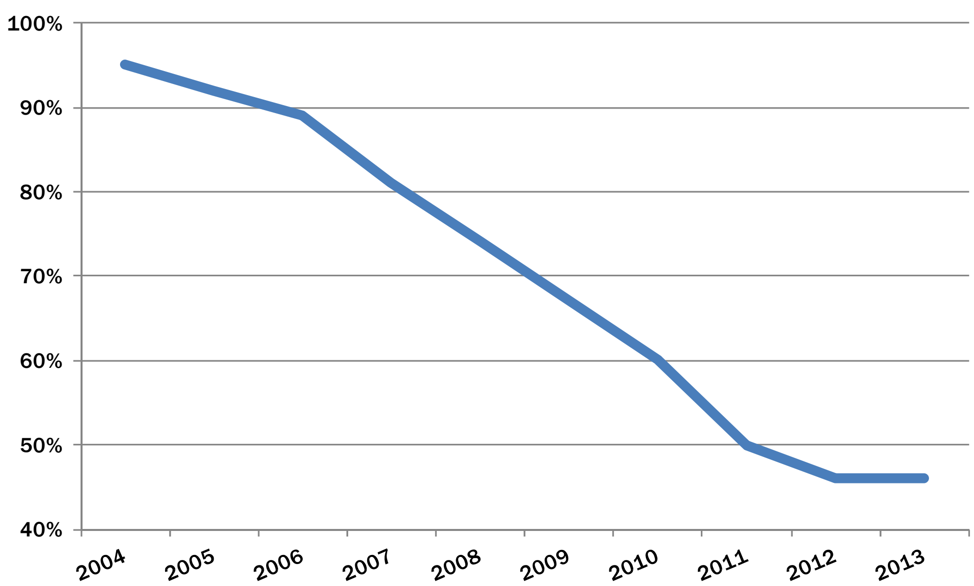
Source: Michigan Department of Treasury State Tax Commission (2005-2014) Taxable Valuation reports by county.

CAUSES OF CURRENT FINANCIAL CONDITION

FISCAL AND MANAGERIAL MISMANAGEMENT

Several decisions over the past decade have significantly exacerbated the County's present financial situation. The major items of such mismanagement include:

1) **PENSION ENHANCEMENTS:** Without knowing what the cost would be to the pension fund, the prior administration granted significant pension enhancements. These pension enhancements are a significant part of the UAAL facing the WCERS. The plan's funded status deteriorated from 95% to 45% from 2004 to 2013. Key reasons for this decline are outlined below:



Notes:

- Ability to purchase years of unearned service at a discount for some plan members.
- Retirement incentives which waived the retirement age requirement.
- Plans were reopened and had an influx of members beginning in 2002 for Plan 5 members and 2008 for Plan 6 members.
- Retiree payroll increased by 48% from $88.7 in 2004 to $131.4 in 2014.
- Average pension increased 51% from $15,851 per year in 2004 to $23,914 in 2013.
- County used an offset from the Inflation Equity Fund in lieu of its contributions in 2011 and 2012.
- Plan did not achieve investment returns for multiple periods.

CAUSES OF CURRENT FINANCIAL CONDITION

FISCAL AND MANAGERIAL MISMANAGEMENT

2) **PARTIALLY-BUILT JAIL ON GRATIOT:** A construction project to build a new jail was started and stopped. The cost to finish this partially-built jail on Gratiot is significantly more than the County can presently afford. Assuming the bonds will continue to qualify as tax-exempt bonds, Wayne County is required to pay about $14.2 million per year for the $200 million in bonds that have been sold, while receiving no benefit until the County can determine how it can afford to complete a new jail. Whether finishing this partially-built jail on Gratiot is the best way for Wayne County to eventually solve its need for a new jail is an open question.

3) **FAILURE TO TAKE ACTION ON THE UNDERFUNDED PENSION AND HEALTHCARE LIABILITIES:** The largest contributors to Wayne County's structural deficit are pension and health care obligations. These two items account for 70% of the County's long term obligations and approximately 15% of General Fund expenditures. Because the County did not act sooner, the problem grew exponentially and, now, more draconian actions are needed. It was never easy to deal with these problems but delay has made it much harder.

4) **MANAGING THE COUNTY'S REAL ESTATE HOLDING:** Until the O'Keefe Report received by the County on March 10, 2015, no complete compilation of the real property the County owned or leased was available. It is impossible to effectively manage the County's owned and leased real estate portfolio without knowing what is in it. Now, intelligent decisions can be made on how to more effectively manage that property. Selling unneeded real estate and consolidating leased County offices to available owned County buildings will save the county millions of dollars.

CAUSES OF CURRENT FINANCIAL CONDITION

CONCLUSION

Understanding both the nature of the crisis and factors that led to its creation are vital for crafting solutions which will address the origin of the financial problems of the County and help assure future financial stability. The current financial condition of the County simply stated, was in large part, caused by:

- A failure of financial controls.
- A leadership more interested in presenting nominally balanced budgets than closing their books in the black.
- A willingness to postpone tough decisions.

Instead, we now have before us a situation where everyone will need to make immediate and significant sacrifices to get the County healthy again. Unlike Detroit, the County's financial liabilities are heavily weighted upon pension and retiree health care obligations rather than debt owed to bond holders. Consequently, defaults and even bankruptcy are likely not the panacea for the County.

FIXING WHAT NEEDS TO BE FIXED

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

Three main challenges confront Wayne County in meeting its financial challenges and flourishing, again, as a vibrant county performing its functions well and efficiently.

First, to survive without the intervention of third parties, it must figure out how it can continue to pay its bills. To do that it must maintain liquidity by solving its structural deficit.

Second, once the bleeding is stopped, the budget is balanced and the danger of defaulting on its obligations solved, it must find solutions to its long-range planning issues that require significant upfront capital.

Third, the County must engage in continuous improvement of its operations to save money where it can in order to have more money available to perform its mandated functions well and better serve its citizens.

Each year Wayne County's General Fund spends, at least, $50 million more than the revenue it receives, excluding DTRF transfers. This must stop. Savings must be found in health care, pensions, wages, restructuring of operations and consolidation of leased space.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

HEALTHCARE

Savings will occur with the implementation of proposed changes to County healthcare benefits for the following classes of employees and retirees:

EMPLOYEES

- Employee healthcare plans will change to a defined contribution, cafeteria style plan. Additionally, modifications such as elimination of future credits to the Employee Health Care Trust, elimination of vision and reduction in dental benefits will reduce costs by almost $7.5 million in FY 2015-16.
- Healthcare benefits for future retirees will be eliminated.

"PRE-MIRROR" RETIREES

- Retirees who retired prior to 2007 will be offered two alternative plans depending on their Medicare eligibility:
  - Pre-Medicare Eligible: A $100 per month stipend for single coverage to purchase health care on the Exchange, $200 for retiree and spouse and $300 per month for family coverage. These changes will save $4.3 million in FY 2015-16.
  - Medicare Eligible: A $75 per month stipend to obtain health care pursuant to Medicare Advantage Plans on the open market or as otherwise provided by the County in its discretion as group plans. This will save $14.3 million in FY 2015-16.

MIRROR RETIREES

- These retirees health plan will mirror those made to employees, except they will receive only the HDHP plan containing a $1,300 deductible for single-person contract and a $2,600 deductible for two-person contracts with a 10% premium sharing. These changes will save the County $1.9 million in FY 2015-16.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

FINANCIAL PROJECTIONS – WAYNE COUNTY TOTAL HEALTHCARE PLANS

TOTAL ALL	2015	2016	2017	2018	2019	2020
No Changes	$67,617,266	$73,348,338	$79,600,021	$86,404,403	$93,778,448	$101,775,494
With Changes	$39,180,284	$41,385,402	$43,749,025	$46,282,793	$48,999,214	$51,911,726
Annual Projected Cost Reduction	$28,436,981	$31,962,936	$35,850,997	$40,121,610	$44,779,234	$49,863,768

Note 1: Actuarial impact of proposed plan changes could result in a reduction to County UAAL approximating $700 million.
Note 2: Totals do not include any potential changes to County Dental and Vision Plans.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

PENSIONS

No vested pension rights of active or retired employees will be reduced. Proposed pension changes are:

- Pension Amount – For service accruals after September 30, 2015, Average Final Compensation (AFC) multiplied by the lesser of 1.25% and the present benefit multiplier. Frozen benefits for service accrued prior to October 1, 2015 are based on current multipliers. The maximum benefit remains at 75% of AFC.
- Average Final Compensation (AFC) – Monthly average of base wages for the last ten (10) years of credited service effective October 1, 2015, with no additional items included in AFC. Frozen benefits as of October 1, 2015 are based on AFC periods and pensionable wages (which include any special payments for overtime, etc.) currently in effect.
- Member Contributions (Defined Benefit) – Effective October 1, 2015, 7% of wages up to $52,155, plus 8% of wages over $52,155. Any groups that are currently contributing more than the new rate will continue to contribute the higher amount.
- Normal Retirement – Effective October 1, 2015, age 62 with 10 years of service. For members who are age 52 or older as of October 1, 2015, a graduated eligibility scale between 60-62 will apply.
- Early Retirement (new provision effective October 1, 2015) – Age 55 with 30 years of service. Benefit actuarially reduced based on methods and assumptions to be determined.
- Vested Termination (deferred retirement) – Effective October 1, 2015, 10 years of service is required for vesting; deferred vested pension begins at age 65.
- Employees shall be responsible for any increase in the annual required contribution calculated to fund any UAAL associated with benefits accrued after implementation of the new plan design.
- Imposition of funding level requirements for benefit changes and prohibitions of retroactive benefit improvements.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

WAGES

Imposition of a 5% wage reduction for all county employees, including Court employees but excluding Police Officers Association of Michigan ("POAM"), Law Enforcement Supervisory Local 3317, Assistant Prosecuting Attorneys II, III, IV, Lead and GAA Affiliated Wayne County Professional Nurses.

This reduction applies to all County employees, exempt or union. The exempt employees in the CEO's office took a 5% reduction in pay when Warren Evans became CEO on January 1, 2015. This across-the-board 5% reduction will save the General Fund $2.7 million annually. Cumulatively, the reduction will save $10.2 million across all funds.

LEASED SPACE CONSOLIDATION

The County will reduce the cost of leased space by relocating county offices to County owned buildings. $3 million of annual savings necessary to eliminate the structural deficit will come from these relocations.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

MAJOR RESTRUCTURING OF OPERATIONS

CONSOLIDATION OF DEPARTMENTS

The Departments of Health and Human Services, Children and Family Services and Senior and Veterans Services are proposed for consolidation into one department: The Department of Health, Community Wellness and Senior Services. This reorganization will not only increase the quality of service but allow the services to be performed with 50 less employees. $3 million of annual savings necessary to eliminate the structural deficit will come from this consolidation.

ELIMINATION OF EDGE

The County Department known as the "Economic Development Growth Engine (EDGE)" is proposed to be eliminated. In analyzing what this department has accomplished in the last 5 years, it is difficult to find how it has been a significant engine for growth. The results of this entity have not justified its cost. Annual General Fund net savings of $250,000 will be realized from the elimination of this department.

PROCUREMENT SYSTEM

The County is launching a new procurement platform to allow effective strategic sourcing, adequate contract management, centralized electronic accounts payable and streamlined procurement processes. $10 million of annual countywide savings will come from the institution of new procurement policies, initiatives and systems to buy goods and services.

OTHER RESTRUCTURING INITIATIVES

A number of other restructuring initiatives will be instituted. The annual General Fund savings expected from these initiatives is $23.1 million. Examples of these initiatives include:

Billing for Public Health Services

- The federal Affordable Care Act and Michigan's health care exchange, Healthy Michigan Plan, make health care benefits available to individuals at a low cost.
- It is expected that many residents who frequent County public health facilities would qualify for health insurance through the ACA and the Healthy Michigan Plan.
- The County can bill third party payers (e.g., Medicare, Medicaid, etc) for services provided to residents covered under the ACA and Healthy Michigan Plan.
- Additionally, the County will explore providing on-site primary care services to maximize revenue for billed services.

Shift Offenders from Alternative Workforce (AWF) TO Non-Profit Service

- Low level felony offenders from 3rd Circuit Court and misdemeanants from district courts will be sentenced to other community service programs.

Right Size Staff at Juvenile Detention Facility (JDF)

- Right sizing staff to match current youth population housed in JDF.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

OTHER RESTRUCTURING INITIATIVES

Environmental Fee Increase

- 10+ years since last fee increase.
  - Current fees: $0.16 per cubic yard or $0.48 per ton.
- Increase fees by $0.10 per cubic yard, with an anticipated minimal impact on end users.
- Additional revenues generated as an impact fee could be used for any environmental purpose that promotes the public health, safety, or welfare of the citizens.
- Projected Revenue Increase: $1.1 million.

Negotiate Reduction in Rates for Care Management Organizations (CMO)

- The County has contracts with five CMOs, which provide a variety of case management services for adjudicated delinquent youths.
- Each CMO contract includes a maximum annual payment.
- The County will negotiate with each CMO to reduce its maximum annual payment.

Third Party Jail Health and Juvenile Detention Facility (JDF) Health Services

- Physical, behavioral and other related health services are provided to youth and adult offenders.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

OTHER RESTRUCTURING INITIATIVES:

Environmental Health Fee Increases

- Multiple business units provide environmental health inspection and permit services. Such services include: food establishments, public swimming pools, private sewage (septic tank), and private water (well water) inspections.
- While these business units receive grant funds and charge fees for their services, General Fund dollars are also needed because the units are not self supporting.

Improvements in the Sheriff's Department

- Staff of the CEO's Office and the Sheriff's Office have engaged in and will continue to engage in discussions to help the Sheriff reduce overtime and achieve many other efficiencies.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

OTHER PROPOSED CHANGES TO CBA's

- **Removal of Prohibitions Against Third Party Contractual Work:** Provisions restricting the contracting and subcontracting of bargaining unit work will be eliminated from Collective Bargaining Agreements. These changes are intended to preserve the jobs of County employees, while maintaining the right of the County to conduct County-wide operations in the most efficient and cost-effective manner. If the County, in its discretion, determines that it will seek a third party contract for specific services that are performed in whole or in part by one or more unions, the applicable union(s)will receive advance written notice of any final decision. The union(s) may prepare alternative plans for the County's consideration. The final decision to act is vested solely and exclusively in the County, which will not act in an arbitrary and capricious manner.

- **Insourcing:** Any union representing a collective bargaining unit within the County will have the opportunity to bid on work which is currently performed by a third party. Any union may submit an Insourcing Proposal. A proposal will be required to contain detail demonstrating the economic/qualitative advantages of Insourcing the contracted services. The County shall review such a proposal on a fair and reasonable basis and, at its discretion, respond.

- **Non-Economic Changes:** Many of the work rules and restrictions required by union contracts make it difficult to operate the County efficiently.
    - Wayne County is often constrained from selecting the most qualified and best suited employees to fill vacant classified positions.
    - Some Collective Bargaining Agreements require transfers, promotions and displacements (including lay offs and demotions) to occur based on seniority rather than qualifications and work history/past performance. As a result, the candidate best suited for the position may not be selected.
    - Collective Bargaining Agreements contain language that restricts the County's ability to engage technical and professional skills on a contractual basis needed to provide core services in the most efficient and effective manner.
    - The County experiences significant loss of productivity and increased inefficiencies due to previously negotiated generous leave allowances that are contrary to current trends.

SUMMARY OF PROPOSED MODIFICATIONS

Savings/County-Wide (Includes Courts)	Savings/General Fund	Modification
WAGES		
$10,227,000	**$2,672,000**	**5% Wage Reduction.** Applies to all employees and appointees, including the courts but excluding Police Officers Association of Michigan ("POAM"), Law Enforcement Supervisory Local 3317, Assistant Prosecuting Attorneys II, III, IV, Lead, GAA Affiliated Wayne County Professional Nurses.
Other Compensation		
$111,000	$105,000	**Tuition Reimbursement.** Occurs only pursuant to employer's discretion.
$550,000	$174,000	**Double-Time.** Double-time for the 7th day of a work week eliminated
$383,000	$214,000	**Other Fringe Benefits.** Elimination of vision coverage; uniform and gun allowances
TBD	TBD	**Overtime Pay.** Members shall only be paid overtime (time and one-half) (150%) of the regular hourly rate for hours of work in excess of forty (40) in a work week. Vacation, sick, holiday, personal business leave and bereavement are excluded. [1]
TBD	TBD	**Reduction in Sick-Leave Bank Payouts.**
TBD	TBD	**Holidays.** Elimination of birthday holiday, Columbus Day, and two (2) swing holidays.
TBD	TBD	**Holidays.** Designation of Family Holiday or Major Holiday will be eliminated and employees working on any holiday shall be paid at the rate of 100% for all hours worked in addition to their regular pay.
$1,044,000	**$493,000**	**Total Other Compensation, Fringe Benefits and work Rules**
Health Benefits (Actives)		
$856,000	$53,000	**Elimination of Future Benefit Credits to the Employee Healthcare Benefit Trust for Active Employees.**
$4,884,000	$2,170,220	**High Deductible Health Plan ("HDHP").** *See*, Exhibit attached to proposals. $1,300.00 deductible for in-network services per member. $2,600.00 for out-of-pocket maximum for in-network per family. 25% premium sharing. Annual Bonus: $500.00/$700.00/$1,000.00

[1] Will differ as some CBA's will have (80 hours) in a pay period.

Source: Cornerstone Municipal Advisors

SUMMARY OF PROPOSED MODIFICATIONS

$357,200	$164,406	**Elimination of Opt-Out Stipend.** County will no longer give annual cash stipend for those employees not participating in the healthcare plans it provides.
$1,366,000	$568,410	**Dental.** Pay up to Midwestern Dental amount only.
$7,463,200	**$2,956,036**	**Total Health Benefits (Actives)**
Pension Benefits[1] (Actives)		
$925,000	$582,750	**Employer Contribution to DC Plan.** Capped at 10% of gross wages. Bargaining unit members contribute 4% of gross wages.
$3,918,000	$2,468,340	**Employer Contribution to Hybrid Plan.** Contribution to Plan 5 DC component is eliminated.
$11,756,504 [2]	$7,406,597	**Change in Pension Multiplier for All Active Employees in DB Plans.** Maximum multiplier for future accruals is 1.25. **Change in Average Final Compensation ("AFC") limited to the average of the last consecutive ten (10) years and shall include only base wages.** Credited service prior to date of implementation shall be computed using AFC pursuant to present provisions in CBAs. **Change in Eligibility.** Normal retirement eligibility is age 65 with 10-year vesting. Early retirement eligibility at 55 with 30 years, true actuarial reduction. **Duty Disability.** 60% of AFC maximum.
$4,502,848	$2,836,794	**Change in Employee Contribution in DB Plans 1, 3, 5, and 6.** 7% of gross wages for employees up to $52,155.00 annually. $52,155.00 or higher, employee to contribute 8% of gross wages annually.
$21,102,352	**$13,294,481 at 63%**	**Total Pension Changes**
Health Benefits (Retirees)		
$18,657,566	$9,888,510	**Changes in Retiree Healthcare.** Modifications to retiree healthcare for all present retirees retiring prior to 2007 (pre-*Mirror Language)*. Pre-Medicare eligible shall receive $200.00 per month for single coverage to purchase healthcare on the Exchange, $300.00 for retiree and spouse, and $400.00 per month for family coverage. Medicare-eligible retirees shall receive from the County a $130.00 per month stipend to obtain, pursuant to Medicare Advantage Plans.

[1] Pension projections are estimates. Full valuation in progress.

[2] Gabriel Roeder projections, March 19, 2015.

Source: Cornerstone Municipal Advisors

SUMMARY OF PROPOSED MODIFICATIONS

		Plans on the open market, or as otherwise provided as group plans by the County.
$1,919,000	$1,017,070	**Changes for Retirees Under CBAs Containing *Mirror Language*.** Upon inclusion of the changes to active employees as proposed herein into the CBA of the unit from which the retiree retired from, retiree will receive only the HDHP contained therein. 10% premium sharing pursuant to CBAs.
TBD	TBD	**Changes in Retiree Healthcare Implemented January 2014 Cost Savings Properly Allocated to the 2014-2015 Budget.** In January 2014, the County implemented plan design changes for post-12-01-1990 retirees, increased their RX co-pay, and placed them in to MAP for Rx. For all pre-65 retirees, pre-Mirror Language, including pre-1990, the County implemented plan design and premium sharing changes. We projected savings of $5,114,378.00. Pursuant to our recent OPEB actuarial valuation, annual employer contribution for pay-go cost was reduced by $9,919,000.00.
$20,576,566	**$10,905,579**	**Total Retiree Health Care**
	$23,100,000	**Other Resructuring Inititiatives**
$60,313,118	**$53,421,096**	**GRAND TOTALS**

Source: Cornerstone Municipal Advisors

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

WAYNE COUNTY GENERAL FUND WITH REMEDIAL ACTIONS

($ in millions)	FORECAST AFTER REMEDIAL ACTIONS					
	2015	2016	2017	2018	2019	5 YEAR TOTAL
Total revenues	492.2	496.2	496.2	500.9	508.2	2,493.7
Expenditures						
Operating expenditures	(355.1)	(358.3)	(366.0)	(373.4)	(377.5)	(1,830.3)
Debt service, subsidies, and other operating	(211.9)	(213.6)	(213.1)	(213.0)	(213.0)	(1,064.6)
Total Expenditures	(567.0)	(571.9)	(579.1)	(586.4)	(590.5)	(2,894.9)
Structural surplus (deficit)	(74.8)	(75.7)	(82.9)	(85.5)	(82.3)	(401.2)
Transfer from Delinquent Taxes [1]	153.4	39.5	33.3	30.9	29.7	286.8
Changes in Compensation	-	3.2	3.2	3.2	3.2	12.8
Changes in Employee Health Care	-	2.9	3.1	3.1	3.2	12.3
Changes in Employee Pension Costs	-	13.3	13.3	13.3	13.3	53.2
Changes in Retiree Healthcare	-	10.9	12.4	14.2	16.0	53.5
Restructuring of Ongoing Operations	-	23.1	23.1	25.3	26.5	98.0
Total Changes and Restucturing	-	53.4	55.1	59.1	62.2	229.8
Annual surplus (deficit)	$ 78.6	$ 17.2	$ 5.5	$ 4.5	$ 9.6	$ 115.4
Accumulated Unassigned	$ (9.9)	$ 7.3	$ 12.8	$ 17.3	$ 26.9	$ 26.9

[1] FY 2014 and FY 2015 includes one time transfers from the Delinquent Tax Revolving Fund of $92.3 million and $78.9 million.

FIXING WHAT NEEDS TO BE FIXED

STRUCTURAL DEFICIT & LIQUIDITY

WAYNE COUNTY GENERAL FUND WITH REMEDIAL ACTIONS

($ in millions)	FORECAST AFTER REMEDIAL ACTIONS					
	2015	2016	2017	2018	2019	5 YEAR TOTAL
Revenues						
Property taxes	$ 275.1	$ 275.8	$ 275.3	$ 279.0	$ 285.1	$1,390.3
Other taxes	13.3	13.3	13.4	13.4	13.4	66.8
Parking fees	6.1	6.1	6.1	6.1	6.1	30.5
Cobo Hall liquor tax	7.4	7.4	7.6	7.8	8.0	38.2
State shared revenue	50.0	50.0	50.0	50.0	50.0	250.0
State court equity	13.7	13.6	13.6	13.6	13.6	68.1
Grants	8.3	10.3	9.6	9.6	9.6	47.4
Charges for services	110.8	112.3	113.1	113.9	114.8	564.9
Other revenue	7.5	7.4	7.5	7.5	7.6	37.5
Total revenues	492.2	496.2	496.2	500.9	508.2	2,493.7
Expenditures						
Salaries and wages	(110.0)	(107.4)	(107.4)	(107.4)	(107.4)	(539.6)
Overtime	(15.6)	(15.2)	(15.2)	(15.2)	(15.2)	(76.4)
Fringe benefits						
Health - Active	(22.4)	(20.7)	(28.4)	(29.9)	(32.4)	(113.9)
Health - Retiree	(18.3)	(9.9)	(5.0)	(5.2)	(4.9)	(65.6)
Pension	(46.4)	(34.8)	(36.7)	(38.7)	(40.8)	(194.3)
Other Benefits	(14.2)	(13.9)	(14.3)	(14.2)	(14.4)	(71.0)
Other operating expenditures	(128.2)	(126.2)	(127.0)	(128.9)	(126.7)	(637.7)
Other restructuring Initiatives	-	23.1	23.1	25.3	26.5	98.0
Operating expenditures	(355.1)	(305.0)	(310.9)	(314.2)	(315.3)	(1,600.5)
Net operating surplus	137.1	191.2	185.3	186.7	192.9	893.2
Transfers out to other funds	(196.9)	(199.8)	(199.8)	(199.8)	(199.8)	(996.1)
Debt service	(5.5)	(4.7)	(4.3)	(4.2)	(4.1)	(22.8)
Other non-operating	(9.5)	(9.1)	(9.0)	(9.0)	(9.1)	(45.7)
Annual surplus (deficit) less DTRF Transfers	(74.8)	(22.4)	(27.8)	(26.3)	(20.1)	(171.4)
Transfer from Delinquent Taxes [1]	153.4	39.5	33.3	30.9	29.7	286.8
Annual surplus (deficit)	$ 78.6	$ 17.1	$ 5.5	$ 4.6	$ 9.6	$ 115.4
Accumulated Unassigned	$ (9.9)	$ 7.2	$ 12.7	$ 17.3	$ 26.9	$ 26.9

[1] FY 2014 and FY 2015 includes one time transfers from the Delinquent Tax Revolving Fund of $92.3 million and $78.9 million.

FIXING WHAT NEEDS TO BE FIXED

FUTURE CAPITAL NEEDS

Economic challenges remain even after eliminating the structural deficit:

UNDERFUNDED PENSIONS:

The County's pension system is only 45% funded with a shortfall of $910,000,500. Presently, the County is attempting to solve this gross underfunding pursuant to a 26 year amortization period. Risks associated with investment returns and assumptions over such a lengthy period continue to exist. Moreover, litigation remains outstanding raising issues involving the funding obligations of the County to satisfy it unfunded liabilities. This amortization period may be too long.

JAIL:

How to fund the renovations of the existing jail facilities or the construction of a new jail remains unresolved.

OTHER CAPITAL NEEDS:

Upgrades to the County's antiquated information systems are needed in many places.

Capital for these needs can come from fixing the structural deficit beyond $52 million, monetizing assets or additional revenue.

FIXING WHAT NEEDS TO BE FIXED

FUTURE CAPITAL NEEDS

ASSETS

Wayne County's real estate portfolio provides potential annual operating savings by terminating leases, monetizing major assets, such as the waste water treatment facilities and consolidating business operations.

The largest cost to the County on its properties falls under the General Fund. This group of properties includes most of the facilities in which the County actually conducts its business. The downtown offices, jails, courts and storage facilities all fall within this category. The social service programs that are administered by the County also fall within this purview. This group of properties is the best place to look for operational and functional efficiency improvements. The Guardian Building is the most underutilized facility in the County's portfolio. The County presently occupies less than 40% of the building and another 25% of sits vacant. Moreover, current County lease costs exceed $8 million a year. This number can be reduced by consolidating offices and terminating leases.

The County plans to monetize real estate assets for which it no longer has a use. These funds can be used to address deferred capital expenditures and pension underfunding.

FIXING WHAT NEEDS TO BE FIXED

FUTURE CAPITAL NEEDS

ASSETS

The County presently owns approximately 257 separate properties located in 25 of its 43 municipalities. The County is presently exploring sales of the following buildings:

Lincoln Hall of Justice - Detroit, MI
3100 Henry Ruff - Westland, MI
Eloise Complex - Westland, MI
640 Temple - Detroit, MI
30555 Michigan Ave. - Westland, MI
Golf Courses - Dearborn Heights
5454 Venoy - Wayne, MI

The County's head office, the monumental and historic Guardian Building, is the largest asset of the real estate portfolio. This building is a 640,000 square foot art deco architectural masterpiece. It is currently 76% occupied and the occupied space is about evenly split between the County and 3rd party tenants. This equates to 106,000 square feet of available space.

The County is currently exploring disposition of the Guardian Building, 511 Woodward and the First Street parking deck and a relocation of its headquarters.

FIXING WHAT NEEDS TO BE FIXED

FUTURE CAPITAL NEEDS

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT AND WILLOW AIRPORT

Wayne County's real estate portfolio includes title to the land upon which Detroit Metropolitan Wayne County Airport (DTW) and Willow Run Airport (YIP) operate.   It also owns real estate parcels surrounding DTW (Wayne County Aeropark).   The county recently received inquiries for these parcels with a potential multi-use as flex facilities including logistics, research and development as well as retail/hotel have emerged.

WASTEWATER TREATMENT SYSTEMS

Wayne County operates The Downriver Wastewater Treatment Facility ("Downriver") and has an ownership interest in this facility. This facility utilizes preliminary, primary and state of the art Ultra Violet ("UV") disinfection treatment processes to treat sewage prior to discharging treated effluent to the Trenton Channel of the Detroit River. The facility is located on a 34-acre site in Wyandotte, Michigan. Downriver can provide treatment for an influent flow rate of up to 225 million gallons per day ("MGD"). The primary and secondary treatment processes are designed to treat maximum flow rate of 150 and 125 MGD, respectively. The facility is designed such that flow cannot bypass both primary and secondary treatment processes. All flows undergo disinfection prior to discharge to the Detroit River. The County is presently in discussion concerning the transfer of control of this facility. The County also plans to pursue transfer of control of the Northeast Sewage Disposal System and the Rouge Valley Sewage Disposal System.

SUMMARY

This document has attempted to accurately present Wayne County's financial condition, explain its origin and point a way to a solution. The information in this document should sober even the biggest cynic. So now the question is can Wayne County actually solve its financial problems and get itself out of this mess? Can all the stakeholders come together in a spirit of shared sacrifice to meet this challenge? The challenge is obviously great, maybe unprecedented.

The solutions presented here are this administration's best effort to identify the needed shared sacrifice. There is no pride of authorship and ideas to make the proposed solutions in this Plan better are welcome. The best solution is one in which the County's elected officials, its Unions, its exempt employees and other stakeholders come together in a spirit of voluntarily working together to solve our own financial problems. We created them. We should be the ones to solve them. It may be that past decisions contributed to this unfortunate situation but we can't look back. Our only choice is to look forward.

If all the constituent parts that make up the government of Wayne County can't find the appropriate balance of shared sacrifice to meet this financial challenge, there will be no alternative to State intervention. Once the State intervenes, the outcome is no longer solely within the control of we who make up the government of Wayne County. State law allows intervention from the lowest form of a Consent Agreement to Emergency Manager to Bankruptcy.

The sacrifice will likely be greater and the solution less optimal, if we can't figure this out locally in partnership with the State rather than under the mandate of the State. Let us hope that we can find the courage and reasonableness to get the job done and that the citizens of Wayne County can once again be proud of their elected officials.