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# HOME RULE INWAYNE COUNTY: IV

## Wayne County after Four Years of Home Rule

This is the fourth issue in a series of articles reviewing the effects of adoption of a home rule charter in Wayne County, the fourth most populous county in the nation (after Los Angeles County; California; Cook County, Illinois; and Harris County, Texas). Previous articles have described county organization options in Michigan, organizational restructuring and separation of powers in Wayne County, and checks and balances under the Wayne County Charter.

In July of 1979, the Michigan state treasurer declared Wayne County's financial records to be unauditable, and in October of that year Wayne became the first county since the great depression to default on a payroll. The crisis of 1979 led to amendment of the Michigan Charter County Act in 1980, adoption of Michigan's first county charter in 1981, election of the first county chief executive officer in 1982, and charter implementation in 1983. This article will describe changes in Wayne County's financial condition since charter implementation, in recognition of the fact that financial crisis provided the impetus to address the long recognized need for structural reorganization to improve county operations and efficiency. It will also briefly assess the current state of the economy.

The articles in this series summarize information in a report entitled **A Review of the Effects of Home Rule on Wayne County**, which is available upon request. This series and the report from which it derives were made possible by a grant from the Hudson-Webber Foundation.

**Financial Condition.** Wayne County records prior to 1982 are not accurate, and cannot be used for analysis. Annual financial reports show *a* 1982 undesignated, unreserved general fund deficit of $97.9 million, subsequently revised to $117.8 million, and a 1986 undesignated, unreserved deficit of $110.9 million, a reduction of $6.9 million, or less than 6%. In addition, over the period, the general long term debt of the county increased substantially.

**Wayne County Deficit and Debt**
**In Millions**

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Unreserved, undesignate general fund deficit | $ 117.8 | $ 57.3 | $ 39.6 | $ 45.3 | $110.9 |
| General outstanding long term debt | 48.5 | 94.1 | 105.4 | 134.9 | 136.6 |

The first elected Wayne County CEO assumed office in 1983 and was faced immediately with critical operating problems inherent in establishing and defending a workable executive branch as well as an array of financial problems, not the least of which was paying for social welfare programs mandated by the state.

By the end of February 1984 the county owed to the State of Michigan at least $134.5 million for indigent hospitalization, mental health, and state ward programs (only the last three months' totals were certain). An agreement to repay these obligations was negotiated among representatives of the county and state and then formalized by a consent judgment. The state forgave $45 million and the county agreed to repay $89.5 million over ten years, with another $38.55 million eligible to be forgiven if county costs for indigent hospitalization exceeded annual thresholds (which they were certain to do, and have done in every year since.) In effect, this agreement shifted county debt to the taxpayers of the state, and to the future taxpayers of Wayne County. On November 30, 1986, the county still owed $63.85 million on this debt to the state, of which another $12.9 million could be forgiven. But the county owed an additional $62 million to the state for indigent medical and other program obligations incurred after the 1984 agreement with the state.

The annual financial report for 1983 included the effects for that year o the debt settlement agreement and reflected an undesignated, unreserved general fund deficit of only $35.6 million, which was subsequently revised to $57.3 million. In August of 1984 the county leased Wayne County General Hospital, which had required county subsidies of $17.2 million in 1982 and $17.7 million in 1983. (In May 1987, the Wayne County Commission agreed to modify the lease and sell the facility to a hospital consortium.) In spite of the shedding of Wayne County General, the 1984 annual report showed a deficit of $39.6 million. The official deficit grew to $45.3 million in 1985. The most recent comprehensive annual financial report attributes a $110.9 million deficit to county support of state-mandated indigent hospitalization, which cost $19.3 million more than the 1986 budget of $12.5 million; a $12.6 million settlement with AFSCME employees related to 1983 efforts to reduce personnel costs; county support of state-mandated mental health and child care programs costing $42.5 million; reductions in federal revenue sharing amounting to $4.3 million from 1985 levels; and settlements or additional provisions relating to legal or other contractual matters of $15.9 million.

General long term debt, exclusive of debt payable from the road fund, grew from $48.5 million in 1983 to $136.6 million in 1986, primarily due to restructuring the debt to the state (reflected in 1986 at a 10% discounted rate of $44.1 million) and the sale-lease back of the Old County Building, which allowed that facility to be restored and refurbished ($41.8 million). The $247.5 million combination of deficit and debt in 1986 was nearly half again as large as the $166.3 million sum of deficit and debt in 1982. The recently reported $136.6 million in general debt is unfunded and, like the deficit, represents reductions in future service levels. Since the county's general long term debt is not voter-approved bonded debt, it must be financed within existing tax limits and revenue sources. Portions of the debt are not due until 1997, but it is clear that the county has increased its reliance on future debt to relieve pressure on the deficit.

As of November 30, 1982, the county reported unfunded vested accrued liabilities for the Employees' Retirement System of $106 million. In 1983, while wresting executive functions from the county commission, the county executive initiated actions to control personnel costs, including closing the existing pension plan to new hires and adding two new pension plans which require no employee contributions but produce lower final benefits, and limiting the hours of sick leave and vacation that could be accumulated. As a result of changes made in the pension system beginning in 1983, unfunded accrued pension liabilities in 1985 totaled $53.8 million, about half of the unfunded liability in 1982; this is not considered part of the county debt.

**Revenue Base.** An assessment of Wayne County's financial health may be inferred more accurately from a different set of data: the general fund revenues generated by the county's 7.07 mill property tax declined by $1.1 million from 1982 to 1986.

**WAYNE COUNTY GENERAL FUND
PROPERTY TAX RECEIPTS**

| Fiscal Year | Amount |
|---|---|
| 1982 | $127,470,956 |
| 1983 | 131,049,440 |
| 1984 | 127,675,846 |
| 1985 | 131,904,802 |
| 1986 | 126,338,306 |

The absence of growth in the county's state equalized value (SEV) is a major problem. The SEV of the City of Detroit has remained relatively constant at about $5.2 billion for decades, and growth in out-county Wayne has been slower than that occurring in any of the other counties in the Southeast Michigan Council of Governments (SEMCOG) area. In fact, between 1970 and 1987, the 80% growth in total Wayne County SEV was substantially below the 200% increase in state SEV, and also considerably below the 174% growth in the Detroit region consumer price index. According to documents prepared by the Wayne County Bureau of Taxation, the 1970 to 1987 growth in county SEV in the SEMCOG area was as follows:

**COMPARISON OF SEV GROWTH IN SEVEN COUNTIES**

| COUNTY | 1970 SEV | 1987 SEV | % INCREASE |
|---|---|---|---|
| Livingston | $278,757,940 | $1,451,375,502 | 420.66 |
| Macomb | 2,747,706,064 | 9,346,966,611 | 240.17 |
| Monroe | 474,805,366 | 2,655,931,422 | 459.37 |
| Oakland | 4,738,990,509 | 18,849,513,271 | 297.75 |
| St. Clair | 618,129,277 | 2,406,266,828 | 289.28 |
| Washtenaw | 1,210,113,881 | 3,935,803,616 | 225.24 |
| Wayne | 11,509,238,404 | 20,722,405,254 | 80.05 |
| Total SEMCOG | $21,577,741,441 | $59,368,262,504 | 175.14 |
| Total State | $38,573,834,480 | $115,926,773,725 | 200.53 |

Although 1984 per capita personal income in Wayne was $12,303, making it the tenth highest in the state, per capita personal income for all Michigan residents averaged $12,621 (ranging from Lake County's $7,109 to Oakland's $17,837). Growth in per capita income in Wayne County from 1974 to 1984 was 98%, less than the 111% increase in inflation. In fact, in Michigan only Gratiot and Ontonagon Counties registered less growth in per capita income than Wayne County in that decade, according to the May-June 1986 issue of **The Michigan Economy** (published by the Bureau of Business Research, Wayne State University School of Business Administration).

**Challenges.** While the county tax base lags inflation, the county's responsibilities for financing indigent hospitalization, mental health, child care and other programs, and for operating the county jail, continue to absorb increasingly scarce resources. The independently elected sheriff continues to enlist the aid of the courts to obtain the additional resources he believes necessary to meet his responsibilities. To complicate matters further, the county lacks a comprehensive, computerized management information system, and the effectiveness of the systems that are in place are compromised by the inability of staff to utilize them properly.

The current chief executive officer of Wayne County has recognized the need for economic development in the county by including a new Department of Jobs and Economic Development in the county reorganization plan: "The Department of Jobs and Economic Development will be responsible for coordinating the activities of business assistance attraction, and job training, grant administration, planning and other programs designed to increase employment and expand the tax base of the County." Insuring the effectiveness of that economic development effort, the need to increase the capacity and control the costs of the county jail and to negotiate an affordable indigent care program, and the necessity to install adequate financial and management information systems and to train, supervise, and control the cost of county staff, will continue to challenge the leadership of Wayne County. Recent county suggestions for additional sources of revenues include increasing parking fees at Detroit Metropolitan Airport, a tax on lottery winnings, a third weekly lottery game, a surcharge on traffic tickets, and a bond sale.

**Conclusion.** The County of Wayne clearly has a history, and probably has a future, of major operational and financial problems. The question to be addressed is whether adoption of a county charter and election of a county executive have enabled Wayne County government to resolve those problems more effectively than would otherwise be the case. The answer seems to be that charter adoption did accomplish the goals of improved accountability and better direction, enabling the CEO to begin controlling personnel costs, rid the county of its deficit-ridden hospital, shift the burden of social program costs and establish a precedent for shifting future costs, and end the independence of the road commission and drain commission. However, changes in organizational structure have thus far been unable to resolve the basic problems of a stagnant tax base, state-mandated costs, and inadequate internal management systems.

In summary, the county charter form has permitted some of Wayne County's long-standing structural and operational problems to be identified and addressed, but has been insufficient to resolve the basic causative factors such as declining tax base and large indigent population.