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FITCH UPGRADES WAYNE COUNTY'S CREDIT RATING TO INVESTMENT GRADE
Wayne County bonds are now rated as BBB-, outlook remains stable

DETROIT—Wayne County's Bond Rating has improved from "BB+" to "BBB-" according to **Fitch Ratings, Inc**. This upgrade, just one year after Fitch upgraded Wayne County's credit rating four notches, means Wayne County bonds are now rated as investment grade. The improved rating could lower the cost to borrow the money necessary to complete the jail project and other necessary long-term projects.

"Achieving investment grade status means Wayne County has more credibility in the marketplace as we look to long-term projects like improving facilities and infrastructure," said **Wayne County Executive Warren C. Evans**. "It lowers our borrowings costs and demonstrates to investors that we are operating in a responsible and sustainable way."

Fitch praised Wayne County's "improved financial resilience," which they say provides the County with "additional protection against future potential revenue volatility."

"Fitch's assessment confirms that our Recovery Plan is working and Wayne County remains on a path to fiscal stability," said Executive Evans. "However, Wayne County isn't out of the woods yet. We still face tremendous unfunded obligations and need to complete critical infrastructure projects like the jail. We have to remain focused to continue Wayne County's recovery."

Michigan Funding Model Creates Systemic Risk

The Fitch report also cautions that Michigan's local funding system is hindering Wayne County's recovery and the financial stability of local communities across the state.

"Fitch expects underlying economic trends to produce generally stagnant revenues absent additional revenue raising measures," the report reads. "As an urban center with Detroit's distressed tax base at its core, the county remains vulnerable to a state-imposed framework that has the effect of accelerating revenue declines in a downturn while limiting upside potential in a recovery."

"We are doing the right things with Wayne County's finances," said Evans. "But like communities across the state, cuts to revenue sharing and, as Fitch noted, limits on property taxes have left Wayne County on the fiscal edge even after we have consolidated departments, negotiated concessions from workers, and streamlined operations. It's a serious issue that needs to be addressed."

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Executive Evans called attention to Michigan's broken funding system in his last two State of the County addresses. He also met with local leaders from across the state in 2016 to formulate a plan for substantive reform.

"Even outside analysts recognize the system is broken," said Evans. "Lansing needs to act because if local governments are unable to properly fund infrastructure or public safety, then we are handcuffing our ability to compete globally for investment and talent as well as putting our residents at risk."

Highlights from Fitch Ratings, Inc. report:

- *Fitch expects revenues to grow marginally in the near term as property values recover; however, the county's revenue framework remains vulnerable to future economic downturns. The county's independent legal ability to raise revenues is limited by state law and the county remains unable to adjust tax rates for AV declines absent voter approval.*

- *Long-term liabilities, including unfunded pension and overall debt, are moderate when measured against the resource base. Recovery plan changes to pensions and OPEB materially improved the county's long-term liability profile.*

- *Financial Resilience: Continued improved financial resilience, through higher reserve levels and/or strengthened budgetary flexibility would provide additional protection against future potential revenue volatility and improve credit quality.*

- *Structural Balance: Recently restored reserves and achievement of structural balance have been instrumental to credit quality improvement. Any reversal of such progress could put downward pressure on the rating.*

- *Fitch believes that expenditure flexibility has been greatly improved by management's success in using consent agreement powers to realign core spending, including wages, benefits, and post-retirement costs. Carrying costs for debt service, pension and OPEB have dropped and are solidly in the moderate range at 14% of governmental fund spending. Spending pressures related to jail and court costs, which contributed to prior financial distress, are currently under control but will require continued active management in the future.*

The full report is available at: https://www.fitchratings.com/site/pr/1024338

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