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WSJ: Detroit to Borrow \$275 Million to Exit Municipal Bankruptcy.

City Secures \$275 Million in Financing Through Barclays Capital; Deal Likely Needs OK From Federal Judge

DETROIT—The city of Detroit said Thursday it had secured a way to obtain \$275 million in exit financing through Barclays Capital Inc. to help the city emerge from municipal bankruptcy protection.

The deal would retire \$120 million postpetition financing that was previously arranged by Barclays and approved by a judge in April. Detroit said it would use the remaining funds to support some of the city's reinvestment and revitalization initiatives as well as to repay some existing creditors.

A federal judge likely still needs to approve the financing.

Separately, Detroit sold about \$1.8 billion in bonds tied to its water and sewer system earlier this week.

Last year, Detroit became the largest city in the country to seek Chapter 9 bankruptcy protection, with the aim of restructuring more than \$18 billion in long-term obligations.

On Thursday, city officials said in a statement that the Barclays deal came after a number prospective lenders expressed interest in lending to Detroit, “underscoring the city’s viability as an attractive investment.”

The exit financing will be done by issuing financial recovery bonds after Detroit leaves bankruptcy protection, possibly as soon as this year. The bonds would be issued by the Michigan Finance Authority.

“Detroit continues to make steady progress in returning to firm financial footing and becoming an attractive place to invest once again,” Detroit Emergency Manager Kevyn Orr said in a statement.

Earlier borrowing had been backed up through income-tax revenue and the future sale of assets. Creditors, however, had questioned the need for a new loan in a city where risky borrowing was seen as a driving force behind the bankruptcy. The city didn’t immediately release the terms of the expanded deal.

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