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## Detroit Mayor Proposes 'Last' Budget Under State Oversight.

(Reuters) – Detroit Mayor Mike Duggan unveiled a $2 billion fiscal 2019 budget on Friday that he said could mark the last spending plan while the city's finances are controlled by a state oversight board.

Michigan's largest city is expecting its post-bankruptcy financial review commission to go dormant this spring after audits showed balanced budgets in fiscal years 2015, 2016 and 2017.

"Once we get this budget passed we have the opportunity to get out from active state oversight," the mayor told the city council.

He added that while the commission would continue to review Detroit's finances, the city's budget, contracts, and other matters would not be subject to the board's approval as long as spending plans remain balanced.

Detroit ended what was then the biggest-ever U.S. municipal bankruptcy in December 2014 after shedding about $7 billion of its $18 billion of debt and obligations. One element of the city's federal court-approved bankruptcy exit plan was the creation of a state oversight board.

The budget for the fiscal year that begins on July 1 is projected to end with a $62.3 million balance, while money is being set aside to deal with higher-than-expected pension payments starting in 2024, city officials told council members, who are scheduled to vote on the spending plan in March.

"The general fund budget continues to do well largely because our income tax revenues continue to grow ahead of what anyone would have projected in the bankruptcy," Duggan said.

Detroit Chief Financial Officer John Hill said a plan approved this week by the oversight commission to use up to $55 million in surplus cash to retire some debt issued in 2014 could result in $9 million in annual debt service savings. He added that with unlimited tax general obligation bonds maturing in the next decade, Detroit could start selling new debt in the U.S. municipal market to fund capital projects.

Detroit's credit ratings, while still junk, were upgraded last year. Moody's Investors Service in October raised the rating to B1 with a positive outlook from B2. S&P Global Ratings boosted Detroit to B-plus from B in December.

The ratings fell deep into junk after the city defaulted on some of its debt and filed for Chapter 9 municipal bankruptcy in July 2013.

By REUTERS

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*(Reporting by Karen Pierog in Chicago. Editing by Matthew Lewis)*

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