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PENSIONS - MICHIGAN

Welch v. Brown

United States Court of Appeals, Sixth Circuit - January 3, 2014 - Fed.Appx. - 2014 WL 25641

To stave off municipal insolvency and balance the City of Flint's budget, the Governor of Michigan appointed an Emergency Manager to address the financial crisis. Plaintiffs challenged several orders the Emergency Manager issued, which modified existing contracts and collective bargaining agreements with respect to health-care benefits of municipal retirees.

Plaintiffs and the class they represent are individual retired municipal workers, their eligible spouses, dependents, and the United Retired Governmental Employees (URGE), an organization that represents the interests of municipal retirees. Seeking injunctive relief and damages under 42 U.S.C. § 1983, Plaintiffs filed a Class Action Complaint against the City of Flint, its current and former Emergency Managers, its Retirement Officer Manager, and its Finance Director (collectively, "Defendants").

According to Plaintiffs, Defendants violated the Contract and Bankruptcy Clauses of the United States Constitution and deprived them of a property interest without due process or just compensation. Plaintiffs requested a preliminary injunction to enjoin Defendants from modifying the contracts and ordinances governing their health-care benefits and to restore any already modified agreements to the status quo ante. Although Defendants argued that reducing retiree benefits is a "necessary change" to avoid bankruptcy, the district court was not persuaded based on the evidence and argument presented. Finding no abuse of discretion, the court of appeals affirmed the district court's order granting preliminary injunctive relief.