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Detroit Strikes Tentative 5-Year Deal with 14 Unions in Bankruptcy Case.

Detroit has reached a five-year agreement with 14 of its unions, including AFSCME — the city's largest union — in its bankruptcy case, according to a statement issued this morning by federal mediators who are assisting with the city's restructuring.

The tentative agreement covering 3,500 workers is among a flurry of deals that Detroit has been able to reach in recent weeks as progress toward completion of its historic bankruptcy reorganization case has intensified.

"This agreement, in principle, offers an opportunity for the unions to provide regular input and guidance to city management," Ed McNeil, chief spokesman for the Coalition of Detroit Unions, said in a statement.

The deal includes restoration of some pay for city workers who have faced wage freezes and a 10% pay cut in recent years, although details will vary by union, according to a person familiar with the proposal who wasn't authorized to discuss it and spoke on condition of anonymity.

Other factors in the deal include work-rules concessions from the unions, the person said.

Detroit's public safety unions, which have formed a coalition in negotiations with the city, are not part of the deal announced today, said Mark Diaz, president of the Detroit Police Officers Association. The public safety labor coalition also includes the Detroit Fire Fighters Association, the Detroit Police Command Officers Association and the Detroit Police Lieutenants and Sergeants Association.

Diaz said the public safety unions are still open to negotiating with the city, but proposed contract terms so far have been unacceptable. The city has been offering police officers wages starting at $14 an hour, Diaz said.

"What I've seen so far is, essentially, another pay cut. I understand the city's in bankruptcy. But the reality is, the city is going to come out of bankruptcy, and they're not going to have the debts they have," Diaz said. "We'll see what's going to happen this week."

U.S. Bankruptcy Judge Steven Rhodes commended the unions, retirees and other groups that have negotiated deals so far, calling the work, along with mediated efforts to rescue the Detroit Institute of Arts and city pensioners, "extraordinary and unprecedented in the history of bankruptcy.

"I once again strongly encourage those who are still involved in negotiations over settlements to continue to work hard and in good faith to achieve those settlements," Rhodes said during a hearing on the city's latest version of its bankruptcy exit plan, filed late Friday.

Exact terms of Detroit's deals with the 14 unions were not disclosed, leaving open the question of whether the unions agreed to concessions that will help Gov. Rick Snyder gain support in the

Legislature for the $350 million he has pledged for the city's bankruptcy restructuring.

The collective bargaining agreement terms "between the city and the coalition unions are fair and balanced," the federal mediators said in the statement. "They provide security for union workers and, at the same time, provide an economically feasible agreement for the city as it emerges from bankruptcy."

But McNeil also warned against the drawbacks of privatization. This year, Detroit has hired private companies to handle trash collection and has asked for bids from private companies to operate the city's water and sewer system.

"All too often, the city management looks to privatization as the answer, and all too often, privatization proves ineffective," said McNeil, who also is special assistant to the president of the American Federation of State, County and Municipal Employees Council 25.

Emergency manager Kevyn Orr's office would not disclose additional details, saying that terms are still being finalized. "Because these negotiations remain subject to a federal mediation order, the city will refrain from issuing any statement about the details of the agreement until such time as authorized by the federal mediator," Orr's office said in a statement.

The tentative deals — reached with assistance from a mediation team led by Chief U.S. District Judge Gerald Rosen — must be approved by members of the unions and by Rhodes as part of the city's Chapter 9 case.

Detroit's unions are now among the last major groups of creditors to reach a framework agreement with the city.

The city has reached deals in recent weeks with its pension funds, its retiree committee, two banks and its general obligation bondholders.

"More good news today," David Heiman, a Jones Day lawyer for Detroit, said this morning at the court hearing. "I think we have very much of a consensus building on these important issues. … We still have some lifting to do."

Heiman said all of the parties that have reached agreements in mediation have "stretched themselves, including the city. We've come together to find common ground. … It was not easy. In fact, at some times it seemed impossible."

One of the biggest issues that still must be worked out before the city can emerge from bankruptcy is a restructuring of the Detroit Water and Sewerage Department. Detroit initially proposed the creation of a regional authority with Oakland, Macomb and Wayne counties but was unable to reach an agreement after 10 months of negotiations.

Rhodes urged regional leaders to negotiate seriously for a regional authority to run the public utility and has asked the counties to try again with the help of mediators.

The results of mediation so far "certainly establish that, with hard work and good faith, nothing is impossible," Rhodes said. "They should proceed on the basis that on the right terms a regional water authority is in everybody's best interests."

Terms of Detroit's existing restructuring plan are contingent on the state Legislature's approval of the $350 million Snyder pledged toward an $816-million rescue fund in a deal that would significantly reduce pension cuts and spin off the Detroit Institute of Arts. The deal is being backed

by wealthy philanthropic foundations and the DIA. Without that money, pension cuts would be far deeper.

Rhodes this morning told city lawyers that, given questions about whether the Legislature will approve the state's share of the deal, they need to create a clear way for retirees to vote in support of the city's bankruptcy exit plan if the state money comes through — and for their votes to count against the plan if lawmakers balk.

House Speaker Jase Bolger, R-Marshall, has said that unions must contribute cash to the deal for the City of Detroit before the Legislature will act on Snyder's funding request.

On Monday, Bolger congratulated the city and the unions and called the agreements a "good sign," but reiterated his call for unions to contribute money.

"I hope the unions will join the state's taxpayers in putting money that would otherwise go to legal bills into protecting their retirees," Bolger said in a statement.

Last week, Senate Majority Leader Randy Richardville, R-Monroe, and Snyder have resisted a cash contribution from unions as a condition for support.

"We're seeing very constructive progress on people coming to agreements," Snyder said last week. "A settlement would be, by far, the best answer, so hopefully we can all work towards that."

Rhodes asked the city and creditors to have a final draft of the bankruptcy plan filed by Friday.

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