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WSJ: Detroit Emergency Manager Calls for Postbankruptcy Monitor.

DETROIT—The city of Detroit would get a monitor to ensure its progress toward cutting \$7 billion in long-term obligations and keeping its finances in order, according to the latest version of a debt-cutting plan submitted by the city's emergency manager Friday.

Now in its fifth version, the more-than-900-page plan filed in federal court serves as the proposed road map designed by Detroit Emergency Manager Kevyn Orr to guide the city out of the nation's largest municipal bankruptcy and back into solvency.

A previous version of the debt-reducing document recently won the endorsement of many of the city's creditors, including a politically important bloc of pension holders. But several creditors, including bond insurers, continue to oppose the plan, arguing it shouldn't be confirmed by federal bankruptcy Judge Steven Rhodes because it favors pension holders over bondholders in some cases.

The vote, after weeks of tense campaigning, sets up a confirmation trial scheduled for next month on the city's restructuring plan, the final phase of the bankruptcy case.

Judge Rhodes will have the final say, and will hold a trial on whether the reorganization plan, which also includes about \$1.5 billion in reinvestment in services and blight removal, is viable. The judge will also likely address the criticism by some bond insurers that pension holders have been treated better than other creditors.

Contingent on the vote was an agreement by the state and private donors to make \$816 million available to shore up pensions. That amount represents the present value of the city's world-class Detroit Institute of Arts collection, which the city said would be placed in a separate trust. The fundraising effort, dubbed the "grand bargain" locally, is meant to allow the city to extract value from the collection to pay down debt while keeping one of the Motor City's cultural crown jewels intact and available to the public.

The plan now calls for the appointment of an independent monitor after the judge has signed off on Detroit's exit from bankruptcy through a confirmation of its plan. Judge Rhodes has signaled in the past that he would like a formal system to keep tabs on the city's progress. It would be in addition to a separate financial review committee called for when the state legislature chipped in nearly \$200 million in funding for the city.

A monitor selected by the judge but paid for by the city would be a "neutral party, independent of the City and the State and free of all conflicts," according to the revised plan. The monitor must also be an expert in municipal finance with experience in entities with annual revenues of \$250 million or greater.

The monitor would be charged with completing quarterly reports to the judge, but couldn't be an appointed or elected official, either current or past. The reports would need to detail how much progress the city has made to pay off its creditors as called for under the plan; keep tabs on pension

funding and new funding related to its art museum; watch the city's retiree health care system; and keep tabs on any bankruptcy-related legal appeals among other issues.

To achieve these goals, the plan monitor as an officer of the bankruptcy court would have subpoena powers, the plan says.

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