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Detroit City Council Backs Orr's Plan to Refinance \$5.2B in Detroit Water Bonds.

Detroit — City Council approved orders Thursday from Emergency Manager Kevyn Orr that seek to refinance about \$5.2 billion in bonds for the water department.

The panel voted 6-0 in favor of the resolutions during a special meeting convened during its summer recess. Council members Gabe Leland, Mary Sheffield and Andre Spivey were absent.

The plan, adopted last week by Detroit Water and Sewerage Department commissioners, has the potential to free up cash for Detroit's restructuring and potentially speed an exit from bankruptcy court.

Officials have said the plan would lower the utility's interest rate, reduce costs and potentially save customers across the region millions of dollars.

It would give secured water bondholders a chance to have the city buy back the bonds. By doing so, the city could issue new bonds and refinance up to \$5.183 billion of debt.

Detroit Corporation Counsel Melvin Hollowell said the council's approval was required under bankruptcy rules, and they had 10 days to act.

"We want to thank the City Council for coming off of recess to do this on such short notice," he said. "It was important for the taxpayers and for the bankruptcy process. A very quick turnaround was required."

The amount of savings for the city depends on how many bondholders accept the offers. The tender offer is slated to last until Aug. 21.

The plan was conceived following talks with federal mediators, the state, Orr, the Michigan Finance Authority, Citigroup and First Southwest Co.

It is an alternative to the city's treatment of water and sewer bonds in Detroit's current plan of adjustment. Hollowell said it will be included in an upcoming amended plan.

Under its bankruptcy plan, the city wanted to reduce the interest rate on certain bonds and eliminate a provision preventing Detroit from forcing bondholders to tender their bonds prematurely.

The tender offer to bondholders is optional so the success of Detroit's plan — and potential savings — depends on market response and bondholder participation, officials with the state Treasury Department have said.

U.S. Bankruptcy Judge Steven Rhodes issued an order late Wednesday delaying the bankruptcy trial until Aug. 29.

The council also approved separate resolutions to adopt the issuance, terms and conditions of a series of complex bond deals outlined in the city's debt-cutting plan.

In addition, a three-year, \$1.5 million contract to outsource the administration of Detroit's automobile and general liability claims was approved by council members Thursday in a 5-1 vote. President Brenda Jones voted no.

Orr submitted the contract Aug. 7. It required a council vote because it constitutes a transfer of a city function.

The vote came after the city's interim finance director, John Naglick, confirmed for council members that the contract for York Risk Services Group Inc., was not competitively bid.

Rather, he explained, the contract award was based, in part, on a prior request for proposals for a separate contract to outsource the handling of Detroit's workers' compensation claims. That three-year, \$2.4 million contract was approved by the council in a 6-2 vote last month.

York is a subsidiary of CMI, the company hired to administer the workers' compensation claims.

The city has been paying out about \$60 million a year in claims among automobile, workers' compensation and other general liability, including police, sidewalks and buses.

The city has about 3,400 claims, Holowell said.

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The Detroit News