

Bond Case Briefs

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S&P: Certain Detroit Water and Sewer Dept. Revenue Bond Ratings Could Differ From Others, Depending on POA Implementation.

CHICAGO (Standard & Poor's) Aug. 1, 2014—Standard & Poor's Ratings Services said that its ratings on certain CUSIPs of water and sewer revenue bonds issued by the city of Detroit could differ from its ratings on other similar CUSIPs, based on their treatment in the final Plan of Adjustment (POA) or earlier, if we become certain that the list of CUSIPs subject to impairment would not be changed.

Should the POA be executed in its current form, certain currently outstanding CUSIPs would be exchanged for new CUSIPs with different interest rates or call provisions. Because of these potential differences, we would likely view the exchange as distressed, with the rating on the outstanding to be affected CUSIPs being lowered to 'CC' from 'CCC'. Moreover, when the actual exchange is executed, we would likely lower the rating on the affected CUSIPs to 'D' from 'CC'. The POA also designates certain CUSIPs as "non-impaired" with no changes to any payment terms. The non-impaired CUSIPs will likely carry a different rating than those that were impaired through the distressed exchange and we would likely raise our ratings on the non-impaired CUSIPs to a level we think appropriate based on our view of the fundamental credit quality of the water or sewer system. The rating assigned to the non-impaired CUSIPs would reflect our view of the then-current credit conditions of the water or sewer system, rather than the rating of the CUSIPs pre-bankruptcy.

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