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Detroit Mayor Unveils Budget With Eye on Shedding State Oversight.

(Reuters) - Detroit Mayor Mike Duggan proposed a \$2.6 billion fiscal 2017 budget on Thursday that he said could be the city's ticket to removing state oversight of its finances.

He said the all-funds budget, which includes \$1.077 billion of general fund spending, would mark the third-straight balanced budget for the city, which exited the biggest-ever municipal bankruptcy in December 2014. A financial review commission was created under Michigan law to oversee a post-bankruptcy Detroit until it reaches certain benchmarks.

"If we can finish the 2017 fiscal year with a balanced budget and we're paying our bills and meeting some other conditions that I believe we'll meet, we will be able to get out of the financial review commission control period," Duggan told the city council.

He added the goal is to shed state oversight by January 2018. If the city ends fiscal 2017 with a deficit, the mayor said Detroit would have to start a new three-year balanced budget cycle.

Detroit Chief Financial Officer John Hill said the budget for the fiscal year that begins July 1 is based on conservative revenue estimates that could be hurt if the state cuts revenue sharing to local governments to deal with costs for the ongoing lead-tainted water crisis in Flint.

The mayor said he plans to tap \$50 million in unused, voter-approved bond proceeds dating as far back as 1987 for various projects.

Duggan also addressed a \$490 million increase in the unfunded liability for Detroit's two pension funds caused by the use of outdated mortality tables by the city's bankruptcy consultants.

The situation has become "pretty adversarial" with the consultants, who have been told by the city not to destroy any of the documents they took with them, according to the mayor. He cautioned the council that a malpractice lawsuit against the consultants would be difficult to win.

By REUTERS

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(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)