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Detroit Eyes Refunding of Up to $660 Million Bonds.

(Reuters) – Detroit would sell its first general obligation bonds since exiting bankruptcy in December 2014 under a proposal by Mayor Mike Duggan's administration to refund up to $660 million of outstanding bonds.

The city council on Tuesday sent the plan to refund up to $275 million of unlimited tax GO bonds sold in 2014 and up to $385 million of limited tax GO bonds sold in 2010 and 2012 to its Budget, Finance and Audit Committee for consideration.

The outstanding bonds were issued through the Michigan Finance Authority and backed by the city's share of distributable state aid payments.

John Naglick, Detroit's finance director, said Detroit expects to capture lower interest rates in the bond refundings to save money for the budget and to lower property tax rates supporting the bonds.

"If it wasn't for this move to record low rates, we wouldn't do this," he said.

Ten and 30-year yields on Municipal Market Data's benchmark triple-A scale are at or near all-time lows, driven by big investor demand for debt sold by states, cities, schools and other municipal issuers.

Detroit was able to shed about $7 billion of its $18 billion of debt and obligations in the biggest-ever U.S. municipal bankruptcy. In its first post-bankruptcy public debt offering last August, the city restructured $245 million of variable-rate revenue bonds backed by city income taxes into a fixed-rate mode at a hefty spread over MMD's scale.

If the GO bond refundings are approved by the city council committee on Wednesday, the measures would head for a full-council vote on June 21. Naglick said the issuance also needs approval from the Detroit Financial Review Commission, the city's post-bankruptcy oversight board, which meets on June 27.

By REUTERS

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