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Detroit City Council Approves $55 Million Bond Repurchase Plan.

(Reuters) – Detroit will tap up to $55 million in surplus cash to retire some of the debt the city issued in 2014 as part of its exit from bankruptcy, under a plan approved on Tuesday by the city council.

With debt service on outstanding bonds expected to substantially increase in 2025 with the commencement of principal payments on various bonds, the city is taking steps to lower costs by allocating some of the $169 million unassigned budget surplus it has accumulated for debt repurchases.

John Naglick, Detroit's finance director, told the city council that pending final approval by a state oversight board, the money will be used to obtain financial recovery series B bonds, which carry a 4 percent coupon, at a discount, or series C bonds, which have a 5 percent coupon.

"By retiring them now, it's like paying off your mortgage early. You're going to save all that interest," he said.

The city ended what was then the biggest-ever U.S. municipal bankruptcy in December 2014 after shedding about $7 billion of its $18 billion of debt and obligations.

Michigan's biggest city is on track to end state supervision of its finances this spring after an audit released last week showed it completed a third-straight fiscal year with a balanced budget. One element of the city's federal court-approved bankruptcy exit plan was Michigan's creation of an oversight board.

The city reported another positive development on Monday — residential property values had a net increase for the first time in at least 17 years. Higher assessed values, which rose to $3 billion from $2.8 billion last year, could lead to more property tax revenue for Detroit.

By REUTERS

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