# Bond Case Briefs

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## Detroit Gains Freedom to Oversee its Own Finances.

April 30 (Reuters) – Detroit emerged from post-bankruptcy oversight of its once-shaky finances on Monday after a state of Michigan board decided to end its active supervisory role.

The unanimous vote by the financial review commission, which was created as part of the city's federal court-approved bankruptcy exit plan, enables Detroit's elected officials to enact budgets and enter into contracts without first obtaining the board's approval.

"Today we really do return self-determination to the people, the city of Detroit, and to everybody who made it possible I just want to say congratulations," Detroit Mayor Mike Duggan told a news conference.

Michigan's largest city is now free of any state or federal oversight of its finances, police, water, housing and other departments for the first time since 1977, according to Duggan's office.

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

Last year, city and state officials started predicting the commission would transition in 2018 to a 10-year period of passive oversight as Detroit ended consecutive fiscal years with balanced budgets.

An audit released in February showed a $53.8 million operating surplus in the fiscal 2017 $1.3 billion general fund budget, bringing Detroit to the required three-straight balanced budgets for active oversight to end.

James Spiotto, a municipal bankruptcy expert and managing director of Chapman Strategic Advisors, said while the city's finances have stabilized somewhat, more work needs to be done.

"It's like a diet. If you don't stay on it and if you don't do the right things to be financially sustainable, you can fall right back to where you were," he said.

He added that Detroit still faces the task of increasing its revenue base by attracting businesses and residents.

The city's population, which dropped by 25 percent to 713,777 in the decade ending in 2010, fell to 672,795 in 2016, according to the U.S. Census.

John Hill, Detroit's chief financial officer, said the city is projecting balanced budgets over the next several years as income and property tax collections have increased since the bankruptcy.

He added that city has begun to set aside money to cover higher-than-expected pension payments starting in fiscal 2024. Detroit is also taking steps to deal with an increase in bond payments beginning in fiscal 2025 with the hope of being able to one day issue general obligation bonds again to finance capital projects, according to Hill.

Some investors are cautious as Detroit’s credit ratings remain solidly in the junk level.

“This is the first step in many that they will have to take to regain the confidence of investors,” said Robert Amodeo, head of municipal investments at Western Asset.

Detroit’s finances came under state scrutiny in 2011, eventually leading to a declaration of a fiscal emergency and the subsequent appointment of Kevyn Orr, a bankruptcy and restructuring lawyer, as the city’s emergency manager in 2013.

Steven Rhodes, the now-retired U.S. judge who presided over the bankruptcy, called Monday’s vote “another extraordinary milestone,” while urging city officials to maintain their focus on neighborhoods, schools and pensions.

Detroit’s bankruptcy, which Orr filed in July 2013, was eclipsed by last year’s Puerto Rico case dealing with the U.S. territory’s $120 billion of debt.

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