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Detroit Launches New Redemption of Bankruptcy-Related Bonds.

CHICAGO, Nov 20 (Reuters) – Detroit is eyeing savings from a just-launched redemption offer for bonds it issued in 2014 as part of the city's exit that year from its historic bankruptcy, municipal officials said on Tuesday.

The city is targeting $131 million of its nearly $632 million of series 2014B financial recovery bonds that mature in 2044 with a tender offer that expires Dec. 3. The move follows the redemption of $70 million series 2014C bonds earlier this year.

"This is a limited tender and we will only move forward if we achieve our savings goals," said John Hageman, chief of staff for the city's finance office, in a statement that did not disclose the goals.

Detroit issued the bonds as part of its federal court-approved plan to exit what was then the biggest U.S. municipal bankruptcy, which allowed the city to shed about $7 billion of its $18 billion of debt and obligations. Debt proceeds were used to fund settlements with bond insurers, interest-rate swap providers, city pension funds, as well as to raise money for capital projects.

The tender offers were initiated as a way to save money for Detroit, which has only been paying interest on the financial recovery bonds. Principal payments are due to commence in 2025 around the same time that higher-than-expected city pension contributions start.

Unlike previous bond redemptions, which were financed with a budget surplus and proceeds from a property sale, Detroit will pay for the latest one through financial recovery bond refunding issued via the Michigan Finance Authority and backed by a fifth lien on the city's distributable state aid revenue.

Early next month, Detroit will sell the first unlimited tax general obligation bonds on its own credit since the bankruptcy, which included defaults on GO debt.

Underwriters led by Goldman Sachs & Co are scheduled to price nearly $111 million of junk-rated bonds to fund capital projects under voter-approved authority that dates back to 2004 and 2009.

Michigan's largest city was able to shed active post-bankruptcy oversight of its finances in April after concluding three-straight fiscal years with balanced budgets.

Moody's Investors Service recently warned that big capital needs at Detroit's public school system posed a threat to the city's "post-bankruptcy economic revitalization" unless the state or philanthropic community step in with funding.