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emergency manager Kevyn Orr brings together dozens of creditors to present a stark offer: less than 10 cents on the dollar for the loans, bonds, retiree obligations and other debts that have been strangling the city for years.

Jun. 10, 2013

Detroit's attempt to avoid bankruptcy will hit a critical stage next week as emergency manager Kevyn Orr brings together dozens of creditors to present a stark offer: less than 10 cents on the dollar for the loans, bonds, retiree obligations and other debts that have been strangling the city for years.

Orr is expected to meet late next week — his office wouldn't say exactly when, but the location likely will be near Metro Airport — with as many as 150 representatives of the city's major creditors, from big national banks that hold the city's bonds and insurers who guarantee them, to unions and pensioners who rely on the city for retirement income and health care.

They probably will not be satisfied with the offers Orr will present in a roughly 200-page document outlining the city's assets and liabilities. The report will make the case for what Detroit reasonably can pay its creditors. People close to the proceedings told the Free Press the offer will be for less than 10 cents for every dollar the city owes. Orr's office refused to confirm that figure.

— Full coverage: Detroit's financial crisis

— PDF: Kevyn Orr's 45-day report on Detroit financial crisis

If Orr can't win a deal with creditors, the fate of benefits for 30,000 current and retired municipal workers and the city's ability to fund its basic services would likely move into a federal court in proceedings some bankruptcy lawyers fear could stretch out for years.

Orr said he remains optimistic a consensual deal can be brokered outside court, and

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The meeting will amount to the opening gambit in what Orr, a leading Washington, D.C., bankruptcy lawyer, was brought to Detroit by the state to do. The report is a thorough accounting of an insolvent city that, Nowling said, couldn't hope to pay down all the debt and obligations it has taken on even if it stopped providing basic services and only paid on those debts for the next 20 years.

### A key gauge

Detroit's debts and liabilities could be as high as \$17 billion, and a 45-day report Orr issued to the state last month showed the city has been running deficits of \$100 million or more a year since 2008. Its investment-grade credit rating fell into junk status in the Kwame Kilpatrick era as the city's decades-long habit of borrowing to cover shortfalls took on epic proportions, even as pension and health care costs for workers and retirees ballooned.

Nowling emphasized that Orr is on a parallel track working out the other major task in fixing Detroit: how to restructure city government to reflect its shrunken population and revenue, so that once the financial crisis is resolved, the city can continue to function in its most basic role and be positioned to thrive.

"We have to make rational decisions about the resources we have," Nowling said. "The driving principle is how do we provide basic services to 707,000 Detroit residents? It's not about protecting someone's sacred cow, and people lose sight of that."

That underlying message is one Orr will deliver to creditors next week, in hopes that enough will consider the scope of Detroit's crisis and the severe impact a bankruptcy would have on a city whose bare-bones public services are stretched to the breaking point.

Orr's offer to creditors — and their response — will serve as a key gauge for whether

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have to have an idea that whatever they've got outstanding is at risk," Bernstein said. "They may have written down the debt on their books significantly over time. You don't know how much they've done that."

There are many such unknowns, including one pegged to a key date looming for the city. June 15 is the day that Moody's Investors Service, the credit-ratings agency, says Detroit is supposed to make a \$39.7-million payment on debt for financial instruments called Certificates of Participation that are paid back through dedicated revenue streams — in this case, partially through casino wagering taxes and partially from the city's \$1.1-billion general fund, of which more than a third already goes to debt service payments.

But the payment is due even as Nowling said the city's year-end cash flow — a key measure of its ability to pay bills as they come due — is expected to drop to near zero by the end of the city's fiscal year June 30, hover around that level for the rest of 2013 and fall into negative in January.

Nowling declined to discuss speculation on whether the city will make that payment, which he said is actually closer to \$35 million.

"Right now, we're current and we intend to stay current" on bond payments, Nowling said. "But we're also evaluating all of our options."

Missing the payment or negotiating with creditors to change its due date could serve as leverage in negotiations. It also could free up cash the city desperately needs to meet payroll and other crucial bills to keep services running.

Spokespeople for several of the city's large creditors — Bank of America Merrill Lynch, JPMorgan Chase, SBS Financial Products and UBS — declined comment this week.

A representative of one major creditor, speaking on condition of anonymity because

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Nowling confirmed that some creditors have expressed such sentiment in preliminary talks.

“We’ve had some early discussions with creditors who come forward and say almost exactly that: this is different, and we need to sit down and figure it out,” Nowling said.

### Jobs, benefits at risk

Ed McNeil, a special assistant to the president of the American Federation of State, County and Municipal Employees Council 25, the city’s largest municipal union, said his workers are worried about their jobs and benefits for current and retired workers. McNeil said he has heard little from the city or Orr and so has little to tell workers about what to expect from next week’s meeting.

“This whole thing is geared toward taking over everything and giving everything away,” McNeil said. “They’re taking it from workers and giving it to businesses and their friends. It’s not about fixing the city. They want to go after the retirees and take away what they were promised.”

Given competing interests, a resolution out of court may not be speedy. Orr has suggested that talks with creditors could last into July or August, and Nowling said there will not be an immediate decision on whether the city will proceed with a Chapter 9 municipal bankruptcy petition, which would be the biggest such filing in U.S. history, more than triple the largest so far — a \$4.2-billion bankruptcy filing in 2011 by Jefferson County, Ala., where Birmingham is the county seat.

“There’s no science to this,” Nowling said. “If Kevyn feels we’re making progress on the negotiations, talks may continue. If it’s pretty apparent there’s no progress, we’ll know pretty quickly.”

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we can reach a consensual restructuring so we don't have to go to court because we don't think that's in anyone's best interest," Nowling said. "In or out, this is what we're looking at."

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