

City of Detroit Files for Bankruptcy, Judge Says No

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On Thursday, the city of Detroit filed for Chapter 9 bankruptcy protection in federal court. With an estimated \$18 billion in debt, the city of Detroit is the largest municipality ever to file for bankruptcy in U.S. history as the city continues its long bleeding of residents and tax revenue.

Kevyn Orr, Detroit Emergency Manager appointed by Michigan Gov. Rick Snyder in March has been tasked with realigning Detroit's debts and correcting its financial situation. They have agreed that bankruptcy would put the city on a path to restore financial stability and long-term viability.

After lengthy and unsuccessful negotiations to settle debts with the creditors, Orr presented Gov. Snyder his recommendation for bankruptcy this week.

Detroit's filing for bankruptcy protection would allow protection from over 100,000 creditors who are negotiating the estimated \$18 billion in debt and liabilities. The filing would give Detroit up to three months while it is determine if the city is eligible for Chapter 9 bankruptcy protection.

The brunt of Detroit's financial problems stems from its \$3.5 billion in unfunded pension and healthcare liabilities, which would be protected for six months amidst the bankruptcy.

Orr is dealing with 60 years of financial mishaps in the 18 months he has under his appointment. Currently, city services, paychecks, and vacation time, will continue uninterrupted Orr said.

With unfavorable city services—average police response time close to an hour, if they come at all—people began to leave the city. Detroit has 80,000 abandoned buildings with 40 percent of the city's streetlights not working.

On Friday though, Ingham County Circuit Judge Rosemary Aquilina squashed Orr's attempt of a brisk filing with ruling that states Orr's bankruptcy request goes against Michigan's constitution.

Judge Aquilina's ruling marks what will be a lengthy bankruptcy process. Orr and the city of Detroit is fighting not only the creditors, but also police and fire retirement payments and over 20,000 general city retirees.

Jude Aquilina's ruling comes from pensions being protected under state law, ruling the bankruptcy unconstitutional and that the filing be withdrawn. This means little, though, as bankruptcy is dealt with in federal court.

Orr has no plan for Detroit's financial recovery at this time. Orr is dealing with two creditors, Bank of America and UBS, in hopes they will accept 75 cents on the dollar for liabilities that are over \$300 million. This would free \$11 million a month of casino revenue that could be used for to bolster city services like fire and police to help protect the city during the bankruptcy process.

Many are watching the situation transpire in Detroit. Friday, the White House said that Detroit would receive no bailout from the Federal Government. White House spokesman Jay Carney said that while no bailout was forthcoming, they were concerned for the citizens of Detroit and would be of assistance in terms of policy and law.

Many lawmakers in Washington rejected the idea of any financial assistance to Detroit.

Vice President Joe Biden said that the White House is still assessing the Detroit bankruptcy and its potential ramifications.

Detroit's filing for bankruptcy could have a negative impact on the city's creditworthiness in the future for not only Detroit, but also other municipalities in similar financial situations.

This is a start to a very long process for Detroit, its citizens, and creditors as the city attempts to restructure itself for a prosperous future.