

Detroit emerges from bankruptcy today



Gov. Rick Snyder, Detroit Mayor Mike Duggan and Emergency manager Kevyn Orr press conference

Christine Ferretti, The Detroit News 11:27 p.m. EST December 10, 2014



(Photo: Steve Perez / The Detroit News)

Detroit — The city officially exited bankruptcy Wednesday, leaving Detroit leaders in charge of an unprecedented restructuring aimed at reversing decades of financial decline.

Gov. Rick Snyder hailed Detroit's emergence from receivership as a fresh start for the city that was unable to pay its bills or deliver basic services before the historic Chapter 9 filing in July 2013.

Snyder said Detroit's improved financial position is "the beginning of a stronger foundation" for the city, whose budget will be overseen by a state-controlled review board for at least 13 years.

"It's truly historic and it really happened because of great partnerships of people working together," he said during a Wednesday press conference. "We've gotten an outstanding outcome, far better than people's expectation."

The end of bankruptcy leaves Emergency Manager Kevyn Orr unemployed and allows the city to shed \$7 billion in debt, restructure another \$3 billion and plow some \$1.7 billion into improving services.

Orr called his departure bittersweet and noted that the city would be considered out of bankruptcy by Thursday, though there will be some administrative matters that need to be handled in U.S. Bankruptcy Court. Mediation over bankruptcy legal fees is still ongoing but does not affect the bankruptcy exit process, Orr said.

The document confirming Detroit's official exit from bankruptcy was filed at 2:52 p.m. Wednesday in U.S. Bankruptcy Court.

- [Special section: Detroit's bankruptcy journey](http://www.detroitnews.com/topic/7127442e-87a5-4a37-ab43-46821a737da5/bankrupt-detroit/)
(<http://www.detroitnews.com/topic/7127442e-87a5-4a37-ab43-46821a737da5/bankrupt-detroit/>)
- [Photo gallery: Key players in Detroit's bankruptcy](http://www.detroitnews.com/picture-gallery/news/special-reports/2014/11/12/key-figures-in-detroits-bankruptcy-journey/18924027/)
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"This may seem odd in retrospect, but I thought it was going to be significantly more contentious," Orr said of the bankruptcy Wednesday afternoon during an editorial board meeting with The Detroit News.

Early in the proceedings, all sides realized the severity of the city's cash crisis, Orr said. That allowed the process to move forward without debtors challenging the city's financial position, he said.

"We got done everything we reasonably wanted to do," Orr said. "It's important for me to step back and return the city to the regular order."

The governor first revealed in a Tuesday letter that he accepted Orr's recommendation that the city's financial crisis has ended. Orr sent a five-page letter to Snyder and state Treasurer Kevin Clinton this week touting the city's "significant steps" to restructure its finances and operations.

Orr credited critical settlements forged through the bankruptcy as well as restructuring, oversight and funding commitments through a "grand bargain" designed to bolster Detroit pensions and protect the Detroit Institute of Arts collection, all of which he says enable the city to preserve its financial and operating recovery for years to come.

During his meeting with The News, Orr reserved special praise for Snyder, saying his weekly visits with the governor were a "refuge" during the stressful bankruptcy process.

"The governor has been a prince, from my perspective," Orr said. "He kept his word on everything we ever discussed. He was the one most stable relationship I've had in this whole thing. He was the one weekly meeting I looked forward to."

The former Jones Day attorney said he is happy to be returning to his home in Maryland but will miss many things about Detroit. He did not say what his next career move would be.

In November, U.S. Bankruptcy Judge Steven Rhodes confirmed the city's debt-cutting plan. State officials said the bankruptcy court will get notice of Wednesday's effective bankruptcy exit date, but Rhodes is not required to approve it. The judge previously signed off on the confirmation order for the city's plan and associated settlements and agreements.

Mayor Mike Duggan, at the press conference Wednesday with Snyder and Orr, noted that the reinvestment funding for Detroit over the next decade isn't a guarantee — "we're going to have to earn it."

"If the city hits all the budget targets and we successfully raise revenues in multiple areas and cut costs in multiple areas over 10 years, there will be \$1.7 billion in new services," he said.

"It's a framework that says if we execute really well ... we'll be able to provide services that people in a city our size expect."

Detroit City Councilman Gabe Leland said he and council colleagues are excited to partner with the mayor and "prove we are ready for the fight, and we are."

"We are all about getting the business done for the city of Detroit," he said.

The city will remain under several layers of financial oversight to ensure Detroit does not slide back into insolvency.

Among them is a nine-member Financial Review Commission established as part of a financial aid package approved by the state Legislature.

The commission, chaired by the state treasurer, includes the director of the Department of Technology, Management and Budget, Duggan, council president Brenda Jones and five appointees of the governor.

Members are responsible for approving the city's four-year financial plan, ensuring compliance with the bankruptcy plan and potentially modifying Detroit's operational budget.

Duggan said he lobbied for the commission and is "very comfortable" with it.

"It does not affect the day-to-day operations of city government," he said.

Snyder stressed the city's leaders are running the city. The review commission, he said, is providing financial oversight on its budgetary matters.

"My goal is to have them be as least active as possible," he said of the commission.

Orr has projected the city will have a surplus of about \$100 million by the end of the 2015 fiscal year.

It's a dramatic shift, he has said, from the \$300 million-plus deficit the city faced when he took over last year. Detroit's ability to shed some of its debt in bankruptcy allowed it to have a positive cash flow and adhere to smarter financial practices, he said.

A status hearing will be held Monday in U.S. Bankruptcy Court in Detroit to allow Rhodes to get an update on remaining matters in the case, including the fee mediation, state officials said.

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