Title: Steadfast CFO kept Detroit from "termination event'.(NEWS)

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In January 2009, the city of Detroit came close to financial disaster.

Detroit's credit rating was downgraded by all the major ratings agencies which could have triggered a "termination event in an interest rate swap agreement on some city pension obligation certificates.

In a termination event, the eight counterparties to the swap could have called for an immediate $400 million payment, money the cash-strapped city didn't have.

Working against the clock with limited resources, the city's legal and financial team led by then-CFO Joseph Harris restructured the agreement, pledging casino tax revenue as collateral and increasing the city's payment by 1.5 percent.

If there's such a thing as a feat of heroic accounting, this is it something New York-based magazine The Bond Buyer recognized when it gave the city its nontraditional public finance award for 2009, the first time the newspaper has made the award to a deal that involved restructuring rather than new securities.

Harris had joined the city as CFO during the short-lived administration of Interim Mayor Ken Cockrel Jr., who took over after former Mayor Kwame Kilpatrick stepped down in September 2008. Harris was replaced when Cockrel lost a special election to now-

Mayor Dave Bing in May 2009, and Cockrel returned to his seat on the Detroit City Council.

As a new CFO, Harris was juggling multiple financial emergencies when notice of the potential termination event arrived.

"We still had cash flow issues, we still had a budget we had to submit, we still had a budget elimination plan we had to put together, and all that was being done with the concern in back of our minds that all stars had to be in alignment to pull this off, Harris said.

Harris and the city's attorneys, including Allen Bass, of counsel at Detroit-based Lewis & Munday P.C., quickly agreed that with the city's revenue sharing and property and income taxes already used as collateral for short-term borrowing, casino revenue was the only option.

But persuading the counterparties to take the deal was another matter.

"We knew that the counterparties were bargaining very hard, and we had no idea if they were going to take us to court until we reached an agreement in principle, Harris said. "They were playing hardball, and we weren't willing to accept all of the conditions.

Had the counterparties taken the city to court, there would have been no question about the outcome, Harris said.

"The judge would in fact agree that we owed the $400 million, he said. "The question would be, how would the city pay the $400 million? Would we tax the residents for the $400 million and pay them all at once? Would it be paid over years? Would we have to issue bonds?

But Harris didn't back down, Bass said.

"The counterparties had to understand these critical points: The deal we were putting on the table was the best deal they could expect, it was foolish to talk about bankruptcy or trying to push the city into bankruptcy, and that $400 million was not in the books, Bass said. "If Joe Harris had wavered, we all would have been lost.