

DETROIT BANKRUPTCY VOTE: \$8.3B GAIN FOR BANKS, \$4.5B LOSS FOR WORKERS, RETIREES; DISMANTLING OF CITY

DETROIT BANKRUPTCY VOTE: BANKS' INITIAL GAIN \$8.3B; RETIREES' INITIAL LOSS \$4.5B

#	CLAIM	STATUS	Original Claim \$ (if known)	Claim \$ voted on	ACCEPT Votes(V)/Amount	REJECT Votes(V)/Amount
1A	All Classes DWSD Bonds	Unimpaired/ Nonvoting; Impaired/ Voting	4,568,346,628 Less accepted 4,174,694,230	Total impaired Amount \$2,284,927,048	Impaired amount noted only \$393,652,398	Impaired Amount noted only NO \$1,891,274,650
1B	All Classes DWSD Sewer Bonds	Unimpaired/ Nonvoting	482,872,027	PAID		
1C	All Classes DWSD Water Bonds	Unimpaired/ Nonvoting	21,453,761	PAID		
2A	Secured GO Series 2010	Unimpaired/ Nonvoting	252,475,366	PAID		
2B	Secured GO Series 2010(A)	Unimpaired/ Nonvoting	101,707,848	PAID		
2C	Secured GO Series 2012(A)(2)	Unimpaired/ Nonvoting	39,354,171	PAID		
2D	Secured GO Series 2012(A2-B)	Unimpaired/ Nonvoting	54,055,927	PAID		
2E	Secured GO Series 2012(B)	Unimpaired/ Nonvoting	6,469,135	PAID		
2F	Secured GO Series 2012(B2)	Unimpaired/ Nonvoting	31,037,724	PAID		
3	Other Secured	Unimpaired/ Nonvoting	Unspecified	PAID		
4	HUD Installment Notes	Unimpaired/ Nonvoting	90,075,004	PAID		
5	COP Swap	Impaired/ Voting	558,000,000	\$290,000,000 PAID	YES 2V 100% \$290,000,000 100% (DEAL WAS \$85+120M)	0V 0% \$0 0%
6	Parking Bonds	Unimpaired/ Nonvoting	8,099,287	PAID		
7	LTGO Bonds	Impaired/ Voting	163,543,188	\$175,302,359	11V 4.2% \$395,000 .23%	NO 251V 95.8% \$174,907,359 99.77%
8	UTGO Bonds	Impaired/ Voting	388,000,000 (74% of original)	\$376,128,494 PAID	YES 322V 87.26% \$366,178,494 97.35%	47V 12.74% 9,950,000 2.65%
9	COP Claims (UBS, BOA, SBS NO!! \$2.4 BILLION!!)	Impaired/ Voting		\$2,357,934,201 PAID ?????????	0V 0% \$0 0%	NO!! 40V 100% \$2,357,934,201 100% (City had offered deal of 40% total debt)
10	PFRS Pension Claims	Impaired/ Voting	1,245,000,000	\$758,026,280**	YES 5,822V 82.17% \$622,376,749 82.1%	1,263V 17.9% \$135,649,531 17.9%
11	GRS Pension Claims	Impaired/ Voting	1,879,000,000	\$1,030,264,532**	YES 6,248V 73.15% \$780,642,988 72.94%	2,293V 26.85% \$289,621,544 27.06%
V1 2	OPEB Claims	Impaired/ Voting	4,303,000,000	\$2,236,909,923**	YES 9,201V 88.25% \$1,892,906,817 84.62%	1,225V 11.75% \$344,003,106 15.38%
13	DDA Claims	Impaired/ Voting	33,600,000	\$33,600,000 PAID	YES 1V 100% \$33,600,000 100%	0V 0% \$0 0%
14	Other Unsecured Claims	Impaired/ Voting	Prorated	\$146,672,768	91V 46.7% \$57,043,403 38.89%	NO 104V 53.33% \$89,629,365 61.11%
15	Convenience Claims	Impaired/ Voting	25% of total (voted down)	\$3,588,809	153V 44.74% \$1,510,158 42.08%	189V 55.26% \$2,078,651 57.92%

**Pension and OPEB Claims are not treated as paid despite the values indicated. The city refuses to pay ANY general fund money until at least 2023 to these classes. The figures actually represent an initial loss for retirees of \$4,512,174,455, over \$4.5 B, minus "grand bargain" of \$718M, \$428.5M from DWSD, \$459M to bank-held health care VEBA's. Banks will get a total INITIAL payment of \$8,319,957,215, or \$8.3B, plus claims yet unresolved.

Retirees object, to attend 6th Circuit hearing, Cincinnati Wed. July 30; planning meeting Mon. July 28 11 a.m. N’Namdi’s Highland Park

15,624 worker ballots counted; what happened to the rest of retirement systems’ 32,000 members?

5th Amended Plan filed subsequent to vote; no re-vote scheduled

It’s not over yet—trial forthcoming as banks refuse “pennies on the dollar,” demand payment in full; UBS, BOA want entire \$2.4 billion

Historic sell-out by retirement systems, unions who recommended “YES” vote in ballot mailings, meetings

By Diane Bukowski

Analysis

July 25, 2014

DETROIT – Despite celebrations in the skyscrapers of Wall Street and the U.S. regarding Detroit bankruptcy active and retired employee votes announced July 21, allegedly in favor of huge pension and health care cuts, the sordid story is not over yet. Detroit remains far from a resolution of its state-imposed bankruptcy.

Major banks and bondholders have rejected the plan, insisting that they be PAID IN FULL.

According to figures released by Kurtzman Carson Consultants (KCC) of El Segundo, CA, **Retirees protest bankruptcy at courthouse Aug. 19, 2013** Detroit police and fire workers and retirees voted to approve the 4th Amended Plan of Adjustment (POA) by 82 percent, general workers and retirees by 73 percent, and holders of Other Post Employment Benefits (OPEB) by 88 percent. (See chart above.)



Cecily McClellan

Meanwhile, Emergency Manager Kevyn Orr, claiming to represent the City of Detroit, filed a FIFTH AMENDED PLAN OF ADJUSTMENT July 25 subsequent to the vote, with no plans for a re-vote. (See link below story.)

Burning questions on the validity of the July 21 vote still remain. Among them is the fact that only 15,626 pension ballots were counted, although the retirement systems have approximately 32,000 members.

“We knew that they had used dirty tricks (misinformation & disinformation) to influence the vote,” said Cecily McClellan of Detroit Concerned Citizens, Active Employees, and Retirees (DCCAER).

“Thousands did not vote, some did not receive ballots, over 3200 ballots were incorrect, employees were allowed to re-vote and now we find out that 6.75 interest has been added to the claw-back/recoupment

amount, THAT WAS NOT DISCLOSED. THIS IS EGREGIOUS and could invalidate the vote or at minimum require a recalculation and reducing the claw-back, if objected to.”

She said DCCAER is meeting Mon. July 28 at 11 a.m. at N’Namdi’s at 12150 Woodward to discuss filing new objections. They will also plan a trip to Cincinnati Wed. July 30 for the Sixth Circuit Court of Appeals hearing on objections filed by unions and retiree systems to U.S. Bankruptcy Judge Steven Rhodes’ ruling that Detroit is eligible to file Chapter 9 bankruptcy. Part of that ruling is that public pensions are fair game for attack despite state constitutional protections.

The hearing is set for 1:30 p.m, before Appeals Court Judges Julia Smith Gibbons, Raymond M. Kethledge, and Jane Branstetter Stranch. Bibbons was originally nominated to the federal bench by Pres. Ronald Reagan, then to the Sixth Circuit by Pres. George Bush. Kethledge was nominated by Pres. George W. Bush. Pres. Barack Obama nominated Stranch, who went through lengthy confirmation hearings before taking her seat.



Appeals Judges Gibbons, Kethledge, Stranch

It remains to be seen if any or all of the appellants will continue their cases. Tina Bassett, representing the Detroit General Retirement System, told VOD that if its members vote “Yes” they will withdraw their appeal. Click on [US Sixth Circuit Oral Arguments Detroit Bankruptcy](#) for listing of appellants.

Many workers, including members of the court-appointed Official Committee of Retirees, such as Michael Karwoski, have already filed new objections, addressing legal issues that should prevent plan confirmation. (See links below.)



“Of course I don’t believe this yes vote,” said objector Jean Vortkamp. “ There were so many issues with the voting process and just the general corruption of the whole bankruptcy. I watched Carol Neville in court. She represents the “Official” Retiree Committee and she is from Dentons Law Firm. In court when they were talking about the interest on the clawbacks and how that was not made clear in the ballot and other literature to ALL retirees, the judge TWICE asked her if the retirees were seeking relief. She did not answer yes. She did not ask for a revote. Afterwards she told me their ‘hands were tied.’ REALLY?”

Jean Vortkamp (I) at Homrich blockade

Secret “mediation” sessions are continuing in front of U.S. District Court Chief Judge Gerald Rosen regarding bids to privatize the city’s most valuable asset, the Detroit Water and Sewerage Department. Mayor Mike Duggan, under Emergency Manager Kevyn Orr, is dismantling large portions of the rest of the city, through initiatives such as the Blight Removal Project (a/k/a “Black Removal Project”) directed by billionaire developer Dan Gilbert.

Did city workers do this to themselves or were their ballots dumped?

Vortkamp called on voters to check the accuracy of their ballots, listed in Exhibit G, starting at page 61, of the KCC voting report. She suggested that voters use the amount of their claims, indicated on the ballots, to identify their vote. She said those she polled found their votes were accurately reported.



(Go to <http://www.kccllc.net/detroit/document/135384614072100000000038>, save report as a PDF document, then search claim amount exactly as shown on ballot, using binoculars icon at left of PDF.)

The final totals do not include 28 pages of ballots, approximately 1,400, that were invalidated, for alleged late receipt, lack of signatures, and votes of abstention. There was no oversight of the counting process, although KCC says it “allowed” representatives of the Detroit retirement systems to review their counting procedures in June. KCC is a firm that Jones Day, the architect of Detroit’s bankruptcy filing as well as a similar effort in Puerto Rico, has used many times in previous situations.

The historic sell-out by the city’s retirement systems and unions, who recommended a “YES” vote on the POA to their membership lists, which those who favored a “NO” vote did not have access to, may be another factor in the vote total. This sell-out, which wiped out decades of advances for public employees and union members, will be further addressed at this story’s conclusion.

Major banks, bondholders reject POA, demand \$8.3 billion plus from city



But city workers and retirees were not the only ones to vote on the POA. Major creditors like United Swiss Bank (UBS), Bank of America, and its virtual subsidiary SBS Financial rejected the POA 100 percent.

Astonishingly, these banks, who are facing lawsuits across the world for fraudulent practices garnering trillions in profits, are holding out for payment in full of over \$2.4 billion on the city’s 2004-05 Certificates of Participation (COPs) debt.

UBS, Bank of America among chief perpetrators of the mammoth LIBOR rip-off.

Detroit EM Kevyn Orr termed that debt “void ab initio, illegal and unenforceable” in a bankruptcy court lawsuit, which U.S. Bankruptcy Judge Steven Rhodes has yet to hear.

Holders of impaired Detroit Water and Sewerage Department bond claims rejected the deal by a large margin, meaning they are demanding payment of over \$2.3 billion. Added to secured DWSD bonds, the city will be paying a total of \$4.7 billion in water-related bond debts.



Supporters of Sept. 2012 strike against DWSD Wastewater Treatment Plant stand in front of signs with mammoth contract amounts, financed by bonds.

Last year, Bloomberg reported, “[DWSD]’s \$659.8 million June bond sale let it pay more than \$300 million to banks, including JPMorgan, to end interest-rate swap agreements while raising its borrowing cost. The utility,

with 1,978 employees, plans to fire four of every five workers, while debt service has climbed to more than 40 percent of revenue, internal documents show.”

In 2011, Wall Street raked in over \$211 million in fees on another water bond sale, despite DWSD’s historic AAA credit ratings.

Water shut-offs 15-day “pause” called victory, but may be diversion



Protesters prepare for arrest at Homrich water shut-off facility July 18, 2014.

Meanwhile, EM Orr launched a major drive to shut-off the water of Detroiters who owe more than \$150 over 60 days. Under pressure from activists who blocked the Homrich Wrecking facility from which the shut-off crews leave, and a national protest against shut-offs July 18, DWSD agreed in bankruptcy court July 21 to a temporary 15-day “pause” in shut-offs while it disseminates information to Detroit customers on how they can get assistance to pay their bills.

How to STOP Water Shut-Offs

1. Locate your water main. It should look like this (In Detroit at least).

2. Search the internet for a “Curb Water Meter Key”. You can get one at Home Depot for about \$20.

3. Remove the cover cap from the meter. Insert the shaft into the hole until the “female” end of the Key enclose the meter’s “male”. Turn it counter clockwise and check to see if it turned the water off. If it did, turn it back to the “on” position.
4. Buy a bag of Concrete Mix. Follow the directions, then fill the shaft of the water main, locking the water in the “on” position.

5. Remember to work with your neighbors. The more people who lock their water on, the harder it will be for it to be shut off! There is Strength in Numbers! Stick Together!
6. If any one from the city or the water department asks what happened. The shutoff is outside your home. Who knows what some radical did while you were asleep!

Many view this as a significant victory, even thanking Judge Rhodes for intervening. It did show that mass mobilization could partially affect the plans of the rulers. However, emphasis on this “pause” obscures the truth of the city’s intentions and also diverts attention away from the disaster that the bankruptcy as a whole means for the city.

Latimer stressed among other issues that DWSD would focus on those whose water is “illegally” turned on. Many Detroiters have bought water keys at hardware stores to to provide this life and health essential for their families. Will they be charged and jailed?

Even a Homrich security guard said during the second blockade, “Water should be free.”

There was no discussion of a ban on water shut-offs as a threat to the public health, like that which exists in Great Britain and other countries. As Judge Rhodes listened to DWSD Deputy Director Darryl Latimer describe plans July 21, DWSD bondholders were discussing bids for privatization of DWSD, in a closed mediation session upstairs from them. Most experts agree that privatization leads to higher rates.

Orr: water shut-offs essential to city “re-structuring”

Orr has already said that the shut-offs are an essential part of Detroit’s “re-structuring” plan, which includes “downsizing” city neighborhoods devastated by foreclosures. Many residents whose water is shut-off are forced to leave their homes, further adding to the number of abandoned structures. Demolition of 70,000 residential buildings, the elimination of 40 percent of the city’s streets lights under the Public Lighting Authority, and cutbacks in provision of waste removal services are on Orr’s agenda.



Orr prepares to gut City of Detroit

In addition to the water bond pay-offs, the city will also be paying other secured debts as indicated in the claims payment chart, to the tune of \$1.3 billion. The astounding \$2.4 billion on the COPS claims being demanded by the creditors adds to the

mammoth bill, which currently amounts to \$8.3 billion and counting, as the city seeks to resolve other claims.

The Plan of Adjustment specifies that all debts shall be priority items, meaning they will be paid off before the provision of essential city services.



Betrayal of workers by retirement systems, unions: Vote YES

While Puerto Rican unions are preparing for a general strike to counter a similar Jones Day-initiated austerity plan for their country, no such militant alternatives have been raised by the leadership of the nation’s unions, the retirement systems, or other organizations. VOD has been campaigning for months in favor of three tactics: a general strike, a boycott of major Michigan-based businesses, and a mammoth national march on Detroit, not on Washington or Lansing, where Detroit residents have no allies.

Detroiters in Lansing April, 2011

Ballots specified in part, “If you accept the Plan, you are voting to approve a release of any claims that you may have against the State, the City, and other entities in connection with the loss of part of your pension. . . . By accepting the Plan AND if the Initial Funding Conditions are satisfied or waived, you will be forever releasing any rights you may have against the State or other nondebtor parties. . . . Specifically, this release would release all claims and liabilities arising from or related to the City, the chapter 9 case . . . the Plan and exhibits thereto, the Disclosure Statement, PA 436 [the Emergency Manager law] and its predecessor or replacement statutes, and Article IX, Sec. 24 of the Michigan Constitution.”

It remains to be seen which unions and retiree groups will show up at court in Cincinnati July 30 for the appeals hearing. Several have said they will withdraw their appeals because their members voted “Yes” to the pension cuts, but that is not the issue before the court



That constitutional provision reads: “The accrued ***Puerto Ricans prepare for general strike this year*** financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby. Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be

used for financing unfunded accrued liabilities.”At least 24 other states have similar protections for public pensions in their constitutions. Detroit is Ground Zero for similar attacks on public employees in all these states. CalPERS, the California Public Employee Retirement System, the largest in the country with 1.7 million members, filed one of several amicus briefs at the Sixth Circuit Court of Appeals, to support seven suits filed by Detroit retirement systems and unions against Judge Rhodes’ ruling that Detroit is eligible for bankruptcy and that pensions are fair game.

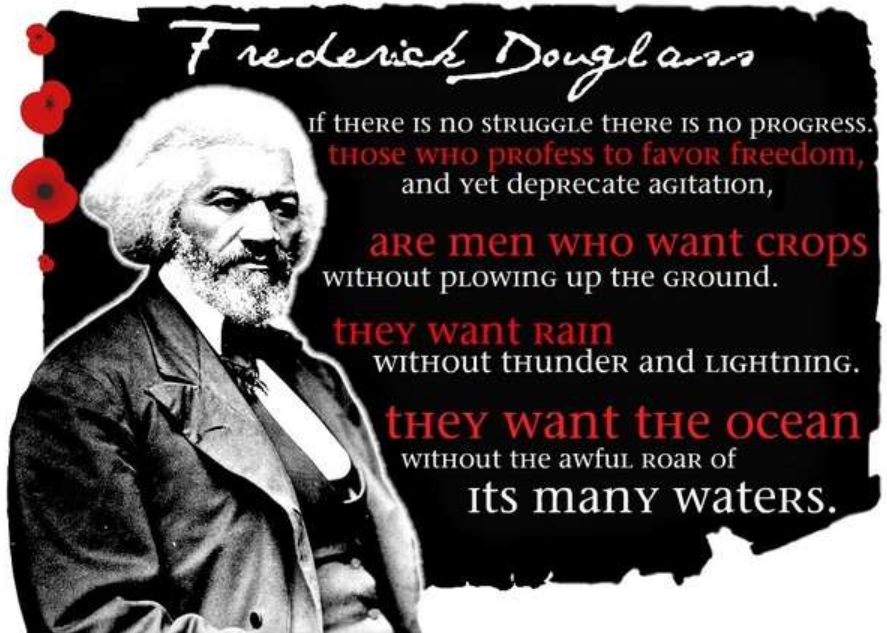
“Congress did not envision that Chapter 9 would become a haven for municipalities that seek to ignore and break state laws and constitutional provisions in order to adjust their debts,” the pension fund said. If a municipality in bankruptcy is allowed to break state laws and ignore its obligations to the pension system, it “may threaten the actuarial soundness of the system as a whole,” Calpers said.

However, the Detroit General Retirement System, the Detroit Retired City Employees Association (DRCEA), the Detroit Retired Police and Firefighters Association (DRPFFA), and Denton’s LLP, which has been paid \$4.8 million in city tax dollars to represent the bankruptcy court-appointed Official Committee of Retirees, all issued letters to their membership lists recommending a “Yes” vote.

AFSCME, the UAW and other unions did not issue such letters but gave tacit consent by not recommending a “No” vote.

“It was the best we could get” was the universal refrain. That’s been the excuse since the mid-1970’s, when unions in this country first began making wholesale concessions in both the private and public sectors.

Where have such concessions gotten cities like Detroit? Detroit no longer has an employment tax base to speak of, having lost most of its auto plants and most of its public workers as the Detroit Public Schools and the City of Detroit were privatized piece by piece, or outright dismantled. The militant founders of this country’s unions considered them only a transitional step to eventual true workers’ power, the takeover of the “means of production” and government functions by the workers and poor themselves, to be operated for the people, not



The attack on Detroit, its workers and its residents, is all the more profound because Detroit is the nation’s largest Black majority-city, the birthplace of the union movement, and later the founding city for groups like the League of Revolutionary Black Workers, the Dodge Revolutionary Union Movement, and important nationalist groups. It is an absolute travesty of historic proportions that the nation’s alleged “leaders of the people” have taken no effective action to stop the dismantling of Detroit.

Related documents:

[DB Michael Karwoski objections](#)

[DB Michael J Karwoski legal objection](#)

The late General Baker, a founder of the (Fifth POA)

League of Revolutionary Black Workers <http://www.kccllc.net/detroit/document/135384614072>

Related articles which explain details of cuts and banks expected profit:

<http://voiceofdetroit.net/2014/06/19/vote-no-detroit-retirees-hold-majority-of-bankruptcy-claims-can-stall-plan-which-violates-ch9-rules/>

<http://voiceofdetroit.net/2014/06/05/dgrs-sells-out-retirees-barrow-call-for-no-vote-on-bankruptcy-plan/>

<http://voiceofdetroit.net/2014/05/20/racist-detroit-bankruptcy-plan-11-5-billion-for-banks-for-retirees-vote-no-or-lose-appeal-rights/>

<http://voiceofdetroit.net/2014/05/03/no-detroit-bankruptcy-deal-may-day-marchers-block-detroit-streets-banks-natl-retiree-systems-blast-rhodes/>

<http://voiceofdetroit.net/2014/04/24/detroit-bankruptcy-plan-vote-no-shut-down-detroit-may-1-claw-back-debt-to-the-banks/>

<http://voiceofdetroit.net/2014/04/09/detroit-bankruptcy-swaps-agreement-huge-cramdown-cuts-for-retirees-residents-billions-for-banks/>

<http://voiceofdetroit.net/2014/02/11/em-lawsuit-v-cops-loan-demands-1-45-billion-back-to-city-make-the-banks-pay-no-detroit-pension-or-health-care-cuts/>

<http://voiceofdetroit.net/2014/01/03/recuse-detroit-bankruptcy-judge-rhodes-mediator-rosen-em-orr-from-the-citys-future-abolish-the-em-law/>

<http://voiceofdetroit.net/2013/10/27/a-thousand-take-streets-to-stop-detroit-bankruptcy-repeat-action-mon-oct-29-12-n-as-snyder-testifies-rhodes-should-recuse-self-led-pro-em-forum/>