Bond Case Briefs

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How to Not Be the Next Detroit.

"The next Detroit" makes an eye-catching headline, but a new report by Pew Charitable Trusts aims to help cities avoid that publicity by outlining some lessons learned from the last seven years of municipal bankruptcies. "Until now," the report said, "lawyers and financial analysts have conducted most post-bankruptcy analyses, focusing on the effect on investors who buy and insure municipal bonds. But state and municipal leaders need to weigh broader impacts on residents and workers."

Among the lessons were:

- Early state intervention in local governments' financial emergencies can help avert a crisis.
- Governments in bankruptcy should develop broad outreach plans that include all stakeholders to help resolve conflicts.
- It's critical for governments to have long-term recovery plans upon exiting bankruptcy that outline immediate financial fixes and long-term strategies (like investing to promote economic growth).
- Local officials can promote fiscal health and increase their city's capacity to deal with the ups and downs of the business cycle by budgeting over the long term.
- Regular monitoring of local government finances can help state officials detect early signs of distress.
- A temporary manager or financial monitor can be a successful alternative to filing for Chapter 9.

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