# International Municipal Lawyers Association
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## Work Session IV: Liability for Municipal Bond Issues – The New Paradigm. How to Protect Your Local Government; How to Protect Yourself and What to Disclose

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## The Renewed Focus of Creditors and Rating Agencies on Local Government Management, Finances and Risk

**I. The Great Recession and a Series of Chapter 9's, Culminating in Detroit's Bankruptcy**
- **The World Did Not End**
- **The World Changed**

**II. Change in Focus, or at least Intensity of Focus by Creditors and Rating Agencies**
- **Affects Disclosure**
- **Should Affect Risk Management Throughout the Year**
- **What You Tell Rating Agencies or Individual Investors**
- **Website and Other Public Statements**

**III. Causes of Stress**
- **Pension and OPEB Liability**
- **Loss of Tax Base**
- **Collections**
- **Reduced State Support**
- **Generous Collective Bargaining Agreements—13$^{th}$ Check?**
- **Changing Needs of the Population**
- **Tax Increment Captures**
- **Loss of Employment Base**
- **Large Judgments**
- **Restrictions/Lack of Flexibility for Revenue Generation**

**IV. Does Your State Authorize a Chapter 9 Filing?**
- **What is the Process?**
- **Are there Intermediate Steps?**
  - **Early warning**
  - **Deficit elimination plans/Consent Agreements**
  - **Receivers/emergency managers**
  - **Governor consent? Conditions?**

- **Who's in Charge? Who Decides?**

**V. Creditor Focus**

- **Trends**
- **Fund Balance: Size and trends**
- **Cash Flow**
- **Risk Management: Pending Litigation and Reserves**
- **Debt Profile**
- **Local, regional and statewide economy and demographics**
- **Diversity of tax base, employer base—Concentration in a few taxpayers or employers**
- **Internal Controls, Policies, Procedures**
- **Strength of Management**
- **Strength of Covenants**
- **Relationship between Administration and Legislative Branch**
- **Currency and Reliability of Financial Information**
- **Strength or Weakness of Overlapping Units**
- **Willingness to Make Tough Decisions or Denial**
- **Compliance with Covenants**

**VI. Nature, Reliability and Enforceability of Security Interests**

- **Trust**
- **Statutory Lien**
- **State Intercepts**
- **Special Revenues**
- **General Obligation**
- **Validity of Novel Structure**
- **Coverage**
- **Opinions**

**VII. Validity, Burdens of Other Types of Contracts and "Big Deals"**

**VIII. Due Diligence**

- **At the time the deal is done**
- **Annual Updates**
- **Material Events**