

McTevia: Detroit must stay out of bankruptcy court

James V. McTevia 9:24 a.m. EST November 13, 2014



(Photo: Ray Stanczak , The Detroit News)

Time now to note, emphatically, that The Fat Lady remains in her dressing room as the tragedy of Detroit's Chapter 9 bankruptcy nears an end. She won't sing, in this opus, until long after the curtain falls.

Many featured players — public servants, creditors, pensioners, financial professionals — deserve applause for their roles.

But discharge from bankruptcy court does not mean closure, only a fresh start.

Such is the narrative arc of bankruptcy. If destructive fiscal behaviors re-emerge, a painfully achieved new beginning will lead, perhaps quickly, to an even more painful dead end.

This truth is all the more imperative when contemplating the unique, decades-long implosion of Detroit's financial infrastructure.

The bigger they are, the harder they fall. And the harder it is to get back up — even after shedding, as in Detroit's case, \$7 billion worth of debt.

Letting Detroit get knocked off its feet, again, by a new wave of red ink would be unconscionable.

The Detroit Financial Review Commission has been empowered by the State of Michigan for this very reason (to say nothing of protecting the state's contribution to Detroit's turnaround effort).

The commission's task will not be easy. The pain associated with fiscal reality will not go away while the city seeks to progress. And a political entity will be overseeing the finances of a political entity.

Some very bright, experienced, talented and dedicated citizens will serve on this commission.

I would not presume to offer them any nitpicking budget specifics. Let me present, though, one fact and one piece of advice from more than half a century as a professional in the trenches where red ink flows toward bankruptcy as surely the Mississippi seeks the Gulf.

Fact: Detroit's hard-earned fresh start *can* go south.

The city could fumble its way back to bankruptcy court. No sane person wants to discover what that disaster would look like. It's vital to keep the difference between closure and fresh start in mind.

My advice? The city's post-bankruptcy checkbook must be kept on a very short leash.

This is not financial philosophy, but financial certainty.

Succumbing to projections based on the politics of promising better times ahead would be the surest way to return the city to financial chaos.

Leave the prognosticating to financial professionals. Let them analyze the realities of upcoming revenues and obligations. This is how projections are separated from political promises.

Even this will not be enough.

All balance sheet projections must be rigorously kept on point, constantly re-analyzed and recalculated.

My recommendation is a monthly reckoning.

Why?

Because if deficits sneak back into the picture, borrowing money will be the only "solution."

Good luck with that.

Much good work, and much sacrifice, went into this bankruptcy process. It has produced nothing more, or less, than a blueprint for a city that has not inherited too much debt to survive rebirth.

Do not add to that burden.

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