Bankruptcy does not need to become the “new normal” for municipalities and special tax districts seeking solutions to financial problems.

**In fact, AAA Mediation may offer a far better solution to cities, towns, villages, counties, taxing districts, municipal utilities, and school districts in financial trouble.**

Increased pension costs, unemployment rates, and the need for capital investments—coupled with the drop in revenues from property taxes—are reducing the resources of local governments. Municipal bankruptcies, rare until recently, are increasing.

Filing for Chapter 9 does not eliminate debt tied to pensions and bonds and can cause a downgrade to a city’s credit rating and damage to its reputation, as well as involve protracted and expensive litigation.

However, a highly experienced AAA mediator or neutral evaluator can:

- Help public officials identify relevant stakeholders.
- Assist with the creation of a joint fact-finding process.
- Include a range of unbiased technical advisors in the process.
- Provide online updates to the public.
- Manage problem-solving discussions in a non-partisan way.

States have a strong interest in preventing their municipalities from filing bankruptcy. For example, Georgia & Iowa prohibit the filing of Chapter 9 Municipal Bankruptcy by a public entity. Others, such as California, Connecticut, Kentucky, New Jersey and Pennsylvania, authorize a Chapter 9 filing only after specified pre-conditions have been met.

**AAA Mediation** can help municipalities from further depleting their funds in litigation as well as assist community residents, public employees, and government leaders to salvage their relationships for the future.

**Mini Case Study**

In California, a local public entity must engage in a pre-filing, multi-party neutral evaluation or, alternatively, declare a fiscal emergency by majority vote at a public hearing. The city of Stockton, CA, recently faced a fiscal crisis, and through the state’s mandated neutral-evaluation process one-third of its creditors reached agreements with the city. Although the city eventually filed for bankruptcy, the attorneys felt that because the city and creditors spoke to each other prior to filing, the city was better positioned to go to court and therefore possibly could procure a quicker resolution.

(http://www.reuters.com/2012/07/01)
AAA® Mediation for Municipalities
A Better Solution for Public Entities in Distress

AAA Mediation Services

According to the American Bankruptcy Institute, bankruptcy judges are very receptive to using mediation to resolve Chapter 9 filings by government entities. Mediation is a non-binding process where a neutral third party works with the parties to reach a mutually agreeable settlement.

An experienced mediator can assist the parties with identifying points of agreement and options they had not considered. Even when settlement is not reached, parties walk away from the process with a better understanding of the issues, areas of existing agreement and formerly unexplored options for reaching deals.

The AAA Panel of Mediators is comprised of over 80% lawyers or former judges, and, in addition, each panel member:

- Has a minimum of 10 years of senior-level experience in law, business, industry, or another profession.
- Possesses educational degree(s) and/or professional license(s) appropriate to their stated field of expertise.
- Adheres to the Model Standards of Conduct for Mediators.

Mediator Profiles

Parties can obtain AAA mediators with specific subject matter expertise, such as bankruptcy law or accounting. Mediator profiles are accessed at www.mediation.org through the “Find a Mediator” link. AAA will also assist the parties with identifying highly experienced non-AAA mediators possessing unique subject-matter expertise.

AAA Mediation Commences Fast and Flexibly

- AAA can schedule a mediation conference within a few days following selection of the mediator by the parties.
- Mediation can be conducted in person, online, or via video or telephonic conferencing.

For more information:
Visit www.mediation.org or
Contact: P. Jean Baker by email at BakerJ@adr.org or by phone at (703) 254-4478.
Dwight James by email at JamesD@adr.org or by phone at (415) 984-5403.
Jeffrey T. Zaino by email at ZainoJ@adr.org or by phone at (212) 484-3224.
or visit www.adr.org/contact.
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AAA Judicial Settlement Conference Services

AAA Judicial Settlement Conference is another non-binding option, similar in methods and objectives to the judicial settlement conferences used successfully by the courts. This process provides parties with a higher degree of evaluation from the neutral than is found in other settlement procedures.

The judges on the AAA Judicial Settlement Conference Panel are former federal or state appellate-level judges and trial court judges selected for their success settling cases. Each has heard a great number of cases in a wide variety of topics and fields and is skilled in presiding over settlement conferences.

Judge Profiles

The AAA has made the list of the judges accessible online to parties, so finding the appropriate judge for a Conference is easy.

For more information: Visit www.JudicialSettlement.com or contact Jeffrey T. Zaino by email at ZainoJ@adr.org or by phone at (212) 484-3224.