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Alabama county official says bankruptcy an option

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By [Verna Gates](#)

BIRMINGHAM, Alabama (Reuters) - Alabama's Jefferson County may consider a bankruptcy filing to resolve a financial crisis surrounding \$3.2 billion of sewer debt, the county's commissioner for finance said on Thursday.

"Bankruptcy is certainly an option," County Commissioner Bettye Fine Collins told a reporter at a commission meeting in Birmingham.

Collins spoke a day after a lawyer representing the county, which is home to Alabama's largest city, said Jefferson County had no plans to file for bankruptcy protection.

Collins also said county officials were meeting in New York to work out a solution to a liquidity crisis that may force the sewer system to pay \$184 million in costs tied to interest rate derivatives based on outstanding revenue bonds.

But she said the county was not expecting to use any of the \$400 million in a county liquidity fund, Collins said.

"We are not looking at dipping into the fund," said Collins, who oversees the county's finance and general services operations.

Collins, in response to another question, said that customers of the county's sewer system should not have to pay higher rates as part of any workout of the debt crisis.

"I don't believe that the people in this county need to be taxed anymore," Collins said. "I represent many citizens, and I don't know how they do it. I believe we will come up with a plan to deal with this without pain to the rate payers."

Jefferson County on Wednesday said in a formal statement regarding the interest rate swap agreements that it would not post collateral as required by the agreements and could not give assurances that the sewer system had adequate revenues to cover all costs related to its variable rate debt.

The formal notice allows counterparties in 13 swaps, such as Bank of America and Bear Stearns, to terminate the deals but the banks may not choose to do so, according to Standard & Poor's analysts Peter Murphy and Alex Fraser.

Alabama's Republican governor, Bob Riley, was expected to attend another commission session later on Thursday that will deal with the Jefferson County financial crisis, according to Collins.

(Writing by Michael Connor in Miami, Editing by Chizu Nomiya)

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