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Doubts seen over Jefferson County Ala. debt plan

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By [Verna Gates](#)

BIRMINGHAM, Ala., March 14 (Reuters) - Alabama's Jefferson County faces significant obstacles in trying to pass a plan to alleviate a crushing sewer debt of \$3.24 billion, state legislators said.

Most county commissioners on Thursday praised the plan that would seek state authority to use excess sales tax revenues to help pay off obligations accumulated through interest-rate swaps based on bonds issued to finance the repair and expansion of its sewerage system.

Under the plan, excess money from an existing 1 percent sales tax pledged to secure county education bonds would be used to pay the debt, the county said.

But Alabama state law says any tax changes have to be approved by a county commission and then ratified by the state legislature. A powerful state legislator played down the chances that it would pass the latter step.

"We refuse to let them punish school kids for their mistakes. The chance of it (the proposal) passing is between slim and none and slim got sick and died yesterday." said John Rogers, an Alabama House Democrat who opposes the plan.

As co-chair of the Jefferson County delegation, a bill cannot go on the legislative calendar without his consent, legislators said.

A second state legislator also said the proposal would struggle to pass through the state body.

"It is the rules that every committee chair has the sole power to bring or not to bring a bill before us," said Patricia Todd, a representative of Jefferson county.

The county, which has one of the highest municipal debts in the country, could go bankrupt because of its debt run up through the costly bond swaps.

Without restructuring, annual payments could soar to \$250 million. The county believes the system could currently support debt service payments of about \$115 million a year, leaving \$23 million a year for anticipated capital improvements.

The sales tax, levied in 2005 by the county commission, not a public vote, was earmarked to build and renovate schools. The fund generates \$27 million in excess funds that exceed the debt demands of a \$1 billion school bond.

Jefferson County voiced approval for the plan on Thursday and is expected to vote on it on Tuesday. The lone dissenter against the plan on the commission, Sheila Smoot, said overall passage might take a long time.

The county's credit rating has been reduced to junk by several leading ratings agencies. The county's interest rates have tripled in the last few

months, raising the financing costs by millions.

On Thursday, the first trading session after the Jefferson County restructuring proposal was released, the county's sewer debt remained under pressure, with some bonds trading as cheap as 84 cents on the dollar, according to traders.

Yields on the sewer debt have widened as much as 200 basis points since the rating agencies first sounded the alarm about the county's ability to meet its debt obligations in late February, traders said. (Editing by Andrea Ricci)

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