

JEFFERSON COUNTY COMMISSION**BETTYE FINE COLLINS**

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January 27, 2009

To the Citizens of Jefferson County, Alabama

Re: Status Report on the Sewer Debt

Ladies and Gentlemen:

The purpose of this letter is to provide you with a status report on the County's efforts to resolve the problems with its sewer debt. The following information is submitted for your consideration:

1. The Governor of Alabama has negotiated concessions from certain of the County's sewer creditors worth nearly \$2 billion.
2. There is no guarantee that a bankruptcy proceeding would produce a result better or even equal to the concessions that the Governor already has on the table. If the County files a chapter 9 bankruptcy, the sewer debt would not simply disappear. The County would have to litigate with creditors and attempt to reduce the debt. The litigation would be lengthy and costly. A contested bankruptcy could extend the sewer crisis for years and increase the County's legal costs significantly. If the County can settle with its creditors based on the concessions the Governor has negotiated, there is no purpose served by taking on the risks and costs of bankruptcy at this time.
3. It is in the best interest of the County to (1) lock in the concessions negotiated by the Governor, (2) apply those concessions to reduce the amount of the sewer debt, and (3) restructure the remaining debt into a traditional fixed rate vehicle at the lowest possible interest rate.
4. The County may not be able to refinance the remaining debt until the credit market stabilizes.

5. Once the credit market stabilizes, the County will need federal assistance to keep the cost of borrowing low and thereby permit the refinanced debt to be paid without large annual sewer rate increases and additional fees on non-users of the sewer system.

6. Federal Assistance: Federal assistance is necessary to obtain the lowest interest rate and keep sewer rates as low as possible. To make this federal assistance more likely, the County Commission will employ a federal lobbyist immediately. The Governor, the Special Masters in the pending federal litigation, the bond insurers and the trustee for the sewer creditors agree that the employment of a federal lobbyist is advisable to help obtain federal assistance. The fee for such lobbyist would be paid from sewer revenue, not from occupational tax. Therefore, payment of that fee will not result in employee layoffs or reduction in public services.

7. Additional Funding Source: An additional funding source for payment of the refinanced debt will also keep sewer rates as low as possible. The existing one cent education sales tax currently generates about \$27 million dollars per year more than is needed to pay the education debt. The County needs to be able to apply that excess collection to the sewer debt. That single action will greatly assist in the resolution of the problem without increasing any tax, adding any new tax or affecting any school or student in Jefferson County. Action of the Alabama Legislature is necessary to allow the County to apply that excess collection to the sewer debt.

8. In the meantime, the County is opposing creditor attempts to impose a receivership on the sewer system, substantially increase sewer rates and place new fees on non-users of the sewer system.