BANKRUPTCY UPDATE

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Some Causes of Municipal Distress and Bankruptcy

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Facts and circumstances vary. We make no undertaking to advise recipients of any legal changes or developments.

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Recent Causes of Municipal Financial Distress

A. Pension and OPEB Obligations: Some municipalities face financial distress from mounting pension obligations, exacerbated by the decline in the value of pension funds.

1. *Vallejo, California.* Government employees in many California cities benefit from expensive pension packages. In addition, under labor agreements between some California cities and municipal employee unions, losses in the value of pension funds resulting from recent stock declines trigger the requirement that local governments increase contributions to such funds. Vallejo succumbed to the financial distress and filed a chapter 9 case in 2008. Subsequently, the California Legislature has considered but not passed bills supported by municipal employee unions making it more difficult for municipalities to seek bankruptcy protection. Michael Sweet and Peter Bianchini, *Cities generally have alternatives to bankruptcy*, Sacramento Bee, July 24, 2009, at A15; Dan Walters, *Municipal bankruptcy bill heading to Schwarzenegger*, Sacramento Bee, June 1, 2010, at A1.

2. *Central Falls, Rhode Island.* Pension obligations and retiree health benefits that were largely unfunded and paid from the city's current budget, coupled with a declining tax base, resulted in the appointment of a receiver under Rhode Island law and an eventual chapter 9 filing in August 2011. *R.I. reaches deal with Central Falls unions*, The Boston Globe, Nov. 24, 2011; *Saga of Central Falls: When an old city goes bankrupt*, Providence Journal-Bulletin (Rhode Island) Aug. 10, 2011.

3. *New York City.* New York City pension obligations increased from $1.4 billion to $6.3 billion between 2002 and 2008, causing significant financial distress. Michael Barbaro, *Mayor Warns on Pension Costs but Gave Hefty Pay Deals*, N.Y. Times, June 23, 2009, at A19.

4. *Illinois.* In March, 2010, the Illinois state legislature passed pension reform laws aimed at staving off further financial distress. Despite such measures, the state still owes $78 billion in pension debt. (A State is not eligible for chapter 9.) *Pension cuts a giant first step: Keep going.*, Chicago Sun Times, March 25, 2010, at 27.

B. Debt or payments related to construction of facilities for public services.

1. *Harrisburg, Pennsylvania.* The City Council of Harrisburg, Pennsylvania filed a chapter 9 petition in October, 2011, due largely to over $300 million of debt

associated with the retrofit of a trash incinerator. *City Council In Harrisburg Files Petition Of Bankruptcy*, The New York Times, Oct. 13, 2011; *A bankruptcy shelter seldom used by cities*, Reuters News, May 12, 2010.

2. *Jefferson County, Alabama.* Jefferson County, Alabama filed a chapter 9 petition as a result of $3.2 billion of debt associated with the county's sewer system. The "sewer debt" was further exacerbated by an interest rate swap transaction that failed. *Jefferson County declares Chapter 9 bankruptcy*, The North Jefferson News (Gardendale, Alabama), Nov. 9, 2011; Kelly Nolan, *Alabama County Brainstorms—Bankruptcy Hangs in Balance as Business Leaders Weigh Ideas for Sewer Debt*, Wall St. J., July 3, 2010, at B11.

3. *Georgetown, Indiana.* Georgetown, Indiana experienced financial distress in connection with $1.45 million of debt incurred for the construction of a sewage system. Harold J. Adams, *Town may file for bankruptcy protection*, The Courier-Journal, July 27, 2009.

4. *South Carolina Toll Road.* Connector 2000 Association, Inc., a South Carolina toll road, filed a chapter 9 case due largely to $200 million of bonds outstanding. Jonathan Stempel, *S. Carolina toll road in rare Chapter 9 bankruptcy*, Reuters News, June 24, 2010. <u>In re Connector 2000 Assoc., Inc.</u>, U.S. Bankruptcy Court, D. S. Car., Case no. 10-04467-DD, Docket no. 48

C. <u>Debt or payments related to public services or owed to private litigants.</u>

1. *Washington Park, Illinois.* Washington Park, Illinois filed a chapter 9 case due in part to mounting payments owed to trash collectors. Washington Park's debts also stem from litigation brought by private citizens, including litigation brought by a private strip club that resulted in the city being unable to continue to realize significant annual revenue from strip club licenses and becoming liable for the strip club's attorneys fees. The municipality has also faced litigation related to certain government employees' corrupt practices. Nicholas J.C. Pistor, *Washington Park files for bankruptcy protection*, St. Louis Post-Dispatch, July 31, 2009, at A1.

2. *Westfall Township, Pennsylvania.* Westfall Township, Pennsylvania filed a chapter 9 case in the face significant debts resulting from a $20.8 million decision in favor of a resident who had sued the municipality after the township had sought to prevent the resident from building a housing development. The parties eventually settled for $6 million. *Town, developer call truce*, Bankruptcy Court Decisions, September 8, 2009, at 2.

D. Lower revenues.

1. *Lower property taxes and sales taxes.* Many cities in California, including Vallejo, Los Angeles, and Maywood have realized sharply reduced tax revenues on account of the recent recession. The significant increase in foreclosure rates and related reduction in real estate values have severely reduced local property tax collections. Also, a lack of consumer spending has caused a reduction in sales taxes. Michael Sweet and Peter Bianchini, *Cities generally have alternatives to bankruptcy*, Sacramento Bee, July 24, 2009, at A15; Ruben Vives, Jeff Gottlieb and Hector Becerra, *Maywood shuts down to stay alive*, L.A. Times, June 23, 2010, at A1.

2. *Declining populations.* Cities such as Detroit, Michigan and Westfall, Pennsylvania (which filed a chapter 9 case in 2009), which are acutely sensitive do industrial decline, have experienced population declines that have led to lower tax revenues. Nancy Kaffer, *Chapter 9 among Detroit's few options*, Crain's Detroit Business, April 12, 2010, at 17; Jeremy Boren and Brad Burnsted, *Too many towns, too much debt: Welcome to Pennsylvania*, Pittsburgh Tribune Review, March 21, 2010.

E. Salaries and non-pension benefits owed to public officials and private citizens.

1. *Salaries to government employees.* Before Vallejo, California filed its chapter 9 case, it struggled to pay compensation packages to police captains that topped $300,000 per year and to firefighters that averaged $171,000 per year. Detroit public schools also faced financial distress due largely to their labor contracts. Steven Greenhut, *Cross Country: Vallejo's Painful Lessons in Municipal Bankruptcy*, Wall St. J., March 27, 2010, at A13; Marisa Schultz, *Calif. city may be model for DPS*, The Detroit News, July 31, 2009, at 12A.

2. *Health care benefits.* Baltimore provides expensive health care benefits to its public employees (employees pay nothing toward the premium of their prescription drug plan), which could lead the city to spend half of its budget on health care and pensions within the next decade. Marta H. Mossburg, *Restructuring Baltimore's Pension System is Key First Step, But Unions Stand in the Way*, The Baltimore Sun, June 8, 2010, at 13A. Sacramento and other California municipalities, such as Roseville, Folsom, Yuba City and El Dorado County have significant long-term unfunded liabilities resulting from long-term programs that provide health benefits to retirees. Sacramento's future liability for such programs is $245.6 million. The municipalities do not have appropriate funds set aside for these liabilities. Loretta Kalb, *Benefit gap hits $1.4 billion*, Sacramento Bee, July 18, 2010.

Chapter 9 Case Review

2005

- Ridges Master Property Owner's Improvement District No. 2 of Garland County, Arkansas (Bankr. W.D. Ark.)

    ◊ The municipality originally consisted of approximately 1482 acres in Garland County, Arkansas. It was established to develop and construct infrastructure improvements for establishment of a residential subdivision, including facilities for water, drainage, gas pipelines, electric and telephone distribution systems, sanitary services and street, including curbs, gutters and sidewalks. The municipality issued $3.83 million in bonds to finance its activities. Property owners were assessed a "special tax" to fund the municipality's construction activities. In 2004 and 2005, certain property owners failed to pay the special tax, and the Arkansas Commissioner of State Lands conveyed certain property in the municipality to a private party. The resulting lack of revenue left the municipality insolvent.

- Sierra Nevada Public Financing (Bankr. C.D. Calif.)

    ◊ The municipality had over $10 million in bonds outstanding. Its sole property was 200 acres of real estate located in Los Angeles. Due to lack of funds arising from its inability to sell its real property, the municipality was faced with an imminent foreclosure and tax sale brought by Los Angeles County for unpaid property taxes.

- Reclamation District Number 768 (Bankr. N.D. Calif.)

    ◊ The municipality encompassed approximately 1500 acres of swampland, the greater part of which was ordinary salt marsh that was unfit for cultivation because of its being at times covered by saltwater from Humboldt Bay. The municipality's original plan contemplated the keeping of saltwater off these lands by means of a system of dykes or levees. A breach in one of the levees caused the municipality to borrow and expend significant funds to repair the levee. In addition, two residents sued the municipality for property damage claims. The municipality's only revenue source to fund these expenditures were property assessments, which were insufficient.

- Slocum Lake Drainage District of Lake County (Bankr. N.D. Ill.)

  ◊ The municipality was a drainage district that owed payments to private parties in respect of engineering, contracting, equipment and legal services. The municipality did not have enough revenues to pay its fees.

- Village of Alorton (Bankr. S.D. Ill.)

  ◊ The Village of Alorton filed for chapter 9 protection after many years of economic decline caused by a steady decline in population and revenues. The loss of over 20,000 jobs from the closure of Alcoa Aluminum in the 1960's and of the Cahokia Downs Race Track in 1978 caused a loss of revenues and of Federal and State funding sources. In addition, various individuals and employees filed lawsuits against the Village that compounded its problems.

- Sanitary and Improvement District #425 of Douglas County, Nebraska (Bankr. D. Neb.)

  ◊ The municipality was a high-value residential development located northwest of the City of Omaha in Douglas County, Nebraska. It was responsible for the construction of public improvements, such as roads and utilities, within its geographic boundaries. When the municipality was founded, many purchasers bought lots, but local and national economic difficulties caused the lot-owners to refrain from building. The lack of construction had a disastrous effect on the municipality's income, which is based on assessments of the real estate's value. Facing a lack of revenue, the municipality filed for bankruptcy.

- Town of Muldrow and Muldrow Public Works Authority (Bankr. E.D. Okla.) (cases jointly administered)

  ◊ The debtor was a public trust for the use and benefit of the Town of Muldrow and the water system of the Town of Muldrow. These chapter 9 cases arose from the resolution of issues between the Oklahoma Department of Environmental Quality ("ODEQ"), Muldrow and OK Foods concerning discharge from OK Foods' processing plant and Muldrow's ability to treat the discharge in its wastewater treatment plant. The immediate cause of the chapter 9 filings was the likelihood that Muldrow faced significant fines and penalties from ODEQ for past and ongoing violations of the Clean Water Act and its Oklahoma counterpart.

- City of Camp Wood, Texas (Bankr. W.D. Tex.)

  ◊ To finance the construction of the Camp Wood Convalescent Care Center, the debtor issued and sold certain certificates of obligation. The Convalescent Center did not produce revenues in line with expectations, and taxes levied were insufficient to pay down the certificates of obligation. The municipality refinanced its debt with bonds and other obligations, but was unable to make payments on its debt due to continued underperformance of the Convalescent Center.

2006

- East Hot Springs Multi-Purpose Municipal Owners' Improvement District 98-1 of Hot Springs, Arkansas (Bankr. W.D. Ark.)

  ◊ The municipality was comprised of two non-contiguous parcels of land located in or adjacent to the City of Hot Springs, Garland County, Arkansas. The municipality was created for the purpose of constructing or maintaining facilities for waterworks, recreation, drainage, gas pipelines, underground trenches, and excavations necessary for the installation by public utilities or municipal utilities of electric and telephone distributions systems, sanitary sewers, streets and highways, including curbs and gutters, and sidewalks, together with facilities related to any of the foregoing improvements. The municipality issued over $2.5 million of municipal bonds to fund construction projects. When the municipality failed to collect taxes on certain of its lots, foreclosure proceedings were implemented on the lots, but no bids were made to purchase the lots.

- Los Osos Community Services District (Bankr. C.D. Calif.)

  - ◊ The municipality provided various public services to the community of Los Osos. It entered into various contracts and debt instruments for the construction of a sewer system. The project was controversial. Voters in the community eventually passed a measure to (i) halt construction after it had commenced and (ii) prevent the municipality from disbursing funds to creditors that had pre-funded the project. After this measure, the municipality could not pay such debts and filed a chapter 9 case.

- <u>West Contra Costa Healthcare District</u> (Bankr. N.D. Calif.)

  - ◊ The municipality operated a hospital that had operating deficits of approximately $3 million per month at the time of filing its chapter 9 case. Before filing, it had leased the hospital premises to a private healthcare corporation, but the private company terminated the 20-year lease after only 7 years, which required the municipality to re-take control of the hospital's operations. Unable to get the cash infusion to pay its monthly deficits, the municipality filed its chapter 9 case.

- <u>Town of Moffett</u> (Bankr. E.D. Okla.)

  - ◊ For several years before the filing of its chapter 9 case, the primary source of income for the municipality was fines from citations issued by the Moffett Police Department. An ongoing conflict with certain business owners led to a lawsuit against the city, which reduced the municipality's ability to collect fines through its police department. In addition, for several years, the municipality had failed to pay taxes to the IRS properly, so it owed a significant amount of back-taxes. Finally, the town's former mayor had entered the town into a number of unsuccessful financial arrangements. These matters led to the filing of its chapter 9 case.

- <u>Town of Marshall Creek, Texas</u> (Bankr. E.D. Tex.)

  - ◊ After the September 11 attacks, Marshall Creek, which had a small police force, lost a sizeable contract to patrol nearby Marshall Creek Park. Instead, the Army Corps of Engineers awarded the contract to a larger and more experienced force. Marshall Creek had no revenue source other than property taxes and so was unable to pay accrued taxes to the IRS, which filed a lien against its assets and threatened seizure. In the face of an IRS seizure, Marshall Creek filed its chapter 9 case.

<u>2007</u>

- <u>Valley Health System</u> (Bankr. C.D. Calif.)

  ◊ The municipality owned and operated three hospitals. The municipality owed significant debt under special revenue bonds that it was unable to pay. The municipality attempted to pass a variety of bond measures to refinance the debt, obtain cash infusions and finance necessary capital improvements, but none of the measures received the necessary votes.

- <u>Palm Drive Health Care District</u> (Bankr. N.D. Calif.)

  ◊ The municipality operated a small hospital. It struggled financially for years, showing a net operating loss (after parcel tax revenue support) of $11.6 million in the 7 years before filing for bankruptcy. The operating deficit was caused largely by mandatory payment reductions by government and insurance programs and increased regulatory requirements.

- <u>Town of Marion, Mississippi</u> (Bankr. S.D. Miss.)

  ◊ Marion filed for bankruptcy after a judge had ordered the town to pay a $400,000 past due sewer disposal bill to the city of Meridian. Marion claimed that it did not have the money to pay the bill.

- <u>Timberon Water and Sanitation District</u> (Bankr. D.N.M.)

  ◊ No description of insolvency provided; case dismissed because debtor did not have authority to file a chapter 9 case. News reports from 2009 indicate that Timberon's 2007 financial difficulties stemmed from court orders in 2005 or early 2006 that Timberon reduce its tax levy amounts from 26 mils, or $26 per $1,000 evaluation, down to 10 mils. Since 2008, Timberon has experienced further financial difficulties due to water outages and outdated water supply infrastructure.

- <u>McCurtain Municipal Authority</u> (Bankr. E.D. Okla.)

◊ After the municipality constructed sewer lines for the Town of McCurtain, a dispute arose between it and one of its contractors as to the amount the contractor was owed. The contractor sued and was awarded the sum of $218,897.29, which the municipality was unable to pay.

2008

- City of Gould, Arkansas (Bankr. E.D. Ark.)

  ◊ Municipality filed a chapter 9 case as a strategy to forestall several lawsuits. Details of the lawsuits were not provided. Case was dismissed after debtor regained financial stability.

- Benton County Property Owners' Improvement District No. 6 - Sunset Bay Division (Bankr. W.D. Ark.)

  ◊ The municipality encompassed approximately 117 acres. It was established to finance the construction and installation of waterworks, sanitary sewers, streets and drainage facilities, and related infrastructure improvements to serve the property in the municipality. The municipality issued over $3.7 million of bonds to finance construction, which were to be paid by with the proceeds of an annual "special tax". A failure to sell lots in line with projections and an inability to collect the "special tax" led to foreclosures, which resulted in the chapter 9 case filing.

- City of Vallejo, California (Bankr. E.D. Calif.)

  ◊ Financial distress stemmed mainly from the city's inability to pay pension benefits to government employees. See description above under "Pension Obligations—Vallejo, California".

- Pierce County Housing Authority (Bankr. W.D. Wash.)

  ◊ The municipality was an entity organized to provide affordable housing for low-income families. It had limited access to government funds and no ability to levy taxes and had to comply with costly federal housing regulations. It had over $25 million in bonds outstanding, and it faced significant and protracted litigation brought by tenants, claiming damages for mold-related injuries. Unable to pay these expenditures, the municipality filed for its chapter 9 case.

<u>2009</u>

- <u>City of Prichard, Alabama</u> (Bankr. S.D. Ala.)

  ◊ The municipality was under significant financial pressure regarding its operational budget and its pension reserves for retired government employees. It was able to revise its budget, so that it would no longer operate at a deficit, but it could not come up with the funds to pay its pension obligations. In the face of litigation from retirees, the municipality filed a chapter 9 case.

- <u>Sierra Kings Health Care District</u> (Bankr. E.D. Calif.)

  ◊ The municipality is a local health care district that owns and operates a hospital and a variety of health clinics. It had various bonds and health services payments outstanding and could not generate enough revenue to pay off these expenses.

- <u>Village of Washington Park</u> (Bankr. S.D. Ill.)

  ◊ See description above under "Debt or payments related to public services or owed to private litigants".

- <u>Natchez Regional Medical Center</u> (Bankr. S.D. Miss.)

  ◊ The municipality is a hospital that suffered a combination of poor management, loss of medical staff from the market and an existing capital and legal structure that prevented it from accessing the credit markets.

- <u>Sanitary and Improvement District 452 of Douglas County, Nebraska</u> (Bankr. D. Neb.)

  ◊ The debtor's only means of generating revenue is to levy taxes. Of the four buildable lots subject to the debtor's taxing authority, three are vacant, so the valuation of the real estate, and the resulting tax revenues, are less than if the lots were occupied. The lack of revenue caused the municipality to file a chapter 9 case.

- <u>Sanitary and Improvement District No. 251 of Sarpy County</u> (Bankr. D. Neb.)

◊ The municipality was formed to develop a residential community and to provide various public services. Of its 327 lots, 93 are undeveloped, leading to a lower-than-expected tax base. The municipality owed significant amounts of interest on its construction fund warrants and bonds, but it was unable to generate enough revenue, because the lack of development of its lots led to an insufficient tax base.

- Sanitary and Improvement District 509 of Douglas County, Nebraska (Bankr. D. Neb.)

◊ The municipality is a residential development located northwest of the City of Omaha in Douglas County, Nebraska. Of its 436 lots, only 80 have completed homes, leading to a lower-than-expected tax base. The municipality owed significant amounts of interest on its construction fund warrants, but it was unable to generate enough revenue, because the lack of development of its lots led to an insufficient tax base.

- New York City Off-Track Betting Corporation (Bankr. S.D.N.Y.)

◊ The municipality's declining revenue and obligation to make statutorily-required payments to government and industry participants led to insolvency.

- Town of Moffett (Bankr. E.D. Okla.)

◊ Municipality claimed that its deceased mayor had incurred, on the town's behalf, more debt than the town had previously been aware of. The largest unsecured creditor is the IRS, indicating that the back-taxes described in the summary of the town's 2006 bankruptcy may still be an issue. No other description of insolvency has been provided in the docket yet.

- Westfall Township (Bankr. M.D. Penn.)

◊ See description above under "Debt or payments related to public services or owed to private litigants".

2010

- Grimes County Municipal Utility District No. 1 (Bankr. S.D. Tex.)

  ◊ The municipality was created to service the development of horse stables, a golf course, clubhouse and harness racing facilities and was authorized to levy a property tax to fund its operations. The municipality issued water and sewer bonds in 1974 to finance its activities. Shortly thereafter, the developer filed for bankruptcy and operation of the golf course, stables and harness racing facilities ceased, halting further construction and development. As a result, the tax base was inadequate to fund the operation of the municipality and debt of $1.86 million from the 1974 issuance of water and sewer revenue bonds.

- Lost Rivers District Hospital (Bankr. D. Ida.)

  ◊ This case was filed due to the threatened shutdown of the municipality by the IRS for delinquent payroll taxes. The payroll tax shortfalls occurred because the Federal Social Security Administration discovered that there had been overpayments to the municipality for Medicare reimbursements. The Social Security Administration curtailed further Medicare payments until the overpayments had been recouped. During this time the municipality's cash flow was greatly impaired, and it was unable to pay payroll tax deposits to the IRS and the Idaho Tax Commission.

- Connector 2000 Association, Inc. (Bankr. D.S.C.)

  ◊ The debtor issued over $200 million of toll road revenue bonds to finance the construction of a 16-mile toll road. Traffic on the toll road was substantially lower than expected, leading to reduced revenues. Accordingly, the debtor was unable to pay the debt owed in connection with its revenue bonds.

- Lake Lotawana Community Improvement District (Bankr. W.D. Miss.)

  ◊ The municipality was created for the purpose of funding the construction of infrastructure to permit commercial and residential development in the municipality, including the funding of a wastewater treatment plant and necessary gathering of transmission lines for the plant. To raise the funds necessary to build the wastewater treatment plant, the municipality issued bonds in 2006 and 2007 in the total amount of $8,850,000. Development within the district was slow due to the collapse of the real estate market and credit markets and insufficient revenue sources in the municipality, including sales and use taxes. The resulting lack of revenue left the municipality unable to pay the existing bond obligations.

- Sanitary and Improvement District No. 507 of Douglas County, Nebraska (Bankr. D. Neb.)

  ◊ The municipality was formed to develop a residential community and to provide various public services. Of its 172 lots, 133 are undeveloped, leading to a lower-than-expected tax base. The municipality owed significant amounts of interest on its construction fund warrants, but it was unable to generate enough revenue, because the lack of development of its lots led to an insufficient tax base.

- Sanitary and Improvement District No. 528 of Douglas County, Nebraska (Bankr. D. Neb.)

  ◊ The municipality was formed to develop a residential community and to provide various public services. Of its 391 lots, 357 are undeveloped, leading to a lower-than-expected tax base. The municipality owed significant amounts of interest on its construction fund warrants, but it was unable to generate enough revenue, because the lack of development of its lots led to an insufficient tax base.

2011

- Boise County (Bankr. D. Ida.)

  ◊ Financial problems resulted from a developer's judgment against the County for violating the Fair Housing Act when dealing with a proposed treatment center for troubled teens. In the face of a $4 million settlement and attorney fees, totaling $5.4 million, approximately two-thirds of its annual budget, the municipality filed its chapter 9 case. The court determined that the County did not meet the statutory definition of "insolvent" and dismissed the case.

- <u>Sanitary and Improvement District No. 517 of Douglas County, Nebraska</u> (Bankr. D. Neb.)

  ◊ The municipality was formed to develop a residential community and to provide various public services. Of its 107 lots, 78 are undeveloped, leading to a lower-than-expected tax base. The municipality owed significant amounts of interest on its construction fund warrants, but it was unable to generate enough revenue, because the lack of development of its lots led to an insufficient tax base.

- <u>Suffolk Regional Off-Track Betting Corporation</u> (Bankr. E.D.N.Y.)

  ◊ The municipality's revenues decreased due to a decline of more than $103 million (10%) in horse racing bets placed over the past five years, resulting in deficits in net revenue from operations. In addition, the municipality faced increasing payments to tracks for broadcast rights and cash-flow problems in meeting statutorily-required payments to government and industry participants, leading to insolvency.

- <u>Central Falls, Rhode Island</u> (Bankr. D.R.I.)

  ◊ Unfunded pension and retiree health benefit obligations, coupled with a declining tax base, resulted in the State's appointment of a receiver and ultimately a chapter 9 filing to force negotiations over public employee benefits. The negotiations resulted in an agreement on a new contract for public employees, but negotiations over retiree benefits have not been successful, and the retiree's are challenging the city's eligibility to file for bankruptcy.

- <u>City of Harrisburg, Pennsylvania</u> (Bankr. M.D. Pa.)

  ◊ The City of Harrisburg issued a first position guarantee (backed by a second position guarantee by Dauphin County, Pa. for a portion, and a third position guarantee by Assured Guarantee Municipal, of the entire debt) of revenue bonds and other obligations issued by The Harrisburg Authority to retrofit a 35-

year old waste-to-energy facility. After negotiations over a plan initially developed by a State-appointed Plan Coordinator failed, the City Council authorized the City to file a chapter 9 petition, and Council's attorney filed the petition on behalf of the City. The Mayor opposed the petition. The bankruptcy court determined that the City Council was not authorized to file the case without the Mayor's concurrence.

- Jefferson County, Alabama (Bankr. N.D. Ala.)

    ◊ The County incurred approximately $3 billion in debt from construction of a sewer system. A deal under which bondholders would have forgiven $1 billion and county residents would have paid higher sewer fees failed when the Alabama Legislature did not pass necessary implementing legislation.