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Alabama's Jefferson County Rated Investment Grade by Moody's.

Jefferson County, Alabama, which emerged from the second-biggest U.S. bankruptcy in 2013, had its credit rating raised to investment grade by Moody's Investors Service, boosted by a "well-performing" economy and government cost cuts.

The ratings on Jefferson County's \$83.4 million in general-obligation bonds and \$623.3 million in limited-obligation school warrants were raised three levels to Baa3 from Ba3, New-York based Moody's said in a statement.

Jefferson County became what was then the biggest U.S. municipal bankruptcy in 2011, when it couldn't pay what it owed on more than \$3 billion in bonds sold to finance sewer work. Creditors, including JPMorgan Chase & Co., agreed to forgive more than \$1 billion of the debt. Although the county's sewer debt burden was halved, it remains a risk, Moody's said.

"The county sewer system is still highly leveraged, however, and its dependence upon annual rate increases to fund debt service payments remains a risk and could place additional financial stress on the county's revenue structure in the future," Moody's said.

Sewer Project

The rating company said it expects the county, home to Birmingham, will reinforce its financial position through conservative budgeting, maintaining reserves and on-going sewer rate increases. The county's school bonds are secured by a 1 percent education sales and use tax.

Jefferson County's bankruptcy was triggered by a sewer project that was dogged by mismanagement and corruption. When the price tag more than doubled to over \$3 billion, officials refinanced debt with floating-rate bonds and derivatives, like homeowners who used exotic loans to buy houses they couldn't afford. The tactic backfired during the 2008 credit-market crisis, leaving the county on the hook for hundreds of millions in fees and demands to pay off the debt early.

Senior lien warrants maturing in October 2053 yielded 3.98 percent on average Tuesday, according to pricing data compiled by Bloomberg. That's down from an average yield of 4.05 percent the prior day.

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