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[Insurer Threatens to Seize City Hall After Muni Bond Default.](#)

The Blue Ridge mountain hamlet of Buena Vista, Virginia, is in danger of having its City Hall, police headquarters and municipal golf course seized for defaulting on its debt.

The city, with 6,600 residents, has failed for more than a year to make payments on \$9.2 million of debt that's insured by ACA Financial Guaranty Corp., the company said in a statement Tuesday. The securities are a "moral obligation" paid with money appropriated by the city council and secured by the golf course and municipal buildings, according to ACA, which said it filed suit over the default.

"The city's failure to make its bond payments could result in the foreclosure of its City Hall, its police department building, and its municipal golf course," Roanoke attorney Steve Higgs, who is representing the company, said in the statement. "The City Council should honor its promises and pay back the money it borrowed."

It would be highly unusual for a city to lose its buildings because of a bond default, highlighting the risk of municipalities putting their credit on the line for speculative projects. Even in municipal bankruptcies, such as Detroit's, residents are protected from having government assets sold off to satisfy creditors, as is routinely done when corporations collapse.

The golf course has been a money-losing proposition since 2004, running up losses of \$3.2 million, according to Buena Vista's annual report. It didn't lead to the development of nearby real estate, as the city expected, nor did it draw enough players to cover its costs.

ACA said that in July 2011 it agreed to let the city cut its debt payments by half for five years, but in January 2015 Buena Vista stopped paying altogether.

The city stopped making payments to support the debt service "when it became clear that essential government services would have to be drastically slashed," Brian Kearney, the city's attorney, said in a statement. He said ACA has been unwilling to negotiate a reasonable settlement.

"All bond holders have been paid in full because the city purchased payment insurance from ACA," Kearney said.

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by Darrell Preston

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