

JEFFERSON COUNTY COMMISSION

Resolution No. _____

WHEREAS, Jefferson County (the "County") has outstanding approximately \$3.25 billion in sewer revenue debt (the "sewer debt") incurred principally to finance improvements and rehabilitative work required by the Clean Water Act of the United States Government pursuant to a consent decree entered by the United States District Court in 1996;

WHEREAS, in order to provide for the payment of the principal of and interest on the sewer debt, it has been necessary for the Jefferson County Commission (the "Commission") to raise sewer rates since 1997 to levels that are injurious to the economic well-being of the County and its people and that cannot be further raised for many users of limited financial means;

WHEREAS, as a result of the rating downgrades suffered by the County's bond insurers, since the beginning of 2008 the interest rates for the County's variable rate warrants have risen sharply;

WHEREAS, the interest cost of the County's warrants now greatly exceed the revenues that can be derived from the sewer system at rates which the users of the system can afford to pay, and this dire situation, if allowed to continue, must eventually result in the County's default in the payment of its outstanding sewer debt;

WHEREAS, since January 2008 the County Commission has sought diligently for a solution to the elevated interest cost of the sewer debt, but has been unable to

restructure this debt in a manner that would solve the immediate crisis as well as preserve a means for financing future improvements and additions to its sewer system;

WHEREAS, in view of the vital interest of all citizens of the County – including those who use the sewer system and those who indirectly benefit from the system's contribution to a healthy environment – in finding a fair and effective solution to the sewer debt crisis, the Commission has determined to seek the opinion and advice of the entire electorate of the County through an advisory ballot to be submitted to the electorate in the general election to be held on November 4, 2008;

NOW, THEREFORE, BE IT RESOLVED by the Commission as follows:

1. The Commission hereby authorizes and directs that an advisory election for the voters of Jefferson County be held concurrently with the general election to be held on November 4, 2008, for the purpose of determining the opinions and preferences of such voters on various questions that may help the Commission and the Alabama Legislature in their quest for a solution to the sewer debt crisis. The form of the ballot to be used in such election and the several questions to be presented to the voters shall be in the following form:

[FORM OF ADVISORY BALLOT]

ADVISORY QUESTIONS CONCERNING
JEFFERSON COUNTY SEWER DEBT

(1) Jefferson County confronts a crisis involving a sewer debt of \$3.25 billion that was incurred under court order pursuant to the federal clean water act. Which of the following courses of action should be taken by the County?

[Select one]

- Attempt to implement a plan under Chapter 9 of the federal bankruptcy law that would repudiate all or a significant part of the sewer debt.
- Default on the payment of the sewer debt and accept the appointment of a receiver for the sewer system with power to raise sewer rates within the limits of the law to remedy such default.
- Pay the sewer debt in full by reducing the amount payable from sewer revenues and using various tax revenues to pay a portion of the debt.

(2) The Jefferson County sewer system benefits the entire County by preventing the contamination of streams and assuring the sanitary treatment of waste in accordance with the environmental standards of the federal government. Health and recreational benefits accrue to citizens who do not directly use the system as well as to those who do. Is it fair for only those citizens directly using the sewer system to bear the entire burden of its cost?

- Yes
- No

(3) The Retirement Systems of Alabama ("RSA") has publicized a proposal that calls for Jefferson County to attempt the implementation of a plan under

Chapter 9 of the federal bankruptcy law which involves the repudiation of a major portion of the sewer debt and the sale of the sewer system to RSA.

(a) Since lowering the price to be paid by RSA will increase the remainder of the \$3.25 billion in sewer debt that must be repudiated, what is the price that should be paid by RSA?

- \$1 billion or more but less than \$2.0 billion
- \$2.0 billion or more but less than \$3.0 billion

(b) Should there be any restriction on the subsequent right of RSA to sell the sewer system to a private company?

- Yes
- No

(c) Should the County require indemnity from RSA or any subsequent purchaser for future liability arising under federal or state environmental laws?

- Yes
- No

[END OF BALLOT]

Section 2. The advisory election hereby authorized and directed to be held on November 4, 2008, shall be held and conducted and the results determined in the manner provided by law for holding other elections in the County. Notice of the election shall be given, not more than 45 days nor less than 30 days before the day set for the election, by publication in a newspaper published in the County for four successive weeks. The cost

of the advisory election, including the cost of publishing the notice and providing the special ballots to be used therefor, shall be paid by the County out of its general funds.

Section 3. The advisory election hereby called to be conducted with respect to the sewer debt crisis shall for all purposes be deemed advisory only, and no result thereof shall in any way be binding upon the Commission or the Alabama Legislature or construed or applied to constrain or interfere with the legislative power or discretion of the Commission or the Legislature.