

W. 8.C. 1.

Agenda Date: June 2, 2004

To: Board of Commissioners

Department: Assessment and Taxation

Presented By: Jim Gangle, Assessor

Title: IN THE MATTER OF APPROVING THE CANCELLATION OF TAXES REMAINING ON PROPERTY ACCOUNTS INVOLVED IN MCI WORLDCOM BANKURPTCY SETTLEMENT AGREEMENT

I. MOTION

MOVE APPROVAL OF ORDER NO. . TO ALLOW THE DEPARTMENT OF ASSESSMENT AND TAXATION TO WRITE OFF REMAINING TAXES ON ACCOUNTS INVOLVED IN THE WORLDCOM BANKRUPTCY.

II. ISSUE

Department of Assessment and Taxation requests permission to write off taxes that remain on property accounts after applying payment from MCI WorldCom settlement check.

III. DISCUSSION

A. Background

On July 21, 2002 WorldCom, Inc filed for protection under Chapter 11 bankruptcy in the United States Bankruptcy Court. To date, this filing is one of the largest in US history. Faced with hundreds of thousands of dollars in taxes owing to counties all across Oregon, thirteen Oregon counties agreed to retain outside legal representation from Sussman Shank LLP in order to achieve the best possible result. WorldCom alleged that its property had been overvalued, and given the nature of the telecommunications industry at that time, the company may have had a good argument.

On Oct 14, 2003 Lane County, along with twelve other Oregon Counties, entered into a settlement agreement with MCI WorldCom. The agreement stated that the Oregon Counties agreed to the tax settlement amounts as "full satisfaction of any and all property tax obligations owed" by MCI WorldCom Network Services, Inc., Skytel Corp. and MCI Metro Access Transmission. It further stated that upon

payment of the settlement amount, the Oregon Counties could not assert any additional Ad Valorem property taxes against MCI WorldCom Network Services, Inc., Skytel Corp. and MCIMetro Access Transmission for the year 2002.

Oregon Revised Statute 311.790: Cancellation of uncollectible personal property tax. If the tax collector and the district attorney for any county determine that taxes on personal property that are delinquent are for any reason wholly uncollectible, the tax collector and district attorney may request, in writing, the county court for an order directing that the taxes be canceled. The court, when so requested, may in its discretion order and direct the tax collector to cancel such uncollectible personal property taxes. The order shall be entered in the journal of the county court.

B. Analysis

Through the bankruptcy proceeding, the Federal Bankruptcy Court had the ability to reduce the amount of monies payable to various creditors including Lane County. All involved Oregon Counties agreed with the recommendation from counsel that a 60% payment was likely the best result that could be achieved in this bankruptcy case. A list of the involved Oregon Counties and their respective claim and settlement amounts are included in "Attachment A"

This was an unusual case in that greater than \$50,000 is being written off as a result of the settlement. Future cases of this size, if any, should be brought before the BCC earlier in the bankruptcy proceedings for board direction.

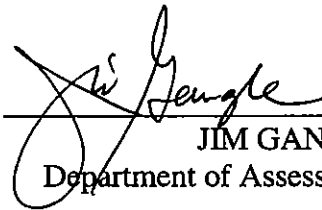
IV. IMPLEMENTATION

The Department of Assessment and Taxation will cancel the remaining taxes on all accounts involved. This action will be completed by June 15, 2004.

TO: THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

Pursuant to ORS 311.790, it is respectfully requested that the Board of County Commissioners of Lane County, Oregon order cancelled the taxes remaining on property accounts involved in MCI WorldCom Bankruptcy Settlement Agreement, it having been determined by the undersigned that said taxes are wholly uncollectible.

Dated at Eugene, Lane County, Oregon, this 13th day of MAY, 2004.



JIM GANGLE, ASSESSOR
Department of Assessment and Taxation



MARC KARDELL
Assistant County Legal Counsel

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

)IN THE MATTER OF APPROVING THE
)CANCELLATION OF TAXES REMAINING ON
)PROPERTY ACCOUNTS INVOLVED IN MCI
)WORLD COM BANKRUPTCY SETTLEMENT
)AGREEMENT

WHEREAS, MCI WorldCom owns property within Lane County subject to ad valorem taxes, at accounts 8524008, and 8524009, and 8524010, and 8524011, and 8528725, and 8508501, and 8508503, and 8508504, and 8508506, and 8508507, and 8508508, and 8508509, and 8508510, and 8508511, and 8508512, and 8508513, and 8508514, and 8508515, and 8508516, and 8508517, and 8529376, and

WHEREAS MCI WorldCom filed bankruptcy on July 21, 2002, in the United States Bankruptcy Court Southern District of New York seeking, among other things, a cancellation of certain taxes owed for tax year 2002-03, and

WHEREAS the Assessor, together with other Oregon Counties, reached a settlement of the Bankruptcy claim that was approved by the Court, and

WHEREAS, the Assessor is seeking approval of the cancellation of taxes that remain on property accounts after applying payment from MCI WorldCom settlement, and


WHEREAS, the attached list of Oregon Counties and their respective settlement amounts shows the agreed upon settlement amount of 60% of the amounts due the counties, and

WHEREAS Lane County has received its agreed upon amount, and

WHEREAS, the Assessor does request that the remaining taxes on the involved accounts should be cancelled in accordance with the settlement agreement, therefore be it

ORDERED that the Assessor take such action as is necessary to cancel the remaining taxes on the property accounts involved.

DATED this _____ day of June, 2004.

APPROVED AS TO FORM
Date 5-19-04 lane county

OFFICE OF LEGAL COUNSEL

Bobby Green, Sr.
Chair, Lane County Board of Commissioners

ATTACHMENT "A"

	<u>Claim No.</u>	<u>Filed Amount</u>	<u>Allowed Amount</u>
(a)	6889	\$56,858.80	\$34,115.28 Baker
(b)	16878	\$7,427.00	\$4,456.16
(c)	16879	\$8,085.00	\$4,850.86 Clackamas
(d)	16891	\$14,601.00	\$8,760.38 Columbia
(e)	16889	\$45,421.00	\$27,275.74 Coos
(f)	7059	\$142,987.00	\$85,792.01 Douglas
(g)	16902	\$33,656.00	\$20,015.84 Josephine
(h)	15424	\$134,446.00	\$82,186.99 Lane
(i)	16324	\$41,500.00	\$24,680.82 Linn
(j)	16333	\$38,918.00	\$23,145.15 Marion
(k)	16296	\$561,495.00	\$332,242.16 Multnomah
(l)	16299	\$521,495.00	\$308,779.82
(m)	16895	\$6,113.00	\$3,667.61 Tillamook
(n)	7444	\$66,603.00	\$39,609.49 Umatilla
(o)	16476	\$58,209.00	\$34,770.85
(p)	34702	\$588,969.41	\$393,908.54 Washington
Total Filed Amount		<u>\$2,326,409.21</u>	
Total Allowed Amount			<u>\$1,428,257.70</u>