

# No Standing News

Since we have no standing, we stand with those left standing

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## The EEZ and the 'County of Rolla'

On Thursday, January 27<sup>th</sup>, **John Petersen** made a pitch to the Rolla School Board to get their consent to an Enhanced Enterprise Zone (EEZ), another TIF-like scheme to take away more property taxes from schools, the county and all other taxing districts. An Enhanced Enterprise Zone is a super-sized version of the city's 1991 Enterprise Zone (EZ) which was due to expire in 2006. Unfortunately it won't expire because the city plans to extend the 1991 Enterprise Zone another 7 years and, at the same time, add the bigger fatter Enhanced Enterprise Zone for another 15-25 years. When the 1991 Enterprise Zone expires - or if it had expired - the county, school districts and the handicapped would have started receiving the property taxes they have given up for the last 14 years to 'help' with economic development. The week before Petersen talked to the school board, he asked the Phelps County Commissioners to make a dual city/county application to the state for a really big EEZ that would slop over into county jurisdiction so the city could add about 1,440 acres to the original 1,491 acre Enterprise Zone. Most of the 1,440 acres are outside the city limits so they can't do it without the consent of the county. The Phelps County Commissioners told him to go see what the school board said first because 91% of the property taxes that would be sacrificed belong to the school district; everyone else will lose taxes too but the school board would lose the most because they get the most. (See [EEZ map](http://www.rollacity.org/comdev/plan/uga.jpg)) <http://www.rollacity.org/comdev/plan/uga.jpg>

Just a few months ago Superintendent **Terry Adams** and board member **Keith Strassner** voted most enthusiastically to join the city's TIF project and sacrifice 23 years of school taxes so this new EEZ tax grab should have been easy for Petersen, but strangely it wasn't. With their 61¢ school tax levy increase hanging on the April ballot, the board dodged Petersen's repeated attempts to get a vote out of them or even an indication of "approval of the EEZ process." Even Strassner was leery of being seen giving away more school taxes. Let's see: they already gave away 23 years of TIF taxes and 15 years of EZ taxes and another 7 year extension of EZ tax abatement and for the EEZ they would give away another 15 to 25 more years of school taxes.... that's 60 to 70 years of school taxes!

Board member **Ralph Wilkerson** asked the first and most obvious question: "How much have we already lost in school taxes from the 1991 Enterprise Zone?" Petersen flippantly said he didn't know but, "It couldn't be much."

**Just how much couldn't it be?** Here's one example. In 2002, the Rolla City Council voted to issue **Terry Brewer's** business in the Hy-Point Industrial park \$14,300,000 in low, fixed-interest city revenue bonds to refinance his debts, buy

machinery and equipment and expand another 60,000 square feet. Because his business was in the Enterprise Zone, Brewer had been eligible since 1991 to claim state tax credits and have a minimum of 50% of his local property taxes abated for at least 10 years or more. The city will ask for another 7-year extension on the 15-year Enterprise Zone because Brewer needs a few more years to get his full 10-years of state tax credits. In 2002, when Brewer expanded, the city made him another great deal. In return for a \$14.3 million low interest loan from the city which they financed with city-backed revenue bonds, Brewer promised to 'maintain' the 240 jobs he already had - not create any new ones. A year later Brewer Science was laying-off employees. Until Brewer pays back the \$14.3 million debt in 2017, the city owns the building and the city is already exempt from all property taxes. However, it really didn't look good for the city to loan Terry \$14.3 million to pay off his debt and build and equip a building for him which they would own and which would also be 100% tax free until he paid it off in 2017. So they came up with something called "Grant Payments" in which Brewer would "donate" cash to entities of his choice in lieu of the property taxes he would have owed if the City of Rolla hadn't been his banker. Butz was the chief negotiator for this contract. Experience tells us that sending Butz to negotiate anything having to do with money is like sending a drunk to a wine tasting party - Brewer's party was no exception.

In his memo to the council before they voted on the Brewer loan contract, Butz explained that among the benefits he had 'negotiated' for Terry, were tax abatement and "Grant Payments." The Grant Payments, he said, "far exceed past taxes paid on the existing building." Butz added that Brewer's Grant Payments were "50-70% of that tax payment." The key words were "50-70% of that tax payment...paid on the existing building." The Great Negotiator had, wittingly or unwittingly, excused Brewer from paying 50-30% of his former property tax bill and in one swell foop Butz also exempted 100% of the increased property taxes Brewer should have owed after adding another 60,000 sq. ft and machinery, equipment and fixtures. The council voted for the contract with praise for Terry's great generosity and philanthropy but probably without a clue as to how much tax damage they had done.

The city council that gave Brewer this hyper-tax exemption deal for 15 years is the same city council that doesn't give a rip that all their other constituents are being charged \$16 a month for merely being connected to RMU's water and electric meters.

The irony is that Brewer's generous 'Grant Payments' to the city, school district, CORE and OATS, which are applauded each year in Brewer press releases, are

actually tax deductible ‘donations’ for Terry Brewer because they’re ‘gifts’ - not tax payments. Two of Brewer’s ‘grant’ recipients, CORE and OATS, are not entitled to this annual in-lieu-of-taxes cash ‘grant’ because *they aren’t taxing districts and haven’t lost any tax revenue*. On the other hand, Phelps County *is* a taxing district and they *are* losing taxes but Butz didn’t ‘negotiate’ a dime for them. After giving the county that slap in the face the city has some nerve coming back two years later asking the county to give them two more kinds of property tax breaks and a thousand acres of county property to milk the taxes from. If all their tax schemes go through we can just start calling it the ‘County of Rolla.’

Brewer’s fire sale in-lieu-of-taxes ‘gifts’ will total **\$1,680,000 over the 15 years** of the loan, but Butz says it *represents only 50-30% of the taxes due* on Brewer’s *old building*. Given that Butz doesn’t see the need for precision when calculating whether he gave Terry 50% or 30% off his old property tax bill, it’s still a ballpark indicator of how much property tax revenue our local taxing districts are missing on just one property in the industrial park. You have to hand it to Brewer; he marked his pigeon and plucked him bare.

**The EEZ and Condemnation?** Petersen told the school board they have run out of land in the industrial park. **Annie Bass** asked how they would get more land. Petersen said they would just buy it. But what if the owner doesn’t want to sell? Petersen didn’t say they would condemn the land to get what they wanted but when Petersen first explained TIF to the city council he deliberately didn’t tell them that condemnation was involved or that they would be giving the developer millions in government subsidies. Is he omitting the same details this time? If he says he isn’t, should we believe him...again?

Brewer Science is just one example of how Enterprise Zone tax deals have been negotiated, and they aren’t telling how many others there are. Briggs & Stratton got such a lucrative deal that the city won’t let even the present council members see the contract. In 1999, the B&S building was listed by the Phelps County Assessor at **\$8,445,120** assessed valuation. Most, if not all, of the ten biggest properties and property owners in the city are inside the original 1,491 acre Enterprise Zone and they represent \$19,344,490 of taxable property in Rolla or 15% of the total assessed property value of the city. How many of the 10 biggest property tax generators are also getting their taxes knocked off? If the city gets an “Enhanced” Enterprise Zone the same kind of tax deals will be negotiated for another 10-25 years for every new or expanded business that can meet the very low EEZ criteria, but the tax abatement deals will all be made by the city council. How long can we afford to indulge the city’s insatiable appetite for everyone else’s tax revenues? Can we afford to let Butz loose at another wine tasting?

**What’s our pay-back?** Wouldn’t it be worth some tax sacrifice to create new jobs? Sure it would, *if* enough full-time

jobs with benefits were created but the price we pay for them has to be realistic. It’s not worth it if we only get one or two part-time jobs or no new jobs in exchange for more than \$1,680,000 in local property taxes. The problem with the new EEZ rules is they’re loaded entirely in favor of the business. They used to be required to create 50 new full-time jobs to get the EZ tax credits and property tax breaks but the new EEZ law only requires two part-time, minimum wage jobs with no benefits and the employees don’t even have to live in this county. For **only two part-time jobs** and a \$100,000 investment in their own business they get state tax credits of as much as \$1,200 for every employee, tax credits for 2% of new investment in their own business and 50% - 100% off their property taxes for 10-25 years. They can sell their state tax credits or apply them against their state income taxes but if they have ***more in tax credits than they owe in income taxes, the state gives them a refund for the “overpayment” of the income taxes they didn’t pay!*** Doesn’t sound like we’re getting much out of that deal, does it?

Isn’t it time the beneficiaries of our tax generosity for the last 14 years kept their end of the bargain and started paying their share of the cost of all the public services they use instead of expecting another free ride? They won’t become the good neighbors their press releases always claim they are until they start paying their fair share of the local taxes homeowners and our less favored local businesses have been paying all along.

Our new Governor has found a plan he likes better than tax credits and EEZ’s; give them lots more money and do it faster. When the school board asked Petersen if it wouldn’t be wiser to wait and see what Blunt comes up with, Petersen told them the Governor couldn’t do it. We doubt if the Gov will ask Petersen’s permission. Blunt can do it but in these post-NAFTA years if the best our new Republican state government can come up with is to start a bidding war with other states to steal businesses that haven’t yet moved to Mexico, the result will be financial waste. The state tried that same growth strategy about 15 years ago and it didn’t work. However, it would be wise to see what they do first instead of being caught wearing last year’s development fashion.

Petersen’s scanty handout and flip answers got him exactly what he deserved – nothing, or at least nothing this time. He will go back in two weeks for their answer. The school board was right to ask for full financial disclosure of the impact on their budgets for the next decade or two. When they get more precise facts – if they get them – let’s hope they make a wiser policy decision than they did on TIF. *Their mission is to provide education not to subsidize economic development* particularly when the day of reward for that sacrifice keeps getting postponed with ever more grandiose and less rewarding city giveaways. Where does this attitude come from that the City of Rolla has the right to demand other taxing districts sacrifice for every quick-fix development scheme Morgan, Butz, Petersen and the RREC cook up?

### USGS...going...going...almost gone

Two years ago we reported that the USGS was being dismantled. Nobody outside USGS knew it so some said we were crazy. This is what we said on **12/30/03**: ***“Cutting out***

***unnecessary expenditures?*** *The news that the USGS is closing makes us wonder about the priorities of the city and the RREC. While they have been busy shoving TIF down our*

throats, over 150 jobs, about \$6,000,000 a year were going down the drain. Didn't they know or doesn't it matter? Senator Bond was here handshaking at Briggs and Stratton the same week the letter appeared in the paper, did Bond know about the loss of over 150 jobs when he told the B&S crowd "This whole battle is about jobs"? Did he try to do anything about this economic blow to his district? Did the mayor, the city council, RREC or the Chamber ask the Missouri Congressional Delegation to intervene before it was too late or was city hall too busy with TIF and the Chamber Decorators too preoccupied with spending the \$500,000 Bond gave them on cabooses, planter boxes and decorative flags? "

Then again on 3/25/04: "**Emerson to the rescue?** Also neglected while the city council has been distracted with their TIF mess, (this is not a group that is good at multi-tasking) is the imminent closure of USGS. City Hall has done nothing about trying to keep this \$6 million annual budget from leaving town. Finally, the USGS employees had to do what the city and the Chamber of Decorators should have done months ago – their own lobbying. At the employee meeting with U.S. Representative Jo Ann Emerson the city and Chamber were conspicuous by their absence. Despite the fact that Emerson is a Republican and gets more face time in the local paper than Adopt a Pup, she doesn't have that much clout in D.C. It will take more than this one member of the Missouri Congressional Delegation to stop the closure of USGS. Before Congressman Gephardt lost his bid in the presidential stakes he could have done more with one phone call than Emerson can accomplish with the "screaming" she says she will do. If the council and the Chamber had been paying attention to city business instead of Kaplan's business they could have gotten on top of this before they lost Gephardt, the most potent member of Congress we've had since Harry Truman."

Obviously 'Screaming' Jo Anne accomplished nothing. She may be Sowers' favorite political pin up girl but as we said, she has no political muscle. The names that do have the political muscle are: **Roy Blunt, Matt Blunt, John Ashcroft** (oh yes, still) and **Kit Bond**.

**January 30, 2005.** Like the Cheshire Cat USGS is disappearing bit by bit and still no one has done anything to try to stop the loss of the jobs and the 200 friends and neighbors we don't want to lose. To answer our question of two years ago; Yes, the RREC, the town's new economic development honchos are so parochial that they can only focus on Engorged Enterprise Zones and TIF districts to scam local taxes; they're afraid to play in the big leagues. Has a big Rolla delegation gone to see **Governor Blunt**? No they haven't. Can't afford the trip? Well, get some of that Tourism money from the Chamber and get on the road. One thing we can say for **Ed Owsley** - he would never have let this happen without a fight.

We're sure our new Gov doesn't want to lose more Missouri jobs on his watch so isn't it handy that he happens to have a daddy in Washington D.C. who is one of the five most powerful politicians in that busy little town. Ole Roy may have stepped on his...uh...tie when he divorced the Governor's mom and married a teenage lobbyist for the

tobacco industry but despite his Clintonesque lapse in family values, George still loves him and that's all that matters.

**Acting USGS Director Max Ethridge** says he's being kept away from the decision as to where the consolidated NGTOC center will be located while the official A-76 consolidation study is being done. Pleezee let us not be naïve. The decision will be political which means it will be made by politicians. No government facility in this nation's history was ever opened or closed on the basis of some dinky study. Here's Rolla's A-76 study in one sentence: They're already here and won't have to be moved, there's plenty of room to expand, the cost of living is lower here than Colorado, California or Virginia, they're next door to UMR's engineering and computer expertise, from the middle of the country they can get to all the other parts of it faster - and this is the real trump card - we're the red-est of the Big Bad Red States and the mid-term campaigns are only minutes away. And that, Virginia, is where the knife cuts the cheese.

Is anyone awake downtown or do they all have their heads up their EEZ's? (Enlarged Economic Zamboni's)

**"Down-hill" Butz and the "terrific" employees.** City Administrator **John Butz** always says the city employees are "terrific" and do a "terrific" job. He said it again in this October letter to employees where he explained that he made a mistake and their health insurance will go up 35% not the 15% as reported by the RDN. His other news was that because they are all so "terrific" too many of them (90%) qualified for a merit increase last year so to cure the city's excellence problem they would change the way employee performance is graded so that only 80% of them will be "terrific" and eligible for merit increases. This is how he explained it to all his "terrific" employees.

"Let me begin by saying how proud I am of the terrific work being done by City crews and departments. Improvements continue to be evident throughout the community and the local economy has rebounded nicely from a very sluggish 2003. The City Council has also approved a \$29 million budget (\$19 million operating budget) that includes personnel costs of almost \$9 million and an annual pay adjustment of 1.5%. I have to start with that intro because from there it only goes down-hill.

"I know there were more than a few grumblings with the news articles that appeared in the September 10<sup>th</sup> edition of the Rolla Daily News. In one of those articles I indicated we were likely looking at health insurance increases of 15% as of January. I was wrong. We have just completed our initial analysis of health insurance costs and it is likely that a premium increase in excess of 35% will be needed as well as an increase in our "in-network" co-insurance of 10%. The total annual increase could be \$300+ for employee coverage and \$600+ for family coverage. The increase is required to comply with the City Council's goal of 33% employee payment of the total cost of health insurance and these increases only get us to 29 - 30% of that

goal. In 2004 we will incur total health costs in excess of \$1.8 million.

“A second "hot" issue appearing in the RDN was the evolution of the pay-for-performance system approved by City Council in 2003. At that time me [sic] City Council indicated they wanted to see higher standards in establishing the eligibility of a merit increase. Under the previous system 97% of employees were qualifying for a merit increase. After our first full year of the new system 90% of all employees qualified for a merit increase. A definite improvement but Council expected 80 - 85% of all employees being eligible for merit. The result may be an increase in the performance standard or the elimination of an annual adjustment. City Council will revisit this issue in October.”

Unfortunately, the city council didn't "revisit" this issue in October or any other month. The result will be that the department heads will all be deemed "terrific" and they will get their merit increases for gaming the employee's performance evaluations so only 80% of employees will be "terrific" this year. The council has already given Butz his "terrific" evaluation despite the fact that his TIF project is in re-runs.

**How are they repaying the \$6.5 million "No Tax Increase Bond Issue"?** Last year as Butz pressured the council to get into a total renovation of city hall, he vaguely referred to repaying the \$3+ million remodeling costs with a "lease/purchase" deal but they never got down to any details nor did the council take a vote on a lease/purchase contract with a bank to pay back the bond debt. No surprise, this is after all the Mayor Morgan "Why-waste-time-planning" style. Spend the money first; figure out how to repay the debt later.

We got this answer from **Steffanie Rogers**, Finance Director for the City of Rolla: *"John and I are reviewing a cash analysis report that I am working to finish but no decision has been made to award to a specific vendor. In the meantime, the cost associated with the City Hall remodeling project are being paid out of the sales tax revenue."* There's the answer. The debt is being paid out of

the sales tax revenue that's supposed to pay for city services and employee wages and benefits. Employees have had a huge health insurance bill dumped on them; merit will be graded on the curve to make more people meritless. Butz warns employees may see "the elimination of an annual adjustment" and taxpayers will get fewer street repairs and other public works improvements. Why? Because sales tax revenue to pay for those things is being siphoned off to repay the No Tax Increase bonds. The General Fund is now the "Free Lunch Account."

**When does the TIF Commission meet?** Ben Franklin said the definition of insanity was doing the same thing over and over but expecting a different result. Like a remake of *Night of the Zombie*, TIF has been revived in the same place and with almost all the same fatal flaws. On January 24, 2005, the council started condemnation proceedings against Warren Dean. In the beginning the council said they would never, never condemn private property. They're also about to unveil their second "preferred developer." This may not be proof of insanity but it is proof that they pay no attention to what's going on in the outside world. This Christmas proved that retailing is still in a slow decline. Economists are warning of severe economic problems due to the "China Syndrome" and a possible surge in oil prices. Given those facts, are the big-box, high-volume retailers they promised to put on Callen's Corner really interested in investing in a small town "in the middle of nowhere" where people are already blowing their credit card limits on Chinese goods at Wal-Mart? Don't think so.

The TIF statute says that if there is any change "affecting the general land uses established pursuant to the redevelopment plan or changing the nature of the redevelopment project in the project or project area" the TIF Commission must hold another public hearing and do the whole thing over again. They've reduced the project to 10 acres and will have a new developer who will have a new plan, which requires a new cost/benefit analysis and new financing contract to see how much public tax subsidy the second preferred developer will get. The TIF Commission must have new public hearings if they don't want to look like the rubber stamps city administration intends them to be.

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