

No Standing News

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

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The cost/benefit analysis of the Chamber 'rental' contract - the one the council didn't get

Why the Chamber of Commerce contract will cost taxpayers **\$2,087,200** over the next 20 years

This is the cost/benefit analysis Councilman Magdits asked for that John Butz didn't do. All Butz has done is throw out some verbal guesses and low-balled figures to minimize the financial costs and risks to the city of the contract he "negotiated" for the Chamber. As usual, the council is again given only one choice – sign the contract the Chamber of Commerce put in front of them. The council has been given no cost benefit research so they can see how much this agreement will cost or benefit the city over 20 years. If the council doesn't find out what the long-term liabilities are until it too late, well it's just too late and the city taxpayers will just have to pay whatever it takes to maintain the Chamber's Pork Park no matter what city employees and citizens have to sacrifice. The council isn't limited to the Chamber's version of a 'rental' contract, they don't have to let the Chamber and Butz push them around. They can vote on an entirely different proposal of their own and the Chamber can either take it or leave it but the council never takes the attitude that they, and the people they represent, are the ones who get to call the shots.

We start with three questions any investor would ask about a potential renter and then explain the assumptions, or lack of information, that forms the basis for calculating the cost of each of *three* options. The final cost total of each of three different

choices the council really has are doubly shocking. First, because these totals haven't been seen or considered by the council and second, because there is no excuse for spending this much public money on a social club that provides no public benefit in exchange for the millions they have received and the additional millions they plan to receive for another two decades. Any private marketing firm that spent that much money and reported they had accomplished nothing in 13 years would be tarred and feathered. Instead, the city is trying to give these amateurs even more money and city benefits.

Note: We've eliminated calculations of the 4.5% interest the Chamber doesn't want to pay for the five year loan of their rent because "lending" public money to the Chamber is illegal. The 'loan' was just a ruse to make it look better for the city to give another subsidy to the Chamber that they're already subsidizing with 90% of the motel tax. To make the calculations simpler we used this year's figures as constant for the full 20 years of the 'rental' contract but over the next 20-years the **city's expenses and costs will go up to our detriment** but the **Chamber's 90% of the motel tax income will continue to increase** to the Chamber's benefit.

IMPACT QUESTIONS & BASIS for COST ASSUMPTIONS

Question #1: *Do the potential "renters" have a credit history that assures us that they can and will make their rent payments in full and on time so we can make our mortgage payments to the Forestry Service in full and on time?*

The answer is NO. Despite getting an annual subsidy of almost \$220,000 a year from the taxpayers, the Chamber is having a cash-flow problem that they can't or won't explain. The Chamber demands that the city "loan" the Chamber \$47,092, at 4.5% interest for the first five years because they can't make their "rent" payments. The 'renters' have already failed the credit worthiness test. To agree to 'loan' them their rent with or without interest, the city will have to go on record as committing a second violation of the Missouri Constitution for the Chamber. The city's first constitutional violation for the Chamber was in giving them 33% of their 90% share of the Hotel/Motel tax to pay off the Visitor's Center mortgage. The taxpayers, without their knowledge or consent, have already "given" the Chamber a \$280,000 building and all its contents by letting them use 33% of the tax to pay the mortgage on their private building. For 13 years the Chamber has

spent over 60% of our motel tax on the Chamber's mortgage and growing executive bureaucracy and less than 40% of the \$1.5 million pretending to look for "tourists."

Question #2. *Is the Chamber really paying rent or are they just passing back the city's money and calling it a "rent" payment* To figure out what is arguably the most complicated double-back shuffling around of public tax funds in Rolla's history, you have to start with the original 1993 Chamber Tourism contract and follow the money.

The 1993 Chamber Tourism contract says that out of the 90% of the Motel tax they get from the city, one 33% portion of the Hotel/Motel tax is only for the purpose of paying the mortgage on the Visitor Center. The Chamber will make their last mortgage payment on the VC building in 2009. At that time the city should "recapture" the 33% (1/3) slice of the Hotel/Motel tax earmarked only for making the VC mortgage payments. The VC building is allegedly the property of the Chamber, a questionable claim because it was paid for entirely with public funds. For 13 years the

taxpayers have been “donating” money to the Chamber so they could own this building free and clear but that’s not enough - they want more.

What will be the financial impact if the city doesn’t recapture the 33% after 2009?

a. If City does recoup the 33% in 2009. Recovery of 33%, or about \$72,600 of the annual Motel tax, will net the city over **\$1,234,200** in the remaining 17 years of the 20 year lease.

b. If City doesn’t recoup the 33% in 2009. There is no assurance that the council will withhold the 33% after 2009. If the Chamber can get the city council to give them 90% of the tax, a 9-acre estate, spend \$250,000 to develop it for them and loan them their own ‘rent’ payments, it’s safe to assume the city doesn’t have the fiber to withhold a third of the Motel tax from the tax after 2009. If they don’t, the city will be giving the Chamber an extra 33% or about \$72,600 a year to spend without restriction which is not allowed by the contract. Out of that windfall the Chamber will pass back to the city \$25,550 in ‘rent’ out of money which belonged to the city anyway. It’s not a rent payment when the Chamber is only giving the city back what belongs to them. The Chamber will actually pay \$0 rent by passing back \$25,550 of the \$72,600 and keeping the remaining \$47,050 for themselves. That’s Enron-style bookkeeping. By keeping the remainder of that 33% (an extra \$47,050 x 17 years) the Chamber gains and the city loses = **\$799,850**. Meanwhile, the city pays \$25,550 a year to the Forestry Service x 17 years = **\$434,350** and they also pay the five-year Chamber rent subsidy of **\$47,092**. The city has now lost a total of - **\$1,281,292**.

Question #3. *What will the rental property cost in annual repairs, mowing, painting, roof repairs, etc. and will the ‘rent’ cover all those costs?* To answer those cost questions a landlord/buyer would first have the property inspected by a

certified contractor. Butz only had the buildings “looked at” by Hargis. Hargis gave no written report on their condition or estimate of repairs each old building needed except that one dormer had to be replaced for “about” \$6,000 he said. The age of the buildings, the past utility bills, condition of the plumbing, electric, roofs, termite and dry rot inspection and HVAC are essential information to purchase any real estate but these written reports were not provided to the council. For instance, Butz said that a roof lasts about 20 years so that was not an “immediate concern,” implying that the roofs are all so new that it will be 20 years before the city would have to pay for cost of re-roofing five old buildings. It’s a fact that the Forestry Service hasn’t done any re-roofing out there for at least 13 years. Even if they all were new in 1993 (and they weren’t) they are way past their 20-year useful life now. The council has nothing objective to base their decision upon, only partisan opinions, incomplete and misleading information and spitball estimates.

The Maintenance Cost Assumptions: With no income from the property other than the so-called Chamber ‘rent’ which is equal to the city’s purchase payments, the city will have to take money out of the city’s general fund to: **1.** Pay \$6,400 a year for grass cutting, **2.** Pay \$6,000+ for one dormer repair immediately and pay all other repairs. The Chamber was “offended” that the city expected them to pay for any repairs or maintenance at all. If the minimal grass-cutting being done now costs \$6,400 we could, but didn’t, assume annual repairs/mant to be an average of \$10,000 or more for upkeep of all buildings, liability insurance and mowing 9+ acres of grounds. **3.** The city also plans to take another **\$250,000** or more out of our general revenue to satisfy the Chamber’s 9-acre park development demands. Those plans have already been approved by the council in the 10-year park development plan. Another bonus provision for the Chamber: In the Butz/Chamber contract the Chamber can, with city consent, rent out all the buildings and pocket the money even while the city pays all expenses and maintenance.

Three choices – how the city saves \$2,560,800 or loses -\$2,087,200 on the Chamber Pork Park and why

Choice #1 The Butz/Chamber Deal – Based upon the proposed “no choice” contract “negotiated” by Butz and the Chamber. Assumed that the city “forgets” to recapture the 33% from the Chamber payments after 2009 when that 33% is no longer needed because the VC mortgage is paid off. After 2009, the Chamber pays “rent” by giving back to the city \$25,550 per year out of the “mortgage” 33% or \$72,600 which now belongs to and should be withheld by the city. The Chamber is actually paying \$0 rent and keeping the balance of the 33% (\$72,600), or \$46,050 per year. By keeping the ‘mortgage’ 33% the Chamber gains \$782,850 over the next 17 years of the 20-year rental contract. The city loses \$72,600 x 17yrs. = -**\$1,234,200**.

20- year Fiscal Note

Income – \$0 or less. First three years Chamber pays only **\$36,000** cash toward rent. (City illegally ‘loans’ Chamber rent bal. of \$40,650.) In years 2010-2011 city is still loaning C. annual ‘rent’ out of the ‘mortgage’ 33% that

actually belonged to city after 2009. Chamber is in reality paying \$0 rent for the 17 remaining years of the 20-year ‘rental’ contract and the city is giving them an additional subsidy of \$46,050 per year for the next 17 years. Interest on ‘loan’ of rent payments is negligible income compared to city losses and is not included here.

Expenses – Property cost **\$511,000**

Loss to city from failure to recapture full 33% tax from 2009-2026 - 17 x \$72,600 = **\$1,234,200**
 Mowing/light maint. parking lot & building grounds \$6,400x20= **\$128,000**
 Insurance (?) (building ins. supposed to be provided by Chamber, city liability ins. ??)
 Historic building maint. (\$?)
 Park improvements per city 10-year Plan **\$250,000**
 Park maintenance (\$?)
 Total expenses + lost income = -**\$2,123,200**
Net income over expenses -\$2,087,200+** (?)**

Choice #2 Taxpayers Deal controls some losses – In this option, the Chamber cuts whatever expenses they must to make real “fair market” rent payments of \$25,550 per year because the city can’t legally loan them money or reduce the rent which is the same thing as a “grant of public money to a corporation.” In 2009 the city keeps the recaptured 33% gaining about \$72,600 a year. The Chamber makes ‘rent’ payments out of the remaining 66%. The city makes their annual payments of \$25,550 to the FS. The recaptured Motel tax money goes to city Park Reserve Fund to cover property expenses and to comply with state historic preservation rules. It will take a very large reserve fund to pay for repairs on all those old buildings.

With the Taxpayers Deal, careful management and luck the recaptured motel tax (\$72,600 a year) might be enough to cover the payments, maintain the historic buildings and do minimum mowing and maintenance. In this version the council isn’t stealing from the public to subsidize the Chamber’s subsidy.

20- year Fiscal Note

Income – Chamber pays full rent over 20 years = **\$511,000**

City recaptures 33% tax after 2009 - 2026 = **\$1,234,200**

Total Income: **\$1,745,200**

Expenses – Property purchase **\$511,000.**

Mowing/light maint. parking lot & building grounds (\$6,400x20= **\$128,000**)

Insurance (supposed to be provided by Chamber)

Historic building maint. (\$?),

Park improvements planned **\$250,000.**

Park maintenance (\$?)

Total expenses **\$889,000 + (?)***

Net income over expenses: \$856,200+ (?)

*The (\$?) items could have been provided or at least realistically estimated by Butz but they weren’t. In some years, preservation of the historic buildings could exceed \$100,000, however, with a net gain over 20 years of nearly a million dollars, if the money is held in a reserve account and ‘park’ development is kept to a minimum, option #2 gives the city a chance of breaking even. This however, assumes the property has constant occupancy and two tenants (the Chamber and the cop who lives in one building \$0 rent in exchange for mowing) who pay fair-market rent in full every month.

Other than the current VC use, it’s unlikely that in the future the city will be able to find a commercial tenant who would pay \$25,550 a year to rent a collection of old buildings and 4 acres of woods. For \$2,129 a month a business could find better business space. The location and historic deed restrictions make the property largely unsuitable for any commercial purpose.

Choice #3 Reject the FS purchase. In this choice the city council *doesn’t* spend \$511,000 on buying another 9-acre park that only the Chamber will use. After 2009 the city recaptures 33% of the Motel tax to put in the Park Reserve Fund and for other city park development

which “tourists” can use just as Springfield, Columbia and other Motel tax cities have done. The Chamber can continue to get occupancy permits from the Forestry Service for the VC building which they foolishly built on land they didn’t own, as they have been doing for 13 years. They pay the FS whatever they can work out in fair market rent for the small bit of land they built the Visitor Center on. With the permit, the Chamber can continue to run the Visitor Center on much less than \$147,000 a year. If the Chamber chooses to relocate or the contract with the city isn’t renewed when it expires in 2017, the city can set up a tourism “bureau” in City Hall and use the Motel tax to offset the approximately \$500,000 a year taken from the city’s general fund to subsidize city Parks and the Rec Center.

20- year Fiscal Note

Income – Recaptured 33% Motel taxes (\$72,600 per year) from 2009 until Chamber contract expires in 2017,

8 years x \$72,600 = **\$580,800**

Annual income for city from Motel tax after Chamber contract expires, 2018 – 2026, 9 years x \$220,000 =

\$1,980,000.

Expenses - \$0

Net income over expenses: +\$2,560,800

Cost Analysis Conclusion: The Chamber/Butz proposal for purchase/rental has no benefit for the public – only the Chamber benefits and they benefit lavishly. The Taxpayer’s Deal #2 might work but it depends entirely on recapturing the 33% tax after 2009 and keeping someone renting the property constantly. Any period of time without a paying renter will turn the potential income into a loss. By choosing option #3 - not buying the land at all and recapturing at least 33% of the tax that isn’t needed to pay the Chamber mortgage after 2009 – the public finally comes out on top. Butz admitted it only takes about \$16,000 a year to pay overhead for the VC if Chamber salaries and expenses aren’t included. The Chamber can move their office out of the separate Forestry building into the VC or locate their Chamber office somewhere else in town. It doesn’t take an office, conference rooms and a 9-acre developed park for the Chamber to spend money being Rolla’s “billboard.” They can spend our money and have their Chamber meetings in less lavish quarters.

The City of Rolla has a long history of giving away the taxpayer’s money to special interest groups like RCDC and the Chamber then turning around and raising our fees, permits, water, sewer, trash and now electric utilities, and Little League fees with the excuse that they have to “cover their costs.” We wouldn’t have to pay so much for them to “cover” so many costs if we weren’t being soaked by special interest groups. In most cities the idea of taxpayers subsidizing anyone or paying the mortgage on a \$280,000 Visitor’s Center building with public funds is unthinkable. In Rolla, it’s not only expected, its demanded that the taxpayers develop vanity parks for those who believe it’s their “right” to be shown such “appreciation” no matter what it costs the public. It’s time the criteria for making these decisions changed. Public benefit comes first.

If the Chamber is "offended" at the idea of paying fair market rent of \$25,550 out of a reduced tax subsidy after they lose 33% of the Hotel/Motel tax in 2009, they need to be reminded that they now own a \$280,000 building and all the contents which was paid for by the taxpayers. They didn't spend a dime on it. The gravy train they've been riding for 13 years has also been supporting the executive salaries and health benefits of the Chamber bureaucracy while the council has cut back city support of health care benefits for city employees who do real work that

gives real value to the city. In 13 years the only thing we have gained from the expenditure of \$1.5 million by the Chamber is a public confession that they were "marketing" for tourists they knew were never going to show up.

How much more are you willing to pay in higher city fees and taxes, how much reduction in city services are you willing to put up with to subsidize the Chamber and provide them with a lifestyle better than the average city taxpayer?

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