

# No Standing News

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

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## Council considers another “Don’t ask, don’t tell” RMU contract

*RMU board withholds key documents from Council, fears terrorist plot*

**Another contract the council can’t read.** Unlike the time they passed the MoPEP contract without reading it, the reason they can’t read this contract is because **Jim Stoffer, Maurice Alfermann, John Wiggins** and **Mark Rolufs** want them to vote without seeing this contract at all. Actually seeing what they’re voting on might lead to questions and the RMU board members can’t explain anything about how this exotic over-the-counter loan structure works and how much it will cost us in interest rates. They’re demanding the Rolla City Council vote blindly to approve a contract for an **\$18,000,000** debt for a “variable-rate revenue bond issue” which will be converted to a “lease-purchase derivative SWAP.” This magic trick will be performed by **Missouri Association of Municipal Utilities (MAMU)** an affiliate shell organization owned and controlled by MJMEUC/MoPEP, the same people who are gouging us by dumping the costs of their \$2 BILLION equity investments into our utility bills. The RMU board can’t explain what this type of loan is, what an “over-the-counter derivative SWAP” is, or why they’re recommending the city enter into this complicated loan contract. Stoffer jumped on the Rolla West bandwagon and claimed that’s why WE should pay \$18,000,000 to do this. If true, that makes Rolla West much more expensive than it will ever be worth, however, it’s an excuse that plays well with the council. As far as we can see they’re just doing it because their **MoPEP** guru **Duncan Kincheloe** wants them to and in the end I expect we’ll find out that it has benefits for MoPEP not us. Kincheloe will make a lot of commissions off this deal and like all teacher’s pets the RMU board will do anything to please the teacher. Fool me once, shame on you; fool me twice...and I should be locked up.

**Why use a risky type of loan no one can understand? Why not a plain old fixed-rate revenue bond?** Why aren’t we just using a plain old revenue bond issue with a *low fixed interest rate* to provide the financing for this like we do for all of our sewer bond issues? The answer is simple, if this utility project was done with an ordinary revenue bond issue state law requires the city would have to let the voters of Rolla vote on it and that idea terrifies the RMU board. Most other revenue bonds don’t require a referendum but all revenue bond issues for utility projects require a voter referendum because the voters and utility rate payers are the only source of the revenue to pay off the bonds. That’s why what starts out as a plain old low fixed-rate revenue bond issue through MDFB, the state’s bond financing board, will, with a lot of slight-of-hand be laundered into a lease-purchase loan with this incomprehensible and very dangerous “derivative

SWAP” with the floating interest rate. By laundering the revenue bond issue to make it look like it *IS NOT* really a utility revenue bond issue, they think they are escaping the requirement in the [Missouri Constitution Art. VI, Sec. 27\(a\)](#) that the people (that’s us) who are carrying all the liability for paying off the loan must be allowed to vote on it. Also by not stopping the process at step one where the MDFB (the state bond agency) issues a revenue bond for Rolla at a fixed rate for **\$15,000,000**, MAMU and all the other sharks in this deal will not get paid the other \$3,000,000 they’re collecting in fees to put us into a much riskier deal where they make lots of money.

Using this convoluted loan manipulation to avoid public accountability and a public vote is not our conjecture, it’s what Duncan Kincheloe, (the CEO of MPAU, MJMEUC, MoPEP, MAMU and MGCA,) confesses on page two of his bid letter, *“Further, the Program does not require lease-purchase participants to fund a Debt Service Reserve and no voter referendum is required.”* If you can launder a utility revenue bond sufficiently maybe no one will notice that it’s a utility revenue bond in disguise and the voters should have had a crack at saying whether they wanted to pay for it in their utility bills or not. Just like with the MoPEP contract, our utility bills are the only revenue source RMU has so the cash to pay off the biggest debt the city has ever had will be taken out of your already overcharged hide no matter how high this variable interest rate goes. And if that wasn’t bad enough...

**One bidder and one of the banks are involved in a Justice Dept. criminal probe!** The only other bidder on this project, [Morgan Keegan and Co.](#), and the bond underwriter, **Wachovia Corp.**, listed in the MAMU bid letter *are both part of a criminal investigation by the Justice Department, the SEC and the IRS for bid rigging and for conning people into investing in municipal bond derivative SWAP investments just like this one!* The “experts” from MJMEUC/MoPEP who convinced RMU that this is a great way to structure this loan to keep us from voting on it are the very same “experts” who stuck us with the MoPEP contract and skinned us by dumping the costs of their \$2 BILLION investments into our utility bills. Now the RMU board and the council are going to get suckered again by the same people?

**Definitions of derivative SWAP’s:** “A financial security whose value is derived from another “underlying” financial security. Options, futures, swaps, swaptions, structured notes are all examples of derivative securities. Derivatives can be

used hedging, protecting against financial risk, or can be used to speculate on the movement of commodity or security prices, interest rates or the levels of financial indices. *The valuation of derivatives makes use of the statistical mathematics of uncertainty, which is very complex.*” Did you understand any of that? Do you think your council representative understands it? Okay, try this one: “In finance, a **swap** is a [derivative](#) in which two counterparties agree to exchange one stream of cash flows against another stream. These streams are called the *legs* of the swap. The cash flows are calculated over a notional principal amount, which is usually not exchanged between counterparties. Consequently, swaps can be used to create unfunded exposures to an underlying asset, since counterparties can earn the profit or loss from movements in price without having to post the notional amount in cash or collateral.” Small municipal governments should never ever get involved in finances they can’t understand and explain to their constituents.

In the ‘80’s the Orange County Calif. County Treasurer thought he was smart enough to play in the derivatives market and eventually bankrupted the wealthiest county in America. by about \$2.6 billion. No less a financial genius than **Warren Buffet** described derivatives bought speculatively as *“financial weapons of mass destruction.”* In [Berkshire Hathaway's](#) annual report to shareholders in 2002, he said “Unless derivatives contracts are collateralized or guaranteed, their ultimate value also depends on the creditworthiness of *the counterparties* to them. In the meantime, though, before a contract is settled, the counterparties record profits and losses -often huge in amount- in their current earnings statements without so much as a penny changing hands. The range of derivatives contracts is limited only by the imagination of man (or sometimes, so it seems, madmen).” – **Warren Buffet**

If Warren Buffet thinks a lease-purchase derivative SWAP is the tool of “madmen” how does the Rolla City Council dare to casually vote to plunge us into \$18 million worth of derivatives? Do they think the RMU board or Kincheloe are smarter than Warren Buffet? That’s not possible. When the variable interest rate goes up because of an interest rate SWAP on the OTC market (a totally unregulated investment market), our interest rate can go up to double digit rates and we will have no government protection and no recourse but to pay, pay, pay. This is the kind of unregulated lending by people who were ignorant of the risk that has caused the mortgage crisis and made families homeless because their low adjustable rate loans are now adjusting upwards! The council members aren’t asking for an explanation from Stoffer or Watkins and Stoffer and Watkins don’t need to find out because they trust their “experts” at MJMEUC/MoPEP.

**RMU doing business with crooks? How ironic.** There were only two bidders for this financing. The bids were sent to local banks and the RMU board knows very well they don’t do this kind of financing but the gimmick looked good on paper. MAMU was the “winning bidder” and with the overpaid **Dan Watkins** being one of MJMEUC’s board members how could MJMEUC’s financing corporation, MAMU, have lost this bid? The only other bidder was

**Morgan Keegan & Co.** a totally unknown company who should have been automatically disqualified because they’re involved in a **Justice Department** criminal investigation for selling cities complex derivatives, for [bid rigging](#), [price fixing](#) and allocating customers by providing “courtesy bids” or false bids to help another bidder in exchange for kickbacks. Sound familiar? The Justice Department has phone taps and emails and the Bank of America has already rolled over on **Wachovia** (another participant in MAMU’s funding deal) and the others in exchange for immunity from prosecution. These are the kind of people the RMU board and the Mayor and Council want to do business with. Michael B. Hausfeld, one of the [lawyers filing suit](#) for his municipal clients said, “This appears to be one of the longest-running, most economically pervasive antitrust conspiracies ever to be uncovered in the U.S.,” Hausfeld said. “As a result of this conspiracy, the plaintiffs and other class-action members were deprived of extra money they otherwise would have received from their municipal bond investments and could have spent on important public works projects, such as roads, buildings, and mass transit.” These are the kind of people the RMU board and the Mayor and Council want to do business with?

**Is that a terrorist in my soup? Council also denied the full RW Beck engineering study.** Stoffer says the relocation of the main transmission lines is necessary so they can provide power to the imaginary Rolla West project. The engineering study **Jim Stoffer** and **Dan Watkins** claim justifies this \$18,000,000 infrastructure debt is from the firm of **R.W. Beck**. Engineers however, are not economists or political scientists and their recommendations are typically deficient in a lot of the practical factors that must be considered when making an \$18 million investment in infrastructure which Rolla may not really need at all. We’re not kidding, Stoffer really said it and that’s why they won’t let the council see the full report, only the executive summary. Stoffer really said the information in the study might jeopardize America’s whole electrical grid and presumably bring down Western Civilization as we know it. Stoffer makes dumb statements like that which in UMR circles would bring howls of laughter down on him. Unfortunately, the council members are so impressed with his ancient PhD in chemistry that they think Stoffer knows what he’s talking about. For all they know Stoffer could really have terrorists hiding under his bed. We don’t have a clue what their excuse is for believing the silly things Watkins says.

Stoffer and Watkins have reluctantly allowed the council to see a selected part of this study called an “executive summary” but only because new **Councilmember Donna Hawley** demanded it. The summary mentions several other “choices” the city has in this matter but Stoffer admitted he only included the choice “they” decided was best. The so-called “executive summary” is so abbreviated that we cannot know if perhaps one of the “choices” R.W. Beck recommended to the council was not to invest money in this project at all. How many secretaries and other employees at RW Beck with no security clearance saw this “TOP SECRET” document? If Stoffer and Watkins find out who they are they’ll have “dem guys” rubbed out to keep the terrorists from finding out what RMU has already had painted

on a huge billboard over on their property next to the MFA building where this installation is supposed to be located.

**It's not just the greed, it's also spite.** Just a few years ago the council amended the utility board ordinance to keep people like Stoffer and Alfermann from getting reappointed forever but they didn't have the nerve to make it apply to those two members who have hung on far too long. Each has come up for reappointment since and the council has meekly voted to reappoint them. Why is the council suddenly so fond of two men they tried to get rid of earlier? The first reason is because they changed the RMU ordinance just enough so that the city now gets an annual [graft payment of 5%](#) off the top if every dollar RMU gouges out of us. The more RMU screws up by falling in with these unread MJMEUC/MoPEP schemes, the more they raise your electric rates and fees to pay for their mistakes. The more RMU raises your electric rates to cover their MoPEP mistakes the more money the council gets in their 5% "hidden utility taxes." The more money they get from the RMU "hidden taxes" the more money they have to subsidize the RREC and their failed development ideas and Bax and her "exciting" announcements of new businesses that never materialize. The more you have to pay for electricity, the more money the council will have to spend on their fantasy economic development Grande Ideas like TIF I, TIF II and "Woessner" West.

The second reason they're going to vote for this insane high-risk deal is spite. The animosity of **Councilmember Lou Magdits** toward **Councilmember Hawley** was so thick that night you could cut it with a knife. A person who hasn't lived in Rolla very long called me during the council meeting to ask why he was so rude and hateful to her. At one point Magdits rudely demanded to know if she was asking for the loan contract and the engineering study for herself or "her group." What right did he have to know and what difference would it make anyway? The members of "her group" are all citizens, taxpayers and voters of Rolla, the documents are all open record and if they asked her to get the contract and the study so what? That's what council members are supposed to do for the public especially when we have city functionaries who act like tin-pot dictators. Her "group" is part of her constituency just as a lot of RREC members who live outside Rolla and don't vote or pay property taxes in Rolla are now Lou Magdits' shrinking constituency. Fortunately for Lou, Hawley was too well-mannered to ask him to explain why he *wasn't interested* in seeing either the RW Beck study or the loan contract.

After Stoffer explained that if he gave the council the whole engineering study the terrorists would get us, Hawley asked if he would produce the full R.W. Beck engineering study if the council voted under [RSMo 77.100](#) for them to produce the documents under a council subpoena. Stoffer replied that he would **not obey a council order** because he only takes orders from "Him" (pointing to the **RMU Mayor Bill Jenks**) and would only obey a council order if "He" said to produce the study. "He" of course, was not going to issue any such order because he's the Mayor or RMU more than he has ever been the Mayor of Rolla.

Hawley was so floored at Stoffer's childishness (or ignorance) that she asked him two more times if he would really disobey a council vote to produce the documents? Stoffer repeated that he will only take orders from his buddy the mayor. This is another slap in the face to the council and their statutory authority which at all times exceeds that of the mayor but the council didn't mind being demeaned and insulted by this arrogant appointee as long as they could enjoy the spectacle of Stoffer defying Hawley. She made the motion to have him produce the study but not one of the other 11 council members would give the motion a second. The council will back the mealy-mouth Stoffer, whose judgment and credibility have been proven to be badly flawed, rather than agree with Hawley who is without any doubt correct in saying their terrorism excuse is bogus and the council can't legally and reasonably make a responsible decision without having all the facts and without having and reading all the documents and contracts which hopefully will explain this loan scheme.

Why did they not give her motion a second even if only for the purpose of discussing the issue? They did it out of malice because she's one of the people responsible for getting them audited by the state. Why is she getting them audited? Because in 2005 the council didn't read the MoPEP contract that (then) **RMU Board President Bill Jenks** told them was going to bring us cheaper electricity. He told the council they didn't need to read the contract because "their expert lawyers (who turned out to be MJMEUC's lawyers not Rolla's lawyers) had read it and it was fine so the council blindly voted for the MJMEUC/MoPEP contract without having the slightest idea of money swamp they were dragging us into. After our utility prices shot up Hawley and Watkins *did read the MoPEP contract* and they were appalled. They tried last year to appeal to the council to at least make an effort to get out of the toxic MoPEP contract but the council wouldn't risk losing the million dollar graft off the newly inflated utility revenues.

The council's automatic reaction last year to Watson and Hawley's exposure of the facts about the MoPEP contract was to side with the RMU board no matter how wrong the board's recommendation had been in 2005. To protect the *\$1,300,000* they thought they were going to get from RMU they sat and watched while the RMU Mayor Jenks gave Stoffer one long boring forum after another to slither around, duck and avoid *the facts* Watson and Hawley exposed about the MoPEP contract. Not once did Stoffer address or refute anything Watson and Hawley said was in the contract, Stoffer just kept repeating they were a "cost of service business." Yeah, and the 'cost' of their 'service' is outrageous for no reason other than Stoffer and Watkins' gullibility. The council just sat and made no protest while two citizens were publically insulted and lied to by Stoffer, Jenks and Watkins. It didn't matter that the two women were right about the MoPEP contract, the councilmen were offended that they were pointing out in public that *the men* were wrong. One of those women was "just a hairdresser" and the other should go back to cookie baking she should not be producing computer charts showing that all MoPEP member towns have much

higher rates than towns that still buy their electricity from commercial companies.

**What is the interest rate on the \$18,000,000 lease-purchase debt contract?** Hawley tried to find out why the bid cover letter talks about a *fixed OR adjustable interest rate* for this loan. Why would anyone in their right mind want an *adjustable interest rate* on a 20-year loan for \$18,000,000? Common sense alone tells you that interest rates can't go anywhere but up over the next 20 years and no one knows how high they might go. In the late '70's and early 80's we had double digit interest rates as high as **21%** for short term bank loans. In 2005 RMU got away with sticking us with the MoPEP contract because NOT ONE MEMBER OF THE COUNCIL READ the document. This time, RMU won't even let them see the contract they want them to vote on and except for Hawley they don't seem to mind a bit. We're talking about a contract for the most convoluted financing deal this city (and any other) has ever seen. **Councilman Rick Morris** told Hawley that they didn't need to see all these papers, because "sometimes you just have to trust people." That's what former mayor **Harold Barnes** said before the auditor caught his secretary Carol and **City Clerk Jill Sadler** embezzling city money with his signature stamp. Now RMU is trying to run another blind, "Trust Us" deal under the council's noses and get it approved without the council even having the contract in their hands. If their last "Trust Us" deal nearly doubled our utility rates, what will this one do to them?

**Duncan Kincheloe's bid cover letter** explains some of the highlights of his **Exhibit A-1, Exhibit A-2, Exhibit B** and **Exhibits C1 and C2**, which he says are "attached" to his letter but none of his exhibits were attached to his cover letter in the council's packet. Who removed them and why? The council is being pushed to not only vote on a loan contract they haven't seen, they are deliberately withholding the attachments to the bid cover letter which even Duncan Kincheloe seems to want them to see. The council should have been highly insulted at this not too subtle statement that they're not only untrustworthy but they're also so easily manipulated that they can be made to vote on things they've never seen which is surely the mark of a total puppet. But they seem to be so happy to be relieved of the burden of due diligence and reading all those papers that they either don't get the insult or they're willing to overlook it even though it makes them look like fools.

**You will pay....**What we do know for sure about this bizarre financing is that this **20-year variable debt** for \$18,000,000 plus whatever the interest rate turns out to be will be paid for out of your utility bills because a revenue bond can only be paid for out of revenue generated *by the project* and "the project" in this case is the \$18,000,000 purchase of lines from Ameren UE. No matter how exorbitant this variable interest rate becomes, you will pay the debt off in every kilowatt you use. On page 4 of his bid letter Kincheloe explains, "If the fixed rate on the Lease is, say 2.6% at the time of redemption but the market for SWAP is 3%; the City would receive a payment from the Program. Conversely, if the SWAP market is less than the stated rate on the Lease, then the City would be required to make up the difference....Consequently, since the future market is unknown it is impossible to determine the redemption savings/cost at this time." (emphasis ed.) Does this sound like the kind of financing deal a small town should get involved in?

Unless the council members get strong reaction from the public they will, we are sure will vote to approve this contract simply because they like these little 'loyalty' displays and because they want to get this uncomfortable, hard to understand thingy off their plates – out of sight and out of mind. If they're wrong *again* and our electric rates go up to **12¢** or **14¢** a kWh, ...? So call your **council member** and ask him why he isn't interested in reading or even seeing the loan documents Councilmember Hawley wants to see. If he/she can't explain what a lease-purchase derivative SWAP is or what it will do to your utility bills over the next 20 years, then ask why the hell should you "trust" someone at MJMEUC to sucker you a second time?

**Intercounty gives out \$1,700,000 cash REBATE!** The RDN "Staff Writer" reports that ten percent of Rolla residents will get this rebate. (Who is "Staff Writer" and why did his mother name him that?) One of the lucky Rolla residents who will get the Intercounty cash rebate is **Rolla Councilman Richard Morris**. Morris should be ashamed of himself. He gets the benefit of a better cheaper electric company that treats their customers fairly but watch how he votes on all RMU issues. Oh yes, **Dan Watkins** will also be getting an Intercounty rebate check. Lucky Dan that he doesn't have to pay the rates he gouges us with.

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