

# No Standing News

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

Volume I

Number 23

February 15, 1999

## \*WHAT HAPPENS IF YOU GIVE A MOUSE A COOKIE?

By Phil

Famous last words:  
“We gave Our City Fathers our sacrifice and our trust to do what is best for us for we approved the tax with no design for any of those facilities, no estimate of the cost to build those facilities, only a wispy idea of what would go into those facilities and just a flimsy idea of what it would cost to join the center once it is built. Apparently, the overwhelming majority of us believe Our Fathers have taken care of our civic needs properly in the past and are worthy of our blind faith for the future. Let’s all bow our heads and pray they don’t screw this up.”

– RDH, Rolla  
Daily News editorial,  
August 14, 1998.

Very wise advice. Too bad no one listened to him. Here we are six months later and there still is no design, no estimate of the cost, only a wispy idea of what will be in the proposed recreational center, and just a flimsy idea of what it will cost to join this club once it is built.

Bill Brown tried to get some answers at the city council meeting on February 1st. Brown, a Rolla realtor and no fool with figures, is alarmed that he can’t make this add up. Bill Morrison hastily wrote an editorial advising him to hush up and

not to go off and campaign against the issue. This would be, Morrison said, “maybe going too far.” The newspaper is fond of telling people where to go and what to do but young Morrison will have to live longer and accomplish a lot more before he has the stature to tell someone like Bill Brown when to back off.

We hadn’t really intended to get into this recreation center issue. As NSN readers know, we’ve had our hands full peeling Rolla’s other onions. The center, after all, is pretty much a done deal, isn’t it? A mere 1,529 voters did pass the recreation center sales tax without having any idea what they were doing. So when this last minute property tax bond idea came up we figured if they voted for a pig-in-a-poke once they’ll probably do it again. People who voted “yes” and all those who don’t bother to vote, pretty much deserve it if they find out too late that they have wound up with a real ugly pig. NSN’s curiosity was raised as we witnessed the public rebuke of Brown for having asked some very obvious and relevant questions. What had he figured out that we had missed? We took another look and now think we found it - so if you’re listening Bill - this one’s for you.

### Tax Facts:

1. The city (in their own budget) hopes to take in about **\$2,775,000** in sales tax revenue from the 2% city sales tax in FY ‘99. That is, if they get the 3% growth in retail sales that they are counting on. It could happen, but remember that the Wal-Mart store is our biggest single producer of sales tax revenue in town, and another Wal-Mart Super Center is just opening in Salem. That will drain an unknown amount of sales taxes from the Rolla store. There are also several bills in the

General Assembly to not only remove sales taxes from food, but from clothing and other consumer goods. If something like this passes, this will dig another big hole in city sales tax revenue. The unstable sales tax is, unfortunately, what most of our basic city services are being funded with. That means none of the 2% general sales tax revenue is available to bail out miscalculations in the recreation center financing - unless you are willing to cut back on garbage collection, fire protection or cops. <URL #1-city budget >

2. Even if neither of those reductions immediately affect the new tax, one fourth of the current estimated sales tax revenue would be about **\$693,750**. That's how much another ½ cent for the recreation center can be expected to bring in annually based on city estimates. Remember, these are the city's figures – not ours.
3. Murphy (the wizard of finance whose job has never been legitimized by ordinance) sponsored his own legislation at the city council meeting on January 4, 1999. In his memo he requested both first and second reading of the ordinance to put the general obligation bond issue on the April ballot. He said in the memo that “the yield off of the ½ cent tax is more than adequate to cover the debt service for 11.7 million dollars.” The city council, obliging lambs that they are, declared an instant “emergency” and did all three readings right on the spot because the ordinance had to be filed with the county clerk before January 26th in order to be on the April ballot. Heaven forbid they should take another 15 or 20 days to read it over and think carefully about this HUGE debt proposal. They could have come back for a short special meeting anytime during the next three weeks to take that last critical vote, but as the mayor and several of them said recently they don't like those “brain mushing” meetings. <URL #1-Murphy memo>

Morrison also quotes Murphy as saying, “to the best of his knowledge no Missouri city has had to implement such a tax to pay a G.O. bond debt.” I don't know about you but I'm not going to bet the farm on the “best of Murphy's knowledge.” Morrison goes on to say in big bold letters that “Since Rolla is funded mostly by sales taxes, it's highly –**HIGHLY**—unlikely our city would not be able to pay the debt with these monies. Rolla would have to be on the verge of bankruptcy in that case.” Well, out of the mouths of babes!

4. If our “business” mayor and the council had bothered to read Murphy's memo carefully, they might have noticed that there were TWO debt service schedules attached to Murphy's memo. The first one is for “General Obligation Bonds” and shows the annual payment each year for 15 years. It starts at **\$975,750** on June 1, 2000, and by the third year the annual payment is **\$1,018,950**. The final payment, in the year 2014, will be up to **\$1,293,662**. <URL #1- Murphy memo>

#### **MORE QUESTIONS:**

Call me stupid, but I agree with Mr. Brown – something doesn't subtract here. The first payment is **\$282,000** short of being, as Murphy says, “more than adequate to cover the debt service for 11.7 million.” They've been collecting the tax since January 1st, so they just might be able to scrape together that first year payment by the time it's due. But here is the other problem. They don't know, or say they don't know, exactly what they're going to have in the center (or if that's what we really want) so they can't possibly know how much the staffing, maintenance and other overhead will cost. Until they know that, they won't know how many dues paying members they will need or how much each of the dues payers will have to pay. So how do they know they can even afford to keep it open after it's built?

What if the city has to subsidize the center, at least for the first year or two or ten? That wouldn't be unusual or unexpected. Where will they get the money to do that? The simple answer is (and the council always grabs the simple answers) that the council can declare another "emergency" at any time, activate the General Obligation bonds and start collecting the debt service payments from the property tax rolls to meet the annual bond payments. That frees up all the sales tax revenue for operations and salaries. You don't think so? Read carefully the ballot wording in the Murphy memo. There is nothing in the ballot wording or the ordinance to prevent the council from pulling the property tax "trigger" at any time and they can do it with a simple majority vote! What they are asking you to do is hand over a property tax grenade. They promise to not pull the pin and let it go off – unless they need to. Pretty slick isn't it? You think Murphy the Wizard hasn't already figured that out?

OK, you say to yourself, if we turn down the G.O. bond that will stop this dead in the water until we can get enough information to make some sense out of it. Sorry, but I think they're way ahead of you here, too. Remember there was a second debt service schedule attached to Murphy's memo? This one is for "Non-Rated Leasehold Revenue Bonds" and starts with an annual payment of **\$1,014,250**. We didn't figure out why the second schedule was attached until Morrison let the cat out of the bag while lecturing Mr. Brown. Morrison had some dire warnings in his editorial about how it would cost us a lot more if we didn't shape up and vote for the G.O. bonds the way we are supposed to. "If the general obligation bond is voted down, the city will have to seek other means of financing the construction of the recreation center. Other means likely would cost the city more money in the long run. Not good." Morrison warned. After chatting with Murphy he tells us that voting down the bond issue would be an unwise move because, "The sales tax would continue to be collected and Rolla officials would have to seek out other means to fulfill the promise to build a recreation center."

He put this warning in big bold letters. "That would cost us more money –**MORE MONEY.**" How could it cost us more money if the project is postponed for a year or two and the sales tax money just builds up? If anyone has any sense it would be prudently invested and earning interest every day. Inflation is at a historic low, so costs of construction aren't going up much. Sounds like Mr. Morrison knows something he isn't telling his readers. Is that what reporters are supposed to do - hide what they find?

**What are Non-Rated Leasehold Revenue Bonds?** A revenue bond is a financing which is repaid (theoretically) out of the profits from operating a fee-based, or revenue producing facility. Non-rated means that without a value rating from, for instance a Standard and Poors type bond rating company, the interest rate is higher. At an average annual payment of over **\$1.1 million** on these non-rated bonds, and with the ½ cent sales tax producing only about **\$693,750**, there will be a big shortfall in meeting this debt service so the shortage will have to come from user fees. Those are going to be some user fees! Remember last year the meetings the counties held on the aborted plan for financing a regional jail? If the voters didn't cooperate and vote the taxes they wanted, weren't the county commissioners going to borrow the money to build the jail anyway by using lease purchase financing through some Mercantile Bank financing company? Is that what Leasehold Revenue Bonds are? Is this the fallback plan that's going to cost us the "**MORE MONEY**" Morrison warns about?

On February 17th at 6:30 at the Eugene Northern Community Hall, there will be one more (perhaps the last) opportunity to ask questions - at least about Murphy's financing plans. The center plans won't be ready until April 6th, if then. What happens if the election is over, the money is obligated, and nobody likes the plans? Just too bad, I guess. If you can't make it to the meeting, call your council representatives. They voted to

do this over and over again. Surely they can explain it to you, can't they?

\*What happens if you give a mouse a cookie?  
(Answer: Then he'll want a glass of milk...or a G.O. bond grenade.)

Links: \_\_\_\_\_

< URL #1 - city budget & Murphy's memo >  
<http://www.rollanet.org/~rwnash/documents.html>

---

## FREE MAYBERRY NOW!!!

---

Views expressed do not necessarily reflect those of No Standing News, nor of its Editor-in-Chief.

-----  
To receive " No Standing News " by e-mail, free of charge, send a message to [rwnash@rollanet.org](mailto:rwnash@rollanet.org) with the word SUBSCRIBE in the Subject line.

To unsubscribe this list, send a message to [rwnash@rollanet.org](mailto:rwnash@rollanet.org) with the word UNSUBSCRIBE in the Subject line.

-----  
Editors note: Copies of No Standing News can be obtained from the Rolla Public Library who is a subscriber. Also see our web site at:  
<http://www.rollanet.org/~rwnash/nsn.html>

-----  
I encourage distribution of " No Standing News ".  
."Please feel free to copy and distribute any issue.