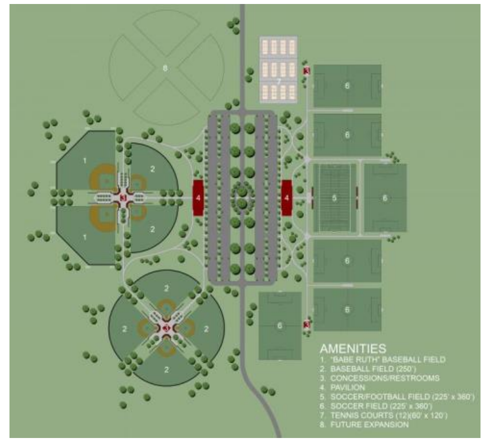
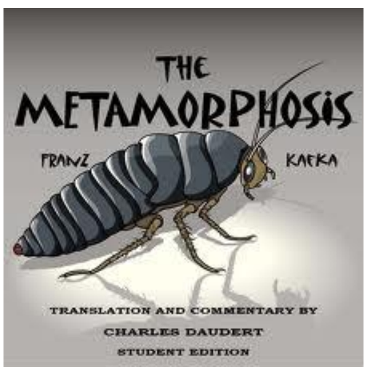
Thoughts ….. Field House, Quality of Life and Debt



You do not always get to see the details of various proposals in the press. Documentation is always large and space is limited. The press always gets to edit the material and selectively publishes what will fit and maybe what they like. As I read the press; mostly the *Mercury*; the topic of the Field House project has been kicked around; with the general theme that it will be a private funded operation, with maybe some government support.

Much like Kafka's *Metamorphosis* the project has changed into something much different than could be imagined. The project now envisions massive government support. A ½ cent sales tax to fund the construction cost of $54 million and a city subsidy of $2.6 million a year in perpetuity. The city pools are only subsidized at about a 160K a year (that keeps admission prices low). The Discovery Center Tourist Attraction just got 1.8 million is taxpayer subsidy to provide for exhibits and gets 1% of the CVB fund to ensure that cost of operation is covered. Looks like the Field House proposal is looking at a subsidy that will exceed the combined taxpayer support for the City Pools and the Discovery Center.



Most folks thought that the project was about a Field House. But the metamorphosis has resulted in a plan to change the layout of CICO Park, Anneberg Park, City Park and build a new soccer complex. The idea is to take each of the parks and target them for a specific sport. Anneberg becomes the baseball/softball place; CICO becomes an indoor basketball/volleyball facility along with track and field facilities. City Park gets a covered pool and more Tennis courts and finally a new soccer complex is built between Manhattan and Wamego. The drawback is that the public parks no longer serve the public. If you live near CICO and like Tennis you just have to go to City Park. The plan means removal of baseball fields from City Park and CICO Park. It also includes elimination of the soccer fields at Anneberg. Those soccer fields get moved to the new highway 24 facility. The idea of local youth recreation facilities is tossed out the window in favor of the elite traveling teams. I guess Field House means elimination of the local parks concept. It also appears to mean City Staff operate the facilities as all but the soccer complex would be on public land.

The Field House group managed to obtain 10K in tax funds from the Manhattan Chamber of Commerce CVB. That money was used to pay an out of state consultant to provide projections on the project. Consultants always provide what the hiring firm wants. So the spin was on – the project is great as evidenced by the following comments taken from the Field House groups briefing packet:

*The consultants' projections indicate that the city would need to subsidize the operation to the tune of about $**2.6 million per year.** The direct sales tax that the city would collect on increased economic activity directly related to the facility would be over $900,000 per year,* ***so the actual out-of-pocket expense to the city would be just over $1.7 million per year.***

But the consultant found this: For a real out-of-pocket investment by the city of just over $1.7 million per year, the entire effort could generate an economic impact of more than $36 million per year for the community. As one member of our committee put it, ***"I'd take that investment return every day of the week!"***

As to the mechanics of how to pay for this, ***we would suggest consideration of a sales tax of one-half of one percent.*** *It's our understanding that that could finance the construction costs. We note that an existing one-quarter-percent sales tax is already in place, approved by voters, to support recreation-related improvements at the zoo and the pools, which could be considered to be retired early since revenues are ahead of projections. That indicates to us that voters are willing to support improvements of the sort we're proposing.*

I am not so sure I will buy into taking this investment return every day of the week. The Johnny Kaw Statue was originally built as a tourist attraction. Not sure it worked out very well, but at least it was not a drain on tax dollars like our more recent Discovery Center venture. Return on investment is a big deal. So the city gets a bit more tax dollars, (*maybe*, 36 million if you believe the consultant) from this Traveling Team Recreation Project (it clearly is not a Field House). But, what does the taxpayer and business owner get out of all this? A higher tax bill is the answer. Some City Commissioners say do not worry about the debt, it has dedicated streams of income to support the cost. That was the logic on increasing the library size; it has a dedicated stream of income – your tax dollars, 6 mills of property tax each year – forever. The Discovery Center Tourist attraction also is a great benefit – the exhibits will cost you .33 on your mill levy for the next ten years. Get you monies worth and pay the admission fee so you can see your exhibits.

If City Commissioners Reddi and McCulloh can be believed the City Debt of $268 million, as of October 2013, is not a problem and the closing debt of around $280 million in December is just routine. But as part of the vote to add more debt during the November 19 meeting, the Commission as a whole took little note of the following comments included in the City Bond Ratings reports:

Standard & Poor's – **Manhattan's debt and contingent liability profile is very weak with a total-governmental-fund-debt-service ratio of 30% of total governmental fund expenditures and a net-direct-debt ratio of 243% of total government fund revenue. We consider debt amortization above average with official's planning to retire 63% of principal over 10 years, in our opinion; this is not high enough to have a positive effect on the debt score.**

Fitch –**The City debt burden is high. Fundamental to the rating is the expected reduction of debt levels over the intermediate term. Tax-supported debt service represents a considerable claim on resources at 25% of governmental fund spending in 2012. This number includes debt repaid from dedicated sources ….. The City's overall debt load totals $5,355 per capita and 9.1% of market value.**

Moody's - **What would change the rating? Continued increase to an already high debt burden. At 6.5% of full value (9.15% overall), the city's direct debt burden is elevated. The Aa2 rating reflects …adequate reserve levels and unlimited levy raising flexibility.**

As I read the bond rating agencies comments it appears that they do not agree with the *Mercury*, City Finance Staff and selected City Commissioners view that the debt is nothing to worry about. Two clearly see it as a problem, while Moody's mitigates the negative aspects by supporting a raise the mill levy concept. Quality of Life, must trump debt – that may be why many folks are choosing to build in Riley County, Pott County and even moving to Abilene.

Guess it is time to put together my Mr. K traveling team – may as well get in on the money boondoggle.

Mr. K.