

True cost of renovation not known to public

Written by Tom Beasley Guest Opinion

Feb. 19

statesmanjournal.com

There is something unsettling about homeowner tax increases for upgrading the Vern Miller Civic Center that includes funds for a new police facility.

At a City Council work session in August 2013, the city provided the first homeowner cost estimate of \$0.53/\$1,000 assessed valuation based on a \$67.74 million bond issuance (a home assessed at \$150,000 would see an annual tax increase of about \$80). The latest estimate for an expanded upgrade (\$80.5 million), as recently [reported](#) in the Statesman Journal, is now pegged at \$0.41/\$1,000 assessed valuation (a home assessed at \$190,000 could expect nearly the same annual tax increase of \$78).

Harmonizing these disparate estimates requires information that the city government has disingenuously failed to supply to the public, i.e., the terms of financing the project. Only the face values of the bonds to be sold are disclosed; there is no mention of the longevity for repayment or the anticipated interest rates, and therefore nothing about total costs incurred.

As an example, the October estimate of \$0.53/\$1,000 was modeled assuming a face value of the bond of \$67.74 million with a 15-year repayment period and an interest rate of 4 percent. Retiring this debt would result in a repayment cost of some \$90 million and it is this figure (including estimates of property assessed value growth) that is used to estimate homeowner levy requirements. The new \$0.41/\$1,000 is predicated on an \$80.5 million bond, a 25-year repayment period and an interest rate of 4 percent; the total cost would be near \$128 million.

The city's June 2013 Comprehensive Annual Financial Report (CAFR) shows outstanding debt service requirements near \$425 million, with payments extending to 2034. Adding a further \$128 million to these requirements would indenture Salem taxpayers for more than half a billion dollars, an eye-watering figure that should occasion careful reflection by everyone concerned about Salem's financial future.

In May 2000, Eugene residents rejected a ballot measure proposing a bond measure for \$36.6 million for a downtown police facility and fire station. In November 2000, a reduced bond measure of \$25.1 million also was rejected. As has been widely discussed, Eugene ultimately refurbished an existing building for \$17 million that has provided an adequate police facility located outside of the downtown core on Country Club Road. The City's Facilities Replacement Fund provided the required resources.

What is needed, at both the local and state levels, is a statutory requirement that when government advances bond proposals, total costs are presented to voters. When they do not, you can comfortably surmise that the true cost of the bond being proposed will be 30-50 percent higher (and sometimes much higher) than the value quoted. A prime example for reference is the initial discussion of encumbering Oregon for \$450 million for the Columbia River Crossing (30 years at 4.5 percent interest). The total cost of amortization: \$820 million. Got the picture?

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