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Nebraska Archway's Survival Is Cautionary Muni Bond Tale.

- **Tourist attraction was funded in 1998, during a muni bond boom**
- **Checkered history is warning to buyers in current sales spree**

A surviving relic of the first Golden Age of Public Finance returned to the headlines last week, when the Great Platte River Road Memorial Archway outside of Kearney, Nebraska, said it had turned a profit for the first time in 17 years.

“We’re done playing defense!” was how Eric Hellriegel, a Kearney city official who now also runs the Archway, put it to me on Friday.

In 2017, the Archway brought in operating revenue of $799,393, a 3 percent profit.

The Archway was built with $60 million in unrated revenue bonds in 1998, when it seemed that anything could be financed in the municipal bond market, from aquariums and theme parks to paper de-inking mills and a recycler of “broiler mortality.” The Archway, which looks like an enormous covered bridge over Interstate 80 outside of Kearney, was designed as a tourist attraction detailing the history of Western migration.

The first Golden Age of Public Finance ran from the mid-1990s to September of 2000, when the Heartland high-yield municipal bond fund imploded. We are living in the second one, if last year’s issuance is any indication.

The Archway bonds, which carried yields as high as 7 percent, defaulted in 2002. In 2003, the issuer exchanged $22 million in new bonds for the original debt. Even this was too great a debt load, however, and a bankruptcy judge in 2013 eventually awarded bondholders pennies on the dollar.

Once upon a time a bond analyst told me, “Remember, they don’t call them infeasibility studies.” This is the lesson to be learned from the Archway experience.

The 1998 bond issue contained a feasibility study projecting that the Archway would attract 906,000 visitors during the first year it was open. This year, attendance was projected to be just shy of 1.5 million. Revenue from the sales of tickets to these visitors repaid the bondholders.

At least in theory. In reality, the Archway never made its projections. In the first year of operation, about 300,000 people visited. After that, keeping up with attendance figures at the Archway got very sketchy. In other words, I’d call them, and they didn’t want to tell me. In 2007, the bond trustee reported that attendance was about 10 percent of projections, or roughly 100,000.

Well, it’s a new day at the Archway. Executive director Hellriegel sent me his presentation to the city council, which shows attendance was 49,851 in 2013, 55,959 in 2015 and 57,592 in 2017. Could be time for a site visit!

Investors during the second Golden Age of Public Finance would be well-advised to keep the cautionary tale of the Great Platte River Road Memorial Archway in mind as they consider new

deals.

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By Joe Mysack

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