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When a Local Government is 'Unwilling' to Cover Debt Costs.

Lawmakers in Platte County, Missouri are hesitant to assist in picking up the tab for bonds related to a retail project.

With a payment deadline looming at the end of the week, there's little question Platte County, Missouri has the cash to help cover debt service costs for bonds linked to a struggling retail shopping center.

But commissioners there have voiced opposition to doing so—at least until there is a new plan in place for how the debt will be paid going forward. The county is also taking action in court, seeking a ruling that confirms it has no legal obligation to assist in paying off the bonds.

Credit ratings agencies have taken notice of the situation, and characterize it as a "willingness to pay" issue. They've responded by whacking the bonds and the county with ratings downgrades and have warned a default could be on the horizon for the bonds.

With about 101,000 residents, Platte County encompasses an area that sprawls north from Kansas City, along Missouri's border with Kansas.

Census Bureau data show that the county is more affluent than the city itself, with a median household income between 2012 and 2016 of $70,879, compared to $47,489 in the city, and a poverty rate estimated to be just 6.1 percent, versus Kansas City's 18.3 percent.

Todd Graves, an attorney for the county, said by phone last Tuesday that the three-member board of commissioners hasn't decided how to handle its possible share of the debt payment associated with the local shopping center development, known as Zona Rosa.

By making the payment, the county would help to offset sales tax revenue shortfalls in a pair of special taxing districts.

"They haven't told me what their decision is," Graves said, "and I don't know when they'll make that decision."

"The nature of the lawsuit," he added, is to get a court ruling "so the county can make its decision with a clearer understanding of the law."

There's been at least a dozen or so instances dating back to the early 2000s where similar debt deals have turned sour, but the problem is not of epidemic proportions, said Al Medioli, a senior vice president with the credit ratings agency Moody's Investors Service.

One example is an arrangement in Buena Vista, Virginia where the city ended up in court, and at risk of losing its city hall, after a default on bonds issued in 2005 for a golf course.

Another occurred in Moberly, Missouri and involved debt issued for an artificial sweetener plant project, which failed, with the former CEO of the company, Mamtek, US, Inc., sentenced to prison for theft and fraud.

“We’re seeing a number of instances in recent years where communities have issued this kind of debt for projects that they thought would be self-sufficient and then when they weren’t self sufficient, they were like, ‘oh, we don’t want to pay,’” Medioli said.

“Some of these have been very wealthy suburban districts, or suburban cities, that clearly have the ability to pay,” he added, noting that “there’s always a story to these things.”

Route Fifty

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