Nevadans for the Common Good

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7 HIDDEN RISKS IN THE STADIUM PLAN

Nevadans for the Common Good (NCG) has studied the Stadium Plan and has concluded that this is a bad deal for taxpayers with an unacceptable level of risk for the residents of Clark County. We cannot afford to gamble $750 million of public money on a deal that doesn't include guarantees for substantial public benefits. We have identified seven risks to the public that haven't been adequately discussed.

1. **Taxpayers Bear The Risk Of A Stadium Bond Default**
   - The stadium plan will be financed by $750 million in general obligation bonds.
   - This means that our taxes will be used to cover the bond payments if the room tax revenue is insufficient.
   - Our property taxes could be increased to pay off the stadium debt.
2. **Huge Risk That Room Taxes Will Be Insufficient When The Next Recession Occurs**
   - Room tax revenue fell by over $66 million (over 30% drop) from 2007-2009 in the recent recession.
   - It took 7 years for room taxes to return to their pre-recession level.
   - The Plan calls for 33-year bonds. What is the likelihood of another recession between now and 2050?
3. **By Not Choosing Revenue Bonds, The Stadium Plan Places The Risk On Taxpayers**
   - Revenue bonds are backed by the source of revenue, in this case it would be the room taxes. If room tax revenues were insufficient, the people who bought the bonds would bear the risk.
   - By choosing general obligation bonds instead of revenue bonds, the Stadium Plan places the risk on the taxpayers instead of the investors.
4. **33-Year Bonds Vastly Increase Cost To The Public**
   - The cost to the public is far greater than $750 million because the bonds need to be paid back with interest. The total cost will be over $1 billion (in present day dollars).
   - The stadium plan calls for a 33-year bond instead of the more standard 20- or 30-year bond.
   - We estimate that choosing 33-year bonds instead of 20-year bonds leads to over $250 million in additional interest payments by the public (in present day dollars).
5. **The Stadium Bonds Limit Clark County's Ability To Invest In Other Projects**
   - Clark County has a debt limit. Money for the stadium is money that can't be used for other projects that benefit the public like roads, hospitals, parks, etc.
6. **History Shows That A Stadium Is A Money Pit**
   - A stadium has large maintenance and renovation costs to draw major events and keep it state-of-the-art. Football teams threaten to leave unless cities invest more money in the stadium.
   - Additional money hasn't prevented obsolescence. Taxpayers have continued to pay off debt for years after the stadium is no longer usable or has been demolished.
   - Removing the 39% cap on public money raises the risk that taxpayers will need to spend more for cost overruns.
7. **Stadium Benefits Are Based On Unrealistic Projections**
   - The Stadium Plan projects 46 events, but a previous study of a domed stadium for UNLV projected only 21 events. Adding 10 NFL games still only adds up to 31 events.
   - Economists who have studied past examples agree that a stadium does not generate significant local economic growth.

There are many other risks that have been mentioned such as the cost of roads, additional police, infrastructure, the possibility that the Raiders won't come, and the possibility they will leave before their lease is up. The bottom line is "The collection of any taxes which are not absolutely required, which do not beyond reasonable doubt contribute to the public welfare, is only a species of legalized larceny." (University of Denver Sports and Entertainment Journal, Spring 2011).

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