

Priority Investment Element

Overview

Pursuant to the requirements of the South Carolina Priority Investment Act (PIA), adopted in 2007, local governments are required to include an element in their comprehensive plans that focuses on anticipated capital expenditures over the coming 10 years, prioritizing those deemed most critical. The element must also discuss potential methods of funding for the projects, considering all likely federal, state, and local sources. Additionally, the PIA mandates that the list of projects include all projected needs in public infrastructure and facilities, including water, sewer, roads, and schools, and that the list be provided to all “adjacent and relevant jurisdictions and agencies” for their review and comment. It should be noted that other requirements established by the Act are addressed in other elements of this plan.

10-Year Capital Needs

Identification of Projects

The Planning Commission is charged with prioritizing a list of those capital projects in Oconee County that are anticipated to be funded with public monies in the coming next 10 years. The list of projects is to be reviewed and updated on an annual basis, and should include the projected useful life and implementation costs based on best information available. The source of projects to be considered on the list may be, but is not limited to, the listed needs of various County agencies on their 5-year Capital Improvement Plans (CIP), school board building programs, and other public infrastructure and facility requirements identified as critical to the citizens of Oconee County. Identified projects are listed on the “Ten-Year Capital Needs Plan for Oconee County”, which is contained in Appendix A of this document.

Funding Options

Bonds

The primary source of revenue for county capital projects are General Obligation Bonds (G.O. Bonds). G.O. Bonds are secured by the County’s projected future property tax revenue stream. It should be noted that the State of South Carolina limits the amount that local governments can borrow through G.O Bonds to 8% of the assessed value of the County’s taxable property. Although the state does allow for the approval of additional bonds by referendum in certain cases, it is not possible to anticipate the outcome of such votes; therefore, only those funds available within the 8% limit can be considered a steady funding source.

In order to project the amount of capital funding that Oconee County may reasonably expect to be able to access through bonds in the coming decade, it is necessary to review past activity and bonding capacity. It should be emphasized that the amounts derived through this process are based on history, and although relevant for the purposes of this examination, may not necessarily

indicate future conditions. Table PI-1 (below) shows the total taxable assessed values for Oconee County from 2003 to 2008. The utilization of the values recorded over a 5-year period will typically include at least one reassessment of all taxable properties in the County, thereby updating those values and improving the accuracy, and making it possible to establish reasonably reliable averages to use in projecting future funding levels into the near future.

Table PI-1

Total Taxable Assessed Value by Fiscal Year (Dollars)							
2003	2004	2005	2006	2007	2008	Average Assessed Value	Average Percent Change
349,840,403	342,100,723	352,460,067	407,321,641	436,402,261	457,165,825	399,090,103.40	6%

Source: Oconee County Finance Department

Using the average assessed value of \$399,090,103.40 shown in Table PI-1, it is possible to establish a projected annual increase of 6% over the next 10 years. See Table PI-2 (below).

Table PI-2

Projected Legal Debt Limit for Oconee County: 2009-2019				
Year	*Assessed Property Value (dollars)	**Debt Limit (dollars)	***Projected Outstanding Bond Balance (dollars)	Projected Legal Debt Margin
2009	421,661,449.99	33,732,916.00	8,575,000	\$25,157,916.00
2010	445,509,364.66	35,640,749.17	7,300,000	\$28,340,749.17
2011	470,706,046.30	37,656,483.70	5,965,000	\$31,691,483.70
2012	497,327,777.14	39,786,222.17	4,525,000	\$35,261,222.17
2013	525,455,153.72	42,036,412.30	3,295,000	\$38,741,412.30
2014	555,173,330.87	44,413,866.47	2,705,000	\$41,708,866.47
2015	586,572,279.54	46,925,782.36	2,080,000	\$44,845,782.36
2016	619,747,059.14	49,579,764.73	1,425,000	\$48,154,764.73
2017	654,798,105.39	52,383,848.43	730,000	\$51,653,848.43
2018	691,831,534.32	55,346,522.75	-	\$55,346,522.75
2019	730,959,463.61	58,476,757.09	-	\$58,476,757.09

Source: Oconee County Finance Department

*Projection based on average taxable assessment value 2003-2008 (see Table PI-1) with annual 6% increase

**Projected Debt Limit is equal to 8% of Assessed Property Value

***Projected values based on 2009 payment schedules

The legal debt margin for Oconee County is projected to increase in the coming decade from \$25,157,916 to \$58,476, 757 as a result of increased assessed property values and the elimination of current bonded indebtedness, which is scheduled to occur in 2017. Naturally, any additional bonds utilized to fund capital projects in the interim would directly reduce the available amount, as would any significant decrease in assessed property values.

Other Sources

Designated Funds- Another option to provide a regular funding source for capital projects is to designate a specific portion of annual revenues as a 'set aside' for capital projects, much as Oconee County has done in the past with the reservation of one mill for economic development projects. Naturally, such a plan would only cover a limited portion of the overall capital needs of the County, but it would serve as a steady funding source for the purposes of planning for projects. One possible use for a regular set-aside could be to escrow the monies for specific multi-phased projects to be accomplished over a long period of time, or for those items that require significant upgrades on an ongoing basis. Also, for those projects that primarily serve only a limited region of the County but stimulate additional development, such as the expansion of infrastructure, it may be appropriate to designate a portion of the tax increment stemming from the new development, either to replenish the fund of designated monies, or to accomplish additional phases of the project.

Special Tax- In recent years, Oconee County has attempted to utilize a special one-cent capital infrastructure tax to assist in financing various projects. The tax, which has already been used in several other South Carolina counties, is governed by strict state guidelines that limit the applicability of funds primarily to the development and construction a project. In brief, a 6-member commission made up of representatives from both the incorporated and unincorporated areas of the county creates a list of projects to be funded by the tax. The list is presented to County Council, who may either approve or reject the specified projects with no changes. If approved, the list of projects and projected costs are then part of a referendum question that must be voted on by the electorate. A majority vote supporting the tax initiates the levy, which will be in place no more than 7 years, with the tax ending sooner if actual revenues exceed the projected amount. If such an effort succeeds, the tax will be a reliable funding source for some projects; however, as with efforts to exceed the 8% assessable value limit on bond capacity by referendum, the outcome of votes cannot be reliably anticipated. Therefore, prior to the successful implementation of the one-cent capital infrastructure tax, it cannot be considered a steady funding source for future capital needs.

Grants- The use of grants become an increasingly important revenue component for many communities, with Oconee County being no different. In recent years, grants from state and federal agencies have enabled the County to move ahead with a number of projects that would otherwise have either been delayed, or possible even never realized. In spite of their value in providing needed funding, however, grants are at best of limited value for planning purposes, for the availability of funds needed for a specific project can seldom be reliably anticipated far enough in advance to allow for them to be considered a steady funding source. The competition for a limited pool of money from an ever growing number of potential applicants, combined with and the impact of the whims of economics and political moods, often results in an ever-changing amount of grant funds. Grant money, therefore, while a wonderful supplement to turn to for specific capital projects, should not be considered a major steady source of revenue.

Impact Fees- A major revenue source for funding capital projects in some South Carolina counties is development impact fees. In spite of the fact that Oconee County has not enacted impact fees to date, they continue to receive public support as an option for funding roads, parks, libraries, and other capital improvements. It should be noted, however, that the South Carolina Development Impact Fee Act imposes a number of stringent requirements on local governments seeking to develop a program. For example, prior to adoption of any impact fee for residential units, the local government must study and publish a report on the potential impacts of the fee on affordable housing within the jurisdiction. Also, the local ordinance creating the fee must specify the improvement that the money is to be used for, with the amount of the fee being based on verified costs or estimates established by detailed engineering studies. Once adopted, impact fees may be applied only for the period stated in the enacting ordinance, with all monies collected from the fee identified in a published annual report, detailing the collection, appropriation, spending of any portion. As a result, impact fees remain a viable alternative for Oconee County to consider as a funding source for future capital improvements, but the creation of a program will likely require significant assistance from an experienced consultant.

User Fees- Currently, Oconee County does not collect user fees for utilizing county-owned facilities. Although they can be considered a steady source of funding, user fees and other miscellaneous type of revenue typically generate only a portion of the amount associated with constructing and operating a facility. There are exceptions, however, for facilities such as recreation complexes many times combine these fees with concession monies, entry fees for events, and other miscellaneous revenues to achieve profitability, which can in turn be used to retire debt or upgrade a facility. Other types of facilities, however, simply do not lend themselves to the application of user fees. When appropriate, therefore, the County should consider user fees and other miscellaneous revenue as a funding source for capital projects.

Projected Needs

Currently identified capital projects for which reasonable estimates have been developed are estimated to cost \$----- over the coming decade, with several others projects for which reliable cost estimates have yet to be fixed receiving possible consideration. Based on projected debt levels, the bonding capacity necessary to provide sufficient funding for the total anticipated required amount will fall short by approximately \$-----.

Other Considerations

The anticipated rate of growth and development in Oconee County's future gives rise to the need for a systematic approach to paying for public infrastructure and development, for the level of service and convenience demanded by the many thousands of new residents will require a more efficient approach than has been evidenced in the past. While it is reasonable to assume that the coming growth will bring with it additional revenues with which improvements may be accomplished, not all growth is equal in the amount of revenue generated. In fact, without all of the necessary tools in place to manage the amount and type of growth necessary to make it sustainable, it is possible that the needs will outweigh the ability to pay for them. Therefore, it is important to begin to consider the effects of our actions in terms of the effect on development, and any resulting changes in the level of service necessary to support it.

Priority Investment Objectives for the Future

- 1. Identify and utilize the funding sources necessary to support an innovative capital projects program that provides the highest level of service and facilities for Oconee County’s citizens.**

Implementation Strategies:

Strategy	Timeframe
Research and pursue all available grant monies to assist with all capital projects	Ongoing
Work with private entities to develop partnerships aimed at increasing level of service	Ongoing

Responsible Agencies: County Council, Planning Commission, Economic Development Commission, Other County Agencies

- 2. Eliminate waste in capital funding and unnecessary redundancy in facilities and services through expansion of support and cooperation with municipalities, the school district, utilities, and other relevant agencies and jurisdictions.**

Implementation Strategies:

Strategy	Timeframe
Establish partnerships with other entities as opportunities emerge	Ongoing

Responsible Agencies: County Council, School District, Planning Commission, Municipalities, Utilities

- 3. Establish an ongoing capital projects funding mechanism that provides for regular upgrades and replacement based on an amortization schedule that prolongs usefulness and reduces replacement costs.**

Implementation Strategies:

Strategy	Timeframe
Create a 10-year capital projects planning process that is updated annually	2011
Establish a policy for evaluating capital projects for inclusion on capital projects plan	2011

Responsible Agencies: County Council, Planning Commission, School District, Municipalities

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Appendix A

10-Year Capital Projects Priority List: 2009

Project Description	*Anticipated Cost Over Period	**Potential Funding Source(s)	Order of Priority
Road Upgrades (based on 25-year maintenance cycle)	\$45,000,000	G.O. Bonds	
Bridge Replacement (based on 50-year replacement cycle for culverts; 100-year replacement cycle for bridges)	\$5,000,000	G.O. Bonds; Designated Bridge Funds	
OC Library- Seneca Branch	\$9,100,000	G.O. Bonds	
OC Solid Waste- Expansion of C&D Landfill	\$450,000	G.O. Bonds	
Golden Corner Commerce Center (Infrastructure)	\$1,920,000	G.O. Bonds; Designated ED Funds	
Spec Building	\$750,000	G.O. Bonds; Designated ED Funds	
Airport Expansion	\$340,335	G.O. Bonds	
Road Department Covered Storage	\$150,000	G.O. Bonds	
Emergency Services Headquarters	----	G.O. Bonds	
Emergency Services Vehicle Storage (South Cove Park)	\$280,000	G.O. Bonds	
Total Approximate Cost of Identified Capital Projects	\$-----		

*All costs are based on best information available

**While grants and other one-time funds may be used for part or all of the required funding, Potential Funding Sources identified in the chart only include those sources considered steady

Potential Projects:

OC Recreation Complex
Courthouse ADA Upgrades
Schools

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