

2006: The year that was

Reassessment, Duke windfall change county landscape for good

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WALHALLA — The 2011 reassessment of property in Oconee County will be complete in two months. Shortly after that, assessment notices will be mailed to those whose property values changed more than \$1,000. Appeals will be filed. Squabbles will erupt. Muttering and grumbling will be pervasive. A couple of months later tax notices will go out. There will be more grumbling. More muttering.

Then people will pay their taxes.

It's a process.

It's been happening every five years since the cycle was established in South Carolina in 1999.

It's as unavoidable as ... well, death.

Taxpayers can only hope — and politicians, too — that 2011 is not 2006 all over again.

People can, and have been, arguing about what happened in 2006 and every year since, but one fact is unavoidable: The taxation and county financial landscape of Oconee changed ... seemingly forever.

A PERFECT STORM?

Depending on one's point of view, 2006 was either a very good year or a miserable series of events that could have been avoided with a little TLC from county elected officials.

First, there was reassessment, a process



go ahead with even after the state Legislature gave them an option to delay it for one year.

Local delegation members knew that the General Assembly was planning to remove property taxes from primary residences and cap assessment increases at 15 percent. They pleaded with county officials to delay reassessment.

County officials, aware that property values, particularly values around lakes Keowee and Jocassee, had been skyrocketing, were not inclined to wait for any action that might deny them a bona

tax dollars. They chided state officials for interfering and, despite being told by their own assessor that the county's computer system was incapable of producing good reports, voted 3-2 to press ahead.

In the end, the overall value of residential land in Oconee County spiked by 42 percent.

When notices of reassessment were finally sent out — late — 4,800 appeals were filed. The appeal period was extended to March 2008 and the final appeals were not settled until months later.

The 2006 tax bills were mailed 60 days late, going out just before Thanksgiving, giving taxpayers less than two months to pay.

Even before the firestorm of controversy over reassessment broke out, the county's coffers were fattened when Duke En-

on its own that it had been undertaxed for three years, proved the good neighbor and promptly deposited \$14.5 million in the county's bank account on Jan. 19, 2006.

The county held onto the entire payment for two months before succumbing to demands by then-superintendent Valerie Truesdale that the school be paid its fair share. In March, the county released \$8.5 million and \$65,000 in interest to the school.

The balance of the Duke payment went into the county's general fund with a small amount going to Tri-County Technical College. Eventually, the council would set aside just more than \$4 million for capital projects, including a new animal shelter and Department of Social Services office, both of which are completed, and \$1.5 million for I-85 infrastructure, which is still sitting in the bank.

'WINDOW OF OPPORTUNITY'

Whether members of the County Council in 2006, none of whom are serving today, had any idea of the long-term impacts of their financial decisions is unclear and, probably, irrelevant. However, it was very clear they knew what they were doing at the time.

2006: Last year's levy was 70 mills

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When then-administrator Ron Rabun rolled out his 2007 budget plan in April 2006, he told council members, "In my opinion, this year provides a unique 'window of opportunity' to finally be able to fund, with cash, not borrowed money, several critical public safety and infrastructure needs that have been sorely lacking for years and years in Oconee County."

That window of opportunity had been cracked open in January with the Duke windfall money and was thrown wide open when council chose to go ahead with reassessment.

At the time, only a handful of citizens and one council member — Bill Rinehart of Seneca — urged returning the Duke money to taxpayers in the form of a rebate on the following year's tax bill.

In the end, those millions were dumped into general funds where, the following winter they would be obscured beneath an avalanche of reassessment-driven tax payments. When the tax blizzard of 2007 ended, despite reducing its millage by 2.6 mills, the county collected \$2 million more in taxes.

Rabun commented that it would be inequitable "for the taxpayers to fail to recoup the growth of reassessment to pay for the cost of basic ser-

vices."

He would be fired in June 2006. A portion of the prepared statement issued at his firing said he had taken "Oconee County government to a much higher level of professionalism, financial stability and accomplishment."

Little did anyone know just how extensive that financial stability would become.

SHOW ME THE MONEY

One need only look at the "financial trends information" in the latest Oconee County Comprehensive Financial Report (pages 87-92) to understand the size of the Duke/reassessment snowball of 2006 and the proportions to which it would grow.

While undertaking no additional bonded debt, the county clearly made good on its vow to pay "with cash" for capital improvements. The net assets of the county in 2006 were \$64.3 million. The next year, they soared to \$119.8, on the way to \$141.4 million in 2010, 4 ½ times greater than they had been just seven years earlier.

In some cases, the dumping of the Duke windfall into a single budget — rather than prorating the funds back against the three years the money should have been collected — is obvious. For instance, total revenues soared by \$12 million from 2005 to

2006, half of which was property taxes (reassessment) with the bulk of the balance being Duke funds.

Likewise, government expense, property taxes, the general fund reserve and overall government funds balances all ballooned post-2006:

- Property taxes were \$23.4 million in 2005. After reassessment they stood at \$29.4 million. By last year, new growth had pushed taxes up to \$35.6 million;

- General government expenses had fluctuated between \$35 million and \$38 million between 2003 and 2006. In 2007 they spiked to \$44.5 million, headed to \$46.9 million in 2010;

- The general fund balance went up \$3 million from 2005 to 2006. It would reach \$24.4 million in 2010; and

- The county's overall fund balance stood at \$21 million in 2006, nearly \$1 million less than it had been five years earlier. In 2007, it climbed to \$24.6 million, headed for a whopping \$45 million by 2010.

The impact of the 2006 reassessment is made clear with a quick look at the county real property value in 2006 — \$183.2 million — and 2007 — \$255.6 million. Interestingly, the millage levy in Oconee County in 2001 was 70.7 mills. Last year, it was 70 mills.

Even before the firestorm of controversy over reassessment broke out, the county's coffers were fattened when Duke Energy, having discovered on its own that it had been undertaxed for three years, proved the good neighbor and promptly deposited \$14.5 million in the county's bank account on Jan. 19, 2006.