

Charles Baugh - Hard Labor Creek Debt Service for Oconee County 5-2-08

Note: Charles Baugh retired as IRS Director for Manhattan and has extensive background in accounting matters.

May 2, 2008

Debt Service for Hard Labor Creek Project for Oconee County

By Charles Baugh

I just completed reading the Offering Documents for the \$ 19,585,000 bond issue the county just approved as part of the funding for the project.

The Preliminary Offering Statement states emphatically that the **county system revenues are not pledged for payment of the bonds. In fact the revenues are pledged for pay out for the Bear Creek reservoir bonds.**

The Only revenues pledged are ad valorem taxes. The following passages from page 10 are quite clear: *"The County has also agreed to levy an ad valorem property tax, unlimited as to rate and amount, on all property in the County subject to taxation for such purposes in order to make the contract payments to the extent that the County does not have other funds to make such payments. The County intends to make the contract payments with moneys derived from the County System Revenues; however, the County System Revenues have not been pledged as security for the Contract Payments or the Series 2008 Bonds."*

Couple this with the inflated population and revenue estimates and you can bet the bonds will be paid with property tax dollars or with future sales tax dollars. **You will see this in the next proposal to do a SPLOST vote which will include substantial sums for "water system improvements"**. In fact the bond documents mentions future improvements to be paid for with sales tax revenue.