

From: David Eichenenthal  
Ochs Center for Metropolitan Studies

To: Washington County Board of Commissioners

Re: Fiscal Impact of Proposed Coal Fired Power Plant

Date: December 7, 2009

Earlier this year, the Ochs Center for Metropolitan Studies was asked by residents of Washington County to conduct an independent assessment of some of the promised fiscal benefits to Washington County of the new coal fired power plant proposed by Power4Georgians.<sup>1</sup> The focus of our review is the study provided by the Georgia Institute of Technology's Enterprise Innovation Institute for the Washington County Chamber of Commerce (hereafter the Chamber of Commerce study).<sup>2</sup>

The results of our analysis to date indicate that:

- the Chamber of Commerce study relied on unknown assumptions and methodology
- the County appears to be planning a \$66.4 million tax abatement for the project
- most new permanent jobs will not go to Washington County residents, resulting in less economic activity and less revenue to the County
- the Chamber of Commerce study doesn't account for public infrastructure costs
- the County faces significant unknown cost risks related to plant construction leading to the possibility of higher taxes

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<sup>1</sup> This memorandum reflects my expertise on municipal budgeting based on more than a dozen years in local government including periods as Assistant Comptroller of the City of New York and City Finance Officer of Chattanooga, Tennessee. In addition, the Ochs Center is regularly engaged in budget analysis and reviews projects for cities across the United States.

<sup>2</sup> "Fiscal Impact Analysis of the Proposed Coal-Fired Power Plant in Washington County"

### The Chamber of Commerce Study Relied on Unknown Assumptions and Methodology

The Chamber of Commerce study seeks to estimate the potential revenue impact for Washington County – and the Washington County School District – for an eleven year period of time, including a five year period of plant construction and six years of plant operation.

For the most part, the study fails to disclose either the underlying assumptions or the model used to calculate both economic activity and resulting fiscal activity. As a result, it is nearly impossible to completely assess the validity of its conclusions.

The study states that “information supplied by Washington County was relied on exclusively to describe the project in terms of construction activity, how it is distributed over time, initial and depreciated values of property at the facility, employment, wages, coal purchases, and proposed tax abatements.”<sup>3</sup> The validity of these underlying assumptions is critical to assessing the study’s overall conclusions.

To obtain the underlying data, the Ochs Center asked GreenLaw, a Georgia based environmental organization, to submit an Open Records Act request to the Washington County Attorney for all data and other information provided by the County for the purposes of the study. In a response dated October 30, 2009, County Attorney Robert Wommack indicated that no such material was supplied by the Board of Commissioners (see Attachment A).

Given that the Chamber of Commerce study states that it relies on data provided by Washington County and Washington County reports that it has not provided any data, it begs the question of just what was the source of the data and assumptions that the study was based upon.

Moreover, even if the underlying assumptions were known, the study also fails to disclose the type of model used to arrive at actual estimates of tax revenue. Ochs Center staff have asked for this information from the Chamber of Commerce study’s author, but no detailed information about the modeling process has been provided.

### The Chamber of Commerce Study Discloses a Planned \$66.4 Million Tax Abatement

In developing its projected fiscal impact, the Chamber of Commerce study does provide for an offset for “potential development support” by the County. As

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<sup>3</sup> Id. at 1.

indicated in a footnote, “potential development support” is a euphemism for a \$66.4 million tax abatement during the first six years of operation of the plant.<sup>4</sup>

**Table 1  
Proposed Tax Abatements**

<b>Year</b>	<b>County</b>	<b>School System</b>	<b>Total</b>
2014	\$4,946,775	\$10,174,042	\$15,120,817
2015	\$4,448,911	\$9,150,086	\$13,598,997
2016	\$4,202,867	\$8,644,046	\$12,846,913
2017	\$3,913,787	\$8,049,494	\$11,963,281
2018	\$3,770,721	\$7,755,520	\$11,526,241
2019	\$436,581	\$897,918	\$1,334,499
<b>Total</b>	<b>\$21,719,642</b>	<b>\$44,671,106</b>	<b>\$66,390,748</b>

In other words, the operators of the plant would pay \$66.4 million less in taxes to Washington County and the school system than they otherwise would without a tax abatement agreement. Based on a projection of 128 permanent jobs at the plant, the cost of the tax abatement would be more than a half million dollars per permanent job.

Most of the New Permanent Jobs Will Likely Not Go to Washington County Residents, Resulting in Less Economic Activity and Less Revenue to the County

The Chamber of Commerce study does disclose that the estimates of projected economic activity – and resulting tax revenue – are based on an assumption that 79 of the 128 projected permanent jobs will go to Washington County residents.<sup>5</sup> This estimate appears to be overstated. There would likely be less local economic activity and, as a result, less tax revenue for Washington County.

While the proposed plant will be located in Washington County, the population and employment base of the region is in nearby Laurens County. Based on data from 2008 population estimates by the Census Bureau, Washington County accounts for just under 20% of residents in the region. Moreover, Laurens County – with nearly half of all region residents – is growing in population and accounted for more than the total overall residential growth in the region since 2000.

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<sup>4</sup> Id. at 2.

<sup>5</sup> Id. at 2.

**Table 2  
Population Share and Trends, Plant Washington Region**

<b>County</b>	<b>2008 Estimate</b>	<b>% of Total Region</b>	<b>2000 Census</b>	<b>Increase/Decrease</b>	<b>% of Total Region Change</b>
Glascock County	2,796	2.6	2,556	240	9.3
Hancock County	9,440	8.8	10,076	-636	-24.7
Jefferson County	16,443	15.4	17,266	-823	-32.0
Johnson County	9,550	8.9	8,560	990	38.4
Laurens County	47,848	44.7	44,874	2,974	115.5
Washington County	21,006	19.6	21,176	-170	-6.6
<b>Total Six Counties</b>	<b>107,083</b>	<b>100.0</b>	<b>104,508</b>	<b>2,575</b>	<b>100.0</b>

Given these facts, it seems very unlikely that Washington County residents would capture more than 60% of the new jobs associated with the plant. The fewer permanent jobs held by Washington County residents, the less the associated economic activity and resulting tax revenue for the County.

The Chamber of Commerce Study Doesn't Account for Public Infrastructure Costs

In addition to the cost of tax abatements, the study also calculates other offsetting costs to the County related to both the construction and operation of the proposed plant. During the five year projected period of construction, the Chamber of Commerce study projects offsetting costs to the County and the school system of \$5,100. During the first six years of operation, projected offsetting costs to the County and school system total \$936,108.

The study acknowledges, however, that these offsetting costs fail to include any costs related to public infrastructure or water and sewer related utilities costs. These costs – and accompanying debt – could be substantial, but are unknown and unaccounted for in the Chamber of Commerce study.

It is likely that the County will need to make significant new investments in infrastructure to support the plant – one possible reason that County officials sought state legislation earlier this year to create a Public Facilities Authority.

Washington County Faces Unknown Cost Risks Related to Plant Construction

Washington County residents may face increased taxes to support both the cost of infrastructure and other costs related to the construction of Plant Washington. And recent changes in statute suggest that these costs may be passed on to taxpayers without a referendum.

In 2009, the General Assembly of Georgia enacted the Washington County Public Facilities Act. Under the new law, a Washington County Public Facilities Authority is created to promote, finance and provide certain public facilities in the county. The Authority has the power to borrow money, issue revenue bonds and "other obligations payable from funds or revenues of the authority." The law permits the Authority to finance projects that would otherwise be funded through local government. So, for example, sewers and roads and other supporting infrastructure for the new coal plant could be financed through the Public Facilities Authority.

Georgia law provides that all county general obligation debt be the subject of a voter referendum. But, under the Washington County Public Facilities Authority, it would be possible to issue the equivalent of "back door" general obligation bonds without the approval of the voters.

Section 7 of the Public Facilities Authority law permits the County or any other public body to obligate "itself to pay the amounts required under any intergovernmental contract entered into with the authority...including (if such other public body has taxing power) from funds received from taxes to be levied and collected by such other public body for that purpose and from any other source."

Thus, the County could impose higher taxes to support borrowing by the Public Facilities Authority for coal plant related infrastructure without subjecting the borrowing to a referendum.

It is also possible that the County would be asked to directly subsidize the construction of the plant. In other similar projects, financing has been provided through revenue bonds floated through County industrial development agencies. In at least two cases, the Development Authority of Washington County has used revenue bonds for projects – but those projects also appear to have required the County to guarantee the financing.

According to the County's financial statements for the year ending June 30, 2008, the County – and the City of Sandersville – are guarantors of both a \$3,024,000 revenue bond and a \$8,074,991 revenue bond. Both revenue bonds were for purchases of industrial buildings (see Attachment B).

Furthermore, Section 4 of the Public Facilities Authority law permits the Public Facilities Authority to "enter into... interest rate swaps, collars, or other types of interest rate management agreements." The Authority's power to participate in these often volatile financial transactions may lead to escalating debt obligations that could far exceed the revenues for the project. The Authority's exposure to these potential risks further increases the likelihood that the County may be asked to subsidize the project.

ATTACHMENT A

*McMaster and Wommack*

ATTORNEYS AT LAW

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October 30, 2009

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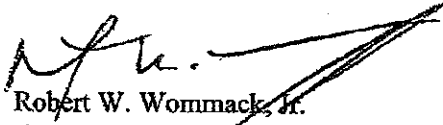
**RE: Request of Board of Commissioners of Washington County**

Dear Mrs. Orenstein:

I represent the Board of Commissioners of Washington County. As such, I advise that copies of information you requested in paragraph two of your letter, was not supplied by the Board of Commissioners of Washington County.

Hopefully this meets your request and should you need anything further or have any questions please feel free to call upon me.

Yours Very Truly,

  
Robert W. Wommack, Jr.  
*Attorney at Law*

ATTACHMENT B

*Jn*  
WASHINGTON COUNTY, GEORGIA  
FINANCIAL STATEMENTS

For the Year Ended

June 30, 2008

**RECEIVED**

*BEC 15 2008*

*DEPT. OF AUDITS*

*WALGAD*

*+ CAP*

*+ E911*

**10. INTERFUND TRANSACTIONS AND BALANCES**

Transfers for the year ended June 30, 2008 consisted of the following:

	<u>Transfers From</u>		
	<u>General Fund</u>	<u>E911 Fund</u>	<u>Total</u>
Transfers to:			
General Fund	\$ -	\$ 397,159	\$ 397,159
Landfill Enterprise Fund	158,128	-	158,128
	<u>\$ 158,128</u>	<u>\$ 397,159</u>	<u>\$ 555,287</u>

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

**11. CONTINGENT LIABILITIES - LITIGATION**

Amounts expended or payable from federal grantor agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the County. In the opinion of County management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the County's financial position.

The County has entered into an agreement with the Hospital Authority of Washington County (the Authority) whereby the County will provide funds for debt service on the Series 1992 Revenue Anticipation Refunding Certificates issued by the Hospital Authority for Washington County Regional Medical Center and Washington County Extended Care Facility in the event the Authority has insufficient funds to make such payments.

The County and the City of Sandersville are equal guarantors on a Washington County Development Authority \$3,024,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The County and the City of Sandersville are equal guarantors on a Washington County Development Authority \$8,074,991 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.