

Debt Management

Pay-as-you-go financing is usually the preferred option for financing capital improvements. But for capital projects with very long lives and significant initial investments, the City uses its borrowing capacity as an alternative means of capital formation. General Obligation Bonds, Certificates of Participation, and Tax Increment Revenue Bonds are reported in the General Long Term Debt Group of Accounts.

Specific-source Revenue debt includes debt financed with a specific pledge of a non-utility revenue. At present, the only debt of this type that the City has issued are Hospitality Fee Revenue Bonds.

The City also uses revenue bonds to finance capital improvements of the Waterworks and Sewer System. This debt is reported in those respective funds.

Debt Management

Profile of Outstanding General Long Term Debt

Outstanding Debt Issue	Type of Security Pledged	Project(s) Financed	Final Maturity	Interest Rates	Amount Outstanding
General Obligation Bonds, Series 1999	Full faith and credit	Law Enforcement Facilities, Transfer Station improvements, Performing Arts Theatre	Mar 2015	4.70-5.30%	3,125,000
General Obligation Bonds, Series 2001	Full faith and credit	Law Enforcement Center expansion, parking facilities, Doug Shaw stadium improvements, art museum	Dec 2017	2.50-5.10%	1,795,000
General Obligation Bonds, Series 2002A	Full faith and credit	Storm water management projects	Mar 2027	1.95-5.23%	4,290,000
General Obligation Bonds, Series 2002B	Full faith and credit	Improvements to Beckham Recreation Complex and Canal St. Recreation Center	Mar 2027	1.95-5.23%	5,515,000
General Obligation Bonds, Series 2003A	Full faith and credit	Storm water management projects	Mar 2028	1.95-5.06%	10,560,000
General Obligation Bonds, Series 2003B	Full faith and credit	Office Building, Fire station, miscellaneous	Mar 2014	1.00-4.17%	3,400,000
General Obligation Bonds, Series 2006A	Full faith and credit	Storm water management projects	Mar 2031	4.25-5.00%	6,950,000
General Obligation Bonds, Series 2006B	Full faith and credit	Construction of North Park, Grand Park and Bike Path	Mar 2031	4.38-5.00%	2,730,000
General Obligation Bonds, Series 2006A	Full faith and credit	Fire Station Construction – 38th Avenue North	Mar 2026	4.00-6.00%	2,430,000
Myrtle Bch Public Facilities Corp. Refunding Certificates of Participation, Series 1998	Asset-based; Convention Center lease revenues	Convention Center expansion was financed by original issue, 1992	Jul 2017	3.25-5.10%	14,075,000
Myrtle Beach Public Facilities Corporation Certificates of Participation, Series 1998	Hospitality fee revenues, general revenue pledge	Acquisition of Coastal Federal Stadium	Jul 2018	3.65-4.95%	7,205,000
Myrtle Beach Public Facilities Corporation Certificates of Participation, Series 2003	Hospitality fee revenues, general revenue pledge	Downtown Redevelopment Projects	Aug 2023	3.65-4.95%	3,525,000
Tax Increment Revenue Refunding Bonds, Series 2003	Incremental Property Taxes	Redevelopment Area Plan Projects	Apr 2009	2.00-5.00%	2,275,000
Total General Long Term Debt					\$67,875,000

General Long Term Debt

General Long Term Debt includes all debt that the City expects to repay with governmental funds, such as taxes or license fees. It does not include bonds for which principal and interest payments are repaid exclusively from the revenues of an enterprise, such as a public utility system.

Myrtle Beach's debt management program includes three categories of general long-term debt, as well as specific source revenue:

1. *general obligation debt*, which is secured by a "full faith and credit" pledge of the government's taxing power;
2. *general non-bonded (GO) obligations* are certificates of participation (COPs) in a revenue stream. They include asset-based financings secured only by an interest in the property being financed and special revenue certificates. Special revenue financing differs from asset-based financing in that it uses a pledge of a specific tax or fee source other than the property tax to secure the annual lease payment;
3. *tax increment revenue debt* of the Center City Redevelopment District, secured by incremental ad valorem tax revenues generated when real property improvements occur within the designated redevelopment district.

Constitutional Debt Limit on General Obligation Indebtedness

Article X, Section 14 of the State Constitution provides that the incorporated municipalities of the state may issue general obligation indebtedness in an amount not exceeding eight per cent (8.0%) of the assessed value of all taxable property located within their corporate boundaries without the requirement of a referendum. The limit may be waived for particular issues of debt provided the municipality's electorate approves such at referendum.

Subsequent to July 1, 1995, most lease-purchase financings are treated as general obligation debt for purposes of determining whether they may be issued under the eight per cent constitutional ceiling. The City's outstanding Myrtle Beach Public Facilities Corporation Refunding Certificates of Participation in a Facilities Lease Agreement (COPs), Series 1998, refunded a 1992 issue which financed the Convention Center renovation and expansion project. The 1992 issue predated the legislation and neither the 1992 issue nor its 1998 refunding issue is subject to the debt ceiling. (See General Non-Bonded Debt below.)

At June 30, 2007, outstanding GO debt of \$10.8 million issued under the constitutional debt limit equaled 47% of the City's constitutional debt limit. Available general obligation debt margin was estimated at nearly \$10.9 million, as shown in the table below. The constitutional limit does not apply to other types of debt or to GO Debt issued under referendum authority.

Estimate of G.O. Debt Margin at June 30, 2007

Item	Amount
Assessed Value:	
Taxable Property	\$ 278,010,226
Exempt Merchants' Inventory	3,407,435
Total Assessed Valuation	282,010,226
Rate (8.0% of Assessed Valuation)	.08
Constitutional Debt Limit	22,560,818
Total General Obligation Debt Outstanding	(40,795,000)
Add back: GO Debt Issued per referendum	30,045,000
Less: Outstanding restricted debt	(10,750,000)
Constitutional GO Debt Margin at 6/30/2007	\$ 10,855,818

Annual Debt Service Requirements on General Long-Term Debt

Annual general obligation debt service requirements on debt issued under constitutional authority are funded by a tax levy of 7.3 mills, or about \$2.04 million per year based upon the estimated 2007 assessed valuation and a 96% collection rate. Hospitality fee revenues fund debt service payments for the Series 2002A, 2002B, 2003A, 2006A and 2006B general obligation bonds, all of which were issued under referendum authority.

Convention Center and Stadium lease revenues fund debt service on Certificate of Participation (COP) financings related to those projects. The City (70%) and Horry County (30%) make lease payments from their respective hospitality fees to support the Stadium debt service. Hospitality fees are also pledged for the Downtown Redevelopment COPs issued in 2002.

Tax Increment Revenue debt service is covered in excess of 2.0 times by incremental revenues from the Center City Redevelopment District. That district's authorization will expire on September 24, 2009, at which time all outstanding debt for the district will have been paid and all redevelopment project work completed. From that date forward, the incremental revenues will be distributed to the respective taxing jurisdictions.

Gross debt service requirements for all general long-term debt by fiscal year appear in the following table. All information is current through June 30, 2007.

Gross Debt Service Requirements, General Long Term Debt

Fiscal Year Ending 6/30	Principal	Interest	Total
2008	4,375,000	3,181,196	7,556,196
2009	4,815,000	2,986,462	7,801,462
2010	3,800,000	2,770,080	6,570,080
2011	3,965,000	2,604,017	6,569,017
2012	4,130,000	2,396,064	6,526,064
2013-2036	46,790,000	16,955,890	63,745,890
Total	\$67,880,000	\$30,929,709	\$98,768,709

Specific-Source Revenue Debt

The City has issued Hospitality fee revenue debt for instruments secured solely by a pledge of the City’s 1% hospitality fee charged on accommodations, prepared food and beverages and admissions. The City has two series of debt so secured. They are accounted for in the Hospitality Fee Fund.

Outstanding Hospitality Fee Revenue Debt

Outstanding Debt Issue	Type of Security Pledged	Project(s) Financed	Final Maturity	Interest Rates	Amount Outstanding
Hospitality Fee Revenue Bonds, Series 2004A (tax-exempt) (first maturity in 2011)	Hospitality Fee Revenues	Convention Center Hotel Refinancing, Downtown Redevelopment Projects	Jun 2036	4.00-5.38%	\$44,260,000
Hospitality Fee Revenue Bonds, Series 2004B (taxable) (first maturity in 2011)	Hospitality Fee Revenues	Convention Center Hotel Refinancing	Apr 2019	5.38-5.75%	5,400,000
Total					\$49,660,000

Annual Debt Service Requirements on the Series 2004A & 2004B Bonds are presented below. By contractual agreement, the Convention Center Hotel Corporation is obligated to pay a ground lease to the City each year equivalent to that year’s annual debt service on the Series 2004A & Series 2004B bonds, provided that sufficient net earnings are available for that purpose. In the event that sufficient net earnings are not available in any given year, the hotel accrues a liability for the ground lease. The accrued ground lease liability is to be paid at such time as sufficient net earnings become available.

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Gross Debt Service Requirements, Hospitality Revenue Bonds

Fiscal Year Ending 6/30	Principal	Interest	Total
2008	-0-	2,545,325	2,545,325
2009	-0-	2,545,325	2,545,325
2010	-0-	2,545,325	2,545,325
2011	555,000	2,545,325	3,100,325
2012	585,000	2,516,525	3,101,525
2013-2036	48,520,000	38,638,170	87,158,170
Total	\$49,660,000	\$51,335,995	\$100,995,995

Storm Water System Revenue Debt

In 2004, the City entered into a State Revolving Fund Loan Agreement (the “SRF Loan”) with the South Carolina Budget & Control Board. The \$11,075,871 loan, bearing an interest rate of 3.25% per annum, financed improvements in the 14th Avenue North Storm Water Basin. Annual debt service obligations are \$755,308.28, based upon a standard amortization table with level payments. Debt Service on the SRF Loan is accounted for in the Storm Water Fund.

Waterworks and Sewer System Revenue Debt

On June 30, 2006, the City closed the sale of its Surface Water Treatment Plant and its Waste Water Treatment Plant to Grand Strand Water and Sewer Authority (GSWSA). GSWSA now operates the plants as a part of its water production and sewer treatment systems. The City purchases its treated water from GSWSA and pays GSWSA to treat and dispose of its effluent.

Subsequent to completion of the sale, the City used sale proceeds to call the outstanding Series 1995 bonds, to defease the outstanding Series 2003 bonds and to invest approximately \$2.5 million in improvements to the distribution system. GSWSA assumed the System’s Series 2001A & 2001B State Revolving Loan Fund debt, leaving the System with no senior lien long-term debt outstanding as of August 1, 2006. A junior lien on Waterworks and Sewer System Revenues in connection with the outstanding \$2,275,000 Series 2003 City of Myrtle Beach Tax Increment Revenue Bonds does remain outstanding. That debt will reach its final maturity in April 2009.

Annual Debt Service Requirements of the System

Following the transactions described in the previous section, the System will have no debt outstanding for 2007 and beyond. The System’s capital improvement plan calls for the issuance of \$15.2 million of new debt for distribution system improvements between January 2008 and June 2011.

Credit Ratings

Myrtle Beach obtains credit ratings from the major rating agencies to aid the marketability of its bonds and to attain the lowest possible rates. The higher the credit rating, the lower the costs of borrowing to taxpayers and users of city services. The City also uses bond insurance or other means of credit enhancement when economic analysis indicates the likelihood that the benefits of the enhancement will be greater than its cost.

Type of Debt	Moody's Rating	Standard & Poor's
General Obligation Bonds	A1	AA-
Tax Increment Revenue Bonds (Insured)	Aaa	AAA
MB Public Facilities Corp. Refunding Certificates of Participation--- Convention Ctr. (Insured/underlying)	Aaa / A3	AAA / BBB+
MB Public Facilities Corp. Certificates of Participation –Hospitality Fee Pledge (Insured)	Aaa	AAA
Hospitality Fee Revenue Bonds (Insured)	Aaa	AAA

A comparison of the rating categories Standard & Poor's and Moody's Investors Service is presented in the following table. Within each category, those bonds with the strongest attributes are designated with a "1" or a "+"." For example, bonds rated A1 are judged to be of slightly higher quality than those rated A. Standard & Poor's designates weaker bonds in any category with a "-."

Moody's	Standard & Poor's	Description of Rating
Aaa	AAA	Highest grade. Smallest degree of investment risk. Interest payments are protected by a large or exceptionally stable margin and principal is secure. Changes in conditions are unlikely to impair their strong position.
Aa	AA	High-grade. Differ from Aaa/AAA only in that protective margins may not be as large or fluctuation of protective elements may be of greater amplitude.
A	A	Upper medium grade. Possess many favorable investment attributes. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment in the future.
Baa	BBB	Medium grade. Neither highly protected nor poorly secured. Lacking in outstanding investment characteristics and having some speculative character.
Ba, B, Caa, Ca, C	BB, B, CCC, CC, C	Speculative grades. Generally do not possess favorable investment attributes. Future cannot be considered well assured. Moderate to very poor protective elements. Bonds rated Caa/CCC or below may be in default or have other shortcomings.

Planned Debt Issues and Expected Operating Impacts

General Obligation Debt

GO Debt issuance of \$15.625 million is planned over the five-year planning period, of which \$9.5 million is expected to be issued during FY2008.

As demonstrated in the graph on the following page, reassessment in fiscal year 2006 provided an additional \$36 million in assessed value to which the 8% constitutional debt limit is applied – increasing the City’s debt capacity. Through this increased capacity and the scheduling of new issues to coincide with the retirement of existing debt, the City expects to absorb the scheduled new debt largely within the debt service funding capacity generated by its current 7.3 mill levy for G.O. debt service, minimizing the future impact upon the tax rate.

Waterworks and Sewer System Revenue Debt

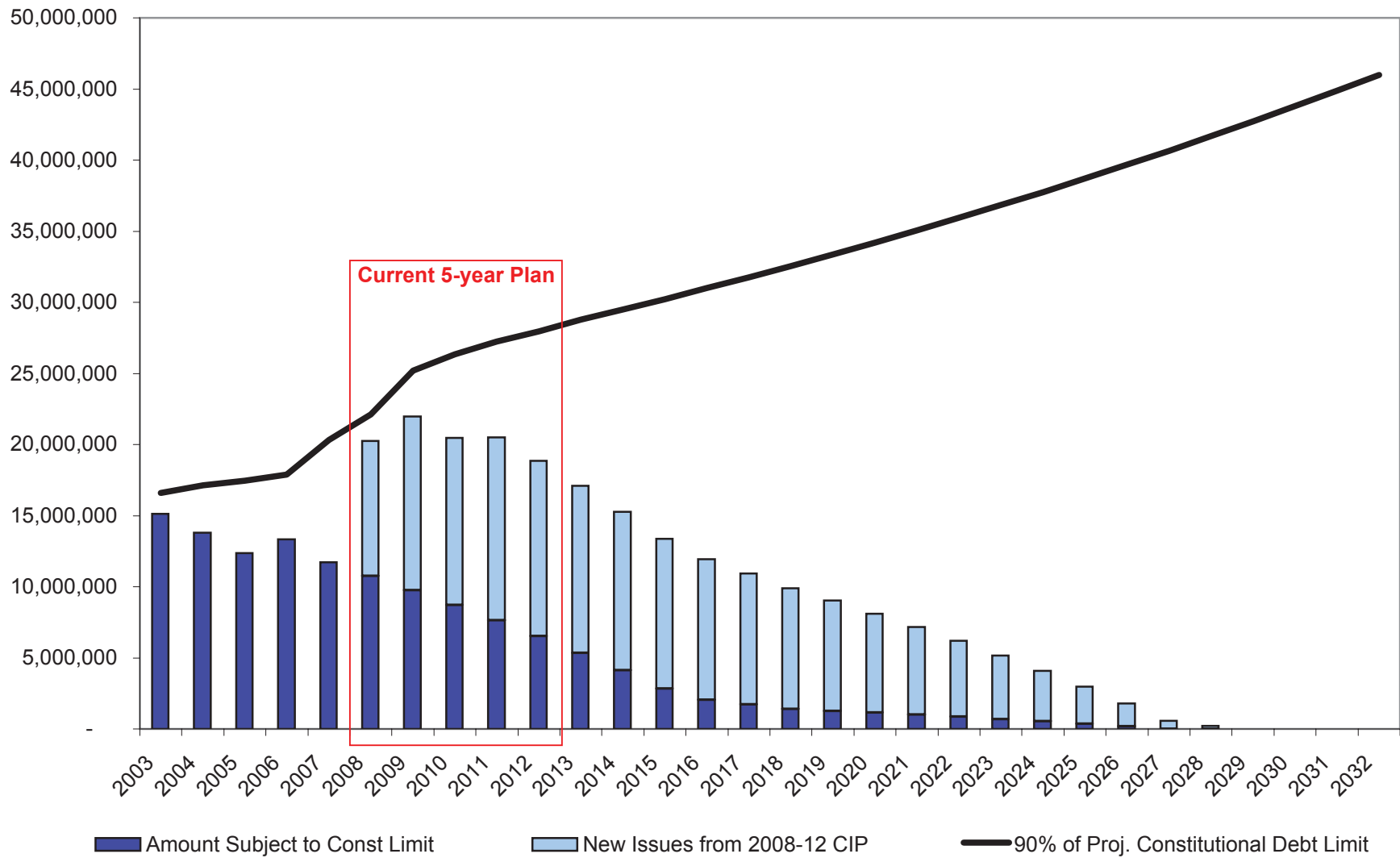
At present, the five-year plan calls for \$17.3 million in new debt to be issued, with \$10.7 million of that total to be issued in 2008..

Other Direct Bonded or Non-Bonded Debt

Legislative changes adopted during South Carolina’s 1999 legislative session make the formation of any new tax increment districts unlikely under the municipal TIF statutes, as counties and school districts now have the option to withhold their property tax levies from tax increment districts formed subsequent to July 1999.

The City is investigating possibilities for the financing of improvements in the Downtown Redevelopment District that it will retire with incremental revenues from the District. The debt vehicle to be used has not yet been determined, but it could take the form of a Tax Increment issue or an Installment Transaction, among others.

**Constitutional Debt Limit vs Outstanding GO Debt Subject to Limit,
Projected, Including Proposed Debt from FY2008-2012 Capital Improvement Plan**





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