

Summary of 2008 Municipal Budget—All Funds

Appropriations:	Original Budget FY2006-07	Manager's Recommended Budget FY2007-08	Adopted Budget FY2007-08	% Change '07 to '08
<u>Governmental Funds</u>				
Governmental Operations	81,543,317	85,649,639	85,817,540	5.2%
Municipal Debt Service *	6,779,718	12,130,849	12,108,349	78.6%
General Capital Improvements	<u>6,710,500</u>	<u>21,113,430</u>	<u>18,952,335</u>	182.4%
Total Governmental Funds	95,033,535	118,893,918	116,878,224	23.0%
<u>Enterprise Funds</u>				
Enterprise Operations	31,982,045	32,664,428	32,664,428	2.1%
Adjustment for Non-cash Expenses	(3,997,591)	(3,986,390)	(3,986,390)	-0.3%
Investment in Capital Assets	<u>3,315,000</u>	<u>12,270,004</u>	<u>12,270,004</u>	270.1%
Total Enterprise Funds	31,299,454	40,948,042	40,948,042	30.8%
<u>Total Appropriations</u>	126,332,989	159,841,960	157,826,266	24.9%
Less: Interfund Transfers *	<u>(17,697,055)</u>	<u>(25,332,930)</u>	<u>(25,332,929)</u>	43.1%
Grand Total Appropriations	108,635,934	134,509,030	132,493,337	22.0%

* Includes \$4,850,000 retirement of Series 2007A BAN

Budget Director's note:

The City operates with a City Council as its policy-setting body and a City Manager as its Chief Executive Officer pursuant to the provisions of S.C. Code Title 5, Chapter 13—Municipal Corporations: Council-Manager form of Government. Under that form of government, it is the City Manager's responsibility to propose a balanced budget to City Council for the coming fiscal year. City Council then reviews the budget and makes such changes as it finds desirable before adopting the budget by Ordinance, as is the responsibility of Councils under the Council-Manager form.

The City Manager's letter, prepared for the transmittal of the Manager's Recommended Budget to City Council, is reproduced on the following pages. Please note that the adopted budget differs from the Manager's Recommended Budget in several respects. In the General Fund Operating budget, Council added a total of \$167,901 including (1) MBTV productions and a project for transferring old meeting tapes to digital media, (2) an Independence Day celebration hosted by the City at Coastal Federal Field, (3) a Spring Adult Flag Football league and additional ball field supervision, and restored funding for (4) higher levels of maintenance of parks, medians and rights-of-ways. The General Capital Improvements budget was altered by a net amount of almost \$2.3 million to add a grant-funded project, the East Coast Greenway at \$728,000, and to revise the scheduling of the Performing Arts Theatre from 2010 to 2009 and the Memorial Stadium Renovation Project from 2008 to 2009, for a reduction of \$3 million in FY2007-08 appropriations. The rescheduling of debt-financed 2008 capital projects also resulted in a nominal reduction in debt service. Many of these changes were made with the Manager's recommendation, but based upon information that became available following presentation of the Manager's Recommended Budget.



**CITY OF MYRTLE BEACH
OFFICE OF THE CITY MANAGER**

Honorable Mayor John Rhodes
and Members of City Council:

I am pleased to present the City Manager's Recommended Budget for Fiscal Year 2007-08 (FY 2008), and the 2008-12 Capital Projects Plan (CIP). The total of recommended expenditures/expenses for the upcoming fiscal year, net of inter-fund transfers, is approximately \$132.4 million, up from \$108.2 million authorized in Fiscal Year 2006-07, an 18.6% increase. The recommended expenditures for operations and maintenance of general government responsibilities for FY 2008, and of City enterprises, is estimated at \$96.5 million (72.7% of total). Debt service expenditures/expenses equal \$20.34 million (15.30% of total) and include the one-time expenditure of \$4.8 million to retire the Series 2007 Bond Anticipation Notes (the "BAN") that we issued March 17, 2007 for Beach Nourishment, Public Safety Radio System upgrades and renovations to create a new Emergency Operations Center. General capital improvements for FY 2008 are recommended in the amount of \$16.1 million (12.0% of total). *Editors Note: (The figures in this paragraph are net of interfund transfers and differ from those in the preceding note and the Ordinance, where all figures are reported in gross and interfund transfers are netted out at the end of the table.)*

This year has brought new challenges and opportunities for the City. With the development of major housing and commercial real estate projects underway on the site of the former Myrtle Beach Air Force Base, revenues for building permits, business license, and other charges for service will continue to increase in the coming year. This growth will not significantly impact property tax revenue as most of the development is occurring inside of the Market Common Tax Increment Financing (TIF) District. Current and future property tax revenues within the Market Common development and the Lennar Property are pledged to repay \$40.8 million in Tax Increment Revenue bonds issued for the project.

Manager's Letter

The City is expecting to realize increases in property tax revenues resulting from a number of other redevelopment projects occurring inside the corporate limits, and business license revenues are expected to grow at a pace that is still above average, though at a slower rate than in the two previous years. However, increased costs of the self-insurance program following adoption of the 2007 budget and anticipated in the 2008 budget and an overall increase in demand for services absorb much of the revenue growth. Despite these increased costs, this budget is balanced without a tax increase. The millage rate for ad valorem taxes has held steady at 61.4 mills since its adoption following the 2005 reassessment. It includes 50.7 mills for operations, 7.3 mills for debt service and 3.4 mills for the Convention Center Fund.

Proposed Service Reductions and Fee Increases

City departments were asked to present reductions from their original budget submittals of between 4.5% and 5.5% in order to balance the General Fund. We found some of those cuts to be acceptable and decided not to implement others that I felt posed too much of a compromise in service delivery. We will discuss these with you during the retreat and subsequent budget workshops.

In order to balance the budget and observe the policy of maintaining structural balance between revenues and expenditures/expenses in the City's various funds, it has been necessary to consider certain increases or other changes in a few fee structures.

The only fee increases in the General Fund are some revisions of existing fees and implementation of some new fees proposed by the Planning Department and a structural change in ambulance fees that should allow the City to increase its net collections for charges in that area.

As we have discussed in prior years, the Solid Waste Fund continues to have a structural deficit. We have implemented a number of service reductions and route consolidations over the past several years, but expect to continue to have inadequate revenues to fund the service without continuing and increasing subsidies from other funds. For the past several years, our research has indicated that our level of service is at an above-market level while our fee structure is a below-market structure. For these reasons, we are recommending an increase in Solid Waste fees. The increase could be stepped in at \$1.00 per month on the residential fee each year for the next three years or could be implemented immediately. We could probably get by with an increase of less than \$3.00 per month if we implemented the fee immediately and buoyed that fund now rather than having to dig it out of a hole later.

Capital Improvements

The recommended five-year capital improvements plan includes almost \$5 million in projects funded on a pay-as-you-go basis. Many of these projects are for the upkeep or upgrading of City facilities and infrastructure. Highlights include 38th Avenue Widening at \$1.02 million, the Convention Center Parking Lot expansion at \$325,000, Recreation and Parks improvements, including the City's \$180,000

match on the YMCA North Park project, \$60,000 for McLeod Park at 61st Avenue, \$590,900 in storm water drainage improvements at Bent Oaks and Haskell Circle/Sunset Trail, walkover renovations at \$250,000 and \$325,000 to continue the City's share of work in connection with underground wiring projects.

The debt-financed program of capital improvements includes provision for the issuance of General Obligation Debt totaling \$11 million. This debt, in combination with over \$4.4 million in other funding sources will retire the \$4.8 million BAN referenced earlier and finance the Doug Shaw Stadium Renovations (\$3.0 million) if Council desires to proceed with that project following last week's School Board vote on the subject, will renovate Crabtree Gymnasium (\$6.2 million), renovate Fire Station No. 2 (\$350,000) and begin the acquisition of land for an expanded City Government Complex.

Fund Balances

The unrestricted fund balances in the General Fund at \$8.6 million (16.7% of recurring expenditures) and the combined unrestricted balances in Governmental Funds at \$13.1 million (12.3% of expenditures) are expected to be adequate to meet working capital needs without interim borrowing.

In the Enterprise Funds, the Water and Sewer Fund will exceed the required liquidity ratios, while other funds will need to rely on interfund borrowing during parts of the year in order to finance their operations.

Conclusion

My staff and I look forward to tackling these unique and challenging issues with our pledge to be "First in Service."

Sincerely,

Thomas E. Leath
City Manager