



2009-10 Operating Budget and 2010-2014 Capital Improvements

Second Reading

June 9, 2009

Changes from the Dais

Council adopted the Proposed Budget on June 9, 2009 with the following three changes:

- **ADDED TAX CREDIT TO REDUCE EFFECTIVE MILLAGE BY 1.5 MILLS**

Council adopted a credit of 1.5 mills of property taxes, reducing the effective tax rate for 2009-10 by about 2.4%; this will reduce the Operating budget appearing on the following page by \$546,000.

- **USED LOCAL ACCOMMODATIONS TAX FUNDING INSTEAD OF MUNICIPAL IMPROVEMENT DISTRICT (MID) FOR BOARDWALK PROJECT**

Re-programmed about \$850,000 of Hospitality Fee Fund money to pay project costs and debt related costs of the Downtown Redevelopment District's Boardwalk Project; Council also scrapped plans for a Municipal Improvement District for this purpose.

- **ADDED \$20 ANNUAL LIBRARY CARD FEE FOR HORRY COUNTY RESIDENTS FROM OUTSIDE MB CORPORATE LIMITS**

Added an annual fee of \$20 for Library Cards for County residents who live outside the City of Myrtle Beach. Additional cards are available for immediate family members at no additional charge. The proceeds of this fee will be used to restore funds for the purchase of books and publications cut as a result of the County's cutback of \$70,000 in funding for Chapin Library.

Changes to the Proposed Budget since first reading

- Adjusted Solid Waste Fee section to agree with Ordinance No. 2008-76 amending the rate schedule with respect to commercial collection fees.
- Adjusted Center City Redevelopment Fund and General Fund to show the effects of the dissolution of the Center City TIF District by Ordinance No. 2009-29.
 - This removed about \$1.6 million of payments to other taxing jurisdictions and over \$400,000 in transfers to the General Fund.
 - 2009-10 budget now shows the City's share of the Surplus Funds distribution as increased use of fund balance rather than as a transfer from the TIF fund for 2009-10.

Proposed Budget

	<u>FY2008-09 Budget</u>	<u>FY2009-10 Budget</u>	<u>Percent Change</u>
Governmental Operations	107,115,113	103,530,940	-3.3%
Enterprise Operations	<u>36,407,463</u>	<u>36,389,113</u>	-0.1%
Total Operating Budget	<u>143,522,576</u>	<u>139,920,053</u>	-2.5%
General Capital Project Authorizations	<u>35,344,026</u>	<u>2,164,778</u>	-93.9%
Reconciling Items			
Capitalized Interest (Series 2006 TIF)	1,624,470	-	-100.0%
Enterprise Capital Projects	<u>5,830,048</u>	<u>4,800,000</u>	-17.7%
Total Reconciling Items	<u>7,454,518</u>	<u>4,800,000</u>	-35.6%
Less: Interfund Transfers	<u>(23,097,393)</u>	<u>(18,896,647)</u>	-18.2%
Grand Total Appropriations	<u><u>163,223,727</u></u>	<u><u>127,988,184</u></u>	-21.6%

Summary of the Proposed FY2009-10 Budget

- Total recommended budget is \$128.0 million
- Operations net of interfund transfers: \$121.2 million
 - Includes Governmental operations of \$86.0 million and Enterprise operations of \$35.2 million
 - Total amount of Debt Service in Operating Budgets is \$13.5 million
- General Capital Projects: \$2.2 million
- Enterprise Capital Projects: \$4.8 million
- This compares with a 2009 revised projection of \$161.4 million, and represents a reduction of 21.6%
- Most of the reduction is in capital projects, as no new bond issues are proposed to finance major projects at this time. When the Downtown Redevelopment Bonds and the Performing Arts Center Bonds, anticipated for 2009, are taken out, the decrease is \$5.4 million or about -4.0%

Factors impacting FY 2009-10 budget

Revenues

- Moderate property tax growth on the base (excluding ATI);
- Under current version of property tax bill in Senate, local governments will not be required to pay back the revenue from ATI collected for the 2008 tax year, which skews the numbers by almost \$1 million in the General Fund and about \$1.1 million overall
- Business License revenues will be up by 1.6% after an expected decline of almost 10% in 2009, so they are still down from the 2007-08 collections by almost 8.5%
- Business Lic growth last ten years has averaged about 10.7%, with a range of 1.3% (2003) to 17.7% (2005)
- Largest single year increase on record was 1996--over 27% increase when Broadway at the Beach opened

Factors impacting FY 2009-10 budget

Expenditures:

- Total personal services increases in the General Fund amount to \$653,408 (1.5%)
- Compensation:
 - Budget includes no general increase in compensation plan for next year
 - Merit plan with 3% maximum performance-based bonus, not salary increase
 - Addition of 5 police officers, all but \$68,000 funded by grants for 2010
- Reduction of two positions in the General Fund in Construction Services area; Reduction of two Project Manager positions by attrition
- Subsidy of approx. \$129,000 to the Victim's Advocate Fund
- City-wide, travel funding is provided only for in-state meetings and conferences necessary for performance of the job or to maintain certification; travel budgets have been cut by \$219,000 or 41.7%
- In-house training budget has been reduced by roughly 1/2 and the educational reimbursement program suspended for the coming fiscal year

Other Factors impacting FY 2009-10 budget (The Good News)

- Insurance
- Health
 - Health insurance premium payments moderate, the change to the Blue Cross, Blue Shield network should result in one-time savings that largely offset claims increases for this year
- Property and Casualty
 - Expenses for other lines of insurance are reduced by \$241,000 in the General Fund and \$800,051 overall.
 - The reserve for unreported claims is fully funded at this point.
 - FY2010 Budget continues to fund self-insurance plan at 60% tolerance level as opposed to TPA's recommended 80% tolerance level.

Other Factors impacting FY 2009-10 budget

- Full year's cost of the additional 15 firefighters added with federal grant funding approved this year.
- In the 2008-09 budget, prior to approval of the grant, the City budgeted only its matching funds of \$111,577. The match increases each year for 3 years until the City fully funds the positions.
- No supplemental service requests were proposed this year.
- Decrease in net income at the Sheraton will result in lesser amounts being recovered in the Hospitality Fee fund both in 2009 and 2010
- No Hospitality Fee transfers are proposed to the Capital Projects Fund for 2010

Bond Market Update

The bond market has stabilized somewhat.

- Plain vanilla deals, such as General Obligation Bonds and Revenue Bonds of a strong utility can be done at reasonable rates
- GO rates on A1 or AA- rated paper from a SC municipality has a good chance of selling in the 4.5% to 4.75% range
- Recent federal legislation expands the “small issuer” definition from those who issue \$10 mm or less to those who issue \$30 mm or less in a calendar year
- Other types of issues that are not “straight down the middle of the fairway” are still a huge challenge as the “flight to quality” has driven a concentration of demand to high quality (uninsured) issues

Capital Improvements

- Most insurers are now rated no higher than we are, so insurance is probably not a viable option for enhancing security for the time being
- A lot of the auction rate debt that caused problems for so many governmental entities last year has now been refunded with fixed rate debt (and others are in various stages of workouts) so that over-supply does not seem to be clogging the pipelines any more

Notes:

The City has no auction rate debt in its portfolio. We resisted the temptation to issue auction rate debt to refinance the Convention Center Hotel in 2004. As a result, the fixed rate we got on the hotel debt is lower than what we could have gotten on similar bonds today and we avoided the acceleration of the rate to double digit levels pending refinancing

We do have debt insured by Ambac, FGIC, MBIA and CFGIC, all of whom have been downgraded. We also have debt insured by FSA, which is no longer AAA, but is still a viable insurer. No rating action against an insurer has any effect on the City's underlying credit-worthiness, although it may affect the value of some City bonds for bond holders wishing to trade them in the secondary markets.

Capital Improvements

General Capital Improvements recommended for 2009-10 include:

- Basic large maintenance or replacement items at City facilities for \$594,900
- \$675,000 for Street End work and minor Storm Drainage projects
- Replacement of Police CAD system at a cost of \$922,000, partially funded by a grant
- Capital Projects authorized in previous appropriations will keep us busy for the next year