

Council

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City of Beaufort

302 Carteret Street
Post Office Box 1167
Beaufort, South Carolina 29901

Scott F. Dadson
City Manager

William B. Harvey, III
City Attorney

Beverly W. Gay
City Clerk

April 8, 2008

The Honorable William Rauch and Members of the Beaufort City Council
302 Carteret Street
Beaufort, SC 29902

Re: Proposed FY 09 Budget Message.

Dear Mayor and Members of City Council:

Please find attached, the proposed Budget for FY 09 for the City of Beaufort. This budget contains three (3) major funds, plus a Capital Budget, a Redevelopment Budget, and the five (5) year financial plans for each. The proposed budgets for each of the funds are predicated on the five (5) year financial plans. It is recommended that Council adopt these five (5) year financial policy resolutions when adopting the Budget Ordinances proposed for this budget.

The Budget has been prepared in accordance with State Law and the City's Budget and Financial Policies. It is balanced, with revenues equal to expenditures for the delivery of essential governmental services; including public works, emergency services, parks and tourism, redevelopment, street lights, sanitation, stormwater, and community development.

The City of Beaufort has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely, manage growth and plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. As the City grows, it needs to ensure that it is capable of adequately funding and providing those local government services needed by the community.

The following Fiscal and Budgetary Policy Statement is designed to establish guidelines for the fiscal stability of the City. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability and full disclosure.

The scope of these policies generally spans among other issues; accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management, debt management and planning concepts, in order to:

1. Demonstrate to the citizens of Beaufort, the investment community, and the bond rating agencies that the City is committed to a strong fiscal operation;
2. Provide precedents for future policy makers and financial managers on financial goals and strategies;
3. Present fairly and with full disclosure the financial position and results of the financial operations of the City in conformity with Generally Accepted Accounting Principles (GAAP); and
4. Determine and demonstrate compliance with finance related legal and contractual issues in accordance with provisions of the South Carolina Government Code and other pertinent legal documents and mandates.

The City presents a balanced budget for FY 2009 along with a five year financial plan and a ten year capital improvement program.

Several Highlights of this budget include the following:

- Moved all revenues of the City Marina and Waterfront Park Fees to the Park and Tourism Fund.
- There is no cost of living increase (COLA) recommended for employees for this fiscal year.
- Monies not designated or subject to fund balance restrictions have been moved into the CIP Fund.
- This budget contains funds necessary to effect a change in the FLSA Overtime pay in the Fire Department. This change, with my full recommendation for adoption by the City Council, would become effective January 1, 2009 and has a yearly total estimated budget impact to the City of \$108,000 across two funds. The cost to the Port Royal Fire Contract, which is "cash in-cash out," is \$45,782.

As part of the budget process, the City has included the proposed Capital Improvement Program (CIP) which includes projects proposed for funding in the FY 2009 appropriated budget and an additional four years of proposed projects. City Council has reviewed these requests and those adjustments noted have been made.

FY 2009 includes a debt service payment of interest only for Municipal Center Complex Project Bonding. These payments will come from the designated fund balances accrued for this project in the City's cash balance. I am not recommending a debt millage rate for this project at this time and am moving monies from the reserved project cash position to this first interest payment. Because the current project cash flows saved up for this project have been sufficient against cash drawdown expenses, the actual pricing of bonds will not occur until late May of 2008 and a closing set for June of 2008. City Council has until October to set a debt millage for this bond repayment if such rate is necessary in FY 09.

The General Fund is funded mainly by Property taxes (both real and personal), Business License Taxes, and Building Permit Fees. With regards to Property taxes, I am recommending no increase in the Operating Millage of 52.8.

State law limits debt of South Carolina municipalities to 8% of the assessed value of their property. Currently the assessed value of Beaufort's property (including the TIF districts) is approximately \$61.2 million. This allows for total bonded debt of \$4.9 million. As of April 7, 2008 the City has no bonded debt; however we do have some capital leases totaling \$1.3 million which does affect the balance available for additional debt. There is, reserved in the cap, up to \$3.6 million of debt capacity available if the City needs such.

It is the City's policy to ensure that debt is always paid in full prior to the end of the useful life of the asset related to the debt.

Sanitation Services, both household and commercial as well as recycling have been moved into an Enterprise Fund (Solid Waste Services). I am recommending no increase in household garbage monthly rates of \$11.00/month and a recycling fee increase of \$3.00/month. This is to fund the cost of services as well as the funding of necessary depreciation.

The Operational portion of the Budget, in all funds, has been decreased by 2.09% in order for any growth in revenues to compensate for the increase in personnel costs due to the 4% cola given in this fiscal year. I am not recommending any Cost of Living increase for City Employees at this time. The increase in Parks and Tourism fund reflects transfer of revenues and costs from the General Fund for Marina and Waterfront Park Fees.

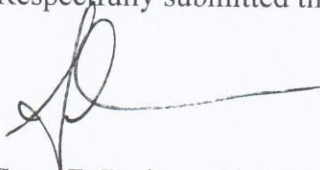
The Council and Staff of the City spent a considerable amount of time and energy in setting, analyzing, and prioritizing Goals for the Betterment of the City and the Delivery of Essential Public services that will hopefully result in a more sustainable economic vibrancy, business atmosphere, and quality of life for the City's citizens, consumers, businesses, and guests. These Goals are found as part of this budget. Their prioritization has set the framework for the upcoming Fiscal Year, the Five Year Financials, and the other actions that must be considered in order to achieve this end.

I would like to take this opportunity to thank all of the employees of the City for their hard work and dedication to public service. If you see them around the City, please make sure to acknowledge all that they do. I would also like to thank those that assisted in the preparation of the budget to include Shirley Hughes, Gail Weickhardt, Ivette Burgess, Beverly Gay, Kim Foxworth, and the Department Heads. All have committed time and talent in putting this effort together.

There is one workshop scheduled to discuss the budget, that being April 10th. If the Council feels that more workshops are necessary, I am recommending April 29th or May 6th. The First Reading and Public Hearing for the purposes of adopting the proposed

Fiscal Year 09 Budget will be held on April 24 at 6:00pm in the Friends Room of the Beaufort Arsenal, Craven Street, Beaufort, SC.

Respectfully submitted this 8th Day of April, 2008.

A handwritten signature in black ink, appearing to read 'S. Dadson', with a long horizontal flourish extending to the right.

Scott F. Dadson, City Manager
City of Beaufort