

# TOWN OF EDISTO BEACH Annual Budget 2011-2012



# Town of Edisto Beach, South Carolina

## Mayor



Mayor  
Burley L. Lyons

## Town Council



Mayor Pro-Tempore  
Susan Hornsby



Councilman  
Pete Anderson



Councilwoman  
Babe Hutto



Councilman  
Tommy Mann

## **VISION STATEMENT**

The VISION of the Town of Edisto Beach is to maintain Edisto Beach as a family sanctuary.

## **MISSION STATEMENT**

The MISSION of the Town of Edisto Beach is to enhance and maintain Edisto's reputation as a family-oriented, vacation destination while accomplishing the following goals:

**FY 2011-12 Council Goals and Action Plans**

|   |                       |   |
|---|-----------------------|---|
| <b>TITLE: Seek and acquire funding for beach nourishment/groin maintenance</b>  |                       | <b>Responsible Person: Mayor Lyons</b>          |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Conclude feasibility study   | Town Administrator    | 1-Jul-11  |
| 2. Lobby Colleton County to begin budgeting for renourishment   | Town Council/Lobbyist | 1-Aug-11  |
| 3. Lobby State to fund renourishment  | Town Council/Lobbyist | 1-Sep-11  |
| 4. Research Washington lobbyists for federal funding  | Municipal Clerk       | 1-Oct-11  |
| 5. Research hazard mitigation grant   | Town Administrator    | 15-Oct-11                                       |
| <b>TITLE: Negotiate existing waste water permit/contract with Plantation Golf Course, LLC</b>                         |                       | <b>Responsible Person: Councilman Mann</b>      |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Request DHEC issue permit based on existing contract with Plantation Golf Course, LLC                              | Utilities Director    | 31-Jul-11                                       |
| 2. Make counter proposal to Plantation Golf Course, LLC if DHEC refuses wastewater permit                             | Town Administrator    | 30-Aug-11                                       |
| 3. Complete negotiations/permit applications for wastewater permit  | Doub/Hill/Mann        | 30-Nov-11                                       |
| 4. Submit to Council for approval   | Municipal Clerk       | 31-Dec-11                                       |
| <b>TITLE: Seek affordable solutions for better water</b>  |                       | <b>Responsible Person: Councilman Mann</b>      |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Evaluate R/O at Hilton Head Water Committee/Staff  | Councilman Mann       | 3-Jul-11  |
| 2. Consult with B.P. Barber (Beckham) on cost estimates/engineering   | Councilman Mann       | 31-Jul-11                                       |
| 3. Consult with Senator Graham's office on possible funding USDA/RDA  | Councilman Mann       | 31-Jul-11                                       |
| 4. Develop long range plan for best option: water line versus R/O with timelines by water committee                   | Councilman Mann       | 30-Nov-11                                       |
| 5. Submit long term plan for Council approval   | Municipal Clerk       | 31-Jan-12                                       |
| <b>TITLE: Review and address charges for service calls/user fees</b>  |                       | <b>Responsible Person: Councilman Hutto</b>     |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Review current ordinance/ordinances  | Municipal Clerk       | 15-Jul-11                                       |
| 2. Establish charges for different service calls/user fees  | Town Administrator    | 15-Aug-11                                       |
| 3. Amend ordinance/create new ordinance   | Town Administrator    | 30-Aug-11                                       |
| 4. Submit to Council for approval (First Reading)   | Municipal Clerk       | 8-Sep-11  |
| <b>TITLE: Address drainage Issues (ongoing)</b>   |                       | <b>Responsible Person: Councilwoman Hornsby</b> |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Establish which drainage issues the Town can address, and which issues must be addressed by SCDOT                  | Utilities Director    | 1-Aug-11  |
| 2. Draft and submit Resolution to SCDOT asking them to add drainage on Edisto Beach to their Capital Improvement Plan | Municipal Clerk       | 11-Aug-11                                       |
| 3. Seek funding for the drainage issues that are the Town's responsibility  | Town Administrator    | 1-Sep-11  |
| 4. Put out RFP for repair of drainage issues  | Municipal Clerk       | 1-Oct-11  |
| 5. Select best proposal from RFP's  | Town Administrator    | 1-Dec-11  |
| 6. Submit to Council for approval   | Municipal Clerk       | 12-Jan-12                                       |
| <b>TITLE: Research single member district of Colleton County</b>  |                       | <b>Responsible Person: Councilman Hutto</b>     |
| <b>Key Steps</b>  | <b>Who</b>            | <b>Date</b>                                     |
| 1. Acquire census information for Colleton County   | Municipal Clerk       | 1-Jul-11  |
| 2. Research legal requirements for converting to a single member district   | Municipal Clerk       | 31-Jul-11                                       |
| 3. Gain support from Colleton County regarding single member districts  | Town Council          | 30-Aug-11                                       |

**OUR VISION**  
is to maintain Edisto Beach  
as a family sanctuary.

**OUR MISSION**  
is to enhance and maintain  
Edisto's reputation as a  
family oriented-vacation  
destination

Town of Edisto Beach



We value our community's  
input regarding services and  
will work toward providing  
services the community wants.

- The Town is responsible for ensuring that services are provided or available to citizens
- Town facilities and infrastructure are adequately maintained
- Our employees strive to be accessible, respectful and responsive to the citizen's needs.
- We are committed to enhance our citizen's quality of life by providing the highest quality of services that reflect our community's desires

### Policy Actions

#### 2010

- Increased appointments to Colleton County Boards and Commissions
- Attended and graduated from Elected Officials Institute
- Attended Legislative Action Day and Hometown Connection
- Revised travel and vacation policies
- Researched Scenic Byway Grant funding
- Lobbied legislators for point of sale revisions and against school bonds
- Established Goals/Action Plan and Legislative initiatives
- Implemented policy providing rental houses required to have 2 waste receptacles
- Implemented policy allowing mobile vending
- Funded litter removal on SC 174
- Established Bay Creek Park rules and regulations
- Opposed Colleton County property assessment
- Donated funding to turtle patrol
- Implemented policy to allow hand dollies for transport of sailboats on beach
- Revised policy allowing side by side dwellings
- Revised sign ordinance allowing sandwich and wayfinder signs
- Revised impervious surface ordinance
- Revised ordinance regarding errors in utility billing
- Repealed Sea Rescue Ordinance
- Challenged 2010 Census
- Revised Sea Turtle Protection Ordinance



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for  
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Better  
Tomorrow



### Management Actions

- Changed health insurance carriers for a cost savings of \$70,000
- Provided finance reports on website
- Issued a RFP for bank services
- Completed 2010 audit MD&A
- Updated strategic plans
- Cross trained personnel
- Issued a RFP for Liability Insurance
- Researched lighting issues and implemented retrofit program
- Audited county tax records to ensure accuracy
- Organized personnel and administrative files
- Implemented investment policy and changed investment strategy to staggered investing

## Accomplishments

2010

### Town Services Focus

- Initiated credit card payments on line
- Implemented pay for performance
- Revised Channel 2 format
- Implemented cash flow analysis and staggered investing
- Converted to virtual servers
- Implemented GIS

### Infrastructure and facilities Focus

- Awarded Feasibility study for storm water improvements on Myrtle Street
- Replaced dead tree at Coral Street beach access that was under warranty
- Completed Lee Street/Sunset drainage improvements
- Installed 6" water lines across Palmetto for point street fire protection
- Installed aerator at wastewater lagoon
- Implemented Sludge removal from wastewater lagoon with BYO GON
- Remodeled Town apartments/Fire and Police Departments
- Implemented Scott Creek crossing drainage
- Mitigated 2 repetitive loss listings
- Installed 1,400 feet of sand fencing
- Replaced water sign with highly reflective sign
- Added walk through gate at convenience center for 24 hour access
- Replaced and/or installed 150 signs
- Delivered or replaced 211 roll carts
- Replaced "Danger Keep Off" signs at groins
- Completed Osceola drainage project
- Participated in Edisto Beach Sweep
- Installed "Keep off Dunes" signs
- Scraped and herbicided Lybrand/Docksite bike path

- Installed variable frequency drive pump at wellfield
- Replaced booster pump #2 at wellfield
- Installed variable frequency drive units on lift station A & C
- Installed radio communications for SCADA system
- Implemented lift station and manhole rehabilitation
- Replaced valves at Lee Station lift station
- Replaced valves and check valves at Summerwinds Lift station
- Added 40 feet of well piping to Well #5
- Replaced 2 air relief valves on sewer system
- Installed control panel at Lift Station C
- Replaced control panel at Summerwinds

### Strategic Plan and Development Focus

- Selected firm to revise zoning ordinance
- Revised Beachfront Management Plan and submitted to DHEC for review
- Implemented Photogrammetric mapping of Edisto Beach
- \$162,557 in-kind services for ACOE Feasibility Study
- Completed CRS audit

### Health/Safety/Welfare Focus

- Implemented CodeRED for emergency notification
- Adopted Colleton County Hazard Mitigation Plan
- Implemented workplace pledge
- Entered into Intergovernmental agreements for fire and police
- Implemented safety and wellness program
- Purchased 6 wheel rescue vehicle for fire department
- Staffed with EMT's every shift
- All members of Fire Department have Firefighter II certification
- Received \$48,000 grant for extrication and air compressor
- Provided CPR and AED training to staff and community
- Established reserve police program

## Adopted 2011-12 Budget

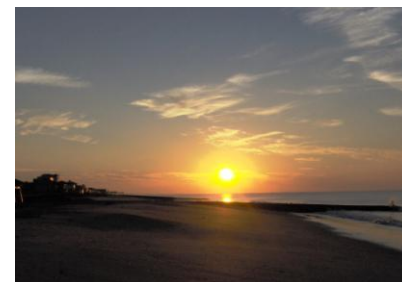
- Fully staffed police department with four local officers
- Reinstated stuffed animal drive for families in need
- Implemented property checks
- Developed bike and golf cart information cards for the public
- Reviewed problems with evacuation on SC 174 such as dead trees

### Governance Focus

- Revised departmental goals to align with Council goals

### Parks & Recreation Focus

- Acquired new Christmas decorations
- Acquired Brownfield \$100,000 grant for Bay Creek Park
- Submitted Dock permit for Burley L. Lyons park
- Acquired marsh side access
- Resurfaced bike path and constructed new bike path bridge
- Implemented "Adopt a beach access" program
- Submitted Sidewalk funding request to CTC
- Submitted Scenic Byway Grant for bike lane on Palmetto
- Operated Farmer's market
- Completed Bay Creek Park construction and remediation
- Opened additional beach access parking at Neptune, Jenkins, Baynard and Mitchell
- Added bike path signs at Wyndham entrance
- Added bike path signs on Palmetto directing to Vine Street bike path





June 09, 2011

The Honorable Burley L. Lyons  
 Members of the Town Council  
 Town of Edisto Beach  
 2414 Murray Street  
 Edisto Beach, South Carolina 29438

Dear Mayor Lyons and Town Council Members:

It is a pleasure to present to the citizens of Edisto Beach, members of Town Council and other interested readers the fiscal year 2011-12 operating budget for the Town of Edisto Beach. The budget for all funds is \$4,953,870 including a General Fund budget of \$3,448,487. This represents an overall budgetary decrease of \$79,748 (1.6%) and a General Fund increase of \$152,185 (4.6%) from the amended FY 2010-11 operating budget respectively. This budget does not include a millage increase or user fee increase. One mil equals \$55,126.

|                            | General Fund | Water Fund | Sewer Fund | Total       |
|----------------------------|--------------|------------|------------|-------------|
| <b>FY 2010-11 Original</b> | \$3,292,237  | \$956,488  | \$780,103  | \$5,028,828 |
| <b>FY 2010-11 Amended</b>  | \$3,296,302  | \$957,088  | \$780,228  | \$5,033,618 |
| <b>FY 2011-12 Proposed</b> | \$3,448,487  | \$809,035  | \$696,348  | \$4,953,870 |

At this time, the recession has lasted 42 months. It is projected the current recessionary environment will continue into 2012; however, properties continue to sell at below 2006 real estate values on Edisto. As a result, it is anticipated that conditions will continue to stabilize for economically sensitive revenues such as business licenses, building permits, franchise fees, hospitality and accommodations taxes.

Last year the millage was not increased from 18.81 to 18.94 effectively rolling back the millage rate. Section 6-1-320 of the South Carolina Code of Laws establishes millage caps for local governing bodies equal to the increase in the average of the twelve monthly consumer price indexes for the most recent twelve-month period consisting of January through December of the preceding calendar year, plus, beginning in 2009, the percentage increase in the previous year in the population of the entity as determined by the Office of Research and Statistics of the State Budget and Control Board. The consumer price index increased and was 1.64% from Calendar Year 2010 to Calendar Year 2011. The population of Edisto Beach based on the 2010 Census decreased by 35.4% for the same time frame.

Adding these two components together yields a millage cap of 1.64% for the Town of Edisto Beach. The allowed millage under this millage cap is 19.12 mils. No millage change is proposed for FY 2011-12.

Preliminary projections of total assessment values for the 2011 Tax Year indicate an increase in total assessments; however, these values do not account for special assessments, appeals or Assessable Transfer of Interest (ATI) changes. Because of the reassessment in 2010, many properties remain under appeal and according the Colleton County Assessor's Office will most likely result in a reduction in assessable value. This will have further impacts to the total assessment values for FY 2010-11 and could carry forward into FY 2011-12.

This document represents a conservative, but realistic budget of both expenses and revenues. A combination of zero based budgeting and baseline budgeting was used to achieve a balanced budget. The greatest advantage to zero based budgeting is reducing the entitlement mentality with respect to cost increases.

It represents the product of many hours of difficult deliberation by Town staff to set the course for the next year and successive years as we strive to deliver the best municipal services possible to the citizens of Edisto Beach. While our current budget poses challenges for us, we continue to be in better financial shape than most other local governments across the nation, which have required layoffs and furloughs to operate. This is due to the structure of our revenues and our fiscally conservative policies and practices of the Town. We also believe it represents the Council's priorities as identified.

In March 2011, the Council held a planning retreat to set goals to guide Town Services. These goals and action plans are listed above. Other goals, not listed as the top five priorities for the Town are incorporated into Departmental Strategic Plans and tracked for completion.

### **Current Year Budget Initiatives**

- ❖ Develop a balanced budget
- ❖ Minimize the number of tax adjustments required to maintain the current level of services; however provide funds to maintain infrastructure needs
- ❖ Maintain the level of services expected by residents, businesses and visitors while looking at improving job efficiencies and outsourcing if feasible
- ❖ Support, retain and develop our greatest asset, the Town's employees
- ❖ Evaluate alternative methods of providing the current level of services without additional or a reduction in costs i.e. health insurance, shared staff (Colleton)

### **Develop a Balanced Budget**

By definition, a balanced budget means that total budgeted expenditures do not exceed budgeted revenues plus available fund balance. An important step in this process is comparing annual revenues with annual expenditures to ensure the annual expenditures do not exceed annual revenues. General Auditing practices require the general fund to have a reserve of three months operating budgeted expenses each year (\$853,371). Administration will seek Council direction and subsequent policy to establish a set reserve rate.

We have a balanced budget with an anticipated fund balance of \$1,975,730. Interest rates have still not recovered and remain low. The Town implemented an investment policy this

past fiscal year and now invests in staggered short term certificates of deposit at higher interest rates.

Challenges continued this year. The state of the economy continues to have negative impacts on Edisto Beach. Colleton County reduced funding unilaterally across all funds by 4%. The 2010 Census indicated a reduction of population by 35.4% subsequently reducing state funding levels and fuel price increased by 49% impacting this budget cycle. It would be remiss not to look at the global environment as well, and potential impacts to Edisto Beach such as natural disasters and how it relates to future insurance premiums and national health care and impacts those changes may have.

**Minimize the number of tax and fee adjustments required to maintain the current level of services**

Staff continues to search for additional revenue sources or cost reductions. Although the budget relies heavily on property taxes, the Town hosts a vast array of revenues. Historically, grant funding has been utilized heavily to reduce the reliance on property taxes for special needs or projects such as beach access and park improvements and continues to be pursued by all Departments. Staff remains cognizant to balance improvements with ongoing, recurring maintenance costs that may impact future funding needs.

The Town currently has grant applications submitted for sidewalk replacement and repair from the Colleton Transportation Committee and the Department of Transportation and a bike lane expansion with the National Scenic Byways. Although, the Town has submitted applications for these grants, funds are not budgeted until a grant has been awarded. To date, for FY 2011-12, the Town has applied for \$215,820 in grants.

| Dept | Funding Agency        | Item                            | Amount    | Match    |
|------|-----------------------|---------------------------------|-----------|----------|
| Adm  | CTC                   | Sidewalk Replacement and Repair | \$69,820  | None     |
| Adm  | National Scenic Byway | Bike Lane                       | \$148,000 | \$29,600 |

The Fire Department grant request for the Assistance to Firefighters Grant for extrication equipment, air compressor and other various firefighting tools was successful and the Department is in the process of acquiring bids. Additional grant opportunities may be available from other sources as yet to be identified. The Town met with the Department of Transportation and discussed future and ongoing needs of Edisto Beach. The DOT has assured the Town they will continue to seek funding to address these issues.

In Fiscal Year 2010-11, the Town received an AFG grant for extrication, compressed air and other miscellaneous equipment needs providing \$59,300 in additional funds. A \$2,965 or 5% local match is required for this grant.

| Dept | Funding Agency      | Item                       | Amount   | Match     |
|------|---------------------|----------------------------|----------|-----------|
| Fire | AFG                 | Extrication/Compressed Air | \$59,300 | \$2,965   |
| Adm  | Brownsfield Program | Remediation Bay Creek Park | \$200,00 | \$100,000 |

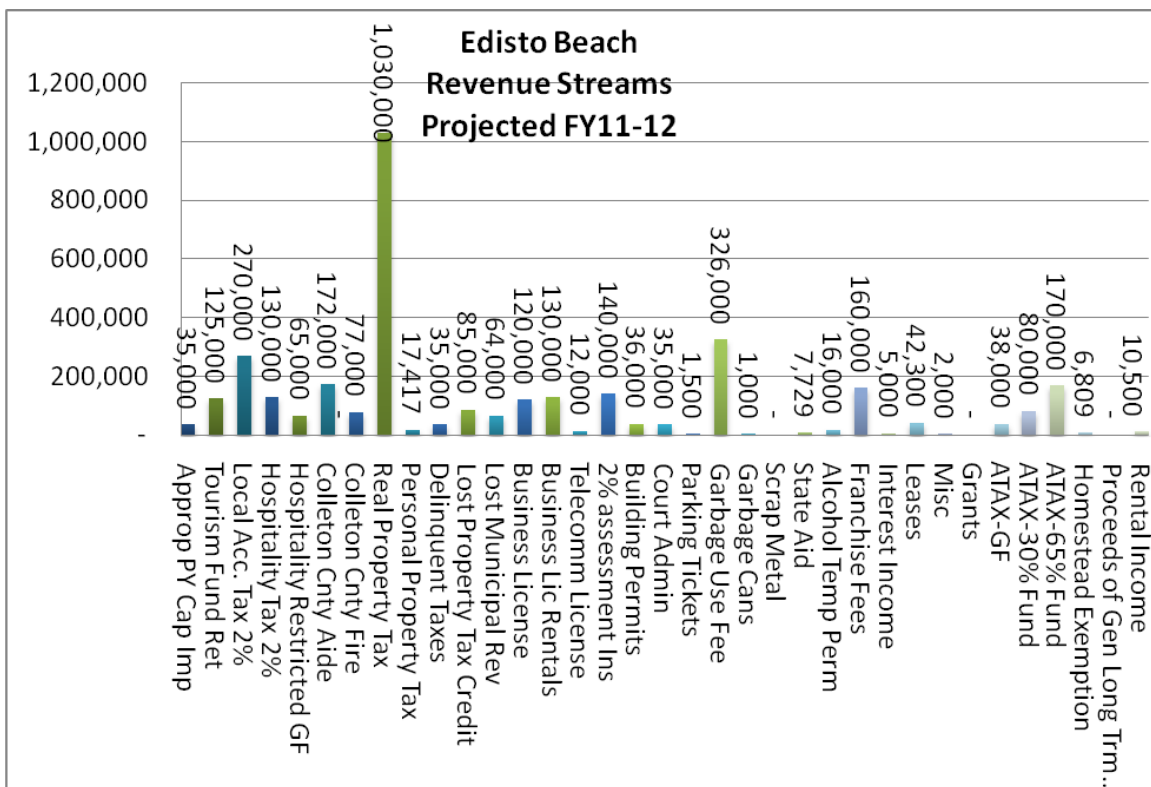
A proposed 5% franchise fee for AT&T U-Verse will go to Council for a second reading in June 2011. Comcast currently pays a 5% franchise fee.

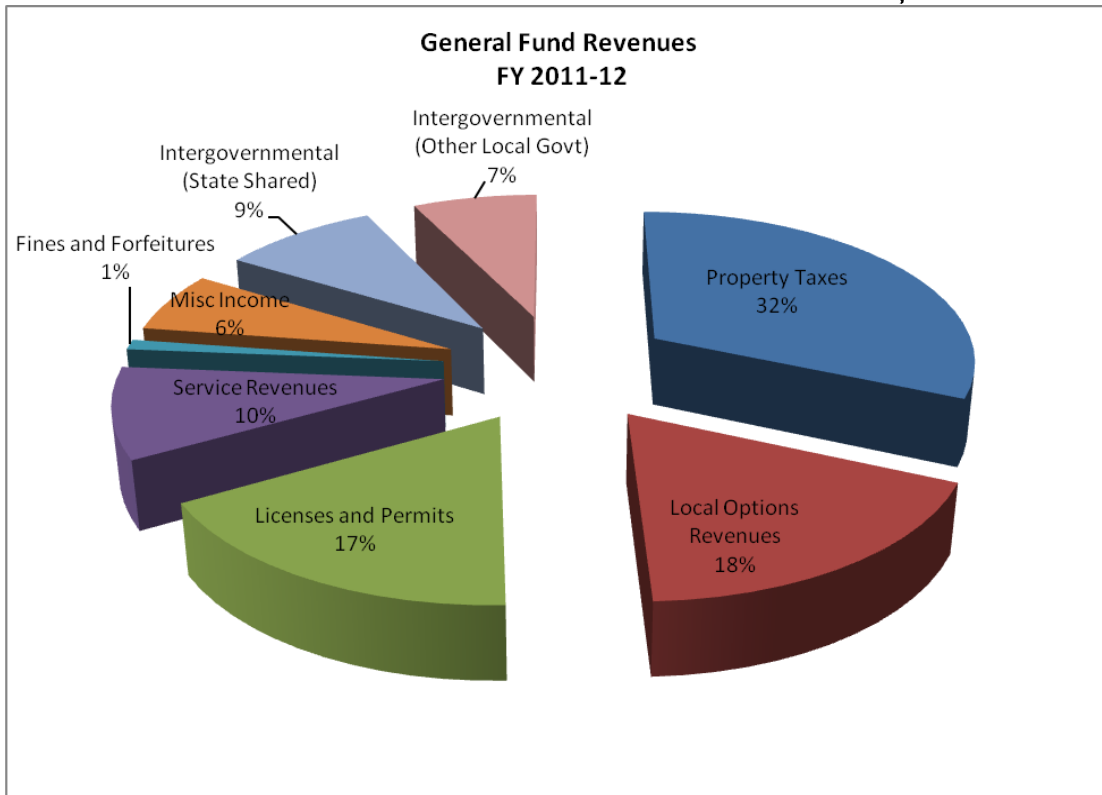
**Where does the money come from?**

The operating and capital budgets are financed by the revenue sources identified in the following figures. Total projected revenues for FY 2011-12 is \$4,953,870, a 1.6% decrease from the FY 2010-11 amended budget

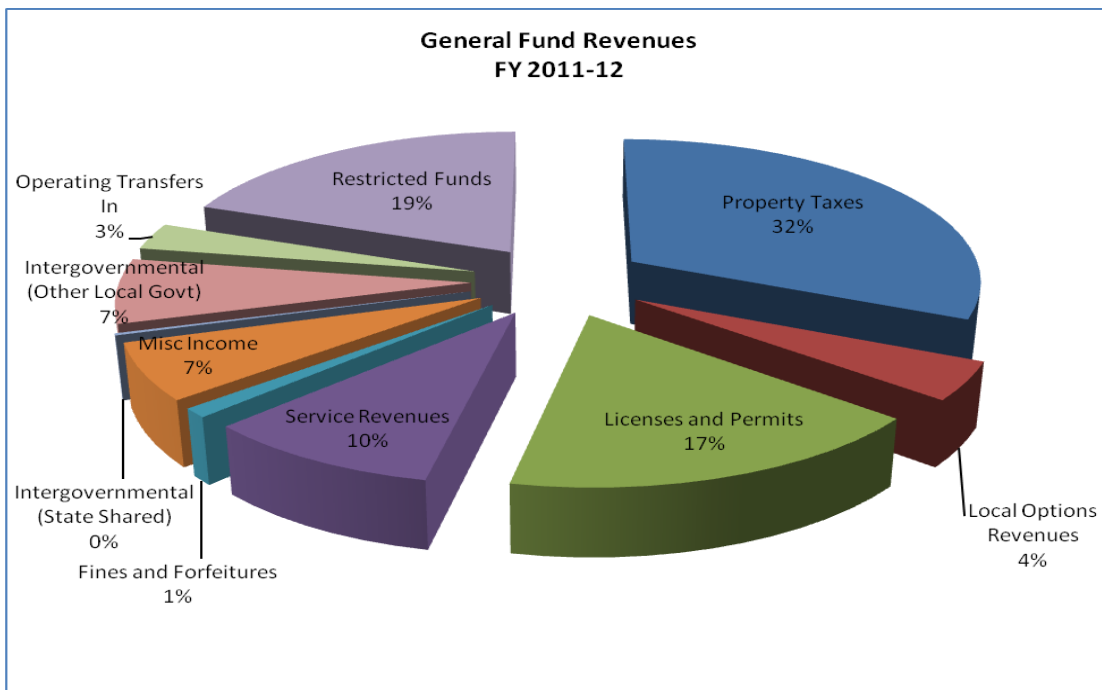
Several methods are used to project the individual revenue sources used to finance local government. The sources producing the most revenue are modeled using time series statistical programs. The results are modified based on current and projected economic trends, and views of experts as conveyed in local, state, and national publications. When projecting the secondary sources, extrapolation of trends is used, and in the case of stable sources, the current fiscal year estimate is carried over in the next fiscal year. A final method is the “Delphi” approach. Town staff responsible for managing a program that generates revenue are asked their opinion of revenue growth rates. Often the initial amounts are modified after discussions with staff.

The Town revenue sources are provided from taxes on real, personal and vehicle property; business licenses; permits; fees; charges for services; and other miscellaneous collections.

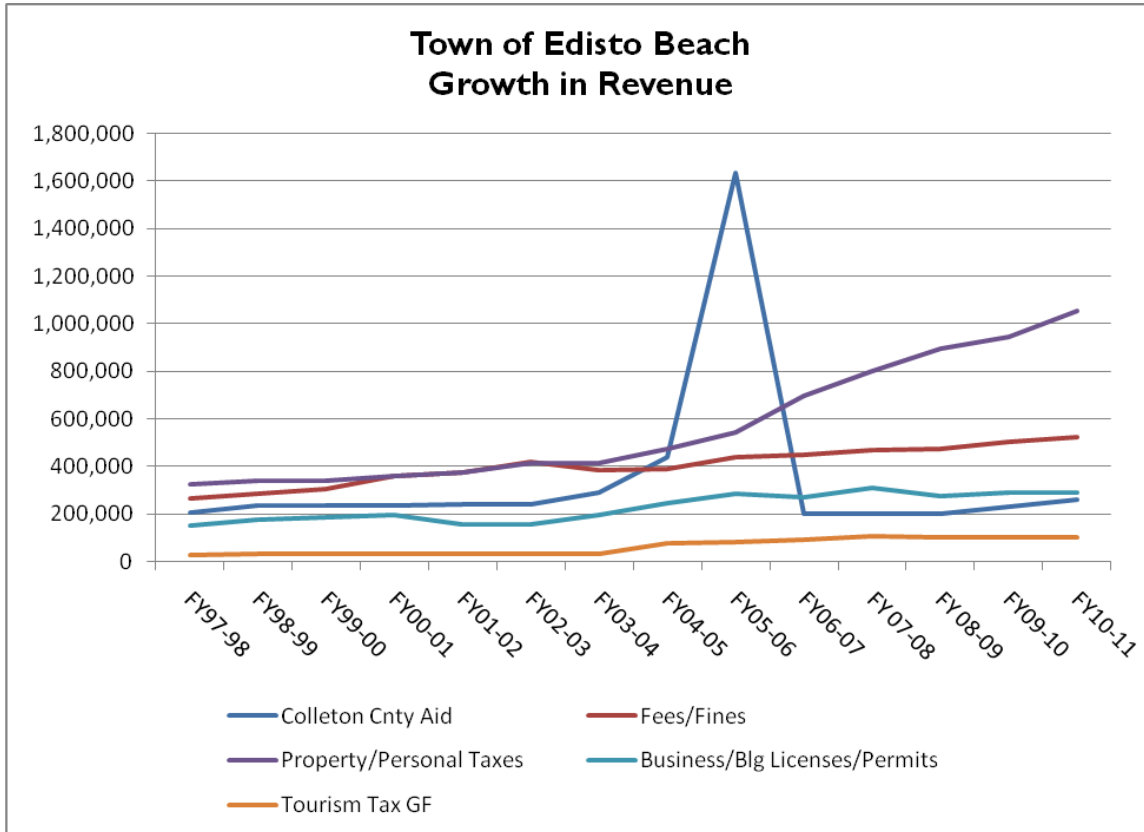




The above graph can be misleading because some of the identified revenue streams are not available to the Town for general operations, such as portions of the Local Accommodations Tax, Hospitality tax and ATAX funds. Some revenues are restricted and can only be used for designated purposes as defined by state code. The graph below is adjusted to delineate all revenue sources that are not available to the Town for operations. Operating transfers in are portions of restricted funds that are allowed to be used for operational purposes.



Taxes known as ad valorem property taxes collected on real estate, personal property and vehicles account for 32% or the majority of the general fund revenues. Business licenses and building permits account for 17% of the general fund revenues which are up by 6% from last year. This year, \$35,000 was appropriated from the prior year for one-time capital expenditures such as storm water drainage on Myrtle Street, Burley L. Lyons park improvements and lagoon assessment.



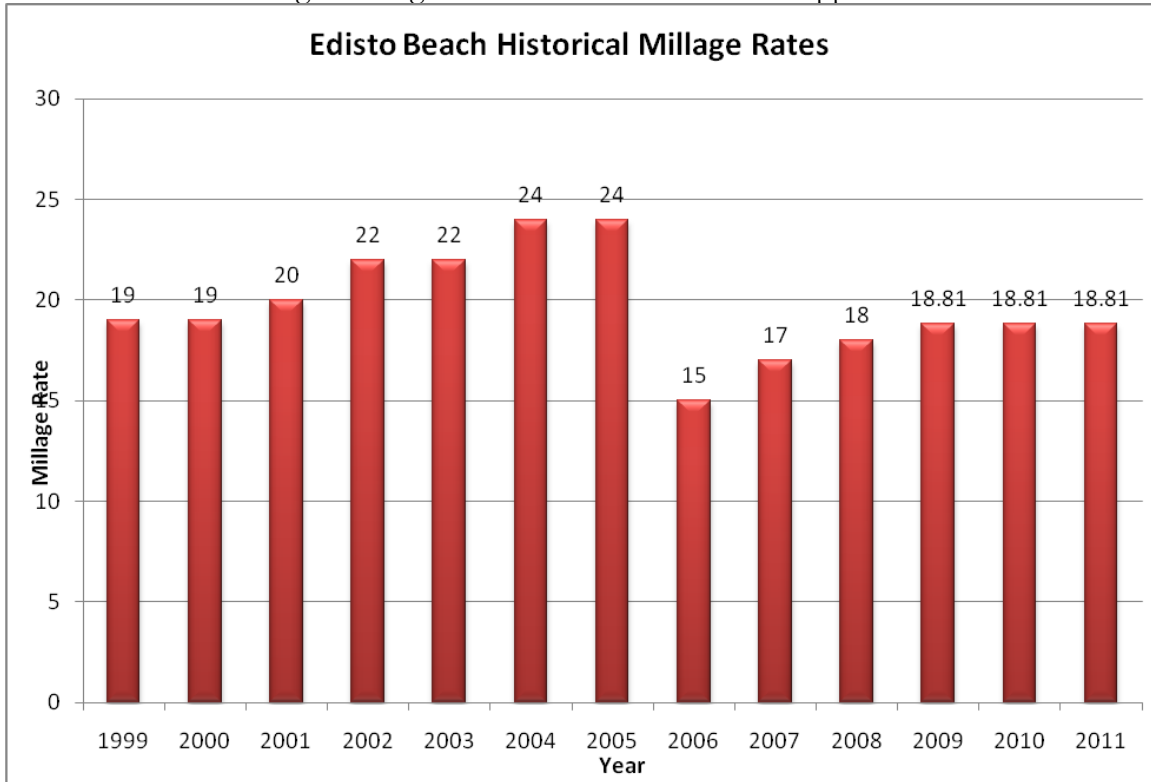
Of the five largest revenue sources, most show slight or incremental increases over time, with the exception property taxes. Property taxes have had the most substantial increase, as is expected as coastal property becomes more desirable. There was a slight increase in Colleton County aid between FY 2009-10 and FY 2010-11 when Colleton County increased funding. This however was short-lived as funding was decreased by 4% in FY 2011-12. The increase in fees/fines was associated with growth. Utilities pay franchise fees and as the Town grows, there is a corresponding increase in fees. As the recession continues, it is increasingly difficult to collect business license fees. Tourism taxes have remained relatively constant.

Although the recession continues, sales have increased on Edisto Beach. Several large businesses remain in foreclosure which could have an impact on future revenues of Edisto Beach.

Concerns about the continued economic recession, particularly in the housing market, argue for maintaining a conservative approach to the revenue forecasting. This approach is reflected in the estimates used in preparing this budget.

Millage rate

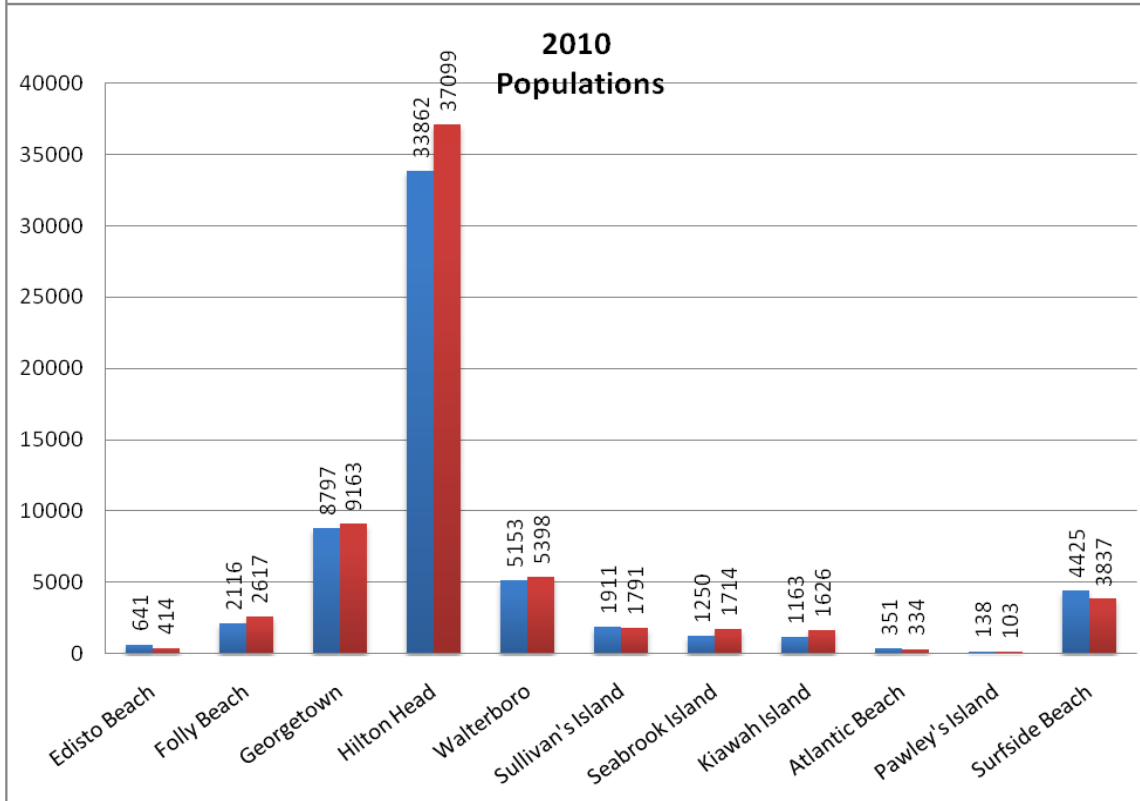
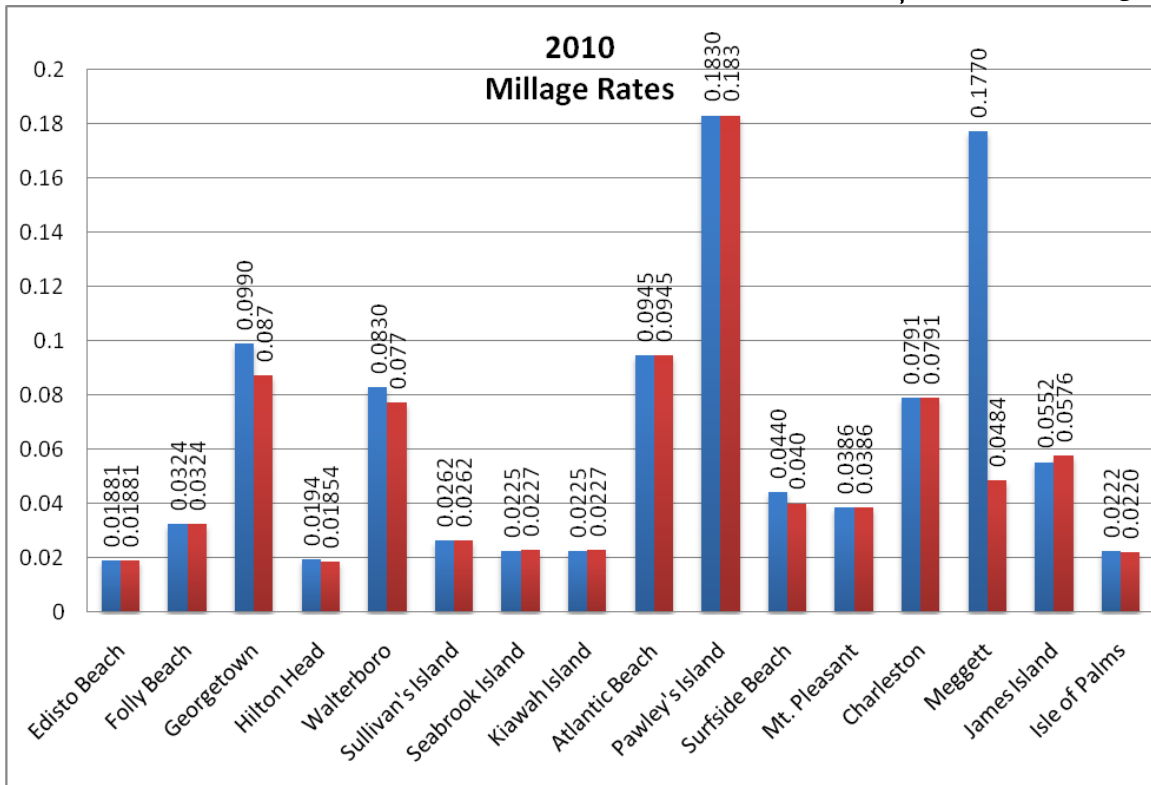
The budget provides a total millage rate of 18.81 mils. No increase is proposed, although an increase of 1.64% was allowed according to Section 6-1-320 of the South Carolina Code of Laws. South Carolina Code sets a “hard cap” on millage increases. A municipality may raise the millage rate by the CPI plus the increase in population. For FY 2011-12, the population factor is 0% and the CPI is 1.64%. The population figures based on the 2010 Census is being challenged. The 2010 Census indicates that the population of Edisto Beach decreased from 641 to 414. New growth figures on Edisto Beach do not support this decrease.



The millage rates have ranged from 24 mils to the current rate of 18.81 mils between 1999 and 2009. The budgeted rate for FY 2011-12 is 18.81 mils.

Projections from FY 2010-11 indicated the Consumer Price Index (CPI) would recover in FY 2011-12 which was validated by a 1.64% increase in the CPI.

Below are figures comparing Edisto Beach’s millage rate and population to other municipalities in South Carolina.



**Maintain the level of service expected by residents, businesses and visitors**

The budget transmitted herein provides one addition to the same level of services as the previous year. A line item for Geographic Information System (GIS) was added to the Building Department to maintain the Town's GIS data. Last year, a line item for parks and recreation was included.

**Minimize the impact on the Town's employees**

Edisto Beach, like other communities has experienced problems with recruitment and retention of qualified employees. Training new employees who leave after a year or two is costly and decreases the efficiency of the departments. In the past, the Town has provided unilateral merit and cost of living increases. This industry standard does not promote exceptional performance because average or poor performance is often awarded the same as above average or exceptional performance.

Over the past two budget cycles, salaries of those employees who have met or exceeded performance requirements have received salary adjustments. Council recommended Administration work towards a pay for performance system which was implemented in FY 2010-11. Employees who excelled in performance were reviewed for salary adjustments. Adjustments were not unilateral, but based on numerous factors including job performance, certifications, achievements, etc.

This year a 4% cost of living (COLA) increase is included in the budget for all employees who are not in their introductory period and are performing adequately. In May 2011, the travel policy and annual leave policies were revised by Town Council. Although employees who have been employed for shorter periods of time may accrue more vacation time, carry forward of unused time was reduced to offset any potential liabilities when an employee leaves Town employment.

The Town of Edisto Beach offers a competitive benefits package. All full-time employees receive 100% employer paid health, dental and life insurance. Part-time employees hired after February 2009, do not receive this benefit; however Health Care Reform may impact this policy. In addition, full-time employees can purchase dependent healthcare. The Town offers elective insurance options for employees.

In FY 2010-11, Administration issued a Request for Proposals for healthcare insurance. Premiums under the current policy had become unaffordable and as a result of pending legislation, the current provider opted to discontinue providing services beginning July 1, 2011. Review of the submittals resulted in the selection of the South Carolina Employee Insurance program. This conversion resulted in a savings for insurance premiums; however, this may be short-lived pending Health Care Reform. Rates are subject to increase based upon insurance claims.

The Town provides pension benefits for all of its full-time employees through a traditional, joint-contributory, defined benefit plan in the state wide South Carolina Retirement System. The SCRS provides members a guaranteed monthly pension based on a formula that includes the member's average final compensation, years of service and benefit multiplier of 1.82 percent. The employees deposit rate is 6.5% and a member is vested after 5 years. Typically members can retire at age 65 with 5 years of service. Police and fire can retire at age 55.

Other benefits include fifteen paid holidays, 12 days of paid sick leave and accrued, paid annual leave based on years of service, paid jury duty, and bereavement leave for all full-time employees.

**BUDGET IN BRIEF**

**GENERAL FUND OVERVIEW**

**Purpose-** The purpose of the General Fund is to account for financial resources of the Town used in general operations such as public safety (police, fire, emergency management), public works (including parks and recreation), municipal court, and building administration. In addition, administrative functions including city management, legal services, and fiscal services are funded from revenue generated for the General Fund. Offsetting expenditures are captured in the General Fund Overview to account for anticipated revenues in Special Funds such as the ATAX and Local Accommodations Taxes.

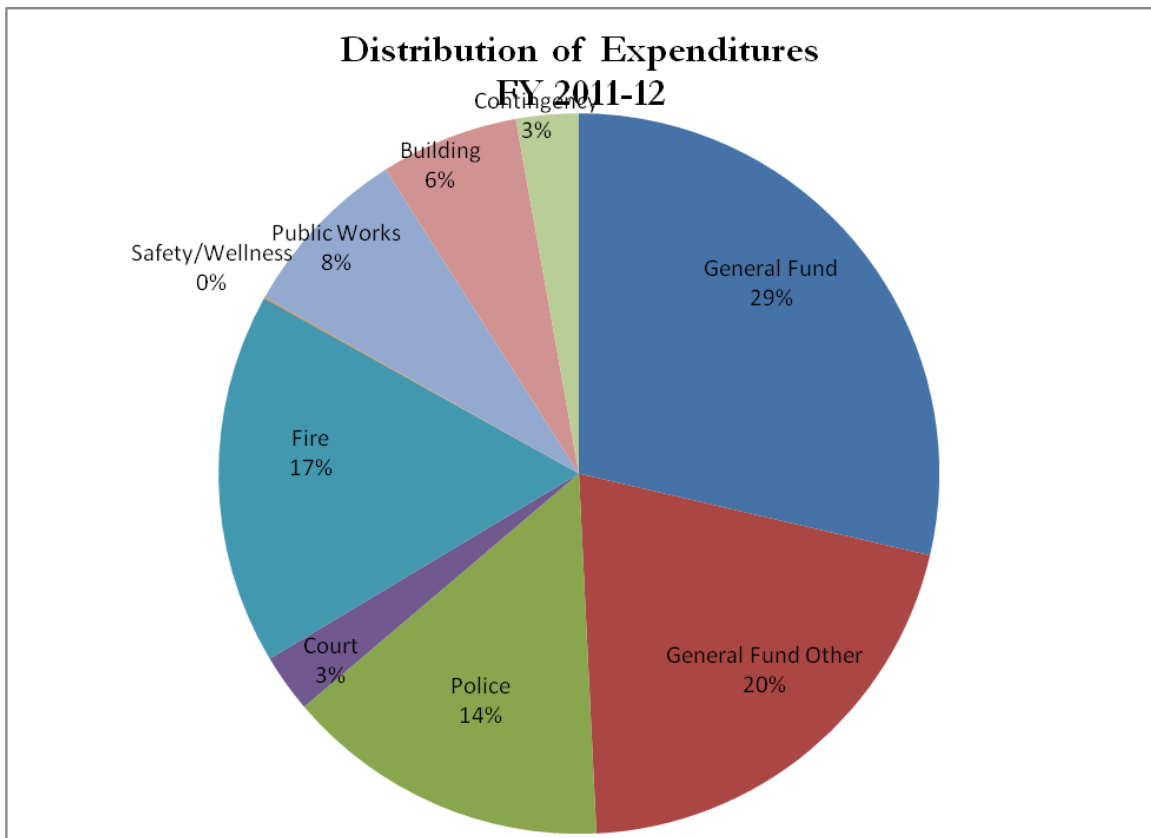
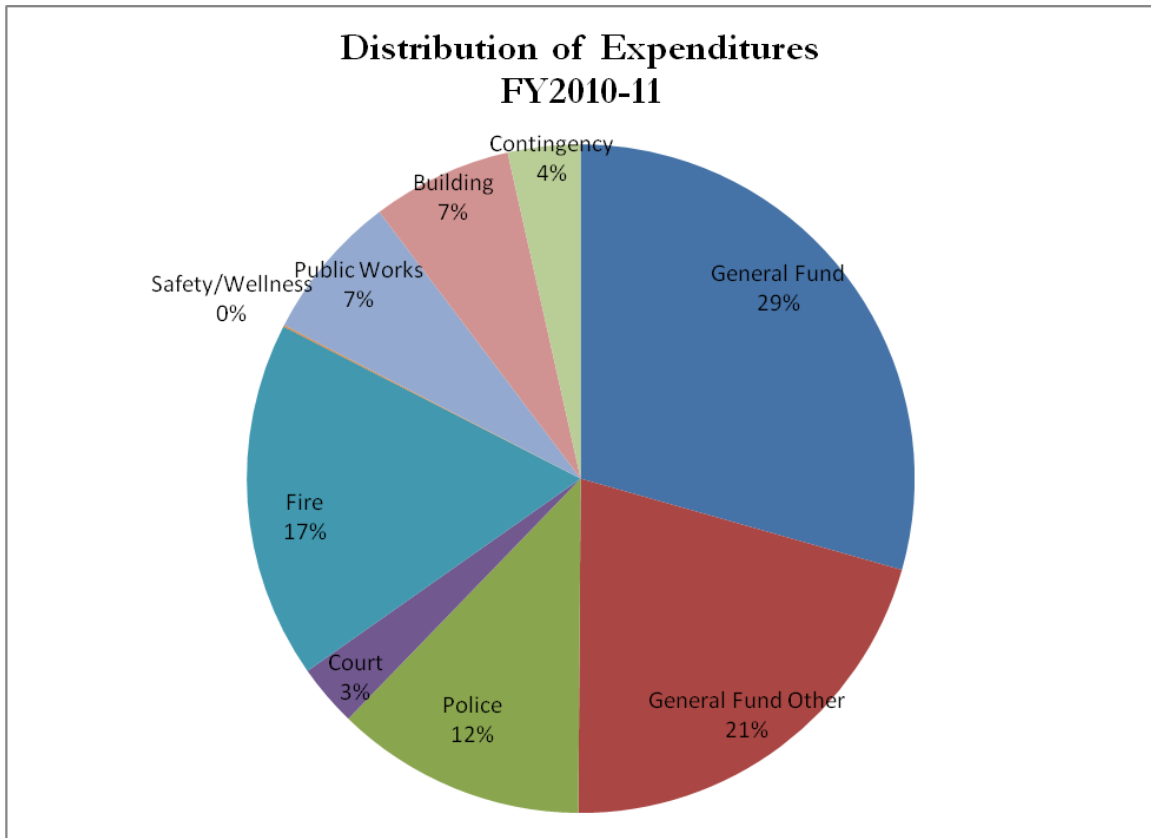
The General Fund operating budget for FY 2011-12 totals \$3,448,487 and represents an increase of \$152,185 or 4.6% from the previous year’s budget of \$3,296,302. Contingency funds are \$96,891.

|              |   |  |
|--------------|---|--|
| General Fund | Amended Budget<br>FY 2010-11<br>\$3,296,302 | Proposed Budget<br>FY 2011-2012<br>\$3,448,487 |
| % Change     |   | 4.6%   |

Items of note within the General Fund are listed below and most are one-time expenditures:

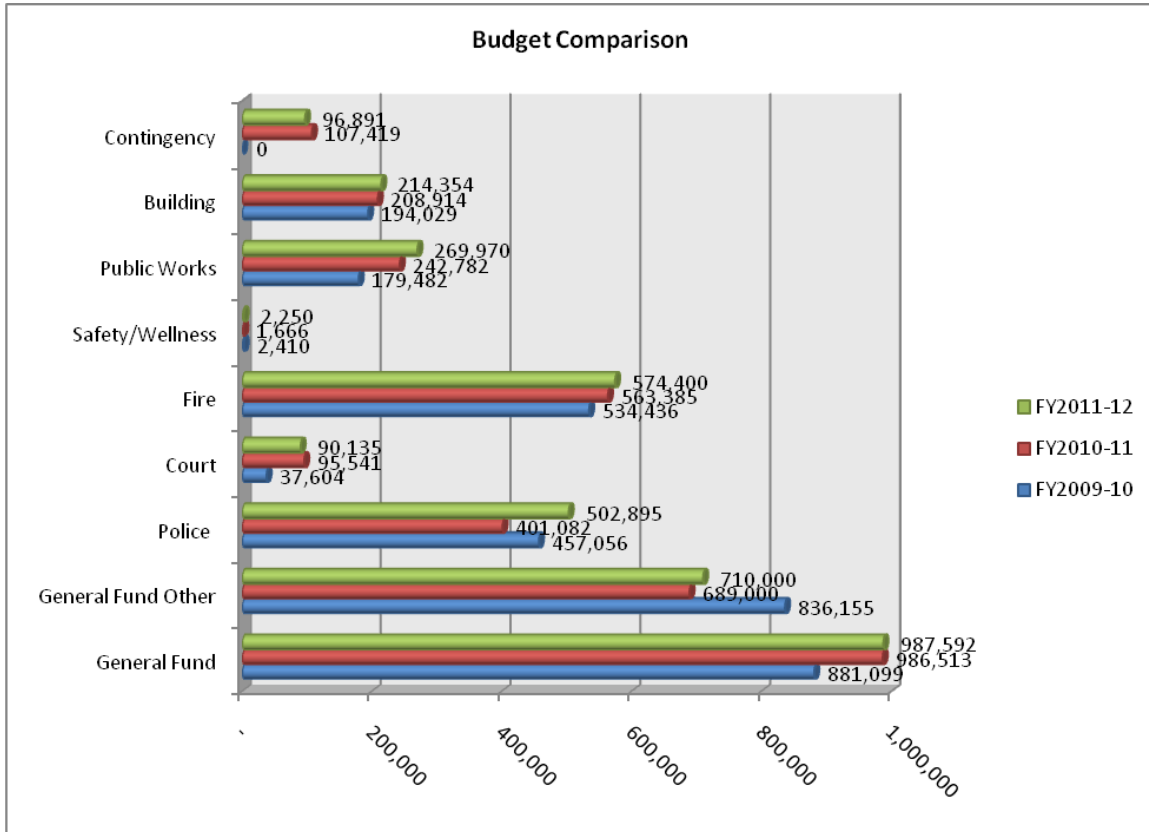
| Service Changes                    | Amount   | Account   |
|------------------------------------|----------|-----------|
| Env. Assessment Lagoons            | \$5,000  | 4100.3260 |
| Zoning Ordinance Revision          | \$40,000 | 4100.3260 |
| Scan and publish Documents         | \$5,000  | 4100.3260 |
| New Mat front door/furniture       | \$5,000  | 4100.9020 |
| Patch and paint council chambers   | \$500    | 4100-9040 |
| Add gutter to south side Town Hall | \$540    | 4100-9040 |
| Channel 2 Upgrade                  | \$250    | 4100-9040 |
| New outlets & GFCI apartment       | \$500    | 4100-9040 |
| Office renovations                 | \$15,000 | 4100-9040 |
| New Mat front door/furniture       | \$5,000  | 4100.9020 |
| Computer Replacements              | \$14,000 | 4110.6310 |
| Plotter and handheld GPS           | \$24,000 | 4100.6310 |
| Flooring in Police Department      | \$3,000  | 4200-9220 |
| Public Defender                    | \$3,000  | 4300.9100 |
| Air Conditioner Fire Department    | \$8,000  | 4400.4000 |
| Burley L. Lyons Park Dock          | \$10,000 | 4700.4010 |
| Stormwater Myrtle Street           | \$20,000 | 4700.4010 |
| GIS                                | \$1,500  | 4800.3220 |

The following graphs compare FY 2010-11 and FY 2011-12 General Fund budgeted expenditures.



Relatively, the operating costs from fiscal year 2010-11 to 2011-2012 have remained constant. Fuel costs have increased over 40% in the last fiscal year and have impacted all areas. Fuel cost increases were mitigated by purchasing vehicles that have better fuel economy and policy changes to limit personal use of Town-owned vehicles.

Seventy-seven percent of general fund expenses are directly related to operations and providing services to the citizens of Edisto Beach. The twenty percent labeled, general fund other, are offsetting accounts for Special Funds such as ATAX and Local Accommodations Tax that have restricted uses and are not used for general operations and services.



Departments maintained or had minimal increases in their overall budgets. Other strategies implemented to decrease departmental costs included partnering, assessments of workloads to determine whether positions should be full-time or part-time and coaching staff on ways to perform functions efficiently and effectively. The Town has also been working with Colleton County on cost-sharing applications. In FY 2010-11, Administration reviewed having Colleton County provide fire services, but the fire assessment was higher than the costs incurred by the Town for the same level of service. Administration also reviewed implementing a public safety department combining police and fire services.

| Department Budget   | FY09-10          | FY10-11          | FY11-12          | Difference     | % Change   |
|---------------------|------------------|------------------|------------------|----------------|------------|
| Administration      | 881,099          | 986,513          | 987,592          | 1,079          | 0.1        |
| General Gov't Other | 836,155          | 689,000          | 710,000          | 21,000         | 3.1        |
| Police              | 457,056          | 401,082          | 502,895          | 101,813        | 25.3       |
| Municipal Court     | 37,604           | 95,541           | 90,135           | -5,406         | -5.7       |
| Fire                | 534,436          | 563,385          | 574,400          | 11,015         | 1.9        |
| Safety and Wellness | 2,410            | 1,666            | 2,250            | 584            | 35.1       |
| Public Works        | 179,482          | 242,782          | 269,970          | 27,188         | 11.2       |
| Building            | 194,029          | 208,914          | 214,354          | 5,440          | 2.6        |
| Contingency         | 0                | 107,419          | 96,891           | -10,528        | -9.8       |
| <b>Total</b>        | <b>3,122,272</b> | <b>3,296,302</b> | <b>3,448,487</b> | <b>152,185</b> | <b>4.6</b> |

This year, a 4% cost of living allowance (COLA) was budgeted. The increase in salaries is \$26,908 as depicted in the table below. This is artificially elevated in the Police Department because some positions were not staffed during portions of the previous fiscal year.

| Department Salaries  | FY 2010-11 | FY 2011-12 | Difference |
|----------------------|------------|------------|------------|
| Administration       | 170,100    | 161,180    | (8,920)    |
| Police Department    | 270,746    | 306,475    | 35,729     |
| Municipal Court      | 61,856     | 60,855     | (1,001)    |
| Fire Department      | 362,830    | 370,595    | 7,765      |
| Public Works         | 127,600    | 124,865    | (2,735)    |
| Building Department  | 178,425    | 178,170    | (255)      |
| Utilities Department | 420,320    | 423,400    | 3,080      |
|                      |            |            | 26,908     |

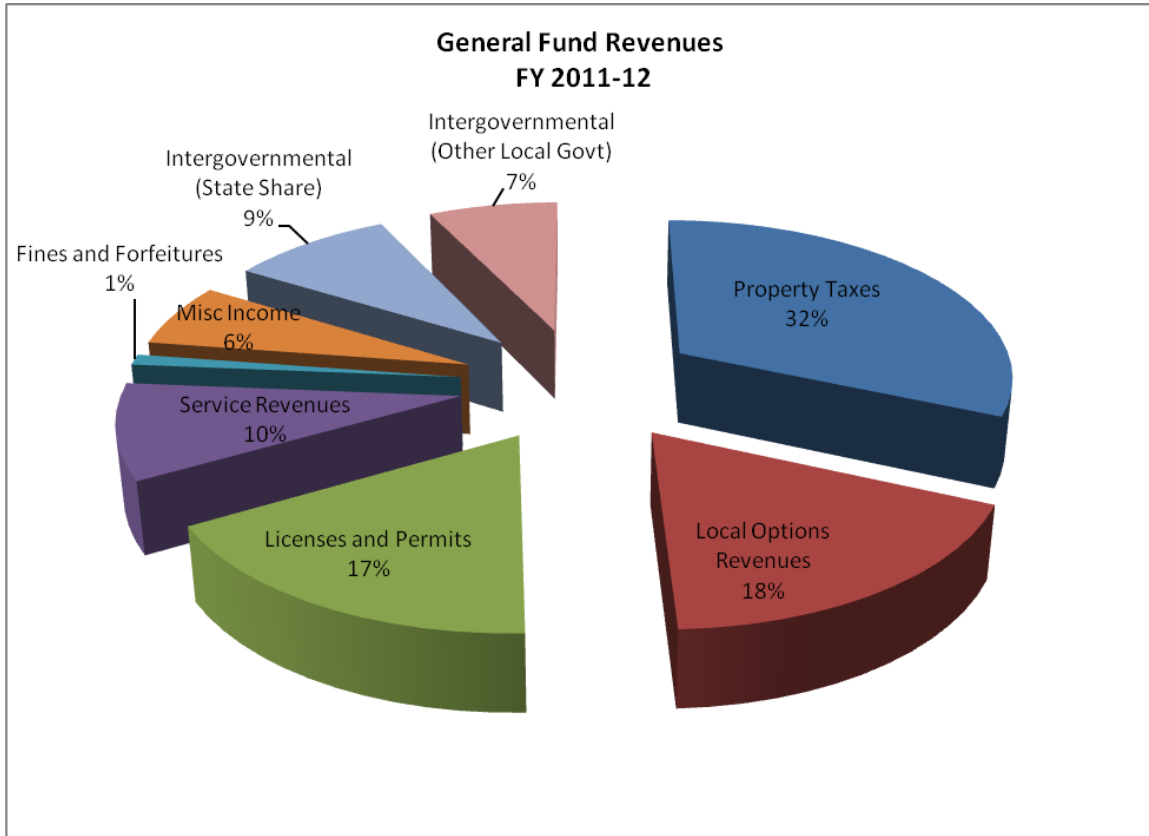
For the first time in three years, the police department is fully staffed prior to the tourist season. In FY 2010-11, one firefighter position was not filled, but staffing is being provided by part-time Colleton County firefighters. These employees offer advanced medical training to our department. Most of these firefighters are Emergency Medical Technicians or Paramedics. This allows the Fire Department, as a first responder, to provide life-saving medical services while an ambulance is in route.

During FY2010-11, the Town issued a Request for Proposals for Health Insurance. This was the last year the South Carolina Local Government Assurances Group (SCLGAG) provided health insurance. It had been in operation since 1981. Although the Town received numerous proposals, the insurance review committee recommended the State of South Carolina Health Plan. Coverage per person was reduced from \$622.35 per person to \$395.58 per person. This resulted in over \$70,000 in savings.

The new plan reduces the deductible from \$500 to \$350 and the \$2,000 out of pocket expenses remains the same. The dental portion of the plan provides slightly less than the current plan, but employees can pay for premium coverage. Life insurance was reduced from \$10,000 to \$3,000 but as with the dental plan, employees can opt to pay for additional life insurance if they choose to do so.

## REVENUES GENERAL FUND

### General Fund Revenue



Overall, general fund revenues for FY 2011-12 increased by 4.6% compared to the re-estimate at the end of 2010-11. Of note, state aid was reduced by 48.8% (\$7,196) because the 2010 Census indicated Edisto Beach’s population decreased and Colleton County reduced funding by 4% (\$11,000).

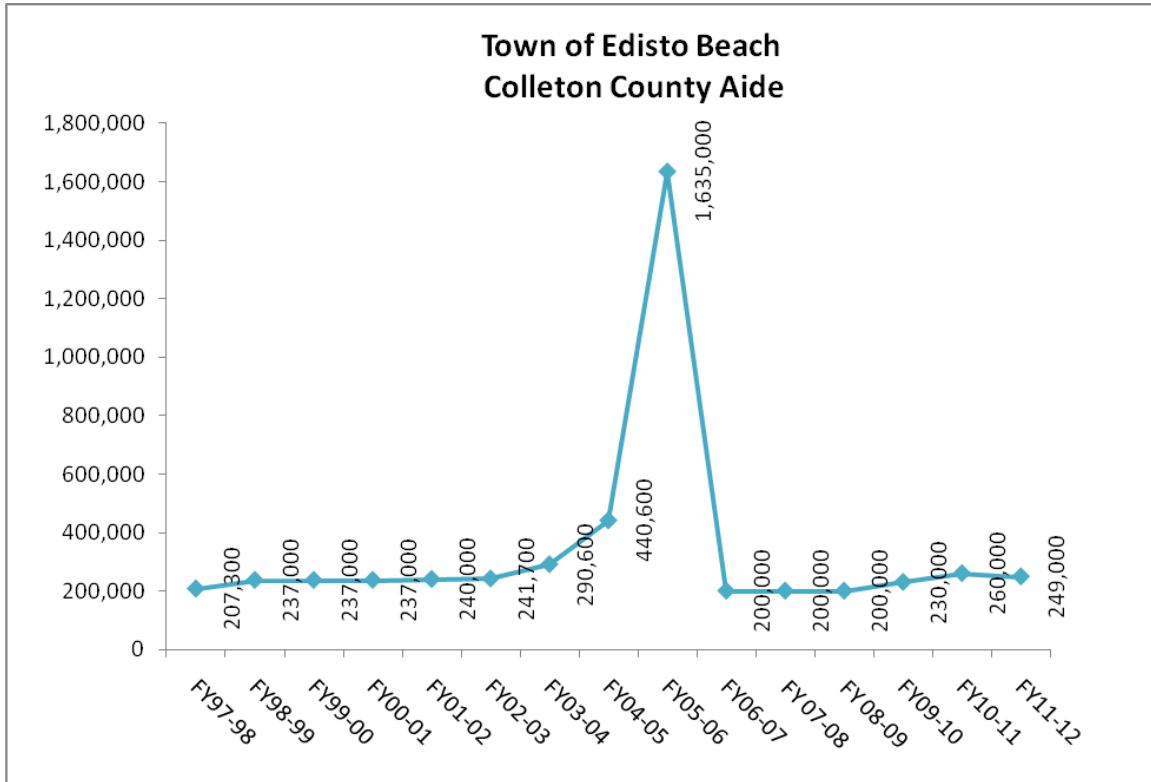
Taxes known as ad valorem property taxes collected on real estate, personal property and vehicles account for 32% or the majority of the general fund revenues. Local Options revenues (credit factor calculated to give property owners a tax credit and local option sales taxes) account for 18% and licenses and permits account for 17% of the budgeted revenues. This year, \$35,000 was appropriated from the prior year for one-time capital expenditures [environmental assessment lagoons (\$5,000), Burley L. Lyons Park (\$10,000) and storm water Myrtle Street (\$20,000)].

Eighty five percent of General Fund revenue comes from seven sources. These include property taxes, garbage user fees, county aid, business licenses, franchise fees, local option sales tax and 2% assessment on insurance. Sixty-six percent of the Town’s revenues come from property taxes, garbage user fees, business licenses and Colleton County Aid.

Accrued prior year funds are \$1,975,730.

**COLLETON COUNTY AIDE**

Colleton County allocates a portion of their revenues to the Town of Edisto Beach to provide certain services that are more cost effective and efficient for the Town to provide to residents located outside the corporate limits. These services include mosquito control, fire protection, police protection, street and road services, and access to the garbage convenience station. Aid from Colleton County represents 7% of the projected budget. For FY 2011-12 the Town requested \$290,000, a \$30,000 increase from FY 2010-11. Colleton County did not increase funding, but reduced funding by 4% from the FY 2010-11 appropriation.

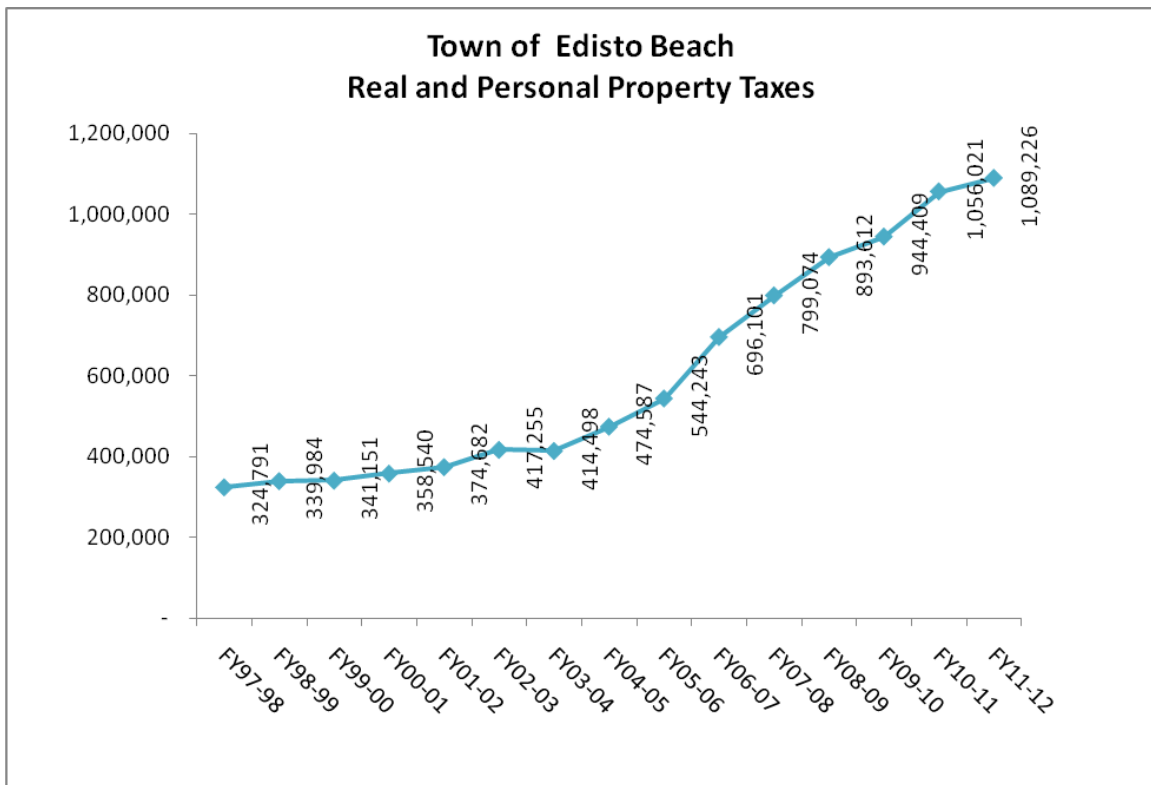


**PROPERTY TAXES**

S.C. Code §5-7-30 authorizes municipal taxes on real and personal property. S.C. Code §6-1-320 requires a public hearing and positive majority of the council to increase the millage rate more than the increase in the consumer price index. This year includes no increase although the Town was allowed a 1.64% increase. State law allows an increase in millage rate as calculated using the consumer price index (1.64%) and population growth (0%) of the Town.

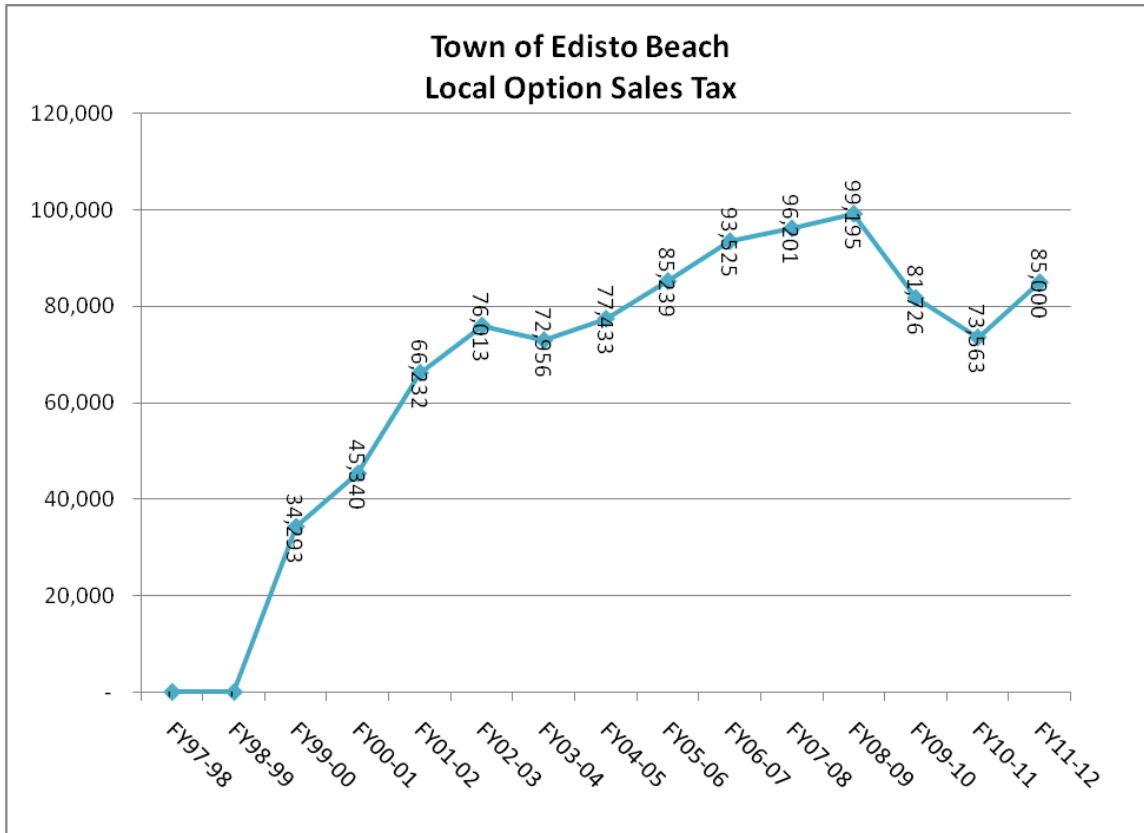
Taxes account for 32% of the total general fund revenues and are the primary source of general fund revenues.

In 2010, property taxes were reassessed. The millage rate was rolled back by 0.7%. Appeals and Assessable Transfers of Interest (ATI) are still being evaluated or are under debate. The impact of returning values to their pre-ATI values could be considerable to Edisto Beach. New construction accounts for the increase in property taxes. Assessments increased \$663,600 in the 4% class and \$4,691,750 in the 6% class for new growth. Last year, assessments increased \$5,404,550 in the 6% class for new growth.



**LOCAL OPTION SALES TAX CREDIT**

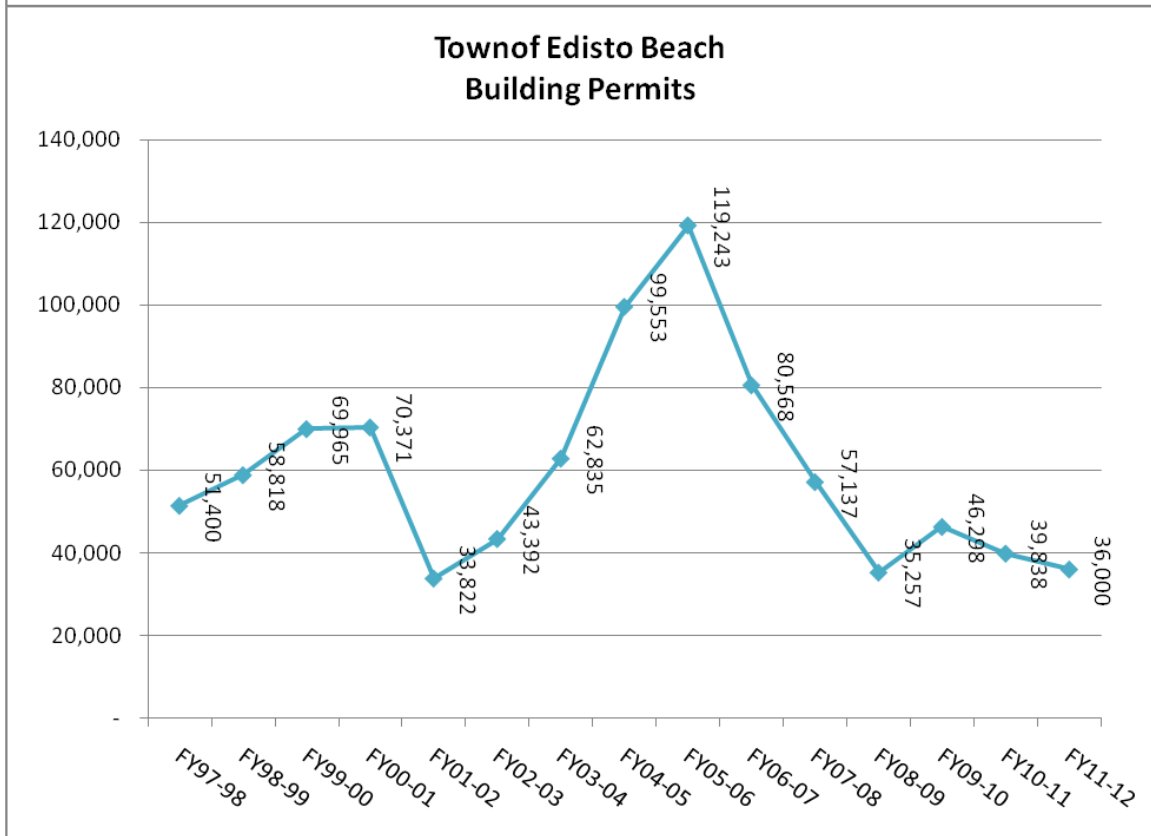
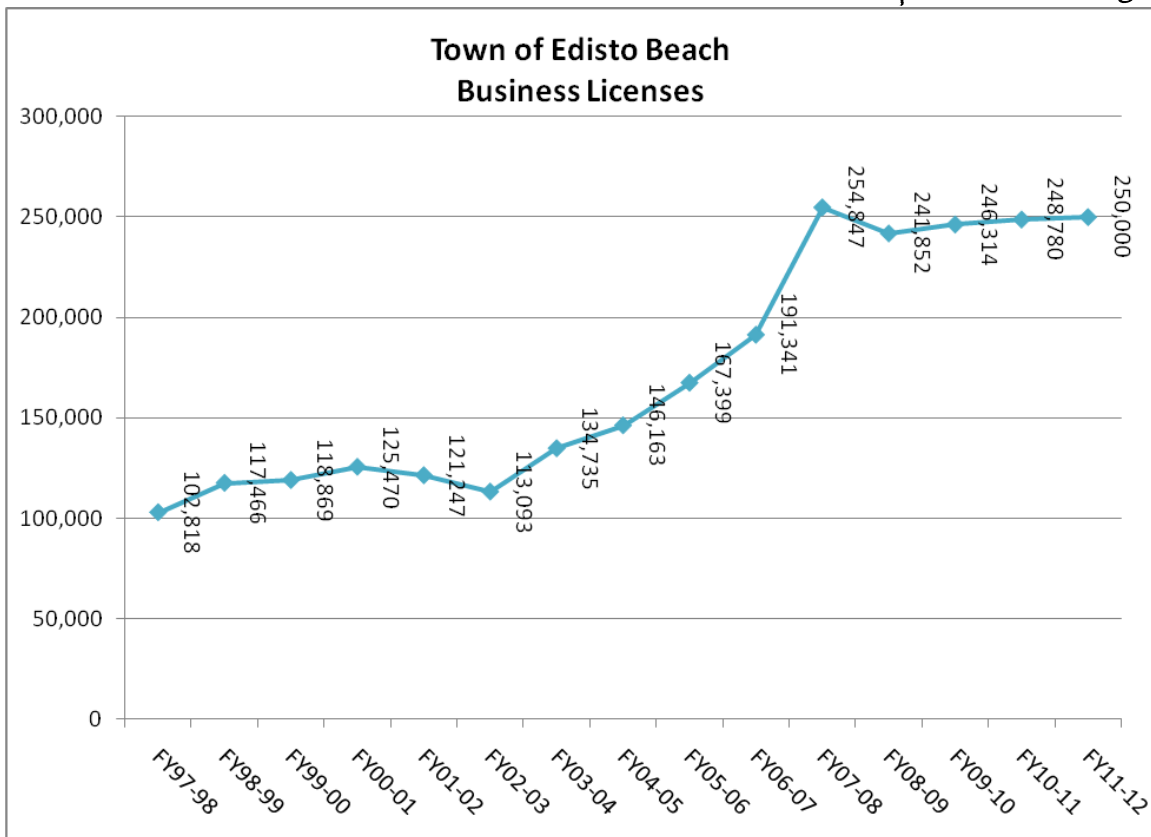
According to S.C. Code §4-10-20 (<http://www.scstatehouse.gov/code/t04c010.htm>), a county, upon referendum approval, may levy a sales and use tax of 1% on the gross proceeds of sales within the county area that are subject to tax under Chapter 36 of Title 12. The revenues are distributed to the county and municipalities of the county. Sixty-seven percent (67%) goes to the County and 33% goes to the Town. Revenue received must be used to provide a credit against the property tax liability of the taxpayers in an amount determined by multiplying the appraised value of the taxpayer’s taxable property by a fraction in which the numerator is the total estimated revenue received by the Town from the tax credit fund. Colleton County levies the LOST credit. The LOST credit was reduced last year because the credit received was greater than revenues received.



**BUSINESS LICENSE TAXES AND PERMITS**

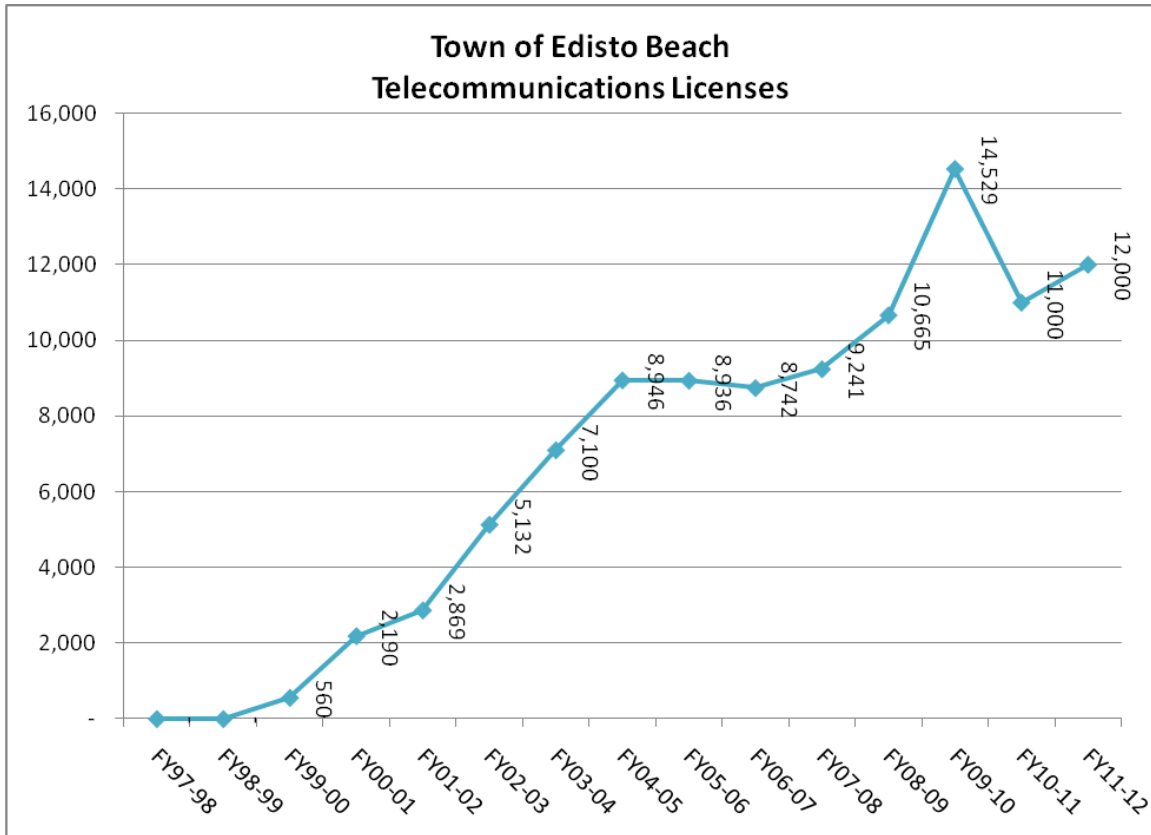
Business license taxes on gross income are authorized by S.C. Code §5-7-30. The business license fee is an excise tax on the privilege of conducting business in the municipality. This tax is based upon each \$1,000 of gross receipts, sales or premiums of business conducted within the corporate limits of the Town during the preceding calendar year. Business licenses are among the Town’s most economically sensitive revenues. Business licenses are still below the FY 2007-08 revenues, which indicate Edisto Beach is still being impacted by the recession.

Building permits are issued for all new construction and remodels within the corporate limits. Building permits are down by 10.5% (collected \$41,416) from last year, but above the projected \$30,000 revenue. This is relevant because licenses and permits represented the third largest revenue source in FY 2011-12.



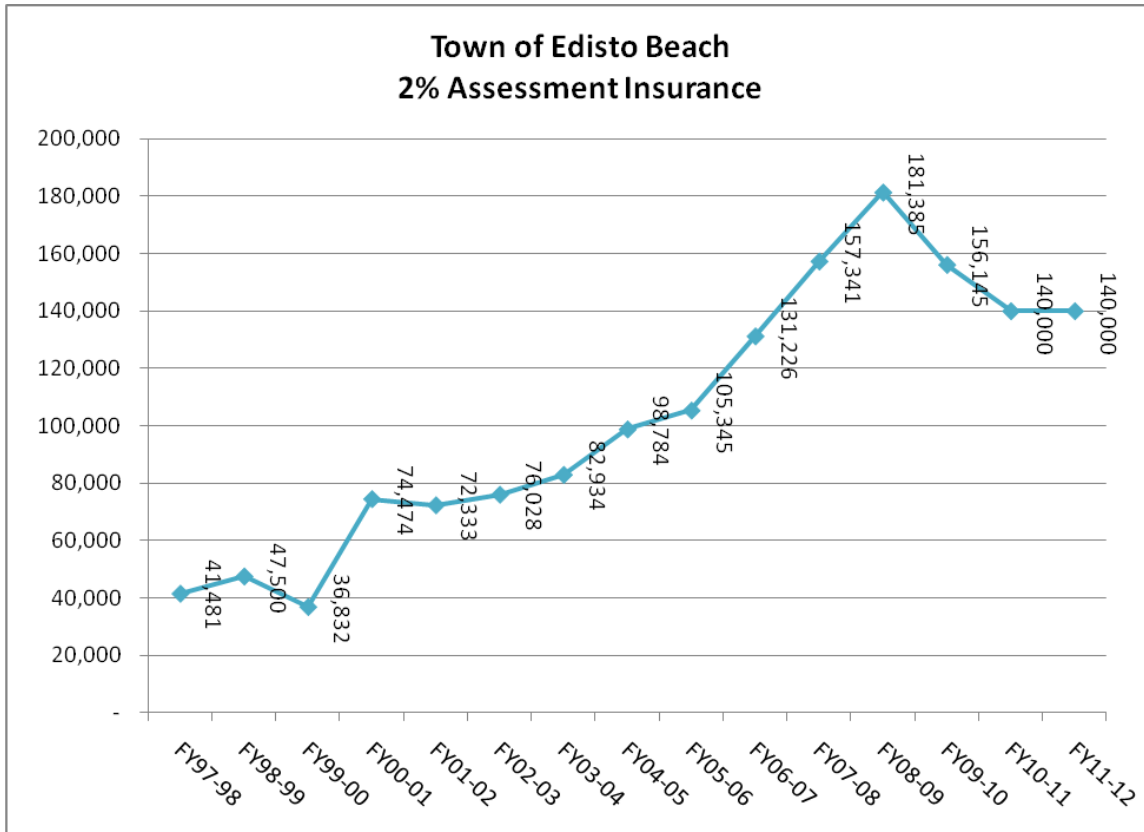
**TELECOMMUNICATIONS LICENSE**

The South Carolina General Assembly adopted Act No. 112 of 1999 which provides municipalities to charge business license taxes and fees for the use of public rights of way to telecommunications companies. According to the South Carolina Code §58-9-2220, (<http://www.scstatehouse.gov/CODE/t58c009.htm>.) municipalities can adopt rates as permitted under this code for telecommunications business license taxes. The standard rate is 1% of the gross income. The Municipal Association collects these fees at a charge of 4% and remits them to the Town.



**2% ASSESSMENT INSURANCE COMPANIES**

The Town of Edisto Beach adopted uniform business license rates and delinquent penalties for insurers and brokers. This is revenue from businesses which generate health, life and fire insurance premiums within the Town. The revenue, which is based on a rate of 2% of gross premiums for life and health insurance, and 2% of gross premiums of fire insurance premiums are collected on the Town's behalf by the Municipal Association of South Carolina. The Municipal Association collects these fees at a charge of 4% and remits them to the Town.



**FRANCHISE FEES**

Franchise fees are the rental costs paid by utilities that use the Town's rights-of-way or other town property to transmit their services. Rights-of-way are valuable to a Town and cannot be given away to private companies free of charge. Franchise Fees are authorized by S.C. Code §5-7-30. A franchise is the extension of privilege for use of public property for a purpose for which the franchisee does not have a legal right in the absence of the governing body's consent. The franchise fee is akin to a rental for use of public property and is not a tax. It may be negotiated and may be at a higher rate than a business license tax. A franchise fee may be granted by ordinance (S.C. Code §5-7-260)

Franchise Fees on Electricity-The Town has an existing electricity franchise agreement with South Carolina Electric and Gas. The current electric franchise agreement expires in 2029. The electric company pays 3% of its gross receipts.

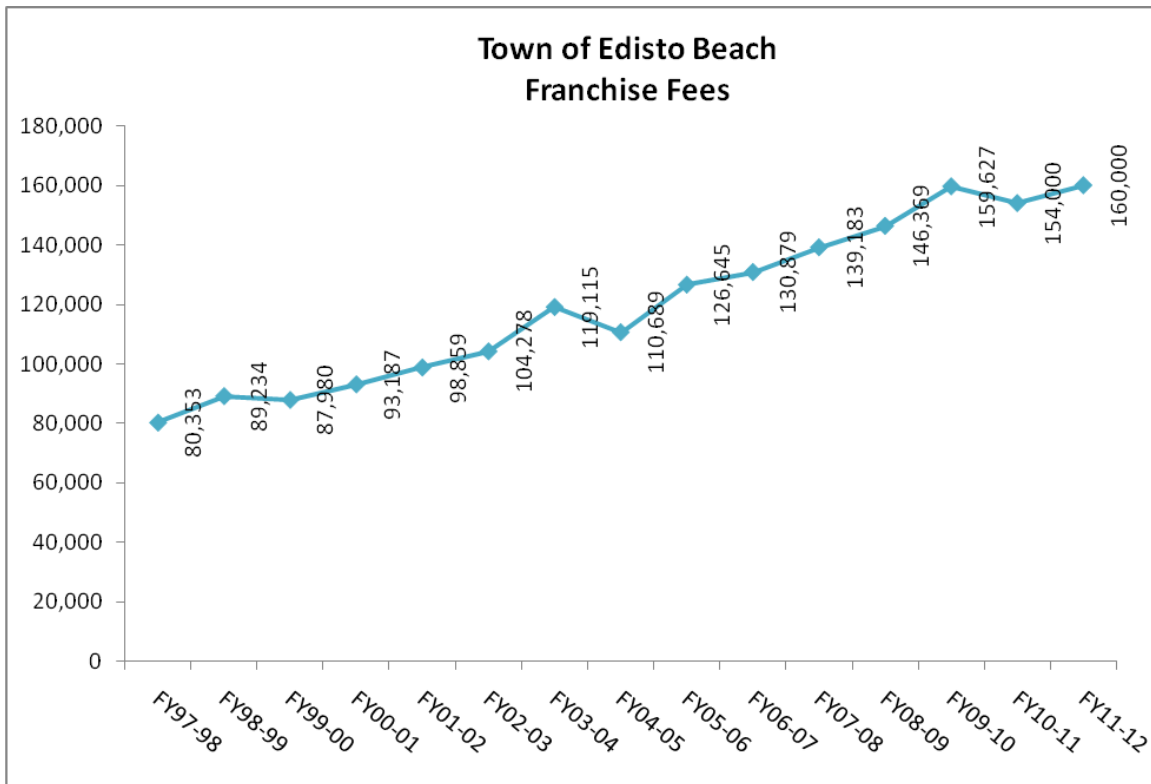
Franchise Fees on Cable-As of May 23, 2006, (the effective date of the Act), no municipality or county may issue a cable franchise pursuant to §58-12-30. All cable franchises must be issued by the Secretary of State. Prior to 2006, the Town utilized

the Municipal Association of South Carolina cable television franchise management service to manage negotiating, transferring and determining franchisee's compliance. The Town collects a franchise fee from Comcast who pays 5% of the gross receipts to the Town on a quarterly basis.

Franchise Fees on Water and Sewer-The Town owns and operates its own water and sewer utility. In an effort to boost general fund revenues with limited sources, enterprise funds (water and sewer) often charges franchise fees or administrative fees.

Franchise Fees on Solid Waste-The Town currently has no solid waste franchise fee. This fee would be passed on to the users (customers).

Franchise Fees on Telecommunications-The Town does not collect a franchise fee. The Town is allowed by law to collect \$100.00 per S.C. Code §58-9-2230.

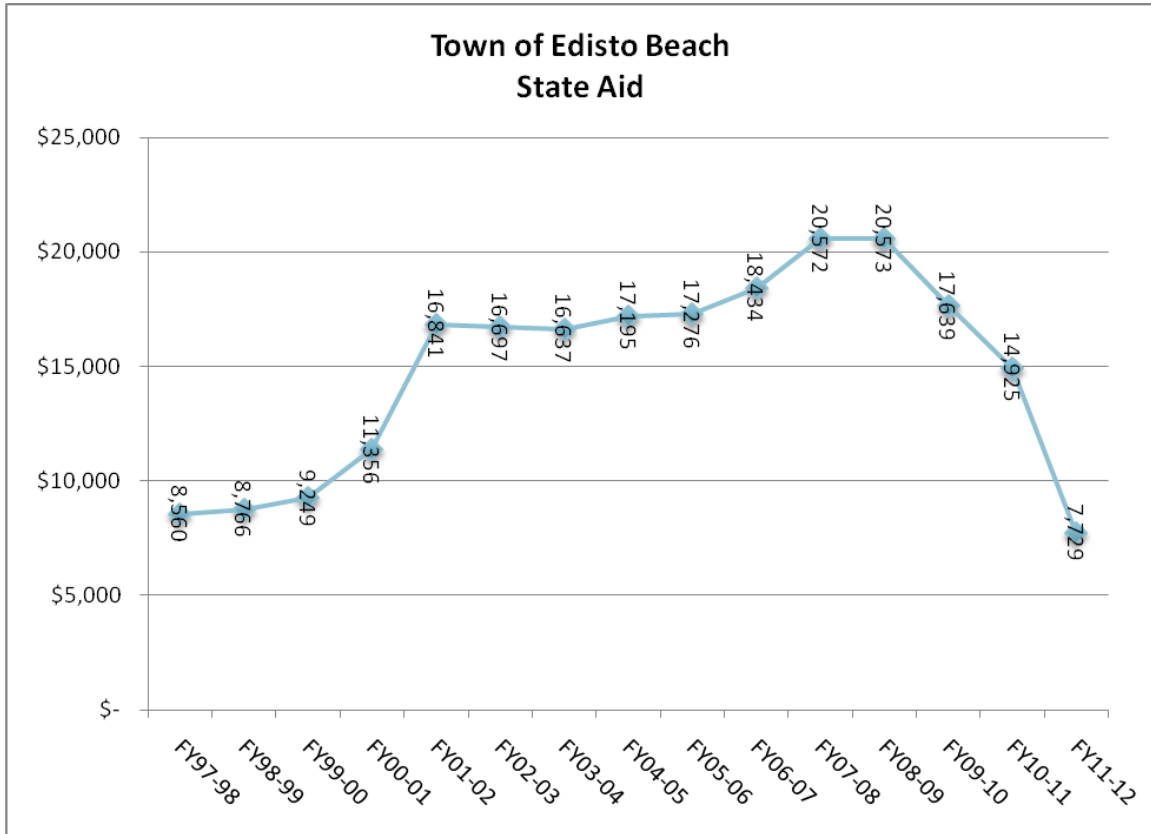


**LEASE AGREEMENTS**

This category accounts for revenues received from lease agreements. The Town has two lease agreements. One lease agreement is with Alltel and was executed in 1999 to place telecommunications equipment on the Water Tower. The term is five years with four additional term renewals. The first term payment is \$18,000; the second term is \$21,660; the third term is \$25,920; and the fourth term is \$31,104. The second lease agreement executed in 2004 is with Verizon for telecommunication equipment on the Water Tower. Each term is five years with four additional term renewals. The initial term payment is \$18,000 annually; the first term renewal is \$20,700; the second term renewal is \$23,805; the third term renewal is \$27,375.75; and the fourth term renewal is \$31,482.11.

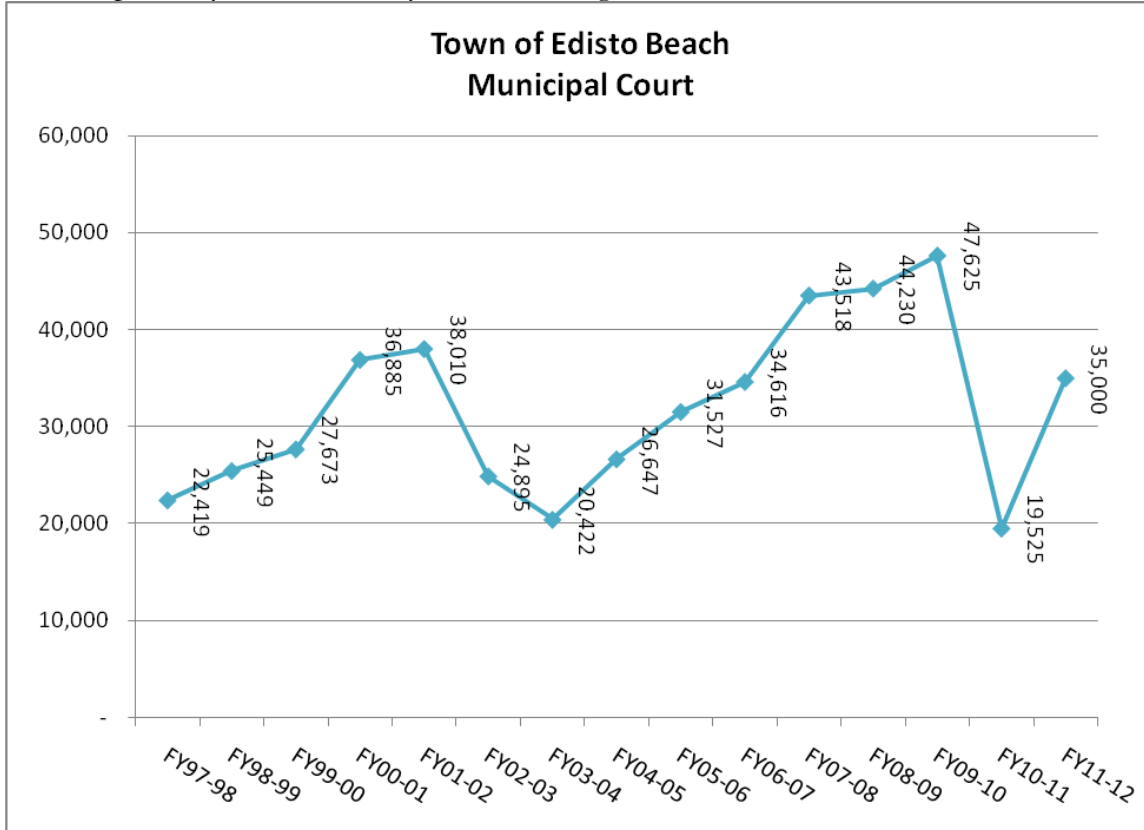
**AID TO SUBDIVISIONS**

This category accounts for revenues received quarterly from the Local Government Fund and is funded by a transfer of 4.5% of State General Fund revenues. State shared revenue is generally distributed on a pro-rata basis according to population or other set formulae. Since FY 2008-09, state aid has steadily dropped. This year's state aid is \$7,729 compared to last year's aid of \$14,925. This is a 48% decrease or \$7,196. State aid is based on population and since the 2010 Census results indicated the population decreased on Edisto Beach, state aid was subsequently decreased.



**MUNICIPAL COURT FINES**

Fines are the monetary punishment meted out by municipal courts. Fine revenue for offenses other than traffic violations is general revenue of the Town. Fine revenue for state law traffic violations must be used to construct and maintain roads, bridges and culverts in Town and to enforce laws regulating the use of highways by motor vehicles. The Town has typically had fairly good success in collecting court fines and has \$19,167 in outstanding fines over the past 15 years. Current year outstanding fines are \$3,026.



**INTEREST**

Interest income has continued to fall over the past year. The current interest rate on the Town’s checking account is 0.15%. The current pool interest rate is 0.31064%, down from 2.8 in 2008. This year, the Town implemented staggered investments of Certificates of Deposit. The current interest rates on the Certificates of Deposit are 1.49%.

**GENERAL FUND DEBT**

**DEBT (GENERAL FUND)**

General Statutes limit the amount of general obligation debt that a unit of government can issue up to the eight percent (8%) of the total assessed value of taxable property located within that government’s boundaries. The Town may incur General Obligation debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law. Based on the estimated total assessed value of \$55,371,030, the legal debt margin for the Town of Edisto Beach is \$4,429,682. The Town’s current General Obligation debt is \$0.

The Town only has general obligation debt on the Bay Creek Park property. General obligation debt is defined as any indebtedness that is secured in whole or part by a pledge of property taxes. In FY 2007-08, a General Obligation Bond was issued for the Town of Edisto Beach for \$2,700,000 to purchase the Bell Buoy property. Maturity of the bond is

April 1, 2037. Interest rates range from 4.3% due April 1, 2015; 4.5% due April 1, 2020; 5% due April 1, 2026; 4.8% due April 1, 2032 and 5% due April 1, 2037. The resulting interest at term is \$2,450,929. The Standard and Poor’s Bond Rating for the Town was re-evaluated in 2010 and was increased three rating categories from a BBB+ to an A+. This means the Town improved from good financial characteristics to strong financial characteristics. An A Rating on Standard and Poor’s means the Town has a strong capacity to meet financial commitments, but is somewhat susceptible to adverse economic conditions and changes in circumstances. The Town will periodically review possible actions to maintain or improve its bond ratings by various rating agencies. Because the General Obligation Bond was approved by referendum, it does not apply to the Town’s current obligation debt.

The Town also had two lease purchase agreements on fire equipment that were paid off in 2009. Currently there are no equipment debt or lease purchase agreements.

### SPECIAL FUNDS

#### STATE ACCOMMODATIONS FUND

A two percent (2%) local accommodations tax is imposed by the state and credited to the municipality in which it is collected as authorized by S.C. Code §12-36-2630 (3). The first \$25,000 goes to the General Fund. After this initial allocation, 65% goes to the ATAX 65% Fund, 30% goes to the ATAX 30% Fund and 5% goes to the general fund of the municipality. The ATAX 65% and ATAX 30% must be used for tourism-related activities. An advisory committee appointed by the Council is required to make recommendations if more than \$50,000 is received. The Town of Edisto Beach designated the Chamber of Commerce to manage and direct expenditures of the ATAX 30% according to an Ordinance of 7-11-1985. The ATAX 65% allocations are decided by the ATAX board and approved by Town Council. The current unencumbered balance is \$170,798. The projected income for FY 2011-12 ATAX 65% is \$170,000.

| Budget Comparison | FY08-09 | FY09-10 | FY10-11 | FY 11-12 |
|-------------------|---------|---------|---------|----------|
| ATAX General Fund | 37,759  | 37,714  | 38,000  | 38,000   |
| ATAX 30% Fund     | 76,556  | 76,284  | 77,000  | 80,000   |
| ATAX 65% Fund     | 165,870 | 165,283 | 166,000 | 170,000  |

Fiscal Year 2011-12 encumbered and special projects are listed below:

| ATAX 65%                   | Project                                   | Amount   |
|----------------------------|---|----------|
| <b>Current Balance</b>     |   | 247,228  |
| <b>Revenues FY 2011-12</b> |   | 170,000  |
| <b>PY Encumbered</b>       | Police Beach Patrol                       | (13,930) |
| <b>PY Encumbered</b>       | Heritage Environmental Display            | (12,500) |
| <b>PY Encumbered</b>       | Bay Creek Park Bond Retirement (Interest) | (50,000) |
| <b>PY Encumbered</b>       | Scenic Byway Bike Path                    | (29,600) |
|                            | Ending Balance                            | 311,198  |

#### ALCOHOL PERMIT FUND

This is a special fund that can only be used for designated purposes. These funds are collected from temporary permits issued for the possession, consumption and sale of alcoholic liquors in 2 ounces or less. The current unencumbered fund balance is \$7,387.

The projected income is \$16,000. Council decided in FY 2009-2010 to place \$12,500 annually in a storm water fund to pay for future storm water projects. For FY 2011-12, \$12,500 is designated for Storm water projects. Fiscal Year 2011-12 encumbered and special projects are listed below:

| Alcohol Permitting         | Project               | Amount        |
|----------------------------|-----------------------|---------------|
| <b>Current Balance</b>     |                       | 14,539        |
| <b>Revenues FY 2011-12</b> |                       | 16,000        |
| <b>PY Encumbered</b>       | Scott Creek           | (5,525)       |
| <b>FY 2011-12</b>          | Storm Water Misc      | (12,500)      |
|                            | <b>Ending Balance</b> | <b>12,514</b> |

### LOCAL ACCOMMODATIONS FUND

The Local Accommodations Tax Act, effective July 1, 1997, authorizes, by positive majority vote imposing a cumulative maximum 3% accommodations tax in a municipality. The tax is levied on gross proceeds from rental or charges for accommodations furnished to transients (period of 30 days or less) as provided by S.C. Code §12-36-920(A). Revenue from the tax must be kept in a separate fund and used for specified tourism related purposes. The Town enacted the Local Accommodations tax ordinance 5-14-98. The current unencumbered balance is \$490,443. The projected income for FY 2011-12 is \$270,000. Fiscal Year 2011-12 encumbered and special appropriations are listed below:

| Local Accommodations       | Project                               | Amount        |
|----------------------------|---------------------------------------|---------------|
| <b>Current Balance</b>     |                                       | 1,172,325     |
| <b>Revenues FY 2011-12</b> |                                       | 270,000       |
| <b>PY Encumbered</b>       | Beach Preservation (Bank)             | (401,658)     |
| <b>PY Encumbered</b>       | Army Corps of Engineers (Feasibility) | (280,224)     |
| <b>FY 2011-12</b>          | Bell Bond Debt                        | (100,000)     |
| <b>FY 2011-12</b>          | Beach Preservation (Additional)       | (400,000)     |
| <b>FY 2011-12</b>          | Beach Preservation                    | (200,000)     |
|                            | <b>Ending Balance</b>                 | <b>60,443</b> |

Council decided in FY 2009-2010 to earmark \$200,000 of these funds each year to go towards beach preservation. Council approved placing an additional \$400,000 in beach preservation for FY 2011-12.

### HOSPITALITY FEE FUND

The Local Hospitality Tax Act, June 1, 1998, authorized by positive majority vote, imposed a cumulative maximum 2% hospitality tax in Edisto Beach. The tax is levied on gross proceeds from sales of prepared meals and beverages sold in establishments or sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. The Revenue is kept in a separate fund and used for tourism related purposes. The Town collects these funds no later than the 20<sup>th</sup> of each month. (Ordinance 4-9-1998) The current unencumbered balance is \$239,090. The projected revenues for FY 2011-12 are \$130,000, but for budgeting purposes, \$65,000 goes to general fund and is not available under this revenue fund. Fiscal Year 2011-12 encumbered and special appropriations are listed below:

| Hospitality Fee     | Project                        | Amount   |
|---------------------|--------------------------------|----------|
| Current Balance     |                                | 396,085  |
| Revenues FY 2011-12 |                                | 65,000   |
| PY Encumbered       | CSE Beach Monitoring           | (71,008) |
| PY Encumbered       | Christmas Decorations          | (3,919)  |
| PY Encumbered       | Jungle Road Park Landscaping   | (1,500)  |
| PY Encumbered       | Jungle Road Interpretive Signs | (1,500)  |
| PY Encumbered       | Highway 174 Litter Removal     | (5,825)  |
| PY Encumbered       | Beach Walkover repair          | (6,000)  |
| PY Encumbered       | Sand Fencing ( Plants)         | (5,000)  |
| PY Encumbered       | Photogrammetry Beach Mapping   | (6,000)  |
| FY 2011-12          | Bell Bond Debt                 | (25,000) |
| PY Encumbered       | Radar Trailer                  | (5,775)  |
| Ending Balance      |                                | 329,558  |

### GENERAL VEHICLE/EQUIPMENT FUND

A vehicle/equipment replacement schedule was established in 1998. Funds are annually dedicated to this fund to replace fixed assets. The fund balance is \$439,509. The projected revenue for FY 2011-12 is \$192,659. Fiscal Year 2011-12 encumbered and special appropriations are listed below:

| General Vehicle Equipment Fund | Description          | Amount   |
|--------------------------------|----------------------|----------|
| Current Balance                |                      | 439,509  |
| Revenues FY 2011-12            |                      | 192,659  |
| PY Encumbered                  | Air Compressor       | (13,125) |
| PY Encumbered                  | Extrication          | (8,400)  |
| FY 2011-12                     | Dodge Charger        | (27,000) |
| FY 2011-12                     | Generator Town Hall  | (52,000) |
| FY 2011-12                     | Lift (Public Works)  | (24,000) |
| FY 2011-12                     | Gator (Public Works) | (12,000) |
| Ending Balance                 |                      | 495,643  |

### UTILITY VEHICLE/EQUIPMENT FUND

A utility vehicle/equipment replacement schedule was established in 1998. Funds are annually dedicated to this fund to replace fixed assets. The fund balance is \$347,715. The projected revenue for FY 2010-11 is \$78,945. There are no encumbered or special appropriations for this fund for FY 2011-12

| <b>General Fund Vehicle/Equip Replacement</b> |                |
|---|----------------|
| General                                       | 16,517         |
| Police  | 84,851         |
| Fire  | 62,465         |
| Bldg.   | 6,709          |
| Public Works                                  | 22,257         |
| <b>Annual Total</b>                           | <b>192,257</b> |
| <b>Utilities Vehicle/Equip Replacement</b>    |                |
| Water Veh/Equip. Replacement Fund             | 41,653         |
| Sewer Veh/Equip. Replacement Fund             | 37,292         |
| <b>Annual Total</b>                           | <b>78,945</b>  |

**WATER SYSTEM RENEWAL AND REPLACEMENT FUND**

This fund was established to replace and renovate items in the water system. The current unencumbered fund balance is \$64,769. The projected revenue for FY 2011-12 is \$65,792. Currently, a rate study is being completed. No rate change was proposed for FY 2011-12. A rate study is currently being performed and any recommendations in rate changes will occur at the completion of the study. Last year the Town aggressively worked on maintenance of failing infrastructure which explains the decrease in available funds. No new projects were budgeted using water system renewal and replacement for FY 2011-12.

| <b>Water System R&amp;R</b> | <b>Description</b>    | <b>Amount</b>  |
|-----------------------------|-----------------------|----------------|
| <b>Current Balance</b>      |                       | 64,769         |
| <b>Revenues FY 2011-12</b>  |                       | 65,792         |
|                             | <b>Ending Balance</b> | <b>130,561</b> |

Below are projects that are incomplete at this time. All should be complete by the end of FY 2010-11, with the exception of the Point Street project which is budgeted in the water fund.

| <b>Description</b>  | <b>Estimated Cost</b> |
|---|-----------------------|
| Cover generators at Well 6 and wellfield                  | 7,000                 |
| Upgrade 2" lines on Point St to 6" lines and add hydrants | 56,000                |
| Rate Study  | 15,000                |
|   | <b>Total</b>          |
|   | <b>78,000</b>         |

**SEWER SYSTEM RENEWAL AND REPLACEMENT FUND**

This fund was established to replace and renovate items in the sewer system. The current unencumbered fund balance is \$168,695. The projected revenue for FY 2011-12 is \$60,793. No rate increase was proposed for FY 2011-12. A rate study is currently being performed and any recommendations in rate changes will occur at the completion of such study.

| Sewer System R&R    | Description    | Amount  |
|---------------------|----------------|---------|
| Current Balance     |                | 168,695 |
| Revenues FY 2011-12 |                | 60,793  |
|                     | Ending Balance | 229,488 |

Below is a list of projects that are still in progress. These projects have been budgeted under the sewer fund.

| Description                                  | Estimated Cost |
|--|----------------|
| Rehabilitate Lift Station "C" and 6 manholes | 39,233         |
| Sludge removal aerated lagoon                | 107,740        |
| Wastewater Permit Solution                   | 10,000         |
|  | <b>Total</b>   |
|  | 156,973        |

### BAY CREEK FUND

This fund was established to account for General Obligation Bond funds designated to the Bay Creek Park improvements. The current unencumbered fund balance is \$147,051. Port-o-lets cost \$375.00 per month with an annualized cost of \$4,500. Mowing cost \$250.00 month with an annualized cost of \$3,000. Irrigation costs have not been captured at this time.

| Description               | Amount       |
|---------------------------|--------------|
| Dock and Marine Retention | 19,806       |
| Picnic Tables             | 2,100        |
| Shrimp Fest               | 10,000       |
|                           | <b>Total</b> |
|                           | 31,906       |

### NEWSLETTER FUND

This a special account established to account for newsletter subscription funds. The current balance is \$10,036. No funding was budgeted since the newsletter will be included on the website when the website goes "live".

### FIREFIGHTER'S INSURANCE AND INSPECTION FUND

In 1907, the S.C. General Assembly passed legislation creating the Firemen's Insurance and Inspection Fund for "the betterment and maintenance of skilled and efficient fire departments within the county." Commonly referred to as "1 percent money," revenue for the Fund comes from a 1 percent tax assessed and collected on fire insurance premiums written in the state for buildings or structures for which taxes are collected.

Annually, the state Department of Insurance assesses, collects and accounts for this tax money. The state treasurer sends each county its portion of the funds. In turn, the county treasurers distribute the money to all fire departments based on total assessed value of the county that constitutes a fire department's response or coverage area.

Fire departments must spend their 1 percent money in one of three approved categories: retirement and insurance, training and education, and recruitment and retention.

Fire department members, not management, determine how to spend the money within the three categories. Each fire department member, regardless of rank, has an equal vote. To approve a proposed expenditure, 51 percent of the entire fire department membership must

vote to approve it. Expenditure requests must be accompanied by detailed information and support documents that provide evidence of eligibility.

Once the fire department members approve an expenditure exceeding \$100, they must submit evidence of the department's approval along with support documentation to both a local board of trustees as well as the supervising trustees of the South Carolina State Firemen's Association. All fire departments must maintain a local board of trustees for the Firemen's Insurance and Inspection Fund. State law dictates who serves on the board. (SC Code of Laws, Section 23-9-310)

This multi-step review ensures the proposed expenditure is eligible under one or more of the three approved expenditure categories. If the proposed expenditure meets the defined eligibility requirements, the local and state boards must approve the expenditure.

A municipal council cannot require the use of the 1 percent money to cover expenditures such as retirement, health insurance or training paid for other departments out of general operating funds. As trustees for the funds, the municipality must include the 1 percent money in its municipal audit as a special fund.

Once the local and state boards approve the expenditure, the county treasurer can release the funds to the department for the proposed purpose.

The current unencumbered balance is \$15,407.

### **VOLUNTEER FIREFIGHTER FUND**

This account has not been reported to the Town Council in the past. For auditing purposes, the Volunteer Firefighters formed a committee and developed a budget for the volunteer firefighter fund. This budget has been included as part of this transmittal. Revenues primarily come from T-Shirt sales, vending sales, and donations. Expenditures are regulated by the Volunteer Firefighter By-Laws and voted on by members of the Volunteer Fire Department.

The current fund balance is \$21,352. Donations for FY 2011-12 are being solicited to replace the overhead garage doors and openers for the Fire Department.

## **ENTERPRISE FUNDS**

### **ENTERPRISE FUNDS**

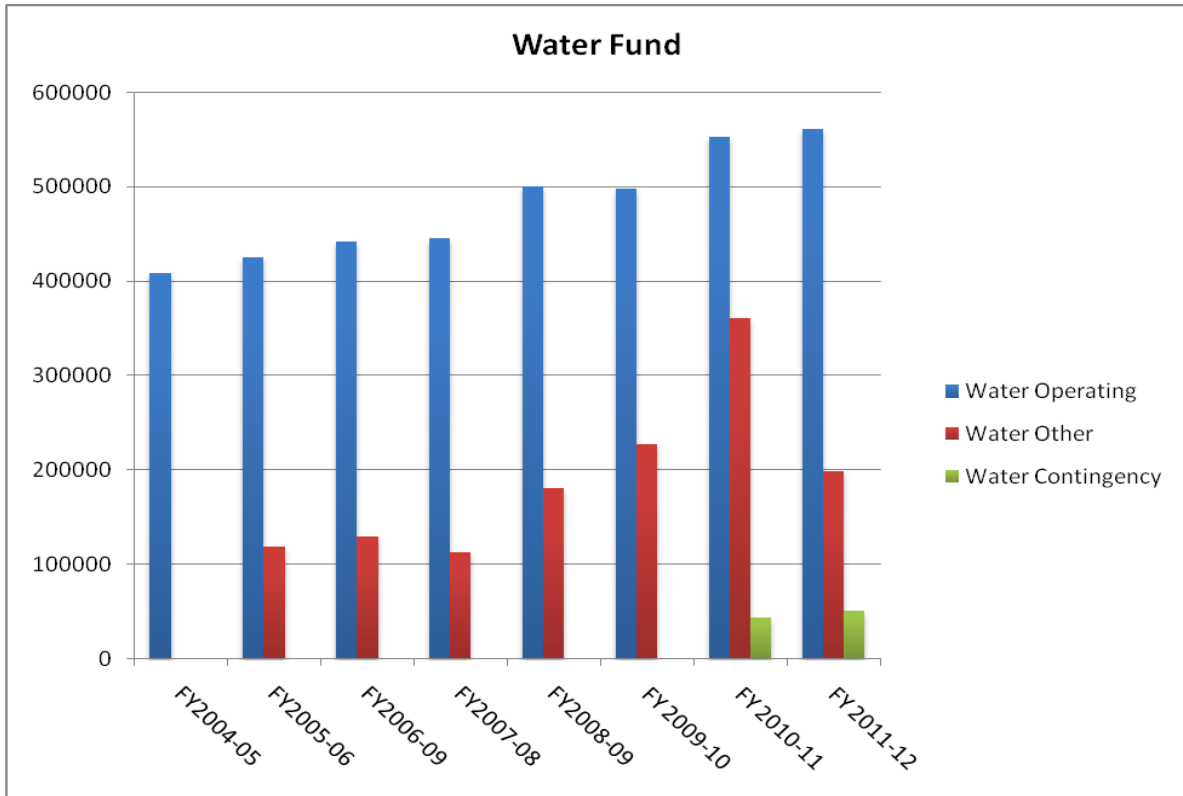
Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public and other local governments on a continuing basis will be financed and recovered primarily through user charges. Annual budgets are established for the water and sewer funds.

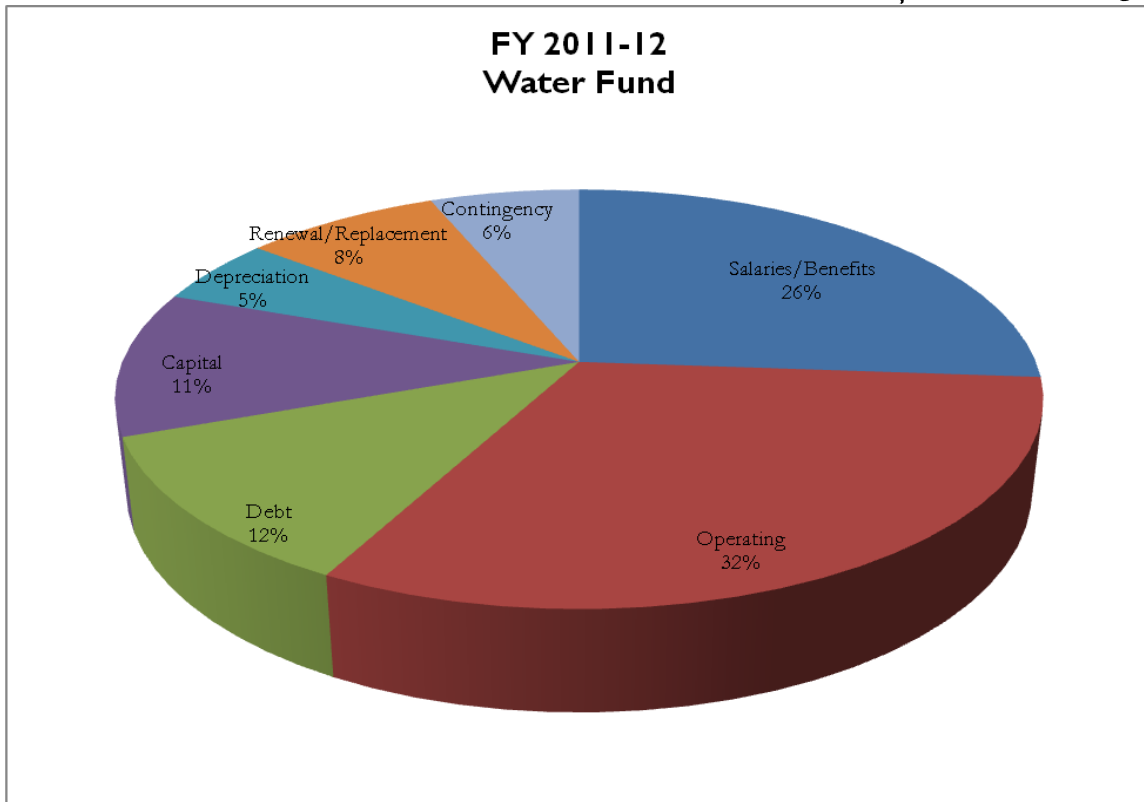
### **WATER FUND**

A water user fee finances the water operations. Fees are collected semiannually. The fee is based on increasing volumetric rates for increased consumption. This places the cost for the operation of the system on the high end user. The rate was increased in May 2010 by 5% to begin accruing funds sufficient to fund capital improvement projects on the water system. The current rate is \$123.08 for the first 24,000 gallons of water. The second 24,000 gallons is charged at \$1.37 per 1,000 gallons. The third 24,000 gallons increases to \$1.53 per 1,000

gallons and after that each additional 1,000 gallons is \$1.71. Rates outside the Town limits begin at \$246.16 for the first 24,000 gallons. The state park's rate is \$506.07 for the first 24,000 gallons. There is pending legislation that is under review to restrict municipalities from using different rates for those outside a jurisdiction. This could have an impact on future revenues.

Based on historical trends and a relatively fixed number of commercial and residential accounts, the total revenue for the water fund is projected at \$809,035 for FY 2011-12. There were no R & R transfers into operating.





The water fund total budget is \$809,035. This includes contingency of \$50,000 and debt service of \$94,125 in principal and interest payments. The budget also includes \$89,000 for special purchases:

| Funding Source   | Description                            | Amount |
|------------------|--|--------|
| PY Accrued Funds | Upgrade Lines on Point Street/hydrants | 56,000 |
| Water User Fees  | Generator Hookups/Switch shop          | 10,000 |
| Water User Fees  | Shop repairs and additions             | 12,500 |
| Water User Fees  | Relocate Telemetry                     | 7,000  |
| Water User Fees  | Extra radio SCADA                      | 3,500  |
|                  | Total                                  | 89,000 |

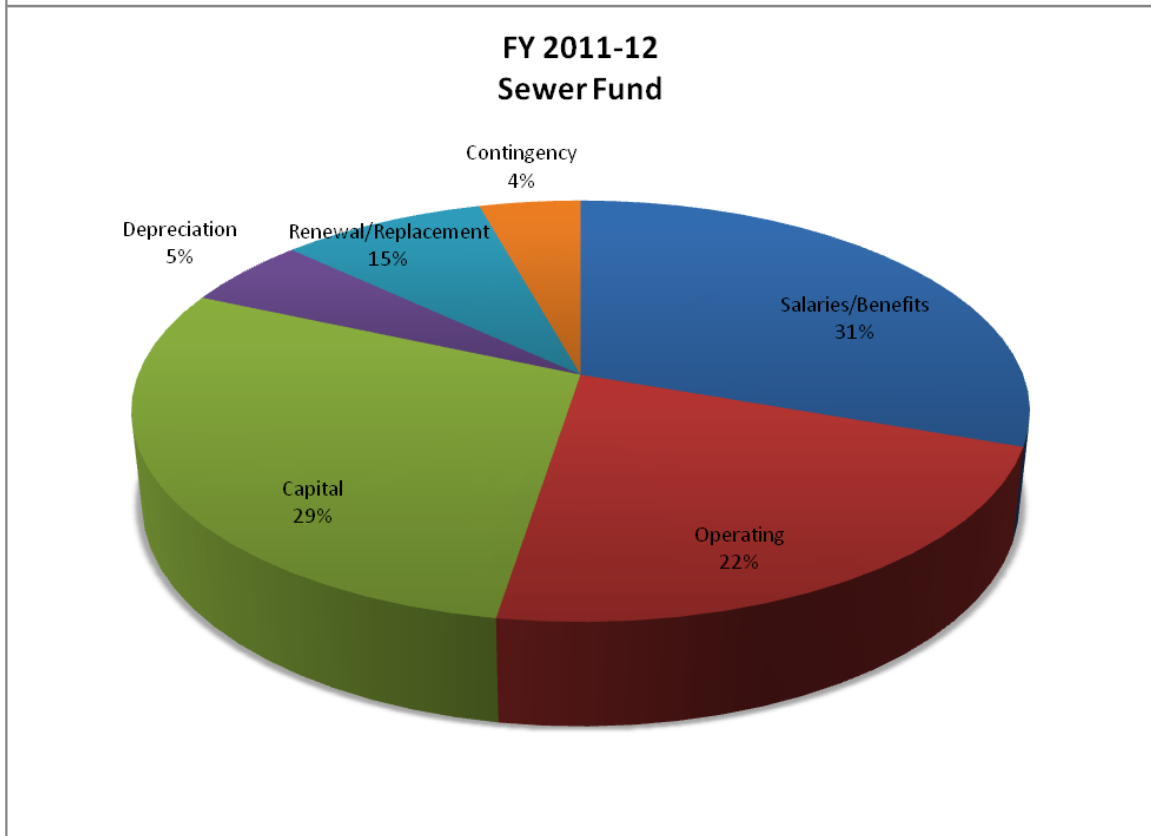
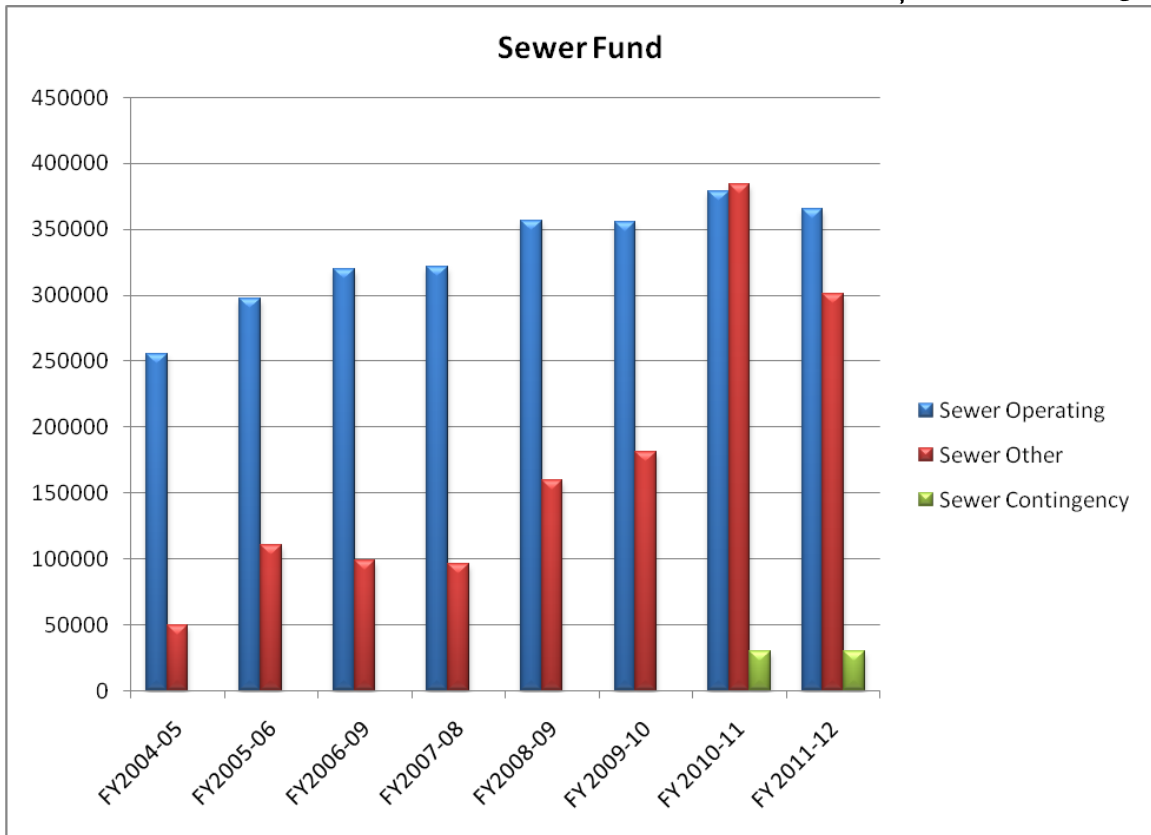
Accrued prior year funds are \$206,660.

**SEWER FUND**

A sewer user fee finances the sewer operations. Fees are collected semiannually. The fee is based on a volumetric rate. The rate was increased by 5% in May 2010 and the current rate is \$189 for the first 6,000 gallons and each additional 1,000 gallons is \$3.15. Based on historical trends and a relatively fixed number of commercial and residential accounts, this revenue source is projected at \$696,348 for FY 2011-12

The Sewer Fund total budget is \$696,348. This includes a contingency of \$30,000.

Accrued prior year funds are \$315,872.



The budget also includes special projects totaling \$200,973. These projects are listed below.

| Funding Source  | Description                        | Amount  |
|-----------------|------------------------------------|---------|
| PY Sewer        | Lift C and manholes                | 39,233  |
| PY Sewer        | Sludge Removal Aerated Lagoon      | 107,740 |
| PY Sewer        | Wastewater permit solution         | 10,000  |
| Sewer User Fees | Emergency Generator Shop           | 10,000  |
| Sewer User Fees | Shop Repairs and additions         | 12,500  |
| Sewer User Fees | Generator at Lift Station B hookup | 9,000   |
| Sewer User Fees | Lift Station B building repairs    | 5,000   |
| Sewer User Fees | Lift Station A suction Lines       | 7,500   |
| Total           |                                    | 200,973 |

## **DEBT (ENTERPRISE FUND)**

### **DEBT (ENTERPRISE FUND)**

The Water Department has a revenue bond issued in 1999 for system construction and upgrades. The amount of the bond is \$1,405,000 with annual payments of \$69,662 and a principle payment ranging from \$375,000 due every five years. The interest fluctuates from 4.25% to 5.15%. Revenue debt must be payable solely from a revenue-producing project or from a special source, which source does not involve revenues from any tax or license. It is not subject to the 8% debt limit. Revenue bonds may include water, sewer, waste disposal, natural gas, electrical generation and distribution, hospitals, piers, docks, terminals, airports, toll roads, markets, auditoriums and other publicly owned enterprises. With the improved bond rating and low interest rates, the Finance Department will investigate if the Town can receive a better rate or a reduction of time by refinancing.

## **BUDGET HIGHLIGHTS**

|                     |                  |
|---------------------|------------------|
| <b>General Fund</b> | <b>3,448,487</b> |
| <b>Water Fund</b>   | <b>809,035</b>   |
| <b>Sewer Fund</b>   | <b>696,348</b>   |
| <b>Total</b>        | <b>4,953,870</b> |

Some of the factors impacting the budget are:

### **General Fund Revenues:**

- The Town's total millage rate was not increased and remains 18.81 mils although the millage cap allowed a 1.64% increase.
- General Fund Contingency is \$96,891.
- New construction accounted for an increase in assessments of \$663,600 in the 4% class and \$4,691,750 in the 6% class for FY 2011-12.
- One mil is \$55,126.

### **General Fund Expenditures:**

- A 4% cost of living increase was included.
- Positions left unfilled-1 firefighter that is being filled by part-time firefighters.
- Insurance Staff Health decreased by 43% or \$76,080.

| <b>Service Changes</b>             | <b>Amount</b> | <b>Account</b> |
|------------------------------------|---------------|----------------|
| Env. Assessment Lagoons            | 5,000         | 4100.3260      |
| Zoning Ordinance Revision          | 40,000        | 4100.3260      |
| Scan and publish Documents         | 5,000         | 4100.3260      |
| New Mat front door/furniture       | 5,000         | 4100.9020      |
| Patch and paint council chambers   | 500           | 4100-9040      |
| Add gutter to south side Town Hall | 540           | 4100-9040      |
| Channel 2 Upgrade                  | 250           | 4100-9040      |
| New outlets & GFCI apartment       | 500           | 4100-9040      |
| Office renovations                 | 15,000        | 4100-9040      |
| New Mat front door/furniture       | 5,000         | 4100.9020      |
| Computer Replacements              | 14,000        | 4110.6310      |
| Plotter and handheld GPS           | 24,000        | 4100.6310      |
| Flooring in Police Department      | 3,000         | 4200-9220      |
| Public Defender                    | 3,000         | 4300.9100      |
| Air Conditioner Fire Department    | 8,000         | 4400.4000      |
| Burley L. Lyons Park Dock          | 10,000        | 4700.4010      |
| Stormwater Myrtle Street           | 20,000        | 4700.4010      |
| GIS                                | 1,500         | 4800.3220      |

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**Fund Contingencies**

|                     |        |
|---------------------|--------|
| <b>General Fund</b> | 96,891 |
| <b>Water Fund</b>   | 50,000 |
| <b>Sewer Fund</b>   | 30,000 |

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**Accrued Prior Year Funds**

|                     |           |
|---------------------|-----------|
| <b>General Fund</b> | 1,975,730 |
| <b>Water Fund</b>   | 206,660   |
| <b>Sewer Fund</b>   | 315,872   |

**General Fund Capital Improvement Projections & Special Appropriations:**

| General Fund                      | Est. Cost | Funding Source   |
|-----------------------------------|-----------|--|
| Bell Bond Debt                    | 175,000   | Local Acc. Fund \$100,000<br><b>See Encumbered</b><br>Hospitality Funds \$25,000 |
| Computer hardware replacements    | 14,000    | GF   |
| Plotter                           | 9,000     | GF   |
| GPS                               | 15,000    | GF   |
| Town Hall Generator               | 52,000    | GEVRF  |
| Fire Department Air Conditioner   | 8,000     | GF   |
| Zoning Ordinance Revision         | 40,000    | GF   |
| Air Compressor (Fire Department)  | 13,125    | GEVRF  |
| Dodge Charger (Police Department) | 27,000    | GEVRF  |
| Lift (Public Works)               | 24,000    | GEVRF  |
| Christmas Decorations             | 5,000     | GF   |
| Gator ( Public Works)             | 12,000    | GEVRF  |
| Extrication Equipment             | 8,400     | GEVRF  |
| Scan and Public Documents         | 5,000     | GF   |
| New Mat front door/furniture      | 5,000     | GF   |
| Patch and Paint Council Chambers  | 500       | GF   |
| Add Gutter South end Town Hall    | 540       | GF   |
| Channel 2 Upgrade                 | 250       | GF   |
| New Outlets & GFCI apartment      | 500       | GF   |
| Office Renovations                | 15,000    | GF   |
| Computer Replacements             | 14,000    | GF   |
| Plotter and handheld GPS          | 24,000    | GF   |
| Flooring in Police Department     | 3,000     | GF   |
| Public Defender                   | 3,000     | GF   |
| Air Conditioner Fire Department   | 8,000     | GF   |
| Burley L. Lyons Park Dock         | 10,000    | GF   |
| Stormwater Myrtle Street          | 20,000    | GF   |
| GIS                               | 1,500     | GF   |

**Water Fund**

1. No increase in fee
2. Rate study in progress

**Sewer Fund**

1. No increase in fee
2. Rate study in progress

## Water and Sewer Fund Capital Improvements, New Services, Other

|   | Amount | Fund            |
|---|--------|-----------------|
| <b>Emergency Generator at Shop</b>                  | 10,000 | Water User Fees |
|   | 10,000 | Sewer User Fees |
| <b>Shop Repairs &amp; Addition</b>                  | 12,500 | Water User Fees |
|   | 12,500 | Sewer User Fees |
| <b>Relocate telemetry system from tower to shop</b> | 7,000  | Water User Fees |
| <b>Radio for water SCADA</b>                        | 3,500  | Water User Fees |
| <b>Generator at Lift Station B</b>                  | 9,000  | Sewer User Fees |
| <b>Lift Station B Building Repairs</b>              | 5,000  | Sewer User Fees |
| <b>Lift Station A Suction Lines</b>                 | 7,500  | Sewer User Fees |
| <b>Laptop - Utilities</b>                           | 1,500  | Water User Fees |
|   | 1,500  | Sewer User Fees |

**Approved Projects Not Completed**

Approved projects, which are not expected to be completed prior to the close of this fiscal year, are listed below. Those projects authorized using restricted funds and prior year accrued funds have been recognized in calculating the unencumbered balances of those accounts above. Projects previously approved using prior year accrued funds are recognized.

| Carry Forward All Funds            | Encumbered | Fund                    |
|------------------------------------|------------|-------------------------|
| Garbage removal HWY 174            | 5,825      | Hospitality             |
| Christmas Decorations              | 3,919      | Hospitality             |
| CSE Beach Monitoring               | 71,008     | Hospitality             |
| Jungle Road Landscaping            | 1,500      | Hospitality             |
| Jungle Road Interpretive Signs     | 1,500      | Hospitality             |
| Beach walkovers                    | 6,000      | Hospitality             |
| Sand Fencing Plants                | 5,000      | Hospitality             |
| Photogrammetry Mapping             | 6,000      | Hospitality             |
| Radar Sign                         | 5,775      | Hospitality             |
| Scott Creek                        | 5,525      | Alcohol Permitting      |
| Heritage Display                   | 12,500     | ATAX 65%                |
| Beach Patrol                       | 13,930     | ATAX 65%                |
| Bell Bond Debt                     | 50,000     | ATAX 65%                |
| Scenic By-Way Grant Bike Path      | 29,600     | ATAX 65%                |
| ACOE Feasibility Study             | 280,224    | Local Accommodations    |
| Dock and Marine Retention          | 19,806     | Bell Fund               |
| Shrimp Fest                        | 10,000     | Bell Fund               |
| Picnic Tables                      | 2,100      | Bell Fund               |
| Myrtle Street Storm water Drainage | 20,000     | Prior Year General Fund |
| Burley L. Lyons Park               | 10,000     | Prior Year General Fund |
| Lagoon Environmental Assessment    | 5,000      | Prior Year General Fund |
| Point Street Lines and Hydrants    | 56,000     | Prior Year Water Fund   |
| Lift C and Manholes                | 39,233     | Prior Year Sewer Fund   |
| Sludge Removal Aerated Lagoon      | 107,740    | Prior Year Sewer Fund   |
| Wastewater Permit Solution         | 10,000     | Prior Year Sewer Fund   |

As the Town continues to develop there will be new challenges to address. Although Edisto Beach is 85% “built-out”, there still remains an additional 15 % of growth. The Town will continue to make adjustments to services expected by the public. Other challenges in the upcoming year include managing parks, maintaining web site and content, another reassessment in 2011, the unpredictable state of the economy and pending legislation.

I would like to thank the Council, staff and citizens for their support and contributions as we plan for our Town’s future.

Sincerely,

Iris Hill  
Town Administrator