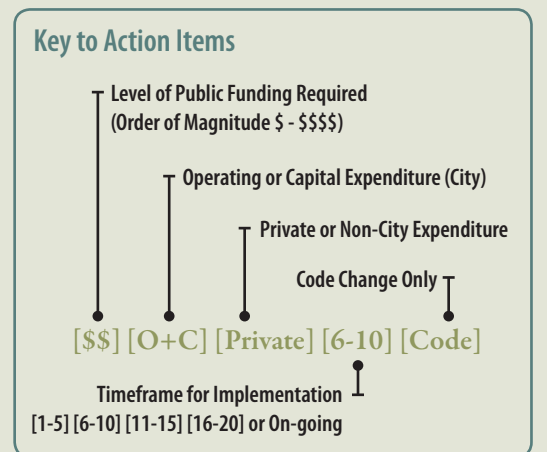




CHAPTER ELEVEN: SERVING OUR CITIZENS





11 SERVING OUR CITIZENS

The City, as a municipal corporation, provides urban services to its various constituencies. Since 1976, Beaufort has been organized as a Council-Manager form of government. As such, it has a Mayor and four City Council members who are charged with setting official municipal policy, much like a Board of Directors for a private company. The council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and the City Attorney. The council is elected on a non-partisan basis. The mayor and council are elected at large and serve four-year staggered terms. The City Manager acting in his/her role as the Chief Executive Officer (CEO) of the city implements the official policies through administrative control of municipal departments, offices, and agencies.

While there is much discussion in this plan regarding various capital construction projects, protection of the assets of the City and the role that capital improvement planning (CIP) plays into the City’s ten (10) year plan, the focus must necessarily shift to a discussion regarding the operation and maintenance of city services and their costs.

At present, the capital structure (the ability of the City to have a diverse revenue structure) of the City is heavily weighted towards economically sensitive tax structures and thus subject to more fluctuation than if it were tilted toward the more stable revenue sources of property taxes. Regardless of the impact that the economic/business cycle has on the City’s ability to raise sufficient funds (revenue), the cost side of the income statement should be and must be the focus of the affects of this Plan.

This Comprehensive Plan therefore attempts to marry the annual strategies under the purview of current and future Councils and their Management Team with the long-term vision of this plan by outlining the futurity of the necessary and efficient delivery of public services.

Key Recommendations

- 11.1 The Economic Context of City Government
- 11.2 Current City Facilities and Services
- 11.3 Utilities
- 11.4 Emergency Medical Services and Health Facilities
- 11.5 County Schools and Libraries
- SC 1.0 Ensure a Healthy Financial Position
- SC 2.0 Provide Efficient City Services
- SC 3.0 Maintain and Expand our Physical Assets

Key Principles

15 | Fiscal Sustainability

The city, as a provider of urban services, must focus on long-term solvency with each incremental decision. Capital investments should leverage future benefits and must consider the impact on long term operational costs prior to their implementation. Perhaps most importantly, we will constantly seek efficient and innovative ways in which to deliver services and maintain our assets.

16 | Adequacy of Infrastructure and Facilities

The contiguous extension of our corporate boundaries will be considered to the extent that the provision of city services can be economically and efficiently provided and will be subject to the adequate availability and timely construction of community infrastructure and public facilities.

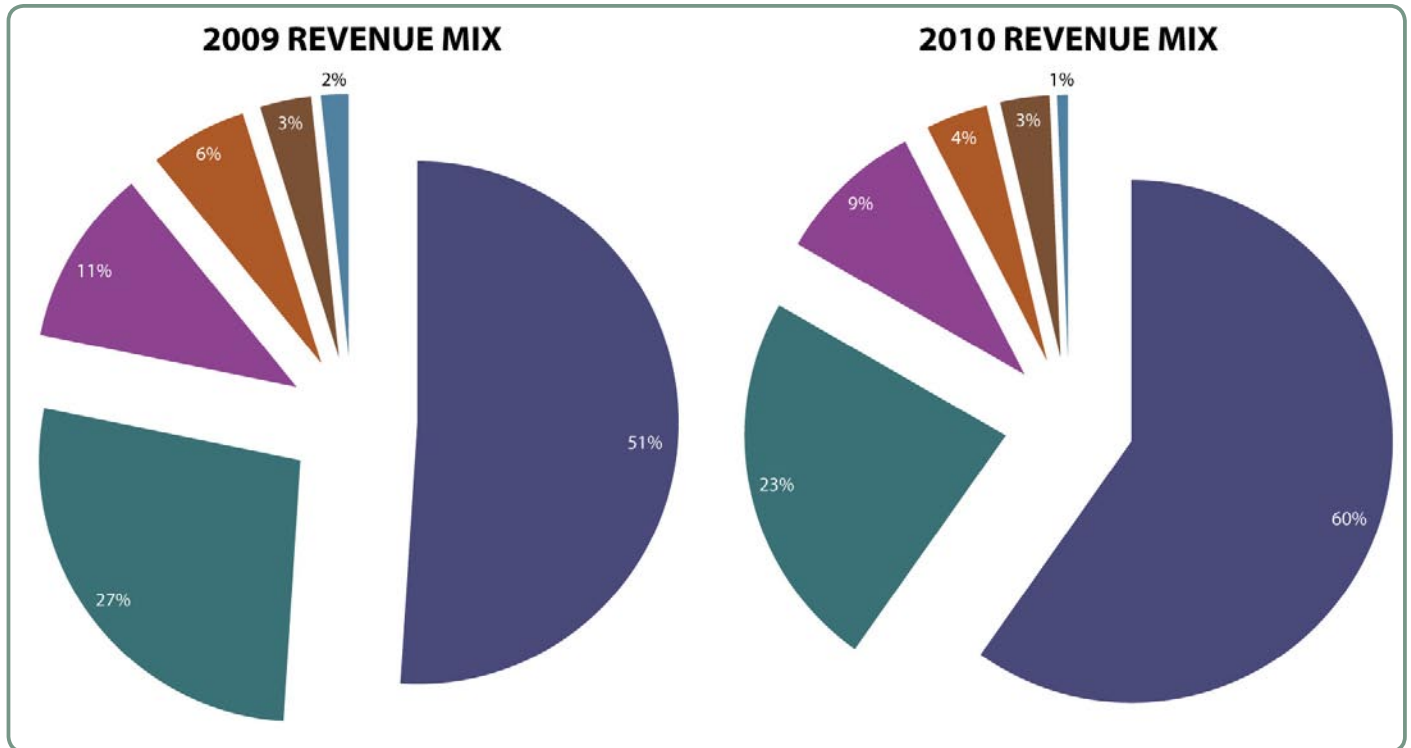
11.1 THE ECONOMIC CONTEXT OF CITY GOVERNMENT

In the fall of 2008, the local, national, and international economy saw the pinnacle of the tsunami of the credit bubble bursting and the subsequent global recession. Until this time, Beaufort saw growth in economic activity that mirrored much of the US economy, though most of it was beyond our current municipal limits. In addition to the unsustainable growth of low density, suburban scaled development, the city's ability to stabilize tax revenues through the use of the property tax was severely limited by the South Carolina General Assembly. And while Council did indeed lower millage rates, the assessed value of the City grew steadily but not as aggressively as it could have prior to the beginning of the recession.

Moody's described the economy of the City as such "Situated in the southern coastal portion of South Carolina (G.O. rated Aaa/stable), the city is the Beaufort County (G.O. rated Aa2) seat and the retail and service hub for the northern portion of the county. The U.S. Military serves as the county's largest employer – supporting more than 8,000 military and civilian personnel countywide – and the presence of Parris Island Marine Recruit Training Base, the U.S. Naval Hospital and the Marine Air Station add economic stability to the area. The city's employment base also includes several institutions that provide stability to the local economy, including the University of South Carolina-Beaufort (University of S. C. rated Aa3) and the Beaufort Memorial Hospital. The county, which includes the Town of Hilton Head Island (G.O. rated Aa1), is an established tourist destination and the city has a growing tourism sector anchored by its historic downtown, which is one of the state's three national landmark districts."

This report goes on to further note that "the city's tax base has grown at a healthy average rate of 9.2% annually over the past five years, including a 44.6% growth with reassessment in fiscal 2005. Moody's expects steady growth in the city's \$1.3 billion tax base, which is 63% residential, given the city's increasing popularity among retirees and ample land available for development. While residential growth rates have remained exceptionally strong in recent years (as evidenced by an annual average 62% increase in the number of building permits issued within the city between fiscal years 2004 and 2006), the number of these permits decreased by 70% between fiscal years 2006 and 2007. Despite the slowdown in home sales, officials report that median housing prices citywide have remained stable. The city's 1999 wealth indices approximate state levels; however, they are slightly lower than the national levels, somewhat reflecting the large military population. Full value per capita of \$109,305 is healthy, even given the city's sizable tax-exempt component." (Moody's, **Moody's Assigns Initial A1 Rating to City of Beaufort's (SC) \$15 Million G.G. Bonds of 2008.**) Rating increases, while deserved, were due in large part to healthy reserves, good management, and good policies in addition to the economic attractiveness of Beaufort County as a whole.

GENERAL FUND REVENUE SNAPSHOT



▲ REVENUE BY SOURCE, FY 2009 & FY 2010

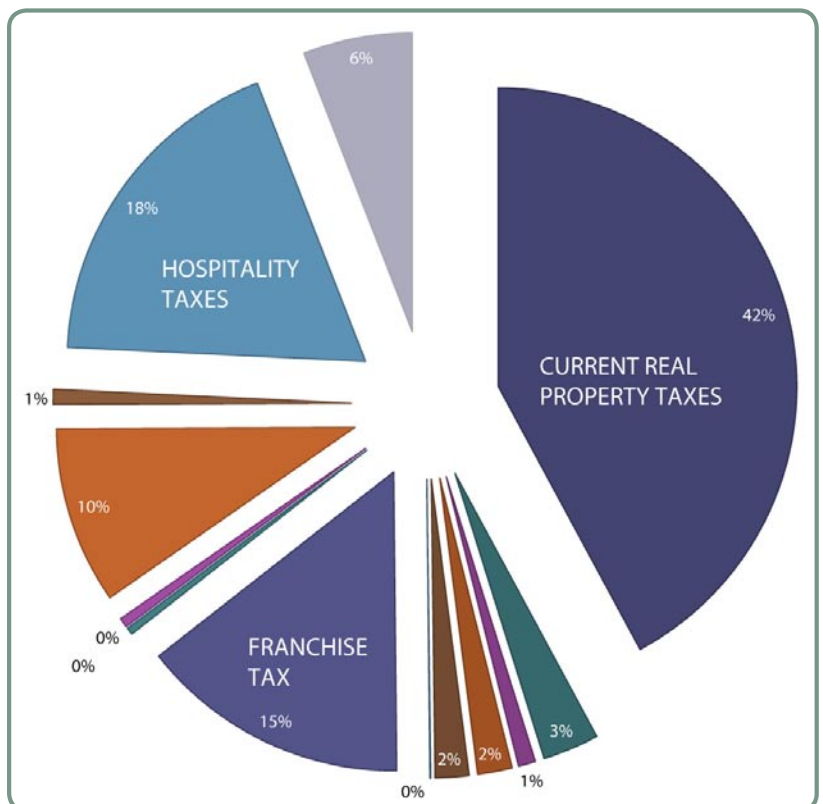
While the City's revenues are well diversified, many major sources are in decline because of their sensitivity to the current economic climate.



► COMPONENTS OF TAX-BASED REVENUE, FY 2010

From the charts above, the breakdown below shows the various tax-based revenues in aggregated form. Note that Real Estate Property taxes, the most stable of the taxing structures, comprises less than 26% of all revenues. The specific taxes include:

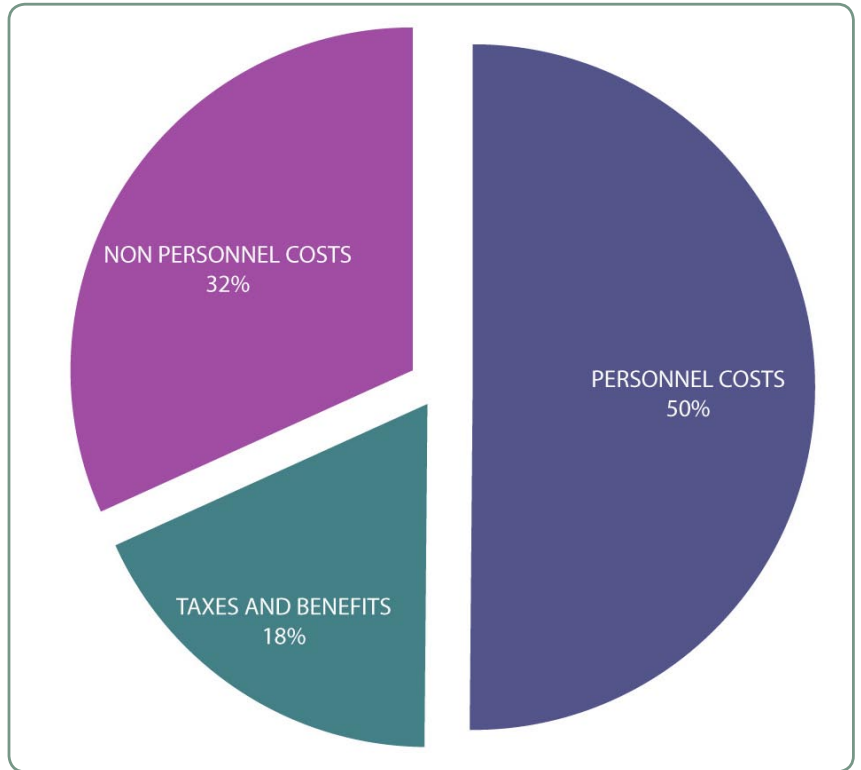
- Real/Personal Property Taxes (42%)
- Taxes-Delinquent (3%)
- Penalties (1%)
- Vehicle Property Taxes (2%)
- Homestead/Merchant Taxes (2%)
- Motor Carrier Taxes (<1%)
- Franchise Contract (15%)
- Payment in Lieu of Taxes - BHA (<1%)
- State Accommodations Taxes (<1%)
- Payment to City - BJWSA (10%)
- ABC Taxes (1%)
- Hospitality Taxes (18%)
- Local Accommodations Taxes (6%)



GENERAL FUND EXPENSES SNAPSHOT

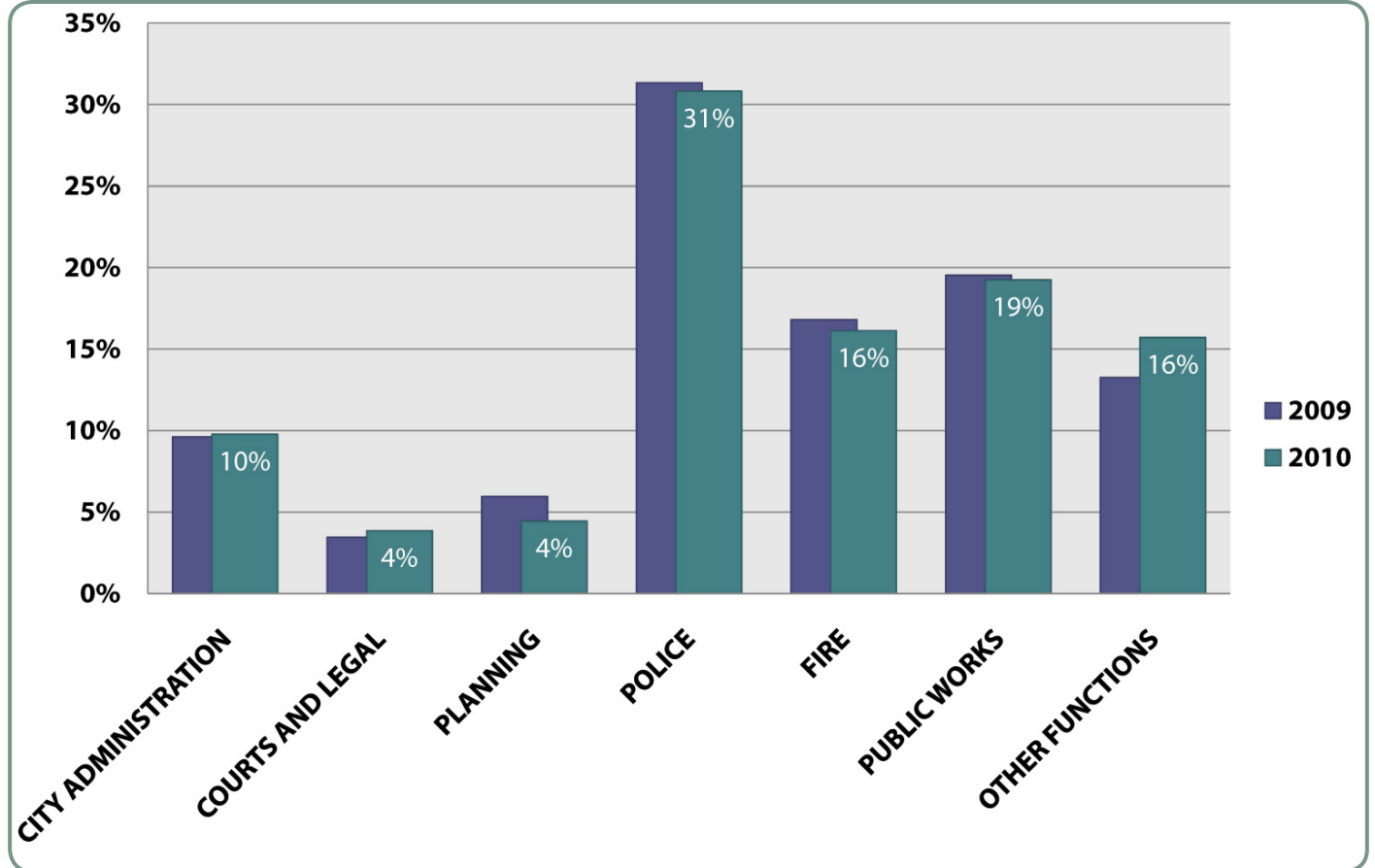
PERSONNEL COSTS AS A PORTION OF TOTAL OPERATIONAL COSTS, FY 2010

Most of the direct costs to the City are in the form of personnel costs which represent 68% of the total non-debt expenses of the City.



OPERATIONAL EXPENSES BY DEPARTMENT, FY 2010

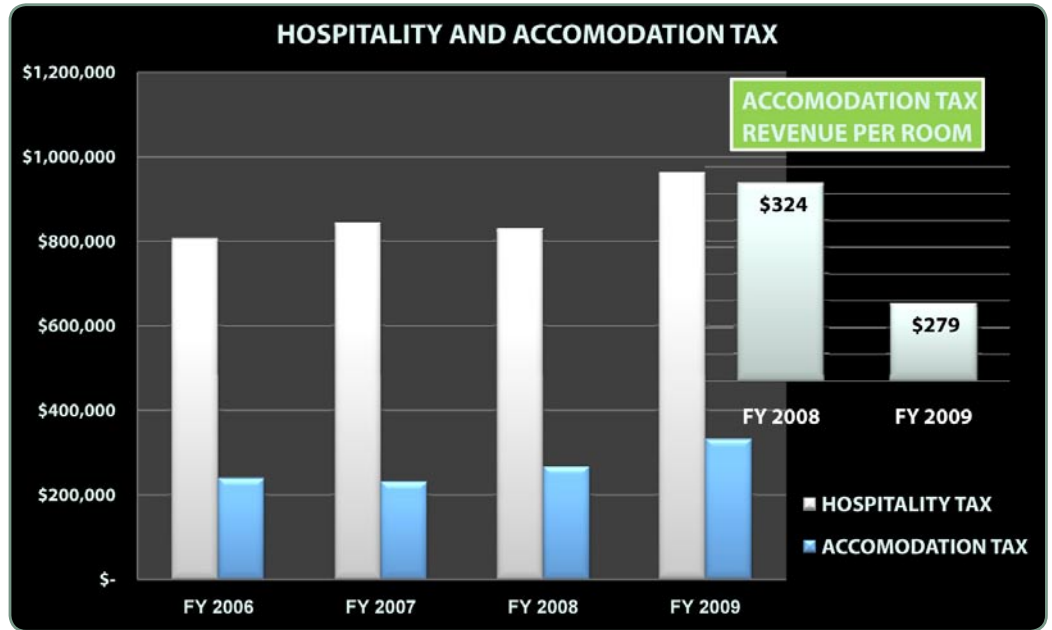
The core "front-line" services provided by the City - police, fire, and public works - comprise 66% of the total operational expenses of the city.



OTHER KEY ECONOMIC INDICES FOR THE CITY

**CHANGE IN ►
COLLECTIONS OF
HOSPITALITY AND
ACCOMMODATIONS
TAXES**

Note that while the gross revenues are showing a positive trend, the revenue per room is dropping due to the increase in the number of hotel rooms over the past couple of years.



▲ REAL ESTATE AND BUSINESS LICENSE REVENUES FOR THE 10 MONTHS ENDED APRIL 20TH, 2009

While revenues from property taxes have been relatively stable, business license revenue has been in decline for four years.

11.2 CURRENT CITY FACILITIES AND SERVICES

GENERAL GOVERNMENT

The General Government operations of the city include the City Council, Administration and Finance, Support Services including Human Resources and Information Technology, and the City Attorney. Central to the City is its elected and appointed oversight of the public good. The City Council appoints its manager, its legal staff, and the various boards and commissions of the City. It is responsible for the overall direction of the City through the enactment of policies and laws including an annual operating budget, a 5-year financial plan, and a 10-year capital improvements plan. Management is responsible for advising on matters of policy and for its execution. Legal staff is responsible for advising council and city staff on all matters of law, ordinance and defends the city on matters of disagreement. Citizen Boards oversee the process of various land use and zoning matters as well as historic districts, tourism management, tree boards, and design review boards.

Currently, the City of Beaufort government services operate out of several different facilities. The City Hall building on Carteret Street in downtown Beaufort contains office space for the City Manager and support staff, the Human Resources Department, the Planning and Development Services Department, and the Finance Department. The City also owns and maintains the Carnegie Building at 701 Craven Street which is currently vacant, as well as the Beaufort Arsenal museum (which is operated by the Historic Beaufort Foundation). Construction on the new \$6.9 million, 28,000-SF City Hall on Boundary Street is expected to be complete in winter, 2010. At that time, all of the General Government services will move into that building.

PUBLIC SERVICES

The Core Services of Public Services provided by the city include residential sanitation, limited right of way maintenance, recycling, limited Commercial Garbage Services, Right of Way mowing, Traffic Controls, Parks, Open Space Maintenance, Stormwater, Storm events, Project Management and Central Garage Services. The City has prioritized public service operations and projects that:

- Enhance the physical presentation of the city (e.g., parks, streets, roadways and public areas);
- Protect the functionality of the stormwater system;
- Better maintain our current assets;
- Be prepared for emergencies; and
- Improve the product for our citizens and customers.

The City has outsourced some services in order to create efficiencies with limited resources and to achieve the objectives noted above. In addition to outsourcing, the City finds it prudent to retain a Core Services Team of City Employees as well. This focus on providing essential city services and the redirection of funds will occur with public works staff and outsourced service delivery. The “core services team,” emphasis is on the following services:

1. Parks
2. Stormwater
3. Open Space
4. Cemetery and ROW mowing
5. Traffic Control
6. Commercial Garbage Collection

SOLID WASTE MANAGEMENT/RECYCLING COLLECTION

In 2009, the City contracted out its solid waste, recycling, and yard debris functions for its 4,100 households to a private company - Waste Pro.

PUBLIC SAFETY

In 2009, the city commissioned the ICMA Public Safety Consulting Group to analyze the operations the police and fire departments of the city. The recommendations of that study are expected in fall, 2009.

Police

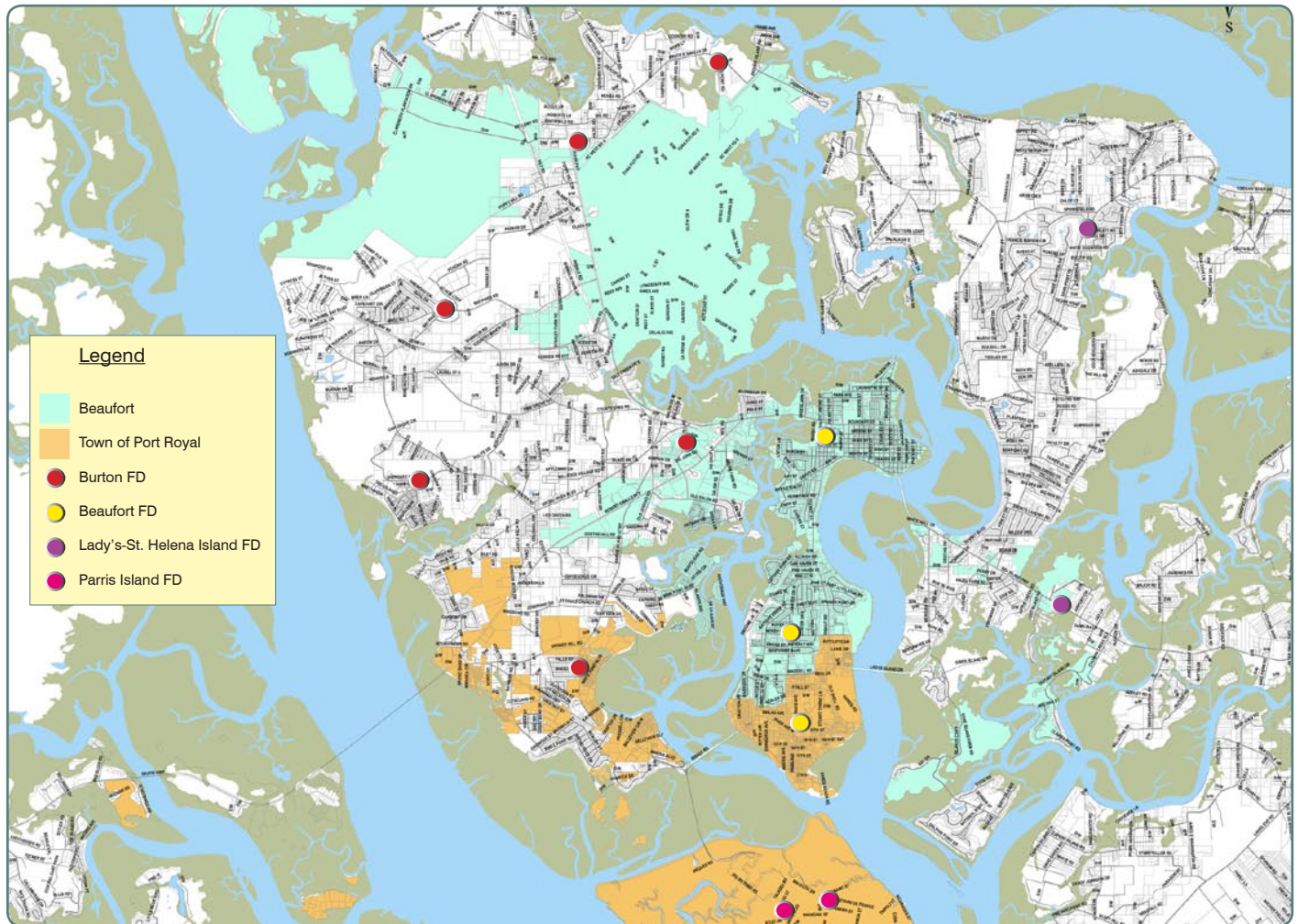
The City of Beaufort Police Department provides service for and has jurisdiction over the City of Beaufort. The Police Department is headquartered in the \$7.2 million, 35,000-SF police and courts building at 1901 Boundary Street and maintains sub-stations at 1205 Duke Street, an outpost in the Sea Store at 2265 Boundary Street and another office at 1932 Duke Street, as well as a proposed substation in Southside Park. Each sworn officer is assigned to a personal vehicle which serves to enhance officer's visibility in the community and to deter crime.

The Sheriff's Department has approximately 200 full-time deputies serving Beaufort County. Associated with the Sheriff's Department are the County Detention Facility and the County Judicial Courts Facilities, both of which are used by the Beaufort City Police Department. The Beaufort Police Department has a mutual aid agreement signed with the Beaufort County Sheriff Department. This agreement affords law enforcement assistance and cooperation between each of the agencies. Additionally, the Beaufort Police Department and the Beaufort County Sheriffs Department assign officers under a Beaufort City/County Drug Task Force.

The Beaufort Police Department is recognized as one of the top departments in South Carolina. All officers must complete the South Carolina Criminal Justice Academy and Department Training Programs, among other requirements, ensuring a competent and high quality force. The Police Department places a very high priority on internal and external professional development and employee participation. The Department's organizational structure is designed to enhance and reinforce the philosophy of Community Policing. This concept is designed to decentralize authority, encourage employee participation and enhance department operational strategies.

Fire

The Beaufort Fire Department maintains two fire stations within the City of Beaufort as well as provides administrative and fire personnel services to the Town of Port Royal through a contract agreement. Port Royal maintains a third fire station which is operated by the City of Beaufort Fire Department. All firefighters, equipment and apparatus from all three stations are available to respond to any emergency in the City of Beaufort, Town of Port Royal and all other surrounding communities by either a direct request for aid, or part of automatic aid agreements signed by the governments of those communities. Both departments also maintain a contract for emergency services with the Beaufort Naval Hospital and housing units located on the base. The headquarters station is located at 135 Ribaut Road and is assigned the minor response district to the north of Allison Road, as well as areas along highway 21 and 170, and areas within the Burton District as outlined in automatic aid agreements. A second Beaufort station at 2519 Mossy Oaks Road is assigned the minor response district to the south of Allison Road, as well as annexed areas on Lady's Island along Lady's Island Drive and Sea Island Parkway, and has served minor responses in the Town of Port Royal prior to the manning of that station in January 1998.



The Beaufort Fire Department is staffed with full-time paid firefighters and a volunteer force who operate on three shifts with support staff. The Beaufort Department currently maintains 3 frontline pumpers with a 1,500 gallon per minute (GPM) pumping capacity, two reserve pumpers, one with 1,500 GPM and the second at 1250 GPM. The Department also maintains 1 aerial ladder truck in reserve with a 100 foot aerial ladder, and two front line aerial tower platforms, both of which have a 2000 GPM pump and aerial platforms that reach to 100 feet and 85 feet respectively. The Department also maintains one panel truck, 2 equipment squads, 4 administrative vehicles, and a rescue boat. The Department also maintains a mobile fire safety house which is available for public education events throughout Beaufort County.

In addition to firefighting responsibilities, the Beaufort Fire Department cooperates with the Beaufort County EMS to provide emergency medical response to the City. The Fire Department has an ongoing first responder medical agreement with Beaufort County EMS, which supplies the Department with emergency medical supplies. All firefighters are certified to the Emergency Medical Technician level and the City currently has two Paramedics on staff.

The Beaufort Fire Department presently maintains an Insurance Services Office Rating (ISO) of a class 2 for the City of Beaufort, and has recently provided assistance in improving the Town of Port Royal's ISO rating from a 6 to a 3.

PLANNING AND CODES ENFORCEMENT

The City of Beaufort Codes Enforcement Division and the Department of Planning and

Development Services provides a full range of planning and development services for the community and is both housed in the City Hall. This department is responsible for inspecting new development to ensure compliance with building and fire code regulations as well as inspecting and enforcing codes for existing development. The building codes enforcement and inspection activities have earned an ISO rating of class 3 for codes enforcement.

11.3 UTILITIES

WATER SUPPLY

Beaufort's water supply is drawn from the Savannah River and is pumped into an 18 mile canal, treated at Beaufort-Jasper Water & Sewer Authority's (BJWSA) Chelsea Treatment Plant and conveyed to the City of Beaufort via a transmission piping system that was developed in 1963 by BJWSA. In 1999, the City of Beaufort Utilities Department was purchased by BJWSA. At that time, all City of Beaufort water and sewer customers were transferred to BJWSA, as well as all water and sewer assets. BJWSA serves the Town of Port Royal in the same manner as well as the unincorporated areas beyond the city limits of both communities.

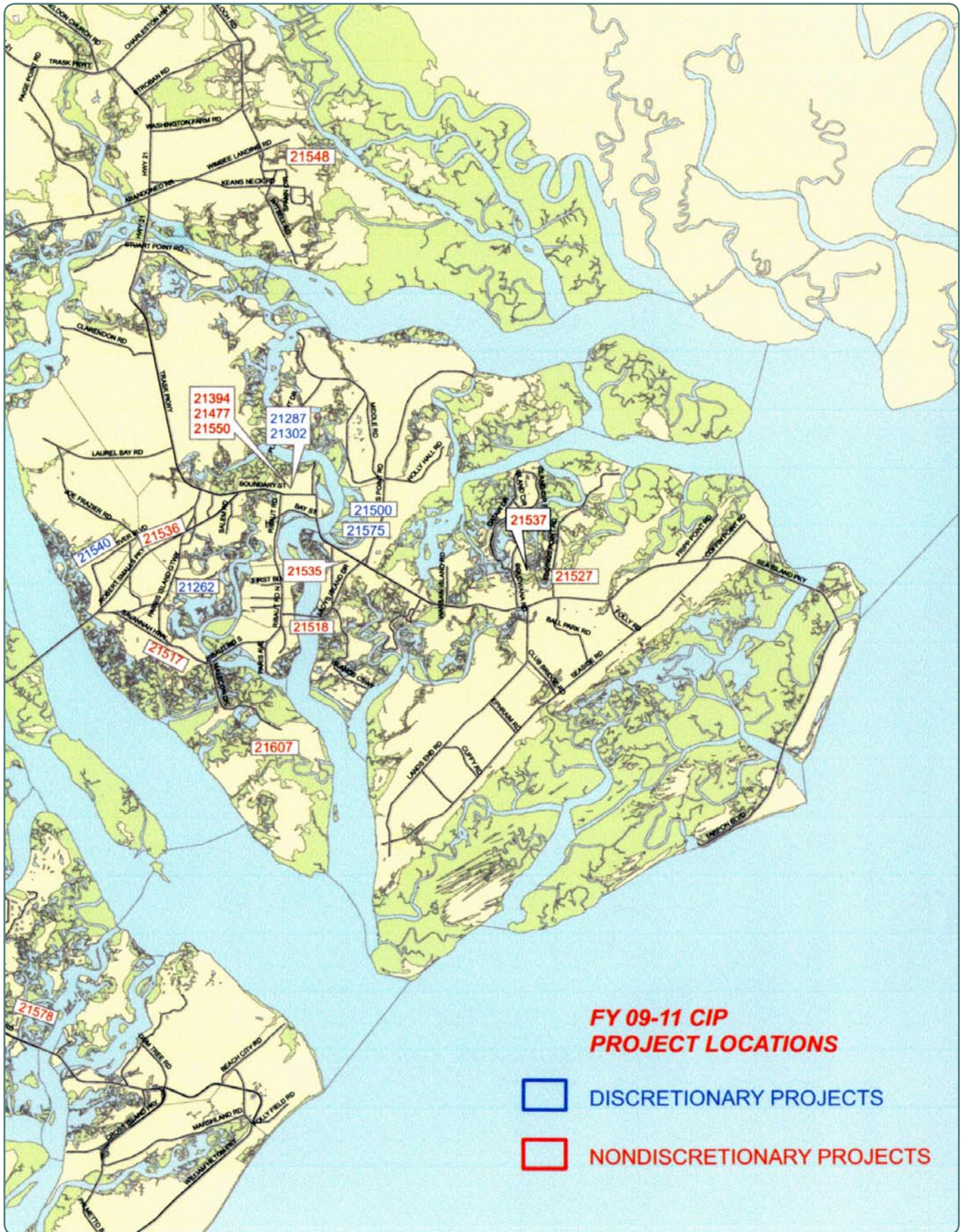
The current average water demand for the City of Beaufort and adjacent unincorporated areas is approximately 2.2 million gallons per day (MGD). The water system that serves the City has ample capacity in most areas and has the ability to be expanded should the need arise. BJWSA is currently capable of producing 28 MGD from the Chelsea Facility and associated aquifer storage and recovery well systems.

BJWSA currently maintains two elevated water storage tanks and one ground storage facility on Port Royal Island. The largest elevated tank located along Highway 170 has a capacity level of 1.5 MG. A second tank located at Trask Parkway and Parker Drive has a capacity of 150,000 gallons. A new 3 MG ground storage tank and high service pump station were completed in 1999; the facility is located on SC 170 near the Vocational Rehabilitation Office. This addition has fully enhanced the water pressures and fire flows delivered to the City and the Town of Port Royal. In 2004, BJWSA finished a 15 MGD surface water plant near the Savannah River, west of Hardeeville. This new facility will provide water to a large portion of southern Jasper and Beaufort Counties. Once this occurs during the first quarter of 2004, the Chelsea plant will be dedicated to providing water primarily to northern Beaufort County, including the City of Beaufort. Both facilities will be inter-connected and serve as back-ups to one another. Additionally, the old Floridian groundwater wells once operated by the City have been removed from service and are no longer used as part of BJWSA's surface water system.

Through the use of its Capital Improvement Plan, BJWSA is actively making improvements to the water and sewer systems that serve the City. Sewer service is currently available to approximately 85 percent of the residents within the incorporated area. As part of the Intermodal Surface Transportation Efficiency Act (ISTEA) streetscape project in 2001, the City of Beaufort contributed matching funds to upgrade the capacities of water mains in the Historic District. This improved fire flows throughout the Historic District.

WATER CONSERVATION

BJWSA adopted a water conservation plan in 2001 which is primarily intended to encourage wise use of water throughout the year. The regulation adopted by the BJWSA Board grants BJWSA the power to regulate water usage in extreme drought



▲ **BEAUFORT-JASPER WATER AND SEWER AUTHORITY CAPITAL IMPROVEMENTS (2009-2011)**

The map above details the various planned capital improvements around the Beaufort area over the next two fiscal years.

or water shortage situations and to levy fines against offenders. Though under normal circumstances Beaufort has an ample water supply and little water shortage, it is important to educate the public about basic water conservation methods for the long term sustainability of a quality water supply. BJWSA has a new Drought Plan and regulations in place that has received approval from the South Carolina Department of Natural Resources.

WASTEWATER TREATMENT

In 2007 BJWSA completed construction of a 10 MGD water reclamation facility in the Shell Point area that serves all of Port Royal Island. Currently BJWSA has pipelines under construction to connect the Parris Island WWTP and MCAS WWTP to the Port Royal Island Water Reclamation Facility (PRIWRF). PRIWRF treats to very advanced standards and is available for reuse applications. Currently the plant provides ~500 mgd to Secession Golf Club on Lady's Island for reuse. To date, sewage service provision in Beaufort has been expanded to include all but a very small percentage of the City's incorporated area which is served by water. Service to these areas will be forthcoming as new development occurs. The current plant is currently treating flows at 2.5 MGD. With the addition of the military flows, flows are expected to increase to 3.5 MGD.

11.4 EMERGENCY MEDICAL SERVICES AND HEALTH FACILITIES

EMERGENCY MEDICAL SERVICES

The Beaufort County Emergency Medical Services (EMS) serves all of Beaufort County with emergency transport services. System-wide, the EMS includes 48 full-time staff, 15 part-time staff, and approximately 14 volunteers. Nearly 7,000 calls were responded to in 1995 with the average cost per call being \$429, which averages \$29.40 per person in Beaufort County. In addition to emergency paramedical response services, EMS offers inter-hospital transport to hospitals in Savannah and Charleston from Beaufort, Hilton Head and the Naval Hospital. Beaufort County EMS has been recognized as an outstanding system and is licensed by the South Carolina Department of Health and Environmental Control.

Of the eleven stations maintained by Beaufort County EMS within Beaufort County, two are located in or near Beaufort at 2727 Depot Road (EMS 1) and 602 Parris Island Gateway (EMS 2). The headquarters station at 2727 Depot Road houses the administrative staff along with the training room and supply storage. The service area for EMS 1 covers the City of Beaufort, the Town of Port Royal, and Lady's Island. EMS response time to any service area in the County is eight to ten minutes. The Department's goal is a five minute response time county-wide. In order to keep response time to a minimum, the EMS stations operate on a tiered response system based on ambulance relocation. Ambulances in Beaufort County are frequently relocated to strategic locations to provide better response time when other ambulances are busy. This helps to ensure that all areas of the County receive the best coverage possible.

The Beaufort Fire Department cooperates with the Beaufort County EMS to provide emergency medical response to the City of Beaufort and Town of Port Royal. There is a first responder medical agreement in place between the two agencies and the County EMS supplies the Fire Department with emergency medical supplies as needed.

BEAUFORT MEMORIAL HOSPITAL

Beaufort Memorial Hospital, located in the City, is a fully accredited not-for-profit hospital serving the Beaufort area. Over 60 board certified or eligible physicians are

associated with the hospital and the hospital offers over 70 medical specialties and services. Beaufort Memorial is a tertiary medical facility with Emergency Room facilities and is licensed for 170 beds including 106 acute care, 44 nursing rehab and 20 psychiatric beds. BMH maintains an affiliation with Duke University Health System (DUHS) in the areas of heart and cancer care.

NAVAL HOSPITAL, BEAUFORT

Naval Hospital, Beaufort, located in the Town of Port Royal, was opened in 1949 on land which includes the Fort Frederick national historic site. The hospital consists of the hospital itself and two Branch Health Clinics (BHC) - one at the Marine Corps Recruit Depot, Parris Island, and one at MCAS Beaufort. Naval Hospital, Beaufort provides general medical, surgical, and emergency services to active duty Navy and Marine Corps personnel as well as retired military personnel and military dependents residing in the Beaufort area. There are a total of approximately 48,000 beneficiaries.

Naval Hospital, Beaufort is one of two tertiary medical facilities in the Beaufort area with an Emergency Room. There is a Special Care Unit with seven beds, and one continuously operating ward with 20 beds. Ambulance support is provided by Naval Hospital owned and operated street and field ambulances. Air transport services and civilian Emergency Medical Services are used to transport critically ill/trauma patients to other medical treatment facilities such as Savannah Memorial Medical Center in Savannah.

The Beaufort Naval Hospital was originally designed as a 350-bed inpatient facility, but today operates as primarily an outpatient hospital with 16 beds. The existing facility is much larger than what is needed to serve the area, and, as a result operates very inefficiently with regards to energy usage, maintenance costs, and medical services. In 2009, the Department of the Navy began a process to construct a new replacement facility in the area. The new Naval Hospital would consolidate and replace existing outdated facilities consisting of a BHC at MCAS Beaufort and the existing Beaufort Naval Hospital. The new hospital would consist of a 206,000 square foot primary facility, which would provide all of the services and operations that are currently provided by the BHC and existing Beaufort Naval Hospital.

A 9-acre site would be developed for the new hospital and its supporting facilities. The Navy has identified four alternative 9-acre sites for locating the new hospital. Site 1 (the preferred alternative) is an undeveloped site at the eastern end of the Laurel Bay Family Housing Area property, approximately 3 miles west of MCAS Beaufort. Site 2 is an undeveloped site immediately east of the Beaufort Readiness Area on MCAS Beaufort. Site 3 is an undeveloped site northwest of the Skeet Range on MCAS Beaufort. Finally, Site 4 is on the Beaufort Naval Hospital property.

PUBLIC HEALTH FACILITIES

The Lowcountry Health District of the South Carolina Department of Health and Environmental Control provides public health services through local health departments in Beaufort County and three other counties. Health services offered through the Beaufort County Health Department include Child Health, Children's Rehabilitative Services, Maternal Health, WIC, STD Control, Tuberculosis Control, General Clinical Services, Health Promotion, Home Health Services, Long Term Care Services, Vital Records and Environmental Health including food protection, general sanitation and vector control (insects).

In addition to the Beaufort County Health Department, health services are available to Beaufort residents from Beaufort-Jasper Comprehensive Health Services, Inc (B-JCHS).

Since 1970, B-JCHS has existed as a community development corporation to deliver comprehensive health services to residents of the socially and economically deprived areas of Beaufort and Jasper Counties. One of six B-JCHS offices is located in the City of Beaufort at 160 Ribaut Square. Services offered include general family practice, pediatrics, internal medicine, OB/GYN, dental care, ophthalmology, home health nursing, medical social work, nutritional counseling, pharmacy services, radiology, ultra sonography, WIC, supplemental food program, mental health linkage, migrant health services, and others. In addition to Medicaid, Medicare and insurance acceptance, B-JCHS accepts payment from patients on a sliding scale for medical and dental charges based on family size and income.

11.5 COUNTY SCHOOLS AND LIBRARIES

COUNTY SCHOOL SYSTEM

The Beaufort County School District has jurisdiction over all public school facilities serving the City of Beaufort. The County School District is divided into four areas or clusters of schools: the Beaufort Cluster, the Hilton Head Cluster, Bluffton Cluster and the Battery Creek Cluster. The schools serving the City of Beaufort and its Urban Growth Area are as follows:

Beaufort Cluster

Beaufort High School (84 Sea Island Parkway)

Lady's Island Middle School (1 Cougar Drive)

Beaufort Middle School (2501 Mossy Oaks Road, Beaufort)

Beaufort Elementary School (1800 Prince Street, Beaufort)

Mossy Oaks Elementary School (2501 Mossy Oaks Road, Beaufort)

Port Royal Elementary School (1301 10th Street, Port Royal)

Lady's Island Elementary School (73 Chowan Creek Bluff, Lady's Island)

St. Helena Elementary School and Early Learning Center (1025 Sea Island Parkway, St. Helena)

Coosa Elementary School (45 Middle Road, Beaufort)

Battery Creek Cluster

Battery Creek High School (1 Blue Dolphin Drive, Beaufort)

Whale Branch High School (Detour Road, Beaufort) *under construction*

Whale Branch Middle School (2009 Trask Parkway, Seabrook)

Robert Smalls Middle School (43 W.K. Alston Road, Beaufort)

Whale Branch Elementary School (15 Stuart Point Road, Seabrook)

James J. Davis Elementary School (364 Keans Neck Road, Seabrook)

Broad River Elementary School (474 Broad River Blvd, Beaufort)

Joseph S. Shanklin Elementary School (121 Morrall Drive, Beaufort)

Shell Point Elementary School (81 Savannah Highway, Beaufort)

PUBLIC LIBRARY

Beaufort County operates and maintains all library facilities that serve the City of Beaufort. The Beaufort Library headquarters facility is an important asset to downtown Beaufort. In 1992, a first expansion was completed which enlarged the facility from 5,600 to 21,000 square feet. A second addition completed in 1996 included 8,000 square feet of meeting space including a large conference room seating 150 and another seating 25. The

conference room has since been converted to administrative offices. The total current area is now 34,000 square feet.

“In the past, Beaufort County adopted the level of service for library building space as 0.6 square feet per capita for planning purposes. Several trends are driving the need for more library building space. The influx of technology in libraries has created the need for more space for computer work stations. Also, public libraries are increasingly becoming centers for community activities requiring large meeting spaces and smaller conference rooms for special programs such as after school homework centers. Therefore, current national standards recommend a per capita building level of service between 1.25 and 1.6 square feet. Beaufort County has also adopted a level of service standard of 3.5 collection items per capita.” [Source: Beaufort County Comprehensive Plan]

The Beaufort County Library Facilities Master Plan recommends the adopting a 1.25 square feet per capita level of service. As a result a number of facilities are recommended for either renovation, expansion or new construction. Within Beaufort’s Urban Growth Boundary, a new 46,200 square foot branch is recommended in Burton Wells Park. In addition to serving as a full branch, it is expected that the current administrative and technical staff housed in the Beaufort Branch will be relocated. The Beaufort Branch would then be renovated to convert this administrative space to holdings and media.

Beaufort County maintains an impact fee ordinance that pay for the impact of future development on library facilities; specifically building space, collection materials, furniture/fixtures & equipment, and land.

STANDARD AND POOR’S RATINGS DIRECT MAY 22, 2008 ANALYSIS OF THE CITY’S 2008 GENERAL OBLIGATION BONDS

Standard and Poor’s Rating: AA- Moody’s Rating: A1

“The city’s financial position is stable, with general fund operating surpluses in eight of the past nine fiscal years and very strong reserve levels. For fiscal 2007, the city recorded a general fund operating surplus of \$1.006 million, bringing the total funded equity to nearly \$7.94 million, or 66.2% of operating expenses. Of that amount, nearly \$6.19 million, or 51.6% of operating expenditures, was unreserved. Public safety, general government, and public services represent the largest expenditure items at 62%, 29%, and 9% respectively. Property taxes are the principal revenue, representing 36% of general fund revenues, followed closely by licenses, permits, and inspections at 33%. The fiscal 2008 budget of \$12.113 million is balanced without the use of fund balance; the tax rate has remained at 52.8 mills since fiscal 2005. The fiscal 2009 budget of more than \$12.8 million includes a drawdown of \$723,000, which will be used toward funding various capital projects. Management maintains a general fund balance policy equivalent to four months of operating expenditures, with excess fund to be transferred toward capital funding.

The city’s management practices are considered to be “good” under Standard & Poor’s Financial Management Assessment (FMA) criteria. An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. City management conducts a formal five- to seven-year historical trend analysis when preparing the annual operating budget, and, once the budget is approved, management reviews revenues and expenditures on a monthly basis and provides the governing council with quarterly budgetary reports (but reports can be generated on an as-needed basis). Management also conducts five-year financial forecasting for both revenues and expenditures. The city’s investment policy follows state statute, and holdings and performance are monitored on a monthly basis. The city has formally adopted a policy that requires it to maintain four months of operating expenditures in its general fund as unreserved/undesignated funds. Management maintains a 10-year capital improvement plan, with project costs and funding sources loosely indicated on an annual basis. Presently, the city has not adopted a debt management policy outside of state limitations.

This issuance represents the city’s only GO debt. Following this issuance, and with the inclusion of nearly \$15.85 million in overlapping debt from Beaufort County and the Beaufort County School District, the city’s burden will remain moderate at \$3,233 per capita and 3.1% of market value. Principal amortization is moderate, with 41.5% retired in 10 years, and 100% by 2027. Currently, Beaufort’s capital plans total \$59.32 million through 2019.”

SC 1.0 | ENSURE A HEALTHY FINANCIAL POSITION

The annual budget serves as the foundation for the City's financial planning and control. All agencies and departments of the City are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests, along with the long range financial projections, as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review and approval. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. As noted in the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008, there are two key components to maintaining this good financial position.

Long-term financial planning. The City began development of a long range financial plan effective with the FY 2008 budget. In addition to the plan, the City has formalized its Capital Improvement Plan. The first year of the plan is funded through the budget appropriation process with out years estimated based on current year costs. Using a long range planning process allows the City to plan for future needs as well as up or down-turns in the economy.

Relevant financial policies. The City understands the significance of adopting financial polices to guide both short and long term planning to provide adequate resources to fund operations. The City adopted the following financial policies:

- Accounting to address the methods used and the manner in which revenues are collected/recognized and expenditures are disbursed/incurred
- Budget to address the process used to formulate, review and adopt the operating budget, capital improvements program and five year financial plan
- Fund Balance and Net Assets to guide the City in maintaining a financial operation with sound financial management principles
- Investment and Deposits to serve as a guideline for managing all public funds entrusted to the City for safekeeping
- Revenue to ensure strong fiscal management practices using proper controls and general oversight

Overall, the next five years (fiscal years 2011-2015) are projected to have downward pressure on the City's overall revenue. This is a result of a combination of the global recession, long-term trends in non-growth sector-based revenues, and increased limitations by the state in revenue growth. The key issues most likely to impact the City's revenue structure include:

- The Expiration of the TIF I Taxing District
- No Growth in Assessed Real Estate Values
- Continuing Downward Pressure of Business License Revenue
- Slight Rebound in Vehicle Property Taxes
- No Restoration of State Shared Revenues
- Slight Increase in The Per-Room Accommodation Tax Revenues
- Slight Growth in Hospitality Tax Revenues

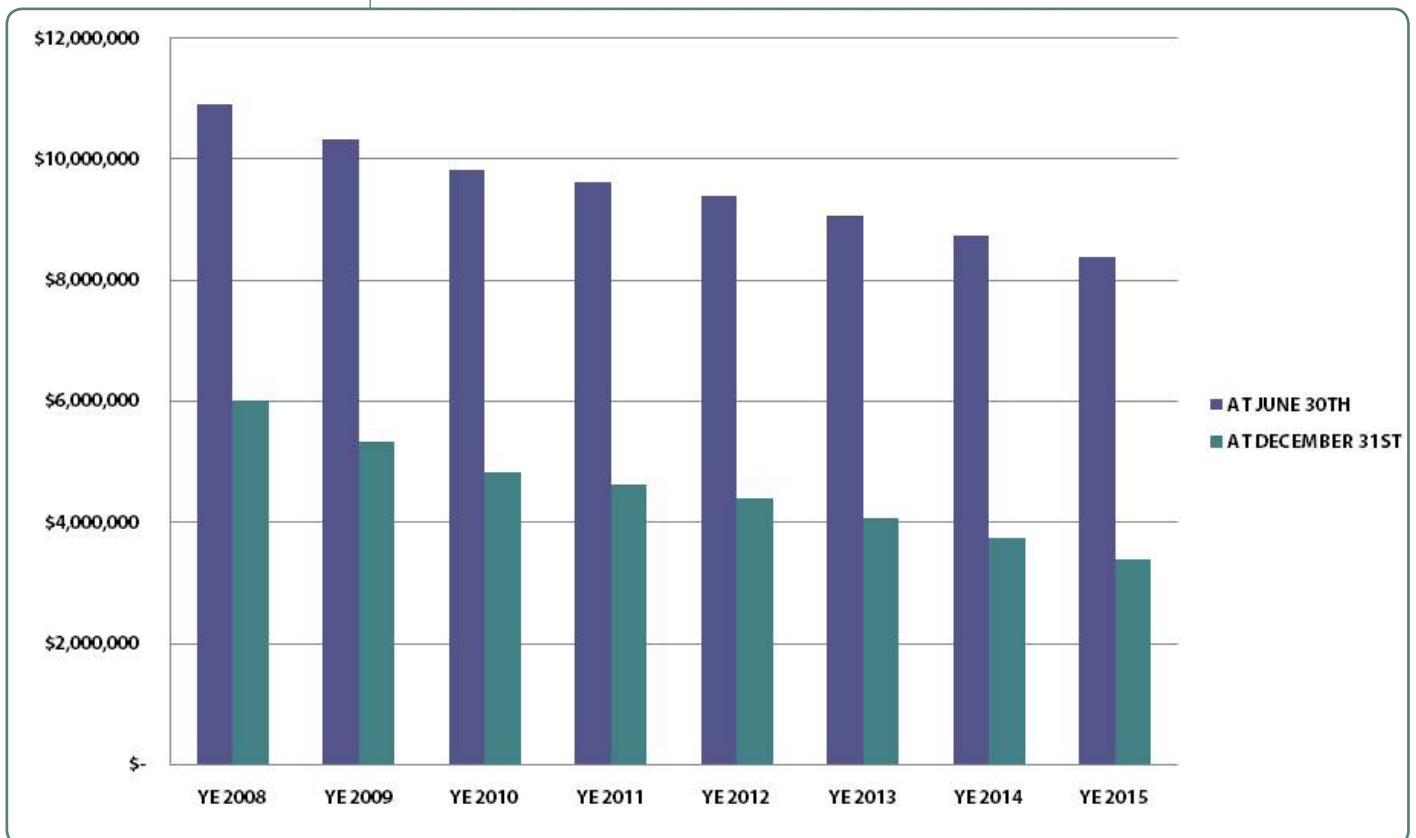
Not surprising, there are also trends that will affect the City's expenses/cost structure including:

- Upward Pressure on Wages, Taxes And Benefits
- Increasing Pressure to Replace Aging Fleet

SC 1.1 Continue to Maintain a Strong Cash Position with a Well-Funded Fund Balance. The gradual slowing of revenues that began before Fiscal Year 2009 underscores the need for an adequate emergency fund. The City maintains, as a matter of policy, an amount in cash equal to approximately 4 months of full operating expenses (including debt service). This conservatively invested cash on hand is known as retained earnings/fund balance as a part of the combined General Fund and Parks/Tourism Fund. The primary purpose of maintaining this savings rate is to manage the peaks and valley of actual collections throughout the year. In addition, this strong cash position also enables the City to leverage the issuance of debt with favorable interest rates, thereby keeping annual debt service costs minimized. [S] [O] [On-going]

SC 1.2 Balance Revenue from Tax Base and Other Operating Revenues. The fiscal success of the community is dependent upon a sustainable balance of revenue from property taxes and other operating revenues. Review of the 2008 Comprehensive Annual Financial Report for the City of Beaufort reveals some notable differences between revenues and land use. When comparing land use to operating revenue, the allocations of revenue to residential and commercial uses is revealed. The table below highlights the financial contribution to revenue based upon land use:

ESTIMATED HIGH AND LOW CASH POSITIONS THROUGH THE YEAR FROM FY 2008 - FY 2015



City of Beaufort - Source of Revenue-Fiscal Year 2009

Land Use	Percentage
Residential	12%
Non-Residential	58%
All Other Sources	30%

Many will note that residential development does not “pay for itself”. In fact, in Beaufort, the actual revenues derived from residential property taxes are well below the level of services provided back to those properties. This has little to do with the value of residential property per se, and more to do with the restrictions placed on the taxation of owner-occupied single family residential properties by state law. The larger challenge is in the fact that nearly 79% of the City’s revenues are expected to decline or are already declining - and this has been occurring well before the onset of the 2008-2009 recession. [\$] [O] [On-going]

SC 1.3 Advocate for a Change in State Legislation to Ensure Fiscal Flexibility for Local Governments.

In South Carolina, the ability for local government to act prudently and with local control is greatly hampered by a myriad of legislative and administrative burdens restricting their ability to raise revenues. The net effect of these rules are a slowing or flattening of real growth in revenues from property taxes. At present, both the millage rate and the assessed valuation are now capped and tie the hands of the City to adequately meet future needs even if the additional taxes are generally acceptable by the voters of the City. Continued assistance will be needed so that the City is well situated to maintain a stable revenue base for its expected levels of service. Some of these key concerns are:

- **Cap on the Millage Rate Increase:** Act 388 limits increases in the operating millage levied on non-exempt property in municipalities to a factor incorporating the increase in the southeast CPI (Consumer Price Index) and growth in population. This limits the increase in tax rate each year to effectively cover the an increase in operating costs of doing business but severely restricts new programs or capital expenditures.
- **Assessment Cap:** On November 7, 2006, voters approved an amendment to the State’s Constitution that places a limit on growth in assessed valuation of property attributable to periodic revaluation to not more than 15% within a five year period, unless a transfer of interest has occurred.
- **Business License Program:** Comprising nearly 30% of the City’s total revenues, the Business License taxes are a cumbersome, complex revenue stream that while significant in value to the City are difficult to administer and collect.

[\$] [O] [On-going]

SC 1.4 Seek Revenue Sharing/Partnership Arrangements to Better Manage the Maintenance of SC DOT-Owned Rights-of-Way.

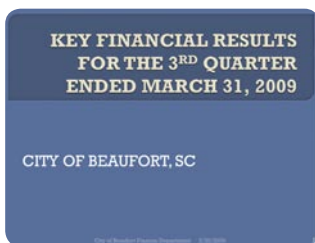
There are approximately 90 road miles and 180 lane miles in the City - 90% are owned by SC DOT. Yet, the City currently maintains most of these state-owned street rights-of-way through activities including but not limited to mowing, sidewalk maintenance, drainage repair, street lighting, and tree maintenance because the current funding for such maintenance activities by SC DOT is well below the current level of service expected in an urban area. There are a number of options worth considering to address this issue which costs the City hundreds of thousands of dollars every year.

- Partner with SC DOT to better establish local maintenance expectations that can be reasonably funded; and/or
- Identify a new revenue source (e.g. local option sales tax) to supplement the current operations and continue to maintain them as non-City-owned assets; and/or
- Take over ownership and maintenance of secondary roads and commit to funding with 100% local revenues; and/or
- Take over ownership and maintenance of secondary roads and identify a new revenue source to fund those operations.

The reality is that while there are adequate mechanisms to provide needed capital to improve SC DOT roads in the city, there are few options when it comes to operations and maintenance. Other options abound, but the City cannot continue to maintain assets that they do not own and solutions will need to be sought or a higher burden will shift to the property tax payer (though as noted previously this burden shift is very limited). [\$] [O] [On-going]

SC 1.5 Consider Levying Impact Fees to Mitigate the Costs of Growth in Remote Annexation Areas. For projects that are located beyond the current city limits but within the City’s urban growth boundary, the City should consider the use of impact fees to mitigate the impacts of new development on the current city services. An impact fee is a lump sum payment made to the City that is intended to mitigate the impact of the development increment (often measured in equivalent residential units) on the existing services of the community. This recommendation is consistent with Section 5.4 that suggests that these areas should only be developed if adequate public services and facilities are available to serve them. [\$] [O] [On-going]

SC 1.6 Further Develop Cash Flow Reporting. Beginning in FY 2009, the City leadership team began reporting financial information to the City Council on a quarterly basis. This provided the elected officials and the public with key economic indicators and cash flow analyses on a more frequent basis than the normal annual budgeting cycle. This reporting of financial condition should be continued on a quarterly basis and improved to provide more overall education and transparency of the overall conditions of the city as a business entity. [\$] [O] [On-going]



Images from the 3rd Quarter for Fiscal Year 2009 as prepared by the Beaufort Finance Department

SC 2.0 | PROVIDE EFFICIENT CITY SERVICES

In 2008 as costs began to rise above sustainable levels, the city management began a massive retooling and cost restructuring of the city services. They took the opportunity to begin to question and then act upon the minimum organizational structure and had the City Council review its priorities in order to create a five year plan for service delivery in a period of declining revenues. Specifically, the City Council was asked to assess the current service delivery levels using the following five key questions:

1. Does it make good economic sense?
2. Does it provide a necessity that no other entity can provide?
3. What are we responsible (legally, morally) for doing?
4. What should we not be expected to do?
5. What should we be doing that we are not currently doing?

The outcomes of this process of prioritization were:

1. Create a Comprehensive Capital Asset Acquisition and Project Planning Tool
2. Divest of Loss-Generating Enterprises
3. Audit Recurring Expenditures
4. Further Develop Cash Flow Reporting (See previous section for description)

The City management staff then went about to further classify all current functions of the city government into Core Services and Investment Services. After developing a refining a transparent reporting process, the city set about the task of ensuring long-term economic sustainability with the ongoing operations and maintenance of city services. At present, the City provides and maintains the following range of services and facilities:

Core Services:

General Government

- City Council (to include committees)
- Administration and Finance (City Manager, Finance, Planning, Business License)
- Support Services (HR, IT)
- Legal

Public Safety

- Police
- Fire
- Codes
- Court

Public Services

- Development Services
- Administration
- Streets/Open Space/Traffic Control
- Solid Waste
- Cemeteries
- Street Lighting
- Stormwater
- Central Garage
- Building Maintenance

Recreation and Cultural

- Parks and Trees
- Marina
- Non-Dept

Debt Service/Interest on Debt

- Rolling Stock for Core Services

Purchase of Land and Facility

- Municipal Complex
- Fire Station
- Southside Park
- Open Space Land Acquisition

All Other Unclassified Services

Investment Services:

- | | |
|-----------------------------------|-------------------------------|
| General Government | Public Safety |
| • Redevelopment Commission | |
| • Beaufort Housing Authority | Recreation and Cultural |
| • Lowcountry Economic Development | |
| • Main Street Beaufort | Debt Service/Interest on Debt |
| • Chamber of Commerce | |
| | Purchase of Land and Facility |
| Public Services | All Other |
| • Boundary Street Road Project | • TIF I (Downtown) |
| • Third Crossing | • TIF II (Boundary Street) |
| • Bladen Street Plan | |

Once classified and prioritized, the city staff under the leadership of the City Council set about to change the cost structure of its organization and by the end fiscal year 2009, this was achieved. From a Management by Objectives approach, city leaders created four (4) top priorities in the downsizing: 1) Public Safety; 2) Risk/Asset Management; 3) Sanitation/Health; and, 4) Marketing/Visibility. Effectively, city leaders wanted the limited resources of the City at the “front line.” Or to quote President Theodore Roosevelt, we wanted to “do what we could with what we had where we were.” The result is an overall lowering of the cost structure of the city beyond one fiscal year into a five year program.

With regard to personnel, the largest single fixed expense of the City, the net effect of those changes are summarized below:

	FY 2009	Reductions	FY 2010
Police	60.00	(8.00)	52.00
Fire	39.00	(3.00)	36.00
Planning and Development Services	10.00	(6.00)	4.00
Finance	7.00	(2.00)	5.00
Courts	7.00	0.00	7.00
Public Works	36.00	(19.00)	25.00
City Manager/Administration	6.00	(1.25)	4.75
City-Wide Totals	165.00	(31.25)	133.75

For each service delivered, the city will endeavor to:

- Strive to be customer focused
- Focus on results rather than activity
- Prioritize services every three years, review and engage strategy every year, focus on tactics daily
- Create efficient/innovative delivery systems
- Focus on preventative services and community-level approaches to deter crime and deter life-safety issues
- Continuously strive to lower the cost per resident, customer, and other beneficiaries
- Diversify the Capital Structure
- Educate, Involve, and Interact with Citizens

- SC 2.1 Divest of Loss-Generating Enterprises.** In service areas where it is determined that the City does not provide a cost-competitive service, such as with garbage and recycling collection, the city will look to divest that service as a means to avoid ever increasing fixed-cost structures in favor of variable, competitive means. [\$] [O] [On-going]
- SC 2.2 Audit Recurring Expenditures.** The city will continue to evaluate all cost centers for opportunities to seek out operational efficiencies and cost savings. [\$] [O] [On-going]
- SC 2.3 Evaluate Government Service Delivery Options within the Northern Area Growth Boundary.** In order to create the necessary level of accountability, authority, and equity regarding Urban Service provisions within the Northern Area Growth Boundary, a certain level of intergovernmental cooperation and functional consolidation should be studied and considered. This cooperative effort to define the service standards related to those areas within the growth boundaries and the positive outcome of those studies depends upon the assurance of the following issues: [\$] [O] [On-going]
1. Economies of scale; and,
 2. Convenience of performing the task; and,
 3. Distribution of natural resources; and,
 4. Surplus physical facilities; and,
 5. The need for duplication of services or the reduction of certain redundancies.

SC3.0 | MAINTAIN AND EXPAND OUR PHYSICAL ASSETS

Much of this plan builds on the philosophy that the city assets must grow predominately from within its existing borders in order to maximize its previous investments and ensure long-term sustainability.

The City of Beaufort, at the time of this writing, held on its books approximately \$55,000,000 in public assets including roads (the state owns most roads but the city holds about 2 miles worth), buildings, parks, land, and rolling stock. In addition, the City maintains assets that are not its own but rather owned by others, including most specifically the State of South Carolina public rights-of-way that are within the city limits. The City has a total marketable real estate value of \$1.3 billion. While part of the investment strategy of the city is to leverage public investment against the private investment, the cost of maintaining these public assets, as well as private assets (through code enforcement services and land use planning) is borne by the Public Services division of the City.

Investment services have a close correlation with the capital projects. The City of Beaufort has undertaken a series of these projects over the past 5 years including Port Republic Street, a make-over to Waterfront Park, and the building of the municipal complex which houses the municipal courts, police, codes and planning, finance and city administration as well as public use facilities such as the council chambers, an emergency center, and training facilities. While the City determines its capital in a 10 year Capital Improvement Plan, the city is not always in control of those projects that happen within its borders such as road projects managed by Beaufort County and SC DOT.

- SC 3.1 Expand the List of Business and Development Incentives.** Specifically, the city should consider incorporating those incentives that have a positive return on investment (ROI), net present value (NPV), and improvement of the core services. [\$] [O] [On-going]
- SC 3.2 Balance the Regulatory Environment to Protect the City's Core Assets as well as Allowing for a Competitive Business Environment.** Though much has been noted about this issue already in this plan, it is important to reiterate the need for a myriad of code and policy changes that allow for greater flexibility within a reasonable set of guidelines that ensure that the character and essence of Beaufort is not compromised. [\$] [O] [On-going]
- SC 3.3 Create Balance of Assets such as a Mix of Land Uses, Businesses, and Living Options for all Residents.** Consistent with the land use planning goals elsewhere in this plan, the desire to diversify and maintain a broad mixture of uses will be financially more sustainable for the city. [\$] [O] [On-going]
- SC 3.4 Consider Service Delivery in the Design of our Community.** Strive to create a design-based infrastructure that allows for lowest service delivery cost of public services, a variety of living options, multi-modal transportation options, and a respect for the natural environment. [\$] [O] [On-going]
- SC 3.5 Seek out Partnerships Wherever Possible.** Seek out multiple partners for the development of intergovernmental infrastructure development. [\$] [O] [On-going]
- SC 3.6 Evaluate Alternative Funding Sources for Capital, Operations and Maintenance Beyond the Current Taxing Structure.** Create municipal improvement districts (MID), tax increment financing districts (TIF), and other infrastructure investment programs with a balance of funds directed towards the operations and maintenance of the capital investment and the district for which they benefit. [\$] [O] [On-going]
- SC 3.7 Expand the Capital Improvements Program (CIP) to Create a Comprehensive Capital Asset and Project Planning Program.** The City prepared its first Capital Improvements Plan in 2008. At present, it is comprised of a 10 year debt service schedule and an estimated replacement plan for smaller capital purchases. The next step in CIP preparation is to combine the projection in revenues along with their estimated impact in operating costs for implementing the capital project/expenditure. These additions will allow the City to create a cash flow plan that realistically projects available money for capital projects/expenditures. [\$] [O] [On-going]

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

State law requires that all general-purpose governments public a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the City of Beaufort issues an annual financial report.

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

CITY OF BEAUFORT, SOUTH CAROLINA

For the Fiscal Year Ended June 30, 2008
