

BUDGET MESSAGE & EXECUTIVE SUMMARY





July 1, 2009

The Honorable Larry D. Bagwell
Members of City Council
City of Easley, South Carolina

Dear Mayor Bagwell and Members of City Council:

I am pleased to present to the citizens of Easley, members of City Council, City employees, and other interested readers the adopted 2009-10 operating budget for the City of Easley, South Carolina.

The budget for all funds is \$14,948,624 including a General Fund budget of \$11,522,821. This represents an overall budgetary decrease of 5.82% and a General Fund decrease of 5.19% over the adopted 2008-09 operating budget, respectively. A summary of all funds outlining the changes is included at the end of the executive summary section.

Despite the fact that this budget is a reduction, the City of Easley will continue its reputation of providing exemplary service delivery to our citizens and business partners.

Some of the significant points of interests in this budget include:

- This budget does not increase the City's current tax millage rate of 61.0 mils, nor does it increase any of the business license, building permit fees, or franchise fees;
- This budget does not include any furloughs, nor does it include any layoffs or reductions in force (RIF's) of our full-time personnel;
- This budget absorbs a fifteen percent reduction in the State Aid to Subdivision, which amounts to just over \$100,000;
- This budget also absorbs a projected \$100,000 reduction in interest earnings due to the Federal Reserves' action to reduce interest rates;
- This budget does not include an estimated \$300,000 in contractual payments from the Crosswell Fire District;
- This budget maintains the City's fund balance and does not access these monies;

The obvious question seems to be, how is the City able to absorb these reductions without raising taxes or fees, or reducing services? The answer is, savings in annual debt service payments, the elimination of positions, the closing of the courtesy drop-off center, and a reduction in health insurance premiums. Each of these topics is discussed in greater detail below.

Debt Service Savings

The 2008-09 budget incorporated \$150,000 in debt service for a planned 2008-2009 General Obligation Bond in the amount of \$1,700,000 to help support the public infrastructure portions of the Easley Town Center. While the City's commitment to this project has never been stronger, the need to issue this debt has changed dramatically over the last twelve months due to the financial markets, in particular the banking industry, and the American Recovery and Reinvestment Act (ARRA).

Last year when the City was the need to issue a GO Bond, the City was earning roughly five and a half to six percent (5.5% - 6%) in interest earnings on its investments and a GO Bond would have likely been secured with an interest rate of roughly three and a half to four percent (3.5% - 4%). Based on this information it made sense to issue the debt and keep the City's reserves earning the estimated five and half to six percent (5.5% - 6%) interest rate.

Due to the actions taken by the Federal Reserve over the last several months to lower interest rates in an effort to rejuvenate the economy the City's investments are currently earning below one percent (1%). Therefore, given today's financial environment it would make better financial sense to utilize the City's strong savings or reserves to satisfy the commitment to the Easley Town Center.

However, whether the City has to issue debt or use its reserves to fund its commitment to the project may be rendered moot because of the American Recovery and Reinvestment Act (ARRA), commonly referred to as the Federal Stimulus package. Over the last few months the City has been working diligently to qualify the public infrastructure of this project for funding through the ARRA. Currently, both the Federal Highway Association and SCDOT have established that this project meets the criteria called for in the Act and is shovel ready, thereby making the project eligible for stimulus monies.

At a meeting last Wednesday, March 25, 2009, SCDOT continued its full support of the Prince Perry Bridge and associated improvements to US-123 on its list of shovel ready projects up to \$6,000,000. SCDOT has forwarded this project on to the Greenville-Pickens Area Transportation (GPATS) group for further discussion and ultimately to what level of funding the project will receive. The next step in this process is for the GPATS policy committee to decide to what extent the \$6,000,000 the public infrastructure portion of the Easley Town Center will receive. They could vote for the project to receive all \$6,000,000 or they could recommend a lesser amount. The policy committee is meeting today, March 30, 2009, to make this decision. Obviously we will keep you abreast of what transpires at this meeting.

Eliminate Positions

The second major contributing factor to this budget was the City's decision to place a hiring freeze on all vacant positions beginning in late September early October, 2008. This decision was necessitated by the rapidly faltering economy to help preserve cash for the current fiscal year, but also as a precursor for the 2009-10 budget. As a result, this budget eliminates a total of six (6) full-time General Fund positions. In addition, the budget also eliminates four (4) part-time positions in the General Fund associated with the planned closing of the courtesy drop-off center located behind Public Works. When combined, the salary and benefits of these positions amounts to just over \$336,000 and are summarized in the chart below:

Position	Salary & Benefits
Human Resource Administrator	\$ 60,686
Zoning Officer	\$ 39,679
Equip. Operator (Streets Dept.)	\$ 38,185
Deputy Dir. Of Public Works	\$ 70,279
Sanitation Supervisor	\$ 50,901
Laborer (Sanitation)	\$ 30,240
Four PT Laborer positions (Sanitation)	\$ 46,294
	\$336,264

While one can debate the necessity of these positions, the fact of the matter is that most of these positions have been vacant for several months and the City has not experienced a drop-off in service delivery.

The one position that does give some concern is the Deputy Director of Public Works. The incumbent has loyally served the City of Easley for about 35 years and is scheduled to retire later this year. His experience and knowledge is invaluable. Therefore, to accommodate the incumbents desire to continue working and the City’s desire to provide an opportunity to other employees, this budget provides funding for the Deputy Director to continue working for the City on a part-time capacity at \$15.00 hour for maximum 20 hours per week. The Funding for this position will be borne by the Stormwater Fund. This arrangement allows the City to maintain access to his experience and knowledge, but also gives our other personnel the opportunity to gain experience and knowledge to further their careers with the City of Easley.

If these positions become necessary in the future they will have to be authorized by City Council.

Courtesy Drop-Off Center

Another factor contributing to a balanced budget is the recommendation to close the City’s courtesy drop-off center beginning July 1, 2009. In addition to the salary and benefits of the four positions (\$46,294), the City will also save \$15,000 in other costs associated with operating the drop-off center. These operating expenses include costs associated with removing the dumpsters (\$14,000) and other miscellaneous costs associated with the centers operation such as electricity and portable restrooms (\$1,000).

Along with the financial savings, there are other reasons to consider in closing the facility. As was pointed out in the 2005 study by the Appalachian Council of Governments (ACOG), the courtesy drop-off center is a duplication of services. All City households receive garbage and recycling services once per week and while this facility is a convenience, it is serving a duplicative role. Another factor to consider is the fact that Pickens County has two identical sites located in very close proximity to the City’s facility. The main Pickens County landfill is located off of SC-8 near the Pickens County School District Headquarters and there is a satellite facility off of SC-183 near Dacusville. Both facilities are within five miles (5 miles) and less than ten minutes driving time from the City’s drop-off center. Furthermore, these facilities are free, accessible to all Pickens County residents and are open Monday through Saturday from 7:30 am to 7:20 pm.

Below is a table outlining the costs of operating the courtesy drop-off center for the last fiscal year, the current fiscal year, and what the City would expect to budget in 2009-10 if the courtesy drop-off center is to remain open. The three year total is over \$175,700.

	FY08	FY09	FY10	
	Actual	Budget	Budget	
Salary & Benefits	\$ 41,912	\$ 45,851	\$ 46,294	
Operations	\$ 13,692	\$ 12,000	\$ 14,000	
Other	\$ -	\$ 1,000	\$ 1,000	
	\$ 55,604	\$ 58,851	\$ 61,294	\$ 175,749

As ACOG stated in their 2005 study, in times past, such a duplication of services and its costs were not necessarily considered a big problem, but given the City’s current financial situation, there is a pressing need to reduce costs where feasible. Finally, according to ACOG, Easley is the only City in South Carolina with such a facility. It is for these reasons that courtesy drop-off center should be closed.

Health Insurance

Another large factor in contributing to a balanced budget is the City’s health insurance premiums being reduced by eleven percent (11%) over our current rates.

In order to achieve this reduction, the City will be changing health insurance providers from Blue Cross & Blue Shield to United Health Care, effective May 1, 2009. This budget continues the City’s practice of paying 100% of the employees’ premiums while the employee continues to pay for any dependent coverage. Even though the City will be changing providers we plan to continue to offer two types of plans, a base plan and a buy-up plan. If employees select the buy-up plan the City will continue to support the premium payment to the same amount as the base plan and the employee is responsible for the premium difference between the base plan and buy-up plan.

As the City does every year, the City ‘shops’ its health insurance to ensure we are receiving the best product. In the past Blue Cross and Blue Shield has ended the process as the carrier of choice. This year was different. United Health Care was very aggressive in their premium rates and Blue Cross and Blue Shield was either unable or unwilling to react to United Health Care’s proposal.

The City begins the competition process every year by getting a quote from our current insurance provider for the upcoming years rates, in this case Blue Cross and Blue Shield. This year Blue Cross and Blue Shield’s initial quote came back with an 11% increase over our current rates. As in years past, the City ‘shops’ that quote to other insurance carriers in the market place. When we took this step, United Health Care and Carolina Care Plan (CCP) submitted a bid. United Health care submitted their 11% reduction and CCP submitted a 7% reduction. The last step is to give the incumbent carrier (in this case Blue Cross and Blue Shield) a chance to match the proposed rate. When Blue Cross and Blue Shield were given their opportunity this year they were only able to reduce their proposed rate increase from 11% to 0%.

In terms of costs, if the City decided to stay with Blue Cross and Blue Shield premiums would have been budgeted at approximately \$842,500. By switching to United Health Care the budgeted premiums are expected to be \$740,500, a difference of approximately \$102,000.

Approximately forty-three percent (43%) of our employees have dependent coverage or have selected the buy-up plan. For these folks they will see an eleven percent (11%) reduction in the amount of premiums they pay and in turn will actually see an increase in their bi-weekly take home pay.

This health insurance reduction is a significant achievement for the City. This is two years in a row that employees have either seen a zero percent increase (0%) or a premium reduction in health insurance premiums. There are very few organizations that can claim this achievement.

With these four items, debt service savings, elimination of positions, courtesy drop-off center closing, and reduction in health insurance premiums the total savings amounts to almost \$650,000.

Despite the challenges facing this budget, the budget does make strides in areas of importance such as public safety, continued enhancement of information technology, economic development, and parks and recreation. In addition, the budget incorporates a 1% cost of living increase in the personnel budget of each City department beginning July 1, 2009.

Public Safety Improvements

Included in this budget are six additional (6) fire fighters awarded to the City as part of the Staffing for Adequate Fire and Emergency Response (SAFER) grant. Similar to the COPS grant from the past, this grant will pay for a portion of the salary and benefits for these positions each of the first four years thereby gradually reducing their share and increasing the City’s percentage where in year five the City pays full salary and benefits of the fire fighters salary and benefits. In the first year, the percentage difference is 90% Federal Government and 10% City funded. In year two the split is 80%/20%; year three is 50%/50%; and year four is 30%/70%.

	Year 1	Year 2	Year 3	Year 4	Year 5
Fed. Share	\$ 199,584	\$ 182,730	\$ 117,633	\$ 72,697	\$ -
City Share	\$ 22,176	\$ 45,683	\$ 117,633	\$ 169,626	\$ 249,592
	\$ 221,760	\$ 228,413	\$ 235,266	\$ 242,323	\$ 249,592

It has been eleven years (11) since the City of Easley has increased its paid fire fighter personnel compliment (not including the Fire Marshall position which was established in 2004).

Over the last eleven years the City has continued to grow in area and population thereby increasing the work load and service calls by the Fire Department. Therefore, in order to continue to maintain our ISO rating of four (4) and to maintain the service our residents have come to expect, we have had to increase our reliance on volunteer fire fighters. Unfortunately, it is becoming more difficult to rely on volunteers, particularly during the work week. Typically during the work week our volunteer call out help averages about 20%. The City is fortunate that during the evenings and on weekends volunteer participation typically increases to 80%. It is for these reasons that being awarded this grant is a significant achievement for the City.

The budget includes \$85,000 in firefighting equipment which includes funding to replace ten (10) sets of personal protective equipment for firefighters. To assist with these expenses the City is also planning to apply for a grant for this equipment for the additional positions as well.

Also included in this budget is \$52,000 divided evenly between the Victim’s Witness Fund (\$26,000) and Law Enforcement Fund (\$26,000) to acquire an additional ten (10) digital camera’s for the Police Department to be placed in the police vehicles. In addition to increasing officer safety, these cameras are becoming increasingly critical in court cases, particularly with the recent changes in the DUI laws.

This budget also includes \$75,000 to replace three police cruisers, maintaining our replacement program. Over the last three years the City has replaced five (5) police cruisers each year, but for affordability reasons we have had to modify these replacements for this year. Hopefully, the City can return to replacing five (5) vehicles next year.

Crosswell

As mentioned earlier, this budget does not include any contractual fees for fire protection with the Crosswell Fire District. As you know, the City of Easley and the District are trying to negotiate a new contract with the pending opening of the Crosswell Fire Station. City staff has met with District representatives and we feel we are close to an understanding. Assuming an understanding can be reached staff would recommend segregating the Crosswell fees not associated with personnel into a

separate fund to support future capital acquisitions within the Fire Department. Over the next three or four years the Fire Department has estimated the following capital equipment needs:

	FY2010-11	FY2011-12	FY2012-13	FY2013-14	
Replace Car	\$ 25,000	\$ -	\$ 25,000	\$ -	
Replace Brush truck	\$ 55,000	\$ -	\$ 55,000	\$ -	
Service Truck	\$ -	\$ 175,000	\$ -	\$ -	
Mini Pumper	\$ -	\$ 125,000	\$ -	\$ -	
SCBA (Air Machine)	\$ -	\$ -	\$ 50,000	\$ -	
Transmission Replacement	\$ -	\$ -	\$ 25,000	\$ -	
Replace Pumper	\$ -	\$ -	\$ -	\$ 425,000	
	\$ 80,000	\$ 300,000	\$ 155,000	\$ 425,000	\$ 960,000

As the chart indicates the Fire Department indicates almost a \$1,000,000 worth of needs and by segregating the fire fees into a separate fund specifically for fire department purposes the City will have a ready source of funds to address these needs. The following chart assumes the City and Crosswell come to an agreement where the District will pay the City \$230,000 a year for fire service (and increase by 3% a year) over and above the costs of staffing for the new fire station and incorporates these resources with the projected expenses outlined above.

	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Revenue	\$ 230,000	\$ 236,900	\$ 244,007	\$ 251,327	\$ 258,867
Prior year carryover	\$ -	\$ 230,000	\$ 386,900	\$ 330,907	\$ 427,234
Expenses	\$ -	\$ (80,000)	\$ (300,000)	\$ (155,000)	\$ (425,000)
	\$ 230,000	\$ 386,900	\$ 330,907	\$ 427,234	\$ 261,101

This analysis does not assume any equipment purchases for 2009-10. Depending on how the negotiations work out with Crosswell, this may change. If the situation changes and staff feel there is a need to add equipment in 2009-10, staff will come before City Council with a budget amendment. If that situation materializes the chart above will have to be adjusted accordingly.

This budget includes \$15,000 in revenue from towing companies. This would be a new participation fee in addition to the business license fees the wrecker companies pay the City. For this fee, the participating wrecker companies would be the only wrecker services the Police Department will be eligible to use for the year. While the City will not regulate which company gets the City business, we may limit the number of companies to make it worth the effort. Every company in the City will be given an opportunity to participate.

Continued Enhancement of Technology

This budget continues our effort to expand technology within the City. Along with the digital cameras for the Police Department this budget also continues our replacement program of PC's. The budget also includes some funding for network cabling needs to consolidate printers. By networking printers multiple employees can use the same printer or even use the copiers for printing needs. This will reduce printer costs associated with printer cartridges and also reduce the need to replace printers. We will begin this consolidation in City Hall and specifically the offices of the Mayor and City Administrator, and Administrative Assistant, and then proceed through City Hall.

In addition to PC replacements, this budget includes \$67,460 to replace the entire desk top phone system throughout the City. During the last couple of years the desktop phone system has continued to

deteriorate to the point it has become a significant problem. The system continues to breakdown, sometimes for an entire day, replacement parts are hard to come by, and often times they are used parts that last for a day or two and we face the same issue. It becomes very challenging for members of the public to reach the City when the phone system is down.

One of the items not included in this budget, but is an issue is a new records management system (RMS) for Municipal Court and Police Departments. The current system is critically outdated in that it's a DOS based system, very dependent on human interaction, and there is only one individual from Charlotte that can work on the system.

With the current RMS a Police Officer enters ticket/case information into system and then a Clerk has to enter the same information on the Court side. Typing mistakes are not unheard of and thus an issue is created. In addition, the current system continues to have problems with printing because of the DOS programming and a City Clerk cannot access the system on their computer.

Staff is exploring alternative Window's based alternatives. In this research phase, staff are working with officials from the City of Clemson. The City of Clemson is currently using the same system the City is and, like Easley, they too are exploring alternatives. The main thrust of this partnership is to piggy back on Clemson's research with a hopeful possibility of selecting the same company to achieve economies of scale. While the City of Easley and the City of Clemson may end up using the same system, we will not be tied together in any other way. Each City's RMS will be independent.

Staff will keep City Council apprised of the situation, and a budget amendment will likely become necessary. Costs are estimated to be between \$60,000 - \$100,000.

Economic Development

This budget continues funding the Downtown TIF District to further the enhancements. This budget also includes funding for Special Events through the Hospitality Tax fund for our contractual arrangement with DunBurk's.

Parks and Recreation

This budget includes \$215,000 to further the implementation of the Parks and Recreation Master Plan. This is the same amount funded in the 2008-09 budget. Currently the City is researching quotes to install a playground unit at King's Park and to make other enhancements to the park. We hope to have a clear plan developed in the next thirty to forty-five days.

Other Items of Interest

This budget includes \$40,000 to maintain the City's Wellness program. As you know this was a new initiative in the 2008-09 budget and we are just now holding our employee meetings with the nurse. Employees will begin seeing monies in their paychecks beginning in May.

Given the change in health insurance and the reduction in premiums it is critically important we continue this program. The City must maintain its momentum in this area. Employees are losing weight, getting off medications, and becoming more fit. We've had one employee who was discovered to have high blood pressure that was so high it was becoming critical. Just informing this employee of their condition and getting them on medication may have prevented a potentially very large medical claim and maybe something worse.

Because of the demand from employees we plan on expanding the wellness program in 2009-10 and provide a round smoking cessation. Through research it appears that a typical prescription smoking program runs three months and costs about \$140 a month. Based on this information the City will reimburse one round of prescription smoking cessation treatment for a three month period. This will be limited to \$120 per month per employee (max will be \$360 per employee). Employees must submit a receipt from a recognized pharmacy to be reimbursed.

In addition, this budget provides \$13,000 in the General Government Budget to continue the semi-annual Easley City News newsletter.

This budget includes \$30,000 in the Community Development Fund to continue the Main Street grant program.

While the Fire Fund is not a new fund, it is being incorporated into the 2009-10 budget for the first time. This fund captures the one percent (1%) insurance companies pay the state treasurer. There are three categories these monies can be used for: retirement and insurance, training and education, and recruitment and retention. The funds cannot be used to offset normal operating or capital expenses such as fire trucks or equipment.

This budget includes \$150,000 in Stormwater for remedial repairs and construction.

In spite of the challenges, the City of Easley is in a very strong position financially. Unlike many cities, Easley maintains a very strong and healthy unreserved General Fund balance. This balance stood at \$4,347,080 at the fiscal year ending June 30, 2008. This represents 36% of the 2008-09 General Fund budget of \$12,153,012. A strong and healthy General Fund balance is important for several reasons; most importantly it provides the City with the necessary cash flow to pay bills throughout the year. The majority of the City's general fund revenue comes in the first five months of the calendar year. These funds are then used to pay bills and make payroll throughout the year. Second, a strong fund balance is looked upon very favorably by bond markets when debt is issued thereby ultimately lowering the interest paid on said debt issued. Third, a strong fund balance provides the City with a rainy day fund to access in case of emergencies. Finally, a strong fund balance will allow the City a limited amount of resources to access for future capital improvements. There are not very many cities in the State of South Carolina, let alone the Country that can say they have a 36% fund balance.

I would like to take this opportunity to personally thank all the department directors and division managers for their tireless effort and hard work on this budget.

I look forward to working with you in the coming fiscal year in executing this budget.

Sincerely,

Jonathan F. Simons, Jr.
City Administrator

EXECUTIVE SUMMARY

The budget for all funds is \$14,948,624 including a General Fund budget of \$11,522,821. This represents an overall budgetary decrease of 5.82% and a General Fund decrease of 5.19% over the adopted 2008-09 operating budget, respectively. A summary of all funds outlining the changes is included at the end of the executive summary section.

GENERAL FUND

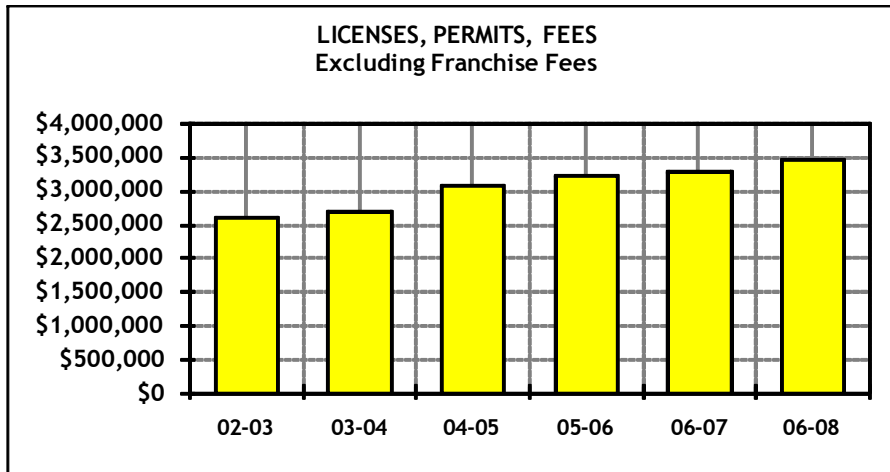
The General Fund accounts for the revenues and expenditures necessary to carry out basic governmental activities of the City such as police and fire protection, recreation, refuse disposal, and legal and administrative services. All financial transactions not accounted for in other funds are recorded in the General Fund.

General Fund Revenues

General Fund Revenues in 2009-10 are projected to decrease 5.19% than the current year budget.

	2008-09 Budget	2009-10 Budget	Percent Change
GENERAL FUND			
Revenues			
Property Tax	\$ 2,652,431	2,675,178	0.86%
Sales Tax	2,026,980	1,876,000	-7.45%
Franchise & Other Fees/Taxes	2,031,500	2,022,200	-0.46%
License & Permits	2,692,650	2,647,650	-1.67%
Intergovernmental	778,450	687,293	-11.71%
Other	0	0	#DIV/0!
Charges for Service	865,000	468,500	-45.84%
Public Safety	8,000	6,000	-25.00%
Fines	850,000	1,030,000	21.18%
Interest	155,000	25,000	-83.87%
Rental Income	35,000	45,000	28.57%
Transfers	0	10,000	#DIV/0!
Sale of Fixed Assets	0	0	#DIV/0!
Lease Purchase	0	0	#DIV/0!
Miscellaneous Income	58,000	30,000	-48.28%
TOTAL GENERAL FUND REVENUES	12,153,011	11,522,821	-5.19%

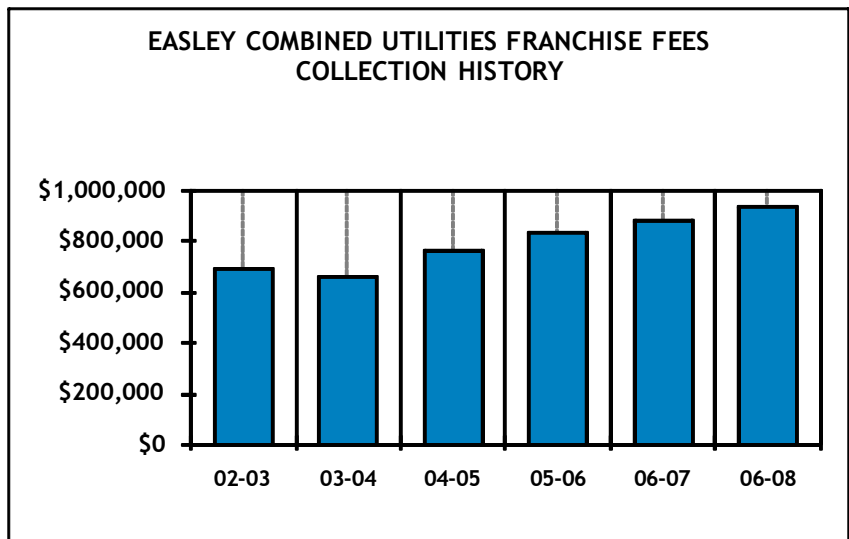
Property taxes comprise about 23% of all General Fund revenues. The tax levy on a particular piece of property is determined by market value, assessment ratio, and millage rate. Market value is determined by the Pickens County Assessor's Office using a variety of factors such as size, condition, location, and recent selling prices of comparable properties. Assessment ratio is a percentage which is multiplied by the appraised market value of a property to determine the assessed value. Owner-occupied residences are assessed at 4%, commercial properties at 6%, motor vehicles at 6%, personal property at 10%, and industrial and utilities at 10.5%.



Licenses, permits and fees represent the City’s largest revenue source for the City, comprising approximately 27% of all General Fund revenues. The most significant source is the business license tax, which a levy is based upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the City. The projection of \$3,122,150 in business license receipts (excluding franchise fees) is a 12.4% decrease over

the 2008-09 forecast of \$3,565,650. The basis for this forecast is trend analysis and assumptions based on current market conditions.

Franchise Fees comprise about 18% of all General Fund revenues. Revenues in this category include franchise fees for electric, gas, and cable television. The rate structure is based upon a certain percentage of gross receipts in each case, and the basis of each forecast is trend analysis along with current market conditions. Projected revenues from all franchise fees for 2009-10 are \$2,022,200 and include \$1,040,000 from Easley Combined Utilities. This represents an anticipated decrease of approximately \$9,300 from the 2008-09 adopted figure of \$2,031,500. The primary reason for the decrease is 2007-08 was the final year of the 1993 court agreement between Fort Hill Natural Gas and member municipalities, including the City of Easley.



The 1993 agreement steamed from a lawsuit brought on by the City of Easley, Town of Liberty, Town of Clemson, and the Town of Seneca which argued Fort Hill owed the cities a franchise fee similar to other utilities. Fort Hill disagreed and the matter was settled in court. As a settlement to the court decision Fort Hill was ordered to pay these municipalities three percent on the gross proceeds retained by Fort Hill for the years in question. The total amount owed to the member municipalities was \$1,928,317, the City of Easley share was \$698,243. The court settlement allowed Fort Hill 15 years to make these payments. As mentioned above, the last year is 2008.

Intergovernmental revenue includes grants and allocations from county, state, and federal governments. State-shared revenue is generally distributed on a pro-rata basis according to population or other set formula. The Aid to Subdivision revenue is distributed quarterly from the Local Government Fund and funded by a transfer of 4.5% of state general fund revenues. Counties receive 83.28% and municipalities 16.72% of the distribution. The revenue forecast from Aid to Subdivisions is expected to be \$475,000 for 2009-10.

In addition to receiving State Aid to Subdivisions, the City also receives a monthly statement from the South Carolina Department of Revenue for the 1% Local Option Sales Tax (LOST). 100% of the LOST revenues are used to defray property taxes. Projected revenues from all Intergovernmental Revenues for 2009-10 are \$2,563,293 and include \$1,850,000 from the LOST. This represents an anticipated decrease of \$242,137 from the 2008-09 adopted figure of \$2,805,430. The 2008-09 budget does not include any "C" fund revenue. If there is an opportunity for the City to utilize "C" funds staff will prepare a budget amendment.

General Fund Expenditures

A summary of General Fund expenditures for 2009-10 is shown in the following table along with the percent change from the adopted 2008-09 operating budget. Total expected expenditures for 2009-10 are expected to decrease from the 2008-09 budgeted expenditures by 5.19%.

Expenditures			
General Government	1,238,994	1,192,154	-3.78%
City Council	99,900	97,025	-2.88%
Municipal Court	762,538	955,816	25.35%
Finance	677,928	583,504	-13.93%
Police	3,409,128	3,199,578	-6.15%
Fire	1,781,850	1,724,355	-3.23%
Planning & Development	243,884	200,975	-17.59%
PW-Streets	1,551,243	1,530,874	-1.31%
PW-Solid Waste & Recycling	1,422,291	1,072,012	-24.63%
PW-Cemetary	38,044	36,740	-3.43%
Recreation	927,211	929,788	0.28%
TOTAL GENERAL FUND EXP.	12,153,011	11,522,821	-5.19%

Funding Highlights

General

- Maintains the excellent level of service to our citizens.
- Incorporates a 1% cost of living increase in the personnel budget of each City department.

Personnel Changes

Included in this budget are six additional (6) fire fighters as part of the Staffing for Adequate Fire and Emergency Response (SAFER) grant;

This budget eliminates a total of six (6) full-time General Fund positions. In addition, the budget also eliminates four (4) part-time positions in the General Fund associated with the planned closing of the courtesy drop-off center located behind Public Works. When combined the salary and benefits of these positions amounts to almost \$336,000;

Departmental Highlights

- In the *Planning & Development Department*, funding for the demolition of unsafe structures is budgeted at \$7,500.
- The *General Government Budget* includes \$13,000 in funding for the community newsletter, Easley City News, and \$15,000 for a City-wide holiday party.
- In the *Finance Department* \$26,000 is funded for annual external audit.
- In the *Police Department*, the budget includes \$18,000 for prisoner expense, and \$75,000 is budgeted to replace five police cars.
- In the *Streets Division*, \$450,000 is funded for utilities such as street and stop lights.
- In the *Parks Budget*, \$82,000 is included for occasional/seasonal and/or part time help. These positions are primarily used for game supervisors and tournament security.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Annual budgets are established for the following special revenue funds: Community Development Administration, Hospitality Tax, Accommodations Tax, Local Accommodations Tax, Victim Rights, Law Enforcement Fund, Fire Fund and Recreation Fund.

Community Development Administration

The Community Development Fund is used to record receipts and expenditures of Community Development Block Grant funds. \$159,533 in funding is budgeted for 2008-09.

Hospitality Tax

Through an Ordinance passed in 2000 the City enacted the levy of one percent (1%) local hospitality tax on prepared meals and beverages in the City. In 2005 through an amendment the City increased the levy to a maximum two percent (2%). The proceeds are to be used for tourist related improvements and facilities. The collection and use of the tax is governed by Article 7, "Local Hospitality Tax," of Chapter 1, Title 6 of the South Carolina Code of Laws. The 2009-10 budget includes \$251,300 in eligible Parks and Recreation Expenditures to assist in funding maintenance and upkeep at the J.B. "Red" Owens Recreation Complex, and Larry D. Bagwell gymnasium. In addition, \$537,506 is budgeted for debt service on Certificates of Participation (COP's), series 2006.

The 2009-10 Hospitality tax budget also includes \$215,000 in Parks and Recreation improvements associated with the Parks and Recreation Master Plan, plus an additional \$80,000 for Special Events.

Accommodations Tax

The Accommodations Tax Fund is used to record the proceeds and allocations of a 2% tax imposed on all accommodations by the State. Revenue collected from the tax is divided among localities based on the amount of revenue generated within each jurisdiction.

The proceeds must be spent for tourism promotion and related expenditures. Revenues of \$50,100 are estimated for 2009-10. Following transfers of \$15,000 to the General Fund and \$11,880 to the Easley Chamber of Commerce, the remaining balance is estimated to be \$23,220. Of this discretionary amount, the Accommodations Tax Advisory Committee will make a recommendation to the City Administrator who in turn will make a recommendation to the City Council on where these funds will be allocated.

Accommodations Fee

The Accommodation Fee represents a 1.5% levy that is collected from accommodation facilities located within the City's jurisdiction. This tax is very similar to the State Accommodations Tax and is levied on every person engaged in the business of furnishing accommodations for transients within the jurisdiction of the City. The uses of the money are very similar to the State Accommodations Tax and Hospitality Taxes in that the monies can only be used for tourism related purposes.

The City is budgeting \$50,000 in revenue and \$35,000 in expenditures. While these expenditures are not as of yet defined, they must be for tourism promotion and other tourist related expenditures.

Law Enforcement Fund

The Law Enforcement Fund was a new fund in 2009-10. Heretofore revenues and expenditures associated with this fund were being captured in the General Fund. By law transactions associated with these funds must be used for law enforcement purposes.

The fund is further separated into two portions, a restricted holding account and an unrestricted account. Funds in the restricted holding account are monies that the City has secured through arrests and must hold until the case in question is disposed. If the defendant is found to be innocent or not guilty the monies in question will be returned. If the defendant is found guilty the monies may be transferred to the unrestricted account and can be used by the Police department for law enforcement activities with approval from City Council.

The 2009-10 budget includes \$26,000 in funding to assist in funding digital video cameras for police cars to assist in prosecution cases.

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 costs of providing goods or services to the general public and other local governments on a continuing basis will be financed or recovered primarily through user charges. Annual budgets are established for Stormwater Management.

Stormwater Management

Stormwater fees are levied to support the stormwater management program. The fee is based on impervious surface areas of residential and commercial property. The flat rate structure is \$24 per year for both developed residential and for equivalent residential units of developed commercial/industrial property. The 2009-10 revenue estimate is \$335,000.

Budgeted expenditures for 2009-10 are \$317,005. Included in next year's work plan is \$150,000 for capital construction and remedial improvements, \$3,500 is funded for public education, and \$3,000 for illicit discharge detection.

Debt Service Funds

Debt Service Funds are established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest payments. Under state law, municipalities can only issue two forms of long-term debt: general obligation bonds and revenue bonds. The City of Easley has used tax increment bonds as a means of financing capital improvements, and these debt instruments are also classified as a form of revenue bonds. The debt service payments associated with the Certificates of Participation, Series 2006, are accounted for in the Hospitality Tax Special Revenue fund.

General Debt Service

General Debt Service in the 2009-10 budget is \$764,514. This includes \$181,064 for interest and \$583,450 is for reduction of principal.

Tax Increment Fund

Tax increment bonds in the amount of \$640,000 were issued in 2004 to finance infrastructure improvements in the Downtown development area. In 2006 a \$1,050,000 Series 2006 bond was issued to further the improvements downtown. Projected revenues of \$322,000 in 2009-10 will be used to cover the debt service obligation of \$177,216. Another \$270,000 is budgeted from fund balance for capital improvements within the downtown redevelopment area on a pay-as-you-go methodology.

SUMMARY OF ALL FUNDS

	2008-09 Budget	2009-10 Budget	Percent Change
GENERAL FUND			
Revenues			
Property Tax	\$ 2,652,431	2,675,178	0.86%
Sales Tax	2,026,980	1,876,000	-7.45%
Franchise & Other Fees/Taxes	2,031,500	2,022,200	-0.46%
License & Permits	2,692,650	2,647,650	-1.67%
Intergovernmental	778,450	687,293	-11.71%
Other	0	0	#DIV/0!
Charges for Service	865,000	468,500	-45.84%
Public Safety	8,000	6,000	-25.00%
Fines	850,000	1,030,000	21.18%
Interest	155,000	25,000	-83.87%
Rental Income	35,000	45,000	28.57%
Transfers	0	10,000	#DIV/0!
Sale of Fixed Assets	0	0	#DIV/0!
Lease Purchase	0	0	#DIV/0!
Miscellaneous Income	58,000	30,000	-48.28%
TOTAL GENERAL FUND REVENUES	12,153,011	11,522,821	-5.19%
Expenditures			
General Government	1,238,994	1,192,154	-3.78%
City Council	99,900	97,025	-2.88%
Municipal Court	762,538	955,816	25.35%
Finance	677,928	583,504	-13.93%
Police	3,409,128	3,199,578	-6.15%
Fire	1,781,850	1,724,355	-3.23%
Planning & Development	243,884	200,975	-17.59%
PW-Streets	1,551,243	1,530,874	-1.31%
PW-Solid Waste & Recycling	1,422,291	1,072,012	-24.63%
PW-Cemetary	38,044	36,740	-3.43%
Recreation	927,211	929,788	0.28%
TOTAL GENERAL FUND EXP.	12,153,011	11,522,821	-5.19%
REVENUES LESS EXPENDITURES	\$ 0	0	

	<u>2008-09</u> Budget	<u>2009-10</u> Budget	Percent Change
<u>SPECIAL REVENUE FUNDS</u>			
Revenues/Transfers In			
Community Development Administration	\$ 149,879	164,879	10.01%
Community Development - Woodside	0	0	#DIV/0!
Community Development - Glenwood	0	0	#DIV/0!
Community Development - Alice Mill	300,000	0	-100.00%
Hospitality Tax	1,200,000	1,200,000	0.00%
Accommodations Tax	64,600	50,100	-22.45%
Local Accommodations Tax	40,000	50,000	25.00%
Victim Rights Fund	60,500	70,000	15.70%
Recreation Fund	500,750	420,800	-15.97%
Law Enforcement Fund	0	0	#DIV/0!
Fire Fund	0	50,000	#DIV/0!
TOTAL REVENUES/TRANSFERS IN	<u>2,315,729</u>	<u>2,005,779</u>	-13.38%
Expenditures/Transfers Out			
Community Development Administration	135,879	159,533	17.41%
Community Development - Woodside	0	0	#DIV/0!
Community Development - Glenwood	0	0	#DIV/0!
Community Development - Alice Mill	300,000	0	-100.00%
Hospitality Tax	1,106,085	1,121,006	1.35%
Accommodations Tax	64,500	50,100	-22.33%
Local Accommodations Tax	35,000	35,000	0.00%
Victim Rights Fund	47,790	72,285	51.26%
Recreation Fund	438,866	378,144	-13.84%
Law Enforcement Fund	0	26,000	#DIV/0!
Fire Fund	0	55,000	#DIV/0!
TOTAL EXP./TRANSFERS OUT	<u>2,128,120</u>	<u>1,897,068</u>	-10.86%
REVENUES LESS EXPENDITURES	<u>\$ 187,609</u>	<u>108,711</u>	
<u>ENTERPRISE FUNDS</u>			
Revenues/Transfers In			
Stormwater Management	355,000	335,000	-5.63%
TOTAL REVENUES/TRANSFERS IN	<u>355,000</u>	<u>335,000</u>	-5.63%
Expenses/Transfers Out			
Stormwater Management	301,377	317,005	5.19%
TOTAL EXP./TRANSFERS OUT	<u>301,377</u>	<u>317,005</u>	5.19%
REVENUES LESS EXPENDITURES	<u>\$ 53,623</u>	<u>17,995</u>	

	<u>2008-09</u> Budget	<u>2009-10</u> Budget	Percent Change
<u>DEBT SERVICE FUNDS</u>			
Revenues/Transfers In			
General Debt Service	\$ 856,146	764,514	-10.70%
Tax Increment Fund	275,000	322,000	17.09%
TOTAL REVENUES/TRANSFERS IN	<u>1,131,146</u>	<u>1,086,514</u>	<u>-3.95%</u>
Expenditures/Transfers Out			
General Debt Service	856,146	764,514	-10.70%
Tax Increment Fund	434,048	447,216	3.03%
TOTAL EXP./TRANSFERS OUT	<u>1,290,194</u>	<u>1,211,730</u>	<u>-6.08%</u>
REVENUES LESS EXPENDITURES	\$ <u>-159,048</u>	<u>-125,216</u>	
<u>TOTALS - ALL FUNDS</u>			
(Memorandum only)			
Revenues	\$ 15,954,886	14,950,114	-6.30%
Expenditures	<u>15,872,702</u>	<u>14,948,624</u>	-5.82%
REVENUES LESS EXPENDITURES	\$ <u>82,184</u>	<u>1,490</u>	