

Budget Analysis

Charleston County

OVERVIEW

During the preparation of the fiscal year (FY) 2004 budget, the County Administrator directed the budget staff to assemble a General Fund or operational budget that included sufficient funding to allow for the following:

- no net increase in taxes
- maintain existing levels of basic services to the community
- maintain a compensation and benefits package sufficient for attracting and retaining a qualified and highly motivated work force
- maintain staffing at or below current levels

The budget presented to County Council met these directives with the exception of four positions added for the Emergency Medical Services Department. However, during budget deliberations, the Administrator's proposed budget was adjusted by Council to provide for an additional 20 Detention Officers for the Sheriff's Department and an additional five FTEs for the County's Library system.

The FY 2004 Council Approved budgeted available funds and disbursements (including budgeted increases in fund balance) for all operating funds reflect a \$12.4 million or 4.8 percent increase from the FY 2003 budget. The FY 2004 operating budget is summarized in Figure 1. Additionally, graphs are presented on pages 2 and 3 that represent the total available budgeted funds and the total disbursements for all of the County's annually appropriated operating funds. This budget does not include project-length budgets (i.e., Capital Projects Funds or grants) appropriated in previous years.

Figure 1. Summary of FY 2004 Operating Budget

(Expressed in Millions)

<u>Description</u>	
Available Funds (Including Beginning Fund Balance)	\$ 360.6
Less Budgeted Disbursements	<u>267.7</u>
Reserved (Obligated) For External Parties	16.7
Designated Internally For Specific Purpose	7.8
Unreserved and Undesignated	<u>68.4</u>
Ending Fund Balance	<u>\$ 92.9</u>

The millage rate for the County is comprised of the General Fund (or operating) millage and the debt service millage. The General Fund millage remains unchanged from FY 2003 at 50.8 mills (before adjustment for reassessment cap). The debt service levy, used to pay interest and principal on funds borrowed for capital projects, also remains unchanged from FY 2003 at 10.4 mills (before adjustment for reassessment cap). The combined operating and debt service levy is therefore 61.2 mills.

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Figure 2 presents a summary of the County's millage rates for the last ten years. For the owner of a \$100,000 home (four percent assessed property) the 61.2 mills equate to a tax of \$244.80. As allowed under state law, the County elected in FY 1991 to reduce property taxes by levying a one percent Local Option Sales Tax (LOST). The Sales Tax credit for FY 2004 is \$109.00 for the \$100,000 homeowner and remains unchanged from the prior year. After applying the Sales Tax credit, the net tax is \$135.80 representing no change from FY 2003 for the \$100,000 homeowner. Compared to FY 1991, the last year before the Sales Tax credit, real property taxes are down 48.3 percent.

Figure 2. County Millage Rates

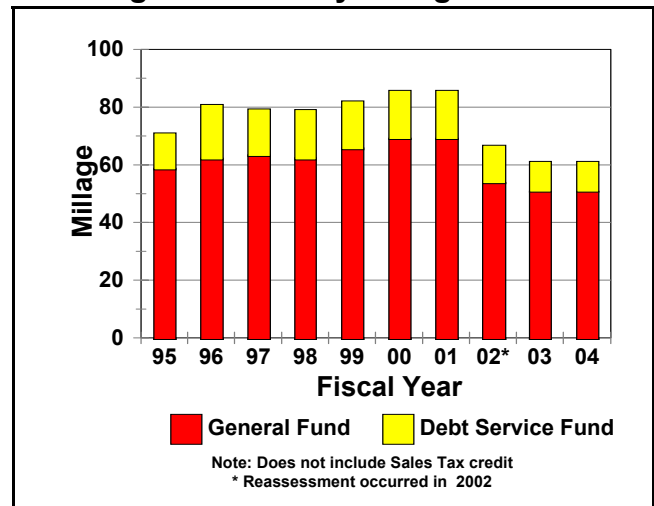
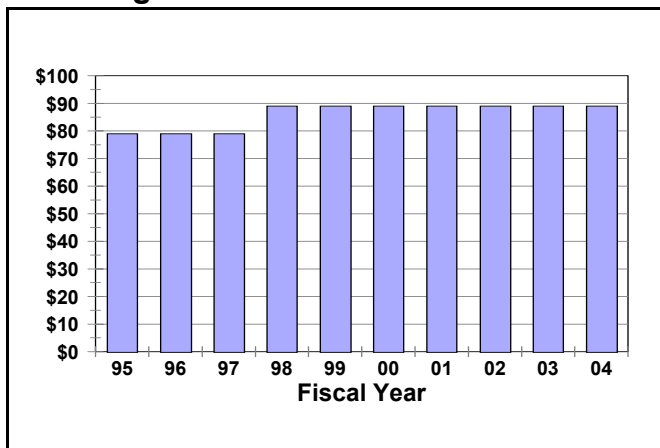


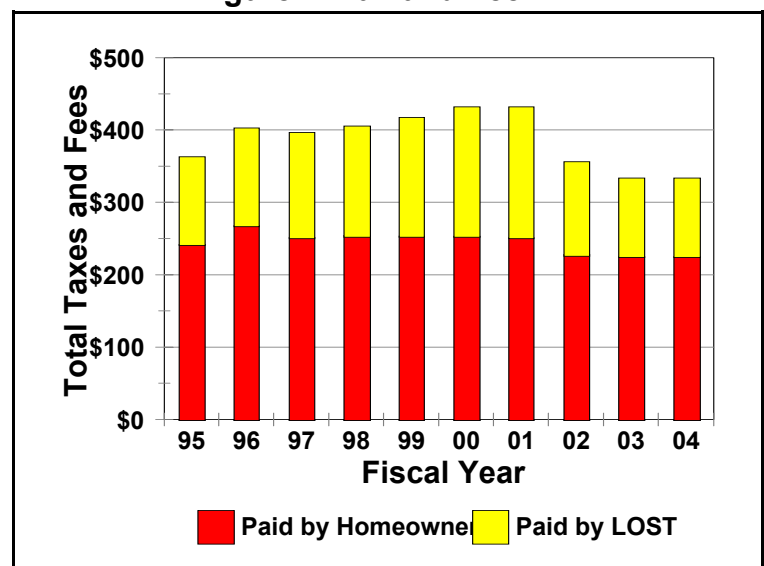
Figure 3. Solid Waste User Fee



The Solid Waste, Recycling and Disposal Fee remains constant at \$89.00 for a single-family residence. Figure 3 presents a ten year history of the Solid Waste User Fee.

When the Solid Waste, Recycling and Disposal Fee is included, the overall tax and fee bill for the owner of a \$100,000 home (four percent assessed property) amounts to \$224.80 representing no change from the prior year. Figure 4 illustrates these amounts, as well as provides a ten-year history of the County's tax and fee bill paid by the homeowner and paid by the LOST credit.

Figure 4. Tax and Fee Bill



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There were 32 Full-Time Equivalents (FTEs) added for FY 2004, bringing the total number of FTEs employed by Charleston County to 2,353. The majority of the positions added were in the Sheriff's Department which gained 20 Detention Officers. Emergency Medical Services gained four FTEs, and five FTEs were added to the Library in preparation for a new branch scheduled to open in the latter part of FY 2004. Also added were three grant-funded FTEs in the Department of Alcohol and Other Drugs (DAODAS).

GENERAL FUND

SUMMARY

The FY 2004 Council Approved budgeted disbursements for the General Fund total \$134.8 million, a \$6.0 million or 4.6 percent increase from the FY 2003 budget. Budgeted funds available for the FY 2004 budget also total \$134.8 million. The General Fund millage (before adjustment for reassessment cap) is 50.8 mills representing no change from the prior year.

Page 34 shows a graphical representation of the County's General Fund budget. Page 35 shows a fund statement which depicts the numerical summary of the General Fund budget.

BEGINNING BALANCE

The General Fund beginning fund balance for FY 2004 is \$16.0 million. This fund balance consists of unanticipated prior year revenues and transfers in, lapsed prior year funds, and the "Rainy Day Fund" which is a reserve established and maintained by County Ordinance for catastrophes. (See Figure 5 for additional detail.)

Figure 5. General Fund Beginning Balance

(Expressed in Thousands)

Rainy Day Fund	\$	7,500
Unanticipated FY 2003 Revenues		2,358
Unexpended FY 2003 Budget		1,570
Undesignated FY 2002 Ending Fund Balance		<u>4,572</u>
Total	\$	<u>16,000</u>

The funds designated for Rainy Day will be increased by \$0.5 million to a balance of \$7.5 million, pending completion of the FY 2003 audit. The first \$0.5 million of actual tax revenues over budget goes to the Rainy Day designation per County Ordinance. This designation was established in FY 1992 to strengthen the County's balance sheet and to strengthen the County's disaster preparedness position. The designation is intended to equal no less than four percent of the General Fund disbursements as required by the Budget Ordinance.

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REVENUES

General Fund budgeted revenues of \$124.9 million reflect an increase of \$5.2 million or 4.3 percent from FY 2003. Figure 6 shows the significant budget changes in revenues.

Figure 6. Changes In Revenues

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Non-depart. - Ad Valorem Taxes	\$ 49,303	\$ 50,308	\$ 1,005	2.0
Non-depart. - Local Option Sales Tax	31,200	32,350	1,150	3.7
Clerk of Court - Family Court Fees	960	1,500	540	56.3
Sheriff - Fed Prisoner Reimbursement	1,125	1,660	535	47.6
BL/UF - Business Licenses	1,675	2,100	425	25.4

The County's largest single revenue source, Ad Valorem Taxes, reflects an increase of \$1.0 million due to a growing tax base, currently estimated to be expanding at a rate of 2.5 percent over current-year valuations. This growth rate is based upon estimated growth per the Assessor. The County's second largest revenue source, Local Option Sales Tax, reflects an increase of \$1.2 million based on historical collections.

Other significant changes in General Fund revenues are the result of adjustments to certain fee structures combined with projections based on historical growth trends. These include a \$0.5 million increase in Family Court Fees, a \$0.5 million increase for the housing of federal prisoners, and a \$0.4 million increase in business license revenues.

EXPENDITURES

The FY 2004 Council Approved budgeted expenditures for the General Fund total \$118.5 million, representing a \$3.3 million or 2.9 percent increase over the FY 2003 budget. Figure 7 shows the significant budget changes in expenditures for FY 2004.

Figure 7. Changes In Expenditures

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Sheriff - Detention Center	\$ 18,613	\$ 20,374	\$ 1,761	9.5
Salary Adjustment	393	2,078	1,685	428.5
Early Retirement	1,449	0	(1,449)	(100.0)
County Council	1,559	2,415	856	54.9

The largest single increase in General Fund expenditures this year is in the Sheriff's Department. The increase to this department's budget reflects the full-year cost of twenty FTEs added to the Detention Center in FY 2003 plus funding for an additional twenty Detention Center FTEs added by County Council during FY 2004 budget deliberations. The next largest increase is attributable to the salary adjustment granted by County Council. This cost of living adjustment (COLA) represents a 2.5 percent salary increase for full-time County employees, and is based on the Southeastern Consumer Price Index for December 2002. The dollar

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amount of the COLA was reduced by County Council's decision during budget deliberations to delay implementation by two pay periods. The FY 2003 amount in the table in Figure 7 represents the remaining portion of the prior year's salary adjustment after initial allocation to the departments, while the FY 2004 amount is unallocated. Figure 7 also reflects the effect of a one-time early retirement incentive program budgeted in FY 2003 not being rebudgeted for FY 2004.

Another significant change to the General Fund budget is reflected in the appropriation to County Council. The major portion of this increase is due to County Council's decision to transfer funding from the Election Commission and the Voter Registration Department to Council's contingency. This was done in anticipation of state legislation to merge these two functions during FY 2004.

INTERFUND TRANSFERS OUT

Approximately \$16.3 million is transferred from the General Fund to various other funds. The transfers are increased \$2.6 million or 19.3 percent from the FY 2003 budget.

The increase is principally due to funds transferred to Fleet for anticipated expenditures related to capital. The transfer to the Library was also increased to accommodate rising personnel costs. In addition, during budget deliberations, County Council further increased the transfer to the Library in order to maintain services at current levels.

ENDING BALANCE

Although the estimated General Fund's ending balance for FY 2004 does not include any unreserved/undesignated amounts, the actual ending balance is expected to include some unreserved and undesignated funds. This expectation is the result of conservative budgets for revenues and anticipated savings on expenditures. If the ending balance is not replenished during FY 2004, the County will need to find additional revenue sources (e.g., taxes) or reduce services for FY 2005 to balance the budget.

DEBT SERVICE FUND

SUMMARY

The FY 2004 Council approved budgeted disbursements for the Debt Service Fund total \$21.1 million which is a \$1.0 million or 4.8 percent increase from the FY 2003 budget. The increase reflects the County's planned debt repayment schedule. Budgeted funds available for FY 2004 also total \$21.1 million. The Debt Service Fund millage is 10.4 mills (before adjustment for reassessment cap) representing no change from FY 2003.

Page 36 displays a graphical representation of the County's Debt Service Fund budget. Page 37 contains a fund statement which is a numerical summary of the Debt Service Fund.

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REVENUES

Debt Service Fund revenues total \$18.2 million and reflect a \$0.2 million or 1.3 percent increase from the prior year reflecting growth in the tax base.

EXPENDITURES

The FY 2004 budgeted expenditures for the Debt Service Fund total \$19.8 million. This amount reflects a \$1.0 million or 5.1 percent increase from FY 2003. This amount will continue to service the County's outstanding debt obligations.

SPECIAL REVENUE FUNDS

SUMMARY

The FY 2004 Council Approved budgeted disbursements for the Special Revenue Funds total \$35.8 million (including budgeted increases in fund balance), a \$0.8 million or 2.2 percent increase from the FY 2003 budget. Budgeted funds available for FY 2004 also total \$35.8 million.

Page 38 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 39-67 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Special Revenue Funds revenues total \$22.8 million and represent no overall change from the FY 2003 budget. However, Figure 8 provides information on departments and entities that individually did have significant revenue changes.

Figure 8. Changes In Revenues

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Grants Admin - Urban Entitlement	\$ 4,131	\$ 3,714	\$ (417)	(10.1)
Trident Technical College	3,455	3,737	282	8.2
EMS - Awendaw Fire Department	1,053	1,064	11	1.0

Urban Entitlement Grant revenues are reduced in anticipation of a decline in Federal Housing and Urban Development funding for Community Development Block Grant programs. Trident Technical College's revenues are budgeted higher reflecting growth in the tax base. The Awendaw Fire Department's revenues reflect an 8.9 mill increase for a total of 40.0 mills. The additional tax revenues are offset by the elimination of capital lease proceeds.

INTERFUND TRANSFERS IN

In total, approximately \$11.3 million is transferred into the Special Revenue Funds from various other funds. The transfers are increased \$0.9 million or 8.4 percent from the FY 2003 budget. The primary portion of the increase comes from the General Fund to fund Library operations. During budget deliberations, County Council increased appropriations to maintain current service levels.

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EXPENDITURES

The FY 2004 budgeted expenditures for the Special Revenue Funds total \$32.6 million which is a \$0.6 million or 1.8 percent increase over FY 2003. Figure 9 shows the significant budget changes in expenditures.

Figure 9. Changes In Expenditures

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Econ Development - Multi-County Parks	\$ 0	\$ 458	\$ 458	100.0
Library	12,049	12,331	282	2.3
Trident Technical College	3,455	3,737	282	8.2
EMS - Awendaw Fire Department	1,056	1,157	101	9.6
Grants Admin - Urban Entitlement	4,306	3,889	(417)	(9.7)

Of the County's Special Revenue Funds, Economic Development's Multi-County Parks program had the largest increase. The amount shown in Table 8 reflects the expansion of economic development services and partial funding for the Charleston Regional Development Alliance. During budget deliberations, Council shifted a portion of the General Fund's allocation for the Council of Governments to the Special Revenue Fund and allocated additional funding for military base preservation.

The Charleston County Library's budget includes higher personnel costs and building maintenance costs. During budget deliberations Council added five positions to prepare for the opening of the John's Island Library in early FY 2005.

Trident Technical College's budget was increased to accommodate higher personnel, building renovation, and maintenance costs. These expenditure increases are entirely offset through increased revenues derived from a growing tax base.

Awendaw Fire Department's budget is also increased for FY 2004. This increase is primarily attributable to an Occupational Safety and Health Administration's (OSHA) mandate that requires additional personnel. In an effort to comply with this mandate, the Awendaw Fire Department added temporary staff.

Partially offsetting the increases to expenditures in the Special Revenue Funds is a reduction to the Urban Entitlement Grant budget which reflects a corresponding anticipated decline in program revenue.

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INTERFUND TRANSFERS OUT

The increase in the Interfund Transfer Out for the Special Revenue funds amounts to \$0.5 million for FY 2004. A larger portion of Accommodations Fee revenue is being transferred this year to the General Fund for tourist-related expenses and accounts for a little more than half this amount. The remainder of the increase consists primarily of a one-time transfer from the Sheriff's Asset Forfeiture Fund to the General Fund to partially cover the cost of adding twenty new FTEs for the Detention Center.

FUND BALANCE

Council authorized, in total, the use of 0.9 million from the Special Revenue Funds' fund balance. The FY 2004 ending fund balance is projected to be \$9.2 million.

ENTERPRISE FUNDS

SUMMARY

The FY 2004 Council Approved budgeted disbursements for the Enterprise Funds total \$47.1 million (including budgeted increases in fund balance). This is a \$1.7 million or 3.9 percent increase from the FY 2003 budget. Funds available for FY 2004 also total \$47.1 million.

Page 68 displays a graphical representation of the County's Enterprise Funds budgets, while pages 69-72 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Revenues for the Enterprise Funds total \$42.8 million and reflect an increase of \$1.2 million or 2.8 percent over FY 2003. Figure 10 illustrates the significant budgeted revenue changes.

Figure 10. Changes In Revenue

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
BL/UF - User Fee Administration	\$ 20,800	\$ 21,280	\$ 480	2.3
Internal Services - Parking Garages	2,478	2,753	275	11.1
DAODAS	7,965	8,210	245	3.1
Planning - Emergency 911	950	1,151	201	21.2

The budgeted revenue from the Business License User Fee division reflects continued growth in user fee revenue due to an expanding collection base. Also contributing to the overall increase in Enterprise Fund revenue are the collective revenues from the County's three parking garages. Revenues are expected to grow due to increases in transient and independent customer monthly leasing requirements. Revenues for the Department of Alcohol and Other Drug Services (DAODAS) have also been budgeted higher to reflect additional medicaid billings and new program income. The County's Emergency 911 revenues are budgeted higher to reflect continued growth in the subscriber base.

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EXPENSES

The FY 2004 budgeted expenses for the Enterprise Funds total \$45.6 million representing a \$1.2 million or 2.7 percent increase from the FY 2003 budget. Figure 11 illustrates the significant budget changes for FY 2004.

Figure 11. Changes In Expenses

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Solid Waste	\$ 30,518	\$ 31,385	\$ 867	2.8
DAODAS	9,583	10,193	610	6.4

Solid Waste expenses primarily reflect a scheduled increase in the reserve for debt service payments and increases for depreciation expense and the accrual for landfill closure costs. The increase to expenditures in DAODAS are driven mainly by personnel costs related to both new as well as existing programs.

FUND BALANCE

The approved budgets allow for a total net increase of \$0.2 million to the combined fund balances of the Enterprise Funds. The FY 2004 combined ending fund balance is projected to be \$52.7 million.

INTERNAL SERVICE FUNDS

SUMMARY

The FY 2004 Council Approved budgeted disbursements for the Internal Service Funds total \$30.5 million, a \$3.0 million or 10.9 percent increase over the FY 2003 budget. Funds available for FY 2004 also total \$30.5 million.

Page 73 shows a graphical representation of the County's Internal Service Funds budgets, while pages 74-77 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Internal Service Funds revenues total \$25.8 million and reflect an overall increase of \$1.6 million or 6.7 percent. Figure 12 shows the significant budget changes for FY 2004.

Figure 12. Changes In Revenue

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Safety & Risk - Safety/Workers' Comp	\$ 1,300	\$ 2,380	\$ 1,080	83.1
Human Resources - Employee Benefits	13,484	14,088	604	4.5

The Internal Service Funds revenues reflect increases in charges to County departments and external agencies. The two primary areas increased for FY 2004 are Workers' Compensation

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and Employee Benefits. The revenues have been increased to capture the effect of rising costs in these areas.

INTERFUND TRANSFERS IN

A combined \$3.4 million is transferred into the Internal Service Funds from the General Fund and Debt Service Fund. These transfers are increased \$1.5 million or 75.8 percent from the FY 2003 budget. The primary reason for this increase is due to costs related to Fleet Operations capital.

EXPENSES

The FY 2004 budgeted expenses for the Internal Service Funds total \$30.5 million which is a \$3.0 million or 10.9 percent increase over the FY 2003 budget. Figure 13 shows the significant budget changes for FY 2004.

Figure 13. Changes In Expenses

(Expressed in Thousands)

<u>Department/Division</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	<u>Percent Change</u>
Fleet Operations	\$ 6,850	\$ 8,082	\$ 1,232	18.0
Safety & Risk - Safety/Workers' Comp	1,772	2,880	1,108	62.6
Human Resources - Employee Benefits	13,984	14,838	854	6.1

The majority of the increase reflects rising costs for health insurance and workers' compensation insurance. The increase in Fleet expenses reflects capital related expenses including depreciation expense.

FUND BALANCE

Council authorized, in total, the use of \$1.3 million from fund balance. The FY 2004 ending fund balance is projected to be \$16.3 million.

CAPITAL IMPROVEMENT PROGRAM

The County's capital improvement program is continuous. Facility and infrastructure repair and replacement remain high on the list of goals and prioritized service to the community. The County is currently working to implement a five year facilities and capital plan to ensure timeliness of maintenance and assure efficient allocation of capital resources.

Construction continues on the new John's Island Branch Library, which has a scheduled completion date in July 2004. Design on the replacement EMS Medic Stations (Medic 4 on James Island, Medic 6 located in McClellanville, and Medic 7 on John's Island) has been completed and the construction site work is underway. Construction of each medic station is projected to require twelve months to complete. Renovation continues on the O.T. Wallace Office Building and the Blake Tenement Building. Scheduled for completion in May 2004, Phase two includes renovation of floors one, two, and three. The County has contracted for a

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replacement computerized Tax System (\$1.8 million), which is scheduled to be fully operational during the second quarter of FY 2005.

The County's Roadwork program is ongoing. With a budget of \$18.0 million for paving, resurfacing, rocking, construction of bikepaths, and sidewalks, the County's Roadwork program is aggressive. The state appropriates funding using a formula based on volume of gasoline sold by jurisdictions. These "C" funds must be used for low priority state roads and local roads. The selection of projects for the "C" funds is performed by the Charleston County Transportation Committee which prioritizes the needs of the County and its municipalities. In addition, the County performs road maintenance and additions based on citizen requests and findings from scheduled inspections of existing infrastructure.

DISTINGUISHED BUDGET AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the County of Charleston, South Carolina for its annual budget for the fiscal year beginning July 1, 2002. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.