

# Letter from the Administrator

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Citizens of Charleston County:

I am pleased to present to you the Fiscal Year (FY) 2015 Charleston County Operating Budget, as adopted by Charleston County Council on June 17, 2014. It has been a long and winding road as our nation and region have struggled throughout these sluggish post-recession years. The good news this year is that the Charleston area is experiencing growth in sales tax and accommodations taxes and is beginning to see some growth in the property tax base.

## HIGHLIGHTS

- **No Tax Increase**
- **Continue growing an attractive business environment for new and expanding companies**
- **Upgrade County Facilities:**
  - **Law Enforcement Center**
  - **Materials Recycling Facility**

The FY 2015 budget is balanced and meets the following objectives established at the beginning of the budget process:

- **Limit financial impact on taxpayers.** County Council conscientiously sought to maintain a consistent level of taxation for our residents and businesses. The County's tax millage, Local Option Sales Tax Credit and the Solid Waste User Fee for Fiscal Year 2015 remain constant.
- **Sustainability of County services while maintaining County's fiscal health.** As the County enters FY 2015, the County maintains its strong AAA bond rating (gauge of the County's fiscal health) with Fitch, Moody's and Standard and Poor's. This budget is not balanced by drawing down one-time reserves, thus avoiding the creation of a structural imbalance that would make it more difficult to meet our fiscal needs in future years. This budget follows the County's financial policies, which include maintaining the Rainy Day funds, maintaining fund balance levels, and performing five-year financial forecasts for the County's major funds.
- **Maintain a qualified and highly motivated work force.** The County works toward maintaining a competitive compensation system for employees. The County is proud to offer our hard-working employees a recurring 1.8% Cost of Living Adjustment (COLA) increase in compensation for employees eligible per the County's Personnel Policies. In addition, the budget includes funding to implement changes to compensation based on the compensation system study.

The local economy is one of the principal drivers in formulating the budget. Charleston County recognizes that its financial health is linked to business development in the area. The Charleston area has received numerous national recognitions including the **#11 Best Performing City in the U.S.** (Milliken Institute 2014) and **Top twelve technology hubs in America** (State Tech Magazine, 2013). Between January 2009 and today, twenty-nine manufacturing and technology businesses have either expanded or relocated to Charleston

County; including Boeing Company, IFA Rotorion, and the Interech group. County Council continued their efforts to support a thriving economic development in the area by embarking on an \$80 million South Aviation Road Project to improve the infrastructure for developing and expanding businesses along and around the Palmetto Commerce Parkway. In addition, County Council approved funding for Trident Technical College's Aeronautical Training Facility. As the County continues to attract aeronautical manufacturers like Boeing to the area, educational institutions and local governments will work together to increase opportunities to sculpt a local workforce prepared to fill the jobs in the area's burgeoning aeronautical marketplace.

## THE BUDGET IN BRIEF

While Charleston County is experiencing modest growth in most revenue areas for 2015, constant increases in healthcare costs, the fluctuating nature of fuel prices, and the ever present costs to maintain the County's fleet and infrastructure investment make the task of presenting a balanced budget more challenging each year. Over the last seven years, Charleston County has utilized target-based budgeting to help control increasing costs. Early in the budget process, the County reviewed projected appraised property value, Charleston County and national economic indicators, actual FY 2013 receipts, and FY 2014 year-to-date collection trends to project the amount of revenues available for FY 2015. From this process, a target budget was determined for each office/department. As a result of this approach, the County avoided a tax millage increase in FY 2015 while meeting all financial obligations and providing employees with a COLA.

Revenues and other sources for all operating funds<sup>1</sup> total \$428.4 million for FY 2015, an increase of \$18.3 million over the previous fiscal year. The largest increase reflects the anticipated revenue from the sale of the Charleston Center building to the Medical University of South Carolina for \$17 million. In addition, budgeted amounts are up by \$8.2 million for Property Taxes and Local Option Sales Tax for the General Fund. These increases are offset by a \$13.1 million reduction in one-time FY 2014 bond proceeds that were designated for the repayment of debt service in Transportation Sales Tax: Revenue Bond Debt Service until multi-county parks revenues are available to pay for the South Aviation Road Project.

Expenditures and other uses for all operating funds total \$428.2 million for FY 2015, a \$4.6 million increase from the previous year. Most of the increases in expenditures are a result of increased personnel cost. Charleston County added 30 Full-Time Equivalents (FTEs) in FY 2015, primarily in Emergency Medical Services, to ensure public safety remains our top priority. In addition, Charleston County plans to implement a revised compensation system and a COLA in October 2014. Expenditures are also increased for debt service for Trident Technical College's Aeronautical Training Facility and the South Aviation Road project, which are anticipated to contribute toward expansion of economic development in the tri-county area.

The beginning fund balance for all operating funds for FY 2015 is projected at \$220.7 million. The General Fund's beginning fund balance is \$51.2 million which represents several different components. An amount is maintained according to a County financial policy that is equal to two months of disbursements. In addition, a portion of fund balance in the General Fund is set-aside for a "rainy day" per the County's budget ordinance. The Rainy Day Fund was established to provide funds for use in the event of a major calamity. This amount is required to be maintained at no less than four percent of General Fund disbursements. As in previous years, a portion of the Environmental Management Fund was used to partially fund the Rainy Day Fund in FY 2015. For

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<sup>1</sup> The operating fund includes all funds appropriated on an annual basis but excludes project-length budgets, e.g., Capital Projects Funds.

FY 2015, \$4.8 million from the General Fund's fund balance will be used for pay-as-you-go capital equipment and other one-time purposes. For FY 2015, the fund balance for all other funds is anticipated to increase \$5.0 million, largely due to the sale of the Charleston Center building.

## MAJOR POLICY ISSUES

The concept of "sustainability" has been a focal point of discussion by governmental finance leaders across the United States and Canada over the last decade. Charleston County embraced the practice of directing one-time revenues away from recurring expenditures and calculating the long-term maintenance and operating costs as part of projecting the total cost for capital projects as seen in the County's Financial Policies. During the height of the recession, Charleston County is proud to say that by following the basic principles of financial sustainability, the County avoided tax increases, layoffs and furloughs for our employees. This is also evident in our triple AAA rating.

The FY 2015 budget utilized long-term financial planning to ensure success as the County moves forward in these uncertain times. In FY 2015, Charleston County moved forward with expanding infrastructure to encourage more businesses to move into the area, while working towards paying down the current debt obligations. Charleston County continues its program of refinancing debt and has achieved \$14.4 million in savings over the last three years. In addition, the debt related to the Charleston Center was paid off during a refinancing in FY 2014. Subsequently in a partnership with the Medical University of South Carolina, the County sold the buildings for \$17 million (appraised value). In the Solid Waste Fund, the County paid off the 2004 Revenue Bonds in FY 2014 which allowed increased appropriations for the expanding recycling program and planned capital projects.

**County Initiative: Long-Term Financial Planning – Ensure sound fiscal term planning.**

By using sound long-term financial planning, the County is better positioned to remain stable following the financial shock of natural calamities and economic downturns while providing excellent service to citizens and maintaining the workforce.

## LOOKING AHEAD - CHALLENGES IN FY 2015 AND BEYOND

Several challenges have been identified for FY 2015 and beyond. The following section discusses the challenges and how successful resolution of these issues aligns with the County's mission and initiatives.

**County Initiative: Service Delivery –**  
Provide a level of service that the customer recognizes as high in quality and value.

**Countywide Recycling Program** – In FY 2009, County Council established several goals for the Environmental Management Department, including closing the waste-to-energy trash incinerator and increasing countywide recycling to 40%. The County closed the incinerator in January 2010 and has made significant advances toward reaching the 40 percent

recycling goal by expanding the recycling program to accept all paper and plastics, by initiating single-stream recycling, and by increasing the number of households receiving curbside recycling pickup. It is estimated the County will reach approximately 30% in FY 2015. The County also anticipates beginning the construction of a new recycling facility in FY 2015 to expand the capacity for recycling and make further progress on the recycling goal in the future. Funding the recycling program without increases in the Solid Waste User Fee will remain a challenge.

**Charleston County Library System** – The Library developed a major Construction and Renovation Plan that includes building five new libraries (three serving as replacements for existing facilities), renovating 13 existing branches, moving the Library's support staff out of the Main Library so that space can be reconfigured for public use, and upgrading the technology in all buildings. The \$108.5 million plan was finalized after a series of 11 community meetings that drew hundreds of residents countywide. The County will put the decision to implement the library plan before the voters in the November 2014 election. Funding for the capital and on-going operating costs will result in a tax increase in future years.

**Employee Compensation and Benefits** – The County plans to complete a market study in the future to ensure county salaries are aligned with corresponding jobs in the area. Funding for this endeavor will be addressed in future budgets.

**County Initiative: Human Resources & Resource Management** – Develop and maintain a flexible organization that is knowledgeable, productive, and committed.

**County Initiative: Long-Term Financial Planning** – Ensure sound fiscal term planning.

**Construction of Lined Landfill Cell** - The Environmental Management Department will close a lined landfill cell in FY 2015, with the next closure expected in FY 2019. Currently, the County is managing the Environmental Management Fund balance and reserves to ensure there is \$9.0 million

available for the next cell construction in FY 2018. In addition to setting aside funds for the closures, the County prudently strives to maintain the available portion of the Environmental Management Fund balance at no less than \$5.0 million.

**State Actions** – In recent years, the state has not followed the long-standing statutory allocation formula for funding local governments. Although the General Assembly increased the funding level in FY 2013 and maintained that level in FY 2014 and FY 2015, the increase was funded with one-time funds and is still at FY 1997 levels. The County is uncertain whether the General Assembly will be able to sustain or increase this level in future years.

## CONCLUSION

The FY 2015 Charleston County Operating Budget meets the County's budget objectives and addresses the major policy issues that face the County. As the County enters a new year and looks forward to future years, we will continue to strive to efficiently and effectively meet the needs of Charleston County's citizens.

Respectfully submitted,



Kurt Taylor  
Charleston County Administrator