

# Letter from the Administrator



**Keith Bustraan**  
County Administrator

843.958.4000  
1.800.524.7832  
Fax: 843.958.4004

kbustraan@charlestoncounty.org  
Lonnie Hamilton, III Public Services Building  
4045 Bridge View Drive  
North Charleston, SC 29405-7464

Citizens of Charleston County:

I am pleased to present to you the Fiscal Year (FY) 2016 Charleston County Operating Budget, as adopted by Charleston County Council on June 16, 2015. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past twenty-six years. We are proud of this recognition, and we work hard each year to improve upon the budget from the previous year. We believe that this budget document conforms to the award program requirements, and we are submitting it to GFOA for consideration.

## HIGHLIGHTS

- *Commences Library Expansion*
- *Expands Public Safety Services*
  - *51 New EMS Positions*
  - *24 New Law Enforcement Positions*
- *Continues to Update Compensation System through New Merit Program*

The FY 2016 budget is balanced and accomplishes the following objectives:

- **Address the expanded service requirements for the County's growing population.** Charleston County is estimated to grow by approximately 1,000 new residents per month during FY 2016. As a result of growth in population, the County is experiencing some growing pains which resulted in the need for additional resources. The budget includes \$10.5 million for the Library expansion that was approved by voters in the November 2014 referendum. The referendum authorized the County to borrow funds, not to exceed \$108.5 million, to build new and renovate existing Library facilities. The budget also includes \$6.5 million for public safety which provides 51 new positions for Emergency Medical Services, 24 new positions for Sheriff Law Enforcement, and one new position for the Coroner.
- **Maintain a qualified and highly motivated work force.** This budget demonstrates the County's efforts to maintain a competitive compensation system for employees by introducing a new merit program as the next phase in updating the County's compensation system. The merit program recognizes performance and contributions made to the County by employees who have been employed more than six years with the County. The merit is based on performance evaluations that are satisfactory (1%), above expectations (1.5%) or outstanding (2%). The merit program complements the existing program that provides a 3% increase to employees with at least satisfactory evaluations after the completion of the following years: 1<sup>st</sup>, 3<sup>rd</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup> and every following fifth year.
- **Limit financial impact on taxpayers.** Although this year's budget includes an operating millage increase of 4.0 mills to 44.7 mills after adjustment for reassessment, the County continues to strive to maintain a consistent level of taxation for our residents and businesses. The majority of the millage increase is related to the Library expansion, and the County was able to reduce the millage increase by over 25% by developing a five-year plan to fund the capital costs, debt service costs and operating costs. In addition, the County mitigated the millage increase for public safety by 50% by utilizing reimbursements from the Local Accommodations Tax and phasing in the timing of the service increase.

- **Sustainability of County services while maintaining County's fiscal health.** As the County enters FY 2016, the County maintains its strong AAA bond rating (gauge of the County's fiscal health) with Fitch; Moody's Investor Service; 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.

Growing population, thriving business development, increasing tourism, and developing partnerships are crucial to maintaining Charleston County's financial health. The Charleston area has received numerous national recognitions including **#7 Places Where Jobs Will Be in 2015** (*Forbes*, December 2014), **#2 Tourist City in the World** (*Condé Nast*, October 2014), and **#10 Small American Cities of the Future** (*American Cities of the Future*, April 2015). Recent company announcements include Hubner Manufacturing Corporation, New Orleans Cold Storage & Warehouse Company (NOCS), TorqTek Design and Manufacturing, Senior Aerospace AMT, New World Pharmaceuticals LLC and New World Consumer Products. County Council is continuing efforts to support economic development in the area through the 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 aeronautical industry in the area continues to expand, educational institutions and local governments will work together to increase opportunities to sculpt a local workforce prepared for this growing field. These improvements, expansions and growth set the stage for the FY 2016 budget.

## **THE BUDGET IN BRIEF**

Each budget has its own unique challenges, but the common thread in each year's budget process is to ensure that the County exercises fiscal responsibility with the taxpayers' dollars and does so with a long-range outlook beyond the single budget year horizon. Early in the budget process, the County reviewed projected appraised property value, Charleston County and national economic indicators, actual FY 2014 receipts, and FY 2015 year-to-date collection trends to project the amount of revenues available for FY 2016. From this process, a target budget was determined for each office/department. After receiving budget requests from all offices and departments, staff realized that the requests far exceeded budget targets and available funds. The following three pronged approach was utilized to reduce budget request by \$20 million to match available revenue:

- Tighten the overall budget.
- Utilize funds from outside of the General Fund.
- Defer maintenance on some facilities.

Tightening the proverbial belt is anticipated to challenge offices and departments to work within their budgets, while assuming some additional risk, and reduce the flexibility to address unplanned costs.

While the budget approach balanced the FY 2016 budget, the County still needed to address the expanded service requirements for our growing population and to fund the Library expansion approved in the November 2014 referendum. After significant evaluation and consideration, the FY 2016 Proposed Budget includes a 4.0 mill increase (after adjustment for reassessment), which totals \$15.6 million in additional revenue.

Revenues and other sources for all operating funds<sup>1</sup> total \$448.2 million for FY 2016, an increase of \$2.1 million over the previous fiscal year. Due to the 4.0 millage rate increase and 2.5 percent property base growth, property tax revenues are increased \$16.9 million, to \$142.7 million, in the General Fund. Increased consumer spending provided additional revenues of \$2.3 million in the Local Option Sales Tax (a 1% tax) and \$2.4 million in the Transportation Sales Tax (a 0.5% tax). These increases are offset by one-time anticipated revenue from the sale of the Charleston Center building to the Medical University of South Carolina for \$17.0 million in FY 2015.

Expenditures and other uses for all operating funds total \$464.2 million for FY 2016, a \$19.9 million increase from the previous year. The largest portion of the increase is \$10.5 million for the Library expansion. Another \$6.5 million is the result of start-up costs and partial funding of the personnel costs related to expanding Emergency Medical Services and Law Enforcement in the Charleston County area to ensure that public safety remains our top priority. By reallocating existing sources, the County funded inflationary costs and introduced a merit program.

The beginning fund balance for all operating funds for FY 2016 is projected at \$244.8 million. The General Fund's beginning fund balance is \$49.9 million which represents several different components. An amount is maintained according to a County financial policy that is equal to two months of recurring 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 2016. For FY 2016, \$7.6 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 2016, the fund balance for all other funds is anticipated to decrease \$8.5 million, or 4%, to cover transitional gaps between revenues and expenditures and for pay-as-you-go capital equipment and other one-time purposes.

## MAJOR POLICY ISSUES

During the FY 2011 budget process, County Council directed a committee be formed to include representatives from County Council, Elected Officials, the County Administrator and/or designees to review job classifications and evaluation methods, pay structure and performance standards. The Committee for Auditing Performance and Evaluation Standards (CAPES), working in conjunction with the Human Resources Department and Evergreen Solutions, LLC, a compensation advisory firm, revised the classification system, and revised the pay structure including a new merit program.

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

Revision of the classification system created 16 Core Classification which helps the Human Resources Department better understand similar jobs across the County and work to grow the workforce for future development and countywide promotion. The revised pay structure created pay ranges which are 72% from the minimum to the maximum of the pay range, an increase from the previous 50%. The expansion of the pay ranges will allow employees the opportunities for more pay growth in their current position and raise the pay cap for long-term employees. The new

<sup>1</sup> The operating funds include all funds appropriated on an annual basis but exclude project-length budgets, e.g., Capital Projects Funds and grants.

merit program recognizes performances and contributions made to the County by employees who have worked longer than six years with the County. The amount for merit increases will be considered during each year's budget process and are contingent on available funds in the budget year. Council approved the CAPES recommendation on June 17, 2014; and the merit increases are included in the FY 2016 budget.

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

As the County looks forward to the future, there is some concern about the ability to sustain the merit program at the projected revenue level. While the property tax base is expected to grow at 3% beginning in FY 2017 and sales taxes are projected to grow at 4%, the remaining revenues are anticipated to remain constant. Expenditures are

anticipated to increase at 3% for compensation and benefit costs and 2% for inflationary increases and smaller programmatic initiatives. The County will strive to continue budgeting the taxpayers' dollars in a responsible and respectful manner. As staff prepared the long-range plans for each of the funds, we carefully ensured that all expected costs associated with the merit program were included.

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 2017 AND BEYOND

Several challenges have been identified for FY 2016 and beyond. The following section discusses the challenges and how successful resolution of these issues aligns with the County's mission and initiatives.

**Charleston County Library System** – County citizens voted to approve a \$108.5 million plan to expand the current Library system during the November 2014 election. The Library plan included 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

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

that space can be reconfigured for public use, and upgrading the technology in all buildings. The County reduced the millage increase to fund the Library expansion by combining a pay-as-you-go approach with bond financing for the capital costs. Since the borrowing for the Library capital costs will be delayed a few years, higher debt service costs from rising interest rates may exceed the estimated costs in the five-year plan.

**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% 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. The County is currently working to design a recycling center that is cost efficient and meets the needs of the growing

population. Funding the recycling program without increases in the Solid Waste User Fee will remain a challenge, especially in a new market where the revenue generated from recycling has decreased and recycling could potentially decrease the amount of revenue generated from the User Fee as citizens and businesses reduce the amount of waste going to the landfill.

**Construction of Lined Landfill Cell** - The Environmental Management Department will close a lined landfill cell in FY 2016, 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 2019. 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.

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

**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 the following years, the increase was partially funded with one-time funds and remains at FY 1997 levels. The County is uncertain whether the General Assembly will be able to increase this level in future years. In addition, the County is challenged with absorbing the growing costs of state mandates and state-required services.

**Budget Decisions Made During the FY 2016 Budget Process** – The approved FY 2016 budget includes several approaches to balance the budget. The current budget has little contingency available to address unplanned costs and forces staff to work within their budgets. In addition, the County is shifting costs outside of the General Fund; however, there is no guarantee that non-General Funds will continue to be available in the future. Finally, the County deferred some of the maintenance for the County's facilities. While great effort was made to carefully select the facilities to defer maintenance, there is concern that more costly and extensive repairs will result from this decision. Balancing a budget with available resource often forces governments to make tough decisions, and the decisions of today have the potential of causing problems in the future. As we enter the new fiscal year, staff will continue to efficiently and effectively monitor the County's fiscal health and make decisions that best align with the needs of the great citizens of Charleston County.

## **CONCLUSION**

The FY 2016 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,



Keith Bustraan  
Charleston County Administrator