

Budget Message

The Budget Message section of the Budget Narrative discusses the priorities of the County and how those priorities are reflected in the budget. The beginning of this section outlines the challenges the County faced in preparing the FY 2018 budget. In addition, this section includes a brief discussion of the current budget. The ending portion of this section looks ahead to get a better understanding of future challenges as the County begins preparation for the FY 2019 budget.

HIGHLIGHTS

- *Addresses Growth in Charleston County*
- *Maintains Financial Fundamentals*
 - *Matches Recurring Revenue with Recurring Expenditures*
 - *Maintains Prudent Fund Balance*
- *Preserves County Resources*
- *Five –Year Long Range Planning*
- *Includes No Tax Increase*

Charleston County's FY 2018 County Budget was adopted by Charleston County Council on June 20, 2017. The balanced FY 2018 budget addresses the following four budgetary challenges:

- **Growing Population** ~ Charleston County is estimated to grow by approximately 2.0 percent during FY 2018. As a result of growth in population, the County is experiencing some growing pains from the increased requirements for existing citizens. The growth of citizens from different areas of the country is also changing the dynamics for the types and levels of service demands required from the County by new citizens. The proposed budget includes a net of 33 new positions to provide direct services to citizens and addresses the increasing service demands. Fourteen of the new positions are for Consolidated Dispatch which includes eight positions to re-consolidate the City of Folly Beach's dispatch function; and 12 of the new positions are for Public Works and Transportation Development to manage an increasing workload and the 2nd Transportation Sales Tax.
- **Maintaining Financial Health** ~ This budget follows the County's financial policies, which includes maintaining the Rainy Day Fund and prudent fund balance levels, matching recurring costs with recurring revenue and performing five-year financial forecasts for the County's major funds.
- **Preserving Resources** ~ The County considers the first most valuable resource our employees and the second most valuable resource our assets. The FY 2018 budget provides preservation of both.
 - **Employee Retention and Recruitment** ~ Charleston County government is in a competitive employment market which has become a challenge for the County to retain and recruit employees. The proposed budget addresses employee retention by increasing the merit program to award stellar performance by employees and implementing the results from the market study to ensure County salaries are comparable to the other salaries in the market. In addition, the County funded the continuation of employee development and leadership training with the goal of promoting from within whenever possible. Finally, the County funded one new position in Human Resources to administer the newly offered voluntary benefits.
 - **Asset Management** ~ The County continues to be challenged with increased facility maintenance costs due to the age and expansion of the County's facilities. This budget will fund a comprehensive study to determine the condition of County facilities and to develop an annual work plan along with a recommendation for an appropriate on-going funding level to implement the work plan. In addition, the proposed budget funds six positions to maintain the County's facilities.

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- **Planning for the Future** ~ A solid financial budget addresses current issues, as well as financial issues. The County recognizes there is an employment shift expected in the next three years resulting in an increase in the number of employees retiring, particularly employees in management positions. By the end of FY 2018, 30% of all county employees are eligible to retire (either the employee has fulfilled 28 years in the SC retirement system or is 59 years old or older). In addition, as more businesses are moving to the tri-county area, the County is experiencing increasing challenges in attracting quality employees. The FY 2018 budget includes a recruiter position and community outreach funding to assist with branding the County as a preferred employer in the Charleston community. This budget also updated the County's five-year financial forecasts to identify future challenges and opportunities in the County's major funds.

Charleston County recognizes that its financial health is linked to business development in the area. Charleston County and remaining communities in the Lowcountry have a competitive posture and a diverse economic base due to its high quality of life, charm, fascinating beauty, history and culture. Economic development in Charleston County remains robust as companies like Boeing and Mercedes Benz announced billion dollar investments in the area. Charleston County is the only county in the country that hosts manufacturing of body airplanes and automobiles. This thriving business community sets the stage for the FY 2018 and future budgets.

THE BUDGET IN BRIEF

Early in the budget process, the County reviewed projected appraised property values, Charleston County and national economic indicators, actual FY 2016 receipts, and FY 2017 year-to-date collection trends to project the amount of revenues available for FY 2018. From this process, a target budget was determined for each office/department. As a result of this approach, the County met all financial obligations without a tax increase.

Revenues and other sources for all operating funds¹ total \$558.4 million for FY 2018, an increase of \$84.9 million over the previous fiscal year. The largest increases are seen in sales taxes, property taxes, and debt proceeds. For sales taxes, there is a \$50.5 million increase in the Special Revenue Funds in the second Transportation Sales Tax (TST) fund. In November 2016, citizens voted in a referendum to approve the second transportation sales for roads, mass transit and green space projects. In addition, there is a \$5.0 million increase in the Local Options Sales Tax based on consumer spending trends by citizens and tourists. For property taxes, there is a \$5.0 million net increase in the General Fund and another \$5.2 million in other funds due to growth in the property tax base. In addition, debt proceeds are budgeted to increase \$8.8 million in anticipation of premiums from the General Obligation Bond issuance in 2017.

Expenditures and other uses for all operating funds¹ total \$536.4 million for FY 2018, a \$56.4 million increase from the previous year. The largest increase is the transfer out of \$22.1 million from the second TST to project-length funds for roads and greenbelt projects. The next largest increase was approximately \$11.0 million for facilities maintenance projects. There was also an increase of \$10.4 million across all funds for personnel costs, including a net of 33 new FTEs, implementation of the market study, a more robust merit program, and higher retirement costs.

The beginning fund balance was projected to be \$60.4 million. The largest change in the fund balance is related to the second TST Special Revenue Fund which increased \$25.4 million to accumulate funds for future pay-as-you-go projects. In addition, the fund balance increased in the Debt Service Fund by approximately \$7.3 million related to the unused premiums from the anticipated 2017 General Obligation Bond issuance. The fund balance was reduced by \$5.0 million in the General Fund and by \$4.8 million in the Environmental

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

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Management Enterprise Fund to fund one-time costs. As a result, the ending fund balance is projected to be \$82.5 million.

MAJOR POLICY ISSUES

The County continues to be challenged with increased facility maintenance costs due to the age and expansion of the County's facilities. This budget will fund a comprehensive study to determine the condition of County facilities and to develop an annual work plan along with a recommendation for an appropriate on-going funding level to implement the work plan. Staff will continue to monitor the allocation between General Fund fund balance and pay-as-you-go funding for capital equipment and other one-time purposes. In addition, the Capital Improvement Plan includes funding for design and verification of cost estimates.

County Initiative: Workflow Analysis-Process Management – Ensure all new and existing processes and workflow are reviewed for efficiency of resources and utilized funding.

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

As the County considers long-term financial planning, the County realizes that staffing continues to be a challenge due to Charleston having one of the lowest unemployment rates in the Country and being located in an area with a highly competitive job market. The County is taking a two-pronged approach at addressing the challenge of existing in a competitive economic market where employment opportunities in large companies are in contrast with governmental agencies. In FY 2014, Charleston County established the Committee for Auditing, Performance and Evaluations Standards (CAPES) to review internal compensation in Charleston County. The County implemented Phase I of the study in FY 2015. In 2016, the County began an external market study of Countywide compensation. The results of the market study are budgeted in FY 2018. In addition to adjusting the compensation package offered to employees, the County is also hiring a recruiter position to increase recruitment efforts and brand Charleston County as a premier employer in the area.

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 2018 AND BEYOND

Several challenges have been identified for FY 2018 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 that space can be reconfigured for public use, and upgrading the technology in all buildings. The County continues to implement the plan to construct the facilities and phase-in the additional operating costs through FY 2020.

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Construction of a Material Recycling Facility and a Lined Landfill Cell

– The County is currently working to construct a recycling center that is cost efficient and meets the needs of the growing population. In addition, the Environmental Management Department plans to construct the next lined landfill cell for \$6.0 million in FY 2019 and \$3.0 million in FY 2020. In addition to setting aside funds for the construction, the County prudently strives to maintain the available portion of the Environmental Management fund balance at no less than \$5.0 million. To do this, the County anticipates a \$10 user fee increase no later than FY 2020.

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

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 increased allocation remains at pre-recession 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 County's share of the State's retirement system, which increased by 2% of gross pay. Additional annual increases of 1% of gross pay have been announced through FY 2023.

Managing the County Growth While Maintaining and Improving Services – The FY 2016 budget represented the first net millage rate increase in almost a decade. The County continues to see an increase in the types and amounts of service needs. In addition, population growth requires enhanced infrastructure needs for the Charleston areas. The citizens interest in expanded services was expressed when the voters approved the library expansion in 2014. The County continues to receive requests for improved drainage infrastructure, enhanced roads, additional parks and recreational facilities. In addition to infrastructure needs, the County is experiencing increased permit, appraisals and judicial service requests. The current budget has little contingency available to address unplanned costs and forces staff to work within their budgets. As we enter the new fiscal year and moving beyond, 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 2018 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.