

LETTER FROM THE ADMINISTRATOR

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Citizens of Charleston County:

I am pleased to present to you the Fiscal Year (FY) 2019 Charleston County Operating Budget, as adopted by Charleston County Council on June 19, 2018. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past twenty-nine 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

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

The balanced FY 2019 budget addressed the following budgetary challenges:

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

continuous population growth over the last decade has increased the demand for services provided by the County. In addition, the growth of citizens from different areas of the country is 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 16 new positions to provide direct services to citizens and addresses the increasing service demands. Seven positions were added to Facilities Management, five positions were added to Environmental Management, three positions were added to Public Works, two positions were added to Building Inspections, and one position each was added to Planning/Zoning, Records Management, Safety/Risk and Solicitor. The increase in positions was offset by the elimination of five unfilled School Crossing Guard positions due to a change in the operations of the program.

- **Growing Population ~** Charleston County continues to see population growth partly explained by affordable homes (on a national perspective), more land that is developable, expanding job markets, warmer weather and beautiful sights. This

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

and annualizing the costs associated with the results from the market study implemented in FY 2018. In addition, the County will continue employee development and leadership training with the goal of promoting from within whenever possible. Finally, the County strives to maintain a competitive

- **Maintaining a qualified and highly motivated workforce ~** Charleston County government is in a competitive employment market which has become a challenge for the County to retain and recruit employees. The approved budget addresses employee retention by continuing the merit and longevity programs

compensation package for existing and new employees. The State of South Carolina, the administrator of the retirement program to which Charleston County belongs, increased the employers' payments to the plan this year. The FY 2019 budget provided additional funding for the retirement package, without reducing other employee benefits to offset the cost of the increase.

- **Maintaining Financial Health** ~ This budget follows the County's financial policies, which include 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.
- **No net increase in taxes for the homeowner** ~ 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 2019 remain constant.

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

Charleston County and other 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. The County continues to experience growing population, thriving business development, and increasing tourism. In addition, the County and its communities continue to receive numerous national recognitions, which include *Business Insider* ranking Charleston as the fifth best city in the country to find a job in 2018. This thriving community sets the stage for FY 2019 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 2017 receipts, and FY 2018 year-to-date collection trends to project the amount of revenues available for FY 2019. 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 \$588.5 million for FY 2019, an increase of \$24.2 million over the previous fiscal year. The largest increases are seen in sales taxes, property taxes, and charges/fees. For sales taxes, there is a \$4.8 million increase in the Special Revenue Funds in the first and second Transportation Sales Tax (TST) funds. Citizens voted in a referendum to approve the first and second transportation sales tax for roads, mass transit and green space projects. For property taxes, there is a \$4.7 million net increase in the General Fund due to growth in the property tax base and a \$3.1 million increase in the Special Revenue Fund due to new and enhanced development in fees-in-lieu-of property taxes. In addition, there is a \$1.8 million increase in the Local Options Sales Tax based on consumer spending trends by citizens and tourists. For charges/fees in the Enterprise Funds, there is a \$2.2 million increase in the Consolidated Dispatch: Emergency 911 fund representing higher wireless collections and \$2.2 million in the Environmental Management fund reflecting an increase in solid waste user fees based on historical analysis and current trends.

Expenditures and other uses for all operating funds¹ total \$582.5 million for FY 2019, a \$44.7 million increase from the previous year. The largest increase is the transfer out of \$20.8 million primarily due to one-time funding of greenbelt projects in the first Transportation Sales Tax. The next largest increase was approximately \$9.2 million in debt and represents an increase in funding for scheduled bond payments. There was also an increase of \$7.1 million across all funds for personnel costs, including a net of 16 new FTEs, the continued merit and longevity programs, and higher retirement costs.

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

The beginning fund balance was projected to be \$132.4 million. The largest change in the fund balance is related to the first and second TST Special Revenue Funds, which increased \$30.0 million to accumulate funds for future pay-as-you-go projects. The fund balance was reduced by \$4.3 million in the General Fund and by \$7.9 million in the Environmental Management Enterprise Fund for one-time costs. As a result, the ending fund balance is projected to be \$138.4 million, which is a \$6.0 million increase.

MAJOR POLICY ISSUES

National and global events presented challenges that affected the development of this budget. During the FY 2019 budget process, the County had to address policies/practices/procedures concerning public safety in our schools and recovery from natural disasters.

- **Public Safety** ~ In recent years, the United States has seen an alarming increase in school shootings. During budget deliberations, County Council took a positive step towards protecting the County's students and teachers by increasing the number of School Resource Officers in each elementary school within the County's law enforcement jurisdiction. The original budget presented to Council included two School Resource Officers, but the approved budget includes \$1.1 million to provide a total of ten School Resource Officers. In addition to this being an important policy and financial decision for the County, it also represented a partnership between the Charleston County School District and the County where the School District allocated funding to offset a portion of the impact to the County's budget.
- **Natural Calamities** ~ In addition to public safety issues in schools across the nation, the country has also experienced devastating natural disasters, including mudslides, hurricanes, tornadoes, fires, and earthquakes. The County has also experienced its share of disasters. In 2015, the powerful Hurricane Joaquin produced heavy rain resulting in severe flooding in Charleston County. Exactly one year later, Hurricane Matthew delivered a 6-foot storm surge that caused severe flooding and damage to the Charleston area. Hurricane Irma caused damage for the third year in a row to the County. The County is currently working with FEMA to receive reimbursement for the current damage and funding to mitigate future damage.

As a result of the recent natural calamities, the County has gained experience in response and recovery. From a financial perspective, the County has become more aware of the financial alternatives for recovery and has confirmed the need for many of our financial policies. For smaller events, the Rainy Day Fund, the two-month General Fund reserve, and utilizing non-General Fund funds remain the prudent short-term solution. For larger events, the County maintains the ability to borrow funds, and seeks to maintain the lowest borrowing cost through our AAA credit ratings.

By using sound long-term financial planning, the County positions itself to remain stable following the financial shock of large public safety events, natural calamities, and economic downturns, while providing excellent service to citizens.

LOOKING AHEAD - CHALLENGES IN FY 2020 AND BEYOND

Several challenges have been identified for FY 2020 and beyond. The following section discusses the challenges and how successful resolution of these issues aligns with the County's mission and initiatives.

Maintaining and Improving Services –The County continues to see an increase in the types and volume of service needs due to an increasing population and changing demographics of the population.

- **Maintain Services** ~ The FY 2016 budget represented the first net millage rate increase in almost a decade to address service levels for EMS and Sheriff. In addition, the County is experiencing increased permit, appraisals and judicial service requests.

- **Improve Services** ~ During the November 2014 election, County citizens voted to approve a \$108.5 million plan to expand the current library system. The County continues to implement the plan to construct the facilities and phase in the additional operating costs through FY 2020. The County also continues to receive requests for improved drainage infrastructure, enhanced roads, and additional greenspace to protect undeveloped land.

Although the County has increasing resources due to the expanding economy, those resources do not increase at the same pace as the costs or expectations for services. The current budget has little contingency available to address unplanned costs and forces staff to work within their budgets.

Preserving and Constructing County Infrastructure – The County considers our assets the second most valuable resource, after our employees. As a result, we are dedicated to preserving our current infrastructure and constructing quality buildings for future needs.

- **Asset Management** ~ The County is continually challenged with increased facility maintenance costs due to the age and expansion of the County's facilities. The County will continue a comprehensive study to determine the condition of County facilities and development of an annual work plan. Moving forward, the County intends to fund the appropriate ongoing funding level to implement the work plan.
- **Construction Management** ~ The County anticipates funding infrastructure from bond issues, Enterprise Funds, and Special Revenue Funds in the future. The major challenges in construction involve the following projects:
 - 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 to make more space available for public use, and upgrading the technology in all buildings.
 - Currently, staff is working on design and construction of a building for a social services hub and a major redesign and reconfiguration of the Public Works complex. The County intends to fund both of these projects by issuing debt.
 - The County is also planning to construct the next lined landfill cell and a recycling center that is cost efficient and meets the needs of the growing population. In addition to setting aside funds for the construction, the County prudently strives to maintain an appropriate level in the Environmental Management Enterprise Fund fund balance.
 - Finally, the citizens of Charleston County passed, by referendum, an additional one-half of one percent sales and use tax that took effect May 1, 2017 and will continue for 25 years or until \$2.1 billion is collected. According to the referendum, the sales tax revenues provide funds for transportation-related projects, mass transit, and greenbelts. The County strives to prudently manage projects and spending for the Second Transportation Sales Tax. Staff is currently reviewing plans to fund designing large road projects, designing a bus rapid transit system, and prioritizing greenbelt projects.

CONCLUSION

The FY 2019 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,



Jennifer J. Miller
Charleston County Administrator