

# LETTER FROM THE ADMINISTRATOR

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Citizens of Charleston County:

I am pleased to present to you the Fiscal Year (FY) 2020 Charleston County Operating Budget, as adopted by Charleston County Council on June 18, 2019. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty 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 FY 2020 budget is balanced and addresses the following budgetary challenges:

➤ **Diversification of the Population** ~ Based on the 2018 numbers released from the U.S. Census Bureau, the net number of new arrivals into the Charleston metro area is 26 people a day, which is three times the national average. While this unprecedented growth over the last decade is beginning to decline, the growth of citizens from different areas of the country has changed the dynamics for the types and levels of service demands required from the County by our new citizens. One expectation of increased service is a \$6.9 million increase in the County's General Fund budget for the library expansion approved by voters in 2016. Another expectation of increased service is a \$12.8 million increase in the Transportation Sales Tax (TST) budget for greenbelts, transportation and transit. Voters passed the first TST in a referendum in 2004 and the second TST in 2016.



➤ **Maintaining a qualified and highly motivated workforce** ~ Vacancies are a challenge from coast to coast and across government agencies. For Charleston County government, the complexities of an extremely competitive job market are more evident because companies like Boeing, Google, and Volvo have moved in the area. This aggressive job market has made it difficult for the County to retain and

recruit employees. The approved budget addresses employee retention by continuing the merit and longevity programs. 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 compensation package for existing and new employees.

During the FY 2020 budget process, the staff tackled the challenges currently facing the County while meeting the budget directives endorsed by Council:

➤ **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.

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

➤ **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 FY 2020 remain constant.

## THE BUDGET IN BRIEF



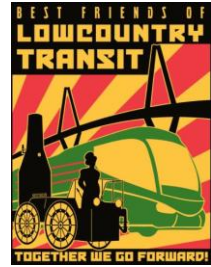
The County maintains its strong AAA bond rating. The Rainy Day funds, adopted fund balance policies and five-year financial forecasts are all signs of solid fiscal management. While the growth in the County provides additional revenues, this growth also represents a transition to a more competitive employment market, to increased services from a growing and

diverse population, to higher costs related to aging and expanded facilities, and to increased demands for drainage and road infrastructures. While preparing the FY 2020 budget, the County recognized the need to remain flexible to respond to the changes in the dynamics of Charleston County AND stay committed to the financial security and health of the County. **The Mission is Possible** became the County's theme for staff to rally together to find innovative approaches to reducing costs while maximizing the level and quality of service provided to citizens.

Revenues and other sources for all operating funds<sup>1</sup> total \$613.7 million for FY 2020, which is an increase of \$14.5 million over the previous fiscal year. Property taxes, sales taxes, and anticipated property sales represent the largest increases. For property taxes, a \$3.8 million net increase in the General Fund is due to growth in the property tax base, and a \$3.9 million increase in fees-in-lieu-of property taxes in the Special Revenue Fund is due to new and enhanced economic development. Sales taxes reflect the next largest revenue increase of \$4.8 million in the Special Revenue Funds for the first and second TST funds for roads, mass transit and green space projects. Another \$3.0 million increase is budgeted in the Environmental Management Fund for the anticipated sale of property.

<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.

Expenditures and other uses for all operating funds<sup>1</sup> total \$612.7 million for FY 2020, an \$8.9 million increase from the previous year. The largest increases include \$12.5 million to the Berkeley Charleston Dorchester Council of Governments for the design phase of the Bus Rapid Transit project in the second TST and an allocation of \$6.9 million for the Library expansion. There was also an increase of \$8.2 million across all funds for personnel costs, including a net of three new FTEs, the continued merit and longevity programs, and higher retirement costs. These increases are offset by a \$7.0 million decrease in General Fund: Facilities Management representing lower maintenance and project funding for County buildings because of budgetary constraints and the re-establishment of a reimbursement from the Library. The decrease also includes a \$3.6 million reduction in Special Revenue Fund: Technical Program Stormwater due to historical usage and current trends in spending.



The beginning fund balance was projected to be \$86.5 million. The largest change in the fund balance is related to the first and second TST Special Revenue Funds, which increased \$15.7 million to accumulate funds for future pay-as-you-go roads projects. The fund balance was reduced by \$4.5 million in the General Fund and by \$4.9 million in the Environmental Management Enterprise Fund for one-time costs. As a result, the ending fund balance is projected to be \$87.6 million, which is a \$1.1 million increase.

## **MAJOR POLICY ISSUES**

National and global events continue to present challenges that affect the development of the County's budget. During the FY 2020 budget process, the County continues to address policies/practices/procedures concerning recovery from natural disasters. The nation has experienced increasing frequency of natural disasters, and the County has experienced its share with hurricanes in four consecutive years. The County is currently working with FEMA to receive reimbursement for past damage and funding for projects 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**

The County has identified several challenges for FY 2021 and beyond. The following section discusses the challenges and how the County will align successful resolution of these issues with the County's mission and initiatives.

**Building Meaningful Partnerships** – As one of the largest non-Federal governments in the metropolitan area, Charleston County is experiencing an increase in requests for assistance from smaller local governments and non-profit agencies. The County is acutely aware of the service demands for our growing population and realizes a cost effective approach to solving some of these challenges is by collaborating with other agencies. The FY 2020 budget included funding for the following partnerships (please refer to pages 30 and 31 to see partnerships the County formed during FY 2019).

- **Affordable Housing** ~ The County continues to experience growing population, thriving business development, and increasing tourism. As the economy continues to grow, the housing market is also expanding expeditiously and is minimizing the availability of affordable homes. Several local governments and non-profit agencies are examining ways to expand the supply of available housing and stimulate the construction and rehabilitation of housing for persons of very low, low and moderate incomes in Charleston’s neighborhoods. Charleston County allocated \$0.3 million in FY 2020 and committed to \$0.3 million in FY 2021 and FY 2022 to the Charleston Housing Authority to assist with renovating existing housing in the non-profit agency.
- **Public Safety** ~ In recent years, the United States has seen an alarming increase in school shootings. During the FY 2019 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 by funding ten School Resources Officer positions. During the FY 2020 budget deliberations, Council approved the allocation of \$0.6 million to the City of Charleston to assist with the cost of placing School Resource Officers in all of the schools within the City’s jurisdiction for six months. This represents a partnership between the Charleston County School District, the City of Charleston, and the Charleston County School District. All three governments joined together to fund the safety of students in our schools.

**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 original 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. The County opened the Wando Mt. Pleasant Library in FY 2019. During FY 2020, the County anticipates completing the Baxter-Patrick James Island, Bees Ferry West Ashley and St. Paul-Hollywood libraries.
- Currently, staff is working on design and construction of a building for a social services hub, construction of a new Juvenile Corrections Facility and a major redesign and reconfiguration of the Public Works complex. The County intends to fund 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 TST. Staff is currently reviewing plans to fund designing large road projects, designing a bus rapid transit system, and prioritizing greenbelt projects.



## CONCLUSION

The FY 2020 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,

Handwritten signature of Jennifer J. Miller in blue ink.

Jennifer J. Miller  
Charleston County Administrator