

# BUDGET ANALYSIS

## OVERVIEW

During the preparation of the Fiscal Year (FY) 2020 budget, the County Administrator provided guidance for assembling an operational budget that included the following directives:

- ❖ Seek opportunities to improve efficiency and reduce costs.
- ❖ Protect the County's level of financial security.
- ❖ Maintain a qualified and highly motivated work force.
- ❖ Preserve County assets.
- ❖ Limit financial impact on taxpayer.

The budget presented to County Council met these directives.

The FY 2020 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds which total \$636.0 million and reflect no significant change from the FY 2019 budget. The FY 2020 operating budget is summarized in Figure 1. Additionally, graphs are presented on pages 82 and 83 that represent the total available funds and the total disbursements for the County's annually appropriated operating funds. This budget does not include project-length budgets (i.e., Capital Projects Funds or grants) appropriated in previous years.

**Figure 1 - Summary of FY 2020 Operating Budget**  
(Expressed in Millions of Dollars)

<u>Description</u>	
Available Funds (Including Beginning Fund Balance)	\$ 700.2
Less Budgeted Disbursements	<u>612.7</u>
Nonspendable	76.9
Restricted: External	(272.3)
Restricted: Internal	229.6
Available	<u>53.4</u>
Ending Fund Balance	<u>\$ 87.6</u>

The millage rate for the County is comprised of the General Fund millage and the Debt Service millage. The General Fund millage for FY 2020 is 44.7 mills and remains constant from the previous year. The Debt Service levy, used to pay interest and principal on funds borrowed for capital projects, is anticipated to remain constant from the FY 2020 rate at 6.1 mills. The combined operating and debt service levy is 50.8 mills.

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**Figure 2 – County Millage Rates**

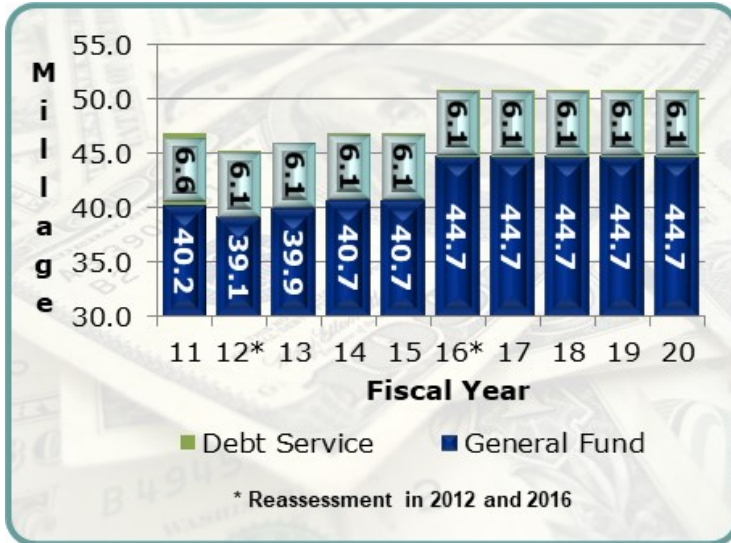


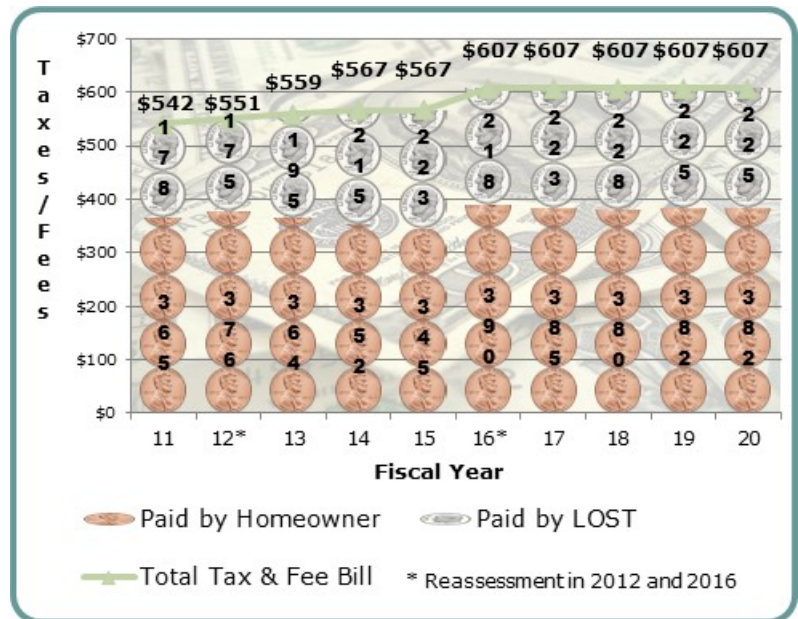
Figure 2 presents a summary of the County’s millage rates for FY 2020 and the prior nine years. For the owner of a \$250,000 home (four percent assessed property) the 50.8 mills equate to a tax of \$508.00 which remains constant to the current tax year for the \$250,000 homeowner. As allowed under State law, the County elected beginning in FY 1991 to reduce property taxes by levying a one percent Local Option Sales Tax (LOST). The Sales Tax credit for FY 2020 remains constant at \$225.00 for the \$250,000 homeowner. After applying the Sales Tax credit, the net tax is \$283.00, representing no change from the current year for the \$250,000 homeowner.



The Solid Waste Recycling and Disposal Fee of \$99 for a single-family residence remained unchanged since FY 2008. In FY 2011, user fee accounts charged the Annual Solid Waste Recycling and Disposal Fee received a \$25 one-time credit to be applied to the user fee bill. The one-time credit was not extended past FY 2011.

**Figure 3 – Tax and Fee Bill**

When the Solid Waste Recycling and Disposal Fee is included, the overall tax and fee bill for the owner of a \$250,000 home (four percent assessed property) amounts to \$382.00 representing no change from the current tax year. Figure 3 illustrates these amounts, as well as provides a ten-year history of the County’s tax and fee bill paid by the homeowner, the LOST credit and by the Solid Waste User Fee credit.



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Seven Full-Time Equivalents (FTEs) were added during FY 2020 to respond to population growth and increased customer service demands in the County. Three FTEs were added to Coroner's office, and one FTEs was added to Building Inspections Services, Human Resources, Legal and Technology Services respectively. The increase in FTEs were offset by the elimination of four unfilled FTEs, bringing the total number of FTEs employed by Charleston County to 2,695.68.

**Figure 4 – Full-Time Equivalents**

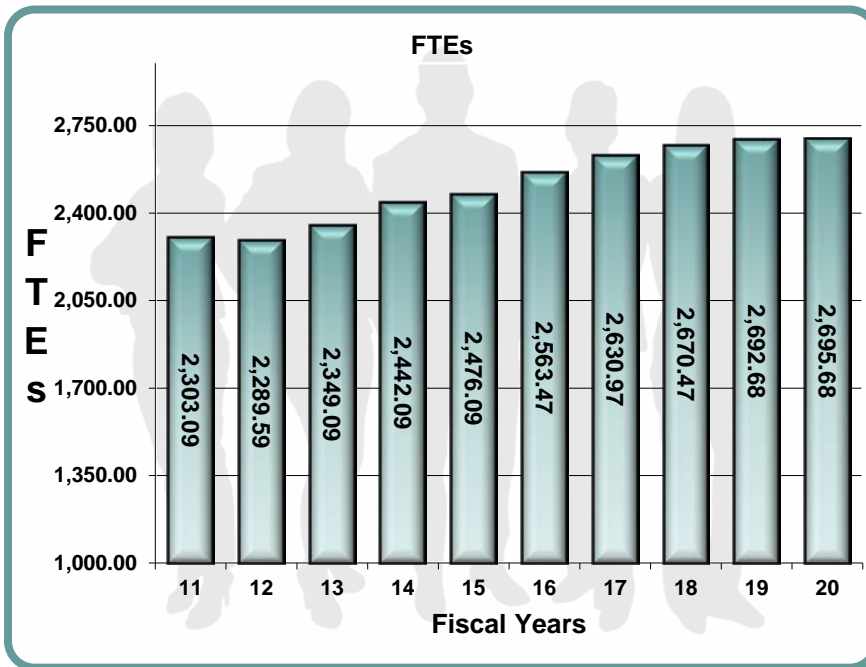


Figure 4 presents a summary of the County's FTEs for FY 2020 and the prior nine years. The FTEs for Charleston County had a steady increasing trend until FY 2010. The major reductions in FTEs in FY 2011 and FY 2012 resulted from cost saving actions during the recession, including voluntary retirement incentives, and transferring positions to the Council of Governments, a tri-county agency that provides assistance to local governments. The current trend is experiencing an increase as a result of the transition of employees from various outside governmental entities to Charleston County for

Consolidated Dispatch, conversion of part-time personnel working more than 32 hours a week to full-time positions, and on-going pressure to maintain existing service levels in a community with a growing population.

## GENERAL FUND

### SUMMARY

The FY 2020 Council approved budgeted disbursements for the General Fund total \$251.2 million, a \$10.5 million or 4.4 percent increase from the FY 2019 budget. Budgeted funds available for the FY 2020 budget also total \$251.2 million. The General Fund millage is anticipated to remain constant at 44.7 mills.

Page 108 shows a graphical representation of the County's General Fund budget. Page 109 shows a fund statement that depicts the numerical summary of the General Fund budget.

### BEGINNING BALANCE

The General Fund beginning fund balance for FY 2020 is \$76.5 million. This fund balance includes the "Rainy Day Fund" which is an amount established and maintained by County Ordinance for catastrophes and two months of recurring disbursements. (See Figure 5 for additional detail.)

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**Figure 5 - FY 2020 General Fund Beginning Balance**  
(Expressed in Thousands of Dollars)

Nonspendable (Inventory)	\$707
Restricted: Internal	
Encumbrances	3,000
Designated for PAYGO projects in FY 2020	7,500
Rainy Day Fund	10,425
Two months of Operating Expenditures	41,909
Available	<u>12,942</u>
Total	<u>\$ 76,485</u>

The Rainy Day fund was established in FY 1992 to strengthen the County's balance sheet and the County's disaster preparedness position. The fund is intended to equal no less than four percent of the General Fund disbursements as required by the Budget Ordinance. In addition, an internal restriction of fund balance has been established to equal two months of the following fiscal year's General Fund operating budget.

### ***Financial Policies***

- *Financial Reserve Policy 1: ...strive to maintain a minimum ... fund balance in the General Fund of 2 months of the subsequent year's...operating expenditures.*
- *Financial Reserve Policy 3: ...maintain a Rainy Day fund... at no less than four percent of the General Fund disbursements.*

## **REVENUES**

General Fund budgeted revenues of \$242.2 million reflect an increase of \$11.2 million or 4.9 percent from FY 2019. Figure 6 shows the significant budget changes in revenues.

## BUDGET ANALYSIS

**Figure 6 - Major Changes in Revenues for the General Fund**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Property Tax Revenue	\$166,685	\$173,839	\$7,154	4.3%
Local Option Sales Tax	65,750	69,100	3,350	5.1%
State: Aid to Sub - Local Government Fund	13,330	14,046	716	5.4%
EMS: Insurance Billing CSM	5,000	5,710	710	14.2%
Sheriff: Local Government Contribution	366	1,043	677	185.0%
Register of Deeds: Documentary Stamps	7,400	8,000	600	8.1%
Lost: Sales Tax Credit	(65,260)	(68,580)	(3,320)	5.1%

The County's largest revenue sources, the Property Tax and the Local Option Sales Tax, reflect a net increase of \$3.8 million. The net increase is due to an increased projection of property value from new construction and improvement in the local economy resulting in increased sales tax projections. The increase in the revenue from the Local Option Sales Tax Credit, which is used to offset the amount property owners pay on their tax bill, also reflects improvements in the local economy. The increase in the Local Option Sales Tax resulted in a higher credit of \$3.4 million or 5.1 percent to taxpayers.

The State: Aid to Sub-Local Government represents an increase of \$0.7 million or 5.4 percent based on a change to the State's allocation formula. Another change is the increase of \$0.7 million or 14.2 percent in EMS: Insurance Billings and reflects increased usage of service due to growing population and tourism. In addition, Sheriff: Local Government Contribution increased \$0.7 million or 185 percent due to projected reimbursements from the Town of Kiawah Island for 4 Deputy Sheriff positions. Finally, the \$0.6 million or 8.1 percent increase to Register of Deeds: Documentary Stamps represents an increase in fee collections based on a higher volume of recorded real estate transactions.

### **INTERFUND TRANSFERS IN**

Approximately \$4.5 million is transferred to the General Fund from other funds, representing a decrease of \$0.9 million or 16.9 percent from the FY 2019 budget. This most significant change represents a decrease to the discretionary transfer of unspent revenue from the Clerk of Court: IV-D Child Support Enforcement Fund and a decrease in support from the Parking Garage Enterprise Fund.

### **EXPENDITURES**

The FY 2020 approved budgeted expenditures for the General Fund total \$243.3 million, which represents an increase of \$11.4 million or 4.9 percent from the FY 2019 budget. Figure 7 shows the significant budget changes in expenditures for FY 2020.

## BUDGET ANALYSIS

**Figure 7 - Major Changes in Expenditures for the General Fund**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Library	\$17,401	\$24,258	\$6,857	39.4%
Sheriff: Law Enforcement	36,268	38,140	1,872	5.2%
Technology Services	12,785	14,463	1,678	13.1%
County Council	1,742	3,359	1,617	92.8%
Facilities Management	27,769	20,771	(6,998)	-25.2%

The largest increase in County General Fund expenditures represents \$6.9 million or 39.4 percent for the Library due to the library expansion approved by voters in 2016. The increase also includes the re-establishment of reimbursements for facilities maintenance costs and insurance costs. In addition, the \$1.9 million or 5.2 percent increase in Sheriff: Law Enforcement represents funding for four new Deputy Sheriff positions for the Town of Kiawah and increased funding for the Charleston Animal Society.

The budget for Technology Services increased \$1.7 million or 13.1 percent due to the anticipation of additional costs for the new technology service contract. The \$1.6 million or 92.9 percent increase for County Council reflects allocations made during budget deliberations. Council allocated \$1,042,249 for contingency, \$150,000 for Community Investment and \$600,000 to the City of Charleston to provide School Resource Officers for the schools within the city limits.

These increases are offset by a \$7.0 million or 25.2 percent decrease in Facilities Management representing lower maintenance and project funding for County buildings as a result of budgetary constraints and the re-establishment of a reimbursement from the Library.

### **INTERFUND TRANSFERS OUT**

Approximately \$7.9 million is transferred from the General Fund to various other funds. The transfers decrease \$0.9 million or 10.2 percent from the prior fiscal year primarily due to lower support of the Radio Communications and Debt Service Funds.

### **FUND BALANCE**

The FY 2020 ending fund balance is projected to be \$72.0 million. Of this amount, \$44.4 million is set aside in an effort to maintain a two-month buffer and is in addition to the \$10.7 million Rainy Day Fund for unexpected events. Another \$6.0 million reflects estimated on-going purchases and projects at the end of FY 2020.

### **DEBT SERVICE FUND**

#### **SUMMARY**

The FY 2020 approved budgeted disbursements for the Debt Service Fund total \$38.1 million, which is a \$10.4 million or 2.2 percent decrease from the FY 2019 budget. Budgeted funds available for FY 2020 also total \$38.1 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2019.

## BUDGET ANALYSIS

Page 110 displays a graphical representation of the County's Debt Service Fund budget. Page 111 contains a fund statement which is a numerical summary of the Debt Service Fund.

### REVENUES

Debt Service Fund revenues total \$25.8 million and reflect a decrease of \$1.3 million or 4.8 percent from FY 2019. The majority of the decrease reflects a reduction in the premium from the issuance of debt. The decrease is slightly offset by higher property tax revenues.

### INTERFUND TRANSFERS IN

Approximately \$10.3 million is transferred to the Debt Service Fund from other funds. The transfers decreased \$8.4 million or 44.9 percent, which reflects the use of a premium from the 2017 bond issuance during FY 2019.

### EXPENDITURES

The FY 2020 budgeted expenditures for the Debt Service Fund total \$36.1 million. This amount is a \$2.1 million or 5.5 percent represents a decrease from FY 2019 due to the repayment of a short-term borrowing to purchase public works equipment.

### INTERFUND TRANSFER OUT

Approximately \$2.0 million is transferred within the Debt Service Fund. The transfers decrease by \$8.3 million or 80.6 percent reflects lower availability of premiums from the 2017 bond issuance.

### FUND BALANCE

The FY 2020 ending fund balance is projected to be \$23.8 million, which represents a \$2.0 million or 7.6 percent decrease from the projected FY 2019 beginning balance. The ending fund balance reflects the use of the remaining premium from the 2017 bond issuance.

## SPECIAL REVENUE FUNDS

### SUMMARY

The FY 2020 approved budgeted disbursements for the Special Revenue Funds total \$196.7 million, an \$8.2 million or 4.3 percent increase from the FY 2019 budget. Budgeted funds available for FY 2020 also total \$196.7 million.

Page 112 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 113 to 156 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

The revenues for the Special Revenue Funds total \$198.4 million and reflect an \$8.4 million or 4.4 percent increase from the FY 2019 budget. Figure 8 provides information on significant budgeted revenue changes.

## BUDGET ANALYSIS

**Figure 8 - Major Changes in Revenues for the Special Revenue Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transp. Sales Tax: Revenue Bond Debt Service	\$20,669	\$24,554	\$3,885	18.8%
Transportation Developmnt: Roads Program (2nd)	36,846	38,632	1,786	4.8%
Transportation Developmnt: Roads Program (1st)	39,142	40,525	1,383	3.5%

There is a \$3.9 million or 18.8 percent increase in the Transportation Sales Tax: Revenue Bond Debt Service. Revenues of \$24.6 million reflect fees-in-lieu of property taxes that were designated by County Council as security for the repayment of the debt service. After the verification of sufficient revenues to service the current year's debt, the fees-in-lieu of property taxes are distributed to taxing entities. The increase in revenue represents additional fees collected for new and enhanced developments in the county.

The major changes in the Special Revenue Funds are seen in the Transportation Sales Tax (TST) funds. The first TST was passed by the voters in a referendum in November 2004 and the second TST was passed by referendum in November 2016. The FY 2020 budget for the first TST Roads Program is \$40.5 million. FY 2019 represented the first year collection of the second TST Roads Program revenues. The budget for the second TST Roads Program is \$38.6 million. Collectively, the budgeted increase for the TST Roads Program is \$3.2 million or 8.3 percent. The budgeted increases for the sales tax funded revenues are tied to improvements in the local economy through increased consumer spending.

### INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$13.2 million, which is a \$1.2 million or 9.6 percent increase. The most significant increase is the payment for the 2013 and 2017 Special Source Revenue Bonds and represents the projected increase in debt service on the bond.

### EXPENSES

The FY 2020 budgeted expenses for the Special Revenue Funds total \$113.0 million, which is a \$4.4 million or 3.7 percent decrease from FY 2019. Figure 9 shows the significant budget change in expenses.

**Figure 9 - Major Changes in Expenses for the Special Revenue Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Economic Development	\$5,819	\$4,122	(\$1,697)	-29.2%
Public Works: Technical Program Stormwater	7,490	3,872	(3,618)	-48.3%



## BUDGET ANALYSIS

The primary reduction in FY 2020 budgeted expenses is \$1.7 million or 29.2 percent decrease in Economic Development and represents the completion of a one-time road expansion project in FY 2019. Another change to the Special Revenue Fund expenses is a \$3.6 million or 48.3 percent budgeted decrease to Public Works: Technical Program Stormwater for consultant fees and drainage services based on historical usage and current trends.

### INTERFUND TRANSFERS OUT

Approximately \$83.7 million is transferred from the Special Revenue Funds to various other funds. The transfers increase by \$12.6 million or 17.7 percent represents a higher transfer to the Bus Rapid Transit project for project design.

### FUND BALANCE

The FY 2020 ending fund balance is projected to be \$127.4 million, which reflects a 15.0 million or 13.3 percent change from the estimated FY 2019 beginning balance. The increase reflects planned savings in the second Transportation Sales Tax to fund roads on a pay-as-you-go basis.

## ENTERPRISE FUNDS

### SUMMARY

The FY 2020 approved budgeted disbursements for the Enterprise Funds total \$66.7 million. This is a \$1.9 million or 2.8 percent decrease from the FY 2019 budget. Funds available for FY 2020 also total \$66.7 million.

Page 157 displays a graphical representation of the County's Enterprise Funds budgets, while pages 158 to 164 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

Revenues for the Enterprise Funds total \$59.1 million and reflect a \$2.7 million or 4.9 percent increase from the FY 2019 budget. Figure 10 provides information on significant budgeted revenue changes.

**Figure 10 - Major Changes in Revenues for the Enterprise Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Environmental Management	\$31,231	\$35,941	\$4,710	15.1%
Consolidated Dispatch: Emergency 911	4,994	2,844	(2,150)	-43.1%

The most significant budgeted increase of \$4.7 million or 15.1 percent in the Environmental Management fund reflects estimated proceeds from the sale of real property. This increase is slightly offset by a \$2.2 million or 43.1 percent decrease in Consolidated Dispatch: Emergency 911 representing lower reimbursable costs from the State.

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## INTERFUND TRANSFERS IN

In total, approximately \$1.3 million is transferred into Enterprise Funds from various other funds, which reflects a \$0.3 million or 18.0 percent decrease from the FY 2019 budget. The majority of the decrease is due to a reduction in the amount of funds transferred from the General Fund to support the Radio Communication Fund.

## EXPENSES

The FY 2020 budgeted expenses for the Enterprise Funds total \$54.4 million which is a \$2.3 million or 4.1 percent decrease from FY 2019. Figure 11 shows the significant budget change in expenses.

**Figure 11 - Major Changes in Expenses for the Enterprise Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Consolidates Dispatch: Emergency 911	\$6,062	\$3,679	(\$2,383)	-39.3%

The budgeted decrease of \$2.4 million or 39.3 percent in Consolidated Dispatch: Emergency 911 reflects the purchase in FY 2019 of a customer premise equipment phone system, recorder, and auxiliary hardware.

## INTERFUND TRANSFERS OUT

The transfers out from the Enterprise Fund to other funds is approximately \$12.3 million, which is a \$0.4 million or 3.4 percent increase. The increase reflects transfers in the Environmental Management fund of \$0.8 million for the Capital Projects Fund.

## FUND BALANCE

The FY 2020 combined ending fund balance is projected to be \$58.5 million which reflects a \$6.3 million or 9.8 percent decrease from the beginning fund balance. The majority of the decrease reflects the use of the Environmental Management fund balance for transfers to the Capital Projects Fund.

## INTERNAL SERVICE FUNDS

### SUMMARY

The FY 2020 approved budgeted disbursements for the Internal Service Funds total \$60.0 million. This is a \$2.6 million or 4.5 percent increase from the FY 2019 budget. Funds available for FY 2020 also total \$60.0 million.

Page 165 shows a graphical representation of the County's Internal Service Funds budgets, while pages 166 to 170 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

Internal Service Funds revenues total \$55.1 million, a \$1.1 million or 2.1 percent increase from FY 2019. Figure 12 provides information on significant budgeted revenue changes.

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**Figure 12 - Major Changes in Revenues for the Internal Service Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Fleet Operations	\$10,844	\$11,332	\$488	4.5%
Human Resources: Employee Benefits	30,914	31,343	429	1.4%

There is a \$0.5 million or 4.5 percent increase to Fleet Operations due to additional revenue generated from the increased costs associated with repair contracts. Human Resources: Employee Benefits reflects an increase by the State of South Carolina to the health insurance rate for employers and employees. The impact of the increase is \$0.4 million or 1.4 percent to the fund.

### INTERFUND TRANSFERS IN

Approximately \$3.7 million is transferred to the Internal Service Funds from other funds. The majority of the \$0.7 million or 24.6 percent increase in transfers represents a reduction in the transfer from the General Fund to Fleet Operations to purchase vehicles and heavy equipment for General Fund offices/departments.

### EXPENSES

The FY 2020 budgeted expenses for the Internal Service Funds total \$60.0 million which is a \$4.0 million or 7.1 percent increase from FY 2019. Figure 13 shows the significant budget change in expenses.

**Figure 13 - Major Changes in Expenses for the Internal Service Funds**  
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2019 Adjusted</u>	<u>FY 2020 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Fleet Operations	\$12,479	\$15,067	\$2,588	20.7%
Human Resources: Employee Benefits	30,914	32,093	1,179	3.8%

The primary increase of \$2.6 million or 20.7 percent is in Fleet Operations and represents higher costs for contracted repairs and maintenance for the county's fleet. The \$1.2 million or 3.8 percent increase in the Human Resources: Employee Benefits Fund is due to higher costs of various employee insurances as passed through by the State.

### FUND BALANCE

The FY 2020 ending fund balance is projected to be (\$194.2) million, which represents a \$1.1 million or less than one percent decrease from the estimated FY 2019 beginning balance. The negative fund balance is due to reporting \$271.2 million in retirement benefits in the Human Resources: Employee Benefits Fund. The increase is due to higher costs of various employee insurances as passed through by the State.