

LETTER FROM THE ADMINISTRATOR



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Citizens of Charleston County:

I am pleased to present to you my first budget as County Administrator. Charleston County Council adopted the Fiscal Year (FY) 2021 County Operating Budget on June 16, 2020. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty years and Triple AAA rating from the bond rating agencies for the past 10 years. We are proud of these recognitions, 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 the financial impact to the County and citizens from the COVID-19 pandemic.*
- *Addresses Growth in Charleston County*
- *Maintains Financial Fundamentals*
 - *Matches Recurring Revenue with Recurring Expenditures*
- *Includes No Tax Millage Rate Increase*

When the County began preparation for the FY 2021 budget on October 13, 2019, no one could have foreseen the widespread challenges our community, the country, or the world would face because of the COVID-19 pandemic. For the first time in the County's history, I presented a budget with a 2 percent Stop Gap Measure for the General Fund. The Stop Gap Measure gives the County the flexibility needed to address the unknown future by allowing Council to approve a budget based on the April 2020 revenue projections, while limiting the offices/departments' spending until completion of an initial evaluation of FY 2020 results in October 2020 and completion of the FY 2021 mid-year review in February 2021. If funding is available, offices/departments will receive half of the Stop Gap in October and the remaining half in February. Throughout the fiscal year, the County will continue to monitor global events and will remain prepared to respond to changing dynamics.

The FY 2021 budget is balanced and addresses the following budgetary challenges:

- **Responding to the immediate financial impact of COVID-19** ~ In addition to the Stop Gap Measures implemented in the FY 2021 budget, the Approved Budget also responded to the estimated loss of revenue and expected increase in costs associated with controlling the spread of the virus by:
 - Eliminating most new spending and all new initiatives
 - Delaying projects and the purchase of new or replacement equipment
 - Reducing the support of non-general funds by the General Fund.

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

Protect employees from layoffs, furloughs and/or reduction in compensation ~ While the County works toward maintaining a qualified and highly motivated workforce, the downturn in the economy resulted in a re-evaluation of the employees' compensation

package. The Approved Budget includes longevity or merit for employees. While the County continued the merit and longevity programs, there is a 50 percent reduction to the annual merit from the previous year.

- **Maintaining Financial Health** ~ The County's Triple AAA financial rating (only 44 counties in the country hold this distinction) is a result of our adherence to the solid fiscal management outlined in the County's financial policies. Although the County departed from the financial policy to perform five-year forecasts for some of the County's major funds due to the pandemic and the related financial uncertainty, this budget maintains the Rainy Day Fund and matches recurring costs with recurring revenue.

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

- **No tax millage rate increase** ~ County Council conscientiously sought to maintain a consistent level of taxation for our residents and businesses during the hardships facing our community. The County's tax millage rate and the Solid Waste User Fee for FY 2021 remain constant. South Carolina Law requires that counties reassess properties every five years, which typically adjusts the millage rate downward. However, some homeowners may see an increase in property taxes if their property value increased above the average. The projection for the Local Option Sales Tax Credit, used to offset the amount property owners pay on their tax bill, is \$25.00 less than the previous fiscal year due to lower anticipated sales tax revenues.

THE BUDGET IN BRIEF

Revenues and other sources for all operating funds¹ total \$600.5 million for FY 2021, which is a budgeted decrease of \$15.9 million from the previous fiscal year. The County's largest revenue sources, the Property Tax and Local Option Sales tax, reflect a net decrease of \$7.5 million. Sales taxes, the next largest revenue and directly tied to the local and national economy, decreased \$13.3 million in the Special Revenue Funds for the Transportation Sales Tax funds for roads, mass transit, and green space projects.

Expenditures and other uses for all operating funds¹ total \$675.6 million for FY 2021, a \$57.7 million increase from the previous year. The planned increase was part of the County's Long-range Financial Plan, which included a cash flow strategy that aligned with completion of the pay-as-you-go roads projects and the scheduled debt service on a short-term borrowing. The largest increase of \$54.0 million, a 282.1 percent increase, represents the progression of road projects into the construction phase in FY 2021. Road projects continue through the end of the 25-year tax. The budget also includes an increase of \$18.6 million for the re-payment of a short-term borrowing to purchase a public safety helicopter and radio equipment. Personnel costs across all funds increased less than 2 percent and represent a net reduction of four FTEs.

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 projected beginning fund balance is \$116.1 million. The largest change in the fund balance, the Transportation Sales Tax Special Revenue Funds, represents a \$38.7 million reduction to fund the planned pay-as-you-go roads projects. The County also budgeted \$20.7 million in the Debt Service Fund to accelerate the repayment of debt. As a result, the projected ending fund balance is \$41.0 million, which is a \$75.1 million decrease.

MAJOR POLICY ISSUES

The nation has experienced the increasing frequency of natural disasters, and the County has experienced its share with hurricanes in five consecutive years. Everything changed for the nation and world in March 2020 with the COVID-19 pandemic. The financial tapestry of the world continued to unravel as civil unrest increased globally. Charleston County has to discover new approaches to respond financially to natural and human disasters in ways that will ensure the County and our citizens will recover.

Five consecutive years of hurricane provided the County with the 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 2021 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 2021 budget included funding for the following partnerships (please refer to pages 36 and 37 to see partnerships the County formed during FY 2020).
- **Affordable Housing** ~ The County continues to experience growing population, thriving business development, and increasing tourism. While the growth has slowed down in 2020, the County is seeing improvements in the area's economy and we expect a stronger economy in time. The housing market continues to expand, and the availability of affordable homes continues to be a challenge. 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. The County is considering a referendum in FY 2022 to raise property taxes 2 mills, generating \$130 million, for affordable housing.

- **Preserving and Constructing County Infrastructure** ~ After our employees, the County considers our assets the most valuable resource. 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 to develop 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 has opened four of the five new libraries and the administrative building. Staff continues to work on constructing the last new library and renovations the branch libraries.
 - Currently, staff is working on design and construction of a building for a community 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 continuing the construction of 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. Staff is currently reviewing plans to fund designing large road projects, designing a bus rapid transit system, and prioritizing greenbelt projects.

CONCLUSION

I am proud to lead our County employees through these challenging times, and I am appreciative of the support of County Council, municipal leaders, and officials at the State and Federal levels. By working together cooperatively, we can ensure the County will continue to provide excellent service to our community.

Sincerely submitted,



William L. Tuten
Charleston County Administrator