

# LETTER FROM THE ADMINISTRATOR



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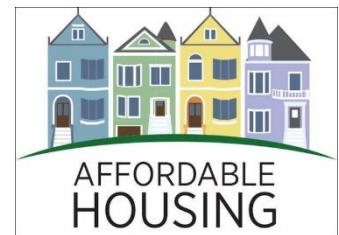
I am pleased to present the Fiscal Year (FY) 2022 Charleston County Operating Budget, as adopted by Charleston County Council on June 22, 2021. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty-one years and Triple AAA ratings from the bond rating agencies for the past eleven 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 (positive and negative) to the County and Citizens from the Interminable Pandemic*
- *Addresses Growth in Charleston County*
- *Maintains Financial Fundamentals*
  - *Matches Recurring Revenue with Recurring Expenditures*
- *Return Excess Revenue from Local Option Sales Tax to Homeowners*

Charleston County is experiencing a strong rebound after the initial impacts of the 2021 worldwide pandemic. Property values are increasing. Sales tax growth is unprecedented. Home sales in the region are rising. Population growth continues. The financial safety measures implemented in the FY 2021 approved budget as a safeguard for the financial uncertainties associated with the pandemic laid a solid foundation for the development of the FY 2022 budget. The FY 2022 budget is balanced and addresses the following budgetary challenges:

➤ **Affordable Housing** ~ The County continues to experience growing population, thriving business development, and increasing tourism. While the pandemic slowed growth in 2020 through early 2021, the County is seeing improvements in the area's economy, and we do not anticipate this growth ending soon. As a result, the housing market continues to expand, and the demand for affordable homes continues to be a challenge. Addressing affordable housing in the County is one of the major focuses of the FY 2022 budget. The budget provides approximately \$0.5 million for a Community Revitalization and Housing Affordability department; charged with the goal of improving affordable housing and revitalization of the physical and economic infrastructure.



➤ **Recovering from the initial financial impacts of COVID-19** ~ Implementation of stop gap measures, increased revenue, and temporarily closing the court system and other programs to control the spread of the virus increased the General Fund fund balance at the end of FY 2021. The second major focus of the FY 2022 budget is to establish a prudent spending plan for the allocation of the fund balance for one-time costs. Early in the budget process, staff prioritized one-time costs by re-evaluating new spending and initiatives/projects requests and the purchase of new or replacement equipment delayed from FY 2021. Prioritizing one-time costs was vital to the success of the FY 2022 budget.

➤ **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 and the Solid Waste User Fee for FY 2022 remain constant. The Local Option Sales Tax, used to offset property tax costs, increases this year; and therefore, reduces net taxes.

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

## THE BUDGET IN BRIEF



Revenues and other sources for all operating funds<sup>1</sup> total \$645.2 million for FY 2022, which is a budgeted increase of \$43.1 million from the previous fiscal year. The County's largest revenue sources, the Property Tax and Local Option Sales tax, reflect an increase of \$25.6 million. The Transportation Sales tax, the next largest revenue and directly tied to the local economy and online consumer spending, increases by \$25.0 million in the Special Revenue Funds for the Transportation Sales Tax funds for roads, mass transit, and greenbelt projects.

Expenditures and other uses for all operating funds<sup>1</sup> total \$678.3 million for FY 2022, a \$1.1 million increase from the previous year. Council adopted a conservative budget in FY 2021 in response to the uncertainties of the world-wide pandemic. The strong tourism industry recovery in FY 2021 and projected for FY 2022 result in a \$4.8 million increase in the local Accommodations Tax and a \$3.5 million increase in Air Service Development. The additional funding represents restoration of expenditures to pre-pandemic levels in support of tourism in the County. The largest increase of \$54.0 million, a 282.1 percent increase, represents the progression of road projects into the construction phase in FY 2022. Road projects continue through the end of the 25-year tax. Finally, personnel costs across all funds increase 6.4 percent and include reprogramming 36 FTEs in response to community growth and customer demands in the County. The expenditure increases are offset by lower debt service due to a one-time expenditure in FY 2021 of \$18.6 million for the re-payment of a short-term borrowing.



The projected beginning fund balance is \$103.6 million. The largest change in the fund balance, the Transportation Sales Tax Special Revenue Funds, represents a \$7.6 million reduction to fund the planned pay-as-you-go roads and greenbelts projects. The County also budgeted \$11.8 million in the General Fund to restore facility projects, technology projects, and vehicle/equipment expenditures to pre-pandemic levels. Council increased the Local Option Sales Tax Credit by \$3.0 million based on increased revenue collected in FY 2020 and FY 2021 due to increased consumer sales locally and online. To provide the flexibility needed to address the unknown future demands in the FY 2021 budget, Council implemented a two percent stop gap measure and limited one-time costs to public safety requirements only. The elimination of the short-term budget constraints is also reflected in the \$33.1 million decrease to the fund balance. The projected ending fund balance is \$70.5 million.

<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.

## MAJOR POLICY ISSUE



The Local Option Sales Tax (LOST), under SC State Law Chapter 10 of Title 4, allows a county, upon referendum approval, to levy a sales and use tax of one percent on the gross proceeds of sales. Counties must use the largest portion of

the levied tax as a credit against a taxpayer's county ad valorem tax liability and may use the smaller portion for the purpose of funding County operations. Charleston County's policy is to annually budget 100 percent of the estimated revenue as a credit. Historically, there are years the revenue exceeds budget and years the revenue is below budget. Overall, there is only a slight difference between the budgeted projections and the actual revenue generated. The difference began to increase after a Supreme Court decision gave States the ability to access sales tax on out-of-state online retailers. Staff calculated an approximate \$6 million difference in budgeted projections and actuals in FYs 2020 and 2021.

Council's intent for the referendum passed in 1990 is to return 100 percent of the revenue generated to taxpayers as a credit on their annual tax bill. In addition, Council's goal is to limit fluctuations in tax bills when consumer spending decreases. During budget deliberations, Council voted to pass a budget that allocates \$3 million of the LOST revenue from FYs 2020 and 2021 as an additional credit in FY 2022, with plans to distribute the remaining \$3 million in FY 2023. Allocating the \$6.0 million credit over two years protects the taxpayers from short-term increases in the net property tax bill.

Council and I are proud to offer County taxpayers a decrease in their County taxes in a year where many citizens are recovering from the negative financial impacts of the world-wide pandemic and the fast-paced growth in property value in the County.

## LOOKING AHEAD - CHALLENGES IN FY 2022 AND BEYOND

The County has identified several challenges for FY 2022 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.

- **Managing the County Growth While Mitigating Increased Costs** ~ The rebound from the pandemic was swift in Charleston County; however, the cost associated with the growth seen in the County is unprecedented. The County continues to see an increase in the types and amounts of infrastructure (improved drainage infrastructure, enhanced roads, additional libraries, parks and recreational facilities, etc.) and service needs (increased building permits, documentary stamps for home purchases, etc.) for our growing population. In addition to increased demands from our citizens, costs of goods and services are increasing. The greatest challenge to the County is increasing vacancy rates and salary issues for the County's workforce. As we enter the new fiscal year and moving beyond, staff will continue to efficiently and effectively monitor the County's fiscal health and to make decisions that best align with the needs of the great citizens of Charleston County.



- **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 conducted 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 level to implement the work plan.
- **Construction Management** ~ The County anticipates funding infrastructure from bond proceeds, 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 renovating the remaining libraries.
  - The County is continuing the construction of a social services hub and a replacement Juvenile Detention Center. In addition, the County also plans to begin the redesign and construction of the Public Works complex. The County intends to fund these projects from bond proceeds.
  - The County is continuing improvements to the recycling convenience centers and infrastructure at the landfill to meet the needs of the growing population. In addition to setting aside funds for 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 greenbelt projects. Staff is currently reviewing plans to fund designing large road projects, designing a bus rapid transit system, and prioritizing greenbelt projects.

## CONCLUSION

Preparation and adoption of the budget takes a dedicated team. Thank you to our staff who are committed to providing excellent service while making the most of the taxpayers' dollars. Thanks especially to the Budget Department for their hard work in developing and presenting the FY 2023 budget. Finally, thank you to County Council for their leadership during the early stages of the pandemic and continued leadership as we navigate through the uncharted waters as the Country moves beyond the pandemic years. 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