

# BUDGET ANALYSIS

## OVERVIEW

During the preparation of the Fiscal Year (FY) 2022 budget, the County Administrator provided guidance for assembling an operational budget that included the following directives:

- ❖ 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 FY 2022 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds, which total \$685.1 million and reflect a \$4.9 million or 0.7 percent change from the FY 2021 budget. Figure 1 summarizes the FY 2022 operating budget. Additionally, the graphs presented on pages 84 and 85 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 2022 Operating Budget**  
(Expressed in Millions of Dollars)

<u>Description</u>	
Available Funds (Including Beginning Fund Balance)	\$ 748.8
Less Budgeted Disbursements	<u>678.3</u>
Nonspendable	89.9
Restricted: External	(294.5)
Restricted: Internal	208.3
Available	<u>66.8</u>
Ending Fund Balance	<u>\$ 70.5</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 2022 is 41.2 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 2022 rate at 6.1 mills. The combined operating and debt service levy is 47.3 mills.

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**Figure 2 – County Millage Rates**

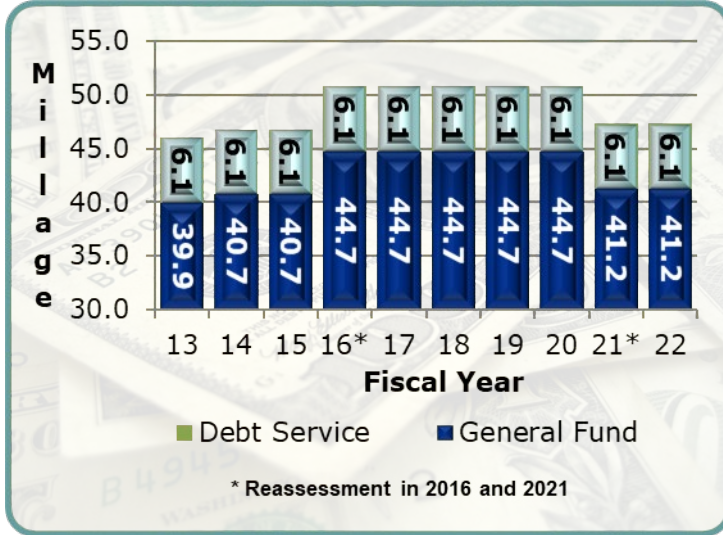


Figure 2 presents a summary of the County’s millage rates for FY 2022 and the prior nine years. For the owner of a \$300,000 home (four percent assessed property) the 47.3 mills equate to a tax of \$567.60 which remains constant to the current tax year for the \$300,000 homeowner. As allowed under State 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 2022 reflects an increase of \$13.00 or 17.3 percent, which equates to \$264.00 for the \$300,000 homeowner. The LOST increase is due the State’s ability to enforce sales tax collection on online

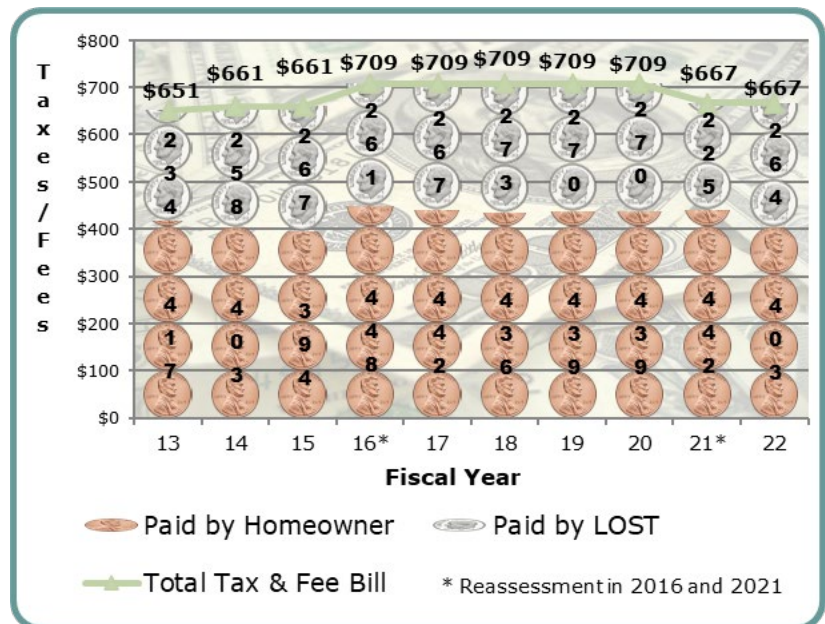
purchases and a strong economy in FY 2022. After applying the Sales Tax credit, the net tax is \$303.60, representing a \$39.00 decrease from the current year for the \$300,000 homeowner.



The Solid Waste Recycling and Disposal Fee of \$99 for a single-family residence remained unchanged since FY 2008.

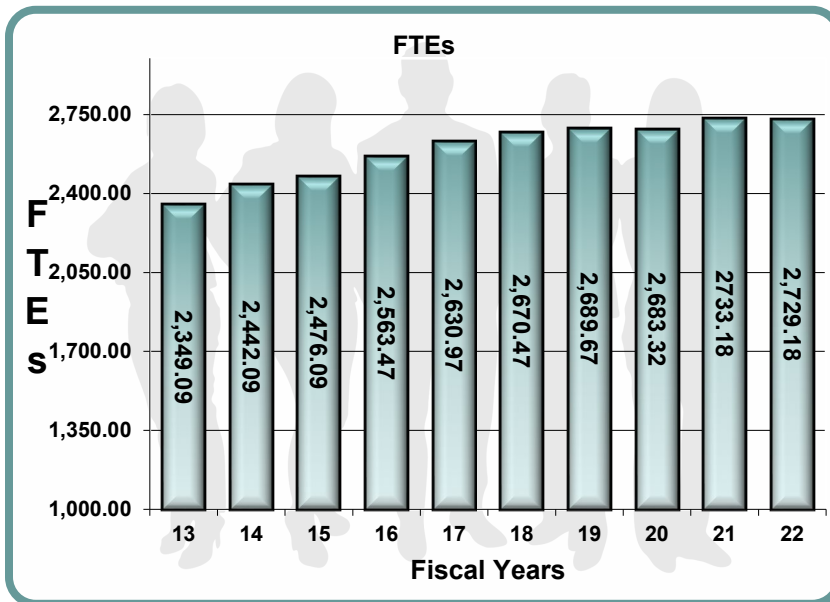
**Figure 3 – Tax and Fee Bill**

When the Solid Waste Recycling and Disposal Fee is included, the overall tax and fee bill for the owner of a \$300,000 home (four percent assessed property) amounts to \$402.60 representing a \$39.00 decrease 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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There are 36 new Full-Time Equivalents (FTEs) added and 40 unfunded, unfilled FTEs eliminated in FY 2022, bringing the total number of FTEs employed by Charleston County to 2,729. To respond to community growth and customer service demands in the County, 20 FTEs were added to Emergency Medical Services (EMS); three FTEs to the Solicitor and the Board of Elections and Registration, respectively; two FTEs were added to Register of Deeds and Public Works: Mosquito Control, respectively; and one FTE to Coroner, Probate Courts, Treasurer, Greenbelts, Human Resources and Capital Projects, respectively.



**Figure 4 – Full-Time Equivalents**

Figure 4 presents a summary of the County's FTEs for FY 2022 and the prior nine years. The FTEs for Charleston County reflected a steady increasing trend thru FY 2018. The growth in FTEs began stabilizing in FY 2019 as the number of employees became sufficient for the current service demand levels.

## GENERAL FUND

### SUMMARY

The FY 2022 Council approved budgeted disbursements for the General Fund total \$271.6 million, a \$21.7 million or 8.7 percent increase from the FY 2021 budget. Budgeted funds available for the FY 2022 budget also total \$271.6 million. The General Fund millage is 41.2 mills.

Page 114 shows a graphical representation of the County's General Fund budget. Page 115 shows a fund statement that depicts the numerical summary of the General Fund budget.

### BEGINNING BALANCE

The General Fund beginning fund balance for FY 2022 is \$98.7 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 2022 General Fund Beginning Balance**  
(Expressed in Thousands of Dollars)

Nonspendable (Inventory)	\$ 6,538
Restricted: Internal	
Encumbrances	2,500
Designated for PAYGO projects in FY 2022	11,829
Rainy Day Fund	10,000
Two months of Operating Expenditures	41,663
Additional LOST Credit for FYs 2022 and 2023	6,000
Available	<u>20,186</u>
<b>Total</b>	<b><u>\$ 98,716</u></b>

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. An internal restriction of fund balance has been established to equal two months of the following fiscal year’s General Fund operating budget. In addition, the Local Option Sales Tax (LOST) Credit was added to the fund balance in FY 2022 because the LOST revenue generated in FY 2020 and FY 2021 was higher than estimated. The County strives to use all the LOST revenue budgeted to offset the amount property owners pay on their tax bill. Council increased the credit to taxpayers in FY 2022 because the revenue generated in FYs 2020 and 2021 were significantly higher than the amount budgeted.

### *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 \$252.4 million reflect an increase of \$10.6 million or 4.4 percent from FY 2021. Figure 6 shows the significant budget changes in revenues.

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

<u>Department/Division</u>	<u>FY 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Local Option Sales Tax	\$61,100	\$75,300	\$14,200	23.2%
Property Tax Revenue	174,360	185,740	11,380	6.5%
Register of Deeds: Documentary Stamps	6,000	9,500	3,500	58.3%
Non Departmental: Business Licenses	2,700	3,800	1,100	40.7%
Detention Center: Federal Prisoners	4,200	3,000	(1,200)	(28.6%)
Lost: Sales Tax Credit	(60,640)	(77,740)	(17,100)	(28.2%)

While many areas in the country experienced negative economic impacts resulting from the pandemic, Charleston County experienced a net increase of \$25.6 million or 10.9 percent in the largest revenue sources, the Property Tax and the Local Option Sales Tax (LOST). The LOST: Sales Tax Credit, which is used to offset the amount property owners pay on their tax bill, increased \$17.1 million or 28.2 percent due to a consumer driven local economy and online sales. The increase also reflects Council's decision to return \$3 million in excess revenue, generated in previous years from the Local Option Sales Tax, to the taxpayers as a credit on their tax bills.

The strong economy in Charleston County resulted in growth in the housing market and new businesses development in the community. The \$3.5 million or 58.3 percent increase to Register of Deeds: Documentary Stamps revenue represents an increase in estimated fee collection based on the number of anticipated real estate transactions occurring in FY 2022. In addition, the \$1.1 million or 40.7 percent increase in Non-Departmental: Business Licenses reflects a thriving business economy in the area. These increases were offset slightly by a \$1.2 million or 28.6 percent reduction in the Detention Center: Federal Prisoners due to a decrease in the projected amount of per diem reimbursement from the federal government for detaining federal prisoners.

### **INTERFUND TRANSFERS IN**

Approximately \$4.4 million is transferred to the General Fund from other funds, representing an increase of \$0.5 million or 11.6 percent from the FY 2021 budget. The most significant increases represent the one-time transfer of funds from the HOME grant matches, which were no longer needed due to the availability of in-kind matches; and an increase to the discretionary transfer of unspent revenue transferred from the Clerk of Court: IV-D Child Support Enforcement Fund.

### **EXPENDITURES**

The FY 2022 approved budgeted expenditures for the General Fund total \$259.6 million, which represents an increase of \$15.2 million or 6.2 percent from the FY 2021 budget. Figure 7 shows the significant budget changes in expenditures for FY 2022.



# BUDGET ANALYSIS

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

<u>Department/Division</u>	<u>FY 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Emergency Medical Services	\$17,935	\$23,223	\$5,287	29.5%
Technology Services	12,293	14,742	2,449	19.9%
County Council	6,999	2,160	(4,839)	(69.1%)

The most significant increase in the General Fund expenditures is a \$5.3 million or 29.5 percent increase to Emergency Medical Services for full-year funding of forty-two positions added in FY 2021 and partial-year funding of twenty positions added in FY 2022. In addition, the change also represents a \$2.4 million or 19.9 percent increase to Technology Services for the purchase of hardware and software requirements and increased contract costs due to price inflation and new applications.

These increases are offset by a \$4.8 million, or 69.1 percent decrease in the County Council budget due to the elimination of the budgeted Stop Gap mechanism used in FY 2022 to give the County the flexibility needed to address unknown issues resulting from the pandemic in FY 2021.

## **INTERFUND TRANSFERS OUT**

Approximately \$12.1 million is transferred from the General Fund to various other funds. The transfers increased \$6.5 million or 116.3 percent from the prior fiscal year primarily resulting from the elimination of funding to purchase vehicles in FY 2021 due to pandemic imposed budget constraints. In addition, the General Fund increased support of the DAODAS Fund in FY 2022.

## **FUND BALANCE**

The FY 2022 ending fund balance is projected to be \$83.9 million. Of this amount, \$46.6 million is set aside in an effort to maintain a two-month buffer and \$11.2 million is set aside in the Rainy Day Fund for unexpected events. The fund balance also includes an allocation of \$11.8 million for future one-time purchases and projects and \$3.0 million in LOST credit applied to homeowners in Charleston County.

## **DEBT SERVICE FUND**

### **SUMMARY**

The FY 2022 approved budgeted disbursements for the Debt Service Fund total \$33.3 million, which is a \$32.9 million or 49.7 percent, increase from the FY 2021 budget. Budgeted funds available for FY 2022 also total \$33.3 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2021.

Page 116 displays a graphical representation of the County's Debt Service Fund budget. Page 117 contains the fund statement, a numerical summary, of the Debt Service Fund.

## BUDGET ANALYSIS

### REVENUES

Debt Service Fund revenues total \$28.1 million and reflect an increase of \$1.3 million or 4.8 percent from FY 2021. The increase represents additional property tax revenues from a growing property tax base.

### INTERFUND TRANSFERS IN

Approximately \$7.6 million is transferred to the Debt Service Fund from other funds. The transfers decreased \$11.0 million or 59.2 percent from the FY 2021 budget, which reflects the use of a premium from the 2019 General Obligation Bond issuance during FY 2021.

### EXPENDITURES

The FY 2022 budgeted expenditures for the Debt Service Fund total \$33.3 million. This amount represents an \$21.4 million or 39.2 percent decrease from FY 2021 due to the one-time repayment of a short-term borrowing to purchase equipment and due to accelerated debt retirement in FY 2021 due to the use of 2019 bond premium.

### INTERFUND TRANSFER OUT

The County will not transfer funds out of the Debt Service Fund in FY 2022.

### FUND BALANCE

The FY 2022 ending fund balance is projected to be \$23.1 million, which represents a \$2.4 million or 11.8 percent increase from the estimated FY 2021 ending balance.

## SPECIAL REVENUE FUNDS

### SUMMARY

The FY 2022 approved budgeted disbursements for the Special Revenue Funds total \$245.3 million, a \$5.8 million or 2.4 percent increase from the FY 2021 budget. Budgeted funds available for FY 2022 also total \$245.3 million.

Page 118 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 119 to 163 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

The revenues for the Special Revenue Funds total \$215.2 million and reflect a \$37.8 million or 21.3 percent increase from the FY 2021 budget. Figure 8 provides information on significant budgeted revenue changes.

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

<u>Department/Division</u>	<u>FY 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transportation Sales Tax	\$112,286	\$137,302	\$25,016	22.3%
Accommodations Tax: Local	10,112	16,302	6,190	61.2%
Air Services Development	1,750	5,000	3,250	185.7%

## BUDGET ANALYSIS

As one of the County's major revenue sources, the Transportation Sales Tax Funds (TST) have the largest impact on the Special Revenue Funds. Voters passed the first TST in a referendum in November 2004 and passed the second TST by referendum in November 2016 for roads, greenbelts and transit programs. The FY 2022 budget for all three of the TST Programs is \$137.3 million. Collectively, the estimated increase for the Transportation Sales Tax program is \$25.0 million or 22.3 percent. Collection of transportation sales tax is tied directly to the strong local economy.

There is also a \$6.2 million or 61.2 percent increase in the Accommodations Tax: Local due to the County's strong recovery projected in FY 2022 for local tourism industry. In addition, there is a \$3.3 million or 185.7 percent increase in the Air Service Development fund due to full-year collections of the Rental Car Fee.

### INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$14.6 million, which is a \$0.9 million or 5.8 percent decrease. The most significant decrease is in the Economic Development: Revenue Bond Debt Service Fund due to more utilization of Special Source Revenue Bond fund balance in FY 2022. This decrease is offset by an increase in the amount of funding from the General Fund to support the Public Defender function in Charleston.

### EXPENSES

The FY 2022 budgeted expenses for the Special Revenue Funds total \$127.7 million, which is a \$14.1 million or 12.4 percent increase from FY 2021. 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 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Accommodations Tax: Local	\$10,683	\$15,485	\$4,802	44.9%
Air Service Development	1,750	5,332	3,582	204.7%
Transportation Sales Tax	42,016	45,431	3,414	8.1%

The primary change in the FY 2022 budgeted expenses in the Special Revenue Fund expenses is a \$4.8 million or 44.9 percent budgeted increase to Accommodations Tax: Local to restore contributions to local municipalities. Another \$3.6 million or 204.7 percent increase in Air Service Development reflects a full-year contribution to the Airport Authority. Collectively, the estimated increase for the Transportation Sales Tax program is \$3.4 million or 8.1 percent, which includes the restoration of funding to the Charleston Area Regional Transportation Authority for equipment replacement.

### INTERFUND TRANSFERS OUT

Approximately \$117.6 million is transferred from the Special Revenue Funds to various other funds. The decrease of \$8.3 million or 6.6 percent relates to cash flows for the planned road, greenbelt and transit projects under the Transportation Sales Tax program.



# BUDGET ANALYSIS

## FUND BALANCE

The FY 2022 ending fund balance is projected to be \$110.7 million, which reflects a 15.5 million or 12.3 percent decrease from the estimated FY 2021 ending balance. The decrease reflects the utilization of fund balance primarily for pay-as-you-go funding for transportation projects.

## ENTERPRISE FUNDS

### SUMMARY

The FY 2022 approved budgeted disbursements for the Enterprise Funds total \$66.9 million. This is a \$2.2 million or 3.3 percent increase from the FY 2021 budget. Funds available for FY 2022 also total \$66.9 million.

Page 164 displays a graphical representation of the County's Enterprise Funds budgets, while pages 165 to 172 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

Revenues for the Enterprise Funds total \$60.4 million and reflect a \$0.6 million or 1.0 percent increase from the FY 2021 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 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Environmental Management	\$34,484	\$36,403	\$1,919	5.6%
DAODAS	11,492	10,113	(1,378)	(12.0%)

The most significant budgeted increase is \$1.9 million or 5.6 percent in the Environmental Management Fund due to the anticipated proceeds from the sale of property and an anticipated increase in the 70 percent revenue share with the new Material Recovery Facility partnership. These increases are offset by a decrease in client and insurance fees for the Department of Alcohol & Other Drug Abuse services based on current trends.

### INTERFUND TRANSFERS IN

Approximately \$3.0 million is transferred into the Enterprise Funds, which reflects a \$0.5 million or 19.8 percent increase from the FY 2021 budget. The \$1.7 million or 100 percent increase in DAODAS: Administration reflects restored and increased support from the General Fund. The increase is offset by a decrease due to the use of a premium from the 2019 issuance of debt for the construction of the new Materials Recycling Facility for Environmental Management in FY 2021.

### EXPENSES

The FY 2022 budgeted expenses for the Enterprise Funds total \$61.4 million, which is a \$2.6 million or 4.1 percent decrease from FY 2021. Figure 11 shows the significant budget change in expenses.

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

<u>Department/Division</u>	<u>FY 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Facilities: Parking Garages	\$2,533	\$3,399	\$865	34.2%
Tech Services Radio Communications	3,708	4,555	847	22.9%
Environmental Management	38,867	34,809	(4,057)	(10.4)%

The most significant budgeted decrease in the Enterprise Funds is a \$4.1 million or 10.4 percent decrease in Environmental Management due to a reduction in the contingency and a scheduled principal and interest payment for the General Obligation Bond paid in FY 2021. This decrease is offset by an increase of \$0.9 million or 34.2 percent in Facilities: Parking Garage due to one-time costs to upgrade the parking control systems. The increases also include \$0.8 million or 22.9 percent for Technology Services: Radio Communications for the replacement of the Awendaw radio tower.

## **INTERFUND TRANSFERS OUT**

The transfers out from the Enterprise Fund to other funds is approximately \$5.6 million, which is a \$4.8 million or 598.3 percent increase. The increase reflects one-time transfers in FY 2022 from the Environmental Management Fund for one-time projects in Compost and Mulch Operations and Landfill Operations.

## **FUND BALANCE**

The FY 2022 combined ending fund balance is projected to be \$63.7 million, which reflects a \$3.5 million or 5.3 percent decrease from the estimated FY 2021 ending fund balance. The major decrease reflects the use of the Environmental Management Fund balance for one-time expenditures.

## **INTERNAL SERVICE FUNDS**

### **SUMMARY**

The FY 2022 approved budgeted disbursements for the Internal Service Funds total \$61.2 million. This is a \$4.3 million or 7.6 percent increase from the FY 2021 budget. Funds available for FY 2022 also total \$61.2 million.

Page 173 shows a graphical representation of the County's Internal Service Funds budgets, while pages 174 to 178 contain fund statements reflecting numerical summaries of the budgets.

### **REVENUES**

Internal Service Funds revenues total \$55.5 million and does not represent a significant change from FY 2021. 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 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Fleet Operations	\$10,508	\$12,050	\$1,542	14.7%
Human Resources: Employee Benefits	32,415	30,709	(1,706)	(5.3%)

The primary change in the Internal Service Funds is a \$1.5 million or 14.7 percent increase in Fleet Operations for fuel based on projected fuel prices. This increase is offset by \$1.7 million or 5.3 percent decrease to Human Resources: Employee Benefits due to the elimination of short-term disability coverage for retirees and a lower estimate of post-employment benefits.

### INTERFUND TRANSFERS IN

Approximately \$4.0 million is transferred into the Special Revenue Funds, which reflects a \$3.6 million increase from the FY 2021 budget. The \$3.9 million in transfers represent an increase in the transfer from the General Fund to Fleet Operations Fund to purchase vehicles and heavy equipment.

### EXPENSES

The FY 2022 budgeted expenses for the Internal Service Funds total \$61.2 million, which is a \$4.3 million or 7.6 percent increase from FY 2021. 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 2021 Adjusted</u>	<u>FY 2022 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Fleet Operations	\$11,276	\$16,562	\$5,286	46.9%

The primary increase of \$5.3 million or 46.9 percent in Fleet Operations represents the reinstatement of the County's vehicle replacement program which was discontinued during FY 2021 due to concern about the economic impact of the pandemic.

### FUND BALANCE

The FY 2022 ending fund balance is projected to be (\$210.8) million, which represents a \$1.7 million or 0.8 percent decrease from the FY 2021 ending balance. The negative fund balance is due to reporting \$299.7 million in retirement benefits in the Human Resources: Employee Benefits Fund. The decrease reflects the use of fund balance for Fleet projects and retirement benefits.