

LETTER FROM THE ADMINISTRATOR



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Citizens of Charleston County:

I am pleased to present the Fiscal Year (FY) 2023 Charleston County Operating Budget adopted by Charleston County Council on June 21, 2022. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty-three 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 this budget document conforms to the award program requirements, and we will submit it to the GFOA for consideration.

The years since the worldwide pandemic have been challenging for governments. While Charleston County is experiencing growth in property and sales taxes, population, home sales, and tourism; the County is facing the same challenges as other governments including inflation, higher personnel costs, increased position vacancies, and greater service demands. Charleston County passed a budget that addresses the community's priorities and maintains service levels while reducing the net taxes for the average homeowner. The FY 2023 budget is balanced and addresses the following budgetary challenges:

⌘ **No net increase in taxes or fees for the homeowner** ~ County Council conscientiously sought to maintain a consistent level of taxation for our taxpayers. The County's tax millage rate and the Solid Waste User Fee for FY 2023 remain constant. The Local Option Sales Tax credit, used to offset property taxes, increased again this year.



⌘ **Supporting citizens during difficult financial times** ~ The pandemic negatively impacted many of our citizens. Funding from the federal Consolidated Appropriations Act (2021) and the American Rescue Plan Act (2021) provided fast and direct economic assistance to struggling County citizens. Although the pandemic recovery funds are not included in the FY 2023 operating budget, the Facilities' Department provided space to centralize the Community Development and Housing/Neighborhood Revitalization Departments in one location. These two departments manage the spending of the Emergency Rental Assistance funds and provide a myriad of community assistance through the American Rescue Plan Act.



⌘ **Balancing the budget while avoiding inflationary obstacles** ~ Current inflation had a large impact on the development of the budget. Increases in prices for fuel, service contracts, and materials proved to be a significant obstacle for the County. In addition, people are changing jobs and leaving the job market in record numbers, often referred to as the "Great Resignation." The County budgeted a higher personnel lapse to offset the inflation creep. This approach eliminated the need to increase the County's tax millage tax rate in FY 2023, but it also creates a budget with reduced flexibility for unplanned or new costs in FY 2023 and future budgets.

⌘ **Maintaining a competitive and diverse workforce ~**

Investing in the employees was the number one priority for the Leadership Team in FY 2023. While the County has always valued our employees, this mantra became more critical as the County worked to keep talented employees and recruit new team members. Achieving this goal begins with compensation. The budget includes full-year funding for a 15 percent shift in the pay tables implemented in FY 2022 to achieve a more competitive pay scale with other governments in the area. In addition, the FY 2023 budget includes an increase in the minimum wage to \$15/hour for all employees and continues the merit and longevity programs.



⌘ **Balancing Personnel Between County Departments ~** The Leadership Team established direction for the FY 2023 budget process by asking offices and departments to submit proposed budgets that did not include new position requests. Staff quickly realized that attempting to maintain service levels in a community with a growing population could not happen without additional staff in some areas. To address the staffing challenges, the Leadership Team shifted vacant positions that the County was unable to fill to more critical areas.

The housing boom continues to stress the Building Inspections and the Zoning and Planning Departments. To avoid construction delays due to pending plan reviews and building inspections, four positions were reallocated. In addition, the County relied on outsourcing some of these services to provide relief to overworked County employees. Three vacant positions were also moved to the Facilities Management Department to assist with the maintenance of newly constructed buildings including the Social Services Building and the Juvenile Detention Center.

⌘ **Using alternative funding sources to pay for equipment and projects ~** The FY 2023 approved budget relies on alternative funding sources for equipment purchases and several one-time Facilities and Public Works projects. The County used one-time funding sources like the American Rescue Plan Act, fund balances, and the sale of property to provide some relief for the County's strained budget.

County Fiscal Policy

Debt Management Policy #5: Maintain at least 20 percent of the constitutional debt limit margin...for use in the event of a major disaster

The County addressed two concerns with this approach. First, the County continues guarding fund balances to maintain flexibility and to provide alternatives for economic downturns other than significant tax increases or severe reductions in services. Second, the County continues to maintain a portion of its borrowing capacity to assist in recovery from a significant disaster.

THE BUDGET IN BRIEF

Council adopted a budget for FY 2023 that does not include changes in fees or taxes and that does not anticipate changes in service levels.

Revenues and other sources for all operating funds¹ total \$737 million for FY 2023, which is a budgeted increase of \$91 million or 14 percent from the previous fiscal year. The County's largest revenue sources are derived from sales taxes, which collectively increased by \$63 million or 28 percent. The Local Option Sales Tax in the General Fund provides property tax relief, and the Transportation Sales Tax in the Special Revenue Funds provides operating and project costs for the greenbelt, road, and transit programs.

¹ 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 funds¹ total \$754 million for FY 2023, a \$72 million or 10 percent increase from the previous year. The largest increase of \$44 million or 58 percent represents the repayment of amounts borrowed by the County for facilities, transit, and road projects.



The projected beginning fund balance for all operating funds is \$148.9 million, and the projected ending fund balance is \$131.7 million. The General Fund will spend a more significant portion of the beginning fund balance on one-time expenditures including \$18.0 million for increased facility, technology, and vehicle/equipment costs in FY 2023. In addition, Council increased the Local Option Sales Tax Credit by \$7.5 million from fund balance based on revenue collected in FY 2021 and FY 2022 due to increased retail and online sales. The Enterprise Funds are projected to use \$7.3 million from fund balance in FY 2023 for one-time purchases and to balance the operating budget in the Environmental Management Fund. The increased reliance on fund balances in FY 2023 is slightly offset by a \$23.5 million increase in the Special Revenue Funds. The most significant addition is \$34.5 million in the Transportation Sales Tax Special Revenue Funds to ensure continuity of services for the transit operating systems and to fund the pay-as-you-go projects for the greenbelt, road, and transit programs.

As we enter the new fiscal year and beyond, staff will continue to monitor the County's fiscal health and make decisions that best align with the needs of the great citizens of Charleston County.

MAJOR POLICY ISSUE



County Council authorized a contract with the College of Charleston's Joseph P. Riley, Jr. Center for Livable Communities to develop an organization-wide strategic plan on March 15, 2022. The next step will be a retreat where the Riley Center will work with Council to discuss and formulate the Council's strategic priorities. Following the retreat, community engagement is anticipated to determine community buy-in on the strategic priorities. In addition, staff engagement is anticipated to determine how the strategic priorities can be addressed. Future budgets will be developed, prioritized, and aligned with Council's strategic plan.

LOOKING AHEAD - CHALLENGES IN FY 2023 AND BEYOND

The County has identified several challenges for FY 2023 and beyond. The following section discusses these challenges and how the County plans to address them.

- ⌘ **Flood Mitigation** ~ Charleston County, known for our beautiful beaches, is subject to flooding from the Atlantic Ocean as well as inland flooding from rivers and associated tributaries. The Zoning and Planning Department has updated the County's Comprehensive Plan to mitigate flooding related to future construction; however, securing funds for flood mitigation continues to be an ongoing challenge. The County continues to seek grants that assist with flood mitigation planning and projects, although a dedicated funding stream may be needed to address the county-wide issue in the future.

¹ The operating funds include all funds appropriated on an annual basis but exclude project-length budgets, e.g., Capital Projects Funds and grants.

- ⌘ **Asset Management** ~ With each budget year, it is becoming more difficult to proactively budget maintenance of our infrastructure to avoid expensive repairs or major renovations. While the long-term financial plans are projected to fund the annual asset management work plan, inflation and supply-chain issues in the post-pandemic economy make it difficult to determine the appropriate level of funding in the future.
- ⌘ **Tri-County Biological Science Center** ~ In partnership with Berkeley and Dorchester Counties, Charleston County took the lead in creating a Tri-County Biological Science Center. The Center will reduce the statewide criminal DNA backlog for the Tri-county area. Once construction is completed, there will be a forensic lab accreditation process before the facility can begin operating. Charleston County is responsible for the initial upfront costs, including staffing and the costs associated with the accreditation process. Berkeley and Dorchester Counties will pay a portion of the construction costs.
- ⌘ **Construction Management** ~ The County anticipates funding infrastructure from bond proceeds, Enterprise Funds, and Special Revenue Funds in the future. Construction costs are anticipated to continue increasing and to remain challenging to budget. Staff continues to revise project cost estimates and re-prioritize projects as new information becomes available. Based on the County's Capital Improvement Plan, future debt issuance is expected in FY 2025. Currently, the County has the capacity to borrow \$60 million and maintain 20 percent of the constitutional debt limit for significant disasters.



- ⌘ The County funds roads and transit programs from the Transportation Sales Tax Special Revenue Fund, which is limited by two referendums to 25 years or until the referendum amount is collected. In FY 2023, the roads program will continue constructing existing roads but will not commence construction on smaller new road projects. Managing project commencement and construction timing to match cash flows is paramount to the program's success.
- ⌘ The Environmental Management Department, an Enterprise Fund, plans to construct the next lined landfill cell in FY 2026. In addition to setting aside funds for the construction, the County prudently strives to maintain the available portion of the Environmental Management fund balance at no less than two months of expenses. County Council will be presented with a proposal to increase the user fee in FY 2024.

CONCLUSION

Preparation and adoption of the budget takes a dedicated team. The FY 2023 budget is financially sound while addressing the immediate needs of our citizens and laying the foundation for the continued success of the County. Thank you to our staff, who are committed to providing excellent service while making the most of the taxpayers' dollars. Thanks especially to the Leadership Team and the Budget Department for their hard work developing and presenting the FY 2023 budget. Finally, thank you to County Council for their leadership during the budget process. By working together cooperatively, we can ensure the County will continue to provide excellent service to our community.

Sincerely submitted,

A handwritten signature in blue ink that reads "William L. Tuten". The signature is written in a cursive style.

William L. Tuten
Charleston County Administrator