

## BUDGET ANALYSIS

Budget preparation for the Fiscal Year (FY) 2023 budget began with the following guidance from the County Administrator for assembling the operational budget:

- ❖ Increase minimum wage to \$15 per hour.
- ❖ Include no new positions.
- ❖ Protect the County's level of financial security.
- ❖ Maintain a qualified and highly motivated workforce.
- ❖ Preserve County assets.
- ❖ Limit financial impact on the taxpayer.

### Budget Deliberations

Staff presented a balanced proposed budget to Council on May 24 and June 7, 2022. The proposed budget had \$800.9 million in available funds and disbursements for all operating funds. During County budget deliberations, staff was informed that the State's budget included additional funding to increase the Clerk of Court, Probate Court Judge, and Sheriff's salary to \$15,000. As a result, the proposed County budget increased by \$40,275 to reflect the change in State's salary supplement for these elected officials. Council approved the third reading of the budget on June 21, 2022.

### Approved Budget

The FY 2023 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds, which total \$800.9 million and reflect a \$111.9 million or 16.2 percent change from the FY 2022 budget. Figure 1 summarizes the FY 2023 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 2023 Operating Budget**  
(Expressed in Millions of Dollars)

<u>Description</u>		
Available Funds (Including Beginning Fund Balance)		\$ 885.2
Less Budgeted Disbursements		<u>753.8</u>
Nonspendable	96.6	
Restricted: External	(302.4)	
Restricted: Internal	201.1	
Available	<u>136.3</u>	
Ending Fund Balance		<u>\$ 131.4</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 2023 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 at 6.1 mills. The combined operating and debt service levy is 47.3 mills.

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**Figure 2 – County Millage Rates**

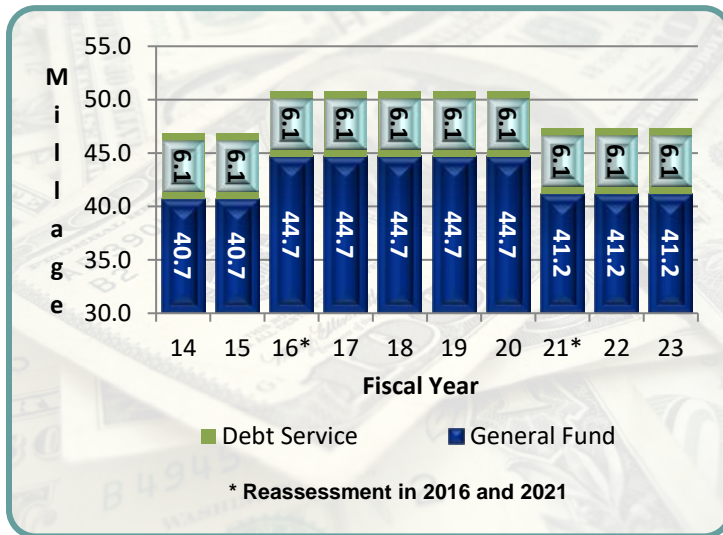


Figure 2 summarizes the County's millage rates for FY 2023 and the prior nine years. For the owner of a \$300,000 home (four percent assessed property), the 47.3 mills equate to a tax of \$567.60, which remains constant to the current tax year. As allowed under State law, the County elected beginning 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 \$21.00 or 24 percent, which equates to \$327.00 for the \$300,00 homeowner. The LOST growth is due to the State's ability to enforce state sales tax collection on online purchases and a strong local economy in FY 2022. After

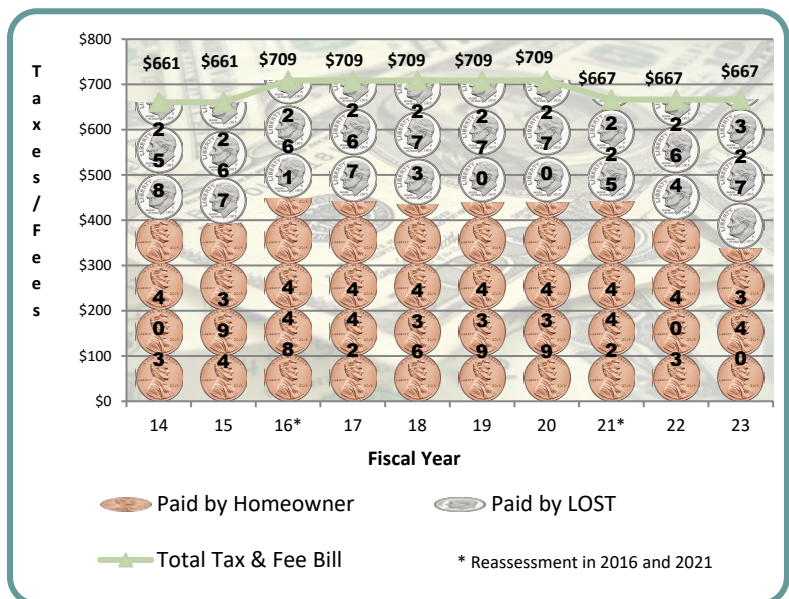
applying the Sales Tax credit, the net tax is \$240.60, representing a \$63.00 decrease from the current year for the \$300,00 homeowner.



The Solid Waste Recycling and Disposal Fee of \$99 for a single-family residence have 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 \$339.60 representing a \$63.00 decrease from the current tax year. Figure 3 illustrates these amounts and provides a nine-year prior history of the County's tax and Solid Waste User Fee bill, less the LOST credit, paid by the homeowner.

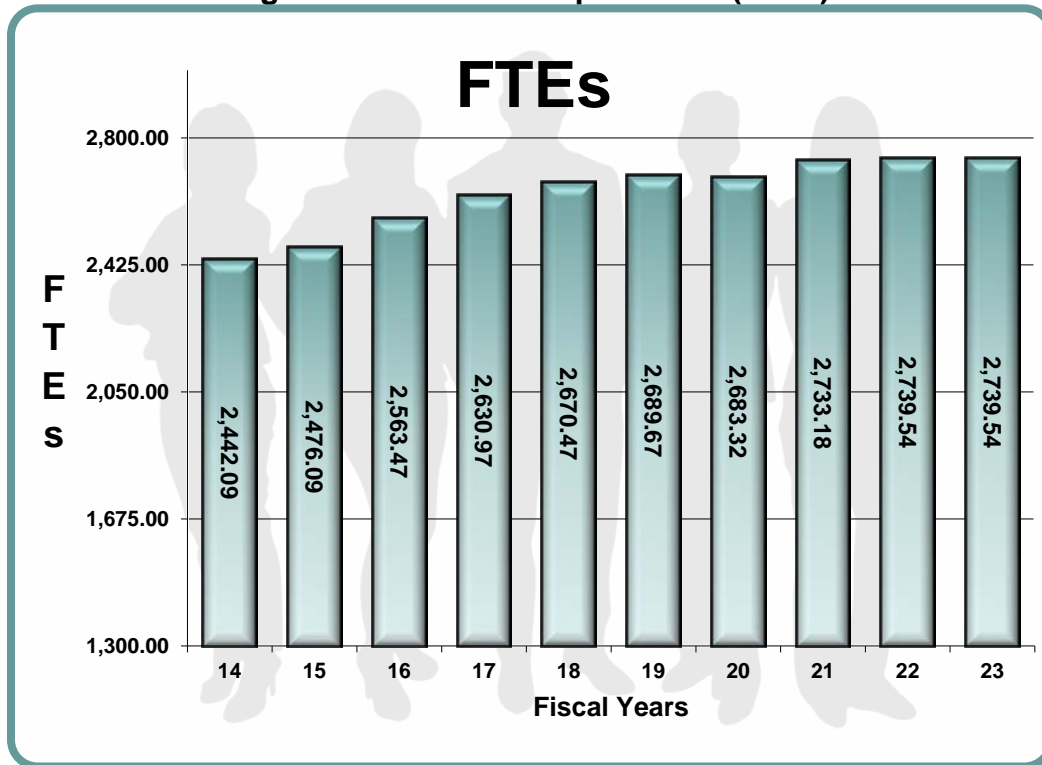


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The budget staff was charged with compiling an FY 2023 budget that included no new positions. To achieve this, staff reprogrammed positions throughout the County to account for fluctuating workloads in various departments. The total number of Full-Time Equivalents (FTEs) employed by Charleston County in FY 2023 remains constant at 2,740.

Figure 4 summarizes the County's FTEs for FY 2023 and the prior nine years. The FTEs for Charleston County reflected a steadily increasing trend through FY 2018. The growth in FTEs began stabilizing in FY 2019 as the ability to fund and find personnel diminished.

**Figure 4 – Full-Time Equivalents (FTEs)**



## GENERAL FUND

### SUMMARY

The FY 2023 Council approved budgeted disbursements for the General Fund is \$292.7 million, a \$21.1 million or 7.8 percent increase from the FY 2022 budget. Budgeted funds available for the FY 2023 budget also total \$292.7 million. The General Fund millage is 41.2 mills.

Page 115 shows a graphical representation of the County's General Fund budget. Page 116 shows a fund statement that depicts the numerical summary of the General Fund budget.

### BEGINNING BALANCE

The General Fund's beginning fund balance for FY 2023 is \$121.2 million. This fund balance includes the "Rainy Day Fund," an amount established and maintained by the County Ordinance for catastrophes and two months of recurring disbursements. (See Figure 5 for additional detail.)

## BUDGET ANALYSIS

**Figure 5 – FY 2023 General Fund Beginning Balance**  
(Expressed in Thousands of Dollars)  
(Add Long-term Receivables to Nonspendable)

Nonspendable (Inventory/Long Term Receivables	\$ 6,260
Restricted: Internal	
Encumbrances	2,500
Designated for PAYGO projects in FY 2023	18,000
Rainy Day Fund	11,186
Two months of Operating Expenditures	46,605
Additional LOST Credit for FY 2023	7,500
Available	<u>29,102</u>
Total	<u>\$ 121,153</u>

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

The County strives to use all the budgeted LOST revenue to offset the amount property owners pay on their tax bills. The Local Option Sales Tax (LOST) Credit was added to the fund balance in FY 2020 because the LOST revenue generated was significantly higher than estimated. Council decided to increase the credit to taxpayers by an additional \$7.5 million in FY 2023, the additional revenue generated above the budget amount.

### **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 \$263.4 million reflect an increase of \$11.0 million or a 4.3 percent increase from FY 2022. 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 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Local Option Sales Tax (LOST)	\$ 75,300	\$ 96,300	\$ 21,000	27.9%
Property Tax Revenue	180,300	190,600	10,300	5.7%
State: Aid to Sub-Local Government Fund	15,180	16,990	1,810	11.9%
LOST Credit	(77,740)	(103,130)	(25,390)	32.7%

Charleston County experienced an increase of \$31.3 million or 12.2 percent in the most significant revenue sources, the Local Option Sales Tax (LOST) and Property Tax. The LOST: Credit, used to offset the amount property owners pay on their tax bill, increased by \$25.4 million or 32.7 percent due to the strong local economy and increased online sales. The increase also reflects Council's decision to return \$7.5 million of excess revenues generated in previous years from the LOST to the taxpayers as a credit on their tax bills.

In addition, the \$1.8 million or 11.9 percent increase to State: Aid to Sub-Local Government Fund represents an increase from the State to assist governments with the additional costs of State mandates.

### INTERFUND TRANSFERS IN

Approximately \$3.9 million is transferred to the General Fund from other funds, representing a decrease of \$0.5 or 12.4 percent from the FY 2022 budget. The most significant increases include higher budgeted profits from Revenue Collections and additional revenue from Multi-County Parks. The increases are offset by one-time transfers of funds from HOME grant matches and by a reduced estimate of the discretionary, unspent revenue from the Clerk of Court: IV-D Child Support Enforcement Fund.

### EXPENDITURES

The FY 2023 approved budgeted expenditures for the General Fund total \$274.7 million, representing an increase of \$14.6 million or 5.6 percent from the FY 2022 budget. Figure 7 shows the significant budget changes in expenditures for FY 2022.

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

<u>Department/Division</u>	<u>FY 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Library	\$ 25,914	\$ 31,143	\$ 5,229	20.2%
Facilities Management	19,962	21,374	1,412	7.1%
Consolidated Dispatch	9,593	10,602	1,009	10.5%

The most significant increase in the General Fund expenditures is a \$5.2 million or 20.2 percent increase to the Library for personnel and operating costs related to the library expansion, including full-year funding for Bees Ferry Library and partial-year funding for the Keith Summey Library. The increase also reflects additional funding for library materials needed to meet the required State Aid funding level.

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Facilities Management experienced a \$1.4 million or 7.1 percent increase, representing additional contingency allocation for renovation projects. The increase also includes full-year funding for five re-programmed positions during FY 2022.

In addition, there is a \$1.0 million or 10.5 percent increase to Consolidated Dispatch for the full-year funding of five positions re-programmed in FY 2022 and the replacement of technology capital.

### **INTERFUND TRANSFERS OUT**

Approximately \$18.0 million is transferred from the General Fund to various other funds. The transfers increased by \$6.5 million or 56.5 percent from the prior fiscal year primarily for transfers to the Facilities Preservation Fund and to Fleet Management for increased vehicle and heavy equipment replacement in FY 2023.

### **FUND BALANCE**

The FY 2023 ending fund balance is projected to be \$95.7 million. Of this amount, \$48.8 million is set aside to maintain a two-month buffer, and \$11.7 million is set aside in the Rainy Day Fund for unexpected events. The fund balance also includes an allocation of \$14.2 million for future one-time purchases and projects for facilities maintenance, fleet, and technology services. In addition, \$12.2 million of LOST revenues is estimated to apply a credit to homeowners in Charleston County during FY 2024 and FY 2025.

## **DEBT SERVICE FUND**

### **SUMMARY**

The FY 2023 approved budgeted disbursements for the Debt Service Fund total \$47.1 million, a \$13.8 million or 41.5 percent increase from the FY 2022 budget. Budgeted funds available for FY 2023 also total \$47.1 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2022.

Page 117 displays a graphical representation of the County's Debt Service Fund budget. Page 118 contains the fund statement, a numerical summary of the Debt Service Fund.

### **REVENUES**

Debt Service Fund revenues total \$29.5 million and reflect an increase of \$1.4 million or a 4.9 percent increase from FY 2022. The increase represents additional property tax revenues from a growing property tax base.

### **INTERFUND TRANSFERS IN**

Approximately \$11.7 million is transferred to the Debt Service Fund from other funds. The transfers increased \$4.1 million or 53.9 percent from the FY 2022 budget, reflecting the use of a premium from the 2021 General Obligation Bond issuance during FY 2023.



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### EXPENDITURES

The FY 2023 budgeted expenditures for the Debt Service Fund total \$42.8 million. This amount represents a \$9.5 million or a 28.7 percent increase from FY 2022 due to the one-time repayment of a short-term borrowing to purchase equipment in FY 2023 and accelerated use of the 2021 bond premium used to retire the debt.

### INTERFUND TRANSFER OUT

The County will transfer \$4.3 million out of the Debt Service Fund in FY 2023, which reflects the use of a premium from the 2021 bond issuance in FY 2023.

### FUND BALANCE

The FY 2023 ending fund balance is projected to be \$22.6 million, representing a \$5.9 million or a 20.8 percent decrease from the estimated FY 2022 ending balance for the one-time repayment of a short-term-term borrowing in FY 2022 and the accelerated retirement of the 2021 debt.

## SPECIAL REVENUE FUNDS

### SUMMARY

The FY 2023 approved budgeted disbursements for the Special Revenue Funds total \$279.2 million, a \$30.1 million or 12.1 percent increase from the FY 2022 budget. Budgeted funds available for FY 2023 also total \$279.2 million.

Page 119 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 120 to 165 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

The revenues for the Special Revenue Funds total \$266.5 million and reflect a \$50.5 million or 23.4 percent increase from the FY 2022 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 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transportation Sales Tax	\$ 137,302	\$ 179,914	\$ 42,612	31.0%
Accommodations Tax: Local	16,453	20,012	3,559	21.6%
Air Service Development	5,000	8,000	3,000	60.0%

As one of the County's major revenue sources, the Transportation Sales Tax Funds (TST) have the most significant impact on the Special Revenue Funds. Voters passed the first TST by referendum in November 2004 and passed the 2<sup>nd</sup> TST by referendum in November 2016 for roads, greenbelts, and transit programs. The FY 2023 budget for all three TST Programs is \$179.9 million. The estimated collective increase for the Transportation Sales Tax program is \$42.6 million or 31.0 percent. The collection of transportation sales tax is tied directly to the strong local economy. In addition, the Accommodations Tax: Local Fund increased by \$3.6

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million or 21.6 percent, and the Air Service Development Fund increased by \$3.0 million or 60 percent due to the County's strong local tourism industry.

### INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$36.2 million, a \$21.6 million or 147.7 percent increase. The most significant increases are the 2<sup>nd</sup> Transit Debt Service and 2<sup>nd</sup> TST Roads Debt Service Funds, representing the premium's balance from issuing debt in 2021.

### EXPENSES

The FY 2023 budgeted expenses for the Special Revenue Funds total \$176.2 million, a \$46.6 million or 35.9 percent increase from FY 2022. 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 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transit Agencies (2nd TST)	\$ 3,340	\$ 26,164	\$ 22,824	683.3%
Public Works: Roads Program (2nd TST)	-	12,235	12,235	100.0%

The primary change in the FY 2023 budgeted expenses in the Special Revenue Fund is a \$22.8 million or 683.3 percent budgeted increase for the Transit Agencies (2<sup>nd</sup> TST) Fund and a \$12.2 million or 100 percent increase for Public Works: Roads Program (2<sup>nd</sup> TST) Fund, reflecting scheduled payments for the 2021 General Obligation Bond.

### INTERFUND TRANSFERS OUT

Approximately \$103.0 million is transferred from the Special Revenue Funds to various other funds. The decrease of \$16.5 million or 13.8 percent relates to cash flows for the pay-as-you-go road, greenbelt, and transit projects under the Transportation Sales Tax program.

### FUND BALANCE

The FY 2023 ending fund balance is projected to be \$184.0 million, which reflects a \$61.8 million or 50.5 percent increase from the estimated FY 2022 ending balance. The increase reflects the planned savings in the first Transportation Sales Tax to fund future road and transit projects on a pay-as-you-go basis.

## ENTERPRISE FUNDS

### SUMMARY

The FY 2023 approved budgeted disbursements for the Enterprise Funds total \$70.0 million. This is a \$2.8 million or 4.2 percent increase from the FY 2022 budget. Funds available for FY 2023 also total \$70.0 million.

Page 166 displays a graphical representation of the County's Enterprise Funds budgets, while pages 167 to 175 contain fund statements reflecting numerical summaries of the budgets.



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### REVENUES

Revenues for the Enterprise Funds total \$60.3 million and reflect no significant change from the FY 2022 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 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
DAODAS	\$ 10,114	\$ 11,247	\$ 1,133	11.2%
Consolidated Dispatch: Emergency 911 Wireless	3,534	2,503	(1,031)	-29.2%

The most significant budgeted change is \$1.1 million or 11.2 percent in the DAODAS Fund due to increased insurance fees, managed care fees, and additional reimbursements from Medicaid for services provided. The increase also represents a more significant allocation from the State for Block Grant funding. The increase is slightly offset by a decrease of \$1.0 million or 29.2 percent in the Consolidated Dispatch: Emergency 911 Wireless Fund due to a lower amount of reimbursable costs from the State.

### INTERFUND TRANSFERS IN

Approximately \$2.0 million is transferred into the Enterprise Funds from other funds, which reflects a \$0.8 million or 27.7 percent decrease from the FY 2022 budget. The decrease in Facilities Maintenance Radio Communications reflects a reduction in support from a General Obligation Bond to replace a radio tower in FY 2022.

### EXPENSES

The FY 2023 budgeted expenses for the Enterprise Funds total \$66.7 million, a \$5.0 million or 8.2 percent increase from FY 2022. 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 2022 Adjusted</u>	<u>FY 2023 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Environmental Management	\$ 34,810	\$ 40,268	\$ 5,458	16%
Parking Garages	3,674	3,237	(437)	-12%
Radio Communications	4,556	3,970	(586)	-13%
Biological Center	-	365	365	100%

The most significant budgeted increase in the Enterprise Funds is a \$5.5 million or 15.7 percent increase in the Environmental Management Fund due to the privatization of Commercial and Curbside Collections in FY 2023. The increase also includes higher fuel and vendor contract costs based on current usage and economic factors.

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In addition, there is a \$0.4 million or 100% increase due to establishing a regional Biological Science Center. These increases are offset by a \$0.6 million or 12.9 percent decrease in Technology Services: Radio Communications Fund and a \$0.4 million or 11.9 percent decrease in the Facilities: Parking Garages Fund based on higher one-time capital purchases in FY 2022.

### INTERFUND TRANSFERS OUT

The transfers from the Enterprise Fund to other funds are approximately \$3.4 million, a \$2.2 million or 39.9 percent decrease. The decrease primarily reflects one-time transfers out in FY 2022 from the Environmental Management Fund for Landfill Operations projects.

### FUND BALANCE

The FY 2023 combined ending fund balance is projected to be \$54.8 million, which reflects a \$7.6 million or 12.2 percent decrease from the estimated FY 2022 ending fund balance. The most significant decrease reflects using the Environmental Management Fund balance for one-time expenditures in FY 2023.

## INTERNAL SERVICE FUNDS

### SUMMARY

The FY 2023 approved budgeted disbursements for the Internal Service Funds total \$64.8 million. This is a \$3.7 million or 6.0 percent increase from the FY 2022 budget. Funds available for FY 2023 also total \$64.8 million.

Page 176 shows a graphical representation of the County's Internal Service Funds budgets, while pages 177 to 181 contain fund statements reflecting numerical summaries of the budgets.

### REVENUES

Internal Service Funds revenues total \$57.8 million and represent a \$2.4 million or 4.4 percent increase from FY 2022. Figure 12 provides information on significant budgeted revenue changes.

**Figure 12 - Major Changes in Revenues for the Internal Service Funds**

(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2022</u> <u>Adjusted</u>	<u>FY 2023</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Human Resources: Employee Benefits	\$ 30,709	\$ 32,507	\$ 1,798	5.9%
Fleet Operations	12,055	12,570	515	4.3%

The primary change in the Internal Service Funds is a \$1.8 million or 5.9 percent increase in Human Resources: Employee Benefits Fund necessitated by the State increasing the employer's contribution to health insurance costs. In addition, a \$0.5 million or 4.3 percent increase in the Fleet Operations Fund represents increased spending in FY 2023 after vehicles and heavy equipment purchases were delayed in FY 2021 and FY 2022.

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### INTERFUND TRANSFERS IN

Approximately \$5.1 million is transferred into the Internal Service Funds, which reflects a \$1.5 million or 40.2 percent increase from the FY 2022 budget. The \$5.1 million transfers represent an increase in the transfer from the General Fund to the Fleet Management Fund to purchase vehicles and heavy equipment for General Fund offices and departments.

### EXPENSES

The FY 2023 budgeted expenses for the Internal Service Funds total \$64.8 million, a \$3.7 million or 6.0 percent increase from FY 2022. 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 2022</u> <u>Adjusted</u>	<u>FY 2023</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Fleet Operations	\$ 16,668	\$ 19,100	\$ 2,432	14.6%
Human Resources: Employee Benefits	31,459	32,507	1,048	3.3%

The most significant budgeted increase in the Internal Service Funds is an increase of \$2.4 or 14.6 percent in the Fleet Operations Fund due to higher projected fuel prices and costs for parts and labor. In addition, there is an increase of \$1.0 million or 3.3 percent in the Human Resources: Employee Benefits Fund, which reflects the higher costs of various insurances as determined by the state.

### FUND BALANCE

The FY 2023 ending fund balance is projected to be a negative \$225.6 million, representing a \$1.9 million or 0.9 percent decrease from the FY 2022 ending balance. The negative fund balance is due to reporting \$313.4 million in retirement benefits in the Human Resources: Employee Benefits Fund. The decrease also reflects the use of fund balance for Fleet fuel and projects.