

LETTER FROM THE ADMINISTRATOR

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Citizens of Charleston County:

I am pleased to present the Fiscal Year (FY) 2024 Charleston County Operating Budget adopted by Charleston County Council on June 20, 2023. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty-four years and Triple AAA ratings from the bond rating agencies for the past twelve 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 maintaining the net taxes for the average homeowner. The FY 2024 budget is balanced and addresses the following budgetary challenges:

⌘ **No net increase in taxes for the homeowner** ~ County Council conscientiously sought to maintain a consistent level of taxation for our taxpayers. The County's overall tax millage rate and the Local Option Sales Tax credit, used to offset property taxes, remain unchanged 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 2024 operating budget, the Community Development and Housing/Neighborhood Revitalization Departments are utilizing the funds to assist citizens with critical needs including housing. These programs are preliminary to addressing affordable housing needs in the County.



⌘ **Maintaining a competitive and diverse workforce** ~ Investing in the County's employees was the top priority for the Leadership Team in the FY 2024 budget. While the County has always valued our employees, this mantra became more critical as the County continues to struggle to keep talented employees and to recruit new team members. Achieving this goal begins with compensation. The budget includes funding for a 7.5% equity increase for most County employees. In addition, the FY 2024 budget includes funding for the change in the longevity program to ensure that employees have the potential to receive an increase following each year of service.

⌘ **Balancing the budget while overcoming inflationary obstacles** ~ Current inflation had a large impact on the development of the budget. Increases in prices for service contracts and materials proved to be a significant obstacle for the County. In addition, the challenging employment environment led to higher increases than usual for personnel costs.

⌘ **Using alternative funding sources to pay for equipment and projects** ~ The FY 2024 approved budget matches recurring costs with recurring revenues. Instead of utilizing recurring revenues for equipment and projects, the County used one-time funding sources like fund balances and the sale of property for one-time costs (i.e., equipment and projects). This allowed the County to focus the recurring revenues on recurring costs.

County Fiscal Policy

Revenue & Expenditure Policy #1:
County will ... pay for all recurring expenditures with recurring revenues.

THE BUDGET IN BRIEF

Council adopted a budget for FY 2024 that does not include changes in taxes and that does not anticipate changes in service levels.

Revenues and other sources for all operating funds¹ total \$795 million for FY 2024, which is a budgeted increase of \$58 million or eight percent from the previous fiscal year. The County's largest revenue sources are derived from sales taxes, which collectively increased by \$32 million or 11 percent. The Local Option Sales Tax in the General Fund provides property tax relief, the Local Accommodations Tax in the Special Revenue Funds covers tourist-related expenses, and the Transportation Sales Tax in the Special Revenue Funds provides operating and project costs for the greenbelt, road, and transit programs. In addition, revenues are higher by \$20 million in the Enterprise Funds for the first increase in 16 years for the Solid Waste User Fee. Current housing market conditions generate an additional \$15 million from property taxes in the General and Debt Service Funds. Higher rates at the State Investment Pool add \$11 million in interest income in the General Fund and other funds.

Expenditures and other uses for all operating funds¹ total \$809 million for FY 2024, a \$55 million or seven percent increase from the previous year. The largest increases include \$28 million for higher personnel costs across all funds, \$30 million for operating costs including contracts and materials, and \$19 million for road and landfill projects. These increases are partially offset by a \$28 million reduction in scheduled repayment of amounts borrowed by the County for facilities, transit, and road projects.

The projected beginning fund balance for all operating funds is \$202 million, and the projected ending fund balance is \$188 million. The General Fund will spend \$22 million of the beginning fund balance on one-time expenditures including facility, technology, and vehicle/equipment costs in FY 2024. In addition, Council increased the Local Option Sales Tax Credit by \$6 million from fund balance based on revenue collected in FY 2021 and FY 2022 due to increased retail and online sales. The Special Revenue Funds are projected to use \$23 million from fund balance in FY 2024 for road and drainage projects. The use of fund balances in FY 2024 is partially offset by banking \$42 million in the Transportation Sales Tax Special Revenue Funds. The increase in the Transportation Sales Tax's fund balance ensures future continuity of services for the transit operating systems and will fund future 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.

¹ 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

County staff continues to work with the College of Charleston's Joseph P. Riley, Jr. Center for Livable Communities to develop an organization-wide strategic plan. County Council selected their strategic priorities, and staff is working to determine the strategies to address their priorities. The Riley Center provides input throughout the process and will coordinate with staff and County Council to finalize the plan. Future budgets will be developed, prioritized, and aligned with Council's strategic plan.



LOOKING AHEAD - CHALLENGES IN FY 2024 AND BEYOND

The County has identified several challenges for FY 2024 and beyond. The following section discusses these challenges and how the County plans to address them.

- ⌘ **Affordable Housing** ~ County Council adopted the Housing Our Future comprehensive plan for housing and housing affordability during FY 2023. The plan brings together all elements needed to understand housing in Charleston County and provides a framework for improving housing attainability. The plan developed strategies related to building capacity for creating and supporting housing, preserving existing housing, building new housing, supporting renters, and promoting homeownership. To fund the program, County Council is exploring the use of several recurring sources of revenue in addition to one-time funds provided by the American Rescue Plan Act.
- ⌘ **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.
- ⌘ **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 2024 and FY 2026. Currently, the County has the capacity to borrow over \$100 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 2024, 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 increased the annual user fee for homeowners from \$99 to \$150 in FY 2024.

CONCLUSION

Preparation and adoption of the budget takes a dedicated team. The FY 2024 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 2024 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,



William L. Tuten
Charleston County Administrator