

BUDGET ANALYSIS

OVERVIEW

During the preparation of the Fiscal Year (FY) 2019 budget, the County Administrator provided guidance for assembling an operational budget that included the following directives:

- ❖ Seek opportunities to improve efficiency and reduce costs.
- ❖ 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 budget presented to County Council met these directives.

The FY 2019 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds which total \$622.0 million and reflect a \$41.4 million or 7.1 percent increase from the FY 2018 budget. The FY 2019 operating budget is summarized in Figure 1. Additionally, graphs are presented on pages 78 and 79 that 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 2019 Operating Budget
(Expressed in Millions of Dollars)

<u>Description</u>	
Available Funds (Including Beginning Fund Balance)	\$ 720.9
Less Budgeted Disbursements	<u>582.5</u>
Nonspendable	71.5
Restricted: External	(182.2)
Restricted: Internal	166.1
Available	<u>83.0</u>
Ending Fund Balance	<u>\$ 138.4</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 2019 is 44.7 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 2018 rate at 6.1 mills. The combined operating and debt service levy is 50.8 mills.

BUDGET ANALYSIS

Figure 2 – County Millage Rates

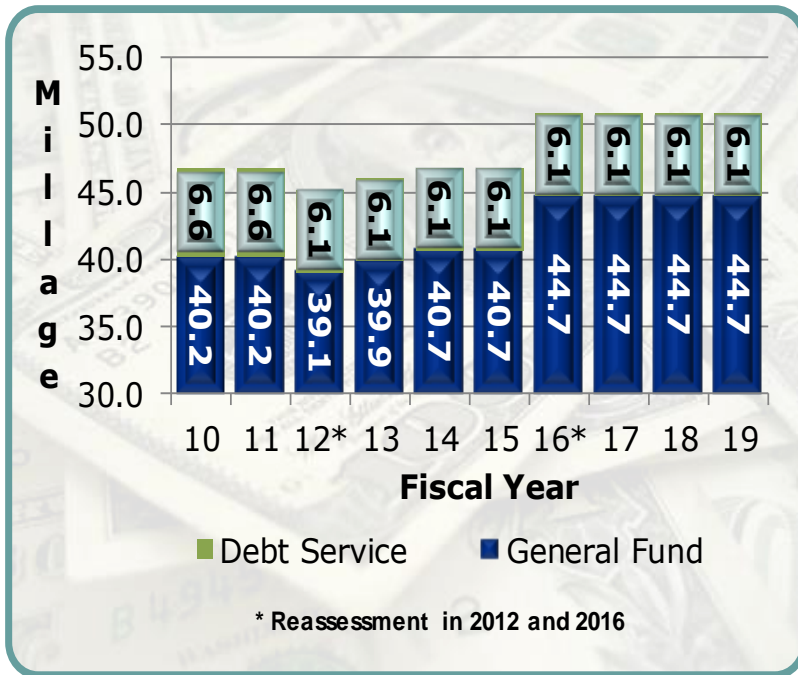
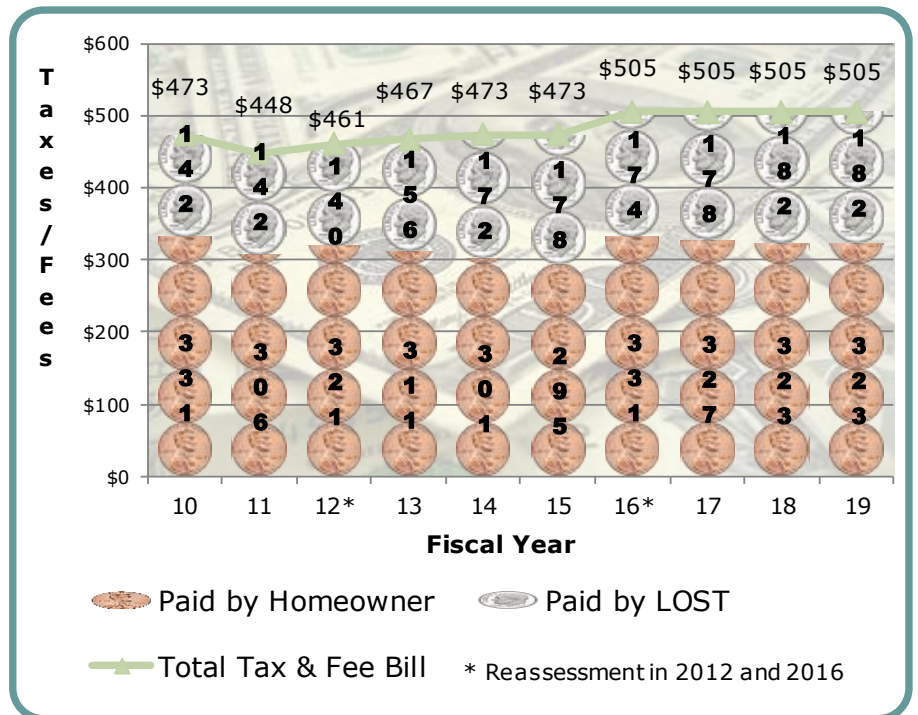


Figure 2 presents a summary of the County's millage rates for FY 2019 and the prior nine years. For the owner of a \$250,000 home (four percent assessed property) the 50.8 mills equate to a tax of \$508, which remains constant to the current tax year for the \$250,000 homeowner. As allowed under State 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 2019 remains constant at \$227.50 for the \$250,000 homeowner. After applying the Sales Tax credit, the net tax is \$280.50, representing no change from the current year for the \$250,000 homeowner.



The Solid Waste Recycling and Disposal Fee of \$99 for a single-family residence remained unchanged since FY 2008. In FY 2011, user fee accounts charged the Annual Solid Waste Recycling and Disposal Fee received a \$25 one-time credit to be applied to the user fee bill. The one-time credit was not extended past FY 2011.

When the Solid Waste Recycling and Disposal Fee is included, the overall tax and fee bill for the owner of a \$250,000 home (four percent assessed property) amounts to \$379.50 representing no change from the current tax year. Figure 4 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.



BUDGET ANALYSIS

Twenty-one Full-Time Equivalents (FTEs) were added during FY 2019 to respond to population growth and increased customer service demands in the County. Seven FTEs were added to Facilities Management, 5 FTEs were added to Environmental Management, 3 FTEs were added to Public Work, 2 FTEs were added to Building Inspections, and 1 FTEs was added to Record Management, Safety/Risk, Solicitor and Planning/Zoning respectively. The increase in FTEs were offset by the elimination of 5 unfilled FTES, bringing the total number of FTEs employed by Charleston County to 2,683.

Figure 4 – Full-Time Equivalents

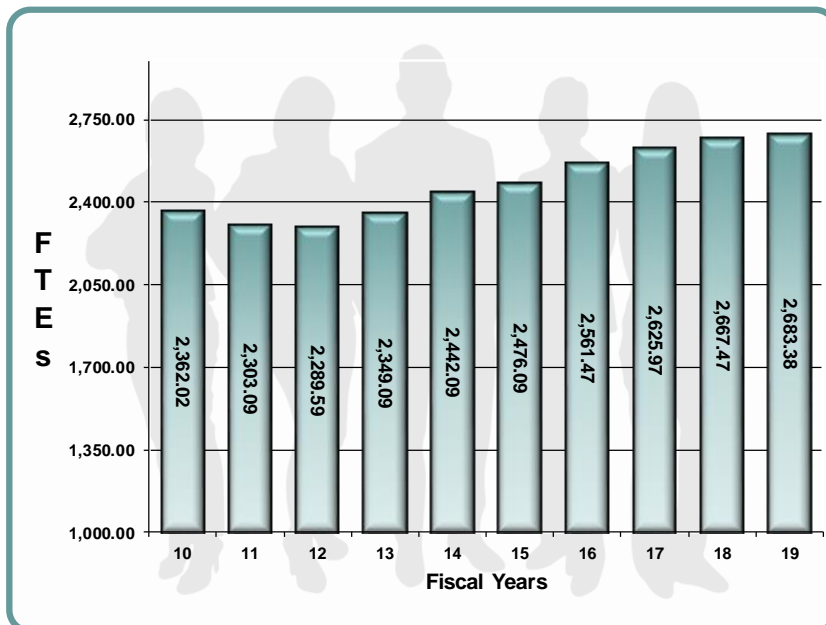


Figure 4 presents a summary of the County's FTEs for FY 2019 and the prior nine years. The FTEs for Charleston County had a steady increasing trend until FY 2010. The major reductions in FTEs in FY 2011 and FY 2012 resulted from cost saving actions during the recession, including voluntary retirement incentives, and transferring positions to the Council of Governments, a tri-county agency which provides assistance to local governments. The current trend is experiencing an increase as a result of the transition of employees from various outside governmental

entities to Charleston County for Consolidated Dispatch, the conversion of part-time personnel working more than 32 hours a week to full-time positions, and on-going pressure to maintain existing service levels in a community with a growing population.

GENERAL FUND

SUMMARY

The FY 2019 Council approved budgeted disbursements for the General Fund total \$240.7 million, a \$5.1 million or 2.1 percent increase from the FY 2018 budget. Budgeted funds available for the FY 2019 budget also total \$240.7 million. The General Fund millage is anticipated to remain constant at 44.7 mills.

Page 108 shows a graphical representation of the County's General Fund budget. Page 109 shows a fund statement which depicts the numerical summary of the General Fund budget.

BEGINNING BALANCE

The General Fund beginning fund balance for FY 2019 is \$76.6 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.)

BUDGET ANALYSIS

Figure 5 - FY 2019 General Fund Beginning Balance
(Expressed in Thousands of Dollars)

Nonspendable (Inventory)	\$628
Restricted: Internal	
Encumbrances	4,000
Designated for PAYGO projects in FY 2019	10,282
Rainy Day Fund	9,914
Two months of Operating Expenditures	40,114
Available	<u>11,621</u>
Total	<u>\$ 76,559</u>

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. In addition, an internal restriction of fund balance has been established to equal two months of the following fiscal year's General Fund operating budget.

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 \$231.0 million reflect an increase of \$4.1 million or 1.8 percent from FY 2018. Figure 6 shows the significant budget changes in revenues.

BUDGET ANALYSIS

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

<u>Department/Division</u>	<u>FY 2018 Adjusted</u>	<u>FY 2019 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Property Tax Revenue	\$160,200	\$166,685	\$6,485	4.0%
Local Option Sales Tax	64,000	65,750	1,750	2.7%
Detention Center: Federal Prisoners	2,500	3,580	1,080	43.2%
State: Aid to Sub - Local Government Fund	14,850	13,330	(1,520)	-10.2%
Lost: Sales Tax Credit	(63,520)	(65,260)	(1,740)	2.7%
Non-Departmental: Cost Reimbursement	5,273	3,439	(1,834)	-34.8%

The County's largest revenue sources, the Property Tax and the Local Option Sales Tax, reflect a net increase of \$4.7 million. The net increase is due to an increased projection of property value from new construction and improvement in the local economy resulting in increased sales tax projections. The increase in the revenue from the Local Option Sales Tax Credit, which is used to offset the amount property owners pay on their tax bill, also reflects improvements in the local economy. The increase in the Local Option Sales Tax resulted in a higher credit of \$1.8 million or 2.7 percent to taxpayers.

In addition, the \$1.1 million or 43.2 percent increase to Detention Center: Federal Prisoners represents an increase in the amount of per diem reimbursement from the federal government for "holding" federal prisoners due to the federal government's renewed interest in detaining inmates as part of the Immigration and Customs Enforcement.

These increases are offset by several decreases to revenue in the General Fund revenue. The most significant decrease is seen in State: Aid to Sub-Local Government and represents a decrease of \$1.5 million or 10.2 percent from the State for a one-time payment to assist local governments with the rising retirement costs. Another large decrease is in Non-Departmental: Cost Reimbursement due to a revision of the formula to allocate costs to non-General Fund funds.

INTERFUND TRANSFERS IN

Approximately \$5.4 million is transferred to the General Fund from other funds, representing an increase of \$1.6 million or 43.4 percent from the FY 2018 budget. This most significant change represents an increased discretionary transfer of unspent revenue from the Clerk of Court: IV-D Child Support Enforcement Fund.

EXPENDITURES

The FY 2019 approved budgeted expenditures for the General Fund total \$232.1 million, which represents an increase of \$7.2 million or 3.2 percent from the FY 2018 budget. Figure 7 shows the significant budget changes in expenditures for FY 2019.

BUDGET ANALYSIS

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

<u>Department/Division</u>	<u>FY 2018 Adjusted</u>	<u>FY 2019 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Sheriff: Law Enforcement	\$32,913	\$36,146	\$3,233	9.8%
Sheriff: Detention Center	37,055	39,470	2,415	6.5%
Library	15,779	17,402	1,623	10.3%
Facilities Management	29,348	27,857	(1,491)	-5.1%

The \$3.2 million or 9.8 percent increase in Sheriff: Law Enforcement represents funding for ten new School Resource Officers to address public safety in the schools. Full-year funding for the increase in the FY 2018 contracted food service for inmates resulted in the \$2.4 million or 6.5 percent increase in Sheriff: Detention Center budget. In addition, personnel and operating costs increased \$1.6 million or 10.3 percent for the Library due to the library expansion approved by voters in 2016.

Finally, a \$1.5 million or 5.1 percent decrease in Facilities Management reflects lower maintenance for County buildings as a result of budgetary constraints.

INTERFUND TRANSFERS OUT

Approximately \$8.6 million is transferred from the General Fund to various other funds. The transfers decrease \$2.1 million or 19.9 percent from the prior fiscal year primarily due to a revision in the calculation of the County administrative costs. This resulted in lower support of the Radio Communications and DAODAS Enterprise Funds.

FUND BALANCE

The FY 2019 ending fund balance is projected to be \$72.3 million. Of this amount, \$42.5 million is set aside in an effort to maintain a two-month buffer and is in addition to the \$10.2 million Rainy Day Fund for unexpected events. Another \$10.0 million reflects estimated on-going purchases and projects at the end of FY 2019.

DEBT SERVICE FUND

SUMMARY

The FY 2019 approved budgeted disbursements for the Debt Service Fund total \$38.2 million, which is a \$5.7 million or 17.5 percent increase from the FY 2018 budget. Budgeted funds available for FY 2019 also total \$38.2 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2018.

Page 110 displays a graphical representation of the County's Debt Service Fund budget. Page 111 contains a fund statement which is a numerical summary of the Debt Service Fund.

BUDGET ANALYSIS

REVENUES

Debt Service Fund revenues total \$27.1 million and reflect a decrease of \$4.5 million or 14.3 percent from FY 2018. The majority of the decrease reflects a reduction in premiums from the issuance of bonds in 2017 (FY 2018) to the anticipated issuance of bonds in 2019 (FY 2019).

INTERFUND TRANSFERS IN

Approximately \$8.3 million is transferred to the Debt Service Fund from other funds. The transfers increased \$0.2 million or 2.5 percent, which does not reflect a significant change from FY 2018.

EXPENDITURES

The FY 2019 budgeted expenditures for the Debt Service Fund total \$38.2 million. This amount is a \$5.7 million or 17.5 percent increase from FY 2019 and represents the addition of the 2017 bond, as well as the continued service of the County's outstanding debt obligations.

FUND BALANCE

The FY 2019 ending fund balance is projected to be \$28.9 million, which represents a \$2.7 million or 8.6 percent decrease from the projected FY 2018 beginning balance. The ending fund balance includes \$5.6 million of unused bond premium and \$21.7 million of internal restrictions to manage cash flows of future debt.

SPECIAL REVENUE FUNDS

SUMMARY

The FY 2019 approved budgeted disbursements for the Special Revenue Funds total \$179.1 million, a \$26.5 million or 17.4 percent increase from the FY 2018 budget. Budgeted funds available for FY 2019 also total \$179.1 million.

Page 112 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 113 to 156 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

The revenues for the Special Revenue Funds total \$190.1 million and reflect an \$13.5 million or 7.7 percent increase from the FY 2018 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 2018 Adjusted</u>	<u>FY 2019 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transp. Sales Tax: Revenue Bond Debt Service	\$17,790	\$20,867	\$3,077	17.3%
Transportation Developmnt: Roads Program (1st)	36,745	39,142	2,397	6.5%
Transportation Developmnt: Roads Program (2nd)	34,465	36,846	2,381	6.9%
Accommodations Tax: Local	17,705	18,710	1,005	5.7%

BUDGET ANALYSIS

The major changes in the Special Revenue Funds are seen in the Transportation Sales Tax (TST) funds. The first TST was passed by the voters in a referendum in November 2004 and the second TST was passed by referendum in November 2016. The FY 2019 budget for the first TST Roads Program is \$39.1 million. FY 2018 represented the first year collection of the second TST Roads Program revenues. The budget for the second TST Roads Program is \$36.8 million. Collectively, the budgeted increase for the TST Roads Program is \$4.8 million or 13.4 percent. The budgeted increases for the sales tax funded revenues are tied to improvements in the local economy through increased consumer spending.

There is a \$3.1 million or 17.3 percent increase in the Transportation Sales Tax: Revenue Bond Debt Service. Revenues of \$20.9 million reflect fees-in-lieu of property taxes that were designated by County Council as security for the repayment of the debt service. After the verification of sufficient revenues to service the current year's debt, the fees-in-lieu of property taxes are distributed to taxing entities. The increase in revenue represents additional fees collected for new and enhanced developments in the county.

Finally, Accommodations Tax: Local budgeted revenue is \$18.7, which is \$1.0 million or 5.7 percent increase resulting from a strong tourism economy within the County.

INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$12.0 million, which is a \$4.0 million or 49.6 percent increase. The most significant increase is the payment for the Special Source Revenue Bond and represent the projected increase in debt service on the bond.

EXPENSES

The FY 2019 budgeted expenses for the Special Revenue Funds total \$115.6 million, which is a \$9.9 million or 9.4 percent increase from FY 2018. 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 2018 Adjusted</u>	<u>FY 2019 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Transp. Sales Tax: Revenue Bond Debt Service	\$13,199	\$19,910	\$6,711	50.8%
Public Works: Stormwater Drainage	4,653	6,845	2,192	47.1%
Transportation Developmnt: Roads Program (1st)	21,826	20,626	(1,200)	-5.5%

The FY 2019 budgeted expenses for Transportation Sales Tax: Revenue Bond Debt Service is \$19.9 million, which is a \$6.7 million or 50.8 percent increase in funding for scheduled bond payments and pass-through payments to other taxing entities. Another change to the Special Revenue Fund expenses is a \$2.2 million or 47.1 percent budgeted increase to Public Works: Stormwater Drainage for consultant fees and drainage services due to the expansion of residential and commercial development. These increases are offset by a decrease in the Transportation Development: Roads program reflecting a reduction in the scheduled bond payments.

BUDGET ANALYSIS

INTERFUND TRANSFERS OUT

Approximately \$63.5 million is transferred from the Special Revenue Funds to various other funds. The transfers increase by \$16.6 million or 35.3 percent is primarily due to one-time funding of greenbelt projects in the first Transportation Sales Tax.

FUND BALANCE

The FY 2019 ending fund balance is projected to be \$117.5 million, which reflects a 23.1 million or 24.5 percent change from the estimated FY 2018 beginning balance. The increase reflects planned savings in the second Transportation Sales Tax to fund roads and transit projects on a pay-as-you-go basis.

ENTERPRISE FUNDS

SUMMARY

The FY 2019 approved budgeted disbursements for the Enterprise Funds total \$67.5 million. This is a \$5.8 million or 9.5 percent increase from the FY 2018 budget. Funds available for FY 2018 also total \$67.4 million.

Page 157 displays a graphical representation of the County's Enterprise Funds budgets, while pages 158 to 164 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Revenues for the Enterprise Funds total \$56.3 million and reflect a \$5.4 million or 10.6 percent increase from the FY 2018 budget. Figure 10 provides information on significant budgeted revenue changes.

Figure 10 - Major Changes in Revenues for the Enterprise Funds

<u>Department/Division</u>	<u>FY 2018 Adjusted</u>	<u>FY 2019 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Consolidated Dispatch: Emergency 911	\$2,826	\$4,994	\$2,168	76.7%
Environmental Management	29,078	31,231	2,153	7.4%

(Expressed in Thousands of Dollars)

The \$2.2 million or 76.7 percent increase in Consolidated Dispatch: Emergency 911 represents higher wireless collections and larger amount of reimbursable costs from the State. The budgeted increase of \$2.2 million or 7.4 percent in the Environmental Management fund reflects an increase in solid waste user fees based on historical analysis and current trends.

BUDGET ANALYSIS

INTERFUND TRANSFERS IN

In total, approximately \$1.5 million is transferred into Enterprise Funds from various other funds, which reflects a \$2.0 million or 57.4 percent decrease from the FY 2018 budget. The majority of the decrease is due to a countywide re-evaluation of the calculation of county administrative charges, which results in a reduction in the amount of funds transferred from the General Fund to support the DAODAS and Radio Communication funds.

EXPENSES

The FY 2019 budgeted expenses for the Enterprise Funds total \$57.1 million which is a \$0.6 million or 1.1 percent decrease from FY 2018. 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 2016 Adjusted</u>	<u>FY 2017 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Consolidates Dispatch: Emergency 911	\$3,479	\$6,062	\$2,583	74.2%
Tech Services: Radio Communications	5,818	3,614	(2,204)	-37.9%

The budgeted increase of \$2.6 million or 74.2 percent in Consolidated Dispatch: Emergency 911 reflects the anticipated purchase of a customer premise equipment phone system, recorder, and auxiliary hardware. The increase in expenses in the Enterprise Fund are offset by \$2.2 million or a 37.9 percent decrease in Technology Services: Radio Communication due to the re-evaluation of County administrative costs calculations and resulting reduced costs.

INTERFUND TRANSFERS OUT

The transfers out from the Enterprise Fund to other funds is approximately \$10.4 million, which is a \$6.4 million or 164.8 percent increase. The increase reflects transfers in the Environmental Management fund of \$5.7 million for construction of the lined landfill and \$2.0 million in additional funding for construction of the new Material Recovery Facility.

FUND BALANCE

The FY 2019 combined ending fund balance is projected to be \$69.1 million which reflects a \$9.7 million or 12.3 percent decrease from the beginning fund balance. The majority of the decrease reflects the use of the Environmental Management fund balance for transfers to the Capital Projects Fund.

INTERNAL SERVICE FUNDS

SUMMARY

The FY 2019 approved budgeted disbursements for the Internal Service Funds total \$57.1 million. This is a \$1.6 million or 2.9 percent increase from the FY 2018 budget. Funds available for FY 2018 also total \$57.1 million.

BUDGET ANALYSIS

Page 165 shows a graphical representation of the County's Internal Service Funds budgets, while pages 166 to 170 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Internal Service Funds revenues total \$53.9 million, a \$2.2 million or 4.3 percent increase from FY 2018. 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 2016 Adjusted</u>	<u>FY 2017 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Human Resources: Employee Benefits	\$29,037	\$30,914	\$1,877	6.5%

Human Resources: Employee Benefits reflects an increase by the State of South Carolina to the health insurance rate for employers and employees. The impact of the increase is \$1.9 million or 6.5 percent to the fund.

INTERFUND TRANSFERS IN

Approximately \$2.8 million is transferred to the Internal Service Funds from other funds. The majority of the \$0.4 million or 13.1 percent decrease in transfers represents a reduction in the transfer from the General Fund to Fleet Operations to purchase vehicles and heavy equipment for General Fund offices/departments.

EXPENSES

The FY 2019 budgeted expenses for the Internal Service Funds total \$57.1 million which is a \$1.7 million or 3.0 percent increase from FY 2018. 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 2016 Adjusted</u>	<u>FY 2017 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Human Resources: Employee Benefits	\$29,137	\$30,914	\$1,777	6.1%

The \$1.8 million or 6.1 percent increase in the Human Resources: Employee Benefits Fund is due to higher costs of various employee insurances as passed through by the State.

FUND BALANCE

The FY 2019 ending fund balance is projected to be (\$149.4) million, which represents a \$0.4 million or less than one percent decrease from the estimated FY 2018 beginning balance. The negative fund balance is due to reporting \$172.1 million in pension expense in the Human Resources: Employee Benefits Fund. The decrease is due to reducing the Worker's Compensation Fund's reserves based on recent claims history.