

BUDGET ANALYSIS

OVERVIEW

While there were many challenges facing the County during early preparation of the FY 2021 budget, the County Administrator provided guidance in October 2019 to develop a budget that would address the challenges while limiting the financial impact on taxpayers.

In February 2020, the pandemic further challenged the preparation of the FY 2021 budget. Staff re-evaluated the national and local economy in order to develop a balanced budget. The budget presented to County Council met the Administrator's objectives:

- ❖ 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 2021 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds, which total \$678.2 million and reflect a \$37.0 million or 5.8 percent change from the FY 2020 budget. Figure 1 summarizes the FY 2021 operating budget. Additionally, the graphs presented on pages 86 and 87 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 2021 Operating Budget
(Expressed in Millions of Dollars)

<u>Description</u>	
Available Funds (Including Beginning Fund Balance)	\$ 716.6
Less Budgeted Disbursements	<u>675.6</u>
Nonspendable	78.0
Restricted: External	(284.4)
Restricted: Internal	193.7
Available	<u>53.7</u>
Ending Fund Balance	<u>\$ 41.0</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 2021 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 2021 rate at 6.1 mills. The combined operating and debt service levy is 50.8 mills.

BUDGET ANALYSIS

Figure 2 – County Millage Rates

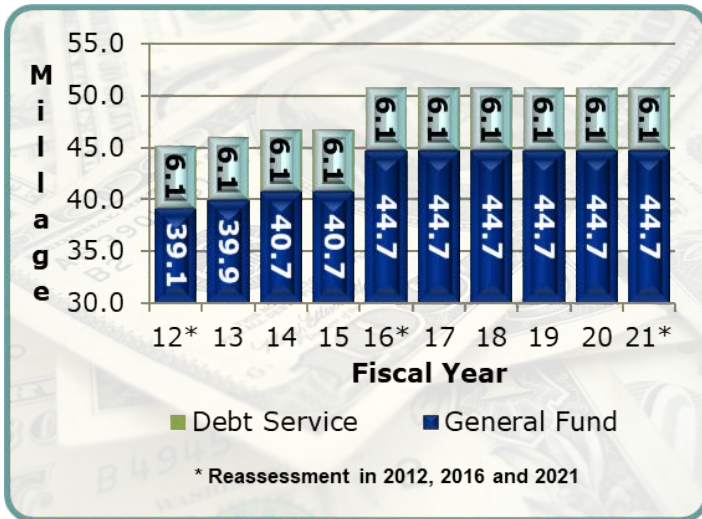


Figure 2 presents a summary of the County's millage rates for FY 2021 and the prior nine years. For the owner of a \$250,000 home (four percent assessed property) the 50.8 mills equate to a tax of \$508.00 which remains constant to the current tax year for the \$250,000 homeowner. As allowed under State 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 2021 reflects a decrease of \$25.00 or 11.1 percent, which equates to \$200.00 for the \$250,000 homeowner. After applying the Sales Tax credit, the net tax is \$308.00, representing

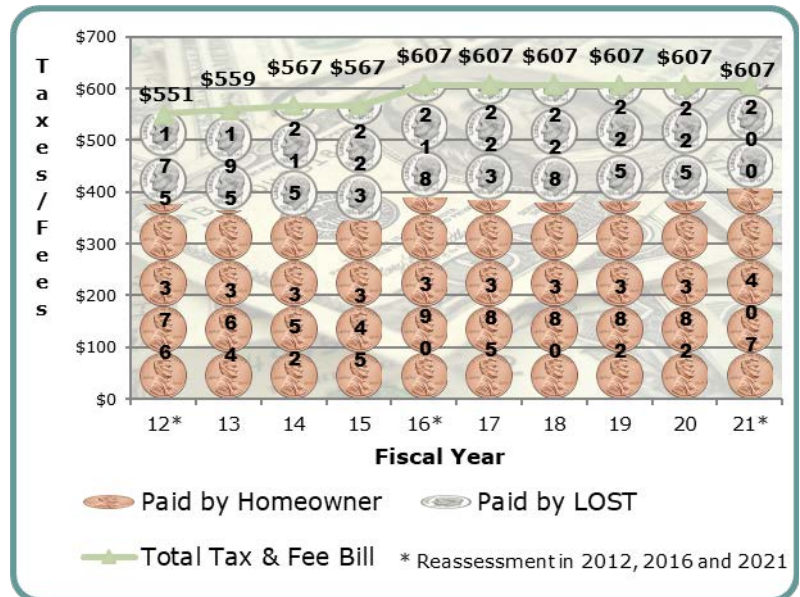
a \$25.00 increase from the current year for the \$250,000 homeowner.



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 County did not extend the one-time credit past FY 2011.

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 \$250,000 home (four percent assessed property) amounts to \$407.00 representing a \$25.00 increase 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.



BUDGET ANALYSIS

Twelve unfilled Full-Time Equivalents (FTEs) were eliminated during FY 2021 in response to the financial impacts of the COVID-19 pandemic. The decrease in FTEs were offset by the addition of four new positions. One FTE is for the Internal Auditor, and three FTEs are for Fleet Operations to respond to increased customer service demands. The total number of FTEs employed by Charleston County reduced to 2,688.32.

Figure 4 – Full-Time Equivalents

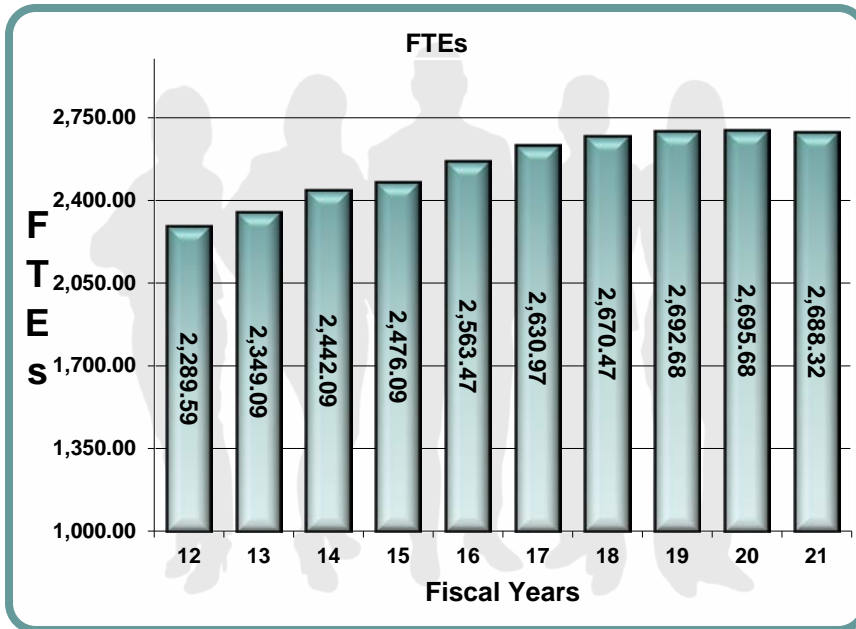


Figure 4 presents a summary of the County's FTEs for FY 2021 and the prior nine years. The FTEs for Charleston County reflected a steady increasing trend thru FY 2018. The growth in FTEs began to stabilize in FY 2019 as the number of employees became sufficient for the current service demand levels.

GENERAL FUND

SUMMARY

The FY 2021 Council approved budgeted disbursements for the General Fund total \$250 million, a \$1.2 million or 0.5 percent decrease from the FY 2020 budget. Budgeted funds available for the FY 2021 budget also total \$250 million. The General Fund millage is anticipated to remain constant at 44.7 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 2021 is \$79.3 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 2021 General Fund Beginning Balance
(Expressed in Thousands of Dollars)

Nonspendable (Inventory)	\$914
Restricted: Internal	
Encumbrances	5,000
Designated for PAYGO projects in FY 2020	4,246
Rainy Day Fund	10,425
Two months of Operating Expenditures	41,867
Available	<u>16,881</u>
Total	<u>\$ 79,333</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 \$241.8 million reflect a decrease of \$0.5 million or 0.2 percent from FY 2021. Figure 6 shows the significant budget changes in revenues.

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

<u>Department/Division</u>	<u>FY 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Property Tax Revenue	\$ 173,839	\$174,360	\$521	0.3%
Local Option Sales Tax	69,100	61,100	(8,000)	-11.6%
Lost: Sales Tax Credit	(68,580)	(60,640)	7,940	-11.6%
Register of Deeds: Documentary Stamps	8,000	6,000	(2,000)	-25.0%
Treasurer: Interest Income	1,250	250	(1,000)	-80.0%

BUDGET ANALYSIS

The County's largest revenue sources, the Property Tax and the Local Option Sales Tax, reflect a net decrease of \$7.5 million. The net decrease is due to a reduction in sales tax projections resulting from the 2020 pandemic and its impact on the local economy. The revenue from the Local Option Sales Tax is used to offset the amount property owners pay on their tax bill. The decrease in the Local Option Sales Tax resulted in a lower credit of \$8.0 million or 11.6 percent to taxpayers.

The \$2.0 million or 25.0 percent reduction to Register of Deeds: Documentary Stamps revenue represents a decrease in fee collection based on the number of anticipated real estate transactions occurring in FY 2021. Finally, the Treasurer: Interest Income represents a net decrease of \$1.0 million or 80.0 percent based on a lower interest earning projections in FY 2021 due to the uncertainties associated with the national economy during the COVID-19 pandemic.

INTERFUND TRANSFERS IN

Approximately \$4.0 million is transferred to the General Fund from other funds, representing a decrease of \$0.5 million or 11.4 percent from the FY 2020 budget. The most significant decrease represents lower support from the Parking Garage Enterprise Fund due to lower revenues.

EXPENDITURES

The FY 2021 approved budgeted expenditures for the General Fund total \$244.5 million, which represents an increase of \$3.6 million or 1.5 percent from the FY 2020 budget. Figure 7 shows the significant budget changes in expenditures for FY 2021.

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

<u>Department/Division</u>	<u>FY 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
County Council	\$2,626	\$6,999	\$4,373	166.5%
Facilities Management	21,475	19,731	(1,744)	-8.1%

The \$4.4 million, or \$166.5 percent, increase in the County Council budget reflects a budgeted Stop Gap amount to address the uncertainties associated with the national economy. The Stop Gap Measure, budgeted in the County Council budget, represents a 2% reduction in the remaining General Fund budgets. The Stop Gap allowed Council to approve a budget based on the April 2020 revenue projections, while limiting the offices/departments' spending patterns until an initial evaluation of the County's financial status is completed in October 2020 and the mid-year review is completed in February 2021. If funding is available, offices/departments will receive 1% in their current budget in October and another 1% in February.

The increase from the Stop Gap Measure is offset by a decrease of a \$1.7 million or 8.1 percent to Facilities Management. The decrease is due to lower maintenance project funding to balance the budget.

BUDGET ANALYSIS

INTERFUND TRANSFERS OUT

Approximately \$5.5 million is transferred from the General Fund to various other funds. The transfers decreased \$4.8 million or 46.8 percent from the prior fiscal year primarily due to the elimination of funding to purchase vehicles in FY 2021 due to budget constraints resulting from the pandemic. In addition, the General Fund reduced support of the Radio Communications and DAODAS Funds.

FUND BALANCE

The FY 2021 ending fund balance is projected to be \$75.1 million. Of this amount, \$41.7 million is set aside in an effort to maintain a two-month buffer and is in addition to the \$10.0 million Rainy Day Fund for unexpected events. The fund balance did not include any allocations for on-going purchases or projects at the end of FY 2021.

DEBT SERVICE FUND

SUMMARY

The FY 2021 approved budgeted disbursements for the Debt Service Fund total \$66.0 million, which is a \$25.4 million or 62.4 percent, increase from the FY 2020 budget. Budgeted funds available for FY 2021 also total \$66.0 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2020.

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.

REVENUES

Debt Service Fund revenues total \$26.8 million and reflect a decrease of \$0.2 million or 0.9 percent from FY 2020. The majority of the decrease reflects a reduction in the premium from the issuance of debt.

INTERFUND TRANSFERS IN

Approximately \$18.5 million is transferred to the Debt Service Fund from other funds. The transfers increased \$5.0 million or 36.5 percent, which reflects the use of a premium from the 2019 bond issuance during FY 2021.

EXPENDITURES

The FY 2021 budgeted expenditures for the Debt Service Fund total \$54.7 million. This amount represents an \$18.6 million or 51.5 percent increase from FY 2020 due to the repayment of a short-term borrowing to purchase public safety helicopter and radio equipment.

INTERFUND TRANSFER OUT

Approximately \$11.3 million is transferred within the Debt Service Fund. The transfers increased by \$6.8 million or 147.8 percent reflects higher availability of premiums from the 2019 bond issuance.

FUND BALANCE

The FY 2021 ending fund balance is projected to be \$16.7 million, which represents a \$20.7 million or 55.4 percent decrease from the estimated FY 2020 ending balance. The ending fund balance reflects the use of the remaining premium from the 2019 bond issuance.

BUDGET ANALYSIS

SPECIAL REVENUE FUNDS

SUMMARY

The FY 2021 approved budgeted disbursements for the Special Revenue Funds total \$237.8 million, a \$40.2 million or 20.3 percent increase from the FY 2020 budget. Budgeted funds available for FY 2021 also total \$237.8 million.

Page 118 shows a graphical representation of the County's Special Revenue Fund budgets, while pages 119 to 161 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

The revenues for the Special Revenue Funds total \$175.7 million and reflect a \$22.8 million or 11.5 percent decrease from the FY 2020 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 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Trident Technical College: Debt Service	\$38,632	\$34,281	(\$4,351)	-11.3%
Accommodations Tax: Local	18,105	10,112	(7,993)	-44.1%
Transportation Sales Tax	125,622	112,286	(13,336)	-10.6%

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 2021 budget for all three of the TST Programs is \$125.6 million. Collectively, the estimated decrease for the TST Roads Program is \$13.3 million or 10.6 percent. Collection of sales tax is tied directly to the local and national economy. There is also an \$8.0 million or 44.1 percent decrease in the Accommodations Tax: Local due to the current economic signals in the local tourism industry.

The \$2.8 million budget for Trident Technical College: Debt Service represents a \$1.2 million or 1.2 percent decrease from the previous year and reflects a reduction in property taxes due to a reduction from 1.0 mills to 0.7 mills.

INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$15.5 million, which is a \$2.3 million or 17.4 percent increase. The most significant increase is in the Economic Development: Revenue Bond Debt Service due to a higher 2017 Special Source Revenue Bond payment.

EXPENSES

The FY 2021 budgeted expenses for the Special Revenue Funds total \$111.9 million, which is a \$2.0 million or 1.7 percent decrease from FY 2020. Figure 9 shows the significant budget change in expenses.

BUDGET ANALYSIS

Figure 9 - Major Changes in Expenses for the Special Revenue Funds
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Public Works: Stormwater	\$3,871	\$8,501	\$4,630	119.6%
Economic Development: Revenue Bond Debt Service	19,894	21,984	2,090	10.5%
Accommodations Tax: Local	18,335	10,683	(7,652)	-41.7%

The primary change in the FY 2021 budgeted expenses in the Special Revenue Fund expenses is a \$4.6 million or 119.6 percent budgeted increase to Public Works: Stormwater due to a change in the budgeting methodology for drainage projects. The increase in Economic Development: Revenue Bond reflects the scheduled principal and interest payments on the 2013 Special Source Revenue Bond and the 2017 Special Source Revenue Bond. These increases are offset by a \$7.7 million or 41.7 percent decrease in Accommodations Tax: Local and represents the economic impact in the local tourism industry resulting from the COVID-19 pandemic.

INTERFUND TRANSFERS OUT

Approximately \$125.9 million is transferred from the Special Revenue Funds to various other funds. The increase of \$42.1 million or 50.3 percent represents a higher transfer for the construction of road projects in FY 2021. The increase is offset primarily by the reduction in the transfer out for the Mark Clark Expressway, and Greenbelt and Transit projects.

FUND BALANCE

The FY 2021 ending fund balance is projected to be \$89.0 million, which reflects a 46.6 million or 34.4 percent decrease from the estimated FY 2020 ending balance. The decrease reflects the utilization fund balance for pay-as-you-go funding for road projects.

ENTERPRISE FUNDS

SUMMARY

The FY 2021 approved budgeted disbursements for the Enterprise Funds total \$64.8 million. This is a \$3.3 million or 4.9 percent decrease from the FY 2020 budget. Funds available for FY 2021 also total \$64.8 million.

Page 162 displays a graphical representation of the County's Enterprise Funds budgets, while pages 163 to 169 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Revenues for the Enterprise Funds total \$59.8 million and reflect a \$3.7 million or 6.6 percent increase from the FY 2020 budget. Figure 10 provides information on significant budgeted revenue changes.

BUDGET ANALYSIS

Figure 10 - Major Changes in Revenues for the Enterprise Funds
(Expressed in Thousands of Dollars)

<u>Department/Division</u>	<u>FY 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Consolidated Dispatch: Emergency 911	\$2,843	\$4,957	\$2,114	74.3%
Environmental Management	32,940	34,484	1,544	4.7%

The most significant budgeted increase of \$2.1 million or 74.3 percent in Consolidated Dispatch: Emergency 911 represents a greater amount of reimbursable costs from the State. The increase of \$1.5 million or 4.7 percent in Environmental Management is due to the anticipated proceeds from the sale of property.

INTERFUND TRANSFERS IN

Approximately \$2.5 million is transferred into the Enterprise Funds, which reflects a \$0.4 million or 20.6 percent increase from the FY 2020 budget. The increase represents the use of the premium from the 2019 issuance of debt for the construction of the new Materials Recycling Facility for Environmental Management. The increase is offset by a reduction in the transfer in, representing less support from the General Fund and more reliance on the Enterprise Funds fund balance.

EXPENSES

The FY 2021 budgeted expenses for the Enterprise Funds total \$64.0 million, which is a \$4.6 million or 7.7 percent increase from FY 2020. 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 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Environmental Management	\$33,715	\$38,900	\$5,185	15.4%

The budgeted increase of \$5.2 million or 15.4 percent in Environmental Management reflects the increase in contingency to fund undefined capital costs for the department and the initial payment of debt service for the 2019 General Obligation Bond.

INTERFUND TRANSFERS OUT

The transfers out from the Enterprise Fund to other funds is approximately \$0.8 million, which is a \$7.9 million or 90.8 percent decrease. The decrease reflects one-time transfers in FY 2020 from the Environmental Management Fund for capital projects.

FUND BALANCE

The FY 2021 combined ending fund balance is projected to be \$63.3 million, which reflects a \$2.6 million or 3.9 percent decrease from the estimated FY 2020 ending fund balance. The majority of the decrease reflects the use of the Environmental Management fund balance for one-time expenditures.

BUDGET ANALYSIS

INTERNAL SERVICE FUNDS

SUMMARY

The FY 2021 approved budgeted disbursements for the Internal Service Funds total \$57.0 million. This is a \$3.3 million or 5.5 percent decrease from the FY 2020 budget. Funds available for FY 2021 also total \$57.0 million.

Page 170 shows a graphical representation of the County's Internal Service Funds budgets, while pages 171 to 175 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Internal Service Funds revenues total \$56.0 million, a \$0.7 million or 1.3 percent increase from FY 2020. 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 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Human Resources: Employee Benefits	\$31,343	\$32,415	\$1,072	3.4%

There is a \$1.1 million or 3.4 percent increase to Human Resources: Employee Benefits to offset growth in health insurance costs. This increase is partially offset by a lower interest earning projections.

INTERFUND TRANSFERS IN

The FY 2021 transfers to the Internal Service Funds from other funds reflect does not reflect any budgeted amount. The decrease of \$3.9 million in transfers represent a reduction in the transfer from the General Fund to Fleet Operations to purchase vehicles and heavy equipment.

EXPENSES

The FY 2021 budgeted expenses for the Internal Service Funds total \$57.0 million, which is a \$3.3 million or 5.5 percent decrease from FY 2020. 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 2020 Adjusted</u>	<u>FY 2021 Approved</u>	<u>Amount Change</u>	<u>Percent Change</u>
Fleet Operations	\$15,423	\$11,457	(\$3,966)	-25.7%

BUDGET ANALYSIS

The primary decrease of \$3.9 million or 25.7 percent is in Fleet Operations because the County will not replace vehicles or heavy equipment in FY 2021.

FUND BALANCE

The FY 2021 ending fund balance is projected to be (\$203.0) million, which represents a \$1.0 million or less than one percent decrease from the FY 2020 ending balance. The negative fund balance is due to reporting \$298.5 million in retirement benefits in the Human Resources: Employee Benefits Fund. The increase is due to higher costs of various employee insurances as passed through by the State.