

LETTER FROM THE ADMINISTRATOR



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Citizens of Charleston County:

I am pleased to present the Fiscal Year (FY) 2025 Charleston County Operating Budget adopted by Charleston County Council on June 18, 2024. Charleston County has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the past thirty-five years and Triple AAA ratings from the bond rating agencies for the past thirteen 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 in a strong financial position; the County is facing the same challenges as other governments including inflation, higher personnel costs, historically high position vacancies, and greater service demands. Charleston County passed a budget that addresses the community's priorities and maintains service levels while maintaining the tax rate for the average homeowner. The FY 2025 budget is balanced and addresses the following budgetary challenges:

⌘ **No tax-rate increase for the homeowner** ~ County Council conscientiously sought to maintain a consistent level of taxation for our taxpayers. The County's overall tax rate remains unchanged this year. The County continues to apply the full amount of Local Option Sales Tax collections as a credit against the tax bills.



⌘ **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 2025 operating budget, the Community Development and Revitalization Department is utilizing the funds to assist citizens with critical needs including housing. These programs provided the initial phase of 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 2025 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 contains a shift of pay tables to better reflect market rates. In addition, the FY 2025 budget includes funding to maintain the longevity and merit programs 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 an impact on the development of the budget. Although increases in prices for service contracts and materials are stabilizing, the challenging employment environment led to higher increases than usual for personnel costs. As a result, some restricted funds need additional support from the General Fund in the FY 2025 budget.

⌘ **Using alternative funding sources to pay for equipment and projects** ~ The FY 2025 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 2025 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 2025, which is a budgeted increase of \$34 million or three percent from the previous fiscal year. The County's largest revenue sources are derived from sales taxes, which collectively decreased by \$16 million or five 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. Current market conditions generate an additional \$26 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 \$841 million for FY 2025, a \$32 million or four percent increase from the previous year. The largest increases include \$11 million for higher personnel costs across all funds, \$11 million for recurring operating costs and \$7 million for one-time costs for landfill and affordable-housing projects. The increase also includes a \$3 million increase 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 \$247 million, and the projected ending fund balance is \$232 million. The General Fund will spend \$16 million of the beginning fund balance on one-time expenditures including facility, technology, and vehicle/equipment costs in FY 2025. The Special Revenue Funds are projected to use \$17 million from fund balance in FY 2025 for road and drainage projects. The use of fund balances in FY 2025 is partially offset by banking \$44 million for transit projects 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.



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 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 Council worked with the College of Charleston's Joseph P. Riley, Jr. Center for Livable Communities to develop an organization-wide strategic plan. County Council selected strategic priorities for infrastructure, workforce, quality of life, financial stability, public engagement and communication, and public wellbeing. The County Administrator and staff developed goals and strategies for Council's selected strategic priorities. The County's Strategic Plan went into effect as of July 1, 2024; and future budgets will be developed, prioritized, and aligned with Council's strategic plan.



LOOKING AHEAD - CHALLENGES IN FY 2026 AND BEYOND

The County has identified several challenges for FY 2026 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 utilized one-time funds provided by the American Rescue Plan Act and the Local Accommodations Tax. In addition, Council established a mechanism to consider negotiated tax reductions for developments that include affordable housing. County Council and staff continue to explore recurring sources of revenues to address long-term housing requirements.
- ⌘ **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. Council and staff continue to finalize a Resilience Plan to begin addressing flood mitigation among other hazards.
- ⌘ **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, inflationary pressures over the last several years raised the hurdle for the annual funding amount. To partially address this, the County plans to utilize energy-savings contracts during FY 2025 to accelerate some projects. –The County continues to prioritize infrastructure projects to efficiently use available resources.

⌘ **Construction Management** ~ The County anticipates funding infrastructure from bond proceeds, property sales, 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 and FY 2027. Currently, the County has the capacity to borrow over \$241 million and maintain 20 percent of the constitutional debt limit for significant disasters.



- ⌘ 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.
- ⌘ As reflected in the Capital Improvement Plan, the County continues to progress with consolidating and improving facilities for Fleet Operations, Public Works, Facilities Management, and Emergency Medical Services at the Azalea Complex.
- ⌘ The Environmental Management Department, an Enterprise Fund, plans to construct the next two lined landfill cells in FY 2025. 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.
- ⌘ 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 2025, 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.

CONCLUSION

Preparation and adoption of the budget takes a dedicated team. The FY 2025 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 2025 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