
Budget User's Guide

Charleston County

It is our objective to present budgetary information as clearly and concisely as possible. The following constitutes a "Budget User's Guide" for the interested citizen:

The County prepares two budget documents: the **Approved Budget Detail Book** and the **Approved Budget Narrative Book**. The Detail Book provides comprehensive capital listings; full-time equivalent (FTE) listings that break down full-time employees by position and pay grade; and copies of the County's line item budget. The Narrative Book presents the County's operating budget through schedules and narratives focusing on major changes from the prior year. This User's Guide is customized for the Budget Narrative Book.

The Budget Narrative Book is divided into sixteen sections: Performance Measures, Overview, Schedules, Council Agencies, Elected Officials, Appointed Officials, County Administrator, Deputy Administrator Finance, Deputy Administrator General Services, Deputy Administrator Human Services, Assistant County Administrator Community Services, Assistant County Administrator Transportation & Public Works, Capital, Debt, Long Term Financial Plans, and Appendix.

Following the **Table of Contents** and **Charleston County At A Glance** is the **County Administrator's Letter to Citizens**, which discusses the contents of the Approved Budget, major policy issues impacting the current budget, and anticipated challenges for future budgets. The introduction to the narrative book also includes the **Organizational Chart** and information about **County Council and Elected and Appointed Officials**. The **Budget Highlights** points out the approved budget's significant elements, addressing frequently asked questions like: "How much is the County's current fiscal year operating budget?" and "Is there a tax increase?".

The first section, **Performance Measures**, provides an overview of the County's performance measures program. The section opens with the **County's Mission and Values**. In the **Performance Measures' Guide**, the County's Initiatives (goals) and the process used to develop measures from the initiatives are described. **Notable Results** in meeting these measures during the current fiscal year are highlighted. Additional department measures are outlined in the budget narrative sections.

The **Overview** provides a **User Guide** and an analysis of the various funds. The **Description of Funds** and **Fund Balance Changes** provide a brief explanation of various fund types included in this document, and a total budget of expenditures for each fund type and fund and changes from the previous year. The **Budget Analysis** portion highlights major changes in the County's budgets and decisions made during Council's deliberations. This section also outlines financial policies, short and long-term goals, new activities and programs, and provides an explanation of revenue assumptions. The **Major Revenue Sources** section indicates the County's largest revenue sources and addresses trends to determine revenue estimates.

The **Schedules** segment includes a high level summary of the County's available funds and disbursements. It also contains a summary of revenues, expenditures, interfund transfers, and authorized permanent positions for all funds. The summaries are illustrated by graphs detailing the sources of revenues, the function of the expenditures, and authorized positions. The last section displays individual fund statements of revenues and expenditures. This section answers such budget questions as "How many permanent employees does the County have and what divisions do they work in?"; "How much revenue is budgeted for the current fiscal year and what are the sources of this funding?"; and "What is the County's total current fiscal year expenditure budget?".

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The County's operating budgets are divided into nine major directorates: ***Council Agencies, Elected Officials, Appointed Officials, County Administrator, Deputy Administrator Finance, Deputy Administrator General Services, Deputy Administrator Human Services, Assistant County Administrator Community Services, and Assistant County Administrator Transportation & Public Works.*** Individual departmental budgets and narratives are listed alphabetically within each section. Each budget narrative is generally divided into four sections: Mission, Department or Division Summary, Funding Adjustments and Performance Measures. Where appropriate, a departmental organizational chart is included. A detailed discussion of the budget narrative is outlined below.

The County's Capital Improvement Program is presented in the ***Capital*** section and provides detailed information about the County's Capital Improvement Plan. A brief description of each project is included with estimated cash flows, operating costs or savings, and funding source.

The County's outstanding debt and repayment schedule is included in the ***Debt*** section. The section outlines the County's Debt Policy and the Debt Management Plan, and the State's Constitutional limit on debt capacity for all governmental agencies and information about the County's rating with the three rating agencies.

The ***Long Term Financial Plans*** section is used to identify future financial challenges and opportunities through financial forecasting and analysis. Based on that information, strategies are devised to achieve financial sustainability.

Finally, the ***Appendix*** section contains a **Community Profile**, a description of the County's overall **Budget Process and Financial System**; the **Financial Policies**; general statistical information; the **Budget Ordinances**; a **Glossary** of terms and concepts; a listing of **Acronyms**; and an **Index**.

A GUIDE TO UNDERSTANDING THE BUDGET NARRATIVE SECTION

1. **Department** – The primary organizational unit within the County. Each department performs a specific function.
2. **Fund** – An independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The County maintains the minimum number of funds consistent with legal and managerial requirements.
3. **Function** – A list of activities used to classify resources in broad service areas.
4. **Division / Program** – A smaller component of a department organized to easily track resources and related expenditure.
5. **Mission** – A concise statement that defines the purpose of the department or division.
6. **Service Provided** – A short overview and explanation of the services provided to the organization and/or citizens by the departments.

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7. **Department or Division Summary** – A recap of financial information for four fiscal years, two years of the most recent audited figures, the previous year's adjusted budget and Council's approved current year. In addition, the dollar and percentage change from the previous fiscal year is computed. The financial information is broken down by major categories of revenue and objects of expenditure (i.e., personnel, operating, and capital expenditures).
8. **Funding Adjustment** – This section is broken down into several categories: revenues, major objects of expenditure and other relevant categories. This section reflects significant changes in funding from the previous fiscal year.

The diagram shows a budget page layout with the following sections and callouts:

- 1**: Points to the main title **BUDGET**.
- 2**: Points to the **GENERAL FUND** header.
- 3**: Points to the **GENERAL GOVERNMENT** header.
- 4**: Points to the **Division / Program – Where Applicable** section.
- 5**: Points to the **Mission** statement: "The Budget Department provides financial services and assists departments with the administration of grant awards in order to maintain the County's financial integrity and accountability and to support effective decision-making."
- 6**: Points to the **Services Provided** list:
 - Develop and monitor annual operating and capital budgets
 - Formulate financial strategies including multi-year financial plans
 - Assist in management of state and federal grants
- 7**: Points to the **Departmental Summary** table.
- 8**: Points to the **Funding Adjustments for FY 2014 Include** list:
 - Personnel costs reflect projected compensation, including the continuation of the longevity program and an increase in the fringe benefit rate from 40% to 41%.
 - Operating expenditures reflect no significant changes.

9. Performance Measures – This section is divided into five sections:

- **County Initiatives** – The five County goals that set the direction of departments in fulfilling the mission and values of Charleston County. Departments state their department goals based on the County initiatives.
- **Department Goals** – Accomplishments grouped based on how they meet the County Initiatives.
- **Objectives** – Well-defined and measurable targets that describe how the department will reach their goals within an achievable time frame.
- **Measures** – The objective accomplished through delivery of products, services, or processes, measured in the previous years and planned for the current year.
- **Action Steps** – These short-term and long-term projects for departments are used as the method of accomplishing goals.

Additional information pertaining to performance measures can be referenced in the Performance Measures section on pages B-1 to B-7.

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Performance Measures:

Initiative IV: Workflow Analysis-Process Management

Department Goal 1: Determine financial resources necessary for the County's functions.

Objective 1(a): Annually update a five-year plan for the General Fund, the Debt Service Fund, the Transportation Sales Tax Special Revenue Fund, and the Environmental Management Enterprise Fund that incorporates the Capital Improvement Plan and equipment replacement program.

Objective 1(b): Estimate General Fund budgeted revenues within 2% of actuals.

Initiative V: Quality Control

Department Goal 2: Ensure compliance with grant terms and conditions.

Objective 2: Work with departments to ensure zero audit findings and/or questioned costs in the Single Audit.

MEASURES:

| | Objective | FY 2012 Actual | FY 2013 Actual | FY 2014 Projected |
|---|-----------|-------------------|-------------------|----------------------|
| Input: | | | | |
| Number of Federal Awards | 2 | 95 | 97 | 95 |
| Output: | | | | |
| Budgeted General Fund revenues | 1(a) | 166,167,209 | 175,498,557 | 185,866,487 |
| Actual General Fund revenues ^{1&2} | 1(a) | 175,664,617 | 182,455,667 | 185,866,487 |
| Efficiency: | | | | |
| Dollar amount of Single Audit questioned costs | 2 | \$0.00 | \$0.00 | \$0.00 |
| Outcome: | | | | |
| Five-year plans prepared | 1(b) | 100% | 100% | 100% |
| Percent of revenue variance | 1(a) | 5.7% | 4.0% | +/-2.0% |
| Single Audit findings | 2 | 0.0 | 0.0 | 0.0 |
| Percent of Single Audit questioned costs | 2 | 0.0% | 0.0% | 0.0% |

¹ FY 2013 Actual reflects the projection at time of budget preparation.

² FY 2014 reflects 100% of the revenue amount.

2014 ACTION STEPS

Department Goal 1

- Develop ability to submit budget transfers electronically.
- Develop electronic submission of budget requests.

Description of Funds

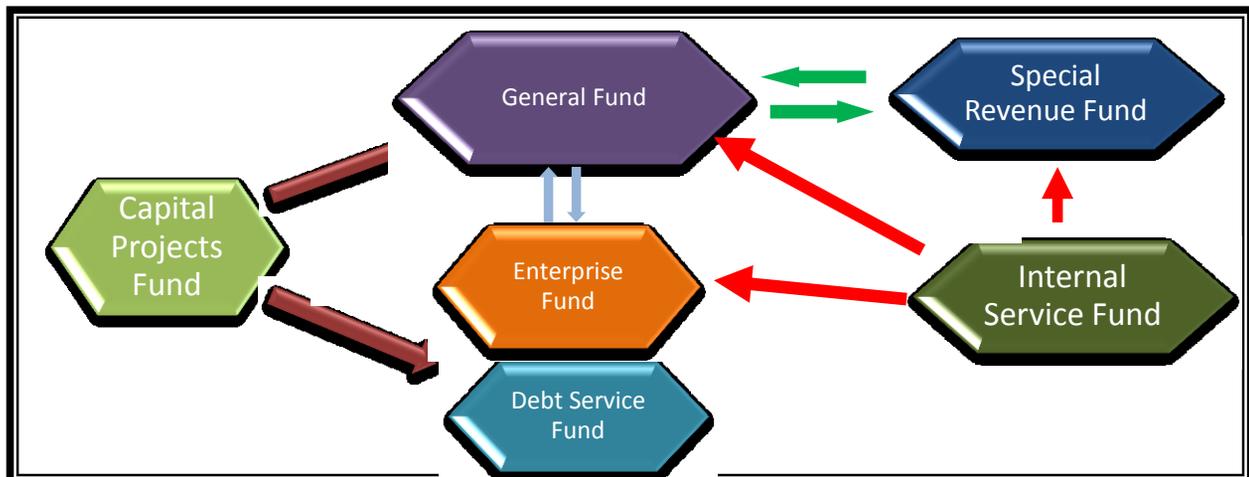
Charleston County

Charleston County utilizes fund accounting to maintain its financial records. A fund is an independent fiscal entity with assets, liability, reserves, residual balance, revenues and expenditures for undertaking various activities. The County's funds are divided into governmental and proprietary fund types, which are defined below.

- **Governmental Funds are used to provide public services.**
 - **General Fund** provides services primarily through tax revenue and is used to account for all financial resources of the government except for those required to be accounted for in another fund.
 - **Debt Service Fund** repays the principal and interest on the County's long-term debt.
 - **Special Revenue Funds** account for revenues legally restricted for particular purposes. Often Special Revenue Funds are associated with grants.
 - **Capital Project Funds** acquire equipment and construct facilities.
- **Proprietary Funds are operated similar to private industry (business).**
 - **Enterprise Funds** provide services outside of the County and are supported primarily by service charges.
 - **Internal Service Funds** provide services within the County and are supported primarily by fees charged to County departments and agencies.

Although each of the above funds can stand alone, there are also on-going financial relationships between governmental and proprietary funds.

- Amounts required for the **Capital Project Fund** are used to determine the funding level for **Debt Service Fund**. Once a capital project is complete, the operating and maintenance associated with the project influence the **General Fund**.
- Services provided by **Internal Service Funds** impact operating costs for the **General Fund**, **Enterprise Funds** and **Special Revenue Funds**.
- **Enterprise Funds** and **Special Revenue Funds** often rely on the **General Fund** for supplemental funding. In addition, the **Enterprise Funds** and **Special Revenue Funds** reimburse the **General Fund** for costs associated with the funds operations.



The table above illustrates the relationships between Governmental and Proprietary Fund.

Description of Funds

Charleston County

The Description of Funds provides a brief explanation of various fund types included in this document and a total budget of expenditures for each fund type and fund.

ALL FUND TYPES : \$420,750,396¹

GOVERNMENTAL FUND TYPES : \$312,142,029²

The Governmental Fund types include the General Fund, the Debt Service Fund, the Special Revenue Funds, and the Capital Projects Funds.

GENERAL FUND : \$194,002,904

This fund is the general operating fund of the County and accounts for all financial resources except those required to be accounted for in other funds.

DEBT SERVICE FUND : \$24,230,613³

This fund collects resources to service the County's General Obligation Bonds, Certificates of Participation, notes payable, and capital leases.

SPECIAL REVENUE FUNDS : \$93,908,512⁴

These funds account for revenue sources that are legally restricted to expenditure for specific purposes.

CAPITAL PROJECTS FUNDS

These funds account for capital projects that are financed from the County's General Obligation Bonds, Certificates of Participation, notes payable, sales of property, and transfers from the General Fund. These funds are not included in the annual operating budget due to their project-length budgeting basis.

PROPRIETARY FUND TYPES : \$108,608,367⁵

The Proprietary Fund types include the Enterprise Funds and the Internal Service Funds.

ENTERPRISE FUNDS : \$54,535,867⁶

These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

INTERNAL SERVICE FUNDS : \$54,072,500

These funds account for operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

¹ Does not reflect \$265,296 in budgeted increases in the ending fund balances.

² Does not reflect \$99,140 in budgeted increases in the ending fund balances of several governmental fund types.

³ Does not reflect \$31,891 in budgeted increases in the ending fund balance of the Debt Service Fund.

⁴ Does not reflect \$67,249 in budgeted increases in the ending fund balances of several Special Revenue Funds.

⁵ Does not reflect \$166,156 in budgeted increases in the ending fund balance of one proprietary fund type.

⁶ Does not reflect \$166,156 in budgeted increase in the ending fund balance of one Enterprise Fund.

Description of Funds

Charleston County

GOVERNMENTAL FUND TYPES

SPECIAL REVENUE FUNDS : \$93,908,512⁷

These funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Accommodations Tax - Local : \$13,211,243

This fund records a two percent charge for transient room rentals throughout the entire County. This tax is collected by the County. The expenditure of these funds is restricted to tourist-related activities.

Accommodations Tax - State : \$92,000

This fund is used to account for the two percent sales tax collection from transient room rentals in the unincorporated areas of the County. This tax is collected by the State and disbursed to the County. The first \$25,000 and five percent of the amount above \$25,000 are transferred to the General Fund. The expenditure of the funds transferred to the General Fund is unrestricted, and the expenditure of the remaining funds is restricted to tourist-related activities.

Administrator – Summer Youth Program : \$100,000

This fund is used to provide job opportunities for high school and college students to explore possible careers, have a meaningful employment experience, and develop essential work readiness skills.

Building Inspections – Project Impact : \$36,142

This fund accounts for monies received to educate the County's citizens related to addressing natural and man-made hazards of the area.

Clerk of Court - IV-D Child Support Enforcement : \$1,000,000

This fund accounts for federal monies received to enforce child support obligations at the local level.

Economic Development - Multi-County Parks : \$1,905,621

This fund records revenues from the multi-county industrial park fees assessed in lieu of property taxes. These revenues fund economic development activities among local governments.

Emergency Management - Awendaw Fire Department : \$2,513,929

This fund accounts for the revenues generated by ad valorem property taxes in the Awendaw Consolidated Fire District to provide fire protection in the northern end of the County.

Emergency Management - East Cooper Fire District : \$145,000

This fund accounts for revenues generated by ad valorem taxes in the district. The County contracts with the Town of Mt. Pleasant to provide fire service for the district.

⁷ Does not reflect \$67,249 in budgeted increase in the ending fund balances of several Special Revenue Funds.

Description of Funds

Charleston County

Emergency Management - Hazardous Materials Enforcement : \$254,256

This fund records the hazardous materials fee charged to various businesses within the County that store or use hazardous materials. These funds are available for training and the acquisition of equipment to assist fire departments within the County in hazardous materials incidents.

Emergency Management - Northern Charleston County Fire District : \$287,800

This fund accounts for revenues generated by ad valorem taxes in the district. The County contracts with several fire departments to provide fire service in the northwest portion of the County.

Emergency Management - West St. Andrew's Fire District : \$8,000

This fund accounts for revenues generated by ad valorem taxes in the district. The County contracts with the St. Andrew's Public Service District to provide fire service for the district.

Legal - Seized Assets : \$115,558

This fund records the revenues from the State seized drug funds for the purpose of prosecuting cases.

Public Defender - Berkeley County : \$713,370⁸

This fund receives monies from the State to supplement Berkeley County's funding to represent indigent persons in Berkeley County.

Public Defender - Charleston County : \$4,041,787

This fund receives monies from the State to supplement the County's funding to represent indigent persons in Charleston County.

Public Works – Stormwater Drainage : \$2,810,356

This fund accounts for fees collected in the unincorporated areas of the County to address water quality issues for the County's citizens.

Sheriff - Asset Forfeiture : \$230,100

This fund records the revenues from the seizure of assets associated with the drug trade. These revenues are dedicated to the control of illicit drug traffic.

Sheriff - Programs : \$789,102

This fund accounts for various grants and programs within the Sheriff's Office, the largest of which is the Detention Center Inmate Welfare Fund.

Sheriff - IV-D Child Support Enforcement : \$79,064

This fund accounts for federal monies received to track and distribute IV-D papers.

⁸ Does not reflect \$22,338 in budgeted increase in the ending fund balance.

Description of Funds

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Solicitor - Alcohol Education Program : \$112,338

This fund receives funding from the State to reduce the alcohol related caseload sent to courts for prosecution and provides key education to youth.

Solicitor – Criminal Domestic Violence Appropriation : \$111,831

This fund receives funding from the State to reduce domestic violence and its impact on our community.

Solicitor - Drug Court : \$300,280

This fund receives funding from the State to provide non-traditional prosecution and incarceration of nonviolent offenders with substance abuse problems.

Solicitor - Estreatment : \$94,890

This fund accounts for fines charged for bond forfeiture. These funds can be used at the Solicitor's discretion.

Solicitor - Expungement : \$228,874

This fund accounts for fees charged to defendants for record destruction relating to an arrest or conviction.

Solicitor - Juvenile Education : \$123,688

This fund accounts for fees charged to first time juvenile offenders to purge their record from the system.

Solicitor - Pretrial Intervention : \$440,956

This fund accounts for fees charged to first-time defendants entering the program. After successfully completing the program, applicants have their records expunged.

Solicitor - State Appropriation : \$1,048,272⁹

This fund receives funding from the State to supplement the County's funding of the Solicitor's Office.

Solicitor - Traffic Education Program : \$30,744¹⁰

This fund is fee funded and serves to improve road safety in the community for drivers who have received traffic citations that are four points or less.

Solicitor – Victims' Unclaimed Restitution: \$6,007

This fund accounts for unclaimed restitution from individuals in the Pretrial Intervention Program. These funds are used exclusively for services to victims.

⁹ Does not reflect \$37,855 in budgeted increases in the ending fund balance.

¹⁰ Does not reflect \$7,056 in budgeted increases in the ending fund balance.

Description of Funds

Charleston County

Solicitor - Victim-Witness State Appropriation : \$118,110

This fund accounts for funding from the State to provide assistance to victims and witnesses before, during, and after the court case.

Solicitor - Worthless Check : \$139,555

This fund accounts for funding from the State to process worthless checks as a service to victims by assisting in the collection of restitution.

Transportation Sales Tax - Greenbelts : \$8,870,520

This fund accounts for revenues generated by the half-cent sales tax for greenbelts.

Transportation Sales Tax - Roads : \$36,305,289

This fund accounts for revenues generated by the half-cent sales tax for roads.

Transportation Sales Tax - Transit : \$9,630,000

This fund accounts for revenues generated by the half-cent sales tax for public transportation.

Trident Technical College : \$5,910,000

This fund accounts for revenues generated by County-wide ad valorem taxes. The County remits the entire amount collected to Trident Technical College to fund plant maintenance.

Trident Technical College – Debt Service : \$1,537,000

This fund accounts for revenues generated by County-wide ad valorem taxes. The County uses the funds to repay the principal and interest on existing debt issued for the benefit of Trident Technical College.

Victim’s Bill of Rights : \$406,830

This fund accumulates assessments from General Sessions Court and Magistrates’ Courts and provides victim services with these funds according to the State’s Victim’s Bill of Rights.

Zoning/Planning – Tree Fund : \$160,000

This fund accounts for the collection of fines for improper tree removal to be used for the public beautification through the planting of trees in Charleston County.

Description of Funds

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PROPRIETARY FUND TYPES

ENTERPRISE FUNDS : \$54,535,867

These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Consolidated Dispatch - Emergency 911 Communications : \$1,810,331

This fund records the fees levied County-wide through telephone bills to support the Emergency 911 system.

Consolidated Dispatch – Public Safety Systems : \$346,205

This fund accounts for the cost related to the implementation and maintenance of the Total Law System.

Department of Alcohol and Other Drug Abuse Services (DAODAS) : \$10,517,004¹¹

This fund records the activity of programs administered by DAODAS. These programs reduce the negative impact of alcohol and other drugs on constituents by planning and implementing comprehensive and effective programs of professional services. State and federal funding, Medicaid, client fees, ad valorem taxes, and other funding sources support these programs.

Environmental Management : \$32,338,019

This fund records the operations of the County's solid waste disposal services including the incineration plant and the landfill. This fund also records the County's recycling operations including curbside collection, drop site collection, a materials recovery facility, and a yard waste/mulch facility. These services are funded through a County-wide user fee, tipping fees, sale of recyclables, sale of steam and electricity, grants, and other revenues.

Facilities Management - Parking Garages : \$3,146,611

This fund accounts for the operation, financing, and construction of County parking facilities.

Revenue Collections : \$2,080,000

This fund accounts for costs to collect the accommodations fee, business licenses, the hazardous material fee, stormwater fees, and the solid waste user fee.

Technology Services - Radio Communications : \$4,297,697

This fund accounts for communications support to County agencies and external public safety agencies.

¹¹ Does not reflect \$166,156 in budgeted increases in the ending fund balance

Description of Funds

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INTERNAL SERVICE FUNDS : \$54,072,500

These funds account for operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Human Resources - Employee Benefits : \$27,223,000

This fund accounts for the revenues and costs of providing health and life insurance to the County's employees and retirees.

Internal Services - Fleet Operations/Central Parts Warehouse : \$16,210,788

This fund accounts for the purchase and maintenance of the County's vehicles. This fund also records the operations of the fleet parts warehouse.

Internal Services - Office Support Services : \$2,040,089

This fund accounts for centrally administered telephone systems, mail processing and delivery service, photocopying, postage metering service, and records management.

Safety & Risk Management - Safety/Workers' Compensation : \$6,014,148

This fund records the operations of the County's safety program which reduces the impact of worker-related accidents. This fund also accounts for self-insured workers' compensation claims which are less than \$100,000. In addition, this fund accounts for workers' compensation insurance through the South Carolina Counties Workers' Compensation Trust.

Technology Services - Telecommunications : \$2,584,475

This fund accounts for the maintenance and service of telephone systems, pagers, and cellular phones for County departments.

Fund Balance Changes

Charleston County

Charleston County defines fund balance as the cumulative total over time of revenues in excess of expenses in any established fund. The adequacy of the fund balance in all funds is reviewed on an annual basis. The table below summarizes the fund balance changes occurring in FY 2014.

| Fund | Beginning Fund Balance | Ending Fund Balance | Net Change |
|------------------------|------------------------|---------------------|-----------------|
| General Funds | \$53.3 | \$45.7 | (7.6) |
| Debt Service Fund | 14.7 | 14.7 | 0.0 |
| Special Revenue Funds | 48.3 | 36.3 | (12.0) |
| Enterprise Funds | 60.3 | 55.7 | (4.6) |
| Internal Service Funds | 12.6 | 12.3 | (0.4) |
| Total | \$189.2 | \$164.6 | (\$24.6) |

AMOUNTS IN MILLIONS

Charleston County uses the quantitative criteria established in GASB Statement No. 34 to identify major funds: total assets, liabilities, revenues, or expected expenditures/expenses of that individual fund are at least 10% of the corresponding total for all funds of that fund type and at least 5% of funds combined. The County's major funds per the last completed audit in FY 2012 were as follows:

| Governmental | Proprietary (Enterprise) |
|---|--------------------------|
| General Fund | Environmental Management |
| Debt Service Fund | Parking Garages |
| Transportation Sales Tax Special Revenue Fund | |
| G.O.B. Capital Projects Fund * | |

* The FY 2014 operating budget does not include the G.O.B. Capital Projects Fund which is a project length budget.

The following discussion outlines the changes in the major funds and the collective non-major funds.

The **General Fund** is projected to use \$7.6 million or 14% of the \$53.3 million beginning fund balance. The County's financial policies state that additional funds "may be used to fund one-time capital expenditures or other one-time costs." The additional funds are determined after setting aside two months of the subsequent year's disbursements and the General Fund's share of the Rainy Day Fund. For the FY 2014 budget, \$7.6 million is used for one-time fixed COLA to employees, facility costs and the replacement/upgrade of equipment/software as part of the County's commitment to preserve all County assets.

Financial Policies

- *Financial Reserve Policy 4: Should there be an excess...fund balance, the excess may be used to fund one-time capital expenditures or other one-time costs.*

Fund Balance Changes

Charleston County

The County's financial policies for the **Debt Service Fund** state that a portion of the "debt service payments to be made in the next fiscal year" will be set aside in the Debt Service Fund's fund balance. After considering the restricted funds held by trustees and the designated funds, the excess is used to fund the difference between revenues and expenditures. No excess will be used in FY2014; however, the use of fund balance in FY 2015 will delay a tax increase until FY 2016.

Financial Policies

- *Debt Management Policy 6: ...[set aside] a portion of the Debt Service Fund's fund balance equal to the pro-rata share of debt service payments to be made in the next fiscal year.*

The Transportation Sales Tax: Special Revenue Fund is comprised of three components: Greenbelts, Transit, and Roads. The operations portion of the **Transportation Sales Tax: Greenbelts Fund** is projected to use \$1.1 million or 7% of the \$16.4 million fund balance to pay for debt service. The Transportation Sales Tax: Greenbelt Fund generated a fund balance in the earlier years as revenues outpaced expenditures.

The operations portion of the **Transportation Sales Tax: Transit Fund** is projected to use \$1.8 million or 32% of the beginning fund balance. The Transportation Sales Tax: Transit has a negative fund balance due to the program borrowing \$7.5 million from the Roads program. The program is using fund balance in FY 2014 to make a one-time payment to CARTA and Tri-County LINK, the region's transit systems, for one-time costs.

The operations portion of the **Transportation Sales Tax: Roads Fund** is projected to use \$6.1 million or 22% of the beginning \$27.6 million fund balance. The Transportation Sales Tax: Roads Fund is using fund balance for road projects. The Transportation Sales Tax: Roads Fund generated a fund balance in the earlier years as revenues outpaced expenditures.

The operating portion of the **Environmental Management** is projected to use \$4.3 million or 12% of the \$35.1 million beginning fund balance. The County strives to maintain no less than \$5 million in the available portion of the Environmental Management fund, while also setting aside funding for large capital projects planned in the future, such as the next lined landfill cell scheduled for FY 2018. During FY 2014, fund balance is being used to fund two capital projects in the Environmental Management Capital Program - the completion of the current lined landfill cell and development of the household hazardous waste center.

The **non-major funds** are projected to use \$3.7 million or 9% of the \$40.2 million beginning fund balance.

The spreadsheet on pages D4-D5 provides an overall picture of the County's finances including the net increase/decrease in fund balance and the beginning and ending fund balance.

Budget Analysis

Charleston County

OVERVIEW

During the preparation of the Fiscal Year (FY) 2014 budget, the County Administrator provided guidance for assembling an operational budget that included the following directives:

- ❖ Limit financial impact on taxpayer.
- ❖ Protect the County's level of financial security.
- ❖ Improve direct public safety services to the community.
- ❖ Maintain a qualified and highly motivated work force.
- ❖ Preserve County assets.
- ❖ Implement revenue enhancements.

The budget presented to County Council met these directives.

The FY 2014 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds which total \$421.0 million and reflect an \$11.4 million or 2.6 percent decrease from the FY 2013 budget. The FY 2014 operating budget is summarized in Figure 1. Additionally, graphs are presented on pages D-4 and D-5 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 2014 Operating Budget
(Expressed in Millions of Dollars)

| Description | |
|--|-----------------|
| Available Funds (Including Beginning Fund Balance) | \$ 585.4 |
| Less Budgeted Disbursements | <u>420.8</u> |
| Nonspendable | 57.0 |
| Restricted: External | 0.8 |
| Restricted: Internal | 77.6 |
| Available | <u>29.3</u> |
| Ending Fund Balance | \$ <u>164.6</u> |

The millage rate for the County is comprised of the General Fund millage and the Debt Service millage. The General Fund millage is increasing for FY 2014 to 40.7 mills, an increase of 0.8 mills. The Debt Service levy, used to pay interest and principal on funds borrowed for capital projects, is anticipated to remain constant from the FY 2013 rate at 6.1 mills. The combined operating and debt service levy is anticipated to increase to 46.8 mills.

Budget Analysis

Charleston County

Figure 2 presents a summary of the County's millage rates for FY 2014 and the prior nine years. For the owner of a \$250,000 home (four percent assessed property) the 46.8 mills equate to a tax of \$468. 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 2014 is \$215 for the \$250,000 homeowner, and has increased \$20 from the current tax year. After applying the Sales Tax credit, the net tax is \$253, representing a \$12 decrease from the current year for the \$250,000 homeowner.

Figure 2 - County Millage Rates

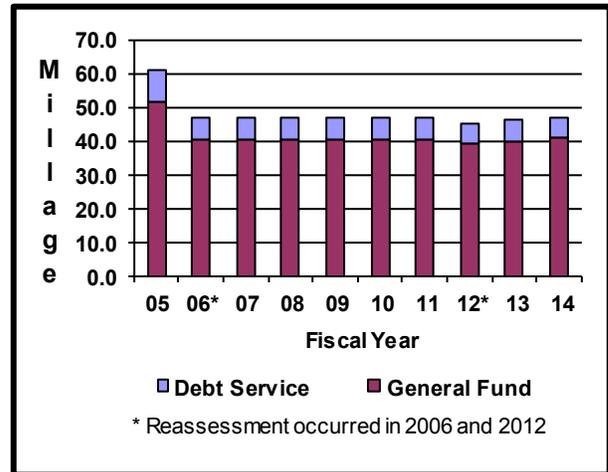
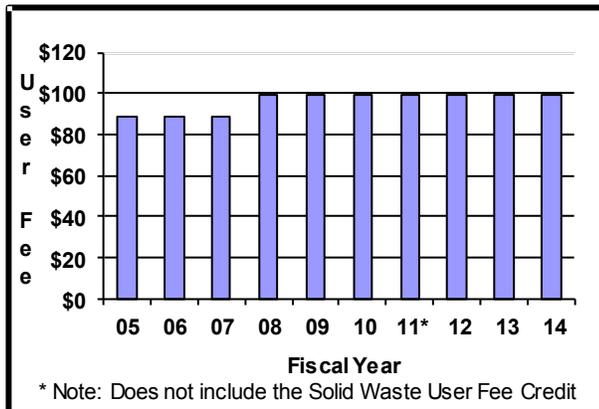


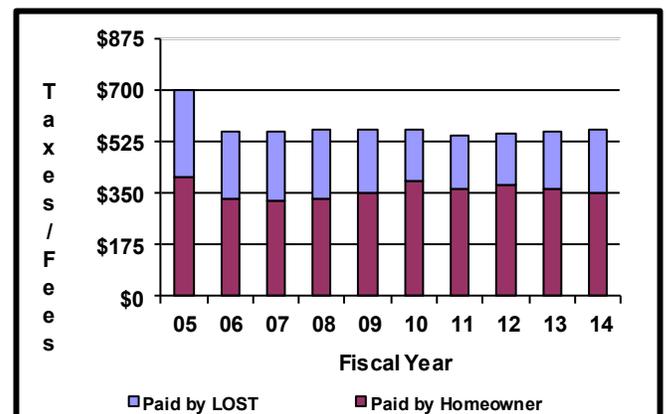
Figure 3 - Solid Waste User Fee



The Solid Waste Recycling and Disposal Fee of \$99 for a single-family residence remains unchanged from FY 2013. 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. Figure 3 presents a ten year history of the Solid Waste User Fee.

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 \$352 representing a \$12 decrease 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.

Figure 4 - Tax and Fee Bill



Budget Analysis

Charleston County

There are 25 Full-Time Equivalents (FTEs) added in FY 2014, bringing the total number of FTEs employed by Charleston County to 2,374. The major additions in FTEs resulted from adding 19 FTEs for transition to the new Consolidated Dispatch Center, 1 FTE to assist Veterans Affairs with the increase in the number of veterans in the county, 1 FTE to assist Building Services with the increase in the number of building permits resulting from improvements in the economy, 2 FTEs to assist with the increased workload in Public Works: Mosquito Control and 2 FTEs to assist with the increased workload in Public Defender: Charleston County.

Figure 5 – Full-Time Equivalents

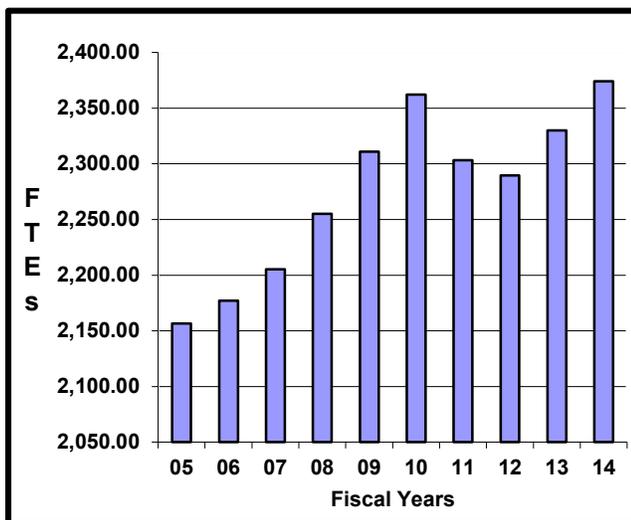


Figure 5 presents a summary of the County's FTEs for FY 2014 and the prior nine years. The FTEs for Charleston County had a steady increasing trend until FY 2011. The major reductions in FTEs resulted from cost saving actions during the recession, including voluntary retirement incentives, and transferring 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 entities to Charleston County for the new Consolidated Dispatch.

GENERAL FUND

SUMMARY

The FY 2014 Council approved budgeted disbursements for the General Fund total \$194.0 million, a \$6.9 million or 3.7 percent increase from the FY 2013 budget. Budgeted funds available for the FY 2014 budget also total \$194.0 million. The General Fund millage is anticipated to be 40.7 mills.

Page D-34 shows a graphical representation of the County's General Fund budget. Page D-35 shows a fund statement which depicts the numerical summary of the General Fund budget.

BEGINNING BALANCE

The General Fund beginning fund balance for FY 2014 is \$53.3 million. This fund balance includes a portion of the "Rainy Day Fund" which is an amount established and maintained by County Ordinance for catastrophes and two months operating disbursements. (See Figure 6 for additional detail.)

Budget Analysis

Charleston County

Figure 6 - FY 2014 General Fund Beginning Balance
(Expressed in Thousands of Dollars)

| | |
|--|------------------|
| Nonspendable (Inventory) | \$ 935 |
| Restricted: Internal | |
| Encumbrances | 1,500 |
| Designated for PAYGO projects in FY 2014 | 9,094 |
| Rainy Day Fund | 3,388 |
| Two months of Operating Expenditures | 32,333 |
| Available | <u>6,000</u> |
| Total | <u>\$ 53,250</u> |

Financial Policies

- *Financial Reserve Policy 1: ...strive to maintain a minimum ... fund balance in the General Fund between 1 ½ and 2 months.*
- *Financial Reserve Policy 3: ...maintain a Rainy Day fund... at no less than four percent of the General Fund disbursement.*

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. The combined total of the Rainy Day Funds in the General Fund and the Environmental Management Fund meet the four percent criteria. An internal restriction of fund balance has been established to equal two months of the following fiscal year's General Fund budget.

REVENUES

General Fund budgeted revenues of \$185.9 million reflect an increase of \$10.4 million or 5.9 percent from FY 2013. Figure 7 shows the significant budget changes in revenues.

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

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|---|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Local Option Sales Tax | 44,840 | 51,000 | \$6,160 | 13.7% |
| Property Tax Revenue | 114,470 | 120,180 | 5,710 | 5.0% |
| Consolidated Dispatch: Local Gov't Contribution | 3,112 | 5,712 | 2,600 | 83.5% |
| Lost: Sales Tax Credit | (44,270) | (50,360) | (6,090) | 13.8% |

Budget Analysis

Charleston County

The increase in the revenue from the Local Option Sales Tax of \$6.2 million, which is used to offset the amount property owners pay on their tax bill, reflects improvements in the local economy. The County's largest revenue source, the Property Tax, reflects an increase of \$5.7 million. This includes a 0.8 mill increase (\$2.4 million) above the FY 2013 millage rate. Although the County's millage rate increased in FY 2014, the improvements in the revenue from the Local Option Sales Tax resulted in a net tax decrease for homeowners.

Another change to General Fund revenues is a budgeted increase of \$2.6 million in Consolidated Dispatch: Local Government Contribution. These revenues reflect reimbursements from member agencies such as the City of Charleston, City of Isle of Palms, City of North Charleston, James Island Public Service District, St. Andrew's Public Service District, St. John's Fire District and Town of Mount Pleasant for dispatchers switching over to the Consolidated Dispatch Center. The transition period allows payment from these entities during a 2-year transition period. The increase reflects the total consolidation as of January 1, 2014.

INTERFUND TRANSFERS IN

Approximately \$0.5 million is transferred to the General Fund from other funds, which represents a decrease of \$0.3 million or 33.6 percent from the FY 2013 budget. The decrease represents a reduction in transfers from the Clerk of Court (Special Revenue Fund) and Revenue Collections (Enterprise Fund) due to a reduction in available funds.

EXPENDITURES

The FY 2014 approved budgeted expenditures for the General Fund total \$179.1 million, which represents an increase of \$8.2 million or 4.8 percent from the FY 2013 budget. Figure 8 shows the significant budget changes in expenditures for FY 2014.

Figure 8 - Major Changes in Expenditures for the General Fund
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|----------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Consolidated Dispatch | 7,145 | 8,734 | \$1,589 | 22.2% |
| Nondepartmental Operating | \$1,974 | \$3,191 | 1,217 | 61.7% |

The \$1.6 million increase in the Consolidated Dispatch operating expenditures represents the hiring of 19 additional Telecommunicators planned for the next phase of the consolidation of Emergency 911 services, which were previously provided by the County and various municipalities, into the County.

The \$1.2 million increase in the Nondepartmental operating expenditures includes the cost to implement the recommendations from the FY 2013 compensation study and changes resulting from converting temporaries to full-time personnel as part of compliance with the Federal health care program.

Budget Analysis

Charleston County

INTERFUND TRANSFERS OUT

Approximately \$14.9 million is transferred from the General Fund to various other funds. The transfers are decreased \$1.3 million or 8.2 percent from the prior year due to less one-time expenditures than in FY 2013. In particular, the FY 2013 expenditures included two large projects: the Station Alerting System and Total Law Enforcement System upgrade. The decrease is offset by increases in transfers to Internal Service Fund: Telecommunications for county-wide telephone upgrades and Internal Service: Employee Benefits for transitional costs of considering alternative health insurance plans.

FUND BALANCE

The FY 2014 ending fund balance is projected to be \$45.7 million. Of this amount, \$32.3 million is set aside in an effort to maintain a two month buffer and is in addition to the \$3.4 million Rainy Day Fund for unexpected events. The County's policy is to use available fund balance to fund one-time expenditures. In FY 2014, Council authorized, in total, the use of \$9.1 million from fund balance for pay-as-you-go capital equipment and other one-time expenditures.

DEBT SERVICE FUND

SUMMARY

The FY 2014 approved budgeted disbursements for the Debt Service Fund total \$24.2 million which is a \$1.4 million or 5.6 percent decrease from the FY 2013 budget. Budgeted funds available for FY 2014 also total \$24.2 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2013.

Page D-36 displays a graphical representation of the County's Debt Service Fund budget. Page D-37 contains a fund statement which is a numerical summary of the Debt Service Fund.

REVENUES

Debt Service Fund revenues total \$19.2 million and reflect an increase of \$0.4 million or 2.0 percent from FY 2014.

INTERFUND TRANSFERS IN

Approximately \$5.1 million is transferred to the Debt Service Fund from other funds. The transfers in have not significantly changed from the FY 2013 budget.

EXPENDITURES

The FY 2014 budgeted expenditures for the Debt Service Fund total \$23.8 million. This amount is a \$1.1 million or 4.6 percent decrease from FY 2013 as a result of an additional \$0.8 million reimbursement for tourist-related debt from Special Revenue Fund: Local Accommodations Tax.

INTERFUND TRANSFERS OUT

Approximately \$0.4 million is transferred from the Debt Service Fund to the DAODAS Enterprise Fund for debt service payments. The most significant decrease results from a decision by the County to pay copier lease costs in the General Fund in FY 2014. The

Budget Analysis

Charleston County

decrease represents a change by the County to allocate costs to departments in the operating fund.

FUND BALANCE

The FY 2014 ending fund balance is projected to be \$14.7 million, which represents no significant change from FY 2013.

SPECIAL REVENUE FUNDS

SUMMARY

The FY 2014 approved budgeted disbursements for the Special Revenue Funds total \$94.0 million (including budgeted increases in fund balance), a \$3.7 million or a 4.1 percent increase from the FY 2013 budget. Budgeted funds available for FY 2014 also total \$94.0 million.

Page D-38 shows a graphical representation of the County's Special Revenue Fund budgets, while pages D-39 to D-75 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

The revenues for the Special Revenue Funds total \$76.0 million and reflect a \$4.9 million or 7.0 percent increase from the FY 2013 budget. Figure 9 provides information on significant budgeted revenue changes.

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

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|---|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Transportation Development: Roads Program | \$26,025 | \$28,315 | \$2,290 | 8.8% |
| Accommodation Tax: Local | 11,675 | 12,755 | 1,080 | 9.3% |

The Special Revenue Funds reflect an increase in sales tax revenues for the Transportation Development: Roads program. The budgeted increase for the sales tax funded revenues is tied to improvements in the local economy through increased consumer spending.

Another change to the Special Revenue Fund revenues is a budgeted increase of \$1.1 million or a 9.3 percent increase in Accommodations Tax: Local, reflecting the strong tourism economy in Charleston, SC – the 7th World's Best City per "Travel and Leisure" May issue.

INTERFUND TRANSFERS IN

In total, approximately \$5.9 million is transferred into Special Revenue Funds from various other funds. The overall transfers are decreased \$9.6 million or 61.9 percent from the FY 2013 budget. The most significant decrease, in Transportation Sales Tax, Greenbelts and Roads Programs, results from a decision by the County to use the premiums from any bond issuance

Budget Analysis

Charleston County

toward the related debt service. This decrease represents a lower transfer from the bond fund to the operating fund in FY 2014 for the payment of the County's outstanding debt obligations.

EXPENDITURES

The FY 2014 budgeted expenditures for the Special Revenue Funds total \$78.0 million, which is a \$3.6 million or 4.9 percent increase from FY 2013. Figure 10 shows the significant budget change in expenditures.

Figure 10 - Major Changes in Expenditures for the Special Revenue Funds
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|-----------------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Transportation Sales Tax Agencies | \$7,200 | \$9,630 | \$2,430 | 33.8% |
| Accommodations Tax: Local | 11,728 | 13,211 | 1,483 | 12.6% |

The budgeted increases in Transportation Sales Tax agencies are due to increased contributions to the Charleston Area Regional Transportation Authority (CARTA) for one-time costs and the Tricounty Link (LINK) for a one-time payment to assist with the repayment of a loan.

The budgeted increase in Accommodations Tax: Local represents growth in transient room rentals in Charleston County. The increased operating expenditures reflect an increase in allocations to governmental entities and non-profit organizations based on the Council established formulas.

INTERFUND TRANSFERS OUT

Approximately \$15.9 million is transferred from the Special Revenue Funds to various other funds. There is no significant change from the FY 2013 budget.

FUND BALANCE

The FY 2014 ending fund balance is projected to be \$36.3 million, which reflects a \$12.1 million reduction primarily due to the Transportation Sales Tax: Roads and Greenbelts programs.

ENTERPRISE FUNDS

SUMMARY

The FY 2014 approved budgeted disbursements for the Enterprise Funds total \$54.5 million. This is a \$24.1 million or 30.7 percent decrease from the FY 2013 budget. Funds available for FY 2013 also total \$54.5 million.

Budget Analysis

Charleston County

Page D-76 displays a graphical representation of the County's Enterprise Funds budgets, while pages D-77 to D-83 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Revenues for the Enterprise Funds total \$45.9 million and reflect a \$0.8 million or 1.7 percent decrease from the FY 2013 budget. Figure 11 provides information on significant budgeted revenue changes.

Figure 11 - Major Changes in Revenues for the Enterprise Funds
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|----------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Radio Communications | \$2,227 | \$2,684 | \$457 | 20.5% |
| Environmental Management | 30,051 | 28,058 | (1,993) | -6.6% |

The revenue increase in Radio Communications reflects annualization of the radio use fee increase from \$25 to \$38 effective January 1, 2013. The revenue decrease in Environmental Management reflects a decrease in revenue from the Solid Waste User Fee. Revenues from the user fee are declining as a result of the County's aggressive recycling program decreasing the volume of garbage disposed in the county's landfills.

INTERFUND TRANSFERS IN

Approximately \$4.0 million is transferred to the Enterprise Fund from other funds. The transfers in have not significantly changed from the FY 2014 budget.

EXPENSES

The FY 2014 budgeted expenses for the Enterprise Funds total \$49.5 million which is a \$7.8 million or 13.5 percent decrease from FY 2013. Figure 12 shows the significant budget change in expenditures.

Figure 12 - Major Changes in Expenditures for the Enterprise Funds
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|----------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Environmental Management | \$37,008 | \$27,838 | (\$9,170) | -24.8% |

The \$9.2 million decrease in Environmental Management reflects a reduction in funding in FY 2014 due to the purchase of single stream roll carts for the ramped-up recycling program, initiatives implemented in the Environmental Management program, and the number of new vehicles and equipment purchased in FY 2013.

Budget Analysis

Charleston County

INTERFUND TRANSFERS OUT

In total, approximately \$5.1 million is transferred from Environmental Management to the capital fund for Environmental Management. The overall transfers are decreased \$16.4 million from the FY 2013 budget. The transfer out decreases represent Environmental Management's plans in FY 2013 to develop a new Materials Recovery Facility and costs associated with the lined landfill cell project.

FUND BALANCE

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 FY 2011, Council set aside a \$6.1 million dollar Rainy Day Fund in the Enterprise Fund Balance. This shift was possible due to trash and debris removal constituting the majority of the costs occurring after a natural disaster. The combined total of the Rainy Day Funds in the General Fund and the Environmental Management Fund meet the four percent criteria. The FY 2014 combined ending fund balance is projected to be \$55.7 million which reflects a \$4.6 million reduction, with the majority of the decrease due to Environmental Management's recycling efforts and capital needs.

INTERNAL SERVICE FUNDS

SUMMARY

The FY 2014 approved budgeted disbursements for the Internal Service Funds total \$54.1 million, which is a \$3.4 million or 6.7 percent increase from the FY 2013 budget. Funds available for FY 2014 also total \$54.1 million.

Page D-84 shows a graphical representation of the County's Internal Service Funds budgets, while pages D-85 to D-89 contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Internal Service Funds revenues total \$48.4 million, a \$3.1 million or 6.7 percent increase from the FY 2013. Figure 13 provides information on significant budgeted revenue changes.

Figure 13 - Major Changes in Revenues for the Internal Service Funds
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|-------------------------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Human Resources: Employee Benefits | \$25,181 | \$26,673 | \$1,492 | 5.9% |
| Internal Services: Fleet Operations | 9,172 | 9,772 | 600 | 6.5% |

Budget Analysis

Charleston County

The increase in Human Resources: Employee Benefits reflects an increase by the State of South Carolina to the health insurance rate for employers and employees as well as the cost associated with evaluating a county-wide, in-house health insurance program. In addition, Internal Services: Fleet revenues represent an increase in charges mainly due to the increased cost of fuel, parts and labor.

INTERFUND TRANSFERS IN

Approximately \$5.3 million is transferred to the Internal Service Funds from other funds. The transfers in have not significantly changed from the FY 2013 budget.

EXPENSES

Internal Service Funds expenses total \$54.1 million which is a \$3.5 million or 6.9 percent increase from the FY 2013 budget. Figure 14 shows the significant budget change in expenditures.

Figure 14 - Major Changes in Expenditures for the Internal Service Funds
(Expressed in Thousands of Dollars)

| <u>Department/Division</u> | <u>FY 2013 Adjusted</u> | <u>FY 2014 Approved</u> | <u>Amount Change</u> | <u>Percent Change</u> |
|---|-----------------------------|-----------------------------|--------------------------|---------------------------|
| Human Resources: Employee Benefits | \$25,181 | \$27,223 | \$2,042 | 8.1% |
| Technology Services: Telecommunications | 1,975 | 2,585 | 610 | 30.9% |

The Human Resources: Employee Benefits increase reflects an increase by South Carolina State to the health insurance rate for employers and employees the cost associated with establishing a county-wide, in-house health insurance program. The increase in Technology Services: Telecommunications expenditures reflect an increase due to full-year funding of voice and data circuits for the new Consolidated Dispatch building

FUND BALANCE

The FY 2014 ending fund balance is projected to be \$12.3 million, which is similar to the FY 2013 balance.

Major Revenue Sources

Charleston County

Charleston County seeks to reduce the impact of governmental cost on the taxpayer, to provide for relatively stable and diversified revenue, and to equate the cost of services to revenue received.

Financial Policies

- *Revenue Policy #1: ...strive to maintain a diversified and stable revenue system to aid in sheltering it from the impact of short-term fluctuations in any one revenue source.*

The revenue that Charleston County uses to fund its services and programs is generated from a balanced revenue stream, which consists of three main parts: property taxes, sales taxes and other revenue sources.

- Property Taxes
- Sales Taxes
- Intergovernmental
- Fines and Forfeitures
- Leases and Rentals
- Licenses and Permits
- Charges and Fees
- Interest
- Miscellaneous

The major revenue sources for Charleston County account for 76.9% of the \$375.4 million in total revenues for FY 2014.

| | FY 2014 Approved | Percentage of Total Revenue |
|--|-----------------------------|--|
| General Fund: Ad Valorem Taxes | \$124,250 | 33.10% |
| General Fund: Local Option Sales Tax | 51,000 | 13.6% |
| General Fund: Local Government Fund | 12,860 | 3.4% |
| Debt Service Fund: Ad Valorem Taxes | 18,090 | 4.8% |
| Special Revenue Fund: Transportation Sales Tax | 43,500 | 11.6% |
| Special Revenue Fund: Accommodations Tax – Local | 12,750 | 3.4% |
| Enterprise Fund: User Fee | 26,300 | 7.0% |

Amounts in the thousands

The following pages include an analysis of major revenue sources approved through the annual budget process, including a trend analysis and explanation of the revenue estimation process for each. This analysis includes revenue sources from the General Fund, Debt Service Fund, Special Revenue Funds and Enterprise Funds.

A detailed schedule of the County's revenues is on page D-8 to D-15.

Major Revenue Sources

Charleston County

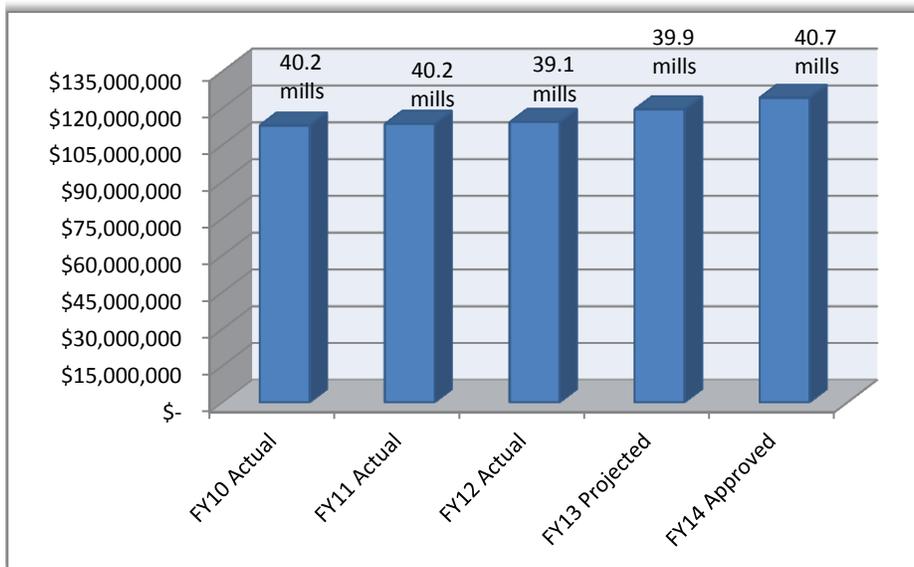
General Fund Ad Valorem Taxes

Description

The County Assessor, the County Auditor, and the State calculate the taxable value of the County's real property, personal property and motor vehicles. The County Auditor applies the appropriate millage rates for the various taxing entities in the County to determine the ad valorem taxes. The Treasurer collects the ad valorem taxes for all of the taxing entities in the County and remits these collections in the following month. The real and personal property are billed annually in September and are due the following January. The motor vehicles are billed annually during the month when the taxpayer's license registration is due for renewal.

Trend

The County's portion of ad valorem taxes for the General Fund shows a consistent increasing trend, which reflects continued growth in the County's tax base. South Carolina Law requires that counties reassess properties every five years. The national recession in FY 2011 and the state mandated reassessment in FY 2012 resulted in minimal growth in those years. However, the County projects a steady increasing trend through FY 2018.



| | |
|----------|----------------|
| FY 2010 | \$ 112,996,493 |
| FY 2011 | 113,508,603 |
| FY 2012* | 114,279,575 |
| FY 2013 | 119,500,000 |
| FY 2014 | 124,250,000 |

*Reassessment Year

Revenue Estimate

The FY 2014 ad valorem taxes estimate includes an 0.8 mill increase, equating to \$3.20 per \$100,000 of appraised value for the homeowner. Also reflected is the County's efforts to aggressively pursue non-qualified four-percent legal residencies, resulting in an additional \$500k in FY 2014. The estimate also projects a two-and-a-half percent increase in motor vehicle collections.

Major Revenue Sources

Charleston County

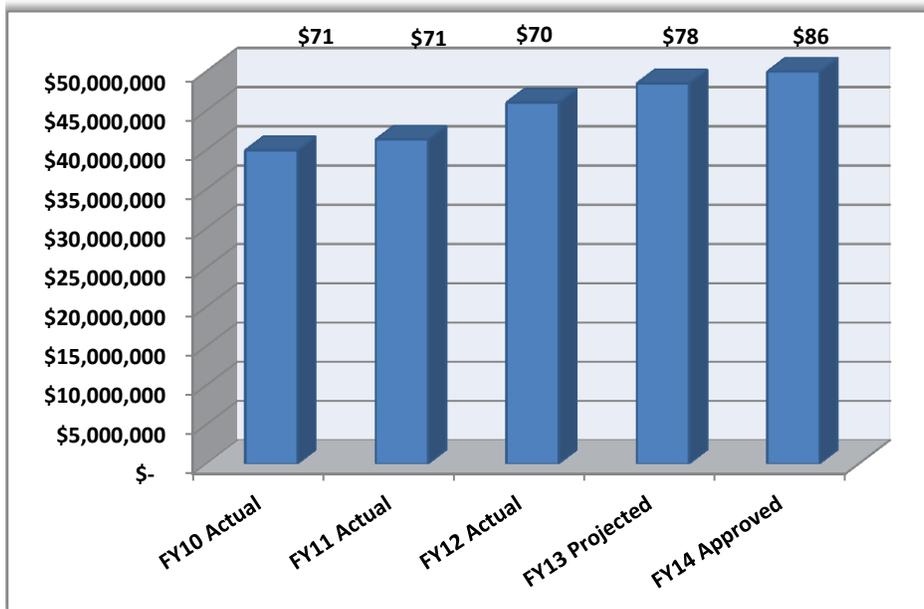
General Fund Local Option Sales Tax

Description

The citizens of Charleston County passed, by referendum, an additional one percent sales tax which took effect during FY 1991. According to State law, a portion of the sales tax revenues are designated to reduce local property taxes. Charleston County attempts to apply 100 percent of the Local Option Sales Tax revenues as credits against local property taxes.

Trend

The Local Option Sales Tax (LOST) is directly tied to the level of consumer spending in Charleston County. The revenue from the LOST showed an increasing trend until the beginning of the recession in FY 2009 and continued to decline through FY 2010. The economy began improving in FY 2011, resulting in increased revenue for Local Option Sales Tax revenue. Sales tax receipts are expected to continue to rise, reflecting improved economic conditions in Charleston County due to increased tourism and new industries in the area. The FY 2014 LOST revenue has exceeded the FY 2009 high of \$41,085,569.



| | |
|---------|---------------|
| FY 2010 | \$ 39,955,809 |
| FY 2011 | 41,340,224 |
| FY 2012 | 46,044,345 |
| FY 2013 | 48,500,000 |
| FY 2014 | 51,000,000 |

Revenue Estimate

The budgeted revenues from the Local Option Sales Tax represents growth of five percent over the FY 2013 projections. The revenue for FY 2014 equates to a credit of \$86 per \$100,000 of appraised value, an increase of \$8 from FY 2103.

Major Revenue Sources

Charleston County

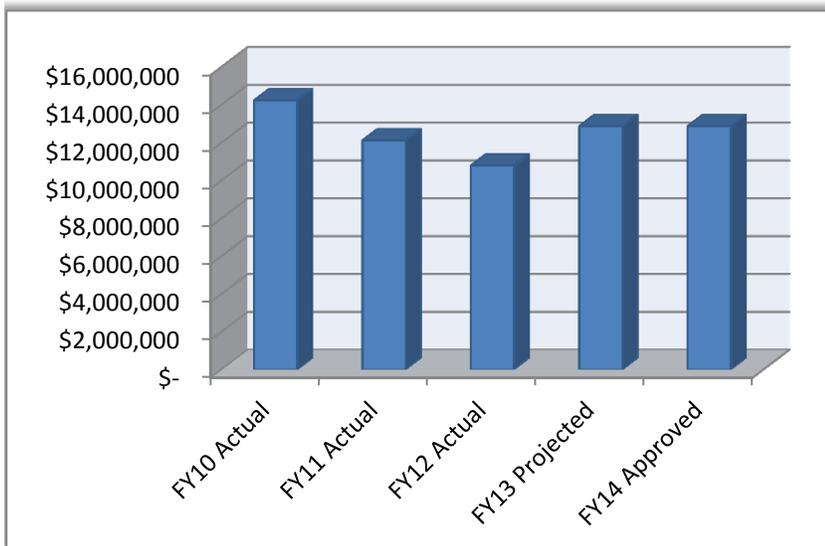
General Fund Local Government Fund

Description

The County receives funds from the State of South Carolina to subsidize its operations. This funding was created to reduce the pressure on property taxes and to provide a predictable source of revenue for county and municipal budgeting. In FY 1992, the Local Government Fund replaced and consolidated many other taxes allocated by the State. The State determines the Local Government Fund based on 4.5 percent of the State's General Fund revenues for the State's last completed fiscal year. Changes in the State's overall economy are not reflected in this revenue until two years after the change. However, the State has the authority to change the percentage used to calculate the aid provided to the County.

Trend

Revenues from the Local Government Fund began showing a decreasing trend in FY 2009 as the national economic downturn began impacting the State's revenue collections and budget. As the State and local economy began seeing improvements late in FY 2012, the State increased the funding level to local governments in FY 2013. However, the allocation formula was not used as outlined in 1992. The FY 2013 increase was noted by the State as one-time funds. The FY 2014 decrease reflects the reduction of the FY 2013 one-time funding. There is uncertainty in calculating the on-going trend for this major revenue source because the State has stopped using the 4.5 percent of the State's General fund revenues as the formula for calculating the funds provided to local governments. The approved budgeted amount remains below the FY 2009 high of \$17,036,681.



| | |
|---------|---------------|
| FY 2010 | \$ 14,223,422 |
| FY 2011 | 12,111,216 |
| FY 2012 | 10,779,692 |
| FY 2013 | 12,860,000 |
| FY 2014 | 12,860,000 |

Revenue Estimate

Major Revenue Sources

Charleston County

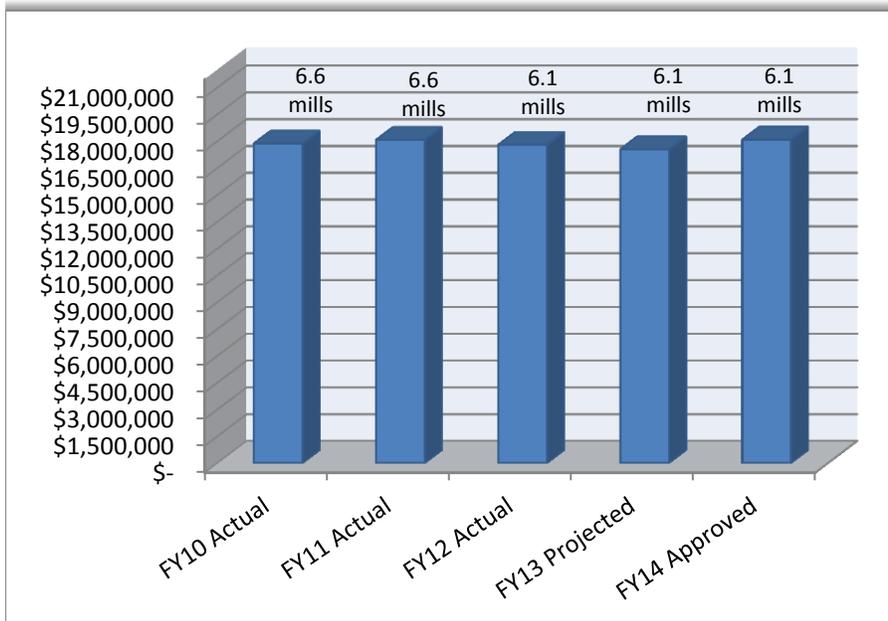
Debt Service Fund Ad Valorem Taxes

Description

The County Assessor, the County Auditor, and the State calculate the taxable value of the County's real property, personal property and motor vehicles. The County Auditor applies the appropriate millage rates for the various taxing entities in the County to determine the ad valorem taxes. The Treasurer collects the ad valorem taxes for all of the taxing entities in the County and remits these collections in the following month. The real and personal property are billed annually in September and are due the following January. The motor vehicles are billed annually during the month when the taxpayer's license registration is due for renewal.

Trend

The County's portion of ad valorem taxes for its Debt Service Fund remained steady through FY 2011, reflecting a slow growth in the County's tax base for those years. South Carolina Law requires that counties reassess properties every five years. The national recession in FY 2011 and the state mandated reassessment in FY 2012 resulted in minimal growth in those years. However, the County anticipates a trend of steady growth in the tax base through FY 2018.



| | |
|---------|---------------|
| FY 2010 | \$ 17,871,007 |
| FY 2011 | 18,077,188 |
| FY 2012 | 17,801,610 |
| FY 2013 | 17,550,000 |
| FY 2014 | 18,090,000 |

Revenue Estimate

The FY 2014 estimate includes approximately a three percent increase in the tax base for FY 2014.

Major Revenue Sources

Charleston County

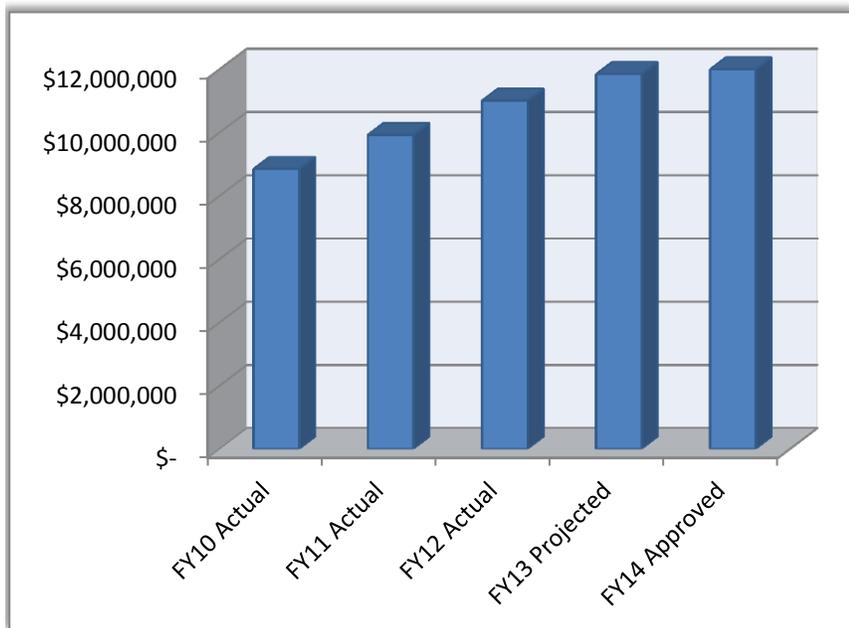
Special Revenue Fund Accommodations Tax - Local

Description

The Accommodations Tax - Local is a two percent charge for transient room rentals throughout the County. County Council enacted the Accommodations Tax - Local in FY 1994 to encourage and support area tourism. Collections of the Accommodations Tax - Local began on April 1, 1994, upon which its legitimacy was challenged in court. In November 1995, the State Supreme Court ruled in favor of the tax which is collected on a monthly basis.

Trend

The revenues from the Accommodations Tax - Local had consistently shown an increasing trend until FY 2009 when the recession impacted tourism. The downward trend continued through FY 2010, but began showing improvement in FY 2011. The FY 2014 budgeted revenue exceeds the pre-recession high of \$8,864,365. The upward trend is expected to remain constant as tourism continues to grow in the Charleston area. Charleston County was recently ranked as the "World's Best City in the US and Canada" by *Travel and Leisure* magazine.



| | |
|---------|--------------|
| FY 2010 | \$ 8,851,895 |
| FY 2011 | 9,927,318 |
| FY 2012 | 11,010,863 |
| FY 2013 | 11,850,000 |
| FY 2014 | 12,750,000 |

Revenue Estimate

The budgeted Accommodations Tax - Local reflects an estimated eight percent increase from the FY 2013 projection.

Major Revenue Sources

Charleston County

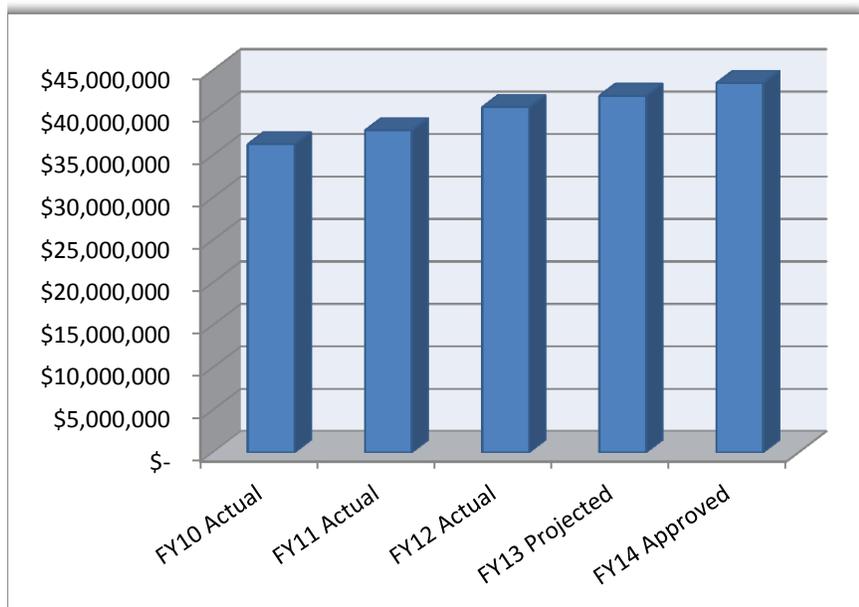
Special Revenue Fund Transportation Sales Tax

Description

The citizens of Charleston County passed, by referendum, an additional one-half of one percent sales and use tax that took effect May 1, 2005 and will continue for 25 years or until \$1.3 billion is collected. According to the referendum, the sales tax revenues are designated to provide funds for transportation-related projects, mass transit, and greenbelts.

Trend

The revenues from the Transportation Sales Tax had a general trend of increasing through FY 2008. As a result of the nationwide recession, the revenue from the Transportation Sales Tax declined in FY 2009 and FY 2010. Consumer spending in the County began improving in FY 2011. The Transportation Sales Tax revenue has exceeded the FY 2009 high of \$37,469,812. This upward trend is expected to remain constant as the tax is directly tied to the level of consumer spending in Charleston County.



| | |
|---------|---------------|
| FY 2010 | \$ 36,292,922 |
| FY 2011 | 37,930,907 |
| FY 2012 | 40,672,545 |
| FY 2013 | 42,000,000 |
| FY 2014 | 43,500,000 |

Revenue Estimate

The Transportation Sales Tax shows approximately a three-and-a-half percent increase from the FY 2012 projection reflecting strong confidence in consumer spending in our local economy.

The Transportation Sales Tax revenue estimate is based on a review of Charleston County economic indicators, actual 2012 receipts, and FY 2013 year-to-date collection trends.

Major Revenue Sources

Charleston County

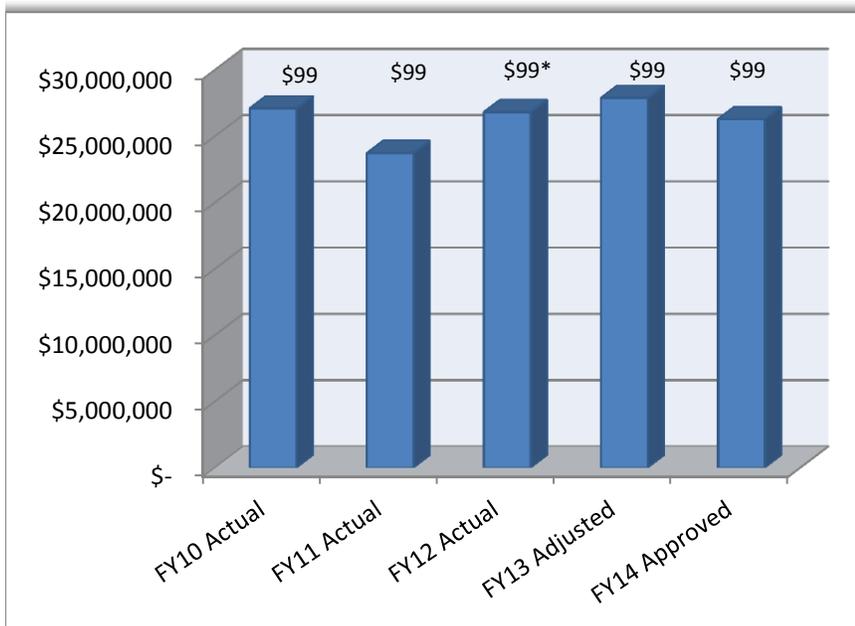
Enterprise Fund User Fee

Description

The County charges a user fee to real property owners, as well as certain commercial and governmental entities to provide funding for the County's recycling, solid waste, and disposal efforts. The Revenue Collections Department administers the billing and collection of this fee. The User Fee for residential property owners is included in the annual tax bill. The Revenue Collections Department calculates and bills the commercial entities on an annual basis.

Trend

The revenues from the User Fee had shown a slightly increasing trend until FY 2011 when the County provided a one-time \$25 credit to the Solid Waste User Fee. The User Fee revenues reflected moderate growth in FY 2012 and FY 2013 as the number of residents and businesses in the County grew. In FY 2014, the revenue began declining due to the impact of the County's aggressive recycling program. As the County continues to reach its goal of 40% recycling, the revenue will continue to experience a downward trend due to businesses offsetting their commercial user volume by increasing their recycling volume.



*One-time \$25 credit

Revenue Estimate

The User Fee charge for residential properties has remained constant at \$99 for the last seven years. The decrease in the FY 2014 revenue estimate reflects a reduction in the volume of commercial disposal. Charleston County implemented a robust recycling program in FY 2010, which has reduced the volume of garbage disposal into the landfill.