BUDGET ANALYSIS

OVERVIEW

During the preparation of the Fiscal Year (FY) 2018 budget, the County Administrator provided guidance for assembling an operational budget that included the following directives:

- ❖ Seek opportunities to improve efficiency and reduce costs.
- ❖ Protect the County's level of financial security.
- ❖ Maintain a qualified and highly motivated work force.
- ❖ Preserve County assets.
- ❖ Limit financial impact on taxpayer.

The budget presented to County Council met these directives.

The FY 2018 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds which total $574.3 million and reflect a $90.3 million or 18.6 percent increase from the FY 2017 budget. The FY 2018 operating budget is summarized in Figure 1. Additionally, graphs are presented on pages **74** and **75** 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 2018 Operating Budget
(Expressed in Millions of Dollars)

Description		
Available Funds (Including Beginning Fund Balance)		$ 618.8
Less Budgeted Disbursements		(536.3)
Nonspendable	73.2	
Restricted: External	(174.5)	
Restricted: Internal	131.0	
Available	52.8	
Ending Fund Balance		$ 82.5

The millage rate for the County is comprised of the General Fund millage and the Debt Service millage. The General Fund millage for FY 2018 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 2017 rate at 6.1 mills. The combined operating and debt service levy is 50.8 mills.

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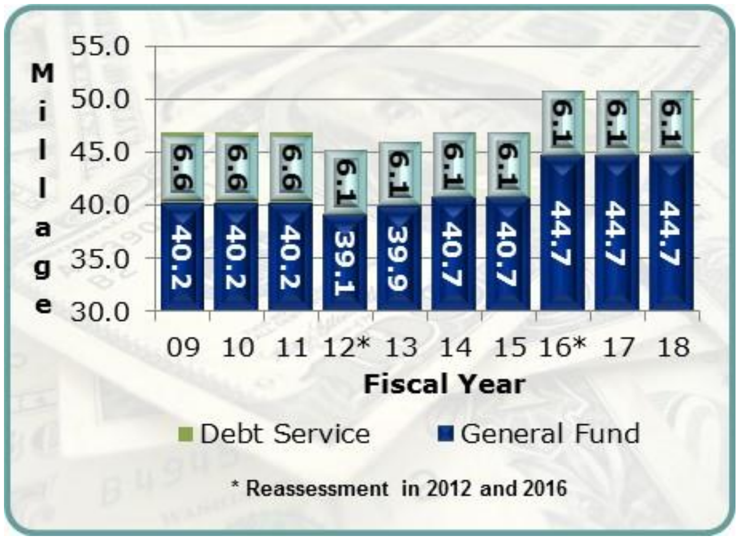
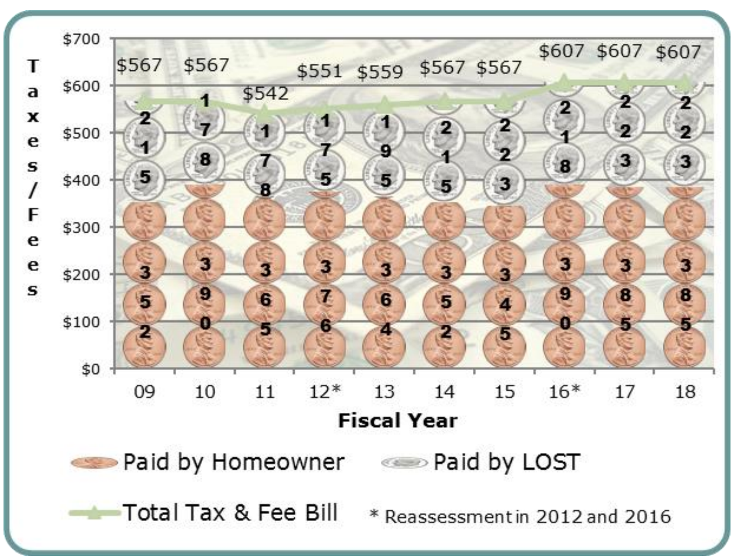
Figure 2 presents a summary of the County's millage rates for FY 2018 and the prior nine years. For the owner of a $250,000 home (four percent assessed property), the 50.8 mills equate to a tax of $508, which remains constant for the current tax year for the $250,000 homeowner. As allowed under State 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 2018 remains constant at $222.50 for the $250,000 homeowner. After applying the Sales Tax credit, the net tax is $285.50, representing no change from the current year for the $250,000 homeowner.

Figure 2 – County Millage Rates



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

Figure 4 – 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 $384.50 representing no change from the current tax year. Figure 4 illustrates these amounts, as well as provides a ten-year history of the County's tax and fee bill paid by the homeowner, the LOST credit and by the Solid Waste User Fee credit.

There are 44 Full-Time Equivalents (FTEs) added and 11 unfunded, unfilled FTEs eliminated in FY 2018, bringing the total number of FTEs employed by Charleston County to 2,658. In order to respond to the growth and customer service demands in the County; 6 FTEs were added to Consolidated Dispatch, Facilities Management and Public Works respectively, 5 FTEs were added to Transportation Development, 2 FTEs were added to Clerk of Court, Coroner and Building Inspections respectively, and 1 FTEs was added to Auditor, Treasurer, Magistrates, Procurement and Public Defender respectively. 8 FTEs were added to facilitate the consolidation of Folly Beach to the E911 system. In addition, 2 FTEs were added to Human Resources to address employee requests for additional insurance benefits and employment recruitment in the increasingly competitive job market in the County.

Figure 5 – Full-Time Equivalents

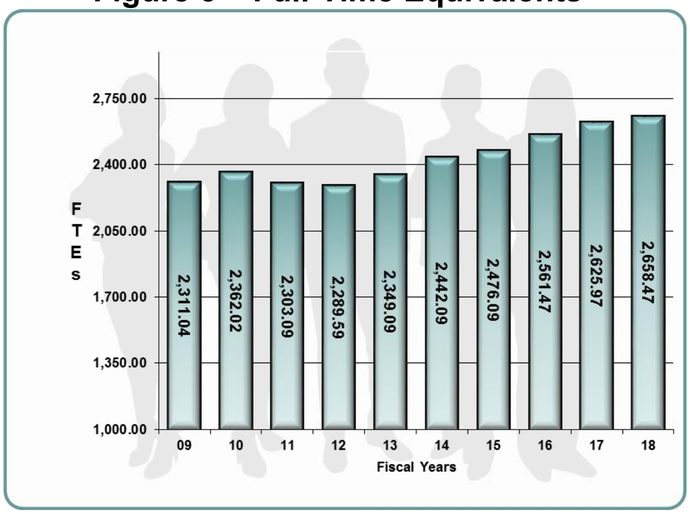


Figure 5 presents a summary of the County's FTEs for FY 2018 and the prior nine years. The FTEs for Charleston County had a steady increasing trend until FY 2011. The major reductions in FTEs resulted from cost saving actions during the recession, including voluntary retirement incentives, and transferring 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 Consolidated Dispatch, converting part-time personnel working more than 32 hours a week to full-time positions, and pressure to maintain existing service levels in a community with a growing population.

GENERAL FUND

SUMMARY

The FY 2018 Council approved budgeted disbursements for the General Fund total $235.6 million, a $19.3 million or 8.9 percent increase from the FY 2017 budget. Budgeted funds available for the FY 2018 budget also total $235.6 million. The General Fund millage is anticipated to remain constant at 44.7 mills.

Page **104** shows a graphical representation of the County's General Fund budget. Page **105** shows a fund statement which depicts the numerical summary of the General Fund budget.

BEGINNING BALANCE

The General Fund beginning fund balance for FY 2018 is $69.0 million. This fund balance includes a "Rainy Day Fund" which is an amount established and maintained by County Ordinance for catastrophes and two months of recurring disbursements. (See Figure 6 for additional detail.)

Figure 6 - FY 2018 General Fund Beginning Balance
(Expressed in Thousands of Dollars)

Nonspendable (Inventory)	$777
Restricted: Internal	
Encumbrances	2,000
Designated for PAYGO projects in FY 2018	8,000
Rainy Day Fund	9,153
Two months of Operating Expenditures	39,272
Available	9,843
Total	$ 69,045

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.*

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.

REVENUES

General Fund budgeted revenues of $226.9 million reflect an increase of $14.6 million or 6.9 percent from FY 2017. Figure 7 shows the significant budget changes in revenues.

Figure 7 - Major Changes in Revenues for the General Fund

Figure 6 - GENERAL FUND - Changes in Revenues

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Property Tax Revenue	$149,793	$160,200	$10,407	6.9%
Local Option Sales Tax	59,000	64,000	5,000	8.5%
EMS: Medicare Receipts	5,830	4,000	(1,830)	-31.4%
State: Aid to Sub-Local Government	12,861	14,850	1,989	15.5%
Treasurer: Interest Income	2,400	3,600	1,200	50.0%
Lost: Sales Tax Credit	(58,260)	(63,520)	(5,260)	9.0%

BUDGET ANALYSIS

The County's largest revenue sources, the Property Tax and the Local Option Sales Tax, reflect a net increase of $5.1 million. The net increase is due to an increased projection of property value, aggressive pursuit of non-qualified four percent legal residencies, and improvement in the local economy resulting in increased sales tax projections. The increase in the revenue from the Local Option Sales Tax, which is used to offset the amount property owners pay on their tax bill, also reflects improvements in the local economy. The increase in the Local Option Sales Tax resulted in a higher credit of $5.3 million or 9.0 percent to taxpayers.

In addition, the $2.0 million or 15.5 percent increase to State: Aid to Sub-Local Government represents an increase from the State to assist local governments with the rising retirement costs. Interest Income is projected to increase $1.2 million or 50% based on anticipated actions by the Federal Reserve to increase the interest rate during FY 2018.

The decrease of $1.8 million in EMS Medicare Receipts is based on current and projected usage of the service.

INTERFUND TRANSFERS IN

Approximately $3.7 million is transferred to the General Fund from other funds, which represents a decrease of $0.3 million or 7.7 percent from the FY 2017 budget. The decrease represents reduced amounts from Fee-In-Lieu of Taxes (FILOT) due to more revenue being applied to the Transportation Development – Revenue Bond Debt Service.

EXPENDITURES

The FY 2018 approved budgeted expenditures for the General Fund total $225.3 million, which represents an increase of $23.4 million or 11.6 percent from the FY 2017 budget. Figure 8 shows the significant budget changes in expenditures for FY 2017.

Figure 8 - Major Changes in Expenditures for the General Fund

(Expressed in Thousands of Dollars)

Figure 7 - GENERAL FUND - Changes in Expenditures

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Consolidated Dispatch	$6,763	$7,944	$1,181	17.5%
Facilities Management	18,241	28,167	9,926	54.4%
Nondepartmental	122	5,178	5,056	4144.3%
Sheriff	66,256	68,565	2,309	3.5%
Technology Services	12,120	13,835	1,715	14.2%

The $1.2 million or 17.5 percent increase in Consolidated Dispatch represents the addition of operators to handle increased call volume due to population growth in the County and for a potential consolidation of the City of Folly Beach in FY 2018. In addition, the $9.9 million or 54.4 percent increase in the Facilities Management department represents additional funding for maintenance projects. In addition, a new lease for property is added for the Assessor's Office to reconsolidate the department due to space constraints at the County Office Building in downtown Charleston.

BUDGET ANALYSIS

The $5.1 million or 4,144.3 percent increase in Nondepartmental represents two challenges the County faced with the FY 2018 budget. In 2014, Charleston County established the Committee for Auditing, Performance and Evaluations Standards (CAPES) to review internal compensation in Charleston County. The County implemented Phase I of the study in FY 2015. In the fall of 2016, the County began an external market study of County-wide compensation. The results of the market study total $2.9 million and are budgeted in Nondepartmental for FY 2018. Second, the State increased retirement costs by 2% of wages and allocated this cost to local governments, including the County. An estimate of $2.1 million in retirement costs is also accounted for in Nondepartmental costs.

The $2.3 million or 3.5 percent increase in the Sheriff's Office represents full-year funding for the implementation of a new Master Deputy Officer program. The new program is in response to the challenges experienced by the public safety sector in filling vacant positions. Finally, the Technology Services budgeted a $1.7 of 14.2 percent increase for capital expenditures, including the purchase of hardware and software requirements for General Fund departments. The largest portion relates to upgrades of the Detention Center's security system, network servers, and storage infrastructure.

INTERFUND TRANSFERS OUT

Approximately $10.3 million is transferred from the General Fund to various other funds. The transfers decrease $4.1 million or 28.5 percent from the prior fiscal year primarily due to a lower transfer to the Capital Projects Fund for the library expansion approved by voters in the November 2014 referendum. The County will borrow funds in FY 2018 and FY 2019 for the remainder of the project.

FUND BALANCE

The FY 2018 ending fund balance is projected to be $64.0 million. Of this amount, $39.3 million is set aside in an effort to maintain a two-month buffer and is in addition to the $9.4 million Rainy Day Fund for unexpected events. Another $5 million reflects estimated on-going purchases and projects at the end of FY 2018.

DEBT SERVICE FUND

SUMMARY

The FY 2018 approved budgeted disbursements for the Debt Service Fund total $32.5 million which is a $2.3 million or 7.7 percent increase from the FY 2017 budget. Budgeted funds available for FY 2018 also total $32.5 million. The Debt Service Fund millage is anticipated to be 6.1 mills and represents no change from FY 2017.

Page **106** displays a graphical representation of the County's Debt Service Fund budget.
Page **107** contains a fund statement which is a numerical summary of the Debt Service Fund.

REVENUES

Debt Service Fund revenues total $31.6 million and reflect an increase of $10.8 million or 52.1 percent from FY 2017. The majority of the increase reflects an $8.8 million premium from the anticipated issue of a General Obligation Bond in 2017.

INTERFUND TRANSFERS IN

Approximately $8.1 million is transferred to the Debt Service Fund from other funds. The transfers decreased $0.5 million or 5.4 percent as a result of a one-time transfer in FY 2017 from the 2015 bond premium.

EXPENDITURES

The FY 2018 budgeted expenditures for the Debt Service Fund total $32.5 million. This amount is a $3.2 million or 11.1 percent increase from FY 2018 and represents the continued service of the County's outstanding debt obligations.

FUND BALANCE

The FY 2018 ending fund balance is projected to be $25.1 million, which represents a $7.3 million or 40.9 percent increase from the projected FY 2017 beginning balance. This is an anticipated increase due to unused premium from the 2017 bond.

SPECIAL REVENUE FUNDS

SUMMARY

The FY 2018 approved budgeted disbursements for the Special Revenue Funds total $153.1 million, a $30.7 million or 25.1 percent increase from the FY 2017 budget. Budgeted funds available for FY 2018 also total $153.1 million.

Page **108** shows a graphical representation of the County's Special Revenue Fund budgets, while pages **109** to **152** contain fund statements reflecting numerical summaries of the budgets.

REVENUES

The revenues for the Special Revenue Funds total $170.6 million and reflect an $56.7 million or 49.7 percent increase from the FY 2017 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)

Figure 8 - SPECIAL REVENUE FUNDS - Changes in Revenues

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Transp. Sales Tax: Revenue Bond Debt Service	$15,290	$17,790	$2,500	16.4%
Transportation Sales Tax (TST): First TST	54,045	56,545	2,500	4.6%
Transportation Sales Tax (TST): Second TST	0	50,500	50,500	100.0%

The major changes in the Special Revenue Funds are seen in Transportation Sales Tax (TST) funds. The first TST was passed by the voters in a referendum in November 2004 and the second TST was passed by referendum in November 2016. The first TST includes a budgeted increase of $2.5 million or a 4.6%. The budgeted increase for the sales tax funded revenues is tied to improvements in the local economy through increased consumer spending. FY 2018 represents the first year collection of the second TST, which is budgeted to collect $50.5 in the first year.

Another change to the Special Revenue Funds is a $2.5 million or 16.4 percent increase in the Transportation Sales Tax: Revenue Bond Debt Service. Revenues of $17.8 million reflect fees-in-lieu of property taxes that were designated by County Council as security for the repayment of the debt service. After the verification of sufficient revenues to service the current year's debt, the fees-in-lieu of property taxes are distributed to taxing entities. The increase in revenue represents additional fees collected for new and enhanced developments in the county.

INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately $8.8 million, which is a $0.9 million or 11.9 percent increase. The most significant increase is the payment for the Special Source Revenue Bond and represents the projected increase in debt service on the bond.

EXPENSES

The FY 2018 budgeted expenses for the Special Revenue Funds total $107.0 million, which is a $4.6 million or 4.5 percent increase from FY 2017. Figure 10 shows the significant budget change in expenses.

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

Figure 9 - SPECIAL REVENUE FUNDS - Changes in Expenses

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Transportation Sales Tax: TST (1st)	$39,098	$40,333	$1,235	3.2%
Transportation Sales Tax: TST (2nd)	-	3,055	3,055	100.0%

The $1.2 million or 3.2 percent increase in the first TST fund represents increased funding for scheduled bond payments. Another change to the Special Revenue Fund expenses is a $3.1 million budgeted increase for the recently implemented second TST. The second TST will fund operating costs and bus replacement for the transit system.

INTERFUND TRANSFERS OUT

Approximately $46.1 million is transferred from the Special Revenue Funds to various other funds. The transfers increase by $26.1 million or 130.2 percent is primarily due to implementation of the second TST.

FUND BALANCE

The FY 2018 ending fund balance is projected to be $65.0 million, which reflects a 26.3 million or 68.1 percent change from the estimated FY 2017 beginning balance. The increase reflects planned savings in the second TST to fund projects on a pay-as-you-go basis.

ENTERPRISE FUNDS

SUMMARY

The FY 2018 approved budgeted disbursements for the Enterprise Funds total $60.1 million. This is a $3.8 million or 6.7 percent increase from the FY 2017 budget. Funds available for FY 2018 also total $60.1 million.

Page **153** displays a graphical representation of the County's Enterprise Funds budgets, while pages **154** to **160** contain fund statements reflecting numerical summaries of the budgets.

REVENUES

Revenues for the Enterprise Funds total $50.6 million and reflect a $2.1 million or 4.2 percent increase from the FY 2017 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)

Figure 10 - ENTERPRISE FUNDS - Changes in Revenues

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Consolidated Dispatch: Emergency 911	$2,455	$2,825	$371	15.1%
Environmental Management	27,817	29,078	1,261	4.5%
Dept of Alcohol and Other Drug Abuse Servs.	9,330	9,546	216	2.3%

The $0.4 million dollar or 15.1 percent increase in Consolidated Dispatch: Emergency 911 represents the potential consolidation of the City of Folly Beach. The budgeted increase in solid waste user fees collected for the Environmental Management fund reflect an increase of $1.3 million or 4.5 percent based on historical analysis and current trends. In addition, the $0.2 million or 2.3 percent increase in Department of Alcohol and Other Drug Abuse Services represent an increase in anticipated state funding and client fees based on historical collections.

INTERFUND TRANSFERS IN

In total, approximately $3.5 million is transferred into Enterprise Funds from various other funds. The overall transfers remain relatively constant from FY 2017.

EXPENSES

The FY 2018 budgeted expenses for the Enterprise Funds total $56.2 million which is a $1.6 million or 2.9 percent increase from FY 2017. Figure 12 shows the significant budget change in expenses.

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

Figure 11 - ENTERPRISE FUNDS - Changes in Expenses

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Environmental Management	$30,516	$31,536	$1,020	3.3%
Facilities Management: Parking Garages	2,150	2,828	678	31.5%

The budgeted increase of $1.0 million or 3.3 percent in Environmental Management reflects the negotiation of a new contract to haul wood chips to a vendor for processing and re-negotiation of contracts for the processing of recyclable materials for the County. Also included is a $0.7 million or a 31.5 percent in Facilities Management: Parking Garages due to the one-time capital purchases for two new pay stations and upgrades to the security camera and public restrooms.

INTERFUND TRANSFERS OUT
The transfers out from the Enterprise Fund to other funds is approximately $3.9 million, which is a $2.2 million or 129.7 percent increase. The increase reflects a $2 million transfer to the Capital Projects Fund for relocation of Environmental Management's administrative offices and trucks to the Azalea Compound.

FUND BALANCE
The FY 2018 combined ending fund balance is projected to be $71.7 million which reflects a $6.0 million or 7.7 percent decrease from the beginning fund balance. The majority of the reduction reflects the use of the Environmental Management fund balance for one-time expenses and a transfer to the Capital Projects Fund for the Azalea Compound.

INTERNAL SERVICE FUNDS

SUMMARY
The FY 2018 approved budgeted disbursements for the Internal Service Funds total $55.1 million. This is a $0.3 million or less than one percent decrease from the FY 2017 budget. Funds available for FY 2018 also total $60.1 million.

Page **161** shows a graphical representation of the County's Internal Service Funds budgets, while pages **162** to **166** contain fund statements reflecting numerical summaries of the budgets.

REVENUES
Internal Service Funds revenues total $51.7 million, a $0.6 million or 1.2 percent increase from FY 2017. 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)

Figure 12 - INTERNAL SERVICE FUNDS - Changes in Revenues

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Human Resources: Employee Benefits	$28,322	$29,037	$715	2.5%

Human Resources: Employee Benefits reflects an increase by the State of South Carolina to the health insurance rate for employers and employees. The impact of the increase is $0.7 million or 2.5 percent to the fund.

INTERFUND TRANSFERS IN
Approximately $2.8 million is transferred to the Internal Service Funds from other funds. The overall transfers remain relatively constant from FY 2017.

EXPENSES
The FY 2018 budgeted expenses for the Internal Service Funds total $55.0 million which is a $0.2 million or less than a one percent increase from FY 2017. Figure 14 shows the significant budgeted change in expenses.

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

Figure 13 - INTERNAL SERVICE FUNDS - Changes in Expenses

Department/Division	FY 2017 Adjusted	FY 2018 Approved	Amount Change	Percent Change
Human Resources: Employee Benefits	$28,322	$29,137	$815	2.9%

The $0.8 million or 2.9 percent increase in the Human Resources: Employee Benefits Fund is due to higher costs of various employee insurances as passed through by the State.

FUND BALANCE
The FY 2018 ending fund balance is projected to be ($143.3) million, which represents a $0.6 million or less than one percent decrease from the estimated FY 2017 beginning balance. The negative fund balance is due to reporting $166.8 million in pension expense in the Human Resources: Employee Benefits Fund. The decrease is largely due to reducing the Worker's Compensation Fund's reserves based on recent claims history.