

# BUDGET ANALYSIS

Budget preparation for the Fiscal Year (FY) 2024 budget began with the following guidance from the County Administrator for assembling the operational budget:

- ❖ Protect the County’s level of financial security.
- ❖ Maintain a qualified and highly motivated workforce.
- ❖ Preserve County assets.
- ❖ Limit financial impact on the taxpayer.

## Budget Deliberations

A balanced proposed budget was presented to Council on May 30, 2023. The proposed budget had \$809.3 million in available funds and disbursements for all operating funds. Due to newly identified savings for workers’ compensation premiums, Council voted to amend the FY 2024 County Budget as follows:

- ❖ Reduce Workers’ Compensation revenues and premiums by \$0.25 million.
- ❖ Reduce General Fund fringe benefit costs by \$0.25 million.
- ❖ Increase the Community Investment program in the General Fund by \$0.25 million

Council approved the third reading of the FY 2024 budget on June 20, 2023.

## Approved Budget

The FY 2024 Council Approved budget has available funds and disbursements (including budgeted changes in fund balance) for all operating funds, which total \$856.7 million and reflect a \$55.8 million or 7.0 percent change from the FY 2023 budget. Figure 1 summarizes the FY 2024 operating budget. Additionally, the graphs presented on pages X and X 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 ion previous years.

**Figure 1 - Summary of FY 2024 Operating Budget**  
(Expressed in Millions of Dollars)

Description	
Available Funds (Including Beginning Fund Balance)	\$ 997.0
Less Budgeted Disbursements	(809.3)
Nonspendable	101.8
Restricted: External	(292.1)
Restricted: Internal	164.5
Available	<u>213.5</u>
Ending Fund Balance	<u>\$ 187.7</u>

The millage rate for the County is comprised of the General Fund millage and the Debt Service millage. The General Fund millage for FY 2024 is 41.7 mills and is 0.5 mills higher than the previous year. The Debt Service levies, used to pay interest and principal on funds borrowed for capital projects, decrease 0.5 mills to 6.3 mills. These changes result in no change in the County’s countywide millage rates.

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**Figure 2 – County Millage Rates**

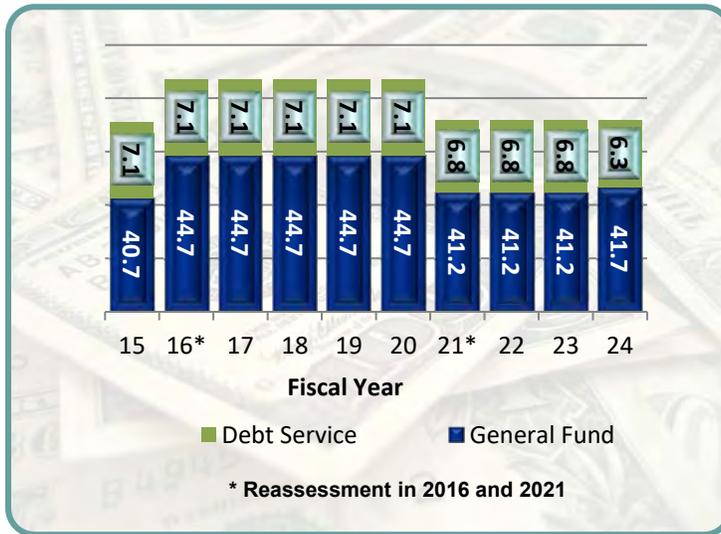


Figure 2 summarizes the County’s millage rates for FY 2024 and the prior nine years. For the owner of a \$400,000 home (four percent assessed property), the 48.0 mills equate to a tax of \$768.00, which is unchanged from the previous tax year. As allowed under State law, the County elected beginning in FY 1991 to reduce property taxes by levying a one percent Local Option Sales Tax (LOST). The Sales Tax credit for FY 2024 reflects no change, which equates to \$436.00 for the \$400,000 homeowner. The LOST growth is due to the State’s ability to enforce state sales tax collection for online purchases and a strong local economy in FY 2024.

After applying the Sales Tax credit, the net tax is \$332.00, representing no increase from FY 2023 for the \$400,000 homeowner.



The Solid Waste Recycling and Disposal Fee increases from \$99 to \$150 annually for a single-family residence.

When the Solid Waste Recycling and Disposal Fee is included, the overall tax and fee bill for the owner of a \$400,000 home (four percent assessed property) amounts to \$482.00 representing a \$51.00 increase for a \$400,000 homeowner in FY 2023. Figure 3 illustrates these amounts and provides a ten-year prior history of the County’s tax and Solid Waste User Fee bill, less the LOST credit, paid by the homeowner.

**Figure 3 – Tax and Fee Bill**

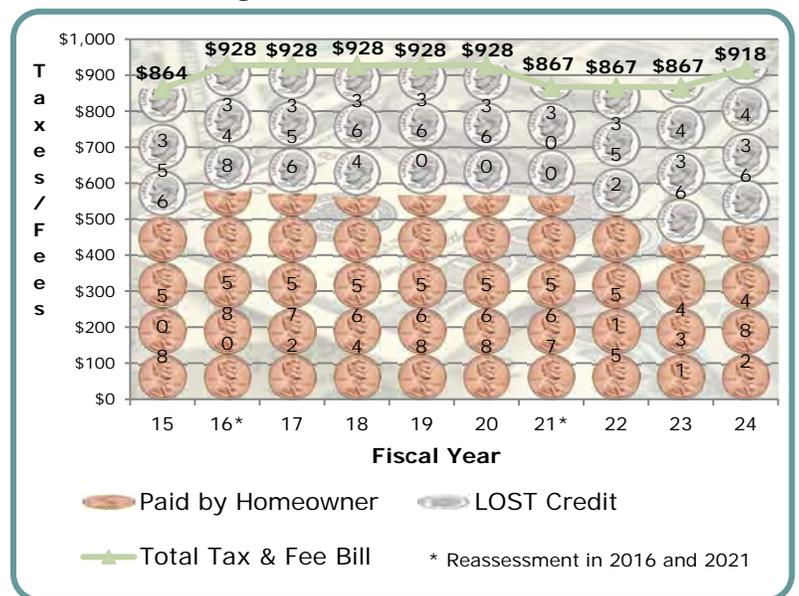


Figure 4 summarizes the County’s FTEs for FY 2024 and the prior nine years. The FTEs for Charleston County reflected a steadily increasing trend through FY 2018. The growth in FTEs began stabilizing in FY 2019 as the ability to fund and find personnel diminished. During FY 2023, the Sheriff decided to discontinue the School Crossing Guard function which reduced FTEs by approximately 43 for FY 2024.

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**Figure 4 – Full-Time Equivalents (FTEs)**



## GENERAL FUND

### SUMMARY

The FY 2024 Council approved budgeted disbursements for the General Fund is \$324.7 million, a \$32.0 million or 10.9 percent increase from the FY 2023 budget. Budgeted funds available for the FY 2024 budget also total \$324.7 million. The General Fund millage is 41.7 mills.

Page X shows a graphical representation of the County’s General Fund budget. Page X shows a fund statement that depicts the numerical summary of the General Fund budget.

### BEGINNING BALANCE

The General Fund’s beginning fund balance for FY 2024 is \$123.4 million. This fund balance includes the “Rainy Day Fund,” an amount established and maintained by the County Ordinance for catastrophes and two months of recurring disbursements. (See Figure 5 for additional detail.)

**Figure 5 – FY 2024 General Fund Beginning Balance**  
(Expressed in Millions of Dollars)

Non-spendable (Inventory/Long Term Receivables)	\$ 6.7
Restricted: Internal	
Encumbrances	3.0
Designated for PAYGO projects in FY 2024	22.1
Rainy Day Fund	11.7
Two months of Operating Expenditures	48.8
Additional LOST Credit for FY 2024 in FY 2025	12.6
Available	18.5
Total	<u>\$123.4</u>

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The Rainy Day Fund was established in FY 1992 to strengthen the County's balance sheet position and disaster preparedness funding. The fund is intended to equal no less than four percent of the General Fund disbursements, as the Budget Ordinance requires. An internal restriction of fund balance has been established to equal two months of the following fiscal year's General Fund operating budget.

## Financial Policies

- *Financial Reserve Policy 1: ...strive to maintain a minimum ... fund balance in the General Fund of 2 months of the subsequent year's...operating expenditures.*
- *Financial Reserve Policy 3: ...maintain a Rainy Day Fund... at no less than four percent of the General Fund disbursements.*

The County strives to use all the budgeted LOST revenue to offset the amount property owners pay on their tax bills. The Local Option Sales Tax (LOST) Credit was added as a component of fund balance in FY 2020 to reflect the portion of LOST revenue that was not utilized for the LOST Credit. Council continues to utilize this component of fund balance to increase the LOST Credit beyond the estimated revenue in upcoming budgets.

## REVENUES

General Fund budgeted revenues of \$292.7 million reflect an increase of \$29.4 million or an 11.2 percent increase from FY 2023. Figure 6 shows the significant budget changes in revenues.

**Figure 6 – Major Changes in Revenues for the General Fund**  
(Expressed in Millions of Dollars)

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Property Tax	\$ 96.2	\$ 110.4	\$ 14.2	14.8%
Sales Tax	96.3	103.5	7.2	7.5%
Interest	1.3	5.0	3.7	284.6%

Property Taxes represent a \$14.2 million or 14.8 percent increase due to rising property values. The next largest revenue, Sales Tax, includes a \$7.2 million or 7.5 percent from more stringent sales tax collection for online sales by the State as well as increased post-pandemic spending. In addition, Interest Income reflects a \$3.7 million increase due to higher interest rates.

## INTERFUND TRANSFERS IN

Approximately \$3.9 million is transferred to the General Fund from other funds, which represents no significant change from the prior fiscal year.

## EXPENDITURES

The FY 2024 approved budgeted expenditures for the General Fund total \$306.9 million, representing an increase of \$32.2 million or 11.7 percent from the FY 2023 budget. Figure 7 shows the significant budget changes in expenditures for FY 2024.

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

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Nondepartmental	\$ 0.2	\$ 10.8	10.7	7129.7%
Sheriff: Detention Center (Adult)	37.0	44.0	7.1	19.1%
Library	31.1	35.8	4.7	15.0%

The largest area of change centers on rising personnel costs. Nondepartmental includes funding for a 7.5 percent equity increase for most employees, while the Sheriff: Detention Center (Adult) reflects a \$7.0 million or 19.1 percent increase largely due to the full-year cost of FY 2023 pay increases.

In addition, the Library includes a \$4.7 million or 15.0 percent increase for personnel costs, library materials, and facilities maintenance costs.

## **INTERFUND TRANSFERS OUT**

Approximately \$17.9 million is transferred from the General Fund to various other funds, which reflects no significant change from FY 2023.

## **FUND BALANCE**

The FY 2024 ending fund balance is projected to be \$95.3 million. This amount is comprised of the following:

- \$54.1 million, two months of expenditures
- \$13.0 million is set aside in the Rainy-Day Fund for unexpected events
- \$12.2 million for future capital purchases and special projects
- \$6.7 million of Nonspendable funds for inventory and long-term receivables
- \$6.3 million for future LOST credit
- \$3.0 million in encumbrances

## **DEBT SERVICE FUND**

### **SUMMARY**

The FY 2024 approved budgeted disbursements for the Debt Service Fund total \$35.3 million, an \$11.8 million or 25.0 percent decrease from the FY 2023 budget. Budgeted funds available for FY 2024 also total \$35.3 million. The Debt Service Fund millage is anticipated to be 5.8 mills and represents a slight reduction from FY 2023.

Page **X** displays a graphical representation of the County's Debt Service Fund budget. Page **X** contains the fund statement, a numerical summary of the Debt Service Fund.

### **REVENUES**

Debt Service Fund revenues total \$32.0 million and reflect an increase of \$2.5 million or 8.4 percent increase from FY 2023. The increase represents additional property tax revenues from a growing property tax base and higher interest rates.

# BUDGET ANALYSIS

## INTERFUND TRANSFERS IN

Approximately \$7.7 million is expected to be transferred to the Debt Service Fund from other funds. The transfers decreased by \$4.0 million or 34.1 percent compared to the FY 2023 budget, reflecting the use of a premium from the 2021 General Obligation Bond issuance during FY 2023.

## EXPENDITURES

The FY 2024 budgeted expenditures for the Debt Service Fund total \$35.3 million. This amount represents a \$7.5 million or a 17.5 percent decrease from FY 2023 due to the one-time repayment of a short-term borrowing to purchase equipment in FY 2023.

## FUND BALANCE

The FY 2024 ending fund balance is projected to be \$32.1 million, representing a \$4.4 million or a 15.7 percent increase from the estimated FY 2023 ending balance.

## SPECIAL REVENUE FUNDS

### SUMMARY

The FY 2024 approved budgeted disbursements for the Special Revenue Funds total \$295.7 million, a \$16.5 million or a 5.9 percent increase from the FY 2023 budget. Budgeted funds available for FY 2023 also total \$295.7 million.

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

### REVENUES

The revenues for the Special Revenue Funds total \$297.2 million and reflect a \$30.7 million or 11.5 percent increase from the FY 2023 budget. Figure 8 provides information on significant budgeted revenue changes.

**Figure 8 - Major Changes in Revenues for the Special Revenue Funds**  
(Expressed in Millions of Dollars)

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Accommodations Tax: Local	\$ 20.0	\$ 30.9	\$ 10.9	54.3%
Public Works: Roads Program (2nd TST)	58.1	62.8	4.7	8.1%
Public Works: Roads Program (1st TST)	54.7	60.2	5.4	9.9%

As some of the County's major revenue sources, the Accommodations Tax: Local and the Public Works: Roads Program (1<sup>st</sup> and 2<sup>nd</sup> Transportation Sales Tax) have the most significant impact on the revenues in the Special Revenue Funds.

Due a recovery from the pandemic in the tourism industry, the Accommodations Tax: Local Fund increased by \$10.9 million or 54.3 percent.

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Voters passed the first Transportation Sales Tax (TST) by referendum in November 2004 and passed the 2<sup>nd</sup> TST by referendum in November 2016 for roads, greenbelts, and transit programs. The FY 2024 budget for all three TST Programs is \$197.2 million. The estimated collective increase for the Transportation Sales Tax program is \$17.3 million or 9.6 percent. The collection of transportation sales tax is tied directly to the strong economy and local tourism industry.

### INTERFUND TRANSFERS IN

Transfers into the Special Revenue Funds from various other funds are approximately \$14.5 million, a \$21.6 million or 59.8 percent decrease from FY 2023. The most significant decreases are in the 2<sup>nd</sup> TST Transit and 2<sup>nd</sup> TST Roads Funds, which reflect the use of a premium from the 2021 General Obligation Bond issuance during FY 2023 for debt repayment.

### EXPENSES

The FY 2024 budgeted expenses for the Special Revenue Funds total \$173.0 million, a \$3.2 million or 1.8 percent decrease from FY 2023. Figure 9 shows the significant budget change in expenses.

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

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Accommodations Tax: Local	\$ 18.8	\$ 30.4	\$ 11.6	61.8%
Public Works: Stormwater	10.5	12.7	2.2	21.4%
Public Works: Roads Program (2 <sup>nd</sup> TST)	12.2	4.5	(7.7)	-63.0%
Transit Agencies (2 <sup>nd</sup> TST)	26.2	12.0	(14.2)	-14.2%

The primary change in the FY 2024 budgeted expenses in the Special Revenue Fund is a \$11.6 million or 61.8 percent budgeted increase for the Accommodations Tax: Local Fund. The increase in the Accommodations Tax Local Fund is due to higher reimbursement to the General Fund for tourism-related costs and for higher formula allocations to the Visitors Bureau and municipalities resulting from anticipated revenues.

In addition, there is a \$2.2 million or 21.4 percent increase for the Public Works: Stormwater Fund due to higher budgeted drainage projects.

The Transit Agencies (2<sup>nd</sup> TST) and the Public Works: Roads Program (2<sup>nd</sup> TST) are lower due to planned reductions in the repayments of the 2021 General Obligation Bond.

### INTERFUND TRANSFERS OUT

Approximately \$122.6 million is transferred from the Special Revenue Funds to various other funds. The increase of \$19.7 million or 19.1 percent relates to cash flows for the pay-as-you-go road and greenbelt projects under the Transportation Sales Tax programs.

# BUDGET ANALYSIS

## FUND BALANCE

The FY 2024 ending fund balance is projected to be \$225.1 million, which reflects a \$16.1 million or 7.7 percent increase from the estimated FY 2023 ending balance. The increase reflects the planned savings in the first Transportation Sales Tax to fund future road and transit projects on a pay-as-you-go basis.

## ENTERPRISE FUNDS

### SUMMARY

The FY 2024 approved budgeted disbursements for the Enterprise Funds total \$87.3 million. This is a \$17.3 million or 24.7 percent increase from the FY 2023 budget. Funds available for FY 2024 also total \$87.3 million.

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

### REVENUES

Revenues for the Enterprise Funds total \$81.3 million and reflect a \$21.0 million or 34.9 percent increase from the FY 2023 budget. Figure 10 provides information on significant budgeted revenue changes.

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

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Legal: Environmental Management	\$ 35.9	\$ 54.1	\$ 18.2	50.7%

The most significant budgeted change is an increase of \$18.2 million or 50.7 percent in the Legal: Environmental Management Fund due to an increase in the annual Solid Waste User Fee from \$99 to \$150 for Single-Family residences.

### INTERFUND TRANSFERS IN

Approximately \$2.4 million is transferred into the Enterprise Funds from the General Fund, which reflects no significant change from the FY 2023 budget.

### EXPENSES

The FY 2024 budgeted expenses for the Enterprise Funds total \$80.3 million, a \$13.6 million or 20.4 percent increase from FY 2023. Figure 11 shows the significant budget change in expenses.

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**Figure 11 - Major Changes in Expenses for the Enterprise Funds**  
(Expressed in Millions of Dollars)

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Environmental Management - Landfill Operations	\$ 7.6	\$ 12.0	4.4	58.2%
Facilities: Parking Garages	3.2	4.8	1.6	49.7%

The most significant budgeted increase in the Enterprise Funds is a \$4.4 million or 58.2 percent increase in the Environmental Management Landfill Operations Fund due to Landfill Closure Costs, Leachate Disposal, and equipment replacement.

In addition, there is a \$1.6 million or 49.7 increase in Facilities: Parking Garages Fund due to an increase in on-going repairs and maintenance to the garages.

### **INTERFUND TRANSFERS OUT**

The transfers from the Enterprise Fund to other funds are approximately \$7.1 million, a \$3.7 million or 109.9 percent increase. The Environmental Management – Landfill Operations interfund transfer out represents construction of the next lined landfill cell.

### **FUND BALANCE**

The FY 2024 combined ending fund balance is projected to be \$49.7 million, which reflects a \$3.6 million or 6.7 percent decrease from the estimated FY 2023 fund balance. The Environmental Management and Facilities: Parking Garages Funds utilize some fund balance for projects.

## **INTERNAL SERVICE FUNDS**

### **SUMMARY**

The FY 2024 approved budgeted disbursements for the Internal Service Funds total \$66.2 million. This is a \$1.4 million or 2.2 percent increase from the FY 2023 budget. Funds available for FY 2024 also total \$66.2 million.

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

### **REVENUES**

Internal Service Funds revenues total \$58.4 million and represent a \$0.7 million or 1.2 percent increase from FY 2023. Figure 12 provides information on significant budgeted revenue changes.

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**Figure 12 - Major Changes in Revenues for the Internal Service Funds**  
(Expressed in Millions of Dollars)

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Human Resources: Employee Benefits	\$ 32.5	\$ 33.4	0.9	2.8%
Safety & Risk: Safety/Worker's Compensation	5.5	4.5	(1.0)	-18.5%

The primary change in the Internal Service Funds is higher interest income across the various funds including a \$0.9 million or 2.8 percent increase in the Human Resources: Employee Benefits Fund. The increase is partially offset by a \$1.0 million or 18.5 percent decrease in the Safety & Risk: Safety/Workers' Compensation Fund which represents lower worker's compensation contributions. During budget deliberations, Council further reduced the worker's compensation County Contribution by \$0.25 million.

### **INTERFUND TRANSFERS IN**

Approximately \$4.8 million is transferred into the Internal Service Funds, which reflects a \$0.3 million or 5.7 percent decrease from the FY 2023 budget. The \$4.8 million transfers represent a decrease in the transfer from the General Fund to the Fleet Management Fund to purchase vehicles and heavy equipment for General Fund offices and departments.

### **EXPENSES**

The FY 2024 budgeted expenses for the Internal Service Funds total \$66.2 million, a \$1.4 million or 2.2 percent increase from FY 2023. Figure 13 shows the significant budget change in expenses.

**Figure 13 - Major Changes in Expenses for the Internal Service Funds**  
(Expressed in Millions of Dollars)

<u>Department/Division</u>	<u>FY 2023</u> <u>Approved</u>	<u>FY 2024</u> <u>Approved</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Human Resources: Employee Benefits	\$ 32.5	\$ 34.8	2.3	7.1%

The most significant budgeted increase in the Internal Service Funds is an increase of \$2.3 million or 7.1 percent in the Human Resources: Employee Benefits Fund due to rising costs of various insurances as determined by the State.

### **FUND BALANCE**

The FY 2024 ending fund balance is projected to be a negative \$214.5 million, representing a positive \$2.1 million or 1.0 percent increase from the FY 2023 ending balance. The negative fund balance is due to reporting \$289.2 million in retirement benefits in the Human Resources: Employee Benefits Fund.