

Budget Basics & Funding Sources

Orientation for Newly-Elected Council Members
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Overview of Topics

- **Fundamentals of Budgeting**
 - Background and Process for Adoption of Budget
 - Capital Planning & Forecasting
- **Funding Sources**
 - Revenue Structure (Operating)
 - Funding for Capital Projects
- **Best Practices**
 - Making Changes
 - Documenting the Process
- **Question & Answer**



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Learning the Fundamentals of Budgeting

- **Why is it important?**
 - The budget is the backbone of your success in County government. It is a financial plan and the means to establish spending parameters for a year but can be so much more.
 - A means to implement your strategic plan
 - Establishes accountability for leadership and staff
 - Sets a baseline for next year's budget planning
 - It is required by State law.
 - Section 4-9-120: Procedures for adoption of ordinances (...)
 - Section 4-9-130: Addresses public hearing requirements
 - Section 4-9-140: Budget adoption must occur prior to beginning of fiscal year and establishes that County fiscal years must start on July 1st and end on June 30th each year

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Fundamentals of Budgeting

- The County Administrator (Supervisor, Manager, or Director) is ultimately tasked with preparing the budget, but will enlist professional staff to bring the process together.
 - Empower budget staff to meet with departments to review their current year expenditures; show them how to forecast their expenditures through fiscal year end; then, review their budget requests and make recommendations.
 - Encourage workshops and retreats in less formal settings to work through challenges, conflicts, and come to terms with the reality of constraints. One major factor constraining budget increases that is common to county government is the cost of worker's compensation. High claims can prohibit some counties from granting salary increases, increases in departmental budgets, and could also drive up the employee's cost of health/dental insurance.
 - Recognize that not everyone will receive the budget they request. Prioritizing needs based on safety and training could be beneficial and could remove some of the emotions.
 - Consider what can realistically be expended in a year. This is even more important with multi-year capital projects.
- Look to the future. Use these tactics to consider long-range forecasting when considering funding requests that you know will recur after one year.

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Fundamentals of Budgeting

Capital Planning

- A Capital Improvement Plan (CIP) is vital for a strong budget. This will drive the adoption, planning and decision-making process for all major capital initiatives when implemented properly. Staff should assist by developing criteria to score projects based on factors relevant to your community.
 - Economic impact
 - Addressing disparities
 - Replacing aging infrastructure
 - Strategic plan goals
- For infrastructure, buildings, and major improvements, a CIP will usually span a five-year period and can be adopted by resolution in conjunction with the budget. The CIP then becomes a live document which serves as the starting point to begin all contractual arrangements, procurement, accounting, etc. for all projects contained therein.

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Fundamentals of Budgeting

Capital Planning

- Deeper than the CIP is the need to address the replacement of capital items in the organization on a recurring basis. All assets should have useful lives, which are suggested by the Generally Accepted Accounting Principles (GAAP). Your County can also establish the threshold to deem something a capital asset. Typically, this is in excess of \$5,000 per item, but eligible to be considered on a replacement plan if greater than \$10,000 per item.
 - This will aide in budget decision making. The most contentious capital asset category in county government seems to be county vehicles. To remove the “thinking and guesswork” out of the budgeted vehicle equation, stick to your county’s useful life policy. When they exceed the useful life, plan and budget accordingly.
 - Perhaps adopt a vehicle replacement plan, or enter into lease agreements for your fleet. Having a reputable vehicle leasing agency to do all of your calculations, budget planning and forecasting, disposals, acquisitions, and reporting is a tremendous lift for the Budget Department.

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Fundamentals of Budgeting

- Transparency
 - Consider detailed budget documents, capital plans, and public transparency dashboards to communicate the direction of the organization to your citizens.

The collage features three main components:

- Capital Improvement Plan (2025-2029):** A document cover with the Dorchester County logo and a photograph of a road construction site.
- FY23-27 Capital Improvement Projects Dashboard:** A data visualization tool showing funding details, project locations, and timelines. It includes a donut chart for 'Projects by Department' and another for 'Projects by Function'. A table below lists projects with columns for Department, Project Name, Total Project Cost, Funded, Unfunded, and Closes in Date.
- Meeting Agenda:** A document titled 'Dorchester County Board of Commissioners' with a list of agenda items and a date of 12/10/2023.

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Funding Sources

- Property Taxes
 - This is the most substantial source of revenue for counties in South Carolina, but don't rely on this source alone. The wonderful thing about South Carolina is that every county is different, and so are their needs. Depending on which county you are serving, your revenue needs will also vary. Each county's population and growth rates differ; their industrial footprint differs; their services in which they receive revenues vary.
 - Some of the rural counties rely on industry as their main source of revenue since their population is so low. Tax revenue from industries usually start out in the form of a FILOT (Fee in Lieu of Taxes), then once the company's commitment is fulfilled, they will pay property taxes at either the manufacturer's rate of 10.5% or commercial rate at 6%.
 - Get to know your county's tax millages by fund. Also, learn about Act 388 and how it impacts our counties.



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Funding Sources

- Property Taxes
 - Here is an example of how to calculate a tax bill; an example of the value of a mill; and the impact of a 1 mill tax increase.

CURRENT VALUES & PRIOR YEAR TAX INFORMATION	
LOTS/	0
ACRES	0.13
BLDGS/IMPR.	1
TOTAL TAXABLE VALUE	298,000
ASSESSMENT RATIO	4%
TOTAL ASSESSED VALUE	11,920
PRIOR YEAR TAX	\$2,148.75
INCLUDES TAXES AND FEES	
TAX CALCULATION	
Assessed Value	11,920
X Tax Rate	0.36090
= Taxes before credits & fees	4,301.93
- School Tax Credit	-2,298.18
- Homestead Exemption	0.00
+ Fee Totals	807.45
TOTAL AMOUNT DUE:	2,811.20
DUE BY:	Jan 17, 2023

GOVERNMENT AGENCIES RESPONSIBLE FOR MILLAGE & TAX DOLLARS			
% OF BILL	TAXING ENTITY	MILLAGE	TAXES
12.25%	County Operating	54.00	\$654.40
2.35%	County Debt	8.50	\$101.32
1.52%	County Library	5.50	\$65.56
1.88%	County Capital Improvements	6.80	\$81.06
2.7%	Children in Crisis	1.00	\$11.92
5.2%	Senior Citizens Centers	1.90	\$22.65
5.87%	200 Summers Corner	21.90	\$262.70
50.87%	School Operating	183.00	\$2,188.52
18.01%	School Debt	65.00	\$774.80
2.54%	School Vocational	9.20	\$109.65
9.1%	School Trident Tech	3.30	\$39.34
100.00%	Sub-Total	00	\$4,301.93
	Less SIC Homestead	00	\$0.00
	Less School Tax Credit Savings	00	(\$2,298.18)
	Plus DWMF (Solid Waste User Fee)	00	\$85.00
	Plus SMCMA (Summer's Corner A)	00	\$62.45
	Plus STWAF (Stormwater Management Fee)	00	\$60.00
	Grand Total	00	\$2,811.20

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Funding Sources

- Property Taxes (Value of a Mill – 1/1000 of a dollar)

Assessed Value	\$736,345,545
÷	1000
= Value of Mill	\$736,345
- What's in the calculation?
 - The total assessed value includes assessed value for all real and personal property. Assessed value is based on the ratio (4%, 6%, or 10.5%) determined by the type of property as established by state law. Each mill levied would generate \$736,345 based on the calculation above.


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Funding Sources

- **Property Taxes (Impact of 1 Mill Increase)**

Property Value	\$300,000
x Assessment Ratio	4% (or 0.04)
= Assessed Value	\$12,000
x One Mill	1 (or 0.001)
= Impact	\$12

- Millage is mathematically represented by moving the decimal three places to the left (1/1000th of a dollar). It can only be calculated to the tenth of a mill. (i.e. 65.9 mills is acceptable, but 65.87 mills is not) Increases in millage are subject to a cap based on annual population and CPI increases.


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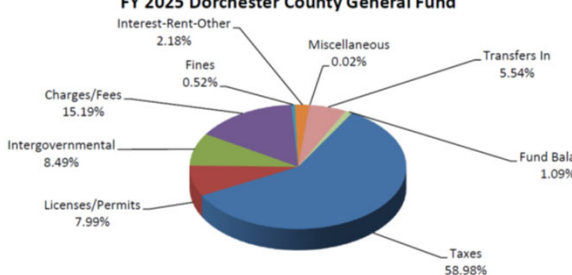
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Funding Sources

- **Revenue Structure**


- There are various types of county generated revenue. Property tax revenue is the most common. Others include:

WHERE IT COMES FROM:
FY 2025 Dorchester County General Fund



Source	Percentage
Taxes	58.98%
Charges/Fees	15.19%
Intergovernmental	8.49%
Licenses/Permits	7.99%
Transfers In	5.54%
Interest-Rent-Other	2.18%
Fund Balance	1.09%
Fines	0.52%
Miscellaneous	0.02%

Total Available: \$91,985,886


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Funding Sources

- **Revenue Structure**
 - Your county may also have Enterprise or Special Revenue Funds that enable the operation of certain utilities or other segments of government not relevant to the General Fund. These may include:
 - Stormwater
 - Water & Sewer
 - Solid Waste
 - Fire Service
 - E911
 - Federal and State Grants
 - Accommodations Tax/Hospitality Tax

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Funding Sources

- **Funding for Capital Projects**
 - Capital Projects require creative approaches to funding, whether that is providing for pay-go or various mechanisms of financing with debt.
 - Pay-go
 - Grants
 - Dedicated capital millage
 - Cost sharing across multiple sources
 - Debt Financing
 - General Obligation
 - Limited Obligation
 - Installment Purchase
 - Utility Revenue
 - Assessment Districts
 - Remember the implementation of a good five-year Capital Improvement Program. It will drive how you anticipate funding needs.

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Best Practices

- **Making Changes**
 - Much can happen in a year. Empower your staff to have the flexibility to make reasonable changes without requiring policy-level approvals at every turn.
 - Budget adjustments
 - Transfers between funds
 - Transfers between major categories
 - Supplemental Appropriations
 - Consider allowing moderate but reasonable supplemental appropriations via authority of the County Administrator
- **Documenting the Process**
 - Staff should have a clearly defined budget process, manuals, forms, and instructions. If not, it should be developed and then County Council can approve the schedule each year to set expectations.

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Best Practices


- **Documenting the Process**



The screenshot shows the 'FY24 Budget Requests' dashboard for Dorchester County Government. It features a navigation bar with 'FY24 Budget Requests' and a search icon. Below is a section for 'IMPORTANT MANUALS' with links to 'FY24 Budget Calendar', 'FY24 Budget Prep Manual (PENDING)', 'FY24 Budget Kickoff PowerPoint (PENDING)', and 'Business Services Object Code Manual'. The main content is organized into categories: 'OPERATING & PERSONNEL REQUESTS' (Program Expansion Operating Form, New Personnel Form, Overtime Request Form), 'CAPITAL REQUESTS' (Capital Program Expansion Form, FY24 Capital Maintenance Form (PENDING), FY24 Capital Replacement Plan (PENDING), New Vehicle - Heavy Equipment Request, FY24 Capital Improvement Form), 'GRANTS' (Grant Matching Request Form), 'REVENUE' (FY24 Revenue Form), and 'TARGETS' (Target Reallocation Submission).

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Questions?

 **Dorchester**
COUNTY

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