



July 14, 2015

Honorable Commissioners:

I am pleased to present the proposed FY 2015/2016 balanced budget. The total proposed budget of \$1.272 billion is approximately the same as the adopted FY 2014/2015 budget and was guided by the Board's policy direction.

Polk County remains fiscally stable due to the Board's focus on strategic, long-term decision-making and commitment to fiscal responsibility. During the period of steep revenue declines that began in 2008, resulting from Legislative and Constitutional property tax reform and the economic recession, the Board chose not to increase taxes. Therefore, difficult decisions have been made to substantially reduce expenditures and realign existing revenue sources. In addition, some key government services (fire rescue, parks & recreation, and roads) have been sustained by using reserves to cover the difference between operating revenues and expenses. With reserves depleting, new revenue is now required to maintain or enhance service levels.

Service demands are growing as the county continues to urbanize. Polk County's current medium population estimate from the University of Florida Bureau of Economic and Business Research (BEBR) is 636,100 with forecasts suggesting the county will be home to an estimated 700,000 by 2020; 800,000 by 2030; and more than one million people by 2040. In addition to providing important countywide services, Polk County also provides an array of municipal services for the 62 percent of the population residing in the unincorporated areas. These services include providing fire suppression; parks and recreational activities; adequate roads, sidewalks and trails; residential waste collection; and water/wastewater utilities.

While Polk County's economic climate is improving, it will take several years of growth to address the service and infrastructure deficits that have accrued since 2008. Therefore, in the short-term it is important to invest revenue growth in the highest priority services within the framework of strategic long-term planning. This approach will help promote and sustain a safe, healthy, economically strong, and environmentally responsible county.

# BUDGET PRIORITIES

Fiscal priorities have been aligned with the Board's goals as established at its annual Board Retreat in February 2015.

## Realignment of Environmental Lands Millage Levy

In November 1994, Polk County voters approved a 20-year 0.20 mill property tax levy for environmental lands. More than \$84 million has been collected, which facilitated acquisition of 26,000 acres of environmentally sensitive lands. As the 20-year levy ends in 2015, interest from the \$38 million remaining in the trust fund will be used for operations and maintenance of the environmental lands.

Therefore, to address operating deficits in other key service areas, the Board directed:

- **Reallocating revenue from the 0.20 mills previously levied for environmental lands - approximately \$5.1 million annually, as follows:**
  - **8% (\$0.4 million) to emergency medical services by increasing the General Fund operating millage from 5.6665 to 5.6815 mills;**
  - **43% (\$2.2 million) to parks and recreation by increasing the Parks Municipal Services Taxing Unit (MSTU) from 0.4219 mills to 0.5619 mills; and**
  - **49% (\$2.5 million) to transportation by increasing the 1 mill for roads to 1.1 mills.**

## General Fund

The General Fund remains a long-term challenge. The approximately \$9.1 million in new ad valorem tax revenue from the 6.43 percent increase in countywide taxable values will be invested in critical public safety services; \$7.6 million for the Sheriff and \$2.5 million for Emergency Medical Services. To sustain this recurring investment and address the perennial shortfall of recurring expenses exceeding recurring revenues, the following actions were necessary:

- **"Sunset" the North Ridge Community Redevelopment Agency (CRA) to permanently recapture the tax increment (\$5.6 million annually);**
- **Eliminate the \$5 million annual transportation subsidy.**

1. Total balanced budget of \$1.272 billion.
2. Countywide property values increased 6.4%.
3. No new revenue from millage rate adjustments.
4. Improved economy resulted in revenue growth from property tax, sales tax, and tourist development tax.
5. Adequate reserves for emergencies and unexpected economic downturns.
6. More people live in the unincorporated areas of Polk than in towns and cities.
7. Fire fee, used exclusively for fire suppression in unincorporated Polk County, increased to enhance current level of service.
8. Water/wastewater and waste collection/disposal fees remain unchanged.
9. Momentum 2040, the Transportation Planning Organization's 25-year long-range transportation plan, will identify the highest priority future improvements necessary to maintain our quality of life and efficiently move goods throughout Polk County.
10. Future funding for alternative water supply (AWS) projects must be addressed to ensure availability of public water supply to maintain our quality of life and support economic development.

### **Parks MSTU Fund**

To address the operating deficit and provide adequate funding for operations and maintenance of existing parks and to maintain recreational activities at current service levels, the following action has been taken:

- **Increase the Parks Municipal Services Taxing Unit (MSTU) from 0.4219 mills to 0.5619 mills.**

### **Transportation Trust Fund**

With voter rejection of the sales tax referendum in November 2014, the funding sources for roads will remain gas tax and ad valorem tax. To address the operating deficit and the elimination of the General Fund subsidy, and provide sufficient operating revenue to adequately maintain the 2,700 miles of county roads, the following actions have been taken:

- **Extend collection of the First Local Option Gas Tax (6 cents) from 2017-2047;**
- **Increase the ad valorem levy for roads from 1.0 mill to 1.1 mills.**

### **Fire Rescue Fund**

The Fire Rescue Fund reserve is depleted and is no longer available to sustain services. To keep current levels of service, the Fire Fee would have to be increased from \$168 to \$186 for a single-family home. With the need to enhance levels of service in certain areas of the county, the following is proposed:

- **Increase the Fire Municipal Services Benefit Unit (MSBU) single-family home fee from \$168 to \$195 with a similar increase for commercial land uses.**

## **BUILDING A RESILIENT ECONOMY**

Key economic indicators continue to improve in Polk County. This is the third consecutive year that both sales and property tax revenue has grown. Home sales have improved, the number of building permits for new construction is on the upswing, and unemployment is down.

Sixteen companies are now participating in the county's voter-approved Ad Valorem Exemption program. Since inception of the Ad Valorem Exemption program in 2013, \$533.8 million of new commercial construction has been or will be added to the county's tax roll and 2,217 total jobs are being created.

The public-private partnership that has been the foundation of Polk County's economic development program for 30 years will undergo a major change on October 1, 2015. The direct management responsibility for economic development will transition from county government to the Central Florida Development Council, Inc. (CFDC), resulting in the elimination of six positions from the county payroll. This budget reflects the Board's direction to continue providing the same level of public funding to support the economic development program, including allocating the occupational license fee (business tax) revenue and the general revenue allocation for incentives.

Since 2010, tourist development tax revenue has grown by more than 30 percent. This growth provided the opportunity for the Board to invest \$27 million over the next five years in tourism venues. Planned expansions of the Lakeland Center and Auburndale's Lake Myrtle Sports Complex, new convention facilities in Winter Haven, and an equestrian and heritage venue in Fort Meade are tied to partnerships with the four cities. These investments from tourist development tax will enhance Polk County's economy by generating overnight stays that will have millions of dollars in economic impact and create jobs.

## PUBLIC SAFETY INVESTMENTS

Public safety is the most important service Polk County provides for its residents. During the economic downturn, the Sheriff and Polk County Fire Rescue controlled expenses and found innovative ways to sustain service levels. However, with a growing population driving increased service demands, this budget proposes to strengthen these vital public safety services.

### **Polk County Sheriff's Office (PCSO)**

The Sheriff's FY 2015/2016 budget represents a 5.49 percent increase from FY 2014/2015, which includes funding for salary increases to retain and recruit talented deputies and staff, fund deputy positions that are no longer being funded through expiring federal COPS grants, and begin to address capital needs for aging equipment. The PCSO budget request did not include mandatory retirement rate increases recently passed by the Legislature; however, this proposed budget has been adjusted to reflect this \$1.25 million increase.

There is a war on talent in the law enforcement field that requires the PCSO to remain competitive. It costs more than \$52,000 and 14 months to replace just one deputy sheriff; therefore, the investment in deputy salaries is necessary to remain competitive in the law enforcement market.

The PCSO budget also includes funds for existing deputy sheriff positions that are no longer being funded by the expiring 2012 COPS grants. Based on the ratio of law enforcement officers per 1,000 population, the PCSO currently operates with 31 percent fewer sworn members than local police departments, so it is important to maintain existing staff allocations by funding the COPS deputies.

The operating and capital budgets include increases for inmate medical costs and investments in an aging fleet of law enforcement vehicles. After five years of no increase in the jail medical contract, a small percentage increase is necessary. Significant capital reductions during the recession left the PCSO with a budget that would only support a 17-year fleet replacement plan, which is not sustainable. With the increase in the capital budget for FY 2015/2016 to replace old vehicles, this request is still half of the capital budget prior to the economic downturn.

### **Polk County Fire Rescue**

Polk County is responsible for fire services in the unincorporated areas. A fire fee is levied to unincorporated property owners to fund this service. Without a fire fee increase, operating expenses

in FY 2015/2016 would exceed revenues by \$3.1 million, drawing down all reserves and leaving a \$1.7 million shortfall. Level of service reductions would be necessary, including closing existing stations and eliminating 21 firefighter positions.

Additional challenges include:

- Areas of the county where distances from existing fire stations adversely impact response times and may affect ISO ratings for homeowner's insurance;
- Increasing call volumes impacting emergency medical response times;
- Inadequate compensation rates resulting in increased turnover and difficulty recruiting experienced professional staff;
- Aging and inadequate fire stations, and
- Staffing and training employees for specialized equipment needed in the county.

To address these challenges, this budget recommends an increase in fire fees to \$195 for single family homeowners, with a similar increase to commercial properties. The proposed increase provides funding to improve levels of service provided to residents.

Emergency Medical Services is provided countywide and is partially subsidized by the General Fund. This budget proposes to enhance service by adding two new 24/7 ambulances (Winter Haven area and eastern Polk County) and expanding two 10-hour a day ambulances to 24/7 service (Lakeland area), which will increase the total number of 24/7 ambulances from 28 to 32.

These service enhancements will result in a net increase of 38 positions in Fire Rescue.

## INFRASTRUCTURE FUNDING

### Impact Fees

The Board's history of investing in new infrastructure has been significantly reduced since 2008 due to the slow economy and need for fiscal constraint. Limited available revenue has been used primarily to maintain existing infrastructure assets instead of adding new assets.

Impact fees are one source of revenue used since 1990 to fund infrastructure costs necessitated by new growth. Due to the slow economy, a moratorium on all impact fees except schools has been in place since August 1, 2010. Due to the improved economy, in 2014 the Board directed the completion of an updated impact fee study, and in 2015 voted to re-impose impact fees on January 1, 2016. This action is an initial step to address future infrastructure needs for EMS, Transportation, Fire, Corrections, Libraries, Parks, and Law Enforcement.

### Landfill Dividend

During the past two years, aggressive efforts have been underway to increase landfill operational efficiency and to reevaluate strategies to provide future landfill capacity. Since 1998, Waste & Recycling's staffing has been reduced from 108 to 44 full-time equivalents. As a result, Polk County's

North Central Landfill has a competitive tipping fee that can be maintained at its current level for a minimum of five years and provide a \$4 million annual dividend for other uses.

This proposed FY 2015/2016 budget uses the landfill dividend to partially fund two facility projects: a parking garage at the downtown Bartow government complex and new office/warehouse space for the Supervisor of Elections. Without this dividend, debt service would have been necessary. Beginning in FY 2016/2017, the annual dividend can be used to address a long-standing, critical need to fund an asset management program for Polk County's four million square feet of facilities.

## OTHER BOARD PUBLIC POLICY DIRECTION

### Code Enforcement

This budget includes three additional staff for code enforcement. During the economic downturn, staffing was reduced from 30 to 20 full-time equivalents. Two positions were added in FY 2014/2015. With these new full-time positions, the staffing level will be back to 25 positions, which was achieved without increasing the General Fund subsidy due to successful implementation of Board-approved strategies to increase program revenue.

### Indigent Healthcare/Social Services

The indigent healthcare sales surtax creates about \$35 million annually. Without voter approval to extend the one-half cent indigent sales surtax, it will "sunset" in 2019. The sales surtax provides direct services to eligible Polk County residents who do not have access to any other healthcare. It is also the funding source for State-mandated expenses for Medicaid (currently \$10 million annually) and mental health, drug, and alcohol treatment programs (\$3 million annually). Without the sales surtax, the General Fund would have to assume these State mandates, and the operating millage rate would likely have to be increased by one-half to three-quarters of a mill. The Board has directed a November 2016 referendum seeking voter approval to extend the indigent sales surtax.

For many years, Polk County has been the direct service provider for elderly services programs, with the majority of program funding coming from the State of Florida. With State funding for these services being reduced, Polk County is not in a position to subsidize these services locally and has notified the appropriate agencies that we will no longer administer these State General Revenue programs.

The Board has directed the transition of transit programs traditionally provided or administered by Polk County - Winter Haven Area Transit (WHAT), the rural fixed-route service, and paratransit - to the Lakeland Area Mass Transit District (LAMTD), as an interim step before eventual consolidation under the Polk Transit Authority. This budget implements this transition by eliminating county positions while maintaining the current level of county funding, which will be paid to LAMTD under a service contract.

These changes in program responsibility result in a reduction of 85 authorized positions. With 21 other position eliminations during the past two years, Polk County will have eliminated 106 full-time equivalents or 40 percent of the entire staffing assigned to Social Service programs.

# LONG-RANGE STRATEGIC PLANNING

During recent years when the county's revenue base was declining, focus has been on short-term steps taken each year to balance the budget and sustain services. With finances stabilized, a more future-oriented, strategic approach is needed to achieve long-term fiscal sustainability. It is also timely for management to reassess business models and ways of doing business as services are being rebuilt. It will be necessary to continue operating with a much leaner workforce, partnering with other agencies, outsourcing services when financially prudent, and investing in technology to be more efficient in meeting service demands.

During the past year, our strategic planning initiative was focused on addressing critical, short-term financial issues facing the Fire Rescue Fund, Transportation Trust Fund, and the Parks MSTU Fund. With final Board adoption of this budget, Board-directed revenue realignments will provide adequate funding to sustain these services for multiple years.

During the coming year, the strategic planning initiative will focus on identifying strengths, weaknesses, opportunities, and threats in several business units. As part of this project, strategies and business practices will be reevaluated to ensure best practices are being employed to maximize efficiency and cost-effective service delivery. Business units being evaluated this year include Fire Rescue, Parks & Recreation, Roads & Drainage, Indigent Healthcare/Social Services, and Equity & Human Resources/Risk Management.

## SUMMARY

The FY 2015/2016 is balanced. I believe it represents a fiscally responsible spending plan that is consistent with the Board's public policy direction and uses available resources to focus on the highest priority services.

Respectfully Submitted,



Jim Freeman  
County Manager