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Honorable Commissioners:

I am pleased to present the proposed FY 2016/2017 budget, which is a fiscally responsible plan for county operations. The total proposed budget of \$1.30 billion is an increase of approximately \$22.98 million from the FY 2015/2016 adopted budget. Guided by the Board's policy direction, this proposed budget maintains county services while directing available funds toward the Board's highest priority goals.

Background

For the past decade, the Board's budgetary policy has been to prioritize investments in services and infrastructure within the revenue generated by the same tax rates and lowest possible fees.

From 2008 to 2013, Polk County experienced major revenue reductions affecting many county business units, especially those funded primarily by general revenues. As property values declined each year, with no millage rate increases enacted, property tax revenue generated by the millage rate fell by 35 percent, from almost \$248 million to approximately \$162 million. Therefore, it was necessary to implement deep spending reductions to balance budgets.

The strategy to implement the spending reductions was to stabilize funding levels for public safety services (law enforcement, detention, fire rescue and emergency medical services), while cutting expenditures in other areas of county government. While we avoided public safety spending cuts, the same funding levels did not address increasing workload demands. As the economy has improved, to address the reduced service levels, the Board has invested most of the recent revenue growth in public safety services. Based on long-term budgetary projections, the Board will likely have to continue allocating most of the revenue growth to attain and maintain public safety services at the desired service levels.

In summary, the current tax and fee structure will not generate the necessary revenue to adequately address demands for other government services or achieve the Board's other long-term public policy objectives. In future fiscal years, the Board will have to determine an appropriate balance between increasing revenue, reducing public safety service levels or continuing to defer infrastructure expansion.

Population Growth

Further reductions in service levels or continuing to delay infrastructure expansion may be impossible given Florida's projected population growth of 7.4 million new full-time residents by 2045.¹ Historically, Florida's method of funding and providing public services falls primarily on local governments. According to Florida TaxWatch, more than half (53.2 percent) of all government revenues in Florida are raised by local governments, which is the third highest percentage in the nation, largely due to the fact that Florida relies more heavily on local governments to fund public services than almost all other states.²

Polk County's current population of 633,052 full-time residents is projected to increase by approximately 300,000 full-time residents by 2045.³ With more than 60 percent of Polk County's residents living in the unincorporated areas, the corresponding demand for public services will generate the need for large operating and capital investments. Given Florida's tax structure, it is questionable whether Polk County's revenue growth can sufficiently address future needs, making the Board's public policy focus on keeping tax rates steady increasingly difficult to sustain.

The Board's policy direction during the FY 2016/2017 budget process reflects the growing demand for service and infrastructure investments.

Board Goals

The proposed balanced budget includes funding to address the highest priority goals set by the Board at its annual retreat in February 2016.

Fire Rescue Service Improvements

In FY 2016/2017, the Board's highest priority is to expand fire rescue services and improve the working environment for our public safety employees.

¹ BEBR, Volume 49, Bulletin 174, January 2016

² "2016 How Florida Compares: Taxes" p. 3.

³ BEBR, Volume 49, Bulletin 174, January 2016

At A Glance:

- **Balanced Budget for FY 2016/2017 is \$1.30 billion**
- **1.8% increase from FY 2015/2016 adopted budget**
- **Countywide property value increased 6.04%**
- **\$352.9 million General Fund budget is a \$21.9 million increase from FY 2015/2016**
- **Net increase of 31 BoCC positions**
- **Board priorities for FY 2016/2017 include service improvements for Fire Rescue and address localized flooding**

Polk County Fire Rescue provides emergency medical services on a countywide basis. This critical quality of life service is primarily funded by ambulance fees, with a subsidy from general revenues. Polk County Fire Rescue also provides primary fire response in the unincorporated areas and some municipalities, which is funded by a fire fee on residential and commercial structures in these service areas. The proposed FY 2016/2017 budget includes funding increases to begin addressing some of the most important challenges faced by Polk County Fire Rescue.

<h3 style="text-align: center;">Insufficient Compensation</h3>	<h3 style="text-align: center;">Inadequate and Aging Fire Rescue Stations</h3>	<h3 style="text-align: center;">Increasing Call Volume</h3>
<ul style="list-style-type: none"> • Finalize pay study to define market competitiveness and quantify pay compression • Earmark funds to begin to address findings 	<ul style="list-style-type: none"> • Funding to build new Lake Marion Creek station • \$2.2 million to help address other station needs • Develop a master plan to use a more systematic approach to future station investments 	<ul style="list-style-type: none"> • Operating costs to staff two new 24X7 ambulances during the next fiscal year • Staffing includes additional 6 paramedics and 6 EMTs

Water Supply and Rates

Water is a long-term challenge for Polk County and all of Florida. Public utilities must provide potable water for a growing population within an increasingly challenging regulatory environment. Local governments cannot rely upon traditional sources of water to supply future demand; therefore, development of alternative water sources is critical for the future. Since the size, complexity and cost of alternative water supply projects require multi-jurisdictional cooperation, the county and 15 municipalities approved an interlocal agreement during 2016 to establish the Polk Regional Water Cooperative (PRWC). The primary role of the PRWC is to “proactively identify alternative water resources and projects that ensure the future sustainability of our regional water supply.” The proposed FY 2016/2017 budget includes a nominal water rate increase to address Polk’s share of alternative water supply initiatives, regional water system consolidation efficiencies and a slightly expanded investment in needed recurring infrastructure repairs and replacements.

Localized Flooding

About 46 percent of Polk County lies in a special flood hazard area. Tropical storms and unpredictable rainfall patterns cause periodic localized flooding challenges throughout the county. The Board established a 2016 goal of prioritizing and providing a multi-year funding source to address localized flooding projects. While the FY 2016/2017 proposed budget does not include a multi-year funding source, it does propose one-time funding of \$1.95 million for six of the highest priority localized drainage/flooding projects:

- Lake Mariam/Lake Ring
- Citrus Woods Estates
- Mount Olive Road
- Forest View Estates Outfall
- Moss/Jones Road
- Aldine Circle

Future Transportation Challenges

In 2005, the Board approved a one-mill property tax levy for roads and increased transportation impact fees. The revenue from these actions, during the strong mid-2000s economy, provided resources to enhance road maintenance and fund a robust road construction plan that decreased the number of failing lane miles throughout Polk County. Significant revenue declines during the subsequent recession made it necessary to direct available resources almost exclusively to operations and maintenance. The Board's 2015 actions to increase the tax levy for roads by 0.1 mill, as part of a revenue neutral realignment of millage rates, and to reinstate impact fees in January 2016 will provide some funding for road capacity projects.

However, this funding alone will not add road capacity within the required time period to address projected growth.

In December 2015, the Polk County Transportation Planning Organization (TPO) adopted

Road	From	To	Improvement	Cost
Bartow Northern Connector	US 17	SR 60	New 4 Lanes	\$32M
Lake Wilson Road	CR 54	Osceola Co/L	2 to 4 Lanes	\$12M
Marigold Avenue	Coyote Road	CR 580	2 to 4 Lanes	\$18M
North Ridge Trail	Deen Still Road	Sand Mine Road	New 2 Lanes	\$23M
Spirit Lake Road	US 17	SR 540	2 to 4 Lanes	\$63M
Thompson Nursery Road	US 17	US 27	New 4 Lanes 2 to 4 Lanes	\$107M
West Pipkin Road	Medulla Road	Harden Boulevard	2 to 4 Lanes	\$28M
TOTAL				\$283M

Momentum 2040, the 25-year long-range transportation plan. Transportation system modeling using growth projections identified priority road projects for the future. Most notable is the projected road capacity expansion needed in northeast Polk County. Within 25 years, the northeast quadrant of the county will have approximately the same population as the northwest quadrant; however, this area currently has only one-half the road lane miles. Avoiding negative impacts to both quality of life and

economic development will require a long-term strategy to fund major improvements on the state and county transportation systems.

Public Safety – Polk County Sheriff’s Office

The Sheriff’s FY 2016/2017 budget reflects a commitment to provide the highest quality law enforcement and detention services in the most cost effective means. When including the costs that were outside of the Sheriff’s control such as a 4 percent health insurance increase, recent 911 special revenue reductions and the state-mandated retirement rates, the Sheriff’s Budget equates to a 4.6 percent increase from the FY 2015/2016 adopted budget.

The Sheriff’s operating and capital budgets include inmate medical cost increases and investments in the fleet of law enforcement vehicles. After five years with no increases in the jail medical contract, negotiations required increases for FY 2016/2017. Delaying fleet replacement has led to repair and maintenance costs more than doubling, and the manufacturer discontinuation of the Chevy Impala has forced the Sheriff’s Office to move to the next most affordable pursuit vehicle, which is estimated to cost 13 percent more than the Impala.

The Sheriff’s Office faces similar hiring and retention challenges to Polk County Fire Rescue – compensating frontline public safety employees in an increasingly competitive market.

Economic Development

Economic development continues to be a Board priority. The proposed budget provides the same funding level for economic development programs by allocating the business tax revenue (approximately \$1.2 million) and continuing the recurring general revenue appropriation (\$500,000) for incentives/economic development initiatives. The Central Florida Development Council, Inc. (CFDC) is currently involved in several active projects that represent a potential 631 jobs and \$216.7 million in capital investment. Efforts are currently underway to establish a countywide Polk Global Trade Alliance to promote exporting and protocol initiatives to assist Polk County companies.

Polk County’s tourism tax revenue continues to set records with FY 2015/2016 collections on target to exceed FY 2014/2015 by 15 percent. The proposed FY 2016/2017 budget continues implementation of the Board’s multi-year tourism venue investment strategy. For FY 2016/2017, the plan includes the first of twenty annual \$1.1 million payments to Lakeland for debt service associated with the major renovation to Joker Marchant Stadium; \$1 million to Lakeland for “start up” costs for the planned Lakeland Center renovations; and \$1 million to Winter Haven for “start up” costs for the new Arena and Convention Center. Future appropriations will provide funding assistance to help complete these projects and construct a new equestrian and heritage center in Fort Meade. In addition to these investments, Polk County Tourism and Sports Marketing has increased efforts in hotel recruiting, which coupled with effective demand-driving strategies, are laying the groundwork for an ever brighter tourism economy, which is a vital part of Polk County’s overall economy.

Indigent Healthcare

Since approved by voters in 2004, a half-cent discretionary sales surtax has served as a revenue source to provide direct medical services to eligible Polk County residents, who do not have adequate access to healthcare. It is also the funding source for state-mandated expenses including the county's portion of Medicaid and mental health, drug and alcohol treatment programs. The Board has approved a November 2016 referendum for extending the half-cent indigent sales surtax that will "sunset" in 2019, if not extended by voters before that date.

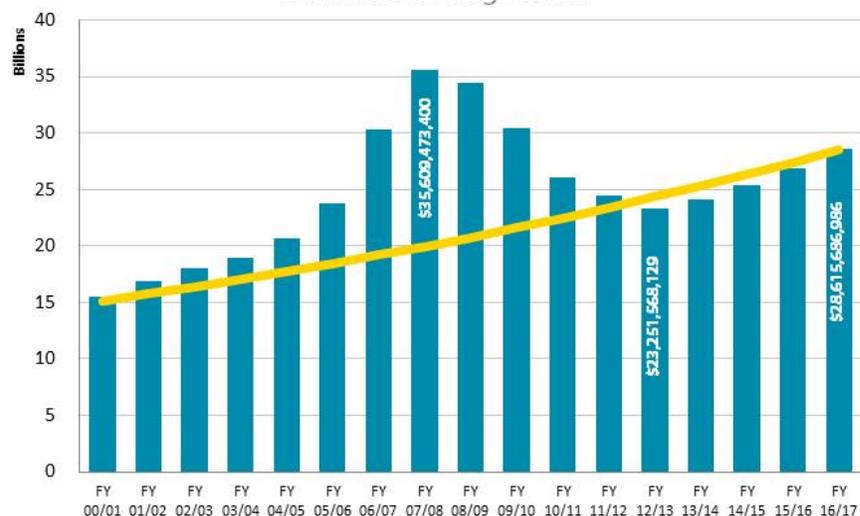
Budget Summary

Polk County's economy continues to show signs of slow but steady improvement. The Office of Planning and Development reports continued modest growth in the number of unincorporated single-family residential permits, which is currently averaging about 141 permits per month. While this is more than double the average number issued at the lowest point in 2011, it remains 25 percent below the average number of monthly permits issued over the past 40 years.

Countywide property values were higher for the fourth straight year, with an increase of 6.04 percent. The unincorporated area saw an increase of 5.81 percent. The proposed budget is based on the same millage rates as the current year, increasing property tax revenue approximately \$11.3 million overall with \$8.8 million more in the General Fund. Property values are still only at 80 percent of peak property values in FY 2007/2008. Other revenues have also shown growth, with sales tax and state revenue sharing increasing an average of 5 to 6 percent each year for the last five years.

Actual Taxable Value

Historical Average Trend



The proposed FY 2016/2017 budget includes:

- Increasing the landfill dividend to the General Fund from \$4 to \$6 million to help fund facilities asset management, community cleanup and other Board goals;

- In addition to staffing the two new 24X7 ambulances (12), new positions are included in Facilities Management (2), Utilities (5), Emergency Management (1), Building (6), Fire Rescue (4), Parks (1) and Waste & Recycling (4) to maintain current levels of service;
- Funding to keep the countywide 800-megahertz radio system technology up to date and operational;
- Supplementing the normal amount budgeted for controlling mosquito-borne diseases by \$100,000 to enhance surveillance and control of mosquitos known to carry the Zika Virus;
- An allocation for pay increases in an amount equal to 3 percent of payroll and funds are set aside to begin implementation of the Fire Rescue pay study. The Constitutional Officers have also included staff pay raises in their budgets; and
- While staff continues to closely monitor monthly financial reports, after five years with no increase in employee or employer health insurance costs, a 4 percent increase is included to address increased claim costs.

Constitutional Officers Budgets

The General Fund portion of the Constitutional Officers' budgets is \$6.85 million more than the adopted FY 2015/2016 budget, of which the Sheriff's budget increase accounts for \$6.73 million of this amount.

The Property Appraiser's budget increase includes mandated aerial photography, vehicle replacement, and a facility capital project. The Supervisor of Elections' budget decreased by about \$650,000 because the FY 2015/2016 adopted budget included funds for the 2016 primary elections and preparations for the November 2016 presidential election.

Officer	FY 15/16 Adopted Budget	FY 16/17 Requested Budget	Change from Prior Year
Comptroller			
Auditor to the Board	\$3,531,963	\$3,490,615	(\$41,348)
Clerk Technology	\$638,835	\$669,326	\$30,491
Property Appraiser	\$6,424,412	\$6,976,952	\$552,540
Tax Collector (net)	\$6,250,000	\$6,475,000	\$225,000
Supervisor of Elections	\$4,598,501	\$3,944,979	(\$653,522)
Sheriff	\$145,790,170	\$152,524,464	\$6,734,294
Total	\$167,233,881	\$174,081,336	\$6,847,455

Infrastructure

The proposed FY 2016/2017 to FY 2020/2021 Community Investment Program (CIP) totals \$164.2 million for Utilities, Waste & Recycling, Parks & Natural Resources, Roads & Drainage, Facilities Management, Fire Rescue and Information Technology. This is nearly **\$8.4 million less** than in FY 2015/2016.

The Board's 2015 action to realign millage rates stabilized the financial condition of the Transportation Trust Fund and Parks MSTU Fund, providing sufficient revenue to sustain current levels of service and provide for adequate asset management.

The Solid Waste Fund remains financially strong. The landfill has been constructed and expanded without debt. Tipping fees are competitive, and the current waste flows provide a revenue stream that covers operations and maintenance, construction of a new cell scheduled to open in 2017, adequate reserves, and an annual landfill dividend of \$6 million for the next five years dedicated to other infrastructure needs. The landfill dividend is roughly equal to a 0.2 mill levy, so it will be important to consider future public policy actions to maintain existing commercial waste flows.

Long-Range Strategic Planning

In FY 2015/2016, staff began a strategic planning initiative focused on identifying the strengths, weaknesses, opportunities and threats and developing appropriate business plans for Fire Rescue, Roads & Drainage, Parks, Indigent Healthcare, Social Services, Equity & Human Resources and Risk Management. This project will continue during the coming year with a goal of having a strategic plan for all county business units by FY 2018/2019. During FY 2016/2017, the next phase of strategic planning initiative will include the Budget & Procurement, Facilities Management, Fleet Management and Communications divisions.

Conclusion

I believe the FY 2016/2017 proposed balanced budget is a fiscally responsible spending plan that is consistent with the Board's public policy direction and provides funding allocations to support the Board's highest priority goals.

Respectfully submitted,

A handwritten signature in black ink that reads "Jim Freeman". The signature is written in a cursive, flowing style.

Jim Freeman
County Manager