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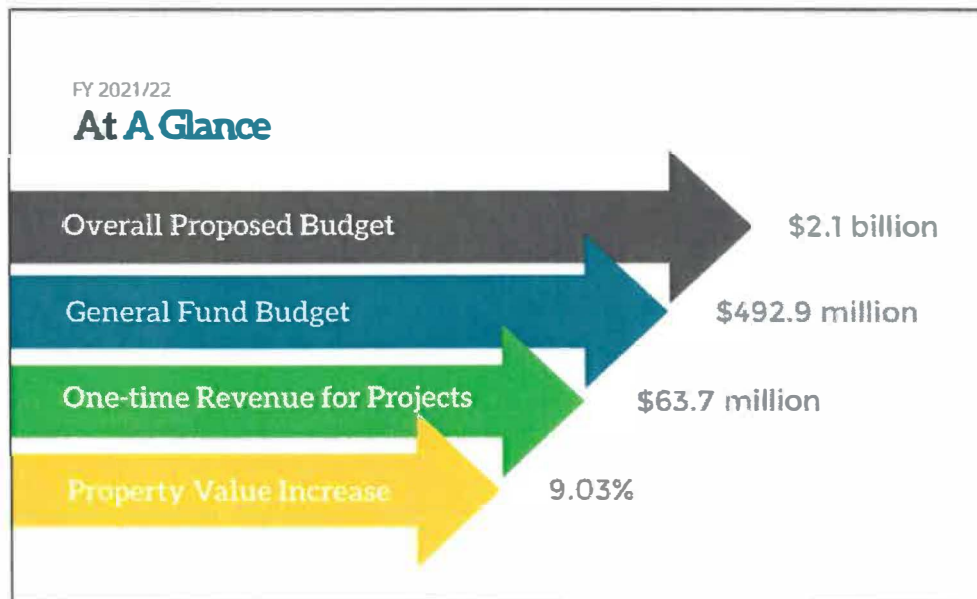
www.polk-county.net

October 1, 2021

Honorable Commissioners:

I am pleased to present the Fiscal Year 2021/2022 adopted balanced budget. This budget reflects the Board's core values, strategic priorities, and commitment to deliver outstanding, cost-effective services so that we may provide an improved quality of life for the residents of Polk County.

Throughout the past several months, staff has worked with the Board to create a budget that we will use to communicate and provide the desired levels of service, maintenance, and infrastructure determined by the Board to be necessary to serve our residents.



Budget Impact from the COVID Pandemic

Today, Polk County along with the rest of the country, is emerging from one of the most difficult periods in recent history. For more than a year, the COVID pandemic dominated our lives and impacted virtually everyone. Thankfully, infection rates have slowed dramatically, a vaccine is available, and life is beginning to return to normal.

The projected economic uncertainty due to the pandemic never substantially materialized for Polk County. The FY 20/21 budget planned for COVID-related revenue reductions; however,

State Revenue Sharing, Sales Tax, Indigent Sales Surtax, and Gas Tax revenues all came in higher than budgeted for the year. Tourism, which is one of the largest economic drivers in Polk County, rebounded much more quickly than anticipated. Tourism tax collections for FY 20/21 generated a record amount of revenue, surpassing FY 19/20 by nearly 52%. Tourism Tax revenues are projected to continue increasing over the next five years, although at a more moderate rate between 4 to 6%.

Prudent financial decisions that the Board made more than a year ago have allowed Polk to come through the pandemic in a strong financial position that is reflected in this adopted budget.

In March, Congress passed, and the President signed into law the American Rescue Plan Act (ARPA), a \$1.9 trillion economic stimulus package designed to support COVID response efforts, replace lost revenues, and address necessary investments in select categories of infrastructure. The Plan provided direct funding to large local governments, including Polk, and it also included additional programmatic funding for rental and utility assistance.

In contrast to Federal requirements in 2020 to get the County's Coronavirus Aid, Relief, and Economic Security (CARES) Act funding into the economy quickly, fully implementing ARPA funds will be a marathon, not a sprint, with expenditures to be completed by 2026. Polk County is receiving approximately \$140.8 million in two annual payments through the ARPA, as well as another \$39.0 million in rental and utility assistance funds.

The planning process began with the establishment of categories or "buckets" that align with the ARPA guidelines for expending Polk's allocation to include Government Infrastructure, General County Impacts and Mitigation, and Small Business Assistance/Community and Public Health.

Board guidance focused heavily on investments in infrastructure, with 88% of the allocation going towards eligible capital projects. With funding requests exceeding the County's total ARPA appropriation, the Board has faced difficult decisions in determining which projects and programs met the criteria of the American Rescue Plan and provide the most long-term economic impact for the County without creating unsustainable recurring expenses once the ARPA funding is exhausted. Final decisions regarding the \$10.5 million set aside for Small Business/Community and Public Health will be made in November following an application process that opened in late September to local organizations interested in helping the community address negative impacts from COVID.

ARP Funding Polk County Buckets				
Buckets	Bucket Costs (Millions)		TOTAL	% of Funds
	Infrastructure /Project	Program /Other		
Government Infrastructure	\$82.7	\$0	\$82.7	59%
General County Impacts & Mitigation	\$41.7	\$5.9	\$47.6	34%
Community, Public Health, Small Bus	\$0	\$10.5	\$10.5	7%
TOTAL	\$124.4	\$16.4	\$140.8	100%
% of TOTAL	88%	12%	100%	

Budget Impact from Growth

The COVID pandemic did not slow population growth in Polk County. According to U.S. Census population estimates released in May, the Lakeland-Winter Haven metropolitan area that includes all of Polk tied with Boise City, Idaho with the second-highest rate of population growth in the U.S. from July 2019 to 2020 at 2.7%. Only Austin, Texas grew faster, at 3.0%.

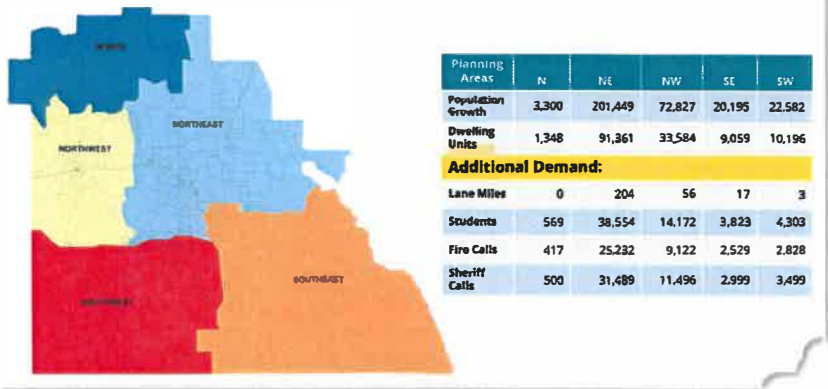
According to the Property Appraiser's July 1 tax roll, the taxable value of all properties increased 9.03% over 2020. New construction accounted for more than \$1.6 billion in the net increase.

As another indicator of growth, the demand for building permits continues to increase. The Building Division issued 4,970 single family residential permits in FY 20/21, which is over 1,700 more than the previous year. Also indicative of Polk's rapid growth is that since January, 37 new housing and commercial water utility systems have been accepted by the Board for ownership and maintenance by Polk County Utilities.

Projections in Polk Transportation Planning Organization's Long Range Transportation Plan show that the northeast quadrant of Polk alone could add more than 200,000 new residents by 2045.

With the expected additional demand for services, the Board will continue to be challenged with a need to address the levels of service and related capital projects which can be sustained without seeking additional revenue sources.

Additional Demand for Services by 2045



Budget Impact from the State FY 2022 Budget

The Board's strong relationship with the County's legislative delegation is important in providing services for our residents. The delegation was successful in obtaining funding for important Polk projects in the State's FY 2022 Budget. This includes investments in public safety, public water supply, and transportation infrastructure that are vitally important in our rapidly-growing County and will greatly enhance the quality of life of our residents.





The largest appropriations were for road capacity capital projects that will be delineated in the CIP Budget section of this message. Other notable funding includes \$2.0 million for water tenders for Polk County Fire Rescue, \$500,000 for construction of a supplies warehouse for Emergency Management, and \$7.0 million for Polk Regional Water Cooperative's Heartland Headwaters program.

The Legislature also allocated \$495,000 for renovations to the Agricultural Center and Extension Complex.

Overall County Budget

The FY 21/22 balanced budget totals \$2.1 billion. Breaking the \$2.0 billion threshold is largely attributed to Federal COVID-related funds including the \$140.8 million of American Rescue Plan revenue, an unexpected and unprecedented appropriation from the U.S. Treasury. The overall FY 21/22 budget represents a 19.9% increase over the FY 20/21 adopted budget, of which 9.0% is attributed to the increase in property values and new construction.

The adopted budget includes a spending plan that accomplishes specific goals to:

-  Continue to invest in public safety with construction of new fire rescue stations, construction of a state-of-the-art training facility, increased firefighter/emergency medical staffing, and apparatus purchases to provide acceptable levels of service to our growing population
-  Increase transportation revenue without increasing millage to address unfunded road capacity projects
-  Index future Fire Fee increases to contain the General Fund subsidy for fire services
-  Expend \$63.7 million in the ARPA lost revenue allocation and available revenue from new revenue and unspent appropriations for one-time capital projects

The FY 21/22 budget also includes 55 new positions. This will bring the Board's total position count to 2,189. Approximately 75% of these new positions are to provide services that support the County's public safety, public, and environmental health missions. The remaining positions are for infrastructure and support services to all divisions. These staffing increases are needed to meet the service level demands of our growing population, increased development, and the County's robust economy.

We have included a 3.5% pay increase for all employees in the FY 21/22 budget which will be effective on the first paycheck after January 1, 2022.

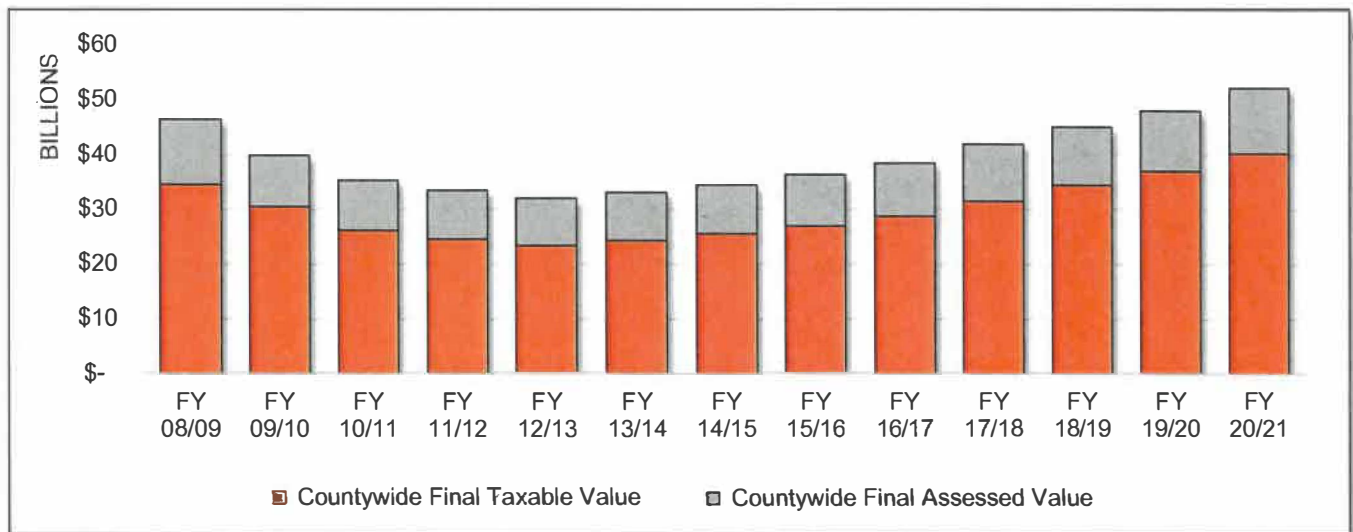
Polk County's resilience throughout the COVID pandemic and this economic recovery period is in large part due to our greatest asset, our employees. I have great respect for how our employees manage their ever-growing workloads in our fast-paced environment, trying to meet the service expectations of our residents and guests.

Operating Millage and Assessed Valuations

The total Countywide operating millage rate in the FY 21/22 adopted budget remains at 6.8990. At your direction, we have reduced the General Fund operating millage to 5.4490 and shifted 0.1000 mill to the Transportation Millage Fund, bringing the Transportation millage to 1.2000. This 0.1000 mill increase provides an additional \$4.1 million to the Transportation Millage Fund for capital capacity projects that were previously unfunded.

Revenue from millage in this budget also includes the fourth year of levies for emergency medical services to help pay for construction of new fire rescue stations, purchase additional ambulances, and increase staffing for those ambulances.

Countywide taxable property values on July 1, 2021 were certified by the Property Appraiser at \$43.6 billion. New residential and commercial construction accounts for more than \$1.6 billion of the growth. Home prices have risen drastically, partly due to the high demand for homes from migration into Polk County. Demand for housing is outpacing supply. While increases in median sale prices helps propel the economy, it is creating a challenge for the County to provide attainable workforce housing. Polk has long prided itself on its outstanding quality of life for everyone; however, we must remain mindful that housing may soon over-price itself beyond what Polk's general workforce market can afford.



Nine consecutive years of considerable growth increases has brought Polk County back to pre-recession taxable property values and the related revenue that it provides. While I remain optimistic that this can be sustained in the second year of this biennial budget, I am cautiously projecting a valuation growth of only 4.0% for the FY 22/23 planned budget.

General Fund

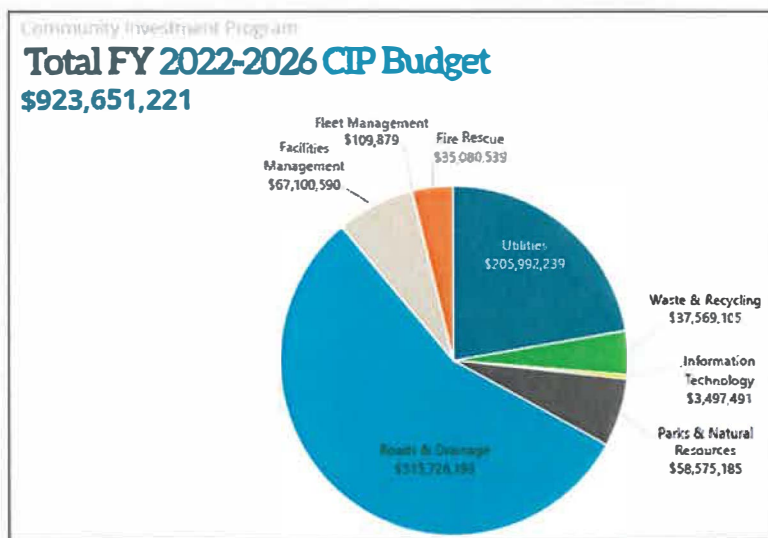
The FY 21/22 General Fund budget totals \$492.9 million, which is an increase of approximately \$43.0 million over the FY 20/21 adopted budget. The General Fund Operating Budget is \$390.4 million; an increase of \$14.7 million. This General Fund increase includes \$7.8 million to the Sheriff's budget and \$1.4 million to the other Constitutional Officers' budgets.

General Fund division budgets include continued investment in technology that will improve workplace performance, enhance communications to our residents, provide more electronic monitoring services for probation, and support the code enforcement mission to improve the aesthetics and health and safety of our community.

Community Investment Program

Polk County continues to be one of the nation's fastest-growing metropolitan areas. Such growth brings both benefits and challenges to the County. The Community Investment Program (CIP),

a five-year plan, funds major capital improvements that will provide needed infrastructure and facilities in Polk County. The CIP budget for FY 2022-2026 is \$923.7 million.



The CIP is established by identifying and prioritizing capital project needs, then balancing those needs with available funding sources. Projects are identified from previously approved strategic plans for roads and drainage, water and wastewater, stormwater, the landfill, parks, and

facilities management. Other projects are recommended by the Board, by citizen advisory boards, and through staff input.

Facilities

The number of capital projects for County facilities in this budget is at an unprecedented high. Major facilities projects include:

- ✈ The Northeast Government Center
- ✈ A new Fire Rescue Training Center
- ✈ The Sheriff's Burnham-McCall Training Center upgrades
- ✈ Four Fire Rescue Stations (Kathleen, Frostproof, Winston Creek, and Loughman) opening in FY 21/22
- ✈ Roof replacement at the Central County Jail
- ✈ Roof replacement at the Indigent Healthcare Building (former County Hospital)

Driven by growth, the need to replace obsolete facilities, and subject to available funding, future Fire Rescue building plans in the CIP include construction of four new stations each fiscal year.

FY 21/22	FY 22/23	FY 23/24
Nalcrest Moore Road Sand Hill Masterpiece	Caloosa Lake Polk City Highland City Eaton Park	Willow Oak Eagle Lake Bradley Tenoroc







Parks and Natural Resources

Recreational facilities at opposite sides of the County are being improved in our CIP budget. New baseball fields, designed for frequent, competitive use will be completed at Northeast Regional Park (NERP) in Davenport. The park is currently scheduled for the annual RussMatt Central Florida Baseball Invitational Tournament in February 2022.

Construction of a bridge for pedestrians and all-terrain vehicles over CR 630 at the Bone Valley ATV Park south of Mulberry is included in the CIP, and the phased development of 300 acres on the north side of CR 630 includes a campground, motocross time trial trails, picnic areas, kids ATV area, motocross track, ATV trails, event parking, and race stage areas.

Transportation

Transportation projects for roads, intersection improvements, sidewalks, and pedestrian safety are the largest share of the FY 2022-2026 CIP. Major projects within the CIP include:

-  Lake Wilson Road with construction to start in early 2022
-  West Pipkin Road from South Florida Avenue to Medulla Road, under construction
-  County Road 557 from West Alfred Street to the I-4 Interchange
-  Marigold Avenue from Cypress Parkway to Palmetto Street
-  Cypress Parkway in Poinciana
-  North Wabash Avenue scheduled for completion in January 2022, in conjunction with the City of Lakeland

New projects will be added to the CIP throughout the year. Due to carryover funding sources, including Transportation millage and Impact Fees, Polk County has been able to plan and fund more capacity projects. Unexpected, but welcome ARPA funds have allowed for funding of sixteen Drainage Improvement projects.

With support from Polk's legislative delegation, an appropriation of \$9.5 million is included in the State's 2022 Budget for a portion of the North Ridge Trail project, a two-lane road. We estimate that this \$9.5 million will allow for the construction of the roadway from Four Corners Boulevard to California Boulevard.






In addition, the Florida Department of Transportation work program includes \$8.0 million for improvements and related right of way acquisition for County Road 557 from Interstate 4 to US 17-92. Notable too, the state's five-year work program also includes funding for land acquisition and construction of the Central Polk Parkway Phase I, connecting the Polk Parkway and US 17 northeast of Bartow.

As directed in a June 2021 budget work session, this budget includes \$17.0 million of one-time revenue to address the County's most critical unfunded road project – Thompson Nursery Road. While the County envisions the entire road would be built from US Highway 17 to US 27, it is cost-prohibitive to complete as one project. Therefore, final design, permitting, and right-of-way acquisition for Phase I, from US Highway 17 at the Winter Lake Road intersection to Rifle Range Road is budgeted and can begin in FY 21/22.

Water and Wastewater

Polk County Utilities continues to experience substantial growth, with the addition of completed new residential and commercial construction coming online for services each month. Strategic initiatives for PCU are system expansion to service growth demand, meeting the requirements of new and changing regulations, developing alternative water supplies, and improving the reliability of our wastewater treatment facilities.

Utilities' five-year CIP totals approximately \$206.0 million with system expansion budgeted at \$131.6 million. Projects include:

-  Gibson Oaks Potable Water System with completion in 2022
-  Ernie Caldwell Boulevard Phase 2 reclaimed water system
-  CR 540A water booster system
-  Jordon's Grove GSR and pump station
-  Potable water main extensions and upgrades in all regional service areas

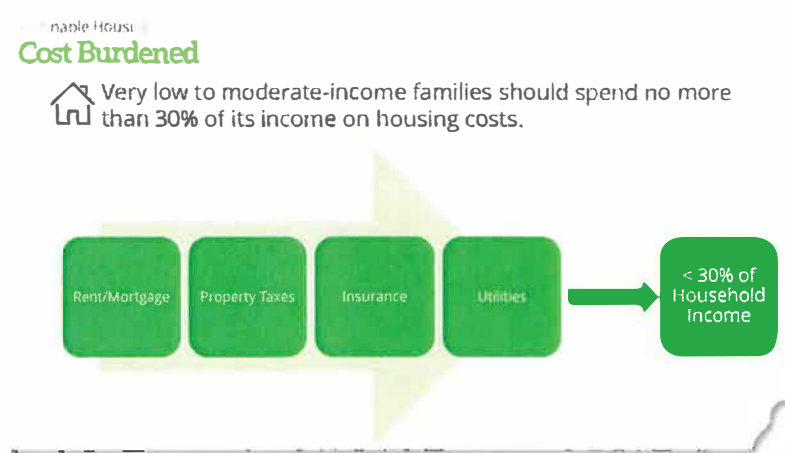
Long-term Challenges

The COVID pandemic created a significant challenge for the Board and senior staff in FY 20/21. Economic uncertainty caused us to be cautious with revenue projections and status-quo budgeting. More so than ever before, we assigned our staffing resources to protect public health, to disperse CARES Act funding to help our small businesses survive, and to provide financial assistance to residents who were affected by business closures and loss of income.

At your Board Retreat in February, two long-term social issues emerged that directly affect the quality of life for some residents - attainable or workforce housing and behavioral health. Addressing these issues with limited dollars will be a challenge, but how we do so is important to maintaining a strong sense of resiliency and community in Polk County.

Attainable Housing

Polk County's median household income is \$61,100. More than one-third of households in Polk make 80% (\$49,350) of the median household income annually, which make them low-income qualified for housing. That's if they can find housing they can afford. In 2019, Polk needed 12,089 additional attainable units for Low Income Qualified Households.



Capital investments are needed to build, preserve, and rehabilitate homes that are affordable to the lowest income citizens. Public/private partnerships, reforming regulations to encourage changes in planning and development, and continued support for state and federal funding




programs will be necessary to help the County's Housing and Neighborhood Development staff continue to assist residents with access to safe and attainable housing in Polk County.

Behavioral Health

Behavioral Health, including mental health and substance abuse, was identified as the number one health issue priority for Polk County as a result of the 2019 Polk Community Prioritization Exercise conducted by the Florida Department of Health. This led to the Board's Indigent Healthcare Citizens Oversight Committee approving funding in June 2020 to secure a qualified firm, Crescendo Consulting Group, to perform an in-depth behavioral health study specific to Polk County.

Today, about 15% Polk County residents struggle with depression. Suicides have doubled in Polk since 2010. Emerging nationwide COVID-related trends show that about 40% of adults and 75% of young adults are struggling with mental or behavioral health issues.

Polk County's Indigent Healthcare program, with Polk Vision and multiple community behavioral health providers, will be implementing strategies defined from the study to strengthen the County's mental health services. Future considerations for the Board might include:

-  Local programmatic changes
-  Policy changes driven by changes at the state level
-  Increased support for more legislative funding

Minimum Wage Requirements

In November 2020, Florida voters approved changes to the state's minimum wage which will raise the rate to \$15 per hour. On September 30, 2021, the Florida minimum wage rate rose to

\$10, with five more incremental step increases of a \$1 per year by the state to arrive at \$15 per hour on September 30, 2026.

The minimum wage rate increase in the FY 21/22 budget is insignificant. Only three positions were affected by the increase; however, each year will get incrementally more costly to the County. The Board will also need to address the challenge of compression as the pay scale flattens and the wage differential between the minimum-wage employee and long-time and supervisory staff narrows.

Discussions will continue with the Board throughout the year, as the County Manager's office seeks direction to adjust the County's compensation schedules so that we meet the new minimum wage requirements and find acceptable means to address compression.

Conclusion

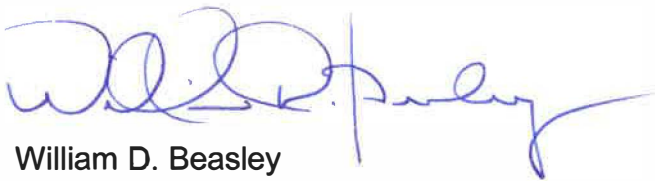
Polk County has been truly blessed with nine consecutive years of a growing business climate, substantial new construction, and increasing property values. We have also come through the COVID crisis with a strong economic recovery.

The FY 21/22 adopted budget reflects the Board's policy of preserving a strong financial position by maintaining healthy fund reserves and providing programs and services that meet our community's expectations at the lowest possible cost.

This budget is the result of considerable planning, dedicated work, and thoughtful dialogue on the part of many members of the County staff.

Finally, and most importantly, I want to express my sincere appreciation to the Board for providing their overarching policy guidance while allowing the staff to manage the internal process in proposing what I believe to be a responsible budget.

Respectfully,



William D. Beasley
County Manager