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October 1, 2022

Honorable Commissioners:

On behalf of the men and women employed by the Board, and to the residents of Polk County, I am pleased to present the FY 22/23 adopted budget.

It has been nearly fifteen years since Polk County has seen new construction fueled by a robust economy like we have in the past two years. Through good fiscal management, the County is well-positioned to manage this growth, create a positive atmosphere for economic development, and provide services to residents that ensure a comfortable quality of life in Polk.

Over the past decade, prudent budgeting and spending has provided more opportunities for the Board to fund capital projects from additional revenue and unspent appropriations while still maintaining a high level of service. This proposed budget includes:

-  A 3% reduction on all County-established millage rates for property owners
-  More than \$120 million of infrastructure projects in progress that are funded by the Federal American Rescue Plan (ARP) Fund
-  Nearly 90 new positions for the Board, Sheriff, and Property Appraiser to provide services to residents due to population growth
-  A plan to fund \$94 million in new capital projects with unspent revenues that were carried forward due to uncertainties that may have affected the County's revenues during the pandemic



Polk County employees are committed to providing residents and guests with high quality, cost-effective services that reflect your values, goals, and priorities. With this perspective, staff has worked diligently to create a budget that positions the County to achieve your strategic priorities and effectively provide necessary services for Polk.

### Economic Impacts Affecting the Budget

Polk County's overall economic health remained strong through the pandemic, but consequences of COVID continue to threaten Florida's vibrant economy. Inflation is approaching levels not seen in nearly forty years, fuel prices are high, and ongoing supply chain disruptions and labor shortages are affecting the County employees' workloads and delaying capital project milestones and completion.

Upward price pressure on energy, raw materials, and finished goods translates to inflation and increases to the Consumer Price Index (CPI) across all sectors of the economy. The year-over-year CPI rose 8.5% in March 2022, which was the highest figure in four decades. This is most certainly affecting Polk County’s operating budget and capital projects. Divisions are experiencing capital project bids and proposals coming in as much as 30.0% higher than what was projected in the Community Investment Program (CIP). This budget includes \$13.0 million reserved for potential capital project cost overruns in the General Capital Fund, \$10.0 million for overruns in the ARP Fund, and project changes in the CIP due to cost increases that are difficult to control.

Since the County historically forecasts revenue and expenses conservatively, divisions should continue to have the financial capacity to maintain current operations, absorb some increases due to CPI growth, and take on some service level improvements included in this budget. The adopted budget reflects a 5.0% indexing of the fire fee assessment established in the FY 21/22 budget, and the solid waste annual assessment is reduced by \$17.21 as a one-time adjustment for disruptive waste collection services experienced.

**Growth**

Data released by the U.S. Census and the Central Florida Development Council shows that Polk County is now the fastest growing county in Florida and fifth-fastest growing county in the United States, averaging about 65 people per day moving into the County. This continues to fuel demand for housing and services across the County.

According to the Property Appraiser’s July 1 tax roll, Countywide taxable values of all properties increased 17.75% over 2021. The steep increase in home prices is due in large part to high demand by people moving to the area. New construction accounted for more than \$2.2 billion of the net increase.

At the Board’s annual retreat in February, the Property Appraiser stated that single-family home

**Future Residential Construction  
Projects Approved October 1, 2021 – September 30, 2022**

Project Type	Number of		
	Approved Projects	Number of Lots	Number of Units
Condominiums/Apartments	38		7,565
Mobile Homes/RV Park	1		23
Residential Subdivisions	77	13,538	
<b>Total</b>	<b>116</b>	<b>13,538</b>	<b>7,588</b>

values in Polk County have doubled in the last five years. Housing inventories have dropped to extremely low levels and bidding wars for homes, with buyers paying prices well above asking prices, are occurring across Polk every day. Economists with the Institute of Economic Forecasting at the University of Central Florida predict that over time, the rate of appreciation for home prices will moderate due to supply and demand

principles which is evidenced in the amount of ongoing construction in Polk.

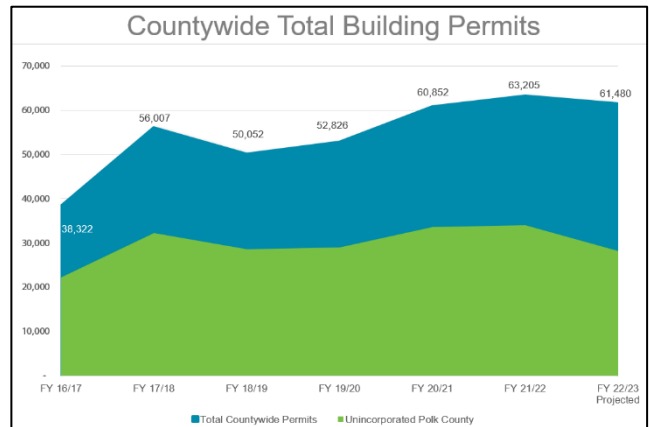
In FY 20/21, single-family permits were 5,015, which represents a 52.0% increase from the prior year. Single-family home construction in FY 21/22 had challenges because of construction material and supply shortages, which was impacting the ability of home builders to keep up with the demand. This resulted in delays of construction starts and the completion time frames of

homes. However, FY 21/22 still had a strong year for single-family home construction, which resulted in 5,100 single-family home permits being issued.

Between October 1, 2021 and September 30, 2022, plans for 116 new housing developments in unincorporated Polk have been approved which will generate approximately 13,538 new single-family residences.

Material shortages and supply costs still remain a challenge going into FY 22/23, and combined with mortgage rate increases hovering at a 7.0% rate for a 30-year fixed mortgage, new housing permits will most likely decline in FY 22/23 to the levels of FY 18/19 and FY 19/20. Therefore, the

Building Division is anticipating FY 22/23 new single-family home permits to be in the range of 3,400. However, many factors are in play that can impact the housing industry, so if mortgage rates start to decline along with housing prices, that FY 22/23 projected estimate could increase.



### Overall County Budget

The FY 22/23 adopted budget totals over \$2.436 billion, representing a 14.2% increase over the previous year. The County received its second and final Federal American Rescue Plan (ARP) Fund appropriation in June 2022. This \$70.4 million was carried forward into the FY 22/23 budget to be expended by December 2026 for ARP-funded infrastructure projects previously approved by the Board.

While impact fees make up a very small portion of the overall budget, this revenue showed the largest percentage increase from FY 21/22. New construction, as noted previously, drives this increase. Per Board direction, Polk County has hired a consultant to update the 2019 Impact Fee Study with regards to potential differential fee adjustments specific to the transportation impact fee. Future changes to this revenue component will be better addressed in the FY 23/24 budget.

The adopted budget includes a spending plan that reflects Board values and achieves Board priorities by:

- 🌿 Continuing to invest in public safety with construction of new fire rescue stations and a state-of-the-art training facility, increasing firefighter/emergency medical staffing to provide acceptable levels of service to the growing population, protecting employees' health and safety with improved firefighting apparel, and expanding the public safety radio system
- 🌿 Dedicating more capital to road capacity projects to fully fund completion of the North Ridge Trail, provide substantial funding commitments to the final phase of the Thompson Nursery Road Project (Phase 2), and fully fund alignment studies for two roadways that may potentially be opportunities to redirect local traffic off U.S. 27
- 🌿 Reducing ad valorem millage for property owners to minimize an increase in taxes they may have seen due to escalating property values

The FY 22/23 budget also includes 59 new Board positions; 35 are newly-created positions, and 24 were transferred from the Courts pretrial service program. On October 1, 2022, these Courts employees who historically have been funded in the BoCC budget but were under the supervision of Courts were moved under the County Probation Division; to articulate the depth of the programs more clearly, the County Probation Division was renamed the Court Services Division. While this merging of programs increases the County’s position count, it does not increase the County’s personnel budget.

Approximately 90% of the employees in these new positions provide services that are needed to meet the service level demands of the growing population. Staffing increases in the Fire

**Board Position Counts**

	Employees	Population	Employees Per 1000 Population
FY 2007/08	2273	591,659	3.84
FY 2010/11	1942	602,095	3.23
FY 2015/16	1918	634,638	3.02
FY 2020/21	2134	725,046	2.94
FY 2022/23 Proposed	2251	753,520	2.98

Rescue, Parks and Natural Resources, Utilities, Roads and Drainage, and Code Enforcement divisions will help maintain the quality of life that residents expect in this rapidly developing and urbanizing County. Even with the addition of these new positions, Polk County continues to operate efficiently with less staff per 1,000

residents than were employed at the peak in FY 07/08.

The FY 22/23 adopted budget includes a pay increase for all employees.

Employees are the organization’s greatest asset and most important investment. Over the next four years, the County will continue to be challenged to raise the minimum wage of employees to meet state statutes and avoid the compression of salaries within paygrades. To address this, for the first time in several years, two tiers of increase are included in the compensation plan.

All employees, except those who are on performance improvement probation, receive a 3.5% cost of living increase during the first pay period in October 2022. Employees who have been employed for at least one year on October 1, 2022 will also receive a 1.5% increase as an additional salary adjustment. Approximately 84.0% of the workforce are eligible for the full 5.0% raise in October; the remaining employees reaching one year of service after October 1 will receive the additional 1.5% raise at the pay period of their anniversary date.

For those employees who participate in the County health insurance program, the FY 22/23 budget reflects no increase in their premium contributions. The County’s health plan will contribute a 10.0% increase on behalf of all participating employees.

**Operating Millage and Assessed Valuations**

While the July 1 final property valuations show a 17.75% increase in value from 2021, the adopted FY 22/23 budget includes a reduction in Countywide and unincorporated Municipal Services Taxing Unit (MSTU) millage by 3.00%.

The adopted Countywide Millage rate is 6.6920 mills, which will generate approximately \$326.7 million in Countywide property taxes, a \$40.7 million increase over FY 21/22. Unincorporated MSTUs will generate nearly \$24.3 million in revenue for parks, libraries, and stormwater quality, a \$2.8 million increase over FY 21/22.

### Property Values and Ad Valorem Revenue

	FY 21/22 Adopted		FY 22/23 Adopted		Change
	Millage	Revenue	Millage	Revenue	
<b>Taxable Valuation</b>		<b>\$43,644,084,714</b>		<b>\$51,391,150,529</b>	
General Fund	5.4490	\$225,925,787	5.2420	\$255,922,791	(0.2070)
Emergency Medical	0.2500	\$10,365,471	0.2500	\$12,205,399	0.0000
Transportation	1.2000	\$49,754,257	1.2000	\$58,585,912	0.0000
<b>TOTAL COUNTYWIDE</b>	<b>6.8990</b>	<b>\$286,045,515</b>	<b>6.6920</b>	<b>\$326,714,102</b>	<b>(0.2070)</b>
<b>Taxable Valuation</b>		<b>\$25,851,014,959</b>		<b>\$30,188,002,130</b>	
Parks MSTU	0.5619	\$13,799,402	0.5450	\$15,629,839	(0.0169)
Library MSTU	0.2109	\$5,179,381	0.2046	\$5,867,642	(0.0063)
Stormwater MSTU	0.1000	\$2,455,847	0.0970	\$2,781,825	(0.0030)
<b>TOTAL UNINCORPORATED MSTUs</b>	<b>0.8728</b>	<b>\$21,434,630</b>	<b>0.8466</b>	<b>\$24,279,306</b>	<b>(0.0262)</b>
<b>TOTAL COUNTYWIDE &amp; MSTUs</b>	<b>7.7718</b>	<b>\$307,480,145</b>	<b>7.5386</b>	<b>\$350,993,408</b>	<b>(0.2332)</b>

By reducing the millage rate by 3.0%, and with the state-mandated property valuation cap of 3.0% on homesteaded property and 10.0% on all other property due to inflation and the Consumer Price Index (CPI) increasing, property owners will see a much smaller increase in their property taxes on the Truth in Millage (TRIM) notices and tax bills that offsets the exponential growth in values in 2022.

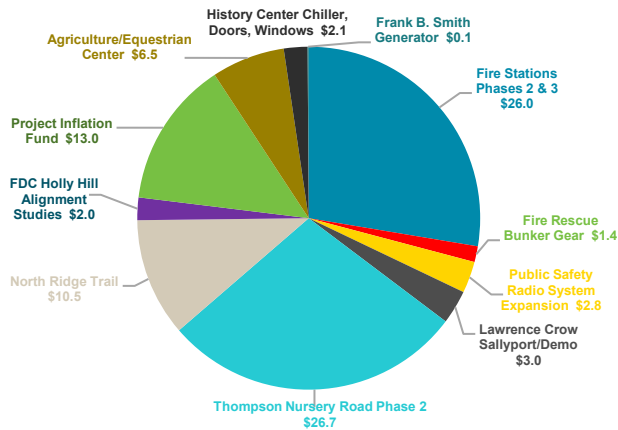
### Millage Reduction Impact to Residence with Homestead Exemption

	2021	2022	2021	2022	Average Single Family Home		2021	2022
	Property Taxes	Property Taxes	Property Taxes	Property Taxes	2021 Property Taxes	2022 Property Taxes	Property Taxes	Property Taxes
2021 Just Value	\$75,000		\$125,000		\$183,122		\$250,000	
Homestead Exemption	(\$50,000)		(\$50,000)		(\$50,000)		(\$50,000)	
<b>2021 Taxable Value</b>	<b>\$25,000</b>		<b>\$75,000</b>		<b>\$133,122</b>		<b>\$200,000</b>	
Countywide Millage Rate	6.899		6.899		6.899		6.899	
Unincorporated Millage Rate	0.8728		0.8728		0.8728		0.8728	
<b>2021 BoCC Property Taxes</b>	<b>\$194.30</b>		<b>\$582.89</b>		<b>\$1,034.60</b>		<b>\$1,554.36</b>	
2022 Just Value with 3% cap		\$77,250		\$128,750		\$188,616		\$257,500
Homestead Exemption		(\$50,000)		(\$50,000)		(\$50,000)		(\$50,000)
<b>2022 Taxable Value</b>		<b>\$27,250</b>		<b>\$78,750</b>		<b>\$138,616</b>		<b>\$207,500</b>
Countywide Millage Rate with 3% reduction		6.6920		6.6920		6.6920		6.6920
Unincorporated Millage Rate with 3% reduction		0.8466		0.8466		0.8466		0.8466
<b>2022 BoCC Property Taxes</b>		<b>\$205.43</b>		<b>\$593.66</b>		<b>\$1,044.97</b>		<b>\$1,564.26</b>
Difference		\$11.13		\$10.78		\$10.37		\$9.90

### General Fund

The General Fund provides funding for operations of County divisions that have no specific dedicated funding source. It also includes funding for the County's Constitutional Officers and other boards and agencies as required by State statute. The General Fund includes a variety of revenue sources.

The FY 22/23 General Fund budget totals \$563.7 million, which is an increase of \$70.8 million over the FY 21/22 budget. The General Fund operating budget is \$421.7 million, which is an increase of \$31.3 million. This General Fund increase includes \$15.9 million to the Sheriff's budget and \$2.5 million to the other Constitutional Officers budgets.



Based upon Board direction as the County recovered from the great recession, the County has successfully reached the maximum reserve policy goal of maintaining an emergency reserve fund equal to 45 days of General Fund operating expenses.

This reserve remains funded at 45 days of operating expenditures in FY 22/23, which now allows staff to consider transferring most of the prior year's excess revenue and unspent appropriations for one-time capital projects.

During the past two budget cycles, the Board adopted conservative spending plans due to uncertainties in the economy that may have affected the County's revenues during the pandemic. Now the Board has an opportunity to invest balances carried forward from previous years to address needed transportation infrastructure projects, public safety radio bandwidth expansion, and additional facilities asset management investments. These projects total \$94.0 million; about 42% will be directed to capacity road projects and 35% to public safety priorities.

### Community Investment Program

Polk County's Community Investment Program (CIP) is a rolling five-year plan that funds major capital improvements that will provide adequate infrastructure and facilities for residents and new business development. The CIP is an indicator of the County's priority to fund capital projects, ensuring Polk will be positioned to meet the demands of growth and economic investment in the community. The CIP project expenditures for FY 2023-2027 are projected to be close to \$425.0 million in FY 22/23 and are anticipated to total nearly \$1.2 billion over the next five years. Project funding will address areas to accommodate increased traffic and access needs, repairing and replacing aging water and sewer infrastructure, and continued expansion and improvement of facilities, parks, and the North Central Landfill.

Major projects within the proposed FY 2023-2027 CIP include:

- |                       |   |
|-----------------------|---|
| Facilities Management | <ul style="list-style-type: none"> <li>Sheriff's Burnham-McCall Training Center</li> <li>Sheriff's K-9 Training Facility</li> <li>Emergency Operations Center Warehouse</li> <li>Tourism &amp; Sports Marketing Expansion</li> <li>Fleet Fuel Tank Replacements</li> <li>History Center Chiller; Windows and Doors Replacement</li> </ul> |
|-----------------------|---|

Fire Rescue	Fire Rescue Training Center Fire Rescue Stations
Parks & Natural Resources	Bone Valley ATV Park Expansion Stormwater Improvement Projects
Roads & Drainage	Lake Wilson Road (CR 54 to Osceola Polk Line Road) West Pipkin Road (Medulla Road to S. Florida Avenue) County Road 557 (US 17/92 to I-4 Interchange) Marigold Avenue (Palmetto Street to Cypress Parkway) North Ridge Trail (Phases 1 – 3) Thompson Nursery Road (US 17 to W. Ruby Lake Drive)
Utilities	Northeast Electrical and Communication Network Conversion Crooked Lake Park Wastewater Facility Septage Receiving Facilities

### Future Budget Challenges

Recruiting and retaining a talented workforce is essential for providing quality services to residents and guests. While the second year of implementation of the State’s minimum wage law only increased the hourly wage of about a dozen employees to meet the \$11.00 per hour requirement on October 1, 2022, wage compression challenges are becoming more pervasive throughout the workforce. Compression in the pay plan occurs when there is little or no difference in pay between employees regardless of skill, education, responsibility, experience, or seniority.

In January 2017, Polk County eliminated its step plan for non-Fire Rescue employees. Previously, employees moved up one step each year; the entire plan moved 2% every other year as a cost of living (COLA) adjustment. Dollar amount raises given post-recession skewed the step plan, leading to its abandonment. For the last five years, the entire plan’s minimum and maximum hourly wages moved up at the percentage rate of raises. This has resulted in about 63% of County employees remaining in the lower third of their paygrades.

While reinstating a step plan may improve compression, it does not address market wage disparities. With Board direction at the Board Retreat in February, a salary study is underway, with a report to the County expected by the end of 2022. The study will include recommendations for market appropriate wage adjustments, a new pay plan structure, and a means to address compression.

How Polk County addresses needed affordable housing, behavioral health services, increasing traffic and growth, and development patterns are essential to residents. To sustain a reasonable quality of life, the County must plan and be mindful of the impacts of changing demographics.

Demands on potable water, roads, parks, schools, libraries, solid waste, and public safety are all increasing. The Board has designated several priority areas to be addressed within the budget related to infrastructure including potable water, wastewater, traffic, stormwater, and active/passive parks elements. The development of public infrastructure creates the need for

the prioritization of resources as the list of unfunded projects far exceeds resources to construct and maintain them.

## Conclusion

The budget is a management guide, a planning document, and a financial report. This budget combines input from the Commission, citizen advisory boards, and staff to develop a plan for the future, set objectives for the coming year, and define the resources necessary to achieve those objectives.

Polk County's growth and development over the past decade has been built on a strong foundation of overall planning, policy direction from the Board, strong management, and a focus on improving the quality of life for residents.

Approximately 17.4% (\$425.0 million) of funds in the FY 22/23 proposed budget are allocated to capital projects. This is unprecedented in that the County will have about 240 capital projects in some phase of development simultaneously.

We will enter the next fiscal year with a guarded sense of optimism, believing that current trends will continue with Polk County seeing substantial growth. Inflation and rising interest rates mean that the cost of operating the County will increase and could deter future business expansions and slow construction projects if the cost of financing becomes prohibitive. Additionally, some banks and economists have begun to trigger warnings of recession conditions to occur in the next 12 to 18 months.

The FY 22/23 adopted budget furthers the County's mission to provide necessary services responsive to the entire community and consistent with our vision for an urbanizing County. I wish to thank the Board and all staff involved in the budget process for their efforts to create this comprehensive budget.

Sincerely,

A handwritten signature in black ink, appearing to read "William D. Beasley". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

William D. Beasley  
County Manager