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## Board of County Commissioners

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October 1, 2020

Honorable Commissioners:

I am pleased to present to you the Fiscal Year (FY) 2020/2021 Adopted Balanced Budget. In creating this adopted budget, we have taken into account the Board's continued priorities from your February Retreat that assure our residents a safe community, improved transportation mobility, higher wage jobs in a vibrant economy and an even better quality of life.

Our Budget process began shortly after the Retreat with four key discussion points:

- Continue to fund capital improvements for the Sheriff and create a reserve account for the Tax Collector
- Explore scenarios to expedite construction of the Northeast Government Center
- Utilize excess General Fund balance from the previous fiscal year to fund the next four priority fire stations
- Consider options/scenarios to shift fire service expenses from the General Fund to the Fire Fund

### Global Pandemic Effect on the Adopted Budget

The COVID-19 virus shifted our approach in preparing this budget. Dealing with changing economic conditions is not new to Polk County. We are continually evaluating economic impacts and service expectations in our community.

Less than a month after your Retreat, and for the first time in recent history, a global pandemic crisis has impacted public health and the economic security of our citizens. State government mandates forced closing all but the most essential businesses for more than a month, and the Governor's safe, smart and step-by-step reopening plan was to be implemented. As of September 25, 2020, Phase 3 of the reopening plan has begun.

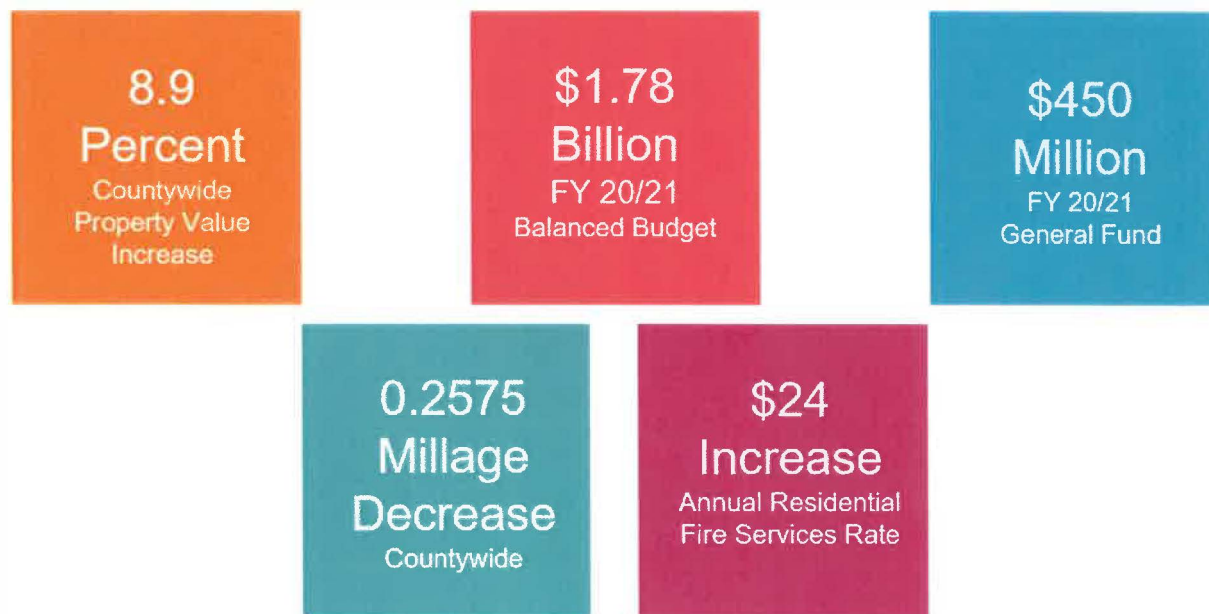
In late April, the county received \$126,467,997 from the federal government's Coronavirus Aid, Relief, and Economic Security (CARES) Act grant to provide funding for necessary expenditures incurred with respect to COVID-19 from March 1 to December 30, 2020. When distributing the CARES Act grant, the Department of the Treasury limited the permissible use of fund payments. Although a broad range of uses are allowed, revenue replacement was not a permissible use of fund payments. With the shutdown of businesses, our revenue has been impacted, so we utilized \$11.5 million of our prior year available ending fund balance to help offset any loss in revenue in the current year.

Consistent with Board guidance, the FY 2020/2021 budget plans for COVID-19-related revenue reductions, especially in the General Fund, based upon actual revenue received to date, and anticipated reductions from June through the end of the current fiscal year. If the pandemic severely impacts the economy beyond October 2020, FY 2020/2021 revenues are likely to be lower than anticipated, and mid-year adjustments may need to be made.

## Budget Overview

# At a Glance

FY 2020/2021



## Overall County Budget

The adopted FY 2020/2021 balanced budget totals \$1.78 billion. This is about 5 percent, or \$92 million, more than the current year adopted budget of \$1.69 billion. The adopted budget achieves the majority of your goals, including:

- Reducing the countywide millage rate and increasing the Fire Fund for residents in unincorporated (including those cities that have our Fire Services) Polk to shift expenses from the General Fund into the Fire Fund
- Expending \$12 million of the prior year's ending balance and unspent appropriations to expedite construction of the Northeast Government Center
- Allocating \$11.5 million from the prior year's available General Fund balance to offset the impacts of lost revenue from the coronavirus pandemic
- Maintains the General Fund reserve fund consistent with Board policy

During budget development, county staff was challenged with retaining levels of service standards while contemplating the potential impacts of reduced revenues due to the pandemic. We also balanced the demand for increased levels of service relating to public health and safety, and population growth, with consideration to the cost impacts of new projects and initiatives.

## Countywide Operating Millage

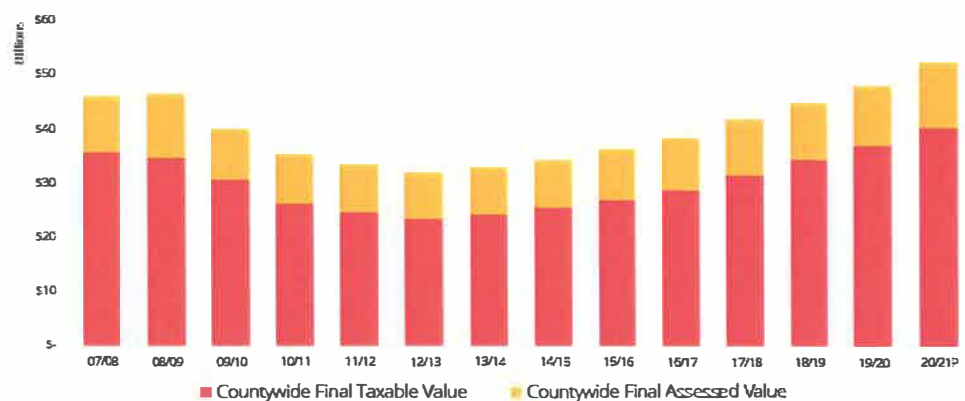
The adopted total countywide operating millage rate is reduced from 7.1565 to 6.8990 in the FY 2020/2021 adopted budget. The General Fund operating millage is 5.5490 mills, a reduction of 0.1325. Revenue from millage in this budget includes the third year of levies for emergency medical services and millage for transportation; however, it eliminates the millage for construction of a new Northeast Government Center as a result of available one-time funds from the FY 2018/2019 ending fund balance.

Countywide taxable property values on July 1, 2020 were certified by the Property Appraiser at \$40,028,214,169. New residential and commercial construction accounts for more than \$1.12 billion of the growth.

While Polk County has seen eight consecutive years of robust property value increases, I remain cautiously optimistic that this can be sustained in the second year of this biennial budget. Our projections for the FY 2021/2022 budget slow this valuation growth down to 4 percent, mostly dependent upon economic recovery from the COVID-19 pandemic.

## Countywide Assessed & Taxable Values

FY 2020/2021



## General Fund

The General Fund budget in the FY 2020/2021 adopted budget totals \$449.9 million, which is an increase of approximately \$19.8 million from the current adopted budget.

In prior years, approximately 24 percent of our General Fund revenue came from Other Taxes. These include:

- Public Service Tax
- State Revenue Sharing
- Sales Tax
- Communications Service Tax

Throughout our budget work sessions, staff presented various scenarios showing the potential decreased revenues from those Other-Tax sources for the remainder of FY 2019/2020, depending on the ability of our economy to rebound from the COVID-19 business closures. Using these scenarios, this adopted budget plans for a prolonged economic recovery. With your direction, we are utilizing \$11.5 million of the FY

2018/2019 available fund balance to fill any shortfall in FY 2019/2020 created from these Other Tax revenue losses.

Service improvements within the General Fund of this adopted budget align with the Board's goals and public policy direction, including increased Code Enforcement, shortening wait time for veteran services appointments and providing more affordable housing to the county's very low to moderate income families through the State Housing Initiatives Program (SHIP).

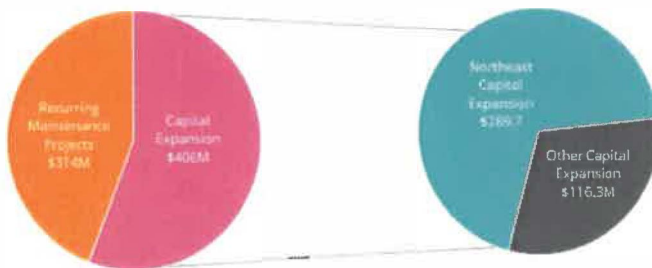
## Community Investment Program (CIP)

At your annual Retreat in February, our facilitator led the Board, senior county management staff, and Constitutional Officers through a strategic visioning exercise. The recurrent themes in the exercise were that Polk is growing and urbanizing, but challenged to remain financially stable facing the increased service expectations of our increasingly diverse residents.

In the current fiscal year, the Board implemented a sizeable CIP to improve our road capacity and maintenance, expand water supply and wastewater services, improve our parks, and build new Fire Rescue

### \$720 Million Total CIP to Capital Expansion

FY 2021/2025



stations and the new northeast government facility. The adopted CIP budget for FY 2021-2025 includes more than \$720 million of projects (\$406 million for capital expansion), of which \$289.7 million will be implemented in the northeast quadrant of Polk County.

While the CIP for FY 2021-2025 "stays the course" for the Parks and Natural Resources, Roads and Drainage, and Utilities divisions, the COVID-19 economy has extended the planning horizon of our fire station replacement initiative.

## Implementing Board Priorities for FY 2020/2021

With your direction, staff has addressed Board priorities for FY 2020/2021 in this adopted balanced budget.

### Fire Fund / Fire Operations

**Goal:** Shift the fire services expenses out of the General Fund into the Fire Fund

**Goal:** Utilize \$8 million from the General Fund ending balance to build the next four fire stations

The adopted balanced budget includes a \$24 increase in the Fire Fee, corresponding with an adopted countywide millage reduction in the General Fund. This moves approximately \$5 million in expenses incurred by Fire Rescue to the Fire Fund from the General Fund without a significant revenue reduction to the county. The rate of a single-family residence in unincorporated Polk, and the communities served by Polk County's fire services, will increase from \$206 to \$230 for FY 2020/2021; however, all residents will see a tax reduction from a 0.1325 millage decrease.

Other board-directed Fire Rescue initiatives that will continue into FY 2020/2021 include:

- Continuing implementation of recommendations in the Emergency Services Consulting International (ESCI) Post Incident Analysis report from May 2020

- Proceeding with changing the previous paramedic career path model to fill more cost-effectively the Fire Rescue positions needed for ALS care and call volume
- Beta-testing Mini-Pumper fire apparatus for cost savings and call response efficiencies.

Polk County was not be able to move forward toward construction of the next four priority fire stations in the Adopted FY 2020/2021 Budget. General Fund excess revenues that were directed to be used for the fire stations were kept in General Fund Reserves to cover lost revenue from tax and revenue sharing sources severely impacted by COVID-19 business closures. Subject to a first quarter review of the revenues, we may be able to re-establish a workable schedule for these next 4 stations.

#### **Northeast Government Center**

**Goal:** Utilize up to \$12 million from the General Fund ending balance from FY 2018/2019 to expedite construction of the Northeast Government Center.

In FY 2018/2019, the Board approved a countywide 0.1250 millage, to be assessed for five years, for construction of a new northeast government center to replace the Gil Jones facility in Winter Haven. Through responsible financial stewardship of taxpayer resources, the county has been able to accumulate unspent appropriations that would allow the Board to end the millage assessment after two years.

This adopted balanced budget includes eliminating the Northeast Government Center millage, and allocating \$12 million from the General Fund ending balance, which would complete construction nearly two years earlier than projected.

#### **Constitutional Officer Requests**

**Goal:** Fund the Polk County Sheriff Office's capital construction and equipment requests and the Tax Collector's capital reserve account.

The FY 2020/2021 adopted budget includes \$1.3 million in reserve for future capital emergencies for the Tax Collector, and \$2.9 million for the Sheriff. The Sheriff's capital needs include helicopter replacement (\$300,000) and partial funding for improvements to the Burnham McCall Training Center (\$2.6 million).

## **Major Initiatives**

### **Road System**

The Roads & Drainage Division's five-year Community Investment Program (CIP) includes \$400.5 million in road widening, alignment studies, intersection improvements (10), bridge replacements (5), and drainage projects (18).

For the current fiscal year, this Board approved numerous contracts for alignment studies and design of major collector roads and the purchase of millions of dollars of right of way along those corridors. Your CIP in the FY 2020/2021 includes funding that:

- Completes the right of way acquisition and begins construction of Lake Wilson Road in 2021
- Continues right of way acquisition and design for the CR 557 expansion project

- Finalizes design for construction that will begin in September 2021 that adds a third lane to West Pipkin Road from SR 37 to Harden Boulevard and expands the road to four lanes from Harden to Medulla Road
- Continues design to widen Cypress Parkway and Marigold Avenue in Poinciana
- Continues alignment studies (on adjacent county roadways) to alleviate congestion on US 27 in northeast Polk

While this investment is significant, there remains approximately 90 unfunded roadway and drainage projects that would cost another estimated \$1.1 billion to complete.

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## Water & Wastewater

Polk County Utilities' water and wastewater systems continue to grow, which is evidenced by the number of new subdivisions and commercial businesses coming on line every year. In order to better serve our customers, the division will continue to remove older, less efficient water systems and replace them with regional facilities. The Gibson Oaks water production facility, scheduled to be completed in 2021, will allow the county to decommission five smaller potable water plants (older and less efficient).

The current rate structure supports all initiatives of Polk County Utilities, including the implementation of our SCADA (supervisory control and data acquisition) system master plans and other IT initiatives within the Polk County Utilities Division.

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## Future Water Supply

The Florida Department of Environmental Protection has recently rolled out a draft rule which, among other things, would require annual conservation goals and would establish a framework for the reduction of traditional water supply permits within the Central Florida Water Initiative. This rule would impact all PRWC member governments. If adopted, these rules would restrict traditional, upper Floridan supplies to 2025 demand thresholds, and require alternative water supplies to meet demands beyond 2025. This rule will place even more emphasis on the need to implement Alternative Water Supply (AWS) projects for the growing water demands of our county.

Polk County continues to work with its municipal partners to develop AWS through the Polk Regional Water Cooperative (PRWC). The PRWC is pursuing combined projects proactively to protect Polk County's water resources and the environment while providing safe, reliable and long-term drinking water supplies. The Southwest Florida Water Management District has committed to fund 50 percent of the planning and implementation of projects.

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## Behavioral Health

We know that Polk County is doing great work in increasing behavioral health programs and services in our community. We also know that we can do better. Through the Indigent Healthcare Program, the county, in conjunction with Polk Vision and a Behavioral Health Exploratory Team, is implementing a Comprehensive Behavioral Health Strategic Plan. This private-public partnership has contracted with Crescendo to perform a behavioral health community needs assessment for Polk County. In FY 2020/2021, with data from the needs assessment, Polk County will be better equipped to improve gaps in service, prioritize efforts to improve patient care and overall access to needed services.



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## Affordable Housing

For many years, the Board has lobbied the Florida Legislature to appropriate all money in the State Housing Initiatives Program (SHIP) for affordable housing and eliminate the cap on those Funds.

This year, for the first time since 2001, the Legislature fully funded Florida's housing program; however, due to COVID-19 impacts at the State level, the Governor vetoed \$225 million from SHIP, and will hold these funds back, keeping them in reserve. With this funding in limbo, and hints that the federal government may provide Florida more COVID-19 impact money because of the pandemic, Polk's Housing and Neighborhood Development (HND) program has included a multi-year plan in the FY 2020/2021 budget that would allow the county to provide more affordable housing opportunities to Polk's extremely low to moderate income-level families. Additional State funds will necessitate a need for several positions within the HND program to administer the expanded program. Two support positions are included in the budget to address the expanded state funding.

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## Economic Development

One of the earliest signs that the coronavirus pandemic was about to significantly impact the county's economy came in mid-March, when LEGOLAND and other Central Florida tourism attractions closed indefinitely, furloughing thousands of employees. Hotel bookings plummeted, and soon, restaurants were forced to close their dining rooms. Polk County's Tourism and Sports Marketing division, dependent on the county's Tourist Development Tax, took the hardest hit of all divisions.

Polk County Tourism and Sports Marketing (PCTSM) was on track to set its seventh consecutive revenue record in FY 2019/2020, until COVID-19 started taking a significant toll on Polk's tourism industry in March. A significant drop in revenue necessitated a reduction in PCTSM's revenue forecast for the current fiscal year by 30 percent, or \$3.2 million. PCTSM's budget forecast for FY 2020/2021, is 24 percent below the current budget or \$6.1 million.

PCTSM staff developed and has implemented a three phase strategic plan, which has ultimately become the foundation of their recovery efforts. It will also carry them through the next fiscal year in stages; it is a dynamic document that will allow them to adjust fluidly to the obstacles ahead.

With the exception of Tourism and Sports Marketing's sales and recruiting efforts, Polk County does not directly manage economic development. The Board will continue to look to the Central Florida Development Council (CFDC) to provide support for economic development in FY 2020/2021. This includes the potential establishment of a research and development authority in conjunction with Florida Polytechnic University and related activities surrounding a conceptual Central Florida Innovation District, bounded by Florida Poly and the Suntrax Facility.

In November 2020, Polk residents will have the opportunity to vote to continue the Ad Valorem Tax Exemption (AVTE) program. The AVTE, Qualified Target Industry and Polk County Business Incentive programs, since 2013, have attracted more than 30 businesses to Polk paying above average wages. Should the referendum fail, the county will continue the AVTE program until it sunsets in November 2022.

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## Technology Improvements

We have become a digital society and today, the public sector and our employees expect government leaders to find ways that technology can reduce costs, create efficiencies and improve outcomes for residents and businesses. While Polk County has made great strides in expanding our digital capabilities in the recent past, more is needed. Implementing a digital government strategy will overlap multiple budget cycles.

This budget continues to invest in a multi-level Utilities Technology Initiatives that includes:

- Customer Information System Software
- Asset management, tracking condition and inventory software
- Intelligent meter technology
- Supervisory Control And Data Acquisition (SCADA) systems
- Geographic Information System (GIS) upgrades

GIS upgrades also benefit Fire Rescue, Emergency Management, Long Range Planning, Planning and Development, Parks and Natural Resources, Roads and Drainage, and Waste and Recycling.

Roads and Drainage is implementing AgileAssets, a new maintenance management software system leveraging technology to help manage more than 30 different roadway categories of assets using cloud-based software accessible on desktops and field mobile devices. In addition to managing our inventory, this system will:

- Strategize and prioritize roadway and drainage maintenance work
- Provide opportunity to schedule preventative tasks
- Track work orders
- Record asset condition history

While some aspects of these technology initiatives are currently in the discovery phase, the county will begin full implementation of these management systems in FY 2020/21 to be fully functional in 2022.

Information Technology began a \$5 million multiple-year project that will upgrade Oracle, the county's enterprise management application. This is budgeted in the current fiscal year. At a recent board meeting, funding was approved to move the county from Microsoft Office 2016 to Microsoft Office 365, also a cloud-based program that will allow our employees to work from anywhere, on any device, as long as they have an internet connection. Office 365 will roll out in FY 2020/2021.

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## Employee Resources

Population growth continues to increase the demand for county services. During the first five months of the current fiscal year, all trends pointed to another year of increasing building permits for new construction. Single family home sales in Polk County were above the state average, as well as indicators of a reduced inventory of homes for prospective buyers. While COVID-19 caused sales to slump in April and May 2020, according to real estate experts, related sales rebounded in June.



## New Positions

FY 2020/2021



New Positions	
Fire Rescue	16
Utilities	9
Health and Human Services - HND	2
Code Enforcement	2
Facilities	2
Parks and Natural Resources	2
Roads and Drainage	1
Current Temporary to Permanent	
Communications	1
Health & Human Services - Veterans	1
Office of Planning and Development	1

While this data, and staff's estimate of a 4 percent growth in Ad Valorem for the second year of this biennial adopted budget shows some optimism, I am reluctant to grow government except where public safety and public health needs demand more employees to maintain our current levels of service. Of the 37 new positions created in the adopted budget, 29 are in the Fire Rescue, Utilities, Health and Human Services, and Code Enforcement divisions. Three positions are conversion of employees who are currently working for the county in a temporary class to permanent positions.

I am extremely proud of our high-performing employees that continue to serve our county in this stressful and rapidly-changing COVID-19 environment. We have included a 3.5 percent pay increase for all employees in the FY 2020/2021 adopted budget. At the same time, many of those employees will see a 5 percent increase in their health insurance contributions. Both the pay and health insurance increases will be effective in employee's first paycheck after January 1, 2021.

## Addressing Continued Fiscal Challenges

### Healthcare-Related Funding

Increasing healthcare costs continue to affect the county budget in multiple areas. Employee health insurance, Medicaid and inmate medical care costs have risen rapidly during the last few years and are projected to continue this growth pattern.

#### Employee Health-related Costs

- Continuing cost increases have again necessitated a adopted 5 percent increase in employer and employee premium contributions for FY 2021
- No plan design changes are adopted in the current health plan options to employees

#### Medicaid

- Mandated by the State
- Beginning in FY 2020/2021 the county contribution will be 100 percent of growth, up from 50 percent. This equates to an increase of \$579,494 for the FY 2020/2021 Medicaid budget, bringing the county's annual total to more than \$13.5 million.

#### Outside Inmate Medical Costs

- Remains stable at \$11 million for FY 2020/2021

## Conclusion

Looking back several months to the budget update we provided you at the February Board Retreat, our economic outlook has dramatically changed due to the COVID-19 pandemic. The rapid economic downturn was not the result of a recession or a changing political climate, but a forced shutdown of our economy intended to protect public health. Closing businesses and schools, asking residents to stay home and employees to work from home greatly affected our economy. Now, as the reported new COVID-19 cases begin to gradually increase, it is unknown how soon residents will feel comfortable resuming normal activities and lifestyles.

We are likely to be managing the effects of this public health crisis and economic downturn for some time to come.

I believe the FY 2020/2021 adopted Balanced Budget allows Polk County to be prepared for the future and funds priority and important areas of concern; however, should a prolonged economic downturn occur, the Board will need to address critical decisions regarding the levels of services we provide and the potential deferral of needed infrastructure improvements. Moving forward, we will continue to rely on Board input, dialogue and guidance as we navigate through uncharted waters.

On behalf of the men and women of our entire workforce, I respectfully submit this adopted budget for your consideration.

Sincerely,

Bill Beasley  
County Manager

