

October 1, 2023

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 23/24 adopted balanced budget.

Taking into consideration the Board's strategic priorities, the goal was to submit a spending plan that delivers necessary services while minimizing ad valorem tax and fee increases for residents. These priorities include public safety, providing more behavioral health services, addressing the increasing demand for more affordable housing, adequate long-term potable water supply, road capacity, and a compensation plan for employees that keeps County government as an attractive employment option.

The revenue projections for FY 23/24 show that many revenues have increased over the prior year. Ad valorem (property taxes) are up almost 16%, the Indigent Health Care Sales Surtax is over 13% higher, other taxes such as sales tax and tourism tax are 7% higher, and grant revenues have increased.

This adopted budget includes:

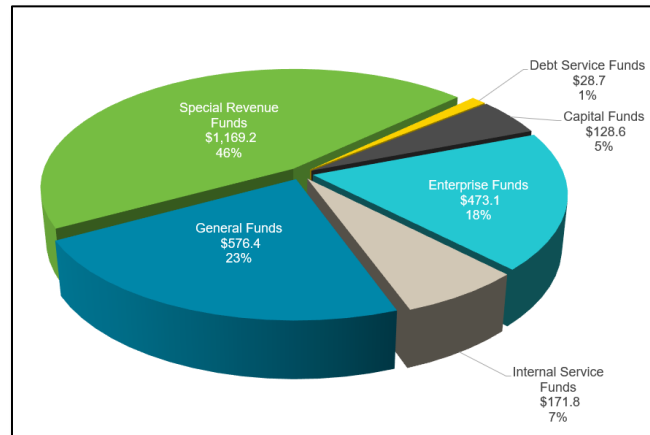
- A second consecutive 3% millage rate reduction on County-established millage rates for property owners
- Continued spend-down of American Rescue Plan (ARP) Act funding from the federal government
- Increased funding for Indigent Health Care services, behavioral health needs, and opioid abatement programs
- More than \$11 million in new funding for environmental lands acquisition and maintenance generated from the 2022 voter-approved 0.2000 millage increase



Overall County Budget

The proposed FY 23/24 balanced budget totals \$2.548 billion, representing a 4.6% increase over the previous year.

In the FY 22/23 adopted budget, the Board reduced residents' waste collection fee in unincorporated Polk County due to an unacceptable level of missed collections by contracted waste haulers. In returning to the \$206.50 special assessment fee established in FY 21/22 and including newly-occupied dwellings, Waste and Recycling's revenue increases about \$6.3 million in FY 23/24. Additionally, for the first time in history, the County will be creating a third waste collection zone utilizing County employees for collection services beginning October 1, 2024.



Polk County continues to invest in public safety with planned construction of new fire rescue stations, a state-of-the-art training facility for Fire Rescue, the Sheriff's Burnham-

McCall Training Center, Sheriff's Ridge District Command Center, and an Emergency Operations Warehouse.

As directed by the Board in 2021 to help address inflationary impacts, the Fire Fee continues to index by 5% each year to address staffing and add the fire stations and apparatus needed to provide acceptable levels of service to the growing population. In keeping with the County's commitment to public safety, the Sheriff's funding request in the FY 23/24 adopted budget is \$235.7 million, a \$32.7 million increase from the FY 22/23 adopted budget.

Economic Climate and Polk's Proposed Budget

Polk County is still feeling the lingering effects of demands on supply chains, moderate gas prices, and continued elevated inflation. This continues to put an economic strain on the budget, especially when planning and managing the Community Investment Program (CIP). Ongoing close monitoring is essential to effectively manage financial pressures to meet service delivery expectations in this economic cycle.

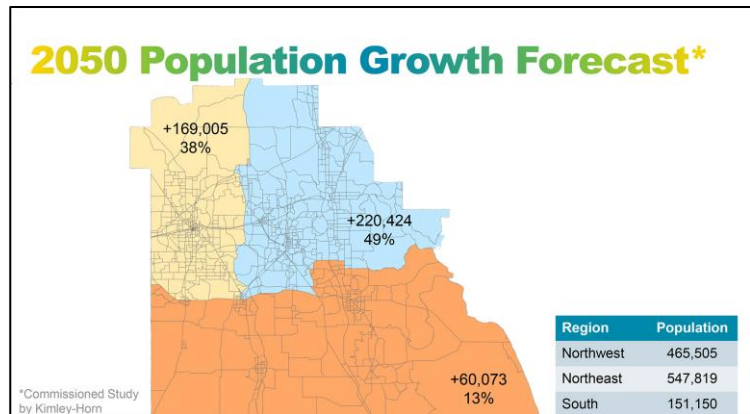
According to Sean Snaith, PhD and Director for the Institute for Economic Forecasting at Central Florida University, "compared to what Florida went through in the two previous recessions, the next recession will be more akin to a tropical depression." At the February 2023 Board Retreat, Snaith projected that Polk County's continued population growth, record low unemployment rates, and the income associated with Polk's diversifying economy are lessening the damage that the headwinds of a recession could do to the County.

Snaith predicts that the economy is on the brink of another recession; however, the economic impact may be fairly insignificant to Polk County's budget as the County is well-positioned to handle much of the fallout. He predicts that a tight labor market will continue to support wage growth and that high home prices will persist, as strong population growth and low inventories will keep home prices high.

Population Growth

Polk County continues to lead the State of Florida in population growth and is the fifth-fastest growing county in the country. In July 2022, the U.S. Census predicted that Polk was now home to 787,404 people; that's 32,225 more than the previous year and equates to about 88 people a day moving into the County.

According to the Property Appraiser's July 1 tax roll, Countywide taxable values of all properties increased 15.86% over 2022. The steep increase in home values is due in large part to high demand by people moving to the area. New construction accounted for more than \$2.55 billion of the net increase.



Operating Millage and Assessed Valuations

At the Board's direction, the adopted FY 23/24 budget includes a reduction in Countywide and unincorporated Municipal Services Taxing Unit (MSTU) millage by 3%. This is the **second consecutive year** that the Board has provided property tax relief to residents by way of a millage reduction.

By reducing the millage rate by 3% and with the state-mandated property valuation cap of 3% on homesteaded property and 10% on all other property due to inflation and the Consumer Price Index (CPI) increasing, property owners saw a smaller increase in their property taxes on the Truth in Millage (TRIM) notices and tax bills that offsets the exponential growth in values again in 2023.

The adopted budget is balanced at the Countywide millage rate of 6.6852 mills. This millage rate will generate approximately \$378.1 million in Countywide property taxes, which is a \$51.4 million increase over FY 22/23. Unincorporated MSTUs will generate nearly \$27.1 million in revenue for parks, libraries, and stormwater quality, which is a \$2.8 million increase over FY 22/23.

New Environmental Lands Millage

In November 2022, 58.4% of Polk County voters approved a referendum for additional millage to be assessed exclusively to purchase and maintain select environmental lands and conservation easements over the next twenty years. The measure will impose an additional ad valorem tax of 20 cents for each \$1,000 of taxable property value for two decades. In FY 23/24, the Environmental Lands 0.2000 mills is expected to generate \$11.3 million.

Property Values and Ad Valorem Revenue Summary Comparison

	FY 22/23 Adopted		FY 23/24 Adopted		FY 22/23 Adopted vs FY 23/24 Adopted		
	Millage	Revenue	Millage	Revenue	Millage	Revenue	Change
Countywide Taxable Valuation		51,391,150,529		59,541,158,604		8,150,008,075	15.86%
General Fund	5.2420	255,922,791	5.0352	284,811,560	(0.2068)	28,888,769	
Emergency Medical	0.2500	12,205,399	0.2500	14,141,026	0.0000	1,935,627	
Transportation	1.2000	58,585,912	1.2000	67,876,921	0.0000	9,291,009	
Countywide Subtotal	6.6920	326,714,102	6.4852	366,829,507	(0.2068)	40,115,405	
Environmental Lands Millage	0.0000	0	0.2000	11,312,821	0.2000	11,312,821	
TOTAL COUNTYWIDE	6.6920	326,714,102	6.6852	378,142,328	(0.0068)	51,428,226	
Unincorporated Taxable Valuation		30,188,002,130		34,719,880,852		4,531,878,722	15.01%
Parks MSTU	0.5450	15,629,839	0.5286	17,435,283	(0.0164)	1,805,444	
Library MSTU	0.2046	5,867,642	0.1985	6,547,302	(0.0061)	679,660	
Stormwater MSTU	0.0970	2,781,825	0.0941	3,103,784	(0.0029)	321,959	
TOTAL UNINCORPORATED MSTUs	0.8466	24,279,306	0.8212	27,086,369	(0.0254)	2,807,063	
TOTAL COUNTYWIDE & MSTUs	7.5386	350,993,408	7.5064	405,228,697	(0.0322)	54,235,289	
Rancho Bonito Taxable Valuation		1,001,617		1,022,228		20,611	2.06%
Rancho Bonito MSTU	9.1272	8,685	9.1272	8,864	0.0000	179	
Grand Total		351,002,093		405,237,561			
3.0% Decrease Across All Millage Rates vs No Millage Reduction				(12,629,095)			

Significant Personnel Actions

Employee Compensation

In 2022, the Board directed staff to contract with a human resources compensation consultant that would help the County

- Reduce turnover and promote County careers
- Attract qualified personnel
- Establish equitable relationships among various jobs
- Relieve compression between pay grades and role classifications
- Create salary ranges competitive to reasonably-similar positions consistent with economic conditions

Cody & Associates, Inc. was selected and completed an extensive pay study that included a host of recommendations to make Polk County a more competitive employer. Collectively, between the Cody study and staff’s enhanced compensation recommendations to help offset minimum wage and compression issues, Polk County is indeed better positioned to compete for market labor talent.

In April 2023, the Board approved a four-phase implementation plan that met these objectives. Steps 1 through 3 were implemented in FY 22/23, which included


- Raising the minimum wage for all positions to \$15 per hour
- Restructuring pay grades taking into consideration the current market, internal relationships, and trends occurring in the current economic conditions
- Executing a strategy to relieve compression, giving employees merit/tenure-based moves up their pay grade for up to ten years of service

Step 4 of the compensation plan is included in the FY 23/24 adopted budget; it gives all employees a 3% cost of living adjustment on October 1, 2023 and another 2% merit/tenure increase on the anniversary date of their employment. This increases the budget about \$12.5 million through September 30, 2024.

For the second consecutive year, there will be no increase in health insurance premiums for the County or for employees who participate in the County’s health plan.

Florida Retirement System (FRS)

Beginning July 1, 2023, there are only employer increases to FRS for the benefit of the workforce. Employer contribution rates increased as follows:

<p>Current</p> <p>Regular Class - 11.91%</p> <p>Special Risk Class - 27.83%</p>	 <p>Employer Contribution Rate</p>	<p>New</p> <p>Regular Class - 13.57%</p> <p>Special Risk Class - 32.67%</p>
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Increases in FRS contribution rates add an additional \$4.7 million recurring expense to this budget.

New Positions

Given Polk’s growth dynamics, there is a need for new 31 positions across all divisions.

The FY 23/24 budget includes a net increase of seven positions. These seven positions are added in Fire Rescue and Parks and Natural Resources; however, other program expansion requires that the County have appropriate staffing levels to serve the residents. Notably, the Board’s decision to expand solid waste collection services provided by County employees and the voter-approved environmental lands program restart required new positions to be created.

With closure of the sale of the Rohr Home forthcoming, vacant positions were available for reclass, and about two dozen County positions will be vacated in the first half of FY 23/24. Several of the vacant Rohr Home positions were reassigned/reclassified to divisions with pressing staffing needs in FY 22/23. The existing 24 Rohr Home vacant positions plus the seven new positions are allocated as follows:

 <p>Public Safety/Public & Environmental Health</p> <ul style="list-style-type: none"> • Fire Rescue – 5 • Utilities – 7 • Waste & Recycling - 12 	 <p>Infrastructure</p> <ul style="list-style-type: none"> • Fleet Management – 2 • Parks & Natural Resources - 4 	 <p>Support Services</p> <ul style="list-style-type: none"> • Information Technology - 1
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General Fund

The General Fund provides funding for operations of County divisions that have no specific dedicated funding source, as opposed to special revenue funds or enterprise funds. The General Fund 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 General Fund in the FY 23/24 adopted budget totals \$576.4 million, which is an increase of approximately \$12.7 million from FY 22/23. The General Fund Operating

Budget is \$474.7 million, which is an increase of \$53.0 million from FY 22/23. This General Fund increase will direct an additional \$32.7 million to the Sheriff’s budget and \$5.1 million to the other Constitutional Officers’ budgets.

Community Investment Program

Major capital improvements that will provide adequate infrastructure and facilities for residents and new business development are funded in the County’s Community Investment Program (CIP). The CIP is a rolling five-year plan that prioritizes funding for major capital projects so that Polk can meet the demands from growth and economic investment in the County.

The CIP project expenditures for FY 23/24 through FY 27/28 are budgeted at \$476.2 million in FY 23/24 and are anticipated to exceed \$1.2 billion over the five-year planning period. Project funding will address areas to accommodate increased traffic and access needs, repairing and replacing aging water and sewer infrastructure, new fire rescue stations, needed facility assets to meet the Sheriff’s Office public safety commitment, and continued expansion and improvement of facilities and parks environments.

Major projects within the proposed FY 23/24 – FY 27/28 CIP include:

Facilities Management	Sheriff’s Burnham-McCall Training Center
	Sheriff’s K-9 Training Facility
	Emergency Operations Center Warehouse
	Tourism & Sports Marketing Expansion
	Lawrence W. Crow Building Demo
	Fleet Fuel Tank Replacements
	History Center Chiller & Windows and Doors Replacement
Fire Rescue	Fire Rescue Training Center
	Fire Rescue Stations – multiple locations
Parks & Natural Resources	Bone Valley ATV Park Expansion
	Simmers Young Park Athletic Turf Installation
	Stormwater/Water Quality Improvement Projects
Roads & Drainage	Lake Wilson Road (CR 54 to Osceola Polk Line Road)
	West Pipkin Road (Medulla Road to South Florida Avenue)
	County Road 557 (US 17/92 to I-4 Interchange)
	FDC Grove Road/North Ridge Trail I-4 Flyover

	Marigold Avenue (Palmetto Street to Cypress Parkway)
	North Ridge Trail (Phases 1 – 3)
	Powerline Road Extension and Widening
	Thompson Nursery Road (US 17 to West Ruby Lake Drive)
Utilities	Northeast Wastewater Treatment Facility Expansion
	Ernie Caldwell Boulevard Utility Improvements
	Jordon’s Grove Reservoir and Pumping Station
	Septage Receiving Facilities

Challenges

The unpredictability of the current economic climate may develop into long-term challenges.

Polk County should continue to see a reduction in overall unemployment with potential new residents added to the available workforce every day. This has created a competitive workforce environment that has contributed to an increase in turnover rates across most segments of the labor market. Turnover may be a persistent problem.

In the County’s pay study, Cody & Associates pointed out that wages are growing rapidly, driven by the shortage of workers. Baby boomers are retiring, families are downsizing and realizing they can live on one income, employees are demanding creative positions with work from home or hybrid structures, and corporations are tempting workers with large salaries, making it difficult to stay competitive in the public sector.

Another long-term challenge is the increased demand for infrastructure related to the growing community. Demands on water, roads, parks, waste collection, and public safety are all increasing. The Board has designated several infrastructure priorities to address these areas within the FY 23/24 budget including added capacity road projects, water, wastewater, and stormwater improvements, construction of new fire stations, and many projects funded by federal ARP funding that face a deadline for completion of December 2026.

Future Slowing Property Value Increases

Economic indicators show that Polk County must prepare for a leveling off of property value increases. The exponential growth experienced over the last few years is not sustainable. Permits for new residential and commercial construction, a key economic

indicator, have dropped after peaking in FY 21/22, with only slight increases expected in future years.

In the second/plan year of the biennial budget, staff envisions property values Countywide

Project Type	# of Projects Approved		# of Lots		# of Units	
	Oct. '21- June '22	Oct. '22- June '23	Oct. '21- June '22	Oct. '22- June '23	Oct. '21- June '22	Oct. '21- June '23
Condominiums/Apartments	21	22			7,207	5,850
Mobile Homes/RV Park	1	4			23	610
Residential Subdivisions	55	40	10,310	5,722		
Total	77	66	10,310	5,722	7,230	6,460

to drop back to a 7.5% growth rate. Building a balanced budget in outlying years may require the Board and staff to consider difficult tradeoffs between competing priorities and develop

innovative solutions to provide services compatible with projected revenues.

Increasing Demand for Urban Services

No doubt that as Polk County's I-4 corridor continues to urbanize, residents are expecting a different level of service than those who live in more rural communities. High-speed internet service is becoming the new "utility" with which residents expect some level of government involvement. Polk will continue to seek federal and state funding to help expand broadband services across this vast County.

Public safety demands continue to grow the budget so that both the Sheriff and Fire Rescue have highly-trained first responders in locations with staffing that meets the expectations of residents. The Sheriff is in year two of his five-year plan to add deputies and Fire Rescue continues to add new stations; some will require new staffing and new apparatus. The County works diligently to balance needed investments, provide quality service, and maintain the community's assets within constraining revenues.

Affordable Housing

In December 2022, the Federal Reserve estimated Polk County's median household income to be \$56,344. To be within the Housing Expense Ratio guidelines of 30%, a household in Polk County must spend less than \$1,408 monthly for housing. Yet the average rent in Polk County is \$1,439 for a studio, \$1,581 for a one-bedroom apartment, and \$1,900 for a two-bedroom apartment.

To further understand the depth of this challenge, in June, the Polk County School System, in partnership with the nonprofit Homeless Education Advocates Restoring the Hope (HEARTH), said close to 4,700 students were experiencing homelessness.

To sustain quality of life, the County must be aware of the impacts of changing demographics and prioritize what is affordable while maintaining competitiveness as a community. The County looks for innovative solutions locally to address this challenge and must continue to pressure the State legislature to use all money in the State and Local Housing Trust Funds for affordable housing and the eliminate the cap on the State and Local Housing Trust Funds. The FY 23/24 adopted budget continues to invest available federal and state funds for a wide range of ongoing programs aimed at affordable housing.

Conclusion

I am confident that this FY 23/24 balanced budget meets the Board's goals of maintaining a low millage rate while funding the most critical projects and residents' expectations on desired levels of service provided. While we may not be able to fund all needs for improved services or transportation projects, we are making significant strides in investing in the future.

Planning, hard work, collaboration, and innovation between the Board and County staff have gone into developing this budget. Thank you to everyone who provided leadership in addressing challenges in the budget process and to the Board for thoughtfully contemplating the impact of policy decisions in an increasingly complex community.

Sincerely,



William D. Beasley
County Manager