



Office of the County Administrator

MEMORANDUM

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**TO:** Board of County Commissioners  
**DATE:** July 8, 2016  
**FROM:** Howard N. Tipton, County Administrator  
**SUBJECT:** FY 2016-2017 Recommended Budget

A handwritten signature in blue ink is written over the "FROM:" line of the memorandum. The signature is cursive and appears to read "Howard N. Tipton".

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**EXECUTIVE SUMMARY:**

I am pleased to present to the St. Lucie Board of County Commissioners the proposed budget for FY2016/17 for \$504,661,897, which is a decrease of \$2,330,605 from the FY 2015/16 amended budget. The proposed budget includes a property tax millage decrease of 0.100 mills equates to a reduction of \$1.1 million. The recommended budget generally provides for continuation of current service levels but does not address the backlog of capital needs.

Accomplishments from FY2015/16:

- 800 MHz radio system upgrade - \$9,000,000 Provides critical and significant public safety communications infrastructure upgrades to all public safety, school board, county, and cities' staff
- Jail Security System - \$3,300,000 Provides for a new jail security system to replace the antiquated current system
- Jail Equipment/Maintenance Staffing – \$1,000,000 Provided for 4 additional maintenance positions to address ongoing maintenance conditions, as well as investments in critical capital equipment
- Increased Sheriff's salaries by an average of 5% and covered health insurance increases that all together totaled \$4.4 million
- Airport Hanger - \$5,000,000 in partnership with the Florida Legislature and FDOT, the County and the State will be sharing the cost 50/50 on the new 30,000 sq. ft. hanger that will be completed in FY2016/17.
- Legislative successes – Working with our legislative delegation and government partners, our area received \$126,000,000 in funding during this last session.
- Restored all libraries to five day a week services - \$360,000
- Rosser Road Library - \$2,110,000 Design and construction started on the renovation of this former Port St. Lucie (PSL) police substation that will transform it by early summer 2017 into our flagship library for Port St. Lucie

- Three key transit fixed route lines expanded service for evenings and Saturdays - \$280,000
- GovQA App implemented, [which allows citizens to report service issues to the County and look information via smart phone.](#)
- Expanded capacity of the North Hutchinson Island Wastewater Treatment Plant - \$4,300,000 Expansion will accommodate future growth and septic to sewer conversions. The project was completed on time, on budget.
- As a good business practice and part of our ongoing sustainability initiatives, FPL Energy Audit and facility improvements to increase energy efficiency begun with an initial upfront investment of \$9,000,000. The return on investment (ROI) is 9 years and the energy savings (guaranteed by FPL) will be used to pay the debt.
- Green 3 Energy – Contracted with a private company that plans to invest more than \$200,000,000 in funds to build a waste to energy production facility, taking garbage that would otherwise be landfilled and turning into synthetic diesel. This sustainability initiative not only extends the life of the landfill and reduces the need for oil exploration, but also will create up to 220 jobs when at full production.
- Solid Waste successfully negotiated a deal with our recycling vendor Waste Pro that allowed the City of Port St. Lucie to continue to receive their full payment while the commodity markets were depressed. The benefit to the County was that when the markets recovered (and they have) the County would receive additional revenues above and beyond the initial contracted amounts.
- Solid Waste took advantage of the commodity markets, accurately timing the sale of scrap metal for \$100,000. Part of these funds were then used to complete fencing around a former landfill site that is now the location of the County’s golf course, protecting millions of dollars of course improvements from the number one culprit in course damage – wild hogs.
- Tourism records were set in 2015/16, both locally and at a State level. This has been a growing trend in our tourism revenues and attendance, although we continue to monitor the effects of the water quality issues and media coverage relating to them on our area.
- Tradition Field – the County and the Mets are working toward a 25-year extension that would keep major league Spring Training and minor league baseball in our community for the next generation. This tourism based initiative that strategically ties to our #1 tourist market will see the Mets contribute approximately \$60,000,000 over the life of the agreement in this public/private venture.
- Customer Service Training – the County’s new training programs, centered around a laser focus on customer service, were rolled out in partnership with IRSC.
- Building Permit Turnaround time/other customer enhancements – The Business Navigator position has been well received and a critical addition to our customer assistance and business expansion, permit and inspection activities have grown steadily and our turnaround times have kept pace and actually been reduced. Revenues and reserves in this area have seen steady growth and remain strong.
- The County provided an additional \$50,000 challenge grant to the Economic Development Commission and they have met the challenge in raising an equivalent amount of private sector funds. In collaboration with the EDC, our team, and our municipal partners, we’ve launched the St. Lucie Works brand that showcases a unified approach to economic development. SLCTV produced St. Lucie Works videos to highlight manufacturing facilities in the County on social media.
- Working with the EDC and our partners in a strategic business approach to economic development, the County has seen:
  - Rocla concrete railroad tie manufacturer has come to Ft. Pierce and invested \$10 million
  - Complete job loss recovery from the closing of QVC with McKesson Medical
  - Mega-Yachts coming to the Port of Ft. Pierce for refurbishment

- First ever manufacturing association created in partnership with area manufactures, CenterState Bank, the County, the Cities, and the EDC
  - A-1 Truss expansion, Pursuit Boat expansion, Islamorada Beer Company relocation, and anticipated Maverick Boat expansion into the County’s airport commerce park are all indicators of growing economy that provides jobs for the people that live here.
- Six Sigma – A green belt class was held in partnership with the Florida Benchmarking Consortium to help train 17 County staff in the skills needed to develop process improvement teams and initiatives.
- Water quality issues dominated many of the headlines due in large part to an unusually heavy amount rain during which is normally our dry season. The County in response worked with Martin County, the Indian River Lagoon Council, the Florida Association of Counties, the South Florida Water Management District (SFWMD), the Army Corps of Engineers (ACOE), the Florida Department of Environment Protection (FDEP), and many others to achieve both immediate action to reduce Lake Okeechobee discharges and support irreversible momentum in terms of a long term commitment to see the Everglades restored and the Hoover Dike repaired.
- County staff expended considerable effort and co-ordination with the Federal Railway Administration (FRA) and retained safety specialists, to ensure that All Aboard Florida (Brightline) final plans for signalization and safety crossing equipment at County road crossings meet or exceed the FRA safety recommendations.
- As a key element of the Board’s federal legislative priorities, the 10 Mile Creek Reservoir transfer from the ACOE to SFWMD was completed after Congressional action.
- The County is also partnered with the FDEP and the City of Port St. Lucie in a water quality sampling study/project now underway, which will produce wet and dry seasonal information for the St. Lucie River and provide the science that will drive the sewer to septic upgrade and stormwater projects recommendations.
- Indian Hills Stormwater Project - Phase 2: has reached substantial completion, and is pending final inspection and certification. The City of Fort Pierce and County staff collaborated on this “stormwater park” which reduces the outflows to the Indian River Lagoon and provides a high level of pre-treatment. Recreational amenities include: an observation deck on the lake, picnic pavilions, exercise and nature trails, and a canoe launch.
- Mosquito Control initiated a strategic plan for protecting our community against the possible arrival of the Zika virus, including efforts to secure additional funding to help support those efforts.
- The Harbor Branch Marsh Restoration Project was completed adding 178 acres to the County’s mosquito impoundment inventory.
- The 911 call center began accepting emergency text messaging, recognizing the demand and advantages of such communications.
- The Oxbow Center hosted a highly successful open house to celebrate Earth Day and the restored Becker House opened to the public thanks to countless hours of volunteers and staff.
- Construction of Sunshine Kitchen begins at the Treasure Coast Research Park and significant interest was shown through a farm to fly grant that looks at using crops to produce jet fuel as part of a sustainability initiative.
- Employees with the County raised more than \$100,000 for different charities, including United Way and the American Cancer Society.

## FY2016/2017 Economic Forecast

As we look ahead to scan our economic environment as part of budget development process, and thanks to concerted efforts by business and government leaders, the local and regional economy overall continues to show growing strength. For the third year in a row, we have seen our property valuations from the Property Appraiser's Office increase, this year by 7.3% Countywide. Both the cities of Port St. Lucie and Fort Pierce saw significantly stronger growth in valuations over last year. Sales tax and other key revenues continue to show steady improvements. Permits for construction in both the unincorporated and incorporated areas continue to show strength over last year with a particular uptick in single family home permits. Job growth continues to be steady and tourism had record year. It was also reported that there was more than \$100 million in investments by agribusinesses through purchase of available local farmlands, which will help to keep agricultural lands in production as the citrus industry continues to look for relief from the citrus greening virus.

The VGTI saga has closed and the process now of marketing the unique research facility is underway in partnership with the City of PSL and the EDC. Torrey Pines has downsized their operations to better reflect the new economy and available funding in the research arena. The former Digital Domain facility now sold to Christ Fellowship Church who have now opened their doors. Tradition continues to build with Martin Healthcare's expansion leading the list, Pursuit Boats and Maverick Boats are expanding, as is A-1 Truss. Islamorada Brewing Company relocation, Liberty building in PSL, etc., all indications of a slow but steady growing demand for manufacturing and production based companies. Developing the St. Lucie Works brand in partnership with our municipalities, Chamber of Commerce, and EDC continues to shine the spotlight on business growth opportunities. Political and administrative stability will be a key to future collaborative efforts with the City of Port St. Lucie who is now the eighth largest city in Florida and the third largest in south Florida. The Florida Chamber estimates that the County's population now exceeds 300,000 people.

From the State perspective, while there is some turbulence regarding how economic development is driven, the economic indicators continue to be relatively positive for the near term. The State of Florida June 2016 Economic Overview predicts general revenues will increase overall by 4.4%. Locally, the Local Government Half Cent Sales Tax revenue forecast is anticipated to increase also by 4.4% or \$371,900. The St. Lucie County unemployment rate for May 2016, is 4.9%, a 20% decrease from 2015. According to the United States Bureau of Labor Statistics, there were 6,501 unemployed County residents out of a labor force of 131,630. St. Lucie County's employment is trending upward; from 2000 through 2015, nearly 40,000 jobs have been added to the local economy. Tourism is forecasted to reach the 110 million threshold for the first time in our history. As a state we are seeing approximately 1,000 people move to Florida every day continue to expand our claim as the third largest state in the nation. Additionally for our community, the elevation of Senator Negron to be the next Senate President creates some unique opportunities for economic development, state partnership in water quality, higher education, and juvenile justice reform. All of the Florida counties appreciated his and Senator Latvala's leadership in reducing the Juvenile Detention financial burden, which saved St. Lucie County \$266,032.

While nationally it is always difficult to predict beyond the open seat Presidential election as to what might happen with that seat and with the current power structure in Congress, the overall economy is forecasted to grow by the Federal Reserve (or Dept. of Commerce) between 1.9% and 2.3% through 2017 with interest rates continuing to remain near record lows. With energy costs at reasonable levels, assuming China does not do something completely unexpected and the British exit from the European Union is orderly, the U.S. economy will continue to be one of the better places for investment.

## FY 2016/2017 Proposed Budget Highlights

The 7.3% growth in valuations, along with smaller growth in other related revenues, allow for some key investments while at the same time creating the opportunity to reduce the property tax rate. Several of the key investments relating to the General/Fine and Forfeiture Funds include:

- Public Safety (Community):
  - Sheriff's Office increase of \$3,115,508 which will primarily provide for an additional 5% average salary increase (2<sup>nd</sup> year at this rate) along with increased funding for health insurance and the Florida Retirement System. This amount also includes an additional \$200,000 for court security expenses from the elimination of the private security contractor.
  - Completion of the 800 MHz radio system upgrades at \$9,000,000
  - Completion of 3,300,00 Jail Security upgrades
  - Increase marine safety coverage at local beaches, \$82,000
  
- Infrastructure (Community):
  - Airport Expansion - Completion of Runway Connector (\$4,030,206) and Customs Building Renovations (\$1,882,780)
  - Kings Road and Indrio Road Intersection, \$17.2 million which the State of Florida DOT is sharing in the cost, the County's portion is \$8.6 million
  - Completion of Midway Widening, \$13,042,807
  
- Community & Economic Development (Community):
  - Partner with the Economic Development Council to facilitate business development, \$50,000
  - Veteran's Services Position at \$52,538
  - Health Department's increase of \$200,000 will provide:
    - Increase staffing to study patterns of health and illness effecting our community
    - Implementation of a new health education campaign
    - Teen pregnancy prevention
  
- Management Services (Financial Management)
  - Cut to the Property Tax Rate (Millage) of 0.1000, saving taxpayers approximately \$1,100,000.
  - Information Technology upgrades and critical equipment replacements at \$1,208,642

#### FY 2016/17 Budget Stabilization

The County proposes to continue to use reserves for budget stabilization as per the adopted plan from last year. The County's reserves are sufficient to support the continued drawdown, which coupled with modest growth in valuations as well as fiscal discipline on minimizing new expenses will result in a balanced budget without the use of reserves in FY2019/2020. Fiscal Year 2016 allocation from reserves for budget stabilization is projected to be \$7,978,910. Fiscal Year 2017 Recommended Budget includes an allocation of \$9,506,238 from the Budget Stabilization Fund.

#### FY2016/17 Capital Program

While the County has been able to provide some of the needed capital for primarily infrastructure in this year's proposed budget, the mounting backlog of needed capital projects continues to grow. As the example most often provided, we are once again able to complete just 5 miles of road resurfacing in the coming year when the need is, if we were current, 25 miles of resurfacing. By only doing the 5 miles, the backlog grows and over time, we are not talking about resurfacing any longer but reconstruction due to having now lost the base of the road.

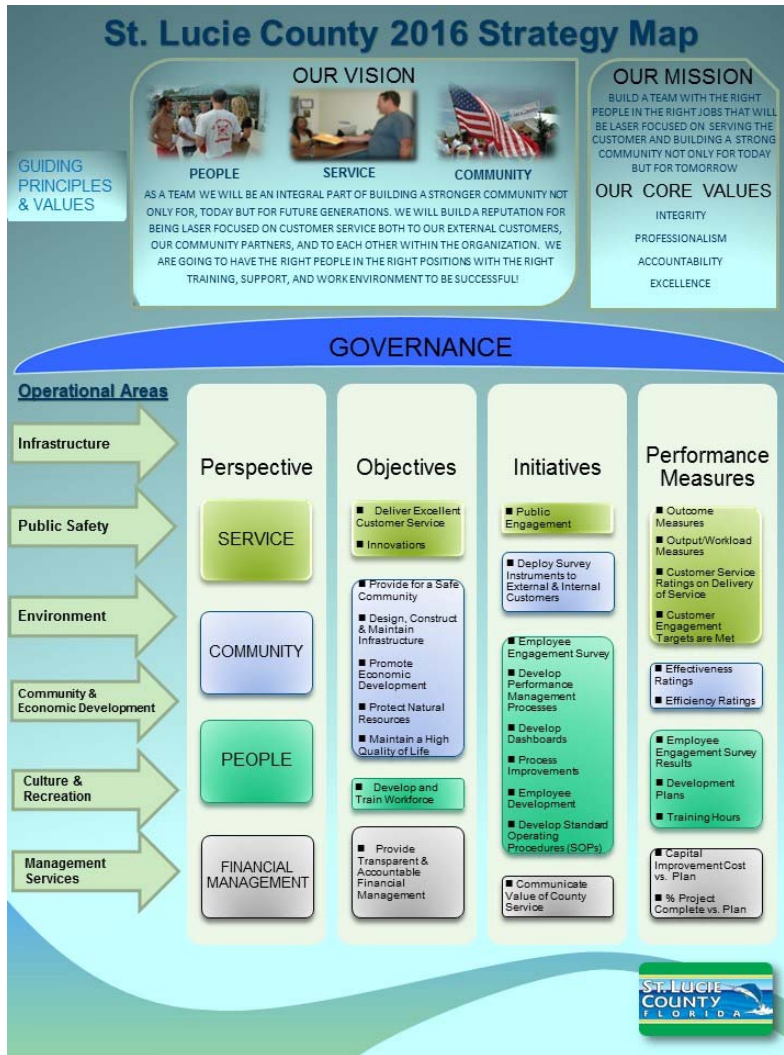
The Board of County Commissioners has recognized this infrastructure dilemma and placed on the November ballot a ½ cent sales tax initiative that will begin to address the more than \$1,200,000,000 need Countywide.

## **BUDGET APPROACH**

Generally speaking, a budget is the ultimate policy document. It is, in its simplest form, the application of resources to the priorities of the organization. The development, approval, and execution of St. Lucie County's Annual Budget is essentially a year round process that involves understanding of the financial forecasts and legislative impacts, reviewing the impacts of property valuations and aligning the Boards' priorities and direction.

As part of the budget development process, the County's various services are broken down into strategic operational areas that include Public Safety; Infrastructure; Environment; Community Services; Economic Services; Culture and Recreation; and Administrative Services. The most efficient organizations are those who have their strategic operational areas aligned with the Vision, and here in St. Lucie County, we do this through alignment of the County's various Focus Areas with the associated Strategic Objectives and our recommended Strategy Map below depict the organizations strategic alignment:

Table 1



The County’s overall business strategy is presented by focus areas, which allows the County to meet the goals in its operational areas that ultimately lead to achieving the Vision. The focus areas are read from bottom to top and start appropriately with ***Financial Management*** as the key to building a successful foundation for the organization. Next is investing in our most important asset – our ***People***. We are going to have the right people in the right positions with the right training, support, and work environment to be successful. Then we can invest in our ***Community***. As a team, we will be an integral part of building a stronger community not only for today, but for future generations. And, all of these areas together allow the County to deliver exceptional ***Services*** to our customers and communicate performance and illustrate the value of services that are provided by the St. Lucie County Board of County Commissioners.

The above process outlines the necessary elements that properly allow us to align our Vision and Mission and provides further clarity to departments of expected outcomes. This enhances our ability to focus on what is important to the organization.

Budget preparation is a year round process. In March, the Office of Management and Budget (OMB) distributes the Budget Preparation Manual and tentative schedule to the departments. OMB then begins finalizing the schedule for the County Administrator’s review, which takes place in May, and the Board’s workshops in July.



Departments prepare their 'requested' budget during the months of March and April. The County Administrator reviews the budgets in May and the 'recommended' budget is reviewed by the Board during the month of July.

Concurrently with the steps listed above, the Citizens Budget Review Committee, a group of citizens appointed by the Elected Officials, reviews the County's financial position and its budget request. The Citizens Budget Committee makes recommendations to the Board of County Commissioners regarding the County's Final Budget. This is generally done annually as a part of the overall budget process in July.

Once the Board approves the budgets and adopts the proposed millage rates in July, OMB notifies the Property Appraiser and prepares the Tentative Budget. The Tentative Budget is presented to the citizens of St. Lucie County and the Board of County Commissioners at the first public hearing in September. The Board will then adopt the Tentative Budget and Tentative Millage as presented or as amended. At the second and final public hearing, the Board adopts the Final Millage and Final Budget.

The budget is adopted at the fund level. During the course of the year, administration may approve the transfer of funds among line items within the same department as necessary for proper budgetary and fiscal management. The budget may be amended (increased or decreased) and funds transferred from contingency reserves only by action of the Board of County Commissioners as set forth in Florida Statutes.

The budget formulation, adoption, and execution in St. Lucie County, involve the year round interaction of the Board of County Commissioners, the County Administrator, and staff at various levels within the County. The purpose of the budget process is to identify departmental needs, develop strategies to meet those needs, and to develop detailed revenue and expenditure estimates to carry out the financial plan. The budget process for fiscal year 2016 - 2017 for St. Lucie County incorporates the scheduled activities listed on the Budget Preparation and Implementation Calendar, beginning in October 2016.

The Truth In Millage (TRIM) timetable and budget process schedule for fiscal year 2016 – 2017 are as follows



## ST. LUCIE COUNTY BUDGET PROCESS OVERVIEW

### October – September:

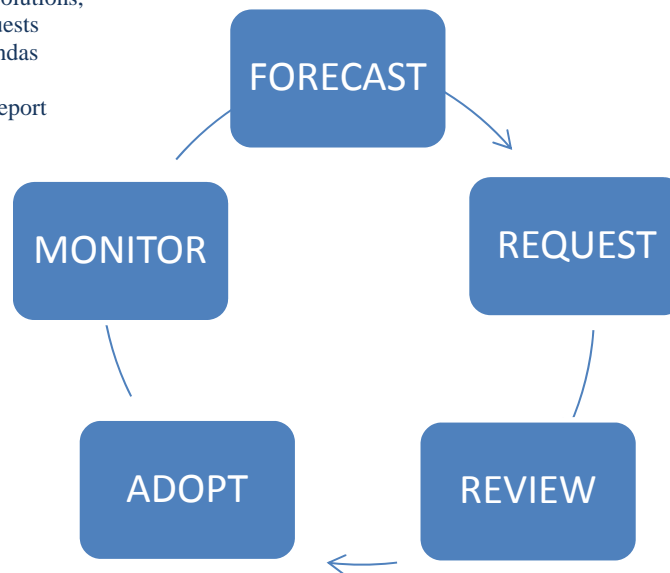
- ✓ Occurs Year Round
- ✓ Budget is loaded into Banner Accounting System
- ✓ Transmit Adopted Millage
- ✓ Review Departmental Accounts
- ✓ Process Line To Lines, Budget Amendments, Budget Resolutions, and New Equipment Requests
- ✓ Verify Departmental Agendas
- ✓ Grant Monitoring
- ✓ Grants Quarterly Status Report
- ✓ Monitor CIP Projects

### November – March:

- ✓ Beginning of the Budget Process
- ✓ Outline the Budget Process to the Departments
- ✓ Begin the CIP Process
- ✓ Calculation of Fund Balance Forward
- ✓ Meet with Departments for Revenue and Expense Projections

### January – June:

- ✓ Staff Training of Microsoft Office, Banner, and GovMax as needed
- ✓ Department Requests (including equipment and position changes)
- ✓ CIP Requests
- ✓ Department Mission, Goals, Objectives, and Key Indicators
- ✓ Revenue Projections
- ✓ Citizen Budget Committee review



### July – September:

- ✓ Ending of the Budget Process
- ✓ Set Proposed Millage Rates
- ✓ Tentative Budget Adoption
- ✓ TRIM Notice
- ✓ Public Hearings
- ✓ TRIM Advertisement
- ✓ Final Adoption of the Budget

### March – September:

- ✓ Review of Budget Packages Submitted
- ✓ County Administrator’s Budget Review
- ✓ Balancing of the Budget
- ✓ BOCC Budget Review Workshops
- ✓ Citizens Budget Committee

### **Capital Budgeting**

St. Lucie County maintains a Capital Improvements Plan (CIP), which covers a five-year period and is updated annually. The Office of Management and Budget determines the amount of funds available for capital projects. Proposed projects are prioritized and the available funds are allocated accordingly. A separate section of this document is designated for the CIP projects detail. Projects in the CIP this fiscal year are funded; however out years are estimated needs and may exceed future available revenues.

The capitalization threshold is \$25,000 for buildings or infrastructure with a life span of more than one year. Budgets for buildings and infrastructure under \$25,000 are reflected in the County's operating budget instead of the Capital Improvement Program.

### **Reserves**

A reserve for contingency may be budgeted in each of the funds at an amount not greater than 10% of the total budget in accordance with Florida Statute 129.01 (2)(c). At the Board's discretion, these funds may be allocated as needed during the year to fund unexpected operations or events.

The Board will also maintain a designated Emergency Reserve of 16.5 million. This is in line with GFOA guidelines and would be used for storm events and emergencies/issues that are not anticipated in normal budget development. The Board will also maintain a fund balance reserve for budget stabilization in the amount of \$14 million, which equals the deficit the County experienced in 2010, our most critical year. The Board also allocated \$6 million in a transportation infrastructure reserve, as our current repaving cycle is not sustainable.

### **BUDGET HISTORY:**

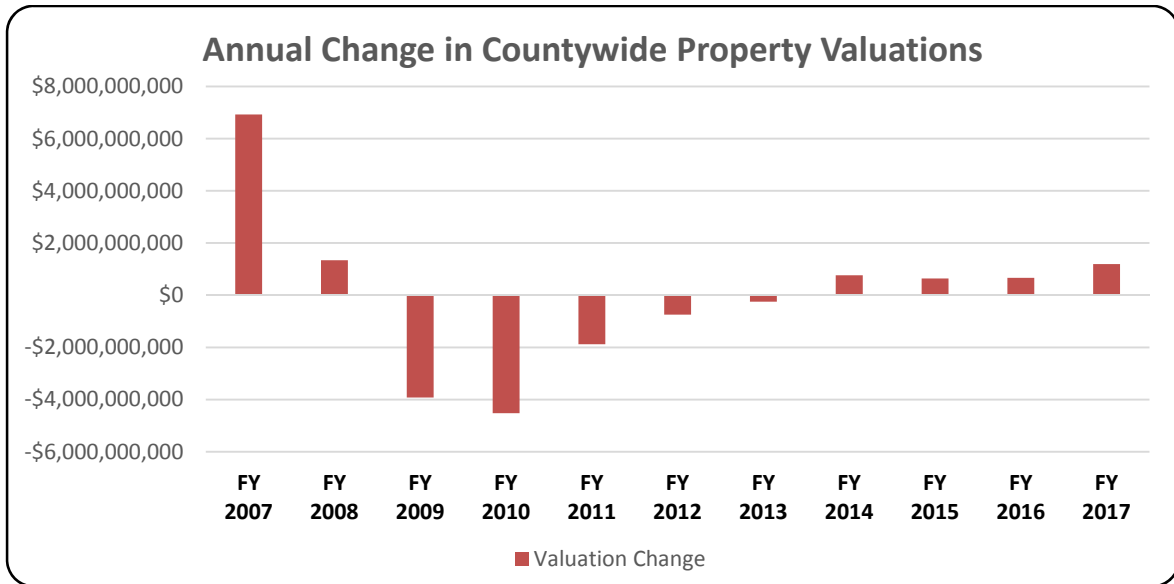
The State has made decisions with the intent of reducing property taxes. Some of these decisions include:

In 2007, the State passed a Tax Reform Bill. St. Lucie County was required to levy a tax rate of 9% below the rolled back rate. In 2008, the voters' approved a Constitutional Amendment, which further changed the taxing system. The Amendment included:

- Double homestead exemption: This gave homesteaders a second \$25K exemption.
- Portability: Homesteaders could take up to \$500,000 of Save Our Homes protections to a new home purchase.
- \$25K personal property exemption: Businesses get a break on the taxes they pay on equipment.
- 10% cap on non-homestead assessment: Property assessments could increase no more than 10 percent each year on non-homestead property.

Over the last decade, we have seen tumultuous changes in our property values with property values increasing as much as 40.16% and decreasing as much as 20.95% in a single year. As we start to see some of the positive impacts of the economic recovery process, it is natural to want to think that the situation could improve, and property value increases could approach the rapid increases that we have seen in the past. However, St. Lucie County's taxing ability has been reduced by the caps and limitations enacted by the State. With these changes, the ability to collect additional revenue is gone forever unless the millage rate is changed.

Chart 1

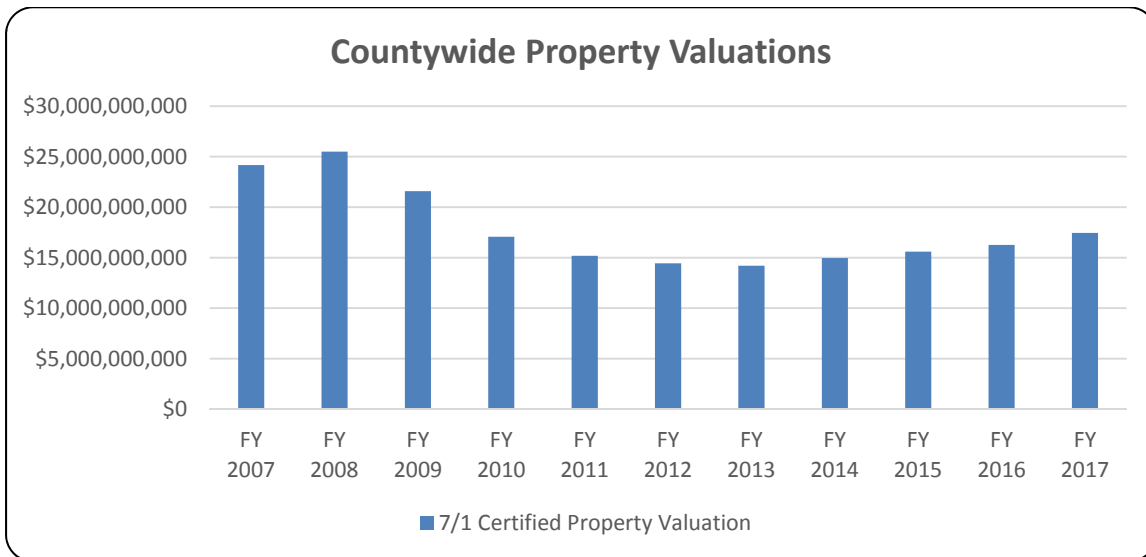


Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Roll Back Millage Chart

**Countywide Valuations**

From FY 06 to FY 08, property valuations increased by 47.93%, from \$17.2 billion to a peak of \$25.5 billion, as seen on the following chart. Beginning in 2008, property valuations declined for five consecutive years, reaching a low of \$14.2 billion, or a net drop of 34.24% in values. In 2014, the property valuations began to slowly turn around and have gradually increased by an average of \$0.7 billion per year, reaching \$16.2 billion in 2016, which is a net increase of 8.73%. For FY 2017, the property values are projected to increase by \$1.1 billion to \$17.4 billion, which is a net increase of 7.32%.

Chart 2

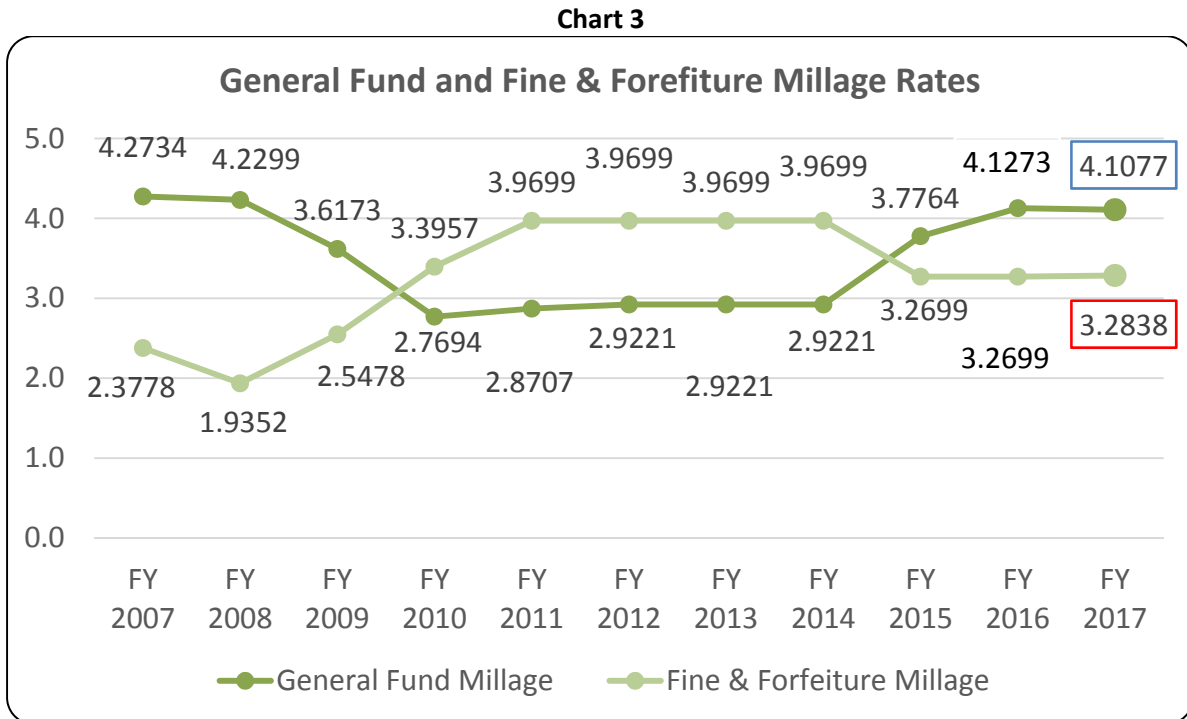


Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Roll Back Millage Chart

**Millage:**

Over the period, the graph below depicts the change in millage rate year over year. The changes occurred annually as the Board of County Commissioners choose to set the millage rate in order to meet the funding requirements needed for the operating budgets, programs and projects that they deemed necessary and County Administration recommended.

Overall, it is remarkable that the range in which the millage for both the General Fund and Fine and Forfeiture remain relatively stable over the ten-year period.



Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Millage Rates History

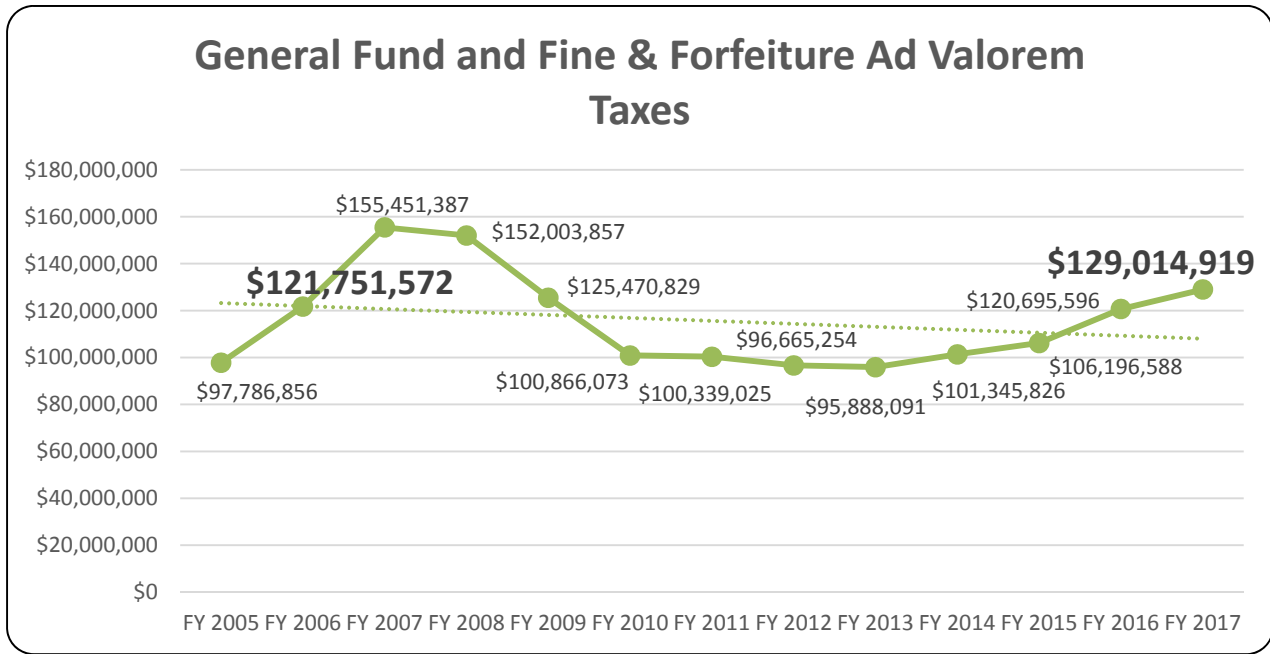
**Major Revenues:**

Chart 4 is a representation of the amount of revenue (in dollars) that the County receives from the General Fund and Fine and Forfeiture Ad Valorem taxes from the period of FY 2005 through FY 2017.

The General Fund is the fund containing revenues that are not designated by law for any one specific purpose. These revenues are used to provide county-wide operating services. Fine and forfeitures is a group of revenues that include monies received from fines and penalties imposed for the commission of statutory offences, violation of lawful administrative rules and regulation, or for neglect of official duty.

There has been an overall downward trend since FY 2005 in these sources of revenues. This trend can be attributed to the overall economic conditions that were affected by the recession of 2008. Revenues collected prior to 2008 had an upward trend, followed by a sharp decline after 2008. Revenues have been trending slightly upwards since 2014, and are forecasted to continue to do so in FY 2017.

Chart 4



Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Roll-back Millage Rates

Chart 5 is a representation of the amount of revenue (in dollars) that the county receives from the Ad Valorem taxes that are designated towards a dependent district. A dependent district is a special district in which the budget is established by the governing body of the county or municipality, to which it is dependent. The two dependent districts for St Lucie County are the Mosquito Control District and Erosion District.

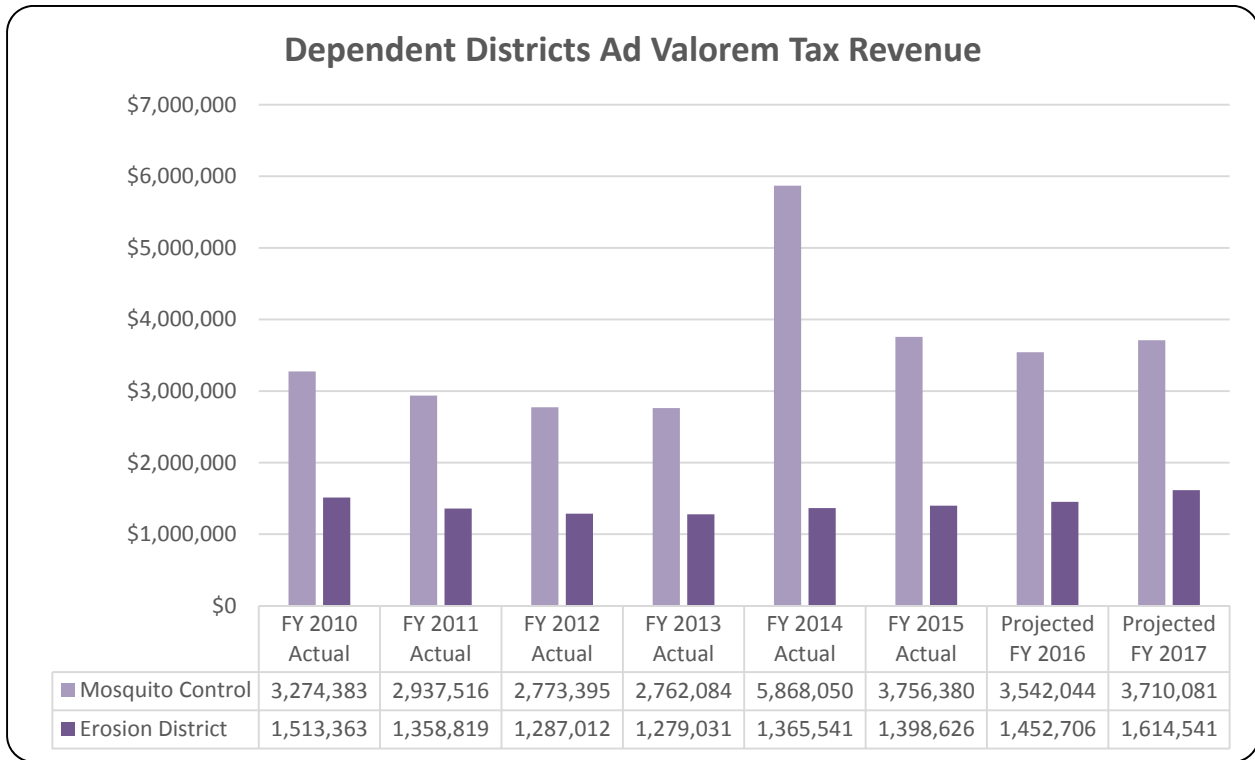
Revenues for both districts have followed a declining trend from FY 2010 through FY 2013. In FY 2014, there was a noticeable spike in revenues towards the Mosquito Control District. This spike was due to the Board approving the Citizens Budget Committee’s recommendation to replenish reserve funds in Mosquito Control District.

The FY 2014 budget included a tax rate increase for the Mosquito Control District:

- The millage for the Mosquito Control District increased by:
  - .2029; which brought the District’s millage from .2036 to .4065
    - The millage increase for a home with property value of \$100,000 was an annual tax increase of \$20.29
    - Generated additional tax revenue of \$2.8 million.
- With the \$2.8 million generated from the millage increase, the District’s operating budget was balanced and the District’s reserves increased to approximately \$4 million

The Mosquito Control District is forecasted to increase by \$168,037, or +4.74% from FY 2016 to FY 2017. And, the Erosion District is forecasted to increase by \$161,835, or +11.14% from FY 2016 to FY 2017.

Chart 5



Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Roll-back Millage Rates

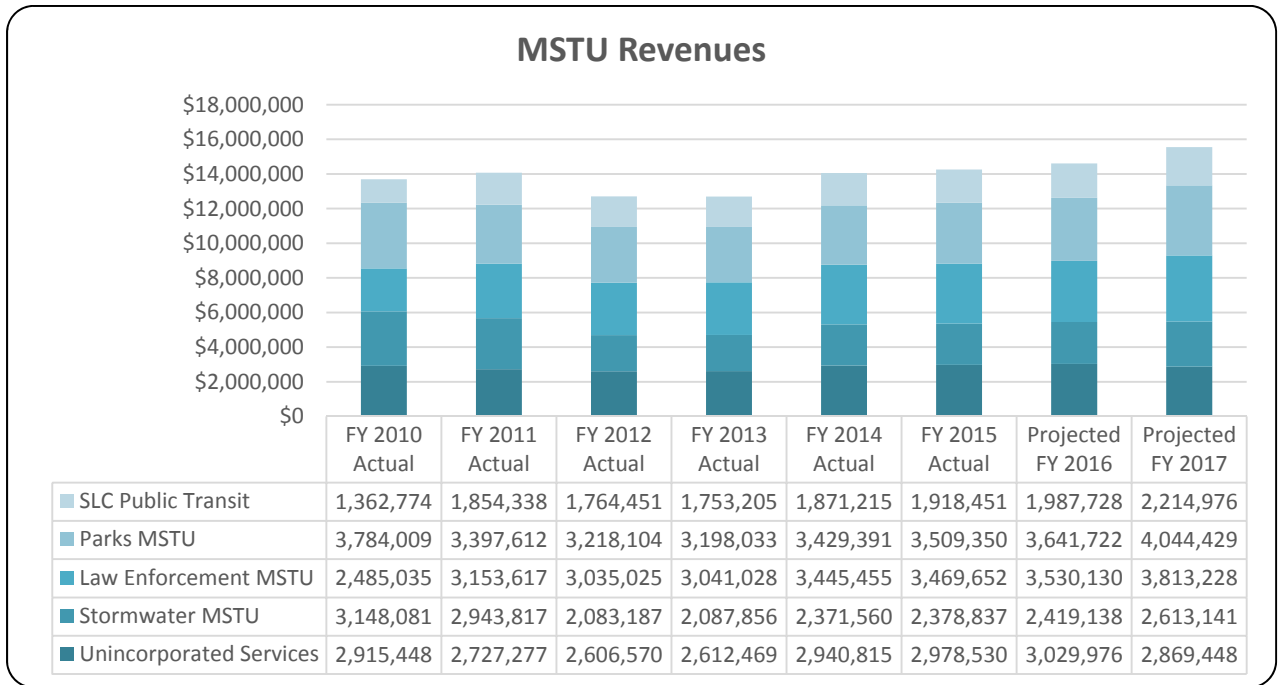
Chart 6 represents the amount of revenues (in dollars) received through Municipal Services Taxing Unit (MSTU) from FY 2010 through FY 2017. An MSTU is a special taxing district authorized by the State Constitution (Article VII) and the Florida Statutes 125.01. The MSTU is a legal and financial mechanism for providing specific services and/or improvements to a defined geographical area. Revenues from an MSTU are received through Ad Valorem taxes and special assessments.

MSTU revenues are separated into five categories:

- St Lucie Co. Public Transit
- Parks
- Law Enforcement
- Stormwater
- Unincorporated Services

The majority of MSTU revenues are received were for the Parks and Law Enforcement MSTU. Revenues from the MSTU have seen an upward trend since FY 2013, and are forecasted to continue to do the same in FY 2017.

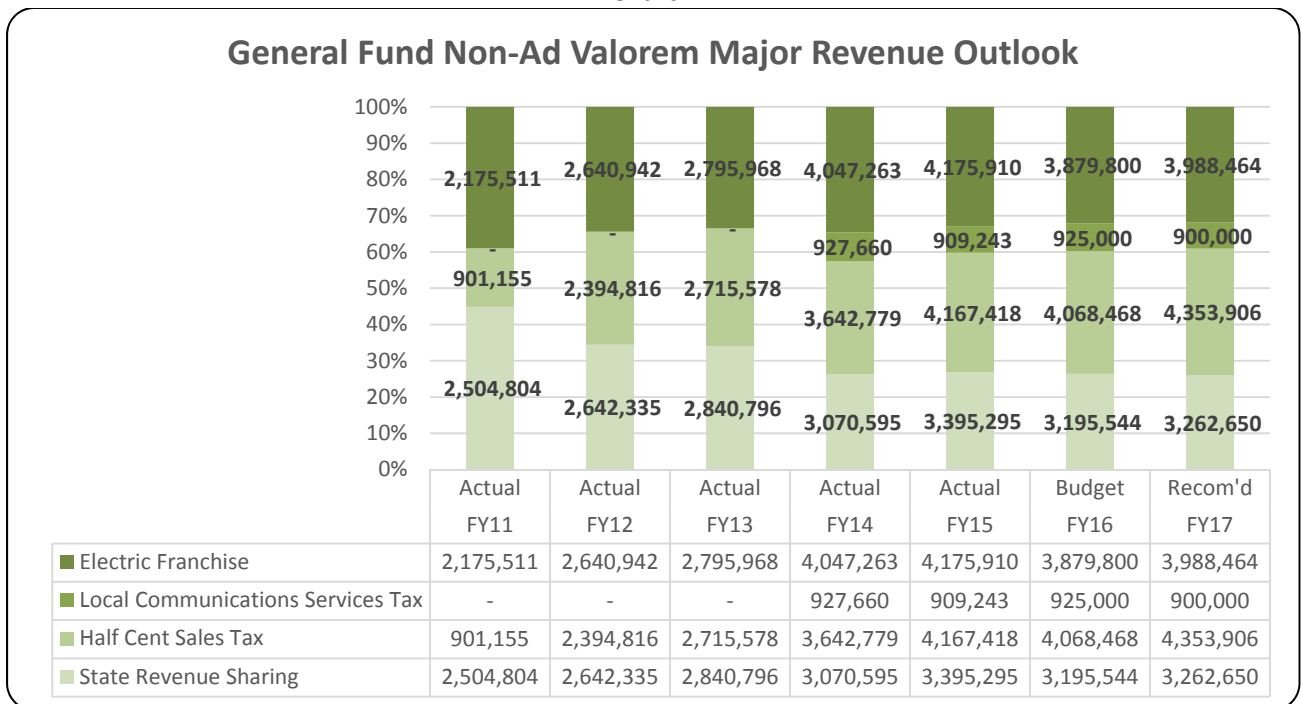
Chart 6



Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Roll-back Millage Rates

Chart 7 represents Non-Ad Valorem revenues (in dollars) received from FY 2011 through FY 2017. These revenues are not associated with values of real estate of personal property.

Chart 7



Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Major Revenues



The non-ad valorem revenues are broken into four categories:

- **Electric Franchise** – The County negotiated agreements with the Florida Power and Light Company (FPL) and the Fort Pierce Utilities Authority (FPUA) allowing each a non-exclusive franchise to operate facilities within County rights-of-ways in the unincorporated areas of the County. In consideration for the franchise, each entity has agreed to pay a fee. In the case of the electric companies, this fee is remitted to the County.
- **Local Communications Services Tax** - Fees charged to telecommunications related companies pay the fee to the State who then distributes the revenue to each respective county. This fee is an agreed upon percentage of their revenues, less actual write-offs, which are ‘billed’ to customers living within the unincorporated area of the County.
- **Half-Cent Sales Tax** - Local Governments receive a share of the State sales tax collections that is roughly equal to, and is referred to as, the “Half-Cent” Sales Tax. It generates the largest amount of revenue for local governments any source of State shared revenue.
- **State Revenue Sharing** - The Florida State Department of Revenue uses an established formula to apportion to each eligible county a certain amount of revenue collected from cigarette and intangible taxes levied by the State. The formula is based on county population, unincorporated population, and county sales tax collections. Distributions are usually consistent from month to month with the exception of July when the State makes an annual adjustment based on the past fiscal year collections.

The majority of Non-Ad Valorem revenues have been received between electric franchise fees and state revenue sharing. Beginning in FY 2014, revenues from local communications sales taxes were added. Revenues from this category have seen an upward trend since FY 2011, and are forecasted to slightly decline in FY 2017.

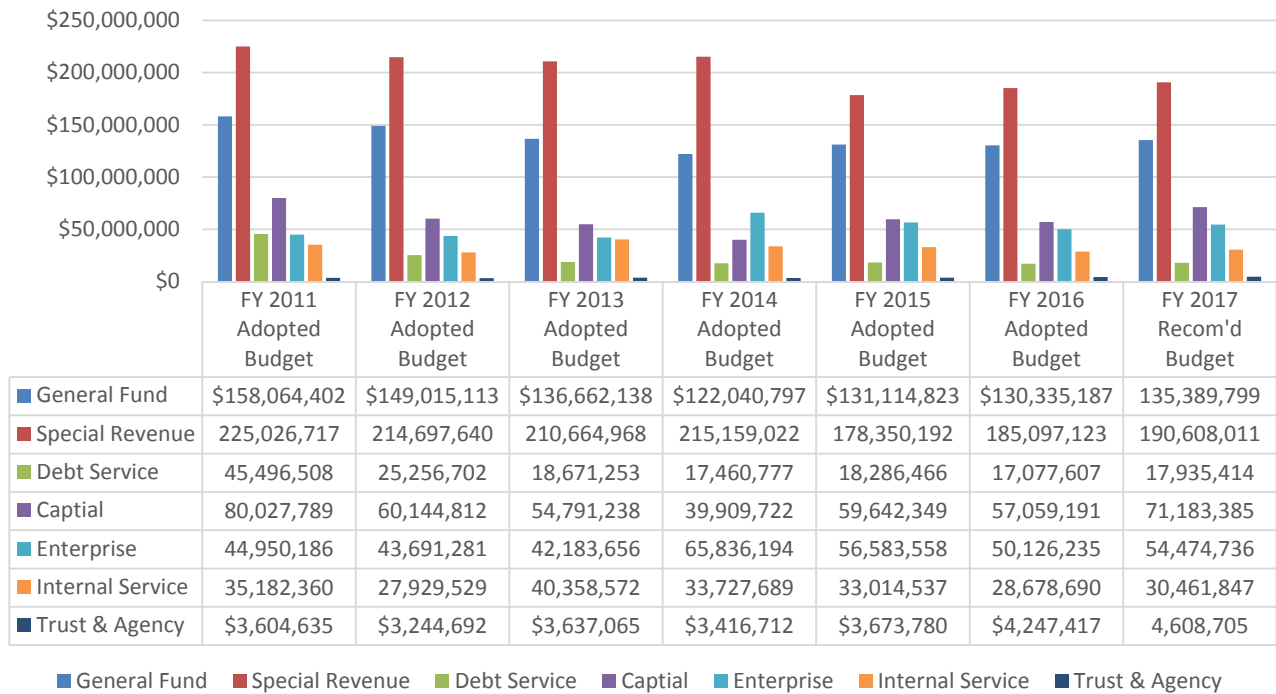
From FY 2001 through FY 2007, and then from FY 2009 through FY 2013, the Transportation Trust Fund received Electric Franchise revenues totaling \$8.85 million. From FY 2002, FY 2003, and FY 2005 through FY 2008, the Transportation Trust Fund also received Local Communications Tax revenues totaling \$2.84 million.

### **Major Expenses:**

Chart 8 shows FY 2011 through FY 2016’s Adopted Budgets and the FY 2017 Recommended Budget, a summary of the expenditures by fund type. Looking at the chart, the General Fund, Special Revenue, Capital, and Internal Service fund types have been on an overall steady decline, while other fund types, such as Debt Service, Enterprise, and Trust & Agency have remained level or increased slightly. Of the fund types, the General Fund and the Special Revenue receive most of the Ad Valorem Tax Revenue.

Chart 8

Expenditure Summary by Fund Type



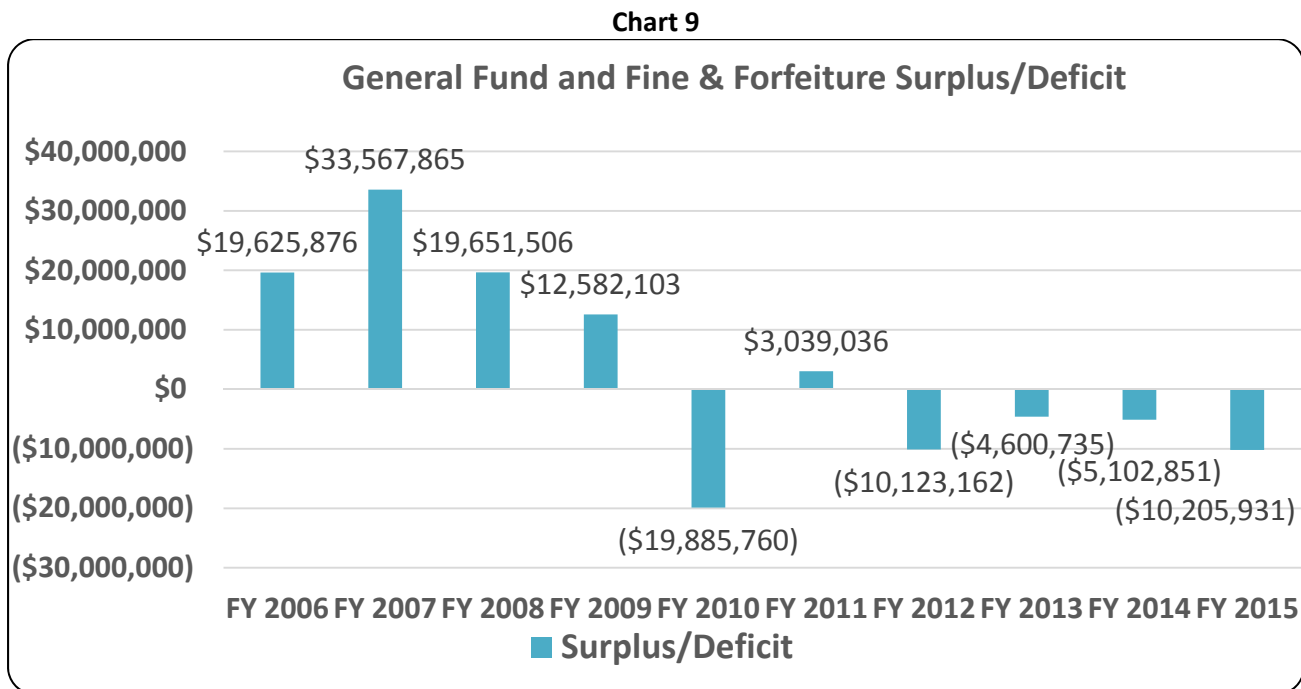
Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Summary of Revenues and Expenditures Major Funds

- The General Fund, over the seven-year period FY 2011 to FY 2017, declined from \$158.1 million to \$135.3 million. This is a cumulative decrease of \$22.6 million or -14.35%. The FY 2017’s Recommended Budget shows the General Fund increasing by 3.88% or \$5.05 million from the FY 2016 Adopted Budget.
- The Special Revenue Fund, the cumulative decrease was \$34.41 million during the period FY 2011 to FY 2017. This represents a decrease of -15.30%. The FY 2017 Recommended Budget shows the Special Revenue Fund slightly increasing by 2.98% or \$5.51 million from the FY 2016 Adopted Budget.
- The Debt Service Fund, decreased from FY 2011 to FY 2017 by \$28.41 million or -60.58%. The FY 2017 Recommended Budget shows the Debt Service Fund increasing \$0.85 million or 5.02%, from the FY 2016 Adopted Budget.
- The Capital Fund, decreased from FY 2011 to FY 2017 by \$8.8 million or -11.05%. The FY 2017 Recommended Budget shows the Capital Fund increasing by \$14,124,194 or 24.75%, from the FY 2016 Adopted Budget.
- The Enterprise Fund, increased from FY 2011 to FY 2017 by \$9.5 million or 21.19%. The FY 2017 Recommended Budget represents an increase of \$4.34 million or 8.68%, from the FY 2016 Adopted Budget.

- The Internal Service Fund, decreased from FY 2011 to FY 2017 Recommended Budget by \$4.7 million or -13.42%. The FY 2017 Recommended Budget represents an increase of \$1.78 million or 6.22%, from the FY 2016 Adopted Budget
- The Trust & Agency Fund, increased from FY 2011 to FY 2017 Recommended Budget by \$1.0 million or 27.8%. The FY 2017 Recommended Budget shows the Trust & Agency Fund increasing by \$0.36 million or 8.51%, from the FY 2016 Adopted Budget

**General Fund and Fine & Forfeiture Surplus / Deficit**

Chart 9, represents Surplus/Deficit spending that occurred from FY 2006 through FY 2015 in the General Fund and Fine & Forfeiture Funds combined. These funds were accumulated or spent as a result of the increase or decline in property values and the resulting change in Ad Valorem tax revenue, as we experienced unprecedented fluctuations over the course of years depicted in Chart 9. The overall net change from FY 2006 to FY 2015 is an increase of \$38.5 million.



Source: Banner Financial System

**Positions:**

Comparing FY 2017 to FY 2010, the total of St. Lucie County’s workforce, counted in terms of Full Time Equivalent (FTE) positions (where one full-time employee is equal to 1.0 FTE), reduced by a total of 122.76 FTEs, or -13.7%

In FY 2011, as part of an effort to reduce the deficit gap, the Board approved the structural realignment of the County’s 18 operating departments down to nine operating departments. With the organization of departments, there were also staff layoffs that resulted in a \$4.19 million personnel expense reduction and a drop in the FTE count by 237.31 FTEs. Upon conclusion of the layoffs, there were 659.76 FTEs remaining, which placed the County near the 1992-93 staffing level.

For both FY 2015 and FY 2016, the FTE count primarily increased from the conversion of Manpower temporary workers to County employees. Additionally for FY 2016, the FTE count for the Libraries increased by +17.00 FTEs due to the increase of operating hours at two Libraries and preparing for the opening of a new library. The FY 2016 FTEs were 744.74, of which, the closest and most comparable is 681.15 FTEs in FY 1995.

For FY 2017, the FTEs count primarily increased from the conversion of Manpower temporary workers to County employees from the latter part of FY 2015. During FY 2016, Parks, Recreation & Facilities added 4.0 FTEs for jail maintenance and Public Works – Engineering added 1.0 FTE for construction inspection. The FY 2017 FTEs are forecasted to be 774.31, of which, the closest and most comparable is 778.84 FTEs in FY 2002.

**Table 2**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total FTE by Fiscal Year	897.07	659.76	653.06	666.59	674.84	707.735	744.74	774.31
Change in FTEs by Fiscal Year	-22.15	-237.31	-6.70	13.53	8.25	32.90	43.01	29.57

*Source: St. Lucie County Office of Management & Budget – Annual Final Budget Books – Personnel History*

**ACCOMPLISHMENTS:**

A sampling of St. Lucie County’s FY 2015-16 accomplishments is listed below. A more complete listing of accomplishments is located in the Department Summaries section of the budget book.

**Community**

- In collaboration with the Economic Development Council, initiated the “St. Lucie Works” economic development program to highlight business activities in the county
- Brought in more than \$1.2 million for storm-water improvement projects, new and renovated amenities for parks and preserves, the creation of the Lagoon and You Education Program, and the addition of oyster reefs in the Indian River
- Public Works continued the Midway Road (Selvitz Road at 25<sup>th</sup> Street) widening project and entered into a contract for construction of this project
- Master Gardeners volunteered over 19,100 hours, assisting more than 40,200 homeowners with their horticulture concerns. 4-H Volunteers donated over 14,700 hours and Master Naturalist Volunteers donated over 1,200 hours
- Constructed 1,800 feet of trails, an observation tower, picnic shelter, and kiosk and parking improvements at Blind Creek Park Beachside
- Established a more aggressive United Way workplace campaign that is expected to raise \$50,000 more than last year
- UF/IFAS Extension initiated environmental programming for 6,189 youth and their families, along with 101 adults in our community, focused on learning about the Indian River Lagoon and how they could reduce their impact
- Continued construction of the 2<sup>nd</sup> Street Reconstruction Project
- Completed the Becker House Nature / Eco-Tourism Center
- Began renovation of the Rosser Boulevard Branch Library
- Solid Waste completed the installation and operation of a glass recycling facility

**People**

- Provided Lean Six Sigma Greenbelt Training

- Created and implemented LEAP (Leadership Excellence through Action and Practice) employee development program
- Initiated an employee engagement survey to gather feedback on how our employees see important issues relating to how we get things done and how we can improve
- Public Safety investment in the Sherriff's Office:
  - Step Plan (\$2.3 million)
  - Health Insurance (\$2.1 million)

**Service**

- Utilities Department completed a full cycle of the “ten-year metering change out program” by replacing all the older manually read water meters with Automatic Meter Reading (AMR) radio read meters. The AMR's will allow for more efficient meter radon of the water system usage, improve customer service by helping the Utility Department detect possible leaks in customer's plumbing, and support conservation efforts by reducing water loss
- Accepted the Best Restored Beach Award for the South County Beach and Dune Restoration protect from the American shore and Beach Preservation Association
- Continuing to improve the quality of life for all residents of St. Lucie County through Code Enforcement compliance. This reactive program helps to restore neighborhood pride and maintain property values
- Conducted a review of performance management processes that would allow St. Lucie County to use its resources effectively and efficiently; communicate value of services in a transparent and accountable manner; and allow decision to be driven by evidence based data
- Completed funding and acquisition of 800mHZ Radio system
- Upgraded security system at Rock Road Detention Facility
- Completed funding and began implementation of Florida Power and Light Energy Efficiency Projects
- Implemented phase I of a paperless permitting process

**Financial Management**

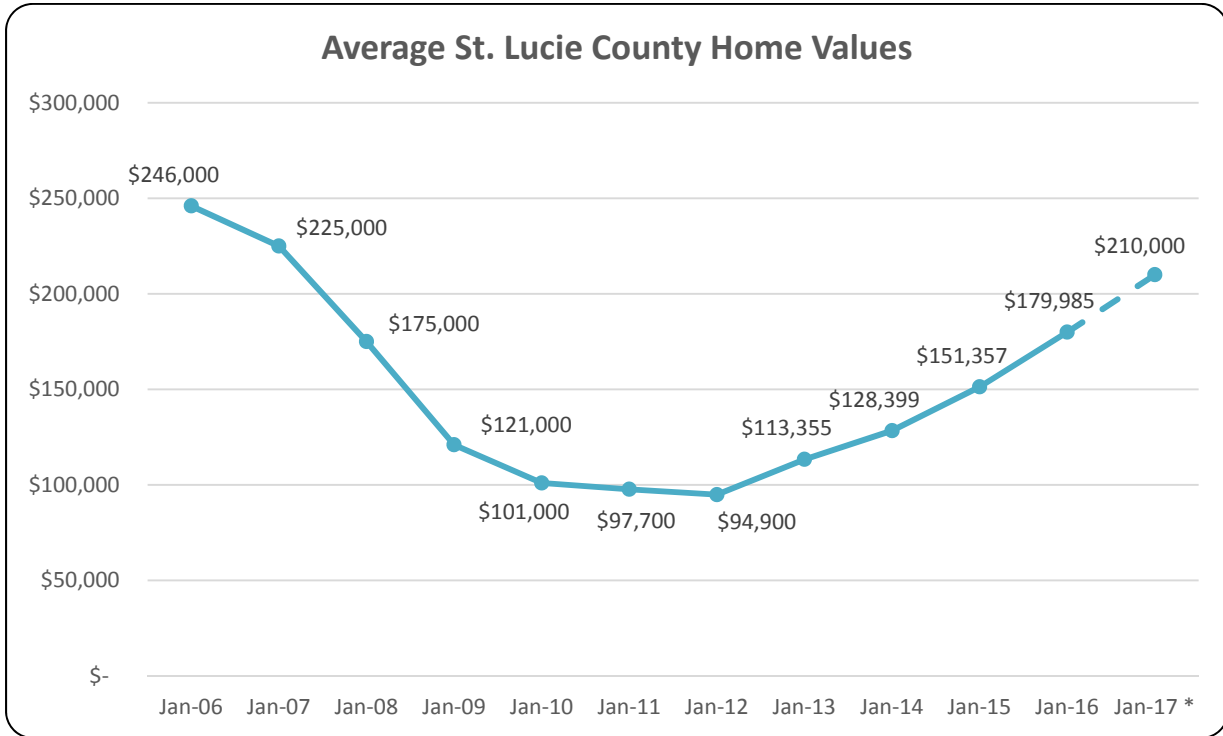
- In collaboration with the Clerk of the Court, work began on the initial internal audit review, and a survey tool was developed to gauge future audit review projects
- Implemented monthly budget reports to report the status of the budget to management
- Implemented an automated budget change process
- Successful in securing close to \$126 million in State appropriations directly and indirectly to St. Lucie County

**ECONOMIC CONDITIONS:**

**Average St. Lucie County Home Values:**

After seven years of declining property values, at a combined loss of -61.42%, St. Lucie County county-wide average home values began to increase from 2013 through 2016, resulting in a net 58.78% increase. The average property values for FY 2017 are projected to increase by 16.68% from \$179,985 in FY 2016 to \$210,000 in FY 2017.

**Chart 10**

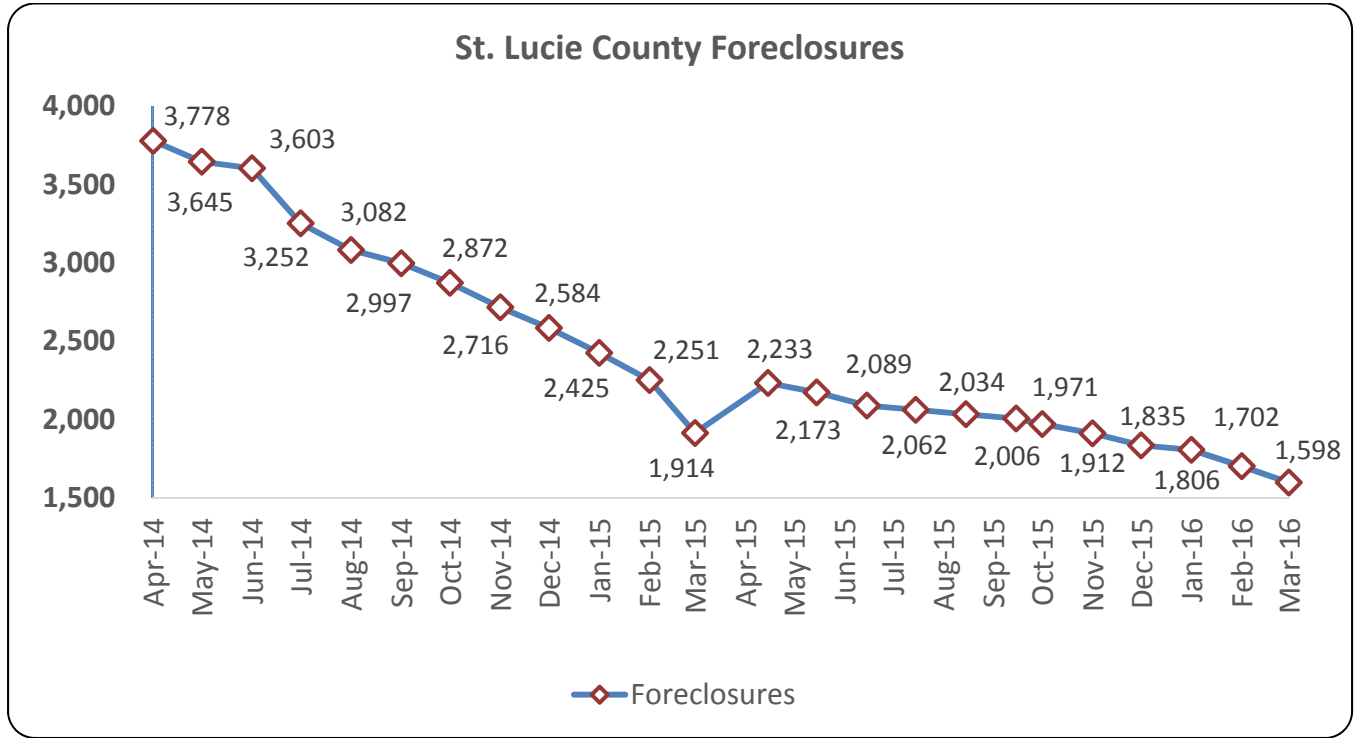


\* Proposed Source: Florida Realtors – Monthly Market Summary and Monthly Distressed Market – Single Family Homes - St. Lucie County

**Foreclosures in St. Lucie County**

Between April 2014 to March 2016, the number of foreclosure cases reduced by 2,180 cases or -58%. This is a positive sign of the economy turning around for the better.

**Chart 11**



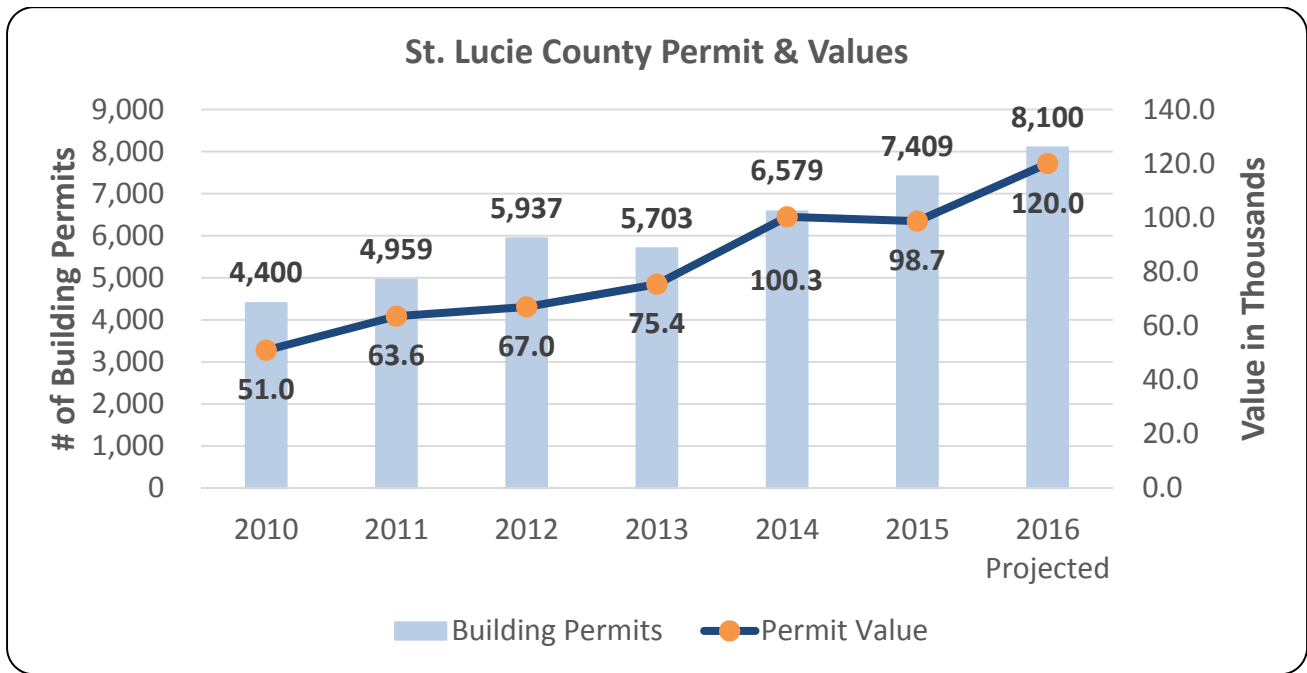
Source: St. Lucie County Clerk of Court – Recording Division and Civil Courts – Probate Division



**New Construction in St. Lucie County**

Building permits and permit value are leading indicators to improvement in the building industry. Since 2010, the unincorporated area permit activity has increased by 68% or 3,009. In Calendar Year (CY) 2015, the permit value declined slightly by 1.6% or \$-1,600 when compared to CY 2014. For Projected CY 2016, there is an expected increase of 21.58% or \$21,300, when compared to CY 2015. Overall, from CY 2010 through Projected CY 2016, the building permit values are expected to increase by 135.29% or \$69,000.

**Chart 12**

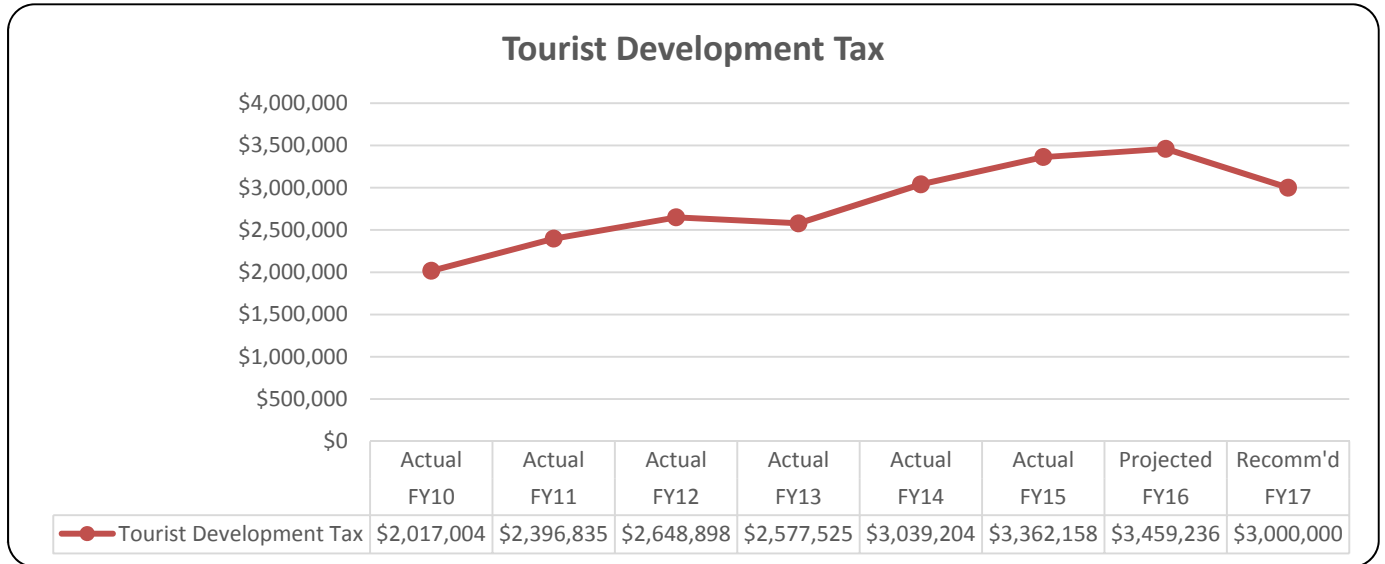


Source: St. Lucie County Planning & Development Services – Building and Code Regulation – Zoning & Permitting

**Tourism**

From FY 2010 through FY 2014, the Tourist Development Tax Revenue has been increasing at a constant rate of +18.83% in FY 2011; +31.33% in FY 2012; +27.79% in FY 2013; +50.68% in FY 2014; and +66.69% in FY 2015. For the FY 2017 Recommended Budget, the Tourist Development Tax revenues are conservatively budgeted at \$3,000,000. The overall increasing Tourist Development Tax revenues are an indicator that St. Lucie County's economy is benefitting from the increased spending of tourism dollars.

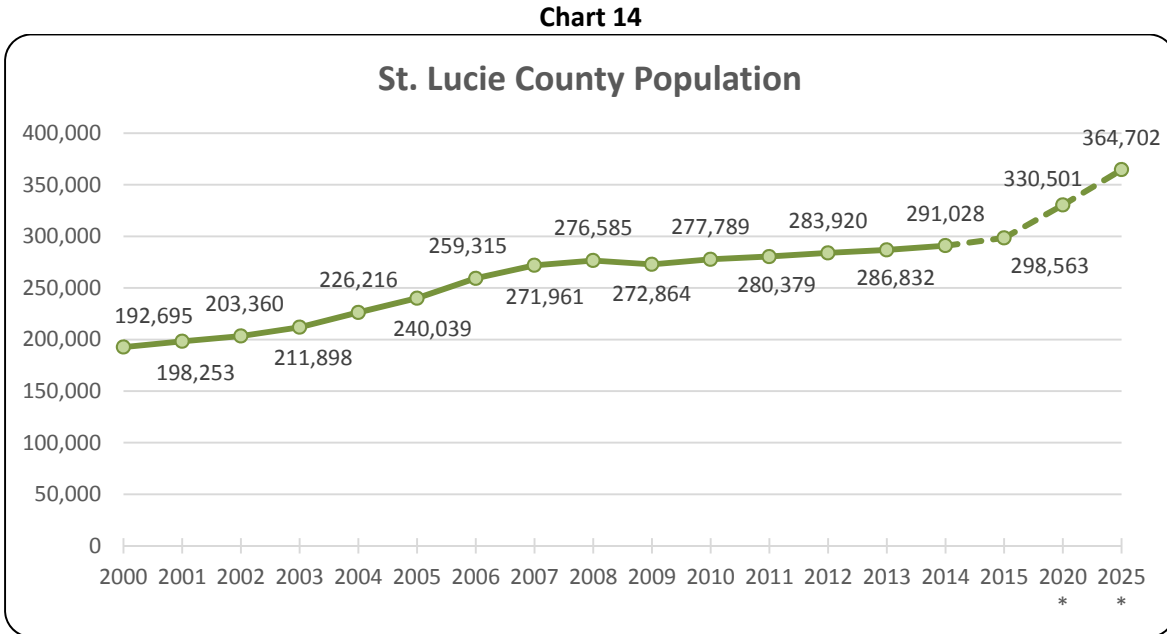
**Chart 13**



Source: Banner Financial System

**Population:**

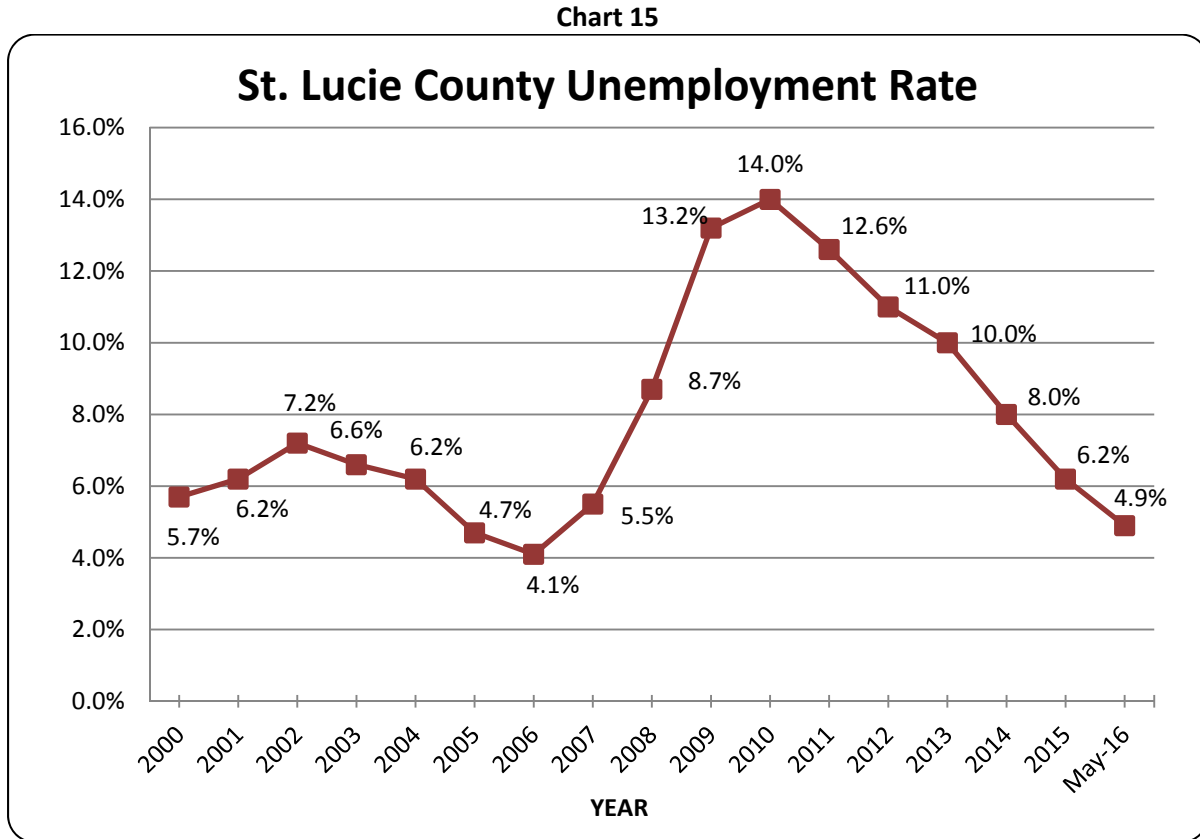
As seen in the chart below, St. Lucie County’s population has been on a steady increase. With the County’s population increasing by 98,333 from 2000 to 2014, the County experienced a 51% growth increase. From 2015 through 2025, St. Lucie County’s estimated population is projected to increase by an additional 66,139 persons, which is 22% of growth.



Source: U.S. Census Bureau – QuickFacts – St. Lucie County and Florida Housing Data Clearinghouse – Regional & Local Profile: Results – Housing Profile – St. Lucie County, Florida – Population Projections

**Unemployment Rate**

The St. Lucie County unemployment rate for May 2016 is 4.9%, a 20% decrease from 2015. However, the County rate is 0.05 percentage points higher than the State of Florida’s unemployment rate. According to the United States Bureau of Labor Statistics, there were 6,501 unemployed County residents out of a labor force of 131,630.

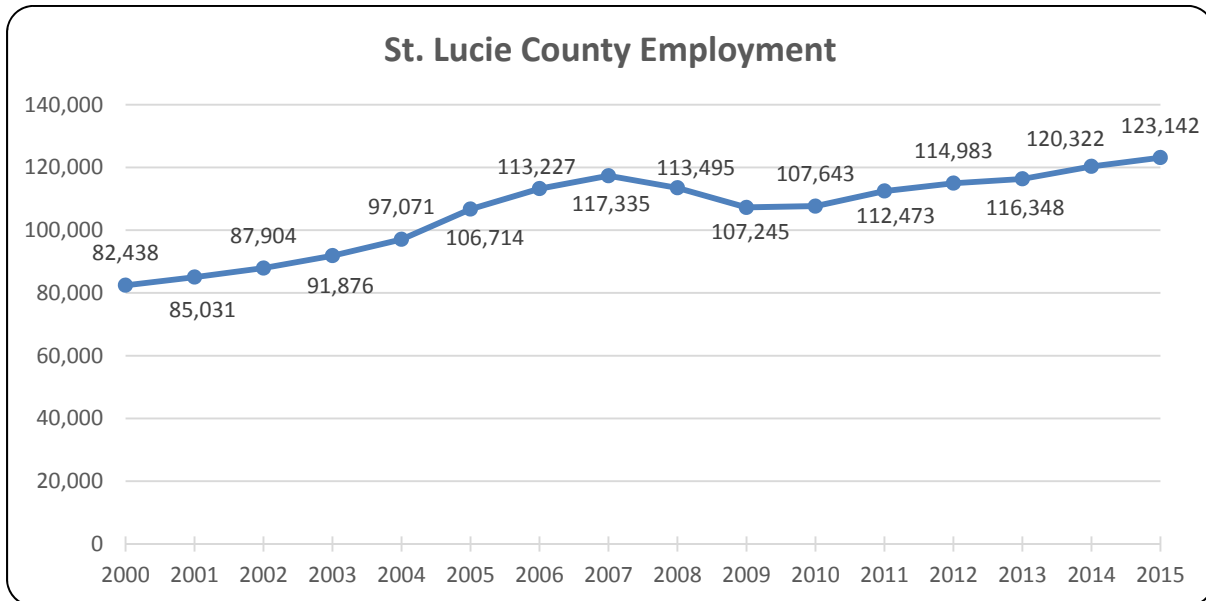


Source: <http://www.floridajobs.org/labor-market-information/data-center/statistical-programs/local-area-unemployment-statistics>

**Employment:**

As seen in the chart below, St. Lucie County’s employment was on a steady increase from 2000 through 2007, and then declined by a total of 8.60% over the course of two years. The County’s employment began to show signs of economic growth between 2009 and 2015, with a net 14.82% increase in the County’s workforce.

Chart 16



Source: Florida Jobs – Labor Market Information – Local Area Unemployment Statistics (<http://www.floridajobs.org/labor-market-information/data-center/statistical-programs/local-area-unemployment-statistics>)

### State Budget Impacts

Each year, the State of Florida has a significant impact on St. Lucie County’s budget in terms of what the State Legislature chooses to fund and the mandates that they place on local governments. This impact is affected by funding provided to St. Lucie County or other agencies within the County. The following projects that impact St. Lucie County were approved as part of this year’s State legislative process:

- The Treasure Coast International Airport Expansion project received \$2.5 million from the Florida Department of Transportation to construct a 30,000-square-foot Manufacture, Repair and Overhaul (MRO) hangar.
- The Ardie R. Copas Veterans’ Nursing Home received \$6.8 million for the construction of the 120-bed nursing home to be built in Tradition. St. Lucie County was selected as the site for the seventh state veterans’ nursing home following a unanimous vote at the Sept. 23, 2014 Cabinet Meeting. Since then, the county has been a partner with the Florida Department of Veteran’s Affairs to ensure continued support of the project at the state and federal level.
- St. Lucie County’s Paradise Park Stormwater Project was awarded \$225,000. Other water quality projects include: The Northern Everglades and Estuaries Protection Program (more than \$56 million), while Legacy Florida, sponsored by Rep. Gayle Harrell and Sen. Joe Negron, funded \$200 million towards Comprehensive Everglades Restoration Plan (CERP) projects and \$250,000 was awarded to the Indian River Lagoon National Estuary Program.
- Beach and Inlet Management Projects through the Department of Environmental Protection received \$1,097,188 towards the renourishment of Fort Pierce Beach.
- Lincoln Park Regional Park received \$50,000 and Indian River Veteran Memorial Park received \$100,000 to assist in renovations and construction. Additionally, \$100,000 was allocated to the National Navy SEAL Museum and \$250,000 was awarded to the Port St. Lucie Riverwalk Boardwalk for design.
- The Literacy Jump Start Program requested by the Early Learning Coalition and sponsored by Rep. Larry Lee, received \$110,000. The funding helps establish a five-year-pilot project in St. Lucie County to provide emergent literacy instruction to low-income, at-risk children located in subsidized housing units. In

partnership with this program, the St. Lucie County Health Department will also provide health services screenings and immunizations to those children.

- In partnership with the Children's Services Council, \$28 million was awarded to help fund Florida KidCare providers to insure all lawfully residing children.
- HANDS of St. Lucie County received \$109,200, to continue providing primary care services to the uninsured.
- The UF/IFAS secured \$844,171 in funding for its invasive plant and insect laboratory in Fort Pierce. Opened in 2004, the lab continues to help save the state millions of dollars annually in controlling invasive plants and insects.

The State also approved a bill that addresses a long dispute between the Department of Juvenile Justice and a number of Florida Counties. The bill scraped the previous payment system for the cost of detaining juveniles before trial, which has caused numerous legal difficulties between counties and DJJ, in favor of a completely new system. Instead of sharing only pre-trial detention costs, the bill split those costs between the states and counties. The DJJ will then charge the counties for their share of the bill based on actual use, instead estimating future costs.

**Unfunded Mandates:**

Medicaid - The State requires the County to reimburse the State for a portion of Medicaid expenses. The County's contribution is expected to increase by \$353K for next year. During last year's legislative session, a bill that would implement a cap on the Counties cost was considered. However, this bill was not passed.

### Countywide Valuations

After many years of declining property valuations, St. Lucie County county-wide home values have increased for the fourth consecutive year. For Fiscal Year 2016-17, the property values have increased 7.32% to \$17.5 billion. Despite the increases, the County's home values remain 31.70% below FY 2008's peak Property Valuation of \$25.5 billion.

**Table 3**

Fiscal Year	Property Valuation	Valuation Change \$	Yearly Change %
2008	25,554,081,157		
2009	21,558,849,841	-3,995,231,316	-15.63%
2010	17,031,103,295	-4,527,746,546	-21.00%
2011	15,165,938,592	-1,865,164,703	-10.95%
2012	14,445,123,153	-720,815,439	-4.75%
2013	14,195,971,816	-249,151,337	-1.72%
2014	15,123,381,622	927,409,806	6.53%
2015	15,599,739,461	476,357,839	3.15%
2016	16,263,608,260	663,868,799	4.26%
2017	17,454,497,567	1,190,889,307	7.32%
Cumulative Change		-8,099,583,590	-31.70%

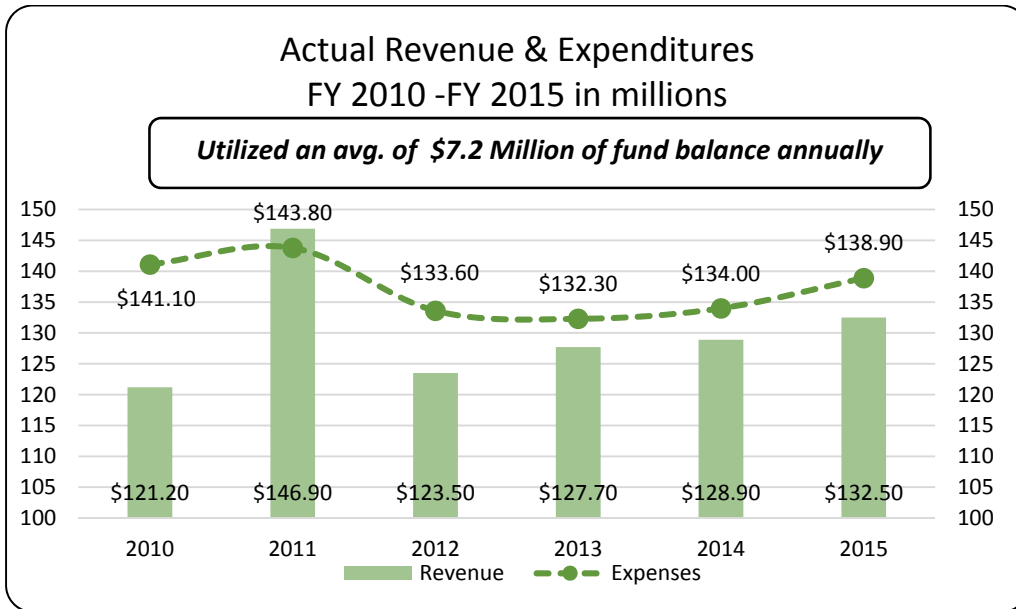
### **BALANCE FORWARD HISTORY:**

Based on a review of actual revenue and expenses, St. Lucie County uses a Budget Stabilization Fund to augment the shortfall in revenue. Another way to state this is: the County has a structural imbalance, which occurs when recurring revenues are less than recurring expenditures. The Government Finance Officer Association states this is an indication that an organization has a structural imbalance. The Government Finance Officer Association recommends, ". . . a government should adopt a formal policy calling for structural balance of the budget. The policy should call for the budget to be structurally balanced, where recurring revenues equal or exceed recurring expenditures."

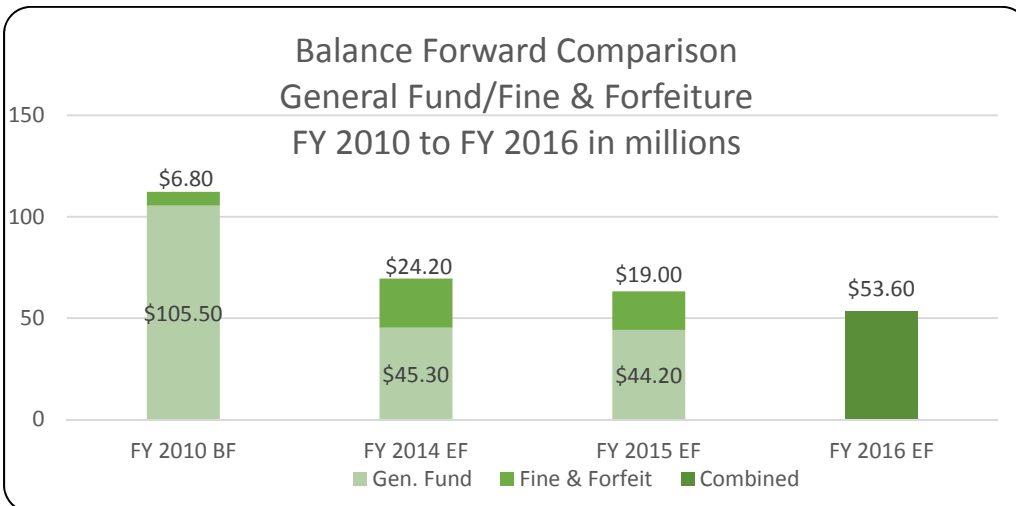
Over the span of five years, FY 2010 through FY 2015 the County has utilized \$49.1 million of the General Fund and Fine Forfeiture fund balance. The following chart shows expenses exceeding revenue annually during the same period of time, averaging \$7.2 million. This trend has resulted in the Balance Forward in FY 2010 of \$112.3 million being reduced to \$63.2 million in FY 2016, a reduction of \$49.1 million or (43.7%). A policy decision was made to utilize fund balance to offset the loss of property tax revenue as a result of the decline in property values. The second chart shows the reduction in balance forward over the time period. The General Fund reflects a 58.1% reduction from 2010 to 2016, this is nearly a \$61.3 million reduction in fund balance. The Fine & Forfeiture reflects a 179% increase from 2010 to 2016, this is a \$12.2 million increase in fund balance. The combined funds offset one another to reflect the previously indicated reduction in fund balance during the same period of 43.7% or \$49.1 million.



**Chart 17**



**Chart 18**



## **RESERVE POLICY ISSUE**

The County acts as a public corporation and as a result, it is necessary to maintain sufficient reserve levels in its various funds. The County, as part of its fiduciary responsibility, must maintain sufficient reserve levels. The Government Finance Officers Association has recommended the appropriate level reserves to maintain. Currently, the FY 2016 Adopted Budget includes designated reserves based on advisement of the Government Finance Officers Association which has indicated as a best practice, governments should set aside funding for occurrences that affect Revenue Volatility, Infrastructure Risks and Extreme Events. Based on these categories funding has been set aside in reserves in an amount equal to \$36.5 million for the following purposes:

- In line with FGOA guidelines, an allocation of 12.5% of annual operating revenues, which is an amount equal to \$16.5 million and used for storm events and emergencies/issues that aren't anticipated in normal budget development.
- One year of budget stabilization, which if we take our most critical year in 2010 equals \$14 million.
- An allocation of \$6 million in a transportation infrastructure reserve, as our current 75 year repaving cycle, is not sustainable.

In addition to maintaining emergency reserves and fund reserves in its various funds, the County is self-insured. As such, the health insurance fund must maintain sufficient reserve levels in the fund to remain compliant with State Statutes. This particular fund faces significant challenges in the future primarily due to:

- Medical claims and other health insurance expenses are outpacing revenues that support the Health Insurance Fund.
- Reserves are being depleted at a rate that is not sustainable.
- Employee cost share for all coverages; while an excellent benefit is low by today's standards.
- Excise Tax under the new health care law comes due in 2018. To avoid it, changes to our health benefits will continue to be phased-in.

We began increasing both the employer and employee share by 35% in FY 2016 and will continue with a second year in FY 2017 of the same level of increases. Additionally we will:

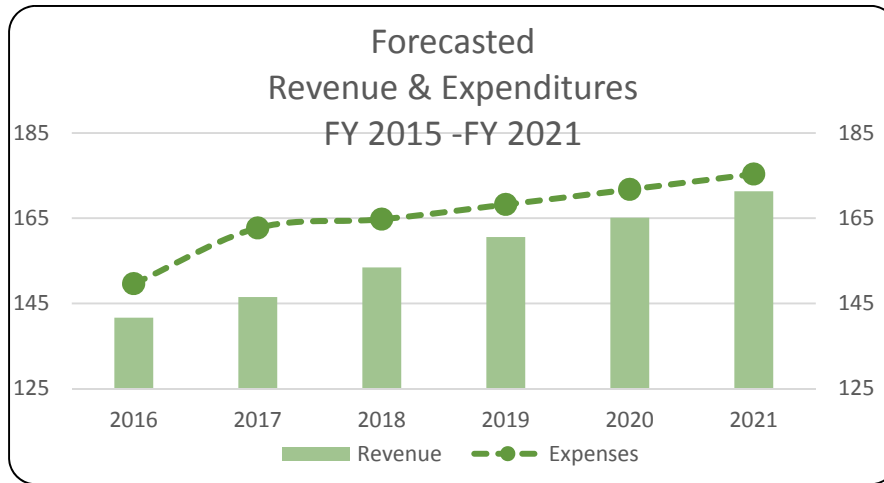
- Focus on wellness - both as a group and individually - in a continuing effort to control/reduce claims expenses.
- Health plan benefits – Review plan to ensure conformance to the Affordable Health Care Act and competitive benefits package.

## **DEFICIT REDUCTION PLAN:**

As steward of the County's finances, it is essential we remain discipline by maintaining our plan to become balanced by FY 2020. This budget continues our effort to achieve our goal. Therefore, it becomes incumbent upon the County to utilize the additional revenues to balance the budget and strengthen its financial position. The graph and table below attempt to depict the effect on Operating Revenue and Expenses based on the Five Year plan. However, the annual budget is a living and dynamic document that will undoubtedly adjust as the County proceeds through FY 2017. We have based our estimates on the most current information however, economic circumstance are subject to change.

It continues to be our goal to establish a strategic approach to align our resources and programs based on the priorities set forth by our citizens. The purpose of the five-year plan is to project the financial impact of current budgetary decisions on future fiscal years.

**Chart 19**



**Table 4**

Description	Projection	Forecast (in millions)				
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Property Taxes	\$116.32	\$129.01	\$136.39	\$143.63	\$148.16	\$154.43
Major Revenue	\$12.59	\$12.53	\$12.75	\$13.00	\$13.25	\$13.51
Other Revenue	\$9.25	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
5% Statutory Reduction	\$0.00	(\$7.31)	(\$7.86)	(\$8.23)	(\$8.47)	(\$8.80)
Non-Operating Revenue	\$3.48	\$4.25	\$4.17	\$4.17	\$4.17	\$4.17
Total GF Revenues	\$141.64	\$146.48	\$153.45	\$160.57	\$165.11	\$171.31
Total GF Expenses	\$149.62	\$162.72	\$164.77	\$168.23	\$171.76	\$175.38
Surplus/Deficit	(\$7.98)	(\$16.24)	(\$11.32)	(\$7.66)	(\$6.65)	(\$4.07)
Adjustment 5% Stat. Red.	\$0.00	\$6.73	\$6.89	\$7.14	\$7.53	\$7.74
Adj. Surplus Deficit	(\$7.98)	(\$9.51)	(\$4.43)	(\$0.52)	\$0.88	\$3.67

Over the past seven fiscal years, the County has utilized fund balance to augment its Ad Valorem revenue. Starting with FY 2009 Ad Valorem revenue began to diminish, over the period FY 2009 to FY 2013 Ad Valorem revenue specifically related to General Fund and Fine and Forfeiture decreased \$56.1 million. We have used \$49.1 million of fund balance along with budget cuts to effectively mitigate the decline in Ad Valorem revenue. At the beginning of FY 2010, the County’s General Fund and Fine & Forfeiture fund balance was \$112.3 million. Reducing this amount by the \$49.1 million leaves the fund balance at \$63.2 million as of September 30, 2015.

The economy is slowly improving and as such, we must begin to reduce our dependency upon the use of fund balance. It is our recommendation that the County begin to utilize a portion of the incremental difference in Ad Valorem revenue to balance the budget and strengthen its financial position over the period FY 2017 to FY 2020. Implementing this plan will allow the County to restructure the General Fund and Fine & Forfeiture Fund so that Operating Revenues will exceed Operating Expenses by FY 2020. The way forward in achieving this is based on

the county maintaining a measured approach and its fiduciary responsibility. The overall five year forecast is based on the following assumptions:

Revenue:

- Property Taxes are estimated based on increases to projected property value of 6.85%-FY 2017, 5.00%-FY 2018, and 4.25% FY 2019 thru FY 2021
- Local Communications Service Taxes are estimated to remain flat, Other Major Revenues grow at an annual growth rate of 2.1%

Expenses:

- 2% Salary increases in FY 2017 thru FY 2021 across all Board of County Commission departments and Constitutional Offices
- Florida Retirement System contribution for regular class employees are based on the proposed rate as set by the Florida legislature
- Health insurance increases in FY 2017 of 35% and 9% annually thereafter
- Constitutional Officer expenses increase in FY 2016 \$3.3 million as follows:
  - Sherriff's Office increases for salary increases, \$2.4 million and an increase in operating (\$216K) and Capital Outlay (\$103K)
  - An adjustment of excess fees from the Tax Collector \$200K impact on the GF/FF
  - An adjustment of fees for the Property Appraiser, with the net effect of these changes being a \$417K impact on the GF/FF
  - An increase in poll workers salaries associated with the need to establish an additional early voting site due to the high expected voter turnout and \$64K in increased capital outlay for a new Electronic Voter Identification Unit
  - Funding of \$100,000 for the Clerk of Circuit Court's contractual services for planned internal audit work
- Model applies a 4% attrition to base year FY 2017 salary and wages
- Includes debt service beginning in FY 2018 for 800 MHz (360,000) and Airport Hangar (\$300,000)
- All other expenses grow at CPI 1.06%

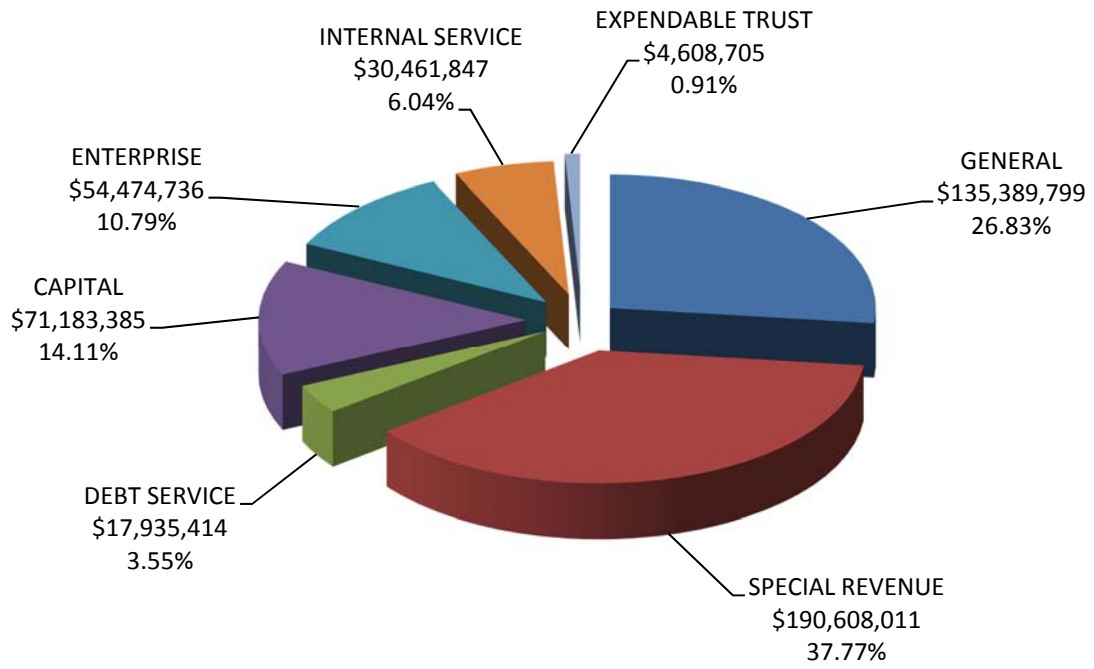
**RECOMMENDED BUDGET:**

The total FY 16-17 Recommended Budget is \$504,661,897, which is broken down into the following fund types:

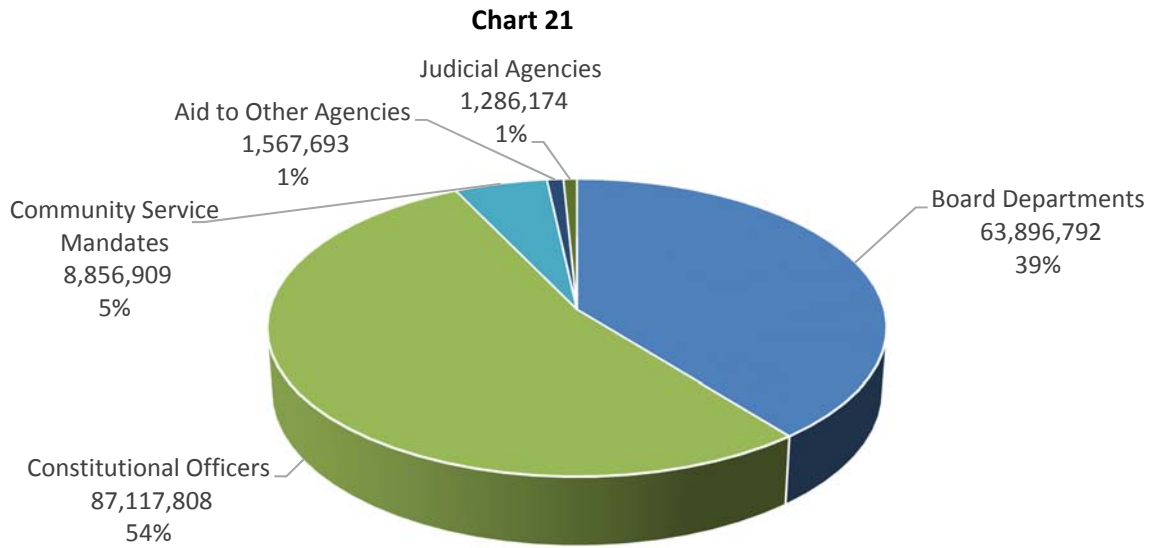
- General: To account for all financial resources except for those required to be accounted for in a separate fund
- Special Revenue: To account for specific resources which are restricted for a specific purpose
- Debt Service: To account for the payment of general long-term debt
- Capital: To account for resources for the acquisition or construction of major capital projects
- Enterprise: To account for operations that are financed and operated in a manner similar to private business
- Internal Service: To account for the financing of goods provided by one County department to another on a reimbursement basis
- Expendable Trust: To account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, or other governmental units

Chart 20

**TOTAL BUDGET BY FUND TYPE**



The County’s main operations are located in the General Fund/Fine & Forfeiture Fund portion of the FY 15-16 Adopted Budget, which are a portion of the General and Special Revenue categories. These funds total \$202 million, \$162.7 million of which goes to fund operations. These operations are broken down as follows.



- \$87.12 M (54%) goes to fund the constitutional offices of the Sheriff, Tax Collector, Property Appraiser, Clerk of Circuit Court, and Supervisor of Elections
- \$63.90 M (39%) goes to fund the BOCC departments
- \$8.86 M (5%) goes to fund community service mandates, which include Medicaid, Health Care Responsibility Act, Inmate Medical, Juvenile Justice and indigent burials
- \$1.57 M (1%) goes to fund non-profit agencies such as the New Horizon’s, Council on Aging, ARC of St. Lucie County, and Healthy Start
- \$1.29 M (1%) goes to fund Judicial agencies such as the State Attorney and the Public Defender

**What this budget does**

In the FY 2016-17 Recommended Budget, we anticipate having \$7.6 M available from property value increases and increases in Franchise Fee, State Shared, and Half-Cent Sales Tax revenue. This funding has been allocated to the following areas in the FY 2016-17 Recommended Budget.

**Salary Increase:** The FY 2016-17 Recommended Budget includes a step plan increase for Sheriff Office employees (\$2.4 million) and a 2% salary increase to employees funded by the General Fund/Fine & Forfeiture Fund (458k). This allocation will also impact the budgets of the Clerk of Court, Supervisor of Elections, Property Appraiser, and the Tax Collector.

**Health Insurance:** The FY FY 2016-17 Recommended Budget also sets us on a path to substantially reduce the deficit spending in the health insurance fund in the next two years. The County’s Health Insurance Fund is currently unsustainable. In FY 15, expenses outpaced revenues by \$4.8M. For FY 16, the County is increased premiums by 35%. For FY 17, the County is increasing premiums by another 35%, which impacts the GF/FF by

\$1.6 million and impacts the budgets for the Clerk of Court, Supervisor of Elections, Property Appraiser, and Tax Collector. This budget also includes a \$121K increase in Group Insurance for the Sheriff's Office.

**Constitutional Officers:** In addition to the items listed above, the FY 2016-17 Recommended Budget includes:

- An adjustment of excess fees from the Tax Collector \$200K impact on the GF/FF
- An adjustment of fees for the Property Appraiser, with the net effect of these changes being a \$417K impact on the GF/FF
- An increase in poll workers salaries associated with the need to establish an additional early voting site due to the high expected voter turnout and \$64K in increased capital outlay for a new Electronic Voter Identification Unit
- An increase in operating (\$216K) and Capital Outlay (\$103K) for the Sheriff's Office
- Funding of \$100,000 for the Clerk of Circuit Court's contractual services for planned internal audit work

**Health Department:** \$200,000 Increase in support for the Health Department efforts to improve health of citizens

**Medical Examiner:** The Medical Examiner has requested a new Forensic Pathologist position.

**Transfers/New Debt:** The County will begin making debt service payments on the Energy Efficiency project and the Jail Security System in the coming year.

**CRA:** The increase in the incremental value of the Community Redevelopment Areas will require a \$477,000 increase in the County's payments to the CRAs.

**Board Department Increases:** The FY 2016-17 Recommended Budget includes:

**Parks:**

- Various parks needs in the amount of \$87,256
  - Reimb. IT for Ethernet circuits \$9,000
  - Floor Scrubber \$4,400
  - Spot Cooler \$8,500
  - Wet/Dry Vacuum \$1,795
  - Hepa Vacuum \$2,268
  - Utility Tractor \$6,133
  - Aerial Lift \$35,700
  - Training - Seminar Registrations \$11,800
  - Software \$3,660
  - Licenses & Fees \$4,000

**Information Technology:**

- PC Replacement \$ 350,000
  - Funding for the first phase of a County-wide PC Replacement for both desktop and laptop computers. Approximately 900 computers are out of warranty and have aged components with insufficient memory. Increasing hardware failures and slower performance has the work of all users of these systems at risk.
- Banner Upgrades \$ 155,000
  - Upgrades are needed to enhance the existing ERP. This includes funds for professional services, general user training, and additional modules such as Self-Service Financials and Employee Services
- Core Network Switch \$200,000
  - The core network switch operates as the central "brains" of the County network



infrastructure. A core network switch is a high-capacity device that handles network traffic of both data and voice, transporting data to and from all interconnected departments. Existing equipment was purchased in 2009 and is now at end of life.

- Software House International \$125,000
  - Microsoft Enterprise Agreement Renewal. This is a 3-year agreement beginning Jan 1 2017 through Dec 31 2019. The agreement includes our licenses, maintenance and support for Microsoft Office Suite, all Microsoft Servers including, SQL Database Servers, Exchange Email, SharePoint Intranet as well as our development and support tools, SCCM and Visual Studio.
  - The proposed purchase includes a migration to the Enterprise Suite Bundle rewarding us with a savings over buying the same items A' la carte. Added services to the agreement are required to fulfill the operational needs, security compliance and public records retention for the BOCC departments.
- Communications \$ 90,300
  - Communications includes both voice and data contracted circuits. Services include BOCC department shared data circuits as well as support for Constitutional offices. Growing network bandwidth demands, Internet access, public Wi-Fi and telecom circuits have been added to accommodate growing usage demands. This year includes additional Internet bandwidth at our Primary Rock Road datacenter and EOC secondary datacenter. Also included, the Boards prior approval to include an EOC secondary alternate AT&T Voice SIP trunk.
- Various other information technology needs
  - Kronos \$ 15,000
  - Flycast \$ 9,000
  - ISI Solutions \$ 22,244
  - Software Support Contracts \$ 29,579
  - Badge Access/Security Cameras \$ 14,510
  - Exagriid EX400000E 40TB Unit \$ 43,125
  - Network Routers and Switches \$ 20,000
  - Onan 230 Generator Exterior Skid and Encl. Removal \$ 25,000
  - AppSense Device Security Software \$ 23,884
  - Malwarebytes Endpoint Security \$ 10,500
  - Training & Seminars. \$ 50,000
  - Mobile App Software \$ 25,500

**Human Resources:**

- Employee Engagement Survey \$20,000
- Training \$70,000
- Advertising Budget \$10,000

**Marine Safety:**

- Study of position need \$82,000
- ATV \$8,000

**Veteran Services:**

- The FY 2016-17 Adopted Budget includes \$53K in funding for a Sr. Staff Assistant to cover front office operations. This position will provide primary front desk telephone coverage, greet clients, schedule

client appointments with Veteran Service Officers and schedule those requiring van transportation to the hospital.

**Extension:**

- The FY 2016-17 Recommended Budget includes \$43K in funding for a Community Resource Development (CRD) agent to assist with the needs of the community. This position will provide leadership, implementation, and evaluation of a comprehensive CRD education program.
- The FY 2016-17 Recommended Budget includes \$9K in funding to create a part-time position for a Staff Assistant to provide a permanent presence as the receptionist. This will offer assistance to staff, allowing them to more efficiently allocate time to their expertise and quality service to the public.

**Economic Investment:** The FY 2016-17 Recommended Budget includes \$50,000 in funding as a second challenge grant for the Economic Development Council.

**Oxbow:** The FY 2016-17 Recommended Budget includes \$25K in funding for a Part-Time Program Specialist. The Environmental Education & Community Outreach division of ERD annually hosts hundreds of programs, provides volunteer and stewardship opportunities to youth and adults, runs summer camps, manages a facility, hosts and participates in county-wide events, and promotes the County’s sustainability efforts and natural assets. For the past several years, the division has been providing these services without the assistance of support staff. This Program Specialist position will fill the gap in operations and staff support.

**UNFUNDED NEEDS:**

Below are needed items that remain unfunded due to less money available to meet all of the County’s operational needs. The amount totaled approximately \$21.13 million and the list that follows represent the most significant items:

**Personal Services:**

- Salaries/Performance Incentives \$65,000
  - Salary Equity Study, \$65,000
  - Funding will provide cost savings to the County for training of new staff and increase the staff quality of life.
  
- Positions \$295,461
  - There were 2 new unfunded position requests, and 2 unfunded re-class position request and 1 elimination in the following areas:
    - Environmental Resources
    - Extension
    - Information Technology
    - Office of Management and Budget
    - Public Safety
  
  - Funding will provide the citizens of St. Lucie County with environmental interactive programs, classes and community collaboration and more efficient customer service

**Operating:**

- Information Technology \$1,625,000
  - Enterprise Resource Planning (ERP) – Purchase of a new financial software system for the County, \$1,625,000
  - Funding would replace the outdated equipment/financial system and provide faster time for processing information and will increase efficiencies and effectiveness of staff time. Instead, \$155,000 has been included in budget to enhance the existing ERP.

**Capital:**

- Roadway Projects \$13,455,401
  - Kings Highway & Indrio Road Intersection
  - Resurfacing
  - Funding will improve the road condition in the Unincorporated service area of the County which saves on costly repairs of pot holes to the County and the public wear and tear on vehicle
  
- Water Quality Projects \$14,275,000
  - San Lucie Drainage Improvements – Phase 2
  - Indian River Estates – Phase 3
  - Lakewood Park Stormwater Improvements
  - Harmony Heights Phase 1-B
  - Paradise Park Phase 4 (Final Phase)
  - Wet Detention Pond Retrofit Program - TDML
  
- Sidewalks \$1,507,125
  - Oleander Avenue (Midway Road to Market Avenue)
  - Juanita Avenue Phase 3

**DEPARTMENTAL CHANGES:**

The following information is being provided to communicate the change from the FY 2015-16 Adopted Budget to the FY 2016-17 Recommended Budget by County Department. The changes are reflective of the budget for each department in its entirety regardless of funding source. Explanation of the changes may be found in the FY 2016-17 Recommended Budget Book in the respective agency section.

**Board of County Commissioners:** The Board of County Commissioners are elected by the citizens to serve as the policymaking and legislative body for St. Lucie County, Florida. The FY 2016-17 Recommended Budgets of the five Commission Offices and the common appropriations for all offices total \$1,110,905, a 3.08% increase, or \$33,164.

**County Attorney:** The County Attorney acts as legal advisor to, and representative of, the Board of County Commissioners, and those agencies under its jurisdiction. The FY 2016-17 Recommended Budget is \$3,803,577 a 1.18% increase, or \$44,281.

**County Administrator:** The County Administrator provides organizational leadership to effectively and efficiently implement County Commission policies and directives, manage available resources to achieve missions and proposed outcomes, and facilitate visioning for enhancing and ensuring St. Lucie County’s quality of life. The County Administrator’s Office also provides information about government services and accomplishments, as well

as emergency information through the SLCTV cable-access government channel, the internet, the news and electronic social media and provides a safe, well-maintained General Aviation Airport facility for use by the public for recreational activities. The FY 2016-17 Recommended Budget is \$15,343,858, a 5.29% increase, or \$770,436.

**Information Technology:** Information Technology meets the information and communication needs of the Board of County Commissioners. The FY 2016-17 Recommended Budget is \$5,378,774, a 34.31% increase, or \$1,374,063.

**Human Resources:** Human Resources assists County agencies in selecting, training and retaining qualified employees, administers the County's insurance programs and provides risk management services. The FY 2016-17 Recommended Budget is \$31,155,776, a 6.33% increase, or \$1,854,145.

**Office of Management & Budget:** The OMB Office administers the fiscal management, purchasing services, and budget development of the Board of County Commissioners. The FY 2016-17 Recommended Budget is \$1,189,420, a 3.92% increase, or \$44,840.

**Community Services:** The Community Services Department contributes to St. Lucie County's quality of life by assisting citizens in meeting their health, social, library, transit, and housing needs. The FY 2016-17 Recommended Budget is \$19,727,805, a 14.25% decrease, or \$3,277,715.

**UF/IFAS Extension:** The UF/IFAS Extension improves the quality of life through family and consumer educational programs; provides leadership to agriculture enterprises in natural resources management by promoting good management practices, water quality improvement, and environmental and conservation education. The FY 2016-17 Recommended Budget is \$691,572, a 10.41% decrease, or \$80,400.

**Environmental Resources:** The Environmental Resources Department promotes sustainable and balanced economic and ecologic stewardship of St. Lucie County's natural resources through cost effective and science-based management. The FY 2016-17 Recommended Budget is \$5,703,772, a 2.23% decrease, or \$130,339.

**Mosquito Control & Coastal Management Services:** The Mosquito Control & Coastal Management Services Department protects public health through effective and environmentally safe methods of mosquito and erosion control. The FY 2016-17 Recommended Budget is \$21,259,531, a 1.89% increase, or \$393,345.

**Parks, Recreation, and Facilities:** Parks, Recreation, and Facilities contributes to the quality of life in St. Lucie County by providing leisure activities reflecting the interest and values of its citizens and visitors; ensuring the best value and most efficient performance of facilities management; enhances the local economy by expanding visitor expenditures and creating jobs. The FY 2016-17 Recommended Budget is \$42,589,875 a 33.67% increase, or \$10,728,507.

**Planning and Development:** The Planning and Development Department enhances the citizens' quality of life through the review of new development compliance with building, zoning and land development codes. The FY 2016-17 Recommended Budget is \$7,358,628, a 23.46% increase, or \$1,398,124.

**Public Safety:** The Public Safety Department protects the public through an organized preparedness and response to natural and manmade disasters; and prevents the spread of animal-carried diseases to humans, and contains outbreaks of animal-to-human disease in wild or feral animal populations. The FY 2016-17 Recommended Budget is \$18,990,017, a 93.17% increase, or \$9,159,112.

**Public Works:** The Public Works Department enhances St. Lucie County's quality of life by planning and implementing projects and services that create and maintain a comprehensive transportation infrastructure. The FY 2016-17 Recommended Budget is \$74,351,564, a 12.92% increase, or \$1,054,154.

**Solid Waste:** Solid Waste protects public health by providing an efficient and environmentally sound Solid Waste Management system for the County's customers. The FY 2016-17 Recommended Budget is \$30,369,969, a 12.92% increase, or \$3,473,747.

**Water & Sewer:** The Water & Sewer Department provides for the protection of the public health through the operation and maintenance of the County-owned water supply, treatment and distribution system and the County-owned wastewater collection, treatment and disposal system. The FY 2016-17 Recommended Budget is \$17,808,256, a 1.98% decrease, or \$359,723.

#### **CONSTITUTIONAL OFFICERS:**

The following information is being provided to communicate the change from the FY 2015-16 Adopted Budget to the FY 2016-17 Recommended Budget by Constitutional Officer. The changes are reflective of the budget for each office in its entirety regardless of funding source. Explanation of the changes may be found in the FY 2016-17 Recommended Budget Book in the respective agency section. The Board has additional responsibilities related to the Constitutional Offices, such as inmate medical expenses, providing office space, and mailing of tax notices. These expenses are accounted for separately in the Constitutional Officers' section and are not included in the following figures.

**Clerk to the Board:** The County's budget contains data only related to the Board's funding of the Clerk's budget, which is offset by the excess fees anticipated at the end of the year. This reflects the funding of the Finance Department and Clerk's Courier. The FY 2016-17 Recommended Budget is \$1,419,737, a 13.44% increase, or \$168,197.

**Property Appraiser:** The Property Appraiser is required by Florida statutes to submit a budget for review and approval by the Florida Department of Revenue on June 1<sup>st</sup> of each year. The County's budget contains data only related to the Board's funding of the Property Appraiser's budget, which is offset by the excess fees anticipated at the end of the year. The FY 2016-17 Recommended Budget is \$5,127,828, a 8.91% increase, or \$419,432.

**Sheriff's Office:** The FY 2016-17 Recommended Sheriff's Office Budget, which is offset by the excess fees anticipated at the end of the year, is \$74,830,367, a 3.82% increase, or \$2,755,508.

**Supervisor of Elections:** The Supervisor of Elections' FY 2016-17 Recommended Budget, which is offset by the excess fees anticipated at the end of the year, is \$3,018,651, a 6.27% decrease, or \$202,050.

**Tax Collector:** The Tax Collector's Office is required by Florida statutes to submit a budget for review and approval by the Florida Department of Revenue on August 1<sup>st</sup> of each year. The County's budget contains data only related to the Board's funding of the Tax Collector's budget, which is offset by the excess fees anticipated at the end of the year. The FY 2016-17 Recommended Budget is \$3,177,229, a 6.80% increase, or \$202,267.

#### **CONCLUSION:**

As a reminder the Recommended FY 2017 Budget:

- Is \$504,661,897 and reflects a .5% decrease from the prior year
- Includes an overall millage rate reduction is .1000 mill and it effects the General Fund, Fine and Forfeiture Fund, Mosquito Control Fund, Unincorporated MSTU Fund and Port Property Bond. It equates to an overall reduction of \$1.1 million to property owners.
- Maintain existing services levels and where possible provide enhancements.

- The valuation were 7.3%, however our economy remains fragile in spite of the increase
- Continued discipline so by FY 2020 our revenues will match expenses, becoming a structurally balanced organization
- Includes significant investment in Public Safety
- However, does not include funding to address the County's backlog of capital infrastructure projects, approximately \$600 million; nor funding to address the County and Municipality backlog, approximately \$1.2 billion combined

Our future looks bright and we are looking forward to working with all of partners to shape it. We have tremendous opportunities to build on past success and continue charting a course for our community and with the leadership of the Board, our Constitutional Officers, and the incredible dedication of all the County employees; we will be able to successfully navigate the challenges ahead. We plan to discuss the Recommended FY 2017 Budget with the Board of County Commissioners and all of partners, held at the scheduled budget workshops, the week of July 11, 2016 thru July 15, 2017.

HNT/kp

c: Constitutional Officers  
County Attorney  
Deputy County Administrators  
Director, Office of Management and Budget  
All Department and Office Directors