

INTRODUCTION

This final budget document draws together basic information relevant to the St Lucie County FY 98 budget.

The **Budget Message** identifies policy issues raised in the FY 98 budget, and attempts to put the FY 98 budget in context with the overall financial outlook for the County.

The **Budget Summary** highlights some significant elements of the budget in graphic formats. This section is also published under separate cover as a "Budget in Brief" document.

The **Budget by Fund & Function** section reports on the sources of revenue and purposes of expenditures for the County's major operating funds.

The **Departmental Summaries** show the organization for each department, and provide summaries of the revenue sources and major expenditures by type. They also report on the major accomplishments of the department in the current year, objectives for the coming year, and provide a summary of some of the key indicators of the departments' programs and activities.

The **Capital Budget** section reports on the capital program of the County.

The **Debt Service** section summarizes the current status of County debt.

The **Appendices** address technical issues including the budget and financial policies, the basis of accounting, a glossary of technical terms, and a summary listing of major grants.

The major sections are presented under separate tabs, with contents listed within the tab where appropriate.

We are attempting to develop a "user friendly" budget document that will be informative and contribute to effective communication on budget issues. Suggestions for additions, modifications, or improvements are welcomed.

BUDGET MESSAGE

12-1-98

To the Board of County Commissioners:

Two years ago, St. Lucie County initiated a strategic planning process. An environmental scan revealed that while the county was in the geographic center of Florida's Treasure Coast, and directly in the path of development marching northward from southeast Florida, it was not prepared to take economic advantage of these facts.

The county has a lower median income and lower median property values, and less per capita disposable income, than counties bordering on the north and south. It has limited commercial and industrial development. In 1997, gross retail sales declined, despite continuing population growth. Property values have not increased significantly over the past several years. In the absence of substantive economic development, prospects are not good for generating the revenue necessary to meet the increasing service demands brought about by increasing population growth and urbanization.

In response to past revenue shortfalls, the county had moved to privatization and related positive cost reduction initiatives. At the same time, it had relied heavily on short term cost reduction strategies, such as deferring major maintenance projects and the replacement of inefficient equipment. Such practices were becoming increasingly less cost effective.

The planning process identified responsible economic development, with due consideration of environmental impacts, as a key long range goal essential to the future quality of life in the county. Adequate infrastructure, with a priority on transportation and adequate water and sewer services, were identified as prerequisites to economic development.

In response to these identified needs, St. Lucie County began on the path to responsible economic development and sound fiscal health. As part of the FY 98 budget process, the Board adopted a series of revenue initiatives that allowed the county to (1) begin making investments in infrastructure essential to essential development, to (2) catch up on deferred maintenance and the replacement of obsolete equipment, and (3) to begin establishing more acceptable levels of operating and emergency reserves.

One element that has had a major impact on our recent budgets is the fact that Florida Power and Light (FPL), the County's single largest taxpayer, did not pay its full tax bill for tax years 1995 and 1996. Instead, they made only a "good faith" payment based on a disputed valuation of pollution control equipment. This affected some \$2.2 million in tax revenue, and appropriate reserves were established to offset this shortfall.

In FY 98, FPL disputed additional issues, making a "good faith" payment resulting in a \$4.5 million revenue shortfall in the Board of County Commissioners' budget. \$2.3 million of this additional non-payment was not anticipated. This unanticipated shortfall dropped our reserves to \$2.1 million, or less than 3% of total operating funds. Following a ruling by the Circuit Court that FPL would have to pay the County a substantial part of the tax money owed for tax years 95 and, FPL negotiated a settlement for tax years 95, 96, and 97, resulting in a payment to the county of \$4.6 million which was placed in reserves. This increases unrestricted reserves and fund balances to \$7,790,260. In addition, FPL has agreed on a revised tax year 98 valuation which will have the effect of increasing countywide FY 99 revenues by \$1.8 million. The majority of this money was allocated to increasing reserves and for non-recurring capital expenditures. Some limited highest priority operating expense additions were made, primarily non-recurring expenditures in Automated Services.

While the FPL tax settlement did allow the County to re-establish acceptable levels of operating reserves, it did not alter the fact that ad valorem valuation and non-ad valorem revenues are not increasing at a rate sufficient to meet increasing service demands occasioned by continued population growth. The value added by growth is not sufficient to meet the added costs, and increasing sales tax revenues which might partly offset this are largely being realized by neighboring counties.

THE FY 99 BUDGET

This budget maintains basically the same level of County services to our residents as in the current fiscal year. It is a balanced budget with no increase in the countywide property tax.

The FY 99 budget has been developed under severe constraints. With policy dictating no millage increase, and limited increase in property values, there is no significant increase in property tax revenue. Based on state allocation formulas and the level of economic activity in the County, the other major sources of tax revenues for general operating purposes - the local share of the state sales tax, and state revenue sharing - are similarly not anticipated to increase significantly.

The approach taken in preparing the 1998-99 budget was threefold. First, County departments were asked to submit conservative budget requests and they complied. However, in order to balance this year's proposed budget, it was necessary to adjust their original budget requests by a net decrease of \$5,000,000. The result was an increase of only 1.5% over this year's approved budget for County departments supported by County-wide ad valorem taxes.

Second, in the budget presented in the July workshops, the requests of the Constitutional Officers were submitted as received. In the workshop process the constitutional officers responded favorably to the Board's request to reduce their budget requests by 1%, with the Sheriff making additional reductions for a total of 1.46%. Third, this budget focuses on continuing to provide existing county services, with priority given to ongoing departmental programs before funding outside agency requests.

As noted above, with regard to operating budgets, county departments have been held to negligible increases. Department heads honored instructions to limit requests for increases; requests submitted were reviewed line-by-line and reduced in the process of centralized administrative review, with one exception, the Automated Services Department. Inadequate funding in prior years, combined with the "Year 2000" problem, have made increases in the Automated Services budget essential to maintaining technological capability adequate to county needs.

Except for vehicle replacements integral to the fleet management plan and committed to in the "Investment for the Future" program, equipment additions or replacements and optional capital expenditures have largely been deferred. The \$1,000,000 per year commitment to county capital facilities maintenance projects made under the "Investments for the Future" program has been incorporated in this budget. While this does not fully meet all maintenance and improvement requirements, we are currently investigating performance contracting and other alternatives to meet indoor air quality and other related capital needs.

The principle initiative in the FY 99 budget is the establishment of the Economic Development Division in the Department of Community Development. This Division has been staffed primarily by reassigning existing positions from other locations, with only one new position established. Costs have been kept to a minimum, with grants and external funding initiatives emphasized.

County wide millage rates have been held to the same level as FY 98, or 7.8915 mills. The unincorporated services and stormwater millages remain unchanged at 0.3884 and 0.3500 mills, respectively. The law enforcement millage for the unincorporated area has increased from 0.0646 to 0.1084, in accord with the interlocal agreement with the municipalities in the county.

Some funds have been realigned to balance the budget. In the past, state sales taxes and other external resources have been used to supplement the gas tax, impact fees, and other transportation related revenues supporting the transportation trust fund. The state sales tax and other non-transportation related revenues have been redirected to the general fund. There are sufficient revenues and fund balances in the transportation trust fund to continue transportation operations and capital projects essentially as planned for FY 99.

This budget does include a reserve for a 3% salary increase for county employees. We must make our best effort to provide fair and competitive salaries, and to make the investments in staff development, technology, and equipment that will ensure a stable and productive workforce.

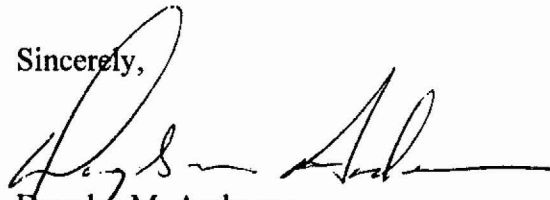
THE LONG RANGE OUTLOOK

The fundamentals for achieving sound fiscal health have not changed. We must (1) establish and maintain adequate operational and emergency reserves while (2) properly funding the program services that we do provide and (3) continuing to build the base for improved future revenue streams adequate to the level of services desired to provide the quality of life that residents want.

The FPL settlement has enabled us to move toward our target level for emergency reserves, which serve as the foundation for the County's fiscal integrity. We must guard against the temptation to again cut in to reserves as we are confronted with increasing demands and limited revenues over the next several years.

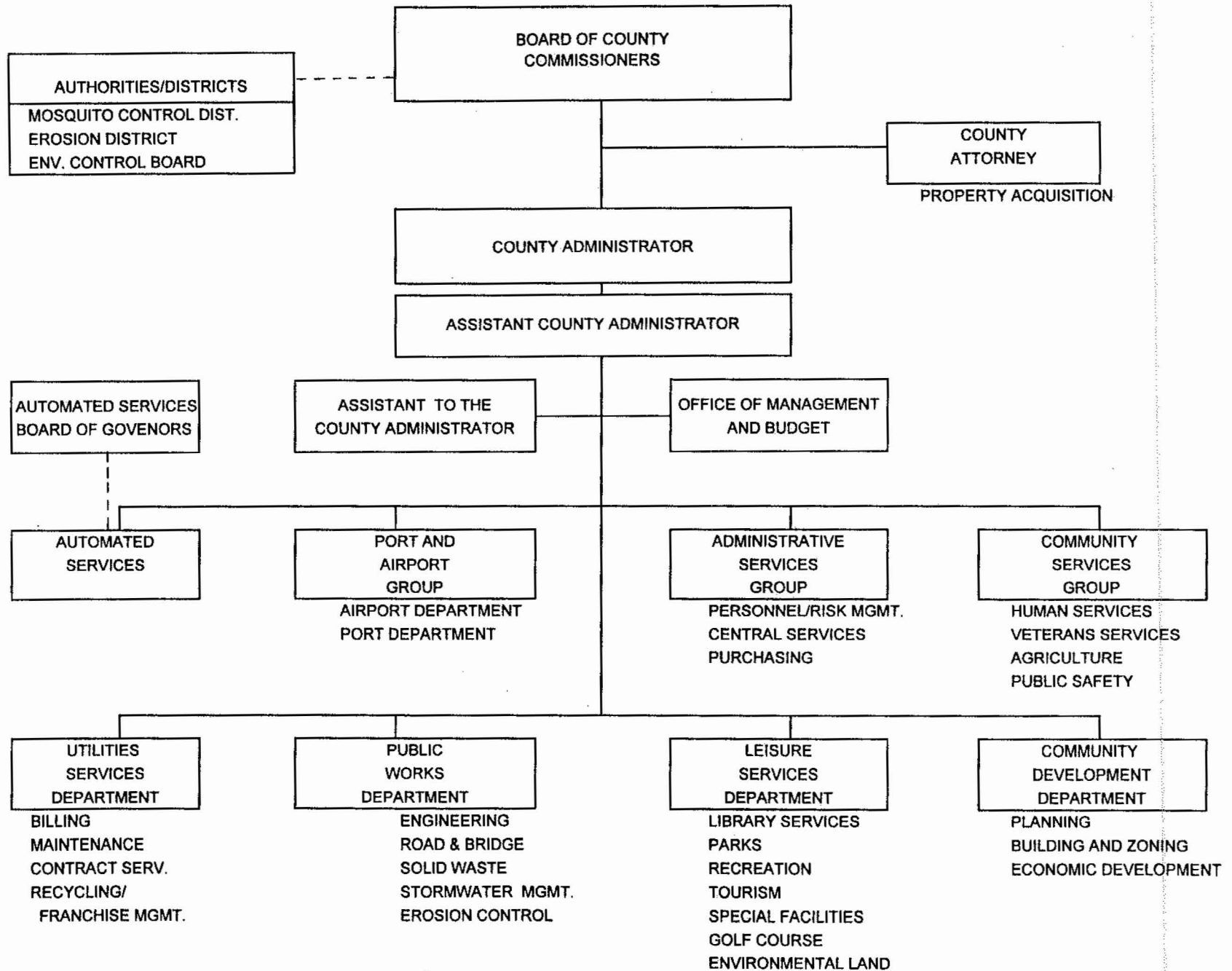
As we look forward to the FY 2000 budget, we will refine the strategic planning process to include a review of program priorities, looking at alternative funding mechanisms for them. We will continue to seek new revenue sources, primarily through our economic development efforts, so that we continue to operate with a level of service that meets community expectations. We must build upon our commitment to improve the quality of life in St. Lucie County. We can do this best by proper financial planning, prudent spending practices, and by building a solid economic base through high quality new economic development.

Sincerely,



Douglas M. Anderson
County Administrator

ST. LUCIE COUNTY ORGANIZATION CHART



St. Lucie County, Florida

General Information

St. Lucie County is located about two-thirds of the way down Florida's Atlantic coastline in the heart of the Treasure Coast region. Fort Pierce is the County seat and is located about 60 miles north of West Palm Beach and about 100 miles south-east of Orlando. Key facts about St. Lucie:

- St. Lucie County's population for 1998 is estimated at 182,000 persons, which is largely concentrated within the eastern portion of the county within 5-10 miles of the Atlantic Coast.
- Tourism, light manufacturing, agriculture and services are the principal industries of the County.
- St. Lucie has a very substantial agricultural base with over 500 farms, mostly in the central and western areas. Farms account for over 80% of the county's total land area of 581 square miles. Most of the agricultural land is set aside for citrus production.
- The region's population growth is among the fastest in the state.
- The unincorporated areas account for 82.4% of the land area.
- About 82% of the population is white, 4% hispanic, and 14% black and other.
- St. Lucie County is managed by professional administrator, and is governed by a five-member board of commissioners elected by voters for staggered terms of four years each.

Resources

St. Lucie County has a board range of natural, as well as governmentally and commercially developed resources that make it attractive for multiple uses. These resources include:

- St. Lucie has the beautiful Atlantic coastline which provides for ample recreation, tourism and commercial opportunities.
- St. Lucie also has over 300,000 acres of farmland.
- Transportation resources: the Florida Turnpike, I-95, U.S. Highway 1, the Port of Fort Pierce, the St. Lucie International Airport, and the Florida East Coast Railway are in close proximity to one another. This provides for easy access by tourist as well as superior commercial freight opportunities.
- Higher educational resources: St. Lucie is the site of Indian River Community College (IRCC), and extension campuses of Florida Atlantic University and Barry University. St. Lucie County is also the home for the prestigious Harbor Branch Oceanographic Institution. IRCC services St. Lucie, Martin, Indian River and Okeechobee Counties although its main campus is in St. Lucie County.
- The St. Lucie County Sports Complex includes an impressive modern stadium that serves as the spring-training home of the New York Mets baseball team as well as a local farm club.
- The public school system is county-wide with 18 elementary schools (grades K-5), four middle schools (grades 6-8), and four high schools. St. Lucie County also has one exceptional student education center and two alternative schools. It employs approximately 1,500 teachers and 1,100 non-teachers. The School Board consists of a five member board, each of which is elected to a four-year term.
- There are three local law enforcement Departments: the St. Lucie County Sheriff's Department, the Fort Pierce Police Department and the Port St. Lucie Police Department.

Incorporated Municipalities

- 1. Ft. Pierce** (pop. 37,273 in 1996) serves as the County Seat and covers 21 square miles. Its history dates back to the Seminole Indian Wars when Army Lt. Col Benjamin Kendrick Pierce established a fort at the site in 1837. After the fighting ended, Ft. Pierce remained as a permanent settlement. Water transportation and fishing marked the early economy, along with the production of pineapple (a crop that was eventually replaced with citrus). Fort Pierce remains the commercial center of St. Lucie County, although it is smaller in population and land area than Port St. Lucie. The City of Fort Pierce is run by a five-member city commission which employs a professional manager.
- 2. The City of Port St. Lucie** is the largest in geographic area and population, covering 80 square miles with a population of 74,894 as of 1996. It was established in 1961 as a residential community and was originally developed in large measure as a retirement community by the General Development Corporation. The City of Port St. Lucie is run by a five-member city commission which employs a professional manager.
- 3. St. Lucie Village** (pop. 633 in 1996) is a small enclave that covers 1.5 square miles of territory in North St. Lucie County along the Indian River.

BUDGET PROCESS - SCHEDULE

The budget is prepared in accord with the following schedule:

NOVEMBER	Close out prior fiscal year; begin policy planning for next fiscal year.
DECEMBER	Adjust prior year estimates to actuals; publish final budget.
JANUARY	Board strategic planning session; review of general budget policy direction Citizens Budget Committee agenda and schedule adopted.
FEBRUARY	Distribute budget preparation guidelines to departments.
MARCH	Departments prepare budgets; Department Directors review budget.
APRIL	County Administrator budget reviews. Update audited carryover amounts; make preliminary revenue estimates.
MAY	Board strategic planning session; mid-year budget review.
JUNE	Board workshops - capital projects.
JULY	Citizen's Budget Committee report to Board. Board budget reviews; set proposed millage rates.
AUGUST	Prepare tentative budget.
SEPTEMBER	First public hearing - adopt tentative budget and millage rate. Final public hearing - adopt final budget and millage rate.
OCTOBER	New Fiscal Year begins.

Budget preparation is a year round process. It begins with policy planning for the next year in November, based on deliberations of the strategic planning team. Results of this process are brought to the Board of County Commissioners in a strategic planning retreat in January or early February, to obtain general policy direction for the budget process. The annual budget preparation process begins in February, with the distribution of the budget guidelines to departments, and planning for the schedule and agenda for the Citizens Budget Committee. The Citizens Budget Committee identifies and reviews budget issues of interest and reports to the Board in the budget review process.

Departments prepare their budgets in March for review by the County Administrator in April. Capital projects are reviewed by the Administrator in May, and by the Board in June. The Board reviews the budget requests in July, and then adopts a proposed millage rate. The tentative budget is prepared in August. Two public hearings are held in September. At the first hearing, the tentative budget is presented. After public comment and Board discussion, a tentative millage rate and tentative budget are adopted. At the second and final hearing, a final millage rate and final budget are adopted.

The budget is adopted at the Fund level. During the course of the year, the administration may transfer funds among line items as may be required for budget and fiscal management purposes. The budget may be amended, and funds may be moved from contingency reserves, only by action of the Board of County Commissioners, in accord with State statute.

REVENUES & EXPENDITURES DISCUSSION

Current revenues are divided into the following categories:

A. Taxes

The State of Florida does not have a state or local income tax. Specific types of taxes levied by local government include ad valorem (real and personal property), and sales and use taxes (imposed upon sale or consumption of goods and services levied locally). Sales and use taxes imposed by county government include the tourist development taxes, and local option gas taxes. Property tax revenue estimates are based on certified property valuations. Sales and use tax revenues are based on history and state provided estimates.

Franchise fees are also accounted for in this category. These fees may be levied on a corporation or individual by the local government in return for granting a privilege or permitting the use of public property subject to regulations. The County collects electrical, cable television, and solid waste franchise fees. Revenue estimates are based on history and customer base projections.

B. Licenses and Permits

These revenues are derived from the issuance of local licenses and permits. Within this category are professional and occupational licenses, building permits and any other licenses and permits (e.g., building, roofing, plumbing permits; occupational license fees). Revenue estimates are based on prior year collections.

C. Intergovernmental Revenues

Included are revenues received from federal, state and other local governmental sources in the form of grants, shared revenues and payments in lieu of taxes. The state shared revenues that are of most importance to county government are revenue sharing, mobile home licenses, alcoholic beverage licenses, racing tax, local government half-cent sales tax, constitutional gas tax, and county gas tax. The state provides revenue estimates, except for grants; grant revenues are estimated based on information provided by grantors.

D. Charges for Services

These revenues include all charges for current services such as recording of legal documents, zoning fees, county officer fees (fees remitted to county from officers whose operations are budgeted by the Board of County Commissioners), county court fees, circuit court fees, water utility, garbage/solid waste, sewer fees, park, library and recreation fees. Revenue estimates are based on revenue history and operating agency projections.

E. Fines and Forfeitures

This group of revenues includes moneys received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations or for neglect of official duty. Some examples include court fines, library fines, and pollution control violations. Revenue estimates are based on revenue history.

F. Miscellaneous Revenues

Monies in this category are primarily interest earnings. Types of interest earnings include moneys on investments, contracts and notes, interest earnings of the Clerk of Court, Tax Collector, Sheriff, Property Appraiser and Supervisor of Elections. Also included would be rents and proceeds for use of public property. Revenue estimates are based on history and analysis of fund balances.

G. Internal Service Charges

The Automated Services Department and Risk Management programs, which bill departments for the services they provide, are included in Internal Services Charges. Use of internal service funds enhances cost accounting and accountability for in-house services; however, since expenditures are counted in both the originating department and in the internal service fund, this results in a double count of the expenditures. Revenues are determined by agency requirements, in turn determined in the budget review process.

H. Non-Revenues

Non-revenues are categories of monies that are not generated by traditional activities such as taxes, fees for services, or intergovernmental transfers from State to County. Included are such groupings as transfers, bond proceeds, insurance proceeds and unspent budgets and interest earned by Constitutional Officers which must, by State law, be returned to the County. Estimates are based on history or on anticipated transactions such as bond issuances

I. Less 5% Anticipated Revenues

State law requires that budgeted collections for ad valorem (property tax) revenues be set at not less than 95% of estimates projected by the Tax Collector, and that receipts generally, except for fund balances brought forward, be budgeted at 95% of anticipated levels.

Current expenditures are divided into the following categories:

A. General Government Services

Includes the costs of providing representation of the citizenry by the governing body (Board of County Commissioners) as well as executive management and administration of the affairs of local government (County Administrator's Office). Also included in this category are the financial and administrative costs of government (budgeting, accounting, auditing, property appraisal, tax collecting, personnel, purchasing, communication, printing, stores, property control, grants development and any other support services).

In addition, General Government includes legal services (county attorney), comprehensive planning (county planning department), costs of providing a court system (Clerk of the Circuit Court and County Court, State Attorney, Public Defender, Law Library, Court Administrator), court reporting, Information Services and Supervisor of Elections.

B. Public Safety

Security of persons and property is the major focus of this category. Included are law enforcement (Sheriff, Public Safety), detention and/or correction (county jail), protective inspections (building and zoning inspections), emergency and disaster relief services (emergency management, communications system), and medical examiner.

C. Physical Environment

Costs of services provided to achieve a satisfactory living environment are assigned to this group. Categories include utility services, garbage/solid waste control, sewer services, conservation and resource management, flood control and other physical environmental needs.

D. Transportation

Costs incurred for the safe and adequate flow of vehicles, travelers and pedestrians are included. Specific subcategories include road and street facilities, traffic engineering, street lighting (County Department of Public Works), airports (Port & Airport Authority), water transportation systems (canals, terminals, dock and ports), and transit systems.

E. Economic Environment

Costs of providing services to develop and improve the economic conditions of the community, including tourist development, are allocated to this category. Not included are welfare functions which are included in human services.

F. Human Services

Costs of providing services for care, treatment and control of human illness and injury are included. Expenditures in this function include mental health, physical health, welfare programs, retardation and interrelated programs such as the provision of health care for indigent persons. Specific health care activities related to the County included the Health Unit, New Horizons, Mosquito Control, Abbie Jean Russell Center, and the Council on Aging.

G. Culture and Recreation

Costs incurred in providing and maintaining cultural and recreational facilities and activities for citizens and visitors are included in this function. Separate categories include all library costs, recreational programs, golf courses, swimming pools, tennis courts, public parks, community centers, camping areas and bicycle paths. Any expenses for special events such as county fairs, civic events, historical celebrations etc. are assigned here.

H. Internal Services

Expenditures incurred by one County department for services requested by another County department. Data processing and risk management are examples of internal service expenditures.

I. Non-Expenditure Disbursements

Included in this category are transfers and reserves. Interfund transfers represents amounts transferred from one fund to another to assist in financing the services of the recipient fund. Transfers do not constitute additional revenues or expenditures of the governmental unit, but reflect the movement of cash from one fund to another.