



July 17, 2000

Honorable Mayor and Members of the City Council  
City of Palm Coast  
264 Palm Coast Parkway  
Palm Coast, Florida 32135

Dear Mayor and Council Members:

Pursuant to the provisions of The Charter of the City of Palm Coast, Section 6 Paragraph (2)(c)(9), it is a distinct honor and privilege to present this first budget message for the City of Palm Coast's first full fiscal year. Preparation of this proposed budget is based upon the best information available at this time. We believe the budget fairly represents the expected revenues and necessary expenditures for the City for Fiscal Year 2000-2001.

There is little comparative data or direct experience upon which to base much of the budget projections. However, where possible we have provided comparisons with the Palm Coast Service District and discussion comparing this proposed budget with that contemplated in the Palm Coast Feasibility Study of November 1998.

We believe this first budget provides a solid basis upon which to build the municipal services and government which will serve the citizens of Palm Coast for many years to come. We believe this budget is conservative in terms of both its revenue expectations as well as approach to delivery of municipal services. It is important that adequate reserves be established early in the City's history to provide funds not only for contingencies throughout the fiscal year, but also for fleet replacement and for such acts of nature as storm damage or clean up. Discussion of specific reserves will be addressed later in this message.

## **General Fund**

### **Revenues**

The primary revenue source for the City of Palm Coast, as for most Florida cities and counties, will be the property tax. The proposed budget is based upon a projected property tax rate of 3.15 mils. This rate is ten percent (10%) less than the 3.50 mil rate projected in the Feasibility Study of 1998.

The preliminary taxable assessed value for the City of Palm Coast for this fiscal year is \$1,592,000,000. To maintain eligibility for shared state revenue programs such as municipal revenue sharing and half-cent local sales tax, the City is required to levy 3 mils, or its equivalent in utility tax and occupational license fees, based upon the taxable value for the year of incorporation (1999). Determining that taxable value has been

somewhat problematic because the boundaries of the City differ from those of the Palm Coast Service District. The taxable value for 1999 for the Palm Coast Service District was \$1,512,000,000. New construction within the City of Palm Coast during 1999 totaled approximately \$80,000,000. It is evident from these two figures that using the Service District tax base as the value for the initial year and adding new construction would indicate no growth in the taxable value of existing properties. We know, however, that the taxable value throughout Flagler County, as reflected in the change in value from 1999 was approximately 6.9%. Applying this figure to the 2000 City of Palm Coast taxable value of \$1,592,000,000 yields a year of incorporation taxable value of approximately \$1,489,242,300. Application of the 3 mil or equivalent criteria to this figure would indicate the required tax effort to be \$4,467,726. We believe this a fair calculation of the taxable value for the properties now included within the corporate limits of the City of Palm Coast and represents the tax effort necessary for the City to qualify for shared revenue programs.

Adoption of property, or ad valorem tax rates, in the State of Florida is guided by a process referred to as TRIM. The TRIM process begins with the Property Appraiser's certification of preliminary value, proceeds to the Manager's recommended tax rate, City Council's adoption of the TRIM rate, two public hearings on the budget, followed by final adoption. Upon City Council's setting of the TRIM rate, the Property Appraiser will mail notices to all property owners within the City of Palm Coast indicating the tax rate tentatively set by the City Council, the taxes to be levied on the particular property, and a comparison of those taxes with taxes if no tax increase is enacted. Because Palm Coast did not levy taxes as a municipality in 1999, the proposed tax rate for 2000 will be reflected as a tax increase on the TRIM notices and the City will be required to advertise the tax rate and the budget as a tax increase.

The second most significant revenue sources for Palm Coast's initial budget are derived from the State of Florida through two major shared revenue programs. The one-half cent local government sales tax program is projected to provide the City of Palm Coast with revenues of approximately \$932,000 for fiscal 2000-2001. The municipal revenue sharing program, which was revised during the 2000 Legislative Session and combined with the Municipal Financial Assistance Trust Fund is projected to provide approximately \$675,000 for the City of Palm Coast in the ensuing year.

The Local Option Gas Tax of 6 cents adopted by Flagler County will result in revenues to the City of approximately \$720,000. These revenues represent 52% of the total revenues generated by the 6-cent tax throughout the County. This figure was developed by determining Palm Coast's lane miles as a portion of the total lane miles maintained by Flagler County prior to the City's incorporation and applying that percentage to Flagler County's share of gas taxes resulting from its agreement with the other Flagler County municipalities. This methodology is consistent with that prescribed for new municipalities by Florida Statutes and by the Charter of the City of Palm Coast. It serves the City fairly for our first full year. However, there may be some inequities in an overall distribution formula that provides revenues to some cities based upon population and others based upon lane miles. It would seem that one formula should be developed and

applicable to all jurisdictions. Hopefully, that can be accomplished during the next several months to be in place for fiscal year 2001-2002 budget purposes.

There are a number of other local revenue sources included within the projected budget. These include fines and forfeitures, franchise fees, occupational licenses, fund balances and carryovers from the Palm Coast Service District Fiscal Year 99-00 Budget and from the City of Palm Coast Fiscal Year 99-00 Budget.

### **Expenditures**

As the City has moved through its first half-year, it has become evident that the highest priorities are being placed upon the development process. It is clear that City Council is focused upon the need to ensure that development within the City of Palm Coast meets the high standards to which the community is accustomed. It is also evident that much of the legislative history adopted from Flagler County does not and will not ensure that those standards are maintained. Extensive effort is necessary in upgrading the development regulations to provide the built environment and protected natural environment desired by the community.

Efforts are underway to move the development process from county staff to City of Palm Coast staff as quickly as possible. This budget provides full funding for the Development Services Department. That funding includes staffing Development Services at the level necessary to process development applications which are submitted for review, as well as undertaking the required development of a unique comprehensive plan for the City of Palm Coast. Additionally the Code Enforcement effort which has been funded by the Palm Coast Service District for several years will become a part of the Development Services Department on October 1, 2000. With that transfer, staffing for Code Enforcement is being enhanced with the addition of four (4) part-time compliance officers. It is expected that additional personnel will enable some proactive code enforcement efforts, as well as provide flexibility for code issues which may arise during non-standard hours such as nights and weekends.

A contract which will privatize building inspection services is currently being negotiated and will be presented to City Council within the next few weeks. This contract is a result of a Request for Proposal (RFP) process, which had three firms from throughout Florida submitting. Of the three submittals one clearly stood out as having the most extensive experience in providing privatized local inspection and permitting services. Under the proposed contract, permitting revenues will be City revenues. The contractor will be compensated by a percentage of those revenues on a monthly basis. The anticipated revenues are included within the projected budget as are the payments to the contractor.

As with building permitting and inspection services, engineering services will also be provided by contract during this initial year. It is anticipated applicants will pay fees to the City and the City will then compensate engineers for services provided in reviewing development plans. It is necessary to budget both the revenues and expenditures for these services. These expenses are included within the proposed budget for the Development Services Department.

Within three years of incorporation, new cities are required to adopt their own comprehensive plans. Development of a comprehensive plan is a major undertaking and is well beyond the scope of the staff resources of a small to mid-sized community. It is anticipated that development of all or a major part of the comprehensive plan will be undertaken by one or more consultants responding to a Request for Proposal and appropriate selection process under the Florida Consultants Competitive Negotiation Act. Initial funds for payment of consultants for work on the comprehensive plan are included in the budget in the amount of \$150,000. Additionally, as a part of the moratorium applicable to the Palm Coast Parkway Corridor, discussion about development of a corridor overlay zone has been held. Development of a set of overlay zone regulations applicable to the Corridor will also be prepared utilizing professional consultants with expertise in the specific areas of study. Funds are provided within this budget for that purpose.

### **Public Safety**

City of Palm Coast expenditures for public safety are primarily for law enforcement and fire services. The Sheriff has proposed a contract for law enforcement services which totals \$728,000. The contract provides for eleven (11) posts within the City, with a post being one officer eight (8) hours per day, seven (7) days per week. The proposed contract provides for four (4) posts each on the day and evening shifts and three (3) on the midnight shift. Eleven (11) posts proposed by the Sheriff with a deputy to post ratio of 1.6 and a cost per deputy of \$35,973.75 yields personnel expense of \$633,138. Additionally, vehicle expense based upon 41 cents per mile and 40 miles per shift, plus insurance, adds \$81,146 to the cost of service. A charge for administration and supervision in the amount of 2% has been added and included in the contract.

The Sheriff has reviewed call data for the City of Palm Coast and has utilized that data in developing the recommended staffing levels. The Sheriff and City Manager have reviewed the prepared staffing level and believe it adequately meets the City's needs at this time. There are sufficient reserves in the budget to add additional posts should the call levels change from those currently being experienced or the need for additional service become apparent. Additional posts will cost approximately \$66,000 each for a full fiscal year.

The proposed contract from the Sheriff provides those support functions currently provided on a countywide basis at no additional cost to the City of Palm Coast. These include such activities as the Detective Division, Bike Patrol, Marine Unit, Crossing Guards, Communications, Victim and Witness Advocate Program, Traffic Enforcement Unit, School Resource Officers, Juvenile Unit, Drug Unit, C.O.P.S. and other countywide functions provided by the Sheriff's office. We believe the proposed contract and staffing levels submitted by the Sheriff meet the law enforcement needs of the City of Palm Coast for the ensuing year. Should it become necessary to enhance service levels reserves are available within this budget to do so.

## **Fire Department**

The Palm Coast Fire Department, previously the Palm Coast Service District Fire Department will continue to provide services from two stations during Fiscal 2000-2001. In addition to those positions funded under the Service District Budget and as a result of the transition of development and permitting activities to the City, it is necessary to add one position for fire prevention, plans review and inspection within this budget.

The location of both fire stations within the Palm Coast Parkway Corridor presents some difficulty in providing response to the northern and southern areas of the City. During Fiscal Year 2000-2001, a study will be undertaken with regard to station location and response capability to determine if a better level of service can be provided within the municipal boundaries. This study will, of necessity, look not only at the existing station sites, but also at the sites available on North Belle Terre Parkway, Town Center and Seminole Woods Parkway as well as other sites which may be available for city use.

During Fiscal Year 1999-2000, the department was provided with a 2,500-gallon tanker truck as a replacement for a first line 1,250-gallon per minute pumper. There is some concern that this new truck may not be best suited for delivery of services within the urbanized corporate limits. The Fire Chief has proposed replacing this vehicle with a first line pumper. He has also recommended the acquisition of an aerial unit for the Department. These requests have not been funded within this budget. We believe additional time is necessary to determine response patterns, first response responsibilities in conjunction with the other municipalities and Flagler County as well as future station locations prior to committing to acquisition of additional apparatus.

At the present time Palm Coast Fire Services provides basic life support (BLS) service. All advanced life support (ALS) is provided by Flagler County Emergency Medical Services. Among the issues to be studied during the coming year will be the desirability of developing ALS capability within the Fire Service. The Flagler EMS Ambulances have shared station space with the Fire Department for many years. It is anticipated space will continue to be made available for EMS within the fire stations. We have requested that both fire stations be transferred from the County to City ownership.

## **Public Works**

The proposed budget for the Public Works Department provides additional equipment to replace much of the currently contracted right-of-way maintenance with in-house maintenance capability. The additional equipment consists of JD tractor mower and a ZTR riding mower. Operation of this equipment will be through the addition of 3 personnel. Although the first year cost of bringing this function in-house exceeds the prior contract costs, it is expected that second and subsequent year operating costs will provide significant savings over the present methodology. In addition to providing staffing for maintaining previously contracted rights-of-way, this budget anticipates the City of Palm Coast will maintain the medians and rights-of-way on County roads within

the city limits under contract from the county. Conceptually, the county will contract with the city for the city to provide the level of maintenance previously provided by the county. Enhanced levels of service on these roads will be provided at city expense.

We have increased funding for road resurfacing by approximately 22.7% over fiscal year 1999-2000. The proposed total resurfacing budget of \$659,000 will enable combined total mileage of overlay and microsurfacing of approximately 23 miles . With over 400 miles of road to maintain within the city and an expected life for most roadways in the 15-year range, we should be resurfacing approximately 27 miles of roads per year. During the past several years, that resurfacing figure has been less than 20. We believe increasing the level of resurfacing activity is a sound investment in maintaining the infrastructure of Palm Coast. Roads which are not resurfaced on a regular basis and when needed may deteriorate to the point that major reconstruction is necessary rather than just resurfacing. The cost of reconstruction of just one mile of road far exceeds the annual increase necessary to bring our resurfacing schedule to the level required to protect the public investment.

Included within the Public Works Budget is an appropriation of \$150,000 earmarked for beautification and landscaping of medians and rights-of-way of our Parkway system. It is anticipated specific projects will be developed during the early part of the fiscal year, funds will be leveraged with grants and other sources as available and construction of median enhancement will begin before Spring. Also included is the reserve for walkway development previously included in the Service District budget. We anticipate rolling over funds from the district and enhancing the amount by \$100,000.

### **Parks and Recreation**

Proposed expenditures for Parks and Recreation include continued operation of the Palm Coast Community Center following its transfer by Flagler County, renovation of the Council Chambers within the Community Center building, design of the Indian Trails Park, maintenance and possible enhancement at Florida Park, and provision for a Parks and Recreation Manager to coordinate contracted maintenance throughout the facilities of the City as well as coordinate efforts of the various service agencies. It is expected the Parks and Recreation Manager will work closely with the Citizens Parks and Recreation Advisory Committee in developing priorities and recommended programs for Parks Development within the City of Palm Coast.

In addition to those Parks indicated above, there are several other sites within the City limits which have been provided by ITT CDC over the years. Part of the early effort will be to fully identify all such sites within the corporate limits so that appropriate transfers of ownership may be undertaken during the coming fiscal year. Additionally, a review of park impact fees as they have been levied by Flagler County will be undertaken and recommendations developed with regard to possible adoption of such fees for Palm Coast.

## **Council and Administration**

The proposed budgets for the City Council and for the City's administrative functions are fairly straightforward. The Council Budget includes payment of those salaries established for City Council Members and the Mayor as well as providing for memberships and participation at conferences sponsored by the Florida and National Leagues of Cities.

Included within the Administration Budget are the expenditures for the offices of the City Manager, Administrative Services Director, Deputy City Clerk and City Attorney. Development of the City's administrative functions is focused on maintaining a generalist approach. We do not intend to create separate personnel, purchasing, finance, budget and data processing departments. Rather, we expect those functions to exist within the Administrative Services Department as generalist positions with personnel capable of providing services in several areas.

Funds for acquisition of financial system software are provided within this budget, as is funding for network administration services. The network services will ensure that computers in all City departments are linked, have access to financial and purchasing data as necessary and can communicate with each other on an immediate basis. Utilization of technology of this type will save many thousands of dollars in personnel costs over the next several years, as well as providing an organization that is responsive, efficient and effective. Although an expensive investment, financial system software is considered essential to maintaining the integrity of the resources of the City of Palm Coast. With a budget in excess of \$10 million, and approximately 70 personnel it is not prudent to have the City's accounting on an "off the shelf" small business software package. Packages of that type lack the capability to provide municipal type accounting, tracking, integration with purchasing, personnel, payroll and fixed asset accounting requirements and are not designed to meet governmental accounting standards.

Also within the Council and Administrative Budget will be the first expenditures for audit services which will be applicable to the short fiscal year which ends September 30, 2000 and an allocation for the first codification of the laws and ordinances of the City of Palm Coast. These activities are a necessary part of municipal government and are required by Florida Statute and sound business and government management practices.

## **Non-Departmental Expenditures**

Within the Non-Departmental category are funding for certain contracts and contributions as well as provision for various reserve accounts necessary for the City's operation. The Contracts and Contributions category provides for donations to such activities as the Committee of 100, the Council on Aging and RSVP Programs.

As a part of the budget, approximately 8% of anticipated general fund revenues are being set aside as a reserve for contingency. In addition, reserves are being provided to begin an equipment replacement fund and to provide for pay plan adjustments and additional positions should they become necessary during the fiscal year. We are also providing approximately \$310,000 dollars as the start of a storm and emergency reserve account. It

is anticipated this amount will be transferred to a reserve fund. This fund will be developed over the next several years until it contains approximately \$2 to \$2-1/2 million at which time contributions will cease. The fund will be available for community clean up and repairs in the case of emergencies.

### **Local Option Sales Tax Fund**

Interlocal Agreements entered into by the City with Flagler County earlier this year will result in a redistribution of local option sales tax revenues previously received by Flagler County. The City of Palm Coast will receive a \$250,000 signing bonus upon acceptance of the settlement by the Circuit Court and will then receive approximately \$6.8 million from the settlement date through expiration of the tax on November 1, 2002. It is estimated revenues to the City of Palm Coast from this source for Fiscal Year 2000-2001 will be approximately \$3.388 million. City Council has adopted Resolution 2000-12 stating that no expenditure of funds from this source may be made without first holding a public hearing on the specific project or projects.

It is proposed that \$2 million be earmarked from this fund for potential land acquisition and development projects. Specifically, we believe funds from this source should be utilized in conjunction with the Florida Forever Program, the St. John's River Water Management District and other such partners to acquire environmentally endangered lands within the City of Palm Coast in general, including, but not exclusively, lands within the Palm Coast Parkway Corridor. The Corridor Study called for development of a linear park within the Corridor. We believe that linear park should encompass the Palm Coast Parkway Corridor to the extent possible from its western end to its eastern limits. The protection of one of the most beautiful scenic roadways in Northeast Florida through this means will be a legacy for residents of Palm Coast forever. The \$2 million proposal is not based on study of land values or potential acquisition costs. Work of that nature must be undertaken if an acquisition project is to take place. We believe that \$2 million is an initial commitment to the future quality of the environment of the Palm Coast community. We believe leveraging of the \$2 million with State and Water Management District partners will enable a significant first step in preservation of this vital natural resource.

### **Summary and Conclusions**

Of necessity, this first budget proposal for the City of Palm Coast will not be particularly accurate. We do, however, believe that it presents a reasonable projection of anticipated revenues and expenditures while providing significant flexibility to the administration and Council to adjust to unknown circumstances as they develop and as more information becomes available.

Development of a budget for any community is a painstaking job requiring significant input from all participants and their professional "best guesses" where necessary. In that regard, we wish to acknowledge and thank the input of those department heads and county personnel who have provided information as well as those on City staff who have

worked diligently to compile this document. Particular thanks go to Dr. Oel Wingo for her work in preparing this budget.

This budget provides the City of Palm Coast its first opportunity to fully govern its own affairs, manage its own resources and take responsibility for its own services. We believe this document provides the City Council with the ability to address those issues which are pressing, many of which played a significant part in the community's decision to incorporate.

We present this budget for your study and consideration. We are prepared to provide additional information in response to your inquiries and requests. We recommend this budget and the included tax rate for your adoption.

Respectfully Submitted,

Richard M. Kelton