

August 27, 2002

Honorable Mayor James Canfield and Members of the City Council
City of Palm Coast
264 Palm Coast Parkway, N.E.
Palm Coast, Florida 32137-8217

Dear Mayor and Council Members:

In accordance with the City Charter, I am submitting to the City Council the proposed Annual Operating and Capital Improvements Budget for the City of Palm Coast for the fiscal year beginning October 1, 2002, and ending September 30, 2003 (FY03). The proposed budget was prepared in accordance with all applicable City, State, and Federal requirements.

REPORT FORMAT

This is the first year that the budget document is being presented in a “program/performance measurement” format. While line items emphasize the cost of different expenditure categories, program budgeting focuses on the programs or services provided and the total cost of each of these services. Performance measurement, in conjunction with program budgeting, emphasizes measuring the quality, efficiency, and effectiveness of the services and induces a degree of responsibility and a means of measuring the degree to which that responsibility is discharged.

Program/performance budgeting gives management the tools necessary to analyze and diagnose how well dollars are being converted to services; to measure the success rates to established objectives; to make better budget decisions; to educate the public; and to enhance employee motivation and performance evaluation. Although program/performance budgeting takes time to evolve and to recognize trends, over time this format should provide the citizens, the City Council, and the administration an invaluable tool with which to better identify the costs and value of government services and to make future decisions in these times of limited resources.

Designed to meet the needs of a broad spectrum of readers, this budget document is divided into three major sections:

- Executive Summary – This section introduces the reader to the budget document and includes this transmittal letter, the City’s organizational chart, consolidated information on the budget and City operations, and other miscellaneous information.
- Budget Detail – This section includes the detailed revenue budget for each individual fund and expenditure/expense detail for every department/program within each fund. A typical departmental budget will begin with information about the department. This is followed by an expenditure summary by classification, a capital outlay schedule for the year, and a department personnel roster.
- Capital Improvement Program – This final section reflects the City’s Six-Year Capital Improvement Program and summaries of its effect on the various funds. This program is unique in its presentation of all projects, including those funded through current revenue sources and those that are planned but currently have no funds available.

CITY REVIEW

Palm Coast was developed by ITT Corporation in 1969 and was incorporated December 31, 1999. The City operates under the Council/Manager form of government. The City Council consists of the Mayor and four Council Members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the City Manager and members of various statutory and advisory boards. The City Manager is responsible for enforcement of laws and ordinances, and appoints and supervises the City’s Department Directors.

The City, with a population of approximately 38,348, provides a full range of municipal services including fire and rescue, street and stormwater maintenance, planning and zoning, permitting, code enforcement, recreation and parks, and general administrative services. In addition the City contracts with the Flagler County Sheriff for law enforcement services and Waste Management for solid waste collection. The solid waste collection is provided under an Enterprise Fund with user charges, in the form of a non-advalorem assessment, established by the City Council to ensure adequate coverage of operating expenses. Vehicle maintenance and replacement is provided through an Internal Service Fund.

CURRENT YEAR REVIEW

During the current fiscal year, the acquisition of the environmental land originally identified for purchase was completed. An additional parcel has become available and the purchase should be completed soon. During the year, the County has also completed more land transfers to the City.

Some improvements have been completed at Holland Park and others are underway or will soon be underway. Design work continues on Bird of Paradise Park and North Belle Terre Park. A grant application was completed but failed to receive funding for this year. At least two more grant applications should be completed, before the end of the year, for funding assistance for next year. The space and needs analysis for cultural arts facilities is in progress.

Design of a new fire station prototype is still under development. Construction of the Indian Trails station should begin later this year and be completed about mid-year next year. This prototype can then be used for future stations. Bids are being evaluated for a new pumper and delivery should occur about the same time that the Indian Trails station opens.

The I-95 overpass lighting project is still progressing and should be completed before the end of the fiscal year. The beautification on Belle Terre Parkway is complete. The sidewalk on Clubhouse Drive is complete and the sidewalks on Florida Park Drive and at the schools are currently out for bid. The application for Local Agency Program (LAP) certification has been completed and we are waiting for a response. The street resurfacing program for FY2002 is underway and is currently 90% complete. Several stormwater structures have failed this year and have had to be replaced. An analysis of the system is being done to locate and correct problem areas before failures occur.

The City began its own contract for solid waste collection in January and has hired an inspector to monitor the contractor's performance. Finally, a space and needs analysis is being prepared for City Hall.

BUDGET SUMMARY

This budget is based upon direction developed from goals that the City Council has adopted. The purpose of this transmittal message is to outline major policy that is part of the budget for FY03. These issues include the following:

- The advalorem tax rate is proposed to be reduced to 3.40000 mills for the General Fund, an increase of 1.464% above the rollback rate. The rollback rate is designed to maintain a "0" tax increase over the prior year.
- This budget contains the following personnel and compensation plan items:
 - a. A 2% cost of living increase.
 - b. An average 4% merit increase.
 - c. An 18% increase in health insurance costs.
 - d. Reclassify Deputy City Clerk to City Clerk.
 - e. Change one part-time Senior Staff Assistant to full-time.
 - f. Add one Code Enforcement Inspector.
 - g. Add one Construction Inspector.
 - h. Add one Engineer.
 - i. Add three Firefighter / Paramedics (6 months beginning April 1, 2003).
 - j. Upgrade five Firefighter / EMT positions to Firefighter / Paramedics (6 months beginning April 1, 2003).
 - k. Upgrade nine Fire Lieutenant positions.
 - l. Upgrade Fire Inspector position.
 - m. Downgrade Assistant Public Works Director to Administrative Assistant.
 - n. Add one Streets Superintendent.
 - o. Add one Trades Worker I.
 - p. Add one Maintenance Technician II.
 - q. Add one Grounds Maintenance Supervisor.
 - r. Add one Recreation Technician.

- The budget continues the contract with the Flagler County Sheriff for law enforcement services. Funding for the current level of service is included at a cost of \$789,125. Funding has also been added for two additional officers to provide traffic enforcement. The cost of these additional officers has been estimated at \$137,238.
- Funding for several major projects has been included in the 2003 budget. These include the following:

Sidewalks	\$ 150,000
Streetlights	\$ 250,000
Parkway beautification	\$ 150,000
Street resurfacing	\$ 2,000,000
North Belle Terre Park	\$ 1,500,000

- Funding has been provided for the following agencies:

Enterprise Flagler	\$ 100,000
RSVP (Flagler Volunteer Services)	\$ 7,500
Humane Society	\$ 56,200
Historical Society	\$ 3,000
Family Matters (Teen Center)	\$ 100,000
Cultural Arts (various groups)	\$ 25,000

SYNOPSIS OF MAJOR FUNDS

General Fund

The General Fund budget of \$13,943,300 is a 1.8% or \$251,936 increase over the 2001-2002 amended budget. Property tax revenues, which make up 46% of General Fund revenue, are increasing 9.3% due to new construction added to the tax roll and reappraisals.

Personal services costs are increasing by \$794,840 or 16.4%. This is made up of pay adjustments, health insurance increases, and the addition of ten employees. Operating expenses are increasing by \$131,886 or 2.7%. Capital outlay is decreasing by \$601,859 or 27.5%.

Capital Projects Fund

The Capital Projects Fund budget is \$1,714,330. Revenues in this fund come from the One-Cent Local Government Infrastructure Surtax, investment earnings, and transfers from the General Fund. The surtax expires on December 31, 2002, therefore, only three months of revenue from this source is included.

Prior year equity is being appropriated in FY03 to complete the funding of the street resurfacing program for the year. The fire station budget is being increased by \$100,000 and \$700,000 is being added to the budget for City Hall.

Fleet Management Fund

This fund is used to provide maintenance of City equipment and vehicles and to accumulate reserves to replace vehicles and heavy equipment when necessary. Revenue in this fund comes primarily from transfers from other funds. The budget for FY03 is \$519,259. Capital outlay is \$329,209 or 63.4% of the budget. The remainder is personal services, operating expenses, and contingency.

CONCLUSION

Overall, this budget addresses both short-term and long-term goals of the City Council. Personnel are being added to improve services, such as staffing a third fire station and extra code enforcement. Funding has been included for streetlights, parkway beautification, sidewalks, street resurfacing, and parks. These are ongoing long-term projects. Money has also been set aside for future capital projects, such as the construction of City Hall.

Preparation of this budget would not be possible without the commitment of personnel throughout the City organization. I wish to acknowledge the contribution of our department heads and their staffs, and especially that of Finance Director, Ray Britt, and his staff.

Respectfully submitted,

Richard M. Kelton
City Manager