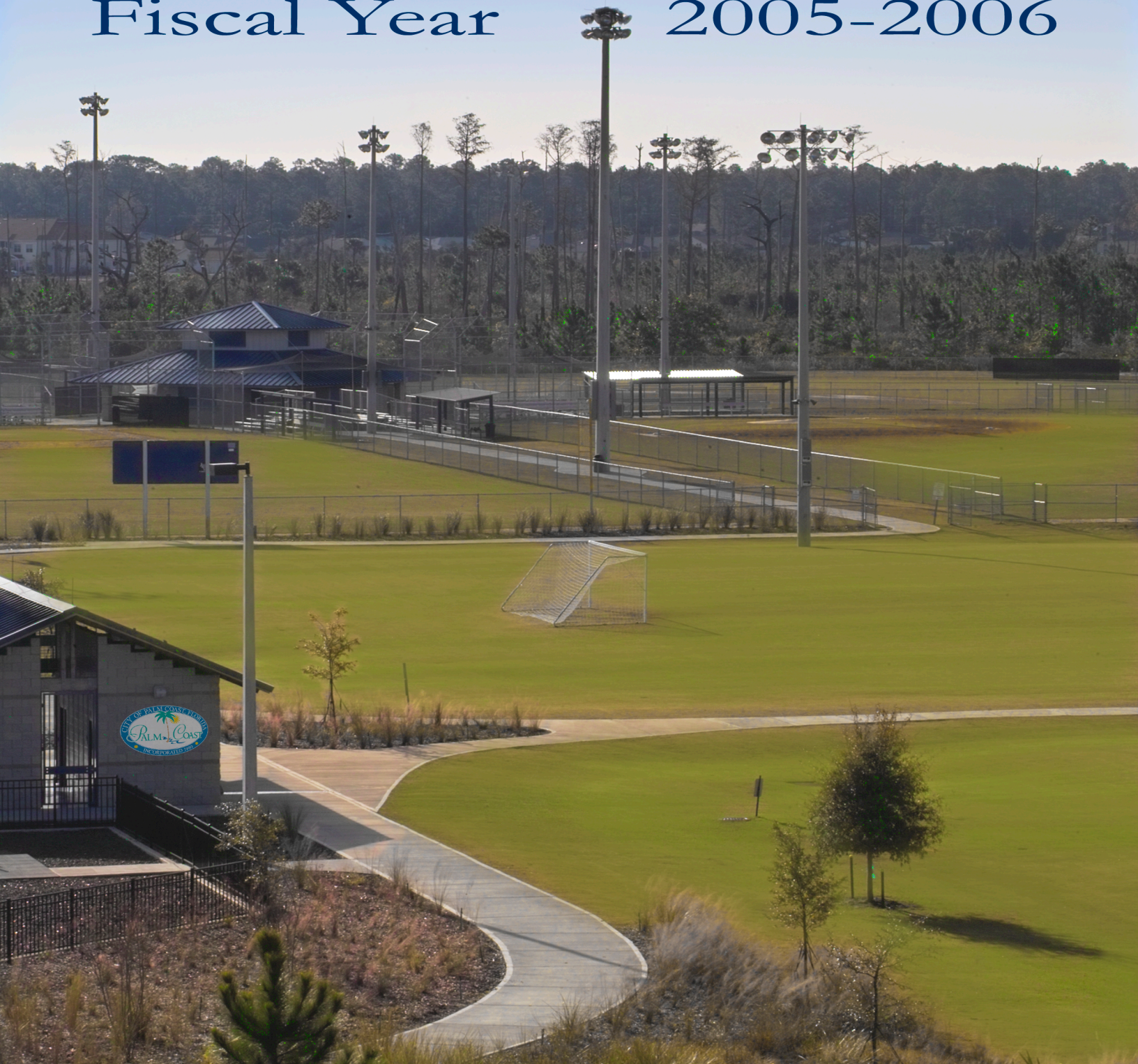


City of Palm Coast Florida Annual Budget Report Fiscal Year 2005-2006



Indian Trails
Sports Complex

CITY OFFICIALS

ELECTED OFFICIALS



**Jim Canfield
Mayor**



**Bill Venne
District 1**



**Jon Netts
District 2**



**Mary DiStefano
District 3 (Vice-Mayor)**

**Vacant
District 4**

CITY OFFICIALS

APPOINTED OFFICIALS

City Manager	Richard M. Kelton
Assistant City Manager	Oel Wingo
City Attorney	William L. Colbert
City Clerk	Clare Hoeni
General Services Director	Ray W. Britt, Jr.
Planning and Zoning Director	Jason Gambone
Building and Code Administration Director	Nestor Abreu
Fire Chief	Michael C. Beadle
Public Works Director	Bill Gilley
Recreation and Parks Director	John P. Jackson
Engineering Director	William Tredik
Utility Director	Richard H. Adams
Stormwater Management Director	John Moden

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CITY MANAGER

July 19, 2005

Honorable Mayor James V. Canfield
and Members of the City Council
City of Palm Coast
2 Commerce Boulevard
Palm Coast, FL 32164

Dear Mayor Canfield and Members of the City Council:

Pursuant to Section 6 Paragraph (C) 9 of the Charter of the City of Palm Coast and in accordance with applicable State and Federal requirements I am pleased to present for City Council's consideration the proposed Annual Operating and Capital Improvements Budget for the City of Palm Coast for the Fiscal Year beginning October 1, 2005 and the Five Year Capital Improvements Program for the City beginning on that date and extending through September 30, 2010.

COUNCIL GOALS – BALANCED SCORECARD

In December 2004 the City Council met in its annual goal setting process. Unlike previous years when Council addressed its annual goals, in this effort the City Council was asked, as the City approached the end of its first five years, to look at where the City had been upon incorporation in December 1999, where the City was in December 2004 and most importantly where the City Council wanted the City to be at the time of its tenth anniversary in December 2009. In that planning exercise the City Council developed a balanced scorecard of goals and objectives for the next five years. Those goals and objectives became the basis for five year business plans which have been developed by each of the City's departments. These business plans detail the departments' strategies and tactics to achieve the goals and objectives established by City Council. Additionally, these business plans include milestones and measures so that we can tell how well the City is doing in meeting its stated objectives.

In terms of the balanced scorecard City Council goals and objectives fell into four major categories: Community Quality, Economic Opportunity and Financial Viability, Effective and Efficient Government and Community Confidence and Satisfaction. Under Community Quality

major goals of the Council included improved mobility and transportation, enhanced recreation and leisure services, expanded services for seniors, maintaining a range of housing options, enhancing the visual attractiveness of the City and maintaining public safety.

City Council goals in the Economic Opportunity and Financial Viability quadrant include continued targeted annexation, continued business retention and attraction efforts and development of an aquatic center. In the area of Effective and Efficient Government, Council's goals include simplifying public service delivery, insuring that policies, procedures, regulations and technologies are kept up to date, maintaining and improving public infrastructure and increasing the effectiveness of public services. The fourth element of the balanced scorecard, Community Confidence and Satisfaction includes the goals of maintaining a high level of customer satisfaction and insuring that all City actions meet a high standard of public trust.

These goals and objects as they are detailed later in this document have set the framework for development of the departmental business plans, as well as providing guidance for development of this budget which is targeted to meet those business plans and the balanced scorecard goals of the City Council of the City of Palm Coast.

TAX RATES

The City experienced significant growth in the taxable values of properties within the corporate limits for this fiscal year. The increase in taxable value from approximately \$3.1 billion in FY 2004-05 to approximately \$4.4 billion for FY 2005-06 has enabled adjustments to the City's tax allocations. The proposed millage for the General Fund for FY 2005-06 is 2.40 mills. This is a reduction of .5 mills from the current operating rate of 2.9 mills. The administration is proposing an increase in the millage allocated to the Capital Projects Fund, raising that rate from the previous .5 mills to 1.0 mills for FY 2005-06. The total tax rate therefore remains constant for the fourth consecutive year at 3.40 mills. It should be noted that although the total taxable value of the City has increased by approximately 40%, homestead residential properties are limited to no more than a 3% increase in taxable value under the "Save Our Homes" amendment to the Florida Constitution adopted in 1992.

KEY INITIATIVES

The proposed FY 2005-06 budget includes major initiatives in the following key areas:

Public Safety

The proposed budget includes the addition of twelve (12) firefighter/paramedic positions as the initial staffing for fire stations 4 and 5. It is expected those stations will be under construction during the coming fiscal year with completion occurring in calendar year 2006 at which time they will need to be fully staffed. In addition to the 12 firefighter/paramedics, six lieutenants will be added in the FY 2006-07 budget to complete this staffing.

For the past three years the City of Palm Coast has funded 100% of the cost of providing a traffic enforcement unit within the Flagler County Sheriff's Office. That unit currently consists of six

(6) Deputies who are assigned full time to traffic enforcement issues within the City. Based upon the increasing workloads of these Deputies and the continued feedback from our citizens regarding a perceived lack of adequate traffic enforcement, we are proposing two initiatives. First, it is proposed the “Traffic Unit” be brought in house and become a direct unit of the City of Palm Coast. And second, it is proposed that four additional officers be added to this unit bringing the total to ten (10) and that the position of Law Enforcement Coordinator be established, as proposed by the International Association of Chiefs of Police (IACP) study conducted in 2004. In addition to overseeing the “Traffic Unit” the Law Enforcement Coordinator will also oversee the contract for patrol services with the Flagler County Sheriff’s Office and the needs and levels for all law enforcement activities within the City of Palm Coast. We believe these actions are appropriate at this time in order to remove multiple layers between the City organization and the current traffic unit and ensure a more responsive traffic enforcement program in accord with the needs and desires of the citizens of the City of Palm Coast. The start-up costs to transfer this unit include the addition of modular space and furniture within the current City Hall building as well as vehicles and computers. That start-up cost is estimated at approximately \$460,000. The annual operating cost will be approximately equivalent to the current fully loaded cost paid to the Flagler County Sheriff’s Office.

Traffic and Transportation

It is clear to the casual observer that Palm Coast is behind the curve in meeting the needs of its citizens regarding traffic and transportation. We believe the Five Year Capital Improvement Program presented with this budget, in addition to transfer of the “Traffic Unit” in house, will go a long way in bringing the City back on track in meeting those needs. The Five Year Capital Improvement Program includes \$102.5 million in funded transportation improvements over the next 5-year period and leaves unallocated and available for future priority designation approximately \$15.6 million for improvements in FY 2009-10. Approximately \$60.4 million of the \$102.5 million identified will occur in this and the next fiscal year. Specific projects include the four laning and realignment of Belle Terre Parkway north, the four laning of Old Kings Road from Palm Coast Parkway south to State Road 100, including a partial realignment near the south end, and the six laning of Palm Coast Parkway from Florida Park Drive to Cypress Point Parkway. Other projects include the northward extension of Old Kings Road from Forrest Grove to Matanzas Woods Parkway and then north to meet the existing Old Kings Road and the extension of Palm Harbor Parkway to meet the Matanzas Woods Parkway extension at Old Kings Road. During the next five years 250 miles of additional City streets will be resurfaced utilizing the ½ cent local option sales tax approved by voters in 2002. This is in addition to the 150 miles already completed under this program and approximately 50 miles completed by the City prior to initiation of this program. The program also includes paved edge and shoulder improvements on Royal Palm Parkway, Whiteview Parkway and others as they become due for resurfacing. Trails and bike paths are funded in the amount of \$2.9 million, traffic signals are funded in the amount of \$2.7 million and additional street lighting is funded in the amount of \$1.25 million. Of these amounts, \$1.75 million is allocated in FY 2005-06.

In an effort to expedite handling of traffic operational issues, we are proposing hiring of a Traffic Engineer within the Engineering Department.

Public Works and Facilities

The third area reflecting major initiatives for this fiscal year is that of Public Works and Facilities. There are two components to the initiatives within this category. First with the merger of the Palm Coast Community Service Corporation into the City and the funding of the City's State Revolving Fund Loan for stormwater improvements there is an addition of seventeen positions within the Public Works Department. Some of these positions are the direct result of the stormwater activities while others will enhance the level of service with regard to street cleaning, mowing, pothole patching, facilities maintenance and fleet management. This is the largest personnel increase to the Public Works Department since the City assumed these responsibilities on October 1, 2000 and represents a major effort to upgrade our overall responsiveness to our citizens and levels of service.

The second component deals with public facilities. It is anticipated that a general obligation bond referendum or referendums will be placed on the ballot at the general election in November seeking voter approval for funding the construction of a permanent Palm Coast City Hall to be located at Town Center and for two Senior/Community Centers, one on Belle Terre Parkway near Royal Palm Parkway and the second near Belle Terre Parkway and Burroughs Drive adjacent to Fire Station 23. City operations are currently centered in Palm Coast City Hall which is housed in a former industrial building now containing approximately 20,000 square feet of office space. Several departments continue to operate from remote facilities and the City Council, PLDRB and Code Enforcement Boards continue to meet at the Community Center. The space needs analysis conducted for the City identified the City's space requirements for the year 2020 at approximately 78,000 square feet. The City Hall building currently under design is targeted to meet those needs and will bring all City departments as well as the Council Chambers into one central location.

As the City has grown from approximately 30,000 residents to over 60,000 residents we have not kept pace with the demand for Community Center activity space nor have we kept pace with the demand for senior activities. It is felt construction of additional community centers in the northern and southern portions of the City will bring these facilities closer to a majority of the population, will facilitate extension of additional services in these areas and greater participation by all segments of the Palm Coast community.

The cost for the proposed City Hall is estimated at approximately \$20 million. The current schedule calls for the start of construction in the spring of 2006. It is anticipated that with a successful referendum, bonds would be sold after the first of the year. Design for the community centers is a little further behind than that for City Hall but with a successful referendum in November it is anticipated design could be complete for these buildings by mid to late 2006 with construction under way in FY 2007. Accordingly, the Capital Projects fund of the budget reflects revenue from the sale of bonds and the start of construction of these projects on the timelines indicated.

GENERAL FUND

The General Fund budget for Fiscal Year 2005-2006 is proposed at \$27,816,222 and is approximately \$4.65 million or 20% above the amended 2004-2005 budget. This budget includes the establishment of the Palm Coast Traffic Unit which includes the addition of 4 traffic

officers and start up costs of approximately \$460,000. It also includes positions previously discussed for the Public Works Department and the Fire Department. The proposed budget includes three additional full-time positions for the Recreation and Parks Department and several part-time positions who will be utilized to expand youth programs of the City. A portion of the increase in the Public Works Department will be offset by charges to the Stormwater Utility Fund for work done in relation to the City's stormwater maintenance and canal maintenance programs. This budget again transfers one-half million dollars to the disaster reserve fund and increases the transfer to the CRA fund from one-half million to \$1 million to enable the start of acquisition efforts within the CRA area.

Increased revenues within the general fund include \$1.56 million resulting from the increase in ad valorem tax base and \$3.1 million from charges to other departments as well as incremental increases in other standard operating revenues.

It is anticipated that a fund balance of approximately \$6.49 million will be available at the end of this fiscal year on September 30, 2005. Of that amount approximately \$3.1 million is programmed within the general fund to cover non recurring capital expenditures and transfers. Approximately \$3.36 million will remain in unappropriated reserves or approximately 12.1% of the general fund budget. This falls within the range recommended by our external auditors of 10 to 20% and continues to indicate the financial strength of the City of Palm Coast.

UTILITY FUND - OPERATING

The total Utility Operating Fund budget is proposed at \$21,433,846. This is an increase of approximately \$2.6 million from the adjusted estimated expenditures for the fiscal year ending September 30, 2005. Increases in revenues are the result of additional customer base resulting from our continued residential and commercial development within the City limits as well as the unincorporated areas served by the City. Changes in expenditure levels include the addition of approximately 18 personnel. These positions are primarily directed at bringing additional persons on board to be trained as plant operators for the Wastewater Treatment Plant currently under construction and Water Plant 3 currently in design but expected to go to construction by early next year. Estimated fund balances for the Utility Operating Fund at September 30, 2005 are \$2,559,000. One-hundred fifty thousand of this total is being appropriated in support of the 2006 fiscal year budget leaving an unappropriated fund balance of \$2.4 million or approximately 11% of the Utility Operating Fund budget total. This falls within the range of reserves recommended by the City's auditors.

UTILITY FUND CAPITAL PROJECTS

The Utility Capital Projects Fund is proposed at \$35,281,686. This is a reduction of approximately \$3.7 million from the fiscal year '05 total. Projects funded include continued improvements throughout the water distribution and wastewater collection systems, development of a re-use distribution system, construction of sewage force mains and lift stations to serve the beachside service territory and construction of Water Treatment Plant 3.

For the five year CIP, total capital expenditures are estimated at \$123.75 million.

The Utility Capital Improvement program is funded from revenues from connection charges to the City's water and sewer systems as well as State Revolving Fund loans and the proceeds from utility revenue bond issues. A portion of the 2003 acquisition bonds was allocated for initial capital improvements to the system. Construction of the Wastewater Treatment Plant has been funded through State Revolving Fund and additional revenue bonds in the amount of \$24.0 million are anticipated in FY 2006-07. New projects funded within the five year capital improvement program include the following: Wellfield land acquisition, Wastewater Treatment Plant No. 2 and continued development of the beachside sewage collection system.

OTHER MAJOR OPERATING FUNDS

Although the general fund and utility operating fund represent the largest portions of the City's operating budget there are three other operating funds which are significant in their totals and include City personnel.

Stormwater Utility Fund

The stormwater utility fund is proposed for fiscal year 2005-2006 at \$8,689,942. This will be the first full year for a combined stormwater utility operation and represents the inclusion of the former Palm Coast Community Service Corporation operations in addition to the City's previous stormwater efforts. Additionally, \$5.0 million of the stormwater master plan funded by State Revolving Fund loans is included within this budget.

Solid Waste Fund

When the City took over billing for water and sewer it also assumed responsibility for billing for solid waste collection. As construction of new homes within the City has continued, both the revenues and expenditures of this fund have grown accordingly. Total revenues and expenditures for FY 2005-06 are \$3,494,917. The City continues to contract for collection services while maintaining a limited staff, 2 positions, to oversee the contract and respond to citizen questions and concerns regarding contractor performance.

Internal Service Fund – Fleet Management

Management of the growing fleet of municipal vehicles is funded in the Fleet Management Fund. This fund operates as an Internal Service Fund deriving its revenues from charges to other departments for maintenance of their equipment and for purchase of fuel. The City also receives revenue to offset fuel expenses by providing fuel to the Sheriff's Office. All new and replacement rolling stock are purchased through this fund and maintenance of all rolling stock with the exception of fire apparatus are maintained through this fund.

PERSONNEL ISSUES

The City of Palm Coast could not continue to provide services to its citizens without the services of its employees. Personnel matters are a significant portion of the municipal operation. The

City has a growing workforce commensurate with the growth in population and service expectations of our citizens.

For FY 2006 we are proposing the increase of 84.6 full time equivalent positions to the City workforce. By category this total includes: 25 positions for public safety, 39 positions for field operations in the areas of Public Works, Utilities and Engineering, 8.6 FTE's for expanded services in Recreation and Parks and 5 additional positions for the City's technology investment including our computer systems, our expanding wireless networks, our new 800 Megahertz system and continued oversight of our telephone system as well as the continued expansion of our GIS capabilities.

As in past years selected adjustments have been made to pay grades throughout the compensation schedules to reflect market conditions and recruitment difficulties. This is an ongoing issue and is particularly acute in areas such as Firefighters/paramedics, utility plant operators and engineering personnel. The City will continue to monitor the marketplace to ensure that we maintain competitive wages for our employees as well as a competitive benefit package. Without the ability to recruit and retain qualified employees we will not be able to meet successfully the goals and objectives identified by the City Council over the next five year period.

CAPITAL IMPROVEMENTS

The Capital Improvement Program for the City of Palm Coast for FY 2005-06 is proposed at \$85.6 million. This represents 58% of the total proposed budget of \$146 million. For the five years through FY 2009-10 total Capital Improvements are projected at approximately \$343.4 million.

Capital Projects Fund

The Capital Projects Fund is proposed at \$23,450,000 for FY 2005-06. This figure includes construction of the new Palm Coast City Hall at Town Center as well as funds for street lights, Parkway beautification and design of proposed Senior/Community Centers.

Impact Fee Funds

The Fire Impact Fee fund is budgeted at \$400,000. These funds will go towards construction of Fire Stations 4 and 5.

The Park Impact Fee fund is budgeted at \$4,260,000 for FY 2005-06. This figure includes construction of the Palm Coast Linear Park as well as acquisition funds for the Whiteview/White Mill property, and design funds for the Palm Coast Waterfront Park and Lehigh Woods Park.

The Transportation Impact Fee fund is budgeted at \$10,650,000 for FY 2005-06. This fund continues the design of the Belle Terre four lane project, includes the design of the Old Kings Road four lane project and the design of Palm Coast Parkway 6 laning. It is anticipated that the four laning of Belle Terre could be under construction within this fiscal year. The five year Transportation Impact Fee fund totals \$62.75 million and includes construction of the three

major projects identified above as well as the northern extension of Old Kings Road and the linkage of Palm Harbor Parkway to Matanzas Woods Parkway. The Street Improvement program is budgeted at \$4,052,400 for FY 2005-06 and \$22.25 million for the five years ending in FY 2010. This fund includes receipts from the ½ cent local option sales tax as well as the six cent local option gas tax distribution. It is utilized to fund the resurfacing of 50 miles of City streets each year as well as additional capital projects such as the shoulder widening of Pine Lakes Parkway, Royal Palm Parkway, and Whiteview Parkway.

OTHER FUNDS

Within this budget document details are provided for the balance of the smaller operating and capital funds utilized by the City of Palm Coast to fund its ongoing operating and capital needs. Summaries of these can be found on pages 14 and 17 with details within the document.

This total budget presentation proposes revenues and expenditures totaling approximately \$146 million for FY 2005-2006. Of that total \$61.1 million represent operations with the balance, or \$85.6 million representing capital investments in the future of our City. I believe this budget addresses the priorities established by the City Council of the City of Palm Coast in it's five year strategic plan and is a major commitment to meeting the needs of the citizens of Palm Coast as this City continues to grow at an unprecedented rate. Although we have probably seen the peak in new single family permitting we still anticipate that the population of Palm Coast will reach approximately 87,000 by the time of the 2010 Census, now less than 5 years away.

Palm Coast has had to deal simultaneously with establishing its basic operations as a municipality while it coped with the increasing demands, pressures and desires of a growing population. The citizen moving to Palm Coast today expects full City services and has no appreciation for the fact that this City is still in its infancy as a municipal government. Our task is to meet the needs of our citizens in as an effective and efficient manner as possible given the resources available to achieve that objective. I strongly believe this budget does just that and that its adoption and execution will enhance the level of services for all citizens of Palm Coast as well as providing needed infrastructure improvements that will serve future residents and citizens as well as visitors for many years to come.

I cannot conclude this budget message without expressing my gratitude to the Department Heads and staff of the City of Palm Coast who work so diligently throughout the year to provide services to our citizens as well as their efforts to prepare this budget. In particular I wish to express my appreciation to Mr. Ray Britt, General Services Director, and his staff for their special efforts in the compilation of this document.

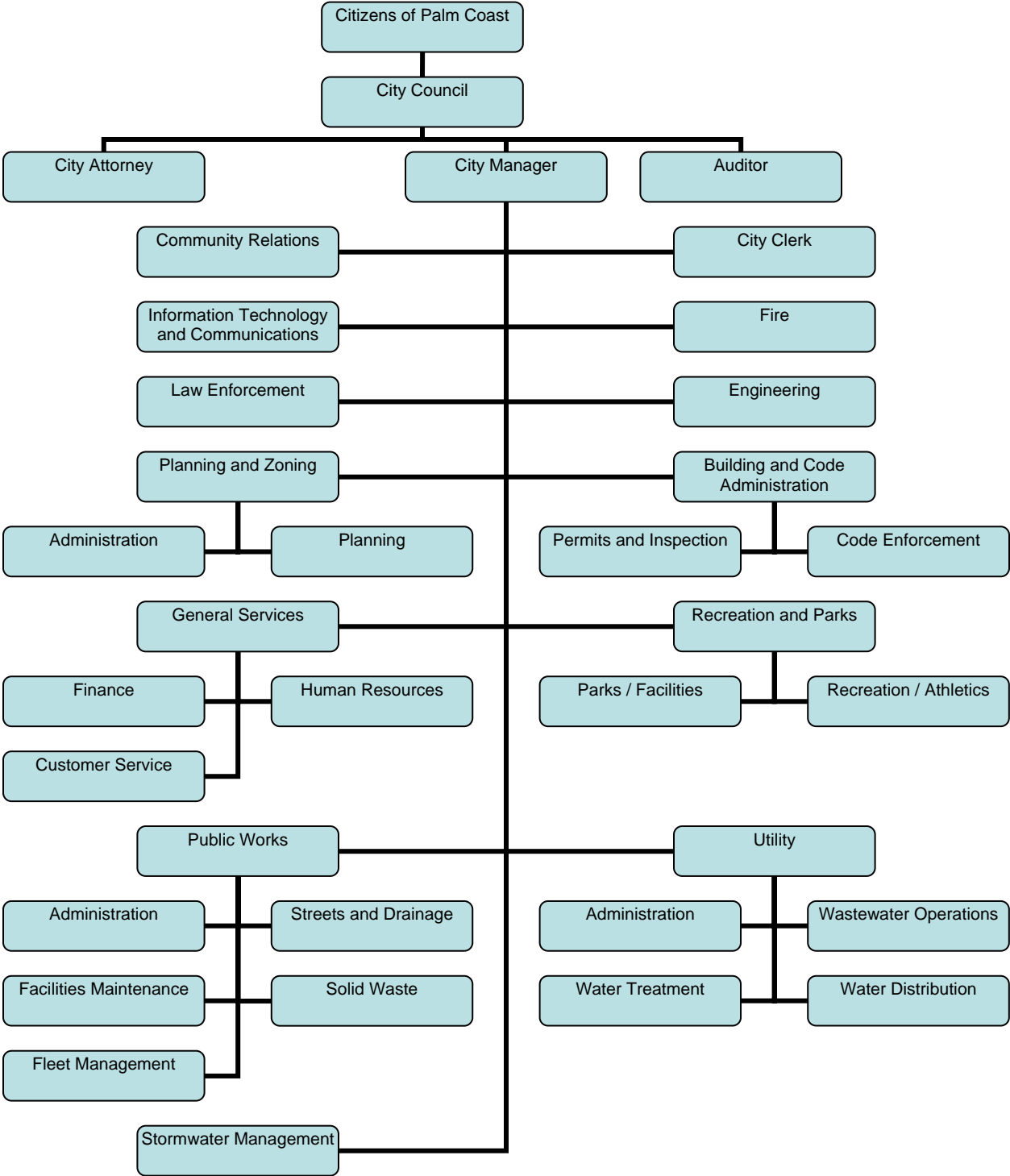
Respectfully submitted,

Richard M. Kelton
City Manager

ADDENDUM

Two major changes were made as the result of workshops, public hearings, and events that occurred after the original transmittal dated July 19, 2005. The decision was made to continue to contract with the Flagler County Sheriff for traffic enforcement. The four additional officers anticipated for the traffic unit will be added under the contract. Therefore, the primary cost difference is capital cost that would have been necessary to start a City traffic unit. The second change was a reduction in the number of additional paramedics in the Fire Department. Delays in the construction of two new stations reduced the need for personnel in fiscal year 2006. The overtime budget in Fire was increased. The cost savings produced by these changes were added to contingency resulting in no net change to the General Fund budget.

ORGANIZATIONAL CHART





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Palm Coast
Florida**

For the Fiscal Year Beginning

October 1, 2004

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the **City of Palm Coast, Florida** for the Annual Budget beginning October 01, 2004. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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