

# **INTRODUCTION**



## CITY MANAGER

July 18, 2006

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, 2006 and the Five Year Capital Improvements Program for the City beginning on that date and extending through September 30, 2011.

## **INTRODUCTION**

Over the past several years the City Council has met to set its annual goals. Last year the Council developed five year goals and the departments then developed business plans to accomplish those goals over the five year period. Earlier this year the Council reviewed and updated those goals and the departments updated their business plans based on those changes. During the budget review process, departments were asked to explain how their budget requests advanced the five year business plan. Their requests were then evaluated against their plan and goals set by Council. As I present my last budget, it is my hope that the goals and business plans will continue to evolve and remain an integral part of the budget process.

## **TAX RATES**

The City continues to experience higher than normal growth in the taxable values of properties within the corporate limits. The FY 2006-07 preliminary taxable value of \$6.2 billion has provided the opportunity to make changes to revenue allocations while reducing the millage rate. The proposed millage for the General Fund for FY 2006-07 is 2.50 mills. This is an increase of

.1 mills from the current operating rate of 2.4 mills. The administration is proposing that .75 mills be allocated to the Capital Projects Fund, a reduction of .25 mills. This results in a total tax rate of 3.25 mills, an overall reduction of .15 mills or 4.4%. It should be noted that although the total taxable value of the City has increased by approximately 39%, homesteaded residential properties will be limited to a 3% increase in taxable value under the "Save Our Homes" amendment to the Florida Constitution adopted in 1992. Therefore, homesteaded properties will actually pay less in City ad valorem tax in 2006-07 than they paid in 2005-06. The millage rate reduction in the Capital Projects Fund will be offset by allocating 100% of the City portion of the State Sales Tax to the Fund. This budget also allocates 100% of State Revenue Sharing monies to the Streets Improvement Fund to provide funding for the resurfacing program and street projects that cannot be paid for with transportation impact fees.

## **KEY INITIATIVES**

The proposed budget for FY 2006-07 includes major initiatives in the following key areas:

### **Traffic and Transportation**

Traffic congestion continues to be a major problem according to the residents of Palm Coast. We believe the Five Year Capital Improvement Program (CIP) presented with this budget addresses the problem, but will require time to complete. The CIP includes \$83.5 million in funded transportation improvements designed to expand capacity on City streets over the next 5-year period with another \$19.5 million programmed for the resurfacing program. Two major street projects are scheduled to be under construction in 2007. These are the north portion of Belle Terre Parkway from Palm Coast Parkway to Matanzas Woods Parkway and the south portion of Old Kings Road from Palm Coast Parkway to SR 100. Belle Terre Parkway will be funded by transportation impact fees and developer contributions. Old Kings Road will be funded by issuing bonds that will be repaid by a special assessment on properties that are being developed along Old Kings Road and transportation impact fees. The six laning of Palm Coast Parkway from Florida Park Drive to Cypress Point Parkway is scheduled for 2008 and the four laning of Old Kings Road north is scheduled for 2009. Other transportation related projects in the CIP include sidewalks and bike paths which are funded in the amount of \$2.1 million, traffic signals are funded in the amount of \$1.9 million, bridge and guardrail safety improvements are funded at \$2.7 million, and additional street lighting is funded in the amount of \$1.25 million. Of these amounts, \$2.95 million is allocated in FY 2006-07.

### **Public Safety**

The proposed budget includes the remaining funding needed to construct three fire stations. The stations will be on Farmsworth Drive, Colbert Lane, and Belle Terre Parkway south of Royal Palm Parkway. The station on Farmsworth Drive and the station on Belle Terre Parkway will increase the number of stations. The station on Colbert Lane will replace Station #2 currently located at Clubhouse Drive and Palm Coast Parkway. The Belle Terre station will include new administrative offices for the Fire Department. Funding for the three stations will come from the Fire Impact Fee Fund and the Capital Projects Fund. Three (3) firefighter/paramedic positions will be added in July 2007 to begin staffing for the new stations. Additional personnel will be added in FY 2007-08 to complete the staffing of the stations. It is expected that completion of

the stations will occur around the end of calendar year 2007. Station #6 is scheduled for construction in 2009 and Station #7 in 2011.

For the past four 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 ten (10) Deputies who are assigned full time to traffic enforcement issues within the City. Based on a continued perceived lack of adequate traffic enforcement by the citizens of Palm Coast, we are again proposing that the "Traffic Unit" be brought in house and become a direct unit of the City of Palm Coast. It is also proposed that two (2) additional officers be added to this unit bringing the total to twelve (12). A Senior Staff Assistant would also be added for clerical duties. The Law Enforcement Coordinator will oversee the "Traffic Unit" and serve as the contract administrator 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. 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 \$493,000. The annual operating cost will be approximately equivalent to the current fully loaded cost paid to the Flagler County Sheriff's Office.

### **Stormwater**

The third major initiative for this fiscal year is that of stormwater. This budget continues the swale rehabilitation program that was started this year. Fiscal year 2006-07 anticipates expenditures on swales at almost \$2.4 million. Over the entire five years of the CIP, expenditures on swales are expected to be \$14.3 million. This budget also includes \$390,000 for valley gutter improvements and \$678,900 for pipe replacement. In 2008 the rehabilitation of the Lehigh Canal is scheduled to take place at a cost \$1.8 million. The total cost of stormwater improvements over the next five years is planned at \$23.2 million. Loans from the State Revolving Fund will provide the cash needed to accomplish the program. Repayment will be made over twenty years using stormwater fees.

## **GENERAL FUND**

The General Fund budget for Fiscal Year 2006-2007 is proposed at \$33,129,296 and is approximately \$3.85 million or 13% above the amended 2005-2006 budget. This budget includes the establishment of the Palm Coast Traffic Unit which includes the addition of 2 traffic officers and start up costs of approximately \$493,000. In addition to the staffing of the "Traffic Unit" and the three firefighter/paramedic positions previously discussed, a firefighter/EMT position is being added to help handle the increased need for fire inspections as the commercial area begins to grow. The proposed budget includes three additional full-time positions for the Recreation and Parks Department and several part-time positions which will be utilized to increase the hours at Freida Zamba Pool and expand youth programs of the City. A Video Production Coordinator position is being added to the Information Technology and Communications Department to manage the operation of the Local Government Cable Channel. The Coordinator will be supplemented by utilizing interns from the local college for approximately twenty hours per week. Part of the operation cost of the channel will be paid for by providing services to other Flagler County cities and Flagler County. The need for a full-time attorney becomes more apparent each day as the amount paid under contract continues to grow.

This budget provides for an Assistant City Attorney that would be at City Hall on a daily basis. The current contract would be maintained to advise the City Council and Manager, attend Council and Planning and Land Development Review Board meetings, and meet any specialized needs and provide support to the Assistant City Attorney. However, the Assistant City Attorney would meet the day-to-day needs of city departments and determine when assistance is needed. It is anticipated the reduction in contract costs will more than offset the cost of the position. In addition to the position previously discussed, there are nine other positions being added to the general fund and spread throughout the departments. Three vacant positions in Building Permits and Inspections are being eliminated.

Increased revenues within the general fund include \$4.7 million resulting from the increase in ad valorem tax base and increasing the allocation to the general fund by .1 mills. By moving the revenue from state sales tax to the Capital Projects Fund and state revenue sharing to the Streets Improvement Fund there is a reduction of \$3.4 million.

It is anticipated that a fund balance of approximately \$9.41 million will be available at the end of this fiscal year on September 30, 2006. Of that amount approximately \$3.86 million is programmed within the general fund to cover non recurring capital expenditures and transfers. Approximately \$5.55 million will remain in unappropriated reserves or approximately 16.8% of the general fund budget. This falls within the range recommended by our external auditors of 5 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 \$27,127,421. This is an increase of approximately \$4.6 million from the adjusted estimated expenditures for the fiscal year ending September 30, 2006. 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 eleven personnel. These positions are spread across the entire utility and are needed to handle the increased workload brought on by the growth in the number of customers. Estimated fund balances for the Utility Operating Fund at September 30, 2006 are \$4.19 million. Approximately \$368,000 of this total is being appropriated in support of the 2007 fiscal year budget leaving an unappropriated fund balance of \$3.82 million or about 14.1% 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 \$64,198,669. This is an increase of approximately \$8.5 million from the fiscal year 2006 total. Major projects planned for FY 2007 are the construction of Water Treatment Plant #3, land acquisition for additional wells, and construction of reclaimed water lines. Other projects funded include continued improvements throughout the water distribution and wastewater collection systems, construction of sewage force mains and lift stations to serve the beachside service territory, improvements to the water plants and the wastewater plant, and initial design of Wastewater Treatment Plant #2.

For the five year CIP, total capital expenditures are estimated at \$147.9 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. Construction of the reclaimed water system will be funded through grants and the State Revolving Fund. Revenue bonds in the amount of \$37.0 million will be issued to fund the construction of Water Treatment Plant #2 and the wellfield.

## **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 Management Fund**

The stormwater management fund is proposed for fiscal year 2006-2007 at \$8,207,521. In addition to stormwater fees this fund receives revenue from driveway permits. This year a grant and revenue from the sale of fill dirt will fund a project at Dry Lake. Additionally, \$3.27 million of the stormwater master plan funded by State Revolving Fund loans is included within this budget. Three positions are being added to monitor construction projects and meet the clerical needs of the department.

### **Solid Waste Fund**

The contract for solid waste collection expires at the end of calendar year 2006. The City has an option of extending the contract for another five years. We are currently in the process of determining whether to recommend extending the contract or going to the bid process. This budget is proposed at \$4,572,100 or 30% higher than fiscal year 2006. A portion of this is related to growth, but the majority of the increase is in anticipation of higher costs under a new contract. We are aware of a city that recently received a 60% increase when they went through the bid process.

### **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. The budget for this fund is \$4,012,039 with \$2.3 million planned for the purchase of new and replacement of vehicles and heavy equipment.

## **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.

The City personnel policy requires a comprehensive pay study to be completed every three to five years. A study is currently underway and is close to completion. The study is designed to make sure that we are offering competitive salaries and wages so that we are able to keep positions filled and can provide needed services to our citizens. We have experienced difficulty in filling some positions.

Benefits have also been reviewed. Two areas have been identified for adjustment. These are the amount of the pension contribution and the carryover of vacation time. An analysis was done earlier this year to determine whether the City should participate in the Florida Retirement System (FRS). It was decided that it would not be in the best interest of the City to join the FRS. However, an increase in the pension contribution is needed to remain competitive. Management and general employees would receive a one percent increase bringing the contribution to ten percent and thirteen percent, respectively. Special risk employees would receive a 2.5% increase bringing the contribution to 17.5%. We are also in the process of developing a supplemental pension program for firefighters. A portion of the money from the insurance surcharge would help fund the program, as we did to fund the volunteer firefighters' pension plan. By expanding the program we will receive additional money from the State, based on fire department payroll. Both the pay plan adjustments and pension contribution increase can be covered in the coming year by vacancies within the larger departments. Small departments may need to draw from contingency if they do not experience any vacancies during the year. Currently the maximum amount of vacation time employees may carryover is the time earned during the previous twelve months. It is proposed that the carryover allowance be changed to a maximum of 320 hours. This change in the amount allowed for vacation carryover will not impact the budget since these days are already accounted for. 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 2006-07 is proposed at \$120.2 million. This represents 62% of the total proposed budget of \$193.7 million. For the five years through FY 2010-11 total Capital Improvements are projected at approximately \$380.6 million.

## **Capital Projects Fund**

The Capital Projects Fund is proposed at \$9,450,000 for FY 2006-07. This figure includes construction of a new fire station to replace Station #2 and a portion of the cost of the new main fire station. Also included are funds for street lights, parkway beautification, design of a senior/community center, park renovations, bridge rehabilitation, sidewalks and bikepaths.

## **Impact Fee Funds**

The Park Impact Fee fund is budgeted at \$4,394,000 for FY 2006-07. This figure includes construction of Lehigh Woods Park and the Graham Swamp Trail. There are also funds for the purchase of land for a new community park.

The Fire Impact Fee fund is budgeted at \$965,000. These funds will be combined with prior funding and funds in the Capital Projects Fund to construct the new main station at Royal Palm Parkway and a station on Farmsworth Drive.

The Transportation Impact Fee fund is budgeted at \$38,250,000 for FY 2006-07. This fund includes money for the construction of the Belle Terre four lane project, the four laning of Old Kings Road south and the Palm Harbor Parkway extension. There are also funds for additional traffic signals and improvements on Pine Lakes Parkway at Palm Coast Parkway. The five year Transportation Impact Fee fund totals \$77.2 million and includes construction of the three major projects identified above as well as the six laning of Palm Coast Parkway and the four laning of the northern portion of Old Kings Road. Eighty-three percent of the total funding from transportation impact fees is expected to be spent over the next two years.

The Streets Improvement program is budgeted at \$6,825,000 for FY 2006-07 and \$29.56 million for the five years ending in FY 2011. 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 Royal Palm Parkway, bridge and guardrail safety improvements, and turn lanes.

## **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 \$193.7 million for FY 2006-2007. In addition to the Capital Improvement Program, capital expenditures in the operating funds bring the total capital expenditures for the year to \$124.2 million or 64% of the total budget. The balance, or \$69.5 million represents ongoing City operations. I believe this budget addresses the priorities established by the City Council of the City of Palm Coast in its five year strategic plan and is a major commitment to meeting the needs of the citizens of Palm Coast as this City continues to address the service and facility demands created by a growing population as well as completing the “catch-up” of long under-maintained



infrastructure.

Palm Coast has moved from a new city to a city that will begin to experience growth cycles. We are experiencing a slow down in residential growth, but at the same time are seeing an increase in commercial activity. As the commercial growth provides new jobs and opportunities for shopping and leisure activities, residential growth is likely to increase again. While it may not be at the same pace that we have experienced in the past, these citizens will want and need the services that the City provides and will continue to provide in the future. The City of Palm Coast must always plan ahead to meet those needs. 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, citizens, and 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.

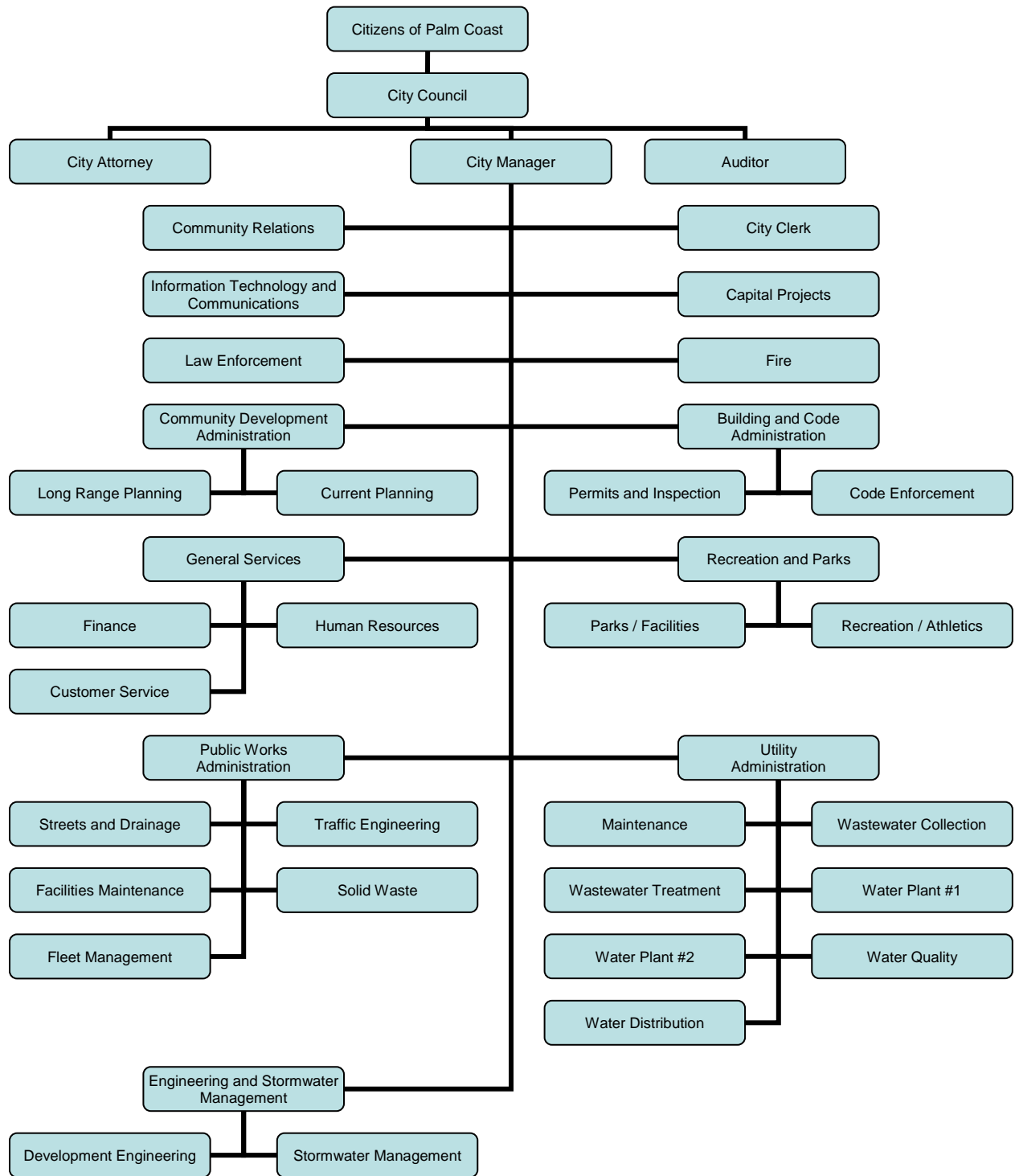
Respectfully submitted,

Richard M. Kelton  
City Manager

## **ADDENDUM**

Several changes were made as the result of workshops, public hearings, and events that occurred after the original transmittal dated July 18, 2006. The decision was made to continue to contract with the Flagler County Sheriff for traffic enforcement until a report has been prepared by the Law Enforcement Coordinator. The two additional officers anticipated for the traffic unit will be placed on hold pending the report. A Tennis Pro position was added to Recreation & Parks in preparation of the opening of a tennis facility in 2007. One part-time Code Enforcement Inspector was added to Building & Code Administration to cover weekends and two positions were removed from Information Technology & Communications. There was an addition of \$50,000 to the IT & C budget for equipment to begin operation of a government access channel on the local cable system. These changes resulted in a net increase in the General Fund budget of \$61,828. The revised General Fund budget is \$33,191,124.

# ORGANIZATIONAL CHART





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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, 2005. 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 is the third consecutive year that the City of Palm Coast has received this award.

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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