

# **INTRODUCTION**



## CITY MANAGER

September 1, 2009

Honorable Mayor Jon Netts  
and Members of the City Council  
City of Palm Coast  
160 Cypress Point Parkway, Suite B-106  
Palm Coast, FL 32164

Dear Mayor Netts 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, 2009 and the Five Year Capital Improvements Program for the City beginning on October 1<sup>st</sup> and extending through September 30, 2014.

## **INTRODUCTION**

Fiscal year 2010 will be another challenging year from a budget and operations standpoint. Taxable property values have continued to drop following decreases in 2008 and 2009. The loss of revenue from those declines was offset by eliminating vacant positions and going through a reorganization to better utilize existing staff.

In 2010, seven more vacant positions were eliminated and operating budgets were reviewed to be sure that the City was providing services as efficiently as possible while maintaining current service levels. These reductions were not sufficient to balance the General Fund therefore the proposed budget for fiscal year 2010 contains a recommended millage rate increase that will generate about the same amount of revenue for the General Fund. Some money was also taken from reserves to avoid any decreases in services.

## **PLANNING AND GOALS**

The City Council met in May to update the strategic plan and goals for the five year plan. There were no significant changes to the plan for the coming year. The plan was used by the staff to develop and refine the budget that is being presented to the City Council. Sustainability, economic development, environmental concerns, financial stability, public safety, and quality of life continue to be major concerns for the City Council.

This budget addresses most of the City Council priorities. Gateway and city-wide signage was one priority that was not included in the budget due to budget constraints. Money is included to continue the development of a long-term water supply plan. Economic development continues to be a top priority given the high unemployment rate in Flagler County. Funding is being maintained at approximately the same level as prior years so the City can promote and take advantage of desired economic development. While economic development is needed, environmental considerations are an important factor in that development. The City has received several environmental awards and designations over the past year and will continue to be pursued. This budget still includes money for trails and bike paths to encourage more walking and cycling and less driving. Money has been included in the SR100 CRA Fund to purchase right-of-way and prepare the design of Bulldog Drive, which will be one of the main entrances into Town Center.

## **TAX RATES**

Declining market values contributed to an overall decrease in taxable property value of 15.9%. New construction added a little over 2% to the taxable value, so the City had a 13.8% net reduction in taxable property value for the year. The millage rate is being increase to 3.5000 mills for 2009-2010. This is still a decrease of almost 2% from the rolled-back rate. The allocation between operating and capital is being adjusted. The General Fund will receive 2.9800 mills which is an increase of almost 0.37 mills. The Capital Projects Fund will receive 0.52 mills or an increase of 0.17 mills.

## **GENERAL FUND**

The General Fund budget for Fiscal Year 2009-2010 is proposed at \$30,603,708 and is approximately \$1.8 million or 6% less than the estimated expenditures for 2008-2009. Most departments in the General Fund maintained their expenditures levels at the current year levels. The Information Technology & Communications Department was converted to an enterprise fund which accounted for most of the decrease in the General Fund budget. There was a decrease of eight positions due to elimination of vacant positions. Two of the positions were in Building Permits & Inspections and two were in Recreation.

The City's Fund Balance Policy allows any balance above twenty percent to be used for operations. Since the fund balance is expected to be above twenty percent at the end of 2009, approximately \$1.3 million is being appropriated from fund balance to meet the operational needs in the General Fund. This amount will not be available for operations in 2011.

## **UTILITY FUND - OPERATING**

The total Utility Operating Fund budget is proposed at \$32,090,445. This is an increase of approximately \$475,000 from the estimated expenditures for the fiscal year ending September 30, 2009. Almost all of the increase is in operating costs related to additional water production and wastewater treatment. Water and wastewater charges are indexed to the June Consumer Price Index and as a result will decrease by 1.4% in fiscal year 2010. Reserves will be used to offset the revenue shortfall in the Utility Fund and rates are expected to increase in 2011. The estimated fund balance for the Utility Fund on September 30, 2009 is \$10.1 million.

## **UTILITY FUND CAPITAL PROJECTS**

The Utility Capital Projects Fund is proposed at \$13,988,000. Major projects planned for FY 2009 are the expansion of the wellfield, additional lift stations and pump stations, improvements to Wastewater Treatment Plant #1, and continuation of work on the long-term water supply plan. Other projects include the construction of reclaimed water lines, improvements at Water Plant #1 and Water Plant #2, and continued improvements throughout the water distribution and wastewater collection systems.

For the five year CIP, total capital expenditures are estimated at \$92.7 million. The Utility Capital Improvement program is funded 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.

## **OTHER MAJOR OPERATING FUNDS**

Although the General Fund and Utility Fund represent the largest portions of the City's operating budget, there are six additional operating funds which are significant in their totals. A new fund, Information Technology & Communications Fund has been added this year for include internal operations related to information technology and communications and for external operations of the City's fiber optic network which will be market for private use in 2010.

### **Stormwater Management Fund**

The Stormwater Management Fund is proposed for fiscal year 2009-2010 at \$10,247,400. In addition to stormwater fees, this fund receives revenue from driveway permits. This budget also includes \$4.5 million in debt proceeds to provide resources for the capital improvement program. Capital projects include swale rehabilitation, pipe replacements, and control structure rehabilitation.

### **Solid Waste Fund**

This will be the fourth year of the City's contract with Waste Pro for solid waste collection. Prices have not change much over the life of the contract because of a relatively flat Consumer Price Index. The fiscal year 2010 budget is proposed at \$7,658,400 or 7% higher than fiscal year 2009 projected costs. This service is funded by the solid waste charges on the City utility bills.

### **Golf Course Fund**

The Golf Course Fund is being established to track the operations of the Palm Harbor Golf Course, which was contributed to the City. The course renovations are nearly complete and the course is expected to open near in early November 2009. The budget in FY2010 includes the remaining construction cost, start up cost, and the first year's operations. The total budget is almost \$2.9 million with approximately \$1.7 million of that being for operations. The City has hired Kemper Golf to manage the course.

### **Tennis Center Fund**

This will be the second full year of operations for the tennis center. Revenues and expenditures have been about as expected. Two part-time positions have been added to the Tennis Center for 2010. This supplemental transfer from the General Fund is being increased by \$25,000 to cover the additional cost, if needed. Revenues come from court rentals and tennis lessons. The budget for FY2010 is proposed at \$286,719. The supplement has been anticipated for at least the first few years of operation.

### **Information Technology & Communications Fund**

Information Technology & Communications (IT&C) is being transferred from the General Fund into its own enterprise fund. The City has installed a fiber optic network along the main thoroughfares throughout the city. IT&C will begin marketing the capacity of the network to service providers which will create revenue for the City. This revenue will be used to operate and expand the system and it is anticipated that eventually a surplus will be generated. This surplus will be used to pay back the City for the initial installation cost and to offset city-wide technology costs. This fund will also receive revenue from the leasing of communication towers that are located on City property.

### **Internal Service Fund – Fleet Management**

Management of the 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 vehicle leases, 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 is purchased through this fund and maintenance of all rolling stock, with the exception of fire apparatus is maintained through this fund. The budget for this fund is \$5,864,400 with \$3,114,200 million planned for the purchase of new and replacement of vehicles and heavy equipment, including three fire trucks. Also included is \$875,000 to complete the upgrade of the in-ground fuel storage tanks. This must be completed by the end of calendar year 2009.

## **PERSONNEL MATTERS**

This budget contains a net reduction of seven full-time equivalent positions. All of these positions were vacant and we still have not had to do any layoffs. There were numerous transfers of positions and splitting of duties between departments to place people where they were needed without replacing personnel that had left the City. This has been the method of operation for the past couple of years and will continue in the future.

The average merit percentage was reduced from 4% to 2% in FY2009 and will remain that way for 2010. It is anticipated that this will revert back to 4% once the economy improves. The market rate adjustment had been set at 50% of the June Consumer Price Index (CPI) instead of 100% for FY2009 and it was anticipated that the same methodology would be used for 2010. However, the June 2009 CPI was negative 1.4%. It was decided to net the 2008 CPI (5.0%) with the 2009 CPI (-1.4%). Over the two year period the net change was 3.6%. The pay plan was adjusted 2.5% effective in January 2009, so it is being recommended that the pay plan be adjusted by 1.1% in January 2010. Again, this is expected to return to the 100% of CPI once the economic situation recovers. 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 successfully meet 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 2008-09 is proposed at \$109.8 million. This represents 53% of the total proposed budget of \$209 million. For the five years through FY 2013-14, total Capital Improvements are projected at approximately \$271.8 million.

### **Capital Projects Fund**

The Capital Projects Fund is proposed at \$11,587,020 for FY 2009-10. This figure includes \$10.5 million for capital projects with the remainder being transfers to other funds. The capital projects include the relocation of fire station #22, the purchase of land for an industrial park, rehabilitation of a bridge, and additional sidewalks and bike paths in various locations throughout the city. Also included are funds for parkway beautification, fiber optics, park renovations, and 800 MHz system improvements.

## **Streets Improvement Fund**

The Streets Improvement program is budgeted at \$10,407,900 for FY 2009-10 and \$34.1 million for the five years ending in FY 2014. This fund includes receipts from the ½ cent local option sales tax as well as the six cent local option gas tax distribution and state revenue sharing money, 30% of which comes from gas taxes. It is utilized to fund the resurfacing of 50 miles of City streets each year as well as additional capital projects such as improvements to Royal Palms Parkway, the four-laning of Belle Terre Parkway, intersection improvements, traffic signals, and guard rail safety improvements. Beginning in 2009, the revenue from red light camera fines went into this fund and is being used for signage upgrades and pavement marking.

## **Impact Fee Funds**

The Park Impact Fee fund is budgeted at \$2,500,000 for FY 2009-10. This figure includes the construction of Waterfront Park and the Graham Swamp Trail.

The Fire Impact Fee fund is budgeted at \$117,300. No projects are planned for 2010 from this fund and this money is being set aside for future fire stations.

The Transportation Impact Fee fund is budgeted at \$14,100,000 for FY 2009-10. This fund includes money for the construction of the Belle Terre four-lane project and design money for the Palm Harbor Parkway extension, Old Kings Road extension, Palm Coast Parkway six-laning, and the four-laning of Old Kings Road North. The four-laning project of Old Kings Road South from Palm Coast Parkway to State Road 100 has been moved to the Old Kings Road Special Assessment Fund and is budgeted at \$50,000,000.

## **CONCLUSION**

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 finance ongoing operating and capital needs.

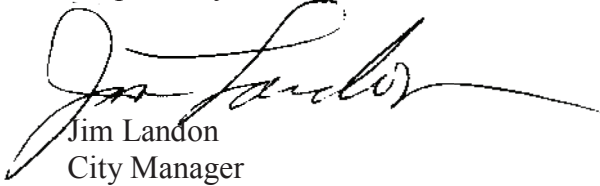
This budget presentation proposes revenues and expenditures totaling approximately \$209.0 million for FY 2009-2010. In addition to the Capital Improvement Program, capital expenditures in the operating funds bring the total capital expenditures for the year to \$110.9 million or 53% of the total budget. The balance, or \$98.1 million, represents ongoing City operations. I believe this budget addresses the priorities established by the Palm Coast City Council in its five-year strategic plan and is a major commitment to meeting the needs of the citizens.

Because of legislated reductions in taxable property values and the declining values brought on by economic conditions, our operating budgets have remained relatively flat for the past three years. Other tax revenues have also been affected such as sales and fuel taxes. In spite of these limitations we have been able to maintain the service levels at or close to the levels that the citizens of Palm Coast have come to expect. While residential development may take several years to completely turn around, commercial development is continuing to occur and though it is slow it may pick up faster than the residential development. Economic development is a high priority for both the City Council and staff. We will be monitoring market and economic

conditions and making the necessary adjustments to meet the needs of our citizens now and into the future while looking for ways to hold the line on costs. Our task is to plan ahead to meet the needs of our citizens as effectively and efficiently as possible, given the resources available. I strongly believe this budget meets this goal and that its adoption and execution will enhance the level of service for all citizens of Palm Coast.

I would like to conclude this budget message by thanking the Executive Team and their staffs for working throughout the year to provide quality service to our citizens, as well as for their efforts to prepare this budget. In particular I wish to express my appreciation to the Finance Director and his staff for their special efforts in the compilation of this document.

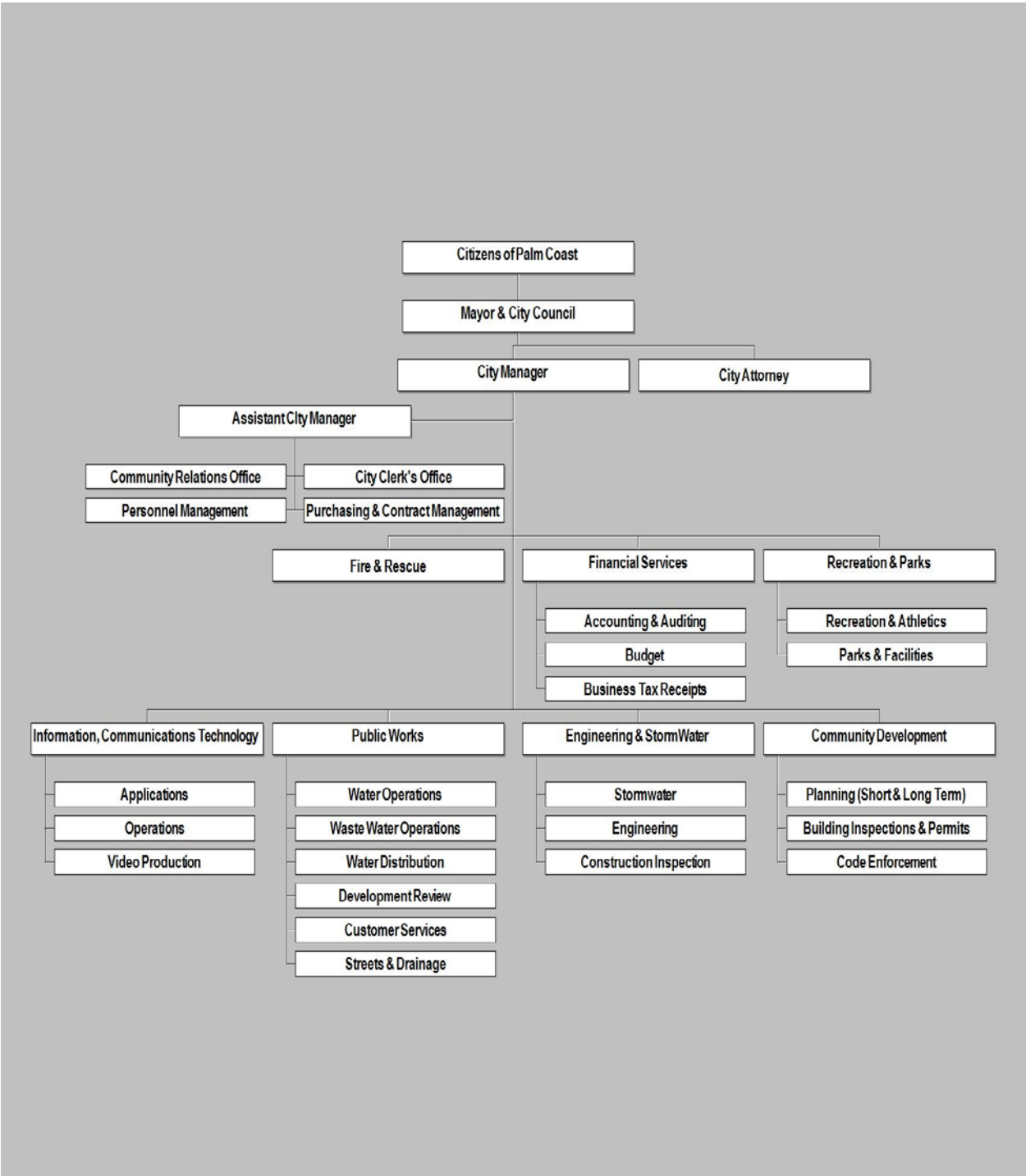
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Landon", with a long, sweeping horizontal line extending to the right.

Jim Landon  
City Manager



# ORGANIZATIONAL CHART





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Palm Coast  
Florida**

For the Fiscal Year Beginning

**October 1, 2008**

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, 2008. 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 fifth 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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