



City of Palm Coast, Florida



Annual Budget Report Fiscal Year 2010-2011



CITY OFFICIALS

ELECTED OFFICIALS



**Jon Netts
Mayor**



**Holsey Moorman (Vice-Mayor)
District 1**



**Frank Meeker
District 2**



**Mary DiStefano
District 3**



**Bill Lewis
District 4**

CITY OFFICIALS

APPOINTED OFFICIALS

City Manager	Jim Landon
City Attorney	William E. Reischmann, Jr.
City Clerk	Virginia Smith
Finance Director	Ray W. Britt, Jr.
Information Technology & Communications Director	James Majcen
Community Development Director	Nestor Abreu
Fire Chief	Michael C. Beadle
Public Works / Utility Director	Richard H. Adams
Engineering & Stormwater Director	John C. Moden
Recreation and Parks Director	

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INTRODUCTION



CITY MANAGER

September 1, 2010

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, 2010 and the Five Year Capital Improvements Program for the City beginning on October 1st and extending through September 30, 2015.

INTRODUCTION

As with most other jurisdictions around Florida and the country, the economic downturn continues to impact the City of Palm Coast. Another year of declining property values and revenue has meant that tougher steps are required to balance the budget for fiscal year 2011. While several vacant positions were eliminated in fiscal year 2010 to create savings, an early retirement package was offered to employees during late 2010. When this option did not reduce the staffing level sufficiently, it became necessary to do layoffs. The layoffs resulted in job losses for about a dozen people.

The City has been very successful in obtaining grants for numerous projects and anticipates receiving more grants in fiscal year 2011. Many of these grants were for trails and bike paths, but the City also received grant money for a Neighborhood Stabilization Program. This program will continue for several years. We are always looking for other funding sources to supplement local dollars whenever possible.

PLANNING AND GOALS

The City Council met in May to update the strategic plan and goals for the five year plan. There were no changes to the vision or the five year goals. There were some changes to the priorities set by the City Council. These priorities have been 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. 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 but a plan is being developed to better focus the economic development efforts. Stormwater management is another area that received a great deal of attention in this budget. However, by doing some reorganization and doing more of the work using City crews, we believe that the City can provide as good as or better service at a lower cost. Grants are being pursued to provide additional signage at the City gateways; however, no City money was budgeted for this priority. Money is included to continue the development of a long-term water supply plan and there is a combination of grants and City dollars for trails and bike paths to encourage more walking and cycling and less driving. Money also remains in the SR100 CRA Fund to complete the right-of-way purchase and prepare the design of Bulldog Drive, which will be one of the main entrances into Town Center.

TAX RATES

Declining market values again contributed to an overall decrease in taxable property value of 16.2%. New construction added a little over 1% to the taxable value, so the City had a 14.9% net reduction in taxable property value for the year. The millage rate is being maintained at 3.5000 mills for 2010-2011. This is a decrease of over 16% from the rolled-back rate. In past years a portion of the millage rate was allocated to the Capital Projects Fund to pay for capital projects. For 2011, the entire 3.5000 mills of ad valorem tax is being allocated to the General Fund and no tax money is going to the Capital Projects Fund, a decrease of 0.52 mills.

GENERAL FUND

The General Fund budget for Fiscal Year 2010-2011 is proposed at \$26,396,689 and is approximately \$7.2 million or 21% less than the estimated expenditures for 2009-2010. Most departments in the General Fund have reduced their budget requests for FY2011. The Building Permits & Inspections Department was converted to an enterprise fund during FY2010 which accounted for much of the decrease in the General Fund budget. However, there was a decrease of over twenty-seven full-time equivalent positions across the General Fund. Most of the positions were in Engineering, but every department had at least one position eliminated.

UTILITY FUND - OPERATING

The total Utility Operating Fund budget is proposed at \$31,345,250. This is an increase of approximately \$500,000 from the estimated expenditures for the fiscal year ending September 30, 2010. 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 increase by 1.1% in fiscal year 2011. Some reserves are being used to cover capital costs and contingencies. The estimated fund balance for the Utility Fund on September 30, 2010 is \$6.8 million.

UTILITY FUND CAPITAL PROJECTS

The Utility Capital Projects Fund is proposed at \$23,576,000. Major projects planned for FY 2010 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 improvements at 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 \$82.7 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, Building Permits & Inspections Fund has been added this year for track the revenues and costs associated with building services.

Solid Waste Fund

This will be the fifth 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 2011 budget is proposed at \$7,745,800 or less than 1% higher than fiscal year 2010 projected costs. This service is funded by the solid waste charges on the City utility bills.

Stormwater Management Fund

The Stormwater Management Fund is proposed for fiscal year 2010-2011 at \$7,378,200. In addition to stormwater fees, this fund receives revenue from driveway permits. This budget also includes \$2.1 million in debt proceeds to provide resources for the capital improvement program. Capital projects include swale rehabilitation, pipe replacements, and control structure rehabilitation.

Building Permits & Inspections Fund

This fund was created during fiscal year 2010 to better track the revenues and expenses related to building activities. The Building Permits & Inspections Division was previously budgeted in the General Fund. The budget for FY2011 is estimated at \$1,512,072 and is funded primarily by permit fees.

Golf Course Fund

The Golf Course Fund was being established to track the operations of the Palm Harbor Golf Course, which was contributed to the City. The course renovations were completed and the course opened in early November 2009. The budget for FY2011, the first full year of operation, is \$1,492,200. Kemper Sports manages the course for the City.

Tennis Center Fund

The tennis center has been in operation for about three years and has been supplemented by the General Fund each year to cover expenses. In an effort to move the tennis center toward self sufficiency, the City will be contracting with a management company to operate the center with the goal of expanding programs and usage in order to generate more revenue. Revenues come primarily from court rentals and tennis lessons. The budget for FY2011 is proposed at \$304,208. The General Fund supplement is being included again, but it is hoped that it can be reduced in the near future.

Information Technology & Communications Fund

Information Technology & Communications (IT&C) is responsible for all internal technology and communications functions. They have begun marketing the City's fiber optic network and have already signed agreements with several customers. The revenue being generated will be used to operate and expand the system and it is anticipated that any surplus will be used to pay back the City for the initial installation cost and to offset city-wide technology costs. IT&C also manages the leases for communication towers that are located on City property and receives the revenue from those leases.

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 \$3,673,297 with \$786,870 planned for the purchase of new and replacement of vehicles and heavy equipment.

PERSONNEL MATTERS

This budget contains a net reduction of over thirty-two full-time equivalent positions. Of these about twelve people were laid off. There were also transfers of positions and splitting of duties between departments to place people where they were needed. The shifting of positions and duties has been the method of operation for the past couple of years and will likely continue in the future.

There was no merit increases included in the budget for FY2011. The pay plan will be adjusted 1.1% effective in January 2011. However, only employees that make less than the average wage in Flagler County will actually receive an increase in pay. 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.

A major focus over the past year has been health care costs which the City provides for the employees and that the employees can purchase for their dependents. Because these costs have been increasing significantly for several years, finding better ways to control these costs is very important. After extensive research and discussion, the City has decided to self-insure beginning in July 2010. In conjunction with the self-insurance, a clinic will be provided for the employees at no cost to the employee or their dependents that are covered under the City's insurance. The clinic will begin operating in January 2011. The service will be provided under contract by a local clinic that already has a presence in Palm Coast.

CAPITAL IMPROVEMENTS

The Capital Improvement Program for the City of Palm Coast for FY 2010-11 is proposed at \$94.8 million. This represents 50% of the total proposed budget of \$188.5 million. For the five years through FY 2014-15, total Capital Improvements are projected at approximately \$224.6 million.

Capital Projects Fund

The Capital Projects Fund is proposed at \$8,983,500 for FY 2010-11. The capital projects include sidewalks and bike paths in various locations throughout the city. Also included are funds for parkway beautification, park renovations, design of a city hall, replacement of a bridge, and 800 MHz system improvements.

Streets Improvement Fund

The Streets Improvement program is budgeted at \$6,463,900 for FY 2010-11 and \$21.3 million for the five years ending in FY 2015. 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 North Pine Lakes Parkway and guard rail safety improvements. Beginning in 2009, the revenue from red light camera citations went into this fund and are being used for and pavement marking.

Impact Fee Funds

The Park Impact Fee fund is budgeted at \$366,900 for FY 2010-11. This figure includes \$12,000 for the completion of construction of the Graham Swamp Trail. The remainder is being reserved for future projects.

The Fire Impact Fee fund is budgeted at \$76,300. No projects are planned for 2011 from this fund and this money is being set aside for future fire stations.

The Transportation Impact Fee fund is budgeted at \$6,804,100 for FY 2010-11. This fund includes money for the completion of the Belle Terre four-laning 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.

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.

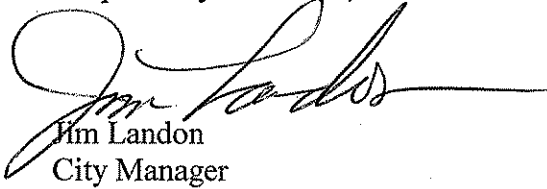
This budget presentation proposes revenues and expenditures totaling approximately \$188.5 million for FY 2010-2011. In addition to the Capital Improvement Program, capital expenditures in the operating funds bring the total capital expenditures for the year to \$95.6 million or 51% of the total budget. The balance, or \$92.9 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, which have remained relatively flat for the past three years, are decreasing about \$1.3 million for 2011. 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.

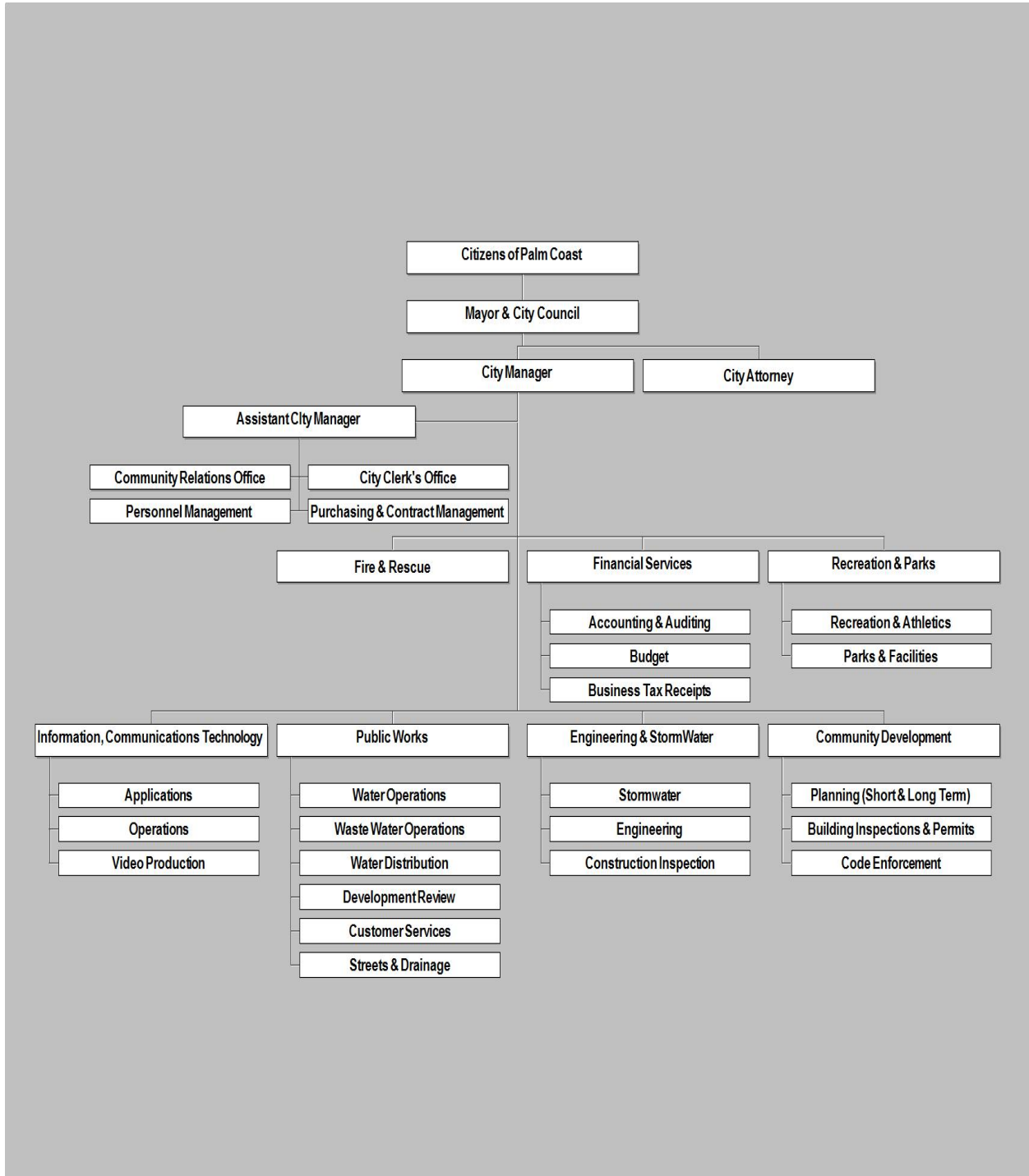
I would like to conclude this budget message by thanking the Executive Team and their staffs for working throughout the year to provide quality service to our citizens, as well as for their efforts to prepare this budget. In particular I wish to express my appreciation to the Finance Director and his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

Respectfully submitted,



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, 2009

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, 2009. 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 seventh 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.