



# BUDGET OVERVIEW

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# *Budget Process*

## **METHODOLGY**

The preparation and adoption of the Annual Budget is one of the most important actions carried out by the City Council, citizens and staff of Palm Coast. To achieve the best results in the planning and delivery of community services, key financial decisions must be made. The budget process provides a forum to accumulate financial and performance information concerning local services into a common format; analyze and debate the merits of each service; and make decisions about the level and cost of service which will be provided. The budget is designed to provide the citizens of Palm Coast with the full complement of municipal services. This budget aims at providing the highest quality municipal service to the community in an efficient and effective manner.

## **REVIEW**

Early in the budget process, each department outlines functions and goals to accomplish in the coming fiscal year. They then prepare a detailed estimate of monies and personnel required to provide these services. These requests are reviewed by the City Manager and the Finance Director. Upon completion of this review and matching with the projected revenues available, a balanced budget, where revenues equal to expenditures, is compiled by the Finance Department. During the month of July of each year, the City Manager submits the proposed budget to the City Council. The City Council reviews the proposed budget and conducts public workshops to obtain preliminary direction as to the probable approval levels of the budget.

## **ADOPTION**

During the month of September, in accordance with the timing specified in State Law (F.S. 200.065), two public hearings are held. The time of the first hearing is advertised on the "Notice of Proposed Property Taxes" sent to property owners and by the usual procedure for advertising a public hearing. The first meeting is to tentatively adopt the budget and millage rate. For the second hearing, in addition to normal advertising procedure, a general summary of the proposed budget is advertised in the newspaper along with a date for the statutory public hearing to adopt the budget and millage rate. The City's fiscal year is October 1 through September 30.

## **PUBLIC PARTICIPATION**

The public is invited and encouraged to attend and participate in all work sessions and public hearings.

## **BUDGETARY BASIS**

Governmental funds are budgeted using the modified accrual basis of accounting. Revenues are recognized when they become available and measurable. An example would be sales tax or state revenue sharing that is measurable but may not be received until after the end of the fiscal year. Expenditures are recognized when the liability has occurred and is measurable. This would be charges for work that has been completed and invoiced but not paid at year-end. Estimated expenditures for capital outlay and debt service payments are budgeted in all funds; however, the actual expenditure for capital and principal on debt is applied to balance sheet accounts and is not expensed in the proprietary funds. Depreciation is not budgeted in any fund but is recorded in proprietary funds. Revenue in the proprietary funds is recognized when due and expenses when they are incurred.

# *Budget Preparation Timeline*

## **February**

- ◆ Fiscal year 2012 Audit Report and final operating results submitted to City Council

## **March – June**

- ◆ Presentation of National Citizen's Survey results to City Council
- ◆ Infrastructure Capital Improvement Program (CIP) 10 year project schedule and funding report submitted to City Council
- ◆ Individual budgets prepared by departments and reviewed with Finance and City Manager
- ◆ 2012 Annual Progress Report delivered to City Council
- ◆ Current fiscal year budget to date presentation to City Council
- ◆ Budget Primer presentation to City Council

## **July**

- ◆ Property Tax Overview presentation to City Council
- ◆ Preliminary General Fund budget workshop
- ◆ Maximum Millage Rate presentation to Council

## **August**

- ◆ Strategic Action Plan revised
- ◆ TRIM notices issued by Flagler County
- ◆ Proprietary, Internal Services, Special Revenue and Capital Projects funds budget workshop
- ◆ Final Budget presentation to City Council

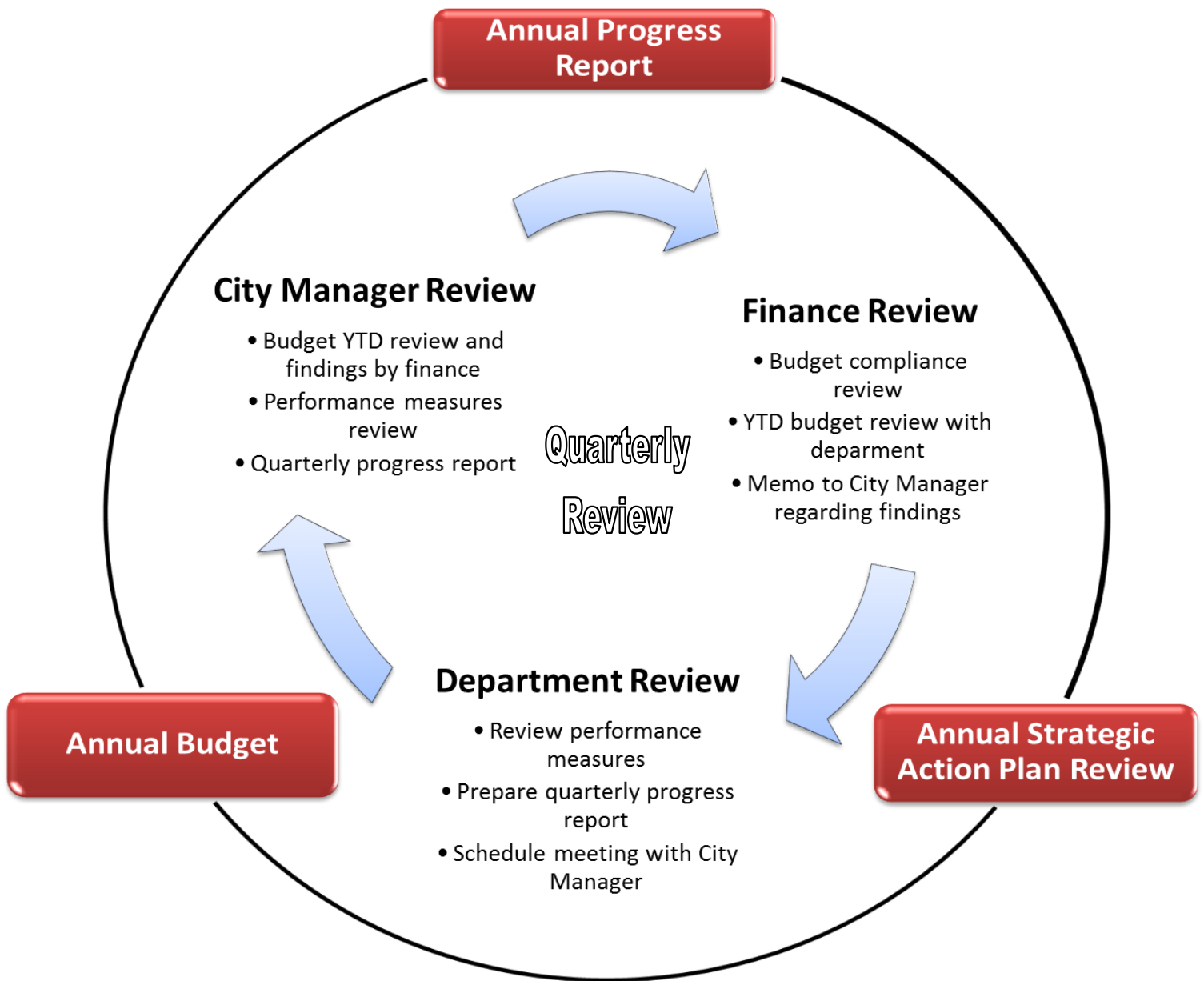
## **September**

- ◆ Public hearings to adopt tentative and final budget and millage rate

# Budget Calendar

<b>February</b>	Citizen Survey results presented to City Council
<b>April 8-21st</b>	Budget Refresher for Staff Assistants and Office Managers
<b>April 22</b>	Budget process initiated by Finance Department
<b>April 22</b>	Budget system opened for Department line-item entries
<b>May 6</b>	Departments submit requests for technology , additional programs, personnel and fleet to Finance for FY 2013
<b>May 6</b>	FY 2013 revenue estimates prepared by Finance
<b>May 24</b>	Budget system closed for Department line-item entries
<b>May 28-June 7</b>	Finance reviews budget requests and Capital Improvement Program (CIP) with department heads.
<b>June 10</b>	Finance submits the preliminary budget to the City Manager and department heads.
<b>June 11-30</b>	City Manager meets with department heads to discuss departmental needs and requests, including the CIP
<b>July 9</b>	Budget workshop – General Fund
<b>July 16</b>	Establish proposed Millage Rate (TRIM Rate)
<b>August 13</b>	Budget workshop – Proprietary Funds, Special Revenue and Capital Funds
<b>August 16</b>	Property Appraiser distributes “Trim Notices” with date and time of first Public Hearing on Millage Rate.
<b>August 27</b>	Budget workshop – Final proposed budget presentation
<b>September 4th (Wed. 5:05pm)</b>	Public Hearing to tentatively adopt Millage Rate and Budget <i>Final adoption must be advertised within 15 days</i>
<b>September 14</b>	Place meeting notice and budget summary advertisements <i>Public hearing must be no less than 2 days or more than 2 days after advertisement or more than 20 days after first hearing</i>
<b>September 18 (Wed. 5:05pm)</b>	Public Hearing to adopt final Millage Rate Resolution and Budget Resolution
<b>September 20</b>	Forward a copy of the Millage Rate Resolution to the Property Appraiser and the Tax Collector <i>Must be done within 30 days of final adoption</i>
<b>by October 17</b>	Certificate of Conformance sent to State

# Budget Cycle



This year staff implemented a new quarterly review process. During these reviews, department heads met with Finance as well as the City Manager to review budgetary compliance, the potential for future budgetary issues and the status of performance measures. This quarterly process has proven beneficial and has provided the building blocks needed for the annual process which includes the annual budget, the yearly strategic action plan review and the annual progress report.

# *Budget Amendment Process*

## **SUPPLEMENTAL APPROPRIATION AMENDMENTS AFTER ADOPTION**

If, during the fiscal year, the City Manager certifies that there are available for appropriation, revenues in excess of those estimated in the budget, the City Council by resolution may make supplemental appropriations for the year up to the amount of such excess.

## **EMERGENCY APPROPRIATIONS**

To meet a public emergency affecting, life, health, property, or the public peace, the City Council may make emergency appropriations. Such appropriations may be made by emergency ordinance to the extent that there are no available un-appropriated revenues to meet such appropriations.

## **REDUCTION OF APPROPRIATIONS**

If, at any time during the fiscal year, it appears probable to the City Manager that the revenues available will be insufficient to meet the amount appropriated, he shall report to the City Council without delay, indicating the estimated amount of the deficit, any remedial action taken by him, and his recommendations as to any other steps to be taken. The City Council shall then take such further action as it deems necessary to prevent or minimize any deficit and for that purpose it may by resolution reduce one or more appropriations.

## **TRANSFER OF APPROPRIATIONS**

At any time during the fiscal year the City Manager or his designee may transfer part or all of any unencumbered appropriation balance among programs within a department. The City Council may by resolution transfer part or all of any unencumbered appropriation balance from one department to another.

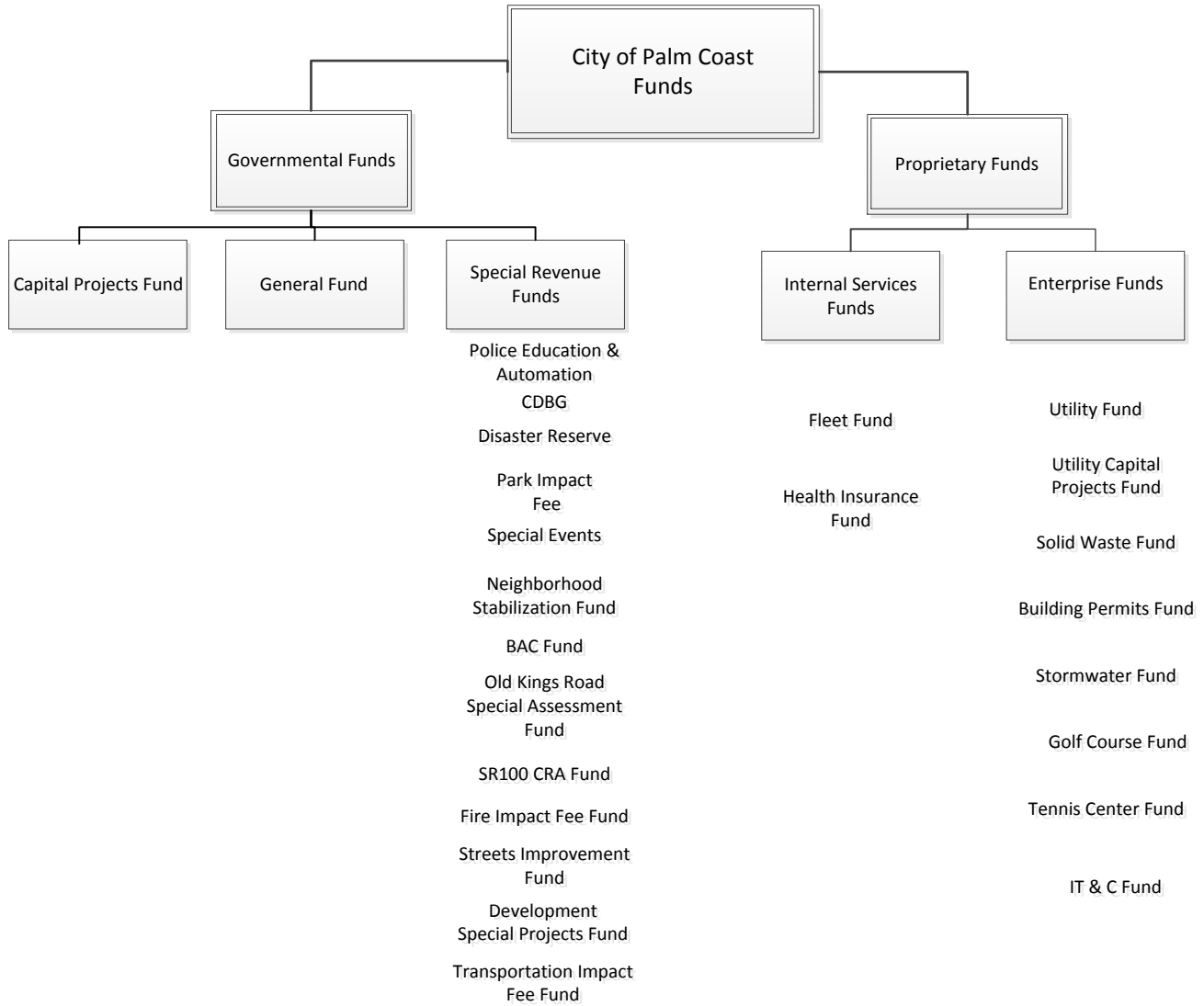
## **LIMITATIONS; EFFECTIVE DATE**

No appropriation may be reduced below that amount required by law to be appropriated, if any. No appropriation may be reduced below the amount of the encumbered balance. The supplemental and emergency appropriations and reduction or transfer of appropriations authorized may be made effective immediately upon adoption.

## **LAPSE OF AN APPROPRIATION**

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

# Fund Types





# Fund Descriptions

The City of Palm Coast utilizes a fund structure as outlined in the accounting regulations that govern units of local government. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are divided into various types according to the legal restrictions imposed upon them or by their uses. Following is the fund structure contained in the fiscal year 2013 budget for the City of Palm Coast

## GOVERNMENTAL FUNDS

Accounted for on a “spending” or “financial flow” measurement focus. Accordingly, the budgeted fund balances provide an indicator of available spendable, or appropriate resources.

1. General Fund The general fund of a government unit serves as the primary reporting vehicle for current government operations. The general fund is used to account for all current financial resources, with the exception of those required to be accounted for in another fund.
2. Special Revenue Funds The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. These include impact fee funds, grant funds, a community redevelopment fund, and various capital project funds.

## PROPRIETARY FUNDS

Proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. Accordingly, all assets and liabilities are included on their balance sheets and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary fund types report increases and decreases in total economic net worth.

1. Enterprise Funds The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The Utility Fund and the Utility Capital Projects Fund were established in conjunction with the utility purchase. Other funds include Solid Waste, Stormwater Management, Golf Course, Tennis Center, Building Permits & Inspections, and Information Technology & Communications.
2. Internal Service Funds The internal service funds account for financing goods or services provided by one department to other City departments or to other governments on a cost-reimbursement basis. The internal service funds in this budget are the Fleet Management Fund and the Self Insured Health Fund.

# *Fund Balances*

Fund balances/retained earnings referred to on the following page of this document do not necessarily represent cash and investment balances in the respective funds. It does, however, represent the net of the total fund assets, less total fund liabilities and contributed capital in the respective fund types.

## **GENERAL FUND:**

In the General Fund, the primary purpose of reserve retention is to fund unforeseen occurrences. These unforeseen occurrences are funded only upon specific appropriation by the City Council. City policy is to maintain General Fund reserves between 10% and 20% of the annual budget. The estimated unassigned fund equity for the beginning of fiscal year 2014 will be 20%.

## **ENTERPRISE FUNDS:**

In the Enterprise Funds, reserves are planned to meet operating expenses and future capital needs. Each enterprise fund has a separate rate structure. These rates are reviewed annually to insure that adequate funding will be available to meet the needs of the individual enterprise's budgetary requirements.

## **INTERNAL SERVICE FUNDS:**

Internal Service Funds differ from other fund types in that funds remaining at year-end are normally redistributed back to the originating funds. An exception to this rule is made when timing differences exist and/or reserves for capital purchases are maintained.

## **SPECIAL REVENUE FUNDS:**

There are no fund equity reserve requirements for Special Revenue Funds. The purpose of these funds is to fund specific programs and capital improvement projects included in the City's budget. Funding sources include taxes, grants, fines and forfeitures, impact fees, interest earnings, and fund equity.

## **CHANGES IN FUND BALANCES:**

There is an overall increase during the two-year period of approximately 7.5 million. This is primarily due to planned increases in operating fund reserves, and timing of capital projects. The General Fund is estimated to remain level. The Building Permits & Inspections Fund is expected to decrease by approximately \$200,000. This is being caused by a program designed to reduce the surplus balance. The Utility Capital Projects Fund is expected to increase by approximately \$8 million. This is due to new debt issued during 2013 and pending capital expenditures on several large projects scheduled beyond 2014. Decreases in fund balance in the Streets Improvement Fund (\$1.9million) and SR100 Community Redevelopment Fund (\$2.3 million) are due to construction projects scheduled for fiscal year 2014.

# Revenue Sources

**AD VALOREM TAXES:** The property tax is based on the value of real and personal property. Each year the county property appraiser determines the total assessed value of each parcel of property in Palm Coast. After subtracting all lawful exemptions, the remaining value is the taxable value. Ad valorem property taxes are based on the taxable value. The property tax is calculated by multiplying the taxable value by .001 and then multiplying this number by the rate of taxation, or the millage rate.

**LOCAL OPTION, USE, AND FUEL TAXES:** These are local option taxes, including gas tax and the Small County Surtax. The proceeds are distributed based on a State mandated formula or an inter-local agreement between the cities and the county.

**COMMUNICATIONS SERVICES TAXES:** This tax is collected and distributed by the State. It replaced the franchise tax and utility tax that were charged for telephone and cable television services.

**PERMITS, FEES AND SPECIAL ASSESSMENTS:** According to Section 205.042, Florida Statutes, a municipality may levy a local business tax receipt for the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction. This revenue also includes the Old King's Road special assessment and animal licenses.

**INTERGOVERNMENTAL REVENUE:** These revenues are collected by one government and shared with other governmental units. This includes state sales tax, revenue sharing, grants, and various other state taxes and licenses.

**CHARGES FOR SERVICES:** These are also called "user fees." They are defined as "voluntary payments based on direct, measurable consumption of publicly provided goods and services." User fees are derived from charges for water and wastewater services, solid waste collection, recreation and athletic activities, and various other City services.

**JUDGMENTS, FINES & FORFEITS:** This revenue comes from code enforcement fines, red light camera violations and settlement of criminal cases taken to court. It includes a portion of monetary penalties and recovery of costs incurred by the City.

**MISCELLANEOUS REVENUES:** These are revenues that do not fit into one of the other revenue categories.

**NON REVENUES:** These are Internal Service Fund revenues that are derived from other City funds where they are shown as operating expenditures. They include fleet leases and vehicle maintenance, as well as contributions towards the Self Insured Health Fund.

**TRANSFERS FROM OTHER FUNDS:** Transfers are made from one fund to another for various reasons. Some transfers are simply contributions and some are based on services provided by another fund. Still others are based on need, such as transfers to a capital fund.

**OTHER FINANCING SOURCES:** This is most often an appropriation of previous surplus, and proceeds from issuing debt.

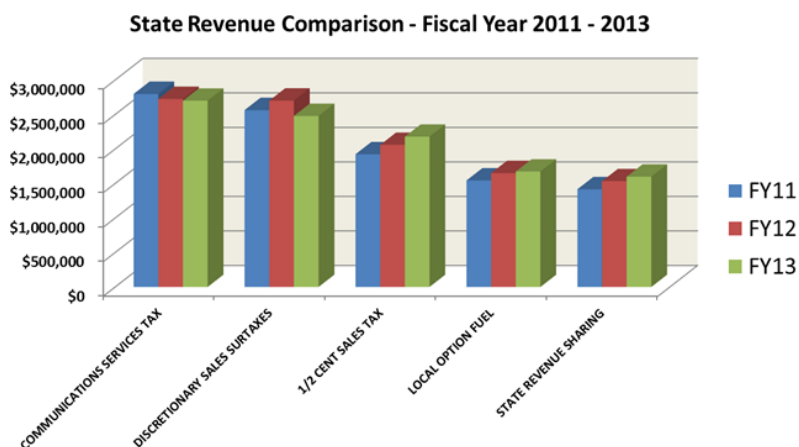
# Major Revenue Trends

There are 11 major revenue sources that account for 77 percent of the City's estimated revenues for fiscal year 2014, not including debt proceeds. Appropriated fund balance accounts for another 20 percent of the revenue. These are listed and shown graphically in the Executive Summary section of this document. The following is a more detailed analysis of the trends for these major revenue sources.

**AD VALOREM TAXES:** Over the past three years, there has been an average decrease in property values of approximately 7% per year. This year, for the first time since 2008, property values have shown a slight increase, rising approximately .37% from 2013 to 2014.

## TELECOMMUNICATION SERVICES TAX:

Decreases in this revenue have averaged about 4% over past years. Recent changes in the delivery of these services have decreased collections and the taxable base. We expect additional decreases of 1% to 2% in future years.



**HALF-CENT SALES TAX:** This revenue source had previously been declining slightly, however fiscal year 2010 through 2013 saw an average increase each year of approximately 4%. We expect to see continued improvement over the next few years and should see increases of at least 1% to 2%.

**LOCAL OPTION FUEL TAX:** This funding source has seen significant fluctuations from year to year and even month to month. On average, since the beginning of fiscal year 2013 this revenue has increased an average of 4 % per month. From 2009 to 2012 there was an overall increase of approximately 12.5%.

**SMALL COUNTY SURTAX**

## SMALL COUNTY SURTAX

The Small County Surtax is levied at the rate of .5 percent pursuant to an ordinance enacted by a majority vote of the county's governing body. The proceeds are currently being allocated to the Capital Projects Fund. This tax replaced the Discretionary Sales Surtax which expired in December 2012.

## STATE REVENUE SHARING

This revenue source has been fairly consistent month to month and overall from fiscal year 2009 to 2012 it has seen an increase of more than 22%.

**SOLID WASTE CHARGES:** This charge is expected to mirror the population growth of about 1% to 2%. During fiscal year 2013 a rate reduction was possible due to the conversion of our solid waste trucks to natural gas.

**STORMWATER UTILITY FEES:** This fee is charged on developed and undeveloped property. A rate increase of approximately 46% took place in fiscal year 2013. These additional fees are to fund an aggressive capital improvement program. In subsequent years, a 1% to 2% growth rate is anticipated.

**TRANSPORTATION IMPACT FEES:** Building permits issued declined through 2012, but have started increasing in 2013. The number of building permits has a direct impact on this revenue source. All construction related revenues are expected to increase 4% annually for the next three years.

**WATER AND WASTEWATER SALES:** This is a revenue source related to the utility system. As a result of a new rate schedule, this revenue source increased 8% in 2013, with additional 4% increase scheduled for 2014. Rates will increase another 4% in October 2014 in anticipation of future bond issues for infrastructure improvements.

**WATER AND WASTEWATER IMPACT FEES:** Like transportation impact fees this revenue source is expected to increase 4% annually for the next three years.

# Revenue Forecast Methodology

The purpose of detailing forecast methodologies for revenues is to determine the validity of the forecast over time and to utilize the information in making future forecasts. The following are assumptions concerning revenues, covering all funds.

Revenue Source	Forecast Methodology
Ad Valorem Taxes	Approved millage multiplied by tax roll, less 3.41% for assumed non-collection and/or discounts taken for early payment.
Local Option, Use, and Fuel Taxes	State's forecast (based on city and county population and lane miles), adjusted for historical trend analysis.
Communications Services Taxes	State's forecast adjusted for historical trend analysis.
Permits, Fees and Special Assessments	Historical trend analysis.
State Revenue Sharing	State's forecast (based on city and state population), adjusted for historical trend analysis.
Half-Cent Sales Tax	State forecast (based on city population), adjusted for historical trend analysis.
Grants	Amount on application approved by granting agency.
Other Intergovernmental Revenue	Historical trend analysis.
Water Sales and Wastewater Charges	Historical trend analysis.
Solid Waste Fees	Historical trend analysis.
Stormwater Management Fees	Historical trend analysis.
Other Charges for Services	Historical trend analysis.
Judgments, Fines & Forfeits	Historical trend analysis.
Interest and Other Earnings	Historical trend analysis.
Miscellaneous Revenues	Historical trend analysis.
Non Revenues	Amounts billed to departments for usage.
Transfers from Other Funds	Capital needs and allocation of common costs.

# Long Range Financial Planning

The City reviews and maintains a long-range financial plan to assist management in the planning and allocation of resources to achieve the Strategic Action Plan goal of leveraging financial strengths while remaining committed to fiscal responsibility. The City reviews its long-range financial plan each year after the completion of the annual financial audit and during preparation of the annual budget. This plan provides us with an opportunity to evaluate existing policies and current practices in order to implement new strategies needed before fiscal constraints have negative impacts on the budget. Despite the recessionary period, the City has remained fiscally sound. We believe this is the result of proper long range planning.

The general fund and utility fund are the City's main operating budgets and therefore a priority when preparing and revising the long range financial plan. Long-range planning for capital funds are discussed in the Capital Improvement Program section later in this document.

## REVENUE OPTIONS

In an ongoing effort to keep City Council informed about all existing and new revenue options, staff has created an inventory of all revenue sources. This guide includes any spending limitations that exist on these sources, additional revenues available from current revenue sources, and potential new options for future needs. This process occurs on an annual basis during the budget preparation period. This allows City Council to determine how City revenue is assessed, collected, and allocated, as well as their effect on the operating and capital budget.

## IN-HOUSE PROJECTS

One way that the City continues to remain fiscally strong is by evaluating projects before outsourcing them. Staff reviews the services needed and makes a recommendation to management on whether to use external vendors or internal resources. Management reviews the process further by using a cost-benefit analysis and then makes a final determination. Whenever possible, outsourcing will be limited by using talented staff that already exists within our departments. The City believes this produces both a cost savings and boosts moral among its employees.

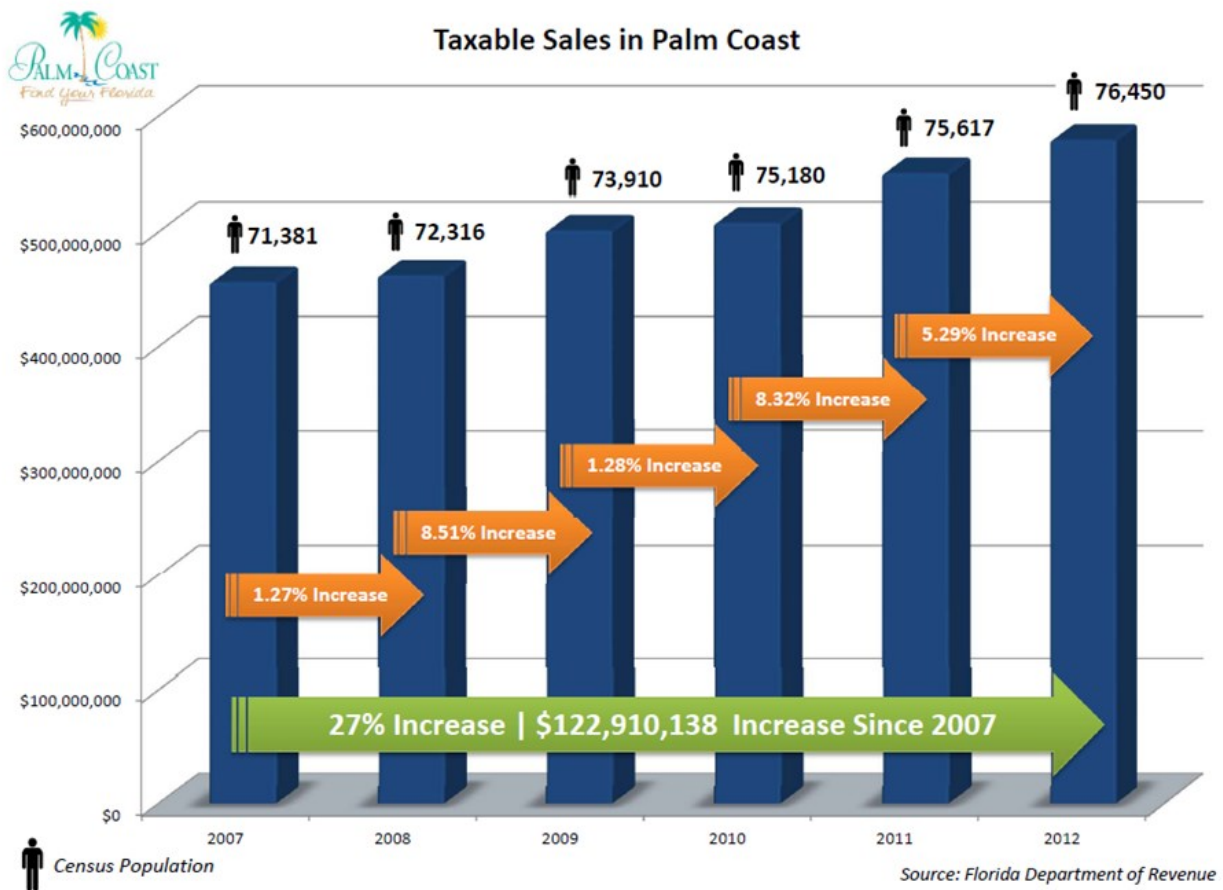
In fiscal year 2013 landscaping services were brought "in-house" allowing the City to reduce its costs and provide a higher level of service. During fiscal year 2014, the benefits of this program will be monitored closely. The evaluation and results will be used towards future consideration for additional in-house projects.



## ECONOMIC DEVELOPMENT

Palm Coast City Council has implemented many programs contained in its economic development program, Prosperity 2021. Efforts include launching the Palm Coast Assistance Business Center (BAC), completing various essential capital projects, marketing efforts to attract sports tournaments and maintaining quality neighborhoods. Palm Coast continues to be a great place to live, play and grow a business.

The City believes that a strong economic environment is critical to the long range financial health of the city. Rising taxable sales throughout the economic downturn indicate that efforts to date are having a positive effect.



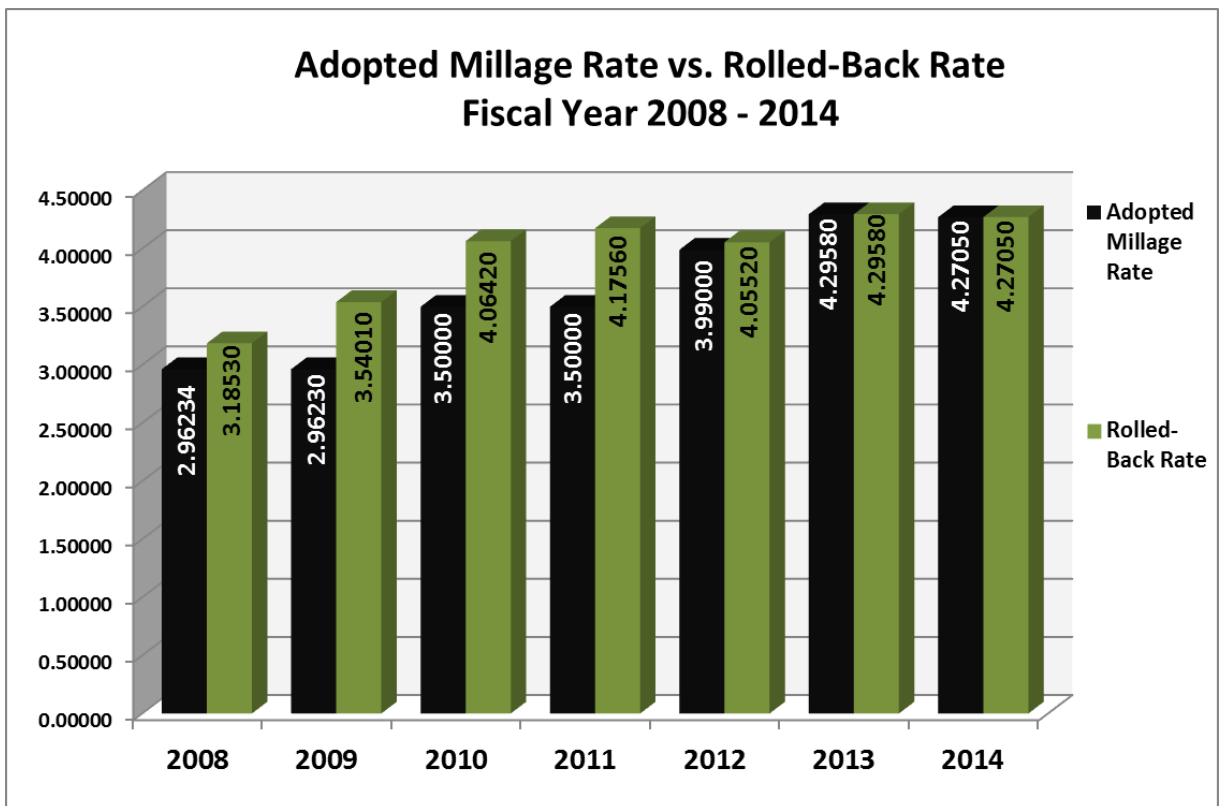
Reports from the Flagler County Board of County Commissioners regarding Tourist Development Tax Collections indicate a 5 increase in collections from fiscal year 2012 to 2013.



## GENERAL FUND

This year City Council adopted the rolled back rate of 4.2705, down from last year's millage rate of 4.2958. This was possible because of a slight increase in gross taxable property values from \$3,646,122,021 in 2013 to \$3,665,942,134 in 2014. The Florida Constitution limits any annual increase in the assessed value of residential property with a Homestead Exemption to 3 percent or the Consumer Price Index (CPI), whichever is lower.

Property taxes are approximately 11% of the total City revenue budget however they remain the largest revenue source for the General Fund. City Council has been sensitive to the public's desire to maintain level property taxes, but inflationary pressure and future infrastructure requirements will inevitably have an effect on future millage rates. Residents also continue to request additional or enhanced services. Without significant growth in the taxable value of property, keeping property taxes flat is not sustainable.



Other major sources of tax revenue for the General Fund include the Communication Services Tax and the Half-Cent Sales Tax. Although sales tax revenues have been increasing, the Communications Services Tax has been steadily declining.

Additional revenue diversification in the General Fund provides opportunities to mitigate the effect of rising costs, service level enhancements, and infrastructure funding. There are two funding sources which are not in use and available for future funding. These include the Public Service Tax and Utility Franchise Fees. Both of these funding sources represent the potential for nearly \$8 million of new revenue annually.

Continued pressure on revenues could affect the ability to remain in compliance with the fund balance policy. The table below reflects five-year projection of revenues and expenditures for the General Fund based on these current trends:

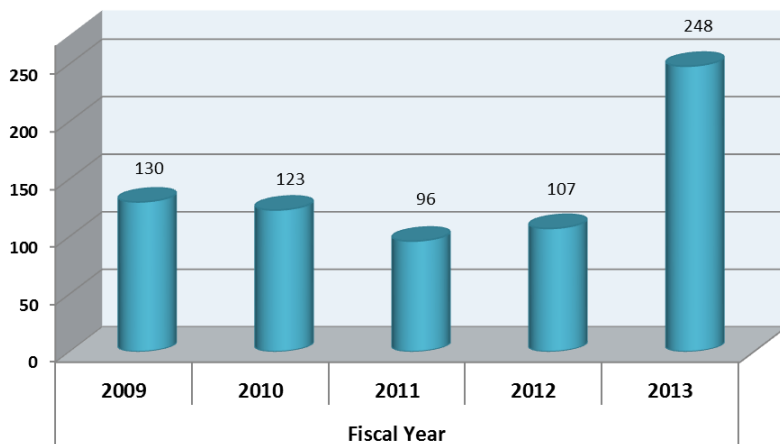
GENERAL FUND	FY 14	FY 15	FY 16	FY 17	FY 18
Prior Year Carry-over	2,429,208	2,429,208	2,253,408	1,927,708	1,161,408
Revenues					
Taxes	18,053,500	18,414,600	18,782,900	19,158,600	19,541,800
Permits, Fees and Special Assessments	1,151,600	1,174,600	1,198,100	1,222,100	1,246,500
Intergovernmental Revenue	3,291,465	3,390,200	3,525,800	3,666,800	3,813,500
Charges for Services	3,214,843	3,343,400	3,477,100	3,616,200	3,760,800
Miscellaneous Revenues	360,000	370,800	381,900	393,400	405,200
Transfers from Other Funds	792,000	799,900	807,900	816,000	824,200
Total Revenues	26,863,408	27,493,500	28,173,700	28,873,100	29,592,000
Total Available Funds	29,292,616	29,922,708	30,427,108	30,800,808	30,753,408
Expenditures					
Personal Services	14,392,357	14,824,100	15,268,800	15,879,600	16,514,800
Operating Expenditures	11,138,919	11,473,100	11,817,300	12,290,000	12,781,600
Capital Outlay	205,625	211,800	218,200	226,900	236,000
Grants & Aide	153,000	157,600	162,300	168,800	175,600
Transfers to Other Funds	613,391	631,800	650,800	676,800	703,900
Contingency	360,116	370,900	382,000	397,300	413,200
Total Expenditures	26,863,408	27,669,300	28,499,400	29,639,400	30,825,100
Available Funds End of Year	2,429,208	2,253,408	1,927,708	1,161,408	(71,692)

## UTILITY FUND

Due to the economic downturn, the growth within the Utility service area has significantly slowed down in the last five years. This precipitated a reduction and delay in the capital plan and expansion of certain facilities. The current five-year capital improvement plan has been updated to reflect lower demand projections and related revenues due to the effects of current economic conditions on growth. Long-range planning for capital funds are discussed in the Capital Improvement Program section later in this book.

The City has a significant amount of platted vacant residential parcels (18,000) with water and wastewater service available or in close proximity which will provide a strong potential for growth over the next ten to twenty years. The water system customer base consists primarily of single-family residential customers. This class accounts for approximately 80% of the total estimated accounts. It is expected that the City will continue to grow and increase its water and wastewater customer base. The development of vacant platted properties is expected to continue based on recent historical trends in the issuance of building permits.

**Single-Family Residential Permits Issued**



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In fiscal year 2013 a Utility Rate Study was completed and as a result City Council adopted a three part utility rate increase through October 2014.

These rates were designed to increase the fund balance within the utility fund as well as to double the contribution being made to the Utility Capital Projects fund for repair and renewal (R&R) on aging infrastructure.

The R&R contribution increased from 5% of gross revenues to 10%.

**Historical and Projected Customer Accounts and Statistics - Water System**

Fiscal Year Ended September 30 (Historical) [1]	Average Annual Water Accounts	Average Annual ERCs [2]	Water Sales (000s of Gallons)	Average Monthly Water Use per ERC [2]
2008	41,272	45,010	1,867,175	3,457
2009	42,191	46,012	2,266,388	4,105
2010	42,328	46,161	2,245,240	4,053
2011	42,643	46,505	2,455,433	4,400
2012	42,720	46,611	2,390,163	4,273
Average Annual Historical Growth Rate	<u>0.87%</u>	<u>0.88%</u>	<u>6.37%</u>	<u>5.44%</u>
Fiscal Year Ending September 30 (Projected) [3]				
2013	42,815	46,739	2,397,072	4,274
2014	42,924	46,877	2,404,453	4,274
2015	43,038	47,105	2,419,190	4,280
2016	43,164	47,324	2,430,628	4,280
2017	43,298	47,504	2,440,192	4,281
Average Annual Projected Growth Rate [4]	<u>0.27%</u>	<u>0.38%</u>	<u>0.42%</u>	<u>0.03%</u>

[1] Amounts shown derived from Table 1; amounts shown do not include fire service accounts but does recognize bulk water service.

[2] For purposes of this presentation, ERCs were determined based on information published by American Water Works Association (AWWA) which is used by utilities including the City, on the establishment of rate relationships among customers equivalent meter factors to the individual meter sizes served by the System for each class of customers during Fiscal Year 2011.

[3] Amounts shown derived from Table 2; amounts shown include fire service accounts and bulk water service.

[4] Projected growth rate from Fiscal Year 2012 to Fiscal Year 2017.

The City Council has also instituted a new program of updating the rate study every few years to stay ahead of rising operating costs and capital infrastructure needs.

Additionally, in fiscal year 2013, the City refunded its 2003 Utility Revenue Bonds. This refunding produced a present value debt service savings of over \$6 million. In addition to the refunding, the City issued an additional \$20 million for immediate capital needs. Due to the debt service savings, the additional borrowing netted an overall increase in debt service of only approximately \$500,000 annually.

It is assumed that the average annual customers serviced by the utility system will increase at an average rate of .27% per year. This rate of growth is less than the average growth rate experienced during the last five fiscal years. This lower rate is an effort to be conservative although there is a significant amount of capacity reserved for future development. This conservative rate of growth was used for the determination of future sales revenue. Actual increases in the growth rate may accelerate future infrastructure needs such as the addition of a second Wastewater Treatment Plant.

The pace of population growth, and the potential for significant regulatory changes, will potentially provide pressure on future rates through increased debt service. Annual indexing built in to the current rate structure will help offset increased operating costs over time.

UTILITY FUND	FY 14	FY 15	FY 16	FY 17	FY 18
Revenues					
Water & Wastewater Sales	33,817,151	35,228,269	36,105,577	37,014,785	38,887,700
Connection Fees	157,000	157,000	157,000	157,000	157,000
Interest on Investments	27,089	76,485	80,391	85,341	90,461
<b>Total Revenues</b>	<b>34,001,240</b>	<b>35,461,754</b>	<b>36,342,968</b>	<b>37,257,126</b>	<b>39,135,161</b>
Transfers to Rate Stabilization Fund	(500,000)	-	-	-	-
<b>Total Available Funds</b>	<b>33,501,240</b>	<b>35,461,754</b>	<b>36,342,968</b>	<b>37,257,126</b>	<b>39,135,161</b>
Expenditures					
Operations & Maintenance	17,033,692	17,486,854	17,975,315	18,503,296	19,058,400
Debt Service	11,865,943	13,052,550	13,052,826	13,054,952	13,446,600
Transfer to R&R (Capital Projects Fund)	-	-	-	-	-
<b>Total Expenditures</b>	<b>28,899,635</b>	<b>30,539,404</b>	<b>31,028,141</b>	<b>31,558,248</b>	<b>32,505,000</b>
<b>Total Amount Available for Reserves and Capital Expenditures</b>	<b>4,601,605</b>	<b>4,922,350</b>	<b>5,314,827</b>	<b>5,698,878</b>	<b>6,630,161</b>

## **CONCLUSION**

With factors that exist outside of the control of City Council, it is impossible to foresee every economic outcome for the City. That is why both City Council and Management believe in having a long range financial plan which is optimistic yet conservative. Some strategies being used to help secure the fiscal future of the City include expanding the use of grants, continuing to maintain lean operating costs while maintaining its existing level of service, and managing long-term fixed costs. Maintaining a long range financial plan is a critical component of this effort.

It is our mission to provide our residents, visitors, and business community with exceptional government services in order to improve the quality of life, grow the local economy, and protect the natural environment through a planned, integrative approach using available technology .

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