

# INTRODUCTORY SECTION

This section contains the following subsections:

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- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart
- List of Principal Officials



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**Comprehensive Annual Financial Report  
Of the City of Palm Coast, Florida  
For The Year Ended September 30, 2017**

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# LETTER OF TRANSMITTAL



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In 1975, the Flagler County Board of County Commissioners established the Palm Coast Service District, consisting of almost 40,000 acres. Funds for the district were derived primarily from ad valorem taxes and were utilized to provide fire services, fire hydrants, street maintenance and lighting, animal control and emergency services.

In September 1999, the citizenry of Palm Coast voted overwhelmingly by a margin of two to one to incorporate as a council/manager form of government. On December 31, 1999, the City of Palm Coast was officially incorporated. On October 1, 2000, all services were officially transferred from the former Service District to the City of Palm Coast. The five-member City Council is elected at large and serves staggered four-year terms. One member is elected as Mayor. The promulgation and adoption of policy are the responsibility of the Council and the execution of such policy is the responsibility of the Council appointed city manager. The City hired its first city manager on April 17, 2000.

The City of Palm Coast currently has a population of 82,760 residents and covers an area of approximately 89 square miles. For fiscal year 2018, property within the City has a taxable value of \$4,612,577,686. This was an increase of approximately seven percent from 2017. The City's property tax rate for fiscal year 2018 is set at \$4.5937 per \$1,000 of taxable value. Approximately five percent of the property taxes levied have been committed to capital projects for fiscal year 2018.

The City provides a wide range of services including development services, fire services, street construction and maintenance, a water and wastewater utility, stormwater management, parks, and recreational activities. Palm Coast contracts with the Flagler County Sheriff for law enforcement services.

## **Economic Outlook**

The City's economy continues to steadily improve. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2017 with the median sales price up 7.4% and with values expected to continue to appreciate in 2018. Single-family permits are up again with 610 permits issued in 2017, the sixth straight year of increased permit activity. Population projections are positioning Palm Coast to be one of the fastest growing areas over the next five years. In addition, the labor market has healed from the high unemployment rate of 9.6% five years ago, with the unemployment rate hitting 3.9% at the end of 2017. Palm Coast has 5,743 more people employed than five years ago.

A particular bright spot has been taxable sales within the City. We have seen over a 34% increase in taxable sales since 2011, which represents an increase of \$185 million. This is mainly due to the addition of several shopping centers since 2007 and increases in tourists and related spending. Previously vacant commercial plazas, such as City Marketplace and European Village, have seen renewed activity with many new businesses opening. Taxable sales should continue to grow in 2018 with continued commercial growth, especially the commercial development along State Road 100.

## **Long-term Financial Planning**

The City Council continues to focus on carrying out its Strategic Action Plan and the related goals, projects, and programs. Economic development is guided by the City's Prosperity 2021 plan, which is integrated within the Strategic Action Plan. This plan takes an inside out approach, by strengthening our existing neighborhoods and commercial areas. This past fiscal year, the City's taxable value appreciated approximately 6%. As all major economic indicators are now trending in a positive direction, we expect the local economy's improvement to accelerate in the coming year and have a positive impact on City revenue sources.



While we continue to project revenues conservatively, the improving economy is expected to have a positive effect on some revenue sources. However, due to the current rate structure of our stormwater fee, our stormwater improvement and maintenance program will require additional funding in the near future. Without additional revenue sources, increased fees or tax rates, or shifting funding from existing projects, programs, or services, the City will be limited in its ability to fund additional projects, programs, or services that might be desired by the community. The last stormwater rate increase went into effect in 2013. Due to the current rate structure of our stormwater fee, rising costs are not being offset by increases in revenue. The 2018 budget includes funding for a stormwater fee rate study.

This past fiscal year, staff presented City Council with options for refinancing Utility State Revolving Fund loans and the State Road 100 Corridor Community Redevelopment Agency (SR 100 CRA) Note issued in 2014. The City received an offer to reduce the interest rates applicable to various SRF loans. As a result, City Council took action to authorize a loan in order to refund certain State Revolving Fund loans from the Florida Department of Environmental Protection. In addition, the SR 100 CRA received an offer to substantially lower the current interest rate while eliminating the uncertainty and inflationary risks associated with resetting the interest rate in 2024. City Council authorized modifications to the existing loan achieving a significant interest savings to the Agency over the term of the Note.

### **Future Projects and Programs**

The need for infrastructure projects continues to grow as existing infrastructure ages, new development occurs, and the population continues to increase. In the upcoming fiscal year, we will continue rehabilitating our older infrastructure and constructing new infrastructure needed to accommodate anticipated growth. The City has experienced an increase in population year after year and we anticipate this growth to continue. The University of Florida Bureau of Economic and Business Research projects that by 2035, the City of Palm Coast will almost double in population, exceeding 150,000 people. During the past fiscal year, City Council made prudent financial decisions to ensure the City maintains a strong financial position and the ability to fund necessary projects to keep up with growth and maintain aging infrastructure.

The City will continue its efforts to expand the local economy through the Palm Coast Business Assistance Center (BAC) and by attracting sports tournaments and tourism. Both efforts have already seen much success. Since its inception, the BAC has helped businesses invest approximately \$31.5 million in our local economy through capital investment, increased sales, and salaries. The City in partnership with our local sports clubs and the Flagler County Tourist Development Council continues to attract sports tournaments and the associated visitor spending.

Consistent with the City Council focus to help grow the local economy and develop our downtown, this past year the State Road 100 Community Redevelopment Agency entered into a public-private partnership to develop the Bulldog Drive area. If redevelopment ultimately occurs, the economic impact will result in additional private investment and tax revenue to the CRA. In the upcoming fiscal year, the City will continue to work on attracting capital investment to the CRA and our future downtown, known as Town Center.

While the City will continue to implement programs and projects that have been successful, City Council is focused on downtown development, innovation, and new programs and projects to encourage economic growth in the coming years. The improving local economy enables the City and its partners to maintain our neighborhoods, support existing businesses, and encourage investment by attracting residents, visitors and businesses.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Coast for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This is the sixteenth year that Palm Coast has achieved this prestigious award. In order

to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Palm Coast also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its Fiscal Year 2016 Popular Annual Financial Report. This is the fourth year that Palm Coast has received this award.

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2017 budget document. This is the fourteenth consecutive year that Palm Coast has received this award.

The City of Palm Coast also received the ICMA Certificate of Distinction for its Fiscal Year 2017 performance management process. This is the fourth consecutive year that Palm Coast has received this award.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Palm Coast's finances.

Respectfully submitted,



Jim Landon  
City Manager



Helena Alves  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palm Coast  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

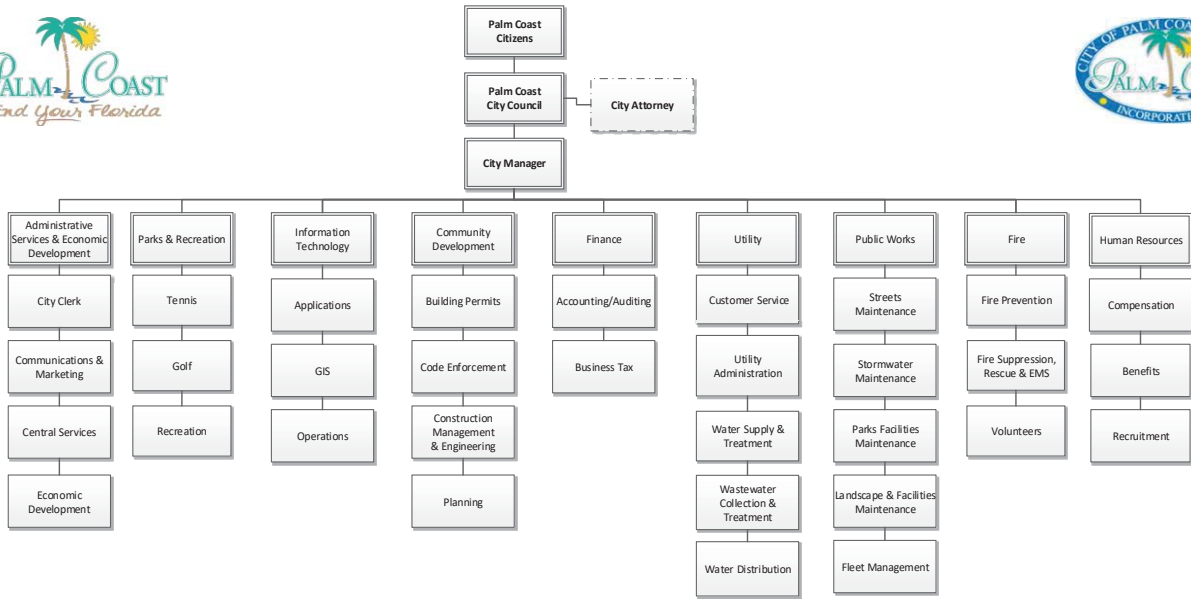
*Christopher P. Morill*

Executive Director/CEO



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# Organizational Chart



**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2017**

**ELECTED OFFICIALS**

Mayor

Honorable Milissa Holland

City Council Members:

Robert Cuff  
Nick Klufas  
Steven Nobile  
Heidi Shipley

**CITY OFFICIALS**

City Manager

James S. Landon

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Christopher M. Quinn