



2018

Popular Annual  
Financial Report  
For the Fiscal Year  
Ending September 30, 2018



city of  
**PALM COAST**

# Welcome to the City of Palm Coast



One of Florida's newest cities (incorporated 1999), Palm Coast is a Florida paradise – situated on 70 miles of saltwater and freshwater canals and the Intracoastal Waterway and just minutes from pristine Atlantic Ocean beaches. Vibrant lifestyle and the natural environment go hand-in-hand here. The City offers a dozen beautiful parks, 125+ miles of connecting trails and paths for walking/bicycling, abundant fishing and boating, a year-round Running Series, and world-class tennis and golf. Lined with historic oaks, towering pines and indigenous vegetation, Palm Coast's parks and trails showcase the splendid elegance of the native Florida landscape. Bird-watching is popular at St. Joe Walkway and Linear Park, which are designated as Great Florida Birding & Wildlife Trails, and visitors can spot dolphins and seabirds as they stroll along the Intracoastal at Waterfront Park. We invite you to Find Your Florida in Palm Coast!

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# About this Document



Government Finance Officers Association

## Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Palm Coast  
Florida**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

This Popular Annual Financial Report (PAFR) of the City of Palm Coast is being published in order to increase public awareness and provide a simplified overview of the City's financial position.

The PAFR summarizes and condenses the financial activities of the City of Palm Coast governmental and business-type activities and derives its information from the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018 which ended September 30, 2018. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by the City's auditors. Unlike the CAFR, the PAFR is un-audited and presented on a non-GAAP basis. This means that it contains condensed financial information and does not provide all of the necessary financial statements and note disclosures required by GAAP for governmental entities. We invite you to review the City's audited CAFR which includes detailed information on the City's finances.

Both the PAFR and the CAFR are available online at <http://www.palmcoastgov.com/government/finance/audit-report> and paper copies are available upon request at City Offices.

### Requests for Additional Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Palm Coast's financial condition and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Helena P. Alves, Finance Director at (386) 986-3726 or e-mail [halves@palmcoastgov.com](mailto:halves@palmcoastgov.com).

# Elected Officials



The Mayor and City Council members are elected at-large, for a term of four years. Council Members and the Mayor may serve no more than two consecutive four-year terms in the same seat.

City Council meets in regular session on the first Tuesday of each month at 6:00 p.m. and the third Tuesday of each month at 9 a.m. at the Palm Coast City Hall, 160 Lake Ave. Live coverage may be viewed on the City's YouTube channel at <http://www.youtube.com/c/cityofpalmcosttv>. Meetings are also offered on demand on the City Council Agendas and Minutes page of the City website at <http://www.palmcoastgov.com/agendas>.

The City Council also conducts workshop meetings on the second and last Tuesdays of each month at 9 a.m. Both workshop meetings and regular sessions of the City Council are open to the public.



Mayor  
Milissa Holland



Council  
Member  
Robert Cuff  
District 1



Council  
Member  
Heidi Shipley  
District 2



Council  
Member  
Nick Klufas  
District 3

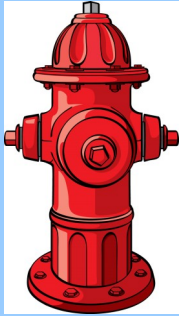


Council  
Member  
Vincent Lyon  
District 4

# Palm Coast At-A-Glance

INITIAL INCORPORATION—DECEMBER 31, 1999

FORM OF GOVERNMENT—COUNCIL/MAYOR



5  
FIRE STATIONS



8  
PLAYGROUNDS



1  
SWIMMING  
POOL



1  
COMMUNITY  
CENTER



50  
SPORTS FIELDS/  
COURTS



125+  
MILES OF TRAILS  
& PATHS



564  
MILES OF PAVED  
STREETS



130  
MILES OF  
SIDEWALKS & PATHS

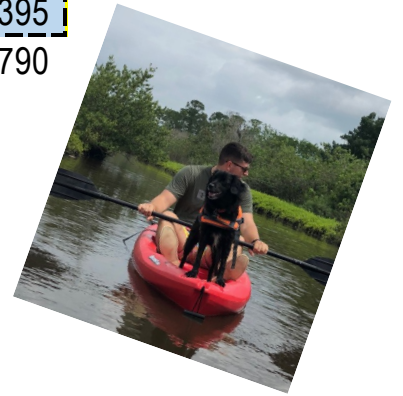
# Population



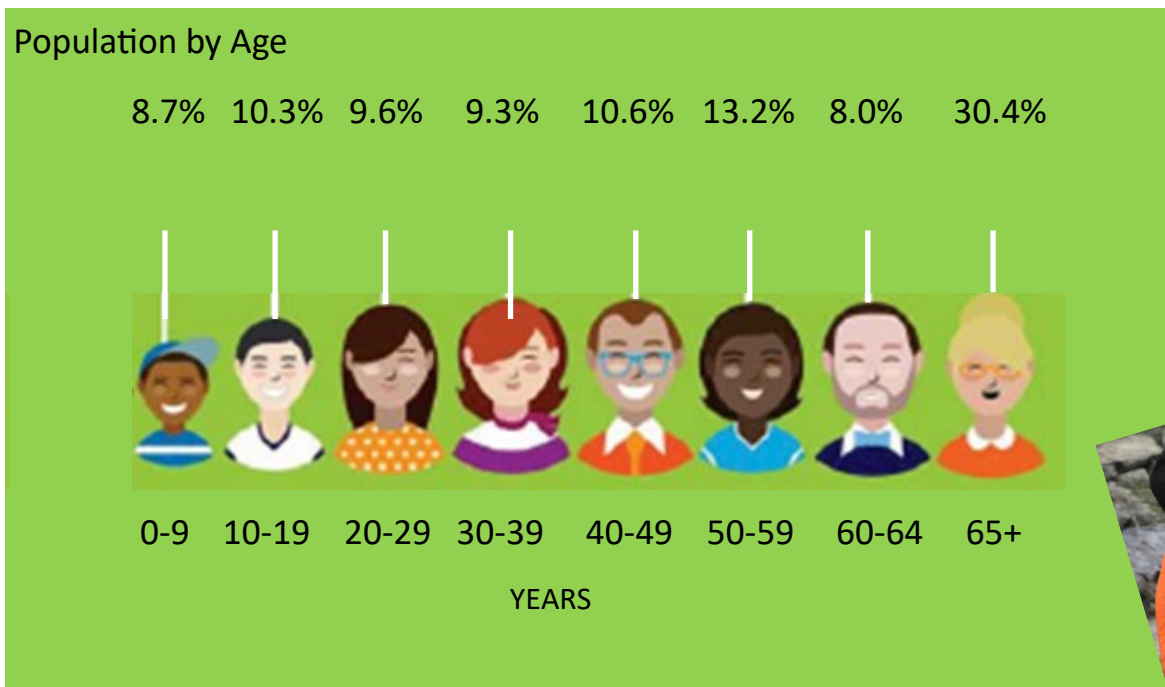
## Flagler County Population

County/City	April 1 2010 (Census)	1-Apr 2018 (Estimate)	Total Change
<b>Flagler County</b>	<b>95,696</b>	<b>107,511</b>	<b>11,815</b>
Beverly Beach	338	356	18
Bunnell	2,676	3,056	380
Flagler Beach (part)	4,424	4,666	242
Marineland (part)	16	6	(10)
Palm Coast	75,180	84,575	9,395
UNINCORPORATED	13,062	14,852	1,790

*\*This information provided by Bureau of Economic and Business Research*



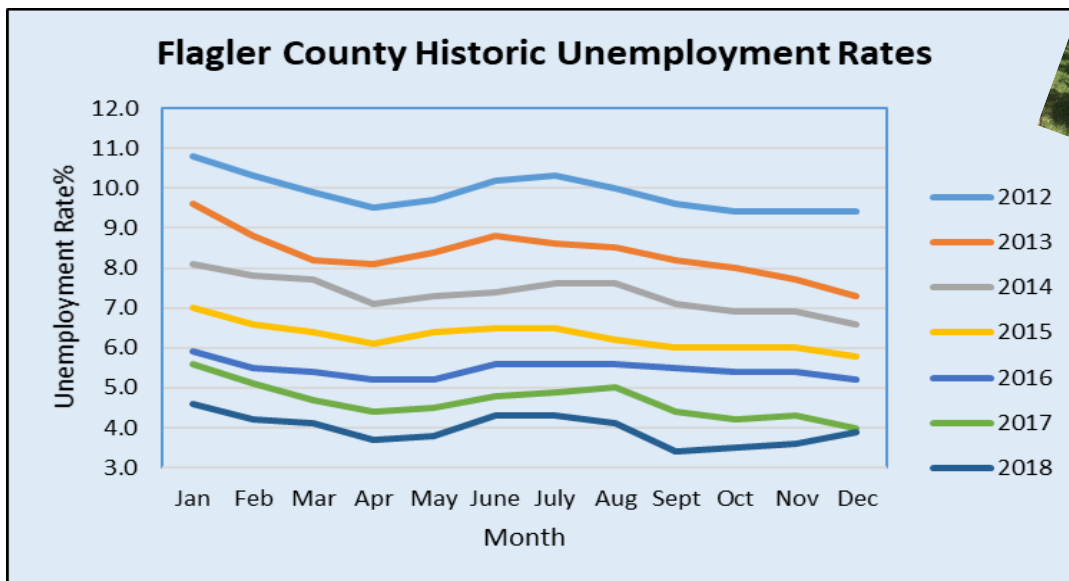
## Flagler County Age Distribution



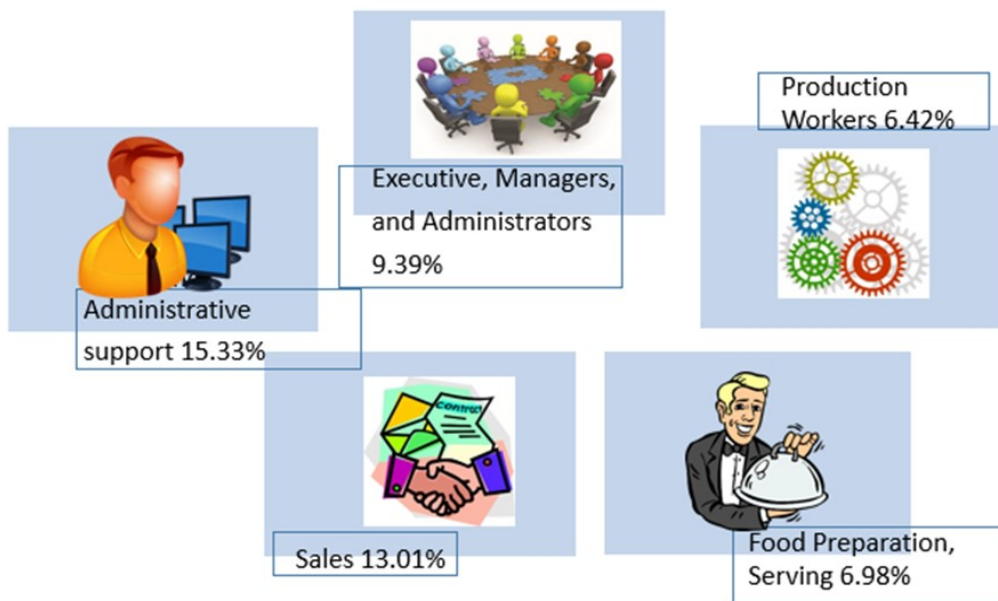
Source: Flagler County EDC, Economic Report 2018

# Employment

## Unemployment Rates



## Major Employment Sectors



## Major Employers-2018

EMPLOYER	EMPLOYEES
Flagler County Schools	1,750
Florida Hospital Flagler	1,115
Palm Coast Data	750
Hammock Beach Resort	505
Publix Supermarkets	491
City of Palm Coast	452

*Source: Flagler County Chamber of Commerce, Florida Research and Economic database for civilian workforce, and Career Source*



Source: Flagler County EDC, Economic Report 2018

# City of PALM COAST

## our vision

A multigenerational community recognized as one of Florida's premier cities that values...

- Building a diverse, sustainable economic base to support innovation while providing necessary infrastructure and services
- Providing exceptional amenities and standards that support a high quality lifestyle
- Protecting the environment and beauty of Palm Coast while conserving natural resources

## 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

## our values

**Pride** - Passion in working together for a better tomorrow  
**Accountability** - Accept responsibility for our actions and decisions  
**Leadership** - Courage to shape our City today and into the future in a transparent manner  
**Motivated** - Seek continuous improvement in all services  
**Collaborative** - Dedicated to building partnerships that address community concerns and needs  
**Ownership** - Responsible for our actions and inactions  
**Achievement** - Seek excellence in all that we do  
**Stewardship** - Protectors of our natural environment  
**Trust** - Mindful of our responsibility, we pledge to use taxpayer resources (time, talent, money) efficiently



*Find Your Florida*



# City of PALM COAST

## LONG TERM GOALS

### Goal 1 - Expansion

To anticipate the need for additional services and infrastructure to provide opportunities for mixed use development with goods, services, and employment

### Goal 2 - Economic

To develop and maintain a strong economy by supporting the growth and development of new and existing businesses while creating an environment to attract new companies that align with our values

### Goal 3 - Finance

To leverage our financial strengths while ensuring the City remains committed to fiscal responsibility in delivering value-added services to residents and businesses

### Goal 4 - Environmental

To blend our residential and commercial properties with our "City of Parks and Trails" image to create a sustainable framework of visual appeal while caring for our land, water, air, and wildlife

### Goal 5 - Quality of Life

To ensure a safe community for our citizens and visitors while providing affordable, and enjoyable options for cultural, educational, recreational and leisure-time events

### Goal 6 - Workforce Talent

To develop and implement a comprehensive plan to improve City employee skills and performance through education and training; performance management; and personal development opportunities

*Find Your Florida*





# City of PALM COAST



The City of Palm Coast’s innovative Strategic Action Plan (SAP) uses a team approach to implement a Vision for the City through long-term Goals and short-term Objectives and Strategies. Through performance management, the SAP Process is a comprehensive and systematic approach to improving results through evidence-based decision making, continuous organizational learning, and a focus on accountability. Each year the Palm Coast City Council evaluates the organization’s progress within a multitude of service areas. City Council aligns action areas into budget commitments and, ultimately, adopts a budget that supports the City’s Vision.

## LONG-TERM VISION:

*A multigenerational community recognized as one of Florida’s premier cities that values:*

- *Building a diverse, sustainable economic base to support innovation while providing necessary infrastructure services*
- *Providing exceptional amenities and standards that support a high quality lifestyle*
- *Protecting the environment and beauty of Palm Coast while conserving natural resources*

The Strategic Action Plan is comprised of six long-term Goals – Expansion, Economic, Finance, Environmental, Quality of Life and Workforce Talent.

These are some highlights of our greatest accomplishments, by Goal:

### Goal 1 Expansion

*To anticipate the need for additional services and infrastructure to provide opportunities for mixed use development with goods, services, and employment.*

A major highlight for expansion this year was the Grand Opening of the new Wastewater Treatment Plant #2. This plant is an advanced wastewater treatment (AWT) facility capable of treating wastewater to reuse standards and increases wastewater treatment by 2 million gallons/day to accommodate population growth. Other projects supporting Goal 1: Expansion include:

- Design and right-of-way acquisition work occurred throughout the year on the Old Kings Road Widening project

### Goal 2 Economic

*To develop and maintain a strong economy by supporting the growth and development of new and existing businesses while creating an environment to attract new companies that align with our values.*

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.

- The Head of Innovation and Economic Growth position was created and filled to Focus on Downtown, Innovation, and Economic Growth of the City

- Consultants in the Palm Coast Business Assistance Center (BAC), a City partnership with the Florida Small Business Development Center hosted by the University of Central Florida, met with 194 individual clients and provided 1,474 hours of consulting services. The BAC helped 17 new businesses get started.

**Goal 3  
Finance**

*To leverage our financial strengths while ensuring the City remains committed to fiscal responsibility in delivering value-added services to residents and businesses.*

- For the 15<sup>th</sup> consecutive year, the Finance Department earned the Government Finance Officers Association Distinguished Budget Presentation Award.
- The City was recognized for the fifth straight year by the ICMA Center for Performance Analytics for the City's performance management efforts.
- Finance also earned the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY2017 Comprehensive Annual Financial Report; the City has received this award for 17 straight years.
- For the fifth year in a row, the Finance Department received the GFOA Award for Outstanding Achievement for Popular Annual Financial Reporting for the FY2017 Popular Annual Financial Report.
- A Stormwater rate study was completed to evaluate the funds needed to maintain and rehab the stormwater drainage system.

**Goal 4  
Environmental**

*To blend our residential and commercial properties with our "City of Parks and Trails" image to create a sustainable framework of visual appeal while caring for our land, water, air, and wildlife.*

The City's commitment to environmental sustainability has been recognized by our re-designation this fiscal year as a Gold Level Green City by the Florida Green Building Coalition and numerous other awards and recognitions.

- City staff continue to upgrade facilities with LED fixtures when the cost/benefit makes financial sense.
- Because of CRS ratings, City of Palm Coast citizens benefited from an additional discount to an already robust reduction in flood insurance premiums. At the time of achieving the improved class, Palm Coast joined only 12 other communities that have achieved a Class 4 or better in the entire U.S.
- Use of lower quality water sources for irrigation, such as reuse water, continues to be a focus of the City in order to make better use of all available water resources.
- For the 13<sup>th</sup> straight year, the City has been named a Tree City USA by the National Arbor Day Foundation in recognition of the urban forestry program. The City also received the Tree City USA Growth Award.

**Goal 5  
Quality of Life**

*To enhance the quality of life for our citizens by providing safe, affordable, and enjoyable options for cultural, educational, recreational, and leisure-time events.*

Vibrant lifestyle and the natural environment combine to provide a high quality of life to Palm Coasters! In addition to our dozen parks and 125+ miles of connecting trails and paths, the City provides a full schedule of special events all year long. The City also is very proactive in its floodplain management

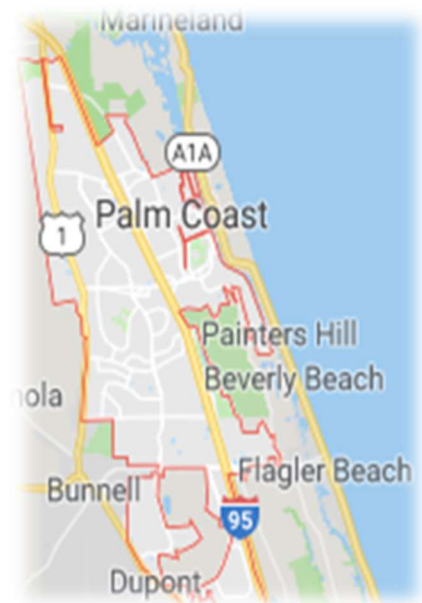
- Phase II of the Holland Park Renovations project will include a new splash park in addition to other improvements as well. City Council has taken action to accelerate the completion of this project.
- Construction for the renovation and expansion of the 21,000 square foot Community Center was completed in the spring. This facility houses weekly activities from children to seniors. Classes, programs, special events and rentals are available to citizens as well as a complete outdoor playground.
- Through the City's Strategic Action Plan, City Council directed City staff to develop a master plan to increase the amount of continuous street lighting on thoroughfares throughout the City, especially along major corridors. The master plan includes LED lighting fixtures consistent with the City's standard for new street light installation and FPL's proposed tariff. The cost for some design services and installation is included in this year's budget along with the operating costs associated with expanding this service.
- With assistance from the Community Development Block Grant (CDBG) and River to Sea Transportation Planning Organization(TPO), the City will be continuing the Seminole Woods multi-use path improvements in the Seminole Woods Neighborhood started several years ago.
- The City of Palm Coast has been recognized by two national publications for being one of the "7 Best Places to Retire" and among "America's 50 Best Cities to Live in." *MONEY* magazine, a publication of Time Inc., selected Palm Coast as being "Best for Water Lovers" as part of its retirement feature. *24/7 Wall St.*, an online financial news and opinion company, featured Palm Coast as one of the most livable cities in this story re-published by *USA Today*.

**Goal 6  
Workforce  
Talent**

*To develop and implement a comprehensive plan to improve City employee skills and performance through education and training; performance management; and personal development opportunities.*

The Strategic Action Plan adopted by City Council includes a goal specifically focused on employee development, which represents a strong commitment to maintain a dedicated and skilled workforce.

- The City internship program gives qualified candidates the opportunity to build their resume, explore career interests, engage in professional networking, and make a difference in their community.
- Employee Certification and Education Incentive Pay are ways in which employees are encouraged to further develop themselves. Training programs are budgeted each year and include a partnership with Daytona State College. Employee academy is offered to new employees to gain a thorough understanding of the City's operations and departments. Pay plans are evaluated and updated as needed to keep positions competitive in the changing labor market.
- "Water Buoys" team won its 12<sup>th</sup> Top Ops State Championship. This competition covers operational topics like basic science, chemistry, hydrology, water distribution, public health, sanitation, plant maintenance, and more.



# Statement of Net Position

The following financial summary is based upon a condensed view of the City's assets, liabilities, and deferred inflows/outflows as of September 30, 2017 and 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 49,228,900	\$ 44,046,481	\$ 62,793,335	\$ 58,543,273	\$ 112,022,235	\$ 102,589,754
Capital assets	332,919,671	339,155,898	245,958,441	246,433,725	578,878,112	585,589,623
<b>Total assets</b>	<b>382,148,571</b>	<b>383,202,379</b>	<b>308,751,776</b>	<b>304,976,998</b>	<b>690,900,347</b>	<b>688,179,377</b>
Total deferred outflows of resources	1,286,160	1,574,494	1,102,675	1,209,630	2,388,835	2,784,124
Long-term liabilities	13,257,602	14,645,166	173,301,766	178,848,693	186,559,368	193,493,859
Other liabilities	15,182,835	15,575,060	(87,975)	1,043,395	15,094,860	16,618,455
<b>Total liabilities</b>	<b>28,440,437</b>	<b>30,220,226</b>	<b>173,213,791</b>	<b>179,892,088</b>	<b>201,654,228</b>	<b>210,112,314</b>
Total deferred inflows of resources	398,507	350,835	508,828	557,460	907,335	908,295
Net position:						
Net investment in capital assets	325,234,671	330,790,898	84,014,277	84,435,596	409,248,948	415,226,494
Restricted	10,380,209	7,954,237	21,774,289	15,456,945	32,154,498	23,411,182
Unrestricted	18,980,907	15,460,677	30,333,145	25,844,539	49,314,052	41,305,216
<b>Total net position</b>	<b>\$ 354,595,787</b>	<b>\$ 354,205,812</b>	<b>\$ 136,121,711</b>	<b>\$ 125,737,080</b>	<b>\$ 490,717,498</b>	<b>\$ 479,942,892</b>

## Government-wide Overall Financial Analysis

The City of Palm Coast's net position was \$490,717,498 at the close of the most recent fiscal year. Of this, 10.05% falls in the unrestricted category. Unrestricted net position is the amount that can be used to provide services to residents.

Approximately 6.55% of net position represents resources that are subject to external restrictions and are not available to provide services to residents. By far, the largest portion of the City of Palm Coast's net position (83.40%) reflects its investment in capital assets less any outstanding related debt used to acquire those assets. Capital assets, which include an investment in land, buildings or roads, are not available for future spending. Resources needed to repay debt must be provided from future revenue sources.

**Current and Other Assets** - Assets that include cash, securities, receivables, inventory and prepaid assets, and can be converted into cash usually within one year.

**Capital Assets** - Long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress.

**Current and Other Liabilities** - These are primarily debts that can be paid off in one year or less. This includes accounts payable, accrued payroll, and accrued interest payable.

**Deferred Inflows/Outflows** - Acquisition/consumption of net position applicable to future reporting periods.

**Long-Term Liabilities** - Represents mainly debt obligations of the City. The proceeds from these various debt issues are used to finance large projects such as building and roadway construction, renovations and major equipment purchases.

**Net Position** - Total assets and deferred outflows less liabilities and deferred inflows.

**Restricted Net Position** - Resources whose use is subject to externally imposed restrictions.

**Unrestricted Net Position** - These are resources that are accessible to the City to provide services to the residents if there were no additional revenues or resources available.

# Statement of Activities

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year.

The Statement of Activities distinguish functions of the City of Palm Coast that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

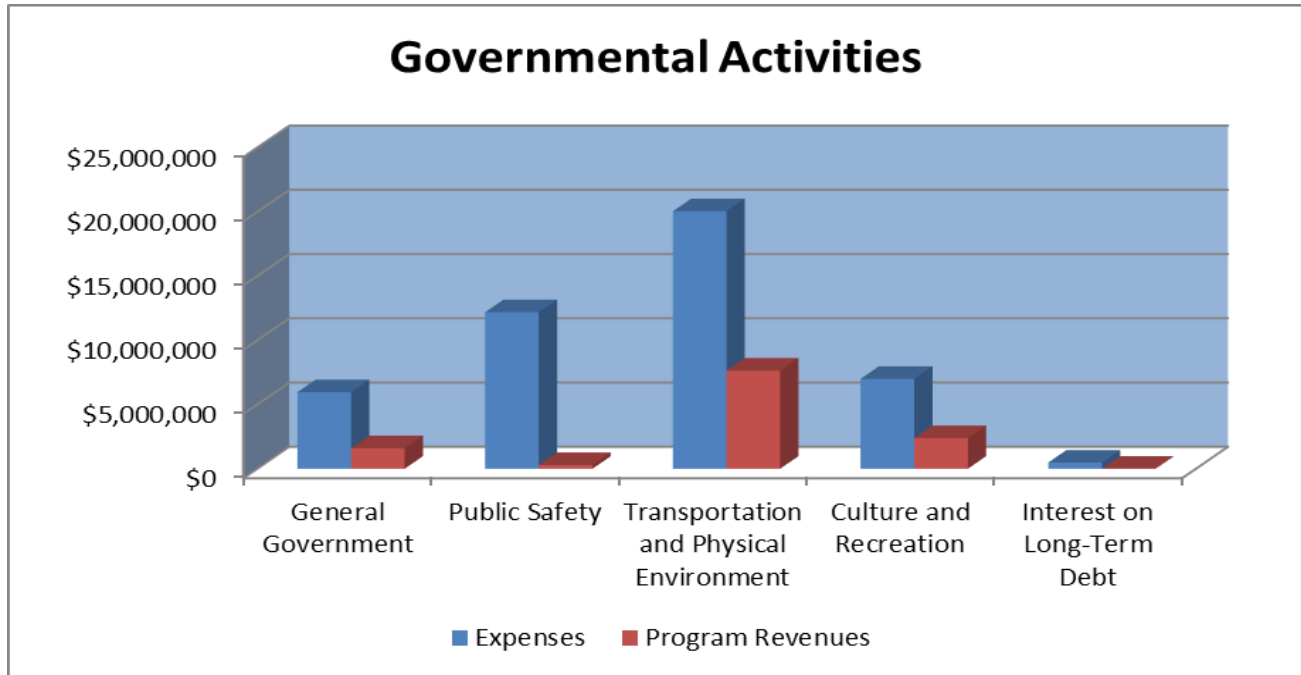
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for services	\$ 3,110,201	\$ 2,943,827	\$ 57,121,818	\$ 56,038,278	\$ 60,232,019	\$ 58,982,105
Operating grants and contributions	4,254,944	7,078,147	1,560,284	-	5,815,228	7,078,147
Capital grants and contributions	4,553,519	18,889,042	6,162,184	6,368,010	10,715,703	25,257,052
General revenues:						
Property taxes	21,066,081	18,380,759	502,590	418,442	21,568,671	18,799,201
Other taxes	6,674,624	6,291,114	-	-	6,674,624	6,291,114
Intergovernmental	4,704,629	4,463,316	-	-	4,704,629	4,463,316
Other	474,901	487,655	612,838	411,102	1,087,739	898,757
<b>Total revenues</b>	<b>\$ 44,838,899</b>	<b>\$ 58,533,860</b>	<b>\$ 65,959,714</b>	<b>\$ 63,235,832</b>	<b>\$ 110,798,613</b>	<b>\$ 121,769,692</b>
Expenses:						
General government	\$ 5,956,629	\$ 5,435,785	\$ -	\$ -	\$ 5,956,629	\$ 5,435,785
Public safety	12,187,040	11,332,196	-	-	12,187,040	11,332,196
Transportation and physical environment	20,049,609	21,427,067	-	-	20,049,609	21,427,067
Culture and recreation	7,000,755	6,202,008	-	-	7,000,755	6,202,008
Utility	-	-	37,488,776	33,063,660	37,488,776	33,063,660
Solid waste	-	-	8,433,184	7,680,586	8,433,184	7,680,586
Stormwater	-	-	6,659,088	5,554,569	6,659,088	5,554,569
Building permits	-	-	1,759,634	1,592,586	1,759,634	1,592,586
Information technology	-	-	665,967	705,729	665,967	705,729
Interest on long-term debt	484,548	523,790	-	-	484,548	523,790
<b>Total expenses</b>	<b>\$ 45,678,581</b>	<b>\$ 44,920,846</b>	<b>\$ 55,006,649</b>	<b>\$ 48,597,130</b>	<b>\$ 100,685,230</b>	<b>\$ 93,517,976</b>
Increase (decrease) in net position before transfers	\$ (839,682)	\$ 13,613,014	\$ 10,953,065	\$ 14,638,702	\$ 10,113,383	\$ 28,251,716
Transfers	\$ 832,828	\$ 981,364	\$ (832,828)	\$ (981,364)	\$ -	\$ -
<b>Increase (decrease) in net position</b>	<b>\$ (6,854)</b>	<b>\$ 14,594,378</b>	<b>\$ 10,120,237</b>	<b>\$ 13,657,338</b>	<b>\$ 10,113,383</b>	<b>\$ 28,251,716</b>
Net position - beginning, as previously reported	\$ 354,205,812	\$ 339,611,434	\$ 125,737,080	\$ 112,079,742	\$ 479,942,892	\$ 451,691,176
Restatement, GASB 75	\$ 396,829	\$ -	\$ 264,394	\$ -	\$ 661,223	\$ -
Net position - beginning, as restated	<b>\$ 354,602,641</b>	<b>\$ 339,611,434</b>	<b>\$ 126,001,474</b>	<b>\$ 112,079,742</b>	<b>\$ 480,604,115</b>	<b>\$ 451,691,176</b>
Net position - ending	<b>\$ 354,595,787</b>	<b>\$ 354,205,812</b>	<b>\$ 136,121,711</b>	<b>\$ 125,737,080</b>	<b>\$ 490,717,498</b>	<b>\$ 479,942,892</b>

**Governmental Activities** - Activities which provide services to citizens and are primarily financed through taxes and intergovernmental grants.

**Program Revenues** - Charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function.

**Business - Type Activities** - Activities that are carried out primarily to provide specific services in exchange for a specific user fee.

The governmental activities of the City of Palm Coast include general government, public safety, transportation and physical environment, and culture and recreation. Amounts reported as program revenues are charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. In addition, program revenues include grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function. Any expenses not covered by program revenues are supplemented with taxes and other general revenues.



Governmental activities decreased the City of Palm Coast’s net position by \$6,854 during the current fiscal year. Factors include revenues in excess of expenditures in the general fund, accumulation of impact fees due to increased development in the community, planned use of capital projects fund balance offset by sale of land.

Governmental activities unrestricted net position increased by \$3,520,230. The primary driver for this was a decrease in invested in capital assets, due to regular depreciation.

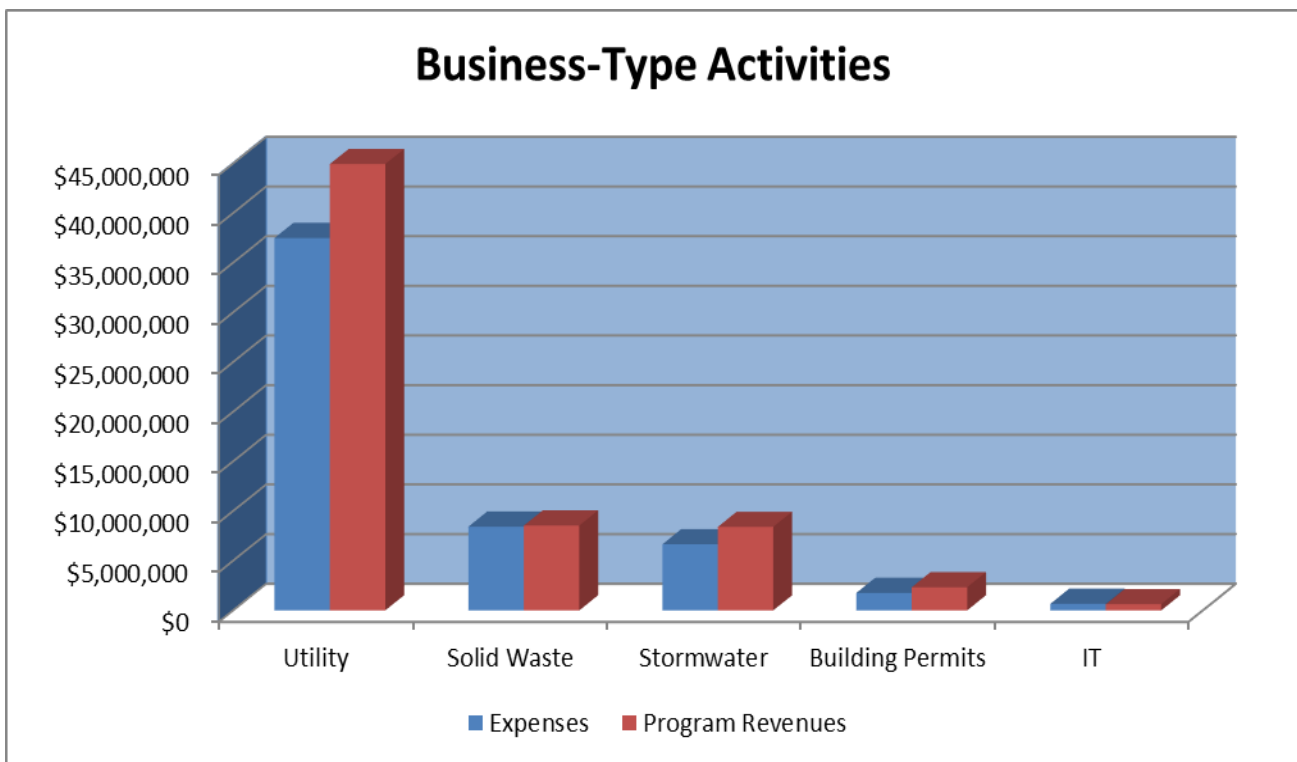
Capital grants and contributions decreased by \$14,335,523 primarily due to donated capital asset infrastructure received during last fiscal year. Operating grants and contributions decreased \$2,823,203 primarily due to FEMA hurricane reimbursements receivables recorded in the prior year. Property taxes increased \$2,685,322 due to a 6% increase in taxable value throughout the City, combined with a millage rate increase of 0.3487.

<b>General Government</b> - General services which include Human Resources, the City Clerk, Administration and Financial Services.	<b>Transportation &amp; Physical Environment</b> - Includes street construction, resurfacing and maintenance.
<b>Public Safety</b> - Provide citizens with Police and Fire services.	<b>Culture &amp; Recreation</b> - Includes recreational programs and maintenance to city parks.

The business-type activities of the City of Palm Coast include a water and sewer utility, solid waste collection, stormwater management, building permits and inspections and information technology (IT).

Business-type activities increased the City of Palm Coast's net position by \$10,120,237. The increase in net position was attributable to an approximately \$7 million increase in the utility fund. The continuing effect of a multi-year rate increase designed to improve reserves and allocate additional amounts for capital projects, and increased revenues due to development contributed to the change. Utility expenses also increased due to the increasing customer base, but at a slower rate than revenues.

Stormwater expenses increased \$1,023,379 for the year due to projects that were carried from the previous fiscal year, combined with the Council focus on improving the stormwater system. The net results of these activities above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$3.5 million. The increase of over \$6 million in restricted net position for capital construction and renewal & replacement was primarily related to impact fees collected, and projected transfers to capital projects of the Utility.



**Bond Proceeds** - Funds used to finance a project or purpose for which the bonds were issued and to pay certain costs of the issuance.

**Capital Projects** - Projects with long range returns and useful life spans. These projects are relatively expensive and have physical presence such as buildings or roads.

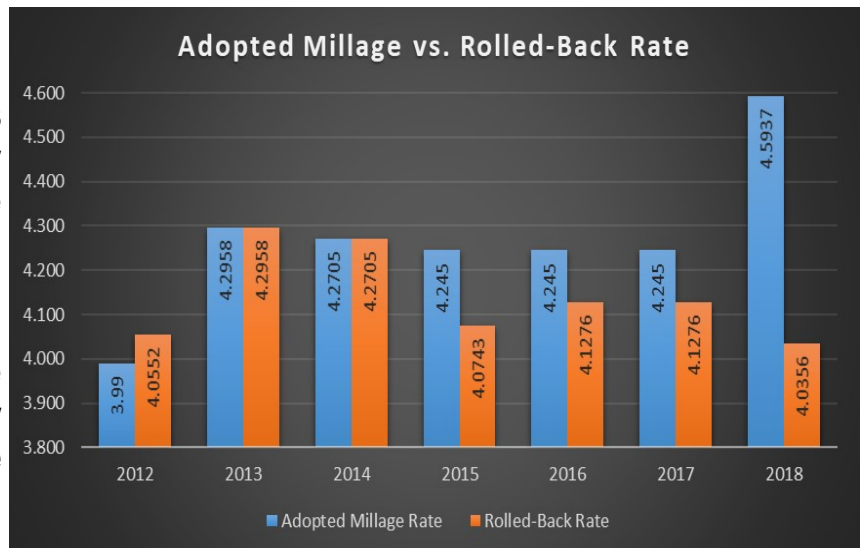
**General Fund** - The largest fund within the City. This fund accounts for most of the traditional services provided by cities. Revenues include property taxes, licenses, local taxes and service charges.



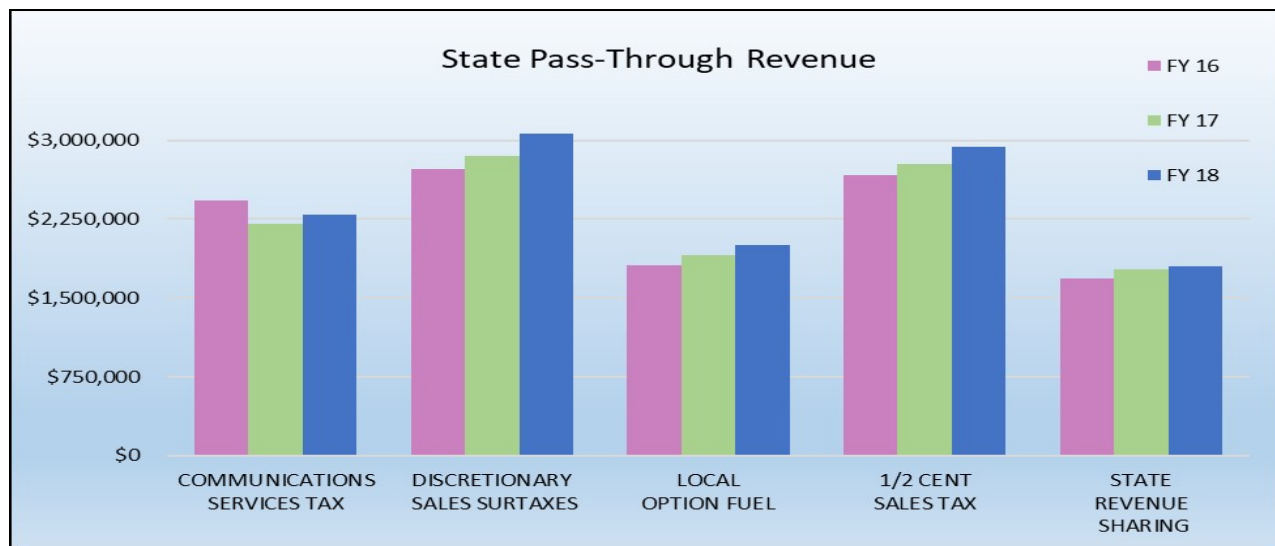
# Revenues

For fiscal year 2018, City Council adopted a millage rate of 4.5937. Property taxes are approximately 13% 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 have an effect on future tax collections.



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 increased, the Communications Services Tax has steadily declined. Revenue diversification in the General Fund provides opportunities to mitigate the effect of rising costs, service level enhancements, and infrastructure funding.



**Ad Valorem Tax** - (Property or Real Estate Taxes) Taxes assessed on a portion of a property's value.

**Communications Services Tax** - The communications services tax applies to telecommunications, video, direct-to-home satellite and related services at a rate of 5.22%. These tax revenues may be used for any public purpose.

**Half Cent Sales Tax** - This program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by Legislature. It distributes a portion of the state 6% sales tax.

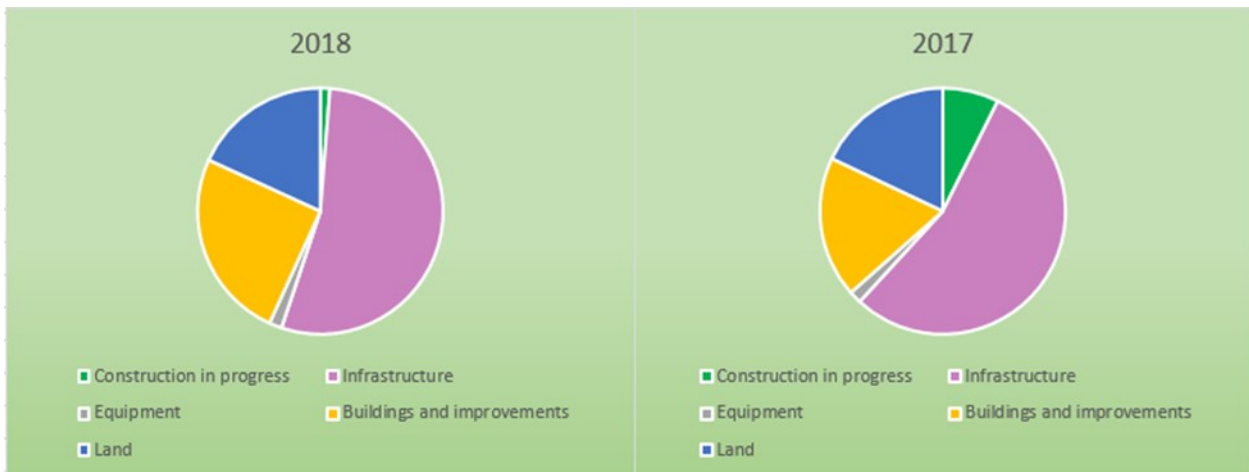
**Millage Rate** - For property tax purposes, a rate established per \$1,000 of assessed taxable value. A property tax millage rate of 3.5 mills for example, would mean property with a taxable value of \$100,000 would pay \$350 in property taxes.

**Rolled-Back Rate** - The millage necessary to raise the same amount of Ad Valorem Tax Revenue as the previous year, excluding taxes from new construction.

# Capital Assets

The City of Palm Coast's investment in capital assets as of September 30, 2018, amounts to \$578,878,112 (net of accumulated depreciation). This investment decreased \$6,711,511 for the current fiscal year. The overall decrease is due to road expansions, bridge rehabilitation, utility infrastructure and park expansions, offset by regular depreciation expense and sale of land that occurred during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Land \$	91,046,522	\$ 91,294,729	\$ 14,156,347	\$ 13,889,568	\$ 105,202,869	\$ 105,184,297
Buildings and improvements						
other than buildings	54,740,254	46,854,727	90,124,940	61,756,145	144,865,194	108,610,872
Infrastructure	172,064,521	179,789,792	139,871,823	139,133,465	311,936,344	318,923,257
Equipment	9,219,381	9,115,991	380,367	439,484	9,599,748	9,555,475
Construction in progress	5,848,993	12,100,659	1,424,964	31,215,063	7,273,957	43,315,722
<b>Total \$</b>	<b>332,919,671</b>	<b>\$ 339,155,898</b>	<b>\$ 245,958,441</b>	<b>\$ 246,433,725</b>	<b>\$ 578,878,112</b>	<b>\$ 585,589,623</b>



**Asset** - Property owned by the City, which has monetary value.

**Capital Assets** - Long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress.

**Construction in Progress** - Construction work which has been started but is not yet completed.

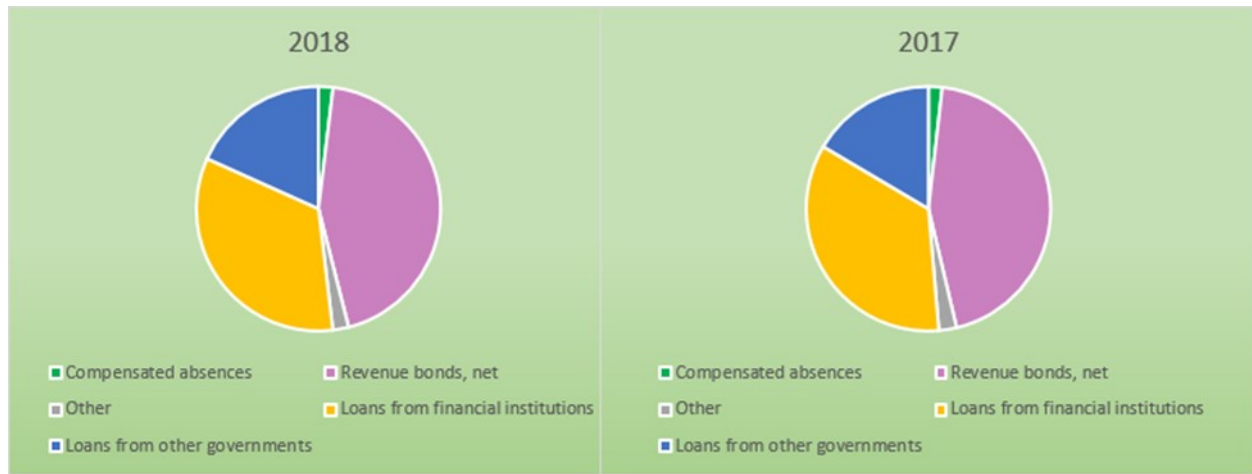
**Depreciation** - A measurement of the decline in value of an asset over a period of time.

**Infrastructure** - Basic equipment and structures, such as roads and bridges, needed for the City to function properly.

# City Debt

The City of Palm Coast owes \$82,564,998 in revenue bonds, net of premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and bank loans totaling \$89,403,019 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$7,685,000 at year end. The remainder of the long-term debt is made up of compensated absences, an unfunded OPEB liability, and a net pension liability. The total long-term debt of the City is \$186,559,368.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Loans from other governments \$	-	-	\$ 34,192,122	\$ 31,939,908	\$ 34,192,122	\$ 31,939,908
Loans from financial institutions	7,685,000	8,365,000	55,210,897	59,063,546	62,895,897	67,428,546
Revenue bonds, net	-	-	82,564,998	86,078,817	82,564,998	86,078,817
Net pension liability	3,318,028	3,377,862	-	-	3,318,028	3,377,862
OPEB liability	325,395	678,886	255,830	485,366	581,225	1,164,252
Compensated absences	2,254,574	2,223,418	1,333,749	1,281,056	3,588,323	3,504,474
<b>Total \$</b>	<b>\$ 13,582,997</b>	<b>\$ 14,645,166</b>	<b>\$ 173,557,596</b>	<b>\$ 178,848,693</b>	<b>\$ 187,140,593</b>	<b>\$ 193,493,859</b>



**CRA** - Community Redevelopment Area - A special district in which any future increases in property taxes are set aside to support economic development projects within the district.

**Compensated Absences** - Expected payments to employees who miss work because of illness, vacation or holidays.

**OPEB** - Other post employment benefits - Post employment benefits that an employee will begin to receive at the start of retirement.

**Revenue Bond** - A special type of municipal bond distinguished by its guarantee of repayment solely by revenues generated by a specified revenue-generating entity associated with the purpose of the bonds.

**Net Pension Liability** - Liability related to Florida Retirement System (FRS) pension benefits.

**Long Term Debt** - Debt that is due in one year or more.

# Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$7,943,802. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 22.5%.

The City Council approved a millage rate of 4.6989 mills for fiscal year 2019. Of the total millage, .1077 mills will be dedicated to the stormwater fund. The balance of 4.5912 mills is assigned to the general fund. Market values of properties have increased for the sixth consecutive year. The increase in taxable value was approximately 8.46%. New construction added approximately 2.51% to the taxable value, therefore the City had a net 5.95% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2019 as a result of a rate study performed as part of the 2003 bond refinancing. The water and sewer rates increased by an average of 6% for all customers effective October 1, 2018. Annual C.P.I. adjustments take place annually starting in fiscal year 2020. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of having new development help fund its impact on infrastructure in the community through impact fees. These fees are annually indexed and will increase approximately two percent for fiscal year 2019. One exception to this policy are recreation impact fees. These fees are based on a study of expected recreation enhancements and population growth as outlined in the park master plan for the City as of fiscal year 2014. These fees will remain static until this plan is updated in the future.

The fiscal year 2019 budget includes over \$47 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, a new wastewater treatment plant, and utility infrastructure expansion and replacements.

**Fiscal Year 2019 - Expenditures by Category**

