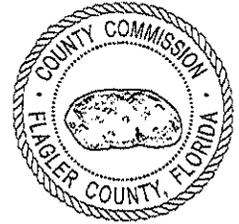


Flagler County

Board of County Commissioners



1769 East Moody Boulevard ♦ Bunnell, Florida 32110 ♦ (386) 313-4000 ♦ fax: (386) 313-4100 ♦ www.FlaglerCounty.org

December 20, 2010

Honorable Chairman and County Commissioners
Flagler County, Florida

Dear Commissioners:

In accordance with the provisions of Sections 129.03(3) and 200.065(2), Florida Statutes, it is my pleasure to present the approved Fiscal Year 2010-11 budget for Flagler County, Florida, in the amount of \$143,723,173.

As adopted, the county wide and dependent special taxing district budgets for fiscal year 2010-11 are as follows:

<u>Taxing Entity</u>	<u>Approved Fiscal Year 2010-11 Budget</u>
County Wide Budget	\$130,983,722
Transportation Impact Fee Funds	8,861,935
Parks Impact Fee Funds	775,015

<u>Taxing Entity</u>	<u>Approved Fiscal Year 2010-11 Budget</u>
Municipal Services Fund	\$ 625,546
Building Department Fund	833,089
\$3,730,000 Special Assessment Bond, Series 2002 Debt Service Fund (Colbert Lane)	1,006,700
Daytona North Service District Fund	583,853
Rima Ridge Mosquito Control District Fund	28,266
Espanola Mosquito Control District Fund	19,656
Bimini Gardens Road Maintenance Fund	5,391
Totals - All Taxing Entities	<u>\$131,731,367</u>

This approved budget is the culmination of a process that included careful consideration

of the goals of the Board of County Commissioners, analysis of current and desired service levels, and availability of funds. Departments initially submitted budgets. The Financial Services Department, Department Directors and the County Administrator then reviewed the initial requests and adjusted the budget as necessary to meet the County's needs, while still maintaining fiscal responsibility.

I believe the approved budget for Fiscal Year 2010-11 reflects your priorities and direction. We held a series of six budget workshops (May 10, May 27, June 14, June 22, and July 12 and July 29) and two public hearings to allow opportunities for citizens to address their concerns and priorities before final decisions were made. Two of the public hearings were specifically scheduled to allow public input prior to any tentative decision on maximum tax rates. The first Truth in Millage (TRIM) Public Hearing was held on Thursday, September 9, 2010 and the 2nd and Final Public Hearing was

Alan Peterson
District 1

Milissa Holland
District 2

Barbara Revels
District 3

Bob Abbott
District 4

George Hanns
District 5

held on Thursday, September 23, 2010.

The preparation of this budget document was accomplished against a backdrop of economic uncertainty and expanded demands for service. For the fourth year in a row, local governments throughout the state have been faced with lower property tax revenue.

The document presented to you is a financially strong budget in light of the ongoing revenue decreases (including dramatic reductions in taxable property values) that we continue to experience. With your leadership, we have dealt with these difficulties by drastically reducing staff, adjusting our self-insured health insurance plan, renegotiating our property/casualty/liability insurance, and surgically cutting budgets throughout the County, yet providing only minimal service changes to the public.

This streamlining of expenses has allowed you to fund necessary capital equipment and technology replacement this year, pursue economic development projects maintain and unencumbered reserve in the amount of \$5,680,007 and still do quality capital projects within every municipality of the County.

Other highlights include maintaining emergency disaster, Helicopter Replacement and jail reserve accounts. Emergency Services, Library, Parks and Recreation, Public Transportation, and Social Services have had budget cuts, with minimal cuts in services. This approved budget is the result of a process that included careful consideration of the goals

of the Board of County Commissioners, analysis of current and desired service levels, and availability of funds. Departments initially submitted budgets. The Financial Services Department, Department Heads, and the County Administrator then reviewed the initial requests and adjusted the budget as necessary to meet the County's needs, while remaining financially responsible.

As an overview:

- The countywide millage rate is approved at 5.5905 mills, of which 5.5337 mills is being used to fund the general fund. The general fund millage rate of 5.5337 mills will generate a total of \$40,306,553 (@ 95%), which is a reduction of \$2,648,509 or 6.17% from the amount of property tax revenue included in the adopted fiscal year 2009-10 budget. Cumulatively, over the past four years (i.e. since the adopted fiscal year 2006-07 budget), the amount of property tax revenue budgeted in the general fund has fallen by \$8,019,597 or 16.59% from a high of \$48,326,150 in fiscal year 2006-07. Although the approved countywide millage rate of 5.5905 mills will generate 6.17% less in property taxes in fiscal year 2010-11 and is 7.08% below the rolled back rate of 6.0165 mills, it does represent an increase of 0.7011 mills from the 4.8894 mills levied in the fiscal year 2009-10.

The current state of the economy has resulted in flat or decreasing revenues

- from a number of major sources, ranging from state shared revenues

such as the half-cent sales tax and state revenue sharing to local revenue sources such as growth management revenues.

- As a result of the overall flat/declining revenue projections, the approved budget as presented includes cutbacks in programs and/or personnel, many of which have been discussed with you previously, but which will also be highlighted in the course of this communication.

A more detailed discussion of the significant features of the approved budget follows:

Comments on Estimated Revenues and Other Receipts

Millage Rate – Included in the approved fiscal year 2010-11 budget of the general fund, the adopted millage rate is 5.5337 mills. Also included as part of the operating millage is the remaining portion of the Environmentally Sensitive Lands millage of 0.0568 mills, for a total operating millage of 5.5905 mills.

In the approved fiscal year 2010-11 budget for the general fund, property taxes represent nearly 80% (79.45% to be exact) of the current year revenues in the general fund (i.e. total available resources of \$65,459,444 less cash carried forward of \$14,730,644). As noted earlier, over the past four years, the amount of property tax revenues budgeted has fallen by 16.59% or \$8,019,597, this has occurred in an economic environment where taxable values used to calculate available property tax revenues have fallen even more precipitously. Specifically, taxable property

values in Flagler County peaked in fiscal year 2007-08 at \$12,184,917,324, and have fallen in each of the three years since then to \$11,200,626,942 in fiscal year 2008-09, to \$9,452,067,430 in fiscal year 2009-10, and finally to \$7,667,193,838 for the approved fiscal year 2010-11 budget. Cumulatively, taxable property values in Flagler County have fallen by \$4,517,723,486 or 37.08% from the historic high of \$12,184,917,324 in fiscal year 2007-08 to \$7,667,193,838 for the approved fiscal year 2010-11 budget. The percentage decline this year alone (i.e. from \$9,452,067,430 in fiscal year 2009-10 to \$7,667,193,838 in fiscal year 2010-11) represents a decrease of \$1,784,873,592 or 18.88%. Although the increase in various property tax exemptions approved by the voters on January 29, 2008 (including the additional \$25,000 homestead exemption for taxable values between \$50,000 and \$75,000) undoubtedly contributed to the overall decline in taxable values, the bulk of the decline is unquestionably the result of the current state of the real estate market. With its dependence on the building construction industry, the impact on the real estate market has been especially pronounced in Flagler County.

Based on certified fiscal year 2010-11 taxable values, which were received from the Property Appraiser on July 14, 2010, the following is a summary of the property tax revenues included within the approved fiscal year 2010-11 budget:

Fund	Approved Millage Rate	Ad Valorem Tax Revenue @100%
General Fund	5.5337 Mills	\$42,427,951
Debt Service Funds:		
2005 ESL	0.0818 Mills	627,403
2009 ESL	0.1114 Mills	854,125
Remainder of ESL	0.0568 Mills	435,497
2005 General Oblig. Bonds	0.2713 Mills	2,080,109
Totals – All Funds	6.0555 Mills	\$46,425,085

Non-Ad Valorem (Per Parcel or Per Front Foot) Assessment Revenues – As presented, the approved fiscal year 2010-11 budget includes a total of \$2,062,567 in non-ad valorem (per parcel or per front foot) special assessment revenues which will be collected by the tax collector as a part of the tax bill process. The specific amounts included within the budget document are as follows:

Taxing Entity	Fiscal Year 2010-11 Special Assessments @100%
Residential Solid Waste Collection Fund	\$ 1,403,149
Daytona North Service District Fund	264,080
\$3,730,000 Special Assessment Bond Debt Service Fund (Colbert Lane)	385,718

Rima Ridge Mosquito Control Fund	2,398
Bimini Gardens MSBU Fund	5,887
Totals - All Taxing Entities	\$2,062,567

There is no significant change in special assessments. Only the total estimated revenues in the Residential Solid Waste Collection Fund changed from the amount included in the adopted fiscal year 2009-10 budget (an increase of \$28,926 or 2.10% resulting from an increase in the number of assessable units. The Colbert Lane Note Payable Fund remained the same in FY 2009-10 as in FY 2008-09. The amount of assessment units remained the same (2,410.74 front feet) and the amount of the assessment is approved at \$160 per front foot. These revenues are still sufficient to fully complete the debt service payments as they come due.

Sales and Use Taxes – The approved fiscal year 2010-2011 budget contains a total of \$4,153,166 in sales and use taxes from the following sources:

Description	Approved Fiscal Year 2010-11 Revenues @100%
Local Government Half Cent Sales Tax	\$ 1,965,936
Local Option Infrastructure ½¢ Sales Surtax	1,152,205

Local Communications Services Tax	197,420
Local Option Tourist Development Tax (3%)	823,737
Total	<u>\$ 4,139,298</u>

Based on preliminary estimates, \$1,965,936 in estimated proceeds from the Local Government Half-cent Sales Tax Clearing Trust Fund has been included in the approved fiscal year 2010-11 budget. This represents an increase of \$284,094 or 16.89% over the \$1,681,842 included in the fiscal year 2009-10 budget.

A substantial portion of the Local Government Half-cent Sales Tax Revenues has been appropriated within the approved fiscal year 2010-11 budget for the repayment of bonded indebtedness. A total of \$1,410,583 or 71.18% of this revenue is required by the provisions of the resolutions authorizing the issuance of the \$34,105,000 Capital Improvement Revenue Bonds, Series 2005 to be collected in the Capital Construction Sinking Fund – 210 to meet current bond debt service requirements.

Proceeds from the ½¢ Local Option Infrastructure Sales Surtax are also expected to see a slight increase during fiscal year 2010-11. The \$1,152,205 included within the approved fiscal year 2010-11 budget represents an increase of \$53,570 or 4.8% from the \$1,098,635 included within the approved fiscal year 2009-10 budget.

Once again, a significant portion of the Local Option Infrastructure Sales Surtax Revenues is pledged, and 100% of the \$1,152,205 proceeds are being utilized for the repayment of \$34,105,000 Capital Improvement Revenue Bonds, Series 2005.

It should be noted that the amount budgeted as revenue from the ½¢ Local Option Infrastructure Sales Surtax represents only 30.9987% of the total proceeds from this revenue source. Through cooperative agreement with the other Flagler County governments, the Town of Beverly Beach receives 0.4459% of the proceeds, the City of Bunnell receives 2.0974%, the City of Flagler Beach receives 4.7982%, the Town of Marineland receives 0.0054%, and the City of Palm Coast receives the remaining 61.6544%, which in fiscal year 2009-10 is expected to generate a total of \$3,998,394.

The amount of proceeds expected to be received from the Local Communications Services Tax is also expected to decline in fiscal year 2010-11 compared to fiscal year 2009-10. A total of \$200,000 is included in the approved fiscal year 2009-10 budget from this source. This amount is expected to drop by \$2,580 or 1.3% to \$197,420 in fiscal year 2010-11.

As with the other sources of intergovernmental revenue, 100% of the \$197,420 proceeds from the Local Communications Services Tax are being utilized for the repayment of \$34,105,000 Capital Improvement Revenue Bonds, Series 2005.

It is anticipated that the amount of tourist development tax revenues generated in fiscal year 2010-11 will increase. We anticipate that the amount of tourist development taxes generated in fiscal year 2010-11 will total \$274,579 per penny. For the full 3¢ tax, the total estimated fiscal year 2010-11 proceeds (@100%) are \$823,737. These estimates are based on the information provided by the Florida Legislative Committee on Intergovernmental Relations.

Pursuant to the provisions of Flagler County Ordinance Number 2003-09, funds generated from the tourist development tax are to be allocated to the following categories:

<u>Category</u>	<u>Percentage</u>
Capital Projects (Fund 109)	30%
Promotions & Advertising (Fund 110)	55%
Beach Restoration & Maintenance (Fund 111)	15%
Total	<u>100%</u>

Motor Fuel Taxes – A total of \$2,417,561 is included within the approved fiscal year 2010-11 budget in motor fuel tax revenues. This amount may be summarized as follows:

<u>Description</u>	Approved Fiscal Year 2010-11 Revenues @100%
Local Option Fuel Tax	\$ 446,558
Constitutional Fuel Tax	1,078,712
County (7 th Cent) Fuel Tax	477,077
Ninth-Cent Fuel Tax	415,214
Total	<u><u>\$2,417,561</u></u>

The \$2,417,561 included from these sources in the approved fiscal year 2010-11 budget represents an increase of 5.7% from the \$2,287,074 included in the adopted fiscal year 2009-10 budget.

Each of the four types of motor fuel tax revenues have limitations as to how they can be utilized, for example, the constitutional fuel tax is generally limited to contracted road construction and reconstruction.

Please note that through cooperative agreement between Flagler County and the Flagler County municipalities, the proceeds of the six cent local option fuel tax is remitted by the State Department of Revenue directly to the County and the Cities. For fiscal year 2010-11, the distribution percentages are as follows:

<u>Entity</u>	Fiscal Year 2010-11 Distribution
Town of Beverly Beach	0.44%
City of Bunnell	2.70%
City of Flagler Beach	4.71%
Town of Marineland	0.00%
City of Palm Coast	72.97%
Flagler County	19.18%
Total	<u><u>100.00%</u></u>

Licenses, Permits, and Fees – The amounts included within the approved fiscal year 2010-11 budget from these sources total \$291,950 which represents a decrease of \$28,384 or 9.7% from the \$320,334 included within the adopted fiscal year 2008-09 budget.

This revenue category includes a number of different sources including building permit fees, right of way utilization fees, and impact fees. Notable among the various revenue sources experiencing decreases are building permit revenues, which are expected to decline by \$5,789 or 2.8% from \$205,789 in fiscal year 2009-10 to \$200,000 in fiscal year 2010-11. Impact fee revenues are also expected to encounter a slight decline. Transportation impact fees are expected to experience a decline of \$107,350 or 52.4% from \$205,000 in fiscal year 2010-11 to \$97,650 in fiscal year 2010-11. Similarly, Parks impact fees are expected to experience a smaller decrease,

from \$11,700 in fiscal year 2009-10, to \$10,947 in fiscal year 2010-11, a decrease of \$753 or 6.4%.

Fund Balance (or Retained Earnings) Forward (carry over) – These amounts are defined as the expected amounts that the preceding year's (fiscal year 2009-10) actual receipts exceed expenditures. These amounts are generally used to fund the various budgets until receipt of ad valorem tax and non-ad valorem per parcel assessment revenues, which normally occurs in November or early December. The approved fiscal year 2010-11 budget includes a total of \$52,084,238 in fund balance (or retained earnings) brought forward, which represents 36.24% of the total approved budget of \$143,723,173. Nearly 89% of the budgeted amount of fund balance (retained earnings) brought forward are included in 14 funds, which may be summarized as follows:

Fund	Budgeted Fund Balance/ Retained Earnings
General Fund	\$15,216,282
Constitutional Gas Tax Fund	2,301,315
Tourist Development Funds	2,373,156
Transportation Impact Fee Palm Coast	4,219,210
Transportation Impact Fee Old East	2,686,432

Transportation Impact Fee New East	493,048
Environmentally Sensitive Lands	1,593,678
Building Department Fund	555,262
Capital Construction Sinking (Debt Service) Fund	4,583,102
Beachfront Parks Funds	1,984,522
Airport	1,496,078
Sanitary Landfill/Solid Waste	3,873,452
Landfill Const/Demo	929,116
Group Benefits (Internal Service) Fund	\$4,054,000
Subtotal	46,358,653
All other funds	5,725,585
Totals – All Funds	<u>\$52,084,238</u>

Debt Proceeds – As presented, the approved fiscal year 2010-11 budget contemplates one bond issue. This debt issue, in the amount of \$3,256,467 is in the Utility Enterprise Fund and is intended to provide funding for a portion of the improvements to the Beverly Beach Utility System. This amount is a loan from the United States Department of Agriculture (USDA). Once the proceeds of the loan are fully expended, the County is eligible to receive grant funding totaling \$1,854,900. The grant funding has also been budgeted as estimated revenue in the approved fiscal

year 2010-11 budget of the utility enterprise fund.

Comments on Approved Expenditures

Personal Services – As included in the approved fiscal year 2010-11 budget, appropriations for personal services total \$18,382,603, which represents a decrease of \$289,060 or 1.5% from the \$18,671,663 included in the approved fiscal year 2009-10 budget.

As noted previously, a number of decisions were made in advance of the presentation of this document relative to the reduction in staffing. As presented, the approved fiscal year 2010-11 budget document includes a total of 297.75 full time equivalent positions in county departments (i.e. excluding constitutional officers). This represents the addition of 10 positions over the 287.75 included in the adopted fiscal year 2009-10 budget. Additional Firefighter and Transportation Driver positions were added to help reduce overtime and the use of contract employees. The changes in staffing may be summarized by department as follows:

<u>Department</u>	<u>Reduction in Number of FTE Positions</u>
<u>Number</u>	
Community Services	(0.65)
Emergency Services	4.00
Financial Services	0.57
General Services	6.50
Law Library	0.15
Growth Management	(1.00)
Solid Waste	1.00
SHIP	(0.57)
Total	<u>10.00</u>

As presented, the approved budget includes no funding to provide salary increases to BCC employees.

The constitutional officers were encouraged to follow the same salary increase strategy, but we are unable to verify whether or not they are in compliance.

Even though the approved budget includes no salary increases, there may be changes to the amount of salaries and benefits budgeted for existing personnel as a result of reclassifications of existing personnel, additions of positions, and the attrition of personnel which are replaced by personnel at differing pay rates, which may occur at any time during the fiscal year.

The County pays 100% of the cost of employee participation in the Florida Retirement System. The total cost of this benefit for fiscal year 2010-11 is \$1,930,069.

The County presently provides health care coverage to all full time employees through a self insured health care program, which provides for the payment of employee health and medical claims and is managed by the County and a third party administrator. Key components of the program include a prescription medication plan, and a Preferred Provider Organization (PPO).

The County has historically paid 100% of the cost to provide health care coverage for the employee plus a substantial portion of the additional cost of providing dependent health care coverage. These amounts have been funded as a flat amount per employee (i.e. without regard to the cost of providing the service or the dependent care option selected). The amount per employee funded historically is as follows:

Fiscal Year	Amount Funded Per Employee
2007-08	\$10,000
2008-09	9,000
2009-10	8,000
2010-11	8,300

In an effort to compensate for increased claims costs, county funding per employee is being increased from the \$8,000 per employee in fiscal year 2009-10 to \$8,300 per employee in fiscal year 2010-11. The total amount budgeted in the Insurance Fund has increased \$356,714 or 3.6% from \$9,791,676 in the adopted 2009-10 budget

to \$10,148,390 in the approved 2010-11 budget.

For fiscal year 2010-11 in an effort to maintain the fiscal solvency of the self-insurance fund and share the increased costs of the medical plan, county funding and employee contributions were increased and a second option (Blue Options) was added to the plan. The Blue options Plan offers employees a smaller increase to the employee contributions with higher deductibles and copays when utilizing the services. The original Blue Choice plan remained the same allowing employees to keep their current coverage but at a higher contribution than the Blue Options plan.

See plan summary:

Description	Blue Options	Blue Choice
Deductible	\$500/\$1,500	\$300/\$600
(in-network/ out of network)	\$1,500/\$4,500	\$700/\$1,400
Coinsurance		
In Network	80%/20%	80%/20%
Out of Network	50%/50%	60%/40%
Out of Pocket Maximum		
In Network	\$4,000/\$8,000	\$2,500/\$5,000
Out of Network	\$7,500/\$15,000	\$7,500/\$15,000
Office Visit (PCP/Specialist)	\$25/\$60	\$15/\$25
Pharmacy	\$10/\$30/\$50	\$5/\$20/\$50
Dental/Vision Coverage	Voluntary	Voluntary

In addition to the plan document changes proposed above, a fourth rate tier option has been added to the plan. The rate

categories available to employees for health care coverage now include the following:

- Employee
- Employee and Spouse
- Employee and Children
- Employee and Family

By September 30, 2010, we believe the retained earnings balance in the health insurance fund will be \$3,135,595. The County will continue to monitor this fund. It would be our intention to utilize any undesignated balance of retained earnings (i.e after subtracting the estimated amount necessary to pay for claims incurred but not paid) for the purpose of creating a method of stabilizing the premiums charged for participation in the health care program.

Similar to the cost of participating in the Florida Retirement System and the cost of employer provided health care coverage we are also expecting the cost of the County's fully insured workers' compensation program to fall. The cost of this program has been allocated generally on the basis of the manual premium rates established by the State of Florida. For employees of the Board of County Commissioners only, this change is expected to produce savings totaling \$14,578 or 2.9% from the \$500,530 included in the adopted fiscal year 2009-10 budget.

As included in the approved fiscal year 2010-11 budget, there is a total of \$716,983 in budgeted overtime costs. This represents a decrease of \$20,215 or 2.7% from the \$737,198 included in the approved year fiscal year 2009-10 budget. Over 86%

of the budgeted overtime is included in the approved fiscal year 2010-11 budget of the Emergency Services Department. The total amount budgeted for overtime in the Emergency Services Department has remained at \$659,884 from the adopted fiscal year 2009-10 budget to the approved fiscal year 2010-11 budget. In prior fiscal years, personnel in the Emergency Services Department were paid overtime for hours worked in excess of 40 hours in a workweek, even though the Fair Labor Standards Act permits personnel in this area to receive overtime pay for all hours worked in excess of 53. Emergency Services Department employees typically worked a 56 hour workweek, resulting in overtime being paid on an average of 16 hours each week (i.e 56 hours minus 40 hour). As a consequence, this "scheduled overtime" produced nearly two-thirds of the total overtime budget. During the last quarter of fiscal year 2008-09 the Board of County Commissioners approved a salary adjustment and change in work hours for these employees. They will no longer be working "scheduled overtime."

Operating Expenses – Total operating expenses increased by \$367,294 or 1.8% from \$20,460,524 in fiscal year 2009-10 to \$20,827,818 in the approved fiscal year 2010-11 budget.

County Departments were directed to look for operational efficiencies in an effort to maintain current operating expenses. In the approved 2010-11 all departments held the line on operating costs.

The amount included within the approved fiscal year 2009-10 budget for the purchase of insurance, specifically property casualty and liability insurance are expected to remain consistent with the previous fiscal year. The amount funded in the fiscal year 2010-11 approved budget is \$688,985.

Finally, the funding provided to outside agencies is included in the operating expense category. A total of \$1,039,122 has been included within the approved fiscal year 2010-11 budget for this purpose, which represents an increase of \$20,769 or 20% from the \$1,000,126 included in the adopted fiscal year 2009-10 budget.

Constitutional Officers – As included in the approved fiscal year 2010-11 budget, the total funding support approved for the Flagler County Constitutional Officers has increased by \$121,343 from \$26,188,886 in the adopted fiscal year 2009-10 budget, to \$26,310,209 in the approved fiscal year 2010-11 budget. This increase is primarily related to new positions for the Clerk of the Court.

The funding provided to each of the five constitutional officers may be summarized as follows:

Constitutional Officer	Funding
Sheriff	\$ 19,529,340
Property Appraiser	2,162,878
Tax Collector	2,715,567
Clerk of the Circuit Court	1,081,222
Supervisor of Elections	641,192
Judicial/Other	180,110
Total	\$26,310,209

Capital Outlay – The \$1,704,263 in Capital Outlay Expenditures included in the approved fiscal year 2010-11 budget represents a decrease of \$84,503 or 4.95% from the \$1,788,766 included in the adopted fiscal year 2009-10 budget.

The majority of these expenses is for Fire Rescue Trucks (\$786,656) and grant funded busses (\$570,000). Only essential equipment is being replaced this fiscal year.

Capital Improvement Program – The approved Capital Improvement Program for this fiscal year totals over 18 million dollars with 5 minor projects and 42 major projects. New Major Capital projects include replacement of bridges and widening and resurfacing County Road 305, Sidewalk improvements on SR 100 and Old Kings Road North, Park Improvements to include parking and various Airport projects. A detailed listing of these projects is provided in section 7 of this document. The following summarizes the Major Capital Projects by function:

Project	Amount Included in Fiscal Year 2010-11 Budget
Parks, Trails, Sidewalks and Libraries	\$4,659,063
Roads and Bridges	5,518,559
Utility	4,401,567
Airport	3,423,031
County Buildings and Structures	601,900
Canals and Drainage	187,500
Artificial Reef	80,000
Total	\$18,871,620

The majority of the funding for these projects comes from state and federal grants and earmarks. Other major sources include impact fees, gas taxes and the general fund.

Debt Service – Debt service includes the costs of liquidating long-term liabilities of the County, such as principal and interest on bond issues and notes and contracts payable and related expenditures. The debt service expenditures of \$9,964,775 included in the approved fiscal year 2010-11 budget represents a decrease of \$333,881 or 3.24% over the \$10,298,656 included in the adopted fiscal year 2009-10 budget.

Debt service expenditures vary depending on the amount of the periodic installments of principal and interest due on long-term obligations during a particular fiscal year. The county has no legal debt limits.

Interfund Transfers Out – As presented, the approved budget includes a total of \$761,334 in interfund transfers out. There are a total of five transfers included in this category. One of these transfers accounts for \$348,750 or 45.8% of the total. The following is a detail of the largest transfers:

1. A transfer of \$150,000 from the Tourist Development Fund to the General Fund. This transfer is for a future grant award.
2. A transfer of \$162,160 is budgeted from the Environmentally Sensitive Lands Fund to the Debt Service Fund.

3. Transfers totaling \$348,750 from the general fund to the new major capital projects fund for the purpose of funding part of all of specific capital improvements. This transfer may be broken out into the following components:

Description	Amount of Transfer
County Buildings	205,000
Canals/Drainage	143,750
Total	\$348,750

The remaining two interfund transfers total \$53,480.

Reserves and Contingencies – A total of \$37,844,601 has been included in the approved fiscal year 2010-11 budget for the provision of reserves. These reserves, which are generally governed by the provisions of Section 129, Florida Statutes, typically fit into one of four categories; reserves for contingencies; reserves for cash to be carried forward; reserves for debt service; and reserves for capital outlay. Reserves for contingencies are included to provide a safety net in the event that unforeseen expenditures occur during the fiscal year. Reserves for contingencies are statutorily limited to no more than 10% of the total fund budget. Reserves for cash to be carried forward are generally created when there is a need to carry forward funds to continue operations until revenues are received in the new fiscal year. Reserves for cash to be carried forward are statutorily limited to no more than 20% of the fund budget. Pursuant to the provisions of the

Board's adopted fund balance reserve policy (Flagler County Ordinance 06-24) the Board is required to fund a reserve for cash to be carried forward in the general fund in an amount not less than 15% of the current fiscal year budget for the fund. Reserves for debt service are created as legally required by the documents underlying the issuance of the debt, and are not governed by the provisions of Section 129, Florida Statutes. Reserves for capital outlay are generally established to provide the opportunity to cash fund major future capital outlay requirements.

At this point, it must be pointed out that in an effort to present a balanced budget, as provided by the provisions of Section 129.01(1)(b), Florida Statutes, it was necessary to reduce the amount budgeted in the general fund as reserve for cash to be carried forward below the required 15% threshold. In order to restore this reserve, it will be necessary to identify potential new revenue sources or cost savings. In the alternative, the Board may wish to revisit its adopted policy and modify it as deemed appropriate.

Format of Document

We are pleased to present the approved budget to you in the same format as last year. The budget consists of eight main sections. Major changes include the grouping of revenues and expenses in all funds so that a more complete financial picture can be provided for each service or function. In some cases services have been broken down to provide a more detailed analysis. This is specifically found

in Social Services and Parks and Recreation.

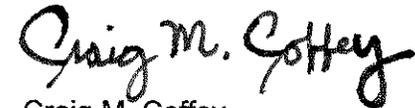
Other major changes to the document include explanations of the grants and funding sources on the revenue side along with various details of expenses such as outside agencies that are funded. These are scattered within the document and next to the relevant area being considered. Capital Projects have been financially detailed, and described with a narrative that will allow the average citizen to better understand the major projects the County is proposing to undertake and why.

Other smaller changes include a comments area within each budget that allows a brief explanation of larger dollar changes in either revenues or expenses. In some cases, account names and department's names have been changed to provide clarification.

Lastly, the FY 2009-10 Approved Budget was awarded the Government Finance Officers Association Distinguished Budget Presentation Award. The Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Awards Program was established in 1984 to recognize exemplary budget documentation by state, provincial and local governments, as well as public universities and colleges. Entities participating in the program submit copies of their operating budget for review. Each budget document is evaluated using a comprehensive evaluation checklist and those judged proficient receive the Award. The above comments are intended to clarify areas in which we felt additional information was necessary. If there are any other questions concerning the approved

budgeted budget as presented, we would be pleased to discuss those questions with you, or to explain any of the procedures followed in the preparation of the budget document.

Respectfully submitted,



Craig M. Coffey
County Administrator



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Flagler County

Florida

For the Fiscal Year Beginning

October 1, 2009

President

Executive Director

A C K N O W L E D G E M E N T S

An annual budget document of this complexity could not have been prepared without the efficient and dedicated service of all staff members involved. I would like to give special recognition for the outstanding efforts of Kristi Moss, Lorie Bailey-Brown, Diane Den Bleyker and the entire staff of the Financial Services Department for their efforts in the preparation of the document.