

FLAGLER COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS

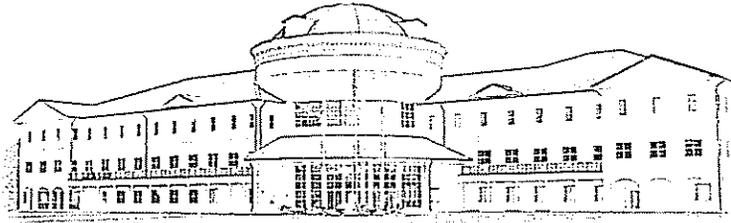
APPROVED BUDGET

FISCAL YEAR 2009/2010
October 1, 2009 – September 30, 2010

Milissa Holland, Chair, District Two
George Hanns, Vice Chair District Five
Barbara S. Revels, District Three
Alan C. Peterson, District One
Robert Abbott, District Four

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Flagler County

Board of County Commissioners



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December 21, 2009

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 adopted fiscal year 2009-10 budget for Flagler County, Florida, in the amount of \$142,369,404.

As adopted, the county wide and dependent special taxing district budgets for fiscal year 2009-10 are as follows:

<u>Taxing Entity</u>	<u>Approved Fiscal Year 2009-10 Budget</u>
County Wide Budget	\$128,312,762
Transportation Impact Fee Funds	9,832,464
Parks Impact Fee Funds	352,689

<u>Taxing Entity</u>	<u>Approved Fiscal Year 2009-10 Budget</u>
Municipal Services Fund	\$ 1,187,439
Building Department Fund	1,123,449
\$3,730,000 Special Assessment Bond, Series 2002 Debt Service Fund (Colbert Lane)	986,644
Daytona North Service District Fund	516,121
Rima Ridge Mosquito Control District Fund	29,592
Espanola Mosquito Control District Fund	20,911
Bimini Gardens Road Maintenance Fund	7,333
Totals - All Taxing Entities	<u>\$142,369,404</u>

This adopted 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 adopted budget for Fiscal Year 2009-10 reflects your priorities and direction. We scheduled a series of workshops and 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. A preliminary workshop to discuss the maximum millage rate was held on July 28, 2009. The first Truth in Millage (TRIM) Public Hearing was held on September 10, 2009 and the 2nd and Final Public Hearing was held on September 24, 2009.

The preparation of this budget document was accomplished against a backdrop of economic uncertainty and expanded demands for service. While the growth in the county accompanies growth in our tax base, increased demands for service, especially in the areas of public safety, growth management, and transportation are ever-present

The document presented to you is a financially strong budget in light of the ongoing revenue decreases and major price increases that we are presently experiencing. 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 including some of the Constitutional Officers, yet providing only minimal service changes to the public.

This streamlining of expenses has allowed you to fund normal capital equipment and technology replacement this year, pursue economic development projects increase unencumbered reserves by \$427,485 to reach a level of \$7,167,485, and still do quality capital projects within every municipality of the County.

Other highlights include increasing emergency disaster reserves by \$50,000, maintaining the Helicopter Replacement Fund and setting aside \$150,000 in a jail reserve account to begin to address specific jail issues. Emergency Services, Library, Parks and Recreation, Public Transportation, and Social Services have had budget cuts, with minimal cuts in

services. This proposed 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.

The preparation of the Approved Budget has been accomplished against a backdrop of economic uncertainty and expanded demands for service. While the growth in the county has historically been accompanied by growth in the tax base, this year, for the third consecutive year, the amount of ad valorem tax revenues available to fund the budget has been materially reduced.

As an overview:

- The countywide millage rate is approved at 4.8894 mills, which is a reduction of 0.3095 mills from the rolled back rate of 5.1989 mills, although it does represent an increase of 0.5932 mills from the 4.2962 mills levied in the previous year. For the third consecutive year, the amount of ad valorem tax revenues included in the approved general fund budget has fallen. Specifically, the \$45,215,855 of ad valorem tax revenues included in the approved fiscal year 2009-10 budget of the general fund represents a decrease of \$498,271 from the \$45,714,126 included in the approved fiscal year 2008-09 budget.

- 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 proposed budget follows:

Comments on Estimated Revenues and Other Receipts

Millage Rate – Included in the approved fiscal year 2009-10 budget of the general fund, the adopted millage rate is 4.7837 mills. Also included as part of the operating millage is the remaining portion of the Environmentally Sensitive Lands millage of 0.1057 mills, for a total operating millage of 4.8894 mills.

As a local government, we continue to struggle with the effects of two statewide property tax initiatives which have occurred over the past three fiscal years.

First, on June 14, 2007, Florida Governor Charlie Crist signed into law legislation that provided tax relief through a tax cut and

implemented a cap for annual property tax growth. The property tax cap required that counties, cities and special districts rollback the tax rate to 2006-2007 levels. The tax cut required that the property tax rate be further reduced by a predetermined amount based on relative growth in tax revenues on a per capita basis from 2001 to 2006. The result for Flagler County was the requirement to use 91% of the rolled-back rate when computing Ad Valorem Property Taxes. This affected the continuation of current activities and the implementation of new initiatives that had been contemplated for funding.

Subsequently, the Florida Legislature passed legislation placing a proposed Constitutional Amendment on the January 29, 2008 ballot for citizen vote. The initiative, which was approved by the requisite 60% majority, contains the following provisions:

1. Additional \$25,000 homestead exemption for taxable values between \$50,000 and \$75,000;
2. A \$25,000 exemption on Tangible Personal Property, providing some tax relief to commercial property owners;
3. Portability of the Save Our Homes exemption providing that property owners may take 100% or a defined portion of their Save Our Homes benefit to a new homestead within two years of giving up their previous homestead, depending on the just value of the new homestead

compared to the just value of the previous home;

4. Provides a limit of 10% on the amount by which taxable values of non-homesteaded property may rise in a single year. This provision will sunset after 10 years.

Based on certified fiscal year 2009-10 taxable values, which were received from the Property Appraiser on July 7, 2009, the following is a summary of the property tax revenues included within the approved fiscal year 2009-10 budget:

Fund	Approved Millage Rate	Ad Valorem Tax Revenue @100%
General Fund	4.7837 Mills	\$45,215,855
<u>Debt Service Funds:</u>		
2005 ESL	0.0651 Mills	615,660
2009 ESL	0.0792 Mills	748,603
Remainder of ESL	0.1057 Mills	999,083
2005 General Obig. Bonds	0.2142 Mills	2,024,633
Totals – All Funds	5.2479 Mills	\$49,603,834

Non-Ad Valorem (Per Parcel or Per Front Foot) Assessment Revenues – As presented, the approved fiscal year 2009-10 budget includes a total of \$2,033,641 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 2009-10 Special Assessments @100%
Residential Solid Waste Collection Fund	\$ 1,374,223
Daytona North Service District Fund	264,080
\$3,730,000 Special Assessment Bond Debt Service Fund (Colbert Lane)	385,718
Espanola Mosquito Control Fund	1,335
Rima Ridge Mosquito Control Fund	2,398
Bimini Gardens MSBU Fund	5,887
Totals - All Taxing Entities	\$2,033,641

There is no significant change in special assessments. 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 proposed 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 2009-2010 budget contains a total of \$4,153,166 in sales and use taxes from the following sources:

<u>Description</u>	<u>Approved Fiscal Year 2009-10 Revenues @100%</u>
Local Government Half Cent Sales Tax	\$ 1,681,842
Local Option Infrastructure ½¢ Sales Surtax	1,098,635
Local Communications Services Tax	200,000
Local Option Tourist Development Tax (3%)	482,356
Total	<u>\$ 4,153,168</u>

Based on preliminary estimates, \$1,681,842 in estimated proceeds from the Local Government Half-cent Sales Tax Clearing Trust Fund has been included in the approved fiscal year 2009-10 budget. This represents a decrease of \$244,427 or 12.69% under the \$1,926,269 included in the fiscal year 2008-09 budget.

A substantial portion of the Local Government Half-cent Sales Tax Revenues has been appropriated within the approved fiscal year 2009-10 budget for the repayment of bonded indebtedness. A total of \$1,268,438 or 75.42% 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 transferred to 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 decrease during fiscal year 2009-10. The \$1,098,635 included within the approved fiscal year 2009-10 budget represents a decrease of \$76,263 or 6.5% from the \$1,174,898 included within the approved fiscal year 2008-09 budget.

Once again, a significant portion of the Local Option Infrastructure Sales Surtax Revenues is pledged, and 100% of the \$1,098,635 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 \$3,544,132.

The amount of proceeds expected to be received from the Local Communications Services Tax is also expected to decline in fiscal year 2009-10 compared to fiscal year

2008-09. A total of \$236,608 is included in the approved fiscal year 2008-09 budget from this source. This amount is expected to drop by \$36,608 or 18.3% to \$200,000 in fiscal year 2009-10.

As with the other sources of intergovernmental revenue, 100% of the \$200,000 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 also anticipated that the amount of tourist development tax revenues generated in fiscal year 2009-10 will decrease. We anticipate that the amount of tourist development taxes generated in fiscal year 2009-10 will total \$160,786 per penny. For the full 3¢ tax, the total estimated fiscal year 2009-10 proceeds (@100%) are \$482,356. 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 309)	30%
Promotions & Advertising (Fund 310)	55%
Beach Restoration & Maintenance (Fund 311)	15%
Total	100%

Motor Fuel Taxes – A total of \$2,287,074 is included within the approved fiscal year 2009-10 budget in motor fuel tax revenues. This amount may be summarized as follows:

<u>Description</u>	<u>Approved Fiscal Year 2009-10 Revenues @100%</u>
Local Option Fuel Tax	\$ 434,861
Constitutional Fuel Tax	1,030,384
County (7 th Cent) Fuel Tax	454,383
Ninth-Cent Fuel Tax	367,446
Total	\$2,287,074

The \$2,287,074 included from these sources in the approved fiscal year 2009-10 budget represents a decrease or 9.9% from the \$2,539,342 included in the adopted fiscal year 2008-09 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 2009-10, the distribution percentages are as follows:

<u>Entity</u>	<u>Fiscal Year 2008-09 Distribution</u>
Town of Beverly Beach	0.35%
City of Bunnell	2.55%
City of Flagler Beach	4.75%
Town of Marineland	0.00%
City of Palm Coast	71.45%
Flagler County	20.90%
Total	100.00%

Licenses, Permits, and Fees – The amounts included within the proposed fiscal year 2009-10 budget from these sources total \$441,575 which represents a decrease of \$454,417 or 50.7% from the \$895,992 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. Principally as a result of the soft

construction sector, virtually every source of revenue included in this category is expected to decline in fiscal year 2009-10. Notable among the various revenue sources experiencing decreases are building permit revenues, which are expected to decline by \$184,119 or 47.22% from \$389,908 in fiscal year 2008-09 to \$205,789 in fiscal year 2009-10. Impact fee revenues are also expected to encounter significant declines. Transportation impact fees are expected to experience a decline of \$262,732 or 43.8% from \$467,732 in fiscal year 2008-09 to \$205,000 in fiscal year 2009-10. Similarly, Parks impact fees are expected to experience a similar decrease, from \$13,691 in fiscal year 2008-09, to \$8,760 in fiscal year 2009-10, a decrease of \$4,931 or 36%.

Fund Balance (or Retained Earnings) Forward (carry over) – These amounts are defined as the expected amounts that the preceding year's (fiscal year 2008-09) 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 2009-10 budget includes a total of \$ 51,692,034 in fund balance (or retained earnings) brought forward, which represents 31.62% of the total proposed budget of \$142,369,404. Nearly 83% of the budgeted amount of fund balance (retained earnings) brought forward are included in 9 funds, which may be summarized as follows:

Fund	Budgeted Fund Balance/ Retained Earnings
General Fund	\$14,985,471
Constitutional Gas Tax Fund	1,649,389
Environmentally Sensitive Lands Fund	1,682,042
Transportation Impact Fee Palm Coast	4,248,365
Transportation Impact Fee Old East	3,349,630
Transportation Impact Fee Old East	1,325,982
Building Department Fund	819,027
Capital Construction Sinking (Debt Service) Fund	4,581,102
Beachfront Parks Fund	1,885,242
Sanitary Landfill Fund	3,717,632
Group Benefits (Internal Service) Fund	\$4,638,067
Subtotal	42,881,949
All other funds	8,810,085
Totals – All Funds	\$51,692,034

Debt Proceeds – As presented, the approved fiscal year 2009-10 budget contemplates one bond issue. This debt issue, in the amount of \$1,741,593 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 \$1,567,444. The grant funding has also been budgeted as estimated revenue in the approved fiscal year 2009-10 budget of the utility enterprise fund.

Comments on Proposed Expenditures

Personal Services – As included in the approved fiscal year 2009-10 budget, appropriations for personal services total \$14,932,107, which represents a decrease of \$814,146 or 5.18% from the \$15,746,253 included in the approved fiscal year 2008-09 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 2009-10 budget document includes a total of 286.75 full time equivalent positions in county departments (i.e. excluding constitutional officers). This represents a reduction of 17.95 or 5.89% from the 304.70 full time equivalent positions included in the adopted fiscal year 2008-09 budget. The reductions in staffing may be summarized by department as follows:

Department	Reduction in Number of FTE Positions
Community Services	(3.25)
Emergency Services	(1.00)
Financial Services	(0.67)
General Services	(5.50)
Growth Management	(7.00)
Judicial	0.80
SHIP	(0.33)
Administration	1.00
Airport	(2.00)
Total	(17.95)

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 2009-10 is \$1,793,917.

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

As a result of both the reduction of 17.95 in the number of full time equivalent positions included in the approved fiscal year 2009-10 budget, as well as the reduction in the amount funded per employee from \$9,000 to \$8,000, the total cost of the employer portion of providing health care coverage is expected to fall by \$705,587 or 23.53% from \$2,998,227 in fiscal year 2008-09 to \$2,292,640 in fiscal year 2009-10.

During fiscal year 2008-09 in an effort to accomplish a 10% savings on the per employee cost while at the same time maintaining the fiscal solvency of the self-insurance fund, several adjustments were made to the Blue Choice PPO plan document as summarized below:

Description	Current	Proposed
Deductible (in-network/ out of network)	\$100/\$200	\$200/\$400
Deductibles	\$500/\$1,000	\$700/\$1,400
	Cross Apply	Accumulate Individually
Deductibles	4th Quarter Carryover	No Carryover
Out of Pocket Maximum (in-network/out of network)	\$1,500/\$3,000	\$2,000/\$4,000
	\$4,500/\$9,000	\$7,500/\$15,000
Coinsurance (in network/ out of network)	90%/70%	80%/60%
Office Visit (PCP/Specialist)	\$10	\$15/\$25
Pharmacy	\$5/\$20/\$35 Brand Paid at \$5 if Generic Unavailable	\$5/\$20/\$35 Brand paid at \$20 or \$35
Dental/Vision Coverage	Included	Voluntary

In addition to the plan document changes proposed above, a fourth rate tier option be 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 (new)
- Employee and Family

By September 30, 2010, we believe the retained earnings balance in the health insurance fund will be \$1,007,175. 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 \$162,129 or 2.45% from the \$662,659 included in the adopted fiscal year 2008-09 budget.

As included in the approved fiscal year 2009-10 budget, there is a total of \$737,198 in budgeted overtime costs. This represents a decrease of \$313,512 or 29.8% from the \$1,050,710 included in the approved year fiscal year 2008-09 budget. Over 89% of the budgeted overtime is included in the approved fiscal year 2009-10 budget of the Emergency Services Department. The total amount budgeted for overtime in the Emergency Services Department decreased by \$1,264,116 or 65.7%, from \$1,924,000 in the adopted

fiscal year 2008-09 budget to \$659,884 in the approved fiscal year 2009-10 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 fell by \$1,411,200 or 7.62% from \$18,510,163 in fiscal year 2008-09 to \$17,098,963 in the approved fiscal year 2009-10 budget.

County Departments were directed to look for operational efficiencies in an effort to reduce operating expenses. In fiscal year 2008-09 major increases were estimated in the cost of fuel and county-wide utility expenses. These increases were not as significant as anticipated. For fiscal year 2009-10 expenses for these items have been reduced to reflect the current rates. Utility costs for fiscal year 2009-10 are budgeted at \$1,778,402 as compared to \$2,323,768 in fiscal year 2008-09. Likewise fuel costs were approved at \$1,286,730

compared to \$1,458,846 in fiscal year 2008-09.

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 2009-10 approved budget is \$688,985.

Finally, the funding provided to outside agencies is included in the operating expense category. A total of \$1,000,126 has been included within the approved fiscal year 2009-10 budget for this purpose, which represents a decrease of \$102,372 or 9.3% from the \$1,102,498 included in the adopted fiscal year 2008-09 budget.

Constitutional Officers – As included in the approved fiscal year 2009-10 budget, the total funding support recommended for the Flagler County Constitutional Officers is reduced by \$9,487 or 3.6% from \$26,198,373 in the adopted fiscal year 2008-09 budget, to \$26,188,886 in the approved fiscal year 2009-10 budget. 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	2,715,387
Clerk of the Circuit Court	966,222
Supervisor of Elections	689,538
Total	\$26,063,365

Capital Outlay – The \$2,169,089 in Capital Outlay Expenditures included in the approved fiscal year 2009-10 budget represents a decrease of \$827,279 or 2.76% from the \$2,996,368 included in the adopted fiscal year 2008-09 budget.

In an effort to bring expenditures in line with current revenues, 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 21 minor projects and 31 major projects. New Major Capital projects include replacement of three bridges on County Road 305, US 1 and Royal Palms intersection improvements, a south entrance road at the Airport and improvements to Lehigh Trail. 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 2009-10 Budget
Parks, Trails, Sidewalks and Libraries	\$3,739,515
Roads and Bridges	7,427,000
Utility	3,309,037
Airport	1,576,250
County Buildings and Structures	798,000
Canals and Drainage	620,625
Shoreline Protection	464,000
Total	\$17,934,427

The majority of the funding for these projects comes from state and federal grants and earmarks. Other major sources include impact fees, other municipalities' participation, 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 \$10,298,656 included in the approved fiscal year 2009-10 budget represents a decrease of \$296,207 or 2.79% over the \$10,594,863 included in the adopted fiscal year 2008-09 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 \$1,790,795 in interfund transfers out. There are a total of six transfers included in this category. One of these transfers accounts for \$935,112 or 52.2% of the total. The following is a detail of the largest transfers:

1. A transfer of \$600,000 from the health insurance fund to the general fund. This transfer is intended to repay a portion of the advances made in prior years by the general fund to the health insurance fund.

2. Transfers totaling \$935,112 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
Park Improvements	\$443,112
County Buildings	310,000
Canals/Drainage	165,000
Sidewalks	17,000
Total	\$935,112

The remaining four interfund transfers total \$255,683.

Reserves and Contingencies – A total of \$42,428,736 has been included in the approved fiscal year 2009-10 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 a new, more comprehensive (and hopefully, more user friendly) format, consisting 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 and pictures that will allow the average citizen to better understand the major projects the County is proposing to undertake and why. This year marks the addition of a 5-Year Capital Equipment Plan, 5-Year Capital IT Plan and forthcoming a 5-Year Capital Improvement Plan.

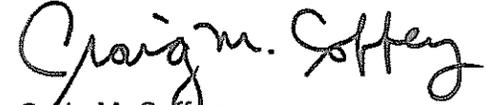
Other smaller changes include a comments area within each budget that allows a brief explanation of larger dollar changes in either revenues or expenses. In some cases, account names and departments names have been changed to provide clarification.

Lastly, this approved budget is being submitted to the Government Finance Officers Association for the 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. We believe the fiscal year 2009-10 Flagler County budget conforms to the Distinguished Budget Presentation Award Guidelines, and we will submit it to the GFOA to determine its eligibility for 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

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.