August 8, 2017

ANNUAL BUDGET MESSAGE

FISCAL YEAR OCTOBER 1, 2017 - SEPTEMBER 30, 2018

TO: THE HONORABLE MAYOR AND CITY COUNCIL

In compliance with Article 7, Section 7.03(e) of the City Charter, I am pleased to submit the proposed Annual Operating and Capital Improvement Budget for Fiscal Year 2017-2018. The accounting and budgeting format is designed to afford you an easily readable and understandable budget with a detailed breakdown of expenditures for the various departments and funds.

The FY 2017-2018 comprehensive budget document for the City of South Daytona is a detailed description of revenues and expenditures of the City's ten active funds: General Fund, Grant Fund, Police Confiscated Fund, Parks Improvement Fund, Redevelopment Trust Fund, Transportation Fund, Capital Project Fund, Utility Service Fund, Internal Service Fund and Community Trust Fund. This balanced budget is based on a millage rate of 7.8000 mills per $1,000 of taxable valuation representing a 0.834 mill or 11.97% increase above the rolled-back millage rate of 6.966 mills as certified by the Volusia County Property Appraiser. Adoption of this millage rate will generate $446,984 more in ad valorem tax levies when compared to the rolled-back rate. Including new construction, taxable values increased $38,400,246 or 7.72%. When new construction is not taken into consideration, taxable values increased $37,112,732 or 7.46%. Although the past four years have shown increases in taxable value, the City still shows a taxable value decrease of $218,846,730 or 28.99% below the 2007 pre-economic downturn taxable value amount of $754,798,276.

The total budget appropriation for the upcoming fiscal year is $24,762,725 representing a $4,870,696 or 16.44% decrease from the previous year amended budget of $29,633,421. The majority of the overall budget decrease is attributable to several prior year one-time expenditures. These include Hurricane Matthew expenses of approximately $1,717,700, the Hurricane Matthew grant anticipation note of $1,500,000, the grant anticipation loan in the Transportation Fund of $1,555,000 which was paid off in FY 2016-2017 and the anticipated completion of several capital improvement projects.

As part of this budget submission, the following personnel changes are being recommended:

- Reclassification of part-time Community Crime Prevention Officer to full-time Community Crime Prevention Office/Investigator due to retirement (General Fund – Police);
- Human Resources Department budget moved from Finance to a separate department in order to better track associated costs (General Fund), no fiscal impact;
- Grants Coordinator budget moved from Finance to Community Development; title change to PIO/Grants Coordinator (General Fund) no fiscal impact;
- Public Works Director position reclassified to Public Works Director/Deputy City Manager (General Fund), no fiscal impact;
- Parks Crew Leader position downgraded to Maintenance Worker I due to retirement (General Fund);
- Accountant position re-allocated from 60% General Fund / 40% Utility Billing Administration to 40% General Fund / 60% Utility Billing Administration based on the amount of time this position spends on the City's collection efforts;

- Addition of two Street Maintenance Worker I positions in the Transportation Fund (as a result of cancellation of an out-sourced mowing contract).

With respect to overall personal services adjustments, all employees are budgeted to receive a 2% base rate increase as well as a variable merit increase of up to 1.5% for an estimated combined average increase of 3.0% at an estimated cost of $156,646 including benefits. The minimum and maximum amounts for each pay grade level will be increased by the Consumer Price Index (CPI) of 1.5%. Employees will be subject to annual performance evaluations.

Florida Retirement System (FRS) employer contribution amounts increased effective October 1, 2017. Total City contributions are budgeted to increase $28,530, or 3.34%, across all funds based on budgeted wages and other earnings. Total FRS employer contributions are budgeted at $882,290 for the 2017-2018 fiscal year, up from $853,760 in the prior year. FRS rates increased as follows:

- Regular employees from 7.52% to 7.92%,
- Senior management from 21.43% to 22.71%,
- Special risk from 22.57% to 23.27%,
- Deferred Retirement Option Program (DROP) from 12.99% to 13.26%, and
- Elected Officials from 42.47% to 45.50%.

Health insurance premiums will increase effective October 1, 2017 by $36,438 or 4.2%. No changes to the current plans are being recommended. The City will continue to offer the HMO plan that employees can “buy-up” to via payroll deductions.

Although workers’ compensation rates established by State Statute continue to rise, the City has negotiated discounted rates lower than the State rates. Additionally, while the City has experienced some significant claims in the past, the City’s experience modifier has decreased from 1.16 to 1.08 for the upcoming fiscal year. The City also receives credit for having a drug free workplace and for having a safety program in place. Total workers’ compensation premiums for the upcoming fiscal year are budgeted at $135,923.

This year’s budget also includes an enhancement in the City’s Employee Assistant Program (EAP) from a basic plan to an enhanced plan to include three face-to-face visits with a mental health or legal professional.

According to the Florida Office of Economic and Demographic Research, not only has the City’s population decreased from 13,773 to 12,635 in the last 10 years, but South Daytona’s percentage of Volusia County’s overall population also decreased from 3.5% in 2006 to 3.1% in 2016. This is important with respect to State shared revenues as two of the City’s major non-ad valorem revenues sources – municipal revenue sharing and sales tax distributions – have primarily population driven distribution formulas. The problem with this is that the City continues to provide the same services while State shared revenues are diminishing and the legislature is putting caps on the amount of ad valorem taxes that can be levied. This continues to place pressure on already limited fiscal resources. Much like many other governmental agencies across the county, slow economic growth and reduced intergovernmental revenues, combined with other fiscal limitations, makes prioritizing and scrutinizing every expenditure of the utmost importance.

BUDGET HIGHLIGHTS

The following list highlights some of the more significant items affecting the FY 2017-2018 budget. Additional significant highlights will be presented in the individual fund level discussions.

- Budget based on a millage rate of 7.8000 mills per $1,000 of taxable value representing a 0.834 mill or 11.97% increase above the rolled-back millage rate of 6.9660 mills as established by the Volusia County Property Appraiser. The following is a history of millage rates, taxable values and their resulting tax levies:

Fiscal Year	Millage	Taxable Value	Tax Levy
FY 2009-2010	5.7781	$590,759,487	$3,413,467
FY 2010-2011	5.9000	$488,842,651	$2,884,172
FY 2011-2012	5.9000	$450,961,295	$2,660,672
FY 2012-2013	5.9000	$428,570,070	$2,528,563
FY 2013-2014	7.4000	$428,610,274	$3,171,716
FY 2014-2015	7.4000	$442,812,655	$3,276,814
FY 2015-2016	7.4000	$468,326,087	$3,465,613
FY 2016-2017	7.4000	$497,551,300	$3,681,880
FY 2017-2018	7.8000	$535,951,546	$4,180,422

- $400,000 transfer to General Fund undesignated reserves. General Fund reserves are projected to be 13.3% by the end of FY 2017-2018.
- $166,537 transfer to General Fund reserves dedicated to future debt service payments; $37,125 transfer to Redevelopment Trust Fund reserves dedicated to future debt service payments.
- $30,500 for First Step Shelter funded by General Fund general revenues; $11,455 for Hope Place funded by the CDBG program.
- All employees are budgeted to receive a 2% base rate increase in addition to a variable merit of up to 1.5% for an estimated combined average increase of 3.0% at an estimated cost of $156,646, including benefits.
- $140,335 in funding for the Personal Leave Payout (PLPO) program representing 75% of eligible costs limited to 100 hours.
  - General Fund $104,400
  - Utility Services Fund $29,735
  - Redevelopment Trust Fund $6,200
- There are currently 124 Council approved positions; 97 are funded in the FY 2017-2018 budget, 27 are unbudgeted.

CITY-WIDE FULL TIME EQUIVALENT POSITIONS

Department	Approved Positions	Positions Budgeted	Positions Vacant	Department
Executive	3	3	0	
Finance *	6	5	1	Staff Assistant III
Community Development	13	10	3	Assistant Community Development Director, Deputy Chief Building Official, Staff Assistant III
Human Resources	2	1	1	Human Resources Specialist
Other General Government	2	1	1	Custodian
Police	36	36	0	
Fire **	14	13	1	Office Manager
Public Works - Administration	4	3	1	Assistant Public Works Director
Parks and Recreation	14.5	8.5	6	(6) Park Maintenance Workers
Community Center	0.5	0.5	0	
General Fund Total	95.0	81.0	14.0	
Community Redevelopment	1	1	0	
Transportation	10	4	6	(6) Street Maintenance Workers
Water and Sewer Operations	10	5	5	(5) Utility Maintenance Workers
Utility Billing	5	4	1	Utility Billing Clerk
Utility Service Fund Total	15	9	6	
Internal Service Fund	3	2	1	Mechanic
Totals - FY 2017-2018	124	97	27	Totals
Totals - FY 2016-2017 **	124	94	30	
Transportation	0	2	(2)	2 Vacant Street Maintenance Workers hired in FY 2017
Police	0	1	(1)	1 Part-time Officer reclassified to Full time in FY 2017
Totals - FY 2017-2018	124	97	27	Totals

* In FY 2017, budget amended to fund Accountant rather than UB Clerk previously funded

** Does not include 4 positions funded under Safer Grant through 2013

Capital Outlay – Projects

Redevelopment Trust Fund

- Halifax River and Reed Canal Road Intracoastal dredging Consulting and permitting — $ 10,650
  Funding: CRA TIF revenues

Transportation Fund

- Ridge Blvd. Railroad Crossing Rehab — $ 102,600
  Funding: 1-5 cent gas tax
- US1 / Big Tree Intersection Improvements — $ 20,000
  Funding: 1-5 cent gas tax
- US1 / Ridge Blvd. Mast Arm — $ 17,400
  Funding: 1-5 cent gas tax
- US1 Median Landscaping — $ 380,190
  Funding: Prior year carry over (FDOT)
- Big Tree Road Share Use Path — $ 657,160
  Funding: Prior year carry over (FDOT, Volusia County, City)
- Railroad Quiet Zone — $ 82,000
  Funding: Prior year carry over (FDOT)

Utility Service Fund

- Lift station improvements — $ 7,000
  Funding: Utility revenues
- Lift station # 8 (US1/Palmetto) replacement — $ 86,000
  Funding: Utility revenues
- Waterline improvements — $ 25,000
  Funding: Utility revenues
- Sewerline improvements — $ 25,000
  Funding: Utility revenues
- Teague St. sewer extension — $ 64,910
  Funding: CDBG via Volusia County
- Drainage improvements — $ 25,000
  Funding: Utility revenues
- Fountain @ Lantern Park drainage pond — $ 5,000
  Funding: Utility revenues

Capital Outlay - Equipment

General Fund

- 4 Electronic scoreboards at various Parks locations throughout the City — $ 35,000
  Funding: Daytona Beach Racing and Recreation Facilities
- Camera system at the Youth Activity Building — $ 5,000
  Funding: General Fund revenues

Transportation Fund

- Concrete mixer
  Funding: 1-5 cent gas tax — $ 5,000

Utility Service Fund

- Stainless steel water testing site (Pilot program) — $ 4,000
  Funding: Utility revenues
- Vehicle replacement — $ 31,500
  Funding: Utility revenues

City-wide, the entire operating and capital budget for all funds decreased $4,870,696 or 16.44% from the amended FY 2016-2017 budget. Following is a summary of the budget at the fund level followed by a summary of revenues by source and expenses by type on an entity-wide basis.

FY 2017 - 2018 Budget Summary by Fund

	FY 2016-2017 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
General Fund	$ 15,278,560	$ 12,857,690	$ (2,420,870)	-15.84%
Police Confiscated Fund	10,000	7,585	(2,415)	-24.15%
Parks Improvement Fund	315	-	(315)	-100.00%
Redevelopment Trust Fund	1,210,388	1,330,337	119,949	9.91%
Transportation Fund	4,009,673	2,063,417	(1,946,256)	-48.54%
Capital Project Fund	100,000	-	(100,000)	-100.00%
Utility Service Fund	8,836,149	8,318,400	(517,749)	-5.86%
Interservice Fund	165,836	165,296	(540)	-0.33%
Community Trust Fund	22,500	20,000	(2,500)	-11.11%
Total	$ 29,633,421	$ 24,762,725	$ (4,870,696)	-16.44%

FY 2017 - 2018 Budget Summary by Revenue Source

	FY 2016-2017 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Taxes	$ 6,917,572	$ 7,351,218	$ 433,646	6.27%
Licenses / Permits	350,724	378,205	27,481	7.84%
Intergovernmental	5,210,045	3,090,637	(2,119,408)	-40.68%
Charges for Services	9,475,263	9,491,705	16,442	0.17%
Fines	35,244	32,400	(2,844)	-8.07%
Miscellaneous	284,741	115,437	(169,304)	-59.46%
Other Sources	7,359,832	4,303,123	(3,056,709)	-41.53%
Total	$ 29,633,421	$ 24,762,725	$ (4,870,696)	-16.44%

	FY 2016-2017 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Contingency	$ -	$ 226,283	$ 226,283	-
Personal Services	7,963,045	8,035,703	72,658	0.91%
Operating Expenses	9,650,915	8,266,237	(1,384,678)	-14.35%
Capital Outlay	2,649,387	1,588,410	(1,060,977)	-40.05%
Debt Service	5,382,763	2,531,369	(2,851,394)	-52.97%
Aid to Private Organizations	10,000	51,955	41,955	419.55%
Non-Operating	3,549,097	3,178,415	(370,682)	-10.44%
Transfer to Reserves	428,214	884,353	456,139	106.52%
Total	$ 29,633,421	$ 24,762,725	$ (4,870,696)	-16.44%

GENERAL FUND

General Fund Revenues

General Fund revenues are budgeted to decrease by $2,420,870 or 15.84%.

Revenue Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

GENERAL FUND	FY 2016-2017 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Taxes	$ 5,368,147	$ 5,677,881	$ 309,734	5.77%
Licenses / Permits	350,724	378,205	27,481	7.84%
Intergovernmental	3,287,653	2,055,569	(1,232,084)	-37.48%
Charges for Services	2,150,290	2,163,215	12,925	0.60%
Fines	35,244	32,400	(2,844)	-8.07%
Miscellaneous	241,830	95,437	(146,393)	-60.54%
Other Sources	3,844,672	2,454,983	(1,389,689)	-36.15%
Total	$ 15,278,560	$ 12,857,690	$ (2,420,870)	-15.84%

Basic Millage Rate Options

	Millage Rates		Tax Levy - 100%				
		Increase Over Rolled-back Rate	Total Ad Valorem Revenue	General Fund Ad Valorem Revenue	CRA Ad Valorem Revenue	Total Incremental Increase Levy - 100%	Total Incremental Increase Revenue - 95%
Rolled-Back Rate	**6.9660**	**-**	3,733,438	3,052,896	680,542	51,558	48,980
Increase/(Decrease) over PY tax levy			51,558	(25,060)	76,618		
Vote Required			Majority vote/ no tax increase advertisement required				
Current Rate	**7.4000**	**6.23%**	3,966,041	3,243,099	722,942	232,603	220,973
Increase/(Decrease) over PY tax levy			284,161	165,143	119,018		
Vote Required			Majority vote/tax increase advertisement required				
Alternative Rate (.2 mills Debt Service)	**7.6000**	**9.10%**	4,073,232	3,330,751	742,481	339,794	322,804
Increase/(Decrease) over PY tax levy			391,352	252,795	138,557		
Vote Required			Majority vote/tax increase advertisement required				
Proposed Rate (.4 mills Debt Service)	**7.8000**	**11.97%**	4,180,422	3,418,402	762,020	446,984	424,635
Increase/(Decrease) over PY tax levy			498,542	340,446	158,096		
Vote Required			Majority vote/tax increase advertisement required				

Adoption of the rolled-back rate of 6.9660 would result in an increase of $51,558 of the ad valorem tax levy as a result of additional taxes generated from new construction. Adoption of the rolled-back rate would require a majority vote of the Council but would not require the City to advertise a tax increase. Adoption of the prior year rate of 7.4000 would result in an increase of the ad valorem levy in the amount of $232,603 or 6.23% above the rolled-back rate. This increase is the net result of increases in the taxable values of existing properties coupled with additional taxes generated from new construction. Adoption of the prior year rate of 7.4000 would require a majority vote of the Council and the City would need to advertise a tax increase of 6.23% since the rate exceeds the rolled-back rate. Adoption of the proposed rate of 7.8000 mills would require a majority vote of the Council and the City would need to advertise a tax increase of 11.97% since the rate exceeds the rolled-back rate.

Adoption of the proposed rate of 7.8000 mills would result in an increase of ad valorem revenue in the amount of $446,984 over the rolled-back rate or $56.43 annually per average residential parcel composed of the following:

Cost FY 2017	$463.25
Increase to roll back	8.06
Cost at roll back Rate	471.31
Increase to 7.4 mills	29.37
Increase to 7.8 mills	27.06
Cost FY 2018	$527.74

At the July 11, 2017 City Council meeting, the Council adopted the millage rate of 7.8000 mills as the preliminary millage rate for the upcoming fiscal year. The preliminary millage rate is equal to 0.834 mills increase or 11.97% above the rolled-back rate of 6.9660 as certified by the Volusia County Property Appraiser. If this preliminary millage rate of 7.8000 mills does not change throughout the budget process, the City will be required to advertise a tax increase once the final millage is adopted since this preliminary rate is above the rolled-back rate.

An increase in the millage rate is being recommended for several reasons. Foremost is allowing for adequate appropriations to fund on-going operations and to maintain current levels of service. Additionally, in recent years, the City's undesignated reserves have decreased to below policy levels of 10-20% of operating costs. This budget allows for continued restoration of undesignated reserve balances back to within policy levels. Further, the millage rate increase is being recommended in order to position the City to provide a funding mechanism to meet scheduled debt service increases and a scheduled balloon payment in future years. The City also needs to begin to prepare for the homestead exemption legislation facing voters on the November, 2018 ballot. If passed, the proposed additional $25,000 exemption is expected to result in an estimated revenue loss of $132,000 in today's dollars.

From an overall fiscal standpoint, adopting the recommended millage rate will assist the City in increasing its undesignated general operating fund balance and in meeting its near-term debt obligations. Both are extremely important to the City. Maintaining a fund balance to recurring operating expense ratio of 10%-20% is sound fiscal policy. This ratio decreased in recent years to approximately six percent (6%) due to several factors including an aggressive capital improvement plan, accelerated debt payments, and decreased recurring revenues. The Government Finance Officers Association (GFOA) recommends this fund balance-to-expense ratio of 15% - 20%. It is important to note that undesignated reserves should primarily be used for emergency purposes. Appropriating undesignated reserves to meet annual recurring expenditures is a fiscally unsound policy that can lead to financial difficulties. General Fund reserves are projected to be 13.3% by the end of FY 2017-2018.

Adoption of the preliminary millage rate of 7.8000 mills would not dramatically increase the average residential tax bill. Using preliminary 2017 valuations and parcel counts, the average annual residential tax bill would increase $64.49 annually over last year or 13.92% from $463.25 to $527.74 – a $5.37 increase per month.

Cost FY 2017	$463.25
Increase to roll back	8.06
Increase to 7.4 mills	29.37
Increase to 7.8 mills	27.06
Cost FY 2018	$527.74

The dates for adoption of the tentative and final millage rates are Monday, September 11, 2017 and Tuesday, September 26, 2017, respectively.

South Daytona Historical Values

TAX YEAR	FISCAL YEAR	TAXABLE VALUE	MILLAGE RATE	TAX LEVY
2018	2018-2019	$ 567,587,444	7.80000	$ 4,427,182
2017	2017-2018	535,122,852	7.80000	4,173,958
2016	2016-2017	497,551,300	7.40000	3,681,880
2015	2015-2016	468,326,087	7.40000	3,465,613
2014	2014-2015	442,812,655	7.40000	3,276,814
2013	2013-2014	428,610,274	7.40000	3,171,716
2012	2012-2013	428,570,070	5.90000	2,528,563
2011	2011-2012	450,961,295	5.90000	2,660,672
2010	2010-2011	488,842,651	5.90000	2,884,172
2009	2009-2010	590,759,487	5.77810	3,413,467
2008	2008-2009	655,030,666	4.92003	3,222,771
2007	2007-2008	754,798,276	4.24930	3,207,364
2006	2006-2007	703,834,686	4.80000	3,378,406
2005	2005-2006	556,516,369	5.54659	3,086,768
2004	2004-2005	468,859,463	5.65000	2,649,056
2003	2003-2004	431,417,683	4.63900	2,001,347
2002	2002-2003	403,518,553	4.63900	1,871,923
2001	2001-2002	391,417,918	4.49870	1,760,872
2000	2000-2001	$ 380,724,815	4.59701	$ 1,750,196

Franchise Fees
Franchise fees are budgeted to increase a nominal $2,000, or 0.27% based on prior year actual receipts.

Utility Taxes
Utility taxes are budgeted to remain virtually unchanged with an increase of $252 or .08% based on prior year actual receipts.

Communication Services Tax
Communication services tax receipts are budgeted to remain flat at $372,000 based on prior year actual receipts.

Licenses and Permits
Licenses and Permits are anticipated to increase $27,481 or 7.84% based on prior year actual receipts.

Intergovernmental Revenue
Intergovernmental revenues are estimated to decrease by $1,232,084 or 37.48%. Intergovernmental revenues consist of State shared revenues, grants (Federal, State, County, and other agencies), and payments in lieu of taxes from the Utility Service Fund.

State Shared Revenues

State shared revenues are estimated to increase $37,572 or 3.22%. Half-cent sales tax receipts are budgeted to increase $21,600 or 3.09%. While these two revenue sources have been trending upward the past several years, this may change as the City's population continues to become a smaller percentage of Volusia County's population and State distribution formulas are primarily population driven. Mobile home license taxes and the firefighter supplemental compensation receipts are budgeted to remain flat while alcoholic beverage license taxes are budgeted at an increase of $5,000 based on year-to-date receipts.

State Grants

State grants are budgeted to decrease $94,700 or 67.71% as the prior year included State disaster relief proceeds as a result of Hurricane Matthew. State grants budgeted in FY 2017-2018 include $11,455 of CDBG funds for Hope Place and $33,700 from the Florida Department of Economic Opportunity for an update to the City's Comp Plan.

Federal Grants

Federal grants decreased $1,277,320 or 97.33% as the prior year included FEMA disaster relief proceeds as a result Hurricane Matthew. The only Federal grant budgeted in FY 2017-2018 is $35,000 for the final year of the US Department of Justice Community Policing Services (COPS) grant. The City has applied for a SAFER Grant through the US Federal Emergency Management Agency to fund three additional firefighters. The match for this grant is budgeted in contingency pending award of the grant.

Grants from Other Local Units

These grants are budgeted to increase by $40,950 or 68.82%. Grants in this category are generally received from Volusia County and/or other agencies that are neither State nor Federal related in nature. The upcoming fiscal year includes $35,000 of budgeted funding from the Daytona Beach Racing and Recreational Facilities to fund four (4) electronic scoreboards in parks throughout the City. The other item in this revenue source is pursuant to an inter-local agreement with Volusia County to provide fire suppression services to the defined County enclave west of Nova Road. The total amount of revenue budgeted for this source increased $1,000 or 0.84% from the prior year from $59,000 to $60,000. This is the second year of a two-year agreement with the County. Also included in this budget is a $5,000 safety grant provided by the City's insurance carrier.

Shared Revenue from Other Local Sources

This revenue source is budgeted to increase by $500 as the amount of business tax receipts from the County are expected to mirror City business tax receipts.

Payment In Lieu of Taxes (PILOT)

This revenue source is budgeted to increase by $60,914 or 10.23%. This is a generally accepted accounting principal that provides the City funding from the Utility in lieu of the tax revenue the City would have received if the utility were privately owned. The budgeted PILOT for FY 2017-2018 is $656,564 which represents 9% of utility revenues and is an industry standard percentage.

Charges for Services

Charges for services are anticipated to increase by only $12,925 or 0.60% based on prior year actual receipts. Refuse collection fees and registration fees for park department programs such as baseball, softball, soccer, flag football, tennis, aerobics, self-defense classes, and the annual summer and spring day camps constitute the major portion of the revenue in this category.

Refuse Charges for Services

Refuse charges for services are estimated to increase $2,500 or 0.13% based on prior year actual receipts. Per the terms of the City's refuse contract, should the hauler implement a CPI adjustment, that adjustment would be passed-through to residents and a budget amendment would be necessary.

Recreation Charges for Services

Recreation charges for services are estimated to increase $9,950 or 5.25% attributable to an increase in baseball registration participants, flag football participants, and special event related revenue. Expected participation in the City's summer camp program will be higher producing slightly more revenue. Most other programs remain undeviating with respect to their participation and registration revenue generation.

Other Charges for Services

This revenue source is estimated to increase $475 or 0.83% primarily attributable to increased baseball fees and park usage fees derived from baseball tournament rentals.

Fines and Forfeitures

Fines and forfeitures are estimated to decrease $2,844 or 8.07% due primarily to overly ambitious revenue estimates in the prior year.

Miscellaneous Revenues

Miscellaneous revenues are anticipated to decrease $146,393 or 60.54% from the prior year. Revenues in this category are discussed below.

Interest Earnings

Interest earnings are budgeted to increase by $4,998 based on estimated actuals for FY 2016-2017.

Special Assessments/Impact Fees

Police and fire impact fees are assessed on new construction to pay for some of the cost of new public facilities and equipment necessitated by this new construction. Any fees collected are transferred to reserves for future eligible capital improvements. There are no impact fees budgeted in the FY 2017-2018 budget. There is potential for development in next fiscal year which could result in the payment of impact fees but it is too premature to estimate these fees for the budget.

Other Miscellaneous Revenue

Other miscellaneous revenue is budgeted to decrease $151,391 or 62.60% primarily attributable to prior year insurance proceeds for covered losses as a result of Hurricane Matthew.

Other Sources

This revenue type includes transfers-in from other governmental funds, contributions from enterprise funds, installment proceeds, debt proceeds, and transfers from undesignated and restricted reserves. In total, revenues derived from other sources decreased $320,494 or 12.78% as described below.

Transfers-In

Transfers to the General Fund from other governmental funds are estimated to increase

$110,311 or 4.70%.

Transfer from Redevelopment Trust Fund

The transfer from the Redevelopment Trust Fund to the General Fund increased by $47,471 or 7.0%. This transfer is per the terms of the executed Services Agreement adopted by both the City and Community Redevelopment Agency. This increased transfer is based on a recalculated debt service payment discussed in the Redevelopment Trust Fund Debt Service section on page 17. The Services Agreement was executed to provide a transparent funding mechanism for the allocation of current year tax increments to the General Fund to assist with funding operational costs charged to the General Fund that are truly incurred by the Redevelopment Trust for City services, redevelopment area enhancements and revitalization efforts. The primary components of this transfer include enhanced community policing and code enforcement efforts. Other activities such as parks, streets, utilities and general administration are included. A Redevelopment Plan update is required and is currently being reviewed.

Transfer from Transportation Fund

Transfers from the Transportation Fund decreased $31,411 or 11.22%. The personal services portion of the allocation was decreased by approximately $53,000, the amount of the cost of the two Street Maintenance Worker positions that were added to the Transportation Fund for a function that had previously been contracted by the General Fund.

During FY 2016-2017, the debt service portion of this allocation was reviewed and it was determined that a portion of the General Fund's debt service was attributable to the Transportation Fund for the Oak Lea Bridge and the Lantern Park Bridge.

Transfer from Enterprise Fund

The transfer from the Utility Service Fund increased $94,251 or 6.76%. The increase is primarily attributable to a review of the cost allocation to determine the appropriate transfer.

Installment / Loan Proceeds

There are no installment or loan proceeds budgeted for FY 2017-2018.

Transfer from Reserves

There are no budgeted transfers from restricted or unrestricted reserves for FY 2017-2018.

General Fund Expenditures

General Fund expenditures are budgeted to decrease by $2,420,870 or 15.84%. The majority of the overall budget decrease is attributable to several prior year one-time expenditures including Hurricane Matthew expenses of approximately $1,717,700 and the Hurricane Matthew grant anticipation note of $1,500,000. Overall, personal service expenditures are budgeted to decrease by 0.92% primarily due to a reduction in one-time expenses due to employee retirements, turn over and related leave pay-outs in the previous year. In addition, the Personal Leave Payout was picked up in the mid-year budget amendment in the prior year in Personal Services but as the exact figure is unknown as of yet, the PLPO for next fiscal year is budgeted in Contingency

Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

GENERAL FUND	FY 2017-2018 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Contingency	$ -	$ 190,348	$ 190,348	-
Personal Services	7,067,414	7,002,737	$ (64,677)	-0.92%
Operating Expenses	4,893,426	3,244,902	(1,648,524)	-33.69%
Capital Outlay	38,224	40,000	1,776	4.65%
Debt Service	2,603,195	1,170,312	(1,432,883)	-55.04%
Aid to Private Organizations	-	41,955	41,955	N/A
Non-Operating	676,301	600,899	(75,402)	-11.15%
Transfer to Reserves	-	566,537	566,537	N/A
Total	$ 15,278,560	$ 12,857,690	$ (2,420,870)	-15.84%

Departmental Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

ORG	DEPARTMENT	FY 2017-2018 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
01429	CONTINGENCY	$ -	$ 190,348	$ 190,348	N/A
01511	LEGISLATIVE	209,417	208,337	-1,080	-0.52%
01512	EXECUTIVE	672,715	669,362	-3,353	-0.50%
01513	FINANCE	935,944	616,481	-319,463	-34.13%
01514	LEGAL	182,132	153,944	-28,188	-15.48%
01515	COMMUNITY DEVELOPMENT	837,936	953,860	115,924	13.83%
01516	HUMAN RESOURCES	0	157,259	157,259	N/A
01517	DEBT SERVICE	2,521,436	1,102,132	-1,419,304	-56.29%
01519	OTHER GENERAL GOVERNMENT	71,840	100,018	28,178	39.22%
01521	POLICE	2,998,645	2,977,506	-21,139	-0.70%
01522	FIRE	1,339,326	1,345,953	6,627	0.49%
01534	SANITATION	1,387,497	1,387,267	-230	-0.02%
01541	PUBLIC WORKS	1,916,374	379,043	-1,537,331	-80.22%
01572	PARKS/RECREATION	1,182,685	1,105,842	-76,843	-6.50%
01573	COMMUNITY CENTER	65,467	50,038	-15,429	-23.57%
01574	SPECIAL EVENTS	54,700	61,024	6,324	11.56%
01578	SUMMER/SPRING DAY CAMP	50,799	54,482	3,683	7.25%
01579	RECREATION PROGRAMS	175,346	177,358	2,012	1.15%
01581	TRANSFERS OUT	676,301	1,167,436	491,135	72.62%
GENERAL FUND TOTAL		$ 15,278,560	$ 12,857,690	$ (2,420,870)	-15.84%

Contingency

The budget includes a reserve contingency of $137,848 and an operating contingency of $52,500. The reserve contingency includes items that were not definitive at the time of preparation of the budget:

• Personal Leave Payout (PLPO) program	$104,400
• SAFER Grant – additional staff resulting in reduced overtime – net	$ 10,948
• Repair of A/C system in City Hall	$ 10,000
• Fire/EMS assessment fee study	$ 10,000
• Liability insurance deductibles	$ 2,500

The Personal Leave Payout (PLPO) of $104,400 budgeted represents 75% of eligible costs (limited to 100 hours).

The operating contingency is for those unforeseen expenditures that may arise during the course of the fiscal year.

Personal Services

General Fund personal service costs are estimated to decrease $64,677 or 0.92% below the FY 2016-2017 amended budget due to the following:

- A reduction in one-time expenses due to employee retirements, turn over and related leave pay-outs in the previous year.
- The budget includes the City-wide average 3.0% wage adjustment
- Increased costs for FRS, health insurance and workers' compensation insurance, all previously mentioned.
- In the prior year, the Personal Leave Payout was picked up in the mid-year budget amendment in Personal Services. As the exact figure is unknown as of yet, the PLPO for next fiscal year is budgeted in Contingency.

In total, there are 14 current vacant full-time positions in the General Fund. The significant adjustments affecting the FY 2017-2018 General Fund personal services budget are discussed below.

Refer to pages 1-2 for General Fund personnel changes recommended in FY 2017-2018.

The General Fund has 95 Council approved positions; 81 of those positions are funded in the FY 2017-2018 budget, 14 are unbudgeted.

Operating Expenditures

General Fund operating expenses are estimated to decrease $1,648,524 or 33.69%.

This decrease is primarily attributable to Hurricane Matthew related budgeted expenses in the prior year. Departmental operating budgets continue to be scrutinized at a high level resulting in many line items remaining at or below prior year spending levels. The following list highlights some of the more significant items affecting the FY 2017-2018 General Fund budget:

• Funding for First Step Shelter	$ 30,500
• Funding for Hope Place through CDBG program	$ 11,455
• Insurance cost for cell tower	$ 1,848
• Restored funding for pressure washing City Hall complex including roofs	$ 6,000
• Munis "Needs Assessment" for accounts payable/purchasing and payroll (split with Utility Services Fund)	$ 5,000

- Update to Comp Plan (grant funded) $ 33,700

As discussed on page 14 a General Fund transfer to undesignated fund balance reserves in the amount of $400,000 is budgeted to continue the process of restoring the General Fund's fund balance per City policy levels and Government Finance Officers' Association recommended levels. Also previously discussed is the budgeted transfer to reserves in the amount of $166,537 dedicated to future debt service payments. Combined the budget includes a total of $566,537 in transfers to reserves. General Fund reserves are projected to be 13.3% by the end of FY 2017-2018.

Capital Outlay

The following capital outlay has been budgeted in the General Fund for FY 2017-2018:

Parks Department

• Security cameras at Youth Activity Building	$ 5,000
• 4 Electronic scoreboards at various Parks locations throughout the City	$ 35,000
	$ 40,000

Debt Service

General Fund debt service decreased $1,432,883 or 55.04% primarily attributable to the $1,500,000 loan for Hurricane Matthew in the prior year. A small portion of the decrease was attributable to the payoff of leased police vehicles in FY 2016-2017. In addition, a debt service increase of $105,827 is budgeted to account for an equipment loan received in FY 2016-2017 for which payments are to begin in FY 2017-2018.

Aid to Private Organizations

The FY 2017-2018 budget includes $41,955 in funding for two non-profit entities: $30,500 for First Step Shelter and $11,455 for Hope Place (funded by CDBG funds).

Non-Operating

Non-operating expenditures consist of transfers to reserves as well as operating transfers out to other funds. Budgeted transfers to other funds decreased by $75,402 or 11.15%.

Transfer to Transportation Fund

The transfer to the Transportation Fund is an annual budget appropriation necessitated by current year gas tax receipts, grants and other operational revenue not being sufficient to pay current year street and road facility operating and capital outlay requests thus requiring an annual subsidy from the General Fund.

The budgeted transfer to the Transportation Fund decreased by $75,078 or 13.02%. This decrease is primarily attributable to a change in the handling of direct expenses within the redevelopment area. Median maintenance and right-of-way maintenance along the US1 corridor is now being budgeted as a direct operating expense as opposed to a transfer from the Transportation Fund. A Redevelopment Plan update is required and is currently being reviewed.

Transfer to Internal Service Fund

The budgeted transfer to the Internal Service Fund remained virtually flat with a budgeted $324 decrease. The Internal Service Fund is funded by the funds using the services with General Fund providing 60% of the fund's annual operating budget. As repairs occur during the year they are expended in the fund receiving the service.

Transfer to Reserves

The budgeted transfer to reserves is $566,537. This represents a $400,000 transfer to undesignated reserves in order to restore the General Fund's reserve balances to acceptable policy levels. The remaining $166,537 transfer to reserves is designated to fund future debt service payments.

SPECIAL REVENUE FUNDS

GRANT FUND

This fund is restricted to grant awards where funding is received before the related expense is incurred. No activity is budgeted in the Grant Fund during the FY 2017-2108 budget year.

POLICE CONFISCATED FUND

The Police Confiscated Fund budget decreased $2,415 or 24.15% from $10,000 to $7,585 when compared to the prior year. No confiscated property revenues are budgeted. Funding for expenditures will be funded by existing reserve balances.

Revenue and Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

	FY 2016-2017	FY 2018-2019		
	AMENDED	PRELIMINARY	$	%
Revenue	BUDGET	BUDGET	CHANGE	CHANGE
Other sources	10,000	7,585	(2,415)	-24.15%
Expenditures				
Operating	10,000	7,585	(2,415)	-24.15%

PARKS IMPROVEMENT FUND

This fund is restricted to new parks or the upgrading of existing parks. Revenue for this fund is derived from impact fees on new single-family housing units. Pursuant to State law, this impact fee is not applicable to commercial or industrial development. No activity is budgeted in the Park Improvement Fund during the FY 2017-2108 budget year.

REDEVELOPMENT TRUST FUND

This fund was created in 1997 by the City Council acting as the Community Redevelopment Agency (CRA) to record the receipt of ad valorem tax increments from various taxing authorities for the financing of improvements and revitalization efforts in the City's Community Redevelopment Area (CRA) district.

Property tax values within the CRA increased $11,788,222 or 5.82% over the prior year assessment. However, taxable values are still down $98,615,404 or 31.52% from 2007, the peak year of CRA taxable value. Tax increment financing (TIF) payments from participating taxing authorities are budgeted flat pending adoption of their respective millage rates. The following chart is a historical analysis of the City's CRA since its inception.

Community Redevelopment Area
Historical Comparison of CRA Taxable Valuations and Tax Increment Receipts

AS OF JANUARY 1, 2017

FISCAL YEAR	TAX YEAR	TIF YEAR	CRA CERTIFIED VALUE	GROSS INCREMENTAL VARIANCE OVER BASE YEAR	STATUTORY PROPORTION ALLOWANCE	NET INCREMENTAL VARIANCE OVER BASE YEAR	TOTAL TAX INCREMENT REVENUE ALL TAXING AUTHORITIES
2017-2018	2017	20	$ 214,296,312	$ 97,694,858	95.00%	$ 92,810,115	$ 1,330,337
2016-2017	2016	19	202,508,090	85,906,636	95.00%	81,611,304	1,210,388
2015-2016	2015	18	192,178,613	75,577,159	95.00%	71,798,301	1,092,555
2014-2015	2014	17	184,519,878	67,918,424	95.00%	64,522,503	985,184
2013-2014	2013	16	176,944,748	60,343,294	95.00%	57,326,129	874,628
2012-2013	2012	15	177,652,792	61,051,338	95.00%	57,998,771	788,773
2011-2012	2011	14	184,795,846	68,194,392	95.00%	64,784,672	905,599
2010-2011	2010	13	200,323,551	83,722,097	95.00%	79,535,992	1,099,181
2009-2010	2009	12	258,508,023	141,906,569	95.00%	134,811,241	1,885,685
2008-2009	2008	11	281,564,832	164,963,378	95.00%	156,715,209	1,938,641
2007-2008	2007	10	312,911,716	196,310,262	95.00%	186,494,749	2,146,978
2006-2007	2006	9	284,219,341	167,617,887	95.00%	159,236,993	1,986,147
2005-2006	2005	8	210,518,991	93,917,537	95.00%	89,221,660	1,265,671
2004-2005	2004	7	162,615,354	46,013,900	95.00%	43,713,205	657,781
2003-2004	2003	6	146,914,507	30,313,053	95.00%	28,797,400	383,962
2002-2003	2002	5	139,915,737	23,314,283	95.00%	22,148,569	217,520
2001-2002	2001	4	132,649,698	16,048,244	95.00%	15,245,832	159,848
2000-2001	2000	3	127,627,338	11,025,884	95.00%	10,474,590	111,946
1999-2000	1999	2	122,819,371	6,217,917	95.00%	5,907,021	47,977
1998-1999	1998	1	119,683,863	3,082,409	95.00%	2,928,289	28,277
1997-1998	1997	BASE YEAR	$ 116,601,454	N/A	95.00%	N/A	N/A

Redevelopment Trust Fund Revenues

Revenues in the Redevelopment Trust Fund are budgeted to increase $119,949 or 9.91%.

Revenue Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

REDEVELOPMENT TRUST FUND	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Taxes	1,210,388	1,330,337	119,949	9.91%
Total	$ 1,210,388	$ 1,330,337	$ 119,949	9.91%

Taxes

Ad valorem tax revenues are the only source of revenue budgeted in FY 2017-2018 for the Redevelopment Trust Fund. Adoption of the proposed rate of 7.8000 mills will result in an increase of ad valorem revenue in the amount of $119,995 over the prior year. Tax increment financing (TIF) payments from participating taxing authorities are budgeted flat pending adoption of their respective millage rates.

Redevelopment Trust Fund Expenditures

Expenditures in the Redevelopment Trust Fund are budgeted to increase $119,949 or 9.91%.

Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

REDEVELOPMENT TRUST FUND	FY 2016-2017 AMENDED BUDGET	FY 2018-2019 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Contingency	$ -	$ 6,200	$ 6,200	-
Personal Services	125,694	126,721	1,027	0.82%
Operating Expenses	29,355	112,586	83,231	283.53%
Capital Outlay		10,650	10,650	-
Debt Service	244,800	241,518	(3,282)	-1.34%
Aid to Private Organizations	10,000	10,000	-	0.00%
Non-Operating	701,612	718,893	17,281	2.46%
Transfer to Reserves	98,927	103,769	4,842	4.89%
Total	$ 1,210,388	$ 1,330,337	$ 119,949	9.91%

Contingency

A contingency amount of $6,200 is included in the budget for funding of the Personal Leave Payout program. This represents 75% of eligible costs, limited to 100 hours.

Personal Services

Personal Services are budgeted at $126,721 representing an increase of $1,027 or 0.82%. The budget includes the City-wide average 3.0% wage adjustment as well as increased costs for FRS, health insurance and workers' compensation insurance, all previously mentioned.

In the prior year, the Personal Leave Payout was picked up in the mid-year budget amendment in Personal Services. As the exact figure is unknown as of yet, the PLPO is budgeted in Contingency.

Operating Expenditures

Operating expenditures in the Redevelopment Trust Fund increased by $83,231 or 283.53%. This increase is primarily attributable to a change in the handling of direct expenses within the redevelopment area. Median maintenance and right-of-way maintenance along the US1 corridor is now being budgeted as a direct operating expense as opposed to a transfer from the Transportation Fund. A Redevelopment Plan update is required and is currently being reviewed.

Capital Outlay

The capital budget of the Redevelopment Trust Fund is $10,650. This is designated for consulting and permitting for the Halifax River and Reed Canal Road Intracoastal dredging project.

Debt Service

Debt service in the amount of $241,518 is appropriated for the annual amortization of the Series 2006 Capital Improvement Note that supplemented the Series 2004 Capital Improvement Note to finance the US1 Corridor Section "A" project (burial of utility lines from Beville Road/US1 intersection south to McDonald Street/US1 intersection). The total amount borrowed was $6,500,000. The Series 2004 Note was refinanced during Fiscal Year 2014-2015. In order to secure the best possible refinancing terms, the refinanced note was secured with utility taxes and communication services taxes (General Fund revenues instead of TIF revenue) therefore, the refinanced note is recorded in the General Fund and debt service recorded there. The money to fund the Redevelopment Trust Fund's portion of this debt is included in the Transfer to the General Fund.

Aid to Private Organizations

$10,000 in funding is budgeted in Aid to Private Organizations for redevelopment assistance to private businesses in the CRA to facilitate capital improvements.

Non-Operating

Non-operating expenditures increased by $17,281 or 2.46%.

Transfer to General Fund

The transfer from the Redevelopment Trust Fund to the General Fund increased by $47,471 or 7.0%. This transfer is per the terms of the executed Services Agreement adopted by both the City and Community Redevelopment Agency. This increased transfer is based on a recalculated debt service payment discussed in the Debt Service section above. The Services Agreement was executed to provide a transparent funding mechanism for the allocation of current year tax increments to the General Fund to assist with funding operational costs charged to the General Fund that are truly incurred by the Redevelopment Trust for City services, redevelopment area enhancements and revitalization efforts. The primary components of this transfer include enhanced community policing and code enforcement efforts. Other activities such as parks, streets, utilities and general administration are included. A Redevelopment Plan update is required and is currently being reviewed.

Transfer to Transportation Fund

The prior year transfer from the Redevelopment Trust Fund to the Transportation Fund was a one-time only transfer for partial funding of the US1 median landscaping project currently underway.

Transfer to Reserves

The transfer to reserves is budgeted at $103,769. Of this transfer, $37,124 will be dedicated for debt service reserves for future debt service payments.

TRANSPORTATION FUND

The purpose of this fund is to budget all of the City's transportation related expenditures in one cost center.

Gas tax distributions are based on the most recent inter-local agreement between the County and the local municipalities. The distribution formula is based on assessed values, population, and roadway mileage. The current inter-local agreement expires August 31, 2018. It is anticipated that in the upcoming fiscal year, Volusia County and the local municipalities will work together in an attempt to develop a more logical distribution method of future gas tax proceeds. If the County and cities cannot reach an agreement, the State formula would be utilized until such time an agreement is reached.

Transportation Fund Revenues

Transportation Fund revenues are budgeted to decrease by $1,946,256 or 48.54%.

Revenue Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

TRANSPORTATION FUND	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
1 - 6 Cent Local Option Fuel Tax	$ 193,954	$ 198,000	$ 4,046	2.09%
1 - 5 Cent Local Option Fuel Tax	145,083	145,000	(83)	-0.06%
Intergovernmental	1,390,224	970,158	(420,066)	-30.22%
Miscellaneous	5,676	-	(5,676)	-100.00%
Other Sources	2,274,736	750,259	(1,524,477)	-67.02%
Total	$ 4,009,673	$ 2,063,417	$ (1,946,256)	-48.54%

Local Option Gas Taxes

This revenue source is budgeted to increase slightly from $339,037 to $343,000 – a $3,963 or 1.17% increase based on prior year actual receipts.

There are two types of local option gas taxes: the first 6 cent tax and the second 5 cent tax. The first 6 cent tax may be used for roadway and right-of-way maintenance and equipment and drainage, street light installation, operation and maintenance and traffic signs. The second 5 cent tax may be used for expenditures related to capital – when the construction of new roads, reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads are deemed to increase capacity.

While it is possible lower fuel prices can generate more revenue, the gas tax distribution inter-local agreement with Volusia County is based on population, assessed property values and road mileage. Therefore, as the City's population, assessed property values and road mileage becomes a smaller percentage of the County's overall sum of these components, revenue distributions continue to be level. Any shortfall in gas tax receipts must be accompanied by expenditure reductions or additional subsidies from the General Fund.

Intergovernmental

Intergovernmental revenue is budgeted to decrease by $420,066 or 30.22% to $970,158. As a whole, this is a largely non-recurring revenue source for the City and includes grant funding from other entities.

Recurring intergovernmental revenue is budgeted at $62,998 representing an increase of $20,916 or 49.7%. This includes agreements with the Florida Department of Transportation (FDOT) for the maintenance of US1 landscaping, traffic lights and traffic signals. Also included is motor fuel tax rebates received from the State representing refunds of gas taxes paid for off-road use machinery.

Intergovernmental grant revenue is budgeted to decrease by $440,982. The majority of the decrease is in FDOT funding due to the partial construction of the US1 median landscaping project and the completion of the Lantern Park Bridge in the prior year. The budget includes FDOT funding for the remainder of the US1 median landscaping project and the Big Tree Shared Use Path.

Miscellaneous

Special Assessments/Impact Fees

Transportation impact fees are charged at time of permitting new construction in order to pay for some of the cost of new facilities and equipment necessitated by this new construction. Any fees collected are transferred to reserves for future eligible capital improvements. There are no impact fees budgeted in the FY 2017-2018 budget. There is potential for development in next fiscal year which could result in the payment of impact fees but it is too premature to estimate these fees for the budget.

Other Sources

This revenue source decreased $1,524,477 or 67.02% from the prior year. This decrease is primarily attributable to both a reduction in transfers from other funds and a reduction in transfers from reserves.

Transfer from General Fund

The transfer from the General Fund is an annual budget appropriation necessitated by current year gas tax receipts, grants and other operational revenue not being sufficient to pay current year street and road facility operating and capital outlay requests thus requiring an annual subsidy from the General Fund.

The budgeted transfer from the General Fund decreased by $75,078 or 13.02%. This decrease is primarily attributable to a change in the handling of direct expenses within the redevelopment area. Median maintenance and right-of-way maintenance along the US1 corridor is now being budgeted as a direct operating expense as opposed to a transfer from the Transportation Fund. A Redevelopment Plan update is required and is currently being reviewed.

Transfer from Capital Project Fund

Transfers from other funds decreased by $480,138. This decrease is due to prior year one-time transfers from the Capital Project Fund and Redevelopment Trust Fund for the City's match of the FDOT/US1 median improvement grant. There was also a prior year one-time transfer of $264,395 from the Utility Service Fund for its pro-rata share of the $1,800,000 grant anticipation note paid off in FY 2016-2017.

Transfer from Reserves

The transfer from reserves decreased by $1,044,339 primarily attributable to a prior year expense of $1,800,000 for the pay-off of the grant anticipation note. Funding for the US1 median landscaping, Big Tree Road shared use path and the Railroad quiet zone is carried over from the prior year.

Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

TRANSPORTATION FUND	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Personal Services	$ 106,899	$ 173,438	$ 66,539	62.24%
Operating Expenses	450,099	352,364	(97,735)	-21.71%
Capital Outlay	1,577,482	1,264,350	(313,132)	-19.85%
Debt Service	1,570,000	-	(1,570,000)	-100.00%
Non-Operating	304,757	273,265	(31,492)	-10.33%
Transfer to Reserves	436	-	(436)	-100.00%
Total	$ 4,009,673	$ 2,063,417	$ (1,946,256)	-48.54%

Personal Services
Personal services increased $66,539 or 62.24% primarily attributable to the addition of two positions following the cancellation of contractual services in FY 2016-2017, including benefits.

This figure includes the City-wide average 3.0% wage adjustment as well as increased costs for FRS, health insurance and workers' compensation insurance, all previously mentioned.

Refer to pages 1-2 for Transportation Fund personnel changes recommended in FY 2017-2018.

The Transportation Fund has 10 Council approved positions; 4 of those positions are funded in the FY 2017-2018 budget, 6 are unbudgeted.

Operating Expenditures
Operating expenses are budgeted to decrease $97,735 or 21.71% primarily attributable to the US1 median and right-of-way maintenance transferred to the Redevelopment Trust Fund as they are direct expenditures to that fund. This budget also reflects a $20,500 reduction in disaster recovery expenses related to Hurricane Matthew which appeared in the prior year.

Capital Outlay
Capital outlay is budgeted to decrease $313,132 or 19.85%.

The following Capital Outlay is included in the FY 2017-2018 budget:

• Ridge Blvd. Railroad Crossing Rehab	$ 102,600
• US1 / Big Tree Intersection Improvements	$ 20,000
• US1 / Ridge Blvd. Mast Arm	$ 17,400
• US1 Median Landscaping	$ 380,190
• Big Tree Road Share Use Path	$ 657,160
• Railroad Quiet Zone	$ 82,000
• Concrete mixer	$ 5,000
	$ 1,264,350

Debt Service
The $1,800,000 grant anticipate note was paid off in FY 2016-2017; there is no debt service budgeted in FY 2017-2018.

Non-operating

Transfer to General Fund

The transfer to the General Fund decreased $31,411 or 11.22%. The personal services portion of the allocation was decreased by approximately $53,000, the amount of the cost of the two Street Maintenance Worker positions that were added to the Transportation Fund for a function that had previously been contracted by the General Fund.

During FY 2016-2017, the debt service portion of this allocation was reviewed and it was determined that a portion of the General Fund's debt service was attributable to the Transportation Fund for the Oak Lea Bridge and the Lantern Park Bridge.

Transfer to the Internal Service Fund

The transfer to the Internal Service Fund remained virtually flat with a budgeted $81 decrease. The Internal Service Fund is funded by the funds using the services with the Transportation Fund providing 15% of the fund's annual operating budget. As repairs occur during the year they are expended in the fund receiving the service.

CAPITAL PROJECT FUND

The Capital Project Fund was created in Fiscal Year 1987-1988 to provide a central cost center to record capital improvements which extend more than one fiscal year and/or have an estimated cost of $10,000 or more. There is no activity budgeted in this fund for FY 2017-2018.

Revenue and Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

	FY 2016-2017	FY 2017-2018	$	%
CAPITAL PROJECTS FUND	AMENDED	PRELIMINARY	Increase	Increase
Revenues	BUDGET	BUDGET	(Decrease)	(Decrease)
Other Sources	100,000	-	(100,000)	-100.00%
Total	$ 100,000	$ -	$ (100,000)	-100.00%

	FY 2016-2017	FY 2017-2018	$	%
CAPITAL PROJECTS FUND	AMENDED	PRELIMINARY	Increase	Increase
Expenditures	BUDGET	BUDGET	(Decrease)	(Decrease)
Non-Operating	100,000	-	(100,000)	-100.00%
Total	$ 100,000	$ -	$ (100,000)	-100.00%

UTILITY SERVICE FUND

Utility Service Fund Revenues

The Utility Service Fund operates as an enterprise fund and is the City's second largest fund. Revenues are budgeted at a decrease of $517,749 or 5.86%.

Revenue Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

UTILITY SERVICE FUND Revenues	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Intergovernmental	$ 532,168	$ 64,910	$ (467,258)	-87.80%
Charges for Services	7,324,973	7,328,490	3,517	0.05%
Miscellaneous	14,420	-	(14,420)	-100.00%
Other Sources	964,588	925,000	(39,588)	-4.10%
Total	$ 8,836,149	$ 8,318,400	$ (517,749)	-5.86%

Intergovernmental

Intergovernmental revenue is budgeted to decrease $467,258 or 87.80%. This decrease is primarily due to the completion of the Jones Street and Cutter's Way projects in the prior year. Also included in this decrease is $48,000 in FEMA proceeds for reimbursement of Hurricane Matthew related expenses in the prior year. The proposed budget does not include the $500,000 legislative appropriation funded through the Department of Environmental Protection for sewer installations replacing septic tanks in the City as funds are not anticipated to be expended until FY 2018-2019. The City is also attempting to secure additional funding for this program through St. Johns River Water Management District.

Charges for Services

Water and Sewer Combined Utility

The revenue from water/sewer and miscellaneous service charges is budgeted at $6,257,550 representing a decrease of $1,938 or 0.03% from the prior year based on actual. The most recent water and sewer rate study was conducted in 2008. A new rate study is budgeted for FY 2017-2018. Per the terms of the City's wholesale water contract, should the water wholesaler implement a CPI adjustment, that adjustment would be passed-through to residents and a budget amendment would be necessary.

Stormwater Management

The revenue budgeted from stormwater management fees is budgeted to increase $5,455 or 0.51% over the prior year based on actual. Pursuant to City code, commercial establishments have the option of lowering equivalent residential unit (ERU) calculations by the City Engineer as these establishments make qualifying drainage improvements to their properties. The most recent stormwater rate study was conducted in 2008.

Miscellaneous

Impact Fees

Water and sewer impact fees are assessed on new properties connecting to the City's water and sewer infrastructure. Any fees collected are transferred to reserves for future eligible capital improvements. There are no impact fee revenues budgeted in FY 2017-2018. There is potential for development in next fiscal year which could result in the payment of impact fees but it is too premature to estimate these fees for the budget.

Other Sources

Overall, non-operating revenue sources decreased $39,588 or 4.10%.

Installment Loan Proceeds

There are no installment loan proceeds budgeted, which represents a decrease of $304,469 from the prior year.

Transfer from Reserves

Transfers from reserves are estimated to increase $264,881 or 40.13% from $660,119 to $925,000. The major budgeted transfer from reserves for the upcoming fiscal year is to fund depreciation - a non-cash expense. This line item is used to account for a bookkeeping entry to record depreciation as required by governmental accounting standards. There are no budgeted reserve transfers for operating expenses or capital improvement/projects.

Utility Service Fund Expenditures

Expenditures in the Utility Service Fund are budgeted to decrease by $517,749 or 5.86%.

Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

Expenditures	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Contingency	$ -	$ 29,735	$ 29,735	-
Personal Services	530,666	594,960	64,294	12.12%
Operating Expenses	4,218,586	4,501,351	282,765	6.70%
Capital Outlay	1,033,681	273,410	(760,271)	-73.55%
Debt Service	958,253	1,119,539	161,286	16.83%
Non-Operating	1,766,112	1,585,358	(180,754)	-10.23%
Transfer to Reserves	328,851	214,047	(114,804)	-34.91%
Total	$ 8,836,149	$ 8,318,400	$ (517,749)	-5.86%

Departmental Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

UTILITY SERVICE FUND Departmental	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Contingency	$ -	$ 29,735	$ 29,735	#DIV/0!
Debt Service	958,253	1,119,539	161,286	16.83%
Water Sewer Operations	4,174,716	4,150,468	(24,248)	-0.58%
Flood Control	1,196,420	658,549	(537,871)	-44.96%
Utility Billing Administration	411,797	560,704	148,907	36.16%
Non-operating	2,094,963	1,799,405	(295,558)	-14.11%
Total	$ 8,836,149	$ 8,318,400	$ (517,749)	-5.86%

Contingency

A contingency amount of $29,735 is included in the budget for funding of the Personal Leave Payout program. This represents 75% of eligible costs, limited to 100 hours.

Personal Services

Personal services are budgeted to increase $64,294 or 12.12%. The budget includes the City-wide average 3.0% wage adjustment as well as increased costs for FRS, health insurance and workers' compensation insurance, all previously mentioned.

Refer to pages 1-2 for Utility Service Fund personnel changes recommended in FY 2017-2018.

The Utility Service Fund has 15 Council approved positions; 9 of those positions are funded in the FY 2017-2018 budget; 6 are unbudgeted.

Operating Expenditures

Operating expenses are budgeted to increase by $282,765 or 6.70%.

Water and Sewer Operations

Water and sewer operating expenditures are budgeted to increase $244,357 primarily attributable to a budgeted increase in water and sewer purchases - $125,000 and $72,000 respectively, and an increase of $54,674 in the PILOT fee charge by the General Fund based on change in the calculation methodology, now representing 9% of operating revenues. $10,000 is included in this budget for a renovation to the bathroom at the Public Works compound facility.

Flood Control

Flood control operating expenditures are budgeted to decrease $23,255 primarily attributable to disaster recovery expenses related to Hurricane Matthew in the prior year.

Utility Billing Administration

Utility billing administration operating expenditures are budgeted to increase by $61,663. This increase is primarily the inclusion of a water/sewer and flood control rate study, a Munis needs assessment and the addition of temporary labor staff to focus on receivables, collections and lien processing.

Capital Outlay

Capital outlay is budgeted to decrease by $760,271 or 73.55%. The majority of this decrease is due to the completion of grant funded projects as discussed in the Utility Service Fund revenue discussion.

The following Capital Outlay is included in the Utility Service Fund FY 2017-2018 budget:

• Lift station improvements	$ 7,000
• Lift station # 8 (US1/Palmetto) replacement	$ 86,000
• Waterline improvements	$ 25,000
• Sewerline improvements	$ 25,000
• Teague St. sewer extension	$ 64,910
• Drainage improvements	$ 25,000
• Fountain @ Lantern Park drainage pond	$ 5,000
• Stainless steel water testing site (Pilot)	$ 4,000
• Vehicle replacement	$ 31,500

$ 273,410

Debt Service

The total budgeted Utility Service Fund debt service increased by $161,286 or 16.83%. This includes additional debt service for the BVA Compass loan secured in FY 2016-2017 for purchase of a new sewer vac truck. Utility Service Fund debt service payments by type, including interest, for FY 2017-2018 are as follows:

	DEBT SERVICE
State Revolving Loan-Country Club Gardens	$ 86,660
State Revolving Loan-Palm Grove Phase I	331,798
State Revolving Loan-Palm Grove Phase II	73,088
Wells Fargo Note 75	50,981
Wachovia Bank Capital Improvement Note 59	433,953
BBVA/Compass Series 2013B Capital Improvement Note	76,608
BBVA/Compass Series 2017 Note	66,451
	$1,119,539

Non-operating

Non-operating expenditures are budgeted to decrease $180,754 or 10.23%. The budget includes $20,067 for the Series 2013B Loan Issuance Cost Amortization Expense. This is an annual recurring expense and there is no change in the budgeted amount.

Transfer to General Fund

The transfer from the Utility Service Fund increased $94,251 or 6.76%. The increase is primarily attributable to a review of the cost allocation to determine the appropriate transfer.

Transfer to Transportation Fund

The transfer to the Transportation Fund decreased by $274,870. This decrease is attributable to the prior year expense of the pro-rata share of the $1,800,000 grant anticipation note paid off in FY 2016-2017.

Transfer to Internal Service Fund

The transfer to the Internal Service Fund remained virtually flat with a budgeted $135 decrease. The Internal Service Fund is funded by the funds using the services with the Transportation Fund providing 15% of the fund's annual operating budget. As repairs occur during the year they are expended in the fund receiving the service.

Transfer to Reserves

The transfer to reserves is budgeted at $214,047, a decrease of $114,804 or 34.91%.

INTERNAL SERVICE FUND

The City's internal service component consists of one fund - the Equipment Maintenance Fund - to capture costs associated with continued maintenance and upkeep of the City's vehicle fleet and various equipment.

Revenue and Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

INTERNAL SERVICE FUND Revenues	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Other Sources	$ 165,836	$ 165,296	$ (540)	-0.33%
Total	$ 165,836	$ 165,296	$ (540)	-0.33%

INTERNAL SERVICE FUND Expenditures	FY 2016-2017 AMENDED BUDGET	FY 2017-2018 PRELIMINARY BUDGET	$ Increase (Decrease)	% Increase (Decrease)
Personal Services	$ 132,372	$ 137,847	$ 5,475	4.14%
Operating Expenses	26,949	27,449	500	1.86%
Debt Service	6,515	-	(6,515)	-100.00%
Total	$ 165,836	$ 165,296	$ (540)	-0.33%

Internal Service Fund Revenues
Revenues are budgeted at a decrease of $540 or 0.33%.

Internal Service Fund Expenditures
Expenditures are budgeted at a decrease of $540 or 0.33%.

Expenditures appropriated in this fund are funded by transfers from the General Fund (60%), the Transportation Fund (15%) and the Utility Service Fund (25%). Through a charge back system, each department budgets for maintenance of its own vehicles and equipment in its operating budget. As repairs occur during the year, they are expended in the department receiving the service.

Personal Services
Personal services increased $5,475 or 4.14%. This figure includes the City-wide average 3.0% wage adjustment as well as increased costs for FRS, health insurance and workers' compensation insurance, all previously mentioned.

The Internal Service Fund has 3 Council approved positions; two of those positions appear in the FY 2017-2018 budget, one is unbudgeted.

Operating Expenditures
Operating expenditures increased by $500.

Capital Outlay
There is no capital outlay budgeted in the FY 2017-2018 budget.

Debt Service
There is no debt service budgeted in the FY 2017-2018 budget.

COMMUNITY TRUST FUND

On April 11, 2009, the Internal Revenue Service designated tax-exempt public charity status under section 501(c)(3) of the IRS code to the City's Community Trust. Officially, the City can now receive tax deductible bequests, donations and gifts.

Revenue and Expenditure Comparison
FY 2016-2017 Amended vs. FY 2017-2018 Proposed

	FY 2016-2017	FY 2018-2019		
	AMENDED	PRELIMINARY	$	%
Revenue	BUDGET	BUDGET	CHANGE	CHANGE
Miscellaneous	22,500	20,000	(2,500)	-11.11%
Expenditures				
Operating	22,500	20,000	(2,500)	-11.11%

Community Trust Fund Revenues

Donations are budgeted to increase $2,500 or 11.11% based on current year receipts. There are no budgeted transfers from reserves.

Community Trust Fund Expenditures

Expenditures included in this budget include costs associated with the annual Blaine O'Neal Memorial Golf Tournament - $10,000, anticipated cost associated with community outreach programs - $9,550, and auditor fees - $450 for preparation of the annual IRS Form 990 tax return for the Trust.

EMPLOYEES AND BENEFITS

The City provides an excellent benefit package which supplements the employees' salary.

Health Insurance	Monthly Premium
Florida Health Care - HMO - Employee Premium – Base Plan	$ 706.91
Florida Health Care - HMO - Employee Premium – Buy-up Plan	$ 746.16
Florida Health Care - Triple Option - Employee Premium – Buy-up Plan	$ 897.57

The City pays 100% of employee only premiums for the base plan. Employees can "buy-up" to the upgraded plan and may provide coverage for dependents at employee cost via payroll deductions.

Dental Insurance	Monthly Premium
MetLife - Employee	$ 46.89

The City pays 100% of employee only premiums. Employees may provide coverage for dependents at employee cost via payroll deductions.

Life and AD&D Insurance

The following term life insurance and accidental death and dismemberment insurance coverage is provided by the City at a cost of $0.315 per $1,000 of coverage:

Position	Coverage
Council members	$50,000
City Manager	3x Annual Salary up to $450,000
Department Heads	1x Annual Salary up to $250,000
Supervisor/Administrative	$30,000
Regular Employee	$25,000

The City pays 100% of employee only premiums. Employees may provide coverage for dependents at employee cost via payroll deductions. The City also offers a Section 125 Plan under the Internal Revenue Code which allows pre-tax deduction of employee premiums for medical, dental and employee supplemental life insurances.

Disability Insurance
Disability insurance is available to all employees at employee cost.

Deferred Compensation
The City contributes $195 per year per employee hired before October 1, 1992. The City also permits employee elected contributions up to the IRS limits.

Retirement
The City of South Daytona is a member of the Florida Retirement System.

Holidays
The City of South Daytona observes ten holidays of paid leave per year. These holidays include New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, and Thanksgiving (2 days), Christmas Day, one floating holiday and the employee's birthday.

Personal Leave
The City provides personal leave benefits to full time employees based on their length of service ranging from 176 hours to 288 hours annually.

Educational Reimbursement
The City of South Daytona provides an educational reimbursement program for job related courses and degree requirements and requires the employee to remain in the City's employment for three years after reimbursement.

CONCLUSION

Although the current economic environment continues to improve, preparation of the City's budget presents challenges due to various issues facing the City. The fiscal realities of maintaining current levels of service with revenue amounts equivalent to those received approximately a decade ago has been an arduous task. This problem has been further exacerbated by the overall decline in market values during the economic downturn of the past few years and the inability to recapture those values as the market rises due to the Save Our Homes provision.

I am very pleased with how quickly the City's new Finance team has grasped the City's financial situation, made recommendations for revenue enhancements and identified future concerns for the Council's consideration. City staff has worked hard to prioritize departmental spending and identify revenue alternatives. This staff involvement has, hopefully, lessened the burden on each of you in regard to revenues and expenditures analysis and cost/benefit decision making. The choices each of you will have to make will not be easy choices but will be necessary to facilitate the adoption of this budget.

This budget attempts to address concerns regarding potential revenue impacts of the upcoming homestead exemption constitutional amendment, attempts to position the City to absorb the impact of scheduled debt service increase and a scheduled balloon payment debt while at the same time identifying revenue options for the Council to consider.

This budget reflects my belief that a healthy general reserve is the key to stability in uncertain times. As has been the policy of the Council, this budget does not use reserves for funding operations. I must commend the City's Finance staff in assisting with the preparation of this document and furthering the City toward fiscal stability. I believe their experience and foresight will assist the City in restoring the General Fund's undesignated fund balance to within policy requirements. This budget addresses the level of fund balance maintained in the General Fund and positions the City to be able to withstand future scheduled debt service increases and begins to address the impacts of potential changes in homestead exemptions. Moving toward that direction, this budget includes a $400,000 General Fund transfer to reserves as well as a $166,537 transfer to reserves for future debt service. General Fund reserves are projected to be 13.3% by the end of FY 2017-2018. Furthermore, the Utility Service Fund budget contains a transfer to reserves of $214,047 that will facilitate further paying down the inter-fund receivable balance between the Utility Service Fund and General Fund. In addition, the CRA budget includes a transfer of $37,124 for future debt service as well.

Working with conservative increases in revenues and reductions in spending wherever possible, staff has been able to provide you with a fiscally responsible, balanced budget document that will continue to afford the citizens and business owners of South Daytona services to which they have been accustomed to receiving while at the same time laying the foundation for the future.

While implementing your agenda to expand and heighten necessary public services to the citizens of South Daytona, I have always done so with my eye on the horizon. Sound public fiscal policy dictates that we not ignore potential reductions that may result from state and federal actions beyond our control, and, accordingly, this budget positions the City to guard against those issues through responsible budgeting of expenditures, conservative budgeting of revenues, identification of potential concerns and revenue alternatives.

The comparisons used in this document for Fiscal Year 2016-2017 are comparisons with the amended budget to date. We continue our efforts to reduce operational costs by exploring the use of contractual services and electronic technology. The alternatives available to us in these areas may not always reduce present costs, but will enhance our service to the public and lessen the need for more employees as the City redevelops. We will also continue to evaluate the use of private contractors to perform tasks that are traditionally done by City employees in an effort to further reduce operational costs. We also continue to look for alternative revenue sources to help meet ever growing needs and demands.

This budget document marks the 30th year that I have been honored to serve as your City Manager. I am indeed fortunate to have a staff that is as committed to their work. I would like to extend special recognition to the City's Finance Director, Kevin Lewis and the City's Assistant Finance Director, Lori Carr for their unrelenting efforts and extensive hours spent crafting this budget document with my oversight. The entire Finance Department staff are to be commended for their hard work and dedication toward producing a fiscally responsible, forward looking budget and exemplary budget document.

In conclusion, it is at your pleasure that I serve and it is my sincere hope that you find this budget document a reflection of your goals and objectives for our City. As has been our policy, any questions from you or the public regarding this document will be appreciatively welcomed.

Respectfully submitted,

Joseph W. Yarbrough
City Manager