

City of South Daytona



Office of the City Manager / Department of Finance

Post Office Box 214960 • South Daytona, FL 32121 • 386/322-3060 • FAX 386/322-3099

MEMORANDUM

To: James L. Gillis, Jr., City Manager

From: Jason E. Oliva, Finance Director

Re: First Public Hearing - A Resolution of the City Council of the City of South Daytona
Adopting the Tentative Budget for the Fiscal Year 2024-2025

Date: August 19, 2024

Issue: The Truth in Millage (TRIM) process informs taxpayers and the public about the legislative process by which local taxing authorities determine ad valorem (property) taxes. When levying a millage, taxing authorities must follow chapter 200 of the Florida Statutes which govern TRIM. State laws require that two formal public hearings be held in September to adopt the budget for the upcoming fiscal year, 2024-2025. At the first public hearing the City will adopt a tentative budget and set a date and time for the final public hearing.

Solution: Resolution No. 2024-25 adopts the tentative budget and sets the final public hearing for September 24, 2024, immediately following the adoption of the final millage rate resolution. The wording of the attached resolution is consistent with the 2024 TRIM Compliance Workbook provided by the Florida Department of Revenue. The tentative budget for fiscal year 2024-2025 is attached in Exhibit A.

Recommendation: Staff requests council adopt the tentative budget and set the final public hearing date for September 24, 2024, immediately following the adoption of the final millage rate resolution.

Result: The City will remain in compliance with TRIM requirements. According to Florida law, failure to meet TRIM requirements will result in loss of revenue sharing for the taxing authority.

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August 28, 2024

ANNUAL BUDGET MESSAGE

FISCAL YEAR OCTOBER 1, 2024 - SEPTEMBER 30, 2025

TO: THE HONORABLE MAYOR AND CITY COUNCIL

In compliance with Article 7, Section 7.03(e) of the City Charter, staff is pleased to submit the tentative Annual Operating and Capital Improvement Budget for Fiscal Year, beginning on October 1, 2024, and ending September 30, 2025. The budgeting format is designed to afford you an easily readable and understandable budget with a detailed breakdown of revenues and expenditures for the various departments and funds.

The FY 2024-2025 comprehensive budget document for the City of South Daytona is a detailed description of revenues and expenditures of the City's nineteen active funds: General Fund, Police Confiscated Fund, ADA Advisory Committee Fund, Permits and Inspections Fund, Parks Improvement Fund, Redevelopment Trust Fund, Transportation Fund, Transportation Impact Fee Fund, Police Impact Fee Fund, Fire Impact Fee Fund, Capital Project Fund (Cell Tower), Capital Project Fund (ARPA), Water & Sewer Fund, Water Impact Fee Fund, Sewer Impact Fee Fund, Stormwater Fund, Solid Waste Fund, Internal Service Fund and Community Trust Fund.

This annual budget serves as a financial guide for the City and reflects the City Council's vision of responsible fiscal stewardship while still meeting the needs of our residents and business community. This FY 2024-2025 proposed budget includes \$36,544,932 in personnel, operating, and capital expenditures and is funded with a proposed millage rate of 7.7500 mills per \$1,000 of taxable valuation representing a 0.6310 or 8.86% increase above the rolled-back millage rate of 7.1190. Adoption of this millage rate will generate \$639,624 more in ad valorem tax levies when compared to the rolled-back rate. Including new construction, taxable values in the City increased \$95,131,715 or 10.36%.

The total budget appropriation for fiscal year 2024-2025 is \$36,544,932 representing a \$4,140,742 or 10.18% decrease from the previous year amended budget of \$40,685,674.

CITY WIDE TOTAL BUDGET BY FUND

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
	ACTUAL	AMENDED BUDGET	PRELIMINARY BUDGET	Increase (Decrease)	Increase (Decrease)
General Fund	\$ 13,086,045	\$ 12,028,159	\$ 12,321,008	\$ 292,849	2.43%
Police Confiscated Fund	19,752	10,000	10,000	-	0.00%
ADA Advisory Committee Fund	5,000	-	-	-	0.00%
Permits and Inspections Fund	427,062	342,935	352,935	10,000	2.92%
Impact Fee Funds	77,164	70,000	334,882	264,882	378.40%
Redevelopment Trust Fund	3,112,222	3,478,697	3,724,075	245,378	7.05%
Transportation Fund	1,416,764	2,387,518	2,671,506	283,988	11.89%
Capital Project Fund	199,056	345,226	-	(345,226)	-100.00%
Capital Project ARPA Fund	-	7,350,000	3,000,000	(4,350,000)	-59.18%
Water & Sewer Fund	8,092,543	9,265,309	9,187,350	(77,959)	-0.84%
Stormwater Fund	-	2,455,260	1,974,740	(480,520)	-19.57%
Solid Waste Fund	-	2,682,400	2,685,320	2,920	0.11%
Interservice Fund	195,732	250,170	263,116	12,946	5.17%
Community Trust Fund	19,682	20,000	20,000	-	0.00%
Total	\$ 26,651,022	\$ 40,685,674	\$ 36,544,932	\$(4,140,742)	-10.18%

BUDGET HIGHLIGHTS

The following list highlights some of the more significant items affecting the FY 2024-2025 budget. Additional significant highlights will be presented in the individual fund level discussions.

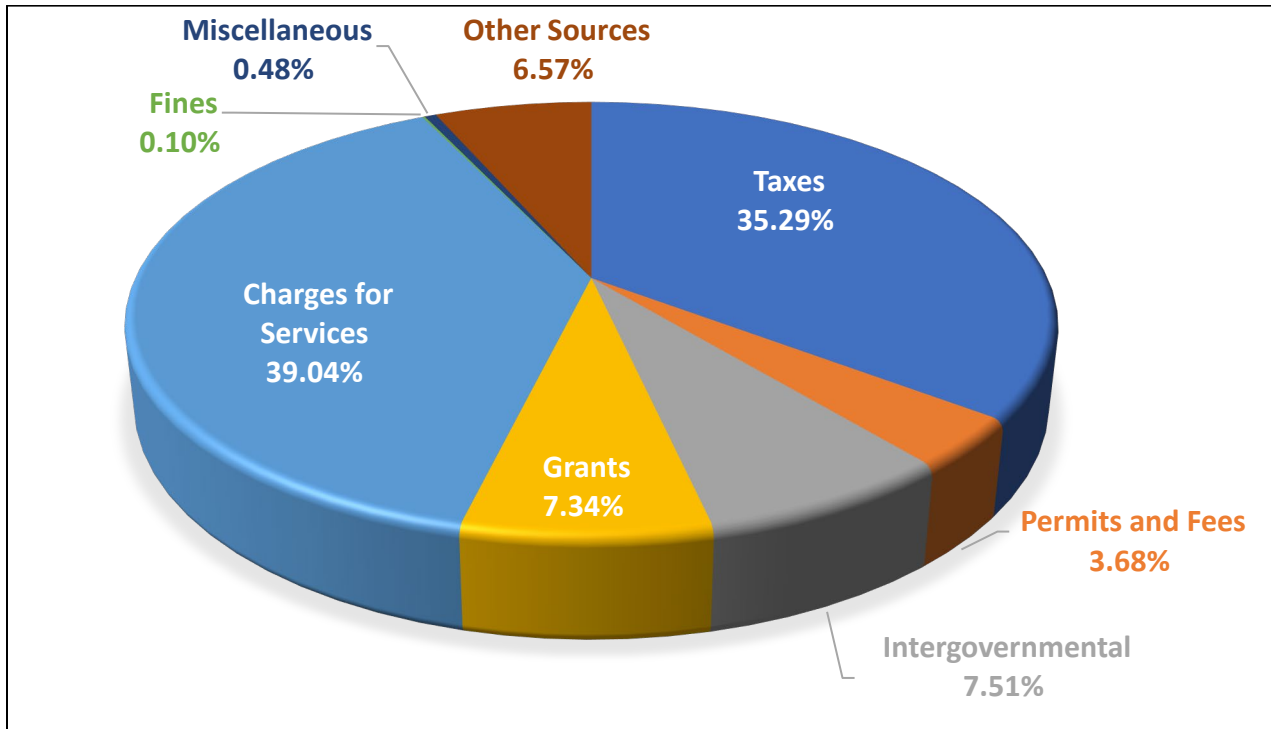
- The budget is balanced based on a proposed millage rate of 7.7500 mills per \$1,000 of taxable value representing an 8.86% increase above the rolled-back millage rate of 7.1190 mills as established by the Volusia County Property Appraiser.
- An operating contingency of \$405,300 is being proposed which consists of the following: \$130,000 in the General Fund, \$100,000 in the Water & Sewer Fund, \$160,000 in the Redevelopment Trust Fund, \$7,500 in the Stormwater Fund and \$7,800 in the Permits and Inspections Fund,
- A payroll contingency of \$63,440 is being proposed for unanticipated personal leave termination payouts.
- There are 103 positions funded in the FY 2024-2025 budget.
- Included in the budget is \$8,424,113 for capital outlay.

- To continue funding an annual street resurfacing program, .4000 mills of ad-valorem taxes will be transferred to the Transportation Fund which will allow for an additional \$275,407 of resurfacing in the FY 2024-2025 budget.

Below 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 24-25 PRELIMINARY BUDGET REVENUE BY SOURCE

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
		AMENDED	PRELIMINARY	Increase	Increase
	ACTUAL	BUDGET	BUDGET	(Decrease)	(Decrease)
Taxes	\$ 10,122,668	\$ 10,771,109	\$ 11,492,004	\$ 720,895	6.69%
Permits and Fees	1,410,734	1,287,846	1,197,521	(90,325)	-7.01%
Intergovernmental	2,475,921	2,397,934	2,445,466	47,532	1.98%
Grants	2,218,230	4,392,324	2,389,739	(2,002,585)	-45.59%
Charges for Services	7,981,492	12,074,077	12,714,190	640,113	5.30%
Fines	73,020	77,750	33,150	(44,600)	-57.36%
Miscellaneous	698,451	448,735	156,988	(291,747)	-65.02%
Other Sources	703,782	1,962,051	2,138,092	176,041	8.97%
Transfer from Reserves	-	7,273,848	3,977,782	(3,296,066)	-45.31%
Total	\$ 25,684,298	\$ 40,685,674	\$ 36,544,932	\$(4,140,742)	-10.18%

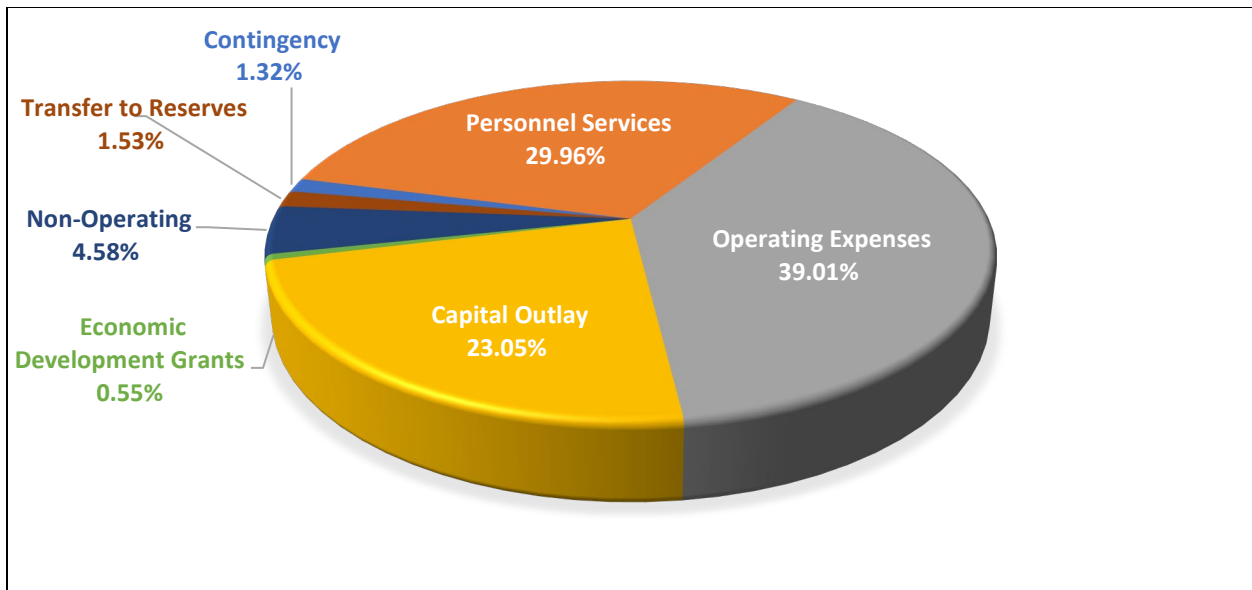


Charges for services are the largest source of revenue for the City. This represents the activities of the business type funds that include water, sewer, stormwater, and solid waste.

Taxes are the second largest source of revenue for the City. This represents ad-valorem, sales tax, and fuel taxes that the City receives. Taxes are recorded in the General Fund or special revenue funds such as the Redevelopment Trust Fund and the Transportation Fund.

FY 24-25 PRELIMINARY BUDGET EXPENDITURE BY FUNCTION

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
	ACTUAL	AMENDED BUDGET	PRELIMINARY BUDGET	Increase (Decrease)	Increase (Decrease)
Contingency	\$ -	\$ 255,426	\$ 483,740	228,314	89.39%
Personnel Services	9,675,830	10,684,012	10,947,078	263,066	2.46%
Operating Expenses	10,474,921	13,133,575	14,255,585	1,122,010	8.54%
Capital Outlay	2,866,933	13,817,672	8,424,113	(5,393,559)	-39.03%
Debt Service	3,037,025	1,186,919	-	(1,186,919)	-100.00%
Economic Development Grants	33,405	140,000	200,000	60,000	42.86%
Non-Operating	807,906	1,141,570	1,673,691	532,121	46.61%
Transfer to Reserves	-	326,500	560,725	234,225	71.74%
Total	\$ 26,896,020	\$ 40,685,674	\$ 36,544,932	\$(4,140,742)	-10.18%



The largest decrease to an expenditure function is a decrease of \$5,393,559 in capital expenditures. This is mainly attributed to a decrease in activity budgeted in the Capital Projects Arpa Fund of \$4,350,000.

The second largest decrease in expenditure function to the budget City wide was \$1,186,919 decrease in debt service. The debt reduction plan that the City implemented during Fiscal Year 2019-2020 had the City paying additional debt service payments as compared to prior fiscal years. This plan has been successful, and the City is now debt free with no debt service payments needed in this proposed FY 2024-2025 budget.

Operating expenses increased by \$1,122,010 to a total of \$14,255,585, which represents 39% of the total proposed budget. Operating expenses include some major projects and renovations that are not considered to be capital outlay. Some of the major projects budgeted include the following: replacing the roof for City Hall, design and construction of a new police evidence room, improvements to Reed Canal Park and James Street Park, and purchasing additional sewer capacity from the City of Daytona Beach.

EMPLOYEES AND BENEFITS

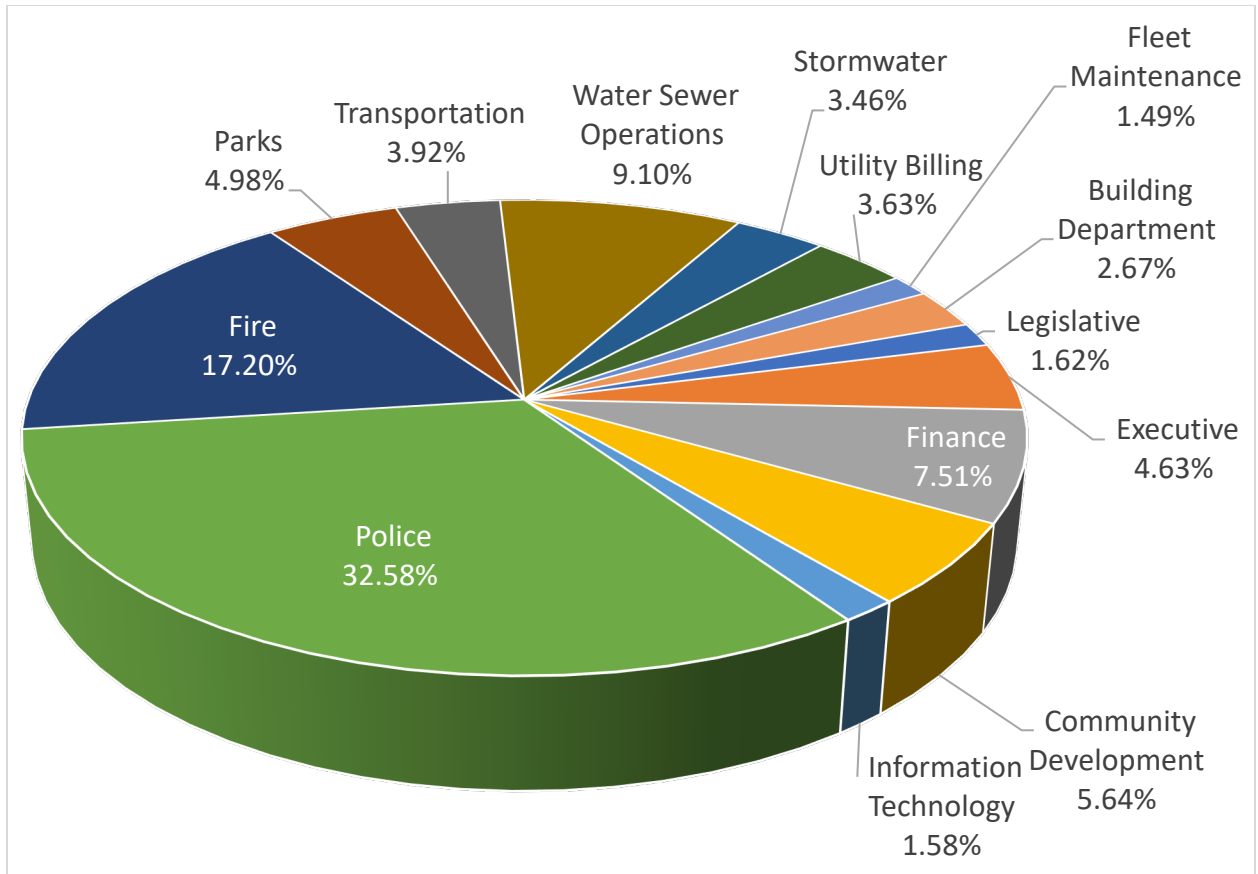
As part of this budget submission, the following personnel changes are being recommended:

PROPOSED FY 2024-2025 W/ CHANGES			
	2024	2025	
	Original	Original	
	Positions	Positions	
Department	Budgeted	Budgeted	Positions Changed
Executive	3	3	
Finance	6	6	
Community Development	5	5	
Information Technology	1	1	
Police	31	31	-1 Captain, +1 Deputy Chief
Fire	16	16	
Parks and Recreation	9	8	-1 Parks & Recreation Director
General Fund Total	71	70	

PROPOSED FY 2024-2025 W/ CHANGES

Department	2024	2025	Positions Changed
	Original	Original	
	Positions Budgeted	Positions Budgeted	
Permits & Inspections	2	2	
Community Redevelopment	1	1	
Streets Maintenance	5	5	
Public Works - Administration	5	5	
Water and Sewer Operations	7	7	
Utility Billing	6	6	
Utility Service Fund Total	18	18	
Stormwater Maintenance	5	5	
Internal Service Fund	2	2	
Totals	104	103	

City Wide			
	Actual FY 23	Budget FY 24	Budget FY 25
Personnel Services			
General Fund	\$ 6,406,072	\$ 6,879,988	\$ 7,104,983
Redevelopment Trust Fund	503,526	598,846	596,661
Transportation Fund	215,927	234,800	272,882
Water Sewer Fund	1,483,329	1,858,690	1,900,059
Stormwater Fund	610,320	578,166	511,872
Solid Waste Fund	76,071	92,385	105,243
Internal Service Fund	137,645	156,208	163,061
Permits & Inspections	242,940	284,929	292,317
Total Department Personnel	\$ 9,675,830	\$ 10,684,012	\$ 10,947,078



Citywide personnel services costs have increased \$263,066 over the amended budget to a FY 2024-2025 total of \$10,947,078. This represents only a 2.46% increase from the prior year amended budget. Staffing changes in the parks department helped to keep the overall increase to payroll to a minimal amount. Raises for general employees are budgeted at the greater of \$1.00 per hour or 3%. Sworn police officer and firefighter increases are in accordance with the respective council approved union contracts.

To attract a quality workforce in conjunction with the minimum wage mandate, the minimum and maximum amounts for each pay grade level were adjusted to implement a revised pay plan that makes the lowest salary grade pay \$15.00 per hour in FY 2022-2023. The pay plan for general employees has been increased by 3.56% percent to make the lowest salary grade pay \$16.00 per hour for FY 2024-2025. The revised pay plan has been attached for your review.

The wages for police officers in Volusia County have continued to increase. To attract new officers and retain our current workforce, the proposed pay plan for a police officer has been revised to make the starting pay for an officer to be \$24.725

per hour which equals a salary of \$54,000 annually.

The pay plan for bargaining unit firefighters is proposed to increase by 2.5% to remain competitive with other agencies in the County.

Florida Retirement System (FRS)

FRS employer contribution amounts changed effective July 1, 2024. Total City contributions are budgeted to decrease \$21,077 or 1.2%, across all funds based on budgeted wages and other earnings and employees expected to enter the DROP plan or leave employment with the City. Total FRS employer contributions are budgeted at \$1,794,252 for the 2024-2025 fiscal year, down from \$1,815,329 in the prior year amended budget. FRS updated rates are as follows:

- Regular employees increased from 13.57% to 13.63%,
- Senior management had no change and remained at 34.52%,
- Special risk increased from 32.67% to 32.79%,
- Deferred Retirement Option Program (DROP) had no change and remained at 21.13%, and
- Elected Officials had no change and remained at 58.68%.

The City provides an excellent benefit package which supplements the employees’ salary. As the cost of the benefits package continues to increase, the City may need to evaluate the level of benefits offered to new employees to negate these increased costs in future budgets.

Health Insurance

Monthly Premium

HMO - Employee Premium – Base Plan	\$ 768.70
HMO - Employee Premium – Buy-up Plan	\$ 810.95
Triple Option - Employee Premium – Buy-up Plan	\$ 975.33

The City offers health insurance provided by Florida Health Care and the City pays 100% of employee premiums only for the base plan. Employees can “buy-up” to the upgraded plan and may provide coverage for dependents at employee cost via payroll deductions. Budgeted premiums for employees were increased by 3% over the prior year rates for a total cost of \$1,015,637.

Dental Insurance

Monthly Premium

MetLife - Employee	\$ 46.89
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The City pays 100% of employee only premiums. Employees may provide coverage for dependents at employee cost via payroll deductions.

Vision Insurance

Monthly Premium

Vision - Employee

\$9.01

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 \$0.38 per \$1,000 of coverage:

<u>Position</u>	<u>Coverage</u>
Council Members	\$ 50,000
City Manager	Per Contract
Department Heads	\$ 100,000
Supervisor/Administrative	\$ 30,000
Regular Employee	\$ 30,000

This coverage includes an Employee Assistance Program (EAP) at no cost to all eligible employees. The EAP assists employees and their eligible dependents with personal or job-related concerns such as emotional well-being, family and relationships, legal and financial matters, healthy lifestyles and work and life transitions. The program offers access to EAP professionals 24 hours a day, seven days a week and three face-to-face sessions with a counselor (per household per calendar year).

Disability Insurance

Long-term and Short-term disability 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.

Holidays

The City of South Daytona observes eleven holidays of paid leave per year. These holidays include New Year’s Day, Martin Luther King Jr. Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving (2 days), Christmas Day, and one floating holiday.

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. The City allows for

hours to be sold back at the end of the fiscal year to decrease the compensated absences liability. The Fiscal Year 2024-2025 budget allows for eligible employees to sell back up to two hundred hours of leave.

Educational Reimbursement

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

GENERAL FUND HIGHLIGHTS

General Fund Revenues

The total preliminary estimated taxable value for FY 24/25 is \$1,013,666,530. This is an increase of \$95,131,715 or 10.4% and includes \$6,557,267 in new construction. Adoption of the rolled-back rate of 7.1190 would result in an increase of \$97,647 in the ad valorem tax. Adoption of the proposed rate of 7.7500 would result in an increase of \$737,271 over the prior year tax levy. This increase is the net result of increases in the taxable value of existing properties coupled with additional taxes generated from new construction. Adoption of either the rolled-back rate of 7.1190 or the proposed rate of 7.7500 would require a majority vote of the Council. Adoption of the proposed rate of 7.7500 would require the City to advertise a tax increase.

Adoption of the proposed rate of 7.7500 mills would result in an increase of ad valorem revenue in the amount of \$639,624 over the rolled-back rate. The average residential homesteaded parcel would see an increase of \$28.08, or \$2.34 per month, when compared to the taxes paid the previous year.

From an overall fiscal standpoint, adopting the proposed millage rate will assist the City in maintaining its undesignated general operating fund balance while providing funding for much needed street resurfacing. Both are extremely important to the City. The Government Finance Officers Association (GFOA) recommends an unassigned fund balance-to-expense ratio to be at a minimum of two months of expenditures or 16.67%. It is important to note that unassigned reserves should primarily be used for emergency purposes. Appropriating unassigned reserves to meet annual recurring expenditures is a fiscally unsound policy that can lead to financial difficulties. General Fund unassigned reserves are projected to remain above 20% by the end of FY 2023-2024.

The dates for adoption of the tentative and final millage rates are Monday, September 09, 2024, and Tuesday, September 24, 2024, respectively.

While the home values have increased as evidenced in the property value increases, the economy remains unpredictable with inflation and wage increases pointing to a possible recession which can be seen in the General Fund revenue projections. Several revenue sources such as Electric Utility Taxes, Electric Franchise Fees, Communication Services Tax, State shared revenues and Sales Tax are budgeted with little or no increases. **This budget does not include the use of any unassigned reserves.**

General Fund Revenues

Budgeted revenues in the general fund for FY 2024-2025 total \$12,321,008 which represents an increase of \$292,849 from the amended FY 2023-2024 budget total of \$12,028,159.

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
		AMENDED	PRELIMINARY	Increase	Increase
GENERAL FUND	ACTUAL	BUDGET	BUDGET	(Decrease)	(Decrease)
Taxes	\$ 6,721,416	\$ 6,955,212	\$ 7,430,729	\$ 475,517	6.84%
Permits and Fees	983,672	974,911	974,586	(325)	-0.03%
Intergovernmental	2,351,657	2,284,374	2,322,306	37,932	1.66%
Grants	2,076,590	465,000	-	(465,000)	-100.00%
Charges for Services	234,146	181,235	263,980	82,745	45.66%
Fines	73,020	77,750	33,150	(44,600)	-57.36%
Miscellaneous	336,940	302,095	107,988	(194,107)	-64.25%
Other Sources	308,604	381,636	433,269	51,633	13.53%
Transfers from Reserves	-	405,946	755,000	349,054	85.99%
Total	\$ 13,086,045	\$ 12,028,159	\$ 12,321,008	\$ 292,849	2.43%

Grant revenue in the General Fund decreased by \$465,000. The main reason for this decrease is a result of federal and state grants for the City Hall generator and parks improvements were budgeted in the prior year budget.

Transfer from reserves increased \$ 349,054. This increase represents transfers from reserves that are assigned for capital. Of this amount, \$300,000 is being transferred from reserves to replace the 30-year-old roof at City Hall and another \$220,000 is being transferred in from reserves for additional street resurfacing.

General Fund Expenditures

General Fund expenditures are budgeted to increase by \$292,849 or 2.4%.

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
		AMENDED	PRELIMINARY	Increase	Increase
GENERAL FUND	ACTUAL	BUDGET	BUDGET	(Decrease)	(Decrease)
Contingency	\$ -	\$ 40,000	\$ 175,000	\$ 135,000	337.50%
Personnel	6,406,072	6,879,988	7,104,983	224,995	3.27%
Operating Expenses	4,678,498	3,285,857	3,857,718	571,861	17.40%
Capital Outlay	719,222	1,280,796	687,900	(592,896)	-46.29%
Debt Service	502,406	43,799	-	(43,799)	-100.00%
Non-Operating Transfers	75,298	251,219	495,407	244,188	97.20%
Transfer to Reserves	-	246,500	-	(246,500)	-100.00%
Total	\$ 12,381,496	\$ 12,028,159	\$ 12,321,008	\$ 292,849	2.43%

Personal Services

General Fund personal service costs are estimated to increase \$224,995 or 3.27% above the prior year amended budget due to the pay adjustments for employees.

Operating Expenditures

General Fund operating expenses are estimated to increase \$571,861 or 17.4%.

Significant Operating items included in the General Fund:

- City Hall roof replacement (\$300,000)
- Design and construction of new police evidence room (\$178,000)
- Reed Canal Park Improvements
 - a. Lake wood bridge board replacement (\$30,000)
 - b. Parking lot paving and sealcoating (\$85,000)
 - c. Sod Utility Field (\$20,000)
 - d. Disc Golf Course Improvements (\$25,000)
 - e. Replace pavilion picnic tables (\$30,000)
- James Street Park Improvements
 - a. Replace splashpad playground (\$85,000)
 - b. Replace scoreboard (\$30,000)
- Transfer to Transportation Fund for Roadway Resurfacing (\$220,000)

Capital Outlay

Capital outlay has been budgeted in the General Fund for FY 2024-2025 for the following items:

- Automated sandbag filling machine (\$50,000)
- Fire Chief Emergency Response Vehicle (\$62,000)
- Contribution towards replacement of fire truck (\$50,000)
- Street sweeper (\$300,000)
- Bucket Truck (\$180,000)

Challenges/Opportunities

Over the past decade, the City has tried to keep costs down for our residents. To do so we made significant cuts in personnel and operating costs. The commitment to a capital program continues. While departments have made significant personnel and capital requests to keep pace with demand and growth, this budget has funded the capital needs that have been deemed to be the most critical at this time. These investments in capital need to continue in the future to allow the City's equipment to be viable and in service to benefit the residents of the City.

The City will need to continue to make capital investments in future years. Consumer price index increases, fuel increases, and the adjustment for \$15 minimum wage will continue to make it difficult to balance operational needs with the desires and outcomes our citizens want at a price we can all afford.

TRANSPORTATION FUND HIGHLIGHTS

Transportation Fund Revenues

Overall total revenue in the Transportation Fund is increasing \$283,988.

Fuel Taxes

Fuel taxes in the Fiscal Year 2023-2024 are trending slightly under budget; therefore, no increases in gas taxes had been budgeted for next fiscal year.

Intergovernmental

Intergovernmental revenue is increasing \$9,600. This increase reflects the portion of state revenue sharing that is derived from motor fuel taxes.

Grants

Grants increased \$180,640 for the design of the replacement of the sidewalk on the Northside of Reed Canal Road, a traffic camera network design, and Sauls Street Bridge design. The City also will receive a Community Development Block Grant (CDBG) that will pay for approximately \$95,000 towards street resurfacing.

Other Sources

Other sources increased \$182,188. Other Sources are transfers from the Solid Waste Fund that began with the Fiscal Year 2022-2023 budget. To help fund street resurfacing, the General Fund is transferring the value of .4000 mills dedicated to resurfacing. The value of .4000 mills for FY 2024-2025 is \$275,407.

Transportation Fund Expenditures

Overall Transportation expenditures increased \$283,988 from the previous amended budget.

Capital Outlay increased \$264,750 for a total budget of \$2,671,506. Capital includes grant funded projects for design of the Sauls Street Bridge, design of a traffic camera network, and the design of Reed Canal Road Northside Sidewalk. Capital also includes \$616,234 for the resurfacing of: Cambridge Circle, Bristol Lane, Windle Lane, Hamlin Drive (East), Ponderosa Drive (East), Lambright Road, Aspen Drive, Boulder Drive, Sea Isle Circle (CDBG grant funded), Coral Circle (CDBG grant funded) and Reef Road (CDBG grant funded).

CAPITAL PROJECTS (ARPA) FUND HIGHLIGHTS

The capital fund includes the revenue received from the American Rescue Plan Act (ARPA) in response to the Coronavirus pandemic. Setting these revenue sources into separate funds allows staff and the City Council to track every expense to comply with the assigned goal of maximizing our return on investment and “investing in us”.

Revenue in the ARPA Capital Projects Fund includes two grants that will help maximize the return on investment. The City received a grant for the replacement of Lift Station #5 which is located on Violet Street. Another grant was received in the amount of \$750,000 for City-wide sewer lining.

Capital expenditures for the ARPA Capital Projects Fund totals \$3,000,000 and include these projects:

Replace Lift Station #5 (Violet Street)	\$2,250,000
Sewer Lining	750,000

UTILITY SERVICE FUNDS HIGHLIGHTS

The Utility Service Funds for the City of South Daytona are the Water & Sewer Fund, Stormwater Fund, and the Solid Waste Fund. All three of these funds are Enterprise or Proprietary Funds since they receive significant support from fees and charges. Budgeting these funds separately will assist in setting rates to cover

services, allocate shared billing costs, and to plan and fund renewal and replacement.

Water & Sewer Fund Revenues

The Water and Sewer Fund operates as an enterprise fund and is the City’s second largest fund. Revenues are budgeted to decrease by \$77,959 or 0.8%. Charges for services make up 91% of the revenue for the fund.

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
WATER & SEWER FUND		AMENDED	PRELIMINARY	Increase	Increase
Revenues	ACTUAL	BUDGET	BUDGET	(Decrease)	(Decrease)
Intergovernmental Grants	\$ 107,639	\$ 18,225	\$ -	\$ (18,225)	-100.00%
Charges for Services	7,747,346	7,873,582	8,346,550	472,968	6.01%
Miscellaneous	237,558	24,000	24,000	-	0.00%
Other Sources	-	-	230,300	230,300	N/A
Transfer from Reserves	-	1,349,502	586,500	(763,002)	-56.54%
Total	\$ 8,092,543	\$ 9,265,309	\$ 9,187,350	\$ (77,959)	-0.84%

Intergovernmental

Intergovernmental revenue, grants, are budgeted to decrease \$18,225 or 100.0%. The prior year budget had grants for sewer expansion and for federal and state disaster relief from Hurricane Ian.

Charges for Services

The revenue from water/sewer and miscellaneous service charges is budgeted at \$8,346,550 representing an increase of \$472,968 from the prior year amended budget. Wholesale rates paid to the City of Daytona Beach are increasing by 4.71% in accordance with our contract for water and sewer services. As a result, revenues have been increased by 4.71% to match the increase in our water and sewer purchases. The water and sewer rates need to be adjusted each year to the calculated increase in Daytona Beach’s rates, per the contract, to avoid lost revenue. The rate study expires at the conclusion of Fiscal Year 2023-2024 and a new rate study is being conducted and will be presented to council during this fiscal budget review.

Other Sources

Overall, non-operating revenue sources increased by \$230,300. This amount is transfer from the Sewer Impact Fee Fund which will be needed to purchase additional sewer capacity from the City of Daytona Beach. In accordance with the wholesale purchase agreement with the City of Daytona Beach, if sewer purchases exceed 1.3 million daily gallon capacity, an additional 25,000 gallon daily capacity will need to be purchased. The cost to purchase an additional block of capacity is \$256,000.

Transfer from Reserves

Transfer from reserves decreased \$763,002 or 56.5%. In the prior year budget, a transfer from reserve was included due to an increase in the projected sewer purchases from the City of Daytona Beach. The first half of the prior fiscal year had multiple significant rain events combined with the relining of the sewer pipes that led to an significant increase in sewer purchases.

Water & Sewer Fund Expenditures

Expenditures in the Utility Service Fund are budgeted to decrease by \$77,959 or 0.8%.

	FY 2022-2023	FY 2023-2024	FY 2024-2025	\$	%
WATER & SEWER FUND		AMENDED	PRELIMINARY	Increase	Increase
Expenditures	ACTUAL	BUDGET	BUDGET	(Decrease)	(Decrease)
Contingency	\$ -	\$ 100,157	\$ 105,114	\$ 4,957	4.95%
Personnel Services	1,483,329	1,858,690	1,900,059	41,369	2.23%
Operating Expenses	5,024,902	5,759,898	6,031,807	271,909	4.72%
Capital Outlay	345,791	1,079,602	330,000	(749,602)	-69.43%
Debt Service	709,468	218,020	-	(218,020)	-100.00%
Non-Operating	242,457	248,942	264,645	15,703	6.31%
Transfer to Reserves	-	-	555,725	555,725	N/A
Total	\$ 7,805,947	\$ 9,265,309	\$ 9,187,350	\$ (77,959)	-0.84%

Water & Sewer Contingency

A contingency amount of \$105,114 is included in the budget. Of this, \$5,114 is for funding of unanticipated personal leave termination payouts. The remainder is an operating contingency for unanticipated expenses in the amount of \$100,000.

Water & Sewer Personal Services

Personal services are budgeted to increase \$41,336 or 2.2%. The budget includes the Citywide average 3% average wage adjustment. Another reason for the increase in salaries was an adjustment to the salary allocations that were being charged to Stormwater and the Solid Waste Fund.

Water & Sewer Operating Expenditures

Operating expenses are budgeted to increase by \$271,909 or 4.7%. Water and Sewer purchases are included in operating expenses. The increase in the wholesale purchase agreement is predicated on the consumer price index for June 2024 which is a 5.71% increase. The additional \$256,000 for additional sewer capacity is included in this amount.

Water & Sewer Capital Outlay

Capital outlay is budgeted to decrease by \$749,602 or 69.4%. The prior year budget included the replacement of four lift stations and vehicles and equipment that needed to be replaced. According to the lift station replacement schedule, an additional two lift stations are being replaced in this budget.

The following Capital Outlay is included in the Utility Service Fund FY 2024-2025 budget:

- Lift Station #12 Hickorywood Drive (\$165,000)
- Lift Station #17 Magnolia Avenue (\$165,000)

Water & Sewer Debt Service

Debt service for the Water & Sewer Fund has decreased by \$218,020. This decrease is due to the retiring of debt per council direction. The Water and Sewer Fund will now be able to put money aside for renewal and replacement each year instead of making debt service payments.

Water & Sewer Transfer To Reserves

Transfer to reserves has increased by \$555,725. There was no budgeted transfer to reserves in the prior year because the utility needed to spend capital to replace four lift stations. This budget allows for \$350,000 to be transferred to reserves to increase the unrestricted fund balance to meet internal policy requirements. Additionally, 2.5% of water and sewer sales (\$205,725) are being reserved for renewal and replacement of the utility infrastructure.

STORMWATER FUND HIGHLIGHTS

City staff began identifying stormwater personnel costs separate from Water & Sewer personnel to assess if the rates charged for stormwater were sufficient to cover stormwater operations. Starting with the FY 2022-2023, all revenues and expenses related to flood control were moved to the Stormwater Fund. To make sure that the Stormwater Fund did not operate at a loss this year, the rate charged for stormwater fees needs to be increased by the consumer price index.

Stormwater Revenues

The revenue budgeted from stormwater management fees is budgeted to increase \$81,480 from the prior year amended budget. This revenue projection is based on a \$11.63 per Equivalent Residential Unit (ERU). The annual CPI adjustment increased the rate from the prior rate of \$11.10 by 4.71%. Staff recommends that the stormwater rate should be adjusted annually by the CPI moving forward. A rate

study is being conducted for stormwater fees and a recommendation to adjust the fee will be presented to council during this fiscal budget review.

Stormwater Debt

Debt service has decreased \$314,880 for stormwater related debt service payments. Now that there is no debt payments needed, the Stormwater Fund can do \$283,000 worth of capital this fiscal year.

Stormwater Reserves and Grants

The Stormwater Fund needs to increase cash on hand to be able to pay for capital improvements and for renewal and replacement. Increases to our reserves are necessary to fund any future stormwater grant projects. These two items must be addressed in our upcoming rate study. We have applied for over \$31 million in grants to improve our stormwater system throughout the City. As these grants are awarded, we must have the contingency funds on-hand to pay the required match. Future budget amendments will be conducted when these grants are awarded.

SOLID WASTE FUND HIGHLIGHTS

The profit from the Solid Waste Fund continues to be transferred to the Transportation Fund to help fund the needed street resurfacing from wear caused by the garbage trucks.

CONCLUSION

In conclusion, this is the sixth year that staff has submitted the budget for your consideration in accordance with the City Manager's duties prescribed in our Charter. The balanced budget is predicated on maintaining our existing millage rate which is an increase over the roll back millage rate. With the rising cost of supplies such as asphalt, concrete, pipe material and fuel, holding our millage rate at 7.75 is our best option to ensure our viability. This budget is proposed with conservative revenue projections and realistic expenditures that reflect your objectives of increasing reserves while investing in the City's infrastructure. This budget includes over \$4,000,000 in infrastructure, bringing the total investment into City infrastructure to over \$12,000,000 in 4 years. The direction provided by the Council has been a valuable part of preparing a budget that reflects what services the City can provide to our South Daytona residents.

Respectfully submitted,

James L. Gillis, Jr.
City Manager

RESOLUTION NO. 2024-25

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA, FLORIDA, ADOPTING THE TENTATIVE BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2024 AND ENDING SEPTEMBER 30, 2025; SPECIFYING THE DATE, TIME, AND PLACE OF THE SECOND AND FINAL PUBLIC HEARING TO ADOPT A FINAL BUDGET; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, on July 23, 2024, the City Council established a proposed millage rate, computed a rolled-back rate, and established a date, time, and place for a public hearing to consider the proposed millage rate and tentative budget for Fiscal Year 2024-2025; and

WHEREAS, pursuant to Section 200.065, Florida Statutes, a public hearing on the tentative budget has been conducted by the City Council on September 9, 2024, at 6:00 pm at South Daytona City Hall in the City Council Chambers, 1672 South Ridgewood Avenue, South Daytona, Florida; and

WHEREAS, the City of South Daytona has set forth the appropriations and revenue estimate for the Budget for Fiscal Year 2024-2025; and

WHEREAS, a second and final public hearing to adopt a final budget will be conducted on September 24, 2024 at 6:00 pm at South Daytona City Hall in the City Council Chambers, 1672 South Ridgewood Avenue, South Daytona, Florida, immediately following the adoption of the Final Millage Rate Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA OF VOLUSIA COUNTY, FLORIDA:

SECTION 1. The City Council of the City of South Daytona, Florida pursuant to the Charter of the City of South Daytona and Chapters 166 and 200, Florida Statutes, does hereby adopt the Tentative General, Enterprise, and all other related Fund Budgets, which are summarized and attached hereto as Exhibit "A" which may later be amended by the City Council.

SECTION 2. A second and final public hearing to adopt a final budget will be conducted on September 24, 2024 at 6:00 pm at South Daytona City Hall in the City Council Chambers, 1672 South Ridgewood Avenue, South Daytona, Florida, immediately following the adoption of the Final Millage Rate Resolution.

SECTION 3. SEVERABILITY. If any section subsection or portion of this Resolution proves to be invalid, unlawful, or unconstitutional, it shall not be held to invalidate or impair the validity, force, or effect of any other section or part of this Resolution.

SECTION 4. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption by the City Council.

PASSED upon first and final reading at a regular meeting of the City Council held in the City of South Daytona, Florida, on the 9TH day of September, 2024.

Signed: The City Council of the
City of South Daytona, Florida

The Honorable William C. Hall, Mayor

Attest:

James L. Gillis, Jr., City Manager

Approved as to form and legality:

Wade C. Vose, City Attorney

Resolution 2024-25
Attachment "A"

	General Fund Fund Budget	Police Confiscated Fund Budget	Parks Improvement Fund Budget	Permits and Inspections Fund Budget	Redevelopment Trust Fund Budget	Transportation Fund Budget	Police Impact Fee Fund Budget	Fire Impact Fee Fund Budget	Capital Project (ARPA) Fund Budget	Water & Sewer Enterprise Fund Budget	Sewer Impact Fee Fund Budget	Stormwater Enterprise Fund Budget	Solid Waste Enterprise Fund Budget	Internal Service Fund Budget	Community Trust Fund Budget	Total All Funds Budget
REVENUES																
Taxes																
Ad Valorem Tax	\$ 5,376,018	\$ -	\$ -	\$ -	\$ 3,724,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,100,093
Local Option Fuel Taxes	-	-	-	-	-	337,200	-	-	-	-	-	-	-	-	-	337,200
Utility Service Taxes	1,434,866	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,434,866
Communication Services Tax	444,660	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444,660
Local Business Taxes	175,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,185
Sub-Total	7,430,729	-	-	-	3,724,075	337,200	-	-	-	-	-	-	-	-	-	11,492,004
Permits, Fees, and Special Assessments																
Building Permits	-	-	-	222,935	-	-	-	-	-	-	-	-	-	-	-	222,935
Franchise Fees	973,376	-	-	-	-	-	-	-	-	-	-	-	-	-	-	973,376
Impact Fees	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Other Permits and Special Assessments	1,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,210
Sub-Total	974,586	-	-	222,935	-	-	5,000	-	-	-	-	-	-	-	-	1,202,521
Intergovernmental																
State Grants	-	-	-	-	-	1,139,739	-	-	1,250,000	-	-	-	-	-	-	2,389,739
State Shared Revenues	1,443,450	-	-	-	-	123,160	-	-	-	-	-	-	-	-	-	1,566,610
Payment in Lieu of Taxes	878,856	-	-	-	-	-	-	-	-	-	-	-	-	-	-	878,856
Sub-Total	2,322,306	-	-	-	-	1,262,899	-	-	1,250,000	-	-	-	-	-	-	4,835,205
Charges for Services																
General Government	9,480	-	-	-	-	-	-	-	-	-	-	-	-	263,116	-	272,596
Public Safety	145,825	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,825
Physical Environment	27,000	-	-	-	-	-	-	-	-	-	-	2,605,320	-	-	-	2,632,320
Water Utility	-	-	-	-	-	-	-	-	3,612,800	-	-	-	-	-	-	3,612,800
Sewer Utility	-	-	-	-	-	-	-	-	4,733,750	-	-	-	-	-	-	4,733,750
Culture/Recreation	81,675	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,675
Stormwater Management	-	-	-	-	-	-	-	-	-	-	1,418,340	-	-	-	-	1,418,340
Sub-Total	263,980	-	-	-	-	-	-	-	8,346,550	-	1,418,340	2,605,320	-	263,116	-	12,897,306
Fines and Forfeitures																
Judgements and Fines	22,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,800
Violations of Local Ordinances	10,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,350
Other Fines and Forfeitures	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Sub-Total	33,150	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	43,150
Miscellaneous																
Interest Earnings	69,000	-	-	-	-	-	-	-	-	24,000	-	-	-	-	-	93,000
Contributions and Donations	9,500	-	-	-	-	-	-	-	-	-	-	-	-	20,000	-	29,500
Other Miscellaneous Revenue	29,488	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,488
Sub-Total	107,988	-	-	-	-	-	-	-	-	24,000	-	-	-	20,000	-	151,988
Other Sources																
Transfer from Police Impact Fee Fund	54,582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,582
Transfer from Park Improvement Fund	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000
Contributions from Enterprise Fund	328,687	-	-	-	-	501,000	-	-	-	-	-	-	-	-	-	829,687
Transfer from Sewer Impact Fee Fund	-	-	-	-	-	-	-	-	230,300	-	-	-	-	-	-	230,300
Transfers from General Fund	-	-	-	-	-	495,407	-	-	-	-	-	-	-	-	-	495,407
Sub-Total	433,269	-	-	-	-	996,407	-	-	230,300	-	-	-	-	-	-	1,659,976
Non-Operating Sources																
Transfer from Reserves	755,000	-	50,000	130,000	-	75,000	35,000	14,582	1,750,000	-	230,300	-	80,000	-	-	3,119,882
Budgetary Transfer-Depreciation	-	-	-	-	-	-	-	-	586,500	-	586,400	-	-	-	-	1,142,900
Sub-Total	755,000	-	50,000	130,000	-	75,000	35,000	14,582	1,750,000	586,500	230,300	586,400	80,000	-	-	4,262,782
TOTAL REVENUES	\$ 12,321,008	\$ 10,000	\$ 50,000	\$ 352,935	\$ 3,724,075	\$ 2,671,506	\$ 40,000	\$ 14,582	\$ 3,000,000	\$ 9,187,350	\$ 230,300	\$ 1,974,740	\$ 2,685,320	\$ 263,116	\$ 20,000	\$ 36,544,932

Resolution 2024-25
Attachment "A"

	General Fund Fund Budget	Police Confiscated Fund Budget	Parks Improvement Fund Budget	Permits and Inspections Fund Budget	Redevelopment Trust Fund Budget	Transportation Fund Budget	Police Impact Fee Fund Budget	Fire Impact Fee Fund Budget	Capital Project (ARPA) Fund Budget	Water & Sewer Enterprise Fund Budget	Sewer Impact Fee Fund Budget	Stormwater Enterprise Fund Budget	Solid Waste Enterprise Fund Budget	Internal Service Fund Budget	Community Trust Fund Budget	Total All Funds Budget
EXPENDITURES																
Contingency																
Reserve Contingency	\$ 45,000	\$ -	\$ -	\$ 8,079	\$ 5,812	\$ 243	\$ -	\$ -	\$ -	\$ 5,114	\$ -	\$ 658	\$ -	\$ 21,334	\$ -	\$ 86,240
Operating Contingency	130,000	-	-	-	160,000	-	-	-	-	100,000	-	7,500	-	-	-	397,500
Sub-Total	175,000	-	-	8,079	165,812	243	-	-	-	105,114	-	8,158	-	21,334	-	483,740
General Government																
Legislative	152,262	-	-	-	-	-	-	-	-	70,821	-	17,755	-	-	-	240,838
Executive	451,769	-	-	-	76,028	-	-	-	-	110,305	-	26,837	-	-	-	694,939
Financial and Administrative	470,378	-	-	-	63,053	-	-	-	-	278,753	-	63,053	63,053	-	-	938,290
Legal Counsel	161,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,100
Comprehensive Planning	414,575	-	-	344,856	3,062,600	-	-	-	-	26,023	-	-	-	10,000	-	3,858,054
Information Technology	219,400	-	-	-	-	-	-	-	-	238,933	-	8,000	-	-	-	466,333
Other General Government	942,893	-	-	-	-	-	-	-	-	-	-	-	-	-	-	942,893
Sub-Total	2,842,377	-	-	344,856	3,201,681	-	-	-	-	724,835	-	115,645	63,053	-	10,000	7,302,447
Public Safety																
Law Enforcement	4,439,114	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4,449,114
Fire Control	2,333,461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,333,461
Sub-Total	6,772,575	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,782,575
Physical Environment																
Solid Waste Control Services	-	-	-	-	-	-	-	-	-	-	-	-	2,070,434	-	-	2,070,434
Water and Sewer Service	-	-	-	-	-	-	-	3,000,000	7,006,778	-	-	-	-	-	-	10,006,778
Flood Control / Stormwater Management	-	-	-	-	-	-	-	-	-	-	1,731,330	-	-	-	-	1,731,330
Utility Billing	-	-	-	-	-	-	-	-	-	530,253	36,850	50,833	-	-	-	617,936
Equipment Maintenance Service Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	241,782	-	241,782
Roads and Streets	-	-	-	-	156,582	2,671,263	-	-	-	-	-	-	-	-	-	2,827,845
Sub-Total	-	-	-	-	156,582	2,671,263	-	-	3,000,000	7,537,031	-	1,768,180	2,121,267	241,782	-	17,496,105
Economic Environment																
Other Economic Environment	-	-	-	-	200,000	-	-	-	-	-	-	-	-	-	-	200,000
Sub-Total	-	-	-	-	200,000	-	-	-	-	-	-	-	-	-	-	200,000
Culture/Recreation																
Parks and Recreation	1,368,607	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	1,378,607
Community Center	115,114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,114
Special Events	150,949	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,949
Recreation Programs	400,979	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400,979
Sub-Total	2,035,649	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	2,045,649
Interfund Transfers Out																
Transfer to General Fund	-	-	50,000	-	-	-	40,000	14,582	-	250,930	-	77,757	-	-	-	433,269
Transfer to Water Sewer Fund	-	-	-	-	-	-	-	-	-	-	230,300	-	-	-	-	230,300
Transfer to Transportation Fund	495,407	-	-	-	-	-	-	-	-	-	-	-	501,000	-	-	996,407
Amortization Expense	-	-	-	-	-	-	-	-	13,715	-	-	-	-	-	-	13,715
Transfer to Reserves	-	-	-	-	-	-	-	-	555,725	-	-	5,000	-	-	-	560,725
Sub-Total	495,407	-	50,000	-	-	-	40,000	14,582	-	820,370	230,300	82,757	501,000	-	-	2,234,416
TOTAL EXPENDITURES AND TRANSFERS	\$ 12,321,008	\$ 10,000	\$ 50,000	\$ 352,935	\$ 3,724,075	\$ 2,671,506	\$ 40,000	\$ 14,582	\$ 3,000,000	\$ 9,187,350	\$ 230,300	\$ 1,974,740	\$ 2,685,320	\$ 263,116	\$ 20,000	\$ 36,544,932