FY27 City Manager Budget Message
July 21, 2026

Honorable Mayor and Members of the City Council:

This budget message is intended to provide you with a brief introduction to and summary of the proposed fiscal year 2027 city budget. The general fund will be discussed first, followed by the enterprise/utility funds. There are two primary fiscal challenges facing the City of Green Cove Springs that have been highlighted over the last two years. First is restoring the fiscal health of the city. Second is reducing the financial burden placed on our residents by taxes, fees, and utility rates. To that end, this is the second year that staff has utilized a zero-based budgeting approach to developing the operating budget. Below are some highlights from the proposed FY27 budget that moves the city toward achieving these two goals.

GENERAL FUND

Fund Balance

Restoring fiscal health and stability of the General Fund is the primary guiding principle behind the development of the proposed fiscal year 2027 (FY27) budget. The unrestricted general fund balance for the last five years is as follows:

FY21	-$429,513
FY22	-$910,417
FY23	-$1,574,839
FY24	+$183,700*
FY25	-$416,545

*This was due to the infusion of almost $1,600,000 in ARPA funds.

While the fund balance is once again trending positively, several intentional steps were taken in the creation of the FY27 budget to ensure a continued upward trend in the general fund balance to help restore fiscal stability. Assuming everything listed hereunder is adopted, the FY27 budget has an anticipated surplus of $857,855 which will be added to the General Fund balance (reserves).

Staffing and Organizational Efficiencies

First, staffing levels and opportunities to improve organizational efficiencies were reviewed. For the last two years, there have been three frozen positions carried in the general fund: a police officer position, a seasonal groundskeeper position, and a part-time human resources assistant position. Frozen positions are not funded but remain in the Personnel Control Report (PCR). For FY27, the frozen seasonal groundskeeper and PT human resources assistant positions are being permanently eliminated. Several positions were frozen as they became vacant this year through the remainder of FY26. These include a Laborer II in public works, a human resources position, two part-time police officer positions, and a K-9 officer position.

Additionally, the City Manager position remains vacant and two new COPS-grant-funded positions were frozen. The Laborer II position remains frozen (unfunded) in the FY27 budget. The vacant human resources position will not be filled and is unfunded in the proposed budget. The Human Resources Generalist is currently serving as the Interim HR Director while the Interim City Manager continues to evaluate the most efficient way to move forward with this department, currently staffed by two full-time and one part-time personnel. The City Manager position is fully funded in the proposed budget, but those funds will remain unspent until the position is filled. The value of that position is $213,000 inclusive of salary, allowances, retirement, health insurance, and all other benefits.

During FY26, Council authorized replacement of a vacant part-time police officer position with a Public Service Aide (PSA) position. Moving into FY27, the other two frozen part-time officer positions will remain frozen (unfunded). The K-9 officer position will remain unfilled but funded, pending the outcome of the property tax bill vote in November. The two COPS positions will be filled to take advantage of the grant, which funds 75% of these positions. Leaving the two part-time officer positions frozen offsets the remaining 25% of funding for the COPS positions for FY27.

In the FY27 budget, there is a request to upgrade a police officer position to lieutenant. This is being requested for three reasons. The first reason is that three of the four patrol sergeants were promoted this year and are approximately two years with the City. This additional command position will provide much-needed assistance with leadership training for these new sergeants. Secondly, needs for additional training have been identified throughout the department and this position will assist with this as well. The last reason is succession planning. The majority of our patrol division is two years or less with the City. Additionally, the entire command staff are either eligible for retirement or close to entering that posture. This new lieutenant position allows for an individual to be trained as a replacement, should the opportunity arise. The total impact on the budget for this lieutenant position is approximately $12,000. Again, if approved, this position will remain unfilled but funded, pending the outcome of the property tax bill vote.

Reducing costs

As mentioned previously, this is the second year that staff have embraced a zero-based budget method to reduce expenses. In utilizing this method, each dollar included in the budget is assigned to a particular task or purpose. This has afforded the opportunity to pare down an already lean operating budget. In a budget where almost 70% of the operating budget is personnel, the previous staffing discussions represent the bulk of the savings. Considerations of further significant reductions in cost would include reductions in service levels, elimination of entire services, or consideration of special events. For reference, the total budget for all special events is $223,554. This is partially offset by $91,397 in donations and other revenues, for a total special events impact of $132,157.

Health Insurance

Health insurance is a significant personnel expense for the city. The total health insurance budget for all funds in FY26 is $1,907,000. The city moved to a partially self-insured health insurance model in FY21. Self-insurance offers several benefits. These benefits include the option to choose benefits *a la carte*, full transparency on all expenses, and keeping the profits in the good years.

However, with these benefits comes some risk. For example, while we budgeted $1,907,000 for FY26, our maximum exposure is closer to $2,200,000. While the self-insurance fund has shown a "profit" for the last two years, that comes at the expense of transferring more from each fund or department into the self-insurance fund based on estimated insurance premiums. While the employee share of health insurance premiums has remained the same for the last six (6) years, the employer portion has steadily increased. In FY26 alone, this increase in the employer portion was approximately 9% citywide.

The city, with the assistance of the Bailey Group, has explored several fully funded (traditional) options this year to include a public health insurance consortium, along with the Florida League of Cities and continuing with self-insurance. Staff are recommending moving to a fully insured (traditional) health plan for FY27 for two reasons. First, it will mitigate financial risk, which is crucial as we work toward restoring the fiscal health and stability of the General Fund. Second, it will allow the city to leave the employee portion of the health insurance premiums the same for the seventh (7^{th}) year in a row, while also realizing savings on the city portion of the premiums. Staff are still finalizing recommendations and numbers on this effort, but the result should be a budget reduction of at least $200,000 for FY27, which is already reflected in the proposed budget.

Increasing revenues

While our second challenge is to reduce the impact of taxes, fees, and utility rates on our citizens, we must balance those costs against providing the core services and functions of city government that our citizens expect. One of the biggest potential impacts to city revenues is the property tax bill that is on the ballot in the November General Election. To that end, staff has explored other ways to increase general fund revenues. The most significant option that has been included in the proposed budget is to increase the Payment in Lieu of Taxes (PILOT), or transfer, from the utilities. The main reason to own a business is to generate a profit. These utilities are businesses owned by the city, and as such a reasonable profit should be transferred to the general fund to be used as revenue. In the proposed FY27 budget all transfers have been increased to 10%. While transfers up to 13% are allowed by city code, 10% offers a balance between increased impact on utility rate payers and providing a reasonable revenue to the parent company (the city). This increase has yielded approximately $550,000 in additional revenue to the general fund in the FY27 proposed budget.

Creation of a separate Capital Improvements / CIP fund

Perhaps the main contributing factor to the negative fund balance in the General Fund has been proper tracking and accounting for restricted versus unrestricted revenues when developing the annual budget. The two primary sources of restricted revenue that are used to fund capital projects are infrastructure surtax and gas tax. These two sources total nearly $2,000,000. If they are not accurately tracked in the budget preparation process, this can easily contribute to the kind of deficits that the General Fund has seen in recent years. By separating out these revenues and associated capital projects, staff can more confidently and accurately predict end-of-year fund balances. Utilizing grants to maximize return on limited restricted revenues also helps us to stretch these dollars for the betterment of the community.

Millage and Property Values

The taxable value of properties within the city limits has increased from $817,163,851 to $868,882,248. This represents an increase of approximately $51,000,000 or 6.33%. At the current millage rate of 5.300, we would generate approximately $282,000 in additional revenues. The current proposed budget is balanced at the rollback rate of 5.2290. This rate still generates an additional $222,000 in revenues, while leaving the tax amount for homeowners the same.

General Fund Debt

One debt instrument for the construction of the Police Department building was paid off in FY26, freeing up approximately $160,000 in General Fund revenues annually. There is one debt instrument remaining in the General Fund for the re-construction of the pool in Spring Park. This debt instrument is due to be repaid in the amount of approximately $81,000 per year through FY31, for a total amount of $405,000.

In FY23, the General Fund had to borrow $1,245,000 from the Electric Fund to help balance the fund at the end of the year. In 2025, City Council passed a resolution forgiving $500,000 of the loan, leaving a balance of $745,000 to be repaid with no specific terms. In the FY27 budget, staff have included $100,000 from the General Fund toward repayment of this loan. A schedule should be established for repayment of the remainder of the loan.

FY26 is also the first year that the city began purchasing vehicles through an Enterprise leasing program. Due to general accounting principles, these leases are recorded as debt. However, unlike conventional automobile leases, the city will own the vehicles free and clear at the end of the lease period.

Growth and Development

Over the last two years, the City has seen significant residential and commercial growth.

New developments for 2025 and 2026, as of July 16, 2026		
PROJECT	**DESCRIPTION**	**STATUS**
AirMethods Site Plan	Helipad	Site Plan Approved
Carlton Office Warehouses	Industrial facility	Resubmission Required for Fire
CR209S Warehouse	Industrial facility	Under Construction
Culvers	Fast Casual Restaurant	Site Plan for Approval July 21
Energy Cove Equipment Rental	Sunbelt Rentals Industrial	Under Construction
Energy Cove Warehouse	Industrial Warehouse	Under Construction
Front Runner Boatworks	Industrial facility New Building	Complete
GCS Commerce Center Infrastructure	Huntley PUD	Under Review
Graylon Oaks PUD	28 lot residential subdivision	Infrastructure completed but not closed out.
Harbor Ridge PUD	28 lot subdivision	Preliminary Plat Approved
MCCR Energy Cove Warehouses	Two warehouse buildings	Under Construction
Meever Site Plan	Industrial facility	Site Plan Approved
NE FL Pools	Pool Sales and Construction	Complete
Pragmatic Works	3-story office building	Complete
Reynolds Park Office Trailer	Industrial Office United Land Svcs	Site Plan Approved
River Oaks Warehouses	Multiple Warehouse buildings	Under Construction
Rodgers Group Aggregate Yard	Industrial facility	Site Plan Approved
Rookery Amenity Center	Residential amenities	Complete
Rookery PUD	2100 Residential units	221 Permits Issued, 121 Residences Complete
Springs Academy Parking Lot	Private School Parking	Complete
The Preserve	260 unit Apartments	Site Plan Resubmission, In Process
Tractor Supply Company	Feed Hardware Store	Special Exception Approved, Awaiting Site Plan
Walnut Center	Restaurants / Retail	Under Construction
Worth Metals Office	Industrial facility	Complete

ENTERPRISE FUNDS

Each enterprise fund is budgeted and audited separately in terms of both revenue and expenses. Each enterprise fund is operated by a business. Each provides a specific purpose. Each has its own revenue. Each has its own operational and capital expenses. The utility funds also return a profit, noted as a Payment in Lieu of Taxes or PILOT, back to the “owner”, which is the General Fund. In this proposed budget, the PILOT for Electric, Water, Wastewater, and Solid Waste were all increased to 10%. As mentioned earlier, while transfers up to 13% are allowed by city code, 10% offers a balance between increased impact on utility rate payers and providing a reasonable revenue to the General Fund.

Each of these enterprise funds stands on their own as far as rates, financial position, financial performance, and debt. For each of the utility funds, rates are set such that they support the operations of the City of Green Cove System. While it is acceptable to compare to other local utilities for reference, each utility system is different in size, age, configuration, and other aspects that drive the specific rates for that specific utility. Rates for each utility fund are reviewed each year to establish the need for adjustments for the following year.

The Electric, Water, and Wastewater utilities share an Engineering Technician. When the individual in our Utility Locator position was promoted two years ago, the Engineering Technician took on the duties of the Utility Locator. The Utility Locator position has been carried as a frozen position for the last two years and is being carried forward as a frozen (unfunded) position, as we anticipate additional growth in the utility service areas may necessitate filling this separate position in the near future.

Electric Fund

The Electric Fund has seen rapid and significant reductions in the unassigned fund balance over the last few years. The table on the next page provides both a look at the fund balance as well as rate adjustments over the last ten (10) years. There was no rate adjustment for FY26, and no rate adjustments are recommended for the FY27 budget year.

There are no additional staffing requests included in the Electric Fund budget for FY27. For the third year in a row, we are requesting to keep a frozen (unfunded) apprentice lineman position in the list of positions. Three of the seven linemen that are currently employed by the City came up through our apprentice program, so we have been very successful on that front. As more houses continue to be built in the Rookery subdivision, we anticipate we will need to fund this frozen apprentice position in the near future.

Electric Year-End Fund Balance History:

Fiscal Year	Electric Rate Adjustments	Year-End Fund Balance (unrestricted)
2016	0%	$8,697,614
2017	0%	$8,404,729
2018	0%	$9,469,153
2019	0%	$10,267,930
2020	0%	$10,480,300
2021	0%	$9,466,794
2022	0%	$6,960,592
2023	0%	$2,999,674
2024	7% January / 10% October	$2,678,657
2025	12%	$1,410,285

Some key items to focus on in the draft FY27 Electric Fund budget include:

- $1,169,839 being used from fund balance – These are funds received from the
- Rookery Development that are being used for construction within the Rookery Development in FY27.
- $270,281 HMGP Grant – The city received a 75% HMGP ($540,562 in total) grant to assist in infrastructure upgrades on MLK Blvd that will allow all of the 13kV substations to be tied together in an emergency.
- $100,000 is included as repayment of the $745,000 owed to the electric fund by the general fund.
- $100,000 is budgeted for storm expenses. This allows us to have funds budgeted in the event of a hurricane. If these funds are not used, they return to the fund balance at the end of the year.
- The impact of the Capital Improvements included in the 2022 Long Range Plan has been greatly reduced by staff completing system upgrades in house and by scheduling capital projects over multiple years. These projects were previously driving substantial future increases in the rate study model by budgeting entire projects in a single year funded by loans. Some examples include:

  - Building Improvements – This was originally budgeted at $5,000,000. A large portion of this cost was land acquisition. Staff has made the decision to keep the Electric Department Headquarters on the 20-acre combined water, wastewater, and electric site on Harbor Road. This decision was made possible in part by the wastewater department working with CCUA to send them our reclaimed water, which saves space at the plant site by reducing the amount of storage tanks, etc. that would have otherwise been required. Additionally, the project is being spread over multiple years, with $100,000 requested in FY27 for site planning, $250,000 in FY28 for site construction, and $2,000,000 in FY29 for building construction.
  - The south substation and north substation voltage conversion projects have been spread over three years each at a lower cost since we are constructing in house.
- The transfer to the general fund as a Payment in Lieu of Taxes (PILOT) has been increased from approximately 9% of revenues to 10%.
- The fund is projected to have a surplus of $1,124,295 at the end of the FY27 budget, which will help to restore the unrestricted fund balance to historic levels.

The Electric Fund has one outstanding debt note. The annual debt service is approximately $853,000. This debt is due to be retired in FY 2033.

Water Fund

The water fund has been relatively financially stable in recent history due to regular rate increases as needed to fund increasing costs and capital projects. The table on the next page shows a 10-year history of the unassigned fund balance and rate adjustments.

There are no additional staffing requests included in the Water Fund budget for FY27. Water Utility employees overlap in their duties between Water, Wastewater, and Reclaimed Water. The salaries of these personnel are split between these three funds based on the amount of time they spend working for each function. For the third year in a row, we are requesting to keep a frozen (unfunded) Utility Plant Operator I position and a Utility Plant Operator Trainee position in the list of positions. Similar to the Electric Fund, three of the seven Utility Plant Operators that are currently employed by the City came up through our trainee program, so we have been very successful on that front.

Water Year-End Fund Balance History:

Fiscal Year	Water Rate Adjustments	Year-End Fund Balance (unrestricted)
2016	0%	$1,232,556
2017	3%	$1,307,793
2018	3%	$897,820
2019	3%	$2,199,677
2020	3%	$2,074,320
2021	3%	$1,238,658
2022	3%	$1,389,480
2023	6%	$851,675
2024	3%	$471,299
2025	20%	$1,207,922

Water rates increased by 12% in FY26. This FY27 proposed budget includes a 2.5% rate increase which is yet to be approved by City Council.

Growth in the Rookery subdivision does not affect the water utilities as that area is served by
Clay County Utility Authority (CCUA). Unless Reynolds Park starts some significant redevelopment, growth is not anticipated to drive a need for an increase to current staffing levels in the water utilities in the near future. This staffing summary is similar for all three water utilities.

Some key items to focus on in the draft FY27 Water Fund budget include:

- $50,000 is included in revenues from the fund balance to fund minor CIP projects. $30,000 is for valve replacements and equipment replacement that will only be completed if necessary.
- There are no significant changes in the operating budget.
- $195,000 is still budgeted to purchase bulk water from CCUA to boost pressure in the higher elevations in Magnolia Point.
- A $5.2 million SRF loan-funded project to boost water pressures in the water system and enhance reliability of the water system grid will begin in FY27.
  30% of this loan will be forgiven as a grant.

- The transfer to the general fund as a Payment in Lieu of Taxes (PILOT) has been increased from approximately 6% of revenues to 10%.
- The fund is projected to have no surplus at the end of the FY27 budget. This is partially due to efforts to keep necessary rate increases at a minimum to reduce the burden on our rate payers, but this practice is not sustainable.

The Water Fund has three outstanding debt instruments at this time. The total debt owed is approximately $1.2 Million and will be retired as follows:

- $171,000 annual debt service to be retired in FY 2029
- $26,000 annual debt service to be retired in FY 2031
- $37,000 annual debt service to be retired in FY 2036.

Wastewater Fund

The wastewater fund financial health has improved substantially over the last five years due to regular rate evaluation and increases as needed to fund increasing costs and capital projects. The table below shows a 10-year history of the unassigned fund balance and rate adjustments.

Wastewater Year-End Fund Balance History:

Fiscal Year	Wastewater Rate Adjustments	Year-End Fund Balance (unrestricted)
2016	0%	$71,816
2017	11%	$173,001
2018	16.7%	-$658,338
2019	17%	-$944,397
2020	17%	-$538,797
2021	9%	$196,341
2022	0%	$965,958
2023	3%	$1,877,123
2024	3%	$2,183,116
2025	5%	$3,929,232

Wastewater rates increased by 5% in FY26. This FY27 proposed budget includes an 8% rate increase which is yet to be approved by City Council.

There is no additional staffing requests included in the Wastewater Fund budget for FY27. Water Utility employees overlap in their duties between Water, Wastewater, and Reclaimed Water. The salaries of these personnel are split between these three funds based on the amount of time they spend working for each function. For the third year in a row, we are requesting to keep a frozen (unfunded) Utility Plant Operator I position and a Utility Plant Operator Trainee position in the list of positions. Similar to the Electric Fund, three of the seven Utility Plant Operators that are currently employed by the City came up through our trainee program, so we have been very successful on that front.

Growth in the Rookery subdivision does not affect the water utilities as that area is served by Clay County Utility Authority (CCUA). Unless Reynolds Park starts some significant redevelopment, growth is not anticipated to drive a need for an increase to current staffing levels in the water utilities in the near future. With the SCADA and other operational initiatives that have been enacted at the new Harbor Road Wastewater Treatment Plant, staffing requirements were reduced from 16 hours per day / 7 days per week to 8 hours per day / 7 days per week, which has significantly reduced the need to hire additional personnel.

Some key items to focus on in the draft FY27 Wastewater Fund budget include:

- $2,095,000 is included in revenues from both restricted and unrestricted fund balance to fund major and minor CIP projects. Funds for any of these projects that are not completed would remain in the fund balance.
  - $1,000,000 is budgeted to construct a reclaimed water transmission line to provide reclaimed water to CCUA.
  - $200,000 is budgeted to rehab lift stations. This number needs to be $600,000 but has been reduced for the third year in a row in an effort to limit rate increases.
  - $520,000 is budgeted to relocate existing wastewater lines in the County Road 315 right-of-way. This is dependent on County timing for widening the road, which is undetermined at this time.
  - $200,000 is budgeted to extend a force main on CR209 south of town for future growth. This will be completed with restricted (developer-provided) dollars if requested for new development.
  - $100,000 is budgeted for rehab and repair of gravity sewer lines in the core city, some of which are 80+ years old.
  - $75,000 is budgeted for equipment.
- There are no significant changes in the operating budget.
- An $8.7 million SRF loan-funded project to move all wastewater flows from the South Wastewater Treatment Plant to the new Harbor Road WWTP, mothball the South WWTP and construct a 1,250,000-gallon reclaimed water storage tank will begin in FY27. 80% of this loan will be forgiven as a grant.

- The transfer to the general fund as a Payment in Lieu of Taxes (PILOT) has been increased from approximately 6% of revenues to 10%.
- The fund is projected to have a surplus of $49,000 at the end of the FY27 budget. However, keep in mind that $2,095,000 is budgeted to be used from the fund balance, so we will expect to see a reduction in overall fund balance by the end of FY27.

The Wastewater Fund has five separate outstanding debt instruments at this time. The total debt owed is approximately $18 Million and will be retired as follows:

- $2,800 annual debt service to be retired in FY 2036
- $211,000 annual debt service to be retired in FY 2036
- $41,000 annual debt service to be retired in FY 2038
- $107,000 annual debt service to be retired in FY 2039
- $705,000 annual debt service to be retired in FY 2045

Solid Waste Fund

The solid waste fund financial health needs to be restored. The fund has carried a negative fund balance for seven of the past ten years. This is due to several factors such as capital equipment purchases, insufficient regular rate adjustments, and intentionally operating this fund at zero margin without proper tracking. The table on the next page shows a 10-year history of the unassigned fund balance and rate adjustments.

There is no additional staffing requests included in the Solid Waste Fund budget for FY27. Additionally, the discontinuance of the recycling program has allowed a mid-year FY26 position to be frozen (unfilled). That position will remain frozen (unfunded) in the FY27 budget. As more residences continue to be built in the Rookery, that position will need to be funded and filled to increase our capacity. As the growth continues after that, another truck and employee will need to be added to the budget. The timing of that investment in future years is directly tied to the rate of growth in the Rookery.

Some key items to focus on in the draft FY27 Solid Waste Fund budget include:

- One less position is budgeted in FY27
- Discontinuance of the recycling program allowed for a significant reduction in overtime (from $45,000 to $5,000).
- The operating budget includes a $10,000 increase to fund the purchase of additional garbage cans as the original cans that were purchased almost 17 years ago are starting to fail *en masse*.
- All but one capital equipment loan has been paid off over the last three years.

- It has been several years since the Solid Waste Fund has transferred a Payment in Lieu of Taxes (PILOT) to the General Fund. Previously it had been approximately 3%. A PILOT has been re-introduced from this fund in the FY27 budget at 10%.
- Due to implementation of operational efficiencies, reorganization of the department, and an approved 10% rate increase, this fund shows a surplus of $186,620 at the end of the FY27 budget. This is a significant step toward restoring the fiscal health of the Solid Waste Department.

The Solid Waste Fund has two outstanding debts at this time. The total debt owed is approximately $345,000 and will be retired as follows:

- $49,000 per year annual debt service to be retired in FY 2030 to pay off the purchase of a garbage truck in FY25
- $48,674 is owed to the Wastewater Fund from the downpayment of the garbage truck purchased in FY25.

Solid Waste Year-End Fund Balance History:

Fiscal Year	Solid Waste Rate Adjustments	Year-End Fund Balance (unrestricted)
2016	0%	-$170,965
2017	0%	-$158,736
2018	5.56%	-$230,489
2019	0%	-$165,009
2020	0%	$73,793
2021	0%	$201,651
2022	0%	$190,878
2023	0%	-$79,497
2024	5%	-$423,569
2025	10%	-$440,413

Solid Waste rates were not increased in FY26. This proposed FY27 budget includes a 10% rate increase which has already been approved by City Council.

Stormwater Fund

The Stormwater Fund was established in FY 2012. This fund was established initially with base fees to relieve financial pressure on the General Fund by funding the daily operations. The intent was always to add a user fee to cover capital costs for projects that had been delayed for decades. This user fee was implemented in FY 2020. Rates were implemented and adjusted as follows:

- FY13 – Base fee implemented at $3 per month
- FY15 – Base fee $3.50 per month
- FY20 – User fee implemented at $10.40 per month
- FY24 – Base fee $6.00 per month and user fee $25.00 per month
- FY25 – Base fee $7.00 per month
- FY27 – Base fee $8.11 per month (approved by Council)

The base fee covers the cost of two personnel along with all the daily operational costs. In FY24, the base fee was expanded to cover the financing of a new Vac-Con truck. The annual debt service for the Vac-Con truck is $74,000 and will be retired in FY 2034. In FY25, the base fee was again expanded to cover the financing of a new street sweeper. The annual debt service on this sweeper is $60,000 and will be retired in FY 2030.

Also in FY24, an $8,500,000 loan was secured, pledging user fees, to accelerate several years of capital projects in the Stormwater Fund. The last of these funds were expended in FY26. The user fees that are currently collected are utilized to pay the annual debt service of approximately $710,000. This debt will be retired in FY 2044. Remaining funds are used to fund emergency repairs or held in reserves to fund future projects.

As detailed above, the total debt owed by the Stormwater Fund is approximately $13,600,000.

Reclaimed Water Fund

The Reclaimed Water Fund was created in FY24 in anticipation of converting potable irrigation customers at the north end of the service territory to reclaimed water customers. As water utility personnel operate on all water utilities most of the expenses assigned to this fund are calculated or estimated. With the focus for reclaimed water shifting from providing residential service in Magnolia Point to providing bulk reclaimed water to CCUA, staff will discuss at the budget workshops the option of rolling the reclaimed water fund back into the wastewater fund for FY27. This will simplify the budgeting, financing, and tracking of this department without affecting operations.

Customer Service Fund

The Customer Service Fund is an internal service fund that is established to provide billing, meter reading, customer service, and warehouse services to the utilities. As such, it is funded 100% by the utilities. A frozen (unfunded) part-time warehouse worker position has been carried in this fund for the last two years. While this position is still needed, additional help from various utility department personnel has allowed this hire to be delayed. This position will be carried as frozen (unfunded) in the FY27 budget as well. Additionally, mid-year FY26 the part-time meter reader position was vacated and kept unfilled. The position is carried as frozen (unfunded) in the FY27 budget as management continues to evaluate meter reading operations without this position. Although utility department personnel may have to assist when the lone meter reader takes leave, management is confident that this position will be able to be permanently eliminated in FY28.

Information Technology Fund

The Information Technology Fund is another internal service fund that was created in FY26. Creation of this fund allows us to more accurately track and control city-wide IT expenses. It also simplifies invoice payments, although budgeting is quite cumbersome. This fund is funded by each department based on pro-rata share of department expenses, computer count, or personnel count, depending on the particular expense.

Self-Insurance Fund

Although the city moved from fully insured health insurance to partially self-insured in 2021, a separate Self Insurance Fund was not established until FY24. The fund was established to simplify tracking and budgeting of health insurance revenues (from employees and each department) and expenses. Additionally, the creation of a separate fund allows for excess funds to become dedicated reserves in "good" health years that can then be used to cover overages in "bad" health years.

The move back to a fully insured health insurance plan negates the need for this separate fund. It simplifies the budgeting process and the accounting process. Rather than moving funds from separate department funds to this separate fund with journal entries, the insurance invoices can be paid directly from the funds without the use of manual journal entries each month. Staff will discuss at the budget workshops the option of ceasing the self-insurance fund for FY27. Any reserves remaining in the fund would then be returned to the unassigned General Fund balance.

SUMMARY

The budget being presented today is the culmination of months of work guided by two goals. First is restoring the fiscal health of the city. Second is reducing the financial burden placed on our residents by taxes, fees, and utility rates. I believe that we have accomplished those goals, while still maintaining a superior level of service to our citizens.

A big thank you goes to all the department heads who put many, many hours of effort into creating their budgets, answering repeated requests for adjustments and reductions, and providing information used in this budget message. The biggest thank you goes to our Finance Director, Marsha Lowry, who by far carried the heaviest workload in creating this budget.

As evidenced by this message and the attached budget, the financial health of the city is definitively moving into recovery. The attached budget moves the city from a negative fund balance in the General Fund of -$416,515 at the end of FY25 to an anticipated surplus of $857,855 at the end of FY27 while holding ad valorem taxes at the rollback rate. This has been accomplished through a combination of reducing staff, reducing expenses, shopping health insurance, increasing the PILOT transfer from utilities and retirement of debt.

The Electric Fund is expected to reverse years of rapidly declining reserves with a projected surplus of $1,124,295 at the end of the FY27, while keeping rates the same in FY27. The Water and Wastewater Funds are projected to maintain fiscal stability. The Solid Waste Fund is projected to make significant progress in relation to its -$440,413 fund balance with a projected surplus of $186,620 at the end of FY27.

The city is recovering financially. Tax and utility rates have been held to minimum or no increase. There has been significant residential and commercial growth and development over the last two years, with more on the way. All of these indicators point to one thing. The future of the City of Green Cove Springs and its citizens is bright!

Thank you to the City Council for giving me the opportunity to serve as your Interim City Manager for this great City. It is a great honor for me to serve this community, and I am grateful for the trust and support I have received throughout my time in this role.

Sincerely,

Mike Null