

EXECUTIVE SUMMARY

DOCUMENT FORMAT

For easy use, this budget has been divided into separate functional areas for review as follows:

Introduction: This section contains the table of contents, the transmittal letter, a table of organization, and the GFOA budget award.

Executive Summary: This section provides summaries of the budget on a city-wide basis including revenues, expenditures, and personnel. It also contains the City's goals and objectives and other information.

Budget Detail: This section contains data on individual funds and additional detail is provided by department.

Capital Improvement Program: This section provides summaries of the City's Capital Improvement Program, the effect of the Program on each fund and a detail page for each capital project in the program.

Miscellaneous: This section contains a glossary of terms and miscellaneous information about the City.

PALM COAST VISION 2023

VISION

Palm Coast is a safe community with a hometown feeling that respects and protects the natural environment.

Town Center is a vibrant downtown.

Diverse businesses are the foundation for our strong local economy.

Our residents enjoy convenient mobility and an abundance of leisure choices.

Palm Coast is a great place to live.

FIVE YEAR GOALS

Develop Long-Term Sustainable Water Supply

Provide Quality Services, Maintaining the City's Financial Soundness

Expand the Local Economy

Manage Growth for Quality, Sustainable Community

Maintain a Safe Community

Promote Town Center as Our Downtown

SHORT TERM GOALS – 2012

TOP PRIORITY

1. Prosperity 2021 – Economic Development Program
2. Street Valley Gutters
3. Stormwater Pipe Replacement Program
4. Rehabilitate 25 Miles of Swales and Address Complaints within 6 Months
5. Water Reuse System Master Plan
6. Stormwater System Hydraulic Modeling
7. Road Resurfacing Program
8. Video Cameras and Emergency Phones for Paths and Parks

HIGH PRIORITY

1. Coquina Coast Saltwater Desalination Project
2. Matanzas Woods Interchange
3. Old Kings Road 4-Laning North of Palm Coast Parkway
4. City Hall
5. Beachside Sewer System

MODERATE PRIORITY

1. Concept Plan of FPL Easements for Recreational Uses
2. Parks and Recreation Fee Structure

FINANCIAL POLICIES

The City Council has taken a conservative approach to the finances of the City while providing for the protection of the health, safety, and welfare of the citizens of Palm Coast through a full range of efficient and effective municipal services. Within the City Council's overall vision for the City, two primary financial policies have been established. The first is to ensure the long term financial viability of the City and the second is to diversify and strengthen the City's economy.

Financial Planning

The City will adopt a balanced budget as required by Florida Statute, Chapter 166. The budget is balanced when the amount available from taxation and other sources, including amounts carried over from prior fiscal years, equals the total appropriations for expenditures and reserves.

Revenue

User fees and charges will be sufficient to cover the cost of providing the service for which the fee is charged. Recreation and park fees are not intended to cover the full cost of services. These services will be supplemented so that all citizens have the opportunity to utilize these activities and resources regardless of economic condition.

The City will use one-time revenues for non-recurring expenditures. One-time revenues would include grants, prior year surplus, or other revenues that are not likely to occur in future years. Non-recurring expenditures would include special programs or capital purchases that would not require the same expenditure in future years.

Expenditure

The City will issue debt only for capital expenditures. The term of the debt will not be for a period longer than the expected life of the asset. Debt for a period longer than three years or more than \$15 million may not be issued without voter consent unless the debt is funded.

The City will maintain reserves of at least fifteen percent in its four operating funds.

The City Council will receive a monthly comparison of actual expenditures to budget. The City Manager will recommend any adjustments to the budget that may be required during the year.

Fund Balance

The General Fund Unassigned fund balance, at year end, will be between ten percent and twenty percent of the following year's budgeted expenditures. Unassigned fund balance over twenty percent may be transferred to the Disaster Reserve Fund, if necessary to meet the fund balance goal, or to the Capital Projects Fund. If the Unassigned fund balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenditures to return the Unassigned fund balance to ten percent or greater within three years. If economic conditions cause a temporary loss of revenue, the unassigned fund balance may be used to help alleviate the effects of the loss of revenue. If the unassigned fund balance exceeds ten percent of the following year's budgeted General Fund expenditures, up to 50% of

FINANCIAL POLICIES

the amount over the ten percent minimum may be used to offset the shortfall. At no time should the adjusted unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

The Utility Fund Unrestricted net assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses. Unrestricted net assets over twenty percent will be assigned to a rate stabilization fund or transferred to the Utility Capital Projects Fund for utility system renewal and replacement. If the Unrestricted net assets are below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the Unrestricted net assets to ten percent or greater within three years.

The Stormwater Fund Unrestricted net assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses excluding capital expenditures. Unrestricted net assets over twenty percent will be assigned for future system capital projects. If the Unrestricted net assets are below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the Unrestricted net assets to ten percent or greater within three years.

The Solid Waste Fund Unrestricted net assets, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net assets over ten percent will be assigned to a rate stabilization fund. If the Unrestricted net assets are below five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the Unrestricted net assets to five percent or greater within three years.

The Tennis Center Fund and the Golf Course Fund Unrestricted net assets, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net assets over ten percent will be assigned for future capital projects including renewal and replacements. If the Unrestricted net assets are below five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the Unrestricted net assets to ten percent or greater within three years.

The Disaster Reserve committed fund balance, at year end, will be at least two one hundredths percent (0.02%) of the just value of all property in the City on July 1 of that year. If the Disaster Reserve is below the minimum amount at year end, a transfer should be made from the General Fund in an amount sufficient to increase the fund balance above the minimum amount, within two years. The Disaster Reserve can be used to address unanticipated expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man-made or caused by nature, using emergency procedures as provided for in the city's Purchasing Policy.

All other funds, including Special Revenue Funds, Capital Project Funds, and Internal Service Funds do not have a fund balance requirement. Fund balances in these funds are dictated by revenue sources and a schedule of capital projects.

FINANCIAL POLICIES

Investment

The purpose of this policy is to set forth the investment objectives and parameters for the management of the funds of the City of Palm Coast, (hereinafter "City") and are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. These policies are in accordance with Section 218.415, Florida Statutes, and this investment policy applies to all cash and investments held or controlled by the City and shall be identified as "general operating funds" of the City with the exception of the City's Pension Funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this Investment Policy and funds held by state agencies (e.g., Department of Revenue), are not subject to the provisions of this policy.

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve optimal investment return, provided any of the following occurs with respect to the replacement security:

- A. The yield has been increased, or
- B. The maturity has been reduced or lengthened, or
- C. The quality of the investment has been improved.

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

In accordance with the City's Charter, the responsibility for providing oversight and direction in regard to the management of the investment program resides with the City Manager. The management responsibility for all City funds in the investment program and investment transactions is delegated to the City's Finance Director. The Finance Director shall establish written procedures for the operation of the investment portfolio and a system of internal accounting and daily procedures for investment trades and to regulate the activities of employees.

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program.

FINANCIAL POLICIES

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the City Council in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The "Prudent Person" rule states the following:

Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the City Clerk, in accordance with the appropriate state statutes governing conflicts of interest, any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

The Finance Director shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and record keeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery vs. payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this policy.

Independent auditors as a normal part of the annual financial audit for the City shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

The Finance Director and appropriate staff shall annually complete a minimum 8 hours of continuing education in subjects or courses of study related to investment practices and products.

FINANCIAL POLICIES

Authorized City staff and Investment Advisors shall only purchase securities from financial institutions, which are Qualified Institutions by the City or institutions designated as “Primary Securities Dealers” by the Federal Reserve Bank of New York. Authorized City staff and Investment Advisors shall only enter into repurchase agreements with financial institutions that are Qualified Institutions and Primary Securities Dealers as designated by the Federal Reserve Bank of New York. The Finance Director and/or the Investment Advisors shall maintain a list of financial institutions and broker/dealers that are approved for investment purposes and only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- 1) regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of no less than \$10,000,000;
- 3) registered as a dealer under the Securities Exchange Act of 1934;
- 4) member of the National Association of Dealers (NASD);
- 5) registered to sell securities in Florida; and
- 6) the firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- 7) Public Depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the City’s Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the City transacts business.

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds should have maturities of no longer than twenty-four (24) months.

Investments of bond reserves, construction funds, and other non-operating funds (“core funds”) shall have a term appropriate to the need for funds and in accordance with debt covenants, but should not exceed ten (10) years.

From time to time the above parameters may require modification in order to meet specific construction draw schedules or other predetermined operating, capital needs or to satisfy debt obligations but in no event shall exceed thirty (30) years.

The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

After the Finance Director has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) Qualified Institutions and/or Primary Dealers must be contacted and asked to provide bids/offers on securities in questions. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

FINANCIAL POLICIES

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems
- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the City's custodian or their correspondent institutions

The Finance Director shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in judgment of the Finance Director, competitive bidding would inhibit the selection process.

Examples of when the City may use this method include:

- 1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
- 2. When no active market exists for the issue being traded due to the age or depth of the issue
- 3. When a security is unique to a single dealer, for example, a private placement
- 4. When the transaction involves new issues or issues in the "when issued" market

Overnight sweep investments or repurchase agreements will not be bid, but may be placed with the City's depository bank relating to the demand account for which the sweep investments or repurchase agreement was purchased.

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Finance Director or designee may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the City's custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. The Finance Director or designee shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this policy are prohibited.

The allocation limits and security types do not apply to the investment of debt proceeds. These investments shall be governed by the debt covenant included in the debt instrument.

- A. The Florida Local Government Surplus Funds Trust Fund ("SBA")
 - 1. Investment Authorization
The Finance Director may invest in the SBA.
 - 2. Portfolio Composition
A maximum of 100% of available funds may be invested in the SBA.

FINANCIAL POLICIES

- B. United States Government Securities
1. Purchase Authorization
The Finance Director may invest in direct negotiable obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:
Cash Management Bills
Treasury Securities – State and Local Government Series (“SLGS”)
Treasury Bills
Treasury Notes
Treasury Bonds
Treasury Strips
 2. Portfolio Composition
A maximum of 100% of available funds may be invested in the United States Government Securities.
 3. Maturity Limitations
The maximum length to maturity of any direct investment in the United States Government Securities is ten (10) years from the date of purchase.
- C. United States Government Agencies
1. Purchase Authorization
The Finance Director may invest in bonds, debentures, notes or callable issued or guaranteed by the United States Governments agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:
Government National Mortgage Association (GNMA)
-GNMA guaranteed mortgage-backed bonds
-GNMA guaranteed pass-through obligations
United States Export – Import Bank
-Direct obligations or fully guaranteed certificates of beneficial ownership
Farmer Home Administration
-Certificates of beneficial ownership
Federal Financing Bank
-Discount notes, notes and bonds
Federal Housing Administration Debentures
General Services Administration
United States Maritime Administration Guaranteed
-Title XI Financing
New Communities Debentures
-United States Government guaranteed debentures
United States Public Housing Notes and Bonds
-United States Government guaranteed public housing notes and bonds
United States Department of Housing and Urban Development
-Project notes and local authority bonds

FINANCIAL POLICIES

2. Portfolio Composition
A maximum of 75% of available funds may be invested in United States Government agencies.
 3. Limits on Individual Issuers
A maximum of 50% of available funds may be invested in individual United States Government agencies.
 4. Maturity Limitations
The maximum length to maturity for an investment in any United States Government agency security is ten (10) years from the date of purchase.
- D. Federal Instrumentalities (United States Government sponsored agencies)
1. Purchase Authorization
The Finance Director may invest in bonds, debentures or notes which may be subject to call, issued or guaranteed as to principal and interest by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following:
Federal Farm Credit Bank (FFCB)
Federal Home Loan Bank or its district banks (FHLB)
Federal National Mortgage Association (FNMA)
Federal Home Loan Mortgage Corporation (Freddie-Macs)
Student Loan Marketing Association (Sallie-Mae)
 2. Portfolio Composition
A maximum of 80% of available funds may be invested in Federal Instrumentalities.
 3. Limits on Individual Issuers
A maximum of 40% of available funds may be invested in any one issuer.
 4. Maturity Limitations
The maximum length to maturity for an investment in any Federal Instrumentality security is ten (10) years from the date of purchase.
- E. Interest Bearing Time Deposit or Saving Accounts
1. Purchase Authorization
The Finance Director may invest in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and in national banks organized under the laws of the United States and doing business and situated in the State of Florida. Additionally, the bank shall not be listed with any recognized credit watch information service.
 2. Portfolio Composition
A maximum of 25% of available funds may be invested in non-negotiable interest bearing time certificates of deposit.
 3. Limits on Individual Issuers
A maximum of 15% of available funds may be deposited with any one issuer.
 4. The maximum maturity on any certificate shall be no greater than one (1) year from the date of purchase.

FINANCIAL POLICIES

- F. Repurchase Agreements
1. Purchase Authorization
 - a. The Finance Director may invest in repurchase agreements composed of only those investments based on the requirements set forth by the City's Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
 - b. A third party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Finance Director and retained.
 - c. Securities authorized for collateral are negotiable direct obligations of the United States Government, Government Agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Finance Director.
 2. Portfolio Composition

A maximum of 50% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements.
 3. Limits on Individual Issuers

A maximum of 25% of available funds may be invested with any one institution.
 4. Limits on Maturities

The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.
- G. Commercial Paper
1. Purchase Authorization

The Finance Director may invest in commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). Additionally, the company shall not be listed with any recognized credit watch information service.
 2. Portfolio Composition

A maximum of 30% of available funds may be directly invested in prime commercial paper.
 3. Limits on Individual Issuers

A maximum of 10% of available funds may be invested with any one issuer.
 4. Maturity Limitations

The maximum length to maturity for prime commercial paper shall be 180 days from the date of purchase.

FINANCIAL POLICIES

- H. High Grade Corporate Notes
 - 1. Purchase Authorization

The Finance Director may invest in corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard & Poor’s. Additionally, the company shall not be listed with any recognized credit watch information service.
 - 2. Portfolio Composition

A maximum of 15% of available funds may be directly invested in corporate notes.
 - 3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.
 - 4. Maturity Limitations

The maximum length to maturity for corporate notes shall be 3 years from the date of purchase.
- I. Bankers’ acceptances
 - 1. Purchase Authorization

The Finance Director may invest in Bankers’ acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.
 - 2. Portfolio Composition

A maximum of 30% of available funds may be directly invested in Bankers’ acceptances.
 - 3. Limits on Individual Issuers

A maximum of 10% of available funds may be invested with any one issuer.
 - 4. Maturity Limitations

The maximum length to maturity for Bankers’ acceptances shall be 180 days from the date of purchase.
- J. State and/or Local Government Taxable and/or Tax-Exempt Debt
 - 1. Purchase Authorization

The Finance Director may invest in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long-term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt.
 - 2. Portfolio Composition

A maximum of 20% of available funds may be invested in taxable and tax-exempt debts.

FINANCIAL POLICIES

3. Maturity Limitations
A maximum length to maturity for an investment in any state or local government debt security is three (3) years from the date of purchase.
- K. Registered Investment Companies (Mutual Funds)
 1. Investment Authorization
The Finance Director may invest in shares in open-end and no-load fixed-income securities mutual funds provided such funds are registered under the Federal Investment Company Act of 1940 and invest in securities permitted by this policy.
 2. Portfolio Composition
A maximum of 50% of available funds may be invested in mutual funds excluding one (1) business day overnight sweep agreements.
 3. Limits of Individual Issuers
A maximum of 25% of available funds may be invested with any one mutual fund.
 4. Rating Requirements
The mutual funds shall be rated "AAM" or "AAM-G" or better by Standard & Poor's, or the equivalent by another national rating agency.
 5. Due Diligence Requirements
A thorough investigation of any mutual market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director that will contain a list of due diligence considerations that deal with the major aspects of any investment pool/fund. A current prospectus must be obtained.
- L. Intergovernmental Investment Pool
 1. Investment Authorization
The Finance Director may invest in intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.
 2. Portfolio Composition
A maximum of 25% of available funds may be invested in intergovernmental investment pools.
 3. Due Diligence Requirements
A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director that will contain a list of questions that covers the major aspects of any investment pool/fund.

Investment in any derivative products or the use of reverse repurchase agreements requires specific City Council approval prior to their use. If the City Council approves the use of derivative products, the Finance Director shall develop sufficient understanding of the derivative products and have the expertise to manage them. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. If the City Council approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the Finance Director has sufficient resources and expertise to manage them.

FINANCIAL POLICIES

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets.

- A. Investment performance of funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return on State Board of Administration's Local Government Surplus Funds Trust Fund book rate of return. Investments of current operating funds should have maturities of no longer than twenty-four (24) months.
- B. Investment performance of funds designated as core funds and other non-operating funds that have a longer-term investment horizon will be compared to an index comprised of U. S. Treasury or Government securities. The appropriate index will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolios' total rate of return. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") should have a term appropriate to the need for funds and in accordance with debt covenants, but should not exceed ten (10) years.

The Finance Director shall provide the City Manager with a "Quarterly Investment Report" that summarizes but not limited to the following:

- A. Recent market conditions, economic developments and anticipated investment conditions.
- B. The investment strategies employed in the most recent quarter.
- C. A description of all securities held in investment portfolios at quarter-end.
- D. The total rate of return for the quarter and year-to-date versus appropriate benchmarks.
- E. Any areas of policy concern warranting possible revisions to current or planned investment strategies. The market values presented in these reports will be consistent with accounting guidelines in GASB Statement 31.

On an annual basis, the Finance Director shall submit to the City Council a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value, the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per GASB Statement 31. Investment reports shall be available to the public.

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchase by, and all collateral obtained by the City should be

FINANCIAL POLICIES

properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the City Manager and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, unless by such a duly authorized person.

The custodian shall provide the Finance Director with safekeeping statements that provide detail information on the securities held by the custodian. On a monthly basis, the custodian will also provide reports that list all securities held for the City, the book value of holdings and the market value as of month-end.

Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

Purchasing Policy

TYPES OF COMMON PURCHASING TRANSACTIONS

Standard Purchase Order

The standard purchase order is requested by the user with a requisition and is issued for most types of items and/or services. These purchase orders will be encumbered in the financial accounting system.

Service Contract Purchase Orders (SCS)

Service Contract Purchase Orders (SCS) are issued by the Purchasing Manager as a result of a quote or bid usually for construction or consultant type jobs where progress payments are required throughout the duration of the project OR for payments for transactions where regular specific payments are required over a specified length of time. While the term of a Service Contract Purchase Order may or may not coincide with the fiscal year, the amount of funds encumbered must be available in the current year's budget. Requests for construction, consultants, leases, or similar transactions must begin with the proper department.

FINANCIAL POLICIES

Price Agreement Purchase Orders

A price agreement is a nonexclusive, indefinite quantity agreement. It is a tool to facilitate purchases when the exact quantity of a required commodity or service is unknown or may vary depending upon the using department's requirements. A Price Agreement is used to obtain commodities or services needed frequently for operations and maintenance.

If usage is anticipated to be greater than or equal to **\$3,000** but less than **\$15,000** in a single year, at least three (3) verbal quotes must be obtained and documented. If usage is anticipated to be greater than or equal to **\$15,000** but less than **\$25,000** in a single year, three written quotes must be obtained. If usage is anticipated to be greater than **\$25,000** in a single year, formal competition (bid or RFP) must be used to select the vendor, unless the award is made from another political entity's contract, or justified as a sole/single source.

A price agreement may be requested by using departments or initiated by the Purchasing Manager. A price agreement shall be awarded by the Purchasing Manager and issued for citywide use. The term of a price agreement may not necessarily coincide with the fiscal year.

After review by the Purchasing Manager, a request for a Price Agreement may be returned to the user with the recommendation to use a more appropriate purchasing method such as a regular Purchase Order, Procurement Card or Direct Payment Voucher.

Commodities or services available for purchase from current Price Agreements may be obtained from the Purchasing Manager. Departments may request a commodity or service be purchased through the Price Agreement method at any time during the fiscal year.

Contracts

Contracts will be processed through the Purchase Order system simply as an expedient way to handle the encumbrance of the funds. The requisite documentation should be filed with the Purchasing Manager. In general, this will cover contracts for which there is no competitive function (such as charitable contributions approved each fiscal year by City Council, or payments to other governmental agencies) which are primarily issued to other governments or to non-profit organizations. These should be encumbered at the beginning of each fiscal year for those payments approved in each fiscal year budget. However, they may be requested and encumbered at any time during the fiscal year for approved transactions.

Purchasing Card

The purchasing card is another tool for small purchases. Purchasing cards are issued in an employee's name with preset spending controls and limits. The per transaction limit for purchases is set at seven hundred forty nine dollars or less (\$749.00). Purchasing cards are only issued upon written request from the department director. The purchasing card is intended only for small value, non-recurring needs, usually from local sources.

FINANCIAL POLICIES

Direct Payment Voucher

For certain approved transactions for which there is no competitive purchasing function, a using department may make a request for payment directly to the Accountant without a purchase order. Direct Payment Vouchers require all the necessary approvals and signatures as a requisition.

The following transactions are examples of payment using a Direct Payment Voucher:

- Bond related expenses
- Child support payments
- Debt service payments
- Instructor Fees
- Insurance (Administrative Services Approval)
- Land purchases (Public Works/Right-of-Way including legal fees and related costs) (Council approval required)
- Medical insurance refunds (Financial Services Approval only)
- Outside Counsel
- Payments to Other Government Agencies (all types of taxes, assessments, fees, permits, utility deposits)
- Postage (U.S. Post Office only - no invoice required)
- Pre-approved interview and/or moving expenses (Personnel only)
- Risk Management Claims settlements
- Subscriptions to, and public and legal advertisements in, newspapers and periodicals
- Tax deed application expenses and surpluses

Emergency Purchase Order

Emergency purchases are **ONLY** for commodities or services necessary because of certain emergency conditions that may affect the health, safety, and welfare of the citizens of The City of Palm Coast.

PURCHASING REQUIREMENTS

The following procedures should be used depending on the amount of the purchase. The estimated value of the purchase determines what steps must be completed before a purchase order can be issued for the request.

FINANCIAL POLICIES

QUICK REFERENCE GUIDE

TOTAL CONTRACT VALUE	QUOTE REQUIREMENTS (Minimum)	AWARD APPROVAL
\$ 0 - \$749.99	Single Quote Purchase Card	Department Director or Designee
\$750 - \$2,999.99	Single Quote Purchase Order	Department Director
\$3,000 - \$14,999.99	3 Verbal Quotes Minimum Purchase Order	Department Director
\$15,000 - \$25,000	3 Written Quotes Minimum Purchase Order	City Manager or Designee
\$25,000.01 - \$30,000	Formal Invitation or Bid Contract or Purchase Order	City Manager or Designee
\$30,000.01 and Above	Formal Invitation or Bid Contract or Purchase Order	City Council

CONTRACTS FOR THE PURCHASE OF ANY COMMODITIES OR SERVICES MAY ONLY BE SIGNED BY THE CITY MANAGER OR THE MAYOR, AS MAY BE APPLICABLE.

OBTAINING QUOTES

While it is the Purchasing Manager's responsibility to obtain quotes, the user can shorten purchasing process by obtaining one or more quotes. The quotes must all be for identically the same quantity and quality and under the same terms and conditions. Even if the user provides quotes with the requisition, a complete description of the item or service needed, including required delivery time, and all special conditions must be clearly written on the requisition or attached as a memo. If the user does not provide quotes, it is imperative the user write a complete and accurate description to assist the Purchasing Manager in obtaining quotes and filling the order promptly and accurately. **Regardless, the Purchasing Manager always reserves the right to obtain additional quotes.**

FINANCIAL POLICIES

SINGLE QUOTES

- (1) Estimated Value under \$750.00

Use the purchasing card for this type of purchase.

- (2) Estimated Value under \$3000.00

This only requires a single quote, but a general check of the marketplace should be made to ensure the best value. If there is a preferred vendor, provide a complete name and address, description of the commodity or service and how much it will cost including freight and/or shipping on the requisition form. The Purchasing Manager will review the requisition. If the Purchasing Manager agrees with the recommendation for purchase, the requisition will be processed. If the Purchasing Manager questions whether the commodity can be purchased from another vendor, for a better price, or is available from another source or contract, the department will be contacted to discuss the change.

VERBAL QUOTES

- (3) Estimated Value \$3,000 - \$14,999.99

Requisition forms for purchases for this dollar value are completed in the same manner as above. However, minimums of three (3) VERBAL quotes are required. The user may obtain the necessary quotes and furnish them with the requisition form, or, provide sufficient specifications so that the Purchasing Manager can obtain the quotes. User obtained quotes should be listed either on the requisition or on a separate page: Firm name, telephone number, name of contact person, and each unit price including any freight costs.

WRITTEN QUOTES

- (4) Estimated Value \$15,000 - \$25,000

Requisition forms for purchases for this dollar value are completed in the same manner as above. However, minimums of three (3) WRITTEN quotes are required. The user may obtain the necessary quotes and furnish the original of each written quote with the requisition form, or, provide sufficient specifications so that the Purchasing Manager can obtain quotes.

FORMAL INVITATIONS

If the estimated value is greater than \$25,000, the Purchasing Manager must prepare and solicit formal, sealed, advertised invitations (Invitation To Bid, Request For Proposals, Request For Statements of Qualifications, or Request For Information).

FINANCIAL POLICIES

If available, specifications for the requested purchase shall accompany the requisition. The Purchasing Manager will review the specifications to see if they are adequate for bid or will work with the requesting department to write specifications, terms and conditions for the invitation. The Purchasing Manager will coordinate all of the details of the invitation such as a pre-proposal conference, if applicable, and the suggested opening, evaluation and award dates, etc. After the formal opening the Purchasing Manager and the using department will evaluate the bids or proposals based upon predetermined criteria for award.

Public Advertisements

All formal invitations must be publicly advertised seven days in advance of the specified opening date in one major newspaper that covers the area. There are other advertising requirements depending upon the type and value of the proposed contract. Other advertising is suggested if a wide selection of potential proposers is required.

Public Advertising Requirements:

Type	Times	Minimum**	Recommended
City Bids, RFPs, RSQs	1	7 days	20-30 days
Construction > \$200,000 and <= \$500,000 ¹	1	21 days	30 days
Construction > \$500,000 ¹	1	30 days	30 days
Sale or Lease of City Real Property	2	14 days	30 days
Road projects	2	30 days	30 days
Federal Aviation Authority Projects	2	10 days	20-30 days
Federal Transit Authority -capital equipment	1	10 days	20-30 days
Federal Transit Authority –projects	2	10 days	20-30 days
Grants	At least 1 or per grant	Per grant or 5 days	20-30 days
Addendum - changing closing date	1	5 days	10 - 15 days

*Minimum - number of days from date Public advertisement appears in the newspaper until closing date.

** Public advertisement must also be at least 5 days before any pre-bid meeting.

¹ Florida Statute 255.0525 (2)

FINANCIAL POLICIES

Pre-Solicitation, Pre-Bid, Pre-Proposal Conferences

Conferences may be scheduled and conducted by the Purchasing Manager, or his/her designee, before the official time and date set for the formal opening to explain the procurement requirements and to solicit information from potential bidders/proposers.

A MANDATORY conference may be scheduled and conducted if the technical or physical requirements of the invitation requires the physical presence of potential proposers. Proposals from anyone not attending the mandatory conference will not be considered. Mandatory conferences restrict competition and therefore must be justified in writing to the Purchasing Manager and approved by the Finance Director prior to release of the Invitation.

For construction projects in excess of \$200,000, the legal advertisement must be published at least 5 days prior to the pre-bid conference. (Section 255.0525 (1), Florida Statutes)

Formal Opening

Responses to all invitations shall be clocked in upon receipt and opened publicly at the time, date and place designated in the Invitation under the strict control of the Purchasing Manager. The name of each bidder or proposer shall be read aloud and tabulated along with the pertinent information as described in the Invitation. Note: Applicable Florida Statutes Section 180.24 and Section 218.80 and 255.0525.

Late Proposals

Any bid, proposal, or offer received at the place designated in the Invitation after the official date and time specified for receipt of proposals shall be considered late and will not be considered for award. Any request for withdrawal or modification received after the date and time specified shall not be considered. The time clock in the City Hall is the official time for all Formal Openings.

Bidders List

The Purchasing Manager maintains a database of vendors with whom the City has done business in the past and a list of firms who have expressed interest in submitting quotes and bids to the City. Any firm wishing to register to do business with the City can request a "Bidders Registration Form," complete it, and return it to the City. The firm will then be assigned a vendor number and assigned to commodity categories by the Purchasing Manager.

Users can call the Purchasing Manager to see if a certain vendor is included in the database. Users may suggest to the Purchasing Manager any potential bidders they would like to receive an invitation, request for quote or bid or may request a Bidders Registration Form be mailed or faxed to a potential bidder with whom they are interested in doing business.

The "Bidders Registration Form" is also on the City's Web page.

FINANCIAL POLICIES

AWARD OF CONTRACTS AND APPROVALS

Award

All quotes and invitations shall be awarded to the lowest responsive and responsible proposer, or upon criteria established before the proposals are opened. If no criteria are specified in the quotes or invitation, then the award will be based upon the price alone.

Approvals

Before any purchase order on budgeted items can be issued, the following approvals are required based upon the total value of the purchase:

Value Less than or Equal to \$15,000
Value Greater than \$15,000

Department Director
City Manager or Designee

Protest Procedures

A vendor/bidder may protest the award of any contract any time prior to its award by contacting the Purchasing Manager.

The decision of the Purchasing Manager may be appealed to the City Manager by filing a written appeal with the City Manager within seven days of the decision. The decision of the City Manager may be appealed to the City Council by filing a written appeal with the City Clerk within seven days of the City Manager's decision.

PROCUREMENT COMMITTEES

Definitions

A "selection committee" is defined as any committee that has been delegated decision-making functions, directly or indirectly. A selection committee ranks and/or short-lists respondents to an Invitation or Request for Statements of Qualifications (RSQ) based upon the information submitted in response to the RSQ. This definition includes all selections under Chapter 287.055 Florida Statutes, the Contractors Competitive Negotiation Act (CCNA), as amended. All selection committee meetings are open public meetings as defined in Chapter 286 FS and subject to Florida's Government in the Sunshine Law.

An "evaluation committee" is defined as a committee that is responsible for advising and informing the final decision maker, the City Manager or City Council, through fact-finding consultations. The evaluation committee meets to evaluate proposals or offers submitted in response to an Invitation for conformance with defined evaluation criteria. The outcome of an evaluation committee is whether responses meet the evaluation criteria and which response (offer) is best for the City. An evaluation committee meeting falls within the requirements of an open public meeting and subject to Florida's Government in the Sunshine Law.

FINANCIAL POLICIES

A “technical review committee” is defined as any committee appointed by the Purchasing Manager to establish and/or review specifications or scope of work for any procurement project. A technical review committee does not generally fall within the requirements of an open public meeting. However, to the extent that it makes recommendations that would be part of the decision making process it too would be subject to Florida’s Government in the Sunshine Law.

Public Meeting Notice/Advertisements

Reasonable public notice shall be given before any selection committee meeting. Such notice shall include: (1) name and/or purpose of selection committee, (2) time and place of meeting, and (3) ADA requirements notification information. All Public Meeting notices shall be posted in City Hall.

The Purchasing Manager shall have published a meeting notice for any selection committee meeting at least one (1) day before the meeting date in a newspaper of general circulation in the City of Palm Coast, Florida. The public meeting notice(s) may be included in the Public advertisement announcing the procurement.

These committee meetings do not rise to the level of being matters of “critical public importance” but should be noticed appropriately.

The following notice guidelines as outlined in the Government in the Sunshine Manual (January 22, 2001) shall apply:

1. The notice should contain the time and place of the meeting and, if available, an agenda (or if no agenda is available, subject matter summations might be used);
2. **The notice should be prominently displayed in the area in the agency’s offices set aside for that purposes, e.g., for cities, in City Hall;**
3. Emergency sessions should be afforded the most appropriate and effective notice under the circumstances and special meetings should have at least 24 hours reasonable notice to the public; and
4. The use of the press releases and/or phone calls to the wire services and other media is highly effective. On matters of **critical public concern** such as rezoning, budgeting, taxation, appointment of public officers, etc., **advertising in the local newspapers of general circulation would be appropriate.**

Meeting Minutes

The minutes of any open public meeting shall be available for public review. The original minutes shall be filed with the invitation package with the Purchasing Manager.

If an open public meeting is adjourned and reconvened at a later date to complete the business of the meeting, the second meeting shall also be noticed. This includes any meeting where a presentation is made to the selection committee.

FINANCIAL POLICIES

Membership

The Purchasing Manager shall chair all selection and evaluation committees and shall appoint the committee from staff or other representatives who have knowledge and interest in the procurement project. Suggestions from the affected user shall be given consideration.

Committee members must ensure that they disclose any conflict of interests and abstain from voting when a conflict exists in accordance with State Law.

Any person with a conflict of interest shall not be appointed to any procurement evaluation or selection committee, or shall be removed from the committee if the conflict arises after appointment to the committee. A conflict of interest is defined as any circumstance in which the personal interest of a committee member in a matter before him or her in his or her official capacity may prevent or appear to prevent him or her from making an unbiased decision with respect to the matter. A conflict of interest is also any conflict defined in the City of Palm Coast Code or Policies, Florida Statutes, or Federal Statutes.

Voting

The vote of each member of the selection committee shall be recorded in the minutes. Committee members are required to vote either in person or via a telephonic appearance. A quorum must be present at the site of the committee meeting and be able to hear the non-present member in order for the telephonic appearance to be authorized.

A selection committee member must be present, physically or electronically, for the all of the presentations to vote.

Selection shall be made by consensus if possible. If the committee chair deems consensus impossible the selection shall then take place by totaling individual votes of committee members.

Discussion with Respondents

Any discussion before an award by City Council between any member of an evaluation or selection committee and any respondent regarding the procurement project is highly discouraged. Committee members shall disclose any attempts to influence his/her decision to the Purchasing Manager. All requests for information, clarification, or the status for any procurement project shall be directed to the Purchasing Manager.

Recommendation for Award

The Purchasing Manager shall forward the selection committee's recommendation of ranking to the Finance Director for submission to the City Manager or City Council as required.

BUDGET PROCESS

Methodology

The preparation and adoption of the Annual Budget is one of the most important actions carried out by the City Council, citizens and staff of Palm Coast. To achieve the best results in the planning and delivery of community services, key financial decisions must be made. The budget process provides a forum to accumulate financial and performance information concerning local services into a common format; analyze and debate the merits of each service; and make decisions about the level and cost of service which will be provided. The budget is designed to provide the citizens of Palm Coast with the full complement of municipal services. This budget aims at providing the highest quality municipal service to the community in an efficient and effective manner.

Review

Early in the budget process, each department outlines functions and goals to accomplish in the coming fiscal year. They then prepare a detailed estimate of monies and personnel required to provide these services. These requests are reviewed by the City Manager and the Finance Director. Upon completion of this review and matching with the projected revenues available, the budget is compiled by the Finance Department. During the month of July of each year, the City Manager submits the proposed budget to the City Council. The City Council reviews the proposed budget and conducts public workshops to obtain preliminary direction as to the probable approval levels of the budget.

Adoption

During the month of September, in accordance with the timing specified in State Law (F.S. 200.065), two public hearings are held. The time of the first hearing is advertised on the "Notice of Proposed Property Taxes" sent to property owners and by the usual procedure for advertising a public hearing. The first meeting is to tentatively adopt the budget and millage rate. For the second hearing, in addition to normal advertising procedure, a general summary of the proposed budget is advertised in the newspaper along with a date for the statutory public hearing to adopt the budget and millage rate. The City's fiscal year is October 1 through September 30.

Public Participation

The public is invited and encouraged to attend and participate in all work sessions and public hearings.

Budgetary Basis

Governmental funds are budgeted using the modified accrual basis of accounting. Revenues are recognized when they become available and measurable. An example would be sales tax or state revenue sharing that is measurable but may not be received until after the end of the fiscal year. Expenditures are recognized when the liability has occurred and is measurable. This would be charges for work that has been completed and invoiced but not paid at year-end. Estimated expenditures for capital outlay and debt service payments are budgeted in all funds; however, the actual expenditure for capital and principal on debt is applied to balance sheet accounts and is not expensed in the proprietary funds. Depreciation is not budgeted in any fund but is recorded in proprietary funds. Revenue in the proprietary funds is recognized when due and expenses when they are incurred.

BUDGET CALENDAR

February 26, 2011	Budget process initiated by Finance.
February 26	MUNIS budget system opened for Department line-item entries.
March 29	Departments submit additional program, personnel, fleet requests to Finance for FY 2012.
March 29	Departments submit technology requests to Information Technology & Communications for FY 2012.
April 5	FY 2012 Revenue Estimates prepared by Finance.
April 26	Capital Improvement Program project requests submitted to Finance. (MUST BE IN CONFORMANCE WITH COMP PLAN)
April 26	MUNIS budget system closed for Department line-item entries. Note: Personal services/internal transfers will be projected by Finance.
May 10 - 21	Finance reviews budget requests and Capital Improvement Program (CIP) with department heads. (COPY OF CIP SENT TO COMMUNITY DEVELOPMENT FOR COMP PLAN REVIEW)
June 7	Finance submits the preliminary budget to the City Manager and department heads.
June 14 - 25	City Manager meets with department heads to discuss departmental needs and requests, including the Capital Improvement Program.
July 26	Budget workshop – General Fund.
August 2	Establish proposed Millage Rate (TRIM Rate). (MUST BE DONE PRIOR TO AUGUST 4).
August 9	Budget workshop – Enterprise funds, Special Revenue and Capital funds.
August 16	Property Appraiser distributes “Trim Notices” with date and time of first Public Hearing on Millage Rate.
August 23	Budget workshop – Final proposed budget presentation.
September 14	Public Hearing to tentatively adopt Millage Rate and Budget. (FINAL ADOPTION MUST BE ADVERTISED WITHIN 15 DAYS).
September 24	Place meeting notice and budget summary advertisements. (PUBLIC HEARING MUST BE NO LESS THAN 2 DAYS OR MORE THAN 5 DAYS AFTER ADVERTISEMENT OR MORE THAN 20 DAYS AFTER FIRST HEARING).

BUDGET CALENDAR

September 27	Public Hearing to adopt final Millage Rate Resolution and Budget Resolution.
September 28	Forward a copy of the Millage Rate Resolution to the Property Appraiser and the Tax Collector.
October 26 Last Day	Certificate of Conformance sent to State. (MUST BE DONE WITHIN 30 DAYS OF FINAL ADOPTION).

BUDGET AMENDMENT PROCESS

Supplemental Appropriation Amendments After Adoption

If, during the fiscal year, the City Manager certifies that there are available for appropriation, revenues in excess of those estimated in the budget, the City Council by resolution may make supplemental appropriations for the year up to the amount of such excess.

Emergency Appropriations

To meet a public emergency affecting, life, health, property, or the public peace, the City Council may make emergency appropriations. Such appropriations may be made by emergency ordinance to the extent that there are no available unappropriated revenues to meet such appropriations.

Reduction Of Appropriations

If, at any time during the fiscal year, it appears probable to the City Manager that the revenues available will be insufficient to meet the amount appropriated, he shall report to the City Council without delay, indicating the estimated amount of the deficit, any remedial action taken by him, and his recommendations as to any other steps to be taken. The City Council shall then take such further action as it deems necessary to prevent or minimize any deficit and for that purpose it may by resolution reduce one or more appropriations.

Transfer Of Appropriations

At any time during the fiscal year the City Manager or his designee may transfer part or all of any unencumbered appropriations balance among programs within a department. The City Council may by resolution transfer part or all of any unencumbered appropriation balance from one department to another.

Limitations; Effective Date

No appropriation may be reduced below that amount required by law to be appropriated, if any. No appropriation may be reduced below the amount of the encumbered balance. The supplemental and emergency appropriations and reduction or transfer of appropriations authorized may be made effective immediately upon adoption.

Lapse Of An Appropriation

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

FUND DESCRIPTION

The City of Palm Coast utilizes a fund structure as outlined in the accounting regulations that govern units of local government. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are divided into various types according to the legal restrictions imposed upon them or by their uses. Following is the fund structure contained in the fiscal year 2011 budget for the City of Palm Coast:

I. Governmental Funds

Accounted for on a “spending” or “financial flow” measurement focus. Accordingly, the budgeted fund balances provide an indicator of available, spendable, or appropriate resources.

A. General Fund

The general fund of a government unit serves as the primary reporting vehicle for current government operations. The general fund is used to account for all current financial resources, with the exception of those required to be accounted for in another fund.

B. Special Revenue Funds

The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. These include impact fee funds, grant funds, a community redevelopment fund, and various capital project funds.

II. Proprietary Funds

Proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. Accordingly, all assets and liabilities are included on their balance sheets and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary fund types report increases and decreases in total economic net worth.

A. Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The Utility Fund and the Utility Capital Projects Fund were established in conjunction with the utility purchase. Other funds include Solid Waste, Stormwater Management, Golf Course, Tennis Center, Building Permits & Inspections, and Information Technology & Communications.

B. Internal Service Funds

The internal service funds account for financing goods or services provided by one department to other City departments or to other governments on a cost-reimbursement basis. The internal service funds in this budget are the Fleet Management Fund and the Self Insured Health Fund.

FUND BALANCES

Fund balances/retained earnings referred to on the following page of this document do not necessarily represent cash and investment balances in the respective funds. It does, however, represent the net of the total fund assets, less total fund liabilities and contributed capital in the respective fund types.

GENERAL FUND:

In the General Fund, the primary purpose of reserve retention is to fund unforeseen occurrences. These unforeseen occurrences are funded only upon specific appropriation by the City Council. City policy is to maintain General Fund reserves between 10% and 20% of the annual budget. The estimated unassigned fund equity for the beginning of fiscal year 2012 will be 11%.

ENTERPRISE FUNDS:

In the Enterprise Funds, reserves are planned to meet operating expenses and future capital needs. Each enterprise fund has a separate rate structure. These rates are reviewed annually to insure that adequate funding will be available to meet the needs of the individual enterprise's budgetary requirements.

INTERNAL SERVICE FUNDS:

Internal Service Funds differ from other fund types in that funds remaining at year-end are normally redistributed back to the originating funds. An exception to this rule is made when timing differences exist and/or reserves for capital purchases are maintained.

SPECIAL REVENUE FUNDS:

There are no fund equity reserve requirements for Special Revenue Funds. The purpose of these funds is to fund specific programs and capital improvement projects included in the City's budget. Funding sources include fines and forfeitures, impact fees, interest earnings, and fund equity.

CHANGES IN FUND BALANCES:

There is an overall decrease during the two-year period of approximately \$12.3 million. The General Fund is estimated to remain level. The Building Permits & Inspections Fund is expected to decrease by \$2.5 million. This is being caused by a reduction in permit fees designed to reduce the surplus balance. The Utility Capital Projects Fund is expected to decrease by \$6.7 million, accounting for over fifty percent of the reduction. This is due to capital expenditures on several large projects. Decreases in fund balance in the Streets Improvement Fund (\$1 million), SR100 Community Redevelopment Fund (\$2.7 million), and the Capital Projects Fund (\$3.5 million) are all due to construction projects scheduled for fiscal years 2011 and 2012.

COMPUTATION OF ESTIMATED FUND BALANCES

Fund Title	Available Fund Balance 9/30/2010	Estimated Fund Balance 9/30/2011	Net Annual Revenues (Expenditures) 9/30/2012	Available Fund Balance 9/30/2012
General Fund	\$2,393,217	\$2,429,208	\$23,388	\$2,452,596
CDBG Fund	-	-	-	-
Police Education Fund	27,677	17,577	5,300	22,877
Police Automation Fund	241,156	272,456	22,100	294,556
Disaster Reserve Fund	2,171,614	2,210,514	21,000	2,231,514
Recycling Revenue Fund	287,224	355,824	185,500	541,324
Streets Improvement Fund	1,153,751	2,141,951	(2,041,900)	100,051
Park Impact Fee Fund	265,352	472,052	316,100	788,152
Fire Impact Fee Fund	47,437	123,737	65,900	189,637
Development Special Projects Fund	1,543,305	1,578,005	16,300	1,594,305
Transportation Impact Fee Fund	-	-	962,800	962,800
Neighborhood Stabilization Fund	-	408,600	(583,700)	(175,100)
Old Kings Road Special Assessment Fund	119,328	119,328	-	119,328
SR100 Community Redevelopment Fund	3,206,752	2,200,468	(1,717,615)	482,853
Capital Projects Fund	4,379,417	2,327,967	(1,423,400)	904,567
Utility Fund	7,895,341	8,095,351	213,181	8,308,532
Utility Capital Projects Fund	6,742,636	2,444,158	(2,415,213)	28,945
Solid Waste Fund	508,139	737,339	166,716	904,055
Stormwater Management Fund	-	-	-	-
Building Permits & Inspections Fund	4,492,123	3,211,713	(1,244,334)	1,967,379
Golf Course Fund	-	-	-	-
Tennis Center Fund	-	-	-	-
Information Technology & Communication Fund	834,565	452,894	(176,936)	275,958
Self Insured Health Fund	125,559	125,559	-	125,559
Fleet Management Fund	1,717,293	2,470,139	1,253,782	3,723,921
Total	\$38,151,886	\$32,194,840	(\$6,351,031)	\$25,843,809

BUDGET SUMMARY

Fund Type	Estimated Revenue	Operating Expenditures & Contingency	Capital Expenditures	Operating Transfers	Total Expenditures
General Fund	\$ 25,762,000	\$ 25,114,026	\$ 33,000	\$ 614,974	\$ 25,762,000
Special Revenue Funds					
CDBG Fund	-	-	-	-	-
Police Education Fund	22,800	22,800	-	-	22,800
Police Automation Fund	294,500	294,500	-	-	294,500
Disaster Reserve Fund	2,231,500	2,231,500	-	-	2,231,500
Recycling Revenue Fund	310,200	310,200	-	-	310,200
Streets Improvement Fund	12,461,600	382,200	9,501,400	2,578,000	12,461,600
Park Impact Fee Fund	793,100	788,100	5,000	-	793,100
Fire Impact Fee Fund	189,600	189,600	-	-	189,600
Development Special Projects Fund	1,548,000	1,548,000	-	-	1,548,000
Transportation Impact Fee Fund	962,800	962,800	-	-	962,800
Neighborhood Stabilization Fund	1,583,700	1,583,700	-	-	1,583,700
OKR Special Assessment Fund	261,308	261,308	-	-	261,308
SR100 Community Redevelopment Fu	3,024,074	774,074	2,250,000	-	3,024,074
Capital Projects Fund	6,698,700	853,700	5,845,000	-	6,698,700
Sub-Total	30,381,882	10,202,482	17,601,400	2,578,000	30,381,882
Enterprise Funds					
Utility Fund	30,160,495	29,458,552	475,952	225,991	30,160,495
Utility Capital Projects Fund	5,704,941	54,941	5,650,000	-	5,704,941
Solid Waste Fund	7,605,000	7,605,000	-	-	7,605,000
Stormwater Management Fund	7,474,910	4,725,710	2,681,200	68,000	7,474,910
Building Permits & Inspections Fund	1,507,334	1,507,334	-	-	1,507,334
Golf Course Fund	1,668,100	1,646,100	-	22,000	1,668,100
Tennis Center Fund	305,800	304,800	-	1,000	305,800
Information Tech & Comm Fund	2,906,036	2,594,736	299,300	12,000	2,906,036
Sub-Total	57,332,616	47,897,173	9,106,452	328,991	57,332,616
Internal Service Funds					
Self Insured Health Fund	3,785,996	2,668,996	1,117,000	-	3,785,996
Fleet Management Fund	3,155,000	3,155,000	-	-	3,155,000
Sub-Total All Funds	120,417,494	\$ 89,037,677	\$ 27,857,852	\$ 3,521,965	120,417,494
Less: Interfund Charges and Transfers	14,420,661				14,420,661
Total	<u>\$ 105,996,833</u>				<u>\$ 105,996,833</u>

BUDGET SUMMARY

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total Funds
CASH BALANCES BROUGHT FORWARD	\$ -	\$ 11,281,500	\$ 3,865,424	\$ -	\$ 15,146,924
ESTIMATED REVENUES					
TAXES: Millage Per \$1,000					
Ad Valorem Taxes: 3.9900	13,314,600	-	1,686,100	-	15,000,700
Sales, Use, and Fuel Taxes	341,700	4,074,600	-	-	4,416,300
Telecommunication Service Tax	2,850,900	-	-	-	2,850,900
Local Business Tax	394,000	-	-	-	394,000
Permits, Fees and Special Assessments	718,100	261,308	329,700	-	1,309,108
Intergovernmental Revenue	2,023,300	11,813,100	-	-	13,836,400
Charges for Services	2,577,796	1,428,400	46,156,605	315,000	50,477,801
Fines & Forfeitures	516,000	409,300	-	-	925,300
Interest Revenue	344,200	157,800	451,000	31,300	984,300
Miscellaneous Revenue	21,000	440,000	194,100	-	655,100
Non Revenues	-	-	2,277,000	6,594,696	8,871,696
Transfers from Other Funds	2,660,404	515,874	2,372,687	-	5,548,965
Proceeds from Debt	-	-	-	-	-
Total Revenues and Other Financing Sources	25,762,000	19,100,382	53,467,192	6,940,996	105,270,570
Total Estimated Revenues and Balances	\$ 25,762,000	\$ 30,381,882	\$ 57,332,616	\$ 6,940,996	120,417,494
Less: Interfund Transfers and Charges					14,420,661
Total					\$ 105,996,833
EXPENDITURES/EXPENSES					
General Government	\$ 7,801,802	\$ 100,000	\$ 2,894,036	\$ -	\$ 10,795,838
Public Safety	9,940,423	-	1,507,334	-	11,447,757
Physical Environment	-	124,700	29,469,951	-	29,594,651
Transportation	5,127,713	17,028,600	5,904,608	-	28,060,921
Economic Development	-	1,583,700	-	-	1,583,700
Culture/Recreation	2,254,420	955,000	1,950,900	-	5,160,320
Internal Service	-	-	-	5,687,214	5,687,214
Debt Service	-	901,997	12,840,958	-	13,742,955
Transfers to Other Funds	614,974	2,578,000	2,355,991	-	5,548,965
Total Expenditures/Expenses	25,739,332	23,271,997	56,923,778	5,687,214	111,622,321
Reserves	22,668	7,109,885	408,838	1,253,782	8,795,173
Total Appropriated Expenditures and Reserves	\$ 25,762,000	\$ 30,381,882	\$ 57,332,616	\$ 6,940,996	120,417,494
Less: Interfund Transfers and Charges					14,420,661
Total					\$ 105,996,833

BUDGET SUMMARY

FUND/DEPARTMENT	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
General Fund				
City Council	\$ 81,032	\$ 83,221	\$ 88,382	\$ 95,502
City Manager	525,986	424,502	359,709	361,830
Community Relations	416,192	254,090	216,457	213,583
Purchasing and Contracts Management	325,893	326,093	304,107	297,078
Economic Development	2,092	213,450	319,296	313,641
City Clerk	220,305	201,036	199,325	146,789
Human Resources	287,655	291,106	285,057	293,435
Law Enforcement	2,425,413	2,599,720	2,599,863	2,599,863
City Attorney	395,346	337,778	393,861	383,248
Financial Services	762,234	763,014	732,751	759,914
Information Technology and Communications	2,415,021	-	-	-
Community Development				
Building Permits and Inspections	1,470,474	-	-	-
Planning	1,418,485	1,468,078	1,563,813	1,446,597
Code Enforcement	2,058,077	2,055,867	2,093,208	2,151,037
Total Community Development	4,947,036	3,523,945	3,657,021	3,597,634
Fire	7,164,672	7,897,127	7,611,609	7,340,560
Public Works				
Streets	4,903,805	5,157,976	5,209,223	5,127,713
Facilities Maintenance	709,356	678,373	709,309	693,923
Parks/Facilities	997,622	992,200	1,017,082	1,096,695
Total Public Works	6,610,783	6,828,549	6,935,614	6,918,331
Engineering	1,221,634	1,234,851	394,087	506,505
Recreation/Athletics	1,011,198	906,380	1,199,883	1,256,825
Non-Departmental	978,620	6,797,277	852,007	677,262
Total General Fund	29,791,112	32,682,139	26,149,029	25,762,000

BUDGET SUMMARY

FUND/DEPARTMENT	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
CDBG Fund	3,201	-	-	-
Police Education Fund	24,000	21,314	35,700	22,800
Police Automation Fund	-	-	272,400	294,500
Distaster Reserve Fund	755,379	1,621	2,210,500	2,231,500
Recycling Revenue Fund	63,164	129,415	327,600	310,200
Streets Improvement Fund	6,208,305	9,351,401	5,691,300	12,461,600
Park Impact Fee Fund	1,323,725	2,262,979	593,500	793,100
Fire Impact Fee Fund	1,249,553	3,925	123,700	189,600
Development Special Projects Fund	-	-	1,531,700	1,548,000
Transportation Impact Fee Fund	11,837,827	10,937,078	1,400,000	962,800
Neighborhood Stabilization Fund	5,856	1,652,210	2,290,500	1,583,700
Old Kings Road Special Assessment Fund	3,311,503	2,091,675	239,300	261,308
SR100 Community Redevelopment Fund	1,246,087	2,471,847	4,055,900	3,024,074
Capital Projects Fund	3,558,148	4,012,779	4,659,350	6,698,700
Utility Fund				
Utility Customer Service	1,135,115	1,138,521	1,191,250	1,186,224
Utility Administration	1,302,988	1,314,740	1,163,647	1,175,236
Utility Maintenance	730,641	652,293	631,860	635,024
Wastewater Collection	2,401,258	2,371,099	2,133,621	2,239,059
Wastewater Treatment	1,881,268	1,753,714	1,706,226	1,768,429
Water Plant #1	1,857,114	1,529,393	1,708,752	1,789,766
Water Plant #2	1,454,783	1,214,471	1,223,796	1,293,224
Water Plant #3	883,270	963,526	973,245	963,423
Water Quality	459,566	413,409	431,882	470,093
Water Distribution	3,595,264	4,073,580	2,778,200	2,805,418
Non-Departmental	19,392,884	20,829,320	16,209,221	15,834,599
Total Utility Fund	35,094,151	36,254,066	30,151,700	30,160,495
Utility Capital Projects Fund	2,160,256	-	8,887,156	5,704,941
Solid Waste Fund	6,948,593	7,550,826	7,724,600	7,605,000
Stormwater Management Fund	4,079,982	4,731,022	6,561,200	7,474,910
Building Permits & Inspections Fund	-	1,796,344	1,489,210	1,507,334
Golf Course Fund	4,584,218	2,249,980	1,603,700	1,668,100
Tennis Center Fund	242,969	287,419	333,000	305,800
Information Technology & Comm Fund	-	2,522,657	2,920,221	2,906,036
Self Insured Health Fund	-	554,003	2,911,000	3,155,000
Fleet Management Fund	2,851,112	2,964,381	3,822,147	3,785,996
Total All Funds	115,339,141	124,529,081	115,984,413	120,417,494
Less: Interfund Transfers	12,684,689	21,784,168	11,514,963	14,420,661
Total	\$ 102,654,452	\$ 102,744,913	\$ 104,469,450	\$ 105,996,833

REVENUE EXPLANATIONS

AD VALOREM TAXES: The property tax is based on the value of real and personal property. Each year the county property appraiser determines the total assessed value of each parcel of property in Palm Coast. After subtracting all lawful exemptions, the remaining value is the taxable value. Advalorem property taxes are based on the taxable value. The property tax is calculated by multiplying the taxable value by .001 and then multiplying this number by the rate of taxation, or the millage rate.

LOCAL OPTION, USE, AND FUEL TAXES: These are local option taxes, including gas tax and the Local Government Infrastructure Surtax. The proceeds are distributed based on a State mandated formula or an interlocal agreement between the cities and the county.

COMMUNICATIONS SERVICES TAXES: This tax is collected and distributed by the State. It replaced the franchise tax and utility tax that were charged for telephone and cable television services.

PERMITS, FEES AND SPECIAL ASSESSMENTS: According to Section 205.042, Florida Statutes, a municipality may levy an occupational license tax for the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction. This revenue also includes building permits and animal licenses.

INTERGOVERNMENTAL REVENUE: These revenues are collected by one government and shared with other governmental units. This includes state sales tax, revenue sharing, grants, and various other state taxes and licenses.

CHARGES FOR SERVICES: These are also called "user fees." They are defined as "voluntary payments based on direct, measurable consumption of publicly provided goods and services." User fees are derived from charges for water and wastewater services, solid waste collection, recreation and athletic activities, and various other City services.

JUDGMENTS, FINES & FORFEITS: This revenue comes from code enforcement fines and settlement of criminal cases taken to court. It includes a portion of monetary penalties and recovery of costs incurred by the City.

INTEREST AND OTHER EARNINGS: Revenue derived from the investment of cash receipts and idle funds are an important source of revenue. The City of Palm Coast recognizes the importance of establishing effective cash management and restructuring their government operations to accelerate revenues, promote aggressive collections, and maximize cash flow.

MISCELLANEOUS REVENUES: These are revenues that do not fit into one of the other revenue categories.

NON REVENUES: These are Internal Service Fund revenues that are derived from other City funds where they are shown as operating expenditures. They include fleet leases and vehicle maintenance, as well as contributions towards the Self Insured Health Fund.

TRANSFERS FROM OTHER FUNDS: Transfers are made from one fund to another for various reasons. Some transfers are simply contributions and some are based on services provided by another fund. Still others are based on need, such as transfers to a capital fund.

OTHER FINANCING SOURCES: This is most often an appropriation of previous surplus.

REVENUE FORECAST METHODOLOGY

The purpose of detailing forecast methodologies for revenues is to determine the validity of the forecast over time and to utilize the information in making future forecasts. The following are assumptions concerning revenues, covering all funds.

<u>Revenue Source</u>	<u>Forecast Methodology</u>
Ad Valorem Taxes	Approved millage multiplied by tax roll, less 3.41% for assumed non-collection and/or discounts taken for early payment.
Local Option, Use, and Fuel Taxes	State's forecast (based on city and county population and lane miles), adjusted for historical trend analysis.
Communications Services Taxes	State's forecast adjusted for historical trend analysis.
Permits, Fees and Special Assessments	Historical trend analysis.
State Revenue Sharing	State's forecast (based on city and state population), adjusted for historical trend analysis.
Half-Cent Sales Tax	State forecast (based on city population), adjusted for historical trend analysis.
Grants	Amount on application approved by granting agency.
Other Intergovernmental Revenue	Historical trend analysis.
Water Sales and Wastewater Charges	Historical trend analysis.
Solid Waste Fees	Historical trend analysis.
Stormwater Management Fees	Historical trend analysis.
Other Charges for Services	Historical trend analysis.
Judgments, Fines & Forfeits	Historical trend analysis.
Interest and Other Earnings	Historical trend analysis.
Miscellaneous Revenues	Historical trend analysis.
Non Revenues	Amounts billed to departments for usage.
Transfers from Other Funds	Capital needs and allocation of common costs.

MAJOR REVENUE TRENDS

There are 11 major revenue sources that account for 63 percent of the City's estimated revenues for fiscal year 2012. Appropriated fund balance accounts for another 14 percent of the revenue. These are listed and shown graphically on the following page. The following is a more detailed analysis of the trends for these 11 major revenue sources.

AD VALOREM TAXES: There had been an average decrease in property values of approximately 14% over the past three years. For 2012, there was a decrease in taxable value of about 13%. This makes three consecutive years of declines in property values. The decline is expected to slow in 2012 and then values should level off or show some slight growth.

LOCAL GOVERNMENT INFRASTRUCTURE SURTAX: FY2003 was the first year that the new half-cent surtax was collected. This tax was approved by the voters for a period of ten years. Growth of this revenue is expected to closely parallel the half-cent sales tax.

COMMUNICATIONS SERVICES TAXES: Increases in this revenue have averaged about 4% over past years. With the slowing population growth we have seen a leveling off of these revenues. We expect to see increases of 1% to 2% in future years.

TRANSPORTATION IMPACT FEES: Permits issued have declined over the past three years and as a result impact fees have also been declining. All construction related revenues are expected to level off at these lower levels for the next one to three years.

HALF-CENT SALES TAX: This revenue source has declining slightly for the past 3 years. However, fiscal year 2011 saw a small increase from 2010. We expect to see continued improvement over the next few years and should see increases of 1% to 2%.

WATER AND WASTEWATER SALES: This is a revenue source related to the utility system. It is expected that this revenue source will increase by 1% to 3% annually.

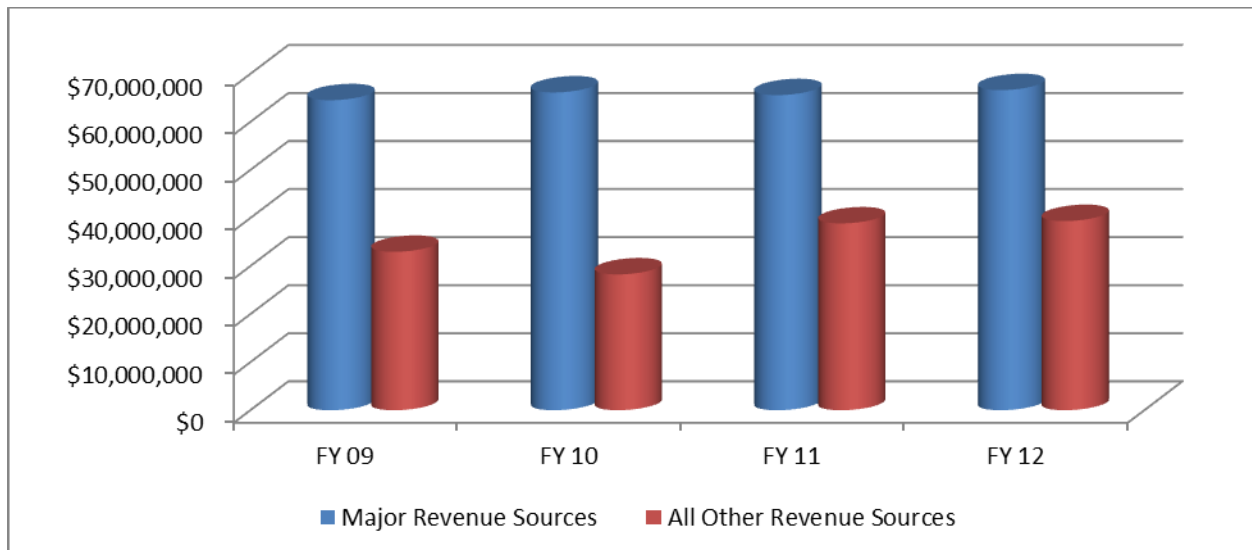
WATER AND WASTEWATER IMPACT FEES: Like transportation impact fees this revenue source is expected to level off.

SOLID WASTE CHARGES: This is a charge is expected to mirror the population growth of about 1% to 2%.

STORMWATER FEES: This fee is charged on developed and undeveloped property. A 1% to 2% growth rate is anticipated.

MAJOR REVENUE SOURCES

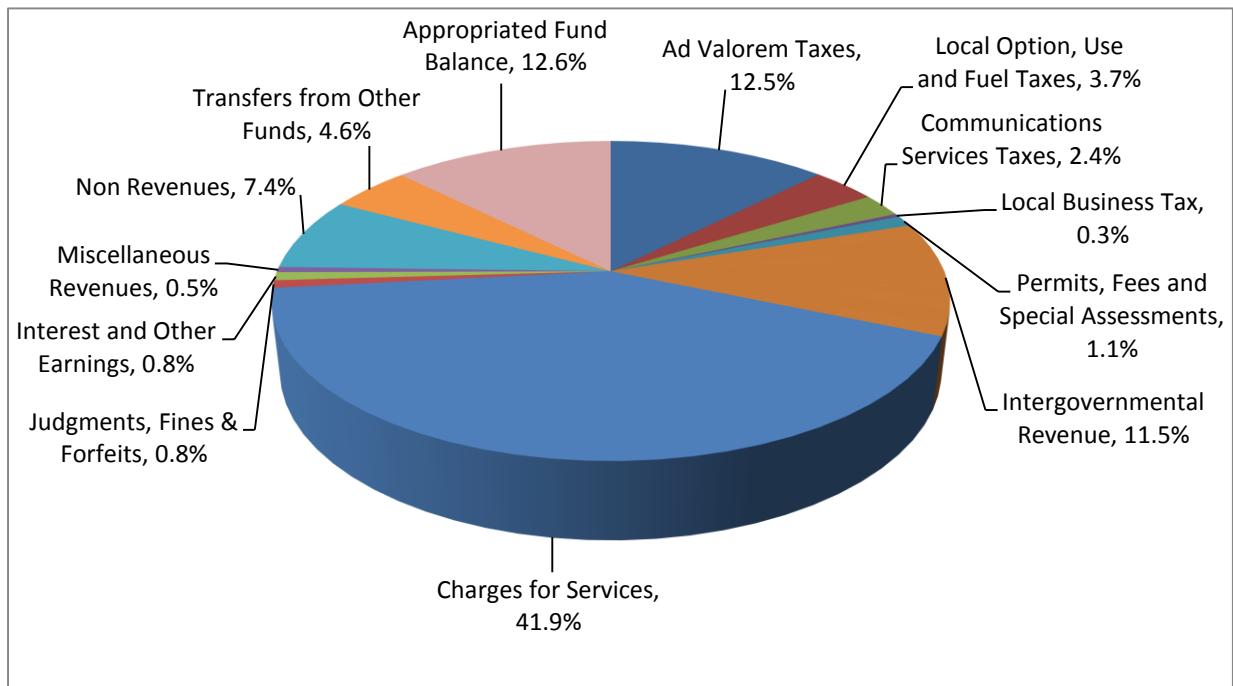
SOURCE	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
Ad Valorem Taxes	\$17,602,781	\$17,828,406	\$15,299,100	\$15,000,700
Local Infrastructure Surtax	2,458,212	2,422,436	2,371,400	2,412,600
Communications Services Tax	3,210,370	2,858,825	2,827,600	2,850,900
Half-Cent Sales Tax	1,939,723	1,829,577	1,848,200	1,850,000
Transportation Impact Fee	2,610,810	1,024,914	840,000	1,026,100
Water Sales	14,478,993	16,143,425	16,869,000	17,727,700
Wastewater Charges	8,648,904	10,028,514	10,203,500	10,464,600
Water Impact Fee	1,325,736	748,297	1,283,800	1,240,800
Wastewater Impact Fee	1,371,846	706,613	1,144,000	1,128,300
Solid Waste Charge	7,278,358	7,498,306	7,724,600	7,745,800
Stormwater Management Fee	3,598,820	5,050,067	5,170,800	5,170,800
Debt Proceeds	-	4,000,000	1,157,000	-
Appropriated Fund Balance	-	-	20,562,349	15,146,924
All Other Sources	45,654,999	46,056,150	28,683,064	38,652,270
TOTAL	110,179,552	116,195,530	115,984,413	120,417,494
Less: Interfund Transfers	12,684,689	21,784,168	11,514,963	14,420,661
TOTAL NET REVENUE	\$ 97,494,863	\$ 94,411,362	\$ 104,469,450	\$ 105,996,833



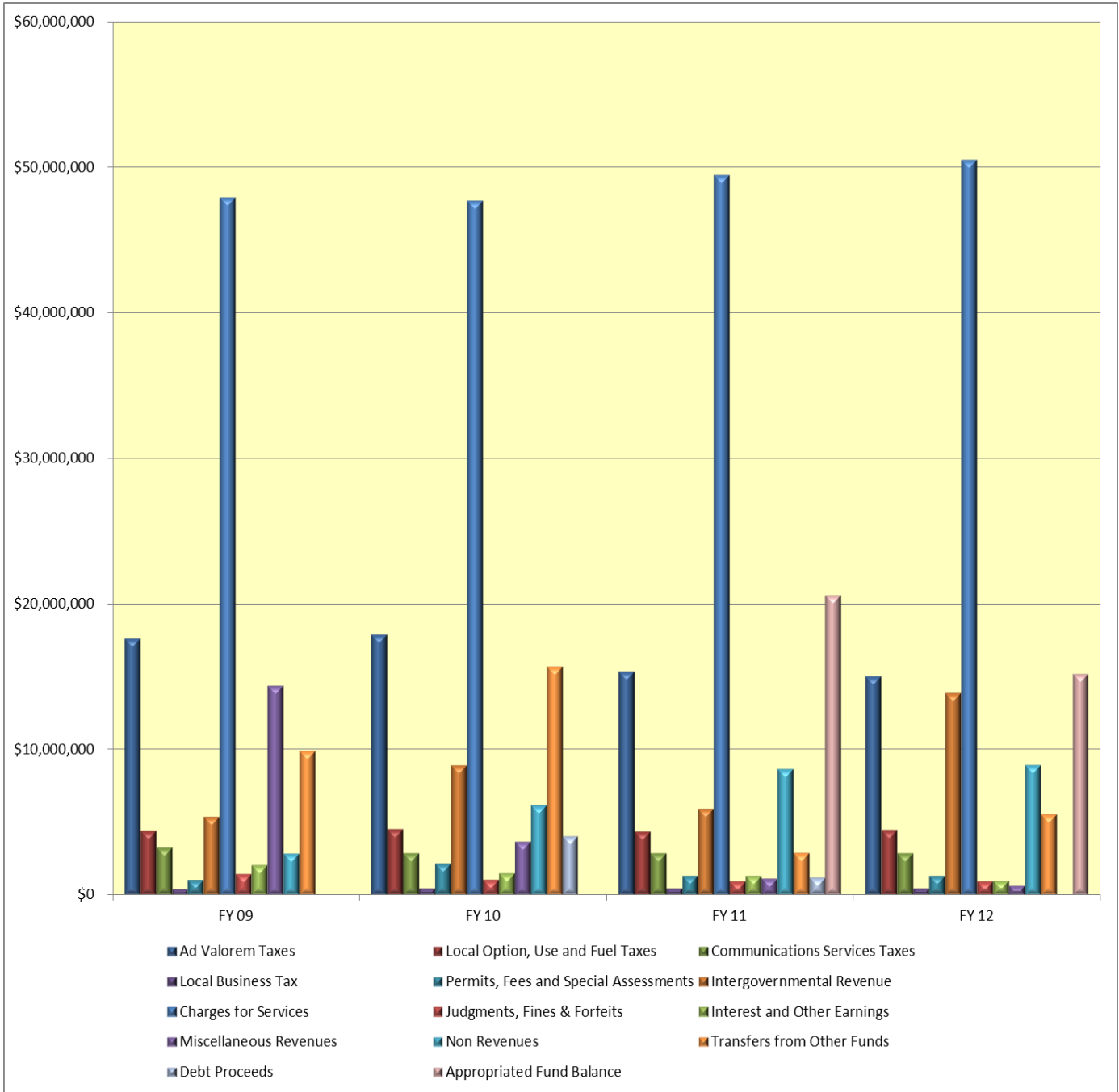
REVENUES BY SOURCE

SOURCE	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
Ad Valorem Taxes	\$ 17,602,781	\$ 17,828,406	\$ 15,299,100	\$ 15,000,700
Local Option, Use and Fuel Taxes	4,394,639	4,465,053	4,308,200	4,416,300
Communications Services Taxes	3,210,370	2,858,825	2,827,600	2,850,900
Local Business Tax	358,300	404,685	384,800	394,000
Permits, Fees and Special Assessments	995,513	2,095,627	1,289,300	1,309,108
Intergovernmental Revenue	5,356,587	8,879,625	5,891,400	13,836,400
Charges for Services	47,872,283	47,693,535	49,418,801	50,477,801
Judgments, Fines & Forfeits	1,398,510	1,043,095	911,500	925,300
Interest and Other Earnings	1,983,912	1,474,529	1,299,400	984,300
Miscellaneous Revenues	14,321,968	3,667,982	1,120,000	655,100
Non Revenues	2,832,428	6,106,687	8,623,597	8,871,696
Transfers from Other Funds	9,852,261	15,677,481	2,891,366	5,548,965
Debt Proceeds	-	4,000,000	1,157,000	-
Appropriated Fund Balance	-	-	20,562,349	15,146,924
TOTAL	110,179,552	116,195,530	115,984,413	120,417,494
Less: Interfund Transfers	12,684,689	21,784,168	11,514,963	14,420,661
NET TOTAL REVENUE	\$ 97,494,863	\$ 94,411,362	\$ 104,469,450	\$ 105,996,833

FISCAL YEAR 2012



REVENUES BY SOURCE



PROPERTY INFORMATION

PROPERTY VALUES, MILLAGE RATES, AND AD VALOREM RECEIPTS FISCAL YEAR 2002 THROUGH FISCAL YEAR 2012

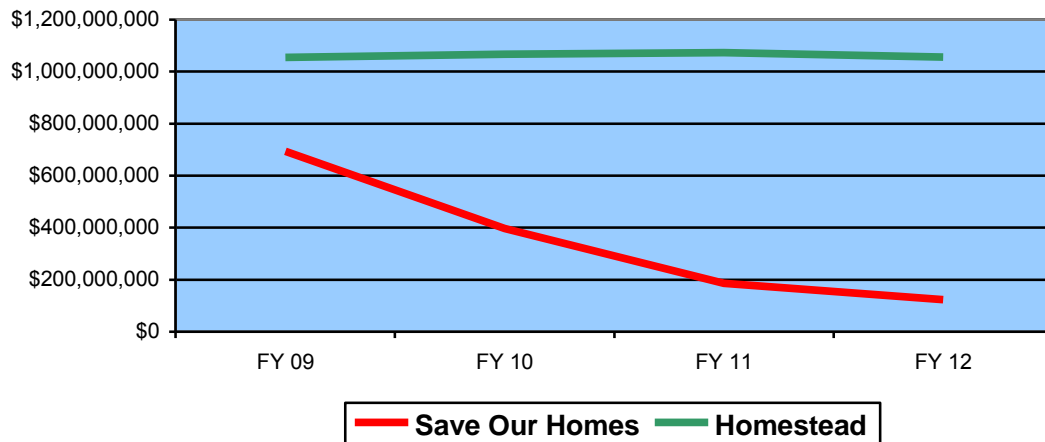
Fiscal Year	Gross Taxable Valuations (1)	Change from Previous Year	% Change	Millage Levy	Change from Previous Year	% Change	Ad Valorem Tax Revenues	Change from Previous Year	% Change
2012	\$ 3,891,594,126	\$ (574,910,627)	-12.87%	3.99000	0.4900	14.00%	\$ 15,000,700	\$ (47,600)	-0.32%
2011	\$ 4,466,504,753	\$ (780,493,434)	-14.88%	3.50000	0.0000	0.00%	\$ 15,048,300	\$ (2,952,500)	-16.40%
2010	\$ 5,246,998,187	(884,966,982)	-14.43%	3.50000	0.5377	18.15%	\$ 18,000,800	398,019	2.26%
2009	6,131,965,169	(877,912,252)	-12.52%	2.96230	-0.00004	0.00%	17,602,781	(2,581,559)	-12.79%
2008	7,009,877,421	769,882,932	12.34%	2.96234	-0.28766	-8.85%	20,184,340	580,534	2.96%
2007	6,239,994,489	1,795,139,561	40.39%	3.25000	-0.15000	-4.41%	19,603,806	4,971,510	33.98%
2006	4,444,854,928	1,337,273,838	43.03%	3.40000	0.00000	0.00%	14,632,296	4,424,397	43.34%
2005	3,107,581,090	703,341,979	29.25%	3.40000	0.00000	0.00%	10,207,899	2,352,376	29.95%
2004	2,404,239,111	420,498,483	21.20%	3.40000	0.00000	0.00%	7,855,523	1,315,956	20.12%
2003	1,983,740,628	210,361,763	11.86%	3.40000	-0.10000	-2.86%	6,539,567	557,740	9.32%
2002	1,773,378,865	1,773,378,865	#DIV/0!	3.50000	3.50000	#DIV/0!	5,981,827	5,981,827	#DIV/0!

(1) From DR420 - Certificate of Taxable Value

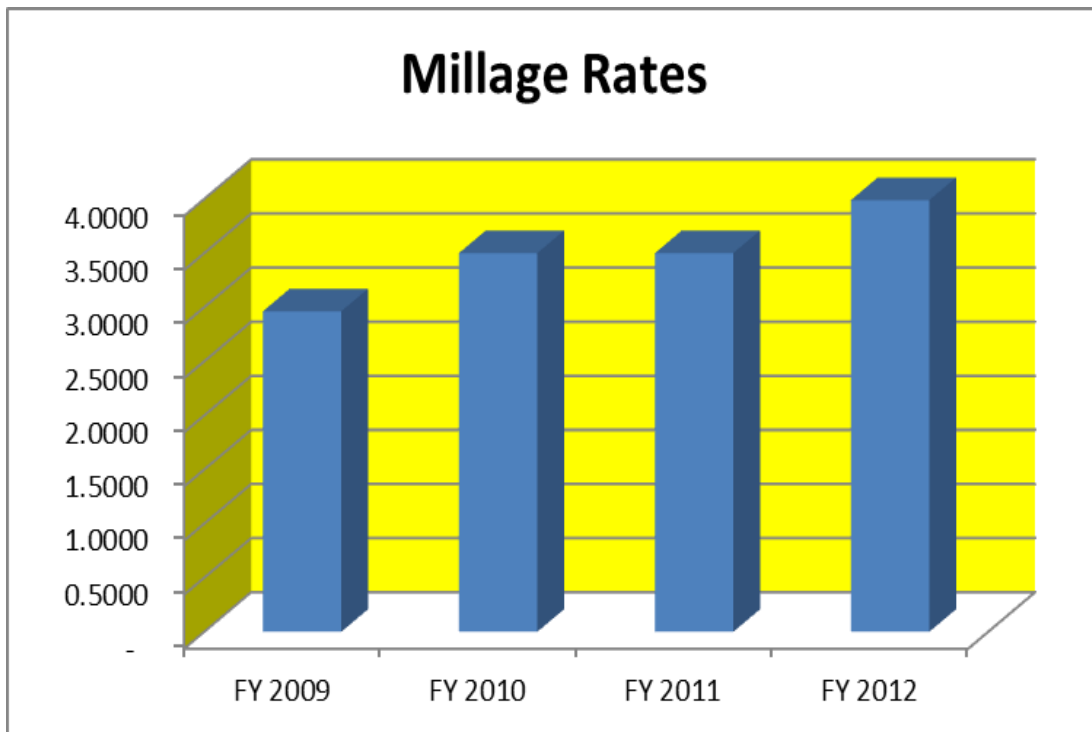
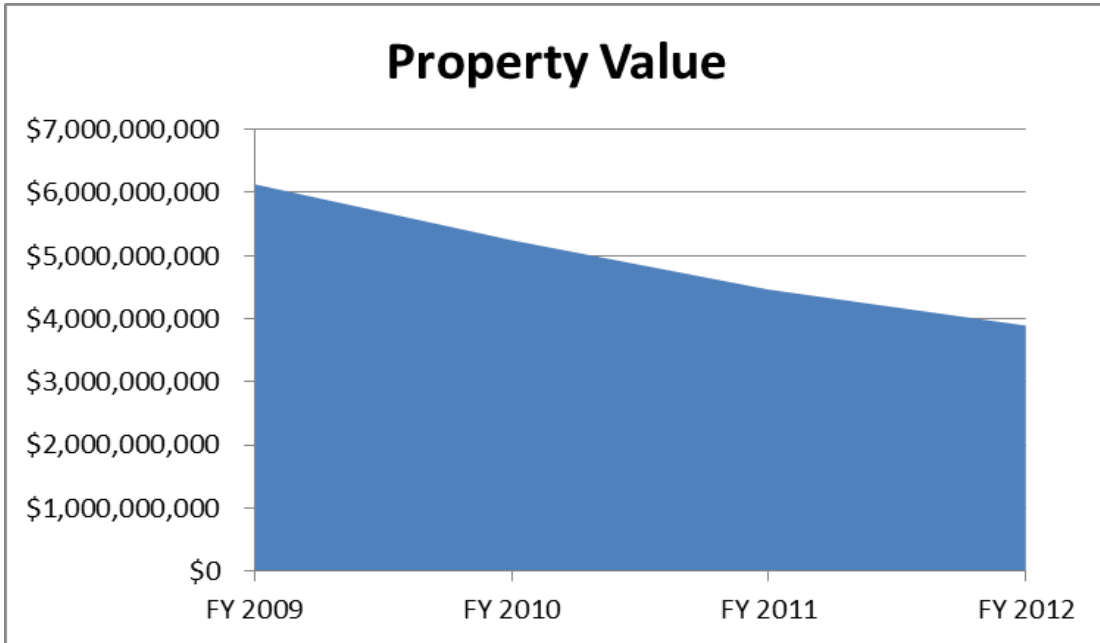
TAX ROLL RECAPITULATION JULY 1, 2011

Class of Property	Number of Parcels	Just Value	Assessed Value	Exempt	Taxable Value	Taxable Value Per Parcel
Residential Vacant Land	18,289	\$ 259,584,256	\$ 259,595,356	\$ 241,240	\$ 259,343,016	\$ 14,180
Residential Single Family	30,998	3,834,994,081	3,866,648,305	1,175,813,693	2,659,180,388	85,786
Residential Mobile Homes	4	18,493,687	19,025,188	23,071	18,470,616	4,617,654
Residential Other	2,657	275,510,943	275,781,599	26,991,142	248,519,801	93,534
Commercial Vacant Land	260	101,571,636	110,547,475	888,450	100,683,186	387,243
Commercial Other	733	339,006,416	339,137,732	9,099,386	329,907,030	450,078
Industrial Vacant Land	58	10,009,565	10,009,565	-	10,009,565	172,579
Industrial Other	42	30,400,534	30,400,534	594,691	29,805,843	709,663
Agriculture	104	4,164,555	84,665,638	64,000	4,100,555	39,428
Institutional	75	71,447,240	71,488,036	42,383,274	29,063,966	387,520
Government	831	303,323,796	304,706,672	303,316,574	7,222	9
Other Real Property	292	30,302,292	30,425,820	1,234,680	29,067,612	99,547
Personal Property	-	332,409,257	332,409,257	163,132,767	169,276,490	
Centrally Assessed Property	-	4,321,333	4,321,333	162,497	4,158,836	
TOTAL	54,343	\$ 5,615,539,591	\$ 5,739,162,510	\$ 1,723,945,465	\$ 3,891,594,126	\$ 71,612

VALUE OF EXEMPTIONS



PROPERTY VALUE AND MILLAGE RATES



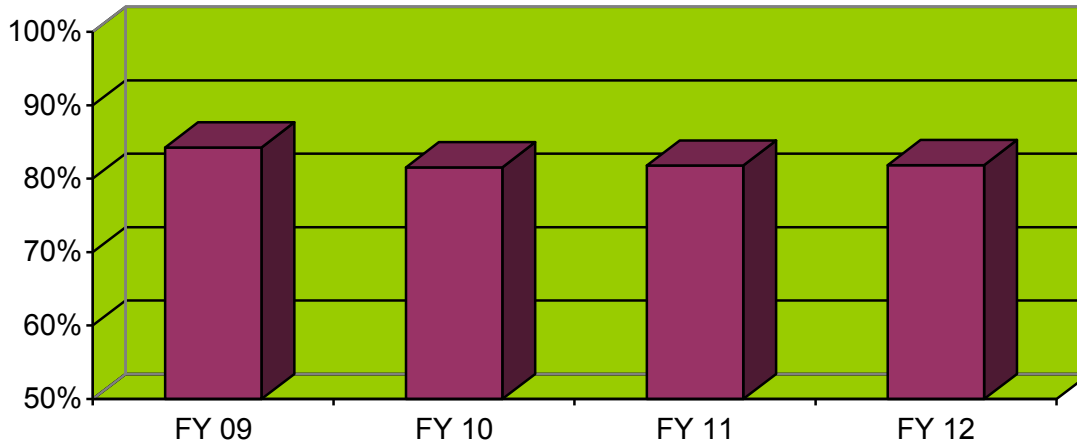
This page intentionally left blank.



PROPERTY VALUE PER CAPITA

Year	Property Value	Percent Change	Population	Percent Change	Property Value Per Resident	Percent Change
2002	1,594,214,203	0.00%	32,732		48,705	
2003	1,983,740,628	24.43%	35,443	8.28%	55,970	14.92%
2004	2,404,239,111	21.20%	42,850	20.90%	56,108	0.25%
2005	3,107,581,090	29.25%	50,484	17.82%	61,556	9.71%
2006	4,444,854,928	43.03%	58,216	15.32%	76,351	24.04%
2007	6,239,994,489	40.39%	67,832	16.52%	91,992	20.49%
2008	7,009,877,421	12.34%	70,376	3.75%	99,606	8.28%
2009	6,131,965,169	-12.52%	74,590	5.99%	82,209	-17.47%
2010	5,246,998,187	-14.43%	73,910	-0.91%	70,992	-13.64%
2011	4,466,504,753	-14.88%	74,067	0.21%	60,304	-15.06%
2012	3,891,594,126	-12.87%	75,180	1.50%	51,764	-14.16%

RESIDENTIAL PROPERTY AS A % OF ALL PROPERTY

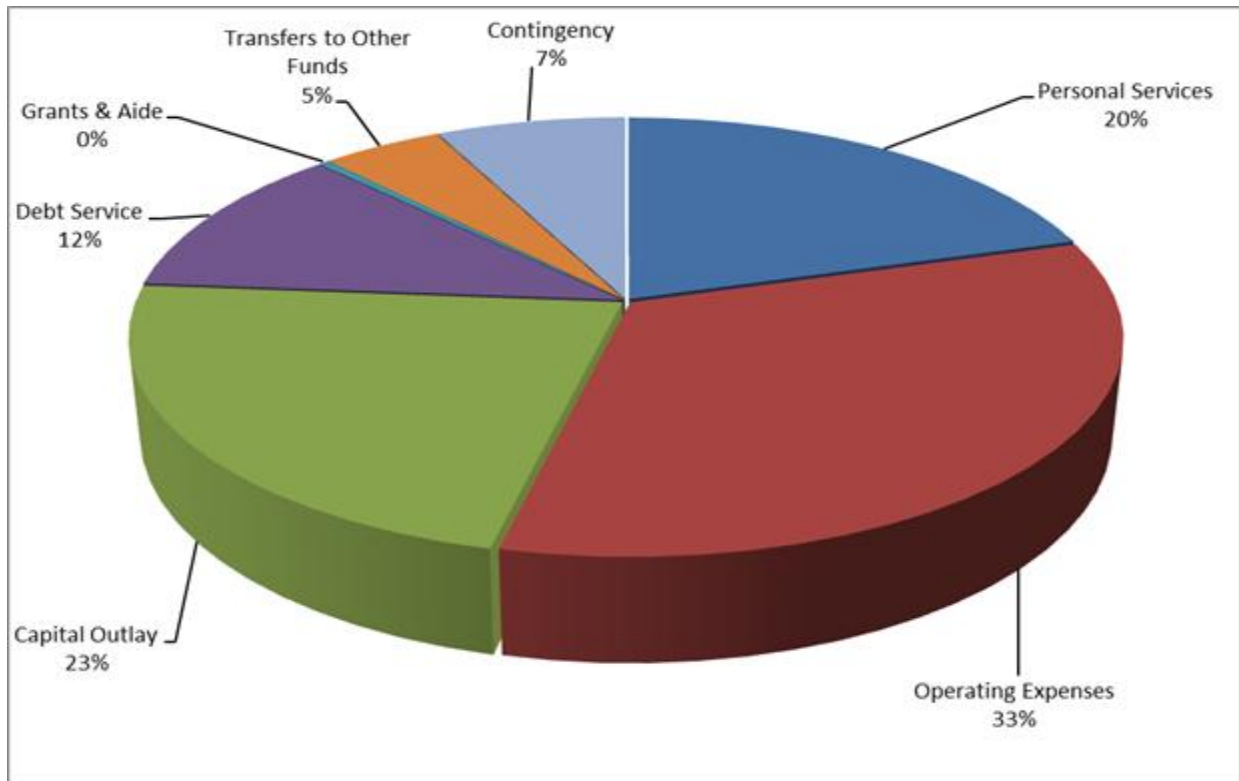


A declining percentage of residential property value compared to total property value within the city would indicate that residential is carrying less of the tax burden for city operations. Palm Coast had been experiencing a decline in the ratio of residential property through fiscal year 2010. The percentage has leveled off over the last few years as the economy has significantly affected nonresidential development.

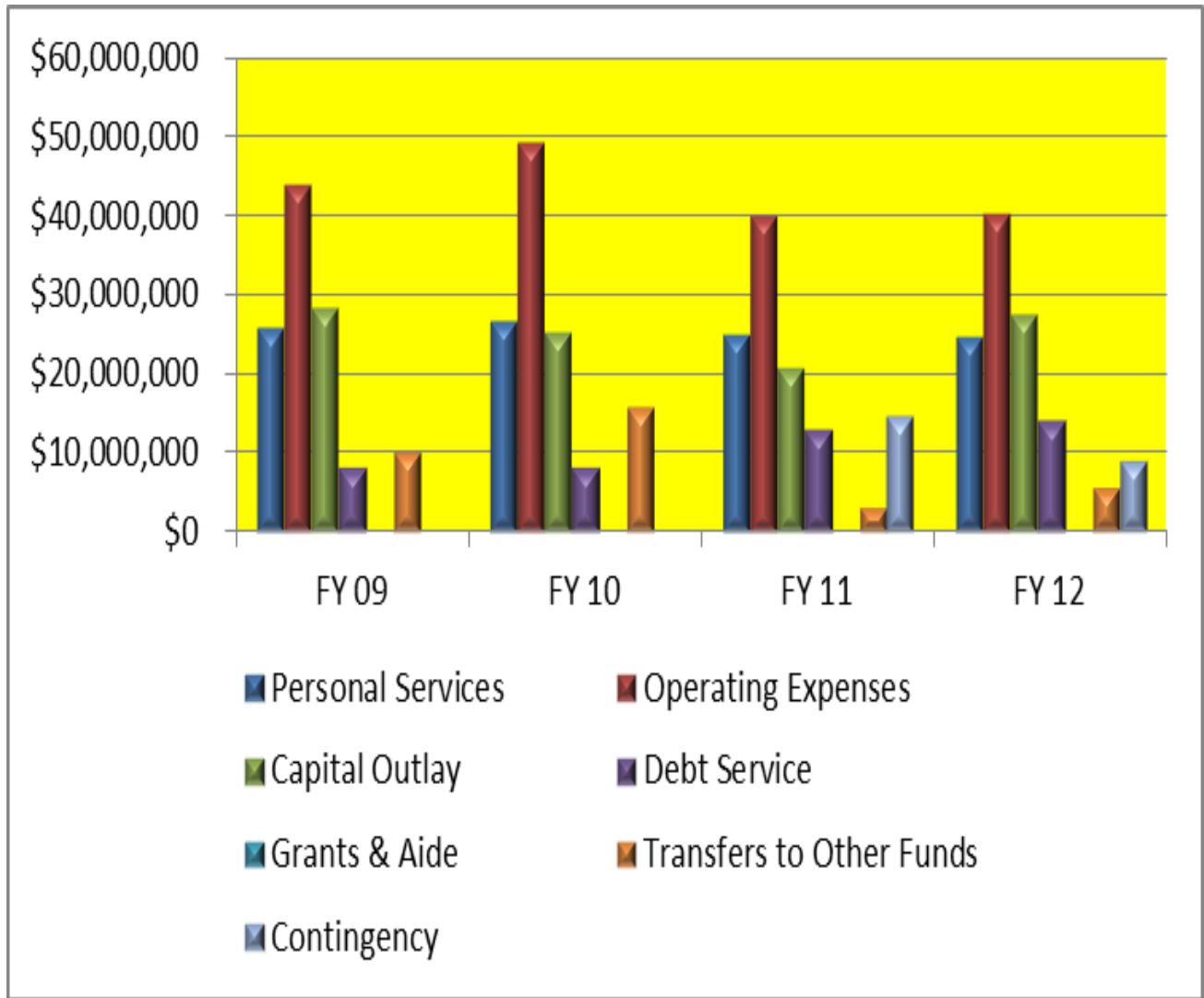
EXPENDITURES BY CATEGORY

FUNCTION	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
Personal Services	\$25,479,642	\$26,426,014	\$24,761,800	\$24,560,977
Operating Expenses	43,732,835	49,047,360	39,932,129	40,035,422
Capital Outlay	27,990,102	25,166,274	20,693,810	27,236,282
Debt Service	8,054,800	7,981,573	12,838,911	13,742,955
Grants & Aide	229,500	230,379	298,925	497,000
Transfers to Other Funds	9,852,261	15,677,481	2,891,366	5,548,965
Contingency	-	-	14,567,472	8,795,893
TOTAL	115,339,140	124,529,081	115,984,413	120,417,494
Less: Interfund Transfers	12,684,689	21,784,168	11,514,963	14,420,661
NET TOTAL EXPENDITURES	\$ 102,654,451	\$ 102,744,913	\$ 104,469,450	\$ 105,996,833

FISCAL YEAR 2012



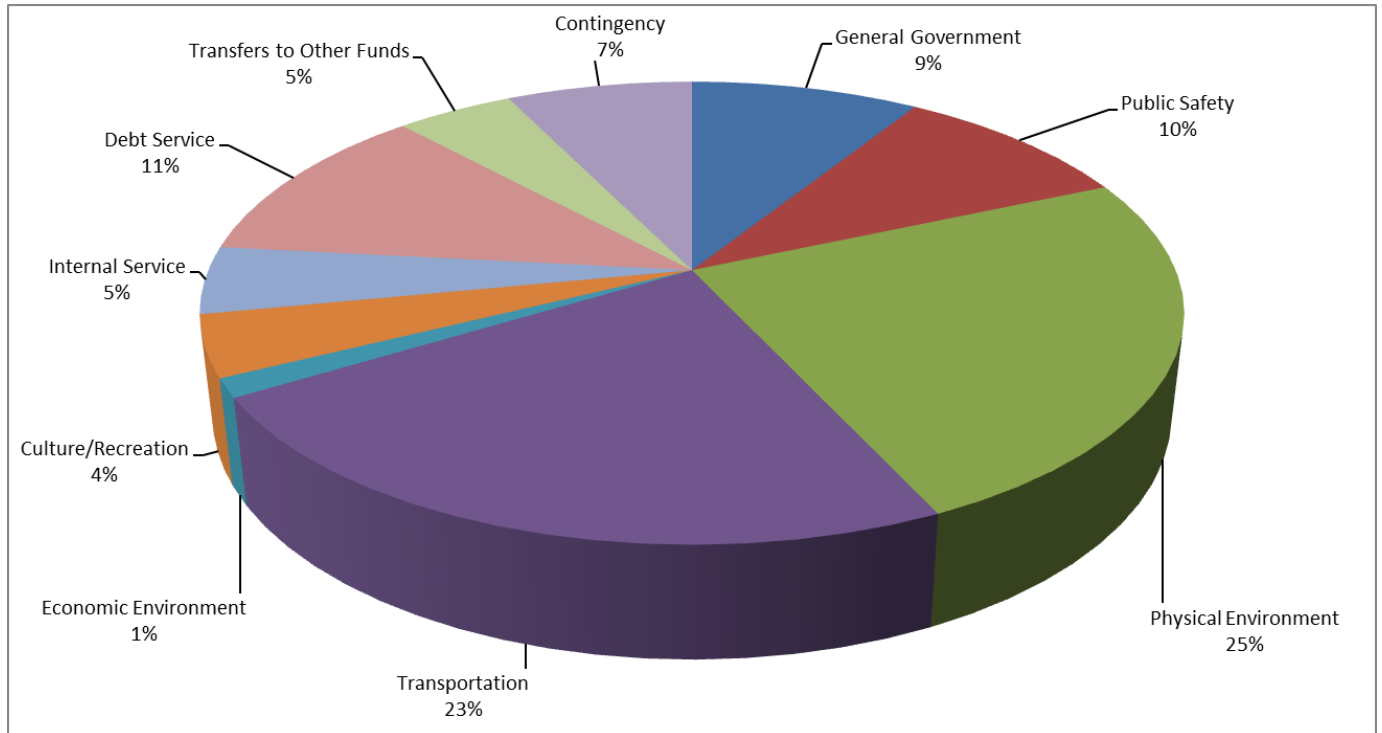
EXPENDITURES BY CATEGORY



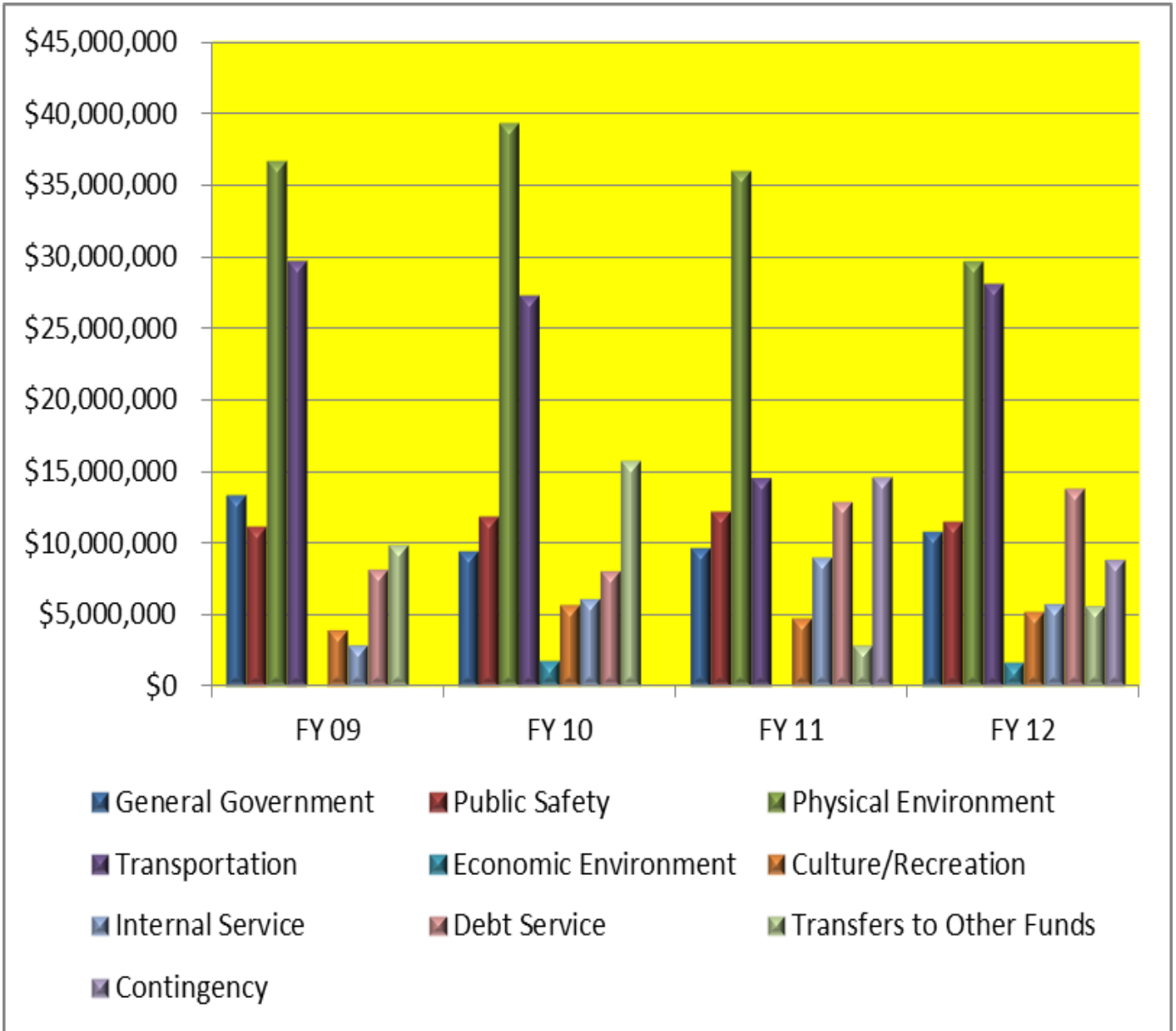
EXPENDITURES BY FUNCTION

FUNCTION	Actual FY 09	Actual FY 10	Projected FY 11	Proposed FY 12
General Government	\$13,301,630	\$9,338,529	\$9,552,162	\$10,795,118
Public Safety	11,071,956	11,809,868	12,164,182	11,447,757
Physical Environment	36,603,321	39,230,751	35,911,760	29,594,651
Transportation	29,680,749	27,206,177	14,498,173	28,060,921
Economic Environment	5,856	1,652,210	-	1,583,700
Culture/Recreation	3,917,455	5,602,631	4,659,865	5,160,320
Internal Service	2,851,112	6,029,861	8,900,522	5,687,214
Debt Service	8,054,800	7,981,573	12,838,911	13,742,955
Transfers to Other Funds	9,852,261	15,677,481	2,891,366	5,548,965
Contingency	-	-	14,567,472	8,795,893
TOTAL	115,339,140	124,529,081	115,984,413	120,417,494
Less: Interfund Transfers	12,684,689	21,784,168	11,514,963	14,420,661
NET TOTAL EXPENDITURES	\$ 102,654,451	\$ 102,744,913	\$ 104,469,450	\$ 105,996,833

FISCAL YEAR 2012



EXPENDITURES BY FUNCTION



PERSONNEL BY DEPARTMENT

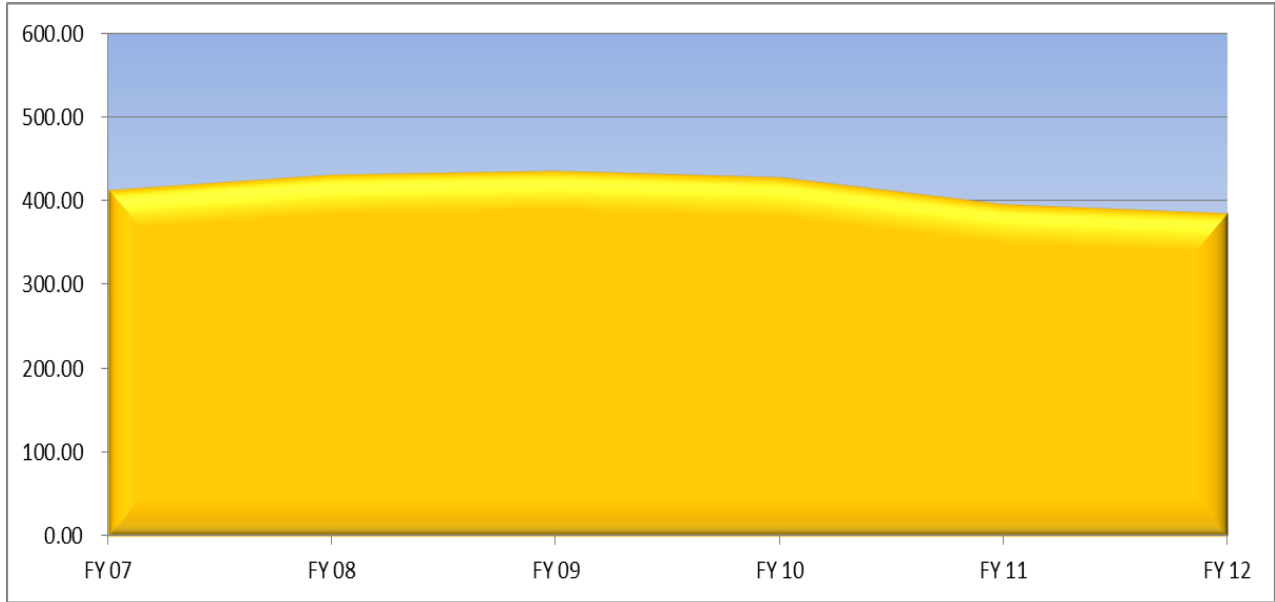
DEPARTMENT	FY 07	FY 08	FY 09	FY 10	FY 11	PROPOSED FY 12	CHANGE
GENERAL FUND							
Mayor and Council	-	-	-	-	-	-	-
City Manager	3.50	3.50	3.50	3.00	2.00	2.00	-
Community Relations	4.00	6.00	6.00	3.50	2.38	2.38	-
Purchasing and Contracts Management	-	5.00	5.00	5.00	4.00	4.00	-
Economic Development	-	-	-	2.00	1.25	1.25	-
City Clerk	5.00	4.00	4.00	2.50	1.50	1.50	-
Personnel Management	4.00	4.00	3.00	3.00	3.00	3.00	-
Law Enforcement	1.00	1.00	1.00	-	-	-	-
City Attorney	1.00	1.00	1.00	0.50	0.50	0.50	-
Financial Services	13.00	10.00	9.00	9.00	8.00	8.00	-
Planning	19.00	19.00	17.00	16.50	15.15	14.15	(1.00)
Code Enforcement	19.50	23.00	25.00	25.00	26.30	26.30	-
Fire	48.00	72.00	67.00	67.00	66.00	61.50	(4.50)
Streets	52.00	46.00	50.00	50.30	45.30	45.30	-
Facilities Maintenance	3.00	3.00	2.00	2.00	2.00	2.00	-
Parks Maintenance	12.00	12.00	12.00	12.00	12.00	12.00	-
Engineering	7.00	17.00	17.00	17.45	3.20	6.70	3.50
Recreation & Athletics	28.40	26.80	27.30	25.30	23.90	19.08	(4.82)
Capital Projects	8.00	-	-	-	-	-	-
TOTAL GENERAL FUND	228.40	253.30	249.80	244.05	216.48	209.66	(6.82)
UTILITY FUND	112.00	115.50	115.50	115.20	113.20	115.20	2.00
SOLID WASTE FUND	2.00	-	-	-	-	-	-
STORMWATER MANAGEMENT FUND	20.00	18.00	30.00	29.55	35.55	30.05	(5.50)
BUILDING PERMITS & INSPECTIONS	31.50	24.00	20.00	18.00	15.40	15.40	-
TENNIS CENTER FUND	-	3.00	3.00	4.00	-	-	-
INFORMATION TECHNOLOGY & COMM	13.50	14.50	14.50	14.50	12.50	12.50	-
FLEET MANAGEMENT FUND	5.00	3.00	3.00	3.00	3.00	3.00	-
FULL-TIME EQUIVALENT POSITIONS	412.40	431.30	435.80	428.30	396.13	385.81	(10.32)

PERSONNEL BY DEPARTMENT PER 1,000 POPULATION

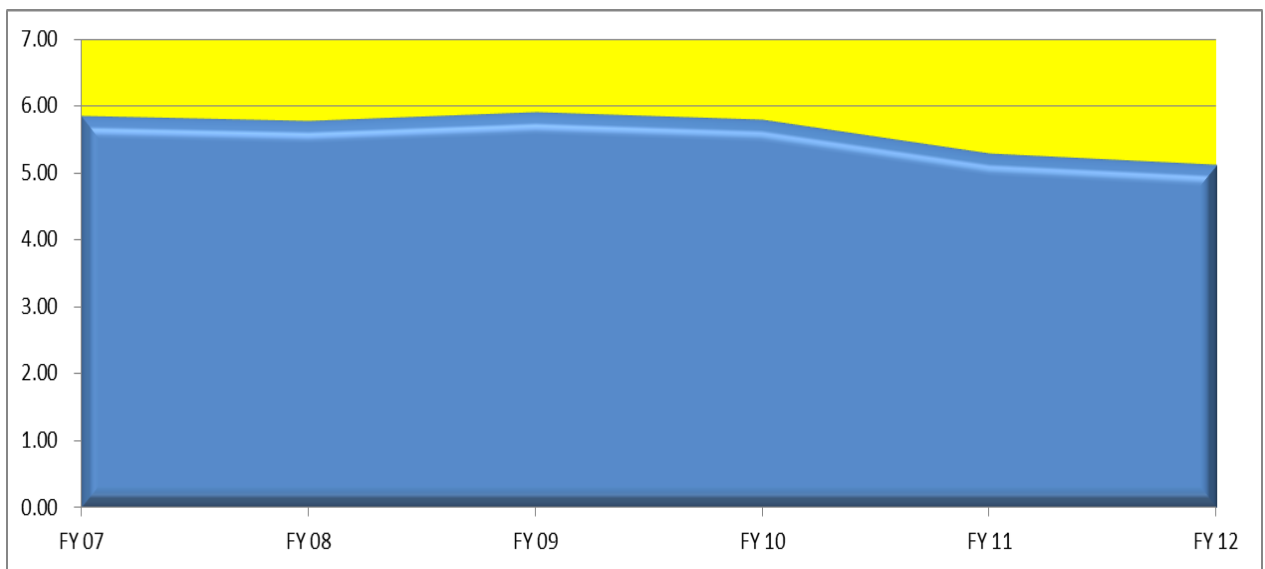
DEPARTMENT	PROPOSED					
	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Population	70,376	74,590	73,910	74,067	75,180	75,617
GENERAL FUND						
Mayor and Council	-	-	-	-	-	-
City Manager	0.05	0.05	0.05	0.04	0.03	0.03
Community Relations	0.06	0.08	0.08	0.05	0.03	0.03
Purchasing and Contracts Management	-	0.07	0.07	0.07	0.05	0.05
Economic Development	-	-	-	0.03	0.02	0.02
City Clerk	0.07	0.05	0.05	0.03	0.02	0.02
Personnel Management	0.06	0.05	0.04	0.04	0.04	0.04
Law Enforcement	0.01	0.01	0.01	-	-	-
City Attorney	0.01	0.01	0.01	0.01	0.01	0.01
Financial Services	0.18	0.13	0.12	0.12	0.11	0.11
Planning	0.27	0.25	0.23	0.22	0.20	0.19
Code Enforcement	0.28	0.31	0.34	0.34	0.35	0.35
Fire	0.68	0.97	0.91	0.90	0.88	0.81
Streets	0.74	0.62	0.68	0.68	0.60	0.60
Facilities Maintenance	0.04	0.04	0.03	0.03	0.03	0.03
Parks Maintenance	0.17	0.16	0.16	0.16	0.16	0.16
Engineering	0.10	0.23	0.23	0.24	0.04	0.09
Recreation & Athletics	0.40	0.36	0.37	0.34	0.32	0.25
Capital Projects	0.11	-	-	-	-	-
TOTAL GENERAL FUND	3.23	3.39	3.38	3.30	2.89	2.79
UTILITY FUND	1.59	1.55	1.56	1.56	1.51	1.52
SOLID WASTE FUND	0.03	-	-	-	-	-
STORMWATER MANAGEMENT FUND	0.28	0.24	0.41	0.40	0.47	0.40
Building Permits and Inspections	0.45	0.32	0.27	0.24	0.20	0.20
TENNIS CENTER FUND	-	0.04	0.04	0.05	-	-
INFORMATION TECHNOLOGY & COMMUNICAT	0.19	0.19	0.20	0.20	0.17	0.17
FLEET MANAGEMENT FUND	0.07	0.04	0.04	0.04	0.04	0.04
FULL-TIME EQUIVALENT POSITIONS	5.84	5.77	5.90	5.79	5.28	5.12

PERSONNEL

TOTAL



PER 1,000 POPULATION



PERSONNEL PAY PLAN

This plan has a salary range established for each position in the City with the exception of the City Manager. The pay plan includes an annual adjustment that occurs each year on January 1, based on the prior June 30 Consumer Price Index (CPI). Because of the weak economy and declining revenues, there will be no merit increases for fiscal year 2011 or 2012. The annual pay plan adjustment for 2011 was 1.1%, but only employees whose pay fell below the average wage for Flagler County actually received the increase. There were about 100 employees in this category. There is no pay plan adjustment for 2012.

Below is the pay scale for fiscal years 2011 and 2012. The amounts shown are annual salaries. In the detail section of this budget there is a Personnel Roster for each department. The pay grade for each position is shown on this roster.

Pay Grade	Minimum	1st Quartile	Mid-Point	3rd Quartile	Maximum
2	\$ 22,057	\$ 24,855	\$ 27,654	\$ 30,452	\$ 33,252
4	24,316	27,397	30,478	33,559	36,641
5	25,608	28,817	32,026	35,235	38,446
6	26,899	30,288	33,677	37,066	40,456
7	28,190	31,759	35,327	38,896	42,467
8	29,589	33,337	37,086	40,834	44,584
9	30,756	34,685	38,613	42,541	46,470
10	32,246	36,380	40,514	44,648	48,782
11	33,843	38,182	42,521	46,860	51,200
12	35,546	40,090	44,634	49,179	53,725
13	37,355	42,131	46,906	51,681	56,458
14	40,015	65,925	50,234	55,343	60,454
15	42,782	48,251	53,720	59,189	64,659
16	45,763	51,617	57,302	63,324	69,179
17	48,955	55,220	61,485	67,756	74,015
18	52,360	59,062	65,763	72,464	79,166
19	56,086	63,249	70,412	77,576	84,740
20	60,024	67,675	75,326	82,977	90,629
22	72,581	81,850	91,119	100,388	109,657

LONG-TERM DEBT

The City of Palm Coast has limited debt, both because of City Charter restrictions and a pay-as-you-go philosophy of the City Council. The City Charter states that “unfunded multiyear contracts, the repayment of which: extends in excess of 36 months; or exceeds \$15 million” must be approved by the electorate of the City.

The rate covenant for the Utility System Revenue Bonds provides that net revenues must be sufficient to pay 110% of the bond service requirement for the year or 105% and 120% when impact fees are included.

The City has no other legal debt limits.

Long-Term Debt Outstanding

Issue	Final Maturity	Original Amount	Principal Outstanding At 09/30/2011
Lease Purchases	2019	\$ 764,144.64	\$ 447,645.01
Bank Loans	2025	13,000,000	12,770,000
State Revolving Fund Loans	2030	38,402,896	31,888,681
Utility System Revenue Bonds	2036	146,490,000	132,860,000
Totals		<u>\$ 198,657,041</u>	<u>\$ 177,966,326</u>

Total Long-Term Debt

Year	Principal	Interest	Total
2012	\$5,719,150	\$8,066,616	\$13,785,766
2013	5,814,066	7,602,673	13,416,739
2014	5,995,370	7,391,505	13,386,874
2015	6,191,041	7,142,358	13,333,399
2016	6,424,204	6,888,463	13,312,667
2017-2021	36,198,048	30,029,008	66,227,056
2022-2026	41,582,110	21,508,417	63,090,527
2027-2031	36,742,338	12,794,041	49,536,379
2032-2036	30,305,000	4,181,646	34,486,646
2037-2041	2,995,000	-	2,995,000
Totals	<u>\$ 177,966,326</u>	<u>\$ 105,604,727</u>	<u>\$ 283,571,053</u>