



EXECUTIVE SUMMARY

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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 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

Financial Policies (continued)

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.

All financial policies have been presented to and adopted by City Council via resolution.

Financial Policies (continued)

INVESTMENT POLICY

I. PURPOSE

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"). These policies 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.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, 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.

III. INVESTMENT OBJECTIVES

Safety of Principal

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.

Maintenance of Liquidity

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.

Return on Investment

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.

Financial Policies (continued)

IV. DELEGATION OF AUTHORITY

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.

V. STANDARDS OF PRUDENCE

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. 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.

VI. ETHICS AND CONFLICTS OF INTEREST

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 maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement (see page 25 of Attachment A).

Financial Policies (continued)

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

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.

VIII. CONTINUING EDUCATION

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.

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

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 City's Investment Advisor(s) shall utilize and maintain a list of approved primary and non-primary securities dealers. The Finance Director and/or designee 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.

Financial Policies (continued)

X. MATURITY AND LIQUIDITY REQUIREMENTS

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.

XI. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

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 by the Investment Advisor 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.

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

Daily market pricing provided by the City’s custodian or their correspondent institutions

The Investment Advisor 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 Investment Advisor and/or 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.

Financial Policies (continued)

XII. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

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.

Authorized Investment- Sector Type	Maximum Allocation	Individual Issuer Limit
Florida PRIME Fund	25%	N/A
United States Government Securities	100%	N/A
United States Government Agencies	75%	50%
Federal Instrumentalities (United States Government Sponsored Enterprises "GSE")	80%	40%
Mortgage Backed Securities "MBS"	20%	15%
Interest Bearing Time Deposit or Savings Accounts	25%	15%
Repurchase Agreements	50%	25%
Commercial Paper	30%	10%
Corporate Notes	15%	5%
Bankers' Acceptances	30%	10%
State and/or Local Government Taxable and/or Tax-Exempt Debt	20%	5%
Registered Investment Companies (Money Market Mutual Funds)	50%	25%
Intergovernmental Investment Pools	25%	N/A

Financial Policies (continued)

A. Florida PRIME

1. Investment Authorization

The Finance Director may invest in Florida PRIME.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in Florida PRIME.

3. Florida PRIME shall be rated “AAAm” by Standard & Poor’s or the equivalent by another Nationally Recognized Statistical Rating Organization (“NRSRO”) and the published objectives of the fund must agree with the Securities and Exchange Commission investment requirement for 2a-7.

4. Due Diligence Requirements

A thorough investigation of Florida PRIME or any money market fund is required prior to investing, and on a continual basis. The Finance Director will utilize the questionnaire contained in Attachment B on page 30. A current prospectus must be obtained and/or current pool documents and portfolio reports.

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.

Financial Policies (continued)

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

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 Enterprises (“GSE”))

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 Enterprises (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)

2. Portfolio Composition

A maximum of 80% of available funds may be invested in Federal Instrumentalities. The combined total of available funds invested in Federal Instrumentalities and Mortgage Backed Securities cannot be more than 80%.

Financial Policies (continued)

3. Limits on Individual Issuers

A maximum of 40% of available funds may be invested in any "GSE".

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. Mortgage-Backed Securities ("MBS")

1. Purchase Authorization

Mortgage-backed securities ("MBS") which are based on mortgages that are guaranteed by a government agency or GSE for payment of principal and a guarantee of timely payment.

2. Portfolio Composition

A maximum of 20% of available funds may be invested in MBS. The combined total of available funds invested in Federal Instrumentalities and Mortgage Backed Securities cannot be more than 80%.

3. Limits on Individual Issuers

A maximum of 15% of available funds may be invested with any one issuer. The maximum percentage invested in securities of any one issuer is inclusive of mortgage backed securities of same issuer.

4. Maturity Limitations

A maximum length to maturity for an investment in any MBS is seven (7) years from the date of purchase.

The maturity of mortgage securities shall be considered the date corresponding to its

average life. This date reflects the point at which an investor will have received back half of the original principal (face) amount. The average life may be different from the stated legal maturity included in a security's description

F. 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.

The maximum maturity on any certificate shall be no greater than one (1) year from the date of purchase.

Financial Policies (continued)

G. 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.

H. Commercial Paper

1. Purchase Authorization

The Finance Director may invest in commercial paper of any United States company that is rated, at the time or purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

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 270 days from the date of purchase.

I. 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 within the single "A" category by any two NRSROs

Financial Policies (continued)

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 five (5) years from the date of purchase.

J. 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.

K. 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 the time of purchase, at a minimum within the single "A" category by any two NRSROs, 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.

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.

4. Maturity Limitations

A maximum length to maturity for an investment in any state or local government debt security is five (5) years from the date of purchase.

L. 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.

Financial Policies (continued)

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 money market mutual funds shall be rated “AAAm” or better by Standard & Poor’s, or the equivalent by another NRSRO.

5. Due Diligence Requirements

A thorough investigation of any money market mutual fund is required prior to investing, and on a continual basis. The Finance Director will utilize the questionnaire contained in Attachment B on page 30. . A current prospectus must be obtained.

M. 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. Rating Requirement

The investment pool shall be rated “AAAm” by Standard & Poor’s or the equivalent by another NRSRO.

4. Due Diligence Requirements

A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. The Finance Director will utilize the questionnaire contained in Attachment B on page 30. . A current prospectus must be obtained and/or current pool documents and portfolio reports.

XIII. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

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.

XIV. PERFORMANCE MEASUREMENTS

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.

Financial Policies (continued)

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 the S&P Rated GIP Index Government 30 -Day Yield. 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 the Merrill Lynch 1-3 Year U.S. Treasury Note Index and the portfolio's total rate of return will be compared to this benchmark. 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.

XV. REPORTING

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

Recent market conditions, economic developments and anticipated investment conditions. The investment strategies employed in the most recent quarter. A description of all securities held in investment portfolios at quarter-end.

The total rate of return for the quarter and year-to-date versus appropriate benchmarks.

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.

XVI. THIRD-PARTY CUSTODIAL AGREEMENTS

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 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

Financial Policies (continued)

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.

XVII. INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by City resolution. The Finance Director shall review the policy annually and the City Council shall approve any modification made thereto. Any inconsistencies between the current portfolio and this policy will be considered acceptable as long as corrective measures are completed to adjust the portfolio in accordance with this policy.

APPROVED AND ADOPTED BY THE CITY COUNCIL ON 12/04/2012

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.

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.

Financial Policies (continued)

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.

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

Financial Policies (continued)

- 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

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.

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.

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

TOTAL CONTRACT VALUE	QUOTE REQUIREMENTS (Minimum)	AWARD APPROVAL
\$ 0 - \$749.99	Single Quote, Purchasing 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

Financial Policies (continued)

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).

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.

Financial Policies (continued)

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.

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:

Financial Policies (continued)

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.

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.

Financial Policies (continued)

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.

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.

Financial Policies (continued)

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.

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)

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

January 31	Strategic Action Plan, performance progress report submitted to City Council
February 15	Previous fiscal year audit report and final operating results submitted to City Council
March 15	Infrastructure Capital Improvement Program, ten year project schedule and funding report submitted to City Council
March 30	Revised Strategic Action Plan adopted by City Council
April 1	Budget process initiated by Finance Department
April 1	MUNIS budget system opened for Department line-item entries
May 1	Departments submit additional program, personnel, fleet requests to Finance for FY 2013
May 1	Departments submit technology requests to Information Technology & Communications for FY 2013
May 1	FY 2013 Revenue Estimates prepared by Finance
May 15	MUNIS budget system closed for Department line-item entries. Note: Personal services/internal transfers will be projected by Finance
June 1 - 10	Finance reviews budget requests and Capital Improvement Program (CIP) with department heads. (COPY OF CIP SENT TO COMMUNITY DEVELOPMENT FOR COMP PLAN REVIEW)
June 15	Finance submits the preliminary budget to the City Manager and department heads.
June 16 - 30	City Manager meets with department heads to discuss departmental needs and requests, including the Capital Improvement Program
July 10	Budget workshop – General Fund
July 17	Establish proposed Millage Rate (TRIM Rate). (MUST BE DONE PRIOR TO AUGUST 4).
July 24	Budget workshop – Proprietary Funds
July 31	Budget workshop – Special Revenue and Capital Funds
August 16	Property Appraiser distributes “Trim Notices” with date and time of first Public Hearing on Millage Rate.
August 28	Budget workshop – Final proposed budget presentation
September 5	Public Hearing to tentatively adopt Millage Rate and Budget (FINAL ADOPTION MUST BE ADVERTISED WITHIN 15 DAYS)
September 15	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).
September 19	Public Hearing to adopt final Millage Rate Resolution and Budget Resolution.
September 20	Forward a copy of the Millage Rate Resolution to the Property Appraiser and the Tax Collector.
October 3	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 2013 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.

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.

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.

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.

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 2013 will be 17.6%.

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 increase during the two-year period of approximately \$5 million. This is primarily due to the reclassification of interfund loans to fund transfers during fiscal year 2012. The General Fund is estimated to remain level. The Building Permits & Inspections Fund is expected to decrease by approximately \$400,000. This is being caused by a reduction in permit fees designed to reduce the surplus balance. This reduction is sunsetting during fiscal year 2013. The Utility Capital Projects Fund is expected to increase by \$2.7 million. This is due to pending capital expenditures on several large projects scheduled beyond 2013. Decreases in fund balance in the Streets Improvement Fund (\$3.7 million) and SR100 Community Redevelopment Fund (\$1.6 million) are due to construction projects scheduled for fiscal year 2013.

Computation of Estimated Fund Balances

FUND	Available Fund Balance 09/30/11	Estimated Fund Balance 09/30/12	Net Annual Revenues (Expenditures) Revenues	Available Fund Balance 09/30/13
General	\$ 2,653,373	\$ 2,653,373	\$ 44,000	\$ 2,697,373
CDBG	-	-	-	-
Police Education	17,594	24,554	7,265	31,819
Police Automation	267,910	289,760	22,900	312,660
Disaster Reserve	2,183,984	2,190,984	7,500	2,198,484
Recycling Revenue	395,808	486,758	91,350	578,108
Streets Improvement	2,688,506	3,761,806	(3,761,379)	427
Park Impact Fee	424,843	333,143	(29,369)	303,774
Fire Impact Fee	74,269	107,569	35,676	143,245
Development Special Projects	1,557,737	1,299,737	5,841	1,305,578
Transportation Impact Fee	-	-	574,100	574,100
Neighborhood Stabilization	-	-	-	-
Old Kings Road Special Assessment	166,003	166,003	-	166,003
SR 100 Community Redevelopment	2,287,134	2,553,026	(1,643,934)	909,092
Capital Projects	964,593	14,022	(9,720)	4,302
Utility	2,471,712	2,677,876	119,479	2,797,355
Utility Capital Projects	3,023,273	1,356,074	2,760,083	4,116,157
Solid Waste	682,786	682,786	147,619	830,405
Stormwater Management	-	1,323,573	(135,792)	1,187,781
Building Permits & Inspections	3,262,776	2,043,893	(437,486)	1,606,407
Golf Course	21,586	5,578,086	-	5,578,086
Tennis Center	-	-	-	-
Information Technology & Communications	757,591	2,552,089	98,432	2,650,521
Health Insurance	146,114	146,114	(20,000)	126,114
Fleet Management	2,483,820	3,645,683	(195,846)	3,449,837
	\$ 26,531,412	\$ 33,886,909	\$ (2,319,281)	\$ 31,567,628

Budget Summary

By Fund Type

Fund Type	Estimated Revenue	Operating Expenditures & Contingency	Capital Expenditures	Operating Transfers	Total Expenditures
General Fund	\$ 25,790,398	\$ 24,966,773	\$ 127,625	\$ 696,000	\$ 25,790,398
Special Revenue Funds					
CDBG Fund	1,078,500	918,500	-	160,000	1,078,500
Police Education Fund	31,765	31,765	-	-	31,765
Police Automation Fund	312,660	312,660	-	-	312,660
Disaster Reserve Fund	2,198,484	2,198,484	-	-	2,198,484
Recycling Revenue Fund	405,400	405,400	-	-	405,400
Streets Improvement Fund	17,889,472	375,027	17,514,445	-	17,889,472
Park Impact Fee Fund	453,774	353,774	100,000	-	453,774
Fire Impact Fee Fund	143,245	143,245	-	-	143,245
Development Special Projects Fund	1,305,577	1,305,577	-	-	1,305,577
Transportation Impact Fee Fund	574,100	574,100	-	-	574,100
Neighborhood Stabilization Fund	1,900,000	1,900,000	-	-	1,900,000
OKR Special Assessment Fund	264,200	264,200	-	-	264,200
BAC Fund	60,225	60,225	-	-	60,225
SR100 Community Redevelopment Fund	5,735,844	1,435,844	4,300,000	-	5,735,844
Capital Projects Fund	339,302	4,302	335,000	-	339,302
Sub-Total	32,692,548	9,364,603	22,249,445	-	32,692,548
Enterprise Funds					
Utility Fund	29,880,644	27,106,626	443,000	2,331,018	29,880,644
Utility Capital Projects Fund	20,540,254	11,792,831	8,747,423	-	20,540,254
Solid Waste Fund	7,400,000	7,400,000	-	-	7,400,000
Stormwater Management Fund	7,745,292	4,678,192	2,988,100	79,000	7,745,292
Building Permits & Inspections Fund	1,398,961	1,398,961	-	-	1,398,961
Golf Course Fund	1,618,881	1,595,881	-	23,000	1,618,881
Tennis Center Fund	304,278	303,278	-	1,000	304,278
Information Tech & Comm Fund	2,878,300	2,513,900	350,400	14,000	2,878,300
Sub-Total	71,766,610	56,789,669	12,528,923	2,448,018	71,766,610
Internal Service Funds					
Self Insured Health Fund	3,169,350	3,169,350	-	-	3,169,350
Fleet Management Fund	4,070,043	2,244,543	1,825,500	-	4,070,043
Sub-Total All Funds	137,488,949	\$ 96,534,938	\$ 36,731,493	\$ 3,144,018	137,488,949
Less: Interfund Charges and Transfers	12,149,815				12,149,815
Total	\$ 125,339,134				\$ 125,339,134

Budget Summary (continued)

By Function

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total Funds
<u>CASH BALANCES BROUGHT FORWARD</u>	\$ -	\$ 10,454,948	\$ 2,862,199	\$ 215,846	\$ 13,532,993
<u>ESTIMATED REVENUES</u>					
TAXES: Millage Per \$1,000					
Advalorem Taxes: 4.2958	14,610,000	265,000	245,750	-	15,120,750
Sales, Use, and Fuel Taxes	425,000	2,195,000	-	-	2,620,000
Telecommunication Service Tax	2,700,000	-	-	-	2,700,000
Local Business Tax	395,000	-	-	-	395,000
Permits, Fees and Special Assessments	715,000	264,200	935,368	-	1,914,568
Intergovernmental Revenue	2,921,988	15,266,242	-	-	18,188,230
Charges for Services	2,360,243	996,000	48,093,102	315,000	51,764,345
Fines & Forfeitures	389,000	406,300	-	-	795,300
Interest Revenue	295,000	39,858	565,542	6,250	906,650
Miscellaneous Revenues	17,191	124,000	260,107	-	401,298
Non Revenues	-	-	2,245,000	6,600,797	8,845,797
Transfers from Other Funds	961,976	681,000	1,559,542	101,500	3,304,018
Debt Proceeds	-	2,000,000	15,000,000	-	17,000,000
Total Revenues and Other Financing Sources	25,790,398	22,237,600	68,904,411	7,023,547	123,955,956
Total Estimated Revenues and Balances	\$ 25,790,398	\$ 32,692,548	\$ 71,766,610	\$ 7,239,393	137,488,949
Less: Interfund Transfers					12,149,815
Net Revenues					\$ 125,339,134
<u>EXPENDITURES/EXPENSES</u>					
General Government	\$ 7,768,495	\$ 50,000	\$ 2,765,868	\$ -	\$ 10,584,363
Public Safety	9,883,734	-	1,398,961	-	11,282,695
Physical Environment	-	-	39,001,662	-	39,001,662
Transportation	5,032,678	22,349,045	6,274,466	-	33,656,189
Economic Environment	-	2,833,500	-	-	2,833,500
Culture/Recreation	2,365,491	639,050	1,899,159	-	4,903,700
Internal Service	-	-	-	7,239,393	7,239,393
Debt Service	-	905,775	12,563,942	-	13,469,717
Transfers to Other Funds	696,000	160,000	2,448,018	-	3,304,018
Total Expenditures/Expenses Reserves	25,746,398 44,000	26,937,370 5,755,178	66,352,076 5,414,534	7,239,393 -	126,275,237 11,213,712
Total Appropriated Expenditures and Reserves	\$ 25,790,398	\$ 32,692,548	\$ 71,766,610	\$ 7,239,393	137,488,949
Less: Interfund Transfers					12,149,815
Net Expenditures					\$ 125,339,134

Budget Summary (continued)

By Department Detail

FUND/DEPARTMENT	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
General Fund				
City Council	\$ 83,221	\$ 82,156	\$ 95,479	\$ 95,501
City Manager	424,502	351,244	361,827	361,263
Community Relations	254,090	198,887	213,525	186,810
Purchasing and Contracts Management	326,093	297,791	296,014	298,416
Economic Development	213,450	252,108	244,545	295,957
City Clerk	201,036	161,906	131,995	129,617
Human Resources	291,106	268,357	305,125	349,774
Law Enforcement	2,599,720	2,599,774	2,599,863	2,599,863
City Attorney	337,778	392,454	383,301	387,236
Financial Services	763,014	715,263	722,127	692,699
Community Development				
Planning	1,468,078	1,436,530	1,437,295	1,505,208
Code Enforcement	2,055,867	2,001,468	2,144,807	2,149,693
Total Community Development	3,523,945	3,437,998	3,582,102	3,654,901
Fire	7,897,127	7,448,342	7,283,387	7,283,871
Public Works				
Streets	5,157,976	5,187,617	5,049,743	5,127,678
Facilities Maintenance	678,373	654,447	668,616	682,493
Parks/Facilities	992,200	966,070	1,096,258	1,181,633
Total Public Works	6,828,549	6,808,134	6,814,617	6,991,804
Engineering	1,234,851	383,694	505,201	500,828
Recreation/Athletics	906,380	1,214,547	1,327,081	1,283,858
Non-Departmental	6,797,277	806,293	648,874	678,000
Total General Fund	32,682,139	25,418,948	25,515,063	25,790,398

Budget Summary (continued)

By Department Detail (continued)

FUND/DEPARTMENT	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
CDBG Fund	-	-	75,000	1,078,500
Police Education Fund	21,314	18,135	24,554	31,765
Police Automation Fund	-	-	289,760	312,660
Distaster Reserve Fund	1,621	-	2,190,984	2,198,484
Recycling Revenue Fund	129,415	257,688	395,800	405,400
Streets Improvement Fund	9,351,401	4,820,476	9,466,798	17,889,472
Park Impact Fee Fund	2,262,979	102,992	537,643	453,774
Fire Impact Fee Fund	3,925	-	107,569	143,245
Development Special Projects Fund	-	-	1,564,736	1,305,577
Transportation Impact Fee Fund	10,937,078	633,867	2,892,000	574,100
Neighborhood Stabilization Fund	1,652,210	1,602,199	1,100,000	1,900,000
Old Kings Road Special Assessment Fund	2,091,675	260,656	264,200	264,200
BAC Fund	-	-	65,225	60,225
SR100 Community Redevelopment Fund	2,471,847	2,372,357	3,448,892	5,735,844
Capital Projects Fund	4,012,776	2,871,683	14,201,020	339,302
Utility Fund				
Utility Customer Service	1,138,521	1,193,655	1,183,168	1,287,991
Utility Administration	1,314,740	1,151,638	1,157,078	1,166,712
Utility Maintenance	652,293	594,595	624,361	634,055
Wastewater Collection	2,371,099	2,070,343	2,235,644	2,252,088
Wastewater Treatment	1,753,714	1,734,357	1,648,920	1,765,803
Water Plant #1	1,529,393	1,665,536	1,717,773	1,728,607
Water Plant #2	1,214,471	1,207,796	1,214,966	1,238,566
Water Plant #3	963,526	963,969	926,110	972,726
Water Quality	413,409	421,981	479,473	469,587
Water Distribution	4,073,580	2,714,327	2,670,421	2,770,772
Non-Departmental	20,829,320	24,922,261	15,726,881	15,593,737
Total Utility Fund	36,254,066	38,640,458	29,584,795	29,880,644
Utility Capital Projects Fund	-	-	7,093,171	20,540,254
Solid Waste Fund	7,550,829	7,631,424	7,486,000	7,400,000
Stormwater Management Fund	4,731,022	4,339,305	7,778,600	7,745,292
Building Permits & Inspections Fund	1,796,344	1,468,521	1,504,901	1,398,961
Golf Course Fund	2,249,980	1,942,244	7,156,609	1,618,881
Tennis Center Fund	287,419	354,794	283,087	304,278
Information Technology & Comm Fund	2,522,657	2,502,729	4,665,001	2,878,300
Self Insured Health Fund	554,003	2,801,630	3,206,000	3,169,350
Fleet Management Fund	2,964,381	3,190,989	3,774,196	4,070,043
Total All Funds	124,529,081	101,231,095	134,671,604	137,488,949
Less: Interfund Transfers	21,784,168	14,414,436	24,445,559	12,149,815
Total	\$ 102,744,913	\$ 86,816,659	\$ 110,226,045	\$ 125,339,134

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. Ad valorem 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 a local business tax receipt 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.

Revenue Source	Forecast Methodology
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 61 percent of the City's estimated revenues for fiscal year 2013, not including debt proceeds. Appropriated fund balance accounts for another 11 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 11% over the past three years, though the decreases are starting to moderate. For 2013, there was a decrease in taxable value of about 6.3%. This makes three consecutive years of declines in property values. The decline is expected to stop in 2013 and then values should level off or show some slight growth.

LOCAL GOVERNMENT INFRASTRUCTURE SURTAX: FY2003 was the first year that the 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. This tax is set to expire on December 31, 2012, and no replacement has been identified.

COMMUNICATIONS SERVICES TAXES: Decreases in this revenue have averaged about 4% over past years. Recent changes in State legislation have decreased collections and the taxable base. We expect additional decreases 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 been declining slightly through fiscal year 2011. However, fiscal year 2012 saw a small increase. 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 an average of 5% per year over the next four years in anticipation of future bond issues for infrastructure improvements.

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

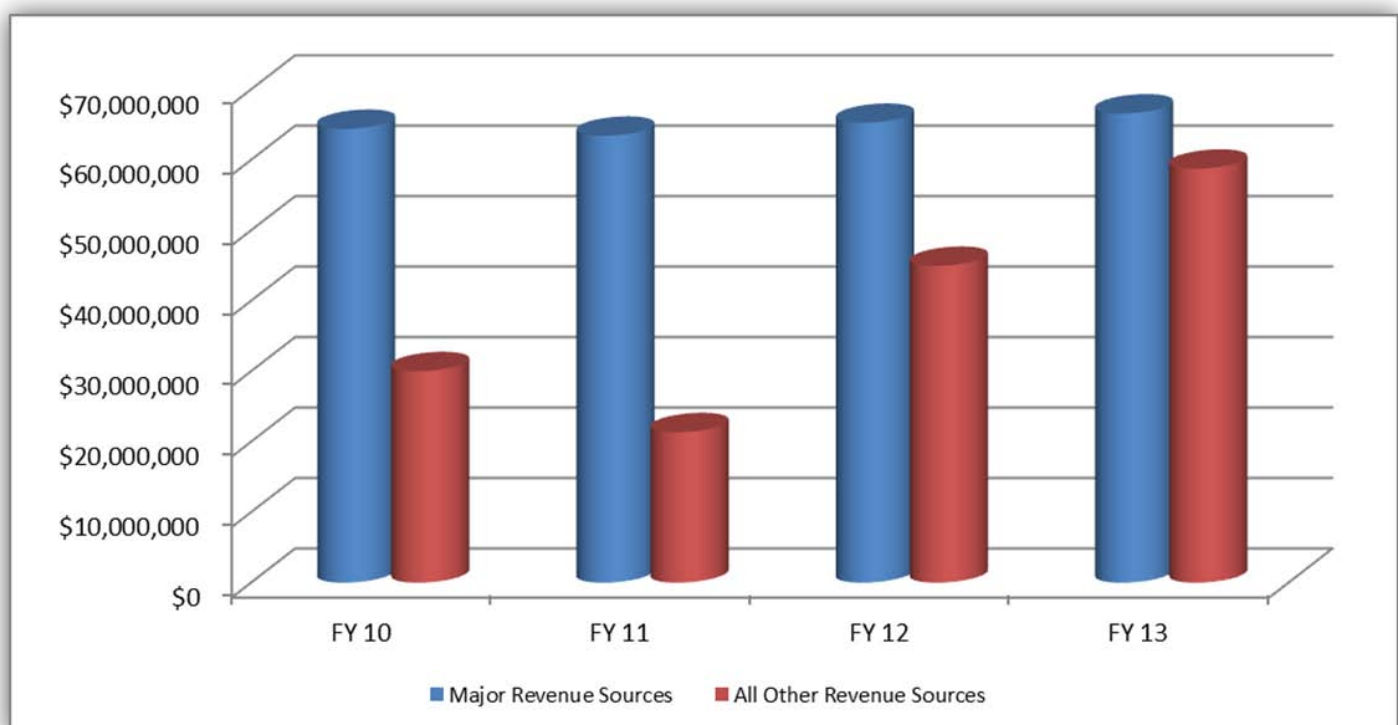
SOLID WASTE CHARGES: This charge is expected to mirror the population growth of about 1% to 2%.

STORMWATER FEES: This fee is charged on developed and undeveloped property. A 40% rate increase is expected in fiscal year 2013. These additional fees are to fund an aggressive capital improvement program. In subsequent years, a 1% to 2% growth rate is anticipated.

Major Revenue Sources

SOURCE	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
Ad Valorem Taxes	\$ 17,828,406	\$ 15,181,152	\$ 15,030,924	\$ 15,120,750
Local Infrastructure Surtax	2,458,212	2,422,436	2,371,400	2,412,600
Telecommunication Service Tax	2,858,825	2,793,952	2,775,000	2,700,000
Half-Cent Sales Tax	1,939,723	1,829,577	1,848,200	1,850,000
Transportation Impact Fees	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 Charges	7,278,358	7,498,306	7,724,600	7,745,800
Stormwater Utility Fee	3,598,820	5,050,067	5,170,800	5,170,800
Debt Proceeds	4,000,000	-	9,425,998	17,000,000
Appropriated Fund Balance	-	-	15,421,999	13,532,993
All Other Sources	47,796,897	35,772,570	44,562,383	40,368,506
TOTAL	\$ 116,195,530	\$ 99,199,823	\$ 134,671,604	\$ 137,488,949
Less: Interfund Transfers	21,784,168	14,414,436	24,445,559	12,149,815
	\$ 94,411,362	\$ 84,785,387	\$ 110,226,045	\$ 125,339,134

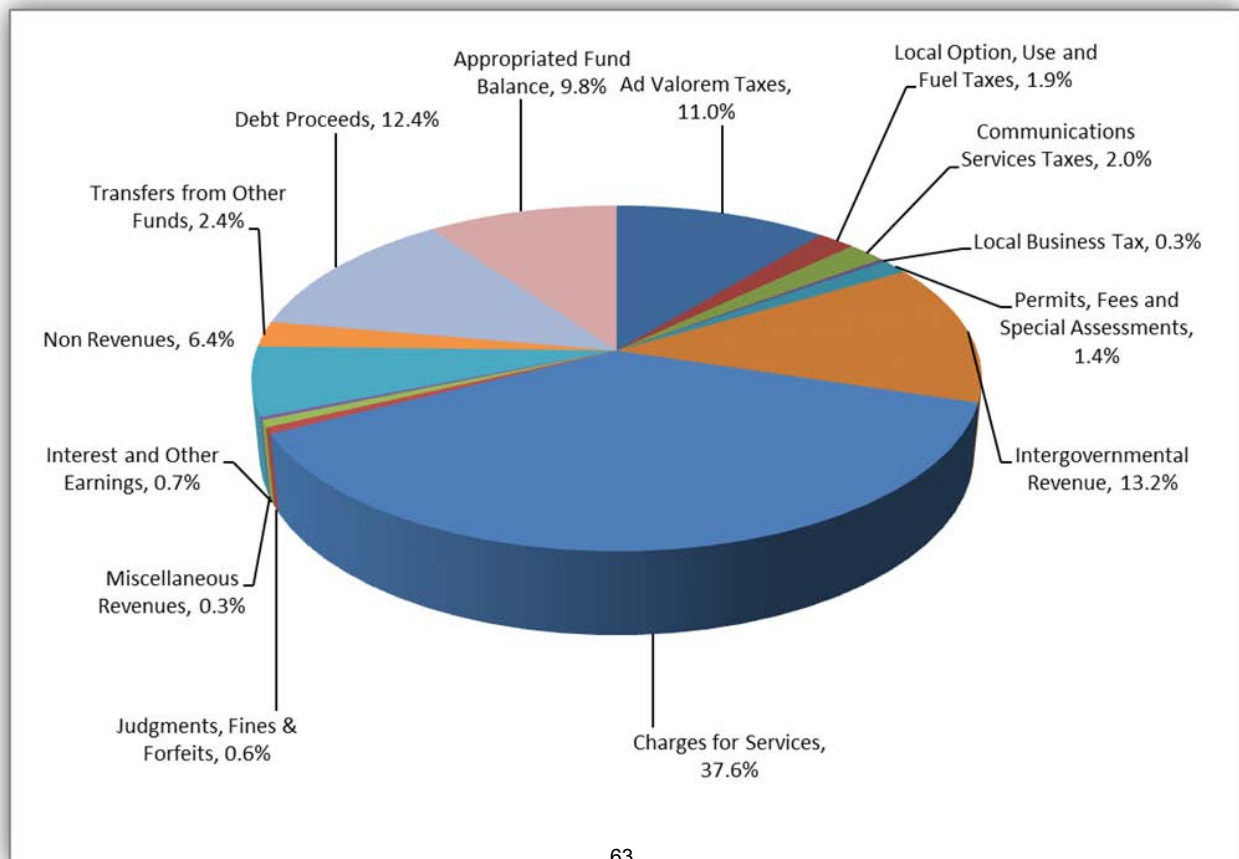
Major Revenue Sources	64,398,633	63,427,253	65,261,224	66,587,450
All Other Revenue Sources	30,012,729	21,358,134	44,964,821	58,751,684
	\$ 94,411,362	\$ 84,785,387	\$ 110,226,045	\$ 125,339,134



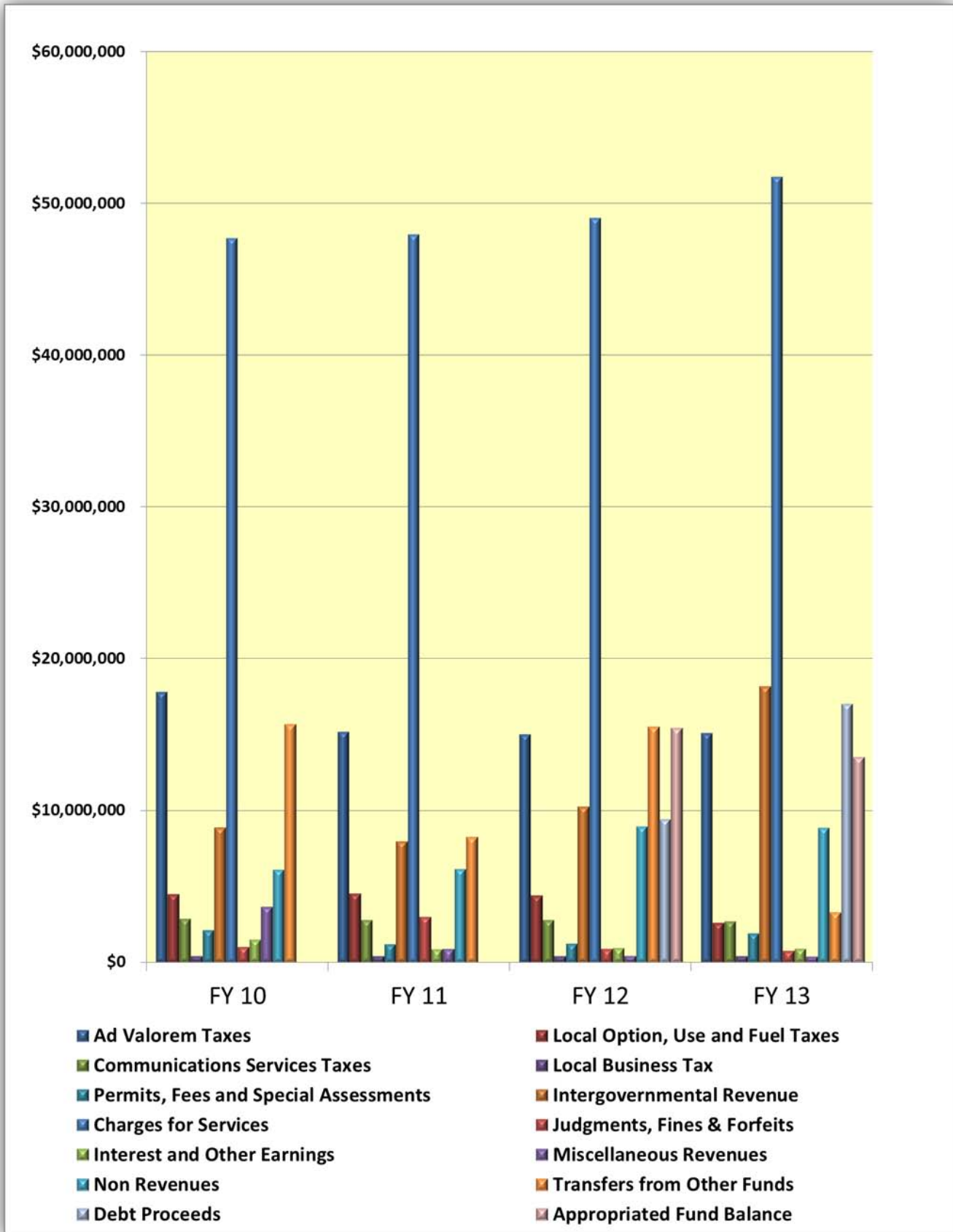
Revenues by Source

SOURCE	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
Ad Valorem Taxes	\$17,828,406	\$15,181,152	\$15,030,924	\$15,120,750
Local Option, Use and Fuel Taxes	4,465,053	4,541,620	4,384,100	2,620,000
Communications Services Taxes	2,858,825	2,793,952	2,775,000	2,700,000
Local Business Tax	404,685	414,385	394,000	395,000
Permits, Fees and Special Assessm	2,095,627	1,200,016	1,216,884	1,914,568
Intergovernmental Revenue	8,879,625	7,988,868	10,253,728	18,188,230
Charges for Services	47,693,535	47,943,464	49,053,640	51,764,345
Judgments, Fines & Forfeits	1,043,095	2,974,013	890,964	795,300
Interest and Other Earnings	1,474,529	856,662	927,124	906,650
Miscellaneous Revenues	3,667,982	891,255	451,684	401,298
Non Revenues	6,106,687	6,141,288	8,934,696	8,845,797
Transfers from Other Funds	15,677,481	8,273,148	15,510,863	3,304,018
Debt Proceeds	4,000,000	-	9,425,998	17,000,000
Appropriated Fund Balance	-	-	15,421,999	13,532,993
TOTAL	\$116,195,530	\$99,199,823	\$134,671,604	\$137,488,949
Less: Interfund Transfers	21,784,168	14,414,436	24,445,559	12,149,815
	\$ 94,411,362	\$ 84,785,387	\$ 110,226,045	\$ 125,339,134

FISCAL YEAR 2013



Revenues by Source



Property Information

Property Values, Millage Rates and Ad Valorem Receipts

Fiscal Year 2004 through Fiscal Year 2013

Fiscal Year	Gross Taxable Valuations	Change from Previous Year	% Change	Millage Levy	Change from Previous Year	% Change	Ad Valorem Tax Revenues	Change from Previous Year	% Change
2013	\$ 3,646,122,021	\$ (245,472,105)	-6.31%	4.29580	0.3058	7.66%	\$ 15,120,750	\$ 120,050	0.80%
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	3.40000	0.00%	7,855,523	1,315,956	20.12%

Ad Valorem Tax History

Fiscal Year 2004 through Fiscal Year 2013



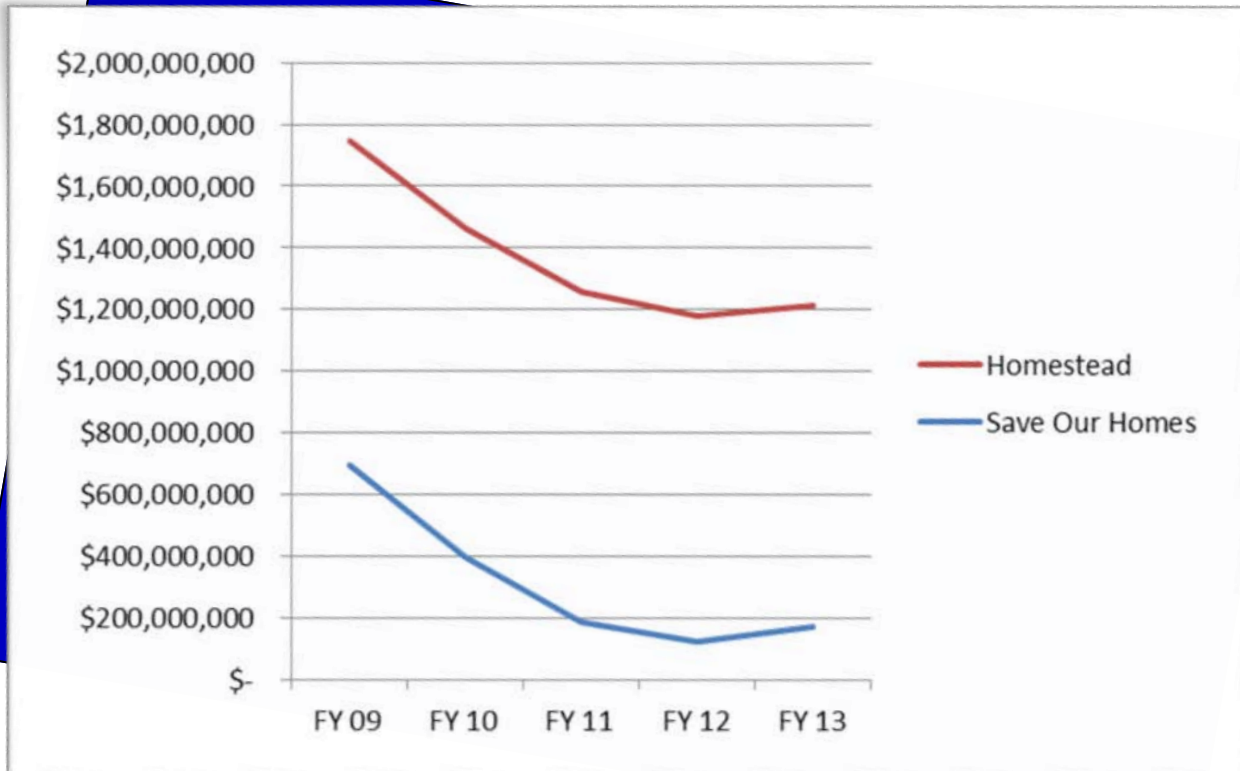
Property Information (continued)

Property Value and Millage Rates

Tax Roll Recapitulation July 1, 2012

Class of Property	# of Parcels	Just Value	Assessed Value	Exempt	Taxable	Taxable Value per Parcel
Residential Vacant Land	18,227	\$ 217,742,258	\$ 217,730,444	\$ 272,410	\$ 217,458,034	11,931
Residential Single Family	31,101	3,704,427,750	3,689,958,667	1,161,106,200	2,528,852,467	81,311
Residential Mobile Homes	2	40,330	40,330	20,244	20,086	10,043
Residential Other	2,659	286,541,866	285,293,421	26,763,775	258,529,646	97,228
Commercial Vacant Land	269	98,941,276	92,674,527	878,533	91,795,994	341,249
Commercial Other	737	406,311,393	323,192,863	9,140,631	314,052,232	426,122
Industrial Vacant Land	45	6,455,150	6,455,150	-	6,455,150	143,448
Industrial Other	42	29,193,107	29,190,407	475,638	28,714,769	683,685
Agriculture	122	73,437,297	5,153,190	64,000	5,089,190	41,715
Institutional	115	205,654,011	205,492,475	178,366,378	27,126,097	235,879
Government	839	299,076,871	298,478,844	298,470,900	7,944	9
Other Real Property	236	7,304,343	7,304,343	1,061,652	6,242,691	26,452
Personal Property	-	355,481,233	355,481,233	196,990,106	158,491,127	-
CENTRALLY ASSESSED	-	2,810,835	3,454,376	-	3,286,594	-
Total	54,394	\$ 5,693,417,720	\$ 5,519,900,270	\$ 1,873,610,467	\$ 3,646,122,021	67,032

Value of Exemptions

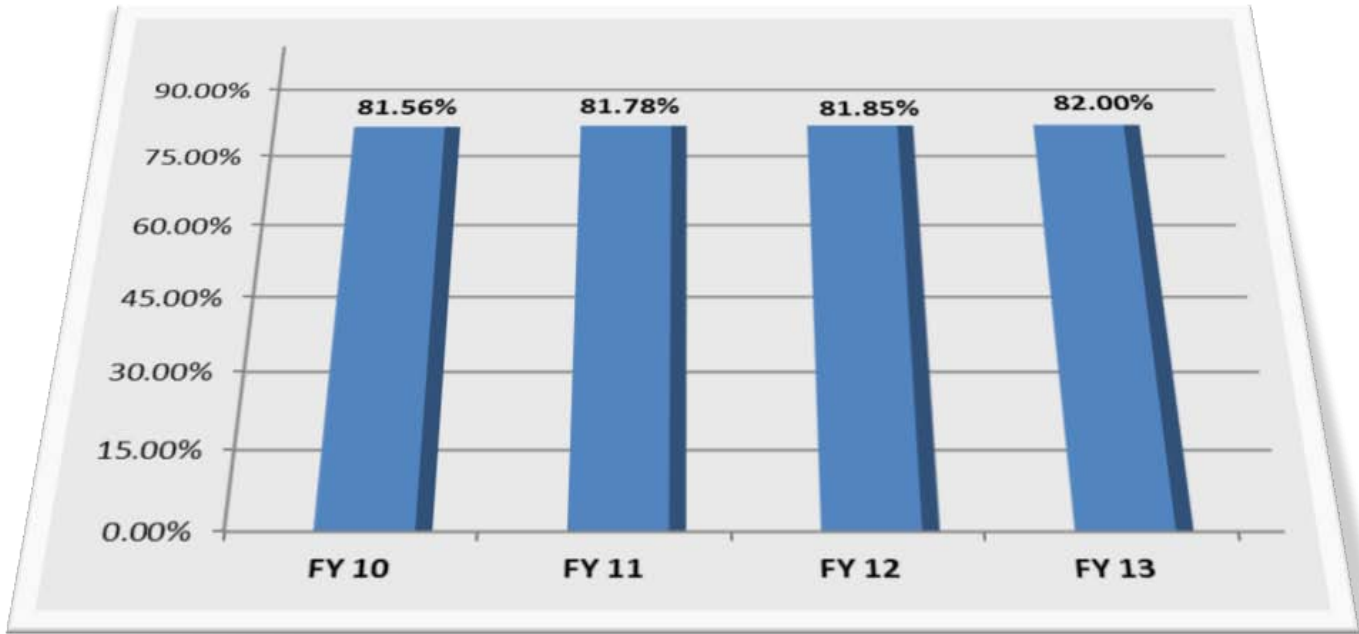


Property Information (continued)

Property Value Per Capita

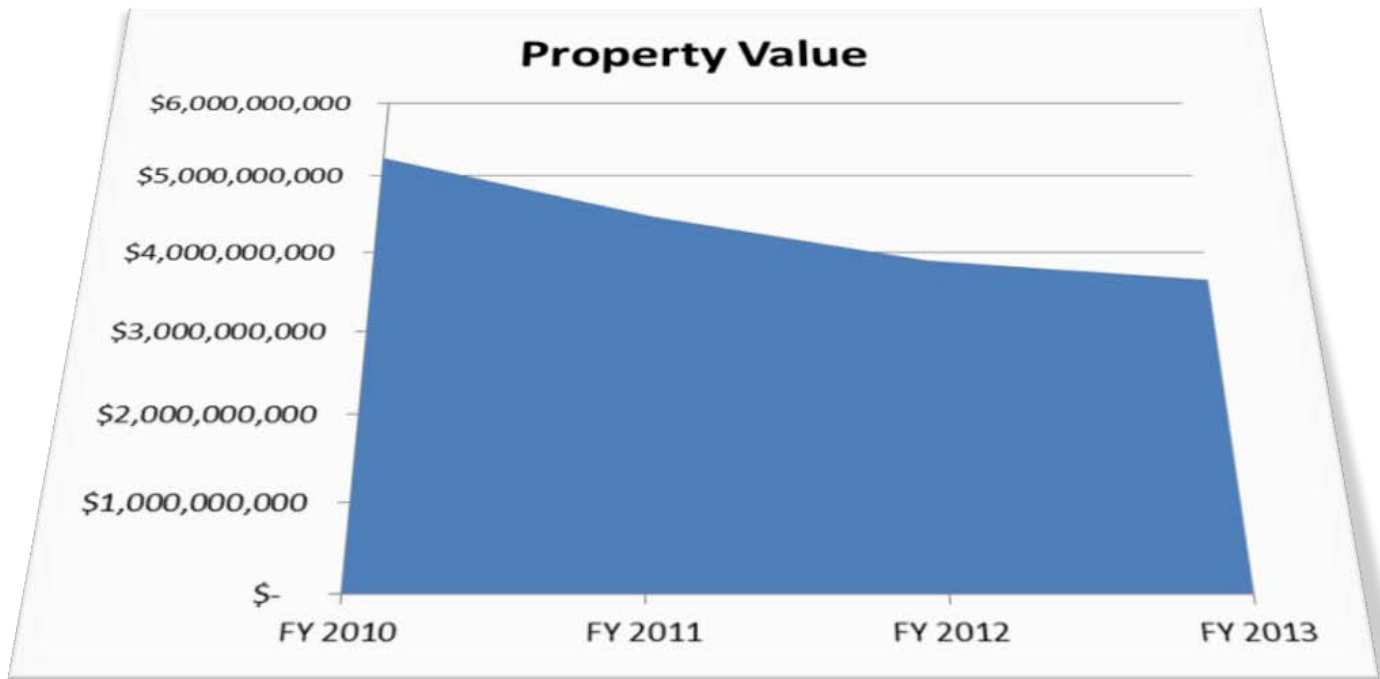
Year	Property Value	Percent Change	Population	Percent Change	Property Value Per Resident	Percent Change
2004	2,404,239,111	21.20%	42,850	20.90%	56,108	0.25%
2005	3,107,581,090	29.25%	50,484	17.82%	61,556	9.71%
2006	4,444,854,928	43.03%	58,216	15.32%	76,351	24.04%
2007	6,239,994,489	40.39%	67,832	16.52%	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%
2013	3,646,122,021	-6.31%	76,450	1.69%	47,693	-7.86%

Residential Property as a % of all Property

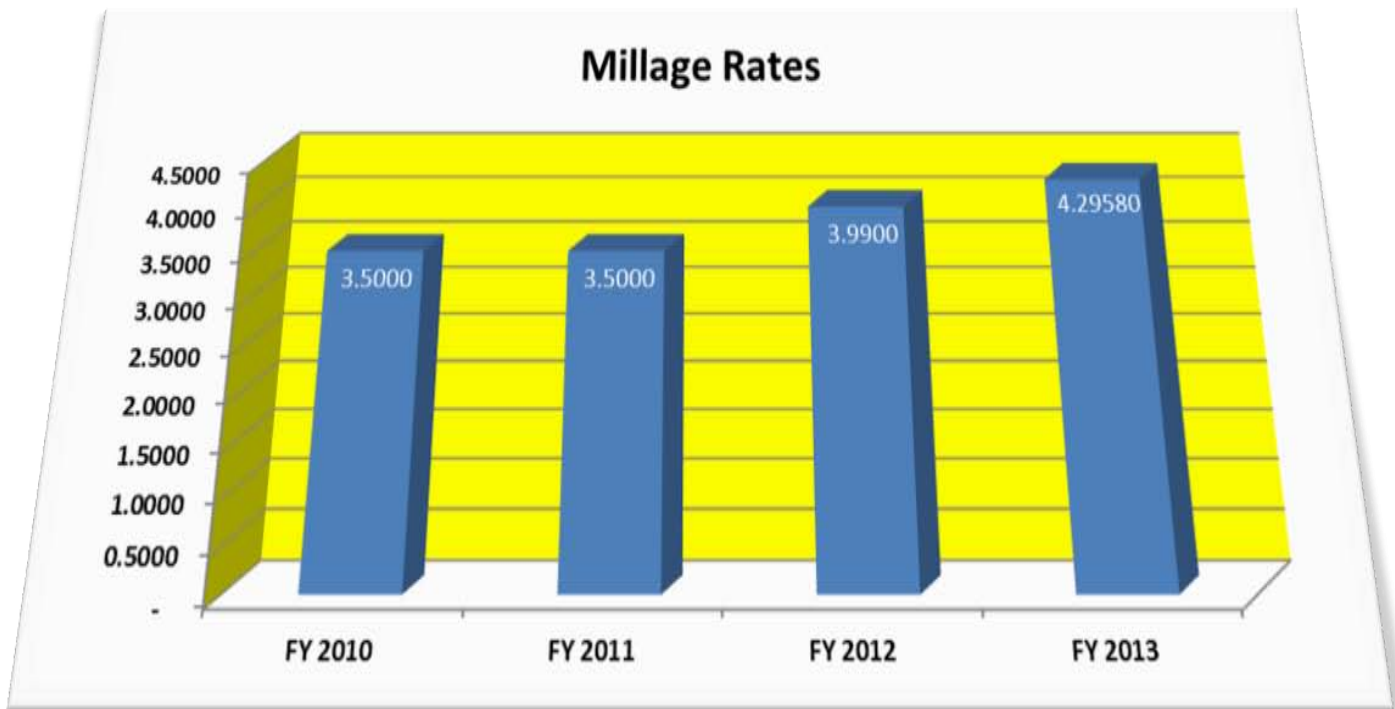


Residential property is carrying the largest burden of property taxes within the City. The City Council has identified a goal of supporting the growth and development of new and existing businesses in order to have non-residential development bear a higher portion of the property taxes. The percentage has leveled off over the last few years as the economy has significantly affected non-residential development.

Property Information (continued)



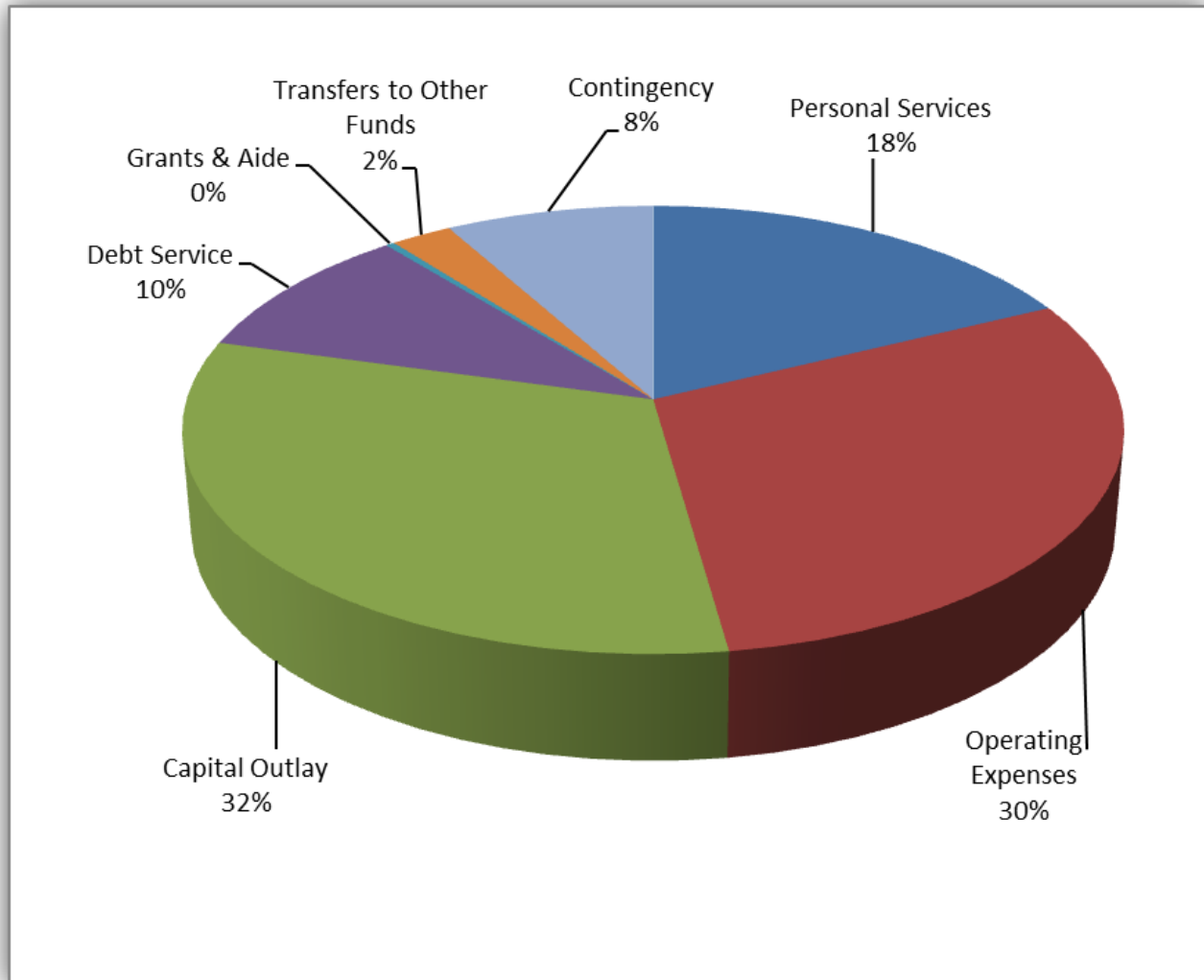
As presented in this graph, property values have shown a significant decrease since FY 2010 but have tapered off in the last two years.



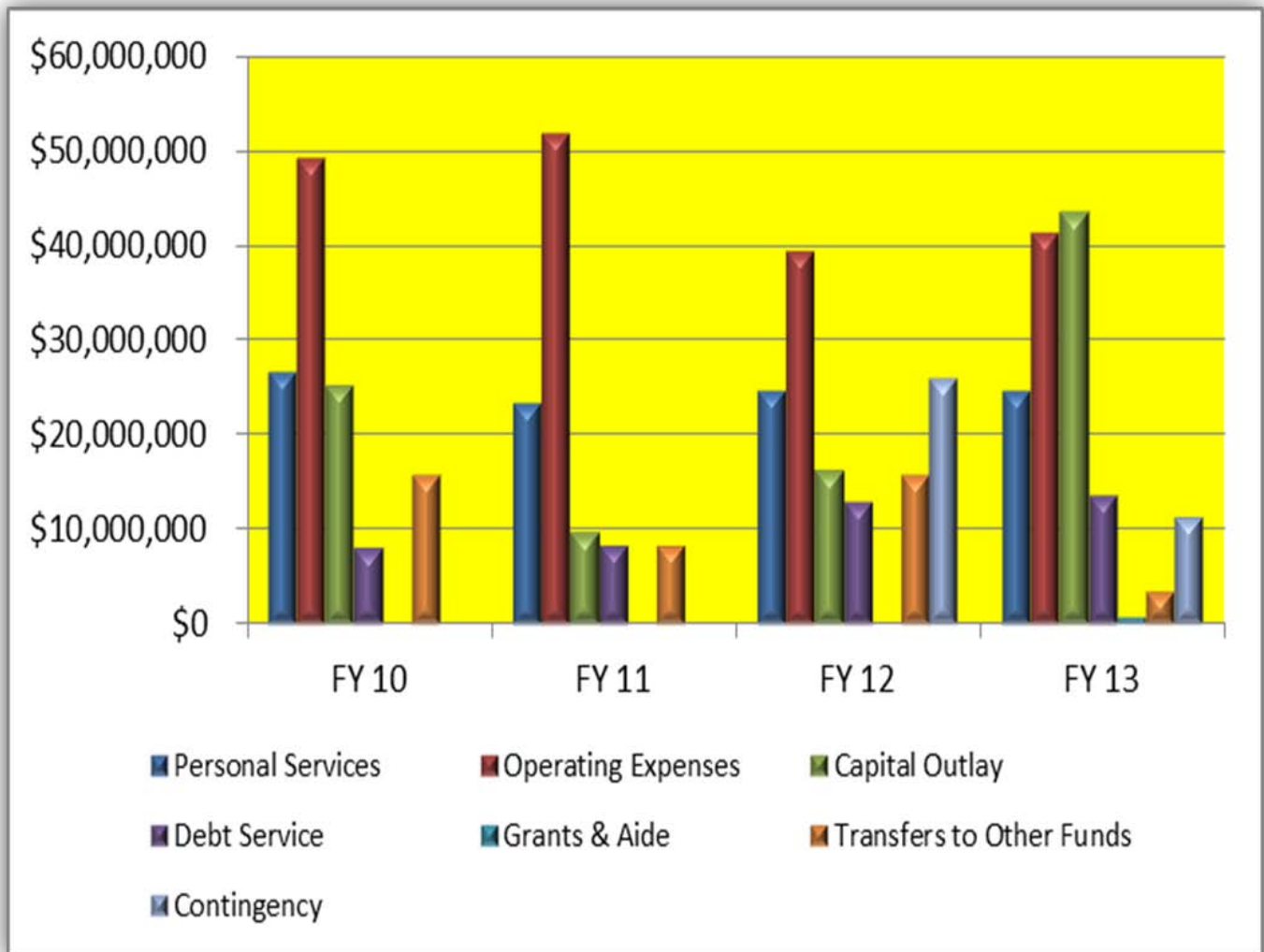
The graph above reflects a change in millage rates from fiscal year 2010 of 3.5000 to our current fiscal year at the millage rate of 4.29580.

Expenditures by Category

CATEGORY	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
Personal Services	\$26,426,014	\$23,255,106	\$24,424,176	\$24,409,177
Operating Expenses	49,047,360	51,662,589	39,276,585	41,245,255
Capital Outlay	25,166,274	9,709,974	16,282,271	43,369,070
Debt Service	7,981,573	8,150,489	12,845,249	13,469,717
Grants & Aide	230,379	179,789	420,000	478,000
Transfers to Other Funds	15,677,481	8,273,148	15,510,863	3,304,018
Contingency	-	-	25,912,460	11,213,712
TOTAL	\$124,529,081	\$101,231,095	\$134,671,604	\$137,488,949
Less: Interfund Transfers	21,784,168	14,414,436	24,445,559	12,149,815
	\$102,744,913	\$86,816,659	\$110,226,045	\$125,339,134

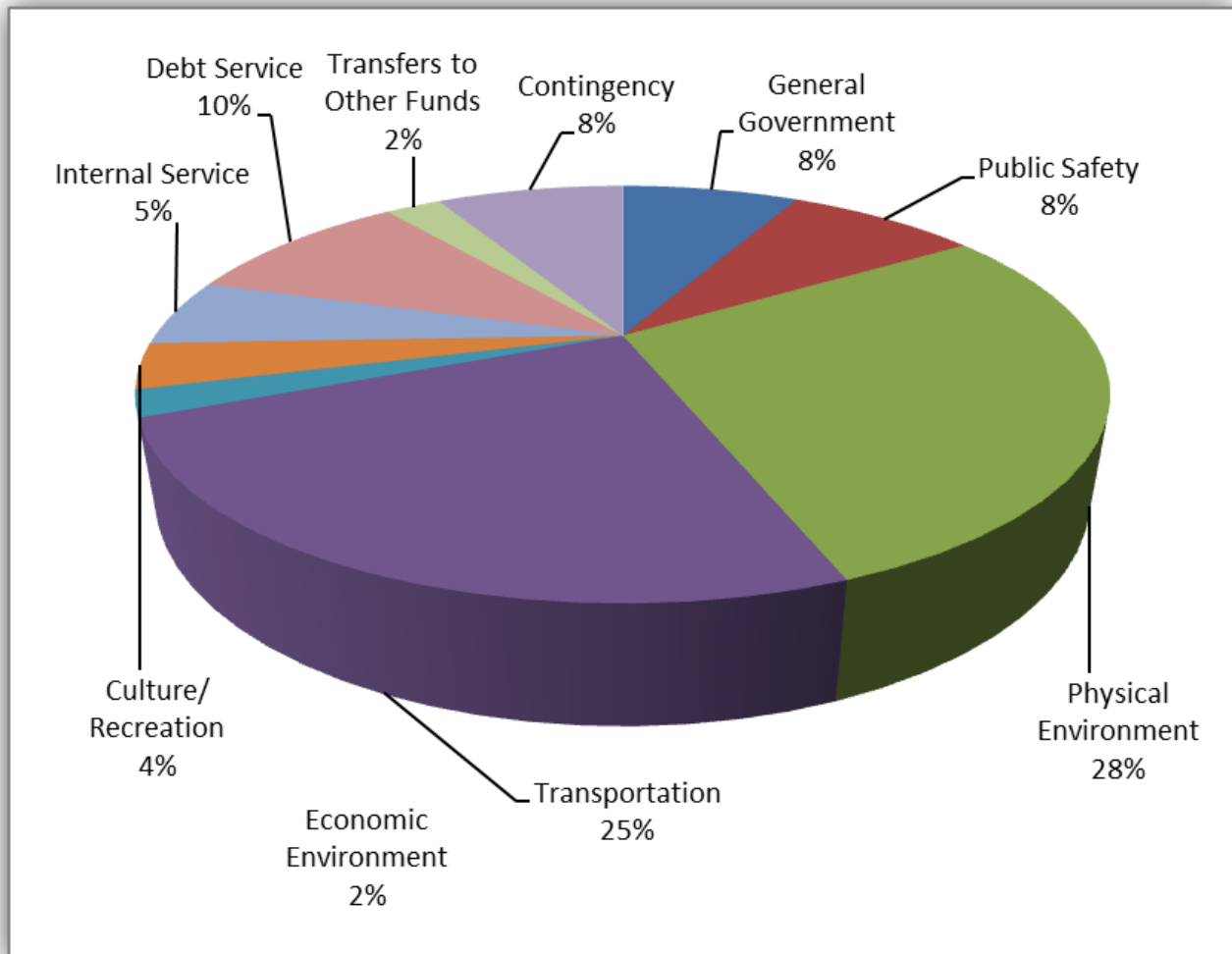


Expenditures by Category

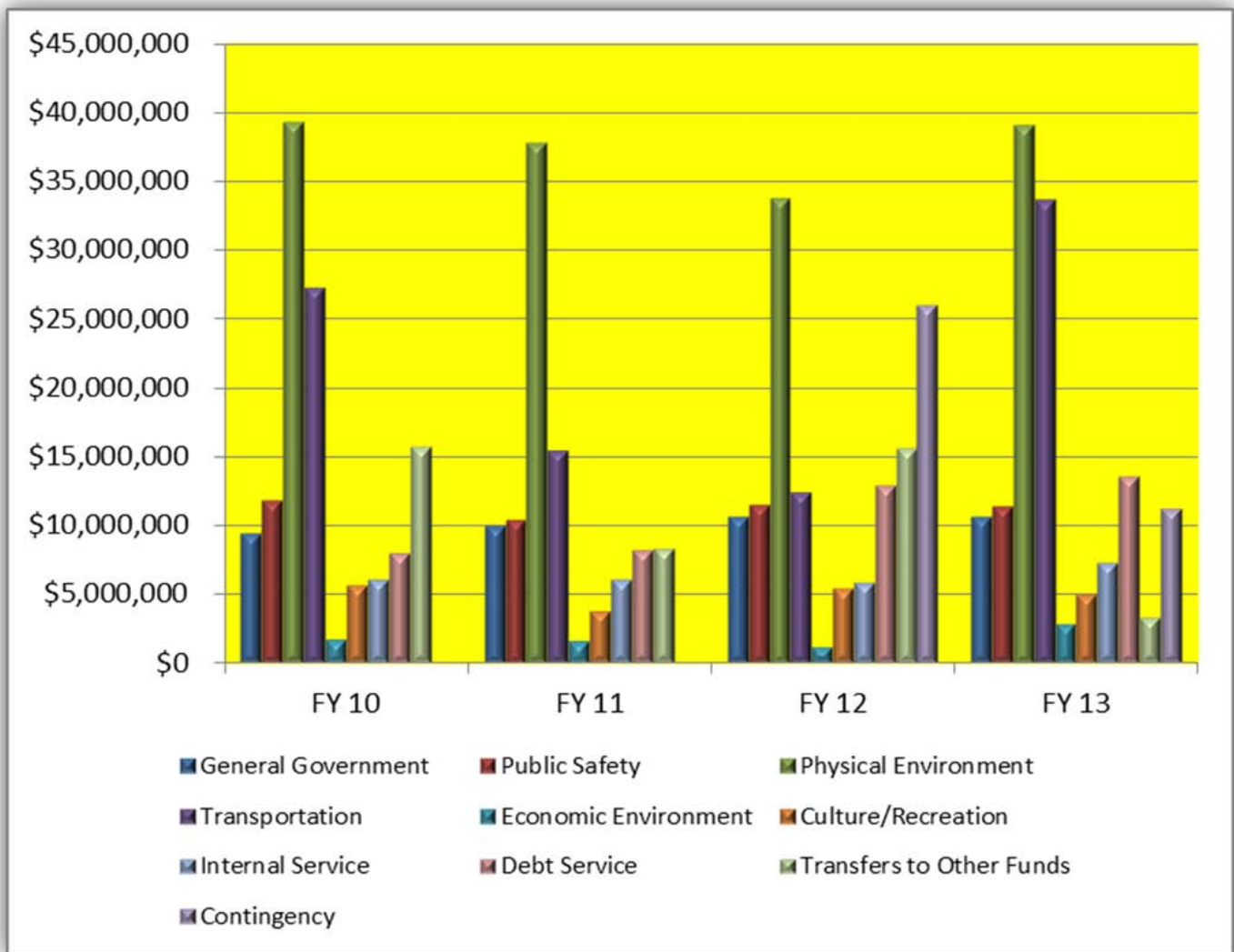


Expenditures by Function

FUNCTION	Actual FY 10	Actual FY 11	Projected FY 12	Proposed FY 13
General Government	\$9,338,529	\$9,900,985	\$10,551,360	\$10,584,363
Public Safety	11,809,868	10,367,343	11,388,151	11,282,695
Physical Environment	39,230,751	37,778,831	33,729,568	39,001,662
Transportation	27,206,177	15,412,473	12,390,735	33,656,189
Economic Environment	1,652,210	1,602,199	1,185,000	2,833,500
Culture/Recreation	5,602,631	3,753,008	5,339,885	4,903,700
Internal Service	6,029,861	5,992,619	5,818,333	7,239,393
Debt Service	7,981,573	8,150,489	12,845,249	13,469,717
Transfers to Other Funds	15,677,481	8,273,148	15,510,863	3,304,018
Contingency	-	-	25,912,460	11,213,712
TOTAL	\$124,529,081	\$101,231,095	\$134,671,604	\$137,488,949
Less: Interfund Transfers	\$21,784,168	\$14,414,436	\$24,445,559	\$12,149,815
	\$102,744,913	\$86,816,659	\$110,226,045	\$125,339,134



Expenditures by Function



Personnel by Department

DEPARTMENT	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROPOSED	CHANGE
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	
GENERAL FUND							
Mayor and Council	-	-	-	-	-	-	-
City Manager	3.50	3.50	3.00	2.00	2.00	2.00	-
Community Relations	6.00	6.00	3.50	2.38	2.38	1.50	(0.88)
Purchasing and Contracts Management	5.00	5.00	5.00	4.00	4.00	4.00	-
Economic Development	-	-	2.00	1.25	1.25	1.25	-
City Clerk	4.00	4.00	2.50	1.50	1.50	1.50	-
Human Resources	4.00	3.00	3.00	3.00	3.00	4.00	1.00
Law Enforcement	1.00	1.00	-	-	-	-	-
City Attorney	1.00	1.00	0.50	0.50	0.50	0.50	-
Financial Services	10.00	9.00	9.00	8.00	8.00	8.00	-
Planning	19.00	17.00	16.50	15.15	14.15	14.90	0.75
Code Enforcement	23.00	25.00	25.00	26.30	26.30	26.30	-
Fire	72.00	67.00	67.00	66.00	61.50	59.00	(2.50)
Streets	46.00	50.00	50.30	45.30	45.30	43.30	(2.00)
Facilities Maintenance	3.00	2.00	2.00	2.00	2.00	2.00	-
Parks Maintenance	12.00	12.00	12.00	12.00	12.00	13.00	1.00
Engineering	17.00	17.00	17.45	3.20	6.70	5.95	(0.75)
Recreation	26.80	27.30	25.30	23.90	19.08	19.08	-
Capital Projects	-	-	-	-	-	-	-
TOTAL GENERAL FUND	253.30	249.80	244.05	216.48	209.66	206.28	(3.38)
UTILITY FUND	115.50	115.50	115.20	113.20	115.20	116.20	1.00
SOLID WASTE FUND	-	-	-	-	-	-	-
STORMWATER MANAGEMENT FUND	18.00	30.00	29.55	35.55	30.05	30.05	-
BUILDING PERMITS & INSPECTIONS	24.00	20.00	18.00	15.40	15.40	13.40	(2.00)
TENNIS CENTER FUND	3.00	3.00	4.00	-	-	-	-
INFORMATION TECHNOLOGY AND COMMUNICATIONS	14.50	14.50	14.50	12.50	12.50	12.50	-
FLEET MANAGEMENT FUND	3.00	3.00	3.00	3.00	3.00	4.00	1.00
FULL-TIME EQUIVALENT POSITIONS	431.30	435.80	428.30	396.13	385.81	382.43	(3.38)

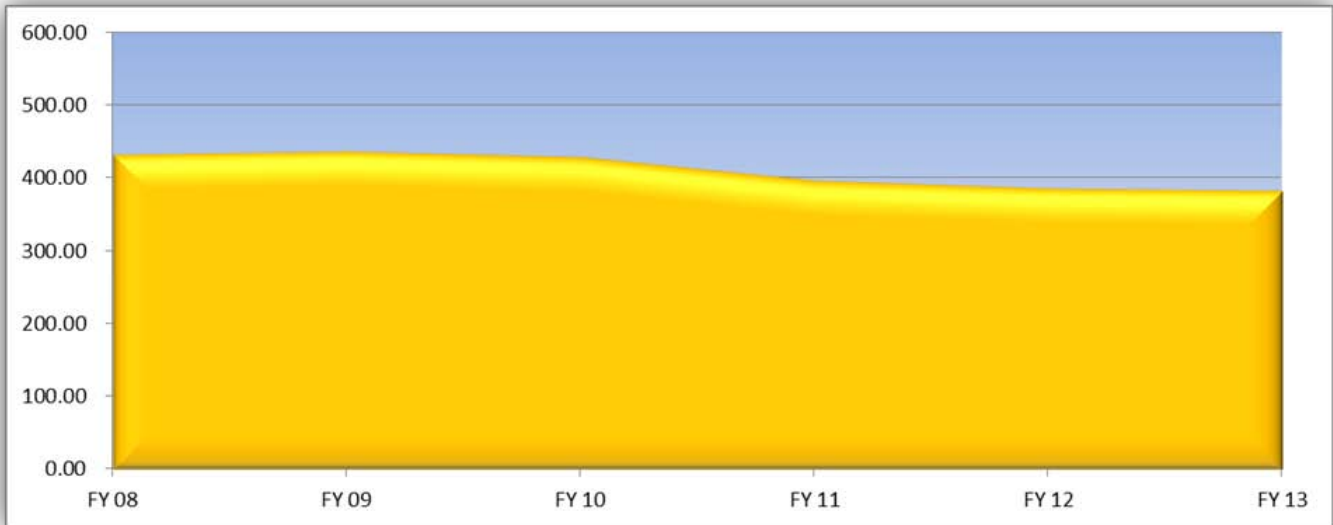
Personnel by Department

Per 1,000 Population

DEPARTMENT	ACTUAL FY 08	ACTUAL FY 09	ACTUAL FY 10	ACTUAL FY 11	ACTUAL FY 12	PROPOSED FY 13
Population	74,590	73,910	74,067	75,180	75,617	76,450
GENERAL FUND						
Mayor and Council	-	-	-	-	-	-
City Manager	0.05	0.05	0.04	0.03	0.03	0.03
Community Relations	0.08	0.08	0.05	0.03	0.03	0.02
Purchasing and Contracts Management	0.07	0.07	0.07	0.05	0.05	0.05
Economic Development	-	-	0.03	0.02	0.02	0.02
City Clerk	0.05	0.05	0.03	0.02	0.02	0.02
Human Resources	0.05	0.04	0.04	0.04	0.04	0.05
Law Enforcement	0.01	0.01	-	-	-	-
City Attorney	0.01	0.01	0.01	0.01	0.01	0.01
Financial Services	0.13	0.12	0.12	0.11	0.11	0.10
Planning	0.25	0.23	0.22	0.20	0.19	0.19
Code Enforcement	0.31	0.34	0.34	0.35	0.35	0.34
Fire	0.97	0.91	0.90	0.88	0.81	0.77
Streets	0.62	0.68	0.68	0.60	0.60	0.57
Facilities Maintenance	0.04	0.03	0.03	0.03	0.03	0.03
Parks Maintenance	0.16	0.16	0.16	0.16	0.16	0.17
Engineering	0.23	0.23	0.24	0.04	0.09	0.08
Recreation	0.36	0.37	0.34	0.32	0.25	0.25
Capital Projects	-	-	-	-	-	-
TOTAL GENERAL FUND	3.39	3.38	3.30	2.89	2.79	2.70
UTILITY FUND	1.55	1.56	1.56	1.51	1.52	1.52
SOLID WASTE FUND	-	-	-	-	-	-
STORMWATER MANAGEMENT FUND	0.24	0.41	0.40	0.47	0.40	0.39
BUILDING PERMITS & INSPECTIONS	0.32	0.27	0.24	0.20	0.20	0.18
TENNIS CENTER FUND	0.04	0.04	0.05	-	-	-
INFORMATION TECHNOLOGY AND COMMUNICATIONS	0.19	0.20	0.20	0.17	0.17	0.16
FLEET MANAGEMENT FUND	0.04	0.04	0.04	0.04	0.04	0.05
FULL-TIME EQUIVALENT POSITIONS	5.77	5.90	5.79	5.28	5.12	5.00

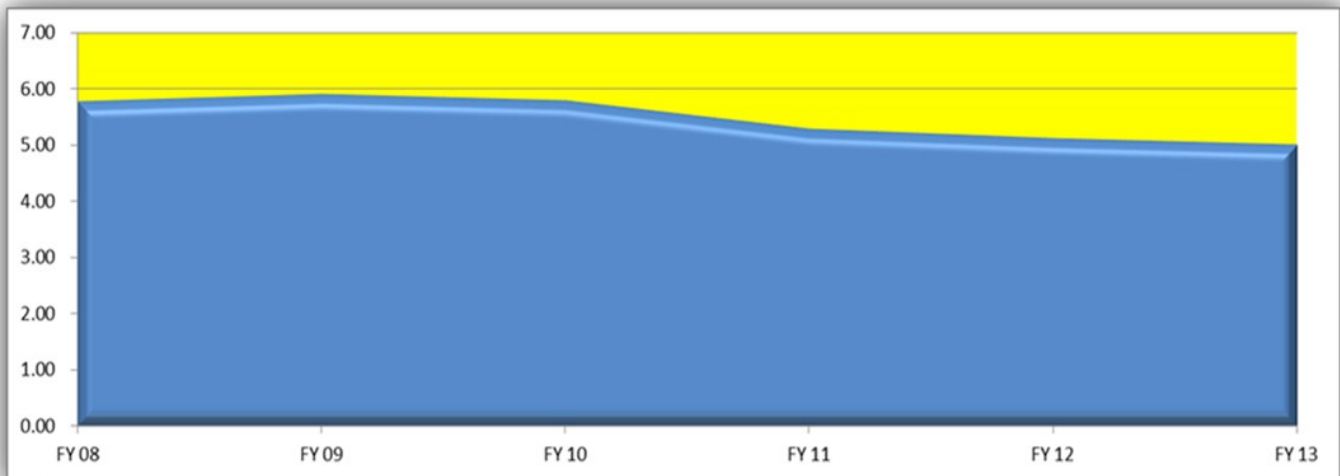
Personnel

Total



The number of City personnel (full time equivalent) has seen a decrease of approximately 12% since fiscal year 2008 from 431 in 2008 to 382 in 2013.

Per 1,000 Population



The number of City personnel (full time equivalent) per 1,000 citizens reflects a decrease from 5.77 in fiscal year 2008 to 5.12 in fiscal year 2012.

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). 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 was no pay plan annual adjustment for 2012

Because of the weak economy and declining revenues, there were no merit increases for

fiscal year 2011 or 2012. Included in this budget for 2013 is the reinstatement of both the annual adjustment and merit increase program.

The annual adjustment reflected in the table below is 1.7%, and will go into effect on January 1, 2013. Merit increases, based on employee performance, range from 0% to 5%, with a department average capped at 2%.

Below is the pay scale for fiscal year 2013. 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.

Paygrade	2013 Minimum	2013 1st Quartile	2013 Mid-Point	2013 3rd Quartile	2013 MAX
2	22,432	25,230	28,029	28,404	33,626
4	24,729	27,811	30,892	31,305	37,053
5	26,043	29,252	32,462	32,897	38,880
6	27,356	30,745	34,134	34,591	40,913
7	28,669	32,238	35,807	36,286	42,946
8	30,092	33,840	37,589	38,092	45,087
9	31,279	35,208	39,136	39,659	46,993
10	32,795	36,928	41,062	41,610	49,331
11	34,418	38,757	43,096	43,672	51,775
12	36,150	40,694	45,239	45,843	54,329
13	37,990	42,766	47,541	48,176	57,093
14	40,695	45,805	50,914	51,594	61,134
15	43,509	48,979	54,447	55,175	65,386
16	46,541	52,394	58,080	58,858	69,957
17	49,787	56,052	62,317	63,149	74,847
18	53,250	59,952	66,653	67,543	80,056
19	57,039	64,202	71,366	72,319	85,693
20	61,044	68,695	76,346	77,367	91,649
22	73,815	83,084	92,353	93,587	110,891
23	81,176	92,729	104,283	115,837	127,880

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 debt 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 09/30/12
Lease Purchases	2019	\$ 764,145	\$ 273,157
Bank Loans	2025	13,000,000	11,702,000
State Revolving Fund Loans	2030	38,402,896	29,198,491
Utility System Revenue Bonds	2036	146,490,000	129,690,000
Totals		\$ 198,657,041	\$ 170,863,649

Total Long-Term Debt

Year	Principal	Interest	Total
2013	\$ 4,982,124	\$ 7,118,968	\$ 12,101,091
2014	6,018,770	6,920,230	12,939,000
2015	6,201,545	6,684,404	12,885,950
2016	6,421,519	6,444,751	12,866,271
2017	6,647,140	6,190,477	12,837,618
2018-2022	37,346,754	26,564,941	63,911,695
2023-2027	40,682,170	18,221,749	58,903,919
2028-2032	37,103,626	9,592,569	46,696,195
2033-2037	25,460,000	1,559,513	27,019,513
Totals:	\$ 170,863,649	\$ 89,297,603	\$ 260,161,251



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