



# City of Palm Coast

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## Meeting Minutes City Council Workshop

*Mayor Jon Netts*  
*Vice Mayor Bill McGuire*  
*Council Member Jason DeLorenzo*  
*Council Member David Ferguson*  
*Council Member William Lewis*

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**Tuesday, April 9, 2013**

**9:00 AM**

**Council Conference Room**

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>Other matters of concern may be discussed as determined by City Council.

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### **A. Call to Order**

*Mayor Netts called the meeting to order at 9:00 a.m.*

### **B. Pledge of Allegiance to the Flag**

### **C. Roll Call**

**Present:** 5 - Mayor Netts, Vice Mayor McGuire, Council Member DeLorenzo, Council Member Ferguson, and Council Member Lewis

### **D. PRESENTATIONS**

#### **1 [13-67](#) PRESENTATION OF THE ANNUAL INVESTMENT REPORT.**

*Mr. Landon gave a brief overview of this matter. Mr. Chris Quinn, Finance Director, and Mr. Scott Stitch of PFM Asset Management, LLC, the City's investment advisor, gave a PowerPoint presentation (attached to these minutes).*

*Summary of Investments slide:*

*VM McGuire - What does \$26,300 in gains on sales mean, sales of what? Mr. Stitch - Different securities that are held in the portfolio; it is an actively managed portfolio; we will sell and invest in another security if we see a better value.*

*VM McGuire - Is the \$26,300 part of the \$210,444? Mr. Stitch - It is not, the \$210,444 is strictly the income you receive on the securities that you hold and the \$26,300 is the active management in the core portfolio; the other portfolios tend to be more buy*

and hold.

VM McGuire - Where do the interest earnings go? Mr. Quinn - This is a pooled account so each fund has some portion of the fund in available cash so the interest gets allocated into each fund.

Investment Portfolio Total Return Performance slide:

Mayor Netts - How is the benchmark selected? Mr. Stitch - It was before his time, but back in 2005 when the decision was made to actively manage these assets, they tried to select a benchmark that reflects the type of securities that are going to be held in the portfolios; investments that are going to do a good job; reflects the securities that you are going to utilize and duration of the portfolio.

VM McGuire - Who puts the benchmarks together; is it like Dow Jones Industrial averages? Mr. Stitch - Similar, Merrill Lynch in this case is responsible for the benchmark. Mr. Quinn - At the time when this particular portfolio was established, we looked at what the closest benchmark to how we were going to invest was and that is what this one is. We really have three different sub-accounts here: Investment Portfolio which is our longer term (with utility deposits for our customers and things of that nature go into this fund); Short Term Portfolio which is when we have excess cash during the course of the year (we get most of our tax money mostly upfront - that is what is in this fund and we work it down over the course of the year); and the DSRF Portfolio is our debt service reserve fund which is for the bonds that we've talked a lot about (that is where the \$6.2 mil. dollars for the utility bonds and the \$3 mil.+ for the other utility bond issue because of the downgrade of credit ratings); each one of those is invested differently because the need and potential use of those accounts.

Mayor Netts - We do daily sweeps of accounts? Mr. Quinn - No we don't have that kind of set up, we move it into the daily account as soon as it becomes available.

Investment Portfolio - Asset Allocation slide:

CM Lewis asked about the reduction to 35% in Federal Agency Obligations. Mr. Stitch - We look at everything on a relative basis, relative value and that relative benchmark is usually treasuries; right now agencies aren't offering what we consider a great value over treasuries; the spread/income they offer over treasuries, we feel, doesn't warrant taking on that additional risk that agencies pose.

CM Lewis - Federal budgetary reasons? Mr. Stitch - That has to do with it; Fannie Mae, Freddie Mac, a lot of mortgage-driven securities, etc.

CM Ferguson - Is it yield driven and risk associated with the yield? Mr. Stitch - Exactly, that is what we mean by relative value. Mr. Quinn reminded Council that the Florida Statutes require us to look at safety and principal first, also liquidity and then return.

CM Ferguson - These figures are all prior to fees, correct? Mr. Stitch - That is correct.

CM Ferguson - Do you have anything on the fees? Mr. Stitch referred to page 3 of the presentation; core assets the fee is 8 basis points (.08%) on the first \$25 mil. of assets and above \$25 mil. (we are not there yet) would be .07%; for your short term assets and your bond proceed portfolio is a flat 5 basis points (.05%).

CM Ferguson - How does that compare to other asset management companies is

there a benchmark for fees? Mr. Stitch believes it is a competitive fee, but he doesn't know the other firms' fees. Mr. Quinn - Last time we went out to bid, they were chosen because they were lowest or one of the lowest.

*DSRF Portfolio - Asset Allocation slide:*

CM Lewis - When Freddie Mac and Fannie Mae get restructured, what do we do? Mr. Stitch - They are going through that process now; they are not issuing as much debt and supply is becoming a greater issue, but no concern to us at this point. When the day comes, we'll look for some other high quality securities.

Mayor Netts - In this presentation it mentions these are all in accordance with State guidelines, how long have these State guidelines been in place and how does this reflect on the fiasco with the SBA (State Board of Administration) Fund B; why didn't they follow their own good advice? Mr. Quinn - Can't really answer that question.

Mayor Netts - Have we gotten a distribution from the SBA Fund B recently? Mr. Quinn - We get a distribution from the B Fund every month; we're up to recovering 91.3% of our B Funds that were frozen back in 2007.

*Monthly Compliance Chart - All Investments slide (not just what is invested with PFM):*

CM Lewis - Why do we have that much money in our bank account? Mr. Quinn - Because the short term interest rates are so low right now our bank is actually crediting us .03% on our money in the bank, which is at, or slightly above, what the short term market rates are so it's not real interest; it's an interest credit that we can use to pay our bank fees. It's an unusual situation the last year, where the bank was giving better short term rates than you can get in the market.

VM McGuire - What are our investment goals? Mr. Quinn - Number one goal is safety of principal, and then trying to do the best we can to reinvest the money the City has to generate income to help fund all of our operations.

CM Ferguson - Is the capital the same (as in the past when earning \$1 mil. in interest per year)? Mr. Quinn - No, the pot was bigger up to \$60 mil. at one point 5-6 years ago; at the height of the impact fee collections.

VM McGuire - We're talking about coming up with ways to fund capital projects for our utility as well as other departments, and this money isn't earmarked yet, is that correct? Mr. Quinn - \$10 mil. of it is for debt service reserve (money set aside because of the bond insurer), but when we refinance the 2003 bonds the goal is to recover about \$6.5 mil. to be able to put back into our capital improvement program. He gave the breakdown of the different uses for the \$25 mil.+ (\$3 mil.+ is utility customers' deposits and their earned interest and \$2 mil. disaster reserve, etc.).

CM Ferguson - Is there a turnover of that fund (utility deposits)? Mr. Quinn - Yes, if you ask for it (it's held for two years); a lot of people think of it as emergency funds to pay their utility bills.

VM McGuire - How volatile is this in comparison with the stock market? Mr. Stitch - Probably in a positive way especially if equities go down there is what we call a flight to quality and this is a high quality portfolio mainly in treasuries and agencies; definitely not as volatile as the equity markets.

CM Lewis - How much of our money we are investing goes to foreign investments?

Mr. Stitch - None.

CM Lewis - Where would we go when the bank starts dropping their interest rates?

Mr. Quinn - PFM would analyze the market and the best place to go, but it would be within the allowed investment types in our policy.

CM Lewis - When do you get the quarterly reports; could you send them (to Council)?

Mr. Quinn - Yes, we'll get them distributed.

**The Presentation was Received and Filed.**

**2**      [13-98](#)

**PRESENTATION OF FIRE TRUCK STATUS**

Mr. Landon gave a brief overview of this item. Fire Chief Mike Beadle gave a PowerPoint presentation (attached to these minutes).

Mayor Netts - Trucks get beat up on EMS (Emergency Medical Service) calls, rather than fires, is that a fair statement? Chief Beadle couldn't argue with that. Mayor Netts is still looking for EMS to respond with different vehicles than pumper trucks. Chief Beadle stated we are running the jump trucks when we have full staff.

CM Ferguson - What is the accounting of the hours for a frontline versus backup (trucks); how many hours? Chief Beadle - Currently, (the backups are used) a third to half the time the main truck is used.

VM McGuire is looking for cost justification; this is the unit that we want to replace and the cost to rebuild this unit is this, etc. Chief Beadle will provide Council with figures.

VM McGuire - Who does the maintenance? Chief Beadle - As much as we can, in-house or Public Works; the pump we take to certified people.

VM McGuire - Do you have a spreadsheet that shows how much maintenance costs you have put in for this equipment? Chief Beadle - We have that information and will get it to Council.

VM McGuire asked if they looked at the replacement cost, maintenance cost, etc., and determined that replacement is the best way to go. Chief Beadle stated they are having a hard time finding replacement parts for the 1976 truck.

VM McGuire - Where do you go to buy another fire truck? Chief Beadle - There are 52 truck manufacturers in the United States; we'll put it out to bid and we usually get 5-6 responses.

CM Ferguson - The fact that they're open (backs of trucks) violates a safety standard? Chief Beadle - Standards are always changing; emission controls, sound, etc.; they're not allowed to ride on the backs of trucks anymore.

CM Ferguson - What is the price tag? Chief Beadle - We budgeted \$380,000 but are looking at in the neighborhood of \$350,000.

VM McGuire - You are going to bring a cost analysis? Chief Beadle - Yes.

VM McGuire - What do you do with the old truck? Chief Beadle - It goes to auction; some interested are collectors.

CM Ferguson - What do you get for it? Chief Beadle - A collector may give

\$15,000-\$20,000.

CM Ferguson - Are you going to look for a vehicle that uses compressed natural gas (CNG)? Chief Beadle - There are all kinds of issues out there; one of the new EPA (Environmental Protection Agency) standards is "regen" on the engines; it regenerates and burns off the exhaust but they are having a lot of problems with it.

VM McGuire stated that by the time they get the unit, Waste Pro will be ready with their CNG facility and have already said we could use it. Chief Beadle didn't know of any department that has them and wasn't sure whether or not they make them but agreed certainly worth looking at.

Mayor Netts - Are we still delivering fuel to the north station? Chief Beadle stated the different stations getting fuel delivered and how it works very well. Mr. Landon mentioned the cooperative of the school district for delivery of fuel.

Mayor Netts - You will come back with some spreadsheets for Council? Chief Beadle - Yes.

VM McGuire asked Chief Beadle to note on the spreadsheet(s) which maintenance/repair items are taken care of by City staff and which are outsourced.

**The Presentation was Received and Filed.**

## E. WRITTEN ITEMS

- 3 [13-100](#) RESOLUTION 2013-XX APPROVING AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF PALM COAST AND FLAGLER COUNTY FOR THE PALM COAST PARKWAY 6-LANING PROJECT.

**Attachments:** [Resolution IA PC Pkwy 6 Laning](#)  
[IA FC PCP Redline](#)  
[Interlocal Agreement Palm Coast Corridor FINAL](#)

Mr. Landon gave a brief overview of items 3-4. Mr. Carl Cote, Construction Manager, was available for questions.

CM Lewis - On the first one, we have oversight or the County? Mr. Landon - We would.

VM McGuire - Is there any question that the Matanzas Woods overpass/interchange to I-95 would not happen; can we get out of this disaster? Mr. Landon - It's fully funded (FDOT- Florida Department of Transportation grant funds) by the State and is moving forward; he doesn't see the project dying.

CM Ferguson asked about 2018 and the timetable for these projects. Mr. Cote - 2018 (fiscal year) is construction of the first segment of Old Kings Rd. extension (Forest Grove to Matanzas).

CM Ferguson - Interchange, what is the timetable for that? Mr. Cote - Construction funding is 2015, so he believes next summer.

Mayor Netts - The County is still holding transportation impact fee funds (allocated for the City); are any of those funds being used for this? Mr. Landon - That is the fourth

agreement that Council will see shortly, we're in final draft stages of that agreement, the County has agreed to have those monies turned over to the City for the Palm Harbor extension.

Mayor Netts - FDOT won't fund Palm Harbor? Mr. Landon - That is off their system, but it is very critical in getting the traffic off of Old Kings Rd. and Forest Grove.

Mayor Netts spoke of the young woman that was struck and injured on Matanzas Woods Pkwy., and she's been lobbying for traffic control from that exit of Matanzas High School; he stated with Old Kings Rd. extension that will put more traffic in the area and asked what provisions are being made for that rear/side entrance from the high school onto Matanzas Woods Pkwy. Mr. Landon stated Matanzas Woods Pkwy. is actually a County jurisdiction. Mr. Cote mentioned the different segments of the Matanzas Woods interchange project and that area was being looked at in the third phase of the project.

Mayor Netts would like staff to contact the County about signage, flashing lights or something in that area.

CM DeLorenzo - Won't there be a light there at the extension of Old Kings where it meets Matanzas? Mr. Cote - The first phase stops there; eventually there would be; they are in the design phase now; traffic count will affect it; he will have to check.

**The Resolution was Continued.**

Enactment No: R2013-27

4      [13-102](#)

RESOLUTION 2013-XX APPROVING AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF PALM COAST AND FLAGLER COUNTY FOR THE OLD KINGS ROAD EXTENSION PROJECT.

**Attachments:**      [Resolution IA OKR Extension Project](#)  
[IA FC OKR Extension Redline](#)  
[Interlocal Flagler OKR EXTENSION FINAL](#)

*This item was discussed in item 3.*

**The Resolution was Continued.**

Enactment No: R2013-28

5      [13-103](#)

RESOLUTION 2013-XX APPROVING AN INTERLOCAL AGREEMENT BETWEEN THE CITY OF PALM COAST AND FLAGLER COUNTY FOR THE OLD KINGS ROAD WIDENING PROJECT.

**Attachments:**      [Resolution IA OKR Widening Project](#)  
[IA FC OKR Widening Redline](#)  
[Interlocal Flagler Old Kings Road WIDENING FINAL4-15](#)

*This item was discussed in item 3.*

**The Resolution was Continued.**

Enactment No: R2013-29

**6**      [13-96](#)      RESOLUTION 2013-XX RENEWAL OF CONTINUING SERVICE AGREEMENTS FOR GRANT COMPLIANCE ASSISTANCE.

**Attachments:**      [Resolution-Renew Grant Services Admin.Agrmts.](#)  
                                  [Fred Fox Contract Summary](#)  
                                  [Guardian Community Resource Mgmt Contract Summary](#)

*Mr. Landon gave a brief overview of this item.*

*No Council comments.*

**The Resolution was Continued.**

Enactment No: R2013-30

**F.      DISCUSSION BY CITY COUNCIL OF MATTERS NOT ON THE AGENDA**

*Mayor Netts received an email about the closing of the dog park at Wadsworth for Parvovirus; do we need to make a public service announcement? Mr. Landon responded to that email and he will copy Council; it's really a dog-owner responsibility. It's a County park and they're taking steps and being cautious.*

*There was a discussion about how this virus is transmitted and how it is hard to avoid if an infected dog is in a park, etc.*

*Mayor Netts stated it would be a good idea to make a public service announcement related to this issue.*

**G.      DISCUSSION BY CITY ATTORNEY OF MATTERS NOT ON THE AGENDA**

*No comments by City Attorney.*

**H.      DISCUSSION BY CITY MANAGER OF MATTERS NOT ON THE AGENDA**

*Sales tax numbers were distributed to Council; up 5% from last year; Flagler County is up overall; very positive. We're seeing 15-20 single-family home building applications come in and the Planning Division is seeing more activity with platting, etc.*

*Flagler County has agreed to help sponsor the Business Assistance Center/BAC Expo this year to show their support; cooperative effort.*

*Friday and Saturday, April 12 and 13, is Rock-N-Rib Fest.*

**I.      ADJOURNMENT**

*The meeting was adjourned at 10:28 a.m.*

*Respectfully submitted,  
 Barbara Redline*

[13-97](#)      CALENDAR/WORKSHEET

**Attachments:**    [Calendar](#)  
                              [Worksheet](#)

[13-105](#)

ATTACHMENTS TO MINUTES

**Attachments:**    [1-Annual Investment Performance Review 040913](#)  
                              [2-2013 Fire Truck Replacement](#)