



City of Palm Coast

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Meeting Minutes City Council Workshop

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

Tuesday, February 25, 2014

9:00 AM

Council Conference Room

>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 DeLorenzo, Council Member Ferguson, Council Member Lewis, and Council Member McGuire

D. PRESENTATIONS

1 [14-47](#) PRESENTATION OF THE ANNUAL INVESTMENT REPORT

Attachments: [Annual Investment Performance Review 12-31-13](#)

Mr. Landon gave a brief overview of this item. Mr. Chris Quinn, Finance Director, introduced Mr. Scott Stitcher with PFM Asset Management Inc., our investment advisor, who gave a PowerPoint presentation which is attached to these minutes.

Summary of Balances slide:

CM Lewis - The market value December 2012 and December 2013, the difference is \$ 6 mil.; is that the reserve that we moved? Mr. Quinn - Yes, for the debt service fund. Mr. Stitcher - Correct, you will note a decrease in the Short Term Fund and the

Debt Service Reserve Fund as well as the those assets actually moved into the investment portfolio; they account for the \$10 mil. increase that is in the investment portfolio.

Summary of Investments slide:

Mayor Netts - What is the benchmark? Mr. Stitcher - Merrill Lynch 1-3, shown on the next slides.

CM McGuire - Is the value difference a reflection of the performance of the City's investment or lack of performance by Merrill Lynch? Mr. Stitcher - We try to pick a benchmark that is very similar in maturity, duration and structure as to your portfolio.

CM McGuire - Did we do good or did Merrill Lynch do bad? Mr. Stitcher - Florida Statutes state that the most important thing a municipality is to do, is to protect principal; provide liquidity, followed by return. The City did just that over the course of the year; protected principal with a positive return during a difficult year; markets were quite volatile May to December. He wouldn't say Merrill Lynch had a good or bad year; it had a positive year in what was a challenging fixed-income environment to generate return especially on short duration.

Investment Portfolio Total Return Performance:

Mayor Netts - .37/.36% is that net of your fees? Mr. Stitcher - It is gross; pull off our fees and it would be underperforming the benchmark.

CM Ferguson - If you were to select 5-6 other benchmarks besides Merrill Lynch would they differ materially? Mr. Stitcher - It would depend on the maturity.

CM Ferguson - Based on the same duration? Mr. Stitcher - There really aren't a lot of other benchmarks out there and he spoke of some of the other options. We believe this Merrill Lynch benchmark is a good one for the City. Mr. Quinn - That was the only one that was close to what we are actually doing.

Investment Portfolio - Asset Allocation slide:

CM Lewis - Money in commercial paper? Mr. Stitcher - We made a \$500,000 investment there; allows a little more yield and very liquid.

Investment Portfolio - Credit Quality slide:

CM Lewis - AA+ in 2012 and then the distribution in 2013, can you explain that? Mr. Stitcher - You made an enhancement to your investment policy which allowed you to further diversify and allowed us to go into some different asset classes and credit ratings than what were previously allowed.

CM Lewis - Coca cola is a AA-? Mr. Stitcher - Yes, Coca Cola is a AA- rated by S&P (Standard & Poor).

VM DeLorenzo - Last year, we were only allowed to invest in AA+ and we changed the policy so we can invest in AA- because of the change in economy and downgrading, etc.; they are still quality companies but they were downgraded and we don't want to miss those opportunities, right? Mr. Stitcher - Absolutely.

Investment Portfolio - Maturity Distribution slide:

CM Lewis - When did the inception begin? Mr. Stitcher - 9/30/2005.

Short Term Portfolio - Asset Allocation slide:

CM Lewis - On the A-1 short term 2013 and 2012, can you explain that again? Mr. Stitcher - These are snapshots at the end of the years 2012 and 2013; at the end of

2012 we had 52% in commercial paper and another 48% in U.S. treasuries/securities (double AA+ rating there). We look at the relative value when we make a security decision; end of 2013 only commercial paper. A-1 and A-1+ are the highest credit ratings for short term paper and are allowed by the City's investment policy.

Utility System Portfolio - Maturity Distribution slide:

CM Ferguson - If you had 75% of the money that was needed projected for the 12 months, by the end of 2014 then the \$19.9 mil. will be reduced by 75%? Mr. Stitcher - Yes, correct. Mr. Quinn - e is looking at the far end of the range; 6 months from now 50%; a year from now another 25% and a further year from now 25%.

CM Ferguson - So we think we are going to spend half of the \$20 mil. in the Utility Fund? Mr. Quinn - Yes, within the next year; the Zero Liquid Discharge (ZLD) project is about \$10 mil.

CM Ferguson - If we were to project where the Utility Fund would be 12/31/14, it would be \$10 mil. or less? Mr. Quinn - Probably \$10 mil.

December 31, 2013 Compliance Chart - All Investments slide:

CM McGuire - How does our investment portfolio compare to other comparable cities? Mr. Stitcher - You are very much the norm; not taking on any additional risk; your policy limits are similar to a lot of his clients.

CM McGuire - Our investment policies are sound? Mr. Stitcher - Yes.

CM Ferguson asked about interest earnings; he is curious about the figures for 2013 and projected for 2014. Mr. Stitcher can get that to Council broken down by portfolio (for 2013). They do not like to project earnings for the future with changing markets, etc. It should be safe to say that your income would be in line with 2013; interest rates are rising, so you should be able to pick up some additional income. He referred back to page 3 of the presentation (Summary of Investments), which has \$391,760 in interest earnings for all four portfolios for calendar year 2013; \$135,000 of that is the Investment Portfolio alone.

CM Ferguson - What about the Florida Prime and the bank account? Mr. Quinn - The Florida Prime is now .2% which is the SBA. The bank account doesn't have interest earnings, it has an earnings credit which offsets our bank fees; that is at .25% which we use it up. We are extremely conservative with the money.

CM Ferguson - Total in interest earnings in 2012? Mr. Stitcher - He will have to get that figure to Council; we will add that to the presentation.

Mayor Netts - What is the State's plan (regarding the SBA Fund), eventually we hope to recoup all principal in the B Fund and then that goes away and they will be more cautious? Mr. Quinn - The State hired a management firm to run the prime fund; separate and independent. To date we have over 95% of the B Fund recouped.

Mayor Netts - Any timeline projection? Mr. Quinn - No, there was some talk that when we got to the point with the remaining balance that the market value was actually higher than the initial investment value, they might just sell it and cash everybody out; we're kind of at that point now; market values are actually higher than the money that we have in there but he will probably hear more about it this summer at the GFOA (Government Finance Officers Association) conference because the Prime people will be there to get some more insight.

CM Ferguson - Can we project balances based on our spending expectations? Mr.

Quinn - Debt service reserve won't really be affected this coming year; Short Term Fund - he didn't know; Investment Portfolio - based on cash flow, may actually go up this year.

CM Ferguson - How does cash flow and spending affect Florida Prime and bank account (pg. 2)? Mr. Quinn - Bank account - most of our property taxes come in December, since then the money has been deployed to where it needs to go; Short Term Fund and Florida Prime to get real interest on it; real short term stuff like our bond payments must be paid: April 1st \$4-5 mil. payment and October 1st closer to \$6 mil., so he is looking ahead to make sure we have the funds.

The Presentation was received and filed.

2 [14-59](#)

RESOLUTION 2014-XX APPROVING THE AUDITOR SELECTION PROCEDURES

Attachments: [Resolution-Auditor Selection Procedures](#)
 [Exhibit A COPC Auditor Selection Process](#)

Mr. Landon gave a brief overview of this item. Mr. Quinn gave a PowerPoint presentation (attached to these minutes).

CM McGuire - How does this differentiate from what we have done up to now? Mr. Quinn - It doesn't, we have been following this process but didn't have it in writing; this is to approve the process by resolution.

CM Lewis - He would assume that our ranking in Florida; we would be a good catch. Mr. Quinn - We don't have a lot of firms nearby so they have to take into account they will have to put up people (auditors) in a hotel for three weeks, costs, etc.

CM Ferguson - How many did we get five years ago? Mr. Quinn - Three and they gave presentations before City Council at a public meeting.

CM Lewis - Didn't we get one from the mid west? Mr. Quinn - Yes, they were a national firm with a branch in Tampa.

CM McGuire - We have people that put out RFQs (Requests for Qualifications), why can't we decide who we want as an auditor? Mr. Quinn - Florida Statutes and it's never a good idea that the one being audited selects the auditor.

CM McGuire - Would you also evaluate how harmonious are they, etc.? Mr. Quinn - Yes.

CM Ferguson - How many years is this proposal? Mr. Quinn - He understands in the industry today the usual is 3-year initial term, with 3-year renewal to get better pricing. You still can change the auditor at any time; it doesn't lock the City Council into using that auditor.

CM Lewis - We are going to be the auditor committee? Mayor Netts - Yes, it should be Council.

VM DeLorenzo - The selection procedure outlined in the item; these approaches, where did we get these from? Mr. Quinn - Florida Statutes, they are very specific. Attorney Reischmann explained this is public money so it is going to be a public process.

The Resolution was Continued.

E. WRITTEN ITEMS**3** [14-60](#) RESOLUTION 2014-XX APPROVING A CONTRACT WITH DYER, RIDDLE, MILLS & PRECOURT, INC., FOR THE DESIGN OF THE OLD KINGS ROAD WIDENING PROJECT

Attachments: [Resolution-DRMP Contract OKR Widening](#)
[Contract Summary - DRMP](#)
[DRMP Fee Schedule](#)
[Presentation Summary - OKR](#)

Mr. Landon gave a brief overview of this item. Mr. Carl Cote, Construction Manager, was available for questions.

CM Lewis - Why 18 months? Mr. Cote - It is a process permitting takes time, drainage analysis, pond setting, wetland delineation, survey work; Florida Department of Transportation (FDOT) is involved so it will take time for their reviews and approvals; each piece takes time.

CM Lewis - The company that performed the design on the middle part of Old Kings Road, this is not the same company? Mr. Cote - No, this is the same firm that worked on Palm Coast Parkway 6-laning design.

CM Ferguson - What is the timing for when we pay for this and then get reimbursed, what is the delay typically? Mr. Cote expressed that usually reimbursements are on a monthly basis; this project involves the County, so we will prepare the reimbursement package to the County and they will be the ones submitting it to FDOT. Mr. Quinn believes it will be approximately 60 days for reimbursement.

CM McGuire - Are you reviewing their progress as they go through this; are you involved with what they are doing? Mr. Cote - Yes, quite involved the whole time. Mr. Landon - There is a whole team that gets involved.

CM Ferguson - How much was the design for the Palm Coast Parkway 6-laning? Mr. Cote believes it was approximately \$1.2 mil.; there are different types of things involved; number of signals, bridge, etc., so it is not a good comparison.

VM DeLorenzo - This is going to be an urban roadway? Mr. Cote - Yes. Landon - Curb, gutter and sidewalks.

CM Ferguson - So, the section from Forest Grove Drive, etc., will be done before this is done? Mr. Landon - Yes.

VM DeLorenzo - 6-laning project, when is the construction dedicated website going to go live? Mr. Cote - It is live now. Mr. Landon - Construction is supposed to start Monday (March 3, 2014).

The Resolution was Continued.

4 [14-64](#) RESOLUTION 2014-XX APPROVING THE BULLDOG DRIVE RIGHTS-OF-WAY MAINTENANCE MAP

Attachments: [Resolution-Bulldog Drive Rights-of-Way Maintenance Map](#)
[Bulldog Drive ROW Maintenance Map](#)

Mr. Landon gave a brief overview of this item.

Mayor Netts - Public domain? City Attorney William Reischmann - It is a maintenance issue, statutorily authorized, your resolution contains reference to the pertinent Statute, Chapter 95; the City has been maintaining this property; if you take this step then it is the same as a dedication.

CM Lewis asked about the piece of land, presumed ownership, etc. Attorney Reischmann explained the history of the property. We ordered a title search; there was a potential ambiguity and fortunately the Florida Statutes allow for this process specifically for right-of-ways for government.

Mayor Netts thinks we can do a better job with signage to indicate that you can enter Bulldog Drive to get to the businesses.

The Resolution was Continued.

5 [14-52](#)

RESOLUTION 2014-XX APPROVING THE FINAL ONE-YEAR CONTRACT EXTENSION OPTION WITH CONNECT CONSULTING, INC., TO PERFORM PROFESSIONAL HYDROGEOLOGICAL ENGINEERING SERVICES

Attachments: [Resolution-Connect Consulting Contract Extension](#)
[Connect Consulting Renewal Letter](#)

Mr. Landon gave a brief overview of this item.

No Council comments.

The Resolution was Continued.

6 [14-37](#)

RESOLUTION 2014-XX APPROVING EXPENDITURES FOR DIRECTIONAL BORING SERVICES FOR RELOCATING AND REPLACING WATER LINES

Attachments: [Resolution-B&B Underground Expenditures](#)

Mr. Landon gave a brief overview of this item.

CM McGuire - These funds in the budget? Mr. Landon - Yes.

CM Lewis - Why the difference between \$75,000-\$80,000? Mr. Landon - We rounded it up; it is on an as-needed basis.

The Resolution was Continued.

Public Participation

In accordance with Section 286.0114 Florida Statutes, any member of the public interested in speaking on any proposition agendaed or that Council discusses or considers during this workshop, will be afforded the opportunity to speak during public participation at the next City Council Business Meeting. Contact the City Clerk's office for the meeting date, time, and location at 386-986-3713 or cityclerk@palmcoastgov.com

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

VM DeLorenzo - Seminole Woods path looks excellent and he was told people are already using it.

VM DeLorenzo - TPO (Transportation Planning Organization) meeting on 2/26/14 and retreat on 2/28/14; he will report back. Mr. Landon stated FDOT has blessed the resolution for reapportionment and then it will be on the way to the Governor to sign; this is important because the TPO is now calling for projects to be considered.

CM McGuire - Do we have voting rights yet? Mr. Landon - No.

VM DeLorenzo - Why reconfirm, do they do this annually, why is it coming back to us? Mr. Landon believes it is because they are getting ready to set priorities and want to be sure they all agree with the process and ranking and how they set their priorities.

CM Lewis - Matanzas Woods Pkwy. and US1, is that FDOT doing construction? Mr. Landon - There is shoulder work in the median just like they are doing south of Bunnell; that would definitely be a contract FDOT is managing. We also have a path going in on Matanzas Woods Pkwy. that is an FDOT (school) grant for safe access to school that is being managed by the County.

CM Lewis - No traffic lighting? Mr. Landon - No, although we have made that request to them recently.

CM McGuire went to the capital projects presentation by the City Manager and stated he did a masterful job; he would like the City Manager to answer the questions about the gas station in Pine Lakes to the media.

CM McGuire asked about the elections this year. Attorney Reischmann stated we have been working very diligently to communicate and gain the cooperation of the Supervisor of Elections (SOE) to conduct the 2014 elections as has been done in the past and he gave the background of the issues. The City of Palm Coast wishes to work with the SOE for the 2014 elections. If she has any additional legal concerns, we would like to work with her.

CM McGuire - What point in time do we have to fish or cut bait? Mr. Landon - It is a bizarre alternative, but we will have to be prepared to if it is necessary.

Mayor Netts stated that the public wanted the change of the elections to even years.

CM McGuire - How much does the SOE charge to do an election? Mr. Landon - This is the first time that we asked to be put on the County ballot; he believes it was slightly under \$60,000.

CM McGuire stated at some point in time if we don't have acknowledgement from the SOE, we will have to have plans in place for the 2014 elections. Mr. Landon

responded we will have to reallocate some staff, get some volunteers, etc.

Mayor Netts - Could this be a monetary issue? Mr. Landon - He really doesn't understand it.

CM Ferguson - There were two letters received regarding damaged tree replacements; free tree giveaway and the requirement to replace a tree that was cited by Code; how many of them were there? Mr. Landon - About 10, the Green Team came up with an idea to give away free trees at two of the firestations, etc. We do have 10-12 homes where the minimum standard of the number of larger trees is now not met. Ms. Carol Mini, Urban Forester, worked out a voucher system with a few local nurseries for planting these "Code" trees, with the City paying for half the cost of the trees, planting and 1-year guarantee for affected homeowners; it will cost the City a few thousand dollars. There will also be trees given away at the Arbor Day event coming up.

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

Attorney Reischmann spoke of the pending litigation which involves the City as a party defendant; the plaintiff is Palm Coast Plantation Homeowners Association. There is a settlement conference coming up; he would like to schedule an executive session with Council on 3/11/14 to discuss the lawsuit and settlement opportunities (per Florida Statutes, under Section 286).

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

Mr. Landon reported on the following:

- Long Creek Nature Preserve is coming along.*
- Bridge rehabilitation.*
- Neighborhood stormwater modeling is going in Sections 35 and 37 (B Section).*
- M3 Weir behind Home Depot area is coming along nicely.*
- Finished with median improvements in west Palm Coast and improvements to the sign.*

CM McGuire - Is there a schedule to put a sign at Matanzas Woods? Mr. Landon - Yes, three: at the interchange when it goes in; widening of Matanzas Woods; and then when we do the path on Lakeview (extension of Belle Terre) which would say "Matanzas Woods." He stated the previous sign was taken down because it was placed on private property by ITT and the property owner decided to remove it (the City did not remove it).

-Seminole Woods path, there is a sign there now that says "Palm Coast;" that sign is going to be changed to a Seminole Woods neighborhood sign (at State Road 100 & Seminole Woods), because the gateway feature at I-95 now has a big Palm Coast sign.

I. ADJOURNMENT

The meeting was adjourned at 10:53 a.m.

*Respectfully submitted,
Barbara Redline*

Attachments: [City Calendar](#)
 [Agenda Worksheet](#)

[14-67](#)

ATTACHMENTS TO MINUTES

Attachments: [Item 1 - Annual Investment Performance Review](#)
 [Item 2 - Auditor Selection Process](#)