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III. FINANCE

ASSESSMENT OF STORMWATER UTILITY FEE ON RIGHT-OF-WAY SUBJECT TO LICENSE TO USE AGREEMENT – Adopted by Council Action February 28, 2002; Amended by

Resolution August 21, 2010 effective Noon, January 10, 2011

1. The stormwater utility fee will apply only to an increase in impervious surface area created by the property owner within the right-of-way that is the subject of the license to use agreement.
2. The stormwater utility fee assessed will be based on the current formula used to calculate the stormwater utility fee including any applicable exemptions.
3. Construction of awnings over existing sidewalks and construction of new sidewalks for public use within the area of the license to use agreement will be exempt from the stormwater utility portion of the license to use fee.
4. The stormwater utility fee will be added to the annual license to use fee of \$250. The fees collected will be deposited into the stormwater utility fund. Fee waivers will not be considered for the stormwater utility portion of the license to use fee.
5. The stormwater utility fee will be assessed on any new license to use agreements and to any renewal of existing license to use agreements. The stormwater utility fee is not retroactive to existing license to use agreements.

DEBT INCURRENCE AND ADMINISTRATION POLICY – Adopted by Council Action
February 22, 1996; Amended August 11, 2005; Amended by Resolution August 21, 2010 effective Noon,
January 10, 2011

The following policy of the City Council covers the incurrence and administration of debt (both short and long term) by the City. It is intended to apply to all situations, except for those normal transactions with vendors, suppliers and service providers (essentially transactions covered by the City's Purchasing Policies) that result in the City incurring debt. It serves as a guide under which new debt may be incurred and existing debt refinanced or repaid. As a part of this policy statement the City Council reserves the right to provide exceptions and waivers when unexpected circumstances justify such exception or waiver.

In approving this policy statement, the City Council acknowledges the importance of debt as a tool in financing needed capital. Judicious use of debt provides an equitable financing method. Projects with long lives (parks, roads, etc.) provide benefits each year to the same citizens who are responsible for providing the funds to meet the debt service requirement on the bonds that financed the original construction/acquisition. Debt is the one financing method that provides that matching of benefit with payment.

- Long-term debt should be used to meet capital needs when such needs cannot be financed from current revenues. Further, it should only be used when adequate funds are likely to be available to meet future debt service requirements.
- The City will not use long-term debt to finance current operations.
- On all debt issuances the City Council will be informed of the nature of the financing and the proposed structure of the financing team. In the instance of a negotiated sale or private placement, City Council will also be informed of the underwriter(s) to be selected and the reasons for the selection.
- Repayment of long-term debt should occur within a time period that does not exceed the estimated useful live (lives) of the project(s) financed. (For multiple acquisition long-term debt, acquisition lives should be measured against principal retirements during the early years.)
- The average life of any long-term debt issuance will not initially exceed 20 years.
- The ratio of general government debt service expenditures to general government total expenditures should not exceed 15 percent (as measured by either the most recent comprehensive annual financial report or the adopted current year budget) except when a proposed borrowing is necessitated to finance reconstruction following emergencies (such as a hurricane or other natural disaster).

- Except for Pensacola Regional Airport whose coverage requirements are established by contracts with the airlines, long-term debt of City enterprises should be maintained at minimum coverages of 130 percent.
- The City will meet full disclosure requirements/needs on all debt issuances. In order to meet our commitment to full disclosure the following will be implemented:
 - The City will annually produce and distribute to interested parties, a "Report to Bondholders", updating information on the City's finances and debt.
 - The Mayor will establish procedures dealing with requests for information about the City's finances and/or debt. The policy should designate a single source for response. Further, information provided as a result of a request, also when appropriate, be provided to the market. Finally, the procedures should provide that whenever a material event occurs, timely notification to the market will be provided.
- The City will maintain good communications with rating agencies and bond insurance companies.
- The City will take advantage of the technical expertise and professionalism of its financing team (financial advisor, bond counsel and disclosure counsel) on all debt issuances.
- Prior to issuing long-term debt, the City shall consider the alternatives of competitive bids, negotiated sales or private placements giving consideration to the following criteria:
 - Is the issue viewed by the market as carrying complex or innovative features and/or requiring explanation as to the bonds' soundness?
 - Are interest rates stable, is market demand strong, and/or is the market able to absorb a reasonable amount of buying or selling without substantial price changes?
 - Does the issue have a non-enhanced credit rating of an A or greater or can a credit enhancement be obtained prior to the sale?
 - Is the debt structure backed by the City's full faith and credit or a strong, known or historically performing revenue stream?

- The following requirements must be met by any applicant for conduit financing:
 - The applicant should submit audited financial statements for its three most recent years.
 - The applicant must pay a fee of not less than \$1,000 to cover the administrative cost of processing the application. In addition, the applicant must pay for a financial review by the City's financial advisor. Applicant must also pay reasonable fees for legal reviews by or for the City.
 - The applicant must agree to include in the bond resolution, provisions that insure adequate disclosure relating to the issuance and all post issuance disclosures (see disclosure requirements outlined above).
- Refunding or advance refunding of outstanding debt can be a valuable tool in reducing annual borrowing costs. Such refundings can be undertaken within the following parameters:
 - The final maturity is not later than that of the refunded issue.
 - The refunding results in present value savings of at least 3 percent. (Present value savings may be used to reduce debt service or fund capital projects.)
 - The refunding itself does not result in net new debt service. (However, a refunding may be combined with issuance of new debt for capital projects.)

The following definitions apply to this policy:

Advance Refunding - When the issue to be refunded cannot presently be retired. Refunding bond proceeds are placed in escrow and the proceeds plus earnings are used to meet debt service on the refunded issue until it can be retired.

Average Life - The point when half of the original principal has been retired as opposed to the final maturity which is the point at which the total original principal has been retired.

Capital - Includes projects, improvements or equipment (individually or related) with a cost in excess of \$50,000 and an estimated useful life of at least 5 years.

Coverage - Net profit plus interest and non-cash charges against net profit divided by average annual debt service
Conduit Financings - Financings issued in the name of the City for which a third party accepts responsibility for payment (for example: industrial revenue bonds, hospital authority bonds).

Current Operations - Includes regular, recurring expenditures for "personal services" and "operating expenses".

Debt - Includes any form of borrowing monies. Bonds, contracts, letters, notes, or lines of credit, etc. are forms of debt. For purposes of this policy, debt does not include normal day-to-day transactions with vendors, suppliers or service providers that result in accounts payable. Debt has two time frames: short-term which is payable in full within one year of incurrence and long-term which has a final maturity beyond one year.

Debt Service - The annual principal and interest payments and service charges required to repay debt.

Market - Includes the Municipal Securities Rulemaking Board and the Nationally Recognized Municipal Securities Information Repositories, as appropriate.

Material Event - An occurrence that when material requires notice to investors. The Securities and Exchange Commission has determined that the following, among others, are such events.

- a. Principal and interest payment delinquencies
- b. Nonpayment related defaults
- c. Unscheduled draws on reserves
- d. Unscheduled draws on credit enhancements
- e. Substitution of credit or liquidity providers, or their failure to perform
- f. Adverse tax opinions or events affecting the tax exempt status of the security
- g. Modifications to rights of security holders
- h. Bond Calls
- i. Defeasances
- j. Matters affecting collateral
- k. Rating changes

FINANCIAL PLANNING AND ADMINISTRATION POLICY – Adopted by Council Action November 18, 1999; Amended 9/13/01; Amended 9/27/01; Amended 9/30/04; Amended 11/6/2006 by Council Action and Resolution; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011; Amended by Resolution September 9, 2010 effective Noon, January 10, 2011; Amended November 18, 2010 by Resolution, effective Noon, January 10, 2011; Amended September 8, 2011 by Resolution.

This policy of the City Council covers the broad topics of financial planning and administration. It serves as a policy guide for the conduct of all financial operations of the City except for those operations covered by other specific policies (example: Debt Incurrence and Administration, Investment or Purchasing). As part of this policy statement, the City Council reserves the right to provide exceptions and waivers when unexpected circumstances justify such exception or waiver.

Accounts Receivable

- The Mayor shall have the authority to write-off uncollected accounts receivable (except for gas and sanitation utility accounts receivable and accounts receivables in which liens have been filed) in individual accounts not greater than \$1,000. Write-off of such accounts in amounts in excess of \$1,000 must be approved by the City Council. Gas and Sanitation uncollectible accounts receivable and uncollectible accounts receivable in which liens have been filed may be written off by the Mayor with the concurrence of the City's external auditor. Adopted 11/18/99; Amended 11/18/10
- The City will not back-bill ESP and Sanitation customers for any period greater than twelve (12) months for any undercharge in billing which is the result of the City's mistake. The Mayor shall establish a program to create and enforce liens on property within the City. The City shall allow the customer to pay the unbilled service over the same time period as the time period during which the under-billing occurred or some other mutually agreeable time period. The Mayor has the final authority on the disposition of billing and collection remedies. Adopted 9/30/04; Amended 9/9/10
- The Mayor shall create a policy for lease agreements to ensure all are reviewed before execution for recording on the City's official records, billing and collections of accounts. Adopted 9/9/10

Budget Policies

- The Mayor annually should prepare and present to City Council, within a time frame that meets TRIM requirements, a budget covering all required funds of the City. Following review, desired modification and the State prescribed public hearings, City Council will approve a final budget. All such budgets shall be balanced with projected opening fund balances, revenues and transfers equaling proposed expenditures, transfers, contingencies and ending fund balances.

Budget Policies (continued)

- Revenue estimates included in the proposed and final budget will be those prepared or concurred with by the Mayor.
- As required by State statute, the City's millage rate shall be established each fiscal year as part of the budget process. As part of the budget process the Mayor shall, in the proposed budget, recommend a millage rate that establishes a balanced budget each fiscal year.
- General Fund's maximum amount of appropriated Beginning fund Balance each fiscal year should be no more than 3 percent of budgeted revenues. *Adopted 11/6/06*
- Recurring expenditures should be financed only with recurring revenues. Nonrecurring/one time revenues (a source that won't be repeated or one that is higher than normal because of weather or other issues beyond the City's control) should be used only to finance non-recurring expenditures and/or maintain or increase reserves.
- The City's annual budget shall conform to the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation program requirements and shall be submitted for consideration for the award.
- The budget format should include information necessary to establish an adequate base for budgetary control including control over expenditures and positions.
- The budget should be prepared by department or programmatic activity. Within each department or programmatic activity it should be further divided by expenditure categories, personnel services, operating expenses, capital, grants in aid, debt service and non-operating.
- The Mayor shall have the authority to transfer appropriations between expenditure categories and between departments or programmatic activities except that amounts appropriated for capital outlay cannot be transferred to any other expenditure category provided no transfer shall be made from the appropriations that are contrary to Florida law. *Amended 9/9/10*
- It is understood that the citizens of Pensacola are entitled to a return on their investment for the purchase of the natural gas utility from Gulf Power in 1948. However, with the competitive nature of the energy industry the amount of transfer from ESP to the General Fund should be adjusted each year to assure ESP's competitive edge. Long-term, the budgeted transfer should not be more than 15 percent of budgeted ESP revenues. The amount of the transfer will be reported in each fiscal year budget. *Amended 11/6/06*

Capital Assets

- The threshold for assets that will be capitalized, depreciated and reported in the City's annual financial statements will have a value of \$5,000 and a useful life of more than one year. Adopted 9/27/01

Capital Improvement Plan

- Annually, the Mayor shall prepare and present to City Council for approval a comprehensive Capital Improvement Plan (CIP) covering at least 3 years for meeting infrastructure needs. The plan should include all potential funding sources that are available to finance the identified needs. Amended 9/9/10
- The CIP and the more narrowly focused Capital Improvement element of the comprehensive plan should be coordinated to ensure that all capital needs are met.
- Additional operating costs associated with any capital project should be identified and funding of the additional costs provided for in the City's annual budget.

Fund Balance Policy (Enterprise Funds)

- The Mayor will develop and present to City Council a reserve implementation plan for each of the City's enterprises. Each plan will provide for no less than a 15 percent operating reserve. A capital reserve will also be established to ensure that ongoing capital and infrastructure needs are adequately met. This policy does not apply to the Airport whose reserve requirements are established by contracts with the airlines. Amended 9/30/04

General Financial Policies

- The City should undertake an annual cost allocation study no less than bi-annually to ensure that all indirect costs are equitably allocated to the various enterprise and other appropriate operations. Amended 9/9/10
- The Mayor shall provide quarterly financial reports explaining and comparing budgeted and actual revenues and expenditures presented to the City Council following the end of each quarter. (Presentation of the comprehensive annual financial report will suffice for the year-end).

General Financial Policies (continued)

- The City's Comprehensive Annual Financial Report (CAFR) will conform to the GFOA's Certificate of Achievement for Excellence in Financial Reporting program requirements and will be submitted for consideration for the award.
- Annually, the city will prepare a revenue manual.
- The Mayor will maintain an effective system of internal administrative and accounting controls. Adopted 9/30/04
- Any request for financial related information, however communicated, shall be promptly forwarded to the Mayor for approval prior to distribution. Adopted 9/9/10
- All executed contracts or issued purchase orders for purchases, including capital and construction purchases, exceeding \$25,000, and all executed contracts for services, excluding employment contracts, exceeding \$25,000, shall be reported to City Council following execution of the contract or issuance of the purchase order. Adopted 9/8/11

Outside Agency Funding

- Grants that equal \$25,000 or more in total expenditures (i.e. grant expenditures plus match expenditures) or involve hiring additional staff will have City Council approval prior to grant acceptance. Acceptance of grants that equal less than \$25,000 in total expenditures will be approved by the Mayor. Adopted 9/30/04; Amended 11/6/06
- Funding to outside agencies, including non-profit organizations and sponsorships, shall be awarded in accordance with City Council's Outside Agency Funding Request Policy and shall require appropriation by the City Council prior to expenditure. Adopted 9/9/10

Revenues and Fees

- The Mayor shall recommend to City Council for approval of the stormwater utility fee each fiscal year as part of the budget process. At the beginning of each fiscal year, an amount equal to budgeted stormwater utility fee revenue will be appropriated in the Stormwater Capital Project Fund for stormwater related capital projects, including stormwater basin master plans, as presented by the Mayor and approved by City Council. At the end of each fiscal year the budget will be adjusted to reflect actual revenue received. Adopted 9/13/01; Amended 9/9/10

Revenues and Fees (continued)

- When the provision of service is predicated on payment of a fee (for example: building inspections), the Mayor should periodically review the relationship between revenues and expenses for services provided and fee should be set a levels sufficient to recover all costs. Fees for other programs (for example: adult or youth softball) should be set at levels that do not discourage participation in the program. The Mayor should present recommendations to City Council for approval. Amended 9/9/10

Services and Contracts

- The City shall utilize the Request for Proposal (RFP) procedure for major banking services. The Banking Services Agreement shall be presented to City Council for approval. Adopted 9/9/10
- The City shall utilize the Request for Qualifications (RFQ) procedure for external audit services. An audit selection committee (appointed by City Council) shall present a recommendation to City Council for approval. Adopted 9/9/10
- Contracts for the City's financial advisor, bond counsel and disclosure counsel shall be presented to City Council for approval. Adopted 9/9/10

FUND BALANCE POLICY - Adopted by Resolution September 9, 2010 effective Noon, January 10, 2011

A. Fund Balance Policy

The City hereby establishes and will maintain reservations of Fund Balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Policy shall only apply to the City's governmental funds. Fund Balance shall be composed of restricted, committed, assigned, non-spendable and unassigned amounts.

Fund Balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the City, in accordance with policies established by the City Council.

B. Definitions

Fund Balance – refers to the difference between assets and fund liabilities in the governmental funds balance sheet and is referred to as fund equity.

Non-Spendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (principal of an endowment fund, for example).

Restricted Fund Balance – Amounts that can be spent only for the specific purposes stipulated by external resource providers (such as grantors), or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision making authority. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – Amounts the City intends to use for a specific purpose.

Unassigned Fund Balance – The residual classification for the general fund and includes amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

C. Classification of Fund Balance

1. When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.
2. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

D. Reservations of Fund Balance

The fund balances of the City's governmental funds include but are not limited to:

1. Non-spendable Fund Balance

a. Inventory Reserve

The inventory fund balance reserve is established to indicate those amounts relating to inventories that are not in spendable form.

b. Prepaid and Deposits Reserve

The prepaid and deposits fund balance reserve is established to indicate those amounts relating to prepaids and deposits that are not in spendable form.

2. Restricted Fund Balance

a. Encumbrances

The City encumbers funds associated with a purchase order which is evidence of a contract by third party restriction.

3. Committed Fund Balance

The City Council hereby establishes the following committed fund balance reserves:

a. Tree Planting Trust Fund Reserve

Ordinance 31-09 establishes and provides for funding of the Tree Planting Trust Fund. Expenditures are also authorized by ordinance and may be made with appropriate approval.

b. Park Purchases Reserve

Ordinance 9-96 establishes and provides for funding of an escrow account for park, recreation or open space needs in lieu of dedication of land for residential subdivisions. The funds are to be used for acquiring parks and developing playgrounds with appropriate approval.

c. *Council Reserve (General Fund)*

A minimum reserve of 15 percent of the General Fund beginning adopted appropriations (expenditure budget) should be incrementally established and maintained for use in meeting unanticipated needs and/or emergencies.

1. *Use of Council Reserve.* Council reserves shall be used only after all efforts have been exhausted to fund unanticipated needs and/or emergencies, such as implementing a modified hiring freeze and expenditure reductions. Once the Mayor has determined that it is necessary to draw down Council reserves, written communication should be provided by the Mayor to City Council, explaining the nature of the unanticipated need and/or emergency and requires approval by a two-thirds vote of City Council. Use of funds may only be initiated when current fiscal year revenues decrease by 5 percent or more of the total adopted beginning estimated revenues, including transfers. A maximum of fifty percent of the shortfall or fifty percent of the prior fiscal year ending Council reserve balance may be drawn, whichever is less. At no time may the reserve be less than 7.5 percent of adopted annual appropriations or half of the prior fiscal year ending Council reserve balance, whichever is greater. The Council reserve may not be used for more than two consecutive years.
2. *Replenishment of Council Reserve.* If the reserves are drawn down below the minimum required level of 15 percent, then a budgetary plan shall be implemented to return the reserve to a minimum 15 percent level in no more than a 5 year period. The progress of replenishment should be reported in the annual budget.
3. *Funding of Council Reserves.* Proceeds from the sale of City (general government) owned surplus real property and any other funds identified in the budget will be used to increase the reserve. Interest earnings will be applied on the reserve balance each fiscal year.

4. *Assigned Fund Balance*

a. *Carry Forward*

The carryforward fund balance reserve is identified by the Mayor at the close of each fiscal year, subject to approval of City Council, and is comprised of the designated and departmental carry forwards.

1. *Designated Carry Forward* – funds identified in the annual budget (and any amendments thereto) to provide for differences, if any, between budgeted revenues and expenditures.

2. Departmental carry forward – funds for which appropriations have been made in previous fiscal years that have been approved by the Mayor to be carried forward to subsequent fiscal years, subject to City Council approval.

b. Special Assessments

The special assessment fund balance reserve is established to indicate those funds derived from and available for the special assessment program.

E. Authority to Assign

The Mayor shall have authority to assign amounts of fund balance to a specific purpose; however, before expenditure, amounts must be appropriated by City Council.

F. Minimum Level of Unassigned Fund Balance

The City does not currently have a formal minimum fund balance policy.

G. Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed, presented and discussed as part of the annual Comprehensive Annual Financial Report (CAFR) process and presentation to City Council, and the amounts of restricted, committed, assigned, non-spendable and unassigned fund balance shall be reported. In addition, the amount of the Council reserve will be reviewed as part of the annual budget.

H. Additional Information, Requirements and Responsibilities

It will be the responsibility of the City to keep this policy current.

INVESTMENT POLICY - Adopted by Council Action and Resolution September 26, 2002; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011

- Resolution 35-02, adopted under the authority of Sections 166.261 and 218.415, Florida Statutes, sets forth the policy of the City of Pensacola with regard to the investment of funds in excess of those required to meet short-term expenditures. The Mayor shall be responsible for implementing this policy, subject to the provisions of Section 1-1-1 (c) of the Code of the City of Pensacola. No person may engage in any investment transaction with City funds or funds held in a trust relationship by or for the City, except as authorized by the Director of Finance or authorized designee. Provided, however, this policy shall not apply to pension funds, trust funds, or funds related to the issuance of debt.

Authority

The responsibility for administering the investment program of the City resides with the Director of Finance. The Director of Finance has the responsibility to insure the proper management, internal controls, safekeeping and recording of all investment assets held or controlled by the City. No person may engage in any investment transaction with City funds or funds held in a trust relationship by or for the City, except as authorized by the Director of Finance or authorized designee.

Scope

This policy sets forth guidelines with regard to the investment of funds in excess of those required to meet short-term obligations and does not apply to pension funds, trust funds or funds related to the issuance of debt. All financial assets held or controlled by the City, not otherwise classified as restricted assets requiring separate investing, shall be identified as "general operating funds" of the City for the purpose of this policy, and shall be invested using the guidelines as herein set forth. This Policy is promulgated pursuant to and consistent with the provisions of Section 218.415, Florida Statutes, and City Ordinance No. 48-98.

Although restricted assets such as pension funds, certain bond-related funds and trust funds are not required to be covered by this Policy, such funds may be invested under this Policy, when deemed to be in the City's best interest to do so, and when permitted by governing policies or documents.

Objectives

Safety of capital is regarded as the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Each investment transaction shall be entered into with every effort to prevent capital losses, whether they are from securities defaults, theft, or the impact of adverse market conditions. The City's investment strategy will provide sufficient liquidity to meet operating, payroll and capital requirements. Investments shall be made to maximize income on surplus funds but only after the objectives of security and liquidity have been met.

Ethical Standards

The standard of prudence to be used by the City of Pensacola is that of the Prudent Person Rule, which states that: "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." The Director of Finance and authorized designee, acting in accordance with established policies and procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to minimize adverse developments. The Prudent Person Rule shall be applied in the context of managing all assets invested under this Policy.

Employees of the City who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, City Ordinances, proper management of the City's investment program, or which could impair their ability to make impartial investment decisions.

Continuing Education

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

Performance Measurement

The City of Pensacola seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio shall be designed with the annual objective of exceeding by 50 basis points the weighted average return earned on investments held by the State Board of Administration Investment Pool. The State Board of Administration Investment Pool is the most appropriate benchmark given the imposed limits in maturities. (See "Portfolio Composition" for maturity limits).

Authorized Investments

The following is a list of authorized investments as provided by Section 218.415(16), Florida Statutes:

- (a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- (d) Direct obligations of the United States Treasury.
- (e) Federal agencies and instrumentalities.
- (f) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency of instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- (g) Other investments authorized by law or by ordinance for a county or a municipality.

Additional investments types permitted by the City of Pensacola are granted authority through a separate ordinance approved by the Pensacola City Council. Investments not listed in this Policy or that have not been given separate approval by City Council are prohibited.

Bid Requirements

The City of Pensacola will attempt to make investments with local banks that have been approved by the State Treasurer to act as qualified public depositories (QPDs) as governed by Chapter 280, Florida Statutes, and Rule 4C-2, Florida Administrative Code. In the case where interest rates of the local banks are not competitive, investment-banking firms with national repute can be selected at the Director's discretion.

The City of Pensacola will engage in a competitive bid selection with a minimum of three bids solicited. The bid deemed to best meet the investment objectives will be selected. These bids will be recorded and retained in the Financial Services Department.

Portfolio Composition

There are no limits set by this Policy as to the maximum amount that any particular institution can hold. The institution will set its own limits by virtue of its ability to collateralize the investments.

Certificates of deposit purchased under the authority of this Policy will be purchased only from Qualified Public Depositories of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280, Florida Statutes.

Repurchase agreements shall only be entered into with the City's primary depository, First Union National Bank, which is also identified as a qualified public depository.

Dollar limits for types of investments such as, Treasury's, Agencies or Certificates of Deposit, will be based on market conditions at the time of the investment or will be governed by the Director of Finance's discretion.

Average maturity of all surplus investments is not to exceed two years with the maximum maturity of any investment not to exceed five years.

Safekeeping And Custody.

All securities purchased by the City's Director of Finance under this Policy, except certificates of deposits, shall be properly designated as assets of the City of Pensacola and shall be protected through a third-party agreement. The City shall enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of the City. Certificates of deposit may be held in safekeeping at the issuing financial institution or may be held in physical custody by the City's Financial Services Department.

The City's Director of Finance shall establish appropriate safekeeping procedures so that, whenever possible, all investments are custodied in accordance with Governmental Accounting Standards Board Statement Number 3, Category (1), which specifies that all securities are insured or registered, or held by the City or its agent, in the City's name. Repurchase Agreements are disclosed as Category (2) as uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent in the City's name.

Collateral

Collateral for public deposits is regulated by the State of Florida through, Chapter 280, Florida Statutes. The City shall not be under any obligation to secure additional collateral beyond the provisions set forth in Chapter 280, except in the case of Repurchase Agreements. Collateral requirements for Repurchase Agreements are contained in the Master Repurchase Agreement.

Master Repurchase Agreement

The City has entered into only one Master Repurchase Agreement. First Union National Bank, the City's primary depository, holds the contract.

Overnight ("sweep") Repurchase Agreements are collateralized by full faith or general faith and credit obligations of the United States Government or United States Government Agency securities.

- (a) Purchased only from the City's contracted banking service provider.
- (b) Securities used as collateralization for the overnight (sweep) Repurchase Agreement will be held for the benefit of the City with a third party, the Federal Reserve Bank or the contracted bank's correspondent bank in an amount not less than 100% of the overnight amount of the Repurchase Agreement.

- (c) The City's primary depository must have on file an executed copy of the City's Master Repurchase Agreement for overnight repos and an executed Sweep Investment Service Agreement.
- (d) Repurchase Agreements for the City of Pensacola will exist only for the purposes of an overnight "sweep".

At this time the Sweep agreement is dormant. On August 1, 2001, the Financial Service Department changed its venue for daily investment of surplus funds. Surplus funds are being invested in a First Union product entitled "Public Funds Now". This is an interest bearing account that mirrors the Sweep agreement. It calculates interest daily according to the agreed upon interest rate, adheres to collateralization rules, but posts an aggregate interest earnings amount at the end of the month instead of daily recording. The change was instituted to simplify the recording of interest on surplus funds that remain in the General Clearance Account.

Internal Controls

The Director of Finance has established internal controls to prevent loss of funds by fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City. The internal controls are as follows:

- (a) Investment transactions authority is limited to specific persons within the Financial Services Department.
- (b) All investment transactions require approval of the Director of Finance.
- (c) Staff in the Financial Services Department reconciles the City's general depository account on a monthly basis by comparing the City's general ledger with the applicable bank account statements. The reconciliation of the general depository account would reveal any difference in investment transaction recording and the actual movement of funds.
- (d) Each month the designated staff person authorized to transact investments shall prepare an Investment Schedule. The schedule is then reviewed and reconciled to the general ledger by a person independent of the investment functions.
- (e) Authority for wire transfers is restricted to specific individuals with specific dollar limits within the Financial Services Department. All non-repeat type wire transfers require verification authorization by a second individual specified in wire authority documents executed with the City's primary depository.
- (f) Transfer of all funds through a central account only.

- (g) Each year the City's external auditors review existing internal controls as well as investment transactions by examining data on a random basis.

The internal controls are designed to prevent losses of funds which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. As required by Section 218.415(13), Florida Statutes the internal controls shall be reviewed, at least annually, by the City's external auditors, as part of the required financial audit.

Accounting Method

For all investments with a remaining maturity of 1 year or less, the City of Pensacola has elected to use amortized cost method. All investments with a remaining maturity of 1 year or more are restated to fair value. All investment income, including changes in fair value of investments, shall be reported as revenue in the operating statement. The City shall comply with Statement No. 31 of the Government Accounting Standards Board.

Reporting

The Director of Finance shall generate monthly investment reports for internal management purposes. Quarterly investment reports shall be prepared and reviewed by the City's financial advisors to evaluate overall performance and to assess the security of the investment types. It is incumbent on the financial advisor to notify the Director of Finance of any unsafe or unsecured investments. A plan of action will be obtained from the financial advisor when adverse circumstances occur.

OUTSIDE AGENCY FUNDING REQUEST POLICY

Adopted by Council Action July 22, 1999; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011

Policy Objective

The City Council of the City of Pensacola sets forth the following policy regarding requests for funding from agencies or groups outside the organizational structure of the city of Pensacola. The intent of the policy is to ensure that City funds are provided only to organizations that are not for profit, provide a service to the citizens of Pensacola, provide for effective accounting of funds received and provide a report on impact of funds awarded by the City. This policy does not affect contract for services or interlocal agreements with outside agencies or organizations.

Eligible Requests

The City Council has the final authority on what is eligible for funding from the City. In general, the type of activities or projects that are eligible for City funding are those that provide a human or social service, promote economic development, promote or preserve Pensacola's historical legacy, promote or enhance cultural activities and the arts, or assist the City with achieving its mission or sated goals. The eligible programs or services must be provided by an agency that is not for profit. Agencies or programs that receive money from the Law Enforcement Trust fund are not eligible to receive funds from the City General Fund within the same budget year.

Public Benefit

The program or projects submitted for City funding must provide benefit to citizens of the City of Pensacola. Program or performance measures of the public benefit are strongly encouraged.

Human Service Funding Request

Agencies and organizations providing services that enhance the health and personal well being of citizens must be submitted for review through the Human Services Appropriations Committee. Under a contractual agreement, the committee is provided staff support by the United Way of Escambia County. United Way staff receives and forwards information on submitted funding requests to the Human Services Appropriations committee. The committee provides the Council with funding recommendations for the next fiscal year. The city Council retains final authority for approval of funding amounts.

Interlocal Agreements/Contracts for Services

Outside agencies and organizations that provide services at the request of the City will continue to have funding requests forwarded through the appropriate department for approval by the City Council.

Other Funding Requests

Agencies and organizations requesting funds for programs and activities not related to human services nor governed by a formal agreement must submit their request on the approved application and provide all requested information. If the program or project publicly

acknowledges contributions or sponsors, the City's financial support must be recognized in the appropriate publications, notices, and event merchandise. The request and application must be submitted to the city by the deadline established by the City's budget calendar. Requests for funds during the same fiscal year will only be considered in cases of emergency and when it is demonstrated that the need for the funding did not arise until after the fiscal year began. Funds for these requests will be derived from a contingency line item within the Outside Agency Funding section of the City budget. Requests for recurring or annual funding will not be considered in the same fiscal year.

PORT RESERVE POLICY Council Discussion Item December 9, 1999; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011

Operating Reserve (1st priority)

The Operating Reserve will be set at 50% of the Port's Operating Budget (i.e., Personal Services, Operating Expenses, & Overhead).

Ongoing Capital Projects Reserve (2nd priority)

The Capital Projects Reserve would be set at the amount required to match anticipated Florida Seaport Transportation and Economic Development (FSTED)/State/Federal grants over the next 5 year period.

Emergency Capital Projects Reserve (3rd priority)

The Emergency Capital Projects Reserve will be used to fund unexpected/unplanned major capital-intensive projects that are not funded by the Federal Emergency Management Agency (FEMA). This reserve will be set at \$1,000,000.

Finally, any remaining surplus funds will be used to fund the Operating Reserve to 100% of the Port's Operating Budget.

PROCEDURES FOR DISSEMINATION OF FINANCE RELATED INFORMATION

Council Memo November 4, 1997; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011

PROCEDURE: The following procedure for dealing with requests for finance related information must be followed by all employees of the City of Pensacola:

- Any request for finance related information, when such request appears to involve an investment decision or an evaluation of the credit or financial status of the City for financial market purposes, whether the request is by phone, in writing, by e-mail or fax, should be forwarded to the Mayor. Handling of such requests must be done tactfully, particularly if the request is a verbal one.
- If there is uncertainty about whether a request is for finance related information for use by a citizen/taxpayer or is for one of the above-mentioned purposes, error on the side of safety and forward the request to the Mayor.

UTILITY COLLECTION POLICY - Adopted by Council Action September 26, 2002; Amended by Resolution April 8, 2010; Amended by Resolution August 21, 2010 effective Noon, January 10, 2011; Amended November 18, 2010; effective Noon, January 10, 2011.

- A. The current bill will be considered delinquent if payment is not received by the due date.
- B. If the bill is not paid, the previous balance will appear on the next bill rendered. If the previous balance exceeds twenty-five dollars (\$25.00), the bill will provide a collections message indicating that the account is subject to disconnection.
- C. If a minimum payment of at least the previous balance is not received, a delinquent notice will be mailed. The system generates this notice twenty one (21) days from the due date of the initial bill. This notice provides the date by which the payment must be received and the scheduled disconnect date, which is thirty-seven (37) days from the due date of the initial bill.
- D. If the bill remains unpaid or arrangements have not been made by the disconnect date, an ESP field representative will be scheduled to turn off, lock and seal the meter at the premise.
- E. The service may be reconnected the next business day after the total bill and the reconnection fee have been paid.
- F. If the bill is not paid and service has not been reconnected within seven (7) days of the scheduled disconnect date, one of the following actions will occur:
 - 1. If gas service is the only City service billed the account will be terminated and final billed.
 - 2. If gas was terminated but City sanitation services continue, gas services will be deactivated and accrue interest while sanitation services and billing continue.
 - 3. If gas and City sanitation services were provided, and both services were discontinued for non payment, both services are terminated and final billed.
- G. Accounts disconnected for non-payment will require proper identification and verification of residence before new service is connected for a different customer.
- H. Collection procedures for hardship cases will be considered on an individual basis and include consideration of past payment history, arrangement history and eligibility for agency assistance. Arrangements made on balances exceeding sixty (60) days in arrears must be approved by a supervisor.
- I. The procedure for disputing a utility bill will be printed on customer billing statements.

- J. The Mayor is authorized to develop and implement a program for asserting, recording and foreclosing liens upon all lands or premises served by the ESP gas system when accounts become delinquent in accordance with Section 159.17, Florida Statutes. The guidelines and operating procedures shall be on file with the City Clerk and made available to customers of ESP. Adopted April 8, 2010

IV. GENERAL