



September 16, 2002

Honorable Mayor and City Commission
Sarasota, Florida

Dear Mayor and Commission Members:

I am pleased to transmit the 2002-2003 financial plan for the City of Sarasota. This plan is a culmination of the budget process that began in January and was completed with its final adoption on September 16, 2002.

This budget provides for the continued revitalization and strengthening of the City's downtown and neighborhoods with even a higher level of service to the citizens in the areas of Police, Neighborhoods, Redevelopment, Engineering, Landscape Maintenance, Building, Zoning and Code Enforcement. These service enhancements comprise the four major themes of the 2002-03 budget as follows:

- Enhanced Policing Initiatives
- Customer Service and Process Enhancements – Building and Zoning
- Improved Redevelopment Support
- Enhanced Services to Neighborhoods

In summary, the overall 2002-2003 expenditure budget by fund type for the City of Sarasota is as follows:

	<u>2001-02</u> <u>Budget</u>	<u>2002-03</u> <u>Budget</u>	<u>Percentage</u> <u>Increase/Decrease</u>
General Fund	\$38,116,427	\$41,854,055	9.81 %
Special Revenue Funds	23,804,213	24,248,586	1.87
Enterprise Funds	48,265,913	50,724,126	5.09
Internal Service Funds	12,274,964	13,828,023	12.65
Debt Service Funds	<u>3,063,361</u>	<u>2,876,233</u>	-6.11
Total	<u>\$125,524,878</u>	<u>\$133,531,023</u>	<u>6.38 %</u>

A more detailed explanation of the adopted budget follows this letter of transmittal. However, the significant features of this budget are as follows:

- Total millage increases 2.08% from 3.1713 to 3.2372.
- Continues the implementation of objectives leading to the attainment of City Goals.
- Provides for the continued revitalization and strengthening of the downtown and neighborhoods.
- Increases the Police Department to provide four walking-beat patrol officers for the Newtown/MLK (Martin Luther King) corridor and a Senior Secretary for the Internal Affairs Operation.
- Increases the Redevelopment Department by adding an Administrative Assistant for “Enterprise Zone” support and \$47,000 for CRA (Community Redevelopment Area) legal and consultant support.
- Provides \$420,932 in debt service for the Federal Building renovation project and \$155,742 for operational costs. Project completion is scheduled for May 2003.
- Provides \$188,900 of increased legal fees for Administrative Officers, Litigation and Building & Zoning and a reduction in legal fees of \$47,500 for Land Use/ Development projects.
- Increases the Building, Zoning and Code Enforcement Department to provide an additional Building Technician, a Business Analyst, \$92,540 for the integration and automation of business processes and \$31,360 for hardware and software standardization.
- Increases the Landscape Maintenance Division to include an Urban Forestry Program Foreman and a Landscape Specialist.
- Provides for the addition of a Neighborhood Coordinator and an enhanced Neighborhood Grant Program to fund projects that are not crime related. In addition a resource center will be available to neighborhood leaders.
- Increases the Engineering Department by adding a Senior Planner and an Engineering Tech IV.
- Provides for increased funding for employee and retiree medical insurance.
- Projects General Fund fund balance at 15.98% of budgeted expenditures.
- Sufficient tax increment revenues will be generated to pay for debt service, \$1.7 million in initiatives and to help fund the Redevelopment Department.
- Includes a 2% increase in water and sewer rates effective September 1, 2002. This computes to \$54.07 (including excise taxes) per month for a single-family residence using 5,000 gallons of water.
- Provides enhanced services using roll-off compaction units with **no** increase in Solid Waste rates for 2002-2003.
- Provides \$29,000 for SCOPE, \$5,000 for SOAR, and \$100,000 for the Sarasota Centennial Celebration.
- Provides for **no** increased fees at the Bobby Jones Golf Complex for 2002-2003.
- Provides for a \$642,024 subsidy to The Van Wezel Performing Arts Hall which is unchanged from that budgeted for 2001-02, while funding the addition of a Deputy Director.
- Provides adequate funding for the Capital Improvement Program. Enables the City to meet its commitments and community expectations in redevelopment, to implement Neighborhood Improvements, such as Street Trees; Pavement Reconstruction; Sidewalk Construction and Replacement; Curb and Gutter Placement and Replacement; Bicycle Route Improvements; John Ringling Causeway landscape improvements; Traffic Calming; improvements to Ken Thompson, Arlington, Payne, East Sarasota and Fredd Atkins parks; and Lido Beach Renourishment. Roadway Improvements such as funding for Pedestrian Sleeves, Lemon Avenue Streetscape, Myrtle Avenue, and Bayfront Multi-

Use Recreational Trail; Public Art; Capital Improvements for the Newtown Community; South Palm Avenue Streetscape; Skateboard Park; Parking space enhancement and a Parking Master Plan; water distribution/treatment system upgrade, wastewater collection system upgrade, stormwater utility projects and lift station rehabilitations.

This budget provides for the continued revitalization and strengthening of the City's downtown and commercial and residential neighborhoods. It funds fifteen new positions, including five in the Police Department, three in Housing and Community Development, and two each in Engineering, Building, Zoning and Code Enforcement and at the Van Wezel, in order to keep operations at their current high level to the citizens. It provides for the increased level of funding necessary to keep the Group Medical/Dental self-insurance fund on a sound financial basis. Salary adjustments are funded and a General Fund fund balance that is 15.98% of General Fund expenses is the end result.

Our employees are working harder and smarter to meet the demand of workloads that have increased rather than shrunk, and they have continued to meet the challenge.

In summary, the financial plan addresses the City Commission's goals, provides adequate funding to maintain the City's high level of public service and provides for necessary infrastructure improvements while retaining the City's high level of financial integrity.

Sincerely,

Michael A. McNees
City Manager

City of Sarasota Florida

VISION STATEMENT

**WHERE URBAN AMENITIES MEET SMALL TOWN
LIVING**

OUR GOALS

**VIABLE AND DIVERSE NEIGHBORHOODS
AND BUSINESSES THAT WORK TOGETHER**

**AN ATTRACTIVE, ENVIRONMENTALLY-FRIENDLY
COMMUNITY THAT IS SAFE AND LIVABLE**

A FINANCIALLY RESPONSIBLE GOVERNMENT

AN ECONOMICALLY VITAL COMMUNITY

OBJECTIVES FOR 2002-2003

- 1. DEVELOPMENT OF STRATEGIC PLAN**
- 2. DEVELOP MEDIA / COMMUNICATIONS PLAN**
 - **ENHANCED USE OF THE PUBLIC ACCESS CHANNEL**
 - **PUBLIC EDUCATION MATERIALS**
 - **ENVIRONMENTAL PROTECTION**
 - **CITY PROCEDURES**
- 3. DEVELOP CITY RESIDENTIAL HOUSING STRATEGY**
 - **UPDATED HOUSING INVENTORY**
 - **CITY RESIDENCE PROGRAM FOR ALL EMPLOYEES**
 - **PUBLIC HOUSING**
 - **GENTRIFICATION MITIGATION**
 - **INCOME SENSITIVE HOUSING**
- 4. INITIATE MASTER TRANSPORTATION PLAN**
 - **TRANSPORTATION SUMMIT**
- 5. CONDUCT GOVERNMENT / MANAGEMENT STRUCTURE REVIEW**
 - **REVIEW OF CITY BOARDS**
 - **VOLUNTEER PROGRAMMING**
 - **ECONOMIC DEVELOPMENT POSITIONS NEEDED**
 - **ENVIRONMENTAL PROTECTION POSITIONS NEEDED**
- 6. IMPLEMENT DOWNTOWN PARKING**
- 7. ESTABLISH DOWNTOWN BUSINESS IMPROVEMENT DISTRICT**
- 8. CONDUCT ENVIRONMENTAL POLICIES REVIEW**
 - **UPDATED TREE ORDINANCE**
 - **REMOVAL AND MANAGEMENT PLAN OF EXOTICS**
 - **ENVIRONMENTAL SUMMIT**
- 9. INITIATE MULTI-YEAR REVIEW OF CITY CODES***
- 10. DEVELOP BUSINESS CORRIDOR PLAN**

* DENOTES FIVE-YEAR PROGRAM

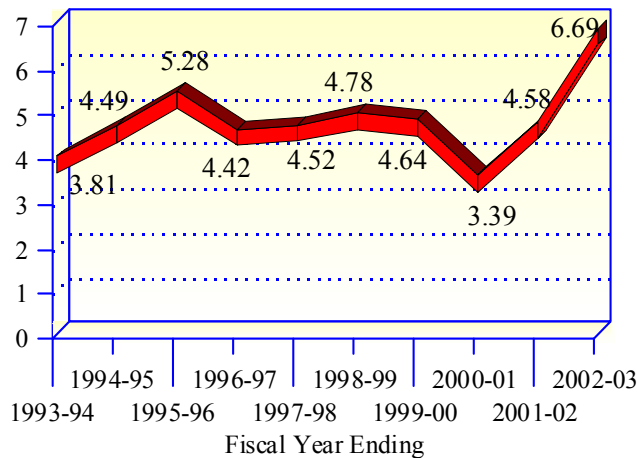
GENERAL FUND

The General Fund budget calls for a **0.1991 mill increase** in the property tax millage. This is a 7.99% increase in the millage.

The General Fund fund balance for September 30, 2002 was budgeted at \$4,579,732 or 12.02% of total expenditures. The actual fund balance at September 30, 2002 is expected to be at \$6,942,925 or 16.53% of total expenditures. This budget projects the fund balance for September 30, 2003, to be at \$6,687,150 or 15.98% of total expenditures. The fund balance is within the range of our policy, which states a minimum of 5% to 10%. The administration's target is 10% to 15%.

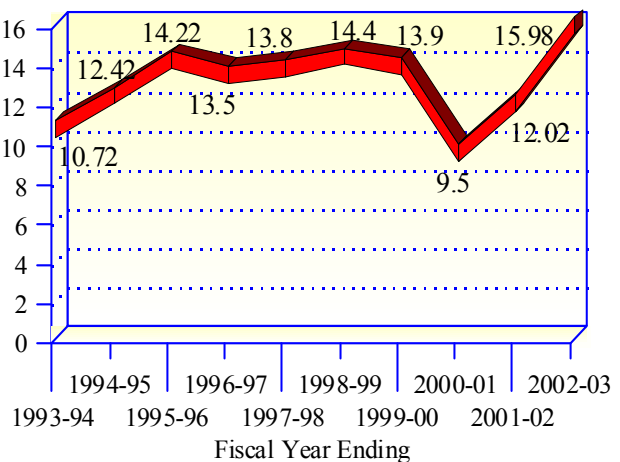
Level of Budgeted Fund Balance

Dollars In Millions



% of Fund Balance to Expenditures

Percentage By Year

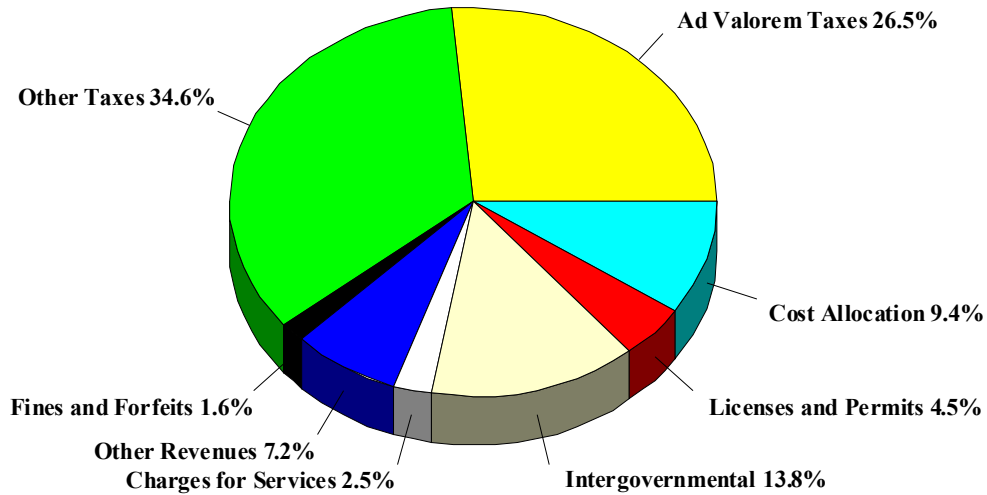


REVENUES

Revenues in this budget total \$41,598,280. This is \$3,481,853 more than last year's budget of \$38,116,427.

Ad Valorem Taxes The Preliminary Certification of Taxable Value for the City, from the Sarasota County Property Appraiser, is \$4,897,460,398, which is \$686,404,267 or a 16.3% increase over last year's Preliminary Certification of Taxable Value of \$4,211,056,131. Of the \$4,897,460,398 total Preliminary Certification of Taxable Value, \$3,892,488,674 is the value applicable to the General Fund with the balance of \$1,004,971,724 applicable to the Community Redevelopment Area. At the operating millage of 2.6917, the preliminary value of \$3,892,488,674 will yield \$11,011,244 in ad valorem tax revenue for the General Fund. This is an increase of \$1,772,861 or 19.19% in ad valorem tax revenue from last year's budget. Ad valorem tax revenue now represents 26.47% of the City's total General Fund revenues. A few years ago, 1995-96, it represented 36.3%.

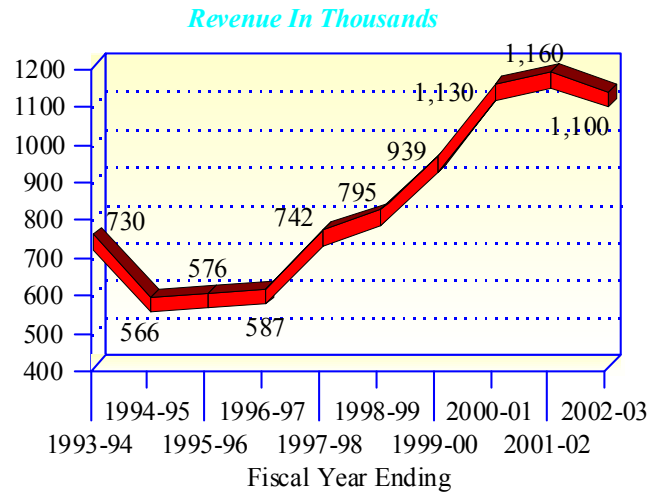
Percentage of Revenue by Major Source



Franchise Fees and Excise Taxes Franchise fees are projected to total \$3,796,000, an increase of \$242,385 or 6.82%. Florida Power and Light rates were increased by 9.2% for fuel effective April 1, 2001. Electric franchise fees are anticipated to be \$283,985 more than last year's budget as a result of the rate increase. Gas franchise fees are budgeted to decrease \$40,000 down to \$160,000 because of the significantly lower projection of \$130,000 in this revenue source for the current year. Excise taxes are projected to total \$10,602,546, which is an increase of \$1,052,596 or 11.02%. Significantly contributing to the increase in this revenue source is the new simplified communications tax, which at \$5,572,000, is projected to increase \$1,291,000 over last year's budget. The City's factor of 5.2% for the upcoming year is a drop from 5.6%, which had an increase of 0.4% to offset eleven months of collections versus twelve months for the budget. The electric excise tax revenues, at \$3,964,250, are projected to be lower than last year's budget by \$231,550 because of the current rebate that Florida Power and Light was required to issue its customers, which will result in lower rates in 2002-03. Water excise tax is projected to increase \$13,246 as a result of the 2.0% water rate increase.

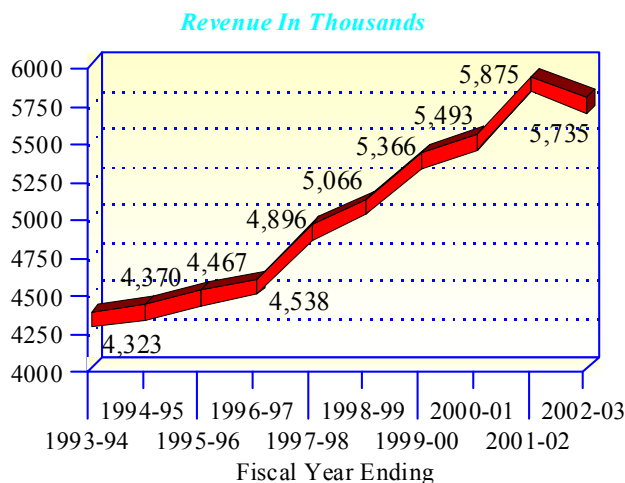
Licenses and Permits Building Permits are budgeted at \$1,100,350, a decrease of \$59,180 from last year's budget of \$1,159,530. Fiscal year 2001-2002 has witnessed a continuation of the building boom experienced in fiscal years 2000-01 (\$1,893,688) 1999-2000 (\$2,038,967), 1998-1999 (\$1,669,250), 1997-98 (\$1,070,677) and 1996-97 (\$1,170,463) with revenues anticipated at being \$1,620,220. Large projects contributing to the revenue in 2001-2002 are projects like the Tower residences at the Ritz, the second tower at the Sarasota Bay Club and the Beau Ciel condominiums. Planned construction activity in the downtown, like the Hyatt Boat Basin Condominiums, Ringling Towers, Sarasota Quay renovation, Holiday Inn Express, Golden Bay Condominiums, Savoy on Palm, Imperial Gardens Coach Houses and the project proposed for Main Street and Palm Avenue, make the budgeted revenue of \$1,100,350 for next year reasonable. Contractor's registration fees are anticipated to remain level at \$62,000. Occupational Licenses are budgeted to be \$541,360, an increase of \$5,360 or 1.0%, as a result of the anticipated improved economy. Engineering permits, at \$83,500, are estimated to be \$4,780 higher than last year's budget because of increases in revenue from Plans Review Permits, Curb Cut Permits and Right of Way Permits. Burglar Alarm permits are budgeted to decrease slightly under the revenue category, Other Licenses & Permits.

Budgeted Building Permit Revenue



Intergovernmental Revenues Intergovernmental revenues, at \$5,734,642, are budgeted to decrease

Budgeted Intergovernmental Revenue



\$140,480 from last year's budget. The half-cent sales tax revenue is projected at \$4,151,250, a decrease of \$23,250 from last year because this year's economy has not kept pace with past years. State Revenue Sharing is budgeted at \$1,410,000, a decrease of \$125,000 from last year. The Revenue Sharing Fund is comprised of sales tax and fuel taxes and these have been hit by the slowing economy. The complex formula for distribution works against Sarasota because it is a coastal community. Shared Revenue from other Local Governments is budgeted to increase \$7,770 over last year's budget, as a result of boat fees collected by Sarasota County and the storm water Interlocal Agreement with the County, whereby the City is reimbursed for the salary of an Engineering

Department employee. Alcoholic Beverage Licenses, at \$50,000, are budgeted the same as last year. Rebate on Municipal Vehicles, which is a refund of gas taxes for fuel purchases, at \$30,000, are budgeted the same as last year.

Fines and Forfeits The Fines and Forfeits revenue category is budgeted to total \$665,590, which is \$7,590 more than last year's budget of \$658,000. Court Fines, at \$535,000, are \$15,000 more than last year's budget of \$520,000. Other Miscellaneous Fines, at \$130,590, are \$7,410 less than last year mainly because the code enforcement fines are expected to be \$76,875 or \$8,125 less than last year. Alarm Fines at \$25,000 are the same as last year.

Charges for Services The Charges for Services revenue category is budgeted at \$1,031,411 and is \$115,734 more than last year. Public Safety charges, at \$119,700, are \$26,213 lower than last year due to a reduction in towing revenue of \$48,000 versus \$74,413 last year. Transportation charges have increased by \$86,311, primarily resulting from the inclusion of \$80,931 in revenues from billings to the Florida Department of Transportation for mowing, litter control and traffic signal/street light maintenance. Intragovernmental Revenues at \$788,630 are projected to increase \$50,216 because of additional revenue from self-insurance funds, up \$41,100, engineering charges, up \$20,000 and billable fees \$40,500. This is partially offset by decreases in Street and Highway charges of \$35,000, and decreases in charges for Landscape Maintenance of \$15,000.

Miscellaneous Revenues Miscellaneous revenues of \$1,971,648 are budgeted higher than last year by \$207,048. Interest income at \$1,242,775 will be \$27,775 higher than last year's budget as interest rates are anticipated to begin to increase in 2002-03. The financial statements are required to state investments at market value on September 30. The reasoning behind this is if you sold them all on that date that is what the City would receive. However, doing this makes interest revenue go up and down from year to year. As an investment security gets closer to its maturity date, it has less market value than it did six months to a year previously. This in no way reflects on the par value of the investment security or the interest revenue it generates. The effect of recording investments at market value creates a false value on a particular date and then this high or low value has to be amortized over the next year or until the security matures. Rents and Royalties, at \$513,673, are projected to increase \$82,638 because of additional revenues from the Marina Jack Restaurant of \$8,465 and Gulf Wind Marina of \$5,700. The Federal Building will generate \$70,642 from the Office of Housing and Community Development and the Sarasota Bay National Estuary Program. Miscellaneous Revenues are increasing \$96,635 mainly due to \$50,000 of reimbursements for the Florida Neighborhoods Conference hosted by the City's Neighborhood department and \$45,000 from confiscated property.

Interfund Transfers Interfund transfers at \$4,917,405 will increase \$274,529, mainly as a result of Cost Allocation charges being \$178,105 higher in Water and Sewer and the transfer from the Community Redevelopment Agency increasing \$139,424. The transfer from the Gas Tax fund, to pay electric charges in street lighting, will decrease \$29,000 due to lower rates. The Civil Seizures fund is anticipated to generate \$37,000 in fines during the current year 2001-02. Therefore the fund will transfer one-half of this amount to the Nuisance Abatement Program in the Police budget for 2002-03.

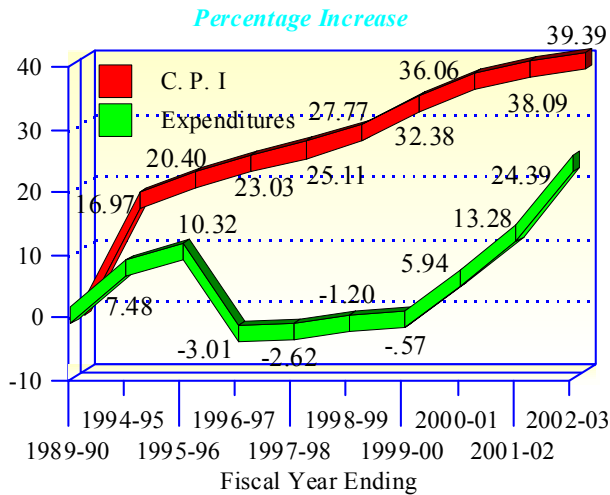
EXPENDITURES

General Fund expenditures total \$41,854,055, an increase of \$3,737,628 or 9.81% over last year's budget of \$38,116,427.

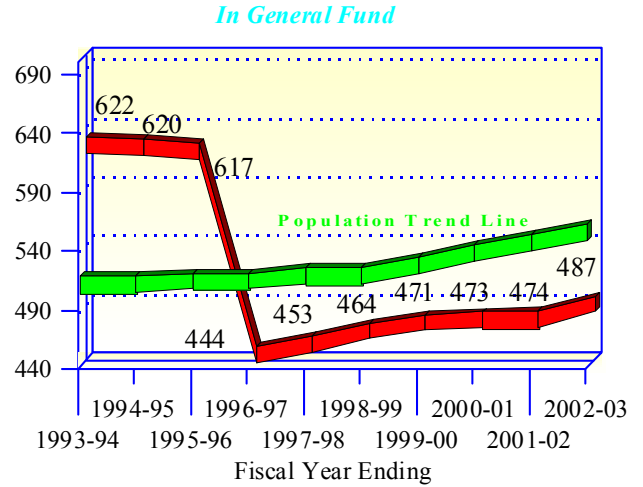
The first graph on the following page depicts that from 1990 to 2003 cumulative budgeted expenditures have increased 24.39 percent versus the cumulative increase in the Consumers Price Index (CPI) of 39.39 percent. The second graph details the number of General Fund employees over the past ten budget years compared to the population. Fiscal year 1996-97 was

the year of the Fire/Rescue Bureau and Public Safety Communications consolidations with Sarasota County.

C.P.I. Increase Versus Expenditures

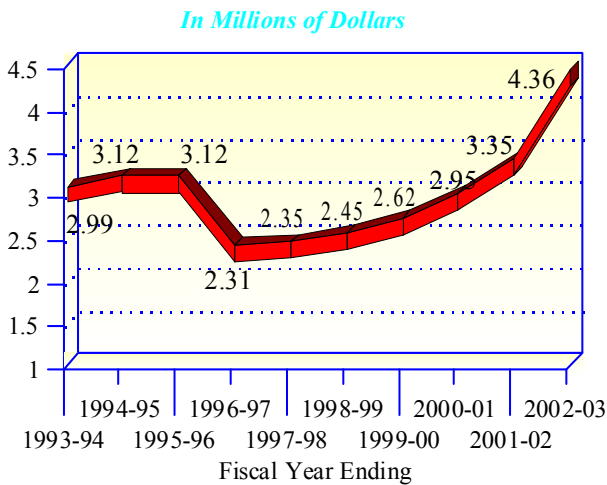


Employees Compared to Population



The budget funds a salary adjustment for all employees, as well as enhancements in many departments to improve the quality of service because of the high expectations of our citizens. Pension contributions have decreased \$226,516 as a result of a one-time adjustment in the pension contribution rate for 2002-03. Workers' compensation charges are \$70,674 higher than last year, because of increased rates.

Medical Insurance Contributions



As exhibited in the chart to the left, employee and City health care costs have been rising steadily. The drop shown on the chart from 1995-96 to 1996-97 was due to the reduction in number of employees resulting from the Fire Rescue and Public Safety Communications consolidation with Sarasota County. To bring health plan costs under control in the 1990's, the City, along with Sarasota County, Sarasota County School Board and Sarasota Memorial Hospital formed HealthCare Sarasota. The City's participation was helpful in controlling health care costs. However, as medical costs continue to rise at the level they have in the past two years, both the employee and the City need to be prepared to pay more.

Medical costs have increased at a high rate (12 to 18 percent annually) in the past four years and continue to rise at a significant pace. During these years the City has been bearing all of the increased cost, while the employee and retiree have seen no increase in their premiums for dependant coverage.

In 2001 the administration investigated outsourcing health insurance for 2002, but the events of September 11 resulted in making this option too costly for the employee. The City remained self-insured, despite having to transfer \$750,000 into the fund on October 1, 2001 to keep the fund from becoming declared defunct by the State Insurance Department. In November 2001 the administration proposed increases in employee and retiree premiums, effective January 1, 2002, for dependent coverage in both the Preferred Provider Option (PPO) and the Exclusive Provider Option (EPO), as well as provide an additional Health Maintenance Option (HMO) like plan. This proposal resulted in the Commission directing that an employee group be established to recommend plan rate increases to the City Manager. Thus, health insurance for employee and retiree dependents remained at only \$39 per week through April 1, 2002.

In March 2002, the employee group recommended that dependent health insurance premiums remain the same for all of 2002 for retirees, and small rate increases in weekly rates for employees on two of the health insurance plans. On April 1, 2002 the employee contribution increased between \$3 to \$12 based on type of coverage, but retiree contributions did not increase at all. The new HMO plan, Team Health, weekly rate was lowered from \$39 to \$38 per week. In addition, plan changes were implemented that are anticipated to result in annual savings of \$400,000. As a result, the Commission approved a \$1,451,000 transfer from the General Fund reserves to the medical self-insurance fund to adequately fund the account through September 30, 2002. The employee group was instructed to continue to meet weekly to find a solution to decrease medical costs to the City and increase premiums paid by retirees and employees for dependants in the plan year 2003.

In June 2002, the employee group recommended for 2003 that dependant premiums for the EPO and HMO health plans increase 5% from the current level and be effective for both employees and retirees. The PPO premiums were increased approximately 20% because it is the most beneficial plan to employees and retirees. This increase is anticipated to generate an additional \$196,516 in premiums. In addition, plan changes were implemented for 2003 that are anticipated to result in savings of \$508,605. Increased premiums and plan changes are expected to reduce medical costs by \$705,121. This coupled with the \$400,000 anticipated plan savings put in place effective April 1, 2002, have significantly helped reduce the impact of rising medical claims cost to the City.

Medical claims are projected to increase by 16% for 2003. Claims, reinsurance and processing costs are anticipated to total \$7,783,835 even with the plan changes put in place April 1, 2002 and the new plan changes for 2003. Premiums from retirees and employees for dependent coverage will increase approximately \$300,000 (combines the April 1 rate increase and January 1 increase), resulting in the City's contribution per employee and retiree being \$5,824. Last year's budget had \$4,465 each for retiree and employee, and combined with the special appropriation mentioned previously, the City contributed a total of \$6,500 for each retiree and employee. As a result, the City's health insurance contribution for employees and retirees has increased \$987,190 from last year's budget and there is a funding deficit in the General Fund of \$330,500 for this, which equates to 0.0808 mills.

This budget reflects the continuing evolution of the City's budget process toward a performance-based approach. The City has been heading in this direction because it will soon become a requirement mandated on local units of government by the Governmental Accounting Standards Board. This process actually started several years ago with segregation of most departments' operations into activity centers. The inputs of these activities are clearly reflected in the budget, as opposed to just the total department inputs. Secondly, performance measures were incorporated into

the budget program and linked to organization wide goals. The Finance Department has consulted with departments to improve their performance measures. This process is evolving and will take several years to refine. Additionally, if the Commission wants to implement a complete performance based budget, additional resources must be allocated. Unfunded processes of performance based budgeting are the verification of reported measures and comparison of performance measures to other entities. Furthermore, the linkage of performance measures to incentives creates many challenges.

General Government Function General Government expenditures at \$11,956,943 will increase \$1,395,423 from last year's budget, mainly because of health insurance, up \$476,549. Federal Building operations for half of the year adds \$135,742 and capital improvements and maintenance for City Hall adds \$84,918. Funding for the Sarasota Centennial Celebration adds \$100,000. The addition of the Office of Public Information increases \$52,097 and the Neighborhood Development Department enhancements, which include another neighborhood coordinator, adds \$78,081. The addition of an Administrative Assistant, consultants and legal advice in Redevelopment adds \$80,234. Election expense in the City Auditor and Clerks Office adds \$75,000 and the City Attorney's costs increase \$139,650. General salary increases add \$169,639.

City Commission expenditures, at \$196,211, will increase \$19,549 because of higher health insurance costs of \$14,366, travel of \$5,000, and cell phones of \$850.

The **Office of Public Information** was created in May 2002 by transferring the position from the Neighborhood Development Department. Expenditures for next year are \$139,637 as a result of salary and benefits increases of \$24,187 and the inclusion of a semi annual newsletter to citizens of \$30,000. This position had been in the Neighborhood Development Department last year at a total of \$87,540.

City Manager costs, at \$495,450, will increase a net of \$9,588 because of several factors: (1) the reduction of \$6,012 in City vehicle expense, offset partially by a \$3,600 increase in car allowance. (2) Net salary adjustments of \$1,962 coupled with health insurance increases of \$6,795. (3) Increases for cell phone charges \$400, membership dues \$300, special services \$1,100, and computer equipment \$1,025.

The **Neighborhood Development Department** expenditures, at \$408,745, will increase a net of \$29,154, because of several factors: (1) the transfer of the Public Information Officer position and annual report costs to the Office of Public Information \$87,540, (2) the addition of a Neighborhood Coordinator \$43,781 (3) enhancement of the Neighborhood Grant Program for grants that would fund projects that are not crime-related (as now required with funds from the Police Impound Program) for \$10,000, (4) general salary increases of \$9,011 and (5) reductions in operating expenses of \$20,398 partially offset by increases in travel \$6,750, and (6) in computers of \$17,000. The computers are to set up a resource center to give neighborhood leaders limited access to use them with a staff member available for technical assistance. The budget also includes \$50,000 for hosting the Florida Neighborhoods Conference in September 2003. It is anticipated that the revenue from this event will make it a breakeven function.

The **Redevelopment Department** expenditures are \$424,120 or \$24,305 more than last year's budget as a result of general salary increases (\$9,871), the addition of an Administrative Assistant position (\$33,234) for "Enterprise Zone" support, CRA legal support (\$25,000) and CRA consultant's support (\$22,000). The budget decreased \$40,731 by replacing the vacant Director's position with an Economic Development Specialist whose primary focus will be the

implementation of the Newtown Master Redevelopment Plan and the “Enterprise Zone”. Both the Economic Development Specialist and the Administrative Assistant position for support of the “Enterprise Zone” will be housed in the Newtown police sub-station. Operating expenditures for appraisals is \$6,000 lower than last year and offset by a \$5,500 increase in capital equipment.

In June 2001, the City, in partnership with Sarasota County, worked with the Florida legislature and Governor to obtain a State “Enterprise Zone” designation in north Sarasota. The Zone offers several incentives designed to stimulate redevelopment. As a result of this “Enterprise Zone” a governing board has been created that is generating additional workload on the department and it is necessary to increase the staff to assist with the “Enterprise Zone” if it is to be successful.

The **Department of General Services** costs are budgeted at \$1,487,424, an increase of \$259,094 because of several factors: (1) the Federal Building will be operational for half of the fiscal year thus, personal costs will be up \$36,462 and operating costs will increase \$72,380, (2) health insurance increases \$15,658, (3) general salary increases add \$14,977 (4) special services increases \$18,955 for the testing and balancing the City Hall air conditioning system, and (5) capital expenditures increase \$89,063 for office furniture (\$23,100), a floor scrubber (\$3,800), air conditioning improvements (\$61,363) and a printer (\$800). The department requested funding in the amount of \$49,805 for a Contract/Business Manager to monitor contracts and insurance programs, which was not approved for funding in this budget.

The **Human Resources Department** expenditures total \$673,848, a decrease of \$860. This is due to the reduction of both capital expenditures (\$18,600), and operating expenditures (\$7,687), both of which are partially offset by a \$12,227 increase in health insurance and \$17,747 for a general salary increase.

Finance Department expenditures, at \$734,251, will increase \$43,052 as a result of increased health insurance (\$11,553), salary adjustments for longevity (\$4,040), general salary increases (\$22,867) and a color printer for \$2,500.

Accounting and Payroll Department expenditures, at \$377,134 are \$19,368 higher than last year as a result of the increase in health insurance of \$7,474 and a general salary increase of \$10,889.

City Auditor and Clerk expenditures, at \$1,217,617, are budgeted to increase \$132,529 for next year. Increases for health insurance (\$21,745), election expenses (\$75,000) and general salary increases (\$30,792) account for most of this.

City Attorney budget, at \$1,234,960, will increase \$139,650 as a result of increases in support of Administrative Officers (\$78,500), Litigation (\$97,000), Building and Zoning (\$13,400) and partially offset by a reduction in Land Use/Development Projects (\$47,500).

Planning Department expenditures, at \$1,360,320, will increase \$148,380 over last year as a result of \$19,028 for the increase in health insurance, \$38,000 for the repair and maintenance of the City’s art collection, \$26,500 more for additional advertising for public notices of City initiated projects, \$5,000 for a consultant to analyze lighting standards for the Zoning code, \$7,500 for architectural design review services, \$32,206 for a general salary increase and \$10,000 more for software and computer upgrades. The department requested funding in the amount of \$93,917 for a Senior Planner (with historic preservation training) for a comprehensive multi-year inventory of the City’s historic resources as called for in the newly adopted Historic Preservation Chapter for the Sarasota City Plan. The entire inventory is projected to cost

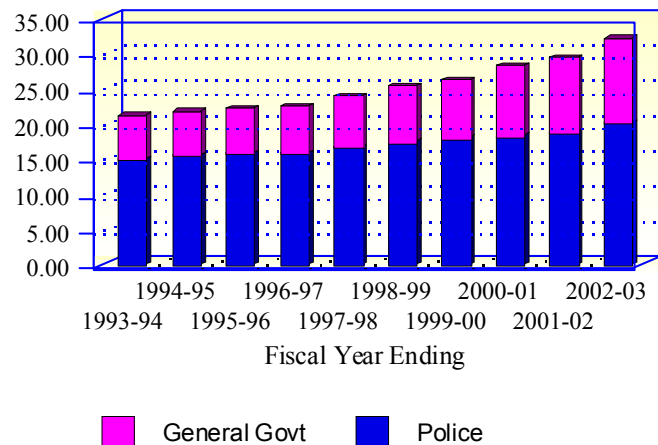
\$330,000 over six years. Matching State grants are anticipated to fund \$115,000 of this total amount. The funding for this position has been postponed until fiscal year 2003-04.

Expenditures for the **Commission Liaison Office** at \$91,957 have a net increase of \$3,506 as a result of health insurance increases of \$2,718 and a general salary increase of \$2,991, partially offset by a \$700 reduction in capital under \$500.

The **Unclassified** budget expenditures, at \$3,115,269, have increased \$428,471, primarily as a result of the increase for retiree health insurance (\$348,668) and life insurance (\$14,254). Insurance for public officials has increased \$14,479, as well as charges for Information Services up \$43,584. Funding for Sarasota's Centennial Celebration was increased by \$75,000. The Financial Advisor fee of \$20,000 is now budgeted in this classification. These increases are partially offset by decreases in postage \$15,550 and the elimination of the City's membership in the Florida Innovation Group \$3,500, and funding for the Downtown Association \$55,000.

Public Safety Function Public Safety expenditures at \$22,569,996 will increase \$1,710,440 from the previous year's budget, mainly because of general salary increases of \$618,760 and health insurance increases of \$476,549. Police have added four Patrol Officers (\$366,584) and a Senior Secretary (\$38,855). Building, Zoning and Code Enforcement have added a Building Technician (\$35,299), a Business Analyst (\$67,235) and computerized integration and automation business processes (\$92,540) as well as increased travel (\$26,000) and certification pay (\$16,600).

*Police Compared to General Government
Millions Expended*



Police Department expenditures of \$20,110,698 (approximately \$362 per capita) are \$1,320,315 higher than last year's budget. Health insurance has added \$357,417 to the budget and a general salary increase has added another \$554,148. Overtime has added \$49,081 while operating costs have increased \$38,100 for radar/laser device certification (\$5,800), volunteer program (\$3,430), marine inboard motor (\$4,000), T-1 line for voice transmission to 4th street (\$5,400), additional copy costs (\$8,000), telephone batteries (\$7,000) and the drug free program (\$4,500). This budget adds four Police Officers (\$366,584) to the table of organization to supplement the Newtown/MLK corridor walking beat patrol and a Senior Secretary for the Internal Affairs Operation (\$38,855). The department requested funding in the amount of \$53,100 for another Intelligence Analyst to enhance the Intelligence Unit. The department also requested \$43,740 for an additional Microcomputer coordinator and a Property/evidence Specialist in the amount of \$35,204. These three positions have not been funded.

Overtime, totaling \$90,000 to provide services for parades, events and the July 4th fireworks are included in this budget.

The **Building, Zoning and Code Enforcement Department's** budget increases \$390,125 to \$2,459,298. The health insurance increase is \$60,571 and a general salary increase adds \$64,612. A Business Analyst was hired mid-year 2002 and funded with a special appropriation from General

Fund reserves. That position adds \$67,235 to the budget. A Building Technician has been added to this budget for front counter help at a cost of \$35,299. A certification pay plan for Plans Examiners and Building and Code Inspectors only is included in this budget at a cost of \$16,600. Travel, Training and Conferences costs increase \$26,000 in harmony with the certification plan to have the personnel qualify for certification. As a pilot program, \$5,500 has been added to this budget for dress shirts for all employees to wear five days per week. Subscription expense has increased \$5,700 for Florida Building Code books for all personnel including the Board of Adjustment and reference books for code enforcement personnel. This budget includes \$31,360 for computers and software to meet the minimum standard recommended by IST. This budget also funds \$92,540 for computers and software to accomplish the integration and automation of the entire department. The department requested funding for a Zoning Supervisor to assist the Director (\$59,728) plus a part-time employee to help out in the department (\$17,399), both of which are not funded in this budget. This budget also does not fund Nextel radios to replace the 800-megahertz radios in the amount of \$8,820 that were requested.

It should be noted that the Building and Zoning operation of this department's expenditures will be accounted for separately as of October 1, 2002. However, for presentation purposes the operation will continue to be presented as one department.

Physical Environment Function The Landscape Maintenance budget, at \$2,264,745, increases \$233,591. The health insurance increase represents \$52,484 and a general salary increase accounts for \$42,263. This budget includes an Urban Forestry Program Foreman at \$59,610. This position will be responsible for the GIS location and condition assessment of all trees located in right-of-ways. This budget also includes a Landscape Specialist for Park East/Lime Avenue, Main Street streetscape, Gillespie Park and Indian Beach areas at a cost of \$29,710. Capital expenditures are budgeted to increase \$52,675 mainly for radios (\$25,100), a pickup truck (\$18,000), equipment trailer (\$7,000), and a storage building (\$5,000).

Transportation Function The Streets and Highway Department expenditures, at \$2,531,714, will increase \$76,791. The health insurance contribution will increase \$25,136 and a general salary increase will add \$112,985. These will be partially offset by the elimination of an existing position for \$30,631. This budget includes an increase for debris removal of \$20,000 for a total of \$54,000. An emergency fund has been established in the amount of \$10,000 for removal of dead fish resulting from red tide. This fund is only to be utilized on an emergency basis and only with the City Manager's written approval. There is also a \$16,000 increase for repairing the pedestrian docks at Van Wezel. These increases are more than offset with revenue from the Florida Department of Transportation pursuant to an agreement for the City to maintain traffic signals, litter control, mow and sweep FDOT venues in the amount of \$80,931.

Engineering Department expenditures, at \$1,103,719 will increase \$136,866 as the result of: (1) the health insurance increase of \$31,846, (2) a general salary increase of \$34,134, (3) the addition of a Senior Planner at \$45,394 to create more parking spaces in the public right-of-way and to assist in the implementation of the mobility study and parking master plan, (4) the addition of a Engineering Tech. IV at \$32,700 to assist with the workload of infrastructure projects in the Capital Improvement Plan, (5) more travel and training for employees \$7,725, (6) replacement of 2 computers and a printer \$6,000 and (7) the replacement of 4 chairs \$1,600.

Transfers/Subsidies Transfers/Subsidies from the General Fund total \$1,426,938, an increase of \$184,517 over last year's budget of \$1,242,421. The Van Wezel Performing Arts Hall requires a subsidy in the amount of \$642,024, the same amount as last year's budget. As stated last year at the

workshops, this is not a one-time new management start up cost, but an on going required subsidy each and every year forward.

The subsidy to the stadium at \$627,057 increases \$77,057. Last year the subsidy to the stadium was increased \$350,000 because the capital improvement program established for the stadium had not been adequately funded (due to low attendance), and as a result an additional \$300,000 was required to fund the capital needs and \$50,000 more was required to fund operations due to the low level of attendance. For this budget the subsidy to the stadium includes \$300,000 for the capital improvement plan and \$327,057 for operations. A health insurance increase of \$4,077, ad valorem taxes increasing \$31,000, and the need for \$50,000 to address expansion and the aging of the stadium are the reason for the rise in the subsidy. This issue will be discussed under the stadium later on.

The Municipal Auditorium subsidy is slightly higher than last year at \$57,857.

\$100,000 has been set-aside to match funds to be raised by the Indian Beach Homeowners' Association for the purchase and improvement of property to become a neighborhood park.

In summary, General Fund expenditures have increased notably for:

City Commission		\$ 20,216
Travel	\$ 5,000	
Health Insurance	14,366	
Cell Phones	850	
Office of Public Information		51,616
Salary and benefits	21,616	
Operating expenses	30,000	
City Manager		6,425
Car allowance	3,600	
Cell phone	400	
Membership dues	300	
Special services	1,100	
Computer equipment	1,025	
Neighborhood Development		128,081
Neighborhood Coordinator	43,781	
Neighborhood Grant Program	10,000	
Travel/other	7,300	
Computer equipment	17,000	
Florida Neighborhood conference	50,000	
Redevelopment		85,734
Administrative Assistant	33,234	
CRA legal support	25,000	
CRA consultants	22,000	
Capital equipment	5,500	
General Services		216,860
Federal Building – personnel	36,462	
Federal Building - operating	72,380	
AC test/balance	18,955	
Office furniture	23,100	
AC improvements	61,363	
Floor scrubber	3,800	
Printer	800	
Finance Department		6,540
Salary adjustments	4,040	
Color printer	2,500	
City Auditor and Clerk		75,000
Election expense		75,000
City Attorney		188,900
Administrative Officers	78,500	
Litigation	97,000	
Building and Zoning	13,400	
Planning		87,000
Art collection repair/maintenance	38,000	
Advertising	26,500	
Consultant – lighting standards	5,000	
Computer/software upgrades	10,000	
Architectural services	7,500	

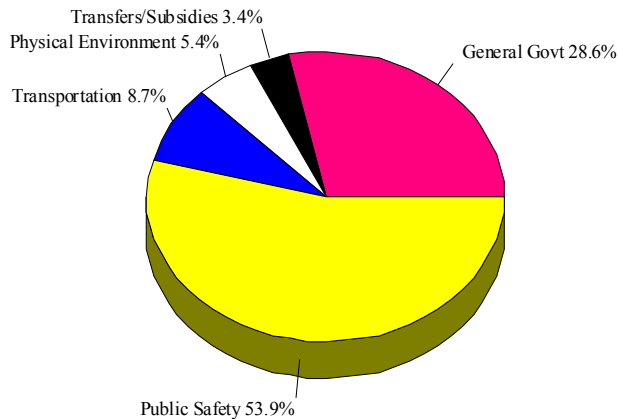
Unclassified		515,985
Retiree insurance	348,668	
Retiree life insurance	14,254	
Financial Advisor	20,000	
Insurance - public officials	14,479	
Information services charges	43,584	
Centennial celebration	75,000	
Police		492,650
Patrol Officers - four	366,584	
Senior Secretary – Internal Affairs	38,855	
Overtime	49,081	
Radar/laser device certification	5,800	
Volunteer program	3,430	
Marine inboard motor	4,000	
T-1 line to 4th Street	5,400	
Additional copy costs	8,000	
Telephone batteries	7,000	
Drug free program	4,500	
Building, Zoning and Code Enforcement		280,234
Business Analyst	67,235	
Building Technician	35,299	
Certification pay	16,600	
Travel/training	26,000	
Dress shirts – pilot program	5,500	
Subscriptions	5,700	
Computers/software	31,360	
Computer integration/automation	92,540	
Landscape Maintenance		144,420
Urban Forestry Program Foreman	59,610	
Landscape Specialist	29,710	
Radios	25,100	
Pickup truck	18,000	
Equipment trailer	7,000	
Storage building	5,000	
Streets and Highways		46,000
Debris removal	20,000	
Dead fish removal	10,000	
Van Wezel pedestrian dock repair	16,000	
Engineering		93,419
Senior Planner	45,394	
Engineering Tech. IV	32,700	
Travel/training	7,725	
Computer replacements	6,000	
Chair replacements	1,600	
Transfers/Subsidies		184,517
Ed Smith Sports Complex	77,057	
Municipal Auditoriums	7,460	
Indian Beach matching funds	100,000	
Workers' Compensation charges		70,674
Medical and Dental premiums		<u>638,522</u>
Subtotal		3,332,793

Offset by the following:

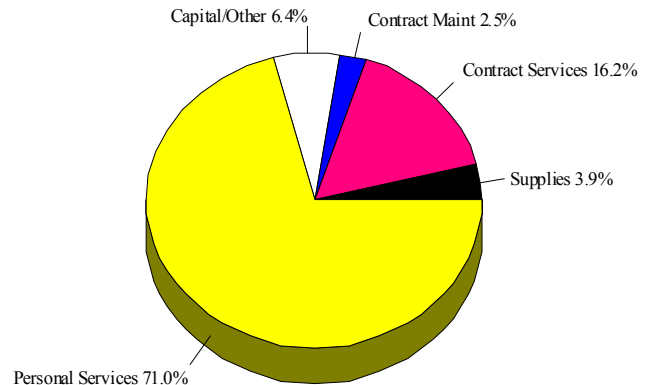
City Manager		(19,767)
Salary and benefits	(13,755)	
Vehicle expense	(6,012)	
Commission Liaison		
Capital under \$500		(700)
Neighborhood Development		(70,398)
Operating expenses	(20,398)	
Florida neighborhood conference revenue	(50,000)	
Redevelopment		(46,731)
Appraisals	(6,000)	
Replacement of Director job with Economic Development Specialist	(40,731)	
Unclassified		(74,050)
Downtown Association	(55,000)	
Postage	(15,550)	
Florida Innovation Group	(3,500)	
Human Resources		(26,287)
Operating expenditures	(7,687)	
Capital equipment	(18,600)	
City Attorney		
Land Use / Development Projects		(47,500)
Streets and Highways		
Eliminate current position		(30,631)
Pension contributions		(226,516)
Other Increases		<u>50,565</u>
Subtotal		(492,015)
Subtotal		2,840,778
Provision for Salary Adjustments		<u>896,850</u>
Net Total Increase		<u>\$ 3,737,628</u>

In summary, public safety continues to be the major emphasis of General Fund expenditures. Furthermore, personal services including benefits represents the major cost of providing General Fund services. The first of the following graphs exhibits the relationship of public safety and other functional expenditures to total General Fund expenditures. The second graph depicts expenditures by type or object as a percentage of total General Fund expenditures. These two graphs clearly indicate the City's employees are its major resource in providing public safety to its citizens.

Expenditures By Function



Expenditures By Object



The total millage required to finance this budget is 3.2372 mills versus 3.1713 mills last year. Operating millage will increase 0.1991 mills to 2.6917 mills, a 7.99% increase over last year's 2.4926 mills. Debt service millage will be 0.5455 mills (a 19.63% decrease from last year's 0.6787 mills). The impact of this millage increase to the average owner occupied taxable home of \$149,262 in the City (\$124,262 after the Homestead exemption, as of October 2001) would be an \$8.18 increase as follows:

\$149,262 Average Assessed Value (10/01)
\$124,262 Taxable Value (after homestead exemption)

	<u>Actual</u> <u>2001-02</u>		<u>Actual</u> <u>2002-03</u>		<u>Variance</u>	
	<u>Millage</u>	<u>Amount</u>	<u>Millage</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Operating	2.4926m	\$309.74	2.6917m	\$334.48	7.99%	\$24.74
Debt	0.6787m	84.34	0.5455m	67.78	(19.63%)	(16.56)
Total	<u>3.1713m</u>	<u>\$394.08</u>	<u>3.2372m</u>	<u>\$402.26</u>	<u>02.08%</u>	<u>\$8.18</u>

\$60,000 Assessed Value
\$35,000 Taxable Value (after homestead exemption)

	<u>Actual</u> <u>2001-02</u>		<u>Actual</u> <u>2002-03</u>		<u>Variance</u>	
	<u>Millage</u>	<u>Amount</u>	<u>Millage</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Operating	2.4926m	\$87.24	2.6917m	\$97.21	7.99%	\$6.97
Debt	0.6787m	23.75	0.5455m	19.09	(19.63%)	(4.66)
Total	<u>3.1713m</u>	<u>\$110.99</u>	<u>3.2372m</u>	<u>\$113.30</u>	<u>02.08%</u>	<u>\$2.31</u>

\$175,000 Assessed Value
\$150,000 Taxable Value (after homestead exemption)

	<u>Actual</u> <u>2001-02</u>		<u>Actual</u> <u>2002-03</u>		<u>Variance</u>	
	<u>Millage</u>	<u>Amount</u>	<u>Millage</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Operating	2.4926m	\$373.89	2.6917m	\$403.76	7.99%	\$29.87
Debt	<u>0.6787m</u>	<u>101.81</u>	<u>0.5455m</u>	<u>\$81.83</u>	<u>(19.63%)</u>	<u>(19.98)</u>
Total	<u>3.1713m</u>	<u>\$475.70</u>	<u>3.2372m</u>	<u>\$485.59</u>	<u>02.08%</u>	<u>\$9.89</u>

DEBT SERVICE FUNDS

The City issues and manages its debt in accordance with the debt policies enumerated under Financial Policies in the Introductory Section. Debt service millage for 2002-03 is 0.5455 mills, a 19.63% decrease from last year's 0.6787 mills. A comparison of debt service millage for last year and this year follows:

	<u>2001-02</u> <u>Actual</u>	<u>2002-03</u> <u>Actual</u>
1994 General Obligation Refunding Bonds	0.1650	0.1373
1998 General Obligation Refunding Bonds	<u>0.5137</u>	<u>0.4082</u>
Total Debt millage	<u>0.6787</u>	<u>0.5455</u>

The debt service payments for both the 1994 and 1998 General Obligation Refunding Bonds decreased from last year's level. This coupled with a 16.3% increase in property values for 2002 allowed the millage rate for each to drop for 2002-03. This results in a total debt service millage for 2002-03 of 0.5455 mills.

The following table shows the estimated millage rate for debt service based on projected net assessed valuations (2½% increase per year with known planned projects included) for the remainder of the outstanding debt:

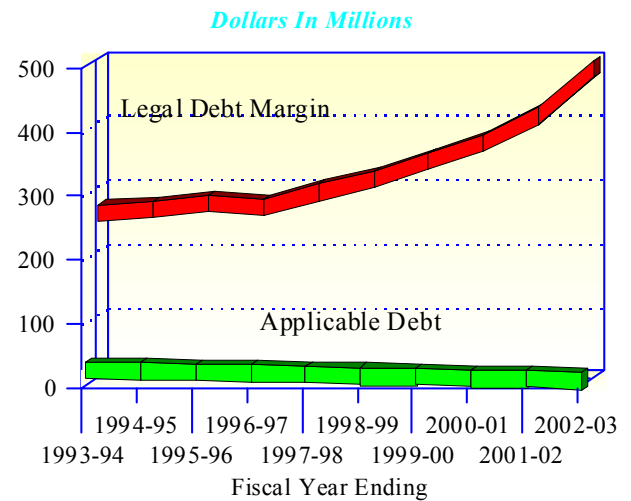
	<u>1998</u> <u>G.O. Bonds</u>	<u>1994</u> <u>G.O. Bonds</u>	<u>Total</u> <u>Millage</u>
2003-04 Estimated millage	0.4066	0.1292	0.5358
2004-05 Estimated millage	0.3091	0.1190	0.4281
2005-06 Estimated millage	-	0.2593	0.2593
2006-07 Estimated millage	-	0.2378	0.2378
2007-08 Estimated millage	-	0.1995	0.1995

The City of Sarasota’s total outstanding long-term liabilities on September 30, 2002 are budgeted at \$99,805,196, which can be summarized as follows:

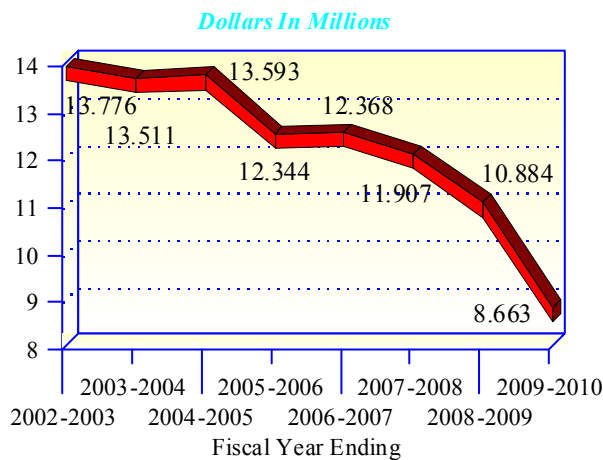
	<u>In Thousands</u>	<u>Per Capita</u>
General Obligation Bonds (G.O.)	\$ 10,360	\$ 190
Special Obligation Bonds and Debt	20,596	377
Loans Payable/Capital Leases	10,440	191
Special Assessment Debt	1,540	28
Proprietary Fund Revenue Supported Debt	<u>56,869</u>	<u>1,041</u>
	<u>\$ 99,805</u>	<u>\$ 1,827</u>

The City Charter provides for a legal debt limit that caps the amount of outstanding long-term liabilities to 10% of the assessed property value within the City. The legal debt margin is defined as the difference between the legal debt limit and net total outstanding long-term liabilities. “Net long-term liabilities” is defined as long-term liabilities less any deductions allowable by law. Allowable deductions include any debt supported by specific revenue streams and any funds segregated for the retirement of long-term liabilities. As of September 30, 2002 the legal debt margin of the City should be \$483,656,635 and the chart to the right compares it to debt margins of the previous several years.

Debt Margin Compared To Applicable Debt



Debt Service Requirements



Total payments including interest to amortize these long-term liabilities are \$140,099,436. The total payments necessary to amortize annually all outstanding long-term liabilities is detailed in Exhibit A. In addition, the chart to the left exhibits the next several years’ debt service requirements.

SPECIAL REVENUE FUNDS

COMMUNITY REDEVELOPMENT

The Preliminary Certification of Taxable Value of the Community Redevelopment Area (CRA) for fiscal year 1999-2000 was \$666,086,496, an increase of \$88,446,333 or 15.31% over the 1998-99 fiscal year Preliminary Taxable Value. Then on February 29, 2000, the Sarasota County Property Appraiser notified the City that they had made a mistake, going back to the calendar year 1991, by including taxable tangible personal property in their taxable property reports. Prior to this date, taxable tangible personal property was a separate report. The city's ordinance clearly states that the taxable value increase is on the value of real property. For 1999-2000, the adjusted taxable value dropped \$77,013,118. There was a \$76 million drop for 1998. Both 1997 and 1996 each dropped \$71 million, and then the decreases were approximately \$50 million. Thus, Sarasota County overpaid the CRA Trust Fund \$1,803,057. The City overpaid the Trust Fund \$1,791,256.

The Preliminary Certification of Taxable Value for July 1, 2002 of the "Redevelopment Area" is \$1,004,971,724, which is greater than last year by \$283,632,931 or 39.32%. The current City millage at 2.4926 would generate revenues of \$1,404,906. This is \$631,634 more than was produced last year. Based upon an estimated operating millage for Sarasota County of 4.1009 mills, in addition to the City's contribution, Sarasota County will contribute \$2,311,393, which is \$1,097,314 more than last year. It is anticipated the revenue in the CRA will total \$3,836,518 or \$1,864,167 more than last year. This will be sufficient to provide for the debt service of \$1,762,494. This results in an excess of approximately \$2,074,024 to fund Downtown Master Plan projects, reimburse the County for TIF overpayment, Transportation Master Plan and the Civic Center/Cultural District Master Plan.

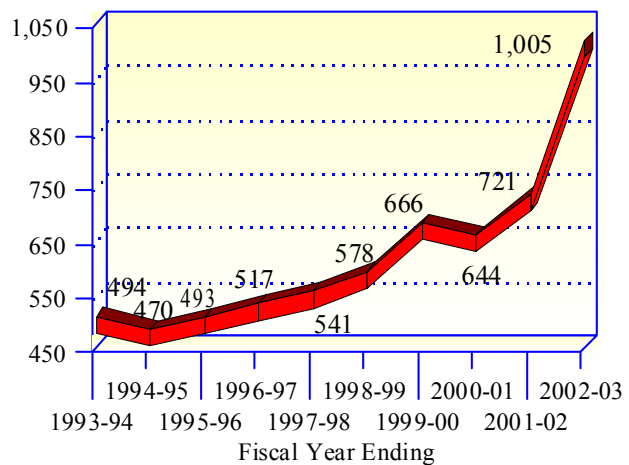
The following table lists the valuations provided by the Sarasota County Property Appraiser for the past seventeen years.

COMMUNITY REDEVELOPMENT AREA

<u>Fiscal Year</u>	<u>(July) Preliminary Taxable Value</u>	<u>(October) Certified Taxable Value</u>	<u>Percent Change From Previous Year</u>
2002-03	\$1,004,971,724	N.A.	39.32%
2001-02	721,338,793	752,965,152	17.14%
2000-01	643,745,526	642,795,320	(3.69%)
1999-00	666,086,496	667,423,716	15.01%
1998-99	577,640,163	579,865,844	6.68%
1997-98	540,522,573	543,565,613	5.32%
1996-97	517,453,257	516,094,651	4.84%
1995-96	492,612,438	492,258,286	4.94%
1994-95	469,531,233	469,079,920	(4.93%)
1993-94	493,700,939	493,391,298	(1.25%)
1992-93	499,195,065	499,619,983	2.49%
1991-92	485,476,369	487,460,015	(3.63%)
1990-91	507,128,774	505,826,876	5.93%
1989-90	494,893,122	477,517,526	4.68%
1988-89	450,391,610	453,176,890	5.11%
1987-88	428,347,030	431,153,610	4.70%
1986-87	410,617,860	411,676,160	BASE

Assessed Values of Redevelopment Area

Dollars In Millions



The Taxable Value of the "Redevelopment Area", at \$1,004,971,724, is \$593,295,564 greater than the base year 1986 of \$411,676,160. This is a 144.1% increase, despite the devaluation that occurred in the early 1990's and the error that was discussed previously. See the table above and the graph to the right detailing these valuations.

The following table provides a projection of future **estimated** taxable values in the Redevelopment Area, the revenue it will produce, and the excess funds available after debt service:

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Taxable Value	<u>\$1,025,071,158</u>	<u>\$1,159,812,581</u>	<u>\$1,370,688,833</u>	<u>\$1,462,362,610</u>	<u>\$1,491,609,862</u>
Tax Revenue	\$4,543,748	\$5,838,739	\$6,401,708	\$6,581,316	\$6,764,516
Debt Service	<u>1,294,796</u>	<u>1,390,750</u>	<u>1,493,269</u>	<u>1,598,747</u>	<u>1,708,843</u>
Excess	<u>\$3,248,952</u>	<u>\$4,447,989</u>	<u>\$4,908,439</u>	<u>\$4,982,569</u>	<u>\$5,055,673</u>

This excess in TIF funds should be enough to significantly implement the capital improvements in the Downtown Master Redevelopment Plan. Serious consideration should be given to the repayment of General Fund loans previously advanced to the TIF Trust Fund. The administration recommended a plan for the long-term use of TIF funds at the Capital Improvements workshop on April 29, 2002 as follows:

	In Thousands				
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Projected Excess	<u>\$3,249</u>	<u>\$4,448</u>	<u>\$4,908</u>	<u>\$4,983</u>	<u>\$5,056</u>
Budgeted Expenditures					
Redevelopment Department	228	236	244	252	261
General Fund Repayment	370	370	370	370	370
Other Fund Repayments	130	130	130	130	130
Downtown Trolley Service	72	74	76	79	82
Strategic Parking Facilities (debt)	1,000	1,000	1,000	1,000	1,000
Palm Avenue Project	300	1,700	-	-	-
Way finding Signage	200	125	-	-	-
North Palm Ave Streetscape	-	235	-	-	-
Pedestrian Sleeves	-	-	-	2,000	-
TCEA Update	13	12	13	12	13
Transportation Master Plan	100	-	-	-	-
Joint City/County Projects	-	448	448	438	-
TOTAL	<u>\$2,413</u>	<u>\$4,330</u>	<u>\$2,281</u>	<u>\$4,281</u>	<u>\$1,856</u>

GAS TAX

The Seven-Cent Gas Tax Fund revenues are budgeted to be \$1,763,410 for 2002-2003, which is \$62,561 higher than budgeted for 2001-02. The following are some of the budgeted uses of the Seven-Cent Gas Tax for 2002-03:

Street Lighting	\$ 716,000
Street Sweeping Program	386,886
Bridge and Culvert Maintenance	20,000
Replacement of Sidewalks	100,000*
Traffic Control Pavement Markings	20,000
Traffic Control and Overhead Signs	50,000
Traffic Signal Parts and Controllers	25,000
Bicycle Route Improvements	50,000*
Traffic Signalization	60,000*
Capital Equipment	27,000
Residential Traffic Calming	50,000*
Replacement of Curb and Gutters	20,000*

The continued strengthening of City Neighborhoods remains an important priority of the City Commission. For 2002-03, Neighborhood Improvements in the Capital Improvement Plan (CIP) total \$8,504,000 of which Gas Tax will fund \$280,000 of the projects, as asterisked above.

The **Five-Cent Local Option Fuel Tax (ELMS)** went into effect January 1, 2001. For fiscal year 2002-03 the ELMS Tax is estimated at \$1,151,400, of which \$850,000 will be used to fund street reconstruction. Including the estimated September 30, 2002 fund balance of \$195,772, the \$497,172 balance of funding available in the ELMS Fuel Tax is reserved for substantial future year projects as identified in the Capital Improvement Program.

TOURIST DEVELOPMENT TAX

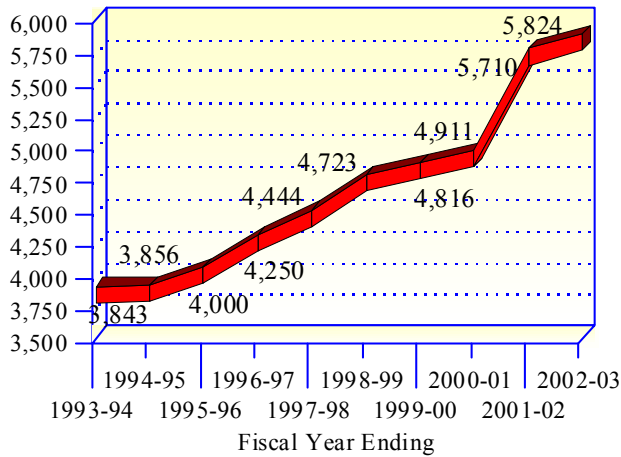
The original two percent tourist development tax has been in effect since November 1, 1988. In addition, the Board of County Commissioners of Sarasota County increased the tourist development tax an additional one percent to a total of three percent, effective April 1, 1997. The City's allocation of the original two percent tourist tax and the additional one percent tourist tax for 2002-03, is estimated at \$330,989 and \$146,000, respectively. As in the past, these funds will be reserved for the renourishment of Lido Beach.

Since inception and through September 30, 2002, the City has been allocated \$7,388,016 of tourist development tax revenues. Through the same date, the City will have expended approximately \$7,070,080, which leaves a carryover of \$317,936 to the 2002-03 fiscal year. This carryover amount, along with the 2002-03 allocation of \$476,989 and the estimated fund balance at September 30, 2002 of \$1,052,946, provides approximately \$1,847,871 of matching funding for further renourishment of Lido Beach.

Additionally, the Van Wezel Performing Arts Hall received \$63,243 of tourist development tax monies in 2001-02 and is expected to receive \$68,478 in 2002-03.

PENNY SALES TAX

Budgeted Penny Sales Tax
Dollars In Millions



The original penny sales tax went into effect September 1, 1989. The City bonded a large portion of this ten-year revenue source to initiate major improvements including roadways, park improvements and office space. On November 4, 1997, the voters of Sarasota County approved the extension of the penny sales tax for an additional ten years. In reference to the revenues of the penny sales tax over this second ten-year period, projects that have been bonded through this source of revenue are the Van Wezel renovation project, certain street improvements regarding the Renaissance project, and the Main Street Streetscape. The balance of the projected penny sales tax revenues will be used to fund projects on a pay-as-you-go basis.

The penny sales tax for 2002-03 is budgeted at \$5,824,200, which is higher than the 2001-02 estimated revenue of \$5,710,000. This revenue estimate contributes to a projected fund balance at September 30, 2002 of \$2,841,461, which must be set aside to finance the aggressive funding of projects under the new 10-year penny sales tax. The Capital Improvement Program has a reallocation of the penny sales tax extension projects that is different than the ordinance that the voters approved. As done last year, the Commission held public hearings in September with the budget hearings, to make the changes with the funding schedule as included in the Capital Improvement Program. When the Penny Sales Tax oversight committee convenes December 5, 2002, to review how the City has spent the penny sales tax dollars, they will see that the appropriate process has been followed to make changes to the projects.

Penny sales tax expenditures of \$7,757,634 for 2002-03 include:

Debt service	New Penny	\$2,315,634
Myrtle Avenue	New Penny	425,000
New sidewalks city-wide	New Penny	250,000
Street trees	New Penny	150,000
John Ringling Causeway Landscape Improvements	New Penny	315,000
Stormwater Utility Projects	New Penny	800,000
Police Vehicles	New Penny	300,000
Newtown Recreation Center Rehabilitation	New Penny	407,000
Pedestrian Sleeves	New Penny	500,000
Residential Traffic Calming	New Penny	50,000
Arlington Park Improvements	New Penny	100,000
New Curbs and Gutters	New Penny	350,000
East Sarasota Park	New Penny	50,000
Skateboard Park	New Penny	400,000
Payne Park	New Penny	750,000
Fredd Atkins Park Improvements	New Penny	73,000
Seawall Reconstruction	New Penny	75,000
St. Armands Sidewalk/Lighting	Old Penny	120,000

Handicapped Access Ramps/Other Improvements	Old Penny	147,000
Parking Space Creation/Enhancement	Old Penny	50,000
Ken Thompson Park Improvements	Old Penny	130,000

HOUSING AND COMMUNITY DEVELOPMENT

The Office of Housing and Community Development is a joint effort of the City of Sarasota and Sarasota County Government. The Office administers state and federal housing and community development programs both in the City and the County. In 1998, a study of the administrative structure was conducted by KPMG (Peat Marwick). The study concluded that the City should serve as the administrative agent for the Office. The City and County Commissions approved an Interlocal Agreement implementing the findings of the KPMG study, and the SHIP and HOME program budgets contained in this section are expended both within and outside the City.

During fiscal year 2001-02, a Sarasota County employee filled the Senior Accounting Technician position in the Office of Housing and Community Development. When the position was vacated, the Office had to fill the vacancy with an employee paid by the City. The net effect to the Office and the City is zero because the County now contributes more toward the operation of the Office. In addition, the budget includes two additional employment positions, an accounting supervisor and a project coordinator II. The accounting supervisor position would supervise the accounting staff that has grown due to the additional financial responsibilities, some of which include:

- Receipt of 130 new Section 8 vouchers to provide rental assistance,
- Funding of 296 additional multi-family rental units through the Regional Bond Program
- Receipt of \$200,000 to rehabilitate 50 homes damaged by Tropical Storm Gabrielle.
- Program income for the HOME grant has grown from \$86,141 in Fiscal Year 1999 to \$691,220 for fiscal year 2001.
- Program income for the SHIP grant has grown from \$765,804 in Fiscal Year 1999 to \$1,476,963 for fiscal year 2001.

The project coordinator II will assist in ensuring that the above funds and other grants are administered timely and that the office meets the grant requirements of the State and Federal Governments.

The Community Development Block Grant entitlement for 2002-03 is \$796,539. The following projects are included for funding:

Administration	\$ 149,400
Rosemary Parking Lot	250,000
Rosemary - Neighborhood Improvements	152,900
Storefront Revitalization (Washington Boulevard)	50,000
Housing Rehabilitation Loan Program	<u>194,239</u>
Total	<u>\$796,539</u>

In 1992, the Federal government created a new housing initiative entitled the HOME Partnership Program. Under the program, cities and counties are eligible to receive federal funding for affordable housing initiatives. Because neither the City nor County qualified to receive direct funding, they formed a new entity entitled the Sarasota Consortium. The City of Sarasota was designated as the lead agency or recipient of funds for the Consortium until the 1996-97 fiscal year. For 1996-97 and 1997-98 Sarasota County was the lead agency. Since then the City of Sarasota has been the lead agency. The 2002-03 HUD-Home Program funding is \$989,178. An additional \$1,553,008 is estimated from program income, which thereby provides total revenue of \$2,542,186.

The following projects are included for funding:

Administration	\$ 190,768
Housing Partnership	1,016,357
Housing Partnership-Tenant Based Assistance	55,368
Down Payment/Closing Cost Assistance	451,482
Housing Rehabilitation Loan Program	184,903
City CHDO Project Costs	<u>643,308</u>
Total	<u>\$ 2,542,186</u>

In addition to the above funding, it is estimated that \$2,970,000 of State Housing Initiative Partnership (SHIP) funds will be received for 2002-03. An additional \$1,553,238 and \$33,041 are estimated from program income and investment earnings, respectively, which thereby provides total revenue of \$4,556,279. These funds will be spent within Sarasota County both inside and outside the City. Uses of these funds for 2002-03 are as follows:

Administration	\$ 661,943
Down Payment Assistance	448,743
Owner Occupied Rehabilitation	1,013,041
Land Acquisition	19,369
Barrier Removal for the Physically Disabled	120,000
Impact Fee Assistance	149,676
Housing Partnership	1,686,700
Housing Grants in Aid	250,000
Tax Credit	500,000
Home Buyer Education	<u>50,000</u>
Total	<u>\$ 4,899,472</u>

COUNTY OCCUPATIONAL LICENSE TAX

Effective December 12, 1991, the Sarasota Board of County Commissioners adopted an ordinance implementing an occupational license tax in Sarasota County. The ordinance allocated proceeds from this tax to each municipality based upon the respective ratio of their population to the total County population. Effective October 1, 1994, as authorized under State Statutes, the Sarasota County Commission decided to distribute these funds using the alternative formula. This formula allocates the applicable taxes to each municipality using the previous formula, but allows each municipality to receive only the pro-rata share of taxes collected within its boundaries. This change in the distribution formula reduced the City's share from \$62,983 in 1993-94 to \$13,574 in 1995-96.

For 2001-02 this revenue is estimated at \$10,000. Including these revenues, the funds available should be \$36,183. \$15,000 of this funding is budgeted for the City's contribution towards the July 4th fireworks display. It is estimated, at September 30, 2003, the remaining unspent balance of these funds will approximate \$21,183.

CITIZENS WITH DISABILITIES

Section 33-83 of the Code of the City of Sarasota requires that revenue collected from fines imposed for illegal parking in parking spaces provided for citizens with disabilities shall be accounted for separately and used for projects or facilities of benefit to citizens with disabilities. Currently, the fine for illegally parking in a citizens with disabilities parking space is \$250, of which \$167 comes to this fund, and \$83 goes to the Parking Management Fund.

Revenue for this fund in fiscal year 2002-03 is budgeted at \$9,000. Travel expenses and the cost of support staff has been budgeted at \$1,500 and \$3,500, respectively, for the Citizens With Disabilities Advisory Board. It has been the internal policy of the administration to bring all other expenditures of this fund to the Commission for approval before the expenditure is authorized.

SARASOTA BAY NATIONAL ESTUARY PROGRAM

The City became the sponsoring agency for the Sarasota Bay National Estuary Program (SBNEP) effective July 1, 1995 through an interagency agreement between the Southwest Florida Water Management District and the City.

The National Estuary Program Policy Committee establishes the work program. This committee consists of a City Commissioner from the City of Sarasota, one County Commissioner each from Sarasota and Manatee, one Southwest Florida Water Management District Board Member, the Deputy Regional Administrator to the Environmental Protection Agency, and the Director of District Management, Southwest District for the State Department of Environmental Protection.

During 2002-03, local funds, in the amount of \$266,000, should be received to continue future funding of this program as follows:

Manasota Basin Board	\$ 133,000
Sarasota County	50,000
Manatee County	50,000
City of Sarasota	<u>33,000</u>
 Total	 <u>\$ 266,000</u>

The contribution from Manasota Basin Board for 2002-03 is \$100,000 lower than in previous years.

For 2002-03, budgeted funding for salaries and other administrative costs of the SBNEP total \$417,354, which is \$32,113 higher than that budgeted for 2001-02. This increase is attributable to increased medical/dental premiums (\$6,795), the net effect of the provision for salary increases effective October 1, 2002 (\$10,949), and the assumption of a salaried position at a level higher than budgeted (\$10,954).

In addition, the following projects totaling \$404,000 are budgeted for 2002-03:

Hydrology - monitoring and research	\$ 100,000
Citizen action plan	140,000
Oyster reef creation	50,000
Artificial reefs	50,000
Wetlands planning / restoration	50,000
Public outreach and education	<u>14,000</u>
 Total	 <u>\$404,000</u>

The City has an Environmental Protection Agency (EPA) grant valid through September 30, 2002. An amendment to the existing EPA grant has been finalized which will provide \$480,000 for 2002-03 with an additional \$30,000 projected to be available by November 2002. With this funding, along with the new regulations that allow local funding to be used as the SBNEP match, the SBNEP should have sufficient funds to operate through fiscal year 2002-03.

CIVIL SEIZURE FINES

In December 1998, the Commission approved the dividing of the revenue generated from civil seizure fines to be used as grants to be administered by the Nuisance Abatement Board and the Neighborhoods Department. In January 1999, an Administrative Regulation was issued stating that the prior year's revenue was available for these grants on October 1. Effective January 1, 2001, this source of revenue was moved from the General Fund to a Special Revenue Fund because it is split each year between the Neighborhood Department and the Nuisance Abatement Board.

The estimated revenue from civil seizures for 2001-02 is \$37,000, which is under budget by \$28,000. This reduction in revenue is attributable to a change of philosophy in the Narcotics Unit that began in late 2000. A large number of the seizures resulted from Narcotics reverses, where officers pose as dealers, sell to customers, then make the arrest and seize the vehicle, as applicable. That coupled with "operation sidewalk sales" resulted in a large number of arrests of low-level operatives. In many cases the defendant was a crack addict selling drugs to get his next fix. Fewer of these operations are being conducted. More emphasis is being placed on the middle and upper level dealers, in an effort to curb the flow of drugs into the neighborhoods. Reverse operations and stings are conducted less frequently so investigative time can be spent where we hope to have a greater impact

Similarly, civil seizure revenues for 2002-03 have been projected at \$37,000. Fifty percent of this revenue will fund the expenses of the Nuisance Abatement cost center in the Police department, while the remaining fifty percent will be reserved for the 2003-04-neighborhood grant program.

ENTERPRISE FUNDS

WATER AND SEWER

When rates were raised 5% in September 1995, one of our goals then was to establish rates sufficient to pay for necessary capital infrastructure improvements and to meet additional operational and maintenance expenses utilizing equity. At that same time we established a second goal to keep rate increases at a minimum and to smooth them so that we would not have the rate increases of the 1980's and early 1990's which ranged from 37.2% down to 10.3%. To accomplish this the 5% rate increase in September 1995 was coupled with a 4.5% rate adjustment effective September 1996. A rate study in June 1998 showed that a 2.0% increase was required for each of the fiscal years 1998-99 and 1999-2000. A rate study again in February 2000 showed that a 2.0% rate increase was required for each of the fiscal years 2000-01 and 2001-02.

Burton and Associates completed a rate study, in April 2002, under contract to Post, Buckley, Schue, & Jernigan, the City's water and sewer engineers of record. The study showed that a rate increase was required for the fiscal years 2002-03 and 2003-04. Ordinance No. 02-4388 increased water and sewer rates 2% effective September 1, 2002 and another 2% effective September 1, 2003. As required by State law, effective July 1, 2000, the rate increase for September 1, 2002 was mailed to each customer in a separate letter from the water bill.

The ordinance was amended for the following two changes:

1. Reduction in the monthly consumption gallonage allowance for each inclining block tier.

	Current	Revised
	<u>Consumption Allowed</u>	<u>Consumption Allowed</u>
1 st tier	0 to 18,000gallons	0 to 12,000gallons
2 nd tier	18,001 to 30,000gallons	12,001 to 24,000gallons
3 rd tier	30,001 and up	24,001 and up

The City implemented an inclining block or water conserving rate structure in 1990, even before it was mandated by the Southwest Florida Water Management District to be in place by January 1, 1993. The primary purpose of tiered gallonage allowance is to discourage wasteful irrigation by charging a higher usage fee for each tier. Along with the City's current once per week use restrictions on irrigation, this change will reinforce the need for water conservation by making wasteful irrigation more costly.

2. 15 cents per 1,000 gallons consumed increase in the interim reclaimed water gallonage charge.

	Current	Revised
	<u>Gallonage Charge</u>	<u>Gallonage Charge</u>
1 st tier	\$0.50 per 1,000 gallons	\$0.65 per 1,000 gallons
2 nd tier	\$0.25 per 1,000 gallons	\$0.40 per 1,000 gallons
3 rd tier	\$0.10 per 1,000 gallons	\$0.25 per 1,000 gallons

The current interim rate structure was developed to cover costs associated with pumping to users in the urban system. However, as the Public Works Department has discussed in their recent

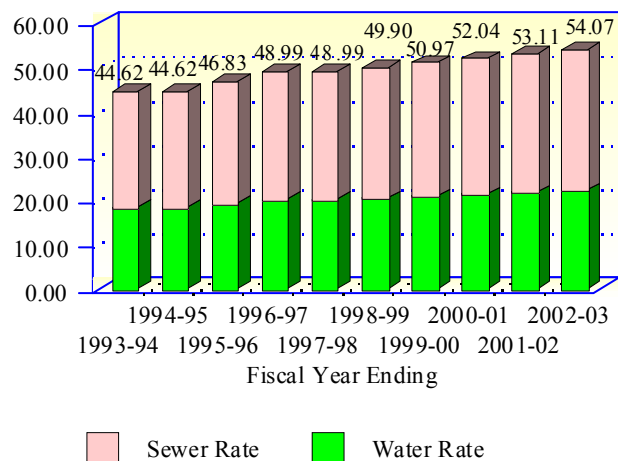
workshops with the Commission, reclaimed water has become a commodity versus the liability it was in prior years. This rate increase represents a market-based structure to reflect this change.

In analyzing “what if” scenarios of this rate study it became evident that it was advantageous to issue bonds to pay for the retrofit of the 4.5mgd reverse osmosis water treatment facility that began in April 2002. Issuing bonds for approximately \$6,000,000 over 20 years would still enable rates to only increase 2.0% and allow the funds reserved for the project to increase working capital. The increase in working capital will fund projects identified in the Capital Improvement Plan and provide sufficient reserves for the necessity to relocate and upgrade water and sewer lines in the Downtown Master Plan and other road projects. Accordingly, the administration will bring a resolution to the Commission on August 19, 2002 for the authority to issue the bonds.

The goal of the administration to smooth out the rate hikes and keep them as low as possible, yet sufficient to meet required bond covenants as to coverage, continues to be achieved, as exhibited by the graph to the right. The 2.0% rate increase will result in total revenues of \$24,566,190 for 2002-03. The 2001-02 water revenues are estimated to be \$10,480,000 or \$120,000 less than budget because of the once-per-week water restrictions. For 2002-03, water sales are budgeted at \$10,675,000, which is the result of the 2% rate increase. Sewer fees are estimated for 2001-02 to total \$13,200,000 or \$185,000 less than budget because of the lower water sales. For 2002-03, sewer fees are budgeted at \$13,540,000 as a result of the rate increase.

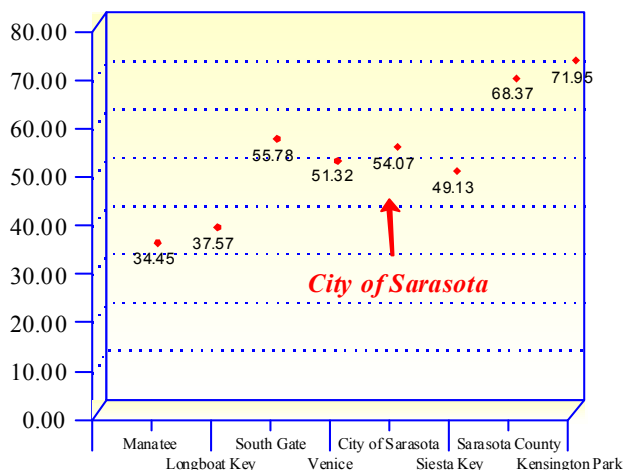
Base Water and Sewer Rates Over Ten Years

Monthly Rates For 5,000 Gallon Per Month User



Water and Sewer Rates For Area Utilities

Monthly Rates For 5,000 Gallon Per Month User



As shown by the graph to the left, the City’s water and sewer rates will be very competitive at \$22.27 for water and \$31.80 for sewer, which total \$54.07, for 5,000 gallons in 2002-03 including excise taxes. The operating budget at \$14,170,806 is \$427,500 more than last year, which is a 3.1% increase. This is the result of health insurance \$171,025, salary and other benefits \$114,810 and cost allocation \$123,812.

Special projects in process are:

Industrial painting	\$ 100,000
Contribution to SBNEP	33,000
Converting system mapping to electronic format	50,000
Get Wet program (Toilet Rebate)	50,000
Collection system cleaning	75,000

The Renewal, Replacement and Improvement fund (capital maintenance), at \$4,193,629, will increase \$198,247 or 5.0%. This is the result of health insurance \$76,492 and cost allocation \$123,812.

Special projects in progress are:

Ongoing equipment replacement	\$ 392,500
Ongoing inflow/infiltration control program	500,000
Ongoing contracted distribution system construction	200,000
Ongoing underground power supply* - Phase III	300,000
Ongoing Lift Station pump replacement	72,000

*Verna Well Field - To eliminate the possibility of a hurricane knocking down a power line to the well fields. This is a 5-year project.

The General Reserve (expansion) expenditure budget will increase from \$1,689,438 to \$2,465,596 in 2002-03. The projects include:

Ongoing sewer collection system upgrade	\$ 500,000
Ongoing contracted Distribution system construction	600,000
Ongoing lift Station upgrade program	160,000
Disinfectant conversion	600,000
WWTP odor control	225,000
Administration building renovations	150,000

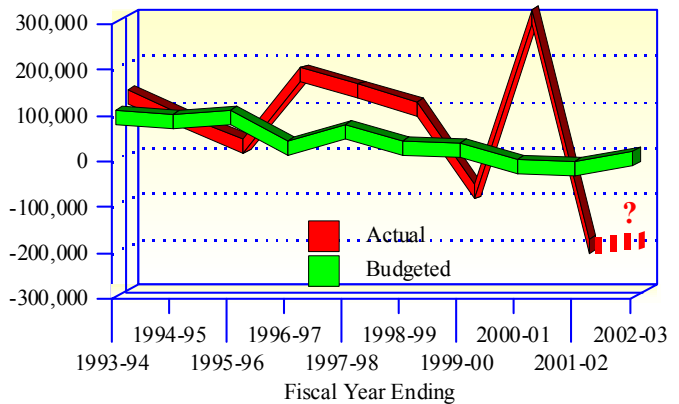
Debt service transfers will total \$7,278,360, an increase of \$701,130 from last year. This is the result of (1) the bond issue discussed above which is estimated to have an annual debt service of \$496,000 and (2) the forward refunding that the City did on April 24, 2001 which called all the 1992 bonds and officially closed on July 9, 2002.

BOBBY JONES GOLF COMPLEX

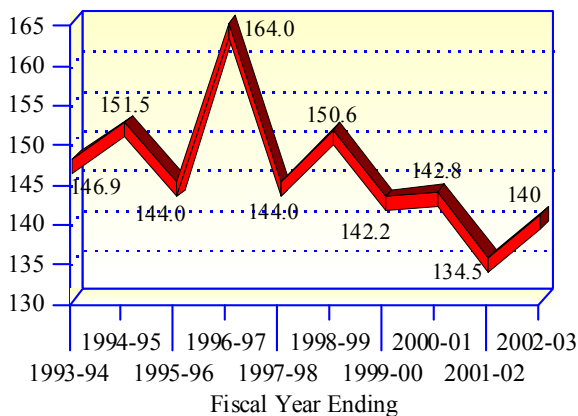
The 45-hole Bobby Jones Golf Complex remains the only municipal and totally public golf facility in greater Sarasota. This 306 acre green space is located entirely within the Sarasota city limits and continues to fulfill its mission of providing an enjoyable golfing experience on well-maintained courses in a price range that is affordable to all residents and visitors of the City of Sarasota.

As exhibited by the graph to the right, Bobby Jones Golf Complex has generated an overall net profit for the last nine years, including the projected results for the 2001-02 year. The Golf Complex, however, has experienced a third consecutive below average first half of the fiscal year. We strongly believe that the tragic events of September 11, 2001, coupled with the weak Canadian dollar and the erratic weather patterns that gave southwest Florida tropical storm Gabrielle, have dramatically impacted tourism and specifically golf play during the first half of 2001-02. It appears that the dramatic increases in play at Bobby Jones over the past decade have leveled off. Many factors may have contributed to this trend. Several new courses have been constructed in the area, some existing private and semi-private courses have relaxed their open play policies to supplement their membership fees, the recent drought conditions have adversely affected turf health and overall course beautification, stock market and savings issues have given rise to cautious spending and limited travel and, just maybe, people are opting for other forms of leisure activity. Whatever the cause, the management of Bobby Jones must adjust projections and ensure that the financial health of the facility is maintained.

Actual Profit/Loss Compared to Budget
In Dollars



Number of Rounds of Golf Played
In Thousands



As exhibited in the graph to the left, the number of rounds of golf played at Bobby Jones in 2001-02 is lower than in the previous eight years. All 350 Annual Fee Holder (AFH) slots have been sold for 2001-02, however, and the City resident waiting list from last year has been totally eliminated. A new list of 34 city residents is currently waiting for future vacancies, as well as 85 people on the non-City waiting list. Our previous plan to fill all vacancies by November 1st to maximize AFH revenues has been an outstanding success with all fees paid by the new deadline. A 5% increase in fees together with the timely payment plan is projected to realize an increase of \$18,274 over 2000-01. Despite this increase in AFH

revenues, total 2001-02 revenues are projected to be under budget by \$116,703 due to the previously discussed factors.

Another situation affecting Bobby Jones is the privatized food and beverage operation. The concession agreement for the food and beverage operation expired on April 30, 2001. The new concessionaire opened for business on September 4, 2001. Unfortunately, the tragic events of September 11, 2001 had a significant effect on the food and beverage operation. The concession

operators are naturalized United States citizens from the eastern Mediterranean region and English is not their first language. These factors plus unfamiliarity with golf and American culture have set the tone for a difficult and unfriendly atmosphere in their operation. It is our hope that the passage of time and improvements in product and service will resolve these issues.

A 5% rate increase for all greens fee categories, cart fee categories, annual golf and tennis fees, daily tennis fees, cart trackage, and locker rental was approved in the 2001-02 budget. There will be no increases for the 2002-03 fiscal year. As in the past, off-season (May through October) rates may vary depending on area competition and volume of play. Revenues for 2002-03 are projected to increase from those estimated for 2001-02 by \$140,633 to \$2,544,162. The increases in daily green fees and cart rentals of \$82,000 and \$36,400, respectively, account for the largest portion of this increase. Expenditures for 2002-03 of \$2,539,921 are \$1,392 higher than those budgeted for 2001-02. This increase is primarily attributable to the net effect of increases in employee/retiree medical benefits of \$17,470, and grounds maintenance of \$22,375, and a decrease in funding for the capital improvement program of \$39,000. As a result, the 2002-03 projected revenues of \$2,544,162 and expenditures of \$2,539,921 produce a net profit of \$4,241, which should increase fund balance to \$394,823 as of September 30, 2003.

MOBILE HOME PARK

In February 1990, the Commission directed the administration to prepare a density reduction plan that would enable the Park to be reduced from 630 units to 270 units, while making major infrastructure improvements. The number of units was reduced from the 630 in February 1990 to 27 units as of September 30, 2001. Seventeen of these were permanent residents (14 single wide and 3 double wide) and ten were seasonal.

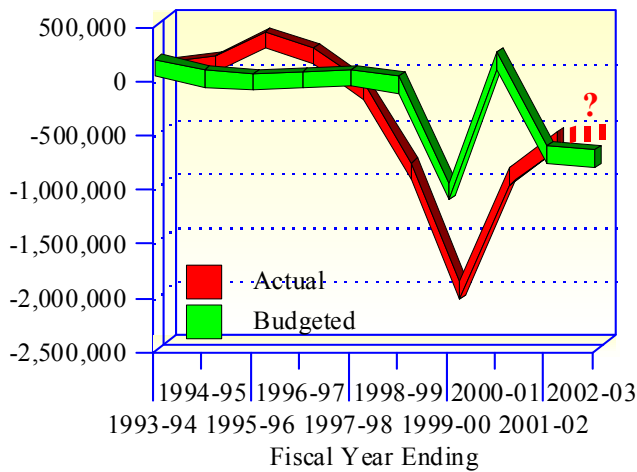
The Commission gave direction to the administration to proceed immediately with the closure of the Mobile Home Park and with the hard work of many employees from the Office of Housing and Community Development, City Attorney's Office and General Services Department, the residents of the Park were found alternative housing and the Park closed on April 28, 2002.

VAN WEZEL PERFORMING ARTS HALL

The Van Wezel Performing Arts Hall (VWPAH) presents a broad spectrum of local, regional, national, and international performing artists in order to meet the diverse cultural needs of all of Southwest Florida's residents and to further Sarasota's national and international reputation as the cultural capital of Florida. The Van Wezel also supplements its presentation schedule with outreach activities that bring its visiting artists into the community for meaningful educational programs. In addition, the Van Wezel is made available to other community organizations for their programs. A few of the community organizations that use the Van Wezel on a regular basis are the Florida West Coast Symphony, Sarasota Ballet of Florida, Sarasota Opera, Ringling Town Hall Series, Sarasota Concert Association, Jazz Club of Sarasota, and the Sarasota Pops Orchestra.

Actual Profit/Loss Compared to Budget

In Dollars



Total revenues for 2001-02 of \$6,779,337, before the operating subsidy, are projected to be lower than those budgeted by \$315,065. This shortfall is primarily due to revenues from ticket sales, technical service fees and bar/food revenue being under budget by approximately \$222,136, \$75,000 and \$105,500, respectively. These decreases were partially offset by increases in several other revenues including building rentals, grants/contributions/sponsorships, postage/handling charges, and miscellaneous revenues. Estimated expenditures at \$7,421,361 for 2001-02 are projected to be under budget by \$404,098. This is attributable primarily to favorable variances in salaries/benefits \$164,410 and performance fees \$249,300.

The above graph reflects the actual profit or loss compared to budget for Van Wezel for the past 10-year period.

The above estimated revenues and expenditures for 2001-02 results in a loss of approximately the budgeted subsidy of \$642,024, which creates a fund balance of \$390,304 at September 30, 2002.

Total projected revenues for 2002-03 of \$7,015,500, before the operating subsidy, are at a similar level with those budgeted for 2001-02 and are \$236,163 higher than those estimated for 2001-02. Building rental income is projected to increase primarily due to an approximate 5% increase in the rental rates. Additionally, the service charge for phone-in tickets will be raised to \$2 per ticket, with a maximum of \$12 per order, up from the current level of \$1.50 per ticket with a maximum of \$6 per order. This increase will generate more than \$12,000 in additional revenue for handling.

Expenditures for 2002-03 of \$7,744,135 are \$44,291 lower than those originally budgeted for 2001-02, which is primarily due to a decrease in the projected level of performance fees (\$141,000) offset by an increase in salaries/benefits (\$82,037). The increase in salaries/benefits is attributable to several factors. Medical and dental premiums increased expenses by \$37,080. Additionally, the table of organization has been increased by two full-time positions for an administrative assistant in the education department and a deputy director. The administrative assistant position converted a position funded with part-time salaries into a full-time position, and as a result did not increase expenses. The deputy director position (\$73,810) is needed to assist the Executive Director in the day-to-day operations of programming and fundraising. Fundraising will become more important in the coming years and more time will be required to work with the community, donors, the Foundation, Advisory Board, political entities and others to generate new sources of revenue. Management was able to reduce part-time salaries and overtime to partially mitigate these increases in salaries/benefits.

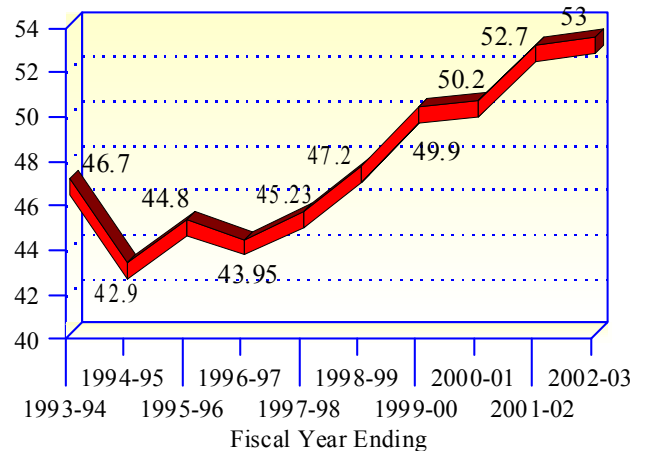
Based upon the projected level of revenues and expenditures for 2002-03, the budget includes a subsidy from the General Fund of \$642,024, which is consistent with the subsidy for 2001-02.

Funds available for 2002-03 from the \$1.00 per ticket capital surcharge should be in excess of \$400,000 of which \$235,000 should be generated from collections in 2002-03. \$190,000 of this amount has been established for resurfacing the parking lots at Van Wezel/Civic Center, as detailed in the Capital Improvement Program. An additional \$68,739 is budgeted for computer hardware/software upgrades, various other office/stage/catering equipment, hearing assisted headsets, and small appliances/utensils for the kitchen. Furthermore, \$59,100 has been reserved for certain improvements that are contingent upon the outcome of the construction litigation.

SOLID WASTE MANAGEMENT

Revenues for 2001-02 are projected to be \$9,238,600 or \$43,250 more than budget because refuse fees are anticipated to exceed the budget of \$9,105,000 by \$70,000. Expenditures for the 2001-02 year are projected to be \$8,927,032 or \$48,093 less than the budget, which is mainly attributable to lower than expected maintenance costs on solid waste collection vehicles. The monthly rate will remain at \$22.80. The graph to the right tracks the tons of waste disposed at the landfill with 2002-2003 being an estimated figure. The landfill tipping fee charge per ton is not scheduled to increase next year. Revenues for the fiscal year 2002-03 at \$9,258,100 are projected at approximately the same level as the current year estimate of \$9,238,600. Although

Tons of Waste Disposed at Landfill
Excludes Yard Waste Materials



no rate increase is budgeted for 2002-03, a new service will be offered to our customers. As the downtown area continues to develop with mixed-use high-density projects, conventional commercial dumpster service does not meet the unique solid waste collection needs emerging in this area. This problem is also becoming prevalent in waterfront areas of the City where high-density condominium development is taking place. These areas generate higher volumes of solid waste, which require more frequent pickups or installation of more dumpsters. However, because of limited space, the installation of additional dumpsters is not feasible. More frequent pickups are not an option because of the traffic congestion in these areas. Roll-off compaction units provide more efficient use of dumpster space allowing for increased tonnage to be collected in a cost efficient and effective manner. Revenues generated from this service will allow for a return on investment within four years. Projected revenues and expenditures for this service are \$25,000 and \$54,215, respectively, and are reflected in the 2002-03 budget.

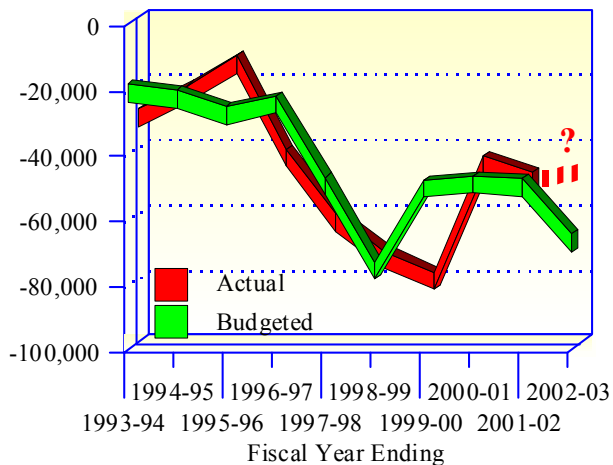
2002-03 expenditures are projected to total \$9,252,736 or \$325,704 higher than the estimate for 2001-02 and \$277,611 more than the 2001-02 amended budget. Salaries/benefits for 2002-03 has increased \$55,404 mainly due to the net effect of the provision for salary increases effective October 1, 2002 (\$41,330), the increase in medical/dental premiums (\$52,458), the increase in workers' compensation premiums (\$4,612) and the reduction in salaries due to attrition (\$43,000). Although the landfill tipping fee charge per ton to Sarasota County is not scheduled to increase next year, the Browning Ferris annual adjustment, based on the CPI, for recycling has increased \$89,950. Other increases in expenditures include \$28,350 for accreditation software,

\$54,215 for roll-off service cost as discussed above, \$21,600 for a truck wash rack, and \$17,857 for cost allocation.

The September 30, 2003 fund balance is projected to be \$1,684,684, which includes an equipment replacement reserve of \$459,486.

MUNICIPAL AUDITORIUMS

Actual Profit/Loss Compared to Budget
In Dollars



The historic Municipal Auditorium is located at the northern gateway to downtown Sarasota. It has been on the National Register of Historic Places since February 24, 1995. Effective, October 1, 2002 management of the Payne Park Auditorium will be consolidated with the Municipal Auditorium. In order to facilitate management review, a separate cost center will be maintained to report its operating results. The graph to the left reflects the actual profit or loss compared to budget for the past 10-year period. The 2002-2003 budget emphasizes: promoting use of the Auditorium for a wide variety of activities, including City sponsored events; improving quality customer service; and implementing more cost efficiencies in operations. The City will continue to sponsor

events such as flea markets, art & craft shows, collectible fairs and other exhibit type shows.

Estimated revenues for 2001-02 of \$251,422, before operating subsidies and transfers, were lower than the budget of \$273,191 by \$21,769. Expenditures for 2001-02 of \$302,206 are projected to be under budget by \$21,403, mainly due to lower personnel costs. The result is a subsidy of \$50,784 is required to maintain a break-even operation and to retain a small fund balance for operating purposes. The revenues for 2001-02 reflect a \$52,684 transfer from the Mobile Home Park, which is the estimated fund balance at September 30, 2002.

Revenues for 2002-03 at \$278,029 (before the subsidy from the general fund) are \$26,607 higher than those estimated for 2001-02, primarily due to the inclusion of a 50-cent per ticket increase on sponsored events. In addition, the City will sponsor one more event than last year and booth rental will increase 3.5%.

For 2002-03, expenses of \$330,047 increase \$6,438 from the 2001-02 budget mainly due to increases in salary costs of \$5,670 effective October 1, 2002. A subsidy from the General Fund of \$57,857 is budgeted to cover the excess expenses and to provide a small fund balance for operating purposes.

As mentioned above, the Payne Park Auditorium has been assimilated with the Municipal Auditorium. In previous years, it was part of the Mobile Home Park operation. For 2002-03 the projected revenues and expenses are \$25,654 and \$40,691, respectively. Despite this shortfall, a subsidy is not required from the General Fund for 2002-03 due to the projected \$52,684 transfer from the Mobile Home Park prior to October 1, 2002.

SPORTS COMPLEX

The Sports Complex, which maintains its national reputation as a premier baseball facility in the State of Florida, consistently has over 300,000 patrons visit the 53-acre site. In 1997, the Cincinnati Reds assumed the lease of the stadium from the Chicago White Sox and they have now completed five spring trainings at the Sports Complex.

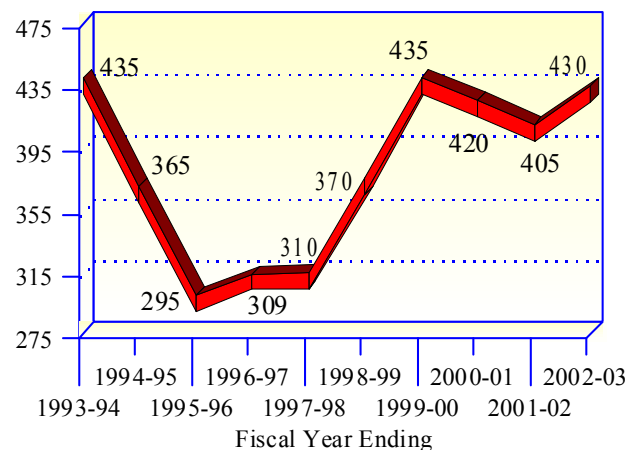
The Florida State League Franchise of the Boston Red Sox, with 70 home-dates, continues to delight residents with economical entertainment offered by Class A Professional Baseball and the Sarasota Red Sox. Other facility uses include local high school, AAU teams, American Legion, Babe Ruth baseball, All-Star and Men's Senior Baseball League games, as well as the use of the north parking lot for games and practices during their respective seasons of the Sarasota Little League, Sarasota Ringling Redskins Football, and Sarasota Youth Soccer Association. Multi-purpose uses of the complex include TV broadcasts and commercials, baseball clinics, and Cincinnati Reds and Baltimore Orioles Fantasy Camps.

Three national tournaments have been secured for the coming years. The City will host the Amateur Athletic Union (AAU) 14 and under National Championships Baseball Tournament in August 2001, 2002 and 2003. The National Senior Men's Tournament will also be held again in November.

Revenues for 2001-02 are projected to be \$516,308, before operating subsidies, as compared to the \$551,744 budgeted. Estimated expenditures of \$828,722, for 2001-02, are over budget by \$26,513. This is due to estimated ad valorem taxes of \$64,361 versus the budget of \$35,000. As discussed last year the Florida Supreme Court decided that previous legislation to exempt property from ad valorem taxation was outside the authority of the legislature to enact. Based upon the above, the operating subsidy from the General Fund will be \$324,678, which is \$74,678 higher than the amount budgeted. The resulting estimated fund balance at September 30, 2002 is \$66,489.

The graph to the right details the attendance over the last ten years. For 2001-02 the paid attendance for the 16 scheduled games decreased nearly 5,464 from the 2001 totals to an average of 4,396 per game, (2001 average attendance of 5,053 for 15 games). We expect attendance to return to the levels of 2000 as the supporters of the Reds residing in the Ohio Valley become more familiar with the Sarasota area. Further, the Reds will promote the area as a vacation site through the marketing plan for their annual Fantasy Camp and as the spring home of the Club. Budgeted revenues for 2002-03, before the operating subsidy, total \$598,700, which is \$46,956 more than budgeted for 2001-02. Expenditures for 2002-03 of \$936,396 are projected to increase \$107,674 over those estimated for 2001-02, mainly due to \$33,758 for increased grounds maintenance costs, which was applied to concessions revenue during 2001-02, and \$60,000 for the budget issue discussed

Attendance Over The Last Ten Years
In Thousands



below. The revenues of \$598,700 and expenditures of \$936,396 indicate that an operating subsidy of approximately \$327,000 is required. Therefore, fund balance at September 30, 2003 is projected to be \$55,850.

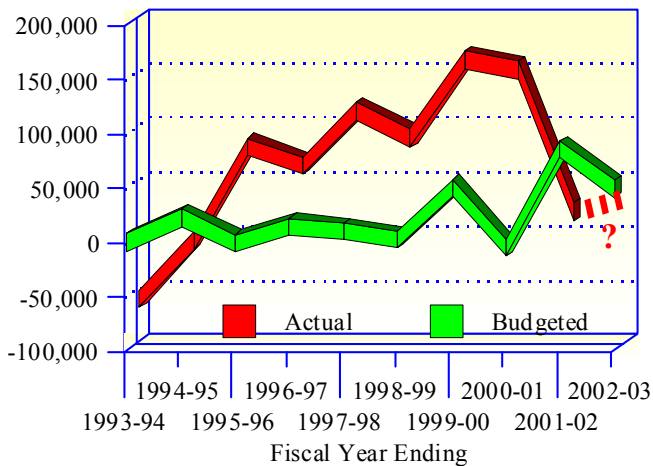
As referred to above, the budget includes an additional expense of \$60,000. In order to maintain our relationship with professional baseball and the significant accompanying economic impact to the Sarasota area, it is necessary to address expansion and the aging requirements of our facility at the Sports Complex and Ed Smith Stadium. To that end, staff has developed the following list of capital improvements that will meet the needs of the Cincinnati Reds and City of Sarasota in the years to come. It is mandatory that a conceptual Capital Improvement Program with cost estimates be developed in a timely fashion, in order to take advantage of what staff believes will be the continuation of the State of Florida's funding program for the expansion and renovation of existing spring training facilities. The state awarded in 2001, \$20 million of matching funds to five (5) aging facilities able to provide a contractual agreement with their respective major league tenant extending into the future at least 15 years. After passage of the legislation in 2001, the timing and implementation of the grant program only provided 60 days for the application period. Therefore, if the City is to take advantage of the program when it becomes available, we must first define the project with considerable input from the Reds and secure an extension to our current agreement into the future at least 15 years. As a member of the Florida Grapefruit League Association, the City is part of the lobbying efforts to extend this very important state-grant program. It is generally accepted that the state will support this program within the next 1-2 years, under normal circumstances, due to the reality that at least two (2) and possibly four (4) major league teams (pending major league baseball contraction) will not be playing in Florida in 2003. Thus, the statewide economic impact of professional baseball could be reduced as much as \$100 million. The budget includes \$60,000 to begin the process to study and develop consensus with affected parties on the scope and costs of the project.

Preliminary discussions of the scope of the project have occurred with the Cincinnati Reds, and a preliminary estimate of the cost of the project is \$5,685,000. Other funding options will be explored including State of Florida-Tourism and Development, Florida Sports Foundation, Sarasota County-TDC (Tourism Development Council), Cincinnati Reds, Community Foundation, Selby Foundation, Sarasota Sports Committee, Complex Naming Rights, Sportservice, One Source Inc., and creative financing arrangements with prospective advertisers/vendors.

As in 2001-02 the Surcharge Fund budget includes a \$300,000 subsidy from the General Fund to facilitate certain necessary improvements and to build some matching capabilities on the above project.

PARKING MANAGEMENT

Actual Profit/Loss Compared to Budget *In Dollars*



As exhibited by the graph to the left, with the exception of the 93-94 fiscal year, Parking Management has been at least a break-even operation. Estimated revenues for 2001-02 are projected to total \$421,300 or \$74,650 under the budget of \$495,950. This is attributable to a significant decrease in parking violations revenue, at \$230,000, or \$62,000 less than the budget of \$295,000. Parking permits, at \$150,000, are over budget by \$10,000. It appears that a downturn in tourism due to the September 11 attacks combined with additional parking permits sold, may have combined to produce lower than expected parking violation numbers. Additionally, investment earnings are projected to be lower than budget by \$20,000, due to lower interest

rates in 2001-02 and unrealized market value gains recorded in 2000-01 that will offset actual earnings received in 2001-02. The 2001-02 estimated expenditures, of \$401,950, are lower than budget by \$9,507. This is due to a vacancy in an employment position for part of the year. A net profit of \$19,350 is anticipated and the fund balance should be \$642,040 at September 30, 2002.

For 2002-03, revenues are budgeted at \$463,300, which is \$42,000 higher than the revenues estimated for 2001-02. This increase is primarily attributable to projected rebounds in parking violation revenues (\$20,000) and investment earnings (\$10,000), coupled with an expected increase in permit revenues (\$12,000). The 2002-03 revenues are projected based upon the same parking permit rates in effect during the 2001-02 fiscal year. The parking permit fee is currently \$35 per month, plus tax for nine or less permits. For ten or more permits the permit fee is \$45 per month, plus tax.

The 2002-03 expenditures are budgeted at \$415,159, which is \$3,702 higher than budgeted for 2001-02. This increase is attributable to personnel services increasing \$12,800, which includes the provision for general salary increases effective October 1, 2002 (\$7,869) and an increase for medical/dental premiums (\$7,930), and capital decreasing \$9,000, due to net effect of the increased cost to replace one scooter (\$5,000) and the non-recurrence of computer/software replacements (\$14,000). The resulting excess of revenues of \$48,141 should bring the fund balance at September 30, 2003 to \$690,181.

INTERNAL SERVICE FUNDS

CENTRAL STORES AND DUPLICATING

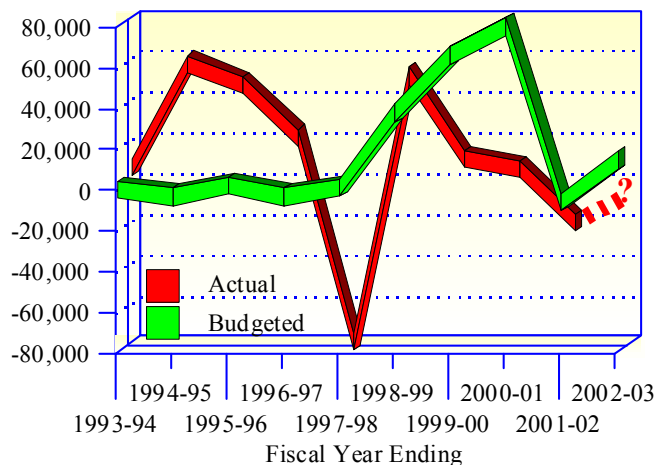
Central Stores and Duplicating is a division of the Department of General Services. The primary purpose of the Central Stores operation is to maintain stock and provide inventory control of certain commodities that are in constant or frequent demand by various City departments. Such items include, but are not limited to, construction and automotive supplies, traffic control, electrical, hardware and miscellaneous forms. The division provides delivery service to all departments thereby eliminating the need for individual employees to go "shopping" on behalf of the City.

The Duplicating Services operation provides convenient and reliable centralized duplicating services for all City departments, which require quantities of 50 copies or more, including Commission agendas. It also provides and maintains fifteen satellite copiers and supplies on an "as needed" basis for the various departments throughout the City. The operation anticipates between 1.3 and 1.6 million copies will be required for the 2002-03 fiscal year. Effective October 1, 2002, the charge for copies on the production printer will be between 7 and 3.5 cents per copy, depending on the quantity.

The operation has a Xerox digital color copier/printer, which provides the City with document fed, collated copies at a rate of 6 copies per minute. The printer aspect allows for computer network access directly from the user's PC. The color clarity is impressive and increases the quality of the City's presentation material. Effective October 1, 2002, the cost of color copies will range from 99 cents down to 59 cents per copy, depending on the quantity.

For 2001-02 Central Stores/Duplicating expects to generate a loss of \$21,268, which is reasonably consistent with the budgeted loss of \$18,179. As exhibited by the above graph, the operation has been profitable over the last ten years on a cumulative basis. The purpose of an internal service fund is to break even over the long-term. A planned loss in one year offsets profits in another and by itself is not significant unless a trend develops. Therefore, even with the 2001-02 loss, a profit of \$13,880 is anticipated in 2002-03. The fund balance at September 30, 2003 should be \$494,024.

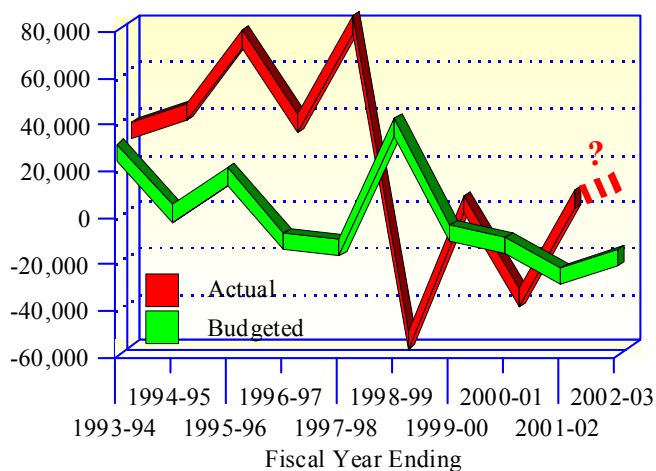
Actual Profit/Loss Compared to Budget
In Dollars



PUBLIC WORKS EQUIPMENT MAINTENANCE

Actual Profit/Loss Compared to Budget

In Dollars



This operation repairs and maintains City vehicles (with the exception of police vehicles) in a cost-effective manner and provides a 24-hour per day fully automated fuel facility for all City vehicles. The graph to the left exhibits the operation's actual profit or loss compared to budget over the past 10 years. Estimated revenues for 2001-02 are anticipated to be \$965,531, \$44,519 lower than budget, compared to estimated expenditures at \$962,122, resulting in a loss of \$3,409. This is the result of lower than budgeted revenues for car/light truck repairs (\$5,141), construction equipment (\$7,600), refuse equipment repairs (\$16,600), and container repair (\$12,500) being offset by reduced expenditure levels mainly in salaries/benefits. The fund balance is

expected to be \$89,727 at September 30, 2002.

Revenues for 2002-03 are budgeted at \$1,014,446, which is \$48,915 higher than estimated for 2001-02, primarily due to expected higher repair revenues from refuse trucks (\$29,900), car/light trucks (\$6,041), construction equipment (\$10,200), and from higher gas and diesel fuel pump prices (\$7,396). Expenditures for 2002-03 are budgeted at \$1,032,543 or \$70,421 higher than estimated for 2001-02. The increase is primarily attributable to the net effect of increases for the general salary increase effective October 1, 2002 (\$13,608), for increased medical/dental premiums (\$22,129), for the restoration of a full table of organization (\$60,702) and a decrease in special services for the elimination of environmental cleanup funding (\$25,000). The 2002-03 budget includes \$12,000 to fund the first of two phases to replace the garage doors. The projected expenditures of \$1,032,543 exceed revenues of \$1,014,446 by \$18,097, which reduces the September 30, 2003 fund balance to \$71,630.

INFORMATION SYSTEMS

The department has been set up to run as a strategic business unit and the team members became consultants to other departments and the end-users were the clients. Performance is measured on four perspectives:

1. Are we satisfying our client's needs?
2. What must we excel at?
3. Can we continue to improve the value of our services?
4. Did we add value to the overall organization?

For the fiscal year 2001-02, the department was reorganized into the following business units:

1. Customer service and desktop support
2. Enterprise (citywide) network management

3. Geographic Information Systems
4. Infrastructure and project management
5. Training and development

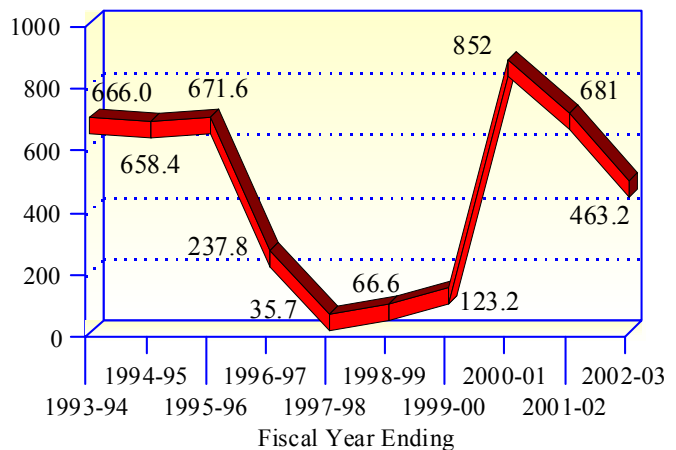
The 2002-03 budgeted revenues of \$1,551,671 are \$53,414 higher than budgeted in 2001-02, which is due to an increase in departmental charges necessary to keep revenues abreast with expenditures.

The 2002-03-expenditure budget of \$1,769,383 consists of the following:

Recurring IST Operations	\$ 1,237,068
IST Special Projects	<u>532,315</u>
Total	<u>\$ 1,769,383</u>

The fund balance at September 30, 2003 is anticipated to be \$463,200. As the graph to the right exhibits, fund balance is accumulated and used to fund special projects and one-time initiatives. Included in the 2002-03 budget is funding for special projects and one-time initiatives such as upgrading the network infrastructure, enhancement of the City web site, network software enhancements, implementing scanning and imaging city wide and the continuing development and implementation of a Geographic Information System (GIS). Funding is also provided for *Business Process Automation* and *INET* (Institutional Network) as detailed below.

Fund Balances Over A Ten Year Period
In Thousands



The 2002-03 budget includes two budget issues as follows:

Business process automation			
Meeting minutes application	\$ 60,000		
Online employment enhancement	10,000		
Online mailing database	8,000		
Web site enhancement and upgrade	<u>47,500</u>	\$ 125,500	
INET			<u>120,000</u>
Total			<u>\$ 245,500</u>

Regarding the INET budget issue, as part of Comcast's franchise agreement with the City of Sarasota, Comcast agreed to provide fiber optic cable to all City buildings. The agreement required Comcast to provide only the fiber optic cable leaving the City with furnishing all devices required to render the fiber useable. This project will be phased. Although there are currently nine City campuses connected to City Hall via various connections, a cost benefit analysis by reviewing the types of applications and business processes that warrant increased

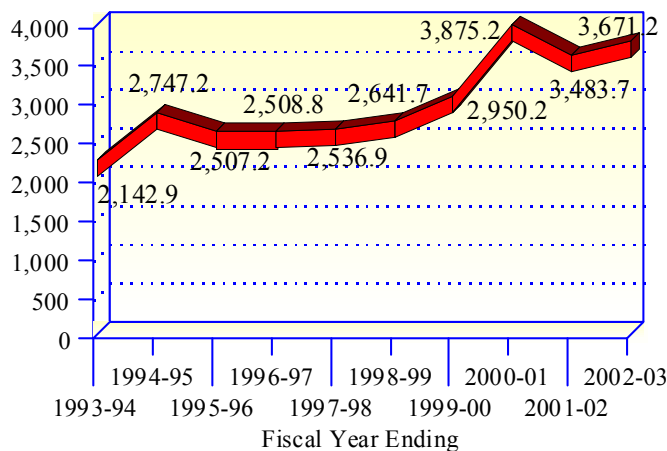
throughput reveals that only the Public Works, Water Utilities, and the Police Departments will benefit significantly from increases in speed and reliability.

This will aid the Sarasota Police Department in information sharing and data gathering through web based collaboration with Federal, State, and Local agencies and will significantly aid the dissemination of GIS data and maps to and from the Public Works and Water Utilities locations. The future phases will include the inclusion of any and/or all other City campuses pending changes in the other departments' business application needs and requirements.

EQUIPMENT REPLACEMENT FUND

Fund Balances Over A Ten Year Period

In Thousands



This Internal Service Fund was created in the 1989-90 fiscal year to provide the mechanism to eventually enable the City to replace vehicles, based on a predetermined schedule. The initial funds were borrowed from the First Florida Governmental Financing Commission to purchase vehicles required in the operating budgets. These departments, instead of budgeting capital purchases, have budgeted lease payments. The lease payments generate revenues in the fund sufficient to build a reserve for the replacement of the already purchased vehicles in the future. The graph to the left reflects the reserves being accumulated for the purpose of replacing vehicles originally purchased with borrowed funds. For fiscal year 2002-2003 replacement vehicles will be

purchased for Building and Zoning (\$30,000), Engineering (\$30,000), Police (\$179,880), Landscape Maintenance (\$107,354), and Streets and Highway (\$67,709). All amounts borrowed by the Equipment Replacement fund were paid off during the 1994-95 fiscal year. The projected reserve at the end of 2002-2003 should be \$3,671,186.

The process took time to be totally self-supporting and out of debt, but appears to be the answer to the City's future capital needs for vehicles and certain other capital items.

SELF-INSURANCE FUNDS

The purpose of the self-insurance funds is to account for the costs of the City's five self-insurance programs managed by Risk Management, except for Group Medical and Dental which is managed by Human Resources. The five programs are:

- Workers' Compensation
- Fleet Liability
- Law Enforcement Death Benefit
- Police Liability
- Group Medical and Dental

The fund balance of the self-insurance funds at September 30, 2001 was \$4,730,463. The fund balance at September 30, 2002 is anticipated to be at \$4,641,955 and for September 30, 2003 it is projected to be at \$4,905,214.

All funds appear to be adequately funded at the present time. However, the Group Medical and Dental Fund has experienced unprecedented growth in claims over the last several years. As previously discussed, significant plan changes and a hefty increase in both City and employee contributions were necessary to close the gap between projected expenses and revenues of the medical/dental plan. Based upon industry predictors of cost increases in the medical field and the current policy on retiree health insurance, balancing the medical/dental plan's revenues and expenses in the future will be a similar if not greater challenge.

CAPITAL IMPROVEMENT PROGRAM

The five year 2003-2007 Capital Improvement Plan (CIP) for the City of Sarasota totals \$116,018,000 and provides for the accomplishment of major infrastructure improvements. Projects include Neighborhood Improvements such as Street Trees, Pavement Reconstruction, Sidewalk Construction and Replacement, Curb and Gutter Placement and Replacement, Bicycle Route Improvements, and Traffic Calming; Lido Beach Renourishment; Federal Building renovation; East Sarasota Park improvements; conversion of Payne Park to a park; Skateboard Park; Stormwater Drainage improvements; Roadway Improvements such as funding for Pedestrian Sleeves, Myrtle Avenue, Southern Downtown Gateway improvements, John Ringling Causeway Landscape, Lemon Avenue Streetscape, South Palm Avenue Streetscape, Parking Space Enhancement and a Parking Master Plan; Public Art; Capital Improvements for the Newtown Community; Ken Thompson Park Improvements; and Major Potable Water and Wastewater Projects.

The CIP contains all capital improvement items that were advertised to be financed by the ten-year penny sales tax extension. Based upon input from the appropriate departments, the original ten year funding schedule has been revised to more appropriately reflect project priorities. Specifically, all projects are funded for at least the originally proposed amount, but in some instances the year of funding has been either accelerated or deferred, or the funding required has been modified or another funding has been substituted. The effects of this re-prioritization were discussed during the CIP workshop.

This Program is adequately funded and continues to emphasize spending priorities regarding Neighborhood and Redevelopment Improvements. The funding listed in the Neighborhood

Improvement section of the CIP, in many instances, is classified for functional purposes. It is intended that prioritized neighborhood specific plans will be prepared to provide a comprehensive blueprint for improving each neighborhood. The concentration of funding available for neighborhood improvements to these plans will produce visible improvements within selected neighborhoods, thereby facilitating their stabilization and encouraging additional private investment.

The Capital Improvement Program contains Capital Improvement Elements intended to accomplish the goals of the Comprehensive Plan. They have been designated in this plan by the letters L-O-S and are found under potable water, sanitary sewer, transportation, neighborhood improvements, and redevelopment/community Projects. This Program is consistent with the City's Comprehensive Plan.

FUNDING ISSUES

The penny sales tax, gas taxes and tax increment financing (TIF) revenues continue to be the City's only on-going major sources of funding for the CIP. The level of these revenues in future years will have a significant impact on the projects included in this CIP as well as future capital projects. Of the total \$116,018,000 CIP (for projects budgeted from 2002-03 through 2006-07), \$21,382,000 is projected to be funded from the penny sales tax. The penny sales tax has been authorized for a ten-year period that ends August 2009 and is projected to generate approximately \$5,000,000 to \$6,500,000 annually over the ten-year period.

The \$0.07 Gas Tax has hovered between \$1,600,000 and \$1,700,000 for approximately ten years. There is no indication that this revenue source will either increase or decrease substantially in the future. This revenue funds the street sweeping operation, electric charges for street lighting and various street/sidewalk maintenance and improvements.

The \$0.05 Local Option Fuel Tax (ELMS) is projected to generate approximately \$1,140,000 on an annual basis. These funds must be used for capital projects that are part of the Capital Improvement Element of an Adopted Comprehensive Plan. The Statute states that "expenditures for the construction of new roads or the reconstruction or resurfacing of existing paved roads shall be deemed to increase capacity and such projects shall be included in the capital improvements element of an adopted comprehensive plan". This revenue is set aside for road reconstruction, new curbs and gutters, the multi-use recreational trail and the Osprey/Hillview roundabout.

Projected TIF revenues for 2002-03 should be sufficient to fund the required debt service payments, \$2,074,024 for Downtown Master Plan projects, reimbursement to the County for TIF overpayment, Transportation Master Plan and the Civic Center/Cultural District Master Plan.

EXHIBIT A

Debt Service on Outstanding Long-Term Liabilities

Years ending September 30	GENERAL LONG-TERM DEBT ACCOUNT GROUP				PROPRIETARY FUNDS
	General Obligation Bonds	Special Obligation Bonds & Debt	Loans Payable & Special Assessment Debt	Total	Revenue Bonds, Loans Payable & Capital Leases
2003	\$ 2,697,415	\$ 2,689,354	\$ 1,942,436	\$ 7,329,205	\$ 6,447,731
2004	2,728,675	2,220,650	1,454,591	6,403,916	7,107,087
2005	2,712,680	2,311,419	1,459,961	6,484,060	7,109,075
2006	1,386,938	2,399,752	1,454,836	5,241,526	7,102,766
2007	1,303,512	2,526,480	1,423,776	5,253,768	7,114,261
2008	1,120,950	2,277,075	1,429,137	4,827,162	7,080,730
2009	-	2,389,950	1,420,844	3,810,794	7,073,515
2010	-	1,520,000	1,174,991	2,694,991	5,967,750
2011	-	1,635,000	1,170,556	2,805,556	5,971,730
2012	-	1,755,000	558,831	2,313,831	5,952,342
2013	-	1,880,000	566,331	2,446,331	2,404,532
2014	-	2,010,000	556,300	2,566,300	2,285,009
2015	-	2,145,000	560,025	2,705,025	2,176,216
2016	-	2,280,000	137,150	2,417,150	2,167,126
2017	-	2,425,000	-	2,425,000	1,662,866
2018	-	-	-	-	461,444
2019	-	-	-	-	460,454
2020	-	-	-	-	458,429
2021	-	-	-	-	460,224,
2022	-	-	-	-	455,965
2023	-	-	-	-	455,569
Total	\$ 11,950,170	\$ 32,464,680	\$ 15,309,765	\$ 59,724,615	\$ 80,374,821

EXHIBIT B

EFFECT OF CITY COMMISSION POLICY CHANGES

The City Commission's Goals have remained relatively consistent over the past several years. Despite changes in the priority of a specific goal, the City Commission continues to place heavy emphasis on the following:

- ⇒ The provision of public safety to its citizens
- ⇒ The improvement of residential neighborhoods
- ⇒ The improvement of business areas within the City
- ⇒ The improvement of community information
- ⇒ Being a responsible City government
- ⇒ The improvement of the City's visual appeal

However, a change in philosophy has affected the allocation and level of resources. The City Commission established as one of its major goals for 1994-95 the adoption of a budget without an increase in the ad valorem tax rate or a reduction in fund balance. Although this is not an established goal for the 2002-03 budget, this 1994-95 goal has served as a guideline for development of the budget for most years since then. More specifically, in the 1995-96 budget, the General Fund fund balance was reduced by \$134,315. This fund balance reduction was necessary to address another City Commission goal to present the initial budget based upon the professional recommendation of service needs. This guideline was more easily attained with the 1996-97, 1997-98, and 1998-99 budgets. These budgets did not include any lay-offs, maintained the level of fund balance and reduced the total ad valorem millage rate from 6.499 mills for 1995-96 to 4.7945 mills for 1996-97, to 4.2337 mills for 1997-98, and to 3.6110 mills for 1998-99. However, the 1999-00 budget reduced fund balance by \$342,828 in order to address targets for action approved by the City Commission. Despite the fund balance reduction, the 1999-00 budget did not include any lay-offs and reduced the total ad valorem millage rate from the 3.6110 mills for 1998-99 to 2.9601 mills for 1999-00. For 2000-01, the budget did not reduce fund balance but required an increase in the ad valorem millage rate from the 2.9601 mills for 1999-00 to 3.2614 mills for 2000-01, mainly to finance enhanced services including but not limited to the acquisition of the Federal Building, the addition of the Redevelopment department, the funding of the Comprehensive Master Redevelopment Plan for Newtown and to cover the deficit adopted in the 1999-00 budget year. For 2001-02, the budget did not reduce General Fund fund balance and reduced the ad valorem millage rate from the 3.2614 mills for 2000-01 to 3.1713 mills for 2001-02.

For 2002-03 the ad valorem tax millage rate was increased from 3.1713 mills to 3.2372 mills. Although this is an increase from the prior year, the new millage rate is lower than the 2000-01 millage rate of 3.2614. Despite this millage rate increase, General Fund budgeted expenditures exceed revenues for 2002-03 by \$255,775. This excess represents the programmed use of fund balance for several non-recurring expenditures. \$100,000 is reserved to match funds raised by the Indian Beach Homeowners' Association for the purchase and improvement of property to become a neighborhood park. In addition, \$100,000 is budgeted for the celebration of the City of Sarasota's one hundred anniversary. Finally, \$92,540 is budgeted for computerization enhancement and automation in the Building, Zoning and Code Enforcement Department.