

INTRODUCTION

READERS GUIDE

What's included in this document

The City's Adopted Financial Plan provides a framework for the overall fiscal management of the City of Sarasota for FY 2004 and beyond. It includes both day-to-day operating funds and capital improvement funds.

The remainder of this document is segregated into this introduction, a summary of all City funds, detailed budget presentations by fund and department including debt service, the Capital Improvement Program, authorizing legislation and five year fund projections.

This introduction to the City of Sarasota includes a general description of the City, and related statistics, demographics and tax structure, a discussion of City funds, basis of accounting and budgetary control, a calendar of annual budget activities and the financial policies of the City.

How to read this document

The budget document is organized by fund. Each fund includes revenues, expenditures and a description of each department and/or program budgeted from that fund. The General Fund has the largest number of departments and/or programs and accounts for approximately 31% of the City's total budgeted expenditures. A listing of department/programs by fund can be found in the Table of Contents in the front of this document.

Each department/program that includes operating staff includes the following:

- A mission statement.
- A description of operations.
- Performance measures.
 - Goal(s) (budget year)
 - Objective(s) (budget year)
 - Measure(s) (4 years)
 - Output
 - Efficiency
 - Effectiveness
- Expenditures by cost center (3 years)
- Expenditures by category (3 years)
- Personnel summary (2 years)
- Revenue summary (budget year)

The FY 2004 Totals column reflects the City Manager's recommendations as adopted by the City Commission.

The Capital Improvement Plan Section contains the approved five year Capital Improvement Program (CIP) for the fiscal years 2004 through 2008. The programmed projects for FY2004 are adopted as part of the FY2004 budget. For planning purposes, a ten year version of the CIP is produced.

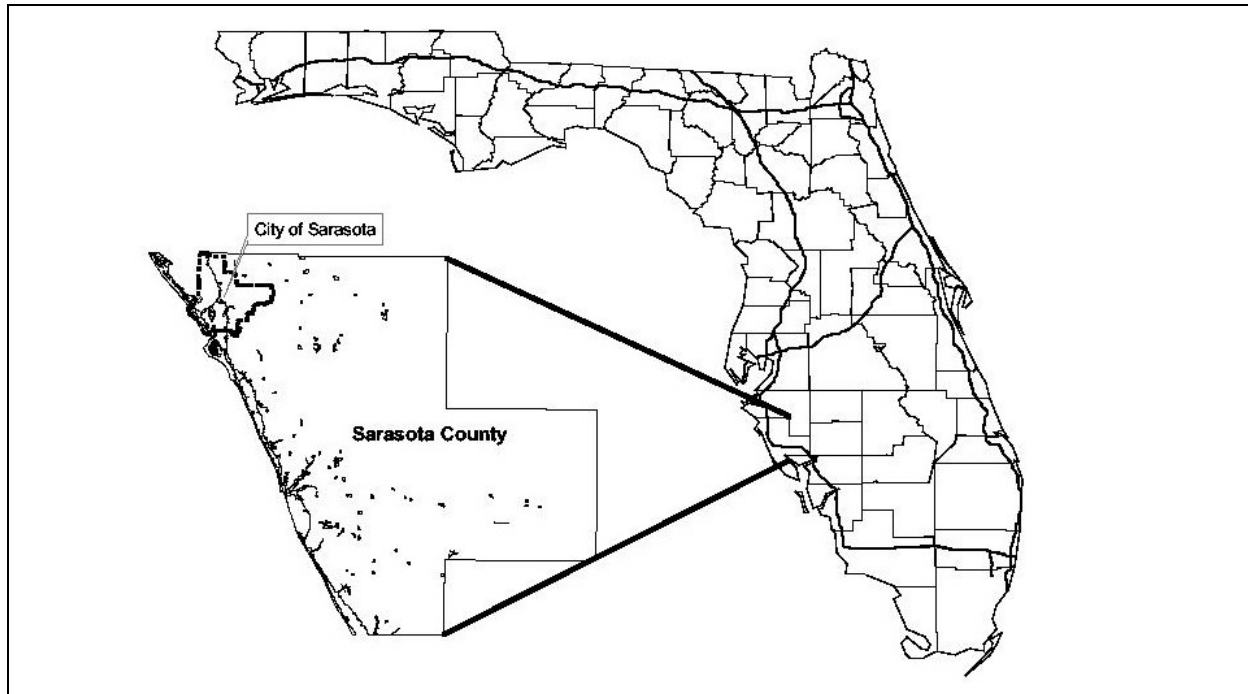
All supporting information for this document is available for review in the Department of Finance. Any questions regarding the material presented should be directed to the Department of Finance at (941) 365-2200/ext.4185 or visit the City's web site at www.ci.sarasota.fl.us.

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SARASOTA AT A GLANCE

Sarasota

The City of Sarasota is located in Sarasota County on the Southwest coast of Florida, and is approximately 24 square miles in area. Situated on the Gulf of Mexico, the city is approximately 50 miles south of Tampa. Incorporated in 1902, the city now has a year round population of approximately 55,000.



The current city charter was approved by a referendum on September 6, 1996. The city operates under the Commission-Manager form of government. The Commission consists of five persons elected to four-year terms on a nonpartisan basis. Two commissioners are elected at-large while three are elected from defined single member districts. Each year the commission elects one member as mayor and one member as vice-mayor. The City Commission appoints the City Manager, City Auditor and Clerk and the City Attorney. Major departments of the City, which report to the City Manager, are Finance, Planning, General Services,

Housing & Community Development, the Neighborhood Partnership Office, Police, Building, Zoning & Code Enforcement and Public Works. In 1996, the city consolidated its fire/rescue and public safety communications operations with Sarasota County.

The city also manages several enterprise operations including a water/wastewater utility, a championship golf course, a renowned performing arts hall, a solid waste collection service, two municipal auditoriums, a parking management operation and a sports stadium that seats 7,500.

INTRODUCTION (Continued)

In the past several years, numerous publications and organizations that document quality of life trends have repeatedly placed the City of Sarasota among the best in the country. Among the many distinctions awarded are:

In 2001, Sarasota was named one of *Money* magazine's eight best places to retire in America. Chosen from nearly 500 towns, the rating was based on quality of life issues such as health care, housing costs, tax rates, crime statistics and entertainment options.

In 2003, AARP Magazine ranked Sarasota as the fourth "best place to live the good life" based on ten criteria reflecting the needs, interests and tastes of Americans age 50 and older.

Sarasota was ranked "Best Small City" in America by *Money* magazine in 2000.

Expansion Management magazine's Annual Education Issue (December 98) named the public school system in Sarasota County as the best public school system in Florida. In addition, *Money* magazine included the Sarasota area public school system on the list of Top 100 Schools in the United States.

BestJobsUSA.com ranked Sarasota as number three in America's Best Places to Live and Work in 2001. This Internet guide provides professionals across the country with in-depth information on cities thought to have the best opportunities for employment nationwide.

Climate

The weather in Sarasota is moderated by the Gulf of Mexico. Temperatures are tropical for the most part, with an average year round temperature of 72 degrees. Rainfall averages just under 54 inches a year. It occurs year round but is heaviest during the

summer afternoons in July, August and September. The mild climate is primarily the result of the proximity to the Gulf of Mexico and the prevailing tropical weather patterns.

Health Care

Sarasota Memorial Hospital, the second largest employer in Sarasota, is Florida's second largest public hospital. The 845 bed, not-for-profit acute care facility is staffed by over 685 credentialed physicians, 700 RN's and 130 LPN's. The hospital is a clinical training site for college and university students in a number of medical disciplines and is known for its pioneering work in pharmaceutical and medical device research. There are specialized facilities for cardiac intensive care and for conditions such as substance abuse, emotional disorders and head injuries. Many convalescent hospitals, nursing homes and assisted living facilities provide continuing medical and nursing care.

Transportation

The city is served by a variety of transportation facilities including an interstate highway, rail freight service, interstate bus transportation and a large airport.

The City of Sarasota is situated just off interstate 75, the major trucking corridor for the Southeastern United States. In addition to I-75, two U.S. highways – U.S. Highway 41 and 301, also service the city area.

The Sarasota Bradenton International Airport serves over 1.0 million passengers per year with flights provided by major domestic and commuter airlines. Charter and general aviation services and air cargo processing are also available. The airport has Port of Entry status, allowing federal customs inspection of baggage, air cargo

INTRODUCTION (Continued)

and private aircraft. A Federal Inspection Station houses customs, public health, immigration, agriculture and quarantine services.

Port Manatee, a fifteen-minute drive up the coast from Sarasota, is ranked among the top 5 of Florida's 14 deep-water seaports in terms of annual cargo tonnage. It occupies over 1,000 acres and features 40-foot deep facilities. The Port of Tampa, a fifty-minute drive north of Sarasota, is the largest in Florida and the 10th largest in the U.S.

Education

The School Board of Sarasota County provides a countywide public school system for approximately 39,000 students offering a wide range of programs that include emphasis on the basics, gifted and handicapped programs. Made up of five high schools, six middle schools, nineteen elementary schools, eight special schools and six charter schools, the school system's students consistently score above national averages in the American College Testing Program and on the Scholastic Aptitude Tests.

The University of South Florida (USF) provides undergraduate and graduate level programs. New College of USF is the honors college of the state university system and ranks eighth in the nation for the percentage of graduates earning doctoral degrees. New College is ranked the second best value nationally by *Money* magazine and first among small liberal arts schools. The Ringling School of Art and Design is fully accredited and offers Bachelor of Fine Arts degrees. Manatee Community College and Sarasota County Technical Institute offer additional educational opportunities for local citizens.

Tourism

The Sarasota area, world famous for the purity of its quartz-white sand, is a major resort area that hosts over one million tourists each year. Tourism revenue contributes significantly to the stability of the local economy. The tourist accommodations including restaurants, hotels and motels, travel facilities, recreation, entertainment and other tourism services, constitutes a major source of employment in the city and the surrounding area.

Cultural Activities

The City of Sarasota is culturally sophisticated, offering a wide variety of entertainment. There are six professional theatres, an opera company, a ballet company, a symphony orchestra and more than 30 museums and art galleries. The Ringling Museum of Art displays one of the world's finest baroque art collections. The Van Wezel Hall for the Performing Arts, owned and managed by the City, hosts internationally known theatre, ballet and musical groups.

Recreation

The city's recreational setting appeals to persons of all ages. The city's beaches and waterfront property provide many opportunities to participate in popular activities such as swimming, scuba diving, sailing, skiing, fishing and boating. The annual Suncoast Offshore Grand Prix features world-class powerboat racing in the Gulf of Mexico. The Ed Smith Sports Complex, owned and managed by the City, hosts the Cincinnati Reds Major League Baseball Team for spring training camp and the Sarasota Red Sox of the Florida State League.

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Demographics

- Population

<u>Year</u>	<u>City of Sarasota</u>	<u>Percent Change</u>	<u>Sarasota County</u>	<u>State of Florida</u>
1950	18,896	---	28,827	2,759,914
1960	34,083	80.37 %	76,895	4,951,560
1970	40,237	18.06 %	120,413	6,789,443
1980	48,868	21.45 %	202,251	9,746,324
1990	50,961	4.15 %	277,776	12,937,926
1991	50,740	-0.31 %	283,140	13,195,952
1992	51,058	0.63 %	287,203	13,424,416
1993	50,820	-0.47 %	290,612	13,608,627
1994	51,031	0.42 %	296,002	13,886,047
1995	51,143	0.22 %	301,528	14,149,317
1996	51,311	0.33 %	305,848	14,411,563
1997	51,315	0.01 %	311,043	14,712,922
1998	51,650	0.65 %	316,355	14,982,333
1999	51,659	0.02 %	321,044	15,322,040
2000	52,715	2.04 %	325,957	15,982,378
2001	53,657	1.79 %	334,023	16,331,739
2002	54,616	1.79 %	342,289	16,688,737
2003	55,591	1.79 %	350,759	17,053,538

- Area (Sq. Miles)

Land	14.63
Water	<u>9.34</u>
Total	23.97

- Population by Gender (2000)

Male	25,627
Female	<u>27,088</u>
Total	52,715

- Population by Age (2000)

< 5	2,811
5 – 19	8,271
20 – 24	3,478
25 – 44	14,726
45 – 64	11,844
65 – 74	5,046
> 74	<u>6,539</u>
Total	52,715

- Population by Race (2000)

White	40,542
Black	8,447
Asian/Pac. Islander	562
Amer. Indian/Eskimo	186
Other Races	<u>2,978</u>
Total	52,715

INTRODUCTION (Continued)

Demographics (Continued)

- Families and Households (2000)

Families	12,076
Households	
Owners	13,683
Renters	<u>9,744</u>
Total	23,427

- Existing Land Use inventory (1997)

<u>Category</u>	<u>Acres</u>	<u>Percent</u>
Residential	4,012	43
Commercial-Retail	563	6
Industrial	201	2
Office	330	4
Institutional	779	8
Utilities	77	1
Recreation/Conserv	878	9
Vacant	621	7
<u>Other</u>	<u>1,905</u>	<u>20</u>
Total	9,366	100

Economy

- Unemployment Rate (County)

<u>Year</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>
1980	77,726	4.3
1990	123,463	3.6
1991	126,517	4.7
1992	130,040	5.4
1993	124,004	5.1
1994	127,145	4.3
1995	128,552	3.4
1996	138,409	3.1
1997	144,229	2.6
1998	143,862	2.5
1999	150,421	2.2
2000	154,455	2.1
2001	159,716	2.8
2002	160,765	3.4

- Ten Largest Employers In Sarasota County (2003)

<u>Employer</u>	<u>Employees</u>
Sarasota Co. School Brd	4,417
Sarasota Memorial Hosp	3,400
Publix Grocery Stores	3,300
Sarasota County Gov't	2,500
Bon Secours Hospital	1,428
PGT Industries	1,350
Walmart	963
Charter One Hotels	950
FCCI Insurance Group	862
City of Sarasota Gov't	759

INTRODUCTION (Continued)

Economy (Continued)

- Value of Construction (Permits)

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>
1990	\$8,293,120	\$22,814,002
1991	\$11,322,247	\$29,210,762
1992	\$8,170,073	\$51,574,370
1993	\$27,289,692	\$32,576,719
1994	\$20,422,455	\$25,269,547
1995	\$29,109,938	\$31,598,901
1996	\$50,931,756	\$26,237,556
1997	\$21,212,144	\$77,061,193
1998	\$26,103,625	\$43,966,644
1999	\$84,742,018	\$22,571,320
2000	\$46,974,085	\$103,794,648
2001	\$86,700,534	\$79,465,812
2002	\$59,238,004	\$19,089,794

- Personal Income Per Capita

<u>Year</u>	<u>Income</u>
1990	\$28,130
1991	\$28,135
1992	\$29,261
1993	\$29,131
1994	\$30,558
1995	\$31,277
1996	\$32,587
1997	\$34,457
1998	\$36,466
1999	\$36,484
2000	\$37,430
2001	\$37,924
2002	\$38,425

Government Services

The following table identifies the provider of government services within the City of Sarasota:

<u>Service Provided</u>	<u>City of Sarasota</u>	<u>Sarasota County</u>	<u>Sarasota Co. School Dist</u>
Animal Services		x	
Beach Patrol		x	
Education (K-12)			x
Fire/Rescue Services		x	
Health/Social Services		x	
Landscape Services	x		
Library Services		x	
Parks and Recreation	x	x	
Police Services	x		
Streets & Highways	x	x	
Water Utilities	x		
Sewer Utilities	x		
Solid Waste Management	x		
Stormwater Utilities	x		
Transportation Services		x	

INTRODUCTION (Continued)

Government Services (City)

- **Police**

Sworn officers	204
Civilian full-time employees	64
Part-time school crossing guards	24
Number of police dispatches	66,754

- **Sewer**

Storm sewers	30 miles
Sanitary sewers	326 miles
Avg. daily treatment allowed max	10.2 MGD
Avg. daily treatment	9.1 MGD
Peak daily treatment capacity	26 MGD
Peak daily treatment	24.1 MGD

- **Public Works**

Waste collected (land filled)	53,854 Tons
Street miles (centerline)	240 miles
Residential streets	194 miles
Thoroughfares	46 miles
Traffic signals	99
Street lights	5,895
Number of bridges	19

- **Water**

Water lines	275 miles
Number of connections	18,900
Number of wells	51
Daily pumping capacity	18 MGD
Average daily pumping	7.5 MGD
Total daily treatment capacity	12 MGD

FINANCIAL CONTROL

Tax Structure

Ad Valorem Tax Millage Rate

Year	City of Sarasota			County*	School District	Total Millage	Average Taxable Value**	Amt Taxes
	General Fund	Debt Service	City Millage					
1995	5.3390	1.2350	6.5740	4.9506	9.5550	21.0798	\$64,354	\$1,357
1996	5.3390	1.1600	6.4990	5.0032	9.4630	20.9652	\$70,564	\$1,479
1997	3.7105	1.0840	4.7945	4.9946	9.0940	18.8831	\$75,075	\$1,418
1998	3.1949	1.0388	4.2337	4.9173	8.9470	18.0980	\$82,087	\$1,486
1999	2.6624	0.9486	3.6110	5.2042	9.2290	18.0442	\$88,741	\$1,601
2000	2.1051	0.8550	2.9601	5.5794	8.5370	17.0765	\$98,643	\$1,684
2001	2.4926	0.7688	3.2614	5.5758	8.5440	17.3812	\$109,741	\$1,907
2002	2.4926	0.6787	3.1713	5.5653	8.4880	17.2246	\$123,215	\$2,122
2003	2.6917	0.5455	3.2372	5.5489	9.2870	18.0731	\$124,262	\$2,246
2004	2.6917	0.4582	3.1499	5.5489	9.2870	17.9858	\$140,509	\$2,527

* Includes General Revenue, Mosquito Control, Sarasota Memorial Hospital, West Coast Inland Navigation District, Southwest Florida Water Management District, Manasota Basin and General Obligation Bonds.

** After \$25,000 Homestead Exemption.

INTRODUCTION (Continued)

Other Tax Rates

Utilities Franchise Tax	4-7 %
Utilities Excise Tax	6-10 %
Sales Tax	7 %

The County Tax Collector collects property taxes on behalf of each municipality within county boundaries. By May 31 during each year for which taxes are levied all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction or tax certificates and the proceeds are remitted to the City shortly after the certificates are sold. Because of this arrangement there are no material unremitted tax revenues for each fiscal year on September 30.

The major dates in this process are:

July 1	Assessment roll validated.
Sept 15	Millage resolution approved.
Oct 1	Beginning of City's fiscal year for which tax is to be levied.
Nov 1	Tax bills rendered.
By Mar 31	Property taxes due with various discount rates.
April 1	Taxes are delinquent.
May 31	Tax certificates sold by County.

Financial Structure

The financial records of the City are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds/ account groups are used to account for the financial activity of the City.

GOVERNMENTAL FUNDS

General Fund

The General Fund is used to account for all governmental functions not required to be separately recorded by laws or governmental policy. Most of the essential governmental services such as police protection, public works, landscape maintenance, neighborhood services and general administration are provided by the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Sarasota Bay National Estuary Fund - To account for the activity of the Sarasota Bay National Estuary Program that began on June 26, 1989. In 1993, the program completed the most comprehensive technical assessment conducted on any estuarine system in the State of Florida. In 1995, a Comprehensive Conservation and Management Plan (CCMP) to restore and protect Sarasota Bay was approved by the Governor and EPA Administrator. Action plans focus on wastewater treatment and reclamation, stormwater treatment and prevention, freshwater and saltwater wetlands, fisheries and other living resources, recreational use, and governance to oversee implementation. Since then, the mission of the program has been to oversee the implementation of the CCMP and report

INTRODUCTION (Continued)

back to the community on the progress that has been achieved in implementing the plan.

Penny Sales Tax Fund (1989-1999) - To account for the revenue received from a one percent sales surtax approved by the voters of Sarasota County on June 27, 1989 for a period of ten years from September 1, 1989. The distribution formula for the tax is authorized by an Interlocal Agreement between Sarasota County, the School Board of Sarasota County and each municipality within the County. The School Board receives 25% of the revenues collected. The remainder is allocated according to the official population figures and is adjusted annually. The County and cities determined that this levy is essential to preserving the quality of life and an acceptable level of service for roads, parks and other public facilities.

Penny Sales Tax Fund (1999-2009) - To account for revenue received from the continuation of the existing one percent sales surtax, first approved by the voters of Sarasota County on June 27, 1989, for a ten year period beginning September 1, 1999. Florida State Statutes provide that the Local Government Infrastructure Surtax may be used to finance, plan and construct infrastructure defined as any fixed capital expenditure or fixed capital costs associated with the construction, reconstruction, or improvement of public facilities which have a life expectancy of 5 or more years and any land acquisition, land improvement, design and engineering costs related thereto.

Housing and Community Development - To account for revenue received from the Department of Housing and Urban Development to be used for rehabilitation of homes and public works improvements.

Gas Tax Fund - To account for the revenue received from the levy of seven cents on

every gallon of motor fuel and special fuel sold in Sarasota County. In accordance with Florida State Statute 336.025, gas tax monies must be used exclusively for transportation expenditures.

Local Option Fuel Tax Fund - To account for revenue received from a \$0.05 per gallon local option fuel tax implemented by ordinance No. 2000-029 effective January 1, 2001, pursuant to Section 36.025(1)(b) 3, Florida Statutes. The fuel tax can only be used for Capital Projects that are part of the Capital Improvement Element (CIE) 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 fuel tax cannot fund routine maintenance of roads. An interlocal agreement, signed by the City of Sarasota on June 12, 2000 and Sarasota County on June 13, 2000, sets the allocation formula for the revenue, between the Cities and the unincorporated Sarasota County based on the ratio of population.

Community Redevelopment Fund - To account for the tax increment revenues received by the Community Redevelopment Agency based on the land areas within the City where development and redevelopment are critical to growth of the City.

Tourist Development Tax Fund - To account for the City's portion of revenue from a three percent Tourist Development Tax, approved at two percent by the electors of Sarasota County effective November 1, 1988, and raised to three percent effective April 1, 1997. It is the City's policy to use its allocation of funds for beach management, restoration and preservation, for the stimulation and growth of performing

INTRODUCTION (Continued)

and visual Arts and to promote activities that will attract tourism.

Citizens with Disabilities Fund - To account for the revenue received from the \$250 fine imposed by Section 33-167 of the Code of the City of Sarasota for illegal parking in parking spaces designated for disabled persons.

County Occupational License Tax Fund - To account for the revenue received from the County Occupational License Tax implemented by ordinance No. 91-084 adopted by the Board of County Commissioners. The proceeds of this tax are allocated and remitted to each municipality based upon the respective ratio of their population to the total County population. Only the tax collected within each municipality will be allocated in this manner. Any tax collected outside each municipality will be allocated to the County only.

Neighborhood Grant Programs - To account for the revenue received from fines imposed upon owners of impounded vehicles when those vehicles are used in the commission of crimes involving prostitution or illegal drugs. As approved by the City Commission, fifty percent of this revenue will go toward funding the expenses of the Nuisance Abatement cost center in the Sarasota Police Department, while the remaining fifty percent will be reserved for the neighborhood grant programs.

St. Armands Business Improvement District Fund - To account for revenue received from a ad valorem tax levy created under Section 163.511, Florida Statutes and empowered by City Ordinance No. 02-4382, adopted July 16, 2002. The business improvement district (BID), made up of all parcels of real property located in the CT (Commercial, Tourist) Zone District in the

vicinity of St. Armands Circle, is a dependent taxing authority with the power to levy a tax, with City Commission approval, for the purpose of purchasing supplemental services including maintenance, security, sanitation, promotions, infrastructure and capital improvements.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

1994 Refunding Bonds - To account for the accumulation of resources for the payment of principal and interest on the 1994 General Obligation Refunding Bonds.

1998 Refunding Bonds - To account for the accumulation of resources for the payment of principal and interest on the 1998 General Obligation Refunding Bonds.

St. Armands Special Assessment - To account for the accumulation of resources for the payment of principal and interest on funds borrowed for the acquisition of land for a parking lot.

Hudson Bayou Special Assessment - To account for the accumulation of resources for the payment of principal and interest on funds borrowed for the maintenance dredging of Hudson Bayou.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Project length budgets are adopted for these funds therefore annual budgets are not adopted.

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PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water and Sewer Funds - To account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing and related debt service and billing and collection.

Bobby Jones Golf Course - To account for the revenues and expenses of operating a 36 hole municipal golf course and a 9 hole executive golf course.

Van Wezel Performing Arts Hall - To account for revenues and expenses of a cultural center, which provides a wide variety of entertainment including performances by nationally known theater, ballet and musical groups.

Van Wezel Equipment Surcharge Fund - To account for the necessary replacement of equipment or major repairs for the Van Wezel facility. The surcharge is levied at the rate of \$1.00 per ticket sold.

Solid Waste Management - To account for the provision of sanitation services to the residents and businesses of the City.

Municipal Auditoriums - To account for the operation of the City's Municipal and Payne Park Auditoriums.

Sports Stadium - To account for the operations of the City's multi-purpose sports stadium.

Sports Stadium Surcharge Fund - To account for long-term maintenance purchases for the stadium and/or those agreed upon by the lessor of the stadium (Cincinnati Reds) and the City.

Parking Management - To account for the operations of the City's on-street parking and surface parking lots.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Central Stores and Duplicating - To account for the costs of operating a stores facility and a duplicating center used by other City departments. The goods are purchased and held in inventory until used.

Equipment Maintenance - To account for the costs of operating a maintenance facility used to service all City motor vehicles except Police Department vehicles.

Information Technology - To account for the costs of operating a information technology department used by other City departments.

INTRODUCTION (Continued)

Equipment Replacement - To account for the capital funding and costs for replacing motor vehicles and other equipment.

Self-Insurance - To account for the costs of operating the self-insurance programs which include group medical and dental, worker's compensation, fleet and police liability and law enforcement death benefits.

Basis of Financial Accounting

Governmental Funds are accounted for in accordance with generally accepted accounting principles (GAAP) using the modified accrual basis, with revenues recorded when measurable and available, and expenditures recorded when the services or goods are received and the liabilities incurred.

All proprietary funds are accounted for in accordance with generally accepted accounting principles (GAAP) using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Revenue received from the advance sale of tickets and rental at the Van Wezel Performing Arts Hall, prepaid memberships and locker rentals at Bobby Jones Golf Course, and advance collection fees by the Water and Sewer Fund are deferred until earned.

Basis of Budgetary Accounting

The annual budgets for the Governmental Funds are prepared and monitored in accordance with generally accepted accounting principles (GAAP) using the modified accrual basis of accounting. By reference to the above basis of financial accounting, the basis of budgetary accounting and financial accounting are identical.

The annual budgets for Proprietary Funds are prepared and monitored in accordance with generally accepted accounting principles (GAAP) using the full accrual basis of accounting with certain modifications. These budgetary basis of accounting modifications, which are reconciling items from the above basis of financial accounting, are:

1. Expenditures for principal payments on outstanding debt are budgeted as expenses.
2. Expenditures for capitalizable fixed assets are budgeted as expenses.
3. Depreciation expense is not a budgeted expense.

BUDGETARY CONTROL

The Financial Plan (Budget)

This document represents a multi-faceted financial plan for the City of Sarasota for the fiscal year from October 1, 2003 to September 30, 2004. The document serves as a statement of policy, a financial plan, an operations guide and a communications device. The financial plan is based upon the projection of revenues and the allocation of these resources to expenditures that optimally achieve the City Commission's Goals (Page V of City Manager's Message). Although only the 2003-2004 financial plan is adopted by the City Commission, the impact of this financial plan over a full five year period is presented in the last section of this document.

Structure

The budget is structured consistently with the financial structure that was previously discussed. More specifically, different fund types are used to account for certain resources. Each fund is broken down by department and further by object of the

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expenditure and project, if applicable. In addition, expenditures are organized by major sections or functions which is the major underlying purpose of the expenditures.

Functions include:

- General Government
- Public Safety
- Physical Environment
- Cultural and Recreation
- Transportation
- Economic Environment
- Human Services

These functions can exist in all accounting funds including General Fund, Special Revenue Funds, Enterprise Funds and Internal Service Funds.

Capital Improvement Plan

The City's five year Capital Improvement Plan (CIP) is included in this document. The CIP details only major infrastructure type improvement or construction projects. Capital items of an operating nature such as automobiles, office furniture, personal computers and other equipment are generally not included in the CIP, but are included in the appropriate operating budget. The CIP details the necessary capital outlays by year and the sources of funding for these outlays by year; by project, by project type and in total. In addition, an individual project may affect the operating budget either currently or in the future. For example, the construction of a new facility may require not only increased debt service charges to finance the construction, but will also require additional expenditures in the operating budget. This may increase property taxes or user fees. Ongoing costs, like these, are specifically identified by each project and in total in the CIP.

The CIP is developed during and as an

integral part of the annual budget process. In addition, consistency with the City's Comprehensive Plan is assured by the involvement of both the Planning Department and its Board. During the budget cycle, each department head receives a copy of the CIP as adopted during the preceding budget year. Each department is requested to review the CIP and to inform the budget office of any modifications or additions that are necessary. The CIP Review Committee prioritizes any proposed additions. Based upon this ranking, the Finance Department evaluates and pursues possible funding options.

See the City Manager's message for more detailed information regarding the Capital Improvement Plan.

Major Goals of the City of Sarasota

As part of the budget process, the City Commission holds a Community Workshop to receive input from the community on both residential and commercial issues. Then, the City Commission holds a workshop with key City staff, including the City Manager, to establish or modify the Major Goals of the City. Goals and objectives are subsequently established to address the City goals at the Department/Program level. The strategic City goals serve to establish a concrete framework within which policy choices and decisions affecting the fiscal year 2004 budget can be made. For a list of the City goals see Page IV of the City Manager's message.

In early 2003, the City Commissioners and Charter Officials informally accepted a Strategic Planning Process and initiated the first five year Strategic Plan covering the years 2004-2008. As this effort overlapped the preparation of the fiscal year 2004 budget, the development of many Plan elements was deferred until the Fall of 2003.

INTRODUCTION (Continued)

Service Level Budgeting

The Current Service Level reflects all costs necessary to maintain City services at the same level as approved in the prior year. This would include additional costs or personnel necessary to maintain that level of service. Any new or expanded services would initially be requested through a supplemental budget request designated as an Issue. If considered necessary by the City Manager and if funding is available, issues are incorporated into the departmental budget as part of their continuing budget (Continuation column in the individual departmental/cost center budgets). Issues, that can be funded by existing revenues and that are consistent with established policy, are incorporated into the Continuation column in the individual departmental/cost center budgets. Issues that required City Commission action regarding a change in policy or on the source of funding are reflected in the Issue column in the individual departmental/cost center budgets. All issues are thoroughly discussed in the City Manager's message section.

The basic unit of budgeting is at the department/function level. Department budgets are further delineated to specific service units. Additionally each department has identified key goals and objectives for the fiscal year. These goals and objectives are monitored so that the departments and its service units' level of accomplishment can be evaluated at periodic intervals.

Developing The Budget

Prior to September 1, the City Manager submits the proposed budget to the City Commission for the fiscal year beginning October 1. After conceptual approval by the Commission, two public hearings are held. After these hearings, but prior to October 1, the budget is enacted by ordinance. To

exhibit this process in more detail, the budget calendar is included in this document on subsequent pages.

Budget Amendments

During the year budgetary control is maintained at the line item or object of expenditure level. Amendments to the budget can be either a transfer or an increase. Any transfer of budgeted funds between line items within the same department, can be accomplished with Department Head and Budget Director approval. If a transfer of budgeted funds is between two departments, the City Manager must also approve the transfer.

An actual increase in budgeted appropriations requires Commission approval by resolution. During the year assurances are made that the individual departments do not exceed their appropriations through a computerized budget monitoring system.

Annual and Project Length Budgets

The annual budget includes an original appropriation ordinance, a budget adjustment for encumbrances outstanding at the end of the previous year and other budget amendments adopted by the City Commission. Unexpended appropriations for these funds lapse at the end of each fiscal year.

Project length budgets are adopted for the Capital Project Funds and are generally adopted at the time the applicable financing is obtained. Appropriations in these funds remain open and carry over to succeeding years until planned expenditures are made, or until they are amended or canceled. Because these funds involve multi-year projects, comparison on an annual basis does not provide meaningful information.

INTRODUCTION (Continued)

CALENDAR OF BUDGET ACTIVITIES

<u>DATE</u>	<u>DIVISION OR AGENCY</u>	<u>ACTIVITY</u>
December 13	Finance	Send out budget instructions to City Boards
December 18	Finance	Transmit Capital Improvement Plan (CIP) Package to Departments
January 31	Departments	CIP due to Finance
February 4	Finance	Prioritization and coordination of CIP requests
March 12	Finance	Transmit budget package to Departments
March 12	City Manager	Staff Orientation
March 24	Planning	Statement that the CIP agrees with the Comprehensive Plan
March 25	Human Resources	Review Consumer Price Index for 2003-2004 salary increases
April 1	Finance	Review CIP/CIE requests with City Manager and Project Managers
April 10	All Departments	2003-2004 Department budget packages due including goals, objectives and performance measures.
April 10 - 28	Finance	Analyze Department budget requests
April 28	City Commission	CIP Workshop
April 29 - May 9	City Manager	Budget meetings with Departments
May 16 - July 10	Finance	Prepare budget books and presentation
July 11	City Commission	City Manager presents proposed budget
July 14 - 18	City Commission	Budget Workshops

INTRODUCTION (Continued)

CALENDAR OF BUDGET ACTIVITIES (CONTINUED)

<u>DATE</u>	<u>DIVISION OR AGENCY</u>	<u>ACTIVITY</u>
July 17	City Commission	Certification of Millage to Property Appraiser
September 3	City Commission	First Public Hearing on Budget and CIP
September 15	City Commission	Final Public Hearing on Budget and CIP

INTRODUCTION (Continued)

FINANCIAL POLICIES

Operating Budget Policies

- The City will adhere to all Federal, State or local legal requirements pertaining to the operating budget.
- The City will employ a structured budget preparation and formulation process that will be used by all entities receiving funding from the City. The process employed will insure adequate citizen input and participation. Five-year projections will be utilized in developing the operating budget.
- Essential services will receive first priority for funding. The City will attempt to maintain current service levels for all essential services.
- The City will identify low priority services for reduction or elimination, if necessary, before essential services.
- The City will consider the establishment of user fees as an alternative to service reductions or elimination.
- In all actions to balance the budget, the City will attempt to avoid layoffs of permanent employees. If possible, personnel reductions will be scheduled to come primarily from attrition.
- The City will pay for all current expenditures with current revenues. Long-term debt will not be used for funding current expenditures.
- The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing necessary expenditures, accruing future years' revenues or rolling over short-term debt.
- The budget will provide for adequate maintenance of capital plant and equipment and for their orderly replacement.
- The budget will provide sufficient funding to cover annual debt retirement costs.
- The City will consider technological and capital investment programs which are cost effective and which will reduce operating costs as high funding priorities.
- The City will maintain a budgetary control system to insure adherence to the budget.
- The City will employ a structured expenditure and revenue forecasting system to allow for effective financial planning.
- The City administration will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
- Where possible, the City will integrate service level measures and performance/productivity indicators with the budget.
- At least annually a public auction will be held of surplus and obsolete personal property.
- An independent audit will be performed annually and a management letter received by the City Commission.
- The City administration will promptly evaluate the audit management letter recommendations, determine the proper actions in response to these recommendations and complete, within established time frames, all actions that

INTRODUCTION (Continued)

correct or otherwise resolve the matters included in the management letter.

- The City will use a budget/encumbrance control system to insure proper budgetary control.

Fund Balance and Reserve Policies

- The City will establish an equipment replacement fund and will charge the user fund annually for replacement of the equipment. The amount of the charge will provide funds for the annual debt service plus the projected future cost of replacing the equipment.
- The City will establish an adequate fund balance in the General Fund to indicate that it is in sound financial condition. This reserve will be maintained at a minimum of between 5 and 10 percent of general fund expenditures.
- The City will establish insurance reserves for self-insurance liabilities. Such reserves will be reviewed annually for adequacy.
- Fund balance will only be used for expenditures that are either non-recurring in nature or that have a benefit period longer than one operating period. City Commission approval is necessary for this type of expenditure.
- All fund balances whether reserved or unreserved will be presented in the annual budget.

Revenue Policies

- The City will take active measures to encourage economic development, thereby developing a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.

- The City will establish all user charges and fees at a level closely related to the full cost of providing the services (i.e. direct, indirect and capital costs), taking into consideration similar charges/fees being levied by other organizations.

- The City will recalculate the full cost of activities supported by user fees to identify the impact of inflation and other cost increases, and will revise user fees upon approval of the Commission.

- The City will set fees and user charges for the Water and Sewer Enterprise Fund at a level that fully supports the total direct and indirect cost of the activity.

- The targeting of specific revenues for special programs or projects is discouraged, as it promotes fiscal inflexibility. However, intergovernmental grant assistance will be targeted as much as possible toward capital improvements.

- The City will aggressively seek Federal and State grant and capital improvement funds and evaluate future local fiscal impact.

Debt Policies

- 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 City will issue bonds only for capital improvements including infrastructure and equipment with a life in excess of four years.

- The term of any bonds shall not exceed the useful life of the expenditure being financed.

INTRODUCTION (Continued)

- The City will not issue bonds to subsidize or finance current operations.
- The City will publish and distribute an official statement for each bond issue.
- If cost effective, the City will purchase private bond insurance at the time of issuance.
- General obligation debt will not be used to finance the activities of enterprise funds whether of a capital or operating nature.
- The City will defease existing bond issues if the resulting savings is significant.
- The City will maintain an adequate debt service fund regarding each bond issue.