

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 2005 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. Departments/Programs that include operating staff generally include the following:

- A Mission Statement.
- A Description of Operations.
- City Strategic Plan Initiatives
 - Strategic Concerns
 - Strategies
 - Tasks
 - Status
 - Indicators
 - FY Completed
 - Funds Required
 - Performance Indicators
 - Input
 - Output
 - Efficiency
 - Effectiveness
- Expenditures by cost center (3 yrs)
- Expenditures by category (3 yrs)
- Personnel summary (2 yrs)
- Revenue summary (3 yrs)

The FY 2005 Totals column reflects the City Manager's recommendations as adopted by the City Commission.

The Capital Improvement Plan Section of this document includes a summarized version of the Five Year Capital Improvement Program (CIP) for fiscal years 2005 through 2009. The programmed projects for FY2005 are adopted as part of the FY2005 budget. For planning purposes, a ten year version of the CIP is published in a separate document.

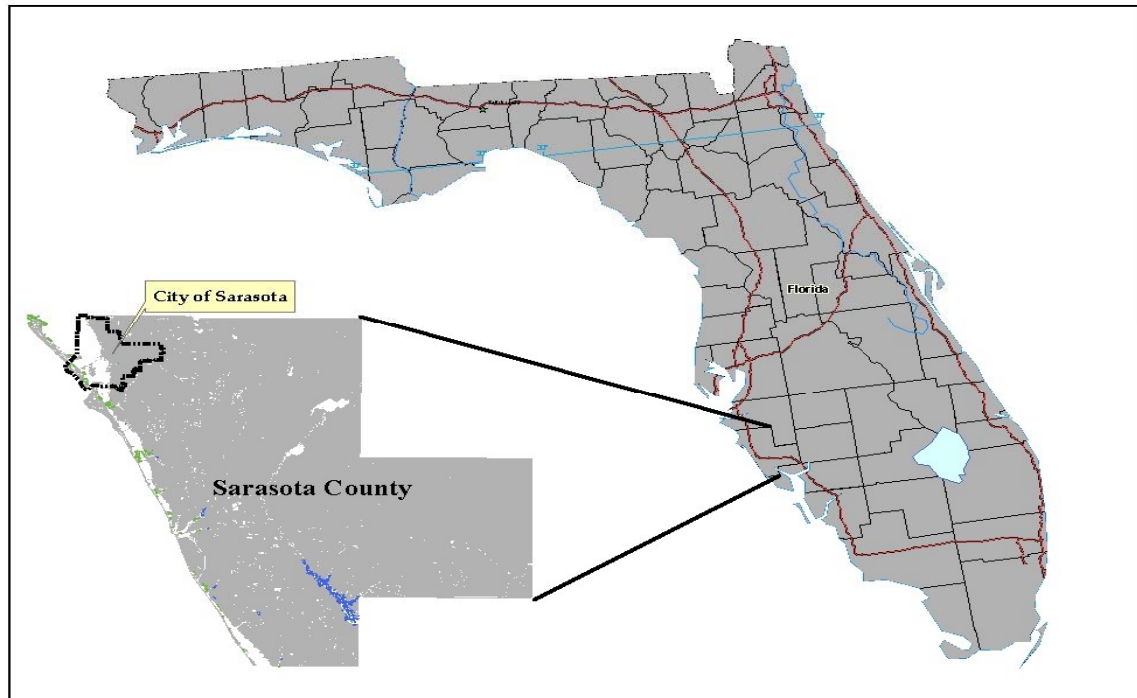
All supporting information for this document is available for review in the Department of Finance. Any questions regarding the material presented should be directed to the Department of Finance at (941) 365-2200/ext.4185 or visit the City's web site at www.ci.sarasota.fl.us or www.sarasotagov.com.

INTRODUCTION (Continued)

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 56,000.



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 include: Finance, Planning, General Services,

Housing & Community Development, the Neighborhood Partnership Office, Police 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 national and regional 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.

The March, 2004 edition of *Inc.* Magazine ranked Sarasota third in the nation for medium (employment base of 150,000 to 450,000 jobs) metro areas in the "Top 25 Cities for Doing Business in America" survey.

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 acute public hospital. The 828 bed, not-for-profit acute care facility is staffed by 762 credentialed physicians, 702 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.

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The Sarasota Bradenton International Airport serves over 1.1 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 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 United States.

Education

The School Board of Sarasota County provides a countywide public school system for 41,477 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, twenty elementary schools, six special schools and eight 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. In 2003, the *Princeton Review* ranked New College number 6 nationally as the "Best academic bang for your buck". 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

INTRODUCTION (Continued)

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 many other baseball related activities throughout the year.

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	53,939	0.53 %	339,684	16,674,608
2003	54,732	1.47 %	346,274	17,164,841
2004	55,536	1.47 %	352,992	17,669,488
2005	56,352	1.47 %	359,840	18,188,971

INTRODUCTION (Continued)

Demographics (Continued)

- Area (Sq. Miles)

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

- Families and Households (2000)

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

- 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

- 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
Other	<u>1,905</u>	<u>20</u>
Total	9,366	100

- Population by Gender (2000)

Male	25,627
Female	<u>27,088</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)

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	131,975	3.4
1996	142,701	3.1
1997	149,251	2.6
1998	149,399	2.5
1999	156,785	2.2
2000	159,664	2.1
2001	156,153	2.9
2002	162,787	3.4
2003	166,718	3.3

- Ten Largest Employers In Sarasota County (2004)

<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
Doctors Hospital	1,200
Walmart	963
Charter One Hotels	950
FCCI Insurance Group	862

- 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
2003	\$35,161,770	\$34,116,252

- Personal Income Per Capita (County)

<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	\$37,246
2000	\$39,827
2001	\$40,608
2002	\$42,382
2003	\$44,247

INTRODUCTION (Continued)

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	x	
Transportation Services		x	

• Police

Sworn officers	194
Civilian full-time employees	64
Part-time school crossing guards	24
Number of police dispatches	67,849
Avg. emergency response time	3.5 minutes
Avg. response time all calls	4.0 minutes

• Public Works

Waste collected	53,000 Tons
Street miles (centerline)	240 miles
Residential streets	194 miles
Thoroughfares	46 miles
Traffic signals	99
Street lights	5,895
Number of bridges	19

• Sewer

Storm sewers	30 miles
Sanitary sewers	326 miles
Avg. daily treatment allowed max	10.2 MGD
Avg. daily treatment	7.5 MGD
Peak daily treatment capacity	26 MGD
Peak daily treatment	14.6 MGD

• Water

Water lines	275 miles
Number of connections	18,600
Number of wells	51
Daily pumping capacity	18 MGD
Average daily pumping	7.5 MGD
Total daily treatment capacity	12 MGD

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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					
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	6.3528	8.7930	18.2957	\$140,509	\$2,571
2005	2.6917	0.3267	3.0184	6.2939	8.3660	17.6783	\$142,680	\$2,522

* Includes General Revenue, Mosquito Control, Sarasota Memorial Hospital, West Coast Inland Navigation District, Southwest Florida Water Management District, Manasota Basin, Bond Debt Service and Emergency Medical Services (levied beginning in 2004).

** After \$25,000 Homestead Exemption.

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.
Nov 1 - Mar 31	Property taxes due with various discount rates.
April 1	Taxes delinquent.
May 31	Tax certificates sold by County.

Financial Structure

The accounting of the operations 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

INTRODUCTION (Continued)

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 and account groups are used in accounting for the financial operations of the City. The specific funds that are subject to appropriation in the annual budget are enumerated below. In addition to these funds, other funds are included in the audited financial statements. These other funds are those that are either appropriated as revenues are collected (i.e., bond proceeds or grant agreements) or that the City Commission requires specific appropriation.

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 (SBNEP) 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. Effective July 1, 1995, the City became the sponsoring agency for SBNEP through an interagency agreement with the Southwest Florida Water Management District (SWFWMD). Since then, the mission of the program has been to oversee the implementation of the CCMP and report back to the community on the progress that has been achieved in implementing the plan. Effective October 1, 2004, the SBNEP will separate from the City and will become a separate legal/functioning entity. The cash balance in the fund will be distributed to the new agency in accordance with the provisions of a transition agreement currently being prepared.

Development Services Fund - To track and accumulate services provided to the building//development community including activities of the billable fee system and Building and Zoning operations.

Public Art Fund - To account for all revenues and expenditures to acquire and maintain public art in the City.

Neighborhood Grant Program Fund - To account for all revenues and subsequent grants as a result of civil seizure fines.

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

INTRODUCTION (Continued)

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 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.

INTRODUCTION (Continued)

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.

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.

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.

INTRODUCTION (Continued)

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.

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

INTRODUCTION (Continued)

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, 2004 to September 30, 2005. 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 and priorities (See the City Manager's Message section of this document for further details). Although only the 2004-2005 financial plan is adopted by the City Commission, the impact of this financial plan, over a five year period, is presented in the last section of this plan.

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 expenditure and project, if applicable. In addition, expenditures are organized by major sections or functions that 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

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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. Consistency with the City's Comprehensive Plan is assured by the involvement of both the Planning Department and its Board. Early in the budget cycle, the City Neighborhood Partnership Office conducts an Annual Community Forum. One of the purposes of the forum is to obtain input from the community regarding desired capital improvement projects.

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, including any projects proposed at the Annual Community Forum. The CIP Priority Evaluation Committee numerically ranks each project by evaluating and prioritizing each CIP request. Projects are evaluated in nine categories focusing on not only financial considerations, but also other factors including the impact on quality of life and compatibility with adopted plans such as the City Strategic Plan and the City Comprehensive Plan. The prioritized CIP requests are reviewed by the City Manager

and then forwarded to the Finance Department for the determination of available funding.

Strategic Planning

In FY 2003, the City Commission initiated a strategic planning effort that would allow it and succeeding Commissions to ensure that the City never lost sight of the future beyond the current individual terms of office.

Thinking and acting strategically as well as tactically requires more than personal commitment. Therefore, a policy framework that would demand such action was initiated to provide the structural support for it.

That structure was developed in six Commission and staff workshops throughout FY 2003 and FY 2004. "Sarasota's Strategic Plan for 2004-2008" was adopted by the City Commission on July 6, 2004 and provides the foundation for current and future strategic plans.

As the Strategic Plan was developed, necessary steps included the establishment of a mission statement, a vision statement and overall City goals (See the City Manager's Message section of this document for further details).

Once the mission, vision and overall City goals were defined, the Commissioners and Charter Officials identified and prioritized many issues and opportunities of critical importance for the next five years. This collaborative effort resulted in a prioritized list of eighteen (18) strategic concerns intended to guide action plans and budgets.

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The eighteen Strategic Concerns established in the FY 2004–2008 Strategic Plan are:

1. Fiscal Responsibility
2. Affordable Housing
3. Economic Development Strategies
4. Transportation Innovation and Collaboration
5. Fostering Residential and Business Collaboration
6. Annexation
7. Arts, Culture and Entertainment
8. City/Stakeholder Communications and Engagement
9. Natural Environment
10. Policing Philosophies
11. City as a Challenging, Fulfilling Employer
12. Aesthetics
13. Code Updates
14. Intergovernmental Collaboration
15. Neighborhood Planning
16. Gateway Master Planning
17. Public Space and Recreation
18. Recognizing the Needs of the Barrier Islands

A nineteenth Strategic Concern, “Operational Focus”, was established to facilitate the identification and measurement of non-strategic department strategies, tasks and indicators.

To provide direction to City staff on developing responses to the Commissioner’s initiatives (Strategic Concerns) the Commission developed “Desired Results” for each strategic concern. City staff and Charter Officials subsequently identified forty-nine (49) strategies to respond to the Commission’s strategic concerns/desired results.

The final step in developing the FY 2004-2008 Strategic Plan was the establishment of tasks (activities) that would achieve the

strategies, assignment to specific City officials or employees of tasks that fall within their scope of responsibility, and the development and quantification of indicators which measure achievement of strategies, and ultimately, strategic concerns.

Throughout the FY 2005 budget process, specific ongoing/annual tasks were selected by department managers and included in agency budget requests. Information captured included the year the task is to be completed, an estimate of additional funds required and the current status of the task.

Strategic concerns (Citywide goals), strategies, tasks and indicators/performance measures are all integrated into, and defined in, department and cost center budgets.

A copy of “Sarasota’s Strategic Plan for 2004-2008” is available at the office of the City Auditor and Clerk or visit the City’s web site at www.ci.sarasota.fl.us or www.sarasotagov.com.

Service Level Budgeting

The Current Service Level / Continuation 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 budget request designated as an *Issue*. *Issues* that can be funded by existing revenues, are considered necessary by the City Manager, and are consistent with established policy, are incorporated into the departmental budget as part of the continuing budget (Continuation column in the individual departmental/cost center. *Issues* that require City Commission action regarding a change in policy or on the source of funding are reflected in the Issue

INTRODUCTION (Continued)

column in the individual departmental/cost center budgets. All *issues* are thoroughly discussed in the City Manager's message.

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 strategies and tasks that are to be accomplished in the fiscal year. These strategies, tasks and indicators/performance measures are monitored so that the department and its service units' level of accomplishment can be evaluated at periodic intervals.

Developing The Budget

Prior to September 1, the City Manager submits to the City Commission his proposed budget 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

Although during the year budgetary control is maintained at the line item or object of expenditure level, the legal level of control is maintained at the fund 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 the appropriate administrative approval. If a transfer of budgeted funds is between two departments, the City Commission must approve the transfer.

An actual increase in budgeted appropriations requires City Commission

approval. 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.

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CALENDAR OF BUDGET ACTIVITIES

<u>DATE</u>	<u>DIVISION OR AGENCY</u>	<u>ACTIVITY</u>
November 18	Neighborhood Partnership Office	Conduct Annual Community Forum
December 12	Finance	Send out budget instructions to Department Heads for City Board budgets
December 17	Finance	Transmit Capital Improvement Plan (CIP) Package to Departments
January 23	Departments	CIP/CIE due to Finance
February 6	Departments	Budgets from City Boards due to City Manager
February 10	Finance	Prioritization and coordination of CIP requests
March 10	Finance	Transmit budget package to Departments
March 10	City Manager	Staff Orientation
March 22	Planning	Statement that the CIP agrees with the Comprehensive Plan
March 23	Human Resources	Review Consumer Price Index (CPI) for 2004-2005 salary increases
March 23	Finance	Review CIP/CIE requests with City Manager and department staff
April 12	All Departments	2004-2005 Department budget packages due including City Strategic Plan
April 12 - 26	Finance	Analyze Department budget requests
April 27	City Commission	CIP/CIE Workshop
April 27 - May 12	City Manager	Budget meetings with Departments
May 13 - July 1	Finance	Prepare budget books and presentation
July 2	City Commission	City Manager presents proposed budget

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CALENDAR OF BUDGET ACTIVITIES (CONTINUED)

<u>DATE</u>	<u>DIVISION OR AGENCY</u>	<u>ACTIVITY</u>
July 7 – 9	City Commission	Budget Workshops
July 19	City Commission	Certification of Millage to Property Appraiser
September 8	City Commission	First Public Hearing on Budget and CIP
September 20	City Commission	Final Public Hearing on Budget and CIP

INTRODUCTION (Continued)

FINANCIAL POLICIES

Operating Budget Policies

- The City will comply with all Federal, State or local legal requirements pertaining to the operating budget, including the adoption of a balanced budget. A balanced budget is achieved when the amounts available from taxation and other sources, including amounts carried over from prior fiscal years, equals the total appropriations for expenditures and reserves.
- 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 ensure adequate citizen input and participation.
- The City will employ a structured expenditure and revenue forecasting system to allow for effective financial planning. Multi-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 and repair of capital plant and equipment and for their orderly replacement.
- 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 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 ensure adherence to the budget and will use a budget/encumbrance control system to ensure proper budgetary control.
- The City administration will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.

INTRODUCTION (Continued)

Operating Budget Policies (Continued)

- Where possible, the City will integrate service levels and performance measures within the budget.
- At least annually a public auction will be held of surplus and obsolete property.
- All enterprise fund operations shall be self-supporting and shall pay administrative and other appropriate service charges to the General Fund for administrative support.
- The total number of permanent full-time and part-time positions (FTE's) approved in the annual operating budget may not be exceeded without prior approval of the City Commission.
- The City will coordinate the CIP budget and the operating budget in terms of operating costs associated with CIP items.
- The City will annually seek the Distinguished Budget Presentation Award offered by the Government Finance Officers Association (GFOA).
- 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

Fund Balance and Reserve Policies

- 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 level between 5 and 10 percent of general fund expenditures.
- The City will establish a contingency reserve to provide for unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery costs. The reserve will be maintained at a level between 0.5 to 0.8 percent of general fund expenditures.
- 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 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 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.

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Revenue Policies (Continued)

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

- The City will seek to maintain high bond ratings in order that borrowing costs are minimized and access to credit is preserved.

Debt Policies

- The City will issue bonds only for capital improvements including infrastructure and equipment with a life in excess of four years.
- Whenever possible, the City will use special assessment, revenue, or self-supporting bonds instead of general obligation bonds.
- The term of any bonds shall not exceed the useful life of the expenditure being financed.
- The City will not issue notes or 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.

Cash Management / Investment Policies

- The City will deposit all cash receipts within twenty-four hours of receipt.
- The City will collect revenues aggressively, including past due bills of any type and will utilize an outside collection agency to accomplish this.
- The City will maintain a prudent cash management and investment program in order to meet daily cash requirements, increase funds available for investment, and earn maximum rates of return on invested funds commensurate with appropriate security.
- The City will follow its adopted investment/portfolio policy when handling public funds.
- The Finance Department/Investment Manager will present a quarterly report on investments to the City's Investment Committee.
- Where permitted by law, the City will pool cash from each eligible fund for investment purposes.

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Accounting, Auditing & Financial Reporting Policies

- An independent audit will be performed annually, including the issuance of a management letter.
- 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 correct or otherwise resolve the matters included in the management letter.
- The City will produce financial reports in accordance with Generally Accepted Accounting Principles (GAAP).
- The City Commission will be provided monthly with budget reports comparing actual versus budgeted revenue and expense activity.
- The City will annually seek the Certificate of Achievement for Excellence in Financial Reporting award offered by the Government Finance Officers Association (GFOA).
- The City will maintain the highest level of accounting practices consistent with generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB).

Capital Improvement Plan Policies

- The City will adopt the first year of a multi-year plan for capital improvements, update it annually and make every attempt to complete all capital improvements in accordance with the plan.
- The City will coordinate the development of the CIP budget with the development of the operating budget to ensure future operating expenditures and revenues associated with new capital improvement will be projected and incorporated into the current and future operating budgets.
- The City will determine the least costly financing method available for all new capital improvement projects.
- All projects in the Comprehensive Improvement Element (CIE) of the City's Comprehensive Plan will be included in the Capital Improvements Plan.
- The Capital Improvements Program Committee will review and evaluate each proposed and ongoing project, based on established criteria, prior to any project being included in the CIP.
- The City will maintain its physical assets at a level adequate to protect the City's capital investment and minimize future maintenance and replacement costs.



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