



FINANCIAL  
TREND  
MONITORING  
SYSTEM  
2007

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PREFACE

## PREFACE TO FISCAL YEAR 2007 FINANCIAL INDICATORS

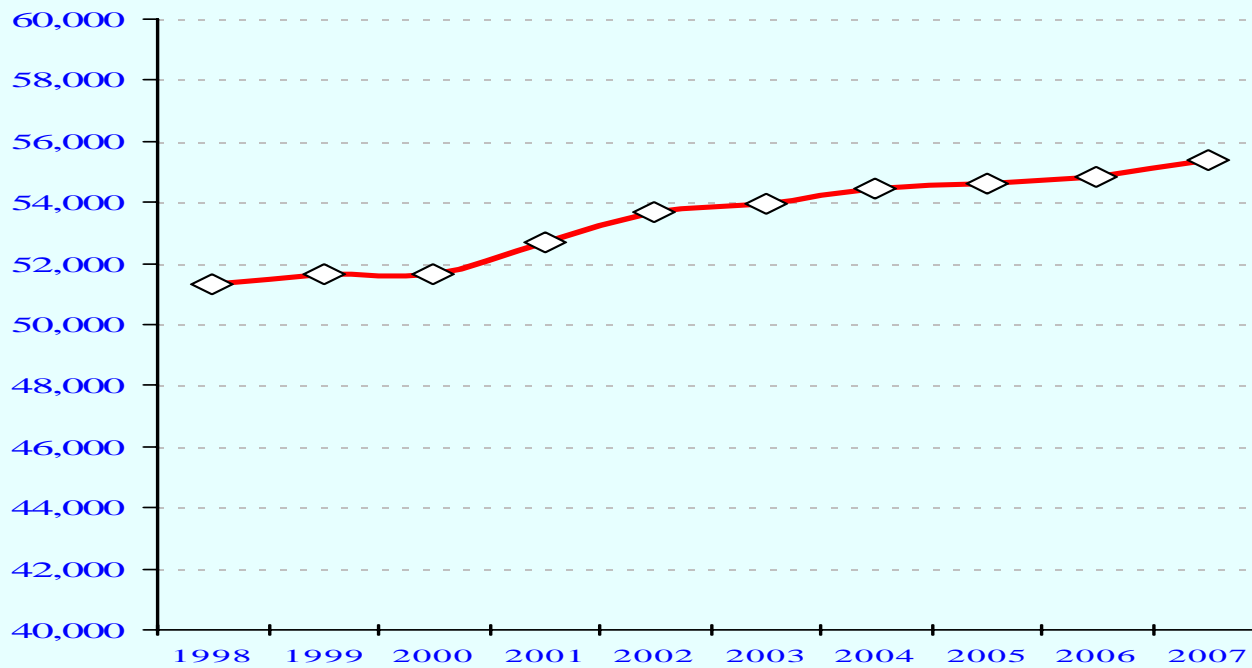
This analysis of the City's fiscal condition has been prepared to provide commissioners, administrators and residents with current information regarding Sarasota's financial condition. The indicators utilized in this analysis are generally those recommended by the International City Management Association (ICMA) as reflective of a municipality's economic health. These indicators have been compiled into a collection of financial indicators entitled the *Financial Trend Monitoring System* (FTMS). FTMS can alert a local government to existing and potential areas of financial difficulty and also serve as a valuable planning tool. In addition, it also provides comparative and analytical data that can be used in the formulation of public policy.

In order for financial information to be comparable over a number of years, the information must be adjusted to reflect constant dollars. More specifically, the distortion created by the effects of inflation must be removed. The Finance Department started tracking this information in 1991. Since ten years was selected as the appropriate comparison period, 1981 is the earliest year that information was collected. Accordingly, 1981 was used as the base year. In other words, the effect of inflation since 1981 has been removed in order that the dollar amounts of any year presented are comparable to 1981 dollars.

It should be noted that individual indicators may be meaningful only when viewed in conjunction with other indicators. Accordingly, an overall organization-wide perspective is essential in obtaining a comprehensive representation of the City's financial condition.

COMMUNITY  
RESOURCES  
INDICATORS

# Population



## Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

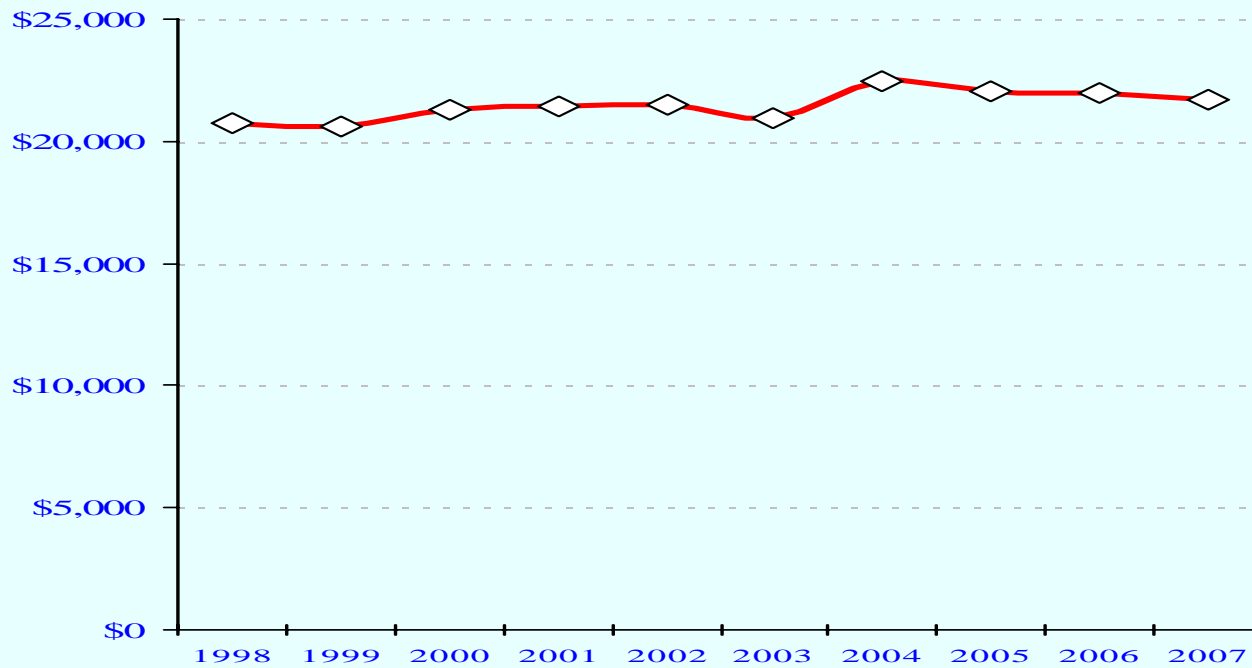
## **Warning Trend**

**Rapid change  
in population**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364

# Personal Income Per Capita

## In Constant Dollars (Sarasota County)



### Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

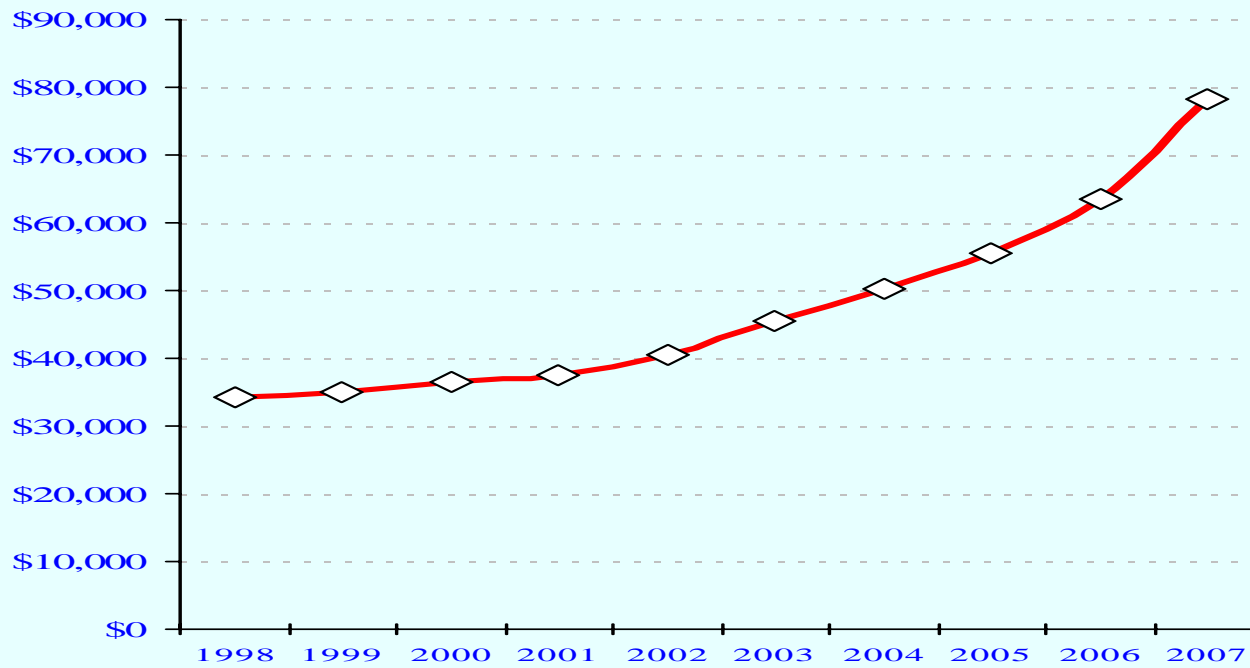
### **Warning Trend**

**Decline in the level or growth rate of personal income per capita**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Income Per Capita	36,244	37,111	39,562	40,936	41,700	41,618	45,808	46,965	47,904	48,623
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Income Per Capita In Constant Dollars	20,711	20,617	21,270	21,432	21,495	20,914	22,455	22,049	21,974	21,707

Note: Personal Income Per Capita, provided by the U.S. Department of Commerce, Bureau of Economic Analysis, is not available past fiscal year 2005. Fiscal years 2006 and 2007, therefore, are estimates.

# Assessed Valuation Per Capita In Constant Dollars



## Sarasota Trend

Very Positive ←

Positive

Marginal

Negative

Very Negative

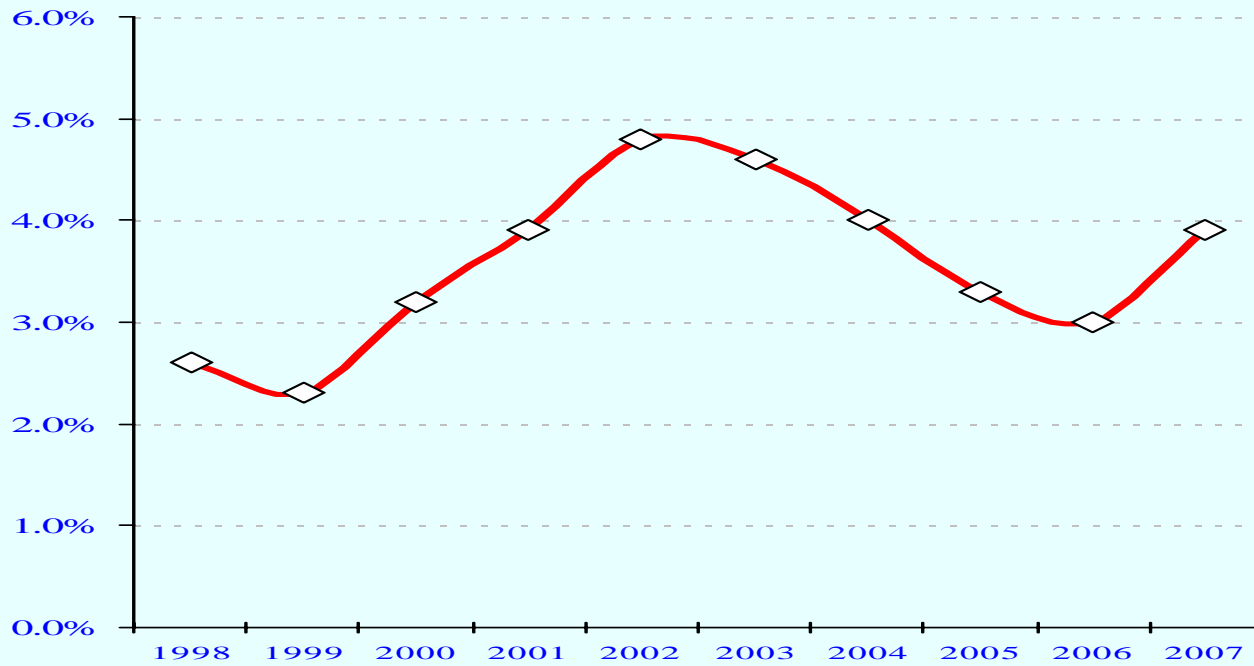
## **Warning Trend**

**Declining or negative  
growth in property tax  
assessments**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Valuation (000's)	3,076,588	3,246,772	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Assessed Valuation In Constant Dollars	1,758,050	1,803,762	1,889,331	1,977,340	2,171,912	2,452,398	2,739,942	3,036,305	3,484,094	4,337,552
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Assessed Valuation Per Capita In Constant Dollars	34,260	34,923	36,573	37,510	40,478	45,466	50,335	55,570	63,523	78,346

# Unemployment Rate

## Sarasota County



### Sarasota Trend

Very Positive

Positive

Marginal

Negative ←

Very Negative

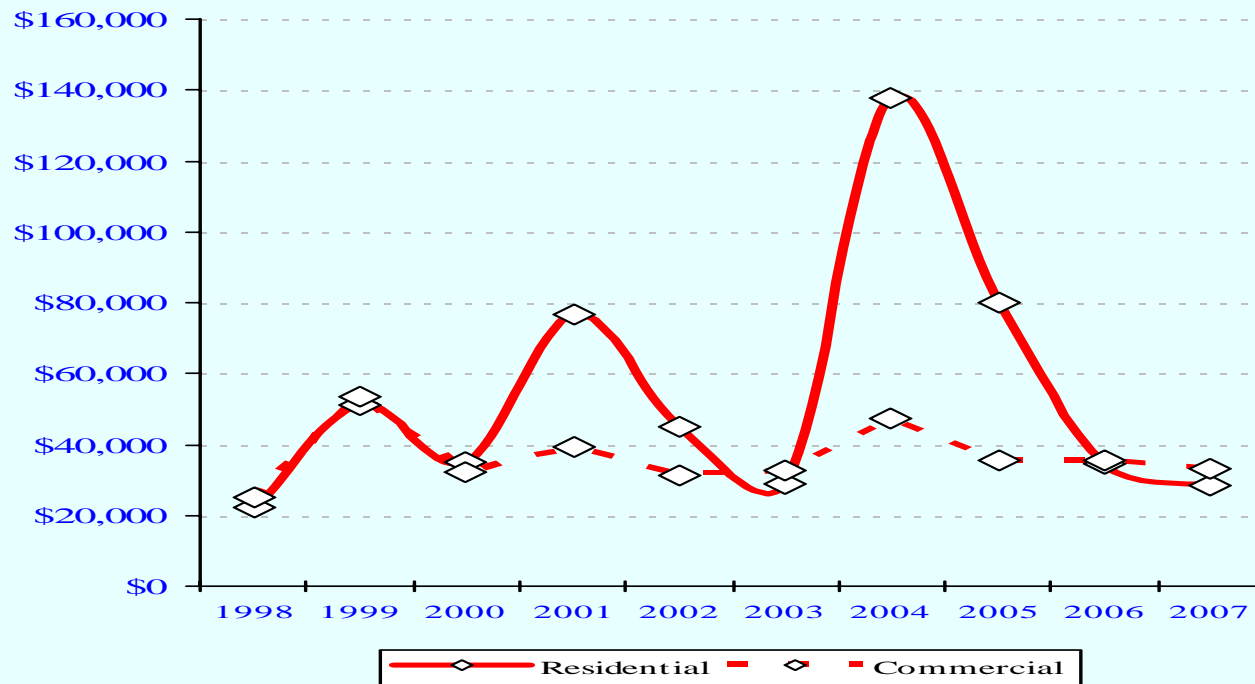
### **Warning Trend**

**Increasing rate of  
local unemployment**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unemployment Rate	2.6%	2.3%	3.2%	3.9%	4.8%	4.6%	4.0%	3.3%	3.0%	3.9%

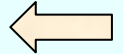
# Construction Value

## In Constant Dollars (000's)



### Sarasota Trend

- Very Positive
- Positive
- Marginal
- Negative
- Very Negative



### **Warning Trend**

**Declining constant dollar construction**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential Construction	39,294,245	92,099,352	65,302,055	146,714,872	87,670,772	57,335,987	280,634,806	170,361,903	74,967,784	63,891,036
Commercial Construction	43,550,443	96,448,484	59,935,047	75,378,546	60,357,005	65,180,478	96,873,125	76,077,002	77,132,883	74,042,316
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Residential Construction in Constant Dollars	22,453,854	51,166,307	35,108,632	76,814,069	45,191,120	28,812,054	137,566,081	79,982,114	34,388,892	28,522,784
Commercial Construction in Constant Dollars	24,885,967	53,582,491	32,223,144	39,465,207	31,111,858	32,754,009	47,486,826	35,716,902	35,382,056	33,054,605

## **COMMUNITY RESOURCES INDICATORS**

### **GENERAL INFORMATION**

Community Resources encompasses economic and demographic characteristics including population, personal income, property value, employment and construction activity. This is an umbrella category that treats “tax base” and “economic and demographic characteristics” as different sides of the same coin. On one hand, these indicators describe a community’s wealth and its ability to generate revenues (that is, level of personal, commercial and industrial income). On the other hand, they constitute the demands which the community will make on its government such as public safety, capital improvements and social services. In addition, changes in these characteristics are the most difficult to formulate into indicators because the data are not easy to gather. An evaluation of local economic and demographic characteristics can identify the following types of conditions:

- A decline in tax base as measured by population, property value, employment or business activity;
- A need to shift public service priorities because of a change in age or income of residents or in the type or density of physical development within the community;
- A need to reassess public policies because of a loss in competitive advantage of the city’s businesses to surrounding communities or because of a surge in inflation or other changes in national or regional economic conditions.

Changes in economic and demographic characteristics are most useful for long term financial analysis.

The following indicators represent those for which data are reasonably available:

## **Sarasota's Community Needs / Resources Indicators**

### Population

Sarasota's population remains steady, increasing only minimally as the City approaches build-out. Such minimal population growth obscures the expanded requirements placed on the City's infrastructure as seasonal population continues to rise and residential and commercial neighborhoods continue to be converted into high rise condo/retail properties. In addition, the annual increase of 10,000 in population in the surrounding county creates extraordinary pressure on the City's infrastructure and public safety needs.

### Personal Income Per Capita

Sarasota County personal income per capita has remained very consistent throughout the last decade. The U.S. Department of Commerce\Bureau of Economic Analysis releases annual statistics 16 months after the end of the year. Therefore, 2006 and 2007 are estimates. Personal income per capita, *in constant dollars*, adjusted by the CPI, has declined three consecutive years (2005, 2006 and 2007) due, in large part, to the slowdown in the economy.

### Assessed Valuation Per Capita

Assessed valuation (non-exempt) per capita, in constant dollars, has increased every year since 1998, reflecting an average increase of over 9.6 percent per year. The booming real estate market in Sarasota, particularly since 2001 has driven up the assessed valuation (in constant dollars) by an average of 18.7% per year over the prior five years and by 23.3% in 2007 alone.

### Unemployment Rate

In 2002, the unemployment rate in Sarasota County had climbed to it's highest point since 1993, the result of a declining economic environment in the aftermath of 9/11. As the economy continued to rebound in the post 9/11 period, the unemployment rate declined for four consecutive years until 2007 when it responded to the slowing economy and increased to 3.9 percent.

### Construction Value

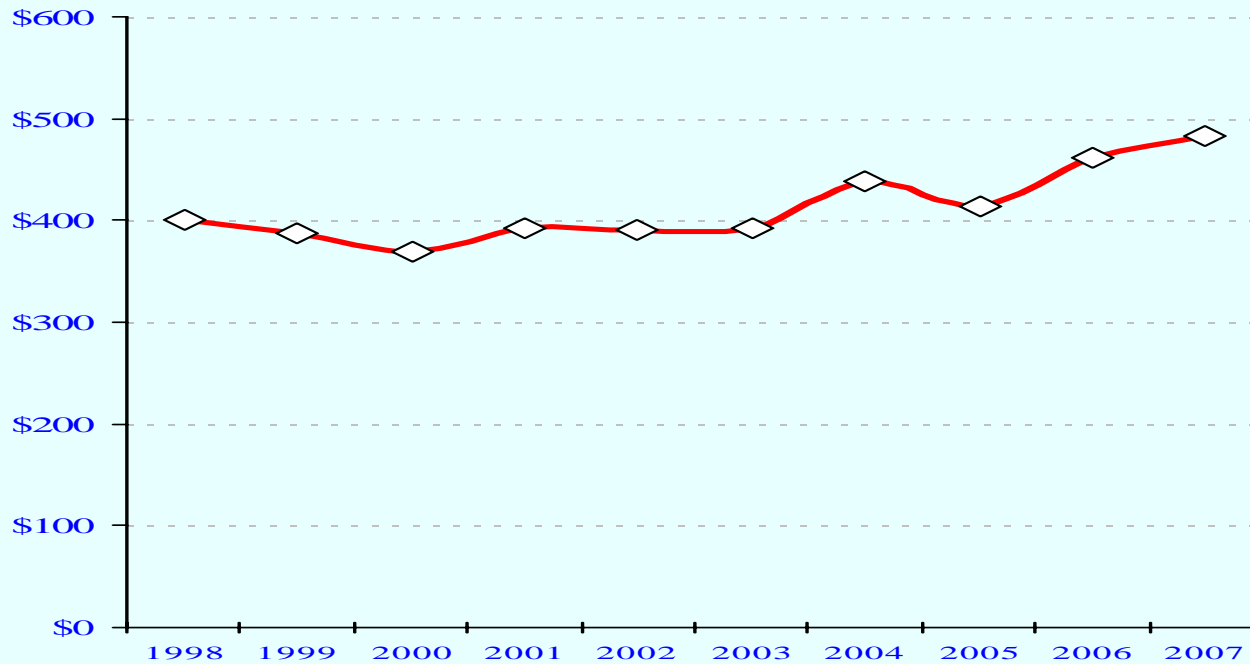
Residential and commercial new construction, in constant dollars, while erratic from year to year, did reveal a steady increase from 1996 through 2000. A slowdown in new construction growth occurred in 2002 and 2003, the victim of retreating economic markets representing a 53% decline in total new construction from 2001 to 2003. The new residential construction market dramatically rebounded in 2004 and 2005, resulting from a surge in condominium construction while commercial construction represented a more moderate increase in activity. The soft housing market in 2006 and 2007 dramatically reduced residential permitting and negatively effected commercial permitting.



**REVENUE  
INDICATORS**

# Revenue Per Capita - General Fund

## In Constant Dollars



### Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

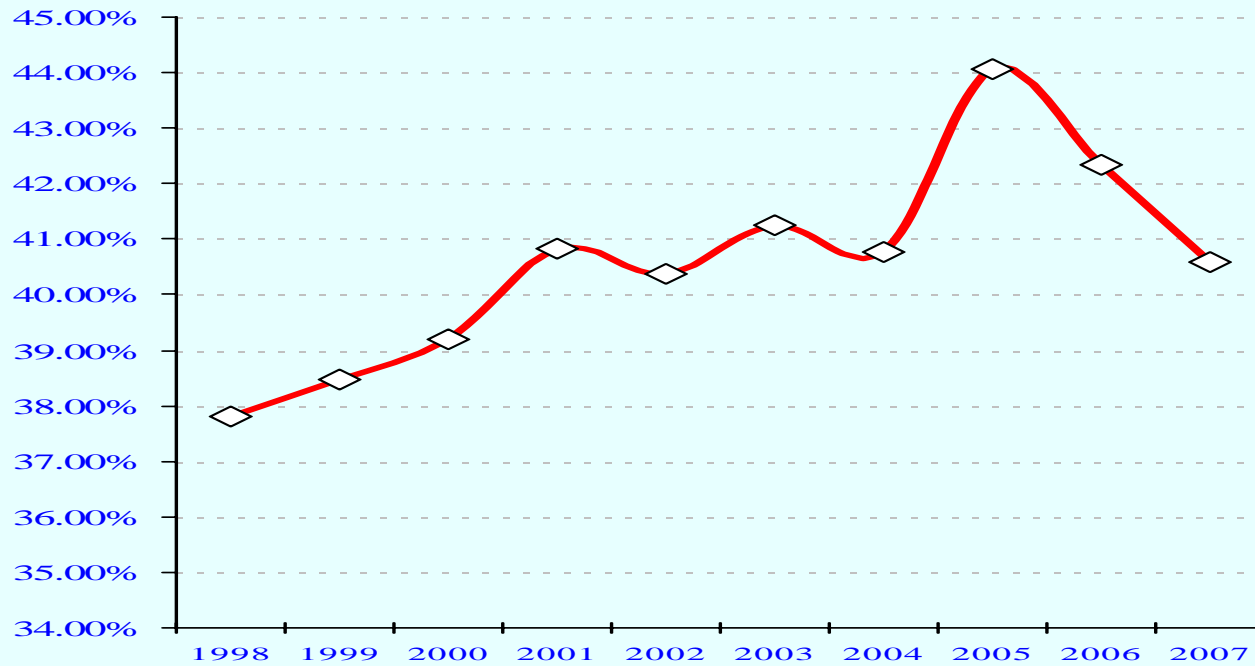
### **Warning Trend**

**Declining per capita  
revenue growth rate**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Gross Operating Revenue	35,972,311	36,009,334	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
In Constant Dollars	20,555,606	20,005,186	19,114,273	20,661,468	20,953,556	21,193,299	23,825,149	22,568,147	25,347,912	26,753,005
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Operating Revenue Per Capita in Constant Dollars	400.58	387.32	370.01	391.95	390.51	392.91	437.69	413.04	462.15	483.22

# Restricted Revenue

## As a % of Operating Revenues



### Sarasota Trend

- Very Positive ←
- Positive
- Marginal
- Negative
- Very Negative

### **Warning Trend**

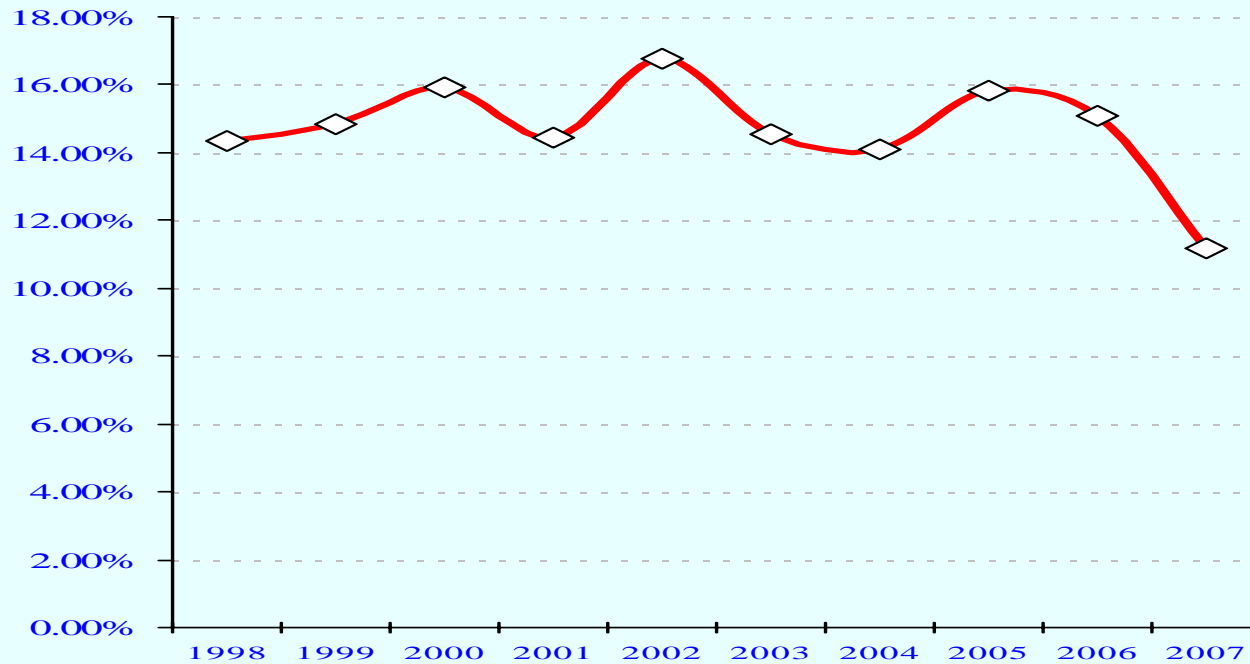
**Increasing amount of restricted revenue as a % of operating revenues**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Restricted Revenue	21,509,063	21,443,076	22,532,258	26,626,517	26,929,892	28,900,364	32,715,798	36,483,222	38,937,935	38,049,023
Operating Revenue *	56,881,374	55,731,611	57,472,746	65,229,752	66,669,010	70,062,986	80,249,955	82,783,471	91,978,728	93,740,542
Restricted Revenue as a percent of Operating Revenues	37.81%	38.48%	39.21%	40.82%	40.39%	41.25%	40.77%	44.07%	42.33%	40.59%

\* Includes General Fund, Special Revenue Funds and Debt Service Funds.

# Intergovernmental Revenue

As a % of General Fund Revenues



## Sarasota Trend

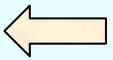
Very Positive

Positive

Marginal

Negative

Very Negative



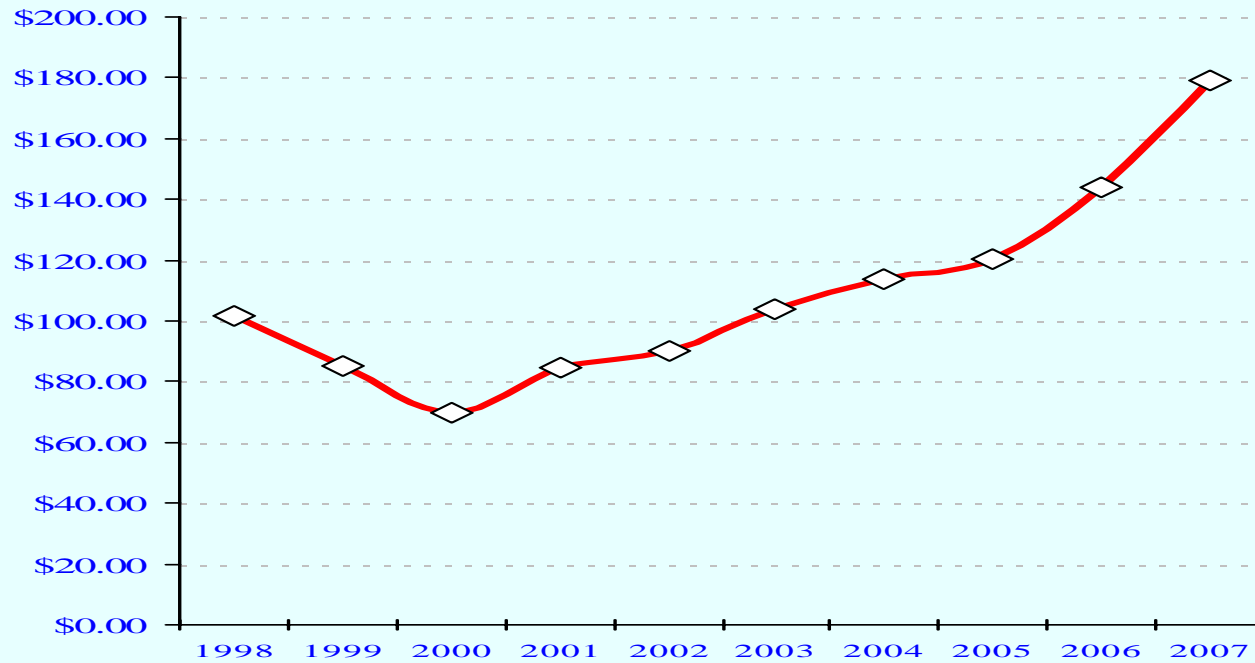
## **Warning Trend**

**Increasing amount of intergovernmental revenues as a % of gross operating revenues**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Intergovernmental Revenue	5,151,047	5,348,106	5,654,462	5,706,386	6,816,917	6,132,860	6,859,069	7,598,059	8,334,351	6,693,304
Gross Operating Revenue	35,972,311	36,009,334	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732
Intergovernmental Revenue as a % of Operating Revenue	14.32%	14.85%	15.90%	14.46%	16.77%	14.54%	14.11%	15.81%	15.08%	11.17%

# Property Tax Revenue Per Capita

## In Constant Dollars - General Fund



### Sarasota Trend

Very Positive ←

Positive

Marginal

Negative

Very Negative

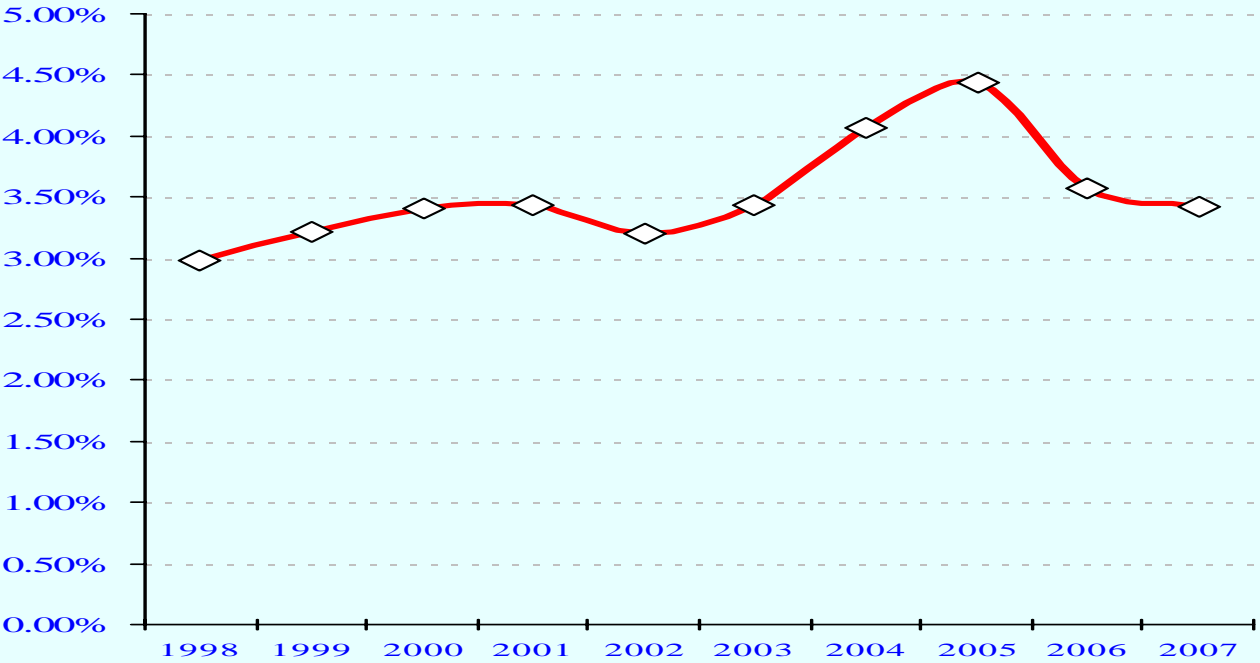
### **Warning Trend**

**Declining or negative  
growth in property tax  
revenues**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property Tax Revenue	9,124,337	7,941,787	6,695,174	8,542,772	9,357,506	11,174,398	12,649,803	14,009,628	17,223,438	22,225,365
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Property Tax Revenue In Constant Dollars	5,213,907	4,412,104	3,599,556	4,472,655	4,823,457	5,615,275	6,200,884	6,577,290	7,900,660	9,922,038
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Property Tax Revenue Per Capita In Constant Dollars	101.61	85.42	69.68	84.85	89.89	104.10	113.92	120.38	144.05	179.21

# Uncollected Property Tax

As a % of Property Taxes Levied



### Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative

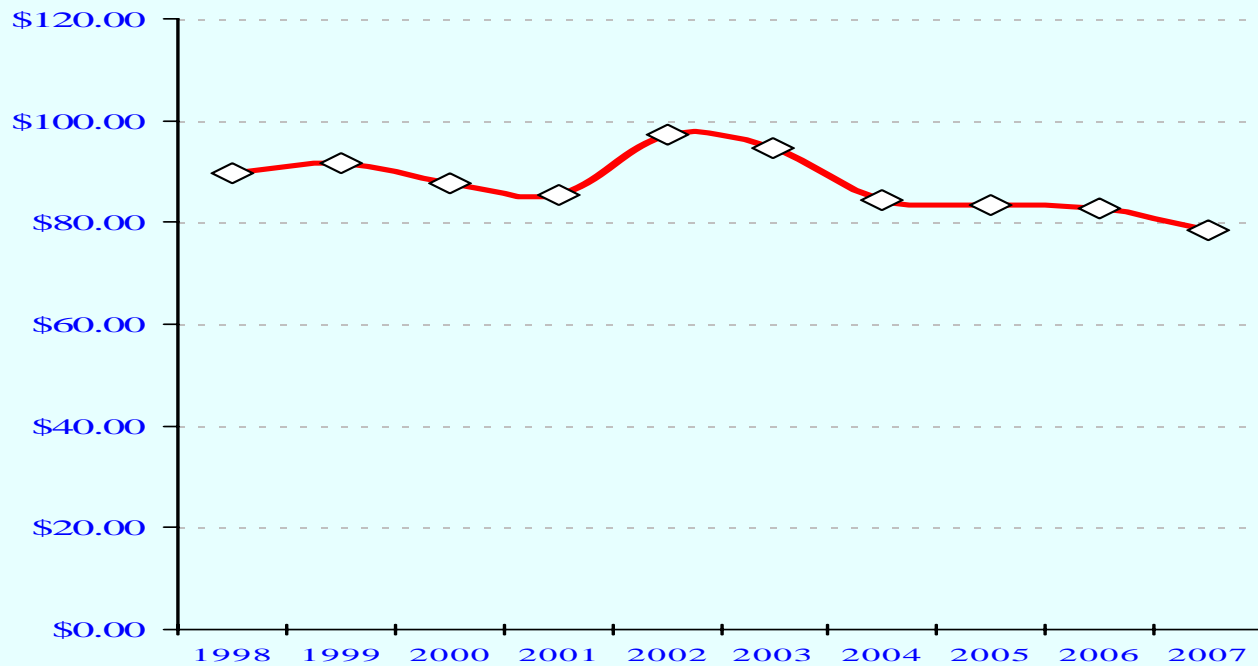


**Warning Trend**  
 Increasing amount of uncollected tax as a percent of taxes levied

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property Tax Levied	13,025,353	11,724,092	10,402,254	12,317,391	13,362,302	15,798,416	17,606,309	19,520,989	22,852,050	29,144,461
Property Tax Collected	12,636,865	11,347,840	10,048,718	11,895,066	12,934,696	15,256,791	16,890,421	18,655,781	22,036,679	28,146,368
Percent Uncollected	2.98%	3.21%	3.40%	3.43%	3.20%	3.43%	4.07%	4.43%	3.57%	3.42%

# Utility Tax Revenue Per Capita

## In Constant Dollars



### Sarasota Trend

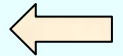
Very Positive

Positive

Marginal

Negative

Very Negative



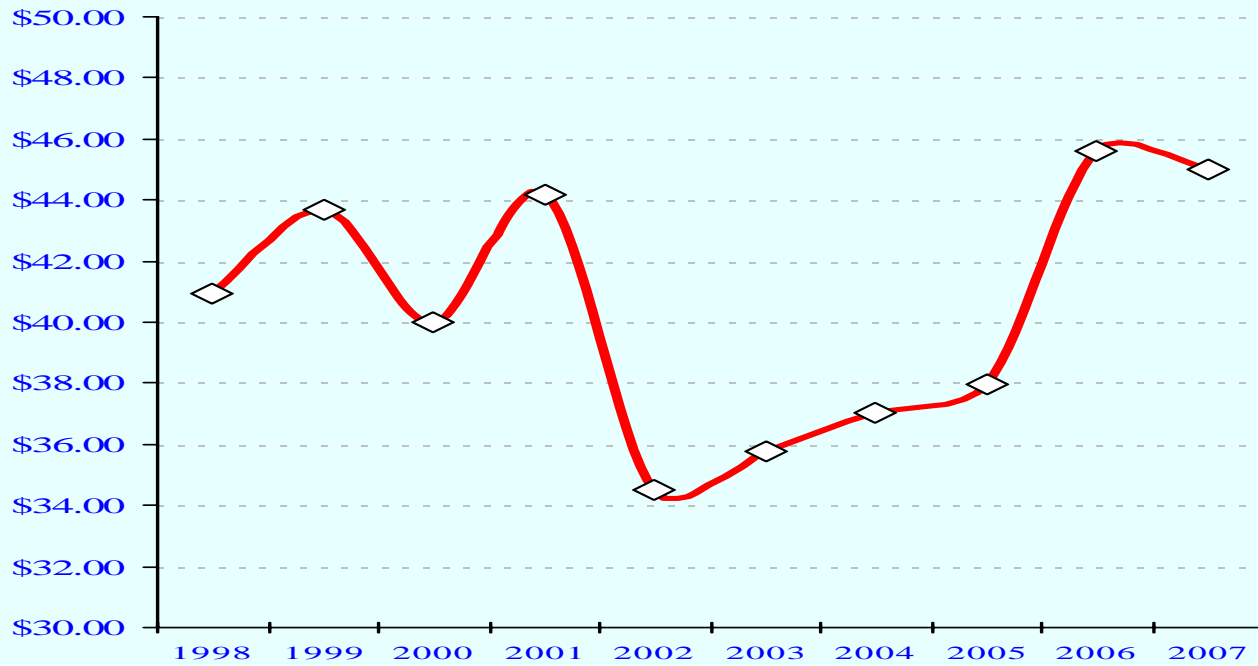
### **Warning Trend**

**Declining per capita revenue  
in constant dollars**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Utility Tax Revenue	8,058,835	8,506,731	8,415,496	8,592,697	10,109,163	10,156,178	9,371,751	9,722,636	9,899,607	9,750,102
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
In Constant Dollars	4,605,049	4,725,962	4,524,460	4,498,794	5,210,909	5,103,607	4,593,996	4,564,618	4,541,104	4,352,724
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Utility Tax Revenue Per Capita	89.74	91.50	87.58	85.34	97.12	94.62	84.40	83.54	82.79	78.62

# Franchise Tax Revenue Per Capita

## In Constant Dollars



### Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

### **Warning Trend**

**Declining per capita  
revenue in constant  
dollars**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Franchise Tax Revenue	3,673,657	4,062,137	3,843,532	4,448,446	3,593,193	3,840,178	4,114,225	4,415,624	5,451,451	5,578,299
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
In Constant Dollars	2,099,233	2,256,743	2,066,415	2,329,029	1,852,161	1,929,738	2,016,777	2,073,063	2,500,666	2,490,312
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Franchise Tax Revenue Per Capita	40.91	43.69	40.00	44.18	34.52	35.78	37.05	37.94	45.59	44.98

## **REVENUE INDICATORS**

### **GENERAL INFORMATION**

Revenues determine the capacity to provide services. Important issues to consider relative to revenues are growth, diversity, reliability, flexibility and administration. Under ideal conditions revenues will grow at a rate equal to or greater than the combined effects of inflation and expenditure pressures from new and/or expanded services. They will be sufficiently flexible (non-dedicated funding) to allow necessary adjustments in response to changing conditions. They will be diversified in their resources so as not to be overly dependent on residential, commercial or industrial land uses or on external funding sources such as federal grants or discretionary state aid. User fees would be regularly evaluated and revised to cover the true cost of providing services.

Analyzing a revenue structure will aid in identifying the following types of problems:

- ❑ Deterioration in revenue base.
- ❑ Internal procedures or legislative priorities that may adversely affect revenue.
- ❑ Over-dependence on obsolete or external revenue sources.
- ❑ User fees that are not covering the cost of providing services.
- ❑ Changes in tax burden.
- ❑ Lack of cost controls and poor revenue estimating practices.
- ❑ Inefficiency in collection or administration of revenue.

## **Sarasota's Revenue Indicators**

### *Revenue Per Capita*

Examining per capita revenue reveals changes in revenue relative to changes in population. After accounting for inflation, the City's per capita revenue in the General Fund decreased from \$397.48 in 1997 to a low of \$370.01 in 2000. Beginning in 2001 and accelerating in 2004, a residential construction boom coupled with dramatically escalating property values, increased per capita revenue from \$392.91 in 2003 to \$462.15 in 2006 and \$483.22 in 2007. This trend is expected to decline significantly in 2008 and 2009 as the legislative requirements of House Bill 1 and Amendment 1 take effect.

### *Restricted Revenue*

Restricted revenue is that which is legally earmarked or dedicated for a specific purpose. For example, gas tax revenue must be used for street maintenance or improvements. Grant revenue is also generally restricted to specific purposes. As a municipality's reliance on this type of revenue increases, it loses the latitude to respond to changing conditions. It also makes the City vulnerable to dictates from outside agencies.

The restricted revenue indicator is one that has both a positive side and a negative side. Initially, an increase is positive, as operating revenue is not tapped to perform certain capital and infrastructure improvements. However, on a long term basis, it indicates that the City's recurring revenue sources are not sufficient to provide for necessary capital improvements. Sarasota achieved a 40.77% ratio of restricted operating revenue to net operating revenue in 2004. This is up from a ten year low of 29.04% in 1997. The increase in 1998 was the result of significant additional revenue in Tourist Development funds and revenue from the State Housing Initiative Partnership (SHIP). The increase in 2005 is the result of reporting revenue for building permits in the Development Services Fund instead of the General Fund.

### Intergovernmental Revenue

Intergovernmental revenue (revenue received from another governmental entity) is closely related to restricted revenue, in that, typically, it is intended to fund a specific activity. This is a marginal indicator, as an increasing dependence on intergovernmental revenue also provides little latitude in discretionary spending, and may be eliminated with little notice. In 1986, this occurred when the Federal Revenue Sharing program was ended. Had these funds provided a major portion of the City's total revenues, the impact of withdrawing them may have resulted in service reductions or tax increases. Again, however, any reduction has a negative side. More specifically, local revenue must absorb any reductions, plus any unfunded new state or federal mandates.

Between 1997 and 2000, Sarasota exhibited an increasing trend, in terms of percent of General Fund revenue, in its reliance on this type of revenue. The spike in intergovernmental revenue in FY 2002 is the result of Federal Emergency Management Agency (FEMA) funding necessary to offset the costs of the cleanup following Tropical Storm Gabrielle. The increase in 2005 is due equally to a statutory provision affecting State Revenue Sharing Fund distribution and increased half-cent sales tax revenue.

### Property Tax Revenue Per Capita

Property tax revenue per capita in constant dollars (after inflation) decreased significantly from \$110.95 in 1997 to \$69.68 in 2000. The reduction in the millage rate, precipitating this decline in ad valorem tax revenue, is the result of the consolidation of the Fire-Rescue Bureau and Public Safety communications with Sarasota County in 1997. A millage rate increase in FY 2001 and FY 2003, combined with rapidly escalating property values, has increased property tax revenue per capita every year since 2000.

### Uncollected Property Tax

Uncollected property tax, as a percent of property tax levied, remained relatively consistent between 3.0 and 3.5 percent from 1997 through 2003. The increase in uncollected property taxes in 2004 and 2005 is the result of a one-time court settlement with Verizon Cable over the value of Verizon's tangible personal property assessed by the Sarasota County Property Appraiser for the years 1997 through 2004. This trend returned to a normal 3.42 in 2007. Since the discount for early payment of property tax can be as high as 4.0 percent, this 3.42 percent rate is considered acceptable.

### Utility and Franchise Tax Revenue

The Communications Services Tax Simplification Law, effective 10/1/01, restricted taxes on telecommunications, cable, direct-to-home satellite and related services. The law replaced and consolidated seven different state and local taxes or fees, including franchise fees, with a single utility tax.

The effect of this legislation is evident in 2002 as franchise fee revenue for communications services (cable/telephone) declined, and was replaced by a single communications services utility tax administered and collected by the State Department of Revenue (DOR) and distributed to counties and cities throughout Florida.

The continued erosion of utility tax revenues, in constant dollars, from 2003 through 2007, is due to the migration from telephone land lines and beepers/pagers (charged by the call minute) to cell phones (included in base rate).

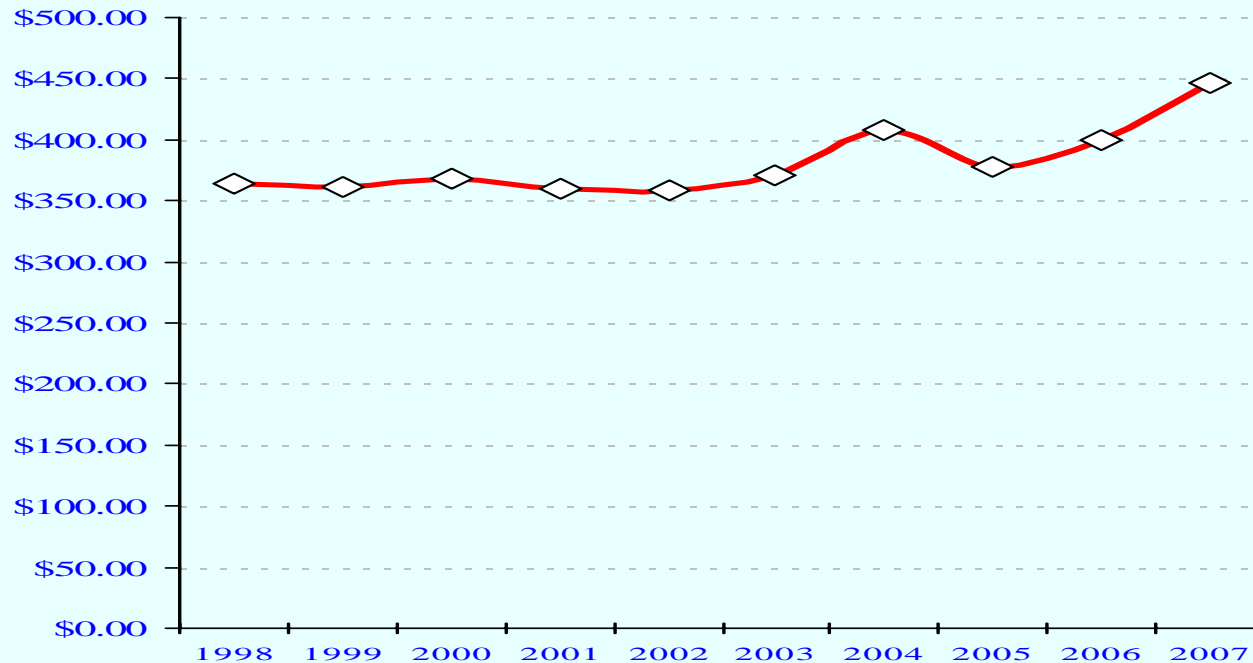
The dramatic increase in electric and natural gas franchise fee revenue in 2006 and 2007 is due to increasing fuel costs.



**EXPENDITURE  
INDICATORS**

# Operating Expenditures Per Capita

## General Fund In Constant Dollars



### Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

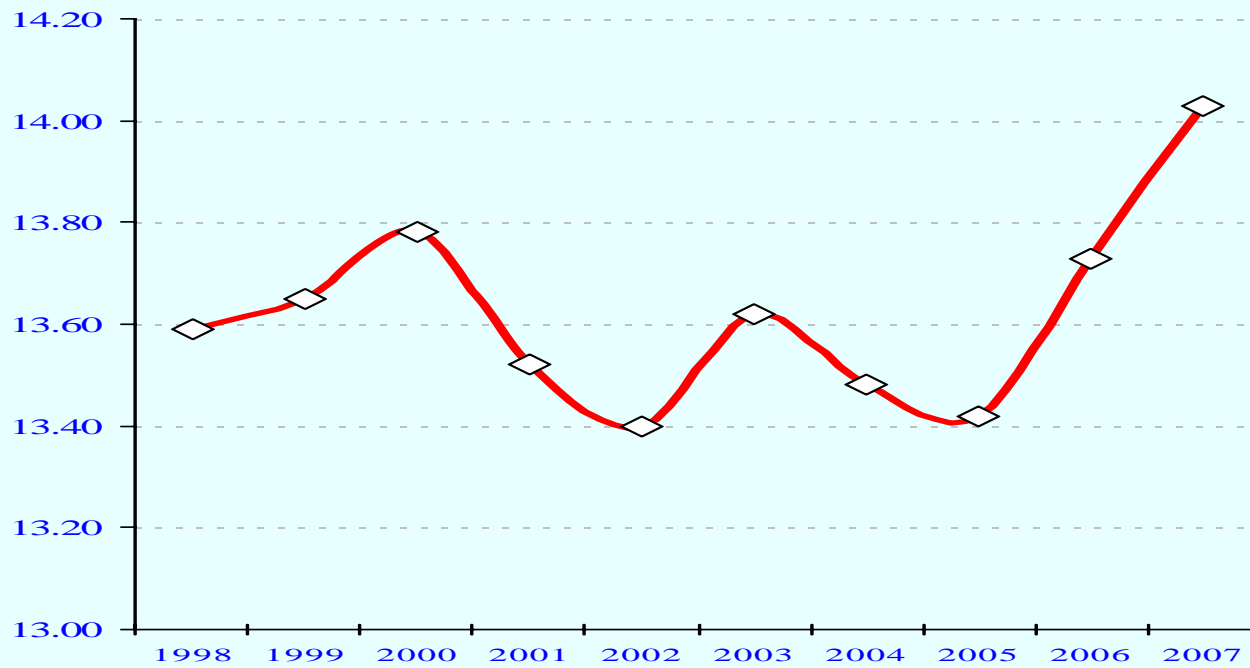
### **Warning Trend**

**Increasing per capita  
expenditures in constant  
dollars**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total General Fund										
Operating Expenditures	32,731,990	33,637,931	35,348,305	36,255,368	37,360,246	39,741,381	45,352,758	44,016,426	47,776,532	55,442,806
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Operating Expenditures In Constant Dollars	18,703,994	18,687,739	19,004,465	18,981,868	19,257,859	19,970,543	22,231,744	20,664,989	21,915,840	24,751,253
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Operating Expenditures Per Capita In Constant Dollars	364.49	361.81	367.88	360.08	358.91	370.24	408.42	378.21	399.57	447.06

# Employees Per Thousand Citizens

All Funds



## Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

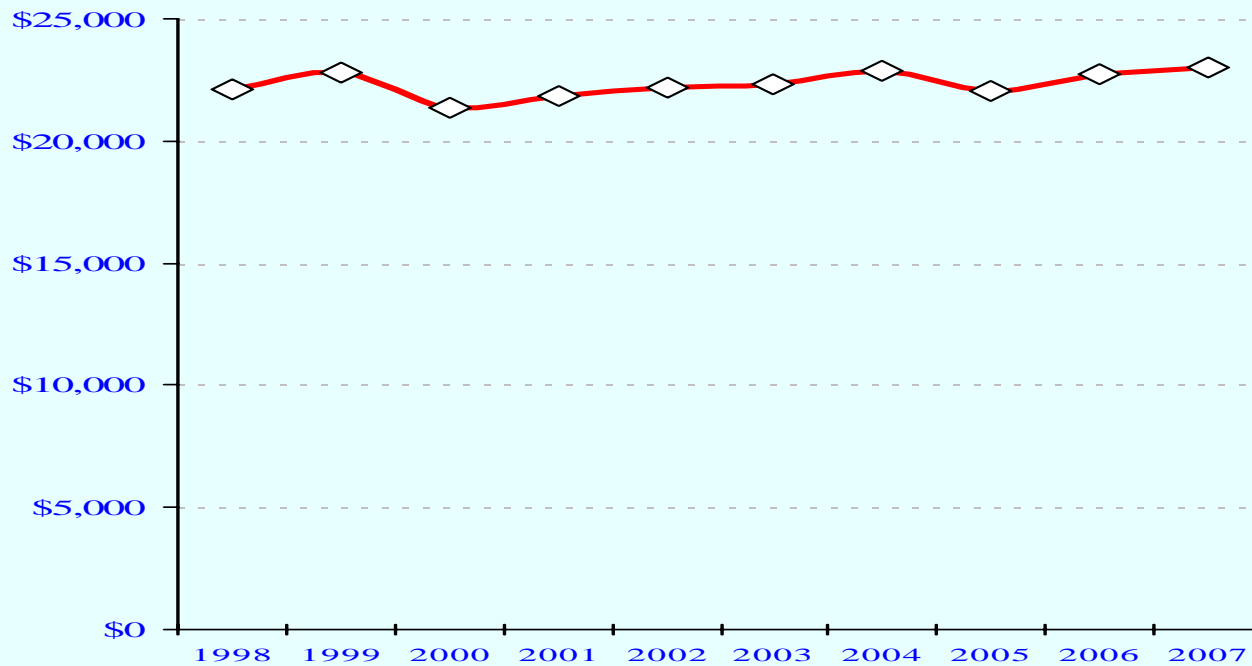
## **Warning Trend**

**Increasing number of  
employees per 1,000  
citizens**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number of Employees	697.50	705.00	712.00	712.75	719.00	734.50	734.00	733.00	753.00	777.00
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Employees Per 1,000 Citizens	13.59	13.65	13.78	13.52	13.40	13.62	13.48	13.42	13.73	14.03

# Average Employee Salary

## General Fund Only - In Constant Dollars



### Sarasota Trend

- Very Positive
- Positive
- Marginal ←
- Negative
- Very Negative

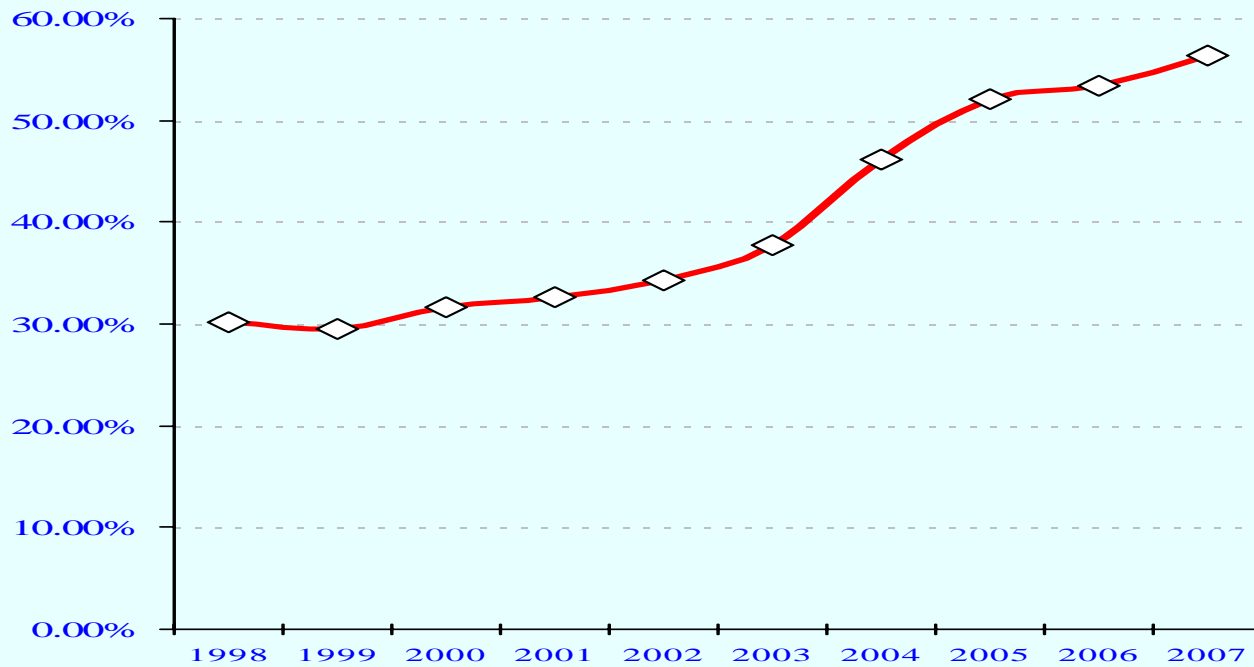
### **Warning Trend**

Consistent constant dollar  
increases / decreases

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number of Employees	429.16	439.74	446.74	448.74	449.86	462.74	460.49	441.45	452.14	470.89
Salaries & Wages	16,613,469	18,031,988	17,777,312	18,738,209	19,372,963	20,531,900	21,476,900	20,751,639	22,401,369	24,271,038
Average Salary	38,712	41,006	39,793	41,757	43,064	44,370	46,639	47,008	49,545	51,543
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Average Salary Per Employee In Constant Dollars	22,121	22,781	21,394	21,862	22,198	22,296	22,862	22,069	22,727	23,010

# Fringe Benefits

As a % of General Fund Salaries and Wages



## Sarasota Trend

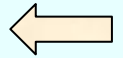
Very Positive

Positive

Marginal

Negative

Very Negative



## **Warning Trend**

**Increasing fringe benefit expenditures as a percentage of salaries and wages**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Fringe Benefit Costs (GF)	5,019,193	5,318,387	5,621,650	6,112,282	6,646,265	7,750,275	9,920,364	10,802,328	11,960,569	13,697,673
Salaries and Wages (GF)	16,613,469	18,031,988	17,777,312	18,738,209	19,372,963	20,531,900	21,476,900	20,751,639	22,401,369	24,271,038
Fringe Benefits as a % of Salaries and Wages	30.21%	29.49%	31.62%	32.62%	34.31%	37.75%	46.19%	52.06%	53.39%	56.44%

## **EXPENDITURE INDICATORS**

### **GENERAL INFORMATION**

Expenditures are a rough measure of service output. Generally, the more a government spends in constant dollars, the more services it provides. This reasoning does not take into account how effective the services are or how efficiently they are delivered.

The first issue to consider is the expenditure growth rate to determine whether an entity is living within its revenue. Most cities are required to have balanced budgets: therefore, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, there are a number of ways to balance an annual budget that create a long-term imbalance in which expenditure outlays and commitments exceed anticipated revenues. Some of the most common methods are utilizing bond proceeds for operations, using small amounts of intergovernmental grants, borrowing or using reserve funds. Other ways are to defer maintenance on street, buildings or other capital assets, defer funding of pension plan liabilities or to finance operations through revenue windfalls.

A second issue to consider is expenditure flexibility. It is a measure of a municipality's freedom to adjust its service levels to changing conditions. Ideally, the expenditure growth rate does not exceed its revenue growth rate, and as such, maximum flexibility to adjust spending would be available. A city with increasing mandatory costs will be less able to adjust to change. As the percentage of debt service, matching requirements, employee benefits, state and federal mandates, contractual agreements and commitments to existing capital plant increases, the flexibility of spending decisions decreases.

## **Sarasota's Expenditure Indicators**

### *Operating Expenditures Per Capita*

Notwithstanding the consolidation of the City Fire-Rescue Bureau and Public Safety communications with Sarasota County in 1997, the ratio of operating expenditures per capita in constant dollars remained relatively constant from 1997 through 2002. In 2003 and 2004, additional pension costs and the hectic 2004 hurricane season resulted in a combined 13% increase. 2005 returned to a more positive \$378.21 per capita expenditure but 2006 and 2007 increased due to expansions in staff and continuing increases in medical benefit costs.

### *Employees Per Thousand Citizens*

Because personnel costs are a substantial and constant portion of any city's budget, an increasing proportion of employees to citizens (who generate the need for services and the tax revenues to pay for them) might indicate declining productivity or an inflated payroll.

Sarasota demonstrates a relatively stable ratio of municipal employees per 1,000 residents from 1997 through 2005. An expansion in personnel and services in 2006 and 2007 increased the trend from 13.42 in 2005 to 14.03 in 2007 but will return to former levels in 2008 as a result of employee reductions from legislative mandates.

### *Average Employee Salary*

In constant dollars, the average employee's salary remained relatively stable since 1997, varying only a total of 4.0 percent over the nine year period.

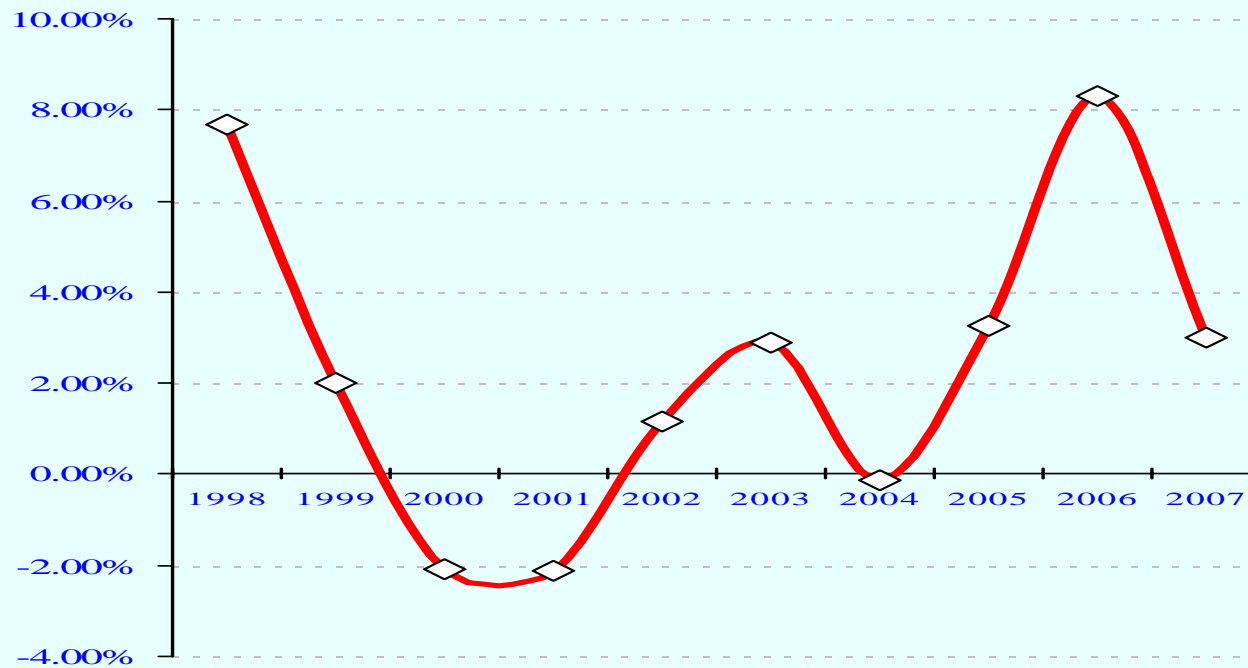
### *Fringe Benefits*

The level of fixed costs for pension and other fringe benefits remained relatively consistent over the five years prior to 2003. Due mainly to higher medical costs and increased pension costs, the level of fringe benefit costs increased dramatically in 2003 through 2005, leveling off somewhat in 2006 and 2007.

OPERATING  
POSITION  
INDICATORS

# Operating Surplus - General Fund

As a % of General Fund Operating Revenue



## Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

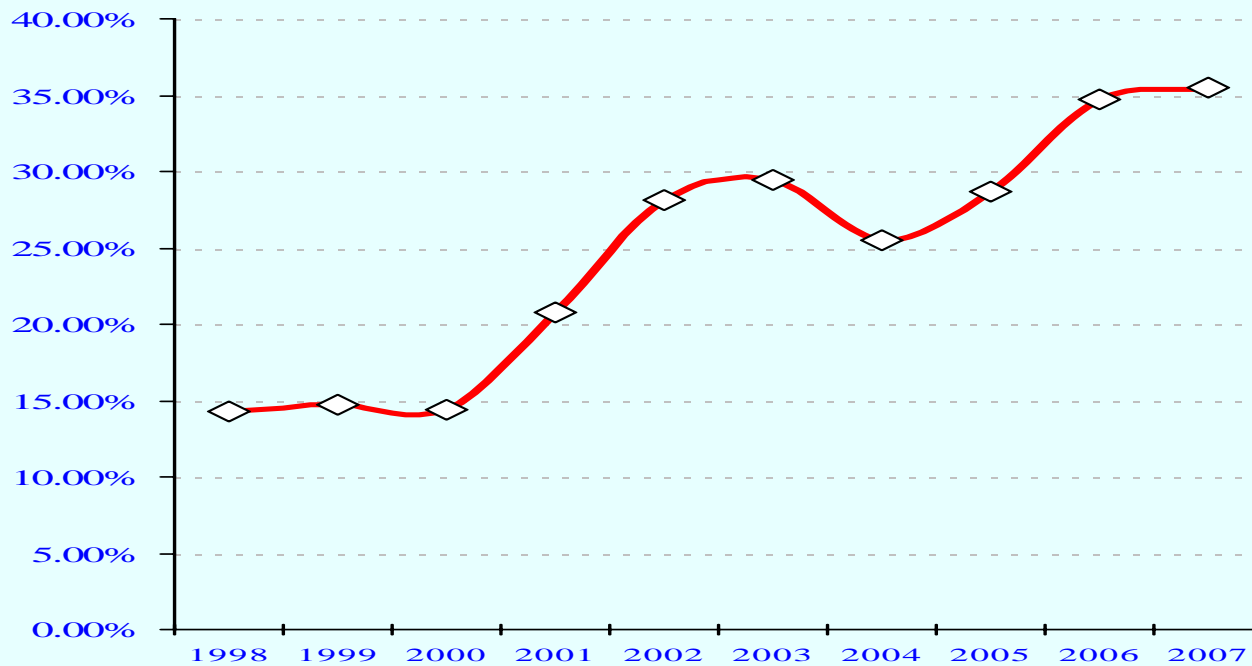
## **Warning Trend**

Consistent General fund operating deficits as a percentage of general operating revenue

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Surplus (Deficit)	2,715,137	689,652	(724,904)	(821,272)	463,525	1,185,547	(68,623)	1,501,986	4,408,098	1,664,448
Operating Revenue	35,372,311	34,288,535	34,940,488	38,603,235	39,739,118	41,162,622	47,534,157	46,300,249	53,040,793	55,691,518
Surplus (Deficit) as a % of Operating Revenue	7.68%	2.01%	-2.07%	-2.13%	1.17%	2.88%	-0.14%	3.24%	8.31%	2.99%

# Unrestricted Balance - General Fund

As a % of General Fund Operating Revenue



## Sarasota Trend

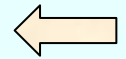
Very Positive

Positive

Marginal

Negative

Very Negative



## **Warning Trend**

Decreasing unrestricted fund balance as a percentage of general operating revenue

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unrestricted Fund Balance	5,071,048	5,055,354	5,033,710	8,016,619	11,173,338	12,102,224	12,104,774	13,294,725	18,428,879	19,770,972
Operating Revenue	35,372,311	34,288,535	34,940,488	38,603,235	39,739,118	41,162,622	47,534,157	46,300,249	53,040,793	55,691,518
Unrestricted Fund Balance as a % of Net Operating Revenue	14.34%	14.74%	14.41%	20.77%	28.12%	29.40%	25.47%	28.71%	34.74%	35.50%

# Water and Sewer

## Constant Dollar Profit (Loss)

### Sarasota Trend

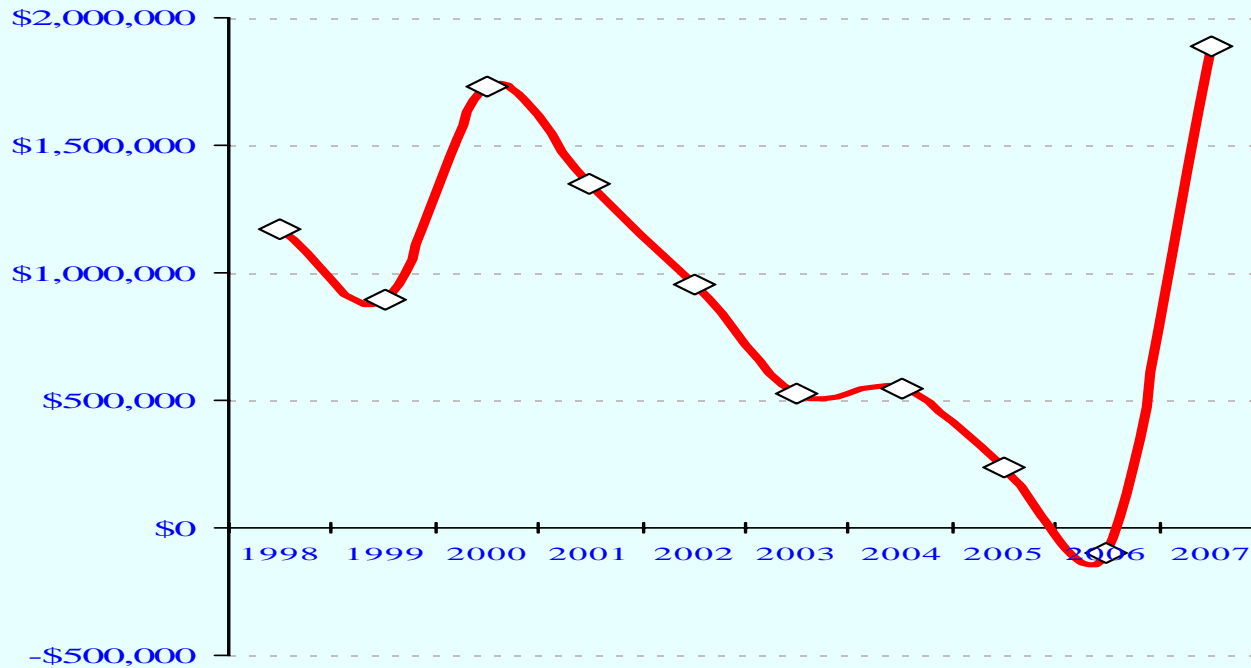
Very Positive

Positive ←

Marginal

Negative

Very Negative



### **Warning Trend**

Consistent enterprise  
fund losses

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	2,051,603	1,611,116	3,214,001	2,576,399	1,850,533	1,052,260	1,116,398	508,919	(212,818)	4,232,855
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	1,172,345	895,064	1,727,958	1,348,900	953,883	528,774	547,254	238,929	(97,623)	1,889,667

# Solid Waste Management

## Constant Dollar Profit (Loss)

### Sarasota Trend

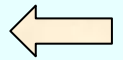
Very Positive

Positive

Marginal

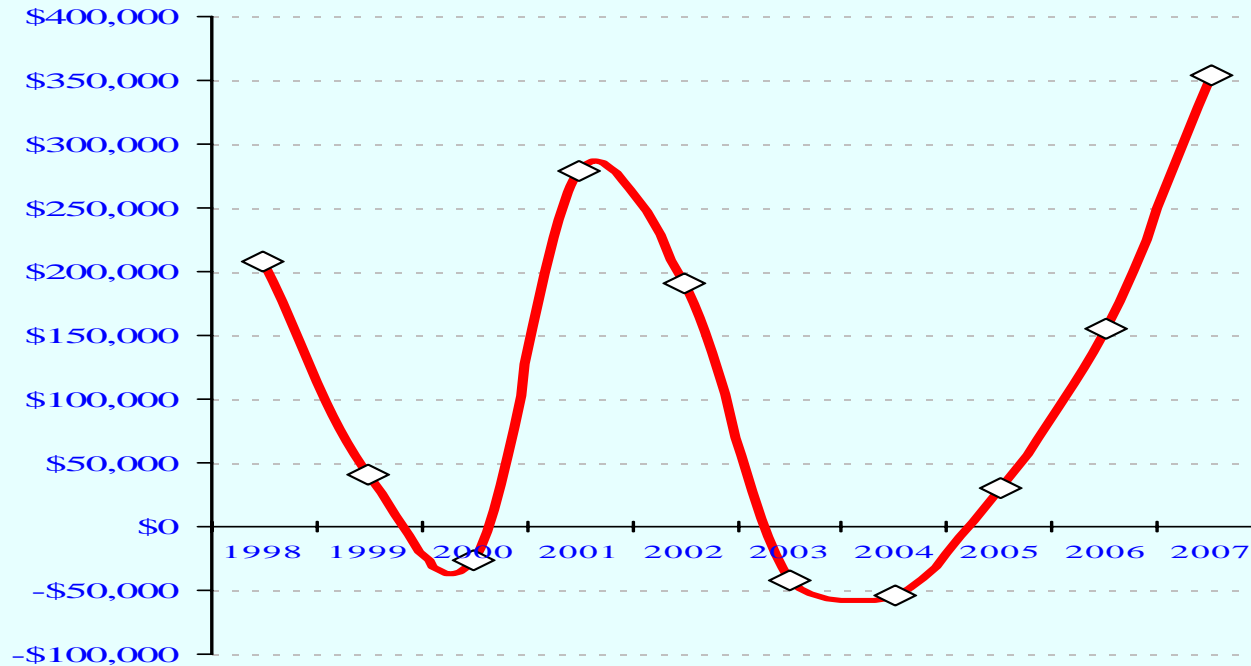
Negative

Very Negative



### **Warning Trend**

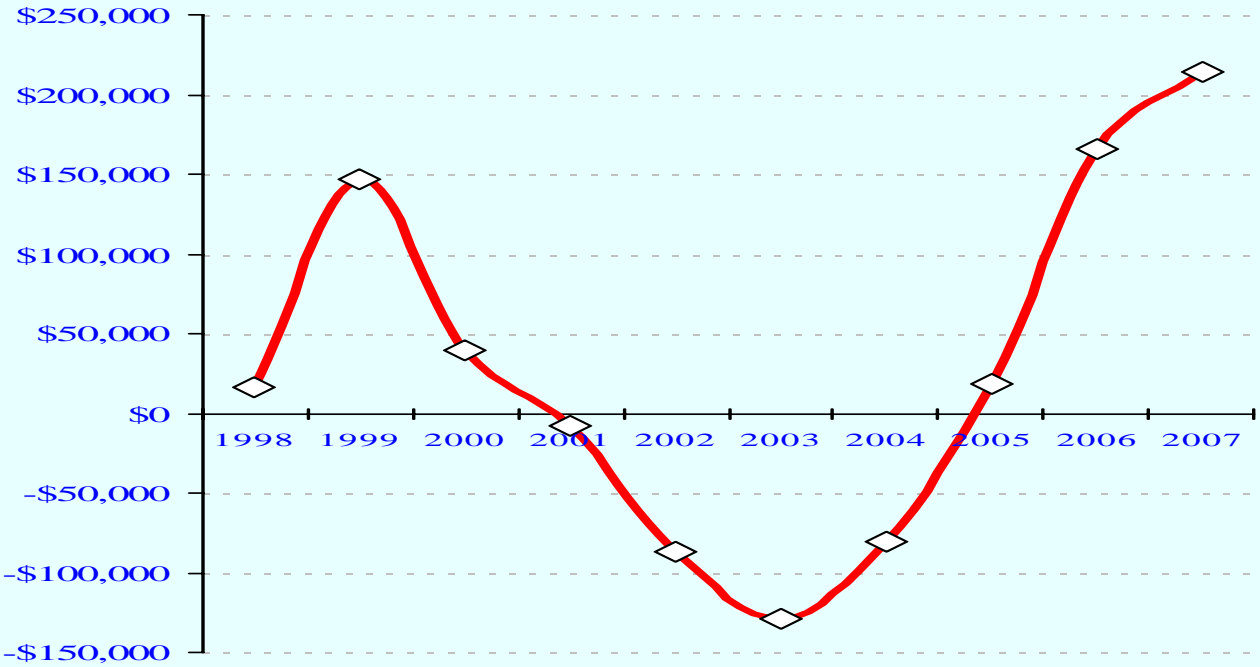
Consistent enterprise  
fund losses



	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	363,551	73,144	(49,069)	531,855	368,700	(82,726)	(109,555)	65,372	338,540	791,378
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	207,743	40,636	(26,381)	278,458	190,052	(41,571)	(53,703)	30,691	155,294	353,294

# Bobby Jones Golf Course

## Constant Dollar Profit (Loss)



### Sarasota Trend

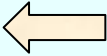
Very Positive

Positive

Marginal

Negative

Very Negative



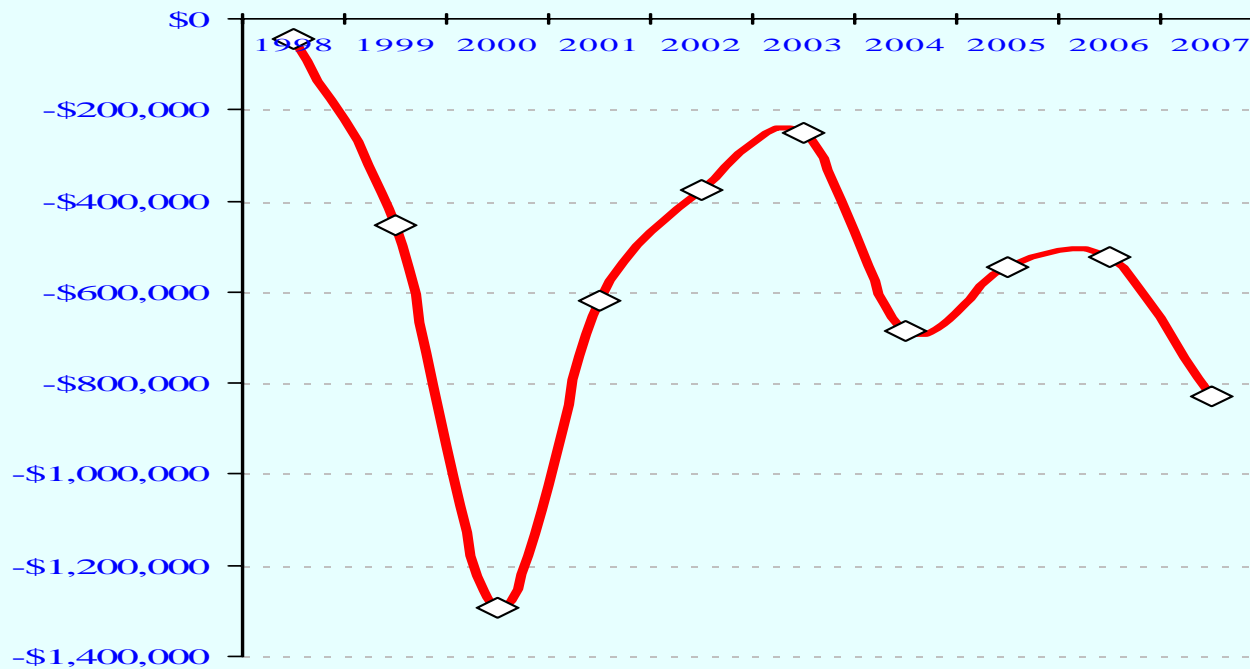
### **Warning Trend**

Consistent enterprise  
fund losses

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	27,897	264,094	73,756	(14,699)	(167,578)	(256,653)	(163,229)	39,565	361,962	479,179
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	15,941	146,719	39,654	(7,696)	(86,380)	(128,971)	(80,014)	18,575	166,038	213,919

# Van Wezel Performing Arts Hall

## Constant Dollar Profit (Loss)



### Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

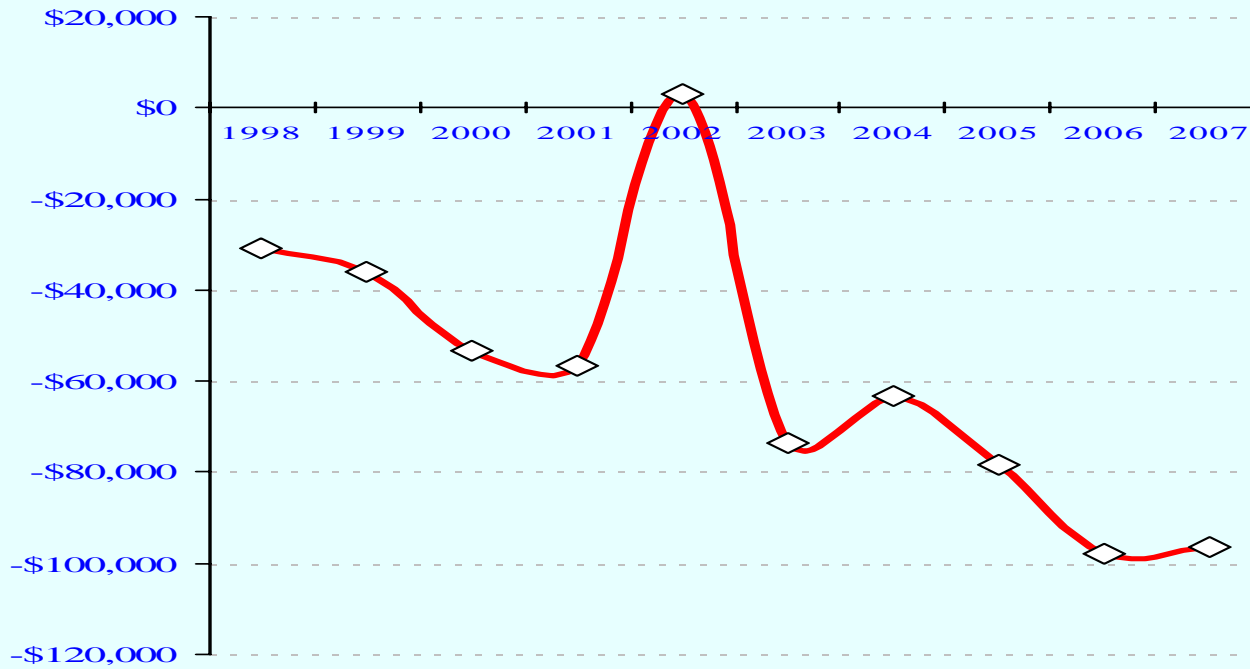
### **Warning Trend**

Consistent enterprise  
fund losses

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	(76,048)	(816,837)	(2,403,855)	(1,182,721)	(729,758)	(495,660)	(1,395,656)	(1,159,236)	(1,137,583)	(1,853,257)
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	(43,456)	(453,798)	(1,292,395)	(619,226)	(376,164)	(249,075)	(684,145)	(544,242)	(521,827)	(827,347)

# Municipal Auditorium

## Constant Dollar Profit (Loss)



### Sarasota Trend

- Very Positive
- Positive
- Marginal
- Negative ←
- Very Negative

### **Warning Trend**

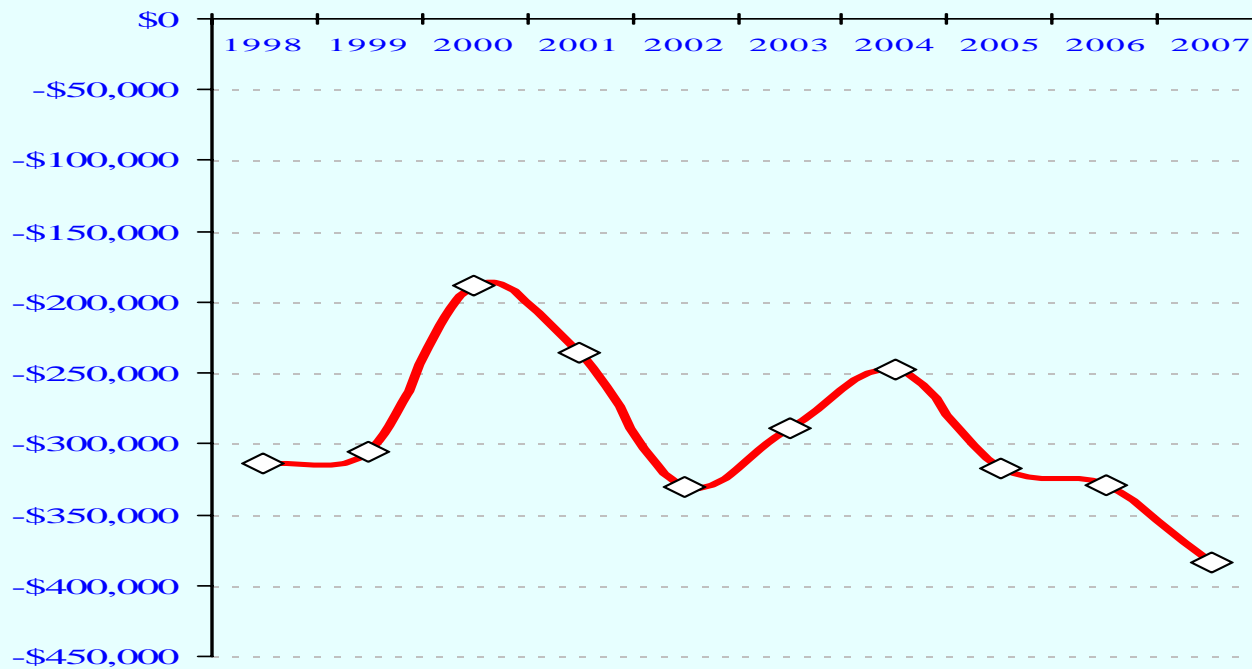
Consistent enterprise fund losses

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	(53,889)	(64,918)	(99,402)	(108,290)	5,758	(146,260)	(129,083)	(167,067)	(213,153)	(215,725)
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	(30,794)	(36,066)	(53,442)	(56,696)	2,968	(73,497)	(63,276)	(78,435)	(97,777)	(96,306)

Note: The positive spike in 1997 was due to special revenue from a historic preservation grant.

# Sports Stadium

## Constant Dollar Profit (Loss)



### Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

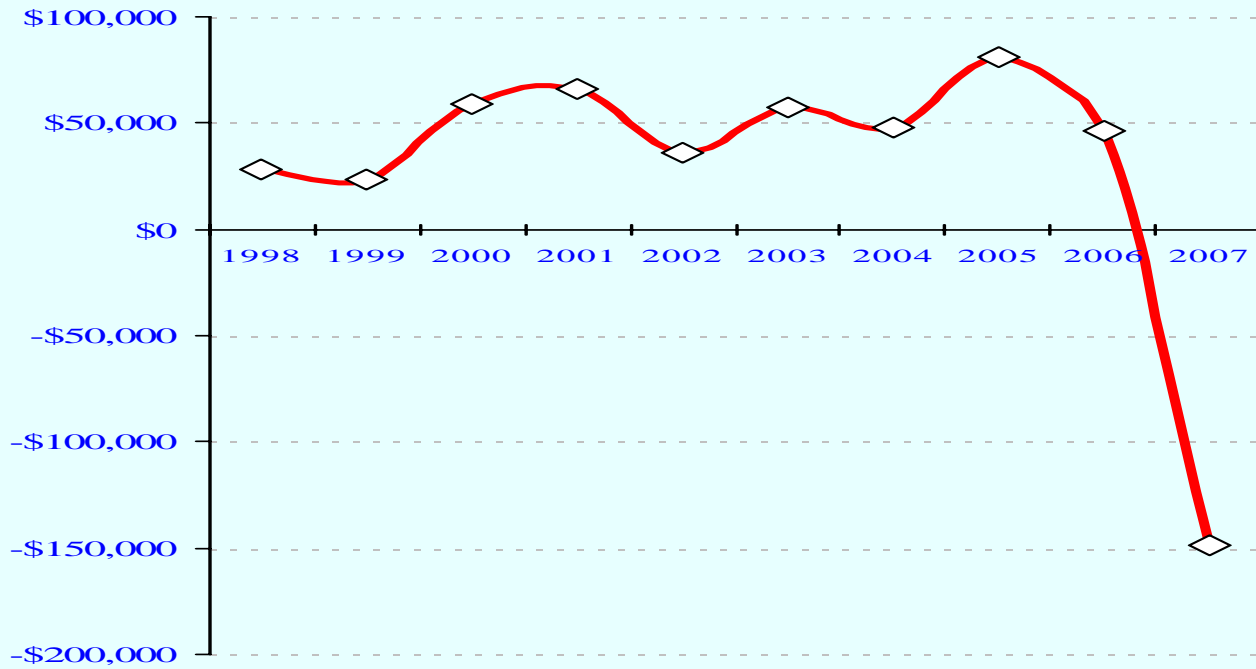
### **Warning Trend**

**Consistent enterprise  
fund losses**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	(548,952)	(549,431)	(350,025)	(450,275)	(641,385)	(574,784)	(504,288)	(676,902)	(716,529)	(859,253)
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	(313,687)	(305,239)	(188,185)	(235,746)	(330,611)	(288,836)	(247,200)	(317,794)	(328,683)	(383,595)

# Parking Management

## Constant Dollar Profit (Loss)



### Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

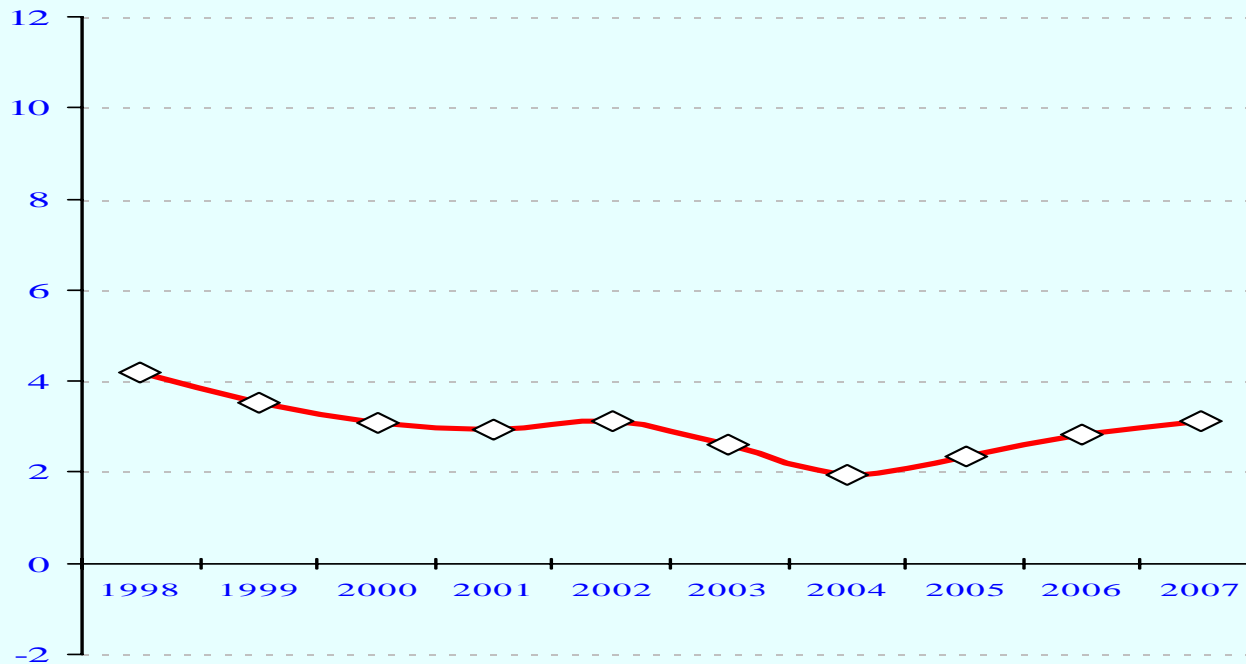
### **Warning Trend**

Consistent enterprise  
fund losses

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Profit (Loss)	49,780	42,757	110,013	126,585	70,362	114,403	97,010	171,959	100,495	(332,591)
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Profit (Loss) In Constant Dollars	28,446	23,754	59,147	66,275	36,269	57,489	47,554	80,732	46,099	(148,478)

# Liquidity Ratio

## General Fund



### Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

### **Warning Trend**

**Declining ratio of liquid assets to current liabilities and ratio of less than 1.0**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Cash and Liquid Assets	14,321,067	15,382,382	15,194,482	14,326,987	16,904,696	14,704,391	18,514,983	18,930,041	22,906,050	24,936,799
Current Liabilities	3,429,752	4,366,594	4,922,660	4,877,021	5,413,485	5,684,714	9,527,016	8,059,642	8,131,823	7,999,621
Liquidity Ratio	4.18	3.52	3.09	2.94	3.12	2.59	1.94	2.35	2.82	3.12

## OPERATING POSITION INDICATORS

### GENERAL INFORMATION

Operating position refers to the ability to 1) balance the budget on a current basis, 2) maintain reserves for emergencies, and 3) maintain sufficient liquidity to pay bills on a timely basis.

#### **Balancing the Current Budget**

During a typical year, an entity will generate either an operating surplus or an operating deficit. An operating surplus develops when current revenues exceed current expenditures. An operating deficit develops when the reverse occurs. While operating deficits are not unusual or necessarily negative, and are usually funded from prior years' fund balances, a continuing deficit can indicate potential problems. An operating surplus or deficit may be created intentionally because it is difficult to predict precisely revenues and expenditures on an annual basis. Deficits are usually funded from unreserved fund balances; surpluses are generally used to increase unreserved fund balances.

#### **Reserves**

Reserves are built through the accumulation of operating surpluses. They are maintained for the purpose of providing a financial cushion in the event of:

- Loss of a revenue source;
- Economic downturn;
- Unanticipated expenditure demands due to natural disasters, insurance loss, etc.;
- Need for large capital expenditure or other non-recurring expense;
- Uneven cash flow.

Reserves may actually be budgeted as a contingency account, or may be reflected as part of one or more fund balances.

## **Liquidity**

Liquidity refers to the flow of cash in and out. Revenues are received in large installments at infrequent intervals during the year. If revenues are received before they need to be spent, a positive liquidity or cash flow is present. It is advantageous to maintain some excess liquidity or “cash reserves” as a cushion in the event of an unanticipated delay in the receipt of revenues, an unexpected decline or loss of a revenue source, or an unanticipated need to make a large expenditure.

An analysis of operating position can help to identify the following conditions:

- ❑ Pattern of operating deficits;
- ❑ Decline in reserves;
- ❑ Decline in liquidity;
- ❑ Ineffective revenue forecasting techniques;
- ❑ Ineffective budgetary controls.

## **Sarasota’s Operating Position Indicators**

### **Operating Surplus – General Fund**

The City has had good success in achieving an operating surplus in the three years prior to 2000, averaging 4.6 percent per year. The City incurred a 2.07 percent deficit in 2000 and a 2.13 percent deficit in 2001 due to General Fund subsidies for several of the City’s enterprise funds including a significant deficit for the Van Wezel Performing Arts Hall and an increasing deficit for the Ed Smith Sports Stadium. A reduction in General Fund subsidies in 2002 and 2003 resulted in a rebound to 1.17 and 2.88 percent, respectively. While both revenues and expenditures increased in 2004 by 14 and 15 percent, respectively, the City experienced a 166 percent increase in transfers, the result of a year-end transfer to a non-general fund for building/zoning activities and development services. While 2005 returned the City to a more typical 3.24 percent surplus, an exploding tax base in 2006 funded a significant surplus offset by program expansions in 2007.

### Unrestricted Balance - General Fund

The City continues to maintain a healthy General Fund reserve. It is generally accepted that a fund balance of 5 to 10 percent is adequate for contingencies. Sarasota has maintained a General Fund balance in excess of 14 percent over the last ten years, with the 2006 and 2007 surpluses reaching 34.74 and 35.50 percent, respectively.

### Enterprise fund Operations

On a cumulative basis, enterprise fund operations, except for the Van Wezel Performing Arts Hall, the Municipal Auditorium and the Ed Smith Sports Stadium, have been able to operate without a subsidy from the General Fund. The Parking Management Fund did experience a reduction in the fund balance due to policy changes related to meter collections and parking permits, an increase in enforcement staff and a property tax liability.

### Liquidity Ratio

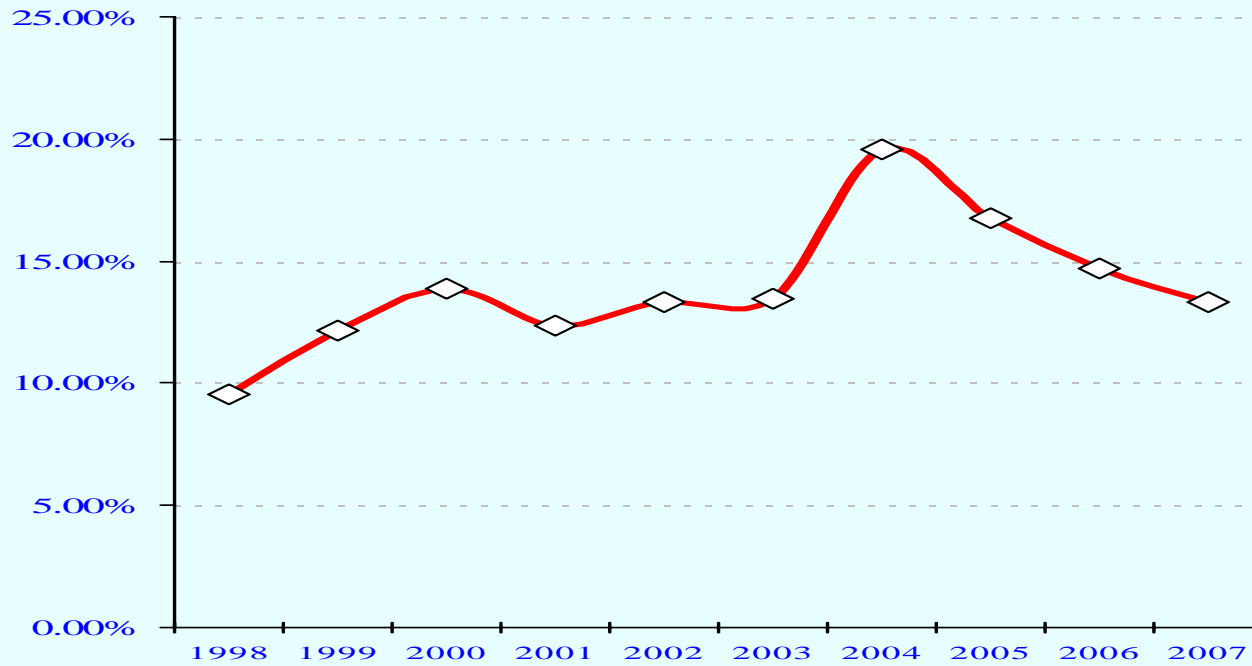
A good measure of a local government's short-term financial condition is its cash position. Cash position, which includes cash on hand and in the bank, as well as other assets that can be easily converted to cash, determines a government's ability to pay its short-term obligations. Entities use a standard ratio of liquidity by dividing cash, short-term investments and accounts receivable by current liabilities. Industry benchmarks state that a ratio of less than 1.0 would indicate the entity could be facing liquidity problems. The City's liquidity ratio has consistently exceeded the industry benchmark.



DEBT  
INDICATORS

# Current Liabilities

As a % of General Fund Operating Revenue



## Sarasota Trend

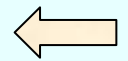
Very Positive

Positive

Marginal

Negative

Very Negative



## **Warning Trend**

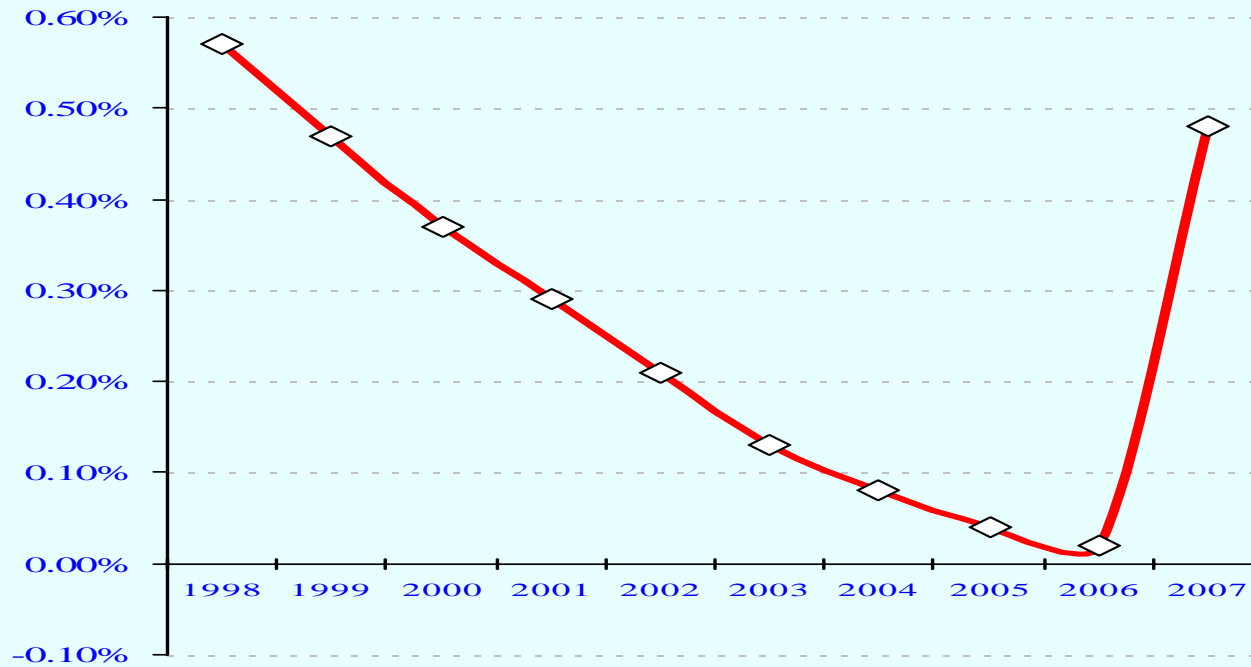
**Increasing current liabilities as a percentage of operating revenues**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Current Liabilities	3,429,752	4,366,594	4,922,660	4,877,021	5,413,485	5,684,714	9,527,016	8,059,642	8,131,823	7,999,621
Gross Operating Revenue	35,972,311	36,009,334	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732
Current Liabilities as a % of Operating Revenue	9.53%	12.13%	13.85%	12.36%	13.32%	13.48%	19.60%	16.77%	14.72%	13.35%

Note: Current liabilities after 1996 reflect the recording of full liability of compensated absences.

# Net Direct Debt

## General Obligation Bonds - As a % of Assessed Valuation



### Sarasota Trend

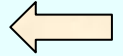
Very Positive

Positive

Marginal

Negative

Very Negative



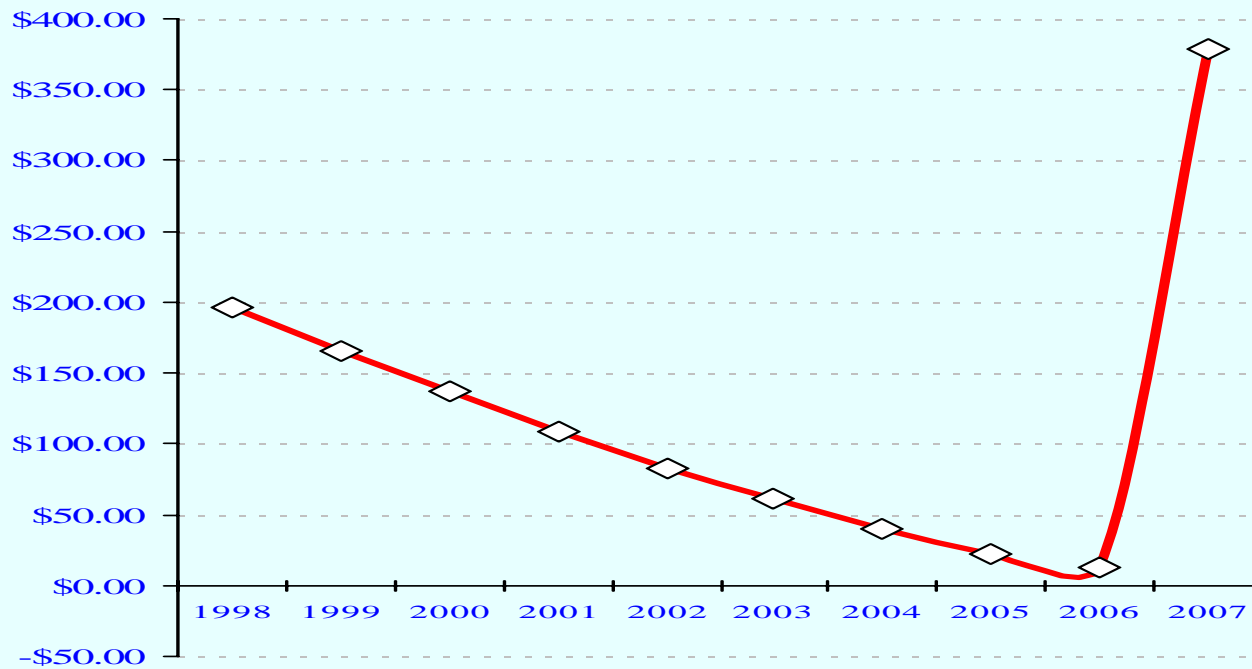
### **Warning Trend**

Increasing amount of net direct debt as a percentage of assessed valuation

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Valuation (000's)	3,076,588	3,246,772	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116
Net Direct Debt	17,588,018	15,393,825	13,172,278	10,888,541	8,645,957	6,532,587	4,429,717	2,650,822	1,550,292	47,014,664
Net Direct Debt as a % of Assessed Valuation	0.57%	0.47%	0.37%	0.29%	0.21%	0.13%	0.08%	0.04%	0.02%	0.48%

# Direct Debt Per Capita

## General Obligation Bonds – In Constant Dollars



### Sarasota Trend

Very Positive

Positive

Marginal

Negative ←

Very Negative

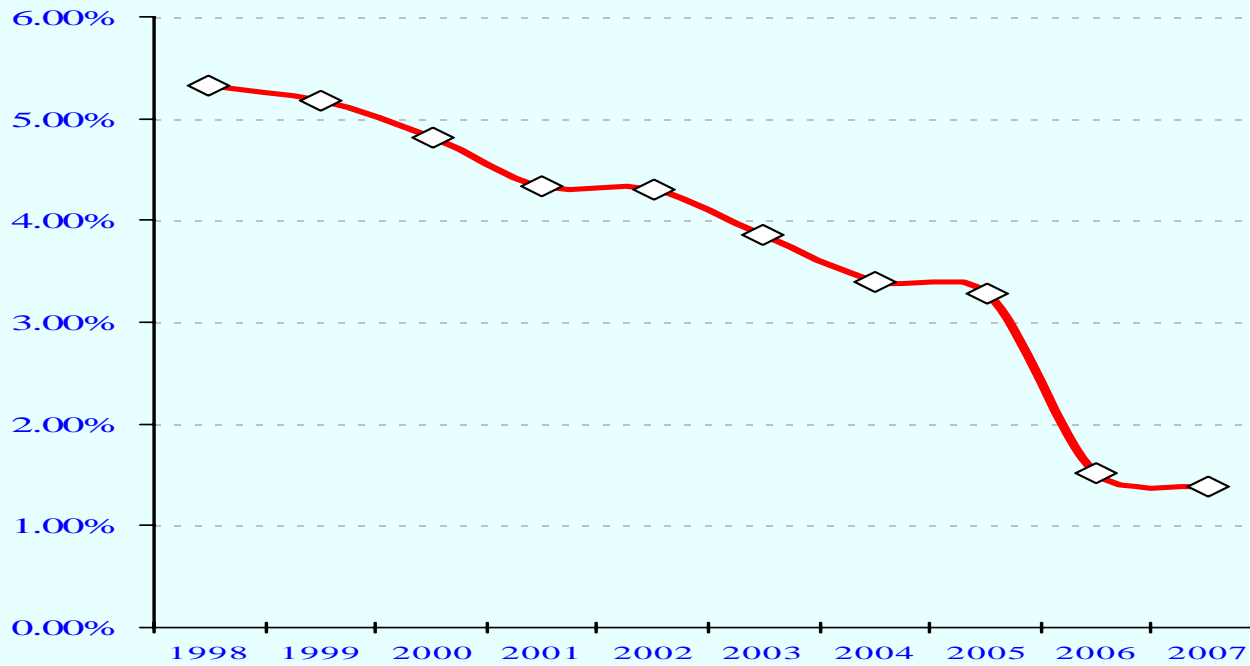
### **Warning Trend**

Consistently rising dollars  
per capita debt

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net Direct Debt	17,588,018	15,393,825	13,172,278	10,888,541	8,645,957	6,532,587	4,429,717	2,650,822	1,550,292	47,014,664
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Net Direct Debt In Constant Dollars	10,050,296	8,552,125	7,081,870	5,700,807	4,456,679	3,282,707	2,171,430	1,244,517	711,143	20,988,689
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Net Direct Debt Per Capita In Constant Dollars	195.85	165.58	137.09	108.14	83.06	60.86	39.89	22.78	12.97	379.10

# Net Direct Debt Service

## General Obligation Bonds – As a % of Operating Revenue



### Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

### **Warning Trend**

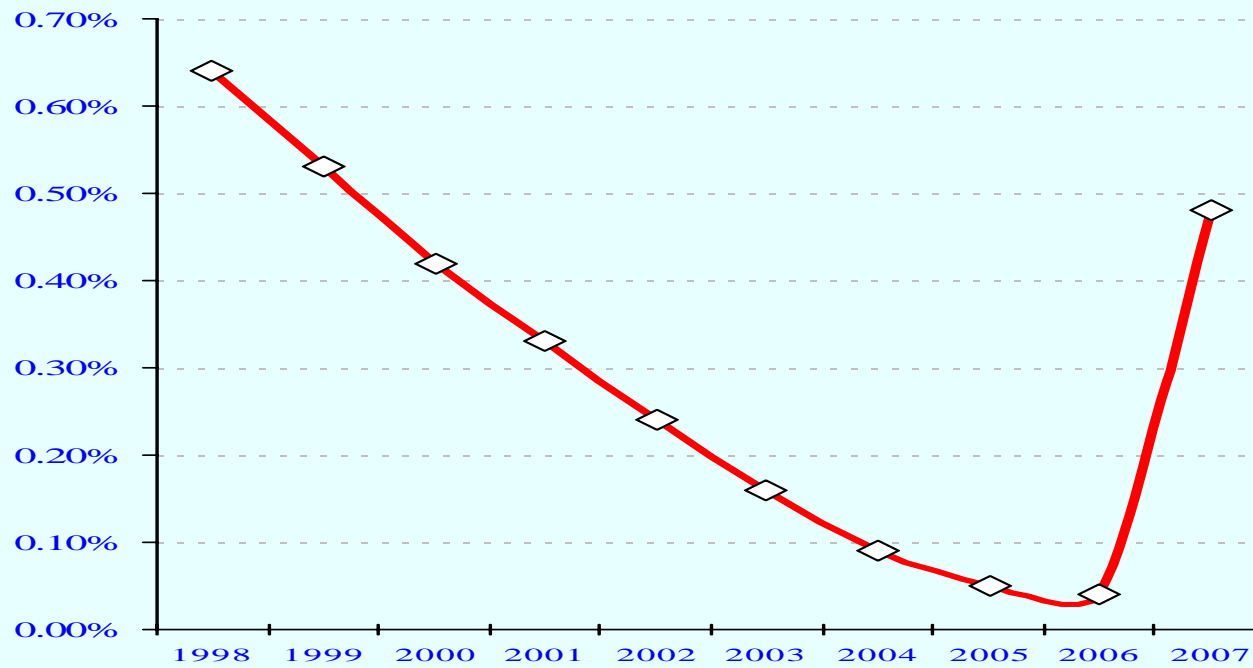
**Increasing amount of net direct debt service as a percentage of net operating revenue**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net Direct Debt Service	3,024,684	2,879,349	2,763,876	2,827,052	2,874,010	2,697,415	2,728,675	2,712,680	1,386,469	1,303,513
Net Operating Revenue *	56,881,374	55,731,611	57,472,746	65,229,752	66,669,010	70,062,986	80,249,955	82,783,471	91,978,728	93,740,542
Net Direct Debt Service as a % of Net Operating Revenue	5.32%	5.17%	4.81%	4.33%	4.31%	3.85%	3.40%	3.28%	1.51%	1.39%

\* Includes General Fund, Special Revenue Funds and Debt Service Funds.

# Overlapping Long Term Debt

## As a % of Assessed Valuation



### Sarasota Trend

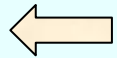
Very Positive

Positive

Marginal

Negative

Very Negative



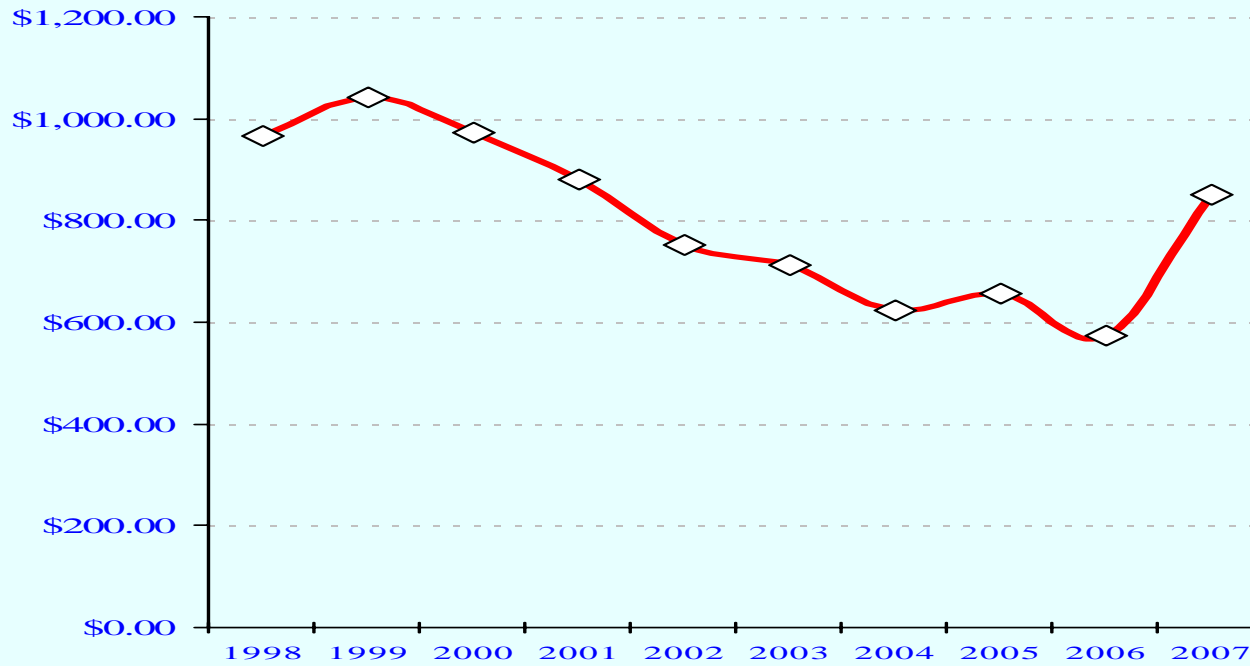
### **Warning Trend**

**Increasing amount of overlapping long-term debt as a percentage of assessed valuation**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Valuation (000's)	3,076,588	3,246,772	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116
Overlapping LongTerm Debt	19,665,506	17,292,022	14,870,914	12,361,935	9,926,751	7,595,835	5,241,842	3,207,049	2,914,607	47,014,664
Overlapping LongTerm Debt as a % of Assessed Valuation	0.64%	0.53%	0.42%	0.33%	0.24%	0.16%	0.09%	0.05%	0.04%	0.48%

# Long Term Debt Per Capita

## In Constant Dollars



### Sarasota Trend

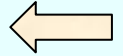
Very Positive

Positive

Marginal

Negative

Very Negative



### **Warning Trend**

**Increasing amount of long term debt per capita in constant dollars**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Long Term Debt	107,583,889	116,979,606	114,967,667	111,916,227	104,378,486	100,412,460	91,738,254	95,499,837	86,090,502	122,240,010
Reserve for Debt Srvce	20,726,669	20,143,614	21,504,601	23,253,013	26,073,795	23,827,106	22,409,263	19,043,732	17,399,626	16,837,994
Net Long Term Debt	86,857,220	96,835,992	93,463,066	88,663,214	78,304,691	76,585,354	69,328,991	76,456,105	68,690,876	105,402,016
CPI	1.75	1.80	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24
Constant Dollars	49,632,697	53,797,773	50,248,960	46,420,531	40,363,243	38,485,103	33,984,800	35,894,885	31,509,576	47,054,471
Population	51,315	51,650	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364
Per Capita	967.22	1,041.58	972.70	880.59	752.25	713.49	624.33	656.95	574.49	849.91

## **DEBT INDICATORS**

### **GENERAL INFORMATION**

Debt is an effective method of financing capital improvements, and may even be used to stabilize short-term revenue fluctuations. Its misuse can cause serious financial problems. Even a temporary inability to repay can result in loss of credit rating and increased cost of future borrowing.

The most common forms of long-term debts are general obligations, special obligations and revenue bonds. Even when these types of debt are used exclusively for capital projects, the outstanding debt can not exceed the ability to repay as measured by the wealth of the community in the form of property value or personal and business income. Another method to evaluate ability to repay is to consider the amount of principal and interest or “debt service” that is obligated to be repaid each year. Also to be considered are “overlapping debt” and debt of other jurisdictions against which the City has pledged its “full faith and credit”.

Under the most favorable circumstances, debt should be proportionate in size and growth to the tax base, not extend beyond the useful life of the facilities which it finances, not be used to finance or balance the operating budget, not require a repayment schedule which places an inordinate strain on the City’s operating budget, and not be so high as to jeopardize the municipal credit rating.

An examination of debt structure may reveal the following conditions:

- ❑ Inadequacies in cash management procedures;
- ❑ Inadequacies in expenditure controls;
- ❑ Increasing reliance on long-term debt;
- ❑ Decreases in expenditure flexibility due to increased fixed costs in the form of debt service;
- ❑ Use of short-term debt to finance operation.

## **Sarasota's Debt Indicators**

Sarasota debt indicators are, overall, very positive.

### *Current Liabilities*

Current liabilities as a percent of General Fund operating revenue increased from 9.53 % in 1998 to 19.6 % in 2004. A considerable increase in liabilities in 1997 and subsequent years reflects the recording of the full liability for compensated absences in the year earned. The spike in 2004 is the result of recording as a liability, unpaid (\$1,594,242) and unearned (\$1,434,818) reimbursements from the Federal Emergency Management Agency and a retroactive Police wage liability (\$554,106). These three liabilities are extraordinary in nature and constitute a temporary condition that generally will not exist at year end. To illustrate the point, the current liabilities as a percent of operating revenue has decreased to a comparable level of 13.35 percent in 2007 as these liabilities were liquidated.

### *Net Direct Debt*

The City's net direct debt steadily declined from 0.57 percent in 1998 to a low of 0.02 percent in 2006 before increasing to 0.48 percent in 2007 due to the issuance of general obligation bonds approved in a referendum in the amount of \$46,305,000 for the acquisition of land and construction of a new police headquarters.

### *Direct Debt Per Capita*

The City's direct debt per capita, in constant dollars, has declined from \$195.85 in 1997 to \$12.97 in 2006 before increasing to \$379.10 in 2007 due to the issuance of general obligation bonds approved in a referendum in the amount of \$46,305,000 for the acquisition of land and construction of a new police headquarters.

### Net Direct Debt Service

The net direct debt service has steadily decreased from 5.32 percent in 1998 to 1.39 percent in 2007. However, due to the issuance in 2007 of \$46,305,000 in general obligation bonds to construct a new Police Headquarters, these will increase in future years.

### Overlapping Long Term Debt

The City's overlapping long-term debt has declined each of the last ten years, from 0.64 percent in 1998 to 0.04 percent in 2006 before increasing to 0.48 percent in 2007 due to the issuance of general obligation bonds approved in a referendum in the amount of \$46,305,000 for the acquisition of land and construction of a new police headquarters.

### Total Long Term Debt Per Capita

The City's total long term debt per capita has decreased consistently from \$967.22 in 1998 to a low of \$574.49 in 2006. The issuance of additional Water and Sewer System revenue bonds and a First Florida Governmental Financing Commission (FFGFC) loan in 2005 did temporarily push this trend back up to \$656.95 in 2005 before decreasing again in 2006. In 2007 the total long term debt per capita increased to \$849.91 due to the issuance of general obligation bonds approved in a referendum in the amount of \$46,305,000 for the acquisition of land and construction of a new police headquarters.

For future years, Total Long Term Debt Per Capita is expected to increase due to possible debt issuances for a major league baseball spring training facility, a 400 space public parking facility and improvements to the water/wastewater utility system.

# CONCLUSIONS

## CONCLUSIONS

When viewed in a comprehensive perspective, the City of Sarasota experienced an extended period of moderate growth through 2006. During 2007 economic growth started to slow. Despite an extended period of economic growth, the financial indicators, such as *population* and *revenue per capita in constant dollars*, while positive, do not reflect a singular strong performance. To the contrary, significant increases in population in the surrounding County have put a strain on the City's infrastructure without a commensurate increase in the City's tax base.

The City has been able to maintain essential services to its citizens and succeeded in providing additional employee compensation despite pressure from many evolving needs in the community. While this has been possible despite the recent economic downturn, the local economy is not expected to grow significantly in the near future. Despite an extraordinary rise in property values, increases in personnel and fringe benefit costs (wages, retirement contributions and health care benefits) and expanded City services continue to exert pressure on the City's property tax base. In addition, the statutory changes passed by the state legislature during 2007, coupled with the constitutional changes passed by the voters known as Amendment 1, will require a combination of user fee increases, employee reductions and other expenditure reductions to balance the budget in future years.

In order to re-evaluate long term trends this report is updated periodically to monitor emerging fiscal trends and establish effective fiscal policies.