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 2008 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, the 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 out of that fund. The General Fund has the largest number of departments and/or programs and accounts for approximately 32.4 % 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:

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

The FY 2008 Totals column reflects the budget 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 2008 through 2012. The programmed projects for FY2008 are adopted as part of the FY2008 budget. A ten year version of the CIP is published in a separate document.

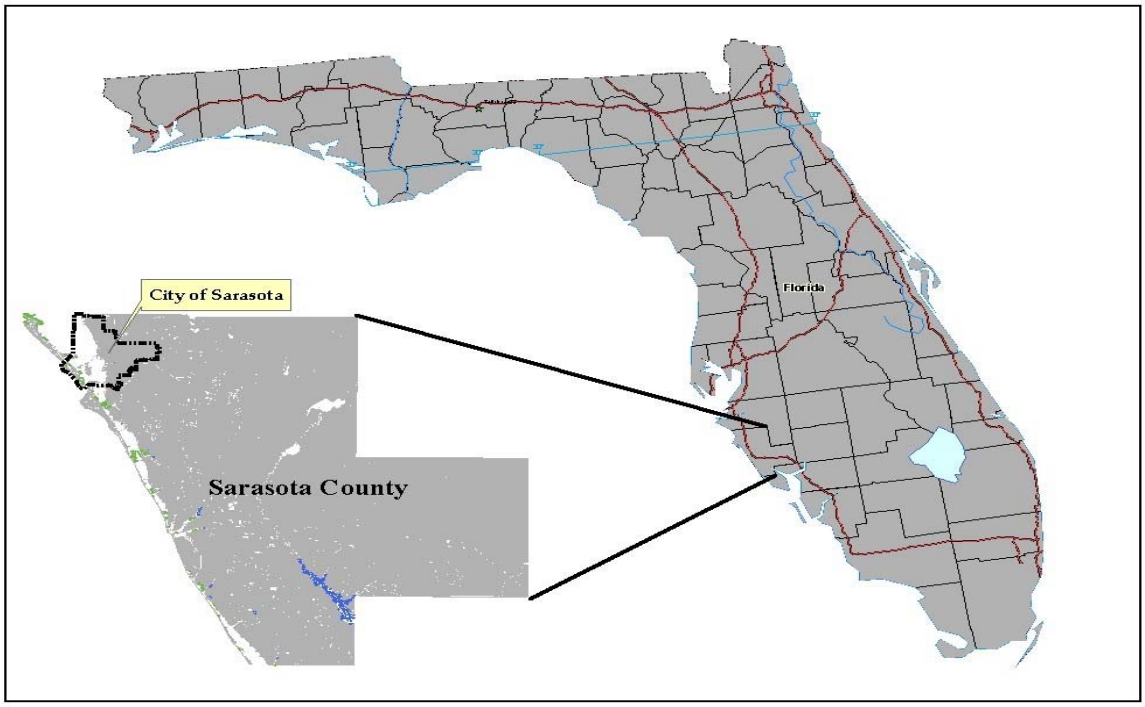
All supporting information for this document is available for review in the Department of Finance. Any questions regarding the material presented should be directed to the Department of Finance at (941) 954-4185 or visit the City's web site at *www.sarasotagov.com*.

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, the City Auditor and Clerk and the City Attorney. Major departments of the city which report to the City Manager include Finance, Planning and Redevelopment, General Services, Housing & Community Development, the Neighborhood Partnership Office, Police, Engineering 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 County, is Florida's second largest acute care public hospital. The 826 bed, regional not-for-profit acute care facility is staffed by approximately 3,000 staff members, 750 physicians and more than 1,000 volunteers. The hospital is a full-service facility with specialized expertise in heart, neuroscience and cancer services, a level III Neonatal Intensive Care Unit, outpatient services and long term care among its many programs. It is the only provider of obstetrical services in Sarasota County.

Transportation

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

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

The Sarasota Bradenton International Airport serves over 1.4 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, the largest employer in Sarasota, provides a countywide public school system for 42,045 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-two elementary schools, three exceptional (gifted) schools, nine charter schools and five alternative programs, 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

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**

Year	City of Sarasota	Percent Change	Sarasota County	State of Florida
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	54,434	0.92 %	348,761	17,071,508
2004	54,639	0.38 %	358,307	17,516,732
2005	54,848	0.38 %	367,867	17,918,227
2006	55,364	0.94 %	379,386	18,349,132
2007	55,730	0.66 %	389,690	18,803,000
2008	56,100	0.66 %	400,300	19,268,000

INTRODUCTION (Continued)

Demographics (Continued)

- **Area (Sq. Miles)**

Land	15.10
Water	8.92
Total	24.02

- **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	6,539
Total	52,715

- **Population by Gender (2000)**

Male	25,627
Female	27,088
Total	52,715

- **Population by Race (2000)**

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

- **Families and Households (2000)**

Families	12,076
Households	
Owners	13,683
Renters	9,744
Total	23,427

- **Existing Land Use inventory (2004)**

Category	Acres	Percent
Residential	4,224	44
Commercial-Retail	555	6
Industrial	291	3
Office	327	3
Institutional	878	9
Utilities	1,491	15
Recreation/Conserv	1,450	15
Vacant	446	5
Total	9,662	100

INTRODUCTION (Continued)

Economy

- **Unemployment Rate (County)**

Year	Labor Force	Percent Unemployed
1980	77,726	4.3
1990	124,114	3.8
1991	128,402	4.9
1992	133,493	5.6
1993	127,168	5.2
1994	130,690	4.3
1995	132,515	3.4
1996	143,226	3.1
1997	149,890	2.7
1998	150,409	2.6
1999	157,321	2.3
2000	148,844	3.2
2001	150,087	3.9
2002	157,957	4.8
2003	161,414	4.6
2004	168,037	4.0
2005	174,060	3.3
2006	180,823	3.0

- **Ten Largest Employers In Sarasota County (2006)**

Employer	Employees
Sarasota Co. School Brd	6,600
Sarasota County	3,619
Sarasota Memorial Hosp	3,400
Publix Supermarkets	3,300
Venice Hospital	1,428
PGT Industries	1,350
Wal-Mart	963
Charter One Hotels	950
City of Sarasota	753
Nielsen Media Research	716

- **Value of Construction (Permits)**

Year	Residential	Commercial
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	35,704,647	32,224,572
1996	65,443,359	34,147,871
1997	26,895,140	74,777,293
1998	39,294,245	43,550,443
1999	92,099,352	96,448,484
2000	65,302,055	59,935,047
2001	146,714,872	75,378,546
2002	87,670,772	60,357,005
2003	57,335,987	65,180,478
2004	280,634,806	96,873,125
2005	170,361,903	76,077,002
2006	74,967,784	77,132,883

- **Personal Income Per Capita (County)**

Year	Income
1990	$27,561
1991	27,260
1992	28,354
1993	28,516
1994	30,217
1995	30,745
1996	32,213
1997	33,906
1998	36,244
1999	37,111
2000	39,542
2001	40,936
2002	41,700
2003	41,618
2004	45,808
2005	46,965

INTRODUCTION (Continued)

Government Services

The table below identifies the provider of government services within the City of Sarasota.

- **Services**

Government Service	City of Sarasota	Sarasota County	Sarasota Co. School Dist
Animal Services		x	
Beach Patrol		x	
Code Compliance	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		
Public Housing	x	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	196
Civilian full-time employees	63
Part-time school crossing guards	24
Number of police dispatches	78,919
Avg. emergency response time	3.5 minutes
Avg. response time all calls	4.0 minutes

- **Public Works**

Waste collected	58,000 Tons
Street miles (centerline)	240 miles
Residential streets	194 miles
Thoroughfares	46 miles
Traffic signals	101
Street lights	7,150
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	19,700
Number of wells	51
Daily pumping capacity	18 MGD
Average daily pumping	7.5 MGD
Total daily treatment capacity	12 MGD

INTRODUCTION (Continued)

FINANCIAL CONTROL

Tax Structure

I. - Ad Valorem Tax Millage Rate

The City of Sarasota is only one of several taxing authorities for which property owners are assessed property taxes. Each year, the Sarasota County Property Appraiser's Office determines the "assessed value" of each parcel in the county. Parcel owners subsequently receive two notices – the "Notice of Proposed Taxes", or "TRIM notice", and the "Notice of Ad Valorem Taxes and Non-Ad Valorem Assessments".

The first notice is designed to inform property owners of the proposed millage rates, assessment amounts and exemptions, if any, that each taxing authority proposes to levy, plus the time and location of public hearings required to be conducted by each authority. The second notice is the actual amount of taxes that the property owner is liable for.

The table below illustrates the millage rates and amount of taxes based on the average taxable value, as determined by the Sarasota County Property Appraiser. The City of Sarasota's portion of the total ad valorem tax bill is 20.0 percent.

	City of Sarasota							
Year	General Fund	Debt Service	City Millage	County*	School District	Total Millage	Average Taxable Value**	Amt Taxes
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
2006	2.8393	0.1694	3.0087	6.1759	7.8610	17.0456	$162,889	$2,777
2007	2.9022	0.0974	2.9996	5.9759	7.2100	16.1855	$187,634	$3,037
2008	2.7771	0.3891	3.1662	5.5138	7.1230	15.8030	$242,730	$3,836

* Includes General Revenue, Mosquito Control, Sarasota Memorial Hospital, West Coast Inland Navigation District, Southwest Florida Water Management District, Manasota Basin and Bond Debt Service (general obligation and environmentally sensitive lands).

** Average Taxable Value as presented in the General Fund section in the City Manager's message.

INTRODUCTION (Continued)

II. - Taxable Property

The table below lists the assessed value and taxable value of property in the City of Sarasota for the last ten years. All dollars are in thousands.

	Real Property				Less:	Total
Year	Residential Property	Commercial Property	Industrial Property	Personal Property	Tax-Exempt Property	Taxable Value
1997	$2,113,754	$728,366	$642,889	$446,827	$1,078,534	$2,853,302
1998	$2,210,499	$815,252	$678,157	$504,820	$1,132,138	$3,076,588
1999	$2,422,487	$856,354	$702,337	$532,260	$1,266,667	$3,246,772
2000	$2,661,487	$933,251	$849,195	$556,933	$1,486,710	$3,514,156
2001	$2,973,503	$993,690	$824,560	$590,393	$1,605,427	$3,776,719
2002	$3,468,361	$1,074,060	$906,177	$588,959	$1,824,048	$4,213,509
2003	$4,289,562	$1,227,721	$991,678	$614,500	$2,243,189	$4,880,272
2004	$5,300,332	$1,367,501	$1,177,408	$590,962	$2,846,720	$5,589,482
2005	$6,251,452	$1,504,981	$1,511,560	$534,563	$3,335,225	$6,467,330
2006	$7,344,535	$1,853,708	$1,816,967	$536,491	$3,956,378	$7,595,324

The Sarasota County Tax Collector collects property taxes on behalf of each taxing authority within the county boundaries. By May 31 of each year for which taxes are levied, all taxes have been collected and remitted to the taxing authorities. Delinquent taxes are raised by public auction or tax certificates and the proceeds are remitted to the appropriate taxing authority 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 mailed.
Nov 1 – Mar 31	Property taxes due.
April 1	Taxes delinquent.
May 31	Tax certificates sold by County.

III. - Other Tax Rates

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

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 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 recorded separately by laws or governmental policy. Most of the essential governmental services such as public safety, transportation, recreation, 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.

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.

St. Armands Special Business Neighborhood Improvement District (BID) Fund - To account for the revenue derived from the levy of 2.0 mills on property made up of all parcels of real property located within the CT Zone District in the vicinity of St. Armands Circle. The BID is based on state and local law that permits property owners and merchants to band together to use the City's tax collection powers to "assess" themselves. The taxes are collected by the City and returned in their entirety to the BID to be used for purchasing supplemental services and capital improvements at the discretion of the Board of Directors.

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 expenditures subsequent to neighborhood grants to reduce crime, fund neighborhood leadership participation and to support local neighborhood events.

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

Penny Sales Tax (1999-2009) Fund - 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 Fund - 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 a 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 area of 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.

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

2007 G.O. Bonds - To account for the accumulation of resources for the payment of principal and interest on the 2007 General Obligation Bonds issued to fund the construction of a new headquarters building for the Sarasota Police Department.

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.

- **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 Fund - To account for the revenues and expenses of operating a 36 hole municipal golf course and a 9 hole executive golf course.

Van Wezel Performing Arts Hall Fund - 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 Fund - To account for the provision of sanitation services to the residents and businesses of the City.

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

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

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

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

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

Fiduciary Funds

- **Trust Funds**

Trust funds are used to account for assets held by the government in a trustee capacity. They are accounted for in essentially the same manner as enterprise funds since capital maintenance is critical.

Other Post Employment Benefits Trust Fund - To account for the future liability of costs for medical/prescription/dental coverage, extended life insurance coverage

and benefits under the Employee Assistance Program available to retirees and their dependents.

Basis of Financial Accounting

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

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

Basis of Budgetary Accounting

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

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

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

BUDGETARY CONTROL

The Financial Plan (Budget)

This document represents a multi-faceted financial plan for the City of Sarasota for the fiscal year from October 1, 2007 to September 30, 2008. 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 Strategic Goals and Strategic Concerns. Although only the 2007-2008 financial plan is adopted by the City Commission, the impact of this financial plan is presented in the "Five Year Projections" section of this Adopted Financial 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

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

Capital Improvement Plan

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

The CIP is developed during, and as an integral part of, the annual budget process. Consistency with the City's Comprehensive Plan is assured by the involvement of both the Planning Department and its Board.

During the budget cycle, each department head receives a copy of the CIP as adopted during the preceding budget year. Each department is requested to review the CIP and to inform the budget office of any modifications or additions that are necessary. The CIP 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

The annual financial plan includes the complete integration of the City Strategic Plan into the annual budget. As each department prepares their annual budget request, they establish specific tasks that they declare will contribute to the achievement of objectives defined in the Strategic Plan. Once the objective is selected, the department defines the task(s) and identifies the current status of the task, the year the task is estimated to be completed, any additional funding required to complete the task and, if so, the derivation of the cost estimates.

This process, discussed in greater detail in the section immediately following the City Manager's letter, generates the necessary links to ensure continuity and maximization of effort to achieve the City's goals, concerns and strategies as presented in the City Strategic Plan.

A copy of "Sarasota's Strategic Plan 2006-2010 Influencing Change and Attaining Our Vision" 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*.

In addition to the strategic plan, operational strategies and tasks are developed by each cost center to evaluate and improve non-strategic operational performance. This effort includes the establishment of output, efficiency and effectiveness measures to record the departments' progress toward accomplishment of the operational strategies and tasks.

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 column in the individual departmental/cost center budgets. All *issues* are discussed in either the City Manager's message or the In-depth analysis sections.

The basic unit of budgeting is at the department/function level. Department budgets are further delineated to specific service units. As mentioned previously, each department has identified strategies and tasks that are to be accomplished in the fiscal year. These strategies, tasks and 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 the 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 the following two 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.

INTRODUCTION (Continued)

CALENDAR OF BUDGET ACTIVITIES

DATE	DIVISION OR AGENCY	ACTIVITY
December 12	Finance	Send out budget instructions to Department Heads for City Board budgets
December 15	Finance	Transmit Capital Improvement Plan (CIP) Package to Departments
January 26	Departments	CIP/CIE due to Finance
February 6	Departments	Budgets from City Boards due to City Manager
February 13	Human Resources	Establishment of career ladder adjustments
February 21	Finance	Prioritization and coordination of CIP/CIE Requests
March 2	Finance	CIP/CIE submitted to Planning Department for Review of Comprehensive Plan
March 12	City Manager	Staff orientation
March 12	Finance	Transmit budget package to Departments
March 12	Finance	Review CIP/CIE requests with City Manager and department staff
March 19	City Manager	Annual reports from City Boards to be filed with City Commission
March 20	Planning	Statement that the CIP agrees with the Comprehensive Plan
March 20	Human Resources	Review Consumer Price Index (CPI) for 2007-2008 salary considerations
April 10	All Departments	2007-2008 Department budget packages due including City Strategic Plan
April 11 – 25	Finance	Analyze Department budget requests for consistency with instructions and appropriateness
April 18	City Commission	CIP/CIE Workshop

CALENDAR OF BUDGET ACTIVITIES (CONTINUED)

DATE	DIVISION OR AGENCY	ACTIVITY
April 26 – May 18	City Manager	Department Directors meet with City Manager to review budget requests
May 1	Finance	Provide proposed Capital Improvement Plan to Sarasota County School Board
May 18 – July 20	Finance	Prepare budget workshop books and City Manager presentation to City Commission
July 13	City Commission	Introduction of proposed budget by City Manager
July 17 – 19	City Commission	Budget Workshops
July 19	City Commission	Certification of Millage to Property Appraiser
September 4	City Commission	First Public Hearing on Budget and CIP
September 17	City Commission	Final Public Hearing on Budget and CIP
September 20	Finance	Provide adopted Capital Improvement Plan to Sarasota County School Board

FINANCIAL POLICIES

Operating Budget Policies

- The City will comply with all Federal, State or local legal requirements pertaining to the operating 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.

- 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).

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 establish insurance reserves for self-insurance liabilities. Such reserves will be reviewed annually for adequacy.

- Fund balance will only be used for expenditures that are either non-recurring in nature or that have a benefit period longer than one operating period. City Commission approval is necessary for this type of expenditure.

- All fund balances, whether reserved or unreserved, will be presented in the annual budget.

Revenue Policies

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

- The City will establish 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.

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

INTRODUCTION (Continued)

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 City will limit general obligation bonds to no greater than ten (10) percent of the non-exempt assessed valuation of the real property of the City.

- 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.

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

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.

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.