



FINANCIAL
TREND
MONITORING
SYSTEM
2009

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PREFACE

PREFACE TO FISCAL YEAR 2009 FINANCIAL INDICATORS

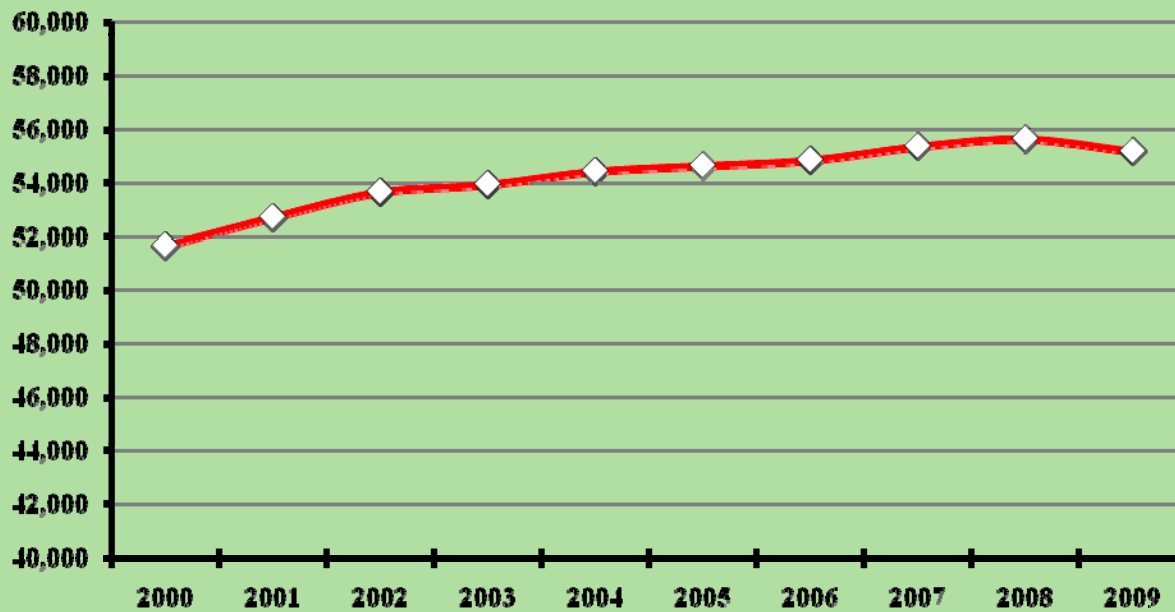
This analysis of the City's fiscal condition has been prepared to provide commissioners, administrators and residents with current information regarding Sarasota's financial condition. The indicators utilized in this analysis are generally those recommended by the International City Management Association (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

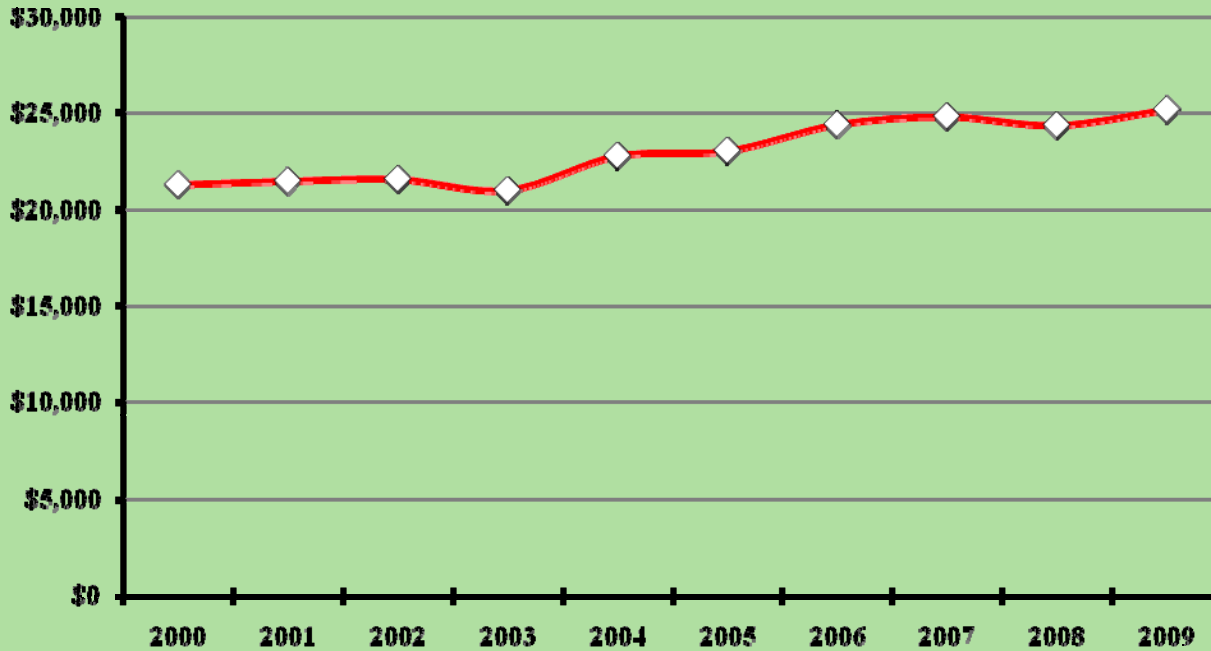
Warning Trend

Rapid change
in population

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174

Personal Income Per Capita

In Constant Dollars (Sarasota County)



Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

Warning Trend

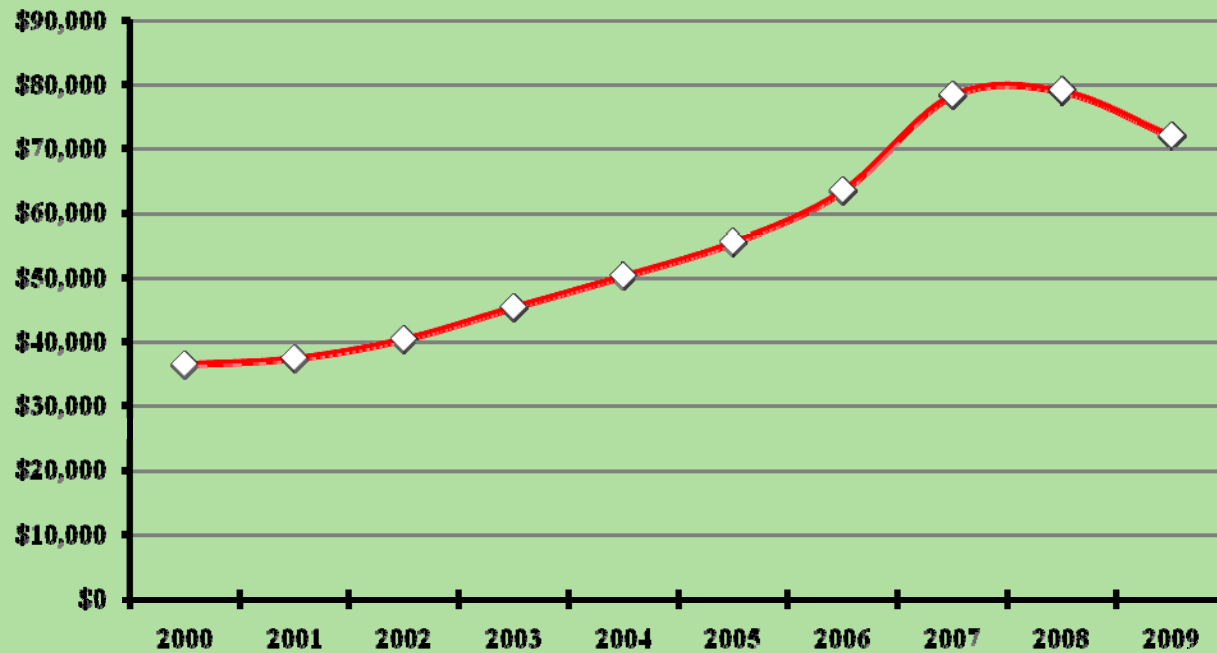
Decline in the level or growth rate of personal income per capita

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Income Per Capita	39,568	40,989	41,822	41,770	46,440	49,047	53,180	55,559	57,226	58,370
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Income Per Capita In Constant Dollars	21,273	21,460	21,558	20,990	22,765	23,027	24,394	24,803	24,351	25,159

Note: Personal Income Per Capita, provided by the U.S. Department of Commerce, Bureau of Economic Analysis, is not available past fiscal year 2007. Fiscal years 2008 and 2009, therefore, are estimates.

Assessed Valuation Per Capita

In Constant Dollars



Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

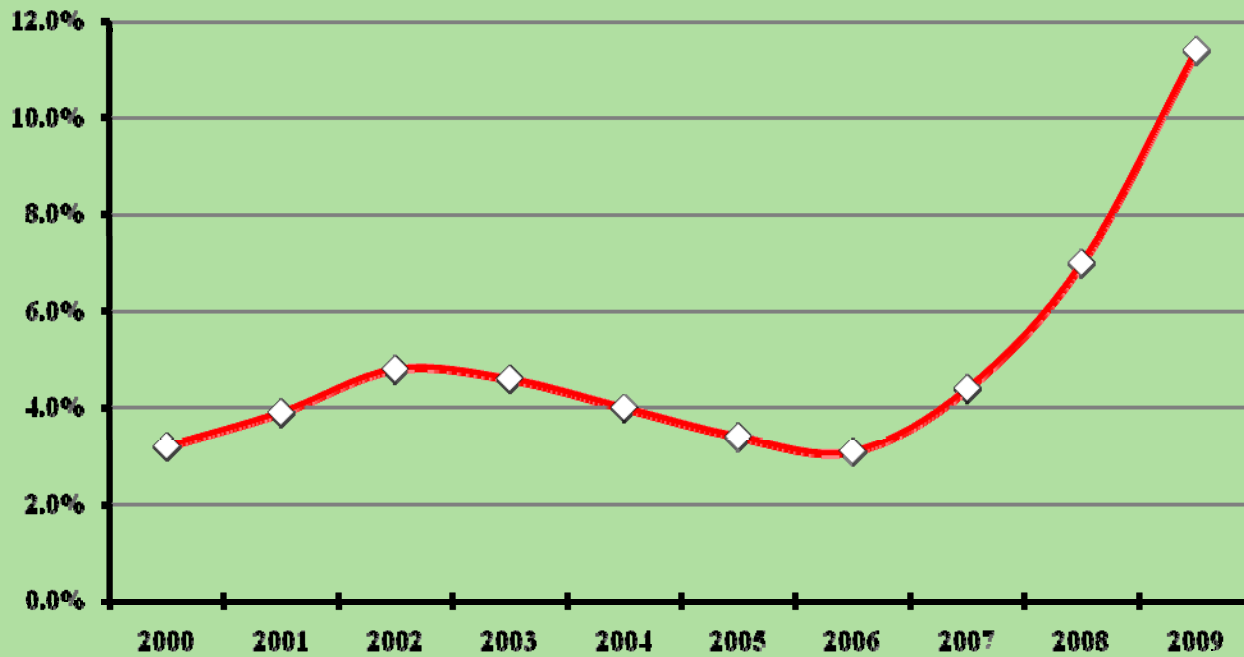
Warning Trend

Declining or negative growth in property tax assessments

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed Valuation (000's)	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116	10,335,525	9,217,263
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Assessed Valuation In Constant Dollars	1,889,331	1,977,340	2,171,912	2,452,398	2,739,942	3,036,305	3,484,094	4,337,552	4,398,096	3,972,958
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Assessed Valuation Per Capita In Constant Dollars	36,573	37,510	40,478	45,466	50,335	55,570	63,523	78,346	79,040	72,008

Unemployment Rate

Sarasota County



Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

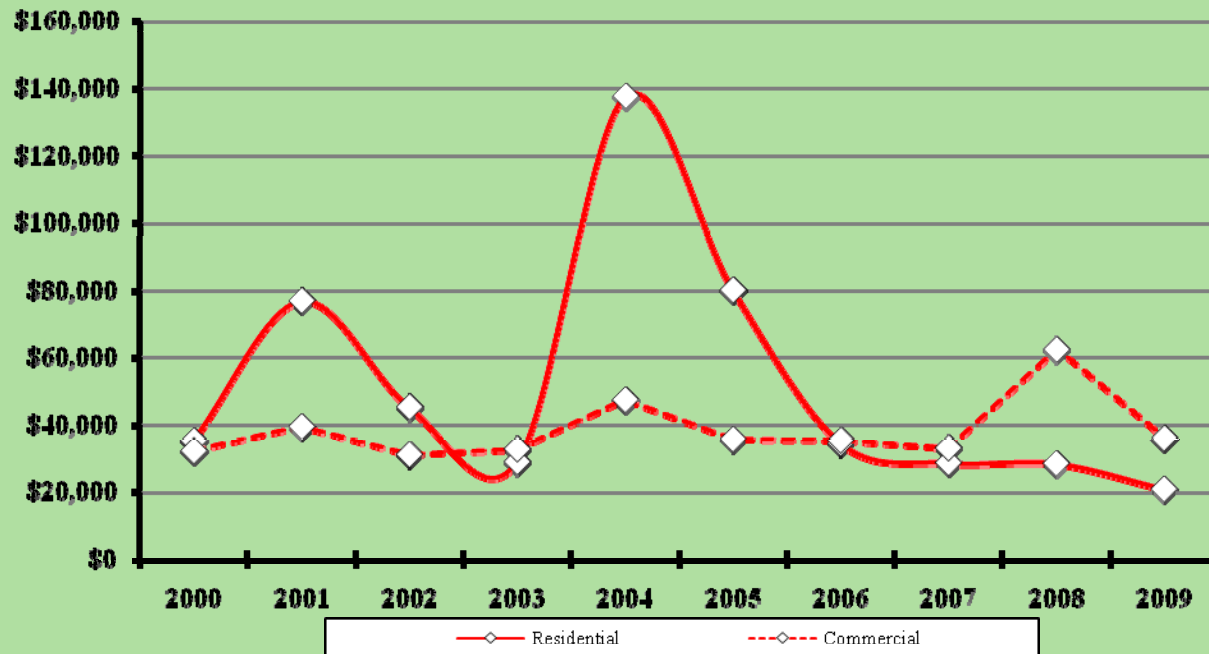
Warning Trend

Increasing rate of
local unemployment

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Unemployment Rate	3.2%	3.9%	4.8%	4.6%	4.0%	3.4%	3.1%	4.4%	7.0%	11.4%

Construction Value

In Constant Dollars (000's)



Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

Warning Trend

Declining constant dollar construction

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential Construction	65,302,055	146,714,872	87,670,772	57,335,987	280,634,806	170,361,903	74,967,784	63,891,036	66,629,582	48,061,451
Commercial Construction	59,935,047	75,378,546	60,357,005	65,180,478	96,873,125	76,077,002	77,132,883	74,042,316	146,716,999	83,496,049
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Residential Construction in Constant Dollars	35,108,632	76,814,069	45,191,120	28,812,054	137,566,081	79,982,114	34,388,892	28,522,784	28,353,014	20,716,143
Commercial Construction in Constant Dollars	32,223,144	39,465,207	31,111,858	32,754,009	47,486,826	35,716,902	35,382,056	33,054,605	62,432,766	35,989,676

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 Resources Indicators

Population

Sarasota's population remains steady, increasing minimally as the City approaches build-out. Frequently, such minimal population growth obscures the expanded requirements placed on the City's infrastructure as seasonal population remains high and the result of residential and commercial neighborhoods converted into high rise condo/retail properties continues to impact city services. In addition, the annual increase in population in the surrounding county exerts even greater pressure on the City's infrastructure and public safety needs. The result of the national/global economy, 2009 represents the first decline in estimated population in the last decade.

Personal Income Per Capita

Until 2008, Sarasota County personal income per capita, *in constant dollars*, adjusted by the CPI, increased every year except 2003. As the U.S. Department of Commerce\Bureau of Economic Analysis releases annual statistics 16 months after the end of the year, 2008 and 2009 are estimates. In 2008, the personal income per capita, *in constant dollars*, will decline 2.8 percent due to the slowdown in the national/global economy but will rebound in 2009 by 3.3 percent.

Assessed Valuation Per Capita

Assessed valuation (non-exempt) per capita, *in constant dollars*, increased each year from 1999 to 2007, averaging 14.0 percent annually. In 2007 alone, the assessed valuation increased by 23.3 percent, but the trend was nearly reversed in 2008, increasing a mere 0.9 percent, a result of the collapse of the real estate market and the slowdown in the economy. The decline in assessed valuation continued in 2009 as the economy continued to slide into recession.

Unemployment Rate

In 2002, the unemployment rate in Sarasota County had climbed to its 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 rapidly accelerated to 7.0 percent in 2008 and 11.4 percent in 2009, the highest level of unemployment in at least two decades.

Construction Value

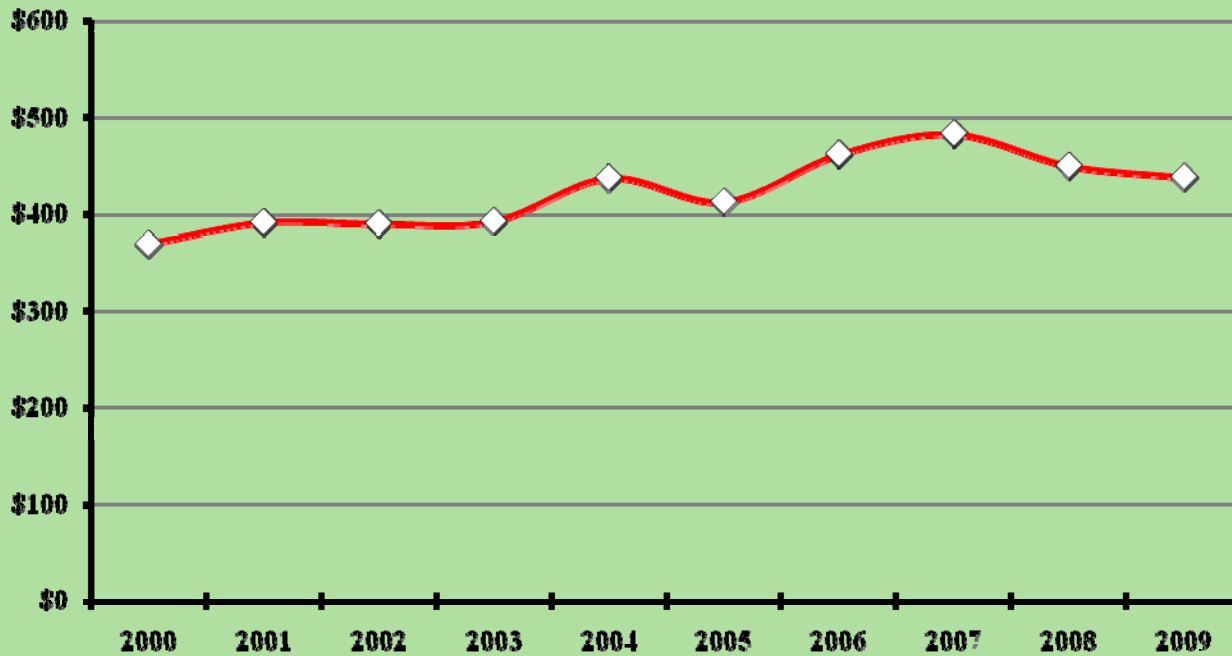
Residential and commercial new construction, *in constant dollars*, while erratic from year to year, did reveal a steady increase from 1996 through 2000. A slowdown in new construction growth occurred in 2002 and 2003, the victim of retreating economic markets representing a 53% decline in total new 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. A resurgence in commercial construction due to several high-end projects in 2008 resulted in a 98.2 percent increase before retreating to pre 2008 levels while residential construction reached its lowest level in the last decade.



**REVENUE
INDICATORS**

Revenue Per Capita - General Fund

In Constant Dollars



Sarasota Trend

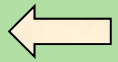
Very Positive

Positive

Marginal

Negative

Very Negative



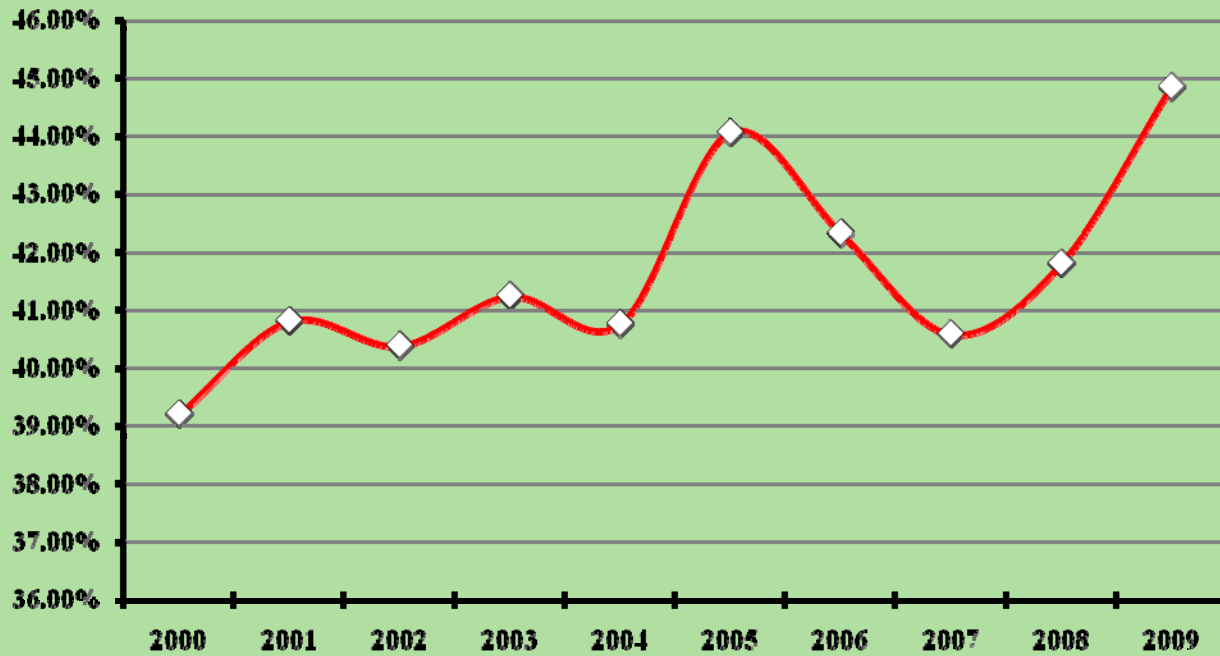
Warning Trend

Declining per capita
revenue growth rate

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross Operating Revenue	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732	58,862,280	56,123,677
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
In Constant Dollars	19,114,273	20,661,468	20,953,556	21,193,299	23,825,149	22,568,147	25,347,912	26,753,005	25,047,779	24,191,240
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Operating Revenue Per Capita in Constant Dollars	370.01	391.95	390.51	392.91	437.69	413.04	462.15	483.22	450.14	438.45

Restricted Revenue

As a % of Operating Revenues



Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

Warning Trend

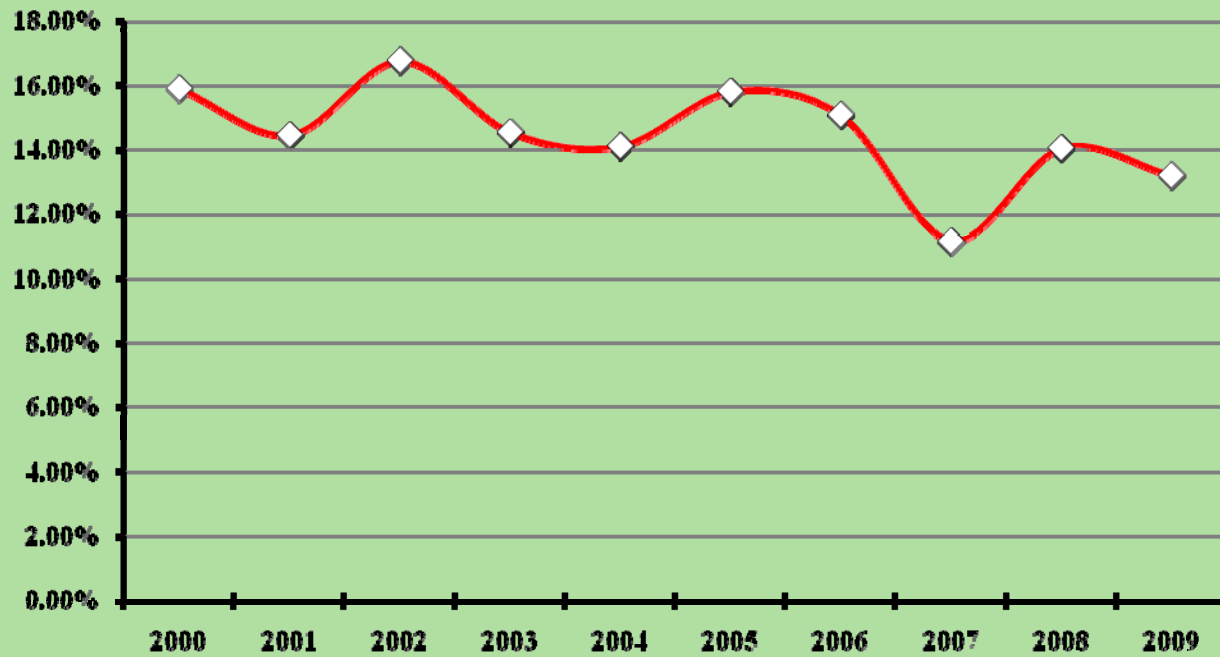
Increasing amount of restricted revenue as a % of operating revenues

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Restricted Revenue	22,532,258	26,626,517	26,929,892	28,900,364	32,715,798	36,483,222	38,937,935	38,049,023	39,576,201	42,180,184
Operating Revenue *	57,472,746	65,229,752	66,669,010	70,062,986	80,249,955	82,783,471	91,978,728	93,740,542	94,663,987	94,019,959
Restricted Revenue as a percent of Operating Revenues	39.21%	40.82%	40.39%	41.25%	40.77%	44.07%	42.33%	40.59%	41.81%	44.86%

* 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

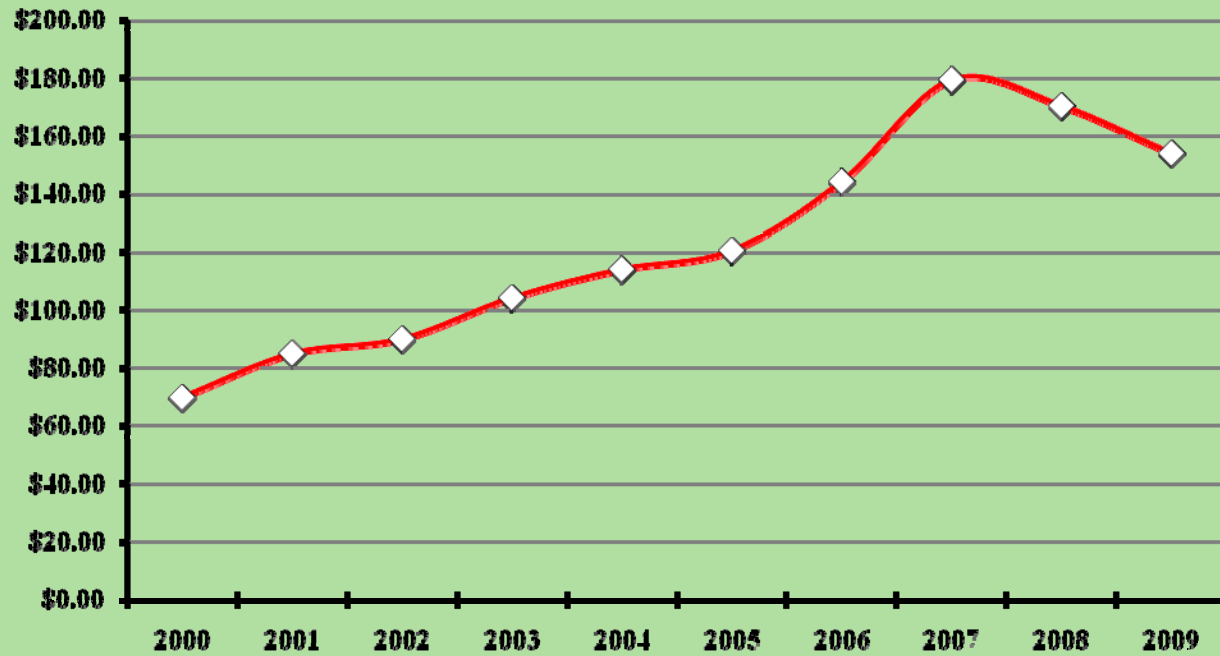
Warning Trend

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Intergovernmental Revenue	5,654,462	5,706,386	6,816,917	6,132,860	6,859,069	7,598,059	8,334,351	6,693,304	8,271,030	7,410,507
Gross Operating Revenue	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732	58,862,280	56,123,677
Intergovernmental Revenue as a % of Operating Revenues	15.90%	14.46%	16.77%	14.54%	14.11%	15.81%	15.08%	11.17%	14.05%	13.20%

Property Tax Revenue Per Capita

In Constant Dollars - General Fund



Sarasota Trend

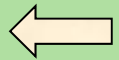
Very Positive

Positive

Marginal

Negative

Very Negative



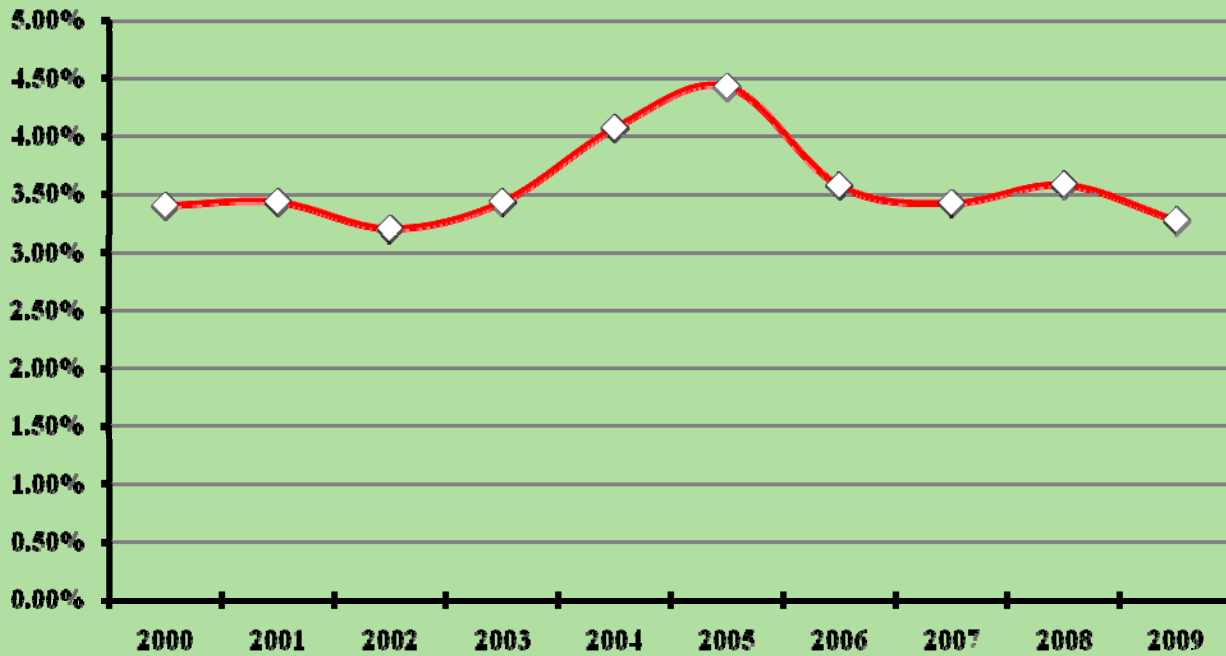
Warning Trend

Declining or negative
growth in property tax
revenues

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Property Tax Revenue	6,695,174	8,542,772	9,357,506	11,174,398	12,649,803	14,009,628	17,223,438	22,225,365	22,255,938	19,680,996
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Property Tax Revenue In Constant Dollars	3,599,556	4,472,655	4,823,457	5,615,275	6,200,884	6,577,290	7,900,660	9,922,038	9,470,612	8,483,188
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Property Tax Revenue Per Capita In Constant Dollars	69.68	84.85	89.89	104.10	113.92	120.38	144.05	179.21	170.20	153.75

Uncollected Property Tax

As a % of Property Taxes Levied



Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

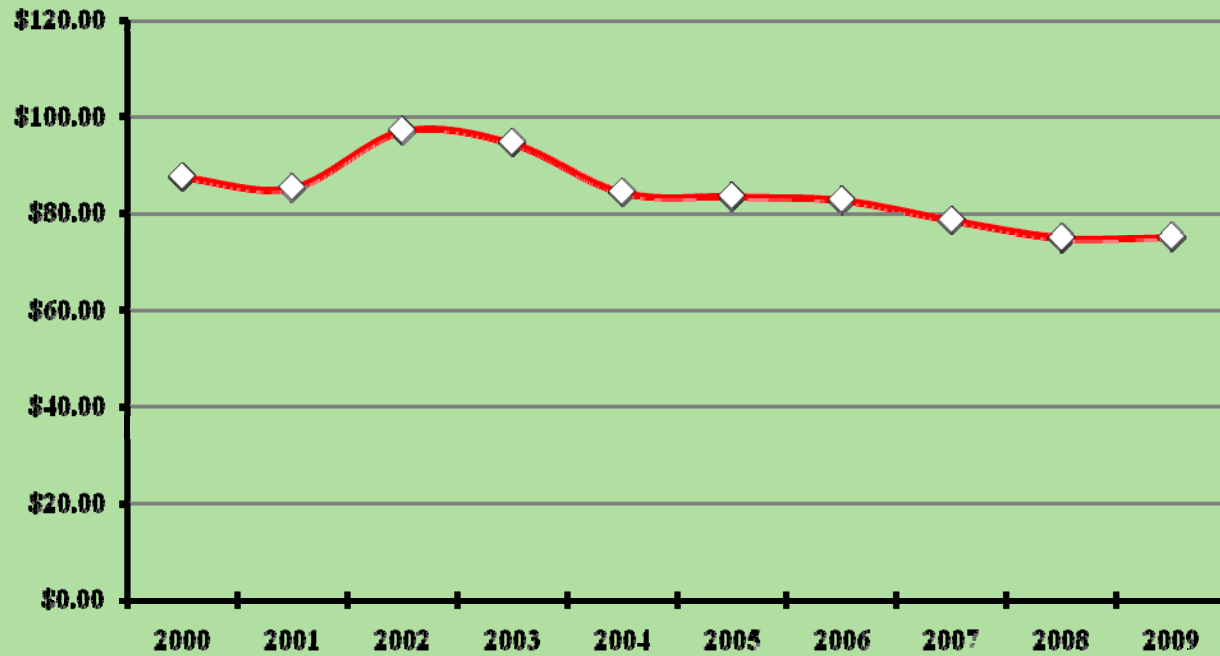
Warning Trend

Increasing amount of uncollected tax as a percent of taxes levied

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Property Tax Levied	10,402,254	12,317,391	13,362,302	15,798,416	17,606,309	19,520,989	22,852,050	29,144,461	32,724,339	28,630,662
Property Tax Collected	10,048,718	11,895,066	12,934,696	15,256,791	16,890,421	18,655,781	22,036,679	28,146,368	31,552,055	27,694,510
Percent of Property Tax Uncollected	3.40%	3.43%	3.20%	3.43%	4.07%	4.43%	3.57%	3.42%	3.58%	3.27%

Utility Tax Revenue Per Capita

In Constant Dollars



Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

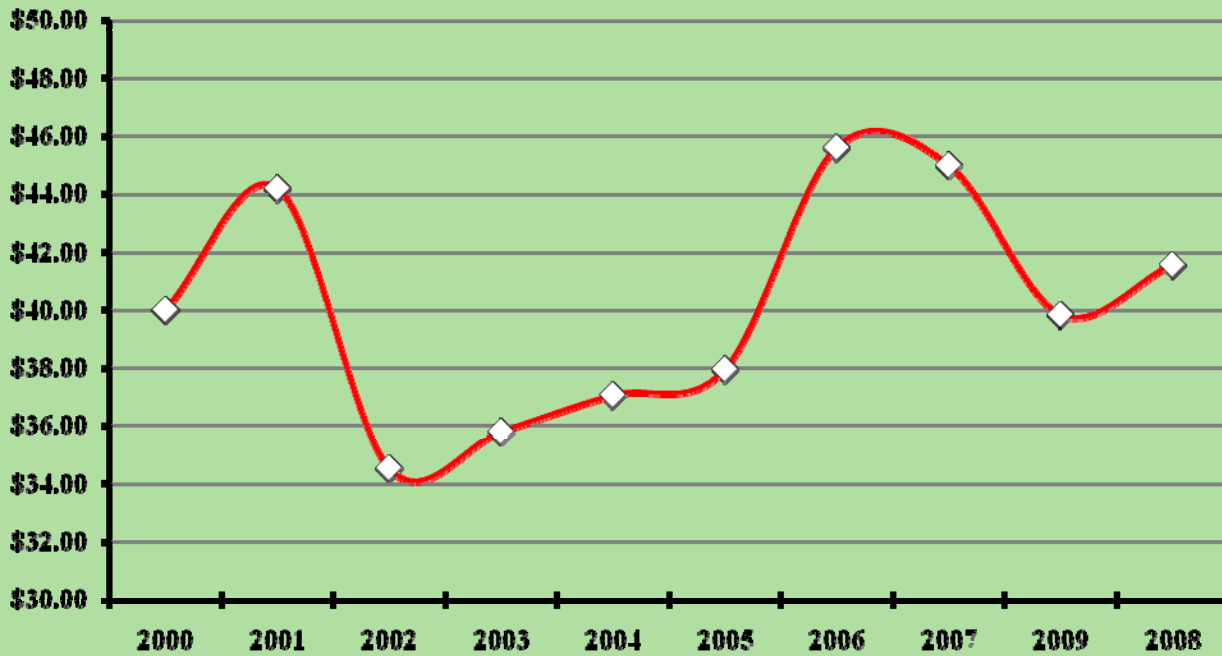
Warning Trend

Declining per capita revenue
in constant dollars

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Utility Tax Revenue	8,415,496	8,592,697	10,109,163	10,156,178	9,371,751	9,722,636	9,899,607	9,750,102	9,814,032	9,641,138
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
In Constant Dollars	4,524,460	4,498,794	5,210,909	5,103,607	4,593,996	4,564,618	4,541,104	4,352,724	4,176,184	4,155,663
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Utility Tax Revenue Per Capita	87.58	85.34	97.12	94.62	84.40	83.54	82.79	78.62	75.05	75.32

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Franchise Tax Revenue	3,843,532	4,448,446	3,593,193	3,840,178	4,114,225	4,415,624	5,451,451	5,578,299	5,208,466	5,319,627
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
In Constant Dollars	2,066,415	2,329,029	1,852,161	1,929,738	2,016,777	2,073,063	2,500,666	2,490,312	2,216,369	2,292,943
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Franchise Tax Revenue Per Capita	40.00	44.18	34.52	35.78	37.05	37.94	45.59	44.98	39.83	41.56

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, *in constant dollars*, 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 was reversed in 2008 and 2009, the result of the declining housing market, the collapse of the lending industry and state legislation enacted in 2008 restricting revenue derived from property taxes.

Restricted Revenue

Restricted revenue is revenue that 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 financial flexibility to respond to changing conditions. Besides, 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 40.82% ratio of restricted operating revenue to net operating revenue in 2001, up from a ten year low of 29.04% in 1997. The ratio has remained relatively consistent since 2001 except in 2005, when reporting revenue for building permits in the Development Services Fund were instead reported in the General Fund. The increases in 2008 and 2009 are investment earnings related to the 2007 General Obligation bonds (new City police headquarters) and reimbursement from the Tourist Development Tax for beach renourishment, respectively.

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 was the result of Federal Emergency Management Agency (FEMA) funding 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 while the decrease in 2007 was the product of a significant increase in Gross Operating Revenue and a corresponding decrease in Intergovernmental revenue. The increase in 2008 is the result of an accounting revision that requires the state disbursement for police/fire pension funding to be routed through the General Fund instead of being deposited directly into the police/fire pension funds.

Property Tax Revenue Per Capita

Property tax revenue per capita, *in constant dollars*, 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, increased property tax revenue per capita every year from 2000 to 2007. This trend was reversed in 2008 and 2009, the result of the declining housing market, the collapse of the lending industry and state legislation enacted in 2008 restricting revenue derived from property taxes.

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, 3.58 and 3.27 in 2007, 2008 and 2009, respectively. Since the discount for early payment of property tax can be as high as 4.0 percent, this 3.27 percent rate is considered acceptable.

Utility and Franchise Tax Revenue Per Capita

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 2009, is due to the migration from telephone land lines and beepers/pagers (charged by the call minute) to cell phones (included in base rate).

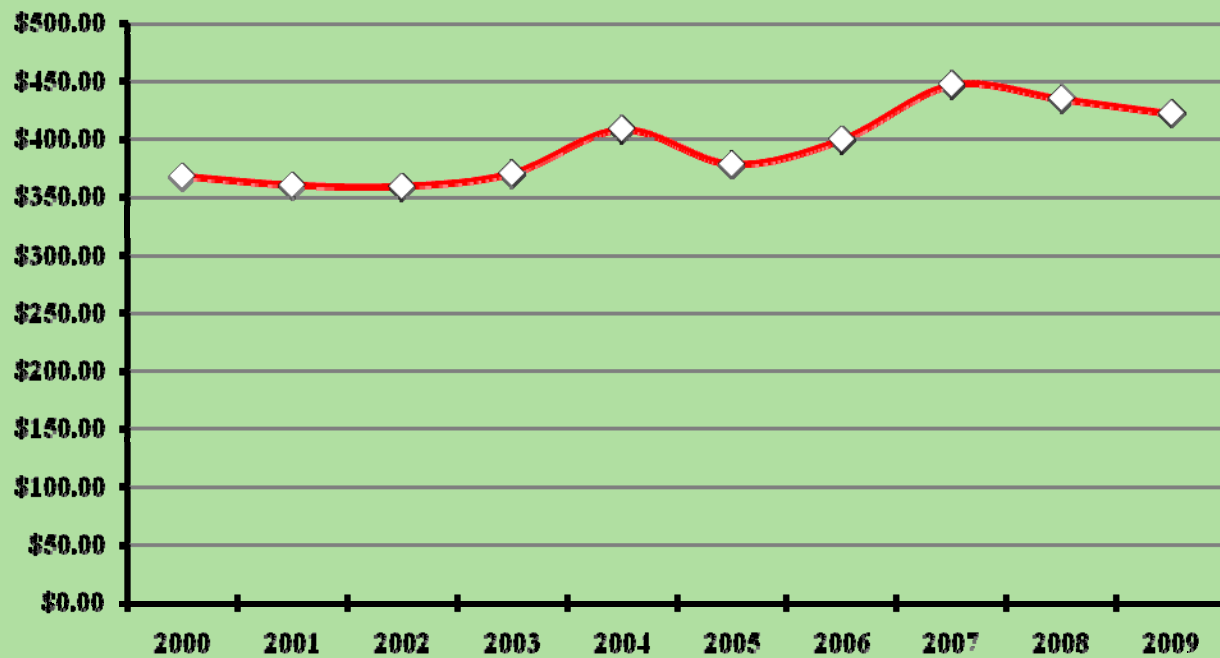
A dramatic increase in electric and natural gas franchise fee revenue from 2002 through 2009 was due to increased fuel adjustment charges and a booming residential and commercial real estate construction market. Declining revenue in 2007, 2008 and 2009 are the result of the declining real estate market and the national/global economy.



**EXPENDITURE
INDICATORS**

Operating Expenditures Per Capita

General Fund In Constant Dollars



Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

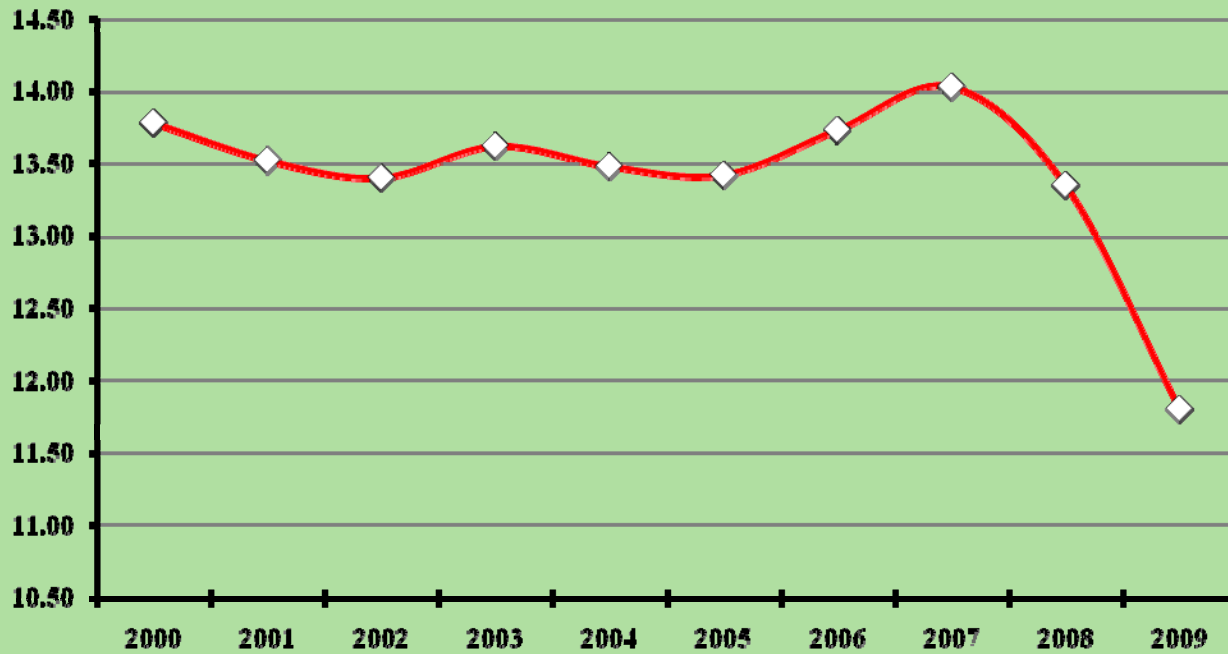
Warning Trend

Increasing per capita expenditures in constant dollars

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total General Fund										
Operating Expenditures	35,348,305	36,255,368	37,360,246	39,741,381	45,352,758	44,016,426	47,776,532	55,442,806	56,871,604	54,032,007
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Operating Expenditures In Constant Dollars	19,004,465	18,981,868	19,257,859	19,970,543	22,231,744	20,664,989	21,915,840	24,751,253	24,200,683	23,289,658
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Operating Expenditures Per Capita In Constant Dollars	367.88	360.08	358.91	370.24	408.42	378.21	399.57	447.06	434.92	422.11

Employees Per Thousand Citizens

All Funds



Sarasota Trend

Very Positive

Positive

Marginal ←

Negative

Very Negative

Warning Trend

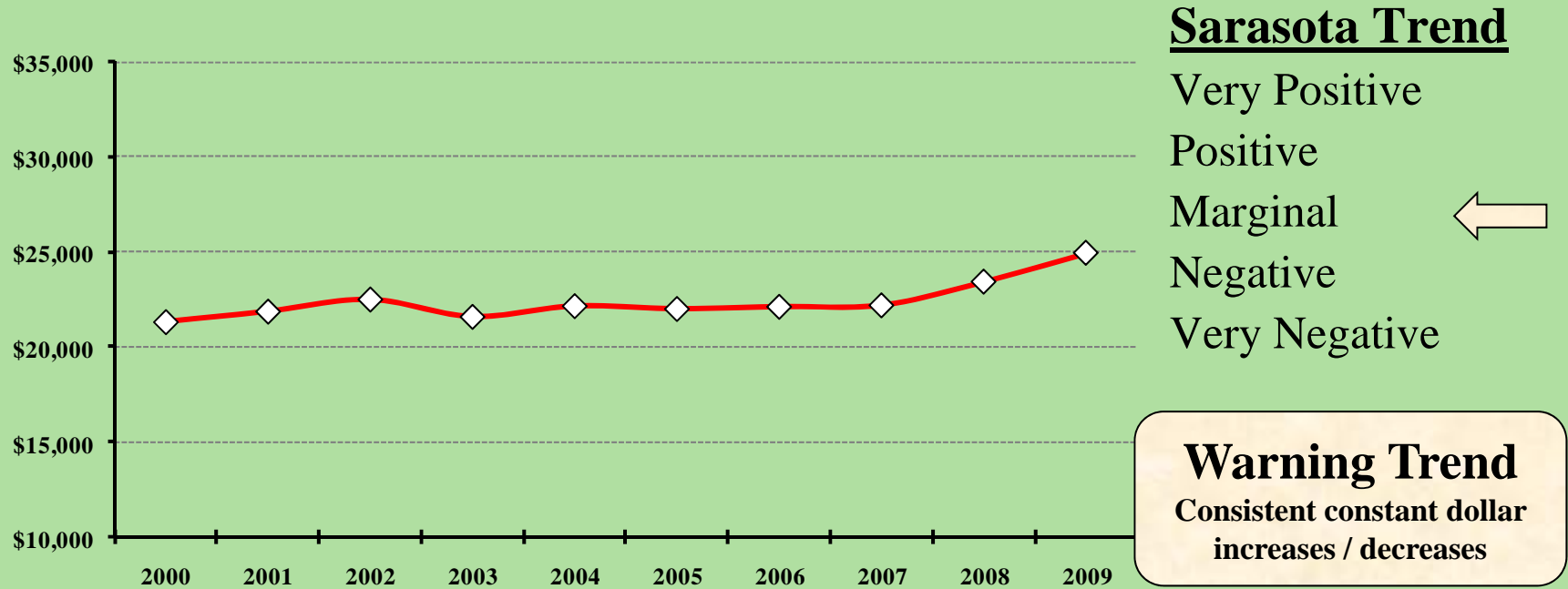
Increasing number of employees per 1,000 citizens

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of Employees	712.00	712.75	719.00	734.50	734.00	733.00	753.00	777.00	743.00	651.42
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Employees Per 1,000 Citizens	13.78	13.52	13.40	13.62	13.48	13.42	13.73	14.03	13.35	11.81

Note: For the sake of consistency, twenty-four School Crossing Guards are omitted prior to FY 2004.

Average Employee Salary

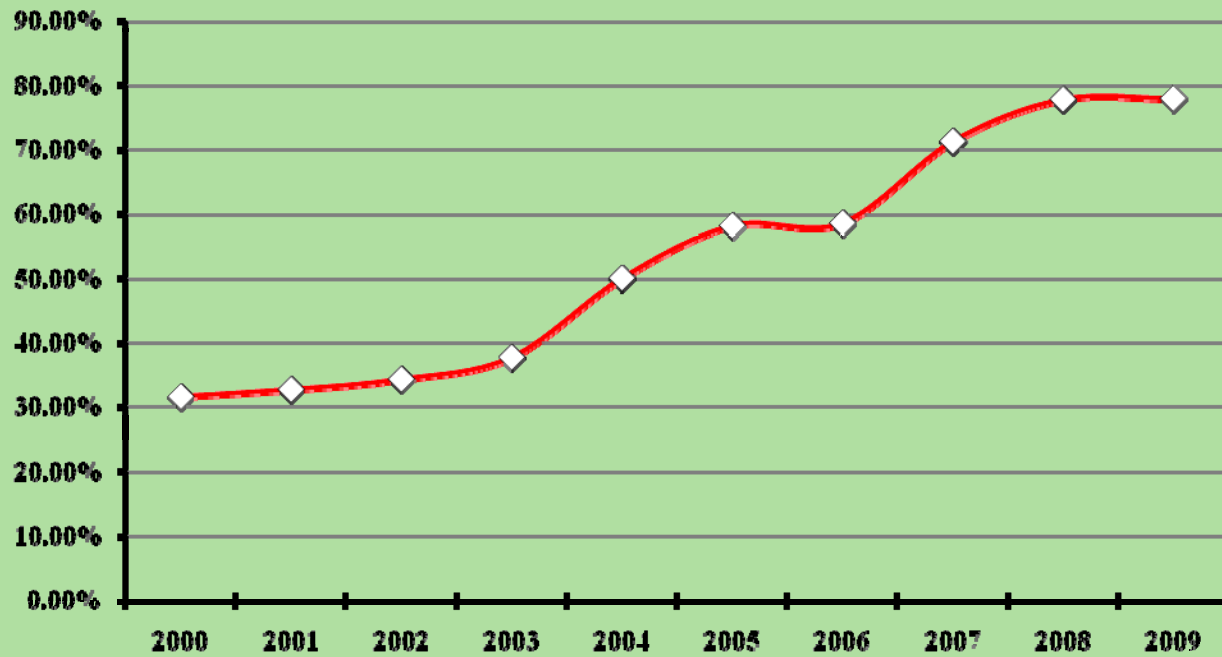
General Fund Only - In Constant Dollars



	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of Employees	444.11	446.11	447.11	463.11	456.11	460.26	473.51	491.51	466.01	400.66
Salaries & Wages	17,584,702	18,608,102	19,490,409	19,872,439	20,585,282	21,546,638	22,800,128	24,406,306	25,632,558	23,159,168
Average Salary	39,595	41,712	43,592	42,911	45,132	46,814	48,151	49,656	55,004	57,803
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Average Salary Per Employee In Constant Dollars	21,288	21,839	22,470	21,563	22,124	21,978	22,088	22,168	23,406	24,915

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fringe Benefit Costs (GF)	5,621,654	6,166,492	6,647,464	7,750,275	10,762,166	12,083,413	13,129,240	17,321,573	18,827,394	18,127,514
Salaries and Wages (GF)	17,777,364	18,851,912	19,372,963	20,531,900	21,476,900	20,751,639	22,401,369	24,286,204	24,184,586	23,245,153
Fringe Benefits as a % of Salaries and Wages	31.62%	32.71%	34.31%	37.75%	50.11%	58.23%	58.61%	71.32%	77.85%	77.98%

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

The ratio of operating expenditures per capita, *in constant dollars*, has remained relatively constant from 1997 through 2002. In 2003 and 2004, growing 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. A reduction in the City work force and a resulting decrease in City spending, a receding CPI and a loss in population (estimated) have combined to reduce this measure in 2008 and 2009.

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 might indicate declining productivity or an inflated payroll.

Sarasota has demonstrated a relatively stable ratio of municipal employees per 1,000 residents. While 2007 raised the ratio to a ten year high of 14.03 employees per thousand citizens, state mandated legislation enacted in 2008 and the decline in the local, national and global economy have restricted the ability of the City to raise property tax revenue resulting in the lowest level (11.81) since this indicator was presented in 1982. The reduction was accomplished through layoffs, retirements and attrition.

Average Employee Salary

The average employee salary, *in constant dollars*, remained relatively stable from 2000 through 2007, varying only a total of 5.6 percent over the seven year period. In 2008 and 2009 the average increased approximately 6.0 percent per year due, in part, to contract increases in the Police Department budget.

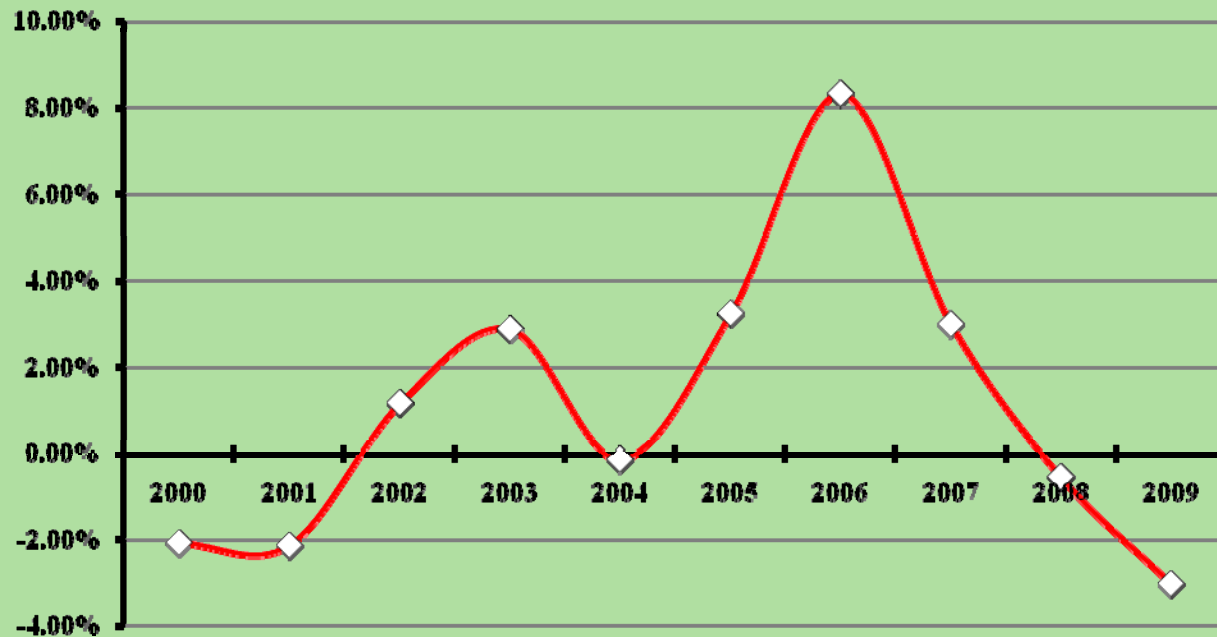
Fringe Benefits

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 2004 and 2005, leveling off somewhat in 2006 before increasing dramatically again in 2007 and 2008, the result of the creation and funding of the Other Post Employment Benefits (OPEB) Trust Fund.

OPERATING
POSITION
INDICATORS

Operating Surplus - General Fund

As a % of General Fund Operating Revenue



Sarasota Trend

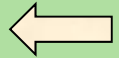
Very Positive

Positive

Marginal

Negative

Very Negative



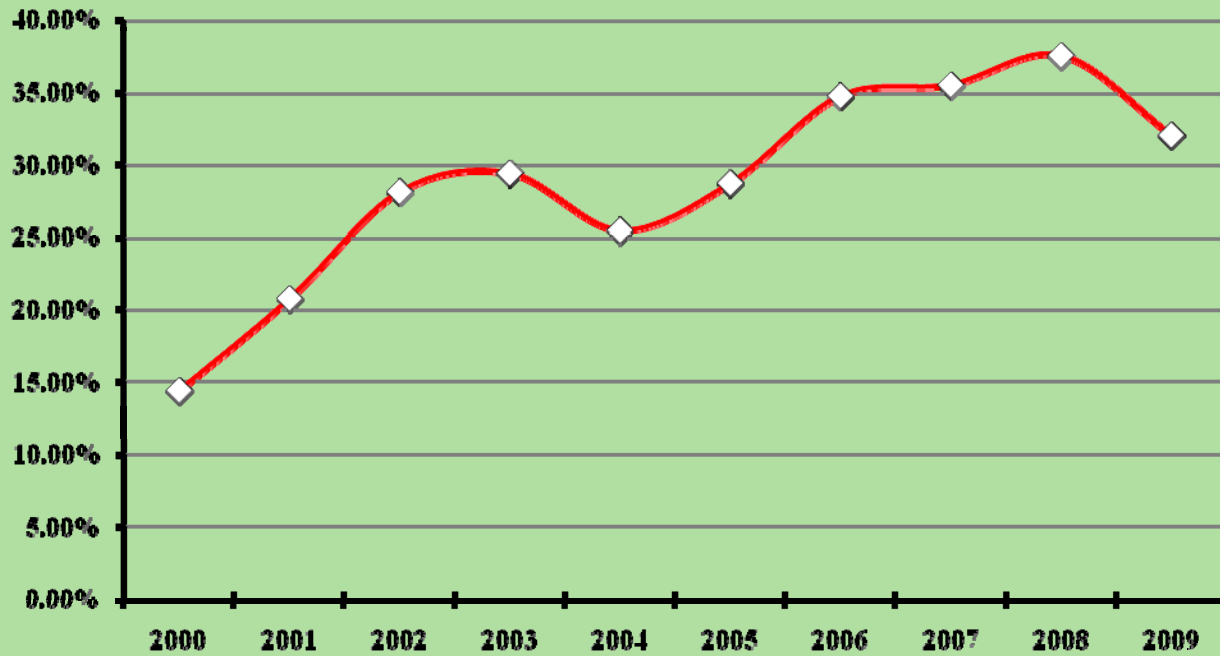
Warning Trend

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Surplus (Deficit)	(724,904)	(821,272)	463,525	1,185,547	(68,623)	1,501,986	4,408,098	1,664,448	(305,569)	(1,563,971)
Operating Revenue	34,940,488	38,603,235	39,739,118	41,162,622	47,534,157	46,300,249	53,040,793	55,691,518	55,087,786	51,839,775
Surplus (Deficit) as a % of Operating Revenue	-2.07%	-2.13%	1.17%	2.88%	-0.14%	3.24%	8.31%	2.99%	-0.55%	-3.02%

Unrestricted Balance - General Fund

As a % of General Fund Operating Revenue



Sarasota Trend

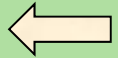
Very Positive

Positive

Marginal

Negative

Very Negative



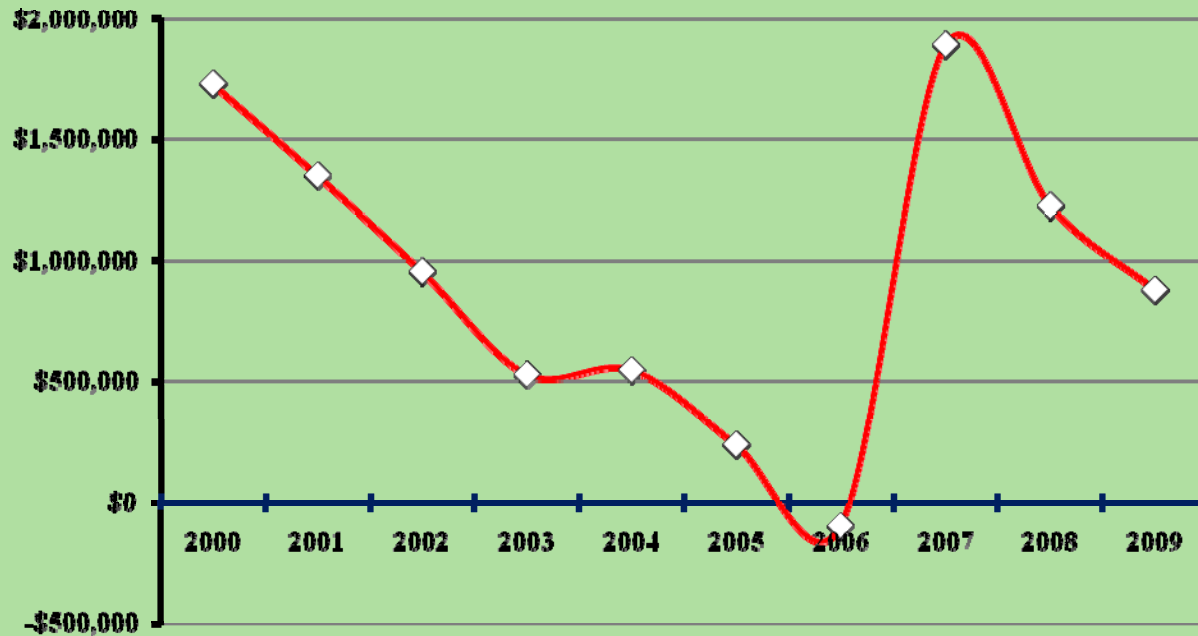
Warning Trend

Decreasing unrestricted fund balance as a percentage of general operating revenue

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Unrestricted Fund Balance	5,033,710	8,016,619	11,173,338	12,102,224	12,104,774	13,294,725	18,428,879	19,770,972	20,681,698	16,597,696
Operating Revenue	34,940,488	38,603,235	39,739,118	41,162,622	47,534,157	46,300,249	53,040,793	55,691,518	55,087,786	51,839,775
Unrestricted Fund Balance as a % of Net Operating Revenue	14.41%	20.77%	28.12%	29.40%	25.47%	28.71%	34.74%	35.50%	37.54%	32.02%

Water and Sewer

Constant Dollar Profit (Loss)



Sarasota Trend

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

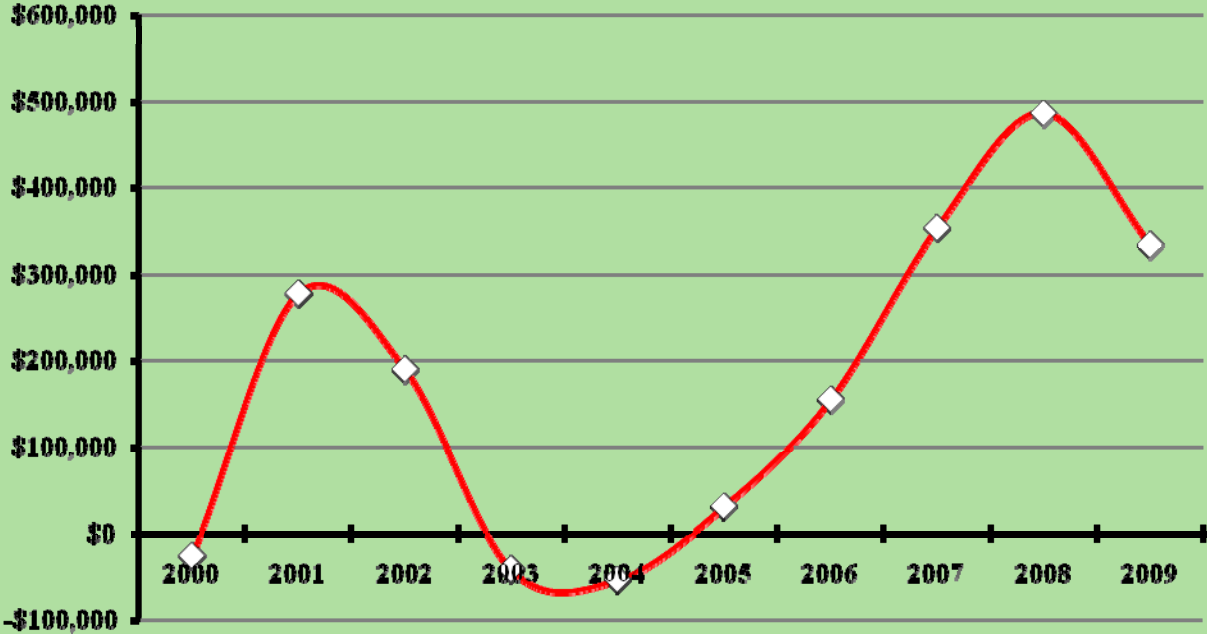
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	3,214,001	2,576,399	1,850,533	1,052,260	1,116,398	508,919	(212,818)	4,232,855	2,875,397	2,038,503
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	1,727,958	1,348,900	953,883	528,774	547,254	238,929	(97,623)	1,889,667	1,223,573	878,665

Solid Waste Management

Constant Dollar Profit (Loss)



Sarasota Trend

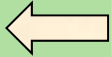
Very Positive

Positive

Marginal

Negative

Very Negative



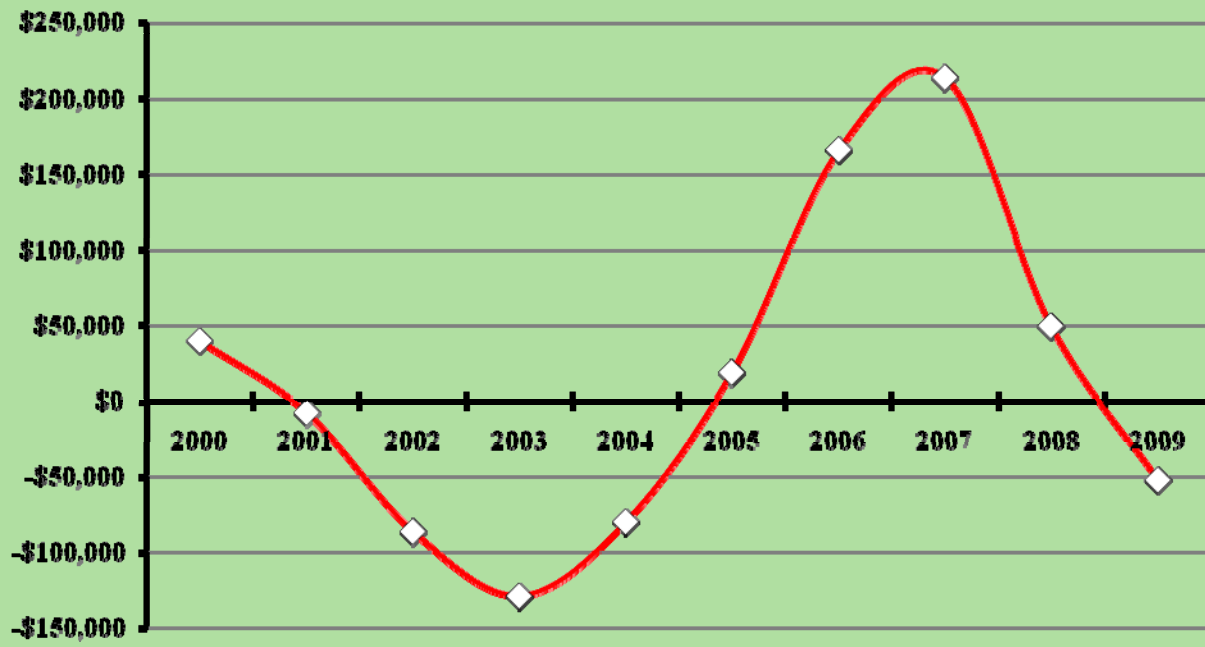
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	(49,069)	531,855	368,700	(82,726)	(109,555)	65,372	338,540	791,378	1,143,571	774,916
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	(26,381)	278,458	190,052	(41,571)	(53,703)	30,691	155,294	353,294	486,626	334,016

Bobby Jones Golf Course

Constant Dollar Profit (Loss)



Sarasota Trend

Very Positive

Positive

Marginal

Negative ←

Very Negative

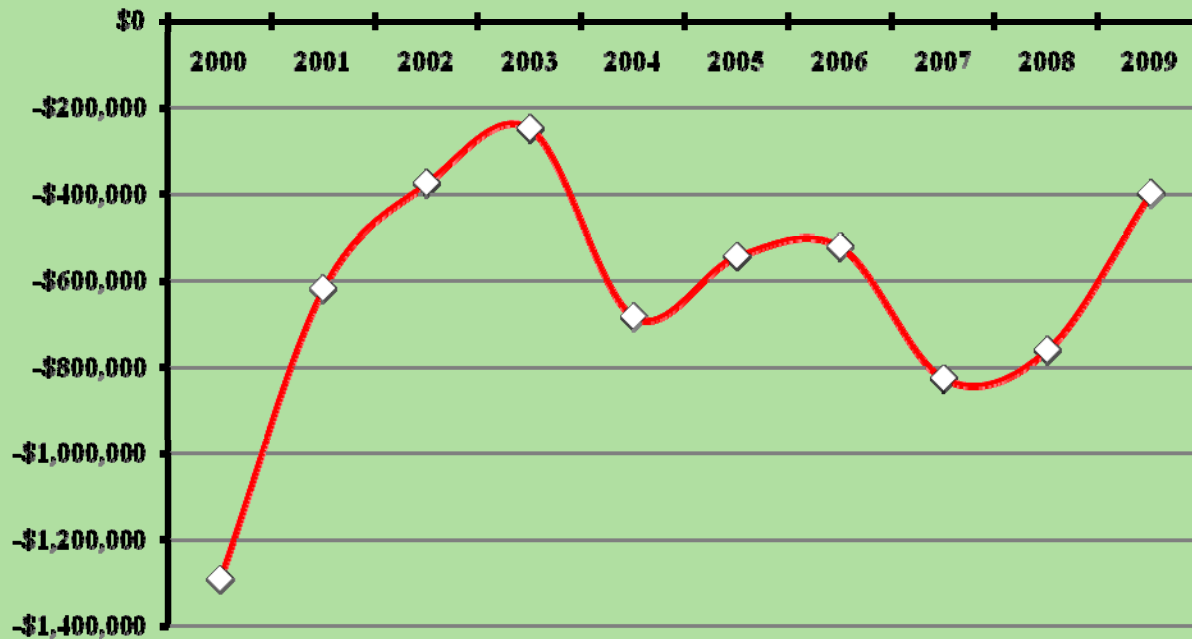
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	73,756	(14,699)	(167,578)	(256,653)	(163,229)	39,565	361,962	479,179	116,453	(121,652)
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	39,654	(7,696)	(86,380)	(128,971)	(80,014)	18,575	166,038	213,919	49,554	(52,436)

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	(2,403,855)	(1,182,721)	(729,758)	(495,660)	(1,395,656)	(1,159,236)	(1,137,583)	(1,853,257)	(1,789,334)	(927,090)
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	(1,292,395)	(619,226)	(376,164)	(249,075)	(684,145)	(544,242)	(521,827)	(827,347)	(761,419)	(399,608)

Municipal Auditorium

Constant Dollar Profit (Loss)



Sarasota Trend

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

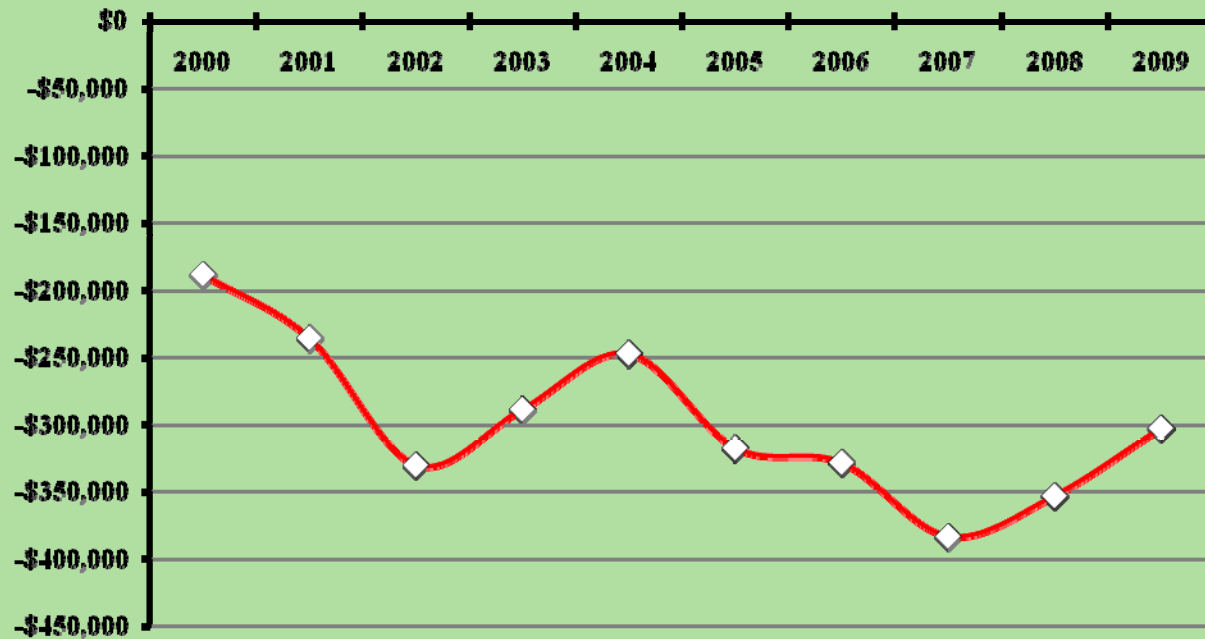
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	(99,402)	(108,290)	5,758	(146,260)	(129,083)	(167,067)	(213,153)	(215,725)	(273,320)	(127,013)
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	(53,442)	(56,696)	2,968	(73,497)	(63,276)	(78,435)	(97,777)	(96,306)	(116,306)	(54,747)

Sports Stadium

Constant Dollar Profit (Loss)



Sarasota Trend

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

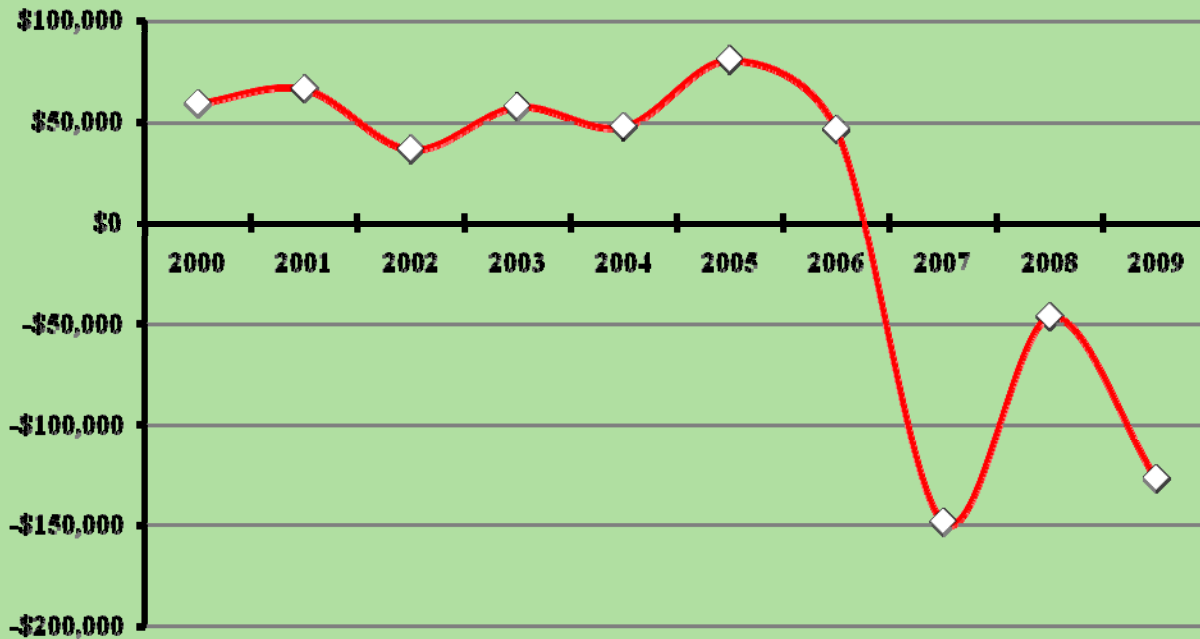
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	(350,025)	(450,275)	(641,385)	(574,784)	(504,288)	(676,902)	(716,529)	(859,253)	(830,753)	(702,658)
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	(188,185)	(235,746)	(330,611)	(288,836)	(247,200)	(317,794)	(328,683)	(383,595)	(353,512)	(302,870)

Parking Management

Constant Dollar Profit (Loss)



Sarasota Trend

Very Positive

Positive

Marginal

Negative

Very Negative ←

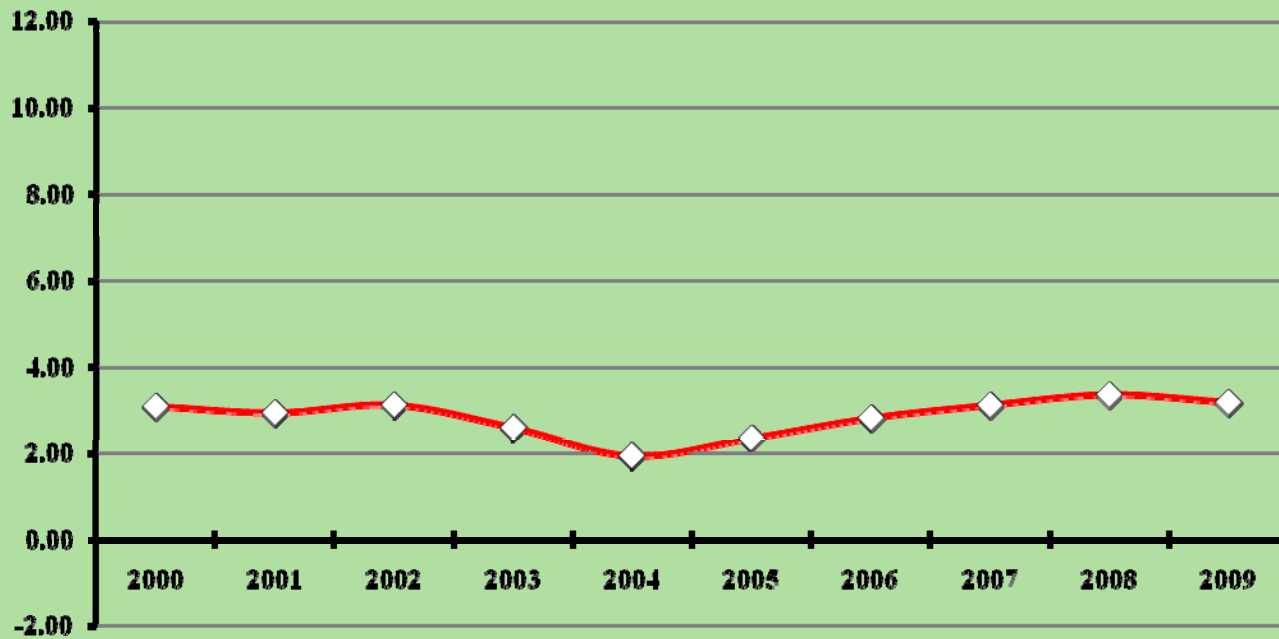
Warning Trend

Consistent enterprise
fund losses

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Profit (Loss)	110,013	126,585	70,362	114,403	97,010	171,959	100,495	(332,591)	(109,459)	(294,441)
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Profit (Loss) In Constant Dollars	59,147	66,275	36,269	57,489	47,554	80,732	46,099	(148,478)	(46,578)	(126,914)

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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Cash and Liquid Assets	15,194,482	14,326,987	16,904,696	14,704,391	18,514,983	18,930,041	22,906,050	24,936,799	24,185,790	23,019,882
Current Liabilities	4,922,660	4,877,021	5,413,485	5,684,714	9,527,016	8,059,642	8,131,823	7,999,621	7,197,811	7,235,688
Liquidity Ratio	3.09	2.94	3.12	2.59	1.94	2.35	2.82	3.12	3.36	3.18

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 had good success in achieving an operating surplus in the three years prior to 2000. 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 return to a positive 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 and revenue reductions in 2008 and 2009.

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 2007 and 2008 surpluses reaching 35.50 and 37.54 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 Bobby Jones Golf Course, have been able to operate without a subsidy from the General Fund. The Parking Management Fund has experienced a serious reduction in the fund balance in each of the last three years due to policy changes related to meter collections and parking permits.

Liquidity Ratio

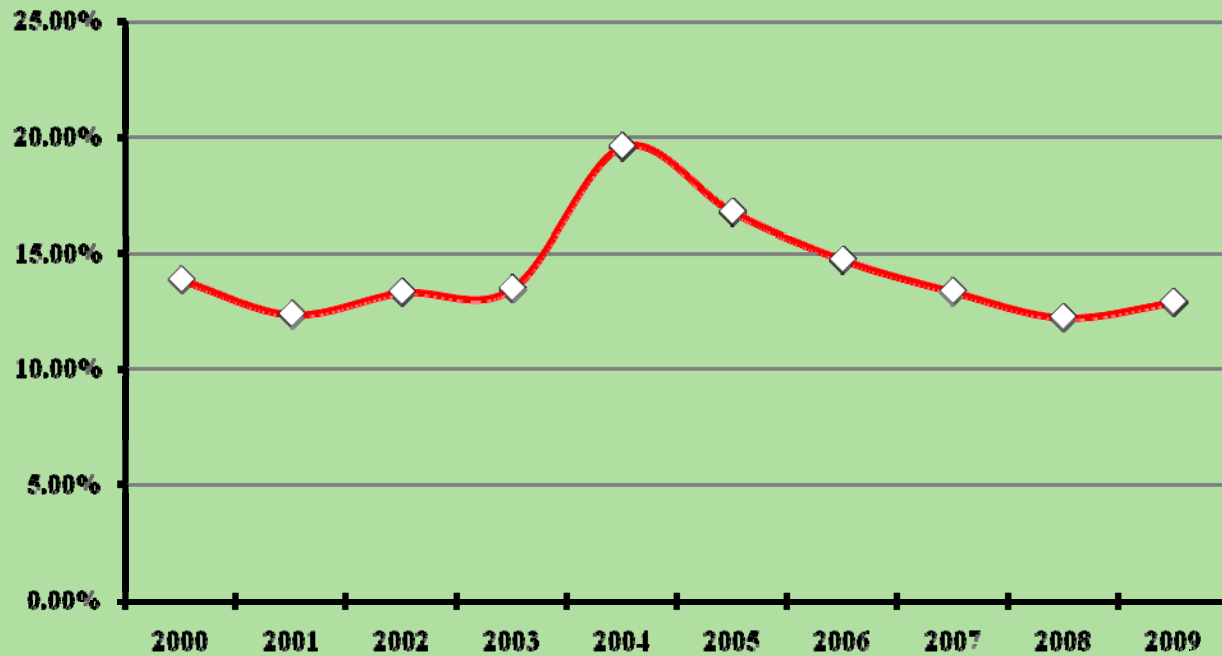
A good measure of a local government's short-term financial condition is its cash position. Cash position, which includes cash on hand and in the bank, as well as other assets that can be easily converted to cash, determines a government's ability to pay its short-term obligations. Entities use a standard 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

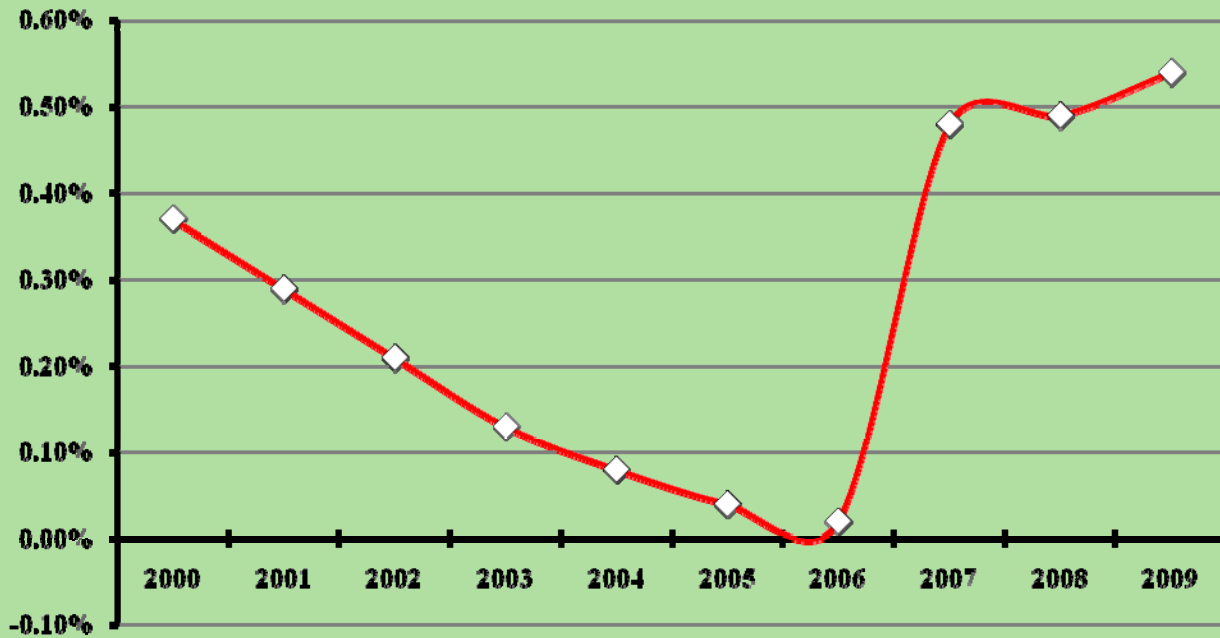
Increasing current liabilities as a percentage of operating revenues

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Current Liabilities	4,922,660	4,877,021	5,413,485	5,684,714	9,527,016	8,059,642	8,131,823	7,999,621	7,197,811	7,235,688
Gross Operating Revenue	35,552,548	39,463,403	40,649,898	42,174,665	48,603,304	48,070,154	55,258,448	59,926,732	58,862,280	56,123,677
Current Liabilities as a % of Operating Revenue	13.85%	12.36%	13.32%	13.48%	19.60%	16.77%	14.72%	13.35%	12.23%	12.89%

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

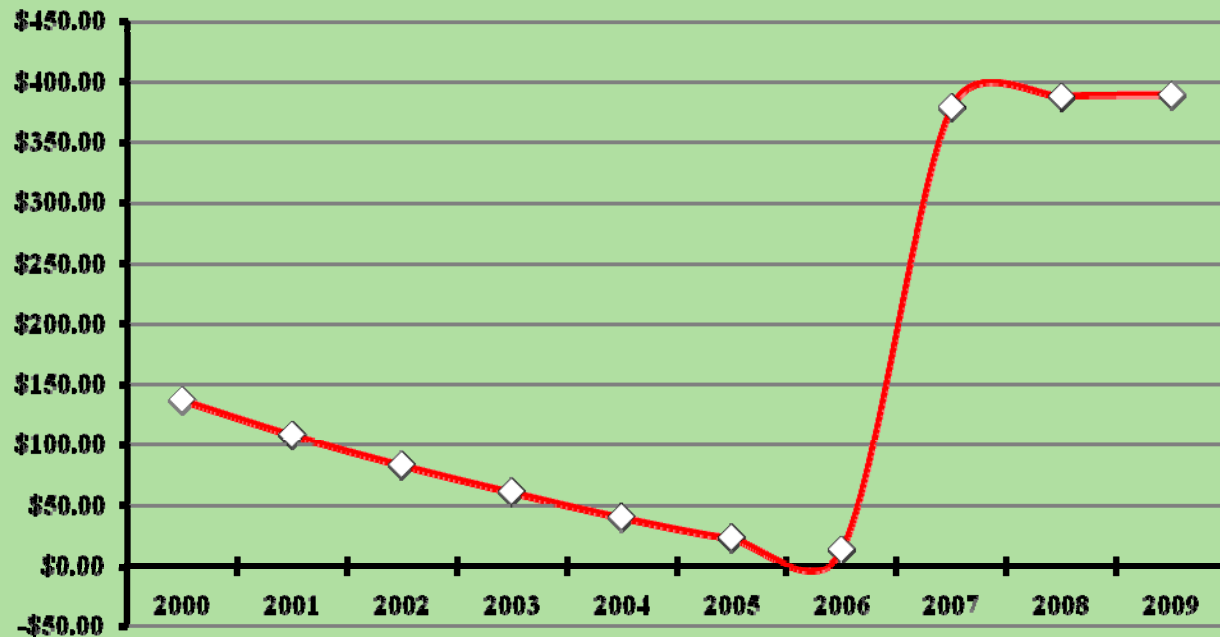
Warning Trend

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed Valuation (000's)	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116	10,335,525	9,217,263
Net Direct Debt	13,172,278	10,888,541	8,645,957	6,532,587	4,429,717	2,650,822	1,550,292	47,014,664	50,722,636	49,816,456
Net Direct Debt as a % of Assessed Valuation	0.37%	0.29%	0.21%	0.13%	0.08%	0.04%	0.02%	0.48%	0.49%	0.54%

Direct Debt Per Capita

General Obligation Bonds – In Constant Dollars



Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

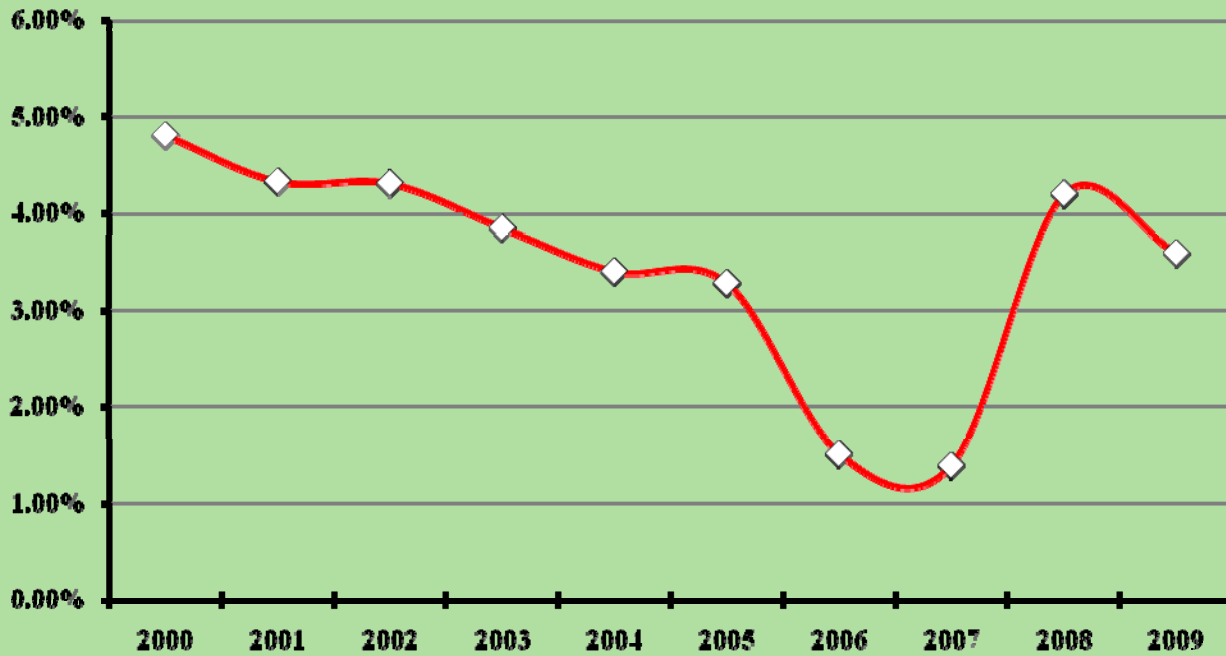
Warning Trend

Consistently rising dollars
per capita debt

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Direct Debt	13,172,278	10,888,541	8,645,957	6,532,587	4,429,717	2,650,822	1,550,292	47,014,664	50,722,636	49,816,456
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Net Direct Debt In Constant Dollars	7,081,870	5,700,807	4,456,679	3,282,707	2,171,430	1,244,517	711,143	20,988,689	21,584,100	21,472,610
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Net Direct Debt Per Capita In Constant Dollars	137.09	108.14	83.06	60.86	39.89	22.78	12.97	379.10	387.90	389.18

Net Direct Debt Service

General Obligation Bonds – As a % of Operating Revenue



Sarasota Trend

Very Positive

Positive ←

Marginal

Negative

Very Negative

Warning Trend

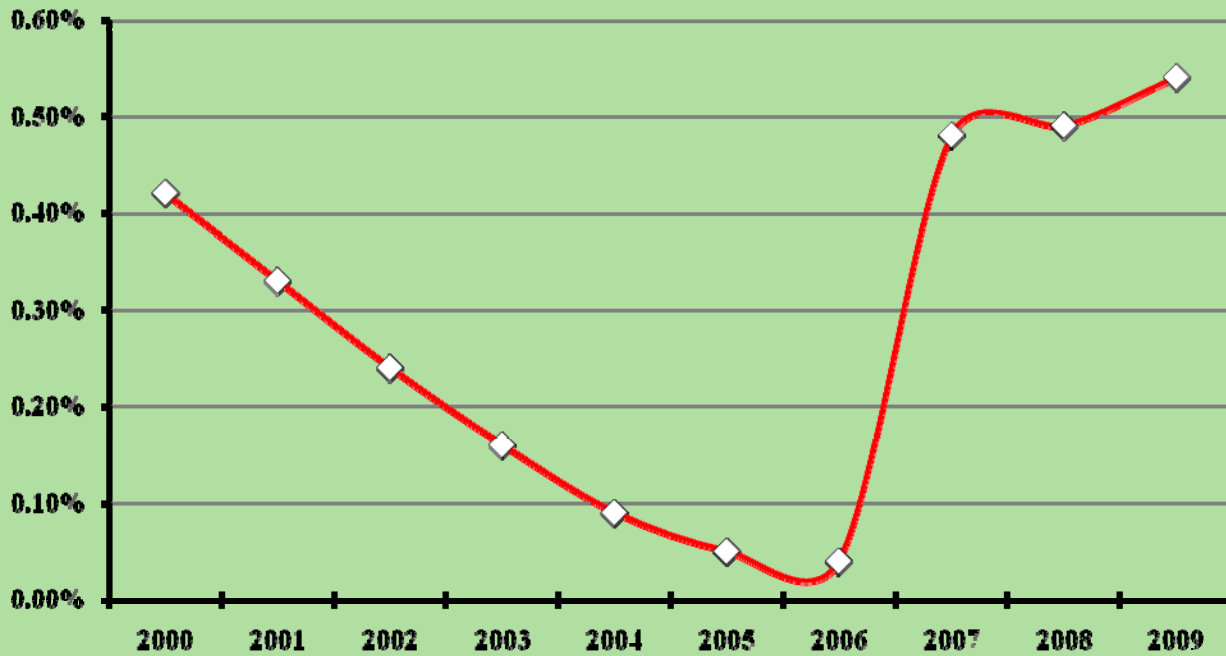
Increasing amount of net direct debt service as a percentage of net operating revenue

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Direct Debt Service	2,763,876	2,827,052	2,874,010	2,697,415	2,728,675	2,712,680	1,386,469	1,303,513	3,979,573	3,373,218
Net Operating Revenue *	57,472,746	65,229,752	66,669,010	70,062,986	80,249,955	82,783,471	91,978,728	93,740,542	94,663,987	94,019,959
Net Direct Debt Service as a % of Net Operating Revenue	4.81%	4.33%	4.31%	3.85%	3.40%	3.28%	1.51%	1.39%	4.20%	3.59%

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

Overlapping Long Term Debt

As a % of Assessed Valuation



Sarasota Trend

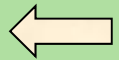
Very Positive

Positive

Marginal

Negative

Very Negative



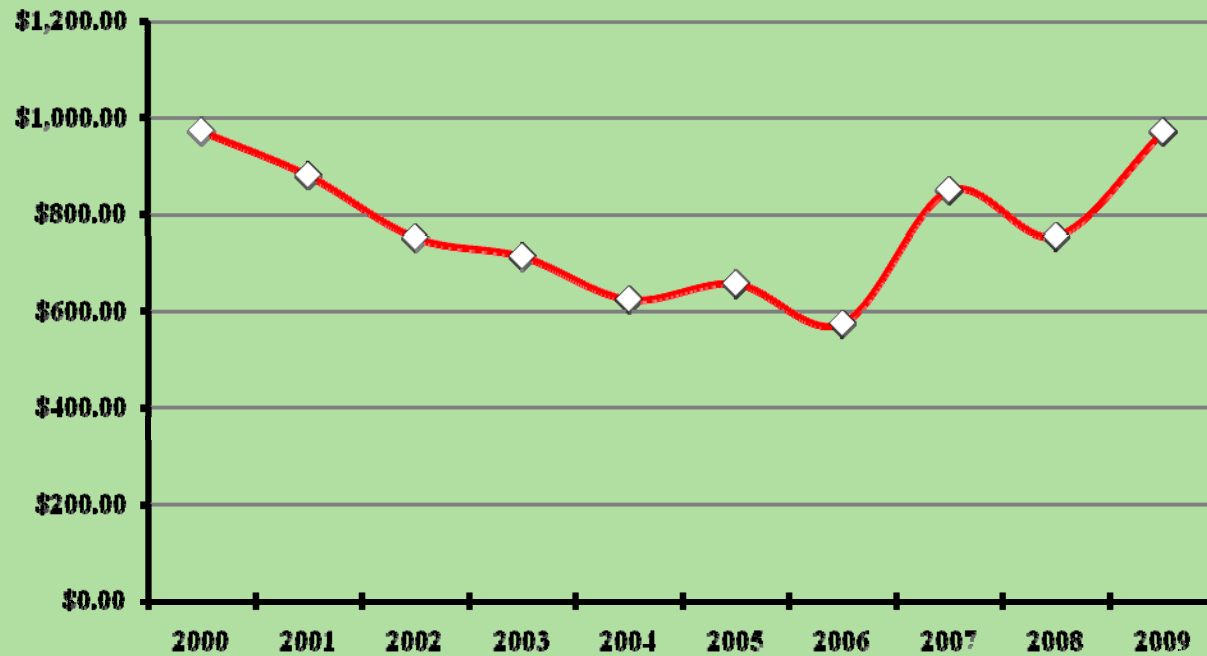
Warning Trend

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed Valuation (000's)	3,514,156	3,776,719	4,213,509	4,880,272	5,589,482	6,467,330	7,595,324	9,716,116	10,335,525	9,217,263
Overlapping LongTerm Debt	14,870,914	12,361,935	9,926,751	7,595,835	5,241,842	3,207,049	2,914,607	47,014,664	50,722,636	49,816,456
Overlapping LongTerm Debt as a % of Assessed Valuation	0.42%	0.33%	0.24%	0.16%	0.09%	0.05%	0.04%	0.48%	0.49%	0.54%

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Long Term Debt	114,967,667	111,916,227	104,378,486	100,412,460	91,738,254	95,499,837	86,090,502	122,240,010	117,130,406	150,099,871
Reserve for Debt Service	21,504,601	23,253,013	26,073,795	23,827,106	22,409,263	19,043,732	17,399,626	16,837,994	18,411,905	25,754,358
Net Long Term Debt	93,463,066	88,663,214	78,304,691	76,585,354	69,328,991	76,456,105	68,690,876	105,402,016	98,718,501	124,345,513
CPI	1.86	1.91	1.94	1.99	2.04	2.13	2.18	2.24	2.35	2.32
Constant Dollars	50,248,960	46,420,531	40,363,243	38,485,103	33,984,800	35,894,885	31,509,576	47,054,471	42,007,873	53,597,204
Population	51,659	52,715	53,657	53,939	54,434	54,639	54,848	55,364	55,644	55,174
Long Term Debt Per Capita In Constant Dollars	972.70	880.59	752.25	713.49	624.33	656.95	574.49	849.91	754.94	971.42

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

Current Liabilities

Current liabilities as a percent of General Fund operating revenue increased from 9.53 % in 1998 to 19.60 % in 2004. This 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 12.23 percent in 2008 and 12.89 in 2009 as these liabilities are 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 and 0.49 percent in 2008 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. The increase in 2009 is due to declining assessed valuations, a rarity, as the economy continued to slide into recession.

Direct Debt Per Capita

The City's direct debt per capita, *in constant dollars*, has declined from \$165.58 in 1999 to \$12.97 in 2006 before increasing to \$387.90 in 2008 and \$389.18 in 2009 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 5.17 percent in 1999 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, this measure increased to 4.20 percent in 2008.

Overlapping Long Term Debt

The City's overlapping long-term debt has declined each of the last ten years, from 0.53 percent in 1999 to 0.04 percent in 2006 before increasing to 0.49 percent in 2008 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. The increase in 2009 is due to declining assessed valuations, a rarity, as the economy continued to slide into recession.

Total Long Term Debt Per Capita

The City's total long term debt per capita, *in constant dollars*, has decreased consistently from \$1,041.58 in 1999 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 \$754.94 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 increased again in 2009 due to the issuance of Build America bonds to construct a community center and acquire land for a park and parking garage.

CONCLUSIONS

CONCLUSIONS

When viewed in a comprehensive perspective, the City of Sarasota experienced an extended period of moderate growth through 2006. Economic growth began to slow in 2007 and declined sharply in 2008 and 2009. Despite an extended period of healthy economic growth until 2007, the financial indicators, such as *population* and *revenue per capita in constant dollars*, while positive, had not reflected a singular strong performance. To the contrary, significant and consistent increases in population in the surrounding County have increased the strain on the City's infrastructure.

The City's financial health suffered in 2008 and 2009 due to the problems in the housing market, the slumping economy, state mandated revenue cutbacks as well as ever rising costs to fund governmental services at prior year levels. The City has been obliged to reduce certain services to its citizens through employee and program reductions, but at the same time, attempt to retain vital employees. The local economy is not expected to grow significantly in the near future. Increases in fringe benefit costs (wages, retirement contributions and health care benefits) are expected to continue to exert pressure on the City's diminishing property tax base. To combat these hardships, the City has implemented aggressive strategies to minimize the impact of declining economic conditions on the City's budget.

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