

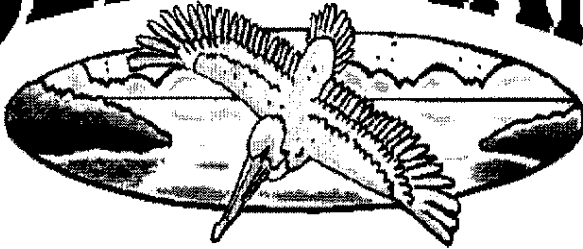
MISSION STATEMENT

City of Sebastian elected officials, volunteer board and advisory committee members, and all employees are committed to making Sebastian the most desirable city in the State of Florida to live, for businesses to flourish and visitors to enjoy. Sebastian will become known as a city that superbly manages and develops its human, natural and financial resources such that it is consistently able to provide and improve upon its reputation as a highly attractive and safe community with enviable business and recreational opportunities.

We will achieve this mission by implementing the following strategies that build on excellent work already begun:

- Ensure that all employees, volunteers and advisory board members fully understand and will work toward the achievement of the mission.
- Determine, through citizen committees, workshops and surveys, the most important stated and unstated needs and expectations of the majority of our residents. Concurrently, seek to assess both internal and external attitudes toward all major City sponsored programs designed to meet those needs and expectations.
- Continually assess the City's recreational and cultural activities and work to provide an optimal mix that satisfies our residents.
- Develop a Growth Management plan that recognizes the City's current and future growth needs.
- Continue to improve the budgeting process so that all human, natural and financial resources are allocated and all capital improvements are developed and implemented consistent with this mission.
- Design and implement an employee recruitment, training and development plan that finds, trains, develops and retains people with the skills and talents needed to achieve the City's mission.
- Develop and promulgate an Economic Development Policy that will entice commercial enterprises to Sebastian, thereby strengthening and expanding the City's financial resources.
- Continue to improve methods of communicating information to residents.

Each Department of the City of Sebastian will develop and accept responsibility for specific action steps designed to achieve its portion of the mission. The City will review its mission statement annually and measure its progress periodically based on completion of specific goals set forth in the annual budgeting process. The final measure of success will be realization of the City of Sebastian's mission.

CITY OF
SEBASTIAN

HOME OF PELICAN ISLAND

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City of Sebastian, Florida

Financial Policies

City of Sebastian's financial policies set forth the basic framework for overall fiscal planning and management and set forth guidelines for both current activities and long-range planning. These policies are reviewed annually to assure the highest standards of fiscal management. The City Manager and the Management Team has the primary role of reviewing financial actions and providing guidance on financial issues to the City Council.

Overall goals

The overall financial goals underlying these policies are:

1. **Fiscal Conservatism:** To ensure that the city is in a solid financial condition at all times. This can be defined as:
 - A. Cash Solvency – the ability to pay bills
 - B. Budgetary Solvency – the ability to balance the budget
 - C. Long Term Solvency – the ability to pay future costs
 - D. Service Level Solvency – the ability to provide needed and desired services
2. **Flexibility:** To ensure that the city is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.
3. **Comply with All Statutory Requirements:** As set forth by the State of Florida and the City ordinances.
4. **Adherence to the highest Accounting and Management Practices:** As set by the Government Finance Officers' Association standards for financial reporting and budgeting, the Government Accounting Standards Board and other professional standards.

Operating Budget Policies

The Finance Department, with support and direction from the Office of the City Manager, coordinates the budget process. The formal budgeting process, which begins in February and ends in September, provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources. Revenues and expenditures are projected on

the basis of information provided by city departments, outside agencies, current rate structures, historical data and statistical trends.

Budget Process

The development of the budget is guided by the following budget policies:

1. The budget must be balanced for all funds. Total anticipated revenues must equal total estimated expenditures for each fund (Section 166.241 of Florida Statutes requires that all budgets be balanced).
2. All operating funds are subject to the annual budget process and reflected in the budget document.
3. The enterprise operations of the city are to be self-supporting; i.e., current revenues will cover current expenditures, including debt service.
4. An administrative service fee will be assessed by the General Fund against all enterprise funds of the city. This assessment will be calculated based upon a percentage (number of full-time equivalent employees of the enterprise fund/total number of full-time equivalent employees of the city) of total General Fund administration expenditures budget (includes City Council, City Manager, City Attorney, City Clerk, Finance, and Human Resources) and will be used to reimburse the General Fund for the administrative and support services provided to these funds.
5. A 2.5 percent administrative service fee will be assessed by the General Fund against the Community Redevelopment Agency (CRA) Fund of the city. This assessment will be based on the total tax increment revenue estimate of the CRA Fund and will be used to reimburse the General Fund for the administrative support services provided to the CRA fund.
6. An administrative service fee will be assessed by the General Fund against Stormwater Utility Revenue Fund. The assessment will be calculated based on the maximum allowable percentage set forth by the city's Stormwater Ordinance. Pursuant to the City Ordinance No. O-04-15, no more than 20% of the annual net stormwater fee

City of Sebastian, Florida

Financial Policies

revenues is to be used for the operation and maintenance of the stormwater program.

7. In no event will the City of Sebastian levy ad valorem taxes against real property and tangible personal property in excess of 10 mills, except for voted levies (Section 200.081 of Florida Statutes places this millage limitation on all Florida municipalities.)
8. The city will budget 95 percent of anticipated gross ad valorem proceeds to provide an allowance for discounts for early payment of taxes (Section 200.065 of Florida Statutes states that each taxing authority shall utilize not less than 95 percent of the taxable value.)
9. The city will coordinate development of the capital improvement budget with the development of the annual operating budget. Each capital improvement budget is reviewed for its impact on the operating budget in terms of revenue generation, additional personnel required and additional operating expenses.
10. A budget calendar will be designed each year to provide a framework within which the interactions necessary to formulate a sound budget could occur. At the same time, it will ensure that the city will comply with all applicable State legal mandates.

Basis of Budgeting

The basis of budgeting for General, Special Revenue, and Debt Service Funds shall be prepared on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized only when they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the fund liability is incurred except for unmatured interest on general long-term debt which is recognized when due, and the non-current portion of accrued fringe benefits (vacation and sick leave) which is recorded as a long-term liability in the Statement of Net Assets in the Comprehensive Annual Financial Report.

The budgets for the Proprietary funds – Golf Course and Airport – are prepared using the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when the liability is incurred. Revenues are recognized when they are obligated to the City (e.g., Airport leases). The

differences between the budget basis and the accrual basis of accounting include: (1) budgeting the full amount of capital expenditures as expense rather than depreciating them and (2) presenting debt service, including principal as an expense.

Guidelines

The Comprehensive Annual Financial Report (CAFR) presents the status of the City's finances on a basis consistent with Generally Accepted Accounting Principles (GAAP) (i.e., a statement of net assets and statement of activities are presented on an accrual basis of accounting, including governmental funds, major governmental and proprietary funds are identified, governmental funds use the modified accrual basis of accounting, while the proprietary and trust funds use the accrual basis of accounting.) In order to provide a meaningful comparison of actual results to the final budget, the CAFR presents the City's operations on a GAAP basis and also shows fund revenue and expenditures on a budget basis for the General, Special Revenue, and Debt Service funds.

Current revenues shall be sufficient to support current expenditures.

The budget process and format shall be performance-based and focused on goals, objectives, programs, and performance indicators.

The budget will provide adequate funding for maintenance and replacement of capital plant and equipment.

Budget Amendment

1. Total fund appropriations changes must be approved by the City Council.
2. Uses of contingency appropriations must be specifically approved by the City Council.
3. Shifts in appropriations within fund totals may be done administratively on the authority of the City manager. In most cases the City Manager will request City Council's approval since the item prompting the change will usually go to the City Council (e.g., award of contract, addition of staff, contract change order). Procedures for appropriation transfers and delegation of budget responsibility will be set by the City manager.
4. A Budgetary Control System will be maintained to ensure compliance with the budget. Quarterly

City of Sebastian, Florida

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budget status reports will be provided to the City Council comparing actual versus budgeted revenue and expense activity for all budgeted funds.

Planning

The City will annually prepare and distribute to departments and the City Council a Five-Year Forecast. The forecast will include estimated operating costs and revenues for future capital improvements, such as new parks and public works facilities, included in the capital budget.

Fund Balance Policies

On an annual basis, after the year-end audit has been completed, but no later than April 1, the City Finance Director shall produce a schedule of all fund surpluses and deficits, with projections of reserve requirements and a plan for the use of any excess surplus for the current year in accordance with the Financial Balance Policies and Use of Surplus Policies. This document will be used not only to ensure compliance with stated and adopted policies, but also to analyze the total reserve and surplus picture to ensure that the policies as adopted do not inadvertently create adverse effects. The Director of Finance shall provide recommended changes to the City Council for any changes to the Financial Balance Policies and Use of Surplus Policies based on needs identified in this analysis.

Working Capital

The General Fund unappropriated fund balance will be maintained in an amount greater than or equal to fifteen percent (15%) of the annual General Fund Expenditures budget. This amount approximates two months or 60 days of working capital.

The City shall include in the General Fund operating budget annually, an Operating Contingency Account equal to 1.5% of the General Fund total expenditures, less debt service, interfund transfers and capital expenditures. This contingency will be used for unforeseen and emergency events that occur during the course of the operating year and will expire at the end of each fiscal year and balances will not be brought forward.

In order to provide the resources necessary to ensure continued operations of the City's programs should a natural disaster or significant changes in the weather pattern occur, the City shall maintain a reserve of \$350,000 for emergency services.

The City shall maintain a reserve of \$100,000 for Property and Casualty claims representing four claims on a \$25,000 deductible.

All retirement programs, Police Pension, CWA/ITU and 401a programs will be funded at 100% of the obligations calculated annually. The defined benefit pension plan will be funded in accordance with an independent actuarial analysis performed at a minimum of every two years, or as needed.

Capital Reserves

The City shall include in the General Fund operating budget annually a Capital Contingency Account equal to 0.5% of the General Fund total expenditures, less debt service, interfund transfers and capital expenditures. This contingency will be used for unanticipated expenditures for the maintenance of buildings and replacement of related equipment and will expire at the end of each fiscal year and balances will not be brought forward.

Annually the City shall transfer fifty percent (50%) of the current year's operating surplus (revenues in excess of expenditures) into a capital equipment replacement reserve for the purpose of creating a perpetual funding method for replacing City capital equipment. Prior to any funds being spent, the budget amendment procedure must be followed.

The City shall maintain a reserve of \$1,000,000 for the purpose of providing advances to the airport for capital improvements pursuant to a resolution establishing this loan reserve.

City of Sebastian, Florida

Financial Policies

The table listed below is a summary of all reserve and contingency requirements for the General Fund.

Reserve Description	Requirement
Working Capital Reserve	15% of annual General Fund Expenditures budget
Emergency Reserve	\$350,000
Property and Casualty claims Reserve	\$100,000
Capital Equipment Replacement Reserve	50% of the current year's operating surplus (revenues in excess of expenditures)
General Fund Advance to Airport Capital Projects Reserve	\$1,000,000, expire September 12, 2007
General Fund Operating Contingency (for budget purpose only)	1.5% of the General Fund total expenditures budget, less debt service, interfund transfers and capital expenditures
Capital Contingency (for budget purpose only)	0.5% of the General Fund total expenditures budget, less debt service, interfund transfers and capital expenditures
All retirement programs	100% Funded per independent actuarial analysis performed at a minimum of every two years, or as needed

Use of Surplus Policies

Use of Surpluses

It is the intent of the City to use all surpluses generated to accomplish three goals: meeting reserve policies, avoidance of future debt, and reduction of outstanding debt. The City will not use existing fund balances or year-end surpluses to fund ongoing operating expenses.

Any surpluses realized in the General Fund at year-end shall be used first to meet reserve policies as set forth in the Fund Balance Policies. Excess surplus will then be used for the following purposes, listed in order of priority:

- **Capital Replacement Programs.** After General Fund reserves have been met, up to 50% of excess reserves may be set aside to provide the cash necessary to implement capital replacement programs (e.g., vehicle and equipment replacement and facility maintenance programs). Any excess surplus remaining after reserve policies have been met may be used to pay down debt existing in the general fund or any other capital loans.
- **Cash Payments for Capital Improvement Program Projects.** Using cash to purchase capital items

that are budgeted to be purchased with the proceeds from any debt will reduce the future debt burden of the City. This strategy may be combined with retirement to reduce future debt service after performing a financial analysis to determine the greatest net present value savings.

- **Cemetery Permanent Trust Fund.** After all other needs have been satisfied, excess surpluses may be transferred to the Cemetery Permanent Trust Fund that has been established to care for the Cemetery. The amounts transferred shall be deemed corpus to the Cemetery Trust fund for future earnings growth to fund Cemetery care and maintenance.
- **Riverfront Redevelopment Agency.** After all other needs have been satisfied; excess surpluses may be transferred to the Riverfront Redevelopment Agency that has been established to provide infrastructure and public facility needs.

Special Revenue Fund Surpluses

Local Option Gas Tax Revenue Fund - A reserve will be maintained in an amount greater than or equal to fifteen percent (15%) of the annual Local Option Gas Tax Fund Expenditures budget. Excess surpluses shall first be used for the purpose of reducing debt for the Road Paving Note Payable.

Discretionary Sales Surtax Revenue Fund - A reserve will be maintained in an amount greater than or equal to ten percent (10%) of the total annual Discretionary Sales Tax Fund Expenditures budget for the purpose of providing sufficient funds for unanticipated major repairs or replacements for eligible capital improvements or equipment.

Discretionary Sales Tax revenues will be used in accordance with the following:

1. fund annual debt service payments for which this revenue source is pledged, then;
2. fund emergency vehicles, then;
3. fund pay-as-you go eligible capital improvements, then;
4. fund equipment for the maintenance of Discretionary Sales Tax funded improvements.

Stormwater Utility Revenue Fund - A reserve will be maintained in an amount greater than or equal to fifteen percent (15%) of the total annual Stormwater Utility Revenue Fund Expenditures budget for the purpose of providing sufficient funds for unanticipated major capital improvement program. (Pursuant to City of Sebastian Ordinance No. O-04-

City of Sebastian, Florida

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15, capital improvement program of the Comprehensive Growth Management Plan on furtherance of the Stormwater Master Plan adopted by the City Council.)

Performance Measurement Policies

Establishing Performance Requirements

Every two years, the City shall update the existing Strategic Plan that identifies Strategic Priorities for the following two years. Each Strategic Priority should provide three to five Key Intended Outcomes (KIOs) that measure appropriate results for each priority.

Annually, each department shall develop departmental performance measures that correspond with the department programs and file them with the City Manager's Office. Goals should be related to core services of the department and should reflect stakeholder needs. The measures should be of a mix of different types, including effectiveness, efficiency, demand and workload. Measures should have sufficiently aggressive "stretch" goals to ensure continuous improvement.

- Workload – Measures the quantity of activity for a department (e.g., number of calls responded to).
- Demand – Measures the amount of service opportunities (e.g., total number of calls).
- Efficiency – Measures the relationship between output and service cost (e.g., average cost of the response to a service call).
- Effectiveness – Measures the impact of an activity (e.g., percent of people who feel safe).

Department Directors shall establish performance measures for each program within their department to monitor and project program performance. These objectives must be linked to the departmental measures they support.

Supervisors shall insure that fair, objective and aggressive performance measures for each employee that directly supports program objectives and departmental measures are part of their annual review.

Reporting Performance

Quarterly summaries of progress on goals and objectives and departmental performance measures will be provided to the City Manager for publishing in the Council's Quarterly Budget to Actual Report.

Decision Making and Analysis

The City's Strategic Planning and budgeting decisions are based on a number of processes currently in place. The specific tools used are:

- ❖ *Citizen Advisory Boards* – (e.g., Budget Review Committee) are teams made up of Residents and City staff to address specific concerns and provide direction and feedback. Several such advisory boards currently exist;
- ❖ *Master Planning* – Specific functions and processes are included in written plans, such as the Comprehensive Plan, Stormwater Master Plan, and the Airport Master Plan;
- ❖ *Fiscal Impact Model* – Allocation methodology that quantifies average and marginal revenues and the costs of new development by land use type;
- ❖ *Revenue Forecasting Model* – Statistical time series analysis and tracking model of major revenue sources;
- ❖ *Performance Measurement System* – Quarterly performance evaluations and reports;
- ❖ *Capital Budgeting Tools* – Present Value Payback, Net Present Value Analysis, Own/Lease Analysis, and Return on Investment (ROI) Analysis;
- ❖ *Five-Year Financial Plan* – Multi-year forecasting of revenues and expenditures;
- ❖ *Ten-Year Fleet Replacement Program* – Equipment replacement covering the useful life of all vehicle classes;
- ❖ *Ten-Year Equipment and Maintenance Program* – maintenance and replacement schedule covering the useful life of all equipment, other than vehicles;
- ❖ *Financial Trend Monitoring System* – Systematic analysis of major financial indicators;

Capital Improvement Program Policies

Alignment

The City shall coordinate the development of the Capital Improvement Program budget with the development of the Strategic Plan and Operating Budget, as well as ensuring compliance with the Comprehensive Plan Capital Improvement Element. Future operating expenditures and revenues associated

City of Sebastian, Florida

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with new capital improvements will be projected and included in the operating budget Five-Year Forecasts.

Project Selection

All capital projects submitted for approval must be justified in terms of how the project supports the achievement of the City's Strategic Priorities. Projects are prioritized and approved based on the relevancy of the project to the City's Strategic Plan and the impact on the end stakeholder(s).

Capital Improvement Budget

The City shall adopt an annual Capital Budget based on the Capital Improvement Program. Future capital improvement expenditures necessitated by changes in population, real estate development, or in economic base will be calculated and included in the capital improvement budget projections.

The originating department of the capital improvement project will identify the estimated costs and funding sources for each capital project proposal before it is submitted to the City Council for approval.

The City shall make all capital improvements in accordance with an adopted Capital Improvement Program budget.

The City will determine and use the most prudent financial methods for acquisition of capital improvement projects based upon market conditions at the time of acquisition.

Capital Equipment Outlay

The City will determine and use the most prudent financial methods for acquisition of new or replacement capital equipment, based upon market conditions at the time of acquisition.

Capital Replacement Programs – The City shall establish equipment replacement and maintenance needs for at least a ten-year period and will update this projection each year. From this projection, a maintenance and replacement schedule shall be developed and implemented. Funding for these programs will be made through funded depreciation charges to using departments and held in sinking funds created for the purpose of paying for replacements. Additional funding may be obtained through year-end surpluses as identified in the Use of Surplus Policies. Maintenance programs shall be paid for on a pay-as-you-go program.

Maintenance

The City shall maintain all capital assets at a level adequate to protect the City's capital investment to minimize future maintenance and replacement costs.

Physical Inventory

An annual physical inventory (see Fixed Asset Policies) will be conducted to ensure that the replacement, maintenance, and Capital Improvement Program projections are accurate, and that sufficient internal control over capital items is exercised.

See Fixed Asset Policies for further information on capital purchases.

Debt Management Policies

Market Review

The City, in conjunction with its financial Consultant, shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the City the opportunity to refund an issue and incur less debt service costs. In order to consider the possible refunding of an issue, a Present Value savings of three percent (3%) over the life of the respective issue, at a minimum, must be attainable.

Debt Issuance

When the City finances capital projects by issuing bonds, it shall amortize the debt over a term not to exceed the average useful life of the project(s) financed.

If General Obligation Bonds are issued, the City's goal will be to limit the maturity to fifteen (15) years.

Capital Improvements, equipment and facility projects shall be classified into "pay-as-you-go" and "debt financing" classifications. Pay-as-you-go capital items will be \$150,000 or less with lives of ten years or less or replacement of existing equipment where depreciation has been paid to a sinking fund. Debt financing will only be used for major, non-recurring items with a minimum of ten (10) years useful life.

The City shall confine long-term borrowing to capital improvements and projects that have useful lives in excess of twenty (20) years.

When possible, the City shall use a special assessment or self-supporting financing instead of general obligation bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.

City of Sebastian, Florida

Financial Policies

Debt Service Levels

Annual General Fund debt service expense, if any, will be limited to eight percent (8%) of the General Fund expenditures budget.

The City will limit its total outstanding General Obligation debt, if any, to five percent (5%) of the assessed valuation of taxable property.

The City will limit the amount of Variable Rate debt to fifteen percent (15%) of the total debt outstanding.

Bond Ratings

The City, along with its Financial Advisor, shall periodically review possible actions to maintain or improve its bond ratings by various rating agencies.

The City shall maintain good communications with bond rating agencies and its bond insurers about its financial condition.

The City shall follow a policy of "full disclosure" in its Comprehensive Annual Financial Report and bond prospectuses.

Revenue Policies

Revenue Projections

The City shall estimate its annual revenues by objective and analytical processes.

The City shall maintain a diversified and stable revenue system to the extent provided by law to insulate it from short-term fluctuations in any one-revenue source.

User Fees

The City shall recalculate on a bi-annual basis the full cost of selected activities currently supported by user fees and charges to identify the impact of inflation and other cost increases.

The City shall set fees and user charges for the Golf Course fund at a level that fully supports the total direct and indirect costs of operation, including depreciation.

Reporting and Analysis

To ensure compliance with Revenue Policies, Fund Balance Policies, and Budget Policies, the City Finance Department shall prepare reports and analyses annually to monitor, project, and estimate revenue and expenditures, to wit:

- *Five-Year Forecast of Revenues and Expenditures* – A planning tool prepared and used by the Finance Department to forecast and project various funds (General, Local Option Gas Tax, Discretionary Sales Tax, Golf Course and Airport);
- *Situational Analysis* – Every two years, as part of the Strategic Planning Process, an analysis of the demographic, legislative, and customer requirements shall be made. Part of the project includes a "SWOT" (Strengths, Weaknesses, Opportunities, Threat) analysis.
- *Financial Trend Monitoring System* – A set of financial trends and ratios used as leading indicators and as a measurement of relative performance. The Finance Department shall produce this report annually.
- *Revenue Manual* – A guide to the major revenue sources that indicates the source, calculation, legal requirements, and accounting guidelines. Updated annually, as necessary, by the Finance Department.
- *Reserve Analysis* – The City Finance Director will annually review the reserve levels and produce a report that indicates up-to-date reserve levels as compared to policy goals.
- *Investment Portfolio Reports* – A quarterly report designed to track and analyze the performance of our investment portfolio.

Investment Policies

Investment Management

The City Finance Department shall perform a cash flow analysis of all funds on a regular basis. Disbursement, collection, and deposit of all funds will be scheduled to insure optimum cash availability. (See Investment Policy.)

When permitted by law, the City shall pool cash from each respective fund for investment purposes.

Investments shall be managed by a third-party administrator to achieve optimal return on the City's investments.

City of Sebastian, Florida Financial Policies

Investment Analysis

The City shall review its investment policies established for investing surplus funds to account for changes in legislation and market conditions on an annual basis.

The City shall prepare quarterly investment portfolio reports containing the overall performance of the fund.

FINANCIAL ACCOUNTING STRUCTURE

All operations of City of Sebastian are accounted for by the use of fund accounting. This system ensures the accountability of the City to its citizens, other governments, and creditors. Various funds are established to track transactions for different types of resources. Each fund is a separate entity with its own resources, liabilities, and residual balance. Departments within the City formed to carry out a specific function are identified and accounted for within the system. Departmental functions may be funded from a number of established funds. Funds with similar objectives, activities, and legal restrictions are placed in one of three groups for reporting purposes.

Types of Funds

Governmental Funds: These funds account for general governmental activities, such as law enforcement, which are largely supported by taxes and fees. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. All of the governmental funds are budgeted funds, which include the following:

- The **General Fund** includes all sources of revenue the city receives that are not designated for a specific purpose. General Fund money may be used by the City Council for legal public purpose.
- **Special Revenue Funds** account for resources received from special sources dedicated or restricted to specific uses (such as certain grants and assessments).
- **Debt Service Funds** are utilized for reporting the accumulation of resources for, and the payments of principal, interest, and other costs associated with long-term debt.
- **Capital Projects Funds** account for the accumulation and use of resources for the construction/acquisition of buildings, land, infrastructure, and other capital facilities.

Enterprise Funds: These funds account for those activities, which are provided by government on a basis consistent with private enterprise. Enterprise Funds are expected to be self-supporting through revenue generated from the services provided. They are reported using the economic resources measurement focus and the accrual basis of accounting. All of the enterprise funds are budgeted funds.

Permanent Funds: Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. All of the permanent funds are not budgeted funds.

Fiduciary Funds: The fiduciary funds are used to account for the collection and disbursement of monies by the city on behalf of other governments and individuals, such as pension, cash bonds and refundable cash deposits. All of the fiduciary funds are not budgeted funds.

Description of All Funds

General Fund (001) - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those to be accounted for in another fund. The majority of funding is from ad valorem (property) taxes.

Special Revenue Funds -Special Revenue Funds are used to account for the specific revenues that are legally restricted to expenditures for specified purposes.

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Community Development Block Grant Fund (106) – This fund is used to account for a Small Cities Grant for infrastructure improvements in the Louisiana Avenue area of the City of Sebastian.

Local Option Gas Tax Fund (120) – This fund is used to account for the government's share of motor fuel tax revenues that are legally restricted to transportation related expenditures within the government's boundaries.

Discretionary Sales Tax Fund (130) – This fund is used to account for revenues generated by local option one-cent sales tax. Monies are used for infrastructure improvements and equipment purchases.

Recreation Impact Fee Fund (160) – This fund is used to account for recreation impact fees that are restricted for use in the expansion or construction of recreational facilities.

Stormwater Utility Fee Fund (163) – This fund is used to account for fees collected on a per unit basis that are restricted for the purposes of managing the City's Stormwater system.

Law Enforcement Forfeiture Fund (190) – This fund is used to account for the receipt of forfeited cash and equipment associated with police activities and is restricted to police related equipment purchases and community education initiatives.

G.R.E.A.T. Program Fund (191) – This fund is used to account for a federal law enforcement grant to be used for gang resistance, education and training for school children from grade school through middle school.

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

Special Assessment Revenue Bonds Debt Service Fund (201) – This fund is used to account for the receipt of special assessments and the associated repayment of debt.

Discretionary Sales Surtax Revenue Bonds Debt Service Fund (230) – This fund is used to account for the accumulation of discretionary sales tax monies pledged to pay the principal, interest, and fiscal charges on the Discretionary Sales Surtax Revenue Bonds.

Stormwater Utility Revenue Bonds Debt Service Fund (263) - This fund is used to account for the accumulation of stormwater utility revenue pledged to pay the principal, interest, and fiscal charges on the Stormwater Utility Revenue Bonds.

Capital Project Funds - These funds are used to account for financial resources designated for the acquisition or construction of major capital facilities except those financed by enterprise funds.

General Capital Projects Fund (310) – This fund is used to account for the construction of non-stormwater related improvements and general capital construction projects. Governmental resources and State grant revenues are used to finance the improvements in this fund.

Capital Improvements Fund (320) - This fund is used to account for the accumulated resources associated with infrastructure improvements such as drainage, parks and buildings.

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Transportation Improvements Fund (330) – This fund is used to account for transportation related construction such as, roads, intersections, and sidewalks and are funded with governmental resources, impact fees and State grants.

Road Paving Program Fund (335) – This fund accounts for the resources associated with debt for the purposes of reconstructing and paving roads.

Stormwater Improvements Fund (363) – This fund is used to account for the construction of stormwater related improvements. Stormwater Utility Revenue Bonds, Series 2003 and stormwater assessment fees are used to finance the improvements in this fund.

Public Facilities Improvements (390) – This fund is used to account for the resources associated with debt for the purposes of constructing and equipping a new city hall complex, renovation and expansion of the police station, and renovation of old schoolhouse.

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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be 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 appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Golf Course Fund (410) – This fund is used to account for the activities of the municipal golf course.

Airport Fund (450 and 455) – These two funds are used to account for the activities of the municipality's general aviation airport.

Permanent Fund

Cemetery Permanent Fund (601) – This fund is used to account for principal trust amounts received, sale of cemetery lots and related interest income. One-half of the cemetery lot sale and the interest portion of the trust can be used to maintain the community cemetery.

Fiduciary Funds

Pension Trust Fund (620) – This fund accounts for the activities of the Police Officer's Retirement System, which accumulates resources for pension benefit payments to qualified officers.

Agency Fund (680) – This fund accounts for deposits placed by bidders and developers to guarantee performance pursuant to bid or contract and for deposits for use of city owned buildings and parks to guarantee performance pursuant to contract.

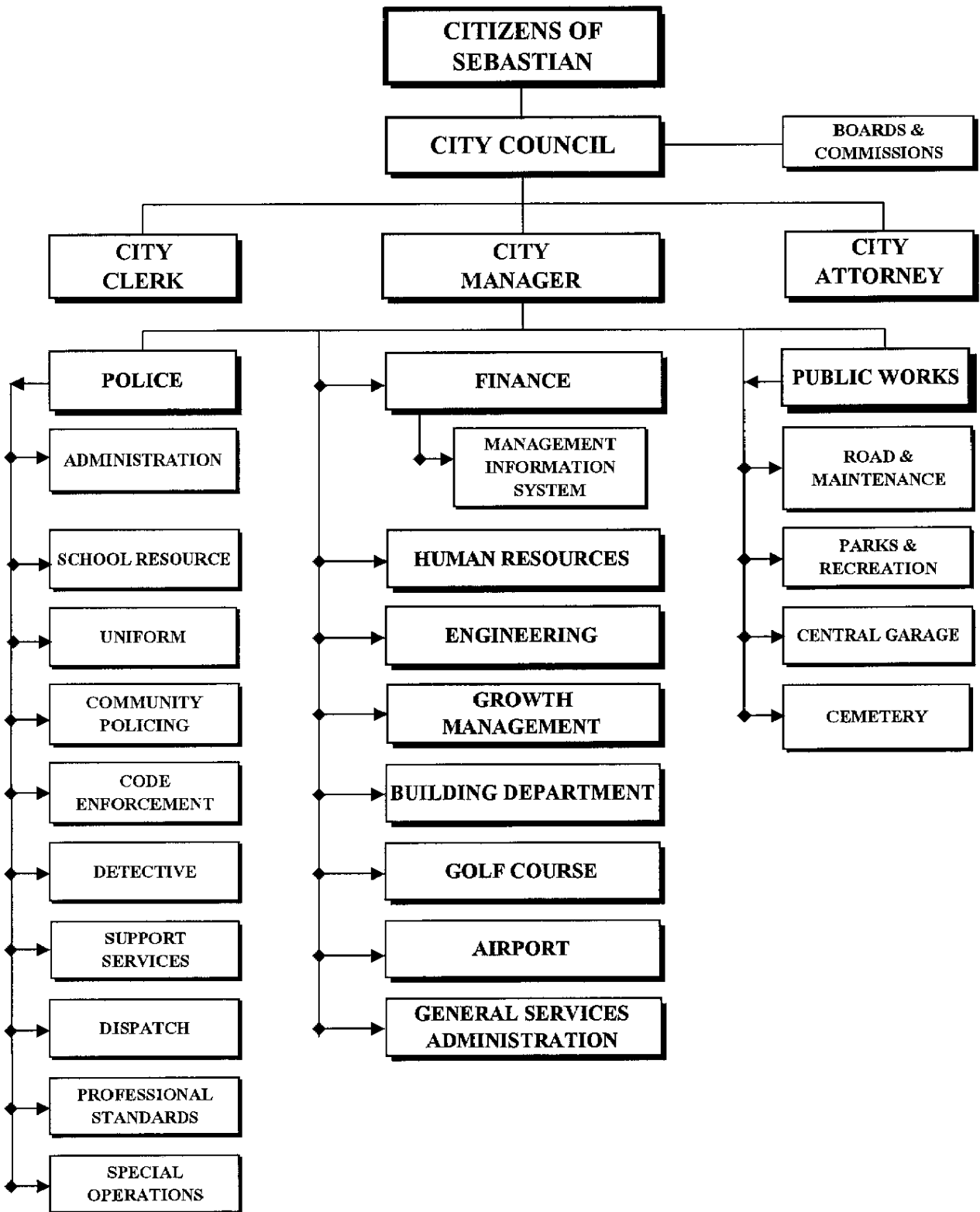
CITY OF SEBASTIAN, FLORID 2004/2005 ANNUAL BUDGET

DEPARTMENT/DIVISION AND FUNCTION RELATIONSHIP SUMMARY

This table summarizes the relationship between City departments/divisions and the funds in the accounting and budgetary groupings previously described. In addition, the accounting functions used to summarize the operating expenditures/expenses for each department/division are listed.

Department/Division	Function	General Fund	Enterprise Fund
City Council	General Government	X	
City Manager	General Government	X	
City Clerk	General Government	X	
City Attorney	General Government	X	
Finance	General Government	X	
Management Information System	General Government	X	
Human Resources	General Government	X	
Police Special Operations	Public Safety	X	
Police Administration	Public Safety	X	
Police School Resources	Public Safety	X	
Police Patrol Division	Public Safety	X	
Community Policing Unit	Public Safety	X	
Code Enforcement Division	Public Safety	X	
Police Professional Standards	Public Safety	X	
Police Detective Division	Public Safety	X	
Police Support Services	Public Safety	X	
Police Dispatch Unit	Public Safety	X	
Engineering	Transportation	X	
Stormwater Utility	Physical Environment	X	
Road and Maintenance	Transportation	X	
Garage	Transportation	X	
Parks and Recreation	Cultural/Recreation	X	
Cemetery	Physical Environment	X	
Growth Management	General Government	X	
Building	Public Safety	X	
Non-Departmental	General Government	X	
Golf Course Administration	Cultural/Recreation		X
Golf Course Greens Division	Cultural/Recreation		X
Golf Course Cart Division	Cultural/Recreation		X
Airport Administration	Transportation		X

CITY OF SEBASTIAN, FLORIDA ORGANIZATIONAL CHART



CITY OF SEBASTIAN, FLORID 2004/2005 ANNUAL BUDGET

FISCAL YEAR 2004-2005 BUDGET CALENDAR

<u>DATE</u>	<u>DAY</u>	<u>EVENT</u>
4/15/2004	Thursday	City Manager's budget workshop with City Departments/Divisions
4/21/2004	Wednesday	5-Year CIP Plan Workshop
4/29/2004	Thursday	Fiscal Year 2005 Proposed Budgets due to Finance for compilation
4/30/04 – 5/7/04	Friday-Friday	Finance compiles budget
5/12/2004	Wednesday	City Council approves budget calendar
5/10/04-5/14/04	Monday-Friday	Finance Director to meet with Departments/Divisions – go over programs, preliminary budgets, goals, objectives, etc.
6/2/2004	Wednesday	Estimate of Property Value to be received from Property Appraiser
6/4/04-6/10/04	Friday-Thursday	City Manager Fiscal Year 2005 proposed budget meetings with Departments/Divisions
6/18/2004	Friday	City Manager's Recommended Budget to be mailed to Budget Advisory Committee members with supporting documentation
7/8/2004	Thursday	Budget Advisory Committee meeting
7/22/2004	Thursday	Budget Advisory Committee meeting
7/28/2004	Wednesday	DR-420 Certification to Set Proposed Maximum Millage Rate
7/29/2004	Thursday	1 ST READING OF SCHOOL BOARD BUDGET @7:00p.m.
7/30/2004	Friday	Fiscal Year 2005 Proposed Budget to City Council
8/17/2004	Tuesday	Council Budget Workshop @6:00p.m. – Special Meeting
9/7/2004	Tuesday	FINAL ADOPTION OF SCHOOL BOARD BUDGET @5:30 p.m.
9/9/2004	Thursday	1st Public Hearing of City Budget-Adopt Preliminary Millage Rate @6:00p.m. – Special Meeting
9/15/04	Wednesday	County 1 ST READING OF COUNTY BUDGET @5:01 p.m.
9/17/2004	Friday	Advertisement
9/21/2004	Tuesday	Final Public Hearing of City Budget – Adopt Final Millage Rate and Budget Resolution @6:00 p.m. – Regular Council Meeting
9/22/2004	Wednesday	COUNTY ADOPTION OF BUDGET & MILLAGE RATES @5:01p.m.
9/23/2004	Thursday	Forward Resolutions adopting final millage and budget to Property Appraiser and Tax Collector

BUDGET PROCESS

The Finance Department coordinates the budget process. The formal budgeting process, which begins in February and ends in September, provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources. Revenues and expenditures are projected on the basis of information provided by city departments, outside agencies, current rate structures, historical data and statistical trends.

Budget Planning Phase

The City maintains a Capital Improvement Program (CIP) as part of the Comprehensive Redevelopment Plan of the City of Sebastian in order to plan for the future needs of capital facilities and infrastructures (see Schedule section – Five Year Capital Improvement Program). This plan covers a five-year period, and identifies major capital projects, as well as the means by which they will be financed. City adopts the annual capital budget along with the operating budget. As part of the planning process, the operating impact of capital projects must be considered and incorporated into the operating budget. The planning phase for the operating budget begins with the preparation of the budget instructions, examples, and training materials.

Budget Preparation

The process of developing the operating budget begins officially in February of each year. The budget preparation process provides department directors an opportunity to examine their program(s) of operation, to propose changes in current services, to recommend revisions in organizations and methods, and to outline requirements for capital outlay items. Finance Department works closely with department/divisions to formulate performance measures for the upcoming fiscal year. Human Resources Department assists departments/divisions with new personnel requests.

In March each year, basic operating budget request forms, and data on prior year appropriations are distributed to the departments. Each department director must compile a budget request for the new fiscal year and enter the budget request and justification into the Microsoft Excel format forms.

Budget Review

During the budget review phase, the City Manager and Finance Department analyzes new positions, operating and capital budget requests; review service levels and the Finance Department compiles the revenue estimates; and recommends funding levels. Budget recommendations regarding requests for new personnel and capital are based on: 1) program priorities as submitted by department directors; and 2) available funding after current services are budgeted (funding levels required to maintain the status quo). City Manager's recommendations on operating and capital budgets and new personnel requests are reviewed with department directors.

In June, the City Manager's recommended budget is distributed to Budget Advisory Committee members. Three meetings are scheduled in July for the Budget Advisory Committee and the Finance Department to review the City Manager's recommended budget.

Budget Adoption

The formal adoption process begins with the Budget Advisory Committee's presentation to City Council in August, followed by a budget workshop. The workshop provides council members an opportunity to review the budget submission and capital improvement program with department heads to ensure that the requests meet the best interests of the City of Sebastian and its citizens.

The final step before budget adoption is to hold two budget hearings to present the proposed millage rate and budget. This essential step provides a means for the citizens to comment directly to the Mayor and City Council regarding priorities. According to State regulations, the first public hearing must be held within 80 days of certification of property values but not earlier than 65 days after certification. At this hearing, the City presents the proposed millage

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rate and tentative budget and, if the millage rate to be adopted is higher, the percent difference from the rolled-back rate is announced at this time.

Within 15 days of the first hearing, the City must advertise its intent to adopt a final millage rate and budget. Finally, the millage rate and budget are adopted by separate resolutions of the City Council at the second hearing which must be held not less than two days or more than five days after the day that the advertisement is first published.

Budget Implementation

The budget process does not end with legal adoption of the budget. Finance staff along with City departments, monitors the budget throughout the fiscal year. An integrated financial software system provides budgetary control and various budgetary reports to aid in this process. Budget adjustments are allowed based on the criteria stated in the City's financial policies. Any unexpended appropriations lapse at the close of the fiscal year.