



1225 MAIN STREET • SEBASTIAN, FLORIDA 32958
 TELEPHONE: (772) 589-5330 • FAX (772) 589-5570

August 30, 2006

The Honorable Mayor Bryan Burkeen and City Council
 City of Sebastian
 1225 Main Street, City Hall
 Sebastian, Florida, USA

Re: Fiscal Year 2007 Budget Letter of Transmittal

Dear Mayor Burkeen and City Council Members:

In compliance with provisions of the City Charter and State of Florida Statutes, I am pleased to submit for your review and consideration the Proposed Fiscal Year 2006/07 Budget. The budget provides a rolled back millage rate from the current fiscal year. This is possible as a result of a strong increase in property values over prior years, as well as implementation of conservative budgeting practices in all city departments. Annual increases in taxable property values have averaged 12.8% over the past six years, whereas this year, taxable property values increased 28.85%. For the Fiscal Year 2006/07 Proposed Budget, Ad Valorem taxes revenue represents 36.8% of total General Fund proposed revenue budget estimates and is the largest single source of revenue for the General Fund. The proposed budget for the coming year reflects our determination to fund important programs and save wisely. The recommendation to roll back the millage rate will not result in a reduction in the delivery of quality services, projects and programs to our residents. Based on the preliminary roll and recommended expenditures, the proposed millage rate is as follow:

	FY 2005/2006	FY 2006/2007	FY 2006/2007	
	Current Millage Rate	Rolled-back Millage rate	Proposed Millage Rate	Percent Decrease From Current Rate
City Operating	3.9325	3.0519	3.0519	-22.39%

For illustrative purposes, the effect of the proposed millage on a home with an assessed value of \$150,000 (net of \$25,000 homestead exemption) is presented below.

	FY 2005/2006	FY 2006/2007	FY 2006/2007	
	Tax Based On Current Millage rate	Tax Based On Rolled-back Millage Rate	Tax Based On Proposed Millage Rate	Tax Dollar Decrease From Current Rate
City Operating	\$ 589.88	\$ 457.79	\$ 457.79	\$ (132.09)

The City of Sebastian has ambitious goals articulated by City Council, administration, and various boards and committees, many of which were outlined during the course of numerous meetings, discussions and presentations provided by City Council and the Office of the City Manager during the past year. The City Council and administration have worked diligently on developing an identity and character that is distinctively Sebastian. The proposed budget prepared for the City Council's review and consideration keeps the focus and forward momentum that has been established by the community, all consistent with the following goals formally adopted by the City of Sebastian:

GOALS

- 1) **An efficient, user-friendly government;**
- 2) **Commitment to the future - proactive planning for growth management, technological advances and sound economic development policies;**
- 3) **Proactively address issues that will positively impact quality of life;**
- 4) **Promote environmental conservation;**
- 5) **Implement citywide infrastructure improvement initiatives.**

With these goals in mind, the highlights of the Fiscal Year 2007 Proposed Budget is as follows:

BUDGET HIGHLIGHTS

A review of the current Fiscal Year 2006 budget highlights confirms that a budget is a planning document recommending the allocation of resources that will accomplish a municipality's goals and vision. Major factors impacting the Fiscal Year 2006-2007 budget are the ad valorem tax revenue, addition of new employees due to the area growth, employee health insurance, property, casualty, and general liability insurance, stormwater, and area development.

Currently the City's General Fund funds nearly 90% of the City personnel. Approximately 70% of the total proposed general fund budget is personnel costs. More than 10% of the general fund budget is for health insurance benefit. The newly approved health insurance contract reflects an 18% increase from the current premium, which has been factored in the proposed budget. Salary increases are governed by Communications Workers of America (CWA) and Police Benevolent Association (PBA) union contracts, as well as management benefits package for exempt employees. The CWA contract is expiring September 30, 2006; City staff is currently working on negotiating a new CWA contract. This proposed package reflects the salary increase under the current CWA contract.

The recommended budget proposes an increase of three (3) full time positions and one (1) part-time positions and a decrease of two (2) full-time positions and one (1) part-time position. The net result is an increase of one full-time position for FY 2006-07. The table on the next page shows the number of recommended full-time and part-time positions for the next fiscal year.

Personnel increases included in this proposed budget are listed below.

- Two (2) full-time road patrol police officers for the Police Department due to the area growth
- One (1) Planner position for the Growth Management Department due to the area growth and the implementation of GIS system.
- One (1) part-time receptionist for Code Enforcement Division due to the workload.

As part of the reorganization effort to reduce costs and operate more efficiently, the purchasing function has been decentralized to the Department/Division level. The reorganization includes the elimination of the Buyer position. The City Manager is the purchasing officer of the City, who oversees the entire purchasing program and enforces compliance issues. In addition to the buyer position, a full-time recreation leader's position has also been eliminated.

RECOMMENDED FULL-TIME AND PART-TIME POSITIONS

Department/Division	FY 2005/2006		FY 2006/2007		Increase/ (Decrease)	
	F/T	P/T	F/T	P/T	F/T	P/T
City Council	0	5	0	5	0	0
City Manager	2	0	2	0	0	0
Central Garage	3	1	3	1	0	0
City Clerk	4	1	4	0	0	(1)
City Attorney	2	0	2	0	0	0
Finance	6	0	5	0	(1)	0
Mgmt Information Svcs	3	0	3	0	0	0
Human Resources	3	0	3	0	0	0
Police Department	54	8	56	8	2	0
Engineering	6	4	7	4	1	0
Stormwater Utility	13	0	13	0	0	0
Roads & Drainage	12	1	11	1	(1)	0
Building Maintenance	2	0	2	0	0	0
Parks & Recreation	16	17	15	17	(1)	0
Cemetery	2	0	2	0	0	0
Growth Management	4	0	5	0	1	0
Code Enforcement	3	0	3	1	0	1
Building Department	11	0	11	0	0	0
Golf Course Administration	3	12	3	12	0	0
Golf Course Carts	0	7	0	7	0	0
Airport	3	2	3	2	0	0
SUB-TOTALS	152	58	153	58	1	0
TOTALS	210		211		1	

On May 24, 2006, the City Council adopted a six-year capital improvement program for Fiscal Year 2007-2012 and a six-year capital outlay plan for items greater than \$7,500 for fiscal year 2007-2012. Staff has incorporated the plan into the proposed FY 2006-07 budget. Beside the road paving project and the heavy equipment lease payment, which are on going, staffs have recommended ten (10) capital projects for consideration. The detailed project listing is located on page 137. Under the City Council's direction, several projects, such as ¼ round stormwater swale rehab, sidewalk/bike path project, and Community Center Phase I have been incorporated into the capital budget. Besides utilizing the traditional funding sources such as Discretionary Sales Tax revenue, Local Option Gas Tax, Recreation Impact Fees, and Stormwater Utility Assessment Revenue, grant opportunities are also being considered and incorporated into the capital budget. Major grant funded projects include the Easy Street renovation and the construction of Taxiway C at the Sebastian Municipal Airport.

With the completion of the airport administration building, additional operating costs such as electricity, water and sewer, rent charges from Airport fund to Public Works and Engineering Departments have been programmed. Staff anticipates the moving of the Public Works and Engineering Departments to the airport administration building will take place in early Fall 2007.

The Proposed Fiscal Year 2007 Budget will not depart from the current direction of the city, and we will stay the course by undertaking the following programs, projects and activities:

- Continue the stormwater swales and ditches mowing program;
- Initiate the stormwater ¼ round swale rehab program;
- Opening and dedication of the historic Sebastian elementary school, with financial assistance from the State of Florida Bureau of Historic Preservation Special Category Grant Program;
- Opening and dedication of Sebastian Municipal Airport Administration Facility, to include the Department of Public Works and the Department of Engineering office space and customer services areas;
- Continue partnership with Waste Management, Inc. to provide municipal solid waste collection services via an exclusive five year renewable option franchise agreement authorized by City Council in June 2003;
- Continue implementation of the Sebastian Stormwater Utility Master Plan Capital Improvement Program as adopted by City Council in Fiscal Year 2003;
- Continuation of Citywide Parks Construction Program, with financial assistance from the Parks and Recreation Impact Fee Fund and various state grants;
- Continuation of Street Resurfacing Program;
- Continue successful grantsmanship program;
- Continue School Resource Officer program to provide services to youth at both Sebastian Elementary School and Pelican Island Elementary School;
- Continue implementation of sidewalk installation program;
- Partnership with Sebastian Community Redevelopment Agency to initiate additional projects and programs to benefit the Community Redevelopment District;
- Implementation of Sebastian Municipal Airport Business Plan;
- Continue capital improvements at Sebastian Municipal Airport – via partnership with the Florida Department of Transportation (FDOT) Aviation Section and with the Federal Aviation Administration (FAA).
- Continue economic development policy formulation and marketing efforts.

COMPARATIVE AND TREND ANALYSIS

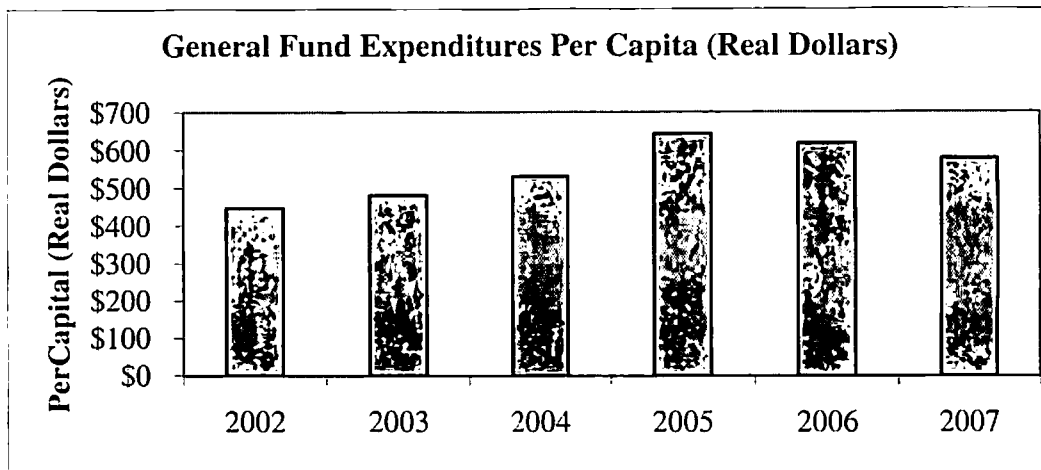
General Fund expenditures per capita in Sebastian for the last three years reflect a continued effort to increase service level to residents. This is evidenced by expenditures per capita and area population increase (reference the table below and CHART I). Through various cost efficiency initiatives (e.g. procurement of grants, outsourcing, low interest financing and bond refinancing), more programs and projects have become possible despite reduced dependency on property taxes.

City of Sebastian, Florida
General Fund Expenditures Per Capita

<u>Fiscal Year</u>	Actual	Actual	Actual	Actual	Amended	Proposed
	FY	FY	FY	FY	Budget	Budget
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund General Fund Expenditures (in millions)	7.709	8.88	10.336	12.906	12.767	12.322
CPI	181	185.2	189.9	198.8	N/A	N/A
Population (1)	17,167	18,425	19,365	20,048	20,649	21,269
Expenditures Per Capita	\$449	\$482	\$532	\$644	\$618	\$579

(1) Population figures are estimates for Fiscal Year 2005 and Fiscal Year 2006.

CHART I

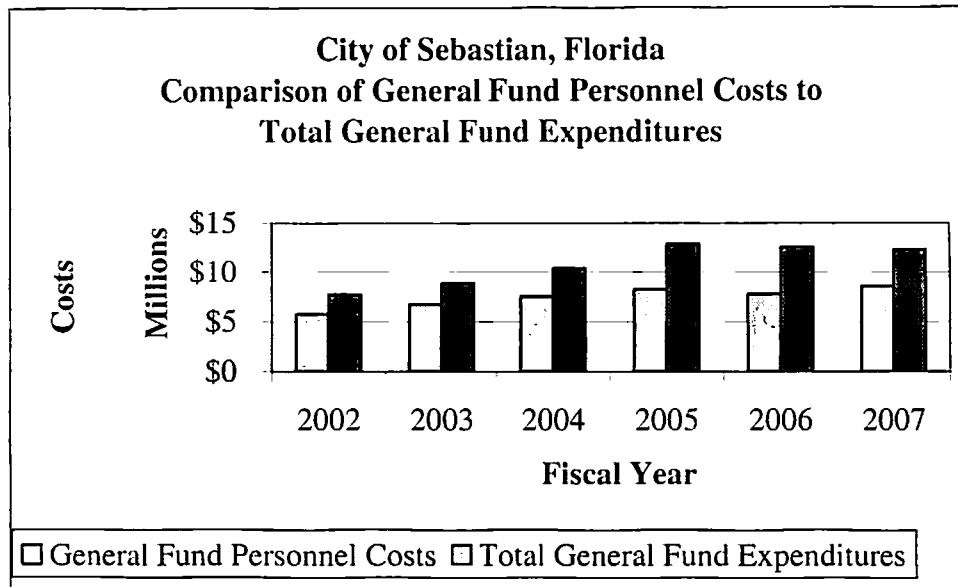


Another important consideration involves strict attention to the cost of personal services in the last four years. The comparison of General Fund personnel costs to total General Fund operating expenditures for the past four years is shown in the table below and CHART II. The percentage of General Fund personnel Costs to the total General Fund operating expenditures actually shows a declining pattern from FY 2003 to FY 2006. The percentage increase from FY 2006 to FY 2007 is mainly due to the health insurance premium increase of 18%. Respective analysis and organizational structuring in various departments has enabled administration to budget for capital outlay replacement and to secure equipment to ultimately assist field crews to be more productive. In addition, this budget continues to reflect (although on an even more conservative basis) a current trend directed by City Council and administration to continue funding maintenance projects.

City of Sebastian, Florida
Comparison of General Fund Personnel Costs to Total General Fund Expenditures

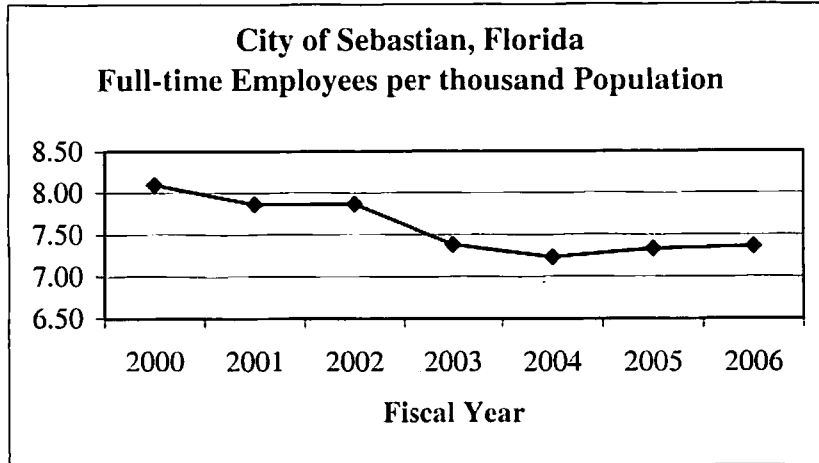
<u>Fiscal Year</u>		<u>Personnel Costs</u>	<u>Total General fund Expenditures</u>	<u>Percentage</u>
2001-2002	Actual	\$5,766,002	\$7,709,304	74.79%
2002-2003	Actual	\$6,728,449	\$8,880,822	75.76%
2003-2004	Actual	\$7,544,709	\$10,443,026	72.25%
2004-2005	Actual	\$8,261,416	\$12,906,248	64.01%
2005-2006	Projected	\$7,819,229	\$12,568,192	62.21%
2006-2007	Proposed	\$8,580,543	\$12,322,178	69.63%

CHART II



A significant factor continuously examined by administration on an annual basis is full-time employees per thousand populations. In the past few years, the City has experienced tremendous growth, which pertains to property values and the populations. Under the direction by City Council, Sebastian is actually experiencing a decreasing trend on full-time employees per thousand populations. This is illustrated in Chart III. Sebastian continues to compare quite favorably with other Space Coast and Treasure Coast communities. However, I must advise to caution when using this benchmarking technique since Sebastian does not offer fire protection, water and sewer, and electric utilities services.

CHART III



Sebastian continues to benefit financially via the Fiscal Year 2000 directive to remove the then utility tax cap that impeded progressive taxation efforts for many years prior. The vast majority of Florida cities levy the utility tax to offset rising property tax rates and also to fund various capital improvements. As evident with adopted millage rates during the last three fiscal years (see page 163 in Schedule section) as well as this year's recommendation, the aforementioned action has yielded a lower incidence of property taxation.

The comparison of General Fund actual undesignated fund balance to the General Fund total expenditures is illustrated in Chart IV and Chart V. (Note – Fiscal Year 2006 information is based on projection) As required by the adopted financial policy, the General Fund unreserved fund balance will be maintained in an amount greater or equal to 15% of the annual General Fund Expenditure Budget. Nationally recognized Government Finance Officers Association also recommend the undesignated fund balance to be no less than one to two months of the General Fund regular operating expenditures. The chart reflects a continued trend the administration has encouraged in maintaining a healthy General Fund undesignated fund balance. Such trends are indicators of the financial stability of a community. On October 1, 2002, the City Council adopted a resolution to designate \$1,000,000 from the General Fund undesignated fund balance to provide an advance to the airport for capital improvements, if needed. The line of credit reserve shall expire at the end of Fiscal Year 2007. This explains the significant General Fund undesignated fund balance decrease in Fiscal Year 2003. Even with this designation, the General Fund undesignated fund balance remains healthy and well above the minimum requirement set by the City's financial policies. Hence to stay in this position, the Council will be asked to increase the undesignated fund balance from 15% to 25% of General Fund expenditures.

CHART IV

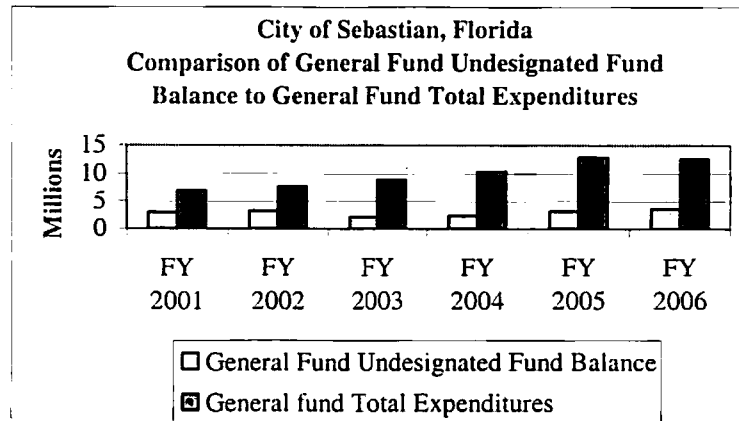
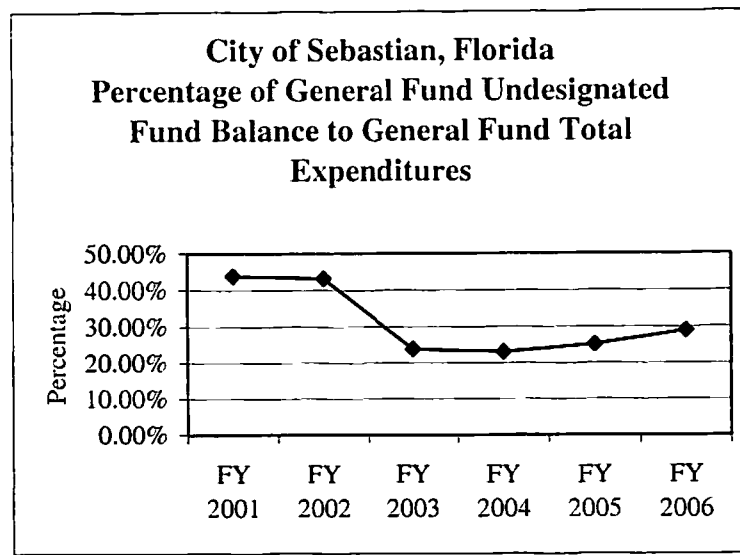


Chart V



BUDGET BY FUNCTION

Economic Environment

As reported by the University of Florida Bureau of Economic and Business Research, 2006 Estimates of Population, the City of Sebastian continues to grow. In addition, Sebastian is approaching a point in its development evolution reflecting an approximate "build-out" rate of 60%. As such, the City faces challenges relative to growth in both residential and commercially zoned areas. With the continued residential growth, there are parallel new commercial developments. The Village Shops of Sebastian are nearing completion of Phase II, adding several new retail buildings in the "historic fishing village" theme. Commercial growth on the west side of Sebastian continues, with a new Publix grocery store and a new shopping center (Shoppes of Sebastian, Phase I) offering dining and other retail amenities. Several new commercially zoned areas were annexed into the City, and are in various stages of planning for new commercial developments including a Space Coast Credit Union, Shoppes of Sebastian Phase II, Sebastian Crossing Commercial and Sebastian Crossroads Plaza. Several industrial properties have also been developed providing additional service and warehousing opportunities. These include two buildings in the Sebastian Industrial Park, new mini-warehouse buildings in the 512 Commerce Center, a contractor trade building (Arnold's Air) and an auto service building (Firehouse Garage).

The Sebastian Community Redevelopment Agency (CRA) continues to play an important role in Economic Development. Recent infrastructure improvements within the CRA area have increased the tax-incremental revenues the City receives. This year, the CRA developed a new program, the Façade, Sign and Landscaping Grant, and has awarded four grants to local businesses. Other businesses are enhancing their exteriors, including the recent Wal-Mart renovation that included upgraded landscaping and new exterior colors that meet the overlay district requirements.

The Growth Management Department has worked closely with the Office of the City Manager and Sebastian Municipal Airport to draft development guidelines identifying the uses and aesthetics of new development.

The City continues to utilize the web site for businesses that was implemented a year ago, www.sebastianbusiness.com. The website features information on economic incentives, relocation and business development. The City has also strived to provide new businesses with information on the local Chamber of Commerce and the benefits it offers to its members. The City has also developed new procurement standards to include local businesses in the purchasing process. Also, the City's provides support to several local

festivals, like "The Sebastian Clambake" and "The Pelican Island Wildlife Festival" that provide direct economic benefit to the community.

General Government

The Sebastian Elementary School House renovation project (Old City Hall) currently is underway with a completion date estimated to be in April 2007. This project is funded by the Historic Preservation Grant, and Discretionary Sales Tax Revenue Bond proceeds, and Discretionary Sales Tax Revenue. The building will be used to house the Historical Society and Association for Retarded Citizens (ARC).

The City Council currently is considering the possibility to relocate the Community Center. Site possibilities have been presented to the Council for consideration. A funding allocation of \$931,156 from Discretionary Sales Tax Revenue has been incorporated in the capital budget for the Community Center Phase I- Design and Planning. Currently, the public Works Compound phase I project has been delayed due to funding and priority issue. Further development of this project will be brought before Council for consideration in the near future.

Community Safety

The Sebastian Police Department (SPD) has been working diligently to augment both operations and expectations since the agency received law enforcement accreditation from the Commission for Florida Law Enforcement Accreditation nearly four years ago. This designation has markedly increased SPD's ability to prevent and control crime through more effective and efficient delivery of law enforcement services to the community. Primary reasons for seeking accreditation included: the necessity for SPD to establish goals and objectives with provisions for periodic updating; constant reevaluation of whether departmental resources are being employed in accordance with agency goals, objectives and mission; constant reevaluation of departmental policies and procedures as documented in the department's written directive system; to accommodate correction of internal deficiencies and inefficiencies before they become public problems; and the opportunity to reorganize without the appearance of personal attacks. Essentially, maintaining accreditation will continue to serve as a yardstick to measure the effectiveness of SPD's programs and services, augmenting standards and practices agency wide. Such an arrangement is most appropriate in that growth oriented communities like Sebastian, tend to experience higher incidence of crime as populations continue to diversify and expand. Standards and performance measurements resulting from the accreditation process will continue to guide both SPD and city administration in alleviating such potentially adverse conditions.

Although the City of Sebastian continues to remain as one of the fastest growing municipalities in Florida, crime rates have fortunately remained relatively constant. Sociological and economic trends suggest that a relationship typically exists between surges of criminal activity and community growth. This has not at all been the case in the City of Sebastian. As referenced in the Sebastian Police Department 2005 Annual Report, SPD has been quite successful in providing quality law enforcement services to the community. Notable statistics reflective of this position include Sebastian's total index crime clearance rate of 31%, compared to the state average rate of 22.6%, and Indian River County's rate (collective average of all agencies and jurisdictions) of 24.4%. Sebastian has experienced slight increases in certain crimes including aggravated assault, sexual assault, burglary and Vehicle theft. Robbery has decreased slightly. There were no homicides in 2005.

Despite recent policy directives by The School District of Indian River County not to sustain partnership with the City of Sebastian to continue the School Resources Officer Program, the Fiscal Year 2007 Proposed Budget recommends continued sponsorship of two officers, one to remain stationed at Pelican Island Elementary School and the other at Sebastian Elementary School. The encouragement of this program remains indicative of the philosophy that preventative education for this age group is most effective in preventing long-term juvenile crime, as well as to instill the importance of community safety and responsibility. Such rationale also justifies the Drug Awareness Resistance Education (D.A.R.E.) and Gang Resistance Education and Training (G.R.E.A.T.) initiatives as well as a new child abduction resistance course called Resist Aggression Defensively (R.A.D. Kids). The programs remain very popular among both children and parents and are expected to continue in fiscal year 2007 via assistance from various grant programs sponsored by the United States Department of Justice.

The Fiscal Year 2007 Proposed Budget also supports the continuation of two progressive safety programs recently initiated in the community, the SPD K-9 Unit and the Sebastian Marine Patrol. The K-9 initiative became possible as a result of numerous charitable efforts in the community, including unsolicited seed funds donated by pupils at Pelican Island Elementary School, as well as contributions from area businesses. Employment of police K-9 units will continue to assist officers by conducting extremely sensitive investigations, including narcotics detection and locating missing persons, as well as to help track criminal suspects more expeditiously. The Sebastian Marine Patrol Program was started with a 50% grant from the Florida Inland Navigational District. We were able to assign a patrol officer to the boat last summer and we are currently involved in educational and enforcement actions that most of the boaters are accepting with open arms.

Transportation

The current Fiscal Year marked completion of the Louisiana Avenue Improvement project. The improvements include drainage enhancement, resurfacing and reconstruction of street, and street lighting.

The Department of Engineering continues working on a long-term street-resurfacing program for the next 10 to 15 years. City administration will also continue to program funding for streetscape projects to help maintain public safety and beautification efforts. In addition, capital improvement programming for sidewalk installation throughout the City will continue for both the short and long term by the Department of Engineering as funding and resources permit. Fiscal Year 2007 includes plans for beginning the design and engineering of the Barber Street Realignment and Easy Street Renovation projects.

Airport

The Fiscal Year 2002 adoption of the current Sebastian Municipal Airport (SMA) Master Plan has yielded numerous successes and accomplishments involving the ability to receive federal and state grants, which permitted for much needed infrastructure improvements at the Airport. Significant accomplishments during the current year include Rehabilitation of Runway 9-27 Phase II, Rehabilitation of Taxiway A & Apron, and the Airport Administration Building. All above projects were funded with the assistance from FAA and FDOT. The Airport Administration Building is to house the Airport, Public Works, and Engineering personnel. The official dedication will be held in late September 2006.

With the completion of the Airport self-serve fuel facility, which is expected to be completed in first part of the new fiscal year, staff estimates the facility will generate approximately \$200,000 in fuel sales in the first year. This venture will help diversify airport revenues.

As Sebastian Municipal Airport's infrastructure is being developed to attract businesses and create jobs in our community, a comprehensive business plan has been developed and submitted to the public and the City Council for approval via a workshop held in August 2006. Presently requested changes are being incorporated into the business plan, which will be submitted to the City Council for official adoption. Once the business plan has been adopted, the City can start marketing the airport property for leasing opportunities. A thorough business plan is not only critical to the economic viability of the Sebastian Municipal Airport, but also aids the City of Sebastian in controlling growth by establishing minimum standards and guidelines for both aviation and non-aviation development, as demand increases for leaseholds at the airport.

Physical Environment

In response to the need to comprehensively address and implement long-term solutions to community drainage and other stormwater related problems, City Council established a stormwater utility that levies an annual fee on a per unit/property basis throughout the community. Since the inception of fee collection in Fiscal Year 2002, the City has received \$3,755,489 and estimates to receive approximately \$820,000 in Fiscal Year 2007. In FY 2004-05, The Council removed the percentage cap on the utilization of stormwater utility fees for maintaining the existing stormwater system.

In Fiscal Year 2004, the City of Sebastian was successful in securing the community's first ever revenue bond dedicated specifically to finance large-scale comprehensive stormwater utility improvements. This authorization

yielded an initial \$5.6 million commitment to help finance capital improvement programs that govern implementation of a series of projects designed to better facilitate drainage flow dynamics citywide. In FY 2005-06, City Council finalized plans to move forward with the Collier Creek Canal and Twin Ditch projects. The move has necessitated that the use of the Stormwater Utility Revenue Bonds focus on the completion of these projects while delaying other projects such as Periwinkle Drive and Middle Stonecrop. Any future funding shortage may require transfers from the Stormwater Utility Special Revenue Fund.

Stormwater maintenance has long been an issue for City residents. The upkeep of the ditches and swales has been an extreme challenge for the Stormwater Division. Shortage of funding for maintenance crews and proper equipment has contributed to this issue and needs to be addressed by City management. In FY 2005-06, City outsourced the swale and ditch maintenance to enable City crews to focus efforts on different stormwater maintenance practices. This action also allows a more consistently maintained ditches and swales and reduces the number of swale drainage complaints. The current ditch and swale mowing contract amounts to \$856,557. This brings the stormwater maintenance to a \$1.8 million dollar operation funded 65% through General Fund revenues and 35% through stormwater assessments. Once the mowing pattern is established, the contract mowing service costs should drop to a more reasonable level in the next fiscal year.

Culture and Recreation

City administration will continue to provide program funding for beautification and landscaping improvements throughout the City, as opportunities become available. The current Fiscal Year marked completion of the Riverview Park project. The project is 42% funded by the Florida Recreation Development Assistance Program and 58% funded by Discretionary Sales Tax revenues. The project includes twin piers, pavilions, an observation deck, and a splash pad. Several neighborhood park playground improvements have also been accomplished in the current fiscal year, which includes Easy Street park, Bryant Court park, and Blossom park.

Fiscal Year 2007 includes plans for Hardee Park Improvements, a mooring field, and the rebuilding of Schumann Park racquetball/basketball courts, which was destroyed by hurricane Frances and hurricane Jeanne. The rebuilding of the Schumann Park racquetball/basketball courts is funded by FEMA reimbursement.

Summary

There are a lot of numbers, indicators, projections, charts and graphs in this budget document. Rightfully so, being that this budget reflects Sebastian's vision and focus on improving the quality of life for our citizens, businesses, and visitors respectively. This budget reflects community values, goals, objectives, and ideas.

The Proposed Fiscal Year 2007 Budget continues to represent the character of a city whose unique identity distinguishes itself from other geographic areas of both Indian River County and throughout the Treasure Coast.

City administration began finalizing its recommendations for next year's budget with 75% of the current fiscal year completed and 74% of the approved budget expended and 72% of the anticipated revenues collected. The projected Fiscal Year 2006 General Fund Undesignated Fund Balance is estimated to be approximately 29% of the total General Fund expenditures, which has exceeded the Financial Policy requirement of 15% minimum. A recommendation to change the General Fund Undesignated Fund Balance requirement from 15% minimum to 25% minimum will be brought to you for consideration at the final budget hearing.

Fiscal Year 2007 will mark the eighth consecutive year of administering a performance budget. This budget document contains two additional critical sections indicative of performance measurement, the accomplishment segment and performance indicator section for departments and divisions. However, this is a continuous process, as more work is required to truly solidify our belief that we are on the right track.

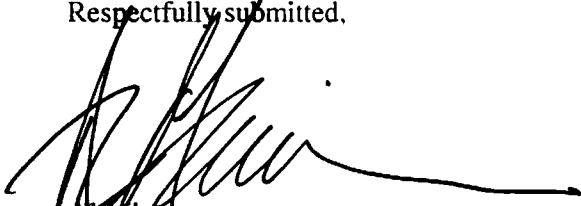
Total appropriation for all funds is recommended to be \$27,692,947. As such, the overall Fiscal Year 2007 Proposed Budget is financially sound and delivers services our residents have come to expect.

	FY 2005 Amended <u>Budget</u>	FY 2006 Recommended <u>Budget</u>	Dollar <u>Change</u>	Percentage <u>Change</u>
General Fund	\$ 12,767,391	\$ 12,322,178	\$ (445,213)	-3.49%
Special Revenue Funds	4,636,715	5,730,476	\$ 1,093,761	23.59%
Debt Service Fund	1,478,392	1,473,330	\$ (5,062)	-0.34%
Capital Projects Funds	1,450,763	5,033,421	\$ 3,582,658	246.95%
Golf Course Fund	1,676,979	1,634,235	\$ (42,744)	-2.55%
Airport Fund	411,726	396,235	\$ (15,491)	-3.76%
Building (1)	2,341,889	1,103,072	\$ 2,005,090	85.62%
TOTAL	\$ 24,763,855	\$ 27,692,947	\$ 6,172,999	24.93%

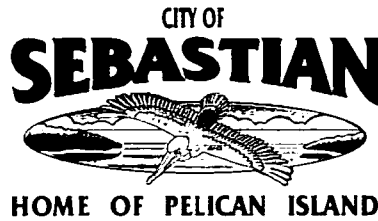
The Sebastian Management Team looks forward to working with the City Council during the upcoming public hearings, as well as welcomes the opportunity to address questions and concerns accordingly. In summary, the Fiscal Year 2007 Proposed Budget outlines and supports the city's good financial position; further expands city-wide beautification; continues attention to preserving and enhancing our community's small town atmosphere; encourages conservation initiatives; supportive of expanding private/public partnerships and economic development.

Earlier this year, the nationally recognized Government Finance Officers Association awarded the Distinguished Budget Presentation Award to the City for its Fiscal Year 2006 budget document. This is the second time the City received this honor. This award is the highest form of recognition in governmental budgeting and represents a significant achievement by our City. A special and very personal thanks goes out to the Management Team who assisted the Office of the City Manager and the Finance Department in preparing this year's budget submission, including department directors who contributed invaluable in preparing the budget document. With the hard work and dedication provided by employees and the Management Team, I am confident in our ability to provide the same high quality services that citizens have enjoyed in Sebastian.

Respectfully submitted,



Al Minner
City Manager



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September 30, 2006

The Honorable Mayor Brian Burkeen and City Council
City of Sebastian
1225 Main Street, City Hall
Sebastian, Florida, USA

Re: Fiscal Year 2007 Supplemental Budget Message

Dear Mayor Burkeen and City Council Members:

At the first budget hearing, Council authorized the City Manager to increase the school crossing guards pay rate from \$7.00 per hour to \$12.00 per hour. The total financial impact of this action is \$12,320. At the final budget hearing, Council authorized the City Manager to increase each Council member's expense account from \$50 per month to \$250 per month. The financial impact for this action is \$12,918. In order to facilitate the process without changing the total General Fund adopted budget amount, the General Fund contingency account was reduced by \$24,700.

Respectfully,



Al Minner
City Manager



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