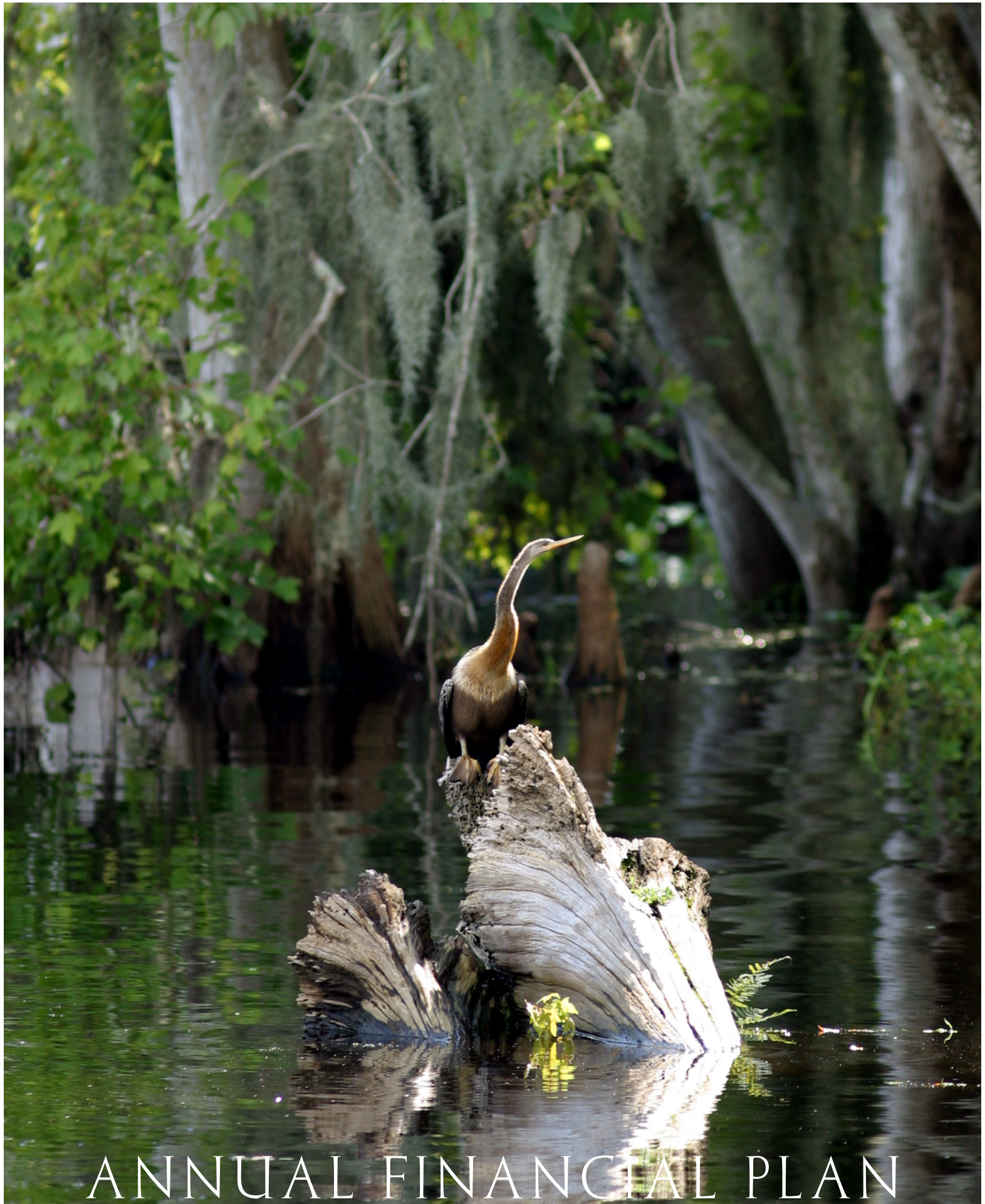


CITY OF JACKSONVILLE, FLORIDA



ANNUAL FINANCIAL PLAN

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006



JACKSONVILLE PARKS

Geographically the largest city in the continental United States, Jacksonville is blessed with a beautiful location and an abundance of natural resources. Jacksonville's residents have access to an extensive network of active and passive city parks, in addition to enjoying the wealth of preservation lands acquired through Preservation Project Jacksonville.

Comprised of more than 300 parks on nearly 9,000 acres of land, Jacksonville has the largest urban park system in the United States. In fact, Jacksonville's green space alone is bigger than many entire cities, including Minneapolis, Boston and San Francisco!

While the sheer size of the park system is impressive, its diverse offerings are notable as well. Thirty-five public pools, two oceanfront parks, 130 tennis courts, 21 boat ramps and a number of athletic fields and nature parks are included in the city's public parks. Jacksonville is also home to a variety of specialty parks offering disc golf, skateboarding, bicycle trails, a BMX course and areas for radio-controlled model airplanes. From swim lessons or kayaking through Jacksonville's waterways to soccer or nature trails, the city's park system has much to offer.

While the park system's size makes it exceptional, Mayor John Peyton is also committed to enhancing its quality. In order to take Jacksonville's parks from the nation's biggest to its best, the mayor is seeking to improve access to parks, upgrade facilities, and secure nationally-recognized leadership for the system. A Parks Task Force, established in April 2004, has aided the mayor in this mission, intensively studying Jacksonville's park system for one year, comparing it with park systems nationwide, hearing from recognized park experts, and seeking input from local residents.

A set of recommendations from the task force is guiding efforts to advance the city's parks, and the mayor took several initial steps in his FY 2005-06 budget, including funds for a number of recommended improvements. These include enhancing amenities and making upgrades at parks across Jacksonville and adding three parks in the city's high-growth areas.

Jacksonville's parks and preservation lands possess unique natural, cultural and historical resources. From ball fields to marshlands and boat ramps to nature walks, these valuable green spaces offer countless opportunities for recreation and entertainment. It is our responsibility to preserve, protect, enhance and interpret those resources for the enjoyment of citizens and visitors for years to come.



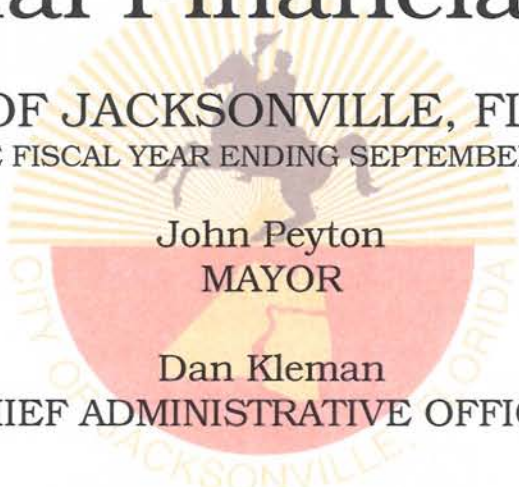
SECTION I

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Annual Financial Plan

CITY OF JACKSONVILLE, FLORIDA

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006

The seal of the City of Jacksonville, Florida, is a circular emblem. It features a central figure of a person on horseback, likely representing a historical or symbolic figure, set against a background of radiating lines. The words "CITY OF JACKSONVILLE, FLORIDA" are inscribed around the perimeter of the seal.

John Peyton
MAYOR

Dan Kleman
CHIEF ADMINISTRATIVE OFFICER

City Council Members

Kevin Hyde, President
Group 4 At-Large

Lake Ray, District 1
Lynette Self, District 2
Richard Clark, District 3
Suzanne Jenkins, District 4
Art Shad, District 5
Sharon Copeland, District 6
Pat Lockett-Felder, District 7
Gwen Yates, District 8
Reggie Fullwood, District 9
Mia Jones, District 10
Warren Alvarez, District 11
Daniel Davis, District 12
Arthur Graham, District 13
Michael Corrigan, District 14
Ronnie Fussell, Group 1 At-Large
Elaine Brown, Group 2 At-Large
Lad Daniels, Group 3 At-Large
Glorious J. Johnson, Group 5 At-Large

Calvin C. Ray
DIRECTOR OF ADMINISTRATION & FINANCE

Frank Castriota
BUDGET OFFICER

CITY OF JACKSONVILLE, FLORIDA

ANNUAL BUDGET

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INTRODUCTION

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CITY OF JACKSONVILLE, FLORIDA



INTRODUCTION



Mayor Peyton's Budget Address July 15, 2005

Mr. President, Ladies & Gentlemen of the City Council, Honored Guests, Citizens of Jacksonville:

Good morning. I would like to say "thank you" in advance to the members of the Council and the Council staff – especially the Council Auditor's Office - for their hard work on this budget. Over the past two years, we've worked closely together on a number of projects, and the hard work and diligence of this Council always shows that the people of Jacksonville are well-represented.

I want to thank former Council President Elaine Brown for her leadership over the past year. I look forward to working with President Hyde and Vice President Corrigan in the year to come, and to working with Chairman Davis and the Finance Committee as they take up this budget.

Finally, I'd like to commend our city budget team: Cal Ray, Frank Castriota and our new CFO, Mickey Miller. They have devoted hundreds of hours to preparing this budget, which serves a population greater than that of Vermont, Delaware, North Dakota or Wyoming. It's a monumental task, and they do it well.

Exactly two years ago today, I first stood before this Council as mayor. The budget I presented then was balanced. It contained lower taxes. And it addressed significant and timely needs.

Once again, it is my pleasure to bring to you, and to the people of Jacksonville, a balanced budget. This budget maintains our commitment to fiscal responsibility. It provides for a reduction in taxes. And it funds public safety and moves our government toward even greater financial stability.

Aside from increases in public safety, this budget contains the smallest growth in government spending in 7 years.

This budget also proposes significant changes in the way our government handles its financial affairs, changes I will detail in a moment. And this budget contains NO NEW TAXES. Let me say that again. NO NEW TAXES. In fact, it marks the 11th straight year of reduced property tax rates in Jacksonville.

During my term in office, we have reduced property taxes by over half a mill, for a cumulative value of \$31.7 million. That's REAL money, going back into the pockets of Duval County taxpayers.

I want to talk about property taxes. Our consolidated government has the lowest tax rate of any major city in the state of Florida. Our tax rates are DRAMATICALLY less than cities like Orlando, Tampa, and Miami. The budget I am presenting today proposes a property tax rate of 9.65 mills. The next closest tax rate in a major Florida city is Orlando, where the rate is 12.3 mills. In Miami, the rate is 16.8 mills.

To put that in perspective: the average homeowner in Jacksonville pays a tax bill of eleven hundred seventeen dollars, not counting the School Board tax. In Miami, that same taxpayer would pay three thousand seventy-five dollars – nearly two-thousand more!

We are also more efficient than other cities. Every other major city in Florida imposes a garbage collection fee. In Jacksonville, city government picks up the tab for trash. Likewise, Hillsborough County and the city of Tampa impose a sales tax for their hospital district. Here in Jacksonville, the payment we make to Shands for indigent care comes from our general fund. Speaking of Shands, I know that Councilwoman Pat Lockett-Felder shares my pride in our city's investment in neighborhood health clinics to improve access and reduce costs to our citizens.

Jacksonville citizens receive more services from this government than residents of Orlando, Tampa and Miami. But we run our government on FAR less money, and we run it well. Our tradition of "doing more with less" is a source of pride.

Over the last two years, we have built on the foundation of great leadership and fiscal discipline provided by past mayors and city councils. We have undertaken the largest reorganization of city government in recent history. We instituted a pay for performance plan negotiated in our union contracts.

With the support of former Council President Elaine Brown, we've invested in technology. We have supported technology improvements to upgrade network security, enhance our computing infrastructure and provide remote access for our employees. During Hurricane Frances, employees were able to work while city buildings were closed! We have also worked to enhance cooperation between branches of government. And we've worked to bring high speed wireless service to the entire city -- technology that is now available to the public.

We've designated funds to support arts and culture in Jacksonville. In addition to enhancing our quality of life, this investment pays a huge dividend in economic development. The arts provide jobs for our citizens and are an enormous draw for tourism, conventions and corporate relocations.

Our government has also invested in our city's most vulnerable citizens. We've helped to increase the capacity of private sector organizations through the office of faith and community-based partnerships. Communities of faith are best equipped to serve the poor. And this effort is important, because it enhances the ability of faith and community organizations to do work that government cannot do.

And we've partnered with the Real Sense Prosperity Campaign to enhance financial literacy and generate tax refunds. This effort has already put \$1.6 million into the pockets of the people who need it most. And I thank Councilwoman Jenkins for her strong support of this initiative.

We've invested in our local military presence, funding infrastructure enhancements to benefit Jacksonville's military facilities. With Councilman Shad's leadership and this council's support, we provided a property tax rebate for some of our military men and women serving abroad. In addition, my office has reached out to local military leaders. And all of these investments have paid off handsomely in the current round of BRAC. As Councilman Daniels knows, the Department of Defense recognizes Jacksonville's commitment to our military.

Over the past two years, we have made important capital expenditures, especially in the area of public safety. We provided police and firefighters with equipment and facility improvements that were long overdue. We also funded a commitment to repair hazardous sidewalks. And with Councilman Lake

Ray serving as the new chair of the MPO, we will be well-positioned for continued transportation funding.

We devoted the necessary resources to insuring our Super Bowl success. I know you shared my pride as Jacksonville stepped on to the world stage! And the game generated \$22 million worth of excellent news coverage – exposure that can help to attract high-paying jobs to our region.

Speaking of wages, we have funded efforts to create wealth and grow jobs in Jacksonville. Working closely with the Council, especially Councilwoman Mia Jones, we developed the Jacksonville Small and Emerging Business initiative. Furthermore, we have debundled large city contracts to give small businesses a chance to compete for city business. This innovative program has already certified 415 small businesses, 362 of them minority-owned. In just three months, it has awarded 38 direct contracts, worth more than \$4.6 million dollars, to JSEBs,

Six JSEBs have received bonding assistance, and three JSEBs have received start-up capital. I'd like to stop here and thank Wachovia, Bank of America, EverBank, First Guaranty Bank & Trust of Jacksonville, CenterBank and Prosperity Bank for their generous contributions to the Access to Capital fund. I deeply appreciate their willingness to invest in our city's small business community. And we are delighted to have them as partners in this endeavor.

We have established a five-year commitment to the Blueprint for Prosperity, an effort to raise per capita income across the board in Jacksonville. The Blueprint process will identify ways to increase earnings and to attract and retain high income workers. It will help us decrease the race/ethnic income gap, and address poverty, crime, and other issues that affect our people and our tax base. This is an effort I know Councilwoman Johnson will embrace as we work together.

Another priority we've identified and funded is increasing early literacy. Our community-wide literacy partnership, RALLY Jacksonville!, is making a difference for children and families. And we KNOW that growing good readers is the best investment we can make for individual success and regional economic prosperity.

This community has embraced RALLY with enthusiasm. More than 8,100 four-year-olds are members of the Mayor's Book Club. These children are gaining valuable literacy skills that will help them to succeed in school and increase their earning potential. We've intensively intervened in preschools and child care centers, putting 73 highly-educated professionals into 633 preschool classrooms across the county.

I'm proud of this literacy initiative. And I'm equally proud of the support it's generated from our community. Our partners have contributed more than \$1.8 million in cash and in-kind contributions. I'd like to stop here and recognize those partners: Fox 30/CBS 47, Blue Cross/Blue Shield of Florida, JM Family Enterprises/SE Toyota Distributors, CSX, Holland & Knight Charities, Vystar, Bank of America and Gibson Chiropractic. This city is fortunate to have such good corporate citizens. I'd also like to thank the members of the Jacksonville Early Literacy Partnership. These individuals and the organizations they represent have done a great service for our city and we owe them a debt of gratitude.

Finally, over the past two years we have made public safety a top priority. We have provided our police and firefighters with the resources they need to do their jobs and do them well. This is our highest priority as a government, and I am personally committed to making Jacksonville the safest city in America.

All of the efforts I've just mentioned represent an investment in the Jacksonville we WANT TO BECOME. And the budget I am presenting to you today continues that investment.

This budget contains funding to continue our support of technology. We are expanding opportunities to conduct city business online. And we're making the permitting process easier, an effort I know Councilman Fussell will approve.

This budget reaffirms our dedication to enhancing Jacksonville's quality of life. It modifies a previous bond issue to benefit parks throughout the county, funding four new parks and upgrading nearly 60 percent of our parks in poor condition. In other words, this budget begins the hard but crucial work of taking Jacksonville's crown jewel – our park system – from the nation's biggest to its best. I know Councilwoman Self, Councilwoman Copeland, Councilwoman Yates and Councilman Graham share my commitment to that goal. I'd like to stop here and publicly thank the members of our Parks Task Force for their diligent work on these issues. Our city is fortunate to have the benefit of their insight and hard work.

This budget reaffirms our commitment to increase the capacity of small businesses in Duval County through the JSEB program. It supports the important goal of increasing per capita income through the Blueprint for Prosperity.

This budget also continues our commitment to early literacy through RALLY Jacksonville! In this program, we're doing something that government doesn't do often enough. We are MEASURING RESULTS. In tandem with our literacy effort, it is my pleasure to announce that this budget fully funds Mayor Ed Austin's commitment to children. I'm proposing that we fund the commission at the full half-mill and dedicate approximately a quarter of that funding to literacy. This is an ambitious step, but if WE aren't ambitious on behalf of our children, who WILL be? These are OUR children. And whether they're participating in RALLY Jacksonville! or attending an after school program, they are gaining important life skills. Those skills will keep them in school, out of jail and on the path to a better life.

Finally, this budget reaffirms our historic commitment to public safety. Public safety funding in this budget increases by \$38.7 million dollars, or 10.7 percent. Sheriff Rutherford and Chief Barrett have assured me that this funding is sufficient to protect the citizens of Duval County to the level they deserve and expect.

All of these priorities have been funded while cutting taxes for the 11th consecutive year.

I know Councilman Fullwood, as last year's Finance Chair, shares my commitment to providing for the long-term financial health of Jacksonville. And the budget I am presenting today does just that. It consolidates operations and streamlines function. This type of effort has long been a priority for Councilman Alvarez.

We began our budget process this year by seeking efficiency and making tough decisions on spending. These are the kinds of decisions small businessmen like Councilman Richard Clark make every day.

Our examination of roles and responsibilities resulted in the elimination of 171 positions citywide. Decisions involving people are never easy. But the steps we are taking will move us toward a more efficient government.

I want to stress that this is an action necessitated by circumstances and strategic planning, not a reflection on individual employees. Our city employees work hard and I appreciate the work they do.

Another action affecting personnel is a one-year hiring freeze that will take effect TODAY. I have also asked all appointed officials – including my staff -- to forego raises this year. And I will do the same. I look forward to working with our unions to find ways to increase productivity while reducing costs. We are reducing cell phones and administrative cars citywide by 10 percent. We have restructured Public Service Grants to require stricter performance standards and reduce government dependence.

The budget I am presenting to you today also proposes the adoption of ambitious financial practices. While they will not be implemented overnight, they are necessary to ensure the continued financial health of our city. Simply put, these best practices will eliminate the use of one-time money to fund recurring expenses.

Abolishing this longstanding Jacksonville tradition represents a fundamental shift in the way our city does business. Over the years, this government has repeatedly used one-time money to fund programs. My administration is no exception. We have used one-time funds to meet urgent infrastructure and public safety needs, and to take advantage of opportunities like Super Bowl 39. And those expenditures have helped to move Jacksonville forward.

It is time, however, for us to adopt more stable and predictable policies: policies that will keep us in good stead with our rating agencies in New York. The policies of the past worked for short-term needs. But today's Jacksonville requires new priorities and stricter standards. Stakes are higher, demands are larger, and our resources are finite.

Let me emphasize again: this is an important change. It's a new way of approaching our finances, and it will not be easy. However, it is the right thing to do.

The budget I am presenting to you today begins the task of weaning our city government off one-time spending and moving us toward a more responsible financial model. In order to support this policy change, this budget contains legislation outlining four key provisions relating to city finance.

The first provision will codify a requirement to balance the city budget out of current-year revenues. The second provision will redefine "the Rainy Day Fund," and formally establish operating and emergency reserves. The third provision requires the city to more carefully manage its pension funds. This will enable us to keep the faith with current and former employees, while maintaining the integrity of our city finances. This provision will also limit benefit enhancements in the future so that we don't make promises we can't afford to keep.

The fourth and final provision of this legislation requires the creation of a financially feasible Capital Improvement Plan each year. That plan must anticipate operating costs for each project it contains. In the past, we haven't always factored in the cost of operations and maintenance. That's kind of like buying a new house and not factoring in the light bill. It's risky behavior, and we can't afford it!

These practices will provide long-term financial stability and predictability for Jacksonville. And the legislation will encourage an even greater level of financial discipline, now and in the future. The budget I present to you next year will abide by these requirements. I am asking you, as co-stewards of this great city, to join with me in committing to these new financial practices and moving our city into a new era of prosperity and stability.

In closing, I'd like to reiterate my belief that one of the greatest dividends we'll realize from this budget is a community-wide commitment to early literacy. And I'd like to share a couple of stories from the literacy trail.

I've said repeatedly that the best part of my job is interacting with children. Every week, I read at schools and childcare centers. I also spend time with young citizens at Mayor's Book Club activities. I get a lot of feedback from these visits. One of my favorites is a letter I got from Mitchell, a student at Jax Beach elementary school. He wrote – and I quote – "I thought you seemed like a good Mayor and you weren't in a bad mood, so being Mayor probably is not stressful.....but I might be wrong."

I also get feedback about our literacy initiative. Parents tell me they now spend time reading with their children EVERY DAY. Volunteers share their enthusiasm for literacy. These stories reinforce my belief that education is one of the most important issues we face. And you can be proud that your city government is engaging in a significant way to help make Jacksonville a learning community.

I also hear stories everywhere I go that renew my determination to do what's best for Jacksonville. One story that touched me was told by the principal of an elementary school in one of the city's most challenged neighborhoods. During FCAT testing, this principal had the difficult task of informing one of her students that the girl's mother had passed away following a long illness.

The child was one of eight children being raised by this single mom. And she was devastated to hear the news. But when the principal told her to get her things together so someone could take her home, she said "Oh, no ma'am. I want to take the test."

The principal assured the student she didn't have to worry: She could make up the test. And again, the little girl said "no." She went on to explain that -- just a few days earlier -- her mother had taken her aside for a heart-to-heart talk. The mother said: "I want you to do BETTER than I have done. I want you to have a better life. And the ONLY way you can do that is to get an education. Promise me you'll get your education!" The little girl promised. And she KEPT her promise. She went back to class and took the test. And she passed, along with many of her fellow students.

Ladies and Gentlemen of the Council: That kind of DETERMINATION, that kind of POTENTIAL, and that kind of WILL TO SUCCEED deserves our utmost support. It deserves our best effort. And it requires us not only to provide for Jacksonville's needs THIS year, but to put this government on the path to a more secure future -- no matter what it takes.

That little girl, and the thousands like her throughout our great city, deserve it. And the budget and policy changes I am presenting today will help us to honor those children and secure the future of our city.

This is a disciplined budget. It will test our priorities and our commitment to fiscal responsibility. But I am confident that it's the right budget for a more promising future. I look forward to working with you to realize our vision for Jacksonville. And I thank you again for your partnership in the past, and your help and hard work in the future.

A handwritten signature in black ink, appearing to read "John Reynolds". The signature is stylized with a large, looping initial "J" and a cursive "R".

CITY OF JACKSONVILLE, FLORIDA

MISSION

Serving you, meeting today's challenges, focusing on the future.

VISION

To make Jacksonville's local government the most responsible and effective city government in America, and Jacksonville the best place in the nation to live, work and raise a family.

GUIDING PRINCIPLES

- I. Increase economic opportunity and jobs, including full support for our military and minority business ownership
- II. Increase public safety, including homeland security and emergency preparedness
- III. Increase early literacy
- IV. Enhance quality of life, including transportation, planning and parks
- V. Increase infill housing
- VI. Streamline government to facilitate business growth

METHODS

We will achieve results, without raising taxes, by:

- Reducing risk and saving taxpayer dollars by applying conservative best practices to City's investing and borrowing
- Using "public service return on investment" analysis to prioritize City spending
- Amending parts of City's Ordinance Code which block the most efficient use of taxpayer dollars
- Saving taxpayer dollars by applying best practices and technology to enable City employees to be more productive

CITY OF JACKSONVILLE, FLORIDA

Mayor Peyton's Highest Priority Initiatives With Associated 2006 Business Plan Goals

I. Increase economic opportunity and jobs, including full support for our military and minority business ownership

- A. Increase prosperity to all Jacksonville
 - 1. Recruit and expand higher-wage job opportunities
 - 2. Promote and encourage private capital investment
 - 3. Enhance and expand business relationships, pursuant to Part 6 of Chapter 126 of the Jacksonville Ordinance Code, with governments, neighborhood organizations and non-traditional resources
 - 4. Facilitate job creation through small business development
- B. Promote planned and controlled development in the targeted areas of the City
 - 1. Promote a healthy and vibrant downtown
 - 2. Promote and leverage investment in economically distressed areas
- C. Remove barriers that prevent all citizens from enjoying economic opportunity
 - 1. Proactively address employment and housing discrimination complaints

II. Increase public safety, including homeland security and emergency preparedness

- A. Improve safety and security
 - 1. Improve Fire and Rescue services
 - 2. Improve emergency management, including disaster preparedness/response and the security of our citizens
 - 3. Reduce criminal activity
- B. Increase health and safety in Jacksonville's neighborhoods
 - 1. Improve health and safety by removing known hazards
 - 2. Expand code enforcement services in Historic Springfield and neighborhoods in the "old city"

III. Increase early literacy

- A. Implement actions that will address early literacy intervention and remediation
 - 1. Increase intervention efforts focused on increasing youth literacy
 - 2. Increase maintenance and remediation efforts designed to address adult literacy so that all parents will have the capability to serve as literacy role-models for their children

IV. Enhance the quality of life, including transportation, planning and parks

- A. Improve the quality of life for all citizens of Jacksonville
 - 1. Improve support for families and children
 - 2. Improve support for people of need
 - 3. Improve support for senior citizens
 - 4. Promote volunteerism to improve our community
 - 5. Support unity and equality among our citizens regardless of their age, race, gender, religious affiliation and economic status
- B. Improve services to Jacksonville's neighborhoods
 - 1. Continuously improve and expand services to Jacksonville's neighborhoods
- C. Improve Jacksonville's overall transportation system
 - 1. Improve Jacksonville's roadway system
 - 2. Improve Jacksonville's bikeway and sidewalk systems and transit opportunities

CITY OF JACKSONVILLE, FLORIDA

D. Grow Smart

1. Enhance quality of life through improved community design
2. Implement Growth Management Task Force recommendations
3. Encourage development that balances high, middle and affordable housing (i.e. Traditional Neighborhood Development (TND) with mixed use/mixed income/mixed lot size and square footage, along with sidewalk placements
4. Continued implementation of the Better Jacksonville Plan

E. Increase public space and public recreational opportunities for Jacksonville citizens

1. Increase the recreational opportunities available to Jacksonville citizens
2. Maintain and improve existing recreational facilities
3. Develop our Preservation Projects for eco-tourism

F. Preserve and improve the water quality of the St. Johns River

1. Continue water quality initiatives through reduction of septic tanks, drainage improvements and renewal and replacement of old sewer and water lines in older neighborhoods

G. Clean up, beautify and "Green-up" Jacksonville

1. Clean-up Jacksonville
2. Beautify and "Green-up" Jacksonville
3. Improve Jacksonville's air quality

H. Improve external communications

1. Improve external communication and marketing of the City of Jacksonville and its services to customers and the public

V. Increase infill housing

A. Enhance and improve the stock of affordable housing in targeted areas of the city

1. Increase affordable housing opportunities

VI. Streamline government to facilitate business growth

A. Improve customer service

1. Reduce cycle time from customer request-to-compliance citywide
2. Ensure that services are performed competitively and that customers' expectations are met through measurement and benchmarking
3. Streamline organizational rules, regulations and procedures
4. Improve vendor and provider management and relationships
5. Develop strategies, processes and vehicles to improve internal communications

B. Increase effective/efficient total quality government with no new taxes

1. Reduce costs and staff requirements and increase productivity through process improvement
2. Enhance current and future technology to improve services to internal and external customers

C. Employ the right number of the right people in the right jobs at the right time in an environment that supports them

1. Improve employees' skill levels and ensure that employees are adequately trained and cross-trained to perform required functions
2. Improve and streamline recruitment and hiring methodology to strengthen City's competitive ability to attract qualified candidates
3. Develop strategies to address employee satisfaction, health and safety

CITY OF JACKSONVILLE, FLORIDA



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Jacksonville
Florida**

For the Fiscal Year Beginning

October 1, 2004

Nancy L. Ziehl
President

Jeffrey R. Egan
Executive Director

AWARD FOR DISTINGUISHED BUDGET PRESENTATION

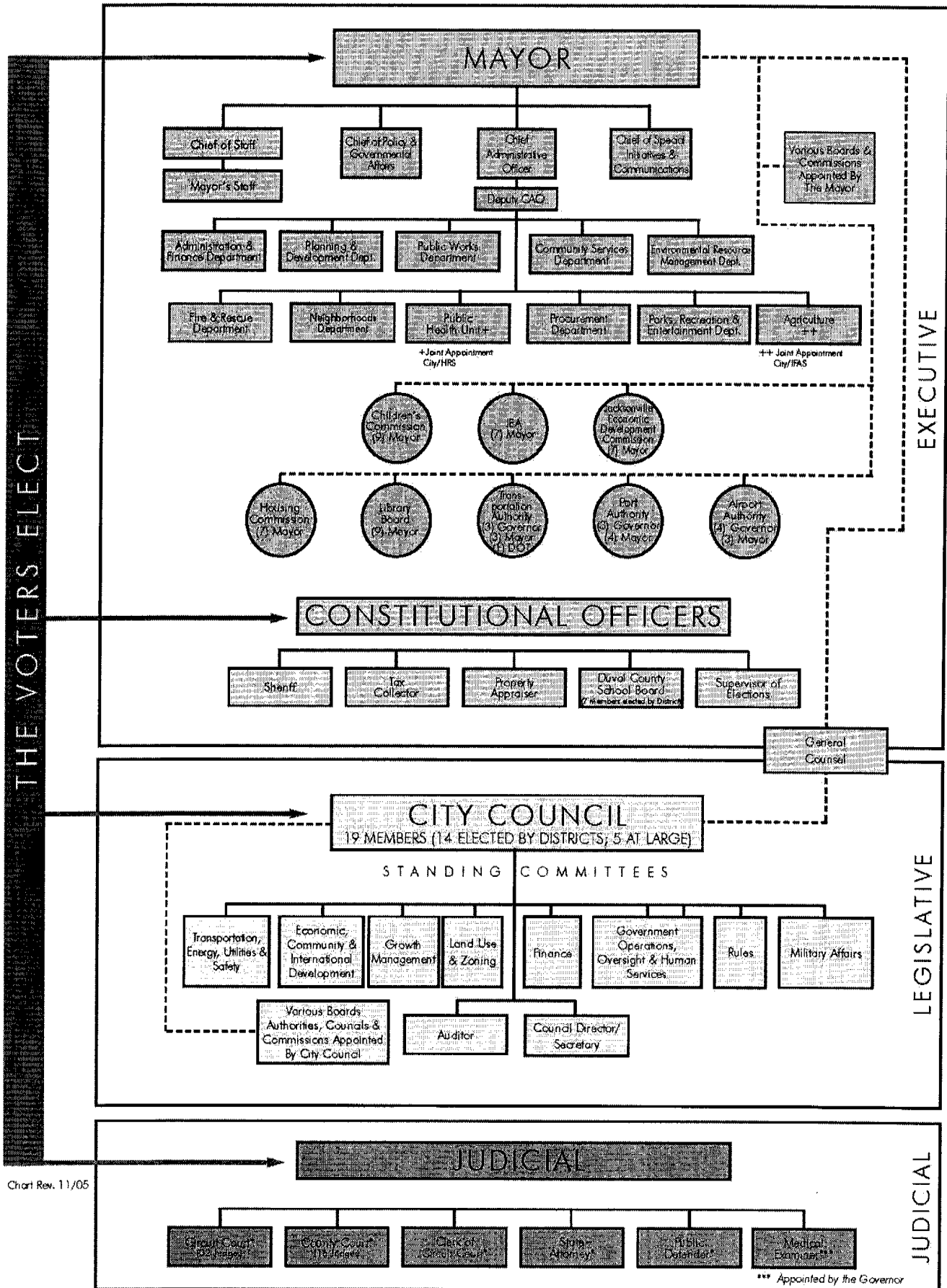
The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Jacksonville, Florida for its annual budget for the fiscal year beginning October 1, 2004.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA



2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA

JACKSONVILLE PROFILE

Located in the Northeastern corner of Florida, fashioned from seashore and forest and nurtured by the majestic St. Johns River, Jacksonville provides abundant opportunities for visitor and resident alike. At 841 square miles, Jacksonville is the largest city in the continental United States. It is also a major port, the insurance and financial center of Florida, the site of key U.S. Navy bases, home to the National Football League's Jacksonville Jaguars and host of the 2005 Super Bowl. More than a million people live in the greater Jacksonville metropolitan area, approximately 840,000 of them within the city limits.

Jacksonville is poised to grow in the competitive national and international marketplace. The city's location, climate, cost of living, infrastructure and pro-business government make it competitive with other cities of comparable size. The city has become increasingly attractive to corporate decision-makers looking to relocate or expand. From 2000 to 2003, Jacksonville's tax base grew by over 24 percent and there is a projected 1.75 percent annual job growth increase in Duval County for the next seven years. Jacksonville is consistently rated one of the top "Hottest Cities in America" for business expansions and relocations by site consultants in an annual poll for Expansion Management magazine. Ranked #10 in 2005, Jacksonville has been in the Top Ten for six straight years and is the only city to be ranked 1st three times. Jacksonville was ranked #10 in Inc magazine for the "Best for Doing Business" in the May 2005 issue.

Jacksonville is governed by a unique consolidated government of city and county, meaning that Duval County and the City of Jacksonville are one and the same. The city has a "strong mayor" form of government and elects a 19-member City Council, with five at-large members and 14 members elected by district. Five constitutional officers are also elected: the Tax Collector, Property Appraiser, Clerk of the Courts, Sheriff and Supervisor of Elections. The City funds the operating budgets of each of the constitutional officers.

In 2001, Jacksonville's government won the Florida Governor's Sterling Award, an honor that recognizes organizational excellence. The various administrative departments within city government are responsible for providing streets and infrastructure maintenance, solid waste disposal, public safety and other social and human services to citizens. The majority of these services are financed through the General Fund, while the Enterprise Funds, which are intended to be self-supporting, employ user fees.

As a rapidly growing city, Jacksonville is recognized as a national leader in managing development and "growing smarter." A number of mayoral initiatives are incorporating growth management strategies to balance economic development and preservation. The Preservation Project, initiated by Jacksonville's then-mayor John Delaney in January 1999, is a national model for land conservation and collaborative management. In less than three years, more than 20,000 acres of land were set aside for preservation and recreational uses, giving Jacksonville the nation's largest urban park system. A high-profile Parks Task Force studied ways to make these lands accessible while preserving their natural beauty. A reorganized Parks, Recreation and Conservation Department will implement the Task Force recommendations in coming years to move Jacksonville parks from "the biggest to the best."

In September 2000, Jacksonville voters approved a ½-cent local option sales tax to provide funding for The Better Jacksonville Plan (BJP), a comprehensive infrastructure improvement and growth management strategy. The BJP is improving roads and infrastructure, renovating and constructing public facilities including libraries and a sports and entertainment complex, preserving the environment, targeting economic development to areas that need and can sustain it and playing an active role in the revitalization of downtown Jacksonville.

With a growing population, a strong economy and abundant natural resources, Jacksonville is poised to continue to prosper in the 21st century as one of the nation's most dynamic and progressive cities.

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA

JACKSONVILLE FACT SHEET FY 2005-2006

Jacksonville has a strong mayor form of government with a City Council composed of 19 members, of whom 5 are at-large members and 14 represent council districts.

Population	840,474		
City Area	840.1 square miles		
Internet Home Page Address	http://www.coj.net		
	Comparisons		
	FISCAL YEAR 2003-04	FISCAL YEAR 2004-05	FISCAL YEAR 2005-06
General Fund Budget (GSD)	\$797,706,626	\$855,985,187	838,209,064
General Fund Net Budget (GSD)	693,083,977	752,404,426	768,529,473
Total City Budget (Includes Misc Federal Programs)	1,361,325,014	1,478,685,437	1,590,326,464
Total City Net Budget	1,092,923,695	1,197,323,377	1,281,261,125
Ad Valorem Taxes (GSD)	338,671,804	359,494,205	407,264,586
City Employees			
Other	4,880	4,908	5,293
Police Officers	1,599	1,760	1,763
Fire and Rescue	<u>1,102</u>	<u>1,189</u>	<u>1,203</u>
Total Number of City Employees	7,581	7,857	8,259
Millage Rate			
Operations	9.8398	9.6879	9.6500
Debt Service	0.0	0.0	0.0
Total	9.8398	9.6879	9.6500

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA



CITY OF JACKSONVILLE, FLORIDA

BUDGET HIGHLIGHTS

- The Ad Valorem millage rate was reduced for the eleventh consecutive year of millage cuts, resulting in a 1.67 mill decrease over the past eleven years. This represents savings to the taxpayers of approximately \$63.4 million in the current year and cumulative savings of \$289.4 million over the eleven-year period.
- The Assessed Tax Roll increased by \$4.94 billion on a July-to-July basis, a 12.3 percent increase.
- General Fund revenues are up \$55,935,351 excluding transfers, which represents an 8.19 percent increase.
- All one time reserves and General Fund revenues in excess of expenditures in subsequent fiscal years shall be set aside in a reserve account until the reserve is equal to 5% of the total General Fund/General Services District budgeted expenditures.
- Established a separate fund (Emergency Reserve). The initial goal for the Emergency Reserve shall be up to \$40 mil. The goal of this Reserve is equal approximately (7%) or approximately 25.5 cash flow of the total General Fund/General Services District budgeted expenditures.
- Fully funded the new Main Public Library that opened to the public on November 12, 2005.
- Funding to the Jacksonville Children's Commission for \$21.5 million includes \$5.13 million for the Mayor's Early Literacy Initiative. The Commission provides all local governmental services to children.
- The contribution to Shands Hospital/Jacksonville in support of indigent care has been maintained at \$23.8 million.
- Cultural Council was provided with \$3,750,000 in funding
- Converted 371 temporary employees to full time/permanent employees.
- Fire and Rescue received 22 additional positions to staff a new fire station.
- Established a pension plan for Corrections Officers.
- Converted forty-five contract employees in the Department of Administration and Finance / Information Technologies Division to classified positions for a savings of over \$1 million dollars.
- Funded \$250,000 in Environmental Resource Management for Litter Campaign.
- The Office of the Sheriff received additional funding for overtime of approximately \$3.2M as well as \$2.7M for inmate health care and food service contract increases. Thirty positions were transferred from COPS Ahead grant funding into the General Fund – GSD at a cost of approximately \$1.2M.
- The Supervisor of Elections received \$480,000 for staffing at early voting sites used prior to the election. Additional monies totaling \$300,000 was provided for warehouse improvements needed for storage of equipment as well as \$271,000 to bring all polling locations into HAVA compliance.

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA

COUNCIL CHANGES TO THE BUDGET

The City Council Finance Committee performs detailed reviews of each area of the Annual Budget. The Council Finance Committee began its work shortly after the Mayor delivered his proposed budget on July 15th, 2005 and completed its review and made final recommendations on September 19th. During the review period, the Finance Committee held hearings with the individual departments, heard from a variety of community organizations and concerned citizens and discussed matters of particular interest with the Council Auditor's staff and the Administration. All meetings were open to the public. The Budget was ultimately adopted on September 27th and was signed into law by the Mayor on October 1, 2005.

The Mayor recommended a gross Annual Budget of \$1,625,816,008. The budget was amended by City Council to a new gross total of \$1,590,326,464, a decrease of \$35,489,544 or 2.2%.

The following are some of the changes made by City Council:

- Transferred \$40 million in reserves to a new Special Revenue Fund
- Transferred \$3 million for Economic Grant Programs and QTI from General Fund to Jacksonville Economic Development Unit
- Reduced Worker's Compensation allocation by \$2.5 million to more accurately reflect Actuarial Study
- Reduced telecommunications tax due to JPA by \$470,149
- Reduced Parks, Recreation and Entertainment budget by \$242,281
- Transferred the Tax Collector budget to a unique sub-fund
- Reduced the Public Works Department budget by \$352,053
- Reduced the Environmental Resource Department budget by \$145,000
- Reduced Solid Waste Disposal charges by \$560,000 for CPI adjustment
- Reduced Landfill charges by \$1.1 million resulting from a rate adjustment
- Increased revenues for Fire Rescue Operations relative to JIA and Cecil Field by \$337,552
- Restored \$1 million in funding in the Fire Rescue budget
- Re-established the Fleet Replacement fund with an initial reserve of \$2.2 million
- Eliminated \$200,000 in funding for the Economic Grant Program
- Eliminated \$200,000 in funding for Managerial/Financial Audits
- Established a Budget Stabilization Reserve of \$5 million

CITY OF JACKSONVILLE, FLORIDA

THE ANNUAL BUDGET

The Annual Budget as developed, adopted, and implemented by the Consolidated City of Jacksonville accomplishes several purposes. First and foremost, it complies with state and local legal requirements for a balanced financial plan of operation for the government that coincides with and is limited to the City's fiscal year. As a financial plan, the budget identifies revenue and other financial resources that are anticipated to be available for appropriations, establishes appropriations, authorizes expenditures and uses of financial resources, and otherwise provides for the continuing financial operation of the City.

The budget also provides one of the most concise presentations of governmental policy, especially the implementation of policy changes. The Mayor's Budget Message in particular, identifies the City's major goals and objectives and the intended means of achieving them. The evolutionary process of the budget, through direction of the Mayor and the City Council and numerous open meetings and public hearings, ensures that the City's policies are integrated into the budget. To a very real extent, the budget clearly quantifies executive and legislative policy through its use of line-item presentations and historical comparisons.

Under the framework of the procedures established in the Charter and the Ordinance Code, the budget also provides a formal, flexible guideline for the financial operation of the City. As implemented by the Mayor, the budget for each individual activity specifies how much may be expended for each type of operating account and the number and classification of each authorized position. Together with departmental mission, vision, goals and objectives, these detailed components of the budget outline operational direction.

As an outline of the financial operating plan and in other ways that are integral to the budget processes and documents, the budget also serves as a vehicle for disseminating information. Although the primary use of many of the budget's schedules is for purposes internal to the government, several schedules, descriptions, and exhibits are of interest to the public. This document provides a variety of readers with a comprehensive view of the City's budget, its purposes, contents, and what it means to our citizens, our departments, and bond investors.

BUDGETARY ENTITY

The City of Jacksonville is a consolidated city/county political entity that extends geographically throughout Duval County. As of October 1, 1968, the beginning of consolidated government, all county, municipal and local governments and districts within Duval County, and their boards, bodies and officers, merged into a single new corporate and political entity known as the City of Jacksonville, except that the cities of Jacksonville Beach, Atlantic Beach, and Neptune Beach, and the Town of Baldwin were reconstituted as separate and distinct urban services districts and retained their municipal government structure.

The consolidated City of Jacksonville also contains various independent agencies, including the Duval County School Board, the Jacksonville Electric Authority, the Jacksonville Airport Authority, the Jacksonville Port Authority, the Jacksonville Transportation Authority, the Jacksonville Economic Development Authority, the Jacksonville Housing Finance Authority and the Jacksonville Police and Fire Pension Board of Trustees.

CITY OF JACKSONVILLE, FLORIDA

BUDGETARY POLICIES

The City's budgetary policies are based upon guidelines and restrictions established by Florida Statutes, the Consolidated City of Jacksonville Charter, the City's Ordinance Code, Executive Orders, and generally accepted accounting principles for governmental entities. Applicable provisions of State law are incorporated into local procedures and set forth the municipal fiscal year, restrictions on taxation, conditions of participation in State revenue sharing and other programs, and also mandate that the City must have a balanced budget.

The City of Jacksonville deems its budget to be balanced if revenues meet expenditures, without undue reliance on one-time sources and that no bond proceeds or other debt instruments are used to satisfy recurrent operating expenditures.

In accordance with the City Charter, the budget is divided between general operating funds and capital improvement funds, with separate legislative approval and separate printed documents. This document primarily addresses the City's operating funds, but includes summary information on the Five-Year Capital Improvement Program and details of priority "one" projects. This program lists schedules and sets priorities for the City's major capital expenditures. In order to provide an overall view of the City's operating budget, independent authorities and the School Board, summary information is provided in the Comparative Budget Summary.

As adopted by the City Council, the annual budget is in the form of an ordinance which contains estimated revenue and other financial sources, any revenue restrictions, special provisions which apply to miscellaneous appropriations and departmental capital outlay, authorizations of full-time positions and temporary employee hours, and any amendments to the Ordinance Code that may be related to the budget. Incorporated as integral parts of the Annual Budget Ordinance are the following schedules that specify the City's budget:

- Budgeted Revenues, Expenditures, and Reserves Summary
- Schedule of Capital Outlay Projects
- Schedule of Public Service Grants
- Schedule of Appropriations by Division
- Miscellaneous Federal Programs, which is included for information only
- Position Redlines

As implemented by the Mayor and the Department of Administration and Finance, the budget is expanded to the activity level. Thus managers are provided with maximum permissible expenditures by object account within activity. The maximum number of full-time employees and aggregate salary level, as well as the number of part-time hours available, is also provided. Service levels requiring additional or redistributed resources must be approved as budget amendments. For the interested reader, a discussion of the procedures used to amend the budget follows later in this section.

This level of detail provides readers with information about specific service levels and associated resources budgeted to provide these services. City management is likewise provided with a practical means of controlling uses of resources and gauging budgetary performance for improved productivity and efficiency.

CITY OF JACKSONVILLE, FLORIDA

CONFORMITY WITH GAAP

Budgetary and accounting policies of the City conform to generally accepted accounting principles (GAAP) for governmental entities, with certain exceptions, and are substantially comparable to the policies of most other governments. Revenue is budgeted on the modified accrual basis, although GAAP accounts for enterprise and similar trust fund revenue using the accrual basis. The modified accrual basis means that revenue is recognized when it becomes both "measurable" and "available to finance expenditures of the current period." Ad Valorem taxes and most revenue received from the state, such as the half-cent sales tax distribution and state shared revenue, is accrued, because it meets the criteria of being susceptible to accrual. On the other hand, licenses and permits, fines, and charges for services, for example, are recognized when received in cash, because they normally are not measurable until they are actually received.

Differences between budgetary policies and GAAP exist for several reasons, with the main reason being that existing procedures have worked well and changes have not been required for administrative or control purposes. Additionally, law requires certain budgetary procedures that are not in conformance with GAAP. In particular, the City Charter specifies that fund balances must be considered together with anticipated revenue and applicable reserves in determining the ad valorem tax to be levied.

Other differences between budget and GAAP are the treatment of interfund transfers, departmental capital outlay, depreciation, and debt service principal payments. The City's budgeting practices include interfund transfers and subsidy contributions as revenue and expenditures, whereas GAAP classifies such interfund transactions as being other financing sources or uses.

Departmental capital outlay is budgeted for administrative control purposes. By including capital outlay in the annual budget, it becomes part of the readily accessible on-line control systems and appears as line items on all budget and accounting system reports.

Depreciation expense, which is recognized only in proprietary and City-wide statements, is not budgeted primarily due to funding policy determination. Included within the Enterprise fund type for reasons of public policy and capital maintenance considerations are funds such as the City's Solid Waste Disposal, which are not fully self-supporting. Because the budget is legally required to be in balance, if depreciation expense were budgeted in the Enterprise funds, then corresponding adjustments would be necessary in increased other financing sources or decreased expenses. Not providing for depreciation in the budget has not adversely affected the enterprise funds.

CITY OF JACKSONVILLE, FLORIDA

BUDGETARY ASSUMPTIONS AND TRENDS

One way in which most municipal budgets differ from those of private sector organizations is in their lower degree of flexibility. The City's budget is very flexible in its ability to accommodate minor adjustments, and as explained under Budget Revisions that follows, there are established means to implement the substantial number of changes that the budget undergoes during the year. However, certain assumptions that underlie most of the numbers in the budget are more critical than those of private sector organizations are.

REVENUE PROJECTIONS:

Ad Valorem

Ad Valorem taxes account for nearly 47.1% of the General Fund – GSD revenues. Ad Valorem taxes are levied against real estate and certain personal, non-real estate property held for commercial or investment purposes. Growth trends, real estate market conditions and building permits are tracked to provide longer-term projections for limited planning purposes. However, the actual revenue estimates used in each successive annual budget are a mathematical exercise dictated by law and driven by factors that are not definitively known at the time the calculations are made.

Under Florida law, the property appraiser must certify the ad valorem tax roll to each authority levying taxes within the county by July 1st. The annual tax roll is the sum of all currently assessed valuations net of homestead exemptions, various other exemptions, deletions of any improvements and the addition of new construction.

Each levying authority must then adopt a preliminary millage rate by legislative action. Additionally, each taxing authority must advertise in advance the proposed levy and hold a public hearing. Such action must be completed and certification of such action returned to the property appraiser and to the state within 30 days of the July 1st date. The levying authority may ultimately adopt a different millage. However, if the ultimate levy is higher than that originally advertised, the proposed levy must be re-advertised and another public hearing held.

Millage is an expression of the number of mills per dollar of assessed valuation levied. The FY 05-06 Jacksonville/Duval Co. millage rate is 9.6500 mills or .96500 cents per dollar of assessed valuation, down .0379 mills from FY 04-05. This is the eleventh successive mill reduction.

The calculation of the new-year ad valorem revenue is the assessed valuation tax roll multiplied by the millage multiplied by 95.5%. It allows for discounts offered for early payment (as much as 4% if paid by November), for errors discovered after tax roll certification and for ultimate bad debt. The new-year assessed tax roll is up \$3.38 billion over the prior year; an increase of 9%. New construction and appreciation of property value continues unabated. These conditions are expected to continue for the next several years. Conservative estimates of tax roll growth are in the \$3 billion range.

Solid Waste Revenue

The primary source of revenue for Solid Waste is a per ton landfill tipping fee. The tipping fee will be increased in FY 05-06 from \$25 to \$28.50 per ton to match a competitive market. There are also increases in tonnage due to growth. However, St. Johns County will no longer be using our facility effective July 2006. Advanced Disposal as of January 2005 now brings us their commercial garbage because they are a Residential Hauler. Franchise Fee increased from 12% to 17% effective January 2005. With a new vendor for Residential Recycling, the City got a fixed rate per ton and no longer pays the processing fee.

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA

Local Option Sales and Gas Taxes

The City levies a one-half cent sales tax for transportation under a special provision of the Florida statutes. The state collects all sales taxes and remits to the City the actual collections for this tax, which is then forwarded to the Jacksonville Transit Authority (JTA). The state publishes annual estimates of collections generated via its annual revenue estimating conference. The City uses these estimates virtually as is since these estimates have proven to be reasonably reliable and correlate fairly well with the City's own projections.

Historically, this half-cent has grown by an average 5.5% per year over the last three years. A reasonable estimation for near term future years would be 5.5% for planning purposes

The City also levies a six cents per gallon local option gas tax. In the past, this tax has provided funding for transportation services including roadway improvements and reconstruction, associated drainage for roadways and mass transit. Beginning in 2000-2001, in accord with the Better Jacksonville Plan (BJP) and the Interlocal Agreement between the City and the JTA, the revenue in this fund is transferred to JTA as a mass transit subsidy and for debt service, with the balance being remitted to the fiscal agent as a funding source for Part I of the BJP.

The state annually estimates the value of this levy by jurisdiction statewide. These state estimates are incorporated in each successive annual budget. The basis of the levy is per gallon rather than per dollar. This basis of levy cannot be expected to keep pace with the City's other revenue streams. Further the audit responsibility for collection and reporting of this stream is vested in the state; this responsibility has not been effectively pursued. During the most recent three-year period, this revenue item has shown a 4.3% increase. As a result, future years will very likely show 4 to 5% increases.

Utility Service and Communication Service Taxes

The City levies a public service tax on utilities. The rate is 10% of sales on water, electric, and gas. Estimates for FY 05-06 are based in part on historical, taking into account the seasonality of the various utilities. In the instance of water and electric, the utility tax estimates are based on water and electric sales estimates provided by the JEA. Utility taxes for water will decrease 5.8% and electric will decrease 3% both are based on historical consumption projections. Utility taxes on gas are declining due to the purchase of exempt gas out of state although gas demand is increasing. The tax on gas makes up less than 1% of the total utility tax collected.

The City levies a Communication Services Tax at the rate of 5.22% on the purchase of communication services as defined by Florida Statute 202. The tax has shown an increase of almost 7% growth given the current economic conditions; federal and state tax policy debate, and the ongoing continuing price decline for services given the fierce industry competition for market share.

State Shared Half Cent Sales Tax

The state levies and collects six cents sales tax on various goods statewide. Fifty-nine hundredths of one cent is shared with local jurisdictions based on a formula that takes into account relative population and land mass size as compared to all other local jurisdictions as well as the actual amount collected within each respective jurisdiction. The state publishes annual estimates of revenue for each jurisdiction. These estimates have not always proved to be particularly accurate in the past, especially at the local level. As a result, the state estimates are one of several indicators used to project future half-cent sales tax revenues. Based on the most recent history, the FY 05-06 estimate does place more emphasis on state based estimates. The current estimate is further influenced by the past year's actuals. Based on the recent slowdown in the economy, this revenue source will continue to be monitored closely during the FY 05-06.

CITY OF JACKSONVILLE, FLORIDA

Conservative assumptions for the immediate future indicate a modest performance. The One-Half Cent Sales Tax has continually increased showing a three-year average increase of 4.5%.

Interfund Revenues

Net Interfund revenues consist of contributions to the General Fund. The largest of these is an annual contribution made by the Jacksonville Electric Authority. This contribution amounted to 71.3% of the total net General Fund Interfund Revenue items. The amount is based on the annual May to May kilowatt-hours sales figures expressed as dollars. Thus the amount is known with precision each year in advance of the budget finalization process.

This contribution has averaged an approximate 3% increase over the last five years. It is felt that the continued expansion of electric consumption over a number of years supports confidence in this item's continued growth. All indicators point to a continued average annual growth of 3% over the next several years.

State Shared Revenues

The state levies a variety of taxes on fuels, cigarettes, intangible property and insurance premiums. Portions of these tax streams are shared with local governments. Here again, the state annually issues projections of these revenues by jurisdiction. These projections are reviewed along with historical trends going back as far as eight years. This data along with any other available information are then used to predict new years revenues from this stream. For FY 05-06, the revenue projections were based on estimates as provided by the state as a result of its estimating conference. The only exceptions are a few minor revenue sources such as mobile home licenses, alcoholic beverage licenses, and insurance agent's licenses for which the state provides no estimates. These items are individually budgeted based on historical actuals.

State Shared revenues have performed at an average 7% over the last four years. Revenue Sharing was frozen in FY04-05 to pay for costs that the state assumed for the court system pursuant to the adoption of Article V (House Bill 113A). House Bill 1935 was adopted in the 2005 spring legislative session that provided for a 50% decrease in Municipal Revenue Sharing effective July 1, 2006 which will result in a three month impact in FY 05-06 for the City of Jacksonville. The Municipal Revenue Sharing amounts to 13.2% of the total net State Shared revenue items.

Other Revenues

The revenue streams discussed thus far constitute in excess of 56.5% of all revenues appropriated. The remaining 43.5% of revenues are individually projected using historical trends, input from departments and data from a variety of other sources. These include such items as Internal Service Revenues, Tax Collector Fees, Court Costs, Regulatory and Inspection Fees, Ambulance and E911 Charges, and Licenses and Permits. Departmental revenue items as small as \$100 are captured and appropriated in successive budgets.

EXPENDITURE PROJECTIONS:

Expenditure related assumptions are more straightforward, because budgeted expenditures are partly spending limits. If the operational planning is sound, in terms of the demand for services and the corresponding resource requirements, then the financial planning is greatly simplified. In a period of relatively stable prices, planned purchases can be projected accurately, due to contract renewal provisions and vendor estimates. The two areas where budgetary assumptions really come into play are labor costs and the implementation of new programs.

2005-2006 ANNUAL BUDGET

CITY OF JACKSONVILLE, FLORIDA

RETROSPECTIVE

General Fund - General Services District revenues completed the year a \$797.2 million as compared to the \$802.1 million budgeted, exclusive of transfers from fund balance. This resulted in an unfavorable variance of \$4.9 million. Earning on Investment under performed budget by \$15.1 million. This was partially offset by favorable variances in Taxes with Property Taxes accounting for approximately \$5.8 and Communication Service Tax approximately \$3.2 million. Uncollectible Ambulance revenue also showed a favorable variance of approximately \$2.7 million. For the eleventh consecutive year the millage rate was decreased.

General Fund - General Services District expenditures posted a \$4.2 million favorable variance against a \$841.1 million revised budget net of reserves and cash carry-overs.

We continued our commitment to Public Safety with the addition of forty-five positions for Fire and Rescue to provide additional on-scene firefighting capability for engines 22, 26, 29, 31, 33, 41, and 54, as well as, staffing for the newly opened station 58. Fire and Rescue also implemented a water rescue/dive team and completed the first phase of training and a new tactical support facility was also purchased. The Office of the Sheriff received a total of sixty-two new positions of which Corrections received thirteen, Investigations and Homeland Security received twelve and Police Operations received nineteen. Eighteen administrative positions were also added as well as one safety officer for Ocean Way Middle School. Funding was set-aside in the short term paper program for an automated fingerprint identification system upgrade at a cost of \$902,240. The short term paper program purchased a replacement helicopter at a cost of \$1.2 million and paid approximately \$1.8 million to equip officers with tasers.

The Tax Collector received sixteen additional positions as well as 16,000 additional part time hours. A new tax collector system was also purchased via the short term paper program at a cost of \$846,873.

Additional positions were provided for the Property Appraiser who received nine positions and the Medical Examiner who received three positions.

The City continues to invest, not only in infrastructure, but also in services that enhance the quality of life in our citizens. Once more an additional \$1 million was added to the annual contribution to the Jacksonville Children's Commission, bringing the contribution to nearly \$16.8 million. An additional \$4 million was provided for the Mayor's Early Literacy Initiative.

We continued our efforts to satisfy the needs of our customers, the citizens, by improving the skills and abilities of our employees. Last year we completed in excess of 127,000 hours of career development training.

In February 2005 Jacksonville hosted Superbowl XXXIX. The city spent approximately \$5.1 million on security, sanitation and clean up. During the Superbowl Fire and Rescue reported no injuries or fires in commercial structures due to Superbowl preparations or activities.

CITY OF JACKSONVILLE, FLORIDA



CITY OF JACKSONVILLE, FLORIDA

BUDGET REVISION PROCEDURES

Both City Administrative Policies and the Municipal Code impose restrictions on the budget to safeguard the financial resources of the City and to ensure that sound financial conduct is maintained. Within the joint framework, the Annual Budget Ordinance establishes specific appropriations and personnel caps.

In keeping with the strong Mayor form of government of the City, executive policy has established budgetary control by object account within activity for expenditures and by occupation code within activity for personnel. Any change to these authorizations requires the approval of the Mayor, and may require the approval of the Council. As one may expect, literally hundreds of budget amendments are considered each year.

Most budget amendments are initiated by the cognizant division chief, using a standard personnel reclassification form (RC), or a combined purpose transfer directive (TD) and budget transfer (BT) form. An RC is used for any proposed transfer of authorized positions or part-time hours between activities, for changing the occupation code of an authorized position, or for requesting establishment of additional positions or hours. A TD is used to transfer budgeted appropriations from one object account to another, within the authorized transfer power of the Mayor. A BT is used for appropriation transfers that require City Council approval, and for increasing appropriations.

Budget Office recommendations are noted on all forms, which are returned to the Mayor's Budget Review Committee (MBRC) secretary for inclusion on the agenda for the following bi-weekly MBRC meeting. MBRC reviews and acts on all proposed budget amendments in accordance with administrative policy and applicable legal requirements. After an amendment that does not require Council action has been approved, it is entered into the Personnel, Accounting and Budget systems. An action that requires Council approval is incorporated into a proposed ordinance by the Office of the General Counsel and is forwarded to the Council Rules Committee for introduction.

Actions that are beyond the Mayor's transfer powers and require City Council approval, include:

1. Appropriation of new revenues
2. Transfers into or out of USD 1
3. Transfers out of an Internal Services Fund
4. Transfers affecting a Public Service Grant
5. Transfers out of or into a C.I.P. project in excess of 10% or \$100,000, whichever is less
6. Any action that affects Council operation accounts
7. Transfers out of a reserve or cash carryover account
8. Transfers between programs in the Home Investment Partnership Program
9. Transfers between programs in the Community Development Block Grant Program
10. Transfers from one Division to another Division unless the source is the Mayor's Executive Operating Reserve.

Budget amendments may also be initiated by the Council directly, as a memorandum for reallocations within the Council's own operating budget, or as an ordinance. Upon receipt by the Rules secretary, proposed budget ordinances are placed on the agenda for the next regularly scheduled Council meeting, where they are introduced and assigned to the Council Finance Committee and other committees, as appropriate. Although provisions exist for emergency action, it is normal for most legislation to proceed through three readings, which allows time for review by the Council staff and committee, and also provides time for public hearings.

After adoption by the City Council, ordinances become law when they are signed by the Mayor, or after a two-week period if not signed or vetoed by the Mayor. Unless an effective date is provided within an ordinance, it takes force when it becomes law.

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PLANNING, PROGRAMMING AND BUDGETING CALENDAR

The first phase of the Planning, Programming, and Budgeting System is the Planning phase. The ultimate product of this phase is the annual Strategic Plan. It lays out the Mayor's initiatives and objectives for a five-year period and provides the basis for program development. City Council also provides a list of their initiatives which are interwoven with the Mayor's.

The Programming phase commences with the publication of the Strategic Plan. It serves as the guidance for program development. During this phase, the departments develop specific process improvements that address the Strategic Plan. These improvements cover a five-year period and include measurement data, proposed funding, and proposed manpower. Proposed offsets (funding sources) are also developed for improvements that are not funded within the department's Current Level Target for funding and positions. The process improvements and proposed offsets are submitted to the Budget Office for review and are briefed to the Quality Management Board (QMB). The QMB reviews the process submissions and communicates its decisions to the departments. These decisions form the basis for the annual City Business Plan.

During the budgeting phase, the departments incorporate the QMB decisions into their budget submissions. The Budget Office reviews the budget submissions along with the latest fiscal data and makes final recommendations to the Executive Committee/Mayor's Budget Review Committee(MBRC). The Executive Committee/MBRC then makes its final budget decisions. The Mayor then submits the budget.

Preparation of the annual budget is a highly interactive process throughout the schedule, as may be seen from the following calendar. Specific dates shown are those applicable to the fiscal year 2006 budget preparation phase.

February	Under the guidance of the Finance Director and the Mayor, the Budget Office develops the budget preparation manual, associated forms, and budget reports. The Budget Office established current level targets as starting points for both the department requests and the Budget Office recommendations.
February 9	The revised Strategic Plan and the Mayor's guidance are provided to the department directors and division chiefs for use in developing process improvements to support the Strategic Plan.
February 16	Deadline for submitting Motor Pool and Communications equipment replacement lists.
March 1	Proposed process improvements and associated financial impact are to be provided to the Budget Division. BU Forms S, M, and N are available electronically and should be submitted by electronic means to the Budget Division.
March 29	Distribution to the departments of budget instructions and forms, including reports with three months data and current level targets. The departments have six weeks to prepare their five-year funding and manpower profiles for process improvements to support the Strategic Plan, proposed offsets, and current level requests and return them to the Budget Office, using the forms and reports supplied. During this period the departments held their own meetings and work-sessions on their budget requests, and all departments worked closely with the Budget Office. As reports with more current information become

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available, especially after the close of the second quarter, they are provided to the departments.

- April 16 Deadline for posting revenue projections and current level request to BPREP and submitting required Strategic Plan process improvements, proposed offsets, and forms to the Budget Office. Submissions also include a letter of transmittal that explains the major factors affecting the department's budgetary requirements. Justification for all departmental requests, by subobject, is required.
- April 26 –May21 ExecutiveComittee/MBRC PSG subcommittee review of public service grants applications.
- May 3 Distribution of revised reports to the departments that includes Budget Office recommendations on current level funding. Revisions made by the Budget Office are generally based upon consistently applied determinations that are agreed to by the departments. Some disagreements are inevitable, but most subobject level recommendations are settled by the end of the three-week period in which the Budget Office developed most of its specific recommendations.
- May 7 Deadline for departmental requests for adjustments to current level and capital carryover requests. A one-week period was afforded to the departments upon receipt of the revised report sets, in order to make final adjustments to their current level requests.
- May 3 - 21 Budget Office holds meetings with individual departments to review Budget Office recommendations. Most areas of disagreement are resolved at this time. The Executive Committee/MBRC reviews only areas of disagreement and programs that support the Strategic Plan.
- May 3 - 21 The QMB reviews proposed process improvements and associated Budget Office recommendations and makes recommendations to the Executive Committee/MBRC.
- June The Executive Committee/MBRC hearings on departmental budgets. MBRC is a standing executive committee that is comprised of eight voting members made up of the Chief Administrative Officer, Chief Financial Officer, specified Department Heads, and Administrative Aides of the Mayor. The Budget Officer, representatives of the General Counsel, the Personnel division and an administrative secretary assist them. The primary working document for the budget hearings is the Proposed Budget book. At these hearings, unresolved differences and funding for current levels of service and process improvements supporting the Strategic Plan and FY 2006 Business Plan are addressed.
- Mid June The estimated preliminary taxable values for 2005 are received from the Property Appraiser. Historically, the preliminary estimates tend to be conservative; however, that is not always the case.
- July 1 Certifications of Taxable Value received from the Property Appraiser.
- Early July Preliminary estimates of state-shared revenue, 1/2 cent sales tax distributions, and certain other revenue sources are available from the State Department of Revenue. During most of the budget preparation cycle, the Budget Office works with its own estimates of revenue, which are coordinated with cognizant departments, when appropriate. In particular, state-shared revenue is subject to significant adjustments at the close of the State fiscal year on June 30, when more accurate information is available. Normally, the State estimates are distributed in July, but after the Mayor's Proposed

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Budget has been presented to the Council. It is often possible to acquire specific estimates earlier by telephone. The State estimates are not required to be used (as they once were), but they help to confirm Budget Office projections.

- July 13 The Mayor's Proposed Budget and the FY 2006 Business Plan are presented to the City Council on the second Tuesday in July; the budget ordinance, millage levy ordinance, and related resolutions are introduced. The Mayor's Proposed Budget book provides the necessary budget reports needed to allow the City Council to fully understand the composition of the Mayor's Budget and to make whatever changes they felt are required to express their own policies. Activity and Departmental recap reports provide information on original budget, revised budget, year-to-date and annualized expenditures as of April 30, 2004, as well as a comparison of recommended budget versus revised. Revenue schedules and other statistical information are also provided.
- July 13 The Council begins its review of the Mayor's Proposed Budget. For the first several weeks, review and analysis are conducted primarily by the Council Auditor's staff. At the same time that it is considering the Mayor's proposed budget for the general government, the City Council also consider the budgets of the independent agencies over which it has legislative control. As in the case of the general government, the independent agencies must submit to the City Council balanced budget proposals. During this phase of budget preparation, most of the interaction occurs between the Council Auditors and the Budget Office.
- July 20 City Council adopts roll back rate and proposed millage rate for T.R.I.M. notice.
- August The Council Finance Committee and other standing committees of the Council begin to conduct their own budget reviews. Review procedures vary by committee, but most committees elect to hold information gathering budget hearings. During detailed budget hearings with various departments, the Finance Committee develops specific amendment recommendations. Through close involvement with other Council committees, the Budget Office incorporates Council changes into the budget.
- August 26 Last day to mail out the Truth in Millage Notice (T.R.I.M.) pursuant to F.S. 200.069.
- August 30 The Finance Committee concludes its budget hearings and the budget containing the Finance Committee amendments is "laid on the table" for a seven-day period for public inspection.
- September 7 During the first Council meeting in September, public hearings are held on both the budget and the millage rate. Following the public hearings, the Council adopts a tentative budget and tentative millage rate.
- September 28 After final public hearings, the Millage Levy Ordinance and the Budget Ordinance, as amended, are adopted by the full Council. Both ordinances are signed by the Mayor to be in effect on October 1.
- October 1 The new fiscal year begins.