

Management's Discussion and Analysis

As management of the City of Tampa, we offer readers of the City of Tampa's basic financial statements this narrative overview and analysis of the financial activities of the City of Tampa for the fiscal year ended September 30, 2002. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Tampa exceeded its liabilities at the close of the most recent fiscal year by \$1,235,414 (*net assets*). Of this amount, \$158,893 (*unrestricted net assets*) may be used to meet the city's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$75,559. Virtually all of this increase is attributable to ongoing revenues outstripping expenses over the past year. Governmental activities and business-type activities each accounted for approximately one half of this increase.
- As of the close of the current fiscal year, the City of Tampa's governmental funds reported combined ending fund balances of \$243,328, an increase of \$41,604 in comparison with the prior year. Approximately two thirds of this amount, \$169,967, is available for spending at the city's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$42,092 or 18 percent of total general fund expenditures.
- The City of Tampa's total debt increased by \$14,527 (1.5 percent) during the current fiscal year. The key factors in this increase were the issuance of \$55,585 of Sales Tax Revenue Bonds and the issuance of six refunding bond issues in order to take advantage of favorable interest rates in effect during the last year to refinance existing debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City Of Tampa's basic financial statements. The City of Tampa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Tampa's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Tampa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Tampa is improving or deteriorating.

The *statement of activities* presents information showing how the city's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Tampa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tampa include general government, public safety, public works, economic environment, and culture and recreation. The business-type activities of the City of Tampa include the water utility, sewer utility, solid waste system, parking facilities, and the marina.

The government-wide financial statements include not only the City of Tampa itself (known as the *primary government*), but also the legally separate Florida Aquarium, Inc. for which the City of Tampa is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Community Redevelopment Agency, although legally separate, functions for all practical purposes as a department of the City of Tampa, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 24-25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tampa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Tampa can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Tampa maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the utility tax special revenue fund, both of which are considered to be major funds. Data for the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of *combining statements* elsewhere in this report.

The City of Tampa adopts an annual appropriated budget for its general fund and Utility Tax special revenue fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 26-33 of this report.

Proprietary funds. The City of Tampa maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Tampa uses enterprise funds to account for its water utility, sewer utility, solid waste system, parking facilities, and marina. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Tampa's various functions. The City of Tampa uses internal service funds to account for its fleet maintenance, administrative services, and utility accounting functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the five enterprise funds, four of which are considered to be major funds of the City of Tampa. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 34-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Tampa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-75 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information*, concerning the City of Tampa’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 76-77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80-96 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Tampa, assets exceeded liabilities by \$1,235,414 at the close of the most recent fiscal year.

By far the largest portion of the City of Tampa’s net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Tampa uses those capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Tampa’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Tampa’s Net Assets

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$ 313,129	\$ 266,189	\$ 276,885	\$ 313,091	\$ 590,014	\$ 579,280
Capital assets	710,170	664,523	1,110,586	1,067,235	1,820,756	1,731,758
Total assets	1,023,299	930,712	1,387,471	1,380,326	2,410,770	2,311,038
Long-term liabilities outstanding	544,888	507,493	505,048	557,576	1,049,936	1,065,069
Other liabilities	76,550	58,134	48,870	27,980	125,420	86,114
Total liabilities	621,438	565,627	553,918	585,556	1,175,356	1,151,183
Net assets:						
Invested in capital assets, net of related debt	326,867	306,011	638,882	594,535	965,749	900,546
Restricted	23,330	27,320	87,442	78,894	110,772	106,214
Unrestricted	51,664	31,754	107,229	121,341	158,893	153,095
Total net assets	\$ 401,861	\$ 365,085	\$ 833,553	\$ 794,770	\$ 1,235,414	\$ 1,159,855

An additional portion of the City of Tampa’s net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$158,893) may be used to meet the city’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Tampa is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase in restricted net assets reported in connection with the city’s business-type activities of \$8,548. Pooled cash set aside for repayment of debt increased by \$7,236, primarily in the water utility and solid waste system funds to meet the bond requirements of existing debt. Accrued interest payable decreased by \$1,229, primarily in the sewer utility fund due to the refunding of a portion of the State of Florida revolving loan.

For governmental activities, there was a decrease in restricted net assets reported of \$3,990. The primary factor in this decrease was a reduction in interest receivable on invested bond proceeds due to the type of investments purchased with the sales tax bond proceeds and the spending of previously invested bond proceeds on authorized bond projects.

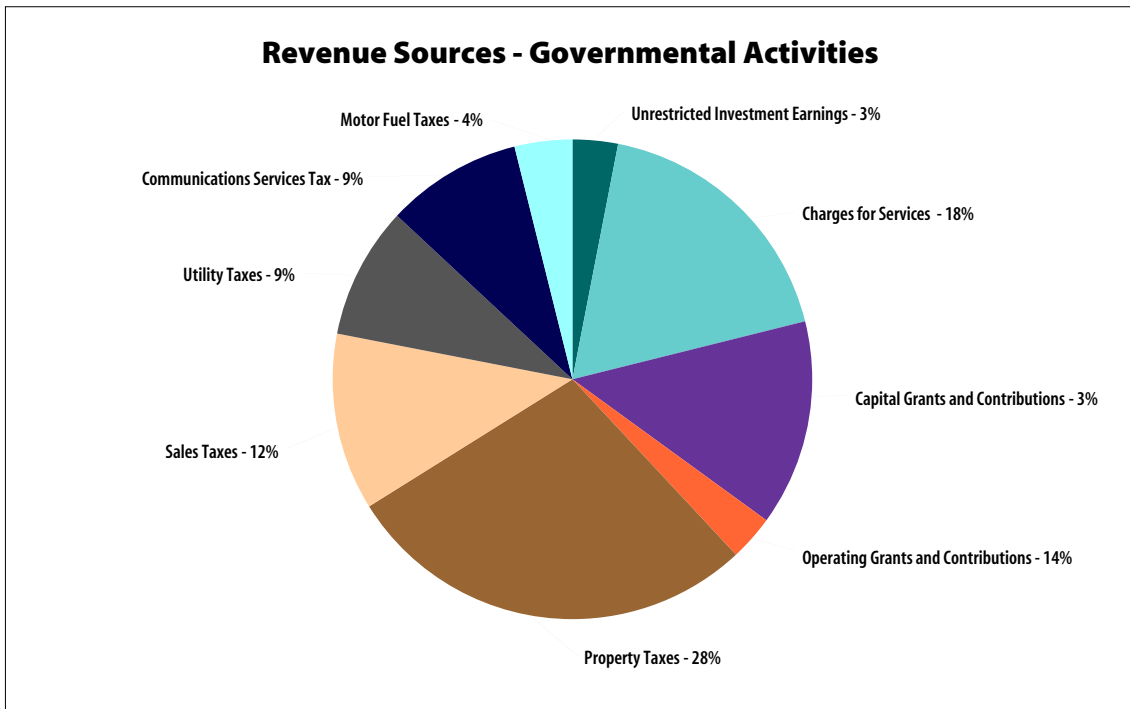
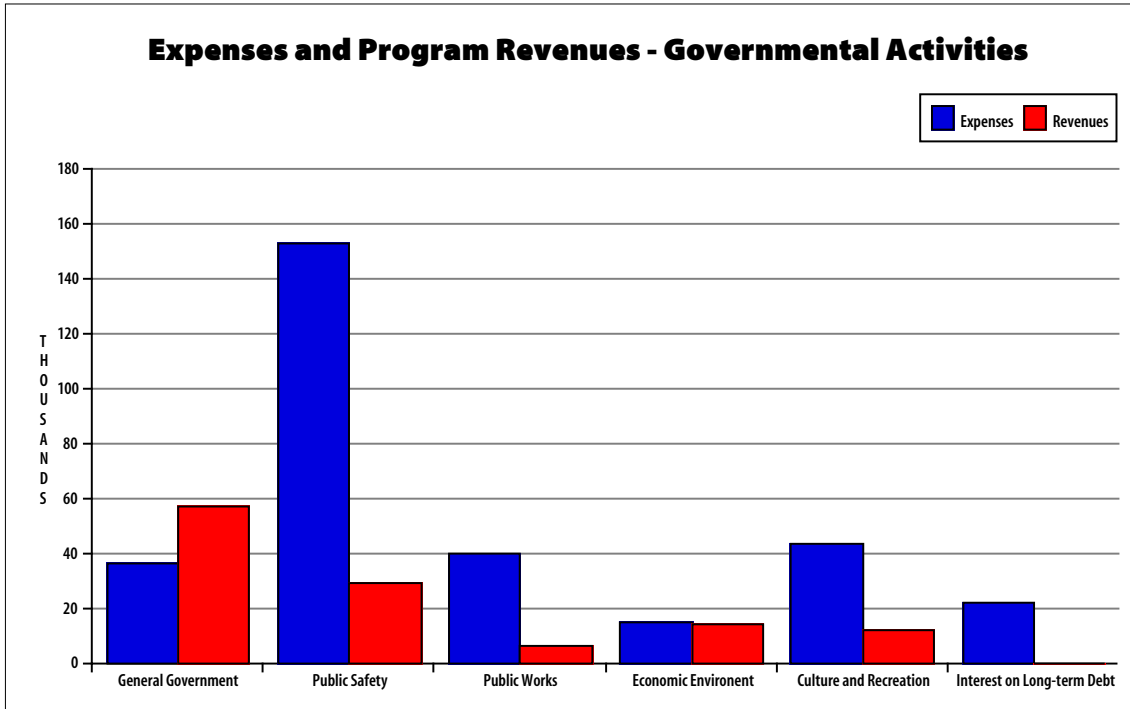
The city's net assets increased \$75,559 during the current fiscal year. Virtually all of this increase represents the degree to which ongoing revenues have outstripped similar increases in ongoing expenses in both governmental and business-type activities. An increase in operating revenues in the enterprise funds was enough to more than offset a significant decrease in investment earnings due to the decline in interest rates over the past year. Operating grants and contributions increased significantly in both governmental and business-type activities, and tax revenues increased significantly without any millage or tax rate increases.

Governmental activities. Governmental activities increased the City of Tampa's net assets by \$23,084 (before transfers), thereby accounting for 30 percent of the total growth in the net assets of the City of Tampa. Key elements of this increase are as follows.

City of Tampa's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues:						
Program revenues:						
Charges for services	\$ 61,459	\$ 62,733	\$ 191,735	\$ 174,723	\$ 253,194	\$ 237,456
Operating grants and contributions	47,306	43,742	8,590	4,370	55,896	48,112
Capital grants and contributions	11,137	11,365	6,233	6,430	17,370	17,795
General revenues:						
Property taxes	94,598	87,411	-	-	94,598	87,411
Other taxes	112,452	102,259	-	-	112,452	102,259
Investment earnings	11,047	16,039	7,024	25,160	18,071	41,199
Other	(4,102)	2,415	(2,227)	378	(6,329)	2,793
Total revenues	333,897	325,964	211,355	211,061	545,252	537,025
Expenses:						
General government	36,601	30,502	-	-	36,601	30,502
Public safety	153,037	144,072	-	-	153,037	144,072
Public works	40,119	40,313	-	-	40,119	40,313
Economic environment	14,915	15,502	-	-	14,915	15,502
Culture and recreation	43,678	41,401	-	-	43,678	41,401
Interest on long-term debt	22,463	25,438	-	-	22,463	25,438
Water utility	-	-	36,642	35,046	36,642	35,046
Sewer utility	-	-	59,218	58,271	59,218	58,271
Solid waste system	-	-	50,410	52,387	50,410	52,387
Parking facilities	-	-	12,500	10,959	12,500	10,959
Marina	-	-	110	153	110	153
Total expenses	310,813	297,228	158,880	156,816	469,693	454,044
Increase in net assets before transfers	23,084	28,736	52,475	54,245	75,559	82,981
Transfers	13,692	16,994	(13,692)	(16,994)	-	-
Increase in net assets	36,776	45,730	38,783	37,251	75,559	82,981
Net assets - 10/01/01	365,085	319,355	794,770	757,519	1,159,855	1,076,874
Net assets - 9/30/02	\$ 401,861	\$ 365,085	\$ 833,553	\$ 794,770	\$ 1,235,414	\$ 1,159,855

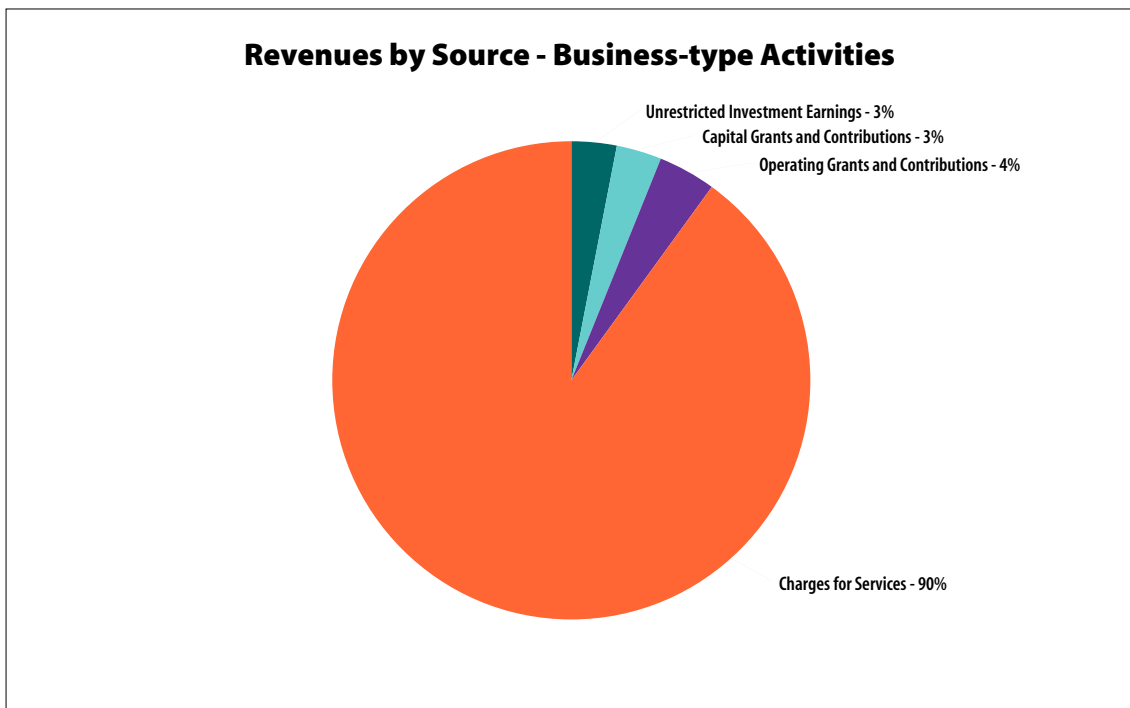
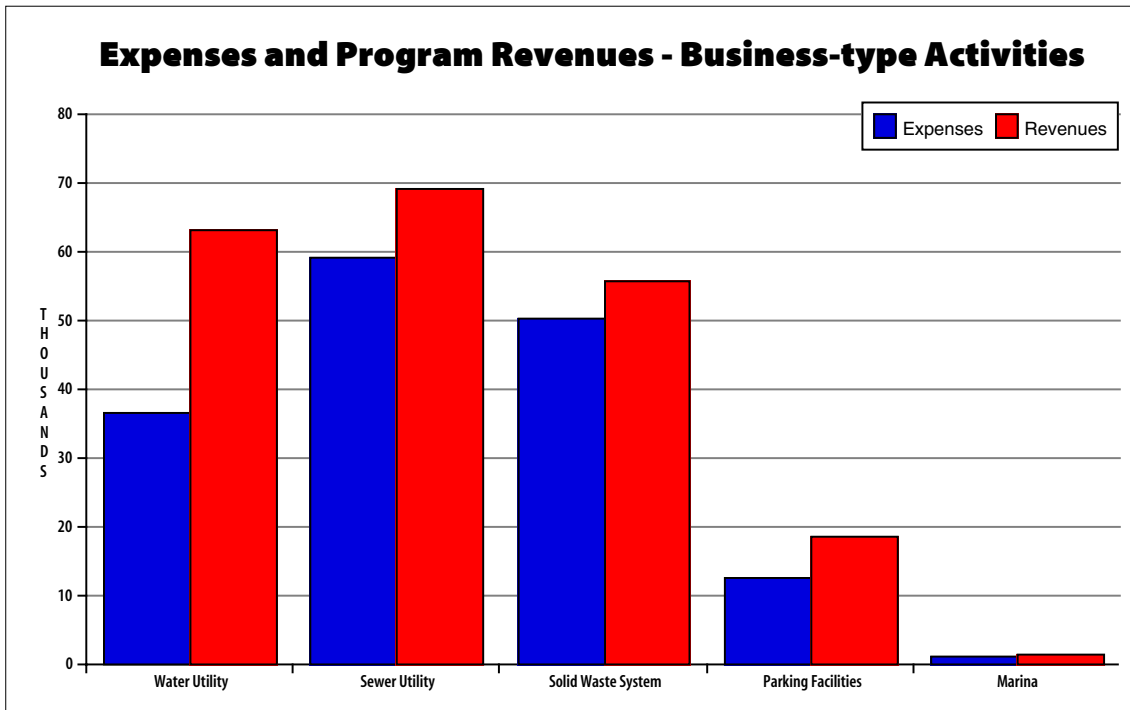
- Property taxes increased by \$7,187 (8 percent) during the year. This increase is the result of a rise in assessed values, the addition of new property through construction, and the addition of previously exempt property to the tax roles. The city's 6.54 millage rate remains the same for the thirteenth consecutive year, and well within the 10-mill rate limit established by the state.
- As in recent years the most significant dollar change in expenditures was in the public safety category, reflecting the city's continuing commitment to the protection of its citizens.



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Two noteworthy exceptions, however, were the city's increase in public safety expenditures, where the largest dollar increase occurred, and in general government services, primarily the result of increased grants and aid payments to local organizations and governmental entities.

Business-type activities. Business-type activities increased the City of Tampa’s net assets by \$52,475 (before transfers), accounting for 70 percent of the total growth in the city’s net assets. Key elements of this increase are as follows.

- Operating revenues in the water utility fund increased by 20%, primarily due to a rate restructuring that charges the highest amounts to the highest users.
- Operating revenues in the solid waste system fund increased by 20% due to the completion of renovations to the McKay Bay Refuse to Energy Facility early in the year.
- Offsetting the increase in operating revenues, investment earnings declined 72% due to the decline in interest rates over the past year, to a reduction in the reported market value of interest bearing securities, and to the spending of invested bond proceeds in the water utility and solid waste system funds on bond projects.



Financial Analysis of the Government's Funds

As noted earlier, the City of Tampa uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City of Tampa's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Tampa's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tampa's governmental funds reported combined ending fund balances of \$243,328, an increase of \$41,604 in comparison with the prior fiscal year. Approximately two thirds of this total amount (\$169,967) constitutes *unreserved fund balance*, subtracting \$20,812 designated for payment of claims and judgements, \$149,155 is available for spending at the city's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it is already committed 1) to liquidate contracts and purchase orders of the prior period (\$55,827), 2) to pay debt service (\$12,699), or 3) for a variety of other restricted purposes (\$4,835).

The general fund is the chief operating fund of the City of Tampa. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$42,092, while total fund balance reached \$70,376. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 31 percent of that same amount.

The fund balance of the City of Tampa's general fund increased by \$7,974 during the current fiscal year. Key factors in this growth are as follows:

- Intergovernmental revenues (federal, state, and local) increased \$1,081, due primarily to a \$1,000 increase in sales tax revenue from the State of Florida.
- Contributions and donations increased \$2,358, primarily due to receipt of a \$2,000 contribution from the Taylor Foundation related to the city's purchase of the Florida Aquarium in 1996.
- Franchise fee receipts increased \$1,560, due primarily to an increase of \$1,600 in electric utility fees because of a warmer summer in 2002.
- Offsetting these increases, investment earnings decreased \$5,430 due to declines in interest rates and the market value of investments over the past year.

The seven debt service funds have total fund balances of \$12,665, all of which is reserved for the payment of debt service. The net decrease in fund balances during the current year in the debt service funds was \$3,714. The change in debt service requirements was mainly due to the refunding of three bond issues during the year offset by the issuance of 1 new money issue (Sales Tax Revenue Bonds, Series 2001A). Interest expenditures increased \$1,348 during the year and principal expenditures increased by \$3,045. About half of these increases are due to issuance of the sales tax bonds, the remainder relates to the debt service requirements of existing debt.

Proprietary funds. The City of Tampa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water utility amounted to \$38,177, those for the sewer utility amounted to \$57,837, those for the solid waste system amounted to (\$5,309), those for the parking facilities amounted to \$11,612, and those for the marina amounted to \$4,912. The negative unrestricted net assets in the solid waste system are the result of lost revenues due to the refurbishment of the incinerator over the last two years that was completed in 2002. The total growth in net assets for the five funds was \$27,322, \$4,733, \$3,929, \$2,727, and \$72, respectively. Other factors concerning the finances of those funds have already been addressed in the discussion of the City of Tampa's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$8,368 (increase in appropriations) and can be briefly summarized as follows:

- \$2,913 in increases allocated to the police department
- \$1,814 in increases allocated to the parks and recreation departments
- \$2,639 in increases allocated to the public works department
- \$1,002 in increases allocated to the fire department

Practically all of this increase was to be budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Tampa’s investment in capital assets for its governmental and business-type activities as of September 30, 2002, amounts to \$1,820,756 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Tampa’s investment in capital assets for the current fiscal year was 5 percent (a 7 percent increase for governmental activities and a 4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction was completed on two new parking garages in Ybor City, construction in progress decreased from \$11,626 to \$160 at the end of the fiscal year in the parking facilities fund.
- Various street widening and expansion projects in new Tampa and the interbay area began; construction in progress as of the end of the current fiscal year had reached \$81,895.
- Refurbishment of the McKay Bay incinerator along with construction of a new solid waste administration building was completed during the current fiscal year at a cost of \$99,476. Construction in progress in the solid waste facilities fund decreased to \$0 from \$94,101 at the end of the previous fiscal year.
- Various water distribution and storage system improvements were completed during the current fiscal year at a cost of \$36,945. Construction in progress decreased slightly but remained at \$110,601 at the end of the year.
- In the sewer utility fund a biological treatment facility along with other improvements at the advanced wastewater treatment facility were completed during the current fiscal year at a cost of \$85,066.

City of Tampa’s Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Land	\$ 151,956	\$ 140,916	\$ 31,637	\$ 25,488	\$ 183,593	\$ 166,404
Buildings	182,413	184,431	303,182	134,670	485,595	319,101
Improvements other than buildings	52,507	52,435	622,121	570,953	674,628	623,388
Machinery and equipment	45,971	44,854	14,488	14,106	60,459	58,960
Infrastructure	195,428	170,398	-	-	195,428	170,398
Construction in progress	81,895	71,489	139,158	322,018	221,053	393,507
Total	\$ 710,170	\$ 664,523	\$ 1,110,586	\$ 1,067,235	\$ 1,820,756	\$ 1,731,758

Additional information on the City of Tampa’s capital assets can be found in note IV.C. on pages 52-54 of this report.

Long-term debt. At the end of the current fiscal year, the City of Tampa had total bonded debt outstanding of \$932,361. Debt incurred under the State of Florida revolving loan program outstanding at the end of the fiscal year amounted to \$75,310. HUD section 108 loans outstanding at the end of the current fiscal year amounted to \$10,470. The full faith and credit of the City of Tampa back none of this outstanding debt; rather it is secured solely by specified revenue sources (i.e., revenue bonds).

City of Tampa’s Outstanding Debt Revenue Bonds, State Loans, HUD Section 108 Loans

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Revenue bonds	\$ 483,798	\$ 437,897	\$ 448,563	\$ 441,695	\$ 932,361	\$ 879,592
State of Florida revolving loans	-	-	75,310	113,527	75,310	113,527
HUD section 108 loans	10,470	10,495	-	-	10,470	10,495
Total	\$ 494,268	\$ 448,392	\$ 523,873	\$ 555,222	\$ 1,018,141	\$ 1,003,614

The City of Tampa’s total debt increased \$45,876 (10 percent) during the current fiscal year. The key factor in this increase was a \$55,585 sales tax revenue bond issuance secured by community investment tax revenues.

During the current fiscal year, the city refinanced some of its existing debt to take advantage of favorable interest rates.

- The city issued refunding bonds to refinance previously outstanding revenue bonds of the water and sewer utilities. The result of the two refunding transactions will be a reduction in future debt service payments of \$5,123.
- The city issued revenue bonds to refinance previously outstanding state revolving loans of the sewer utility, resulting in a reduction in future debt service payments of \$848.
- The city issued revenue bonds to refinance previously outstanding occupational license tax revenue bonds, resulting in a reduction in future debt service payments of \$3,727.
- The city issued revenue bonds to refinance previously outstanding utility tax revenue bonds, resulting in a reduction in future debt service payments of \$601.

The City of Tampa maintains a minimum of an “A” rating from Standard & Poor’s, Fitch, and Moody’s for revenue bonds. Most revenue bond issues are rated “AAA” or “Aaa” by these three agencies because all of the issues are fully insured. As of the end of the current fiscal the city has no general obligation debt.

Additional information on the City of Tampa’s long-term debt can be found in note IV.F. on pages 56-69 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment for the City of Tampa area is currently 4.6 percent, which is an increase from the rate of 4.0 percent from a year ago. This compares favorably to the state’s average unemployment rate of 5.5 percent and the national average rate of 5.6 percent.
- Inflationary trends in the region compare favorably to national rates.
- An 8.4% increase in taxable property valuation is projected for 2003.

All of these factors were considered in preparing the City of Tampa’s budget for the 2003 fiscal year.

During the current fiscal year, unreserved and undesignated fund balance in the general fund increased to \$42,092. The City of Tampa has appropriated \$22,131 of this amount for spending in 2003 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2003 fiscal year.

Rates in effect for the water and sewer utilities and the solid waste system will remain unchanged in the 2003 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Tampa’s finances for all those with an interest in the city’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Tampa, 306 East Jackson Street, Tampa, Florida, 33602.

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