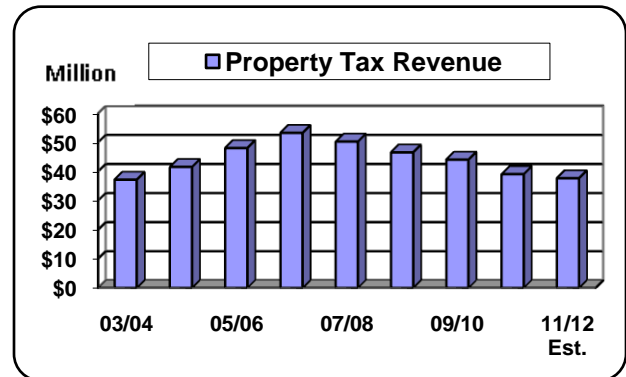


Major Revenue Sources

The following revenue sources represent the most significant or major revenue sources supporting the City's General Fund and major enterprise operations. City revenues are analyzed early in the budget process and during the rate study reviews of our utility and enterprise operations. Revenue descriptions and trend analysis is provided for these revenue sources as outlined below with actual revenues through fiscal year 2009/10 and approved budgeted revenues for fiscal years 2010/11 and 2011/12.

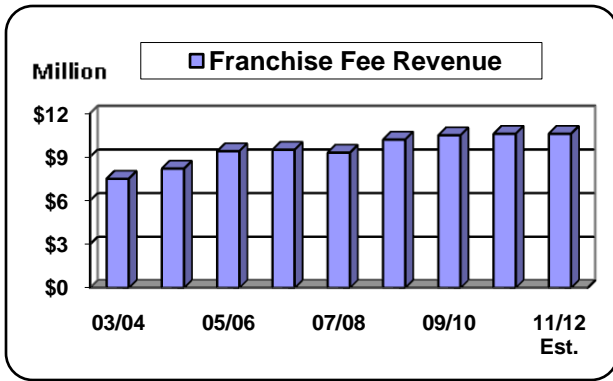
Property Tax Revenue

Property taxes, or ad valorem taxes, are derived from the levy of taxes on all real and personal property in the City of Clearwater. Homesteaded property owners are now allowed an exemption of up to \$50,000 from the value of their taxable property. Furthermore, senior citizens in the City of Clearwater can qualify for up to an additional \$25,000 in exemptions. The Pinellas County Property Appraiser sets the assessed value of the property and certifies the tax roll to the City. The City then sets the millage rate at which the property owners are taxed which generates \$1 per \$1,000 of taxable value. For fiscal year 2011/12, the City's certified taxable values are approximately \$7.6 billion, a decrease of approximately \$250 million, or 3.2% in the City's tax base from last year. The City anticipates collecting \$37.7 million in Property Tax Revenue in fiscal year 2011/12, \$35.9 million to support General Fund operations and \$1.8 million set aside by City Council policy to provide funding for City road maintenance projects. Anticipated revenues for 2011/12 reflect a decrease of approximately \$1.4 million from prior year due to declining property values; and a 29% decrease in collections over the last five years. Property tax revenue represents approximately 33% of total General Fund revenues.



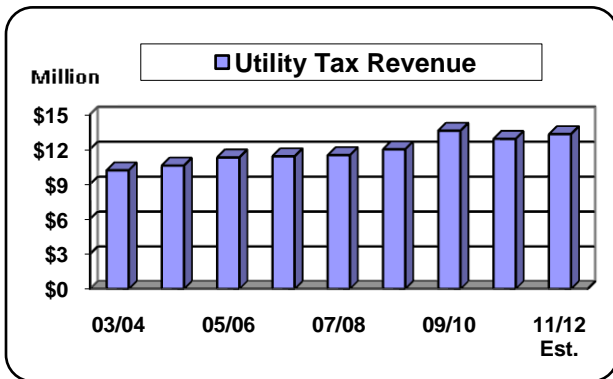
Franchise Fee Revenue

The City collects a franchise fee of 6% of gross receipts levied on a business in exchange for the purpose of operating a franchise for an electric power plant (Progress Energy) or a gas system (Clearwater Gas). Revenue estimates are based on rate increase information provided by the respective companies, expected growth and historical trends. Collections from franchise fees are estimated at \$10,560,000 for fiscal year 2011/12; which represents Progress Energy revenues estimated at \$9,975,000 and Clearwater Gas revenues estimated at \$585,000. Franchise Fee revenue represents approximately 10% of total General Fund revenues.



Utility Tax Revenue

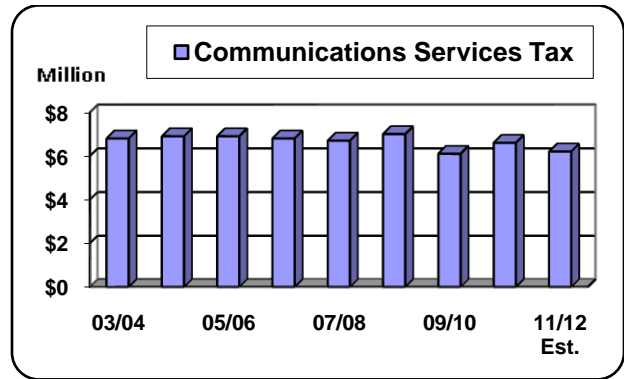
Utility tax revenues are derived from fees levied on the purchase of electricity, water, gas, fuel oil, and propane within the limits of the City of Clearwater. The current rate is 10% of gross receipts for all services with the exception of fuel oil purchases which is taxed at four cents per gallon. Revenue estimates are based on expected growth and historical trends. Collections from utility taxes are estimated at \$13,290,250 for fiscal year 2011/12; which represents \$10,145,000 for electricity, \$2,475,000 for water, \$545,000 for gas, \$250 for fuel oil, and \$125,000 for propane. Utility Tax revenue represents approximately 12% of total General Fund Revenues.



Communications Services Tax

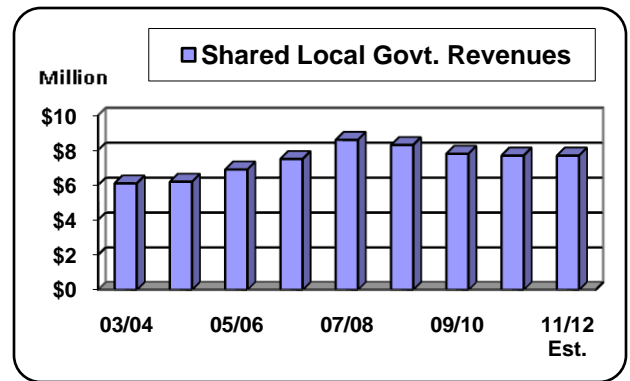
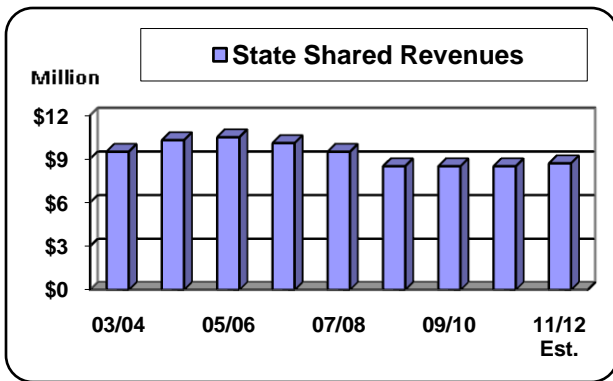
The Communication Services Tax Simplification law went into effect in October 2001. This tax replaced the franchise and utility tax revenue that the city had previously collected on communications services. The tax is imposed on retail sales of

communication services at a rate of 5.12%. Revenue estimates are based on expected growth, and historical trends. Collections from Communications Service Taxes are estimated at \$6,150,000 for fiscal year 2011/12, representing approximately 6% of total General Fund Revenues.



State Shared Revenues

The City receives revenues from the State of Florida from the following sources: Revenue Sharing (derived from Sales and Use Taxes, Once Cent Municipal Fuel Tax and State Alternative Fuel Decal Users Fee); Mobile Home License Tax; Alcoholic Beverage License Tax; Half-Cent Sales Tax; Fire Incentive Reimbursement; and Municipal Motor Vehicle Refund. The State determines the distribution to the local governments based upon tax collections, population, local ability to raise revenue, as well as funds expended for reimbursement. Revenue estimates are based on expected growth and historical trends. Collections from State Shared Revenues are estimated at \$8,665,340 for fiscal year 2011/12; this represents \$2,950,000 for State Revenue Sharing, \$92,500 for Mobile Home Licenses Tax, \$90,000 for Alcoholic Beverage License Tax, \$5,350,000 for Half-Cent Sales Tax, \$60,840 for Fire Incentive Reimbursement, and \$122,000 for Municipal Motor Vehicle Refund. State Shared Revenues represent approximately 8% of total General Fund Revenues.

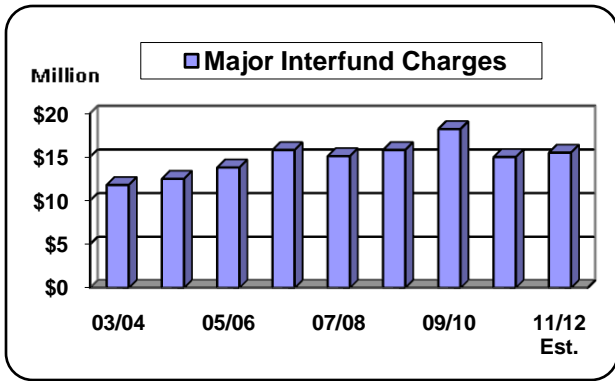


Shared Revenue from Local Governments

The City receives revenues from Pinellas County based on interlocal agreements and state law requirements. These revenues include the Pinellas Public Library Cooperative, which provides the City a portion of county ad valorem taxes in exchange for joining the Library Cooperative which makes library services available to any resident of the member library communities or unincorporated Pinellas County residents; Pinellas County Traffic Signal Reimbursement which reimburses actual maintenance costs of the City to maintain certain traffic signals in the county; County Fire Protection Tax which reimburses the City for the provision of fire services to the County unincorporated areas within the designated Clearwater Fire District; and County Emergency Medical Services (EMS) Tax which reimburses the City for the provision of EMS services within the Clearwater Fire District. Revenues are estimated based on current contracts and agreements. Collections from Other Local Government Shared Revenues are estimated at \$7,681,100 for fiscal year 2011/12; this represents \$698,490 for Pinellas County Library Cooperative, \$150,000 for County Traffic Signal Reimbursement, \$1,900,000 for County Fire Protection Tax, and \$4,932,610 for County EMS Tax. Shared Revenues from Local Governments represent approximately 7% of total General Fund Revenues.

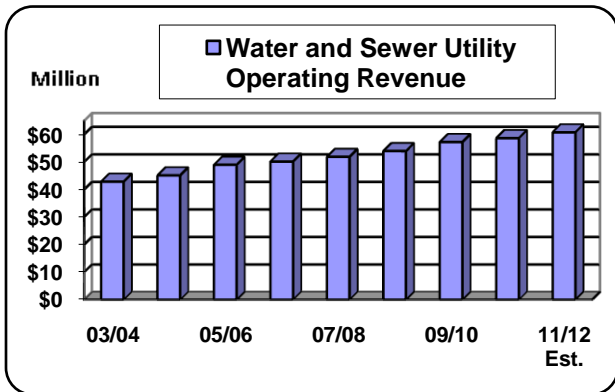
Interfund Charges

Interfund Charges include various reimbursements to the General Fund from the City's Enterprise Funds. Major interfund revenues include an Interfund Administrative Charge representing an annual allocation distributing the estimated costs for General Fund administrative support departments such as the City Manager's Office, City Attorney, Human Resources, and Finance departments among all departments in the city based proportionately upon the operating department's annual budget. All direct services provided to Enterprise Funds by General Fund operational departments, such as Parks and Recreation or Public Works, are reimbursed based upon estimated costs defined during the annual budget process. And finally, per City Council Policy, most of the Enterprise Funds pay the General Fund a "Payment in Lieu of Taxes" (PILOT) which is based upon a percentage of prior year gross revenues of the various funds, with the exception of the Gas Utility which pays an annual dividend to the General Fund. Total revenues for Interfund Administrative Charge, Interfund Other Service Charges, and PILOT are estimated at \$15,509,260 for fiscal year 2011/12, representing approximately 14% of total General Fund Revenues.



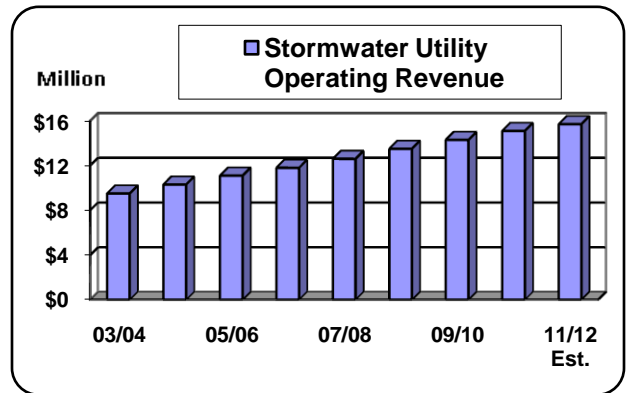
Water and Sewer Operating Revenue

The Water and Sewer Utility fund is the City's largest utility operation. By City Council policy, the City obtains an independent rate study on a regular basis. A revenue sufficiency analysis update was completed in June 2011 resulting in the following changes to planned increases effective October 1, 2011; the planned water/sewer rate increase has been reduced from 6% to 4.5%; the monthly reclaimed water availability fee will be reduced from \$19.58 to \$11.18; and the reclaimed water usage fee per 1000 gallons will be increased from \$0.62 to \$0.93. Revenue estimates are based upon the most current rate study. Water and Sewer Operating Revenues are budgeted at \$60,823,710 for fiscal year 2011/12, which represents 90% of total Water and Sewer fund revenues. The following graph represents operating revenue from the sale of water, reclaimed water, and the collection of sewer.



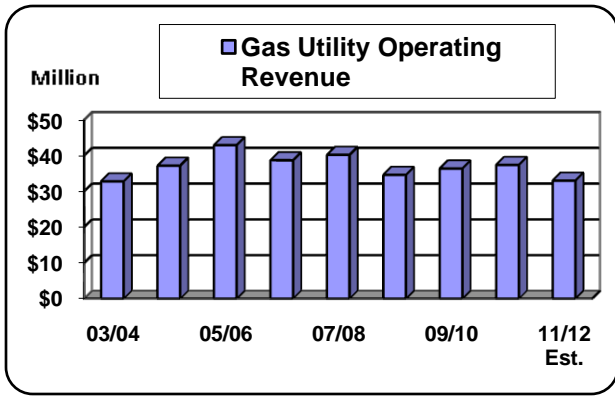
Stormwater Utility Revenue

The City's Stormwater Program completed a revenue sufficiency analysis in June 2010. The results of this study concluded the city should maintain the Council approved rate increase of 4.25% effective October 1, 2011. The rate is assessed monthly at \$13.04 per Each Residential Unit (ERU). Stormwater Operating Revenues estimated based upon the most current rate study, are budgeted at \$15,691,190 for fiscal year 2011/12, which represents 98% of total Stormwater fund revenues.



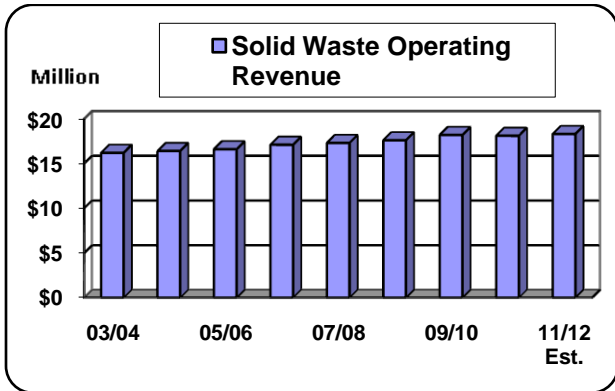
Gas Utility Operating Revenue

The City's Gas System operates over 700 miles of underground gas main and handles the supply and distribution of both natural and propane (LP) gas throughout portions of Pinellas and Pasco Counties. Gas rates change periodically due to fluctuation in wholesale costs. Long-term gas supply contracts are also negotiated to help normalize future gas prices. Gas System revenues are in line with the most current rate study completed in September 2010, and are estimated based on current contracts, market trends, and historical trends. For fiscal year 2011/12, Gas System Operating Revenues are budgeted at \$32,976,140, which represents 92% of total Gas fund revenues.



Solid Waste Utility Operating Revenue

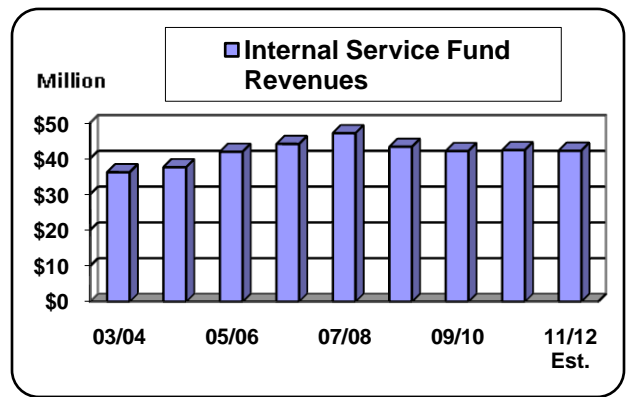
The Operating revenue of the Solid Waste fund is derived from services provided for the commercial and residential collection of garbage and yard waste, as well as roll-off services. The most recent rate study was completed in June 2011 which resulted in eliminating planned rate increases for residential and commercial collection as well as roll-off for fiscal years 2012 through 2016. Solid Waste Operating Revenues, estimated based upon the most current rate study, are budgeted at \$18,327,000 for fiscal year 2011/12, which represents 95% of total Solid Waste fund revenues.



Internal Service Fund Revenue

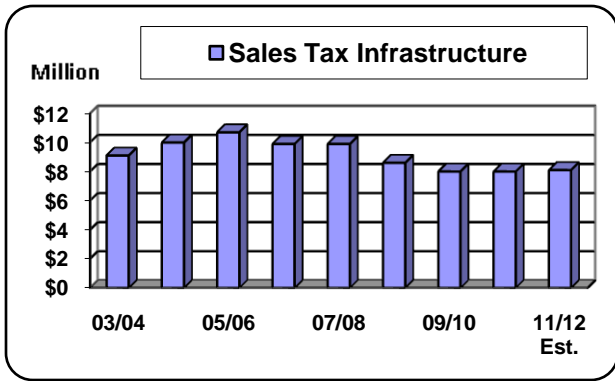
The City operates four internal service funds which include: the Administrative Services fund which is responsible for information technology, telephone, customer service, and courier services; the General Services fund responsible for building maintenance; the Garage fund responsible for all motor vehicles

and radios; and the Central Insurance Fund which accounts for all insurances as well as administering all employee benefits programs. Internal Service funds generate revenue by charging the City departments for services provided. The revenue generated is intended to cover all costs to operate the division. Total Charges for Service revenues for the City’s four Internal Service funds for fiscal year 2011/12 are budgeted at \$42,181,560, which is 95% of total revenues. This represents \$8,658,250 for Administrative Services fund; \$11,740,440 Garage Fund; \$4,350,780 General Services fund, and \$17,432,090 Central Insurance Fund.



Penny for Pinellas (Sales Tax Infrastructure)

Penny for Pinellas is an additional one-cent discretionary sales surtax levied in Pinellas County approved by voters for a third ten year period beginning in February 2010. Proceeds can be used for any fixed capital expenditure for the construction, reconstruction or improvements of public facilities which have a life expectancy of five years or more. Revenue estimates are based on expected growth, historical trends as well as calculations by the Florida Department of Revenue’s Office of Tax Research. For fiscal year 2011/12, Sales Tax Infrastructure revenues are budgeted at \$8,137,000, which represents 70% of total Special Development Fund revenues.



equipment; street lighting, traffic signs, engineering signalization, and pavement markings; and bridge maintenance and operations. During the period from September 2007 through August 2017 the County will distribute 40% of collections to local governments. Revenues are estimated based on expected growth, historical trends as well as calculations by the Florida Department of Revenue's Office of Tax Research. For fiscal year 2011/12, Local Option Gas Tax revenues are budgeted at \$1,400,000, which represents 12% of total Special Development Fund revenues.

Local Option Gas Tax

Pinellas County collects an additional six cents per gallon gas tax which is remitted to the State and then forwarded back to the County for distribution to local governments. Funds are utilized only for transportation expenditures authorized by Florida Statutes, including: public transportation operations and maintenance; roadway and right-of-way maintenance and equipment; structures used primarily for the storage and maintenance of

