



Prior to fiscal year 2001/02, Franchise Fees were derived from fees levied on Florida Power, General Telephone, Time Warner Communications, and the Clearwater Gas System in exchange for the right to operate within the City of Clearwater. However, in fiscal year 2001/02, a Telecommunications Sales Tax replaced cable and telephone franchise fees, resulting in the decline in franchise fees in that year. Current franchise agreements with the City generate the following rates:

Florida Power	6% of gross receipts from the sale of electric energy
Clearwater Gas System	6% of gas sales

In the spring of 2002, Florida Power Company reduced their customer rates by 9%. This will have an impact on City franchise fee revenues in fiscal year 2003. Franchise fee revenues are expected to decrease fiscal year 2002/03 and then increase by 3% in fiscal year 2003/04.

In fiscal year 2003/04 Franchise Fees will generate an estimated \$7,100,000 for General Fund purposes, representing approximately 7.2% of the total General Fund revenues.