



Prior to fiscal year 2001/02, Franchise Fees were derived from fees levied on Progress Energy, Bright House Networks, 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 called the Communications Services 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:

Progress Energy	6% of gross receipts from the sale of electric energy
Clearwater Gas System	6% of gross sales

In the spring of 2002, Progress Energy reduced their customer rates by 9%. This had an impact on City franchise fee revenues in fiscal years 2003 and 2004. Franchise fee revenues are expected to increase a modest 3% in fiscal year 2004/05.

In fiscal year 2004/05 Franchise Fees will generate an estimated \$7,335,000 for General Fund purposes, representing approximately 7.2% of the total General Fund revenues.