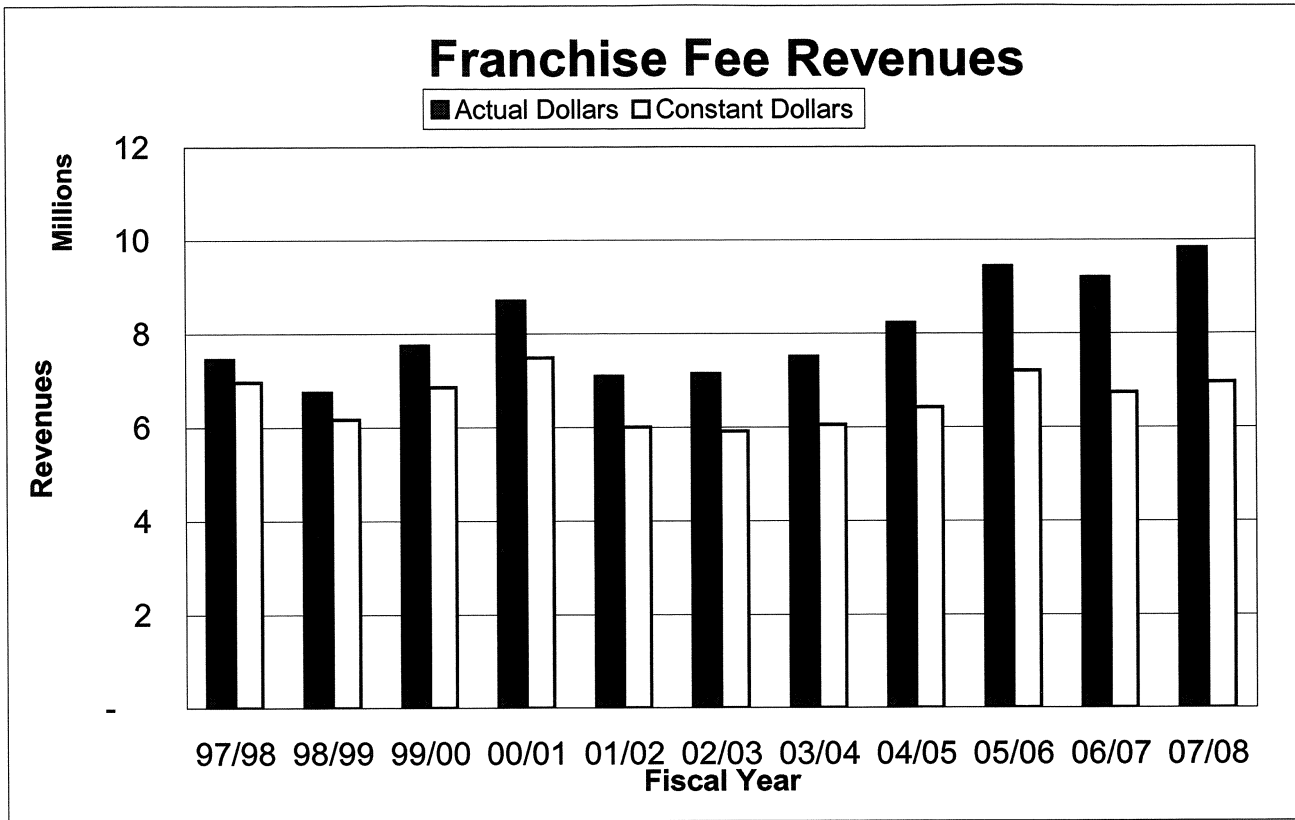


By State Statute, the City Council must adopt a property tax rate for the upcoming year. Florida law permits municipalities to levy a property tax, without referendum approval, to a maximum of ten mills (1 mill = \$1 of tax per \$1,000 of taxable value). However, further State legislation adopted in 2007 required the City to roll-back the City's millage rate to reduce property tax revenues by 7% for the new fiscal year, resulting in the decline in tax revenues detailed above. Property assessments and tax collections are administered by the Pinellas County Property Appraiser and County Tax Collector. Homeowners may claim on their principal place of residence a \$25,000 homestead exemption.

The taxable values of property with the City of Clearwater increased by only 5%, or \$500 million for this new fiscal year, to a total of \$11.2 billion in 2007/08. This is the first time in several years that values have grown by less than double digits, reflecting the signs of a slowing housing market. Taxable value of new construction totals \$114 million, which is about 20% less than 2006/07, while the taxable value of existing property increased by \$380 million. The total adopted ad valorem rate of 4.6777 mills will generate a total of \$50,094,660 of property taxes. This equates to \$47,273,940 to support General Fund operations and \$2,820,720 for road maintenance and improvement projects.

It is expected that the housing market will continue to slow and values will remain slow, and possibly decrease over the next few years, further impeding growth in property tax revenue. City property tax revenues currently represent 38% of the total General Fund revenues.

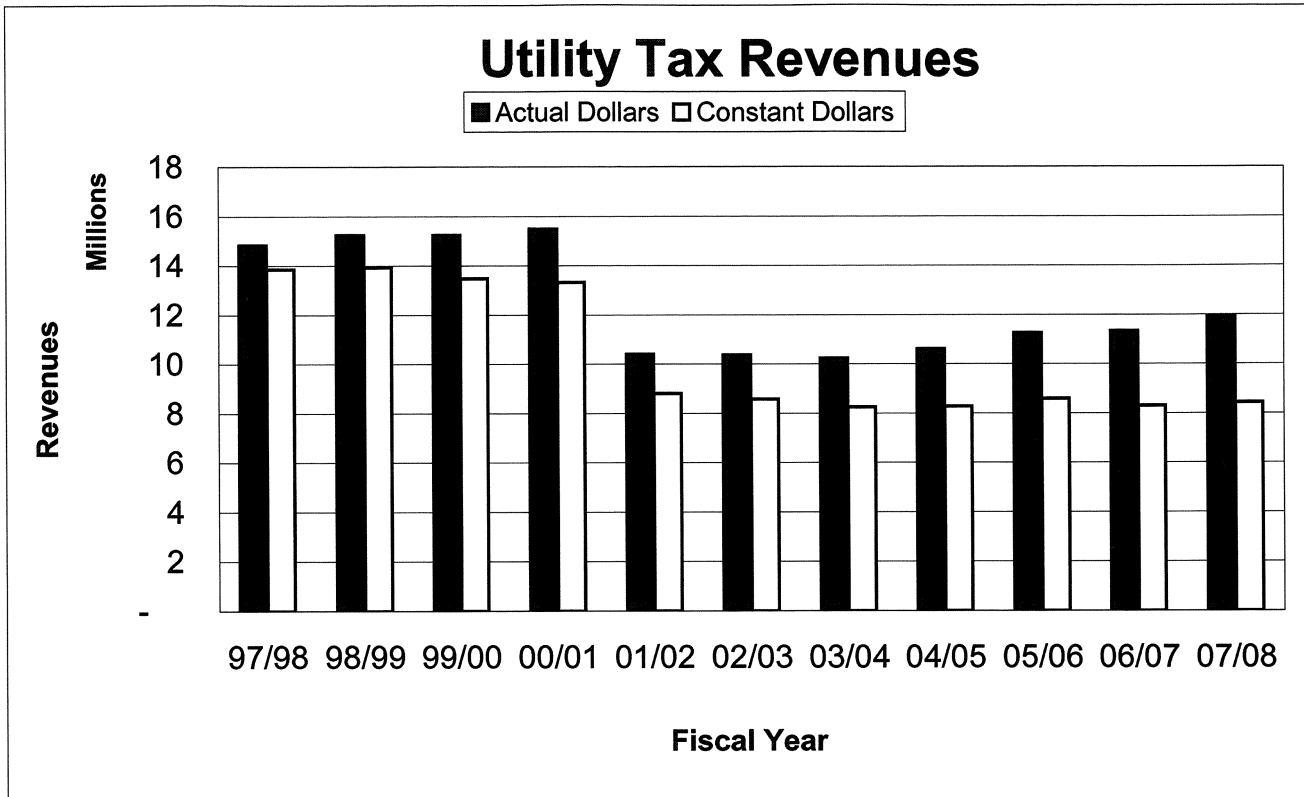


Prior to fiscal year 2001/02, Franchise Fees were derived from fees levied on Progress Energy, Bright House Networks, and the Clearwater Gas System in exchange for the right to operate within the City of Clearwater. However, in fiscal year 2001/02, a Telecommunications Sales Tax called the Communications 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

Gross revenues have increased on average approximately 3% per year over the last ten years, although in constant dollar revenues have actually decreased in the last few years, reflecting the slowing economy.

In fiscal year 2007/08 Franchise Fees will generate an estimated \$9,833,640 for General Fund purposes, representing approximately 8% of the total General Fund revenues.

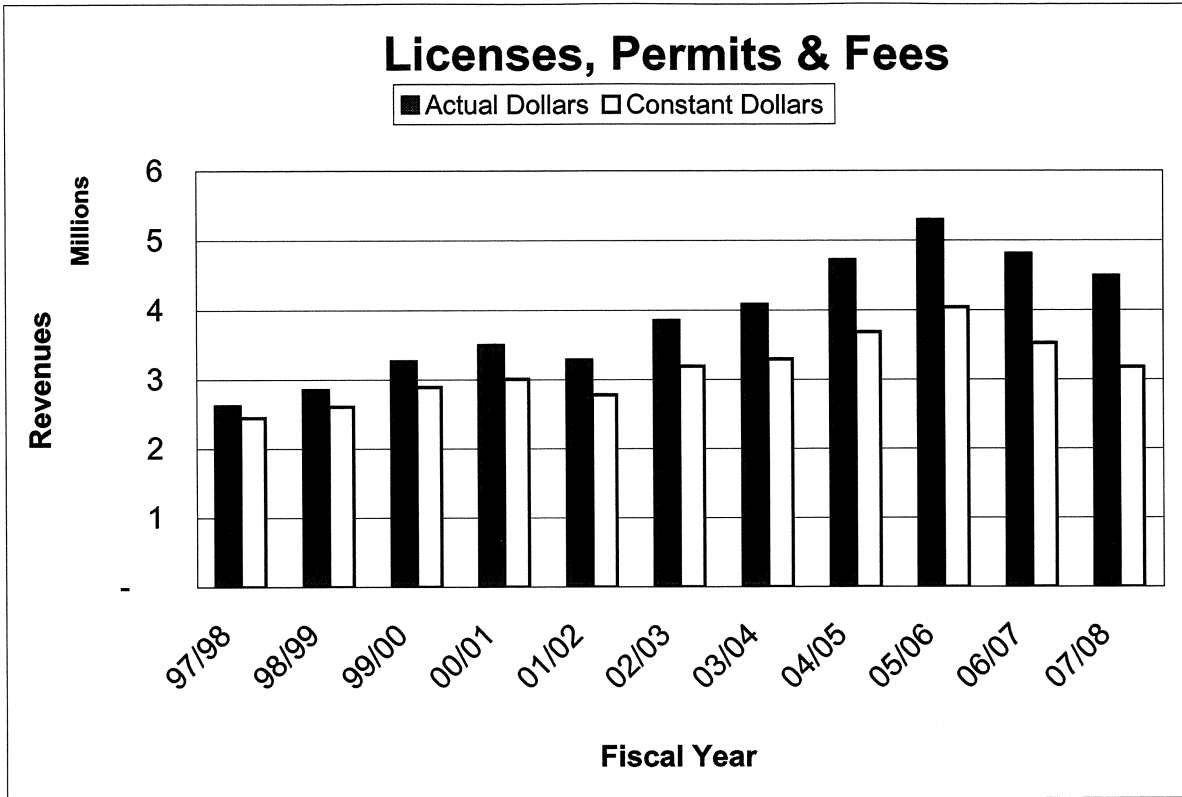


Utility Tax Revenues are derived from fees levied on the purchase of electricity, natural gas, water, fuel oil and propane within the City of Clearwater. Under Florida Statutes, a City can levy utility tax on electricity, natural gas, liquid propane and water at a rate not to exceed 10% of gross receipts, and a tax on fuel oil not to exceed 4 cents per gallon. The City of Clearwater levies each of these taxes at the maximum level.

Effective October 1, 2001, telecommunications, (formerly taxed at 7% of the service charge), are no longer subject to utility taxes. Instead the Communications Services Tax Simplification Law levies a tax on telecommunications sales that is budgeted with the Sales Tax. The resulting decrease in utility taxes is partially offset by an increase in telecommunications/sales tax revenues.

In addition, in the spring of 2002, Progress Energy Company reduced their customer rates by 9%. This has also an impact on City utility tax revenues. Total utility tax revenues are budgeted for fiscal year 2007/08 at an increase of 4%. On a constant dollar basis, there has been little change in utility tax revenue since fiscal year 2001/02.

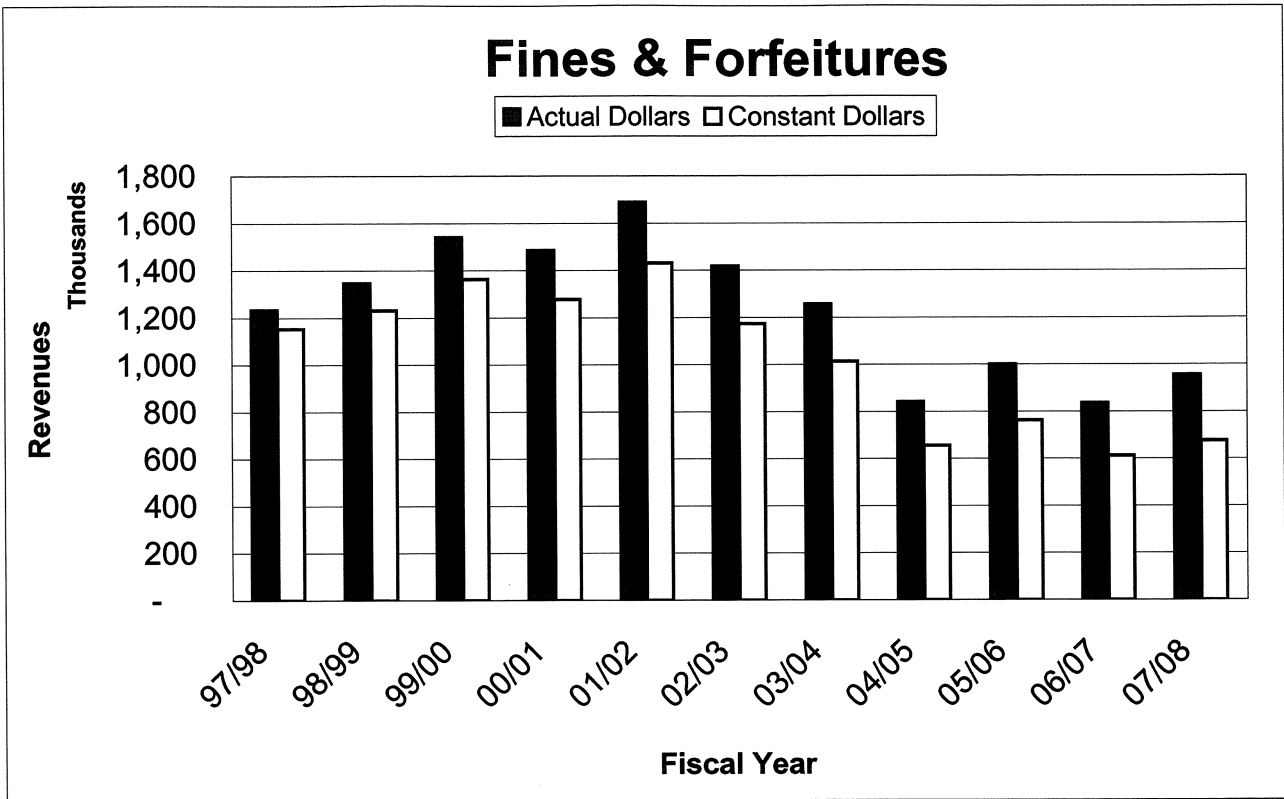
In fiscal year 2006/07 Utility Taxes will generate an estimated \$11,514,320 for General Fund purposes. This represents approximately 9.4% of the total General Fund operating revenues.



Licenses, permits & fees reflect revenues primarily from occupational licenses imposed on all businesses, professions and occupations operating within the City of Clearwater's jurisdiction along with building permit fees for the construction of any new building or any addition to a structure within the city limits. It also includes permit fees for signs and demolition work.

These revenues are not consistent from year to year, but the average increase for the last ten years is approximately 6%. During this period, Occupations Licenses have increased by 5% in February 2000, April 2002, and again in 2005. Revenue projections reflect are actually expected to decrease in fiscal year 2007/08 with the slowing of the housing and construction markets.

In fiscal year 2007/08 Licenses, Permits and Fees will generate an estimated \$4,492,580 for General Fund purposes. This represents approximately 3.6% of the total General Fund revenues.

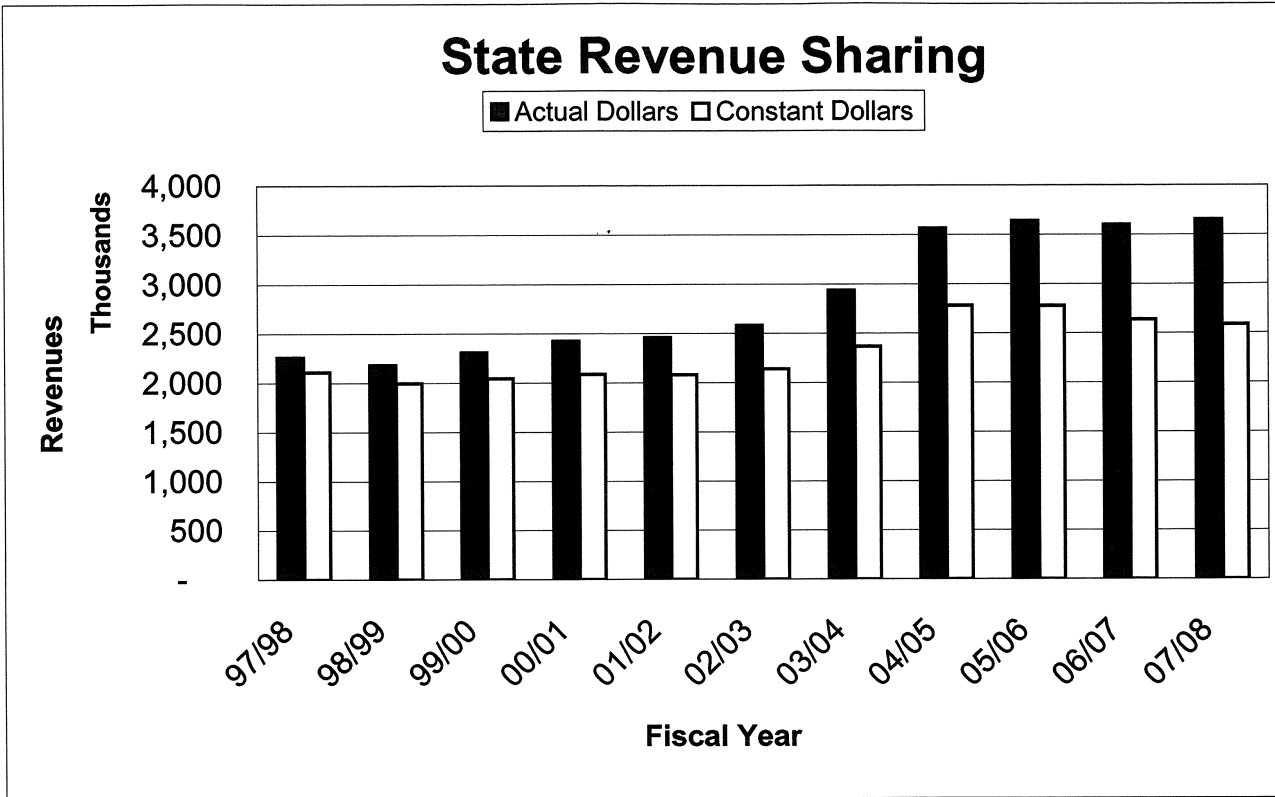


The main source of these revenues are traffic and parking fines. They also include fines collected for false fire and security alarms, and for code enforcement violations related to such things as nuisances, land development, and water restrictions.

Additional parking meters were eliminated in February and June of 1996, and again in 2001 and 2003. This has served to reduce parking fine revenues even further. The Parking Enforcement program was established June 19, 2003 to provide dedicated enforcement of parking both downtown and at the beach. All parking fine revenue is directed first to the Parking Fund to cover costs of the program. Then revenue is transferred to the General Fund representing the net of the cost of enforcement and collection. This revenue transfer is expected to increase under this collection program in future years, but is projected to be approximately \$350,000 in the 2007/08 as an interfund transfer into the General Fund.

In addition, an annual loss of over \$300,000 in criminal fines revenues occurred in July 2004 when the state legislature changed the laws allowing these funds to remain with Pinellas County to support the court system.

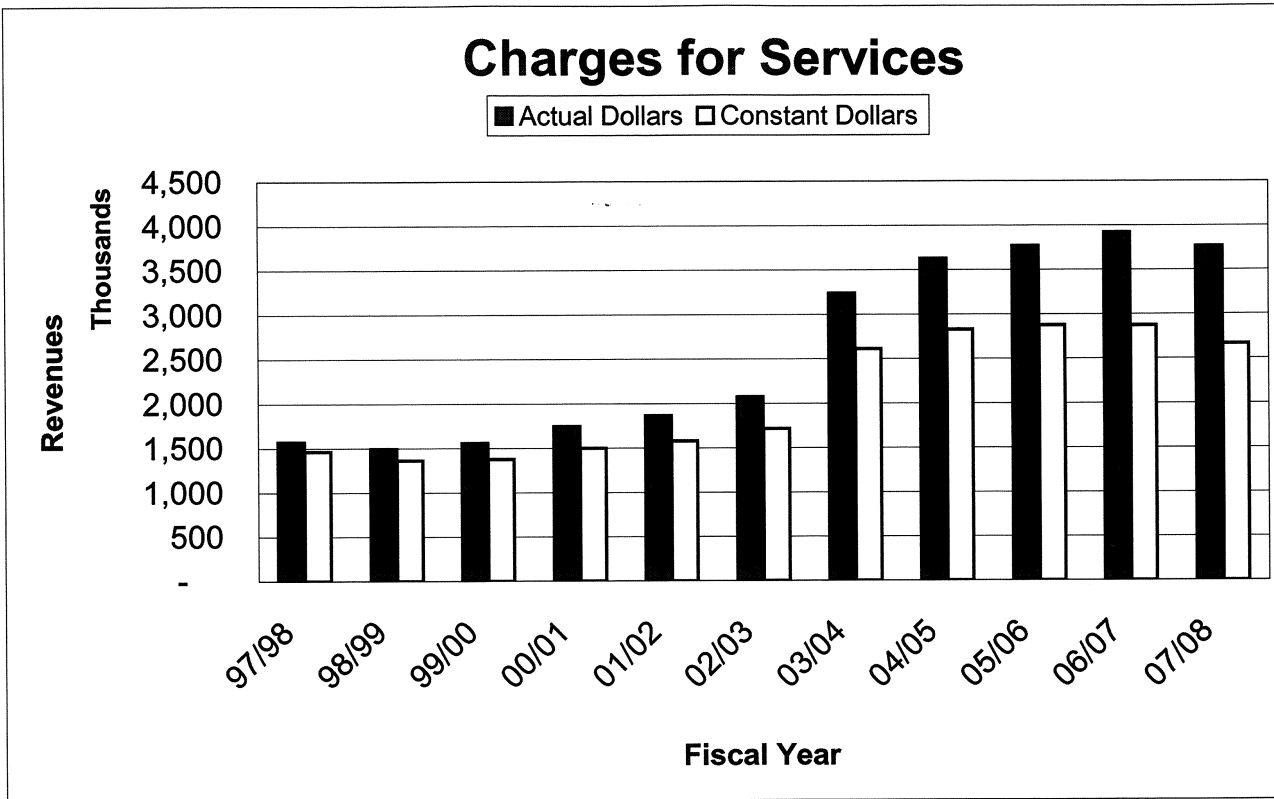
In fiscal year 2007/08 Fines & Forfeitures are expected to generate an estimated \$955,000 for General Fund purposes. Fines and Forfeitures represent approximately 0.7% of the total General Fund revenues.



These funds are derived from the Municipal Gas Tax and the State Alternative Fuel Decal Users Fee. A portion of the funds are distributed to municipalities based on a complex formula that factors in population, sales tax collected and local ability to raise revenue.

These revenues are not consistent from year to year. The average change over the last ten years is an increase of 5%, however in the last several years, revenues have remained flat and have actually decreased on a constant dollar basis.

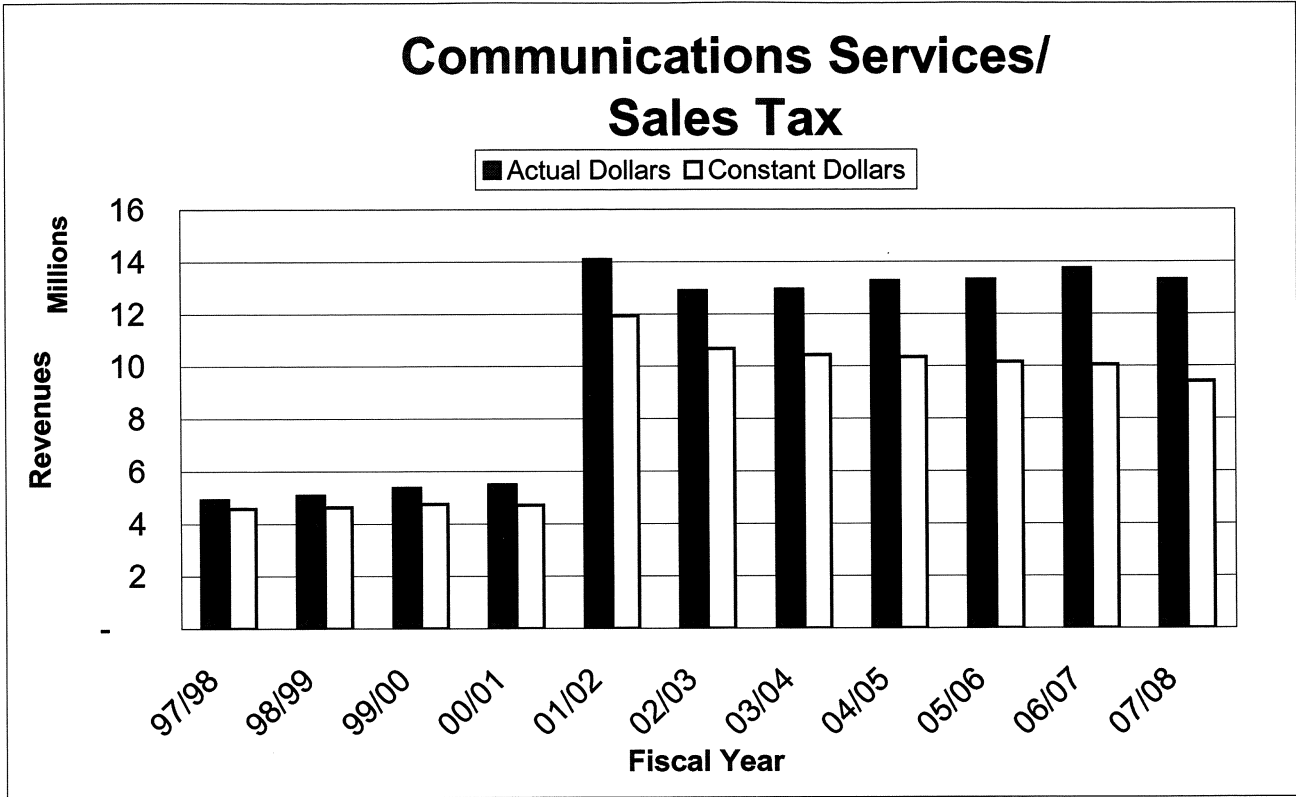
State Revenue Sharing is expected to generate an estimated \$3,651,740 for General Fund purposes in fiscal year 2007/08. This represents approximately 3% of the total General Fund operating revenues.



These funds are derived from the user and activity fees of Parks & Recreation, Library fees for non-resident cards, overdue materials and photocopies, and various other charges for services such as bait and concessions at Pier 60 and site plan reviews.

These revenues have increased an average rate of 10% for fiscal years 1998/99- 2007/08. Fiscal year 2000/01 revenues reflect increases in leases for City golf courses, non-resident fees, and new program revenues related to programmed operation of the St. Petersburg Junior College site. Fiscal year 2001/02 reflects decreased receipts for non-resident fees and new programs, fiscal year 2002/03 reflects additional Parks & Recreation program revenues primarily associated with the opening of the North Greenwood Aquatics Center. The large increase in fiscal year 2003/04 was due to a number of new Parks & Recreation programs. The most significant were at Long Center, the new Community Sports Complex and Eddie C. Moore Complex. A number of small programs have actually been scaled back in 2007/08 resulting in an anticipated decrease in revenues of 4%.

In fiscal year 2007/08 Charges for Services will generate an estimated \$3,763,800 for General Fund purposes. This represents approximately 3% of the total General Fund revenues.



This graph combines the Local Government Half-Cent Sales Tax and the Communications Services Tax.

Under the Local Government Half-Cent Sales Tax Program, the State of Florida returns 9.653% of sales tax proceeds to cities and counties. Sales tax revenues have been increasing by an average of 3% per year for the last ten fiscal years. In fiscal year 2007/08 Sales Tax Revenues will generate an estimated \$6,564,320 for the General Fund, a 5% decrease from the 2006/07 estimates.

Effective October 1, 2001, the Communications Services Tax Simplification Law replaced certain franchise and utility fees. This law was intended to simplify the tax structure for telecommunications and cable services. These revenues have remained almost flat for the last seven years, and are actually declining when measured in constant dollars. Fiscal year 2007/08 receipts have been budgeted at slightly less than 2006/07 receipts based upon estimates provided by the Department of Revenue.

The anticipated receipts of the Communications Services/Sales Tax category will be approximately \$13,297,890 in this fiscal year, representing 10.8% of General Fund Revenues.