

MAJOR COUNTY REVENUES

Hillsborough County relies on a variety of revenue sources to finance operations and construction activities. These sources include taxes, special assessments, fees, intergovernmental funding and service charges. Some examples of revenue sources include user fees financing the County's water and wastewater utility, gasoline taxes financing roadway construction and maintenance, and permit fees supporting building permit and inspection programs.

Several major factors impact revenues: changes in overall county-wide population, changes in specific service populations and their demands, increases or decreases in real disposable income (which measures residents' after-tax buying power adjusted for inflation), and inflation. State legislative action may also significantly impact revenues as evidenced by the legislatively mandated roll-back of property taxes for FY 08 and beyond. One or more of these factors or "drivers" impact most revenues directly or indirectly.

Estimates of revenues for budgetary purposes are gathered from a variety of sources. Based on past trends and their experienced judgment of current and future conditions, operating departments, agencies, and Constitutional Officers provide estimates of revenue from program-related fees (charges for services), state and federal grants, licenses and permits, fines, and assessments. The Florida Department of Revenue provides estimates of revenues from the Local Government Half-Cent Sales Tax, Indigent Care Surtax, Community Investment Surtax, various State-collected gasoline taxes, and the State Revenue Sharing program (based on a cigarette tax and sales tax). Ad valorem tax revenue, the remaining major revenue source, is estimated from taxable property values provided by the Property Appraiser by July 1st of each year in conjunction with applicable millage rates.

Projections of year-end FY 07 and FY 08 estimated revenues reflect the slowing performance of the US and Florida economies in the face of weak housing markets and the consequent impact on consumer spending. US Gross Domestic Product (GDP) growth slowed from 4.8% in the first quarter 2006 to a weak 0.6% in the first quarter 2007. In mid-2007 strong consumer spending, exports, federal spending, business construction and investment, and a reversal of the inventory decline more than offset weak housing construction. Growth rebounded the second quarter to 3.8% and to 3.9% for the third quarter. Florida has suffered a greater decline in housing markets than the US as a whole. Florida consumer spending has also been weaker. While housing will likely remain weak through mid to late 2008, forecasters remain cautiously optimistic about the economic picture. The latest National Association for Business Economics (NABE) consensus forecast expects 2.0% economic growth for 2007. Growth in 2008 is forecast at 2.8%. Further and prolonged weakening of housing markets and a resulting decline in consumer spending are the main risks to this forecast, especially for Florida.

Property tax, sales tax, revenue sharing and fuel tax revenue estimates for FY 08 and FY 09 were formulated in spring and summer

2007 and were based upon time series forecasting techniques, trend analysis, state forecasts, and expert judgment. Management and Budget used a time-series regression technique known as an Autoregressive Integrated Moving Average Model (ARIMA). ARIMA uses historical data and estimates an equation to approximate those data and, subsequently, forecast the future path of the estimated variable. Overall, the ARIMA models forecasted slower revenue growth for the balance of FY 07 and for FY 08. Combining ARIMA forecasts with state forecasts and other forecasts based on trend analysis and expert judgment rooted in past and present experience, a consensus was reached that non-sales tax revenues would generally meet budgeted expectations for FY 07. Sales tax revenue growth has substantially slowed statewide resulting in lower expectations for sales tax revenues and state revenue sharing distributions compared to budgeted expectations for FY 07. State forecasts issued in spring and summer 2007 also indicated weaker revenue performance. These factors are included in our revenue estimates for FY 08 and FY 09.

Housing and consumer markets are expected to further decline in late 2007 before improving in late-2008. These events will likely restrain revenue growth in FY 08. FY 09 is likely to see renewed growth. Hillsborough County will carefully monitor the affect on revenues and expenditures.

The following sections discuss major revenues and how they have changed over time.

Ad Valorem Taxes

In modern times, property taxes, also called *ad valorem* taxes, have traditionally been the major source of revenue for local governments, large and small. For Hillsborough County, these taxes comprise the largest percentage of all revenue – about 39% in FY 08.

Hillsborough County levies a property tax on all property within the County, including that within municipalities, for services provided throughout Hillsborough County. This tax, referred to as the *Countywide Property Tax*, is deposited in the County's General Fund. Hillsborough County also levies the *Municipal Services Taxing Unit (MSTU) Property Tax* to fund municipal-type services provided only in the unincorporated areas of the County. This tax is only assessed on property in unincorporated areas of the County and is deposited in the Unincorporated Area General Fund. One example of an MSTU tax-funded service is fire protection supplied by the Hillsborough County Fire Rescue Department.

To fund operations of the city-county library system, the County levies a third property tax called the *Special Library District Tax*. This tax applies only to property in the City of Tampa and in unincorporated areas of the County. The Cities of Temple Terrace and Plant City operate their own libraries, although they receive funding

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from the County system to establish a coordinated system for all County residents. In addition to the Board of County Commissioners of Hillsborough County, other jurisdictions in the county have authority to levy their own property taxes. Entities such as the cities of Tampa, Temple Terrace, and Plant City, the Hillsborough County School Board, the Hillsborough Area Regional Transit Authority, the Southwest Florida Water Management District, the Tampa Port Authority and the Children's Board all levy their own ad valorem taxes. Each of these tax levies is listed on a consolidated tax bill sent to individual taxpayers each November.

In addition to the tax levies already mentioned, the County is required to levy a separate property tax to meet annual debt service requirements for the payment of voter approved general obligation bonds. In the past, voters have approved bonds for jail facilities, park facilities, and the acquisition of environmentally sensitive land. In November 1992, residents approved a referendum to finance additional park facilities in the unincorporated areas. Since it benefits only the unincorporated areas, this limited general obligation debt is funded through an MSTU millage.

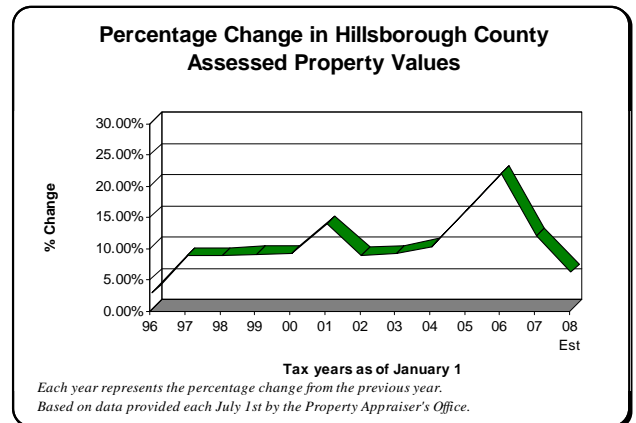
Property tax revenues depend upon the *assessed* value of real and personal property, less any exemptions. The Hillsborough County Property Appraiser, a separately elected constitutional officer, is responsible for assessing property values throughout the County. Growth in this tax base increases County ad valorem tax revenues without requiring any increase in the tax rate (also called the millage rate). Taxable values tend to fluctuate over time. In the past, due mainly to slower appreciation of existing property and to slowdown in new construction, the increase in taxable value slowed from an annual average increase of 13 percent during the early to mid-1980's to an actual decline in FY 93. The rate of taxable value growth in Hillsborough County then accelerated through FY 07. Countywide taxable values increased 8.1% for FY 98, 8.7% for FY 99, 8.7% for FY 00, 9.5% for FY 01, 13.0% for FY 02, 8.0% for FY 03, 8.7% for FY 04, 10.6% for FY 05, 15.7% for FY 06 and 22.8% for FY 07, slowing to 11.7% for FY 08. These rates reflect strong economic growth in the late 1990s and historically low interest rates during 2000-2005. Other contributing factors to this growth include changes in appraisal methods and reconsideration of certain exemptions.

Hillsborough County single family housing starts rose strongly during 2000-2005 in response to forty year low mortgage rates. Single family detached housing permits increased strongly each year during 2001 through 2005. As interest rates rose in 2005, single-family detached permits fell 35% in the last quarter of 2005 compared to 2004. Detached permits continued to trail year ago figures by 46.1% in the first half of 2007. Single-family attached permits declined 66.9% in the first half of 2007.

The recent decline in single-family detached and attached permits reflects nationally slowing housing markets. National home sales

have fallen substantially while median prices have weakened more modestly. The Greater Tampa Association of Realtors reported a 34.8% drop in year-to-date existing Hillsborough home sales (MLS listed) and a 7.6% drop in average home prices in September 2007 compared to September 2006. The Hillsborough County Property Appraiser reports a 3.0% gain in average single family sales price and a 2.0% drop in median sales price through September. The National Association of Realtors further reported the Tampa Bay area experienced a 3.8% decline in the median sales price of existing single-family homes for the second quarter of 2007. Housing markets have suffered more in Florida compared to the national average as more speculative activity and greater price appreciation occurred during 2004-2006.

Construction markets tend to lag interest rate changes and general changes in economic conditions. Annual property tax rolls are based on land and structure values as of January 1st. Ad valorem revenue growth would, therefore, respond in the following years to higher interest rates or deteriorating economic conditions that slow construction permitting in a current year.



Estimates of ad valorem tax revenues are prepared during the budget process by the Hillsborough County Management and Budget Department based on historical and current information on economic activity. ARIMA modeling is a key forecasting tool for taxable property values and is used in conjunction with, state taxable value forecasts, trend analysis, and expert knowledge. After reviewing ARIMA and state forecasts, Management and Budget made the determination to use the state forecast in the Pro Forma budget for FY 08 through FY 10. Each annual forecast is replaced with actual data from the Property Appraiser's Office as they became available. Slowing housing markets have resulted in slower taxable value growth. Latest 2007 Property Appraiser data for the FY 08 budget year reflect an 11.7% gain in Countywide taxable values and a 12.8% gain in Unincorporated Area taxable values.

In June 2007, a further restraint on property tax revenue was enacted by the Florida Legislature. Most cities and counties were required to reduce their FY 08 operating millages to below the rolled-back rate. The rolled-back rate is the millage rate that gen-

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erates the same revenue (less tax increment financing district payments) from existing property this year as was levied last year. Existing property is total taxable value less the value of new construction, the dedicated portion of tax increment financing districts and any increase above 115% of tangible personal property. If the value of existing property increased over the last year then the rolled-back millage rate for this year will decline. Affected taxing authorities (including the Hillsborough County Board of County Commissioners) will apply this new millage to existing property and to any new property thus gaining the benefit of additional revenue only from the new property. The Legislature's June roll back legislation also requires, for FY 08 only, a further reduction of 3% to 9% from the rolled-back rate.

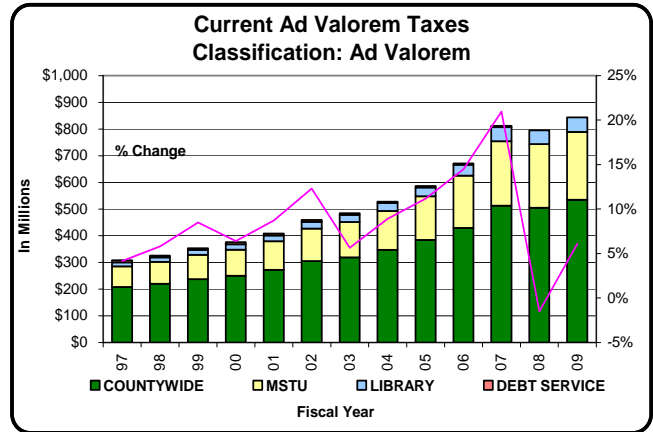
Under the statutory formula, Hillsborough County is required to take a 5% reduction from the rolled-back rate. Practically, this means a 5% revenue reduction, or \$40.1 million, from actual property taxes levied for FY 07 from existing property. Some of this reduction is offset by the \$30.6 million of new revenue generated from new construction that took place during 2006. The net result for the FY 08 Countywide General Fund is an \$8 million or 1.6% reduction compared to the adopted FY 07 levy. The Unincorporated General Fund reduction is \$2.9 million or 1.2%. The Library Tax District reduction is \$1 million or 1.8%. The three fund total reduction is \$11.9 million compared to adopted FY 07 operating levies. The legislative reduction totals \$109 million when compared to what would have been FY 08 status quo levies using FY 07's adopted operating millage rates and taxable values for FY 08.

Weak housing markets through mid-2008 are expected to continue to restrain growth for FY 09. Current state forecasts for FY 09 project 5.9% growth in countywide taxable value. The roll back statute requires rolling back millage rates and then adjusting them upward by the rate of growth in Florida Per Capita Personal Income for FY 09 and beyond. Based on the state forecast and the bill's provisions, and in the absence of any additional legislative or voter mandated reductions, FY 09 property tax levies for the three tax funds are projected to rise 6.2% from FY 08.

An additional factor potentially affecting FY 09 property tax revenue is a potential constitutional amendment to be placed on the January 2008 ballot by the Florida Legislature. The initial proposal, which would have created a super homestead exemption and revised the Save Our Homes limitations, was declared unconstitutional by a Leon County Court. The Florida Legislature in an October special session passed a substitute constitutional amendment that doubles the current \$25,000 homestead exemption for homes assessed over \$50,000, enacts a \$25,000 tangible personal property tax exemption, provides for portability of Save Our Homes benefits currently accrued to homestead owners, and enacts a 10% assessment cap on non-homestead property. It is anticipated that the amendment's impact will significantly reduce property tax revenues beyond the reductions already experienced due to the statu-

tory roll back previously enacted.

The Property Appraiser's values are subject to adjustment by the Value Adjustment Board after the budget is adopted. Since these adjustments impact the tax base, actual ad valorem tax revenues may differ from initial budget estimates.



The chart *Current Ad Valorem Taxes* shows the changes in the County's ad valorem tax revenues for the Countywide, MSTU, Library District and Environmentally Sensitive Lands ad valorem taxes since 1997. Strong growth in taxable value during FY 96 to FY 07 allowed the County to reduce total BOCC millage each year during that period while maintaining ad valorem revenues needed to fund County needs.

Other Taxes

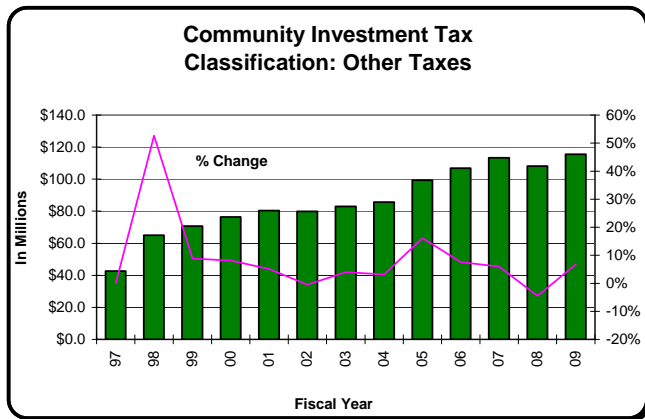
The *Other Taxes* category includes receipts from non-ad valorem sources such as certain types of locally-imposed gasoline and sales taxes, and tourist development taxes. This category accounts for about 16% of all revenue.

Local Government Infrastructure Surtax - In a referendum held on September 3, 1996, voters of Hillsborough County approved the levy of a 0.5% sales surtax for a thirty year period, effective December 1, 1996. The proceeds from this "*Community Investment Tax*" are used to acquire, construct and improve general government, public education and public safety infrastructure to promote the health, safety and welfare of Hillsborough County residents.

In Fiscal Years 1997 through 2026, this tax is projected to generate in excess of \$4.7 billion in revenue based on an average annual long-term growth rate of 6%. The Hillsborough County School Board will receive 25% of this revenue via monthly disbursements. Another estimated \$318 million will finance, over the thirty year period, Raymond James Stadium. This stadium is used by the University of South Florida football team, the Tampa Bay Buccaneers of the National Football League, and multiple special events.

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The remaining Community Investment Tax revenue is distributed among the County and its three municipalities using the same distribution formula that applies to the regular Local Government Half-Cent Sales Tax.

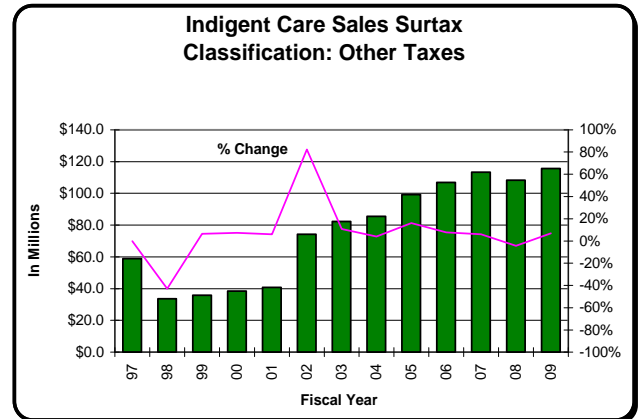


Management and Budget staff provides short and long term projections of sales surtax revenues based on ARIMA modeling, trend analysis, state forecasts, and current economic conditions. Reflecting strong economic growth and consumer spending, CIT revenues rose 8.8% in FY 99 and 8.1% in FY 00. FY 01 CIT revenues grew about 5.0%. The FY 02 revenues fell 0.25% reflecting falling retail sales due to recession in 2001 and slow tourism activity following 9/11. Revenue growth improved in FY 04 to 4.7% and, with boosts from post-hurricane spending and low interest rates jumped to 14.6% in FY 05. Weak housing markets and slower economic growth in late 2006 contributed to slower revenue growth of 8.2% for 2006. This downward trend has continued into 2007. Combining ARIMA forecasts, expert judgment of the Management and Budget Department staff and Florida Department of Revenue forecasts lead Management and Budget staff to a FY 07 forecast of a 1.1% reduction from FY 06 actual revenues, followed by 2.2% growth for FY 08 and 6.8% for FY 09.

Indigent Care and Trauma Center Sales Surtax - The *Indigent Care and Trauma Center Sales Surtax* funds Hillsborough County's acclaimed Indigent Health Care Program. This surtax was first imposed for a two-year period in FY 85 at a rate of 0.25 percent. In FY 92, the Board of County Commissioners authorized a seven year 0.5 percent sales surtax within Hillsborough County. On May 23, 1997, the state legislature approved a bill to extend the sales surtax until October 1, 2005. The legislation requires that any county that levied the tax prior to October 1, 1998 must adopt an ordinance, by extraordinary vote, to extend the surtax to October 1, 2005 and to authorize the amount of tax to be levied. On July 9, 1997, the Board of County Commissioners approved the required ordinance to extend the surtax.

As approved, the ordinance extended the surtax through September 30, 2005 and authorized a reduction in the surtax rate from 1/2

cent per dollar of sales price to 1/4 cent per dollar of sales price. This reduction remained in place through September 30, 2001, when it increased to 1/2 cent per dollar of sales price.



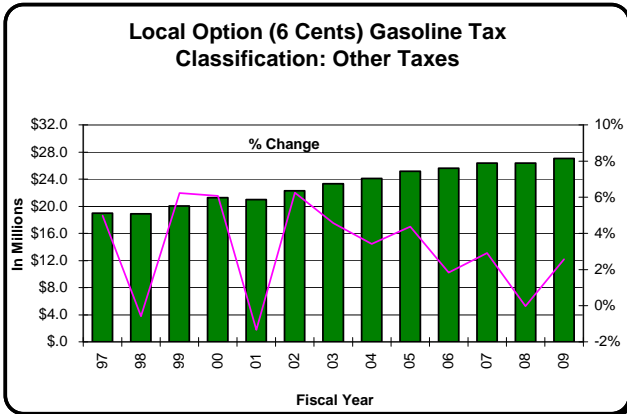
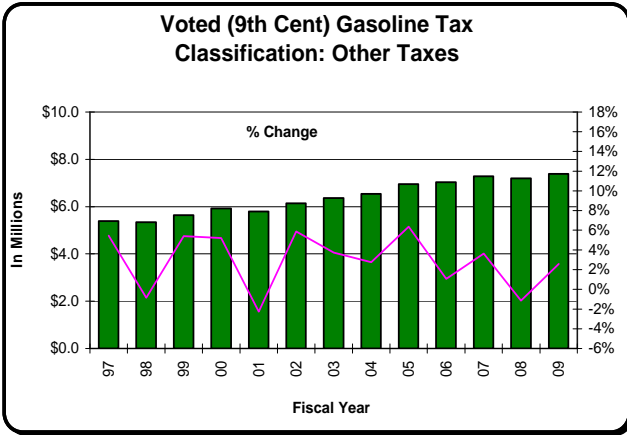
The 2003 Legislature extended the authority for this surtax on a continuing basis (removed the sunset provision) with a requirement that a biennial audit be delivered to the local governing body and to the chair of the legislative delegation. The chart for this tax reflects revenues since FY 97. FY 98 through FY 01 revenues reflect the reduction in the surtax rate from 0.5 percent to 0.25 percent effective October 1, 1997, with corresponding decreases in revenues. The large revenue increase, over 80% for FY 02, reflects the return to a 0.5% rate on October 1, 2001. In the absence of rate, other structural tax changes and audit adjustments the Indigent Care Sales Surtax and the Local Government Infrastructure Sales Surtax (CIT) should exhibit nearly identical trends. Using the same methods and tax base, Management and Budget staff forecast the Indigent Care Surtax will match CIT forecasts.

Gasoline Taxes - The Taxes revenue classification includes two gasoline taxes, the Voted (9th Cent) Gasoline Tax and the Local Option (6 Cents) Gasoline Tax. Gasoline taxes collected within Hillsborough County are distributed among the County and its three municipalities.

Gas taxes are an important source of funds for road network improvement, maintenance, and road resurfacing. Like most gasoline taxes, and as shown in the respective charts, gasoline tax revenues have grown slowly over the last several fiscal years due primarily to increased fuel efficiency of automobiles and other gasoline powered vehicles. FY 99 and FY 00 gasoline tax revenues increases reflected strong fuel demand resulting from rapid economic growth. FY 01 local option gas taxes fell due to higher fuel costs and a slowing economy, but returned to long-term trends in FY 02 & FY 03. A strong economy kept gas tax revenue growth high in FY 04 and FY 05 as well. Fuel prices are likely to remain relatively high compared to the late 1990s. This could have a negative effect on long term gasoline demand and, therefore, fuel tax revenues. Although the 6- year trend growth for fuel tax revenues from FY 02 – FY 07 is about 2.9% annually, Management and

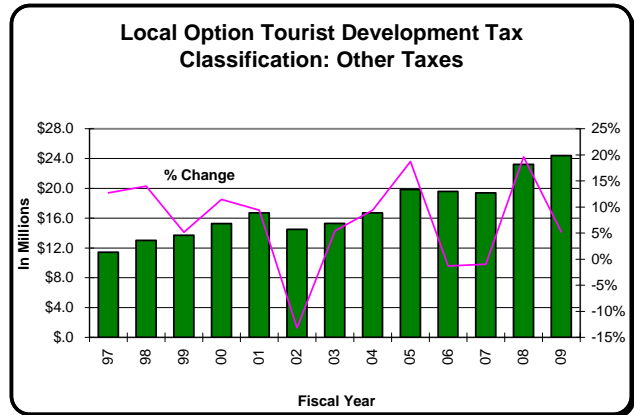
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Budget staff forecasts for FY 08 and FY 09 to be below this average, at 2.13% in FY 08 and 2.6% in FY 09.



Local Option Tourist Development Tax - This tax, imposed primarily on tourist-related resorts and facilities, provides funding for tourist and economic development. The tax was increased in 1990 from 3% to 4% to provide funds as a pledge against sports facility debt. In October 1995, an additional one percent was added to finance the Ice Palace, an indoor sports and entertainment arena constructed in downtown Tampa. This brings the current tax rate to 5%.

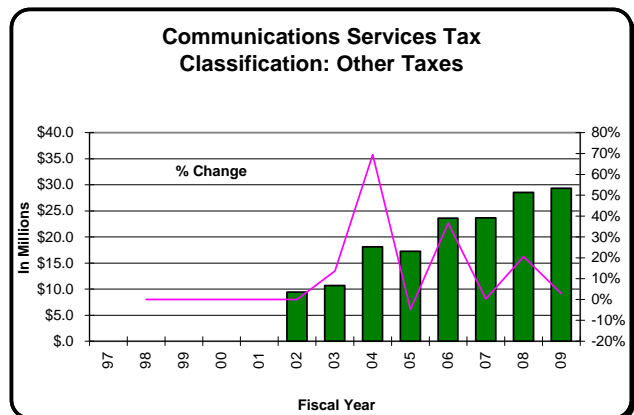
Tourist tax revenues rose steadily from FY 97 – FY 01. FY 02 revenues fell substantially in the aftermath of September 11. Revenues began to rebound in FY 03 and into early FY 04. As the economy recovered and tourists returned to travel, FY 04 revenues modestly exceeded pre-September 11 levels. Strong tourism markets boosted revenues for FY 05, and FY 06 revenues increased 4.2%. Growth of 6.3% is forecast for FY 07. Growth of 5% to 5.5% is forecast for both FY 08 and FY 09.



Tourist tax revenue forecasts are based on ARIMA forecasts by the Management and Budget Department, as well as Economic Development Department staff expertise.

Communications Services Tax – In 2001, the State of Florida established the communications services tax. The goal was to restructure taxes on telecommunications, cable television, direct-to-home satellite, and related services. The law replaced and consolidated several different state and local taxes with a single tax comprised of two parts: the Florida communications services tax and the local communications services tax. Communications services encompasses voice, data, audio, video, or any other information or signals, including cable services that are transmitted by any medium. The local tax does not apply to direct-to-home satellite.

The 2001 legislation also set a default rate for each locality so that the new law was revenue neutral. However, it allowed each local taxing jurisdiction to levy its own tax rate on communications services rather than use the default rate.



For FY 02, Hillsborough County used the default rate of 2.2%. Effective January 1, 2003, the BOCC lowered the rate to 2%. Effective January 1, 2004, the Board raised the rate to 4.0%, with the provision that one-quarter of the tax go to fund construction of fire stations. During the FY 06 & FY 07 budget process, the BOCC changed the share of this tax for fire station construction to 37.5%.

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The Communications Services Tax is likely to reflect the rapid comprehensive change occurring in the communications industry. New technologies, particularly internet and wireless, are changing the way we use telephones, computers and television. These changes will continue to complicate the forecasting of this revenue. Strong FY 06 and FY 07 actual revenues have resulted in a strong FY 08 growth estimate of 13.1% over the FY 07 adopted budget. The FY 09 forecast parallels the state's growth forecast of 2.9%.

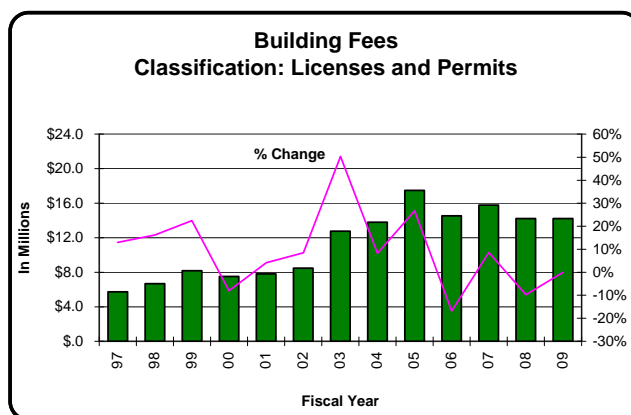
This tax is levied in the unincorporated area only. The three municipalities levy their own communications services tax.

Licenses and Permits

Although fees from licenses and permits provide less than 1% of total County revenues, they merit mention due to their relationship to the regulatory functions of County government and their usefulness in gauging activity of growth in related segments of the County's economy.

The chart on Building Permit Fee revenue since 1997 illustrates the general health of the local building industry. As in the rest of the nation, both residential and commercial construction was very strong in Hillsborough during the late 1990s. Building fee revenue surged 16.2% in FY 98 and 22.4% in FY 99. Rapid commercial construction, however, outpaced absorption in 2000 resulting in increasing vacancy rates and softening rents. This development, combined with higher interest rates in 2000, contributed to a 41.2% fall in the value of commercial permits issued in 2000. New residential permits fell 19.5%. Building fee revenue fell 8% in FY 00. Single family permitting activity improved in 2001 and 2002 supporting better building fee revenue growth 4.2% in FY 01 and 8.5% in FY 02. FY 03 revenues included fee increases for residential housing permits and building trades subpermits. This was the first time these fees were increased since 1989. After a one-time increase of nearly 50% in this revenue, FY 04 revenue grew 8.3%. Strong markets produced a 26.7% gain for FY 05. In response to higher interest rates, residential building permits fell 19.5% in 2006. This drop led to a 16.9% fall in this revenue for FY 06. Total year-to-date single-family residential permits are down 66.9% for the first half of 2007. Detached permits are down 46.1%.

Permit activity is likely to remain sluggish in FY 08 due to the continued backlog of unsold existing and new homes. Analysts do not expect housing sales to turn around until late-2008. These forecasts reflect national consensus expectations of housing markets and the expert judgment of Planning and Growth Management staff.

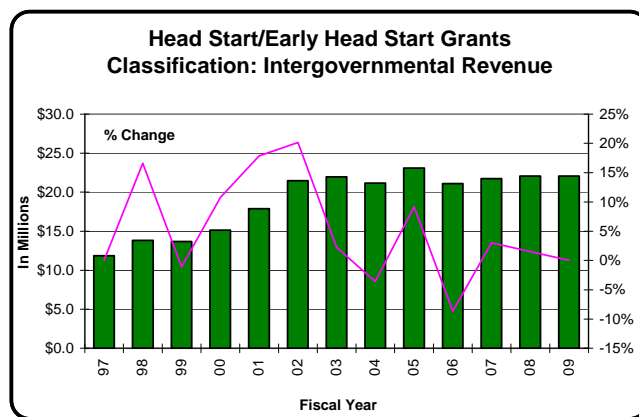


In 2007, in recognition of increased permit application processing costs, the Board of County Commissioners approved an increase in permitting fees. Despite this increase, a decrease in estimated permitting activity for 2008 is reflected in the lower revenue estimates for FY 08 and FY 09 above.

Intergovernmental Revenues

The County receives about 12% of its revenue from intergovernmental sources including federal and state grants.

Grants - Major grants received by the county include funding for head start, children and elderly food programs, anti-drug abuse programs, environmental issues, jail construction, and Housing and Urban Development grants for community development and housing rental.



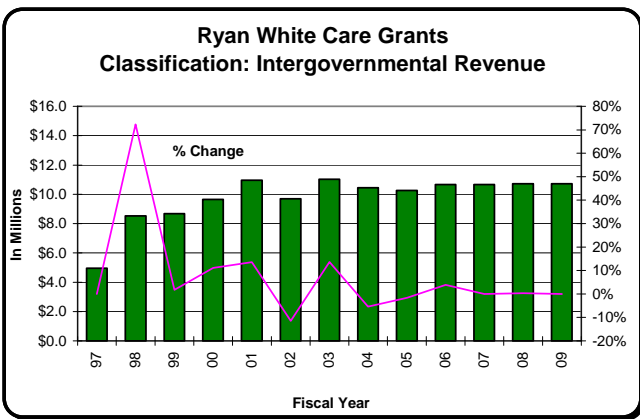
The County's largest grants are for the Head Start and Early Head Start Program. The program provides services designed to enhance children's physical, social, emotional and intellectual development. Early Head Start serves low-income pregnant women and families with infants and toddlers. Head Start provides preschool services for three and four year old children from low income families in Hillsborough County. Young children with disabilities or

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developmental delays are also served in an environment of inclusion. The centers are located throughout the County and transportation is provided for the Head Start children. All families receive health, dental, and preventative mental health services and parent involvement opportunities.

As the chart above indicates, revenue grew substantially from FY 97 through FY 02. This is due to Cost-of-Living Adjustments (COLA) and Expansion funding. However, starting in FY 03 the rate of increase began to slow and have generally been confined to the COLAs. Estimates are prepared by the Children's Services Department in consultation with the granting agency, the U.S. Department of Health and Human Services, Region IV Administration for Children and Families.

On December 1, 1992, the Hillsborough County Board of County Commissioners was designated as the grantee agency for the Ryan White CARE Act of 1990 for Title I funds to be allocated among service providers for HIV+ individuals in the Tampa-St. Petersburg area, comprised of Hillsborough, Pinellas, Pasco, and Hernando Counties. On June 18, 1997, the County was designated to administer Ryan White Title II in Hillsborough, Pinellas, Pasco, Hernando, Polk, Highlands, Hardee and Manatee Counties. Both Ryan White grants are administered by the Health and Social Services Department in accordance with the dollar allocations of the Ryan White Care Council.

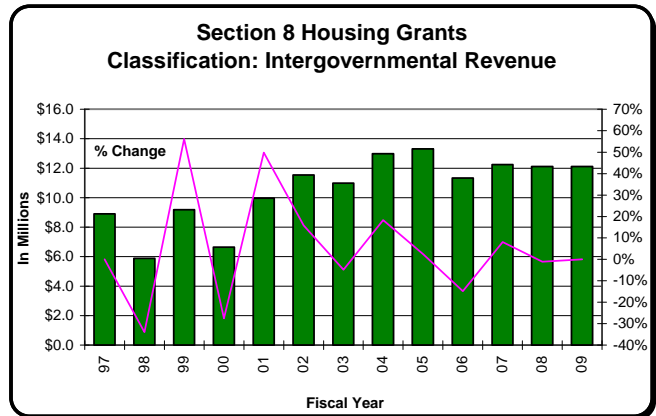


As the chart above indicates, Ryan White grant revenue has been relatively stable. The main exception would be the increase in FY 98 when Title II funding was added. Estimates are prepared by the Health and Social Services Department in consultation with the granting agency, the U.S. Department of Health and Human Services, Region IV, Health Resources and Services Administration.

While the U.S. Department of Health and Human Services is the County's largest granting agency, significant funding comes from the U.S. Department of Housing and Urban Development (HUD). The largest HUD program is the Section 8 Housing Choice Voucher Program. This program provides financial assistance to

low-income families so they can obtain decent, safe and sanitary rental housing in Hillsborough County.

As the chart below indicates, Section 8 grant revenue had slow but steady increases from FY 97 through FY 04. Though timing issues related to receiving the funds caused the graphed fluctuations, the amounts actually granted increased gradually. However, the revenue fell from FY 05 to FY 06, and is expected to remain flat from FY 06 through FY 09. Estimates are prepared by the Health and Social Services Department in consultation with the U.S. Department Housing and Urban Development (HUD).

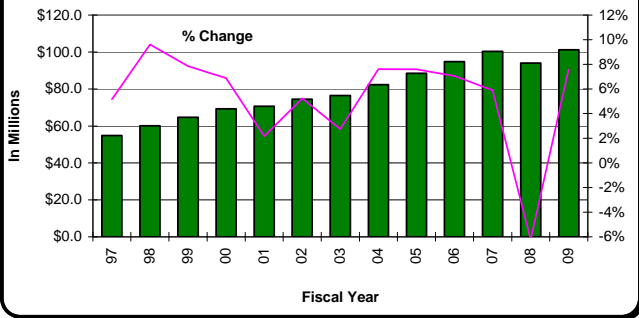


State-Shared Revenues - Two State-shared revenues are important sources of funding for the County. The *Local Government Half-Cent Sales Tax* has been a growing source of revenue for the County since FY 83. In FY 98, actual collections exceeded the budget by \$4 million. The FY 99 budget was also understated by as much as \$5 million. The excess revenue collected in FY 98 and FY 99 were brought forward to FY 00 as non-recurring revenues available for non-recurring projects. During FY 96 to FY 00 half-cent revenues grew an average 7.6% annually. This high growth reflected the high levels of consumer spending in the late 1990s. As recession affected consumer spending, a slowdown in taxable sales growth occurred in FY 01, FY 02 and FY 03. Half-cent revenue grew only 2.2% in FY 01, 5.2% in FY 02, and 2.7% in FY 03. Strong economic conditions in 2004 and 2005 boosted growth above 7% for FY 04, FY 05 and FY 06. However, state legislation related to Article V implementation lowered the share of sales tax shared with local governments by 9.5% effective July 1, 2004.

Management and Budget ARIMA forecasts and state forecasts of much slower statewide sales growth led to a consensus forecast of 0.12% growth for FY 07 followed by 6.2% decline over FY 07 budgeted revenues for FY 08 returning to a 7.5% increase for FY 09. Weak housing markets have reduced consumer spending.

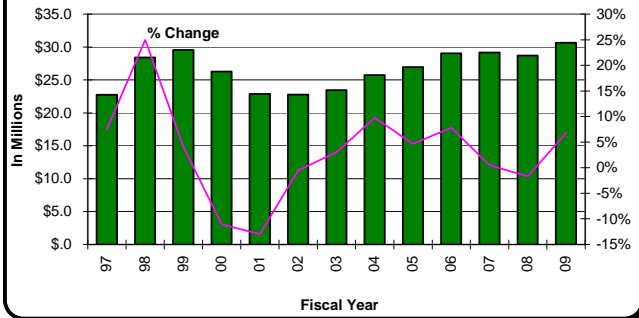
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Local Government 1/2-Cent Sales Tax
Classification: Intergovernmental Revenues



The second important State source is State Revenue Sharing. Until July 1, 2000 the county received a portion of the State intangibles tax along with a small contribution from the one-cent cigarette tax. As with other State estimates, FY 98 and FY 99 State Revenue Sharing was underestimated. FY 00 included a 25% reduction in the intangibles tax based on a change approved by the Florida Legislature in 1999. In May 2000 the Legislature passed an additional change to State Revenue Sharing. As of July 1, 2000 counties still receive the one-cent cigarette tax but no longer receive any portion of the intangibles tax. In place of the

State Revenue Sharing
Classification: Intergovernmental Revenues

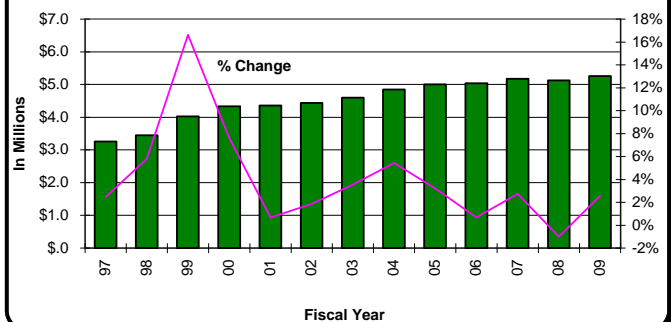


intangibles revenue the Legislature authorized 2.25% of state sales tax revenue be included in State Revenue Sharing. This change further reduced state revenue proceeds, but likely produced a more stable revenue source over the long term. This change causes State Revenue Sharing to grow in a similar manner to the Half-Cent Sales Tax. State Revenue Sharing forecasts, therefore, will closely track Half-Cent forecasts. Later, state legislation related to Article V implementation lowered the share of sales tax shared with counties through revenue sharing by 9.1% effective July 1, 2004. Similar to the Half Cent Sales Tax, FY 08 revenues are anticipated to be 1.7% lower than FY 07, rebounding in FY 09 to a 6.8% increase.

The *Constitutional Gas Tax* is a 2-cent levy shared with counties only. Eighty percent of the revenue can be used for debt service, if any, to be managed by the State Board of Administration. Any remainder of the 80 percent portion is then distributed to the County. The other 20 percent is given to the County for the acquisition, construction and maintenance of roads. This revenue is expected to remain a stable source of income.

The *County (7th Cent) Gasoline Tax* is considered a State-Shared Revenue since its distribution is based on a State-set formula, not based solely on total collections within the county of collection.

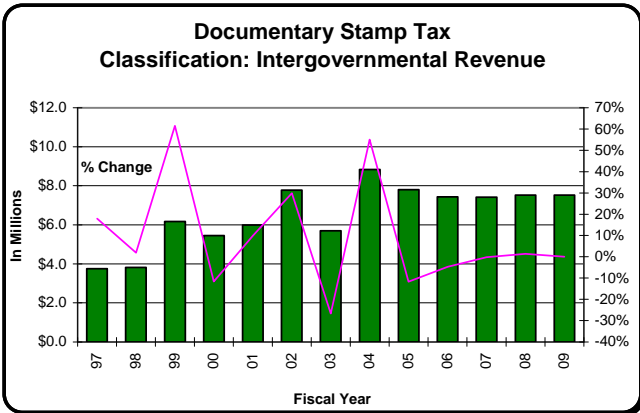
County (7th Cent) Gasoline Tax
Classification: Intergovernmental Revenues



This revenue, along with other gasoline taxes and road network impact fees, is used to finance road network improvements and maintenance. As the associated chart shows, revenues from this tax have grown steadily since FY 97. Growth accelerated in the late 1990s, as did growth in most revenues. Although the 6-year trend growth for fuel tax revenues from FY 02 – FY 07 is about 2.9% annually, Management and Budget staff forecasts for FY 08 and FY 09 to be below this average, at 2.13% in FY 08 and 2.6% in FY 09.

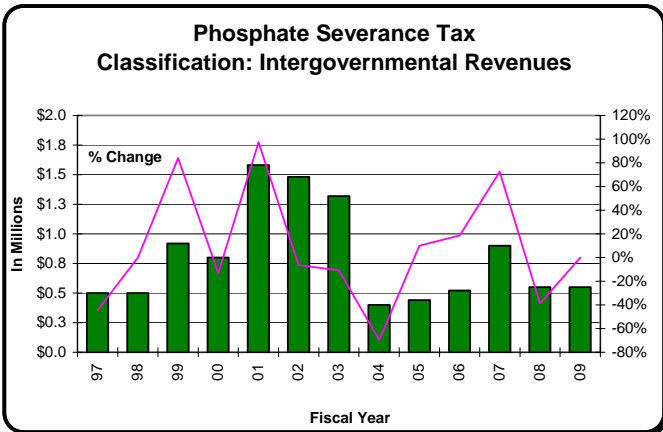
Documentary Stamp Tax - The State of Florida levies a Documentary Stamp Tax on all real estate transactions. Of the total collected in each County, 11.3425% is returned to Local Governments to fund local affordable housing plans. The growth in this revenue generally follows the same pattern as Building Permits since they are interrelated. The high level of building activity in FY 98 & FY 99 caused the FY 99 revenue spike as seen in the chart below. However, mortgage refinancing is also subject to the documentary stamp tax. The high level of mortgage refinancings in FY 02 is behind that year's surge. The housing market supported high growth in this revenue for FY 04 and FY 05, but as interest rates rose in late 2005 and 2006 we have experienced a decline in sales. Housing markets are not projected to turn around before late-2008. We anticipate that FY 08 and FY 09 revenues will remain relatively flat.

MAJOR COUNTY REVENUES



These forecasts reflect expert staff judgment of the Management and Budget and Housing and Community Code Enforcement Departments using a five year trend analysis and monitoring of the Florida Legislature.

Phosphate Severance Tax - The State of Florida levies a tax on phosphate rock mined in the state. The 1982 session of the State Legislature authorized a distribution of 10% of this tax to counties. To receive funds from this source, a county must demonstrate a nexus, direct or indirect, to the phosphate industry. The volatility of the phosphate industry in the late 1980's adversely affected the amount of tax levied; in FY 94 the state permanently reallocated a portion of these taxes to other jurisdictions.



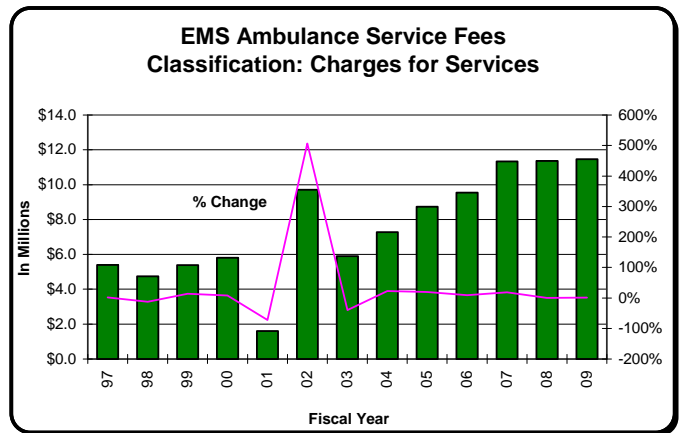
The accompanying chart shows this revenue's volatility over the years. Revenue in FY 99 reflected better international market conditions for phosphates and phosphatic fertilizer. In May 2000 the Legislature increased the county share of the tax from 10% to 18%. In FY 04, a major phosphate mining company scaled back operations in Hillsborough County and shifted them to Manatee and Hardee counties. This is a short-term shift and revenues were expected to return to near normal in FY 07. Unfortunately, this rebound was not evident at the time of this writing, and the FY 08 and FY 09 estimates reflect lower anticipated revenues. Forecasts are

based on Management and Budget staff judgment and analysis of the number of phosphate mining reviews for the preceding three years.

CHARGES FOR SERVICES

Charges for Services comprise approximately 26% of budgeted income and include revenues from such services as ambulance transports, water, special recreation programs, sewer service charges, internal service charges, fees for housing federal prisoners, and municipal, commercial and franchise solid waste disposal fees. In preparing the County's annual budget, the departments whose operations are supported by these fees provide the estimates of anticipated revenue. Departments rely upon past trends and their accumulated expert knowledge to construct these estimates. Over the past several years, the County has had to rely more heavily on this type of revenue. One example of this type of revenue is illustrated by the chart labeled *EMS Ambulance Service Fees*, which shows a steady source of revenue, except in FY 98 & FY 01. In FY 99, collections were contracted out and revenue began to rise. However, a problem with the collection vendor in FY 01, caused revenue to decrease substantially. The vendor has been replaced and collections have returned to historic levels.

The Fire Rescue Department together with the Management and Budget Department develop the estimates for these fees using expert judgment and a five year trend analysis.

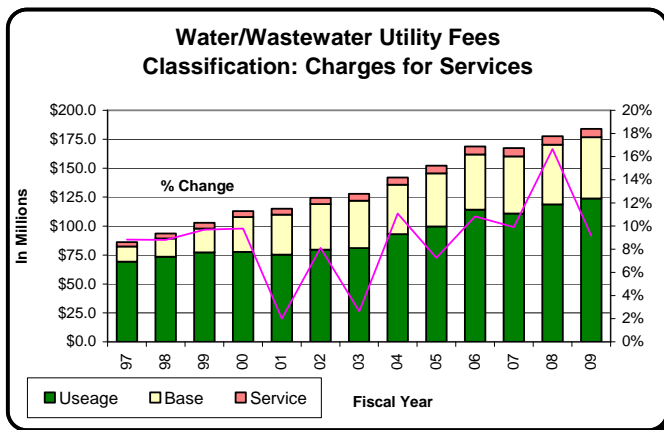


Water and Wastewater Utility User Charges - The primary source of revenue for the Hillsborough County Water and Wastewater utility system is the monthly charges to its customers. These charges are composed of three parts – Base Facility Charges, Volumetric Charges and the Customer Service Charge. Since FY 01, the standard residential Base Facility Charge for Potable Water has been \$7.90 per month, for Wastewater it has been \$12.75 per month and the Customer Service Charge has been \$3.80. Volumetric Charges are tiered and billed per 1000 gallons. These charges are designed to promote water conservation.

MAJOR COUNTY REVENUES

A rate study is conducted by the Water Resource Services Department every two years to set the rates for the biennial budget. The study, which is validated by an independent consultant, is prepared to determine if the revenues are sufficient to meet the financial needs of the County's Water and Wastewater System. This study is the basis for the monthly user charges for the following two years, with the exception of the "Purchased-Water Pass-Through" consumption charge to recover the cost of all retail and bulk potable water purchases. The Water Department calculates the "Purchased-Water Pass-Through" charge annually and implements any changes for the 12-month period on or about October 1 of each year. Accelerating growth and the need to reduce reliance on ground water pumping have required Tampa Bay Water to construct additional projects which increased the cost of bulk water purchased.

The chart below shows that overall revenues from user, base and service charges have grown steadily, which reflects the impact of growth in the unincorporated area over the last ten years. Hillsborough County's effective implementation of tiered conservation rates and other conservation programs have mitigated the need to increase usage charges other than the Purchased-Water Pass-Through charge.



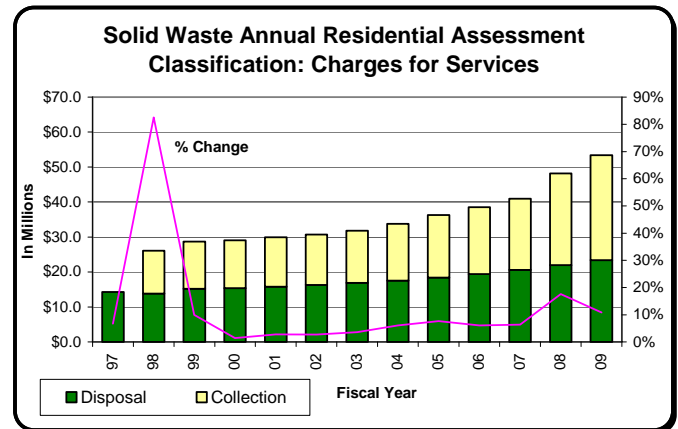
Solid Waste Residential Assessments - These non-ad valorem assessments appear on the ad valorem tax bill, and fund residential solid waste collection and disposal and provide a stable revenue source for Solid Waste Management System bonds. Since FY 98 there are two separate assessments, a solid waste collection assessment and a solid waste disposal assessment. Both assessments are collected in the Unincorporated Area only.

The solid waste collection assessment was approved by the BOCC on November 13, 1996, and went into effect on October 1, 1997. This assessment replaced the annual \$82.08 fee residents previously paid directly to collectors for curbside service. Franchise collectors are now paid directly by the County. From FY 98

through FY 03 the rate was \$76.20. For FY 04 the rate was \$80.68 and increased to \$85.16 for FY 05 through FY 07. The approved rates for FY 08 and FY 09 reflect a further increase to \$105.61.

Residents are also assessed a solid waste disposal assessment on the ad valorem tax bill. These assessment fees replace the tipping fee previously charged by disposal facilities for residential refuse disposal, whether transported by the residential user or a commercial service. From FY 87 to FY 91, this assessment was \$96.50 and was reduced to \$84.00 in FY 92. In FY 96 and FY 97, the disposal fee was \$89.71; in FY 1998 this assessment decreased to \$85.43. The approved rates for FY 08 and FY 09 reflect an increase to \$87.99. Refuse originating from non-residential sources is subject to a tipping fee at the time of disposal.

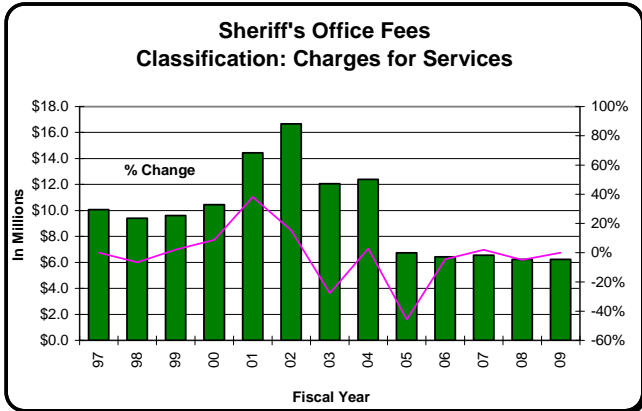
Reflecting Solid Waste Management Department expert staff judgment and existing property tax rolls, solid waste funding sources for are expected to rise by 13.3% for FY 08 and 9.2% for FY 09, mainly due and rate increases discussed above and increased volume of tonnage processed related to growth in the system.



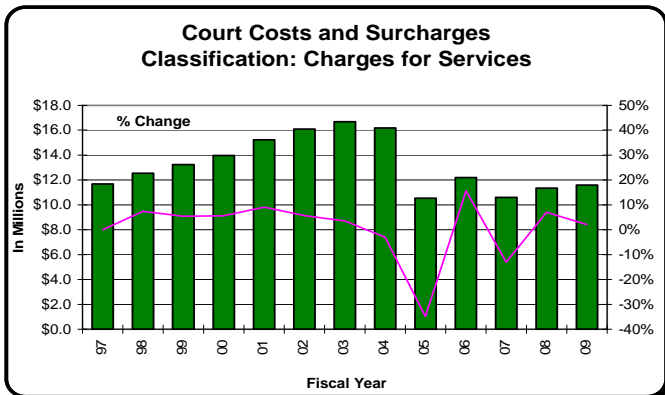
Sheriff's Office Fees - The majority of these fees are reimbursements to services provided by the Sheriff's Office. For example, the cities reimburse for School Crossing Guards provided by the Sheriff and the School District reimburses half of the costs for the School Resource Deputy program. The largest reimbursement is from the U.S. Department of Justice for detention of federal inmates awaiting trial. The revenue estimates are provided by the Sheriff's Office based on the estimated cost to provide these services to the outside agencies. The revenue has been consistent over the last ten years, with the exception of FY 01 and FY 02. During those two years, the Hillsborough County Indigent Health Care Program was reimbursing for the cost of Indigent Inmate Healthcare. That reimbursement was ceased in FY 03. Revenue classified as Sheriff's Office Fees dropped significantly beginning in FY 05 due to a reclassification of certain revenues from Sheriff's Office fees to Board of County Commissioner revenues. The reve-

MAJOR COUNTY REVENUES

Revenue estimates are provided by the Sheriff's Office based on the estimated cost to provide these services to the outside agencies.



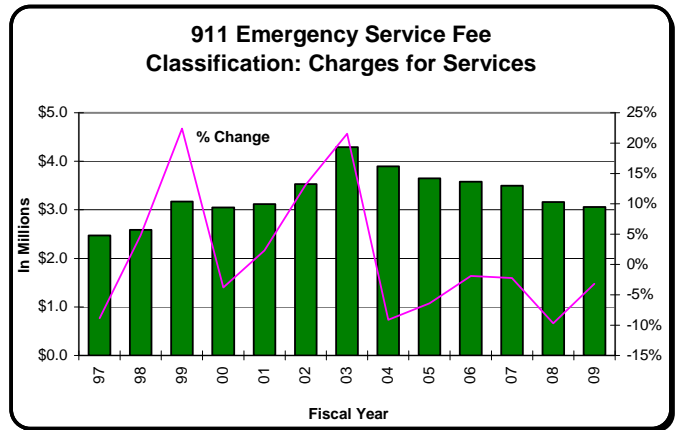
Court Costs and Surcharges – Prior to FY 05, these revenues were composed of civil court filing fees, criminal court cost charges, and special surcharges designed to aid in the funding of the court system. However, effective July 1, 2004, most court-related fees and fines now accrue to the Clerk of the Circuit Court to pay for the Clerk's court related duties. Three new fees were allowed by the Legislature and adopted by Hillsborough County. The first is a traffic court surcharge used to fund court facilities. The second is a document recording fee to fund court technology. The third is a criminal court surcharge used to fund the court innovations, a law library, legal aid, and teen court/juvenile diversion programs. The Clerk of the Circuit Court together with the Management and Budget Department develop the estimates for these new fees using expert judgment and a five year trend analysis of similar fees. Revenue estimates for FY 08 are anticipated to up 8.9% over FY 07, with FY 09 up 2.0% over FY 08 levels,



911 Emergency Service Fee – This fee is paid by landline telephone subscribers within Hillsborough County to fund the 911 emergency service program. The monthly rate is 50 cents per access line up to a maximum of 25 lines per account. There is a similar fee imposed by the State of Florida on cellular telephones

subscribers to fund the electronic 911 system. Part of this levy is shared with the Counties.

The income from the 911 service fee grew steadily from FY 95 through FY 03. However, in FY 04 the revenue began to decline as the number of landline telephones declined. Information and Technology Services Department staff anticipates further decreases for FY 08 and FY 09 based on expert staff judgment and input from the Florida State Technology Board. It should be noted that the State's E911 fee has had a corresponding increase as the number of cellular telephones has increased.



Fines and Forfeitures

Fines and Forfeitures comprise only 0.3% of County revenues. Prior to July 1, 2004, these revenues consisted mainly of court, local ordinance and library fines. However, State legislation related to Article V implementation redirected court fines to the Clerk of the Circuit Court to carry out court-related functions. This resulted in a revenue loss of approximately \$1.0 million.

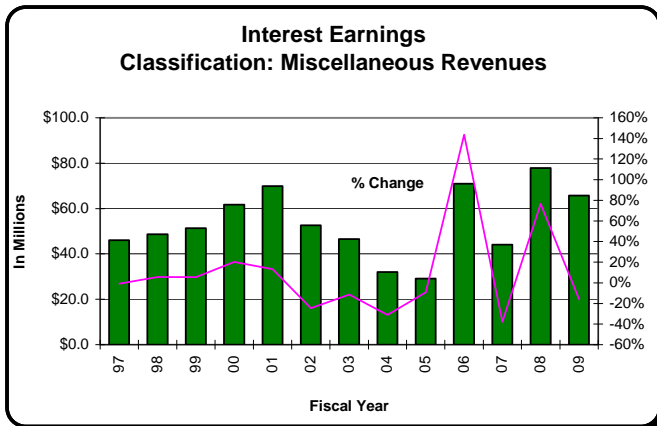
Miscellaneous Revenues

Miscellaneous Revenues account for 7.4% of total revenues. Interest, special assessments and impact fees account for the majority of revenues in this category. In addition to the revenues detailed below, this category also includes rental income, sale of surplus equipment, property and land, and contributions and donations. It also reflects the net change in the fair value of investments. This last category reflects recent changes in governmental accounting standards. The County does not currently budget for unrealized changes in the value of its investments, but they are reflected in its financial statements and they impact future years' budgets through changes in the fund balance brought forward.

Interest Earnings – Interest earnings are one of the largest components of Miscellaneous Revenues and affect every county fund. As the chart below shows, there can be a great deal of fluctuation

MAJOR COUNTY REVENUES

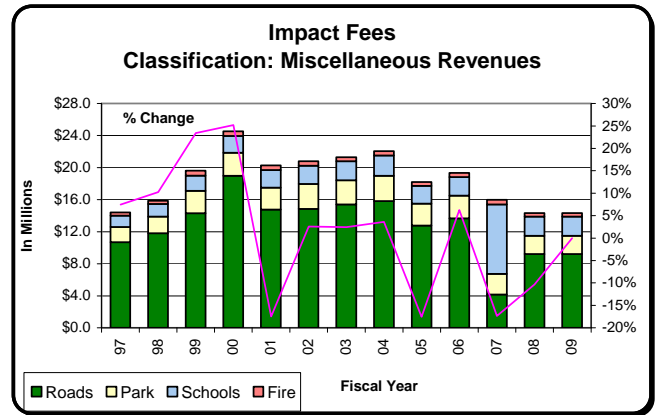
in interest earnings. The main reason for this fluctuation is a change in interest rates and since most of the County's funds are in short term investments, as short-term interest rates rise so will the County's interest earnings and vice versa. The spikes in FY 96 and FY 01 are due to short-term interest rate increases while the declines from FY 02 through FY 05 are due to short-term interest rate decreases. On June 30, 2004 the Federal Reserve, in response to improving economic growth, began a string of short-term interest rates increases. From June 2004 through June 2006 the Fed increased the Fed Funds rate a total of 425 basis points. The Fed made no additional changes until lowering the rate a total of 75 basis points in September and October in response to worsening mortgage markets and other weakness in the economy. The Fed still stresses its vigilance against inflation. Analysts project the Fed may stand pat for the balance of 2007 and possibly in 2008 unless housing markets weaken to the point of spilling over into other areas of the economy.



The other component of interest earnings is the average daily cash balance. Overall this tends to fluctuate very little from year to year, but did steadily increase from FY 97 through FY 03. However, a one-time drawdown in reserves for capital projects and the use of excess revenues from the late 1990's for major maintenance projects has resulted in lower estimated interest earnings in FY 05 & FY 06. Actual interest revenues are expected to greatly exceed budget for FY 07, and the FY 08 and FY 09 estimates reflect interest on overall higher reserves. The Management and Budget Department combines national interest rate forecasts with a three year average cash balance model to derive forecasts for interest earnings in each fund.

Impact Fees - Impact fees on new construction were implemented in June 1985 to finance capital facilities needed to maintain service levels in areas of growth. The first of these fees was for roads and parks, while the right-of-way portion of the roads impact fees was implemented in February 1986. School impact fees followed in August 1986, with fire impact fees implemented in June 1988. Originally, all impact fees were collected only in the unincorporated

areas of the county. However, on January 1, 1993, school impact fees began to be collected in both incorporated and unincorporated areas of the county.



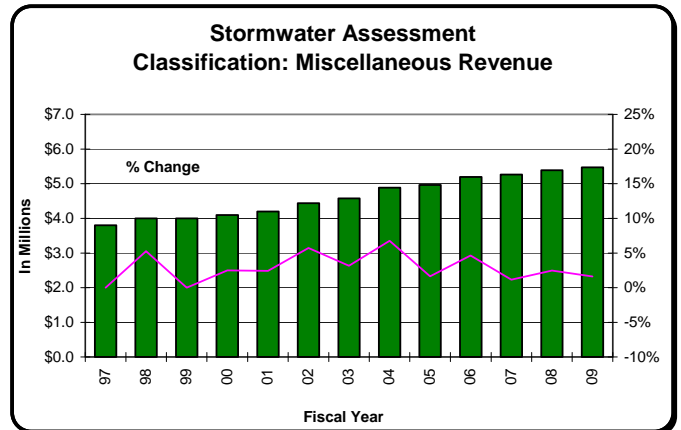
In April 1990, all impact fees, with the exception of fire impact fees, were increased. The degree of increase depended on several factors including land use, location, and engineering factors. Total impact fee revenues have shown steady growth since FY 95, reflecting overall county growth. Not shown, however, are the in-kind contributions provided by some developments in lieu of paying fees. Cost recovery rates for impact fees have dropped substantially since fees were changed in 1990. In July 2006, the Board voted to increase school impact fees beginning in November 2006. Revenue estimates for FY 07 were adjusted downwards to reflect significant transportation impact fee offset credits granted to developers during FY 06; these were expected to rebound in FY 08 and FY 09, as illustrated in the chart above. Fees are conservatively estimated by Management and Budget staff using a five year trend analysis and expert staff judgment.

Stormwater Assessment - On June 22, 1989, the Board of County Commissioners of Hillsborough County imposed a stormwater assessment on developed properties within unincorporated Hillsborough County. This assessment pays for costs associated with the Hillsborough County stormwater system, including capital augmentation. The assessment applies to roofed and paved parcels of land within areas that cannot absorb water. The stormwater assessment is placed on the tax bill as a non-ad valorem assessment.

On August 15, 1991, the Board set the rates for single family residential and agricultural parcels at \$12 per year. Other residential parcels, such as apartment complexes and condominiums, are assessed \$6 per dwelling unit on the parcel. For non-residential parcels the assessment is \$.01 for each 1.5 square feet of area which cannot absorb water, with a minimum assessment of \$12. The stormwater rates have remained unchanged. Annual population growth in the unincorporated area accounts for the small but consistent annual increase in revenues.

MAJOR COUNTY REVENUES

Forecasts are derived by Public Works staff judgment and actual property tax roll data. Overall revenues are estimated to increase slightly due to ongoing unincorporated area development.



COUNTY REVENUES BY SOURCE

| | | FY 06 Actuals | FY 07 Adopted | FY 08 Adopted | FY 09 Planned | % Total FY 08 |
|--|---|--------------------|----------------------|----------------------|----------------------|------------------|
| Taxes | | | | | | |
| Ad Valorem Taxes | D | \$674,093,953 | \$815,069,495 | \$803,191,202 | \$851,924,247 | 39.0% |
| Community Investment Tax | D | 107,126,448 | 113,284,171 | 108,203,434 | 115,528,807 | 5.3% |
| Indigent Healthcare Surtax | D | 107,057,180 | 113,284,171 | 108,203,434 | 115,528,807 | 5.3% |
| Six-Cents Gas Tax | D | 25,630,347 | 26,379,724 | 26,373,245 | 27,051,038 | 1.3% |
| Communications Services Tax | D | 23,579,615 | 23,649,963 | 28,520,675 | 29,333,514 | 1.4% |
| Tourist Development Tax | D | 20,690,941 | 19,401,669 | 23,205,600 | 24,409,970 | 1.1% |
| Ninth-Cent Gas Tax | D | 7,023,536 | 7,278,144 | 7,194,698 | 7,379,602 | 0.4% |
| Other Taxes | | 67,033 | 61,000 | 65,800 | 66,358 | 0.0% |
| Total Taxes | | 965,269,053 | 1,118,408,337 | 1,104,958,088 | 1,171,222,343 | 53.6% |
| Licenses & Permits | | | | | | |
| Building Permits | D | 14,570,672 | 15,845,722 | 14,275,728 | 14,287,728 | 0.7% |
| Other Licenses & Permits | | 5,209,070 | 5,296,276 | 4,289,001 | 4,360,773 | 0.2% |
| Total Licenses & Permits | | 19,779,742 | 21,141,998 | 18,564,729 | 18,648,501 | 0.9% |
| Intergovernmental Revenue | | | | | | |
| <u>State Shared Revenues</u> | | | | | | |
| Local Government Half-Cent Sales Tax | D | 94,754,257 | 100,337,686 | 94,086,752 | 101,218,527 | 4.6% |
| State Revenue Sharing | D | 29,047,590 | 29,189,296 | 28,704,795 | 30,662,462 | 1.4% |
| Constitutional Fuel Tax | D | 11,292,248 | 11,723,544 | 11,910,430 | 12,216,528 | 0.6% |
| Documentary Stamp Tax | D | 7,467,585 | 7,426,314 | 7,522,000 | 7,522,000 | 0.4% |
| Shared State Restricted Revenue | | 5,435,940 | 5,833,827 | 5,653,214 | 6,086,456 | 0.3% |
| County Fuel Tax | D | 5,039,038 | 5,176,865 | 5,125,184 | 5,256,901 | 0.3% |
| Shared State General Revenues | | 4,317,414 | 3,821,103 | 4,117,884 | 4,139,151 | 0.2% |
| Other Intergovernmental Revenues | | 2,305 | 0 | 2,500 | 2,500 | 0.0% |
| Subtotal | | 157,356,377 | 163,508,635 | 157,122,759 | 167,104,525 | 7.6% |
| <u>Intergovernmental Grants</u> | | | | | | |
| Head Start/Early Head Start Grant | D | 21,242,756 | 21,726,906 | 22,063,891 | 22,063,891 | 1.1% |
| Section 8 Housing Grant | D | 11,744,720 | 12,250,332 | 12,121,088 | 12,121,088 | 0.6% |
| Ryan White Emergency Relief Grant | D | 5,169,854 | 10,672,327 | 10,710,531 | 10,710,531 | 0.5% |
| Federal Human Services Grants | | 12,508,924 | 7,311,867 | 8,415,397 | 7,951,935 | 0.4% |
| Community Development Block Grant | | 4,104,548 | 6,085,956 | 6,115,565 | 6,115,565 | 0.3% |
| State Health & Human Svcs Grants | | 5,465,464 | 5,667,604 | 5,776,114 | 5,486,349 | 0.3% |
| Federal Health Grants | | 4,438,787 | 3,717,407 | 3,909,209 | 3,928,121 | 0.2% |
| Fed Economic Environment Grants | | 13,959,840 | 3,701,153 | 3,502,506 | 3,483,711 | 0.2% |
| State Physical Environment Grants | | 2,972,927 | 3,337,032 | 3,326,809 | 3,444,420 | 0.2% |
| Other State Grants | | 5,523,255 | 3,010,811 | 5,793,163 | 3,484,986 | 0.3% |
| Other Federal Grants | | 11,494,113 | 2,556,016 | 3,568,712 | 3,779,797 | 0.2% |
| Local Grants | | 2,335,117 | 371,630 | 595,416 | 499,221 | 0.0% |
| Subtotal | | 100,960,305 | 80,409,041 | 85,898,401 | 83,069,615 | 4.2% |
| Total Intergovernmental Revenue | | 258,316,682 | 243,917,676 | 243,021,160 | 250,174,140 | 11.8% |
| Charges for Services | | | | | | |
| <u>Water/Wastewater Utility Fees</u> | | | | | | |
| Water/Wastewater Usage Fees | D | 114,165,462 | 110,964,596 | 118,879,152 | 123,919,779 | 5.8% |
| Water/Wastewater Base Fees | D | 48,218,048 | 49,223,696 | 51,445,633 | 52,786,174 | 2.5% |
| Accrued Guaranteed Revenue Fees | | 16,055,898 | 10,926,285 | 9,027,140 | 9,639,360 | 0.4% |
| Customer Monthly Billing Charge | D | 6,873,335 | 7,111,548 | 7,207,582 | 7,422,130 | 0.4% |
| Other Water/Wastewater Utility Fees | | 2,504,272 | 2,800,168 | 2,791,444 | 2,838,248 | 0.1% |
| Subtotal | | 187,817,015 | 181,026,293 | 189,350,951 | 196,605,691 | 9.2% |

COUNTY REVENUES BY SOURCE

| | FY 06 Actuals | FY 07 Adopted | FY 08 Adopted | FY 09 Planned | % Total FY 08 |
|---|------------------------|------------------------|------------------------|------------------------|------------------|
| <u><i>Solid Waste Fees</i></u> | | | | | |
| Solid Waste Residential Assessments D | 38,518,072 | 40,953,855 | 48,151,962 | 53,362,201 | 2.3% |
| Solid Waste Tipping Fees | 26,653,255 | 29,184,651 | 32,745,314 | 33,311,735 | 1.6% |
| Solid Waste Recycling Revenue | 16,525,877 | 15,097,600 | 15,692,600 | 18,843,411 | 0.8% |
| Subtotal | 81,697,204 | 85,236,106 | 96,589,876 | 105,517,347 | 4.7% |
| <u><i>Other User Fees</i></u> | | | | | |
| Ambulance Fees D | 9,550,531 | 11,336,347 | 11,357,092 | 11,459,298 | 0.6% |
| Court Costs & Surcharges D | 12,191,838 | 10,600,350 | 11,347,786 | 11,581,963 | 0.6% |
| Planning & Growth Management Fees | 7,880,876 | 7,077,956 | 7,001,367 | 7,101,947 | 0.3% |
| Sheriff's Office Fees D | 6,427,746 | 6,556,000 | 6,232,550 | 6,232,050 | 0.3% |
| Public Safety Fees | 6,359,312 | 6,333,096 | 5,742,156 | 5,727,076 | 0.3% |
| Environment & Physical Resource Fees | 4,194,848 | 4,081,486 | 4,043,024 | 3,980,466 | 0.2% |
| Transportation Fees | 4,892,049 | 3,945,954 | 4,477,806 | 4,484,486 | 0.2% |
| Human Services & Recreation Fees | 3,723,709 | 3,833,870 | 3,486,864 | 3,573,955 | 0.2% |
| Economic Environment Fees | 6,056,762 | 2,940,119 | 1,137,177 | 1,137,177 | 0.1% |
| Other User Fees | 2,350,260 | 2,234,530 | 2,668,873 | 2,363,737 | 0.1% |
| Subtotal | 63,627,931 | 58,939,708 | 57,494,695 | 57,642,155 | 2.8% |
| <u><i>Internal Charges</i></u> | | | | | |
| Internal Service Charges - Insurance | 75,374,443 | 81,527,633 | 90,876,900 | 101,140,141 | 4.4% |
| Indirect Administrative Costs | 34,651,388 | 34,813,156 | 37,749,100 | 38,075,821 | 1.8% |
| Internal Service Charges - Fleet | 25,117,211 | 26,746,775 | 30,486,642 | 31,648,965 | 1.5% |
| Employee Health Insurance Premiums | 21,043,977 | 20,800,752 | 22,557,128 | 25,399,327 | 1.1% |
| Insurance & Technology Reimbursements | 4,176,019 | 4,691,260 | 6,501,200 | 9,411,055 | 0.3% |
| Subtotal | 160,363,038 | 168,579,576 | 188,170,970 | 205,675,309 | 9.1% |
| Charges for Services Total | 493,505,188 | 493,781,683 | 531,606,492 | 565,440,502 | 25.8% |
| | | | | | |
| Fines & Forfeits | 7,380,396 | 4,795,755 | 5,937,639 | 6,020,434 | 0.3% |
| | | | | | |
| Miscellaneous Revenue | | | | | |
| <u><i>Special Assessments & Impact Fees</i></u> | | | | | |
| Water/Wastewater Special Assessments | 13,719,152 | 17,029,457 | 19,088,707 | 20,028,187 | 0.9% |
| Stormwater Special Assessments D | 5,218,351 | 5,264,000 | 5,389,000 | 5,475,000 | 0.3% |
| Streetlighting Special Assessments | 7,251,723 | 7,768,596 | 7,954,024 | 7,954,024 | 0.4% |
| Transportation Impact Fees D | 13,685,045 | 4,160,000 | 9,226,305 | 9,226,305 | 0.5% |
| Water/Wastewater Impact Fees | 10,833,225 | 6,411,939 | 9,695,915 | 6,407,435 | 0.5% |
| Other Impact Fees D | 6,119,660 | 11,822,900 | 5,105,999 | 5,105,999 | 0.3% |
| Subtotal | 56,827,156 | 52,456,892 | 56,459,950 | 54,196,950 | 2.7% |
| Interest D | 67,062,978 | 44,163,563 | 77,870,966 | 65,675,080 | 3.8% |
| Other Miscellaneous Revenues | 46,639,311 | 16,017,397 | 23,236,176 | 21,557,157 | 1.1% |
| Miscellaneous Revenue Total | 170,529,445 | 112,637,852 | 157,567,092 | 141,429,187 | 7.6% |
| | | | | | |
| Total Revenue - All Types | \$1,914,780,506 | \$1,994,683,301 | \$2,061,655,200 | \$2,152,935,107 | 100.0% |

Note:

Those revenues with a "D" following the title are discussed in more detail in the narrative following this table.

ECONOMIC INDICATORS

The Hillsborough County budget is affected by various economic variables that are significant drivers of demand for County services and of major revenues. The following is a brief discussion of past and projected trends for key economic indicators including jobs, employment levels, population, income, construction, and sales.

Weak housing markets and a decline in business inventories in late 2006 and early 2007 resulted in a marked slowdown in US economic growth in the first quarter. While overall growth in US Gross Domestic Product (GDP) was 2.9% for 2006 much of that growth occurred in the first half of the year. Growth slowed from 4.8% in the first quarter 2006 to a weak 0.6% in the first quarter 2007. In mid-2007 strong consumer spending, exports, federal spending, business construction and investment, and a reversal of the inventory decline more than offset weak housing construction. Growth rebounded the second quarter to 3.8% and to 3.9% for the third quarter. On an annual basis weak residential investment reduced third quarter GDP growth by 1.05 points yet was an improvement over the 1.33 points drag on third quarter 2006 growth. Despite housing weakness other areas of the strength remain. Net exports are benefiting from a weak dollar. Business profits remain near record level, supporting business investment and job growth.

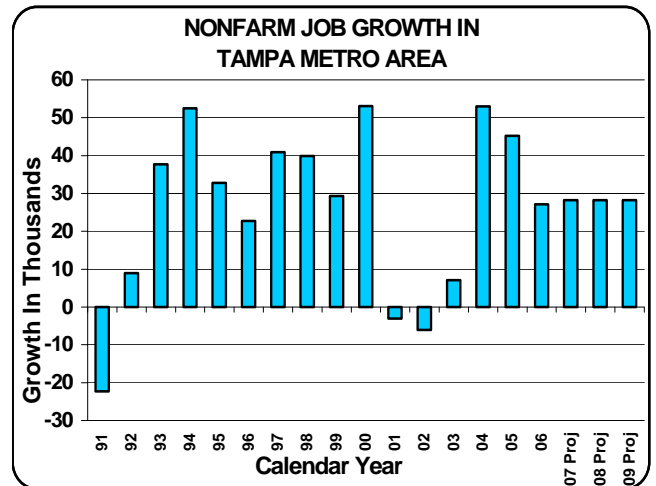
Home sales remain weak in 2007 and worsened in late summer as highly stressed mortgage markets restricted credit availability. Compared to a year ago, the National Association of Realtors (NAR) reports that national existing home sales are down 19.1% in September 2007. New home sales are down 23.3% according to the Census Bureau. New homes supply on market is 8.3 months. Existing supply has risen to 10.5 months, the highest level since NAR began tracking in 1999. These supply backlogs continue to suppress home prices and construction. Existing median home prices are down 4.2% from a year ago. New home median prices rose 5.0%, but the average price declined 2.8%. Housing starts are down 30.8% over the year, although nonresidential construction spending remains strong. Home building permits are down 25.9%. Declines in starts, permits and prices will speed the clearing of the supply backlogs. NAR already reports rising housing affordability amid the price decline, good income growth, and a modest decline in mortgage rates. Even with modestly improved affordability housing markets are still in poor shape. Analysts expect further sales and price declines before an upturn materializes in late 2008.

US job growth has slowed from a monthly average of 147,000 during the first five months of 2007 to 94,000 during June to September. While 2007 has seen large job losses in housing related industries and manufacturing other sectors have more than offset those losses. The nation gained 1.6 million jobs over the year. Strong profits and business investment are supporting sufficient job growth to prevent a substantial loosening in national job markets. The national unemployment rate, while inching upwards, remains low at 4.7% for September. September 2006's rate was 4.6%. Relatively tight labor markets have supported healthy wage growth. Wages rose 3.3% in the year through September 2007, exceeding the 12-month 2.8% increase of the Consumer Price Index for September 2007.

Gains in jobs and wages have been an important support to consumer spending and have, to this point, more than offset the negative effects of the housing market, roiled financial markets and growing debt burdens. Rapid home appreciation and low interest rates encouraged homeowners to withdraw equity from their homes and use the funds to increase current consumption. Unsold homes and falling prices are feared to turn the positive wealth effect to a negative effect. While these events will moderate spending, they have, thus far, not been as big a drag on national consumer spending as feared. Census data report a 5.0% gain in retail spending in September 2007 over September 2006.

In addition to weak housing markets other factors will combine to slow the growth of consumer spending going forward. High and volatile energy prices are taking an increasing share of consumer income. Inflation peaked at 4.7% in September 2005 and has been on volatile course since. Fluctuating oil and gasoline prices brought inflation down to 1.3% in October 2006 but rose again in 2007 pushing inflation to 2.8% in September 2007.

The difficulties of the sub-prime mortgage market have exacerbated the housing market's troubles, resulting in heightened recession fears. Forecasters are predicting a fall and winter slowdown with economic growth below 2.0% for the fourth quarter and at 2.0% for the year as a whole. Further housing declines, slower job growth and weaker consumer spending are likely to continue through mid-2008. Most forecasters look for housing to turn upward in later 2008 and expect the economy to avoid recession. Growth forecasts for 2008 are in the mid 2% range. The main forecast risk is an even more protracted housing market correction or another large oil price increase that results in a significant retrenchment in consumer spending.

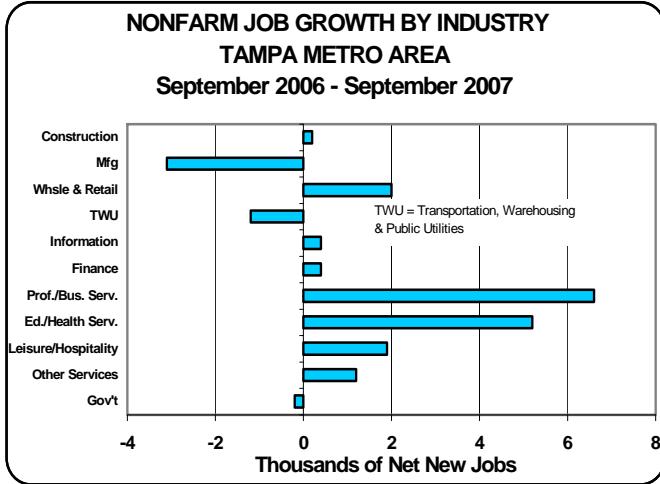


Source: Florida Agency for Workforce Innovation and Woods & Poole Economics, Inc

The Tampa metro area (Hillsborough, Pinellas, Pasco, and Hernando counties) gained 13,400 jobs in the 12 months to September 2007. Metro Tampa's 1.0% job growth trailed the

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national and Florida rates of 1.2% and 1.3% respectively. Education, health and professional and business services accounted for most of net new jobs in Metro Tampa. Construction employment is up 200 over the year, while manufacturing has shed 3,100 jobs.



Source: Florida Agency for Workforce Innovation

Unemployment rates remain low despite modestly rising in 2007. The September Metro Tampa unemployment rate is 4.3%. Hillsborough's rate is 4.1%. The seasonally unadjusted US unemployment rate is 4.5% and Florida's rate is 4.3%.

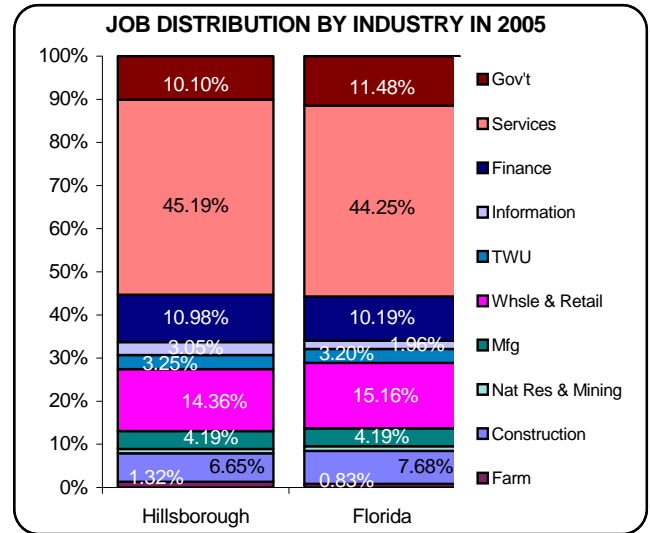
Job growth in Metro Tampa, and, indeed, Florida and the nation, has been heavily concentrated in services industries. In 2005 services industry jobs accounted for over a third of all existing jobs and self employment in both Hillsborough County and Florida. Wholesale and retail trade accounted for another 14%-15% of all jobs in the County and the State. Many of Hillsborough County's largest non government employers are retail, services and health companies.

LARGEST HILLSBOROUGH EMPLOYERS, 2006

| | |
|----------------------------------|--------|
| Hillsborough County School Board | 24,969 |
| Hillsborough County Government | 11,290 |
| University of South Florida | 8,743 |
| Verizon | 7,652 |
| Tampa International Airport | 6,500 |
| MacDill Air Force Base | 5,812 |
| Tampa General Hospital | 4,920 |
| Publix Food Centers | 4,702 |
| City of Tampa | 4,700 |
| St Joseph's Hospital | 4,407 |

Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2006

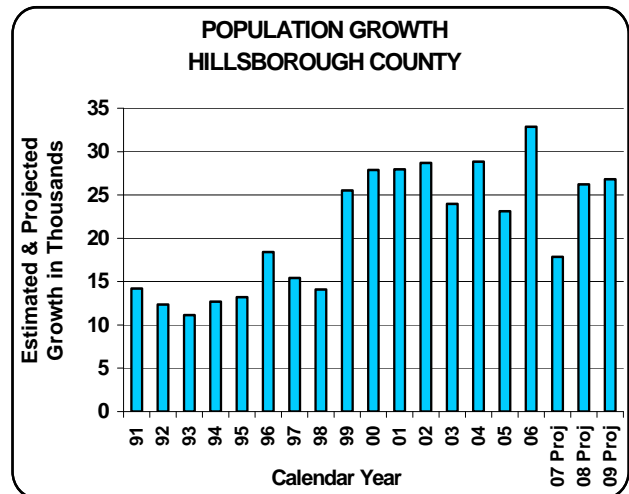
While job growth is perhaps the single most important and visible economic indicator for a local area, other indicators play important roles as well. The University of Florida's Bureau of Economic and Business Research forecasts Hillsborough County population growth through 2010 will average more than 26,000 persons annually. Hillsborough population growth averaged about 23,400 persons annually during 1995-2005.



Note: TWU = Transportation, Warehousing & Utilities

Source: BEA, Regional Economic Information System (REIS)

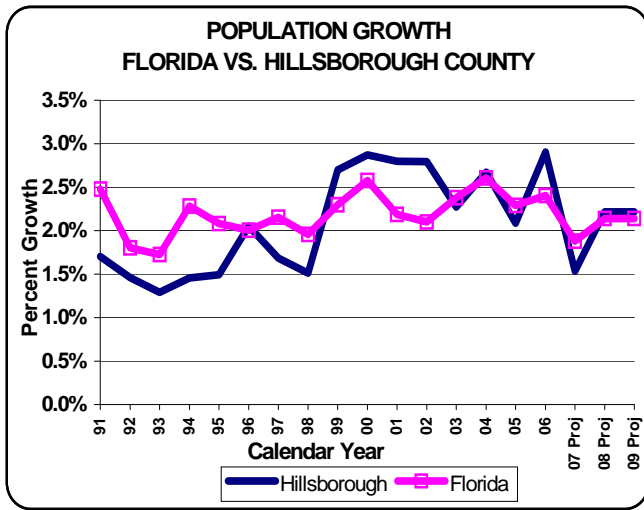
The rate of Hillsborough's population growth accelerated in the period since 1999 compared to 1991—1998. Hillsborough's growth rate has often exceeded the state's since 1999. The Bureau of Economic and Business Research, University of Florida, forecasts population growth of 2.2% for Hillsborough and 2.1% for the state for 2007 and 2008.



Source: Bureau of Economic and Business Research (BEBR)

Population growth is, in turn, a primary factor driving housing markets and retail sales as well as job growth. Building permit activity is a leading indicator of housing starts. Hillsborough single family housing starts rose strongly in recent years in response to forty year low mortgage rates. Single family detached housing permits increased strongly each year during 2001 through 2005. As interest rates rose in 2005, single-family detached permits fell 35% in the last quarter of 2005 compared to 2004. Detached permits continued to trail year ago figures by 46.1% in the first half of 2007. Single-family attached permits declined 66.9% in the first half of 2007.

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Source: Bureau of Economic and Business Research (BEBR)

The recent decline in single-family detached and attached permits reflects nationally slowing housing markets. National home sales have fallen substantially while median prices have weakened more modestly. The Greater Tampa Association of Realtors reported a 34.8% drop in year-to-date existing Hillsborough home sales (MLS listed) and a 7.6% drop in average home prices in September 2007 compared to September 2006. The Hillsborough County Property Appraiser reports a 3.0% gain in average single family sales price and a 2.0% drop in median sales price through September. The National Association of Realtors further reported the Tampa Bay area experienced a 3.8% decline in the median sales price of existing single-family homes for the second quarter of 2007. Housing markets have suffered more in Florida compared to the national average as more speculative activity and greater price appreciation occurred during 2004-2006.

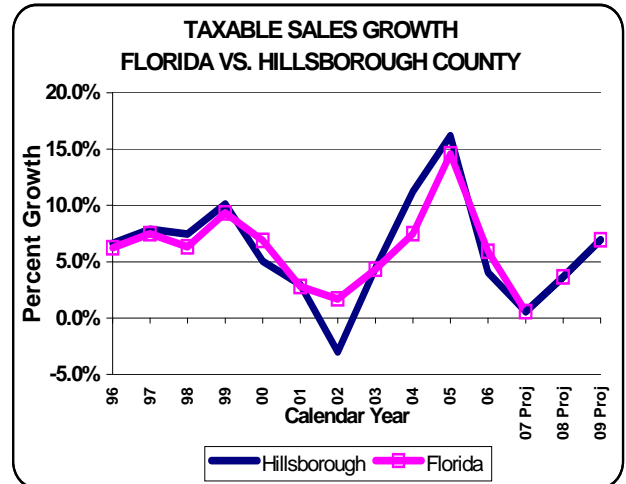
LARGEST HILLSBOROUGH PROPERTY TAXPAYERS, 2006

| | \$ Millions |
|--|-------------|
| Tampa Electric Company | 40.9 |
| Verizon | 22.0 |
| Hillsborough County Aviation Authority | 11.2 |
| Mosaic Phosphates Company | 6.9 |
| Camden Property Trust | 5.1 |
| Wal-Mart | 4.7 |
| Post Apartment Homes LP | 4.6 |
| Glimcher Limited Partnership | 4.3 |
| Busch Entertainment Corporation | 2.9 |
| Teachers Insurance and Annuity Association | 2.8 |

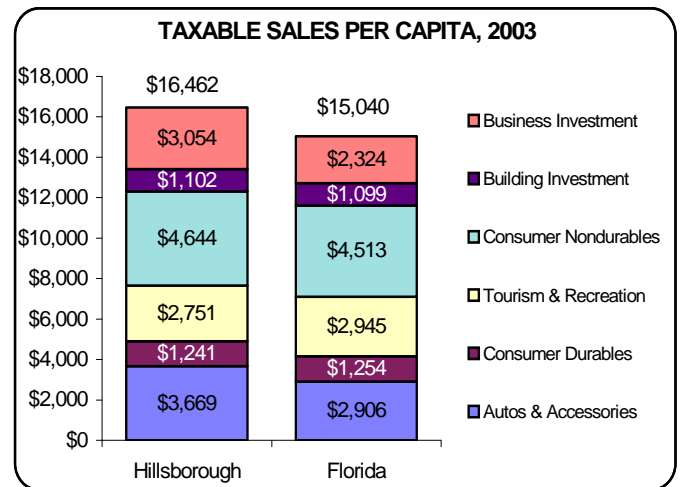
Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2006

Property taxes on residential and commercial real estate provide Hillsborough County Government with its largest source of revenue. Recent growth in taxable real estate values has reflected strong housing markets as well as reassessment activity by the Property Appraiser's Office. Countywide taxable value growth averaged 12.4% annually during 1997-2007. Countywide taxable value grew about 12.8% for FY 08 after 22.8% growth for FY 07. Slowing housing markets resulted in slower taxable value growth and will likely result in further slowing for FY 09.

Taxable sales rise and fall as the economy, particularly employment, rises and falls. Sales are also related to population, tourism, and income growth. Hillsborough County taxable sales rose 16.2% in 2005. Florida sales rose 14.6%. Poor housing markets and high fuel prices slowed 2006 growth to 4.1% and 5.9% respectively. Most national forecasters expect slow spending growth to continue through 2008. Hillsborough County Management and Budget Department models forecast 0.6% growth in FY 07 and 3.7% in FY 08 and recovery to 7.0% in FY 09.



Sources: Florida Department of Revenue and General Revenue Consensus Estimating Conference Projections

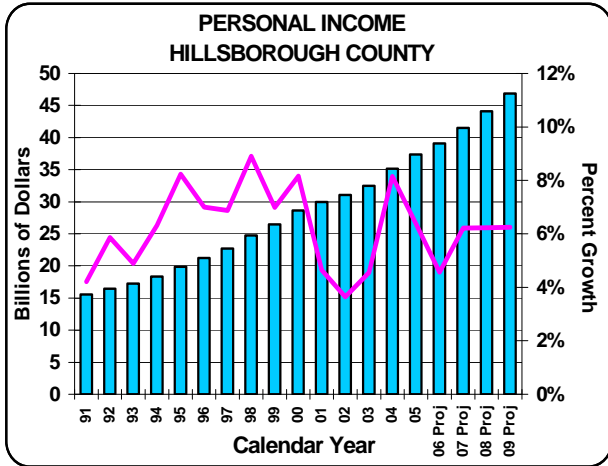


Source: Bureau of Economic and Business Research (BEBR)

Hillsborough County's taxable sales are highly dependent on consumer nondurable purchases. These are things of everyday life: clothing, some grocery items, personal services, etc. When comparing the sources of Hillsborough County's taxable sales to Florida's some notable differences arise. Hillsborough in 2003 was more dependent on automobile related sales and business investment (items and services related to construction activity). Hillsborough County sales are less exposed to changes in tourism

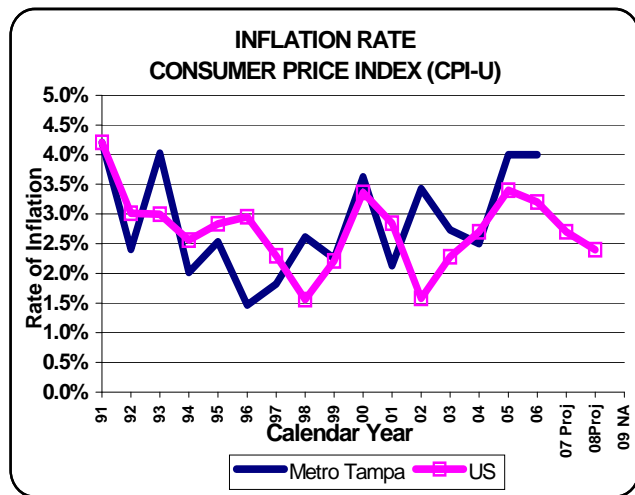
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and recreation with 16.7% of sales arising from that industry compared to nearly 20% for the state.



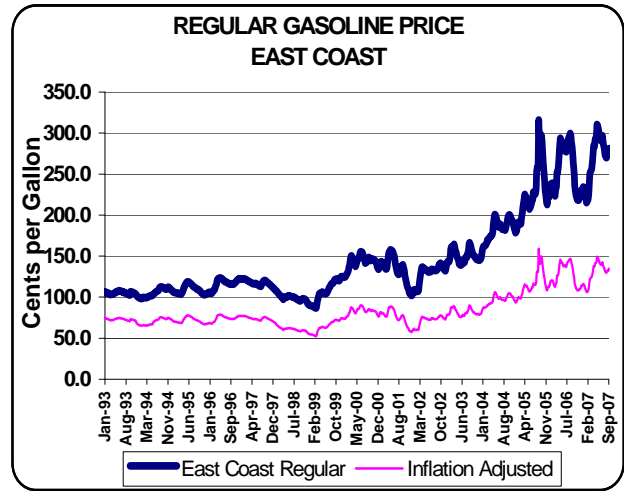
Sources: BEA, Regional Economic Information System (REIS), and Woods & Poole Economics, Inc

With the absence of direct and comprehensive measures of a local area's economic output, total personal income is a good surrogate measure. Hillsborough County's 2005 total personal income stood at \$37.8 billion, a 6.4% increase over 2004. Income growth exceeded the Tampa Bay region's 2005 inflation rate of 4.0% and the national rate of 3.4%. Woods & Poole Economics estimates growth of 4.6% for 2006. Growth of 6.2% is projected for 2007 and for 2008.



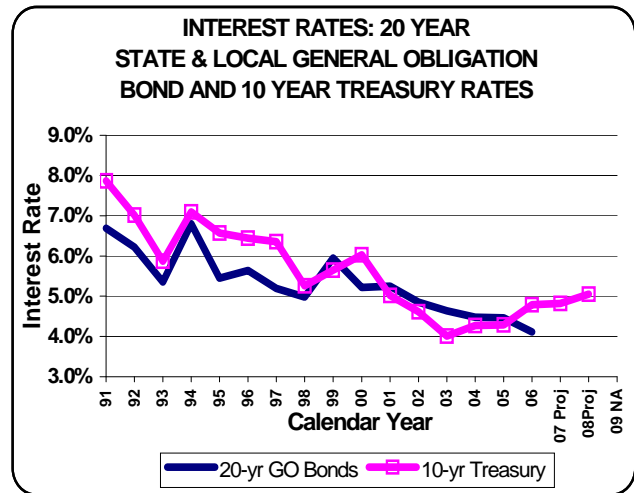
Sources: U.S. Department of Labor, Bureau of Labor Statistics and National Association for Business Economics (NABE)

Inflation is forecasted to moderate at 2.7% for 2007 and 2.4% 2008. Slower economic growth is creating less pricing pressure. Oil and gasoline prices are expected to retreat in 2008.



Sources: US Energy Information Administration and U.S. Department of Labor, Bureau of Labor Statistics

The Fed reduced its key interest rate by 50 basis points in September and a further 25bp in October. The Fed is clearly concerned about the turmoil in housing and financial markets. Many analysts predict this action will lend important support to businesses, investors and consumers, reducing the likelihood of a recession.



Sources: Federal Reserve Board and National Association for Business Economics (NABE)

Risks always abound in economic forecasting. A deeper and extended housing correction is the greatest risk. Volatile energy prices are also a concern. These could overwhelm Fed efforts and tip the economy into recession. At this time the consensus continues to call for modest growth in 2008.