

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, population, income, construction, and sales.

The financial troubles that began in the sub-prime mortgage market and caused steep declines in housing prices and sales during 2007 and 2008 have intensified into a general financial crisis. Loss of confidence among investors, banks and consumers has resulted in a freezing of credit markets. These credit markets are vital to the daily operations of banks and businesses. The current lack of confidence and the aversion to lending is taking a toll on the economy. Job losses have accelerated. Consumer spending has suffered. Most analysts expect the US economy will, if it has not already, enter recession. High oil and gasoline prices have dropped amid the financial crisis and falling demand, and offer some better news for consumers.

Housing markets remain weak in late 2008. The National Association of Realtors (NAR) reports US existing home sales fell 12.8% in 2007 and are down 11.0% in August 2008 compared to the previous August. New home sales fell 26.2% in 2007 according to the Census Bureau and are down 34.5% in August 2008. Further deterioration in sales this summer has pushed the August 2008 supply of new homes on market to 10.9 months. The slow pace of new construction has, however, resulted in stabilization of months of inventory at around 10 months since spring. Existing supply is 10.4 months, down from May's 11 months. Unlike new homes, this fall in months of existing inventory is due to a stabilization of sales around 5 million units annually since September 2007.

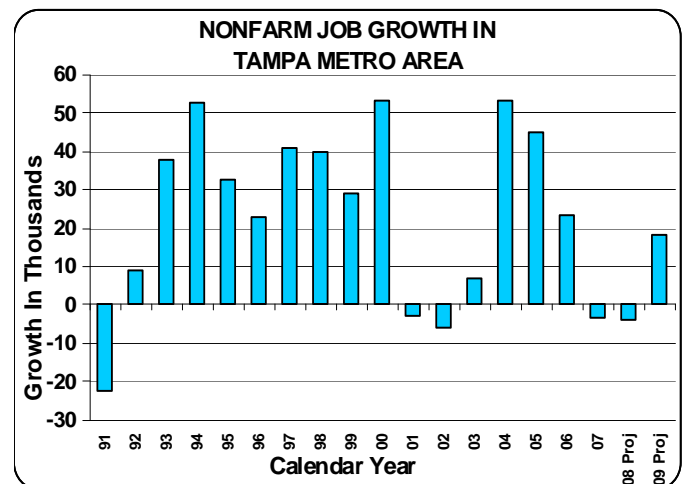
These supply backlogs and the pressure from foreclosures continue to suppress home prices and construction. Existing median home prices are down 9.5% from a year ago. New home median prices fell 6.2%. Housing starts are down 33.1% over the year and are at the lowest point since 1990. Home building permits are down 36.2%. Declines in starts, permits and prices have begun to reduce supply backlogs. NAR reports that lower home prices and mortgage rates combined with rising incomes have improved housing affordability in 2008 compared to 2006 and 2007; however, reluctant lenders and softening job markets are currently blunting the positive impact of improved affordability. Analysts expect further existing sales declines before an upturn materializes in early 2009. New home sales are not expected to reach bottom until late 2009. Most analysts also expect price declines will continue through mid 2009.

Weakness in housing markets and turmoil in financial markets have spread to jobs and consumers. During the first nine months of 2008 the US has lost 760,000 jobs. Job losses are concentrated in construction, other housing related industries, retail, and manufacturing. Only mining, education, health, and government posted job gains in September. Total job losses across all industries in September numbered 159,000. The national unemployment rate has risen to 6.0% for September 2008, up from 4.5% the previous year. Weaker labor markets have led to slower wage growth. Wage

growth slowed from above 4.0% in early 2007 to 3.4% in the year through September 2008. Moreover, wage growth slipped below the inflation rate which has been 4.0% to 5.0% during 2008.

After showing surprising resiliency during 2007 consumer spending has suffered in 2008 as home sales and price declines, job losses, financial turmoil, and high fuel and food prices undermined consumer confidence. September retail sales fell on a year ago basis for the first time since 2002. Weakness in auto sales, furniture and apparel led the 1.0% drop. The boost from the spring economic stimulus checks has receded.

Intensified credit market problems during September and October have led forecasters to lower their outlooks for 2008 and 2009. While policymakers have aggressively responded to the financial troubles and the resulting economic weakness, many analysts believe the US economy has slipped into recession with Gross Domestic Product (GDP) forecasted to fall during the next 2 or 3 quarters. Modest growth is expected to return in the last half of 2009 as housing markets improve. Economy.com forecasts 1.6% annual growth for 2008 and 1.0% for 2009.



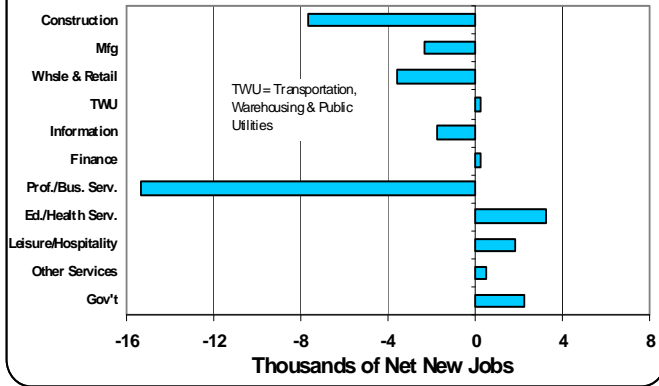
Source: Florida Agency for Workforce Innovation and Institute for Economic Competitiveness, University of Central Florida

National, state and Hillsborough County job markets deteriorated in 2008. In September 2008 the Tampa Metro Area (Hillsborough, Pinellas, Pasco, and Hernando counties) recorded a 12 month job loss of 22,700, a 1.8% drop. Florida lost 119,700 jobs, a 1.5% decline. Reflecting housing's problems, Tampa Bay construction lost 7,700 jobs, an 9.5% drop. (National construction employment fell 5.9% or 461,000 jobs and Florida's fell 12.9% or 75,200 jobs.) Education, health, hospitality, and government posted job gains during the same period.

September 2008 unemployment rates have risen as the economy weakened nationwide. Hillsborough's unemployment rate rose to 6.8% in September 2008 up from 4.4% in September 2007 and 3.4% in September 2006. Metro Tampa's rate stands at 7.0%; Florida, 6.8%; and, US, 6.0%.

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NONFARM JOB GROWTH BY INDUSTRY TAMPA METRO AREA September 2007 - September 2008



Source: Florida Agency for Workforce Innovation

LARGEST HILLSBOROUGH EMPLOYERS, 2007

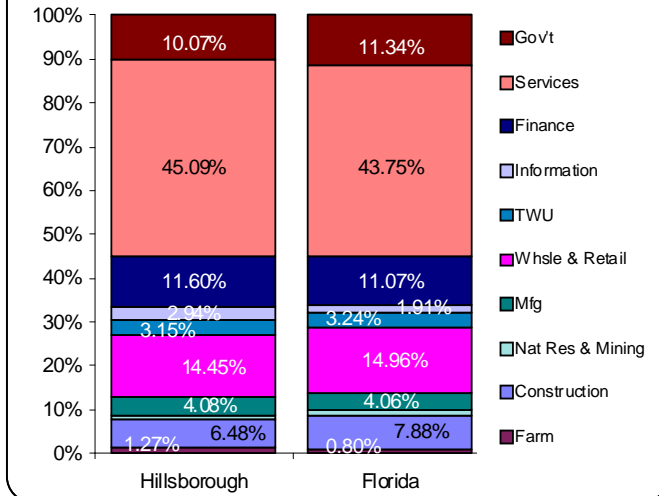
Hillsborough County School Board	25,220
Hillsborough County Government	11,169
Verizon	7,456
Tampa International Airport	7,300
University of South Florida	6,280
MacDill Air Force Base	5,432
Tampa General Hospital	5,000
Publix Food Centers	4,832
City of Tampa	4,700
St Joseph's Hospital	4,111

Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2007

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 (BEBR) forecasts Hillsborough population growth through 2010 will average about 14,000 annually. Growth will be restrained by current economic difficulties.

Job growth in Metro Tampa, and, indeed, Florida and the nation, has been heavily concentrated in services industries. In 2006 services industry jobs accounted for 43%-45% of existing jobs in both Hillsborough County and Florida. Wholesale and retail trade accounted for another 15% of all jobs. Most of Hillsborough's largest employers are in government, retail or health.

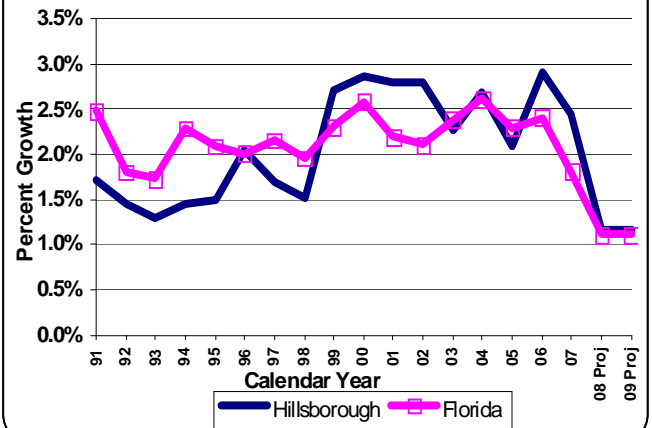
JOB DISTRIBUTION BY INDUSTRY IN 2006



Note: TWU = Transportation, Warehousing & Utilities

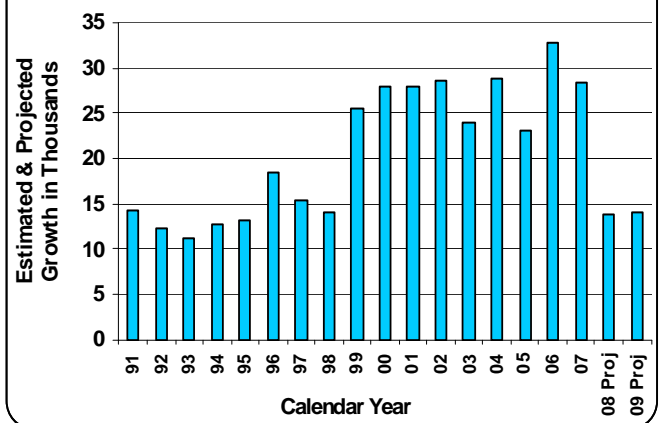
Source: BEA, Regional Economic Information System (REIS)

POPULATION GROWTH FLORIDA VS. HILLSBOROUGH COUNTY



Source: Bureau of Economic and Business Research (BEBR)

POPULATION GROWTH HILLSBOROUGH COUNTY



Source: Bureau of Economic and Business Research (BEBR)

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The rate of Hillsborough's population growth is forecasted by BEBR to fall to 1.16% annually and to 1.11% annually for the state.

Population growth is, in turn, a primary factor driving housing markets and retail sales as well as job growth. After years of record high housing construction, sales, and prices, Hillsborough County's residential real estate market is experiencing a cyclical downturn as are national markets. Greater speculative activity and price appreciation during 2004-2006 has resulted in a deeper housing downturn in Florida than the nation.

Greater Tampa Association of Realtors (GTAR) data show that existing home sales in Hillsborough fell nearly 34% in 2007 and were 54% below the peak year of 2005. Sales appear to be near bottom with August sales only 3.9% below August 2007. GTAR's average home price peaked in July 2006 and has fallen 30.4% through August 2008. Average days on market rose from about 36 in late 2005 to 125 in May before falling to 111 in August. Data from the National Association of Realtors for the second quarter of 2008 show that the median sales price of existing single family homes in the US fell 7.6% during the year. The Tampa Metro Area posted a 18.1% drop. The current drop in home prices should increase affordability for future home buyers.

Hillsborough City-County Planning Commission data for the second quarter of 2008 show a 40.1% decline in Hillsborough County single family housing permits issued. This is a leading indicator of fewer future home starts. Fewer home starts will help to clear the backlog of unsold homes.

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 11.6% annually during 1997-2007. Countywide taxable value grew about 11.7% for FY 08 after 21.7% growth for FY 07. Poor housing markets and tax reform measures resulted in a 4.7% decline in taxable values for FY 09.

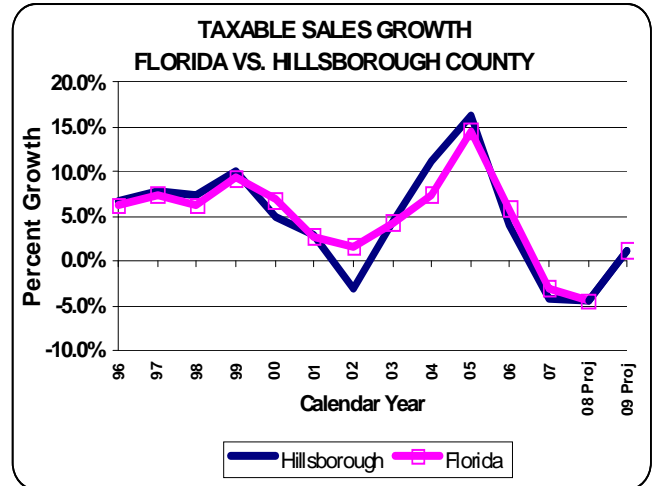
LARGEST HILLSBOROUGH PROPERTY TAXPAYERS, FY 07

	\$ Millions
Tampa Electric Company	40.5
Verizon	23.0
Hillsborough County Aviation Authority	12.0
Mosaic Phosphates Company	7.7
Camden Property Trust	6.1
Wal-Mart	4.8
Post Apartment Homes LP	4.7
Glimcher Limited Partnership	4.7
Tampa Port Authority	4.4
Teachers Insurance and Annuity Association	3.3

Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2007

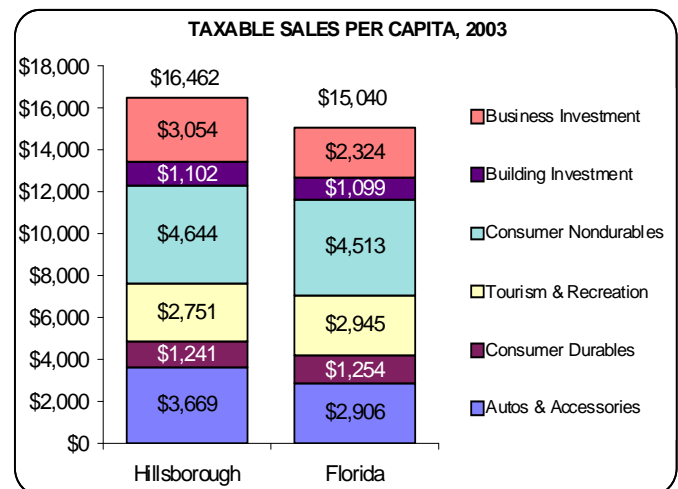
Taxable sales in Hillsborough and Florida have suffered due to fallout from housing's slump, high fuel costs, and the financial turmoil

on Wall Street. After declining 4.3% in 2007, 2008 year-to-date sales are down 9.2% in Hillsborough. Florida sales fell 3.0% in 2007 and are down 7.4% year-to-date. Spending will continue to struggle amid current conditions.



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

Hillsborough County's taxable sales are highly dependent on consumer nondurable purchases, including clothing, grocery items and personal services. When comparing the sources of Hillsborough'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 and recreation with 16.7% of sales arising from that industry compared to nearly 20% for the state.

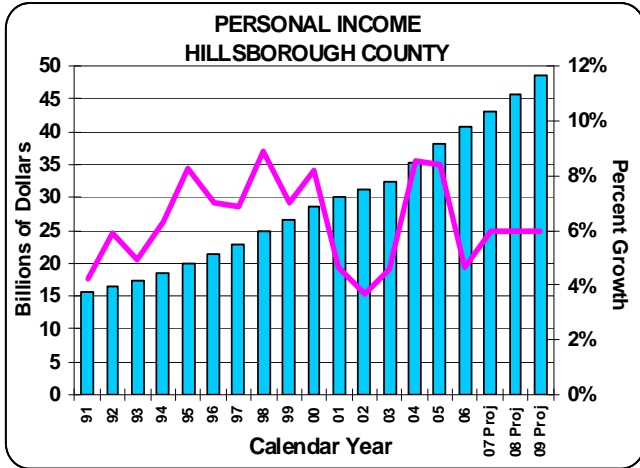


Source: Bureau of Economic and Business Research (BEBR)

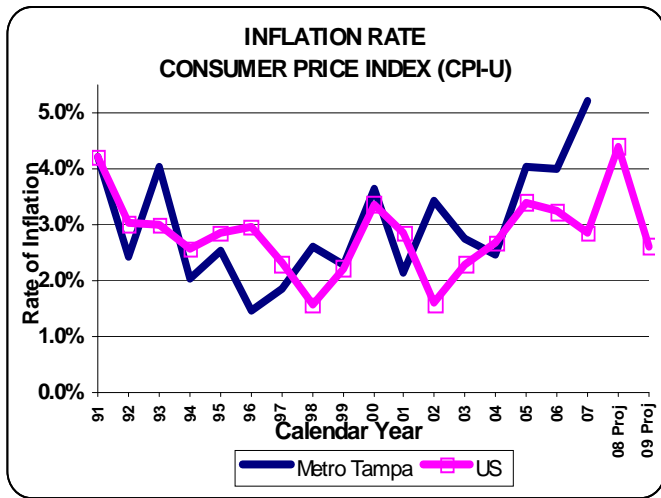
With the absence of direct and comprehensive measures of a local area's economic output, total personal income is a good surrogate measure. Hillsborough County's 2006 total personal income stood at \$40.8 billion, a 4.7% increase over 2005. Income growth exceeded the Tampa Bay region's 2005 inflation rate of 4.0% and the national rate of 3.4%. Woods & Poole Economics estimates

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growth of 5.9% for 2007 and 2008. Growth of 6.0% is projected for 2009. These forecasts will likely prove high.

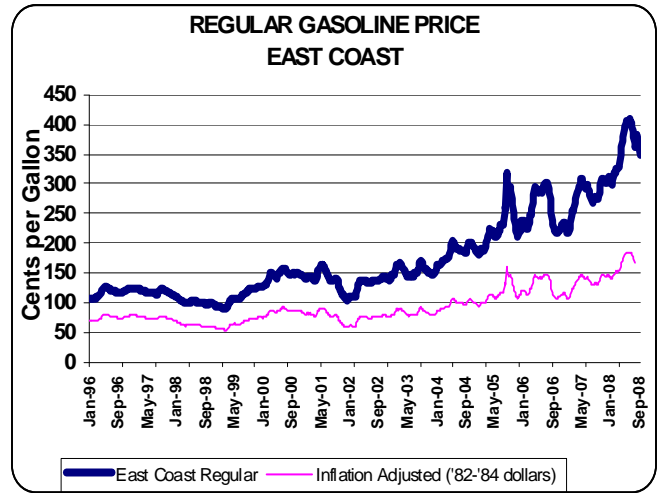


Sources: BEA, Regional Economic Information System (REIS), and Woods & Poole Economics, Inc



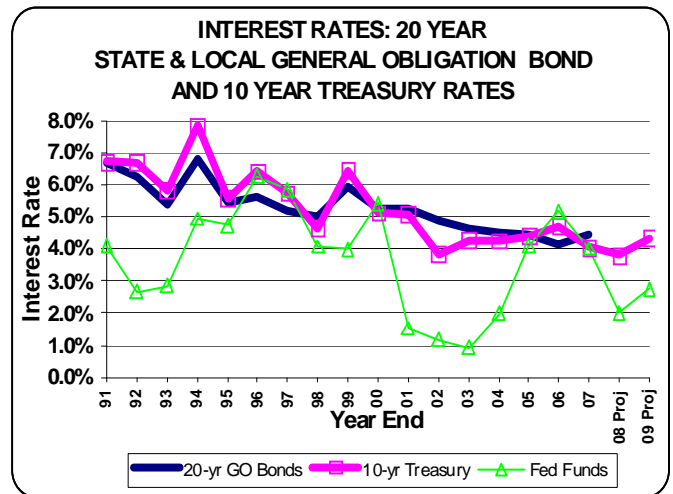
Sources: U.S. Department of Labor, Bureau of Labor Statistics and National Association for Business Economics (NABE)

Inflation rose above 5.0% this summer as fuel and food prices advanced rapidly. High world demand for commodities, food basics and energy along with tight supplies and a low dollar have cut into pocketbooks. Forecasters expect the slow economy will moderate inflation from 4.4% for 2008 to 2.6% for 2009. Oil and gasoline prices have fallen in September and October in response to falling demand.



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

Analysts expect the Federal Reserve will continue its aggressive moves to support the severely distressed financial system. Many analysts expect the Fed will reduce its Fed Funds target a further 25 to 50 basis points by year's end. Falling energy prices have reduced inflation fears and may have given the Fed more room for rate reductions.



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

Risks always abound in economic forecasting. A deeper and extended financial crisis is the greatest risk. Volatile energy and food prices are also a concern. These will determine the Fed's path. At this time the consensus calls for modest growth to resume in mid 2009.

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 ad valorem (property) taxes, 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 associated demands, increases or decreases in real disposable income (which measures residents' after-tax buying power adjusted for inflation), taxable property values, 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 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 08 and FY 09 revenues reflect the weak performance of the U.S. and Florida economies in the face of the depth of decline in housing and financial markets and the consequent impact on the financial system and consumer spending. The financial troubles that began in the sub-prime mortgage market and caused steep declines in housing prices and sales during 2007 and 2008 have intensified into a general financial crisis. Loss of confidence among investors, banks and consumers has resulted in a freezing of credit markets. These credit markets are vital to the daily operations of banks and businesses. The current lack of confidence and the aversion to lending is taking a toll on the economy. Job losses have accelerated. Consumer spending has suffered. Most analysts expect the US economy will, if it has not already, enter recession. High oil and gasoline prices have dropped amid the financial crisis and falling demand, and offer some better news for consumers.

Intensified credit market problems during September and October have led forecasters to lower their outlooks for 2008 and 2009. While policymakers have aggressively responded to the financial troubles and the resulting economic weakness, many analysts

believe the US economy has slipped into recession with Gross Domestic Product (GDP) forecasted to fall during the next 2 or 3 quarters. Modest growth is expected to return in the last half of 2009 as housing markets improve. Economy.com forecasts 1.6% annual growth for 2008 and 1.0% for 2009.

Property tax, sales tax, revenue sharing and fuel tax revenue estimates for year-end FY 08 and FY 09 were continuously updated during spring and summer 2008 and were based on trend analysis, state forecasts, and expert judgment. Combining state forecasts and other forecasts based on trend analysis and expert judgment rooted in past and present experience, a consensus was reached that sales tax and fuel tax revenues would not meet budgeted expectations for FY 08. The State of Florida has also experienced revenue shortfalls in its current fiscal year. Taxable sales statewide fell in 2007 and are behind year ago results in late 2008 resulting in lower expectations for sales tax revenues and state revenue sharing distributions. State forecasts in 2008 indicated successively weaker revenue expectations. These factors are included in our revenue estimates for FY 09.

Housing and consumer markets are expected to further decline in the last half of 2008 before improving in mid- to late 2009. Recovery will likely be gradual through 2009 as home prices are forecast to continue falling in early 2009. FY 09 is likely to see low growth in sales and fuel based revenues. Hillsborough County will carefully monitor the impact of economic conditions 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 single largest percentage of all revenue – about 38.0% in FY 09.

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. One example of a Countywide tax funded program is services to the elderly provided by our Aging Services Department. 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.

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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 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 levies 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.

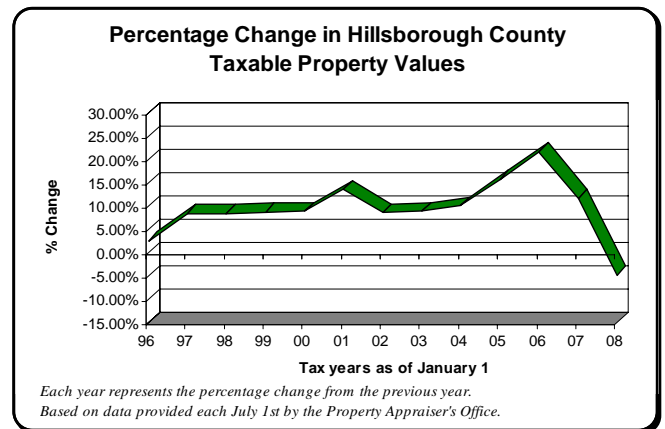
Property tax revenues depend upon the *assessed* value of real and personal property, less any exemptions. The Hillsborough County Property Appraiser, a separately elected constitutional officer, is responsible for assessing property values throughout the County. Growth in this tax base increases County ad valorem tax revenues without requiring any increase in the tax rate (also called the millage rate). Taxable values tend to fluctuate over time. Historically, due mainly to slower appreciation of existing property and to slow-down 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, ranging from 8% to 22% annually. After rising 22.8% in FY 07, growth slowed to 11.7% for FY 08. A constitutional amendment approved by voters in January 2008 introduced additional exemptions which, when coupled with a declining real estate market experienced since 2006, resulted in a decrease of 4.7% in FY 09 countywide taxable value from FY 08 levels.

Greater Tampa Association of Realtors (GTAR) data show that existing home sales in Hillsborough fell nearly 34% in 2007 and were 54% below the peak year of 2005. Sales appear to be near bottom with August sales only 3.9% below August 2007. GTAR's average home price peaked in July 2006 and has fallen 30.4% through August 2008. Average days on market rose from about 36 in late 2005 to 125 in May before falling to 111 in August. Data from the National Association of Realtors for the second quarter of 2008 show that the median sales price of existing single family homes in the US fell 7.6% during the year. The Tampa Metro Area

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Hillsborough City-County Planning Commission data for the second quarter of 2008 show a 40.1% decline in Hillsborough County single family housing permits issued. This is a leading indicator of fewer future home starts. Fewer home starts will help to clear the backlog of unsold homes.

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. Key forecasting tools for taxable property values are state forecasts, trend analysis, and expert knowledge. After reviewing these forecasts, Management and Budget made the determination to use the state forecast in the Pro Forma budget for FY 09 through FY 13. Each annual forecast is replaced with actual data from the Property Appraiser's Office as they became available. While poor housing markets played a role in declining taxable value, much of the 4.7% drop for FY 09 is due to a constitutional change that increased homestead exemptions and allows homestead portability. These changes are the second phase of tax reform enacted by the Florida Legislature in 2007.

The first phase of tax reform was enacted by the Florida Legislature in June 2007. 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 generates the same revenue (less tax increment financing district payments) from existing property this year as was levied last year. Existing property is statutorily defined as 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

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value of existing property increased over the last year then the rolled-back millage rate for this year will decline (a lower millage rate is required to generate the same tax revenue at higher taxable values). 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 roll-back legislation also required, for FY 08 only, a further reduction of 3% to 9% from the rolled-back rate.

Under the statutory formula, Hillsborough County took a 5% reduction from the rolled-back rate. For budget purposes, this meant a 5% revenue reduction, or \$40.1 million, from actual property taxes levied for FY 07 from existing property, and a total of \$109 million reduction when compared to what would have been status quo levies applying FY 07 adopted operating millage rates to the FY 08 taxable values. Some of this reduction was offset by \$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 was an \$8 million or 1.6% reduction compared to the adopted FY 07 levy. The Unincorporated General Fund net reduction was \$2.9 million or 1.2%. The Library Tax District net reduction was \$1 million or 1.8%. The three fund total reduction was \$11.9 million compared to adopted FY 07 operating levies.

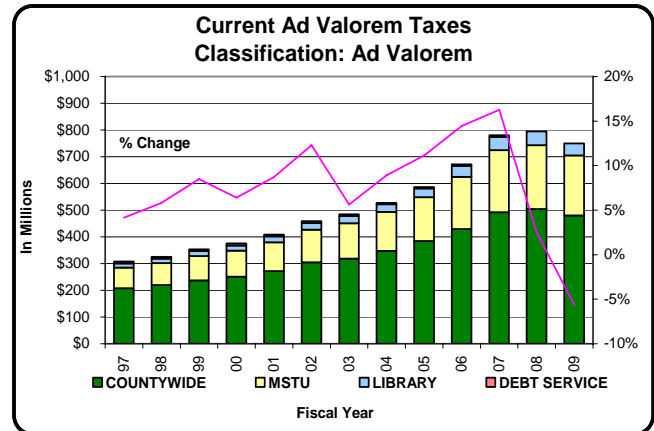
The roll-back statute requires rolling back millage rates for FY 09 and then allows an upward adjustment equal to the rate of growth in Florida Per Capita Personal Income. The growth factor is provided annually by the State; the FY 09 growth factor is 4.15%. For FY 09, however, rather than implementing the allowable increase in operating millages, the County opted to lower its operating millages from FY 08 levels.

An additional factor affecting FY 09 property tax revenue is the second phase of tax reform. The Florida Legislature, in an October 2007 special session, placed a constitutional amendment (Amendment One) on the January 2008 ballot that doubled the current \$25,000 homestead exemption for homes with an assessed value over \$50,000 (this additional \$25,000 exemption would not apply to millages levied by a school board), 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. Voters approved the amendment. The additional homestead exemption and portability reduced FY 09 countywide taxable values by \$6.4 billion.

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 from FY 97 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. Millage rates were reduced again for FY 08 due to the mandated millage rollback. In FY 09, despite a 4.7% lower tax base, the Hillsborough County Board of County Commissioners demonstrated their continued commitment to taxpayer relief by decreasing the total BOCC millage by 0.0517 mills from FY 08 levels, from 10.8147 mills to 10.7630 mills.



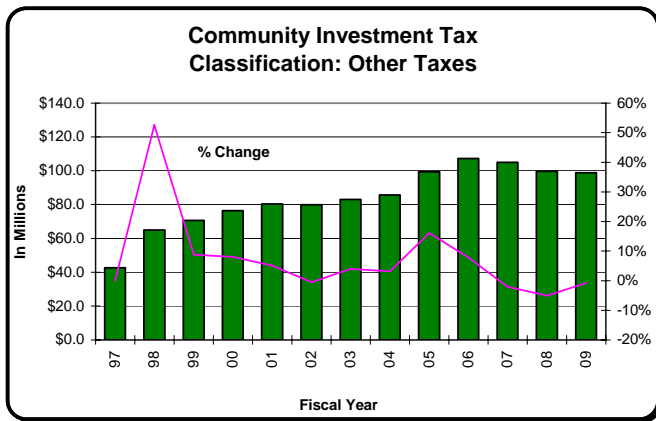
Other Taxes

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 14.2% 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 about \$4.6 billion in revenue based on an average annual long-term growth rate of 6%. Under interlocal agreements, 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. 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.

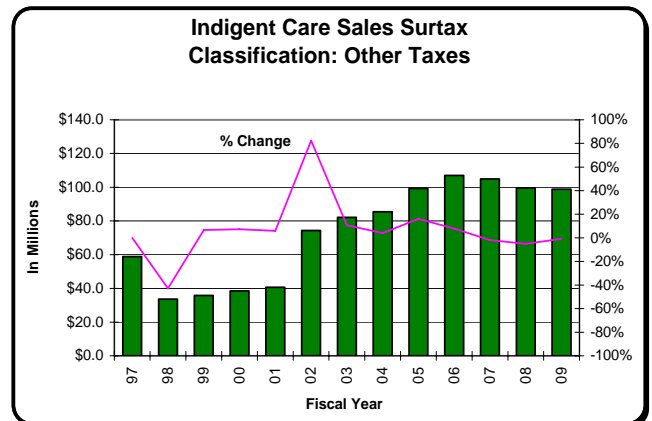
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Management and Budget staff prepares short and long term projections of sales surtax revenues based on trend analysis, state forecasts, and current economic conditions. Reflecting strong economic growth and consumer spending, CIT revenues rose 8.8% in FY 99 and 8.1% in FY 00. FY 01 CIT revenues grew about 5.0%. 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 FY 06. This downward trend continued in FY 07 when CIT revenues fell 2.1%. Combining trend forecasts, expert judgment of the Management and Budget Department staff and Florida Department of Revenue forecasts, Management and Budget staff forecast a FY 08 reduction of 5.0% from FY 07, followed by an additional 1% reduction for FY 09.

Indigent Care and Trauma Center Sales Surtax - The *Indigent Care and Trauma Center Sales Surtax* funds Hillsborough County's nationally 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.

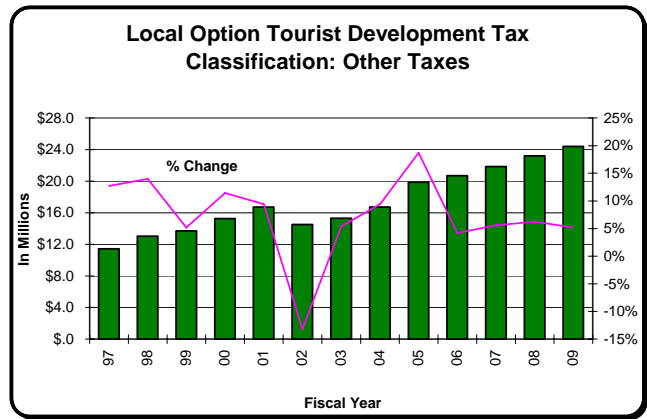
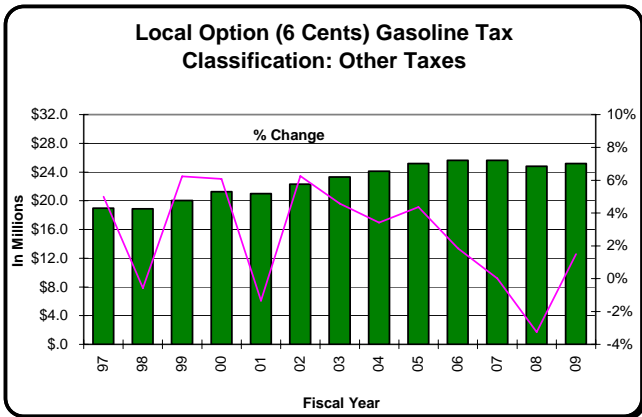
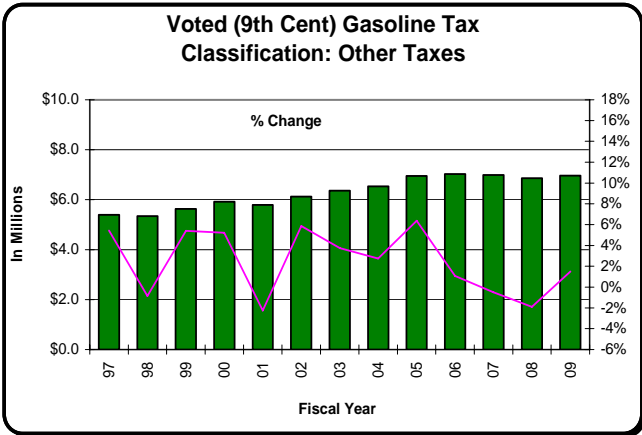


The 2003 Legislature extended the authority for this surtax on a continuing basis (removed the sunset provision) with a requirement that a biennial audit be delivered to the local governing body and to the chair of the legislative delegation. The chart for this tax reflects revenues since FY 97. FY 98 through FY 01 revenues reflects 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 parallel CIT forecasts.

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

Fuel taxes are an important source of funds for road network improvement, maintenance, and road resurfacing. Like most fuel taxes, and as shown in the respective charts, fuel tax revenues have grown slowly over the last several fiscal years due primarily to increased motor vehicle fuel efficiency and rising gas prices. FY 99 and FY 00 fuel tax revenue increases reflected strong fuel demand resulting from rapid economic growth. FY 01 local option fuel taxes fell due to higher fuel costs and a slowing economy, but returned to long term trends in FY 02 and FY 03. A strong economy kept fuel tax revenue growth high in FY 04 and FY 05. The trend in fuel price increases seen over the past few years is expected to continue, and even accelerate, in the near future. High fuel prices are expected to have a negative effect on long term demand and, therefore, fuel tax revenues as consumers adjust their driving habits and shift to more fuel efficient cars. Although the 6 year trend growth for fuel tax revenues from FY 02 – FY 07 is about 2.9% annually, Management and Budget staff forecast a 2% decline for FY 08, followed by a modest 1.5% gain for FY 09. Forecasted year-end fuel tax revenue for FY 09 is also consistent with state forecasts.

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Tourist tax revenue forecasts are based on Economic Development Department staff research and 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 subject to the tax encompass 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 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 assessed 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 (25%) of the tax go to fund fire station construction and capital fire equipment acquisition. During the FY 06 budget process, the BOCC increased this percentage to 37.5%. In FY 08; in conjunction with addressing previously discussed mandated ad valorem revenue reductions, the BOCC reduced the percentage of allocated to fire rescue uses from 37.5% to 12.5% for FY 08 and FY 09, returning to 37.5% in FY 10.

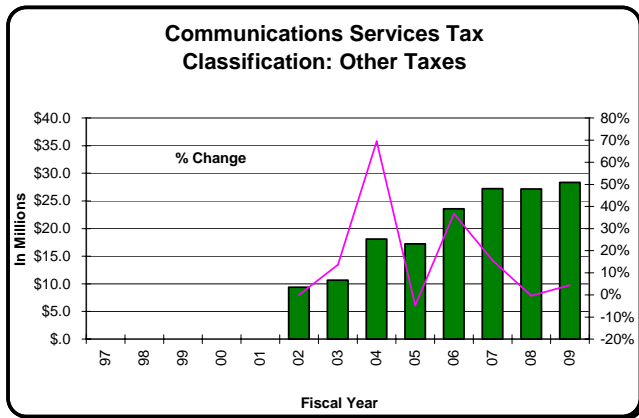
The Communications Services Tax revenue is likely to reflect the rapid comprehensive change occurring in the communications industry. New technologies, particularly internet and wireless, are changing the way we use telephones, computers and television. These changes will continue to complicate forecasting of this revenue. Strong FY 06 and FY 07 actual revenues have been followed with flat revenues in FY 08. Trend analysis and state forecasts point to nearly flat FY 08 revenue compared to FY 07. The FY 09 forecast parallels the state's growth forecast of 2.5% and also re-

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 St. Petersburg Times Forum, 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, 2001. 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, FY 06 revenues increased 4.2%, and FY 07 revenues increased 5.6% over FY 06. Tampa played host to both the NCAA Men's basketball quarterfinals and the NCAA Women's basketball semi-finals and final in 2008 and estimated FY 08 revenues are forecast to be 6.3% higher than FY 07. In FY 09, Tampa will host the Super Bowl, reflected in estimated revenue growth of 5.2% over FY 08.

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reflects the correction of a major telecommunication service provider's collection error that resulted in too little tax being charged its customers.



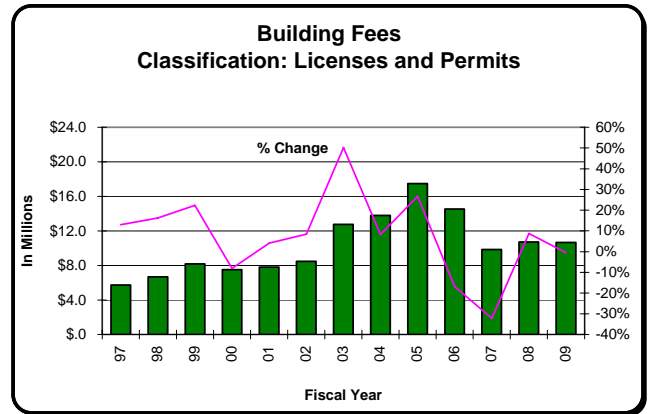
This tax is levied in the unincorporated area only. The three municipalities levy their own communications services tax.

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 parallels 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, followed by a 32.2% fall in FY 07. In 2007, in recognition of increased permit application processing costs, the Board of County Commissioners approved an increase in permitting fees. Despite this increase, revenues declined as the number of residential permits fell 42.2% in FY 07. Permit activity remained sluggish in FY 08 due to the continued backlog of unsold existing and new homes. Housing

sales are not expected to turn around until late 2009. These forecasts reflect national consensus expectations of housing markets and the expert judgment of Planning and Growth Management staff. As a result, FY 08 forecasted revenue growth is 8.8%, resulting primarily from a full year benefit of the increased fee structure implement in FY 07 previously discussed, while FY 09 revenues are forecast to remain relatively flat from FY 08 levels.



Intergovernmental Revenues

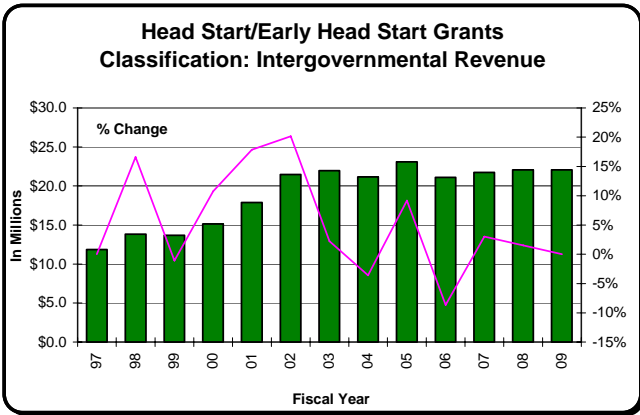
The County receives about 12% of its revenue from intergovernmental sources including federal and state grants.

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

The County's largest grants are for the Head Start/Early Head Start Program. This 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 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.

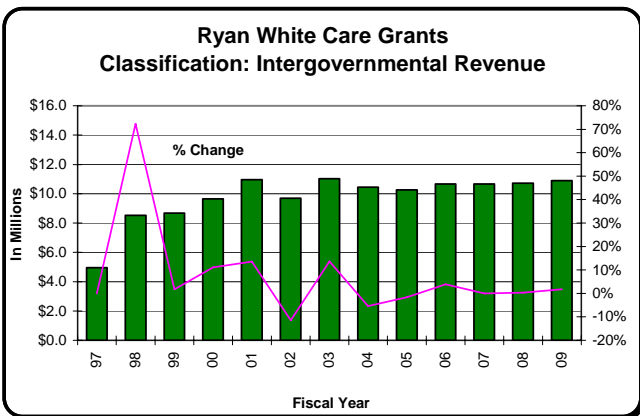
As the chart below indicates, revenue grew substantially from FY 97 through FY 02. This was due to cost-of-living adjustments (COLA) and expansion funding. However, starting in FY 03 the rate of increase began to slow and have generally been confined to the COLAs. Estimates are prepared by the Children's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

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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 funds 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.

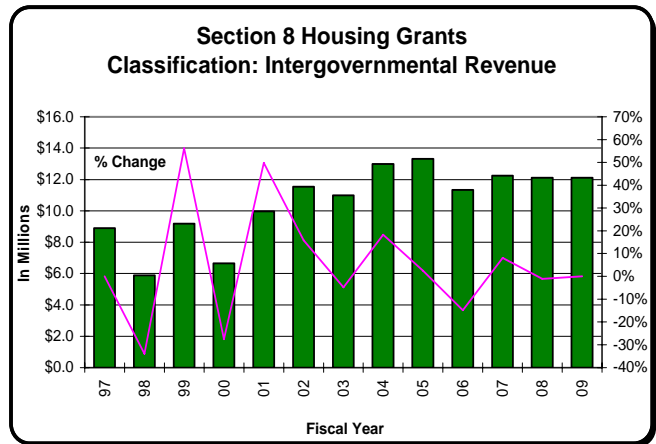
As the chart below indicates, Ryan White grant revenue has been relatively stable. The main exception would be the increase in FY 98 when Title II funding was added. Estimates are prepared by the Health and Social Services Department in consultation with the granting agency, the U.S. Department of Health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

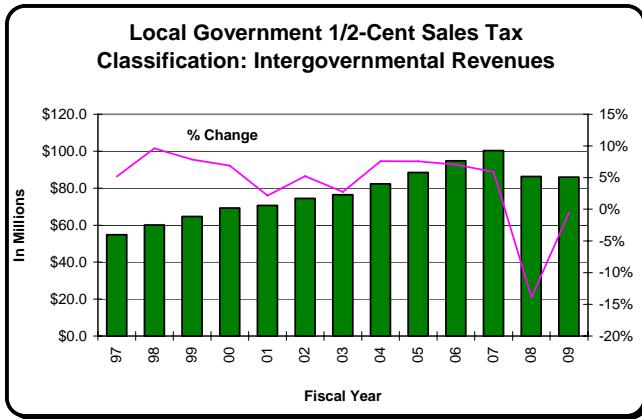
As the chart below indicates, Section 8 grant revenue had slow but steady increases from FY 97 through FY 05. Though timing issues related to receiving the funds caused the graphed fluctuations, the amounts actually granted increased gradually. However, the revenue fell from FY 05 to FY 06, grew slightly in FY 07, and is expected to remain flat 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).



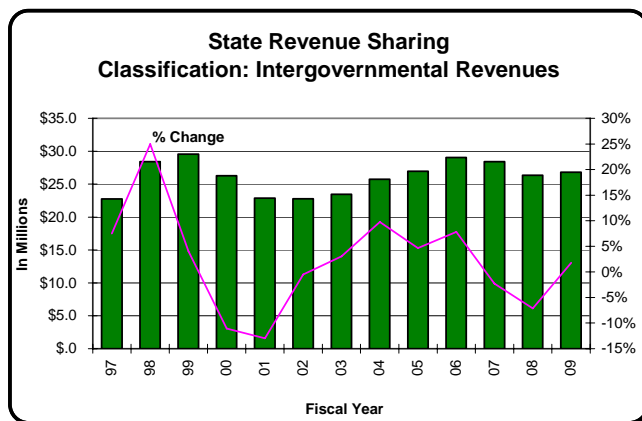
State Shared Revenues - Two State shared revenues are important sources of funding for the County. The *Local Government Half-Cent Sales Tax* has been a major source of revenue for the County since FY 83. In FY 98, actual collections exceeded the budget by \$4 million. The FY 99 budget was also understated by as much as \$5 million. From FY 96 to FY 00 half-cent sales tax revenues grew an average 7.6% annually. This high growth reflected 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 sales tax 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, dropping to 5.9% in FY 07. 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 trend forecasts and state forecasts of much slower statewide sales growth led to a consensus forecast of a 6.2% drop for FY 08 over FY 07, actual FY 08 revenues collected through August 2008 are trending significantly lower than anticipated. If the current trend continues through year end, as reflected in the graph below, FY 08 collections will be 13.9% lower than FY 07 collections. Despite federal economic stimuli, FY 09 revenues are expected to decline slightly from FY 08 actual revenue.

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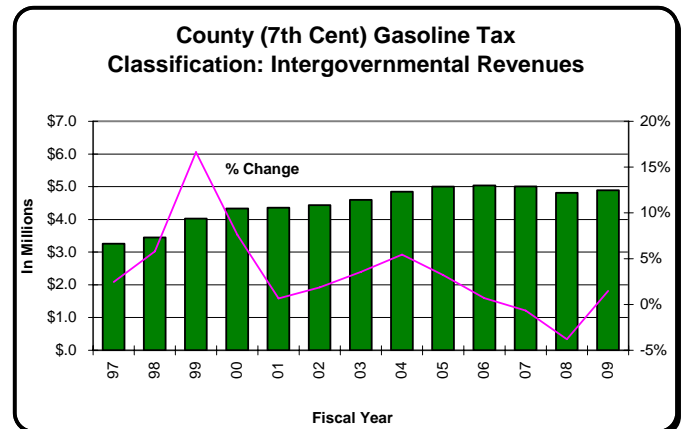
The second important State source is State Revenue Sharing. Until July 1, 2000 the county received a portion of the State intangibles tax along with a small contribution from the one-cent cigarette tax. As with other State estimates, FY 98 and FY 99 State Revenue Sharing was underestimated. FY 00 included 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 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, Management and Budget trend forecasts and state forecasts of much slower statewide sales growth led to a consensus forecast of a 7.0% decline in FY 08 revenues, with a modest rebound in FY 09 to a 1.8% increase.



The *Constitutional Fuel 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 modest growth income source as high fuel prices restrain demand.

The *County (7th Cent) Fuel 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.



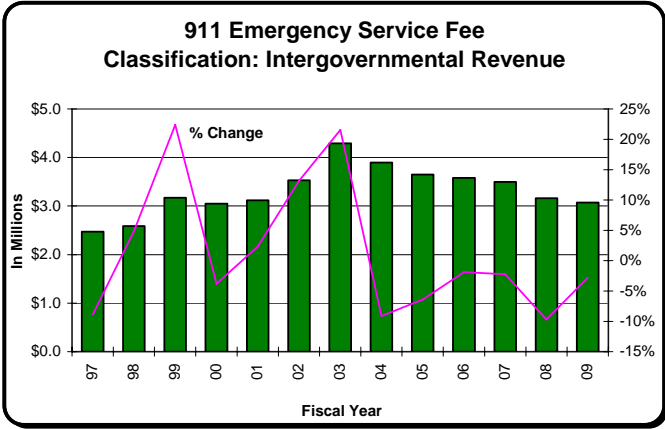
This revenue, along with other gasoline taxes and road network impact fees, is used to finance road network improvements and maintenance. As the associated chart shows, revenues from this tax have grown steadily since FY 97. Growth accelerated in the late 1990s, as did growth in most revenues. Fuel prices are likely to remain high in the near future. This could have a negative impact on long term gasoline demand and, therefore, fuel tax revenues as consumers adjust driving habits and shift to more fuel efficient cars. Although the 6 year trend growth for fuel tax revenues from FY 02 – FY 07 is about 2.9% annually, Management and Budget staff forecast a 3.8% decline for FY 08, followed by modest increase of 1.5% in FY 09

911 Emergency Service Fee – Prior to FY 09 this revenue was classified as a charge for service. A change in the Florida Uniform Accounting System requires that, beginning with FY 09, the County now classify this as an intergovernmental revenue. 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 telephone subscribers to fund the electronic 911 system.

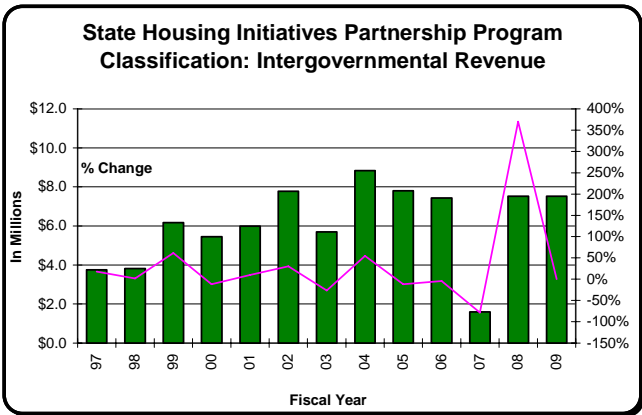
The income from the 911 service fee grew steadily from FY 95 through FY 03. However, in FY 04 the revenue began to decline as the number of landline telephones declined. Information and Technology Services Department staff anticipate further decreases

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in landline based revenue 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.



State Housing Initiatives Partnership Program - 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 and 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 refinancing in FY 02 and FY 03 accounts for those years' increases. The housing market supported high growth in this revenue for FY 04 and FY 05, but as interest rates and home prices rose in late 2005 and 2006 we experienced a decline in sales and corresponding revenues. In FY 07, a one-time change in the

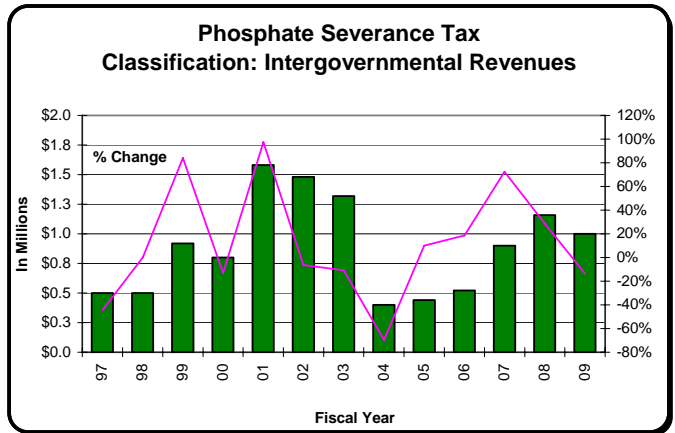


method and timing of remittance of the revenue from the State resulted in significantly lower revenue. FY 08 and FY 09 revenues are expected to remain flat with FY 06 levels, resulting from a weak economy and recognition that the slow housing markets are not projected to turn around before late 2009. For FY 09, there is a

significant downside risk associated with the continuing turmoil in the mortgage and financial markets.

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 was a short term shift and revenues returned to near normal in FY 07, and grew an unanticipated 28.7% in FY 08. FY 09 estimates reflect an increase over the average revenue since FY 04, but a 13.6% reduction from FY 08 levels. Forecasts are based on Management and Budget staff judgment and analysis of the number of phosphate mining reviews for the preceding three years.

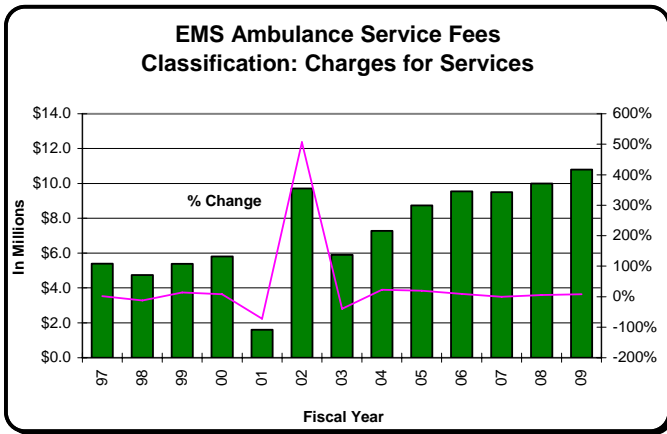
Charges for Services

Charges for Services comprise about 28% 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

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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.

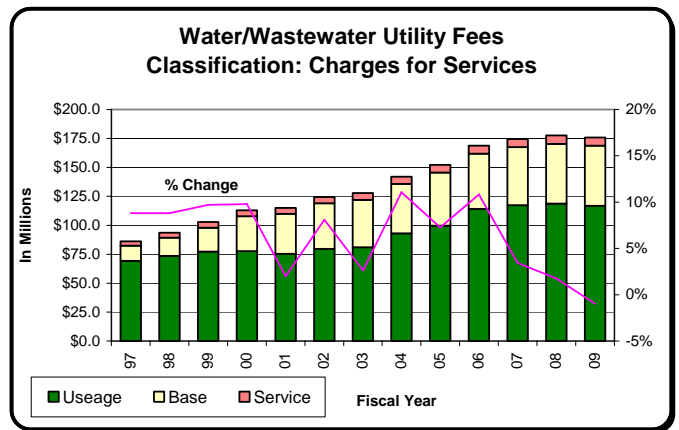


Water and Wastewater Utility User Charges - The primary source of revenue for the Hillsborough County Water and Wastewater utility system is the monthly charges to its customers. These charges are composed of three parts – Base Facility Charges, Volumetric Charges and the Customer Service Charge. Since 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.

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 grew steadily through FY 07, reflecting the impact of growth in the unincorporated area. The stagnant real estate market since FY 07 is reflected in the slowdown of actual and forecast revenue growth between FY 07 and FY 09. 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.

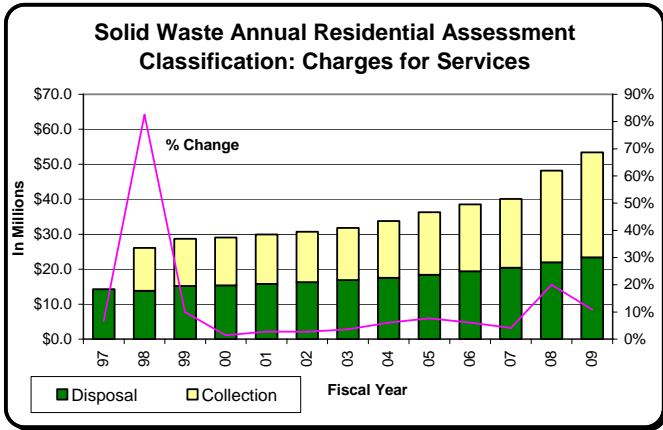
The solid waste collection assessment was approved by the BOCC on November 13, 1996, and went into effect on October 1, 1997. This assessment replaced the annual \$82.08 fee residents previously paid directly to collectors for curbside service. Franchise collectors are now paid directly by the County. 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 rate was increased to \$105.61 for FY 08 and remains unchanged for FY 09.

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 rate was increased to \$87.99 for FY 08 and

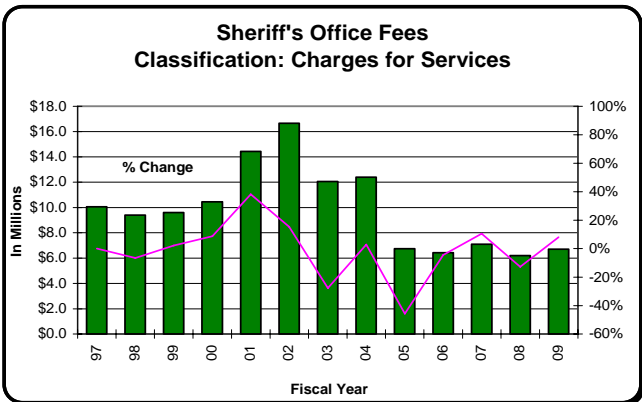
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remains unchanged for FY 09. Refuse originating from non-residential sources is subject to a tipping fee at the time of disposal.

Reflecting Solid Waste Management Department expert staff judgment and existing property tax rolls, solid waste funding sources are expected to rise by 20.6% for FY 08 and 10.8% for FY 09, mainly due to rate increases discussed above and increased volume of tonnage processed related to growth in the system.



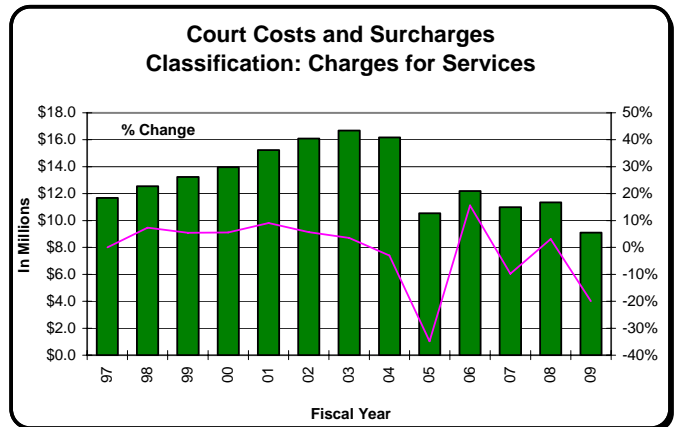
Sheriff's Office Fees – The majority of these fees are reimbursements to services provided by the Sheriff's Office. For example, the cities reimburse for School Crossing Guards provided by the Sheriff and the School District reimburses half of the costs for the School Resource Deputy program. The largest 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. In FY 05, an apparent drop in Sheriff's Office Fees as illustrated in the graph

below was in fact due to an accounting change that reclassified revenue received by the Sheriff for housing federal prisoners from Charges for Services to Residual Equity. This reclassification resulted in this revenue no longer being budgeted under the BOCC, but rather being remitted to the BOCC at fiscal year end as part of the Sheriff's residual equity. Sheriff's Office Fees 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 for FY 08 is anticipated to rise 3.2% over FY 07. In the 2008 legislative session, the Legislature repealed Documentary Stamp Tax Return requirement. The associated 1% administrative fee will no longer be assessed starting FY 09, reflected in the lower revenue estimate. In addition, the weak real estate market is forecast to continue to negatively impact real estate documentary stamp revenues. As a result, the forecast for FY 09 is 19.9% lower than FY 08.

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

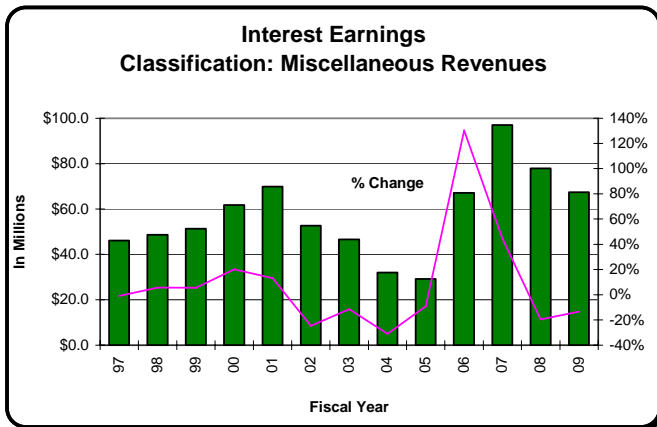
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Circuit Court to carry out court-related functions. This resulted in a revenue loss of approximately \$1.0 million.

Miscellaneous Revenues

Miscellaneous Revenues account for 7.2% 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 is the largest component of Miscellaneous Revenues and affects every county fund. As the chart below shows, there can be a great deal of fluctuation in interest earnings. The main reason for this fluctuation is changes 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 Bank (The Fed), 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 2007 in response to worsening mortgage markets and other weaknesses in the economy. Amid fears of recession and financial stress, the Fed has aggressively lowered its rate target another 350 basis points through October 2008.

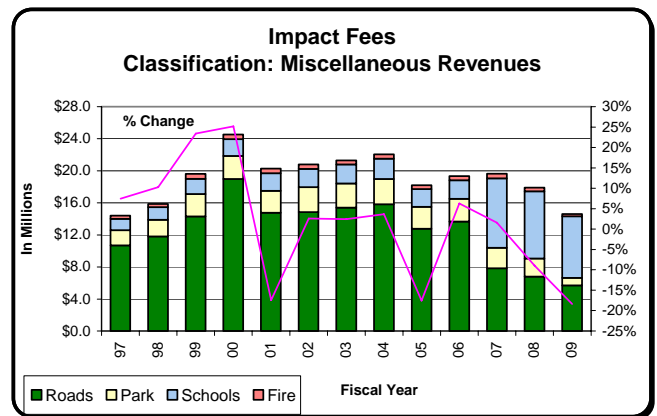


The other component of interest earnings is average daily cash balance. Overall this tends to fluctuate very little from year to year,

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 interest earnings in FY 05 & FY 06. Due to higher than forecast average daily cash balance in FY 07, actual interest revenues greatly exceeded budget for FY 07. Lower forecasts for FY 08 and FY 09 interest revenue reflect declining average fund balance estimates due to lower ad valorem tax revenues and continuing expenditure of debt proceeds on hand to fund a major transportation capital improvement initiative. In addition to lower forecast average fund balance, Federal Reserve action to lower interest rates will contribute to lower interest earnings in FY 09. 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



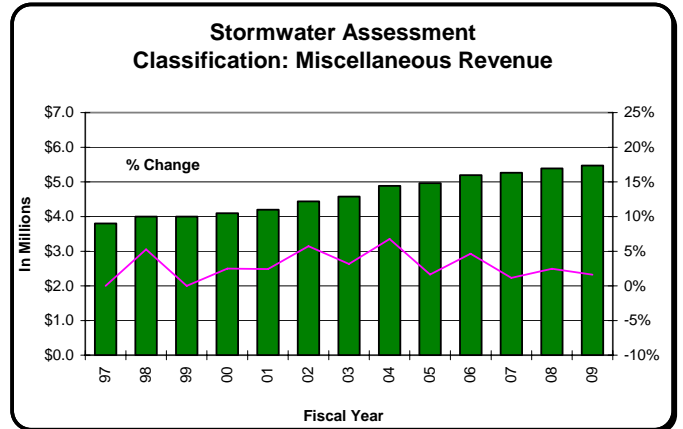
voted to increase school impact fees beginning in November 2006. This is evident in the above graph in school impact fee revenues in FY 07. Non-school impact fee revenue in FY 07 was adversely impacted by the weakening real estate market previously dis-

MAJOR COUNTY REVENUES

cussed in the building permit fee section; this weakness is forecast to continue into FY 09. 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 since 1991. Annual population growth in the unincorporated area accounts for the small but consistent annual increase in 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 Actual	FY 07 Actual	FY 08 Adopted	FY 09 Adopted	% Total FY 09
Taxes						
Ad Valorem Taxes	D	\$674,093,953	\$783,043,109	\$803,191,202	\$756,453,342	38.0%
Community Investment Tax	D	107,126,448	104,914,647	108,203,434	98,825,524	5.0%
Indigent Healthcare Surtax	D	107,057,180	104,881,571	108,203,434	98,825,524	5.0%
Local Option Six-Cents Fuel Tax	D	25,630,347	25,633,941	26,373,245	25,172,000	1.3%
Communications Services Tax	D	23,579,615	27,236,349	28,520,675	28,320,747	1.4%
Tourist Development Tax	D	20,690,941	21,840,869	23,205,600	24,409,970	1.2%
Ninth-Cent Gas Tax	D	7,023,536	6,988,861	7,194,698	6,959,677	0.4%
Other Taxes ²		67,033	65,969	65,800	1,652,733	0.1%
Total Taxes		965,269,053	1,074,605,316	1,104,958,088	1,040,619,517	52.2%
Licenses & Permits						
Building Permits	D	14,570,672	9,913,824	14,275,728	10,669,092	0.5%
Other Licenses & Permits		5,209,070	5,190,752	4,289,001	3,223,108	0.2%
Total Licenses & Permits		19,779,742	15,104,576	18,564,729	13,892,200	0.7%
Intergovernmental Revenue						
<u>State Shared Revenues</u>						
Local Government Half-Cent Sales Tax	D	94,754,257	90,713,566	94,086,752	85,951,428	4.3%
State Revenue Sharing	D	29,047,590	28,388,483	28,704,795	26,835,498	1.4%
Constitutional Fuel Tax	D	11,292,248	11,462,958	11,910,430	11,258,496	0.6%
State Housing Initiatives Partnership	D	7,467,585	1,159,738	7,522,000	7,522,000	0.4%
Shared State Restricted Revenue		5,435,940	5,760,605	5,653,214	9,584,148	0.5%
County Fuel Tax	D	5,039,038	5,004,806	5,125,184	4,887,288	0.3%
Shared State General Revenues		4,317,414	4,797,044	4,117,884	4,142,151	0.2%
Other Intergovernmental Revenues		2,305	1,054	2,500	3,500	0.0%
Subtotal		157,356,377	147,288,254	157,122,759	150,184,509	7.5%
<u>Intergovernmental Grants</u>						
Head Start/Early Head Start Grant	D	21,242,756	21,702,109	22,063,891	22,063,891	1.1%
Section 8 Housing Grant	D	11,744,720	11,031,963	12,121,088	12,126,088	0.6%
Ryan White Emergency Relief Grant	D	5,169,854	10,788,429	10,710,531	10,853,930	0.5%
Federal Human Services Grants		12,508,924	8,738,562	8,415,397	9,451,907	0.5%
Community Development Block Grant		4,104,548	4,136,392	6,115,565	5,920,344	0.3%
State Health & Human Svcs Grants		5,465,464	5,998,358	5,776,114	8,709,804	0.4%
Federal Health Grants		4,438,787	4,246,085	3,909,209	3,900,771	0.2%
Fed Economic Environment Grants		13,959,840	11,246,588	3,502,506	3,058,158	0.2%
State Physical Environment Grants		2,972,927	3,501,743	3,326,809	2,879,951	0.1%
Other State Grants		5,523,255	4,501,101	5,793,163	2,938,267	0.2%
Other Federal Grants		11,494,113	13,906,328	3,568,712	2,806,026	0.1%
Local Grants		2,335,117	1,435,774	595,416	876,045	0.0%
Subtotal		100,960,305	101,233,432	85,898,401	85,585,182	4.3%
Total Intergovernmental Revenue		258,316,682	248,521,686	243,021,160	235,769,691	11.8%
Charges for Services						
<u>Water/Wastewater Utility Fees</u>						
Water/Wastewater Usage Fees	D	114,165,462	117,465,407	118,879,152	116,880,677	5.9%
Water/Wastewater Base Fees	D	48,218,048	49,998,197	51,445,633	51,797,796	2.6%
Accrued Guaranteed Revenue Fees		16,055,898	11,062,932	9,027,140	5,780,860	0.3%
Customer Monthly Billing Charge	D	6,873,335	6,970,040	7,207,582	7,079,993	0.4%
Other Water/Wastewater Utility Fees		2,504,272	2,507,425	2,791,444	2,237,190	0.1%
Subtotal		187,817,015	188,004,001	189,350,951	183,776,516	9.2%

COUNTY REVENUES BY SOURCE

	FY 06 Actual	FY 07 Actual	FY 08 Adopted	FY 09 Adopted	% Total FY 09
<u><i>Solid Waste Fees</i></u>					
Solid Waste Residential Assessments D	38,518,072	40,118,759	48,151,962	53,880,021	2.7%
Solid Waste Tipping Fees	26,653,255	26,934,047	32,745,314	32,715,959	1.6%
Solid Waste Recycling Revenue	16,525,877	17,095,250	15,692,600	18,176,273	0.9%
Subtotal	81,697,204	84,148,056	96,589,876	104,772,253	5.3%
<u><i>Other User Fees</i></u>					
Ambulance Fees D	9,550,531	9,502,886	11,357,092	10,796,866	0.5%
Court Costs & Surcharges D	12,191,838	11,027,360	11,347,786	9,093,534	0.5%
Planning & Growth Management Fees	7,880,876	5,866,116	7,001,367	6,097,806	0.3%
Sheriff's Office Fees D	6,427,746	7,127,837	6,232,550	6,744,893	0.3%
Public Safety Fees	6,359,312	6,013,863	5,742,156	2,682,324	0.1%
Environment & Physical Resource Fees	4,194,848	4,081,486	4,043,024	3,536,550	0.2%
Transportation Fees	4,892,049	4,920,998	4,477,806	3,616,759	0.2%
Human Services & Recreation Fees	3,723,709	4,014,882	3,486,864	7,274,261	0.4%
Economic Environment Fees	6,056,762	1,076,709	1,137,177	1,115,177	0.1%
Other User Fees	2,350,260	1,726,890	2,668,873	2,465,887	0.1%
Subtotal	63,627,931	55,359,027	57,494,695	53,424,057	2.7%
<u><i>Internal Charges</i></u>					
Internal Service Charges - Insurance	75,374,443	85,406,607	90,876,900	98,960,710	5.0%
Indirect Administrative Costs	34,651,388	35,054,129	37,749,100	47,487,770	2.4%
Internal Service Charges - Fleet	25,117,211	25,597,142	30,486,642	33,310,049	1.7%
Employee Health Insurance Premiums	21,043,977	21,460,821	22,557,128	25,399,327	1.3%
Insurance & Technology Reimbursements	4,176,019	4,282,338	6,501,200	7,032,932	0.4%
Subtotal	160,363,038	171,801,037	188,170,970	212,190,788	10.7%
Charges for Services Total	493,505,188	499,312,121	531,606,492	554,163,614	27.8%
Fines & Forfeits	7,380,396	6,004,784	5,937,639	5,402,303	0.3%
Miscellaneous Revenue					
<u><i>Special Assessments & Impact Fees</i></u>					
Water/Wastewater Special Assessments	13,719,152	16,154,095	19,088,707	21,147,751	1.1%
Stormwater Special Assessments D	5,218,351	5,361,988	5,389,000	5,475,000	0.3%
Streetlighting Special Assessments	7,251,723	7,475,306	7,954,024	8,122,287	0.4%
Transportation Impact Fees D	13,685,045	7,830,425	9,226,305	5,688,951	0.3%
Water/Wastewater Impact Fees	10,833,225	9,176,293	9,695,915	5,763,737	0.3%
Other Impact Fees D	6,119,660	6,228,441	5,105,999	8,926,714	0.5%
Subtotal	56,827,156	52,226,548	56,459,950	55,124,440	2.8%
Interest D	67,062,978	96,994,625	77,870,966	67,395,146	3.4%
Other Miscellaneous Revenues	46,639,311	52,414,436	23,236,176	20,648,272	1.0%
Miscellaneous Revenue Total	170,529,445	201,635,609	157,567,092	143,167,858	7.2%
Total Revenue - All Types	\$1,914,780,506	\$2,045,184,092	\$2,061,655,200	\$1,993,015,183	100.0%

Notes:

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

(2) Starting in FY 09, Florida Uniform Accounting System changes reclassified several revenues. Lawyer and certain occupational license revenues were reclassified as taxes, and certain 911 emergency fees were reclassified from charges for services to intergovernmental revenue.