

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.

Current economic conditions in Hillsborough County reflect the deep recession in the U.S. and Florida economies. Housing and financial markets are still distressed but have shown tentative signs of improvement this spring. These early improvements along with some signs that manufacturing may be stabilizing have led some analysts to consider that the worst of the decline is over.

Those tentative improvements from very low levels are not the same as recovery. Credit still remains scarce, although interest rate spreads show some improvement since late 2008. Housing prices are still falling. Job losses are still mounting and, consequently, consumers are very cautious. US job losses since December 2007 have accelerated to 5.7 million. April US retail sales suffered a 10.1% decline from a year ago. The savings rate has risen from below 1% during 2005-2008 to 4.2% in March. Consumer and business confidence, while improved from the record low levels of late 2008 and early 2009, remain very low.

Poor confidence levels and weak lending has taken a toll on the economy. Gross Domestic Product (GDP) fell at a 6.3% annual rate during the fourth quarter 2008, followed by a 6.1% drop for the first quarter 2009. These are largest declines since 1982.

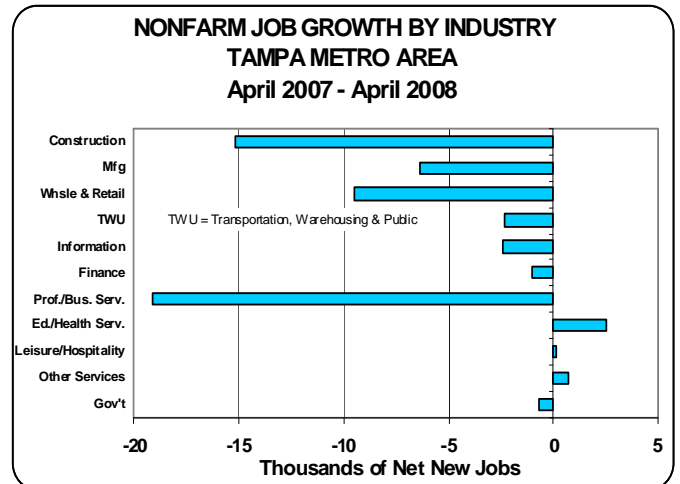
Forecasters expect the Federal Reserve to continue its aggressive actions to unfreeze credit markets. The Fed has created a number of direct lending facilities to augment its usual Federal Funds target rate. The Fed's target for the Fed Funds rate, the rate charged by banks for interbank lending, was lowered to 0.0% to 0.25% in mid December. This is intended to stimulate lending.

On February 13 Congress approved a very large fiscal stimulus that includes tax cuts intended to spur consumer spending, funding for infrastructure projects and other aid to state and local governments. President Obama signed the \$787 billion legislation into law on February 17. Many forecasters expect the stimulus will lessen the severity and length of the recession.

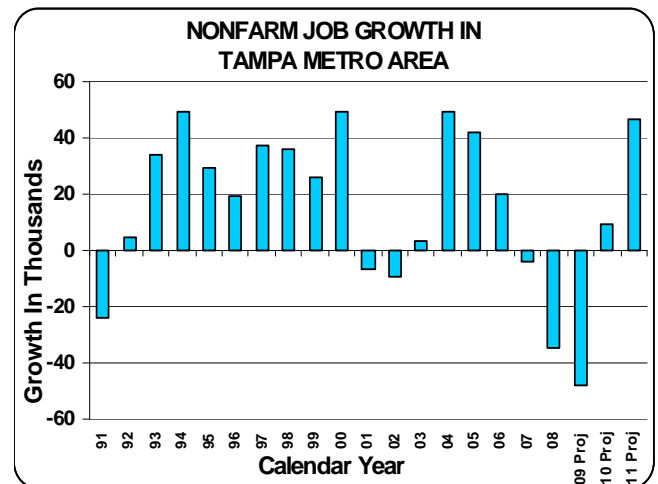
National forecasters have expressed cautious expectations that weak growth will resume in the last half 2009. Slow economic growth is expected to return as housing markets, vehicle sales and consumption slowly improve, partly as a result of the stimulus. Economy.com forecasts a 3.0% decline in GDP for 2009 and a 1.4% increase for 2010. Job losses are expected to continue into 2010 before showing modest improvement in late 2010.

National, state and Hillsborough County job markets continue to deteriorate in 2009. US unemployment has risen to 8.9% in April from 5.0% a year ago (seasonally adjusted). Locally, the Hillsborough County unemployment rate has risen to 9.5% for April, up significantly from 5.0% a year ago. Florida's March rate is 9.3%.

Metro Tampa Bay lost 53,400 jobs in the last 12 months to April, a 4.3% drop. Job losses are widespread among industries. Education and health services have, however, gained jobs in the last year. During the same period US jobs fell 3.8% and Florida jobs fell 4.8%. Job losses are expected to continue into 2010 even as the level of economic activity is likely to improve in late 2009. Employment is a lagging indicator. The University of Central Florida forecasts modest job gains for Tampa Bay by the end of 2010 and more robust jobs recovery in 2011.



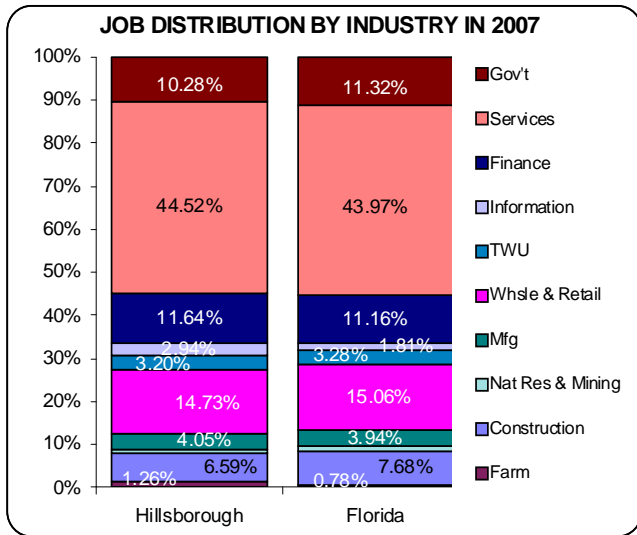
Source: Florida Agency for Workforce Innovation



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

Long-term job growth in Metro Tampa, and, indeed, Florida and the nation, has been heavily concentrated in services industries. In 2007 services industry jobs accounted for about 44% of existing jobs in both Hillsborough County and Florida. Services industry jobs are not only in low paying industries. Services industries also include higher wage industries such as finance, insurance, legal services, engineering services, computer systems design, and health. Wholesale and retail trade accounted for another 15% of all jobs. Hillsborough's ten largest employers in 2008 are government, retail or health related.

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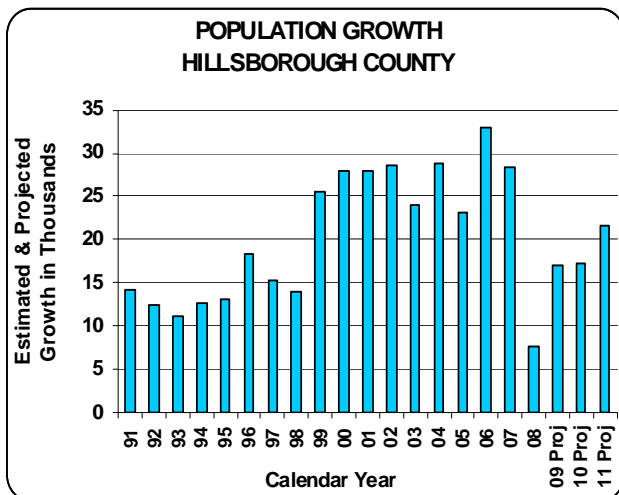
Note: TWU = Transportation, Warehousing & Utilities

Source: BEA, Regional Economic Information System (REIS)

LARGEST HILLSBOROUGH EMPLOYERS, 2008

Hillsborough County School Board	24,692
Hillsborough County Government	9,162
Tampa International Airport	7,500
Verizon	7,000
MacDill Air Force Base	6,656
University of South Florida	6,000
Tampa General Hospital	5,842
Publix Food Centers	4,984
Veterans Administration Hospital	4,529
City of Tampa	4,502

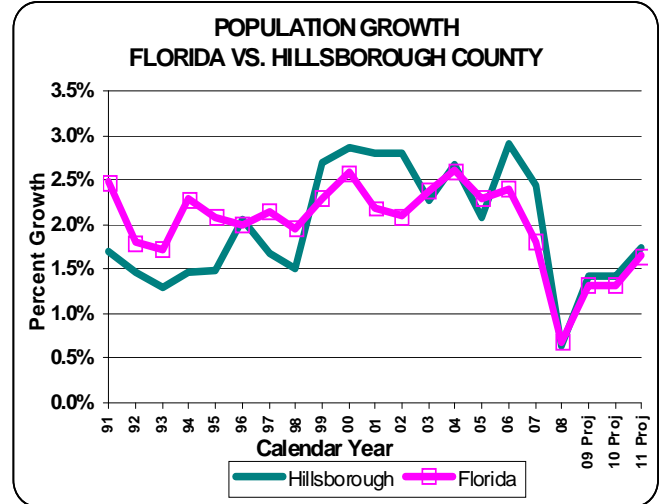
Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2008



Source: Bureau of Economic and Business Research (BEBR)

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) reports that Florida and Hillsborough population growth has slowed significantly as a result of the housing correction and resulting recession. After average annual population

growth of 27,700 in Hillsborough County during 1999-2007 growth slowed to only 7,700 for 2008. BEBR's 2009 forecast growth of 17,000 may prove optimistic given the depth of the current recession. BEBR forecasts Hillsborough population growth during 2010 - 2015 will average about 22,000 annually.



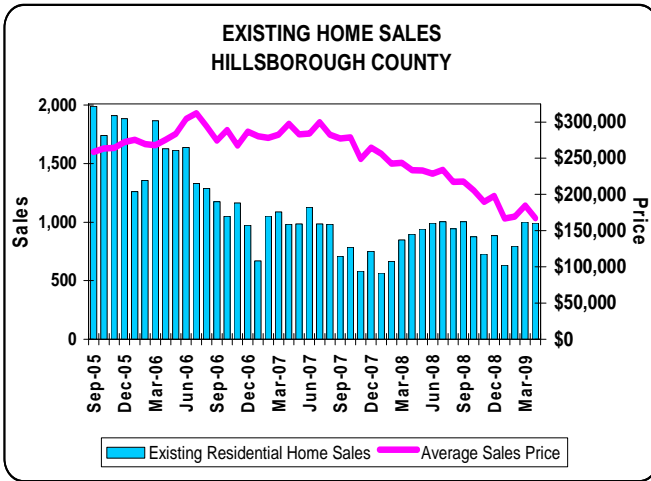
Source: Bureau of Economic and Business Research (BEBR)

Rates of population growth for both Florida and Hillsborough County are expected to recover from recessionary lows, but not match the relatively rapid rates of recent years.

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 April existing home sales in Hillsborough rose 10.6% over April 2008 but are still 39.0% below April 2006. Sales appear to be at bottom with September through April monthly sales above year ago performance. Overall 2008 sales exceeded 2007's by 266 or 2.46%. GTAR's average home price peaked in July 2006 and has fallen 46.4% through April 2009. Prices are down 28.3% from April 2008. Average prices rose 9.1% in March over February but fell 9.5% in April. Average days on market rose from about 36 in late 2005 to 125 in May and has now fallen to a range of 100-116 days since October. These improvements in sales and days on market are tentative and likely reflective of high foreclosures and short sales activity. Both place downward pressure on prices, which, even with improved sales numbers, can be expected to continue well into 2009.

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Source: Greater Tampa Association of Realtors

Other home price sources also show substantial price declines. Data from the National Association of Realtors for the first quarter of 2009 show that the median sales price of existing single family homes in the US fell 13.8% compared to the first quarter of 2008. The Tampa Metro Area posted a 26.7% drop. On the positive side these price declines and low mortgage rates have greatly improved home affordability. Poor job markets and reluctant lenders, however, still hold back mortgage availability.

Hillsborough City-County Planning Commission data for the first quarter of 2009 show a 49.8% decline in Hillsborough County single family (attached and detached) 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.

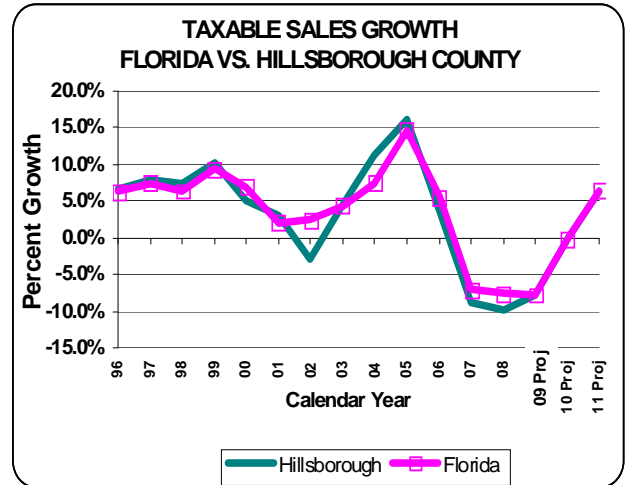
LARGEST HILLSBOROUGH PROPERTY TAXPAYERS, FY 08

Entity	\$ Millions
Tampa Electric Company	36.7
Verizon	19.5
Hillsborough County Aviation Authority	11.3
Mosaic Company	8.0
Camden Operating LP	5.8
Wal-Mart	4.9
Liberty Property	4.8
Post Apartment Homes LP	4.6
Tampa Port Authority	3.8
Teachers Insurance and Annuity Association	3.2

Source: Hillsborough County, Florida Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2008

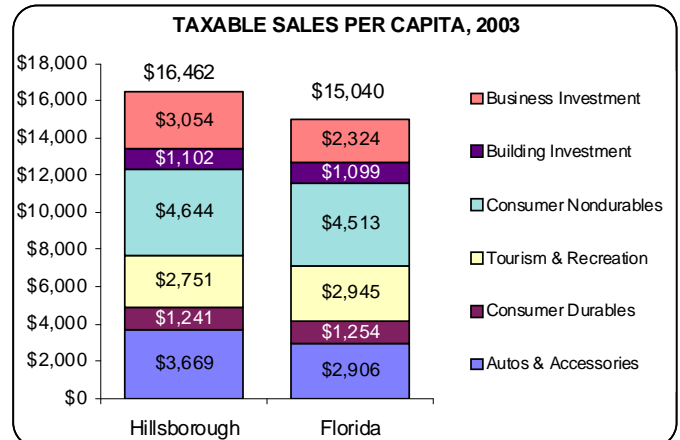
Property taxes on residential and commercial real estate provide Hillsborough County Government with its largest source of revenue. Countywide taxable value growth averaged 11.6% annually during 1997-2007. Countywide taxable value grew about 11.7% for FY 08 after 21.7% growth for FY 07. Poor housing markets and tax reform measures resulted in a 4.7% decline in taxable values for FY 09. Current State projections point to a 13.0% decline for FY 10 and 8.8% decline for FY 11. Continued price declines in 2009 set the stage for FY 11 property tax revenues.

Taxable sales in Hillsborough and Florida have suffered due to fallout from housing's slump, poor financial news, and large job losses. Florida sales fell 7.6% in 2008. Hillsborough sales fell 9.7% in 2008. Spending will continue to struggle amid current job losses but will get some positive support from the federal economic stimulus. State estimates indicate a 7.8% decline for 2009. Sales are forecasted to be nearly flat for calendar year 2010. Recovery is not expected until 2011.



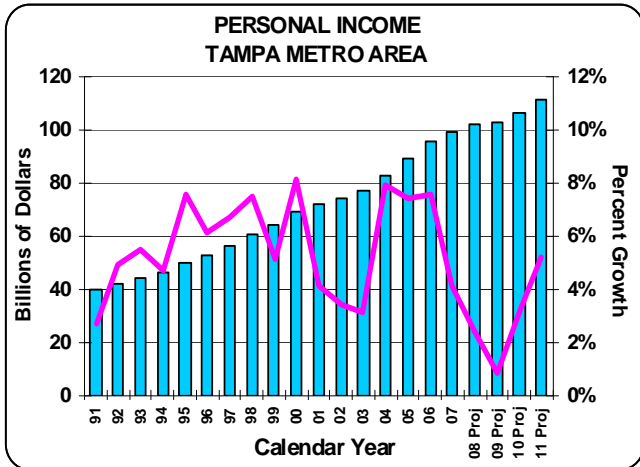
Sources: Florida Department of Revenue and General Revenue Consensus Estimating Conference Projections

Hillsborough taxable sales are highly dependent on consumer nondurable purchases, including clothing and groceries. 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 sales are less reliant on tourism/recreation with 16.7% of sales arising from that industry compared to nearly 20% for the state.



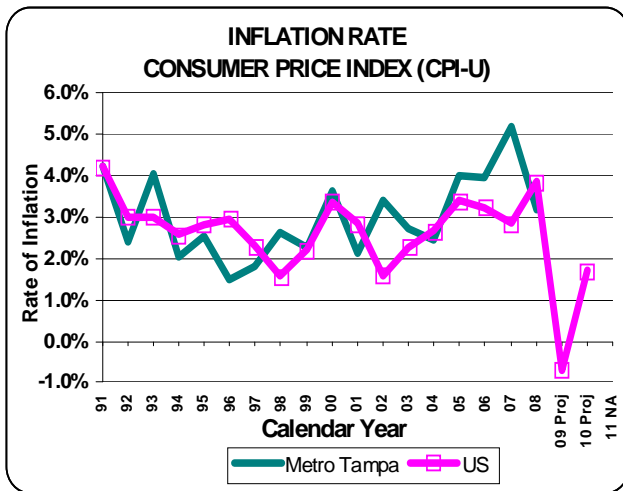
Source: Bureau of Economic and Business Research (BEBR)

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Sources: BEA, Regional Economic Information System (REIS), and Institute for Economic Competitiveness, University of Central Florida

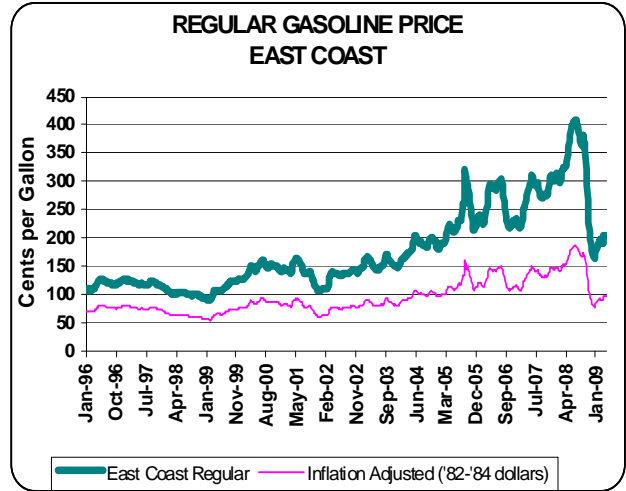
With the absence of direct and comprehensive measures of a local area's economic output, total personal income is a good surrogate measure. Hillsborough County's 2007 total personal income stood at \$42.9 billion, a 3.8% increase over 2007. Personal income growth was 8.0% to 8.5% annually during the boom years of 2004 to 2006. The University of Central Florida publishes personal income projections for metropolitan areas. UCF estimates Metro Tampa personal income rose 2.4% in 2008 and will only gain 0.9% for 2009. Income growth improves to 3.2% for 2010 and to 5.2% for 2011 as job markets recover.



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

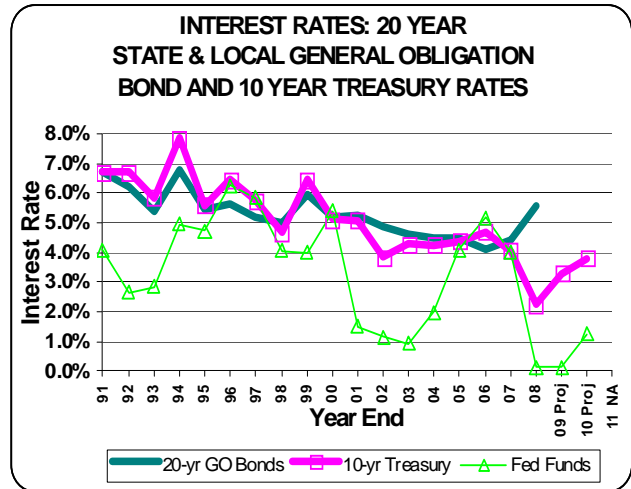
Rapidly rising oil prices fueled inflation during 2007 and 2008. US inflation briefly rose above 5.0% during mid-2008 but fell to 3.8% for the year as oil demand fell and prices retreated rapidly in late 2008. Weak recessionary demand also placed downward pressure on commodity and food prices. On a twelve month basis inflation has turned negative during March and April. Forecasters expect recession will actually result in a -0.7% inflation rate for 2009 as a

whole. As the economy begins a slow recovery in 2010 inflation is expected to rise to a still moderate 1.7%.



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

Forecasters expect the Federal Reserve to continue its aggressive actions to unfreeze credit markets. These actions have borne some fruit as interest rate spreads have narrowed and mortgage rates have dipped to 50 year lows. Forecasters anticipate modestly rising rates in mid or late 2010 as the Fed eases some of the monetary stimulus in response to resumed growth.



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

Risks always abound in economic forecasting and until this spring have been decidedly negative risks. Forecasts are now looking toward improving conditions with risks more balanced between worse or better-than estimated performance.

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.

Major tax and state-shared revenues are forecasted by a variety of methods. In March of each year the Florida Legislature's Office of Economic & Demographic Research (EDR) publishes the statewide revenue projections from the Revenue Estimating Conference (REC). The REC provides estimates of revenue and/or the tax base for the Local Government Half-Cent Sales Tax, Indigent Care Surtax, Community Investment Surtax, Communications Services Tax, Tourist Development Tax, various State-collected gasoline taxes, and the State Revenue Sharing program (based on the sales tax and a cigarette tax). The REC statewide estimates are converted by the Management and Budget Department from the state fiscal year to the local fiscal year and then applied to local revenues. The Management and Budget Department forecasts these same revenues using trend forecasting methods. These include moving average models, year-to-date rate of growth trend, year-to-date monthly average, and the average estimate of these methods and state estimates.

Each April the Management and Budget Department hosts a Revenue Consensus Meeting with representatives from the Health and Social Services, Debt Management, Fire Rescue, Economic Development, Planning and Growth Management and Public Works departments. The various forecasts are debated and departments also bring their own expert judgment regarding these major revenues. The joint conclusion of the April 21, 2009 Consensus Meeting noted the small variance among most of the forecast results and consequently for most major revenues endorsed the year-end FY 09 estimates and FY 10 and FY 11 projections based on the March REC results. The individual major revenue

discussions that follow this section will reference the Consensus Meeting.

During the summer, the Florida Department of Revenue (DOR) provides specific local estimates of revenue and/or the tax base for the Local Government Half-Cent Sales Tax, Indigent Care Surtax, Community Investment Surtax, Communications Services Tax, Tourist Development Tax, various State-collected gasoline taxes and the State Revenue Sharing program (based on the sales tax and a cigarette tax). These localized DOR estimates are the basis for final revenue estimates for the budget adopted in September.

In March of each year EDR publishes projections of county taxable values as well as the previously discussed statewide revenue projections. These projections are conducted by the Revenue Estimating Conference for Ad Valorem Assessments. The Management and Budget Department has used these projections as the basis for estimated FY 10 and FY 11 revenue in the Recommended Budget. Preliminary indications from the Property Appraiser's Office generally concur with the state projections. In the Adopted Budget ad valorem tax revenue is estimated from actual taxable property values provided by the Property Appraiser by July 1st of each year in conjunction with applicable millage rates.

Estimates of year-end FY 09 revenues reflect deep recession in the U.S. and Florida economies. Many current revenues are below originally budgeted FY 09 levels. Housing and financial markets are still distressed but have shown tentative signs of improvement this spring. These early improvements coupled with some signs that manufacturing may be stabilizing have led some analysts to consider that the worst of the decline is over. Those tentative improvements from very low levels are not the same as recovery. Housing prices are still falling. Job losses are still mounting and, consequently, consumers remain very cautious. Consumer and business confidence, while improved from the record low levels of late 2008 and early 2009, remain very low.

National forecasters have expressed cautious expectations that weak growth will resume in late 2009. Slow economic growth is expected to return in late 2009 as housing markets, vehicle sales and consumption slowly improve, in part as a result of the Federal Stimulus Package. Economy.com forecasts a 3.0% decline in GDP for 2009 and a 1.4% increase for 2010. Job losses are expected to continue into 2010 before showing modest improvement in late 2010.

These poor economic conditions not only adversely impact current FY 09 revenues but will also negatively impact FY 10 and FY 11. Property tax revenue responds to real estate markets with a lag. FY 10 property tax revenue is set by rapidly declining home values that occurred during 2008. Prices continue to decline in 2009 and, coupled with poorly performing commercial markets, are forecast to result in a further drop in property values for FY 11. While home sales are showing signs of improving, many of these sales are at distressed or short-sale rates; prices are not expected to improve

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before mid 2010. Sales tax based revenues continue to suffer from job losses and continued low consumer confidence. Unlike property tax revenue, however, sales tax revenue is forecast to rebound as the economy begins to rebound in mid-2010.

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 – 37.2% in FY 10.

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.

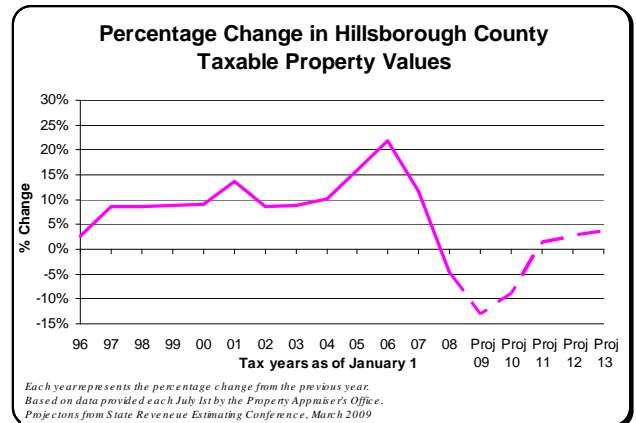
To fund operations of the city-county library system, the County levies a third property tax called the *Special Library District Tax*. This tax applies only to property in the City of Tampa and in unincorporated areas of the County. The Cities of Temple Terrace and Plant City operate their own libraries,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

Current fiscal year property tax revenues depend upon the *assessed* value of real and personal property, less any exemptions. Assessed values are calculated as of the preceding January 1st. 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). Conversely, a decrease in this tax base, as Hillsborough County has been experiencing since FY 09, can result in lower ad valorem revenues without a change in the tax 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 nearly 22% annually.

Countywide taxable value growth averaged 11.6% annually during 1997-2007. Countywide taxable value grew by 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.



Projections of future 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 and the current tax roll. Key forecasting tools for taxable property values are state forecasts, trend analysis, and expert knowledge.

After reviewing these forecasts and having preliminary discussions with the Property Appraiser's Office, Management and Budget made the determination to use the state Revenue Estimating Conference (REC) forecast in the Pro Forma budget for FY 10 through FY 14 (updated March 2009). Current REC projections point to a

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13.0% decline for FY 10 (tax year 2009) and 8.8% decline for FY 11 (tax year 2010). (Each annual forecast will be replaced with actual data from the Property Appraiser's Office as they become available. The Property Appraiser's values are, in turn, subject to adjustment by the Value Adjustment Board upon appeal by a taxpayer after the budget is adopted. Since these adjustments impact the tax base, actual ad valorem tax revenues may differ from initial budget estimates.)

Greater Tampa Association of Realtors (GTAR) data show that April existing home sales in Hillsborough rose 10.6% over April 2008 but are still 39.0% below April 2006. Sales appear to be at bottom with September through April monthly sales above year ago performance. Overall 2008 sales exceeded 2007 sales by 266 or 2.46%. Average home price, however, fell 25.2% in 2008, setting the stage for a fall in taxable property values for FY 10. GTAR's average home price peaked in July 2006 and has fallen 46.4% through April 2009. Prices are down 28.3% from April 2008. Average prices rose 9.1% in March over February but fell 9.5% in April. Average days on market rose from about 36 in late 2005 to 125 in May and has now fallen to a range of 100-116 days since October. These improvements in sales and days on market should be considered tentative and are likely reflective of high foreclosures and short sales activity. Both place downward pressure on prices, which, even with improved sales numbers, can be expected to continue well into 2009. Falling prices in 2009, in turn, sets the stage for another fall in taxable value for FY 11.

Hillsborough City-County Planning Commission data for the first quarter of 2009 show a 49.8% decline in Hillsborough County single family (attached and detached) housing permits issued. The value of commercial permits is down 33.7% as commercial vacancy rates rise during the recession. These declines are a leading indicator of fewer future home starts and commercial starts and, therefore, less additional property tax revenue resulting from new construction for FY 11.

Other home price sources also show substantial price declines. Data from the National Association of Realtors for the first quarter of 2009 show that the median sales price of existing single family homes in the US fell 13.8% compared to the first quarter of 2008. The Tampa Metro Area posted a 26.7% drop. On the positive side these price declines and low mortgage rates have greatly improved home affordability. Poor job markets and reluctant lenders, however, still hold back mortgage availability.

Management and Budget's analysis of the 2008 tax roll of more than 400,000 parcels of property revealed that these steep declines in home prices have reduced the overall gap between market value and assessed value. This gap developed since the 1995 implementation of the Save Our Homes (SOH) constitutional amendment limiting the rise in assessed values of homesteads to the lesser of 3% or the rise in the Consumer Price Index. During 2003-2006 the rise in market values greatly outpaced assessed values as a result of this limitation. For many homesteads the decline in

market values since 2006 has greatly narrowed or eliminated that gap. The SOH taxable value increase limit for tax year 2009 (FY 10) is 0.1%, the rise in the Consumer Price Index for December 2007 to December 2008. This Management and Budget analysis supported the 13% decline forecasted by the State REC for tax year 2009.

Note that the REC forecast for Hillsborough County Taxable Value for tax years 2011 through 2013 (FY 12 through FY 14) calls for only modest growth of 1.4% in 2011, accelerating to only 3.8% in 2013. A strong rebound in home values and new construction is not anticipated in the near future. Even if a strong rebound were to occur, Save Our Homes will limit the rise in assessed values to the lesser of 3% or the rise in the Consumer Price Index.

While poor housing markets played a role in declining taxable value, much of the 4.7% drop for FY 09 was attributable to a constitutional change that increased homestead exemptions and allows homestead portability. These changes were 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 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.

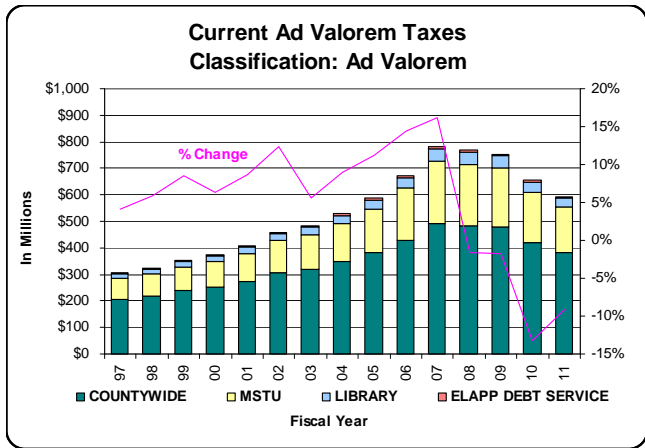
Under the statutory formula, Hillsborough County took a 5% reduction from the rolled-back rate. For budget purposes, this meant a 5% revenue reduction, or \$40.1 million, from actual property taxes levied for FY 07 from existing property, and a total of \$109 million reduction when compared to what would 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.

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The roll-back statute required rolling back millage rates for FY 09 and allowed 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 was 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 was 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 existing \$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), enacted a \$25,000 tangible personal property tax exemption, provided for portability of Save Our Homes benefits currently accrued to homestead owners, and enacted a 10% assessment cap on non-homestead property. Voters approved the amendment. The additional homestead exemption and portability reduced FY 09 county-wide taxable values by \$6.4 billion.

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



Note: All graphs show FY 97 – FY 08 actual revenue, originally budgeted FY 09 revenue and projected FY 10 and FY 11 revenue. Estimated year-end FY 09 revenues are further discussed in the narrative as appropriate.)

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. The millage rollback provision will continue to limit revenues in all future years, including FY 10 and FY 11. Declining taxable values for those fiscal years implies the permitted rolled-back millage rate will increase. The

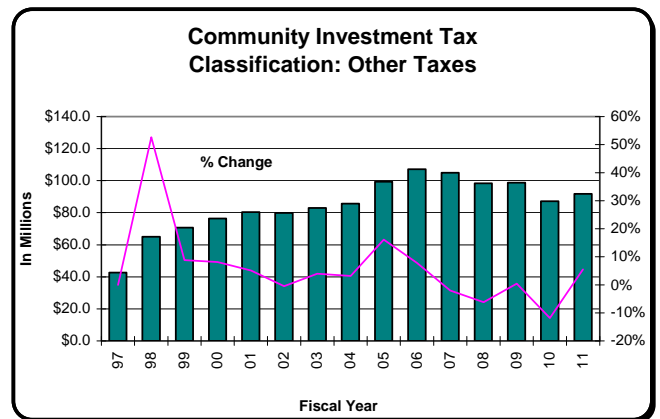
Recommended Budget does not include any increase in operating millages over those adopted for FY 09. Budgeted ad valorem revenue will decrease in FY 10 and FY 11

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 14.4% 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 tax is currently due to expire on November 30, 2026. 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.



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 grew at a 6.45% average annual rate during FY 98 to FY 06. This exceeded the original long-run expectation, even with the 2001 recession and aftermath

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of 9/11 occurring during that period. FY 02 revenues fell 0.25% but quickly recovered. Revenue growth accelerated to 14.6% in FY 05 with boosts from post-hurricane spending and rapidly rising home prices. Weakening housing markets and economic growth in late 2007 resulted in CIT revenues falling 2.1% for FY 07. Full-blown recession in 2008 led to a 6.2% drop for FY 08.

The participants in the April 21 Revenue Consensus Meeting accepted the sales tax forecasts of the statewide March Revenue Estimating Conference which were marginally more pessimistic than other forecast methods. Year-end FY 09 CIT revenues are estimated to be 9.2% below FY 08 reflecting the intensified recession that followed the financial crisis that began in late 2008. Further job losses through early 2010 will be a drag on consumer spending. FY 10 revenue is forecast to drop 2.4%. Renewed job growth and recovering housing markets for FY 11 are forecasted to support CIT growth of 5.4%. Earlier and faster than expected economic recovery could spark stronger consumer spending than forecast. Sales taxes can rebound more strongly as these revenues do not have growth limitations as do property tax revenues.

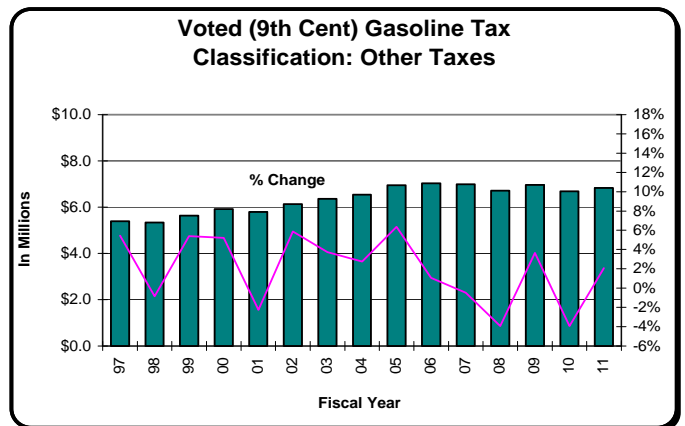
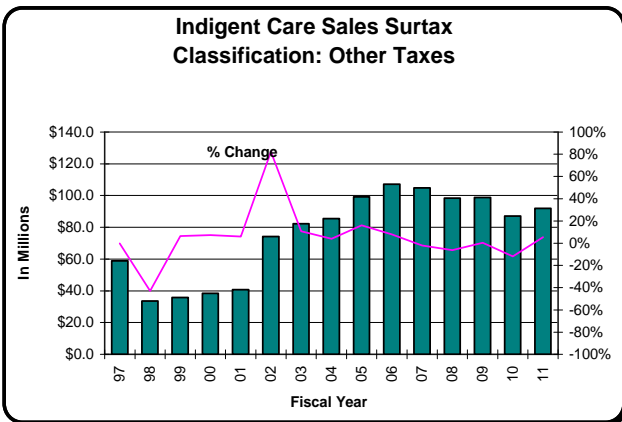
Indigent Care and Trauma Center Sales Surtax - The *Indigent Care and Trauma Center Sales Surtax* funds Hillsborough County's nationally acclaimed Indigent Health Care Program. This surtax was first imposed for a two-year period in FY 85 at a rate of 0.25 percent. In FY 92, the Board of County Commissioners 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, the Indigent Care Surtax will parallel CIT forecasts.

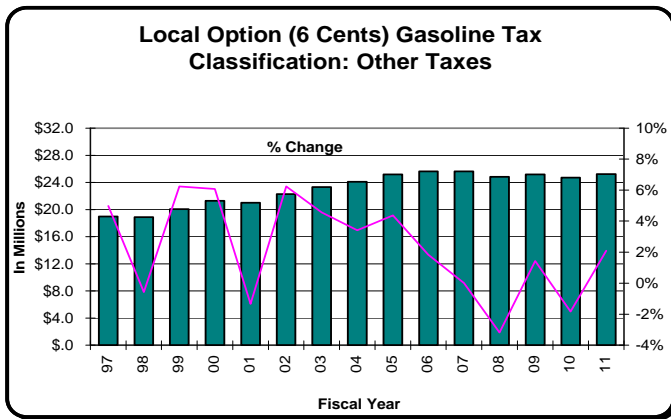
Gasoline Taxes - The taxes revenue classification includes two fuel taxes, the Voted (9th Cent) Fuel Tax and the Local Option (6 Cents) Fuel Tax. Gasoline taxes collected within Hillsborough County are shared among the County and its three municipalities.

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 has been very volatile. High fuel prices in the summer of 2008 began to have a negative effect on demand, encouraging consumers to shift to more fuel efficient cars. The financial crisis of late 2008 intensified the recession that began in December 2007, resulting in falling oil demand and a steep drop in prices.

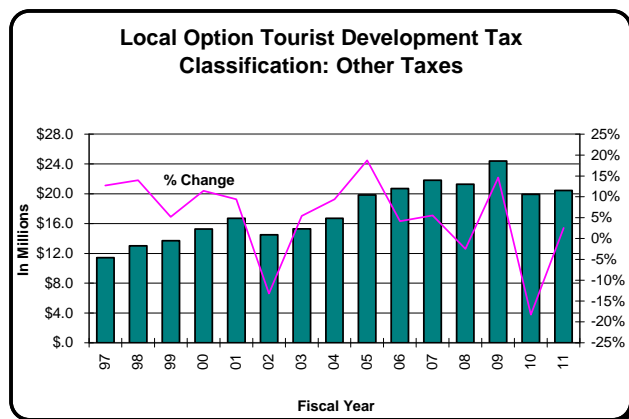
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The participants in the April 21 Revenue Consensus Meeting accepted the sales tax forecasts of the statewide March Revenue Estimating Conference which were very close to the average of forecasting methods. Year-end FY 09 Voted Fuel Tax and Local Option 6 Cents Fuel Tax revenues are estimated to be 1.4% below FY 08 reflecting high fuel prices during early FY 09 and slack recessionary demand. More moderate price expectations and stronger economic activity in 2010 should support modest growth in fuel demand. FY 10 revenue is forecast to rise 1.0%. FY 11 revenues are forecasted to rise 2.1%.

The Voted (9th Cent) Fuel Tax is scheduled to expire on December 31, 2011. The Local Option (6 Cents) Fuel Tax expires on August 31, 2013.

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. Poor economic conditions, however, resulted in an overall 2.5% revenue decline for FY 08.

The April Revenue Consensus meeting agreed to accept the Tourist Development Council's (TDC) revenue estimates, informed by its own expert judgment. Year-end FY 09 is estimated to fall 1.4% and would have dropped more without the support of this year's Super Bowl hosted by Tampa. A 5% decline is forecast for FY 10 and modest positive growth of 2.51% is forecast for FY 11.

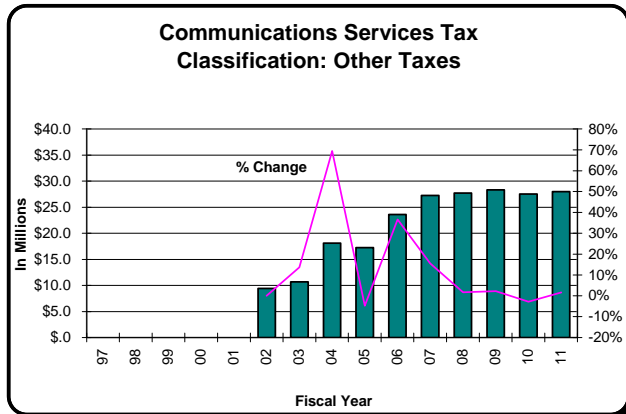
Communications Services Tax – In 2001, the State of Florida established the communications services tax. The goal was to restructure taxes on telecommunications, cable television, direct-to-home satellite, and related services. The law replaced and consolidated several different state and local taxes 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.

Communications Services Tax (CST) 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. Some of these technologies and arrangements are not currently taxable. These changes will continue to complicate forecasting of this revenue and may restrain or reverse revenue growth. Strong FY 06 and FY 07 growth of 36.7% and 15.5% was followed by only 1.7% growth in FY 08. CST revenue has, unlike most other revenues, performed well in FY 09. The end-of-year FY 09 estimates

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from the various methods considered by April's Revenue Consensus Meeting point to the CST exceeding its adopted FY09 revenue by one to two million dollars. Participants agreed to accept the relatively conservative REC estimate of 3.0% growth for FY 09. The REC expects lower demand for cellular phone services and Cable TV, as well as the continuing decrease in the residential landlines to restrain CST revenue. FY 10 revenue is forecasted to drop 3.4%. Stronger economic growth in FY 11 should boost revenue growth to 1.7%.

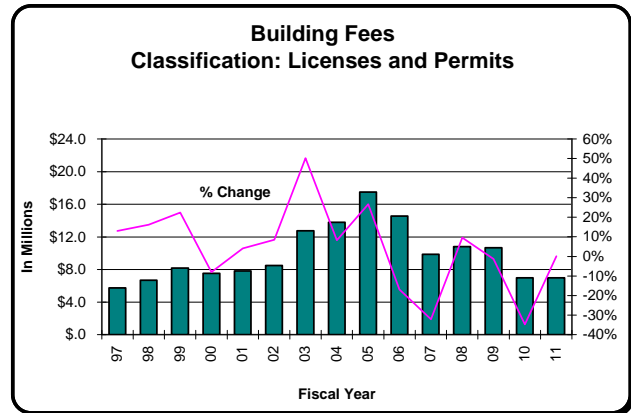
This tax is levied in the unincorporated area only. The three municipalities levy their own communications services tax.

Licenses and Permits

Fees from licenses and permits provide 3.3% of total County revenues. This has increased from less than 1% in prior years due the state reclassifying Impact Fees and Special Assessments from the Miscellaneous Revenue category to the License and Permit Revenue category. These fees 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.

Building Permit Fees - 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 sub-permits. 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 30.6% in FY 07.



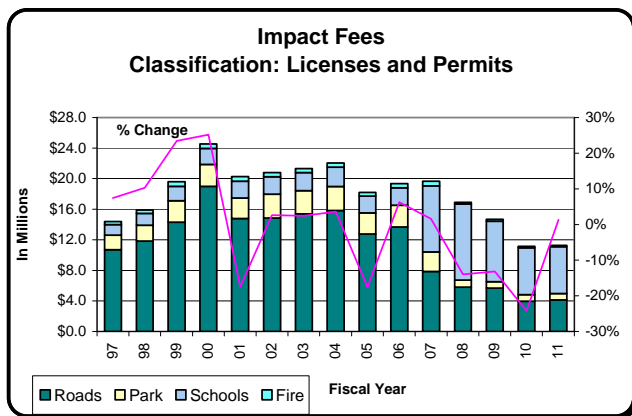
Permit activity fell a further 28.2% in FY 08 due to the continued backlog of unsold existing and new homes. Nevertheless, revenue increased 9.6% due to the full year benefit of the increased fee structure implement in FY 07. Although existing home sales have improved since September 2008 as prices continue to decline due to foreclosure and short sales, new home permits and starts are below last year. Prices and new home sales, and associated revenues, are not expected to turn around until mid to late 2010. Year-end FY 09 revenues are estimated to fall compared to FY 08 levels, while FY 10 are forecast to fall even further. Stabilizing housing markets in late 2010 are likely to yield flat revenues for FY 11 compared to FY 10. These forecasts reflect national consensus expectations of housing markets and the expert judgment of Planning and Growth Management staff.

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 cyclical growth since FY 97, re-

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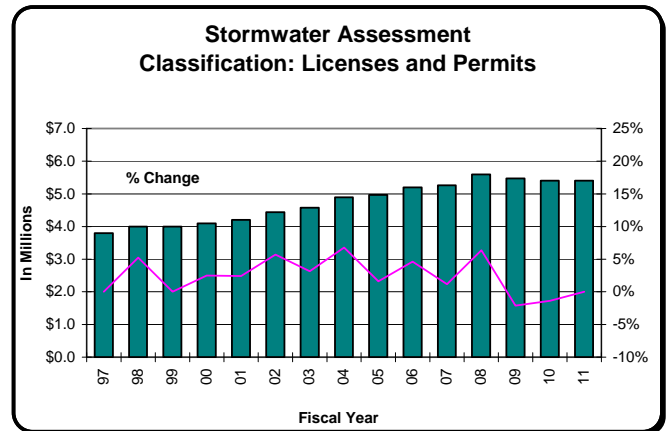
flecting overall county growth. Not shown, however, are the in-kind contributions provided by some developments in lieu of paying



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. As evidenced on the graph above, non-school impact fee revenue since FY 07 has been adversely impacted by the weakening real estate market previously discussed in the building permit fee section; this weakness is forecast to continue into FY 10. Weak improvement is forecasted for FY 11. Fees are conservatively estimated by Management and Budget staff using a five year trend analysis, forecast of new construction, and expert staff judgment.

Stormwater Assessments - 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. While annual population growth in the unincorporated area historically accounted for a small but consistent annual increase in revenues, the large number of taxpayers delinquent on their taxes or currently in foreclosure will result in revenues remaining at or slightly dropping from FY 08 revenues. This revenue should see moderate growth once the housing market rebounds.



Note: The graph reflects the correct projected FY 11 revenue; this revenue was inadvertently shown as \$1.175 million, rather than \$5.4 million, on the Revenues by Source spreadsheet. This will be corrected for the adopted book.

Forecasts are derived by Public Works staff judgment and actual property tax roll data. Overall revenues are estimated to remain relatively flat reflecting the slowdown in new construction previously discussed.

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.

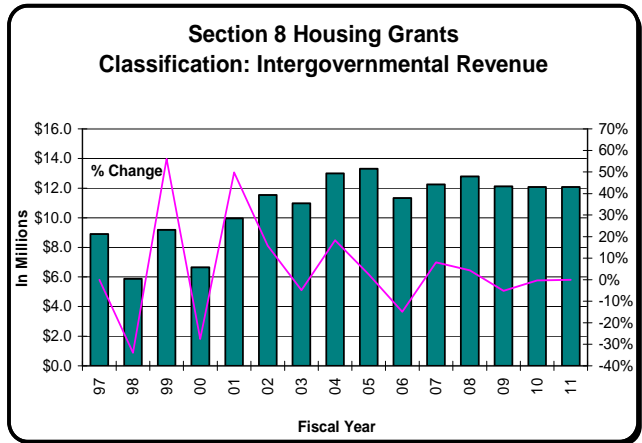
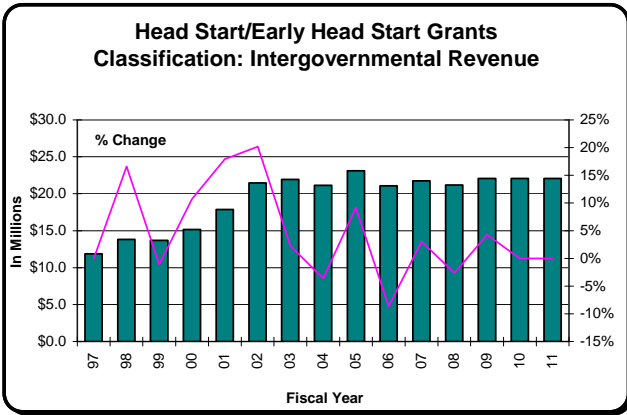
The County's largest grants are for the Head Start/Early Head Start Program. This program provides services designed to enhance children's physical, social, emotional and intellectual development. Early Head Start serves low-income pregnant women and families with infants and toddlers. Head Start provides 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. De-

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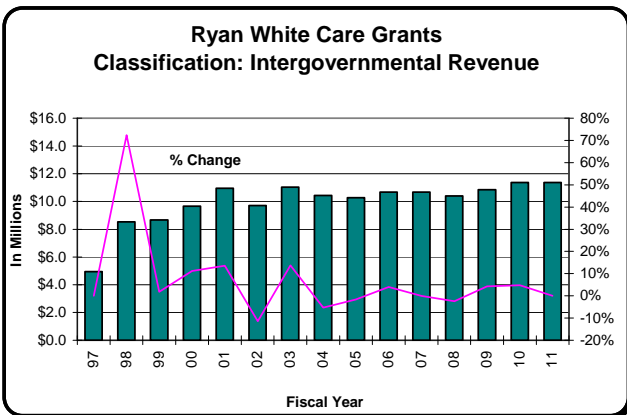
partment of Health and Human Services, Region IV Administration for Children and Families.

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



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 indicates, Section 8 grant revenue trends showed 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, available funding fell from FY 05 to FY 06. Revenue grew slightly in FY 07 and FY 08 and is expected to remain flat through FY 11. Estimates are prepared by the Health and Social Services Department in consultation with the U.S. Department Housing and Urban Development (HUD).



As the chart shows, Ryan White grant revenue has been relatively stable. The main exception is 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.

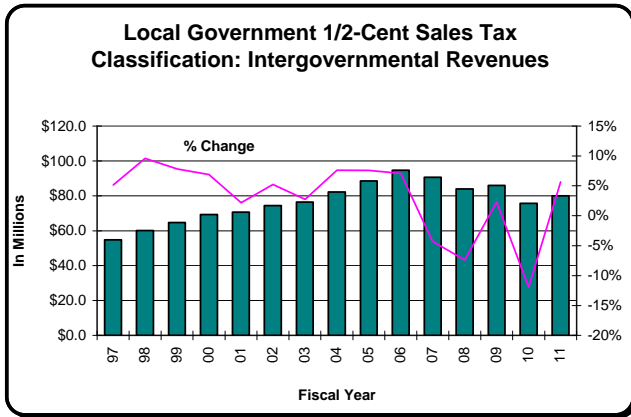
State Shared Revenues - Two State shared revenues are important sources of funding for the County. The *Local Government Half-Cent Sales Tax* has been a major source of revenue for the County since FY 83. In FY 98, actual collections exceeded the budget by \$4 million. The FY 99 budget was also understated 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. Recession caused revenue to drop 7.4% for FY 08.

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

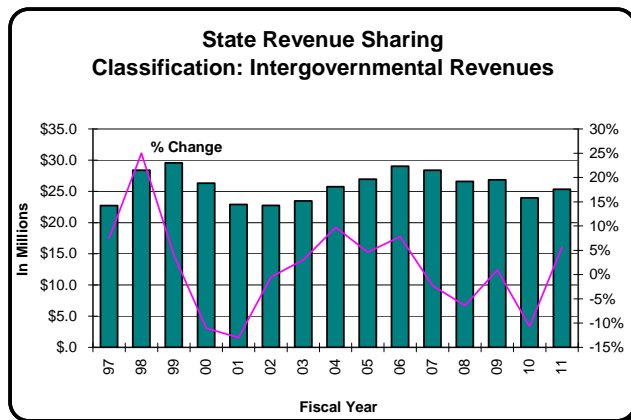
The participants in the April 21 Revenue Consensus Meeting accepted the sales tax forecasts of the statewide March Revenue Estimating Conference (REC) for the CIT and Indigent Care Sur-tax. Similarly the group chose the REC forecast for Half-Cent Sales Tax distributions. Year-end FY 09 Half-Cent revenues are estimated to be 10.2% below FY 08 reflecting the intensified recession that followed the financial crisis that began in late 2008. Further job losses through early 2010 will continue to drag on consumer spending. FY 10 revenue is forecast to drop 1.9%. Re-

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newed job growth and recovering housing markets for FY 11 are forecasted to support Half-Cent growth of 5.7%.



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



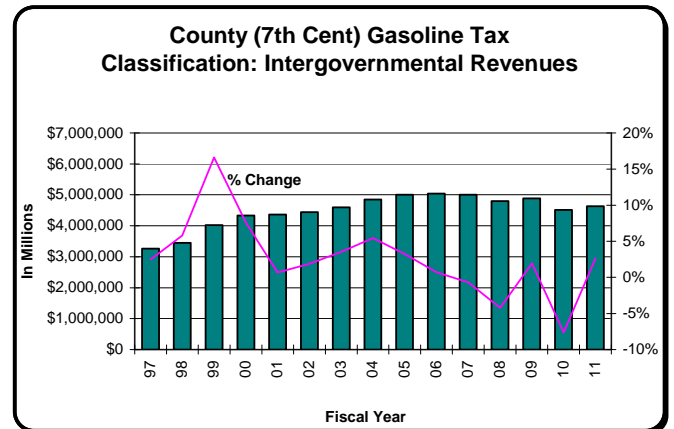
Revenue Sharing to grow in a similar manner to the Half-Cent Sales Tax. State Revenue Sharing forecasts, therefore, will closely track Half-Cent forecasts. Later, state legislation related to Article V implementation lowered the share of sales tax shared with counties through revenue sharing by 9.1% effective July 1, 2004. The REC forecast for Revenue Sharing follows a similar path as its Half-Cent forecast. Year-end FY 09 State Revenue sharing is estimated to be 12.3% below FY 08. FY 10 revenue is forecast to

fall 1.5%, while FY 11 Revenue Sharing is forecasted to grow 5.6%.

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. The April Revenue Consensus meeting accepted the REC's forecast for the state distributions of the Constitutional Fuel Tax. Recession and soft demand is constraining fuel taxes. Year-end FY 09 revenue is estimated at 5.2% below FY 08. FY 10 revenue is forecasted to drop 0.7% before rising 2.6% for FY 11 as the economy improves.

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.

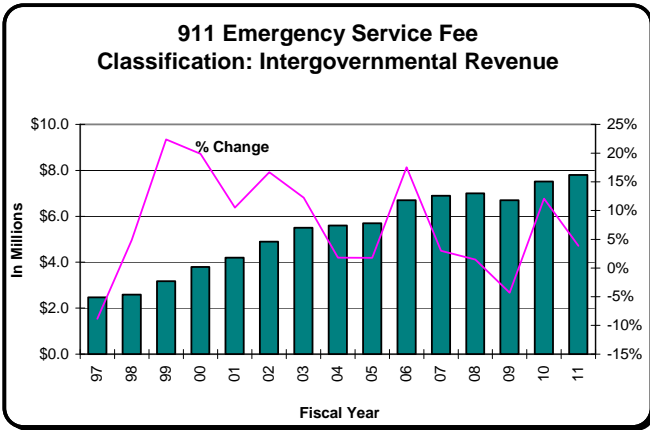
This revenue, along with other gasoline taxes and road network impact fees, is used to finance road network improvements and maintenance. As the associated chart shows, revenues from this tax have grown steadily since FY 97. Growth accelerated in the late 1990s, as did growth in most revenues. Fuel prices 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. The REC's growth forecasts for the County Fuel tax match those for the distributions of the Constitutional Fuel Tax.



911 Emergency Service Fee – Prior to FY 09 this revenue was classified by the State of Florida as a charge for service. A change in the Florida Uniform Accounting System required 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

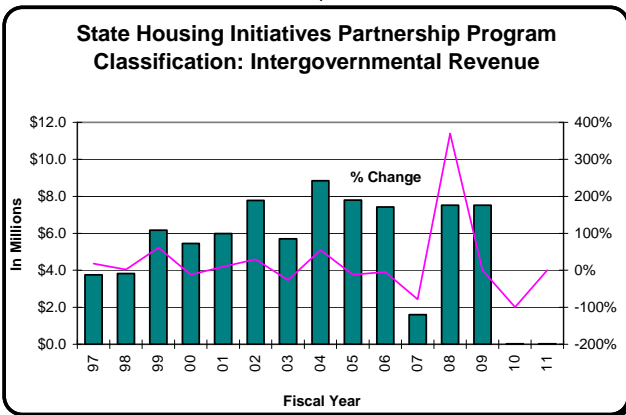
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911 system. Starting in FY 10, accounting for these two fees are required to be consolidated for budget and reporting purposes.



The income from the 911 service fee grew steadily from FY 95 through FY 03. However, in FY 04 the revenue generated by landlines began to decline as the number of landline telephones declined. This decrease was more than offset by increases in fees generated from cellular telephones as shown in the combined revenue reflected in the above graph. This trend is anticipated to continue for FY 10 and FY 11.

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

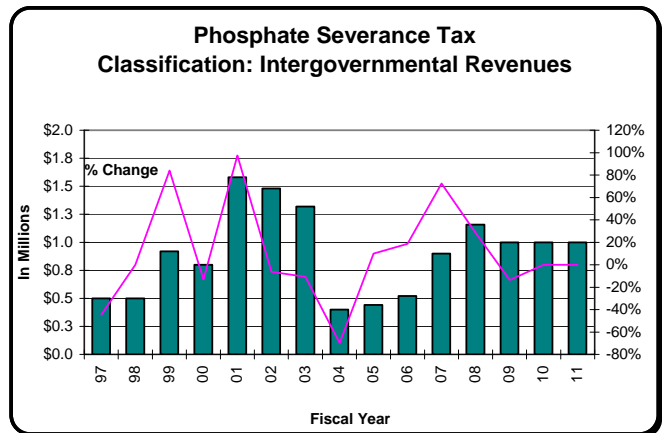


corresponding revenues. In FY 07, a one-time change in the method and timing of remittance of the revenue from the State

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.

In early 2009, Hillsborough County was notified by the State of Florida that, due to budgetary constraints at the state level, no SHIP grants are expected to be awarded for FY 10 and FY 11.

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.

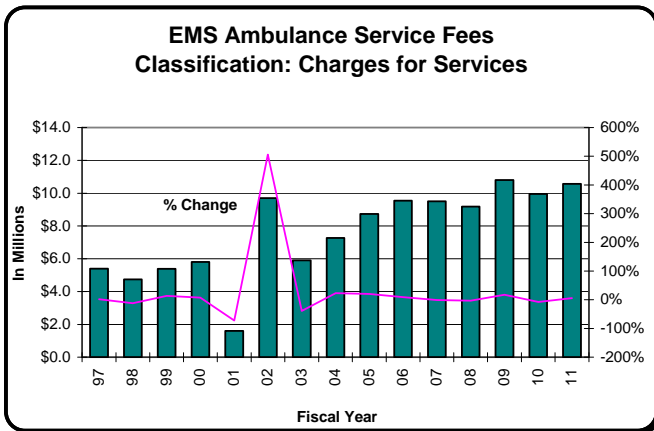


The chart shows this revenue's volatility over the years. Revenue in FY 99 reflected better international market conditions for phosphates and phosphatic fertilizer. In May 2000 the Legislature increased the county share of the tax from 10% to 18%. In FY 04, a major phosphate mining company scaled back 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. FY 10 and FY 11 revenues are forecast to remain flat at FY 09 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 29% 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.



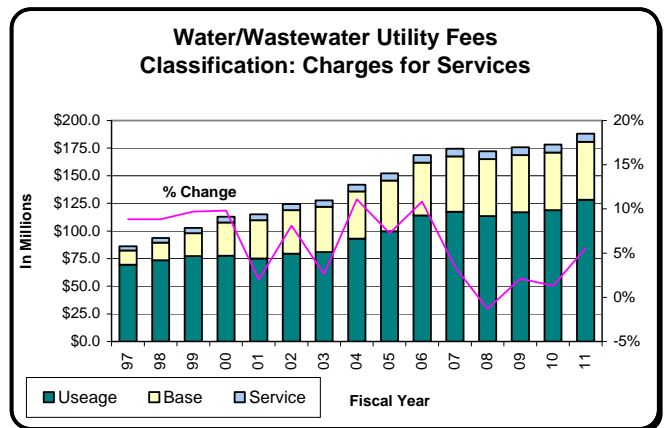
The Fire Rescue Department develops the estimates for these fees using expert judgment and a five year trend analysis.

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 pre-

pared 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 Water/Wastewater chart 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 troubled real estate market is reflected in the 1.3% revenue decline for FY 08. Fewer new homes translates to fewer new connections. Year-end revenues for FY 09 will reflect further decline. Modest growth is forecast for FY 10 with greater growth occurring in FY 11 reflecting the expected improvement in housing markets. Although Hillsborough County's effective implementation of tiered conservation rates and other conservation programs have mitigated the historical need to increase usage charges other than the Purchased-Water Pass-Through charge, recent capital requirements and debt coverage ratio requirements defined in water/wastewater bond covenants may necessitate a rate increase later in FY 09.



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.

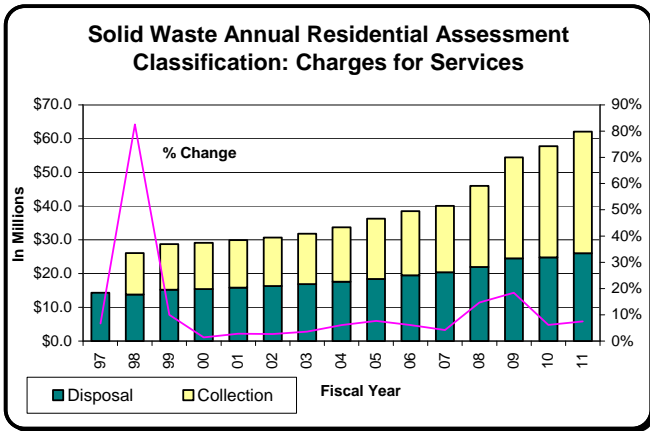
The solid waste collection assessment was approved by the BOCC on November 13, 1996, and went into effect on October 1, 1997. This assessment replaced the annual \$82.08 fee residents previously paid directly to collectors for curbside service. Franchise

MAJOR COUNTY REVENUES

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.

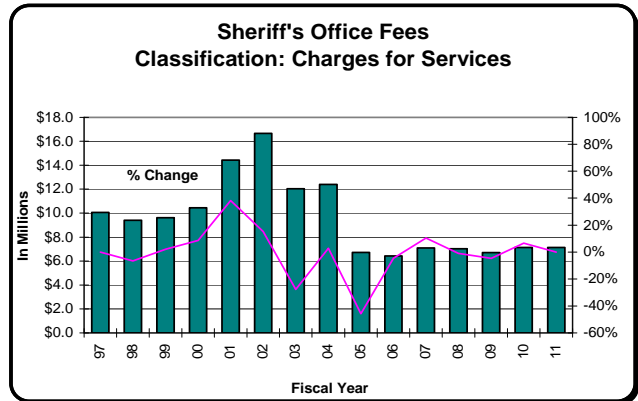
Residents are also assessed a solid waste disposal assessment on the ad valorem tax bill. These assessment fees replace the tipping fee previously charged by disposal facilities for residential refuse disposal, whether transported by the residential user or a commercial service. From FY 87 to FY 91, 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 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.



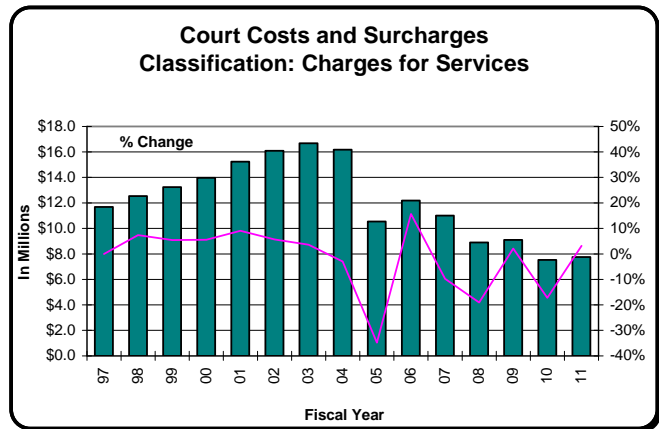
Sheriff's Office Fees – The majority of these fees are reimbursements to services provided by the Sheriff's Office. For example, the cities reimburse for School Crossing Guards provided by the Sheriff and the School District reimburses half of the costs for the School Resource Deputy program. The largest 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 above 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, and are forecast to remain relatively flat in FY 10 and FY 11.

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

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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. Revenue is not expected to return to positive growth until FY 11, when housing markets are forecast to improve.

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.

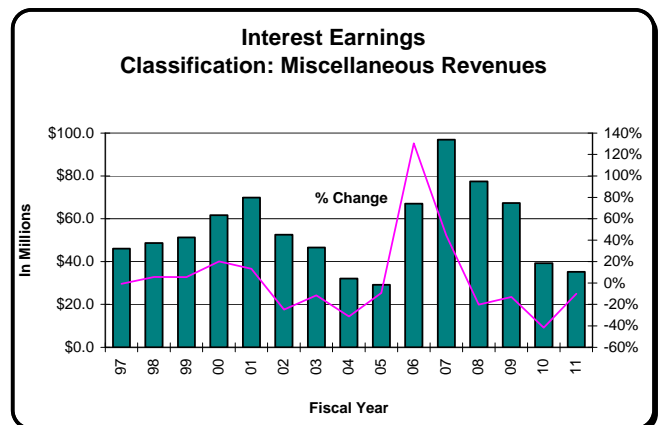
Miscellaneous Revenues

Miscellaneous Revenues account for 4.3% of total revenues. Special assessments and impact fees no longer fall under this state classification as the State of Florida reclassified these revenues as Licenses and Permits. Interest now accounts for two-thirds of the revenues in this category. In addition, 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 re-

sponse to worsening mortgage markets and other weaknesses in the economy. Amid fears of recession and financial stress, the Fed aggressively lowered its rate target another 350 basis points through October 2008 in order to stimulate economic activity. As the financial crisis intensified during October and November 2008 and business and consumer confidence hit record lows the Fed lowered its key rate target to the range of 0.0% to 0.25%. Short term rates dropped to near zero. Most analysts expect the Fed will hold rates near zero through 2009 before introducing modest increases in 2010. This action will restrain interest income for FY 10 and FY 11.

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 and 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 through FY 11 interest revenue reflect several factors: declining average fund balance estimates due to lower ad valorem and sales tax revenues, continuing expenditure of debt proceeds on hand to fund a major transportation capital improvement initiative, use of one time reserves to defease debt, and continuing maturity of County held higher yielding investments that will need to be replaced with lower yielding investments. These factors, coupled with the previously discussed Federal Reserve action to lower interest rates will continue to contribute to lower interest earnings through FY 11. 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.



COUNTY REVENUES BY SOURCE

		FY 08 Actual	FY 09 Adopted	FY 10 Recommended	FY 11 Planned	% Total FY 10
Taxes						
Ad Valorem Taxes	D	\$771,689,260	\$756,453,342	\$656,535,334	\$596,783,410	37.2%
Community Investment Tax	D	98,386,405	98,825,524	87,121,576	91,853,476	4.9%
Indigent Healthcare Surtax	D	98,346,083	98,825,524	87,121,576	91,853,476	4.9%
Local Option Six-Cents Fuel Tax	D	24,818,724	25,172,000	24,712,376	25,228,366	1.4%
Communications Services Tax	D	27,706,846	28,320,747	27,526,591	27,984,762	1.6%
Tourist Development Tax	D	21,294,991	24,409,970	19,950,000	20,450,000	1.1%
Ninth-Cent Gas Tax	D	6,714,712	6,959,677	6,685,938	6,825,539	0.4%
Other Taxes ²		42,166	1,652,733	2,545,711	2,605,711	0.1%
Total Taxes		1,048,999,187	1,040,619,517	912,199,102	863,584,740	51.7%
Licenses & Permits						
Building Permits	D	10,803,967	10,669,092	6,966,053	6,971,053	0.4%
Fire Impact Fees		0	0	169,500	182,000	0.0%
Water/Wastewater Impact Fees		0	0	1,844,175	1,739,201	0.1%
School Impact Fees		0	0	6,145,000	6,145,000	0.4%
Transportation Impact Fees		0	0	3,964,800	4,116,000	0.2%
Parks Impact Fees		0	0	847,000	847,000	0.1%
Special Assessments - Capital Improvemen		0	0	13,448,634	13,448,634	0.8%
Special Assessments - Water/Wastewater		0	0	17,408,954	18,099,111	1.0%
Special Assessments - Stormwater		0	0	5,400,000	1,175,000	0.3%
Other Licenses & Permits		5,204,460	3,223,108	1,136,248	1,127,633	0.1%
Total Licenses & Permits		16,008,427	13,892,200	57,330,364	53,850,632	3.3%
Intergovernmental Revenue						
<i>State Shared Revenues</i>						
Local Government Half-Cent Sales Tax	D	83,996,790	85,951,428	75,696,626	79,979,304	4.3%
State Revenue Sharing	D	26,581,882	26,835,498	23,971,802	25,328,674	1.4%
Constitutional Fuel Tax	D	10,991,612	11,258,496	10,352,667	10,626,167	0.6%
State Housing Initiatives Partnership	D	7,605,645	7,522,000	25,000	25,000	0.0%
Shared State Restricted Revenue		9,756,754	9,584,148	9,846,760	10,157,410	0.6%
County Fuel Tax	D	4,793,727	4,887,288	4,514,821	4,634,061	0.3%
Shared State General Revenues		3,804,265	4,142,151	4,195,133	4,195,133	0.2%
Other Intergovernmental Revenues		667	3,500	3,500	3,500	0.0%
Subtotal		147,531,342	150,184,509	128,606,309	134,949,249	7.3%
<i>Intergovernmental Grants</i>						
Head Start/Early Head Start Grant	D	21,160,373	22,063,891	22,063,891	22,063,891	1.3%
Section 8 Housing Grant	D	12,789,467	12,126,088	12,080,093	12,080,093	0.7%
Ryan White Emergency Relief Grant	D	10,410,892	10,853,930	11,374,602	11,374,602	0.6%
Federal Human Services Grants		10,449,488	9,451,907	9,396,976	9,398,685	0.5%
Community Development Block Grant		4,536,451	5,920,344	5,624,327	5,624,327	0.3%
State Health & Human Svcs Grants		5,990,458	8,709,804	2,865,920	6,158,117	0.2%
Federal Health Grants		4,038,764	3,900,771	4,277,136	4,225,992	0.2%
Fed Economic Environment Grants		4,278,902	3,058,158	4,104,191	4,104,191	0.2%
State Physical Environment Grants		3,176,495	2,879,951	2,831,804	2,868,751	0.2%
Other State Grants		4,206,963	2,938,267	2,795,084	2,462,608	0.2%
Other Federal Grants		6,065,139	2,806,026	3,404,104	2,837,859	0.2%
Local Grants		906,765	876,045	875,233	863,243	0.1%
Subtotal		88,010,157	85,585,182	81,693,361	84,062,359	4.6%
Total Intergovernmental Revenue		235,541,499	235,769,691	210,299,670	219,011,608	11.9%

COUNTY REVENUES BY SOURCE

	FY 08 Actual	FY 09 Adopted	FY 10 Recommended	FY 11 Planned	% Total FY 10
Charges for Services					
<i>Water/Wastewater Utility Fees</i>					
Water/Wastewater Usage Fees D	113,579,509	116,880,677	118,863,197	128,381,486	6.7%
Water/Wastewater Base Fees D	51,499,910	51,797,796	52,099,402	52,247,185	3.0%
Accrued Guaranteed Revenue Fees	5,840,711	5,780,860	3,471,500	3,259,085	0.2%
Customer Monthly Billing Charge D	7,082,115	7,079,993	7,132,795	7,373,458	0.4%
Other Water/Wastewater Utility Fees	2,182,196	2,237,190	1,320,200	970,422	0.1%
Subtotal	180,184,441	183,776,516	182,887,094	192,231,636	10.4%
<i>Solid Waste Fees</i>					
Solid Waste Residential Assessments D	46,075,664	53,880,021	57,800,988	62,139,336	3.3%
Solid Waste Tipping Fees	28,057,203	32,715,959	26,245,100	27,477,369	1.5%
Solid Waste Recycling Revenue	17,741,166	18,176,273	23,462,343	22,808,613	1.3%
Subtotal	91,874,033	104,772,253	107,508,431	112,425,318	6.1%
<i>Other User Fees</i>					
Ambulance Fees D	9,193,618	10,796,866	9,957,034	10,056,604	0.6%
Court Costs & Surcharges D	8,907,728	9,093,534	7,522,783	7,759,871	0.4%
Planning & Growth Management Fees	5,756,766	6,097,806	3,633,899	3,532,234	0.2%
Sheriff's Office Fees D	7,034,089	6,744,893	7,142,918	7,142,920	0.4%
Public Safety Fees	2,759,788	2,682,324	2,672,489	2,554,727	0.2%
Environment & Physical Resource Fees	2,922,432	3,536,550	2,900,901	2,920,290	0.2%
Transportation Fees	4,288,756	3,616,759	3,611,971	3,611,971	0.2%
Human Services & Recreation Fees	3,861,872	7,274,261	3,915,232	3,251,347	0.2%
Economic Environment Fees	1,195,239	1,115,177	96,000	96,000	0.0%
Other User Fees	739,981	2,465,887	1,377,222	5,770,580	0.1%
Subtotal	46,660,269	53,424,057	42,830,449	46,696,544	2.4%
<i>Internal Charges</i>					
Internal Service Charges - Insurance	88,471,214	98,960,710	68,064,289	75,044,439	3.9%
Indirect Administrative Costs	37,735,626	47,487,770	46,983,800	46,680,161	2.7%
Internal Service Charges - Fleet	27,880,031	33,310,049	32,049,570	32,849,375	1.8%
Employee Health Insurance Premiums	23,186,560	25,399,327	18,787,699	20,902,870	1.1%
Insurance & Technology Reimbursements	7,549,625	7,032,932	7,231,777	8,034,083	0.4%
Subtotal	184,823,056	212,190,788	173,117,135	183,510,928	9.8%
Charges for Services Total	503,541,799	554,163,614	506,343,109	534,864,426	28.7%
Fines & Forfeits					
	6,188,438	5,402,303	4,765,123	4,789,714	0.3%
Miscellaneous Revenue					
<i>Special Assessments & Impact Fees</i> ³					
Water/Wastewater Special Assessments	18,639,061	21,147,751	0	0	0.0%
Stormwater Special Assessments D	5,593,538	5,475,000	0	0	0.0%
Streetlighting Special Assessments	7,696,823	8,122,287	0	0	0.0%
Transportation Impact Fees D	5,786,498	5,688,951	0	0	0.0%
Water/Wastewater Impact Fees	1,948,234	5,763,737	0	0	0.0%
Other Impact Fees D	11,120,652	8,926,714	0	0	0.0%
Subtotal	50,784,806	55,124,440	0	0	0.0%

COUNTY REVENUES BY SOURCE

	FY 08 Actual	FY 09 Adopted	FY 10 Recommended	FY 11 Planned	% Total FY 10
Interest	77,379,823	67,395,146	39,286,972	35,296,984	2.2%
Other Miscellaneous Revenues	49,523,705	20,648,272	35,993,737	16,613,423	2.0%
Miscellaneous Revenue Total	177,688,334	143,167,858	75,280,709	51,910,407	4.3%
Total Revenue - All Types	\$1,987,967,684	\$1,993,015,183	\$1,766,218,077	\$1,728,011,527	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.

(3) During FY 09, Florida Uniform Accounting System changes reclassified several revenues. Impact fees and special assessments were reclassified as licenses and permits