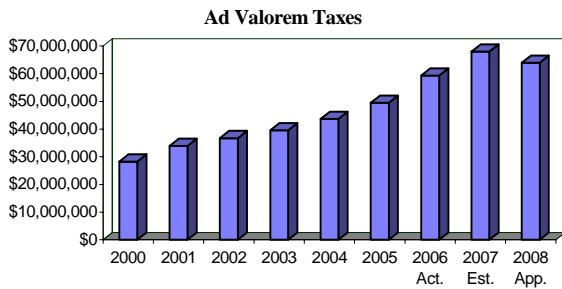


# Methodology of Revenue Forecasting

## AD VALOREM TAXES

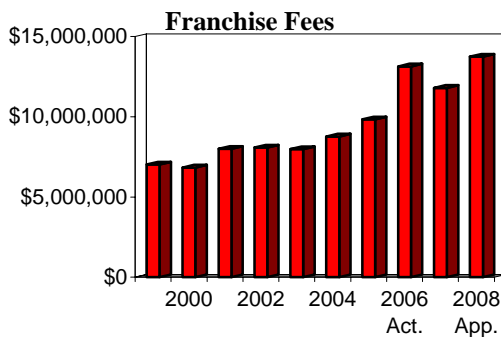
The City of Boca Raton taxes property owners based upon the assessed value of their property. The Palm Beach County Property Appraiser sets the assessed value of the property and certifies the tax roll to the City. The City then sets the millage rate at which the property owners are taxed. Each mill generates \$1 of tax revenue for every \$1,000 of assessed property value. For 2007-2008, the County Property Appraiser certified the City's taxable value at the amount of \$20,367,876,263. This is an increase of \$583,751,897 in the City's tax base over last year. In FY2007 the legislature approved a statutory cap on millage rates. The City's state mandated operating rate is 3.0200, which represents a 7% decrease over the rolled back rate of 3.2474.



In order to satisfy the criteria of not increasing taxes, the State of Florida's TRIM Bill (Truth in millage) mandates an adjustment in the millage to prevent local governments from receiving additional revenue as a result of increased assessments to existing properties. This adjusted millage is called the "rolled-back rate." The debt service portion of the millage is directly related to the cost to repay the City's voter-approved bonds. The City anticipates collecting \$63,963,800 in 2007-2008, which is \$4,016,000 less than 2006-2007. The Ad Valorem taxes for 2007-2008 are decreasing due to a reduction in the City's millage rate from 3.5886 to 3.3057, which is a 7.88% reduction.

## FRANCHISE FEES

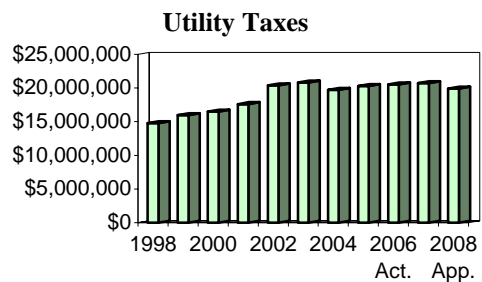
The City collects two types of franchise fees electric and natural gas. Effective October 1, 2001 the State of Florida



enacted a simplified tax structure for telecommunications, which repealed franchise fees for telephone and cable television. The revenue estimates are based on rate increase information received from the respective companies, expected growth and historical trends. Electric franchise fees generate the majority of franchise fee revenue. Oil and gas prices are very difficult to predict in the current economy. Oil prices, as well as supply and demand, will dictate revenue collections. The City anticipates instituting a new franchise fee for haulers of solid waste. The City anticipates collecting \$13,740,000 in total franchise fees for 2007-2008.

## UTILITY SERVICE TAX

The City has the right, by Florida State Law, to tax utility services provided to the residents and businesses within its corporate limits. The City is currently levying 10%, which is the maximum tax allowed, on electricity, water, natural gas, and liquid petroleum. Of this amount, 1% is dedicated to the Right-of-Way Beautification Program, 1% is for the Six-Year Capital Improvements Program, and the balance, 8%, is used for general City operations.



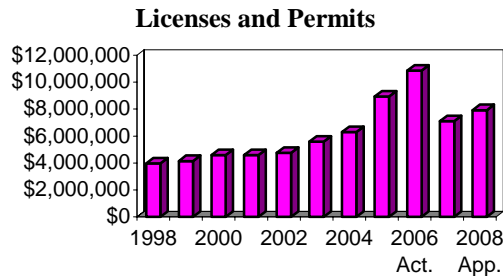
Effective October 1, 2001 the State of Florida has implemented a simplified tax structure for telecommunications, cable, direct-to-home satellite and related services. The State provided for a maximum rate to generate the same amount of revenue that the City previously received from telecommunication taxes. The City experienced a flattening in this revenue due to bundling of telephone services and Voice over Internet Protocol.

The revenue received from this tax is estimated based on rate increase information provided by the various companies, expected growth and historical trends. Utility taxes have been one of the City's strongest growth revenues since 1994. The City anticipates total utility taxes of \$19,890,00 for fiscal year 2007-2008, which is a decrease of \$800,000 over 2006-2007.

## LICENSES & PERMITS

### Professional and Occupational Licenses

The revenue received from issuing licenses to City businesses is estimated in 2007-2008 based on license costs, historical and recent collection trends. The City anticipates collecting \$1,356,000 in 2007-2008, which is a decrease of \$137,000 from the prior year.



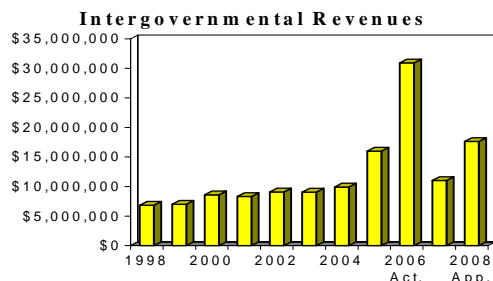
### Building Permits and Other Licenses

The revenue generated by the various types of building permits is calculated by determining the amount of undeveloped land, anticipating new development and redevelopment, as well as the historical trend for improving existing buildings.

Historically, the City of Boca Raton has experienced an intense amount of building activity. But, as the availability of undeveloped land becomes scarcer, new commercial building activity has started to level off and will eventually start to decline. Since 1995, the City has experienced a significant amount of commercial property redevelopment and new residential construction. The 2005-2006 revenue increased substantially due to new processes that ensure proper valuation of building permits and robust building activity. Due to the effects of the last three hurricane events the City has experienced significant increases in the building permit activity. The 2007-2008 estimates flat growth in new construction and redevelopment than in the prior year.

## INTERGOVERNMENTAL REVENUES

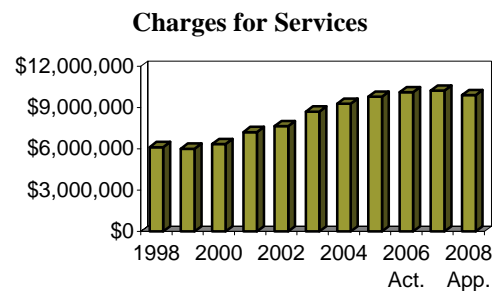
### State Shared Revenue



The City receives revenue from the State of Florida. The State provides the City with an estimate for the upcoming year. The State determines the distribution to the local governments based upon receipts, population and municipal assessed value per capita.

The City then budgets no more than 95% of the State estimate to allow for the possibility of actually receiving less. The City receives revenue from the State from the following sources: sales tax, cigarette tax, gas tax, mobile home licenses and State revenue sharing. In addition, the City receives funds from various State grants. In 2005-2006 the City received over \$16,000,000 in FEMA funds for hurricane Wilma. Overall, the City has experienced strong increases in intergovernmental revenues during the latest economic expansion. This is due largely to strong sales tax collections. In 2007-2008 the sales tax revenues are anticipated to be \$6,450,000.

## CHARGES FOR SERVICE



### Miscellaneous User Fees

The City of Boca Raton charges fees to the users of various services. The charging of these fees ensures that the user of the service pays for the service and not the broad base taxpayer. The City expects to collect slightly less in user fees for fiscal year 2007-2008.

### Culture-Recreation Fees

These user fees offset a portion of the costs associated with Parks and Recreation Department programs including tennis, libraries, beach stickers, athletics and various other programs.

### Contributions from Enterprise Funds

The General Fund provides numerous administrative type services to the Enterprise Funds. The cost for these services is charged to each Enterprise Fund in the form of an "Administrative Services" fee. The actual fee charged is based upon the City's annual Cost Allocation Study.

**Municipal Services Charge**

The Water and Sewer Enterprise Fund is charged annually for the municipal services (police, fire and sanitation) that it receives while being tax exempt. The Water and Sewer Plant facilities are located within City limits. The fee is calculated by applying the assessed value of the facility to the City's millage rate. (The Golf Course Enterprise Fund is not charged because the facility is outside the City limits and, therefore, does not receive municipal services.)

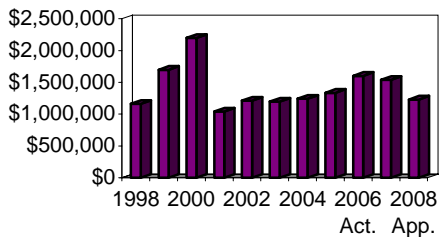
**False Alarms**

Charges to property owners to cover City costs for responding to excessive numbers of false police and fire alarms. Estimates for 2007-2008 false alarms are based upon recent collection trends and include a graduated scale for the amount of charges based on actual false alarms.

**EMS Transport**

In 1995, the City's Fire/Rescue Services Department took over emergency medical services transport within the City's corporate limits. The City expects to collect \$1,900,000 for EMS transports in 2007-2008. This amount is expected to increase approximately 5% annually and collection rates are anticipated to remain stable.

**Fines and Forfeitures**

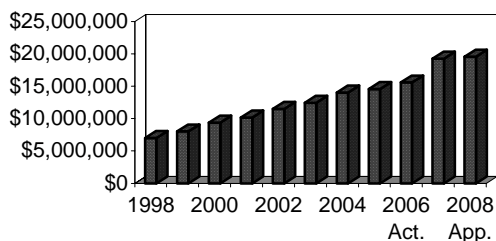


**County Fines and Forfeitures**

This revenue is the City's share of fines collected by the County for traffic offenses and misdemeanors. In 1996, the County implemented a strict enforcement and collection policy. This fiscal year less fines are anticipated.

**INTERNAL SERVICE FUNDS**

**Internal Service**

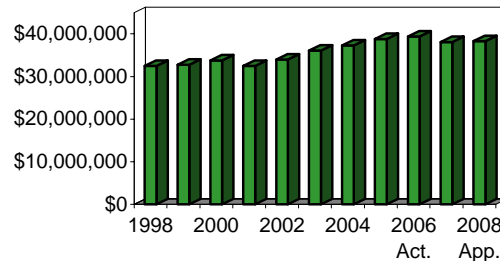


The Internal Service Funds generate revenue by charging the City departments for services provided. The revenue generated is intended to cover all costs to operate the division. The Internal Service Funds are the Information Technology Fund and the Motor Pool Fund.

**WATER AND SEWER FUNDS**

Water and sewer rates are being increased 2.73% (Consumer Price Index) in 2007-2008. The increase is to provide for maintaining existing service levels, continued operations, and maintenance of existing infrastructures and for the design and construction of water treatment plant expansion to meet new federal standards.

**Water and Sewer**



Total Water and Sewer Operating Fund revenues are anticipated to be \$38,305,900 for 2007-2008. The City experienced a significant increase in revenues from Water and Sewer services when it increased rates 25.4% in 1998.

**Water Sales**

Revenues are estimated based upon three variables: (1) customer charge; (2) capacity charge; and (3) commodity charge -- estimated amount of water to be used based upon historical data and growth estimates. Growth in consumption estimates remains conservative for 2007-2008.

**Sewer Service**

Revenues are estimated for residential property based upon the number of bathrooms and commercial is based upon 100% of water use. Historical information and conservative growth estimates have been used for the 2007-2008 calculations.

**Hydrant Rental**

Revenue projections are based upon the annual "count" of hydrants served, which occurs each January. The City and the County are billed accordingly. The City expects to receive \$1,301,000 for Hydrant Rental in 2007-2008.

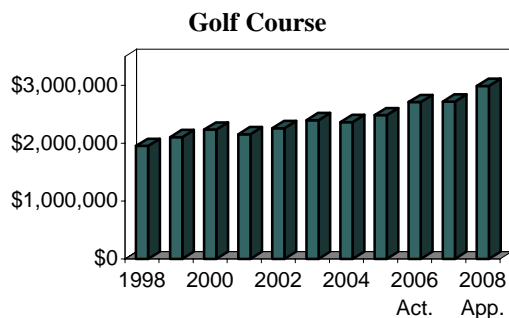
**Reclaimed Water Sales**

These revenues are based upon estimates of the amount of reusable water to be sold. This is a relatively new revenue. New customers are brought on-line as the infrastructure is put in place. Revenue estimates are based upon expected usage by these customers. The City anticipates collecting \$610,000 for installation and usage in 2007-2008.

**Water and Sewer Impact Fees**

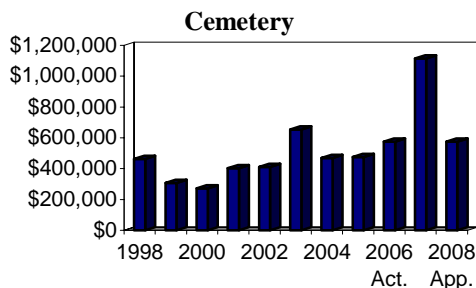
The “In City” and “Out of City” Impact Fees are charges to new customers for the additional burden they place upon the infrastructure. Conservative growth is anticipated in 2007-2008.

**GOLF COURSE**



The City of Boca Raton owns and operates one municipal and two executive golf courses. The courses generate revenue from users for annual permits, green fees, cart fees, driving range fees, and miscellaneous charges. The revenues at the City’s golf courses have steadily increased since 1994. For 2007-2008, the City’s golf courses are expected to generate revenues of \$2,991,200.

**CEMETERY**

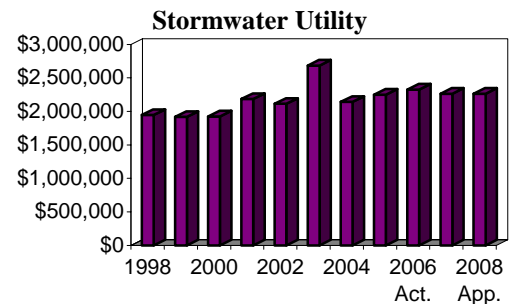


The City of Boca Raton operates a municipal cemetery and maintains a mausoleum facility. The Cemetery increased fees in 1995-96 as part of a long-range plan to provide for the perpetual maintenance of the cemetery/mausoleum. The fees are adjusted annually to reflect CPI (Consumer Price Index) changes. In 2007 the City approved an

operating transfer from the Perpetual Care Fund for \$545,000 in mausoleum repairs.

**STORMWATER UTILITY**

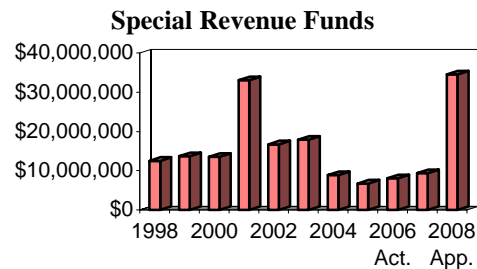
Stormwater Utility fees were established in 1994 to meet the Federal EPA requirements for NPDES (National Pollutant Discharges Elimination System) permit guidelines for water quality and for State mandates for drainage and flood control. Revenues are derived from a \$2.90 monthly charge to all residential users and a calculated ERU (Equivalent Residential Unit) rate based on square feet to all nonresidential users. The stormwater fees are anticipated to generate approximately \$2,265,000 2007–2008.



**SPECIAL REVENUE FUNDS**

The City generates special revenue funds from the Community Development Block Grant (CDBG), State Housing Initiative Partnership Program (SHIP), Beautification Fund, Law Enforcement Trust Fund and the Greater Boca Raton Beach and Park District.

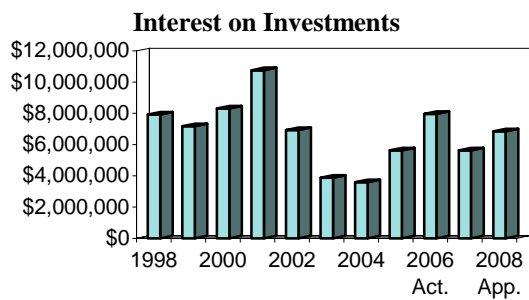
The CDBG and SHIP revenues are received from federal and state programs to provide housing opportunities for all Boca Raton citizens.



The Beautification Funds are derived from a 1% dedication of the Utility Service Tax.

The Greater Boca Raton Beach and Park District and the City of Boca Raton have a maintenance agreement for Red Reef Park, Patch Reef Park, Sugar Sand Park and the Racquet Club Tennis Facility. The first three parks were purchased and developed with revenue generated by the Greater Beach and Park District. The Racquet Club Tennis facility was acquired during 2000. The maintenance of these parks, as well as FAU, Verde, and Del Prado, is taken care of by the City and reimbursed by the Beach and Park District. The decreased revenue in 2005 is attributable to the completion of capital improvements. The 2008 anticipated increase is due to the Countess deHoernle Park development of \$25,000,000.

**INTEREST ON INVESTMENTS**



The revenue generated from interest on investments is estimated based on the investment market and cash-flow forecasts. Interest income has fluctuated over the past years due mainly to variances in interest rates. The 2007-2008 interest income was projected using an interest rate of approximately 4.5% to reflect the current economic trend and projected fund balances/reserves. The City anticipates collecting \$6,843,200 in 2007-2008.

