

REVENUE EXPLANATIONS

ADVALOREM TAXES: The property tax is based on the value of real and personal property. Each year the county property appraiser determines the total assessed value of each parcel of property in Palm Coast. After subtracting all lawful exemptions, the remaining value is the taxable value. Advalorem property taxes are based on the taxable value. The property tax is calculated by multiplying the taxable value by .001 and then multiplying this number by the rate of taxation, or the millage rate.

SALES, USE, AND FUEL TAXES: These are local option taxes, including gas tax and the Local Government Infrastructure Surtax. The proceeds are distributed based on a State mandated formula or an interlocal agreement between the cities and the county.

TELECOMMUNICATION SERVICE TAX: This is a new tax that will be collected and distributed by the State. It replaces the franchise tax and utility tax that were charged for telephone and cable television services.

LICENSES AND PERMITS: According to Section 205.042, Florida Statutes, a municipality may levy an occupational license tax for the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction. This revenue also includes building permits and animal licenses.

INTERGOVERNMENTAL REVENUE: These revenues are collected by one government and shared with other governmental units. This includes state sales tax, revenue sharing, grants, and various other state taxes and licenses.

CHARGES FOR SERVICES: These are also called "user fees." They are defined as "voluntary payments based on direct, measurable consumption of publicly provided goods and services." User fees are derived from charges for water and wastewater services, solid waste collection, recreation and athletic activities, and various other City services.

FINES & FORFEITURES: This revenue comes from code enforcement fines and settlement of criminal cases taken to court. It includes a portion of monetary penalties and recovery of costs incurred by the City.

INTEREST REVENUE: Revenue derived from the investment of cash receipts and idle funds are an important source of revenue. The City of Palm Coast recognizes the importance of establishing effective cash management and restructuring their government operations to accelerate revenues, promote aggressive collections, and maximize cash flow.

MISCELLANEOUS REVENUES: These are revenues that do not fit into one of the other revenue categories.

NON REVENUES: These are Internal Service Fund revenues that are derived from other City funds where they are shown as operating expenditures. They include fleet leases and vehicle maintenance.

TRANSFERS FROM OTHER FUNDS: Transfers are made from one fund to another for various reasons. Some transfers are simply contributions and some are based on services provided by another fund. Still others are based on need, such as transfers to a capital fund.

OTHER FINANCING SOURCES: This is most often an appropriation of previous surplus.

REVENUE FORECAST METHODOLOGY

The purpose of detailing forecast methodologies for revenues is to determine the validity of the forecast over time and to utilize the information in making future forecasts. The following are assumptions concerning revenues, covering all funds.

<u>Revenue Source</u>	<u>Forecast Methodology</u>
Advalorem Taxes	Approved millage multiplied by tax roll, less 4.78% for assumed non-collection and/or discounts taken for early payment.
Sales, Use, and Fuel Taxes	State's forecast (based on city and county population and lane miles), adjusted for historical trend analysis.
Telecommunication Service Tax	State's forecast adjusted for historical trend analysis.
Licenses & Permits	Historical trend analysis.
State Revenue Sharing	State's forecast (based on city and state population), adjusted for historical trend analysis.
Half-Cent Sales Tax	State forecast (based on city population), adjusted for historical trend analysis.
Grants	Amount on application approved by granting agency.
Other Intergovernmental Revenue	Historical trend analysis.
Water Sales and Wastewater Charges	This is the first year of utility revenues. Estimates were based on historical data supplied to the City during the acquisition process.
Solid Waste Fees	Historical trend analysis.
Other Charges for Services	Historical trend analysis.
Fines & Forfeitures	Historical trend analysis.
Interest Revenue	Historical trend analysis.
Miscellaneous Revenues	Historical trend analysis.
Non Revenues	Amounts billed to departments for usage.
Transfers from Other Funds	Capital needs and allocation of common costs.

MAJOR REVENUE TRENDS

With just three full years of City operations, no long-term revenue trends have been established. Being in one of the top ten highest growth areas in the nation, overall revenue increases should continue for at least the next several years. There are 8 major revenue sources that account for just over 70 percent of the City's estimated revenues for fiscal year 2004. These are listed and shown graphically on the following page. The following is a more detailed analysis of the trends for these 8 major revenue sources.

ADVALOREM TAXES: There has been an average increase in property values of almost 15% over the past three years. The increases have been a combination of property value increases, new construction, and annexations. Population has been increasing at about 8%. Future increases of 8% to 10% are expected.

FUEL TAXES: This revenue source increased on average about 12% during the first three years of the City's existence. A 5% to 7% annual increase is expected for future years.

LOCAL GOVERNMENT INFRASTRUCTURE SURTAX: FY2003 was the first year that the new half-cent surtax was collected. No trends have been established, but it should closely parallel the growth of the half-cent sales tax.

TELECOMMUNICATION SERVICE TAX: FY2002 was the first year that this revenue source has been received. Collections were very erratic during the first year, but it has become more stable over the past several months. We should see an increase of about 7% per year as the growth of the City continues.

BUILDING PERMITS: With the phenomenal growth of the area, we have seen large increases in permit revenue. The growth rate should level off which will result in a flat growth trend for permits. Eventually, we expect this revenue source to begin to decline.

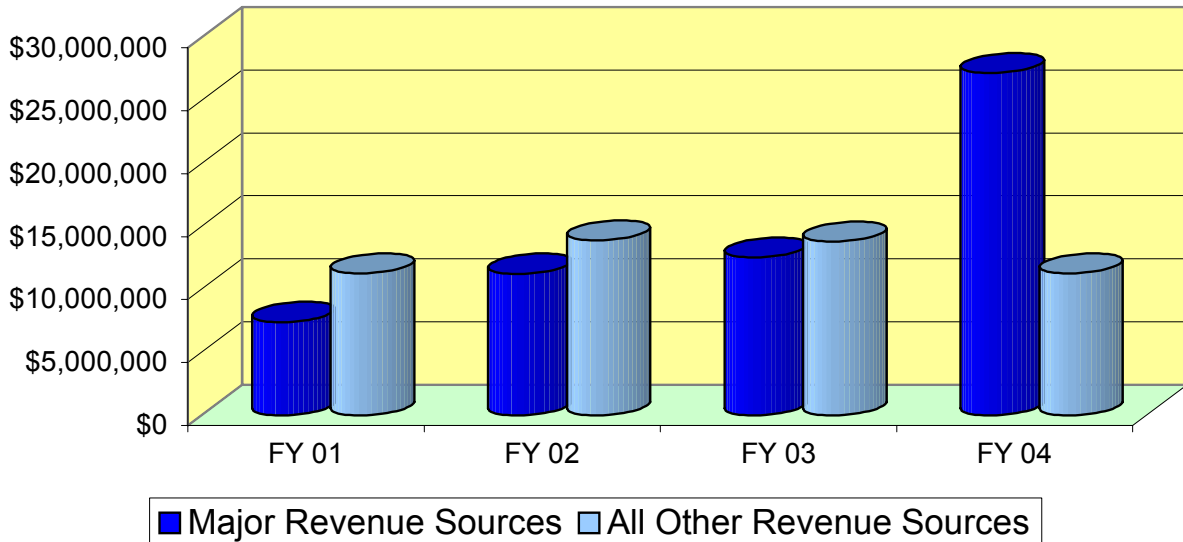
HALF-CENT SALES TAX: This revenue source has grown at about a 5% rate over the past 3 years. It is affected by the economy and distributed based on population. As the economy picks up, the revenue from this source should increase at a 6% to 7% rate.

WATER SALES: This is a new revenue source related to the purchase of the utility system. It is expected that this revenue source will mirror other development related revenue trends and should increase by 5% to 8% annually.

WASTEWATER CHARGES: Like water sales this is a new revenue source and should also see a 5% to 8% growth rate.

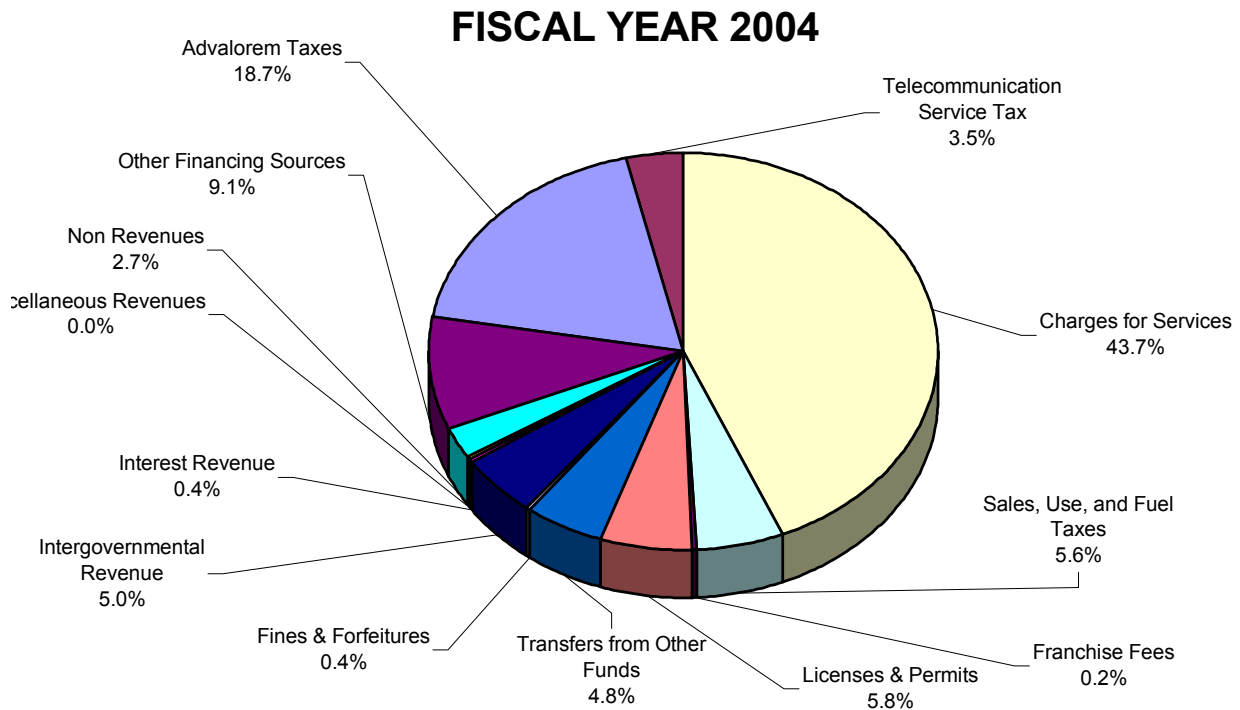
MAJOR REVENUE SOURCES

SOURCE	Actual FY 01	Actual FY 02	Estimated FY 03	Proposed FY 04
Advalorem Taxes	\$4,882,939	\$5,981,827	\$6,453,500	\$7,795,100
Fuel Taxes	846,867	1,098,839	1,000,000	1,128,600
Local Infrastructure Surtax	-	-	882,400	1,210,000
Telecommunication Service Tax	-	1,107,968	900,000	1,440,000
Building Permits	983,890	1,946,331	2,167,500	1,317,500
Half-Cent Sales Tax	681,619	1,096,417	1,120,700	1,270,000
Water Sales	-	-	-	8,159,800
Wastewater Charges	-	-	-	4,851,000
All Other Sources	12,081,968	15,396,149	15,327,026	14,410,621
TOTAL	19,477,283	26,627,531	27,851,126	41,582,621
Less: Interfund Transfers	816,144	1,518,589	1,548,589	3,144,869
TOTAL NET REVENUE	\$ 18,661,139	\$ 25,108,942	\$ 26,302,537	\$ 38,437,752

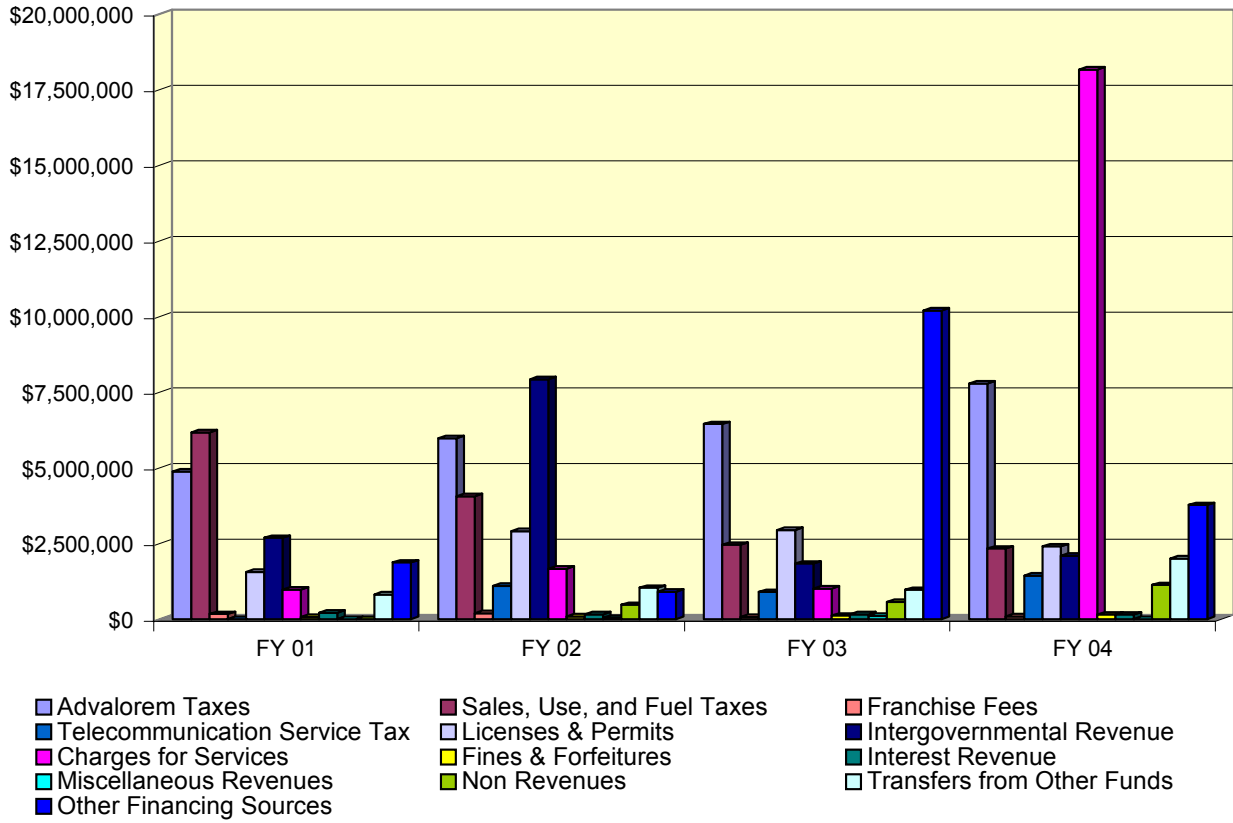


REVENUES BY SOURCE

SOURCE	Actual FY 01	Actual FY 02	Estimated FY 03	Proposed FY 04
Advalorem Taxes	\$ 4,882,939	\$ 5,981,827	\$ 6,453,500	\$ 7,795,100
Sales, Use, and Fuel Taxes	6,179,310	4,066,292	2,462,800	2,338,600
Franchise Fees	174,310	203,115	78,000	97,000
Telecommunication Service Tax	-	1,107,968	900,000	1,440,000
Licenses & Permits	1,566,110	2,917,621	2,955,400	2,409,908
Intergovernmental Revenue	2,694,492	7,940,053	1,840,000	2,096,200
Charges for Services	987,529	1,668,717	1,017,975	18,165,509
Fines & Forfeitures	76,606	90,794	119,200	158,300
Interest Revenue	224,085	165,949	164,900	157,520
Miscellaneous Revenues	-	51,606	112,800	5,000
Non Revenues	-	475,404	574,259	1,131,995
Transfers from Other Funds	816,144	1,043,185	974,330	2,012,874
Other Financing Sources	1,875,758	915,000	10,197,962	3,774,615
TOTAL	19,477,283	26,627,531	27,851,126	41,582,621
Less: Interfund Transfers	816,144	1,518,589	1,548,589	3,144,869
NET TOTAL REVENUE	\$ 18,661,139	\$ 25,108,942	\$ 26,302,537	\$ 38,437,752



REVENUES BY SOURCE



PROPERTY INFORMATION

PROPERTY VALUES, MILLAGE RATES, AND AD VALOREM RECEIPTS FISCAL YEAR 2001 THROUGH FISCAL YEAR 2004

Fiscal Year	Gross Taxable Valuations (1)	Change from Previous Year	% Change	Millage Levy	Change from Previous Year	% Change	Ad Valorem Tax Revenues	Change from Previous Year	% Change
2004	\$ 2,405,896,931	\$ 422,156,303	21.28%	3.40000	0.00000	0.00%	\$ 7,795,100	\$1,341,600	20.79%
2003	\$ 1,983,740,628	\$ 210,361,763	11.86%	3.40000	-0.10000	-2.86%	\$ 6,453,500	551,344	9.34%
2002	1,773,378,865	179,164,662	11.24%	3.50000	0.35000	11.11%	5,902,156	1,019,217	20.87%
2001	1,594,214,203	N/A	N/A	3.15000	N/A	N/A	4,882,939	N/A	N/A

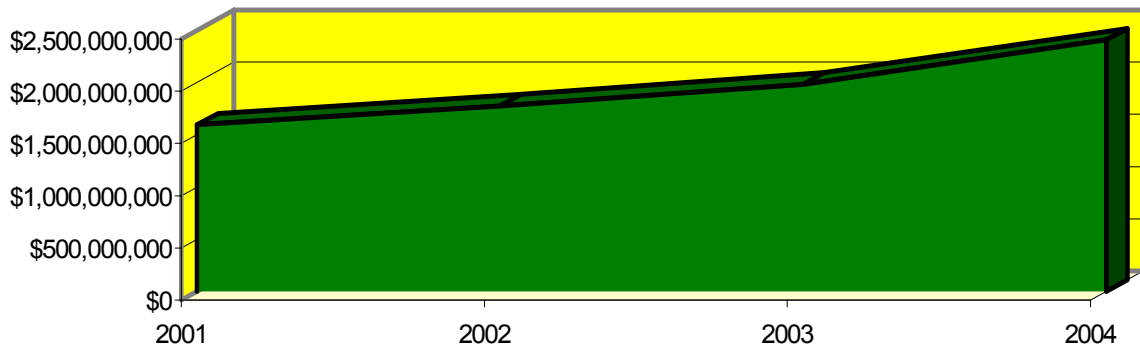
(1) From DR420 - Certificate of Taxable Value

TAX ROLL RECAPITULATION JULY 3, 2003

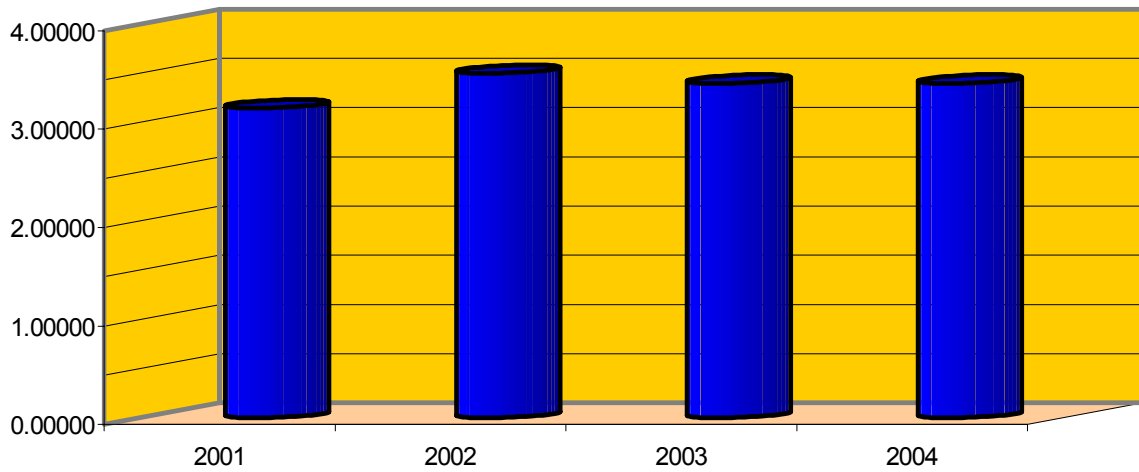
Class of Property	Number of Parcels	Just Value	Taxable Value
Residential Vacant Land	30,702	\$ 383,876,674	\$ 383,647,450
Residential Single Family	17,839	2,006,491,431	1,486,899,797
Residential Mobile Homes	23	688,925	414,467
Residential Other	1,336	137,214,368	121,769,376
Commercial Vacant Land	209	38,165,893	37,698,159
Commercial Other	219	193,881,447	192,302,324
Industrial Vacant Land	12	1,529,383	1,529,383
Industrial Other	36	29,828,418	29,828,418
Agriculture	26	7,760,475	5,643,076
Institutional	25	42,679,835	1,365,563
Government	106	139,464,416	2,898,240
Other Real Property	706	33,699,680	30,941,766
Personal Property	-	180,610,283	145,507,736
Amendment 10 (Save Our Homes)	-	(165,002,148)	-
\$25,000 Homestead Exemption	-	(354,573,215)	-
Widow's and Widower's Exemption	-	(776,000)	-
Disability Exemptions	-	(14,891,961)	-
Governmental Exemptions	-	(136,518,301)	-
Institutional Exemptions	-	(81,566,449)	-
Agricultural Exemptions	-	(2,117,399)	-
Senior Homestead Exemption	-	(34,548,824)	(34,548,824)
TOTAL	51,239	\$ 2,405,896,931	\$ 2,405,896,931

PROPERTY VALUE AND MILLAGE RATES

ASSESSED VALUE

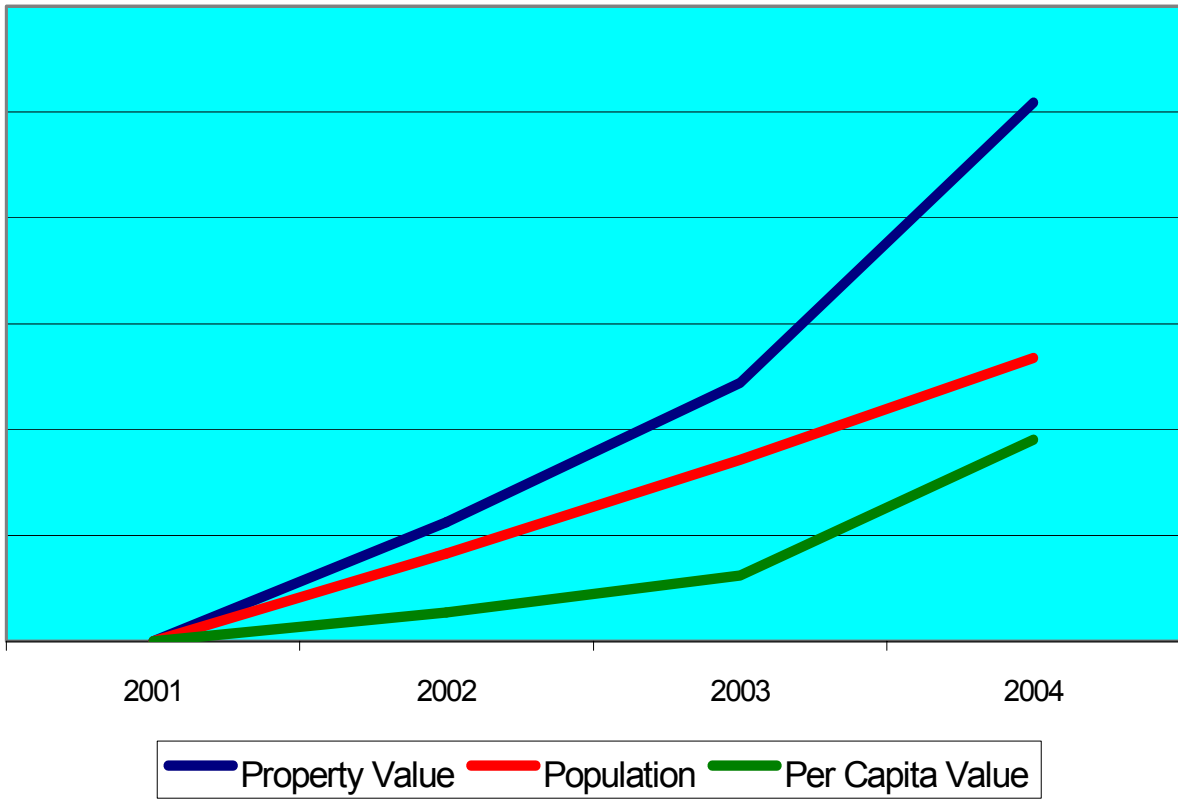


MILLAGE RATES



PROPERTY VALUE PER CAPITA

Year	Property Value	Percent Change	Population	Percent Change	Property Value Per Resident	Percent Change
2001	\$ 1,594,214,203		32,732		\$ 48,705	
2002	1,773,378,865	11.24%	35,443	8.28%	50,035	2.73%
2003	1,983,700,641	11.86%	38,348	8.20%	51,729	3.39%
2004	2,405,896,931	21.28%	41,492	8.20%	57,985	12.09%



This graph illustrates that property value in Palm Coast is experiencing strong growth. Using fiscal year 2001 as the base year it also shows that per capita value is growing at a slower pace. This means that most of the growth is related to residential development. A balanced property tax base would have property value and per capita value growing at about the same rate.