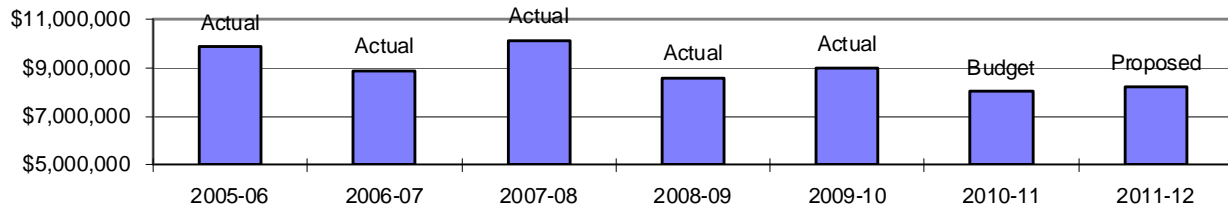


MAJOR REVENUE SOURCES

SALES TAX

The City of Cypress single largest revenue source is Sales Tax. Sales Tax is collected by the State and distributed to the local jurisdictions in monthly installments based on the prior year's actual collections. At the end of each quarter a "clean-up" payment is made to adjust the current period distributions to actual. Beginning in FY 2004-05, the State now shifts approximately 25% in local sales tax revenues as part of the "triple flip" whereby the sales tax takeaway is backfilled with property tax revenues. As currently implemented, the "triple flip" has created an equal exchange with no net impact to total City revenues. The amount of the back-fill is classified as Other Taxes in the City budget.

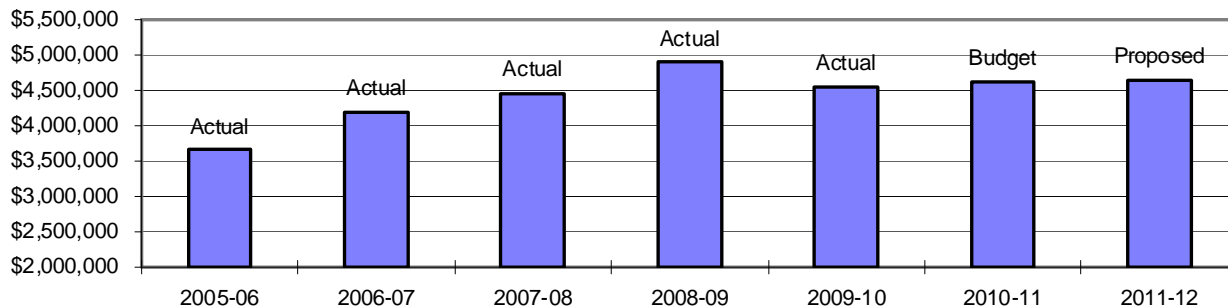
The Sales Tax rate for the County of Orange is 8.75%. The City of Cypress receives 1% (between Sales Tax Revenues and the State Backfill amount) of the 8.75% tax generated within the City limits. Additionally, with the passage of Proposition 172 the City receives 5% of the ½ cent of Sales Tax up to a maximum of \$222,740. These funds are restricted and can only be used for public safety purposes and are included in the Other Taxes revenue category. The City also receives Measure M turnback funds which equal approximately 3% of ½ cent of Sales Tax that requires a matching contribution from the City towards infrastructure improvements. These turnback funds are categorized as Revenue from Other Agencies.



PROPERTY TAX

Property Taxes include assessments on both secured and unsecured property. Secured Property Taxes attach and become an enforceable lien on the assessed property. Taxes on the secured rolls are payable in two installments: November 1 and March 1 of each year, and become delinquent on December 10 and April 10, respectively. Unsecured Property Taxes are assessed and payable each March 1 and become delinquent the following August 31. The County of Orange Tax Collector bills and collects the Property Taxes, then apportions them to the City in accordance with an established schedule.

The County is permitted by the State under Proposition 13, which became effective July 1, 1978, to levy taxes at 1% of the full market value at the time of purchase or reassessment, and can increase the Property Tax assessed valuation no more than 2% annually. The City receives a share (7.83%) of the basic levy (1%) proportionate to what it received prior to the passage of Proposition 13, adjusted by the State shift to the Educational Revenue Augmentation Fund and the county administration fee.



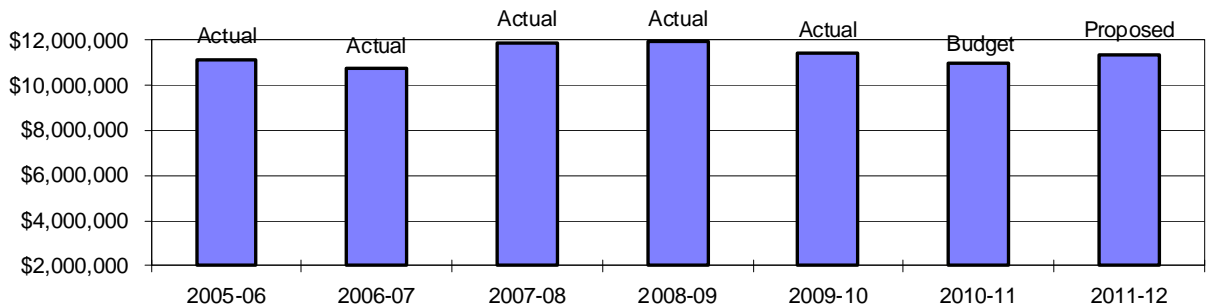
MAJOR REVENUE SOURCES

LICENSES AND PERMITS

The majority of license and permit revenue is generated from fees charged to contractors for building, plumbing, heating and electrical permits to endure compliance with the City's building and safety codes.

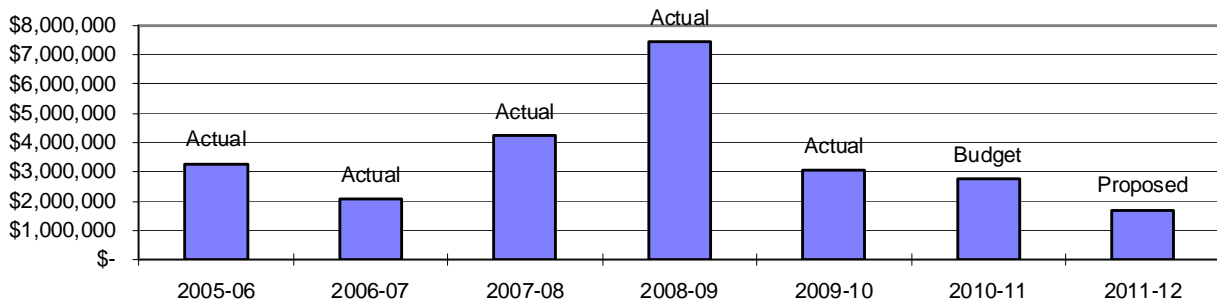
OTHER TAXES

This revenue source is comprised of Franchise Fees, Business License Tax, Transient Occupancy Tax, Real Property Transfer Tax, Parimutual Taxes and the Property Tax Backfill for both Motor Vehicle License Fees and Sales Tax. The Franchise Fees are taxes paid to the City of Cypress by companies who have negotiated the right to provide a service exclusively within the City of Cypress. Such companies include Southern California Water Company, Southern California Gas Company, Southern California Edison, Briggeman Disposal and Time Warner Cable. Business License Tax is generated from the regulation of businesses and professions within the Cypress City limits. Transient Occupancy Tax is collected by hotels and motels from guests on behalf of the City. The City's Transient Occupancy Tax rate is 10%. Real Property Transfer Tax revenue is collected by the County Recorder for recording the conveyance of property deeds at the time of sale. Parimutual and Satellite Wagering Taxes are derived from the Los Alamitos racetrack wagering. The City receives 0.33 percent of each dollar wagered. The backfill amounts resulting from the sales tax "triple flip" and the reduction in the Motor Vehicle License fees were first recorded in Other Taxes in FY 2004-05. The backfill amounts recorded as Other Taxes are property tax monies committed by the State to make local governments whole after raiding funding sources such as sales tax and licensing fees previously earmarked for local governments.



INTEREST AND RENTS

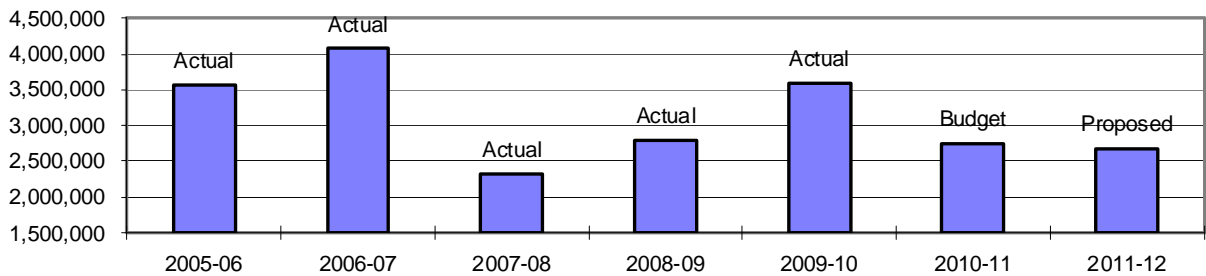
This category represents investment earnings received from the investment of the City's funds and any rents received for the use of City property. All investments are made in accordance with the City's adopted investment policy and all applicable State Government codes.



MAJOR REVENUE SOURCES

REVENUE FROM OTHER AGENCIES

This category includes such significant revenue sources as State Gas Tax, County Measure M Turnback monies, Motor Vehicle License fees and other competitively funded grant monies received from various agencies. Grant revenues tend to fluctuate from year to year depending upon both the availability of funding and the number of projects eligible for such funding. Additionally, the City receives public safety monies from the State for funding supplemental law activities and training reimbursement (POST). In years prior to FY 2003-04, the State had back-filled the cut in Motor Vehicle Licensing Fee to pre-reduction levels. Beginning in FY 2005-06, the State backfill for licensing fees was shifted to a backfill to the City in the form of property tax monies. These backfill monies are now recorded in the City's budget in Other Taxes.



FINES AND FORFEITURES

This revenue is generated from various ordinance violations and alarm fines.

CHARGES FOR SERVICES

These fees are charged by various City departments to recover the cost of providing specific services. The largest revenue source in this category is from the reimbursement of expenses and services provided to the Recreation and Park District.

OTHER REVENUE

This category represents all other miscellaneous and non-recurring revenue and fees.