

August 8, 2017

Mr. Daniel White
Assistant City Attorney
City of Yuma
One City Plaza
Yuma, AZ 85364

RE: Development Impact Fee Certified Audit

Dear Mr. White:

At your request, we have performed the Certified Audit of the City of Yuma's ("City") Development Impact Fee Accounts as defined herein for fiscal years ending in June 30, 2015 and June 30, 2016 as defined in the City of Yuma, Arizona's ("City") ordinance shown below.

City of Yuma Ordinance O2014-38

Pursuant to City of Yuma Ordinance No. O2014-38, 'Certified Audit' as used in Arizona Revised Statutes ("ARS.") 9-463.05(G) (2) does not include an audit as applied in ARS 9-481. Pursuant to this ordinance, 'Certified Audit' means a review of the City of Yuma's:

- (1) Land use assumptions, including determining whether the land use assumptions conform to the City of Yuma's general plan;
- (2) Infrastructure improvements plan, including evaluating the implementation of the infrastructure improvements plan, and reviewing the collection and expenditures of development fees for each project in the plan; and
- (3) Development fees, including an evaluation of any inequities in implementing the plan or imposing the development fee; conducted by one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan.

Accordingly and pursuant to the procedures outlined in Ordinance O2014-38, we have performed the following tasks for the City's DIF account numbers 341, 344, 345, 346, and 348 which were established after the enactment of Senate Bill 1525.



I. Scope of Work Performed

A. Land Use Assumptions

1. Obtained the City's Development Impact Fee ("DIF") Land Use Assumptions and General Plan.
2. Obtained information related to the actual number of building permits issued by category in the City during the analysis period.
3. Obtained the best information available related to the growth of the City's population during the analysis period.
4. Compared the actual results of 2 and 3 above to the Land Use Assumptions for reasonableness.
5. Interviewed the City Planning Director for any current and/or potential amendments to the City's General Plan.

B. Infrastructure Improvement Plan ("IIP" and/or "CIP") Review

1. Obtained the City's IIP, DIF Account Balance Report and general journals by DIF account.
2. On a test basis, selected transactions from the general journal by account and requested supporting documentation for each selected transaction.
3. Determined the appropriateness of each selected transaction by tracing the selected expenditure in to the listing of eligible public facilities as outlined in the IIP.
4. Discussed any discrepancies (if any) with the appropriate City personnel.

C. DIF Implementation Plan

1. Obtained the resolution/ordinance adopting the City's DIF program from the City.
2. Obtained the City's current DIF pricing information from the Development Services Department or its equivalent.
3. Determined that the DIF's being charged are equal to or less than that which was outline in the DIF Study as herein defined and City's ordinance.

II. Summary of Findings

Based upon the agreed upon task performed as part of this engagement our findings are as follows.

A. Land Use Assumptions

1. Building Permits – The comparison of the March 21, 2012 Final Development Fee Study's ("DIF Study") anticipated residential building activity to actual single family ("SF") and multi-family ("MF") and commercial building permits is shown on the following page. As one will note, SF activity has dramatically exceeded the initial projections while MF has lagged behind. New commercial square footage exceeded projections during the fiscal year of 2014-2015 while falling slightly short of projections during the fiscal year of 2015-2016. As local economic conditions have improved since the date of the initial DIF study and as actual SF residential permit activity is material different from that estimated in the land use assumptions,

it is recommended that the City modify its Land Use Assumptions for all land use categories to better reflect current economic conditions. ¹

SF Units

Description	2014-2015	2015-2016
Estimated SF Units/Land Use Study	87	87
SF Permits Per City	291	384
Difference	204	297
Percentage Difference	234.48%	341.38%

MF Units

Description	2014-2015	2015-2016
Estimated MF Units/Land Use Study	66	66
MF Units Per City	31	53
Difference	35	13
Percentage Difference	53.03%	19.70%

Source: City of Yuma Building Dept. / Land Use Study

Commercial Square Footage

Description	2014-2015	2015-2016
Estimated Comm SF / Land Use	243,254	246,233
Comm SF Per City	267,805	55,094
Difference	(24,551)	191,139
Percentage Difference	-10.09%	77.63%

2. Population – A comparison of the current population estimates to those initially included in the Land Use Assumptions is illustrated below. Given the challenges in estimating population growth, the differences in population estimates are not considered materially significant however, when the Land Use Assumptions are updated, so should all of the corresponding demographic assumptions. This would include population, household size, etc.

Population

Description	2014	2015	2016
Population Per Land Use (1)	99,632	100,093	100,557
Population Per City	96,522	97,950	100,049
Difference	3,110	2,143	508
Percentage Difference	3.12%	2.14%	0.51%

Footnotes

(1) Represents 93% of Peak Pop. Estimates per page 13 of the Land Use Report.

¹ It is noted that on April 5, 2017, the City conducted a Public Hearing regarding adopting updated Land Use Assumptions but the City Council decided to postpone the modifications in order to seek further input from the local development community.

3. General Plan – Based upon information obtained from the City’s Planning Director, for the time period 2014 through the date of this report (“Report”), there have been minor amendments to the City’s General Plan since the previous Development Impact Fee audit completed in 2014.

B. IIP Review

We noted that throughout this current audit period the DIF’s were being collected and utilized for the public improvements included within the IIP.

C. DIF Implementation Plan

Based upon Ordinance O2014-38 and the procedures performed, it appears as though the City is administering the DIF program as approved by City Ordinance 2012-06.

D. Conclusion

Given the results of our review and the General Assumptions and Limiting Conditions of this Report, the City is adhering to the requirements of the ARS 9-463.05 et seq. (the “Act”), however it is suggested that the City update its Land Use and Demographic Assumptions to reflect current economic activity. To the extent that changes in the Land Use Assumptions require updates to the City’s Fee structure, it is suggested that such revisions to the Fees be made in conjunction with the Land Use Assumptions update. As ARS 9-463.05 D. (3) requires municipalities to update their Land Use Assumptions every five (5) years, and as the City’s last updated its Land Use Assumption on December 30, 2011, Land Use Assumption updates are required to remain compliant with the terms of the Act.

III. General Assumptions and Limiting Conditions

DPFG neither expresses nor implies any warranties of its work nor predicts results of the procedures outlined above. DPFG’s work was performed on a “level-of-effort” basis; that is, the depth of our analyses and extent of our authentication of the information on which our report was predicated, may be limited in some respects due to the extent and sufficiency of available information, and other factors. Moreover, we did not examine any such information in accordance with generally accepted financial auditing or attestation standards. See ARS 9-463.05(G) (2).

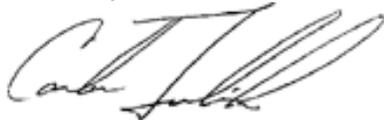
This Report was based on information that was current as of July 21, 2017 and DPFG has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained herein, no warranty or representation is made by DPFG that any of the results contained in this Report will actually be achieved.

Because the analyses are based on estimates and assumptions that are inherently subject to uncertainty and variation depending upon evolving events, we do not represent these as results that will be achieved.

The professionals at DPFG are not trained legal professionals and as such, we are not providing legal interpretations related to the Act.

This Report is qualified in its entirety by, and should be considered in light of, these assumptions, limitations, and conditions.

Sincerely,

A handwritten signature in black ink, appearing to read "Carter T. Froelich". The signature is fluid and cursive, with the first name "Carter" and last name "Froelich" clearly distinguishable.

Carter T. Froelich
Managing Principal

CTF/caf