

December 23, 2014

Mr. Daniel White
Deputy 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 agreed upon procedures related to the Certified Audit 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 ("A.R.S.") 9-463.05(G) (2) does not include an audit as applied in A.R.S. 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 with 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 agreed upon procedures outlined herein, we have performed the following tasks.

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 pulled 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") building permits is shown on the following page. As one will note, SF activity has exceeded the initial projections while MF has lagged behind. As the DIF Study was prepared for a ten (10) year analysis period, this difference is not considered a material factor which would warrant modification and/or update of the Land Use Assumptions. It is recommended that the City continue to monitor the development pace of SF and MF permits over the next two (2) year period and to the extent that such activity is materially different from that initially estimated; consideration should be given to modifying the Land Use Assumptions in 2016.

SF Units

Description	2012	2013	2014
Estimated SF Units/Land Use Study	86	86	87
SF Permits Per City	238	332	164
Difference	152	246	77

MF Units

Description	2012	2013	2014
Estimated MF Units/Land Use Study	65	65	66
MF Units Per City	92	-	-
Difference	(27)	65	66

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

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 yet considered materially significant to warrant update.

Population

Description	2012	2013	2014
Population Per Land Use (1)	98,716	99,172	99,632
Population Per City	94,824	95,717	N/A
Difference	3,892	3,455	
Percentage Difference	3.94%	3.48%	

Footnotes

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

3. General Plan – Based upon information obtained from the City’s Planning Director, for the time period 2012 through the date of this report (“Report”), there have been thirteen (13) amendments to the City’s General Plan as shown on the following page.

General Plan Amendment	Acres	General Plan Amendment	
		From	To
2012			
GP-1606	640.0	Public/Quasi-Public	Agriculture/Industrial
GP-1672	13.8	Mixed Use	Commercial
GP-1255	11.6	Medium/High Density Residential	High Density Residential
GP-1673	8.1	Mixed Use	High Density Residential
GP-2347	46.0	Low/Medium Density Residential	Medium Density Residential
Subtotal	719.5		
2013			
GP-2650	1.2	Medium/High Density Residential	High Density Residential
GP-3636	25.0	Resort/Recreation/Open Space	High Density Residential
GP-3646	82.0	Low/Medium Density Residential	Medium Density Residential
GP-3648	24.0	Low Density Residential/Industrial	Mixed Use
GP-3651	4.5	Low Density Residential	High Density Residential
GP-3795	3.2	Low Density Residential	Mixed Use
GP-4539	90.0	Rural Density Residential	Low Density Residential
Subtotal	229.9		
2014			
GP-5329	8.1	High Density Residential	Mixed Use
Total	957.5		

Source: City of Yuma Planning Department

The most significant change to the City's anticipated land use categories came as the result of General Plan Amendment GP-1606 which revised the land use category of six hundred and forty (640) acres of City owned property from public to industrial uses. The General Plan Amendment was done in the hope that the City could sell its property and spur economic development. As the City was unsuccessful in selling the property and as the property's previous land use classification (e.g. Public/Quasi Public) would have allowed similar type development intensities; this is not considered a material change which warrants modification of the Land Use Assumptions. Obviously, these changes should be taken into consideration when the DIF Study is updated.

B. IIP Review

During our IIP review the following item was noted which require attention on the part of the City.

1. Police Development Impact Fee Account – A review of the journal entries in the Police DIF Account indicated that a number of expenditures were made for non-capital asset (e.g. life of less than five (5) years) which in our opinion relate to operations and/or maintenance and should not be funded through impact fees as illustrated on the following page.

DIF Account	Vendor	Date	Check No.	Amount	Description
Police	Dell	7/12/2012	147732	\$249.34	Surge protectors
Police	Waxie Sanitary Supply	1/17/2013	28530	\$1,785.99	Janitorial Supplies
Police	G&T Locksmith	2/22/2013	30224	\$357.00	Re-key Locks
Total				\$2,392.33	

It is recommended that the Police DIF Account be reimbursed by the City for the items noted above. Additionally, it is suggested that the City establish written policies and procedures related to what expenditures constitute capital improvements as opposed to those which are operational in nature.

C. DIF Implementation Plan

Based upon the agreed to 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 agreed upon procedures and the General Assumptions and Limiting Conditions of this Report, with the exception of the items noted above, it appears as though the City is adhering to the requirements of the A.R.S. 9-463.05 et seq. (the “Act”).

In order to prevent future unauthorized expenditures, it is recommended that the City prepare and adopt policies and procedures to ensure that DIF funds be used for only capital improvements which have been included in the IIP and DIF Study.

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 A.R.S. 9-463.05(G) (2).

This Report was based on information that was current as of December 18, 2014 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 letters of the first and last names being capitalized and prominent.

Carter T. Froelich
Managing Principal

CTF/bef