



4900 N. SCOTTSDALE ROAD
SUITE 3000
SCOTTSDALE, AZ 85251
TEL (480) 941-2800
www.launch-dfa.com

December 14, 2018

Mr. Richard Files
Assistant City Attorney
City of Yuma
One City Plaza
Yuma, AZ 85364

RE: Development Impact Fee Certified Audit

Dear Mr. Files:

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 June 30, 2017 and June 30, 2018 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 agreed upon procedures 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 or the DIF Study (as herein defined).
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 20, 2013 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 significantly lagged behind. New commercial square footage projections fell short of projections during the fiscal year of 2016-2017 while exceeding forecasted projections during the fiscal year of 2017-2018. As local economic conditions have continued to improve since the date of the initial DIF study and as actual SF residential permit activity is materially 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.

Based upon discussions with City Staff the City is in the process of updating its Land Use Assumptions, IIP, and Development Impact Fee Study. Accordingly, the aforementioned issues will be addressed during the update process.

SF Units

Description	2016-2017	2017-2018
SF Permits Per City	421	515
Estimated SF Units/Land Use Study	88	88
Difference	333	427

MF Units

Description	2016-2017	2017-2018
MF Units Per City	6	11
Estimated MF Units/Land Use Study	66	67
Difference	(60)	(56)

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

Commercial Square Footage

Description	2016-2017	2017-2018
Comm SF Per City	229,343	262,803
Estimated Comm SF / Land Use	249,249	252,303
Difference	(19,906)	10,500

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	2016	2017	2018
Population Per City	100,049	101,620	103,469
Population Per Land Use (1)	100,557	101,024	101,492
Difference	(508)	596	1,977

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 2015 through the date of this report (“Report”), there have been a number of minor amendments to the City’s General Plan however, as the City’s Land Use Assumptions and Development Impact Fee Study are currently being updated, such amendments will be taken into consideration during the update process.

B. IIP Review

We noted that throughout the analysis period, the DIF’s were being collected and utilized for the public improvements included within the IIP or the DIF Study.

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

The City's Land Use Assumptions for Single Family residential permits was noted to be significantly lower than actual results. We recommend that the City's DIF consultant address this issue as part of the update of the City's Land Use Assumptions, IIP and Development Impact Fee Study.

Given the results of our review and the General Assumptions and Limiting Conditions of this Report, it is our opinion that the City is adhering to the requirements of the ARS 9-463.05 et seq. (the "Act"). To the extent that changes in the Land Use Assumptions require updates to the City's DIF structure, it is suggested that such revisions to the DIFs be made in conjunction with updated Development Impact Fee Study.

III. General Assumptions and Limiting Conditions

Launch Development Finance Advisors, LLC ("Launch") neither expresses nor implies any warranties of its work nor predicts results of the procedures outlined above. Launch'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 December 14, 2018 and Launch 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 Launch 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 Launch 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,



Carter T. Froelich
Managing Principal

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