APPENDIX A: FORECAST OF REVENUES OTHER THAN FEES

ARS 9-463.05(E)(7) requires:

> *"A forecast of revenues generated by new service units other than development fees, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved Land Use Assumptions, and a plan to include these contributions in determining the extent of the burden imposed by the development as required in subsection B, paragraph 12 of this section."*

ARS 9-463.05(B)(12) states:

> *"The municipality shall forecast the contribution to be made in the future in cash or by taxes, fees, assessments or other sources of revenue derived from the property owner towards the capital costs of the necessary public service covered by the development fee and shall include these contributions in determining the extent of the burden imposed by the development. Beginning August 1, 2014, for purposes of calculating the required offset to development fees pursuant to this subsection, if a municipality imposes a construction contracting or similar excise tax rate in excess of the percentage amount of the transaction privilege tax rate imposed on the majority of other transaction privilege tax classifications, the entire excess portion of the construction contracting or similar excise tax shall be treated as a contribution to the capital costs of necessary public services provided to development for which development fees are assessed, unless the excess portion was already taken into account for such purpose pursuant to this subsection."*

San Luis does not have a higher than normal construction excise tax rate; therefore, the required offset described above is not applicable. The required forecast of non-development fee revenue from identified sources that can be attributed to new development over the next five years is summarized in Figure A1. These funds are available for capital investments; however, the City of San Luis directs these revenues to non-development fee eligible capital needs including maintenance, repair, and replacement. The forecast of revenues beyond 2019 was derived from a linear regression analysis. Historical revenue data from 2015 through 2019, obtained from the City of San Luis, were correlated to population and job growth. Projected population plus jobs, from the Land Use Assumptions, is the independent variable that drives each revenue forecast.

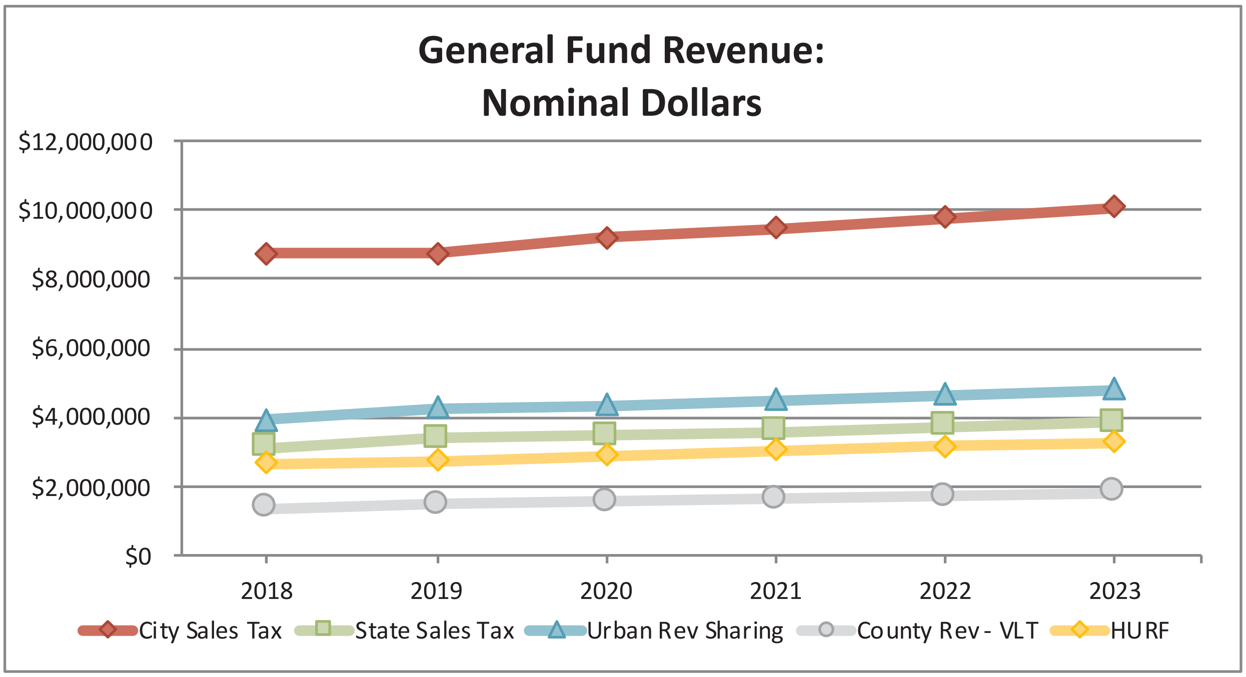
Figure A1: Revenue Projections

General Fund	2018	2019	2020	2021	2022	2023
City Sales Tax	$8,725,400	$8,725,400	$9,184,840	$9,477,378	$9,779,629	$10,093,535
State Sales Tax	$3,130,230	$3,409,700	$3,477,516	$3,604,808	$3,736,327	$3,872,917
Urban Rev Sharing	$3,929,200	$4,294,480	$4,359,156	$4,499,299	$4,644,096	$4,794,476
County Rev - VLT	$1,372,270	$1,490,800	$1,565,887	$1,649,187	$1,735,252	$1,824,635
HURF	$2,691,590	$2,760,000	$2,922,042	$3,043,490	$3,168,970	$3,299,288
Enterprise Fund	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Water Revenue	$4,644,880	$4,645,200	$4,889,959	$5,062,981	$5,241,748	$5,427,408
Wastewater Revenue	$3,989,690	$3,981,000	$4,142,701	$4,253,745	$4,368,475	$4,487,629

Only revenue generated by future development that is dedicated to growth-related capital improvements needs to be considered in determining the extent of the burden imposed by future development. Offsets against development fees are warranted in the following cases: (1) new development will be paying taxes or fees used to retire debt on existing facilities serving existing development; (2) new development will be paying taxes or fees used to fund an existing deficiency, or (3) new development will be paying taxes or fees that are dedicated for growth-related improvements. The analysis provided in the individual sections of this report identified no need for offsets against the proposed development fees.

The graph in Figure A2 gives the impression that all General Fund revenues are expected to increase over the next five years. When nominal dollars are converted to constant 2018 dollars, to account for inflation, and then divided by population and jobs, the results are somewhat different.

Figure A2: General Fund Revenue in Nominal Dollars



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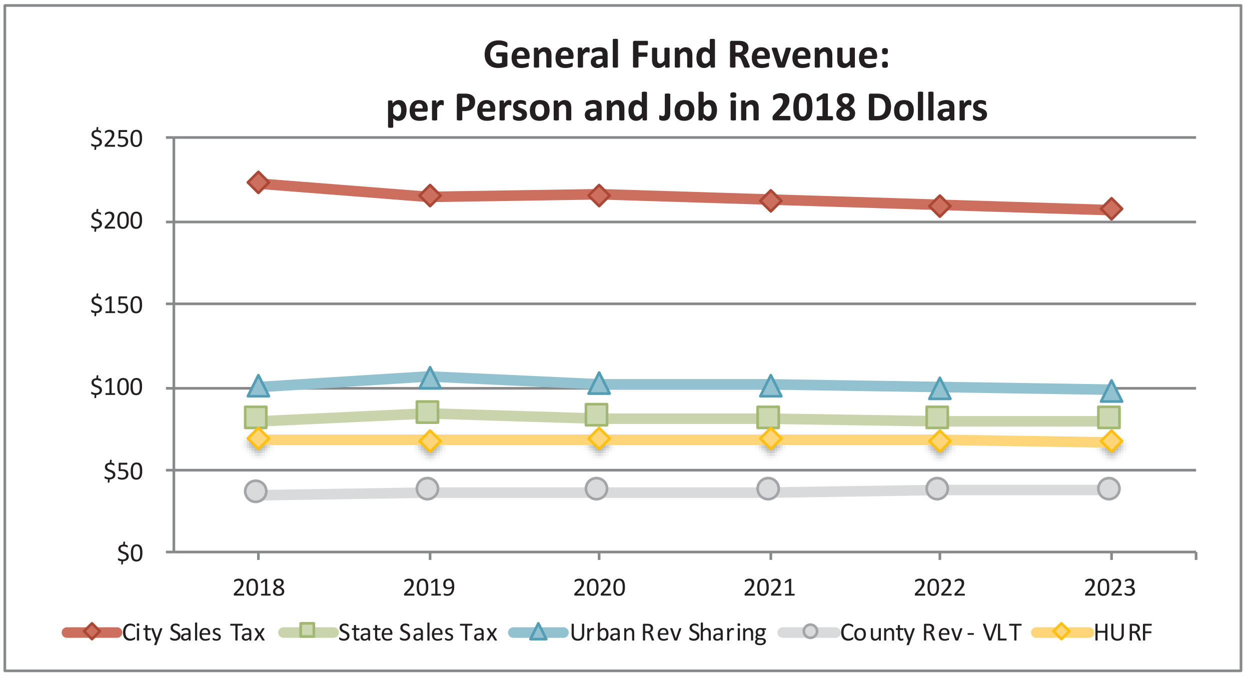
As shown in Figure A3, city sales tax revenue and urban revenue sharing revenue, in constant 2018 dollars, are projected to decline relative to population and job growth. State sales tax revenue, county revenue – VLT, and HURF revenue, in constant 2018 dollars, are projected to remain constant. These funds are available for capital investments; however, the City of San Luis directs these revenues to non-development fee eligible capital needs including maintenance, repair, and replacement. In other words, there is no General Fund surplus available for growth-related capital improvements.

Figure A3: General Fund Revenue in 2018 Dollars



Finally, the top of Figure A4 displays historical and projected revenues from the Water and Wastewater Enterprise Funds in nominal dollars – this excludes transfers from other funds. Revenues include connection fees, water/sewer sales, interest earned, and miscellaneous revenues. The bottom part of Figure A4 shows the revenue per person and job in 2018 dollars, which results in a projected decrease per person and job. There is no Enterprise Fund surplus available for growth-related capital improvements.

Figure A4: Enterprise Fund Revenue