

**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.”

ARA 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, so the required offset described above is not applicable. The required forecast of non-development fee revenue that might be used for growth-related capital costs is shown in Figure A1. General Fund revenues are highlighted in light purple. Highway user taxes are highlighted in green and the balance of the Water and Sewer Funds are highlighted in light blue. The forecast of revenues was derived from a linear regression analysis. Historical revenue data for the past five years, obtained from the City of San Luis were correlated to the growth in population and jobs in San Luis. Projected population plus jobs, from the Land Use Assumptions, is the independent variable that drives each revenue forecast.

**Figure A1 - Five Year Revenue Projections**

**Forecast of Revenues in Nominal Dollars**

	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Sales Taxes	\$6,600,000	\$6,062,917	\$5,936,487	\$5,805,844	\$5,670,848	\$5,531,352
State Sales Tax	\$2,411,550	\$2,342,655	\$2,434,803	\$2,530,020	\$2,628,411	\$2,730,081
Urban Revenue Sharing	\$3,113,670	\$2,495,441	\$2,434,163	\$2,370,843	\$2,305,414	\$2,237,804
<b>Total General Fund Revenues</b>	<b>\$12,125,220</b>	<b>\$10,901,013</b>	<b>\$10,805,452</b>	<b>\$10,706,708</b>	<b>\$10,604,673</b>	<b>\$10,499,237</b>

Highway User Taxes	\$982,000	\$1,392,258	\$1,334,742	\$1,275,309	\$1,213,895	\$1,150,434
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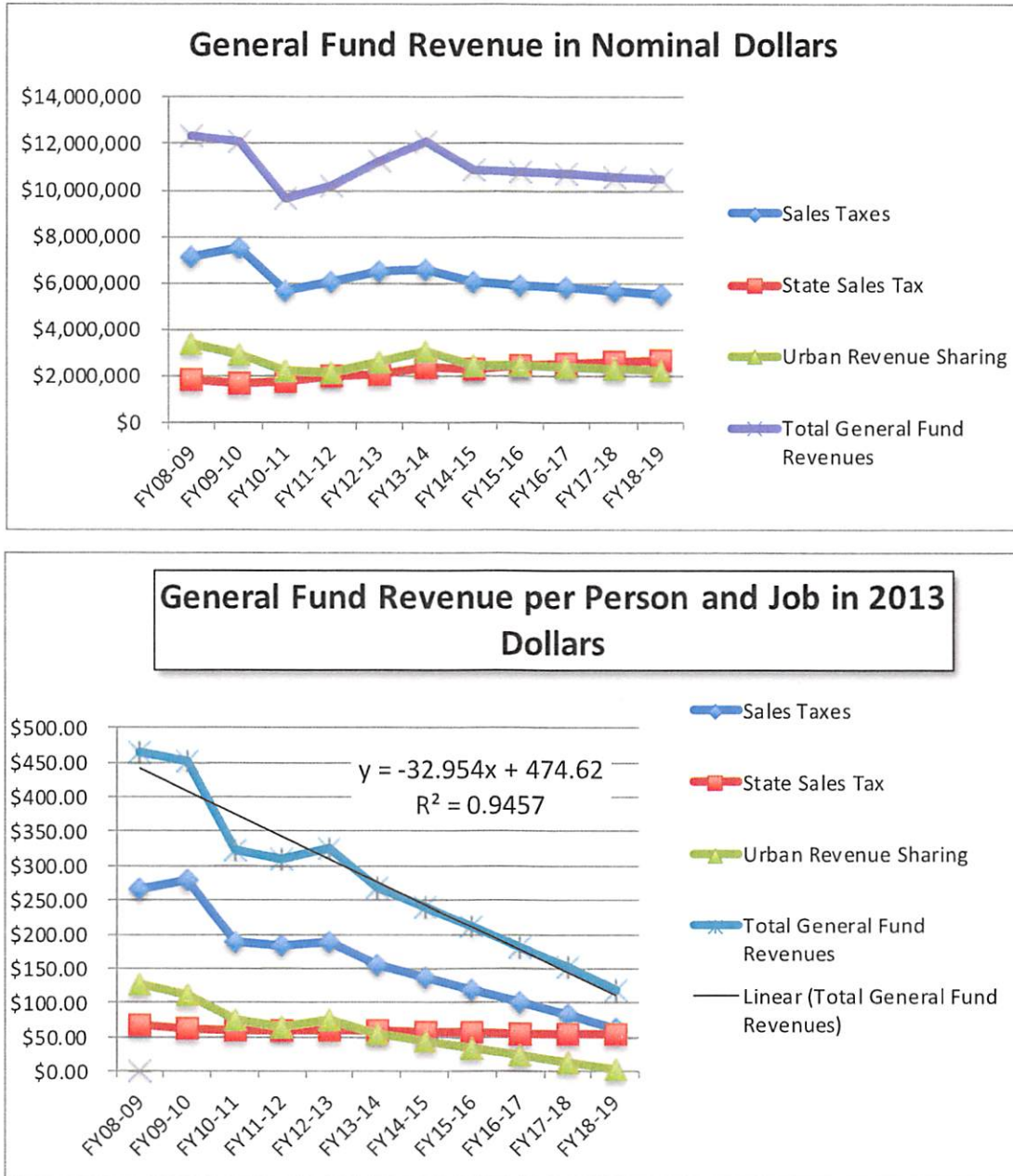
Water Revenue	\$6,641,150	\$4,580,483	\$4,744,349	\$4,913,676	\$5,088,645	\$5,269,446
Water Expenses	\$6,243,140	\$4,548,927	\$4,855,413	\$5,172,110	\$5,499,360	\$5,837,519
<b>Water Fund Balance</b>	<b>\$398,010</b>	<b>\$31,555</b>	<b>(\$111,064)</b>	<b>(\$258,434)</b>	<b>(\$410,716)</b>	<b>(\$568,073)</b>

Sewer Revenue	\$5,156,500	\$3,522,355	\$3,622,886	\$3,726,767	\$3,834,109	\$3,945,030
Sewer Expenses	\$5,482,870	\$4,238,776	\$4,502,440	\$4,774,889	\$5,056,417	\$5,347,329
<b>Sewer Fund Balance</b>	<b>(\$18,535)</b>	<b>(\$548,973)</b>	<b>(\$683,798)</b>	<b>(\$823,114)</b>	<b>(\$967,072)</b>	<b>(\$1,115,830)</b>

Sources: FY13-14 are amounts in FY14 San Luis Budget. FY14-15 to FY18-19 are projected by TischlerBise using linear regression analysis based on actual revenues collected by San Luis from FY08-09 to FY12-13 and FY13-14 Budget.

The graph at the top of Figure A2 gives the impression that General Fund revenues are expected to slightly decrease over the next five years. When nominal dollars are converted to constant 2013 dollars, to account for inflation, and then divided by persons plus jobs in San Luis, to “normalize” the amounts for population and job growth, the results show a much greater decline in revenue. As shown in the lower portion of Figure A2, projected revenues in constant 2013dollars are projected to decline relative to population and job growth. In other words, there is no General Fund surplus available for growth-related capital improvements.

Figure A2 - General Fund Revenues



The methodology described above was also applied to Highway User Tax revenue, with the results graphed in A3. These revenues are also expected to decline in nominal dollars.

Figure A3 - Highway User Fund Taxes

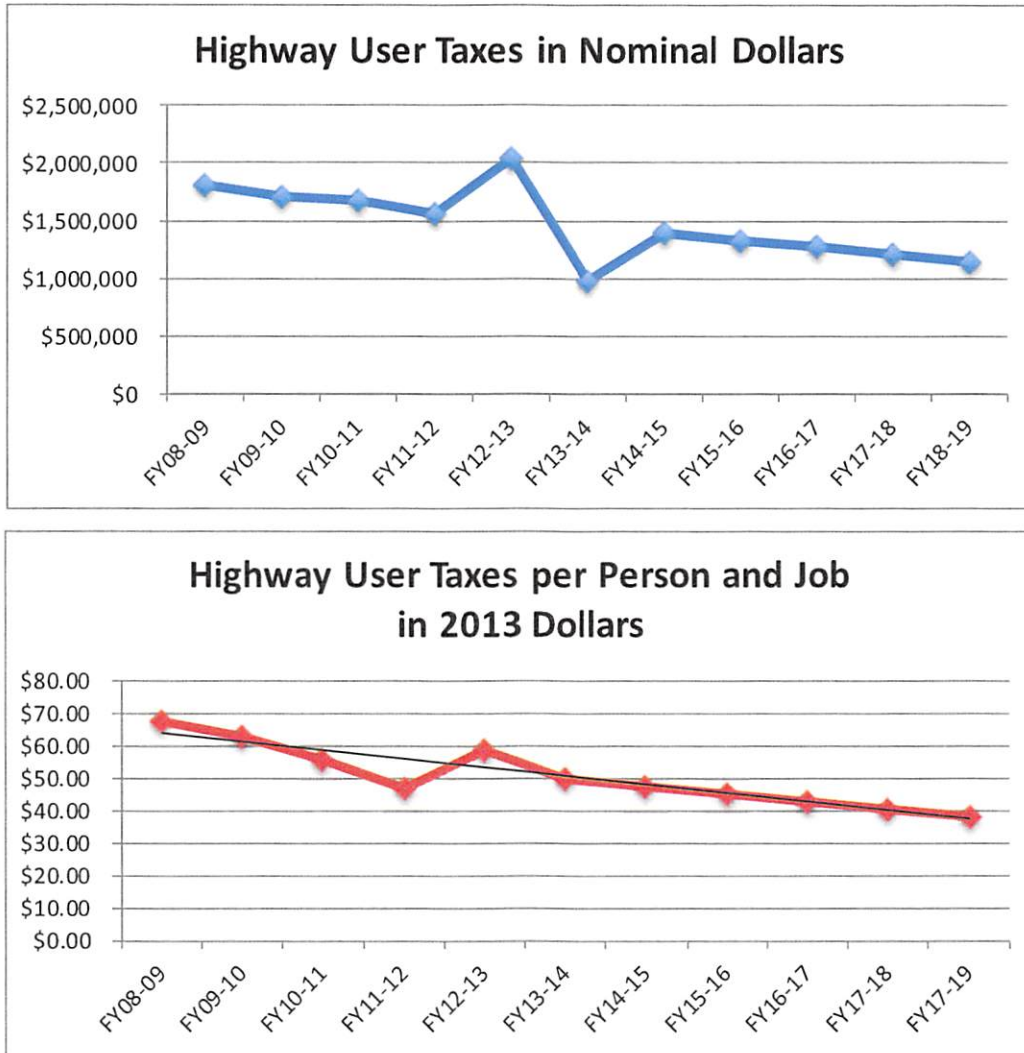


Figure A4 displays the projected balance of the Water and Sewer Fund in nominal dollars, as well as the projected balance per monthly meter in 2013 dollars. These balances are expected to decline over the next five years as well.

**Figure A4 - Balance of Water and Sewer Funds**

