Chapter Twelve

FISCAL ANALYSIS

Lawson Hills
Master Planned Development

EXECUTIVE SUMMARY

This report was prepared for BD Lawson Partners, LP (“Developer”) by Development Planning & Financing Group, Inc. in order to prepare a comprehensive Fiscal Impact Analysis (“FIA”) to determine the estimated short and long term fiscal impacts on the City of Black Diamond (“City”) in connection with the proposed 371 acre Master Planned Development known as Lawson Hills (“Project”).

The land for the Project is owned by the Developer, additional land may be purchased by the Developer (“Expansion Parcels”) and added to the Project in the future. The Expansion Parcels are not included in the current FIA but may be discussed in future drafts of the FIA. Pursuant to the various Project maps submitted to the City by the Developer, the Project will conform to City and County open space requirements and the Urban Growth Area (“UGA”) boundaries set by the County. Additionally, the FIA meets the requirements and regulations established by the City’s Master Planned Development Ordinance (“MPD Ordinance”), codified in Chapter 18.98 of the City’s municipal code. An initial estimate of the total number of residential units, average non-residential square footage, and initial unit values for the Project is identified in Appendix A.

Project development is anticipated to occur over an approximate fifteen (15) year time period, with non-residential development starting in 2010 and ending in 2019 and residential starting in 2015 and ending approximately in 2022, with final occupancies stretching into 2024. The Developer has performed substantial internal research regarding the absorption schedule for the Project and would like to submit the absorption schedule summarized herein and detailed in Appendix A as the most likely buildout scenario for the Project.

This FIA is being prepared to meet the requirements of the MPD Ordinance. The MPD Ordinance requires all Master Planned Development (“MPD”) applications to include an analysis of the fiscal impacts of the MPD on the City during Project development and completion. As there are a variety of generally accepted methods in which to prepare a FIA, DPFG, in consultation with the Developer, has prepared this FIA in a manner deemed consistent with the MPD Ordinance and the City’s recent comprehensive plan, dated June 2009 (“Comprehensive Plan”).

At Buildout, this Project provides:

- *Annual surplus of approximately $578,000*
- *A General Fund balance of approximately $7.1 million*
- *REET revenues of over $6.5 million*

Consistent with the MPD Ordinance, at all phases and at buildout, the Project will have no adverse fiscal impacts on the City’s General Fund. The Fiscal Impact Analysis Summary, attached as Appendix B, shows that the Project is fiscally positive with a General Fund surplus of approximately $578,105 annually in 2025, one year following the projected build-out and occupancy. From Fiscal Year 2009 through 2025 the Project will generate approximately $28.3 million in revenues and incur $21.3 million in costs for the General Fund. Please note the FIA assumes the public safety levy lid lift will be re-approved each time it expires in 2010, 2018 and 2025.

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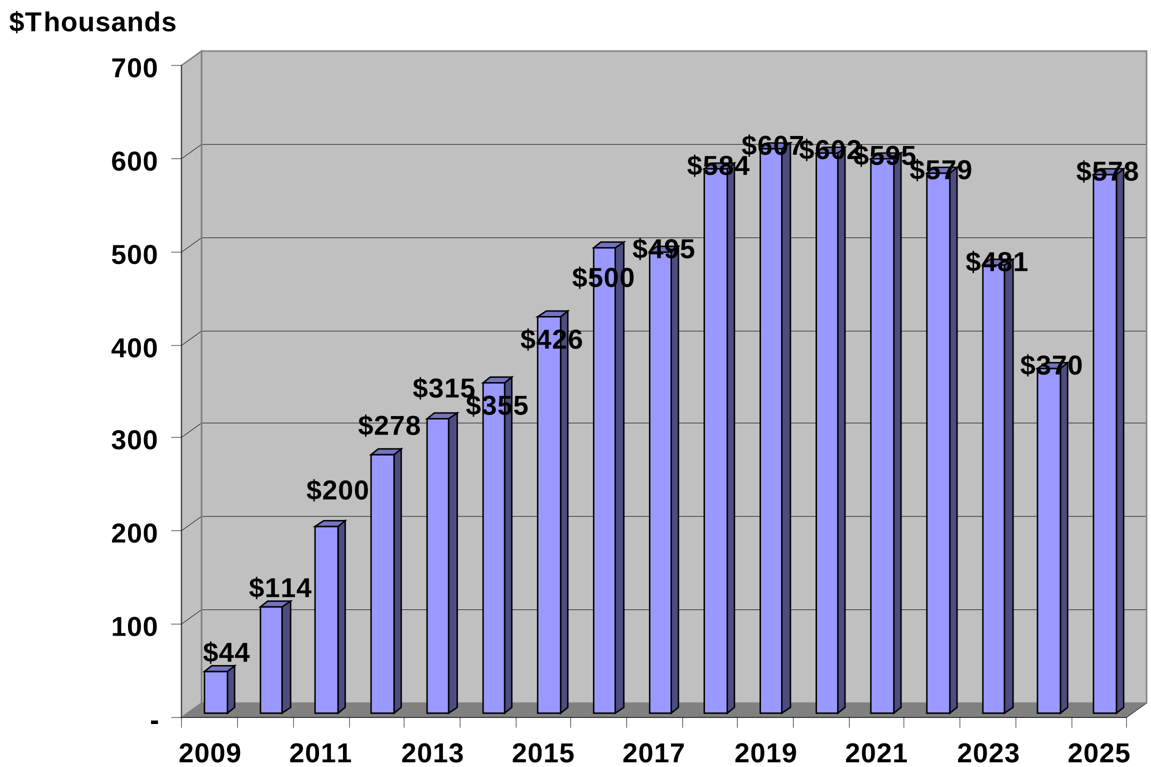
Pursuant to conversations with the Developer, DPFG has designed many aspects of this FIA to produce a conservative result while maintaining the most reasonably accurate report possible. To this end, all one-time revenue generators and secondary economic benefits produced by the substantial increase in construction activity associated with the Project have been excluded from this analysis.

Additionally, the Project will generate approximately $6.5 million in new Real Estate Excise Tax ("REET") for the capital improvement and project funds. These REET revenues generated by the Project can be used to provide the needed facilities and infrastructure necessary to serve the Project. Although REET revenues are calculated by the FIA, they are not included in the tables and graphs describing Project surpluses or deficits because it is assumed that all REET will be utilized by the appropriate City special funds to finance City and Project infrastructure. Presented below in Figure 1 is the General Fund Net Annual Surplus / (Deficit) (revenue less expenditures) for each year. One-time revenue generators, secondary economic benefits and REET are not shown in Figure 1.

The reader should be aware that any FIA is only as accurate as the assumptions and methodologies used to calculate its results, and actual results will vary from these estimates as events and circumstances occur in a manner different than described in the FIA. As such, this FIA is intended to be a living document, being updated with current data and assumptions on a case by case basis.

Figure 12-1
Net Annual Surplus/(Deficit)



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CITY INFORMATION

The City was incorporated on January 20, 1959 and is named after the coal mining industry upon which the City was founded. The City is 6.725 square miles, located east of Kent and Covington, and approximately 30 miles east of Seattle.

The City is currently home to approximately 4,155 residents. The Comprehensive Plan indicates the median home price in the City in 2006 was $418,000, and that the median sales price in July of 2007 ranged from $325,000 to $387,000. This is consistent with January 2009 data collected from the online real estate tracking website Zillow.com, which estimates the median price of an existing single family home is $353,000 and the median condo price is $234,500. Pursuant to the State of Washington document titled "Estimated Median Household Incomes and Financial Hardship Levels For Communities in Washington State, Updated for Use With the Fiscal Year 2008 Funding Cycle", the median household income is $81,117. Pursuant to the King County annual growth report, there are approximately 559 employees within the City. The largest employers are the Enumclaw School District, the City, Palmer Coking Coal Company and the Anesthesia Equipment Supply Company.

FUTURE CITY GROWTH

The City is experiencing fundamental changes due to increased residential activity. The growth of the City and how it will expand is dependent upon the UGA under the State's Growth Management Act ("GMA"). The GMA was approved by the State Legislature in 1990 and was amended in 1991, 1996 and 1997. The GMA requires local government agencies manage growth by identifying and protecting critical areas and natural resource lands, designating urban growth areas, preparing comprehensive plans and implementing them through capital investments and development regulations. The GMA currently restricts development to the area that is now the incorporated City with the exception of a couple of parcels that are expected to be annexed into the City.

According to the Comprehensive Plan, anticipated growth within the City will occur as a result of MPD's and the MPD Ordinance. This ordinance establishes specific regulations for MPD applications such as:

- The MPD must provide needed services in an orderly, fiscally responsible manner;
- The MPD should show an improvement of the City's fiscal performance;
- An MPD application must include a comprehensive fiscal analysis disclosing the short and long-term financial impacts of the proposed MPD.
- The MPD will have no adverse fiscal impact upon the City at any phase of development.
- The ratio of residential to commercial land uses must support a fiscally beneficial impact to the City.

INTRODUCTION

PURPOSE OF REPORT

The Development Planning & Financing Group, Inc. was retained to prepare this report on behalf of the Developer in order to prepare a comprehensive FIA to determine the estimated short and long term fiscal impacts on the City in connection with the Project. This FIA is being prepared to meet the requirements of the City's MPD Ordinance. The MPD Ordinance requires all MPD applications to include an analysis of the fiscal impacts of the MPD on the City during Project development and completion. As there are a variety of generally accepted methods in which to prepare a FIA, DPFG, in consultation with the Developer, has prepared this FIA in a manner deemed consistent with the MPD Ordinance and the Comprehensive Plan. The reader should be aware that any FIA is only as accurate as the assumptions and methodologies used to calculate its results, and actual results will vary from these estimates as events and circumstances occur in a manner different than described in the FIA.

ORGANIZATION OF REPORT

The report describes the Project and related development absorption, scope, methodology and assumptions applied in the FIA; a description of the FIA methods for calculating revenues and expenditures; and the conclusions of the FIA during and after the projected buildout timeline.

PROJECT DESCRIPTION

LOCATIONS, LAND USES AND ASSUMPTIONS

The Project consists of approximately 371 acres of property located within the City's incorporated boundaries and Potential Annexation Area(s) (PAA) in King County, Washington. The Project is generally located along the eastern edge of the City, southeast of Lawson Street, with the exception of the North Triangle which is located west of and adjacent to SR-169.

Residential Development

The Project is anticipated to yield 1,250 residential units of various product types. Pursuant to buildout and phasing information provided by the Developer, product types will range from for-rent apartment buildings to single family homes on approximately 8,000 square foot lots. The Developer estimates these units will range price from $150,000 to $760,000 in 2008 dollars.

Non-Residential Development

The Project is anticipated to yield approximately 390,000 square feet of non-residential development, with 200,000 square feet of office and general commercial space and 190,000 square feet of retail.

PROJECT ABSORPTION / PHASING

The Developer provided information which assumes an even absorption of residential units per bulk sale phase. The first bulk sale of land will occur in 2015, and the first residential units will close in 2017. It is assumed there will be approximately two years between each bulk sale of land and final residential unit closings throughout the FIA. The last bulk sale will occur in 2022, and the last units will close in 2024.

The FIA assumes an uneven absorption of the non-residential land uses due to the Developer's assessment of unmet retail and office demand in the general market area. Half (50%) of the Project's non-residential development is expected to absorb from 2010 to 2012; and the remaining 50% is assumed to absorb over the next seven years, from 2013 to 2019.

FISCAL IMPACT ANALYSIS

SUMMARY

The Project encompasses approximately 376.8 acres of land in the City. This land is owned by the Developer, and additional land for the Project (Expansion Parcels) may be purchased at a later date. Pursuant to the various Project maps submitted to the City by the Developer, the Project conforms with City and County open space requirements and the UGA boundaries set by the County. Additionally, the FIA meets the requirements and regulations established by the MPD Ordinance. An initial estimate of the total number of residential units, average non-residential square footage, and initial unit values for the Project is identified in Appendix A.

The Developer has performed substantial internal research regarding the absorption schedule for the Project and would like to submit the absorption schedule summarized herein and detailed in Appendix A as the most likely buildout scenario for the Project.

SOURCES OF INFORMATION AND METHODOLOGY USED IN FIA

Data Sources

Information used in preparing the FIA was obtained from the following sources: (1) the 2006, 2008 and 2009 City budgets, (2) Conversations with County Staff, (3) Conversations with the Developer, (4) the Comprehensive Plan, (5) the MPD Ordinance, (6) the Washington State Department of Revenue ("DOR"), the Washington State Department of Financial Management ("DOFM"), the Puget Sound Regional Council ("PSRC") and those data sources referenced by the PSRC and the Comprehensive Plan, including the Federal Bureau of Labor Statistics ("BLS") and the US Census.

METHODOLOGY – REVENUES & EXPENDITURES

The methodology utilized in the FIA was chosen based on a careful review of the requirements of the MPD Ordinance and the Comprehensive Plan, as these two documents address the requirements associated with the preparation of this type of analysis. While there are alternative methods available to prepare a FIA for the Project, based on internal review by DPFG and in consultation with the Developer, the per-capita methodology is consistent with adopted City requirements given the data available at this stage of Project development. Where there is sufficient data available, DPFG has also used the case study method. For example, property taxes and REET are directly influenced by unit and land prices, and DPFG has used the case study methodology to estimate these revenue sources.

With the exception of property taxes, sales taxes and REET, all revenues and expenditures have been calculated on a per-capita basis. The per-capita methodology assigns revenues or costs per person served based on the 2008 City budget and the 2008 City population. At this time DPFG and the Developer do not have knowledge of the City's future staffing and levels of service for any departments, and future revisions to this FIA could incorporate updates to the Comprehensive Plan or other City planning documents. The FIA assumes the City provides services to 4,155 residents and 559 employees. An employee is assumed to generate 50% of the revenue and have 50% of the impact of a resident, so the persons served by the City is calculated as: 4,155 + [50% x 559] = 4,435.

As property taxes are dependant on the market value of each new residential unit or non-residential building, the FIA has calculated property tax revenue based on the Developer's projected values for the Project. Likewise, as sales tax is closely related to resident income and retail opportunities within City limits, sales taxes are calculated based on projected resident income and the increasing retail opportunities available within the City as the Project develops. In an effort to be conservative, the FIA also calculates a per-capita amount based on the 2008 budget and retail opportunities of sales taxes per resident, and only the lower amount of sales taxes generated by either one of these methods is utilized in any particular year examined by the FIA.

Methodology– Levels of Service

Pursuant to a review of the City's budget and staffing levels, as well as a review of the current funding agreement between the City and the Developer ("Funding Agreement"), DPFG and the Developer decided to prepare the FIA with the assumption that all City General Fund expenditures will be funded at 100% of their current per capita amounts, with the exception of police service. At the time of the preparation of this FIA, the Comprehensive Plan has not set specific staffing levels for future growth, but the City has utilized revenue from the Funding Agreement to hire much of the initial planning and executive staff necessary for the first phases of Project development. For example, the Funding Agreement provides for a minimum of six executive-level staff and associated subordinate staffers, in addition to legal costs and necessary City consultants. The impact of the Funding Agreement is that although the 2008 City Budget contains some of the staff necessary to serve future development, the expenditure calculations in the FIA increase the current level of City staffing on a one-to-one basis through the end of the FIA. There is no revenue from the Funding Agreement calculated in the FIA.

The Police Department is assigned a level of service factor of 60% based on the City's 2006 budget which identifies the current police staffing level (12) providing adequate levels of service for 7,500 residents, or 1.6 officers per 1,000 residents. The current 2009 level of service is 2.88 offices per 1,000 residents, or 80% above the current level of service standard of 1.6 officers per 1,000 residents. Based on a direct comparison of the current and future levels of service, the future per-resident cost is estimated to be about 55% of the current per-resident cost (1.6 / 2.88 = 0.55, or 55% of the current per-resident cost), but in an effort to be conservative, the FIA uses a 60% factor. The levels of service can be re-examined after the final adoption of the updated Comprehensive Plan.

Methodology – Efficiency Factors

One common method of estimating future expenditures is to apply an efficiency factor to the per-capita costs to account for the incrementally decreased costs associated with adding each additional resident or employee. In an effort to be conservative, all of these efficiency factors are shown at 100% in the FIA (i.e., zero efficiencies). As with the level of service factors, these efficiency factors are anticipated to be updated when the City finalizes its requirements for future staffing levels.

Methodology – Land Use

The FIA combines all types of residential land uses, from apartments to single family homes as well as office and retail development planned for the Project. The FIA was prepared in this manner to be consistent with because the MPD Ordinance (City Code Section 18.98.060 B.6.(c) and (f)) which requires a proposed MPD will have no adverse fiscal impact on the City at all stages of development and the ratio of residential to non-residential land uses supports this fiscal benefit to the City. Based on the results of the FIA, the Project provides the appropriate mix of residential and non-residential land uses. Additionally, the diversity of residential land uses allows the Project to meet the housing needs of all income levels and fulfill any related affordable housing requirements.

GENERAL ASSUMPTIONS

A more comprehensive overview of the general assumptions utilized in the FIA is summarized below in Figure 2:

Figure 12-2
Project Data

Anticipated Project Development Totals

Single Family	(a)	930 units
Multi Family	(a)	320 units
Retail	(a)	190,000 sq. ft.
Office	(a)	200,000 sq. ft.

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Figure 12-2
Project Data

Anticipated Absorption

Single Family	(a)	+/- 117 units per year
Multi Family	(a)	+/- 40 units per year
Retail / Office	(a)	+/- Uneven as shown in Appendix C

Unit Pricing

Initial Market Value (b)

Single Family - 2008 Values		
Product	Finished Lot	Finished House
Duets	$ 133,000	$ 332,500
40x85 alley	$ 129,200	$ 323,000
45x80 alley	$ 136,800	$ 342,000
40x90	$ 136,800	$ 342,000
45x85	$ 145,350	$ 363,375
45x100	$ 171,000	$ 427,500
50x90	$ 171,000	$ 427,500
50x100	$ 190,000	$ 475,000
55x100	$ 209,000	$ 522,500
60x100	$ 228,000	$ 570,000
70x100	$ 266,000	$ 665,000
80x100	$ 304,000	$ 760,000
Cluster	$ 136,800	$ 342,000
Carriage	$ 207,500	$ 518,750
Multi-Family - 2008 Values		
Product	Finished Lot	Finished House
Apartments	$ 35,000	$ 150,000
Stacked Flats	$ 30,000	$ 150,000
Townhomes	$ 95,000	$ 237,500
Non-Residential - 2008 Values		
Product		Per Sq.Ft.
Retail		$ 128
Office		$ 197

Fiscal Modeling Inputs

Initial Property Tax Rate to Black Diamond

$ per $1,000 Assessed Value levy rate	(c)	$0.86
$ per $1,000 Public Safety levy lid lift	(d)	$0.65

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Figure 12-2
Project Data

Annual Turnover Rate		
Single Family	(e)	Once per 14 Years (7.14%)
Multi Family	(e)	Once per 20 Year (5.00%)
Sales Tax Assumptions		
Household Income as a % of Unit Value	(f)	30%
Retail Expenditures as a % of Income	(f)	30%
% of Retail Expenditures Captured in City	(f)	30% - FIA Year 1 60% - FIA Year 12
Taxable Sales per Square Foot / Retail	(g)	$250
Taxable Sales per Square Foot / Office	(g)	$0
Annual Property Appreciation Rate		
Single Family / Multi Family	(h)	5%
Non residential	(h)	2%
Inflation Rates		
Per Capita Revenues	(i)	3.24%
Per Capita Expenditures	(i)	3.24%
Level of Service Adjustment		
Police Service		
Officers per 1,000 Residents (Current)	(j)	2.88 per 1,000 Residents
Officers per 1,000 Residents (City Budget Standard)	(j)	1.6 per 1,000 Residents
Level of Service Adjustment Factor	(j)	1.6/2.88 = 55.55%
Level of Service Adjustment Factor (rounded)		60.00%
Population & Employment Data		
Population		
Resident Population	(k)	4,155
Employee	(k)	559
Resident per Household		
Blended Single Family/Multi Family	(l)	2.4
Employee Data		
Retail sq. ft./employee	(m)	813
Office sq. ft./employee	(m)	434

Footnotes:
(a) Based on Developer information.
(b) Based on Developer information.
(c) Based on the 2007 property tax rate pursuant to King County Assessor's office.

Figure 12-2
Project Data

(d) Public safety levy lift approved by voters for six years through 2011.
(e) Based on average residential turnover rate statistics.
(f) Estimates based on Federal Bureau of Labor Statistics "Consumer Expenditure Survey" for 2002 for the Western Region.
(g) Estimates based the "2007 Retail Taxable Sales Estimates" prepared by The HdL Companies.
(h) Conservative rates based on information from the Developer.
(i) Revenues and expenditures increase pursuant to the Consumer Price Index ("CPI") to account for cost increases which mirror economic conditions. Based on Bureau of Labor Statistics for the Northwest Region from 1998 to 2008
(j) The FIA adjusts per capita funding levels for Police Service only. Figures given here are pursuant to a review of City budgets for 2006, 2008 and 2009.
(k) Per King County Annual Growth Report for 2008.
(l) Pursuant to the Puget Sound Regional Council
(m) Per Energy Information Administration (2003 Office Energy Statistics from the U.S. Government)

PROJECTED GENERAL FUND REVENUES

SUMMARY OF REVENUES

The Project is estimated to generate approximately $155,000 in revenue for the City's General Fund in 2010, the first year of development. In 2025, one year following buildout the Project is estimated to generate $4,478,160 in revenues. The FIA utilizes property tax, public safety levy, sales and use tax, timber tax, building and occupancy tax, solid waste tax, TV cable tax, telephone tax, electrical tax, water utility tax, wastewater utility tax, pull tabs/punch boards tax, licenses and permits, intergovernmental, charges for services, fines and forfeits and miscellaneous revenue generated specifically for the General Fund. The calculations of estimated revenue for property and real estate excise tax, and sales and use tax, are presented in Appendix C Tables 1 through 3. The calculations of estimated licenses and permits, other taxes, charges for services, state shared revenues, surface water management fee revenue, fine and forfeit revenue and miscellaneous other revenue are presented in Appendix C Table 4. The FIA assumes a 3.24% escalation rate for all per-capita revenues and expenditures. All General Fund revenues are calculated in Appendix C Tables 1 through 4, and are shown in General Fund summary in Appendix B. A summary description of the funds is explained below.

The development of new homes and retail space will generate jobs in the construction field and also generate demand for a variety of inputs (e.g., building materials, architectural and design services, etc.), many of which may be purchased locally. These revenue generators and secondary economic multipliers resulting from and associated with construction activity during build-out of the Project represent one-time rather than ongoing effects. Note the elimination of the City's B & O Tax in 2008 leads to a reduction in the amount of excess tax revenue which would be generated by development of the Project. The FIA has therefore eliminated this from the FIA due to the estimated Project timeline. Additionally, as stated in the Executive Summary, one-time revenues are not reflected in the annual revenues projected in this proposal.

TAXES AS OF 2028

Real Property Tax

As shown in Appendix C Table 1, by 2025 the Project is estimated to have an assessed value of approximately $1,165 million. The City has a maximum levy rate of $3.10 per $1,000 of assessed valuation. The FIA assumes the City will receive property taxes at $0.90 per $1,000 of assessed valuation for the Project starting in 2008 and $0.87 by 2025 based on the most recent information provided by the County Assessor's office and the 2009 City budget. Each year the new levy limit is calculated based on the following formula:

- 1% increase in the prior year levy, plus
- New construction assessed value times last year's levy rate, equals
- Total levy limit factor;
- If there is a levy lift, this may also adjust the levy limit as follows:
  - Regular levy less annexations assessed value divided by 1,000 times levy lift rate, plus
  - Total levy limit factor levy from above, equals;
  - Total allowable levy

- New Levy Rate = Total allowable levy divided by regular levy less annexations assessed value times 1,000.

EXAMPLE:

Normal Years

(a) Prior year levy of $100,000 + 1% increase = $101,000

(b) Last year levy rate of $1.175 per $1000 x New Construction of $50,000 = $58.75

(c) $101,000 + $58.75 = $101,058.75 = Current Year Total Tax Levy

For purposes of calculating the new levy rate, we did not assume any new construction other than the Project from 2009 through 2026. The FIA assumes a 5% market value escalation rate for the current assessed value of property within the City. Pursuant to Washington State Property Tax Law, revenues may only increase on existing development by 1% per year. Under these assumptions, the revenue is approximately $33,752 in property taxes in 2010 and $601,584 per year in property taxes in 2025. Additionally, the City may process a levy lid lift pursuant to RCW 84.55.050 and as amended by 2ESSB 5659 to increase the levy rate, if approved by a 60% majority of the voters. Please note that no part of this FIA assumes changes in property tax laws pursuant to future legislative action.

PUBLIC SAFETY LEVY

In 2004, residents of the City and the Fire District approved a special levy to pay part of the Fire District's maintenance and operation support expenses of $0.86 per $1,000 of assessed valuation to be assessed for six years, ending in 2010. Under the assumptions above, the revenue is approximately $25,542 per year in property taxes in 2010, and $1,001,913 in 2025. As noted above, the FIA assumes the Public Safety Levy Lid Lift will be approved in future years.

PERSONAL PROPERTY TAX

The City receives Personal Property Taxes which services the local area and the Project. Personal Property taxes are based on the assessed value of the personal property, such as boats and recreational vehicles for residential and furniture and equipment for businesses. Based on the assessed valuation information from the County, it is anticipated the Project will generate approximately $1,031 per year in personal property taxes in 2017 (the first year of residential occupancies) and $14,468 in 2025.

SALES AND USE TAX

The City generally receives 1% of the 8.6% sales tax rate collected in the State of Washington ("State"). Of this 1%, King County ("County") and the State Department of Revenue retain 15% and 1%, respectively, of the sales tax allocated to the City. Therefore the City receives 84% of 1% of all taxable sales within the City. For example, the City would receive $8.40 for a $1,000 transaction that occurs within the City. It is anticipated the Project will generate approximately $77,079 per year in 2010 and $1,072,275 in 2025 in Sales and Use tax.

ON-SITE SALES AND USE TAX

The FIA assumes that the City will receive sale tax revenues from taxable purchases made within the Project given that a portion of the development will generate sales tax. An estimation of $250 taxable sales per square foot was utilized pursuant to the HdL Companies "2007 Retail Taxable Sales Estimates". Applying this methodology, it is anticipated the Project will generate approximately $73,175 per year in 2010 and $708,332 in 2025.

OFF-SITE SALES AND USE TAX

The FIA assumes that the City will receive sales tax revenue from taxable purchases made by new residents and employees at new non-residential development. Pursuant to the King County Office of Management and Budget, a home is considered affordable if 30% of household income is spent on housing. Therefore, the FIA assumes each household's income is equivalent to 30% of the home's assessed value, 30% of household income is spent on retail taxable expenditures, and 30% of retail taxable expenditures are captured in the City. In addition, the FIA assumes that each new employee will generate 50% of the current per-capita taxable sales of existing residents. The FIA also performs a check to see if the sales and use tax generated with the preceding method is greater than the per-capita sales taxes currently generated by City residents, adjusted upward at 2% per year. Only the lesser result of these two methods is applied to the FIA in each model year. Applying this combined methodology, it is anticipated the Project will generate approximately $3,903 per year in 2010 and $363,943 in 2025.

BUILDING AND OCCUPANCY TAXES

The City eliminated the B&O tax in 2008, marginally reducing revenue from this source. Some other existing taxes were adjusted to cover some of this gap, but there currently is no policy to re-enact this tax. However, should the City choose to re-enact a B&O tax in any amount, this would provide additional revenue to the City not currently projected in this FIA.

TV CABLE TAXES

The City receives a TV Cable Tax which services the local area and the Project. TV Cable taxes are charged to the residents based on their cable usage. Based on the Budget, it is anticipated the Project will generate approximately $134 per year in 2010 and $12,476 in 2025.

UTILITY TAXES

The City receives Utility Taxes which services the local area and the Project. Utility taxes are the taxes imposed on telephone, telegraph, electrical energy, natural gas, solid waste, water and sanitary sewer at a rate of 6%. Based on the Budget, it is anticipated the Project will generate approximately $6,071 per year in 2010 and $565,925 in 2025.

PULL TABS/PUNCH BOARDS TAXES

The City receives a Pull Tabs and Punch Boards Tax which services the local area and the Project. Pull Tabs and Punch Boards taxes are assessed on permitted gambling activities that occur within the City. Based on the Budget, it is anticipated the Project will generate approximately $50 per year in 2010 and $4,679 in 2025.

LICENSES AND PERMITS

The City receives revenues from Business Licenses, Franchise Fees and Gun Permits which services the local area and the Project. Based on the Budget, it is anticipated the Project will generate approximately $2,007 per year in 2010 and $187,078 in 2025.

INTERGOVERNMENTAL REVENUE

The City receives revenue from the State, other than grants, for taxes collected by the State which are distributed to cities and other governmental entities on a per capita basis. A major portion of this revenue is from the street gas tax and local criminal justice funds. Additional sources of revenue are allocated from the Liquor Excise Tax and Profits, Vessel Registration Fees and Fire District 17 contract fees, which are distributed on a per capita basis. Based on the Budget, it is anticipated the Project will generate approximately $6,149 per year in 2010 and $573,200 in 2025.

CHARGES FOR SERVICES

The City receives revenue from various services which service the local area and the Project. Based on the Budget, it is anticipated the Project will generate approximately $1.429 per year in 2010 and $133,178 in 2025.

FINES AND FORFEITS

The City receives revenue from police issued fines for various infractions and violations. The City retains approximately 35 percent of the total amount paid in fines and forfeits pursuant to the 2008 Budget. It is anticipated the Project will generate approximately $2,343 per year in 2010 and $218,463 in 2025.

MISCELLANEOUS REVENUE

The City receives revenue from various unique sources including interest from various accounts, reimbursements from other governmental sources and donations. Based on the Budget, it is anticipated the Project will generate approximately $1,047 per year in 2010 and $97,600 in 2025.

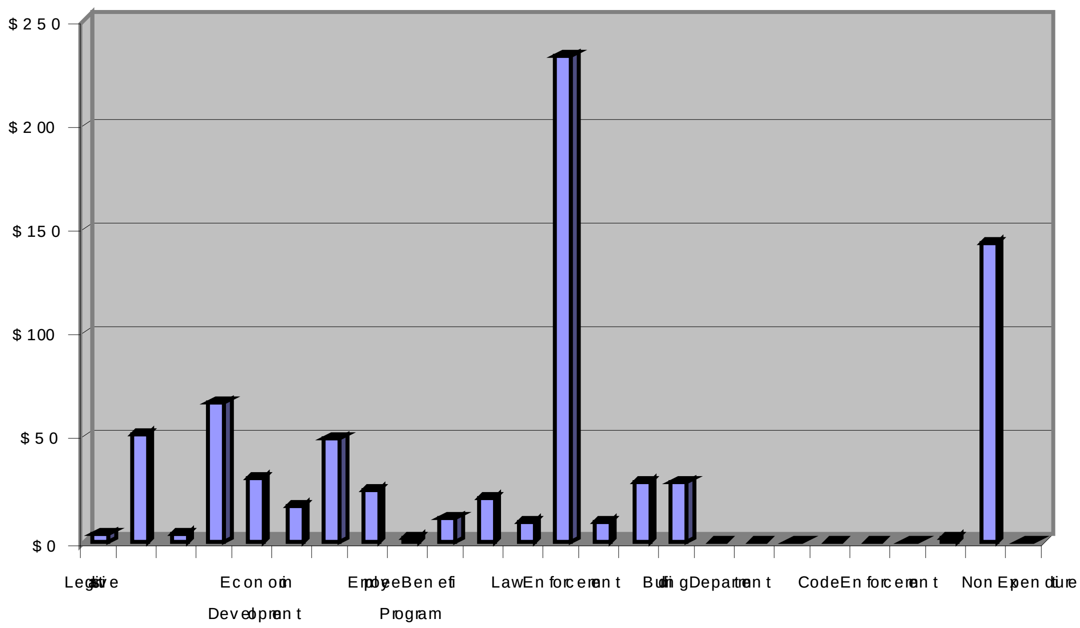
PROJECTED GENERAL FUND EXPENDITURES

The Project is estimated to generate approximately $41,835 in costs for the City's General Fund in 2010, the first year of development. In 2025, one year following buildout the Project is estimated to generate $3,900,056 in costs. The summary estimates and calculations are presented in Appendix B and Appendix C Table 5, respectively. A summary description of the expenditures is explained below.

GENERAL FUND

General Fund expenditures are utilized to establish and maintain the Legislative, Judicial, Executive, Administrative, Finance, Legal, Central Services, Other General Government Services, Law Enforcement, Physical Environment, Housing and Community Development, Planning and Community Development, Mental and Physical Health, Parks and Recreation and Fire Departments. The FIA anticipates the City spending $677 per capita in 2008, and $1,164 per capita in 2025 General Fund costs. The General Fund Costs are expected to increase annually in accordance with the Consumer Price Index of 3.24%. Presented below in Figure 3 are the departmental expenditures per capita.

Figure 12-3
General Fund Expenditures Per Capita



One of the benefits of the per-capita methodology for expenses is that the General Fund expenditure are set such that the City is assumed to fund each City department at a level sufficient to provide the same number of City employees per capita. This in turn meets the requirements of the MPD Ordinance that any MPD provide City staffing services at or above the level at which they are currently provided.

SPECIAL FUND IMPACTS

CITY SPECIAL FUNDS

The MPD Ordinance requires a fiscal benefit to the City for any new MPD, and DPFG and the Developer understand this to include not only the General Fund, but each of the Special Funds operated by the City. These Special Funds include the Street, Cemetery, Parks and Recreation, Criminal Justice, Water and Wastewater Funds. This FIA however, does not calculate revenues and expenditures for the Special Funds. The FIA assumes the City will commission new rate studies to accurately adjust revenue collections for the Special Funds such that all Special Fund expenditures will be fully funded to match the appropriate standards identified in the updated Comprehensive Plan. The exception to this methodology is the FIA's calculation of REET revenue, which is described below.

CAPITAL IMPROVEMENT AND CAPITAL PROJECTS FUNDS

The Capital Improvement and Capital Projects Funds consist of REET revenue divided equally between these separate funds into two separate portions. The first half, within the Capital Improvement Fund, may be used for any CIP facilities within the CIP. The second half, within the Capital Projects Fund, must also be used for CIP facilities but may not be used for the acquisition of park land. The City receives this tax at the time in which new or existing property is sold and ownership is transferred. REET is collected upon the sale of property at a rate of 50 percent on the selling price of the property. The FIA calculates the REET re-sale by using a residential and non-residential turnover rate of 7.14% and 5% of total assessed value per year respectively. Based on our calculations, the Project anticipates generating $53,658 in 2010 and $406,792 in 2025 in funds to be spent within the Capital Improvements and Capital Projects Funds. The total REET generated from 2009 to 2025 is approximately $6.5 million. The capital facility needs for the Project will be determined by Project engineers consistent with adopted levels of service separately from this FIA and therefore no expenditures are calculated for these two funds. The REET revenue has been included because the MPD Ordinance requires the Project fund facilities and infrastructure in a timely and fiscally responsible manner. The substantial REET revenues generated by the Project will assist in accomplishing this goal.