

From: Mike Mesch <[mmesch@tld-inc.com](mailto:mmesch@tld-inc.com)>  
Date: 2011/9/12  
Subject: Final Version  
To: Brennan McGrath <[brennanmcg@gmail.com](mailto:brennanmcg@gmail.com)>, Brennan McGrath <[brennan-mcgrath@university-heights.org](mailto:brennan-mcgrath@university-heights.org)>  
Cc: Timothy Terry <[tterry@tld-inc.com](mailto:tterry@tld-inc.com)>

\*\* \*\*

Brennan:\*\*\*\*

The final version is attached. The only change was the addition of Exhibit D and the discussion of that exhibit in the body of the report.\*\*\*\*

\*\* \*\*

Please pass this on to all the other council members. \*\*\*\*

\*\* \*\*

How many copies of the attached do you want us to bring tomorrow night?\*\*\*\*

\*\* \*\*

Thanks a lot!\*\*\*\*

\*\* \*\*

We appreciate your business and referrals.\*\*\*\*

\*\* \*\*

Michael Mesch, CPA/ABV, ASA, CFF\*\*\*\*

Business Valuation and Advisory Services\*\*\*\*

\*\* \*\*

\*\*\*\*

\*\* \*\*

\*\*\*\*\*Cedar Rapids\*\*\*\*\* Phone: (319) 364-2945\*\*\*\*

Cedar Rapids Fax: (319) 362-4487\*\*\*\*

\*\*\*\*\*Iowa City\*\*\*\*\* Phone: (319) 339-4884\*\*\*\*

Iowa City Fax: (319) 358-9113\*\*\*\*

[mmesch@tld-inc.com](mailto:mmesch@tld-inc.com)\*\*\*\*

[www.realfinancialstrategies.com](http://www.realfinancialstrategies.com) \*← Please visit our newly designed website!\*  
\*\*\*\*

\*\* \*\*

\*Real people. Real financial strategies. Real results.\*\*\*

\*\* \*\*

\*\* \*\*

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.\*\*\*\*

\*\* \*\*

This electronic message transmission contains information from the firm of Terry, Lockridge & Dunn which may be confidential or privileged. The information is intended to be for the use of the individual or entity named above. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the contents of this information (including any attachments) is prohibited. If you have received this transmission in error, please notify us by telephone (319) 364-2945 or by electronic mail (\*[tld@tld-inc.com](mailto:tld@tld-inc.com)\*) immediately.\*\*\*\*

\*\* \*\*

\*\*\*\*

\*\* \*\*

--

\*Bring us some fresh wine! The freshest you've got - this year! No more of this old stuff.\*

<[http://www.snooth.com/articles/commentary/wine-in-movies/?utm\\_campaign=1710&utm\\_medium=email&utm\\_source=all&utm\\_content=3567#ixzz11cLA6Ufs](http://www.snooth.com/articles/commentary/wine-in-movies/?utm_campaign=1710&utm_medium=email&utm_source=all&utm_content=3567#ixzz11cLA6Ufs)>

-Steve Martin in The Jerk

Brennan McGrath CSW  
Johnson Brothers of Iowa  
Restaurant Division Sales & Education  
319-855-0050 cell/text  
[BMcGrath@johnsonbrothers.com](mailto:BMcGrath@johnsonbrothers.com)  
[BrennanMcG@gmail.com](mailto:BrennanMcG@gmail.com)

September 12, 2011

City of University Heights City Council  
1004 Melrose Avenue  
University Heights, IA 52246

Re: Financial Viability Analysis – in consideration of Maxwell TIF Proposal

Dear Members of the City of University Heights City Council:

We were engaged to evaluate the City of University Heights' long-term financial viability. This analysis was precipitated by a TIF proposal submitted by Mr. Jeff Maxwell. He requested TIF assistance from the city for a development to be known as One University Place.

In addition, we were requested to evaluate Mr. Maxwell's proposal and provide guidance to the City regarding how best to assess the project and its potential impact on city finances. We understand the City will utilize this information in its determination of the need for Mr. Maxwell's project to maintain its financial viability. As a corollary, we have been asked to analyze the long term economic impact of the Tax Incremental Financing (TIF) and associated project as it relates to the City of University Heights.

The basis of our report is information that is the representation of the City. We have not audited, reviewed or compiled the historical numbers utilized in this report. Accordingly, do not express an opinion or any other form of assurance regarding the information provided.

### **Analysis - Research**

Our analysis consisted of a review of historical financial statements for the City in order to verify trends in revenues and expenses. In addition, we identified any possible extraordinary revenues or expenses that should be removed from our historical analysis so we could ultimately arrive at a good starting point for preparing a long-term financial projection. For this part of the process we requested the assistance of Brennan McGrath (Finance Committee Chair), Pat Yeggy (City Council Member) and Pat Bauer (University Heights resident). All three of these individuals have demonstrated a good working knowledge of City financial information. In addition, both Pat Bauer and Pat Yeggy have prepared their own historical financial analysis and made presentations to the Council regarding long-term viability. For this reason we determined it was appropriate to consider their input as we developed our projections.

In addition to Council members and Pat Bauer, we contacted various other experts who could provide insight into this process and the analysis of TIF. We contacted members of the Johnson County Board of Supervisors as well as State Legislators Joe Bolkom, David Jacoby and Mary Mascher to get their perspective on legislation that may affect future City revenues or expenses. We also met with Bill Greazel, Johnson County Assessor, to obtain his outlook on property tax levies as well as his experiences with TIF in other communities. We spoke with Wendy Ford (Iowa City Economic Development Coordinator) to review how Iowa City utilizes TIF and her viewpoint on the future. Finally, we spoke with Jeff Edberg (a commercial realtor who is very experienced in the local market) to gather information regarding property values in University Heights, historic growth and TIF considerations.

Our communications with these experts has affected the assumptions we used in our financial projections for the City. Rather than incorporate detail regarding the communications in the body of our report, we have elected to add exhibits that summarize key perspectives of each communication.

Cedar Rapids  
210 2nd St SE  
PO Box 75006  
Cedar Rapids, Iowa 52407  
(319) 364-2945  
(319) 362-4487 Fax

Iowa City  
2225 Mormon Trek Blvd  
Suite 200  
Iowa City, Iowa 52246  
(319) 339-4884  
(319) 358-9113 Fax

**Analysis – Historical Financials**

The governing body of most city governments will attempt to budget so that expenditures are equal to revenues less some amount the city decides to maintain in cash reserves. In other words, cities will generally spend their revenues and retain a modest amount to be added to reserves. This assumes there exists adequate reserves to meet contingencies and identified projects.

As Exhibit A-1 indicates, University Heights has historically been able to keep expenditures approximately equal to revenues. In some years expenses were greater than revenues and in other years revenues were greater than expenses but the City, on average, has been able to maintain an average cash reserve of ~25% of annual expenses.

Council Member Pat Yeggy highlighted in her analysis the City has added to its levies over the last decade and still experienced a number of years that have ended in a decrease to the City's cash reserve. This argument warrants consideration.

Exhibit A-3 shows historical growth in City revenues and expenditures by department to assist in analyzing where funds are being spent. The largest three areas of expense to the City are; Public Safety, Public Works and General Government. Review the information in Exhibit A-3 as well as below to understand how these expenses have grown (on average) from 2001 – 2010.

Tax Revenues -	3.8% average growth from 2001 - 2010
Public Safety –	5% average growth – 2010 Expenditure = \$356,249
Public Works –	1% average growth – 2010 Expenditure = \$212,712
General Government –	<u>1% average growth – 2010 Expenditure = \$ 88,214</u>
Growth in all Expenses –	2.6% average growth from 2001 - 2010

If, on average, your largest expenditure (public safety) is growing at a rate greater than your average growth in revenues, without corrective action your cash reserve will be reduced to zero. You can mitigate the affects by increasing revenues (through growth in market values of property, addition of new taxable properties, etc.) or decreasing or slowing the growth in expenses. Our projections address the future impact of this “status quo” and also show how budgeting for slower future growth in these expenses will affect the long-term viability of the City.

**Analysis – Adjustable Document**

Projected financial statements are subject to assumptions. Often times the assumptions utilized will be a matter for debate. For this reason we have prepared a document which can be adjusted to accommodate changing assumptions. Rather than serve a single use; this is a tool which can be utilized for future planning as well as the current analysis. Since so much of the decision process is tied to long-term planning, we recommend this template serve as the basis for future analysis.

As stated previously, we based the assumptions in our initial projection on our communications with various experts and interested parties. Our initial projection is our static document (status quo) from which we have created several iterations based on various “what if” scenarios. The benefit of utilizing “what if” scenarios is to test what happens in the event your assumptions are wrong. The information obtained by reviewing “what if” scenarios will help the City assess the risk associated with things such as; lower than expected property tax growth or higher than expected government expenses.

### About the Graphs

The remaining graphs presented in this report illustrate the level of cash reserves held by the City over the period of each projection. If the line on the graph is going up, the City is making money and adding to its cash reserves. If it is going down, the City is losing money and reducing its cash reserves. The purpose of the graph where the red line touches the bottom axis of the graph is the projected date when the City runs out of money.

The projections behind each of the graphs list out the specific assumptions associated with each "what if" scenario. The assumptions will also be explained in the body of this report as we review each scenario.

Assumptions that affect all scenarios are as follows:

1. The projection begins with the 2012 year end budgeted numbers
2. Local Option Sales Tax revenue is expected to disappear at the end of 2013
3. University Athletic Club will be purchased by the University of Iowa in 2016. From that point forward the University will continue to pay a fee to the City based on its current property tax valuation at that date.
4. Debt service expense will grow at the same rate as taxable valuations.
5. The 2013 projection was decreased for one-time expenditures that have been budgeted for 2012. These include reductions for:
  - a. A \$7,500 vehicle purchased for Public Safety (The expense was \$15k but we reduced by ½ since a new vehicle is purchased every 2-3 years).
  - b. A reduction in building inspection expenses (down to an average of \$10,000 annually)
  - c. A \$32,000 reduction in Public Works expenses related to the 2012 cost of the George/Koser intersection
  - d. A \$37,500 reduction in Public Works expenses related to the wide sidewalk project

All of these expenses are not expected to be continuing annual expenses in the future and removing them gives us a better starting "base" set of expenditures to project forward. These assumptions are based on conversations with Brennan McGrath and Pat Yeggy.

### Exhibit B – Status Quo (i.e. what if nothing changes?)

The first projection and assumptions are shown at Exhibit B-1. The assumptions associated with this projection are that the next 20 years will look exactly like the last 20 years. Growth in revenues and expenses will remain the same.

Exhibit B-2 graphs the level of cash reserves over a 20 year period. You will note that after year 2028 the City begins to lose money and the cash reserves begins to decrease. This is in large part to the fact that the City's largest budgeted expense (Public Safety) is projected to continue to increase at a rate of 5% while its largest revenue source (Property Taxes) are only expected to increase at a rate of 3.8% over the same period. This is also why you see the "percentage expense growth" growing incrementally higher each year over the 20 year period. The fact that Public Safety is growing at such a higher rate than the rest of the expenses drives the average expense growth upward over time causing expenses to eventually grow to be greater than revenues.

Exhibit B-2 (status quo graph) **is not a guarantee of the future for University Heights**. As with any projection, once you get out past 5 years the future is too hard to predict. What this graph does illustrate, however, is what happens if the City continues down its current spending path with no interference from outside market conditions.

Future graphs will assist the reader to evaluate how different scenarios will affect City finances.

#### Exhibit C – “What if” Scenario # 2

Exhibit C-2 shows the scenario in which revenues increase at 3% instead of 3.8% as in our first projection. In addition, all expenses grow over time at an average growth rate of 2.6%. This is the historical average of all expenses over the last 10 years.

The substantial change in this graph from the prior graph is that all expenses are growing at the same rate. This means that Public Safety reduces its growth rate from 5% to 2.6% and Public Works, Culture and Recreation, Community and Economic Development and General Government all increase their annual growth rate from 1% to 2.6%. By adjusting the projection this way the annual percentage growth does not increase on an annual basis as it did in the prior graph. As a result, revenues (over time) remain higher than expenses.

This is one solution to the City's budget issues. We recommend the City evaluate its budgeted expenses on an annual basis and monitor growth in expenses relative to growth in revenues. If revenues remain on a historical growth pattern then the main concern to the City should be to reduce its annual growth in Public Safety. While a full analysis of Public Safety expenses is warranted given the amount of budget allocated to this area, this projection suggests that a decrease of 2.4% in its annual growth (or ~\$9,000 based on 2012 budgeted numbers) can set the City on a path toward long-term stability. Graph C-2 shows the affect that a small change can have on a budget of this size over time.

#### Exhibit D – “What if” Scenario # 3

Exhibit D-2 illustrates the effect a long-term reduction in taxable property value growth might have on the City's budget. In this illustration we have assumed the City reduces its long-term revenue growth in revenue to 2.0%. In a conference call with Johnson County Assessor, Bill Greazel, he indicated he is comfortable that through adjustments to the rollback, in the short-term the City will increase its property tax revenue at a rate of 2%.

In the long-term, one can only look at historical increases in property values and the rollback factor as a guide. The 30 year average increase in property values in Johnson County has been 3.53%. In our example we will assume property values only increase at 2% for the entire 20 year period.

Graph D-2 shows that by adjusting growth in expenses from 3.1% reduced to 2% the City can continue to increase/maintain its reserve as a result of taking in more than it expends. This 1.1% decrease in budget growth when converted to dollars is ~\$9,000. This does not mean the current budget needs to be reduced by \$9,000. It indicates future budget growth must be reduce by that amount. If the adjustment is made only to Public Safety and all other expense growth remains the same then Public Safety budget growth would have to be reduced by ~2% to attain a \$9,000 reduction in overall budget.

The main point to take away from this graph is that, even in the scenario where property taxes decrease only slightly, the City can remain viable with some minor budget adjustments. In the timeframe of 20 years the City can evaluate options to decrease expenses or take on projects similar to OUP in order to reverse the effects of slow revenue growth.

### **Conclusions of Budget Analysis**

As stated earlier in this report, these projections are an adjustable document. The City can use this Excel workfile to project long-term growth and review historical growth. The following are our suggestions:

1. Update this projection with historical numbers each year so the City has a running history for review. These will also help the City determine how best to project the future.
2. Update these projections every 5 years. That will give the City enough additional historical data to review and analyze before attempting to predict the future.
3. The City should perform a full evaluation of its Public Safety expense
  - a. Review options for contracted services
  - b. Review number of "officer-hours" to determine appropriate coverage
  - c. Compare to current expenses
4. Reduce average growth in Public Safety expenses by 2.5% (should be a goal)
5. Evaluate projects that require TIF financing with a critical eye
  - a. Make sure the project fits with the City's long-term plan
  - b. Evaluate the risks and rewards to the City
  - c. Understand the financial position of the City does not require immediate action to assure your continued viability

### **Risks and Rewards of TIF as Proposed**

We understand it has been explained to the Council there is no risk associated with the City providing TIF to the OUP project. It is our informed opinion this conclusion is inconsistent with reality.

We can only conclude the developer statement is based a result of his narrow focusing on two aspects of the project:

1. There is no cash cost to the City because the TIF is financed with revenues from property taxes generated by the project
2. The City only stands to gain because, at completion of the TIF, the City will reap the benefits of the increased property tax revenues.

First we will review the rewards associated with the project. Based on the August 23, 2011 presentation by the Developer to City Council (which we understand is being updated), the City expects to gain \$26,000 per year in property tax revenues during the term of the TIF and \$256,000 per year after the TIF.

If the City is evaluating this TIF based on the developer's numbers then potential risks are as follows:

1. The actual market values of TIF properties are less than expected
  - a. A 20% decrease would create a 20% reduction in expected City revenues. Based on developer projections this equates to ~\$205,000 to the City after the TIF period instead of projected \$256,000.

#### **Mitigate this risk by:**

Adding to the agreement a "minimum assessment period" whereby the developer agrees to have the properties assessed according to his projections as opposed to the actual sales price for a period of "X" years.

2. Governor Branstad imposes the rollback to 60% of commercial property value

Mitigate this risk by:

Adding to the agreement a taxable valuation of commercial property at 100% market value as opposed to the 60% rollback.

3. The project is not completed

- a. An incomplete project is possible in the scenario in which the developer does not have the financial wherewithal to complete the project. There are a number of sequences of events that could cause this to happen. In addition to general economic conditions, changes in costs of materials, labor, environmental and unexpected construction issues. Without a review of the developer's personal financial statement and project financing and equity; it is impossible to adequately assess his ability to withstand the financial hemorrhaging as a result of an extended marketing period as well as a financial drain from unrelated projects.

Mitigate this risk by:

Reviewing the developer's detailed projections, assumptions and cost/equity structure of the project. Also review a personal financial statement for the developer and anyone else with a financial interest in this project.

The first two risks simply result in a smaller benefit to the City from the project. We believe these are important risks to the City because the only reason to enter into this agreement is the anticipated future revenues associated with the project.

Prior to proceeding with approval of the project, the City needs to be comfortable providing the TIF even in the event where the City does not receive the full benefits as projected. If the City is not comfortable proceeding under this scenario we recommend it consider adding the minimum assessment period and minimum valuation provisions to the agreement as heretofore described.

The last risk concerns us the most. If the project is started but not completed as proposed, the City would be in the unfortunate position of having to deal with a unacceptable project that does not deliver on its anticipated revenues. The undesirable options might include identifying an alternative developer to complete the project (potentially at a substantial additional cost to the City) or to have a shell building sitting on the main thoroughfare in the City of University Heights.

While we have no reason to believe Mr. Maxwell will be unable to fulfill his commitment, we have been unable to conduct an independent evaluation to form a basis of addressing this risk. We recommend it be a pre-requisite for approval. This requirement is merely consistent with that which any banker or party being asked to assume risk would require.

Sincerely,



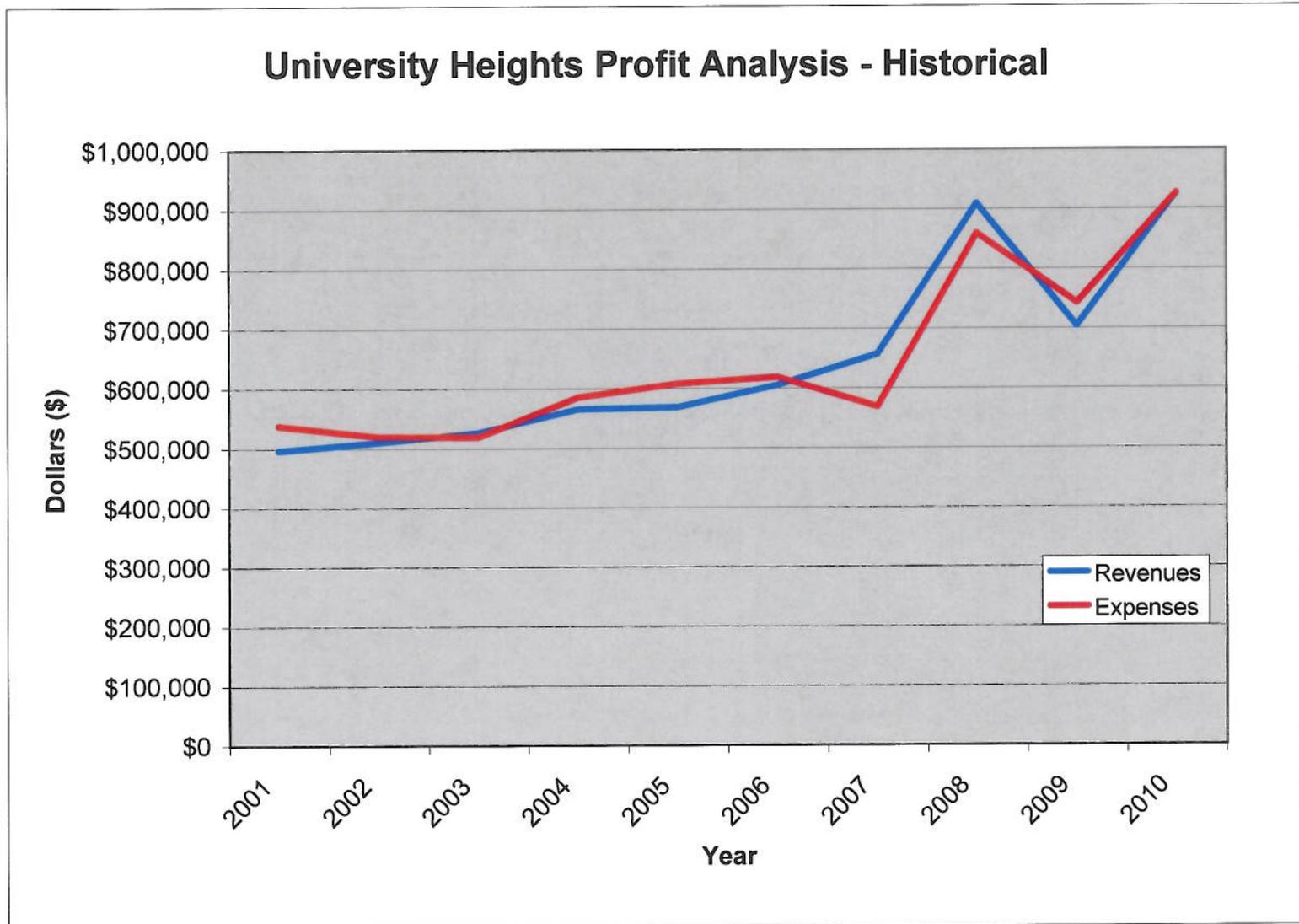
Mike Mesch, CPA/ABV, ASA, CFF  
Terry, Lockridge and Dunn



Timothy F. Terry  
Terry, Lockridge and Dunn

Enclosures

EXHIBIT A-1  
HISTORICAL ANALYSIS



## EXHIBIT A-2 HISTORICAL DETAIL

Ordinary Income/Expense	2001	2002	2003	2004
<b>Income</b>				
Total GENERAL PROPERTY TAXES	313,137	334,859	352,115	377,962
<b>OTHER CITY TAXES</b>				
Local Option Sales Tax				
Total OTHER CITY TAXES				
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>				
Federal Grants & Reimbursements				
Stimulus Funding				
I-JOBS (ARRA) Funds				
Total Federal Grants & Reimbursements				
State Shared Revenues				
IDOT funds-sidewalk proj				
Road Use/Street Construction				
Total State Shared Revenues				
Other State Grants/Reimburse.				
Seatbelt Incent/Traffic Safety				
Total Other State Grants/Reimburse.				
Total INTERGOVERNMENTAL/SHARED REVENUE	103,046	92,916	96,006	83,407
MISCELLANEOUS REVENUES	79,840	81,838	77,247	103,691
DEBT ISSUED				
<b>Total Income</b>	<b>\$ 496,023</b>	<b>\$ 509,613</b>	<b>\$ 525,368</b>	<b>\$ 565,060</b>
<b>Average Growth in Total Income</b>	<b>4.3%</b>	<b>3%</b>	<b>3%</b>	<b>8%</b>
<b>Expense</b>				
CAPITAL PROJECTS	-	-	-	-
PUBLIC SAFETY	(236,898)	(215,474)	(230,844)	(262,212)
PUBLIC WORKS	(209,547)	(191,023)	(144,896)	(160,706)
CULTURE & RECREATION	(5,389)	(5,663)	(5,952)	(6,037)
COMMUNITY & ECONOMIC DEV.	-	-	(158)	(836)
GENERAL GOVERNMENT	(86,172)	(107,337)	(93,607)	(109,043)
DEBT SERVICE/TRANSFERS OUT	-	-	(43,078)	(46,380)
<b>Total Expense</b>	<b>(538,006)</b>	<b>(519,497)</b>	<b>(518,535)</b>	<b>(585,214)</b>
<b>ADDITION/(SUBTRACTION) TO CASH RESERVE</b>	<b>\$ (41,983)</b>	<b>\$ (9,884)</b>	<b>\$ 6,833</b>	<b>\$ (20,154)</b>

## EXHIBIT A-2 HISTORICAL DETAIL

Ordinary Income/Expense	2005	2006	2007	2008	2009	2010
<b>Income</b>						
Total GENERAL PROPERTY TAXES	384,202	380,989	430,355	433,352	503,707	530,016
OTHER CITY TAXES						
Local Option Sales Tax						
Total OTHER CITY TAXES						
INTERGOVERNMENTAL/SHARED REVENUE						
Federal Grants & Reimbursements						
Stimulus Funding						
I-JOBS (ARRA) Funds						
Total Federal Grants & Reimbursements						
State Shared Revenues						
IDOT funds-sidewalk proj						
Road Use/Street Constructio						
Total State Shared Revenues						
Other State Grants/Reimburse.						
Seatbelt Incent/Traffic Safety						
Total Other State Grants/Reimburse						
Total INTERGOVERNMENTAL/SHARED REVENUE	84,738	84,847	92,491	114,056	96,804	136,800
MISCELLANEOUS REVENUES	99,307	138,624	133,635	121,104	102,805	115,114
DEBT ISSUED				240,000		143,700
<b>Total Income</b>	<b>\$ 568,247</b>	<b>\$ 604,460</b>	<b>\$ 656,481</b>	<b>\$ 908,512</b>	<b>\$ 703,316</b>	<b>\$ 925,630</b>
Average Growth in Total Income	1%	6%	9%	2%	4%	
<b>Expense</b>						
CAPITAL PROJECTS	-	-	-	(176,062)	-	(198,500)
PUBLIC SAFETY	(297,927)	(330,741)	(315,901)	(355,290)	(376,765)	(356,249)
PUBLIC WORKS	(153,304)	(143,072)	(150,377)	(175,710)	(173,140)	(212,712)
CULTURE & RECREATION	(6,358)	(3,670)	(15,833)	(20,320)	(25,437)	(30,577)
COMMUNITY & ECONOMIC DEV.	(1,175)	-	(1,793)	(2,230)	(1,652)	(5,000)
GENERAL GOVERNMENT	(104,569)	(93,893)	(84,842)	(121,431)	(133,842)	(88,214)
DEBT SERVICE/TRANSFERS OUT	(44,380)	(47,340)	-	(7,821)	(31,612)	(34,378)
<b>Total Expense</b>	<b>(607,713)</b>	<b>(618,716)</b>	<b>(568,746)</b>	<b>(858,864)</b>	<b>(742,448)</b>	<b>(925,630)</b>
<b>ADDITION/(SUBTRACTION) TO CASH RESERVE</b>	<b>\$ (39,466)</b>	<b>\$ (14,256)</b>	<b>\$ 87,735</b>	<b>\$ 49,648</b>	<b>\$ (39,132)</b>	<b>\$ -</b>

**EXHIBIT A-3  
UNIVERSITY HEIGHTS  
HISTORIC AVERAGE GROWTH IN INCOME & EXPENSES**

Real Estate Valuation	\$ 59,518,268	\$ 59,224,218	\$ 65,038,570	\$ 65,634,199
	0.548525	0.562651	0.516676	0.513874
	3.77%	2%	1%	0%
Taxable Valuation	\$ 32,647,258	\$ 33,322,565	\$ 33,603,868	\$ 33,727,708

	Average	2001	2002	2003	2004
AVERAGE PUBLIC SAFETY GROWTH	5%		-9%	7%	14%
AVERAGE PUBLIC WORKS GROWTH	1%		-9%	-24%	11%
AVERAGE CULT AND REC GROWTH	N/A		5%	5%	1%
AVERAGE COMM & ECO DEV GROWTH	N/A		#DIV/0!	#DIV/0!	429%
AVERAGE GEN GOVT GROWTH	1%		25%	-13%	16%
Overall Average Growth in Expenses	2.6%				
<b>CAPITAL PROJECTS</b>		-	-	-	-
PUBLIC SAFETY		(236,898)	(215,474)	(230,844)	(262,212)
PUBLIC WORKS		(209,547)	(191,023)	(144,896)	(160,706)
CULTURE & RECREATION		(5,389)	(5,663)	(5,952)	(6,037)
COMMUNITY & ECONOMIC DEV.		-	-	(158)	(836)
GENERAL GOVERNMENT		(86,172)	(107,337)	(93,607)	(109,043)
DEBT SERVICE/TRANSFERS OUT		-	-	(43,078)	(46,380)

**NOTE:**

2008 AND 2009 PUBLIC WORKS AND GENERAL GOVERNMENT EXPENDITURES WERE ADJUSTED TO REMOVE THE AFFECT OF INCREASED EXPENSES FOR THESE YEARS IN THE AREAS OF ENGINEERING AND LEGAL SERVICES. ENGINEERING WAS ADJUSTED DOWNWARD TO ITS HISTORIC LEVEL OF ~ \$35,000 ANNUALLY. LEGAL EXPENSE WAS ADJUSTED DOWNWARD TO ITS HISTORIC LEVEL OF ~ \$50,000 ANNUALLY.

The above historical analysis is based on financial statements obtained from the City's website.

**EXHIBIT A-3  
UNIVERSITY HEIGHTS  
HISTORIC AVERAGE GROWTH IN INCOME & EXPENSES**

Real Estate Valuation	\$ 70,787,904	\$ 71,092,060	\$ 85,586,484	\$ 86,088,654	\$ 98,503,249
	0.484558	0.479642	0.459960	0.455596	0.440803
	2%	-1%	15%	0%	11%
Taxable Valuation	\$ 34,300,845	\$ 34,098,738	\$ 39,366,359	\$ 39,221,646	\$ 43,420,528

	2005	2006	2007	2008	2009	2010
AVERAGE PUBLIC SAFETY GROWTH	14%	11%	-4%	12%	6%	-5%
AVERAGE PUBLIC WORKS GROWTH	-5%	-7%	5%	2%	2%	36%
AVERAGE CULT AND REC GROWTH	5%	-42%	331%			
AVERAGE COMM & ECO DEV GROWTH	41%	-100%	#DIV/0!			
AVERAGE GEN GOVT GROWTH	-4%	-10%	-10%	1%	-14%	19%

CAPITAL PROJECTS	-	-	-	(176,062)	-	(198,500)
PUBLIC SAFETY	(297,927)	(330,741)	(315,901)	(355,290)	(376,765)	(356,249)
PUBLIC WORKS	(153,304)	(143,072)	(150,377)	(153,710)	(156,140)	(212,712)
CULTURE & RECREATION	(6,358)	(3,670)	(15,833)	(20,320)	(25,437)	(30,577)
COMMUNITY & ECONOMIC DEV.	(1,175)	-	(1,793)	(2,230)	(1,652)	(5,000)
GENERAL GOVERNMENT	(104,569)	(93,893)	(84,842)	(85,431)	(73,842)	(88,214)
DEBT SERVICE/TRANSFERS OUT	(44,380)	(47,340)	-	(7,821)	(31,612)	(34,378)

The above historical analysis is based on financial statements obtained from the City's website.

**EXHIBIT B-1  
PROJECTION # 1  
STATUS QUO**

	2012	2013	2014	2015	2016	2017	2018	2019
UAC Property Tax Revenue	\$ 27,000	\$ 28,026	\$ 29,091	\$ 30,196	\$ 31,344			
			Loss of LOST Revenue		Stabilization of UAC Revenue			
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
TOTAL GENERAL PROPERTY TAXES	552,229	573,214	594,996	617,606	641,075	665,436	690,722	716,970
OTHER CITY TAXES								
OUP Revenue	-	-	-	-	-	-	-	-
University Athletic Club Tax	27,000	28,026	29,091	30,196	31,344	31,344	31,344	31,344
Local Option Sales Tax	125,000	125,000						
Total OTHER CITY TAXES	152,000	153,026	29,091	30,196	31,344	31,344	31,344	31,344
INTERGOVERNMENTAL/SHARED REVENUE								
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	12,600	12,726	12,853	12,982	13,112	13,243	13,375	13,509
Total INTERGOVERNMENTAL/SHARED REVENUE	102,600	102,726	102,853	102,982	103,112	103,243	103,375	103,509
MISCELLANEOUS REVENUES	103,428	104,462	105,507	106,562	107,628	108,704	109,791	110,889
DEBT ISSUED								
<b>Total Income</b>	\$ 910,257	\$ 933,428	\$ 832,447	\$ 857,346	\$ 883,158	\$ 908,726	\$ 935,232	\$ 962,711
<b>Average Revenue Growth</b>		2.5%	-10.8%	3.0%	3.0%	2.9%	2.9%	2.9%
<b>Expense</b>								
CAPITAL PROJECTS	-	-	-	-	-	-	-	-
PUBLIC SAFETY	(384,232)	(390,744)	(410,281)	(430,795)	(452,335)	(474,951)	(498,699)	(523,634)
PUBLIC WORKS	(265,506)	(198,661)	(200,648)	(202,654)	(204,681)	(206,727)	(208,795)	(210,883)
CULTURE & RECREATION	(38,118)	(38,499)	(38,884)	(39,273)	(39,666)	(40,062)	(40,463)	(40,868)
COMMUNITY & ECONOMIC DEV.	(5,000)	(5,050)	(5,101)	(5,152)	(5,203)	(5,255)	(5,308)	(5,361)
GENERAL GOVERNMENT	(100,328)	(101,331)	(102,345)	(103,368)	(104,402)	(105,446)	(106,500)	(107,565)
ANNUAL COST TO UH OF OUP IMPROVEMENTS								
<b>Total Expense</b>	(793,184)	(734,285)	(757,258)	(781,242)	(805,285)	(830,442)	(856,768)	(884,313)
Projected Profit/(Loss) before Debt Service	\$ 117,073	\$ 199,143	\$ 75,189	\$ 76,104	\$ 76,872	\$ 76,284	\$ 75,468	\$ 74,401
Cash Reserve	290,184	374,427	539,492	579,309	618,697	657,457	694,181	728,585
Debt Service	(32,830)	(34,078)	(35,372)	(36,717)	(38,112)	(39,560)	(41,063)	(42,624)
Profit/(Loss)	117,073	199,143	75,189	76,104	76,872	76,284	75,468	74,401
New Cash Reserve	374,427	539,492	579,309	618,697	657,457	694,181	728,585	760,362
Reserve Percentage	47.2%	73.5%	76.5%	79.2%	81.5%	83.4%	84.7%	85.6%
<b>Percentage Expense Growth</b>			3.1%	3.2%	3.2%	3.2%	3.3%	3.3%

**Assumptions:**

1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -	
2	Annual Increase in Taxable Value of UH Property	3.8%	This is in line with historical growth in taxable values in University Heights
3	Annual Increase in City Expenses		
a)	Public Safety - Average from 2001 - 2010 was 5%	5.0%	This is historical average
b)	All other	1.0%	Historically these have remained relatively constant expenses
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease		
5	Cost of Capital Projects will be offset by Future Bonding		
6	Increase in Seatbelt Incentive/Traffic Safety	1.0%	
7	IJOBS (ARRA) funds will cease on 2012 year-end budget		
8	LOST funds will cease after June 30, 2013		
9	Road Use/Street Construction	0.0%	
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%	
11	Increase in road-use and street construction	0.0%	
12	Debt Service will increase in line with growth in taxable value of property	3.8%	
13	Revenue from OUP	\$ -	

**THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.**

**EXHIBIT B-1  
PROJECTION # 1  
STATUS QUO**

UAC Property Tax Revenue

	2020	2021	2022	2023	2024	2025	2026	2027
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
TOTAL GENERAL PROPERTY TAXES	744,214	772,494	801,849	832,320	863,948	896,778	930,855	966,228
<b>OTHER CITY TAXES</b>								
OUP Revenue	-	-	-	-	-	-	-	-
University Athletic Club Tax	31,344	31,344	31,344	31,344	31,344	31,344	31,344	31,344
Local Option Sales Tax	-	-	-	-	-	-	-	-
<b>Total OTHER CITY TAXES</b>	31,344	31,344	31,344	31,344	31,344	31,344	31,344	31,344
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>								
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	13,644	13,780	13,918	14,057	14,198	14,340	14,483	14,628
<b>Total INTERGOVERNMENTAL/SHARED REVENUE</b>	103,644	103,780	103,918	104,057	104,198	104,340	104,483	104,628
<b>MISCELLANEOUS REVENUES</b>	111,998	113,118	114,249	115,391	116,545	117,711	118,888	120,077
DEBT ISSUED	-	-	-	-	-	-	-	-
<b>Total Income</b>	\$ 991,200	\$ 1,020,737	\$ 1,051,360	\$ 1,083,112	\$ 1,116,036	\$ 1,150,172	\$ 1,185,570	\$ 1,222,277
<b>Average Revenue Growth</b>	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%
<b>Expenses</b>								
CAPITAL PROJECTS	-	-	-	-	-	-	-	-
PUBLIC SAFETY	(549,815)	(577,306)	(606,172)	(636,480)	(668,304)	(701,719)	(736,805)	(773,646)
PUBLIC WORKS	(212,992)	(215,121)	(217,273)	(219,445)	(221,640)	(223,856)	(226,095)	(228,356)
CULTURE & RECREATION	(41,278)	(41,689)	(42,106)	(42,527)	(42,952)	(43,382)	(43,816)	(44,254)
COMMUNITY & ECONOMIC DEV.	(5,414)	(5,488)	(5,523)	(5,578)	(5,634)	(5,690)	(5,747)	(5,805)
GENERAL GOVERNMENT	(108,641)	(109,727)	(110,825)	(111,933)	(113,052)	(114,183)	(115,324)	(116,478)
ANNUAL COST TO UH OF OUP IMPROVEMENTS	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	(918,138)	(949,317)	(981,898)	(1,015,984)	(1,051,585)	(1,088,831)	(1,127,789)	(1,168,538)
Projected Profit/(Loss) before Debt Service	\$ 73,061	\$ 71,424	\$ 69,462	\$ 67,149	\$ 64,452	\$ 61,342	\$ 57,783	\$ 53,739
Cash Reserve	760,362	789,180	814,680	836,472	854,139	867,230	875,258	877,702
Debt Service	(44,244)	(45,925)	(47,670)	(49,481)	(51,362)	(53,313)	(55,339)	(57,442)
Profit/(Loss)	73,061	71,424	69,462	67,149	64,452	61,342	57,783	53,739
New Cash Reserve	789,180	814,680	836,472	854,139	867,230	875,258	877,702	873,998
Reserve Percentage	86.0%	85.8%	85.2%	84.1%	82.5%	80.4%	77.8%	74.8%
<b>Percentage Expense Growth</b>	3.4%	3.4%	3.4%	3.5%	3.5%	3.5%	3.6%	3.6%

**Assumptions:**

1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	3.8%
3	Annual Increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	5.0%
b)	All other	1.0%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety	1.0%
7	IJOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	3.8%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

**EXHIBIT B-1  
PROJECTION # 1  
STATUS QUO**

UAC Property Tax Revenue

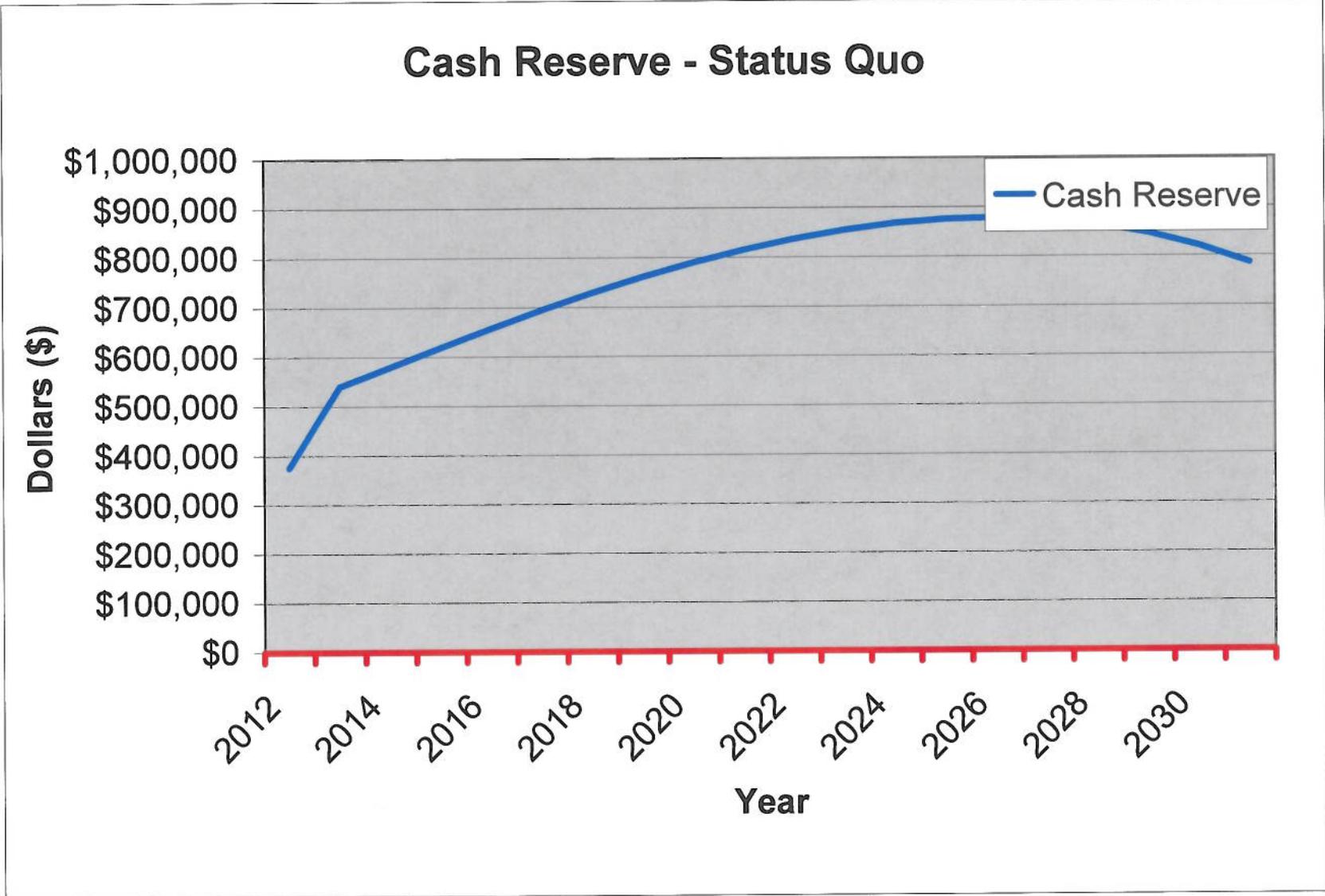
Ordinary Income/Expense	2028	2029	2030	2031
<b>Income</b>				
TOTAL GENERAL PROPERTY TAXES	1,002,944	1,041,056	1,080,616	1,121,680
<b>OTHER CITY TAXES</b>				
OUP Revenue	-	-	-	-
University Athletic Club Tax	31,344	31,344	31,344	31,344
Local Option Sales Tax	-	-	-	-
<b>Total OTHER CITY TAXES</b>	<b>31,344</b>	<b>31,344</b>	<b>31,344</b>	<b>31,344</b>
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>				
Road Use/Street Construction	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	14,774	14,922	15,071	15,222
<b>Total INTERGOVERNMENTAL/SHARED REVENUE</b>	<b>104,774</b>	<b>104,922</b>	<b>105,071</b>	<b>105,222</b>
MISCELLANEOUS REVENUES	121,277	122,490	123,715	124,952
DEBT ISSUED	-	-	-	-
<b>Total Income</b>	<b>\$ 1,260,340</b>	<b>\$ 1,299,813</b>	<b>\$ 1,340,747</b>	<b>\$ 1,383,198</b>
<b>Average Revenue Growth</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.2%</b>
<b>Expenses</b>				
CAPITAL PROJECTS	-	-	-	-
PUBLIC SAFETY	(812,328)	(852,944)	(895,591)	(940,371)
PUBLIC WORKS	(230,639)	(232,946)	(235,275)	(237,628)
CULTURE & RECREATION	(44,696)	(45,143)	(45,595)	(46,051)
COMMUNITY & ECONOMIC DEV.	(5,863)	(5,922)	(5,981)	(6,041)
GENERAL GOVERNMENT	(117,642)	(118,819)	(120,007)	(121,207)
ANNUAL COST TO UH OF OUP IMPROVEMENTS	-	-	-	-
<b>Total Expenses</b>	<b>(1,211,168)</b>	<b>(1,256,774)</b>	<b>(1,302,448)</b>	<b>(1,351,297)</b>
Projected Profit/(Loss) before Debt Service	\$ 49,171	\$ 44,039	\$ 38,298	\$ 31,901
Cash Reserve	873,998	863,545	845,693	819,748
Debt Service	(59,625)	(61,891)	(64,243)	(66,684)
<b>Profit/(Loss)</b>	<b>49,171</b>	<b>44,039</b>	<b>38,298</b>	<b>31,901</b>
New Cash Reserve	863,545	845,693	819,748	784,955
Reserve Percentage	71.3%	67.3%	62.9%	58.1%
<b>Percentage Expense Growth</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.7%</b>	<b>3.8%</b>

**Assumptions:**

1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	3.8%
3	Annual Increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	5.0%
b)	All other	1.0%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety	1.0%
7	IJOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	3.8%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

EXHIBIT B-2



**EXHIBIT C-1  
PROJECTION # 2**

	2012	2013	2014	2015	2016	2017	2018	2019
UAC PROPERTY TAX REVENUE	\$ 27,000	\$ 27,810	\$ 28,644	\$ 29,504	\$ 30,389			
			Loss of LOST Revenue		Stabilization of UAC Tax Revenue			
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
TOTAL GENERAL PROPERTY TAXES	552,220	568,796	585,860	603,436	621,539	640,185	659,390	679,172
OTHER CITY TAXES								
Revenue from OUP	-	-	-	-	-	-	-	-
University Athletic Club Tax	27,000	27,810	28,644	29,504	30,389	30,389	30,389	30,389
Local Option Sales Tax	125,000	125,000						
Total OTHER CITY TAXES	152,000	152,810	28,644	29,504	30,389	30,389	30,389	30,389
INTERGOVERNMENTAL/SHARED REVENUE								
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	12,600	12,726	12,853	12,982	13,112	13,243	13,375	13,509
Total INTERGOVERNMENTAL/SHARED REVENUE	102,600	102,726	102,853	102,982	103,112	103,243	103,375	103,509
MISCELLANEOUS REVENUES	103,428	104,462	105,507	106,562	107,628	108,704	109,791	110,889
DEBT ISSUED								
<b>Total Income</b>	\$ 910,257	\$ 928,794	\$ 822,864	\$ 842,483	\$ 862,667	\$ 882,520	\$ 902,945	\$ 923,958
<b>Average Revenue Growth</b>		2.0%	-11.4%	2.4%	2.4%	2.3%	2.3%	2.3%
<b>Expense</b>								
CAPITAL PROJECTS	-	-	-	-	-	-	-	-
PUBLIC SAFETY	(384,232)	(381,522)	(391,442)	(401,619)	(412,061)	(422,775)	(433,767)	(445,045)
PUBLIC WORKS	(265,506)	(202,909)	(208,185)	(213,598)	(219,151)	(224,849)	(230,695)	(236,693)
CULTURE & RECREATION	(38,118)	(39,109)	(40,126)	(41,169)	(42,240)	(43,338)	(44,465)	(45,621)
COMMUNITY & ECONOMIC DEV.	(5,000)	(5,130)	(5,263)	(5,400)	(5,541)	(5,685)	(5,832)	(5,984)
GENERAL GOVERNMENT	(100,328)	(102,937)	(105,613)	(108,359)	(111,176)	(114,067)	(117,032)	(120,075)
Total Expense	(793,184)	(731,607)	(750,639)	(778,145)	(790,189)	(810,719)	(831,792)	(853,438)
ABILITY TO PAY DEBT OR ADD TO CASH RESERVE	\$ 117,073	\$ 197,187	\$ 72,236	\$ 72,338	\$ 72,498	\$ 71,807	\$ 71,154	\$ 70,540
Cash Reserve	290,184	374,427	537,799	575,206	611,670	647,217	680,965	712,918
Debt Service	(32,830)	(33,815)	(34,829)	(35,874)	(36,950)	(38,059)	(39,201)	(40,377)
Profit/(Loss)	117,073	197,187	72,236	72,338	72,498	71,807	71,154	70,540
New Cash Reserve	374,427	537,799	575,206	611,670	647,217	680,965	712,918	743,081
	47.2%	73.5%	76.6%	79.4%	81.9%	84.0%	85.7%	87.1%
<b>Percentage Expense Growth</b>			2.6%	2.6%	2.6%	2.6%	2.6%	2.6%

Assumptions:		
1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	3.0%
3	Annual Increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	2.6%
b)	All other	2.6%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seabelt Incentive/Traffic Safety	1.0%
7	IJOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	3.0%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

**EXHIBIT C-1  
PROJECTION # 2**

UAC PROPERTY TAX REVENUE

	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Ordinary Income/Expense</b>									
<b>Income</b>									
TOTAL GENERAL PROPERTY TAXES	699,547	720,534	742,150	764,414	787,347	810,967	835,296	860,355	886,165
OTHER CITY TAXES									
Revenue from OUP	-	-	-	-	-	-	-	-	-
University Athletic Club Tax	30,389	30,389	30,389	30,389	30,389	30,389	30,389	30,389	30,389
Local Option Sales Tax	-	-	-	-	-	-	-	-	-
Total OTHER CITY TAXES	30,389	30,389	30,389	30,389	30,389	30,389	30,389	30,389	30,389
INTERGOVERNMENTAL/SHARED REVENUE									
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	13,644	13,780	13,918	14,057	14,198	14,340	14,483	14,628	14,774
Total INTERGOVERNMENTAL/SHARED REVENUE	103,644	103,780	103,918	104,057	104,198	104,340	104,483	104,628	104,774
MISCELLANEOUS REVENUES	111,998	113,118	114,249	115,391	116,545	117,711	118,888	120,077	121,277
DEBT ISSUED									
<b>Total Income</b>	<b>\$ 945,578</b>	<b>\$ 967,820</b>	<b>\$ 990,705</b>	<b>\$ 1,014,262</b>	<b>\$ 1,038,479</b>	<b>\$ 1,063,406</b>	<b>\$ 1,089,056</b>	<b>\$ 1,115,448</b>	<b>\$ 1,142,608</b>
<b>Average Revenue Growth</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>
<b>Expense</b>									
CAPITAL PROJECTS	-	-	-	-	-	-	-	-	-
PUBLIC SAFETY	(456,616)	(468,488)	(480,669)	(493,166)	(505,988)	(519,144)	(532,642)	(546,491)	(560,699)
PUBLIC WORKS	(242,847)	(249,161)	(255,639)	(262,286)	(269,106)	(276,102)	(283,281)	(290,646)	(298,203)
CULTURE & RECREATION	(46,807)	(48,024)	(49,272)	(50,553)	(51,868)	(53,216)	(54,600)	(56,020)	(57,476)
COMMUNITY & ECONOMIC DEV.	(6,140)	(6,299)	(6,463)	(6,631)	(6,804)	(6,980)	(7,162)	(7,348)	(7,536)
GENERAL GOVERNMENT	(123,197)	(126,400)	(129,687)	(133,059)	(136,518)	(140,068)	(143,709)	(147,446)	(151,279)
<b>Total Expense</b>	<b>(875,607)</b>	<b>(898,373)</b>	<b>(921,731)</b>	<b>(945,699)</b>	<b>(970,384)</b>	<b>(995,511)</b>	<b>(1,021,364)</b>	<b>(1,047,961)</b>	<b>(1,075,399)</b>
ABILITY TO PAY DEBT OR ADD TO CASH RESERVE	\$ 69,971	\$ 69,448	\$ 68,975	\$ 68,556	\$ 68,195	\$ 67,895	\$ 67,662	\$ 67,498	\$ 67,409
Cash Reserve	743,081	771,464	798,076	822,930	846,042	867,429	887,112	905,115	921,465
Debt Service	(41,588)	(42,836)	(44,121)	(45,444)	(46,808)	(48,212)	(49,658)	(51,148)	(52,683)
Profit/(Loss)	69,971	69,448	68,975	68,556	68,195	67,895	67,662	67,498	67,409
New Cash Reserve	771,464	798,076	822,930	846,042	867,429	887,112	905,115	921,465	936,192
	88.1%	88.8%							
<b>Percentage Expense Growth</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>

**Assumptions:**

1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	3.0%
3	Annual Increase in City Expenses	
	a) Public Safety - Average from 2001 - 2010 was 5%	2.6%
	b) All other	2.6%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety	1.0%
7	JOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	3.0%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

**EXHIBIT C-1  
PROJECTION # 2**

UAC PROPERTY TAX REVENUE

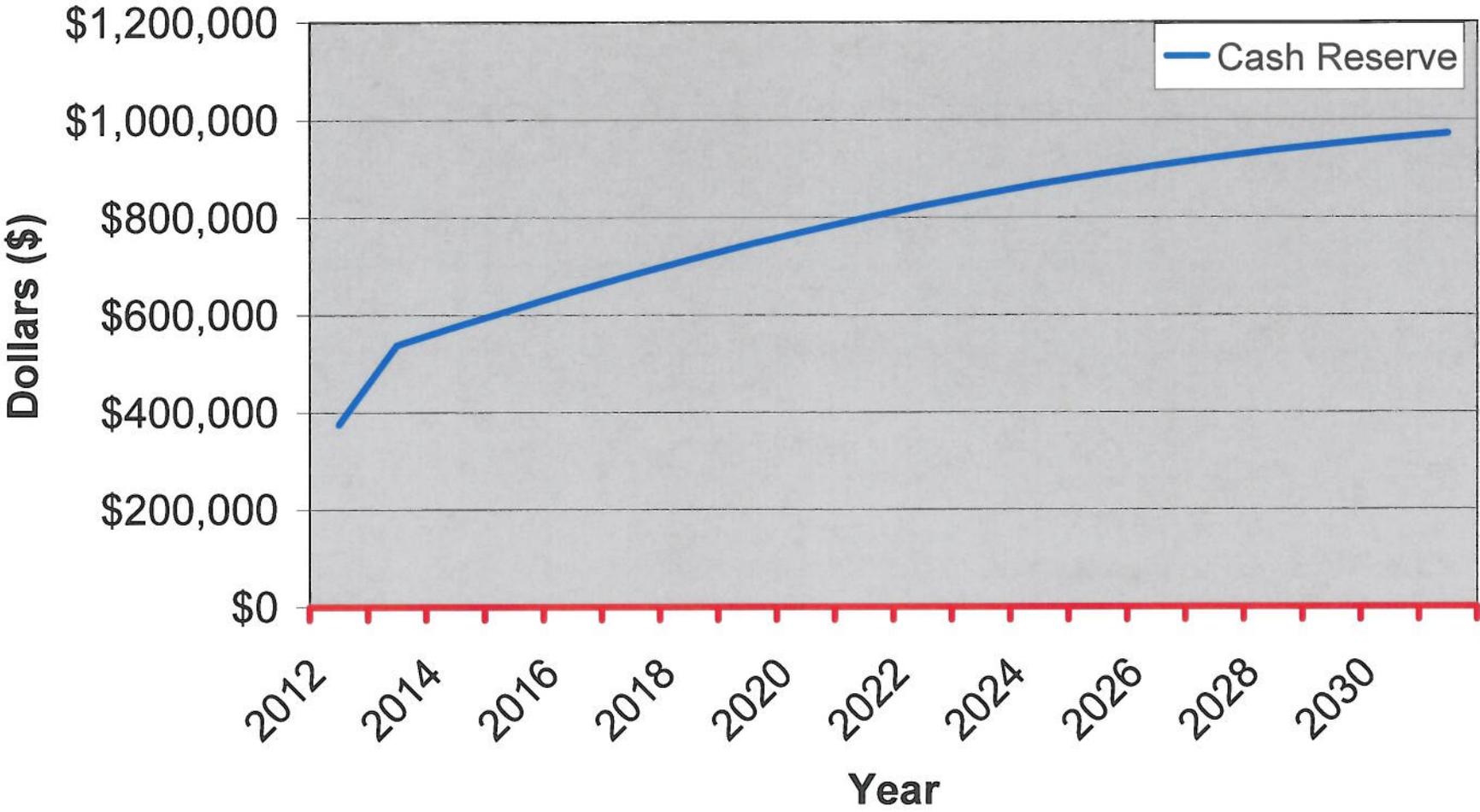
	2029	2030	2031
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
TOTAL GENERAL PROPERTY TAXES	912,750	940,133	968,337
<b>OTHER CITY TAXES</b>			
Revenue from OUP	-	-	-
University Athletic Club Tax	30,389	30,389	30,389
Local Option Sales Tax	-	-	-
<b>Total OTHER CITY TAXES</b>	30,389	30,389	30,389
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>			
Road Use/Street Construction	90,000	90,000	90,000
Total Other State Grants/Reimburse.	14,922	15,071	15,222
<b>Total INTERGOVERNMENTAL/SHARED REVENUE</b>	104,922	105,071	105,222
<b>MISCELLANEOUS REVENUES</b>	122,490	123,715	124,952
DEBT ISSUED			
<b>Total Income</b>	\$ 1,170,552	\$ 1,199,308	\$ 1,228,900
<b>Average Revenue Growth</b>	2.4%	2.5%	2.5%
<b>Expense</b>			
CAPITAL PROJECTS	-	-	-
PUBLIC SAFETY	(575,278)	(590,235)	(605,581)
PUBLIC WORKS	(305,956)	(313,911)	(322,073)
CULTURE & RECREATION	(58,971)	(60,504)	(62,077)
COMMUNITY & ECONOMIC DEV.	(7,735)	(7,936)	(8,143)
GENERAL GOVERNMENT	(155,213)	(159,248)	(163,389)
<b>Total Expenses</b>	(\$ 1,103,153)	(\$ 1,131,834)	(\$ 1,161,263)
ABILITY TO PAY DEBT OR ADD TO CASH RESERVE	\$ 67,399	\$ 67,474	\$ 67,638
Cash Reserve	936,192	949,328	960,911
Debt Service	(54,263)	(55,891)	(57,568)
<b>Profit/(Loss)</b>	67,399	67,474	67,638
<b>New Cash Reserve</b>	949,328	960,911	970,981
<b>Percentage Expense Growth</b>	2.6%	2.6%	2.6%

<b>Assumptions:</b>			
1	Annual Cost to City of OUP Improvements (assuming project is approved)		\$ -
2	Annual Increase in Taxable Value of UH Property	3.0%	
3	Annual Increase in City Expenses		
	a) Public Safety - Average from 2001 - 2010 was 5%	2.6%	
	b) All other	2.6%	
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease		
5	Cost of Capital Projects will be offset by Future Bonding		
6	Increase in Seatbelt Incentive/Traffic Safety	1.0%	
7	IJOBS (ARRA) funds will cease on 2012 year-end budget		
8	LOST funds will cease after June 30, 2013		
9	Road Use/Street Construction	0.0%	
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%	
11	Increase in road-use and street construction	0.0%	
12	Debt Service will increase in line with growth in taxable value of property	3.0%	
13	Revenue from OUP		\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

EXHIBIT C-2

### Cash Reserve - What If?



**EXHIBIT D-1  
PROJECTION # 3**

	2012	2013	2014	2015	2016	2017	2018	2019
University Athletic Club Tax Revenue	\$ 27,000	\$ 27,540	\$ 28,091	\$ 28,653	\$ 29,226			
			Loss of LOST Revenue		Stabilization of UAC Tax Revenue			
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
TOTAL GENERAL PROPERTY TAXES	552,229	563,274	574,539	586,030	597,750	609,705	621,900	634,338
<b>OTHER CITY TAXES</b>								
OUP Revenue	-	-	-	-	-	-	-	-
University Athletic Club Tax	27,000	27,540	28,091	28,653	29,226	29,226	29,226	29,226
Local Option Sales Tax	125,000	125,000	-	-	-	-	-	-
<b>Total OTHER CITY TAXES</b>	152,000	152,540	28,091	28,653	29,226	29,226	29,226	29,226
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>								
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	12,600	12,726	12,853	12,982	13,112	13,243	13,375	13,509
<b>Total INTERGOVERNMENTAL/SHARED REVENUE</b>	102,600	102,726	102,853	102,982	103,112	103,243	103,375	103,509
<b>Total MISCELLANEOUS REVENUES</b>	103,428	104,462	105,507	106,562	107,628	108,704	109,791	110,889
DEBT ISSUED								
<b>Total Income</b>	\$ 910,257	\$ 923,002	\$ 810,990	\$ 824,226	\$ 837,715	\$ 850,878	\$ 864,291	\$ 877,991
<b>Average Revenue Growth</b>		1.4%	-12.1%	1.6%	1.6%	1.6%	1.6%	1.6%
<b>Expenses</b>								
CAPITAL PROJECTS	0.00							
Wide Sidewalk Project	0							
Construction	-							
Engineering fees sidewalk proj	-							
Total Wide Sidewalk Project	-							
CAPITAL PROJECTS								
PUBLIC SAFETY	(384,232)	(379,217)	(386,801)	(394,537)	(402,428)	(410,476)	(418,686)	(427,060)
PUBLIC WORKS	(265,506)	(201,316)	(205,342)	(209,449)	(213,638)	(217,911)	(222,269)	(226,715)
CULTURE & RECREATION	(38,118)	(38,880)	(39,658)	(40,451)	(41,260)	(42,085)	(42,927)	(43,786)
COMMUNITY & ECONOMIC DEV.	(5,000)	(5,100)	(5,202)	(5,306)	(5,412)	(5,520)	(5,631)	(5,743)
GENERAL GOVERNMENT	(100,328)	(102,335)	(104,381)	(106,469)	(108,598)	(110,770)	(112,986)	(115,245)
ANNUAL COST TO UH OF OUP IMPROVEMENTS	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	\$ (788,184)	\$ (726,848)	\$ (741,385)	\$ (756,212)	\$ (771,327)	\$ (786,793)	\$ (802,499)	\$ (818,540)
ABILITY TO PAY DEBT OR ADD TO CASH RESERVE	\$ 117,073	\$ 196,154	\$ 69,605	\$ 68,014	\$ 66,379	\$ 64,114	\$ 61,793	\$ 59,412
Cash Reserve	290,184	374,427	537,095	572,544	605,718	636,561	664,428	689,249
Debt Service	(32,830)	(33,487)	(34,156)	(34,839)	(35,536)	(36,247)	(36,972)	(37,711)
Profit/(Loss)	117,073	196,154	69,605	68,014	66,379	64,114	61,793	59,412
New Cash Reserve	374,427	537,095	572,544	605,718	636,561	664,428	689,249	710,960
	47.2%	73.9%	77.2%	80.1%	82.5%	84.5%	85.9%	86.9%
<b>Percentage Expense Growth</b>			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Assumptions:		
1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	2.0%
3	Annual Increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	2.0%
b)	All other	2.0%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety Income	1.0%
7	JOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	2.0%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

**EXHIBIT D-1  
PROJECTION # 3**

University Athletic Club Tax Revenue

	2020	2021	2022	2023	2024	2025	2026	2027
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
TOTAL GENERAL PROPERTY TAXES	647,024	659,965	673,164	686,627	700,360	714,367	728,654	743,228
<b>OTHER CITY TAXES</b>								
OUP Revenue	-	-	-	-	-	-	-	-
University Athletic Club Tax	29,226	29,226	29,226	29,226	29,226	29,226	29,226	29,226
Local Option Sales Tax	-	-	-	-	-	-	-	-
<b>Total OTHER CITY TAXES</b>	29,226	29,226	29,226	29,226	29,226	29,226	29,226	29,226
<b>INTERGOVERNMENTAL/SHARED REVENUE</b>								
Road Use/Street Construction	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	13,644	13,780	13,918	14,057	14,198	14,340	14,483	14,628
<b>Total INTERGOVERNMENTAL/SHARED REVENUE</b>	103,644	103,780	103,918	104,057	104,198	104,340	104,483	104,628
<b>Total MISCELLANEOUS REVENUES</b>	111,998	113,118	114,249	115,391	116,545	117,711	118,888	120,077
<b>DEBT ISSUED</b>								
<b>Total Income</b>	\$ 891,892	\$ 906,089	\$ 920,557	\$ 935,302	\$ 950,329	\$ 965,643	\$ 981,251	\$ 997,158
<b>Average Revenue Growth</b>	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
<b>Expense</b>								
<b>CAPITAL PROJECTS</b>								
Wide Sidewalk Project								
Construction								
Engineering fees sidewalk proj								
Total Wide Sidewalk Project								
<b>CAPITAL PROJECTS</b>	-	-	-	-	-	-	-	-
<b>PUBLIC SAFETY</b>	(435,601)	(444,313)	(453,199)	(462,263)	(471,508)	(480,938)	(490,557)	(500,368)
<b>PUBLIC WORKS</b>	(231,249)	(235,674)	(240,591)	(245,403)	(250,311)	(255,318)	(260,424)	(265,632)
<b>CULTURE &amp; RECREATION</b>	(44,661)	(45,555)	(46,466)	(47,395)	(48,343)	(49,310)	(50,296)	(51,302)
<b>COMMUNITY &amp; ECONOMIC DEV.</b>	(5,858)	(5,975)	(6,095)	(6,217)	(6,341)	(6,468)	(6,597)	(6,729)
<b>GENERAL GOVERNMENT</b>	(117,550)	(119,901)	(122,299)	(124,745)	(127,240)	(129,785)	(132,381)	(135,028)
<b>ANNUAL COST TO UH OF OUP IMPROVEMENTS</b>	-	-	-	-	-	-	-	-
<b>Total Expense</b>	\$ (834,920)	\$ (851,816)	\$ (868,650)	\$ (885,623)	\$ (902,764)	\$ (920,139)	\$ (937,855)	\$ (955,960)
<b>ABILITY TO PAY DEBT OR ADD TO CASH RESERVE</b>	\$ 56,972	\$ 54,471	\$ 51,907	\$ 49,279	\$ 46,565	\$ 43,825	\$ 40,996	\$ 38,098
<b>Cash Reserve</b>	710,950	729,456	744,692	756,579	765,038	769,986	771,342	769,020
<b>Debt Service</b>	(38,466)	(39,235)	(40,020)	(40,820)	(41,636)	(42,469)	(43,318)	(44,185)
<b>Profit/(Loss)</b>	56,972	54,471	51,907	49,279	46,565	43,825	40,996	38,098
<b>New Cash Reserve</b>	729,456	744,692	756,579	765,038	769,986	771,342	769,020	762,933
	87.4%	87.4%						
<b>Percentage Expense Growth</b>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

**Assumptions:**

1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual Increase in Taxable Value of UH Property	2.0%
3	Annual Increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	2.0%
b)	All other	2.0%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety Income	1.0%
7	IJOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	2.0%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

**EXHIBIT D-1  
PROJECTION # 3**

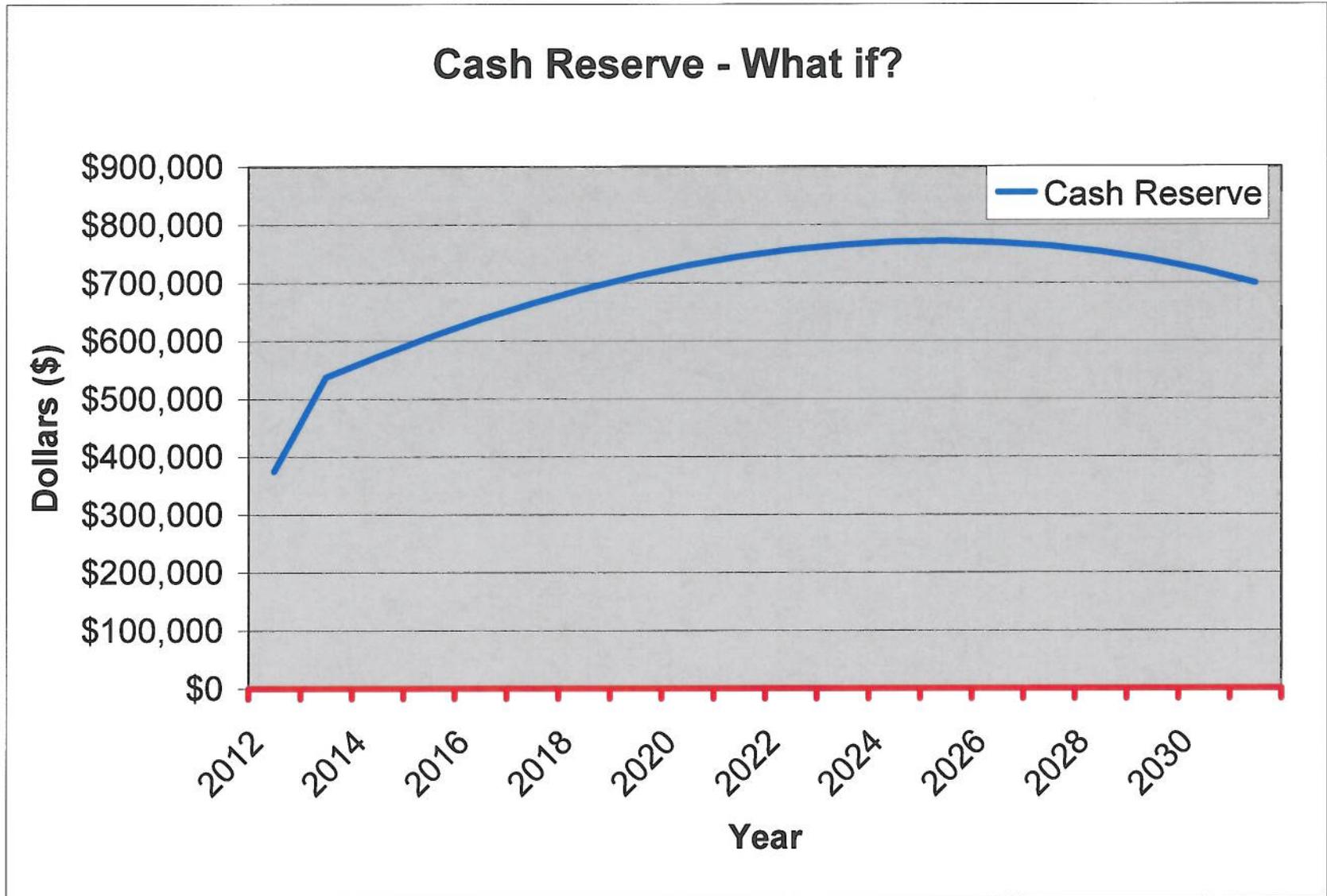
University Athletic Club Tax Revenue

Ordinary Income/Expense	2028	2029	2030	2031
<b>Income</b>				
TOTAL GENERAL PROPERTY TAXES	758,092	773,254	788,719	804,493
OTHER CITY TAXES				
OUP Revenue	-	-	-	-
University Athletic Club Tax	29,226	29,226	29,226	29,226
Local Option Sales Tax				
Total OTHER CITY TAXES	29,226	29,226	29,226	29,226
INTERGOVERNMENTAL/SHARED REVENUE				
Road Use/Street Construction	90,000	90,000	90,000	90,000
Total Other State Grants/Reimburse.	14,774	14,922	15,071	15,222
Total INTERGOVERNMENTAL/SHARED REVENUE	104,774	104,922	105,071	105,222
Total MISCELLANEOUS REVENUES	121,277	122,490	123,715	124,952
DEBT ISSUED				
<b>Total Income</b>	<b>\$ 1,013,370</b>	<b>\$ 1,029,892</b>	<b>\$ 1,046,731</b>	<b>\$ 1,063,894</b>
<b>Average Revenue Growth</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>
<b>Expense</b>				
CAPITAL PROJECTS				
Wide Sidewalk Project				
Construction				
Engineering fees sidewalk proj				
Total Wide Sidewalk Project				
CAPITAL PROJECTS	-	-	-	-
PUBLIC SAFETY	(510,376)	(520,583)	(530,995)	(541,615)
PUBLIC WORKS	(270,945)	(276,364)	(281,891)	(287,529)
CULTURE & RECREATION	(52,328)	(53,374)	(54,442)	(55,531)
COMMUNITY & ECONOMIC DEV.	(6,864)	(7,001)	(7,141)	(7,284)
GENERAL GOVERNMENT	(137,729)	(140,483)	(143,293)	(146,159)
ANNUAL COST TO UH OF OUP IMPROVEMENTS	-	-	-	-
<b>Total Expense</b>	<b>(978,241)</b>	<b>(997,806)</b>	<b>(1,017,762)</b>	<b>(1,038,117)</b>
ABILITY TO PAY DEBT OR ADD TO CASH RESERVE	\$ 35,128	\$ 32,086	\$ 28,969	\$ 25,776
Cash Reserve	762,933	752,993	739,109	721,189
Debt Service	(45,069)	(45,970)	(46,889)	(47,827)
Profit/(Loss)	35,128	32,086	28,969	25,776
New Cash Reserve	752,993	739,109	721,189	699,138
<b>Percentage Expense Growth</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>

Assumptions:		
1	Annual Cost to City of OUP Improvements (assuming project is approved)	\$ -
2	Annual increase in Taxable Value of UH Property	2.0%
3	Annual increase in City Expenses	
a)	Public Safety - Average from 2001 - 2010 was 5%	2.0%
b)	All other	2.0%
4	Once LOST is over, expenses will decrease in line with LOST revenue decrease	
5	Cost of Capital Projects will be offset by Future Bonding	
6	Increase in Seatbelt Incentive/Traffic Safety Income	1.0%
7	JOBS (ARRA) funds will cease on 2012 year-end budget	
8	LOST funds will cease after June 30, 2013	
9	Road Use/Street Construction	0.0%
10	Annual Increase in Miscellaneous Revenues (included are permit income, traffic and parking fines, refunds and reimbursements)	1.0%
11	Increase in road-use and street construction	0.0%
12	Debt Service will increase in line with growth in taxable value of property	2.0%
13	Revenue from OUP	\$ -

THE ABOVE ANALYSES ARE ESTIMATED PROJECTIONS BASED ON THE ASSUMPTIONS ABOVE.  
ACTUAL FUTURE REVENUES AND EXPENSES WILL VARY AND THE DIFFERENCE MAY BE MATERIAL.

EXHIBIT D-2



## EXHIBIT E

On August 3, 2011 I met with Skogman Realtor, Jeff Edberg. Mr. Edberg has over 30 years of real estate experience and is a resident of University Heights.

I originally contacted Mr. Edberg because I wanted additional information regarding historical market values of properties in and around University Heights. Jeff provided me with average increases in Johnson County home sales prices since 1981. These increases averaged 3.53% per year. I used this information, along with a historical analysis of University Heights' taxable valuations, to support my assumption regarding increases in property tax revenues in projection # 1 of the attached report.

While speaking with Jeff he offered that he was concerned regarding the estimated valuations of the condominiums and commercial space projected in the OUP project. He noted a project next to the Marriott in Coralville that has yet to sell all of the units as projected. In addition he indicated the Birkdale properties contiguous to the OUP site do not support the valuation predictions in Mr. Maxwell's reports.

While our analysis includes an estimate of the effect of a decrease in expected revenues to the City from OUP, we have not relied on Mr. Edberg's opinions for this report. While it would be interesting to perform an analysis of estimated valuations of the completed OUP project, the market can fluctuate significantly between the time of this analysis and the completion of OUP. For this reason we determined it would be most beneficial for the City to review a "what if" analysis regarding potential deviations from Mr. Maxwell's proposed valuations. This will allow the Council to consider how that may reduce the projected revenues to the City.

# EXHIBIT F

On August 4, 2011 I met with Wendy Ford, Iowa City Economic Development Coordinator.

I met with Wendy to obtain a broad understanding of future economic factors which will affect local municipalities. I also wanted to understand how Iowa City approaches TIF, what types of information they require in a proposal and to identify specific items to carefully review in respect to a TIF proposal.

## Major Points of our Conversations

- Iowa City requires a review of the developer's detailed financial projections and personal financial statements.
  - This is done in an effort to determine the developer's need for TIF and so the City can prepare its own feasibility analysis on the project.
- Wendy expects Governor Branstad to rollback commercial property tax valuations from 100% to 60% within the next 5 years.
  - This will not have a significant impact on University Heights property tax collections because only two commercial properties exist in the City currently as of 2011. If the OUP project is approved the City should consider adjusting its projections of property tax revenues from the commercial portion of project.
- If the County is not interested in supporting the TIF there is a work-around whereby the Council can approve a portion of the TIF on an annual basis in an effort to avoid going over their debt ceiling.
  - Wendy discussed that this is risky to the developer because he/she is relying on future Councils to approve the TIF on an annual basis.
  - She noted that Coralville has provided TIF in this manner in the past.
- The ultimate agreement between the City and the developer can include any number of caveats, restrictions, goals, etc., all of which can be added to mitigate risk (associated with the developer's projections) for the City.
- Iowa City uses TIF very infrequently while many surrounding smaller communities use TIF more often. She noted that Tiffin, Schueyville, Oxford and Coralville all have used TIF to finance projects on a more frequent basis.

# EXHIBIT G

On August 4, 2011 I met with Bill Grezel, ICA, CGRPA. As the Johnson County Assessor, Bill's primary duty is to assess all residential, commercial, industrial and agricultural properties in the County.

I met with Bill to gain his perspective on TIF. Specifically, I was interested in his insight regarding where he has seen TIF work and not work. In addition, I was curious how the recent Iowa Court decision allowing multi-unit residential apartment building owners to COOP their property might affect the City of University Heights' revenue.

## Major Points of our Conversations

- Do not separate this project from the potential impact on the rest of the community. Especially a community the size of University Heights.
  - Bill explained an instance in a small community where the City provided TIF to a new development on the edge of the town. In this particular town, the long-time residents noted that the new properties actually caused a decline in their home values. This is because new residents to the community, when faced with the option of purchasing a new home for \$200,000 versus an older home for a similar price, chose the new residences.
  - While difficult to predict if OUP would have this type of impact on the City of University Heights, this is an interesting example of the potential unanticipated side-effects of a large-scale project of this type.
- The court decision allowing multi-unit apartments to be COOPed will not have a significant impact on the City of University Heights because of the nature of the properties in the city.
- Items to consider adding to the developer agreement in an effort to mitigate risk:
  - Minimum Assessment Agreement
    - This means the developer agrees that for a period of X number of years, the assessor will value the property at the valuation projected in the developer's proposal to the City.
    - Agree that commercial property will be assessed at 100% valuation even in the event the Governor rolls back the commercial taxable valuation rate.

# EXHIBIT H

I contacted State Senator Joe Bolkcom to see if he had insight into the potential effects of any current or pending state legislation on the City of University Heights.

Mr. Bolkcom has been a State Senator since 1998. Prior to that he served on the Johnson County Board of Supervisors. For the 2009 and 2010 legislative sessions, Joe was elected Senate Assistant Majority Leader.

## Major Points of our Conversations

- Governor Branstad would like to rollback commercial property tax valuations. The most recent compromise presented was a rollback to 60%. The democrats are agreeable to the extent the State will pay for this property tax decrease but the republicans (at the time of our conversation) were not interested in this option. Instead the individual communities in Iowa would see large reductions in their commercial property tax revenues.
  - As noted previously, this will not impact University Heights significantly given its current amount of commercial property but this could impact Mr. Maxwell's projections of revenue from the commercial portion of the OUP development.
  - Mr. Bolkcom indicated if cities are stuck paying for this commercial rollback then they will need to look elsewhere for revenues. This could mean increases in residential property taxes would be necessary.

# EXHIBIT I

I emailed various state legislators, members of the Johnson County Board of Supervisors and local economic development leaders to get their opinion regarding items that may affect University Heights in the near future.

The list I communicated with includes:

- David Jacoby – State Representative
- Janelle Rettig – Johnson County Board of Supervisors
- Mary Mascher – State Representative
- Rod Sullivan – Johnson County Board of Supervisors
- Joe Raso – President and Chief Executive Officer of Iowa City Area Development Group

## Major Points of our Conversations

- Discussion regarding Governor Branstad's projected commercial property rollback
- Iowa court decision to allow COOPing of multi-unit apartment buildings