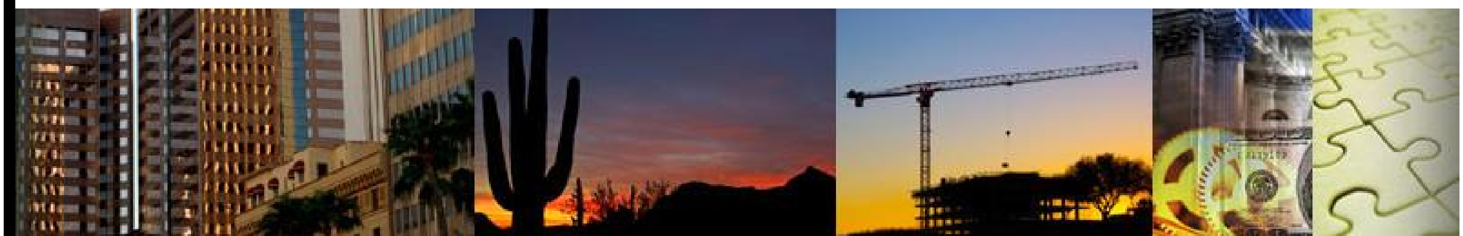
Revenue Forecast For Proposed Half-Cent Sales Tax – Pinal County RTA



Prepared for:

Central Arizona Governments

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EXECUTIVE SUMMARY

Purpose of Study

The purpose of this study is to prepare a forecast for a proposed 20-year half-cent sales tax that would be levied in Pinal County for the improvement and construction of major transportation thoroughfares. The tax would be levied by a countywide Regional Transportation Authority (RTA) formed under Arizona statutes for the purpose of identifying and constructing major transportation projects. The RTA would develop a 20-year Regional Transportation Plan prior to an election scheduled to be held in May 2016 to approve the new half-cent sales tax. The Regional Transportation Plan would be focused on regional, large-scale transportation improvements including a north-south corridor and additional east-west and north-south roadway improvements throughout the County.

Methodology

Forecasts of tax revenues are typically based on several key determinants that are indicative of expenditures in the local economy. Those determinants include:

- Population Growth
- Inflation
- Per Capita Personal Income (PCPI)

The increase in population growth is one of the factors that will have a significant impact on Pinal County and its ability to raise revenue for roadway improvements. The area experienced explosive growth in the middle of the last decade but is now experiencing more moderate levels of housing construction and, as a result, lower levels of population growth.

Inflation is an important factor in driving retail sales and tax revenue. Inflation has been modest for more than two decades and is expected to remain at low levels for the foreseeable future.

Personal income is a proxy for retail sales growth. As incomes increase, retail sales increase as well. Per capita personal income across Arizona has been stagnant over the last few years, but is expected to increase in the future.

While the above factors typically yield accurate forecasts, adjustments must be made to modeling efforts to account for individual circumstances and trends affecting a community or county. Pinal County is a newly developing area that is transitioning from a rural farming region to an urbanized area. As a result, it has a modest amount of retail development and its per capita personal income (PCPI) is substantially lower than Maricopa County's. As a result of these socioeconomic conditions in the County, adjustments were made in the modeling effort to account for the growth in the County's retail development over time and increases in Pinal County's per capita personal income as the County transitions from an agricultural economy to a diverse, urbanized region.

Revenue Forecast

Three forecast scenarios (Low, Medium and High) were developed as part of this study based on population forecasts prepared by the Arizona Department of Administration in December 2015. The range of forecasted revenues over 20 years varies from $568 million to $709 million, with the Medium Scenario yielding $640 million. Typically the Medium or most-likely scenario is used to estimate future revenue outcomes. **While there is still uncertainty related to the national and state economies along with global economic and political concerns, Elliott D. Pollack & Company recommends that Pinal County use the Medium Forecast for the expected outcome of the RTA sales tax initiative.**

The RTA should consider updating the forecast for sales tax revenue every year or two. The Greater Phoenix area has experienced a lackluster recovery from the Great Recession and modest population and employment growth relative to historic norms following a recession. However, the economy is improving and is expected to continue to improve in the future. With additional updated information on population growth, inflation and personal income over the next few years, future sales tax revenue forecasts will be able to reflect the Greater Phoenix economy's full recovery from the Great Recession.

In conclusion, Elliott D. Pollack & Company recommends utilizing the Medium Scenario for transportation planning purposes as outlined below in Table A, producing an estimated $640 million over 20 years.

Table A

Recommended RTA Sales Tax Revenue Forecast
Medium Forecast Scenario
FY 2017 - FY 2036

Fiscal Year	Revenue	% Change	Fiscal Year	Revenue	% Change
FY16	$15,304,073		FY27	$30,776,582	6.7%
FY17	$16,334,810	6.7%	FY28	$32,820,630	6.6%
FY18	$17,477,073	7.0%	FY29	$34,990,099	6.6%
FY19	$18,699,999	7.0%	FY30	$37,329,372	6.7%
FY20	$19,954,591	6.7%	FY31	$39,812,068	6.7%
FY21	$21,194,670	6.2%	FY32	$42,476,075	6.7%
FY22	$22,506,128	6.2%	FY33	$45,326,534	6.7%
FY23	$23,906,618	6.2%	FY34	$48,364,182	6.7%
FY24	$25,430,797	6.4%	FY35	$51,625,845	6.7%
FY25	$27,086,136	6.5%	FY36	$55,098,840	6.7%
FY26	$28,842,586	6.5%	**FY17-FY36**	**$640,053,635**	

Sources: AZ Dept. of Administration, U.S. BEA, Univ. of Arizona, Elliott D. Pollack & Co.

The amount of funds that may be available for actual construction of highways and roads is shown on the Table B based on a 15% contingency for design and administration. Road construction may also be subject to five-year phasing of tax receipts. Overall, approximately 85% of tax receipts are considered programmable funds or $544 million.

Table B

Pinal County RTA Programmable Revenue Projection
By 5-year Phases With Contingency

Fiscal Year	Revenue Projection	Contingency (15%)	Programmable	Phase	Funding Per Phase for Projects
FY17	$16,334,810	$2,450,221	$13,884,588		
FY18	$17,477,073	$2,621,561	$14,855,512		
FY19	$18,699,999	$2,805,000	$15,894,999	1	$79,611,971
FY20	$19,954,591	$2,993,189	$16,961,402		
FY21	$21,194,670	$3,179,200	$18,015,469		
FY22	$22,506,128	$3,375,919	$19,130,209		
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FY25	$27,086,136	$4,062,920	$23,023,216		
FY26	$28,842,586	$4,326,388	$24,516,198		
FY27	$30,776,582	$4,616,487	$26,160,095		
FY28	$32,820,630	$4,923,094	$27,897,535		
FY29	$34,990,099	$5,248,515	$29,741,584	3	$149,369,438
FY30	$37,329,372	$5,599,406	$31,729,966		
FY31	$39,812,068	$5,971,810	$33,840,258		
FY32	$42,476,075	$6,371,411	$36,104,664		
FY33	$45,326,534	$6,798,980	$38,527,554		
FY34	$48,364,182	$7,254,627	$41,109,555	4	$206,457,755
FY35	$51,625,845	$7,743,877	$43,881,968		
FY36	$55,098,840	$8,264,826	$46,834,014		
FY17-FY36	**$640,053,635**	**$96,008,045**	**$544,045,590**		**$544,045,590**

Sources: AZ Dept. of Administration, U.S. BEA, Univ. of Arizona, Elliott D. Pollack & Co.

The annual cost of the proposed RTA half-cent sales tax to the typical Pinal County household is nominal. According to the U.S. Census, the median household income in Pinal County is $49,867. The U.S. Consumer Expenditure Survey estimates the typical household earning the median income will spend on average about $17,590 each year on taxable goods and services, excluding grocery items since the County does not tax food to be used at home. At the 0.5% tax rate, the RTA tax would cost the typical household $88 each year or $7.33 per month, about equal to a fast food meal.

1.0 INTRODUCTION

The purpose of this study is to prepare a forecast for a proposed half-cent sales tax that would be levied in Pinal County for the improvement and construction of major transportation thoroughfares. The Pinal County Board of Supervisors has directed the County staff to initiate the formation of a countywide Regional Transportation Authority (RTA) under Arizona statutes for the purpose of identifying major transportation projects. The tax would be authorized for a 20-year term. If the RTA is formed, the Central Arizona Governments (CAG) Regional Council would serve as the RTA Board of Directors. The first task of the RTA would be to produce a 20-year Regional Transportation Plan along with a request to the electorate to approve a new half-cent sales tax scheduled in May 2016. The forecast of future revenues from the half-cent sales tax is a major component of the Regional Transportation Plan.

The Regional Transportation Plan would be focused on regional, large-scale roadway improvements that would add capacity, accommodate future growth and serve as regional connectors, all with the purpose of reducing congestion and providing for the efficient movement of people and goods. Major transportation projects that will be considered by the RTA include a north-south corridor and additional east-west and north-south improvements throughout the County.

2.0 METHODOLOGY

Pinal County has already levied a half-cent excise tax for road and street improvements (the Road Tax). The tax was passed by the electorate in 1986 and renewed in 2005. The tax provides some historical background on sales tax trends that is useful for the forecasting of a new RTA sales tax. Over the past 12 years, the tax has shown some variability due to economic conditions and the effect of the Great Recession on spending in the local economy. Large increases in tax receipts were experienced in fiscal years 2005 and 2006 primarily due to the housing boom throughout Pinal County (the Road Tax includes a 0.5% charge on contracting activities). Between FY 2007 and FY 2012, tax receipts declined by 34% before rising in subsequent years. While there will be economic cycles in the future, any variability in the tax revenue in the future is expected to be modest compared to the Great Recession. Table 1 shows the historic revenue generated from the half-cent Road Tax.

Table 1

Historic Half-Cent Road Tax Revenues
Pinal County

Year	Revenue	Percent Change
FY 2004	9,757,830	
FY 2005	12,173,030	24.8%
FY 2006	17,279,308	41.9%
FY 2007	19,177,206	11.0%
FY 2008	17,856,916	-6.9%
FY 2009	14,830,503	-16.9%
FY 2010	12,599,660	-15.0%
FY 2011	12,561,088	-0.3%
FY 2012	12,952,327	3.1%
FY 2013	13,300,223	2.7%
FY 2014	14,096,702	6.0%
FY 2015	14,450,578	2.5%

Source: Arizona Dept. of Revenue

Revenues from the Pinal County Road Tax are generated from a number of different tax categories. Retail sales approach nearly one-half of the total Road Tax receipts while utilities, contracting and restaurants/bars comprise 41% of total revenue. Tax revenue is primarily driven by the resident population of the County; tourism currently contributes little revenue in the way of hotel/motel sales. The four categories noted above account for 87% of the Road Tax revenue. Table 2 presents the FY 2015 Road Tax revenue by tax category.

Table 2

FY 2015 Pinal County Road Tax Receipts
By Tax Category

Category	Receipts	Percent of Total
Utilities	$2,493,857	17.3%
Communications	$568,341	3.9%
Publishing	$22,522	0.2%
Printing	$8,367	0.1%
Restaurant & Bars	$1,398,639	9.7%
Amusements	$211,091	1.5%
Rental of Real Property	$517,053	3.6%
Rental of Personal Property	$333,091	2.3%
Contracting	$2,040,024	14.1%
Retail	$6,614,274	45.8%
Hotel/Motel	$120,263	0.8%
Other	$123,056	0.9%
Total	**$14,450,578**	**100.0%**

Source: Arizona Dept. of Revenue

Forecasts of tax revenues are typically based on several key determinants that are indicative of expenditures in the local economy. Those determinants include:

- Population Growth
- Inflation
- Per Capita Personal Income (PCPI).

The increase in population growth is one of the factors that will have a significant impact on Pinal County and its ability to raise revenue for roadway improvements. The County experienced explosive growth in the middle of the last decade as homebuilders ventured into the SanTan Valley and Maricopa. In 2000, Pinal County represented 5.6% of the Greater Phoenix population. By 2013, its population had expanded to 9.0% of the region's residents. As the housing market stabilizes over the next few years, the County will see continued growth and account for a larger share of Greater Phoenix's population.

Inflation is an important factor in driving retail sales and tax revenue. While inflation has been modest for more than two decades and is expected to remain at low levels for the foreseeable future, consumer prices over next 20 years are still expected to increase by 55%.

Personal income is a proxy for retail sales growth. As incomes increase, retail sales increase as well. Per capita personal income across Arizona has been stagnant over the last few years, but is expected to grow more rapidly in the future.

While the above factors typically yield accurate forecasts, adjustments must be made to modeling efforts to account for individual circumstances and trends affecting a community or county. This requires an analysis of the socioeconomic characteristics of the region under study.

For instance, Pinal County is a newly developing area that is transitioning from a rural farming region to an urbanized area with a modest amount of retail development. As a result, there is a significant amount of retail spending leakage to Maricopa County. Taxable retail sales in Maricopa County average $17,500 per person. Pinal County's taxable retail sales per capita is $7,420, less than half the Maricopa County average.

Pinal County's per capita personal income (PCPI) is also substantially lower than Maricopa County's. In 2013, the U.S. Bureau of Economic Analysis estimated Maricopa County's PCPI at $40,685; Pinal County's was estimated at $25,511, 37% lower than Maricopa County's PCPI.

As Pinal County grows in population, resident incomes will increase and retail development will eventually follow rooftops. Until that time, however, the County may experience modest retail sales growth.

As a result of these socioeconomic conditions in the County, adjustments were made in the modeling effort to account for:

- Pinal County's population growth over time (represented as a greater percentage of Greater Phoenix's population),
- The growth in retail development that may spur retail sales, and
- Increases in PCPI as the County transitions from an agricultural economy to a diverse, urbanized region.

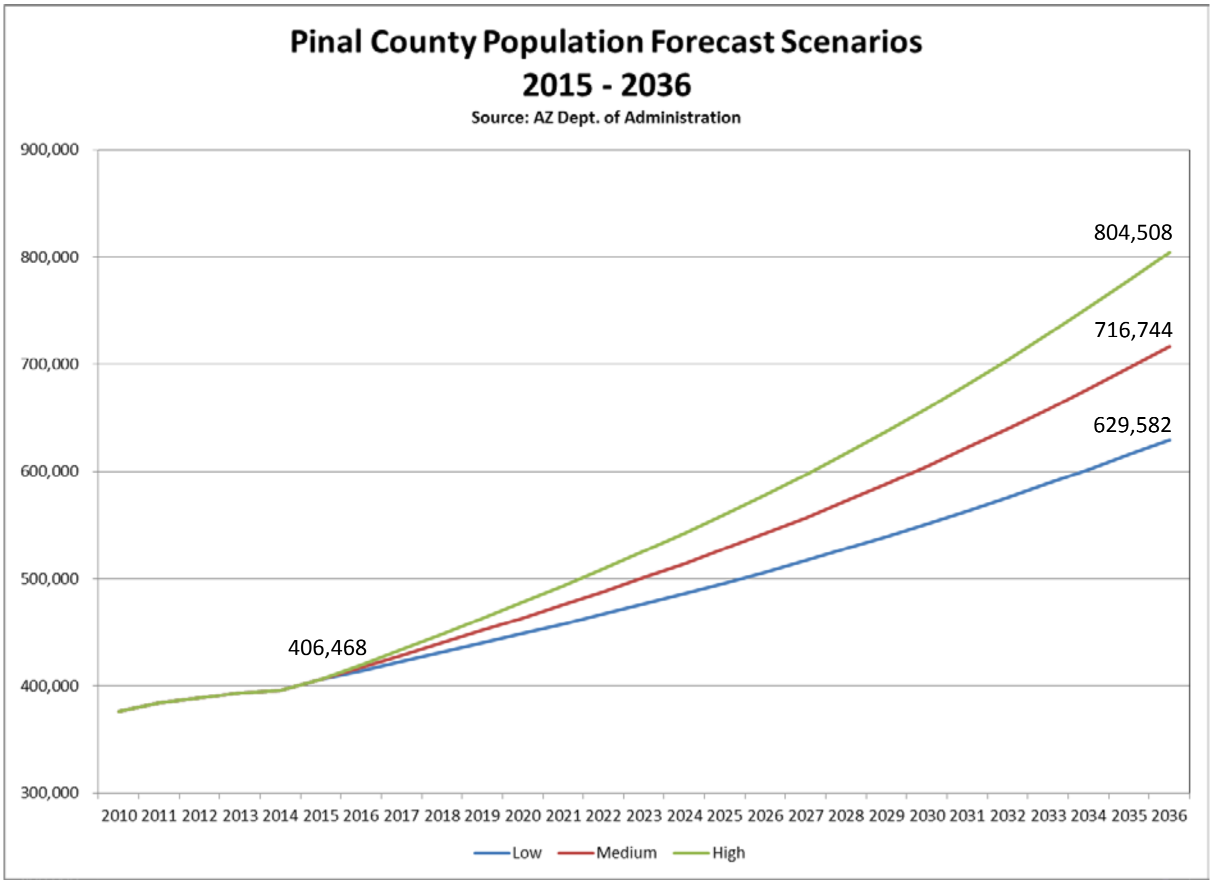
Each of the forecasting variables is discussed in the following sections.

2.1 Population Growth

Three forecast scenarios are presented in this report – a Low, Medium and High forecast. The forecasts are based on population projections released by the Arizona Department of Administration's (ADOA) Office of Employment and Population Statistics in December 2015. The 2015 forecasts show reduced population growth for Pinal County compared to forecasts that were released in 2013. For instance, the 2015 Medium forecast now shows that Pinal County will grow to a total of 716,744 persons by 2036 compared to a projected population of 826,556 in the 2013 forecast. Pinal County is also expected to capture a smaller share of the Greater Phoenix population growth over the next 20 years. The 2013 forecast estimated the County would capture 18.7% of the region's population growth; the 2015 forecast expects that share to decline to 15.7%. Overall, the 2015 forecast is more conservative than the forecasts prepared just two years ago.

The new 2015 forecasts show that Pinal County should grow from its current population of 401,721 to somewhere between 629,582 and 804,508 persons by 2036. The base case or most-likely forecast for 2036 is 716,744 or an increase of 76% over the next 20 years. The following Chart 1 graphically shows the three forecast scenarios.

Chart 1



Given recent growth trends in Greater Phoenix, the 2015 forecasts prepared by ADOA are much more conservative than the 2013 forecasts and take into account the region's sluggish housing market over the past few years. The 2015 Medium forecast reduces population growth for Pinal County over the next 20 years by nearly 110,000 persons compared to the 2013 forecast. The following Table 3 shows the 2015 ADOA forecasts.

In conclusion, to remain conservative in the forecast of future RTA sales tax revenue, the Low projection scenario from ADOA likely reflects current conditions in the housing market and the Greater Phoenix economy. Until the housing market stabilizes, the Medium and High forecast scenarios may be optimistic in the short term. Population growth in the region should be monitored over the next few years to determine if conditions improve and a more optimistic outlook for sales tax revenue evolves.

Table 3

Population Forecast Scenarios
Pinal County

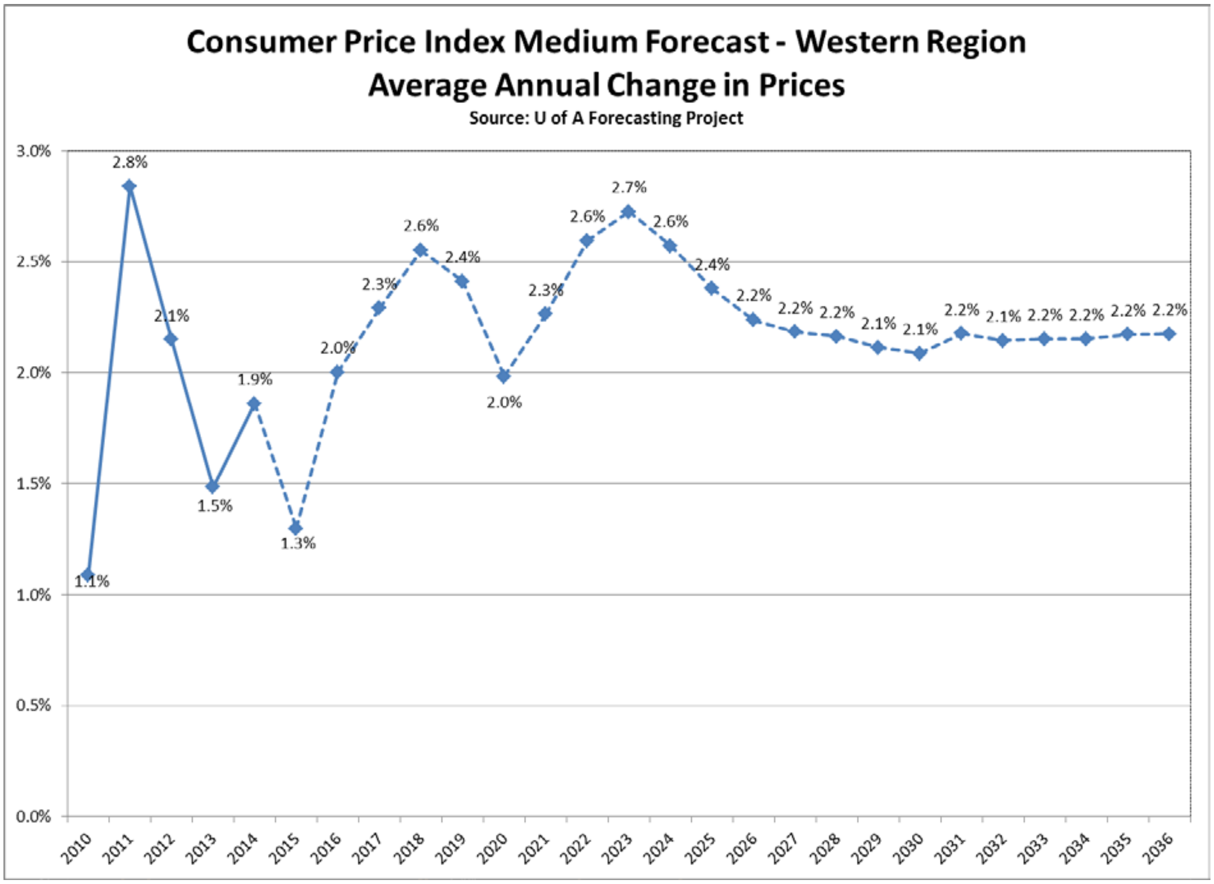
	Year	Low	Medium	High
Actual	2010	376,370	376,370	376,370
	2011	384,231	384,231	384,231
	2012	389,112	389,112	389,112
	2013	393,813	393,813	393,813
	2014	396,237	396,237	396,237
	2015	406,468	406,468	406,468
Forecast	2016	414,414	417,000	419,584
	2017	422,853	428,286	433,714
	2018	431,511	439,932	448,345
	2019	440,223	451,698	463,163
	2020	448,907	463,463	478,008
	2021	457,783	475,540	493,284
	2022	466,893	487,985	509,066
	2023	476,258	500,827	525,388
	2024	485,910	514,109	542,306
	2025	495,868	527,859	559,859
	2026	506,158	542,115	578,095
	2027	516,797	556,906	597,056
	2028	527,798	572,255	616,777
	2029	539,182	588,197	637,309
	2030	550,973	604,767	658,698
	2031	563,187	621,991	680,981
	2032	575,780	639,825	704,114
	2033	588,736	658,244	728,066
	2034	602,041	677,228	752,811
	2035	615,663	696,739	778,305
	2036	629,582	716,744	804,508

Source: AZ Dept. of Administration 2015

2.2 Inflation

The inflation forecasts used in this analysis have been prepared by the University of Arizona Forecasting Project and are based on the historical U.S. Western Region Consumer Price Index (CPI). The following chart shows the expected trend for the Medium scenario which is expected to remain modest over the next 20 years. The low 2015 forecast of 1.3% is the result of the decline in oil prices. Economic cycles will inevitably occur over the 20-year forecast period. The ability to accurately predict when those cycles may occur is impossible over the long term and higher rates of inflation may occur. Annual rates as high as 4% to 5% should be expected as least once during the 20-year forecast period.

Chart 2



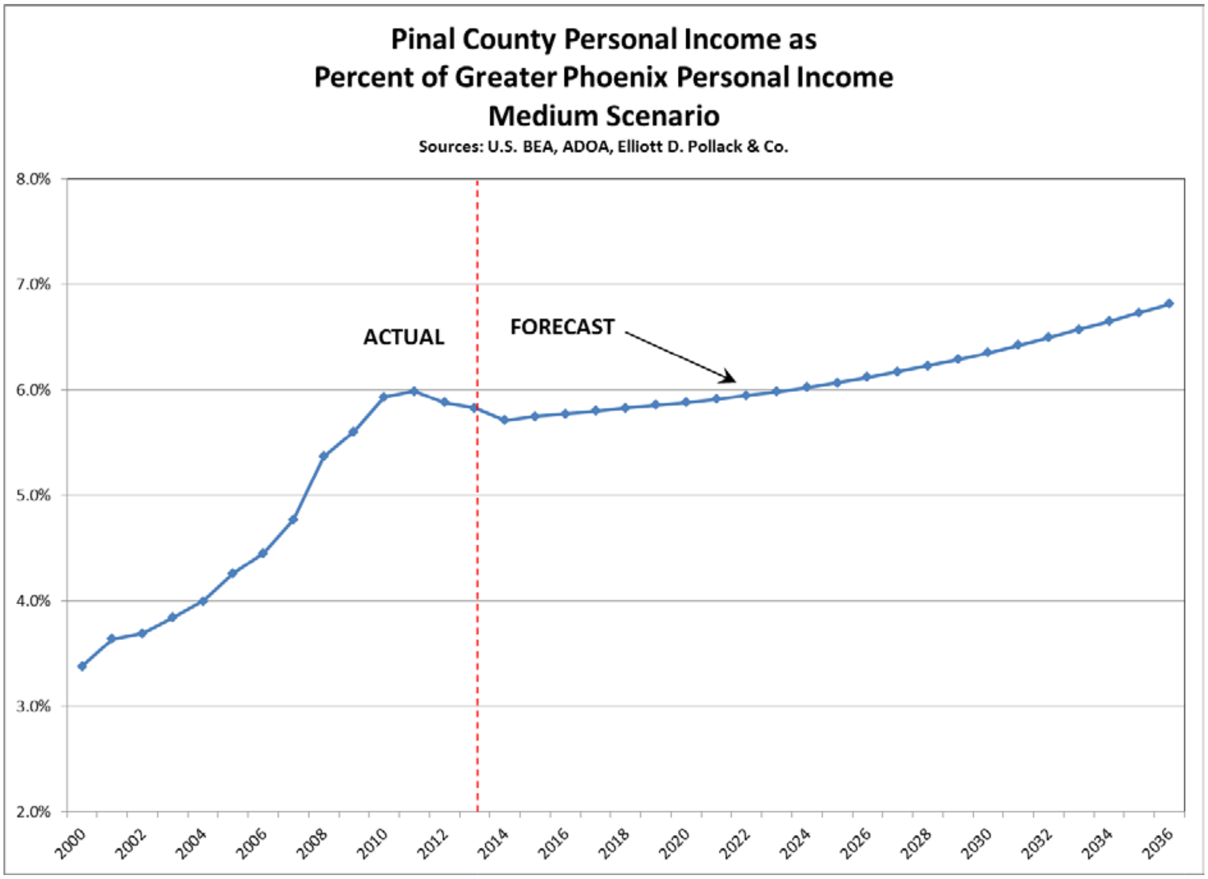
2.3 Per Capita Personal Income

Per capita personal income is an important indicator of the spending power of the community. As noted previously in this report, in 2013 Pinal County's PCPI trailed behind the Maricopa County PCPI by 37%. Over time, that difference will close and more retail spending will be captured by Pinal County.

In 2013, Pinal County's total personal income accounted for approximately 5.8% of the Greater Phoenix personal income. This figure is a substantial increase from the County's estimated percentage of Greater Phoenix's personal income in 2000 of 3.4%. With continued population growth in Pinal County, personal income is expected to grow as well and account for a greater share of Greater Phoenix's income.

The following chart shows Pinal County's share of Greater Phoenix's personal income and the forecasted share from 2013 forward. In order to be conservative, per capita personal income for Pinal County is forecasted to grow at approximately the same rate as Maricopa County's per capita personal income. Over the next 20 years, Pinal County's share of total Greater Phoenix personal income is expected to increase from the current 5.8% to 6.8% (for the Medium growth scenario).

Chart 3


Pinal County Personal Income as
Percent of Greater Phoenix Personal Income
Medium Scenario
Sources: U.S. BEA, ADOA, Elliott D. Pollack & Co.
ACTUAL
FORECAST
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036

3.0 REVENUE FORECAST

The recommended RTA sales tax forecasts for the three alternative scenarios are shown on Table 4. The forecasts, shown by fiscal year, are a function of:

- The expected population growth of Pinal County
- Inflation as reflected in the Consumer Price Index
- The increase in personal income in the County.

If the sales tax measure is passed by the electorate in May 2016, the initial tax receipts would be received in fiscal year 2017. We have not determined whether there would be a full year of tax receipts or a partial year. Chart 4 assumes a full year of receipts for FY 2017 and shows an estimate for FY 2016 as well which is consistent with the current Road Tax receipts for FY 2015. All dollar values are stated in current, inflated dollars.

Table 4

Pinal County RTA Road Tax Revenue Forecast

Fiscal	Low Scenario		Medium Scenario		High Scenario	
Year	Revenue	% Change	Revenue	% Change	Revenue	% Change
FY16	$15,084,503		$15,304,073		$15,554,134	
FY17	$15,836,774	5.0%	$16,334,810	6.7%	$16,907,581	8.7%
FY18	$16,705,996	5.5%	$17,477,073	7.0%	$18,365,590	8.6%
FY19	$17,664,795	5.7%	$18,699,999	7.0%	$19,886,491	8.3%
FY20	$18,636,522	5.5%	$19,954,591	6.7%	$21,375,488	7.5%
FY21	$19,617,814	5.3%	$21,194,670	6.2%	$22,802,039	6.7%
FY22	$20,684,244	5.4%	$22,506,128	6.2%	$24,254,967	6.4%
FY23	$21,831,442	5.5%	$23,906,618	6.2%	$25,811,927	6.4%
FY24	$23,060,438	5.6%	$25,430,797	6.4%	$27,515,734	6.6%
FY25	$24,393,687	5.8%	$27,086,136	6.5%	$29,421,497	6.9%
FY26	$26,022,794	6.7%	$28,842,586	6.5%	$31,497,284	7.1%
FY27	$27,590,006	6.0%	$30,776,582	6.7%	$33,828,586	7.4%
FY28	$29,233,888	6.0%	$32,820,630	6.6%	$36,331,164	7.4%
FY29	$30,966,165	5.9%	$34,990,099	6.6%	$39,000,795	7.3%
FY30	$32,824,995	6.0%	$37,329,372	6.7%	$41,853,518	7.3%
FY31	$34,783,392	6.0%	$39,812,068	6.7%	$44,851,283	7.2%
FY32	$36,874,126	6.0%	$42,476,075	6.7%	$48,001,213	7.0%
FY33	$39,098,559	6.0%	$45,326,534	6.7%	$51,294,728	6.9%
FY34	$41,454,581	6.0%	$48,364,182	6.7%	$54,813,899	6.9%
FY35	$43,971,528	6.1%	$51,625,845	6.7%	$58,619,438	6.9%
FY36	$46,636,056	6.1%	$55,098,840	6.7%	$62,751,860	7.0%
FY17-FY36	**$567,887,802**		**$640,053,635**		**$709,185,083**	

Sources: AZ Dept. of Administration, U.S. BEA, Univ. of Arizona, Elliott D. Pollack & Co.

Forecasted revenues over 20 years range from $568 million to $709 million, with the Medium Scenario yielding $640 million. Typically the Medium or most-likely scenario is used to estimate future revenue outcomes. **While there is still uncertainty related to the national and state economies along with global economic and political concerns, Elliott D. Pollack & Company recommends that Pinal County use the Medium Forecast for the expected outcome of the RTA sales tax initiative.**

The RTA should consider updating the forecast for sales tax revenue every year or two. The Greater Phoenix area has experienced a lackluster recovery from the Great Recession and modest population and employment growth relative to historic norms following a recession. However, the economy is improving and is expected to continue to improve in the future. With additional updated information on population growth, inflation and personal income over the next few years, future sales tax revenue forecasts will be able to reflect the Greater Phoenix economy's full recovery from the Great Recession.

In conclusion, Elliott D. Pollack & Company recommends utilizing the Medium Scenario for transportation planning purposes as outlined below in Table 5, producing an estimated $640 million over 20 years.

Table 5

Recommended RTA Sales Tax Revenue Forecast
Medium Forecast Scenario
FY 2017 - FY 2036

Fiscal Year	Revenue	% Change	Fiscal Year	Revenue	% Change
FY16	$15,304,073		FY27	$30,776,582	6.7%
FY17	$16,334,810	6.7%	FY28	$32,820,630	6.6%
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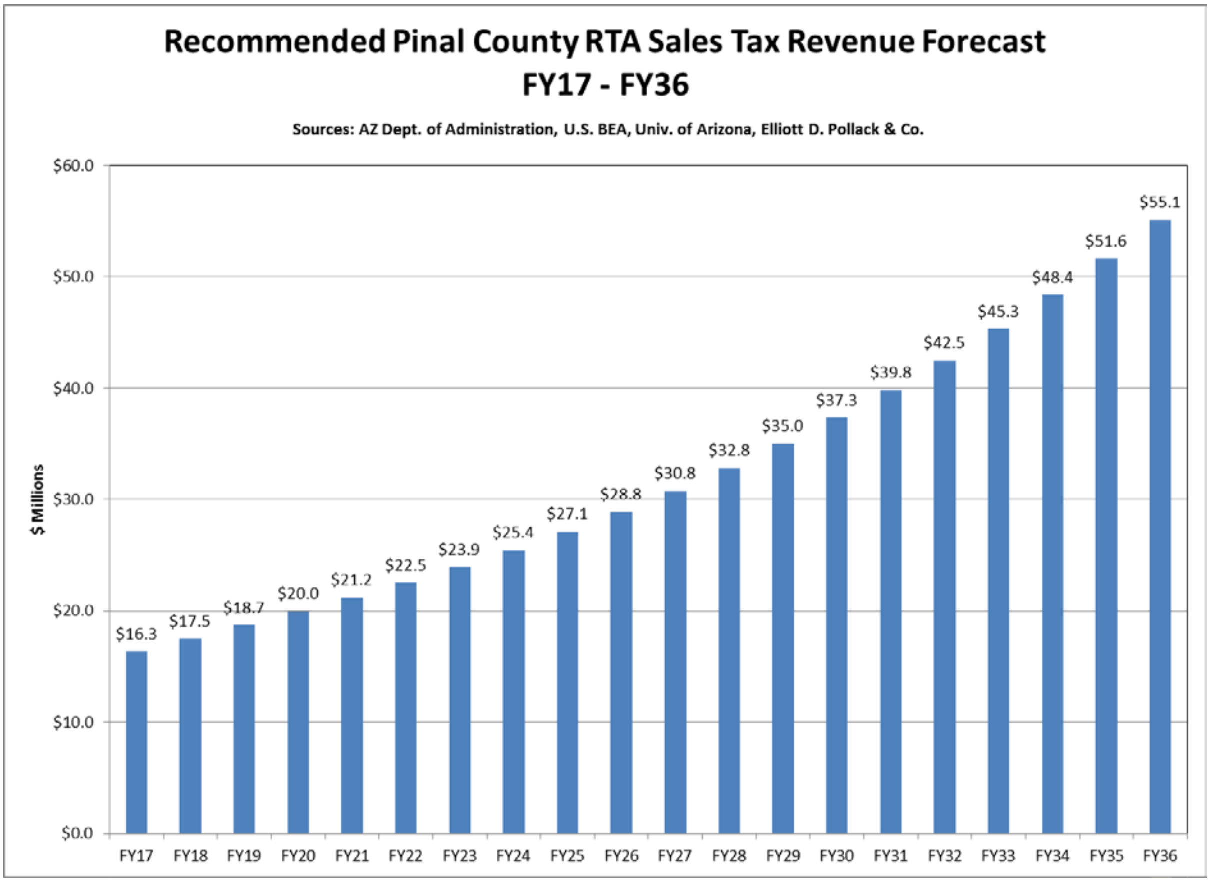
FY26	$28,842,586	6.5%	**FY17-FY36**	**$640,053,635**	

Sources: AZ Dept. of Administration, U.S. BEA, Univ. of Arizona, Elliott D. Pollack & Co.

The forecasted Pinal County RTA annual sales tax revenues are displayed on the following chart.

Chart 4



The amount of funds that may be available for actual construction of highways and roads is shown on the following table based on a 15% contingency for design and administration. Road construction may also be subject to five-year phasing of tax receipts. Overall, approximately 85% of tax receipts are considered programmable funds or $544 million.

Table 6

Pinal County RTA Programmable Revenue Projection
By 5-year Phases With Contingency

Fiscal Year	Revenue Projection	Contingency (15%)	Programmable	Phase	Funding Per Phase for Projects
FY17	$16,334,810	$2,450,221	$13,884,588		
FY18	$17,477,073	$2,621,561	$14,855,512		
FY19	$18,699,999	$2,805,000	$15,894,999	1	$79,611,971
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FY26	$28,842,586	$4,326,388	$24,516,198		
FY27	$30,776,582	$4,616,487	$26,160,095		
FY28	$32,820,630	$4,923,094	$27,897,535		
FY29	$34,990,099	$5,248,515	$29,741,584	3	$149,369,438
FY30	$37,329,372	$5,599,406	$31,729,966		
FY31	$39,812,068	$5,971,810	$33,840,258		
FY32	$42,476,075	$6,371,411	$36,104,664		
FY33	$45,326,534	$6,798,980	$38,527,554		
FY34	$48,364,182	$7,254,627	$41,109,555	4	$206,457,755
FY35	$51,625,845	$7,743,877	$43,881,968		
FY36	$55,098,840	$8,264,826	$46,834,014		
FY17-FY36	**$640,053,635**	**$96,008,045**	**$544,045,590**		**$544,045,590**

Sources: AZ Dept. of Administration, U.S. BEA, Univ. of Arizona, Elliott D. Pollack & Co.

The annual cost of the proposed RTA half-cent sales tax to the typical Pinal County household is nominal. According to the U.S. Census, the median household income in Pinal County is $49,867. The U.S. Consumer Expenditure Survey estimates the typical household earning the median income will spend on average about $17,590 each year on taxable goods and services, excluding grocery items since the County does not tax food to be used at home. At the 0.5% tax rate, the RTA tax would cost the typical household $88 each year or $7.33 per month, about equal to a fast food meal.

4.0 LIMITING CONDITIONS

This study prepared by Elliott D. Pollack & Company is subject to the following considerations and limiting conditions.

- The reported recommendation(s) represent the considered judgment of Elliott D. Pollack and Company based on the facts, analyses and methodologies described in the report.

- This study is intended to be read and used as a whole and not in parts.

- Our analysis is based on currently available information and estimates and assumptions about long-term future development trends. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the forecasted results. The assumptions disclosed in this analysis are those that are believed to be significant to the projections of future results.

- Except as specifically stated to the contrary, this study does not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction. The user of this study will be responsible for making his/her own determination about the impact, if any, of these matters.