



## CITY AUDITOR

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**Date:** March 19, 2019  
**To:** City Council  
**From:** Sharron Walker, City Auditor  
**Subject:** Report No. 1903, City of Scottsdale *Biennial Certified Audit of Land Use Assumptions, Infrastructure Improvements Plan and Development Impact Fees (July 1, 2016 – June 30, 2018)*

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In 2011, state legislation placed several requirements on municipalities' development impact fees.<sup>1</sup> To comply with one of these requirements, the City has contracted for a biennial certified audit of its land use assumptions, infrastructure improvements plan and development impact fees.<sup>2</sup> The City's applicable activity relates to its Water and Wastewater utilities.

The attached report is the work product of the contracted firm, Raftelis Financial Consultants, Inc.; my office administered the audit contract. This biennial certified audit was not conducted following generally accepted auditing standards, but it has been performed in accordance with the statutory audit requirements.<sup>2,3</sup>

Once the biennial certified audit is posted on the City's website, the City is to conduct a public hearing on it within 60 days.

- This report was posted to the City's website with the Audit Committee agenda on March 8, 2019.
- On March 18, 2019, the Audit Committee voted unanimously (3-0) to accept the Biennial Certified Audit and recommend proceeding to the public hearing. Therefore, the report was posted to the Audit Reports webpage on March 19, 2019.
- A News item on the City's website, posted on March 20, 2019, highlighted availability of the Biennial Certified Audit report.
- The public hearing is scheduled on the City Council's April 2, 2019, regular agenda. The report will be posted again to the City's public website as part of the agenda materials for this meeting.

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<sup>1</sup> Senate Bill 1525 by the 50<sup>th</sup> Legislature First Regular Session of 2011.

<sup>2</sup> ARS §9-463.05(G)(2) states that the City may: "In lieu of creating an advisory committee ... *provide for a biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees. An audit pursuant to this paragraph shall be conducted by one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan. The audit shall review the progress of the infrastructure improvements plan, including the collection and expenditures of development fees for each project in the plan, and evaluate any inequities in implementing the plan or imposing the development fee. The municipality shall post the findings of the audit on the municipality's website ... and shall conduct a public hearing on the audit within sixty days of the release of the audit to the public.*"

<sup>3</sup> ARS §9-463.05(T)(8) defines "qualified professional" as a professional engineer, surveyor, financial analyst or planner providing services within the scope of the person's license, education or experience.

CITY OF  
**SCOTTSDALE**

**Biennial Certified Audit of Land Use  
Assumptions, Infrastructure  
Improvements Plan and Development  
Impact Fees (July 1, 2016 – June 30, 2018)**

Final Report / February 20, 2019

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February 20, 2019

Sharron Walker, CPA, CFE, CLEA – City Auditor  
City Auditor's Office  
7447 E. Indian School Road, Suite 205  
Scottsdale, AZ 85251

**Subject: Biennial Certified Audit of Land Use Assumptions, Infrastructure Improvements Plan and Development Impact Fees (July 1, 2016 – June 30, 2018)**

The City of Scottsdale (City) retained Raftelis Financial Consultants Inc. (Raftelis) to complete an audit of the City's land use assumptions (LUA), infrastructure improvement plan (IIP), and development impact fee (DIF) revenues and expenditures over the period of July 2016 through June 2018 (Audit Period) per Arizona Revised Statutes (ARS) §9-463.05. All DIF amounts assessed and expenditures made are audited pursuant to the provisions in City Code Section 49, Article III – Water and Wastewater Development Fees Ordinance of the City of Scottsdale, as supported by the August 20, 2013 LUA report, the December 4, 2013 IIP report and the February 18, 2014 Impact Fee Report (2014 Impact Fee Report). The City assesses Water and Wastewater DIFs and does not currently assess DIFs for other fee categories and/or fee areas. This report summarizes the results of the LUA, IIP, and DIF audit.

Raftelis worked with City staff to obtain the necessary information and data to perform the audit, as well as to verify and check certain information. We would like to thank City staff for prompt delivery of data and follow up to all questions to allow for timely completion of this project.

Sincerely,



**Joe Williams**  
*Senior Consultant*



**Andrew Rheem**  
*Senior Manager*

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# SECTION 1. INTRODUCTION & BACKGROUND

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## 1.1 SCOPE OF WORK

The City of Scottsdale (City) retained Raftelis Financial Consultants Inc. (Raftelis) to complete an audit of the City's land use assumptions (LUA), infrastructure improvement plan (IIP), and development impact fee (DIF) revenues and expenditures over the period of July 1, 2016 through June 30, 2018 (Audit Period). Per Arizona Revised Statutes (ARS) §9-463.05, the City must complete this audit every two years. The City's fiscal year (FY) is July 1 through June 30 of each year. The scope of the study is limited to an audit of the LUA, IIP and DIF collection and use as outlined in the Annual Report of the Collection and Use of Development Fees (Annual Report) for FY 2017 dated September 15, 2017 and FY 2018 September 25, 2018. All fee amounts assessed and expenditures made are audited pursuant to the provisions in City Code Section 49, Article III – Water and Wastewater Development Fees Ordinance of the City of Scottsdale, as supported by the August 20, 2013 LUA report, the December 4, 2013 IIP report and the February 18, 2014 Impact Fee Report (2014 Impact Fee Report). The City assesses Water and Wastewater DIFs and does not currently assess DIFs for other fee categories and/or fee areas.

The three primary focus items of the audit include:

- LUA growth – Comparison of actual development over the Audit Period to amount forecast by connection classification.
- Revenues assessed – An audit of the DIF revenues assessed and review of developer fee credits by fee category.
- Expenditures – An audit of the expenditures or use of funds from DIFs fee category that were identified within the IIP, 2014 Impact Fee Report and FY 2017 and FY 2018 Annual Reports.

## 1.2 ARS §9-463.05 SUMMARY

ARS §9-463.05 contains the Arizona statutory guidance, restrictions and requirements governing assessment, collection and reporting of DIFs. Per ARS §9-463.05<sup>1</sup>, as a condition of assessing DIFs, the City is required to either:

- Establish an infrastructure improvements advisory committee or
- Complete a biennial audit

The City did not establish an infrastructure improvement advisory committee and is therefore completing the biennial audit. The statutory requirements for the audit per ARS §9-463.05<sup>2</sup> is detailed below:

*In lieu of creating an advisory committee pursuant to paragraph 1 of this subsection, provide for a biennial certified audit of the municipality's land use assumptions, infrastructure improvements plan and development fees. An audit pursuant to this paragraph shall be conducted by one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan. The audit shall review the progress of the infrastructure improvements plan, including the collection and expenditures of development fees for each project in the plan, and evaluate any inequities in implementing the plan or*

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<sup>1</sup> Subsection G, paragraph 1 and 2.

<sup>2</sup> Subsection G, paragraph 2.



*imposing the development fee. The municipality shall post the findings of the audit on the municipality's website or the website of an association of cities and towns if the municipality does not have a website and shall conduct a public hearing on the audit within sixty days of the release of the audit to the public.*

### **1.2.1 Grandfather Provisions**

Since the DIFs were effective on July 1, 2014, the grandfather provisions provided in subsection F of ARS §9-463.05 do not apply to this Audit Period, which occurs more than twenty-four months after the effective date of existing fees. The grandfathering provision may be applicable for a future audit because fees were adjusted and effective in September 2018. Subsection F of ARS §9-463.05 reads in part:

*A municipality's development fee ordinance shall provide that a new development fee or an increased portion of a modified development fee shall not be assessed against a development for twenty-four months after the date that the municipality issues the final approval for a commercial, industrial or multifamily development or the date that the first building permit is issued for a residential development pursuant to an approved site plan or subdivision plat, provided that no subsequent changes are made to the approved site plan or subdivision plat that would increase the number of service units.*

## **1.3 EXISTING DIFS**

The 2013 IIP describes the water service area as being the entire incorporated City boundary with the exception of two areas served by EPCOR (a private utility provider) and an area outside City boundaries that the City serves water. The 2013 IIP also describes the wastewater service area as largely coinciding with the City boundary with a few exceptions as highlighted on Figure 2. The water and wastewater service area maps are provided below on Figures 1 and 2 respectively<sup>3</sup>.

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<sup>3</sup> Note: Maps used in Figures 1 and 2 obtained from December 4, 2013 IIP.

Figure 1: Water DIF Service Area Map

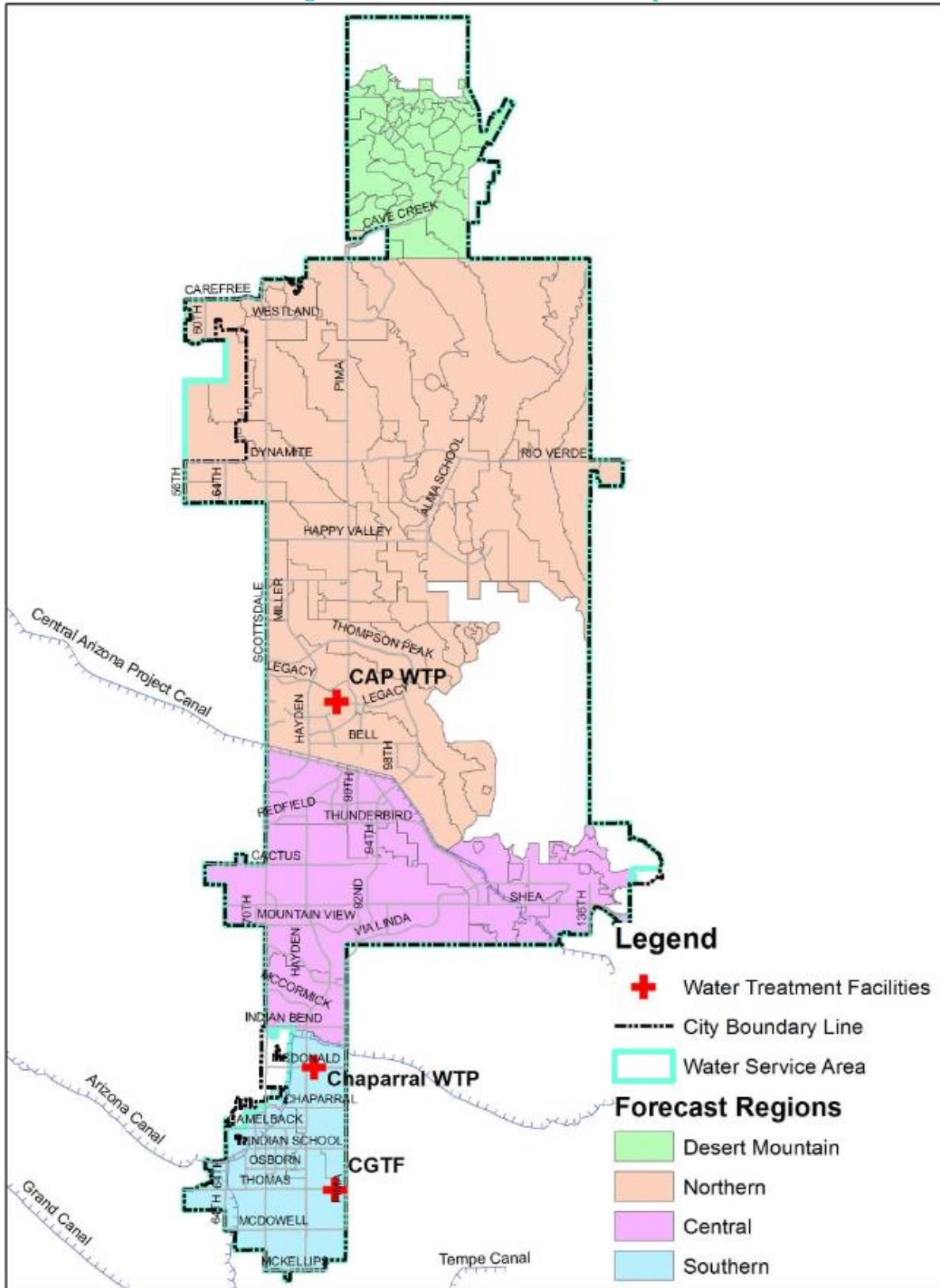
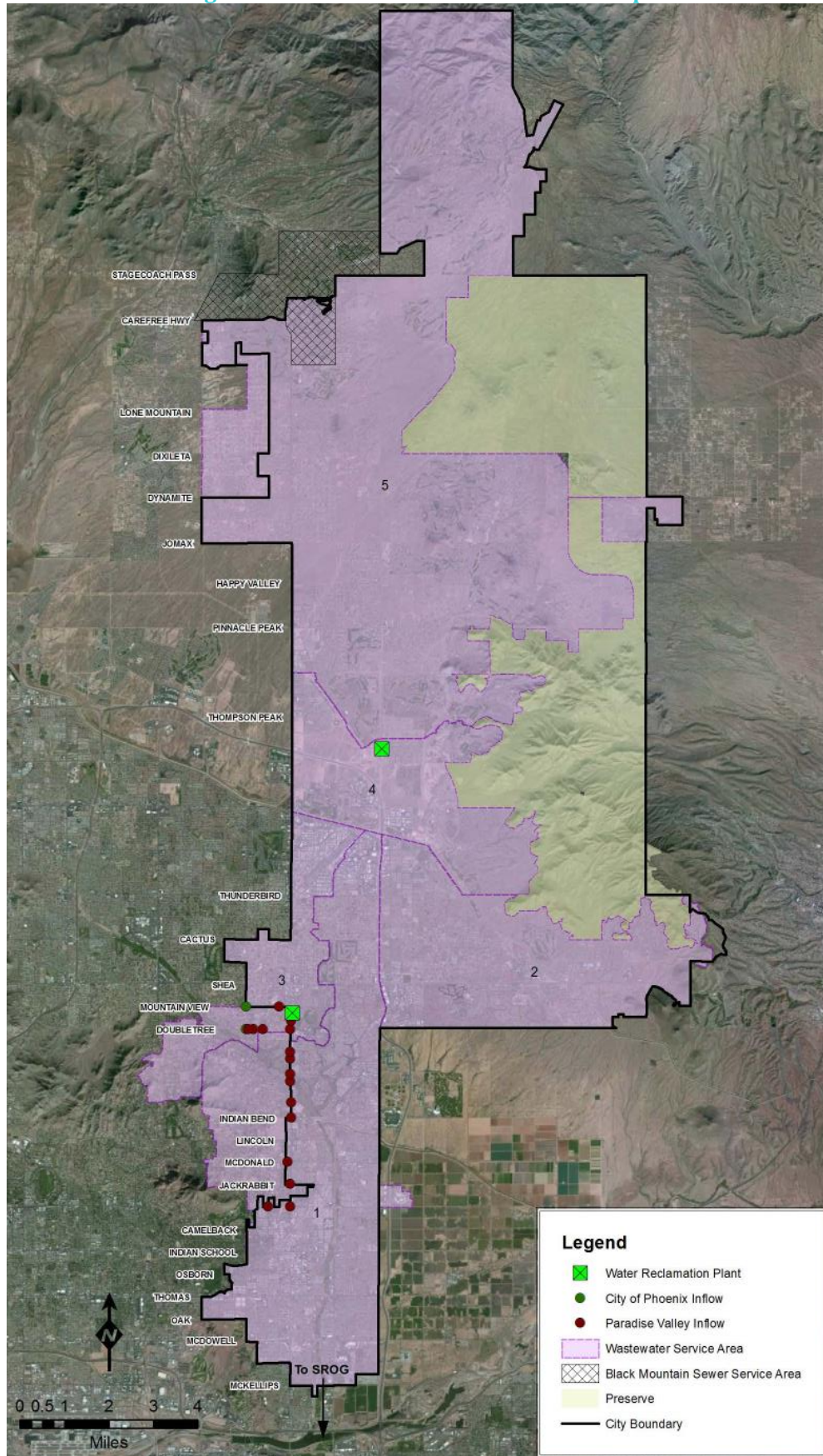


Figure 2: Wastewater DIF Service Area Map





For the water and wastewater fees identified on Tables 1 and 2 below, the DIFs are based on the water meter size used to provide service. This standard is applied to all types of development, as each building utilizes a meter sized to meet the potential demands of that building and/or irrigable areas. As can be seen on Table 1, the larger meter sizes are assigned a higher capacity ratio that corresponds to the potential demand that can be served through the meter. The capacity ratios for each type and size of meter are based on flow standards provided by the American Water Works Association (AWWA), which is often referred to as a standard in the utility industry.

For utility service, new development is generally responsible for purchasing capacity in the system based on potential demand. Potential demand is measured in many ways throughout the water and wastewater utility industry, with meter size serving as a relatively simple and commonly used assessment option.

As provided in City Code Section 49 Article III, the water DIFs have been adopted at a single rate by meter size that is applied to all growth and is based on providing all expansion related needs. However, internally the City distributes the funds collected from the water DIFs in two separate components, water supply and water infrastructure. The water supply component revenues and expenditures are accumulated for in Fund 627 – Water Supply and represent approximately 19% of the combined water DIF assessed. The second component of the water DIF, water facilities, is accumulated within Fund 626 – Water with the remaining 81% of the combined water DIF assessed.

- The water supply component provides for the development of new wells, water recharge facilities and purchase of necessary water rights.
- The water facilities component provides for water plant capacity, transmission mains and other related facilities to deliver water to customers.

**Table 1: Existing Water DIFs (Effective July 1, 2014)**

Meter Size	Capacity Ratio	Water Supply	Water Infrastructure	Total Water DIF
5/8, 3/4 & 1-inch	1.00	\$639	\$2,726	\$3,365
1 1/2-inch	5.00	3,197	13,628	16,825
2-inch	8.00	5,115	21,805	26,920
3-inch Compound	16.00	10,230	43,610	53,840
3-inch Turbine	22.00	14,066	59,964	74,030
4-inch Compound	25.00	15,984	68,141	84,125
4-inch Turbine	42.00	26,853	114,477	141,330
6-inch Compound	50.00	31,967	136,283	168,250
6-inch Turbine	86.50	55,304	235,769	291,073
8-inch Compound	80.00	51,148	218,052	269,200

The wastewater DIFs are also assessed increasing by water meter size as shown on Table 2 below and are accumulated in Fund 628.

**Table 2: Existing Wastewater DIFs**

Meter Size	Ratio	Total Wastewater DIF
5/8, 3/4 & 1-inch	1.00	\$2,042
1 1/2-inch	5.00	10,210
2-inch	8.00	16,336
3-inch Compound	16.00	32,672
3-inch Turbine	22.00	44,924
4-inch Compound	25.00	51,050
4-inch Turbine	42.00	85,764
6-inch Compound	50.00	102,100
6-inch Turbine	86.50	176,633
8-inch Compound	80.00	163,360

# SECTION 2. STUDY PROCESS

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## 2.1 AUDIT APPROACH

The audit first focused on a review of the DIF revenues reported against independently calculated amounts based on the appropriate criteria (meter size and fee type), to check the accuracy of assessed charges against the adopted DIFs. Next, the Annual Reports were reviewed to determine the actual expenditures reported over the Audit Period, which were then compared against the IIP and 2014 Impact Fee Report to verify that funded projects were included in the fee basis and IIP. Finally, the Audit Period growth by each land use classification, as determined from the permit data, was compared against the categories and level of growth forecast in the LUA.

## 2.2 DATA PROVIDED BY CITY

To assist with the review of the DIF charges, the City provided a MS-Excel based report with 6,005 DIF records for the Audit Period. This data includes, for each DIF record, the following:

- Reference number;
- Fee category;
- Issue date;
- Meter size;
- Land Use;
- DIF charge amount;
- Adjustments (developer credits and refunds);
- Other fee/location related information.

Raftelis received approximately 6,000 line items of permit data, which included fee assessments, developer credits and refunds. Each fee assessment, developer credit and refund were placed on a separate line in the data set. Therefore, net of refunds there were 4,552 individual DIF records. Refunds in the data set received are attributed to system transactions where, for example, a septic tank failed and a customer connected to central sewer service. However, during this transaction the system initially applied fees for water supply and water infrastructure in addition to the wastewater DIF. Therefore, entries were made in the system to refund the water supply and water infrastructure DIFs since those services were not part of that particular transaction.

Water and wastewater DIFs provided a total of over \$13.4 million in unadjusted DIF revenues, net of the \$0.6 million in refunds in the data set for the Audit Period. The unadjusted DIF revenue amount is verified by calculating revenues based on the DIF amounts identified on Tables 1 and 2, along with the meter size associated with each DIF record. DIF revenues may then be adjusted by the City to account for refunds or developer credits. During the audit it was discovered that due to an agreement<sup>4</sup> with Liberty Utilities Corp. (also known as Black Mountain Sewer) that allowed for the purchase of additional wastewater treatment capacity there was a one-time purchase of 120,000 gpd for \$1.2 million. This DIF record does not have an associated meter size and is not for an individual customer. Due to the agreement in place between the two parties, this DIF record will not be included in the tables below although it is part of the \$13.4 million in unadjusted DIF revenues.

The information provided on the tables below will reflect the net amounts less refunds, with developer credits identified separately in Table 12. The total charges, Equivalent Demand Units (EDUs) and unadjusted revenue amounts by DIF category (excluding \$1.2M from Black Mountain Sewer) are provided on Table 3.

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<sup>4</sup> Agreement 1996-058-COS-A1.

**Table 3: Audit Period DIF Charges, EDUs and Revenues by Fee Category**

Description	DIF Charges	EDUs	Unadjusted DIF Revenues [1]
Water Supply	1,569	2,342	\$1,501,031
Water Infrastructure	1,569	2,342	6,402,246
Wastewater	1,414	2,096	4,289,705
<b>Total</b>	<b>4,552</b>	<b>6,780</b>	<b>\$12,192,982</b>

[1] Amount does not include the Black Mountain Sewer wastewater treatment capacity purchase of \$1.2 million.

### 2.3 LAND USE ASSUMPTIONS AUDIT

The permit data provided by the City is used to review actual growth over the Audit Period to the forecasted level of growth identified in the City’s LUA and IIP reports. The growth identified in the LUA and IIP reports was provided for a 10-year period and not broken out into individual annual forecasts. Additionally, for water the LUA and IIP identified three general types of residential development including rural, suburban and urban. Also identified were four types of nonresidential growth including commercial, employment, cultural/institutional, and resort/tourism. For wastewater growth, anticipated increases in flow at the wastewater treatment facilities were used to forecast additional EDUs over the Audit Period. Since specific forecast amounts were not available for the Audit Period, Raftelis used 2/10 (2 years to reflect the period from July 1, 2016 through June 30, 2018) of the forecasted growth as a baseline of what might be expected over the Audit Period. Tables 4 and 5 below illustrate how the anticipated EDU growth for the Audit Period was developed for water and wastewater, respectively.

**Table 4: LUA and IIP Water Growth Forecast**

Description	10-year Forecast EDUs
<b>Residential</b>	
Rural	2,382
Suburban	4,184
Urban	10,172
<b>Total</b>	<b>16,738</b>
EDUs per Year	1,674
<b>2-years of EDU Growth</b>	<b>3,348</b>
<b>Nonresidential</b>	
Commercial	1,246
Employment	1,017
Cultural/Institutional	258
Resort/Tourism	2,016
<b>Total</b>	<b>4,537</b>
EDUs per Year	454
<b>2-years of EDU Growth</b>	<b>908</b>

**Table 5: LUA and IIP Wastewater Growth Forecast**

Description	10-year Forecast EDUs
Total City	32,110
EDUs per Year	3,211
2-years of EDU Growth	6,422

Using the permit data provided, growth for each fee category was summarized by customer class and meter size. This summary was then used to calculate the number of EDUs by customer class and fee category based on the capacity ratios for each meter. The growth in the water supply and the water infrastructure permits was identical, so the analysis has been consolidated to provide a single table for water.

**Table 6: Water Permit Growth by Customer Classification**

Meter Size [1]	Capacity Ratio	Single Family	Multi- family	Nonresidential	Total
5/8, 3/4, 1-inch	1.00	1,230	70	148	1,448
1.5-inch	5.00	28	15	33	76
2-inch	8.00	2	8	20	30
3-inch	16.00	0	6	8	14
4-inch	25.00	0	0	0	0
6-inch	50.00	0	1	0	1
Total		1,260	100	209	1,569

[1] 3-inch and larger meters are all compound meters. No turbine meters were connected during the Audit Period.

By applying the capacity ratios identified on the table above to the number of permits, the actual growth in EDUs is identified over the Audit Period. The results of this analysis are provided in the table below:

**Table 7: Water EDU Growth by Customer Classification**

Meter Size [1]	Single Family	Multi- family	Nonresidential	Total
5/8, 3/4, 1-inch	1,230	70	148	1,448
1.5-inch	140	75	165	380
2-inch	16	64	160	240
3-inch	0	96	128	224
4-inch	0	0	0	0
6-inch	0	50	0	50
Total	1,386	355	601	2,342

[1] 3-inch and larger meters are all compound meters. No turbine meters were connected during the Audit Period.

The same steps were taken to identify the growth in permits for wastewater, with a subsequent conversion to EDUs based on the meter size identified. The results are provided on Tables 8 and 9.



**Table 8: Wastewater Permit Growth by Customer Classification**

Meter Size [1]	Capacity Ratio	Single Family	Multi-family	Nonresidential	Total
5/8, 3/4, 1-inch	1.00	1,147	68	97	1,312
1.5-inch	5.00	24	15	23	62
2-inch	8.00	2	8	15	25
3-inch	16.00	0	6	8	14
4-inch	25.00	0	0	0	0
6-inch	50.00	0	1	0	1
Total		1,173	98	143	1,414

[1] 3-inch and larger meters are all compound meters. No turbine meters were connected during the Audit Period.

**Table 9: Wastewater EDU Growth by Customer Classification**

Meter Size	Single Family	Multi-family	Nonresidential	Total
5/8, 3/4, 1-inch	1,147	68	97	1,312
1.5-inch	120	75	115	310
2-inch	16	64	120	200
3-inch	0	96	128	224
4-inch	0	0	0	0
6-inch	0	50	0	50
Total	1,283	353	460	2,096

[1] 3-inch and larger meters are all compound meters. No turbine meters were connected during the Audit Period.

A table is provided for each fee category that compares the actual growth in EDUs, the LUA forecast of EDUs and the actual growth as a percentage of the LUA forecast growth.

**Table 10: Audit Period Water EDU Growth Review**

Description	Actual EDUs	LUA Forecast EDUs	Actual as % of LUA
Residential	1,741	3,348	52%
Nonresidential	601	908	66%
Total Water	2,342	4,256	55%

**Table 11: Audit Period Wastewater EDU Growth Review**

Description	Actual EDUs	LUA Forecast EDUs [1]	Actual as % of LUA
Residential	1,636		
Nonresidential	460		
Total Wastewater	2,096	6,422	33%

[1] LUA and IIP forecast of EDUs did not detail residential and nonresidential development types.

As can be seen in Tables 10 and 11 the actual growth in EDUs for the last two years is significantly lower than the pro-rated two-year forecast provided in the City's LUA and IIP. This is not a cause for immediate concern or action as growth is not always consistent. However, this trend should be monitored in future audits and if the

actual growth continues to happen significantly slower than anticipated in the updated LUA and IIP reports, the City should consider reviewing these plans sooner than every five years to reflect more appropriate growth levels.

## 2.4 DIF REVENUE AUDIT

Using the DIF charges discussed in Section 2.2, the unadjusted DIF amount for each of the 4,552 charges provided were re-calculated by Raftelis and compared to the amount reported. To test for revenue assessment errors, the DIFs identified in the 2014 Impact Fee Report were applied to each of the charges by Raftelis, based on the fee category and meter size provided. These calculated DIF revenues were compared to the unadjusted DIF amount reported. Any record showing a discrepancy was considered a potential error, subject to additional review and validation.

The amount before adjustments was used for comparison since the City has a significant number of developer agreements and ongoing developments that have outstanding credits. The application of developer credits is beyond the scope of the Biennial Audit requirements.

Developer credits were applied to 1,233 charges, representing 27.1% of the total charges and amounting to \$2.76 million in total credits. A summary of the credits applied to the DIF revenues is provided on the table below, which have been accumulated by fee category.

**Table 12: DIF Credit Summary**

Description	DIF Credits	Developer Credits
Water Supply	338	\$265,219
Water Infrastructure	505	1,596,988
Wastewater	390	894,284
<b>Total</b>	<b>1,233</b>	<b>\$2,756,491</b>

As previously discussed, the approach taken was to compare an independent calculation of DIF amounts to the unadjusted amount provided by the City. Of the 4,552 charges, 4,513 were found to be fully accurate based on the initial review. The remaining 39 DIF records, representing approximately 0.1% of all DIF charges, were initially identified for additional review. The primary clarification needed for these items were for meter sizes that were not provided or to match customer class information that was conflicting. The preliminary records identified for further review have been discussed with the City and addressed in further detail in the “Adjustments and Feedback from City” subsection. Appendix A includes the validation for all records subject to additional review. All charges were verified to be applied correctly during the Audit Period once feedback was provided by the City.

### 2.4.1 Adjustments and Feedback from City

Of the 39 total DIF records identified for additional review, 22 did not have a reported meter size. After City staff review, it was determined that 14 of these records were related to septic tank customers connecting to the central sewer offered by the City. Each of the 14 were assessed at the rate of one EDU for wastewater DIFs. Seven of remaining records related to missing meter size information were the result of system entry errors. For example, multiple entries were created for the same fees, which lead to the creation of refunds in the system. Finally, the last record without a meter size was for the Black Mountain Sewer capacity purchase of 120,000 gpd, which was previously discussed in Section 2.2.

The other 17 records were flagged during the LUA audit analysis, as there are two separate identifiers in the permit data indicating the customer class. For these 17, there was conflicting information provided for the various identifiers. For example, one identifier would show a commercial class and the other would show a single family classification. Staff reviewed each of the 17 permits and provided the correct customer classification, which was then used to complete the LUA audit shown in Section 2.3.

With the response from the City, Raftelis could validate each of the 39 records identified for additional review.

## 2.5 INFRASTRUCTURE IMPROVEMENTS PLAN AUDIT

Multiple elements are required to be included as part of the IIP necessary to meet the requirements of ARS §9-463.05 in supporting the development of the respective fees and provides the listing of the future capital improvements for which DIFs are intended to fund over the City's 10-year planning period. These elements include identifying existing facilities with available capacity to serve new customers, documenting the respective service levels, and identifying future improvements and capacity added which may also be necessary to serve future customers. The City met the requirements of the IIP with the adoption of the report dated December 4, 2013 which support the DIFs in place over the Audit Period.

Many aspects of the IIP have been updated through adoption of recent DIF updates in 2018 as required by ARS §9-463.05, but are not subject to be part of this study which is focused around auditing how the City has administered the DIF in assessing new and increased development consistent with the adopted fee schedules and using the restricted revenues for the purpose stated within the adopted reports. As a result, the IIP related audit requirements are limited to confirming actual uses of DIF revenues over the Audit Period were consistent with the improvements identified, and fees were assessed to development as detailed within the adopted 2013 LUA, 2013 IIP and 2014 Impact Fee reports. Raftelis compared DIF revenues and expenses against the IIP. Please refer to Sections 2.4 and 2.6 for the results of the revenue and expense audits, respectively.

## 2.6 IIP EXPENSE AUDIT

During the Audit Period, there was not a significant level of expenditures from the DIF funds outside of ongoing debt service payments. The expenditures are identified in the FYs 2017 and 2018 Annual Reports. The Annual Reports include sections for "Summary of the Collection and Use of Development Fees" and "Schedule of Capital Improvement Project Expenditures", which provide all necessary information related to expenditures including, the DIF project expenditures by fee category, fund number, project name, project location, project number, and expenditure amount. The 2017 Annual Report identifies \$210,530 of project expenditures and the 2018 Annual Report identifies \$3,336,790 as shown on Tables 13 and 14. These project expenditures are in addition to the annual debt service requirements that reflect the cost of buy-in to the existing capacity available and fees expended on professional services related to updating the LUA, IIP and impact fee reports. The annual debt service payments are allowable expenses since the City has developed a significant amount of excess capacity that is available to serve new growth, as described in the 2013 IIP.

**Table 13: 2017 Annual Report Expenditures**

Description	Project No.	Fund(s)	Expenditures	Expenditure Details
Water Infrastructure	WB70A	626	\$210,530	Zone 14/16 Water Improvements Phase 2 – Wildcat Hill
Water Infrastructure		626	4,976,967	Debt service
Water Supply		627	1,760,326	Debt service
Wastewater		628	9,075,132	Debt service

**Table 14: 2018 Annual Report Expenditures**

Description	Project No.	Fund(s)	Expenditures	Expenditure Details
Water Infrastructure	WB70A	626	\$3,335,522	Zone 14/16 Water Improvements Phase 2 – Wildcat Hill
Wastewater	VB51A	628	\$1,268	Crossroads East
Water Infrastructure		626	5,875,516	Debt service
Water Supply		627	1,146,210	Debt service
Wastewater		628	9,364,763	Debt service

Each of the expenditures shown above for the Wildcat Hill development and the Crossroads East development were outlined on Tables 2-12 and 3-5 in the 2013 IIP. Therefore, these are allowable expenses, along with the debt service payments, pursuant to the adopted IIP.

## 2.7 FINDINGS

Pursuant to the discussion above the following findings are provided:

1. The difference between growth forecasted in the LUA and the actual growth experienced by the City should be monitored but is not an area of immediate concern. Growth often occurs less linearly as certain development may occur more rapidly than others and can be influenced by various external factors. The growth in future years, as related to the 2013 LUA and 2013 IIP or updated reports, should be monitored as consistently forecasting higher growth than actual may lead to excess capacities and increased burdens on existing customers as well as potentially identify a need to expand facilities in advance of the actual need to do so.
2. The completed revenue audit has not found any material discrepancies during the Audit Period when compared to the DIFs identified in the 2013 LUA, 2013 IIP and 2014 Impact Fee Report.
3. Based on the information obtained through the City’s Annual Reports, the expenditures made throughout the Audit Period were identified in the 2013 IIP.

Appendix A:

**DIF Records Subject to  
Additional Review with Response  
from City**

**Appendix A. DIF Records Subject to Additional Review with Response from City**

Line No.	ref_num	ref_type	tran_id	item_acct	item_desc	Research (feedback from City)	item_amt	Date	dev_desc	meter_size
<b>Permits without Meter Size Identified</b>										
1	5562-15-2	PL	107301	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	07/27/16	SINGLE FAMILY	
2	227279	BP	108266	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	10/12/16	SINGLE FAMILY	
3	226595	BP	108346	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	10/19/16	SINGLE FAMILY	
4	226400	BP	108925	626-00626-47201	WATER DEV FEE MULTI-FAMILY	Multi-Fam. TRANSMITTAL CREATED TO TRANSFER FUNDS	\$2,042.00	12/12/16	MULTI FAMILY	
5	226400	BP	108925	628-00628-47701	WASTEWATER DEV FEE MULTI-FAMILY	INCORRECTLY CREDITED ON CT 107805/ Wrong Dev Type Selected.	\$2,726.00	12/12/16	MULTI FAMILY	
6	226393	BP	108926	626-00626-47201	WATER DEV FEE MULTI-FAMILY	Multi-Fam. TRANSMITTAL CREATED TO TRANSFER FUNDS	\$16,336.00	12/12/16	MULTI FAMILY	
7	226393	BP	108926	628-00628-47701	WASTEWATER DEV FEE MULTI-FAMILY	INCORRECTLY CREDITED ON CT 107806/ Wrong Dev Type Selected.	\$21,805.00	12/12/16	MULTI FAMILY	
8	2373-16	PL	109021	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	12/19/16	SINGLE FAMILY	
9	230792	BP	109842	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	03/03/17	SINGLE FAMILY	
10	231058	BP	109972	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	03/13/17	SINGLE FAMILY	
11	7126-15-1	PL	109988	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL	WW fees collected in error when sewer tap permit was issued/WW dev fees were already collected on CT105711/ wrong dev type selected(SFR)/fees refunded by check requisition-sent to accounting on 6/28/17	\$2,042.00	03/14/17	NON RESIDENTIAL	
12	233432	BP	111067	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	06/09/17	SINGLE FAMILY	
13	1988-17-1	PL	111453	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL	Septic to sewer	\$2,042.00	07/12/17	NON RESIDENTIAL	
14	2149-17	PL	111717	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL	Septic to sewer	\$2,042.00	08/02/17	NON RESIDENTIAL	
15	c52271	CP	113038	626-00626-47201	WATER DEV FEE COMMERCIAL	They processed as an upgrade and it is not. See CT 111830 for meter size	\$2,726.00	11/14/16	NON RESIDENTIAL	
16	c52271	CP	113038	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL		\$639.00	11/14/17	NON RESIDENTIAL	
17	CS4286	CP	113253	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	12/04/17	SINGLE FAMILY	
18			113350	626-00626-47201	WTR DEV FEE RESIDENTIAL	In county connecting to sewer, They had to go back and collect WW fees and	\$2,726.00	12/12/17	SINGLE FAMILY	
19			113350	627-00627-47401	WATER SUPPLY DEV FEE RESIDENTIAL	charged and credited all three types again.	\$639.00	12/12/17	SINGLE FAMILY	
20			113350	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Original ct with the meter purchase is on CT111581	\$2,042.00	12/12/17	SINGLE FAMILY	
21	242622	BP	115336	628-00628-47701	WASTEWATER DEV FEE RESIDENTIAL	Septic to sewer	\$2,042.00	05/24/18	SINGLE FAMILY	
22	RAJAN40			628-00628-47701		Special Agreement	\$1,200,000.00	01/10/18		

<b>Permits with Commercial "Item_Desc" and Unmatched "Dev_Desc"</b>										
23	227644	BP	109280	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	01/17/17	SINGLE FAMILY	3/4
24	227644	BP	109280	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	Single Family	\$639.00	01/17/17	SINGLE FAMILY	3/4
25	227644	BP	109280	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL		\$2,042.00	01/17/17	SINGLE FAMILY	3/4
26	229530	BP	109284	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	01/17/17	SINGLE FAMILY	1
27	229530	BP	109284	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	Single Family	\$639.00	01/17/17	SINGLE FAMILY	1
28	229530	BP	109284	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL		\$2,042.00	01/17/17	SINGLE FAMILY	1
29	231780	BP	110336	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	04/10/17	SINGLE FAMILY	1
30	231780	BP	110336	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	Single Family	\$639.00	04/10/17	SINGLE FAMILY	1
31	231780	BP	110336	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL		\$2,042.00	04/10/17	SINGLE FAMILY	1
32	233260	BP	111912	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	08/22/17	SINGLE FAMILY	1
33	233260	BP	111912	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	Single Family	\$639.00	08/22/17	SINGLE FAMILY	1
34	233260	BP	111912	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL		\$2,042.00	08/22/17	SINGLE FAMILY	1
35	241289	BP	115091	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	05/02/18	NON RESIDENTIAL	1
36	241289	BP	115091	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	This is a Horse Ranch in Single Family Zoning operating under a Conditional Use Permit. Commercial is probably the best designation.	\$639.00	05/02/18	NON RESIDENTIAL	1
37	241289	BP	115091	628-00628-47701	WASTEWATER DEV FEE COMMERCIAL		\$2,042.00	05/02/18	NON RESIDENTIAL	1
38	242885	BP	115496	626-00626-47201	WATER DEV FEE COMMERCIAL		\$2,726.00	06/06/18	NON RESIDENTIAL	1
39	242885	BP	115496	627-00627-47401	WATER SUPPLY DEV FEE COMMERCIAL	Commercial for a barn	\$639.00	06/06/18	NON RESIDENTIAL	1