



City of Scottsdale, Arizona  
Annual Report of the Collection and Use of  
Development Fees  
For the Fiscal Year Ended June 30, 2016

Prepared By City of Scottsdale Water Resources Division  
September 22, 2016

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The City of Scottsdale (City), Arizona, Annual Report on the Collection and Use of Development Fees for the Fiscal Year Ended June 30, 2016 is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, N. "Each municipality that assesses development fees shall submit an annual report accounting for the collection and use of the fees for each service area."

The annual report must be submitted to the City Clerk within ninety days following the end of the fiscal year and may contain information that has not been audited. The annual report shall include the following:

1. The amount assessed by the municipality for each type of development fee.
2. The balance of each fund maintained for each type of development fee assessed as of the beginning and end of the fiscal year.
3. The amount of interest or other earnings on the monies in each fund as of the end of the fiscal year.
4. The amount of development fee monies used to repay:
  - a. Bonds issued by the municipality to pay the cost of a capital improvement project that is the subject of a development fee assessment, including the amount needed to repay the debt service obligations on each facility for which development fees have been identified as the source of funding and the time frames in which the debt service will be repaid.
  - b. Monies advanced by the municipality from funds other than the funds established for development fees in order to pay the cost of a capital improvement project that is the subject of a development fee assessment, the total amount advanced by the municipality for each facility, the source of the monies advanced and the terms under which the monies will be repaid to the municipality.
5. The amount of development fee monies spent on each capital improvement project that is the subject of a development fee assessment and the physical location of each capital improvement project.
6. The amount of development fee monies spent for each purpose other than a capital improvement project that is the subject of a development fee assessment.

The report must provide the balance of each fund maintained for each type of development fee at the beginning and end of the year along with the current year's activity. This report complies with ARS Section 9-463.05, N, as amended.

Development fees are one-time payments to fund construction of public facilities needed to accommodate new development. Development fees may not be used for replacement of existing facilities, nor may they be used to cover operating expenses. The intent of these fees is for new development to pay its "proportionate share" of capital cost for infrastructure capacity needed for growth. Water development fees pay for the cost of new water treatment, production, pumping, storage, and transmission facilities. Water Supply development fees pay for the costs of acquiring new water supplies, including groundwater recharge at the Water Campus. Sewer development fees pay for the cost of new sewer collection, conveyance, treatment, and reclamation. These fees apply to all development and are paid at the time of issuance of the building permit. To properly account for the collection and use of development fees, the City established the three funds shown in the following table.

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Fee Type	Fund
Water Development Fees	626
Water Supply Development Fees	627
Sewer Development Fees	628

The City adopted new development fees effective July 1, 2014 to comply with previously enacted legislative changes to ARS § 9-463.05. The revised development fees were based upon a ten year planning horizon. The City prepared updated Land Use Assumptions, Infrastructure Improvements Plans and Impact Fee Report which were adopted by City Council.

The cash balances in the development fee funds may be positive or negative at various times during the new growth and capital expansion cycle. At some points in time, capital expansion must occur well in advance of collecting fees from future development in order to serve the next new development. This results in temporary negative cash balances that will be repaid as fees are collected from new development over time. At other times, new growth may be served with existing system capacity. At these times, fees may be collected in advance of capital expansion costs resulting in temporary positive cash balances, which will be applied toward future capital expansion costs. The following Summary of the Collection and Use of Development Fees shows negative ending cash balances in Funds 626, 627, and 628. The summary also presents the amounts collected and expended by fund for the fiscal year ended June 30, 2016.

This report is provided to comply with ARS Section 9-463.05, N. If you have any questions about this report or need additional information, contact:

Scottsdale Water Resources Division  
 9379 East San Salvador Drive  
 Scottsdale, AZ 85258  
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**SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES**

	Water <u>Fund 626</u>	Water Supply <u>Fund 627</u>	Sewer <u>Fund 628</u>
<b>REVENUES</b>			
Development Fees Assessed/Collected	\$2,654,706	\$678,601	\$1,904,971
<b>EXPENDITURES</b>			
Capital Improvement Project Expenditures	151,126	-	-
Professional Services/Fee Study	8,847	8,847	9,115
Debt Service Payments	4,380,147	1,002,792	8,535,218
Total Expenditures	4,540,120	1,011,639	8,544,332
Net Cash Increase (Decrease)	(1,885,414)	(333,038)	(6,639,362)
Beginning Fund Cash Balance	(121,747,280)	(3,483,875)	(135,060,674)
Adjustment to Beginning Balance (1)	15,610,794	(14,816,384)	7,735,525
Ending Fund Cash Balance	\$(108,021,899)	\$(18,633,298)	\$(133,964,511)

(1) Project source and use activity from FY2000 to FY2015 reconciled and inter-fund adjustments made. There were no interest or other earnings; each fund had a negative fund balance during the fiscal year. No development fee monies were spent for a purpose other than a capital improvement project that is the subject of a development fee assessment.

**SCHEDULE OF CAPITAL IMPROVEMENT PROJECT EXPENDITURES**

**WATER DEVELOPMENT FEES - FUND 626**

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
WB50A	Cross Roads East Water	Cross Roads East	1,408
W4708	Well Sites	Site 71	\$(134,031)
WB70A	Zone 14/16 Water Improvements Phase 2	Wildcat Hill	283,749
			<u>\$151,126</u>

**WATER SUPPLY DEVELOPMENT FEES - FUND 627**

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
None	None	None	None

**WATER RECLAMATION DEVELOPMENT FEES - FUND 628**

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
None	None	None	None

Capital project expenditures are shown net of amounts financed, including financing reimbursements for prior years.

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**SCHEDULE OF DEBT SUMMARY**

<u>Debt Description</u>	<u>FY 2015/16 Debt Service</u>	<u>Future Principal At 6/30/16</u>	<u>Future Interest At 6/30/16</u>	<u>Future Principal &amp; Interest</u>	<u>Final Payment</u>
<b>WATER</b>					
2008 MPC	\$3,333,931	\$22,376,251	\$11,925,797	\$ 34,302,048	2032
2010 MPC	266,674	4,782,802	3,057,373	7,840,175	2036
2015 MPC Refunding	779,543	30,427,625	11,933,543	42,421,168	2028
	<u>\$4,380,148</u>	<u>\$57,586,678</u>	<u>\$26,976,713</u>	<u>\$84,563,391</u>	
<b>WATER SUPPLY</b>					
2008 MPC	\$576,477	\$3,911,931	\$2,018,209	\$5,930,140	2032
2010 MPC	303,456	5,442,501	3,479,078	8,921,579	2036
2010 MPC Refunding	265,976	5,149,291	2,096,781	7,246,072	2028
	<u>\$1,002,792</u>	<u>\$14,503,723</u>	<u>\$7,594,068</u>	<u>\$22,097,791</u>	
<b>SEWER</b>					
2004 Revenue Refunding	\$ 888,300	\$ 0	\$ 0	\$ 0	2016
2006 MPC Refunding	967,902	10,984,391	3,807,085	14,791,476	2030
2008 Revenue Refunding	3,270,710	24,617,177	5,390,970	30,008,147	2023
2008 MPC	1,218,717	8,136,818	4,403,370	12,540,188	2032
2010 MPC	1,910,272	34,260,864	21,901,003	56,161,867	2036
2015 MPC	279,317	11,234,815	4,361,696	15,596,511	2028
	<u>\$8,535,218</u>	<u>\$89,234,065</u>	<u>\$39,864,124</u>	<u>\$129,098,189</u>	

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**SUMMARY OF FEE FUNDED PROJECTS - ADVANCED FUNDS**

**Water Development Fees**

Booster Pump Station: 130  
Booster Pump Station: 70th St/Lone Mountain  
Booster Pump Station: Alameda/122Nd Street  
CAP Water Connection: Shea To McDonald  
CAP Water Transmission Main  
CAP Water Treatment Plant Expansion  
CAP Water Treatment Plant Pump Station/Zone 5  
CAP Water Treatment Plant Regulatory Compliance  
CAP Water Treatment Plant Water Reservoir  
Chaparral Water Treatment Plant  
Chaparral Water Treatment Plant Influent Waterline  
Core North/South Water  
Downtown Water Transmission Lines  
Master Plan – Water  
Master Well Site Study  
Reservoir Expansion: McDowell Mt Ranch  
Sampling Water Quality Stations  
Union Hills To Hualapai Transmission Line-Pima  
Utility Sleeve Crossing/Outer Loop  
Water Distribution System Improvements  
Water Line: Oversizing  
Water Line: 68th Street: Osborn-Indian School  
Water Line: Water Main Oversize and Install Ashler Hills  
Water Line: Dynamite - Scottsdale To Pima Road  
Water Line: Pima Rd - Union Hills To Pinnacle Peak  
Water Line: Pima Road - Pinnacle Peak To Jomax  
Water Line: Pima Road - Ashler Hills To Cave Creek  
Water Line: Pima Road - Jomax To Ashler Hills  
Water Line: Pinnacle Peak  
Water Line: Thompson Peak  
Water Quality Improvement: Southern Neighborhood  
Water System Architect/Engineer Svc  
Well Sites  
Zone 12-13 Water System Improvements  
Zone 14-16 Water System Improvements  
Zone 2 Pump Station  
Zone 2 Res - 120th & Shea Blvd  
Zone 3 Tank East & 120Th St  
Zone 5-7 Pump St Pima/Deer Valley  
Zone 5E Booster Pump Station & Transmission Line  
Zone 9 Reservoir Expansion

**Water Funds Advanced - \$108,021,899**

**Water Supply Development Fees**

Advanced Treatment Plant  
Bill Williams River Water Rights  
Deep Well Recharge/Recovery Facilities  
Initial Recharge/Recovery System  
Master Plan – Water  
Water Rights Acquisition  
**Water Supply Funds Advanced - \$18,633,298**

**Sewer Development Fees**

Advanced Water Treatment Plant  
Bell Road II Improvement District  
Citywide Flow Monitoring  
Core North/South Wastewater  
Downtown Sewer Improvements  
Downtown Wastewater Trunk Lines  
East Pump back For Water Campus  
Master Plan Water Reclamation  
Miller Rd Trunk Sewer: Earl Dr-Roosevelt  
Miller Road Sewer Phase 3  
North Scottsdale Rd Sewer Diversion  
Outer Loop Sewer Scottsdale Rd To Pima  
Pima Rd Sewer/Via Linda To Cholla  
Regional Wastewater Reclamation Plant  
Relief Sewers - Citywide  
Residuals Sewer Line  
Scottsdale Rd - Pinnacle Peak Boulder  
SROG Wastewater Plant Expansion  
SROG Wastewater Treatment Plant  
SROG Water Reclamation Plant Exp. Up05  
Wastewater Collection Syst. Improvements  
Wastewater Oversizing  
Wastewater Reclamation Plant - Phase 2  
Water Campus Influent Pump Station  
Water Reclamation Plant Phase 3  
Westland Rd Relief Sewer  
WRP Associated Collection System  
**Sewer Funds Advanced - \$133,964,511**