



City of Scottsdale, Arizona
Annual Report of the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2023

Prepared by City of Scottsdale Water Resources Division
September 11, 2023

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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, 2023, is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, stating "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 and posted on the City's website 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.

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 categories of development and are paid at the time of issuance of the building permit. If a building permit is not required for the development, but water or wastewater connections are required, fees are paid at the time the water service connection is purchased. 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 collection of development fees and the Annual Report for Fiscal Year Ended June 30, 2023, is based on the fee schedule and corresponding reports adopted by City Council. The development fees were calculated based upon a ten-year planning horizon. The city prepared updated Land Use Assumptions, Infrastructure Improvements Plans and a Development Impact Fee Report, all of which were adopted by City Council. The city last adopted revised development fees on October 5, 2021, that went into effect January 1, 2022.

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 unaudited Summary of the Collection and Use of Development Fees shows negative ending cash balances in Funds 626, 627, and 628. The unaudited summary also presents the amounts collected and expended by fund for the fiscal year ended June 30, 2023.

This report is provided to comply with ARS Section 9-463.05. 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
(480) 312-5006

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SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES

| | Water Fund 626 | Water Supply Fund 627 | Sewer Fund 628 |
|--|------------------------|--------------------------|------------------------|
| REVENUES | | | |
| Development Fees Assessed/Collected ^{1,3} | \$ 1,823,772 | \$ 235,627 | \$ 1,035,823 |
| EXPENDITURES | | | |
| Capital Improvement Project Expenditures | 1,764,106 | - | 1,515,745 |
| Professional Services/Fee Study Costs | 3,166 | 3,167 | 3,167 |
| Debt Service Interest Payments | <u>1,706,402</u> | <u>583,029</u> | <u>1,984,289</u> |
| Total Expenditures | 3,473,674 | 586,196 | 3,503,201 |
| Net Cash Increase (Decrease) | (1,649,902) | (350,569) | (2,467,378) |
| Beginning Fund Cash Balance ² | <u>(66,473,332)</u> | <u>(8,539,889)</u> | <u>(85,567,108)</u> |
| Ending Fund Cash Balance ⁴ | <u>\$ (68,123,234)</u> | <u>\$ (8,890,458)</u> | <u>\$ (88,034,486)</u> |

¹Development fees have three components: Buy-In of Existing Facilities, Growth Related Projects, and Interest.

²Beginning Fund Cash Balances include inception to date expenditures on growth related construction, acquisition, principal, and interest.

³There were no interest or other earnings; each fund had a negative fund balance during the fiscal year.

⁴Infrastructure related expenses do not generally occur when the Development Fee Assessment revenue is collected. As such, funds are advanced from the Water Operating Fund to both the Water and Water Supply Development Funds and advanced from the Sewer Operating Fund to the Sewer Development Fund. This internal, temporary borrowing is to be repaid when revenues within the Development Fee Funds exceed eligible expenses.

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SCHEDULE OF CAPITAL IMPROVEMENT PROJECT EXPENDITURES

WATER DEVELOPMENT FEES - FUND 626

| <u>Project</u> | <u>Project Name and Location</u> | <u>Expenditures</u> |
|----------------|---|---------------------|
| WF02A | Site 42 Reservoir Storage | \$ 730,781 |
| WF05A | Well Site – Crossroads East North of AZ State Route 101 | 449,164 |
| WF06A | Crossroads East Water | 38,812 |
| WG01A | Rio Verde/128 th Street Transmission Mains | 545,127 |
| WH23B | Zone 14/16 Water System Improvement Phase 2 | <u>222</u> |
| | | <u>\$1,764,106</u> |

WATER SUPPLY DEVELOPMENT FEES - FUND 627

| <u>Project</u> | <u>Project Name and Location</u> | <u>Expenditures</u> |
|----------------|----------------------------------|---------------------|
| None | | \$ - |

SEWER DEVELOPMENT FEES - FUND 628

| <u>Project</u> | <u>Project Name and Location</u> | <u>Expenditures</u> |
|----------------|---|---------------------|
| VF02A | Jomax Rd Sewer Interceptor & Lift Station | \$ 93,287 |
| VF03A | Crossroads East Sewer | 990,850 |
| VF06B | Wastewater Collection System Improvements | 65,939 |
| VJ01A | Greenway Hayden Loop Sewer Improvement | <u>365,669</u> |
| | | <u>\$1,515,745</u> |

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| SCHEDULE OF DEBT SUMMARY | | | |
|---------------------------------|--|--|--------------------------------------|
| <u>Bonds Issued</u> | Current Year Debt <u>Service Interest</u> | Future Debt <u>Service Interest</u> | Final Payment <u>Year</u> |
| WATER | | | |
| 2006 MPC Refunding | \$ 0 | \$ 7,276,864 | 2030 |
| 2015 MPC Refunding | 632,000 | 986,300 | 2026 |
| 2017A MPC | 325,821 | 2,282,036 | 2037 |
| 2017 MPC Refunding | 285,600 | 1,669,600 | 2034 |
| 2021A MPC Refunding | 29,630 | 207,410 | 2030 |
| 2021B MPC Refunding | 433,351 | 3,816,601 | 2036 |
| | <u>\$ 1,706,402</u> | <u>\$ 16,238,811</u> | |
| WATER SUPPLY | | | |
| 2015 MPC Refunding | \$ 107,009 | \$ 166,987 | 2026 |
| 2017 MPC Refunding | 362,600 | 2,120,409 | 2034 |
| 2021A MPC Refunding | 26,030 | 182,241 | 2030 |
| 2021B MPC Refunding | 87,390 | 769,680 | 2036 |
| | <u>\$ 583,029</u> | <u>\$ 3,239,317</u> | |
| SEWER | | | |
| 2006 MPC Refunding | \$ 281,358 | \$ 867,138 | 2030 |
| 2008 Revenue Refunding | 215,155 | 0 | 2023 |
| 2015A MPC | 443,163 | 2,406,305 | 2034 |
| 2015 MPC Refunding | 228,741 | 356,963 | 2026 |
| 2017 MPC Refunding | 883,300 | 5,164,613 | 2034 |
| 2021A MPC Refunding | 186,470 | 1,305,278 | 2030 |
| 2021B MPC Refunding | 274,149 | 2,414,523 | 2036 |
| Debt Fees Amortization | (528,047) | (6,509,312) | |
| | <u>\$ 1,984,289</u> | <u>\$ 6,005,508</u> | |



DEVELOPMENT FEES

Effective January 1, 2022
 Schedule #01-01-22

Collection of Development fees

Pursuant to City of Scottsdale Revised Code Section 49-82: Unless otherwise specified by a Development Agreement adopted in accordance with Section 49-84 of this Article, impact fees shall be paid before issuance of a building permit according to the current impact fee schedule for the Service Area. If a building permit is not issued, refer to Section 49-82, paragraphs 2 through 5 to determine impact fee payment requirements.

Meter Size

Water meters shall be sized per the City’s Design Standards and Policies Manual, Section 6-1.416 (Figure 6.1-4). In the event of a disagreement between the developer and the city as to the appropriate size of the meter, the city's decision shall be final.

Water and wastewater impact fees shall be determined according to the following schedule:

| Meter Type | Water Fee | Wastewater Fee | Total Impact Fee |
|---------------------|-----------|----------------|------------------|
| 5/8, 3/4 and 1 Inch | \$4,765 | \$2,568 | \$7,333 |
| 1 1/2 Inch | \$23,825 | \$12,840 | \$36,665 |
| 2 Inch | \$38,120 | \$20,544 | \$58,664 |
| 3 Inch Compound | \$83,388 | \$44,940 | \$128,328 |
| 3 Inch Turbine | \$103,877 | \$55,982 | \$159,859 |
| 4 Inch Compound | \$142,950 | \$77,040 | \$219,990 |
| 4 Inch Turbine | \$178,688 | \$96,300 | \$274,988 |
| 6 Inch Compound | \$321,638 | \$173,340 | \$494,978 |
| 6 Inch Turbine | \$381,200 | \$205,440 | \$586,640 |