



City of Scottsdale, Arizona  
Annual Report of the Collection and Use of  
Development Fees  
For the Fiscal Year Ended June 30, 2017

Prepared By City of Scottsdale Water Resources Division  
September 15, 2017

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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, 2017 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.

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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<b>Fee Type</b>	<b>Fund</b>
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, 2017.

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  
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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	\$2,069,325	\$549,671	\$1,561,403
<b>EXPENDITURES</b>			
Capital Improvement Project Expenditures	210,530	-	-
Professional Services/Fee Study	12,912	10,220	13,393
Debt Service Payments	4,976,967	1,760,326	9,075,132
Total Expenditures	5,200,409	1,770,546	9,088,525
Net Cash Increase (Decrease)	(3,131,084)	(1,220,875)	(7,527,122)
Beginning Fund Cash Balance	(108,021,899)	(18,633,298)	(133,964,511)
Ending Fund Cash Balance	\$(111,152,984)	\$(19,854,173)	\$(141,491,633)

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>
WB70A	Zone 14/16 Water Improvements Phase 2	Wildcat Hill	\$210,530

**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 2016/17 Debt Service</u>	<u>Future Principal At 6/30/17</u>	<u>Future Interest At 6/30/17</u>	<u>Future Principal &amp; Interest</u>	<u>Final Payment</u>
<b>WATER</b>					
2008 MPC	\$2,924,309	\$2,421,250	\$121,063	\$ 2,542,313	2018
2010 MPC	216,814	1,221,500	402,125	1,623,625	2030
2015 MPC Refunding	1,521,381	30,427,625	10,472,162	40,899,787	2028
2017 MPC	-	10,195,965	4,553,386	14,749,351	2037
2017 MPC Refunding	314,462	20,616,266	13,195,061	33,811,327	2037
	<u>\$4,976,966</u>	<u>\$64,882,606</u>	<u>\$28,743,797</u>	<u>\$93,626,403</u>	
<b>WATER SUPPLY</b>					
2008 MPC	\$511,079	\$423,160	\$21,158	\$444,318	2018
2010 MPC	876,417	4,938,200	1,625,702	6,563,902	2030
2010 MPC Refunding	265,977	5,149,291	1,830,804	6,980,095	2028
2017 MPC Refunding	106,854	7,005,372	4,483,659	11,489,031	2037
	<u>\$1,760,327</u>	<u>\$17,516,023</u>	<u>\$7,961,323</u>	<u>\$25,477,346</u>	
<b>SEWER</b>					
2006 MPC Refunding	\$1,351,502	\$10,182,109	\$3,257,865	\$13,439,974	2030
2008 Revenue Refunding	4,261,580	21,624,335	4,122,232	25,746,567	2023
2008 MPC	1,063,549	880,590	44,030	924,620	2018
2010 MPC	1,364,919	7,691,200	2,532,096	10,233,296	2030
2015 MPC	553,229	11,234,815	3,808,467	15,043,282	2028
2017 MPC Refunding	480,354	31,492,186	20,155,993	51,648,179	2037
	<u>\$9,075,133</u>	<u>\$83,105,235</u>	<u>\$33,920,683</u>	<u>\$117,025,918</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 - \$111,152,984**

**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 - \$19,854,173**

**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 - \$141,491,633**