



City of Scottsdale, Arizona
Annual Report of the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2015

Prepared By City of Scottsdale Water Resources Division
September 16, 2015

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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, 2015 is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, N. "Each municipality that assesses development (impact) fees shall submit an annual report accounting for the collection and use of the fees in the 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 Supply development fees pay for the costs of acquiring new water supplies, including groundwater recharge at the Water Campus. Water development fees pay for the cost of new water treatment, production, pumping, storage, and transmission facilities. 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 are 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, 2015.

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
(480) 312-5006

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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>
REVENUES			
Development Fees Assessed/Collected	\$ 2,397,432	\$ 675,749	\$ 1,891,972
EXPENDITURES			
Capital Improvement Project Expenditures	208,037	-	(119,704)
Debt Service Payments	5,542,584	1,206,391	8,901,440
Total Expenditures	5,750,621	1,506,391	8,781,736
Net Cash Increase (Decrease)	(3,353,189)	(530,642)	(6,889,764)
Beginning Fund Cash Balance	(118,394,091)	(2,953,233)	(128,170,911)
Ending Fund Cash Balance	<u>(\$121,747,280)</u>	<u>(\$3,483,875)</u>	<u>(\$135,060,674)</u>

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>
W4708	Well Sites	Various Locations within Service Area	\$134,031
WB07A	Zone 14/16 Water Improvements Phase 2	Various Locations within Service Area	8,935
WB70A	Zone 14/16 Water Improvements Phase 2	Various Locations within Service Area	65,070
			<u>\$208,037</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>
V3704	Collection System Improvements	Various Locations within Service Area	(\$119,704)
			<u>(\$119,704)</u>

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 2014/15 Debt Service</u>	<u>Future Principal At 6/30/15</u>	<u>Future Interest At 6/30/15</u>	<u>Future Principal & Interest</u>	<u>Final Payment</u>
WATER					
2008 MPC	\$4,122,056	\$24,570,001	\$13,065,978	\$ 37,635,979	2032
2010 MPC	258,363	4,831,452	3,275,397	8,106,849	2036
2015 MPC Refunding	1,162,165	30,427,625	13,515,233	43,942,858	2028
	<u>\$5,542,584</u>	<u>\$59,829,078</u>	<u>\$29,856,608</u>	<u>\$89,685,686</u>	
WATER SUPPLY					
2008 MPC	\$709,215	\$4,295,454	\$2,211,163	\$6,506,617	2032
2010 MPC	293,999	5,497,861	3,727,174	9,225,035	2036
2010 MPC Refunding	203,177	5,149,291	2,287,196	7,436,487	2028
	<u>\$1,206,391</u>	<u>\$14,942,606</u>	<u>\$8,225,533</u>	<u>\$23,168,139</u>	
SEWER					
2004 Revenue Refunding	\$ 882,886	\$ 1,658,160	\$ 113,026	\$ 1,771,186	2016
2006 MPC Refunding	971,628	11,383,136	4,376,242	15,759,378	2030
2008 Revenue Refunding	3,274,645	26,542,150	6,736,707	33,278,857	2023
2008 MPC	1,498,930	8,934,545	4,824,360	13,758,905	2032
2010 MPC	1,850,746	34,609,359	23,462,780	58,072,139	2036
2015 MPC	422,606	11,234,815	4,990,242	16,225,057	2028
	<u>\$8,901,440</u>	<u>\$93,550,005</u>	<u>\$44,432,631</u>	<u>\$137,982,636</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 - \$121,747,280

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 - \$3,483,875

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 - \$135,060,674