



City of Scottsdale, Arizona  
Annual Report of the Collection and Use of  
Development Fees  
For the Fiscal Year Ended June 30, 2021

Prepared by City of Scottsdale Water Resources Division  
September 7, 2021

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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, 2021, 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. 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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<b>Fee Type</b>	<b>Fund</b>
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, 2021 is based on fee schedule and corresponding reports adopted by City Council. The 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 city last adopted revised development fees on April 10, 2018, that were effect September 1, 2018.

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, 2021.

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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**SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES**

	Water Fund 626	Water Supply Fund 627	Sewer Fund 628
<b>REVENUES</b>			
Development Fees Assessed/Collected <sup>1</sup>	\$ 2,807,462	\$ 638,610	\$ 1,896,282
<b>EXPENDITURES</b>			
Capital Improvement Project Expenditures	1,626,884	-	2,468,135
Professional Services/Fee Study Costs	118,389	3,167	120,718
Debt Service Interest Payments	<u>1,836,728</u>	<u>631,333</u>	<u>2,505,710</u>
Total Expenditures	3,582,001	634,500	5,094,563
Net Cash Increase (Decrease)	(774,539)	4,110	(3,198,281)
Beginning Fund Cash Balance <sup>2</sup>	(62,619,495)	(9,088,505)	(85,277,980)
Adjustment <sup>3</sup>	<u>2,235,572</u>	<u>544,667</u>	<u>5,600,298</u>
Adjusted Beginning Balance	(60,383,923)	(8,543,838)	(79,677,682)
Ending Fund Cash Balance <sup>4</sup>	<u>\$ (61,158,462)</u>	<u>\$ (8,539,728)</u>	<u>\$ (82,875,963)</u>

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

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

<sup>3</sup>Adjustment for principal and interest expense to reflect new methodology implemented; principal expense is not funded, and interest expense is funded by development fees.

<sup>4</sup>There were no interest or other earnings; each fund had a negative fund balance during the fiscal year.

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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	\$ 113,757
WF03A	State Land Near Legend Trails 1	261
WF05A	Well Site – Crossroads East North of AZ State Route 101	1,109,614
WF06A	Crossroads East Water	400,736
WH23B	Zone 14/16 Water System Improvement Phase 2	<u>2,516</u>
		<u>\$1,626,884</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>
VF01A	Dynamite Road Sewer Interceptor	\$ 67
VF02A	Jomax Rd Sewer Interceptor & Lift Station	99,469
VF03A	Crossroads East Sewer	2,368,405
VF06B	Wastewater Collection System Improvements	<u>194</u>
		<u>\$2,468,135</u>

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<b>SCHEDULE OF DEBT SUMMARY</b>				
<b><u>Bonds Issued</u></b>	<b><u>Current Year Debt</u></b>	<b><u>Future Debt</u></b>	<b><u>Final Payment</u></b>	
	<b><u>Service Interest</u></b>	<b><u>Service Interest</u></b>	<b><u>Year</u></b>	
<b>WATER</b>				
2010 MPC	\$ 85,696	\$ 0	2021	
2015 MPC Refunding	1,090,345	2,390,050	2026	
2017A MPC	364,057	2,953,253	2037	
2017 MPC Refunding	285,600	2,240,800	2034	
2021A MPC Refunding	11,030	266,670	2030	
2021B MPC Refunding	-	4,684,701	2036	
	<u>\$ 1,836,728</u>	<u>\$ 12,535,474</u>		
<b>WATER SUPPLY</b>				
2010 MPC	\$ 74,420	\$ 0	2021	
2015 MPC Refunding	184,623	404,668	2026	
2017 MPC Refunding	362,600	2,845,500	2034	
2021A MPC Refunding	9,690	234,270	2030	
2021B MPC Refunding	-	944,718	2036	
	<u>\$ 631,333</u>	<u>\$ 4,429,156</u>		
<b>SEWER</b>				
2006 MPC Refunding	\$ 378,302	\$ 1,479,350	2030	
2008 Revenue Refunding	612,268	634,153	2023	
2010 MPC	167,797	0	2021	
2015 MPC Refunding	394,633	865,033	2026	
2017 MPC Refunding	883,300	6,931,200	2034	
2021A MPC Refunding	69,410	1,678,230	2030	
2021B MPC Refunding	-	2,963,656	2036	
	<u>\$ 2,505,710</u>	<u>\$ 14,551,622</u>		

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**SCHEDULE OF DEVELOPMENT FEE FUNDS ADVANCED**

<b>Water Development Fees</b>	<b>Amount</b>
CAP Water Treatment Plant Expansion	\$2,389,059
Chaparral Water Treatment Plant	1,373,790
Crossroads East Water	2,016,377
Downtown Water Transmission Lines	458,545
McDowell Mtn Ranch Reservoir Expansion	2,283,987
Pima Road: Ashler Hills to Cave Creek Waterline	5,727,219
Pima Road: Jomax to Ashler Hills Waterline	7,863,048
Pima Road: Union Hills to Hualapai Transmission Line	1,660,057
Utility Sleeve Crossings/Outer Loop	1,034,249
Zone 12-13 Water System Improvements	4,554,223
Zone 12-13 Transmission Lines	3,387,274
Zone 2 Res – 120th & Shea Blvd	3,486,159
Zone 14-16 Water Improvements Phase 2	4,335,231
Zone 9 Reservoir Expansion	4,673,479
Zone 5-7 Pump St Pima/Deer Valley	3,405,376
East Dynamite Area Transmission Main	1,191,786
Site 42 Reservoir Storage	485,147
State Land Near Legend Trails 1	261
Well Site-Crossroads East North of AZ State Route 101	1,109,614
Bond Interest	9,535,592
Development Fee Study	187,989
<b>Water Funds Advanced</b>	<b><u>\$61,158,462</u></b>
<b>Water Supply Development Fees</b>	
Advanced Treatment Plant	\$3,547,294
Deep Well Recharge/Recovery Facilities	2,450,769
Initial Recharge/Recovery System	406,455
Bond Interest	2,063,858
Development Fee Study	71,352
<b>Water Supply Funds Advanced</b>	<b><u>\$8,539,728</u></b>
<b>Sewer Development Fees</b>	
Advanced Water Treatment Plant Expansion	\$4,749,370
Crossroads East Sewer	2,772,704
Wastewater Reclamation Plant Phase 2	12,214,015
Wastewater Reclamation Plant Phase 3	6,575,314
SROG Wastewater Plant Expansion	41,183,792
Core North/South Sewer	5,684
Wastewater Collection System Improvements	331,991
Jomax Rd Sewer Interceptor & Lift Station	105,253
Dynamite Road Sewer Interceptor	67
Bond Interest	14,764,504
Development Fee Study	173,269
<b>Sewer Funds Advanced</b>	<b><u>\$82,875,963</u></b>