



City of Scottsdale, Arizona
Annual Report of the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2020

Prepared by City of Scottsdale Water Resources Division
September 16, 2020

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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, 2020 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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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, 2020 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, 2020.

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 Fund 626	Water Supply Fund 627	Sewer Fund 628
REVENUES			
Development Fees Assessed/Collected ¹	\$ 4,002,027	\$ 908,539	\$ 2,845,097
EXPENDITURES			
Capital Improvement Project Expenditures	559,782	-	684,196
Professional Services/Fee Study Costs	3,006	2,628	2,344
Debt Service Interest Payments	<u>2,765,154</u>	<u>601,634</u>	<u>3,431,416</u>
Total Expenditures	\$ 3,327,942	\$ 604,262	\$ 4,117,956
Net Cash Increase (Decrease)	\$ 674,085	\$ 304,277	\$ (1,272,859)
Beginning Fund Cash Balance ²	(63,293,580)	(9,392,783)	(84,005,121)
Adjustment ³	<u>2,235,572</u>	<u>544,667</u>	<u>5,600,298</u>
Adjusted Beginning Balance	\$ (61,058,008)	\$ (8,848,116)	\$ (78,404,823)
Ending Fund Cash Balance ⁴	<u>\$ (60,383,923)</u>	<u>\$ (8,543,839)</u>	<u>\$ (79,677,682)</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.

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

⁴There 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>
WD01C	East Dynamite Area Transmission Main	\$224,219
WF02A	Site 42 Reservoir Storage	\$334,336
WF06A	Crossroads East Water	<u>\$1,227</u>
		<u>\$559,782</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	\$5,885
VF03A	Crossroads East Sewer	\$356,433
VF06B	Wastewater Collection System Improvements	<u>\$321,878</u>
		<u>\$684,196</u>

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SCHEDULE OF DEBT SUMMARY			
<u>Bonds Issued</u>	<u>Current Year Debt Service Interest</u>	<u>Future Debt Service Interest</u>	<u>Final Payment Year</u>
WATER			
2010 MPC	\$ 41,708	\$ 265,987	2030
2015 MPC Refunding	1,398,188	6,031,150	2028
2017 MPC	381,871	3,317,310	2037
2017 MPC Refunding	<u>943,387</u>	<u>10,364,901</u>	2037
	<u>\$ 2,765,154</u>	<u>\$ 19,979,348</u>	
WATER SUPPLY			
2010 MPC	\$ 36,634	\$ 233,631	2030
2015 MPC Refunding	244,439	1,054,401	2028
2017 MPC Refunding	<u>320,561</u>	<u>3,521,973</u>	2037
	<u>\$ 601,634</u>	<u>\$ 4,810,005</u>	
SEWER			
2006 MPC Refunding	\$ 423,767	\$ 1,857,652	2030
2008 Revenue Refunding	795,457	1,246,421	2023
2010 MPC	262,630	1,674,879	2030
2015 MPC Refunding	508,500	2,193,567	2028
2017 MPC Refunding	<u>1,441,062</u>	<u>15,832,808</u>	2037
	<u>\$ 3,431,416</u>	<u>\$ 22,805,327</u>	

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SCHEDULE OF DEVELOPMENT FEE FUNDS ADVANCED

Water Development Fees	Amount
CAP Water Treatment Plant Expansion	\$2,486,205
Chaparral Water Treatment Plant	\$1,429,653
Crossroads East Water	\$1,681,337
Downtown Water Transmission Lines	\$477,191
McDowell Mtn Ranch Reservoir Expansion	\$2,376,861
Pima Road: Ashler Hills To Cave Creek Waterline	\$5,960,104
Pima Road: Jomax To Ashler Hills Waterline	\$8,182,782
Pima Road: Union Hills To Hualapai Transmission Line	\$1,727,559
Utility Sleeve Crossings/Outer Loop	\$1,076,304
Zone 12-13 Water System Improvements	\$4,739,410
Zone 12-13 Transmission Lines	\$3,525,010
Zone 2 Res - 120Th & Shea Blvd	\$3,627,916
Zone 14-16 Water Improvements Phase 2	\$4,508,896
Zone 9 Reservoir Expansion	\$4,863,517
Zone 5-7 Pump St Pima/Deer Valley	\$3,543,849
East Dynamite Area Transmission Main	\$1,240,248
Site 42 Reservoir Storage	\$386,492
Bond Interest	\$8,480,989
Development Fee Study	\$69,600
Water Funds Advanced	<u>\$60,383,923</u>
Water Supply Development Fees	
Advanced Treatment Plant	\$3,802,464
Deep Well Recharge/Recovery Facilities	\$2,627,063
Initial Recharge/Recovery System	\$435,693
Bond Interest	\$1,610,434
Development Fee Study	\$68,185
Water Supply Funds Advanced	<u>\$8,543,839</u>
Sewer Development Fees	
Advanced Water Treatment Plant Expansion	\$4,832,624
Crossroads East Sewer	\$411,386
Wastewater Reclamation Plant Phase 2	\$12,428,121
Wastewater Reclamation Plant Phase 3	\$6,690,576
SROG Wastewater Plant Expansion	\$41,905,721
Core North/South Sewer	\$5,783
Wastewater Collection System Improvements	\$337,613
Jomax Rd Sewer Interceptor & Lift Station	\$5,885
Bond Interest	\$13,007,422
Development Fee Study	\$52,551
Sewer Funds Advanced	<u>\$79,677,682</u>