



City of Scottsdale, Arizona
Annual Report of the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2018

Prepared by City of Scottsdale Water Resources Division
September 25, 2018

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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, 2018 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, 2018 is based on the July 1, 2014 effective date 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 has adopted new development fees on April 10, 2018, that will be effective 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, 2018.

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
(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	\$ 2,728,259	\$ 686,141	\$ 3,043,464
EXPENDITURES			
Capital Improvement Project Expenditures	3,335,522	-	1,268
Professional Services/Fee Study	42,129	43,037	23,840
Debt Service Payments	5,875,516	1,146,210	9,364,763
Total Expenditures	9,253,168	1,189,247	9,389,870
Net Cash Increase (Decrease)	(6,524,908)	(503,106)	(6,346,306)
Beginning Fund Cash Balance	(111,300,812)	(19,248,742)	(141,770,581)
Ending Fund Cash Balance	(\$117,825,720)	(\$19,751,847)	(\$148,116,887)

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

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	\$3,335,522

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>
VB51A	Crossroads East	Crossroads East	\$1,268

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**SCHEDULE OF DEBT SUMMARY
At 06/30/2018**

<u>Bonds Issued</u>	<u>Debt Service</u>	<u>Future Principal</u>	<u>Future Interest</u>	<u>Future Principal & Interest</u>	<u>Final Payment</u>
WATER					
2008 MPC	\$2,542,311	\$ 0	\$ 0	\$ 0	2018
2010 MPC	131,159	1,139,200	353,263	1,492,463	2030
2015 MPC Refunding	1,521,407	30,427,625	8,950,755	39,378,380	2028
2017 MPC	737,250	9,914,085	4,098,017	14,012,102	2037
2017 MPC Refunding	943,387	16,233,910	12,251,675	28,485,585	2037
	<u>\$5,875,516</u>	<u>\$57,714,820</u>	<u>\$25,653,710</u>	<u>\$83,368,530</u>	
WATER SUPPLY					
2008 MPC	\$ 444,453	\$ 0	\$ 0	\$ 0	2018
2010 MPC	115,215	1,000,700	310,289	1,310,989	2030
2010 MPC Refunding	265,981	5,149,291	1,564,823	6,714,114	2028
2017 MPC Refunding	320,561	20,616,266	4,163,095	24,779,361	2037
	<u>\$1,146,210</u>	<u>\$26,766,257</u>	<u>\$6,038,207</u>	<u>\$32,804,464</u>	
SEWER					
2006 MPC Refunding	\$1,344,394	\$ 9,346,820	\$ 2,748,760	\$ 12,095,580	2030
2008 Revenue Refunding	4,275,865	18,467,566	3,003,136	21,470,702	2023
2008 MPC	924,485	0	0	0	2018
2010 MPC	825,757	7,173,057	2,224,381	9,394,438	2030
2015 MPC	553,200	11,234,815	3,255,267	14,490,082	2028
2017 MPC Refunding	1,441,062	31,492,186	18,714,932	50,207,118	2037
	<u>\$9,364,763</u>	<u>\$77,714,444</u>	<u>\$29,946,476</u>	<u>\$107,660,920</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 - \$117,825,720

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 - \$19,751,847

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 - \$148,116,887

*Monies advanced by the Water and Utility Funds fees collected. There are no terms for repayment.