

**Town of Queen Creek
Capacity Fee
FY 2018-19
Annual Report**

****Unaudited****



Date Issued: November 18, 2019

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BACKGROUND

Capacity Fees

Capacity fees are one-time charges used to pay the proportionate share of costs for the utility infrastructure needed to support new growth. The fees are collected at the time of building permit issuance for residential, commercial, or other non-residential development. Because system development fees may only be charged within municipal boundaries per state statute and the Town's water service area extends beyond Town limits, the Town opted to shift toward water and wastewater capacity charges in lieu of water and wastewater development fees in 2014.

Authorization and Purpose

Under Authority of Arizona Statute (ARS) 9-511.01, municipalities in Arizona may assess capacity fees to offset the demands and costs associated with providing additional water and sewer capacity to new development. Generally, the amount of the capacity fee must bear a reasonable relationship to the financial burden imposed upon the municipality. Further, Arizona law requires that "any proposed water or sewer rate or rate component; fee or service charge adjustment or increase shall be just and reasonable".

Like system development fees, capacity fees are based on an Infrastructure Improvement Plan (IIP) and an associated fee study. The fee study which produced the fees presented was prepared by economic consulting firm TischlerBise and can be found [here](#).

Annual Reporting Requirements

While current legislation does not require an annual report regarding the collection and use of capacity fees, such legislation and reporting requirements do exist for development impact fees. As such, the Town currently produces an annual development impact fee report per A.R.S. §9-463.05(N). This legislation, adopted and signed into law in 2005 and amended in 2011, requires an annual report be prepared to account for the collection and use of development fees, which are distinct from capacity fees and governed separately by Arizona Revised Statutes. However, for the sake of consistency and transparency, the Town is providing a report that is similar in content and scope for its water and wastewater capacity charges.

The report is prepared on a cash basis. The information provided in this report includes capacity fee revenues and expenses for FY 2018-19 and beginning and ending balances. Because the reporting deadline will occur before the annual audit is completed, this report contains financial information that has not yet been audited.

CAPACITY FEE FUND SUMMARIES

WATER

Beginning Balance	\$ 6,459,570.04
Revenues	
Capacity Fees	6,077,562.00
Adjustment for New Impact Fee Study	1,759,842.88
Interest Income	93,198.98
Expenses	
Professional and Technical Services	15,750.98
Projects	13,541,790.43
Other Financing Source/(Use)	
Transfer In	1,713,449.11
Ending Balance	\$ <u>2,546,081.60</u>

Note: Transfers In reflect capital project funding adjustments made subsequent to a new capacity fee study.

WASTEWATER

Beginning Balance	\$ 14,391,817.79
Revenues	
Capacity Fees	6,036,136.31
Interest Income	181,400.68
Expenses	
Professional and Technical Services	(422.40)
Projects	9,707,676.57
Debt Extinguishment - 2005 WIFA Loan	17,321,688.44
Other Financing Source/(Use)	
Transfer Out	(1,253,379.09)
Ending Balance	\$ <u>(7,672,966.92)</u>

Note: Transfers Out reflect capital project funding adjustments made subsequent to a new capacity fee study.

Note: The deficit ending balance was covered by a temporary loan from the Water Operating fund.

AMOUNT ASSESSED FOR EACH TYPE OF CAPACITY FEE

The information that follows is a summary on the amount assessed for each type of capacity fee that was established May 2, 2014 through June 30, 2019. Following a rate and capacity fee study, new water and wastewater capacity charges were adopted on June 5, 2019 and became effective on July 1, 2019. Those fees and associated revenues will be presented in next year's report.

Capacity Fees

Water

Meter Size & Type	Capacity Ratio	Water Capacity Charge
3/4"	1.00	\$ 4,014
1"	1.70	\$ 6,806
1 1/2"	3.30	\$ 13,189
2" compound / turbine	5.30	\$ 21,166
3" compound	10.70	\$ 42,707
3" turbine	12.00	\$ 47,892
4" compound	17.00	\$ 67,837
4" turbine	20.50	\$ 81,798

Wastewater

Meter Size & Type	Capacity Ratio	Sewer Capacity Charge
3/4"	1.00	\$ 5,082
1"	1.67	\$ 8,629
1 1/2"	3.33	\$ 16,738
2" compound / turbine	5.33	\$ 26,875
3" compound	10.00	\$ 54,243
3" turbine	16.67	\$ 60,831
4" compound	33.33	\$ 86,172
4" turbine	53.33	\$ 103,910

CAPACITY FEE REVENUES

Capacity Charges by Period	WATER					WASTEWATER				
	3/4"	1"	1.5"	2"	3" Turb.	3/4"	1"	1.5"	2"	3" Comp.
July	86	17		2		112	10	1	1	
August	98	9	1	2		111	3		1	
September	61	6	3	1		56	1			
October	74	4	5	4	1	87	8		3	
November	111	14	1	9		57				
December	100	6	9	3		78	6			
January	84	4	4	3		67		1		
February	68	11	2			81	4	1		
March	116	14	5	1		77	5			1
April	114	15	1	4		106	8		1	
May	142	10	1	1		122	5		1	
June	124	7				88	4	2	1	
Subtotal	1,178	117	32	30	1	1,042	54	5	8	1
Less Refunds	(21)	(2)	(5)	(5)	-	(12)	(1)	-	(1)	-
Grand Total	1,157	115	27	25	1	1,030	53	5	7	1

Residential & Non-Residential Capacity Fee Revenues

WATER	3/4"	1"	1.5"	2"	3" Turb.	Subtotal	Less Refunds	Monthly Total
July	\$ 345,204	\$ 115,702	\$ -	\$ 42,332	\$ -	\$ 503,238	\$ (12,042)	\$ 491,196
August	393,540	61,254	13,189	42,332	-	510,315	(4,014)	506,301
September	241,658	40,836	39,567	21,166	-	343,227	-	343,227
October	297,036	27,224	65,945	84,664	47,892	522,761	-	522,761
November	453,582	95,284	13,189	190,494	-	752,549	(46,346)	706,203
December	398,436	35,780	70,256	47,932	-	552,404	(77,936)	474,468
January	337,176	27,224	52,756	63,498	-	480,654	-	480,654
February	272,952	74,866	26,378	-	-	374,196	(13,612)	360,584
March	473,652	95,284	65,945	21,166	-	656,047	(46,346)	609,701
April	454,898	102,090	13,189	84,664	-	654,841	(57,343)	597,498
May	561,960	68,060	13,189	21,166	-	664,375	-	664,375
June	497,736	47,642	-	-	-	545,378	(224,784)	320,594
Annual Total	\$4,727,830	\$791,246	\$373,603	\$619,414	\$47,892	\$6,559,985	\$(482,423)	\$6,077,562

**Town of Queen Creek
Capacity Fee Annual Report**

FY 2018-19

Residential & Non-Residential Capacity Fee Revenues

WASTEWATER	3/4"	1"	1.5"	2"	3" Comp.	Subtotal	Less Refunds / Corrections	Monthly Total
July	\$ 569,184	\$ 86,290	\$ 16,738	\$ 26,875	\$ -	\$ 699,087	\$ -	\$ 699,087
August	564,102	25,887	-	26,875	-	616,864	(35,504)	581,360
September	284,592	8,629	-	-	-	293,221	(5,082)	288,139
October	442,134	69,032	-	80,625	-	591,791	(40,516)	551,275
November	289,674	-	-	-	-	289,674	(5,082)	284,592
December	396,396	51,774	-	-	-	448,170	-	448,170
January	340,494	-	16,738	-	-	357,232	(5,082)	352,150
February	411,642	34,516	16,738	-	-	462,896	(35)	462,861
March	391,314	43,145	-	-	54,243	488,702	-	488,702
April	538,692	69,032	-	26,875	-	634,599	-	634,599
May	620,004	43,145	-	26,875	-	690,024	(40,656)	649,368
June	447,216	34,516	33,476	26,875	-	542,083	53,750	595,833
Annual Total	\$ 5,295,444	\$ 465,966	\$ 83,690	\$ 215,000	\$ 54,243	\$ 6,114,343	\$ (78,207)	\$ 6,036,136

Notes:

- 1) The Town collects wastewater capacity fees at the time a building permit is issued, whereas water capacity fees are collected at the time the developer installs the water meter at the construction site. Therefore, the numbers presented by month represent the number of capacity fees collected, not the number of permits issued.

DEVELOPMENT IMPACT FEES USED TO PAY DEBT SERVICE

Fund	1998 WIFA	2005 WIFA	2008 WIFA	2014 GADA	2014 WIFA	Total Debt Service
Wastewater	\$ -	\$ 17,321,688	\$ -	\$ -	\$ -	\$ 17,321,688
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 17,321,688	\$ -	\$ -	\$ -	\$ 17,321,688

WIFA: Water Infrastructure Finance Authority of Arizona

GADA: Greater Arizona Development Authority

Additional Resources*

Town of Queen Creek FY2018/2019 Annual Budget – Capital Improvement Plan and Infrastructure Improvement Plan

Water and Sewer Capacity Fee Study 2013

*Available on Town's Website: <http://www.queencreek.org/departments/finance>