

**Town of Queen Creek
Development Impact Fee
FY 2016-17
Annual Report**

****Unaudited****



Date Issued: September 26, 2017

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BACKGROUND

Development Impact Fees

Development impact fees are one-time payments used to construct improvements needed to accommodate new development. They are assessed on both residential and nonresidential growth. The Town's development impact fees are based on one, town wide service area. The fees are collected at the time a building permit is issued for residential, commercial or other non-residential development. The Town collects the following six development impact fees:

- Parks and Recreation
- Town Facilities
- Transportation Facilities
- Library Facilities
- Police Facilities
- Fire Facilities

Authorization and Purpose

Under Authority of Arizona Statute (ARS) 9-463.05, municipalities in Arizona may assess development fees to offset infrastructure costs to a municipality, associated with providing necessary public services to development. The development impact fees must be based on an Infrastructure Improvement Plan (IIP). The amount of the impact development fee must bear a reasonable relationship to the burden imposed upon the municipality to provide additional necessary public services to serve new development. Development impact fees are calculated based a development fee study which was prepared in accordance with state law and is available on the Town's website.

Annual Reporting Requirements

Legislation adopted and signed into law in 2005, and then amended in 2011, requires an annual report be prepared to account for the collection and use of development fees. The report is prepared on a cash basis. The report is due within 90 days of the end of each fiscal year and is required to be maintained in the Town Clerk's Office. For the FY 2016-17 reporting period, the report is required to be filed by September 30, 2017. The information provided in this report includes development impact fee revenues and expenses for FY 2016-17 and beginning and ending balances.

The law also allows for the report to contain financial information that has not yet been audited, because the reporting deadline will occur before the annual audit is completed. As a result, when the FY 2016-17 audited Comprehensive Annual Financial Report (CAFR) is issued, this report will be reissued, based on audited financial statements.

The statute was amended by the 2011 Legislature. As amended, A.R.S. §9-463.05N is presented below (amended language bolded).

N. Each municipality that assesses development impact fees shall submit an annual report accounting for the collection and use of the fees **for each service area**. The annual report shall include the following:

1. The amount assessed by the municipality for each type of development impact fee
2. The balance of each fund maintained for each type of development impact 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 impact 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 impact fee assessment, **including the amount needed to repay the debt service obligations on each facility for which development impact 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 impact fees in order to pay the cost of a capital improvement project that is the subject of a development impact 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 impact fee monies spent on each capital improvement project that is the subject of a development impact fee assessment and the physical location of each capital improvement project
6. The amount of development impact fee monies spent for each purpose other than a capital improvement project that is the subject of a development impact fee assessment

A.R.S. § 9-463.05(O) provides (amended language bolded):

O – Within ninety days following the end of each fiscal year, each municipality shall submit a copy of the annual report to the city clerk **and post the report on the municipality's website or the website of an association of cities and towns if the municipality does not have a website.** Copies shall be made available to the public on request. The annual report may contain financial information that has not been audited.

A.R.S. § 9-463.05(P) provides (amended language bolded):

P – A municipality that fails to file the report **and post the report on the municipality's website or the website of an association of cities and towns if the municipality does not have a website** as required by this section shall not collect development fees until the report is filed and posted.

DEVELOPMENT IMPACT FEE FUND SUMMARIES

PARKS AND RECREATION

Beginning Balance	\$8,596,692.93
Revenues	
Development Impact Fees	\$4,174,517.94
Interest Income	\$46,568.57
Prior Debt Correction ¹	\$1,158,495.00
Expenses	
Parks Master Plan	\$192,254.00
Projects	\$481,249.68
2007 Excise Tax Bond	\$463,975.19
2008A GADA Bond	\$5,096.38
Ending Balance	\$12,833,699.20

TOWN FACILITIES

Beginning Balance	\$1,736,552.44
Revenues	
Development Impact Fees	\$589,189.61
Interest Income	\$8,393.69
Expenses	
2007 Excise Tax Bond	\$71,380.80
2004B GADA Bond	\$30,285.27
Ending Balance	\$2,232,469.67

TRANSPORTATION FACILITIES

Beginning Balance	\$529,329.52
Revenues	
Development Impact Fees	\$1,636,978.81
Interest Income	\$5,836.43
Expenses	
Transportation Impact Fee Study	\$50,104.71
Projects	\$3,019,160.04
2007 Excise Tax Bond	\$288,339.14
Ending Balance ²	(\$1,185,459.13)

LIBRARY FACILITIES

Beginning Balance	\$1,275,770.40
Revenues	
Development Impact Fees	\$819,841.16
Interest Income	\$7,028.19
Expenses	
2007 Excise Tax Bond	\$53,535.59
2005B GADA Bond	\$11,003.07
2006A GADA Bond	\$51,308.40
Ending Balance	\$1,986,792.69

POLICE FACILITIES

Beginning Balance	\$1,320,002.01
Revenues	
Development Impact Fees	\$209,261.99
Interest Income	\$5,862.96
Ending Balance	\$1,535,126.96

FIRE FACILITIES

Beginning Balance	\$1,545,954.99
Revenues	
Development Impact Fees	\$611,967.28
Interest Income	\$7,641.21
Expenses	
Fire Apparatus Lease Principal	\$157,144.98
Fire Apparatus Lease Interest	\$16,173.05
Ending Balance	\$1,992,245.45

AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT IMPACT FEE

The information that follows is a summary on the amount assessed for each type of development impact fee that was established August 1, 2014.

Development Impact Fees

	Parks & Recreation	Town Facilities	Transportation	Library Facilities	Police Facilities	Fire Facilities
Residential						
(per unit)						
Single Family Detached	\$3,681	\$470	\$1,263	\$723	\$167	\$490
2+ Multi-Family	\$2,710	\$346	\$882	\$532	\$123	\$361
Nonresidential						
(per 1,000 sq. ft.)						
Industrial	\$650	\$338	\$429	\$128	\$56	\$335
Commercial	\$563	\$292	\$1,569	\$111	\$229	\$290
Office & Other Services	\$552	\$286	\$679	\$109	\$90	\$285

DEVELOPMENT IMPACT FEE REVENUES

<u>Single Family</u>	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u> ³	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u> ⁴
JULY	50	50	50	50	50	50
AUGUST	134	134	134	134	134	134
SEPTEMBER	91	91	91	91	91	91
OCTOBER	102	102	102	102	102	102
NOVEMBER	77	77	77	77	77	77
DECEMBER	57	57	57	57	57	57
JANUARY	86	86	86	86	86	86
FEBRUARY	141	141	141	141	141	141
MARCH	109	109	109	109	109	109
APRIL	109	109	109	109	109	109
MAY	66	66	66	66	66	66
JUNE	91	91	91	91	91	91
Total Single Family Permits	1,113	1,113	1,113	1,113	1,113	1,113
Less Refunded Permits	(18)	(18)	(19)	(18)	(18)	(17)
Total Single Family Permits	1,095	1,095	1,094	1,095	1,095	1,096

2+Multi-Family Permits	0	0	0	0	0	0
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Residential and Non-Residential Revenues

	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u>	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u>
Single Family	\$4,096,005.72	\$523,110.00	\$1,405,719.00	\$804,699.00	\$185,871.00	\$545,370.00
2+ Multi-Family	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Non-Residential	\$145,547.22	\$75,417.61	\$259,384.81	\$28,736.16	\$27,045.99	\$75,130.28
Subtotal	\$4,241,552.94	\$598,527.61	\$1,665,103.81	\$833,435.16	\$212,916.99	\$620,500.28
Less Refunds	(\$67,035.00)	(\$9,338.00)	(\$28,125.00)	(\$13,594.00)	(\$3,655.00)	(\$8,533.00)
Total Development Impact Fee Revenue	\$4,174,517.94	\$589,189.61	\$1,636,978.81	\$819,841.16	\$209,261.99	\$611,967.28

Non-Residential Permits (Square Feet)

	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u> ⁵	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u>
Industrial	-	-	-	-	-	-
Commercial	24,164	24,164	32,164	24,164	24,164	24,164
Office & Other Services	239,027	239,027	384,688	239,027	239,027	239,027
Total Square Feet	263,191	263,191	416,852	263,191	263,191	263,191

BEGINNING AND ENDING FUND BALANCE

	Beginning Balance 7/1/2016	Ending Balance 6/30/2017	Change
Parks and Recreation	\$8,596,692.93	\$12,833,699.20	\$4,237,006.27
Town Facilities	\$1,736,552.44	\$2,232,469.67	\$495,917.23
Transportation Facilities	\$529,329.52	(\$1,185,459.13)	(\$1,714,788.65)
Library Facilities	\$1,275,770.40	\$1,986,792.69	\$711,022.29
Police Facilities	\$1,320,002.01	\$1,535,126.96	\$215,124.95
Fire Facilities	\$1,545,954.99	\$1,992,245.45	\$446,290.46

INTEREST INCOME

	Interest Income
Parks and Recreation	\$46,568.57
Town Facilities	\$8,393.69
Transportation Facilities	\$5,836.43
Library Facilities	\$7,028.19
Police Facilities	\$5,862.96
Fire Facilities	\$7,641.21

DEVELOPMENT IMPACT FEES USED TO PAY DEBT SERVICE

	2007 Excise Bond	2004B GADA*Bond	2005B GADA*Bond	2006A GADA*Bond	2008A GADA*Bond	Total Debt Service
Parks and Recreation	\$463,975.19				\$5,096.38	\$469,071.56
Town Facilities	\$71,380.80	\$30,285.27				\$101,666.07
Streets Facilities	\$288,339.14					\$288,339.14
Library Facilities	\$53,535.59		\$11,003.07	\$51,308.40		\$115,847.06
	\$877,230.71	\$30,285.27	\$11,003.07	\$51,308.40	\$5,096.38	\$974,923.82

*Greater Arizona Development Authority

Notes:

- 1) Correcting entry made for prior debt transfers in the amount of \$1,158,495.00
- 2) The Town has created an interfund loan for this amount at June 30, 2017 that will be paid back from future impact fee revenues.
- 3) The number of refunds should be the same across all the funds. In the case of the transportation fund, the impact fee was overpaid which resulted in a refund. This is the only fund it impacted which is why the streets fund has one more refund than other funds.
- 4) The number of refunds should be the same across all the funds. In the case for the fire fund, a permit issued in 2006 had expired and the fees were never refunded. The same permit was reissued in this fiscal year however the fees had changed. In order to account for this, we show a refund for the 2006 impact fee however, the fire fund did not collect impact fees in 2006 so the refunds in this fund will be one less from the other funds.
- 5) As stated in A.R.S. 9-500.18, a city or town shall not assess or collect any fees or costs from a school district or charter school for fees pursuant to section 9-463.05. This prohibition does not include fees assessed or collected for streets and water and sewer utility functions. As such, the square footage for transportation will be higher than the other fees because the others are not paid by school districts.

Additional Resources*

Town of Queen Creek FY2016/2017 Annual Budget – Capital Improvement Plan and Infrastructure Improvement Plan

Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees – May 7, 2014

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