

Town of Queen Creek

Capacity Fee Annual Report FY 2023-24

AUDITED



Report Date: January 15, 2025

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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. Capacity fees are assessed at the time of building permit issuance. Capacity fees are assessed on all residential and non-residential development.

State law permits the Town to charge fees for utility infrastructure by either imposing development impact fees pursuant to Arizona Revised Statutes (“A.R.S.”) Section 9-463.05 (the “Development Fee Statute”) or capacity fees pursuant to A.R.S. § 9-511.01 (the “Utility Statute”). Because development impact fees may only be charged within municipal boundaries according to the Development Fee Statute, and the Town’s water and wastewater service areas extend beyond Town limits, the Town uses water and wastewater capacity fees in lieu of water and wastewater development fees.

Authorization and Purpose

Under the Utility Statute, municipalities in Arizona may assess capacity fees to offset the costs associated with providing additional water and wastewater capacity to new development. The amount of the capacity fee must correspond to the financial burden imposed upon the municipality. Further, Arizona law requires that “any proposed water or wastewater rate or rate component; fee or service charge adjustment or increase shall be just and reasonable.”

The Town based its capacity fees on an Infrastructure Improvement Plan (IIP) and an associated fee study. The study that produced the fees can be found [here](#).

Annual Reporting Requirements

While the Utility Statute does not require an annual report regarding the collection and use of capacity fees, such reporting requirements do exist for development impact fees under the Development Fee Statute. As such, the Town currently produces an annual development impact fee report per A.R.S. §9-463.05(N). This Statute, 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.

In order to improve transparency to the public and the development community regarding the collection and use of capacity fees, the Town Council adopted a financial policy on June 17, 2020, requiring that both the development impact fee report and capacity fee report be adopted by Council annually following the Town’s financial audit. As such, staff has prepared this capacity fee report, which is similar to the development impact fee report in terms of its content and scope.

The information provided includes capacity fee revenues and expenses for FY 2023-24 and beginning and ending balances.

CAPACITY FEE FUND SUMMARIES

WATER

Beginning Balance	(\$2,021,265)
Revenues	
Revenue	\$7,715,589
Interest Income	\$53,299
Expenses	
Professional and Technical Services	\$2,540
Projects	\$2,512,857
Ending Balance	<u>\$3,232,226</u>

WASTEWATER

Beginning Balance	\$2,769,182
Revenues	
Revenue	\$6,193,440
Interest Income	\$154,658
Expenses	
Professional and Technical Services	\$2,539
Projects	\$158,595
Ending Balance	<u>\$8,956,146</u>

AMOUNT ASSESSED FOR EACH TYPE OF CAPACITY FEE

The information that follows is a summary of the amount assessed for each type of capacity fee in FY 2023-24.

Water

Meter Size (inches)	Meter Type	Water Capacity Fee
3/4"	Displacement	\$2,382
1"	Displacement	\$3,978
1.5"	Displacement	\$7,933
2"	Compound	\$12,697
3"	Compound	\$23,822
4"	Compound	\$39,711

Wastewater

Meter Size (inches)	Meter Type	Wastewater Capacity Fee Residential	Wastewater Capacity Fee Non- Residential
3/4"	Displacement	\$2,901	\$2,901
1"	Displacement	\$2,901	\$4,845
1.5"	Displacement	\$9,660	\$9,660
2"	Compound	\$15,462	\$15,462
3"	Compound	\$29,009	\$29,009
4"	Compound	\$48,358	\$48,358

CAPACITY FEE ACTIVITY

<u>WATER</u>	TOTAL WATER						CAPACITY
	3/4"	1"	1.5"	2"	3"	4"	
JULY	153	25	0	5	3	2	188
AUGUST	208	17	0	5	0	0	230
SEPTEMBER	138	9	3	4	0	2	156
OCTOBER	340	14	6	1	0	2	363
NOVEMBER	141	14	0	0	1	0	156
DECEMBER	113	9	0	1	0	0	123
JANUARY	253	2	(1)	1	0	0	255
FEBRUARY	235	15	0	8	0	1	259
MARCH	233	15	2	1	0	0	251
APRIL	241	25	3	7	1	0	277
MAY	137	25	4	6	0	0	172
JUNE	304	16	2	5	0	0	327
Total Water Capacity Fees	2,496	186	19	44	5	7	2,757

<u>WASTEWATER</u>	TOTAL WASTEWATER						CAPACITY
	3/4"	1"	1.5"	2"	3"	4"	
JULY	140	15	1	0	0	2	158
AUGUST	198	10	0	2	0	0	210
SEPTEMBER	125	5	2	1	1	2	136
OCTOBER	147	4	0	1	1	2	155
NOVEMBER	92	10	0	0	0	0	102
DECEMBER	78	7	0	2	0	0	87
JANUARY	158	6	0	1	0	0	165
FEBRUARY	143	7	1	8	0	1	160
MARCH	160	12	2	1	0	0	175
APRIL	163	21	1	4	1	0	190
MAY	117	16	0	1	0	0	134
JUNE	208	10	1	1	0	0	220
Total Wastewater Capacity Fees	1,729	123	8	22	3	7	1,892

Note:

The size of the service area is larger for the water utility than the wastewater utility. As a result, the number of water capacity fees will exceed the number of wastewater fees assessed.

CAPACITY FEE EQUIVALENT RESIDENTIAL UNITS (ERUs)

<u>WATER</u>							TOTAL WATER
	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>CAPACITY</u>
JULY	153	42	0	27	30	33	285
AUGUST	208	28	0	27	0	0	263
SEPTEMBER	138	15	10	21	0	33	218
OCTOBER	340	23	20	5	0	33	422
NOVEMBER	141	23	0	0	10	0	174
DECEMBER	113	15	0	5	0	0	133
JANUARY	253	3	(3)	5	0	0	258
FEBRUARY	235	25	0	43	0	17	319
MARCH	233	25	7	5	0	0	270
APRIL	241	42	10	37	10	0	340
MAY	137	42	13	32	0	0	224
JUNE	304	27	7	27	0	0	364
Total ERUs	2,496	311	63	235	50	117	3,271
Total Projected ERUs							2,719
Percent Received							120%

<u>WASTEWATER</u>							TOTAL
	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>WASTEWATER</u>
							<u>CAPACITY</u>
JULY	140	25	3	0	0	33	202
AUGUST	198	17	0	11	0	0	225
SEPTEMBER	125	8	7	5	10	33	189
OCTOBER	147	7	0	5	10	33	202
NOVEMBER	92	17	0	0	0	0	109
DECEMBER	78	12	0	11	0	0	100
JANUARY	158	10	0	5	0	0	173
FEBRUARY	143	12	3	43	0	17	217
MARCH	160	20	7	5	0	0	192
APRIL	163	35	3	21	10	0	233
MAY	117	27	0	5	0	0	149
JUNE	208	17	3	5	0	0	233
Total ERUs	1,729	205	27	117	30	117	2,225
Total Projected ERUs							1,283
Percent Received							173%

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

FY 2023-24

CAPACITY FEE REVENUES

WATER	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$373,974	\$103,405	\$0	\$59,507	\$71,466	\$79,422	\$687,774	\$ (9,528.00)	\$678,246
AUGUST	\$497,838	\$55,692	\$0	\$63,485	\$0	\$0	\$617,015	\$ (2,382.00)	\$614,633
SEPTEMBER	\$326,334	\$35,802	\$23,799	\$57,149	\$0	\$79,422	\$522,506	\$ (2,382.00)	\$520,124
OCTOBER	\$805,116	\$55,692	\$52,362	\$1,572	\$0	\$79,422	\$994,164	\$ -	\$994,164
NOVEMBER	\$333,480	\$55,692	\$0	\$0	\$23,822	\$0	\$412,994	\$ (2,382.00)	\$410,612
DECEMBER	\$273,930	\$35,802	\$0	\$12,697	\$0	\$0	\$322,429	\$ (4,764.00)	\$317,665
JANUARY	\$605,028	\$39,780	\$0	\$25,394	\$0	\$0	\$670,202	\$ (19,034.00)	\$651,168
FEBRUARY	\$490,692	\$61,243	\$0	\$101,576	\$0	\$39,711	\$693,222	\$ (2,382.00)	\$690,840
MARCH	\$552,624	\$60,762	\$15,866	\$12,697	\$0	\$0	\$641,949	\$ (7,472.00)	\$634,477
APRIL	\$576,444	\$99,450	\$19,844	\$88,879	\$23,822	\$0	\$808,439	\$ (7,146.00)	\$801,293
MAY	\$328,716	\$99,450	\$31,732	\$76,182	\$0	\$0	\$536,080	\$ (2,382.00)	\$533,698
JUNE	\$725,166	\$64,152	\$15,866	\$63,485	\$0	\$0	\$868,669	\$ -	\$868,669
Annual Total	\$5,889,342	\$766,922	\$159,469	\$562,623	\$119,110	\$277,977	\$7,775,443	(\$9,854)	\$7,715,589

Total Water Capacity Fee Revenue \$7,715,589
Projected Revenue Per Study \$6,477,147
\$ Variance \$1,238,442
% Variance 19%

WASTEWATER	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$417,744	\$45,459	\$9,660	\$0	\$0	\$96,716	\$569,579	(\$11,604)	\$557,975
AUGUST	\$577,299	\$29,010	\$0	\$28,023	\$0	\$0	\$634,332	(\$2,901)	\$631,431
SEPTEMBER	\$365,526	\$14,505	\$19,320	\$15,462	\$29,009	\$96,716	\$540,538	(\$2,901)	\$537,637
OCTOBER	\$429,348	\$11,604	\$0	\$15,462	\$1,915	\$96,716	\$555,045	(\$2,901)	\$552,144
NOVEMBER	\$269,793	\$29,010	\$0	\$0	\$0	\$0	\$298,803	(\$2,901)	\$295,902
DECEMBER	\$226,278	\$20,307	\$0	\$21,264	\$0	\$0	\$267,849	\$0	\$267,849
JANUARY	\$461,259	\$19,350	\$0	\$15,462	\$0	\$0	\$496,071	(\$2,901)	\$493,170
FEBRUARY	\$417,744	\$28,053	\$9,660	\$123,696	\$0	\$48,358	\$627,511	(\$2,901)	\$624,610
MARCH	\$469,962	\$36,756	\$19,320	\$15,462	\$0	\$0	\$541,500	(\$5,802)	\$535,698
APRIL	\$475,764	\$60,921	\$9,660	\$61,848	\$29,009	\$0	\$637,202	(\$2,901)	\$634,301
MAY	\$342,318	\$48,360	\$0	\$15,462	\$0	\$0	\$406,140	(\$2,901)	\$403,239
JUNE	\$603,408	\$30,954	\$9,660	\$15,462	\$0	\$0	\$659,484	\$0	\$659,484
Annual Total	\$5,056,443	\$374,289	\$77,280	\$327,603	\$59,933	\$338,506	\$6,234,054	(\$40,614)	\$6,193,440

Total Wastewater Capacity Fee Revenue \$6,193,440
Projected Revenue Per Study \$3,721,016
\$ Variance \$2,472,424
% Variance 66%

BEGINNING/ENDING FUND BALANCE FOR EACH CAPACITY FEE

	Beginning Balance	Ending Balance	
	<u>7/1/2023</u>	<u>6/30/2024</u>	Change
Water	(\$2,021,265)	\$3,232,226	\$5,253,491
Wastewater	\$2,769,182	\$8,956,146	\$6,186,964

INTEREST INCOME

	<u>Interest Income</u>
Water	\$53,299
Wastewater	\$154,658

CUMULATIVE CAPACITY FEE ANALYSIS – 7 YEARS

CUMULATIVE TO DATE

<u>Water</u>	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>10-Year Totals Per Capacity Fee Study</u>	<u>% of 10-Year Totals Per Capacity Fee Study</u>
Equivalent Dwelling Units	14,408	14,362	(46)	0%	17,933	80%
Revenue	\$38,434,191	\$37,912,750	(\$521,441)	-1%	\$46,831,703	81%

<u>Wastewater</u>	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>10-Year Totals Per Capacity Fee Study</u>	<u>% of 10-Year Totals Per Capacity Fee Study</u>
Equivalent Dwelling Units	7,499	11,062	3,564	48%	10,245	108%
Revenue	\$25,835,539	\$35,840,918	\$10,005,379	39%	\$33,802,510	106%

Note:

The water and wastewater service area differ in size. The water service area is larger. As a result, the cumulative performance relative to the capacity fee study varies.

CAPACITY FEES EXPENDED ON PROJECTS

Water

<u>Project</u>	<u>Status</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
A0116	Active	OCOTILLO: SOSSAMAN TO HAWES	SAME AS PROJECT DESCRIPTION	\$435,754
AR050	Active	TOWN CENTER - ALDECOA-MUNOZ-SUMMERS	TOWN CENTER	\$179,868
WA020	Active	BARNEY WELL, RESERVOIR, BOOSTER	MERIDIAN & REINS ROAD	\$462,068
WA065	Active	SOSSAMAN: VIA JARDINE TO EMPIRE TRS	SAME AS PROJECT DESCRIPTION	\$80,125
WA167	Active	CHANDLER HTS:SOSSAMAN TO HAWES	SAME AS PROJECT DESCRIPTION	\$13,600
WA202	Active	HARVEST TANK AND SITE	SIGNAL BUTTE & MEWES ROAD	\$298,034
WA270	Active	SCHNEPF: COMBS TO HASHKNIFE	SAME AS PROJECT DESCRIPTION	\$1,010,941
PMGT	N/A	PROJECT MGT OVERHEAD COSTS		\$32,467
TOTAL				\$2,512,857

Wastewater

<u>Project</u>	<u>Status</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
AR050	Active	TOWN CENTER - ALDECOA-MUNOZ-SUMMERS	TOWN CENTER	\$160,000
PMGT	N/A	PROJECT MGT OVERHEAD COSTS		\$1,920
PMGT	N/A	PROJECT MGT OVERHEAD COSTS - PRIOR YEAR CORRECTION ¹		(\$3,326)
TOTAL				\$158,595

Note:

¹Prior Year Correction created a credit balance for this project expense item.

ADDITIONAL RESOURCES

- 1) [Town of Queen Creek FY2023/2024 Annual Budget](#) – Capital Improvement Plan and Infrastructure Improvement Plan

- 2) [Water and Wastewater Capacity Fee Study 2019](#)