

TOWN OF QUEEN CREEK

CAPACITY FEE ANNUAL REPORT

FY 2024-25

AUDITED



REPORT DATE: January 21, 2026

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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 laws 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.

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 July 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 2024-25 and beginning and ending balances.

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 2024-25.

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	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

WATER CAPACITY FEE

Beginning Balance	\$3,232,226
Revenues	
Revenue	\$6,654,392
Interest Income	\$246,955
Expenses	
Professional and Technical Services	\$17,037
Projects (see schedule below)	\$265,455
Ending Balance	<u>\$9,851,081</u>

WATER CAPACITY FEES EXPENDED ON PROJECTS

A0116	OCOTILLO: SOSSAMAN TO HAWES	\$47,792
AR050	TOWN CENTER - ALDECOA-MUNOZ-SUMMERS	\$2,226
WA020	BARNEY WELL, RESERVOIR, BOOSTER	\$570
WA065	SOSSAMAN: VIA JARDINE TO EMPIRE TRS	\$13,606
WA167	CHANDLER HTS:SOSSAMAN TO HAWES	\$193
WA202	HARVEST TANK AND SITE	\$16,781
WA270	SCHNEPF: COMBS TO HASHKNIFE	\$184,288
Total Water Capacity Fees Expended on Projects		<u>\$265,456</u>

WASTEWATER CAPACITY FEE

Beginning Balance	\$8,956,146
Revenues	
Revenue	\$5,583,149
Interest Income	\$471,446
Other Sources	
Transfer In - Prior Year Correction ¹	\$15,020,026
Expenses	
Professional and Technical Services	\$23,067
Ending Balance	<hr/> \$30,007,700

Notes:

¹This correction relates to the Epcor Exchange Agreement effective August 11, 2022 as approved by the Town Council. This represents payments for approximately 4,600 homes in Ironwood Crossing and Encanterra subdivisions to satisfy their financial obligation of the becoming wastewater customers in 2022.

BEGINNING AND ENDING FUND BALANCES

	Beginning Balance 7/1/2024	Ending Balance 6/30/2025	Change
Water	\$3,232,226	\$9,851,081	\$6,618,855
Wastewater	\$8,956,146	\$30,007,700	\$21,051,554

INTEREST EARNINGS ON ALL FUND BALANCES

	<u>Interest Income</u>
Water	\$246,955
Wastewater	\$471,446

CAPACITY FEES PAID BY THE TOWN ASSOCIATED WITH DEVELOPMENT AGREEMENTS

	<u>Water</u>	<u>Wastewater</u>
LGES Development Agreement	\$365,240	\$444,820

CAPACITY FEE PERMIT ACTIVITY

<u>WATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>10"</u>	<u>TOTAL WATER CAPACITY</u>
JULY	203	18	3	0	0	0	0	224
AUGUST	192	21	2	7	6	0	0	228
SEPTEMBER	143	20	1	0	0	0	0	164
OCTOBER	231	25	2	5	0	0	0	263
NOVEMBER	148	13	2	1	0	0	0	164
DECEMBER	107	12	2	4	0	0	0	125
JANUARY	175	1	4	7	0	0	0	187
FEBRUARY	169	19	1	2	0	0	0	191
MARCH	138	24	0	2	0	0	0	164
APRIL	204	15	7	7	0	0	0	233
MAY	193	21	1	2	0	0	0	217
JUNE	125	19	3	0	0	0	2	149
Total Water Capacity Fees	2,028	208	28	37	6	0	2	2,309

<u>WASTEWATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>10"</u>	<u>TOTAL WASTEWATER CAPACITY</u>
JULY	177	12	3	0	0	0	0	192
AUGUST	115	17	2	3	0	0	0	137
SEPTEMBER	107	12	1	0	0	0	0	120
OCTOBER	150	18	0	2	0	0	0	170
NOVEMBER	92	13	1	0	0	0	0	106
DECEMBER	87	7	1	3	0	0	0	98
JANUARY	130	13	3	5	0	0	0	151
FEBRUARY	127	17	1	1	0	0	0	146
MARCH	106	15	0	0	0	0	0	121
APRIL	151	8	2	5	0	0	0	166
MAY	128	13	0	2	0	0	0	143
JUNE	99	10	2	2	0	0	2	115
Total Wastewater Capacity Fees	1,469	155	16	23	0	0	2	1,665

CAPACITY FEE EQUIVALENT RESIDENTIAL UNITS

<u>WATER</u>								TOTAL WATER
	3/4"	1"	1.5"	2"	3"	4"	10"	CAPACITY
JULY	203	30	10	0	0	0	0	243
AUGUST	192	35	7	37	60	0	0	331
SEPTEMBER	143	33	3	0	0	0	0	180
OCTOBER	231	42	7	27	0	0	0	306
NOVEMBER	148	22	7	5	0	0	0	182
DECEMBER	107	20	7	21	0	0	0	155
JANUARY	175	2	13	37	0	0	0	227
FEBRUARY	169	32	3	11	0	0	0	215
MARCH	138	40	0	11	0	0	0	189
APRIL	204	25	23	37	0	0	0	290
MAY	193	35	3	11	0	0	0	242
JUNE	125	32	10	0	0	0	153	320
Total ERUs	2,028	347	93	197	60	0	153	2,879
Total Projected ERUs								1,175
Percent Received								245%

<u>WASTEWATER</u>								TOTAL
	3/4"	1"	1.5"	2"	3"	4"	10"	WASTEWATER CAPACITY
JULY	177	20	10	0	0	0	0	207
AUGUST	115	28	7	16	0	0	0	166
SEPTEMBER	107	20	3	0	0	0	0	130
OCTOBER	150	30	0	11	0	0	0	191
NOVEMBER	92	22	3	0	0	0	0	117
DECEMBER	87	12	3	16	0	0	0	118
JANUARY	130	22	10	27	0	0	0	188
FEBRUARY	127	28	3	5	0	0	0	164
MARCH	106	25	0	0	0	0	0	131
APRIL	151	13	7	27	0	0	0	198
MAY	128	22	0	11	0	0	0	160
JUNE	99	17	7	11	0	0	153	286
Total ERUs	1,469	259	53	123	0	0	153	2,057
Total Projected ERUs								916
Percent Received								225%

CAPACITY FEE REVENUES

<u>WATER</u>	3/4"	1"	1.5"	2"	3"	4"	10"	Subtotal	Less Refunds	Monthly Total
JULY	\$490,692	\$71,604	\$23,799	\$0	\$0	\$0	\$0	\$586,095	(\$8,184)	\$577,911
AUGUST	\$457,344	\$81,156	\$15,866	\$39,663	\$47,644	\$0	\$0	\$641,673	\$0	\$641,673
SEPTEMBER	\$335,862	\$79,560	\$7,933	\$0	\$0	\$0	\$0	\$423,355	\$0	\$423,355
OCTOBER	\$550,242	\$94,179	\$20,630	\$54,766	\$0	\$0	\$0	\$719,817	\$0	\$719,817
NOVEMBER	\$352,536	\$51,714	\$15,866	\$12,697	\$0	\$0	\$0	\$432,813	\$0	\$432,813
DECEMBER	\$254,874	\$47,736	\$15,866	\$25,394	\$0	\$0	\$0	\$343,870	\$0	\$343,870
JANUARY	\$409,704	\$47,736	\$31,732	\$79,431	\$0	\$0	\$0	\$568,603	(\$2,382)	\$566,221
FEBRUARY	\$402,558	\$75,582	\$7,933	\$28,482	\$0	\$0	\$0	\$514,555	\$0	\$514,555
MARCH	\$328,716	\$75,908	\$0	\$25,394	\$0	\$0	\$0	\$430,018	(\$4,764)	\$425,254
APRIL	\$490,692	\$49,825	\$51,576	\$80,160	\$0	\$0	\$0	\$672,253	(\$4,764)	\$667,489
MAY	\$435,906	\$96,347	\$3,978	\$25,394	\$0	\$0	\$0	\$561,625	\$0	\$561,625
JUNE	\$297,750	\$88,256	\$28,563	\$0	\$0	\$0	\$365,240	\$779,809	\$0	\$779,809
Annual Total	\$4,806,876	\$859,603	\$223,742	\$371,381	\$47,644	\$0	\$365,240	\$6,674,486	(\$20,094)	\$6,654,392

Total Water Capacity Fee Revenue \$6,654,392
Projected Revenue Per Study \$2,798,799
\$ Variance \$3,855,593
% Variance 138%

<u>WASTEWATER</u>	3/4"	1"	1.5"	2"	3"	4"	10"	Subtotal	Less Refunds	Monthly Total
JULY	\$516,378	\$34,812	\$28,980	\$0	\$0	\$0	\$0	\$580,170	(\$2,901)	\$577,269
AUGUST	\$333,615	\$49,317	\$19,320	\$32,839	\$0	\$0	\$0	\$435,091	\$0	\$435,091
SEPTEMBER	\$304,605	\$38,700	\$9,660	\$0	\$0	\$0	\$0	\$352,965	\$0	\$352,965
OCTOBER	\$435,150	\$60,921	\$0	\$20,307	\$0	\$0	\$0	\$516,378	\$0	\$516,378
NOVEMBER	\$266,892	\$37,713	\$9,660	\$0	\$0	\$0	\$0	\$314,265	\$0	\$314,265
DECEMBER	\$252,387	\$20,307	\$9,660	\$46,386	\$0	\$0	\$0	\$328,740	\$0	\$328,740
JANUARY	\$371,328	\$33,855	\$28,980	\$76,443	\$0	\$0	\$0	\$510,606	(\$5,802)	\$504,804
FEBRUARY	\$368,427	\$46,296	\$9,660	\$15,462	\$0	\$0	\$0	\$439,845	\$0	\$439,845
MARCH	\$313,308	\$39,657	\$0	\$0	\$0	\$0	\$0	\$352,965	(\$5,802)	\$347,163
APRIL	\$443,853	\$27,096	\$19,320	\$77,310	\$0	\$0	\$0	\$567,579	(\$5,802)	\$561,777
MAY	\$342,318	\$41,601	\$0	\$30,924	\$0	\$0	\$0	\$414,843	\$0	\$414,843
JUNE	\$263,991	\$30,954	\$19,320	\$30,924	\$0	\$0	\$444,820	\$790,009	\$0	\$790,009
Annual Total	\$4,212,252	\$461,229	\$154,560	\$330,595	\$0	\$0	\$444,820	\$5,603,456	(\$20,307)	\$5,583,149

Wastewater Capacity Fee Revenue \$5,583,149
Projected Revenue Per Study \$2,656,221
\$ Variance \$2,926,928
% Variance 110%

CAPACITY FEE CUMULATIVE ANALYSIS – 8 YEARS

**Cumulative Impact and Capacity Fee Analysis
FY 17-18 to FY 24-25 (8 Years)**

<u>Water</u>	<u>8-YR</u>				<u>10-YR Totals</u>	<u>% of 10-YR</u>
	<u>Projection</u>	<u>8-YR Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>Per Report</u>	<u>Actual</u>
Equivalent Dwelling Units	15,583	17,241	1,658	11%	17,933	96%
Residential/Non-Residential Revenue	\$41,232,990	\$44,567,142	\$3,334,152	8%	\$46,831,703	95%
<u>Wastewater</u>	<u>8-YR</u>				<u>10-YR Totals</u>	<u>% of 10-YR</u>
	<u>Projection</u>	<u>8-YR Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>Per Report</u>	<u>Actual</u>
Equivalent Dwelling Units	8,414	13,120	4,705	56%	10,245	128%
Residential/Non-Residential Revenue	\$28,491,760	\$41,424,067	\$12,932,307	45%	\$33,802,510	123%

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.

Additional Resources*

Town of Queen Creek FY 2024-25 Annual Budget – Capital Improvement Plan and Infrastructure Improvement Plan

Infrastructure Improvement Plan/Impact Fee Study – November, 2019

*Available on Town's Website: <https://www.queencreekaz.gov/government/finance/finance-reports-documents#!/>