

**Town of Gilbert
System Development Fee
Annual Report**

FY 2014-15



September 2015

UNAUDITED*

* Audited financial statements will be available through the Town of Gilbert Accounting Division.

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BACKGROUND

System Development Fees (SDFs)

The Town of Gilbert, in an effort to ensure that the growth driven capital and infrastructure needs are funded by growth, adopted comprehensive System Development Fees (SDFs) in 1997. The fees are collected at the time a building permit is issued for residential, commercial and other non-residential development. The Town assesses two categories of SDFs - General and Utility.

Most SDFs are calculated on a uniform basis for all new development. Growth-related projects are considered as increases in current system capacity rather than as specific improvements for any particular geographic location within Gilbert. The only exception is wastewater which is broken out into two service areas: Neely and Greenfield. These service areas have unique costs of service and the SDFs are calculated independently for the two service areas to account for this.

Authorization and Purpose

Arizona Revised Statutes Section 9-463.05 authorizes SDFs to fund capital improvements only and SDFs may not be used to fund operating expenses. As an example, the cost to construct and equip a fire station may be funded with SDFs. Firefighting staff assigned to that station may not be funded with SDFs. The amount of the SDF must bear a reasonable relationship to the burden imposed upon the municipality to provide additional necessary public services to the development.

SDFs are calculated based on the annual Capital Improvement Plan and Infrastructure Improvement Plan. In some cases, depending on the timing and financial requirements of each project, borrowing may also be required. In those cases, all of the borrowing and project costs are included in the amount to be funded through SDFs. In other words, projects that cannot be funded through the revenues generated by new construction permit activity, on a pay as you go basis, are also funded through borrowing. Projects in this category have traditionally been larger projects, such as expansions of the Water and Wastewater Treatment Plants and construction of the Public Safety Complex.

Annual Reporting Requirements

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. 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 2014-15 reporting period the report is required to be on file by September 28, 2015. The information provided in this report includes development fee revenues and expenses for FY 2014-15; other than the beginning fund balance, the report does not include any inception-to-date detail.

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.

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

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 shall include the following:

1. The amount assessed by the municipality for each type of system development fee

2. The balance of each fund maintained for each type of system 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 system 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 system development fees in order to pay the cost of a capital improvement project that is the subject of a system 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 system development fee assessment and the physical location of each capital improvement project
6. The amount of system development fee monies spent for each purpose other than a capital improvement project that is the subject of a system development fee assessment

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

N – 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.** 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(O) provides (amended language bolded):

O – A municipality that fails to file the report **and post the report on the municipality's website as** required by this section shall not collect development fees until the report is filed **and posted.**

AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT FEE

The information that follows is a summary of the amount assessed for each type of development fee. The fees below were approved by Council on May 1, 2014 with an effective date of July 15, 2014.

General System Development Fees:

	Police	Fire	General Government	Parks and Recreation	Traffic Signals
<i>Residential (per housing unit)</i>					
Single Unit	\$ 1,719.67	\$ 749.33	\$ 1,155.00	\$ 4,081.00	\$ 450.00
2+ Units per Structure	\$ 1,181.75	\$ 515.25	\$ 794.00	\$ 2,805.00	\$ 296.00
<i>Non-Residential (per sq ft of building)</i>					
Industrial	\$ 0.35	\$ 0.28	\$ 0.20	\$ 0.30	\$ 0.47
Commercial	\$ 0.57	\$ 0.44	\$ 0.30	\$ 0.50	\$ 1.08
Office and Other Services	\$ 0.63	\$ 0.56	\$ 0.40	\$ 0.70	\$ 0.65

Utility System Development Fees:*

Neely Service Area

<i>All Development (by water meter size)</i>	Water Resource and Dev	Wastewater
Meter Size (inches)		
0.75	\$ 5,901	\$ 3,176
1.00	\$ 9,854	\$ 5,302
1.50	\$ 19,646	\$ 10,570
2.00	\$ 31,444	\$ 16,917

Greenfield Service Area

<i>All Development (by water meter size)</i>	Water Resource and Dev	Wastewater
Meter Size (inches)		
0.75	\$ 5,901	\$ 4,015
1.00	\$ 9,854	\$ 6,704
1.50	\$ 19,646	\$ 13,365
2.00	\$ 31,444	\$ 21,391

*The report dated May 1, 2014 prepared by Tischler Bise entitled "Land Use Assumptions, Infrastructure Improvement Plans and Development Fees" defines the relevant service areas.

A complete breakdown of fees for all use classes is described in the [Land Use Assumptions, Infrastructure Improvement Plan and Development Fees Report – May 2014](#).

BEGINNING/ENDING FUND BALANCE FOR EACH DEVELOPMENT FEE

	Beginning Balance 7/1/2014	Ending Balance 6/30/2015
Police Protection	\$ (3,029,460.84)	\$ (1,796,329.00)
Fire Protection	\$ (14,668,744.40)	\$ (14,705,007.59)
General Government	\$ (7,680,223.50)	\$ (7,466,548.36)
Parks and Recreation	\$ 19,246,225.94	\$ 22,666,461.78
Traffic Signals	\$ 6,140,921.72	\$ 6,873,947.36
Water System	\$ 19,518,817.74	\$ 18,784,455.12
Water Resources	\$ 10,205,754.23	\$ 8,669,261.66
Wastewater System	\$ 1,084,620.07	\$ 2,036,447.93
Neely Service Area - WW SDF	\$ -	\$ 384,109.84
Greenfield Service Area - WW SDF	\$ -	\$ 6,795,335.25

INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE

	Interest Earnings
Police Protection	\$ 0.00
Fire Protection	\$ 0.00
General Government	\$ 0.00
Parks and Recreation	\$ 139,913.19
Traffic Signals	\$ 44,255.45
Water System	\$ 121,053.38
Water Resources	\$ 55,085.02
Wastewater System	\$ 16,345.36
Neely Service Area - WW SDF	\$ 2,007.84
Greenfield Service Area - WW SDF	\$ 28,743.92

DEVELOPMENT FEES USED TO REPAY BONDS ISSUED

	Total Payments
Police Protection	\$ 2,664,545.06
Fire Protection	\$ 663,350.89
General Government	\$ 2,329,492.57
Parks and Recreation	\$ 5,333,685.23
Traffic Signals	\$ 0.00
Water System	\$ 10,461,708.15
Water Resources	\$ 0.00
Wastewater System	\$ 0.00
Neely Service Area - WW SDF	\$ 0.00
Greenfield Service Area - WW SDF	\$ 0.00

DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING

	Total Payments
Police Protection*	\$ 16,591.73
Fire Protection*	\$ 100,713.46
General Government*	\$ 52,076.70
Parks and Recreation	\$ 0.00
Traffic Signals	\$ 0.00
Water System	\$ 0.00
Water Resources	\$ 0.00
Wastewater System	\$ 0.00
Neely Service Area - WW SDF	\$ 0.00
Greenfield Service Area - WW SDF	\$ 0.00

* Internal borrowing payments from Police Protection SDFs, Fire Protection SDFs, and General Government SDFs are credited to the General Fund.

DEVELOPMENT FEES EXPENDED ON EACH CAPITAL IMPROVEMENT PROJECT

Complete descriptions of each project, including all of the identified funding sources, are included in the Gilbert 2015-2019 Capital Improvement Plan and Infrastructure Improvement Plan or prior approved Capital Improvement Plans/Infrastructure Improvement Plans. Copies of the documents are available upon request and may also be found on the Gilbert website.

Police System Development Fees

Project	Project Description	Location	Amount
	NOT APPLICABLE		\$ -
		TOTAL	\$ -

Fire System Development Fees

Project	Project Description	Location	Amount
MF017	Fire Station Emergency Signals	Signal at Fire Station 7	\$ 33,975.35
MF217	Fire Station 7	Cooper and the Western Canal	\$ 1,301,231.03
		TOTAL	\$ 1,335,206.38

General Government System Development Fees

Project	Project Description	Location	Amount
	NOT APPLICABLE		\$ -
		TOTAL	\$ -

Parks and Recreation System Development Fees

Project	Project Description	Location	Amount
PR095	Trail Crossing Signals	Various	\$ 5,456.72
TOTAL			\$ 5,456.72

Traffic Signal System Development Fees

Project	Project Description	Location	Amount
TS122	Higley Rd and Warner Rd	Same as description	\$ 64,248.10
TS123	Ray Rd and Ray Rd	Same as description	\$ 12,961.30
TS132	ATMS Communications-Phase IV	Along Houston, Cooper, Guadalupe, McQueen, Elliot, Cooper, and Warner Roads	\$ 231,604.57
TS172	Val Vista-Frye/Spectrum Way	Same as description	\$ 300,288.08
TS176	Higley and Seville	Same as description	\$ 67,269.88
TS177	Lindsay and Settlers Point	Same as description	\$ 45,472.68
TS178	Higley and Willis/Portola Valley	Same as description	\$ 150,898.15
TS179	Higley and Agritopia Loop	Same as description	\$ 82,532.08
TOTAL			\$ 955,274.84

Water System Development Fees

Project	Project Description	Location	Amount
WA027	Well, 2MG Reservoir/Pump Station	Cooley Station	\$ 855,416.00
TOTAL			\$ 855,416.00

Water Resources System Development Fees

Project	Project Description	Location	Amount
WA052	Water Rights	Not applicable	\$ 4,248,227.73
TOTAL			\$ 4,248,227.73

Wastewater System Development Fees

Project	Project Description	Location	Amount
WW070	Candlewood Lift Station	East along Hackamore alignment	\$ 16,657.50
TOTAL			\$ 16,657.50

Neely Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
	NOT APPLICABLE		
		TOTAL	\$ -

Greenfield Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
	NOT APPLICABLE		
		TOTAL	\$ -

DEVELOPMENT FEES EXPENDED ON EACH PURPOSE OTHER THAN CAPITAL IMPROVEMENT PROJECTS

NONE

DEVELOPMENT FEE FUND RECAPS

Other income includes transfers into the system development fee fund due to changes in original funding sources.

POLICE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(3,029,460.84)
REVENUES		
COLLECTIONS	\$	3,914,268.63
INTEREST INCOME	\$	0.00
EXPENSES		
DEBT SERVICE	\$	2,664,545.06
INTERNAL BORROWING	\$	16,591.73
PROJECT EXPENSES	\$	0.00
ENDING BALANCE	\$	(1,796,329.00)

FIRE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(14,668,744.40)
REVENUES		
COLLECTIONS	\$	2,063,007.54
INTEREST INCOME	\$	0.00
EXPENSES		
DEBT SERVICE	\$	663,350.89
INTERNAL BORROWING	\$	100,713.46
PROJECT EXPENSES	\$	1,335,206.38
ENDING BALANCE	\$	(14,705,007.59)

GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(7,680,223.50)
REVENUES		
COLLECTIONS	\$	2,595,244.41
INTEREST INCOME	\$	0.00
EXPENSES		
DEBT SERVICE	\$	2,329,492.57
INTERNAL BORROWING	\$	52,076.70
PROJECT EXPENSES	\$	0.00
ENDING BALANCE	\$	<u>(7,466,548.36)</u>

PARKS AND RECREATION SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	19,246,225.94
REVENUES		
COLLECTIONS	\$	8,619,464.60
INTEREST INCOME	\$	139,913.19
EXPENSES		
DEBT SERVICE	\$	5,333,685.23
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	5,456.72
ENDING BALANCE	\$	<u>22,666,461.78</u>

TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	6,140,921.72
REVENUES		
COLLECTIONS	\$	1,644,045.03
INTEREST INCOME	\$	44,255.45
EXPENSES		
DEBT SERVICE	\$	0.00
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	955,274.84
ENDING BALANCE	\$	<u>6,873,947.36</u>

WATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	19,518,817.74
REVENUES		
COLLECTIONS	\$	10,461,708.15
INTEREST INCOME	\$	121,053.38
EXPENSES		
DEBT SERVICE	\$	10,461,708.15
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	855,416.00
ENDING BALANCE	\$	18,784,455.12

WATER RESOURCES SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	10,205,754.23
REVENUES		
COLLECTIONS	\$	2,656,650.14
INTEREST INCOME	\$	55,085.02
EXPENSES		
DEBT SERVICE	\$	0.00
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	4,248,227.73
ENDING BALANCE	\$	8,669,261.66

WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	1,084,620.07
REVENUES		
COLLECTIONS	\$	952,140.00
INTEREST INCOME	\$	16,345.36
EXPENSES		
DEBT SERVICE	\$	0.00
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	16,657.50
ENDING BALANCE	\$	2,036,447.93

NEELY SERVICE AREA – Wastewater System Development Fees

BEGINNING BALANCE	\$	0.00
REVENUES		
COLLECTIONS	\$	382,102.00
INTEREST INCOME	\$	2,007.84
EXPENSES		
DEBT SERVICE	\$	0.00
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	0.00
ENDING BALANCE	\$	<u>384,109.84</u>

GREENFIELD SERVICE AREA – Wastewater System Development Fees

BEGINNING BALANCE	\$	0.00
REVENUES		
COLLECTIONS	\$	6,766,591.33
INTEREST INCOME	\$	28,743.92
EXPENSES		
DEBT SERVICE	\$	0.00
INTERNAL BORROWING	\$	0.00
PROJECT EXPENSES	\$	0.00
ENDING BALANCE	\$	<u>6,795,335.25</u>

ADDITIONAL RESOURCES

**Gilbert 2010-2015 Capital Improvement Plan and
Infrastructure Improvement Plan – May 25, 2010**

**Gilbert 2011-2016 Capital Improvement Plan and
Infrastructure Improvement Plan – June 9, 2011**

**Gilbert 2012-2017 Capital Improvement Plan and
Infrastructure Improvement Plan – June 14, 2012**

**Gilbert 2013-2018 Capital Improvement Plan and
Infrastructure Improvement Plan – June 6, 2013**

**Gilbert FY2015-FY2019 Capital Improvement Plan and
Infrastructure Improvement Plan – June 5, 2014**

**Gilbert FY2016-FY2025 Capital Improvement Plan and
Infrastructure Improvement Plan – June 4, 2015**

Gilbert System Development Fee Report – January 2008

Gilbert System Development Fee Report – January 2009

**Land Use Assumptions, Infrastructure Improvement Plans and
Draft Development Fees – January 16, 2014**

**Land Use Assumptions, Infrastructure Improvement Plans and
Development Fees – May 1, 2014**

The documents identified above are available on Gilbert's website www.gilbertaz.gov by selecting Transparency Portal.

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