

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

FY 2016-17



September 2017

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 Infrastructure Improvement Plan and the annual Capital 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 2016-17 reporting period the report is required to be on file by September 28, 2017. The information provided in this report includes development fee revenues and expenses for FY 2016-17; 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 since 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:

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:

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. 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:

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> Meter Size (inches)	Water and Water Resources	Wastewater
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> Meter Size (inches)	Water and Water Resources	Wastewater
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 7/1/2016	Ending Balance 6/30/2017
Police Protection	\$ 389,395	\$ 1,205,419
Fire Protection	\$ (13,205,777)	\$ (12,433,697)
General Government	\$ (6,651,995)	\$ (6,664,647)
Parks and Recreation	\$ 28,273,344	\$ 30,973,998
Traffic Signals	\$ 6,989,850	\$ 8,273,020
Water System	\$ 7,832,200	\$ 7,428,367
Water Resources	\$ 8,347,819	\$ 5,160,350
Wastewater System	\$ 2,001,320	\$ 1,690,966
Neely Service Area - WW SDF	\$ 2,354,792	\$ 3,988,942
Greenfield Service Area - WW SDF	\$ 13,518,315	\$ 18,586,711

INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE

	Interest Earnings
Police Protection	\$ 16,060
Fire Protection	\$ 0
General Government	\$ 0
Parks and Recreation	\$ 271,435
Traffic Signals	\$ 68,647
Water System	\$ 99,738
Water Resources	\$ 71,198
Wastewater System	\$ 17,725
Neely Service Area - WW SDF	\$ 27,098
Greenfield Service Area - WW SDF	\$ 142,789

DEVELOPMENT FEES USED TO REPAY BONDS ISSUED

	Total Payments
Police Protection	\$ 2,663,667
Fire Protection	\$ 663,525
General Government	\$ 2,327,450
Parks and Recreation	\$ 5,331,721
Traffic Signals	\$ 0
Water System	\$ 9,801,079
Water Resources	\$ 0
Wastewater System	\$ 0
Neely Service Area - WW SDF	\$ 0
Greenfield Service Area - WW SDF	\$ 0

DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING

This section relates to development fees where there is a negative cash balance due to funds being expended in advance of collections. Revenues are borrowed from other cash the Town has available and interest is charged to the system development fee accounts.

	Total Payments	Repayment Made To:	Terms
Police Protection			
Fire Protection	\$ 163,610	General Fund	Annual Interest
General Government	\$ 85,342	General Fund	Annual Interest
Parks and Recreation			
Traffic Signals			
Water System			
Water Resources			
Wastewater System			
Neely Service Area - WW SDF			
Greenfield Service Area - WW SDF			

DEBT SERVICE REPAYMENT SCHEDULE

Police Protection	Police Portion of Debt Service - Principal & Interest	Last Payment
2014 PFMPC	\$ 5,755,659	FY 2021
2011 PFMPC	\$ 6,900,938	FY 2021
2009 PFMPC	\$ 723,927	FY 2028
Total	\$ 13,380,524	

Fire Protection	Fire Portion of Debt Service - Principal & Interest	Last Payment
2011 PFMPC	\$ 840,501	FY 2021
2009 PFMPC	\$ 6,506,115	FY 2028
Total	\$ 7,346,616	

General Government	General Government Portion of Debt Service - Principal & Interest	Last Payment
2014 PFMPC	\$ 8,212,815	FY 2021
2011 PFMPC	\$ 2,848,235	FY 2021
Total	\$ 11,061,050	

Parks and Recreation	Parks and Recreation Portion of Debt Service - Principal & Interest	Last Payment
2014 PFMPC	\$ 8,632,196	FY 2021
2009 PFMPC	\$ 45,667,307	FY 2028
Total	\$ 54,299,503	

Traffic Signals	Traffic Signals Portion of Debt Service - Principal & Interest	Last Payment
Not Applicable		
Total	\$ -	

Water System	Water System Portion of Debt Service - Principal & Interest	Last Payment
2016 WRMPC	\$ 163,109,458	FY 2036
Total	\$ 163,109,458	

Water Resources	Water Resources Portion of Debt Service - Principal & Interest	Last Payment
Not Applicable		
Total	\$ -	

Wastewater System	Wastewater Portion of Debt Service - Principal & Interest	Last Payment
Not Applicable		
Total	\$ -	

Neely Service Area - WW SDF	Neely Service Area - WW SDF Portion of Debt Service - Principal & Interest	Last Payment
Not Applicable		
Total	\$ -	

Greenfield Service Area - WW SDF	Greenfield Service Area - WW SDF Portion of Debt Service - Principal & Interest	Last Payment
Not Applicable		
Total	\$ -	

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 2017-2026 Capital Improvement Plan or prior approved Capital 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
Other	Motorized Equipment	Various	\$ 243,289
Total			\$ 243,289

Fire System Development Fees

Project	Project Description	Location	Amount
MF023	Fire Station 9	Ocotillo Road	\$ 295,965
Total			\$ 295,965

General Government System Development Fees

Project	Project Description	Location	Amount
	Not Applicable		\$ -
Total			\$ -

Parks and Recreation System Development Fees

Project	Project Description	Location	Amount
PR031	Gilbert Regional Park - Phase II	Queen Creek and Higley Road	\$ 663
Total			\$ 663

Traffic Signal System Development Fees

Project	Project Description	Location	Amount
TS122	Higley and Warner	Same as project description	\$ 19,416
TS123	Ray and Recker	Same as project description	\$ 115,047
TS132	ATMS Communications-Phase IV	Along Houston Avenue, Cooper, Guadalupe, McQueen, Elliot, and Warner Roads	\$ 17,893
TS156	Greenfield and Ocotillo	Same as project description	\$ 303,549
TS182	Williams Field and Palomino Creek	Same as project description	\$ 285,844
TS183	Queen Creek and 156th Street	Same as project description	\$ 4,180
TS185	Warner and Concord	Same as project description	\$ 142,553
TS187	Ray and Key Biscayne	Same as project description	\$ 234,308
Total			\$ 1,122,790

Water System Development Fees

Project	Project Description	Location	Amount
WA062	Reservoir, Pump Station and Well Conversion	Germann and 156th Street	\$ 411,000
WA071	Ray - Recker Direct Well System	Ray and Recker Road	\$ 202,120
WA088	Trend Homes Direct System Well Conversion	Warner and Recker	\$ 3,538
Total			\$ 616,658

Water Resources System Development Fees

Project	Project Description	Location	Amount
WA094	Water Rights - Phase II	Not applicable	\$ 5,208,621
Total			\$ 5,208,621

Wastewater System Development Fees

Project	Project Description	Location	Amount
WW078	Greenfield Reclaimed Water Pump Station Expansion	Greenfield Road	\$ 328,079
Total			\$ 328,079

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
WW072	Germann and Higley - 18" Reclaimed Water Main	Same as project description	\$ 234,264
WW078	Greenfield Reclaimed Water Pump Station Expansion	Greenfield Road	\$ 225,441
Total			\$ 459,705

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	\$	389,395
REVENUES		
COLLECTIONS	\$	3,706,920
INTEREST INCOME	\$	16,060
EXPENSES		
DEBT SERVICE	\$	2,663,667
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	243,289
ENDING BALANCE	\$	1,205,419

FIRE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(13,205,777)
REVENUES		
COLLECTIONS	\$	1,895,180
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	663,525
INTERNAL BORROWING	\$	163,610
PROJECT EXPENSES	\$	295,965
ENDING BALANCE	\$	(12,433,697)

GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(6,651,995)
REVENUES		
COLLECTIONS	\$	2,400,140
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	2,327,450
INTERNAL BORROWING	\$	85,342
PROJECT EXPENSES	\$	0
ENDING BALANCE	\$	(6,664,647)

PARKS AND RECREATION SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$ 28,273,344
REVENUES	
COLLECTIONS	\$ 7,761,603
INTEREST INCOME	\$ 271,435
EXPENSES	
DEBT SERVICE	\$ 5,331,721
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 663
ENDING BALANCE	\$ 30,973,998

TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$ 6,989,850
REVENUES	
COLLECTIONS	\$ 2,337,313
INTEREST INCOME	\$ 68,647
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 1,122,790
ENDING BALANCE	\$ 8,273,020

WATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$ 7,832,200
REVENUES	
COLLECTIONS	\$ 9,914,166
INTEREST INCOME	\$ 99,738
EXPENSES	
DEBT SERVICE	\$ 9,801,079
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 616,658
ENDING BALANCE	\$ 7,428,367

WATER RESOURCES SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$ 8,347,819
REVENUES	
COLLECTIONS	\$ 1,949,954
INTEREST INCOME	\$ 71,198
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 5,208,621
ENDING BALANCE	\$ 5,160,350

WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$ 2,001,320
REVENUES	
COLLECTIONS	\$ 0
INTEREST INCOME	\$ 17,725
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 328,079
ENDING BALANCE	\$ 1,690,966

NEELY SERVICE AREA – Wastewater System Development Fees

BEGINNING BALANCE	\$ 2,354,792
REVENUES	
COLLECTIONS	\$ 1,607,052
INTEREST INCOME	\$ 27,098
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 0
ENDING BALANCE	\$ 3,988,942

GREENFIELD SERVICE AREA – Wastewater System Development Fees

BEGINNING BALANCE	\$	13,518,315
REVENUES		
COLLECTIONS	\$	5,385,312
INTEREST INCOME	\$	142,789
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	459,705
ENDING BALANCE	\$	18,586,711

ADDITIONAL RESOURCES

Gilbert FY2017-FY2026 Capital Improvement Plan – June 23, 2016

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

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

Inquiries should be directed to the Office of Management and Budget:

Phone: 480.503.6757
Email: budget@gilbertaz.gov