

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

FY 2013-14



September 2014

UNAUDITED*

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

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- Gilbert System Development Fee Report – January 2008 (By Reference Only) 11
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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.

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 the Town.

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 recently 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 2013-14 reporting period the report is required to be on file by 9/25/14. The information provided in this report includes development fee revenues and expenses for FY 2013-14; 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(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.

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 that was in effect on June 30, 2014. The last change to the development fees was effective on January 1, 2012.

General System Development Fees

| | Residential Dwelling Unit | Multi-Family Dwelling Unit | Non-Residential Per Sq. Ft. |
|------------------------------|---------------------------|----------------------------|-----------------------------|
| Police Protection | \$ 612 | \$ 612 | \$ 0.327 |
| Fire Protection | \$ 821 | \$ 821 | \$ 0.438 |
| General Government | \$ 383 | \$ 329 | \$ 0.204 |
| Parks and Recreation | \$ 4,030 | \$ 3,465 | none |
| Traffic Signals | \$ 423 | \$ 297 | |
| Non-Residential - Retail | | | \$ 1.593 |
| Non-Residential - Office | | | \$ 0.570 |
| Non-Residential - Industrial | | | \$ 0.405 |

Utility System Development Fees

| | Residential Dwelling Unit* | Multi-Family Dwelling Unit** | Non-Residential Per ERU*** |
|-------------------|----------------------------|------------------------------|----------------------------|
| Water System | \$ 5,042 | \$ 2,135 | \$ 5,042 |
| Water Resources | \$ 1,355 | \$ 632 | \$ 1,895 |
| Wastewater System | \$ 5,866 | \$ 3,527 | \$ 5,866 |

* Base fees for single family residential dwelling units are based upon a 3/4" water meter.

** Base fees for multi-family residential dwelling units are based upon their relationship to a standard single family residential dwelling unit.

*** Base fees for non-residential projects are based upon equivalent residential units.

A complete breakdown of fees for all use classes are described in the Gilbert System Development Fee Report – January 2009. A copy of the document is available upon request.

BEGINNING/ENDING FUND BALANCE FOR EACH DEVELOPMENT FEE

| | Beginning Balance 7/1/2013 | Ending Balance 6/30/2014 |
|----------------------|-------------------------------|-----------------------------|
| Police Protection | \$ (1,829,749.11) | \$ (3,029,460.84) |
| Fire Protection | \$ (15,560,355.63) | \$ (14,668,744.40) |
| General Government | \$ (6,132,547.24) | \$ (7,680,223.50) |
| Parks and Recreation | \$ 17,029,200.83 | \$ 19,218,635.77 |
| Traffic Signals | \$ 4,771,827.31 | \$ 6,134,841.54 |
| Water System | \$ 18,331,711.00 | \$ 19,499,481.10 |
| Water Resources | \$ 10,547,070.34 | \$ 10,195,591.10 |
| Wastewater System | \$ (10,904,981.66) | \$ 1,084,620.07 |

INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE

| | Interest Earnings 7/1/2013 - 6/30/2014 |
|----------------------|---|
| Police Protection | \$ 0.00 |
| Fire Protection | \$ 0.00 |
| General Government | \$ 0.00 |
| Parks and Recreation | \$ 120,510.73 |
| Traffic Signals | \$ 33,869.12 |
| Water System | \$ 108,875.17 |
| Water Resources | \$ 57,784.65 |
| Wastewater System * | \$ 763.65 |

* Interest earnings based on recovery of prior years' loss.

DEVELOPMENT FEES USED TO REPAY BONDS ISSUED

| | Total Payments |
|----------------------|------------------|
| Police Protection | \$ 2,665,485.21 |
| Fire Protection | \$ 663,484.73 |
| General Government | \$ 2,329,536.01 |
| Parks and Recreation | \$ 5,332,822.86 |
| Traffic Signals | \$ 0.00 |
| Water System | \$ 10,567,046.33 |
| Water Resources | \$ 0.00 |
| Wastewater System | \$ 0.00 |

DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING

| | Total Payments |
|----------------------|----------------|
| Police Protection* | \$ 7,230.97 |
| Fire Protection* | \$ 224,044.98 |
| General Government* | \$ 122,637.10 |
| Parks and Recreation | \$ 0.00 |
| Traffic Signals | \$ 0.00 |
| Water System | \$ 0.00 |
| Water Resources | \$ 0.00 |
| Wastewater System | \$ 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 2013-2018 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 Town website.

Police System Development Fees

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

Fire System Development Fees

| Project | Project Description | Location | Amount |
|---------|---------------------|------------------------------|---------------|
| MF217 | Fire Station 7 | Cooper and the Western Canal | \$ 197,152.69 |
| | | TOTAL | \$ 197,152.69 |

General Government System Development Fees

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

Parks and Recreation System Development Fees

| Project | Project Description | Location | Amount |
|--------------|-------------------------------|----------|---------------------|
| PR050 | Santan Basins and Park Trails | Various | \$ 17,862.62 |
| PR095 | Trail Crossing Signals | Various | \$ 20,257.31 |
| TOTAL | | | \$ 38,119.93 |

Traffic Signal System Development Fees

| Project | Project Description | Location | Amount |
|--------------|-----------------------------|---------------------|----------------------|
| TS163 | Queen Creek and Key Biscane | Same as description | \$ 17,978.48 |
| TS171 | Gilbert and Vaughn | Same as description | \$ 282,657.04 |
| TS172 | Val Vista and Frye | Same as description | \$ 67,417.59 |
| TOTAL | | | \$ 368,053.11 |

Water System Development Fees

| Project | Project Description | Location | Amount |
|--------------|----------------------------------|----------------|---------------------|
| WA027 | Well, 2MG Reservoir/Pump Station | Cooley Station | \$ 2,950.00 |
| WA059 | 2 MG Reservoir/Pump Station | Ray and Recker | \$ 16,698.00 |
| TOTAL | | | \$ 19,648.00 |

Water Resources System Development Fees

| Project | Project Description | Location | Amount |
|--------------|---------------------|----------------|------------------------|
| WA052 | Water Rights | Not applicable | \$ 3,771,338.76 |
| TOTAL | | | \$ 3,771,338.76 |

Wastewater System Development Fees

| Project | Project Description | Location | Amount |
|--------------|------------------------------------|--------------------------------|--------------------|
| WW070 | Candlewood Lift Station/Force Main | East along Hackamore alignment | \$ 3,240.57 |
| TOTAL | | | \$ 3,240.57 |

DEVELOPMENT FEES EXPENDED ON EACH PURPOSE OTHER THAN CAPITAL IMPROVEMENT PROJECTS

NONE

TRANSFERS - RECONCILIATION OF SDF FUNDED PROJECTS

Upon completion of the reconciliation of prior year development funded projects, the following revenue balances were transferred to the respective development fee funds.

Water System Development Fees

| Project | Project Description | Location | Amount |
|--------------|------------------------------------|----------------------------------|------------------------|
| WA005 | Well | | \$ 98,678.81 |
| WA013 | Water Treatment Plant Expansion | | \$ (126,263.71) |
| WA027 | Well, 2MG Reservoir/Pump Station | Cooley Station | \$ (151.52) |
| WA048 | Santan Vista Water Treatment Plant | Ocotillo-1/2 mile east of Higley | \$ 280,958.60 |
| WA059 | 2 MG Reservoir/Pump Station | Ray and Recker | \$ 823,372.34 |
| WA060 | Well, Reservoir/Pump Station | Baseline and 172nd Street | \$ (71.59) |
| WA067 | Zone 2 to Zone 4 Interconnect | Elliott and Higley | \$ 2,020.00 |
| TOTAL | | | \$ 1,078,542.93 |

Wastewater System Development Fees

| Project | Project Description | Location | Amount |
|---------|-----------------------------|---------------------|---------------|
| WW010 | South Recharge Site-Phase 1 | Ocotillo and Higley | \$ 837,799.98 |

Traffic Signal System Development Fees

| | |
|--|--------------|
| Reimbursement from Signal CIP fund (interest earned and project savings) | \$ 55,890.13 |
|--|--------------|

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 | \$ (1,829,749.11) |
| REVENUES | |
| COLLECTIONS | \$ 1,473,004.45 |
| INTEREST INCOME | \$ 0.00 |
| EXPENSES | |
| DEBT SERVICE | \$ 2,665,485.21 |
| INTERNAL BORROWING | \$ 7,230.97 |
| PROJECT EXPENSES | \$ 0.00 |
| ENDING BALANCE | \$ (3,029,460.84) |

FIRE SYSTEM DEVELOPMENT FEE

| | |
|--------------------------|---|
| BEGINNING BALANCE | \$ (15,560,355.63) |
| REVENUES | |
| COLLECTIONS | \$ 1,976,293.63 |
| INTEREST INCOME | \$ 0.00 |
| EXPENSES | |
| DEBT SERVICE | \$ 663,484.73 |
| INTERNAL BORROWING | \$ 224,044.98 |
| PROJECT EXPENSES | \$ 197,152.69 |
| ENDING BALANCE | <u><u>\$ (14,668,744.40)</u></u> |

GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE

| | |
|--------------------------|--|
| BEGINNING BALANCE | \$ (6,132,547.24) |
| REVENUES | |
| COLLECTIONS | \$ 904,496.85 |
| INTEREST INCOME | \$ 0.00 |
| EXPENSES | |
| DEBT SERVICE | \$ 2,329,536.01 |
| INTERNAL BORROWING | \$ 122,637.10 |
| PROJECT EXPENSES | \$ 0.00 |
| ENDING BALANCE | <u><u>\$ (7,680,223.50)</u></u> |

PARKS AND RECREATION SYSTEM DEVELOPMENT FEE

| | |
|--------------------------|---------------------------------------|
| BEGINNING BALANCE | \$ 17,029,200.83 |
| REVENUES | |
| COLLECTIONS | \$ 7,439,867.00 |
| INTEREST INCOME | \$ 120,510.73 |
| EXPENSES | |
| DEBT SERVICE | \$ 5,332,822.86 |
| INTERNAL BORROWING | \$ 0.00 |
| PROJECT EXPENSES | \$ 38,119.93 |
| ENDING BALANCE | <u><u>\$ 19,218,635.77</u></u> |

TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE

| | | |
|----------------------------------|-----------|----------------------------|
| BEGINNING BALANCE | \$ | 4,771,827.31 |
| REVENUES | | |
| COLLECTIONS | \$ | 1,641,308.09 |
| INTEREST INCOME | \$ | 33,869.12 |
| REIMBURSEMENT OF PROJECT SAVINGS | \$ | 55,890.13 |
| EXPENSES | | |
| DEBT SERVICE | \$ | 0.00 |
| INTERNAL BORROWING | \$ | 0.00 |
| PROJECT EXPENSES | \$ | 368,053.11 |
| ENDING BALANCE | \$ | <u>6,134,841.54</u> |

WATER SYSTEM DEVELOPMENT FEE

| | | |
|----------------------------------|-----------|-----------------------------|
| BEGINNING BALANCE | \$ | 18,331,711.00 |
| REVENUES | | |
| COLLECTIONS | \$ | 10,567,046.33 |
| INTEREST INCOME | \$ | 108,875.17 |
| REIMBURSEMENT OF PROJECT SAVINGS | \$ | 1,078,542.93 |
| EXPENSES | | |
| DEBT SERVICE | \$ | 10,567,046.33 |
| INTERNAL BORROWING | \$ | 0.00 |
| PROJECT EXPENSES | \$ | 19,648.00 |
| ENDING BALANCE | \$ | <u>19,499,481.10</u> |

WATER RESOURCES SYSTEM DEVELOPMENT FEE

| | | |
|--------------------------|-----------|-----------------------------|
| BEGINNING BALANCE | \$ | 10,547,070.34 |
| REVENUES | | |
| COLLECTIONS | \$ | 3,362,074.87 |
| INTEREST INCOME | \$ | 57,784.65 |
| EXPENSES | | |
| DEBT SERVICE | \$ | 0.00 |
| INTERNAL BORROWING | \$ | 0.00 |
| PROJECT EXPENSES | \$ | 3,771,338.76 |
| ENDING BALANCE | \$ | <u>10,195,591.10</u> |

WASTEWATER SYSTEM DEVELOPMENT FEE

| | |
|----------------------------------|--------------------------------------|
| BEGINNING BALANCE | \$ (10,904,981.66) |
| REVENUES | |
| COLLECTIONS | \$ 11,154,278.67 |
| INTEREST INCOME * | \$ 763.65 |
| REIMBURSEMENT OF PROJECT SAVINGS | \$ 837,799.98 |
| EXPENSES | |
| DEBT SERVICE | \$ 0.00 |
| INTERNAL BORROWING | \$ 0.00 |
| PROJECT EXPENSES | \$ 3,240.57 |
| ENDING BALANCE | <u><u>\$ 1,084,620.07</u></u> |

* Interest earnings based on recovery of prior years' loss.

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 System Development Fee Report – January 2008

Gilbert System Development Fee Report – January 2009

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

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