

**Town of Queen Creek
Development Impact Fee
FY 2017-18
Annual Report**

****Reissued****



Date Reissued: January 23, 2019

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BACKGROUND

Development Impact Fees

Development impact fees are one-time payments used to construct improvements needed to accommodate new development. They are assessed on both residential and nonresidential growth. The Town's development impact fees are based on one, town wide service area. The fees are collected at the time a building permit is issued for residential, commercial or other non-residential development. The Town collects the following six development impact fees:

- Parks and Recreation
- Town Facilities
- Transportation Facilities
- Library Facilities
- Police Facilities
- Fire Facilities

Authorization and Purpose

Under Authority of Arizona Statute (ARS) 9-463.05, municipalities in Arizona may assess development fees to offset infrastructure costs to a municipality, associated with providing necessary public services to development. The development impact fees must be based on an Infrastructure Improvement Plan (IIP). The amount of the impact development fee must bear a reasonable relationship to the burden imposed upon the municipality to provide additional necessary public services to serve new development. Development impact fees are calculated based a development fee study, which was prepared in accordance with state law and is available on the Town's website.

Annual Reporting Requirements

Legislation adopted and signed into law in 2005, and then 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 2017-18 reporting period, the report is required to be filed by September 30, 2018. The information provided in this report includes development impact fee revenues and expenses for FY 2017-18 and beginning and ending balances.

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. As a result, when the FY 2017-18 audited Comprehensive Annual Financial Report (CAFR) is issued, this report will be reissued, based on audited financial statements.

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

N. Each municipality that assesses development impact 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 development impact fee
2. The balance of each fund maintained for each type of development impact 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 impact 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 development impact fee assessment, **including the amount needed to repay the debt service obligations on each facility for which development impact 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 development impact fees in order to pay the cost of a capital improvement project that is the subject of a development impact 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 impact fee monies spent on each capital improvement project that is the subject of a development impact fee assessment and the physical location of each capital improvement project
6. The amount of development impact fee monies spent for each purpose other than a capital improvement project that is the subject of a development impact 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.

Impact Fee Review Adjustments

In preparation for updating the Town’s impact and capacity fees, Finance staff worked to verify the accuracy of the current balances in the Town’s impact and capacity fee funds. Staff reviewed all revenues, expenses, and transfers recorded in the impact fee funds from fiscal year 2005-06 through fiscal year 2016-17. Having correct balances is important because the amount of funds on hand directly affects the dollar amount of the proposed impact fees.

During this review, staff uncovered several practices that were not consistent with the Town’s plans for use of impact fee funds, as outlined in prior years’ impact fee studies. Although the accounting records were correct from an audit perspective (e.g., the financial statements accurately reflected the actual financial activities of the impact fee funds), staff has identified a series of adjustments that need to be made to more accurately reflect the Town’s intended use of impact fee funds. These adjustments are reported as a separate line item for each of the following Impact Fee statements as adjustments to the beginning balance. More information on these adjustments is included in Appendix B.

DEVELOPMENT IMPACT FEE FUND SUMMARIES

PARKS AND RECREATION

Beginning Balance (as previously reported)	\$	12,833,699.20
Reconciliation Adjustment		<u>639,099.40</u>
Adjusted Beginning Balance		13,472,798.60
Revenues		
Development Impact Fees		4,230,139.85
Interest Income		120,875.47
Donation		130,000.00
Expenses		
Professional and Technical Services		39,893.83
Projects		13,645,493.95
2007 Excise Tax Bond		499,705.05
2008A GADA Bond		67,959.75
Ending Balance	\$	3,700,761.34

TOWN FACILITIES

Beginning Balance (as previously reported)	\$	2,232,469.67
Reconciliation Adjustment		<u>(355,990.60)</u>
Adjusted Beginning Balance		1,876,479.07
Revenues		
Development Impact Fees		617,779.96
Interest Income		25,907.21
Expenses		
Professional and Technical Services		14,375.49
2007 Excise Tax Bond		76,877.70
2004B GADA Loan		238,302.80
Ending Balance	\$	2,190,610.25

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TRANSPORTATION FACILITIES

Beginning Balance (as previously reported)	\$ (1,185,459.13)
Reconciliation Adjustment	<u>281,633.07</u>
Adjusted Beginning Balance	(903,826.06)
Revenues	
Development Impact Fees	1,844,574.77
Interest Income	32,250.03
Expenses	
Professional and Technical Services	65,010.15
Projects	4,108,597.69
Interfund Loan Interest	17,440.65
2007 Excise Tax Bond	310,543.58
Other Financing Source/(Use)	
Bond Proceeds	10,098,679.50
Bond Issuance Costs	(97,327.20)
Ending Balance	\$ 6,472,758.97 *

* The ending fund balance includes \$6,153,392.81 of unspent bond proceeds.

LIBRARY FACILITIES

Beginning Balance (as previously reported)	\$ 1,986,792.69
Reconciliation Adjustment	<u>(2,137,042.79)</u>
Adjusted Beginning Balance	(150,250.10)
Revenues	
Development Impact Fees	830,217.40
Interest Income	23,851.05
Expenses	
Professional and Technical Services	14,375.46
2007 Excise Tax Bond	57,658.27
2005B GADA Loan	78,791.70
2006A GADA Loan	303,600.00
Ending Balance	\$ 249,392.92

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POLICE FACILITIES

Beginning Balance (as previously reported)	\$	1,535,126.96
Reconciliation Adjustment		<u>272,331.22</u>
Adjusted Beginning Balance		1,807,458.18
Revenues		
Development Impact Fees		237,923.66
Interest Income		17,770.59
Expenses		
Professional and Technical Services		15,716.56
Projects		3,858,681.24
Other Financing Source/(Use)		
Bond Proceeds		2,020,187.45
Bond Issuance Costs		(19,910.79)
Ending Balance	\$	189,031.29

FIRE FACILITIES

Beginning Balance (as previously reported)	\$	1,992,245.45
Reconciliation Adjustment		<u>(740,941.77)</u>
Adjusted Beginning Balance		1,251,303.68
Revenues		
Development Impact Fees		640,238.42
Interest Income		37,351.47
Expenses		
Professional and Technical Services		15,716.60
Projects		6,330,653.85
Fire Apparatus Lease Principal		165,033.52
Fire Apparatus Lease Interest		8,285.51
Other Financing Source/(Use)		
Bond Proceeds		7,061,163.15
Bond Issuance Costs		(60,196.30)
Ending Balance	\$	2,410,170.94 *

* The ending fund balance includes \$761,838.12 of unspent bond proceeds.

AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT IMPACT FEE

The information that follows is a summary on the amount assessed for each type of development impact fee that was established August 1, 2014.

Development Impact Fees

	Parks & Recreation	Town Facilities	Transportation	Library Facilities	Police Facilities	Fire Facilities
<u>Residential</u>						
(per unit)						
Single Family Detached	\$3,681	\$470	\$1,263	\$723	\$167	\$490
2+ Multi-Family	\$2,710	\$346	\$882	\$532	\$123	\$361
<u>Nonresidential</u>						
(per 1,000 sq. ft.)						
Industrial	\$650	\$338	\$429	\$128	\$56	\$335
Commercial	\$563	\$292	\$1,569	\$111	\$229	\$290
Office & Other Services	\$552	\$286	\$679	\$109	\$90	\$285

DEVELOPMENT IMPACT FEE REVENUES

¹ Single Family	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u>	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u>
JULY	105	105	105	105	105	105
AUGUST	140	140	140	140	140	140
SEPTEMBER	41	41	41	41	41	41
OCTOBER	80	80	80	80	80	80
NOVEMBER	52	52	52	52	52	52
DECEMBER	50	50	50	50	50	50
JANUARY	81	81	81	81	81	81
FEBRUARY	70	70	70	70	70	70
MARCH	91	91	91	91	91	91
APRIL	108	108	108	108	108	108
MAY	99	99	99	99	99	99
JUNE	181	181	181	181	181	181
Total Single Family Permits	1,098	1,098	1,098	1,098	1,098	1,098
Less Refunded Permits	(3)	(3)	(3)	(3)	(3)	(3)
Total Single Family Permits	1,095	1,095	1,095	1,095	1,095	1,095

2+Multi-Family Permits	0	0	0	0	0	0
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<u>Residential and Non-Residential Revenues</u>						
	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u>	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u>
Single Family	\$4,040,633.68	\$516,060.00	\$1,386,774.00	\$793,854.00	\$183,366.00	\$538,020.00
2+ Multi-Family	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Non-Residential	\$201,837.17	\$104,625.96	\$460,325.77	\$39,826.40	\$56,132.66	\$104,094.42
Subtotal	\$4,242,470.85	\$620,685.96	\$1,847,099.77	\$833,680.40	\$239,498.66	\$642,114.42
Less Refunds	(\$12,331.00)	(\$2,906.00)	(\$2,525.00)	(\$3,463.00)	(\$1,575.00)	(\$1,876.00)
Total Development Impact Fee Revenue	\$4,230,139.85	\$617,779.96	\$1,844,574.77	\$830,217.40	\$237,923.66	\$640,238.42

<u>Non-Residential Permits (Square Feet)</u>						
	<u>PARKS</u>	<u>TOWN FACILITIES</u>	<u>TRANSPORTATION</u> ²	<u>LIBRARY</u>	<u>POLICE</u>	<u>FIRE</u>
Industrial	0	0	0	0	0	0
Commercial	169,266	169,266	169,266	169,266	169,266	169,266
Office & Other Services	193,008	193,008	286,815	193,008	193,008	193,008
Total Square Feet	362,274	362,274	456,081	362,274	362,274	362,274

BEGINNING AND ENDING FUND BALANCE

	Adjusted Beginning Balance 7/1/2017	Ending Balance 6/30/2018	Change
Parks and Recreation	\$13,472,798.60	\$3,700,761.34	(\$9,772,037.26)
Town Facilities	\$1,876,479.07	\$2,190,610.25	\$314,131.18
Transportation Facilities	(\$903,826.06)	\$6,472,758.97	\$7,376,585.03
Library Facilities	(\$150,250.10)	\$249,392.92	\$399,643.02
Police Facilities	\$1,807,458.18	\$189,031.29	(\$1,618,426.89)
Fire Facilities	\$1,251,303.68	\$2,410,170.94	\$1,158,867.26

INTEREST INCOME

	Interest Income
Parks and Recreation	\$120,875.47
Town Facilities	\$25,907.21
Transportation Facilities	\$32,250.03
Library Facilities	\$23,851.05
Police Facilities	\$17,770.59
Fire Facilities	\$37,351.47

DEVELOPMENT IMPACT FEES USED TO PAY DEBT SERVICE

	2007 Excise Bond	2004B GADA* Bond	2005B GADA* Bond	2006A GADA* Bond	2008A GADA* Bond	Total Debt Service
Parks and Recreation	\$499,705.05				\$67,959.75	\$567,664.80
Town Facilities	\$76,877.70	\$238,302.80				\$315,180.50
Transportation Facilities	\$310,543.58					\$310,543.58
Library Facilities	\$57,658.27		\$78,791.70	\$303,600.00		\$440,049.97
	\$944,784.60	\$238,302.80	\$78,791.70	\$303,600.00	\$67,959.75	\$1,633,438.85

*Greater Arizona Development Authority

Appendix A

Notes:

- 1) Numbers by month represent number of single family permit fees collected not number of permits issued.
- 2) As stated in A.R.S. 9-500.18, a city or town shall not assess or collect any fees or costs from a school district or charter school for fees pursuant to section 9-463.05. This prohibition does not include fees assessed or collected for streets and water and sewer utility functions. As such, the square footage for transportation will be higher than the other fees because the others are not paid by school districts.

Additional Resources*

Town of Queen Creek FY2017/2018 Annual Budget – Capital Improvement Plan and Infrastructure Improvement Plan

Infrastructure Improvements Plan, Land Use Assumptions, and Development Fees – May 7, 2014

*Available on Town's Website: <http://www.queencreek.org/departments/finance>

Appendix B

TO: HONORABLE MAYOR AND TOWN COUNCIL
THROUGH: JOHN KROSS, TOWN MANAGER, ICMA-CM
FROM: SCOTT MCCARTY, FINANCE DIRECTOR
RE: Consideration and possible approval of Resolution No. 1230-18 authorizing transfers between funds related to activity from prior years
DATE: October 3, 2018

Staff Recommendation:

Staff recommends the Town Council approve Resolution No. 1230-18 authorizing transfers between funds related to activity from prior years.

Relevant Council Goal(s):



Effective Government: KRA Financial Management, Financial Sustainability

Proposed Motion:

Motion to approve Resolution No. 1230-18 authorizing transfers between funds related to activity from prior years.

Discussion:

Over the last three years, the Finance department has been proactively establishing best practices. We have made many improvements, the most important of which was the implementation of a new departmental structure with numerous new positions and new employees in new roles. This reconciliation of cash balances reflects our commitment to continuous improvement.

During the process of updating the Town's impact and capacity fees, Finance staff reconciled the cash balances in the Town's impact and capacity fee funds.

Validation the cash balances of the impact / capacity fee funds is important because it affects the calculation of the impact / capacity fee amount. The 10-year projected project costs less the cash balance equal the amount of revenues needed from impact and capacity fees.

Staff reviewed all revenues, expenses, and transfers recorded in the impact and capacity fee funds from FY 2005-06 through FY 2016-17 (12 years).

During this review, staff uncovered several practices that were inconsistent with the Town's plans for the use of impact / capacity fee funds, as outlined in the fee studies. Although the accounting records were correct from an audit perspective (e.g., the financial statements accurately reflected the actual financial activities of the impact and capacity fee funds), staff has identified a series of adjustments that need to be made to more accurately reflect the Town's intended use of impact and capacity fees.

These adjustments do not affect the fees paid by the customers.

Fiscal Impact:

Because the adjustments relate to fund-to-fund (interfund) activity, the net amount is zero. There have been no financial losses. The six categories of adjustments are summarized in the schedule below.

	Amount
1. Fund-to-Fund Transfers	\$18.8M
2. Debt Service Payments	\$7.3M
3. Eligible Expenses Not Paid from Impact and Capacity Fees	\$8.2M
4. Ineligible Expenses Paid from Impact Fees	\$2.1M
5. Wastewater Funds' Reconciliation	\$6.0M
6. Miscellaneous	\$1.1M
TOTAL	\$43.5M

A more detailed presentation of the adjustments are shown in the schedule below, including the funds that are affected.

Fund Name	Adjustments by Category						Total Recommended Adjustments
	Fund-to-Fund Transfers	Debt Service Payments	Eligible Expenses Not Paid from Impact and Capacity Fees	Ineligible Expenses Paid from Impact Fees	Wastewater Funds' Reconciliation	Miscellaneous	
Library Development Fee	(3,212,949.00)	1,075,906.21	-	-	-	-	(2,137,042.79)
Town Facilities Development Fee	(4,424,178.00)	4,068,187.40	-	-	-	-	(355,990.60)
Public Safety Development Fee	(954,643.02)	-	-	1,226,974.24	-	-	272,331.22
Fire Development Fee	(667,314.00)	-	(209,263.24)	135,635.47	-	-	(740,941.77)
Transportation Development Fee	-	-	(361,694.93)	643,328.00	-	-	281,633.07
Parks Development Fee	(1,510,216.98)	2,149,316.38	-	-	-	-	639,099.40
Drainage and Transportation	-	-	361,694.93	129,789.00	-	(775,528.74)	(284,044.81)
Construction Sales Tax	3,883,655.81	-	-	(901,549.00)	-	775,528.74	3,757,635.55
General	10,111,135.98	(7,293,409.99)	209,263.24	(1,237,449.71)	-	-	1,789,539.52
Emergency Services	658,165.02	-	-	3,272.00	-	-	661,437.02
Wastewater Operating	4,087,432.00	-	973,861.53	-	(6,020,548.83)	-	(959,255.30)
Wastewater Capacity Fee	(7,971,087.81)	-	(973,861.53)	-	6,020,548.83	-	(2,924,400.51)
Water Operating	-	-	3,650,253.72	-	-	321,632.23	3,971,885.95
Water Capacity Fee	-	-	(6,623,904.07)	-	-	-	(6,623,904.07)
Water Capital	-	-	2,973,650.35	-	-	(321,632.23)	2,652,018.12
	-	-	-	-	-	-	-

In total, the cash balance of 13 funds are being adjusted, the net amount is zero. The cash balance in seven funds are decreasing, the cash balance is six funds are increasing. The net changes by fund are presented in the schedules below.

Cash Balance Decreasing	Amount
1. Water Capacity Fee	- \$6.6M
2. Wastewater Capacity Fee	- \$2.9M
3. Library Impact Fee	- \$2.1M
4. Wastewater Operating	-\$1.0M
5. Fire Impact Fee	- \$0.7M
6. Town Facilities Impact Fee	- \$0.4M
7. Transportation CIP	- \$0.3M

Cash Balance Increasing	Amount
1. Water Operating Fund	+ \$6.6M
2. Construction Sales Tax	+ \$3.8M
3. Operating Budget	+ \$2.5M
4. Parks Development Fee	+ \$0.6M
5. Transportation Impact Fee	+ \$0.3M
6. Public Safety Development Fee	+ \$0.3M

The cash balances before and after the adjustments (by fund) are presented in the schedule below.

Combined Schedule of All Adjustments

Fund Name	FY 2018	Total	FY 2018
	Beginning Cash Balance	Recommended Adjustments	Cash after Adjustments
Library Development Fee	1,986,817.69	(2,137,042.79)	(150,225.10)
Town Facilities Development Fee	2,232,469.67	(355,990.60)	1,876,479.07
Public Safety Development Fee	1,535,126.96	272,331.22	1,807,458.18
Fire Development Fee	1,992,245.45	(740,941.77)	1,251,303.68
Transportation Development Fee	(0.10)	281,633.07	281,632.97
Parks Development Fee	12,890,499.10	639,099.40	13,529,598.50
Drainage and Transportation	743,561.71	(284,044.81)	459,516.90
Construction Sales Tax	127,578.52	3,757,635.55	3,885,214.07
General	2,945,587.12	1,789,539.52	4,735,126.64
Emergency Services	628,014.91	661,437.02	1,289,451.93
Wastewater Operating	1,368,882.89	(959,255.30)	409,627.59
Wastewater Capacity Fee	12,302,175.83	(2,924,400.51)	9,377,775.32
Water Operating	2,619,653.15	3,971,885.95	6,591,539.10
Water Capacity Fee	10,092,464.42	(6,623,904.07)	3,468,560.35
Water Capital	(2,456,713.06)	2,652,018.12	195,305.06
	51,330,837.21	-	51,330,837.21

The six types of adjustments are explained in the following section and in the attached presentation.

1. Fund-to-Fund Transfers: \$18.8M

During the years of the Great Recession (FY 2006-07 through FY 2012-13), the Town's adopted budgets included transfers from operating funds to the impact and capacity fee funds to cover anticipated shortfalls in revenues. Most of these cash subsidies were meant to cover debt service payments. When the actual transfers were made, however, the transfers matched the *budgeted* amount without regard to the actual revenues and expenses of the fund. The amount of cash transferred should have been only what was needed to cover any shortfalls, rather than the budgeted amount.

Example

The FY 2006-07 budget for the Town Facilities Development Fee Fund had \$7.7 million of total expenses and included a budgeted transfer of \$3.5 million from the Operating Budget to "balance" the budget and cover the expected revenue shortfall.

By the end of the year, the revenues were greater than budgeted and the fund had collected enough impact fee revenue to cover its actual obligations. However, the \$3.5 million was still transferred from the Operating Budget.

Additionally, the cash transfers from the operating funds should have been recorded as fund-to-fund (interfund) loans to the impact / capacity fee funds. An interfund loans reflects the fact that the amount would be repaid from future revenues.

The impact / capacity fees were initially set at a level sufficient to pay for debt service expenses identified in the impact/ capacity fee studies. If the Town later decided to pay for the debt expense with operating funds, the impact / capacity fee should have been reduced. But, because the impact fees were not changed, the cash transfers should have been recorded as interfund loans that would eventually be repaid with revenues when the economy recovered. This would ensure the Town achieved the policy objective of “growth paying for growth” as outlined in the studies.

Additionally, if the intention was to pay the debt from the operating funds, there was no need to transfer the funds through the impact / capacity fee funds before moving them to the Debt Service Fund. The Town could have transferred the money directly to the Debt Service Fund.

2. Debt Service Payments: \$7.3M

In prior years, there were inconsistencies in the repayment of debt issued. The impact fee studies identify the portion of debt that should be paid from impact fees and the portion that should come from the Operating Budget. In some instances, the annual debt service payments did not follow the ratios outlined in these studies. As a result, the Operating Budget paid too little and the impact fee funds paid too much.

Example

The following calculation for the growth and non-growth allocation of debt service on Town Facilities comes from the 2007 Development Fee Study:

	Counts	Ratios
Current Population & Jobs, Non-Growth	29,478	70%
Future Population & Jobs, Growth	12,822	30%
Projected Population & Jobs Served	42,300	

The growth portion of the debt service totaled 30% during this time, meaning the Operating Budget should have paid the remaining 70% non-growth portion (see the schedule below). However, all of debt service payments from FY 2005-06 through FY 2013-14 were made entirely from the Town Facilities Development Fee Fund.

Fiscal Year	2004 GADA Loan	2007 Excise Tax	Total	Growth - 30%	Non-Growth - 70%
2006	536,923.76	-	536,923.76	161,077.13	375,846.63
2007	537,173.76	-	537,173.76	161,152.13	376,021.63
2008	541,323.76	56,380.22	597,703.98	179,311.19	418,392.79
2009	539,661.26	146,834.22	686,495.48	205,948.64	480,546.84
2010	537,311.26	151,492.00	688,803.26	206,640.98	482,162.28
2011	538,711.26	151,420.00	690,131.26	207,039.38	483,091.88
2012	539,711.26	151,199.50	690,910.76	207,273.23	483,637.53
2013	540,311.26	151,611.01	691,922.27	207,576.68	484,345.59
2014	540,511.26	151,120.50	691,631.76	207,489.53	484,142.23
	4,851,638.84	960,057.45	5,811,696.29	1,743,508.89	4,068,187.40

3. Eligible Expenses Not Paid by Impact and Capacity Fees: \$8.2M

During the review, the Town staff found several instances in which expenses were not paid from impact / capacity fees but should have been.

Example

When the water capacity fee was established, \$7.5M of projects were identified as being growth related and to be paid from capacity fees. However, only \$4.6M of payments for these projects were recorded against the capacity fees and \$2.9M was paid from the Water Operating Budget. A correction is proposed so the \$2.9M is also paid from capacity fees to match how the fee was established.

4. Ineligible Expenses Paid by Impact Fees: \$2.1M

During the review, Town staff found two instances in which expenses were paid from impact fees but should not have been. The largest amount involved public safety impact fees.

Example

State statute specifically disallows the use of impact fees to be used to pay for administrative, maintenance or operating costs – the fees must be used for infrastructure. During a period of time, the Town used the public safety impact fee to pay a percentage (for example, 6% in one year) of the Maricopa County Sheriff's Office (MCSO) contract amount. During our reconciliation, Town staff could not be certain that the 6% of the contract costs meet the eligible requirements for infrastructure. As such, a correction is being made such that all MCSO expenses are paid from the Operating Budget and none from impact fees.

5. Wastewater Funds' Reconciliation: \$6.0M

Prior to FY 2013-14, the Town had a wastewater impact fee. In FY 2013-14, the impact fee was replaced with a capacity fee.

Prior to FY 2012-13, the Wastewater Impact Fee Fund was used to record all wastewater activity including impact fee revenues, debt service payments, and capital expenses. Then, in FY 2012-13, Finance staff correctly created three additional funds to account for operating, debt service, and capital activity separately.

However, at that time, the Impact Fee Fund had a deficit fund balance that was incorrectly closed out to the Wastewater Operating Fund. This is now being corrected by the recommended adjustment.

6. Miscellaneous: \$1.1M

This adjustment involves non-impact fee funds. \$0.8M is being adjusted for two transportation projects. The amount was paid by the Dedicated Transportation Construction Sales Tax Fund instead of the Drainage and Transportation Fund.

\$0.3M is being adjusted for Water Projects. The amount was paid by the Water Operating Fund but should have been paid by the Water Capital Fund.

Alternatives:

None. To correctly the activity in the correct fund, the recommendation adjustments are necessary.

Attachment(s):

1. Resolution No. 1230-18
2. Staff Presentation

RESOLUTION NO 1230-18

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF QUEEN CREEK
AUTHORIZING TRANSFERS BETWEEN FUNDS REALTED TO ACTIVITY FROM
PRIOR YEARS AS DESCRIBED IN THE RESOLUTION THEREOF**

WHEREAS, the Town has previously adopted Development Impact Fees and Capacity Fees in accordance with state statute; and

WHEREAS, Town Finance staff has reviewed the general ledger activity in the Development Impact Fee Funds and Capacity Fee Funds for Fiscal Years 2005-06 through 2016-17 to verify compliance with the Town's adopted Development Impact and Capacity Fee reports; and

WHEREAS, Town Finance staff has determined that certain accounting and budget practices were not consistent with the intention of the Town Council nor the adopted Development Fee and Capacity Fee reports; and

WHEREAS, adjustments are needed to correctly state the cash balances in numerous funds to be consistent with the intention of the Town Council and the adopted Development Fee and Capacity Fee reports; and

WHEREAS, the adjustments have been reviewed by the Town's external auditors; and

WHEREAS, the Town Council desires to authorize certain interfund transfers to effectuate these corrections in Fiscal Year 2017-18;

**NOW, THEREFORE THE MAYOR AND THE QUEEN CREEK TOWN
COUNCIL HEREBY RESOLVE:**

Section 1 The net correcting adjustments are summarized in the schedule below.

<u>Fund Name</u>	<u>Recommended Adjustments</u>
Library Development Fee	(2,137,042.79)
Town Facilities Development Fee	(355,990.60)
Public Safety Development Fee	272,331.22
Fire Development Fee	(740,941.77)
Transportation Development Fee	281,633.07
Parks Development Fee	639,099.40
Drainage and Transportation	(284,044.81)
Construction Sales Tax	3,757,635.55
General	1,789,539.52
Emergency Services	661,437.02
Wastewater Operating	(959,255.30)
Wastewater Capacity Fee	(2,924,400.51)
Water Operating	3,971,885.95
Water Capacity Fee	(6,623,904.07)
Water Capital	2,652,018.12

PASSED AND ADOPTED by the Town Council of the Town of Queen Creek in a regular session this _____ day of _____, 2018.

FOR THE TOWN OF QUEEN CREEK:

ATTESTED TO:

Gale Barney, Mayor

Jennifer Robinson, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:

John Kross, Town Manager

Dickinson Wright PLLC
Town Attorneys