

**Town of Queen Creek
Capacity Fee
FY 2019-20
Annual Report**

****Reissued****



Date Issued: January 21, 2021

Table of Contents

CAPACITY FEES

BACKGROUND	1
Capacity Fees	1
Authorization and Purpose	1
Annual Reporting Requirements	1

CAPACITY FEE FUND SUMMARIES

Water Capacity Fee.....	2
Wastewater Capacity Fee.....	2

AMOUNT ASSESSED FOR EACH TYPE OF CAPACITY FEE.....	3
Capacity Fees	3

CAPACITY FEES ASSESSED BY PERIOD	4
---	----------

CAPACITY FEE REVENUES	5
------------------------------------	----------

CAPACITY FEES EXPENDED ON PROJECTS.....	6
--	----------

CAPACITY FEE USED TO REPAY BONDS ISSUED.....	8
---	----------

ADDITIONAL RESOURCES	8
-----------------------------------	----------

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. Wastewater capacity fees are assessed at the time of building permit issuance whereas water capacity fees are assessed when the water meter is sold. Capacity fees are assessed on all residential and non-residential development.

State law 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 sewer 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 sewer 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. The study that produced the fees can be found [here](#).

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 June 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 its content and scope.

The report is prepared on a cash basis. The information provided in this report includes capacity fee revenues and expenses for FY 2019-20 and beginning and ending balances.

CAPACITY FEE FUND SUMMARIES

WATER

Beginning Balance	\$ 2,546,082
Revenues	
Capacity Fees	4,841,240
Interest Income	47,610
Expenses	
Projects	10,467,485
Ending Balance (Deficit)	\$ (3,032,554)

WASTEWATER

Beginning Balance	\$ (7,672,967)
Revenues	
Capacity Fees	4,606,461
Expenses	
Projects	12,067,884
Ending Balance (Deficit)	\$ (15,134,390)

Note:

The Town is currently utilizing pay-as-you-go financing for its water and wastewater projects. As such, infrastructure related expenses are being incurred before the capacity fees are received, causing a deficit shown in the schedules above. The Town is currently developing a plan to transition from a solely pay-as-you go approach to one that also includes debt. Until that occurs, the deficit ending balances will be covered by internal, temporary interfund borrowing.

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 2019-20. Following a rate and capacity fee study, new water and wastewater capacity charges were adopted on June 5, 2019, and became effective on July 1, 2019. Per the new study, the water capacity fee was reduced by \$1,632 and the wastewater capacity fee was reduced by \$2,181, which equates to a savings of more than 40% for a standard 3/4" meter.

Capacity Fees

Water

Meter Size & Type	Capacity Ratio	Water Capacity Charge
3/4"	1.00	\$ 2,382
1"	1.67	\$ 3,978
1 1/2"	3.33	\$ 7,933
2"	5.33	\$ 12,697
3"	10.00	\$ 23,822
4"	16.67	\$ 39,711

Wastewater

Meter Size & Type	Capacity Ratio	Sewer Capacity Charge (Residential)	Sewer Capacity Charge (Non-Residential)
3/4"	1.00	\$ 2,901	\$ 2,901
1"	1.67	\$ 2,901	\$ 4,845
1 1/2"	3.33	\$ 9,660	\$ 9,660
2"	5.33	\$ 15,462	\$ 15,462
3"	10.00	\$ 29,009	\$ 29,009
4"	16.67	\$ 48,358	\$ 48,358

CAPACITY FEES ASSESSED BY PERIOD

Capacity Fees Assessed by Period	WATER						WASTEWATER				
	3/4"	1"	1.5"	2"	3"	Total	3/4"	1"	1.5"	2"	Total
July	178	26	2	2	-	208	134	5	1	2	142
August	110	11	1	2	-	124	110	6	-	-	116
September	113	13	3	3	1	133	113	2	-	-	115
October	151	10	1	1	-	163	127	6	-	-	133
November	84	11	2	-	-	97	113	4	-	3	120
December	156	9	4	1	-	170	153	3	-	2	158
January	121	10	-	1	-	132	120	1	-	1	122
February	126	11	-	1	1	139	122	1	1	-	124
March	155	18	2	3	1	179	158	7	2	-	167
April	158	10	2	-	-	170	189	3	-	1	193
May	124	8	1	3	-	136	88	4	-	-	92
June	166	17	2	3	-	188	153	3	1	1	158
Subtotal	1,642	154	20	20	3	1,839	1,580	45	5	10	1,640
Less Refunds	(25)	(5)	-	(2)	-	(32)	(89)	(1)	-	(1)	(91)
Grand Total	1,617	149	20	18	3	1,807	1,491	44	5	9	1,549

Note:

The Town collects wastewater capacity fees at the time of building permit issuance whereas water capacity fees are assessed when the water meter is purchased. Therefore, monthly water capacity charges reflect the number of water fees assessed, not the number of permits issued. Additionally, the size of the service area is different for the water utility and the wastewater utility. As a result, the number of water fees assessed will not equal the number of wastewater fees assessed.

CAPACITY FEE REVENUES

Residential & Non-Residential Capacity Fee Revenues

WATER	3/4"	1"	1.5"	2"	3"	Subtotal	Less Refunds	Monthly Total
July	\$ 427,260	\$ 103,428	\$ 19,844	\$ 25,394		\$ 575,926	\$ (34,368)	\$ 541,558
August	261,096	43,758	7,933	25,394		338,181	(2,382)	335,799
September	266,408	51,534	23,799	38,091	23,822	403,654	(7,776)	395,878
October	346,142	39,780	7,933	12,697		406,552	(34,411)	372,141
November	199,164	43,758	15,866			258,788	-	258,788
December	363,295	35,802	31,732	12,697		443,526	(17,461)	426,065
January	278,974	39,780		12,697		331,451	(4,336)	327,115
February	313,002	43,758		12,697	23,822	393,279	(26,360)	366,919
March	361,968	71,604	15,866	38,091	23,822	511,351	(4,767)	506,584
April	376,356	39,780	15,866			432,002	-	432,002
May	288,572	31,824	3,955	38,091		362,442	-	362,442
June	394,366	67,626	15,866	38,091		515,949	-	515,949
Annual Total	\$ 3,876,603	\$ 612,432	\$ 158,660	\$ 253,940	\$ 71,466	\$ 4,973,101	\$ (131,861)	\$ 4,841,240

Residential & Non-Residential Capacity Fee Revenues

WASTEWATER	3/4"	1"	1.5"	2"	Subtotal	Less Refunds	Monthly Total
July	\$ 388,734	\$ 14,505	\$ 9,660	\$ 30,924	\$ 443,823	\$ -	\$ 443,823
August	322,011	21,294	-	-	343,305	(5,802)	337,503
September	327,813	5,802	-	-	333,615	-	333,615
October	368,427	19,350	-	-	387,777	-	387,777
November	327,813	11,604	-	30,924	370,341	(45,696)	324,645
December	443,853	8,703	-	-	452,556	(55,119)	397,437
January	348,120	2,901	-	15,462	366,483	(5,802)	360,681
February	353,922	2,901	9,660	-	366,483	-	366,483
March	458,358	20,307	19,320	-	497,985	(82,185)	415,800
April	548,289	8,703	-	15,462	572,454	(5,802)	566,652
May	255,288	11,604	-	-	266,892	(20,307)	246,585
June	443,853	8,703	9,660	15,462	477,678	(52,218)	425,460
Annual Total	\$ 4,586,481	\$ 136,377	\$ 48,300	\$ 108,234	\$ 4,879,392	\$ (272,931)	\$ 4,606,461

CAPACITY FEES EXPENDED ON PROJECTS

Water

Project	Project Name	Location	Amount
WA007	Sossaman Well	186th & Sonoqui Blvd	\$ 38,787
WA020	Barney Well, Reservoir, Booster	Meridian & Reins Rd	403,532
WA062	Ocotillo Transmission	Ocotillo Rd: 186th to Sossaman	13,455
WA066	Riggs Rd: Sossaman To Hawes Rd.	Same as Description	339,747
WA067	Riggs Rd. Ph1: Ellsworth Crismon	Same as Description	5,606
WA078	Church Farms East Well	Meridian & Via Del Jardin	4,284,491
WA079	Church Farms West Well	Arroyo Verde Dr. & 227th PI	54,144
WA098	PRV - Ocotillo & Fulton Dr.	Ocotillo & Meridian	5,052
WA099	Encanterra / Shea Line Install	Hashknife & Gantzel Rd	71,425
WA119	Rittenhouse Rd: Combs To Cloud	Same as Description	55,797
WA120	Empire Blvd: Gary to Crismon	Same as Description	1,075
WA126	Power Rd: Ocotillo to Chandler Hts.	Power Rd: Ocotillo to Chandler Hts. & Recker: Chandler Hts. to 177th St	5,509
WA138	Hastings Well Rehab	Crismon & Cloud Rd	13,405
WA143	Meridian: Combs To Red Fern Phase II	Same as Description	1,358
WA147	Gary: Combs To Empire	Same as Description	4,428
WA156	Riggs Phase 3: Signal Butte to Meridian	Same as Description	55,433
WA157	Villages Well Replacement	Rittenhouse & Cherrywood Dr	35,610
WA158	Jorde Well Signal Butte	Signal Butte & Lawndale PI	32,466
WA161	Signal Butte: Queen Creek to Germann	Same as Description	420,095
WA162	Meridian: Queen Creek to Germann	Same as Description	319,032
WA163	Germann: Signal Butte to Meridian	Same as Description	340,634
WA166	Chandler Hts: Power to Sossaman	Same as Description	173,499
WA178	Signal Butte: Ocotillo to QC Rd.	Same as Description	14,419
WA189	Gary East Well - Meridian Crossing	Gary & Twilight Dr.	56,554
WA190	Cloud Rd: Signal Butte to Rittenhouse	Same as Description	59,345
WA193	Barney Farms Lake Well	Barney Farms Subdivision	428,588
WA195	Ocotillo: Meridian to Ironwood	Same as Description	4,961
WA197	Links North Well	Ocotillo Rd & Cambria Dr	625,783
WA198	Links South Well	Kenworthy & Marilyn Way	598,518

**Town of Queen Creek
Capacity Fee Annual Report**

FY 2019-20

WA199	Pecan North Irrigation & Trans Line	Chandler Heights & Kenworthy	3,524
WA200	Sossaman: Appleby to Ocotillo	Same as Description	53,236
WA201	Gantzel Well Rehab & Equipping	Gantzel Rd & Kennedia Dr	350,322
WA202	Harvest Tank & Site	Signal Butte & Mewes Rd	91,776
WA204	Signal Butte: Riggs to Empire	Same as Description	538,573
WA250	Schnepf: QC Wash Past Combs	Same as Description	16,922
WA253	Meridian: Red Fern to QC Wash	Same as Description	97,246
WA255	Combs Rd: ALA to Schnepf	Combs Rd: Taylor St to Schnepf Rd & Gantzel Rd.: Combs to Pecan Creek Dr	322,262
WA256	Twin Acres: 196th to Sossaman	Same as Description	309,928
WA257	Meridian: Germann to Frye	Same as Description	60,282
WA259	Chandler Hts: Meridian To Gantzel	Same as Description	84,373
WA900	Project Management	N/A	76,293
		Total	\$10,467,485

Wastewater

Project	Project Name	Location	Amount
WW027	Cloud Rd: 220th to Rittenhouse	Same as Description	\$ 1,263,074
WW052	Riggs Rd. & Sossaman Intersection South	Same as Description	91,331
WW058	GWRP Capital Construction	Greenfield Water Reclamation Plant	144,989
WW059	Sewer Dosing Sites	Queen Creek Sewer Service Area	2,120
WW060	Riggs Rd: Crismon to Rittenhouse	Same as Description	27,866
WW062	Empire & Ellsworth to Thompson Rd.	Same as Description	316,210
WW070	Power Rd. T-Lock Sleeving	Rittenhouse & Power Rd	1,639
WW076	SB: Ryan to Germann at Barney Property	Same as Description	324,126
WW081	Signal Butte: Riggs to Empire	Same as Description	801,742
WW083	Queen Creek: 228th to Meridian	Same as Description	128
WW084	Germann: Signal Butte to Meridian	Same as Description	727,311
WW086	Queen Creek: Ellsworth to Signal Butte	Same as Description	8,474
WW087	Signal Butte: FS#4 to Ryan Rd.	Same as Description	224,005
WW089	Ocotillo: Meridian to Ironwood	Same as Description	9,716
WW092	Pecos Rd. Reclaimed Water Discharge	Pecos & RWCD Canal	391,391

**Town of Queen Creek
Capacity Fee Annual Report**

FY 2019-20

WW255	Combs: ALA to Schnepf	Combs Rd: Taylor St. to Schnepf Rd & Gantzel Rd: Combs to Pecan Creek Dr.	5,230,130
WW256	Kenworthy: Combs to Hashknife	Same as Description	737,924
WW257	Meridian: Germann to Frye	Same as Description	68,927
WWT07	GWRP 2018 Expansion - Future Buildout	Greenfield Water Reclamation Plant	1,696,781
		Total	\$ 12,067,884

CAPACITY FEES USED TO REPAY BONDS ISSUED

In FY 2018-19, the Town paid off its remaining growth-related utility debt, which was a \$34 million loan issued by the Water Infrastructure Finance Authority of Arizona (WIFA). This obligation was authorized in 2005 and was used to fund the Town’s buy-in to the Greenfield Wastewater Reclamation Plant (GWRP), a shared wastewater treatment plant operated by the City of Mesa under an intergovernmental agreement (IGA) between Mesa, Gilbert, and Queen Creek.

As a result, in FY 2019-20, the Town’s capacity funds were not utilized for any debt expenses.

ADDITIONAL RESOURCES

- 1) [Town of Queen Creek FY2019/2020 Annual Budget](#) – Capital Improvement Plan and Infrastructure Improvement Plan
- 2) [Water and Sewer Capacity Fee Study 2019](#)