

**Town of Queen Creek  
Capacity Fee  
FY 2020-21  
Annual Report**

**Audited**



**Date Issued: December 16, 2021**

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## **BACKGROUND**

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### **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 of 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 2020-21 and beginning and ending balances.

**CAPACITY FEE FUND SUMMARIES**

**WATER**

Beginning Balance	\$	(3,032,553.58)
Revenues		
Revenue		5,308,800.94
Interest Income		398.49
Expenses		
Projects		9,697,620.44
Other Financing Source/(Use)		
Ending Balance (Deficit)	\$	(7,420,974.59)

**WASTEWATER**

Beginning Balance	\$	(15,134,390.14)
Revenues		
Revenue		6,151,944.00
Expenses		
Projects		5,702,537.84
Other Financing Source/(Use)		
Ending Balance (Deficit)	\$	(14,684,983.98)

**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 2020-21. 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

<i>Meter Size (inches)</i>	<i>Meter Type</i>	<i>Water Capacity Fee</i>
3/4"	Displacement	\$2,382
1"	Displacement	\$3,978
1.5"	Displacement	\$7,933
2"	Compound	\$12,697
3"	Compound	\$23,822
4"	Compound	\$39,711

Wastewater

<i>Meter Size (inches)</i>	<i>Meter Type</i>	<i>Sewer Capacity Fee Residential</i>	<i>Sewer Capacity Fee Non-Residential</i>
3/4"	Displacement	\$2,901	\$2,901
1"	Displacement	\$2,901	\$4,845
1.5"	Displacement	\$9,660	\$9,660
2"	Compound	\$15,462	\$15,462
3"	Compound	\$29,009	\$29,009
4"	Compound	\$48,358	\$48,358

**CAPACITY FEES ASSESSED BY PERIOD**

<b>WATER</b>								
	<b>3/4"</b>	<b>1"</b>	<b>1.5"</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>		<b>TOTAL WATER CAPACITY</b>
JULY	106	10	0	1	0	0		117
AUGUST	119	14	1	1	0	0		135
SEPTEMBER	201	28	3	0	0	0		232
OCTOBER	127	11	2	0	0	0		140
NOVEMBER	169	10	0	0	0	0		179
DECEMBER	118	12	0	1	0	0		131
JANUARY	157	23	0	1	0	0		181
FEBRUARY	148	13	2	1	0	0		164
MARCH	161	22	4	3	0	0		190
APRIL	191	19	2	2	1	0		215
MAY	116	18	4	1	0	2		141
JUNE	179	21	3	0	0	0		203
<b>SUBTOTAL</b>	<b>1,792</b>	<b>201</b>	<b>21</b>	<b>11</b>	<b>1</b>	<b>2</b>		<b>2,028</b>
LESS REFUNDS	-	-	-	-	-	-		-
<b>GRAND TOTAL</b>	<b>1,792</b>	<b>201</b>	<b>21</b>	<b>11</b>	<b>1</b>	<b>2</b>		<b>2,028</b>

**CAPACITY FEES ASSESSED BY PERIOD (CONT'D)**

<u>WASTEWATER</u>							
	3/4"	1"	1.5"	2"	3"	4"	TOTAL WW CAPACITY
JULY	151	7	0	0	0	0	158
AUGUST	163	6	0	0	0	0	169
SEPTEMBER	169	6	0	0	0	0	175
OCTOBER	210	7	1	1	0	0	219
NOVEMBER	119	5	0	0	0	0	124
DECEMBER	160	3	0	0	0	0	163
JANUARY	152	7	0	2	0	0	161
FEBRUARY	173	9	0	0	0	0	182
MARCH	146	8	1	0	0	0	155
APRIL	226	19	0	6	0	0	251
MAY	128	13	3	1	0	0	145
JUNE	136	14	1	2	0	0	153
<b>SUBTOTAL</b>	1,933	104	6	12	-	-	2,055
LESS REFUNDS	(5)	-	-	-	-	-	(5)
<b>GRAND TOTAL</b>	1,928	104	6	12	-	-	2,050

**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.

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

**FY 2020-21**

**CAPACITY FEE REVENUES**

<b>Water - Residential &amp; Non-Residential</b>									
	<b>3/4"</b>	<b>1"</b>	<b>1.5"</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>Subtotal</b>	<b>Less Refunds</b>	<b>Monthly Total</b>
July	\$ 250,924	\$ 30,204	-	12,697.00	-	-	\$ 293,825	-	\$ 293,825
August	279,522	47,712	7,933	12,697	-	-	\$ 347,864	-	347,864
September	470,789	90,636	23,799	-	-	-	\$ 585,224	-	585,224
October	295,839	32,586	15,866	-	-	-	\$ 344,291	-	344,291
November	402,060	38,184	-	-	-	-	\$ 440,244	-	440,244
December	281,076	41,352	-	12,697	-	-	\$ 335,125	-	335,125
January	367,730	76,344	-	12,697	-	-	\$ 456,771	-	456,771
February	349,735	46,926	8,320	12,697	-	-	\$ 417,678	-	417,678
March	374,092	81,132	31,732	38,091	-	-	\$ 525,047	-	525,047
April	449,053	73,986	8,320	25,394	23,822	-	\$ 580,575	-	580,575
May	272,767	63,994	31,732	12,697	-	79,422	\$ 460,612	-	460,612
June	420,591	77,154	23,799	-	-	-	\$ 521,544	-	521,544
<b>Annual Total</b>	<b>\$4,214,179</b>	<b>\$ 700,210</b>	<b>\$ 151,501</b>	<b>\$ 139,667</b>	<b>\$ 23,822</b>	<b>\$ 79,422</b>	<b>\$ 5,308,801</b>	<b>\$ -</b>	<b>\$ 5,308,801</b>
<b>Total WA Capacity Fee Revenue</b>	<b>\$5,308,801</b>								
<b>Projected Revenue Per Study</b>	<b>\$5,262,793</b>								
<b>\$ Variance</b>	<b>\$ 46,008</b>								
<b>% Variance</b>	<b>1%</b>								
<b>Wastewater - Residential &amp; Non-Residential</b>									
	<b>3/4"</b>	<b>1"</b>	<b>1.5"</b>	<b>2"</b>	<b>Subtotal</b>	<b>Less Refunds</b>	<b>Monthly Total</b>		
July	\$ 438,051	\$ 28,083	-	-	\$ 466,134	0	\$ 466,134		
August	472,863	17,406	-	-	490,269	(5,802)	484,467		
September	490,269	17,406	-	-	507,675	(2,901)	504,774		
October	609,210	20,307	9,660	15,462	654,639	-	654,639		
November	345,219	14,505	-	-	359,724	-	359,724		
December	464,160	10,647	-	-	474,807	(2,901)	471,906		
January	440,952	20,307	-	30,924	492,183	-	492,183		
February	501,873	28,053	-	-	529,926	-	529,926		
March	423,546	25,152	9,660	2,845	461,203	(2,901)	458,302		
April	655,626	55,119	-	89,927	800,672	0	800,672		
May	371,328	37,713	28,980	15,462	453,483	0	453,483		
June	394,536	40,614	9,660	30,924	475,734	0	475,734		
<b>Annual Total</b>	<b>\$5,607,633</b>	<b>\$ 315,312</b>	<b>\$ 57,960</b>	<b>\$ 185,544</b>	<b>\$ 6,166,449</b>	<b>\$ (14,505)</b>	<b>\$ 6,151,944</b>		
<b>Total WW Capacity Fee Revenue</b>	<b>\$6,151,944</b>								
<b>Projected Revenue Per Study</b>	<b>\$3,037,457</b>								
<b>\$ Variance</b>	<b>\$3,114,487</b>								
<b>% Variance</b>	<b>103%</b>								



**BEGINNING AND ENDING FUND BALANCES**

	<b>Beginning Balance 7/1/2020</b>	<b>Ending Balance 6/30/2021</b>	<b>Change</b>
Water	\$ (3,032,553.58)	\$ (7,420,974.59)	\$ (4,388,421.01)
Wastewater	\$ (15,134,390.14)	\$ (14,684,983.98)	\$ 449,406.16

**CUMULATIVE CAPACITY FEE ANALYSIS – (FY 17-18 to FY20-21)**

<b>Water</b>						
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>		
					<u>10-Yr Totals Per Report</u>	<u>% of 10-Yr Actual</u>
Equivalent Dwelling Units	6,907	7,139	231	3%	18,046	40%
Revenue	\$ 20,750,485	\$ 20,855,645	\$ 105,160	0.51%	\$47,281,703	44%
<b>Wastewater</b>						
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>		
Equivalent Dwelling Units	3,897	5,957	2,060	53%	10,245	58%
Revenue	\$ 15,386,859	\$ 21,657,455	\$ 6,270,596	41%	\$33,802,510	64%

**CAPACITY FEES EXPENDED ON PROJECTS**

<u>Water</u>			
<u>Project</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
WA007	SOSSAMAN WELL	186TH & SONOQUI BLVD	\$ 12,337.54
WA020	BARNEY WELL, RESERVOIR, BOOSTER	MERIDIAN & REINS RD	2,599,826.86
WA049	FIRE HYDRANT - INSTALLATIONS - SYS WIDE	SYS WIDE	3,999.86
WA062	OCOTILLO TRANSMISSION	OCOTILLO RD: 186TH TO SOSSAMAN	67,311.89
WA078	CHURCH FARMS EAST WELL	MERIDIAN & VIA DEL JARDIN	303,643.06
WA099	ENCANTERRA/ SHEA LINE INSTALL	HASHKNIFE & GANTZEL RD	6,979.83
WA119	RITTENHOUSE RD: COMBS TO CLOUD	SAME AS DESCRIPTION	150,475.26
WA126	POWER RD: OCOTILLO TO CHANDLER HTS	POWER RD: OCOTILLO TO CHANDLER HTS & RECKER: CHANDLER HTS TO 177TH ST	421.80
WA157	VILLAGES WELL REPLACEMENT	RITTENHOUSE & CHERRYWOOD DR	33,558.60
WA158	JORDE WELL SIGNAL BUTTE	SIGNAL BUTTE & LAWNSDALE PL	255,693.49
WA161	SIGNAL BUTTE: QUEEN CREEK TO GERMANN	SAME AS DESCRIPTION	1,409.52
WA162	MERIDIAN: QUEEN CREEK TO GERMANN	SAME AS DESCRIPTION	14,566.07
WA163	GERMANN: SIGNAL BUTTE TO MERIDIAN	SAME AS DESCRIPTION	283,555.10
WA166	CHANDLER HTS: POWER TO SOSSAMAN	SAME AS DESCRIPTION	46,377.07
WA178	SIGNAL BUTTE: OCOTILLO TO QC RD	SAME AS DESCRIPTION	17,192.64
WA188	GARY EAST WELL - TRANSMISSION LINE	GARY RD & GRANGE PRKWY	49,585.86
WA189	GARY EAST WELL - MERIDIAN CROSSING	GARY & TWILIGHT DR	1,021.09
WA190	CLOUD RD: SIGNAL BUTTE TO RITTENHOUSE	SAME AS DESCRIPTION	130,223.02
WA193	BARNEY FARMS LAKE WELL	BARNEY FARMS SUBDIVISION	892.79
WA195	OCOTILLO: MERIDIAN TO IRONWOOD	SAME AS DESCRIPTION	4,279.65
WA197	LINKS NORTH WELL	OCOTILLO RD & CAMBRIA DR	817,775.08
WA198	LINKS SOUTH WELL	KENWORTHY & MARILYN WAY	362,497.78
WA199	PECAN NORTH IRRIGATION & TRANS LINE	CHANDLER HTS & KENWORTHY	63,371.63

**CAPACITY FEES EXPENDED ON PROJECTS (CONT'D)**

WA200	SOSSAMAN WTRLN: APPLEBY TO OCOTILLO	SAME AS DESCRIPTION	1,042,952.42
WA201	GANTZELWELL REHAB/EQUIPPING	GANTZEL & KENNEDIA DR	34,600.35
WA202	HARVEST TANK AND SITE	SIGNAL BUTTE & MEWES RD	60,415.88
WA204	SIGNAL BUTTE: RIGGS TO EMPIRE & IRR	SAME AS DESCRIPTION	712.50
WA250	SCHNEPF: QC WASH PAST COMBS	SAME AS DESCRIPTION	80,238.76
WA252	NEW WELL INVESTIGATION	DIVERSIFIED. WELL ZERO - SKYLINE&QUAIL RUN	9,173.88
WA255	COMBS RD: ALA TO SCHNEPF	COMBS RD: TAYLR ST TO SCHNEPF&GANTZEL RD: COMBS TO PECAN CREEK DR	58,128.39
WA256	TWIN ACRES: 196TH TO SOSSAMAN	SAME AS DESCRIPTION	11,498.13
WA257	MERIDIAN: GERMANN TO FRYE	SAME AS DESCRIPTION	41,305.52
WA258	DAVIDSON WELL	EMPIRE & SIGNAL BUTTE	9,000.00
WA259	CHANDLER HGHTS: MERIDIAN TO GANTZEL	SAME AS DESCRIPTION	477,144.98
WA262	SCHNEPF: 10" TRANS COMBS-HASHKNIFE	SAME AS DESCRIPTION	103,688.00
WA270	SCHNEPF: COMBS TO HASHKNIFE	SAME AS DESCRIPTION	319,765.46
WA271	SCHNEPF: HASHKNIFE TO SKYLINE	SAME AS DESCRIPTION	16,681.63
WA272	COMBS 680' EAST OF SCHNEPF	SAME AS DESCRIPTION	129,946.65
WA274	SKYLINE: SCHNEPF TO SIERRA VISTA	SAME AS DESCRIPTION	32,405.04
WA275	SKYLINE: SIERRA VISTA TO QUAIL RUN	SAME AS DESCRIPTION	32,405.03
WA276	DIVERSIFIED: UPFIT WELL #1	SKYLINE RD & QUAIL RUN	44,030.06
WA277	DIVERSIFIED: UPFIT COMBS RANCH WELL	COMBS RD & SCHNEPF	401,347.07
WA278	COMBS RANCH WELL REIMB	COMBS RD & SCHNEPF	1,023,509.50
WA281	PECAN LAKE	RYAN RD & MERIDIAN	7,284.30
WA290	HOME PLACE EAST WELL	COMBS RD & SCHNEPF	150,167.00
WA291	HOME PLACE NORTH WELL	COMBS RD & SCHNEPF	140,166.00
WA292	HOME PLACE SOUTH WELL	COMBS RD & SCHNEPF	150,167.00
WA900	PROJECT MANAGEMENT	N/A	93,891.40
<b>Total</b>			<b>\$ 9,697,620.44</b>

**CAPACITY FEES EXPENDED ON PROJECTS (CONT'D)**

<u>Wastewater</u>			
<u>Project</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
WW027	CLOUD RD - 220TH TO SIGNAL BUTTE	SAME AS DECRPTION	\$ 341,691.47
WW058	GRWP CAPITAL CONSTRUCTION	GREENFIELD WATER RECLAMATION PLANT	23,659.20
WW059	SEWER DOSING SITES	QUEEN CREEK SERVICE AREA	68,728.84
WW083	QUEEN CREEK: 228TH TO MERIDIAN	SAME AS DECRPTION	323,839.35
WW084	GERMANN: SIGNAL BUTTE TO MERIDIAN	SAME AS DECRPTION	42,403.82
WW086	QUEEN CREEK: ELLSWORTH TO SIG BUTTE	SAME AS DECRPTION	35,796.52
WW089	OCOTILLO: MERIDIAN TO IRONWOOD	SAME AS DECRPTION	4,962.50
WW092	PECOS RD RECLAIMED WATER DISCHARGE	PECOS & RWCD CANAL	245,917.82
WW096	MERIDIAN: QUEEN CREEK TO GERMANN	SAME AS DECRPTION	106,840.37
WW255	COMBS: ALA TO SCHNEPF	COMBS RD: TAYLOR ST TO SCHNEPF RD & GANTZEL RD: COMBS TO PECAN CREEK DR	949,704.03
WW256	KENWORTHY: COMBS TO HASHKNIFE	SAME AS DECRPTION	563,439.44
WW257	MERIDIAN: GERMANN TO FRYE	SAME AS DECRPTION	43,607.36
WW258	COMBS: SCHNEPF TO SIERRA VISTA	SAME AS DECRPTION	27,917.62
WW270	SCHNEPF: COMBS TO HASHKNIFE	SAME AS DECRPTION	16,630.28
WW271	SCHNEPF: HASHKNIFE TO SKYLINE	SAME AS DECRPTION	33,709.24
WW272	HASHKNIFE LIFT STATION	AT CORNER OF HASHKNIFE AND SCHNEPF RD	654,695.12
WW640	GRAVEL PIT RECHARGE	SOUTH OF QC WASH : WEST OF MERIDIAN RD	1,895,612.36
WWT07	GRWP EXPANSION 2018 FUTURE BUILDOUT	GREENFIELD WATER RECLAMATION PLANT	323,382.50
		<b>Total</b>	<b>\$ 5,702,537.84</b>

## ADDITIONAL RESOURCES

- 1) [Town of Queen Creek FY2020/2021 Annual Budget](#) – Capital Improvement Plan and Infrastructure Improvement Plan
- 2) [Water and Sewer Capacity Fee Study 2019](#)