

**Town of Queen Creek
Capacity Fee
FY 2021-22
Annual Report**

Audited



Date Issued: December 22, 2022

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 PAID BY THE TOWN ASSOCIATED WITH DEVELOPMENT AGREEMENTS	4
--	----------

CAPACITY FEE PERMIT ACTIVITY	5
---	----------

CAPACITY FEE EQUIVALENT RESIDENTIAL UNITS	6
--	----------

CAPACITY FEE REVENUES	7
------------------------------------	----------

BEGINNING/ENDING FUND BALANCE FOR EACH CAPACITY FEE	8
--	----------

INTEREST EARNINGS FOR EACH CAPACITY FEE TYPE	8
---	----------

CUMULATIVE CAPACITY FEE ANALYSIS	9
---	----------

CAPACITY FEES EXPENDED ON PROJECTS	10
---	-----------

ADDITIONAL RESOURCES	12
-----------------------------------	-----------

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 purchased. 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 wastewater 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 wastewater 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 includes capacity fee revenues and expenses for FY 2021-22 and beginning and ending balances.

CAPACITY FEE FUND SUMMARIES

WATER

Beginning Balance as Previously Recorded	(\$7,420,975)
Reconciliation Adjustment ¹	\$6,348,892
Adjusted Beginning Balance	(\$1,072,083)
Revenues	
Revenue	\$5,229,176
Interest Income	\$13,546
Expenses	
Professional and Technical Services	\$14,367
Projects ²	\$3,487,637
Ending Balance	\$668,635

Notes:

¹Corrections related to project expenses prior to June 30, 2021 which were not in the current 2019 Study.

²Includes prior year project expense corrections.

³On November 16, 2022, Town Council approved a \$4.1 million interfund loan for water project expenses which exceeded the growth amount identified in the current 2019 study.

WASTEWATER

Beginning Balance as Previously Reported	(\$14,684,984)
Reconciliation Adjustment ¹	\$11,240,483
Adjusted Beginning Balance	(\$3,444,501)
Revenues	
Revenue	\$4,924,813
Expenses	
Professional and Technical Services	\$14,367
Projects ²	\$1,201,514
Ending Balance	\$264,431

Notes:

¹Corrections related to project expenses prior to June 30, 2021 which were not in the current 2019 Study.

²Includes prior year project expense corrections.

³On November 16, 2022, Town Council approved a \$2.1 million interfund loan for wastewater project expenses which exceeded the growth amount identified in the current 2019 study.

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 2021-22. 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.

Water

Meter Size (inches)	Meter Type	Water Capacity Fee
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

Meter Size (inches)	Meter Type	Wastewater Capacity Fee	
		Residential	Fee Non-Residential
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 PAID BY THE TOWN ASSOCIATED WITH DEVELOPMENT AGREEMENTS

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
July	\$0	\$0	\$0
August	\$0	\$0	\$0
September	\$0	\$0	\$0
October	\$0	\$0	\$0
November	\$0	\$0	\$0
December	\$0	\$0	\$0
January ¹	\$0	\$15,462	\$15,462
February	\$0	\$0	\$0
March	\$0	\$0	\$0
April	\$0	\$0	\$0
May	\$0	\$0	\$0
June ¹	\$38,091	\$0	\$38,091
	<u>\$38,091</u>	<u>\$15,462</u>	<u>\$53,553</u>

¹Costco Development Agreement

CAPACITY FEE PERMIT ACTIVITY

WATER

	3/4"	1"	1.5"	2"	3"	4"	TOTAL WATER CAPACITY
JULY	179	32	2	2	0	0	215
AUGUST	191	22	2	10	0	0	225
SEPTEMBER	129	10	0	2	0	0	141
OCTOBER	71	12	1	0	0	0	84
NOVEMBER	102	16	2	0	0	0	120
DECEMBER	91	22	3	1	0	0	117
JANUARY	112	28	1	1	1	2	145
FEBRUARY	160	24	1	1	1	0	187
MARCH	111	32	3	0	0	0	146
APRIL	110	19	0	1	0	0	130
MAY	95	26	1	5	0	1	128
JUNE	144	15	2	9	0	0	170
Total Water Capacity Fees	1,495	258	18	32	2	3	1,808

WASTEWATER

	3/4"	1"	1.5"	2"	3"	4"	TOTAL WASTEWATER CAPACITY
JULY	180	8	0	2	0	0	190
AUGUST	116	7	0	0	0	0	123
SEPTEMBER	74	9	1	1	0	2	87
OCTOBER	92	2	0	0	0	0	94
NOVEMBER	93	10	0	0	0	0	103
DECEMBER	83	15	0	1	2	0	101
JANUARY	114	10	1	2	0	0	127
FEBRUARY	135	10	0	1	0	0	146
MARCH	182	14	2	2	0	0	200
APRIL	170	8	0	2	0	0	180
MAY	92	10	0	2	0	1	105
JUNE	98	7	1	0	0	0	106
Total Wastewater Capacity Fees	1,429	110	5	13	2	3	1,562

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. Additionally, the size of the service area is different for the water utility and the wastewater utility. The water service area is larger. As a result, the number of water fee activity will not equal the number of wastewater fees assessed.

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

FY 2021-22

CAPACITY FEE EQUIVALENT RESIDENTIAL UNITS (ERUs)

WATER

	3/4"	1"	1.5"	2"	3"	4"	TOTAL WATER CAPACITY
JULY	179	53	7	11	0	0	250
AUGUST	191	37	7	53	0	0	288
SEPTEMBER	129	17	0	11	0	0	156
OCTOBER	71	20	3	0	0	0	94
NOVEMBER	102	27	7	0	0	0	135
DECEMBER	91	37	10	5	0	0	143
JANUARY	112	47	3	5	10	33	211
FEBRUARY	160	40	3	5	10	0	219
MARCH	111	53	10	0	0	0	174
APRIL	110	32	0	5	0	0	147
MAY	95	43	3	27	0	17	185
JUNE	144	25	7	48	0	0	224
Total ERUs	1,495	431	60	171	20	50	2,226
Total Projected ERUs							2,364
Percent Received							94%

WASTEWATER

	3/4"	1"	1.5"	2"	3"	4"	TOTAL WASTEWATER CAPACITY
JULY	180	13	0	11	0	0	204
AUGUST	116	12	0	0	0	0	128
SEPTEMBER	74	15	3	5	0	33	131
OCTOBER	92	3	0	0	0	0	95
NOVEMBER	93	17	0	0	0	0	110
DECEMBER	83	25	0	5	20	0	133
JANUARY	114	17	3	11	0	0	145
FEBRUARY	135	17	0	5	0	0	157
MARCH	182	23	7	11	0	0	223
APRIL	170	13	0	11	0	0	194
MAY	92	17	0	11	0	17	136
JUNE	98	12	3	0	0	0	113
Total ERUs	1,429	184	17	69	20	50	1,769
Total Projected ERUs							1,120
Percent Received							158%

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

FY 2021-22

CAPACITY FEE REVENUES

WATER CAPACITY FEE REVENUE BY PERIOD

	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$417,850	\$98,568	\$15,866	\$25,394	\$0	\$0	\$557,678	\$0	\$557,678
AUGUST	\$448,367	\$79,862	\$15,866	\$126,970	\$0	\$0	\$671,065	\$0	\$671,065
SEPTEMBER	\$307,278	\$34,992	\$15,866	\$25,394	\$0	\$0	\$383,530	(\$774)	\$382,756
OCTOBER	\$169,122	\$44,544	\$7,933	\$0	\$0	\$0	\$221,599	\$0	\$221,599
NOVEMBER	\$244,560	\$62,052	\$15,866	\$0	\$0	\$0	\$322,478	\$0	\$322,478
DECEMBER	\$212,784	\$85,920	\$23,799	\$12,697	\$0	\$0	\$335,200	\$0	\$335,200
JANUARY	\$263,379	\$106,596	\$7,933	\$12,697	\$23,822	\$79,422	\$493,849	\$0	\$493,849
FEBRUARY	\$381,120	\$92,074	\$7,933	\$12,697	\$23,822	\$0	\$517,646	\$0	\$517,646
MARCH	\$267,807	\$117,720	\$23,799	\$0	\$0	\$0	\$409,326	\$0	\$409,326
APRIL	\$262,020	\$69,198	\$0	\$12,697	\$0	\$0	\$343,915	\$0	\$343,915
MAY	\$226,290	\$103,428	\$7,933	\$63,485	\$0	\$39,711	\$440,847	\$0	\$440,847
JUNE	\$343,008	\$59,670	\$15,866	\$114,273	\$0	\$0	\$532,817	\$0	\$532,817
Annual Total	\$3,543,585	\$954,624	\$158,660	\$406,304	\$47,644	\$119,133	\$5,229,950	(\$774)	\$5,229,176

Total Water Capacity Fee Revenue	\$5,229,176
Projected Revenue Per Study	\$5,631,188
\$ Variance	(\$402,012)
% Variance	-7%

WASTEWATER CAPACITY FEE REVENUE BY PERIOD

	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$525,081	\$23,208	\$0	\$30,924	\$0	\$0	\$579,213	(\$2,901)	\$576,312
AUGUST	\$336,516	\$20,307	\$0	\$0	\$0	\$0	\$356,823	\$0	\$356,823
SEPTEMBER	\$214,674	\$26,109	\$9,660	\$15,462	\$0	\$96,716	\$362,621	\$0	\$362,621
OCTOBER	\$266,892	\$5,802	\$0	\$0	\$0	\$0	\$272,694	\$0	\$272,694
NOVEMBER	\$269,793	\$29,010	\$0	\$0	\$0	\$0	\$298,803	\$0	\$298,803
DECEMBER	\$240,783	\$45,459	\$0	\$15,462	\$58,018	\$0	\$359,722	\$0	\$359,722
JANUARY	\$330,714	\$32,898	\$9,660	\$30,924	\$0	\$0	\$404,196	\$0	\$404,196
FEBRUARY	\$397,437	\$30,954	\$0	\$15,462	\$0	\$0	\$443,853	(\$5,802)	\$438,051
MARCH	\$527,982	\$40,614	\$19,320	\$30,924	\$0	\$0	\$618,840	\$0	\$618,840
APRIL	\$493,170	\$23,208	\$0	\$30,924	\$0	\$0	\$547,302	\$0	\$547,302
MAY	\$266,892	\$29,010	\$0	\$30,924	\$0	\$48,358	\$375,184	\$0	\$375,184
JUNE	\$290,100	\$20,307	\$9,660	\$0	\$0	\$0	\$320,067	(\$5,802)	\$314,265
Annual Total	\$4,160,034	\$326,886	\$48,300	\$201,006	\$58,018	\$145,074	\$4,939,318	(\$14,505)	\$4,924,813

Wastewater Capacity Fee Revenue	\$4,924,813
Projected Revenue Per Study	\$3,250,079
\$ Variance	\$1,674,734
% Variance	52%

BEGINNING AND ENDING FUND BALANCES

	<u>Beginning Balance</u>	<u>Ending Balance</u>	
	<u>7/1/2021</u>	<u>6/30/2022</u>	<u>Change</u>
Water	(\$1,072,083)	\$668,635	\$1,740,718
Wastewater	(\$3,444,501)	\$264,431	\$3,708,932

INTEREST INCOME

	<u>Interest Income</u>
WW - Capacity	\$0
Water - Capacity	\$13,546

CUMULATIVE CAPACITY FEE ANALYSIS – 5 YEARS

Water

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>10-Year Totals Per</u>	<u>% of 10-Year Totals</u>
					<u>Capacity Fee</u>	<u>Per Capacity Fee</u>
					<u>Study</u>	<u>Study</u>
Equivalent Dwelling Units	9,159	9,364	205	2%	17,933	52%
Revenue	\$25,931,673	\$26,084,821	\$153,148	1%	\$46,831,703	56%

Wastewater

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>		
Equivalent Dwelling Units	5,017	7,726	2,709	54%	10,245	75%
Revenue	\$18,636,938	\$26,582,268	\$7,945,330	43%	\$33,802,510	79%

Note:

The water and wastewater service area differ in size. The water service area is larger. As a result, the cumulative performance relative to projections varies.

CAPACITY FEES EXPENDED ON PROJECTS

Water

<u>Project</u>	<u>Status</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
WA020	Active	BARNEY WELL, RESERVOIR, BOOSTER	MERIDIAN & REINS RD.	\$1,944,540
WA049	Operating	FIRE HYDRANT - INSTALLATIONS - SYS WIDE	SYS WIDE	\$5,031
			OCOTILLO RD: 186TH TO	
WA062	Complete	OCOTILLO TRANSMISSION	SOSSAMAN	\$263,068
WA078	Active	CHURCH FARMS EAST WELL	MERIDIAN & VIA DEL JARDIN	\$235,602
WA099	Complete	ENCANTERRA/ SHEA LINE INSTALL	SAME AS DESCRIPTION	(\$236)
WA119	Complete	RITTENHOUSE RD: COMBS TO CLOUD	SAME AS DESCRIPTION	\$10,856
			RITTENHOUSE & CHERRYWOOD	
WA157	Complete	VILLAGES WELL REPLACEMENT	DR.	\$37
			SIGNAL BUTTE & LAWNSDALE	
WA158	Complete	JORDE WELL SIGNAL BUTTE	PL.	\$1,858
WA178	Complete	SIGNAL BUTTE: OCOTILLO TO QC RD	SAME AS DESCRIPTION	(\$24,167)
WA189	Active	GARY EAST WELL - MERIDIAN CROSSING	GARY & TWILIGHT DR.	\$1,582
WA193	Active	BARNEY FARMS LAKE WELL	BARNEY FARMS SUBDIVISION	\$3,893
WA200	Complete	SOSSAMAN WTRLN: APPLEBY TO OCOTILLO	SAME AS DESCRIPTION	\$842
WA202	Active	HARVEST TANK AND SITE	SIGNAL BUTTE & MEWES RD.	\$983,583
WA250	Active	SCHNEPF: QC WASH PAST COMBS	SAME AS DESCRIPTION	\$7,357
			DIVERSIFIED. WELL ZERO-	
WA252	Operating	NEW WELL INVESTIGATION	SKYLINE & QUAIL RUN.	\$9,756
WA270	Active	SCHNEPF: COMBS TO HASHKNIFE	SAME AS DESCRIPTION	\$2,469
PROJMGT	Operating	PROJECT MANAGEMENT	N/A	\$41,565
Grand Total				\$3,487,637

CAPACITY FEES EXPENDED ON PROJECTS (CONTINUED)

Wastewater

<u>Project</u>	<u>Status</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
WW058	Active	GWRP CAPITAL CONSTRUCTION	RECLAMATION PLANT	\$15,884
WW070	Complete	POWER ROAD T LOCK SLEEVING	POWER: RITTENHOUSE TO PECOS	\$1,087,890
WW073	Active	OCOTILLO: SIGNAL BUTTE TO MERIDIAN	SAME AS DESCRIPTION	\$12,694
WW083	Active	QUEEN CREEK: 228TH TO MERIDIAN	SAME AS DESCRIPTION	\$3,847
WWT07	Active	GRWP EXPANSION 2018 FUTURE BUILDOUT	GREENFIELD WATER	\$56,043
PROJMGT	Operating	PROJECT MGT OVERHEAD COSTS	N/A	\$27,496
WW086	Complete	QUEEN CREEK: ELLSWORTH TO SIG BUTTE	SAME AS DESCRIPTION	(\$2,339)
Grand Total				\$1,201,515

ADDITIONAL RESOURCES

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