

**Town of Queen Creek
Capacity Fee
FY 2022-23
Annual Report**

Audited



Date Issued: February 7, 2024

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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. Capacity fees are assessed at the time of building permit issuance. 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 2022-23 and beginning and ending balances.

CAPACITY FEE FUND SUMMARIES

WATER

Beginning Balance	\$668,635
Revenues	
Revenue	\$4,112,340
Interest Income	\$49,404
Expenses	
Professional and Technical Services	\$25,460
Projects	\$6,826,184
Ending Balance	<u>(\$2,021,265)</u>

WASTEWATER

Beginning Balance	\$264,431
Revenues	
Revenue	\$3,065,210
Interest Income	\$52,866
Expenses	
Professional and Technical Services	\$25,460
Projects	\$587,865
Ending Balance	<u>\$2,769,182</u>

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 2022-23. 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	Wastewater Capacity 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 FEE ACTIVITY

<u>WATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>TOTAL WATER CAPACITY</u>
JULY	94	22	2	3	0	0	121
AUGUST	102	12	3	7	0	0	124
SEPTEMBER	98	7	2	2	0	0	109
OCTOBER	127	14	2	7	1	1	152
NOVEMBER	27	13	1	1	0	0	42
DECEMBER	28	9	2	2	2	0	43
JANUARY	44	11	2	2	2	0	61
FEBRUARY	45	12	2	2	0	0	61
MARCH	121	18	1	0	1	1	142
APRIL	77	13	5	6	1	0	102
MAY	117	14	9	10	0	0	150
JUNE	95	12	5	8	0	0	120
Total Water Capacity Fees	975	157	36	50	7	2	1,227

<u>WASTEWATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>TOTAL WASTEWATER CAPACITY</u>
JULY	56	7	1	1	0	0	65
AUGUST	50	10	2	4	0	0	66
SEPTEMBER	33	2	1	0	0	0	36
OCTOBER	96	4	0	0	2	1	103
NOVEMBER	23	4	1	0	0	0	28
DECEMBER	28	7	1	0	4	0	40
JANUARY	41	7	3	0	0	0	51
FEBRUARY	41	6	0	1	0	0	48
MARCH	119	15	0	0	1	0	135
APRIL	73	8	1	2	1	0	85
MAY	113	11	0	6	0	0	130
JUNE	92	4	0	0	0	0	96
Total Wastewater Capacity Fees	765	85	10	14	8	1	883

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 larger for the water utility and the wastewater utility. As a result, the number of water fee activity will not equal the number of wastewater fees assessed.

CAPACITY FEE EQUIVALENT RESIDENTIAL UNITS (ERUs)

<u>WATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>TOTAL WATER CAPACITY</u>
JULY	94	37	7	16	0	0	153
AUGUST	102	20	10	37	0	0	169
SEPTEMBER	98	12	7	11	0	0	127
OCTOBER	127	23	7	37	10	17	221
NOVEMBER	27	22	3	5	0	0	57
DECEMBER	28	15	7	11	20	0	80
JANUARY	44	18	7	11	20	0	100
FEBRUARY	45	20	7	11	0	0	82
MARCH	121	30	3	0	10	17	181
APRIL	77	22	17	32	10	0	157
MAY	117	23	30	53	0	0	224
JUNE	95	20	17	43	0	0	174
Total ERUs	975	262	120	267	70	33	1,727
Total Projected ERUs							2,530
Percent Received							68%

<u>WASTEWATER</u>	<u>3/4"</u>	<u>1"</u>	<u>1.5"</u>	<u>2"</u>	<u>3"</u>	<u>4"</u>	<u>TOTAL WASTEWATER CAPACITY</u>
JULY	56	12	3	5	0	0	76
AUGUST	50	17	7	21	0	0	95
SEPTEMBER	33	3	3	0	0	0	40
OCTOBER	96	7	0	0	20	17	139
NOVEMBER	23	7	3	0	0	0	33
DECEMBER	28	12	3	0	40	0	83
JANUARY	41	12	10	0	0	0	63
FEBRUARY	41	10	0	5	0	0	56
MARCH	119	25	0	0	10	0	154
APRIL	73	13	3	11	10	0	110
MAY	113	18	0	32	0	0	163
JUNE	92	7	0	0	0	0	99
Total ERUs	765	142	33	75	80	17	1,112
Total Projected ERUs							1,199
Percent Received							93%

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

FY 2022-23

CAPACITY FEE REVENUES

WATER	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$226,290	\$87,516	\$15,866	\$38,091	\$0	\$0	\$367,763	\$ (2,382.00)	\$365,381
AUGUST	\$242,964	\$47,736	\$23,799	\$88,879	\$0	\$0	\$403,378	\$ -	\$403,378
SEPTEMBER	\$235,818	\$27,846	\$15,866	\$29,372	\$0	\$0	\$308,902	\$ (2,382.00)	\$306,520
OCTOBER	\$304,896	\$55,692	\$15,866	\$84,901	\$23,822	\$39,711	\$524,888	\$ (2,382.00)	\$522,506
NOVEMBER	\$64,314	\$51,714	\$7,933	\$12,697	\$0	\$0	\$136,658	\$ -	\$136,658
DECEMBER	\$66,696	\$35,802	\$18,248	\$25,394	\$47,644	\$0	\$193,784	\$ -	\$193,784
JANUARY	\$104,808	\$43,758	\$15,866	\$33,327	\$47,644	\$0	\$245,403	\$ -	\$245,403
FEBRUARY	\$107,190	\$51,714	\$13,484	\$25,394	\$0	\$0	\$197,782	\$ (3,978.00)	\$193,804
MARCH	\$290,604	\$71,604	\$7,933	\$0	\$23,822	\$39,711	\$433,674	\$ (2,382.00)	\$431,292
APRIL	\$183,414	\$51,714	\$39,665	\$76,182	\$23,822	\$0	\$374,797	\$ -	\$374,797
MAY	\$283,458	\$54,422	\$71,397	\$126,970	\$0	\$0	\$536,247	\$ (4,764.00)	\$531,483
JUNE	\$231,054	\$47,736	\$39,665	\$93,643	\$0	\$0	\$412,098	\$ (4,764.00)	\$407,334
Annual Total	\$2,341,506	\$627,254	\$285,588	\$634,850	\$166,754	\$79,422	\$4,135,374	(\$23,034)	\$4,112,340

Total Water Capacity Fee Revenue \$4,112,340
Projected Revenue Per Study \$6,025,371
\$ Variance (\$1,913,031)
% Variance -32%

WASTEWATER	3/4"	1"	1.5"	2"	3"	4"	Subtotal	Less Refunds	Monthly Total
JULY	\$168,258	\$22,251	\$9,660	\$15,462	\$0	\$0	\$215,631	(\$5,802)	\$209,829
AUGUST	\$153,753	\$29,010	\$19,320	\$61,848	\$0	\$0	\$263,931	(\$8,703)	\$255,228
SEPTEMBER	\$101,535	\$5,802	\$9,660	\$0	\$0	\$0	\$116,997	(\$5,802)	\$111,195
OCTOBER	\$281,397	\$11,604	\$0	\$0	\$58,018	\$48,358	\$399,377	(\$2,901)	\$396,476
NOVEMBER	\$66,723	\$11,604	\$9,660	\$0	\$0	\$0	\$87,987	\$0	\$87,987
DECEMBER	\$81,228	\$22,251	\$9,660	\$0	\$110,234	\$0	\$223,373	\$0	\$223,373
JANUARY	\$124,743	\$20,307	\$28,980	\$0	\$0	\$0	\$174,030	(\$5,802)	\$168,228
FEBRUARY	\$118,941	\$20,307	\$0	\$15,462	\$0	\$0	\$154,710	(\$2,901)	\$151,809
MARCH	\$348,120	\$45,459	\$0	\$0	\$29,009	\$0	\$422,588	(\$2,901)	\$419,687
APRIL	\$211,773	\$25,152	\$9,660	\$30,924	\$29,009	\$0	\$306,518	\$0	\$306,518
MAY	\$333,615	\$33,855	\$0	\$92,772	\$0	\$0	\$460,242	(\$5,802)	\$454,440
JUNE	\$275,595	\$13,548	\$0	\$0	\$0	\$0	\$289,143	(\$8,703)	\$280,440
Annual Total	\$2,265,681	\$261,150	\$96,600	\$216,468	\$226,270	\$48,358	\$3,114,527	(\$49,317)	\$3,065,210

Total Wastewater Capacity Fee Revenue \$3,065,210
Projected Revenue Per Study \$3,477,585
\$ Variance (\$412,375)
% Variance -12%

BEGINNING AND ENDING FUND BALANCES

	<u>Beginning Balance</u> <u>7/1/2022</u>	<u>Ending Balance</u> <u>6/30/2023</u>	<u>Change</u>
Water	\$668,635	(\$2,021,265)	(\$2,689,900)
Wastewater	\$264,431	\$2,769,182	\$2,504,751

INTEREST INCOME

	<u>Interest Income</u>
Water	\$49,404
Wastewater	\$52,866

CUMULATIVE CAPACITY FEE ANALYSIS – 6 YEARS

CUMULATIVE TO DATE

<u>Water</u>	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>10-Year Totals Per Capacity Fee Study</u>	<u>% of 10-Year Totals Per Capacity Fee Study</u>
Equivalent Dwelling Units	11,689	11,091	(598)	-5%	17,933	62%
Revenue	\$31,957,044	\$30,197,161	(\$1,759,883)	-6%	\$46,831,703	64%

<u>Wastewater</u>	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>		
Equivalent Dwelling Units	6,216	8,837	2,621	42%	10,245	86%
Revenue	\$22,114,523	\$29,647,478	\$7,532,955	34%	\$33,802,510	88%

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>
PROJMG		PROJECT MGT OVERHEAD COSTS	N/A	(\$23,393)
A0116	Active	OCOTILLO: SOSSAMAN TO HAWES	SAME AS PROJECT DESCRIPTION	\$57,489
AR050	Active	TOWN CENTER - ALDECOA-MUNOZ-SUMMERS	TOWN CENTER	\$500,505
WA020	Active	BARNEY WELL, RESERVOIR, BOOSTER	MERIDIAN & REINS ROAD	\$3,498,135
WA049	Operating	FIRE HYDRANT - INSTALLATIONS - SYS WIDE	SYSTEM WIDE	\$6,056
WA078	Completed	CHURCH FARMS EAST WELL	MERIDIAN & VIA DEL JARDIN	\$6,900
WA158	Completed	JORDE WELL SIGNAL BUTTE	SIGNAL BUTTE & LAWNSDALE PLACE	(\$234,706)
WA178	Completed	SIGNAL BUTTE: OCOTILLO TO QC RD	SAME AS PROJECT DESCRIPTION	\$94,835
WA193	Completed	BARNEY FARMS LAKE WELL	BARNEY FARMS SUBDIVISION	\$147
WA202	Active	HARVEST TANK AND SITE	SIGNAL BUTTE & MEWES ROAD	\$2,380,286
WA250	Active	SCHNEPF: QC WASH PAST COMBS	SAME AS PROJECT DESCRIPTION	\$291,809
WA255	Completed	COMBS RD: ALA TO SCHNEPF	COMBS RD: TAYLR ST TO SCHNEPF & GANTZEL	\$310,489
WA270	Active	SCHNEPF: COMBS TO HASHKNIFE	SAME AS PROJECT DESCRIPTION	(\$62,368)
TOTAL				\$6,826,184

Wastewater

<u>Project</u>	<u>Status</u>	<u>Project Name</u>	<u>Location</u>	<u>Amount</u>
PROJMG		PROJECT MANAGEMENT	N/A	(\$18,346)
AR050	Active	TOWN CENTER - ALDECOA-MUNOZ-SUMMERS	TOWN CENTER	\$505,067
WW058	Completed	GWRP CAPITAL CONSTRUCTION	GREENFIELD WATER RECLAMATION PLANT	\$100,512
WW073	Active	OCOTILLO: SIGNAL BUTTE TO MERIDIAN	SAME AS DESCRIPTION	\$14,706
WW083	Completed	QUEEN CREEK: 228TH TO MERIDIAN	SAME AS DESCRIPTION	(\$7,492)
WWT07	Completed	GRWP EXPANSION 2018 FUTURE BUILDOUT	GREENFIELD WATER RECLAMATION PLANT	(\$6,582)
TOTAL				\$587,865

ADDITIONAL RESOURCES

- 1) [Town of Queen Creek FY2022/2023 Annual Budget](#) – Capital Improvement Plan and Infrastructure Improvement Plan

- 2) [Water and Wastewater Capacity Fee Study 2019](#)