

Town of Gilbert System Development Fee Annual Report

FY 2021-2022



September 2022

UNAUDITED*

* Audited financial statements will be available through the Town of Gilbert Accounting Division.

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BACKGROUND

System Development Fees (SDFs)

The Town of Gilbert, in an effort to ensure that the growth driven capital and infrastructure needs are funded by growth, adopted comprehensive System Development Fees (SDFs) in 1997. The fees are collected at the time a building permit is issued for residential, commercial and other non-residential development. The Town assesses two categories of SDFs - General and Utility.

Most SDFs are calculated on a uniform basis for all new development. Growth-related projects are considered as increases in current system capacity rather than as specific improvements for any particular geographic location within Gilbert. The only exception is wastewater which is broken out into two service areas: Neely and Greenfield. These service areas have unique costs of service and the SDFs are calculated independently for the two service areas to account for this.

Authorization and Purpose

Arizona Revised Statutes Section 9-463.05 authorizes SDFs to fund capital improvements only and SDFs may not be used to fund operating expenses. As an example, the cost to construct and equip a fire station may be funded with SDFs. Firefighting staff assigned to that station may not be funded with SDFs. The amount of the SDF must bear a reasonable relationship to the burden imposed upon the municipality to provide additional necessary public services to the development.

SDFs are calculated based on the Infrastructure Improvement Plan and the annual Capital Improvement Plan. In some cases, depending on the timing and financial requirements of each project, borrowing may also be required. In those cases, all of the borrowing and project costs are included in the amount to be funded through SDFs. In other words, projects that cannot be funded through the revenues generated by new construction permit activity, on a pay as you go basis, are also funded through borrowing. Projects in this category have traditionally been larger projects, such as expansions of the Water and Wastewater Treatment Plants and construction of the Public Safety Complex.

Annual Reporting Requirements

Legislation 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. 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 2021-22 reporting period the report is required to be on file by September 28, 2022. The information provided in this report includes development fee revenues and expenses for FY 2021-22; other than the beginning fund balance, the report does not include any inception-to-date detail.

The law also allows for the report to contain financial information that has not yet been audited since the reporting deadline will occur before the annual audit is completed.

The statute was amended by the 2011 Legislature. As amended, A.R.S. §9-463.05(N) provides:

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

A.R.S. § 9-463.05(O) provides:

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. 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:

P. A municipality that fails to file the report and post the report on the municipality's website as required by this section shall not collect development fees until the report is filed and posted.

AMOUNT ASSESSED FOR EACH TYPE OF DEVELOPMENT FEE

The information that follows is a summary of the amount assessed for each type of development fee. The System Development Fees were approved by Council on April 18, 2019 with an effective date of July 8, 2019. The Water System Development Fees were updated and approved by Council on March 29, 2022 with an effective date of June 20, 2022.

General System Development Fees:

	Police	Fire	General Government	Parks and Recreation	Traffic Signals	Roads
<i>Residential (per housing unit)</i>						
Single Unit	\$ 435.00	\$ 935.00	\$ 1,002.00	\$ 5,167.00	\$ 556.00	\$ 1,716.00
2+ Units per Structure	\$ 283.00	\$ 607.00	\$ 651.00	\$ 3,358.00	\$ 431.00	\$ 1,330.00
<i>Non-Residential (per sq ft of building)</i>						
Industrial	\$ 0.437	\$ 0.481	\$ 0.430	\$ 0.770	\$ 0.231	\$ 0.565
Commercial	\$ 0.629	\$ 0.693	\$ 0.610	\$ 1.109	\$ 1.165	\$ 2.374
Office and Other Services	\$ 0.797	\$ 0.878	\$ 0.780	\$ 1.405	\$ 0.455	\$ 1.110

Utility System Development Fees: *

Neely Service Area

<i>All Development (by water meter size)</i>	Water	Water	Water	
Meter Size (inches)	Until June 20, 2022	As of June 20, 2022	Resources	Wastewater
0.75	\$ 3,609	\$ 4,924	\$ 3,112	\$ 157
1.00	\$ 6,027	\$ 8,224	\$ 5,197	\$ 262
1.50	\$ 12,019	\$ 16,399	\$ 10,364	\$ 522
2.00	\$ 19,239	\$ 26,248	\$ 16,589	\$ 834

Greenfield Service Area

<i>All Development (by water meter size)</i>	Water	Water	Water	
Meter Size (inches)	Until June 20, 2022	As of June 20, 2022	Resources	Wastewater
0.75	\$ 3,609	\$ 4,924	\$ 3,112	\$ 2,586
1.00	\$ 6,027	\$ 8,224	\$ 5,197	\$ 4,318
1.50	\$ 12,019	\$ 16,399	\$ 10,364	\$ 8,610
2.00	\$ 19,239	\$ 26,248	\$ 16,589	\$ 13,780

*The report dated March 14, 2019 prepared by Raftelis entitled "Land Use Assumptions and Infrastructure Improvement Plan Study" defines the relevant service areas.

BEGINNING/ENDING FUND BALANCE FOR EACH DEVELOPMENT FEE

	Beginning Balance 7/1/2021	Ending Balance 6/30/2022
Police Protection	\$ 1,827,306	\$ 2,895,660
Fire Protection	\$ (5,600,884)	\$ (5,375,006) ^A
General Government	\$ (3,461,009)	\$ - ^B
Parks and Recreation	\$ 25,880,624	\$ 31,500,624
Traffic Signals	\$ 13,077,670	\$ 13,839,657
Roads	\$ 9,054,497	\$ 10,985,075
Water System	\$ (1,244,072)	\$ (5,926,069)
Water Resources	\$ (19,536,351)	\$ (17,405,267) ^C
Neely Service Area - WW SDF	\$ 3,849,551	\$ 2,781,101
Greenfield Service Area - WW SDF	\$ 18,660,033	\$ 11,061,734

- A. The negative balance in the Fire Protection SDF Fund is supported by an internal loan from the General Fund.
- B. The Town stopped collecting the General Government SDF on June 20, 2022. The balance in the General Government SDF Fund was closed out using the remaining CARES funds and the General Fund.
- C. The negative balance in the Water Resources SDF Fund is supported by an internal loan from the Water Replacement Fund.

INTEREST EARNINGS ON FUND BALANCES FOR EACH DEVELOPMENT FEE

	Interest Earnings
Police Protection	\$ 19,116
Fire Protection	\$ -
General Government	\$ -
Parks and Recreation	\$ 244,530
Traffic Signals	\$ 107,934
Roads	\$ 86,119
Water System	\$ 1,542
Water Resources	\$ -
Neely Service Area - WW SDF	\$ 31,027
Greenfield Service Area - WW SDF	\$ 148,585

DEVELOPMENT FEES USED TO REPAY BONDS ISSUED

	Total Payments
Police Protection	\$ 45,135
Fire Protection	\$ 1,553,899
General Government	\$ -
Parks and Recreation	\$ 2,847,153
Traffic Signals	\$ -
Roads	\$ -
Water System	\$ 9,809,795
Water Resources	\$ -
Neely Service Area - WW SDF	\$ -
Greenfield Service Area - WW SDF	\$ 3,623,295

DEVELOPMENT FEES USED TO REPAY INTERNAL BORROWING

This section relates to development fees where there is a negative cash balance due to funds being expended in advance of collections. Revenues are borrowed from other cash the Town has available and interest is charged to the system development fee accounts.

	Total Payments	Repayment Made To	Terms
Police Protection	\$ -		
Fire Protection	\$ 51,889	General Fund	Annual Interest
General Government	\$ -		
Parks and Recreation	\$ -		
Traffic Signals	\$ -		
Roads	\$ -		
Water System	\$ 33,885	Water Replacement Fund	Annual Interest
Water Resources	\$ 174,643	Water Replacement Fund	Annual Interest
Neely Service Area - WW SDF	\$ -		
Greenfield Service Area - WW SDF	\$ -		

DEBT SERVICE REPAYMENT SCHEDULE

Police Protection	Police Protection Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMPC	\$ 270,637	FY 2027
Total	\$ 270,637	

Fire Protection	Fire Protection Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMPC	\$ 7,592,400	FY 2027
2017 PFMPC	\$ 2,432,282	FY 2027
Total	\$ 10,024,682	

Parks and Recreation	Parks and Recreation Portion of Debt Service - Principal and Interest	Last Payment
2017 PFMPC	\$ 17,072,515	FY 2027
Total	\$ 17,072,515	

Water	Water Portion of Debt Service - Principal and Interest	Last Payment
2016 WRMPC	\$ 114,028,638	FY 2036
2022 WRMPC A	\$ 191,377,098	FY 2048
Total	\$ 305,405,735	

Water Resources	Water Resources Portion of Debt Service - Principal and Interest	Last Payment
2022 WRMPC B	\$ 565,677,168	FY 2043
Total	\$ 565,677,168	

Greenfield Service Area - WW SDF	Greenfield Service Area WW SDF Portion of Debt Service - Principal and Interest	Last Payment
2018 WRMPC	\$ 36,216,000	FY 2031
Total	\$ 36,216,000	

DEVELOPMENT FEES EXPENDED ON EACH CAPITAL IMPROVEMENT PROJECT

Complete descriptions of each project, including all of the identified funding sources, are included in the Gilbert 2022-2031 Capital Improvement Plan or prior approved Capital Improvement Plans. Copies of the documents are available upon request and may also be found on the Gilbert website.

Police System Development Fees

Project	Project Description	Location	Amount
MF2230	Topaz Radio Project	Various	\$ 50,334
N/A	Vehicles and Equipment	Various	\$ 454,116
		Total	\$ 504,450

Fire System Development Fees

Project	Project Description	Location	Amount
MF2230	Topaz Radio Project	Various	\$ 16,256
			\$ 16,256

Parks and Recreation System Development Fees

Project	Project Description	Location	Amount
PR0320	Desert Sky Park formerly Rittenhouse Regional Park	Bordered by the East Maricopa Floodway, Power Road and the Union Pacific Rail/Rittenhouse alignment	\$ 89,793
PR0620	Powerline Trail Phase IV	Western Canal/Powerline Corridor from 1/2 mile east of Val Vista Road to Greenfield Road	\$ 298,731
		Total	\$ 388,524

Traffic Signal System Development Fees

Project	Project Description	Location	Amount
TS1440	Recker and Cooley Loop North	Same as project description	\$ 4,624
TS1450	Recker and Cooley Loop South	Same as project description	\$ 40,587
TS1460	Williams Field and Cooley Loop	Same as project description	\$ 5,419
TS1470	Williams Field and Cooley Loop	Same as project description	\$ 133,324
TS1540	Val Vista and Ocotillo	Same as project description	\$ 11,263
TS1550	Val Vista and Chandler Heights	Same as project description	\$ 22,749
TS1700	Smart Signal Control System	Same as project description	\$ 80,549
TS1860	Val Vista and Appleby	Same as project description	\$ 1,938
TS1920	American Heros Way and Gilbert Rd	Same as project description	\$ 45,681
TS1943	Higley Rd and Bidges Blvd Signal	Same as project description	\$ 73,747
TS1944	Higley Rd and Morrison Ranch Signal	Same as project description	\$ 80,181
TS1945	Lindsay Rd and Layton Lakes Signal	Same as project description	\$ 149,964
TS1946	Cooper and Velaro Signal	Same as project description	\$ 5,138
TS1948	Val Vista and Boston Signal	Same as project description	\$ 33,252
Total			\$ 688,416

Road Maintenance System Development Fees

Project	Project Description	Location	Amount
ST0990	Ocotillo Road - 148th St to Greenfield	Same as description	\$ 26,952
ST0540	Ocotillo Road - Greenfield to Higley	Same as description	\$ 1,219,192
ST1910	McQueen/Guadalupe Intersection	Same as description	\$ 653,407
Total			\$ 1,899,551

Water System Development Fees

Project	Project Description	Location	Amount
WA0270	Site 34 New Well and Reservoir	East Galveston and Recker Road	\$ 156
WA1547	Zone 1 System Connectivity. Project Scope originally listed under WA1260	Baseline Rd on Lindsay to Harwell	\$ 9,586
N/A	Water SDF Study	Not Applicable	\$ 7,133
Total			\$ 16,875

Water Resources System Development Fees

Project	Project Description	Location	Amount
WA0940	Water Rights Acquisition	Not Applicable	\$ 2,152,205
Total			\$ 2,152,205

Neely Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
WW0690	Relief Sewers	Orchid Lane from Ray Road to Lindsay Road and Mystic Drive/Lago Boulevard/Long Meadow from Gilbert Road to Hackamore and Val Vista Drive from Elliot to Olney	\$ 82,663
WW0700	Candlewood Lift Station and Force Main	Gilbert Rd and Hackamore	\$ 98,590
WW0890	Recl Water Rec Well at Elliott	Elliot District Park and Salt River Project power line easement	\$ 940,478
Total			\$ 1,121,731

Greenfield Service Area – Wastewater System Development Fee

Project	Project Description	Location	Amount
WW0750	Greenfield Water Reclamation Plant Phase III	Greenfield Road	\$ 3,415
WW0770	South Recharge Site - Phase III	South Recharge Facility	\$ 7,075,143
WW0780	Greenfield Reclaimed Water Pump Station Expansion	Greenfield Road	\$ 44,872
Total			\$ 7,123,430

DEVELOPMENT FEE FUND RECAPS

POLICE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	1,827,306
REVENUES		
COLLECTIONS	\$	1,598,823
INTEREST INCOME	\$	19,116
EXPENSES		
DEBT SERVICE	\$	45,135
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	504,450
ENDING BALANCE	\$	2,895,660

FIRE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(5,600,884)
REVENUES		
COLLECTIONS	\$	1,847,922
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	1,553,899
INTERNAL BORROWING	\$	51,889
PROJECT EXPENSES	\$	16,256
ENDING BALANCE	\$	(5,375,006)

GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(3,461,009)
REVENUES		
COLLECTIONS	\$	2,125,348
OTHER	\$	1,335,661
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	0
ENDING BALANCE	\$	0

PARKS AND RECREATION SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	25,880,624
REVENUES		
COLLECTIONS	\$	8,611,147
SALE OF FIXED ASSET	\$	0
INTEREST INCOME	\$	244,530
EXPENSES		
DEBT SERVICE	\$	2,847,153
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	388,524
ENDING BALANCE	\$	31,500,624

TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	13,077,670
REVENUES		
COLLECTIONS	\$	1,342,469
INTEREST INCOME	\$	107,934
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
LEGAL SETTLEMENT	\$	0
PROJECT EXPENSES	\$	688,416
ENDING BALANCE	\$	13,839,657

ROAD MAINTENANCE SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	9,054,497
REVENUES		
COLLECTIONS	\$	3,744,010
INTEREST INCOME	\$	86,119
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	1,899,551
ENDING BALANCE	\$	10,985,075

WATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(1,244,072)
REVENUES		
COLLECTIONS	\$	5,177,016
INTEREST INCOME	\$	1,542
EXPENSES		
DEBT SERVICE	\$	9,809,795
INTERNAL BORROWING	\$	33,885
PROJECT EXPENSES	\$	16,875
ENDING BALANCE	\$	(5,926,069)

WATER RESOURCES SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	(19,536,351)
REVENUES		
COLLECTIONS	\$	4,457,932
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	174,643
PROJECT EXPENSES	\$	2,152,205
ENDING BALANCE	\$	(17,405,267)

NEELY SERVICE AREA - WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	3,849,551
REVENUES		
COLLECTIONS	\$	22,254
INTEREST INCOME	\$	31,027
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	1,121,731
ENDING BALANCE	\$	2,781,101

GREENFIELD SERVICE AREA – WASTEWATER SYSTEM DEVELOPMENT FEE

BEGINNING BALANCE	\$	18,660,033
REVENUES		
COLLECTIONS	\$	2,999,841
INTEREST INCOME	\$	148,585
EXPENSES		
DEBT SERVICE	\$	3,623,295
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	7,123,430
ENDING BALANCE	\$	11,061,734

ADDITIONAL RESOURCES

Gilbert FY2022-FY2031 Capital Improvement Plan – June 1, 2021

**Land Use Assumptions, Infrastructure Improvement Plan and
Development Fees – March 14, 2019**

**Land Use Assumptions, Infrastructure Improvement Plan and
Development Fees – March 29, 2022**

The documents identified above are available on Gilbert's website at www.gilbertaz.gov/departments/management-budget/system-development-fees and <https://www.gilbertaz.gov/departments/management-budget/cip>.

Inquiries should be directed to the Office of Management and Budget:

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