

**Town of Gilbert  
System Development Fee  
Annual Report**

**FY 2022-2023**



**September 2023**

***UNAUDITED\****

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

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## **BACKGROUND**

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### **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 2022-23 reporting period the report is required to be on file by September 28, 2023. The information provided in this report includes development fee revenues and expenses for FY 2022-23; 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>			
Meter Size (inches)	Water	Water Resources	Wastewater
0.75	\$ 4,924	\$ 3,112	\$ 157
1.00	\$ 8,224	\$ 5,197	\$ 262
1.50	\$ 16,399	\$ 10,364	\$ 522
2.00	\$ 26,248	\$ 16,589	\$ 834

**Greenfield Service Area**

<i>All Development (by water meter size)</i>			
Meter Size (inches)	Water	Water Resources	Wastewater
0.75	\$ 4,924	\$ 3,112	\$ 2,586
1.00	\$ 8,224	\$ 5,197	\$ 4,318
1.50	\$ 16,399	\$ 10,364	\$ 8,610
2.00	\$ 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**

	<b>Beginning Balance 7/1/2022</b>	<b>Ending Balance 6/30/2023</b>
Police Protection	\$ 2,895,661	\$ 3,788,122
Fire Protection	\$ (5,375,007)	\$ (5,864,026) <sup>A</sup>
General Government	\$ -	\$ - <sup>B</sup>
Parks and Recreation	\$ 31,500,624	\$ 36,129,942
Traffic Signals	\$ 13,839,658	\$ 14,276,605
Roads	\$ 10,985,075	\$ 14,192,516
Water System	\$ (5,926,069)	\$ (9,477,808) <sup>C</sup>
Water Resources	\$ (17,405,268)	\$ (15,680,641) <sup>D</sup>
Neely Service Area - WW SDF	\$ 2,781,101	\$ 1,856,207
Greenfield Service Area - WW SDF	\$ 11,061,735	\$ 8,997,932

- 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. Any revenue collected from permits that were in process prior to June 20, 2022 was used to reimburse the General Fund for the closeout subsidy.
- C. General Fund transferred \$5 million to the Water System SDF in FY2023 to subsidize the cash flow. \$20 million of subsidy is budgeted from General Fund to the Water System SDF in FY2024.
- D. 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**

	<b>Interest Earnings</b>
Police Protection	\$ 82,005
Fire Protection	\$ -
General Government	\$ 13,202
Parks and Recreation	\$ 848,668
Traffic Signals	\$ 347,012
Roads	\$ 313,323
Water System	\$ -
Water Resources	\$ -
Neely Service Area - WW SDF	\$ 57,241
Greenfield Service Area - WW SDF	\$ 287,868

**DEVELOPMENT FEES USED TO REPAY BONDS ISSUED**

	<b>Total Payments</b>
Police Protection	\$ 45,099
Fire Protection	\$ 1,671,059
General Government	\$ -
Parks and Recreation	\$ 2,844,925
Traffic Signals	\$ -
Roads	\$ -
Water System	\$ 12,582,450
Water Resources	\$ 385,249
Neely Service Area - WW SDF	\$ -
Greenfield Service Area - WW SDF	\$ 3,621,891

**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.

	<b>Total Payments</b>	<b>Repayment Made To</b>	<b>Terms</b>
Police Protection	\$ -		
Fire Protection	\$ 140,946	General Fund	Annual Interest
General Government	\$ 908,935	General Fund	Annual Interest
Parks and Recreation	\$ -		
Traffic Signals	\$ -		
Roads	\$ -		
Water System	\$ 193,176	Water Replacement Fund	Annual Interest
Water Resources	\$ 414,922	Water Replacement Fund	Annual Interest
Neely Service Area - WW SDF	\$ -		
Greenfield Service Area - WW SDF	\$ -		



**DEBT SERVICE REPAYMENT SCHEDULE**

<b>Police Protection</b>	<b>Police Protection Portion of Debt Service - Principal and Interest</b>	<b>Last Payment</b>
2017 PFMPC	\$ 225,513	FY 2027
<b>Total</b>	<b>\$ 225,513</b>	

<b>Fire Protection</b>	<b>Fire Protection Portion of Debt Service - Principal and Interest</b>	<b>Last Payment</b>
2017 PFMPC	\$ 6,329,500	FY 2027
2017 PFMPC	\$ 2,026,743	FY 2027
<b>Total</b>	<b>\$ 8,356,243</b>	

<b>Parks and Recreation</b>	<b>Parks and Recreation Portion of Debt Service - Principal and Interest</b>	<b>Last Payment</b>
2017 PFMPC	\$ 14,225,982	2027
<b>Total</b>	<b>\$ 14,225,982</b>	

<b>Water</b>	<b>Water Portion of Debt Service - Principal and Interest</b>	<b>Last Payment</b>
2016 WRMPC	\$ 104,222,075	FY 2036
2022 WRMPC A	\$ 191,377,098	FY 2048
<b>Total</b>	<b>\$ 295,599,173</b>	

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

<b>Greenfield Service Area - WW SDF</b>	<b>Greenfield Service Area WW SDF Portion of Debt Service - Principal and Interest</b>	<b>Last Payment</b>
2018 WRMPC	\$ 32,592,750	FY 2031
<b>Total</b>	<b>\$ 32,592,750</b>	

**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 2023-2032 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 Infrastructure	Various	\$ 81,249
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
N/A	Vehicles and Equipment	Various	\$ 365,650
<b>Total</b>			<b>\$ 449,649</b>

**Fire System Development Fees**

Project	Project Description	Location	Amount
MF2230	Topaz Radio Infrastructure	Various	\$ 26,241
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
<b>Total</b>			<b>\$ 28,991</b>

**Parks and Recreation System Development Fees**

Project	Project Description	Location	Amount
PR0320	Desert Sky Phase 1	Bordered by the East Maricopa Floodway, Power Road and the Union Pacific Rail/Rittenhouse alignment	\$ 20,548
PR0620	Western Powerline Trail Phase 4 Val Vista to Greenfield	Western Canal/Powerline Corridor from 1/2 mile east of Val Vista Road to Greenfield Road	\$ 847,170
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
<b>Total</b>			<b>\$ 870,468</b>

**Traffic Signal System Development Fees**

Project	Project Description	Location	Amount
TS1440	Recker and Galveston Signal	Same as project description	\$ 29,526
TS1450	Recker and Somerton Signal	Same as project description	\$ 169,332
TS1460	Williams Field and Somerton Signal	Same as project description	\$ 8,525
TS1470	Williams Field and Wade Signal	Same as project description	\$ 133,618
TS1700	Smart Signal Control System	Same as project description	\$ 32,959
TS1920	American Heroes and Gilbert Signal	Same as project description	\$ 133,765
TS1943	Higley Rd and Bridges Blvd Signal	Same as project description	\$ 21,652
TS1944	Higley Rd and Morrison Ranch Signal	Same as project description	\$ 11,218
TS1945	Lindsay Rd and Layton Lakes Signal	Same as project description	\$ 423,295
TS1948	Val Vista and Boston Signal	Same as project description	\$ 32,972
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
<b>Total</b>			<b>\$ 999,612</b>

**Road Maintenance System Development Fees**

Project	Project Description	Location	Amount
ST0990	Ocotillo Road - 148th St to Greenfield	Same as description	\$ 276,317
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
<b>Total</b>			<b>\$ 279,067</b>

**Water System Development Fees**

Project	Project Description	Location	Amount
WA0270	Site 34 New Well and Reservoir	East Galveston and Recker Road	\$ 21,001
WA1547	Zone 1 System Connectivity. Project Scope originally listed under WA1260	Baseline Rd on Lindsay to Harwell	\$ 14,396
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
<b>Total</b>			<b>\$ 38,147</b>

**Water Resources System Development Fees**

Project	Project Description	Location	Amount
WA0940	Water Rights Phase 2	Not Applicable	\$ 724,592
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 2,750
		<b>Total</b>	<b>\$ 727,342</b>

**Neely Service Area – Wastewater System Development Fee**

Project	Project Description	Location	Amount
WW0690	System Relief Sewers Phase 1	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	\$ 3,617
WW0890	Cactus Yards Recl Water Recovery Well	Cactus Yards and Salt River Project power line easement	\$ 985,746
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 1,375
		<b>Total</b>	<b>\$ 990,738</b>

**Greenfield Service Area – Wastewater System Development Fee**

Project	Project Description	Location	Amount
WW0750	Greenfield Water Reclamation Plant Phase 3	Greenfield Road	\$ 1,617
WW0770	South Recharge Site - Phase 2	South Recharge Facility	\$ 905,688
N/A	Biennial System Development Fee Audit	Not Applicable	\$ 1,375
		<b>Total</b>	<b>\$ 908,680</b>

**DEVELOPMENT FEE FUND RECAPS**

**POLICE SYSTEM DEVELOPMENT FEE**

<b>BEGINNING BALANCE</b>	\$	<b>2,895,661</b>
REVENUES		
COLLECTIONS	\$	1,305,204
INTEREST INCOME	\$	82,005
EXPENSES		
DEBT SERVICE	\$	45,099
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	449,649
<b>ENDING BALANCE</b>	<b>\$</b>	<b>3,788,122</b>

**FIRE SYSTEM DEVELOPMENT FEE**

<b>BEGINNING BALANCE</b>	\$	<b>(5,375,007)</b>
REVENUES		
COLLECTIONS	\$	1,351,977
INTEREST INCOME	\$	0
EXPENSES		
DEBT SERVICE	\$	1,671,059
INTERNAL BORROWING	\$	140,946
PROJECT EXPENSES	\$	28,991
<b>ENDING BALANCE</b>	<b>\$</b>	<b>(5,864,026)</b>

**GENERAL GOVERNMENT SYSTEM DEVELOPMENT FEE**

<b>BEGINNING BALANCE</b>	\$	<b>0</b>
REVENUES		
COLLECTIONS	\$	895,733
OTHER	\$	0
INTEREST INCOME	\$	13,202
EXPENSES		
DEBT SERVICE	\$	0
INTERNAL BORROWING	\$	908,935
PROJECT EXPENSES	\$	0
<b>ENDING BALANCE</b>	<b>\$</b>	<b>0</b>

**PARKS AND RECREATION SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ 31,500,624</b>
REVENUES	
COLLECTIONS	\$ 7,496,043
SALE OF FIXED ASSET	\$ 0
INTEREST INCOME	\$ 848,668
EXPENSES	
DEBT SERVICE	\$ 2,844,925
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 870,468
<b>ENDING BALANCE</b>	<b>\$ 36,129,942</b>

**TRAFFIC SIGNAL SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ 13,839,658</b>
REVENUES	
COLLECTIONS	\$ 1,089,547
INTEREST INCOME	\$ 347,012
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
LEGAL SETTLEMENT	\$ 0
PROJECT EXPENSES	\$ 999,612
<b>ENDING BALANCE</b>	<b>\$ 14,276,605</b>

**ROAD MAINTENANCE SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ 10,985,075</b>
REVENUES	
COLLECTIONS	\$ 3,173,185
INTEREST INCOME	\$ 313,323
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 279,067
<b>ENDING BALANCE</b>	<b>\$ 14,192,516</b>

**WATER SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ (5,926,069)</b>
REVENUES	
COLLECTIONS	\$ 4,262,034
INTEREST INCOME	\$ 0
TRANSFER FROM GENERAL FUND	\$ 5,000,000
EXPENSES	
DEBT SERVICE	\$ 12,582,450
INTERNAL BORROWING	\$ 193,176
PROJECT EXPENSES	\$ 38,147
<b>ENDING BALANCE</b>	<b><u>\$ (9,477,808)</u></b>

**WATER RESOURCES SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ (17,405,268)</b>
REVENUES	
COLLECTIONS	\$ 3,252,140
INTEREST INCOME	\$ 0
EXPENSES	
DEBT SERVICE	\$ 385,249
INTERNAL BORROWING	\$ 414,922
PROJECT EXPENSES	\$ 727,342
<b>ENDING BALANCE</b>	<b><u>\$ (15,680,641)</u></b>

**NEELY SERVICE AREA - WASTEWATER SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$ 2,781,101</b>
REVENUES	
COLLECTIONS	\$ 8,603
INTEREST INCOME	\$ 57,241
EXPENSES	
DEBT SERVICE	\$ 0
INTERNAL BORROWING	\$ 0
PROJECT EXPENSES	\$ 990,738
<b>ENDING BALANCE</b>	<b><u>\$ 1,856,207</u></b>

**GREENFIELD SERVICE AREA – WASTEWATER SYSTEM DEVELOPMENT FEE**

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<b>BEGINNING BALANCE</b>	<b>\$</b>	<b>11,061,735</b>
REVENUES		
COLLECTIONS	\$	2,178,900
INTEREST INCOME	\$	287,868
EXPENSES		
DEBT SERVICE	\$	3,621,891
INTERNAL BORROWING	\$	0
PROJECT EXPENSES	\$	908,680
<b>ENDING BALANCE</b>	<b>\$</b>	<b>8,997,932</b>



**ADDITIONAL RESOURCES**

**Gilbert FY2023-FY2032 Capital Improvement Plan – June 14, 2022**

**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](http://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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