

ANNUAL DEVELOPMENT FEE REPORT

**For Fiscal Year Ended
June 30, 2010**

Town of Fountain Hills, Arizona



**Prepared By:
Town of Fountain Hills Finance Department
August 16, 2010**

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Fountain Hills Town Clerk, and other interested parties:

The Town of Fountain Hills (the Town), Arizona, Annual Report of the Collection and Use of Development Fees for the Fiscal Year Ended June 30, 2010 is provided for public inspection and review in accordance with Arizona Revised Statutes (ARS) Section 9-463.05(G) "Development fees; imposition by cities and towns; annual report." Effective August 12, 2005, ARS Section 9-463.05 was amended to require an annual report that accounts for the collection and use of development fees. The annual report must be submitted to the Town Clerk within ninety days following the end of the fiscal year in order for the Town to continue collecting development fees. The report must provide the balance of each fund maintained for each type of development fee at the beginning and end of the year along with the current year's activity. The required components of current year activity include development fee collections, interest earnings, repayment of bonds and advances; capital improvement project expenditures include project location and expenditures for each purpose other than a capital project that is the subject of a development fee.

Development fees (also sometimes known as impact fees) are one-time payments collected on new building permits taken out in the Town. The fees are intended to reduce the financial impact of residential and commercial growth on existing Town infrastructure and service delivery. In general, development fees are defined as "one-time capital recovery charges assessed against new development as a way to recover a proportional share of the cost of capital facilities constructed to provide service capacity for new customers". Development fees may not be used for replacement of existing facilities nor may they be used to cover operating expenses.

Currently, the Town of Fountain Hills sets its development fees based on recommendations received from consultants periodically contracted to do studies of the Town's development fees. However, the Arizona State Legislature mandated a freeze on development fee rates as of September 1, 2009, and extended the freeze until June 30, 2012. The Town's Capital Improvement/Infrastructure Improvement (CIP/IIP) plan is an integral part of each of the studies and takes into account projected growth. The Town's CIP/IIP is available from the Town Clerk or on the Town's website at fh.az.gov/finance under Budgets and Reports.

For Fiscal Year 2009 the Town had seven categories of development fees, as follows:

Fund 710	Law Enforcement	facilities, vehicles, equipment
Fund 720	Fire and Emergency	facilities, vehicles, equipment
Fund 730	Streets	right-of-way costs, intersection development
Fund 740	Parks and Recreation	developing new parks

Fund 750	Open Space	conservation improvements
Fund 760	Library/Museum	buildings and/or collection materials
Fund 770	General Government	growth related facilities, equipment, vehicles

As required by state law, the following pages include (as applicable):

1. The amount assessed by the municipality for each type of development fee
2. The balance of each fund maintained for each type of 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 capital improvement project that is the subject of a development fee assessment.
 - b. Monies advanced by the municipality from funds other than the funds established for development fees in order to pay the cost of a capital improvement project that is the subject of a development fee assessment.
5. The amount of development fee monies spent on each capital improvement project that is the subject of a development fee assessment and the physical location of each capital improvement project.
6. The amount of development fee monies spent for each purpose other than a capital improvement project that is the subject of a development fee assessment.

This report complies with ARS Section 9-463.05 as amended. The information contained in this report is based on the Town's fund financial statements but is un-audited data. If you have any questions about this report or need additional information, contact:

Town of Fountain Hills
 Finance Division
 16705 E. Avenue of the Fountains
 Fountain Hills, AZ 85268

Town of Fountain Hills, Arizona
 Annual Development Fee Report
 Fiscal Year 2010
 Development Fee Rates
 From July 1, 2009 – June 30, 2010

<u>Fee Area</u>	<u>Unit</u>	<u>Fee</u>
General Government		
Residential (1)	dwelling	\$993
Non-Residential (2)	s.f.	\$0.622
Law Enforcement		
Residential (1)	dwelling	\$472
Non-Residential (2)	s.f.	\$0.295
Open Space		
Residential (1)	dwelling	\$867
Parks and Recreation		
Residential (1)	dwelling	\$1,479
Fire and Emergency		
Residential (1)	dwelling	\$106
Non-Residential (2)	s.f.	\$0.066
Library and Museum		
Residential (1)	dwelling	\$174
Streets		
SF-Residential	dwelling	\$1,381
MF-Residential	dwelling	\$819
Commercial	s.f.	\$3.21
Office	s.f.	\$2.35
Hotel	s.f.	\$1.61
Industrial	s.f.	\$0.998

(1) Residential includes single and multi-family dwelling units, n/a = not applicable

(2) Non-residential includes commercial and industrial square footage, n/a = not applicable

On May 15, 2008 the Town Council of Fountain Hills adopted Ordinance No. 08-13 that contains an automatic adjustment provision stating that "The Development fees in this section will automatically adjust for inflation using the Engineering News Record – 20 city construction cost index (ENR-CCI) on the first day of each fiscal year; the adjustment will become effective after July 1, 2012. The Town also adopted Ordinance 2009-09 on December 3, 2009 increasing the fees effective July 1, 2012.

Town of Fountain Hills, Arizona
 Annual Development Fee Report
 Fiscal Year 2010
 Development Fee Expenditures Detail
 From July 1, 2009 – June 30, 2010

SCHEDULE OF CAPITAL PROJECT EXPENDITURES

Fund	Project Number	Project Name	Project Location	Expenditures
710	N/A	Development Fee Study		\$384
720	N/A	Development Fee Study		\$85
730	N/A	Development Fee Study		(\$11,804)
	T5009	Traffic Signal Upgrades		\$142,400
740	N/A	Development Fee Study		\$1,151
750	N/A	Development Fee Study		\$682
760	N/A	Development Fee Study		\$128
770	N/A	Development Fee Study		\$767
Total Expenditures				\$133,793

Town of Fountain Hills, Arizona
 Annual Development Fee Report
 Fiscal Year 2010
 Summary by Development Fee
 From July 1, 2009 – June 30, 2010

SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES

	710 Law Enforcement	720 Fire and Emergency	730 Streets	740 Parks and Recreation	750 Open Space	760 Library Museum	770 General Government	Total
Beginning fund balance 6/30/2009	\$186,921	\$36,399	(\$33,298)	(\$30,580)	\$1,629,643	\$36,719	\$499,612	\$2,325,416
REVENUES								
Development Fees Collected	\$8,646	\$1,978	\$181,487	\$22,076	\$9,897	\$3,253	\$16,194	\$243,531
Transfers								
Interest Earnings	\$177	\$34	\$77	(\$65)	\$1,544	\$35	\$472	\$2,274
Total Revenues	\$8,823	\$2,012	\$181,564	\$22,011	\$11,441	\$3,288	\$16,666	\$245,805
EXPENDITURES								
Capital Project Expenditures	\$384	\$85	\$130,596	\$1,151	\$682	\$128	\$767	\$133,793
Debt Service Payments								\$0
Total Expenditures	\$384	\$85	\$130,596	\$1,151	\$682	\$128	\$767	\$133,793
Net Cash Increase (Decrease)	\$8,439	\$1,927	\$50,968	\$20,860	\$10,759	\$3,160	\$15,899	\$112,012
End of Year Cash Balance	\$195,360	\$38,326	\$17,670	(\$9,720)	\$1,640,402	\$39,879	\$515,511	\$2,437,428