



City of Scottsdale, Arizona
Annual Report on the Collection and Use of
Development Fees
For the Fiscal Year Ended June 30, 2026

Prepared by City of Scottsdale Financial Management Service Division
September 23, 2026

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The City of Scottsdale (City), Arizona, Annual Report on the Collection and Use of Development Fees for the Fiscal Year Ended June 30, 2026, is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, stating "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 must be submitted to the City Clerk and posted on the City's website within ninety days following the end of the fiscal year and may contain information that has not been audited. The annual report shall include the following:

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 a capital improvement project that is the subject of a 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 development fees in order to pay the cost of a capital improvement project that is the subject of a 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 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.

Development fees are one-time payments to fund construction of public facilities needed to accommodate new development. Development fees may not be used for replacement of existing facilities, nor may they be used to cover maintenance or operating expenses. The intent of these fees is for new development to pay its "proportionate share" of capital cost for infrastructure capacity needed for growth. Water development fees pay for the cost of new water treatment, production, pumping, storage, and transmission facilities. Water Supply development fees pay for the costs of acquiring new water supplies, including groundwater recharge at the Water Campus. Sewer development fees pay for the cost of new sewer collection, conveyance, treatment, and reclamation. These fees apply to all categories of development and are paid at the time of issuance of the building permit. If a building permit is not required for the development, but water or wastewater connections are required, fees are paid at the time the water service connection is purchased. To properly account for the collection and use of development fees, the city established three funds shown in the following table.

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Fee Type	Fund
Water Development Fees	6106
Water Supply Development Fees	6107
Sewer Development Fees	6301

The collection of development fees and the Annual Report for Fiscal Year Ended June 30, 2026, are based on the fee schedule and corresponding reports adopted by City Council. The development fees were calculated based upon a ten-year planning horizon. The city prepared updated Land Use Assumptions, Infrastructure Improvements Plans and a Development Impact Fee Report, all of which were adopted by City Council. The city last adopted revised development fees on June 24, 2025, that went into effect September 15, 2025. Further, state statute requires that infrastructure improvement plans be adopted by organizations who charge impact fees every five years.

The cash balances in the development fee funds may be positive or negative at various times during the new growth and capital expansion cycle. At times, capital expansion must occur well in advance of collecting fees from future development to serve new development, which results in temporary negative cash balances that will be repaid as fees are collected from new development. At other times, new growth may be served with existing system capacity. This results in fees being collected in advance of capital expansion costs whereby positive cash balances occur, with funds being applied toward future capital expansion costs. The following unaudited Summary of the Collection and Use of Development Fees shows negative ending cash balances in Funds 6106, 6107, and 6301. The unaudited summary also presents the amounts collected and expended by fund for the fiscal year ended June 30, 2026.

This report complies with ARS Section 9-463.05. If you have any questions about this report or need additional information contact:

Scottsdale Water Resources Division
9379 East San Salvador Drive
Scottsdale, AZ 85258
(480) 312-5685

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SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES

	Water Fund 6106	Water Supply Fund 6107	Sewer Fund 6301
REVENUES			
Development Fees Assessed/Collected ^{1,2}	\$ 5,504,637	\$ 414,568	\$ 3,557,590
EXPENDITURES			
Capital Improvement Project Expenses	2,712,066	-	493,584
Professional Services/Fee Study Costs	987	-	987
Debt Service Interest Payments	1,127,314	447,453	1,722,360
Total Expenditures	3,840,367	447,453	2,216,931
Net Cash Increase (Decrease)	1,664,270	(32,885)	1,340,659
Beginning Fund Cash Balance ^{3,4}	(68,354,611)	(9,259,847)	(93,141,911)
Ending Fund Cash Balance ⁵	<u>\$ (66,690,341)</u>	<u>\$ (9,292,732)</u>	<u>\$ (91,801,253)</u>

¹Development fees have three components; buy-in of Existing Facilities, Growth Related Projects, and interest.

²There was no interest or other earnings; each fund had a negative fund balance during the fiscal year.

³Beginning Fund Cash Balances include inception-to-date expenditures on growth related construction and acquisition costs, principal and interest.

⁴Beginning Fund Cash Balances reflect correcting entries that posted after fiscal year end June 30, 2025, report was prepared.

⁵Infrastructure related expenses do not generally occur when the Development Fee Assessment revenue is collected. As such, funds are advanced from the Water Operating Fund to both the Water Development and Water Supply Development Funds and advanced from the Sewer Operating Fund to the Sewer Development Fund. This internal, temporary borrowing is to be repaid when revenues within the Development Fee Funds exceed eligible expenses.

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SCHEDULE OF CAPITAL IMPROVEMENT PROJECT EXPENSES

WATER DEVELOPMENT FEES - FUND 6106

<u>Project</u>	<u>Project Name and Location</u>	<u>Expenditures¹</u>
PW1905	New Well North of Loop 101 near Hayden ASR Well 159	\$ (244,259)
PW1906	Crossroads East - Water System Improvements	245,417
PW2001	Rio Verde/128th Street Transmission Mains	2,710,908
		<u>\$ 2,712,066</u>

WATER SUPPLY DEVELOPMENT FEES - FUND 6107

<u>Project</u>	<u>Project Name and Location</u>	<u>Expenditures</u>
None	N/A	\$ -
		<u>\$ -</u>

SEWER DEVELOPMENT FEES - FUND 6301

<u>Project</u>	<u>Project Name and Location</u>	<u>Expenditures</u>
PV1902	Jomax Road Sewer Improvements	\$ 4,606
PV1906	Wastewater System Improvements	256,202
PV2301	Greenway Hayden Loop Sewer Improvement	20,974
PV2302	Mayo Boulevard Sewer Improvements	211,802
		<u>\$ 493,584</u>

¹Negative expenditure is due to changes in funding related to expenses incurred in prior fiscal years.

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SCHEDULE OF DEBT SUMMARY			
<u>Bonds Issued</u>	<u>Current Year Debt Service Interest</u>	<u>Future Debt Service Interest</u>	<u>Final Payment Year</u>
WATER			
2015 MPC Refunding	\$ 169,800	\$ -	2026
2017A MPC	260,898	1,432,333	2037
2017 MPC Refunding	241,600	890,400	2034
2021A MPC Refunding	29,632	118,528	2030
2021B MPC Refunding	425,384	2,530,455	2036
	<u>\$ 1,127,314</u>	<u>\$ 4,971,716</u>	
WATER SUPPLY			
2015 MPC Refunding	\$ 28,746	\$ -	2026
2017 MPC Refunding	306,890	1,130,600	2034
2021A MPC Refunding	26,033	104,132	2030
2021B MPC Refunding	85,784	510,296	2036
	<u>447,453</u>	<u>1,745,028</u>	
SEWER			
2006 MPC Refunding	\$ 149,492	\$ 312,350	2030
2015A MPC	308,413	1,342,066	2034
2015 MPC Refunding	61,455	-	2026
2017 MPC Refunding	747,422	2,753,876	2034
2021A MPC Refunding	186,470	745,880	2030
2021B MPC Refunding	269,108	1,600,872	2036
	<u>\$ 1,722,360</u>	<u>\$ 6,755,044</u>	



DEVELOPMENT FEES

Effective September 15, 2025
Schedule #09-15-25

Collection of Development fees

Pursuant to City of Scottsdale Revised Code Section 49-82: Unless otherwise specified by a Development Agreement adopted in accordance with Section 49-84 of this Article, impact fees shall be paid before issuance of a building permit according to the current impact fee schedule for the Service Area. If a building permit is not issued, refer to Section 49-82, paragraphs 2 through 5 to determine impact fee payment requirements.

Meter Size

Water meters shall be sized per the City's Design Standards and Policies Manual, Section 6-1.416 (Figure 6.1-4). In the event of a disagreement between the developer and the city as to the appropriate size of the meter, the city's decision shall be final.

Water and wastewater impact fees shall be determined according to the following schedule:

Meter Type	Water Fee	Wastewater Fee	Total Impact Fee
5/8, 3/4 and 1 Inch	\$8,836	\$6,028	\$14,864
1 1/2 Inch	\$44,180	\$30,140	\$74,320
2 Inch	\$70,688	\$48,224	\$118,912
3 Inch Compound	\$154,603	\$105,490	\$260,093
3 Inch Turbine	\$192,625	\$131,410	\$324,035
4 Inch Compound	\$265,080	\$180,840	\$445,920
4 Inch Turbine	\$331,350	\$226,050	\$557,400
6 Inch Compound	\$596,430	\$406,890	\$1,003,320
6 Inch Turbine	\$706,880	\$482,240	\$1,189,120

For meters larger than 6 inches, the development fees will be based on the number of EDUs associated with the average daily demands for the proposed development, as determined by the division director.