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8.0 Background

The Cost of Development element is intended to provide the information needed to address the fiscal impacts of new development on a city or town, and provides a framework for how to budget for those financial impacts on the community at large. The various types of services, infrastructure, and facilities addressed by this element are: building safety and code enforcement services; parks and recreation facilities and services; street maintenance; utility services including water, wastewater, and sanitation; and police, fire, and emergency services.

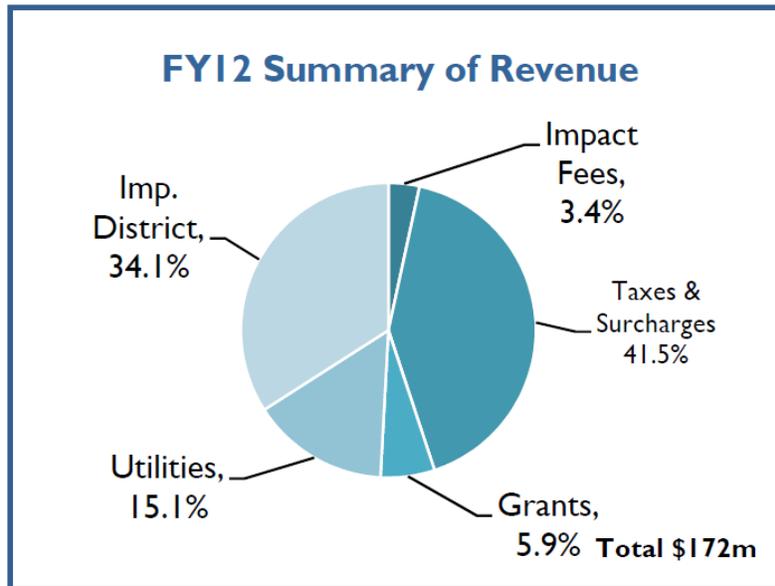
This element is directly related to the Land Use, Circulation and Community Facilities elements, and the City of Goodyear must evaluate what percentage the City will commit to each of these types of needs, and how the provision of those services will be financed. Cost of Development is heavily dependent on the funding mechanisms used by the City and it identifies various sources such as “bonding, special taxing districts, development fees, in lieu fees, facility construction, dedications, and service privatization” (City of Goodyear, 2003).

8.1 Budget and Financing

In order to finance all of the facilities, infrastructure, and services identified, the City of Goodyear must budget for these expenditures based on the annual revenues and any fund balances carried over from the previous fiscal year. The estimated annual revenues for the City in FY12 totaled \$172 million, a 9 percent increase from the previous year’s budgeted revenues. Figure 8.1 shows the sources of revenue the City receives and what their percentages are of the City’s total revenue.

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Figure 8.1



The balance of revenues to expenditures is a complex process of extensive scope, the details of which are best reviewed in either the City's annual budget or comprehensive financial annual report. The budget process for the City is generally a balanced process from year to year; however, some expenditures and investments can occur over several years, especially with capital projects such as infrastructure improvements or new facility construction. The framework established to distribute these revenues towards the various costs of development consists of several funds such as the: General Fund, Capital Improvement Program Fund (CIP), Highway User Revenue Fund (HURF), Stadium Fund, and the Sanitation, Water, and Wastewater funds.

8.2 Bond Rating and Capacity

The current bonding capacity available for the City is \$98,197,310, which is based on the secondary assessed valuation for property tax within the City. Bond ratings are extremely important to the City of Goodyear's capital improvement plan, and Standard & Poor's currently lists the City of Goodyear and having an A+ rating for general obligation debt bonding. This is based on a stable position with regard to its water and sewer programs, but the rating is not at the highest level of AAA because the City is seen as being

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susceptible to economic conditions (standardandpoors.com). The City of Goodyear has shown the ability and willingness to adjust rates in response to changing conditions, and these high bond ratings should serve to ensure that the City of Goodyear will continue to have the capacity to sell additional general obligation bonds to finance new facilities, infrastructure, and services in the future.

Table 8.1: CIP Funding	
Fund Type	FY11-12
General Fund	\$2,163,160
Public Works Impact Fees	\$1,250,000
Transportation Impact Fees	\$508,839
CDBG Grant	\$200,000
MAG Grant	\$906,000
Water Resources Impact Fees	\$220,000
Water Impact Fees	\$601,657
Reclaimed Water Impact Fees	\$212,008
Stadium Infrastructure	\$5,700,000
Other Contributions	\$30,000
Total	\$11,791,664

Source: City of Goodyear Annual Budget 2011-2012

8.3 Capital Improvement Program

The Capital Improvement Program (CIP) is a financial plan for meeting the needs of the community over the next five years, and is updated annually. This process is constantly revised and updated to address needs such as land acquisition, design and engineering, as

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well as physical construction of structures, streets, drainage, lighting, and water and sewer equipment. The program can be funded by various sources. Table 8.1 details which funds contribute to the overall funding of the CIP. The City of Goodyear may provide incentives to offset the direct infrastructure costs with density bonuses, preferential review processes and fee credits. Currently there is almost 30 million dollars being invested in various CIP projects which are carried over from previous years, almost 12 million dollars to be spent on projects in FY12, and just shy of 42 million dollars that will be spent on all CIP projects over the next five years (see table 8-2).

Table 8.2: Utility and Non-Utility CIPs

Type of Project	Carryover	FY12	5 Year Total
Art	\$161,770	\$0	\$272,148
Facility	\$5,922,211	\$1,250,000	\$1,250,000
Park	\$247,029	\$319,210	\$319,210
Street	\$3,148,536	\$9,334,490	\$26,081,002
Technology	\$9,370,611	\$0	\$1,200,000
Water	\$4,424,106	\$821,657	\$6,499,018
Water Reclamation	\$2,377,370	\$66,307	\$1,533,863
Wastewater	\$4,025,255	\$0	\$4,844,311
Total	\$29,676,888	\$11,791,664	\$41,999,552

Source: City of Goodyear CIP Plan 2012

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8.4 Other Funds

The City of Goodyear has several other funds established to contribute to and address the cost of development of specific categories. The City also has policies in place to apportion appropriate levels of dedications, impact fees, and improvements to new developments as a part of the zoning and development review process. The City of Goodyear provides development, permit, and inspection fees to offset the operational costs of its Building and Public Works Departments. User fees are charged for utilities to offset costs of operating those departments. Below is a description of some of the funds the City has established (City of Goodyear, 2011a), with Table 8.3 listing the current fiscal year amounts of those funds:

The Highway User Revenue Fund (HURF) is funded through gasoline and fuel taxes distributed from the State of Arizona. The types of projects this fund supports are: street overlay improvements, street maintenance, striping and signage, and signalization and street light maintenance.

The Sanitation Fund is an enterprise fund and is self sustaining, meaning that the funding is primarily derived from customer user fees. These fees are based on a fixed fee schedule for residences and for commercial customers, and are calculated utilizing the marginal/incremental cost method. The City contracts with an outside vendor to provide most services, but the City does provide residents with bulk trash pick up to residents once a month. New residential construction is the largest determining factor for increasing the capacity of the solid waste program.

The Water Fund is also an enterprise fund, where user fees are set to recover the cost of providing water services to customers. The unit for measurement for establishing these fees is the Equivalent Dwelling Unit (EDU) method. Regular audits of revenue earned and expenses accrued in order to establish user fees, and due to this process a rate increase was implemented recently with additional rate increases for the next two years.

The Wastewater Fund is another enterprise fund, primarily derived from user fees which are based on the cost of construction and equipping new wastewater treatment and

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reclamation facilities, and the cost constructing new parts to the collection system. The fees are calculated utilizing the marginal/incremental cost method. New facilities and infrastructure are funded through development impact fees charged to the developer. The Stadium Fund is an enterprise fund. A subsidy is required from the General Fund to sustain operations for the two Major League Baseball training facilities and the main stadium facility. The actual fund amount is \$1.5 million, but operating costs are supported through a transfer from the General Fund of approximately \$2.1 million

Table 8.3: Other Funds	
Fund	FY12
HURF	\$3.2 M
Sanitation Fund	\$6.3 M
Water Fund	\$10 M
Wastewater Fund	\$9.5 M
Stadium Fund	\$1.5 M

Source: City of Goodyear Annual Budget 2011-2012

8.5 New Development Impact Fee Rules

The current standard of projected revenues, capital outlays, and facility needs must be updated to comply with the 2011 legislative restrictions on impact and development fee collection. A.R.S. 9-463.05 authorizes cities and towns in Arizona to collect development fees so long as they offset costs to the municipality associated with providing necessary public services to a development. The key phrases that describe the intent are that the fees: are to provide necessary public services which are of beneficial use to the development; are not exceed a proportionate share; and are based on the same level of service provided to existing development in the service area (A.R.S. 9-463.05). Additionally, development

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impact fees are not to be used for: construction, acquisition or expansion of public facilities; repair, operation or maintenance; upgrading, updating, expanding, correcting or replacing... to meet stricter safety, efficiency, environmental or regulatory standards... or to provide a higher level of service; or administrative, maintenance or operating costs (A.R.S. 9-463.05). The following list is an example of different types of public facilities which are no longer considered infrastructure, and that development impact fees cannot be collected for:

- police and fire facilities for training of firefighters or officers
- libraries over 10,000 square feet
- parks greater than 30 acres in size
- amusement parks
- aquariums or aquatic centers
- auditoriums or arenas
- arts and cultural facilities
- bandstand or orchestra facilities
- bathhouses
- boathouses
- zoo facilities
- clubhouses or community centers greater than three thousand square feet in floor area
- environmental education centers
- equestrian facilities
- golf course facilities
- greenhouses,
- museums
- theme parks
- lakes, water reclamation, riparian areas or wetlands
- or any other similar recreational facilities.

8.6 Revenue Changes

Several changes in revenue sources affect the City of Goodyear for this fiscal year. Senate Bill 1460 changed the rules for transaction privilege taxes relating to the hospitality industry. Where these taxes are “higher than those imposed on other businesses”, the determination is that they must be “used for tourism promotion” (City of Goodyear, 2011a). While there is no estimated change in this revenue source, it will require the taxes be used for hospitality related activities only.

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Another change implemented this year is a reduction of the Food Tax. The City Council recently addressed the issue that the tax presents an additional burden on those residents who are already struggling financially. The Food Tax will be gradually reduced, starting with a 0.25 percent reduction, and has the potential to be eliminated entirely. This will result in a \$375,000 reduction in revenues. Other trends in the last few years include a significant increase in both state shared revenues and property tax revenues. The City also had reductions in construction sales tax revenues and planning fee/community development fee category revenues. This is due to the high vacancy rates and the slowing of the economy, and the City acknowledges that it is unlikely it will see a significant increase from those sources of revenue in the near future. The most dramatic change to how the cost of development is addressed for the City is in terms of development impact fees.

8.7 Existing Plans and Policies

City of Goodyear (2003). *Goodyear General Plan 2003-2013*. Goodyear, AZ: City of Goodyear.

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