Land Use Assumptions Infrastructure Improvements Plan and Development Fee Report

Prepared for: Town of Payson, Arizona

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
ARIZONA DEVELOPMENT FEE ENABLING LEGISLATION	1
Necessary Public Services	1
Infrastructure Improvements Plan	1
Qualified Professionals	2
Conceptual Development Fee Calculation	2
Evaluation of Credits/Offsets	3
DEVELOPMENT FEE REPORT	4
Methodology	4
Figure 1: Recommended Calculation Methodologies	5
Rounding	5
Service Areas	5
Figure 2: Current Development Fee Service Areas	6
CURRENT DEVELOPMENT FEES	6
Figure 3: Current Utility Development Fees	7
PROPOSED DEVELOPMENT FEES	7
Figure 4: Utility Development Fees Comparative Analysis (proposed vs. current)	8
WATER FACILITIES INFRASTRUCTURE IMPROVEMENT PLAN	9
Service Area	9
Proportionate Share	9
RATIO OF SERVICE UNIT TO DEVELOPMENT UNIT	9
Figure W1: Water Ratio of Service Unit to Development Unit	10
Water Facilities Consumption Standards	11
Figure W2: Water Facilities Level of Service Standards	
Figure W3: Future Projections of Water Consumption	12
Water Delivery – Cost Recovery	
Figure W4: Water Facilities Cost Recovery: Water Delivery	
Water Treatment – Cost Recovery	13
Figure W5: Water Facilities Cost Recovery: Water Treatment	14
Water Storage and Transmission – Cost Recovery	14
Figure W6: Water Facilities Cost Recovery: Storage and Transmission	15
Development Fee Report – Plan-Based	16
Figure W7: Development Fee Report Cost Allocation	
WATER DEVELOPMENT FEE	16
Revenue Credit/Offset	
Proposed Water Facilities Development Fees	16
Figure W8: Proposed Water Facilities Development Fees	
Forecast of Revenues	17
Development Fee Revenues for Water Facilities	
Figure W9: Projected Water Facilities Development Fee Revenue	



APPENDIX A: LAND USE ASSUMPTIONS	
Executive Summary	19
Service Areas	19
Figure A1: Current Development Fee Service Areas	
RESIDENTIAL DEVELOPMENT	20
Persons per Housing Unit	
Figure A2: Year-Round Persons per Unit by Type of Housing	
Current Residential and Housing Unit Estimates and 2033 Projections	21
Figure A3: Year-Round Persons per Unit by Type of Housing	
Figure A4: Payson Population and Housing Estimates for 2018 to 2033	
NONRESIDENTIAL DEVELOPMENT	23
Jobs and Nonresidential Floor Area by Type of Nonresidential Development	23
Figure A5: Payson Jobs Estimates and Nonresidential Floor area for 2018	
Figure A6: Payson Job and Floor Area Projections by Service Area	
SUMMARY OF GROWTH INDICATORS	24
Figure A7: Payson Projections and Growth Rates	
APPENDIX B: FORECAST OF REVENUES	
Figure B1: Five-Year Revenue Projections	



EXECUTIVE SUMMARY

The Town of Payson hired TischlerBise to document land use assumptions, prepare an Infrastructure Improvements Plan (hereinafter referred to as the "IIP"), and update development fees pursuant to Arizona Revised Statutes ("ARS") § 9-436.05 (hereinafter referred to as the "Enabling Legislation"). Municipalities in Arizona may assess development fees to offset infrastructure costs to a municipality for necessary public services. The development fees must be based on an Infrastructure Improvements Plan and Land Use Assumptions. The IIPs for Payson's water facilities are located in corresponding sections of this report, and the Land Use Assumptions can be found in Appendix A. The proposed development fees are displayed in the Development Fee Report chapter.

Development fees are one-time payments used to construct system improvements needed to accommodate new development. The fee represents future development's proportionate share of infrastructure costs. Development fees may be used for infrastructure improvements or debt service for growth related infrastructure. In contrast to general taxes, development fees may not be used for operations, maintenance, replacement, or correcting existing deficiencies.

This update of the Town's Infrastructure Improvements Plan and associated update to its development fees includes the following necessary public services:

Water Facilities

This plan also includes all necessary elements required to be in full compliance with Arizona Revised Statutes ("ARS") § 9-436.05 (SB 1525).

ARIZONA DEVELOPMENT FEE ENABLING LEGISLATION

The Enabling Legislation governs how development fees are calculated for municipalities in Arizona.

Necessary Public Services

Under the requirements of the Enabling Legislation, development fees may only be used for construction, acquisition or expansion of public facilities that are necessary public services. "Necessary public service" means any of the following categories of facilities that have a life expectancy of three or more years and that are owned and operated on behalf of the municipality: water, wastewater, storm water, drainage, flood control, library, streets, fire and police, and neighborhood parks and recreation. Additionally, a necessary public service includes any facility, not included in the aforementioned categories (e.g., general government facilities), that was financed before June 1, 2011 and that meets the following requirements:

- 1. Development fees were pledged to repay debt service obligations related to the construction of the facility.
- 2. After August 1, 2014, any development fees collected are used solely for the payment of principal and interest on the portion of the bonds, notes, or other debt service obligations issued before June 1, 2011 to finance construction of the facility.

Infrastructure Improvements Plan

Development fees must be calculated pursuant to an IIP. For each necessary public service that is the subject of a development fee, by law, the IIP shall include the following seven elements:



- A description of the existing necessary public services in the service area and the costs to update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed in this state, as applicable.
- An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable.
- A description of all or the parts of the necessary public services or facility expansions and their costs necessitated by and attributable to development in the service area based on the approved Land Use Assumptions, including a forecast of the costs of infrastructure, improvements, real property, financing, engineering and architectural services, which shall be prepared by qualified professionals licensed in this state, as applicable.
- A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial.
- The total number of projected service units necessitated by and attributable to new development in the service area based on the approved Land Use Assumptions and calculated pursuant to generally accepted engineering and planning criteria.
- The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed 10 years.
- A forecast of revenues generated by new service units other than development fees, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved Land Use Assumptions and a plan to include these contributions in determining the extent of the burden imposed by the development.

Qualified Professionals

The IIP must be developed by qualified professionals using generally accepted engineering and planning practices. A qualified professional is defined as "a professional engineer, surveyor, financial analyst or planner providing services within the scope of the person's license, education, or experience." TischlerBise is a fiscal, economic, and planning consulting firm specializing in the cost of growth services and is licensed to do business in Arizona. Our services include development fees, fiscal impact analysis, infrastructure financing analyses, user fee/cost of service studies, capital improvement plans, and fiscal software. TischlerBise has prepared over 900 development fee studies over the past 40 years for local governments across the United States.

Conceptual Development Fee Calculation

In contrast to project-level improvements, development fees fund growth-related infrastructure that will benefit multiple development projects, or the entire service area (usually referred to as system improvements). The first step is to determine an appropriate demand indicator for the particular type of infrastructure. The demand indicator measures the number of service units for each unit of development. For example, an appropriate indicator of the demand for parks is population growth and the increase in



population can be estimated from the average number of persons per housing unit. The second step in the development fee formula is to determine infrastructure improvement units per service unit, typically called Level of Service standards, sometimes referred to as LOS. In keeping with the park example, a common LOS standard is improved park acres per thousand people. The third step in the development fee formula is the cost of various infrastructure units. To complete the park example, this part of the formula would establish a cost per acre for land acquisition and/ or park improvements.

Evaluation of Credits/Offsets

Regardless of the methodology, a consideration of credits/offsets is integral to the development of a legally defensible development fee. There are two types of credits/offsets that should be addressed in development fee studies and ordinances. The first is a revenue credit/offset due to possible double payment situations, which could occur when other revenues may contribute to the capital costs of infrastructure covered by the development fee. This type of credit/offset is integrated into the fee calculation, thus reducing the fee amount. The second is a site-specific credit or developer reimbursement for dedication of land or construction of system improvements. This type of credit is addressed in the administration and implementation of the development fee program. For ease of administration, TischlerBise normally recommends developer reimbursements for system improvements.



DEVELOPMENT FEE REPORT

METHODOLOGY

Development fees for the necessary public services made necessary by new development must be based on the same level of service provided to existing development in the service area. There are three basic methodologies used to calculate development fees. They examine the past, present, and future status of infrastructure. The objective of evaluating these different methodologies is to determine the best measure of the demand created by new development for additional infrastructure capacity. Each method has advantages and disadvantages in a particular situation and can be used simultaneously for different cost components. Additionally, development fees for public services can also include the cost of professional services for preparing IIP's and the related Development Fee report.

Reduced to its simplest terms, the process of calculating development fees involves two main steps: (1) determining the cost of development-related capital improvements and (2) allocating those costs equitably to various types of development. In practice, though, the calculation of development fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for facilities within the designated service area. The following paragraphs discuss basic methods for calculating development fees and how those methods can be applied.

- **Cost Recovery** (past improvements) The rationale for recoupment, often called cost recovery, is that new development is paying for its share of the useful life and remaining capacity of facilities already built, or land already purchased, from which new growth will benefit. This methodology is often used for utility systems that must provide adequate capacity before new development can take place.
- Incremental Expansion (concurrent improvements) The incremental expansion method documents current level of service standards for each type of public facility, using both quantitative and qualitative measures. This approach assumes there are no existing infrastructure deficiencies or surplus capacity in infrastructure. New development is only paying its proportionate share for growth-related infrastructure. Revenue will be used to expand or provide additional facilities, as needed, to accommodate new development. An incremental expansion cost method is best suited for public facilities that will be expanded in regular increments to keep pace with development.
- **Plan-Based** (future improvements) The plan-based method allocates costs for a specified set of improvements to a specified amount of development. Improvements are typically identified in a long-range facility plan and development potential is identified by a land use plan. There are two basic options for determining the cost per demand unit: (1) total cost of a public facility can be divided by total demand units (average cost), or (2) the growth-share of the public facility cost can be divided by the net increase in demand units over the planning timeframe (marginal cost).

A summary is provided in Figure 1 showing the methodology for each of the facility and fee study types, as well as the service area and cost allocation method used to develop the IIP and calculate the development fees.



Category	Cost Recovery (past)	Incremental Expansion (present)	Plan-Based (future)	Service Areas	Cost Allocation
Water	Water Supply, Water Wells, Water Transmission, Treatment Plant		Fee Study	Citywide	Gallons

Figure 1: Recommended Calculation Methodologies

Rounding

A note on rounding: Calculations throughout this report are based on an analysis conducted using Excel software. Most results are discussed in the report using two, three, and four-digit places, which represent rounded figures. However, the analysis itself uses figures carried to their ultimate decimal places; therefore, the sums and products generated in the analysis may not equal the sum or product if the reader replicates the calculation with the factors shown in the report (due to the rounding of figures shown, not in the analysis).

SERVICE AREAS

ARS 9-63.05 defines "service area" as follows:

Any specified area within the boundaries of a municipality in which development will be served by necessary public services or facility expansions and within which a substantial nexus exists between the necessary public services or facility expansions and the development being served as prescribed in the infrastructure improvements plan.

The Town's previous Land Use Assumptions, Infrastructure Improvement Plan and Development Study recommended a single service area, shown below in Figure 2 which is being maintained for the basis of this study. The Town of Payson manages the supply of water resources within the Town. Therefore, the service area for the Water Facilities IIP is Townwide. At present, water is supplied entirely from groundwater wells. Due to the complexity of securing surface water resources necessary to protect against service interruptions from prolonged drought and/or growth, the Town proactively secured a water allocation from the C.C. Cragin Reservoir 25-miles north-west of Payson. The Town has constructed a delivery, treatment, and distribution system to manage the annual allocation of surface water from the C.C. Cragin Reservoir to development in the service area, marked as "Town of Payson" below.





Figure 2: Current Development Fee Service Areas

CURRENT DEVELOPMENT FEES

Payson's current development fees are shown below in Figure 3. The existing fees are driven by demand to the intensity of the use on the utility services measured by equivalent dwelling units, ERU's whereby fees are assessed based on ERU's by development type – Residential or Nonresidential. The Town establishes Equivalent Dwelling Unit, (EDU) Calculations through Administrative Policy (Water Division-A604) which are applied to the fee schedule throughout the study. TischlerBise is calculating development fees based on current Town EDU (June 2014) conversions in this study and references these units as ERU's, Equivalent Residential Units.



Figure 3: Current Utility Development Fees

Residential Schedule		Development Fee per Housing Unit			
		Equivalent	Average	Current	
		Residential	Day	Water	
	Number of	Unit	Gallons	Fee	
Unit Type	Bedrooms	per ı	(Per Housing Unit)		
Multi Unit	0-2	0.63	146	\$4,153	
Multi Unit	3+	1.14	264	\$7,515	
Multi Unit	Average	0.75	174	\$4,944	
Single Unit	0-3	0.88	204	\$5,801	
Single Unit	4+	1.38	320	\$9,097	
Single Unit	Average	1.00	232	\$6,592	

	lopment Fee per Square	Foot		
Nonresidential Schedule		Equivalent Residential Unit	Average Day Gallons	Current Water Fee
		per 1,000 Sc	(Per Square Foot)	
Commercial		0.13	31	\$0.88
Office/Institutional		0.33	77	\$2.20
Industrial - Manufacturing	3	0.10	23	\$0.66
Industrial - Warehouse Space		0.05	12	\$0.33
	Unit	per L	(Per Unit)	
Hotel/Motel	per Room	0.45	104	\$2,955
Nursing Home	per Bed	0.33	77	\$2,188

PROPOSED DEVELOPMENT FEES

The proposed fees are based on a policy-level concept that development fees should fund 100 percent of growth-related infrastructure, therefore the fees shown below represent the maximum allowable fees. Payson may adopt fees that are less than the amounts shown; however, a reduction in development fee revenue will necessitate an increase in other revenues, a decrease in planned capital improvements and/or a decrease in Payson's level of service standards. All costs in the Development Fee Report are in current dollars with no assumed inflation rate over time. If cost estimates change significantly over time, development fees should be recalibrated. The changes between the proposed and current fees are shown in Figure 4 below. Note: the red figures in parentheses represent decreases in fee amounts.

Fees are based on ERU, current fees are provided for comparison, with a single family dwelling unit being equivalent to 1 ERU.



Figure 4: Utility Development Fees Comparative Analysis (proposed vs. current)

Residential Schedule					nent Fee per Hou	sing Unit
		Equivalent	Average	Proposed		
		Residential	Day	Water	Current	Increase
	Number of	Unit [1]	Gallons	Fee	Fee	(Decrease)
Unit Type	Bedrooms	Irooms per unit		(Per Housing Unit))
Multi Unit	Average	0.72	157	\$2,441	\$4,944	(\$2,503)
Single Unit	Average	1.00	218	\$3,391	\$6,592	(\$3,201)

				Development Fee per Square Foot			
		Equivalent	Average	Proposed			
		Residential	Day	Water	Current	Increase	
Nonresidential Schedule	Unit [2]	Gallons	Fee	Fee	(Decrease)		
		per 1,00	0 Square Feet		(Per Square Foot)		
Industrial		0.10	22	\$0.34	\$0.66	(\$0.32)	
Commercial/Retail		0.13	29	\$0.45	\$0.88	(\$0.43)	
Institutional		0.33	73	\$1.13	\$2.20	(\$1.07)	
Office		0.33	73	\$1.13	\$2.20	(\$1.07)	
	Unit	per Unit			(Per Unit)		
Hotel/Motel	per Room	0.45	98	\$1,526	\$2,955	(\$1,429)	
Nursing Home	per Bed	0.33	72	\$1,119	\$2,188	(\$1,069)	

[1] Residential ERUs based on 2017 Census ACS Persons Per Household figures.

[2] Nonresidential Equivalent Residential Units calculated and provided by Town of Payson Water Department



WATER FACILITIES INFRASTRUCTURE IMPROVEMENT PLAN

ARS § 9-463.05 (T)(7)(a) defines the facilities and assets that can be included in the Water Facilities IIP:

"Water facilities, including the supply, transportation, treatment, purification and distribution of water, and any appurtenances for those facilities."

The Water Facilities IIP includes components for the cost recovery of a recent three-phased water facility capacity expansion to ensure adequate water treatment and supply to accommodate future growth, and the cost of professional services for preparing the Water Facilities IIP and related Development Fee Report.

Service Area

The Town's previous Land Use Assumptions, Infrastructure Improvement Plan and Development Study recommended the service area, shown in Figure 2 which is incorporated into this study.

Proportionate Share

ARS § 9-463.05 (B)(3) states that the development fee shall not exceed a proportionate share of the cost of necessary public services needed to provide necessary public services to the development.

The Water Facilities IIP and development fees are assessed on both residential and nonresidential development as both types of development create a burden for additional water facilities. Customers by land use are used to determine the proportionate share of this burden. In 2018, approximately 92% of water connections in Payson were residential, accounting for 69% of the average daily demand. Approximately 8% of connections were nonresidential, accounting for 31% of the average daily demand. However, large multi-family residential structures such as apartment and condominium buildings are often served by a nonresidential meter, so these connection and consumption proportions cannot be used to allocate costs between residential and nonresidential development.

RATIO OF SERVICE UNIT TO DEVELOPMENT UNIT

ARS § 9-463.05(E)(4) requires:

"A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial."

Residential water development fees are assessed on a per unit basis, based on average daily gallons of usage per customer. Nonresidential water development fees are assessed by equivalent ERU, which is set by Administrative Policy by the town. The nonresidential water development fees are calculated by multiplying the equivalent ERU's by the size of the structure (sq. ft.), as shown in Figure W1.



Figure W1: Water Ratio of Service Unit to Development Unit

	Average Residential Unit	-	
	Average Day Gallons per Person 97		
Land Use	Conversion Unit	Average Day Gallons per Development Unit	Equivalent Residential Units
Single Unit		218	1.00
Multi-Unit - Avg	1.62	157	0.72
Nonresidential [2]	Square Feet		
Industrial	1,000	22	0.10
Commercial/Retail	1,000	29	0.13
Institutional	1,000	73	0.33
Office	1,000	73	0.33
Nonresidential [2]	Specialized		
Hotel/Motel	per Room	98	0.45
Nursing Home	per Bed	72	0.33

[1] Development Fee Land Use Assumptions

[2] Nonresidential Equivalent Residential Units calculated and provided by Town of Payson Water Department

ANALYSIS OF CAPACITY AND USAGE OF EXISTING PUBLIC SERVICES

ARS § 9-463.05(E)(5) requires:

"The total number of projected service units necessitated by and attributable to new development in the service area based on the approved land use assumptions and calculated pursuant to generally accepted engineering and planning criteria."

ARS § 9-463.05(E)(2) requires:

"An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable."



Water Facilities Consumption Standards

Figure W2 shows average yearly water demand in the Town. Annual consumption average 1.57 million gallons per day, with the average connections at 8,307.

Figure W2: Water Facilities Level of Service Standards

	Avg Gallons per Day ¹	Connections ²	Connections per KSF
Residential	1,084,114	7,656	
Nonresidential	487,177	651	0.521
TOTAL	1,571,290	8,307	

1. Three year average annual consumption by account type.

2. Three year average number of connections by account type.

PROJECTED DEMAND AND COST FOR SERVICES

ARS § 9-463.05(E)(1) requires:

"A description of the existing necessary public services in the service area and the costs to upgrade, update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed in this state, as applicable."

ARS § 9-463.05(E)(3) requires:

"A description of all or the parts of the necessary public services or facility expansions and their costs necessitated by and attributable to development in the service area based on the approved land use assumptions, including a forecast of the costs of infrastructure, improvements, real property, financing, engineering and architectural services, which shall be prepared by qualified professionals licensed in this state, as applicable."

ARS § 9-463.05(E)(6) requires:

"The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed ten years."

Future projections of water connections and consumption are shown in Figure W3 below, divided between residential and nonresidential development. Water connection projections are derived from the projected number of new housing units in Payson as well as the current relationship between the number of nonresidential connections to current nonresidential square footage ratio in Figure W2 and the Land Use Assumptions. Over the next 15 years, it is projected there will be an increase of 2,087 residential connections and 252 nonresidential connections. Water consumption projections were derived using the Gallons per Day per Connection ratios in Figure W1. Average day water consumption will increase by about 474,313 gallons per day over the next fifteen years.



						Resid	lential	Nonres	sidential	Tota	al		
Ŷ	ear	SFHU	MFHU	Ind KSF	Ret KSF	Inst KSF	Office KSF	Residential Connections	Avg. Daily Consumption	Nonres. Connections	Avg. Daily Consumption	Total Daily Consumption	Total Customers
Base	2018	8,869	668	337	851	1,388	1,249	7,656	1,084,114	651	487,177	1,571,290	8,307
1	2019	8,999	677	341	856	1,398	1,260	7,795	1,113,846	666	488,917	1,602,763	8,462
2	2020	9,128	687	344	863	1,409	1,270	7,935	1,143,578	683	490,721	1,634,299	8,617
3	2021	9,258	697	347	870	1,420	1,280	8,074	1,173,310	699	492,539	1,665,849	8,772
4	2022	9,387	707	349	877	1,431	1,290	8,213	1,203,043	715	494,371	1,697,414	8,928
5	2023	9,516	716	352	884	1,443	1,300	8,352	1,232,775	732	496,218	1,728,993	9,083
6	2024	9,646	726	355	891	1,454	1,311	8,491	1,262,507	748	498,080	1,760,587	9,239
7	2025	9,775	736	358	898	1,466	1,321	8,630	1,292,239	765	499,957	1,792,196	9,395
8	2026	9,904	745	361	906	1,478	1,332	8,769	1,321,972	782	501,848	1,823,820	9,551
9	2027	10,034	755	364	913	1,490	1,343	8,908	1,351,704	799	503,755	1,855,459	9,707
10	2028	10,163	765	366	920	1,502	1,353	9,047	1,381,436	816	505,677	1,887,113	9,863
11	2029	10,293	775	369	927	1,514	1,364	9,187	1,411,168	833	507,615	1,918,783	10,020
12	2030	10,422	784	372	935	1,526	1,375	9,326	1,440,900	851	509,571	1,950,471	10,176
13	2031	10,551	794	375	942	1,538	1,386	9,465	1,470,633	868	511,526	1,982,158	10,333
14	2032	10,681	804	378	950	1,550	1,397	9,604	1,500,365	886	513,524	2,013,888	10,490
15	2033	10,810	814	381	957	1,563	1,408	9,743	1,530,097	903	515,506	2,045,603	10,646
15-Yea	r Change	1,941	146	44	106	175	159	2,087	445,983	252	28,330	474,313	2,339

Figure W3: Future Projections of Water Consumption

The Town of Payson recently completed a multi-year phased project to more than double the supply of potable water available to development in Town. Phase I of the expansion constructed a trailrace connection and upper and lower penstock for a raw water pipeline to connect with an existing Salt River Project pipeline running from the C.C. Cragin Reservoir to the Verde River, and with the Phase II investments. Phase II included a hydroelectric generator, and a water treatment plant. Phase III of the investment included building aquifer storage recovery wells to store treated water for use during an annual three-month period when the C.C. Cragin Reservoir is out of operation, SCADA controls and related systems, and to construct 37,612 linear feet of water mains, which are necessary to create a single connected system to deliver water uniformly in Town.

The new allotment made possible by the C.C. Cragin project, 3,000 AAF, will be in addition to the ground water supply of 2,681 AAF. Adjusting for actual allowable ground water supply, the total accessible water portfolio for the Town of Payson will be 5,520 AAF, or approximately 4.9 million gallons per day. The three-phase project cost, including debt service, totals \$49.9 million. The cost recovery components of the development fee calculations are discussed below.

Water Delivery - Cost Recovery

The water delivery component of the three-phase project included four components, the cost of which are shown below in Figure W4. The total cost (including interest) of these delivery projects is \$16.4 million. These projects provided the capacity to deliver 2.7 million gallons a day (MGD) of raw water, which is equivalent to the annual allotment of 3,000 AAF. When the cost (\$16.4 million) is compared to the capacity provided (2.7 mgd), the cost to the Town for providing water delivery is \$6.16 per gallon of capacity. As further shown in Figure W4, based on the projected increase in system demand (474,313 gallons per day), it is estimated that approximately \$2,921,673 will be recouped over the 15-year IIP period. This will reduce the remaining principal and interest owed by the Town to \$9 million in 2033.



Water Delivery	Project Share of WIFA	
Description	Debt 33%	Total Project*
Raw Water Pipeline & Trailrace Connection	\$744,429.54	\$744,430
Upper Penstock	\$7,321,586.35	\$7,321,586
Lower Penstock	\$8,015,004.96	\$8,015,005
Environmental	\$405,051.93	\$405,052
Total	\$16,486,073	\$16,486,073
Cost Analysis		
Origina	al Cost to Provide Capacity	\$16,486,073
Gallo	2,676,398	
Cost	\$6.16	
Fifteen-Year Increase i	474,313	
Fifteen-Y	ear Growth Share of Cost	\$2,921,673
Remaining Debt After 15-Year IIP		
Origina	al Cost to Provide Capacity	\$16,486,073
	Less Previous Payments	\$4,526,232
Remaining Share of Principal and Interest in 2019		\$11,959,841
Projection of Developr	ment Fee Revenue to 2033	\$2,921,673
	Remaining Debt in 2033	\$9,038,167
* Includes interest cost		

Figure W4: Water Facilities Cost Recovery: Water Delivery

Includes interest cost

Water Treatment - Cost Recovery

The water treatment component of the three-phase water system project included three treatment components, the cost of which are shown below in Figure W5. The total cost (including interest) of these treatment projects was \$18.9 million. The treatment facility is sized to treat 3.6 million gallons a day (MGD). When the cost (\$18.9 million) is compared to the capacity provided (3.6 mgd), the cost to the Town for providing water treatment is \$5.24 per gallon of treatment capacity. As further shown in Figure W5, based on the projected increase in system demand (474,313 gallons per day), it is estimated that approximately \$2.5 million will be recouped over the 15-year IIP period. This will reduce the remaining principal and interest owed by the Town to \$11.2 million in 2033.



Water Treatment	Project Share of WIFA				
Description	Debt 38%	Total Project*			
Pilot Treatment Plant	\$137,496.37	\$137,496			
Final Treatment Plant	\$17,593,172.18	\$17,593,172			
Hydrogenerator	\$1,253,294.04	\$1,253,294			
Total	\$18,983,963	\$18,983,963			
Cost Analysis					
Origina	\$18,983,963				
Gallo	Gallons of Capacity per Day =>				
Cost	Cost per Gallon of Capacity =>				
Fifteen-Year Increase i	474,313				
Fifteen-Y	\$2,490,000				
Remaining Debt After 15-Year IIP					
Origina	I Cost to Provide Capacity	\$18,983,963			
	\$5,212,025				
Remaining Share of Principal and Interest in 2019	\$13,771,938				
Projection of Developr	\$2,490,000				
	Remaining Debt in 2033	\$11,281,938			

Figure W5: Water Facilities Cost Recovery: Water Treatment

* Includes interest cost

Water Storage and Transmission - Cost Recovery

The water storage and transmission component of the three-phase water system project included six storage and transmission components, the cost of which are shown below in Figure W6. The total cost (including interest) of these storage and transmission projects was \$14.4 million. The projects provide 3.6 million gallons a day (MGD) of capacity. When the cost (\$14.4 million) is compared to the capacity provided (3.6 mgd), the cost to the Town for providing water storage and transmission is \$4.00 per gallon. As further shown in Figure W6, based on the projected increase in system demand (474,313 gallons per day), it is estimated that approximately \$1.9 million will be recouped over the 15-year IIP period. This will reduce the remaining principal and interest owed by the Town to \$8.6 million in 2033.



Water Storage and Transmission	Project Share of WIFA						
Description	Debt 29%	Total Project*					
Line A-H	\$8,560,127.13	\$8,560,127					
ASR Recovery Wells	\$2,678,359.99	\$2,678,360					
SCADA	\$949,258.88	\$949,259					
Documentation	\$31,950.74	\$31,951					
SPR Capital	\$1,720,563.58	\$1,720,564					
Other Design	\$547,500.61	\$547,501					
Total	\$14,487,761	\$14,487,761					
Cost Analysis	Cost Analysis						
Origina	Original Cost to Provide Capacity						
Gall	ons of Capacity per Day =>	3,620,000					
Cost	: per Gallon of Capacity =>	\$4.00					
Fifteen-Year Increase	in Gallons per Average Day	474,313					
Fifteen-Y	Year Growth Share of Cost	\$1,900,000					
Remaining Debt After 15-Year IIP							
Origina	al Cost to Provide Capacity	\$14,487,761					
	\$3,977,598						
Remaining Share of Principal and Interest in 2019		\$10,510,163					
Projection of Develop	ment Fee Revenue to 2033	\$1,900,000					
	Remaining Debt in 2033	\$8,610,163					
Fifteen-Year Increase Fifteen-Y Remaining Debt After 15-Year IIP Origina Remaining Share of Principal and Interest in 2019 Projection of Develop	in Gallons per Average Day Year Growth Share of Cost al Cost to Provide Capacity Less Previous Payments ment Fee Revenue to 2033 Remaining Debt in 2033	474,313 \$1,900,000 \$14,487,761 \$3,977,598 \$10,510,163 \$1,900,000 \$8,610,163					

Figure W6: Water Facilities Cost Recovery: Storage and Transmission

* Includes interest cost



Development Fee Report - Plan-Based

The cost to prepare the Water Development Fees and IIP report totals \$24,900. Payson plans to update its report every five years. Based on this cost, proportionate share, and five-year water demand projections, the cost is \$0.16 per gallon.

Figure W7: Development Fee Report Cost Allocation

Land Use		Residential & Nonresidential
Proportionate Share		100%
Consultant Fee	\$24,940	\$24,940
Service Unit		2023 Service Unit Growth
	2010 2022	157 700
Increase in Service Units	2018-2023	157,703

WATER DEVELOPMENT FEE

Revenue Credit/Offset

A revenue credit/offset is not necessary for the Water Facilities development fees because 15-year growth costs do not substantially exceed the amount of revenue that is projected to be generated by development fees according to the Land Use Assumptions, as shown in Figure W9.

Proposed Water Facilities Development Fees

The proposed development fees for Water Facilities are shown in Figure W8. The development fee is derived from the level of service standard water flow per residential unit (218 gallons), multiplied by the total cost per gallon (\$15.56), which includes cost factors for the water delivery pipeline, treatment plant, new water storage wells, and the water distribution mains. The cost of professional services to prepare the Water IIP and Development Fee Report is included.

For a single family residential, 1 ERU, the proposed fee is found by multiplying the cost per gallon (\$15.56) by the level of service standard (218 gallons). The development fee for nonresidential use, is determined by multiplying the cost per gallon (\$15.56) by the equivalent ERU shown in Figure W1 by the level of service standard (218 gallons) and dividing by 1,000. The proposed fees represent a net decrease from the current fee amounts of approximately 49% for each use classification.



Figure W8: Proposed Water Facilities Development Fees

Water Leve	l Of Service and Capit	al Costs		<u>per Gallon</u>
	Water Delivery		\$6.16	
	Water Treatment		\$5.24	
	Water Storage and T		\$4.00	
	IIP and Development		\$0.16	
	GROSS CAPITAL COST	г		\$15.56
	Revenue Credit		0%	(\$0.00)
	NET CAPITAL COST			\$15.56

ERU Gallons per Average Day 218

Residential Schedule		Development Fee per Housing Unit				
		Equivalent	Average	Proposed		
		Residential	Day	Water	Current	Increase
	Number of	Unit [1]	Gallons	Fee	Fee	(Decrease)
Unit Type	Bedrooms	p	er unit	(Per Housing Unit,)
Multi Unit	Average	0.72	157	\$2,441	\$4,944	(\$2,503)
Single Unit	Average	1.00	218	\$3,391	\$6,592	(\$3,201)

				Development Fee per Square Foot			
		Equivalent	Average	Proposed			
		Residential	Day	Water	Current	Increase	
Nonresidential Schedule		Unit [2]	Gallons	Fee	Fee	(Decrease)	
		per 1,00	0 Square Feet		(Per Square Foot)		
Industrial		0.10	22	\$0.34	\$0.66	(\$0.32)	
Commercial/Retail		0.13	29	\$0.45	\$0.88	(\$0.43)	
Institutional		0.33	73	\$1.13	\$2.20	(\$1.07)	
Office		0.33	73	\$1.13	\$2.20	(\$1.07)	
	Unit	per Unit (Per Unit)					
Hotel/Motel	per Room	0.45	98	\$1,526	\$2,955	(\$1,429)	
Nursing Home	per Bed	0.33	72	\$1,119	\$2,188	(\$1,069)	

[1] Residential ERUs based on 2017 Census ACS Persons Per Household figures.

[2] Nonresidential Equivalent Residential Units calculated and provided by Town of Payson Water Department

FORECAST OF REVENUES

Appendix B contains the forecast of revenues required by Arizona's Enabling Legislation.

Development Fee Revenues for Water Facilities

Revenue projections shown below assume implementation of the proposed Water Facilities development fees and that development over the next 15 years is consistent with the Land Use Assumptions. To the extent the rate of development either accelerates or slows down, there will be a corresponding change in the development fee revenue. As shown in Figure W9, the 15-year growth-related water improvement costs total \$7,336,613 and approximately \$7,377,666 will be collected from development fees.



Additionally, the Water Utility has budgeted capital expenditures to repair, replace and upgrade existing water facilities. These non-growth-related capital expenditures are funded with Operating Fund revenue (predominantly from water rates) and are limited due to the portion of total future Water Utility revenue which has been pledged to service growth's share of debt on the existing WIFA loans. Water Facility impact fee revenue will offset a portion of this debt service obligation, providing an equivalent dollar amount of Operating Fund revenue to support ongoing operation and maintenance of the system and thereby avoiding any chance of double payment.

Figure W9: Projected Water Facilities Development Fee Revenue

Fifteen-Year Growth-Related Costs for Water Facilities

TOTAL	\$ 7,336,613
IIP and Development Fee Study	\$ 24,940
Water Storage and Transmission	\$ 1,900,000
Water Treatment	\$ 2,490,000
Water Delivery	\$ 2,921,673

		per Hous	ing Unit	Per Square Foot of Floor Area					
		Single Unit \$3,391	Multi-Family \$2,441	Industrial \$0.34	Commercial \$0.45	Institutional \$1.13	Office \$1.13		
	Year	Housing Ur	nits Added		Square Feet A	dded (1,000)	ed (1,000)		
Base	2018	8,869	668	337	851	1,388	1,249		
Year 1	2019	8,999	677	341	856	1,398	1,260		
Year 2	2020	9,128	687	344	863	1,409	1,270		
Year 3	2021	9,258	697	347	870	1,420	1,280		
Year 4	2022	9,387	707	349	877	1,431	1,290		
Year 5	2023	9,516	716	352	884	1,443	1,300		
Year 6	2024	9,646	726	355	891	1,454	1,311		
Year 7	2025	9,775	736	358	898	1,466	1,321		
Year 8	2026	9,904	745	361	906	1,478	1,332		
Year 9	2027	10,034	755	364	913	1,490	1,343		
Year 10	2028	10,163	765	366	920	1,502	1,353		
Year 11	2029	10,293	775	369	927	1,514	1,364		
Year 12	2030	10,422	784	372	935	1,526	1,375		
Year 13	2031	10,551	794	375	942	1,538	1,386		
Year 14	2032	10,681	804	378	950	1,550	1,397		
Year 15	2033	10,810	814	381	957	1,563	1,408		
Fifte	en-Yr Increase	1,941	146	44	106	175	159		
Projected Fee	s (Rounded)=>	\$6,580,575	\$356,549	\$15,022	\$47,907	\$197,493	\$180,120		
	Total Pr	ojected Revenues	\$7,377,666						
	Cumulative Ne	et Surplus/(Deficit)	\$41,053						





APPENDIX A: LAND USE ASSUMPTIONS

EXECUTIVE SUMMARY

For municipalities in Arizona, the state enabling legislation requires supporting documentation on land use assumptions, a plan for infrastructure improvements, and development fee calculations. This document contains the land use assumptions for the Town of Payson 2018 development fee update. Development fees must be updated every five years, making short-range projections the critical time frame. The Infrastructure Improvements Plan (IIP) is limited to 10 years for non-utility fees, thus a very long-range "build-out" analysis may not be used to derive development fees.

Arizona Revised Statuses (ARS) § 9-463.05 (T)(6) requires the preparation of a Land Use Assumptions document which shows:

"Projections of change in land uses, densities, intensities and population for a specified service area over a period of at least 10 years and pursuant to the General Plan of the municipality."

TischlerBise prepared current demographic estimates and future development projections for both residential and nonresidential development that will be used in the Infrastructure Improvement Plan (IIP) and calculation of the development fees. Demographic data for FY 2018 are used in calculating levels-of-service provided to existing development in the Town of Payson. Although long-range projections are necessary for planning infrastructure systems, a shorter time frame of five to 10 years is critical for the impact fees analysis. TischlerBise used compound growth rates to produce conservative projections that increase over time.

SERVICE AREAS

ARS § 9-63.05 defines "service area" as follows:

"Any specified area within the boundaries of a municipality in which development will be served by necessary public services or facility expansions and within which a substantial nexus exists between the necessary public services or facility expansions and the development being served as prescribed in the infrastructure improvements plan."

The Town's previous Land Use Assumptions, Infrastructure Improvement Plan and Development Study recommended the service area, shown below in Figure A1 and is incorporated into this study.





Figure A1: Current Development Fee Service Areas

RESIDENTIAL DEVELOPMENT

Current estimates and future projections of residential development are detailed in this section, including population and housing units by type (single family versus multi-family units). Current (2018) estimates of housing units were obtained using annual housing unit permit data provided by the Town of Payson's Community Development department, Arizona Department of Administration (ADOA) estimates for Payson (State, County, Place Level Population Estimates for July 1, 2018), and the persons per housing unit ratio derived from the 2017 U.S. Census Bureau's American Community Survey 1-year estimates.

Persons per Housing Unit

In 2010 the U.S. Census Bureau transitioned from the traditional long-form questionnaire to the American Community Survey, which is less detailed and has smaller sample sizes. As a result, Census data now has more limitations than before. For example, data on detached housing units are now combined with attached single units (commonly known as townhouses). For development fees in Payson, "single family" residential includes detached and units and townhouses that share a common sidewall, but are constructed on an individual parcel of land. The second residential category includes all structures with two or more units on an individual parcel of land.



According to the Census Bureau, a household is a housing unit that is occupied by year-round residents. Development fees often use per capita standards and persons per housing unit, or persons per household, to derive proportionate-share fee amounts. When persons per housing unit are used in the fee calculations, infrastructure standards are derived using year-round population. When persons per household are used in the fee calculations, the impact fee methodology assumes all housing units will be occupied, this requiring seasonal or peak population to be used when deriving infrastructure standards.

TischlerBise recommends that development fees for residential development in the Town of Payson be imposed according to a number of year-round residents per household. For the development fee calculations, TischlerBise used the ACS results shown at the top of Figure A2 to indicate the relative number of persons per household, by units in a residential structure, and the housing mix in Payson. The ratio of persons per household (PPH) across housing types is 2.18. To estimate population for future years, however, the single family and multi-family PPHU ratios of 1.68 and 1.25, respectively, are used. According to Town building permit records, the majority of new units presently being constructed in the Town are single family units. Currently, the share of single family housing units in Payson is 89.4%, while multi-family housing units represent slightly over 10%.

Figure A2: Year-Round Persons per Unit by Type of Housing

Units in Structure	Persons	Households	Persons per Household	Housing Units	Persons per Housing Unit	Housing Mix	Vacancy Rate
Single-Family Unit ¹	13,781	6,137	2.25	8,184	1.68	89.4%	25%
Multi-Family Unit ²	1,211	746	1.62	971	1.25	10.6%	23%
TOTAL	14,992	6,883	2.18	9,155	1.64		25%

2017 American Community Survey

Source: TischlerBise analysis and calculation based on U.S. Census Bureau, 2013-2017 American Community Survey, 5-Year Estimates.

1. Includes detached, attached (townhouse), and manufactured units.

2. Includes duplexes, structures with two or more units, and all other units.

Current Residential and Housing Unit Estimates and 2033 Projections

To *forecast* the future number of housing units and residents, TischlerBise used historical building permit data and Arizona Department of Administration (ADOA) estimates for Payson (State, County, Place Level Population Estimates for July 1, 2018). These estimates are shown in Figure A4 below reveal there were 16,025 persons in Payson in 2018. To determine base year (2018) housing units, TischlerBise totaled residential building permits from 2010 through 2018, adding this sum to the 2010 100% Census housing unit figure, resulting in 9,537 housing units. There has been a total of 2,504 residential permits issued between 2000 and December of 2018 as shown in Figure A3. This equates to an average of approximately 139 residential permits a year, an amount that is anticipated to hold steady over time. Figure A3 also indicates that the majority of new housing units are single family units, at 93 percent. Future housing unit growth estimates apply the 18-year average annual unit count and unit mix figures. Due to the demonstrated water supply surplus of the town, it is believed future growth will mirror historical trends. In total, Payson is projected to have 11,624 housing units by 2033, an increase of 2,087. The number of seasonal residents and persons in group quarters was assumed to remain constant in the population projection, so the population in households increase is the same as the overall population increase.



To project future population growth through 2033, TischlerBise converted the average annual housing unit growth to population by factoring ACS estimated persons per housing unit, proportioned to single family and multi-family ratios as shown in Figure A2. The population in Payson is projected to increase by 3,444 persons from 2018 to 2033. The resulting projection maintains 2033 PPHU ratio of 1.67, similar to ACS estimates shown in Figure A2.

Figure A3: Payson Building Permit History by Type of Housing

Year	Single Family	%	Multi-Family	%	Total
2000-2010 [*]	*	*	*	*	1,925
2010-2018 ^{**}	539	93%	40	7%	579
Avg. Annual	60		4		139

Source: *U.S. Census cumulative HU growth 2000-2010.**City of Payson, Arizona.

Year	Single Family	Multi-Family	Total
2010	11	0	11
2011	9	25	34
2012	34	0	34
2013	34 2		36
2014	70	0	70
2015	68	3	71
2016	77	0	77
2017	134	4	138
2018	102	6	108
Grand Total	539	40	579
Average	60	4	64

Source: City of Payson, Arizona.

Figure A4: Payson Population and Housing Estimates for 2018 to 2033

	Multi-Year Increments->										
	Base Year	1	2	3	4	5	6	7	12	15	15-Year
	2018	2019	2020	2021	2022	2023	2024	2025	2030	2033	Increase
Population in Households ¹	16,025	16,255	16,484	16,714	16,943	17,173	17,402	17,632	18,780	19,469	3,444
Seasonal Population ²	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	0
Population in Group Quarters ³	346	346	346	346	346	346	346	346	346	346	0
Total Population	16,371	16,601	16,830	17,060	17,289	17,519	17,748	17,978	19,126	19,815	3,444
Peak Population	20,276	20,506	20,736	20,965	21,195	21,424	21,654	21,883	23,031	23,720	3,444
Housing Units ⁴	9,537	9,676	9,815	9,954	10,093	10,233	10,372	10,511	11,206	11,624	2,087
Single-Family	8,869	8,999	9,128	9,258	9 <i>,</i> 387	9,516	9,646	9,775	10,422	10,810	1,941
Multi-Family	668	677	687	697	707	716	726	736	784	814	146

1.ADOA July, 1 2018 population estimate for Payson. 2019-2033 estimated derived from housing unit growth and 2017 ACS PPHU figures.

2. Seasonal Population assumed to remain constant over study period.

3. U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates Table B26001. Value held constant throughout period.

4. 2018 value based on building permit data from the City of Payson. Future growth tied to 20-yr Avg BP issuance of 139 HU/YR.



NONRESIDENTIAL DEVELOPMENT

In addition to data on residential development, the infrastructure improvements plan and development fees require data on nonresidential development in Payson. Current estimates and future projections of nonresidential development are detailed in this section, including jobs and floor area by type. TischlerBise uses the terms "jobs" to refer to employment by place of work.

Jobs and Nonresidential Floor Area by Type of Nonresidential Development

Because the Arizona Office of Economic Opportunity (OEO) employment projections for Northeastern Arizona, including Payson, represent a geographic area far greater than the Town's municipal boundary, TischlerBise used *ESRI's Business Summary Report*¹ data from 2018 to determine baseline employment for the town. As shown in Figure A5, the 2018 employment is 7,537. Using square footage per employee factors from the Institute of Transportation Engineers (ITE), TischlerBise estimates 2018 nonresidential square footage at approximately 3.82 million. Jobs figures were aggregated into one of four categories: industrial, commercial, institutional, and office & other.

Category	2018	Percent of	Sq. Ft.	2018 Estimated	Jobs per
	Jobs ¹	Total Jobs	per Job	Floor Area ²	1,000 Sq. Ft. ²
Industrial ³	548	7.3%	615	337,020	1.63
Commercial / Retail ⁴	1,993	26.4%	427	851,011	2.34
Institutional ⁵	1,290	17.1%	1,076	1,387,807	0.93
Office and Other Services ⁶	3,706	49.2%	337	1,248,922	2.97
TOTAL	7,537	100%	507	3,824,760	

Figure A5: Payson Jobs Estimates and Nonresidential Floor area for 2018

1. Esri Business Summary for Payson, Arizona, 2018.

2. Based on jobs and ITE 10th Edition (2017) multiplier.

3. Major sectors are Construction and Manufacturing.

4. Major sectors are Accommodation and Food Services.

5. Major sectors are Educational Services and Public Administration.

6. Major sectors are Health Care and Arts, Entertainment, and Recreation.

To determine future employment growth in Payson, TischlerBise utilized OEO northeastern Arizona longterm industry annualized growth projections of 0.8%. As shown in Figure A6, when the annualized rate of growth is applied to the 2018 bases employment estimate for Payson, the resulting increase in jobs is 957.



¹ ESRI Business Summary Reports provide demographic and business data for geographic areas from sources including directory listings such as Yellow Pages and business white pages; annual reports; 10-K and Securities and Exchange Commission (SEC) information; federal, state, and municipal government data; business magazines; newsletters and newspapers; and information from the US Postal Service. To ensure accurate and complete information, ESRI conducts annual telephone verifications with each business listed in the database.

Total estimated job growth is applied to the 2018 job distribution by sector yielding 72 new industrial, 249 commercial/retail, 162 institutional and 473 office & other service jobs by 2033. Nonresidential square footage estimates are derived by factoring projected job growth in specific industries by ITE square footage per employee. In 2033 it is estimated that Payson will have an additional 484,000 square feet of nonresidential floor area comprised by 36 percent institutional space, 33 percent office & other services, 22 percent commercial/retail and 9 percent industrial floor area. As shown in Figure A7, the Town is expected to add an average of approximately 42,000 square feet of nonresidential floor area and 64 jobs per year.

	Multi-Year Increments->								
	Base	1	2	3	4	5	10	15	15-Year
Payson Jobs	2018	2019	2020	2021	2022	2023	2028	2033	Increase
Industrial	548	555	559	564	568	573	596	620	72
Commercial / Retail	1,993	2,006	2,022	2,038	2,054	2,071	2,155	2,242	249
Institutional	1,290	1,299	1,310	1,320	1,331	1,341	1,396	1,452	162
Office & Other Services	3,706	3,738	3,768	3,798	3,828	3,859	4,016	4,179	473
Total	7,537	7,597	7,658	7,719	7,781	7,843	8,162	8,494	957
						Multi-Year Increments->			15-Year
Nonresidential Sq. Ft. (1,000)	Base	1	2	3	4	5	10	15	Increase
Industrial	337	341	344	347	349	352	366	381	44
Commercial / Retail	851	856	863	870	877	884	920	957	106
Institutional	1,388	1,398	1,409	1,420	1,431	1,443	1,502	1,563	175
Office & Other Services	1,249	1,260	1,270	1,280	1,290	1,300	1,353	1,408	159
Total	3,825	3,855	3,886	3,917	3,948	3,980	4,141	4,309	484

Figure A6: Payson Job and Floor Area Projections by Service Area

* Job growth sourced from OEO 10-YR projected annualized rate of 0.8% and is held constant throughout the study period.

SUMMARY OF GROWTH INDICATORS

The growth assumptions discussed individually above are summarized below in Figure A7. These projections will be used to estimate development fee revenue and to indicate the anticipated need for growth-related infrastructure. However, development fees methodologies are designed to reduce sensitivity to accurate development projections in the determination of the proportionate-share fee amounts. If actual development is slower than projected, development fees revenues will decline, but so will the need for growth-related infrastructure. In contrast, if development is faster than anticipated, the Town will receive an increase in development fee revenue but will also need to accelerate capital improvements to keep pace with development.



Figure A7:	Payson	Projections	and	Growth Rates	
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	Multi-Year Increments->								
	2018	2019	2020	2021	2022	2023	2028	2033	15-Year
Cumulative Increase	Base Yr	1	2	3	4	5	10	15	Increase
Population	16,025	16,255	16,484	16,714	16,943	17,173	18,321	19,469	3,444
Housing Units	9,537	9,676	9,815	9,954	10,093	10,233	10,928	11,624	2,087
Jobs									
Industrial	548	555	559	564	568	573	596	620	72
Commercial / Retail	1,993	2,006	2,022	2,038	2,054	2,071	2,155	2,242	249
Institutional	1,290	1,299	1,310	1,320	1,331	1,341	1,396	1,452	162
Office & Other Services	3,706	3,738	3,768	3,798	3,828	3,859	4,016	4,179	473
Total Jobs	7,537	7,597	7,658	7,719	7,781	7,843	8,162	8,494	957
Nonresidential Floor Area (x 1,000)									
Industrial KSF	337	341	344	347	349	352	366	381	44
Commercial / Retail KSF	851	856	863	870	877	884	920	957	106
Institutional KSF	1,388	1,398	1,409	1,420	1,431	1,443	1,502	1,563	175
Office & Other Services KSF	1,249	1,260	1,270	1,280	1,290	1,300	1,353	1,408	159
Total Nonresidential KSF	3,825	3,855	3,886	3,917	3,948	3,980	4,141	4,309	484

	Multi-Year Increments->							
	2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	Average Increase
Annual Increase	1	2	3	4	5	10	15	mercuse
Payson Jobs								
Industrial	7	4	4	5	5	5	5	5
Commercial / Retail	13	16	16	16	16	17	18	17
Institutional	9	10	10	11	11	11	12	11
Office & Other Services	32	30	30	30	31	32	33	32
Total Jobs	60	61	61	62	62	65	67	64
Nonresidential Floor Area (x 1,000)								
Industrial KSF	4	3	3	3	3	3	3	3
Commercial / Retail KSF	5	7	7	7	7	7	7	7
Institutional KSF	10	11	11	11	11	12	12	12
Office & Other Services KSF	11	10	10	10	10	11	11	11
Total Nonresidential KSF	30	31	31	31	32	33	34	32



APPENDIX B: FORECAST OF REVENUES

The "Required Offset" percentage reduction is a placeholder that will be discussed in more detail at a later date. Arizona's Enabling Legislation requires municipalities to forecast the revenue contribution to be made in the future towards capital costs and shall include these contributions in determining the extent of burden imposed by development. TischlerBise sometimes recommends a small percentage reduction in development fees to satisfy the "required offset," which is a phrase taken directly from the enabling legislation (quoted below).

9-463.05.E.7. "A forecast of revenues generated by new service units other than development fees, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved land use assumptions, and a plan to include these contributions in determining the extent of the burden imposed by the development as required in subsection B, paragraph 12 of this section."

9-463.05.B.12. "The municipality shall forecast the contribution to be made in the future in cash or by taxes, fees, assessments or other sources of revenue derived from the property owner towards the capital costs of the necessary public service covered by the development fee and shall include these contributions in determining the extent of the burden imposed by the development. Beginning August 1, 2014, for purposes of calculating the required offset to development fees pursuant to this subsection, if a municipality imposes a construction contracting or similar excise tax rate in excess of the percentage amount of the transaction privilege tax rate imposed on the majority of other transaction privilege tax classifications, the entire excess portion of the construction contracting or similar excise tax shall be treated as a contribution to the capital costs of necessary public services provided to development for which development fees are assessed, unless the excess portion was already taken into account for such purpose pursuant to this subsection."

Payson does not have a higher than normal construction excise tax rate, so the required offset described above is not applicable. The required forecast of non-development fee revenue that <u>might</u> be used for growth-related capital costs is shown in Figure B1. The forecast of revenues was derived from a linear regression analysis, with projected population plus jobs as the independent variable. Projected population plus jobs, for the entire town, are documented in the land use assumptions.

Figure B1: Five-Year Revenue Projections

Forecast of Revenues in Nominal Dollars

	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Local Sales Tax	\$10,072,739	\$10,000,000	\$9,244,736	\$9,693,177	\$10,129,056	\$10,552,373
State Shared Taxes	\$4,444,359	\$4,387,332	\$4,466,004	\$4,535,869	\$4,603,778	\$4,669,729
Franchise Fees	\$382,228	\$387,478	\$392,822	\$397,569	\$402,182	\$406,663
Intergovernmental	\$4,062,930	\$3,821,268	\$4,000,928	\$4,160,476	\$4,315,556	\$4,466,166
Fines	\$142,392	\$131,699	\$120,048	\$109,701	\$99,645	\$89,878
Licenses & Permits	\$459,508	\$429,664	\$450,411	\$468,835	\$486,742	\$504,134
Charges for Service	\$1,181,346	\$1,131,084	\$1,192,860	\$1,247,721	\$1,301,046	\$1,352,833
Miscellaneous	\$607,154	\$436,518	\$387,695	\$344,338	\$302,195	\$261,266
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Total Selected General Fund Categories	\$21,352,656	\$20,725,043	\$20,255,505	\$20,957,687	\$21,640,199	\$22,303,043

Source: 2014-2018 figures provided by TOP Annual Financial Report

