

A.R.S Section 9-461.05 D.4. – Cost of Development Element

A cost of development element that identifies policies and strategies that the municipality will use to require development to pay its fair share toward the cost of additional service needs generated by new development, with appropriate exceptions when in the public interest.

This element shall include:

1. A component that identifies various mechanisms that are allowed by law and that can be used to fund and finance additional public services necessary to serve the development, including bonding, special taxing districts, development fees, in lieu fees, facility construction, dedications and service privatization.

2. A component that identifies policies to ensure that any mechanisms that are adopted by the municipality under this element result in a beneficial use to the development, bear a reasonable relationship to the burden imposed on the municipality to provide additional necessary public services to the development and otherwise imposed according to law.

10 – COST OF DEVELOPMENT ELEMENT

The Cost of Development Element identifies the various methods by which infrastructure is paid for and how new development participates in the provision of needed services. The timely and cost effective provision of public services is an issue being addressed all across the fast growing state of Arizona. State Law was amended to require communities to plan for the cost of development within their General Plan. This change occurred as part of the Growing Smarter amendments. As a result, State law provides guidance on the issues and policies that should be defined within this element as noted in the box to the left. This element also incorporates the Smart Growth Principle to make development decisions predictable, fair and cost effective by identifying the means by which development pays its fair share of the costs of growth and encouraging growth in areas where excess utility capacity is present.

The Element is structured in the following format. The Background section identifies the city's existing infrastructure financing methods. The Evaluation and Analysis section discusses the legal mechanisms for infrastructure construction and identifies a mix of preferred methods for use in Yuma, based on development and community needs. The Goals, Objectives and Policies section identifies community goals and objectives to ensure development participates in the cost and construction of new infrastructure. The Action Plan identifies a list of projects with a general timeline to meet the identified goals.

BACKGROUND AND EXISTING CONDITIONS

The limited resources available to construct infrastructure must be balanced with the resources needed to maintain that infrastructure. For every mile of water line, for each new park and for other new public infrastructure there is an increase in the City budget to maintain those facilities. That increase can have a minimal impact, such as the installation of a single residential sewer line, or it can have a major impact with the need for additional staff and regular facility maintenance, such as the development of the Desert Dunes Water Reclamation Facility. These impacts have to be considered when addressing the needs of new development. The discussion on the fair share participation by new development for new services must include a review of City resources to be dedicated to future operations and maintenance.

There has been a long-standing, consistent policy in Yuma that new development participates in the provision of new services required for that development. The City of Yuma has developed two methods to achieve this: Developer Construction/In-Lieu Fees and Development Fees.

DEVELOPER CONSTRUCTION/IN-LIEU FEES

The first method of participation involves direct developer construction or monies in-lieu of construction for all necessary infrastructure, both within the project and for off-site facilities necessary for the project. For example, if a new subdivision were proposed, the developer would be responsible for all interior infrastructure, including but not limited to transportation facilities, water and sewer services and stormwater control. In addition, the developer would be responsible to upgrade or install connecting infrastructure for which the new development will be accessing the project. This includes arterial and collector roads and water transmission or distribution lines or sanitary sewer collection lines. In-lieu fees are generally paid by the developer to the City for the installation of a site-generated need, i.e. a turn lane, where complete construction of the roadway is anticipated in the near future, rather than have the site generated need constructed by the developer and then removed by the City once overall construction commenced. Additionally, developer construction/in-lieu fees minimize the costs borne by all City residents and taxpayers for new development. This methodology places the burden of new construction on the first developer in an area. Construction of water and sewer facilities that are above and beyond the need of the specific development can provide the developer the ability to recoup a portion of that infrastructure cost through an agreement allowing the developer to receive a payback from later construction that connects to water and sewer transmission lines and appurtenances such as pump stations.

DEVELOPMENT FEES

The second method is development fees which are one-time payments used to construct system improvements needed to accommodate new development. A development fee represents new growth's fair share of capital facility needs. By law, development fees can only be used for *capital* improvements, not operating or maintenance costs. Development fees are subject to rigorous legal standards, which require fulfillment of three key elements: demand, benefit and proportionality. First, to justify a fee for public facilities, it needs to be demonstrated that new development will create a demand for capital improvements. Second, new development must derive a benefit from the payment of the fees (i.e., in the form of public facilities constructed within a reasonable timeframe). Third, the fee paid by a particular type of development should not exceed its proportional share of the capital cost for system improvements.

In 2005, the City of Yuma adopted the following Development Fees under the Citywide Development Fee Ordinance:

- Parks & Recreation;
- Art & Cultural Facilities;
- Sanitation;
- Police;
- Fire/EMS;
- General Government;
- Public Works;
- Transportation.

Recently, Spring 2011, legislative changes to the State Statutes that allow development fees have prompted the City of Yuma to review, revise and update the Citywide Development Fee Ordinance. It is anticipated that the fee categories will be modified within the next year as a result of this update.

INFRASTRUCTURE FINANCING

Developer Construction/In-Lieu Fees and Development Fees are two methods by which development participates in new infrastructure construction. Another issue to look at is how public infrastructure is financed and maintained when new development is not directly involved. The overriding issue in addressing new services is balancing financing and resources between ongoing maintenance and new facility construction.

Schools and Libraries - Area school ongoing operations are financed through a combination of state and local property taxes. New school construction may be financed through voter approved bond financing or through state funding. The City of Yuma is not the financing authority for school facilities but as this is a community wide need, identification of the financing has been included.

Library operations are funded through the Yuma County Free Library District. New facility construction in recent history has been accomplished through either a joint venture of a community and the Library District, such as the Somerton Library - built with City of Somerton and Yuma County Community Development Block Grants, or through allocated funds from the County budget, such as the development of the Foothills Library. Before the creation of the Yuma County Free Library District, library development was the responsibility of individual communities. The City of Yuma built, owned and operated the Yuma Library. The City of San Luis operated a library for their residents. Upon the creation of the district in 1987, the respective city facilities and related equipment were deeded to the District.

General Administration - Public administration and a majority of department operations are financed and maintained through the General Fund. The General Fund is made up of 1% of the City sales tax and property taxes, state shared revenues and fees paid. State shared revenues are derived from state income taxes and sales taxes and apportioned to communities based on population. A limited amount of General Fund money is available for new facility construction as this fund is dedicated to staffing operations and maintenance of City facilities. As the City has continued to grow the need to provide sufficient space for staff and anticipate future needs has prompted the construction of a new City Hall. The new City Hall centralizes a number of City operations. The City's Municipal Property Corporation (MPC) issued bonds for this new facility. The General Fund will pay for debt service costs through lease payments to the MPC until 2025.

Public Safety - Public safety operations and maintenance (O&M) are financed through the General Fund. New facility construction of the Police Department Headquarters, the Municipal Court Facility, Fire Stations #2, #3, #5 and #6 have all been funded through a restricted revenue bond financed by the Public Safety Tax. This is a voter approved .2% addition to the sales tax, which specifically repays the bonds issued for the construction of the public safety facilities. Currently under construction using this fund source is the Fire Department Training Facility and the Police Department Training Track. The Police Department has also been successful in obtaining federal grants to fund specific operations. As noted in the Public Services Element, facility plans have been developed for the Police and Fire Departments. New urban development has not participated in the funding for construction of these facilities through the payment of Development Fees.

Stormwater - Regional Stormwater Control facility maintenance and new construction are funded through the Yuma County Flood Control District and financed by property taxes. The City of Yuma supplements the efforts of the Flood Control District for projects within the City of Yuma. These facilities typically are to provide for shortfalls within developed areas. There is no dedicated stormwater control fund for the City activities. The source of funding for stormwater projects is from the Road Tax. The reason being many stormwater needs cross over into street related issues. Another source of funding is the General Fund when projects cross over into recreation needs. New urban development contributes to the provision of stormwater control activities by providing stormwater retention on-site or directing on-site stormwater flows to drains but does not contribute to funding for regional stormwater needs.

Parks and Recreation - Parks operations and maintenance are funded through the General Fund. New facility construction is funded through a combination of General Fund monies, the 2% Hospitality Tax and grants. New retention basin maintenance is temporarily funded through a development-required fee. Specifically the retention basin maintenance fee is to support three years of maintenance by the Utilities Department for new subdivision retention basins. These facilities are typically jointly used as recreation areas. The 3-year maintenance deposit offsets the dollar impact on the City to maintain these facilities and allows the neighboring properties to develop and start contributing property taxes to the General Fund. Existing retention basins are maintained through the Road Tax.

Transportation - Roadway construction is primarily financed through the Road Tax. The Road Tax is a .5% addition to the sales tax that is specifically used to construct roadways. This tax was approved by the voters and provides a constant revenue stream for roadway construction. Core arterial and collector roadway projects were identified for phased construction. New urban development contributes to the provision of a roadway network through the construction of roadways necessary to the development, including local roads. A limited amount of arterial and

collector roadway funding and construction are through the previously identified Citywide Development Fees or developer construction.

Sanitation - Solid Waste Facilities are funded from the General Fund and residential use fees. New urban development participates in Solid Waste needs by providing centralized on-site disposal areas and containers.

Water and Wastewater - Ongoing water and wastewater operations and facilities are funded from a number of restricted funds and revenue funds. Restricted funds are those that are applied to new utility connections.

They are specifically adopted by ordinance. These include:

- Water Capacity Fund, which is collected from fees paid at the time of water connection;
- Water System Development Charge, which is a separate fee paid at the time of water permit issuance and is based on the acreage of the property;
- Sewer Capacity Fund, which is collected from fees paid at the time of building permit issuance; and
- Sanitary Sewer Interceptor Charge, which is collected from fees paid at the time of building permit issuance and is based on the acreage of the property.

Revenue funds for operations are collected from utility billings. These include:

- Water Utility Fund; and
- Sewer Utility Fund.

The Water Capacity Fund and the Water Utility Fund are the primary funds to pay for treatment and collection staff operations respectively. The Water Utility Fund and the Water System Development Charge Fund are the primary funds to maintain the water system and construct new facilities. The System Development Charge is used for the replacement or installation of major transport lines, with diameters of at least 10 inches. The Water Utility Fund also funds the construction upgrades to water lines and system enhancements. New development provides new water facilities through construction of on-site and connecting water lines and the payment of water system development charges.

The Sewer Utility Fund is the primary fund for wastewater treatment staff operations. The Sewer Utility Fund and the Sanitary Sewer Interceptor Charge are the primary funds to maintain the wastewater system and the installation of new lines. The Sewer Capacity Fund is utilized only to upgrade or construct new wastewater treatment plants. New development participates in the provision of wastewater facilities through construction of on-site and connecting sewer lines and the payment of system enhancement fees.

On November 6, 2001, City of Yuma voters approved the use of a state-financing program (WIFA) for the construction of a number of water and wastewater projects. These new facilities provide needed system upgrades and support the urban development of the City. The facilities include but are not limited to:

Water Projects

1. Main Street Zone 2 Booster Pump Station
2. Zone 1 Water Transmission Line
3. 8th Street Water Transmission Line
4. Avenue A Water Transmission Line
5. Avenue B Water Transmission Line
6. Avenue 9E Water Transmission Line
7. Main Street Safe Drinking Water Act Upgrade
8. 16th Street Booster Pump Station
9. 24th Street Ground Storage Tank
10. East Mesa Water Treatment Plan

Wastewater Projects

1. Phase 1 1994 Figueroa Water Pollution Control Facility Needs
2. East Mesa Water Pollution Control Facility
3. 36th Street and 40th Street Sanitary Sewer
4. Jackrabbit Mesa Water Pollution Control Facility Upgrades
5. Figueroa Water Pollution Control Facility Aerator Upgrades

Private Utilities - Typically, the installation of private utilities (phone, electricity, cable) are determined between the developer and the utility company. The maintenance of those facilities is the responsibility of the utility. Financing is through user fees. The City of Yuma authorizes the use of city right-of-way for placement of utility equipment. This authorization includes a franchise fee paid by the utility to the city by Arizona Public Service, Time Warner and Southwest Gas. Also utility companies may pay a fee to another utility for use of their equipment, such as when the cable or telephone provider place their equipment on electric utility power poles.

EVALUATION AND ANALYSIS

Options for funding methodologies are available to communities for infrastructure construction. As allowed under the Arizona Revised Statutes, the funding mechanisms range from direct developer construction to improvement districts to bonding for facilities. Below is a brief overview of those mechanisms.

TAXES

The General Fund is the primary fund to operate City functions. The source of the General Fund is from fees paid, the 1% sales tax, property taxes, state shared income and sales taxes, fines and similar governmental fees. It is used to pay salaries, purchase equipment, maintain facilities and infrastructure and to a limited extent fund capital improvements.

Another funding source implemented by the City is the use of voter-approved sales taxes for specific types of projects. The citizens of Yuma have approved three individual sales tax increases to support transportation, tourism and public safety.

- ✓ Road Tax: Approved 12/7/93, this .5% increase on the City sales

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- tax provides a permanent funding stream for the design and construction of roadway projects. Funds have been used for the purpose of funding street and roadway improvements, including but not limited to widening, constructing, paving, repaving and reconstructing such streets and roadways and all appurtenances.
- ✓ Hospitality Tax: This 2% increase in the City sales tax applies only to restaurants, hotels and motels. Funds collected are used for O&M at the James P. Deyo Complex, park and recreation development and maintenance and to support tourism activities of the Convention & Visitors Bureau. The tax was re-approved by the citizens of Yuma on 5/19/09 and concludes on 6/30/24.
 - ✓ Public Safety Tax: Approved 11/8/94 and re-approved 11/2/10, this .2% increase in the City sales tax is dedicated to support bond repayment for the new construction of public safety facilities. This funding source has been used to support the construction of the Police and Municipal Court complex, and a number of fire stations.

The remaining sales tax in Yuma County is composed of 5.6% dedicated to the State of Arizona and 1.1% dedicated to Yuma County.

DEVELOPMENT FEES

The types of development fees the City collects that are dedicated to specific infrastructure include: Parks & Recreation, Art & Cultural Facilities, Sanitation, Police, Fire/EMS, General Government, Public Works, Transportation, Water and Sewer system development charges applied area wide.

Citywide Development Fees –

Parks and Recreation: Development fees for parks and recreation are calculated using the incremental expansion methodology. The components included in the fee consist of parkland and park improvements, recreation facilities, paths/trails, and support facilities, vehicles and equipment. All capital costs have been allocated to residential development only. Average household size is used to differentiate the development fees by type of housing.

Arts and Cultural Facilities: Capital costs for the Art & Cultural Facilities Development Fee have been allocated to residential development only and standards have been shown on a per capita basis. Average household size was used to differentiate the development fees by type of housing. The Art & Cultural Development Fees are calculated using an incremental expansion methodology for the portion of the Yuma Civic Center and Yuma Art Center used for public purposes. Capital costs are based on existing level of service.

Sanitation: Development fees for Sanitation are calculated using the incremental expansion methodology. Components of this fee include facilities, vehicles, and equipment. The City plans to provide residential sanitation services to all future residential growth. Thus, all capital costs have been allocated to residential development only and standards are

shown on a per capita basis. Average household size is used to differentiate the development fees by type of housing.

Police: The incremental expansion approach is used to determine costs for police facilities, court facilities, police vehicles, and police communications equipment. Police Development Fees use different demand generators for residential and nonresidential development. Residential development fees are calculated on a per capita basis and then converted to an appropriate amount by type of housing using household size multipliers. To calculate nonresidential development fees, nonresidential vehicle trips are the indicator for police facilities, vehicles, and equipment. Nonresidential vehicle trips are the best measure of the presence of people at nonresidential land uses in that they include employees, shoppers, and visitors. Also, the Police Department responds to all traffic accidents, which are directly related to trip generation rates. A future revenue credit for the Public Safety Sales Tax has also been calculated in order to avoid double payment for capital facilities.

Fire/EMS: The plan-based methodology is used to calculate the fire station and training facility components of the Fire/EMS Development Fee. The incremental expansion methodology is used for calculating the level-of-service standards for apparatus and communications equipment. Capital costs are applied per person to residential development and per employee to nonresidential development because the vast majority of calls are EMS-related and are a function of people. A future revenue credit for the Public Safety Sales Tax has also been calculated in order to avoid double payment for capital facilities.

General Government: This fee uses the buy-in methodology for the Municipal Complex and the incremental expansion methodologies for vehicles, and equipment. This development fee is allocated on a per capita basis for residential development. For nonresidential development, the fee methodology allocates the capital cost on a per employee basis.

Public Works: This fee uses the incremental expansion methodology for facilities, vehicles, and equipment. This development fee is allocated on a per capita basis for residential development. For nonresidential development, the fee methodology allocates the capital cost on a per employee basis.

Transportation: The plan-based methodology is used for improvements to arterial streets as shown in the City's ten year Capital Improvements Program (CIP). The incremental expansion methodology is used for support facilities, vehicles, and equipment. Trip generation rates by type of development are multiplied by the capital cost per vehicle miles of travel (VMT) to yield the Transportation Development Fees. The methodology includes trip adjustment factors for commuting patterns, pass-by trips and average trip length variation by type of land use. A future revenue credit for the Road Sales Tax has also been calculated in order to avoid double payment for capital facilities.

A recent concern to the community is the proliferation and visibility of above ground electrical distribution and transmission lines. Within the construction of new subdivisions, utility undergrounding has been required. The issue appears to be the undergrounding of electrical transmission lines and the associated costs. A more detailed study on the viability of undergrounding distribution lines and how the costs can be allocated or shared community wide would be appropriate.

Water and Sewer System Fees - The City of Yuma has been developing strategies to address the gap between water and wastewater revenues and the high cost of utility system upgrades and maintenance. The 2006 Water and Wastewater Utility Rate and Fee Study was completed in September 2006. The results of the study identified that there would not be sufficient funds to maintain the system and provide for future growth. Therefore a change in the rate structure and connection fees was recommended and adopted by the City Council. The rate structure balanced the cost of service to existing customers through an increase in rates with needed revenues from new customers through an increase in connection fees.

State law also allows the application of development fees for a range of public services provided that any mechanisms that are adopted by the municipality result in a beneficial use to the development and bear a reasonable relationship to the burden imposed on the municipality to provide additional necessary public services to the development. For the City of Yuma this includes the collection of fees to cover the cost of review and approval for development plans. This includes subdivision review and approval, engineering oversight, rezoning review and approval, and construction plan review and inspection. The user fees collected for these activities are applied to the General Fund or Road Tax fund and intended to supplement staff costs. Through this method new development participates in a portion of the cost of new construction. Attempts have been made by the City to equate the cost of this review with the fees collected. Many user fees have kept pace with the cost of business, such as building review and permitting, but only a fraction of the cost of community planning functions are covered. Over the course of fiscal year 2000-2001 user fees offset approximately 3% of operation and maintenance costs for the Community Planning Division. As a result, the General Fund is supplementing the development of the community. A detailed study of user fees with an effort to reduce the negative impact on the general fund is recommended.

BOND FINANCING

Revenue Bonds are a means by which the City borrows money by selling a bond for the construction of general use facilities, such as a Fire Station. The sum is to be repaid over a number of years, typically 20 years. This creates a source of funds in the current year that is available for those specific projects, such as the construction of a major arterial roadway. The repayment of the bond is from the fund which directly relates to the specific projects identified in the bond. Revenue Bonds may require voter approval, depending on the repayment method. A second

bond financing method for facility construction is a *General Obligation Bond*, in which a secondary property tax is the financing method for the bond. The Bond monies are used for a specific project and require voter approval. The City does not currently have bonds of this type but this method was successfully implemented for a major upgrade to the water treatment plant. This bond had the full faith and credit of the City of Yuma, was approved by the voters and was repaid from water revenues. A third type is a *Special Assessment Bond*. These bonds are secured by a tax levied against property within a special district. The revenue from these bonds is used to fund projects that benefit taxpayers within that special district. Special Assessment Bonds require voter approval. A fourth type of bond is a *Municipal Property Corporation Bond*. Municipal Property Corporation (MPC) Bonds are issued by a non-profit corporation that is wholly owned by a political subdivision of the state, such as a municipality. Proceeds from the bond sale are used to build or acquire government projects or buildings that may be leased back to the political entity. Revenues or the lease payments guarantee the bonds. MPC bonds do not require voter approval. The City has been very successful in facility construction through this program and has an excellent credit rating.

LEASE FINANCING

There are two types of lease financing methods authorized by the State of Arizona. The first is called a *Certificate of Participation (COP)*. COPs are multi-year leases that would typically be viewed as long-term debt. They avoid this designation, however, because the annual lease payments are not guaranteed and are subject to cancellation if the annual payment is not provided or appropriated. COPs have been used extensively for the construction of state office buildings. Certificates of Participation do not require voter approval. The second lease method is *Lease Purchase*. Lease purchase agreements have been used for almost every type of capital use in Arizona communities, including the acquisition of office equipment and construction of office buildings. This method allows the cost of the item to be spread over the life of the equipment or use of the facility. Lease purchases do not require voter approval.

SPECIAL TAXING DISTRICTS

State law allows the use of Assessment, Improvement or Enhancement Districts for new facility construction funding or facility maintenance. These districts can be used to fund the construction or maintenance of a variety of projects and purposes including parking maintenance districts, sewer improvement districts, street lighting improvement districts, etc. They are used for defined small areas and are not used for general use facilities. An example of a maintenance district is the Downtown Mall Maintenance Fund, wherein downtown property owners contribute through property taxes toward a portion of the cost of maintenance of downtown landscaping and parking facilities. Additionally, the General Fund supplements mall maintenance activity. The districts function in the following manner. Property owners may request or municipalities may impose on a defined land area a special taxing district, the purpose of which is to fund the construction of needed infrastructure or maintenance

in that defined area. The cost of the improvement is shared amongst the property owners of the defined area. Payment for the facility is assessed through property taxation or as a separate fee. The municipality may bond for any new construction to be completed. The municipality may expend no funds for completion of the projects and uses its favorable credit rating to obtain advantageous financing for the property owners within the district. This method is typically used in developed areas where the needed infrastructure was not installed when the properties were developed. This methodology places the cost burden on the users of the infrastructure but in some cases this cost burden can be a significant financial hardship, which the current property owners may not have considered.

A significant concern in implementing this type of funding mechanism is when it is applied to major infrastructure installation in an area that is largely undeveloped, as opposed to small infrastructure installation in a stable economically viable neighborhood. The development of a large parcel for urban uses would implement this funding mechanism for the construction of roads, water and sewer facilities as well as other needed infrastructure. As the subdivision develops, the number of property owners increases and the taxes for the improvement district are spread across all the property owners. This method works when the subdivision fully develops and the property owners are able to maintain their property taxes. This method doesn't work when the subdivision doesn't develop and only a few property owners are responsible for all the infrastructure improvements. The few property owners may be faced with significant costs, which they are unable to support. This financial difficulty may result in home abandonment or loan defaults. Ultimately the municipality may become responsible for the cost of the infrastructure, thereby transferring the cost of a developer responsibility onto all the taxpayers of the municipality.

IN-LIEU PAYMENT FOR FACILITIES

In-lieu payments are another method of having new development participate in facility funding. This method is applied to a specific area and does not consider the impacts of the new development area wide. As mentioned previously, in-lieu payments are collected when a development is responsible for the construction of a needed facility but due to timing the facility is not ready for construction. This could be due to a lack of immediate need for the facility. Therefore the construction is postponed so that it doesn't deteriorate prematurely or because construction would be replaced before the useful life of the new facility is realized. The developer would then be asked to provide fees "in-lieu-of" construction. For example, a new development fronts on a roadway that has no curb, gutter or sidewalk. The developer would be responsible for providing those improvements in the course of construction of their facility. But the municipality has scheduled rebuilding of the roadway in two years. Rather than construct a facility that will be removed in the near future and to insure the developer participates in their fair share of the facility improvement, the developer is asked to provide in-lieu payments instead of construction. This methodology assures that new

development participates in needed infrastructure and minimizes the overall cost to the taxpayers of Yuma.

FACILITY CONSTRUCTION

This funding mechanism involves direct developer construction for all necessary infrastructure, both within the project and for nearby off site facilities necessary for the project. For example, if a new subdivision were proposed, the developer would be responsible for all interior transportation facilities, installation of water and sewer services and stormwater control. The developer would also be responsible to upgrade or install connecting infrastructure necessary to the new development. This is the primary method by which the City of Yuma requires developers to participate in the provision of new infrastructure.

DEDICATION OF LAND

A dedication occurs when a property owner conveys land to a municipality at no cost. Rights-of-way for local streets are typically provided in this manner. Retention basins in residential subdivisions that are jointly used for recreation areas are also typically dedicated. This is done in situations where there is a reasonable relationship or nexus between the public service needs generated as a result of the new development and the municipality's need for land or right-of-way in order to provide that service. This methodology allows for the participation of the new development in the provision of infrastructure for localized needs.

SERVICE PRIVATIZATION

Service Privatization occurs when a private entity provides a public service, such as water treatment and delivery or electrical power generation that was previously supplied by a public agency. This method allows the direct users of a facility to provide the revenues to run that service. In some cases this can be more cost productive than having a municipality provide the service. However, costs to customers can be higher and service quality may vary from levels expected from public agencies. The City of Yuma has allowed commercial sanitation to be provided by a private entity and reallocated resources and staff to higher need areas. This methodology isolates the costs of providing specific services to the users of that service.

JOINT USE AGREEMENTS

A Joint Use Agreement allows the City and a public agency to share in the use, maintenance or construction of a facility. The City currently has two types of shared/joint use agreements: Stormwater Retention Facilities and School facilities. In order to maximize open space opportunities and contain costs, the City should continue to jointly use stormwater retention facilities as park facilities. A park added to the City inventory that successfully provides this joint use is Kiwanis Park. Another joint purpose facility includes the future enhancements to Smucker Park that will provide not only an urban lake but also stormwater retention for a portion of the southwest mesa area. As stormwater facilities are installed in new subdivisions those facilities can be landscaped and include walking paths or play equipment. The second type of joint use agreement is with the

area schools. The City has been successful in sharing the cost of developing and maintaining recreation facilities. The school districts develop the recreation facility and City maintains them in exchange for public use and access to those facilities. This practice should continue and be expanded to provide recreation opportunities to areas with no other City park and recreation facilities.

PRIVATE/PUBLIC FUNDING OPTIONS

There are a number of other public and private funding options available to private development or public agencies. These range from low interest loans to favorable tax status to full grants for specific projects. Although not all specifically related to how new development pays for itself, the inclusion of these fund sources helps identify the constraints and possibilities faced by local municipalities.

Industrial Development Authority – The IDA of the City of Yuma was formed in 1983. This body has state and federal authority to issue tax-exempt bonds. The IDA issues the tax-exempt bonds and lends the proceeds directly to a private enterprise, which owns the facility to be financed. Bonds may be issued for industrial and manufacturing enterprises and residential development. The credit of the IDA or municipality does not support the bond. Repayment is the obligation of the private user.

Empowerment Zones and Enterprise Communities – The EZ/EC program is under the authority of the United States Department of Agriculture. Rural communities that have been given the Empowerment Zone designation enjoy a number of federal benefits, which range from technical assistance, to grants to significant tax incentives for private enterprise. The purpose of the program is to revitalize rural communities with an infusion of economic development as a result of major tax incentives to private enterprise.

Arizona Enterprise Zones – The primary goal of the Arizona enterprise program is to improve the economies of distressed areas in the state. The program does this by enhancing opportunities for private investment in certain areas that are called enterprise zones. The state and local communities provide incentives to foster investment in those areas, and to reduce or remove unnecessary governmental barriers to economic development. Yuma County is within a state enterprise zone.

Tax Increment Financing – Another tax incentive program that was previously allowed in the State of Arizona but is currently not available is tax increment financing. This funding mechanism is allowed in many states. In this funding methodology, bonds are issued for infrastructure improvements that will be installed in a specific district. The repayment of the bond is pledged from the increase in property taxes within the district as a result of the infrastructure improvements. Repayment of the bond is dependent on favorable economic conditions. Although this funding method is not currently available there is the possibility that it will be revised and re-incorporated into State law at some future date.

Greater Arizona Development Authority – GADA was created by the Arizona Legislature in order to assist local and tribal governments in obtaining favorable financing for infrastructure projects. Low interest loans are available through GADA to local communities by pooling state resources to obtain favorable loan rates. Loans are only available to public entities. Projects that can be financed in this method include streets, municipal and public safety facilities, wastewater, stormwater drainage, and water systems and park facilities.

Water Infrastructure Finance Authority of Arizona – Under the authority of the State of Arizona, WIFA offers eligible borrowers low interest rate loans and reduced closing costs. As a “bond bank”, WIFA is authorized to issue Water Quality Bonds on behalf of communities for water and wastewater infrastructure by pooling different entities financing needs. Loans are available to private and public entities for drinking water infrastructure through the Drinking Water Revolving Fund and to public agencies for wastewater needs through the Clean Water Revolving Fund. The use of this loan source requires voter approval if the population is over 50,000 persons. City of Yuma voters approved the use of this funding option, November 6, 2001, for the purpose of constructing a number of water and wastewater projects.

Grant Funding – Both the state and federal government have funds available to pay for new infrastructure. Typically, these funding programs are only available to public agencies. Determining factors for funding range from low-income areas to meeting a significant localized infrastructure need. These funds include: the federal Community Development Block Grants for low income areas, the federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) grants for transportation needs, the federal Heritage Area grant for restoration and revitalization of the Colorado River, the state Economic Strength Project grant for meeting immediate transportation needs to promote economic development, as well as a limited number of state and federal grants for recreation facilities and wildlife habitat enhancements.

Coordinated Border Infrastructure Fund (CBI) – A component of SAFETEA-LU, the CBI is to be used to improve the safe movement of motor vehicles at or across the land border between the U.S. and Canada or Mexico. Administered by the State, funds may be used for projects within 100 miles of an international land border with Canada or Mexico. Eligible projects include improvements to existing transportation and supporting infrastructure, construction of highways and related safety and safety enforcement facilities related to international trade, operational improvements, including those related to electronic data interchange and use of telecommunications, modifications to regulatory procedures and international coordination of transportation planning, programming, and border operation with Canada and Mexico.

GOALS, OBJECTIVES AND POLICIES

Goal 1.0: Utilize financing mechanisms to pay for the cost of new development that do not place an unreasonable financial burden on the entire community.

Objective 1.1: Ensure that new development pays its fair share of growth.

Policy 1.1.1: The City shall periodically update the comprehensive Development Fee Ordinance that incorporates annual adjustments of construction costs.

Policy 1.1.2: The City shall continually research additional funding sources. This includes additional development fees, creation of improvement districts and grants.

Policy 1.1.3: The City shall regularly audit development fees to determine if service levels and amounts collected are meeting needs.

Objective 1.2: Invest funds accruing in development fee accounts to enhance funding capacity.

Objective 1.3: Maximize public/private partnerships in infrastructure development.

Objective 1.4: Maximize the community's utilization of existing investment in infrastructure and services

Policy 1.4.1: The City shall encourage growth in areas that have excess capacity in existing infrastructure.

Goal 2.0: Determine and manage monetary and facility impacts as a result of new development.

Objective 2.1: Ensure that the cost of new infrastructure is fairly distributed and new development fees provide a reasonable nexus between the proposed development and the use of the facility.

ACTION PLAN			
Phase	Project	Responsible Department/Agency	Funding Sources
1-5 Years	Periodically review and modify the Citywide Development Fee Structure to ensure current cost estimates and fairness.	Engineering	Development Fees
	Periodically review and modify the Facility Fee Structure for water and sewer infrastructure.	Utilities	Water & Sewer Funds
6+ Years	Periodically review and modify the Citywide Development Fee Structure to ensure current cost estimates and fairness.	Engineering	Development Fees
	Periodically review and modify the Facility Fee Structure for water and sewer infrastructure.	Utilities	Water & Sewer Funds