



**City of Tempe, Arizona**  
**Report on Applying Agreed-Upon Procedures**  
**Biennial Certification of Land Use**  
**Assumptions, Infrastructure Improvement Plan**  
**and Development Impact Fees**  
For the Period August 1, 2014 through June 30, 2016

**CITY OF TEMPE, ARIZONA  
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor, Members of the City Council, and Management  
City of Tempe, Arizona

We have performed the procedures identified below, which were agreed to by the management of City of Tempe, Arizona, solely to assist the management of City of Tempe, Arizona, in evaluating the City of Tempe, Arizona's compliance with the requirements set forth in Arizona Revised Statutes (A.R.S.) 9-463.05 for the period from August 1, 2014 through June 30, 2016. Management is responsible for City of Tempe, Arizona's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

We have applied the following procedures:

*The progress of the infrastructure improvements plan.*

- a. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
  - i. Agreed expenditures as of June 30, 2016 to the underlying accounting records.
  - ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

*The collection and expenditures of development impact fees for each project in the plan.*

- b. Selected a sample of 40 building permits issued and determined fees were charged in accordance with authorized fee schedules and that each permit holder was charged the same rate as another equivalent permit holder. Any inequities in the imposition of development fees are reported.
- c. Selected all water and wastewater expenditures greater than \$5,000 and determined that the expenditure was associated with an approved project in the City of Tempe, Arizona's IIP.

*Evaluating any inequities in implementing the plan or imposing the development impact fee.*

- d. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step b. above.
- e. Determined that there were no instances in which the City waived development impact fees.

The accompanying Results of Procedures describes the items we noted related to procedures a-e.

In addition, due to the results of procedures a-e, the following additional procedure was applied:

- f. Selected all water and wastewater expenditures reported in the Annual Development Fee Reports as of June 30, 2015 and June 30, 2016 as revised on August 31, 2017 and determined that the expenditure was associated with an approved project in the City of Tempe, Arizona's IIP.

No exceptions were noted as a result of applying procedure f.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Honorable Mayor, Members of the City Council and management of City of Tempe, Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
September 26, 2017

**CITY OF TEMPE, ARIZONA  
RESULTS OF PROCEDURES**

**BACKGROUND**

The City participates with several other cities in the Phoenix metropolitan area in an intergovernmental agreement for the construction, operation and maintenance of jointly used facilities including the 91<sup>st</sup> Avenue Wastewater Treatment Plant, the Salt River Project Outfall Sewer and the Southern Avenue Interceptor. The agreement provides for the formation of a multi-city Subregional Operating Group Committee (SROG) whose members are composed of a representative officially appointed upon motion and order of each participating city, for the specific purpose of making recommendations concerning specific decisions or courses of action for the jointly used facilities. The SROG Committee annually reviews and approves the capital improvements and replacements budget and also the operating budget for the jointly used facilities.

On a biannual basis, the SROG committee approves a cash flow estimate that is needed from each participating City to allow proper resources to complete approved projects. Each City is then billed on a monthly basis for their portion of the cash flow estimate. Not all approved projects are growth related.

As indicated in the Annual Development Fee Report, as originally prepared, for the years ended June 30, 2015 and June 30, 2016, the City expended the following amounts from development impact fees collected after August 1, 2014. These amounts expended represent monthly payments to SROG for all projects of which the City of Tempe shares in the cost, not solely the growth related projects.

Fiscal Year End	Project	Amount Expended
June 30, 2015	SROG SAI Salt River Outfall	\$196,807
June 30, 2016	SROG – 91 <sup>st</sup> Avenue	\$144,978

In addition, the City reported the following expenditures in the June 30, 2015 annual Development Fee Report, as originally prepared, for non-SROG related sewer projects.

Fiscal Year End	Project	Amount Expended
June 30, 2015	Sewer Construction	\$69,253

**RESULTS OF APPLYING PROCEDURES (a-e)**

1. Capital projects related to SROG were not given individual construction in progress project numbers in the City of Tempe’s accounting records; therefore the City is unable to account for growth related SROG projects separately.
2. Project descriptions as shown in the Infrastructure Improvement Plan (IIP) for SROG related projects did not always agree with project descriptions provided by SROG on the cash flow estimates; therefore it is difficult for the City to determine specifically which SROG projects were included in the IIP.

**CITY OF TEMPE, ARIZONA  
RESULTS OF PROCEDURES**

3. City of Tempe employees were able to identify which SROG projects on the cash flow estimates were growth related, and it was determined that only \$92,100 of the Fiscal Year 2015 and 2016 SROG contributions went towards growth related projects.
4. Development impact fees collected after August 1, 2014 were used to pay for \$69,253 in sewer construction projects not identified in the IIP.

**REVISIONS TO ANNUAL DEVELOPMENT FEE REPORT**

Based on the results above, the City revised the Annual Development Fee Reports for the years ended June 30, 2015 and June 30, 2016. As a result for Fiscal Year 2015, the City reallocated the \$196,807 applied to SROG SAI Salt River Outfall and the \$69,253 applied to sewer construction to growth related projects identified in the IIP. In addition for Fiscal Year 2016, the SROG- 91<sup>st</sup> Avenue project for \$144,978 was replaced with SROG identified projects in the cash flow. The project amount reallocated was \$92,100 and the Fiscal Year 2016 report was restated lowering the amount spent with development fees.

**APPENDIX A**  
**PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS**

IIP Project	CIP Program	Cost from IIP (a)	Total Expenditures as of 6/30/16 (b)	Est. Cost to Complete	Est. Completion Date
Chlorine Generation	Water Treatment Plant Asset Maintenance/Upgrades	\$2,760,000	\$0	\$2,760,000	2018/19
Filter Rehabilitation	Filter Rehabilitation at Water Treatment Plants	\$950,000	\$572,643	\$3,235,044	2017/18
JGMWTP Water Aqueduct Repair and Security	Water Treatment Plant Asset Maintenance/Upgrades	\$1,100,000	\$1,302,526	\$354,840	2020/21
JGMWTP Water Quality Upgrades	JGMWTP Water Quality Upgrades	\$2,071,440	\$1,036,096	\$0	Completed in 2013/14
Ken McDonald Golf Course Recharge Project	Ken McDonald Golf Course Recharge Project	\$2,600,000	\$1,238,581	\$1,361,419	Phase 1 completed in 2012/13. Phase 2 expected in 2022.
New Production Wells (9 MGD Addition)	Wells-Asset Maintenance & New Production	\$6,076,763	\$1,716,355	\$3,934,224	Ongoing
STWTP Improvements	Water Treatment Plant Asset Maintenance/Upgrades	\$331,232	\$218,646	\$398,555	2017/18
STWTP Main Power Building	Water Treatment Plant Asset Maintenance/Upgrades	\$938,000	\$467,275	\$3,907,169	2016/17
WMAT Settlement Agreement	CAP Water Lease - WMAT Quantification Settlement Agreement	\$4,770,168	\$0	\$4,770,168	Unknown
SROG Interceptor Capacity Improvements	SROG-SAI, SRO and 91st Ave WWTP	\$3,393,212	\$0	\$3,393,212	Ongoing
Metering Station Improvements (WW Conveyance)	Wastewater Conveyance System-Mechanical Stations	\$1,154,499	\$1,152,432	\$591,231	2016/17
SRO Biofilter at Airport	SROG-SAI, SRO and 91st Ave WWTP	\$14,766	\$0	Incl in Odor Control project	Incl in Odor Control project
SRO/SAI Interceptor Odor Control	SROG-SAI, SRO and 91st Ave WWTP	\$35,326	\$49,500	\$592	June 2018
SRO/SAI Interceptor Odor Control Implement	SROG-SAI, SRO and 91st Ave WWTP	\$683,913	\$0	\$683,913	December 2021
Resolution of Digestion System Engineering Issues (Multi Phase Process)	SROG-SAI, SRO and 91st Ave WWTP	\$353,261	\$28,400	\$324,861	June 2019
Outfitting of Additional Solar Sludge Drying Beds	SROG-SAI, SRO and 91st Ave WWTP	\$706,522	\$14,200	\$692,322	June 2020
Improvements to Centrate Treatment Facility	SROG-SAI, SRO and 91st Ave WWTP	\$706,522	\$0	\$0	N/A

(a) As reported in the Infrastructure Improvement Plan dated February 2014. This amount represents the total cost of the project

(b) As reported in the City of Tempe accounting records.