



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 July 1, 2018 through June 30, 2020

**CITY OF TEMPE, ARIZONA
TABLE OF CONTENTS**

<u>CONTENTS</u>	<u>PAGE</u>
Independent Accountant's Report on Applying Agreed-Upon Procedures	1
Summary of Findings	3
Appendix A – Progress of Infrastructure Improvement Plan Projects	5

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Members of the City Council

We have performed this agreed-upon procedures engagement to assist management of the City of Tempe, Arizona (City), in complying with the requirement as set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 “to provide for a biennial certified audit of the municipality’s land use assumptions, infrastructure improvements plan and development fees”. We have performed the procedures identified below, which were agreed to by the management of City of Tempe, Arizona, solely to assist management of the City in evaluating the City’s compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2018 through June 30, 2020, as specified in A.R.S. 9-463.05.G.2. City of Tempe, Arizona’s management is responsible for its compliance with those requirements. 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. Compared growth projections for 2019 and 2020 related to population, employment, number of housing units, nonresidential square footage, average daily wastewater flows, and average daily water demand as reported in the Infrastructure Improvement Plan (IIP) to actual results. A list of all variances are reported in the Summary of Findings.
- b. 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, 2020 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.

- c. 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 in the Summary of Findings.
- d. Selected a sample of 25 expenditures and determined that the expenditures were associated with an approved project in the City’s IIP.

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

- e. 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 c. above.
- f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

The accompanying Summary of Findings describes the findings we noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. 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 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. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
January 26, 2021

**CITY OF TEMPE, ARIZONA
SUMMARY OF FINDINGS**

FINDING NO. 1

The City charged an elementary school district institutional and commercial development fees for one project when only the institutional fee should have been charged. Additionally, for the same project, the City charged the elementary school district prohibited fees related to police, fire, and parks development (A.R.S. 9-500.18).

FINDING NO. 2

Variances were noted for growth projections related to population, employment, housing units, average daily wastewater flows, and average daily water demand, and nonresidential square footage, as reported in the Land Use Assumptions when compared to actual results. All variances are reported below.

	2019			
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Population	183,396	185,301	1,905	1%
Employment ¹	197,099	N/A		
Residential Housing Units	80,040	80,986	946	1%
Wastewater - average day flows (gallons)	19,852,987	18,900,000	(952,987)	-5%
Water - average day demand (gallons)	41,602,766	41,800,000	197,234	0%
Nonresidential Square Footage				
Industrial	29,605,000	29,459,488	(145,512)	0%
Commercial	13,336,000	13,207,722	(128,278)	-1%
Institutional	19,542,000	19,299,769	(242,231)	-1%
Office	28,658,000	28,866,801	208,801	1%
Total Nonresidential Square Footage	<u>91,141,000</u>	<u>90,833,780</u>	<u>(307,220)</u>	<u>0%</u>
¹ Projected employment includes employers of all sizes and the actual employment is based on employers with five or more employees.				
N/A indicates the information was not available				

**CITY OF TEMPE, ARIZONA
SUMMARY OF FINDINGS**

	2020			
	Projected	Actual	Variance	Variance %
Population	186,334	188,616	2,282	1%
Employment ¹	200,500	164,750	(35,750)	-18%
Residential Housing Units	80,899	81,733	834	1%
Wastewater - average day flows (gallons)	19,953,669	18,600,000	(1,353,669)	-7%
Water - average day demand (gallons)	41,677,876	44,400,000	2,722,124	7%
Nonresidential Square Footage				
Industrial	29,869,000	29,568,473	(300,527)	-1%
Commercial	13,567,000	13,423,257	(143,743)	-1%
Institutional	19,914,000	19,370,061	(543,939)	-3%
Office	29,361,000	29,277,426	(83,574)	0%
Total Nonresidential Square Footage	<u>92,711,000</u>	<u>91,639,217</u>	<u>(1,071,783)</u>	<u>-1%</u>
¹ Projected employment includes employers of all sizes and the actual employment is based on employers with five or more employees.				

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

IIP Project	CIP Program	Growth Cost from IIP (a)	Total Expenditures as of 6/30/20 (b)	Est. Cost to Complete	Est. Completion Date
Fire Station 7	Fire Protection	\$5,677,000	\$6,234,669	\$178,781	FY 19/20
Fire Apparatus	Fire Protection	\$2,109,000	\$248,032	\$2,109,000	FY 27/28
Police Building	Police Protection	\$10,201,000	\$0	\$10,201,000	FY 26/27
Rural and University	Transportation and R.O.W	\$1,670,719	\$540,510	\$4,854,490	FY 21/22
Fiber:Elliot, Guad, Warner	Traffic Signals and Street Lighting	\$73,554	\$506,712	\$0	FY 16/17
Rural and Southern	Transportation and R.O.W	\$390,000	\$1,778,296	\$1,299,704	FY 20/21
Light Rail Efficiency	Traffic Signals and Street Lighting	\$74,750	\$308,428	\$266,572	FY 18/19
Fiber Install-Rural Road	Traffic Signals and Street Lighting	\$286,405	\$3,529,550	(\$127,505)	FY 19/20
Fiber Install-Broadway Rio	Traffic Signals and Street Lighting	\$43,374	\$303,664	\$0	FY 17/18
East Valley Arterial Congestion Monitor	Traffic Signals and Street Lighting	\$34,500	\$50,333	\$0	FY 17/18
Roundabout: College Ave & Mckellips Rd	Transit	\$229,806	\$0	\$1,094,314	TBD
Pedestrian Separation Intersection - College & University	Transportation and R.O.W	\$1,930,337	\$0	\$5,500,000	TBD
Pedestrian Separation Intersection - Rural & Terrace	Transportation and R.O.W	\$728,724	\$0	\$5,500,000	TBD
Rural Rd & Rio Salado Intersection Improvements	Transportation and R.O.W	\$707,516	\$517,922	\$2,882,078	FY 20/21
Downtown ITS	Traffic Signals and Street Lighting	\$252,000	\$249,171	\$950,829	FY 21/22
Fiber Optic: Downtown	Traffic Signals and Street Lighting	\$210,000	\$0	\$1,000,000	FY 20/21
Roundabout: Priest Dr. & Grove Pkwy	Transit	\$449,286	\$122,560	\$1,210,940	FY 21/22
Baseline Rd and Rural Rd Intersection Improvements	Transportation and R.O.W	\$326,563	\$0	\$1,045,000	FY 24/25
Bus Pullouts	Transit	\$2,232,694	\$902,780	\$4,727,220	TBD
McClintock Community Center	Parks Improvements/Recreation	\$1,299,000	\$0	\$1,299,000	FY 22/23
Various Parks Projects	Parks Improvements/Recreation	\$288,182	\$855,915	\$1,842,514	Multiple
Multiuse Paths	Transit	\$4,275,000	\$4,948,716	\$3,541,284	FY 22/23
Chlorine Generation	Water Treatment Plant Asset Maintenance/Upgrades	\$2,760,000	\$854,144	\$1,905,856	FY20/21
Filter Rehab	Filter Rehabilitation at Water Treatment Plants	\$1,051,858	\$3,716,911	\$0	FY 17/18
JGMWTP Water Aqueduct Repair and Security	Water Treatment Plant Asset Maintenance/Upgrades	\$1,100,000	\$1,307,366	\$0	FY 16/17
JGMWTP Water Quality Upgrades	JGMWTP Water Quality Upgrades	\$2,071,440	\$1,036,096	\$0	FY 13/14
Ken McDonald Golf Course Recharge	Ken McDonald Golf Course Recharge Project	\$2,600,000	\$1,468,929	\$0	FY 21/22
New Production Wells (9 MGD Addition)	Wells-Asset Maintenance & New Production	\$10,001,176	\$5,590,362	\$4,455,486	TBD
STWTP Improvements	Water Treatment Plant Asset Maintenance/Upgrades	\$331,332	\$743,783	\$0	TBD
STWTP Main Power Building	Water Treatment Plant Asset Maintenance/Upgrades	\$1,302,481	\$4,573,418	\$0	FY 17/18
WMAT Settlement Agreement	CAP Water Lease - WMAT Quantification Settlement Agreement	\$6,235,514	\$0	\$6,235,514	TBD
Metering Station Improvements	Wastewater Conveyance System-Mechanical Stations	\$1,154,499	\$1,763,748	\$0	FY 17/18
Spence Diversion & Flow Monitoring Stations	Rio Salado Siphon Capacity Relief	\$500,000	\$0	\$500,000	FY 21/22
Siphon Outlet Pumping Station	Rio Salado Siphon Capacity Relief	\$6,900,000	\$0	\$6,900,000	FY 24/25
Recharge Wells	Water Reclamation Facilities Upgrades and Improvements	\$7,375,000	\$0	\$7,375,000	FY 24/25
SROG Interceptor Capacity Improvements	SROG-SAI, SRO and 91st Ave WWTP	\$6,766,541	\$184,041	\$19,273	FY 25/26
SRO/SAI Interceptor Odor Control	SROG-SAI, SRO and 91st Ave WWTP	\$50,092	\$200,773	\$0	FY 18/19
SRO/SAI Interceptor Odor Control Implementation	SROG-SAI, SRO and 91st Ave WWTP	\$683,913	\$0	\$683,913	FY 25/26
Resolution of Digestion System Engineering Issues	SROG-SAI, SRO and 91st Ave WWTP	\$375,964	\$355,377	\$0	FY 18/19
Outfitting of Add'l Solar Sludge Drying Beds	SROG-SAI, SRO and 91st Ave WWTP	\$738,110	\$744,875	\$0	FY 19/20

(a) As reported in the Infrastructure Improvement Plans dated March 2014, August 2015 and February 2020.

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