



Town of Chino Valley

MEETING NOTICE TOWN COUNCIL

**REGULAR MEETING
TUESDAY, JANUARY 23, 2018
6:00 P.M.**

**Council Chambers
202 N. State Route 89
Chino Valley, Arizona**

A majority of the Councilmembers may attend a private invocation in the Council Conference Room immediately prior to the Council meeting. No Town business will be discussed.

AGENDA

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE; ROLL CALL

2. INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS

- a. Presentation by Yavapai County Board of Supervisors and County Administrator Phil Bourdon regarding the May 2018 ballot measure pertaining to the 1/4 cent sales tax that partially funds the Yavapai County Jail System.
- b. Proclamation declaring January 21-27, 2018 as "School Choice Week," sponsored by National School Choice Week.

3. CALL TO THE PUBLIC

Call to the Public is an opportunity for the public to address the Council on any issue within the jurisdiction of the Council that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.

4. RESPONSE TO THE PUBLIC

Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.

5. CURRENT EVENT SUMMARIES AND REPORTS

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events, or ask a staff member to provide the same. Presentation on information requested by the Mayor and Council will be made and questions answered. No action will be taken.

- a. Status reports by Mayor and Council regarding current events.
- b. Status report by Town Manager Cecilia Grittmann and/or Town staff members regarding Town accomplishments, and current or upcoming projects.
- c. Report on the proposed chip seal program for Spring/Summer 2018.

6. CONSENT AGENDA

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

- a. Consideration and possible action to accept the January 9, 2018 regular meeting minutes. (Jami Lewis, Town Clerk)

7. ACTION ITEMS

The Council may vote to recess the public meeting and hold an Executive Session on any item on this agenda pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the Town Attorney. Executive sessions are not open to the public and no action may be taken in executive session.

- a. Consideration and possible action to: (i) Hold a Public Hearing regarding application from Theresa Morse for the Acquisition of Control of an existing Series 12 (Restaurant) Liquor License for Pizza Hut, located at 312 Market Place Drive, Chino Valley; and (ii) Allow or protest the change of ownership to the Arizona Department of Liquor Licenses and Control. (Jami Lewis, Town Clerk)

Recommended Action: (i) Hold Public Hearing and (ii) Take no action OR Protest the acquisition of control of Pizza Hut's Series 12 Liquor License.

- b. Consideration and possible action to approve a Conditional Use Permit (CUP17-003) for Primrose Inn & RV to allow a 22-unit RV Park on a 2.84 acre property located approximately 0.25 miles north of the northwest corner of West Road 2 North and State Route 89 at 1304 North State Route 89 and identified as Assessor's Parcel No. 306-20-022 (Owner: Chris & DeEtte Viterbo). (Alex Lerma, Associate Planner)

Recommended Action: Approve a Conditional Use Permit (CUP) to allow a 22-unit RV Park for Primrose Inn and RV with the conditions as presented or discussed.

- c. Consideration and possible action to approve a Conditional Use Permit (CUP17-004) for Olsen's Grain in order to install an electrical information sign on a 9.88 acre property located approximately 860 feet north of the northwest corner of West Road 1 North and State Route 89 at 334 South State Route 89 and identified as Assessor's Parcel Number 30-29-029C (Owner: Olsen/ Sischka Inv. CV LLC). (Jason Sanks, Development Service Director)

Recommended Action: Approve a Conditional Use Permit for the proposed electrical display for Olsen's Grain, subject to the conditions as presented or discussed.

- d. (i) Presentation and discussion regarding the results and findings of the Water and Wastewater Rate Study.
(ii) Consideration and possible action to approve a Notice of Intention to Increase Water and Wastewater Rates, Fees, and Service Charges and set a public hearing date. (Joe Duffy, Finance Director)

Recommended Action: Adopt a Notice of Intention to Increase Water and Wastewater Rates, Fees, and Service Charges and set a public hearing on the proposed rates for March 27, 2018.

- e. Consideration and possible action to: (i) Hold a Public Hearing for 2018 Community Development Block Grant (CDBG) funding; and (ii) Select a project for CDBG funding. (Frank Marbury, Public Works Director/Town Engineer)

Recommended Action: (i) Hold Public Hearing; and (ii) Approve the Chino Meadows 5 paving project as the Town's selected project for 2018 CDBG funding.

- f. Consideration and possible action to approve the Town of Chino Valley Technology Plan. (Spencer Guest, IT Manager)

Recommended Action: Approve the Town of Chino Valley Technology Plan.

- g. Consideration and possible action to adopt Ordinance No. 18-843, declaring the document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" to be a public record; and adopting "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" by reference; establishing effective dates; providing for severability and providing penalties for violations. (Jami Lewis, Town Clerk)

Recommended Action: Adopt Ordinance No. 18-843, declaring the document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" to be a public record and adopting the same by reference.

8. EXECUTIVE SESSION

Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.

9. ACTION ITEMS RESUMED

After the Executive Session, Council will reconvene the Regular Meeting.

10. ADJOURNMENT

Dated this 18th day of January, 2018.

By: ***Jami C. Lewis, Town Clerk***

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 636-2646 (voice) or 711 (Telecommunications Arizona Relay Service) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at <http://www.chinoaz.net/agendacenter> and in the Public Library and Town Clerk's Office.

CERTIFICATION OF POSTING		
The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.		
Date: _____	Time: _____	By: _____
Jami C. Lewis, Town Clerk		



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

2.a.

Meeting Date: 01/23/2018
Contact Person: Jami Lewis, Town Clerk
 Phone: 928-636-2646 x-1208
Department: Council
Estimated length of Staff Presentation: 5 minutes
Physical location of item: County-wide

AGENDA ITEM TITLE:

Presentation by Yavapai County Board of Supervisors and County Administrator Phil Bourdon regarding the May 2018 ballot measure pertaining to the 1/4 cent sales tax that partially funds the Yavapai County Jail System.

SITUATION & ANALYSIS:

Yavapai County Board of Supervisors Public Information Officer David McAtee provides the following information:

The ¼ cent sales tax that funds nearly half of the Yavapai County Jail System is set to expire in 2020.

In the year 2000, approximately 70% of the votes cast were in favor of a ¼ cent sales tax to support the Yavapai County Jail. Now, nearly 20 years later, to continue the current sales tax for another 20 years there needs to be another vote, which is scheduled for May of 2018. This is not a new tax but simply a renewal of the current sales tax.

Attachments

No file(s) attached.



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

2.b.

Meeting Date: 01/23/2018
Contact Person: Jami Lewis, Town Clerk
 Phone: 928-636-2646 x-1208
Department: Council
Estimated length of Staff Presentation: 5 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

Proclamation declaring January 21-27, 2018 as "School Choice Week," sponsored by National School Choice Week.

SITUATION & ANALYSIS:

Per Andrew Campanella, President, National School Choice Week:

" . . . we are requesting a proclamation recognizing January 21-27, 2018 as Town of Chino Valley School Choice Week . . . Issuing a proclamation provides an opportunity to shine a positive spotlight on the K-12 education options available for children and families in Town of Chino Valley.

Last year, more than 684 mayors and county leaders, along with 30 governors, the unanimous United States Senate, and the President, issued proclamations recognizing National School Choice Week, which in 2018 will feature more than 32,000 events across America.

National School Choice Week is entirely nonpolitical and nonpartisan, and we do not advocate for or against any legislation. Our goal is simply to raise awareness, among parents, of the public and nonpublic K-12 education options available to their children."

Attachments

Proclamation-School Choice Week

PROCLAMATION

School Choice Week – January 21-27, 2018



Whereas, all children in Chino Valley should have access to the highest-quality education possible; and

Whereas, Chino Valley recognizes the important role that an effective education plays in preparing all students in Chino Valley to be successful adults; and

Whereas, quality education is critically important to the economic vitality of [Government; and

Whereas, Chino Valley is home to a multitude of excellent education options from which parents can choose for their children; and

Whereas, educational variety not only helps to diversify our economy, but also enhances the vibrancy of our community; and

Whereas, our area has many high-quality teaching professionals who are committed to educating our children; and

Whereas, School Choice Week is celebrated across the country by millions of students, parents, educators, schools and organizations to raise awareness of the need for effective educational options; and

Now, Therefore, I, Darryl Croft, Mayor of the Town of Chino Valley, do hereby proclaim *January 21-27, 2018 as School Choice Week* in Chino Valley, Arizona, and urge all of our citizens to recognize this observance.

In Witness Whereof, I have hereunto set my hand and caused the Seal of the Town of Chino Valley to be affixed this *23rd* day of *January, 2018*.

Darryl L. Croft, Mayor

ATTEST: Jami C. Lewis, Town Clerk



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

5.c.

Meeting Date: 01/23/2018

Contact Person: Frank Marbury, Public Works Director/Town Engineer
Phone: 928-636-7140 x-1226

Department: Public Works

**Estimated length
of Staff Presentation:** 10 minutes

Physical location of item: Various Locations

AGENDA ITEM TITLE:

Report on the proposed chip seal program for Spring/Summer 2018.

SITUATION & ANALYSIS:

There is approximately \$350,000 available in the budget for a spring chip seal program. The proposed list as presented to and approved by the Roads and Streets Committee is as follows:

Reconstruction (Pulverization, Base Course, and Double Chip Seal):

North Reed Road from West Road 3 North to West Road 4 North

West Road 4 North from North Reed Road to North Maricopa Street (Extending to North Road 1 West if funding allows)

East Road 1 North from Highway 89 to North Road 12 East

Reconstruction (Pulverization, Base Course and Asphalt Paving):

The intersection of East Road 3 North and North Road 1 East

Single Chip Seal:

West Outer Loop Road from South Johnson Lane to Highway 89

In addition, Jerome Junction Road will be re-aligned and constructed with aggregate base course and a double chip seal from the end of the Old Home Manor Project to just south of Gavin Court.

Attachments

No file(s) attached.



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

6.a.

Meeting Date: 01/23/2018

Contact Person: Jami Lewis, Town Clerk

Phone: 928-636-2646 x-1208

Department: Town Clerk

Item Type: Consent

AGENDA ITEM TITLE:

Consideration and possible action to accept the January 9, 2018 regular meeting minutes. (Jami Lewis, Town Clerk)

RECOMMENDED ACTION:

Accept the January 9, 2018 regular meeting minutes.

Attachments

January 9, 2018 minutes

DRAFT

MINUTES OF THE REGULAR MEETING OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

**TUESDAY, JANUARY 9, 2018
6:00 P.M.**

The Town Council of the Town of Chino Valley, Arizona, met for a Regular Meeting in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, January 9, 2018.

Present: Mayor Darryl Croft; Vice-Mayor Lon Turner; Councilmember Mike Best; Councilmember Cloyce Kelly; Councilmember Annie Lane; Councilmember Corey Mendoza; Councilmember Jack Miller

Staff Present: Town Manager Cecilia Grittmann; Public Works Director/Town Engineer Frank Marbury; Administrative Technician Kathy Frohock (videographer); Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER, PLEDGE OF ALLEGIANCE; ROLL CALL

Mayor Croft called the meeting to order at 6:00 p.m. and led the Pledge of Allegiance.

2) INTRODUCTIONS, PRESENTATIONS, AND PROCLAMATIONS

- a)** Proclamation declaring January 2018 as "Youth Mentoring Month," sponsored by Yavapai Big Brothers Big Sisters and APS. (Mayor Croft)

Councilmember Lane read the proclamation and Mayor Croft presented it to Justin Corbell with Yavapai Big Brothers Big Sisters, who spoke about his experience with mentoring.

3) CALL TO THE PUBLIC

Call to the Public is an opportunity for the public to address the Council on any issue within the jurisdiction of the Council that is not on the agenda. Public comment is encouraged. Individuals are limited to speak for three (3) minutes. The total time for Call to the Public may be up to 30 minutes per meeting. Council action taken as a result of public comment will be limited to directing staff to study the matter, scheduling the matter for further consideration and decision at a later date, or responding to criticism.

Haryashka Knauer, resident, commended Council for scheduling their meetings when people could attend.

4) **RESPONSE TO THE PUBLIC**

Response to the Public is an opportunity for the Mayor to inform the public about how Town officials addressed matters raised during Call to the Public at a previous meeting.

5) **CURRENT EVENT SUMMARIES AND REPORTS**

This item is for information only. The Mayor, any Councilmember, or Town Manager may present a brief summary or report of current events, or ask a staff member to provide the same. Presentation on information requested by the Mayor and Council will be made and questions answered. No action will be taken.

a) Status reports by Mayor and Council regarding current events.

Mayor Croft reported on the Coffee with the Mayor and Manager program starting tomorrow.

Councilmember Lane reported that today was National Law Enforcement Appreciation Day.

b) Status report by Town Manager Cecilia Grittmann and/or Town staff members regarding Town accomplishments, and current or upcoming projects.

Ms. Grittmann reported on:

- Cancelling the January 16 study session and moving the discussion item to January 23.
- The Coffee with the Mayor and Manager being done to improve communication with the public.
- The Prescott Sportsmen's Club agreement status.
- The Economic Development Director position recruitment status.
- Employee December anniversaries.

c) Report on recently corrected scrivener's error pursuant to Town Code § 10.20 Authority to Correct Scrivener's Errors. (Jami Lewis, Town Clerk)

Council had no questions or comments on the report.

6) **CONSENT AGENDA**

All those items listed below are considered to be routine and may be enacted by one motion. Any Councilmember may request to remove an item from the Consent Agenda to be considered and discussed separately.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Mike Best to accept Consent Agenda items a and b.

Vote: 7 - 0 PASSED - Unanimously

- a) Consideration and possible action to adopt the 2018 Base Council Meeting Schedule. (Jami Lewis, Town Clerk)
- b) Consideration and possible action to accept the December 12, 2017 regular meeting minutes. (Jami Lewis, Town Clerk)

7) ACTION ITEMS

The Council may vote to recess the public meeting and hold an Executive Session on any item on this agenda pursuant to A.R.S. § 38-431.03(A)(3) for the purpose of discussion or consultation for legal advice with the Town Attorney. Executive sessions are not open to the public and no action may be taken in executive session.

8) EXECUTIVE SESSION

Council may vote to recess the Regular Meeting and hold an executive session, which will not be open to the public, for the following purposes.

9) ACTION ITEMS RESUMED

After the Executive Session, Council will reconvene the Regular Meeting.

10) ADJOURNMENT

MOVED by Councilmember Jack Miller, seconded by Councilmember Cloyce Kelly to adjourn the meeting at 6:12 p.m.

Vote: 7 - 0 PASSED - Unanimously

Darryl L. Croft, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 9th day of January, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 23rd day of January, 2018.

Jami C. Lewis, Town Clerk



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.a.

Meeting Date: 01/23/2018

Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208

Department: Town Clerk

Item Type: Action

**Estimated length
of staff presentation:** None

Physical location of item: Pizza Hut, 312 Market Place Drive, Chino Valley

AGENDA ITEM TITLE:

Consideration and possible action to: (i) Hold a Public Hearing regarding application from Theresa Morse for the Acquisition of Control of an existing Series 12 (Restaurant) Liquor License for Pizza Hut, located at 312 Market Place Drive, Chino Valley; and (ii) Allow or protest the change of ownership to the Arizona Department of Liquor Licenses and Control.

RECOMMENDED ACTION:

(i) Hold Public Hearing and (ii) Take no action; OR Protest the acquisition of control of Pizza Hut's Series 12 Liquor License.

SITUATION AND ANALYSIS:

Issue Statement

A.R.S. § 4-203.F provides that:

"If a person other than those persons originally licensed acquires control over a license or licensee, the person shall file notice of the acquisition with the director within thirty business days after such acquisition of control and a list of officers, directors or other controlling persons on a form prescribed by the director. All officers, directors or other controlling persons shall meet the qualifications for licensure as prescribed by this title. On request, the director shall conduct a preinvestigation before the assignment, sale or transfer of control of a license or licensee, the reasonable costs of which, not to exceed one thousand dollars, shall be borne by the applicant. The preinvestigation shall determine whether the qualifications for licensure as prescribed by this title are met. On receipt of notice of an acquisition of control or request of a preinvestigation, the director shall forward the notice within fifteen days to the local governing body of the city or town, if the licensed premises is in an incorporated area, or the county, if the licensed premises is in an unincorporated area. The local governing body of the city, town or county may protest the acquisition of control within sixty days based on the capability, reliability and qualification of the person

acquiring control. If the director does not receive any protests, the director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability and qualification of the person acquiring control. Any protest shall be set for a hearing before the board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to section 4-202 and this section with respect to capability, reliability and qualification."

Pizza Hut has applied with the State for an Acquisition of Control of the Series 12 (Restaurant) Liquor License. This non-transferable, on-sale retail privileges liquor license allows the holder of a restaurant license to sell and serve all types of spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food. Failure to meet the 40% food requirement may result in revocation of the license.

The Police and Planning Departments reviewed the application and offered no comments. Staff posted the establishment with the necessary notices to meet the required 20-day period from December 28, 2017 through January 23, 2018. As of the date of this report, staff has not received any written arguments in favor of or in opposition to the application.

Applicable "Policy"

A.R.S. § 4-203.F provides that the local governing body has the option to protest the acquisition of control within sixty days based on the capability, reliability and qualification of the person acquiring control.

Satisfaction of "Policy"

Upon reviewing the material provided by the Department of Liquor Licenses and Control, and conducting a public hearing, the Council will meet the statute's requirements by either directing staff to file a protest or taking no action.

Summary of Issues and Staff Rationale

N/A

Findings of Fact

N/A

Fiscal Impact

Fiscal Impact?: No

If Yes, Budget Code:

Available:

Funding Source:

Attachments

Liquor License Application

17 AUG 31 19. Rept PM12:19



Arizona Department of Liquor Licenses and Control
800 W Washington 5th Floor
Phoenix, AZ 85007-2934
www.azliquor.gov
(602) 542-5141

DLIC USE ONLY

License #	12133688
Date Accepted:	8-31-17
CSR:	C.A.

Application for Liquor License
Type or Print with Black Ink

APPLICATION FEE AND INTERIM PERMIT FEES (IF APPLICABLE) ARE NOT REFUNDABLE

A service fee of \$25 will be charged for all dishonored checks (A.R.S. § 44-6852)

SECTION 1 Type of License

- ☒ Interim Permit
☒ New License
☐ Person Transfer
☐ Location Transfer (series 6, 7 and 9)
☐ Probate/ Will Assignment/ Divorce Decree (No Fees)
☐ Seasonal

SECTION 2 Type of Ownership

- ☐ J.T.W.R.O.S.
☐ Individual
☐ Partnership
☐ Corporation
☒ Limited Liability Co
☐ Club
☐ Government
☐ Trust
☐ Tribe
☐ Other (Explain) _____

SECTION 3 Type of license

- ☐ Add Sampling Privilege for Series 9 and 10 only (Complete Sampling Privilege application)
 A.R.S. § 4-206.01 (G), (H), (I) & (L)
☐ Add Growler privileges (restaurant, series 12, license only. 300-foot restriction applies)
 A.R.S. § 4-207 (A) & (B)

1. Type of License (restaurant, bar etc.): SERIES 12 RESTAURANT 2. LICENSE # (if issued): 12133688

SECTION 4 Applicants

1. Agent's Name: MORSE THERESA JUNE
 Last First Middle
 2. Applicant/Licensee Name: HOT PIZZAS LLC
 (Ownership name for type of ownership checked on section 1)
 3. Business Name (Doing Business As-DBA): PIZZA HUT
 4. Business Location Address: 312 MARKET PLACE DR. CHINO VALLEY AZ 86323 YAVAPAI
 (Do not use PO Box) Street City State Zip Code County
 5. Mailing Address: PO BOX 4179 KINGMAN AZ 86402
 (All correspondence will be mailed to this address) Street City State Zip Code
 6. Business Phone: 928-636-6400 Daytime Contact Phone: 480-353-8035
 7. Email Address: TJMORSE1208@Q.COM

8. Is the Business located within the incorporated limits of the above city or town? ☒ Yes ☐ No
 If you checked no, in what City, Town, County or Tribal/Indian Community is this business located? _____

Fees: <u>\$100</u> Application	<u>\$100</u> Interim Permit	Department Use Only <u>\$50</u> Site Inspection	<u>Cument</u> Finger Prints	<u>\$250.00</u> Total of All Fees
Is Arizona Statement of Citizenship & Alien Status for State Benefits complete?				☒ Yes ☐ No



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.b.

Meeting Date: 01/23/2018
Contact Person: Alex Lerma, Associate Planner
 Phone: 928-626-4427 x-1295
Department: Development Services
Item Type: Action
Estimated length of staff presentation: 5 minutes
Physical location of item: 1304 North State Route 89.

AGENDA ITEM TITLE:

Consideration and possible action to approve a Conditional Use Permit (CUP17-003) for approximately 2.84 acres of property located at 1304 North State Route 89 to allow a 22- unit RV Park use in the CL (Commercial Light) zoning district (Owner: Primrose Inn & RV, LLC). (Alex Lerma, Associate Planner)

RECOMMENDED ACTION:

Move to approve Conditional Use Permit (CUP17-003) for approximately 2.84 acres of property located at 1304 North State Route 89 to allow a 22- unit RV Park use in the CL (Commercial Light) zoning district subject to the following conditions:

- 1) Prior to commencement of the use, the property owner ("Owner") shall obtain an Encroachment Permit from Arizona Department of Transportation (ADOT) for any encroachment into the Highway 89 right-of-way, as may be required by ADOT. If no permits are required by ADOT, Owner shall provide the Town with a written communication from ADOT informing Owner that no permit is required.
- 2) Owner shall improve the Driveway to meet or exceed ADOT's current standards.
- 3) Owner shall upgrade the septic system to support 8 additional RV spaces, in compliance with Yavapai County regulations.
- 4) Fencing to the northwest portion of the property shall be extended by Owner to serve as a buffer between adjacent properties.
- 5) If the property adjacent to the west develops as residential, Owner shall install fencing, as approved by Development Services Director.?

SITUATION AND ANALYSIS:

Issue Statement

See attached Staff Report

Applicable “Policy”

Satisfaction of “Policy”

Summary of Issues and Staff Rationale

Findings of Fact

Fiscal Impact

Fiscal Impact?: None

If Yes, Budget Code:

Available:

Funding Source:

Attachments

Primrose Site Plan

Primrose Staff Report

Primrose CUP Letter

DRAWN BY:
STEVE MOLL

DATE: 4-24-03
REV: 12/22/16
REV:

JOB # 0916

PRIMROSE INN
306-20-022

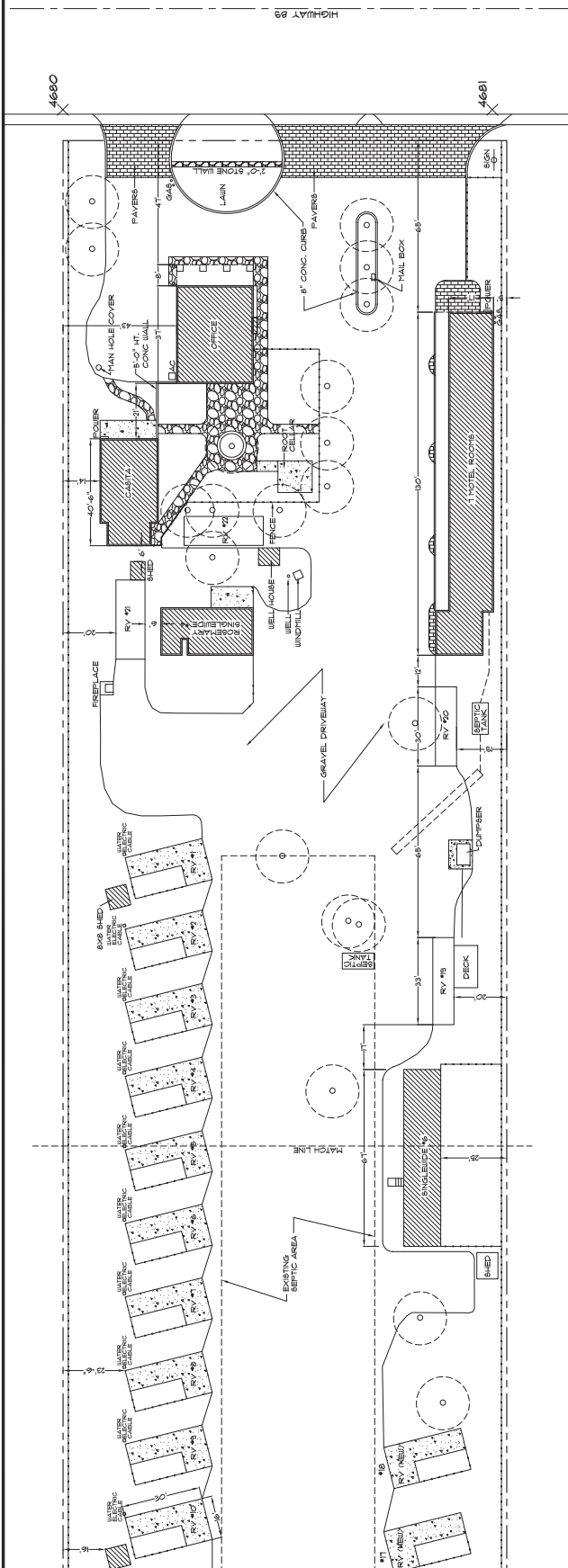
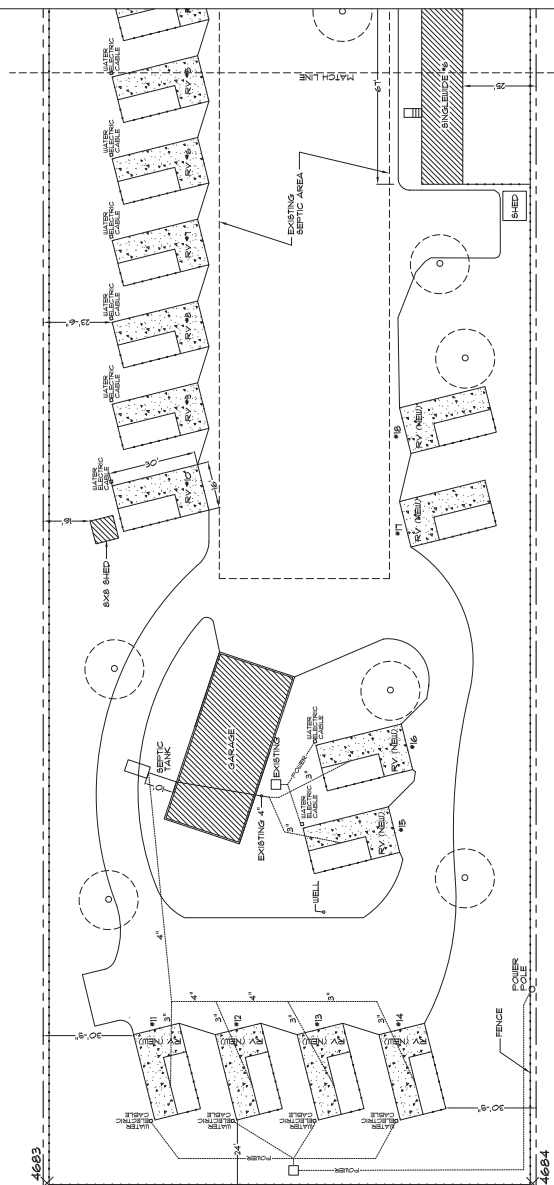
RIDGELINE
DRAFTING & DESIGN
4422 NOEL DR., PRESCOTT VALLEY, AZ 86314
928-713-0709

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PROJECT INFORMATION

LOT NUMBER:	
AREA:	2.86 ACRES
STREET ADDRESS:	3024 N. JUDY ST
PARCEL NUMBER:	306-20-02
SUB-DIVISION:	CHINO VALLEY
SQUARE FOOTAGE - 30,000 SQ. FT. LANDSCAPING 10 PARKING SPACES 22 RV SPACES	
ZONING - C. + R-2 ZONE DENSITY - 0.22%	





TOWN COUNCIL STAFF REPORT

APPLICATION SUMMARY

File Number: C17-00003

Assessor's Parcel Number: 306-20-022

Site Location: Located approximately ¼ mile north of the northwest corner of West Road 2 North and State Route 89 intersection at 1304 North State Route 89.

Property Owner: Chris & DeEtte Viterbo

Applicant: Tim Henrickson

Request: Request for a Conditional Use Permit (CUP) on the Primrose Inn property to allow a 22-unit RV Park

SITE DATA

Existing Zoning	CL (Commercial Light)
Lot Size	2.84 acres (approximately 122,404 sq. ft.)
Subdivision	N/A
General Plan Land Use Designation	Commercial/ Multi-Family Residential
Existing Land Use	Residence

BACKGROUND

SITE DESCRIPTION

The subject property is located approximately ¼ mile north of the northwest corner of West Road 2 North and State Route 89 intersection at 1304 North State Route 89. The property is currently zoned CL (Commercial Light) under the Town of Chino Valley Unified Development Ordinance. The parcel is identified with a Land Use Designation of Commercial/ Multi-Family Residential under the Town of Chino

Valley General Plan Potential Land Use Map. The property is currently being used as an Inn/RV park with 14 existing RV spaces in addition to the onsite 9-room hotel and 2 residences. See Figure 1.

PROJECT HISTORY

Primrose Inn & Suites has been serving the Town of Chino Valley and travelers for over 40 years. Originally built in 1942, the Primrose's initial use was an inn. At one point two (2) residences were allowed on the property. In 2000, the then Primrose property owners applied for a Conditional Use Permit to allow for a ten (10) space RV park in the C-1 Commercial zone (Now known as CL). In March 2000, the Council approved the applicants request identified as Ordinance No. 339 with a stipulation that the applicant would renew said Conditional Use Permit in five (5) years.

In 2005, the property owners at the time applied and requested a Conditional Use Permit to continue the operation of a ten (10) space recreational vehicle park in the CL (Light Commercial) zoning district. On March 24, 2005 Council approved the applicant's request for the continued operation of a ten (10) space recreational vehicle park on site. Referred to as Ordinance No. 05-604, Council stipulated that a "Ten (10) - year time limit will be required for the Conditional Use Permit provided that the applicant continue to comply with all federal, state and local regulations."

In a letter dated November 9, 2009, the Assistant Zoning Administrator at the time, Michael Bovee, wrote a letter of clarification in regards to Primrose Inn and its legal non-conforming uses. The document references the legality of the use of the 10 RV spaces based on the Conditional Use Permit and gives clarification of the 4 RVs located on the property, but located outside the 10 space 'RV Park.' Mr. Bovee indicated that there is evidence contained within the parcel file that suggests that there has been unpermitted RV's on the property since the late 70's, prior to 1984 Zoning Code. Mr. Bovee concludes that the 4 additional RV's on the property, outside of the RV Park, were a continued legal non-conforming use. Therefore, they would be allowed to remain on the property in addition to the 10 RVs in the RV Park. He closes by stating that there shall be no more the 14 RVs being occupied on the property at any given time.



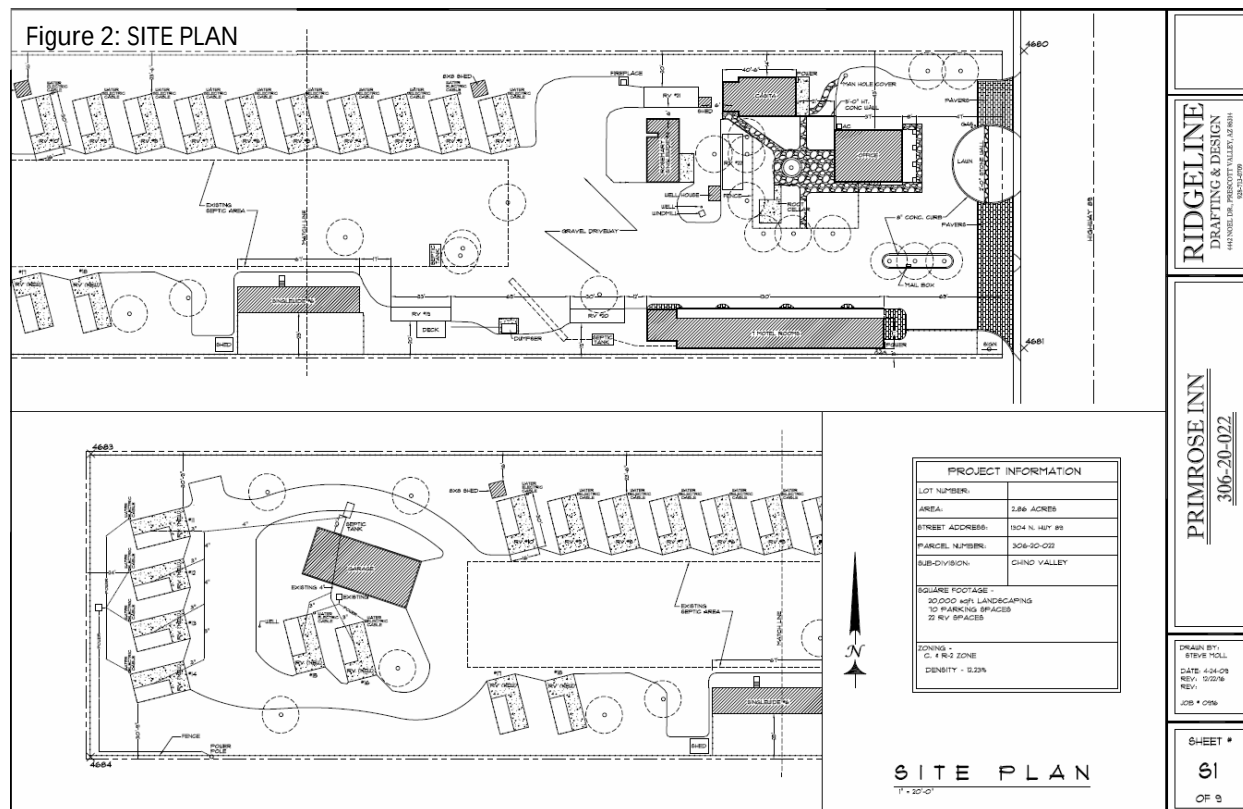
PROJECT DESCRIPTION

As of March 2015, the Conditional Use Permit for the 10 RVs has been expired. Staff has been working closely with the property owners to clean up any issues that are not in conformance with the zoning district. The applicant is requesting a Conditional Use Permit (CUP) on the Primrose Inn Property to allow a 22-unit RV Park (14 spaces are already permitted) in addition to the onsite 9-room hotel and 2 residences. See Figure 2

PUBLIC REVIEW & HEARING PROCESS

The applicant notified all property owners within a 300' radius by letter and signage was placed on the property notifying the general public of a neighborhood meeting in order to discuss the applicant's intentions to obtain a Conditional Use Permit for the property. The neighborhood meeting was held on November 6, 2017. At said meeting, there was one property owner residing to the north of the subject property in attendance. The property owner did not have any issues or concerns with the applicant's intentions to expand the RV Park but did want the owners to extend the fencing to the northwest portion of the property to serve as a buffer between both properties.

The item went before Planning and Zoning Commission on December 5, 2017. One of the Commissioners had a concern and wanted to know how staff would enforce that the applicant would complete certain conditions once the CUP was issued. Staff assured the commission the no building or electrical permits would be issues prior to the completion of conditions of approval. Both Staff and the Commission agreed that no time stipulation be associated with the CUP. The site has been operating with the same use for over forty years and there are no signs that the site will have a change of use in the near future. The site will need to comply with the Town Code at all times, any code compliance issues will put the site at risk of losing their CUP. The Commission forwarded a recommendation of approval to Town Council with certain conditions. Vote: 6-0 Passed-Unanimously



STAFF ANALYSIS AND RECOMMENDATION

GENERAL PLAN CONFORMANCE

The current CL (Commercial Light) zoning district, with its Inn and RV spaces, is in conformance with the 2014 Chino Valley General Plan's Future Land Use Map, which places the property in a Commercial/ Multi-Family Residential Land Use designation.

ZONING

Section 3.15 of the Unified Development Ordinance states that the purpose of the CL (Commercial Light) zoning district is to "provide for neighborhood amenity and some general commercial uses. Land use is composed chiefly of retail and services businesses, offices, and apartments, together with necessary accessory uses. The property is currently being operated as an inn and as an RV park. Section 3.15.B.16 list 'hotels and motels' as a permitted use in the CL (Commercial Light) zoning district. Furthermore, Section 3.15.C.7 list 'campgrounds and recreational vehicle parks with twenty-five (25) units or less' as a permitted use with a conditional use permit. The property has had a continual use of Recreational Vehicle park for the past 17 years with a CUP first issued in 2000. With the current fourteen (14) RV spaces and a request for an additional eight (8) space, the applicant will still be within the twenty-five (25) permitted units/spaces.

ADDITIONAL ANALYSIS

During the feasibility and technical review portion of the application process, in addition to Town staff comments, the applicant also received several comments from outside entities including ADOT and Yavapai County Development Services. ADOT notified the applicant that the property owner needed to apply for an encroachment permit since the property had changed ownership. ADOT staff also indicated that Primrose's driveway needed to be up to standards and ADA (Americans with Disabilities Act) compliant. By the time of writing this report, the applicant has not come to a resolution regarding the improvement of their existing driveway.

Yavapai Environmental Health Specialist indicated that the parcel is approved for 2200 GPD (Gallons Per Day) on two separate septic systems. He noted that an addition of 8 more RV spaces to the property would bring the water flows up to 3000 GPD which would require engineering for the design. The systems will need to be brought up to current rule in order to support 8 additional RV spaces.

Staff suggest that no permits be issued for the 8 additional RV spaces until applicant resolves all issues regarding ADOT and Yavapai County requirements.

STAFF RECOMMENDATION

Staff and Planning and Zoning Commission recommends an approval for a Conditional Use Permit (CUP) to allow a 22-unit RV Park for Primrose Inn and RV with the following conditions:

- 1) Prior to commencement of the use, the property owner ("Owner") shall obtain an Encroachment Permit from Arizona Department of Transportation (ADOT) for any encroachment into the Highway 89 right-of-way, as may be required by ADOT. If no permits are required by ADOT, Owner shall provide the Town with a written communication from ADOT informing Owner that no permit is required.
- 2) Owner shall improve the Driveway to meet or exceed ADOT's current standards.
- 3) Owner shall upgrade the septic system to support 8 additional RV spaces, in compliance with Yavapai County regulations.
- 4) Fencing to the northwest portion of the property shall be extended by Owner to serve as a buffer between adjacent properties.
- 5) If the property adjacent to the west develops as residential, Owner shall install fencing, as approved by Development Services Director.



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

Phone number: (928) 636-4427
Fax number: (928) 636-6937
www.chinoaz.net

January __, 2018

Viterbo Inn & RV LLC
P.O. Box 8
Kirkland, AZ 86332

RE: Conditional Use Permit (CUP17-003)
Primrose Inn & RV Park

On January 23, 2018, the Chino Valley Town Council approved a Conditional Use Permit in the above-referenced case for approximately 2.84 acres of property located at 1304 North State Route 89, as shown on Exhibits 1 (legal description) and 2 (map), which are attached hereto and incorporated herein. The minutes from the Town Council meeting are available from the Town Clerk or online at chinoaz.net.

The Use Permit permits a 22-unit RV Park use in the Commercial Light zoning district. The use and operation permitted by the Use Permit shall substantially conform to the Site Plan, attached hereto and incorporated herein as Exhibit 3.

This Use Permit is subject to the following conditions and shall not become effective until all of the requirements listed have been met:

- 1) Prior to commencement of the use, the property owner ("Owner") shall obtain an Encroachment Permit from Arizona Department of Transportation (ADOT) for any encroachment into the Highway 89 right-of-way, as may be required by ADOT. If no permits are required by ADOT, Owner shall provide the Town with a written communication from ADOT informing Owner that no permit is required.
- 2) Owner shall improve the Driveway to meet or exceed ADOT's current standards.
- 3) Owner shall upgrade the septic system to support 8 additional RV spaces, in compliance with Yavapai County regulations.
- 4) Fencing to the northwest portion of the property shall be extended by Owner to serve as a buffer between adjacent properties.
- 5) If the property adjacent to the west develops as residential, Owner shall install fencing, as approved by Development Services Director.



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This Use Permit is subject to all limitations set forth in the Chino Valley Unified Development Ordinance and in this Use Permit, including termination and/or revocation. If either commencement of the use or commencement of construction, pursuant to a valid building permit, has not occurred within 2 years of the effective date of this Use Permit, this Use Permit will automatically expire. The effective date of this Use Permit is the date upon which conditions 1 through 4, above, have been satisfied, as determined by the Development Service Director.

Please ensure that all public hearing notice signs installed on the site, if any, are removed immediately.

If you have any questions regarding this Use Permit, please contact Alejandro Lerma at 928-636-2646 Ext. 1295 or by email at alerma@chinoaz.net.

Sincerely,

Alejandro Lerma
Planner

Enclosure (Exhibits): 1. Legal Description
2. Map
3. Site Plan



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

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Fax number: (928) 636-6937
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Exhibit 1 – Legal Description



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

Phone number: (928) 636-4427
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That portion of Tract 55, Section 15, Township 16 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows;

BEGINNING at the Southwest corner (Corner No. 3) of Tract 55, of said Section 15;
Thence North 0 degrees 18 minutes West, a distance of 329.1 feet;
Thence North 89 degrees 58 minutes East, a distance of 770.9 feet;
Thence South 2 degrees 48 minutes West, a distance of 329.5 feet;
Thence South 89 degrees 58 minutes West, a distance of 752.7 feet to the POINT OF BEGINNING;

EXCEPT the following described parcel;

BEGINNING at the Southwest corner (Corner No. 3) of said Tract 55;
Thence North 164 feet to a point;
Thence East 762 feet to a point;
Thence South 164 feet to a point;
Thence West 752.7 feet to the POINT OF BEGINNING.



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

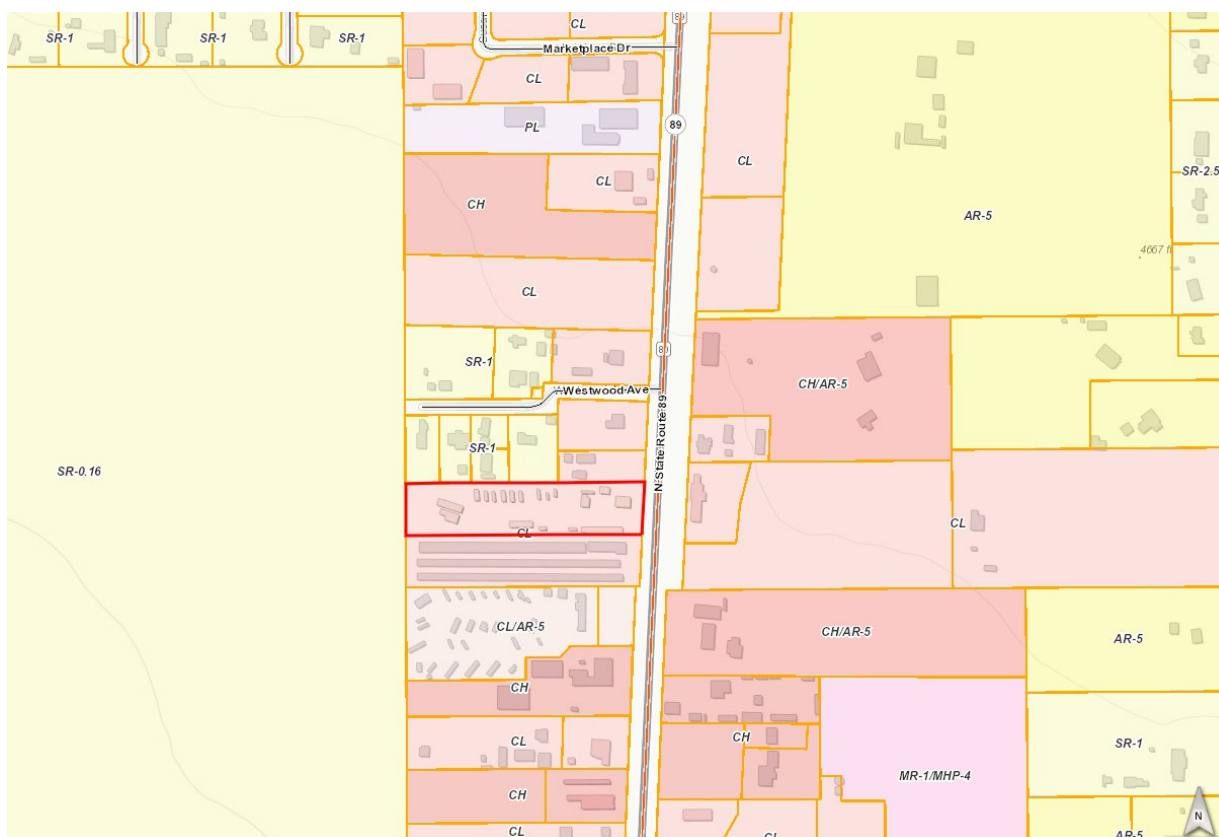
Phone number: (928) 636-4427
Fax number: (928) 636-6937
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Exhibit 2 – Map



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

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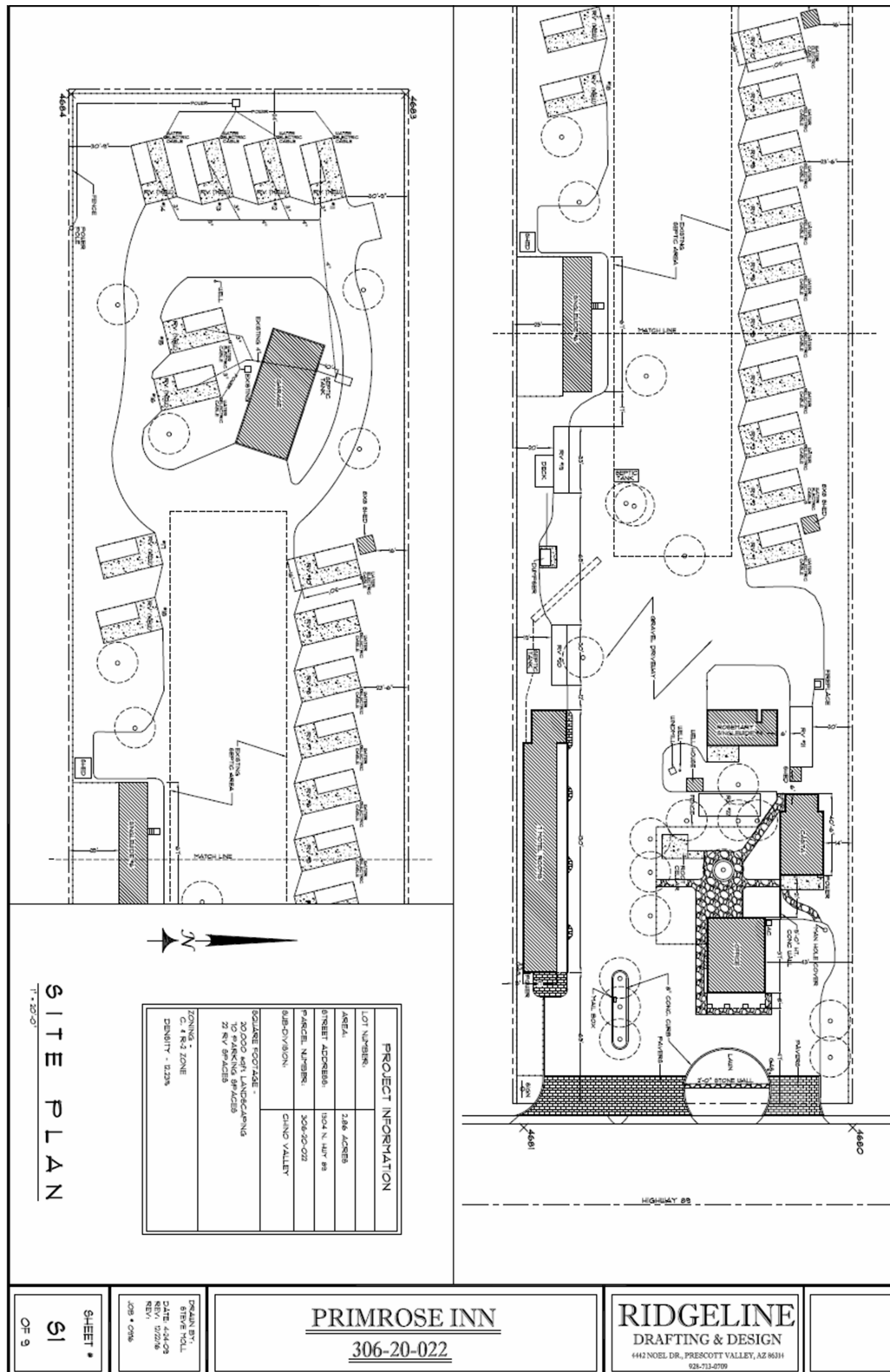




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Exhibit 3 – Site Plan



3008459.4



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.c.

Meeting Date: 01/23/2018
Contact Person: Alex Lerma, Associate Planner
 Phone: 928-626-4427 x-1295
Department: Development Services
Item Type: Action
Estimated length of staff presentation: 5 minutes
Physical location of item: 334 South State Route 89

AGENDA ITEM TITLE:

Consideration and possible action to approve a Conditional Use Permit (CUP17-004) for approximately 9.88 acres of property located at 334 South State Route 89 to permit an electronic sign use in the CL (Commercial Light) zoning district. (Owner: Olsen/ Sischka Inv. CV LLC) (Jason Sanks, Development Service Director)

RECOMMENDED ACTION:

Motion to approve Conditional Use Permit (CUP17-004) for approximately 9.88 acres of property located at 334 South State Route 89 to permit an electronic sign use in the CL (Commercial Light) zoning district, subject to the following conditions:

- 1) The electronic sign shall not contain any form of animation and must remain static for at least eight seconds with a transition time of no greater than two seconds. If the Town and/or Arizona Department of Transportation ("ADOT") develop more stringent requirements for static and transition time code for electronic signs, the sign that is subject to this Use Permit shall be modified to comply.
- 2) If the Town receives complaints from community residents of excessive brightness or glare at night, the applicant shall submit sign modifications plans to the Development Service Department for review and approval that ensure brightness and glare are reduced to satisfactory levels and
- 3) Information displayed on the electronic sign shall be exclusive to activities and events that occur only on the premises, in compliance with ADOT regulations (A.R.S. §§ 28-2901 through 28-2915 and A.A.C. §§ R17-3-701 and R17-3-701.01) and the Town's prohibition of off-site commercial signs.

SITUATION AND ANALYSIS:**Issue Statement**

See attached Staff Report

Applicable “Policy”**Satisfaction of “Policy”****Summary of Issues and Staff Rationale****Findings of Fact**

Fiscal Impact

Fiscal Impact?: None

If Yes, Budget Code:

Available:

Funding Source:

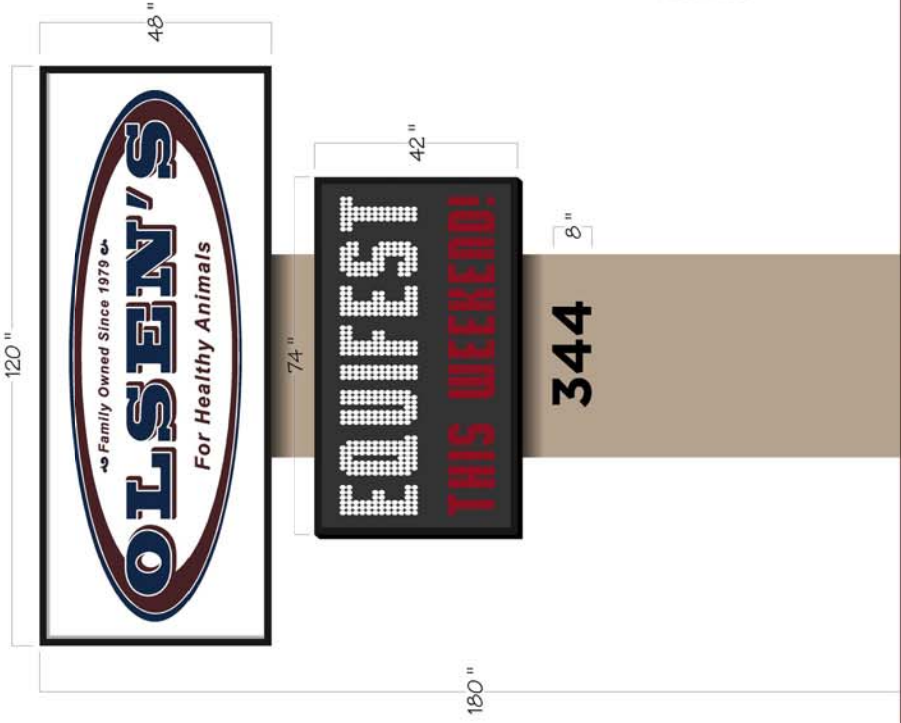
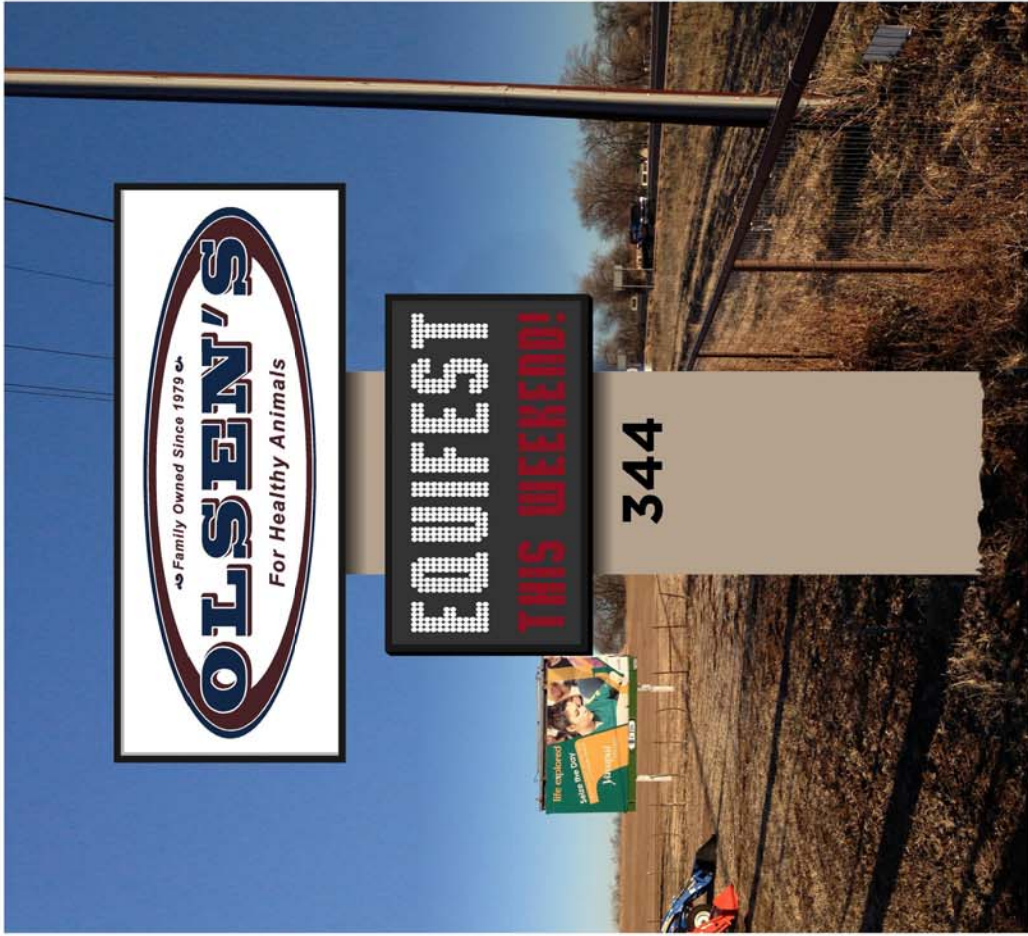
Attachments

Olsens Grain Design Plan

Olsens Grain Site Plan

Olsens Grain Staff Report

Olsens Grain CUP Letter



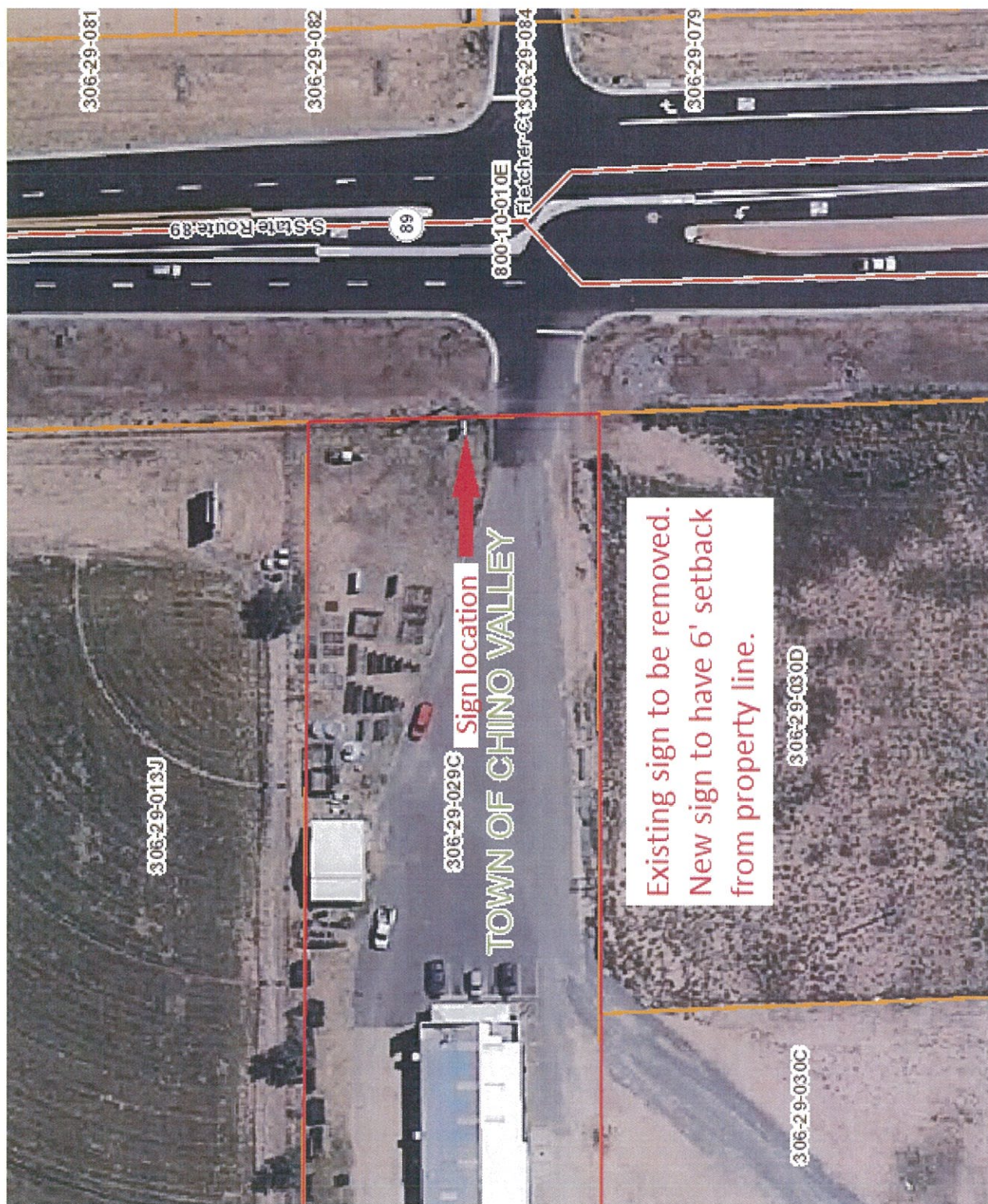
Manufacture and install double sided pylon sign with LED illuminated cabinet. Faces in 3/16" white acrylic with graphics cut in 3M premium 230-49 burgundy and 230-36 blue. Address numbers routed in 1/4" aluminum and flush mounted to shroud. LED reader panels in 16mm hi resolution RGB with wireless communication.

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Prescott's Only Full Service Sign Shop
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Office 928.445.6995
Fax 928.776.4429
www.absignco.com
691 North 6th street
Prescott, AZ 86301

COMPANY: Olsen's
CLIENT: Dan Olsen
PHONE: 713-2428
APPROVAL:

EMAIL: danolsen@cablcone.net
FILE: Olsens Chino Valley
Origin DATE: 3-14-17
Revise DATE: 8-29-17
Design by SP 1



Disclaimer: Map and parcel information is believed to be accurate but accuracy is not guaranteed. No portion of the information should be considered to be, or used as, a legal document. The information is provided subject to the express condition that the user knowingly waives any and all claims for damages against Yavapai County that may arise from the use of this data.

Map printed on: 10.9.2017

Legend

- City Boundaries
- Cottonwood
- Peoria
- Prescott
- Sedona
- Camp Verde
- Chino Valley
- Clarkdale
- Dewey-Humboldt
- Jerome
- Prescott Valley
- Wickenburg
- County Boundary
- Counties
- Parcels
- Major Roads
- Interstate
- State Highways
- Major Roads
- Road Centerlines
- City Boundaries
- Cottonwood
- Peoria
- Prescott
- Sedona
- Camp Verde
- Chino Valley
- Clarkdale
- Dewey-Humboldt
- Jerome
- Prescott Valley
- Wickenburg
- Legend truncated...





TOWN COUNCIL STAFF REPORT

APPLICATION SUMMARY

File Number: C17-00004

Assessor's Parcel Number: 306-29-029C

Site Location: Located approximately 860 feet north of the northwest corner of West Road 1 North and State Route 89 at 334 South State Route 89.

Property Owner: Olsen/ Sischka Inv. Chino Valley LLC

Applicant: A & B Signs Co. Inc. (Bryan Wieweck)

Request: Request for a Conditional Use Permit (CUP) to allow the use of a digital/electrical sign on the Olsen's Grain property.

SITE DATA

Existing Zoning	CL/AR-5 (Commercial Light/ Agricultural Residential- 5 Acre Minimum)
Lot Size	9.88 acres (approximately 430,373 sq. ft.)
Subdivision	N/A
General Plan Land Use Designation	Commercial/ Multi-Family Residential
Existing Land Use	Commercial

BACKGROUND

SITE DESCRIPTION

The subject property is located approximately 860 feet north of the northwest corner of West Road 1 North and State Route 89 at 334 South State Route 89. The property is currently zoned CL/AR-5 (Commercial Light/Agricultural Residential-5 Acre Minimum) under the Town of Chino Valley Unified Development Ordinance. The parcel is identified with a Land Use Designation of Commercial/ Multi-Family Residential under the Town of Chino Valley General Plan Potential Land Use Map. Currently the property is being used for commercial purposes. See Figure 1.

PROJECT DESCRIPTION

Olsen's Grain and Feed Inc. is a local retail supplier of pet, livestock, and wild bird feed. Olsen's Grain has been serving the local public here in Chino Valley since 1979. With a centralized location in town and its close proximity to State Route 89, Olsen's Grain would like to replace its existing commercial sign with a

freestanding monument sign with a digital display. The double-sided digital display portion will be approximately 21.3 sq. ft. (74" X 42") and the LED reader panels will be in 16mm hi-resolution RGB (red-green-blue) with wireless communication. The display will advertise different sponsored community events as well as advertising specials and other information for Olsen's Grain. The electronic information centers will have a light sensor built in to them to automatically dim as the ambient light decreases. The new free standing monument sign will be located at least 6 feet from property line and will conform to the development standards set forth by the Commercial Light zoning district. See Figure 2a and Figure 2b.



APPLICABLE STATUTES/ ORDINANCES

4.21.3 GENERAL SIGN REGULATIONS

- A. The regulations, requirements, and provisions set forth in this Chapter shall apply to all signs erected, placed, or constructed within the Town.
- B. All signs shall be structurally designed, constructed, erected, and maintained in conformance with all applicable Technical Codes and regulations.
- C. Signs shall not be constructed or located in a manner that interferes with pedestrian or vehicular travel, obstructs free and clear vision of traffic, poses a hazard to either pedestrians or vehicles, or in such a manner to confuse, distract, or interfere with traffic and/or pedestrians.
- D. Signs shall be located a minimum of six feet (6') from property lines.
- E. All signs and sign structures, conforming and non-conforming, shall be maintained in good order, repair, and appearance at all times so as not to constitute a danger or hazard to the public safety or create visual blight as determined by the Zoning Administrator or his/her designee.

F. All illuminated signs shall comply with Section [4.24](#) Outdoor Lighting including, but not limited to, Subsection 4.24.4 General Requirements, Subsection (P).

G. A non-commercial sign may be located in any location that a commercial sign is permitted and shall comply with the regulations set forth in this Chapter for that location.
(Ord. 17-819, passed 3-14-2017)

4.21.5 SIGN STANDARDS

B. Freestanding Signs

USE	ZONING DISTRICT	MAXIMUM AREA	MAXIMUM HEIGHT	STANDARDS
Shopping Centers or Commercial Centers	CL, CH, I, PL and OS	See Speed Limit Table 4.21.5.B-2		One sign may be permitted for every 500 ft. of street frontage; Maximum of 2 signs per street frontage. Individual buildings within the development and/or the PAD sites within the commercial center shall not be considered as separate developments for signage purposes. May be illuminated.

Speed Limit Table 4.21.5.B-2	
Speed Limit of Adjacent Roadway	
	> 35 MPH
Maximum Area	96 sq. ft.
Maximum Height	12 ft.

C. Electronic Signs

Uses	Zoning District	Maximum Area	Maximum Height	Standards
	CL, CH, I, PL, and OS	Electronic Signs: Per Use Permit	Electronic Signs: Per Use Permit	Electronic Signs: As conditioned in Use Permit.
	CL, CH, I, PL, and OS	Reader Panel Signs: 32 sq. ft.	Reader Panel Signs: 14 feet	8 foot minimum height to bottom of sign panel.

Figure 2a: Proposed New Sign



Manufacture and install double sided pylon sign with LED illuminated cabinet. Faces in 3/16" white acrylic with graphics cut in 3M premium 230-49 burgundy and 230-36 blue. Address numbers routed in 1/4" aluminum and flush mounted to shroud. LED reader panels in 16mm hi resolution RGB with wireless communication.

Figure 2b: Proposed Sign Location



Legend

- City Boundaries
- Cottonwood
- Peoria
- Prescott
- Sedona
- Camp Verde
- Chino Valley
- Clarkdale
- Dewey-Humboldt
- Jerome
- Prescott Valley
- Wickenburg
- County Boundary
- Counties
- Parcels
- Major Roads
- Interstate
- State Highways
- Major Roads
- Road Centerlines
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- Jerome
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Map printed on: 10.9.2017

SURROUNDING PROPERTIES AND NEIGHBORHOOD

The area is predominantly made up of low density single family residences and commercial properties. The properties directly north are zoned CL/AR-5 (Commercial Light/Agricultural Residential- 5 Acre Minimum) and AR-5 (Agricultural Residential- 5 Acre Minimum). To the west, properties are zoned AR-5 (Agricultural Residential-5 acres minimum). Directly south, properties are zoned AR-5 (Agricultural Residential- 5 Acre Minimum) and CL (Commercial Light). To the east of the subject parcel, properties are zoned CL (Commercial Light).

PUBLIC REVIEW & HEARING PROCESS

The applicant notified all property owners within a 300' radius by letter and signage was placed on the property notifying the general public of a neighborhood meeting in order to discuss the applicant's intentions to rezone. The neighborhood meeting was held on November 6, 2017. At said meeting, there was one property owner who attended and inquired about the design of the sign. The property owner did not have any issues with the proposed sign.

The applicant went before the Planning and Zoning Commission on December 5, 2017. Staff informed the Commission that due to concerns about white translucent signage at night, the sign company consultant for Olsen's Grain was willing to install blackout translucent film on the back of the white panel and would be added as a condition for approval. Commissioner Bacon suggested a new condition regarding opacity and to modify condition #1 to add that the applicant will modify the static and transition times should the Town develop a code requirement for electric signs. The Commission forwarded a recommendation of approval to Town Council with certain conditions. Vote: 6-0 Passed-Unanimously

STAFF ANALYSIS AND RECOMMENDATION

GENERAL PLAN CONFORMANCE

The current CL/AR-5 (Commercial Light/ Agricultural Residential- 5 Acre Minimum), with its commercial component, is in conformance with the 2014 Chino Valley General Plan's Future Land Use Map, which places the property in a Commercial/Multi-Family Residential Land Use. The property has been used for the same commercial purpose since 1979 and will continue to do so in the near future.

CONSISTANCY WITH THE ZONING ORDINANCE

The parcels current zoning district of CL/AR-5 (Commercial Light/ Agricultural Residential- 5 Acre Minimum) is referred to as a blended district and is not clearly defined in the Town of Chino Unified Development Ordinance. Historically the property has been used as commercial property and therefore has abide by the development standards set forth by the Commercial Light zoning district. The purpose of the Commercial Light district is:

"to provide for neighborhood amenity and some general commercial uses. Land use is composed chiefly of retail and service businesses, offices, and apartments, together with necessary accessory uses."

The existing business use is already permitted within the Commercial Light district. The proposed sign is also an allowable use, subject to CUP approval.

TRAFFIC HAZARD OR CONGESTION:

The lighting of the sign will make the sign more visible to traffic. A concern with electronic/digital display is the fact that the message changes every few seconds and has the potential to distract motorists. The Town's sign regulations do not dictate requirements regarding a time frame between the changing of messages in an effort to minimize the potential for distraction. The applicant has indicated that the electronic information center will use a light sensor built in to automatically dim as the ambient light decreases.

Arizona Revised Statutes §§ 28-7901, 28-7902, and 28-7903 relate to the regulation and control of electronic outdoor advertising located along Arizona highways. Section 28-9702E1 states that electrical outdoor advertising signs must not contain any form of animation and must remain static for at least eight seconds with a transition time of no greater than two seconds. Since this sign will be located on SR-89, staff has proposed matching this criteria in the conditions of approval for the CUP.

ON-PREMISE VS OFF-PREMISE SIGNS:

Signs abutting ADOT right of way are either categorized as On-Premise or Off- Premise signs. ADOT defines an On-Premise as a "sign that is located on the premises of the activity that the sign advertises. The premises is defined as "that land that is actually used and integral to the activity. If the sign advertises only the activity on the premises, it is exempt from the State's requirements for size, location, and spacing and does not need an Arizona Outdoor Advertising Permit."

Furthermore ADOT defines an Off-Premise Sign as "signs that are located on premises other than where the activity, service or production that the sign advertises is located. The State's regulations control the size, location, spacing, and lighting of billboards that are along the regulated highways. An Arizona Outdoor Advertising Permit is required before erecting or maintaining a billboard along a regulated highway. This is in addition to any permit that is required by the local governing jurisdiction."

The information displayed on the proposed Olsen's Grain electronic sign will need to stay exclusive to the property and its activities to be considered an On-Premise sign. This means that if Olsen's Grain wants to advertise sponsored community events, those events will need to be conducted on site, along with product specials and other information. If in the future Olsen's Grain wishes to display information not related to the site itself, ADOT will consider it a billboard and an Off-Premise Sign.

SIGN HEIGHT REGULATIONS

Section 4.21.5 of the UDO limits a free standing sign abutting State Route 89 to not exceed 12 feet in height. The design plan submitted by the applicant show that the sign will be 180 inches (15 feet) in height. (See figure 2a: Proposed New Design) The sign is located in an area that would be considered below the average grade. Section 4.21.4.B.1.b of the UDO states:

"When a free standing sign is located below the average grade of an adjacent roadway "ground level" shall be measured from the average grade of the adjacent roadway."

With this in mind, measuring from the average grade of the adjacent roadway the "ground level" would be considered the two (2) foot mark on the sign.

STAFF RECOMMENDATION

Staff and Planning and Zoning Commission recommend an approval for a Conditional Use Permit for the proposed electrical display for Olsen's Grain, subject to the following conditions:

- 1) The electronic sign shall not contain any form of animation and must remain static for at least eight seconds with a transition time of no greater than two seconds. If the Town and/or Arizona Department of Transportation ("ADOT") develop more stringent requirements for static and transition time code for electronic signs, the sign that is subject to this Use Permit shall be modified to comply.
- 2) If the Town receives complaints from community residents of excessive brightness or glare at night, the applicant shall submit sign modification plans to the Development Services Department for review and approval that ensure brightness and glare are reduced to satisfactory levels.
- 3) Information displayed on the electronic sign shall be exclusive to activities and events that occur only on the premises, in compliance with ADOT regulations (A.R.S. §§ 28-2901 through 28-2915 and A.A.C. §§ R17-3-701 and R17-3-701.01) and the Town's prohibition of off-site commercial signs.



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

Phone number: (928) 636-4427
Fax number: (928) 636-6937
www.chinoaz.net

January __, 2018

Olsen/ Sischa Inv CV LLC
P.O. Box 427
Chino Valley, AZ 86323

RE: Conditional Use Permit (CUP17-004)
Olsen's Grain Electronic Sign

On January 23, 2018, the Chino Valley Town Council approved a Conditional Use Permit in the above-referenced case for approximately 9.88 acres of property located at 334 South State Route 89, as shown on Exhibits 1 (legal description) and 2 (map), which are attached hereto and incorporated herein. The minutes from the Town Council meeting are available from the Town Clerk or online at chinoaz.net.

The Use Permit permits an electronic sign use in the Commercial Light zoning district. The use and operation permitted by the Use Permit shall substantially conform to the Design Plan, attached hereto and incorporated herein as Exhibit 3.

This Use Permit is subject to the following conditions:

- 1) The electronic sign shall not contain any form of animation and must remain static for at least eight seconds with a transition time of no greater than two seconds. If the Town and/or Arizona Department of Transportation ("ADOT") develop more stringent requirements for static and transition time code for electronic signs, the sign that is subject to this Use Permit shall be modified to comply.
- 2) If the Town receives complaints from community residents of excessive brightness or glare at night, the applicant shall submit sign modification plans to the Development Services Department for review and approval that ensure brightness and glare are reduced to satisfactory levels.
- 3) Information displayed on the electronic sign shall be exclusive to activities and events that occur only on the premises, in compliance with ADOT regulations (A.R.S. §§ 28-2901 through 28-2915 and A.A.C. §§ R17-3-701 and R17-3-701.01) and the Town's prohibition of off-site commercial signs.



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

Phone number: (928) 636-4427
Fax number: (928) 636-6937
www.chinoaz.net

This Use Permit is subject to all limitations set forth in the Chino Valley Unified Development Ordinance and in this Use Permit, including termination and/or revocation. If either commencement of the use or commencement of construction, pursuant to a valid building permit, has not occurred within 2 years of the effective date of this Use Permit, this Use Permit will automatically expire. The effective date of this Use Permit is the date upon which conditions 1 through 3, above, have been satisfied, determined by the Development Service Director.

Please ensure that all public hearing notice signs installed on the site, if any, are removed immediately.

If you have any questions regarding this Use Permit, please contact Alejandro Lerma at 928-636-2646 Ext. 1295 or by email at alerma@chinoaz.net.

Sincerely,

Alejandro Lerma
Planner

Enclosure (Exhibits): 1. Legal Description
2. Map
3. Site Plan



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Exhibit 1 – Legal Description



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All that portion of the Southeast Quarter of Northwest Quarter and the Southwest Quarter of Northeast Quarter (SE1/4 of NW1/4 and SW1/4 of NE1/4) of Section Twenty-Seven (27), Township Sixteen (16) North, Range Two (2) West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the center of said Section 27, thence North along the North to South mid-section line of said Section 27, 363.0 feet to the **TRUE POINT OF BEGINNING**:

thence continuing North along the said North to South mid-section line, 385.8 feet; thence East, 15.0 feet; thence North parallel to the said North to South mid-section line of Section 27, 120.0 feet to a point in the South line of the North 1/3 of the SW 1/4 of NE 1/4 of said Section 27; thence East along the said South line of the North 1/3 of the SW 1/4 of NE 1/4, 646.7 feet, more or less, to the West Right-of-Way line of U.S. Highway 89; thence Northerly along the said West Right-of-Way line of U.S. Highway 89, 145 feet, more or less, to a point in the said West Right-of-Way line; thence West parallel to, and being 145 feet Northerly from, the said South line of the North 1/3 of the SW 1/4 of NE 1/4 and the SE 1/4 of NW 1/4 of Section 27, 861.7 feet, more or less, to a point that is due West 200 feet from the said North to South mid-section line of Section 27; thence South parallel to the said North to South mid-section line of Section 27, 145 feet to a point in the said South line of the SE 1/4 of NW 1/4 of Section 27; thence West along the said South line of the North 1/3 of the SE 1/4 of NW 1/4 of Section 27, 400 feet; thence South parallel to the said North to South mid-section line of Section 27, 505.8 feet, more or less, to a point that is due North 363.0 feet from the East to West mid-section line of said Section 27; thence East parallel to the said East to West mid-section line of Section 27, 600 feet to the **POINT OF BEGINNING**.

TOGETHER with all improvements thereon situate.



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

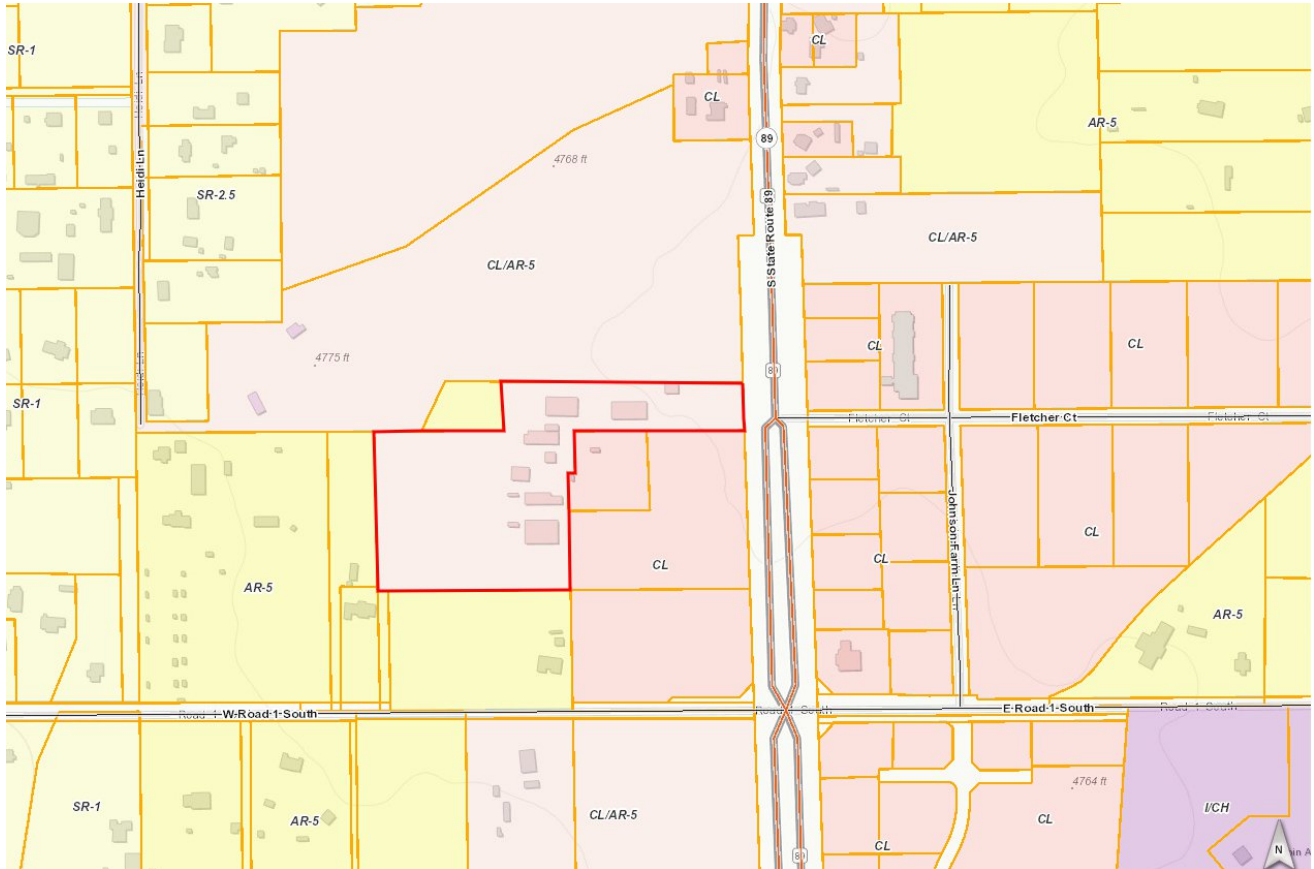
Phone number: (928) 636-4427
Fax number: (928) 636-6937
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Exhibit 2 – Map



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

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Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

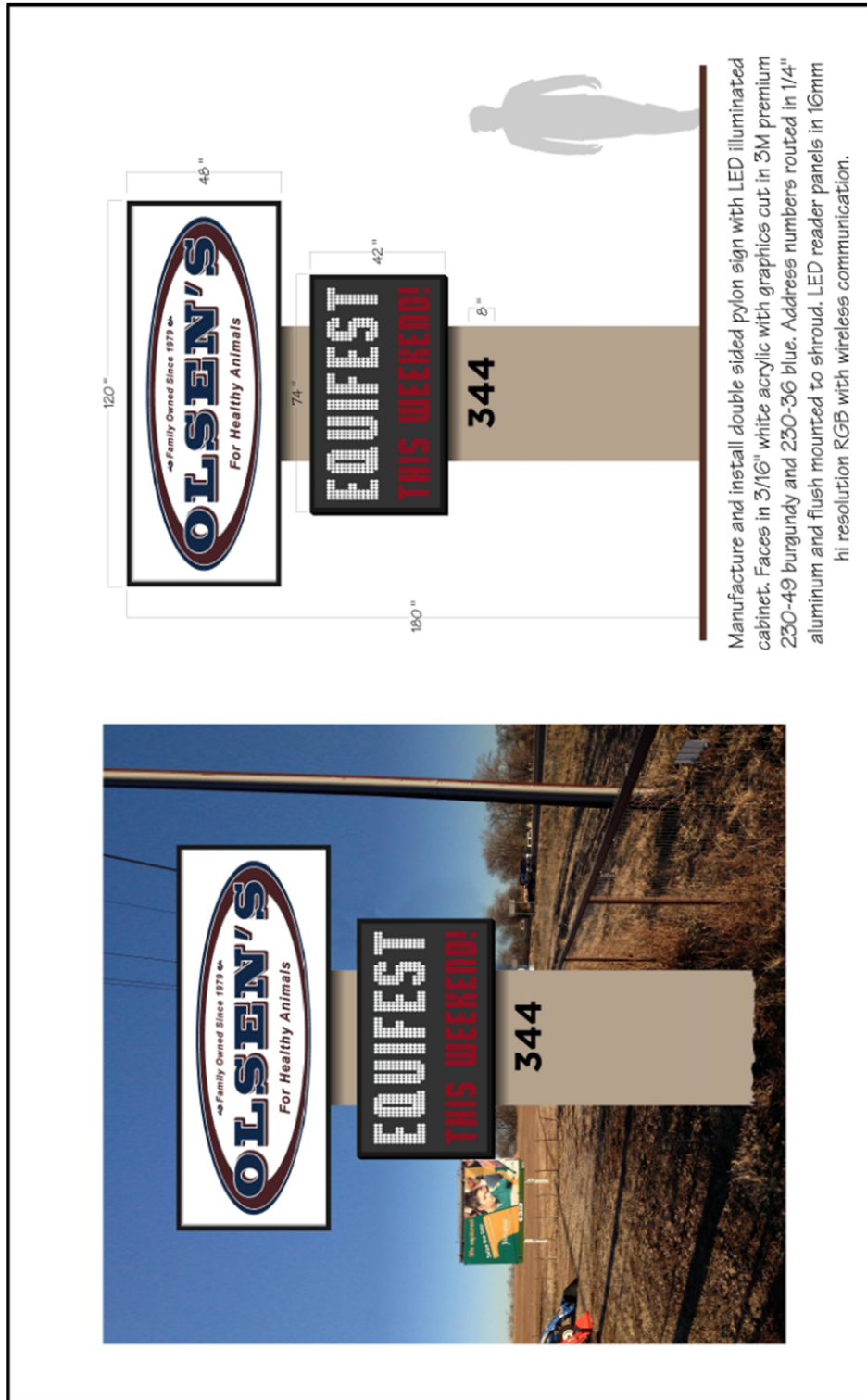
Phone number: (928) 636-4427
Fax number: (928) 636-6937
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Exhibit 3 – Design Plan



Development Services Department
1982 Voss Drive #203
Chino Valley, AZ 86323

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www.chinoaz.net





TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.d.

Meeting Date: 01/23/2018
Contact Person: Joe Duffy, Finance Director
 Phone: 928-636-2646 x-1211
Department: Finance
Item Type: Action
Estimated length of staff presentation: 15 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

- (i) Presentation and discussion regarding the results and findings of the Water and Wastewater Rate Study.
- (ii) Consideration and possible action to approve a Notice of Intention to Increase Water and Wastewater Rates, Fees, and Service Charges and set a public hearing date. (Joe Duffy, Finance Director)

RECOMMENDED ACTION:

Adopt a Notice of Intention to Increase Water and Wastewater Rates, Fees, and Service Charges and set a public hearing on the proposed rates for March 27, 2018.

SITUATION AND ANALYSIS:

Issue Statement

The Town of Chino Valley last reviewed and increased water and wastewater rates on February 12, 2013. Resolution 13-1005 adopted a 5 year rate increase schedule for both water and wastewater rates.

On December 8, 2015 the Town Council approved Resolution No. 15-1005 deferring the effective date of next sewer rate increase and keeping the rate at \$64.14 per month.

On May 23, 2017 the Town Council approved Resolution No. 17-1104 which modified the rate schedule to provide additional clarification on how rates are applied to multi-family developments.

Since the Town's final rate increase adopted in February 12, 2013 went into effect on January 1, 2018, the Town has undertaken a detailed study of both the water and wastewater rates currently being charged. The detailed study is available at the Town Clerks office or on the Town's website at <http://www.chinoaz.net>.

The Notice of Intention to Increase Water and Wastewater Rates, Fees, and Service Charges will be published no less than 20 days before the public hearing on March 27, 2018.

Any rate changes will become effective on July 1, 2018.

Applicable “Policy”

Satisfaction of “Policy”

Summary of Issues and Staff Rationale

Findings of Fact

Fiscal Impact

Fiscal Impact?: No

If Yes, Budget Code:

Available:

Funding Source:

Attachments

Notice of Intent

Rate Study

TOWN OF CHINO VALLEY, ARIZONA PUBLIC NOTICE

NOTICE OF INTENT TO INCREASE WATER AND WASTEWATER RATES AND WATER AND WASTEWATER CONNECTION FEES AND SERVICE CHARGES PURSUANT TO A.R.S. § 9-511

The Town Council of the Town of Chino Valley, Yavapai County, Arizona, at a public meeting on January 23, 2018, adopted a motion to approve a Notice of Intention that the Town of Chino Valley intends to increase certain water and wastewater rates, fees, and service charges.

The proposed fees and charges are based upon a written report and data prepared by the Town Finance Director.

The Chino Valley Town Council will consider approving these proposed rates in a Public Hearing to be held March 27, 2018 in the Council Chambers, 202 N. State Route 89, Chino Valley, Arizona, during the Town Council meeting scheduled to begin at 6:00 p.m.

The following Rates are proposed:

Town of Chino Valley						
Proposed Rate Summary						
	Current Rate	Effective 7/1/18	Effective 7/1/19	Effective 7/1/20	Effective 7/1/21	Effective 7/1/22
Water Enterprise Fund*						
3% Rate Increase each year for 5 years	\$39.89	\$41.09	\$42.32	\$43.59	\$44.90	\$46.24
Wastewater Enterprise Fund*						
Option 1 - No Rate Increase*	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14
Water Buy In Fee* - 3% each year for 5 years	\$4,000.00	\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04	\$4,637.10
Sewer Buy In Fee* - 3% each year for 5 years.	\$6,000.00	\$6,180.00	\$6,365.40	\$6,556.36	\$6,753.05	\$6,955.64
* Proposed rate changes will effect all charged rates in the detailed rate schedule by the same percentage.						

THE PROPOSED RATES WILL BECOME EFFECTIVE ON JULY 1, 2018.

A copy of the written report and findings supporting these increases and rates may be reviewed during normal office hours, Monday through Thursday from 8:00 a.m. to 5:00 p.m. at the office of the Town Clerk of the Town of Chino Valley, located in Town Hall at 202 North State Route 89, Chino Valley, Arizona. A copy of the written report and findings is also available on the Town of Chino Valley website, www.chinoaz.net.

Notice of Intention Publication Dates: February 28, 2018.



Town of Chino Valley Water and Wastewater Rate Study 2018

This report is prepared to meet the requirements of ARS 9-511.01

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Introduction

The Town of Chino Valley last reviewed and increased water and wastewater rates on February 12, 2013. Resolution 13-1005 adopted a 5 year rate increase schedule for both water and wastewater rates.

On December 8, 2015 the Town Council approved Resolution No. 15-1005 deferring the effective date of next sewer rate increase and keeping the rate at \$64.14 per month.

On May 23, 2017 the Town Council approved Resolution No. 17-1104 which modified the rate schedule to provide additional clarification on how rates are applied to multi-family developments.

Since the Town's final rate increase adopted in February 12, 2013 went into effect on January 1, 2018, the Town has undertaken a detailed study of both the water and wastewater rates currently being charged.

The financial information presented in the rate study is based on the information available as of November 30, 2017. It includes an analysis of the financial impact of various rate options on a cash flow basis and a GAAP basis. Ideally, each system should operate with a positive cash flow and positive GAAP income. The major difference between the Cash Basis and GAAP is depreciation. The projections also exclude future capital expenditures financed with non-operating funds.

Customer growth projections are based on a conservative estimate of adding 30 accounts each year to both systems.

The following issues need to be considered when determining the next rate adjustment for the Water System:

- **City of Prescott Agreement** – In 2013 the Town entered into a Transportation of Water agreement where the City of Prescott makes annual payments for five years of approximately \$58,000. These payments will end in FY 18-19.
- **Amount Due the General Fund** – The General Fund has subsidized the Water System over the years in order to get it up and operating profitably. These funds should be paid back as the Water System has adequate resources available.
- **Capital Improvements** – The Water System should generate sufficient funds to set aside for future capital improvements and system replacements in order to avoid incurring additional debt.

The following issues need to be considered when determining the next rate adjustment for the Wastewater System:

- **Amount Due the General Fund** – The General Fund has subsidized the Wastewater System over the years in order to get it up and operating profitably. The funds should be paid back as the Wastewater System has adequate resources available.
- **Capital Improvements** – The Wastewater System should generate sufficient funds to set aside for future capital improvements and system replacements in order to avoid incurring additional debt.

Water Monthly User Fees

The chart below summarizes the water rate increase history since 2013.

Town of Chino Valley								
Water/Wastewater Rate Schedule								
			Prior	Effective 3/1/13	Effective 1/1/14	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17
WATER RATES								
	Percentage Increase			3.1%	2.8%	3.1%	3.0%	2.9%
	Base Charge							
	Residential and Commercial 3/4"		\$4.84	\$4.99	\$5.13	\$5.29	\$ 5.45	\$ 5.61
	Residential and Commercial 1"		\$8.08	\$8.32	\$8.57	\$8.83	\$ 9.09	\$ 9.37
	Commercial 1 1/2" Meter		\$16.12	\$16.60	\$17.10	\$17.61	\$ 18.14	\$ 18.69
	Commercial 2" Meter		\$25.80	\$26.57	\$27.37	\$28.19	\$ 29.04	\$ 29.91
	Commercial 3" Meter		\$48.40	\$49.85	\$51.35	\$52.89	\$ 54.47	\$ 56.11
	Commercial 4" Meter		\$80.76	\$83.18	\$85.68	\$88.25	\$ 90.90	\$ 93.62
	Volume Charge							
	Stand Pipe Base Rate per 1,000 gallons						\$ 5.45	\$ 5.61
	Number of Gallons Tier 1		\$3.94	\$4.06	\$4.18	\$4.31	\$ 4.43	\$ 4.57
	Number of Gallons Tier 2		\$4.93	\$5.08	\$5.23	\$5.39	\$ 5.55	\$ 5.72
	Number of Gallons Tier 3		\$6.90	\$7.11	\$7.32	\$7.54	\$ 7.77	\$ 8.00

Note the average rate increase averaged 3% each year over this time period.

Water Cash Flow Projections

ARS 9-511-.01 requires the Town to prepare cash flow projections that indicate the anticipated revenues from the proposed rate increases.

“This report proposes changes to the Town’s water rates. Information is included to meet the requirements of ARS 9-511.01.”

Water Enterprise Fund – As planned, the last of five scheduled rate increases went into effect on January 1st of each year. Even with some user account growth, the Town’s General Fund continued to subsidize the Water System each year. The schedule below summarized the actual financial results for the last five fiscal years.

Town of Chino Valley					
Water Enterprise Fund - Projected Annual Cash Flow - Cash Basis*					
Last Five Fiscal Years					
Acct	Actual FY 12-13	Actual FY 13-14	Actual FY 14-15	Actual FY 15-16	Actual FY 16-17
# of Connections	607	626	633	658	701
# of New Connections		19	7	25	43
Annual Percentage Increase Connections		3%	1%	4%	7%
Bill for 7,500 gallons	34.39	35.44	\$36.48	\$37.61	\$38.68
Annual Percentage Increase Rate		3%	3%	3%	3%
REVENUE					
WATER SERVICE FEES	\$436,908	\$366,883	\$381,233	\$457,221	\$426,865
WATER SYSTEM BUY-IN FEES	\$0	\$116,000	\$85,489	\$76,000	\$164,000
WATER METER FEES	\$0	\$10,286	\$7,044	\$6,995	\$15,655
MISCELLANEOUS REVENUE	\$2,670	\$3,455	\$34,349	\$62,378	\$66,388
TRANSFERS FROM CAPITAL IMPROV.	\$362,988	\$220,000	\$280,700	\$150,000	\$75,000
TOTAL REVENUE	\$802,566	\$716,624	\$788,815	\$752,594	\$747,908
EXPENDITURES					
PERSONNEL	\$183,012	\$142,560	\$153,157	\$118,930	\$122,064
BENEFITS	\$74,868	\$64,913	\$60,747	\$52,594	\$57,055
SERVICES AND SUPPLIES	\$268,951	\$308,792	\$249,314	\$210,707	\$178,397
INTERDEPARTMENTAL	\$709	\$88,500	\$88,500	\$82,823	\$100,000
DEBT SERVICE	\$73,208	\$71,895	\$70,879	\$69,712	\$68,363
TOTAL EXPENDITURES	\$600,748	\$676,660	\$622,597	\$534,766	\$525,879
NET INCOME (LOSS) CASH BASIS	\$201,818	\$39,964	\$166,218	\$217,828	\$222,029
OPERATING INCOME (LOSS) GAAP	(\$265,799)	(\$402,463)	(\$322,948)	(\$122,334)	(\$134,508)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$1,278,398	\$1,270,429	\$1,057,070	\$843,816	\$674,160
*Excludes Capital Expenditures financed with non-operating funds.					

With the additional 94 accounts being added since FY 12-13, and the rate increases each year, the Water Enterprise Fund is now generating positive cash flows and has reduced the annual subsidy from the General Fund from a high of \$362,988 in FY 12-13 to \$75,000 in FY 16-17. The amount owed to the General Fund has also decreased from \$1,278,398 to \$674,160 as of June 30, 2017.

Water Rate Options

Three Rate Options were prepared and reviewed below:

Option 1 - No Rate Increase

Option 2 - 3% Rate Increase each year for 5 years

Option 3 - 5% Rate Increase each year for 5 years

Option 1 – No Rate Increase

The chart below summarizes the estimated impact of no rate increases over the next five years.

Town of Chino Valley						
Water Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
No Rate Increase						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	772	802	832	862	892	922
# of New Connections	45	30	30	30	30	30
Annual Percentage Increase Connections	6%	4%	4%	4%	3%	3%
Bill for 7,500 gallons	\$39.89	\$39.89	\$39.89	\$39.89	\$39.89	\$39.89
Annual Percentage Increase Rate	3%	0%	0%	0%	0%	0%
REVENUE						
WATER SERVICE FEES	\$479,479	\$501,020	\$515,380	\$529,740	\$544,101	\$558,461
EFFECT OF PROPOSED RATE INCREASE	\$0	\$0	\$0	\$0	\$0	\$0
WATER SYSTEM BUY-IN FEES	\$180,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
WATER METER FEES	\$19,803	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
MISCELLANEOUS REVENUE	\$63,829	\$63,000	\$34,000	\$10,000	\$10,000	\$10,000
TRANSFERS FROM CAPITAL IMPROV.	\$25,000	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$768,111	\$696,020	\$681,380	\$671,740	\$686,101	\$700,461
EXPENDITURES						
PERSONNEL	\$130,441	\$133,008	\$135,654	\$138,377	\$141,177	\$144,000
BENEFITS	\$51,659	\$52,692	\$53,746	\$54,821	\$55,917	\$57,035
SERVICES AND SUPPLIES	\$279,200	\$253,900	\$253,000	\$247,702	\$256,306	\$244,412
INTERDEPARTMENTAL	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
DEBT SERVICE	\$71,700	\$79,800	\$77,800	\$70,500	\$68,000	\$70,000
TOTAL EXPENDITURES	\$633,000	\$619,400	\$620,200	\$611,400	\$621,400	\$615,447
NET INCOME (LOSS) CASH BASIS	\$135,111	\$76,620	\$61,180	\$60,340	\$64,701	\$85,014
OPERATING INCOME (LOSS) GAAP	(\$889)	(\$59,380)	(\$74,820)	(\$70,660)	(\$66,299)	(\$40,986)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$452,131	\$317,020	\$240,400	\$179,220	\$118,880	\$54,179
*Excludes Capital Expenditures financed with non-operating funds.						

Note that without a rate increase the water system does not generate adequate funds to pay back the General Fund in the next five years. Also the system generates no funds for Capital Improvements and the system continues to have a GAAP loss each fiscal year.

Option 2 – 3% Rate Increase next 5 years

The chart below summarizes the estimated impact of a 3% rate increase each year over the next five years.

Town of Chino Valley						
Water Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
3% Rate Increase						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	746	776	806	836	866	896
# of New Connections	45	30	30	30	30	30
Annual Percentage Increase Connections	6%	4%	4%	4%	4%	3%
Bill for 7,500 gallons	\$39.89	\$41.09	\$42.32	\$43.59	\$44.90	\$46.24
Annual Percentage Increase Rate	3%	3%	3%	3%	3%	3%
REVENUE						
WATER SERVICE FEES	\$479,479	\$494,000	\$509,000	\$524,000	\$540,000	\$556,000
EFFECT OF PROPOSED RATE INCREASE		\$14,384	\$14,820	\$15,270	\$15,720	\$16,200
WATER SYSTEM BUY-IN FEES	\$180,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
WATER METER FEES	\$19,803	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
MISCELLANEOUS REVENUE	\$63,829	\$63,000	\$34,000	\$10,000	\$10,000	\$10,000
TRANSFERS FROM CAPITAL IMPROV.	\$25,000	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$768,111	\$703,384	\$689,820	\$681,270	\$697,720	\$714,200
EXPENDITURES						
PERSONNEL	\$130,441	\$133,008	\$135,654	\$138,377	\$141,177	\$144,000
BENEFITS	\$51,659	\$52,692	\$53,746	\$54,821	\$55,917	\$57,035
SERVICES AND SUPPLIES	\$279,200	\$253,900	\$253,000	\$247,702	\$256,306	\$244,412
INTERDEPARTMENTAL	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
DEBT SERVICE	\$71,700	\$79,800	\$77,800	\$70,500	\$68,000	\$70,000
TOTAL EXPENDITURES	\$633,000	\$619,400	\$620,200	\$611,400	\$621,400	\$615,447
NET INCOME (LOSS) CASH BASIS	\$135,111	\$83,984	\$69,620	\$69,870	\$76,320	\$98,753
OPERATING INCOME (LOSS) GAAP	(\$889)	(\$52,016)	(\$66,380)	(\$61,130)	(\$54,680)	(\$27,247)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$452,131	\$317,020	\$233,036	\$163,416	\$93,546	\$17,226
*Excludes Capital Expenditures financed with non-operating funds.						

A 3% rate increase essentially pays back the General Fund over the next five years and reduces the annual GAAP loss to \$27,247. No funds are being set aside for future capital projects.

Option 3 – 5% Rate Increase next 5 years

The chart below summarizes the estimated impact of a 5% rate increase each year over the next five years.

Town of Chino Valley						
Water Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
5% Rate Increase						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	746	776	806	836	866	896
# of New Connections	45	30	30	30	30	30
Annual Percentage Increase Connections	6%	4%	4%	4%	4%	3%
Bill for 7,500 gallons	\$39.89	\$41.88	\$43.98	\$46.18	\$48.49	\$50.91
Annual Percentage Increase Rate	3%	5%	5%	5%	5%	5%
REVENUE						
WATER SERVICE FEES	\$479,479	\$502,097	\$517,929	\$534,553	\$552,008	\$570,336
EFFECT OF PROPOSED RATE INCREASE		\$23,974	\$25,105	\$25,896	\$26,728	\$27,600
WATER SYSTEM BUY-IN FEES	\$180,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
WATER METER FEES	\$19,803	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
MISCELLANEOUS REVENUE	\$63,829	\$63,000	\$34,000	\$10,000	\$10,000	\$10,000
TRANSFERS FROM CAPITAL IMPROV	\$25,000	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$768,111	\$721,071	\$709,034	\$702,449	\$720,736	\$739,936
EXPENDITURES						
PERSONNEL	\$130,441	\$133,008	\$135,654	\$138,377	\$141,177	\$144,000
BENEFITS	\$51,659	\$52,692	\$53,746	\$54,821	\$55,917	\$57,035
SERVICES AND SUPPLIES	\$279,200	\$253,900	\$253,000	\$247,702	\$256,306	\$244,412
INTERDEPARTMENTAL	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
DEBT SERVICE	\$71,700	\$79,800	\$77,800	\$70,500	\$68,000	\$70,000
TOTAL EXPENDITURES	\$633,000	\$619,400	\$620,200	\$611,400	\$621,400	\$615,447
NET INCOME (LOSS) CASH BASIS	\$135,111	\$101,671	\$88,834	\$91,049	\$99,336	\$124,489
OPERATING INCOME (LOSS) GAAP	(\$889)	(\$34,329)	(\$47,166)	(\$39,951)	(\$31,664)	(\$1,511)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$452,131	\$317,020	\$215,349	\$126,516	\$35,466	\$0

*Excludes Capital Expenditures financed with non-operating funds.

A 5% rate increase pays back the General Fund in four years and begins generating funds for future Capital Projects in year 5.

Wastewater Monthly User Fees

The chart below summarizes the wastewater rate increase history since 2013.

Town of Chino Valley								
Water/Wastewater Rate Schedule								
			Prior	Effective 3/1/13	Effective 1/1/14	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17
WASTEWATER RATES								
	Percentage Increase			10.3%	9.3%	10.0%	0.0%	0.0%
		Base Charge - Residential	\$48.40	\$53.37	\$58.31	\$64.14	\$ 64.14	\$ 64.14
		Commercial 3/4" Meter	\$48.40	\$53.37	\$58.31	\$64.14	\$ 64.14	\$ 64.14
		Commercial 1" Meter	\$81.00	\$89.31	\$97.58	\$107.37	\$ 107.34	\$ 107.34
		Commercial 1 1/2" Meter	\$161.00	\$177.52	\$193.96	\$213.35	\$ 213.35	\$ 213.35
		Commercial 2" Meter	\$258.00	\$284.47	\$310.81	\$341.89	\$ 341.89	\$ 341.89
		Commercial 3" Meter						\$ 641.65
		Commercial 4" Meter	\$807.00	\$889.80	\$972.19	\$1,069.41	\$ 1,069.41	\$ 1,069.41
MULTI-FAMILY RESIDENTIAL WASTEWATER RATES*								
	Rate Per Fixture Unit (\$64.14/20 Fixture Units)							\$ 3.21
	Rate Per EDU (20 Fixture Units)							\$ 64.14
* Multi Family includes apartments, duplexes, mobile home parks, hotels/motels, schools, churches - properties on a master meter.								

* Multi Family includes apartments, duplexes, mobile home parks, hotels/motels, schools, churches - properties on a master meter.

Note the average rate increase was 10% each year through January 1, 2015.

Wastewater Cash Flow Projections

ARS 9-511-.01 requires the Town to prepare cash flow projections that indicate the anticipated revenues from the proposed rate increases.

“This report proposes changes to the Town’s waste water rates. Information is included to meet the requirements of ARS 9-511.01.”

Sewer Enterprise Fund - As planned, the Sewer Enterprise Fund was cash flow positive for the first time in fiscal year 2016-2017. Current and planned system extensions and additional user growth should ensure the system will remain cash flow positive in future fiscal years.

Town of Chino Valley					
Sewer Enterprise Fund - Projected Annual Cash Flow - Cash Basis*					
Last Five Fiscal Years					
Acct	Actual FY 12-13	Actual FY 13-14	Actual FY 14-15	Actual FY 15-16	Actual FY 16-17
# of Connections	1685	1689	1735	1740	1744
# of New Connections					4
Annual Percentage Increase Connections		0%	3%	0%	0%
Residential Sewer Bill	\$48.40	\$53.37	\$58.31	\$64.14	\$64.14
Annual Percentage Increase		10%	9%	10%	0%
REVENUE					
SEWER SERVICE FEES	\$1,051,435	\$1,199,376	\$1,342,019	\$1,409,585	\$1,400,835
SEWER SYSTEM BUY-IN FEES	\$64,730	\$251,470	\$106,936	\$81,938	\$406,089
MISCELLANEOUS REVENUE	\$17,942	\$18,967	\$75,234	\$48,297	\$55,303
INTEREST INCOME	\$27,827	\$14,573	\$675	\$1,671	\$2,724
TOTAL REVENUE	\$1,161,934	\$1,484,386	\$1,524,864	\$1,541,491	\$1,864,951
EXPENDITURES					
PERSONNEL	\$175,368	\$142,561	\$153,156	\$146,497	\$184,648
BENEFITS	\$71,664	\$64,566	\$60,653	\$59,970	\$83,650
SERVICES AND SUPPLIES	\$603,136	\$818,658	\$589,636	\$493,166	\$378,941
CAPITAL					
INTERDEPARTMENTAL	\$0	\$69,000	\$69,000	\$173,823	\$190,000
DEBT SERVICE	\$756,748	\$727,547	\$916,561	\$943,080	\$872,880
TOTAL EXPENDITURES	\$1,606,916	\$1,822,332	\$1,789,006	\$1,816,536	\$1,710,119
NET INCOME (LOSS) CASH BASIS	(\$444,982)	(\$337,946)	(\$264,142)	(\$275,045)	\$154,832
OPERATING INCOME (LOSS) GAAP	(\$845,999)	(\$944,215)	(\$790,748)	(\$611,585)	(\$546,186)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$150,614	\$466,715	\$743,554	\$371,019	\$588,302
*Excludes Capital Expenditures financed with non-operating funds.					

The Sewer Enterprise Fund owed the General Fund \$588,302 as of June 30, 2017.

Wastewater Rate Options

Three Rate Options were prepared and reviewed below:

Option 1 - No Rate Increase

Option 2 - 3% Rate Increase each year for 5 years

Option 3 - \$2.00 or 3% one-time Rate Decrease

Option 1 – No Rate Increase

The chart below summarizes the estimated impact of no rate increases over the next five years.

Town of Chino Valley						
Sewer Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
No Rate Increase						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	1794	1824	1854	1884	1914	1944
# of New Connections	50	30	30	30	30	30
Annual Percentage Increase Connections	3%	2%	2%	2%	3%	2%
Residential Sewer Bill	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14
Annual Percentage Increase	0%	0%	0%	0%	0%	0%
REVENUE						
SEWER SERVICE FEES	\$1,506,903	\$1,545,387	\$1,568,477	\$1,591,568	\$1,614,658	\$1,637,749
EFFECT OF PROPOSED RATE INCREASE	\$0	\$0	\$0	\$0	\$0	\$0
SEWER SYSTEM BUY-IN FEES	\$494,110	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
MISCELLANEOUS REVENUE	\$60,024	\$61,000	\$62,000	\$63,000	\$64,000	\$65,000
INTEREST INCOME	\$5,451	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
TOTAL REVENUE	\$2,066,488	\$1,811,387	\$1,835,477	\$1,859,568	\$1,883,658	\$1,907,749
EXPENDITURES						
PERSONNEL	\$186,557	\$190,301	\$194,115	\$197,999	\$201,953	\$205,976
BENEFITS	\$72,842	\$74,299	\$75,785	\$77,301	\$78,847	\$80,424
SERVICES AND SUPPLIES	\$278,400	\$261,400	\$259,500	\$259,500	\$264,600	\$264,600
CAPITAL	\$210,400	\$68,400	\$59,900	\$57,000	\$57,000	\$48,000
INTERDEPARTMENTAL	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
DEBT SERVICE	\$902,000	\$900,900	\$900,400	\$889,600	\$889,200	\$888,700
TOTAL EXPENDITURES	\$1,840,199	\$1,685,300	\$1,679,700	\$1,671,400	\$1,681,600	\$1,677,700
NET INCOME (LOSS) CASH BASIS	\$226,289	\$126,087	\$155,777	\$188,168	\$202,058	\$230,049
OPERATING INCOME (LOSS) GAAP	(\$232,011)	(\$316,934)	(\$270,896)	(\$232,025)	(\$200,923)	(\$155,365)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$362,013	\$235,926	\$80,149	\$0	\$0	\$0
*Excludes Capital Expenditures financed with non-operating funds.						

Note that without a rate increase the system continues to generate positive cash flow each year, but continues to have a GAAP loss. The General Fund is paid back in FY 20-21.

Option 2 – 3% Rate Increase next 5 years

The chart below summarizes the estimated impact of a 3% rate increase over the next five years.

Town of Chino Valley						
Sewer Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
3% Rate Increase						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	1794	1824	1854	1884	1914	1944
# of New Connections	50	30	30	30	30	30
Annual Percentage Increase Connections	3%	2%	2%	2%	3%	2%
Residential Sewer Bill	\$64.14	\$66.06	\$68.05	\$70.09	\$72.19	\$74.36
Annual Percentage Increase	0%	3%	3%	3%	3%	3%
REVENUE						
SEWER SERVICE FEES	\$1,506,903	\$1,552,000	\$1,598,000	\$1,646,000	\$1,695,000	\$1,746,000
EFFECT OF PROPOSED RATE INCREASE		\$45,207	\$46,560	\$47,940	\$49,380	\$50,850
SEWER SYSTEM BUY-IN FEES	\$494,110	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
MISCELLANEOUS REVENUE	\$60,024	\$61,000	\$62,000	\$63,000	\$64,000	\$65,000
INTEREST INCOME	\$5,451	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
TOTAL REVENUE	\$2,066,488	\$1,863,207	\$1,911,560	\$1,961,940	\$2,013,380	\$2,066,850
EXPENDITURES						
PERSONNEL	\$186,557	\$190,301	\$194,115	\$197,999	\$201,953	\$205,976
BENEFITS	\$72,842	\$74,299	\$75,785	\$77,301	\$78,847	\$80,424
SERVICES AND SUPPLIES	\$278,400	\$261,400	\$259,500	\$259,500	\$264,600	\$264,600
CAPITAL	\$210,400	\$68,400	\$59,900	\$57,000	\$57,000	\$48,000
INTERDEPARTMENTAL	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
DEBT SERVICE	\$902,000	\$900,900	\$900,400	\$889,600	\$889,200	\$888,700
TOTAL EXPENDITURES	\$1,840,199	\$1,685,300	\$1,679,700	\$1,671,400	\$1,681,600	\$1,677,700
NET INCOME (LOSS) CASH BASIS	\$226,289	\$177,907	\$231,860	\$290,540	\$331,780	\$389,150
OPERATING INCOME (LOSS) GAAP	(\$232,011)	(\$265,114)	(\$194,813)	(\$129,653)	(\$71,201)	\$3,736
AMOUNT DUE GENERAL FUND @ JUNE 30	\$362,013	\$184,106	\$0	\$0	\$0	\$0
*Excludes Capital Expenditures financed with non-operating funds.						

A 3% rate increase over the next 5 years will allow the system to break even on a GAAP basis in 5 years. This option also provides significant funds for future capital improvements. The General Fund is paid back in FY 19-20.

Option 3 – \$2 or 3% One-Time Rate Decrease

The chart below summarizes the estimated impact of a one-time \$2.00 or 3% rate decrease over the next five years.

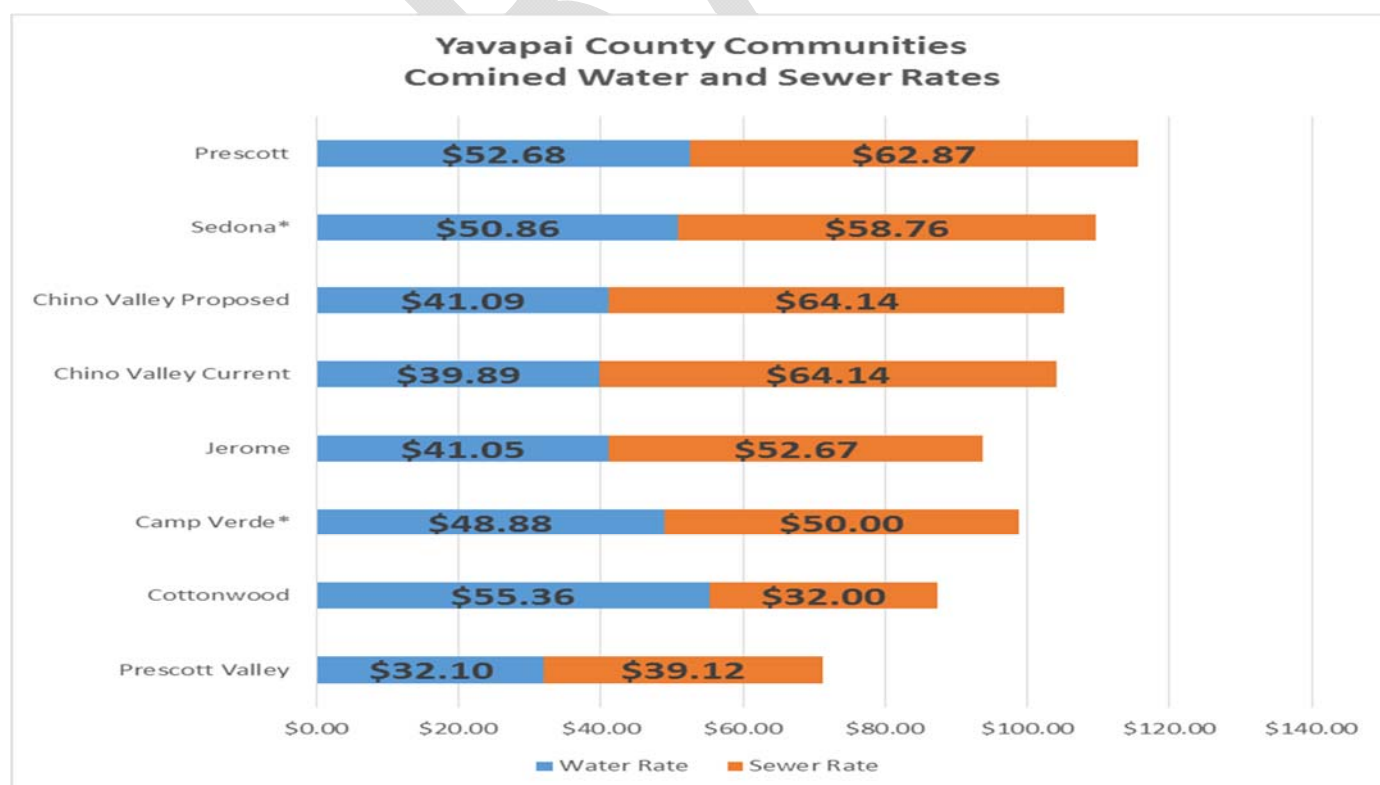
Town of Chino Valley						
Sewer Enterprise Fund - Projected Annual Cash Flow - Cash Basis*						
\$2.00 Rate Decrease 3%						
Acct	Projected FY 17-18	Budget FY 18-19	Budget FY 19-20	Budget FY 20-21	Budget FY 21-22	Budget FY 22-23
# of Connections	1794	1824	1854	1884	1914	1944
# of New Connections	50	30	30	30	30	30
Annual Percentage Increase Connections	3%	2%	2%	2%	3%	2%
Residential Sewer Bill	\$64.14	\$62.14	\$62.14	\$62.14	\$62.14	\$62.14
Annual Percentage Increase	0%	-3%	-3%	-3%	-3%	-3%
REVENUE						
SEWER SERVICE FEES	\$1,506,903	\$1,552,000	\$1,598,000	\$1,646,000	\$1,695,000	\$1,746,000
EFFECT OF PROPOSED RATE INCREASE		(\$45,207)	(\$46,560)	(\$47,940)	(\$49,380)	(\$50,850)
SEWER SYSTEM BUY-IN FEES	\$494,110	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
MISCELLANEOUS REVENUE	\$60,024	\$61,000	\$62,000	\$63,000	\$64,000	\$65,000
INTEREST INCOME	\$5,451	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
TOTAL REVENUE	\$2,066,488	\$1,772,793	\$1,818,440	\$1,866,060	\$1,914,620	\$1,965,150
EXPENDITURES						
PERSONNEL	\$186,557	\$190,301	\$194,115	\$197,999	\$201,953	\$205,976
BENEFITS	\$72,842	\$74,299	\$75,785	\$77,301	\$78,847	\$80,424
SERVICES AND SUPPLIES	\$278,400	\$261,400	\$259,500	\$259,500	\$264,600	\$264,600
CAPITAL	\$210,400	\$68,400	\$59,900	\$57,000	\$57,000	\$48,000
INTERDEPARTMENTAL	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
DEBT SERVICE	\$902,000	\$900,900	\$900,400	\$889,600	\$889,200	\$888,700
TOTAL EXPENDITURES	\$1,840,199	\$1,685,300	\$1,679,700	\$1,671,400	\$1,681,600	\$1,677,700
NET INCOME (LOSS) CASH BASIS	\$226,289	\$87,493	\$138,740	\$194,660	\$233,020	\$287,450
OPERATING INCOME (LOSS) GAAP	(\$232,011)	(\$355,528)	(\$287,933)	(\$225,533)	(\$169,961)	(\$97,964)
AMOUNT DUE GENERAL FUND @ JUNE 30	\$362,013	\$274,520	\$135,780	\$0	\$0	\$0
*Excludes Capital Expenditures financed with non-operating funds.						

The wastewater rate for the Town is 65% higher than the average rate in the State of Arizona and 28% higher than systems within 50 miles of Chino Valley. Reducing the rate will reduce the annual cash flow by an average of \$48,000 over the next five years. Each \$1.00 in rate reduction will reduce the annual cash flow by an average of \$24,000 each year. It will also reduce the amount of funds available for capital improvements and the system will continue to have a GAAP loss each year.

Other Community Comparison

The chart below summarizes the average water and sewer rates being charged within the State of Arizona and by systems within 50 miles of the Town of Chino Valley. Rates of other Yavapai County communities were also compared.

Other Cities and Towns Rate Comparisons								
November 30, 2017								
	Current Chino Valley Rate	State of Arizona Median Rate	Within 50 miles					
Water Rate for 7,500 gallons/month	\$39.89	\$42.08	\$47.69					
Sewer Rate	\$64.14	\$38.87	\$50.00					
Total	\$104.03	\$80.95	\$97.69					
Yavapai County Communities								
	Prescott Valley	Cottonwood	Camp Verde*	Jerome	Chino Valley Current	Chino Valley Proposed	Sedona*	Prescott
Water Rate for 7,500 gallons/month	\$32.10	\$55.36	\$48.88	\$41.05	\$39.89	\$41.09	\$50.86	\$52.68
Sewer Rate	\$39.12	\$32.00	\$50.00	\$52.67	\$64.14	\$64.14	\$58.76	\$62.87
Total	\$71.22	\$87.36	\$98.88	\$93.72	\$104.03	\$105.23	\$109.62	\$115.55
* Private Water Company								
Source: Water Infrastructure Finance Authority								



Water and Wastewater Buy-In Fees

The Town of Chino Valley last revised the buy in fees rate in 2013. The table below summarizes the adopted rate schedule.

Town of Chino Valley								
Water/Wastewater Rate Schedule								
			Prior	Effective 3/1/13	Effective 1/1/14	Effective 1/1/15	Effective 1/1/16	Effective 1/1/17
WATER BUY IN FEES								
Residential	Residential 3/4" & 1" Meter		\$854.00	\$4,000.00	\$4,000.00	\$4,000.00	\$ 4,000.00	\$ 4,000.00
Multi-family	3/4" & 1" Meter Per Unit		\$775.00	\$3,630.00	\$3,630.00	\$3,630.00	\$ 3,630.00	\$ 3,630.00
Hotels/Motels	Per Room		\$719.00	\$3,056.00	\$3,056.00	\$3,056.00	\$ 3,056.00	\$ 3,056.00
Commercial	3/4" Meter		\$854.00	\$4,000.00	\$4,000.00	\$4,000.00	\$ 4,000.00	\$ 4,000.00
Commercial	1" Meter		\$1,424.00	\$6,670.00	\$6,670.00	\$6,670.00	\$ 6,670.00	\$ 6,670.00
Commercial	1/2" Meter		\$2,868.00	\$13,433.00	\$13,433.00	\$13,433.00	\$ 13,433.00	\$ 13,433.00
Commercial	2" Meter		\$4,588.00	\$21,489.00	\$21,489.00	\$21,489.00	\$ 21,489.00	\$ 21,489.00
Commercial	3" Meter		\$8,606.00	\$40,309.00	\$40,309.00	\$40,309.00	\$ 40,309.00	\$ 40,309.00
Commercial	4" Meter		\$14,346.00	\$67,197.00	\$67,197.00	\$67,197.00	\$ 67,194.00	\$ 67,194.00
Commercial	6" Meter		\$28,683.00	\$134,347.00	\$134,347.00	\$134,347.00	\$134,347.00	\$134,347.00
Commercial	8" Meter		\$45,896.00	\$214,970.00	\$214,970.00	\$214,970.00	\$214,970.00	\$214,970.00
Commercial	10" Meter		\$65,980.00	\$309,040.00	\$309,040.00	\$309,040.00	\$309,040.00	\$309,040.00
Commercial	12" Meter		\$123,347.00	\$577,738.00	\$577,738.00	\$577,738.00	\$577,738.00	\$577,738.00
WASTEWATER BUY IN FEES								
		Residential	\$4,691.00	\$6,000.00	\$6,000.00	\$6,000.00	\$ 6,000.00	\$ 6,000.00
		Commercial and Multi-family Residential						
		Based on EDU Calculation						EDU
		# of fixture Units per EDU						20
		Calculated Buy In Fee per FU						\$ 300.00

The Town of Chino Valley has made significant capital investments in the water and wastewater systems. The Town charges these one-time fees to new development to recover a proportional share of the costs associated with developing the systems.

Water Buy In Fees

The Table below summarizes the capital investment made by the Town to establish the water system.

Town of Chino Valley						
Enterprise Fund Buy In Fee Calculation						
Fiscal Year Ended June 30, 2017						
	Ending Fixed Assets @ 6/30/17	Ending Accu. Depr. 6/30/17	Book Value @ 6/30/17	# of Account Capacity	Original Cost Per Account	Book Value @ 6/30/17 Per Account
UTILITY - WATER	Current Fee	\$ 4,000				
Bldgs/Improvements	\$ 6,433	\$ 6,433	\$ -			
Equipment	\$ 250,962	\$ 150,459	\$ 100,503			
Infrastructure	\$ 3,361,625	\$ 1,591,091	\$ 1,770,534			
Non-Depreciable Land	\$ 3,211,136	\$ -	\$ 3,211,136			
Vehicles	\$ -	\$ -	\$ -			
Water Rights	\$ 668,553	\$ -	\$ 668,553			
	\$ 7,498,710	\$ 1,747,983	\$ 5,750,727	1,625	\$ 4,615	\$ 3,539
			Water Buy In Fee Range		\$ 4,600	\$ 3,500
System Capacity Calculation						
Total Storage Capacity	1,000,000					
Fire Flow	(240,000)					
48 hours of avg. daily demand	(200,000)					
Available for Consumption	560,000					
Peak Demand	(300,000)					
Total Capacity	260,000					
GPD per SFH	160					
Total Homes to Capacity	1,625					
Total Current Accounts	746					
Remaining Capacity	879					

In total the Town has invested 7.5 million into the water system that has the capacity to serve up to 1,625 accounts. The acquisition cost divided by the capacity (\$7,498,710/1,625 accounts) give us the original cost per account of \$4,615. Using the current book value the total amount per account is (\$5,750,727/1,625) \$3,539. Without adjusting either amount for inflation, the reasonable buy in fee range is \$3,500 - \$4,600.

Sewer Buy In Fees

The Table below summarizes the capital investment made by the Town to establish the waste water system.

Town of Chino Valley						
Enterprise Fund Buy In Fee Calculation						
Fiscal Year Ended June 30, 2017						
	Ending Fixed Assets @ 6/30/17	Ending Accu. Depr. 6/30/17	Book Value @ 6/30/17	# of Account Capacity	Original Cost Per Account	Book Value @ 6/30/17 Per Account
UTILITY - SEWER	Current Fee	\$ 6,000				
Bldgs/Improvements	\$ 9,859,455	\$ 2,339,656	\$ 7,519,799			
Equipment/Vehicles	\$ 823,107	\$ 185,631	\$ 637,476			
Infrastructure	\$ 22,181,927	\$ 7,392,029	\$ 14,789,898			
	<u>\$ 32,864,489</u>	<u>\$ 9,917,316</u>	<u>\$ 22,947,173</u>	4,000	\$ 8,216	\$ 5,737
			Sewer Buy In Fee Range		\$ 8,200	\$ 5,800
System Capacity Calculation						
Design Capacity of Plant gpd	\$ 500,000	4,000				
Current Average flow gpd	\$ 320,000					
% of Design Capacity	64%					
Remaining Capacity gpd	\$ 180,000					
Avg gallons per home per day	\$ 125					
Total homes to capacity	4,000					
Total current accounts	1,765					
Remaining Capacity	<u>2,235</u>					
Current Volume	260,000					
Current Customers	1,765					
Gallons Per Day	<u>147</u>					

In total the Town has invested 32.8 million into the waste water system that has the capacity to serve up to 4,000 accounts. The acquisition cost divided by the capacity (\$32,864,489/4000 accounts) give us the original cost per account of \$8,216. Using the current book value the total amount per account is (\$22,947,173/4000) \$5,737. Without adjusting either amount for inflation, the reasonable buy in fee range is \$5,800 - \$8,200.

Cost to Build In Yavapai County

Prior to considering increasing Buy In Fees, consideration needs to be given to the cost of building in the local area. Chino Valley does not want to raise the buy in fees to a level that deters building. The table below summarizes the estimated cost of building a typical single family home in Prescott, Prescott Valley, and in Yavapai County.

Town of Chino Valley				
Single Family Home Comparision 1600-1800 sq ft/ 3 bed 2 bath				
	Chino Valley	Prescott	Prescott Valley	Yavapai County
Building Permit Fee	\$ 2,546.00	\$ 1,200.00	\$ 2,873.00	\$ 2,500.00
Impact Fee			\$ 5,196.00	
Water System				\$ 7,500.00
Water Resource Fee		\$ 4,709.00		
Buy In - Capacity Fee	\$ 4,000.00	\$ 5,132.00	\$ 3,087.00	
Connection Fee	\$ 469.00	\$ 1,481.00	\$ 474.00	
Sewer System				\$ 7,500.00
Buy In - Capacity Fee	\$ 6,000.00	\$ 1,120.00	\$ 3,014.00	
Connection Fee	\$ 141.00			
Total	\$ 13,156.00	\$ 13,642.00	\$ 14,644.00	\$ 17,500.00

Summary of Rate Alternatives - Staff Recommendation

The table below summarizes the the rate options reviewed in this report. The highlighted options are recommended by staff.

Town of Chino Valley						
Rate Option Summary						
	Current Rate	Effective 7/1/18	Effective 7/1/19	Effective 7/1/20	Effective 7/1/21	Effective 7/1/22
Water Enterprise Fund						
Option 1 - No Rate Increase	\$39.89	\$39.89	\$39.89	\$39.89	\$39.89	\$39.89
Option 2 - 3% Rate Increase each year for 5 years	\$39.89	\$41.09	\$42.32	\$43.59	\$44.90	\$46.24
Option 3 - 5% Rate Increase each year for 5 years	\$39.89	\$41.88	\$43.98	\$46.18	\$48.49	\$50.91
Wastewater Enterprise Fund						
Option 1 - No Rate Increase	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14	\$64.14
Option 2 - 3% Rate Increase each year for 5 years	\$64.14	\$66.06	\$68.05	\$70.09	\$72.19	\$74.36
Option 3 - \$2.00 or 3% one-time Rate Decrease	\$64.14	\$62.14	\$62.14	\$62.14	\$62.14	\$62.14
Water Buy In Fee	\$4,000.00	\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04	\$4,637.10
Sewer Buy In Fee	\$6,000.00	\$6,180.00	\$6,365.40	\$6,556.36	\$6,753.05	\$6,955.64

Rate Change Calendar

The following steps are required in order to adopt any rate changes.

Town of Chino Valley		
Wastewater Rate Change Calendar		
Date	Item	Requirement
11/7/2017	Discuss rate study with Finance Committee	
December-17	Finance Department Prepares Draft Study to Council	
1/16/2018	Finance Department presents written report to Council at a study session	
1/23/2018	Council Adopts Notice of intention to increase rates and holds a public hearing	At least 60 days prior to public hearing
2/26/2018	File copy of report with Clerk and post on website	Posted on the website 30 days prior to public hearing
2/28/2018	Publish notice of intention to hold public hearing	Not less than 20 days before public hearing
3/27/2018	Hold Public Hearing / Adopt Resolution	At least 60 days after notice of intent
7/1/2018	New Rate becomes effective	30 days after adoption

Detailed Rate Schedule with Proposed Rates

Town of Chino Valley										
Water/Wastewater Rate Schedule - With Proposed Rates										
					Current Rates	Effective 7/1/18	Effective 7/1/19	Effective 7/1/20	Effective 7/1/21	Effective 7/1/22
Usage										
WATER RATES										
	Percentage Increase				3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Base Charge										
	Residential and Commercial 3/4" Meter				\$ 5.61	\$ 5.78	\$ 5.95	\$ 6.13	\$ 6.31	\$ 6.50
	Residential and Commercial 1" Meter				\$ 9.37	\$ 9.65	\$ 9.94	\$ 10.24	\$ 10.55	\$ 10.86
	Commercial 1 1/2" Meter				\$ 18.69	\$ 19.25	\$ 19.83	\$ 20.42	\$ 21.04	\$ 21.67
	Commercial 2" Meter				\$ 29.91	\$ 30.81	\$ 31.73	\$ 32.68	\$ 33.66	\$ 34.67
	Commercial 3" Meter				\$ 56.11	\$ 57.79	\$ 59.53	\$ 61.31	\$ 63.15	\$ 65.05
	Commercial 4" Meter				\$ 93.62	\$ 96.43	\$ 99.32	\$ 102.30	\$ 105.37	\$ 108.53
Volume Charge										
	Stand Pipe Base Rate per 1,000 gallons				\$ 5.61	\$ 5.78	\$ 5.95	\$ 6.13	\$ 6.31	\$ 6.50
	Number of Gallons Tier 1	0	8000		\$ 4.57	\$ 4.71	\$ 4.85	\$ 4.99	\$ 5.14	\$ 5.30
	Number of Gallons Tier 2	8001	20000		\$ 5.72	\$ 5.89	\$ 6.07	\$ 6.25	\$ 6.44	\$ 6.63
	Number of Gallons Tier 3	20001	Above		\$ 8.00	\$ 8.24	\$ 8.49	\$ 8.74	\$ 9.00	\$ 9.27
	Country West per 12/14/2001 agreement				\$ 0.70					
	12/14/2021				\$ 0.84					
	12/14/2031				\$ 1.01					
WASTEWATER RATES										
	Percentage Increase				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Base Charge - Residential				\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14
	Commercial 3/4" Meter				\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14
	Commercial 1" Meter				\$ 107.34	\$ 107.34	\$ 107.34	\$ 107.34	\$ 107.34	\$ 107.34
	Commercial 1 1/2" Meter				\$ 213.35	\$ 213.35	\$ 213.35	\$ 213.35	\$ 213.35	\$ 213.35
	Commercial 2" Meter				\$ 341.89	\$ 341.89	\$ 341.89	\$ 341.89	\$ 341.89	\$ 341.89
	Commercial 3" Meter				\$ 641.65	\$ 641.65	\$ 641.65	\$ 641.65	\$ 641.65	\$ 641.65
	Commercial 4" Meter				\$ 1,069.41	\$ 1,069.41	\$ 1,069.41	\$ 1,069.41	\$ 1,069.41	\$ 1,069.41
MULTI-FAMILY RESIDENTIAL WASTEWATER RATES*										
	Rate Per Fixture Unit (\$64.14/20 Fixture Units)				\$ 3.21	\$ 3.21	\$ 3.21	\$ 3.21	\$ 3.21	\$ 3.21
	Rate Per EDU (20 Fixture Units)				\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14	\$ 64.14
* Multi Family includes apartments, duplexes, mobile home parks, hotels/motels, schools, churches - properties on a master meter.										
						3.0%	3.0%	3.0%	3.0%	3.0%
WATER BUY IN FEES										
	Residential Residential 3/4" & 1" Meter				\$ 4,000.00	\$ 4,120.00	\$ 4,243.60	\$ 4,370.91	\$ 4,502.04	\$ 4,637.10
	Multi-family 3/4" & 1" Meter Per Unit				\$ 3,630.00	\$ 3,738.90	\$ 3,851.07	\$ 3,966.60	\$ 4,085.60	\$ 4,208.16
	Hotels/Motels Per Room				\$ 3,056.00	\$ 3,147.68	\$ 3,242.11	\$ 3,339.37	\$ 3,439.55	\$ 3,542.74
	Commercial 3/4" Meter				\$ 4,000.00	\$ 4,120.00	\$ 4,243.60	\$ 4,370.91	\$ 4,502.04	\$ 4,637.10
	Commercial 1" Meter				\$ 6,670.00	\$ 6,870.10	\$ 7,076.20	\$ 7,288.49	\$ 7,507.14	\$ 7,732.36
	Commercial 1/2" Meter				\$ 13,433.00	\$ 13,835.99	\$ 14,251.07	\$ 14,678.60	\$ 15,118.96	\$ 15,572.53
	Commercial 2" Meter				\$ 21,489.00	\$ 22,133.67	\$ 22,797.68	\$ 23,481.61	\$ 24,186.06	\$ 24,911.64
	Commercial 3" Meter				\$ 40,309.00	\$ 41,518.27	\$ 42,763.82	\$ 44,046.73	\$ 45,368.13	\$ 46,729.18
	Commercial 4" Meter				\$ 67,194.00	\$ 69,209.82	\$ 71,286.11	\$ 73,424.70	\$ 75,627.44	\$ 77,896.26
	Commercial 6" Meter				\$ 134,347.00	\$ 138,377.41	\$ 142,528.73	\$ 146,804.59	\$ 151,208.73	\$ 155,744.99
	Commercial 8" Meter				\$ 214,970.00	\$ 221,419.10	\$ 228,061.67	\$ 234,903.52	\$ 241,950.63	\$ 249,209.15
	Commercial 10" Meter				\$ 309,040.00	\$ 318,311.20	\$ 327,860.54	\$ 337,696.35	\$ 347,827.24	\$ 358,262.06
	Commercial 12" Meter				\$ 577,738.00	\$ 595,070.14	\$ 612,922.24	\$ 631,309.91	\$ 650,249.21	\$ 669,756.69
WASTEWATER BUY IN FEES										
	Residential				\$ 6,000.00	\$ 6,180.00	\$ 6,365.40	\$ 6,556.36	\$ 6,753.05	\$ 6,955.64
	Commercial and Multi-family Residential									
	Based on EDU Calculation				EDU					
	# of fixture Units per EDU				20					
	Calculated Buy In Fee per FU				\$ 300.00	\$ 309.00	\$ 318.27	\$ 327.82	\$ 337.65	\$ 347.78



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.e.

Meeting Date: 01/23/2018

Contact Person: Frank Marbury, Public Works Director/Town Engineer
Phone: 928-636-7140 x-1226

Department: Public Works

Item Type: Action-Presentation

**Estimated length
of staff presentation:** 5 minutes

Physical location of item: Chino Meadows V Subdivision

AGENDA ITEM TITLE:

Consideration and possible action to (i) hold a public hearing for 2018 Community Development Block Grant (CDBG) funding and (ii) to select a project for CDBG funding.

RECOMMENDED ACTION:

- (i) Hold public hearing.
- (ii) Approve the Chino Meadows 5 paving project as the Town's selected project for 2018 CDBG funding.

SITUATION AND ANALYSIS:

Situation and Analysis

The Town of Chino Valley has been notified by the Arizona Department of Housing (DOH) that they should expect approximately \$321,357.00 in Community Development Block Grant (CDBG) funding for FY 2018. An allocation from AZ DOH comes to Chino Valley every four years.

Part of the public process for the CDBG funds is to hold two public hearings. The first public hearing was held December 11, 2017 in the Town Hall Council Chambers. We had approximately 10 people present at this hearing, and the only project proposed was for the paving of streets in the Chino Meadows 5 area, proposed by the Public Works Department. This is a continuation of projects in the Chino Meadows area to deal with drainage and access issues to the neighborhood; and road projects are also considered to be a high priority for the five-year goals through the AZ Department of Housing.

The 2nd public hearing will be during the Council Meeting of January 23, 2018. An explanation of the project will be given by Mr. Frank Marbury, Town Engineer. No other projects have been proposed.

Council will formally vote on whether to use the CDBG funds for this purpose. A survey of the neighborhood has been conducted by Staff. The purpose of this survey is to demonstrate the project benefits an area where over 51% of the people in the area are of low to moderate income, a National Objective for the U.S. Department of Housing and Urban Development, Small Cities Program. Once the application is completed, the Council will be asked to pass a resolution allowing the Mayor to sign said application; this should occur in March or April of 2018. If approved construction is anticipated in 2019.

Fiscal Impact

The total project estimate is \$379,896. The grant funds of approximately \$321,357 will be budgeted in FY 2018. No match is required by the Town. If the Town desires the scope of work to exceed the grant amount, it will need to be paid for with Town funds. The estimated amount of Town funds needed is \$58,539.

Fiscal Impact

Fiscal Impact?: Yes

If Yes, Budget Code:

Available:

Funding Source:

Attachments

CDBG Budget Cost Estimate

Area Map

2018 CDBG BUDGET ESTIMATE

Street	Length FT	Width FT	Area SY	Unit Cost	Extended Cost
Jean Rd	590	24	1573.3	\$16.50	\$25,960.00
Margie Dr	743	24	1981.3	\$16.50	\$32,692.00
Little Dog Draw	1000	24	2666.7	\$16.50	\$44,000.00
Sharon Rd	1190	24	3173.3	\$16.50	\$52,360.00
Pine Ct	195	24	520	\$16.50	\$8,580.00
Railroad Ave	315	24	840	\$16.50	\$13,860.00
Cottonwood Ln (S)	182	24	485.33	\$16.50	\$8,008.00
Cottonwood Ln (N)	1875	24	5000	\$16.50	\$82,500.00
Middle Dr	1470	24	3920	\$16.50	\$64,680.00
Miles Dr.	607	24	1618.7	\$16.50	\$26,708.00
Mylo Dr.	1800	24	4800	\$16.50	\$79,200.00
Total					\$379,896.00



TOWN OF CHINO VALLEY
PROPOSED FUNDING AREA
CHINO MEADOWS , UNIT 5

DATE: DECEMBER 2017



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.f.

Meeting Date: 01/23/2018
Contact Person: Spencer Guest, IT Specialist
 Phone: 928-636-2646 x-1215
Department: General Services
Item Type: Action-Presentation
Estimated length of staff presentation: 10 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action to approve the Town of Chino Valley Technology Plan.

RECOMMENDED ACTION:

Approve the Town of Chino Valley Technology Plan.

SITUATION AND ANALYSIS:

Issue Statement

Historically the Town has developed strategic plans to provide guidance and direction for the Town Council, staff and the Town's financial resources. The Town of Chino Valley's first Technology Plan likewise provides a methodology for planning and goals with the procurement and implementation for the Town's technology resources. The attached purposed technology plan provides a ten fiscal year plan which accommodates technology needs for all departments within the Town as well as enhancements for public access to Town services and information. The draft Technology Plan was distributed to all department heads for review and comment and the provided feedback has been accommodated within the plan. Staff now seeks the review and recommendations of Town Council and acceptance of this technology plan if deemed acceptable.

Applicable "Policy"

Satisfaction of "Policy"

Summary of Issues and Staff Rationale

The MIS division has continued to enhance staff's capability to utilize technology throughout the Town. This fact coupled with increased demands in staff workloads, citizen expectations for easier service provision and overall Town goals has resulted in requests for software technology from all departments within the Town. To properly accommodate these requests MIS began

working on a technology plan to provide a methodology to properly prioritize, evaluate and select the technologies that would best fulfill the Town's needs while maintaining fiscal responsibility. Originally a five year plan was developed, but it was later expanded to ten years to allow for proper budget and staff time to implement the plan.

Findings of Fact

- The Town of Chino Valley does not currently have a strategic plan for Technology.
- Other municipalities have developed technology plans to help in the planning and guidance with procurement of technology.
- The amount of technology needs and requests by all departments have increased due to modern technology availability, increased staff workloads, citizen expectations for easier service accessibility, and Town goals.

Fiscal Impact

Fiscal Impact?: N/A

If Yes, Budget Code:

Available:

Funding Source:

Attachments

Chino Valley Technology Plan



Town of Chino Valley Technology Plan

Town of Chino Valley, Arizona

1/15/2018

Management Information Systems

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Acknowledgments

Town Council

Darryl L Croft, Mayor
Lon Turner, Vice Mayor
Mike R. Best, Council Member
Corey Mendoza, Council Member
Lon Turner, Council Member
Annie Lane, Council Member
Jack Miller, Council Member
Cloyce A. Kelly, Council Member

Town Manager

Cecilia Grittmann

IT Manager

Spencer Guest

The Town of Chino Valley Technology Plan was the result of a collaborative effort from several people. Beyond the primary authorship special thanks is extended to all those who reviewed plan and made recommendations.

Joe Duffy, Finance Director
Cecilia Grittmann, Town Manager

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Introduction

Welcome to the Town of Chino Valley's (Town) first Technology Plan that focuses the Town's resources on the efficient and effective use of technology to deliver Town services. The purpose of a Technology Plan is to define initiatives and objectives that align with the Town's goals and to improve the balance between demand for improved technology and available Town resources, including staff, capital and operating funds.

This ten-year Technology Plan for Fiscal Years 2017/18 through 2026/27 provides a roadmap that will help the Town prudently make decisions for future IT needs. The plan addresses the key immediate and long-term technology issues facing the Town and describes the initiatives necessary to address the issues as well as a planning methodology to prioritize the initiatives to be funded. The Plan also describes the major service areas and information technology (IT) initiatives to strategically align the Town to better deliver these services as effectively as possible. Since this is the first Technology Plan for the Town, the Plan includes trends in municipal government and the information technology industry to support the Town's technology goals and objectives.

The Technology Plan development and planning process is a town wide effort involving Town employees representing all departments. The process focuses on identifying the current technology infrastructure, current technology issues, and forecasted technology needs in addition to the services delivered by the Management Information Systems (MIS) Division. The information gathered during the process, together with research about how other towns and cities are addressing technology needs and current technology trends, was used to identify specific technology recommendations.

Historically, the Town has relied heavily on its human resources to provide the necessary services to the community. While this method, in the past, has served the community well, many factors have caused the Town to plan, evaluate and implement the use of additional technology. Recently, tough economic conditions along with limited revenues and increased citizen demands for easier access to Town services are some of the modern driving forces influencing the Town's desire to evaluate, enhance and augment the Town's technology resources. This technology plan focuses on improving IT services that meet broad organizational needs as well as supports collaboration and sharing of technology resources. The commitment of all Town departments is essential for the success of the Technology Plan and for the Town to realize the associated benefits. All departments must work together to balance daily departmental operations while embracing town-wide organizational changes resulting from current and future technology initiatives.

Executive Summary

The Chino Valley Technology Plan identifies the initiatives and objectives that align with the Town's goals and objectives as a whole for all departments. This identification and prioritization strategy will help provide a roadmap in order for the Town to effectively and prudently invest in the most useful technologies. Making decisions in this manner will help funnel the limited financial resources of the Town to provide technology that will improve the efficiency of Town staff while enhancing the citizen's access to information and provision of new and improved service delivery.

The plan is managed by the Town of Chino Valley MIS Division. The MIS Division's main responsibility is to deliver technology and support services to internal and external users to enable them to achieve their goals and objectives. MIS works to continually fulfill the Vision of the Town and fulfill the MIS Mission.

Vision

The Town of Chino Valley is a forward looking, diverse community which, true to its small town/rural values, treasures its historic and natural environments, enhances its economic vitality, protects its neighborhoods and its quality of life, values community wide interest, and retains its family friendly heritage.

Mission

The mission of Management Information Systems (MIS) is to support, design, develop and enhance the information technology (IT) of the Town.

This is the first IT Strategic Plan for the Town therefore, the Plan attempts to identify the needs for internal and external technology because it is important to understand all users and their business needs in order to deliver the needed technology and related support. This Plan provides a short history of the IT initiatives and current status of the Town's IT resources as managed by the MIS Division. It additionally lists many of the challenges that have been encountered as the Town has expanded its IT infrastructure. The hope is to allow this information to guide future decisions and avoid limitations encountered in the past.

Acknowledgment and analysis of general trends in technology are included in the Technology Plan. This provides a background for the Town to position itself to embrace emerging technologies while utilizing it to assist in the selection process. General technology trends include the following:

- Expansion of Web-based Technology
- Social Media
- Mobile Devices

Emerging Security Concerns
 IT Records Retention and Records Requests
 SAAS and Cloud Technologies
 Business intelligence and Transparency
 GIS-enabled technology
 Collaboration

The Technology Plan establishes an Initiative Review and Prioritization process by which Technology needs can be properly established. This will require the creation of a Technology Committee that is composed of represented stakeholders from each department within the Town. New departmental technology needs will be established using the Technology Request and Review guidelines where the following factors will be established before an initiative is reviewed by the Committee.

Title
 Description
 Core Function, Goal or Purpose
 Impacted Department(s)
 Requirements and Features
 Cost or Time Savings
 Service Enhancements
 Budget and Funding Source

The committee will then assist in the prioritization of technology initiatives based on the Town Council's goals and objectives, greater needs of multiple departments, Town-wide solutions and budgetary limitations.

A selection criteria and evaluation guideline has also been established for this Technology Plan. After a new technology initiative has been established and prioritized, a group of people will be selected along with MIS to properly evaluate a list of potential vendors in or order to select a technology solution to fulfill the intended need. The general criteria for the selection include evaluation of need fulfillment, security considerations, breadth of product offering, town-wide and cross-departmental considerations, solution integration capabilities, web-based and mobile device compatibility and cost/financial sustainability.

The plan establishes a revision schedule by the technology committee of five to ten years as is necessary based on the completeness of the plan or any significant unforeseen changes in the Town or technology proposed. Revisions drafted will be reviewed by Town Manager and then presented to Council for approval.

The technology plan also details the planned and future initiatives with the technology request and review guidelines based on a ten year fiscal cycle with initiatives broken into the following categories:

Ongoing Initiatives (Continual)

- Staff Workstation Computer Replacement Cycle
- Non-Technology Reliant Staff Workstation Recycling
- Server Hardware Replacement or Upgrades
- Virtual Server Migrations, Upgrades and Additions
- Networking Hardware and Firewall Replacement Upgrades
- Printer and Document Imaging Technology

Short Range Initiatives (1 to 4.5 Years)

- Enterprise Document Management and Workflow System
- Video on Demand and Live Web Meeting Streaming System
- Intranet

Mid-Range Initiatives (4.5 to 7 Years)

- Municipal Management System
- Records Request Management Software
- Project Management System
- Video Conferencing Solution
- Mobile Device Synchronization

Long Range Initiatives (8 or More Years)

- Enterprise Asset Management
- Volunteer Management and Scheduling System
- Business Intelligence Web Dashboard Solution

General budget and funding guidelines are established for the plan to ensure that the proper funding is appropriated for the approved technology initiatives.

Past and Current IT Environment

Up to this point, the Town's technology initiatives have focused on bringing the computer, server and network services up to a level that allowed for improved staff technology utilization throughout all the Town departments. These initiatives include the following:

- 1) Purchase and replacement of staff desktop computer systems and establishment of a reasonable replacement lifecycle to ensure adequately operating staff systems.
- 2) Enhancement of networking, firewalls and Internet access for all Town Departments by unification of all remote facilities under a metropolitan area network (MAN).
- 3) Migration to Windows server environment implementing Active Directory for central management of employee access and utilization of centralized file storage locations.
- 4) Implementation of improved communications using Microsoft Exchange email server with Microsoft Outlook email clients to allow effective staff collaborate.
- 5) Establishment of email SPAM filtering and email archival solutions.

Establishment of this baseline of technology allowed for additional software technology to be utilized by all Town staff. Enhancements to the IT environment, have allowed pursuit of more technology to fulfill various staff needs and enhance the provision of services to the public. Some of the technology initiatives include the following:

- 1) Establishment of an intergovernmental agreement for outsourcing Police records, computer aided dispatch and mobile data terminal management to the Yavapai County Sheriff's department.
- 2) Deployment of virtualization technology for centralization of data resources and reduction of operational costs.
- 3) Evaluation and implementation of an enhanced municipal website with content management system capabilities allowing for departmental delegation in updating the Town website.
- 4) Deployment of a Supervisory Control and Data Acquisition (SCADA) system used for monitoring and management of the Town's water and waste water systems.
- 5) Implementation of iWorQ Enterprise Asset Management to aid Public Works staff with management and maintenance of fleet, facilities, roads and utility assets within the Town.
- 6) Deployment of Citizen Serve to assist Development Services staff with the building inspections, code enforcement and business licensing operations.

- 7) Utilization of Xpress Bill Pay to allow for streamlined online payment processing.

While many of these IT initiatives have enhanced the Town's abilities of staff to manage and provide services, it has not been without challenges. Town staff has and still struggles with some of the lack of technology in some areas and implementation of technology that has not performed as expected. Listed below are some of the struggles that staff have experienced with the implementation of the previously listed technologies.

- 1) Town budget limitations to purchase desired technology solution that will adequately fulfill the staff needs.
- 2) Too many different systems to accomplish the various job responsibilities.
- 3) Software vendors providing less functionality than promised.
- 4) Functionality of software provided, in a way that doesn't work with our business model and flow.
- 5) Software that is unintuitive and difficult to operate as desired by staff.
- 6) Inability of software to integrate with other software to allow transfer of information between systems.
- 7) Incorrect assumptions by staff about provided features within software.
- 8) Software vendors that have went out of business
- 9) Software vendors not providing timely patches and upgrades.
- 10) Software that has limited accessibility remotely or via the Web.

As the Town moves forward with new technology initiatives special consideration needs to be taken to avoid these past and current limitations so the technology can be utilized to its full potential and intended benefits for the Town.

Current IT Trends and Considerations

Identification of current Information Technology trends, changes and potential implications must be considered when creating a technology plan. Taking these trends into consideration will allow the Town to leverage the modern technology and gain the greatest utilization of it before the technology becomes obsolete. It also allows the Town to capitalize on the latest technology yielding the greatest benefit while trying to limit any negative side effect that may come from it as well.

Web-based Technology

In the recent past, the Web, was for the most part was a place where various organizations, businesses and other entities provided static content and information supplied through websites that were refreshed from time to time. It remained for the most part informational with browsers that just displayed the content posted. As web-based technology has evolved, the web and its utilization has now morphed and expanded to the point where browsers and web technology has power that rivals the functionality of traditionally installed desktop software. When this new capability is coupled with the always on, everywhere accessibility of the Internet, web-based technology now becomes an IT resource that cannot overlooked or ignored. This fact, has expanded the pervasiveness of the web browser to the point that almost every Internet connected device will have a full featured web browser that can be exploited to provide functionality for staff and the public. It has become and assumed constant resource that the Town should be looking to utilized in every software resource that is considered for purchase.

Social Media

Social Media by some, was and has been considered to be a fad or trend that was isolated to the youth and that would fade or disappear with time. This assumption has been shown to be false, and instead Social Media has expanded past its age demographics and risen in popularity to the point that it should not be ignored when considering new Technology initiatives. As the Town evaluates new software, Social Media integration capabilities must also be part of the selection process. This will allow the Town to expand the software's usefulness and leverage enhanced availability by exploiting the social media information channels. This does not mean that software solutions that don't have social media integration will never be selected, but social media integrations should be a strong feature for consideration.

Mobile Devices

According to a Nielson survey, as of 2014 more than an estimated 70% of all US citizens 18 years and older own a mobile device (Nielson, 2014). Although this percentage lowers as the demographic age increases it still remains at an estimated more than 60%. What can be understood from this, is that the proliferation and embedding of the mobile devices within our culture is a mainstay for a majority of our population. Mobile devices also play a strong role in the day to day responsibilities of the Town staff. Building inspections, utility meter reading, police investigations are just a few of the services provided by the Town that are greatly enhanced by using mobile devices. This flexibility, and everywhere availability of the Town's software and technology allows for a much more efficient use of staff time. These factors indicate that as new technology is considered, the mobile device platform must factor strongly in the selection process allowing the Town to accommodate a larger group of citizens and enhance staff's efficiency.

(Nielson (2014) Mobile Millennials: Over 85% Of Generation Y Owns Smartphones Retrieved from <http://www.nielsen.com/us/en/insights/news/2014/mobile-millennials-over-85-percent-of-generation-y-owns-smartphones.html>)

Emerging Security Concerns

The modern proliferation of technology has brought some great benefits for the Town, but these benefits are not without a few downfalls. Sadly, as the Town expands its technology footprint it also expands its security vulnerabilities. Within the last 10 years the MIS department has dealt mostly with spyware that staff has unintentionally pulled down from the Internet, but have maintained a limited exposure to other threats and attacks. As the Town moves forward with technology purchases, special attention will need to be given to the exposure that comes from the new technology. Two of the previous IT Trends, web technology and mobile devices have provided the greatest exposure. As their popularity has grown, so has the amount of security vulnerabilities. This is a result of a greater number of people using technology, but not understanding the security precautions that need to be considered while using it. Mobile devices have created an added method by which Town data and resources could be easily compromised by the nature of their accessibility and portability. Additional threats from the Internet seem to be rising in popularity in the form of Ransomware, a very destructive form of spyware. Added precautions will need to be taken in the form of next generation firewalls, web application firewalls, desktop and proxy-based security devices to ensure all data coming and going from the Internet is thoroughly scanned before staff can access it.

IT Records Retention and Records Requests

Administration of information and public records have always been an important responsibility for the staff of the Town. While this task is nothing new, there has been a rise in several factors that makes it a current technology consideration that cannot be

ignored. The expansion of the mobile devices, Internet and web-based technology has changed the expectations of the citizens from expecting paper documents to be provided as public records to demanding all forms of electronic documents to be provided as well. These demands have resulted in numerous lawsuits that have blurred the lines of what is considered a public record. This redefinition of legal public records is most noticeable in the demands for email messaging and social media archival that is creating an ever growing amount of data and storage that must be considered as technology plans are made.

SAAS and Cloud Technologies

Historically technology was usually purchased and deployed within the server and network environment that was managed on an organizations own systems by the in-house IT staff. In recent years, software as a service (SAAS) and Cloud services environments have become a very popular trend in technology. This allows an organization to pay an ongoing service fee to have a service provider deploy and often fully manage the technology for them. This type of technology can have some significant benefits over in-house deployments due to the lower up front entry costs and the limited need for internal staff resources for deployment, security and management. These benefits must be considered carefully as there are some potential negatives that cannot be overlooked. Many times even though the startup costs are significantly lower for SAAS and Cloud-based technology, the continual service fees can at times catch up to an in-house deployment. There are also some issues with control and access to sensitive data that must be evaluated before SAAS and Cloud-based technology is selected. Understanding the benefits and limitations of SAAS and Cloud-based technology will be a significant factor the Town will need to consider when making technology decisions.

Business intelligence and Transparency

Demands for increased federal, state and local government transparency has been increasing among constituents for things such as budget, service volumes and other statistical information. This demand has prompted the local governments to consider the utilization of business intelligence and reporting software. This software allows for the provision of statistical information in real time or near real time. Additionally this demand has also stimulated web-based dashboard programs to display the large volumes of information using graphs, pie charts and other visual representations making it more understandable to all citizens.

GIS-enabled technology

Geographic Information Systems (GIS) have been utilized heavily for many years within state and local government to help in the management of parcel and land management. For a while, this information was typically only used as an internal resource by government staff. Proliferation of web-based technology has expanded the utilization of GIS systems and information to Internet. This expansion has allowed for the geo-referencing of all kinds of state and local information enhancing the understanding for

both staff and the citizen's. Integration with this valuable information source should play a key role in continued technology selections.

Initiative Review and Prioritization

Considering the large amount of needs and initiatives that the Town is continually pursuing, there must be some method by which technology worthiness and their prioritization are considered. A lack of financial resources makes it imperative that a methodology be established that considers key factors to determine which initiatives to pursue and when. A technology committee will need to be established with stakeholders that represent the interests of each department or division within the Town. Listed below are the factors and methods used by the committee to determine the Town's technology initiative and their priorities.

Technology Request and Review

Whenever a new technology initiative is determined to be in need, the idea needs to be evaluated by the requesting departmental/divisional staff to determine several things before the Technology Committee should evaluate it further. The following are some factors that should be considered.

1. **Core Function, Goal or Purpose** – A clear goal or purpose must be identified that details what the technology must do and the intended outcome.
2. **Impacted Department(s)** - It should be noted if the proposed technology will impact one department, multiple departments and/or the public.
3. **Requirements and Features** – A list of requirements or features must be established so that staff can properly evaluate the expectations for the technology initiative.
4. **Cost or Time Savings** – Documentation of any predicted cost savings or staff time savings by the proposed technology initiative and a quantification of those savings if possible.
5. **Service Enhancements** – It should be noted how the technology may directly or indirectly affect and/or enhance Town staff or public services.
6. **Budget and Funding Source** – There must be a proposed source of funding for the project whether it be grant, departmental, multi-departmental, general fund and any potential multi-fiscal year considerations.

Technology Initiative Prioritization

Town Council Goals and Objectives

The elected officials for the Town of Chino Valley are the key component in guiding and directing the actions of the Town. Typically for staff, this direction takes the form of a list of goals and objectives that helps staff understand the most important items to consider in conducting its operations. With the software and technology initiatives,

special evaluation will be made to prioritize those items that support the goals and objectives provided by the Town Council.

Multi-departmental Input

The technology needs of the Town are quite broad with each department pursuing solutions that allow them to efficiently provide their perspective services. This fact, requires that prioritization of technology purchases must be considered with input provided by all departments. To address this diversity of needs, the Technology Committee will be composed of selected individuals from each department and will all need to assist with the technology planning process. This method will help to keep the priorities of all departments in consideration as the Town develops its future technology goals.

Town-wide Solutions

Each department has technology needs they all want to fulfill, but prioritization of which departmental needs are the most urgent can be difficult. To help with this problem, the departmental technology initiatives will need to be evaluated to understand if there are any common needs among the departments. A greater priority should be afforded to technology initiatives that can provide the greatest Town-wide benefits by fulfilling the needs of multiple departments. This is beneficial because it dedicates the limited funds to making the greatest impact on the technology needs within multiple departments. Additionally, this has the potential to eliminate unnecessary purchases of duplicate technology.

Budgetary Limitations

Budgetary limitations are one constant that remains in local government as the demands for public services typically increase without any additional tax revenues. This fact will continue in the future making it an ever present factor when prioritizing technology initiatives. Many times technology initiatives will far outstrip the Town's financial resources for the current fiscal year. While this fact may affect our prioritization of the technology it may not affect our selection of a technology (See Selection Criteria and Evaluation). Some technology projects may need to be pushed or pulled to an advantageous point within the fiscal year or positioned in a following fiscal year to ensure it doesn't negatively impact the Town's financial resources.

Selection Criteria and Evaluation

To guide all current and future technology decisions it is necessary to develop a set of selection criteria and methods by which new technology initiatives can be properly evaluated to adhere to technology goals of the Town. While this list of criteria is by no means exhaustive, it does offer a general guide by which some potential technology vendors can be eliminated or evaluated further. Once a technology initiative has been established and prioritized by the technology committee the perspective department will need to select a group of people including staff from MIS to evaluate potential vendors according to the Request and Review information established in the previous section. Listed below are some of the general selection criteria that will be used to guide the technology purchases toward the overall goals the Town has for its technology.

Need Fulfillment – First and foremost any potential technology will need to be evaluated and selected based on its ability to fulfill the intended purpose. This will be based on the attributes that were established within the Technology Request and Review process and specifically the Core Function, Goal or Purpose and Requirements and Features established in the review process of the previous section.

Security – The security of any technology initiative should be of paramount importance to any technology selection made by the Town. Special attention and review will always be used if a technology creates any potential exposure for the Town's data resources.

Town-wide and Cross-departmental Considerations – Evaluations of technology vendors will also focus on any features that afford the potential utilization of the technology to fulfill needs for multiple departments rather than just for one. In this way a singular technology may have expanded usefulness that may reduce or even eliminate needs within other departments. This may have the effect of reducing the number and diversity of software applications in use making it easier for staff to be cross trained in systems.

Breadth of Product Offering - Many times when the Town chooses to pursue a technology initiative, there are on occasion a vast pool of vendors all of which can fulfill the need. In these situations it is important to understand how broad any one vendor's technology offerings are. While some vendors can only fulfill the current need, other vendors may at times provide additional added value with a broader portfolio of technology that can be of use to the Town in the future. Special consideration should be afforded to vendors that can fulfill the current need and also fulfill future expanded needs the Town may have. This has the added benefit of keeping the Town's technology portfolio smaller with potential savings in maintenance costs and reductions in IT complexity.

Solution Integration Capabilities – A feature that decision makers need to pay special attention to is the capability of a potential technology to integrate with other solutions either in the future or already in operation. Minimally, it should be questioned if a

technology solution has an application programming interface (API) allowing the Town to hire a programmer to write an interface between solutions if necessary. The solution needs to ensure there are methods provided by which data can be easily imported or exported from the solution by the Town staff. It should be further investigated if a technology solution has a prebuilt method by which their solution could be integrated without requiring additional programming. Special consideration will be afforded for vendors that have prebuilt methods, not requiring programming, to integrate with new or existing Town software.

Web-Based and Mobile Devices Compatibilities – Strong consideration will be afforded for technology providers with solutions that support web-based and mobile device interfaces rather than relying solely on desktop installed software. Technology that doesn't require desktop software makes deployment of the technology much easier for the Town's IT staff reducing installation, management and troubleshooting of additional software. Remote access to the technology is also simplified greatly by using a standard browser or mobile device allowing both Town staff and the public to access the system across the Internet if necessary.

Cost/Financial Sustainability – The financial impacts of technology solutions should be a strong criteria in the evaluation process. Technology vendors should be questioned about pricing models to ensure the pricing scales to accommodate the organization size of the Town. Additionally, the financial pros and cons of an on premise vs SAAS solution should be strongly considered as this will impact the ongoing financial burdens to the Town. Typically on premise solutions have a greater up front financial impact and lower long term costs. SAAS models tend to be lower up front but can exceed the costs of on premise options after several years of service. Return on investment (ROI) calculations should be understood before an on premise or SAAS solution vendor is chosen.

Plan Revision

The technology plan is should be revised on a five to ten year cycle as is necessary based on the completeness of the planned and future initiatives or if there is a significant change in technology that must be accommodated. Special revisions to the plan may be necessary to accommodate new council goals and objectives that may happen in the interim between revisions. The plan may also need to be amended with new initiatives that constitute an immediate need that has arisen within the Town's normal operations.

Revisions to the plan will be done by MIS with the input of the other members of the Technology Committee. The majority of the technology plan will remain static unless there are any operational or policy changes to be made to the plan. The bulk of the revisions will be done on sections such as current IT trends and planned and future initiatives. The planned and future initiatives will be updated with the new initiatives that that have been approved and prioritized by the Technology Committee. Upon completion of the drafted revisions by Committee the revised plan will be reviewed by Town Manager and then presented to Council for approval.

Planned and Future Initiatives

Ongoing Initiatives												
Initiative Name	Range & Fiscal Years											
	Short Range			Mid-Range			Long Range					
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27		
Staff Workstation Computer Replacement Cycle												
Non-Technology Reliant Staff Workstation Recycling												
Server Hardware Replacement or Upgrades												
Virtual Server Migrations, Upgrades and Additions												
Networking Hardware and Firewall Replacement Upgrades												
Printer and Document Imaging Technology												
Minor Initiatives												
Initiative Name	Range & Fiscal Years											
	Short Range			Mid-Range			Long Range					
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27		
Video on Demand and Live Web Meeting Streaming System												
Intranet												

Minor Initiatives													
Initiative Name	Range & Fiscal Years												
	Short Range			Mid-Range			Long Range						
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27			
Records Request Management Software													
Video Conferencing Solution													
Mobile Device Synchronization													
Business Intelligence Web Dashboard Solution													
Volunteer Management and Scheduling System													
Major Initiatives													
Initiative Name	Range & Fiscal Years												
	Short Range			Mid-Range			Long Range						
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27			
Enterprise Document Management and Workflow System													
Municipal Management System													
Project Management System													
Enterprise Asset Management													

Ongoing Initiatives (Continual)

Staff Workstation Computer Replacement Cycle	
Description:	Staff computer workstation replacements are maintained on a 4 to 5 year cycle. Every budget year computers that reach the 4 to 5 year age mark are placed on the MIS budget to be replaced. This replacement includes any applicable upgrades to the Microsoft Windows operating system as well as any Microsoft Office Suite upgrades. Other staff specific software may also be upgraded during the replacement to ensure its compatibility with the newer system.
Core Function, Goal or Purpose:	The goal is to keep main workstation computers up-to-date and working quickly and efficiently so it does not cause staff time delays.
Impacted Dept.	All Departments
Requirements and Features	- Research new processors, RAM, Hard Drive and other system components to ensure we are purchasing modern systems that will remain viable for 4 to 5 years - Obtain quotes and relay specification requirements to the vendors. - Purchase, receive and document the new system. - Configure new system with customized Windows Operating System parameters, Microsoft Office Suite and other software as governed by the department or staff.
Cost or Time Savings	- Potential staff productivity time savings.
Service Enhancements	- Staff productivity enhancements in all areas of Town service provision. - Enhanced compatibility
Budget and Funding Source	General Fund – MIS Annual Budget

Non-Technology Reliant Staff Workstation Recycling	
Description:	The staff computers that are coming out of service from the previously mentioned replacement cycle are put into a secondary cycle of service to fulfill the needs of Town staff whose job responsibilities require only light utilization of computers.

Core Function, Goal or Purpose:	The goal is to keep the light computer use staff working on relatively new computers up-to-date and working quickly and efficiently so it does not cause staff time delays. Additionally the Town may gain extended useful life out of the computer that cannot be used for the technology reliant staff.
Impacted Dept.	All Departments
Requirements and Features	- Clearing off any previous Windows operating systems and software that were on the system - Reinstalled systems with a fresh Windows installation - Install new or current Microsoft Office Suite - All software updates applied and associated utilities are updated - Hardware and peripherals that are in need of replacement are replaced and/or cleaned up - Systems are profiled and setup for the intended department or users.
Cost or Time Savings	- Staff time savings allowing more staff to use electronic systems. - Extended utilization of Town computer assets.
Service Enhancements	- greater availability of computer for non-technology reliant staff - Improve efficiencies with internal and administrative information flow and availability.
Budget and Funding Source	General Fund – MIS Annual Budget

Server Hardware Replacement or Upgrades	
Description:	Server hardware replacements or upgrades are maintained on an approximate 5 to 6 year cycle with consideration of replacement based on Microsoft server version releases. Every budget year servers that reach the 5 to 6 year age mark are evaluated to be placed on the MIS budget for replacement or upgrading. This replacement or upgrade typically includes any applicable upgrades to the Microsoft Server operating system to maintain a reasonable level of compatibility with new technology.
Core Function, Goal or Purpose:	Ensure the Town's server hardware and software are maintained up-to-date and doesn't become too outdated requiring large amounts of upgrades and staff time to bring the systems current.
Impacted Dept.	All Departments
Requirements and Features	- Research, purchase and implement new server hardware

	- Purchase and deploy most recent Windows Server operating system - Migrate servers as necessary to ensure that the Town's servers do not become outdated and incompatible with newer technology requirements.
Cost or Time Savings	- Lower staff time for repairs and maintenance
Service Enhancements	- Town's IT Infrastructure remains compatible with new software and technologies
Budget and Funding Source	General Fund – MIS Annual Budget

Virtual Server Migrations, Upgrades and Additions	
Description:	Microsoft Windows virtual operating systems are migrated or added as needed by the technology initiatives that are being pursued by the Town.
Core Function, Goal or Purpose:	Ensure the Town's virtual server environment remains current with new server software releases. Virtual server migrations or additions are made to accommodate new technology demands.
Impacted Dept.	All Departments
Requirements and Features	- Purchase new Microsoft Server Operating system licenses. - Migration of server roles to new virtual servers. - Retirement of old virtual servers after migration. - Addition of new virtual servers to accommodate any new server requirements
Cost or Time Savings	- Lowers staff repairs and maintenance
Service Enhancements	- Enhances IT environment compatibility with new software releases.
Budget and Funding Source	General Fund – MIS Annual Budget

Networking Hardware and Firewall Replacement or Upgrades	
Description:	Replacement or upgrades to networking hardware such as switches, wireless access points and firewalls are maintained on a 6 to 7 year replacement cycle.
Core Function, Goal or Purpose:	This is done to keep the hardware in line with changes that happen with network protocols and speeds. This is particularly important for the firewall hardware that requires normal yearly maintenance

	contracts and ongoing firmware updates to address the ongoing security threats that arise on a month to month basis.
Impacted Dept.	All Departments
Requirements and Features	- Evaluate, new IT security trends and selection of security technology that best fulfills the current and future needs. - Renew or purchase maintenance contracts to ensure the access to the latest firmware and patches. - Apply the patches and updates to the networking equipment regularly. - Reconfigure hardware with any necessary configurational changes.
Cost or Time Savings	- Potential reduced staff time due to security compliance.
Service Enhancements	- Reduces the security risk to the Town - Fixes to firmware bugs and security problems with networking equipment. - Ensures proper performance and equipment function.
Budget and Funding Source	General Fund – MIS Annual Budget

Printer and Document Imaging Technology Replacement and Upgrades	
Description:	Printers and copiers are necessary to be maintained on a replacement cycle just like all technology. Printers and copiers are added, cycled out and replaced based on the needs of staff. Typically printers are replaced as they begin to display signs of excessive wear on the parts or there begins to be a pattern of repeated errors and maintenance issues. For most printer and copiers this usually means they are replaced approximately every 5 to 7 years.
Core Function, Goal or Purpose:	Keep the printer, copier and scanning capabilities of the Town staff updated and replace aging equipment that is malfunctioning.
Impacted Dept.	All Departments
Requirements and Features	- Evaluate the printers, copiers and other imaging technology to ensure it has been working properly without excessive problems. - Research and purchase new equipment or upgrade existing equipment when excessive problems begin to happen.
Cost or Time Savings	- Cost savings are realized by streamlined staff operations with low downtime.

	- Ensure staff not continually calling in work requests on equipment.
Service Enhancements	- Ensure printing and document imaging technology is maintained in working and efficient condition.
Budget and Funding Source	General Fund – Per department billing

Short Range Initiatives (1 to 4.5 Years)

Enterprise Document Management and Workflow System	
Description:	The continual proliferation of technology as utilized by all Town staff has created a large volume of digital information that is currently stored in file shares on the Town's servers. While this type of storage does provide shared access to documents and information it has slowly become more and more difficult to organize, locate and retrieve the information and documents that are needed by staff. This need has prompted the search for an enterprise document management system that will provide a means to better organize and store the Town's digital documents and information and ease access and retrieval in the future. Methods for organized Check-in and Check-out of documents among the staff will help to ensure document revisions and history is properly maintained and managed. Document retention, archival, purging and removal of old documents can also be properly managed by staff with the use of features that manage document aging, and retention notifications.
Core Function, Goal or Purpose:	Provide a structured, streamlined and simplified method of storage and retrieval of digital documents and information ensuring staff can properly manage and purge information as necessary.
Impacted Dept.	All Departments
Requirements and Features	- Organized storage of digital documents that can be easily searched for rapid retrieval. - Automatic Full document text indexing - Document Check-in and Check-out - Document revisions, history and user change logs. - Document retention periods with notification and easy purging of documents that need to be eliminated. - Granular Security privileges that allow us to set user and group permissions on the documents - Web-based and mobile device access with public and private portal

	- Document routing and workflow management features
Cost or Time Savings	- Reduction of staff time searching for information within the Town's documents. - Reduction in staff time fulfilling public records requests. - Reduction in costs for printed materials - Streamline document routing work flows and approvals process requiring less paper movement. - Reduction in Town clerk staff time for document retention and purging
Service Enhancements	- Enhancements in public records request process - Quicker Public works and Development Services response times due to easier document retrieval and streamlined workflow process - Enhanced ability to maintain document retention cycles. - Easier management of contract information with expiration notifications
Budget and Funding Source	General Fund – Multi-departmental

Video on Demand and Live Web Meeting Streaming System	
Description:	For many years the Town has run a public access television station for public education about Town council meetings, community board meetings and community events and information. The Town will be working to subscribe to a service that will allow staff to leverage the multimedia information for television onto a video on demand and web streaming capability allowing the content to reach a larger amount of the public.
Core Function, Goal or Purpose:	Provide video on demand and web streaming capabilities for the video and multimedia content created for the Access TV station.
Impacted Dept.	All Departments
Requirements and Features	- Ability to broadcast board meeting video and video bulletin board of information on the web. - Provide Video on Demand features for archived content.
Cost or Time Savings	- None
Service Enhancements	- Provision of television broadcast to a larger audience using video on demand and live streaming capabilities.

Budget and Funding Source	General Fund - MIS
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Intranet	
Description:	Technology that helps enhance the communication between staff and council while streamlining the operations of the Town is of great value. As such, the Town will seek to implement an Intranet web site. The intent is to provide a collaborative avenue of communication between staff and between staff and council. Additionally this will be accessible via mobile devices allowing enhanced communications while out of the office.
Core Function, Goal or Purpose:	Provide an Intranet site for both the Town staff and Town Council where information can be posted and shared with collaboration between the users.
Impacted Dept.	All Departments
Requirements and Features	- Provide a private web space where information, documents and other content can be posted. - Ability to create users and groups with different privileges and permissions in the system. - Web utilities that allow for easy, user friendly access to the site and allows for content posting and publishing. - Allow content to remain in draft or published status
Cost or Time Savings	- Reduced staff time and efficiency with information delivery
Service Enhancements	- Improved communications for staff and council members at all levels of the Town. - Greater supervisor transparency and information sharing.
Budget and Funding Source	General Fund – Multi-departmental

Mid-Range Initiatives (4.5 to 7 Years)

Municipal Management System	
Description:	Municipal operations within the areas of permitting, inspections, code enforcement, licensing and infrastructure asset management often require purpose build software to properly keep track of the large amount of information and transactions generated daily. Currently the Town has some rudimentary systems in place to assist staff in some of these areas, but integrations between these

	systems are lacking. A municipal management system is key in bringing these systems together under a singular system allowing for greater staff efficiency and information flow between departments.
Core Function, Goal or Purpose:	Provide a cohesive municipal data system to allow for the proper maintenance of data within various core municipal management functions.
Impacted Dept.	Development Services, Public Works and Town Administration
Requirements and Features	- Permitting management System allowing for web-based public submission - System allowing for public and staff scheduling of inspections and collection of staff inspection results. - Collection of code enforcement complaints, investigations and resolution of any violations. - Tracking of business licensing applications, information and renewals - Maintenance of asset records for the municipal infrastructure such as roads, signs, fleet, water and waste water systems. - Management of trouble tickets and scheduled maintenance of Town infrastructure assets. - Web-based and mobile device access with public and private portal
Cost or Time Savings	- Reduction of staff time with data entry and retrieval of information. - Improvements in sharing of data between Public Works and Development Services departments. - Reduced staff time in field data collection - Reduced staff time for training of different systems and jumping between systems.
Service Enhancements	- Enhanced access to permit, inspections, code enforcement, licensing and asset information for staff and public. - Improved customer service due to improved information access between departments.
Budget and Funding Source	General Fund – Multi-departmental

Records Request Management Software

Description:	As more and more information becomes digitized the process of fulfilling records requests has been impacted by the need to search and provide digital files to fulfill the requests. With the citizens
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	coming to rely more on computers, mobile devices and the web it is becoming more common for them to request files in their digital form rather than paper. This creates a need to enhance and streamline records requests and fulfillment by utilizing technology that can provide the records in their electronic format. The Town will be looking find a solution that can help staff fulfill the requests quicker with less staff time and provide the files in the electronic formats that are necessary.
Core Function, Goal or Purpose:	Provide a web-based method that allows Town staff to receive and manage the communications necessary to receive and fulfill records requests for citizens. This includes the electronic submission of the records request by citizen, creation of case and search parameters by Town clerk staff, redaction of protected information and provision of electronic documents in their native format for public review.
Dept. Impact	All Departments
Requirements and Features	- A web-based system that allows for the complete management of the records request process from public submission to electronic record provision. - Provide a means by which the public can request public records from the Town. - Allow for the creation of a case based on the provided public submission. - Allow for logged communication between the records requestor and the clerk staff. - Ability to create users and groups with different privileges and permissions in the system so that other staff can provide electronic responsive record documents and information. - Ability for clerk staff to easily search and review the responsive records for information that must be redacted according to Arizona legal requirements and allow for legal counsel to review and redact also. - A web interface portal where the records requestor can sign-in and review the completed records request responsive documents, download and print the needed materials.
Cost or Time Savings	- Reductions in clerk staff time needed for the processing and fulfillment of public records requests. - Lower printing costs due to use of electronic review of records.
Service Enhancements	- Improved records request accountability due to logged communications.

	- Quicker records request turn around for the clerk staff and the records requestor. - Enhanced redaction process and communications with the legal counsel on records request process. - Easier provision of finalized records request information to the requestor.
Budget and Funding Source	General Fund – Clerk’s Office

Project Management System	
Description:	Electronic project management can greatly enhance the internal operations at the Town allowing project team collaboration with document sharing and review. Project scheduling, timeline tracking and deadline notifications would benefit the staff that maintain a very busy work schedule to ensure things are not missed on various project contracts. Resource planning and cost management would also be a benefit that could ensure the proper resources and money are dedicated to the projects giving better project accountability.
Core Function, Goal or Purpose:	Establishment of an electronic system that allows staff to create projects and establish project users and teams. Project team members can then share documents, ideas and collaborate on the project. Project scheduling, timelines and notifications can be tracked for the project. Finance resources can also be tracked for the project.
Impacted Dept.	Public Works & Development Services
Requirements and Features	- Creation of electronic projects with general information about the project such as project title, deadlines, description, scope, etc. - Creations of project users and groups that can be assigned to certain projects and teams that allow for shared access to the electronic project documents and information. - Assignment of users to certain roles within the project. - Ability to share documents and information that is related to the project for future reference and retrieval. - Ability for project team members to collaborate and enter discussion notes about the project. - Ability to create schedules and timelines such as Gantt charts within the project to ensure proper project management - Notification system that will notify the project team of approaching deadlines.

	- Financial tracking capabilities that allow for the proper project accountability.
Cost or Time Savings	- Reduces staff time in management of Public Works, and Development Services projects.
Service Enhancements	- Enhanced staff management of project deadlines - Improved management of project finances and proper accountability for project overruns.
Budget and Funding Source	General Fund – Multi-departmental

Video Conferencing Solution	
Description:	To enhance the operations, streamline meetings and communications, the Town will be working to install a video conferencing solution.
Core Function, Goal or Purpose:	Allow staff to have face to face meetings without traveling between facilities and allow staff to assist the public from remote facilities making it easier for the public and staff.
Impacted Dept.	All Departments
Requirements and Features	- Provision of a method where staff can conduct face to face video conferencing utilizing webcams. - The video must support full HD Video resolutions of 1920 x 1080.
Cost or Time Savings	- Reductions in travel costs for staff going between facilities for meetings. - Reduction in staff time in transit between facilities.
Service Enhancements	- Allows customer service staff to serve customers at various facilities without requiring them to go to another building.
Budget and Funding Source	General Fund - MIS

Mobile Device File Synchronization	
Description:	Town employees have been working to embrace mobile devices allowing for more efficient staff time in the field. To complement this push, the Town will be working to implement a mobile file synchronization system. This will allow the synchronization of the staff's desktop computer files to their mobile device allowing the staff to be more productive while in the field.

Core Function, Goal or Purpose:	Allow the Town's mobile devices to synchronize selected files between the staff desktop computer and the mobile devices allowing staff to work on files while in the field.
Impacted Dept.	All Departments
Requirements and Features	- Provision of a secure method to synchronize selected files between each user's desktop computer and their mobile device. -
Cost or Time Savings	- Improvements staff productivity and time savings allowing staff complete data entry while on site.
Service Enhancements	- Enhancements allowing file access and data entry while in the field.
Budget and Funding Source	General Fund - MIS

Long Range Initiatives (8 or More Years)

Enterprise Asset Management	
Description:	Almost every internal or external service that is provided or serviced by Town staff involves an asset that must be properly managed and maintained. Without a system to properly account for these assets it is a very time intensive responsibility. To enhance and streamline the staff's management of these assets an Enterprise Asset Management system will need to be selected. Great accountability and efficiencies could be realized in management of the fleet, facilities, roads, water/waste water systems and IT equipment. Benefits will also be seen in retention of maintenance logs, work requests and inventory control allowing for more precise accountability and budgeting.
Core Function, Goal or Purpose:	Deployment of a system that will allow Town staff to properly track and maintain the assets owned by the Town. The system will also track the maintenance logs, trouble ticket and expenditure information that is associated with the various assets.
Impacted Dept.	All Departments
Requirements and Features	- Creation of electronic records that contain information about various Town assets such as vehicles, equipment, facilities, etc. - Ability to create users and groups with different privileges and permissions in the system. - Electronic notifications about Assets that are due for maintenance, expiration, etc.

	- Capability to enter maintenance log information that is completed on the asset - Allow the creation of asset trouble tickets and the closure when the asset ticket is resolved. - Method to enter various costs associated with maintenance and repair of assets. - Provision of various summary reports that show the assets as well as maintenance, tickets and costs.
Cost or Time Savings	- Reduced staff time for maintenance of asset maintenance and repair - Cost accountability for assets that need to be replaced due to poor performance and ongoing maintenance.
Service Enhancements	- Robust accounting of all the Town's assets - Improved reporting of assets that are need repair or replacement. - Financial accountability for the true asset costs for repair and maintenance - Streamlined staff problem reporting and resolution.
Budget and Funding Source	General Fund – Multi-departmental

Volunteer Management and Scheduling System	
Description:	The Town currently benefits from the dedicated service of many volunteers in various departments. This situation is mutually beneficial for both the Town staff and the citizens, but does create a need for proper accountability and management of the volunteers. To address this need the Town desires an electronic system to manage the volunteers.
Core Function, Goal or Purpose:	The core function of this system is to create a web-based system that can be used by both the managing Town staff and the volunteers to track various information such as volunteer scheduling and hours.
Impacted Dept.	All Departments
Requirements and Features	- Provide a web-based platform where information about volunteers can be entered and tracked. - Ability to upload and store documents related to the volunteer such as human resources policy documents. - Creation and management of volunteer work schedules - Method where volunteers can enter the number of hours worked.

	- Report system that allows for reports such as hours worked, schedules and other lists.
Cost or Time Savings	- Less staff time required to track volunteers, create schedules and log hours.
Service Enhancements	- Easier method to track volunteers and their information. - Allows improved volunteer scheduling. - Improved volunteer hour and work log tracking. - Enhanced reporting of Volunteer hours and statistical reports.
Budget and Funding Source	General Fund – Multi-Departmental

Business Intelligence Web Dashboard Solution	
Description:	Government transparency has become a larger and larger issue in recent years. To accommodate this new request by citizens, the Town will work to implement a Business Intelligence Web Dashboard solution. This will allow the easy and ongoing publication of Town statistical and financial information in an easy to understand graphical display.
Core Function, Goal or Purpose:	Provide a method to display Town financial and statistical information on the website using easy to understand charts and graphs. Information can be posted using an automatic push or pull method that is easily provided by staff.
Impacted Dept.	All Departments
Requirements and Features	- Web-based method to display finance and statistical information in a graphs or charts using business intelligence software. - Provide a large variety of charts and graphs so that information can be provided to the public in an easily understood method. - Ability to create users and groups with different privileges and permissions in the system. - Provide a method for staff to upload or link the charts and graphs to the finance or other statistical information.
Cost or Time Savings	- None
Service Enhancements	- Greatly increases Town's data transparency efforts. - Allows the public better understand finance and statistical information provided to the public
Budget and Funding Source	General Fund - Finance

Budget

Initiative Name	10 Year Plan									
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Ongoing Initiatives										
Staff Workstation Computer Replacement Cycle	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Non-Technology Reliant Staff Workstation Recycling	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Server Hardware Replacement or Upgrades	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Virtual Server Migrations, Upgrades and Additions	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Networking Hardware and Firewall Replacement Upgrades	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Printer and Document Imaging Technology Replacement and Upgrades	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Short Range Initiatives										
Enterprise Document Management & Workflow System		\$110,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Video on Demand and Live Web Meeting Streaming System		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Intranet			\$20,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000

Initiative Name	10 Year Plan									
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Mid-Range Initiatives										
Municipal Management System				\$105,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Records Request Management Software				\$5,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Project Management System					\$40,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Video Conferencing Solution					\$300	\$300	\$300	\$300	\$300	\$300
Mobile Device Synchronization						\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Long Range Initiatives										
Enterprise Asset Management								\$40,000	\$15,000	\$15,000
Volunteer Management and Scheduling System									\$2,000	\$2,000
Business Intelligence Web Dashboard Solution									\$2,500	\$2,500
Total By Fiscal Year	\$26,000	\$143,000	\$88,000	\$182,500	\$145,800	\$125,800	\$125,800	\$165,800	\$142,800	\$142,800

Glossary

Active Directory (AD) – A Windows Operating System directory service that facilitates working with interconnected, complex and different network resources in a unified manner. It provides a common interface for organizing and maintaining information related to resources connected to a variety of network directories such as usernames, passwords, workstations, servers, printers, operating systems, etc.

Application Programming Interface (API) – A software program composed of various calls and functions that facilitates interaction with other software programs.

Business Intelligence (BI) and reporting – The use of computing technologies for the identification, discovery and analysis of business data such as revenues, expenditures, customers, services, etc. and display of the information in a summarized and structured fashion for easier analysis and visualization.

Business Model – A design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing.

Cloud-based Technology – The use of various services, such as software development platforms, servers, storage, and software, over the Internet, often referred to as the "cloud."

Email (Electronic Mail) - A method of exchanging digital messages between computer users.

Enterprise Asset Management (EAM) – The management of the assets of an enterprise across departments, facilities, business units and geographical locations, throughout asset life cycles, including design, commissioning, operations and replacement.

Firewall – Software, hardware or both used to maintain the security of a private network by blocking unauthorized access to or from private networks typically from the Internet.

Next Generation Firewall (NGFW) – A firewall that is able to detect and block sophisticated attacks by enforcing security policies at the application level, as well as at the port and protocol level.

Web Application Firewall (WAF) – A firewall that protects web application servers and infrastructure from attacks and breaches originating from the Internet and external networks.

Geographic Information Systems (GIS) – a system designed to capture, analyze, store, manipulate, present and manage all types of geographical data, like information from maps, global positioning systems (GPS) and ubiquitous data, like locations of landmarks and areas hit by calamities. It can display data related to positions on the Earth's surface and show these different types of data on a map, allowing people to see various data patterns and relationships.

In-house Deployment – Technology deployments done or operated internally rather than obtained from a third party or an outside source.

Information Technology (IT) – The use of computer systems and telecommunications for storing, retrieving, and sending information.

Internet – a global network of networks, a networking infrastructure, connecting millions of computers together, forming a network in which any computer can communicate with any other computer as long as they are both connected to the Internet.

Mobile Devices – a small computing device, typically, small enough to hold and operate in the hand and having an operating system capable of running mobile apps.

Metropolitan Area Network (MAN) – a computer network that interconnects users with computer resources in a geographic area or region larger than that covered by even a large local area network (LAN) but smaller than the area covered by a wide area network (WAN). The term is applied to the interconnection of networks in a city into a single larger network

Networking – a group of interconnected computing devices established using either cable media or wireless media that allows the sharing of resources between the interconnected devices.

Online - Indicates a state of connectivity for computing devices when they are actively able to exchange data on the Internet.

On Premise Software – Software that is installed and runs on computers on the premises (in the building or buildings) of the person or organization using the software, rather than at a remote facility such as a server farm or cloud.

Proxy-based Security – A type of proxy security device that retrieves resources on behalf of a client from one or more servers. These resources are then returned to the client as if they originated from the proxy security device itself rather than allowing direct communication between the server and client.

Ransomware – Computer malware that installs covertly on a victim's computer, executes an attack such as encrypting files with a key only known by the attacker, which adversely affects computer or data, and demands a ransom payment to decrypt it or not publish it.

Supervisory Control and Data Acquisition (SCADA) system – a control system architecture that uses computers, networked data communications and graphical user interfaces for high-level process supervisory management, but uses other peripheral devices such as programmable logic controllers and discrete PID controllers to interface to the process plant or machinery.

Social Media – Computer-mediated technologies that allow the creating and sharing of information, ideas, career interests and other forms of expression via virtual communities and networks.

Software as Service (SAAS) – A software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted within the software provider's datacenter.

Software Patch – A piece of software designed to update a computer program or its supporting data, to fix or improve it.

Software Upgrade – The process of replacing a software product with a newer version of the same software product.

Spyware – Software that aims to gather information about a person or organization without their knowledge and may send such information to another entity without the consumer's consent, or that asserts control over a device without the consumer's knowledge.

Web-based Technology – Software applications or other forms of technology in which the user interface for control, configuration or usage runs in a web browser rather than a pre-installed computer program.

Web Browser – A software application for retrieving, presenting and traversing information resources on the World Wide Web.

Windows Server – A brand name for a group of server operating systems released by Microsoft.

Microsoft Exchange - An email server and calendaring server developed by Microsoft, which runs exclusively on Windows Server operating systems.

Microsoft Outlook - Microsoft Outlook is an email client program and personal information manager from Microsoft, available as a part of the Microsoft Office suite.

SPAM - Electronic messaging such as email sent as an unsolicited message, typically for advertising purposes.

Email Archive - The preservation of email information to/from an individual or organization either directly from the email application or during transport of the email, making the email information searchable.

Inter-governmental agreement (IGA) – A contract or agreement between two governmental agencies.

Computer Aided Dispatch (CAD) – A suite of software packages used to initiate public safety calls for service, dispatch, and maintain the status of responding resources in the field.

Mobile Data Terminal (MDT) – A computerized device used in public safety vehicles, such as police cars, to communicate with a central dispatch office or utilize centralized software applications while in the field.

Virtualization – Creation of a virtual version of a device or resource, such as a server, storage device, network or even an operating system where the framework divides the resource into one or more execution environments.

Website – A collection of related web pages, including multimedia content, typically identified with a common domain name, and published on at least one web server.

Content Management System (CMS) – A software system that provides website authoring, collaboration, and administration tools designed to allow users with little knowledge of web programming languages or markup languages to create and manage website content with relative ease.



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Regular Meeting

7.g.

Meeting Date: 01/23/2018
Contact Person: Jami Lewis, Town Clerk
 Phone: 928-636-2646 x-1208
Department: Town Clerk
Item Type: Action
Estimated length of staff presentation: None
Physical location of item: N/A

AGENDA ITEM TITLE:

Consideration and possible action to adopt Ordinance No. 18-843, declaring the document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" to be a public record; and adopting "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" by reference; establishing effective dates; providing for severability and providing penalties for violations.

RECOMMENDED ACTION:

Adopt Ordinance No. 18-843, declaring the document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley" to be a public record; and adopting the same by reference.

SITUATION AND ANALYSIS:

Issue Statement

The Town's Tax Code conforms to the Arizona Model City Tax Code (MCTC). The League of Arizona Cities and Towns informed the Town this year that the Town had not yet adopted the 2012-2014 changes to the MCTC.

Applicable "Policy"

Intergovernmental Agreement (IGA) with the Arizona Department of Revenue (ADOR), dated June 23, 2015 and previous IGA's with ADOR - provides that the Town's Tax Code conforms to the Model City Tax Code

Satisfaction of "Policy"

The provisions of this ordinance will conform the Town's local code to the Model City Tax Code, which is controlling.

Summary of Issues and Staff Rationale

The provisions of each section are effective as stated in each section and are as provided by the Municipal Tax Code Commission upon approval of the stated change to the Model City Tax Code. Provisions subject to a retroactive effective date at the time of approval by the Municipal Tax Code Commission favor taxpayers by reducing an imposition of the tax or increasing an allowable deduction, exemption, or exclusion. Provisions that increase the imposition of the tax or decrease the application of a deduction, exemption, or exclusion had a prospective effective date at the time of approval by the Municipal Tax Code Commission. Provisions creating a new Option state the first effective date the new Option is available for selection. Provisions eliminating an existing Option state the last effective date of the eliminated Option.

Findings of Fact

- The Town's Tax Code is not current with the Model City Tax Code per the Town's IGA with ADOR.
- Adopting this ordinance will bring the Town's Tax Code into conformance.

Fiscal Impact

Fiscal Impact?: No

If Yes, Budget Code:

Available:

Funding Source:

Attachments

Tax Code Amendments Summary

Ordinance 18-843

Ordinance 18-843 Exhibit being adopted

SUMMARY OF CHANGES TO MODEL CITY TAX CODE

The attached Ordinance and Resolution incorporate into the local tax code all of the Model City Tax Code changes approved by the Municipal Tax Code Commission from 2012 through 2014, as described below by Resolution Section number.

Section 1

Section 100 adds language to the existing definitions of "Business" and "Prosthetic". This change excludes the sale of electricity generated by consumer equipment from the definition of "Business". Adding this exclusion means persons that make such sales (e.g. residential solar energy sales) are not deemed to be in the business of providing Utilities, and thus are not required to have a Privilege Tax License to make such sales. The additional language that adds Orthodontics to the definition of "Prosthetic" is a change intended to conform the Code to State statute. These changes are effective retroactively from and after January 1, 2007 for "Business," and October 1, 2007 for "Prosthetic."

Section 2

Section 120 is repealed, eliminating the definition of "Food for Home Consumption." The elements of this definition are incorporated in new Section 462, creating a separate "Food for Home Consumption" tax classification apart from the Retail classification. This section is effective from and after July 1, 2013.

Section 3

Section 200 is amended to add conforming language under the determination of gross income that is related to nuclear fuel sales as found in State statute. This section is effective from and after July 1, 2013.

Section 4

This section repeals and replaces all of Article III – Licensing and Recordkeeping. This is a critical step in TPT Simplification that has the effect of making licensing as uniform as possible across all cities and towns. Note that this section completely replaces the entirety of Article III in every city and town's tax code. This change also eliminates all Regulations numbered in the 300's, as well as eliminating all Green Sheet items related to tax licensing. This section also eliminates the use of the tax license as a means to regulate business for any purpose other than tax collection. From now on, all licensing and enforcement of a regulatory nature such as zoning, use permits, special events, inspections, etc., must be accomplished by a separate business license. This section is effective from and after January 1, 2015.

Section 5

Section 422 is amended to remove an obsolete code reference related to Jet Fuel Sales. This section is effective retroactively from and after September 21, 2006.

Section 6

Section 425 is amended to add an exemption from tax on Job Printing for sales of postage and freight in conformity with State statute. This element is effective retroactively from and after September 21, 2006. Also, Local Option #MM is eliminated effective July 1, 2012, also in conformity with State statute.

Section 7

Section 445 is amended to adopt the final version of a new exemption for Real Property Leases between Affiliated Entities. This section is effective retroactively from and after July 1, 2013.

Section 8

Section 450 is amended to conform to the new State exemption and city preemption that makes the leasing of certified ignition interlock devices required under DUI laws exempt from tax under Tangible Personal Property Rental. This section is effective retroactively from and after September 1, 2004.

SUMMARY OF CHANGES TO MODEL CITY TAX CODE

Section 9

Section 460 is amended in conformity with a new clarifying State exemption and matching city preemption that makes the retail sale of gift cards and other cash equivalents exempt from the tax under the Retail classification. This section is effective retroactively from and after October 1, 2007.

Section 10

Section 462, Retail Sales: Food for Home Consumption is added to the standard Model Code language. This section incorporates all of the definitions and Regulations related to grocery sales that were previously included only in those communities that selected Model Option #2. With this change and standardization, Model Option #2 is eliminated from the Code. Cities and towns are now free to set a distinct tax rate for grocery sales, which can be higher, lower, or zero, as the community sees fit. This section is effective from and after July 1, 2013.

Section 11

Section 465, Retail Sales: Exemptions has undergone significant changes, largely in name of conformity with State statute. A major goal of TPT Simplification was making conforming changes to the Retail classification of the MCTC that aligned with State statute wherever possible, with the intention of preparing for passage of the Marketplace Fairness Act. On the State tax side, the only change enacted was elimination of an exemption for in-store sales to non-residents that are shipped out of State (excluding vehicles). On the City side, this movement resulted in the elimination of Model Option #2, related to food for home consumption creating a separate classification; eliminating Local Option #AA, allowing tax exempt employee drinks and meals; and adding charter schools to the list that qualify for a food sale exemption. Also, wholly new conforming exemptions were adopted, including one for the sale of “renewable energy credits”; sale of periodicals to encourage tourism; sale of paper machine clothing to a paper manufacturer; sales of overhead materials used in performing government contracts; and the sale of fuels and sale of equipment to qualified environmental technology manufacturers. All of these changes are effective July 1, 2013, with the exception of the sale of “renewable energy credits” which is effective retroactively from and after January 1, 2007.

Section 12

Changes to this section include adding in a specific exemption from the Utilities classification for sales of excess energy produced by a consumer’s photovoltaic system to a utility distributor, along with language that removes the sale of RECs from the Utilities classification. This provides the exemption under the Utilities classification to clarify that when the meter spins backward, the taxable measure is the net charge to the consumer, and that REC sales are not part of the gross receipts under Utilities. This section shall be effective from and after January 1, 2007.

Section 13

Section 485 is added to the standard code language, creating a new classification that imposes tax on wastewater removal services. This section was formerly a Green Page in several cities. This conversion to standard code language is part of the ongoing effort to eliminate the Green Pages by either eliminating or adopting exception items. This section shall be effective from and after July 1, 2013. Fountain Hills has chosen to maintain its previous exemption in this area through the application of a zero percent tax rate for this classification.

Section 14

Section 570 is amended to grant the Tax Collector greater latitude in allowing extensions to taxpayers that are making a good faith effort to produce additional information during the audit protest process. Previously the code technically allowed only one 45-day extension to taxpayers protesting audit results, so actual practice resulted in many “unofficial” extensions. This change allows the Tax Collector to grant additional extension at their discretion. This section is deemed effective from and after July 1, 2008.

SUMMARY OF CHANGES TO MODEL CITY TAX CODE

Section 15

Section 660, Use Tax: Exemptions has undergone significant changes which mirror the changes to the Retail Exemptions noted above in Code Section 465. Again, these are being done in the name of conformity with State statute. This movement resulted in the elimination of the food for home consumption exemption; adding an exemption for employee drinks and meals; and adding charter schools to the list that qualify for a food exemption. Also, wholly new conforming exemptions were adopted, including one for the purchase of “Renewable Energy Credits” or RECs; periodicals to encourage tourism; paper machine clothing to a paper manufacturer; overhead materials used in performing government contracts; and the purchase of fuels and sale of equipment to qualified environmental technology manufacturers. All of these changes are effective July 1, 2013, with the exception of “Renewable Energy Credits” which is effective retroactively from and after January 1, 2007.

Section 16

This section repeals Regulation 120.1 related to the definition of Food for Home Consumption, which has been incorporated in the text of new Section 462 noted above. This section shall be effective from and after July 1, 2013.

Section 17

This section amends Regulation 270.1, adding the provision of wastewater removal services to the list of activities that are considered proprietary and therefore taxable when engaged in by a city or town. This section shall be effective from and after July 1, 2013.

Section 18

This section amends Regulation 460.1, adding the distinction from Retail for activities that fall under the two new classifications: Food for Home Consumption in Section 462, and Wastewater Removal Services in Section 485. This means that an exchange of tangible personal property that occurs under the activity described in Sections 462 or 485, is specifically NOT considered a Retail transaction. This section shall be effective from and after July 1, 2013.

ORDINANCE NO. 18-843

AN ORDINANCE OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, DECLARING THE DOCUMENT ENTITLED "THE 2012-2014 AMENDMENTS TO THE TAX CODE OF THE TOWN OF CHINO VALLEY" TO BE A PUBIC RECORD; AND ADOPTING "THE 2012-2014 AMENDMENTS TO THE TAX CODE OF THE TOWN OF CHINO VALLEY" BY REFERENCE; ESTABLISHING EFFECTIVE DATES; PROVIDING FOR SEVERABILITY AND PROVIDING PENALTIES FOR VIOLATIONS.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA:

Section 1: That certain document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley", is hereby declared to be a public record and three paper copies or one paper copy and one electronic copy maintained in compliance with Arizona Revised Statutes § 44-7041, are filed in the office of the Town Clerk and kept available for public use and inspection.

Section 2: Any person found guilty of violating any provision of these amendments to the tax code shall be guilty of a class one misdemeanor. Each day that a violation continues shall be a separate offense punishable as herein above described.

Section 3: If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of these amendments to the tax code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 4: The provisions of this ordinance conforms this local code to the Model City Tax Code, which is controlling. The provisions of each section are effective as stated in each section and are as provided by the Municipal Tax Code Commission upon approval of the stated change to the Model City Tax Code. Provisions subject to a retroactive effective date at the time of approval by the Municipal Tax Code Commission favor taxpayers by reducing an imposition of the tax or increasing an allowable deduction, exemption, or exclusion. Provisions that increase the imposition of the tax or decrease the application of a deduction, exemption, or exclusion had a prospective effective date at the time of approval by the Municipal Tax Code Commission. Provisions creating a new Option state the first effective date the new Option is available for selection. Provisions eliminating an existing Option state the last effective date of the eliminated Option.

PASSED AND ADOPTED by the Mayor and Council of the Town of Chino Valley, Arizona, this 23rd day of January, 2018.

AYES: _____

ABSENT: _____

NAYS: _____

ABSTAINED: _____

APPROVED this 23rd day of January, 2018.

Darryl L. Croft, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:

Phyllis L.N. Smiley, Town Attorney

I, JAMI LEWIS, TOWN CLERK, DO HEREBY CERTIFY THAT A TRUE AND CORRECT COPY OF THE ORDINANCE NO. 18-843 ADOPTED BY THE COMMON COUNCIL OF THE TOWN OF CHINO VALLEY ON THE 23RD DAY OF JANUARY, 2018, WAS POSTED IN THREE PLACES ON THE _____ DAY OF _____, 2018.

Jami C. Lewis, Town Clerk

Section I. Model City Tax Code Section 32.25-100 is amended as follows, with an effective date of January 1, 2007 for the change to “Business”; October 1, 2007 for the change to “Prosthetic.”

Sec. 32.25-100. General definitions.

For the purposes of this Chapter, the following definitions apply:

"Assembler" means a person who unites or combines products, wares, or articles of manufacture so as to produce a change in form or substance of such items without changing or altering component parts.

"Broker" means any person engaged or continuing in business who acts for another for a consideration in the conduct of a business activity taxable under this Chapter, and who receives for his principal all or part of the gross income from the taxable activity.

"Business" ~~means~~ **INCLUDES** all activities or acts, personal or corporate, engaged in ~~and~~ **OR** caused to be engaged in with the object of gain, benefit, or advantage, either direct**LY** or indirect**LY**, but **DOES** not **INCLUDE EITHER:** casual activities or sales; **OR THE TRANSFER OF ELECTRICITY FROM A SOLAR PHOTOVOLTAIC GENERATION SYSTEM TO AN ELECTRIC UTILITY DISTRIBUTION SYSTEM.**

"Business Day" means any day of the week when the Tax Collector's office is open for the public to conduct the Tax Collector's business.

"Casual Activity or Sale" means a transaction of an isolated nature made by a person who neither represents himself to be nor is engaged in a business subject to a tax imposed by this Chapter. However, no sale, rental, license for use, or lease transaction concerning real property nor any activity entered into by a business taxable by this Chapter shall be treated, or be exempt, as casual. This definition shall include sales of used capital assets, provided that the volume and frequency of such sales do not indicate that the seller regularly engages in selling such property.

"Combined Taxes" means the sum of all applicable Arizona Transaction Privilege and Use Taxes; all applicable transportation taxes imposed upon gross income by this County as authorized by Article III, Chapter 6, Title 42, Arizona Revised Statutes; and all applicable taxes imposed by this Chapter.

"Commercial Property" is any real property, or portion of such property, used for any purpose other than lodging or lodging space, including structures built for lodging but used otherwise, such as model homes, apartments used as offices, etc.

"Communications Channel" means any line, wire, cable, microwave, radio signal, light beam, telephone, telegraph, or any other electromagnetic means of moving a message.

"Construction Contracting" refers to the activity of a construction contractor.

"Construction Contractor" means a person who undertakes to or offers to undertake to, or purports to have the capacity to undertake to, or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck, or demolish any building, highway, road, railroad, excavation, or other structure, project, development, or improvement to real property, or to do any part thereof. "Construction contractor" includes subcontractors, specialty contractors, prime contractors, and

any person receiving consideration for the general supervision and/or coordination of such a construction project except for remediation contracting. This definition shall govern without regard to whether or not the construction contractor is acting in fulfillment of a contract.

"Delivery (of Notice) by the Tax Collector" means "receipt (of notice) by the taxpayer".

"Delivery, Installation, or Other Direct Customer Services" means services or labor, excluding repair labor, provided by a taxpayer to or for his customer at the time of transfer of tangible personal property; provided further that the charge for such labor or service is separately billed to the customer and maintained separately in the taxpayer's books and records.

"Engaging", when used with reference to engaging or continuing in business, includes the exercise of corporate or franchise powers.

"Equivalent Excise Tax" means either:

- (1) a Privilege or Use Tax levied by another Arizona municipality upon the transaction in question, and paid either to such Arizona municipality directly or to the vendor; or
- (2) an excise tax levied by a political subdivision of a state other than Arizona upon the transaction in question, and paid either to such jurisdiction directly or to the vendor; or
- (3) an excise tax levied by a Native American Government organized under the laws of the federal government upon the transaction in question, and paid either to such jurisdiction directly or to the vendor.

"Federal Government" means the United States Government, its departments and agencies; but not including national banks or federally chartered or insured banks, savings and loan institutions, or credit unions.

"Food" means any items intended for human consumption as defined by rules and regulations adopted by the Department of Revenue, State of Arizona, pursuant to A.R.S. Section 42-5106. Under no circumstances shall "food" include alcoholic beverages or tobacco, or food items purchased for use in conversion to any form of alcohol by distillation, fermentation, brewing, or other process. Under no circumstances shall "food" include an edible product, beverage, or ingredient infused, mixed, or in any way combined with medical marijuana or an active ingredient of medical marijuana.

"Hotel" means any public or private hotel, inn, hostelry, tourist home, house, motel, rooming house, apartment house, trailer, or other lodging place within the Town offering lodging, wherein the owner thereof, for compensation, furnishes lodging to any transient, except foster homes, rest homes, sheltered care homes, nursing homes, or primary health care facilities.

"Jet Fuel" means jet fuel as defined in A.R.S. Section 42-5351.

"Job Printing" means the activity of copying or reproducing an article by any means, process, or method. "Job printing" includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.

"Lessee" includes the equivalent person in a rental or licensing agreement for all purposes of this Chapter.

"Lessor" includes the equivalent person in a rental or licensing agreement for all purposes of this Chapter.

"Licensing (for Use)" means any agreement between the user ("licensee") and the owner or the owner's agent ("licensor") for the use of the licensor's property whereby the licensor receives consideration, where such agreement does not qualify as a "sale" or "lease" or "rental" agreement.

"Lodging (Lodging Space)" means any room or apartment in a hotel or any other provider of rooms, trailer spaces, or other residential dwelling spaces; or the furnishings or services and accommodations accompanying the use and possession of said dwelling space, including storage or parking space for the property of said tenant.

"Manufactured Buildings" means a manufactured home, mobile home or factory built building, as defined in A.R.S. Section 41-2142.

"Manufacturer" means a person engaged or continuing in the business of fabricating, producing, or manufacturing products, wares, or articles for use from other forms of tangible personal property, imparting to such new forms, qualities, properties, and combinations.

"Medical marijuana" means "marijuana" used for a "medical use" as those terms are defined in A.R.S. Section 36-2801.

"Mining and Metallurgical Supplies" means all tangible personal property acquired by persons engaged in activities defined in Section 32.25-432 for such use. This definition shall not include:

- (1) janitorial equipment and supplies.
- (2) office equipment, office furniture, and office supplies.
- (3) motor vehicles licensed for use upon the highways of the State.

"Modifier" means a person who reworks, changes, or adds to products, wares, or articles of manufacture.

"Nonprofit Entity" means any entity organized and operated exclusively for charitable purposes, or operated by the Federal Government, the State, or any political subdivision of the State.

"Occupancy (of Real Property)" means any occupancy or use, or any right to occupy or use, real property including any improvements, rights, or interests in such property.

"Out-of-Town Sale" means the sale of tangible personal property and job printing if all of the following occur:

- (1) transference of title and possession occur without the Town; and
- (2) the stock from which such personal property was taken was not within the corporate limits of the Town; and
- (3) the order is received at a permanent business location of the seller located outside the Town; which location is used for the substantial and regular conduct of such business sales activity. In no event shall the place of business of the buyer be determinative of the situs of the receipt of the order.

For the purpose of this definition it does not matter that all other indicia of business occur within the Town, including, but not limited to, accounting, invoicing, payments, centralized purchasing, and supply to out-of-Town storehouses and out-of-Town retail branch outlets from a primary storehouse within the Town.

"Out-of-State Sale" means the sale of tangible personal property and job printing if all of the following occur:

- (1) the order is placed from without the State of Arizona; and
- (2) the property is delivered to the buyer at a location outside the State; and
- (3) the property is purchased for use outside the State.

"Owner-Builder" means an owner or lessor of real property who, by himself or by or through others, constructs or has constructed or reconstructs or has reconstructed any improvement to real property.

"Person" means an individual, firm, partnership, joint venture, association, corporation, estate, trust, receiver, syndicate, broker, the Federal Government, this State, or any political subdivision or agency of this State. For the purposes of this Chapter, a person shall be considered a distinct and separate person from any general or limited partnership or joint venture or other association with which such person is affiliated. A subsidiary corporation shall be considered a separate person from its parent corporation for purposes of taxation of transactions with its parent corporation.

"Prosthetic" means any of the following tangible personal property if such items are prescribed or recommended by a licensed podiatrist, chiropractor, dentist, physician or surgeon, naturopath, optometrist, osteopathic physician or surgeon, psychologist, hearing aid dispenser, physician assistant, nurse practitioner or veterinarian:

- (1) any man-made device for support or replacement of a part of the body, or to increase acuity of one of the senses. Such items include: prescription eyeglasses; contact lenses; hearing aids; artificial limbs or teeth; neck, back, arm, leg, or similar braces.
- (2) insulin, insulin syringes, and glucose test strips sold with or without a prescription.
- (3) hospital beds, crutches, wheelchairs, similar home health aids, or corrective shoes.
- (4) drugs or medicine, including oxygen.
- (5) equipment used to generate, monitor, or provide health support systems, such as respiratory equipment, oxygen concentrator, dialysis machine.
- (6) durable medical equipment which has a federal health care financing administration common procedure code, is designated reimbursable by Medicare, can withstand repeated use, is primarily and customarily used to serve a medical purpose, is generally not useful to a person in the absence of illness or injury and is appropriate for use in the home.
- (7) ORTHODONTIC DEVICES DISPENSED BY A DENTAL PROFESSIONAL WHO IS LICENSED UNDER TITLE 32, CHAPTER 11 TO A PATIENT AS PART OF THE PRACTICE OF DENTISTRY.
- ~~(7)~~(8) Under no circumstances shall "prosthetic" include medical marijuana regardless of whether it is sold or dispensed pursuant to a prescription, recommendation, or written certification by any authorized person.

"Qualifying Community Health Center"

- (1) means an entity that is recognized as nonprofit under 501(c)(3) of the United States Internal Revenue Code, that is a community-based, primary care clinic that has a community-based board of directors and that is either:
 - (a) the sole provider of primary care in the community.
 - (b) a nonhospital affiliated clinic that is located in a federally designated medically underserved area in this State.
- (2) includes clinics that are being constructed as qualifying community health centers.

"Qualifying Health Care Organization" means an entity that is recognized as nonprofit under Section 501(c) of the United States Internal Revenue Code and that uses, saves or invests at least eighty percent (80%) of all monies that it receives from all sources each year only for health and medical related educational and charitable services, as documented by annual financial audits prepared by an independent certified public accountant, performed according to generally accepted accounting standards and filed annually with the Arizona Department of Revenue. Monies that are used, saved or invested to lease, purchase or construct a facility for health and medical related education and charitable services are included in the eighty percent (80%) requirement.

"Qualifying Hospital" means any of the following:

- (1) a licensed hospital which is organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.
- (2) a licensed nursing care institution or a licensed residential care institution or a residential care facility operated in conjunction with a licensed nursing care institution or a licensed kidney dialysis center, which provides medical services, nursing services or health related services and is not used or held for profit.
- (3) a hospital, nursing care institution or residential care institution which is operated by the federal government, this State or a political subdivision of this State.
- (4) a facility that is under construction and that on completion will be a facility under subdivision (1), (2) or (3) of this paragraph.

"Receipt (of Notice) by the Taxpayer" means the earlier of actual receipt or the first attempted delivery by certified United States mail to the taxpayer's address of record with the Tax Collector.

"Remediation" means those actions that are reasonable, necessary, cost-effective and technically feasible in the event of the release or threat of release of hazardous substances into the environment such that the waters of the State are or may be affected, such actions as may be necessary to monitor, assess and evaluate such release or threat of release, actions of remediation, removal or disposal of hazardous substances or taking such other actions as may be necessary to prevent, minimize or mitigate damage to the public health or welfare or to the waters of the State which may otherwise result from a release or threat of release of a hazardous substance that will or may affect the waters of the State. Remediation activities include the use of biostimulation with indigenous microbes and bioaugmentation using microbes that are nonpathogenic,

nonopportunistic and that are naturally occurring. Remediation activities may include community information and participation costs and providing an alternative drinking water supply.

"Rental Equipment" means tangible personal property sold, rented, leased, or licensed to customers to the extent that the item is actually used by the customer for rental, lease, or license to others; provided that:

- (1) the vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and
- (2) the item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen percent (15%) of its actual use.

"Rental Supply" means an expendable or nonexpendable repair or replacement part sold to become part of "rental equipment", provided that:

- (1) the documentation relating to each purchased item so claimed specifically itemizes to the vendor the actual item of "rental equipment" to which the purchased item is intended to be attached as a repair or replacement part; and
- (2) the vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and
- (3) the item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen percent (15%) of its actual use.

"Repairer" means a person who restores or renews products, wares, or articles of manufacture.

"Resides within the Town" means in cases other than individuals, whose legal addresses are determinative of residence, the engaging, continuing, or conducting of regular business activity within the Town.

"Restaurant" means any business activity where articles of food, drink, or condiment are customarily prepared or served to patrons for consumption on or off the premises, also including bars, cocktail lounges, the dining rooms of hotels, and all caterers. For the purposes of this Chapter, a "fast food" business, which includes street vendors and mobile vendors selling in public areas or at entertainment or sports or similar events, who prepares or sells food or drink for consumption on or off the premises is considered a "restaurant", and not a "retailer".

"Retail Sale (Sale at Retail)" means the sale of tangible personal property, except the sale of tangible personal property to a person regularly engaged in the business of selling such property.

"Retailer" means any person engaged or continuing in the business of sales of tangible personal property at retail.

"Sale" means any transfer of title or possession, or both, exchange, barter, conditional or otherwise, in any manner or by any means whatsoever, including consignment transactions and auctions, of property for a consideration. "Sale" includes any transaction whereby the possession of such property is transferred but the seller retains the title as security for the payment of the price. "Sale" also includes the fabrication of tangible personal property for consumers who, in whole or in part, furnish either directly or indirectly the materials used in such fabrication work.

"Solar Daylighting" means a device that is specifically designed to capture and redirect the visible portion of the solar beam, while controlling the infrared portion, for use in illuminating interior building spaces in lieu of artificial lighting.

"Solar Energy Device" means a system or series of mechanisms designed primarily to provide heating, to provide cooling, to produce electrical power, to produce mechanical power, to provide solar daylighting or to provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity. Solar energy systems may also have the capability of storing solar energy for future use. Passive systems shall clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

"Speculative Builder" means either:

- (1) an owner-builder who sells or contracts to sell, at any time, improved real property (as provided in Section 32.25-416) consisting of:
 - (A) custom, model, or inventory homes, regardless of the stage of completion of such homes; or
 - (B) improved residential or commercial lots without a structure; or
- (2) an owner-builder who sells or contracts to sell improved real property, other than improved real property specified in subsection (1) above:
 - (A) prior to completion; or
 - (B) before the expiration of twenty-four (24) months after the improvements of the real property sold are substantially complete.

"Substantially Complete" means the construction contracting or reconstruction contracting:

- (1) has passed final inspection or its equivalent; or
- (2) certificate of occupancy or its equivalent has been issued; or
- (3) is ready for immediate occupancy or use.

"Supplier" means any person who rents, leases, licenses, or makes sales of tangible personal property within the Town, either directly to the consumer or customer or to wholesalers, jobbers, fabricators, manufacturers, modifiers, assemblers, repairers, or those engaged in the business of providing services which involve the use, sale, rental, lease, or license of tangible personal property.

"Tax Collector" means the Mayor or his designee or agent for all purposes under this Chapter.

"Taxpayer" means any person liable for any tax under this Chapter.

"Taxpayer Problem Resolution Officer" means the individual designated by the Town to perform the duties identified in Sections 32.25-515 and 32.25-516. In cities with a population of 50,000 or more, the Taxpayer Problem Resolution Officer shall be an employee of the Town. In cities with a population of less than 50,000, the Taxpayer Problem Resolution Officer need not be an employee of the Town. Regardless of whether the Taxpayer Problem Resolution Officer is or is not an employee of the Town, the Taxpayer

Problem Resolution Officer shall have substantive knowledge of taxation. The identity of and telephone number for the Taxpayer Problem Resolution Officer can be obtained from the Tax Collector.

"Telecommunication Service" means any service or activity connected with the transmission or relay of sound, visual image, data, information, images, or material over a communications channel or any combination of communications channels.

"Transient" means any person who either at the person's own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty (30) consecutive days.

"Utility Service" means the producing, providing, or furnishing of electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or ratepayers.

Section II. Model City Tax Code Section 32.25-120 and Model Option #2 is repealed, with an effective date of July 1, 2013.

~~Sec. 32.25-120. (Reserved)~~

Section III. Model City Tax Code Section 32.25-200 is amended as follows, with an effective date of July 1, 2013.

Sec. 32.25-200. Determination of gross income: in general.

- (a) Gross income includes:
 - (1) the value proceeding or accruing from the sale of property, the providing of service, or both.
 - (2) the total amount of the sale, lease, license for use, or rental price at the time of such sale, rental, lease, or license.
 - (3) all receipts, cash, credits, barter, exchange, reduction of or forgiveness of indebtedness, and property of every kind or nature derived from a sale, lease, license for use, rental, or other taxable activity.
 - (4) all other receipts whether payment is advanced prior to, contemporaneous with, or deferred in whole or in part subsequent to the activity or transaction.
- (b) Barter, exchange, trade-outs, or similar transactions are includable in gross income at the fair market value of the service rendered or property transferred, whichever is higher, as they represent consideration given for consideration received.
- (c) No deduction or exclusion is allowed from gross income on account of the cost of the property sold, the time value of money, expense of any kind or nature, losses, materials used, labor or service performed, interest paid, or credits granted.

- (D) FOR THE PURPOSES OF THIS CHAPTER THE TOTAL AMOUNT OF GROSS INCOME, GROSS RECEIPTS OR GROSS PROCEEDS OF SALES FOR NUCLEAR FUEL SHALL BE DEEMED TO BE THE VALUE OF THE PURCHASE PRICE OF URANIUM OXIDE USED IN PRODUCING THE FUEL. THE TAX IMPOSED BY THIS CHAPTER MAY BE IMPOSED ONLY ONCE FOR ANY ONE QUANTITY OR BATCH OF NUCLEAR FUEL REGARDLESS OF THE NUMBER OF TRANSACTIONS OR FINANCING ARRANGEMENTS WHICH MAY OCCUR WITH RESPECT TO THAT NUCLEAR FUEL.

Section IV. Model City Tax Code Article III is REPEALED AND REPLACED IN ITS ENTIRETY with the following sections 32.25-300 through 32.25-380, effective January 1, 2015.

Article III - Licensing and Recordkeeping

Sec. 32.25-300. Licensing requirements.

- (a) The following persons shall make application to the Tax Collector for a Transaction Privilege and Use Tax License and no person shall engage or continue in business or engage in such activities until he shall have such a license:
- (1) Every person engaging or continuing in business activities within the city or town upon which a Transaction Privilege Tax is imposed by this Chapter.
 - (2) Every person engaging or continuing in business within the city or town and storing or using tangible personal property in this municipality upon which a Use Tax is imposed by this Chapter.
 - (3) Every person required to report and pay a tax upon Rental Occupancy, as imposed by Section 32.25-440.
- (b) For the purpose of determining whether a Transaction Privilege and Use Tax License is required, a person shall be deemed to be "engaging or continuing in business" within the city or town if:
- (1) engaging in any activity as a principal or broker, the gross receipts of which may be subject to Transaction Privilege Tax under Article IV of this Chapter, or
 - (2) maintaining within the city or town directly, or if a corporation by a subsidiary, an office, distribution house, sales house, warehouse or other place of business; maintaining within the city or town directly, or if a corporation by a subsidiary, any real or tangible personal property; or having any agent or other representative operating within the city or town under the authority of such person, or if a corporation by a subsidiary, irrespective of whether such place of business, property, or agent or other representative is located here permanently or temporarily, or
 - (3) soliciting sales, orders, contracts, leases, and other similar forms of business relationships, within the city or town from customers, consumers, or users located within the city or town,

by means of salesmen, solicitors, agents, representatives, brokers, and other similar agents or by means of catalogs or other advertising, whether such orders are received or accepted within or without this city or town.

- (4) A person shall also be deemed to be "engaging or continuing in business" if engaging in any activity subject to Use Tax under Article VI of this Chapter for business purposes. Individuals who acquire items subject to Use Tax for their own personal use or their family's personal use are not required to obtain a license.
- (5) Every person required to report and pay a tax upon Rental Occupancy, as imposed by Section 32.25-440.
- (c) A person engaging in more than one activity subject to Transaction Privilege Tax at any one business location is not required to obtain a separate license for each activity, provided that, at the time such person makes application for a license, he shall list on such application each category of activity in which he is engaged.
- (d) The licensee shall inform the Tax Collector of any changes in his business activities, location, or mailing address within thirty (30) days.
- (e) Limitation. The issuance of a Transaction Privilege and Use Tax License by the Tax Collector shall in no way be construed as permission to operate a business activity in violation of any other law or regulation to which such activity may be subject.
- (f) Casual activity. For the purposes of this Chapter, individuals engaging in a "casual activity or sale" are not subject to the license requirements imposed under this Article provided that they are only engaged in private sales activities, such as the sale of a personal automobile or garage sale, on no more than three separate occasions during any calendar year.

Sec. 32.25-310. Licensing: special requirements.

- (a) Partnerships. Application for a Transaction Privilege and Use Tax License for a partnership engaging or continuing in business shall provide, as a minimum, the names and addresses of all general partners. Licenses issued to persons engaging in business as partners, limited or general, shall be in the name of the partnership.
- (b) Limited Liability Companies. Application for a Transaction Privilege and Use Tax License for a Limited Liability Company (LLC) engaging or continuing in business shall provide, as a minimum, the names and addresses of all members and the manager. Licenses issued to persons engaging in business as Limited Liability Companies, shall be in the name of the LLC.
- (c) Corporations. Application for a Transaction Privilege and Use Tax License for a corporation engaging or continuing in business shall provide, as a minimum, the names and addresses of both the Chief Executive Officer and Chief Financial Officer of the corporation. Licenses issued to persons engaging in business as corporations shall be in the name of the corporation.
- (d) Multiple Locations or Multiple Business Names. A person engaging or continuing in one or more businesses at two (2) or more locations or under two (2) or more business names shall procure a

license for each such location or business name. A "location" is a place of a separate business establishment.

- (e) Real Property Rental, Leasing, and Licensing for Use. In all cases the Transaction Privilege and Use Tax License shall be issued only to the owner of the real property regardless of the owner engaging a property manager or other broker to oversee the owner's business activity including filing tax returns on behalf of the owner. Each rental property that can be independently sold or transferred is deemed to be a separate business establishment. Each platted parcel of real property subject to the tax imposed by this Chapter is deemed to be a separate business establishment and requires a separate license, regardless of the number of rental units located on that platted parcel. If one structure is located on multiple parcels in a manner such that ownership of an individual parcel cannot be sold or transferred without requiring alteration to divide the structure, one license shall be required for all affected parcels.

Sec. 32.25-320. License fees; annual renewal; renewal fees.

- (a) The Transaction Privilege and Use Tax License shall be valid upon receipt of a non-refundable license fee of two dollars (\$2.00), except for a license to engage in the business activity of residential or commercial real property rental, leasing, and licensing for use as separately identified in this Section. The Transaction Privilege and Use Tax License shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of zero dollars (\$0.00) for each license, subject to the limitations in A.R.S. Section 42-5005. Such annual renewal fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January.
- (b) The Transaction Privilege and Use Tax License to engage in the business activity of residential real property rental, leasing, and licensing for use shall be valid only upon receipt of a non-refundable license fee of two dollars (\$2.00). The Transaction Privilege and Use Tax License shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of zero dollars (\$0.00) for each license, subject to the limitations in A.R.S. Section 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January.
- (c) The Transaction Privilege and Use Tax License to engage in the business activity of commercial real property rental, leasing, and licensing for use shall be valid only upon receipt of a non-refundable license fee of two dollars (\$2.00). The Transaction Privilege and Use Tax License shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of zero dollars (\$0.00) for each license, subject to the limitations in A.R.S. Section 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January.

Sec. 32.25-330. Licensing; duration; transferability; display; penalties; penalty waiver; relicensing; fees collectible as if taxes.

- (a) The Transaction Privilege and Use Tax License shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying the applicable license renewal fee for each license, subject to the limitations in A.R.S. 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January. Application and payment of the annual fee must be received in the Tax Collector's office to be deemed paid and received.
- (b) The Transaction Privilege and Use Tax License shall be nontransferable between owners or locations, and shall be on display to the public in the licensee's place of business.
- (c) Any person required to be licensed under this Chapter who fails to obtain a license on or before conducting any business activity requiring such license shall be subject to the license fees due for each year in business plus a penalty in the amount of fifty percent (50%) of the applicable fee for each period of time for which such fee would have been imposed, from and after the date on which such activity commenced until paid. This penalty shall be in addition to any other penalty imposed under this Chapter and must be paid prior to the issuance of any license. License fee penalties may be waived by the Tax Collector subject to the same terms as the waiver of tax penalties as provided for in Section 32.25-540.
- (d) Any licensee who fails to renew his license on or before the due date shall be deemed to be operating without a license following such due date, and shall be subject to all penalties imposed under this Chapter against persons required to be licensed and operating without a license. The non-licensed status may be removed by payment of the annual license fee for each year or portion of a year he operated without a license, plus a license fee penalty of 50% of the license fee due for each year. License fee penalties may be waived by the Tax Collector subject to the same terms as the waiver of tax penalties as provided for in Section 32.25-540.
- (e) Any licensee who permits his license to expire through cancellation as provided in Section 32.25-340, by his request for cancellation, by surrender of the license, or by the cessation of the business activity for which the license was issued, and who thereafter applies for a license, shall be granted a new license as a new applicant and shall pay the current license fee imposed under Section 32.25-320.
- (f) Any licensee who needs a copy of his Transaction Privilege and Use Tax License which is still in effect shall be charged the current license fee for each reissuance of a license.
- (g) Any person conducting a business activity subject to licensing without obtaining a Transaction Privilege and Use Tax License shall be liable to the Town for all applicable fees and penalties and shall be subject to the provisions of Sections 32.25-580 and 32.25-590, to the same extent as if such fees and penalties were taxes and penalties under such Sections.

Sec. 32.25-340. Licensing: cancellation; revocation.

- (a) Cancellation. The Tax Collector may cancel the Transaction Privilege and Use Tax License of any licensee as "inactive" if the taxpayer, required to report monthly, has neither filed any return nor remitted any taxes imposed by this Chapter for a period of six (6) consecutive months; or, if required to report quarterly, has neither filed any return nor remitted any taxes imposed by this Chapter for two (2) consecutive quarters; or, if required to report annually, has neither filed any return nor remitted any taxes imposed by this Chapter when such annual report and tax are due to be filed with and remitted to the Tax Collector.
- (b) Revocation. If any licensee fails to pay any tax, interest, penalty, fee, or sum required to be paid under this Chapter, or if such licensee fails to comply with any other provisions of this Chapter, the Tax Collector may revoke the Transaction Privilege and Use Tax License of said licensee.
- (c) Notice and Hearing. The Tax Collector shall deliver notice to such licensee of cancellation or revocation of the Transaction Privilege and Use Tax License. If the licensee requests a hearing within twenty (20) days of receipt of such notice, he shall be granted a hearing before the Tax Collector.
- (d) After cancellation or revocation of a taxpayer's license, the taxpayer shall not be issued a new license until all reports have been filed; all fees, taxes, interest, and penalties due have been paid; and he is in compliance with all provisions of this Chapter.

Sec. 32.25-350. Operating without a license.

It shall be unlawful for any person who is required by this Chapter to obtain a Transaction Privilege and Use Tax License to engage in or continue in business without a license. The Tax Collector shall assess any delinquencies in tax, interest, and penalties which may apply against such person upon any transactions subject to the taxes imposed by this Chapter.

Sec. 32.25-360. Recordkeeping requirements.

- (a) It shall be the duty of every person subject to the tax imposed by this Chapter to keep and preserve suitable records and such other books and accounts as may be necessary to determine the amount of tax for which he is liable under this Chapter. The books and records must contain, at a minimum, such detail and summary information as may be required by this Article; or when records are maintained within an electronic data processing (EDP) system, the requirements established by the Arizona Department of Revenue for privilege tax filings will be accepted. It shall be the duty of every person to keep and preserve such books and records for a period equal to the applicable limitation period for assessment of tax, and all such books and records shall be open for inspection by the Tax Collector during any business day.
- (b) The Tax Collector may direct, by letter, a specific taxpayer to keep specific other books, records, and documents. Such letter directive shall apply:
 - (1) only for future reporting periods, and

- (2) only by express determination of the Tax Collector that such specific recordkeeping is necessary due to the inability of the taxing jurisdiction to conduct an adequate examination of the past activities of the taxpayer, which inability resulted from inaccurate or inadequate books, records, or documentation maintained by the taxpayer.

Sec. 32.25-362. Recordkeeping: income.

The minimum records required for persons having gross income subject to, or exempt or excluded from, tax by this Chapter must show:

- (a) The gross income of the taxpayer attributable to any activity occurring in whole or in part in the Town.
- (b) The gross income taxable under this Chapter, divided into categories as stated in the official Town tax return.
- (c) The gross income subject to Arizona Transaction Privilege Taxes, divided into categories as stated in the official State tax return.
- (d) The gross income claimed to be exempt, and with respect to each activity or transaction so claimed:
 - (1) If the transaction is claimed to be exempt as a sale for resale or as a sale, rental, lease, or license for use of rental equipment:
 - (A) The Town Privilege License number and State Transaction Privilege Tax License number of the customer (or the equivalent Town, if applicable, and state tax numbers of the Town and state where the customer resides), and
 - (B) The name, business address, and business activity of the customer, and
 - (C) Evidence sufficient to persuade a reasonably prudent businessman that the transaction is believed to be in good faith a purchase for resale, or a purchase, rental, lease, or license for use of rental equipment, by the vendee in the ordinary and regular course of his business activity, as provided by Regulation.
 - (2) If the transaction is claimed to be exempt for any other reason:
 - (A) The name, business address, and business activity of the customer, and
 - (B) Evidence which would establish the applicability of the exemption to a reasonably prudent businessman acting in good faith. Ordinary business documentation which would reasonably indicate the applicability of an exemption shall be sufficient to relieve the person on whom the tax would otherwise be imposed from liability therein, if he acts in good faith as provided by Regulation.
- (e) With respect to those allowed deductions or exclusions for tax collected or charges for delivery or other direct customer services, where applicable, evidence that the deductible income has been separately stated and shown on the records of the taxpayer and on invoices or receipts provided to the customer. All other deductions, exemptions, and exclusions shall be separately shown and substantiated.

- (f) With respect to special classes and activities, such other books, records, and documentation as the Tax Collector, by regulation, shall deem necessary for specific classes of taxpayer by reason of the specialized business activity of any such class.
- (g) In all cases, the books and records of the taxpayer shall indicate both individual transaction amounts and totals for each reporting period for each category of taxable, exempt, and excluded income defined by this Chapter.

Sec. 32.25-364. Recordkeeping: expenditures.

The minimum records required for persons having expenditures, costs, purchases and rental or lease or license expenses subject to, or exempt or excluded from, tax by this Chapter are:

- (a) The total price of all goods acquired for use or storage in the Town.
- (b) The date of acquisition and the name and business address of the seller or lessor of all goods acquired for use or storage in the Town.
- (c) Documentation of taxes, freight, and direct customer service labor separately charged and paid for each purchase, rental, lease, or license.
- (d) The gross price of each acquisition claimed as exempt from tax, and with respect to each transaction so claimed, sufficient evidence to satisfy the Tax Collector that the exemption claimed is applicable.
- (e) As applicable to each taxpayer, documentation sufficient to the Tax Collector, so that he may ascertain:
 - (1) All construction expenditures and all Privilege and Use Taxes claimed paid, relating to owner-builders and speculative builders.
 - (2) Disbursement of collected gratuities and related payroll information required of restaurants.
 - (3) (Reserved)
 - (A) (Reserved)
 - (B) (Reserved)
 - (4) The validity of any claims of proof of exemption.
 - (5) A claimed alternative prior value for reconstruction.
 - (6) All claimed exemptions to the Use Tax imposed by Article VI of this Chapter.
 - (7) (Reserved)
 - (8) Payments of tax to the Arizona Department of Transportation and computations therefor, when a motor-vehicle transporter claims such the exemption.
 - (9) Payments by tenants subject to the tax upon Rental Occupancy imposed by Section 32.25-440.

- (f) Any additional documentation as the Tax Collector, by Regulation, shall deem necessary for any specific class of taxpayer by reason of the specialized business activity of specific exemptions afforded to that class of taxpayer.
- (g) In all cases, the books and records of the taxpayer shall indicate both individual transaction amounts and totals for each reporting period for each category of taxable, exempt, and excluded expenditures as defined by this Chapter.

Sec. 32.25-366. Recordkeeping: out-of-Town and out-of-State sales.

- (a) Out-of-Town Sales. Any person engaging or continuing in a business who claims out-of-Town sales shall maintain and keep accounting records or books indicating separately the gross income from the sales of tangible personal property from such out-of-Town branches or locations.
- (b) Out-of-State sales. Persons engaged in a business claiming out-of-State sales shall maintain accounting records or books indicating for each out-of-State sale the following documentation:
 - (1) documentation of location of the buyer at the time of order placement; and
 - (2) shipping, delivery, or freight documents showing where the buyer took delivery; and
 - (3) documentation of intended location of use or storage of the tangible personal property sold to such buyer.

Sec. 32.25-370. Recordkeeping: claim of exclusion, exemption, deduction, or credit; documentation; liability.

- (a) All deductions, exclusions, exemptions and credits provided in this Chapter are conditional upon adequate proof and documentation of such as may be required under A.R.S. Section 42-5022 or by this Chapter or Regulation.
- (b) Any person who claims and receives an exemption, deduction, exclusion, or credit to which he is not entitled under this Chapter, shall be subject to, liable for, and pay the tax on the transaction as if the vendor subject to the tax had passed the burden of the payment of the tax to the person wrongfully claiming the exemption. A person who wrongfully claimed such exemption shall be treated as if he is delinquent in the payment of the tax and shall be subject to interest and penalties upon such delinquency. However, if the tax is collected from the vendor on such transaction it shall not again be collected from the person claiming the exemption, or if collected from the person claiming the exemption it shall not also be collected from the vendor.

Sec. 32.25-372. Proof of exemption: sale for resale; sale, rental, lease, or license of rental equipment.

A claim of purchase for resale or of purchase, rental, lease, or license for rent, lease, or license is valid only if the evidence is sufficient to persuade a reasonably prudent businessman that the particular item is being acquired for resale or for rental, lease, or license in the ordinary course of business. The fact that the acquiring person possesses a Privilege License number, and makes a verbal claim of "sale for resale or lease" or "lease for re-lease" does not meet this burden and is insufficient to justify an exemption. The

"reasonable evidence" must be evidence which exists objectively, and not merely in the mind of the vendor, that the property being acquired is normally sold, rented, leased, or licensed by the acquiring person in the ordinary course of business. Failure to obtain such reasonable evidence at the time of the transaction will be a basis for disallowance of any claimed deduction on returns filed for such transactions.

Sec. 32.25-380. Inadequate or unsuitable records.

In the event the records provided by the taxpayer are considered by the Tax Collector to be inadequate or unsuitable to determine the amount of the tax for which such taxpayer is liable under the provisions of this Chapter, it is the responsibility of the taxpayer either:

- (a) to provide such other records required by this Chapter or Regulation; or
- (b) to correct or to reconstruct his records, to the satisfaction of the Tax Collector.

This change also ELIMINATES the following Regulations, effective January 1, 2015:

~~Regulation 32.25-300.1. Who must apply for a license.~~

~~Regulation 32.25-300.2. (Reserved)~~

~~Regulation 32.25-310.1. (Reserved)~~

~~Regulation 32.25-310.2. (Reserved)~~

~~Regulation 32.25-310.3. (Reserved)~~

~~Regulation 32.25-350.1. Recordkeeping: income.~~

~~Regulation 32.25-350.2. Recordkeeping: expenditures.~~

~~Regulation 32.25-350.3. Recordkeeping: out-of-City and out-of-State sales.~~

~~Regulation 32.25-360.1. Proof of exemption: sale for resale; sale, rental, lease or license of rental equipment.~~

~~Regulation 32.25-360.2. Proof of exemption: exemption certificate.~~

Section V. Model City Tax Code Section 32.25-422, Local Option #LL is amended as follows to correct an obsolete reference, with an effective date of July 20, 2011.

Sec. 32.25-422. Jet fuel sales.

- (a) The tax rate shall be at an amount of fifteen cents (\$0.15) per gallon sold from the business activity upon every person engaging or continuing in the business of selling jet fuel.
 - (1) Gallons sold includes all gallons sold, bartered, exchanged, included as part or whole of a trade-out, or similar transactions regardless of the type or form of payment.

- (2) For purposes of this section the following terms are substitutable in Articles III and V of this chapter, and corresponding regulations:
 - (A) "gallons" for "gross income"
 - (B) "gallon(s)" for "amount(s)".
- (b) The burden of proving that a sale of jet fuel is not a taxable sale shall be upon the person who made the sale.
- (c) ~~Except as provided in Section 32.25-567, w~~When this Town and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a jet fuel sale, the city or town where the permanent business location of the seller at which the order was received shall be deemed to have precedence, and for the purposes of this chapter such city or town has sole and exclusive right to such tax.
- (d) The appropriate tax liability for any jet fuel sale where the order is received at a permanent business location of the seller located in this Town or in an Arizona city or town that levies an equivalent excise tax shall be at the rate of the city or town of such seller's location.
- (e) Exemptions. Notwithstanding Section 32.25-400(d), the exemptions in Section 32.25-465(a), (b) and (d) through (z) will apply to sales of jet fuel taxed under this Section.

Section VI. Model City Tax Code Section 32.25-425 is amended as follows to eliminate Local Option #MM, which will no longer be used by any city or town, effective July 1, 2012. New Subsection (7) is added with an effective date of September 21, 2006.

Sec. 32.25-425. Job printing.

- (a) The tax rate shall be at an amount equal to four percent (4%) of the gross income from the business activity upon every person engaging or continuing in the business of job printing, which includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.
- (b) The tax imposed by this Section shall not apply to:
 - (1) job printing purchased for the purpose of resale by the purchaser in the form supplied by the job printer.
 - (2) out-of-Town sales.
 - (3) out-of-State sales.
 - (4) (Reserved)
 - (5) sales of job printing to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
 - (6) (Reserved)

(7) SALES OF POSTAGE AND FREIGHT EXCEPT THAT THE AMOUNT DEDUCTED SHALL NOT EXCEED THE ACTUAL POSTAGE AND FREIGHT EXPENSE THAT IS PAID TO THE UNITED STATES POSTAL SERVICE OR A COMMERCIAL DELIVERY SERVICE AND THAT IS SEPARATELY ITEMIZED BY THE TAXPAYER ON THE CUSTOMER'S INVOICE AND IN THE TAXPAYER'S RECORDS.

Section VII. Model City Tax Code Section 32.25-445 is amended as follows, with an effective date of July 1, 2013.

Sec. 32.25-445. Rental, leasing, and licensing for use of real property.

- (a) The tax rate shall be at an amount equal to three percent (3%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing or renting real property located within the Town for a consideration, to the tenant in actual possession, or the licensing for use of real property to the final licensee located within the Town for a consideration including any improvements, rights, or interest in such property; provided further that:
 - (1) Payments made by the lessee to, or on behalf of, the lessor for property taxes, repairs, or improvements are considered to be part of the taxable gross income.
 - (2) Charges for such items as telecommunications, utilities, pet fees, or maintenance are considered to be part of the taxable gross income.
 - (3) However, if the lessor engages in telecommunication activity, as evidenced by installing individual metering equipment and by billing each tenant based upon actual usage, such activity is taxable under Section 32.25-470.
- (b) If individual utility meters have been installed for each tenant and the lessor separately charges each single tenant for the exact billing from the utility company, such charges are exempt.
- (c) Charges by a qualifying hospital, qualifying community health center or a qualifying health care organization to patients of such facilities for use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (d) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services are exempt from the tax imposed by this Section.
- (e) (Reserved)
- (f) A person who has less than three (3) apartments, houses, trailer spaces, or other lodging spaces rented, leased or licensed or available for rent, lease, or license within the State and no units of commercial property for rent, lease, or license within the State, is not deemed to be in the rental business, and is therefore exempt from the tax imposed by this Section on such income. However, a person who has one (1) or more units of commercial property is subject to the tax imposed by this

Section on rental, lease and license income from all such lodging spaces and commercial units of real estate even though said person may have fewer than three (3) lodging spaces.

- (g) (Reserved)
- (h) (Reserved)
- (i) (Reserved)
- (j) Exempt from the tax imposed by this Section is gross income derived from the activities taxable under Section 32.25-444 of this code.
- (k) (Reserved)
- (l) (Reserved)
- (m) (Reserved)
- (n) Notwithstanding the provisions of Section 32.25-200(b), the fair market value of one (1) apartment, in an apartment complex provided rent free to an employee of the apartment complex is not subject to the tax imposed by this Section. For an apartment complex with more than fifty (50) units, an additional apartment provided rent free to an employee for every additional fifty (50) units is not subject to the tax imposed by this Section.
- (o) Income derived from incarcerating or detaining prisoners who are under the jurisdiction of the United States, this State or any other state or a political subdivision of this State or of any other state in a privately operated prison, jail or detention facility is exempt from the tax imposed by this Section.
- (p) Charges by any hospital, any licensed nursing care institution, or any kidney dialysis facility to patients of such facilities for the use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (q) Charges to patients receiving "personal care" or "directed care", by any licensed assisted living facility, licensed assisted living center or licensed assisted living home as defined and licensed pursuant to Chapter 4 Title 36 Arizona Revised Statutes and Title 9 of the Arizona Administrative Code are exempt.
- (r) Income received from the rental of any "low-income unit" as established under Section 42 of the Internal Revenue Code, including the low-income housing credit provided by IRC Section 42, to the extent that the collection of tax on rental income causes the "gross rent" defined by IRC Section 42 to exceed the income limitation for the low-income unit is exempt. This exemption also applies to income received from the rental of individual rental units subject to statutory or regulatory "low-income unit" rent restrictions similar to IRC Section 42 to the extent that the collection of tax from the tenant causes the rental receipts to exceed a rent restriction for the low-income unit. This subsection also applies to rent received by a person other than the owner or lessor of the low-income unit, including a broker. This subsection does not apply unless a taxpayer maintains the documentation to support the qualification of a unit as a low-income unit, the "gross rent" limitation for the unit and the rent received from that unit.

- (6) ~~The gross proceeds of sales or gross income derived from a commercial lease in which a reciprocal insurer or a corporation leases real property to an affiliated corporation is exempt. For the purposes of this paragraph:~~
- ~~(1) "Affiliated corporation" means a corporation that meets one of the following conditions:~~
 - ~~(A) The corporation owns or controls at least eighty per cent of the lessor.~~
 - ~~(B) The corporation is at least eighty per cent owned or controlled by the lessor.~~
 - ~~(C) The corporation is at least eighty per cent owned or controlled by a corporation that also owns or controls at least eighty per cent of the lessor.~~
 - ~~(D) The corporation is at least eighty per cent owned or controlled by a corporation that is at least eighty per cent owned or controlled by a reciprocal insurer.~~
 - ~~(2) For the purposes of subsection (1), ownership and control are determined by reference to the voting shares of a corporation.~~
 - ~~(3) "Reciprocal insurer" has the same meaning as prescribed in A.R.S. Section 20-762.~~
- (S) THE GROSS PROCEEDS OF A COMMERCIAL LEASE OF REAL PROPERTY BETWEEN AFFILIATED COMPANIES, BUSINESSES, PERSONS OR RECIPROCAL INSURERS ARE EXEMPT. FOR THE PURPOSES OF THIS PARAGRAPH:
- (1) "AFFILIATED COMPANIES, BUSINESSES, PERSONS OR RECIPROCAL INSURERS" MEANS THE LESSOR HOLDS A CONTROLLING INTEREST IN THE LESSEE, THE LESSEE HOLDS A CONTROLLING INTEREST IN THE LESSOR, AN AFFILIATED ENTITY HOLDS A CONTROLLING INTEREST IN BOTH THE LESSOR AND THE LESSEE OR AN UNRELATED PERSON HOLDS A CONTROLLING INTEREST IN BOTH THE LESSOR AND LESSEE.
 - (2) "CONTROLLING INTEREST" MEANS DIRECT OR INDIRECT OWNERSHIP OF AT LEAST EIGHTY PER CENT OF THE VOTING SHARES OF A CORPORATION OR OF THE INTERESTS IN A COMPANY, BUSINESS OR PERSON OTHER THAN A CORPORATION.
 - (3) "RECIPROCAL INSURER" HAS THE SAME MEANING AS PRESCRIBED IN A.R.S. SECTION 20-762.

Section VIII. Model City Tax Code Section 32.25-450 is amended as follows, with an effective date of September 1, 2004.

Sec. 32.25-450. Rental, leasing, and licensing for use of tangible personal property.

- (a) The tax rate shall be at an amount equal to four percent (4%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the Town as provided by Regulation.

- (b) Special provisions relating to long-term motor vehicle leases. A lease transaction involving a motor vehicle for a minimum period of twenty-four (24) months shall be considered to have occurred at the location of the motor vehicle dealership, rather than the location of the place of business of the lessor, even if the lessor's interest in the lease and its proceeds are sold, transferred, or otherwise assigned to a lease financing institution; provided further that the city or town where such motor vehicle dealership is located levies a Privilege Tax or an equivalent excise tax upon the transaction.
- (c) Gross income derived from the following transactions shall be exempt from Privilege Taxes imposed by this Section:
- (1) rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.
 - (2) rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.
 - (3) rental, leasing, or licensing for use of film, tape, or slides to a theater or other person taxed under Section 32.25-410, or to a radio station, television station, or subscription television system.
 - (4) rental, leasing, or licensing for use of the following:
 - (A) prosthetics.
 - (B) income-producing capital equipment.
 - (C) mining and metallurgical supplies.

These exemptions include the rental, leasing, or licensing for use of tangible personal property which, if it had been purchased instead of leased, rented, or licensed by the lessee or licensee, would qualify as income-producing capital equipment or mining and metallurgical supplies.

- (5) rental, leasing, or licensing for use of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or rental, leasing, or licensing for use of tangible personal property in this State by a nonprofit charitable organization that has qualified under Section 501(c)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
- (6) separately billed charges for delivery, installation, repair, and/or maintenance as provided by Regulation.
- (7) charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services.

- (8) (Reserved)
- (9) rental, leasing, or licensing of aircraft that would qualify as aircraft acquired for use outside the State, as prescribed by Regulation, if such rental, leasing, or licensing had been a sale.
- (10) rental, leasing and licensing for use of an alternative fuel vehicle if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.
- (11) rental, leasing, and licensing for use of solar energy devices, for taxable periods beginning from and after July 1, 2008. The lessor shall register with the department of revenue as a solar energy retailer. By registering, the lessor acknowledges that it will make its books and records relating to leases of solar energy devices available to the Department of Revenue and Town, as applicable, for examination.
- (12) LEASING OR RENTING CERTIFIED IGNITION INTERLOCK DEVICES INSTALLED PURSUANT TO THE REQUIREMENTS PRESCRIBED BY A.R.S. SECTION 28-1461. FOR THE PURPOSES OF THIS PARAGRAPH, "CERTIFIED IGNITION INTERLOCK DEVICE" HAS THE SAME MEANING PRESCRIBED IN A.R.S. SECTION 28-1301.

Section IX. Model City Tax Code Section 32.25-460 is amended as follows, with an effective date of October 1, 2007.

Sec. 32.25-460. Retail sales: measure of tax; burden of proof; exclusions.

- (a) The tax rate shall be at an amount equal to four percent (4%) of the gross income from the business activity upon every person engaging or continuing in the business of selling tangible personal property at retail.
- (b) The burden of proving that a sale of tangible personal property is not a taxable retail sale shall be upon the person who made the sale.
- (c) Exclusions. For the purposes of this Chapter, sales of tangible personal property shall not include:
 - (1) sales of stocks, bonds, options, or other similar materials.
 - (2) sales of lottery tickets or shares pursuant to Article I, Chapter 5, Title 5, Arizona Revised Statutes.
 - (3) sales of platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by Regulation.
 - (4) gross income derived from the transfer of tangible personal property which is specifically included as the gross income of a business activity upon which another Section of this Article imposes a tax, shall be considered gross income of that business activity, and are not includable as gross income subject to the tax imposed by this Section.

- (5) sales by professional or personal service occupations where such sales are inconsequential elements of the service provided.
- (6) SALES OF CASH EQUIVALENTS. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE REDEMPTION OF ANY CASH EQUIVALENT BY THE HOLDER AS A MEANS OF PAYMENT FOR GOODS OR SERVICES THAT ARE TAXABLE UNDER THIS ARTICLE IS SUBJECT TO THE TAX. "CASH EQUIVALENTS" MEANS ITEMS OR INTANGIBLES, WHETHER OR NOT NEGOTIABLE, THAT ARE SOLD TO ONE OR MORE PERSONS, THROUGH WHICH A VALUE DENOMINATED IN MONEY IS PURCHASED IN ADVANCE AND MAY BE REDEEMED IN FULL OR IN PART FOR TANGIBLE PERSONAL PROPERTY, INTANGIBLES OR SERVICES. CASH EQUIVALENTS INCLUDE GIFT CARDS, STORED VALUE CARDS, GIFT CERTIFICATES, VOUCHERS, TRAVELER'S CHECKS, MONEY ORDERS OR OTHER INSTRUMENTS, ORDERS OR ELECTRONIC MECHANISMS, SUCH AS AN ELECTRONIC CODE, PERSONAL IDENTIFICATION NUMBER OR DIGITAL PAYMENT MECHANISM, OR ANY OTHER PREPAID INTANGIBLE RIGHT TO ACQUIRE TANGIBLE PERSONAL PROPERTY, INTANGIBLES OR SERVICES IN THE FUTURE, WHETHER FROM THE SELLER OF THE CASH EQUIVALENT OR FROM ANOTHER PERSON. CASH EQUIVALENTS DO NOT INCLUDE EITHER OF THE FOLLOWING:
 - (A) ITEMS OR INTANGIBLES THAT ARE SOLD TO ONE OR MORE PERSONS, THROUGH WHICH A VALUE IS NOT DENOMINATED IN MONEY.
 - (B) PREPAID CALLING CARDS OR PREPAID AUTHORIZATION NUMBERS FOR TELECOMMUNICATIONS SERVICES MADE TAXABLE BY SUBSECTION (g) OF THIS SECTION.
- (d) (Reserved)
- (e) When this Town and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a retail sale, the city or town where the permanent business location of the seller at which the order was received shall be deemed to have precedence, and for the purposes of this Chapter such city or town has sole and exclusive right to such tax.
- (f) The appropriate tax liability for any retail sale where the order is received at a permanent business location of the seller located in this Town or in an Arizona city or town that levies an equivalent excise tax shall be at the tax rate of the city or town of such seller's location.
- (g) Retail sales of prepaid calling cards or prepaid authorization numbers for telecommunications services, including sales of reauthorization of a prepaid card or authorization number, are subject to tax under this Section.

Section X. Model City Tax Code Section 32.25-462 is added as follows, with an effective date of July 1, 2013.

SEC. 32.25-462. RETAIL SALES: FOOD FOR HOME CONSUMPTION.

- (a) THE TAX RATE SHALL BE AT AN AMOUNT EQUAL TO FOUR PERCENT (4%) OF THE GROSS INCOME FROM THE BUSINESS ACTIVITY UPON EVERY PERSON ENGAGING OR CONTINUING IN THE BUSINESS OF SELLING FOOD FOR HOME CONSUMPTION AT RETAIL.
- (b) FOR THE PURPOSES OF THIS SECTION ONLY, THE FOLLOWING DEFINITIONS SHALL BE APPLICABLE:
 - (1) "ELIGIBLE GROCERY BUSINESS" MEANS AN ESTABLISHMENT WHOSE SALES OF FOOD ARE SUCH THAT IT IS ELIGIBLE TO PARTICIPATE IN THE FOOD STAMP PROGRAM ESTABLISHED BY THE FOOD STAMP ACT OF 1977 (P.L. 95-113; 91 STAT. 958.7 U.S.C. SECTION 2011 ET SEQ.), ACCORDING TO REGULATIONS IN EFFECT ON JANUARY 1, 1979. AN ESTABLISHMENT IS DEEMED ELIGIBLE TO PARTICIPATE IN THE FOOD STAMP PROGRAM IF IT IS AUTHORIZED TO PARTICIPATE IN THE PROGRAM BY THE UNITED STATES DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE FIELD OFFICE ON THE EFFECTIVE DATE OF THIS SECTION, OR IF, PRIOR TO A REPORTING PERIOD FOR WHICH THE RETURN IS FILED, SUCH RETAILER PROVES TO THE SATISFACTION OF THE TAX COLLECTOR THAT THE ESTABLISHMENT, BASED ON THE NATURE OF THE RETAILER'S FOOD SALES, COULD BE ELIGIBLE TO PARTICIPATE IN THE FOOD STAMP PROGRAM ESTABLISHED BY THE FOOD STAMP ACT OF 1977 ACCORDING TO REGULATIONS IN EFFECT ON JANUARY 1, 1979.
 - (2) "FACILITIES FOR THE CONSUMPTION OF FOOD" MEANS TABLES, CHAIRS, BENCHES, BOOTHS, STOOLS, COUNTERS, AND SIMILAR CONVENIENCES, TRAYS, GLASSES, DISHES, OR OTHER TABLEWARE AND PARKING AREAS FOR THE CONVENIENCE OF IN-CAR CONSUMPTION OF FOOD IN OR ON THE PREMISES ON WHICH THE RETAILER CONDUCTS BUSINESS.
 - (3) "FOOD FOR CONSUMPTION ON THE PREMISES" MEANS ANY OF THE FOLLOWING:
 - (A) "HOT PREPARED FOOD" AS DEFINED BELOW.
 - (B) HOT OR COLD SANDWICHES.
 - (C) FOOD SERVED BY AN ATTENDANT TO BE EATEN AT TABLES, CHAIRS, BENCHES, BOOTHS, STOOLS, COUNTERS, AND SIMILAR CONVENIENCES AND WITHIN PARKING AREAS FOR THE CONVENIENCE OF IN-CAR CONSUMPTION OF FOOD.
 - (D) FOOD SERVED WITH TRAYS, GLASSES, DISHES, OR OTHER TABLEWARE.
 - (E) BEVERAGES SOLD IN CUPS, GLASSES, OR OPEN CONTAINERS.
 - (F) FOOD SOLD BY CATERERS.

- (G) FOOD SOLD WITHIN THE PREMISES OF THEATRES, MOVIES, OPERAS, SHOWS OF ANY TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT PARKS, FAIRS, RACES, CONTESTS, GAMES, ATHLETIC EVENTS, RODEOS, BILLIARD AND POOL PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING, WRESTLING AND OTHER MATCHES, AND ANY BUSINESS WHICH CHARGES ADMISSION, ENTRANCE, OR COVER FEES FOR EXHIBITION, AMUSEMENT, ENTERTAINMENT, OR INSTRUCTION.
- (H) ANY ITEMS CONTAINED IN SUBSECTIONS (B)(3)(A) THROUGH (G) ABOVE EVEN THOUGH THEY ARE SOLD ON A "TAKE-OUT" OR "TO GO" BASIS, AND WHETHER OR NOT THE ITEM IS PACKAGED, WRAPPED, OR IS ACTUALLY TAKEN FROM THE PREMISES.
- (4) "HOT PREPARED FOOD" MEANS THOSE PRODUCTS, ITEMS, OR INGREDIENTS OF FOOD WHICH ARE PREPARED AND INTENDED FOR CONSUMPTION IN A HEATED CONDITION. "HOT PREPARED FOOD" INCLUDES A COMBINATION OF HOT AND COLD FOOD ITEMS OR INGREDIENTS IF A SINGLE PRICE HAS BEEN ESTABLISHED.
- (5) "PREMISES" MEANS THE TOTAL SPACE AND FACILITIES IN OR ON WHICH A VENDOR CONDUCTS BUSINESS AND WHICH ARE OWNED OR CONTROLLED, IN WHOLE OR IN PART, BY A VENDOR OR WHICH ARE MADE AVAILABLE FOR THE USE OF CUSTOMERS OF THE VENDOR OR GROUP OF VENDORS, INCLUDING ANY BUILDING OR PART OF A BUILDING, PARKING LOT, OR GROUNDS.
- (6) "FOOD FOR HOME CONSUMPTION" MEANS ALL FOOD, EXCEPT FOOD FOR CONSUMPTION ON THE PREMISES, IF SOLD BY ANY OF THE FOLLOWING:
 - (A) AN ELIGIBLE GROCERY BUSINESS.
 - (B) A PERSON WHO CONDUCTS A BUSINESS WHOSE PRIMARY BUSINESS IS NOT THE SALE OF FOOD BUT WHO SELLS FOOD WHICH IS DISPLAYED, PACKAGED, AND SOLD IN A SIMILAR MANNER AS AN ELIGIBLE GROCERY BUSINESS.
 - (C) A PERSON WHO SELLS FOOD AND DOES NOT PROVIDE OR MAKE AVAILABLE ANY FACILITIES FOR THE CONSUMPTION OF FOOD ON THE PREMISES.
 - (D) A PERSON WHO CONDUCTS A DELICATESSEN BUSINESS EITHER FROM A COUNTER WHICH IS SEPARATE FROM THE PLACE AND CASH REGISTER WHERE TAXABLE SALES ARE MADE OR FROM A COUNTER WHICH HAS TWO CASH REGISTERS AND WHICH ARE USED TO RECORD TAXABLE AND TAX EXEMPT SALES, OR A RETAILER WHO CONDUCTS A DELICATESSEN BUSINESS WHO USES A CASH REGISTER WHICH HAS AT LEAST TWO TAX COMPUTING KEYS WHICH ARE USED TO RECORD TAXABLE AND TAX EXEMPT SALES.

(E) VENDING MACHINES AND OTHER TYPES OF AUTOMATIC RETAILERS.

(F) A PERSON'S SALES OF FOOD, DRINK AND CONDIMENT FOR CONSUMPTION WITHIN THE PREMISES OF ANY PRISON, JAIL OR OTHER INSTITUTION UNDER THE JURISDICTION OF THE STATE DEPARTMENT OF CORRECTIONS, THE DEPARTMENT OF PUBLIC SAFETY, THE DEPARTMENT OF JUVENILE CORRECTIONS OR A COUNTY SHERIFF.

(c) INCOME DERIVED FROM THE FOLLOWING SOURCES IS EXEMPT FROM THE TAX IMPOSED BY THIS SECTION:

(1) SALES OF FOOD FOR HOME CONSUMPTION TO A PERSON REGULARLY ENGAGED IN THE BUSINESS OF SELLING SUCH PROPERTY.

(2) OUT-OF-TOWN SALES OR OUT-OF-STATE SALES.

(3) CHARGES FOR DELIVERY OR OTHER "DIRECT CUSTOMER SERVICES" AS PRESCRIBED BY REGULATION.

(4) FOOD PURCHASED WITH FOOD STAMPS PROVIDED THROUGH THE FOOD STAMP PROGRAM ESTABLISHED BY THE FOOD STAMP ACT OF 1977 (P.L. 95-113; 91 STAT. 958.7 U.S.C. SECTION 2011 ET SEQ.) OR PURCHASED WITH FOOD INSTRUMENTS ISSUED UNDER SECTION 17 OF THE CHILD NUTRITION ACT (P.L. 95-627; 92 STAT. 3603; AND P.L. 99-669; SECTION 4302; 42 UNITED STATES CODE SECTION 1786) BUT ONLY TO THE EXTENT THAT FOOD STAMPS OR FOOD INSTRUMENTS WERE ACTUALLY USED TO PURCHASE SUCH FOOD.

(5) SALES OF FOOD PRODUCTS BY PRODUCERS AS PROVIDED FOR BY A.R.S. SECTIONS 3-561, 3-562 AND 3-563.

(6) SALES OF FOOD, BEVERAGES, CONDIMENTS AND ACCESSORIES TO A PUBLIC EDUCATIONAL ENTITY, PURSUANT TO ANY OF THE PROVISIONS OF TITLE 15, ARIZONA REVISED STATUTES, INCLUDING A REGULARLY ORGANIZED PRIVATE OR PAROCHIAL SCHOOL THAT OFFERS AN EDUCATIONAL PROGRAM FOR GRADE TWELVE OR UNDER WHICH MAY BE ATTENDED IN SUBSTITUTION FOR A PUBLIC SCHOOL PURSUANT TO A.R.S. SECTION 15-802 ; TO THE EXTENT SUCH ITEMS ARE TO BE PREPARED OR SERVED TO INDIVIDUALS FOR CONSUMPTION ON THE PREMISES OF A PUBLIC EDUCATIONAL ENTITY DURING SCHOOL HOURS. FOR THE PURPOSES OF THIS SUBSECTION, "ACCESSORIES" MEANS PAPER PLATES, PLASTIC EATING UTENSILS, NAPKINS, PAPER CUPS, DRINKING STRAWS, PAPER SACKS OR OTHER DISPOSABLE CONTAINERS, OR OTHER ITEMS WHICH FACILITATE THE CONSUMPTION OF THE FOOD.

(7) SALES OF FOOD, BEVERAGES, CONDIMENTS AND ACCESSORIES TO A NONPROFIT CHARITABLE ORGANIZATION THAT HAS QUALIFIED AS AN EXEMPT ORGANIZATION UNDER 26 U.S.C. SECTION 501(C)(3) AND REGULARLY SERVES MEALS TO THE NEEDY AND INDIGENT ON A

CONTINUING BASIS AT NO COST. FOR THE PURPOSES OF THIS SUBSECTION, "ACCESSORIES" MEANS PAPER PLATES, PLASTIC EATING UTENSILS, NAPKINS, PAPER CUPS, DRINKING STRAWS, PAPER SACKS OR OTHER DISPOSABLE CONTAINERS, OR OTHER ITEMS WHICH FACILITATE THE CONSUMPTION OF THE FOOD.

(d) REPORTING. SUCH PERSONS WHO SELL FOOD FOR HOME CONSUMPTION SHALL, IN CONJUNCTION WITH THE RETURN REQUIRED PURSUANT TO SECTION 32.25-520, REPORT TO THE TAX COLLECTOR IN A MANNER PRESCRIBED BY THE TAX COLLECTOR ALL SALES OF FOOD FOR HOME CONSUMPTION EXEMPTED FROM TAXES IMPOSED BY THIS CHAPTER.

(e) RECORDKEEPING.

(1) RETAILERS SHALL MAINTAIN ACCURATE, VERIFIABLE, AND COMPLETE RECORDS OF ALL PURCHASES AND SALES OF TANGIBLE PERSONAL PROPERTY IN ORDER TO VERIFY EXEMPTIONS FROM TAXES IMPOSED BY THIS CHAPTER. A RETAILER MAY USE ANY METHOD OF REPORTING THAT PROPERLY REFLECTS ALL PURCHASES AND SALES OF FOOD FOR HOME CONSUMPTION, AS WELL AS ALL PURCHASES AND SALES OF ITEMS SUBJECT TO TAXES IMPOSED BY THIS CHAPTER, PROVIDED THAT SUCH RECORDS ARE MAINTAINED IN ACCORDANCE WITH ARTICLE III, AND REGULATIONS OF THE TAX COLLECTOR.

(2) ANY PERSON WHO FAILS TO MAINTAIN RECORDS AS PROVIDED HEREIN SHALL BE DEEMED TO HAVE HAD NO SALES OF FOOD FOR HOME CONSUMPTION, AND IF UPON REQUEST BY THE TAX COLLECTOR, A PERSON CANNOT DEMONSTRATE TO THE TAX COLLECTOR THAT SUCH RECORDS AND REPORTS DO PROPERLY REFLECT ALL SALES OF FOOD FOR HOME CONSUMPTION, THE TAX COLLECTOR MAY RECOMPUTE THE AMOUNT OF TAX TO BE PAID AS PROVIDED IN SECTIONS 32.25-370 AND 32.25-545(B).

Section XI. Model City Tax Code Section 32.25-465 is amended as follows. All changes are effective July 1, 2013, except new subsection (mm), which is effective January 1, 2007.

Sec. 32.25-465. Retail sales: exemptions.

Income derived from the following sources is exempt from the tax imposed by Section 32.25-460:

- (a) sales of tangible personal property to a person regularly engaged in the business of selling such property.
- (b) out-of-Town sales or out-of-State sales.
- (c) charges for delivery, installation, or other direct customer services as prescribed by Regulation.

- (d) charges for repair services as prescribed by Regulation, when separately charged and separately maintained in the books and records of the taxpayer.
- (e) sales of warranty, maintenance, and service contracts, when separately charged and separately maintained in the books and records of the taxpayer.
- (f) sales of prosthetics.
- (g) sales of income-producing capital equipment.
- (h) sales of rental equipment and rental supplies.
- (i) sales of mining and metallurgical supplies.
- (j) sales of motor vehicle fuel and use fuel which are subject to a tax imposed under the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes; or sales of use fuel to a holder of a valid single trip use fuel tax permit issued under A.R.S. Section 28-5739, or sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.
- (k) sales of tangible personal property to a construction contractor who holds a valid Privilege Tax License for engaging or continuing in the business of construction contracting where the tangible personal property sold is incorporated into any structure or improvement to real property as part of construction contracting activity.
- (l) sales of motor vehicles to nonresidents of this State for use outside this State if the vendor ships or delivers the motor vehicle to a destination outside this State.
- (m) sales of tangible personal property which directly enters into and becomes an ingredient or component part of a product sold in the regular course of the business of job printing, manufacturing, or publication of newspapers, magazines, or other periodicals. Tangible personal property which is consumed or used up in a manufacturing, job printing, publishing, or production process is not an ingredient nor component part of a product.
- (n) sales made directly to the Federal government to the extent of:
 - (1) one hundred percent (100%) of the gross income derived from retail sales made by a manufacturer, modifier, assembler, or repairer.
 - (2) fifty percent (50%) of the gross income derived from retail sales made by any other person.
- (o) sales to hotels, bars, restaurants, dining cars, lunchrooms, boarding houses, or similar establishments of articles consumed as food, drink, or condiment, whether simple, mixed, or compounded, where such articles are customarily prepared or served to patrons for consumption on or off the premises, where the purchaser is properly licensed and paying a tax under Section 32.25-455 or the equivalent excise tax upon such income.
- (p) sales of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or sales of tangible personal property purchased in this State by a nonprofit charitable organization that has qualified under Section 501(c)(3) of the United States Internal Revenue Code and that

engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.

- (q) ~~food purchased with food stamps provided through the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 et seq.) or purchased with food instruments issued under Section 17 of the Child Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United States Code Section 1786) but only to the extent that food stamps or food instruments were actually used to purchase such food.~~(RESERVED)

- (r) sales of the following to persons engaging or continuing in the business of farming, ranching, or feeding livestock, poultry or ratites:

- (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
- (2) feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.
- (3) livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milch cows, breeding bulls, laying hens, riding or work horses.
- (4) (Reserved)

This exemption shall not be construed to include machinery, equipment, fuels, lubricants, pharmaceuticals, repair and replacement parts, or other items used or consumed in the running, maintenance, or repair of machinery, equipment, buildings, or structures used or consumed in the business of farming, ranching, or feeding of livestock, poultry or ratites.

- (s) sales of groundwater measuring devices required by A.R.S. Section 45-604.

- (t) (Reserved)

- (u) sales of aircraft acquired for use outside the State, as prescribed by Regulation.

- (v) sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-562 and 3-563.

- (w) (Reserved)

- (x) ~~(Reserved)~~SALES OF FOOD AND DRINK TO A PERSON WHO IS ENGAGED IN BUSINESS THAT IS CLASSIFIED UNDER THE RESTAURANT CLASSIFICATION AND THAT PROVIDES SUCH FOOD AND DRINK WITHOUT MONETARY CHARGE TO ITS EMPLOYEES FOR THEIR OWN CONSUMPTION ON THE PREMISES DURING SUCH EMPLOYEES' HOURS OF EMPLOYMENT.

- (y) (Reserved)

- (z) (Reserved)

- (aa) the sale of tangible personal property used in remediation contracting as defined in Section 32.25-100 and Regulation 32.25-100.5.

- (bb) sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:

- (1) printed or photographic materials.
- (2) electronic or digital media materials.
- (cc) sales of food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. Section 42-5061(A)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (dd) in computing the tax base in the case of the sale or transfer of wireless telecommunication equipment as an inducement to a customer to enter into or continue a contract for telecommunication services that are taxable under Section 32.25-470, gross proceeds of sales or gross income does not include any sales commissions or other compensation received by the retailer as a result of the customer entering into or continuing a contract for the telecommunications services.
- (ee) for the purposes of this Section, a sale of wireless telecommunication equipment to a person who holds the equipment for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 32.25-470 is considered to be a sale for resale in the regular course of business.
- (ff) sales of alternative fuel as defined in A.R.S. Section 1-215, to a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.
- (gg) sales of food, beverages, condiments and accessories to a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes, INCLUDING A REGULARLY ORGANIZED PRIVATE OR PAROCHIAL SCHOOL THAT OFFERS AN EDUCATIONAL PROGRAM FOR GRADE TWELVE OR UNDER WHICH MAY BE ATTENDED IN SUBSTITUTION FOR A PUBLIC SCHOOL PURSUANT TO A.R.S. SECTION 15-802; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (hh) sales of personal hygiene items to a person engaged in the business of and subject to tax under Section 32.25-444 of this code if the tangible personal property is furnished without additional charge to and intended to be consumed by the person during his occupancy.
- (ii) for the purposes of this Section, the diversion of gas from a pipeline by a person engaged in the business of operating a natural or artificial gas pipeline, for the sole purpose of fueling compressor equipment to pressurize the pipeline, is not a sale of the gas to the operator of the pipeline.
- (jj) sales of food, beverages, condiments and accessories to a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws,

paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

(kk) sales of motor vehicles that use alternative fuel if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and sales of equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

(ll) sales of solar energy devices, for taxable periods beginning from and after July 1, 2008. The retailer shall register with the department of revenue as a solar energy retailer. By registering, the retailer acknowledges that it will make its books and records relating to sales of solar energy devices available to the department of revenue and Town, as applicable, for examination.

(mm) SALES OR OTHER TRANSFERS OF RENEWABLE ENERGY CREDITS OR ANY OTHER UNIT CREATED TO TRACK ENERGY DERIVED FROM RENEWABLE ENERGY RESOURCES. FOR THE PURPOSES OF THIS PARAGRAPH, "RENEWABLE ENERGY CREDIT" MEANS A UNIT CREATED ADMINISTRATIVELY BY THE CORPORATION COMMISSION OR GOVERNING BODY OF A PUBLIC POWER UTILITY TO TRACK KILOWATT HOURS OF ELECTRICITY DERIVED FROM A RENEWABLE ENERGY RESOURCE OR THE KILOWATT HOUR EQUIVALENT OF CONVENTIONAL ENERGY RESOURCES DISPLACED BY DISTRIBUTED RENEWABLE ENERGY RESOURCES.

(nn) SALES OF MAGAZINES OR OTHER PERIODICALS OR OTHER PUBLICATIONS BY THIS STATE TO ENCOURAGE TOURIST TRAVEL.

(oo) SALES OF PAPER MACHINE CLOTHING, SUCH AS FORMING FABRICS AND DRYER FELTS, SOLD TO A PAPER MANUFACTURER AND DIRECTLY USED OR CONSUMED IN PAPER MANUFACTURING.

(pp) SALES OF OVERHEAD MATERIALS OR OTHER TANGIBLE PERSONAL PROPERTY THAT IS USED IN PERFORMING A CONTRACT BETWEEN THE UNITED STATES GOVERNMENT AND A MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, INCLUDING PROPERTY USED IN PERFORMING A SUBCONTRACT WITH A GOVERNMENT CONTRACTOR WHO IS A MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, TO WHICH TITLE PASSES TO THE GOVERNMENT UNDER THE TERMS OF THE CONTRACT OR SUBCONTRACT.

(qq) SALES OF COAL, PETROLEUM, COKE, NATURAL GAS, VIRGIN FUEL OIL AND ELECTRICITY SOLD TO A QUALIFIED ENVIRONMENTAL TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR AS DEFINED IN A.R.S. SECTION 41-1514.02 AND DIRECTLY USED OR CONSUMED IN THE GENERATION OR PROVISION OF ON-SITE POWER OR ENERGY SOLELY FOR ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR PROCESSING OR ENVIRONMENTAL PROTECTION. THIS PARAGRAPH SHALL APPLY FOR TWENTY FULL CONSECUTIVE CALENDAR OR FISCAL YEARS FROM THE DATE THE FIRST PAPER MANUFACTURING MACHINE IS PLACED IN SERVICE. IN THE CASE OF AN ENVIRONMENTAL TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR WHO DOES NOT MANUFACTURE PAPER, THE TIME PERIOD SHALL BEGIN WITH THE

DATE THE FIRST MANUFACTURING, PROCESSING OR PRODUCTION EQUIPMENT IS PLACED IN SERVICE.

(RR) SALES OR GROSS INCOME DERIVED FROM SALES OF MACHINERY, EQUIPMENT, MATERIALS AND OTHER TANGIBLE PERSONAL PROPERTY USED DIRECTLY AND PREDOMINANTLY TO CONSTRUCT A QUALIFIED ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR PROCESSING FACILITY AS DESCRIBED IN A.R.S. SECTION 41-1514.02. THIS SUBSECTION APPLIES FOR TEN FULL CONSECUTIVE CALENDAR OR FISCAL YEARS AFTER THE START OF INITIAL CONSTRUCTION.

Section XII. Model City Tax Code Section 32.25-480 is amended as follows, with an effective date of January 1, 2007, except new Local Option #PP which is available to be selected effective August 1, 2014.

Sec. 32.25-480. Utility services.

- (a) The tax rate shall be at an amount equal to four percent (4%) of the gross income from the business activity upon every person engaging or continuing in the business of producing, providing, or furnishing utility services, including electricity, electric lights, current, power, gas (natural or artificial), or water to:
 - (1) consumers or ratepayers who reside within the Town.
 - (2) (Reserved)
- (b) Exclusion of certain sales of natural gas to a public utility. Notwithstanding the provisions of subsection (a) above, the gross income derived from the sale of natural gas to a public utility for the purpose of generation of power to be transferred by the utility to its ratepayers shall be considered a retail sale of tangible personal property subject to Sections 32.25-460 and 32.25-465, and not considered gross income taxable under this Section.
- (c) Resale utility services. Sales of utility services to another provider of the same utility services for the purpose of providing such utility services either to another properly licensed utility provider or directly to such purchaser's customers or ratepayers shall be exempt and deductible from the cross income subject to the tax imposed by this Section, provided that the purchaser is properly licensed by all applicable taxing jurisdictions to engage or continue in the business of providing utility services, and further provided that the seller maintains proper documentation, in a manner similar to that for sales for resale, of such transactions.
- (d) (Reserved)
- (e) The tax imposed by this Section shall not apply to sales of utility services to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when sold for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.

- (f) The tax imposed by this Section shall not apply to sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.
- (g) The tax imposed by this Section shall not apply to:
 - (1) revenues received by a municipally owned utility in the form of fees charged to persons constructing residential, commercial or industrial developments or connecting residential, commercial or industrial developments to a municipal utility system or systems if the fees are segregated and used only for capital expansion, system enlargement or debt service of the utility system or systems.
 - (2) revenues received by any person or persons owning a utility system in the form of reimbursement or contribution compensation for property and equipment installed to provide utility access to, on or across the land of an actual utility consumer if the property and equipment become the property of the utility. This exclusion shall not exceed the value of such property and equipment.
- (h) The tax imposed by this Section shall not apply to sales of alternative fuel as defined in A.R.S. Section 1-215, to a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.
- (I) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO SALES OR OTHER TRANSFERS OF RENEWABLE ENERGY CREDITS OR ANY OTHER UNIT CREATED TO TRACK ENERGY DERIVED FROM RENEWABLE ENERGY RESOURCES. FOR THE PURPOSES OF THIS PARAGRAPH, "RENEWABLE ENERGY CREDIT" MEANS A UNIT CREATED ADMINISTRATIVELY BY THE CORPORATION COMMISSION OR GOVERNING BODY OF A PUBLIC POWER UTILITY TO TRACK KILOWATT HOURS OF ELECTRICITY DERIVED FROM A RENEWABLE ENERGY RESOURCE OR THE KILOWATT HOUR EQUIVALENT OF CONVENTIONAL ENERGY RESOURCES DISPLACED BY DISTRIBUTED RENEWABLE ENERGY RESOURCES.
- (J) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO THE PORTION OF GROSS PROCEEDS OF SALES OR GROSS INCOME ATTRIBUTABLE TO TRANSFERS OF ELECTRICITY BY ANY RETAIL ELECTRIC CUSTOMER OWNING A SOLAR PHOTOVOLTAIC ENERGY GENERATING SYSTEM TO AN ELECTRIC DISTRIBUTION SYSTEM, IF THE ELECTRICITY TRANSFERRED IS GENERATED BY THE CUSTOMER'S SYSTEM.
- (K) (RESERVED)

Section XIII. Model City Tax Code Section 32.25-485 is amended as follows, with an effective date of July 1, 2013.

Sec. 32.25-485. ~~(Reserved)~~ WASTEWATER REMOVAL SERVICES

- (a) THE TAX RATE SHALL BE AN AMOUNT EQUAL TO ZERO PERCENT (0%) OF THE GROSS INCOME FROM THE BUSINESS ACTIVITY UPON EVERY PERSON ENGAGING

OR CONTINUING IN THE BUSINESS OF PROVIDING WASTEWATER REMOVAL SERVICES BY MEANS OF SEWER LINES OR SIMILAR PIPELINES TO:

- (1) CONSUMERS OR RATEPAYERS WHO RESIDE WITHIN THE TOWN.
- (2) CONSUMERS OR RATEPAYERS OF THIS TOWN, WHETHER WITHIN THE TOWN OR WITHOUT, TO THE EXTENT THAT THIS TOWN PROVIDES SUCH PERSONS WASTEWATER REMOVAL SERVICES, EXCLUDING CONSUMERS OR RATEPAYERS WHO ARE RESIDENTS OF ANOTHER CITY OR TOWN WHICH LEVIES AN EQUIVALENT EXCISE TAX UPON THIS TOWN FOR PROVIDING SUCH WASTEWATER REMOVAL SERVICES TO SUCH PERSONS.
- (b) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO GROSS INCOME RELATING TO THE PROVIDING OF WASTEWATER REMOVAL SERVICES FROM A QUALIFYING HOSPITAL, QUALIFYING COMMUNITY HEALTH CENTER OR A QUALIFYING HEALTH CARE ORGANIZATION.

Section XIV. Model City Tax Code, Appendix IV, Section 32.25-570 is amended as follows to conform the Appendix language with prior changes made to Section 32.25-570 of the Model language, with an effective date of July 1, 2008.

Sec. 32.25-570. Administrative review; petition for hearing or for redetermination; finality of order. (State Administration and Audits)

- (a) Closing agreements between the Tax Collector and a taxpayer have no force of law unless made in accordance with the provisions of A.R.S. Section 42-1113.
- (b) Administrative review.
 - (1) Petitions of appeal shall be made to, and hearings shall be conducted by, the Arizona Department of Revenue, in accordance with the provisions of A.R.S. Section 42-1251, as modified by Section 32.25-571.
 - (2) (Reserved)
 - (3) (Reserved)
 - (4) (Reserved)
 - (5) Hearings shall be held by the Arizona Department of Revenue in accordance with the provisions of A.R.S. Section 42-1251. The Department's decision may be appealed to the State Board of Tax Appeals, in accordance with the provisions of A.R.S. Section 42-1253.
 - (6) (Reserved)
 - (7) (Reserved)
 - (8) (Reserved)
- (c) (Reserved)

- (d) (Reserved)
- (e) Taxpayers shall be subject to the state taxpayer bill of rights (A.R.S. Section 2-2051 et. seq.).

Sec. 32.25-570. Administrative review; petition for hearing or for redetermination; finality of order. (Local Audits)

For the purposes of this section, "Municipal Tax Hearing Office" means the administrative offices of the Municipal Tax Hearing Officer.

- (a) Informal Conference. A taxpayer shall have the right to discuss any proposed assessment with the auditor prior to the issuance of any assessment, but any such informal conference is not required for the taxpayer to file a petition for administrative review.
- (b) Administrative Review.
 - (1) Filing a Petition. Other than in the case of a jeopardy assessment, a taxpayer may contest the applicability or amount of tax, penalty, or interest imposed upon or paid by him pursuant to this Chapter by filing a petition for a hearing or for redetermination with the Tax Collector as set forth below:
 - (A) within forty-five (45) days of receipt by the taxpayer of notice of a determination by the Tax Collector that a tax, penalty, or interest amount is due, or that a request for refund or credit has been denied; or
 - (B) by voluntary payment of any contested amount when accompanied by a timely filed return and a petition requesting a refund of the protested portion of said payment; or
 - (C) by petition accompanying a timely filed return contesting an amount reported but not paid; or
 - (D) by petition requesting review of denial of waiver of penalty as provided in subsection 32.25-540(g).
 - (2) Extension to file a petition. In all cases, the taxpayer may request ~~only one (1) AN~~ extension from the Tax Collector. Such request must be in writing, state the reasons for the requested delay ~~and time of delay requested~~, and must be filed with the Tax Collector within the period allowed above for originally filing a petition. The Tax Collector shall allow ~~such A~~ FORTY-FIVE (45) DAY extension to file a petition, when such written request has been properly and timely made by the taxpayer, ~~but such extension shall not exceed forty five (45) days beyond the time provided for originally filing a petition. THE TAX COLLECTOR MAY GRANT AN ADDITIONAL EXTENSION AND MAY DETERMINE THE CORRESPONDING TIME OF ANY SUCH EXTENSION AT HIS SOLE DISCRETION.~~
 - (3) Requirements for petition.
 - (A) The petition shall be in writing and shall set forth the reasons why any correction, abatement, or refund should be granted, and the amount of reduction or refund

requested. The petition may be amended at any time prior to the time the taxpayer rests his case at the hearing or such time as the Hearing Officer allows for submitting of amendments in cases of redeterminations without hearings. The Hearing Officer may require that amendments be in writing, and in that case, he shall provide a reasonable period of time to file the amendment. The Hearing Officer shall provide a reasonable period of time for the Tax Collector to review and respond to the petition and to any written amendments.

- (B) The taxpayer, as part of the petition, may request a hearing which shall be granted by the Hearing Officer. If no request for hearing is made the petition shall be considered to be submitted for decision by the Hearing Officer on the matters contained in the petition and in any reply made by the Tax Collector.
 - (C) The provisions of this Section are exclusive, and no petition seeking any correction, abatement, or refund shall be considered unless the petition is timely and properly filed under the Section.
- (4) Transmittal to Hearing Officer. The city/town shall designate a Hearing Officer, who may be other than an employee of the (city/town). The Tax Collector, if designated to receive petitions, shall forward any petition to the Municipal Tax Hearing Officer within twenty (20) days after receipt, accompanied by documentation as to timeliness. In cases where the Hearing Officer determines that the petition is not timely or not in proper form, he shall notify both the taxpayer and the Tax Collector; and in cases of petitions not in proper form only, the Hearing Officer shall provide the taxpayer with an extension up to forty-five (45) days to correct the petition.
 - (5) Hearings shall be conducted by a Hearing Officer and shall be continuous until the Hearing Officer closes the record. The taxpayer may be heard in person or by his authorized representative at such hearing. Hearings shall be conducted informally as to the order of proceeding and presentation of evidence. The Hearing Officer shall admit evidence over hearsay objections where the offered evidence has substantial probative value and reliability. Further, copies of records and documents prepared in the ordinary course of business may be admitted, without objection as to foundation, but subject to argument as to weight, admissibility, and authenticity. Summary accounting records may be admitted subject to satisfactory proof of the reliability of the summaries. In all cases, the decision of the Hearing Officer shall be made solely upon substantial and reliable evidence. All expenses incurred in the hearing shall be paid by the party incurring the same.
 - (6) Redeterminations upon a "petition for redetermination" shall follow the same conditions, except that no oral hearing shall be held.
 - (7) Hearing Ruling. In either case, the Hearing Officer shall issue his ruling not later than forty-five (45) days after the close of the record by the Hearing Officer.
 - (8) Notice of Refund or Adjusted Assessment. Within sixty (60) days of the issuance of the Hearing Officer's decision, the Tax Collector shall issue to the taxpayer either a notice of refund or an adjusted assessment recalculated to conform to the Hearing Officer's decision.

- (c) Stipulations that future tax is also protested. A taxpayer may enter into a stipulation with the Tax Collector that future taxes of similar nature are also at issue in any protest or appeal. However, unless such stipulation is made, it is presumed that the protest or appeal deals solely and exclusively with the tax specifically protested and no other. When a taxpayer enters into such a stipulation with the Tax Collector that future taxes of similar nature will be included in any redetermination, hearing, or court case, it is the burden of that taxpayer to identify, segregate, and keep record of such income or protested taxable amount in his books and records in the same manner as the taxpayer is required to segregate exempt income.
- (d) When an assessment is final.
 - (1) If a request for administrative review and petition for hearing or redetermination of an assessment made by the Tax Collector is not filed within the period required by subsection (b) above, such person shall be deemed to have waived and abandoned the right to question the amount determined to be due and any tax, interest, or penalty determined to be due shall be final as provided in subsections 32.25-545(a) and 32.25-555(f).
 - (2) The decision made by the Hearing Officer upon administrative review by hearing or redetermination shall become final thirty (30) days after the taxpayer receives the notice of refund or adjusted assessment required by subsection (b)(8) above, unless the taxpayer appeals the order or decision in the manner provided in Section 32.25-575.
- (e) The provisions of the state taxpayer bill of rights (A.R.S. Section 42-2051 et. seq.) shall not apply.

Section XV. Model City Tax Code Section 32.25-660 is amended as follows. All changes are effective July 1, 2013, except new subsection (mm), which is effective January 1, 2007, and new Local Option #PP which is available to be selected effective August 1, 2014.

Sec. 32.25-660. Use tax: exemptions.

The storage or use in this Town of the following tangible personal property is exempt from the Use Tax imposed by this Article:

- (a) tangible personal property brought into the Town by an individual who was not a resident of the Town at the time the property was acquired for his own use, if the first actual use of such property was outside the Town, unless such property is used in conducting a business in this Town.
- (b) tangible personal property, the value of which does not exceed the amount of one thousand dollars (\$1,000) per item, acquired by an individual outside the limits of the Town for his personal use and enjoyment.
- (c) charges for delivery, installation, or other customer services, as prescribed by Regulation.
- (d) charges for repair services, as prescribed by Regulation.
- (e) separately itemized charges for warranty, maintenance, and service contracts.
- (f) prosthetics.

- (g) income-producing capital equipment.
- (h) rental equipment and rental supplies.
- (i) mining and metallurgical supplies.
- (j) motor vehicle fuel and use fuel which are used upon the highways of this State and upon which a tax has been imposed under the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes.
- (k) tangible personal property purchased by a construction contractor, but not an owner-builder, when such person holds a valid Privilege License for engaging or continuing in the business of construction contracting, and where the property acquired is incorporated into any structure or improvement to real property in fulfillment of a construction contract.
- (l) sales of motor vehicles to nonresidents of this State for use outside this State if the vendor ships or delivers the motor vehicle to a destination outside this State.
- (m) tangible personal property which directly enters into and becomes an ingredient or component part of a product sold in the regular course of the business of job printing, manufacturing, or publication of newspapers, magazines or other periodicals. Tangible personal property which is consumed or used up in a manufacturing, job printing, publishing, or production process is not an ingredient nor component part of a product.
- (n) rental, leasing, or licensing for use of film, tape, or slides by a theater or other person taxed under Section 32.25-410, or by a radio station, television station, or subscription television system.
- (o) food served to patrons for a consideration by any person engaged in a business properly licensed and taxed under Section 32.25-455, but not food consumed by owners, agents, or employees of such business.
- (p) tangible personal property acquired by a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property is in fact used in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
- (q) ~~food purchased with food stamps provided through the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 et seq.) or purchased with food instruments issued under Section 17 of the Child Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United States Code Section 1786).~~
- (r) the following tangible personal property purchased by persons engaging or continuing in the business of farming, ranching, or feeding livestock, poultry or ratites:
 - (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
 - (2) feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.
 - (3) livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milch cows, breeding bulls, laying hens, riding or work horses.

(4) (Reserved)

This exemption shall not be construed to include machinery, equipment, fuels, lubricants, pharmaceuticals, repair and replacement parts, or other items used or consumed in the running, maintenance, or repair of machinery, equipment, buildings, or structures used or consumed in the business of farming, ranching, or feeding of livestock, poultry or ratites.

- (s) groundwater measuring devices required by A.R.S. Section 45-604.
- (t) (Reserved)
- (u) aircraft acquired for use outside the State, as prescribed by Regulation.
- (v) sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-562 and 3-563.
- (w) (Reserved)
- (x) ~~(Reserved)~~ FOOD AND DRINK PROVIDED BY A PERSON WHO IS ENGAGED IN BUSINESS THAT IS CLASSIFIED UNDER THE RESTAURANT CLASSIFICATION WITHOUT MONETARY CHARGE TO ITS EMPLOYEES FOR THEIR OWN CONSUMPTION ON THE PREMISES DURING SUCH EMPLOYEES' HOURS OF EMPLOYMENT.
- (y) (Reserved)
- (z) (Reserved)
- (aa) tangible personal property used in remediation contracting as defined in Section 32.25-100 and Regulation 32.25-100.5.
- (bb) materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:
 - (1) printed or photographic materials.
 - (2) electronic or digital media materials.
- (cc) food, beverages, condiments and accessories used for serving food and beverages by a commercial airline, as defined in A.R.S. Section 42-5061(A)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (dd) wireless telecommunication equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 32.25-470.
- (ee) (Reserved)
- (ff) alternative fuel as defined in A.R.S. Section 1-215, by a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.

- (gg) food, beverages, condiments and accessories purchased by or for a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes, INCLUDING A REGULARLY ORGANIZED PRIVATE OR PAROCHIAL SCHOOL THAT OFFERS AN EDUCATIONAL PROGRAM FOR GRADE TWELVE OR UNDER WHICH MAY BE ATTENDED IN SUBSTITUTION FOR A PUBLIC SCHOOL PURSUANT TO A.R.S. SECTION 15-802; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (hh) personal hygiene items purchased by a person engaged in the business of and subject to tax under Section 32.25-444 of this code if the tangible personal property is furnished without additional charge to and intended to be consumed by the person during his occupancy.
- (ii) the diversion of gas from a pipeline by a person engaged in the business of operating a natural or artificial gas pipeline, for the sole purpose of fueling compressor equipment to pressurize the pipeline, is not a sale of the gas to the operator of the pipeline.
- (jj) food, beverages, condiments and accessories purchased by or for a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (kk) sales of motor vehicles that use alternative fuel if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and sales of equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.
- (ll) The storage, use or consumption of tangible personal property in the city or town by a school district or charter school.
- (mm) RENEWABLE ENERGY CREDITS OR ANY OTHER UNIT CREATED TO TRACK ENERGY DERIVED FROM RENEWABLE ENERGY RESOURCES. FOR THE PURPOSES OF THIS PARAGRAPH, "RENEWABLE ENERGY CREDIT" MEANS A UNIT CREATED ADMINISTRATIVELY BY THE CORPORATION COMMISSION OR GOVERNING BODY OF A PUBLIC POWER UTILITY TO TRACK KILOWATT HOURS OF ELECTRICITY DERIVED FROM A RENEWABLE ENERGY RESOURCE OR THE KILOWATT HOUR EQUIVALENT OF CONVENTIONAL ENERGY RESOURCES DISPLACED BY DISTRIBUTED RENEWABLE ENERGY RESOURCES.
- (nn) MAGAZINES OR OTHER PERIODICALS OR OTHER PUBLICATIONS BY THIS STATE TO ENCOURAGE TOURIST TRAVEL.
- (oo) PAPER MACHINE CLOTHING, SUCH AS FORMING FABRICS AND DRYER FELTS, SOLD TO A PAPER MANUFACTURER AND DIRECTLY USED OR CONSUMED IN PAPER MANUFACTURING.

- (PP) OVERHEAD MATERIALS OR OTHER TANGIBLE PERSONAL PROPERTY THAT IS USED IN PERFORMING A CONTRACT BETWEEN THE UNITED STATES GOVERNMENT AND A MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, INCLUDING PROPERTY USED IN PERFORMING A SUBCONTRACT WITH A GOVERNMENT CONTRACTOR WHO IS A MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, TO WHICH TITLE PASSES TO THE GOVERNMENT UNDER THE TERMS OF THE CONTRACT OR SUBCONTRACT.
- (QQ) COAL, PETROLEUM, COKE, NATURAL GAS, VIRGIN FUEL OIL AND ELECTRICITY SOLD TO A QUALIFIED ENVIRONMENTAL TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR AS DEFINED IN A.R.S. SECTION 41-1514.02 AND DIRECTLY USED OR CONSUMED IN THE GENERATION OR PROVISION OF ON-SITE POWER OR ENERGY SOLELY FOR ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR PROCESSING OR ENVIRONMENTAL PROTECTION. THIS PARAGRAPH SHALL APPLY FOR TWENTY FULL CONSECUTIVE CALENDAR OR FISCAL YEARS FROM THE DATE THE FIRST PAPER MANUFACTURING MACHINE IS PLACED IN SERVICE. IN THE CASE OF AN ENVIRONMENTAL TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR WHO DOES NOT MANUFACTURE PAPER, THE TIME PERIOD SHALL BEGIN WITH THE DATE THE FIRST MANUFACTURING, PROCESSING OR PRODUCTION EQUIPMENT IS PLACED IN SERVICE.
- (RR) MACHINERY, EQUIPMENT, MATERIALS AND OTHER TANGIBLE PERSONAL PROPERTY USED DIRECTLY AND PREDOMINANTLY TO CONSTRUCT A QUALIFIED ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR PROCESSING FACILITY AS DESCRIBED IN A.R.S. SECTION 41-1514.02. THIS SUBSECTION APPLIES FOR TEN FULL CONSECUTIVE CALENDAR OR FISCAL YEARS AFTER THE START OF INITIAL CONSTRUCTION.
- (SS) (RESERVED)

Section XVI. Model City Tax Code Regulation 32.25-120.1 is repealed, with an effective date of July 1, 2013.

~~Reg. 32.25-120.1. (Reserved)~~

Section XVII. Model City Tax Code Regulation 32.25-270.1 is amended as follows, with an effective date of July 1, 2013.

Reg. 32.25-270.1. Proprietary activities of municipalities are not considered activities of a governmental entity.

The following activities, when performed by a municipality, are considered to be activities of a person engaged in business for the purposes of this Chapter, and not excludable by reason of Section 32.25-270:

- (a) rental, leasing, or licensing for use of real property to other than another department or agency of the municipality.
- (b) producing, providing, or furnishing electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or ratepayers.
- (c) sale of tangible personal property to the public, when similar tangible personal property is available for sale by other persons, as, for example, at police or surplus auctions.
- (d) ~~(Reserved)~~ PROVIDING WASTEWATER REMOVAL SERVICES TO CONSUMERS OR RATEPAYERS BY MEANS OF SEWER LINES OR SIMILAR PIPELINES.

Section XVIII. Model City Tax Code Regulation 32.25-460.1 is amended as follows, with an effective date of July 1, 2013.

Reg. 32.25-460.1. Distinction between retail sales and certain other transfers of tangible personal property.

- (a) Charges for transfer of tangible personal property included in the gross income of the business activity of persons engaged in the following business activities shall be deemed only as gross income from such business activity and not sales at retail taxed by Section 32.25-460:
 - (1) tangible personal property incorporated into real property as part of reconstruction or construction contracting, per Sections 32.25-415 through 32.25-418.
 - (2) (Reserved)
 - (3) job printing, per Section 32.25-425.
 - (4) mining, timbering, and other extraction, but not sales of sand, gravel, or rock extracted from the ground, per Section 32.25-430.
 - (5) publication of newspapers, magazines, and other periodicals, per Section 32.25-435.
 - (6) rental, leasing, and licensing of real or tangible personal property, per Sections 32.25-445 or 32.25-450.
 - ~~(7)~~ restaurants and bars, per Section 32.25-455.
 - ~~(7)(8)~~ FOOD FOR HOME CONSUMPTION, PER SECTION 32.25-462.
 - ~~(8)(9)~~ telecommunications services, per Section 32.25-470.
 - ~~(9)(10)~~ utility services, per Section 32.25-480.
 - ~~(10)(11)~~ ~~(Reserved)~~WASTEWATER REMOVAL SERVICES, PER SECTION 32.25-485.
- (b) Distinction between construction contracting, retail, and certain direct customer service activities.

- (1) When an item is attached or installed on real property, it is a construction contracting activity and any subsequent repair, removal, or replacement of that item is construction contracting.
- (2) Items attached or installed on tangible personal property are retail sales.
- (3) Transactions where no tangible personal property is attached or installed are considered direct customer service activities (for example: carpet cleaning, lawn mowing, landscape maintenance).
- (4) Demolition, earth moving, and wrecking activities are considered construction contracting.
- (c) The sale of sand, rock, and gravel extracted from the ground shall be deemed a sale of tangible personal property and not mining or metallurgical activity.
- (d) Sale of consumable goods incorporated into or applied to real property is considered a retail sale and not construction contracting. Examples of consumable goods are lubricants, faucet washers, and air conditioning coolant, but not paint.
- (e) Installation or removal of tangible personal property which has independent functional utility is considered a retail activity.
 - (1) "Tangible personal property which has independent functional utility" must be able to substantially perform its function(s) without attachment to real property. "Attachment to real property" must include more than connection to water, power, gas, communication, or other service.
 - (2) Examples of tangible personal property which has independent functional utility include artwork, furnishings, "plug-in" kitchen equipment, or similar items installed by bolts or similar fastenings.
 - (3) Examples of tangible personal property which does not have independent functional utility include wall-to-wall carpeting, flooring, wallpaper, kitchen cabinets, or "built-in" dishwashers or ranges.
 - (4) The installation of window coverings (drapes, mini-blinds, etc.) is always a retail activity.