1. Town Council - Agenda

   Documents:

   2018_02_13_CC_RG_AG.PDF

2. Town Council - Packet

   Documents:

   2018_02_13_CC_RG_PK.PDF

3. Town Council - Packet Item 7c Proposed Tax Code Amendments

   Documents:

   ORD 18-843 TPT AMDTS - EXHIBIT BEING ADOPTED FINAL 1-30-18.PDF
Town of Chino Valley

MEETING NOTICE
TOWN COUNCIL

REGULAR MEETING
Tuesday, February 13, 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


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 Grittman and/or Town staff members regarding Town accomplishments, and current or upcoming projects.

c. Review of the impact from reducing the Manufactured Home Sales Tax Rate from 4% to 2%, effective March 1, 2017. (Joe Duffy, Finance Director)

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 approve Financial Report for the six months ending December 31, 2017. (Joe Duffy, Finance Director)

b. Consideration and possible action to accept the January 23, 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 direct staff to post and publish the notice of intent to increase admission fees for the Town of Chino Valley Aquatic Facility and the written report and data in support, pursuant to A.R.S. Section 9-499.15. (Scott Bruner, Community Services Director)

   Recommended Action: Direct staff to post and publish the Notice of Intent to Increase Admission Fees for the Town of Chino Valley Aquatic Facility and the written report and data in support, pursuant to A.R.S. Section 9-499.15.
b. Consideration and possible action to waive the bidding requirements and purchase an F350 Utility Service Truck with Crane, Bobcat Compact Track Loader with Mower, and an enclosed John Deere Utility Tractor with Mowers using cooperative purchase agreements with the City of Mesa, Arizona Mohave, and the Arizona State Bid List. (Frank Marbury, Public Works Director/Town Engineer)

**Recommended Action:** Waive the bidding requirements and approve the following cooperative purchases and agreements:

(i) From Berge Ford, an F350 Utility Service Truck with Crane for a total amount not to exceed $62,910.80, pursuant to a cooperative purchase bid by City of Mesa Contract 2016068, Amendment 1.

(ii) From Clark Equipment Co, dba Bobcat Company, a Bobcat Compact Track Loader with Mower compact track loader with mower and bucket for an amount not to exceed $52,290.20, pursuant to the Arizona State Contract #ADSP013-035802, May 7, 2019.

(iii) From Flagstaff Equipment Company, an enclosed John Deer 5115M utility tractor with mowers for an amount not to exceed $120,075.21, pursuant to a cooperative purchase bid by Arizona Mohave Contract 15G-DEER-0824 (PG 3V).

c. 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)

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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._

a. An executive session pursuant to A.R.S. & 38-431.03(A)(1) for discussion or consideration of employment, assignment, appointment, or salary of Town Manager, Cecilia Grittman. (Mayor and Council)

9. **ACTION ITEMS RESUMED**

_After the Executive Session, Council will reconvene the Regular Meeting._

10. **ADJOURNMENT**
Dated this 8th day of February, 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: __________________________

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Date: ___________________ Time: ___________________ By: ____________________________________

Jami C. Lewis, Town Clerk
AGENDA ITEM TITLE:
Proclamation declaring February 26-March 3, 2018 as "Stand With Me, Be Drug Free Week," sponsored by MatForce.

SITUATION & ANALYSIS:
N/A

Attachments
Proclamation
PROCLAMATION
Stand With Me, Be Drug Free Week
February 26–March 3, 2018

Whereas, MATFORCE has proclaimed February 26 to March 3, 2018 to be Stand With Me, Be Drug Free Week; and

Whereas, the Town of Chino Valley embraces a vision of a healthy, vibrant, and strong community for children, youth, families and people of all ages; and

Whereas, most citizens are not involved in substance abuse, the Town of Chino Valley recognizes that Stand With Me, Be Drug Free Week is an opportunity to acknowledge and celebrate these healthful citizens; and

Whereas, knowing that families are adversely affected by illegal drug use, including work problems, legal problems, mental health problems, physical illness, addiction, accidents, accidental death, economic loss, child abuse, destruction of families, driving while impaired, and crimes against persons and property; and

Whereas, the Town of Chino Valley would like to commend and pay tribute to all of its citizens who choose to be free of illegal drug use; and

Whereas, the Town of Chino Valley would like to especially commend the youngest of our citizens for not using alcohol, as 85% of 8th grade students, 69% of 10th grade students and 56% of 12th grade students DO NOT use alcohol; for not using marijuana, as 91% of 8th grade students, 79% of 10th grade students and 74% of 12th grade students DO NOT use marijuana; and for not abusing prescription drugs, as 94% of 8th grade students, 94% of 10th grade students and 95% of 12th grade students DO NOT abuse prescription drugs.

Now, Therefore, I, Darryl Croft, Mayor of the Town of Chino Valley, do hereby proclaim February 26 to March 3, 2018 to be Stand With Me, Be Drug Free Week, and encourage our citizens to participate in the celebration of a drug-free, healthy community by participating in the planned events, activities and displays.

In Witness Whereof, I have hereunto set my hand and caused the Seal of the Town of Chino Valley to be affixed this 13th day of February, 2018.

______________________________
Darryl L. Croft, Mayor

______________________________
ATTEST: Jami C. Lewis, Town Clerk
Town Council Regular Meeting

Meeting Date: 02/13/2018
Contact Person: Joe Duffy, Finance Director
Phone: 928-636-2646 x-1211
Department: Finance
Item Type: Report Only
Estimated length of staff presentation: 10 minutes
Physical location of item: N/A

AGENDA ITEM TITLE:
Review of the impact from reducing the Manufactured Home Sales Tax Rate from 4% to 2%, effective March 1, 2017.

RECOMMENDED ACTION:
No action required.

SITUATION AND ANALYSIS:

Issue Statement
On December 13, 2016 the Town of Chino Valley voted to reduce the sales tax rate from 4% to 2% on manufactured home sales within the community. The rate went into effect on March 1, 2017.

The Finance Director has prepared a presentation to update the Town Council on the impact of the change after reviewing the 2016 and 2017 sales tax collections.

Applicable “Policy”

Satisfaction of “Policy”

Summary of Issues and Staff Rationale

Findings of Fact

Fiscal Impact

Fiscal Impact?: N/A
If Yes, Budget Code:
Available:
Funding Source:

Attachments
Presentation
Manufactured Home Sales Tax
Town Council Update

Finance Department

January 13, 2017
Manufactured Home Sales Tax

- On December 13, 2016 the Town Council reduced the tax rate on Manufactured Homes from 4% to 2%

- The reduced tax rate went into effect on March 1, 2017
MAJOR TAX CATEGORIES - TOTAL COLLECTIONS

Retail +2.1%
Utilities/Comm +1.5%
Restaurant/Bar +8.3%
Contracting +38.6%
Lodging 10.2%
AGENDA ITEM TITLE:
Consideration and possible action to approve Financial Report for the six months ending December 31, 2017. (Joe Duffy, Finance Director)

RECOMMENDED ACTION:

SITUATION AND ANALYSIS:
The Finance Department prepares Financial Reports for the Mayor, Council, Staff and Community.

Upon Council approval, the reports will be posted on the Town's website.

The report includes the following sections:

Revenue and Expense Summary - This section details the Revenues and Expenditures of each fund. Comparing the year to date figures to the current year's annual budget and the prior year's month to date figures.

Major Revenue Summary - This section details the year to date figures for the Town's eight major revenue sources that account for 60% of the Town's Revenue.

Other Information - This section details other pertinent financial and statistical information including the Impact Fee Fund balance and the amount of General Fund Contingencies that have been allocated this fiscal year and a debt summary.

The Finance Director will supplement these reports with periodic presentations and other
information throughout the fiscal year.

<table>
<thead>
<tr>
<th>Fiscal Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Impact?: No</td>
</tr>
<tr>
<td>If Yes, Budget Code:</td>
</tr>
<tr>
<td>Available:</td>
</tr>
<tr>
<td>Funding Source:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Attachments</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017 Report</td>
</tr>
</tbody>
</table>
Town of Chino Valley
Arizona

Financial Report

To The Town Council

For the Six Months Ending December 31, 2017 50% of the Fiscal Year
# Town of Chino Valley

## Revenue and Expense Summary

For the Six Months Ending December 31, 2017 50% of the Fiscal Year

<table>
<thead>
<tr>
<th>General Fund Revenues by Category</th>
<th>Actual Year to Date FY 2016-17</th>
<th>Actual Year to Date FY 2017-18</th>
<th>% FY 2017-18/FY 2016-17</th>
<th>Annual Budget FY 2017-18</th>
<th>% of Budget YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise Taxes</td>
<td>$30,127</td>
<td>$35,084</td>
<td>$4,957</td>
<td>$123,000</td>
<td>29%</td>
</tr>
<tr>
<td>Tax Revenues</td>
<td>$2,093,123</td>
<td>$2,281,849</td>
<td>$188,726</td>
<td>$4,280,000</td>
<td>53%</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>$266,153</td>
<td>$315,956</td>
<td>$49,803</td>
<td>$407,000</td>
<td>78%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$1,532,687</td>
<td>$1,671,369</td>
<td>$138,682</td>
<td>$3,353,000</td>
<td>50%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$47,924</td>
<td>$43,513</td>
<td>$(4,411)</td>
<td>$124,000</td>
<td>35%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>$73,772</td>
<td>$74,233</td>
<td>$461</td>
<td>$162,000</td>
<td>46%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$494</td>
<td>$14,221</td>
<td>$13,727</td>
<td>$3,500</td>
<td>406%</td>
</tr>
<tr>
<td>Contributions and Donations</td>
<td>$2,405</td>
<td>$525</td>
<td>$(1,880)</td>
<td>$2,500</td>
<td>21%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$4,769</td>
<td>$13,082</td>
<td>$8,313</td>
<td>$10,000</td>
<td>131%</td>
</tr>
<tr>
<td>Transfers in</td>
<td>$125,000</td>
<td>$200,000</td>
<td>$75,000</td>
<td>$400,000</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$4,176,454</strong></td>
<td><strong>$4,649,832</strong></td>
<td><strong>473,378</strong></td>
<td><strong>$8,865,000</strong></td>
<td><strong>52%</strong></td>
</tr>
</tbody>
</table>

Total Revenues for the General Fund are up $473,378 or 11% over the previous fiscal year. Total Tax Revenues are up 9% primarily due to increased construction sales tax collections. Licenses and Permits are up 19% due to an increase in Building Permits and Plan Check Fees this fiscal year. Intergovernmental Revenues are up 9% inline with our budget projections. Overall Revenues are tracking slightly above our budget projections.
<table>
<thead>
<tr>
<th>General Fund Expenditures by Department</th>
<th>Actual Year to Date FY 2016-17</th>
<th>Actual Year to Date FY 2017-18</th>
<th>Amount</th>
<th>% FY 2017-18/ FY 2016-17</th>
<th>Annual Budget FY 2017-18</th>
<th>% of Budget YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prosecutor</td>
<td>$ 52,086</td>
<td>$ 51,623</td>
<td>$ (463)</td>
<td>-1%</td>
<td>$ 116,100</td>
<td>44%</td>
</tr>
<tr>
<td>Town Clerk</td>
<td>$ 104,869</td>
<td>$ 80,868</td>
<td>$ (24,001)</td>
<td>-23%</td>
<td>$ 193,800</td>
<td>42%</td>
</tr>
<tr>
<td>Town Manager</td>
<td>$ 254,291</td>
<td>$ 120,199</td>
<td>$ (134,092)</td>
<td>-53%</td>
<td>$ 313,000</td>
<td>38%</td>
</tr>
<tr>
<td>Human Recourses</td>
<td>$ 90,405</td>
<td>$ 99,253</td>
<td>$ 8,848</td>
<td>10%</td>
<td>$ 233,000</td>
<td>43%</td>
</tr>
<tr>
<td>Municipal Court</td>
<td>$ 124,548</td>
<td>$ 126,938</td>
<td>$ 2,390</td>
<td>2%</td>
<td>$ 279,400</td>
<td>45%</td>
</tr>
<tr>
<td>Finance</td>
<td>$ 190,294</td>
<td>$ 202,105</td>
<td>$ 11,811</td>
<td>6%</td>
<td>$ 356,200</td>
<td>57%</td>
</tr>
<tr>
<td>Management Information System</td>
<td>$ 110,359</td>
<td>$ 103,142</td>
<td>$ (7,217)</td>
<td>-7%</td>
<td>$ 285,400</td>
<td>36%</td>
</tr>
<tr>
<td>Mayor and Council</td>
<td>$ 14,090</td>
<td>$ 17,175</td>
<td>$ 3,085</td>
<td>22%</td>
<td>$ 40,700</td>
<td>42%</td>
</tr>
<tr>
<td>Planning</td>
<td>$ 80,989</td>
<td>$ 81,100</td>
<td>$ 111</td>
<td>0%</td>
<td>$ 208,500</td>
<td>39%</td>
</tr>
<tr>
<td>Building Inspection</td>
<td>$ 83,293</td>
<td>$ 87,332</td>
<td>$ 4,039</td>
<td>5%</td>
<td>$ 186,700</td>
<td>47%</td>
</tr>
<tr>
<td>Police</td>
<td>$ 1,336,680</td>
<td>$ 1,559,331</td>
<td>$ 222,651</td>
<td>17%</td>
<td>$ 3,174,200</td>
<td>49%</td>
</tr>
<tr>
<td>Animal Control</td>
<td>$ 52,732</td>
<td>$ 55,118</td>
<td>$ 2,386</td>
<td>5%</td>
<td>$ 129,100</td>
<td>43%</td>
</tr>
<tr>
<td>Recreation</td>
<td>$ 56,502</td>
<td>$ 67,572</td>
<td>$ 11,070</td>
<td>20%</td>
<td>$ 112,700</td>
<td>60%</td>
</tr>
<tr>
<td>Library</td>
<td>$ 149,149</td>
<td>$ 155,483</td>
<td>$ 6,334</td>
<td>4%</td>
<td>$ 329,700</td>
<td>47%</td>
</tr>
<tr>
<td>Senior Center</td>
<td>$ 121,124</td>
<td>$ 151,143</td>
<td>$ 30,019</td>
<td>25%</td>
<td>$ 317,400</td>
<td>48%</td>
</tr>
<tr>
<td>Parks Maintenance</td>
<td>$ 225,533</td>
<td>$ 265,253</td>
<td>$ 39,720</td>
<td>18%</td>
<td>$ 430,300</td>
<td>62%</td>
</tr>
<tr>
<td>Aquatic Center</td>
<td>$ 114,849</td>
<td>$ 122,668</td>
<td>$ 7,819</td>
<td>7%</td>
<td>$ 215,800</td>
<td>57%</td>
</tr>
<tr>
<td>Facilities Maintenance</td>
<td>$ 170,829</td>
<td>$ 169,870</td>
<td>$ (959)</td>
<td>-1%</td>
<td>$ 422,100</td>
<td>40%</td>
</tr>
<tr>
<td>Fleet Maintenance</td>
<td>$ 124,666</td>
<td>$ 105,032</td>
<td>$ (19,634)</td>
<td>-16%</td>
<td>$ 279,200</td>
<td>38%</td>
</tr>
<tr>
<td>Engineering</td>
<td>$ (49,036)</td>
<td>$ 151,095</td>
<td>$ 200,131</td>
<td>-408%</td>
<td>$ 216,500</td>
<td>70%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>$ 55,884</td>
<td>$ 85,538</td>
<td>$ 29,654</td>
<td>36%</td>
<td>$ 237,600</td>
<td>36%</td>
</tr>
<tr>
<td>Non Departmental</td>
<td>$ 637,288</td>
<td>$ 385,568</td>
<td>$ (251,720)</td>
<td>-39%</td>
<td>$ 1,127,500</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$ 4,101,424</strong></td>
<td><strong>$ 4,243,406</strong></td>
<td><strong>$ 141,982</strong></td>
<td>3%</td>
<td><strong>$ 9,204,900</strong></td>
<td><strong>46%</strong></td>
</tr>
</tbody>
</table>

Total Revenue Over (Under)

| Total Expenditures | $ 75,030 | $ 406,426 | $ 331,396 | $ (339,900) |

**GENERAL FUND (Continued)**

Total General Fund Expenditures are up $141,982 or 3% compared to last fiscal year. Through December each departments total expenditures should be less than 50% of their annual budget. Finance is over due to the timing of the annual audit expense payment. Recreation and Parks Maintenance are over due to the expenses related to the Chino Mudder and watering the fields during the summer months. Engineering is up due to not being able to charge the overhead costs to the HURF Fund as budgeted. This will cause the Engineering Department to be over budget this fiscal year. In total the General Fund Departments are at 46% of their budget through December 31, 2017.
# Town of Chino Valley
## Revenue and Expense Summary
For the Six Months Ending December 31, 2017 50% of the Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>Actual Year to Date FY 2016-17</th>
<th>Actual Year to Date FY 2017-18</th>
<th>Actual vs Prior Year</th>
<th>Annual Budget FY 2017-18</th>
<th>% of Budget YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHWAY USER REVENUE FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 473,902</td>
<td>$ 547,208</td>
<td>$ 73,306</td>
<td>15%</td>
<td>$ 998,000</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Maintenance</td>
<td>$ 472,276</td>
<td>$ 527,386</td>
<td>$ 55,110</td>
<td>12%</td>
<td>$ 1,094,900</td>
</tr>
<tr>
<td><strong>Total Revenue Over (Under)</strong></td>
<td>$ 1,626</td>
<td>$ 19,822</td>
<td>$ 18,196</td>
<td></td>
<td>($ 96,900)</td>
</tr>
</tbody>
</table>

Total Fund Revenues are up 15% over the prior fiscal year due to the budgeted increase in HURF fund distributions. Expenditures are up 12% due to the additional chip seal projects completed this fiscal year. Overall the department expenditures are at 48% Year to date.

| **WATER ENTERPRISE FUND**          |                                 |                                 |                      |                          |                 |
|-------------------------------------|---------------------------------|---------------------------------|----------------------|--------------------------|                 |
| Water Revenues                      | $ 276,174                       | $ 417,229                       | $ 141,055            |                          | $ 2,665,600     |                 |
| Transfers In                        | $ 37,500                        | $ 12,500                        | $ (25,000)           |                          | $ 25,000        |                 |
| **Total Revenues**                  | $ 313,674                       | $ 429,729                       | $ 116,055            | 37%                      | $ 2,690,600     | 16%             |
| Expenditures                        |                                 |                                 |                      |                          |                 |                 |
| Water Utility Operations            | $ 241,844                       | $ 238,747                       | $ (3,097)            |                          | $ 561,300       |                 |
| Debt Service/Reserve                | $ -                             | $ 10,831                        | $ 10,831             |                          | $ 2,071,700     |                 |
| **Total Expenditures**              | $ 241,844                       | $ 249,578                       | $ 7,734              | 3%                       | $ 2,633,000     | 9%              |
| **Total Revenue Over (Under)**      | $ 71,830                        | $ 180,151                       | $ 108,321            |                          | $ 57,600        |                 |

Total Water Enterprise Fund Revenues are up 37% due to a 29% increase in water service fees and a 106% jump in water buy in fees. Total Expenditures are up 3% this fiscal year.

| **SEWER ENTERPRISE FUND**           |                                 |                                 |                      |                          |                 |
|-------------------------------------|---------------------------------|---------------------------------|----------------------|--------------------------|                 |
| Total Revenue                       | $ 856,432                       | $ 1,261,778                     | $ 405,346            | 47%                      | $ 2,365,000     | 53%             |
| Expenditures                        |                                 |                                 |                      |                          |                 |                 |
| Sewer                               | $ 708,530                       | $ 393,532                       | $ (314,998)          |                          | $ 893,200       |                 |
| Debt Service/Reserve/Capital        | $ 143,912                       | $ 9,288                         | $ (134,624)          |                          | $ 1,447,000     |                 |
| **Total Expenditures**              | $ 852,442                       | $ 402,820                       | $ (449,622)          | -53%                     | $ 2,340,200     | 17%             |
| **Total Revenue Over (Under)**      | $ 3,990                         | $ 858,958                       | $ 854,968            |                          | $ 24,800        |                 |

Total Sewer Enterprise Fund Revenues are up 47% over last fiscal year. Sewer Buy In fees are up significantly due to a commercial development connecting and strong residential construction. Sewer Service Fees are up 10%. Expenses are down 53% due completing the major plant repairs last fiscal year and the timing of the debt service payments.
<table>
<thead>
<tr>
<th></th>
<th>Actual Year to Date FY 2016-17</th>
<th>Actual Year to Date FY 2017-18</th>
<th>% FY 2017-18 / FY 2016-17</th>
<th>Annual Budget FY 2017-18</th>
<th>% of Budget YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL IMPROVEMENT FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 697,707</td>
<td>$ 760,617</td>
<td>$ 62,910</td>
<td>$ 4,013,900</td>
<td>19%</td>
</tr>
<tr>
<td>Yavapai Drainage District</td>
<td>$ 21,737</td>
<td>$</td>
<td>(21,737)</td>
<td>$ 110,000</td>
<td></td>
</tr>
<tr>
<td>Road Impact Fees</td>
<td>$ -</td>
<td>$</td>
<td></td>
<td>$ 498,000</td>
<td></td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>$ 657</td>
<td>$ 99,389</td>
<td>$ 98,732</td>
<td>$ 2,881,500</td>
<td></td>
</tr>
<tr>
<td>Equipment Acquisition</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 615,000</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>$ 526,000</td>
<td>$ 561,500</td>
<td>$ 35,500</td>
<td>$ 1,123,000</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$ 526,657</td>
<td>$ 660,889</td>
<td>$ 134,232</td>
<td>$ 4,619,500</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total Revenue Over (Under)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$ 192,787</td>
<td>$ 99,728</td>
<td>(93,059)</td>
<td>$ 2,400</td>
<td></td>
</tr>
</tbody>
</table>

Capital Improvement Fund Tax Revenues are up 9% over the prior fiscal year primarily due to an increase in construction sales tax collections. Capital Improvements and Transfers up slightly in line with the amount budgeted this fiscal year.
Town of Chino Valley
Revenue and Expense Summary
For the Six Months Ending December 31, 2017 50% of the Fiscal Year

<table>
<thead>
<tr>
<th>OTHER MINOR FUNDS</th>
<th>Actual Year to Date FY 2016-17</th>
<th>Actual Year to Date FY 2017-18</th>
<th>% FY 2017-18/ FY 2016-17</th>
<th>Annual Budget FY 2017-18</th>
<th>% of Budget YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG Grant</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 3,500,000</td>
<td>37%</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>$ 26,217</td>
<td>$ 1,281,182</td>
<td>$ 1,254,965</td>
<td>$ 14,500</td>
<td></td>
</tr>
<tr>
<td>Special Revenue Fund Court</td>
<td>$ 11,451</td>
<td>$ 17,360</td>
<td>$ 5,909</td>
<td>$ 11,000</td>
<td></td>
</tr>
<tr>
<td>Capital Asset Replacement</td>
<td>$ 5,882</td>
<td>$ 1,002</td>
<td>$ (4,880)</td>
<td>$ 55,000</td>
<td></td>
</tr>
<tr>
<td>Parks/Rec Impact Fee Funds</td>
<td>$ 29</td>
<td>$ 92</td>
<td>$ 63</td>
<td>$ 4,000</td>
<td></td>
</tr>
<tr>
<td>Roads Impact Fee Funds</td>
<td>$ 695</td>
<td>$ 2,236</td>
<td>$ 1,541</td>
<td>$ 38,500</td>
<td></td>
</tr>
<tr>
<td>Special Revenue Fund PD</td>
<td>$ 35,338</td>
<td>$ 19,314</td>
<td>$ (16,024)</td>
<td>$ 498,000</td>
<td></td>
</tr>
<tr>
<td>CVSLID Districts</td>
<td>$ 2,121</td>
<td>$ 2,130</td>
<td>$ 9</td>
<td>$ 4,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 81,733</td>
<td>$ 1,323,316</td>
<td>$ 1,241,583</td>
<td>$ 3,584,500</td>
<td></td>
</tr>
</tbody>
</table>

| TOTAL ALL FUNDS | Total Revenue All Funds | $ 6,599,902 | $ 8,972,480 | $ 2,372,578 | 36% | $ 22,517,000 | 40% |
|                | Total Expenditures All Funds | $ 6,390,762 | $ 7,114,986 | $ 724,224 | 11% | $ 24,098,000 | 30% |
|                | Total Revenue Over (Under) | $ 209,140 | $ 1,857,494 | $ 1,648,354 | ($1,581,000) |

(1) Budget does not include Carryover Amounts from Prior Fiscal Years
(2) Year to date amounts include actual expenditures paid to date.
The Major Revenues are up $386,136 or 7% over the prior fiscal year slightly exceeding the budget projections. Town Sales Tax Retail is up 8% this fiscal year. Water Service Fees are up 29% and Sewer Service Fees are up 10%. Total combined revenue for all funds is up 36% or $2,372,578 over last fiscal year primarily due to the EDA Old Home Manor grant.
# Impact Fee Fund Recaps

For the Six Months Ending December 31, 2017 50% of the Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>Parks/Rec Impact Fees</th>
<th>Roads Impact Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance @ 6/30/17</td>
<td>$18,412</td>
<td>$504,987</td>
</tr>
<tr>
<td>Impact Fees Revenue to Date</td>
<td>$92</td>
<td>$2,236</td>
</tr>
<tr>
<td>Impact Fees Expenditures to Date</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Ending Fund Balance to Date</td>
<td>$18,504</td>
<td>$507,223</td>
</tr>
<tr>
<td>Budgeted Expenditures FY 17/18</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

## Contingency Funds Budget

For the Six Months Ending December 31, 2017 50% of the Fiscal Year

<table>
<thead>
<tr>
<th></th>
<th>Actual Year to Date FY 2017-18</th>
<th>Annual Budget FY 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Budget</td>
<td>$</td>
<td>$440,000</td>
</tr>
<tr>
<td>Paving Police Parking Lot</td>
<td>$22,004</td>
<td></td>
</tr>
<tr>
<td>Engineering/HURF Fund Adjust.</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>General Fund Balance</td>
<td>$122,004</td>
<td>$440,000</td>
</tr>
<tr>
<td>HURF Fund Budget</td>
<td>$</td>
<td>$47,000</td>
</tr>
<tr>
<td>Water Fund Budget</td>
<td>$</td>
<td>$28,000</td>
</tr>
<tr>
<td>Sewer Fund Budget</td>
<td>$</td>
<td>$45,000</td>
</tr>
<tr>
<td>Total Contingency Fund</td>
<td>$</td>
<td>$560,000</td>
</tr>
</tbody>
</table>

## Town of Chino Valley

### Annual Debt Service Summary By Fund

**Fiscal Year Ended June 30, 2018**

<table>
<thead>
<tr>
<th>Debt Issue</th>
<th>Date Issued</th>
<th>Original Amount</th>
<th>Outstanding Amount as of June 30, 2017</th>
<th>FY 2018 Principal</th>
<th>FY 2018 Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Bank GADA Refi</td>
<td>7/1/2016</td>
<td>$3,346,000</td>
<td>$3,346,000</td>
<td>$309,000</td>
<td>$54,290</td>
</tr>
<tr>
<td>US Bank Series 2010</td>
<td>12/15/2010</td>
<td>$7,280,000</td>
<td>$7,280,000</td>
<td>$331,637</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,626,000</td>
<td>$10,626,000</td>
<td>$309,000</td>
<td>$385,927</td>
</tr>
<tr>
<td><strong>Water Enterprise Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Bank Series 2010</td>
<td>12/15/2010</td>
<td>$745,000</td>
<td>$520,000</td>
<td>$50,000</td>
<td>$21,662</td>
</tr>
<tr>
<td><strong>Sewer Enterprise Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIFA 2007</td>
<td>1/10/2007</td>
<td>$1,580,000</td>
<td>$932,369</td>
<td>$82,242</td>
<td>$23,447</td>
</tr>
<tr>
<td>WIFA 2008</td>
<td>1/11/2008</td>
<td>$4,653,000</td>
<td>$3,247,075</td>
<td>$255,957</td>
<td>$84,170</td>
</tr>
<tr>
<td>WIFA 2014</td>
<td>12/30/2014</td>
<td>$2,963,671</td>
<td>$2,717,515</td>
<td>$126,801</td>
<td>$52,073</td>
</tr>
<tr>
<td>WIFA 2016</td>
<td>11/23/2015</td>
<td>$50,354</td>
<td>$40,492</td>
<td>$9,965</td>
<td>$320</td>
</tr>
<tr>
<td>WIFA 2017</td>
<td>2/27/2017</td>
<td>$327,500</td>
<td>$327,500</td>
<td>$12,450</td>
<td>$7,618</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$14,034,171</td>
<td>$11,374,416</td>
<td>$641,116</td>
<td>$260,352</td>
</tr>
<tr>
<td><strong>Total Town of Chino Valley Debt</strong></td>
<td></td>
<td>$25,405,171</td>
<td>$22,520,416</td>
<td>$1,000,116</td>
<td>$687,941</td>
</tr>
</tbody>
</table>
AGENDA ITEM TITLE:
Consideration and possible action to accept the January 23, 2018 regular meeting minutes. (Jami Lewis, Town Clerk)

RECOMMENDED ACTION:
Accept the January 23, 2018 regular meeting minutes.

Attachments

January 23, 2018 minutes
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 23, 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 Grittman; Town Attorney Phyllis Smiley (via conference phone); Finance Director Joe Duffy; Police Lieutenant Vince Schaan; Public Works Director/Town Engineer Frank Marbury; Development Services Director Jason Sanks; Associate Planner Alex Lerma; Administrative GIS Technician Celia van der Molen; Community Services Director Scott Bruner; 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 6:01 p.m. and led the Pledge of Allegiance.

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.

Phil Bourdon, County Administrator, reported that the Board of Supervisors was asking the public to consider extending the existing $0.25 sales tax that funded 48% of the county jail’s $8.8 million budget. The tax was originally approved by the voters in 1999 and will expire in 2020. The measure will be on a May special election, vote-by-mail ballot.

Captain Jeff Newnam, Jail Administrator, spoke about jail operations, inmate population, programs to reduce recidivism, operations costs, and the various funding sources.

Craig Brown, District 4 Supervisor, reiterated that this was not a new tax or for a new jail, but to retain the status quo, and he spoke about the impacts to county communities should the measure not pass.

Mayor Croft read the proclamation.

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.

Mayor Croft reported on the inaugural “Coffee with the Mayor and Manager” at which most of the citizen feedback pertained to roads and trash trucks. He also reported on the upcoming Citizen’s Academy, starting in March.

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

Ms. Grittman reported on:
- January work anniversaries;
- The Town offering additional community outreach on topics brought up during Coffees with the Mayor and Manager;
- An upcoming agenda item related to Aquatics Center fee updates and schedule changes; and
- Two recent area tragedies occurring in the area, outside Town limits, in which Town police assisted.

Town Engineer Marbury reported on:
- **Estimated available funds**: $300,000-$350,000, mostly from High User Revenue Funds;
- **Proposed streets**: N. Reed Road from Road 3 North to Road 4 North; W. Road 4 North from Reed Road to Road 1 West; intersection of E. Road 3 North and N. Road 1 East; E. Road 1 North from SR 89 to N. Road 1 East; Outer Loop from SR 89 to S. Johnson Lane; and Jerome Junction from Gavin Court to south of Rodeo Drive.
- **Bid/Timeline**: The town may need to put out its own bid for a construction in the spring.

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 the January 9, 2018 minutes.

**Vote**: 7 - 0 PASSED - Unanimously

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.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Cloyce Kelly to open the public hearing.

**Vote**: 7 - 0 PASSED - Unanimously

No one from the public spoke.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Cloyce Kelly to
close the public hearing.

Vote: 7 - 0 PASSED - Unanimously

Council had no comments.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Cloyce Kelly to approve the acquisition of control for the existing series 12 and change of ownership.

Vote: 7 - 0 PASSED - Unanimously

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.

Mr. Lerma presented this item:

- **Current uses:** A motel was on the front portion of the property and 14 RV units were in back.
- **History:** The Primrose Inn opened in 1942. During the 1980s, two mobile homes were allowed as single-family residences. In 1994, Council approved a rezone from residential to commercial. In 2000 and 2005, Council approved and continued a CUP for 10 RV spaces. In 2009, an issue arose about four RV spaces outside the approved RV park. After researching the matter, the Town concluded that: (i) the two mobile homes were legal non-conforming uses, as they had been present before the 1984 Zoning Code; and (ii) four RV spaces were also legal non-conforming uses and that no more than 14 RV spaces would be allowed.
- **Current request:** The 2005 CUP expired in 2015. Subsequently, ownership of the property changed and the new owners were unaware of the CUP. Staff contacted them and they have applied for a new CUP to approve the 14 RV spaces, plus 8 new spaces. This CUP will dover the legal non-conforming spaces.
- **Conformance:** The request was in conformance with the General Plan land use designation and current zoning.
- **Citizen review:** The only comment was to request that the owner extend fencing to the rear of the property.
- **Recommendation:** Staff and the Planning and Zoning Commission (“Commission”) recommended approval with five conditions related to application of an Encroachment Permit and driveway improvements per ADOT; upgrading the septic system per County Environmental; and fencing as a buffer to adjacent properties.

Council asked about UDO regulations related to RV lengths of stay. Tim Hendrickson, agent, related that people could stay as short as overnight to as long as many months and he was unaware of any code that regulated that. Town Manager Grittman clarified that
there were different regulations for RVs on residential properties than those in an RV park.

Mr. Hendrickson added that the owners had done a lot to improve the property and they agreed with the stipulations. They were also asking for a perpetual use permit, since conditional use limits created a hardship with banks. Development Services Director Sanks reported that due to the use’s longevity and the owners’ conformance with the code, staff felt an expiration date was not necessary.

Vice-Mayor Turner acknowledged the current owners for their upkeep and renovations.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Jack Miller to approve a Conditional Use Permit (CUP) to allow a 22-unit RV Park for Primrose Inn and RV with the conditions as presented and discussed, with the addition that this will have no expiration date.

Vote: 7 - 0 PASSED - Unanimously

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.

Mr. Sanks presented this item:

- **Conformance:** The proposed sign met the sign regulations in the Unified Development Ordinance (UDO). Although the sign itself would be taller than the allowed 12-foot maximum, it still met the requirements due to a three-foot offset by the grade.
- **Unique conditions:** As there was some concern about brightness and glare, the applicant agreed to work with staff to mitigate issues if brightness was found to be a nuisance.
- **Recommendation:** Staff and the Commission recommended conditions to control brightness and glare, and match ADOT regulations relative to distraction from message changes, transitions, and messages. The Commission also made a recommendation with regard to the white panel, but the town attorney believed that could not be legally attached to the CUP.

Council pointed out that Olsen’s was on Road 1 South, not Road 1 North, as noted in the agenda item title and asked about the necessity of obtaining a CUP for a sign. Mr. Sanks related that electrical message panels were usually under lots of restrictions, but those could be written into the Code so that approval would not require Council action. Councilmember Mendoza asked staff to look into that during the UDO rewrite.
MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Jack Miller to approve a Conditional Use Permit for the proposed electrical display for Olsen's Grain, subject to the conditions as presented and discussed.

**Vote:** 7 - 0 PASSED - Unanimously

Mayor Croft recessed the meeting at 7:09 p.m. and reconvened it at 7:14 p.m.

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.

Mr. Duffy presented this item:
- **History:** Council last adopted a rate increase schedule in 2013, approved freezing sewer rates in 2016, and modified the rate schedule to clarify how rates were applied to multi-family developments in 2017.
- **Rate study:** The study addressed the water and wastewater systems’ current financial condition and projections; water and wastewater buy-in fees; and rate comparisons with other entities in the state.
- **Options:** Three options for water included (i) no rate increase; (ii) 3% increase each year for five years; or (iii) 5% increase for five years. Three options for wastewater were (i) no rate increase; (ii) 3% increase each year for five years; or (iii) a $2.00 or 3% one-time rate decrease. The decrease was suggested as a one-time action because decreases did not need to go through this process and Council could review it each year.
- **Process:** Upon Council approval of the Notice of Intent, a public review, formal presentation, public hearing, and Council decision will follow.

Council had no comments.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Jack Miller to 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.

**Vote:** 7 - 0 PASSED - Unanimously
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.

Mr. Marbury presented this item:

- **CDBG history:** The Town was allocated CDBG funds every four years. Previous projects included Head Start, Food Bank, and Health buildings; sewer and flood prevention projects; and four years ago, paving a portion of dirt roads in Chino Meadows subdivision.
- **Proposed project:** The Town proposed to complete the Chino Meadows V paving project as much as possible.
- **CDBG process:** The first public hearing, at which the public and the Town were allowed to propose projects, was held December 11. Only the Town proposed a project. The grant will be awarded in late spring/early summer, with construction in spring/summer 2019.
- **Funding:** As this cycle’s estimate was $321,357 and the engineer’s estimate was $380,000, staff might ask the Town to contribute some funds, and he will include language in the contract to allow addition or removal of certain streets. In addition to the CDBG funds, he will have Town crews place a gravel base with $20,000-$40,000 of Town funds, which was also done in 2014.
- **Latest update:** Even though Cottonwood Lane did not qualify for CDBG, staff learned today that it could still be included in the project.

Isabel Rollins with NACOG, Northern Arizona CDBG funds administrator, reported that staff did a good job with the proposal, the income survey had just completed, and everything was good to go.

MOVED by Vice-Mayor Turner, seconded by Councilmember Cloyce Kelley to hold a public hearing.
**Vote:** 7 - 0 PASSED - Unanimously

No one from the public spoke.

MOVED by Vice-Mayor Turner, seconded by Councilmember Cloyce Kelley to close the public hearing.
**Vote:** 7 - 0 PASSED - Unanimously

Council had no comments.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Annie Lane to approve the Chino Meadows 5 paving project as the Town's selected project for 2018 CDBG funding.
**Vote:** 7 - 0 PASSED - Unanimously
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.

Mr. Guest reviewed the proposed plan, which was drafted (i) to align technology purchases with Town goals and objectives; (ii) due to the expense of technology and setting priorities; and (iii) to facilitate efficient and effective decisions. He presented an overview of the proposed plan. Key points were:

- The plan, a living document, covered 2018 to 2027, and included the Town’s IT history and environment today; issues, limitations experienced, and pitfalls; as well as how current IT trends impacted decisions and selection.
- The plan provided for the establishment of a tech review committee, initiative request guidelines, and initiative prioritization; review and selection suggestions to get the right tool for the job; and revisions every five to ten years as necessary.
- The plan outlined continual projects, short-, mid-, and long-range projects, implementation schedule, and project descriptions and details, along with rough purchase estimates and ongoing support costs.

Council asked about the eliminating the Town’s CableOne connection to reduce costs. Mr. Guest and Town Manager Grittman related that they would prefer that too, but staff was concerned about data integrity and was unaware of any other way for the Town facilities to be connected at this time. However, staff will revisit this matter if options got better.

Council expressed support for the plan.

MOVED by Vice-Mayor Lon Turner, seconded by Councilmember Jack Miller to approve the Town of Chino Valley Technology Plan.

Vote: 7 - 0 PASSED - Unanimously

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.

Mayor Croft reported that staff was recommending that this item be postponed to next meeting as the town attorney had some changes.
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 Cloyce Kelly, seconded by Councilmember Annie Lane to adjourn at 7:45 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 23rd day of January, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 13th day of February, 2018.

______________________________
Jami C. Lewis, Town Clerk
Town Council Regular Meeting

Meeting Date: 02/13/2018
Contact Person: Scott Bruner, Community Services Director
Phone: 928-636-2687 x-1237
Department: Community Services
Item Type: Action-Presentation
Estimated length of staff presentation: 5 minutes
Physical location of item: 1615 North Road 1 East

AGENDA ITEM TITLE:
Consideration and possible action to direct staff to post and publish the notice of intent to increase admission fees for the Town of Chino Valley Aquatic Facility and the written report and data in support, pursuant to A.R.S. Section 9-499.15.

RECOMMENDED ACTION:
Direct staff to post and publish the Notice of Intent to Increase Admission Fees for the Town of Chino Valley Aquatic Facility and the written report and data in support, pursuant to A.R.S. Section 9-499.15.

SITUATION AND ANALYSIS:
Issue Statement
If a municipality proposes to levy or assess or change a tax or fee the municipality shall comply with A.R.S. § 9-499.15. The attached Arizona Revised Statute, A.R.S. § 9-499.15 sets forth the procedure the Town must follow to establish or increase fees.

The Town has prepared a Notice of Intent and an Aquatic Center Rate Study to document the need for a rate increase. The study reviews the current user fees, the past financial performance of the Aquatic Center, and the projected financial performance with the proposed rate increase.

The notice of intent and rate study will be posted on the Town's website for 60 days prior to the matter coming back to Council for approval, as required by A.R.S. Section 9-499.15. The fee increases will be on Council's regular meeting agenda for approval on April 24, 2018 and, if approved, will be in effect when the pool opens for the 2018 season.
Satisfaction of “Policy”

Summary of Issues and Staff Rationale
Historically, the Aquatic facility has been open from Memorial Day weekend until the first weekend after the start of the fall school year. The facility has always operated with multiple non-consecutive open swim sessions that were 3 to 5 hours in duration. During the past 5 years of operation an aquatic industry trend has been to group similar activities together to accomplish several goals: improve facility safety, increase operational efficiency, increase revenues and decrease expenditures. Responding to this trend, the Aquatic Facility Management reviewed and reconfigured the then existing operational schedule relative to the new operational methodology. This approach resulted in several improvements which include: Safety with regards to appropriate staffing levels in relation to attendance; as well as water quality.

Fiscal Impact

Fiscal Impact?: $22,934.81
If Yes, Budget Code: 01-69-5109
Available:
Funding Source:

Attachments
ARS 9-499.15
Notice of Intent
Rate Study 2018
A municipality may not levy or assess any new taxes or fees or increase existing taxes or fees pursuant to statute on a business without complying with this section.

A municipality that proposes to levy or assess a tax or fee shall:

1. Prepare a schedule of the proposed new or increased tax or fee that includes the amount of the tax or fee and a written report or data that supports the new or increased tax or fee. A copy of the report or data shall be filed in the office of the clerk of the municipality.

2. If the imposition of the proposed tax or fee is a new charge, provide written notice of the proposed charge, the schedule of the proposed new charge and the written report or data that supports the new charge on the home page of the municipality's website at least sixty days before the date the proposed new tax or fee is approved or disapproved by the governing body of the municipality.

3. If the municipality proposes to increase the rate of an existing tax or fee on a business, provide written notice of the proposed increase, the schedule of the proposed increased tax or fee and the written report or data that supports the proposed increased tax or fee on the home page of the municipality's website at least sixty days before the date the proposed new rate is approved or disapproved by the governing body of the municipality.

4. Prepare a notice of intent to establish or increase taxes, assessments or fees including assessments pursuant to section 48-572, subsection B, paragraph 1. The notice of intent shall include the date, time and place of the meeting of the governing body of the municipality in which the proposed new or increased tax or fee will be considered and a statement that a schedule of the proposed new or increased tax or fee that includes the amount of the tax or fee and a written report or data that supports the new or increased tax or fee is available on the municipality's website. The notice of intent shall be posted on the municipality's website at least fifteen days before the date the proposed new or increased tax or fee will be approved or disapproved by the governing body of the municipality. If the municipality uses social media or other electronic communication tools, the notice of intent shall be distributed through the municipality's social media accounts or other electronic communication tools.

C. All departments, boards or other subdivisions of a municipality that are authorized to establish or modify taxes or fees shall follow the notice requirements prescribed in subsection B of this section before the date of the entity's consideration of the new or increased tax or fee.

D. Technological issues that either prevent the posting of the notice on the municipality's website or distribution of the notice through social media or other electronic communication tools does not preclude the governing body of the municipality from approving or disapproving the new or increased tax or fee at the meeting provided on the notice of intent.

E. A municipality shall demonstrate that the taxes or fees are imposed pursuant to statute.

F. Subsections A and B of this section do not apply to:

1. Any fee adopted pursuant to section 9-463.05.

2. Water and wastewater rates or rate components.
3. Fees for registration-based classes, programs or activities provided by the municipality.

4. Court fees established pursuant to state law.

5. Fees or charges established pursuant to federal law for public housing or other federally funded programs.

6. Other fees whose amounts are set by state or federal law.

G. If information is made available relating to the fees provided in subsection F of this section, that information shall be posted on the municipality’s website and, if the municipality uses social media or other electronic communication tools, distributed through social media or other electronic communication tools.

H. In addition to any other limitation that may be imposed by law, a municipality shall not levy or impose an assessment, fee or tax on hospital revenues, discharges, beds or services for the purpose of receiving services or payments pursuant to title 36, chapter 29.
TOWN OF CHINO VALLEY, ARIZONA
PUBLIC NOTICE

NOTICE OF INTENT TO INCREASE ADMISSION FEES FOR THE
CHINO VALLEY AQUATIC CENTER
PURSUANT TO A.R.S. § 9-499.15

The Town of Chino Valley intends to increase admission fees for the Chino Valley Aquatic Center and provides this written notice of the proposed new and increased fees pursuant to A.R.S. § 9-499.15.

The following rates are proposed:

<table>
<thead>
<tr>
<th>Town of Chino Valley Aquatic Center Fee Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Use</td>
</tr>
<tr>
<td>Current Fees</td>
</tr>
<tr>
<td>Ages 0-2 Child</td>
</tr>
<tr>
<td>Ages 3-17 Child</td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
</tr>
</tbody>
</table>

| Season Passes                                      |
| Current Fees | Proposed 2018 Season | Proposed 2019 Season | Proposed 2020 Season |
| Ages 0-2 Child | $0.00 | $0.00 | $0.00 |
| Ages 3-17 Child | $85.00 | $90.00 | $100.00 |
| Ages 0-5 Child | $45.00 | n/a | n/a | n/a |
| Ages 6-17 Youth | $85.00 | n/a | n/a | n/a |
| Ages 18-54 Adult | $130.00 | $140.00 | $150.00 | $160.00 |
| Ages 55 & Older | $95.00 | $85.00 | $90.00 | $100.00 |
| Family - 5 immediate Family Members | $200.00 | $225.00 | $225.00 | $250.00 |
| Family - Additional | $20.00 | $25.00 | $25.00 | $30.00 |

| Learn to Swim                                      |
| Youth 8 sessions, 30 minutes | $45.00 | $45.00 | $50.00 | $55.00 |
| Adult 4 sessions, 1 hour | $45.00 | $45.00 | $50.00 | $55.00 |
| Fitness Program Lessons - 9 sessions 1 hour | $45.00 | $45.00 | $50.00 | $55.00 |
| Private Lessons - 9 Session 1 hour | $20.00 | $20.00 | $25.00 | $30.00 |

| Aquatic Facility Rental                            |
| Aquatic Facility, 2 hour minimum, 1 - 200 guests | $140.00 | $150.00 | $160.00 | $170.00 |
| Lifeguards, minimum 3, 2 hour minimum 1 - 200 guests | $72.00 | $80.00 | $90.00 | $100.00 |
| Aquatic Facility, 2 hour minimum, 201-400 guests | $140.00 | n/a* | n/a* | n/a* |
| Lifeguards, minimum 3, 2 hour minimum 201-400 guests | $96.00 | $130.00 | $150.00 | $170.00 |
| Slide Rental | $30.00 | $40.00 | $50.00 | $60.00 |

*Aquatic Facility Rental is 2 hour minimum regardless of number of guests
** change to 5 guards 200-400 guests

2901737.1
The written report and data supporting the increase in fees is posted concurrently with this Notice of the Town's home page.

The Chino Valley Town Council will consider approving these proposed rates at its regular council meeting to be held April 24, 2018 at 6:00 p.m. in the Council Chambers, 202 N. State Route 89, Chino Valley, Arizona 86323.

THE ABOVE AQUATIC CENTER ADMISSION FEES WILL BECOME EFFECTIVE THIRTY (30) DAYS AFTER APPROVAL BY THE TOWN COUNCIL.

Dated this ______ day of _______________, 2018.

TOWN OF CHINO VALLEY

__________________________
Jami Lewis
Town Clerk
Town of Chino Valley
Aquatic Center Rate Study 2018

This report is prepared to meet the requirements of ARS 9-499.15
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Aquatic Center Financial History ..........................................................................................................5
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Other Community Comparison ...........................................................................................................9
Introduction

The Town of Chino Valley last reviewed and increased its Aquatic Center rates on October 23, 2012. Resolution 12-1001 adopted the current rates.

Since the Aquatic Center opened the Town’s General Fund has subsidized the operation of the facility each year. The annual subsidy averages about $150,000 per year.

When the Aquatic Center last raised the pool rates in 2012, the minimum wage was $7.65 an hour. Last year, the minimum wage was raised to $10.00 an hour. This January, the minimum wage was raised to $10.50 an hour. Voter approved referendum will push the minimum wage to $12.00 an hour by 2020, further pushing the subsidy higher.

In order to keep the subsidy from increasing each year, staff is recommending a gradual rate increase over the next three years to coincide with the increases of minimum wage and generate additional fund to make capital repairs and replacements.

Over the last several years the Town has replaced the Aquatics Center roof, pool pump heater, chlorine unit, pool sweeper, and resurfaced the parking lot. In the next few years the slide needs resurfacing and painting the showers and offices also are in need of repainting.

Therefore, staff is recommending an increase in Aquatics Center user fees each year until 2020.
The chart below summarizes the current Aquatic Center User Fees and attendance.

<table>
<thead>
<tr>
<th>Town of Chino Valley</th>
<th>Aquatics Center Fee Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 Season</td>
</tr>
<tr>
<td>Daily Use</td>
<td></td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>1,690</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>5,174</td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
<td>2,672</td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
<td>678</td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>254</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Season Passes</td>
<td></td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>0</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>1</td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
<td>1</td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
<td>1</td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>39</td>
</tr>
<tr>
<td>Family - Additional</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Learn to Swim</td>
<td></td>
</tr>
<tr>
<td>Youth 8 sessions, 30 minutes</td>
<td>163</td>
</tr>
<tr>
<td>Adult 4 sessions, 1 hour</td>
<td></td>
</tr>
<tr>
<td>Fitness Program Lessons - 9 sessions 1 hour</td>
<td>90</td>
</tr>
<tr>
<td>Private Lessons - 9 Session 1 hour</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquatic Facility Rental</td>
<td></td>
</tr>
<tr>
<td>Aquatic Facility, 2 hour minimum, 1 - 200 guests</td>
<td>11</td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum</td>
<td>10</td>
</tr>
<tr>
<td>Aquatic Facility, 2 hour minimum, 201-400</td>
<td></td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum</td>
<td></td>
</tr>
<tr>
<td>Slide Rental</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Aquatic Center Financial History

The table below summarizes the Aquatic Center operating results for the last three fiscal years.

<table>
<thead>
<tr>
<th>Town of Chino Valley</th>
<th>Operating Results by Fiscal Year</th>
<th>Fiscal Years Ending 6/30/15 - 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6/30/2015</td>
<td>6/30/2016</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrance Fees</td>
<td>$44,205  62%</td>
<td>$34,082  60%</td>
</tr>
<tr>
<td>Concessions</td>
<td>$11,727  16%</td>
<td>$9,585  17%</td>
</tr>
<tr>
<td>Program Fees</td>
<td>$13,345  19%</td>
<td>$10,478  18%</td>
</tr>
<tr>
<td>Facilities Use Fees</td>
<td>$2,201  3%</td>
<td>$2,750  5%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$71,478  100%</td>
<td>$56,895  100%</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$99,861  48%</td>
<td>$108,035  51%</td>
</tr>
<tr>
<td>Benefits</td>
<td>$6,932  3%</td>
<td>$11,567  5%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$101,749  49%</td>
<td>$92,421  44%</td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>$14,675  6%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$208,542  100%</td>
<td>$212,022  100%</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td>$(137,063)</td>
<td>$(155,127)</td>
</tr>
</tbody>
</table>
Proposed Aquatic Center User Fees

The table below summarizes the proposed rates for the next three seasons.

<table>
<thead>
<tr>
<th>Town of Chino Valley</th>
<th>Aquatics Center Fee Schedule</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Current Fees</td>
</tr>
<tr>
<td>Daily Use</td>
<td></td>
</tr>
<tr>
<td>Ages 0-2 Child</td>
<td>$0.00</td>
</tr>
<tr>
<td>Ages 3-17 Child</td>
<td>$3.00</td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>$1.00</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>$2.50</td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
<td>$3.50</td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
<td>$3.00</td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>$12.50</td>
</tr>
<tr>
<td>Season Passes</td>
<td></td>
</tr>
<tr>
<td>Ages 0-2 Child</td>
<td>$0.00</td>
</tr>
<tr>
<td>Ages 3-17 Child</td>
<td>$85.00</td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>$45.00</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>$85.00</td>
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<td>Ages 18-54 Adult</td>
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<td>Ages 55 &amp; Older</td>
<td>$95.00</td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>$200.00</td>
</tr>
<tr>
<td>Family - Additional</td>
<td>$20.00</td>
</tr>
<tr>
<td>Learn to Swim</td>
<td></td>
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<td>Youth 8 sessions, 30 minutes</td>
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<tr>
<td>Aquatic Facility Rental</td>
<td></td>
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<tr>
<td>Aquatic Facility, 2 hour minimum, 1 - 200 guests</td>
<td>$140.00</td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum 1 - 200 guests</td>
<td>$72.00</td>
</tr>
<tr>
<td>Aquatic Facility, 2 hour minimum, 201-400</td>
<td>$140.00</td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum</td>
<td>$96.00</td>
</tr>
<tr>
<td>Slide Rental</td>
<td>$30.00</td>
</tr>
</tbody>
</table>

*Aquatic Facility Rental is 2 hour minimum regardless of number of guests
**change to 5 guards 200-400 guests
Aquatic Center Pro Forma Projection

The table below summarizes the financial impact of the proposed fee increase. Note the Town will continue to subsidize the operation of the Aquatic Center.

<table>
<thead>
<tr>
<th></th>
<th>Budget 6/30/2018</th>
<th>Projected 6/30/18 With Fee Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrance Fees</td>
<td>$49,000 64%</td>
<td>$55,000 67%</td>
</tr>
<tr>
<td>Concessions</td>
<td>$13,000 17%</td>
<td>$13,000 16%</td>
</tr>
<tr>
<td>Program Fees</td>
<td>$12,000 16%</td>
<td>$12,000 15%</td>
</tr>
<tr>
<td>Facilities Use Fees</td>
<td>$2,000 3%</td>
<td>$2,000 2%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$76,000 100%</td>
<td>$82,000 100%</td>
</tr>
<tr>
<td><strong>Revenue % Increase</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$81,197 38%</td>
<td>$81,197 38%</td>
</tr>
<tr>
<td>Benefits</td>
<td>$15,503 7%</td>
<td>$15,503 7%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$109,100 51%</td>
<td>$109,100 51%</td>
</tr>
<tr>
<td>Capital</td>
<td>$10,000 5%</td>
<td>$10,000 5%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$215,800 100%</td>
<td>$215,800 100%</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td>($139,800)</td>
<td>($133,800)</td>
</tr>
</tbody>
</table>
# Rate Change Calendar

---

**Town of Chino Valley**  
**Aquatic Center Rate Change Calendar 2018**

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/13/2018</td>
<td>Department Presents written report to Council</td>
<td></td>
</tr>
<tr>
<td>2/13/2018</td>
<td>Council Adopts Notice of Intention to increase rates and hold a public hearing</td>
<td>At least 60 days prior to public hearing</td>
</tr>
<tr>
<td>2/23/2018</td>
<td>File copy of report and Notice of Intention to increase rates with the Town Clerk and post on website</td>
<td>At least 60 days prior to public hearing</td>
</tr>
<tr>
<td>4/24/2018</td>
<td>Adopt Resolution</td>
<td>At least 60 days after notice of intent</td>
</tr>
<tr>
<td>5/24/2018</td>
<td>New Rate becomes effective</td>
<td>30 days after adoption</td>
</tr>
</tbody>
</table>
THIS PAGE INTENTIONALLY LEFT BLANK
Other Community Comparison

<table>
<thead>
<tr>
<th></th>
<th>Chino Valley Proposed 2018 Season</th>
<th>Prescott Valley</th>
<th>Williams</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Daily Use</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 0-2 Child</td>
<td>$0.00</td>
<td>$3.25</td>
<td>7 &amp; under $1.00</td>
</tr>
<tr>
<td>Ages 3-17 Child</td>
<td>$3.00</td>
<td>$3.25</td>
<td>8-18 $3.00</td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>n/a</td>
<td>$3.25</td>
<td>9-54 $4.00</td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>n/a</td>
<td>$3.25</td>
<td>55+ $3.00</td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
<td>$4.00</td>
<td>$4.25</td>
<td></td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
<td>$3.00</td>
<td>$3.25</td>
<td></td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>$14.00</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td><strong>Season Passes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 0-2 Child</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 3-17 Child</td>
<td>$85.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 0-5 Child</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages 6-17 Youth</td>
<td>n/a</td>
<td>$120.00</td>
<td></td>
</tr>
<tr>
<td>Ages 18-54 Adult</td>
<td>$140.00</td>
<td>$140.00</td>
<td></td>
</tr>
<tr>
<td>Ages 55 &amp; Older</td>
<td>$85.00</td>
<td>$120.00</td>
<td></td>
</tr>
<tr>
<td>Family - 5 immediate Family Members</td>
<td>$225.00</td>
<td>$320.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Family - Additional</td>
<td>$25.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Learn to Swim</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth 8 sessions, 30 minutes</td>
<td>$45.00</td>
<td>$40.00</td>
<td>$30.00</td>
</tr>
<tr>
<td>Adult 4 sessions, 1 hour</td>
<td>$45.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fitness Program Lessons - 9 sessions 1 hour</td>
<td>$45.00</td>
<td>$45.00</td>
<td></td>
</tr>
<tr>
<td>Private Lessons - 9 Session 1 hour</td>
<td>$20.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aquatic Facility Rental</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquatic Facility, 2 hour minimum, 1 - 200 guests</td>
<td>$150.00</td>
<td>$95/hr + 3 guards</td>
<td></td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum 1 - 200 guests</td>
<td>$80.00</td>
<td>$12/hr/guard</td>
<td></td>
</tr>
<tr>
<td>Aquatic Facility, 2 hour minimum, 201-400</td>
<td>n/a*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lifeguards, minimum 3, 2 hour minimum</td>
<td>$130.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slide Rental</td>
<td>$40.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Acquatic Facility Rental is 2 hour minimum regardless of number of guests
** change to 5 guards 200-400 guests
AGENDA ITEM TITLE:
Consideration and possible action to waive the bidding requirements and purchase an F350 Utility Service Truck with Crane, Bobcat Compact Track Loader with Mower, and an enclosed John Deere Utility Tractor with Mowers using cooperative purchase agreements with the City of Mesa, Arizona Mohave, and the Arizona State Bid List.

RECOMMENDED ACTION:
Waive the bidding requirements and approve the following cooperative purchases and agreements:

1. From Berge Ford, an F350 Utility Service Truck with Crane for a total amount not to exceed $62,910.80, pursuant to a cooperative purchase bid by City of Mesa Contract 2016068, Amendment 1.

2. From Clark Equipment Co, dba Bobcat Company, a Bobcat Compact Track Loader with Mower compact track loader with mower and bucket for an amount not to exceed $52,290.20, pursuant to the Arizona State Contract #ADSP013-035802, May 7, 2019.

3. From Flagstaff Equipment Company, an enclosed John Deer 5115M utility tractor with mowers for an amount not to exceed $120,075.21, pursuant to a cooperative purchase bid by Arizona Mohave Contract 15G-DEER-0824 (PG 3V).

SITUATION AND ANALYSIS:

Summary of Issues and Staff Rationale
In an effort to best utilize town resources, the public works department evaluated the equipment needs for FY 2018. Equipment needed is as follows:

(i) Originally a small dump truck and ¾ ton service truck was proposed. It was determined that purchasing a one-ton service truck for utilities with a crane was determined to be the best fit. The light duty crane will be used for lifting hydrants, small pumps, manhole lids, and other heavy items. Other departments such as Roads, Fleets, and Parks may also benefit from this equipment.
The bid used to purchase this item is a cooperative bid from Mesa, Arizona.

One Ton Service Truck with body                           $47,329.66
- Utility Crane and installation ($14,360.50 plus tax)     15,581.14

Total including tax $62,910.80

(ii) Rather than purchasing a small dump truck, a compact track-type loader (Bobcat) is needed. This equipment will also serve many uses for multiple departments. The main purpose is to use for mowing the rapid infiltration basins. The light weight and track design can mow the basins and the steep slopes without harming the turf or overly-compacting the soils. In addition, this equipment will be purchased with a loading bucket. Roads can utilize this in patching and maintenance operations that may be too small for a backhoe or loader. Parks may also be able to utilize the mower for steeper slopes traditional mowers may not reach. The bid used to purchase this equipment is Arizona State purchasing contract #ADSO013-035802.

T595 T4 Bobcat compact track loader with 74” C/I bucket    $42,261.75
60” Brush Buster mowing attachment                        5,732.50

Tax                                                   4,295.95

TOTAL with tax $52,290.20

(iii) Roads
Roads Department planned on purchasing a tractor with the ability to mow 10’. This equipment with the horsepower sufficient to run the mower is a John Deer 5115M tractor. The bid utilized for this is an Arizona Mohave cooperative contract number 15G-DEER-0824 (PG 3V).

John Deere 5115M Utility Tractor                        $ 65,847.29
Diamond DDR12-CO Mower                                 $ 44,363.00

Total with tax $120,075.21

(iv) It is recommended the backhoe purchase be postponed. Utilities has a 2015 Backhoe that Roads is using when needed for now. If the chip spreader can be sold, the next equipment to be purchased includes an enclosed street broom and a large 10-wheel dump truck. The town currently owns 4 large dump trucks, of which all of them have over 500,000 miles and are facing thousands of dollars in maintenance and engine repair. Rather than purchase a smaller truck for utilities, it will be a better use of Town funds to have utilities use either a small flatbed dump or the large dump truck from the Roads Department when needed until such a time that the utility budget allows the purchase of a smaller dump truck.

---

**Fiscal Impact**

<table>
<thead>
<tr>
<th>Fiscal Impact?</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>If Yes, Budget Code</td>
<td>Various</td>
</tr>
<tr>
<td>Available</td>
<td>$235276.21</td>
</tr>
<tr>
<td>Funding Source</td>
<td></td>
</tr>
</tbody>
</table>
Equipment will be purchased using the Lease Purchase Line of Credit approved this fiscal year.

**Attachments**

- Equipment Summary
- Ford F350 Quote
- Ford F350 Purchase Contract
- Bobcat Loader Quote
- Bobcat Loader Contract
- Tractor Mower Quote
- Tractor Mower Contract
<table>
<thead>
<tr>
<th>Department</th>
<th>Equipment</th>
<th>Estimated Cost</th>
<th>Purchased</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>Police Cars (up to 8)</td>
<td>$400,000</td>
<td>$399,800</td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>Backhoe</td>
<td>$120,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>Enclosed Mower</td>
<td>$100,000</td>
<td>$120,075</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>Service Truck</td>
<td>$45,000</td>
<td>$62,911</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>Bobcat</td>
<td></td>
<td>$52,290</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>F650 Dump Truck</td>
<td>$65,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks</td>
<td>Mowers</td>
<td>$60,000</td>
<td>$20,118</td>
<td></td>
</tr>
<tr>
<td>Admin</td>
<td>Admin Vehicle</td>
<td></td>
<td>$31,598</td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>Maintenance Van - Library</td>
<td>$35,000</td>
<td>$23,942</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$825,000</strong></td>
<td><strong>$710,734</strong></td>
<td><strong>$114,266</strong></td>
<td></td>
</tr>
</tbody>
</table>
Date: 1/3/18
Customer: TOWN OF CHINO VALLEY  ATTN: FRANK MARBURY
Vehicle Description: 2018 FORD F350 REGULAR CAB 4X4 XL DRW

<table>
<thead>
<tr>
<th>Base Bid Price:</th>
<th>$ -</th>
</tr>
</thead>
</table>

**UPGRADE OPTIONS**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2018 FORD F350 REGULAR CAB 4X4 XL DRW PER</td>
<td>$ -</td>
</tr>
<tr>
<td>2</td>
<td>ATTACHED SPECS</td>
<td>$ 33,819.00</td>
</tr>
<tr>
<td>3</td>
<td>11' KNAPHIEDE SERVICE BODY PER ATTACHED</td>
<td>$ -</td>
</tr>
<tr>
<td>4</td>
<td>QUOTE FROM AUTO SAFETY HOUSE</td>
<td>$ 9,978.00</td>
</tr>
<tr>
<td>5</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>NOTE: ORDERED UNIT ESTIMATED LEAD TIME</td>
<td>$ -</td>
</tr>
<tr>
<td>9</td>
<td>90-120 DAYS</td>
<td>$ -</td>
</tr>
<tr>
<td>10</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>$ -</td>
<td></td>
</tr>
</tbody>
</table>

**Base Bid Pride w/Options:** $ 43,797.00

**Tire Tax:** $ 7.00

**Sales Tax (8.05%)** $ 3,525.66

**Ford Extended Service Plan** $ -

**Transportation Fee  FOB MESA, AZ** $ -

**TOTAL DELIVERED PRICE** $ 47,329.66
**CNGP530**

**VEHICLE ORDER CONFIRMATION**

<table>
<thead>
<tr>
<th>Order No: 0001</th>
<th>Priority: C1</th>
<th>Ord FIN: KA595</th>
<th>Order Type: 5B Price Level: 820</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ord Code: 643A Cust/Flt Name: CHINO VAL</td>
<td>PO Number:</td>
<td>RETAIL DLR INV</td>
<td>RETAIL DLR INV</td>
</tr>
<tr>
<td>F3H</td>
<td>F350 4X4 CHAS/C $41515 $39231.00</td>
<td>425 50 STATE EMISS NC</td>
<td>DLR INV</td>
</tr>
<tr>
<td>169&quot; WHEELBASE</td>
<td>43C 110V/400W OUTLT 75</td>
<td>69.00</td>
<td></td>
</tr>
<tr>
<td>Z1</td>
<td>OXFORD WHITE</td>
<td>473 SNOW PLOW PKG 185</td>
<td>171.00</td>
</tr>
<tr>
<td>3</td>
<td>40/20/40 CLOTH</td>
<td>JOB #1 BUILD</td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>MEDIUM EARTH GR</td>
<td>512 SPARE TIRE/WHL2 350</td>
<td>323.00</td>
</tr>
<tr>
<td>643A</td>
<td>PREF EQUIP PKG</td>
<td>61J JACK NC</td>
<td></td>
</tr>
<tr>
<td>.XLT TRIM</td>
<td>62R TRANS PTO PROV 280</td>
<td>257.00</td>
<td></td>
</tr>
<tr>
<td>54K</td>
<td>.TELE TT MIR-PWR</td>
<td>67E XTR XTR HD ALT NC</td>
<td></td>
</tr>
<tr>
<td>.AMFM/CD/CLK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>996</td>
<td>6.2L EFI V8 ENG</td>
<td>NC TOTAL BASE AND OPTIONS 44580</td>
<td>40983.32</td>
</tr>
<tr>
<td>44P</td>
<td>6-SPD AUTOMATIC</td>
<td>NC TOTAL</td>
<td>40983.32</td>
</tr>
<tr>
<td>TBM</td>
<td>LT245 BSW AT 17</td>
<td>165 152.00 <em>THIS IS NOT AN INVOICE</em></td>
<td></td>
</tr>
<tr>
<td>X4L</td>
<td>4.30 LTD SLIP</td>
<td>350 323.00</td>
<td></td>
</tr>
<tr>
<td>166</td>
<td>CARPET DELETE (50) (47.00) <em>MORE ORDER INFO NEXT PAGE</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14000# GVWR PKG</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F1=Help F2=Return to Order F3/F12=Veh Ord Menu
F4=Submit F5=Add to Library

V1DP0103 2,6

QC20305

https://www.fmcdelervt3270.ford.com/w2h/WEB2AJAX.htm+IMS2 1/9/2018
# CNGP530 VEHICLE ORDER CONFIRMATION

**2018 F-SERIES SD**

<table>
<thead>
<tr>
<th>Order No: 0001</th>
<th>Priority: C1</th>
<th>Ord FIN: KA595</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ord Code: 643A</td>
<td>Cust/Flt Name: CHINO VAL</td>
<td></td>
</tr>
<tr>
<td>872 RR CAM &amp; PREP K</td>
<td>RETAIL</td>
<td>$415</td>
</tr>
<tr>
<td>91M SYNC SYSTEM</td>
<td>NC</td>
<td>NC</td>
</tr>
<tr>
<td>SP FLT ACCT CR</td>
<td>(1192.00)</td>
<td></td>
</tr>
<tr>
<td>FUEL CHARGE</td>
<td>20.32</td>
<td></td>
</tr>
<tr>
<td>DEST AND DELIV</td>
<td>1295</td>
<td>1295.00</td>
</tr>
</tbody>
</table>

**TOTAL BASE AND OPTIONS** 44580 40983.32

**TOTAL** 44580 40983.32

*THIS IS NOT AN INVOICE*

---

F1=Help
F2=Return to Order
F4=Submit
F5=Add to Library
S099 - PRESS F4 TO SUBMIT

**V1DP0103**

QC20305

**01/09/18 16:50:40**
**Dealer: F71175**
**Page: 2 of 2**

**Order Type: SB**

**PO Number:**
**Retail**
**DLR INV**

**Price Level: 820**

https://www.fmcdealervt3270.ford.com/w2h/WEB2AJAX.htm+IMS2

1/9/2018
Bill To: Berge Ford  
Attn: Payables  
460 E Auto Center Dr  
Mesa, AZ 85204  
Shop: 480-497-1111  
Fax: 480-497-7589

Ship To: Berge Ford  
460 E Auto Center Dr  
Mesa, AZ 85204

Customer P/O: asher

Task: 1  05-00404  INSTALL KNAPEHIDE SERVICE BODY

Complaint: Furnish and install 11' Standard Knaphide service body with rear bumper, all lights, fuel adaptor, Crane kit in curb side rear compartment, Mechanics vise and mount on curbside rear bumper, receiver hitch with 7way rv plug. Fabricate drivers side half rack not to extend over the cab above compartments. All painted white.

<table>
<thead>
<tr>
<th>Supp. Part</th>
<th>Description / Ref Number</th>
<th>U/M</th>
<th>Quantity</th>
<th>List Price</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>TE Shop Su</td>
<td>Truck Equipment shop supplies</td>
<td>Misc</td>
<td>1.00</td>
<td>0.00</td>
<td>154.00</td>
</tr>
<tr>
<td>EE FUEL</td>
<td>FUEL SPOUTS ETC.</td>
<td>Part</td>
<td>Each</td>
<td>1.00</td>
<td>30.00</td>
</tr>
<tr>
<td>EE MISC</td>
<td>MISC MATERIALS</td>
<td>Part</td>
<td>Each</td>
<td>1.00</td>
<td>125.00</td>
</tr>
<tr>
<td>KN 6132D54-P4003-17</td>
<td>UTILITY BODY 6132D54 KNA</td>
<td>Part</td>
<td>Each</td>
<td>1.00</td>
<td>6,089.23</td>
</tr>
<tr>
<td>PA RH-89791GAL</td>
<td>OXFORD FORD WHITE PAINT (RHA-51)</td>
<td>Part</td>
<td>Each</td>
<td>2.00</td>
<td>159.97</td>
</tr>
<tr>
<td>KN1 20051560-P4003-17</td>
<td>FORD 60&quot; C4 INSTALL KIT</td>
<td>Part</td>
<td>Each</td>
<td>1.00</td>
<td>400.00</td>
</tr>
<tr>
<td>KN1 20039480-P4003-17</td>
<td>KIT LED SURF PAINT LTS S/T/T &amp; B/U LIGHT SPEC STRIPE</td>
<td>Part</td>
<td>Each</td>
<td>1.00</td>
<td>415.00</td>
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<tr>
<td>KN1 26050278</td>
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<td>Part</td>
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<td>ISN KT84106-6</td>
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<td>Misc</td>
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Task Subtotals: $6,952.97
Parts: $0.00
Core Chg: $0.00
Core Ret: $0.00
EHC: $0.00
Labor: $2,200.00
Miscellaneous: $824.67
Task 1 Subtotals: $9,977.64

Task: 2  05-01104  Misc Material

Complaint: Furnish and install LiftMoore 3200Lb crane with manual outriggers. Spring reinforcement.

Department: 20 TE
**Bill To:**  Berge Ford  
Attn: Payables  
460 E Auto Center Dr  
Mesa, AZ 85204  
Shop: 480-497-1111  
Fax: 480-497-7589

**Ship To:**  Berge Ford  
460 E Auto Center Dr  
Mesa, AZ 85204

<table>
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<tr>
<th>Supp. Part</th>
<th>Description / Ref Number</th>
<th>U/M</th>
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<th>Quantity</th>
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<td>Truck Equipment shop supplies Misc</td>
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**Task Subtotals**

- Parts: $13,038.74
- Core Chg: $0.00
- Core Ret: $0.00
- EHC: $0.00
- Labor: $968.00
- Miscellaneous: $353.76

**Task 2 Subtotals:** $14,360.50

**Quote Totals**

- Total Parts: $19,991.71
- Total CoreChg: $0.00
- Total Core Ret: $0.00
- Total EHC: $0.00
- Total Labor: $3,168.00
- Total Miscellaneous: $1,178.43
- Invoice Subtotal: $24,338.14
- Total Tax: $0.00
- Invoiced Total: $24,338.14

**Payment Method**
Charge
AGREEMENT
TO PROVIDE SERVICES/SUPPLIES PURSUANT TO A
COOPERATIVE PURCHASING CONTRACT
Contract No. ______________

This Agreement is made and entered into by and between the Town of Chino Valley, Arizona, a municipal corporation, hereinafter designated as “Town” and Berge Ford, an Arizona corporation hereinafter designated as the “Contractor.”

Recitals:

A. Contractor has contracted with the City of Mesa to provide vehicles and services, materials and/or equipment pursuant to Contract No. 2016068, Amendment 1; and

B. Pursuant to A.R.S. § 41-2631 et seq. and the Chino Valley Code of Ordinances, § 32.08, Town has authority to utilize cooperative purchasing contracts and engage contractors under the terms thereof.

CONTRACTOR AND TOWN, FOR THE CONSIDERATION HEREINAFTER SET FORTH, PROMISE, COVENANT AND AGREE AS FOLLOWS:

1. Scope of Work.

1.1 Contractor shall provide the following services, materials and/or equipment:

- 1 - 2018 Ford F350 Regular Cab 4X4 XL DRW with
- 11’ Knaphiede service body

as described in the Cooperative Purchasing Contract documents attached hereto as Exhibit A, which are incorporated herein by reference. As used in this Contract, all references to the City of Mesa shall mean the Town of Chino Valley, Arizona.

1.2 Contractor shall comply with all specific requirements and/or options of Town, as specified in Exhibit B attached hereto and incorporated herein by reference.

2. Completion of Work. The Contractor shall complete all work set forth in the Scope of Work on or before June 30, 2018.

3. Payment. The Contract Fee is $47,329.66. Payment to the Contractor for the services, materials and/or equipment provided, shall be made in accordance with the price list and terms set forth in the Cooperative Purchasing Contract.

4. Terms of Cooperative Purchasing Contract Apply. All provisions of the Cooperative Purchasing Contract documents are incorporated in and shall apply to this Contract as though fully set forth herein, except as otherwise provided for in this Agreement.
5. **Contract Term and Renewal.** If funds for this Contract are not appropriated or budgeted by July 1, 2018, Town may terminate this contract by giving written notice to Contractor. Otherwise, the term of this Contract shall commence upon approval and continue through June 30, 2018.

6. **Certificates of Insurance.** All insurance provisions of the Cooperative Purchasing Contract shall apply, including without limitation, the requirement to name the Town as an additional insured. Prior to commencing work under this Contract, Contractor shall furnish the Town with Certificates of Insurance, or formal endorsements as required by the Contract, issued by the Contractor’s insurer(s) as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.

7. **Non-Boycott of Israel.** Vendor hereby certifies that it is not currently engaged in, and agrees that for the duration of this Agreement it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names this _____ day of _______________, 2018.

TOWN OF CHINO VALLEY: CONTRACTOR:

__________________________ By: ______________________
Darryl Croft, Mayor Title: ______________________

ATTEST:

__________________________
Jami Lewis, Town Clerk

APPROVED AS TO FORM:

__________________________
Phyllis L.N. Smiley, Town Attorney
Gust Rosenfeld, PLC
EXHIBIT A
CONTRACT OF OTHER GOVERNMENTAL ENTITY
EXHIBIT B
SPECIFIC REQUIREMENTS/OPTIONS OF TOWN

Attached: Quote and Specifications.

Notices: All notices required under the Contract shall be sent to:

 Town Manager
 Town of Chino Valley
 202 N. State Route 89
 Chino Valley, Arizona 86323-0406

Delivery Location: 202 N. State Route 89, Chino Valley, AZ.
**Product Quotation**  
**Quotation Number:** HMM-06248  
**Date:** 2017-11-21 12:54:15  

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<td>Backup Alarm</td>
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<td>Bob-Tach</td>
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<td>Bobcat Interlock Control System (BICS)</td>
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<td>Glow Plugs (Automatically Activated)</td>
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<tr>
<td>Horn</td>
<td></td>
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<td>Instrumentation: Engine Temperature &amp; Fuel Gauges, Hourmeter, RPM and Warning Lights</td>
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<td>Lift Arm Support</td>
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<td><strong>Telematics US</strong></td>
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<td><strong>Total of Items Quoted</strong></td>
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<td>$42,261.75</td>
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**Notes:**
ORDER ACCEPTED BY:

______________________________  ________________________
SIGNATURE                       DATED

______________________________  ________________________
PRINT NAME AND TITLE            PURCHASE ORDER #

SHIP TO ADDRESS:__________________________

BILL TO ADDRESS (If different than Ship To):__________________________

*Prices per the AZ State Contract #ADSP013-035802. May 7, 2019.
*Customer must be members of the AZ State cooperative.
*Terms Net 30 Days. Credit cards accepted.
*FOB Destination within the State of Arizona
*Delivery: 60 to 90 days or less from ARO.
*State Sales Taxes apply. IF Tax Exempt, please include Tax Exempt Certificate with your Order
*TID# 38-0425350

*Orders Must Be Placed with: Clark Equipment Co, Bobcat Company, Govt Sales, 250 E Beaton Dr, PO Box 6000, West Fargo, ND 58078.

Prices & Specifications are subject to change. Please call before placing an order. Applies to factory ordered units only.
Mike Bovee

From: Dan VanLiere <dan.vanliere@quickattach.com>
Sent: Thursday, October 26, 2017 3:41 PM
To: Mike Bovee
Cc: Perry Winter
Subject: Quick Attach Attachments
Attachments: Town of Chino Valley - Brush Buster.pdf

Mike,

Good talking to you today. I attached a quote on the 60" Brush Buster we talked about and here is a direct link - https://www.quickattach.com/brushmower

I copied Perry Winter to this email since he had worked with DES Services in the past. You can contact him or I with any questions that come up.

Thanks again and have a great rest of the day!

Dan VanLiere
Product Specialist
**SALES QUOTE**

Quote No: AAAG0383134

Created Date: 10/26/2017

Expiration Date: 10/31/2017

Phone Number: 1-866-428-8224

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<th>Michael Bovee</th>
</tr>
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<tbody>
<tr>
<td>Sold To Company</td>
<td>Town of Chino Valley, Arizona</td>
</tr>
<tr>
<td>Sold To</td>
<td>Chino Valley, AZ 86323 US</td>
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<tr>
<td>Product Specialist</td>
<td>Dan VanLiere</td>
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<td>Prepared By</td>
<td>Dan VanLiere</td>
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<tr>
<td>Ship Via</td>
<td>Truck</td>
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<td>Ship To Company</td>
<td>Town of Chino Valley, Arizona</td>
</tr>
<tr>
<td>Ship To</td>
<td>Chino Valley, AZ 86323 US</td>
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<tr>
<td>Account Name</td>
<td>Town of Chino Valley, Arizona</td>
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<tr>
<td>Contact Name</td>
<td>Michael Bovee</td>
</tr>
<tr>
<td>Phone</td>
<td>928 636-7140</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:mbovee@chinoaz.net">mbovee@chinoaz.net</a></td>
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**Local Purchase Cost:**

- **MSRP Total**: $7,310.00
- **MSRP Tax**: $400.36
- **MSRP Shipping**: $425.00
- **MSRP Total Cost**: $8,144.36

**Your Cost when Buying Direct:**

- **Total Price**: $5,482.50
- **Our Shipping**: $250.00
- **Grand Total**: $5,732.50

**Your Savings when Buying Direct:**

- **Savings**: $2,411.86
PURCHASE ORDER CONTRACT  
(State of Arizona Bid List)  
Contract No. ______________

This Purchase Order Contract is made and entered into by and between the Town of Chino Valley, Arizona, a municipal corporation, hereinafter designated as “Town” and Flagstaff Equipment Co, Inc., hereinafter designated as “Contractor.”

RECITALS:

A. Contractor has contracted with the State of Arizona to provide equipment, services or supplies pursuant to State Contract No. ADSP013-035802 (the “State Contract”) and any amendments approved by the State; and

B. Pursuant to A.R.S. § 41-2631 et seq. and the Chino Valley Town Code § 32.08, Town has authority to utilize state cooperative purchasing contracts and engage contractors under the terms thereof.

CONTRACTOR AND TOWN, FOR THE CONSIDERATION HEREINAFTER SET FORTH, PROMISE, COVENANT AND AGREE AS FOLLOWS:

1. Scope of Work. Contractor shall provide the items listed in the Purchase Order(s) submitted by Town in accordance with the State Contract # . ADSP013-035802 documents as set forth on the State Procurement website, https://procure.az.gov as may be amended from time to time which are incorporated herein by reference.

2. Specific Requirements of Town. Contractor shall comply with all specific purchase and delivery requirements and/or options of Town, as specified in the Purchase Order submitted to Contractor.

3. Payment. Payment to the Contractor for the services or supplies provided shall be made in accordance with the price list and terms set forth in the State Contract.

4. Terms of State Contract Apply. All provisions of the State Contract documents, including any amendments, are incorporated in and shall apply to this Contract as though fully set forth herein.

5. Certificates of Insurance. All insurance provisions of the State Contract shall apply, including without limitation, the requirement to name all agencies eligible to use the State Contract as an additional insured. Prior to commencing work under this Contract, Contractor shall furnish Town with a copy of the current Certificates of Insurance required by the State Contract.

6. Term Renewal. If funds for this Contract are not appropriated or budgeted by July 1, 2018, Town may terminate this contract by giving written notice to
Contractor. Otherwise, this Purchase Order Contract shall commence upon approval and continue through June 30, 2018. All Purchase Orders must be issued by Town prior to expiration or termination of the underlying State Contract.

7. Non-Boycott of Israel. Vendor hereby certifies that it is not currently engaged in, and agrees that for the duration of this Agreement it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names this _____ day of ______________, 20__.

TOWN OF CHINO VALLEY:  

_________________________  
Darryl Croft, Mayor  

ATTEST:  

_________________________  
Jami Lewis, Town Clerk  

APPROVED AS TO FORM:  

_________________________  
Phyllis Smiley, Town Attorney  
Gust Rosenfeld, PLC
EXHIBIT B
SPECIFIC REQUIREMENTS/OPTIONS OF TOWN

Specifications: Per Purchase Order

Schedule of performance: Per Purchase Order

Delivery location: Per Purchase Order

Notices: All notices to Town shall be sent to: Town Manager, 202 North State Route 89, Chino Valley, Arizona 86323

Attach: Certificate of Insurance
ALL PURCHASE ORDERS MUST BE MADE OUT TO (VENDOR):
Deere & Company
2000 John Deere Run
Cary, NC 27513
FED ID: 36-2382580; DUNS#: 60-7690989

ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:
Flagstaff Equipment Company
500 North Grant
Flagstaff, AZ 86004
928-774-1969
cflageq@msn.com

Quote Summary

**Prepared For:**
Town Of Chino Valley
Ken Tribolet
1982 N Voss Dr Dept 204
Chino Valley, AZ 86323
Business: 928-636-7140
Mobile: 928-710-4357
ktribolet@chinoaz.net

**Delivering Dealer:**
Flagstaff Equipment Company
Chuck Clanton
500 North Grant
Flagstaff, AZ 86004
Phone: 928-774-1969
sales.fec@gmail.com

**Quote ID:** 16609306
**Created On:** 03 January 2018
**Last Modified On:** 03 January 2018
**Expiration Date:** 03 February 2018

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<th>Equipment Summary</th>
<th>Suggested List</th>
<th>Selling Price</th>
<th>Qty</th>
<th>Extended</th>
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<td>$ 84,419.60</td>
<td>$ 65,847.29</td>
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<td><strong>Contract:</strong> AZ Mohave Contract 15G-DEER-0824 (PG 3V)</td>
<td><strong>Price Effective Date:</strong> August 1, 2017</td>
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<td><strong>Price Effective Date:</strong></td>
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**Equipment Total** $ 110,210.29

* Includes Fees and Non-contract items

**Quote Summary**

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Salesperson : X ____________

Accepted By : X ____________

Confidential
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<th>ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:</th>
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<tbody>
<tr>
<td>Deere &amp; Company</td>
<td>Flagstaff Equipment Company</td>
</tr>
<tr>
<td>2000 John Deere Run</td>
<td>500 North Grant</td>
</tr>
<tr>
<td>Cary, NC 27513</td>
<td>Flagstaff, AZ 86004</td>
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<tr>
<td>FED ID: 36-2382580; DUNS#: 60-7690989</td>
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<td><a href="mailto:caflageq@msn.com">caflageq@msn.com</a></td>
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Confidential
# Selling Equipment

**Quote Id:** 16609306  
**Customer Name:** TOWN OF CHINO VALLEY

---

**ALL PURCHASE ORDERS MUST BE MADE OUT TO (VENDOR):**  
Deere & Company  
2000 John Deere Run  
Cary, NC 27513  
FED ID: 36-2382580; DUNS#: 60-7690989

**ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:**  
Flagstaff Equipment Company  
500 North Grant  
Flagstaff, AZ 86004  
928-774-1969  
cflageq@msn.com

---

## JOHN DEERE 5115M Utility Tractor

**Contract:** AZ Mohave Contract 15G-DEER-0824 (PG 3V)  
**Price Effective Date:** August 1, 2017

<table>
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<td>254CLV</td>
<td>5115M Utility Tractor</td>
<td>1</td>
<td>$67,661.00</td>
<td>22.00</td>
<td>$14,885.42</td>
<td>$52,775.58</td>
<td>$52,775.58</td>
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</table>

### Standard Options - Per Unit

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Qty</th>
<th>List Price</th>
<th>Discount%</th>
<th>Discount Amount</th>
<th>Contract Price</th>
<th>Extended Contract Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>0202</td>
<td>United States</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<td>0409</td>
<td>ENGLISH</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>1380</td>
<td>16F/16R PowrReverser</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2055</td>
<td>Standard Cab</td>
<td>1</td>
<td>$11,769.00</td>
<td>22.00</td>
<td>$2,589.18</td>
<td>$9,179.82</td>
<td>$9,179.82</td>
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<tr>
<td>2120</td>
<td>Air Suspension seat</td>
<td>1</td>
<td>$849.00</td>
<td>22.00</td>
<td>$186.78</td>
<td>$662.22</td>
<td>$662.22</td>
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<tr>
<td>2400</td>
<td>Less Instructional Seat</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2511</td>
<td>Mirror Telescopic LH &amp; RH</td>
<td>1</td>
<td>$305.00</td>
<td>22.00</td>
<td>$67.10</td>
<td>$237.90</td>
<td>$237.90</td>
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<tr>
<td>3025</td>
<td>Corner Post Deluxe Exhaust</td>
<td>1</td>
<td>$603.00</td>
<td>22.00</td>
<td>$132.66</td>
<td>$470.34</td>
<td>$470.34</td>
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<tr>
<td>3326</td>
<td>Mechanical Stackable Rear SCV</td>
<td>1</td>
<td>$886.00</td>
<td>22.00</td>
<td>$194.92</td>
<td>$691.08</td>
<td>$691.08</td>
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<tr>
<td>3430</td>
<td>Stackable Mid SCVs with Mechanical Joystick Control</td>
<td>1</td>
<td>$774.00</td>
<td>22.00</td>
<td>$170.28</td>
<td>$603.72</td>
<td>$603.72</td>
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<tr>
<td>3820</td>
<td>Two Speed PTO - 540/540E</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>4030</td>
<td>Electronic Hitch Control with Remote Control on LH Fender</td>
<td>1</td>
<td>$475.00</td>
<td>22.00</td>
<td>$104.50</td>
<td>$370.50</td>
<td>$370.50</td>
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<tr>
<td>4110</td>
<td>Telescoping Draft Links with Ball End - Cat.2</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>4160</td>
<td>LH Only Adjustment Lift Link</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>4210</td>
<td>Mechanical Center Link with Ball Ends - Cat. 2</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
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<tr>
<td>4420</td>
<td>LH &amp; RH Stabilizer Bar</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
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<tr>
<td>5133</td>
<td>460/85R30 (18.4R30) R1W Radial</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>5999</td>
<td>No Rear Tire Brand Preference</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>6040</td>
<td>MFWD Front Axle</td>
<td>1</td>
<td>$0.00</td>
<td>22.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
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</table>

---

*Suggested List:* $84,419.60  
*Selling Price:* $65,847.29
Selling Equipment

**Quote Id:** 16609306  **Customer Name:** TOWN OF CHINO VALLEY

---

**ALL PURCHASE ORDERS MUST BE MADE OUT TO (VENDOR):**
Deere & Company  
2000 John Deere Run  
Cary, NC 27513  
FED ID: 36-2382580; DUNS#: 60-7690989

**ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:**
Flagstaff Equipment Company  
500 North Grant  
Flagstaff, AZ 86004  
928-774-1969  
cflageq@msn.com

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<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Qty</th>
<th>List Price</th>
<th>Discount%</th>
<th>Discount Amount</th>
<th>Contract Price</th>
<th>Extended Contract Price</th>
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</thead>
<tbody>
<tr>
<td>6203</td>
<td>320/85R24 (12.4R24) R1W Radial</td>
<td>1</td>
<td>$ 0.00</td>
<td>22.00</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>6799</td>
<td>No Front Tire Brand Preference</td>
<td>1</td>
<td>$ 0.00</td>
<td>22.00</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
<td>$ 0.00</td>
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<tr>
<td>8955</td>
<td>Front Weight Support - (55 kg/121 lbs.)</td>
<td>1</td>
<td>$ 189.00</td>
<td>22.00</td>
<td>$ 41.58</td>
<td>$ 147.42</td>
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**Standard Options Total**  
$ 15,850.00  
$ 3,487.00  
$ 12,363.00  
$ 12,363.00

**Dealer Attachments/Non-Contract/Open Market**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Qty</th>
<th>List Price</th>
<th>Discount%</th>
<th>Discount Amount</th>
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<tr>
<td>BLV10120</td>
<td>Beacon Light Kit</td>
<td>1</td>
<td>$ 237.60</td>
<td>22.00</td>
<td>$ 52.27</td>
<td>$ 185.33</td>
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<tr>
<td>R127764</td>
<td>Weight, front suitcase 43 kg (95 lb) quantity of one</td>
<td>5</td>
<td>$ 134.20</td>
<td>22.00</td>
<td>$ 29.52</td>
<td>$ 104.68</td>
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**Dealer Attachments Total**  
$ 371.80  
$ 81.80  
$ 290.01  
$ 708.71

**Value Added Services Total**  
$ 0.00  
$ 0.00  
$ 0.00

**Total Suggested Price**  
$ 65,847.29

**Total Selling Price**  
$ 83,882.80  
$ 18,454.22  
$ 65,428.58  
$ 65,847.29

---

**DIAMOND DDR120-CO**

**Hours:** 0

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Qty</th>
<th>List Price</th>
<th>Discount%</th>
<th>Discount Amount</th>
<th>Contract Price</th>
<th>Extended Contract Price</th>
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</thead>
<tbody>
<tr>
<td>DDR120</td>
<td>60&quot; side &amp; 60&quot; rear rotary mowers</td>
<td>1</td>
<td>$ 42,398.00</td>
<td>0.00</td>
<td>$ 0.00</td>
<td>$ 42,398.00</td>
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**Standard Options - Per Unit**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Qty</th>
<th>List Price</th>
<th>Discount%</th>
<th>Discount Amount</th>
<th>Contract Price</th>
<th>Extended Contract Price</th>
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<tbody>
<tr>
<td>Freight</td>
<td>Freight</td>
<td>1</td>
<td>$ 2,900.00</td>
<td>0.00</td>
<td>$ 0.00</td>
<td>$ 2,900.00</td>
<td>$ 2,900.00</td>
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<tr>
<td>Guard</td>
<td>Front and rear chain guards both decks</td>
<td>1</td>
<td>$ 3,608.00</td>
<td>0.00</td>
<td>$ 0.00</td>
<td>$ 3,608.00</td>
<td>$ 3,608.00</td>
</tr>
<tr>
<td>Instal l</td>
<td>Factory installation</td>
<td>1</td>
<td>$ 6,918.00</td>
<td>0.00</td>
<td>$ 0.00</td>
<td>$ 6,918.00</td>
<td>$ 6,918.00</td>
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**Standard Options Total**  
$ 13,426.00  
$ 0.00  
$ 13,426.00  
$ 13,426.00

**Suggested Price**  
$ 55,824.00
# Selling Equipment

**Quote Id:** 16609306  
**Customer Name:** TOWN OF CHINO VALLEY

**ALL PURCHASE ORDERS MUST BE MADE OUT TO (VENDOR):**  
Deere & Company  
2000 John Deere Run  
Cary, NC 27513  
FED ID: 36-2382580; DUNS#: 60-7690989

**ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:**  
Flagstaff Equipment Company  
500 North Grant  
Flagstaff, AZ 86004  
928-774-1969  
caflageq@msn.com

## Additional Discounts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misc. Additional Discount 1</td>
<td>$11,461.00</td>
<td>-$11,461.00</td>
</tr>
<tr>
<td>Additional Discount Total</td>
<td>$11,461.00</td>
<td>-$11,461.00</td>
</tr>
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**Total Selling Price:** $55,824.00  
$11,461.00  
$44,363.00  
$44,363.00
AGREEMENT
TO PROVIDE SERVICES/SUPPLIES PURSUANT TO A
COORDERATIVE PURCHASING CONTRACT
Contract No. _____________

This Agreement is made and entered into by and between the Town of Chino
Valley, Arizona, a municipal corporation, hereinafter designated as “Town” and Flagstaff
Equipment Company, Inc., an Arizona Corporation hereinafter designated as the “Contractor.”

Recitals:

A. Contractor has contracted with the Arizona Mohave Cooperative Purchasing to
provide equipment pursuant to Contract No. 15G-DEER-0824 (PG 3V) (the “Cooperative
Purchasing Contract”); and

B. Pursuant to A.R.S. § 41-2631 et seq. and the Chino Valley Code of Ordinances, §
32.08, Town has authority to utilize cooperative purchasing contracts and engage contractors
under the terms thereof.

CONTRACTOR AND TOWN, FOR THE CONSIDERATION HEREINAFTER SET
FORTH, PROMISE, COVENANT AND AGREE AS FOLLOWS:

1. Scope of Work.

1.1 Contractor shall provide a John Deere 5115M Utility Tractor and
Diamond DDR120-Co mowe as described in the John Deere Quote, ID #16609306 and the
contract documents, which are attached hereto as Exhibit A and incorporated herein by
reference. As used in this Contract, all references to the Arizona Mohave shall mean the Town
of Chino Valley, Arizona.

1.2 Contractor shall comply with all specific requirements and/or options of
Town, as specified in Exhibit B attached hereto and incorporated herein by reference.

2. Completion of Work. The Contractor shall complete all work set forth in the
Scope of Work on or before June 30, 2018.

3. Payment. The Contract Fee is $120,075.21. Payment to the Contractor for the
services, materials and/or equipment provided, shall be made in accordance with the price list
and terms set forth in the Cooperative Purchasing Contract.

4. Terms of Cooperative Purchasing Contract Apply. All provisions of the
Cooperative Purchasing Contract documents are incorporated in and shall apply to this Contract
as though fully set forth herein, except as otherwise provided for in this Agreement.

5. Contract Term and Renewal. If funds for this Contract are not appropriated or
budgeted by July 1, 2018, Town may terminate this contract by giving written notice to
Contractor. Otherwise, the term of this Contract shall commence upon approval and continue through June 30, 2018.

6. **Certificates of Insurance.** All insurance provisions of the Cooperative Purchasing Contract shall apply, including without limitation, the requirement to name the Town as an additional insured. Prior to commencing work under this Contract, Contractor shall furnish the Town with Certificates of Insurance, or formal endorsements as required by the Contract, issued by the Contractor’s insurer(s) as evidence that policies providing the required coverages, conditions and limits required by this Contract are in full force and effect.

7. **Non-Boycott of Israel.** Vendor hereby certifies that it is not currently engaged in, and agrees that for the duration of this Agreement it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names this _____ day of ______________, 2018.

TOWN OF CHINO VALLEY:                                  CONTRACTOR:

___________________________________________________ By: ______________________
Darryl Croft, Mayor                                     Title: ______________________

ATTEST:

___________________________________________________
Jami Lewis, Town Clerk

APPROVED AS TO FORM:

___________________________________________________
Phyllis L.N. Smiley, Town Attorney
Gust Rosenfeld, PLC
EXHIBIT A

COOPERATIVE PURCHASE CONTRACT

ARIZONA MOHAVE COOPERATIVE PURCHASING

CONTRACT NO. 15G-DEER-P824 (PG 3V)
EXHIBIT B
SPECIFIC REQUIREMENTS/OPTIONS OF TOWN

Attached: Quote and Specifications.

Notices: All notices required under the Contract shall be sent to:

   Town Manager
   Town of Chino Valley
   202 N. State Route 89
   Chino Valley, Arizona 86323-0406

Delivery Location: 202 N State Route 89, Chino Valley, Arizona 86323
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 Dated February 13, 2018" to be a public record; and adopting "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley Dated February 13, 2018" 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 Dated February 13, 2018" 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). In 2017, the League of Arizona Cities and Towns informed the Town that we had not yet adopted the 2012-2014 changes to the MCTC.

Applicable “Policy”
Intergovernmental Agreement (IGA) with the Arizona Department of Revenue (ADOR0, 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.

Updated Information
Since this item was placed on the 1/23/18 agenda, the Town Attorney made formatting changes to the Ordinance to bring it into conformance with the Town's ordinance style. She also corrected some errors in the ordinance exhibit (Tax Code Amendments). One such error was to add the word "Reserved" to Section 32-25.660(q) that had been erroneously omitted. All other corrections were to correct typographical or grammatical errors. As the updates and corrections to both documents were non-substantive, we are not attaching redlined versions to the packet. Also, as the Exhibit, which is rather lengthy, was in the previous packet and the corrections are non-substantive, we are not attaching it to the packet. We are, however, providing a link to the Ordinance's Exhibit below for viewing.

Other Pertinent Documents Available Upon Request:
Click here, then click on the agenda meeting date, to view the Exhibit to Ordinance No. 18-834 entitled "2012-2014 Amendments to the Tax Code of the Town of Chino Valley Dated February 13, 2018."

Fiscal Impact
- Fiscal Impact?: No
- If Yes, Budget Code: Available
- Funding Source:

Attachments
- Tax Code Amendments Summary
- Ordinance 18-843
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.
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 by 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


NOW, THEREFORE, BE IT ORDAINED by the Mayor and Common Council of the Town of Chino Valley, Arizona, as follows:

Section 1. In General.

1. That certain document entitled "The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley, dated February 13, 2018", 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.

2. The Town of Chino Valley, Arizona Tax Code, adopted by reference by the Town of Chino Valley Town Code, Title III Administration, Chapter 32 Finance and Revenue, Subchapter Tax Code, Section 32.25 Adopted by Reference, is hereby amended by adopting by reference that document entitled “The 2012-2014 Amendments to the Tax Code of the Town of Chino Valley, dated February 13, 2018” as follows: (1) amending Section 32.25-100 General Definitions; (2) repealing Section 32.25-120 (Reserved) and Model Option #2; (3) amending Section 32.25-200 Determination of Gross Income; in General; (4) repealing Article III Licensing and Recordkeeping and replacing it in its entirety with new Article III Licensing and Recordkeeping and Sections 32.25-300 Licensing Requirements, 32.25-310 Licensing; special requirements, 32.25-320 License Fees; Annual Renewal; Renewal Fees, 32.25-330 Licensing; Duration; Transferability; Display; Penalties; Penalty Waiver; Relicensing; Fees Collectible as if Taxes, 32.25-340 Licensing; Cancellation; Revocation, 32.25-350 Operating without a License, 32.25-360 Recordkeeping Requirements, 32.25-362 Recordkeeping: Income, 32.25-364 Recordkeeping: Expenditures, 32.25-366 Recordkeeping: Out-of-State Sales, 32.25-370 Recordkeeping: Claim of Exclusion, Exemption, Deduction, or Credit; Documentation; Liability, 32.25-372 Proof of Exemption: Sale for Resale; Sale, Rental, Lease, or License of Rental Equipment, 32.25-380 Inadequate or Unsuitable Records; (5) eliminating Regulations 32.25-300.1 Who must apply for a license, 32.25-300.2 (Reserved), 32.25-310.1 (Reserved), 32.25-310.2 (Reserved), 32.25-310.3 (Reserved), 32.25-350.1 Recordkeeping: Income, 32.25-350.2 Recordkeeping: Expenditures, 32.25-350.3 Recordkeeping: Out-of-City and Out-of-State Sales, 32.25-360.1 Proof of Exemption: Sale for Resale; Sale, Rental, Lease or License of Rental Equipment, 32.25-360.2 Proof of Exemption: Exemption Certificate; (6) amending Sections 32.25-422 Jet Fuel Sales, 32.25-425 Job Printing, 32.25-445 Rental, Leasing, and Licensing for Use of Real Property, 32.25-450 Rental, Leasing, and Licensing for Use of Tangible Personal Property, 32.25-460 Retail Sales: Measure of Tax; Burden of Proof; Exclusions; (7) adding new Section...
Ordinance No. 18-843
February 13, 2018

Section 2. Providing for Repeal of Conflicting Ordinances.

All ordinances and parts of ordinances in conflict with the provisions of this Ordinance or any part of the Code adopted herein by reference, are repealed.

Section 3. Providing for Severability.

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. Providing for Effective Dates.

The provisions of this ordinance conform 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.

Section 5. Penalties.

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.

PASSED AND ADOPTED by the Mayor and Council of the Town of Chino Valley, Arizona, this 13th day of February, 2018.

AYES: ___________________  ABSENT: ___________________
NAYS: ___________________  ABSTAINED: ___________________
APPROVED this 13th day of February, 2018.

Darryl L. Croft, Mayor

ATTEST:

Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:

Phyllis L.N. Smiley, Gust Rosenfeld, PLC
Town Attorney


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 directly or indirectly, 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

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(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.
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
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 ENTIREITY 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.
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.

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.

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.

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.

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.


(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:

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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 32.25-350.2. Recordkeeping: expenditures.
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, 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.

(s) 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:


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.

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 CONDIMENTS FOR CONSUMPTION WITHIN THE PREMISES OF ANY PRISON, JAIL OR

(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)

(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 gross 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) 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.
Redeterminations upon a "petition for redetermination" shall follow the same conditions, except that no oral hearing shall be held.

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.

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.

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.

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.

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) 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) 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.

8. FOOD FOR HOME CONSUMPTION, PER SECTION 32.25-462.

9. telecommunications services, per Section 32.25-470.

10. utility services, per Section 32.25-480.

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.

(c) 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.