

**RESOLUTION 2015-44**

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS, ARIZONA, APPROVING A MEMORANDUM OF UNDERSTANDING WITH THE ARIZONA DEPARTMENT OF REVENUE RELATING TO PERFORMANCE MEASURES FOR PROCESSING MUNICIPAL TAX MATTERS.

**BE IT RESOLVED** BY THE MAYOR AND COUNCIL OF THE TOWN OF FOUNTAIN HILLS as follows:

SECTION 1. The Memorandum of Understanding with the Arizona Department of Revenue relating to establishment of performance measures to promote the timely, efficient and accurate processing of municipal tax matters (the "MOU") is hereby approved substantially in the form and substance attached hereto as Exhibit A and incorporated herein by reference.

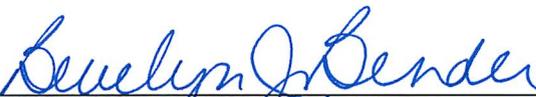
SECTION 2. The Mayor, the Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to cause the execution of the MOU and to take all steps necessary to carry out the purpose and intent of this Resolution.

**PASSED AND ADOPTED** by the Mayor and Council of the Town of Fountain Hills, Arizona, September 3, 2015.

**FOR THE TOWN OF FOUNTAIN HILLS:**

**ATTESTED TO:**

  
\_\_\_\_\_  
Linda M. Kavanagh, Mayor

  
\_\_\_\_\_  
Bevelyn J. Bender, Town Clerk

**REVIEWED BY:**

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Grady E. Miller, Town Manager

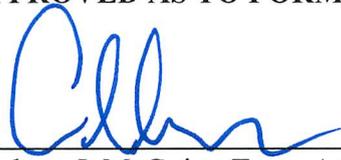
  
\_\_\_\_\_  
Andrew J. McGuire, Town Attorney

EXHIBIT A  
TO  
RESOLUTION NO. 2015-44

[MOU]

See following pages.

## Memorandum of Understanding

### Memorandum of Understanding

#### Between

### Arizona Department of Revenue

#### and

### City/Town of Fountain Hills

#### **Background**

Administration and collection of local municipal transaction privilege tax and similar affiliated excise taxes imposed under the Model City Tax Code are governed under Arizona Revised Statutes Title 42, Chapter 6.

House Bill 2111 (2013 First Regular Session) and House Bill 2389 (2014 Second Regular Session), as a means of simplifying tax administration, requires the local municipal transaction privilege and affiliated excise taxes to be collected and administered by the Arizona Department of Revenue ("DOR"). In addition, DOR and each city and town shall enter into an intergovernmental agreement to establish a uniform method of administration, collection, audit, and licensing. House Bill 2617 (2015 First Regular Session) requires DOR to impose fees on cities and towns to pay a portion of administrative, program and other operating costs for DOR to provide administrative and collection services to local governments.

#### **Purpose**

In furtherance of this mission and the fees imposed by House Bill 2617, this Memorandum of Understanding (MOU) sets forth the understanding between the DOR and the City/Town of Fountain Hills ("City/Town") to establish performance measures to promote the timely, efficient and accurate processing of municipal tax matters.

#### **Reporting**

Appendix A, which was created by a team of representatives from DOR and the cities and towns, focuses on the performance measures in the operational areas of Administration, Customer Service, AZTAXES.gov, Audit, and Collections.

#### **Duration**

The term of this MOU shall be from July 1, 2015 through June 30, 2016.

#### **Annual Review**

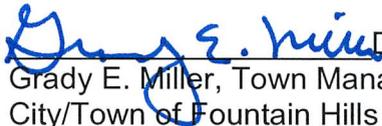
During the term of this MOU, the Appendix A may undergo an annual review to be completed no later than March 31<sup>st</sup> of each year, however can be delayed or canceled if

determined no review is necessary. The performance measures may be modified by DOR and the cities and towns upon mutual agreement during the annual review process. These performance measures are goals. Payments due from cities and towns are required by law, and not contingent upon DOR meeting the goals.

Arizona Department of Revenue  
Attn: Director, Division Code 20  
1600 W. Monroe  
Phoenix, AZ 85007

City/Town of Fountain Hills  
Attn: Town Manager  
16705 E. Avenue of the Fountains  
Fountain Hills, AZ 85268

  
\_\_\_\_\_  
Date: 9/24/15  
Director  
Arizona Department of Revenue

  
\_\_\_\_\_  
Date: 9-3-15  
Grady E. Miller, Town Manager  
City/Town of Fountain Hills

**Appendix A**

Performance Category	Goal/Objective	Performance Measurement	Report Frequency	Additional Info
<b>Administration</b>				
New licenses processed	To process new license applications within 5 days of receipt	1. average # of days to process a new license application 2. % of new license applications processed within 5 days of receipt	Monthly	
License Modifications/Cancellations	To process license modifications/cancellations received by the 25th of the month by the end of the month.	# of license modifications/cancellations remaining at the end of the month	Monthly	
Clean cut off by calendar month activity on all monthly activity reports	DOR will ensure that all money deposited within a calendar month and all returns received within a calendar month will be processed within that accounting month and money distributed for that month.	1. Close the previous accounting month by the 15th of the following month. 2. Beginning January, 2016, to distribute money from 2 accounting months during the first 2 weeks of the new accounting month.	Monthly	
All TPT Tax Returns processed including amendments, modifications, adjustments, etc.	To process all TPT tax returns within an average of 4 calendar days.	Average # of days to process a TPT tax return/% of TPT tax returns processed within 4 calendar days	Monthly	
TPT Deposits	Payments processed and deposited within 24 hours of receipt	Average # of days to deposit TPT money	Monthly	
Distribution or Allocation errors	Notify affected cities of distribution or allocation error within 5 business days of identification		As needed	
Month End City Journals	To complete the month-end reconciliation process and issue the City Payment Journals by the 15th of the next calendar (accounting) month.	1. Number of calendar days to issue the City Payment Journal. 2. Percent of months in which report was issued prior to the 15th calendar day of the month.	Monthly	
<b>Customer Service</b>				
Cities Unit - Request for Research	To provide feedback to city requests for research by establishing contact with Cities Unit employee within 10 days.	1. Average # of days to provide feedback to city requests for research. 2. # of days for resolution of city request.	Monthly	

**Appendix A**

<b>Performance Category</b>	<b>Goal/Objective</b>	<b>Performance Measurement</b>	<b>Report Frequency</b>	<b>Additional Info</b>
Cities Unit - Request for Research - License Compliance	To respond to city requests for license information within 5 days of request	Average # of days to respond to a city request for license information	Monthly	Report fields to include, but not limited to; Business Name, Business Address, Owner Information.
TIA - Incoming Calls from Businesses	To respond to business taxpayer calls within 15 minutes.	Average # of minutes to respond to a business taxpayer call	Monthly	

**AZTaxes**

Electronic return filings	To increase the percentage of TPT taxpayers who file electronically to 40%	% of TPT taxpayers who file electronically	Monthly	June 2015: 24%
AZTaxes online and available	To ensure that AZTaxes.gov is available for taxpayers use 24/7	% of time AZTaxes.gov is available	Monthly	

**Audit**

<p>Comprehensive Audit Report(s) that includes the following items:</p> <ul style="list-style-type: none"> <li>a. Planned Audits</li> <li>b. Request for Audits</li> <li>c. Audits in Progress for All Cities</li> <li>d. Completed Audits for All Cities/towns</li> <li>e. VDAs</li> <li>f. Managed Audits</li> <li>g. Audit Penalty Waivers</li> <li>h. Refund Requests</li> <li>i. Protests</li> <li>j. Settlements/Closing Agreements</li> </ul>	To produce a comprehensive audit report bi-monthly to disseminate at the bi-monthly UAC meeting or email to non-UAC member cities.	1. Comprehensive TPT Audit Report designed by the UAC meeting in September, 2015. 2. % of bi-monthly UAC meetings in which report was ready for discussion.	Bi-monthly	
In State Audits (Field & Desk Review)		Average # of months to complete an In State audit/ % of In State audits completed within 7 months of opening the audit	Monthly	

**Appendix A**

<b>Performance Category</b>	<b>Goal/Objective</b>	<b>Performance Measurement</b>	<b>Report Frequency</b>	<b>Additional Info</b>
Out of State Audits		Average # of months to complete an Out of State Audit/% of Out of State Audits completed within 18 months of opening the audit	Monthly	
License Compliance/Enforcement		Report to be designed by September 2015 UAC meeting based upon License Compliance database. Consideration being given to sharing of data between DOR and cities and towns with licensing programs.	Monthly	
Audit Assessments	To process an audit conducted by city/town within 10 business days of receiving a complete and accurate file	Average # of days to process an audit conducted by city/town once a complete and accurate file was received	Monthly	

**Collections**

DOR Comprehensive Collections Report that includes the following information:	To provide Collections information pertaining to TPT accounts by the end of the following week.	1. # of reports issued weekly 2. % of weeks report was issued	Weekly	Modification of existing DOR internal report to include Status, total AR balance, etc. (Cannot be distinguished by city/town balances). Open/Closed/In Progress Collection Cases
a. Payment Plans	Identifies accounts on payment plans			
b. Liens	Identifies accounts with filed liens			
c. Levies	Identifies accounts that have been			
d. Judgments	Identifies accounts that have judgments filed			DOR does very few, if any, TPT
e. Bankruptcies	Identifies accounts in bankruptcy status			Modification of existing DOR internal report to include Status, total AR

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<b>Performance Category</b>	<b>Goal/Objective</b>	<b>Performance Measurement</b>	<b>Report Frequency</b>	<b>Additional Info</b>
Liquor Tag	To provide Collections information pertaining to TPT accounts with a Liquor Tax by the end of the following week.	1. # of reports issued weekly 2. % of weeks report was issued	Weekly	DOR will have to issue a separate report for Liquor Tag information.
Accounts Receivable - Aging Report		Summary report of TPT activity	Monthly	

**REPORTS FROM DOR**

New License Report (modification of existing report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	All reports are listed in the IGA
License Update Report (new report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	
City/town Payment Journal Detail (CPJ) (modification of existing report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	
City/town Payment Journal Summary (modification of existing report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	
No money report (new report, data currently shown on CPJ) also includes delinquency information	To issue report within 15 calendar days after the close of the preceding month via FTP to city/town	1. # of reports issued by the 15th calendar day of the following month 2. % of months in which report was issued prior to the 15th calendar day of the month	Monthly	Filed and not paid/Licensed but not filed
Fund Distribution Report with 100% accuracy	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	
Fund Distribution Summary Report (new report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	
Deduction Report (new report)	To issue report each week by noon on Tuesday via FTP to city/town	1. # of reports issued by noon on Tuesday of each week 2. % of weeks in which reports were issued by noon on Tuesday	Weekly	

**SLUG Reporting**

**Appendix A**

<b>Performance Category</b>	<b>Goal/Objective</b>	<b>Performance Measurement</b>	<b>Report Frequency</b>	<b>Additional Info</b>
Create system for cities to appeal to SLUG	To create a process for town/city to appeal to SLUG	The process is documented by January 1, 2016		
Select SLUG members	To select the members of SLUG committee by January 1, 2016	Members selected and documented by January 1, 2016		