



CITY OF SURPRISE
Amended Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374

Tuesday, February 6, 2024 @ 6:00 PM
COUNCIL CHAMBERS

Amended on 2/5/24 (Item 10 Attachments)*

A. Call To Order

Any prayer or invocation that may be offered before the start of the Regular Council Meeting is a voluntary offering by a private resident of Surprise; has not been previously reviewed or approved by City Council or City staff; should not be considered an endorsement of any particular religion by the City or its officials, as the beliefs, viewpoint, and content are personal to the speaker; and no participation by any person in attendance is required. A list of volunteers is maintained by the office of the City Clerk and interested persons should contact the Clerk's Office for further information.

B. Roll Call

C. Pledge of Allegiance

D. Proclamation and Community Acknowledgements

E. City Manager Report

The City Manager may present a brief summary of current events, including recognition of community members, employees, and programs, pursuant to A.R.S. § 38-431.02(K). The City Council will not discuss or take action on any matter within the City Manager Report.

F. City Clerk Report

3. Internal Consideration and action to appoint Connie Bowers to fill the vacancy on the City Audit Commission for the remainder of the term June 30, 2024. Kristi Passarelli
City Clerk

G. Call To The Public

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins. You may also [fill out the Call to the Public form online](#). If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

Please be aware that Council Members may not discuss or respond to matters raised during call to the public that are not specifically identified on the agenda. Council Members may however, in their discretion, discuss or respond to relevant matters raised during a noticed public hearing or agenda item.

H. Regular City Council Meeting Agenda

CONSENT AGENDA:

- | | | | |
|----|------------|--|---------------------------------------|
| 1. | Internal | Consideration and action to approve the January 12, 2024 City Council Budget Kick Off Minutes, January 16, 2024 City Council Workshop Minutes, Regular City Council Meeting Minutes, and January 25, 2024 City Council Budget Kick Off Minutes. | Kristi Passarelli
City Clerk |
| 2. | District 1 | Consideration and action pertaining to approval of the Final Plat entitled, "A Replat of Lot 1A, of Allora Surprise" and dated November 27, 2023, for property generally located at the southeast corner of Bell Road and Citrus Road; Case FS23-0676. | Chris Sexton
Community Development |
| 3. | Internal | Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority from General Contingency in the amount of \$91,300 to project G34185 in the Grants Fund and amending the Fiscal Year 2024 Contract Awarding Authority list by creating #24132 – Homeland Security Grant Program item for \$91,205 to account for acceptance of the Homeland Security grant; Resolution #2024-11. | Brenden Espie
Fire - Medical |
| 4. | Citywide | Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority in the amount of \$718,500 from General Contingency to Project P31190, and amending the Fiscal Year 2024 Contract Awarding Authority list by creating #24107 – FY24 Arizona 9-1-1 Program item for G31450 \$215,800 and #24108 - Arizona 9-1-1 Program item for P31190 \$718,500 to cover set up and monthly recurring costs for 9-1-1 equipment, maintenance, and support through FY 2028; Resolution #2024-20. | Benny Pina
Police |
| 5. | Citywide | Consideration and action pertaining to approval of an amendment to the FY2024 budget by moving budget authority of \$62,200 from General Contingency to Project #G31245 FFY23 DEA Task Force in the Grants Fund to account for the acceptance of an addendum to the agreement with the U.S. Department of Justice Drug Enforcement Administration (DEA) Task Force; Resolution #2024-06. | Benny Pina
Police |

REGULAR AGENDA ITEM - PUBLIC HEARING:

- | | | | |
|----|------------|--|---------------------------------|
| 6. | District 3 | Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 273271, requested by Amy S. Nations, for Cold Beers & Cheeseburgers for Series 12 Liquor License. Cold Beers & Cheeseburgers is located at 13400 N Prasada Parkway, Surprise, AZ 85388. | Kristi Passarelli
City Clerk |
|----|------------|--|---------------------------------|

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

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| 7. | District 3 | Consideration and action pertaining to initiation of the Cactus Road - Cotton to Reems Property Lien Process; Ordinance #2024-05. | Eric Boyles
Transportation |
| 8. | District 1 | Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority of \$11,000,000 from general capital contingency and establishing project P65390, 163 rd Ave | Eric Boyles
Andrea Davis
Transportation |

Roadway Improvements, for the advancement of the construction phase of the project from FY2025 to FY2024 and amending the FY2024 Contract Awarding Authority List; Resolution #2024-19.

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| 9. | Citywide | Presentation and discussion pertaining to the fiscal year 2023 annual audit and Annual Comprehensive Financial Report and associated reports. | Andrea Davis
Erick Martin
Finance |
| 10. | Internal | Consideration and action by City Council determining, in accordance with A.R.S. § 9-481(H), that the City of Surprise has complied with A.R.S. § 41-1494, an Arizona law which prohibits a state agency, including cities, from requiring, or expending public funds on, certain training, orientation or therapy; Resolution #2024-25. | Donna Meuse
Human Resources |
| 11. | Citywide | Consideration and action pertaining to updating the City's Uniform Video Service License Agreement. | Robert Wingo
Legal |
- I. Other Business and Future Agenda Items
- J. City Council Reports
- K. Executive Session

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. §38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-401.03 (A)(6)).
- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

- L. Adjournment

POSTED: Thursday, February 1, 2024 @ 10:00 AM
*Amended on Monday, February 5, 2024 @ 11:00 AM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



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Council Meeting Date: February 6, 2024
Submitting Department: City Clerk
Staff Recommendations:

Contact Person:
District: Internal

Consent: No	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Invocation

Motion:

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



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Submitting Department: City Clerk
Staff Recommendations: None

Contact Person: Kristi Passarelli, City Clerk
District: Internal

Consent: No	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action to appoint Connie Bowers to fill the vacancy on the City Audit Commission for the remainder of the term June 30, 2024.

Motion:

I move to appoint Connie Bowers to fill the vacancy on the City Audit Commission for the remainder of the term June 30, 2024.

Background:

Sec. 2-296. - Member selection and replacement process.

The following process will apply to all openings or vacancies for appointment to a public body, unless otherwise indicated in the ordinance or resolution creating the body:

(a)

Application process.

(1)

Upon notice of a vacancy, the city clerk will promptly notify the nominations committee chair, and post all vacancies on the city website. Vacancies will also be posted at all designated posting locations, no later than three business days after a vacancy is created and continue such posting until the position is filled.

(2)

The city clerk will maintain and distribute applications to all persons interested in being a member of a public body.

(3)

All persons, including current members seeking reappointment, interested in becoming a member of a public body must submit an application to the city clerk's office. Only applications received by the city clerk's office may be considered for body vacancies. Members with expiring terms who submit a timely application will automatically be nominated for reappointment unless the nominations

committee decides to open the reappointment process to competition. Notice of the nomination committee's decision will be provided to the member no less than ten business days after referral by the city clerk. The committee's decision is final and may be with or without cause.

(4)

All applications will be accepted on an open rolling basis and will be maintained as an active application for four years.

(b)

Boards and commissions nominations committee.

(1)

The mayor will designate one city council member to serve as the chair of the nominations committee, who will serve on an ongoing basis until such time as the mayor makes a new designation.

(2)

The chair will select two additional city council members to serve on the nominations committee. At the discretion of the chair, the chair or designee of the respective public body may also serve on the nominations committee.

(3)

The nominations committee will interview all qualified applicants. All applicants will be asked the same questions in order to ensure that a fair assessment can be made of each applicant; however, additional questions may be asked for purposes of clarification after the standard questions have been asked.

(4)

The committee will submit the names of qualified applicants selected for nomination to a public body to the city clerk on an agenda action form. The committee, in its sole discretion, may submit the name of a qualified applicant who has completed the application process through interview, for any subsequent vacancy occurring within ninety days of the applicant's interview. In the event the committee exercises this discretion, the application process set forth in this section is waived.

(5)

The committee shall investigate and resolve, short of removal, any allegation of nonfeasance or malfeasance against a public body member. In the event the committee is unable to satisfactorily resolve the matter, or because of the severity of the substantiated conduct, the committee concludes removal is appropriate, the committee shall submit a report including findings and conclusions and a recommendation to city council for consideration and action. In administering this provision, the committee's actions should be progressive, from least punitive to the most punitive measure.

(c)

Appointment.

(1)

The city clerk will place the nomination for appointment on the agenda for the next available regular city council meeting and provide the nominees with the date, time, location and any other appropriate information regarding the city council meeting at which their possible appointment will be discussed.

(2)

Appointment of any nominee requires an affirmative vote by a majority of city council in attendance at a properly noticed city council meeting.

(3)

The city clerk will swear in all newly appointed members prior to acting in the capacity as a body member.

(Ord. No. 2014-14, § 5(Exh. A), 11-23-2014; Ord. No. 2018-11, § 1, 8-7-18)

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:



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Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: Internal

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Consideration and action to approve the January 12, 2024 City Council Budget Kick Off Minutes, January 16, 2024 City Council Workshop Minutes, Regular City Council Meeting Minutes, and January 25, 2024 City Council Budget Kick Off Minutes.

Motion:

I move to approve the January 12, 2024 City Council Budget Kick Off Minutes, January 16, 2024 City Council Workshop Minutes, Regular City Council Meeting Minutes, and January 25, 2024 City Council Budget Kick Off Minutes.

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

1. 011224 Budget Kick Off Minutes
 2. 011624 Regular Meeting Minutes
 3. 011624 Work Session Minutes
 4. 012524 Budget Kick Off Minutes
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City Council Budget Kick Off
Ottawa University Surprise Campus
15950 N. Civic Center Plaza
Surprise, AZ 85374
Friday, January 12, 2024 @ 12:00 PM
Classrooms: 210 & 212
SUMMARY MINUTES

Council & Employee Lunch Held from 12:00 pm-12:45pm

Call To Order **@12:45 PM**

Roll Call – **PRESENT: Mayor Hall, Vice Mayor Judd, Councilmembers Haney, Cline, Remley and Hastings**

Agenda Item: Presentation and discussion pertaining to the Fiscal Year 2025 operating budget.

Mayor Hall – Provided Introduction describing his history with the City and the purpose of the meeting; He provided reflection with staff and timeline of service in the City and expressed opinion City has the best council and staff in Maricopa county; Proud of City and now have to make tough decisions as a group; Directors presentations will help clarify some things in order to move forward; Great city and great future because staff and council will continue to make good decisions for the future. Projections over 200k residents within next 5 years; keep the small town feel but with growth will be difficult; Gilbert and Chandler are comparable.

Bob Wingenroth – Expressed appreciation to Council and staff. Thanked Council for their leadership. Described the process for today - 5 min for each director; distinguished group of staff and amazing team.

Staff Presentations:

Fire Chief Brendan Espie – reflected as being hired in 2001 right before 9/11. Role of Chief for 1.5 yrs; We are all in it together – happy to be here; Summary Requests: Maintain level of service residents expect: Increase in contract services; hidden costs the increase would pay bills; Staff for ambulance service and 4 Captains to accommodate growth service needs in busy areas 30% to 20%. Captains are needed to accommodate growth areas for call outs currently by Supervisors; Training Requirements to remain current with technology and increase to meet minimum requirements. Deputy Chief request to better manage operations as the department grows support positions intent to stay current. Joint requests with PD for radio transmission 2 way radios used by fire, police, water, transportation etc. over 550 radios to maintain in city; create a public safety master plan last approved 2017 is at end of life needs refreshed include public works and Emergency Mgmt; Ensure alignment with strategic plan and goals. One time CIP Request for Class A burn facility and enhanced shooting range for training. Training for additional officers and firefighters; Replace thermal imaging cameras that have exceeded life and can no longer be serviced; Fire hose replacement and remodel one station; Customer service backbone of existence hope to maintain always there always ready motto ensure safety of residents; crafted requests with funding in mind.



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Police Chief Benny Pena - Top 3 items for increased cost of what we already have (body cams and tasers) equipment and training; prices increased with technology including new records management system; infrastructure in place now for new precinct and community center; Employees increased training costs for ammunition cost increase anticipated; remain efficient using simulation; cost is more dollars; more dispatchers; supervisor and training supervisor pays for itself with reduced liability. No complaints litigation over last 2 years attributed to training staff. Regional partnership with field force team uniforms for training; support staff added shift 2 squad deployment; need support staff (analysts) not sworn officers; Investigation Lieutenant requested; up to 400 search warrants;

Judge Dominguez – City Court – Request to continue to focus on providing access to justice, security of staff and court users; customer service, cost effectiveness and efficiency as for past 11 years coming March; Court will not submit request for budget increase for FY25; met goal with existing budget; Personnel is 90% - operational requirements 10% - factors for court administration operational changes – city growth ordinance case filings supreme court decision administration directed from supreme court rules and procedure court/civil/legislative – mandates without funding – changing environment. Plan to remain fiscal responsible and level of service. Human capital management review and align workforce accordingly – Process Optimization; precision and efficiency; recognizes community we serve. Thank you for support to continue to provide access to justice in the community.

Robert Wingo, City Attorney – Civil Division/Prosecutors Office; Civil internal service along with court and police is the face of criminal justice system to provide victims rights support; public service and customer service component of the office; Conduit between departments for police and court. As PD and courts grow, bottleneck will occur without growth of the dept. There has not been a staff increase since 2017, prosecutors or attorney staff; Requesting 1 Prosecutor; office is at capacity processing average of 485 cases per year not including civil violations (103) and (75) traffic issues; national standard for public defenders is 400 cases per year and shown above that case load issues occur; currently over capacity now; consequences are we cannot meet deadlines ex: right to speedy trial, disclosure timelines. 100% burden on the division; Request for Public Record Specialist for legal team to remove tasks currently performed by PD and ensure compliance with disclosure requirements/redaction; this will avoid jeopardizing cases to meet timelines; No Request at this time for Civil division. Maintain status quo.

VM Judd - How many prosecutors do you have? Robert Wingo - (4) including the admin office.

Kristi Passarelli, City Clerk; Set Costs of Elections – Statutory Requirements (Primary/General Plan) Additional Cost for Publicity Pamphlet required for General Plan. Tentative plan for



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(Special Election) related to Referendum case in litigation. Plan for General/Runoff Election (if needed); Merchant Fee increases for online transactions; Closed Captioning Services for all meetings; Copier Lease and Maintenance Agreement for security of passport offices (copiers) added this year. Slight increase for meeting supplies for team building meetings and training opportunities for staff. Request for technology digital capability; Request for City Clerk Assistant FTE benefit for competitive department and provided greater customer service and provide redundancy within the department for PRR and records retention. Request for reconfiguration of office structure to expand permanent record documents which would require move of cabinets and cubicle furniture.

Carol Holley, City Auditor - Planning since October providing a risk assessment survey to directors and a survey to employees; gathered responses and upon completion will create the audit plan. Currently have (3) employees fully staffed but are no able to reach all departments each year. How will we meet the high / med risk areas; increase continuous monitoring program; Develop standards and templates; 3rd annual review for audit to assess our department standard for 2024 training used to develop trainings hoping to remove manual processes and use automation to decrease time it takes to complete an audit.

Michael Boule, Director – Water Resource Management – To provide safe reliable and affordable water for customers; Funds are reliant upon rates of users; currently updating rate study for FY 25-29 starting at next meeting Jan16th requests to see through the process and anticipate continued growth; water and wastewater unique as need to have information 2 years in advance to allow to execute the rate setting and budget process rely on each other; any deviation impacts rates; Appreciate support.

Lloyd Abrams, Director - Community Development - Transition from contract services previously asked for funds per statute to move from contract funds to full FTE to continue with growth; permits back up to 90% one builder submitted over 300 permits last month; Request for a Building Inspector 3, (8 full time Inspectors and 1 Supervisor); Inspector 2 and Inspector 1 to slowly transition from contract to FTE; Request for an additional Code Inspector which division has not added for at least 20 years; inflations on subscription and maintenance; Bring sustainable knowledge adding a Business Analyst merge one hybrid position shared with finance for development agreements; better organize to bring on full under community development reclassified for maintaining current level of service; structure of city dependent on each other which makes us unique from any other organization.



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VM Judd – Can you clarify number of inspectors? Lloyd – currently they are contractors now, we train them and they leave so the hope is to build knowledge base in house as FTE to become more self sufficient

Mayor – Clarify the ask is for 3 inspectors, Code inspector and 1 Business analyst? Lloyd - Yes

Kristin Tytler, Director - Public Works – Engineers, Facilities, Solid Waste – Team identified items to continue to maintain level of service for the other departments; most covers base increases for utilities and operational supplies and services; Maintain level of service cost for cleaning supplies auto parts building maintenance; Staff Request from prior year still looking for engineers; Additional staff requests for facilities and fleet divisions; Fleet service rider, fleet service tech; 1 custodian and 1 lead custodian to keep up with current needs; Asset replacement for fleet and facilities division ex cost for fire trucks/police (100k); Roofing projects and take care of the current buildings needs as we age. No specific CIP requests, but support divisions for the joint requests/plans. Some department asks for part time fleet or maintenance, Community center fire and pool

Mayor – The building between bell and greenway, who's is it? Kristin – it is maintained by Public Works; Parks currently utilizes that space.

Eric Boyles, Director - Transportation – To provide safe and efficient network for residents; to maintain current level of service requests for contractual items increase landscape sidewalk barricade school crossings; Transit Services for ridership - WeRide – funding to mid 2025, request to continue through end of FY25 and option to fund expansion – WeRide has been widely successful and fills a need in city; Request for personnel to maintain operations; Traffic signal service over 66 signals only 2 individuals to provide that service; 1 traffic control coordinator ask for additional coordinator; Pavement Preservation Program, robust maintain lifespan of streets with growth – index of 70% investment needed to do that – signal equipment replacement inventory; Traffic signals request for 2 more at high level intersections for safer network – phase 2 of Dale Ln improvements; provide the first ever master plan one of most important on list and aligns with strategic plan address proactively rather than be reactive as a great benefit to city.

Bob Wingenroth – Kudos to Eric

Jeanine Jerkovic, Director - Economic Development – People are moving to Surprise (167k people) – serving population retail perspective sq ft per person still lagging rate of service for population – aspirations to get where we want to be; busy decade ahead opened great places for dining and shopping wish to capitalize on success; Currently (9) people in Economic



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Development; reflect the aspirations of the Strategic Plan; provide services to help small business at par with part time admin person; Scholarships to continue and grow for business and residents; Assets at TechCelerator location has been great to launch business; look at how to serve population maybe space exploration near city hall area look at capital improvement to divert funds; Request for Department Vehicle to be used for tours condition of vehicle not always ideal from fleet; Shared facilities use agreements continue relationship with Ottawa; increase broadband; Thank you for support

Bob Wingenroth – Time check

Mayor Hall - Continue with presentations until 3pm

Kim Campbell, Emergency Management – Provided background on division; in place for 5 years with city. To support continuity operations and continuity of government and plan that needs to be continuously updated. Working with Ottawa, Dysart, LAFB, hospitals etc. for large scale events; Stadium emergency evacuation plan; Request Emergency Mgmt Planner to expand and enhance ability as we grow. Request for support.

Holly Osborn, Director – Parks & Recreation – Request as first priority – Youth Sports Package - 1500 kids in fall but had 1700 – upcoming presentation showing 90% design for fire/pool station project. Opening the pool requires part time and full time – lifeguard and park ranger. Electricity and landscaping cost increases unknown depends on APS rates; Asset replacement opening new pool and spruce up the other 2 splash pads; McMicken Dam design project.

Mayor – How many park rangers? Holly - 2 currently on, soon to have 3 want to add 4th ranger (one per day 2-midnight)

Donna Meuse, Director – Human Resources – City is a people/service organization for community we know and love. Request for 1 FTE - HR Specialist to support compensation and performance mgmt as the first level of support to be more efficient; 1,477 active employees grown over 20% in last 5 years over 50% with 5 years of service. Request for contractual increases – learning management system policy and compliance; people development, management training; background checks; state required tiger services required by law 2018 to provide counselling for first responders in traumatic event; Internal service funds for Risk Mgmt. workers compensation more funding for PPE; increase for workers comp. insurance; Internal service requirement total compensation package self- insurance program to ensure choice and affordability – manage costs – focus on preventative care wellness and outreach (claims and wellness program) new wellness platform and app launch.



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CM Remley – How did the workers comp reorganization work out? – Donna – Really well and continued adosh program hope to be more proactive to address issues to prevent accident and injury.

CM Remley – What is the added person for compensation and benefits going to do for compensation? Donna – HR Specialist is first line of support for operations team. Assist with Job posting and job fairs and general recruitment for the operations team.

Kelsey Lamphier, Director - Arts, Culture & Library – To maintain level of service - 3 major priorities – 2 FTE Art Coordinators will allow to maintain workload not sustainable for one person; 1 FTE for art and private development programs; maintenance; percent for art projects, galleries. 1 FTE focus on culture component special events, history program, expand AZ Speaks – interactive city events; Library Priority - Increase security and network IT needs with higher standards to continue to maintain level of security. Request for Marketing Specialist to share creating unified messaging for both departments.

Kendra Pettis, Director - Sports & Tourism – Priority to provide events attractions for city with funding to the city. Spring training highest driver; cactus league \$700 million for state last year. Work to continue to create revenue. Working with other departments for special events and community engagement opportunities. Previously focused on sports and tourism for first years and would like to shift focus for 3rd party events – Requests for safety and security items for improvement (alarms and emergency egress gates Mark Coronado Park) agricultural increase; Request for 2 staff - facility maintenance Supervisor and Coordinator funded by revenues – Asset Replacement for safety - 2 large projects for irrigation replacement and stadium wall repair.

Seth Dyson, Director - Human Services & Community Vitality – Request for Personnel and Services – generally 70% funded by grants; Hope to sustain current programs and prepare for future. Resource Center specialist funding being removed so request to keep them full; Flip a service worker position currently part time to full time multi generation center; Request for a General admin position for support to entire department; Services budget request from subcommittee – grants – neighborhood grant program – veteran disability – master social work volunteer coordinator to work with MSW program at ASU for 4-5 interns for support staff at resource center and city – Request for one time funding for consultant for 5 year consolidated plan for housing and urban development funds; Request for additional housing community services support to keep current to expand homeless service; Request one time contingency fund to add to HSCV budget.



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Tammie Hollowell, Chief Information Officer - Information Technology – Provided background of essential services; 55 sites city wide network connections/cyber security have layers of protection in place to prevent hacks. Team in place to mitigate and recover quickly; Hardware provided city wide to all departments over 1300 items; Applications - 170 different applications; GIS services - addressing for city including 911. Requests are to maintain service levels; Increase software hardware maintenance; continue asset replacement; Requesting on call pay for technicians (24/7) Request for 7 positions, one priority is Help Desk Supervisor (1700 help desk tickets)

Nichole Whiley for Virginia Mungovan – Marketing & Communications – Service both internal and external customers; provide timely transparent communication to community print and digital tools for public awareness; build trust and awareness; Request for web based broadcast services to serve other city websites to update current web service; free version no longer up to standards – support to cover increase costs of social media archiving/retention and broadcast network equipment; Request for PIO position backfill dept changed to manager which is necessary to support workload. Manager position has been vacant no designated 2nd in charge. Modest request to maintain level of service.

Andrea Davis, Chief Financial Officer - Finance – support ongoing costs; request for utility billing division; contractual increases; one time request software upgrade for accepting online payments and security; one time cost with passing of bond projects to complete timely delivery request for Project Manager to conduct inspections.

Jodi Tas, Director - Government Relations – No Budget Request – Provided overview of first week of legislative session; Data provided can be found at AZJLBC.Gov

End of Staff Presentations

15 Min Break

Presentation & Discussion by Bob Wingenroth, City Manager and Andrea Davis, Deputy City Manager/CFO

Discussion on impact of loss of residential rental tax of approximately \$6.6 million.

Different data points shown for proposed reduction across the board for departments excluding police and fire.

Data shown to demonstrate efficiency when compared to other cities in the county/state and possible impact of 8% reduction to departments.



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Mayor Hall – Is the IT department 50 % workload supporting public safety?

Tammie – Yes

VM Judd – Why was there not presentation related to cuts in budget today from directors?

Bob Wingenroth – I wanted to present first what the needs are for each department. Later in presentation we will explore other possible revenue options.

Andrea – Innovation will not cover an 8% cut. Working with departments each year we look for options. We are already a lean city.

CM Remley – Lets take from bottom up instead of top down. The directors know what can change without impacting services. Request for directors to present what they need to have to continue services at another date.

Bob Wingenroth – I believe the directors presented their needs to continue service and we wanted to have this conversation first before making deep cuts. Planning for what we need to do for culture and how people feel about the city.

Andrea Davis – CM Remley we started knowing it would be tight. Set priority only.

CM Remley – This will not impact just this year, it will impact every year and we need to be more efficient.

Andrea – Yes, we are efficient and that alone will not solve the problem.

CM Cline –Several directors stated they were not asking above and beyond but for needs to keep up with growth. I felt each director asked to maintain what we’re doing now. Forward planning. Provided examples of needs for 6-12 months down the road. Can see view of CM Remley to see where to cut from.

CM Duffy – With the rental tax removed starting 1/1/2025 (-6.6mil for half the year or really 3.3?

Bob Wingenroth – For the first 6 months of budget from 7/1/2024 – 12/31/2024 we will receive the tax. For budget purposes, one of the financial policies if no ongoing revenue cannot support ongoing programs; 3.3 million must be for one time use. Trying to get started early because we recognize steps to reduce ongoing programs on 7/1/2024.

Bob Wingenroth – That policy was adopted over last 10-15 years to put COS in AAA category.

CM Hastings – If we don’t want to cut, what is the next option?



CITY OF SURPRISE
City Council Budget Kick Off
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Classrooms: 210 & 212
SUMMARY MINUTES

Bob Wingenroth – Let's continue with the presentation

Andrea Davis – Described examples of programs/services that could be discontinued to offset.

Bob Wingenroth – Examples only, these are not great ideas but they get to the number needed. Services may not be as good.

Mayor Hall – the examples achieve big numbers

Bob Wingenroth - Maybe services are continued but not as good as they are today

Mayor Hall – Ride choice program is for over 65/disabled meaning no more rides for 42k people? Next, the Aquatic Center, is this saying not to open the aquatic center?

CM Haney – Are we just cutting programs or does this mean shut down pool?

Bob Wingenroth – We would not open the aquatic center.

Mayor Hall – Special Events is mostly Sports and Tourism

Andrea Davis – Examples include all special events

Bob Wingenroth – Examples are guided to completely protect public safety, we used examples of whole programs to generate savings.

Mayor Hall - Tourism Tax Policy explain please

Andrea Davis – Tourism tax policy is hotels motel and transient tax at 4.52% / 1% to general fund, 3.52% to tourism fund. Council policy set to segregate it.

Mayor Hall – Council decision is needed to move funds to general fund?

Andrea – Yes

CM Remley – Security for Special Events is huge part of cost? Why is police and fire budget then not reduced?

Andrea Davis – Included and tracked to special events to charge accordingly.

CM Remley - Parks & Rec (8%) blanket cut, Surprise party \$700k events \$800k (1.5 mil) Why is it showing different amounts?

Andrea Davis – There are different scenarios in examples for sports and tourism by program 4% or 8% shown separately.



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CM Remley – How does the amount add up?

Bob Wingenroth – Examples to show different cuts spread across all departments and the graphs show a difference in how to look at it.

CM Hastings – Any cuts needed we should start with ourselves. What is included besides salary in these funds?

Andrea – staff, training etc.

CM Hastings – Certain departments are higher prioritized than others; rather cut parks and rec than economic development; should prioritize departments not all departments should be cut equally; the needs and wants, public safety is a need; make some tough decisions this is why we are here to make tough decisions.

Mayor Hall – These are examples of cuts

CM Hastings – Having the pool closed not a good idea

VM Judd – Why Arts and culture not listed?

Andrea Davis – provided examples with the presentation not specific to arts because it's 1 person.

VM Judd – Examples of what needs are?

CM Cline – Arts are funded from a different source right?

Andrea Davis – General fund = 1 staff person

Tracy Montgomery - This was a starting point for discussion.

CM Remley – Scale not balanced costs out-weigh the revenue; where we rely on state shared revenue no longer have sources; cuts the city is not going to be as nice as we were; be creative in where the revenue comes from for least impact on our people.

Mayor Hall – example- we close Asante library = \$800k; nothing is easy; I don't like any of these

CM Haney – not taking lightly but what services to diminish; want to have all options on the table for discussion and would like to get to that point before continuing without all the options

Mayor Hall - agree – healthy to discuss the options; agree need all information; keep going.



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Bob Wingenroth – Discussion for most items related to events; put remaining items on parking lot; Table discussion – continue with revenue replacement.

Andrea Davis – provided comparison information on other cities; very lean and efficient; sales tax; financial statements compared.

CM Cline – including food tax?

Andrea – yes; per person per capita for these slides.

CM Remley – What is the sales tax rate?

Andrea – Yes, rates coming up

VM Judd – Explain city selection because comparison changes

Andrea Davis - comparison via west valley east valley and dynamics similar to COS.

Bob Wingenroth – usually compared to Gilbert as best in class

Andrea Davis – Some graphs show different cities; west valley comparison for sales tax; Primary and Secondary tax per capita; comparison used different strategies by city; provided overall tax burden for each city to get total picture;

VM Judd – Does this include bond just passed?

Andrea – No, only tax through 2022; several cities had bond passed so rates may increase.

Mayor Hall - Please explain governmental fund.

Andrea – All funds that provided non enterprise; special revenue funds;

Mayor Hall – We beat Gilbert on this one

Bob Wingenroth – Gilbert has a lot of contracting

Andrea Davis – comparing all governmental services on financial statements

Bob Wingenroth – we compete with west valley employees benefits/salary; model after Gilbert.

Andrea Davis – CM Remley - residential rental loss is a category; one of many as a city; different cities have different rates for all things ex: food tax not in all cities; use various categories and rates

Bob Wingenroth – Development producing sales tax revenue



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Mayor Hall – what about the lodging coming? do we have to share the tax there?

Andrea/Bob - YES

CM Cline - how old are these agreements?

Andrea provided discussion on different significance of agreements

CM Remley – Maybe consider sales tax reform? Looking at the whole table. We are the lowest of all cities. We could look at other things.

Bob Wingenroth – We have a proposed tax rate update as part of discussion. Continue with presentation and get feedback.

Mayor Hall – COS and Glendale highest for hotel/motel tax, but that is visitors making payment to surprise not residents necessarily.

Mayor Hall described discussions with other west valley Mayors about same challenges

Andrea Davis – showing current avg sales tax; proposed 2.6% would be .4% increase sales tax to offset the loss of residential.

Mayor – Does this include Prasada split?

Bob – Yes, if we did .3% it would not cover it

CM Remley- how much would the .3 alleviate the shortfall?

Andrea Davis - about 5.8% net of Prasada

Andrea Davis - just looking at retail about average is 65% of total sales tax;

Mayor Hall – we have a premium on restaurants

Andrea Davis - does not bring in as much; retail brings in the most

Bob Wingenroth – Detail sensitivity of rates like communication

CM Remley – provided example of taxes; if ask someone what's the sales tax in COS – people don't know – making a slight change would not be as impactful.

CM Duffy – provided scenario of what to do first like sports teams restructuring contracts; suggested that city attempt to renegotiate the Prasada Development Agreement

Andrea Davis – timing issue would likely not be able to close by budget deadlines



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VM Judd – Consideration as proposed increase sales tax

Mayor Hall – What do we pay PSPRS additional?

Andrea Davis – \$2 mil per year previously trending 60-70%

CM Cline – agree with CM Duffy – we don't want to give up items so alternative better

CM Haney – what is timeframe? We want the least invasive option to not diminish services; risk long term plan.

Bob Wingenroth – addressed timing

Robert Wingo – statutory requirements to amend any agreement as tax incentive agreement to comply with law

Bob Wingenroth – model shows .4% increase; keep the tax rate competitive as we have for years; for tax rate change notice needed.

Andrea – first notice of intent; 60 days after adoption by council; 30 days after to be adopted; before budget signed; At least 90 days after notice of intent.

CM Hastings – mostly in favor of CM Duffy's idea of renegotiating Prasada Development Agreement best case scenario; guidance for process like for going for bond with list and costs; discussion of raising tax last priority; would like line by line budget some get more than others; Want to see what every penny is spent on. Only one scenario.

Mayor and CM Cline – we already have that in 2024 detailed budget that is provided; Andrea shows detailed line by line;

Andrea Davis – detailed budget is not ready for FY25 yet

Bob Wingenroth – challenge with line item includes salaries and internal service departments – complicated analysis; not programs.

CM Hastings – If I looked into this, would I see for ex: how much fiesta grande costs; what cost for other events and what to be saved

Andrea – look at 8% by department section

CM Hastings – Gov subsidized transportation; do we ask to pay 2 or 3.00 every little bit helps

Andrea Davis – example to cut finance, detail what "program" will you cut



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CM Hastings – Want to prioritize by department to look at what is being done; easy way is to just raise tax;

Mayor Hall – Not in favor of just raising tax; one event at a time isn't going to work; to get to \$6.6 mil line by line we don't want to take 8% across the board will result in unintended consequences.

Andrea Davis – some depts would have to cut staff and reduce services.

Mayor Hall – break it out – use micro transit example if raise 2.00 = xxx \$ - put a number to it

CM Hastings – Should exhaust all options to make the tough decisions

CM Remley – important to look at cost and ask questions but document is over 400 pages of numbers

Andrea Davis – we will summarize high level for future discussion

CM Haney – All cities are working on this, do we know if other cities anticipate taxes going up?

Mayor Hall – Yes, in speaking with most west valley Mayors; Mayor provided examples.

Bob Wingenroth – Follow up with next section of presentation

CM Haney – How many COS residents will be impacted / non residents?

Andrea & Bob explained why information is not available because of protected information re: revenue rules.

CM Haney – Residents will want to know specifics.

Andrea Davis – explained process for increasing rates

CM Cline – Discussion on graphs; If increase sales to 2.6 just like the bond we need to have a good communication strategy and explain the why. Other cities have food tax possibly to be removed by legislature and would loss for that also. Compared to other cities would not have to make a secondary adjustment. Agree to go into detail at a later meeting; presented different types of examples to cut services vs people. Request to hold another public meeting or workshop with different options; VM Judd – CM Hastings provided good points; expensive programs government subsidy; request for high level cut by department (physical changes) to describe choices available. If tax increase need give and take; in favor CM Remley's idea for tax reform possibly to cut property tax and increase sales tax revenue source which is what they can afford to spend.



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Mayor Hall – Increase in sales tax would have to go to approx. 3%

Discussion on different tax rates

CM Judd – Part of give and take show programs removed, increase sales tax and reduce property

CM Remley – line item description purpose eliminate short fall cut now until forever; need to balance to achieve change to continue each year; in favor of sales tax increase as the most stable and least impact on people; balance books into future.

Mayor Hall – Interesting thought; property owners get reduction; all pay sales tax; to balance out;

Bob Wingenroth – we will take the discussion common threads and come back with more information.

Mayor Hall – doesn't disagree with line by line review; look at programs for more meaningful saving of x\$ from that program.

CM Hastings – good starting point; like to look at hotel motel tax which is not residents typically paying;

Andrea Davis – understand what is needed; list department and program within the department at higher level.

Mayor Hall – Very concerned about IT; if 50% of workload is public safety; do not want to make more vulnerable as a city.

Bob Wingenroth – we will take a look at cuts with ideas and how to affect the least number of people

VM Judd – balance with increase net for city

CM Duffy – this feels rushed; back to discussion of quickly needed 3.3 to 6.6; one time funds available to get by a year?

Bob Wingenroth – We will see if there is a path to do that

Andrea Davis – immediate concern is are we funding FY25 packages or not?

Robert Wingo – Discussion re: contracts only for E-Session;



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CM Haney – Seems like a great pathway to ensure residents impacted least.

Bob Wingenroth recommended not to have E-session based on the discussion and rework the current ideas proposed today.

Mayor Hall – could you also look at communications and utilities as we are the lowest amongst cities.

CM Haney – our staff does an incredible job; residents approve work we do; like this pathway if we are able to do it without cuts and look at other ways to solve rather than diminish services.

Bob Wingenroth – we will develop strategy to continue the trajectory and translate directives given to bring back for review;

CM Cline – When? 2 weeks?

Andrea Davis – What are the deliverables? Programs by dept and reduce property tax to increase sales tax?

Council discussion to allow time to do the job.

Bob Wingenroth / Andrea Davis to provide as quickly as possible.

Request for similar presentation public meeting.

End of Discussion

Adjournment **M: CM Judd 2nd: CM Cline**
@ 4:33pm



CITY OF SURPRISE
Regular City Council Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374

Tuesday, January 16, 2024 @ 6:00 PM
COUNCIL CHAMBERS

A. Call To Order

Mayor Hall called the Regular Council Meeting of January 16, 2024 to order at 6:00 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

1. Invocation

Mayor Hall led in a Moment of Silence.

B. Roll Call

In attendance with Mayor Hall were Vice-Mayor Chris Judd, Councilmembers Nick Haney, Alyson Cline, Patrick Duffy, Ken Remley (Telephonic) and Jack Hastings.

C. Pledge of Allegiance

The Student Council group from Arizona Charter Academy led the Pledge of Allegiance.

D. Proclamation and Community Acknowledgements

E. City Manager Report

2. The City Manager may present a brief summary of current events, including recognition of community members, employees, and programs, pursuant to A.R.S. § 38-431.02(K). The City Council will not discuss or take action on any matter within the City Manager Report.

3. Reports

City Manager Bob Wigenroth introduced Glen Stark. Glen gave the Firefighter and Police Officer of the year award. They presented the award for Officer Philip Ortega to Police Chief Pina. They gave the Firefighter award to Captain Ron Steinhillber.

Bob Wigenroth, presented Shelby Fenwick who introduced the Youth Council Members

Peyton Anthony, from Highland Prep.

Ian Huskinsons, from Paradise Honors.

F. City Clerk Report

4. Reports

5. Consideration and action pertaining to selection of a Vice Mayor in accordance with City Code Sec. 2-41 and directing the City Clerk to administer the Oath of Office.

City Clerk, Kristi Passarelli, introduced the topic of choosing a new Vice-Mayor.

Councilmember Remley nominated Nick Haney.

Councilmember nominated Councilmember Hastings.

Vice-Mayor Judd, thanked council for being allowed to serve. He further nominated Councilmember Hastings.

Mayor Hall thanked Vice-Mayor Judd for this help as Vice-Mayor.

Council voted and elected Councilmember Haney as the new Vice-Mayor.

G. Call To The Public

Linda Cabrera, a Sun City West Resident, Came to talk about the Community Garden.

H. Regular City Council Meeting Agenda

6. CONSENT AGENDA:

Motion: To Approve

Initiated By: Chris Judd

Seconded By: Jack Hastings

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney

No: None

Abstain: None

Vote Result: Passed

1. Consideration and action to approve the January 2, 2024 Regular City Council Meeting Minutes.
2. Consideration and action pertaining to approval of the Final Plat entitled, "Replat of Lots 1, 2, 3 of 'Replat of Lots 4 and 5'" and dated October 6, 2023, a property located at the northwest corner of Sweetwater Avenue and Prasada Parkway; Case FS23-0432.
3. Consideration and action pertaining to approval of the Final Plat entitled, "Final Plat MEL" and dated October 02, 2023, a property generally located on the southeast corner of Jomax Road and 239th Avenue; Case FS23-0641.
4. Consideration and action pertaining to approval of the Final Plat entitled, "Toll at Prasada, Unit H – Phase 3 Lots 1730 & 1731 & Tracts H-B & H-D" and dated October 25, 2023, a property located west of Cotton Lane, between Cactus Road and Peoria Avenue; Case FS23-0813.
5. Consideration and action pertaining to approval of the Final Plat entitled, "Toll at Prasada, Phase I Unit A Lots 392 & 393 & Tract A" and dated October 25, 2023, a property located west of Cotton Lane, between Cactus Road and Peoria Avenue; Case FS23-0814.
6. Consideration and action pertaining to approval of the Final Plat entitled, "Toll at Prasada, Unit Q – Phase 3 – SF Lots 2424 & 2425 & Tract A" and dated October 25, 2023, a property located west of Cotton Lane, between Cactus Road and Peoria Avenue; Case FS23-0821.
7. Consideration and action pertaining to approval of the Final Plat entitled, "Toll at Prasada, Phase I Unit A Lots 318, 319, 327, 328, 357 & Tracts A, B, & C" and dated October 25, 2023, a property located west of Cotton Lane, between Cactus Road and Peoria Avenue; Case FS23-0822.
8. Consideration and action pertaining to the grant of a Utility Easement to APS to service the Multi-Generational Community Center at Hollyhock Street and Santa Fe Drive.

9. Consideration and action pertaining to acceptance of a Quit Claim Deed for dedication of Right of Way from the Kamarata Trust and Paloma Creek Water Coordinator, LLC, along Happy Valley and 147th avenue.
10. Consideration and action pertaining to the conditional acceptance and maintenance of certain streets and public utility improvements at Paradisi Parcel I, generally located at the northwest corner of West Peoria Avenue and North Sarival Avenue; Resolution # 2024-09.

7. REGULAR AGENDA ITEM - PUBLIC HEARING:

11. Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 264174, requested by Richard Joseph Velenti, for Portillo's Hot Dogs for Series 12 Liquor License. Portillo's Hot Dogs is located at 16320 W Waddell Road, Surprise, AZ 85379.

Motion: To Approve
Initiated By: Patrick Duffy
Seconded By: Aly Cline

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

12. Consideration and action pertaining to approval of a rezone and release of deed restrictions for an approximately 12 acre parcel from Neighborhood Commercial with Planned Unit Development Overlay (C-1 PUD) and Rural Residential (RR) to Residential High Density (R-3), for a property generally located on the northeast corner of Reems Road and Tierra Buena Lane; Ordinance #2024-01.

Leslie Carnie, came to talk about this item. She gave a background about this location and proposed applicaiton.

Ben Graffiti, from Goldstream Development, came to thank staff and offer to answer any questions about the application.

Councilmember Hastings, talked about the location and mixing the age groups within the City. He asked about what kind of traffic would be expected compared to commercial developments and high-density apartments? Ben talked about being cautious of any higher traffic count. He said this traffic peak would be comparatively low. Councilmember Hastings talked about how this development would create jobs as well. Mayor Hall asked if they had a van on site? Ben said they would have one for medical purposes and general transportation.

Councilmember Cline, asked about single family homes and how the community has accepted that proposal? Ben said that this would be a mixed-use property and that it has been well received. Councilmember Cline, asked if the neighbors thought the single family homes would be positive? Ben said that they talked to the local area for their input.

Vice-Mayor Haney, said his concern was how this is a multi-generational City and that it is important for people to age gracefully within the City. He said he was concerned that if the property isn't ran properly it could drain city resources. He wanted to make sure this is a quality facility. Ben said the typical rating is pretty high, he said the owners are long term.

Motion: To Approve
Initiated By: Jack Hastings
Seconded By: Chris Judd

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

13. Consideration and action pertaining to a Zoning Text Amendment (ZTA) to amend the Surprise Land Development Ordinance (LDO) by removing the development standard restricting marijuana facilities to having a single entrance, thereby bringing the Land Development Ordinance into compliance with Arizona Revised Statutes; Ordinance #2024-02.

Chris Sexton, came to present this item; she gave background on the current rules and the proposed amendment. The Applicant, Lindsey Schube, thanked staff, and said how this would bring it up to state law.

Councilmember Cline, asked if this ordinances would change to match state statue. Lindsey agreed.

Councilmember Hastings, asked what Robert's input was on the situation. Robert said they review the code occasionally, and that the information was accurate.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Aly Cline

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

14. Consideration and action pertaining to the abandonment of the Final Plat entitled, "Final Plat for Legacy Village" a property generally located north of Jomax Road and east of 163rd Avenue; Resolution #2024-03.

Chris Sexton came to talk about this item as well. She gave a background on the item and the proposed changes. The Applicant, Andrew Yancy, came to show his approval of this abandonment. Mayor Hall is the previous project wasn't marketable? Andrew said that it was not marketable and that it would be apart of a larger project.

Councilmember Cline, asked if there has been a change of ownership. Andrew said there has been.

Motion: To Approve
Initiated By: Nick Haney
Seconded By: Jack Hastings

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

15. Public hearing, presentation and discussion pertaining to the Land Use Assumptions (LUA) and Infrastructure Improvements Plan (IIP).

Chief Finance Officer Andrea Davis, and Assistant Finance Director Erick Martin came to present this item. Erick talked about Development Impact Fees. He talked about why this was being brought forth for a public hearing. He gave a category overview, and a contrast of existing and proposed fees.

James Ashley, came to talk about this item on behalf of Home Builders Association of Arizona. He thanked the City for their work. He gave a background of their involvement with the current plans. He talked about the possible impact of these fees and voiced caution about the increases.

Mayor Hall, asked if there was a consultant who helped worked with this? He asked what helped determined these fees and if inflation was involved? Benjamin Griffin said they try to limit assumptions. Andrea talked about where the numbers came from. Mayor Hall asked about the big number increase? Andrea said that the high development was driving the cost. Mayor Hall asked if the developer has the option of offering more? Andrea said that they do and if they do, then they don't have to pay the impact fee.

Councilmember Cline, talked about the growth and inflation that occurred within the City. She thanked staff for their work and research on the matter. Said she was looking forward to future updates and comparisons with other cities.

Mayor Hall asked if the consultant was working with other cities? They said they were working with Buckeye, Goodyear, Glendale, and Peoria. Andrea said they want to make sure the fee isn't too high or too low so it wouldn't negatively impact growth or service. Mayor Hall talked about his previous experience with developers undertaking projects. Andrea talked about the hazards of under/over building projects.

8. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

16. Consideration and action pertaining to the 2024 Utility Rate Study, adoption of a Notice of Intention to increase utility rates for water, wastewater, and solid waste, and setting the public hearing date for March 18, 2024; Resolution #2024-05.

Andrea Davis, Michael Boule, and Kristen Tytler came to present this item. Andrea talked about the rate study and the proposed fees. She elaborated on the Rate Study Development, Rate Comparisons, and Rate Study History.

Michael talked about the water and waste water rates. He gave some background and talked about the Rate Analysis, Growth Projections. Mayor Hall asked about the location of certain locations? Michael confirmed them. Michael talked about Customer Accounts, Usage by Tier, Water Volumetric Rates, Monthly Base Changes, Water Rate Comparisons. Mayor Hall asked if Scottsdale uses a lot of surface water? Michael said that they do by contrast to Surprise. Michael continued to present about Waste Water, users, volumetric rates, and rate comparisons.

Kristen, talked about Solid Waste, she gave an overview of the statistics. She further elaborated on; Solid Waste Rates, Rate Comparisons, Industry Wide Rate Factors, Future Outlook and Proposals, and Rate Impacts, and Utility Rate Comparisons.

Andrea, talked about the next steps involved with the notice of intent.

Councilmember Cline, asked about the rate comparison between Surprise versus Epcor and if they were having rate increases as well? She also wanted to know how we compare with other cities with Waste rates? She asked if the grapple truck would help avoid injuries? Kristen said yes. She further asked what the actual cost of recycling is to the City? She also asked if there was an FTE risk involved with people retiring down the road?

Councilmember Duffy, talked about district 3 and what would impact them since its all Epcor and if the city could differentiate the impact for those customers.

Motion: To Approve
Initiated By: Judd
Seconded By: Cline

Yes: Aly Cline, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: Jack Hastings
Abstain: None

Vote Result: Passed

17. Consideration and action pertaining to the Final Plat entitled, “Visara – Phase 1” and dated October 13, 2023, a property generally located north of Jomax Road and east of 163rd Avenue; Case FS22-1028.

Chris Sexton came to present this item, she gave a background on the proposed project.

Vice-Mayor Haney, asked what this is voting on? Chris said this is just for final plats. Vice-Mayor clarified that this is just an administrative fix.

Motion: To Approve
Initiated By: Jack Hastings
Seconded By: Nick Haney

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

18. Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority of \$184,000 within the General Fund from Economic Development Contingency to Services for approval of matching funds for the FY2022 Arizona Broadband Development Grant; Resolution #2024-10.

Economic Development Director, Jeanine Jerkovic, came to present this item. She gave some background on the grant, proposed areas, and AZ Broadband Grant Overview.

Mayor Hall talked about how exciting this was.

Councilmember Cline, talked about how this impacted certain areas of the City. She talked about the progress the City has made in coming to this point.

Motion: To Approve
Initiated By: Chris Judd
Seconded By: Aly Cline

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney
No: None
Abstain: None

Vote Result: Passed

- I. Other Business and Future Agenda Items

Vice-Mayor Haney, asked if Teen Violence could be added for a work session item. Councilmember Cline Seconded, she also asked if Domestic Violence could be included as well? Vice-Mayor Haney seconded.

Mayor Hall asked about capital management and how they incorporate housing for their employees, and if Surprise could do something similar? Councilmember Cline Seconded.

J. City Council Reports

Councilmember Judd, said he will have his meeting at the Tap House tomorrow evening.

Councilmember Cline, said she will be attending the evening meeting at Sun Village from 6-7 PM for Councilmember Remley's District. She also thanked staff for help with a traffic sign.

Vice-Mayor Haney, talked about his community meeting earlier this month. He also talked about attending the MLK event last Saturday. He thanked Council for being elected as Vice-Mayor.

Councilmember Hastings, congratulated Vice-Mayor Haney. He talked about going to the State of the State. He talked about his previous meeting.

Councilmember Remley, talked about how the City helped with a woman he met at a local restaurant.

Councilmember Duffy, thanked the West Valley Mavericks.

Mayor Hall said that this Sunday is Sunday in the Park at Mark Coronado Park. He also said it was the Surprise Pops band will be at the Vista on January 28th at 3:00 PM.

K. Executive Session

9. Executive Session Items

10. Executive Disclaimer - Part 1

11. Executive Disclaimer - Part 2

12. Executive Disclaimer - Part 3

L. Adjournment

Motion: To Adjourn

Initiated By: Chris Judd

Seconded By: Jack Hastings

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney

No: None

Abstain: None

Vote Result: Passed

Meeting Adjourned at 8:09 PM

Skip Hall, Mayor

ATTEST:

Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, January 16, 2024.**

Kristi Passarelli, City Clerk



CITY OF SURPRISE
Regular City Council Work Session
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, January 16, 2024 @ 5:00 PM
COUNCIL CHAMBERS

A. Call To Order

Mayor Hall called the Regular Council Meeting of January 16th 2024 to order at 5:00 p.m., located at Surprise City Hall, 16000 N. Civic Center Plaza, Surprise, AZ. 85374.

B. Roll Call

In attendance with Mayor Hall were Vice-Mayor Chris Judd, Councilmembers Nick Haney, Alyson Cline, Patrick Duffy, Ken Remley (telephonically) and Jack Hastings.

C. Pledge of Allegiance

Mayor Hall led the Pledge of Allegiance.

D. Proclamation and Community Acknowledgements

E. City Manager Report

F. City Clerk Report

G. Call To The Public

H. Regular City Council Work Session Agenda

1. CONSENT AGENDA:

2. REGULAR AGENDA ITEM - PUBLIC HEARING:

3. REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1. Presentation and discussion pertaining to appointment authority of future police and fire chiefs.

City Attorney, Robert Wingo, came to talk about this item. He gave a background on the process of appointing officers. He talked about similar and contrary practices made by other cities within the valley. He provided a potential amendment to existing City Code that would incorporate City Council's involvement with the hiring of those positions.

Councilmember Hastings, talked about his experience and background as to why he wanted this brought for discussion. He clarified his position regarding the process and wanted to have the code reflect practice.

Vice-Mayor Judd, said that he likes the current system. He expressed his belief that the City Manager would be wise enough to notify council of big changes like that.

Councilmember Duffy, talked about his previous experience and said that he likes the current process as well and didn't want to micro manager the City Manager.

Councilmember Cline, gave her input and agreed with the sentiment so far. She said she could see the purpose of bringing this item forward but didn't think it was necessary.

Councilmember Haney, gave his experience and input. He said he agreed that council should be involved in some way. He asked what would happen if they were ever dissatisfied with the City Manager. Robert said there were limits to what council could do, but expressed that any City Manager would be vetted to be savvy enough to include Council. Councilmember Haney asked if this could be revisited if needed? Robert said they could.

Councilmember Hastings, reiterated his concerns. He talked about how great the current City Manager is.

I. Other Business and Future Agenda Items

J. City Council Reports

K. Executive Session

1. Executive Disclaimer - Part 1

L. Adjournment

Motion: To Adjourn

Initiated By: Patrick Duffy

Seconded By: Aly Cline

Yes: Aly Cline, Jack Hastings, Ken Remley, Patrick Duffy, Skip Hall, Chris Judd, Nick Haney

No: None

Abstain: None

Vote Result: Passed

Meeting adjourned at 5:19 PM

Skip Hall, Mayor

ATTEST:

Kristi Passarelli, City Clerk

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Regular City Council Meeting of **Tuesday, January 16, 2024.**

Kristi Passarelli, City Clerk



CITY OF SURPRISE
City Council Budget Kick Off
Ottawa University Surprise Campus
15950 N. Civic Center Plaza
Surprise, AZ 85374
Thursday, January 25, 2024 @ 4:15 PM
Classrooms: 210 & 212
SUMMARY MINUTES

- A. Call To Order @ 4:15PM
- B. Roll Call - **PRESENT: MAYOR HALL, VICE-MAYOR HANEY, COUNCILMEMBERS JUDD, CLINE, DUFFY, REMLEY AND HASTINGS**
- C. Pledge of Allegiance
- D. Regular City Council Work Session Agenda

CONSENT AGENDA: **N/A**

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- 1. Citywide Presentation and discussion pertaining to the Fiscal Year 2025 operating budget. Bob Wingenroth
City Manager Office

Bob Wingenroth, City Manager started the meeting with an ice breaker activity asking 5 questions to Council. Bob explained their answers were meaningful and why we are grateful for the leadership during this complex budget year. Bob summarized the prior discussion for tax reform and possible elimination of primary property tax rate and what the impact would be. Interactive spreadsheet to assist with showing different % results. If there is time at the end of the presentation for questions or opportunities to speak to any of the directors or request one on one meetings to get further clarification on any budget item. Expectation to have future budget presentations at upcoming Regular Council Meetings.

Andrea Davis, Chief Financial Officer – Presentation – Property tax suggestion to eliminate and increase sales tax residential vs commercial break down programs; Estimates for all tax 12.8mil expected FY25; breakdown of residential 10.2% commercial (non-residential) 2.6mil; graph for sales tax vs prop tax trend; Property tax is slow steady growth; removal of property tax is very difficult and nearly impossible to bring it back with state statute of limitations. Sales tax increase estimates revenue generated .1% rate increase shown; retail is more significant compared to other categories. Scenario shown breakdown of current increase (removed development agreement rates) to show net proposed tax rate elimination of \$10.2 mil (residential portion) \$6.6 mil reduction from residential rental = \$16.8mil recovery from reform. Transient lodging 4.52% is not included in revenue assuming not increasing this rate as higher than others; no increase tourism fund gets 3.5 % not general fund so not included in analysis. Proposed tax rate vs average of other cities is 2.75% also shown by category. To recover \$16.8mil used 2.9% including bar and restaurant. Down from 3.2% to get as close as possible. Could leave it without change.

CM Judd – Is restaurant and bar at 3.2% tax or 1 plus base tax? Andrea confirmed it is 3.2% tax rate

Andrea Davis - continued presentation scenario shown elimination residential and commercial \$12.8 mil plus 6.6 = 19.4 recovery needed (used 3.0% for all) =19.8 generated

CM Remley – If we were to roll forward property tax decrease and population increase over 10 years excluding commercial would be \$32 million to make up for; would have to come from somewhere else, just pointing out bigger numbers (double) would be moving forward.

Andrea Davis – Graph showing property tax; sales vs property tax, property tax is steady with a cap on growth; times of decrease (statute limits to 5% per year increase) if city is not growing it remains flat; sales tax is more volatile up and down with economy, both increasing overall.

CM Remley – I agree, but we are still talking about consumers with today's dollars and with double population the problem is then double; no property tax with city twice as large would be larger deficit assuming inflate at the same rates.

CM Judd – What was the 2015 property tax rate? Andrea – same rate .7591 How many dollars? Also, for year 2024 for both years sales tax and prop tax dollars.

Andrea Davis – Team is working on the numbers for you now. Consider legislation, if removal of other tax categories we are limited; to get back need to max rate every year over 10 years; harder to offset without prop tax base; another diversified source of income.

Jen Medina - FY 2015 sales tax budget \$36,782,751; property tax budget \$6,479,210; 2024 sales tax budget \$85,782,600 property tax budget \$11,789,000

CM Judd – Went from 6.5 to 11.8; 36.8 to 85.8 so which is more valuable to us? If in 10 years they double at same scale.

Bob Wingenroth – For humor we would need Jeanine around to continue to give us the same type of growth.

Mayor Hall – Sales tax more than doubled.

CM Cline – But you can't guarantee performance; Just a thought of what is going away is a form of sales tax - residential rental is considered a sales tax correct? (Andrea confirmed) so the comparison to replace sales tax with a sales tax seems to make more sense.

CM Remley – Most common criticism from residents is "I pay my taxes" which they are talking about paying property taxes. COS is lowest in west valley and proud of it. Only increases 2.5% of the needs of the city; we need something that grows at a similar rate as inflation. property tax will not.

Mayor Hall – Example Prasada shopping center; Many people who are not residents spend their funds there.

CM Judd – I would guess half at least?

Mayor Hall - The sales tax is not being burdened by residents, but property taxes are.

Bob Wingenroth – In general, where we started last week the ask for consideration was to replace \$6.6 mil.

Mayor Hall - What is the slide shown?

Andrea - Scenario of just increase sales tax showing retail moved to 2.6% with all others staying the same gets us there.

Mayor Hall - that shows we recover almost \$7 mil.

CM Hastings – 3 options; not sure about eliminating commercial, if so like a tiered plan, different conversation; Prefer First option of give and take simply to add back as sales tax not exactly the goal; like idea of cutting property tax. Question would it effect school funding?

Andrea Davis - No – Only the primary property tax removed.

CM Hastings – good idea, relives pressure on homeowners in favor of first proposal.

Bob Wingenroth – Clarification, this also applies to apartment owners.

CM Hastings – it depends on what passed it on

Mayor Hall – think market forces will do that; apartments on market concessions.

CM Haney – Is it possible to decrease property tax without eliminating it? Discussion to share burden provide relief to reduce and relief to residents.

Andrea Davis – show easy math to use $\frac{1}{2}$ and described how to review spreadsheet to show variance – property tax rate .5 to reach the revenue goal

Bob Wingenroth – Can show the example on the spreadsheet.

CM Remley – It's like a balloon - remove something need to increase something; we have lowest property tax in west valley; people don't know what city gets from the property tax will still get 95% they just know they pay their taxes. Seems to be most sensitive item.

CM Haney – Would like to show reducing the property and increase sales tax.

Andrea Davis – Described the screen to get to 13.

Mayor Hall – about 1.8 per tenth right

CM Judd – roughly 3mil per tenth

CM Hastings – is this commercial or residential editing?

Bob Wingenroth – will show cut in half.

Andrea Davis – showed different options.

Bob Wingenroth - 2.75% average COS would be at 2.65 lowest of west valley in comparison to other cities.

CM Hastings – When people complain about taxes not usually about sales tax; unique to make a bad situation better with elimination of property tax is a huge item; cut in half or eliminate and rely on sales more.

CM Haney – with the legislature, will they go after sales; fear to eliminate and not recover.

CM Hastings – not make that much with property tax, understand not guaranteed but not much comes from property taxes; complaints are mostly property tax.

Mayor Hall – like the idea but trying to get it back if we need it down the road.

Andrea Davis – for reference 75.00 for each \$100,000 value is approx.: 150 per year average.

Mayor Hall – reviewed bill 10% assess valuation property tax 2,400 year (8% is 200.00)

Andrea Davis – Clarified other taxes are included.

Mayor Hall – example would save 200 per year?

CM Hastings – Bond revenue give people control over their property tax.

CM Judd – would be more space for future bonds.

CM Remley – county residents do not have to pay – what they pay instead services the tax was intended to provide for (fire / ambulance etc.) elimination of property tax means eliminating services.

Mayor Hall – Example: Fire in Waddell are we reimbursed under contract?

Fire Chief Brendan Espie - No; technically no obligation to respond; typically dispatched to rural metro; 911 will route call; No reimbursement unless “requested” 9 times out of 10 if we bill, they will deny; for ambulance service, most home insurance requires homeowner to contract (not required) they will charge – average rate \$1300 year per house.

Mayor Hall - Sentiment among council seems to be to cut property tax but how much? What do you want to do.

CM Cline – The last increase for primary property tax was when?

Andrea Davis/Mayor Hall maybe 2010? or further back

CM Remley – fought to keep in low over years.

Andrea Davis - 2015 we lowered the rate; 2014 increased.

Bob Wingenroth – We are hearing the same as reduction or elimination of primary property tax; raise sales tax; tax increase requires notice.

Andrea Davis – Any increase in sales tax requires notice of intent; post asap and next meeting to take action.

Mayor Hall – that would be first meeting in April?

Andrea Davis - property tax included in package – notify county sales tax effective July 1 so same time frame and property tax timeframe or we will lose funds if wait til January.

Mayor Hall – ask of Jeanine to describe if known of 80k what is discretionary spending? Do you know? Jeanine - We know the number is growing; made up super demand and demand is growing – population meets demand.

Mayor Hall – as an example to raise sales tax if you spend 100.00 at Walmart = 0.70 increase

CM Judd – this goes back to understanding what is being spent.

CM Haney – anticipates other cities to increase sales tax might mean more middle than now.

CM Hastings – what are other cities doing? Interested in knowing.

Mayor Hall – all being very vague in decisions; going through same thing we are.

CM Haney – on paper we would be inline; impact on residents minimal; no services harmed.

CM Judd – Question earlier on legislature reaching out for sales tax; that seems unrealistic.

Narrative seems like this is what they are trying to do by removing the residential rental.

Mayor Hall – Multifamily owners will now benefit too.

CM Remley – Those get double dipped now.

CM Duffy – the bottom line is we are running a business and eliminating a revenue string you need to stay diversified; eliminating property tax is huge no; people depend on numbers; very careful of elimination.

Mayor Hall – More in favor of cut in half? Reducing it.

CM Cline – Even if slightly reduced, benefit since very difficult to bring it back; rental owners won't pass savings to the renters; loss of revenue forever.

Mayor Hall – What is the psychological difference or Reducing vs Eliminating?

CM Judd – Careful message because of Secondary property tax.

CM Hastings – total budget general fund what % is property tax?

Andrea Davis – 2% is an overall small part of the pie but remains diversified. Bigger concern legislation possibly looking at other factors to eliminate other categories to offset.

CM Hastings – whatever we do is a net increase.

Andrea Davis – actually net neutral to replace lost revenue and make up \$6.6mil

CM Hastings – would rather eliminate.

CM Haney – we cannot eliminate revenue sources; good compromise pathway forward growing city and services; agree with CM Hastings to provide relief to resident's reduction by 50% to get there; worried to eliminate with possible legislature goes after other revenue sources. Residents complain about reduction of services. Sales tax increase shares burden not negative impact on residents.

Mayor Hall – around for 16 years; 1 resident complain about restaurant bar tax; it's higher than others but not an issue with people; suggest to not reduce restaurant bar tax

CM Judd – Agree

Andrea Davis / Bob Wingenroth – DONE

CM Judd – Property tax reduction scale down until it goes away.

Andrea Davis – Need to increase sales tax each year.

CM Duffy – Unless state replaces it.

CM Judd – the state could say don't like property tax.

CM Cline - not in near term

Jeanine Jerkovic – information re: previous discussion 25-30% outside of city spending; Income increase average 96k per household for COS.

Mayor Hall – Example of average family, how much would family of 4 be impacted if raised .55%, what would that be in \$/year.

CM Remley – 160k people / 40k household (divide 6mil by 40k household)

Mayor Hall – Trying to get to a discretionary number how to figure out what that impact is?

Robert Wingo – Clarification for discussion; If property tax is abolished, to reinstate it you would have to go to voters to reinstate and establish the base rate.

CM Hastings – prefer elimination; to max tax requires unanimous vote, correct? Andrea - Yes to cut half to reduce now as compromise city stays diversified.

Mayor Hall - agree good compromise residential cut in half.

CM Remley – impact on family is \$1,000 per year.

CM Judd – instead of cut could we give a rebate? Could we give it that way? No revenue

Andrea Davis – yes, we could rebate, but more staff and postage – administration to get that done would be manual process.

Mayor Hall – good point, cut in half – what would residents see (2 installments per year)

Andrea Davis – they would see half effective November which is why effective date would be July 1

CM Judd – clarify residential tax elimination on January 1?

Andrea Davis – Eliminate early July 1 to offset loss replace and swap with property tax rate and adjusted for revenue.

CM Judd – Ok

CM Hastings – Can you put this scenario on screen; showing ½ property tax and below average of other cities.

Andrea Davis - is showing 3.2% or 2.72%

Proposal to decrease property tax and increase sales tax to move forward.

Bob Wingenroth and Department Directors applause for proposal.

Bob Wingenroth – We will begin the notification process, any questions for staff?

Mayor Hall – Council should meet individual with anyone they have questions.

Bob Wingenroth – Ok, we are ready.

CM Judd – Is there need for discussion on programs?

Bob Wingenroth – discussion not needed.

End of Discussion

F. Adjournment **M: CM JUDD 2ND CM HASTINGS**
@ 5:23PM



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024 Contact Person: Chris Sexton
Submitting Department: Community Development District: District 1
Staff Recommendations: None

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to approval of the Final Plat entitled, "A Replat of Lot 1A, of Allora Surprise" and dated November 27, 2023, for property generally located at the southeast corner of Bell Road and Citrus Road; Case FS23-0676.

Motion:

I move to approve the Final Plat entitled, "A Replat of Lot 1A, of Allora Surprise".

Background:

Ian Lang with Bell Citrus Partners, LLC on behalf of Surprise Village Company, LLC requests approval of a Final Plat. The subject request involves replatting one (1) lot into three (3) lots on an approximate 3.88-acre vacant parcel. The parcel is zoned Surprise Farms PAD, with an underlying zoning of Community Commercial (C-2). The subject site is located at the southeast corner of Bell Road and Citrus Road.

Objective Analysis:

The subject parcel is in harmony with the purposes and intent of the Surprise Farms PAD, in addition to other applicable City of Surprise regulations. All city reviewing departments have reviewed the request and expressed no concerns.

Policy Compliant:

The subject parcel is consistent with the Surprise Farms PAD and the Land Development Ordinance and advances the goals and policies of the General Plan.

Financial Impact:

While this item does not have an immediate or direct financial impact, ongoing development activity in the City will inevitably have a future financial impact as additional resources are needed to provide city services.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staffing levels.

ATTACHMENTS:

1. 00-FS23-0676 Allora Multi-tenant Commercial Project - Final Plat - Staff Report
 2. 01-FS23-0676 Allora Multi-tenant Commercial Project - Final Plat - Vicinity Map
 3. 02-FS23-0676 Allora Multi-tenant Commercial Project - Final Plat - Zoning Map
 4. 03-FS23-0676 Allora Multi-Tenant Commercial Project - Final Plat - Final Plat
 5. 04-FS23-0676 Allora Multi-tenant Commercial Project - Final Plat - Plat Exhibit
 6. FS23-0676 Allora Multi-tenant Commercial Project - Final Plat - PowerPoint
-

FINAL PLAT

REPORT TO THE CITY COUNCIL

Case: FS23-0676

Project Name: Allora Multi-tenant Commercial Project- Final Plat

Council District: 1 - Acacia

City Council Date: February 6, 2024

Planner: Chris Sexton, Planner II

Owners: Surprise Village Company, LLC

Applicant: Ian Lang with Bell Citrus Partners, LLC

Request: Final Plat to replat one lot into three lots

Site Location: Generally located at the southeast corner of Bell Road and Citrus Road

Site Size: 3.88 gross acres (approx.)

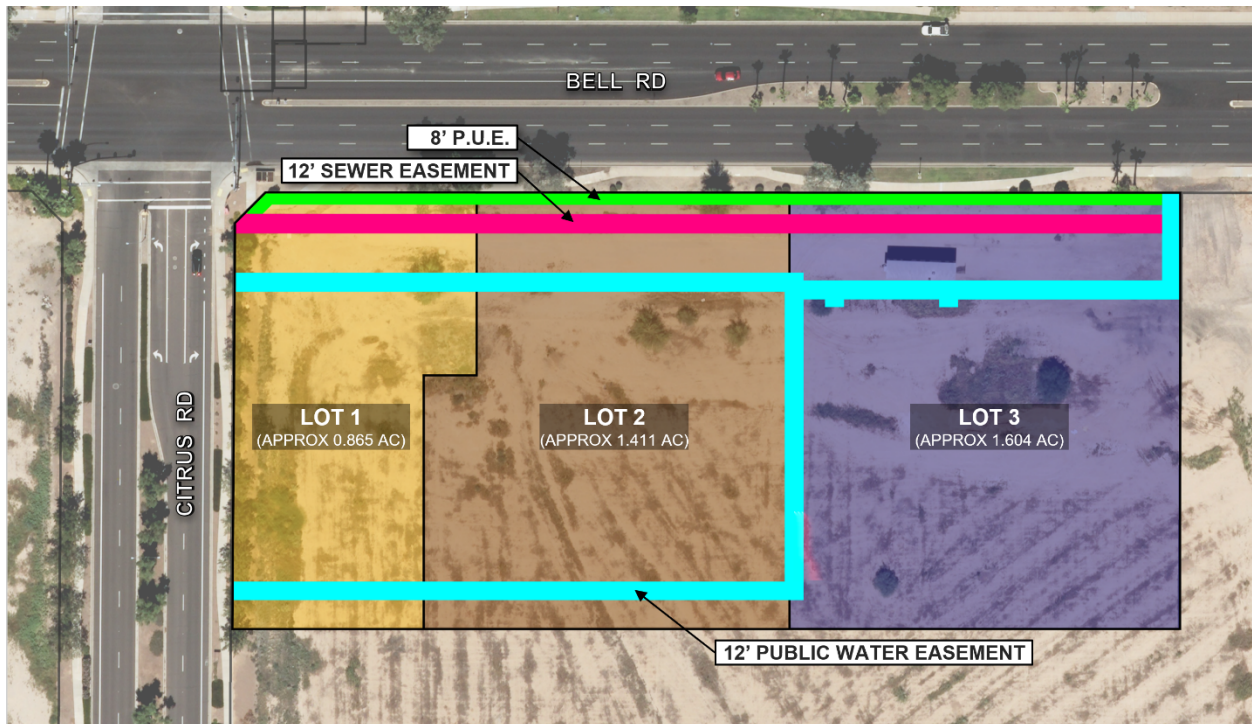
General Plan Conformance: The proposal is consistent with the Surprise General Plan 2035

Findings:

- The proposed Final Plat is consistent with the Surprise General Plan 2035.
- The proposed Final Plat is consistent with the Surprise Farms Planned Area Development (PAD) and the applicable City of Surprise regulations.
- The reviewing agencies have indicated no objections to the request.

Additional Information:

Ian Lang with Bell Citrus Partners, LLC on behalf of Surprise Village Company, LLC requests approval of a Final Plat. The subject request involves replatting one (1) lot into three (3) lots on an approximate 3.88-acre vacant parcel. The parcel is zoned Surprise Farms PAD, with an underlying zoning of Community Commercial (C-2). The subject site is located at the southeast corner of Bell Road and Citrus Road.



The square footage for each lot is below:

- Lot 1 – 0.87 acres
- Lot 2 – 1.41 acres
- Lot 3 – 1.60 acres

The proposed Final Plat dedicates the following on all three lots:

- an 8-foot public utility easement,
- a 12-foot waterline easement, and;
- a 12-foot sewer easement.

General Plan Conformance:

The proposed Final Plat was reviewed against the goals, policies, recommendations, and guidelines of the City of Surprise General Plan 2035. The proposed Final Plat is consistent with the General Plan in the following ways:

62 This project is located within the Neighborhood Character Area of the General Plan. The
63 proposed plat adheres to the design guidelines of the Character Area which allows for
64 neighborhood and community retail at strategic locations along proposed or existing
65 arterial corridors that provide convenient access to residential areas.

66
67 This project maintains compatibility with the quality of existing land uses in the
68 surrounding area in that it creates a suburban center that provides services and activities
69 for the local community, typical of the suburban residential development pattern
70 established in the vicinity of this parcel.

71
72 **Reviewing Agencies:**

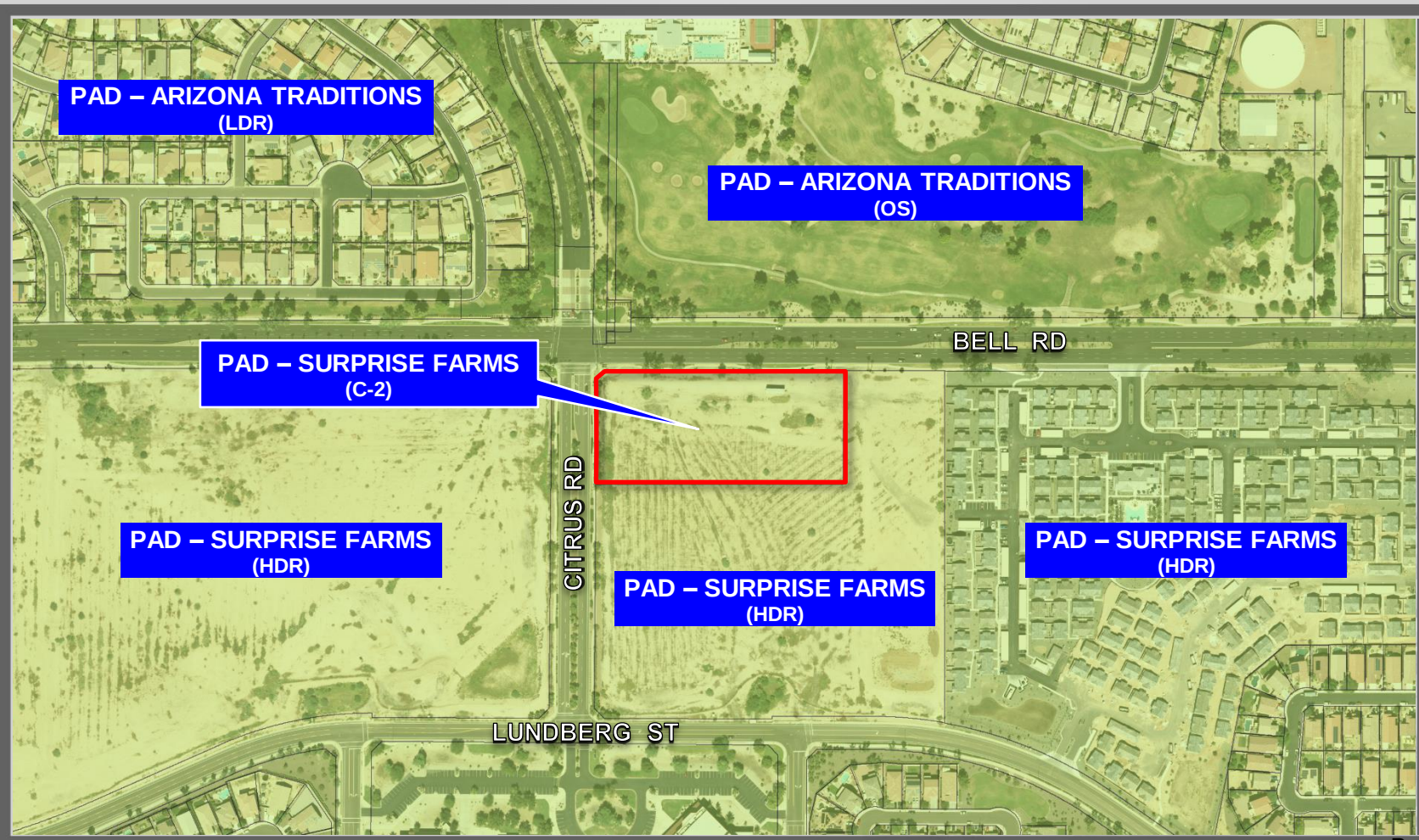
73
74 This project was routed to both Luke Air Force Base and the Maricopa Water District.
75 Both agencies have indicated no objections.

76
77 **Attachments:**

78
79 01 Vicinity Map
80 02 Zoning Map
81 03 Final Plat
82 04 Final Plat Exhibit
83 PPT



FS23-0676 VICINITY MAP



**PAD – ARIZONA TRADITIONS
(LDR)**

**PAD – ARIZONA TRADITIONS
(OS)**

**PAD – SURPRISE FARMS
(C-2)**

**PAD – SURPRISE FARMS
(HDR)**

CITRUS RD

BELL RD

**PAD – SURPRISE FARMS
(HDR)**

**PAD – SURPRISE FARMS
(HDR)**

LUNDBERG ST

FS23-0676 ZONING MAP

A REPLAT OF LOT 1A, OF ALLORA SURPRISE
AS RECORDED IN BOOK 1685, PAGE 28, RECORDS OF
MARICOPA COUNTY, ARIZONA, LOCATED IN A PORTION OF THE
NORTHWEST QUARTER OF SECTION 2, TOWNSHIP 3 NORTH,
RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN,
CITY OF SURPRISE, MARICOPA COUNTY, ARIZONA

DEDICATION

STATE OF ARIZONA }
COUNTY OF MARICOPA } ss

KNOW ALL PERSONS BY THESE PRESENTS: SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY, HAS SUBDIVIDED UNDER THE NAME "A REPLAT OF LOT 1A OF ALLORA SURPRISE" AS RECORDED IN BOOK 1685, PAGE 28, RECORDS OF MARICOPA, ARIZONA, LOCATED IN A PORTION OF THE NORTHWEST QUARTER OF SECTION 2, TOWNSHIP 3 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, CITY OF SURPRISE, MARICOPA COUNTY, ARIZONA, AS SHOWN AND PLATTED HEREON AND DOES HEREBY PUBLISH THIS PLAT AS AND FOR "A REPLAT OF LOT 1A OF ALLORA SURPRISE" AND DECLARES THAT THIS PLAT SETS FORTH THE LOCATION AND GIVES THE DIMENSIONS OF EACH LOT, STREET, AND EASEMENT CONSTITUTING SAME, AND THAT EACH LOT, STREET, AND EASEMENT SHALL BE KNOWN BY THE NUMBER, LETTER, AND/OR NAME GIVEN TO EACH RESPECTIVELY AS SHOWN ON THIS PLAT.

OWNER HEREBY GRANTS TO THE PUBLIC A PERPETUAL NON-EXCLUSIVE EASEMENT IN, UPON, OVER, UNDER, THROUGH, AND ACROSS THE AREAS DESIGNATED AS PUBLIC UTILITY EASEMENTS AS SHOWN ON THE PLAT FOR THE PURPOSE OF ACCESSING, INSTALLING, CONSTRUCTING, MAINTAINING, REPAIRING, REPLACING, AND UTILIZING PUBLIC UTILITIES.

OWNER HEREBY GRANTS TO THE CITY OF SURPRISE A PERPETUAL EXCLUSIVE EASEMENT OVER, UNDER, UPON, AND ACROSS ALL AREAS DESIGNATED ON THE PLAT AS SEWER EASEMENT FOR THE PURPOSE OF INSTALLING, CONSTRUCTING, MAINTAINING, REPAIRING, REPLACING AND UTILIZING THE SEWER LINES AND MANHOLES.

OWNER HEREBY GRANTS TO THE ULTIMATE OWNER OF EACH PARCEL CREATED BY THIS PLAT AN EASEMENT OVER, UPON AND ACROSS THE ENTIRE PLAT FOR THE PURPOSE OF PROVIDING CONTINUOUS AND UNINTERRUPTED INGRESS AND EGRESS AND PARKING TO EACH PARCEL CREATED BY THIS PLAT.

ALL IMPROVEMENTS, FOR STREETS AND PUBLIC UTILITIES OWNED AND OPERATED BY THE CITY, INSTALLED OR CONSTRUCTED BY OWNER WITHIN THE PUBLIC RIGHTS-OF-WAY, THE EASEMENTS, OR ANY TRACTS OR PARCELS HEREBY DEDICATED TO THE CITY OF SURPRISE SHALL BE DEEMED TO HAVE BEEN DEDICATED BY OWNER TO THE CITY UPON THEIR COMPLETION; HOWEVER, SUCH TRANSFER SHALL NOT OCCUR UNTIL THE CITY COUNCIL FOR THE CITY OF SURPRISE MANIFESTS ITS ACCEPTANCE BY SEPARATE FORMAL COUNCIL ACTION.

THE EASEMENTS GRANTED WITHIN THIS DEDICATION ARE PERMANENT AND PERPETUAL AND SHALL RUN WITH THE LAND AND BE BINDING UPON OWNER AND ITS HEIRS, ASSIGNS, AND SUCCESSORS IN INTEREST TO THIS PLAT OR ANY PARCEL OR LOT THEREOF.

OWNER HEREBY GRANTS TO THE CITY OF SURPRISE A PERPETUAL CROSS ACCESS EASEMENT ACROSS THE PLAT INCLUDING ROADS AND STREETS, OPEN SPACES, COMMUNITY FACILITIES, TRACTS, SIDEWALKS, DRAINAGE BASINS AND ANY PROPERTY WITHIN THE PLAT OWNED BY THE OWNERS ASSOCIATION FOR THE PURPOSES OF PROVIDING CONTINUOUS AND UNINTERRUPTED INGRESS AND EGRESS FOR EMERGENCY VEHICLES.

OWNER HEREBY GRANTS TO THE CITY OF SURPRISE A PERPETUAL NON-EXCLUSIVE EASEMENT OVER, UPON AND ACROSS THE AREAS DESIGNATED AS SIGHT VISIBILITY TRIANGLES FOR THE PURPOSE OF ENSURING THAT THESE AREAS REMAIN FREE OF SIGHT VISIBILITY OBSTRUCTIONS.

OWNER HEREBY GRANTS TO THE CITY OF SURPRISE A PERPETUAL NON-EXCLUSIVE PEDESTRIAN ACCESS AND SIDEWALK CONSTRUCTION AND MAINTENANCE EASEMENT OVER, UPON, AND ACROSS THE AREAS DESIGNATED AS SIDEWALK EASEMENTS AS SHOWN ON THE PLAT.

OWNER HEREBY GRANTS TO THE UNITED STATES OF AMERICA DEPARTMENT OF THE AIR FORCE ("USAF") AN AVIGATION EASEMENT OVER AND ACROSS THIS PLAT AND EVERY LOT AND PARCEL THEREOF, WHICH EASEMENT SHALL INCLUDE, BUT NOT BE LIMITED TO, THE RIGHT OF FLIGHT OF AIRCRAFT OVER THIS PLAT, TOGETHER WITH ITS ATTENDANT NOISE, VIBRATIONS, FUMES, DUST, FUEL AND LUBRICANT PARTICLES, AND ALL OTHER EFFECTS THAT MAY BE CAUSED BY THE OPERATION OF AIRCRAFT LANDING AT, OR TAKING OFF FROM, OR OPERATING AT OR ON LUKE AIR FORCE BASE AND AUXILIARY FIELD.

A PERPETUAL WATER EASEMENT AS DESCRIBED IN THE PLAT IS GRANTED TO EPCOR WATER ARIZONA INC, AND ITS SUCCESSORS AND ASSIGNS (COLLECTIVELY, "GRANTEE"), TO CONSTRUCT, OPERATE, AND MAINTAIN WATER LINES AND APPURTENANT FACILITIES (COLLECTIVELY, "FACILITIES") UPON, ACROSS, OVER AND UPON, ACROSS, OVER AND UNDER THE SURFACE OF THE EASEMENT, TOGETHER WITH THE RIGHT TO OPERATE, REPAIR, REPLACE, MAINTAIN, AND REMOVE THE FACILITIES FROM THE PREMISES; TO ADD OR TO ALTER THE FACILITIES, AND TO PROVIDE GRANTEE WITH REASONABLE INGRESS AND EGRESS TO THE FACILITIES. GRANTEE WILL HAVE UNRESTRICTED ACCESS TO THE EASEMENT FOR THE ACTIVITIES DESCRIBED ABOVE AND FORMAL NOTIFICATION OR APPROVAL BY ANY ASSOCIATION PRIOR TO ACCESSING THE EASEMENT WILL NOT BE REQUIRED.

GRANTOR SHALL NOT ERECT OR CONSTRUCT OR PERMIT TO BE ERECTED OR CONSTRUCTED ANY BUILDING, STRUCTURE OR SIMILAR IMPROVEMENT WITHIN THE LIMITS OF THE EASEMENT GRANTED HEREIN, GRANTOR SHALL NOT, NOR PERMIT, THE GRADE OVER GRANTEE'S FACILITIES TO BE SUBSTANTIALLY ALTERED WITHOUT, IN EACH INSTANCE, THE PRIOR WRITTEN CONSENT OF GRANTEE, AND GRANTOR AGREES THAT NO OTHER PIPES OR CONDUITS SHALL BE PLACED WITHIN THE PREMISES SUBJECT TO THE EASEMENT GRANTED HEREIN, EXCEPT PIPES CROSSING GRANTEE'S FACILITIES AT RIGHT ANGLES, IN WHICH CASE, A MINIMUM VERTICAL DISTANCE OF TWO (2) FEET (AS MEASURED FROM THE CLOSEST POINTS ON THE OUTSIDE EDGES) SHALL BE MAINTAINED BETWEEN GRANTEE'S FACILITIES AND SUCH OTHER PIPES OR CONDUITS. UNLESS GRANTEE EXPRESSLY CONSENTS IN WRITING OTHERWISE, ANY AND ALL SEWER PIPES CROSSING THE EASEMENT GRANTED HEREIN SHALL BE LAID BELOW GRANTEE'S FACILITIES. HOWEVER, GRANTOR SHALL HAVE THE RIGHT TO CONSTRUCT AND ERECT FENCES, TO INSTALL LANDSCAPING, PARKING FACILITIES AND DRIVEWAYS, AND TO ESTABLISH OTHER USES THAT ARE NOT INCONSISTENT WITH USES WITHIN THE LIMITS OF SAID EASEMENT IN A MANNER THAT WILL NOT UNREASONABLY INTERFERE WITH GRANTEE'S ACCESS TO THE FACILITIES.

IN WITNESS WHEREOF, OWNER HAS HEREUNTO CAUSED ITS CORPORATE NAME TO BE SIGNED AND ITS CORPORATE SEAL TO BE AFFIXED BY THE UNDERSIGNED, DULY AUTHORIZED OFFICER THIS _____ DAY OF _____, 2024.

SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA
LIMITED LIABILITY COMPANY

BY: _____

ITS: _____("TITLE")

EPCOR WATER ARIZONA INC.

BY: _____

ITS: _____("TITLE")

ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF _____
COUNTY OF _____

ON _____ BEFORE ME, _____ WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON WHOSE NAME IS SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME IN HIS AUTHORIZED CAPACITY, AND THAT BY HIS SIGNATURE ON THE INSTRUMENT THE PERSON, OR THE ENTITY UPON BEHALF OF WHICH THE PERSON ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF ARIZONA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND AND OFFICIAL SEAL.

SIGNATURE _____

PLAT NOTES

THE MAINTENANCE OF LANDSCAPING WITHIN THE OPEN SPACES, LANDSCAPED TRACTS, RETENTION BASINS AND PARKS SHALL BE THE RESPONSIBILITY OF THE OWNER OR THE ASSOCIATION FORMED BY THE OWNER.

THE MAINTENANCE OF LANDSCAPING WITHIN THE ADJACENT PUBLIC RIGHTS-OF-WAY, INCLUDING LANDSCAPED MEDIANS WITHIN COLLECTORS AND LOCAL STREETS, AND LANDSCAPED AREAS BETWEEN THE CURB AND THE DETACHED SIDEWALK, SHALL BE THE RESPONSIBILITY OF THE ADJACENT PROPERTY OWNER OR THE PROPERTY ASSOCIATION FORMED BY THE ADJACENT PROPERTY.

LANDSCAPING MAINTENANCE OF THE MEDIANS WITHIN THE PUBLIC RIGHT-OF-WAY WITHIN ANY ARTERIAL OR PARKWAY STREET CLASSIFICATION SHALL BE RESPONSIBILITY OF THE CITY OF SURPRISE AFTER ACCEPTANCE.

IN ACCORDANCE WITH ARS 9-461.07, THE CITY OF SURPRISE HAS DETERMINED THAT ALL DEDICATIONS OCCURRING WITH THIS PLAT ARE IN CONFORMANCE WITH THE SURPRISE GENERAL PLAN.

NO ON-SITE GRADING OR EXCAVATION SHALL OCCUR WITHOUT FIRST OBTAINING A PERMIT FROM THE CITY OF SURPRISE.

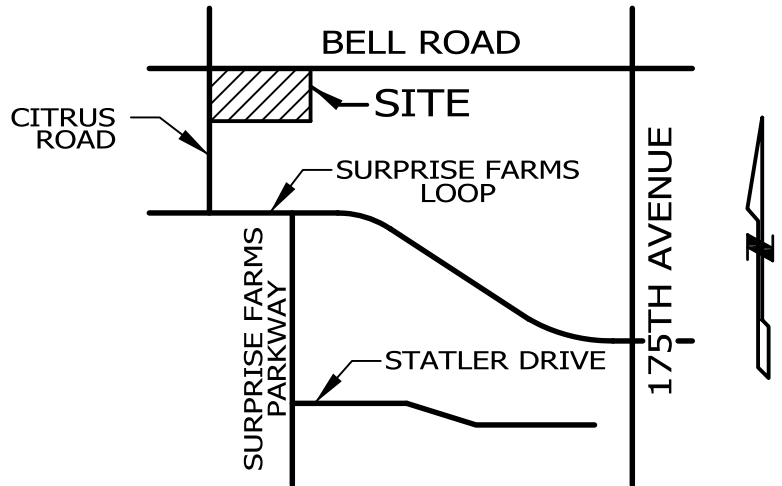
THE PROPERTY IS LOCATED WITHIN AN AREA HAVING FLOOD ZONE X DESIGNATION BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY, ON FLOOD INSURANCE RATE MAP NO. 04013C1240L, WITH A DATE OF IDENTIFICATION OF OCTOBER 16, 2013, FOR COMMUNITY NO. 040053, IN MARICOPA COUNTY, STATE OF ARIZONA, WHICH IS THE CURRENT FLOOD INSURANCE RATE MAP FOR THE COMMUNITY IN WHICH SAID PROPERTY IS SITUATED.

BASIS OF BEARINGS

THE BASIS OF BEARING IS THE MONUMENT LINE OF BELL ROAD, ALSO BEING THE NORTH LINE OF THE NORTHWEST QUARTER OF SECTION 2, USING A BEARING OF SOUTH 89 DEGREES 58 MINUTES 01 SECONDS EAST, PER "MARICOPA COUNTY GEODETIC DENSIFICATION AND CADASTRAL SURVEY", BOOK 661 OF MAPS, PAGE 18, RECORDS OF MARICOPA COUNTY, ARIZONA.

PUBLIC NOTICE

THE LOTS DEPICTED ON THIS PLAT ARE LOCATED WITHIN THE VICINITY OF LUKE AIR FORCE BASE AND MAY BE SUBJECT TO OVERFLIGHTS BY JET AIRCRAFT. ALL STRUCTURES WITHIN THIS PLAT SHALL BE CONSTRUCTED IN COMPLIANCE WITH THE SOUND ATTENUATION STANDARDS ADOPTED BY THE CITY OF SURPRISE. A MAP DEPICTING THE MOST CURRENT ADOPTED MAG NOISE CONTOURS IN RELATION TO THIS PLAT SHALL BE DISPLAYED IN ALL SALES OFFICES. ADDITIONAL INFORMATION MAY BE OBTAINED BY CONTACTING THE CITY OF SURPRISE COMMUNITY DEVELOPMENT DEPARTMENT.



VICINITY MAP

NOT TO SCALE

ZONING

SURPRISE FARMS PAD (C-2)

AREA

LOT 1	37,692 SQ. FT. 0.865 ACRES
LOT 2	61,466 SQ. FT. 1.411 ACRES
LOT 3	69,872 SQ. FT. 1.604 ACRES
TOTAL	169,030 SQ. FT. 3.880 ACRES

DESCRIPTION

LOT 1A, OF ALLORA SURPRISE, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MARICOPA COUNTY, ARIZONA, RECORDED IN BOOK 1685 OF MAPS, PAGE 28.

APPROVALS

CITY OF SURPRISE ENGINEER APPROVAL

DATA ON THIS PLAT REVIEWED AND APPROVED THIS _____ DAY OF _____, 2024, BY THE CITY ENGINEER OF SURPRISE, ARIZONA.

APPROVED _____
CITY ENGINEER DATE

CITY OF SURPRISE COUNCIL APPROVAL

APPROVED BY THE CITY COUNCIL OF THE CITY OF SURPRISE, ARIZONA.

THIS _____ DAY OF _____, 2024.

MAYOR DATE

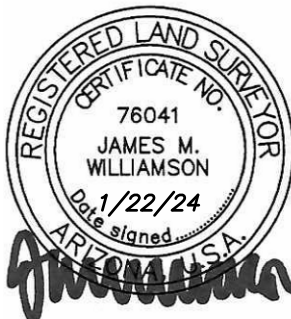
ATTEST:

CITY CLERK DATE

CERTIFICATION

THIS IS TO CERTIFY THAT THIS PLAT IS CORRECT AND ACCURATE AND THE MONUMENTS DESCRIBED HEREIN HAVE EITHER BEEN SET OR LOCATED AS DESCRIBED TO THE BEST OF MY KNOWLEDGE AND BELIEF.

JANUARY 22, 2024
JAMES M. WILLIAMSON
R.L.S. 76041
2122 W. LONE CACTUS DRIVE, SUITE 11
PHOENIX, AZ 85027



SURVEYOR

SUPERIOR SURVEYING SERVICES INC.
2122 W. LONE CACTUS DRIVE, SUITE 11
PHOENIX, AZ 85027
PHONE: (623)869-0223
FAX: (623)869-0726
CONTACT: JAMES M. WILLIAMSON

OWNER

SURPRISE VILLAGE COMPANY L.L.C.,
AN ARIZONA LIMITED LIABILITY COMPANY
11811 N. TATUM BOULEVARD, SUITE 4052
PHOENIX, AZ 85028

A REPLAT OF LOT 1A, OF ALLORA SURPRISE
SURPRISE, ARIZONA 85086

2122 W. Lone Cactus Drive, Suite 11
Phoenix, AZ 85027
623-869-0223 (office) 623-869-0726 (fax)
www.superiorsurveying.com
info@superiorsurveying.com



DWN: LE CHK: JW

SHEET 1 OF 3

DATE: 1/22/24

JOB: 202212047

CASE NUMBER: FS23-0676

NOTICE OF SURPRISE FARMS DEVELOPMENT AGREEMENT

SURPRISE VILLAGE COMPANY L.L.C., HEREINAFTER ("LANDOWNER") HAS ENTERED INTO A SURPRISE FARMS DEVELOPMENT AGREEMENT DATED DECEMBER 1, 1999 ("AGREEMENT") WITH MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE ("MWD") FOR WHICH A MEMORANDUM OF AGREEMENT WAS RECORDED ON DECEMBER 2, 1999, AT THE MARICOPA COUNTY RECORDERS' OFFICE AT DOCKET NO. 99-1092981. THE LANDS WITHIN SURPRISE FARMS ("PROJECT AREA") AND DESCRIBED AND DELINEATED IN THIS SUBDIVISION PLAT ARE SUBJECT TO THE AGREEMENT.

THE AGREEMENT AND THIS SUBDIVISION PLAT, INCLUDING ANY AND ALL DEDICATIONS THEREIN, HEREBY PRESERVE MWD'S PRIOR AND SUPERIOR RIGHTS OF ACCESS TO AND USE OF EXISTING AND FUTURE MWD FACILITIES AND MWD PROPERTY INTERESTS, AS SUCH TERMS ARE DEFINED IN THE AGREEMENT, TO ENABLE MWD TO ACCOMPLISH ALL OF MWD'S PURPOSES, INCLUDING, BUT NOT LIMITED TO, THE TRANSMISSION AND DISTRIBUTION OF WATER, WASTEWATER, POWER AND COMMUNICATIONS, AND TO CONSTRUCT, RECONSTRUCT, OPERATE, MAINTAIN AND REPLACE THOSE MWD FACILITIES AND MWD PROPERTY INTERESTS.

IN ADDITION, THE AGREEMENT PROVIDES, INTER ALIA, THAT ALL RIGHTS AND OBLIGATIONS OF AN URBANIZED AREA, AS DEFINED IN THE AGREEMENT, COVERED BY THIS, SUBDIVISION PLAT WITH RESPECT TO ALL USES OF MWD WATER AND FINANCIAL OBLIGATIONS FOR TAXES AND ASSESSMENTS OF MWD, ARE CONSOLIDATED IN THE LAND WITHIN THE PROJECT AREA COMPRISING THE GOLF COURSES AND PROPERTY OWNER ASSOCIATION COMMON AREAS, EXCLUSIVE OF DEDICATED ROADS AND OTHER DEDICATED RIGHT-OF-WAY, DEFINED AS "TURF LANDS", WITHIN THE LAND THAT IS SUBJECT TO THE AGREEMENT. LANDOWNER AND ITS SUCCESSORS IN INTEREST IN THE TURF LANDS ARE TO MAKE PAYMENTS IN LIEU OF TAXES AND ASSESSMENTS ("IN LIEU PAYMENTS") TO MWD AS PARTIAL CONSIDERATION FOR THE CONSOLIDATION OF THE RIGHTS AND OBLIGATIONS, PROVIDED FOR IN THE AGREEMENT, IN AN AMOUNT EQUAL TO THE TAXES AND ASSESSMENTS OF MWD THAT WOULD OTHERWISE BE APPLICABLE TO ALL LANDS WITHIN EACH URBANIZED AREA, WITHIN THE PROJECT AREA, SUBJECT TO A SUBDIVISION PLAT OR DECLARATION OF URBANIZED AREA, HAD THE LANDS NOT BEEN CONVERTED FROM AGRICULTURAL IRRIGATION. MWD HAS THE RIGHT TO LIEN THE TURF LANDS AND, AFTER NOTICE AND FAILURE TO CURE, FORECLOSE THE LIEN IN ACCORDANCE WITH THE AGREEMENT AND ARIZONA LAW IF THE IN LIEU PAYMENTS ARE NOT MADE WHEN DUE. THE AGREEMENT PROVIDES THAT NO TAXES OR ASSESSMENTS MAY BE LEVIED BY MWD UPON ANY URBANIZED AREA, OTHER THAN THE TURF LANDS, AND THAT THE OWNER OF THE TURF LANDS MAY EXERCISE THE RIGHT TO VOTE IN MWD ELECTIONS LIMITED TO THE TOTAL ACREAGE COMPRISING THE TURF LANDS. NO OTHER OWNER OF AN URBANIZED AREA MAY EXERCISE ANY RIGHTS EXISTING BY VIRTUE OF OWNERSHIP OF LAND WITHIN AN URBANIZED AREA TO VOTE IN MWD ELECTIONS.

LANDOWNER HAS THE RIGHT, UPON AGREEMENT WITH MWD, TO ALTER OR AMEND THE AGREEMENT SO LONG AS LANDOWNER CONTINUES TO OWN ANY PORTION OF THE PROJECT AREA THAT IS DEFINED WITHIN AND SUBJECT TO THE AGREEMENT. ANY SUCH ALTERATIONS OR AMENDMENTS SHALL BE BINDING UPON ALL OF THE LAND AND OWNERS THEREOF, REGARDLESS OF WHETHER SUCH ALTERATION OR AMENDMENT IS EXECUTED BEFORE OR AFTER THE LAND HAS BEEN CONVEYED FROM LANDOWNER TO ANOTHER OWNER.

THE AGREEMENT AND ANY AMENDMENTS THERETO ARE ON FILE AT THE OFFICES OF LANDOWNER AT _____ AND MAY BE REVIEWED AS TO ALL DETAILS, WITH PARTICULAR REFERENCE TO SECTIONS 10, 12 AND 22 UPON REASONABLE REQUEST.

DATED THIS _____ DAY OF _____, 2024.

MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE, A POLITICAL SUBDIVISION OF THE STATE OF ARIZONA ("MWD")

ATTEST:

BY: _____
CHRISTINE CAIN

BY: _____
GLEN VORTHERMS

ITS: PROPERTY & CONTRACTS MANAGER

ITS: ASSISTANT SECRETARY

SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY

BY: _____

ITS: _____

NOTICE OF INTERGOVERNMENTAL AGREEMENT

THE CITY OF SURPRISE ("CITY") AND MARICOPA COUNTY MUNICIPAL WATER CONSERVATION DISTRICT NUMBER ONE ("MWD") ENTERED INTO AN INTERGOVERNMENTAL AGREEMENT DATED APRIL 8, 1997 AND RECORDED IN THE MARICOPA COUNTY RECORDER'S OFFICE ON APRIL 9, 1997, UNDER DOCUMENT NO. 97-0231759 ("IGA"). CITY AND MWD HAVE FACILITIES AND PROPERTY INTERESTS DESCRIBED AND DELINEATED WITHIN CERTAIN SUBDIVISION PLATS OR, FOR LANDS NOT INCLUDED IN A SUBDIVISION PLAT, DECLARATIONS OF TURF LANDS OR DECLARATIONS OF URBANIZED AREA, THAT HAVE PRIOR AND SUPERIOR RIGHTS TO THE UTILITY SERVICE PROVIDERS, AS DEFINED IN THE IGA. THE IGA PROVIDES FOR THE CITY TO HAVE A PUBLIC UTILITY EASEMENT WITHIN CERTAIN MWD PROPERTY INTERESTS AND FOR MWD TO HAVE AN EASEMENT WITHIN CITY'S PUBLIC RIGHTS-OF-WAY. CITY AND MWD RIGHTS WITHIN THESE EASEMENTS ARE SUBJECT TO AND CONTROLLED BY THE TERMS AND CONDITIONS OF THE IGA.

IN LOCATIONS WHERE APPLICABLE, INCLUDING ANY AND ALL DEDICATIONS WITHIN A SUBDIVISION PLAT, MWD'S PRIOR AND SUPERIOR RIGHTS OF ACCESS TO AND USE OF EXISTING AND FUTURE MWD FACILITIES AND PROPERTY INTERESTS, SHALL BE SUBJECT TO THE TERMS AND CONDITIONS OF THE IGA.

CITY SHALL HAVE THE RIGHT TO AUTHORIZE AND CONTROL THE UTILITY SERVICE PROVIDER'S USE AND OCCUPANCY OF THESE EASEMENTS. CITY REQUIRES THAT UTILITY SERVICE PROVIDERS CONSENT TO BE BOUND BY THE IGA PRIOR TO THE USE OR OCCUPANCY OF THE EASEMENTS GRANTED UNDER THE IGA. SUCH USE OR OCCUPANCY OF THE EASEMENTS CONSTITUTES CONSENT OF THE UTILITY SERVICE PROVIDERS TO BE BOUND BY THE IGA.

RELEASE OF LIABILITY

SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY, ("OWNER") DOES HEREBY

(1) RELEASE AND DISCHARGE THE CITY OF SURPRISE, AND
(2) INDEMNIFY, DEFEND, AND HOLD HARMLESS THE CITY OF SURPRISE, OF AND FROM ANY LIABILITY FOR ANY AND ALL CLAIMS FOR DAMAGES OF ANY KIND TO PERSONS OR PROPERTY THAT MAY ARISE AT ANY TIME IN THE FUTURE OVER, OR IN CONNECTION WITH THE AREAS LOCATED WITHIN THE NEWLY DEDICATED RIGHT-OF-WAY AS DEPICTED ON THIS PLAT UNTIL SUCH TIME THE RIGHT-OF-WAY IS IMPROVED TO CITY STANDARDS AND THOSE IMPROVEMENTS ARE APPROVED AND ACCEPTED BY THE CITY COUNCIL. THE MAINTENANCE OF THE AREA WITHIN ANY NEWLY DEDICATED RIGHT-OF-WAY AS SHOWN ON THIS PLAT SHALL BE THE RESPONSIBILITY OF THE ADJACENT OWNER/OR SUBSEQUENT ADJACENT OWNERS WITHIN THE BOUNDARY OF SAID PLAT UNTIL SUCH TIME THAT THE AREA WITHIN THE RIGHT-OF-WAY IS IMPROVED TO CITY STANDARD AND ACCEPTED BY THE CITY OF SURPRISE.

OWNERS HEREBY FURTHER AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS THE CITY OF SURPRISE FROM ANY AND ALL CLAIMS FOR DAMAGES OF ANY KIND TO PERSONS OR PROPERTY LOCATED WITHIN THE RIGHT OF WAY THAT MAY ARISE IN CONNECTION WITH THE USE OF THE SIDEWALKS LOCATED WITHIN THE RIGHT-OF-WAY, UNTIL SUCH TIME THE CITY OF SURPRISE HAS ACCEPTED THE SIDEWALKS.

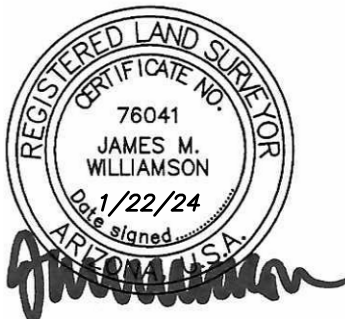
SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY, ("OWNER") DOES HEREBY

(1) RELEASE AND DISCHARGE THE UNITED STATES OF AMERICA DEPARTMENT OF THE AIR FORCE (USAF) AND THE CITY OF SURPRISE, AND
(2) INDEMNIFY, DEFEND, AND HOLD HARMLESS THE USAF AND THE CITY OF SURPRISE, OF AND FROM ANY LIABILITY FOR ANY AND ALL CLAIMS FOR DAMAGES OF ANY KIND TO PERSONS OR PROPERTY THAT MAY ARISE AT ANY TIME IN THE FUTURE OVER, OR IN CONNECTION WITH AIRCRAFT OVERFLIGHTS FROM AIRCRAFT UTILIZING LUKE AIR FORCE BASE, WHETHER SUCH DAMAGE SHALL ORIGINATE FROM NOISE, VIBRATION, FUMES, DUST, FUEL AND LUBRICANT PARTICLES, AND ALL OTHER EFFECTS THAT MAY BE CAUSED BY THE OPERATION OF AIRCRAFT LANDING AT, OR TAKING OFF FROM, OR OPERATING AT OR ON LUKE AIR FORCE BASE OR ITS AUXILIARY FIELDS. THIS INSTRUMENT SHALL RUN WITH THE LAND AND BE BINDING UPON OWNER AND ITS HEIRS, ASSIGNS, AND SUCCESSORS IN INTEREST TO THIS PLAT OR ANY PARCEL OR LOT THEREOF. THIS INSTRUMENT DOES NOT RELEASE THE USAF FROM LIABILITY FOR DAMAGE OR INJURY TO PERSON OR PROPERTY CAUSED BY FALLING AIRCRAFT OR FALLING PHYSICAL OBJECTS FROM AIRCRAFT, EXCEPT AS STATED HEREIN WITH RESPECT TO NOISE, FUMES, DUST, FUEL, AND LUBRICANT PARTICLES.

SURPRISE VILLAGE COMPANY L.L.C., AN ARIZONA LIMITED LIABILITY COMPANY,

BY: _____

ITS: _____("TITLE")



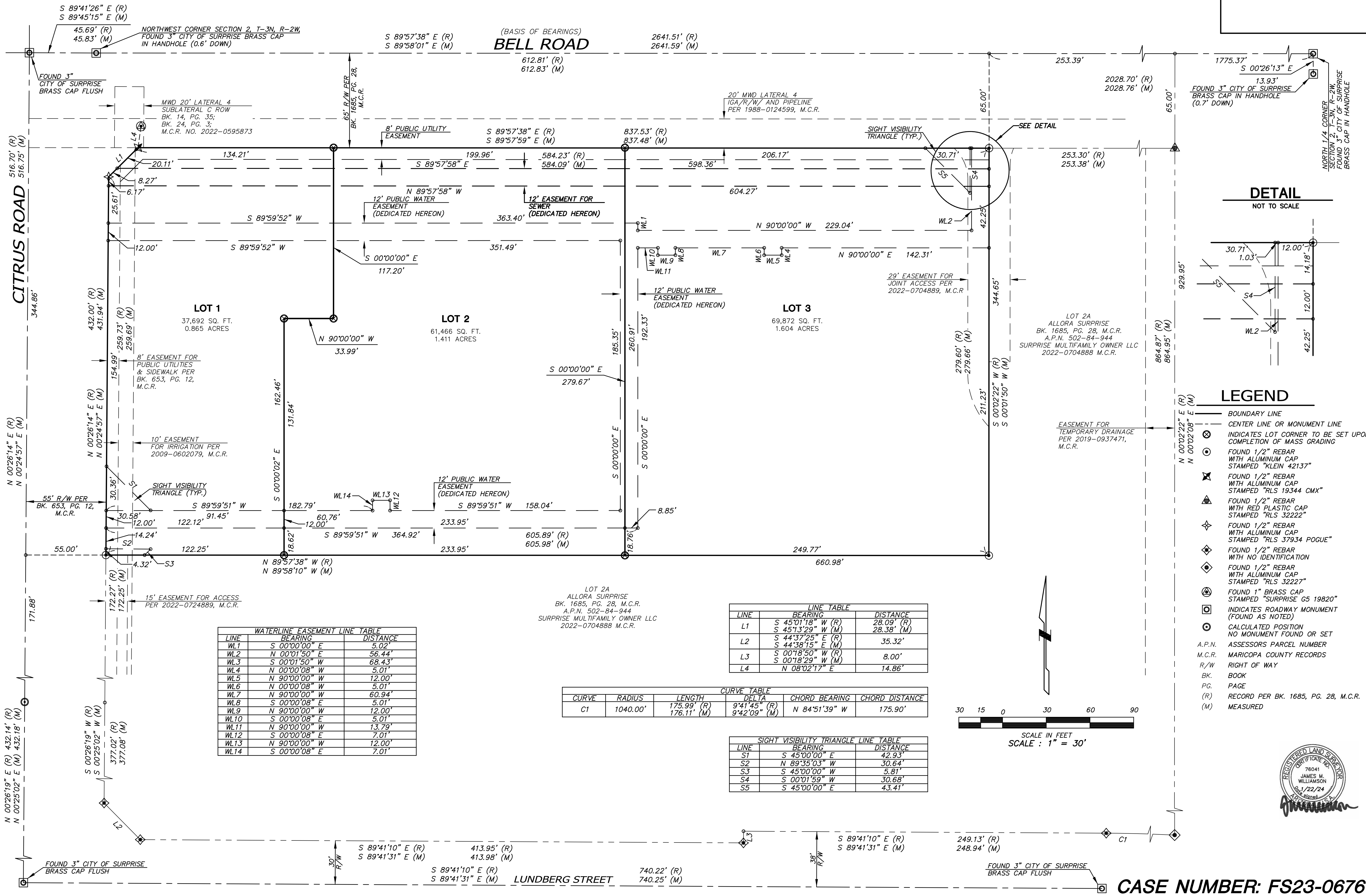
A REPLAT OF LOT 1A, OF ALLORA SURPRISE
SURPRISE, ARIZONA 85086

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Phoenix, AZ 85027
623-869-0223 (office) 623-869-0726 (fax)
www.superiorsurveying.com
info@superiorsurveying.com



DWN: LE CHK: JW
SHEET 2 OF 3
DATE: 1/22/24
JOB: 202212047

CASE NUMBER: FS23-0676

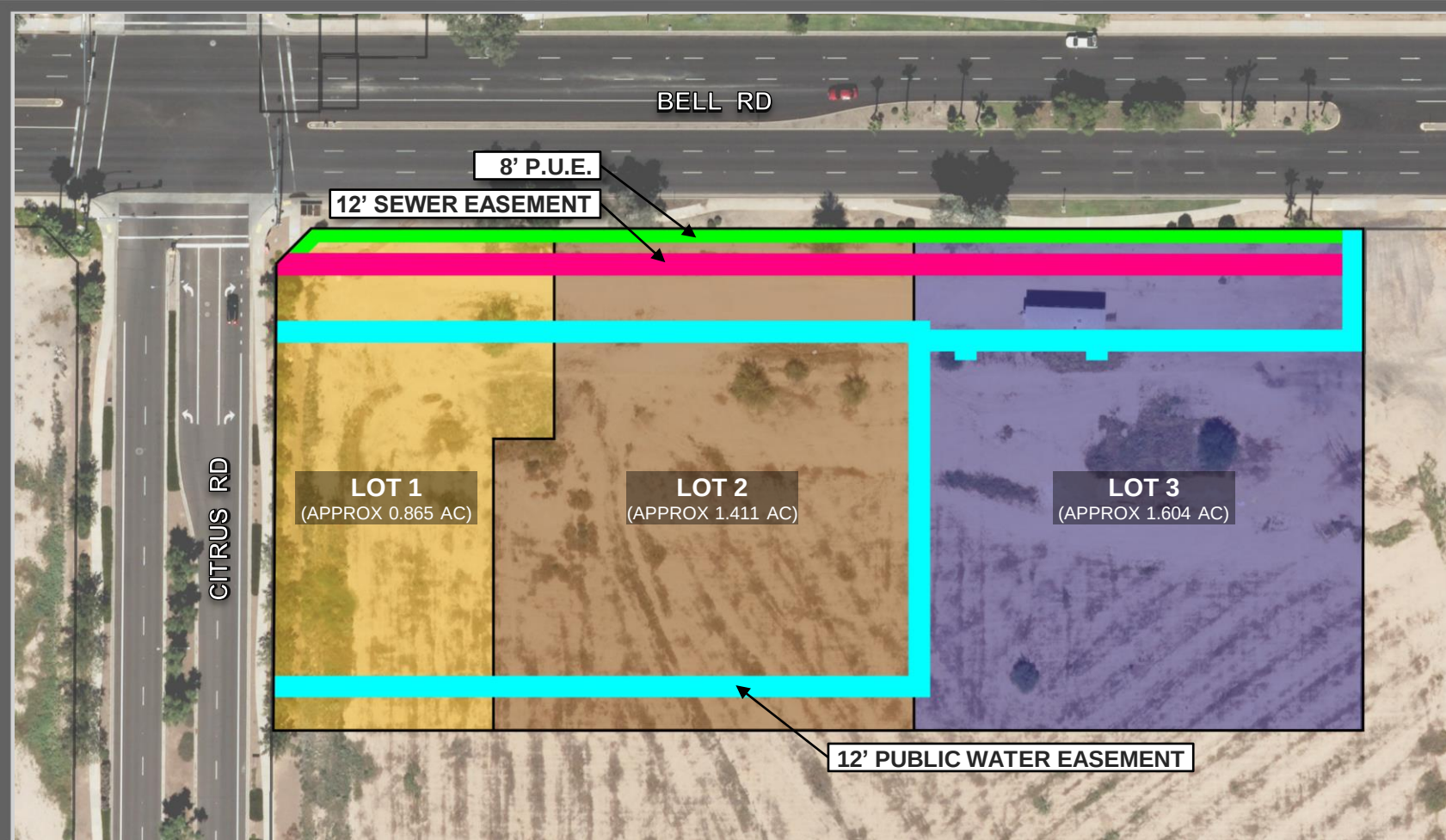


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DWN: LE CHK: JW
SHEET 3 OF 3
DATE: 1/22/24
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FS23-0676

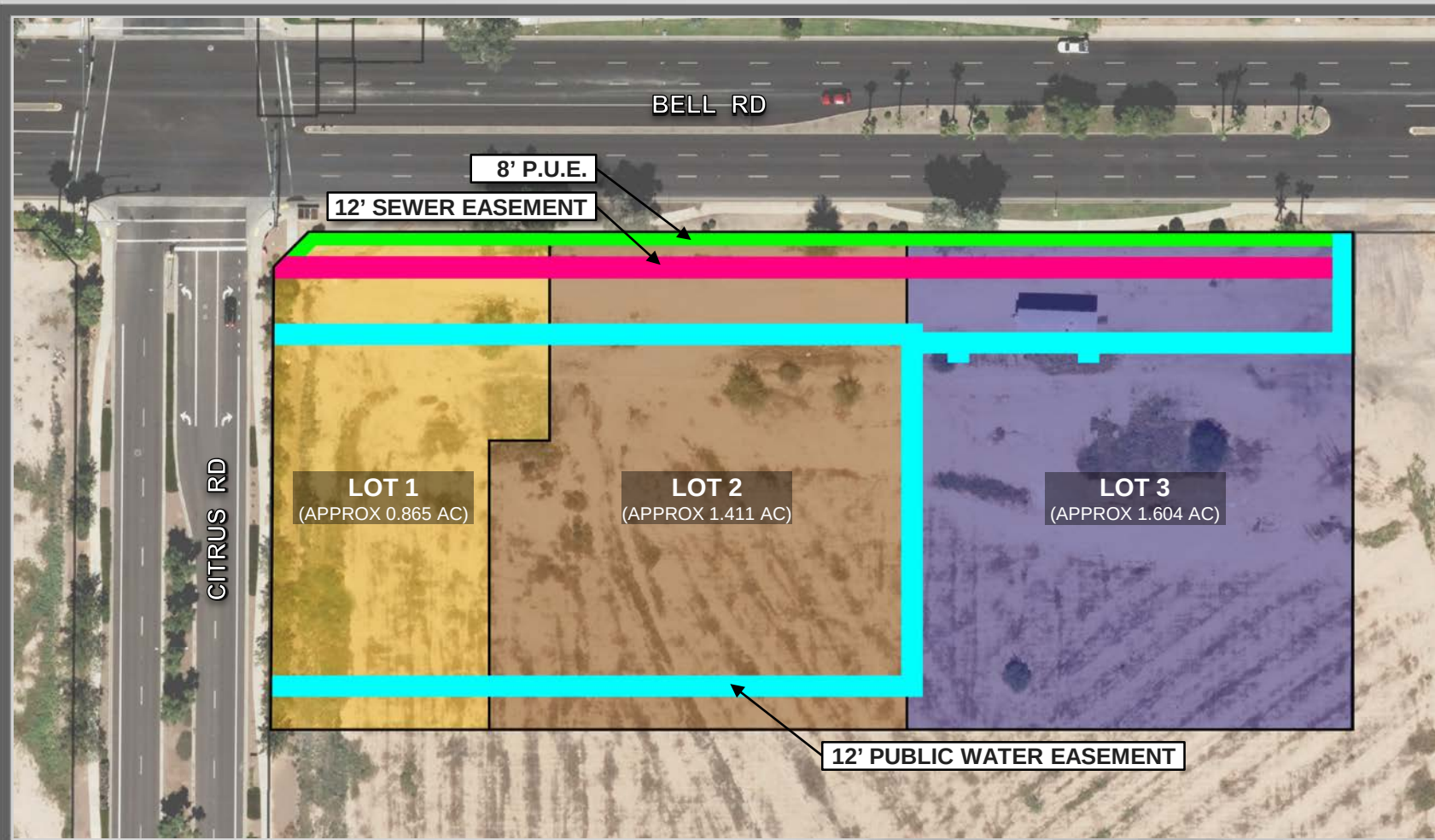
**Allora Multi-Tenant Commercial Project
Final Plat**

City Council
February 6, 2024



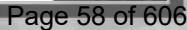
FS23-0676 VICINITY MAP





FS22-0676 PLAT EXHIBIT

Page 58 of 606





SURPRISE
ARIZONA

QUESTIONS OR COMMENTS?

Thank You



CITY OF SURPRISE
Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024

Contact Person: Brenden Espie, ASSISTANT FIRE CHIEF

Submitting Department: Fire - Medical

District: Internal

Staff Recommendations: None

Consent: Yes

Regular: No

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority from General Contingency in the amount of \$91,300 to project G34185 in the Grants Fund and amending the Fiscal Year 2024 Contract Awarding Authority list by creating #24132 – Homeland Security Grant Program item for \$91,205 to account for acceptance of the Homeland Security grant; Resolution #2024-11.

Motion:

I move to approve Resolution # 2024-11.

Background:

For several years, the Surprise Fire-Medical Department (SFMD) has been successful in obtaining grant funding from the Arizona Department of Homeland Security (AZDOHS) to sustain the department's CBRNE (Chemical, Biological, Radiological, Nuclear and Explosives) program, equipment and training needs. The department has also received grant funding to support its 100 Patient Module Equipment. This year the department is receiving FFY22 AZDOHS reallocation funding to purchase supplies and equipment to refresh the stock in the 100 Patient Module.

Objective Analysis:

Accepting the grant reallocation funding from AZDOHS will provide the department with new supplies and equipment to stock its 100 Patient Module.

Policy Compliant:

The action is compliant with City and Council policies.

Financial Impact:

This action will authorize the acceptance of a one-time grant award totaling \$91,205 for the purchase of supplies and equipment to support current SFMD programs. There is no city-match requirement.

Budget Impact:

The FY2024 adopted budget did not include appropriations for revenue and expenses related to the

AZDOHS grant awarded to the Fire-Medical department. Acceptance of the grant will require a movement of budget authority of \$91,300 from General Contingency to Project G34185 in the Grants Fund to cover expenses associated with the acceptance of the grant from the Arizona Department of Homeland Security. The awarded grant will stock the Fire-Medical Department's 100 Patient Module. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. 220216-01_Surprise FMD_SRA
 2. 220216-01_Surprise FMD_Award Letter
 3. 24.01.03 Resolution No. 2024-11 - FFY22 AZDOHS Reallocation Grant Final
-

SUBRECIPIENT AGREEMENT - REALLOCATION

22-AZDOHS-HSGP-220216-01

Between

The Arizona Department of Homeland Security

And

Surprise Fire-Medical Department (UEI: CNDLLN6WTTE3)

WHEREAS, ARS 41-4254 makes AZDOHS responsible for administering the funds covered by this agreement ("Agreement"), the parties hereby agree to the following terms:

1. **Purpose of Agreement** This Agreement is to specify the rights and responsibilities of AZDOHS in administering the distribution of homeland security grant funds to Subrecipient, and to specify the rights and responsibilities of Subrecipient as the recipient of these funds.
2. **Period of Performance** This Agreement shall become effective on **January 1, 2024** and shall terminate on **September 30, 2024**. The obligations of Subrecipient herein survive termination of this Agreement.
3. **Description of Services** Subrecipient must fulfill all obligations set forth in Subrecipient's approved grant application titled: "**Surprise Fire-Medical 100 Patient Module Equipment**" and funded at **\$91,205** (as may have been modified by the award letter).
4. **Financing and Fiscal Responsibility** Under US Department of Homeland Security ("USDHS") grant #EMW-2022-SS-00010-S01 and Catalog of Federal Domestic Assistance ("CFDA") #97.067, AZDOHS shall provide up to **\$91,205** to Subrecipient under this Agreement.

Payment to Subrecipient must be on a reimbursement basis only, conditioned upon Subrecipient providing AZDOHS with proof of payment and applicable, accurate and complete reimbursement documents, as deemed necessary by AZDOHS. A list of acceptable documentation is at www.azdohs.gov. Payments are contingent on Subrecipient performing all its obligations under this Agreement. Subrecipient may use the funds provided under this Agreement only as provided in the application and award documentation. If Subrecipient does not complete all its obligations, Subrecipient must immediately reimburse all previously-provided funds to AZDOHS. If Subrecipient completes its obligations at a lower than the budgeted cost, the amount reimbursed to Subrecipient will be only the amount actually spent by Subrecipient in accordance with the approved application. For any expenditure disallowed after or otherwise by AZDOHS, or the State or Federal government, Subrecipient must immediately reimburse such funds to AZDOHS.

5. **Reporting Requirements** Subrecipient must submit quarterly programmatic reports to AZDOHS as follows:

January 15 (for the period from October 1– December 31)

April 15 (for the period from January 1 – March 31)

July 15 (for the period from April 1 – June 30)

October 15 (for the period from July 1 – September 30)

Subrecipient must use the Quarterly Programmatic Report form (<https://azdohs.gov/grant-program-forms>) for these reports. Subrecipient must provide detailed information on the status of completion of the planned activities in the approved application satisfactory to AZDOHS in its sole discretion. Failure to adequately provide such information will result in the Quarterly Programmatic Report being rejected by AZDOHS and resubmission will be required. If the program has been fully completed so that there will be no further updates, then the quarterly report for the quarter in which the program was completed will be the final report; the report should be marked as “final” and must include all pertinent information regarding the program as determined solely by AZDOHS.

Final Quarterly Programmatic Report: The final quarterly programmatic report is due no more than **15** calendar days after the end of the performance period. Subrecipient may submit a final quarterly report prior to the end of the performance period if the scope of the project has been fully completed and implemented. The Property Control Form is due with the final quarterly report (if applicable).

6. **Reimbursements** Subrecipient must provide AZDOHS with requests for reimbursement as frequently as monthly but not less than quarterly; submissions must be made via US Mail, delivery service (FedEx, UPS, etc.) or in person; **submissions via fax or by any electronic means will not be accepted.** Reimbursement requests shall be submitted with the Reimbursement Form provided by AZDOHS staff. AZDOHS has the right to require Subrecipient to provide any documentation and/or information AZDOHS deems necessary to process submissions.

Reimbursement requests are only required when expenses have been incurred. The Subrecipient shall submit a final reimbursement request, marked as such, for expenses received and invoiced prior to the end of the period of performance. The final reimbursement must be **received** by AZDOHS no more than **45** calendar days after the end of the period of performance. Requests for reimbursement received by AZDOHS later than 45 calendar days after the end of the period of performance will not be paid.

Subrecipients will only be reimbursed for expenses that have been obligated, expended and received within the authorized Period of Performance as identified in Paragraph 2 of this Agreement. Subrecipients are not authorized to obligate or expend funds prior to the start date of the Period of Performance. Any expenses obligated or expended prior to the Period of Performance start date will be deemed unallowable and will not be reimbursed. Any expenses/services that occur beyond the Period of Performance (e.g. cell phone service) will be deemed unallowable and will not be reimbursed.

7. **Environmental Planning and Historic Preservation** Subrecipient **must** comply with Federal, State and Local environmental and historical preservation (EHP) regulations, laws and Executive Orders as applicable. See https://www.fema.gov/media-library-data/1533321728657-592e122ade85743d1760fd4747241776/GPD_EHP_Policy_Final_Amendment_GPD_final_508.pdf and <https://azdohs.gov/environmental-and-historic-preservation->

[ehp](#). Subrecipients proposing programs with potential environmental impact **must** participate in the USDHS/Federal Emergency Management Agency (FEMA) EHP review process. Subrecipient **must** complete the EHP review process before funds will be released by AZDOHS. If Subrecipient engages in ground disturbing activities, Subrecipient must monitor ground disturbance. If archeological resources are discovered, Subrecipient must immediately (a) cease construction and (b) notify FEMA, AZDOHS, and the Arizona State Historic Preservation Office. AZDOHS/DHS/FEMA **will not fund or reimburse** projects that are initiated without the required EHP review.

8. **Procurement (including Noncompetitive Procurement)** Subrecipient must comply with its procurement rules/policies, all Federal procurement rules/policies, and all Arizona Procurement Code provisions and rules, the most restrictive of which will apply. Subrecipient **must not** enter into a noncompetitive procurement unless AZDOHS grants **prior written approval** via the Noncompetitive Procurement Request form at <https://azdohs.gov/grant-program-forms>.
9. **Property Control** Subrecipient must safeguard and maintain control and accountability for all property/equipment purchased under this Agreement, and Subrecipient must assure that it is used only for purposes authorized under this Agreement and maintained as provided in 2 CFR 200.313. Such property/equipment shall be used by Subrecipient in the program for which it was acquired as long as needed, whether or not the program continues to be supported by Federal grant funds. Subrecipient must immediately investigate and report to AZDOHS any loss, damage, or theft. Subrecipient must replace any property/equipment lost, damaged or stolen at Subrecipient's expense, and must immediately submit an updated Property Control Form (<https://azdohs.gov/grant-program-forms>) to AZDOHS.

"Nonexpendable Property/Equipment" is property that has a continuing use, is not consumed in use, has an expected life of one year or more, costs \$5,000 or more per unit, and does not become a fixture or lose its identity as a component of other equipment/systems, while a "Capital Asset" is personal or real property or a fixture costing \$5,000 or more per unit with an expected life of one year or more. Subrecipient is solely responsible for the proper maintenance of all Nonexpendable Property/Equipment and Capital Assets acquired under this Agreement. Subrecipient must take a physical inventory of all such Nonexpendable Property/Equipment and Capital Assets and reconcile the results with the Property Control Form at least once every two years. Subrecipient must maintain a control system to prevent loss, damage, or theft of such Nonexpendable Property/Equipment and Capital Assets, and Subrecipient must immediately report any loss, damage, or theft to AZDOHS. A Property Control Form (if applicable) shall be maintained for the entire scope of the program or project for which property was acquired through the end of its useful life and/or disposition. All Nonexpendable Property and Capital Assets must be included on the Property Control Form. **The Subrecipient, if applicable, shall provide AZDOHS a copy of the Property Control Form with the final quarterly programmatic report.** The Property Control Form can be located at <https://azdohs.gov/grant-program-forms>. The Subrecipient agrees to be subject to equipment monitoring and auditing by state or federal authorized representatives to verify information.

When Subrecipient is no longer using Nonexpendable Property/Equipment and/or Capital Assets acquired under this Agreement on the program, Subrecipient must immediately submit an updated Property Control Form to AZDOHS, and any disposition must be in compliance with AZDOHS Disposition Guidance (<https://azdohs.gov/grant-program-forms>) and 2 CFR Part 200, including specifically 2 CFR 200.313. If Subrecipient seeks disposition of such Nonexpendable Property/Equipment or Capital Assets for any reason other than theft, destruction, or loss, Subrecipient must submit an Equipment Disposition Request Form (<https://azdohs.gov/grant-program-forms>) to AZDOHS and receive approval from AZDOHS prior to disposition. Subrecipient must update the Property Control Form and provide a copy to AZDOHS within 45

calendar days after disposition. Per 2 CFR 200.333(c), Subrecipient must retain all records relating to such Nonexpendable Property/Equipment and Capital Assets for 3 years after disposition.

10. **Training and Exercise** All training and/or exercise events must be included in Subrecipient's application. Alternate/additional training/exercise requests must be approved in advance by AZDOHS. Subrecipient must submit a Project Modification Request Form (<https://azdohs.gov/grant-program-forms>) for review and approval by AZDOHS prior to scheduling alternate/additional training/exercise events. For those projects that are managed by DEMA, alternate/additional training requests must be approved in advance by DEMA and AZDOHS using the Pre-approval form (<https://dema.az.gov/emergency-management/preparedness/training>). All exercises must comply with FEMA Homeland Security Exercise and Evaluation Program (<https://www.fema.gov/emergency-managers/national-preparedness/exercises/hseep>; "HSEEP") guidance. Subrecipient will (a) Submit an exercise summary and attendance/sign-in roster; and (b) Email the After Action Report/Improvement Plan to the local County Emergency Manager, AZDOHS, and the DEMA Exercise Branch, within 90 days of completion of an exercise or as prescribed by HSEEP.
11. **Consultants/Trainers/Training Providers** Invoices for consultants/trainers/training providers must include: a description of services; dates of services; number of hours for services performed; rate charged; and the total cost of services. Rates must be within the prevailing rates; must be consistent with Subrecipient's procurement policies and 2 CFR Part 200; and shall not exceed **\$650** per day per consultant/trainer/training provider unless AZDOHS grants prior written approval. This includes internal personnel hired on backfill/overtime to deliver training. Subrecipient will not be reimbursed costs other than travel, lodging, meals, and incidentals on travel days for consultants/trainers/training providers, at rates not to exceed State rates, and itemized receipts are required. See Travel Costs below, at [Paragraph 12](#).
12. **Travel Costs** All grant funds expended for travel, lodging, meals and incidentals are subject to the standards of Subrecipient's policies and procedures, and the State of Arizona Accounting Manual (<https://gao.az.gov/publications/saam>), which Subrecipient must apply uniformly to both Federally financed and its other activities. AZDOHS will reimburse at the most restrictive allowability and rates. At no time will Subrecipient's reimbursements exceed the State rates established by the Arizona Department of Administration: <https://gao.az.gov/travel>.
13. **Contractors/Subcontractors** Subrecipient may enter into written subcontract(s) in accordance with 2 CFR Part 200 and the NOFO. No subcontract that the Subrecipient enters into relieves Subrecipient of any responsibilities under this Agreement. Subrecipient must give AZDOHS immediate notice in writing of any action filed or claim made against Subrecipient by any subcontractor or vendor.
14. **Allowable Costs** The allowability of costs incurred under this Agreement shall be determined by AZDOHS in its sole discretion and in accordance with the general principles and standards set forth in the CFR, FEMA Authorized Equipment List (<https://www.fema.gov/grants/tools/authorized-equipment-list>), and guidance documents (i.e. NOFO, Preparedness Grants Manual, Information Bulletins). Subrecipient's use of grant funds for indirect costs must be in accordance with 2 CFR Part 200 and the NOFO. Subrecipient must apply to AZDOHS for its written approval of indirect costs prior to expenditure. Subrecipient may not expend grant funds for Management and Administrative costs for administering such funds without prior written approval of AZDOHS.
15. **Amendments** Any change in this Agreement including but not limited to the Description of Services, Period of Performance and budget described herein, whether by modification or

supplementation, must be accomplished by a formal Agreement amendment signed and approved by and between the duly authorized representatives of the Subrecipient and the AZDOHS. Any such amendment shall specify: 1) an effective date; 2) any increases or decreases in the amount of the Subrecipient's reimbursement, if applicable; 3) be titled as an "Amendment," and 4) be signed by the parties identified in the preceding paragraph. The Subrecipient expressly and explicitly understands and agrees that no other method of communication, including any other document, correspondence, act, or oral communication by or from any person, shall be used or construed as an amendment or modification or supplementation to this Agreement.

16. Audit/Monitoring

- a. Subrecipient must comply with the record-keeping and other requirements of ARS 35-214 and 35-215, and shall ensure that its contractors and subcontractors at all tiers also comply.
- b. Under 31 USC 7501-7507 and 2 CFR 200.501, Subrecipient will be subject to audit per 2 CFR Part 200, if Subrecipient expended \$750,000 or more in Federal awards in its previous fiscal year. If Subrecipient has met or exceeded this threshold, Subrecipient must submit to AZDOHS a copy of Subrecipient's single audit or program specific audit report for the previous fiscal year (and for subsequent fiscal years that fall within the Period of Performance) annually, within 9 months of Subrecipient's fiscal year end. Subrecipients not subject to this requirement must submit to AZDOHS via audits@azdohs.gov a statement that they do not meet the threshold and therefore do not have to complete a single audit or program specific audit.
- c. Failure of Subrecipient to comply with any requirements resulting from an audit will suspend reimbursement by AZDOHS to Subrecipient and Subrecipient will not be eligible for any new award, until Subrecipient is in complete compliance.

AZDOHS will monitor Subrecipient to ensure that program goals, objectives, performance requirements, timelines, planned objectives, budgets, and all other related program criteria are being met. Subrecipient must comply with applicable provisions governing USDHS access to records, accounts, documents, information, facilities, and staff and must require any contractors, successors, transferees, and assignees to comply with these same provisions. Subrecipient must cooperate with any review or investigation conducted by USDHS and/or AZDOHS. Subrecipient must give USDHS and AZDOHS access to and the right to copy records, accounts, and other documents and sources of information related to the grant and permit access to facilities, personnel, and other individuals and information as deemed necessary by USDHS or AZDOHS. Subrecipient must submit timely, complete, and accurate reports to the appropriate USDHS and AZDOHS officials and maintain appropriate backup documentation. Subrecipient must comply with all reporting, data collection, and evaluation requirements prescribed by law or in program guidance.

- 17. Notice of Funding Opportunity (NOFO)** Subrecipient must comply with the Notice of Funding Opportunity (NOFO). The terms of the NOFO are hereby incorporated into this Agreement.
- 18. National Incident Management System** Subrecipient must remain in compliance with National Incident Management System implementation initiatives as provided in the NOFO.
- 19. Communications Equipment** All Land Mobile Radio equipment purchased must comply with: (a) P25 (Project 25) standards (<https://www.cisa.gov/safecom>); (b) SAFECOM Guidance (<https://www.cisa.gov/safecom>); (c) Land Mobile Radio Minimum Equipment Standards as approved by the Statewide Interoperability Executive Committee (<https://www.azdps.gov/services/government/swic>); and (d) Arizona's State Interoperable Priority

20. **Nonsupplanting Agreement** Subrecipient must not use funds received under this Agreement to supplant Federal, State, Tribal or Local funds or other resources, and may be required to document this. If a position created by this Agreement is filled from within, the resulting vacancy must be filled within 30 days, and if not, Subrecipient must stop charging the grant for the new position; upon filling the vacancy, Subrecipient may resume charging for the position. A cost allocable to a particular Federal award provided for in 2 CFR Part 200 Subpart E may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal award(s), or any other reason. However, Subrecipient may shift costs allowable under two or more Federal awards if allowed by Federal statute, regulation, or the terms of the Federal award(s).
21. **E-Verify** Subrecipient must comply with all State and Federal immigration laws and regulations relating to its employees and to employees of any contractor or subcontractor retained through Subrecipient to provide goods or services related to this Agreement, including but not limited to ARS 23-214(A) and ARS 41-4401. A breach of this obligation is a material breach of this Agreement and Subrecipient may be subject to penalties to be determined at AZDOHS's discretion, up to and including termination of this Agreement. AZDOHS will have the right to inspect the papers of any Subrecipient employee who works on this Agreement, and to those of any employee of any contractor or subcontractor retained through Subrecipient.
22. **Research and Development** Subrecipient may not use funds obtained under this Agreement for research/development.
23. **Funds Management** Subrecipient must maintain funds received under this Agreement in separate accounts and cannot mix these funds with funds from other sources. Subrecipient must manage funds according to all applicable Federal regulations, including 2 CFR Part 200 and specifically 2 CFR 200.302. Subrecipient must maintain the following business systems:
- Financial Management
 - Procurement
 - Personnel
 - Property
 - Travel
- To be adequate, a business system must be 1) complete and in writing; and 2) consistently followed – Subrecipient must apply it in all circumstances, regardless of funding source.
24. **Reporting of Matters Related to Recipient Integrity and Performance** If the total of Subrecipient's currently active grants, cooperative agreements, and procurement contracts from all Federal assistance offices exceeds \$10,000,000 at any time during the Period of Performance, Subrecipient must comply with Appendix XII to 2 CFR Part 200.
25. **Nondiscrimination** Subrecipient must comply with the following that apply to this Federally-funded program:
- a. 29 USC 794, which bars discrimination against qualified handicapped individuals solely by reason of the handicap;
 - b. 42 USC 2000d *et seq.*, 6 CFR Part 21, and 44 CFR Part 7, which bar discrimination on grounds of race, color, or national origin (which requires Subrecipient to take reasonable steps to provide accommodation to persons with Limited English Proficiency; Subrecipient

must refer to the USDHS Guidance at <https://www.dhs.gov/guidance-published-help-department-supported-organizations-provide-meaningful-access-people-limited> and the resources at <http://www.lep.gov>;

- c. All State and Federal equal opportunity and non-discrimination requirements and conditions of employment, including but not limited to Arizona Executive Order 2009-9 (<https://azgovernor.gov/governor/executive-order/2020-09>) and 42 USC 12101-12213 (which bar discriminating on the basis of disability;
- d. 42 USC 6101 *et seq.*, which prohibits discrimination on the basis of age;
- e. The equal treatment policies and requirements contained in 6 CFR Part 19 and other applicable statutes, regulations, and guidance governing faith-based organizations;
- f. 20 USC 1681 *et seq.* and 6 CFR Part 17 and 44 CFR Part 19, which bars discrimination on the basis of sex; and
- g. 42 USC 3601 *et seq.* and 24 CFR Part 100, which prohibit discrimination in the sale, rental, financing, and advertising of dwellings, or in the provision of related services, on the basis of race, color, national origin, religion, disability, familial status, and sex.

26. Intellectual Property Subrecipient must affix the copyright notices required by 17 USC 401 and 402 and include an acknowledgement of Government sponsorship (including award number) to any work first produced under this Agreement. Unless otherwise provided by law, Subrecipient is subject to 35 USC 200-212 and is subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from financial assistance awards that are in 37 CFR Part 401, including specifically 37 CFR 401.14. Subrecipient must obtain USDHS's approval prior to using the USDHS seal(s), logos, crests or reproductions of flags or likenesses of USDHS agency officials. Subrecipient agrees that USDHS and AZDOHS have a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use: (a) the copyright in any work developed under an award or sub-award; and (b) any rights of copyright to which Subrecipient purchases ownership with Federal support. Subrecipient must acknowledge its use of Federal funding when issuing statements, press releases, requests for proposals, bid invitations, and other documents describing programs funded in whole or in part with Federal funds. Subrecipient must not advertise or publish information for commercial benefit concerning this Agreement without the prior written approval of AZDOHS.

27. Activities Conducted Abroad Subrecipient must ensure that program activities carried on outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.

28. Federal Debt Status Subrecipient must not be delinquent on any Federal obligations, including but not limited to payroll and other taxes, audit disallowances, and benefit overpayments. See OMB Circular A-129 (<https://fiscal.treasury.gov/files/dms/circ-a129-upd-0113.pdf>).

29. Required Use of American Iron, Steel, Manufactured Products, and Construction Materials Subrecipients must comply with the Office of Management and Budget (OMB), Memorandum M-22-11 (<https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf>), which provides Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure.

30. Compliance with Certain Federal Statutes, Regulations, and Requirements

- a. Subrecipient must comply with the 31 USC 3729-3733, which prohibits the submission of false or fraudulent claims for payment to the Federal government; 31 USC 3801-3812 detail the remedies for false or fraudulent claims made.
- b. Subrecipient must comply with 42 USC 6201 *et seq.*, which contain policies relating to energy efficiency that are defined in the State energy conservation plan issued
- c. Subrecipient must comply with the drug-free workplace requirements in 2 CFR Part 3001 and 41 USC 8101-8106.
- d. Subrecipient is prohibited from acquiring certain Chinese and Russian telecommunications equipment, systems, and services as provided in FEMA Policy #405-143-1(https://www.fema.gov/sites/default/files/documents/fema_policy-405-143-1-prohibition-covered-services-equipment-gpd.pdf) ; 2 C.F.R. sections 200.216, 200.327, 200.471 and Appendix II to 2 C.F.R. Part 200; 48 CFR 4.2100 *et seq.*; 48 CFR 52.204-25; 48 CFR 52.212-3; 48 C.F.R. 204.2100 *et seq.*; and 48 C.F.R. 252.204-7018 1.
- e. If grant funds are used for construction, Subrecipient and its contractors and subcontractors at all tiers must comply with the Davis-Bacon Act (40 USC 3141 *et seq.*). Subrecipients must obtain AZDOHS' written approval before using Homeland Security Grant Program ("HSGP") funds for construction/renovation per <https://www.dol.gov/whd/govcontracts/dbra.htm>.
- f. Subrecipient must maintain insurance coverage as provided in 2 CFR 200.310. Subrecipient must provide at least the equivalent insurance coverage for real property and equipment acquired or improved under this Agreement as provided to property owned by Subrecipient.
- g. Subrecipient must comply with 42 USC 6962, including procuring only items designated in the Environmental Protection Agency ("EPA") guidelines at 40 CFR Part 247 as containing the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition.
- h. Subrecipient must comply with all Federal whistleblower protections, including 41 USC 4712.
- i. Subrecipient must comply with the PATRIOT Act, P.L. 107-56), including 18 USC 175-175c.
- j. Subrecipient must comply with the System for Award Management and Universal Identifier Requirements in 2 CFR, Appendix A to Part 25.
- k. Subrecipient must comply with the Trafficking Victims Protection Act, 22 USC 7101 *et seq.*, as required by 2 CFR 175.15.
- l. Subrecipient must comply with US Executive Order 13224 (<https://www.state.gov/executive-order-13224/>) and all US laws that prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism.
- m. Subrecipient must comply with the requirements on Reporting Subawards and Executive Compensation in Appendix A to 2 CFR Part 170.
- n. Subrecipient is subject to the debarment and suspension regulations in US Executive Order 12549 (<https://www.archives.gov/federal-register/codification/executive-order/12549.html>) and US Executive Order 12689 (<https://www.gadoe.org/School-Improvement/Teacher-and-Leader-Effectiveness/Documents/Title%20II,%20Part%20A%20Documents/Guidance/WHEO%2012689%20Debarment%20and%20Suspension.pdf>) and 2 CFR Part 180 and 2 CFR Part

3000. These restrict Federal awards, subawards, and contracts with parties debarred, suspended, or otherwise excluded from or ineligible for Federal programs or activities.

- o. If Subrecipient collects Personally Identifiable Information (“PII”), it must have a publically-available written policy stating its standards for the usage and maintenance of PII. PII is any information that permits the identity of an individual to be directly or indirectly inferred, including information linked or linkable to that individual. Subrecipient must follow USDHS guidance (<https://www.dhs.gov/publication/privacy-impact-assessment-guidance>).
- p. Subrecipient must complete either the Standard Form 424B Assurances - Non-Construction Programs (<https://omb.report/icr/202011-0560-005CF>), or Standard Form 424D Assurances - Construction Programs (<https://omb.report/icr/200906-4040-008>), as applicable. The USDHS financial assistance office (“USDHS FAO”) may determine that certain assurances in these documents may not apply, or may require additional assurances; Subrecipient must contact the USDHS FAO with any questions. Subrecipient must follow the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR Part 200 and 2 CFR Part 3002. By entering into this Agreement, Subrecipient and its executives, as defined in 2 CFR 170.315, certify that Subrecipient’s policies comply with 2 CFR Part 200, all applicable Federal laws, and applicable guidance.
- q. Subrecipient must comply with the National Environmental Policy Act (“NEPA”) 42 USC 4321 *et seq.*, and Council on Environmental Quality regulations (40 CFR Parts 1500-1508) regarding NEPA.
- r. Subrecipient must comply with 31 USC 1352, and may not use funds provided under this Agreement to pay any person to influence or attempt to influence an officer or employee of any government agency, Member of Congress, officer or employee of Congress, or an employee of a Member of Congress, relating in any way to a Federal award or contract.
- s. In accordance with 15 USC 2201 *et seq.* and 15 USC 2225a in particular, Subrecipient must ensure that all conference, meeting, convention, or training space funded in whole or in part with Federal funds complies with all applicable fire prevention and control guidelines.
- t. Subrecipient must comply with the International Air Transportation Fair Competitive Practices Act of 1974, 49 USC 40118, and the interpretative guidelines in Comptroller General Decision B-138942 (<https://www.gao.gov/products/b-138942>).

- 31. **Applicability of Terms of this Agreement to Tribes** If a term in this Agreement does not apply to Indian Tribes, or there is a Federal law or regulation exempting Indian Tribes, if Subrecipient is an Indian Tribe, this Agreement does not change or alter the inapplicability of such requirements.
- 32. **Cancellation for Conflict of Interest** AZDOHS may, by written notice to Subrecipient, immediately cancel this Agreement without penalty or further obligation pursuant to ARS 38-511 if any person significantly involved in initiating, negotiating, securing, drafting, or creating this Agreement for AZDOHS is an employee or agent of Subrecipient in any capacity, or a consultant to Subrecipient with respect to this Agreement’s subject matter. Cancellation shall be effective when Subrecipient receives AZDOHS’ written notice, unless the notice specifies a later time.
- 33. **Assignment and Delegation** Subrecipient may not assign any rights hereunder without an express written agreement signed by authorized representatives of both parties.

34. **Third Party Antitrust Violations** Subrecipient hereby assigns to the State of Arizona any claim for overcharges resulting from antitrust violations, to the extent that such violations concern materials or services supplied by third parties to Subrecipient toward fulfilling this Agreement.
35. **Availability of Funds** AZDOHS' payment obligations under this Agreement are conditioned on the availability of funds appropriated or allocated for this purpose, per ARS 35-154. If funds are not allocated and available, AZDOHS may terminate this Agreement at the end of the period for which funds are available. No liability shall accrue to AZDOHS in the event this provision is exercised, and AZDOHS shall not be obligated or liable for any future payments or for any damages as a result of termination under this Paragraph, including purchases and/or contracts entered into by Subrecipient in the execution of this Agreement.
36. **Force Majeure** If either party is delayed or prevented from the performance of any act required in this Agreement by reason of acts of God, strikes, lockouts, labor disputes, civil disorder, or other causes without fault and beyond the control of the party obligated, performance of such act will be excused for the period of the delay.
37. **Dispute Resolution** In the event of a dispute regarding this Agreement, written notice must be provided to the other party within 30 calendar days of the relevant events. Any claim made by or against AZDOHS relating to this Agreement shall be resolved through the administrative claims process. The parties agree to resolve all disputes relating to this Agreement through arbitration, after exhausting applicable administrative review, to the extent required by ARS 12-1518 except as may be required by other applicable statutes. The forum for any dispute arising out of this Agreement shall be Maricopa County, Arizona.
38. **Governing Law and Interpretation of This Agreement** This Agreement is governed by the laws of the State of Arizona, without regard to its conflict of laws provisions. This Agreement is the parties' complete agreement and replaces the parties' prior and contemporaneous agreements, representations, and understandings pertaining to its subject matter, whether oral or written. No course of dealings or usage of the trade supplements or explains any terms. A party's failure to insist on strict performance of any term is not a waiver of that term, even if the party accepting or acquiescing in the nonconforming performance knows the nature of the performance and fails to object. If any new legislation, laws, ordinances, or rules affect this Agreement, this Agreement automatically incorporates the terms of such legislation, laws, ordinances, or rules. Any term of this Agreement that is declared contrary to any current or future law, order, regulation, or rule, or that is otherwise invalid, shall be deemed stricken without impairing the validity of the remainder of this Agreement. In the event FEMA determines that changes are necessary to this Agreement after it has been entered into, including changes to Period of Performance or other terms, Subrecipient will be notified of the changes in writing; once notification is made, any subsequent request for funds by Subrecipient will constitute Subrecipient's acceptance of the changes and will incorporate the changes into this Agreement. Except as expressly provided in this Paragraph, any amendment to or extension of this Agreement may be made only in a writing signed by authorized representatives of both parties. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement.
39. **Licensing** Unless otherwise exempted by law, Subrecipient must obtain and maintain all licenses, permits, and authority necessary to perform its obligations under this Agreement.
40. **Sectarian Requests** Funds disbursed under this Agreement may not be used for any sectarian purpose or activity, including worship or instruction in violation of the US or Arizona Constitutions.
41. **Closed-Captioning of Public Service Announcements** Any television public service announcement funded in whole or in part by this Agreement must include closed captioning.

42. **Indemnification** Each party (as "Indemnitor") agrees to defend, indemnify, and hold harmless the other party (as "Indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising out of bodily injury to any person (including death) or property damage, but only to the extent such Claims which result in vicarious/derivative liability to the Indemnitee are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers. The State of Arizona and AZDOHS are self-insured per ARS 41-621. If Subrecipient utilizes contractor(s) and/or subcontractor(s), the indemnification clause between Subrecipient and contractor(s) and subcontractor(s) shall include the following:

Contractor shall defend, indemnify, and hold harmless the Arizona Department of Homeland Security and the State of Arizona, and any jurisdiction or agency issuing any permits for any work arising out of this Agreement, and their departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter, "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of the contractor or any of the directors, officers, agents, or employees or subcontractors of such contractor. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any Federal, State or Local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by such contractor from and against any and all claims. It is agreed that such contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. Additionally on all applicable insurance policies, contractor and its subcontractors shall name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as an additional insured and also include a waiver of subrogation in favor of the State.

43. **Termination** Each party has the right to terminate this Agreement if the other party fails to comply with this Agreement. A party invoking the right to terminate shall provide written 30 day advance notice of all reasons for the termination. If Subrecipient chooses to terminate this Agreement before all deliverables have been delivered, AZDOHS has the right to recover all reimbursements made to Subrecipient. On termination, AZDOHS may procure, on terms that it deems appropriate, materials or services to replace those that otherwise would have been provided by Subrecipient, and Subrecipient will be liable to AZDOHS for all excess costs incurred by AZDOHS in procuring such materials or services. Subrecipient must continue to perform this Agreement until the date of termination, as directed in the termination notice. If AZDOHS reasonably believes Subrecipient does not intend to, or is unable to fully perform this Agreement, AZDOHS may demand in writing that Subrecipient give written assurance of its intent and ability to perform. If Subrecipient fails to provide written assurance within the time specified in the demand, AZDOHS may terminate this Agreement.
44. **Paragraph Headings** Paragraph headings in this Agreement are for convenience of reference only and do not define, limit, enlarge, or otherwise affect the interpretation of this Agreement.
45. **Counterparts** This Agreement may be executed in any number of counterparts, copies, or duplicate originals. Each such counterpart, copy, or duplicate original shall be deemed an original, and collectively they shall constitute one Agreement.

46. **Authority to Execute This Agreement** The person executing this Agreement on behalf of Subrecipient represents and warrants that he/she is duly authorized to do so.
47. **Transfer of Funds Prohibition** Subrecipient may not transfer funds between programs (e.g., State Homeland Security Program, Urban Area Security Initiative, Operation Stonegarden).
48. **Parties** This Agreement is for the benefit of AZDOHS and Subrecipient as the only parties to this Agreement, and to their respective successors, assigns, executors and legal representatives. Except as expressly provided in this Agreement, nothing in this Agreement confers on any person other than the parties and their respective successors and assigns, any rights, remedies, obligations, or liabilities.
49. **Respective Responsibilities** Except as expressly provided in this Agreement, each party agrees that, to the extent authorized by law, it will be responsible for its own acts or omissions and the results thereof and will not be responsible for the acts or omissions of the other party and the results thereof. In the event that either party becomes aware of any claim made by or expected from a claimant against a party to this Agreement, which claim relates to the subject matter of this Agreement, that party will immediately notify the other party, and the parties will share all information regarding such matter and cooperate with each other in addressing the matter. The parties are independent contractors, and nothing contained in this Agreement will create the relationship of partnership, joint venture, agency, or employment between the parties or any of their employees, officers, agents, or contractors. Each party hereby agrees to perform any further acts and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.
50. **Publicity** Neither party shall use or mention in any publicity, advertising, promotional materials or news release the name or service mark(s) of the other party without the prior written consent of that party.

51. **Notices** All communications by either party to this Agreement, shall be in writing, be delivered in person, or shall be sent to the respective parties at the following addresses:

Arizona Department of Homeland Security
1802 West Jackson Street, #117
Phoenix, AZ 85007

Subrecipient must address all notices relative to this Agreement to the appropriate AZDOHS staff; contact information is at www.azdohs.gov.

AZDOHS shall address all notices relative to this Agreement to:

Fire Chief, Brenden Espie

Enter Title, First & Last Name Above

Surprise Fire-Medical Department

Enter Agency Name Above

16000 N. Civic Center Plaza

Enter Street Address Above

Surprise, AZ 85374

Enter City, State, ZIP Above

IN WITNESS WHEREOF, the parties hereto agree to execute this Agreement.

FOR AND BEHALF OF THE

Surprise Fire-Medical Department

Enter Agency Name Above

Authorized Signature Above

Brenden Espie, Fire Chief

Print Name & Title Above

Enter Date Above

FOR AND BEHALF OF THE

Arizona Department of Homeland Security

Susan Dzbanko, Interim Director

Date

(Complete and mail two original documents to the Arizona Department of Homeland Security.)



Governor Susan Dzubanko

State of Arizona Department of Homeland Security



Interim Director Susan Dzubanko

December 20, 2023

Fire Chief Brenden Espie
Surprise Fire-Medical Department
14250 W Statler Plaza Suite 101
Surprise, AZ 85374-7374

Subject: FFY 2022 Homeland Security Grant Program Award - REALLOCATION
Subrecipient Agreement Number: **220216-01**
Project Title: **Surprise Fire-Medical 100 Patient Module Equipment**

Dear Fire Chief Brenden Espie,

The application that your agency submitted to the Arizona Department of Homeland Security (AZDOHS) for consideration under the Homeland Security Grant Program has been awarded. The project titled "**Surprise Fire-Medical 100 Patient Module Equipment**" has been **fully funded** under the 2022 State Homeland Security Grant Program for **\$91,205**. The grant performance period is **January 1, 2024 to September 30, 2024**. This grant program is part of the U.S. Department of Homeland Security Grant Program and specifically is awarded under CFDA #97.067 (Catalog of Federal Domestic Assistance). The FFY 2022 federal award date as indicated in the U.S. DHS award package is 9/01/2022 with a total amount of funding of \$26,482,500.00. The Federal Award Identification Number is EMW-2022-SS-00010-S01.

To establish acceptance of the award, please follow these instructions:

To initiate the award process, the following action items must be completed and returned to AZDOHS:

1. Project Administration Page - Print and sign one original Project Administration Page.
2. Two Subrecipient Agreements - Print and sign two original Subrecipient Agreements, completing section 51.
3. Environmental and Historic Preservation (EHP) required documentation, if applicable.

These items must be completed and on file at AZDOHS in order for your agency to be eligible for reimbursement. **If all documentation listed in numbers 1, 2, and 3 (if applicable), above is not signed and received by AZDOHS on or before March 31, 2024 this award is rescinded and the funds will be reallocated.**



Governor Katie Hobbs

State of Arizona Department of Homeland Security



Interim Director Susan Dzbanko

This letter does **not** serve as authorization to obligate or begin spending funds toward this award. Obligations and expenditures cannot take place until January 1, 2024. If your project requires an Environmental and Historic Preservation (EHP) review, this must be completed, submitted and approved by FEMA/AZDOHS prior to any obligation/expenditure of funds. **If your award has been designated an EHP B and you obligate funds prior to receiving the EHP Approval from FEMA you will not be reimbursed.** Additionally, all actions associated with this project must be completed, invoiced and received by the end of the period of performance. Reimbursements are limited to approved quantities and funding thresholds. You will not be reimbursed for quantities in excess of what you have been authorized to purchase. AZDOHS reserves the right to request additional documentation at any time.

If you should have any questions, please do not hesitate to contact your Strategic Planner.

Congratulations on your Homeland Security Grant Program award.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan D", with a stylized flourish at the end.

Susan Dzbanko
Interim Director

RESOLUTION # 2024-11

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, APPROVING THE SUBRECIPIENT AGREEMENT WITH THE ARIZONA DEPARTMENT OF HOMELAND SECURITY, ACCEPTING A GRANT IN THE AMOUNT OF \$91,205, AMENDING THE FISCAL YEAR 2024 BUDGET BY MOVING BUDGET AUTHORITY OF \$91,300 FROM GENERAL CONTINGENCY TO PROJECT G34185 WITHIN THE GRANTS FUND, AND AMENDING THE FISCAL YEAR 2024 CONTRACT AWARDING AUTHORITY LIST BY CREATING #24132 – HOMELAND SECURITY GRANT PROGRAM ITEM FOR \$91,205 TO SUSTAIN THE DEPARTMENT’S HAZARDOUS MATERIALS RESPONSE VEHICLE AND EQUIPMENT.

WHEREAS, the State of Arizona Department of Homeland Security has awarded the City of Surprise Fire-Medical Department, an FFY2022 Homeland Security Grant Program Award - Reallocation in the amount of \$91,205 to purchase supplies for the department’s 100 patient module;

WHEREAS, the City desires to accept the grant funding from the Arizona Department of Homeland Security in the above amount totaling \$91,205;

WHEREAS, the FY2024 budget, including the FY2024 Contract Awarding Authority List, was adopted by Council Resolution #2023-85 on June 6, 2023;

WHEREAS, this action will necessitate a budget amendment;

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature; and

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as Exhibit A and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

Section 2. That the statements and schedules attached as *Exhibit B* and incorporated by reference are adopted, amending the Fiscal Year 2024 Contract Awarding Authority List of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

Section 3. The Subrecipient Agreement between Arizona Department of Homeland Security and the City of Surprise attached as *Exhibit C* is approved. The City Manager, or his designees, is authorized to conduct all negotiations and to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

SIGNATURES ON THE FOLLOWING PAGE

APPROVED AND ADOPTED this ____ day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2024-11
Exhibit A

1. Appropriation - The exhibit below represents a movement of budget authority in the amount of \$91,300 from General Contingency to project G34185 to cover expenses associated with the acceptance of a grant from the Arizona Department of Homeland Security. The awarded grant will support the Fire-Medical Department's 100 patient module. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants	Fire - Medical	#G34185 FFY22 AZDOHS HSGP Reallocation	R		91,300	91,300
Contingency	General Operations	Contingency	E	71,508,300	(91,300)	71,417,000
Grants	Fire - Medical	#G34185 FFY22 AZDOHS HSGP Reallocation	E	-	91,300	91,300
Contingency	General Operations	Other	R	75,807,700	(91,300)	75,716,400
Expense Total				71,508,300	-	71,508,300
Revenue Total				75,807,700	-	75,807,700

RESOLUTION # 2024-11
Exhibit B

1. Contract Awarding Authority List – Council approved \$91,205 for the purpose of providing the Surprise Fire-Medical Department with new supplies and equipment to stock its 100 Patient Module to be included on the Fiscal Year 2024 Contract Awarding Authority List. This amount was based on acceptance of a grant from the Arizona Department of Homeland Security.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
24132	Homeland Security Grant Program	\$0.00	\$91,205	\$91,205

Exhibit C
Subrecipient Agreement-Reallocation
22-AZDOHS-HSGP-220216-01



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024
Submitting Department: Police
Staff Recommendations:

Contact Person: Benny Pina, POLICE CHIEF
District: Citywide

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority in the amount of \$718,500 from General Contingency to Project P31190, and amending the Fiscal Year 2024 Contract Awarding Authority list by creating #24107 – FY24 Arizona 9-1-1 Program item for G31450 \$215,800 and #24108 - Arizona 9-1-1 Program item for P31190 \$718,500 to cover set up and monthly recurring costs for 9-1-1 equipment, maintenance, and support through FY 2028: Resolution #2024-20.

Motion:

I move to approve Resolution #2024-20.

Background:

The City of Surprise Police Department has been a long-standing member of the Maricopa Region 911 system providing local and regional dispatch services. However, the Maricopa Association of Governments (MAG) recently made the decision to terminate the MR-9-1-1 regional dispatch system. The city is now required to find an alternate 9-1-1 partner and has elected to contract with the State of Arizona and AT&T for its next generation 9-1-1 system.

Objective Analysis:

Acceptance of this amendment will allow the police department to transition to the State of Arizona next generation 9-1-1 system and update the infrastructure of the network along with the hardware and software to remain compliant with our partner requirements of operating a next generation 9-1-1 system.

Policy Compliant:

This action is consistent with City and Council Policy.

Financial Impact:

Acceptance of this amendment will provide \$718,500 to cover monthly recurring costs for 9-1-1 equipment, maintenance, and support through FY2028.

Budget Impact:

This action allows for a movement of budget authority in the amount of \$718,500 from General

Contingency to Project P31190 to establish a budget to cover monthly recurring costs for 9-1-1 equipment, maintenance, and support through FY 2028.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. Resolution 2024-20 9-1-1 BA Final
 2. Complete_with_DocuSign_CTR055782-LA-ATT_Cor. Final Signed Copypdf
 3. Surprise PD Quote - 1-22-24 v5.2Final
-

RESOLUTION # 2024-20

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE ARIZONA, AMENDING THE FISCAL YEAR 2024 BUDGET BY MOVING BUDGET AUTHORITY OF \$718,500 FROM GENERAL CONTINGENCY TO PROJECT P31190, AND AMENDING THE FISCAL YEAR 2024 CONTRACT AWARDING AUTHORITY LIST BY ADDING \$215,800 TO CAAL #24107 AND \$718,500 TO CAAL #24108 TO COVER MONTHLY RECURRING COSTS, 9-1-1 EQUIPMENT, MAINTENANCE AND SUPPORT THROUGH FY 2028.

WHEREAS, The City of Surprise Police Department has been a long-standing member of the Maricopa Region 9-1-1 system providing local and regional dispatch services. However, the Maricopa Association of Governments (MAG) recently made the decision to terminate the MR-9-1-1 regional dispatch system. The city is now required to find an alternate 9-1-1 partner and has elected to contract with the State of Arizona and AT&T for its next generation 9-1-1 system.

WHEREAS, this action is necessary for the City to continue to provide 9-1-1 services 24 hours a day, 7 days a week to the residents of Surprise.

WHEREAS, this action will allow the City to update the infrastructure of its 9-1-1 system and be able to handle increased calls for service due to population growth.

WHEREAS, the FY2024 budget, including the FY2024 Contract Awarding Authority List, was adopted by Council Resolution #2023-85 on June 6, 2023;

WHEREAS, this action will necessitate a budget amendment; and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature; and

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for fiscal July 1, 2023 through June 30, 2024.

Section 2. That the statements and schedules attached as *Exhibit B* and incorporated by reference are adopted, amending the Fiscal Year 2024 Contract Awarding Authority List of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

Section 3. The Linking Agreement between the city of Surprise, State of Arizona and AT & T attached as Exhibits C are approved.

Section 4. The City Manager, or his designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreements.

SIGNATURES ON FOLLOWING PAGE

APPROVED AND ADOPTED this ____ day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2024-20
Exhibit A

1. Appropriation - The allocation below represents a movement of budget authority in the amount of \$718,500 from General Contingency to project P31190 to establish a budget to cover monthly recurring costs, 9-1-1 equipment, maintenance, and support through FY2028.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Contingency	General Operations	Contingency	E	71,237,500	(718,500)	70,519,000
General Fund	Police	#P31190 Arizona 9-1-1 Program	E	-	718,500	718,500
Expense Total				71,237,500	-	71,237,500
Revenue Total				-	-	-

RESOLUTION # 2024-20

Exhibit B

1. Contract Awarding Authority List – Council approved \$934,300 for the purpose of a contract with the State of Arizona and AT&T for its next generation 9-1-1 system included on the Fiscal Year 2024 Contract Awarding Authority List. This amount was based on the estimate received for Motorola (10) VESTA IWS Positions Workstations, Admin Queue ACD w/ Touchscreen and Tier 2 - Dual Path AVPN with Broadband.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
24107	G31450 FY24 Arizona 9-1-1 Program	\$0.00	\$215,800	\$215,800
24108	P31190 Arizona 9-1-1 Program	\$0.00	\$718,500	\$718,500

RESOLUTION # 2024-20
Exhibit C

LINKING AGREEMENT BETWEEN THE CITY OF SURPRISE, STATE OF ARIZONA
AND AT&T

20240104-3447

**LINKING AGREEMENT
BETWEEN
THE CITY OF SURPRISE, ARIZONA
AND
AT&T CORP.**

Agreement No. CTR055782
PCS ID: 20240105-013

This LINKING AGREEMENT (this "Linking Agreement") is entered into between the CITY OF SURPRISE, an Arizona municipal corporation (the "City"), and AT&T CORP., a foreign corporation domiciled in New York ("Contractor"). The City and Contractor may hereafter be referred to as the "Parties" or each individually as a "Party."

RECITALS

A. After a bid solicitation, BMP003444, the State of Arizona ("Originating Entity") entered into Contract Number CTR055782 with Contractor effective 6/21/2021 for NG911 Call-Handling Equipment (CHE), as subsequently amended (the "Cooperative Purchasing Agreement") a true and correct copy of which is attached hereto and incorporated herein by reference as Exhibit A. A true and correct copy of the corresponding Amendment is attached hereto as Exhibit B. At times herein, the Cooperative Purchasing Agreement and the Linking Agreement are referred to together as the "Agreement".

B. Cooperative Purchasing Agreement, paragraph 3.13 in Section 2-C of its Special Terms and Conditions, permits its cooperative use by other governmental agencies, including the City.

C. The City's Procurement Code permits the City's procurement manager to authorize a procurement through the use of a contract initiated by another governmental entity provided: (1) The contracting entity desires to enter into a contract with the City; (2) The contract has not expired; (3) The contract is for identical or nearly identical supplies, goods or services; and (4) The contract resulted from a competitive bid using acceptable methods not in violation of any state statutes.

D. The City believes all the conditions set forth in Recital C are met for purposes of this Linking Agreement.

E. The Parties intend to enter into this Linking Agreement to authorize the City to purchase products and services available under the Cooperative Purchasing Agreement

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and promises contained herein, and for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Term of Linking Agreement.

This Linking Agreement shall be effective as of the date the last Party signs this Linking Agreement and shall expire upon expiration of termination of the Cooperative Purchasing Agreement, unless terminated under this Linking Agreement.

2. Scope of Work; Terms, Conditions, and Specifications. Except as otherwise set forth in this Linking Agreement:

- a) Contractor shall not deliver any products or services to the City pursuant to this Linking Agreement without first receiving a written purchase order from the City.
- b) The Parties agree to comply with all the terms, conditions and specifications of the Cooperative Purchasing Agreement, which are hereby incorporated into and are an enforceable part of this Linking Agreement.
- c) The "City of Surprise" shall be substituted for any reference to the Originating Entity throughout the Cooperative Purchasing Agreement. Subject to §2(d) herein the "City and each council member, officer, board, commission, officers, officials, employee or agent thereof" shall be substituted for any reference to the "State of Arizona, its departments, agencies, boards and commissions" throughout the Cooperative Purchasing Agreement.
- d) The terms and conditions of the Cooperative Purchasing Agreement shall apply to the products and services provided by Contractor to the City under the Agreement; PROVIDED, HOWEVER, that Contractor and the City acknowledge and agree that notwithstanding the foregoing: (1) the City has no right or authority to amend the Cooperative Purchasing Agreement; (2) any valid amendments or modifications to the Cooperative Purchasing Agreement are automatically binding upon the City; and (3) in the event any such valid amendment or modification to the Cooperative Purchasing Agreement materially and adversely impacts the City, then the City may terminate this Linking Agreement.

3. Compensation.

- a) The City shall pay the Contractor compensation pursuant to the terms and conditions of the Agreement. The City in no way intends, nor is it obligated to purchase all of the products and services available under the Cooperative Purchasing Agreement.
- b) Contractor shall submit all invoices to accountspayable@surpriseaz.gov or the City of Surprise Accounts Payable Division, 16000 N. Civic Center Plaza, Surprise, Arizona 85374.

4. Software, Software-As-A-Service (SaaS), Cloud-Based Systems, and Other Technology.

The following provisions apply in addition to provisions in the Cooperative Purchasing Agreement related to software, software-as-a-service (SaaS), cloud-based systems, and other technology provisions:

- a) License Audit. If a license audit is required for the use of the Software, Contractor shall provide the City with at least thirty (30) days' prior written notice before any such audit, including the methods to be used to perform the audit.
- b) Access to City Systems. Contractor will not have full and free access to any City computer resources. The City will provide Contractor with access only to those computer resources needed to troubleshoot or maintain a specific issue.

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5. Cancellation.

Conflicts of Interest. This Linking Agreement is subject to the provisions of Ariz. Rev. Stat. § 38-511.

6. Order of Precedence.

In the event of any material conflict between the terms and conditions of this Linking Agreement and the Cooperative Purchasing Agreement, then the terms and conditions of this Linking Agreement take precedence.

7. Insurance.

- a) Risk of Loss. Contractor shall bear all risk of loss to Materials while in pre-production, production, storage, transit, staging, assembly, installation, testing, and commissioning, if and as those duties are within the scope of the Work, until they have been accepted as conforming by City in the particular location and situation specified in the Order, or as specified generally elsewhere in the Contract if the Order does not provide particulars,

provided that, risk of loss for nonconforming Materials will remain with Contractor notwithstanding acceptance to the extent the loss stems from the nonconformance.

- b) Contractor Insurance. Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including until any warranty periods under this Contract have expired, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.

The insurance requirements in no way limit the indemnity covenants contained in this Contract. The City in no way warrants that the minimum insurance limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

- c) Scope and Limits of Insurance. Contractor shall provide coverage under this Linking Agreement with the same terms and the same limits of liability required in the Cooperative Purchasing Agreement for Commercial General Liability (CGL), Business Automobile Liability, Worker's Compensation and Employers' Liability, Technology Errors & Omissions Insurance, and Network Security (Cyber) and Privacy Liability.
- d) Additional Insured. The required policies shall be endorsed to include the City of Surprise and its departments, agencies, boards, commissions, officers, officials, agents, and employees as additional with respect to liability arising out of the activities performed by or on behalf of the Contractor. The City of Surprise shall be named as an additional insured on all Certificates of Insurance ("COI") and the COI should reference this Linking Agreement.
- e) Waiver of Subrogation. The required policies shall contain a waiver of subrogation endorsement, in favor of the City of Surprise and its departments, agencies, boards, commissions, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
- f) Notice of Cancellation. Contractor shall provide the City at least thirty (30) days prior written notice of cancellation or nonrenewal of any required coverage that is not replaced. Such notice must be sent directly to the City's Risk Management Division in compliance with the Notices provision of this Linking Agreement set forth in Section 13.
- g) Acceptability of Insurers. Contractor's insurance shall be placed with companies eligible in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The City in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.
- h) Verification of Coverage. Contractor shall furnish the City with certificates of insurance (valid ACORD form or equivalent approved by the City) evidencing that Contractor has the

insurance as required by this Contract. The certificate(s) shall be completed and signed by the insured's broker by the insured to bind coverage on its behalf.

- i) All such certificates of insurance and required policy endorsements must be received by the City before work commences. The City's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.
 - ii) Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.
 - iii) All such certificates required by this Contract shall be sent directly to the to the City's Risk Management Division (Notice information in Section 13). The City project/contract number, if applicable, and project description must be noted on the certificate of insurance.
- i) Approval and Modifications. The City reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements once during the term of this contract with sixty (60) days prior written notice to the Contractor, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action.

8. Warranties.

Contractor shall furnish to the City the same warranties as offered to Originating Entity under the Cooperative Purchasing Agreement.

9. Bonds. RESERVED.

10. Notices.

Any notice or other communication required or permitted to be given under this Linking Agreement must be in writing. Notices will be deemed to have been duly given if (i) delivered to the Party at the address set forth below, (ii) deposited in the U.S. Mail, registered or certified, return receipt requested, to the address set forth below, (iii) given to a recognized and reputable overnight delivery service, to the address set forth below, or (iv) delivered by facsimile or email transmission to the number or address set forth below or at such other address, and to the attention of such other person or officer, as a Party may designate in writing by notice duly given pursuant to this section.

For the City:

Name: City of Surprise, Procurement Division
 ATTN: Procurement Officer
 Address: 16000 N. Civic Center Plaza
 Surprise, AZ 85374
 Facsimile: 623-222-1801
 Email: Purchasing@surpriseaz.gov

With copy to:

Name: City of Surprise, City Attorney's Office
Address: 16000 N. Civic Center Plaza
Surprise, AZ 85374
Facsimile: 623-222-1101
Email: Legalemail@surpriseaz.gov

For Insurance Requirements:

Name: City of Surprise, Risk Management Division
ATTN: Risk Manager
Address: 16000 N. Civic Center Plaza
Surprise, AZ 85374
Facsimile: 623-222-3561
Email: Risk.Management@surpriseaz.gov

For Contractor:

Name: AT&T Corp.
ATTN: Marco Rivas, Strategic Account Lead
Address: 1 AT&T Way
Bedminster, NJ 07921
Email: mr9998@att.com

Notices are deemed received (i) when delivered to the Party, (ii) three business days after being placed in the U.S. Mail, properly addressed, with sufficient postage, (iii) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day, or (iv) when received by facsimile or email transmission during the normal business hours of the recipient. If a copy of a notice is also given to a Party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a Party will mean and refer to the date on which the Party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

If any of Contractor's information in the foregoing Notice provision changes during the term of this Linking Agreement, Contractor shall provide an alternate contact to the City within five (5) business days of change.

All other Notice provisions of the Cooperative Purchasing Agreement shall apply to this Linking Agreement.

Licenses; Permits.

- a) Contractor shall provide to the City a Certificate of Compliance Letter of Good Standing from the Arizona Department of Revenue. Such letter shall be dated within thirty (30) days prior to the effective date of this Linking Agreement.
- b) Contractor shall provide to the City a copy of Contractor's license if the performance under this Linking Agreement requires professional licensure, such as a Registrar of Contractors (ROC) License. Contractor's license(s) shall be valid and in good standing.

11. Compliance with Ariz. Rev. Stat. § 35-394.

Contractor hereby certifies that it does not currently, and agrees for the duration of this Linking Agreement, that Contractor will not, use: 1. The forced labor of ethnic Uyghurs in the People's Republic of China; 2. Any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China; or 3. Any contractors, subcontractors or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China.

BT (Contractor Initial Here)

SIGNATURES ON THE FOLLOWING PAGE.

IN WITNESS WHEREOF, the Parties hereto have executed this Linking Agreement as of the date and year set forth above.

“City”

City of Surprise,
an Arizona municipal corporation

“Contractor”

AT&T Corp.,
a New York corporation

DocuSigned by:
By: Wendy Springborn
D0C3C6460DB5440...
Name: wendy Springborn
Title: Procurement Manager
Date: 1/11/2024 | 08:34 AM MST

By: Brandon Trotter
Name: Brandon Trotter
Title: Contractor Contract Specialist, as signer for AT&T
Date: 1/5/2024

APPROVED AS TO FORM:

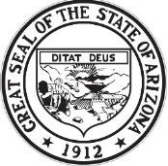
KK3186

DocuSigned by:
Robert Wings
249153A85E894AB
City Attorney’s Office

- Exhibits:**
Exhibit A – Cooperative Purchasing Agreement
Exhibit B – Amendment 1 to Cooperative Purchasing Agreement

EXHIBIT A
COOPERATIVE PURCHASING AGREEMENT

State of Arizona Contract # CTR055782 for NG911 Call-Handling Equipment (CHE)

	Request for Proposal Solicitation No. BPM003444 NG911 Call-Handling Equipment (CHE)	Arizona Department of Administration State Procurement Office 100 N 15th Ave., Suite 402 Phoenix, AZ 85007
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Cover Sheet

Contract No.: CTR055782

Supplier Name: AT&T Corp.

Solicitation No.: BPM003444

Statewide Procurement Manager:

Michael Hillebrand
Statewide Procurement Manager
State Procurement Office
Arizona Department of Administration
100 North 15th Avenue, Suite 402
Phoenix, AZ 85007
Michael.Hillebrand@azdoa.gov
Office: 602-542-4229

Contents:

- Executed Offer and Acceptance Form
- Scope, Pricing and Terms and Conditions
- Conformance Statements



Request for Proposal

Solicitation No. **BPM003444**
NG911 Call-Handling Equipment (CHE)

EXHIBIT A
Arizona Department of Administration
State Procurement Office
100 N 15th Ave., Suite 402
Phoenix, AZ 85007

Attachment 1 Offer and Acceptance Form

SUBMISSION OF OFFER: Undersigned hereby offers and agrees to provide **NG911 Call-Handling Equipment** in compliance with the Solicitation indicated above and our Offer indicated by the latest dated version below:

Initial Offer:	1.	April 26, 2021							
		Date	initial						
Revised Offers:	2.	May 28, 2021	X	3.	X	X	4.	X	X
		date #1	initial		date #2	initial		date #3	initial
	5.	X	X	6.	X	X	7.	X	X
		date #4	initial		date #5	initial		date #6	initial
Best and Final Offer:	8.	June 11, 2021							
		Date	initial						

AT&T Corp.

Offeror company name

1 AT&T Way

Address

Bedminster, NJ 07921

City | State | ZIP

13-4924710

Federal tax identifier (EIN or SSN)

Signature of person authorized to sign Offer

Brian Troup, VP - SLED

Printed name and title

Marco Rivas, Strategic Account Lead

Contact name and title

mr9998@att.com

Contact Email Address

602-625-0791

Contact phone number

CERTIFICATION: By signature in the above, Offeror certifies that it:

- will not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, [Arizona] State Executive Order 2009-9 or A.R.S. §§ 41-1461 through 1465;
- has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause will result in rejection of the Offer. Signing the Offer with a false statement will void the Offer, any resulting contract, and may be subject to legal penalties under law;
- complies with A.R.S. § 41-3532 when offering electronics or information technology products, services, or maintenance; and
- is not debarred from, or otherwise prohibited from participating in any contract awarded by federal, state, or local government.

ACCEPTANCE OF OFFER: State hereby accepts the initial Offer, Revised Offer, or Best and Final Offer identified by the latest date and number at the top of this form (the Accepted Offer). Offeror is now bound (as Contractor) to carry out the Work under the attached Contract, of which the Accepted Offer forms a part. Contractor is cautioned not to commence any billable work or to provide any material or perform any service under the Contract until Contractor receives the applicable Order or written notice to proceed from Procurement Officer.

State's Contract No. is: CTR055782

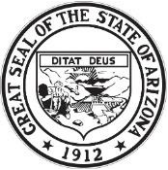
The effective date of the Contract is: 06/21/2021 Date

Contract awarded 06/18/2021 Date

Procurement Officer Signature

Michael Hillebrand

Procurement Officer Printed Name

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Part 2: Scope, Pricing and Terms and Conditions

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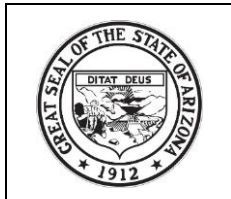
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Section 2-A: Scope of Work

1.0 Introduction

The Arizona Department of Administration (ADOA) Arizona Strategic Enterprise Technology (ASET) Office on behalf of the State of Arizona (hereinafter referred to as the "State") is responsible for administering the State 911 Program (911 Program) and is the statewide authority responsible for funding, implementing, and coordinating 911 services in the state.

To assist ASET in administering and maintaining a comprehensive and cost effective 911 Program, the State is seeking proposals from qualified organizations to establish statewide contracting vehicles to allow PSAPs across the state to procure NENA i3-compliant call-handling equipment (CHE).

2.0 Purpose and Background

The purpose of this solicitation is to select multiple NENA i3-compliant call-handling equipment (CHE) solutions allowing Arizona PSAPs the ability to procure from a statewide contract. The Contractor will work with ASET's 911 Program to implement CHE solutions to ensure continuity of the State's 911 service levels.

2.1 Key Solution Elements

The following subsection summarize the key elements of the solution being sought by the State.

2.1.1 Call-Handling Equipment (on-premise) and as a Service

The 911 Program seeks to establish a statewide contracting vehicle to allow PSAPs across Arizona to procure NENA i3-compliant CHE. The 911 Program intends to select a small number of CHE vendors as procurable options to allow PSAPs to select a CHE solution with capabilities that best meet a PSAP's specific operational needs.

The Contractor shall be responsible for designing, documenting, installing, securing, operating), maintaining, monitoring, and evolving (in alignment with ongoing industry standards development) all call-handling design, architecture, and capabilities throughout the duration of the contract. End-user training shall be provided (as appropriate). Further, the Contractor(s) shall be responsible for developing PSAP-specific configurations (including speed dials, screen layouts, access and permissions schemes, and combinations of features and functionality) for each and, as requested, by each PSAP that makes a call-handling procurement under this contract.

Keeping the options to a small number is intended to minimize the risk of interoperability issues between CHE solutions and the ESInet/NGCS solution covered under a separate procurement. Additionally, due to the logistical challenges of providing centralized call handling to every PSAP across Arizona, ASET is seeking proposals from Offerors offering CHaaS, sometimes referred to as hosted or cloud-based, as well as the more traditional on-premise deployment model of call handling. To simplify the procurement process and minimize the number of CHE options to be supported across the state, ***ASET requires any Offeror providing a proposal in response to this RFP to support the deployment of their solution as both CHaaS as well as customer premise CHE. Call handling solutions that***



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support only one or the other deployment model will not be considered. To be clear, proposals that include one CHE solution as a service and a different CHE solution for customer premise deployment will not be considered.

Technical Requirements for call handling may be found in Section 3-A, subsection 3.2, of Part 3 of this solicitation package.

2.1.2 Interoperability

To ensure interoperability among all components of the Arizona statewide ESInet/NGCS, existing MR911 ESInet, existing CHE solutions (until current contracts expire), and the i3 CHE solutions selected as part of this procurement, all Offerors must commit to, and document (prior to completion of contract negotiation), interoperability with all other awardees' solutions (ESInet/NGCS or CHE). If, as required, all solutions are truly NENA i3-compliant, this should not impose undue burden on the Contractor. Documentation of interoperability may take the form of any of the following (listed in order of probative value, from highest to lowest):

- References from joint customers where solutions from multiple Offerors have been deployed and made operational for a minimum of six months.
- Documentation of interoperability efforts undertaken within a non-production (i.e., laboratory) environment with the participation and support of all organizations represented in the combined solution.
- Documentation of interoperability efforts undertaken within a non-production (i.e., laboratory) environment and by only one solution provider as a proof-of-concept exercise.

2.1.3 Bundled Solutions

ASET recognizes that some Offerors may offer both ESInet/NGCS (BPM 003445 Emergency Services Internet Protocol Network (ESInet) and Next Generation Core Services (NGCS)) as well as CHE in response to this RFP. Further, Offerors offering proposals in both areas may be able to provide some cost savings or other advantages by "bundling" their solutions together. While the 911 Program is very interested in the advantages of these bundled proposals, to conduct the necessary pricing analysis between all proposals from all Offerors (and in the event an Offeror offering a bundled solution is only awarded a contract for ESInet/NGCS or CHE, but not both), ASET requires that any Offeror proposing a bundled solution must ALSO provide pricing for the separate, "unbundled" (i.e., à la carte) procurement of the proposed ESInet/NGCS and CHE solutions.

2.2 Current Environment

Arizona has a population of 7.37 million residents, with most of the population density along the interstate (I) 10 and I-17 corridors. Maricopa County, home of the state's capital, the city of Phoenix, contains 60% of the population. Tucson, located in Pima County, is the second largest city with almost 1 million residents. Arizona is a popular tourist destination for snowbirds and outdoor enthusiasts, with another 43.9 million visiting the state each year. The nation's fourteenth largest state population continues to grow by 1.51% each year. Arizona also has a large rural area that is diverse in topography and population. This, along with a large tourist population visiting both remote and densely populated areas of the state, presents an ongoing challenge for existing 911 systems in operation across the state.



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The Arizona PSAP community is comprised of city, county, state, tribal, federal, and private PSAPs. Currently 80 PSAPs are funded by the 911 Program. There are 21 federally recognized tribes in the state and each acts as an independent sovereign nation. The availability of 911 services in tribal areas varies from some tribes having 911 capabilities similar to urban areas to non-existent in more remote areas. While parts of the state are served by first generation ESInet and NGCS solutions, there are still parts of the state served by enhanced and basic 911 services. It is of primary importance to the 911 Program that anyone calling 911 from any part of the state, and from any device, has reliable and equal access to emergency communications services.

2.3 Geographic Information Systems

The State and PSAPs have expended a considerable effort in developing the geographic information system (GIS) datasets necessary for the implementation of geospatial routing. While public safety GIS and GIS-supporting programs currently exist in Arizona at the local, regional, and state levels, these programs vary widely in maturity, capability, and focus. Existing geospatial data, in most jurisdictions, is not NG911-ready.

There is active engagement by two important statewide organizations. In 2009, the Arizona Geographic Information Council (AGIC) was established in legislation as Arizona's primary forum and oversight group for geographic information and geographic information technology (IT) issues and coordination efforts.¹ This body of decision-makers is, among other things, tasked with the facilitation of coordination between GIS programs in Arizona. This responsibility is key to the success of the NG911 Public Safety GIS program, as a large percentage of the goals for supporting NG911 reach far beyond the 911 Program and require statewide effort at all levels of government.

The AZGeo Clearinghouse (AZGeo) is an initiative of AGIC. AZGeo is designed to provide GIS users with links to Internet map services, Federal Geographic Data Committee (FGDC)-compliant metadata, and geospatial data downloads. AZGeo is maintained and hosted by the Arizona State Land Department. Data on AZGeo includes GIS layers for administrative boundaries, demographics, environmental factors, hydrology, imagery, indices, mining, natural features, transportation, and more.² AZGeo already has established itself as the de facto standard for GIS data sharing in Arizona.

2.4 Organization

The Arizona 911 community mostly is organized by county, with a few exceptions. Each county contains multiple PSAPs organized into a 911 system. There are 18 911 systems in the state, with a total of 80 PSAPs. Although the migration to NG911 is occurring by 911 system, the State plays a critical role in developing the implementation path and the final NG911 architecture for Arizona.

There are 44 PSAPs connected to the CenturyLink CHaaS and ESInet/NGCS and 3 PSAPs connected to the CenturyLink NGCS that are not part of the CHaaS solution. There are 24 PSAPs connected to the MR911 NG911 system. There are 9 PSAPs connected to Frontier's legacy 911 selective router.

2.5 Text-to-911

All PSAPs have deployed text-to-911. There is a combination of "over the top" as well as integrated solutions. The 911 Program's goal is to provide an integrated solution to all PSAPs through this procurement.

¹ <https://gis.azgeo.az.gov/agic/about-agic>

² <https://azgeo.az.gov/azgeo/about-azgeo>



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2.6 Management Information Systems

The 911 Program is in the process of implementing RapidDeploy's Eclipse Analytics for use statewide. This tool provides a statewide dashboard that gives visibility regarding the status of PSAPs across the state and supplements individual management information system (MIS) solutions used by the PSAPs.

2.7 Goals of the Project

The primary goal of the 911 Program is to eliminate disparate 911 service levels by standardizing the delivery of NG911 capabilities to all geographic areas within the state, including tribal lands. The secondary goal is interoperability among the state's PSAPs and neighboring PSAPs in other states that support Arizona citizens, as well as Mexico.

3.0 Scope of Work

3.1 Industry Standards

ASET seeks standards-based services and solutions that comply with nationally accepted standards and requirements applicable to IP network architecture, cyber and data security, and interface functionality, in general, as well as public safety communications and NG911, specifically. All aspects of the Contractor's proposed solution and service design, deployment, operation, and security should comply with the standards, requirements, and recommendations identified in the following table of documents. In addition, solutions and services should align, generally, with standards and recommendations of the following organizations, to the extent that such standards and recommendations are applicable to the Offeror's proposed solution or services.

- Alliance for Telecommunications Industry Solutions (ATIS)
- Association of Public-Safety Communications Officials-International (APCO)
- Central Station Alarm Association (CSAA)
- Department of Justice (DOJ)
- Internet Engineering Task Force (IETF)
- National Emergency Number Association (NENA)
- National Institute of Standards and Technology (NIST)
- North American Electric Reliability Corporation (NERC)
- Telecommunications Industry Association (TIA)

Further, Offeror's solutions and services should comply with any additional standards, requirements, statutes, and policies as identified in specific sections throughout this document. The State received consultation from a third party in developing the Scope of Work for this solicitation. Please review the specifications and requirements to inform the State prior to the Closing Date of any concerns or issues related to the competitiveness of the requirements and their currency in terms of reflecting the developments of the industry standards that the state wants to incorporate into its next generation solution.



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Table 1: Applicable Foundational Standards

SDO	Standard ID	Standard Title	Standard Description	Latest Revision/ Release Date ³
Department of Justice (DOJ)	CJISD-ITS-DOC-08140-5.8	Criminal Justice Information Services (CJIS) Security Policy	Provides information security requirements, guidelines, and agreements reflecting the will of law enforcement and criminal justice agencies for protecting the sources, transmission, storage, and generation of criminal justice information	Version 5.8 June 1, 2019
IETF	RFC 3261	SIP: Session Initiation Protocol (and its updates RFC 3265 , RFC 3853 , RFC 4320 , RFC 4916 , RFC 5393 , RFC 5621 , RFC 5626 , RFC 5630 , RFC 5922 , RFC 5954 , RFC 6026 , RFC 6141 , RFC 6665 , RFC 6878 , RFC 7462 , RFC 7463 , RFC 8217 , RFC 8591 , and RFC 8760)	Describes SIP, an application-layer control (signaling) protocol for creating, modifying, and terminating sessions (including Internet telephone calls, multimedia distribution, and multimedia conferences) with one or more participants	Version 1 July 7, 2002 (RFC 3261) through March, 2020
IETF	RFC 3986	Uniform Resource Identifier (URI): Generic Syntax (and its updates	Defines the generic URI syntax and a process for resolving URI references, along	Version 1 January 2005 (RFC 3986) through July 2014

³ For any standards, if a newer version is available at the time of publication of this RFP, compliance will be judged relative to the latest version. The exception to this being NENA/APCO-INF-005.1-2014 for which compliance will be judged relative to NENA's updated Emergency Incident Data Object STA document



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SDO	Standard ID	Standard Title	Standard Description	Latest Revision/ Release Date ³
		RFC 6874 and RFC 7320)	with guidelines and security considerations for the use of URIs on the Internet	
NENA/ APCO	REQ-001.1.2-2018	Next Generation 9-1-1 PSAP Requirements	Provides requirements for functions and interfaces between an i3 PSAP and NGCS, and among functional elements associated with an i3 PSAP	Version 1.1.2 June 10, 2018
NENA/ APCO	INF-005	Emergency Incident Data Document (EIDD) Information Document	Provides a recommended list of data components, their relationships to each other, the data elements contained within each data component, and the registries that control the available values for appropriate data elements. Initiates the process to create a National Information Exchange Model (NIEM)	January 8, 2014 Scheduled to be replaced by an Emergency Information Data Object (EIDO) standards document
NENA	STA-015.10-2018	Standard Data Formats for 9-1-1 Data Exchange & GIS Mapping	Establishes standard formats for Automatic Location Identification (ALI) data exchange	Version 10 August 12, 2018



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SDO	Standard ID	Standard Title	Standard Description	Latest Revision/ Release Date ³
			between service providers and database management system (DBMS) providers, a GIS data model, a data dictionary, and formats for data exchange between the ALI database and PSAP controller equipment	
NENA	STA-008.2-2014	Registry System Standard	Describes how registries (lists of values used in NG911 functional element standards) are created and maintained	Version 2 October 6, 2014
NENA	STA-010.2-2016	Detailed Functional and Interface Specifications for the NENA i3 Solution	Builds upon prior NENA publications including i3 requirements and architecture documents and provides additional detail on functional standards	Version 2 September 10, 2016
NENA	INF-016.2-2018	Emergency Services IP Network Design (ESIND) for NG9-1-1	Provides information that will assist in developing the requirements for and/or designing an i3-compliant ESInet	Version 1 April 5, 2018
NENA	08-751	Technical Requirements Document	Provides requirements for ESInet architecture	Version 1 September 28, 2006

PART 2 of the Solicitation Documents

SECTION 2-A: **Scope of Work**
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SDO	Standard ID	Standard Title	Standard Description	Latest Revision/ Release Date ³
			and security, among other i3 PSAP functions, and establishes a foundation for future i3 standards development	
NENA	75-001	Security for Next Generation 9-1-1 (NG-SEC)	Establishes the minimal guidelines and requirements for levels of security applicable to NG911 entities	Version 1 February 6, 2010
NENA	75-502	Next Generation 9-1-1 Security (NG-SEC) Audit Checklist	Provides the educated user a method to document an NG-SEC Audit	Version 1 December 14, 2011
NENA	INF-015.1-2016	NG9-1-1 Security Information Document	Provides mechanisms and best practices for cybersecurity for i3 systems	Version 1 December 8, 2016
NIST	FIPS 140-3	Security Requirements for Cryptographic Modules	Specifies security requirements that will be satisfied by a cryptographic module utilized with a security system protecting sensitive but unclassified information	Version 2 March 22, 2019
NIST	Cybersecurity Framework	Framework for Improving Critical Infrastructure Cybersecurity	Provides standards, guidelines, and best practices that promote the	Version 1.1 April 16, 2018



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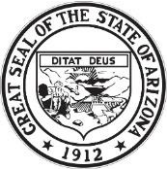
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SDO	Standard ID	Standard Title	Standard Description	Latest Revision/ Release Date ³
			protection of critical infrastructure	
TIA	TIA-942-A	Telecommunications Infrastructure Standard for Data Centers	Specifies the minimum requirements for telecommunications infrastructure of data centers and computer rooms, including single-tenant enterprise data centers and multi-tenant Internet-hosting data centers	Revision A March 2014

3.2 ESInet

3.2.1 Architecture

Figure 1 below depicts the demarcation points between the segments of the Arizona ESInet, NGCS, and call handling equipment. For drawing clarity, redundant components and facilities are not shown **but redundancy is required**. This solicitation covers the call handling portion and ESInet services that may be required to implement the Offeror's solution, either the on-premise or the CHaaS implementation.



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Arizona ESInet Demarcations

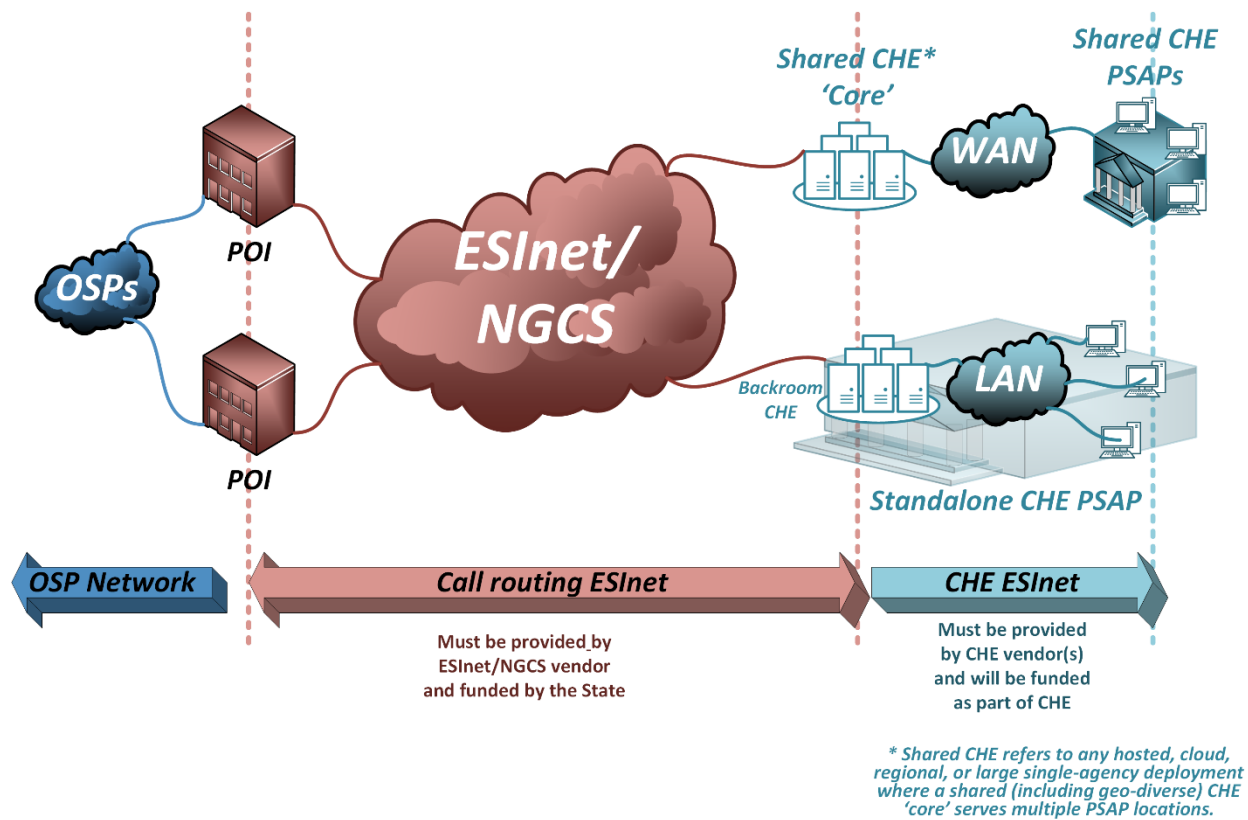


Figure 1 - NG911 Demarcation Points

Offeror’s ESInet solution should comply with the following:
Must be aligned with NENA “Detailed Functional and Interface Specifications for the NENA i3 Solution” STA-010.2-2016 (or its successor document, when ratified).
Have diverse entrance facilities for aggregation sites (if different than core sites), core sites, and hosted call-handling facilities.
Primary (of at least two) connection into each facility should be terrestrial (copper or optical circuit); secondary connection(s) may be wireless (e.g., Long-Term Evolution (LTE), microwave, etc.).
Should offer optional network connectivity options to support call and data delivery to existing emergency communications district (ECD) mobile command and control assets.
Use open standards.



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Offeror's ESInet solution should comply with the following:

Support and enforce quality of service (QoS) marking using Differentiated Service Code Point (DSCP).

Should have a network traffic convergence of less than 54 milliseconds (ms).

Should maintain the Mean Opinion Score (MOS) of 4.0.

Is scalable to support growth by 50% without replacement of any critical hardware component.

Failure of any single instance of a hardware or software element, or physical connection, should not impact overall solution performance.

All network-connected elements should support at least two redundant network interfaces with automatic failover between them.

All powered devices should include a minimum of two redundant power supplies (each should be able to power the device alone) that would be connected to separate circuits OR be connected to a power-transfer device that allows a single power supply to be connected to two isolated power sources (i.e., circuits) with automatic, uninterrupted failover, in the event the primary circuit fails.

Meet the performance requirements of Appendix C, *IP Network Measurement and Reporting Requirements*.

3.2.2 Security

Offeror should:

Describe how their security in-depth approach embodies the best practices outlined in the latest version of NENA's *Security for Next-Generation 9-1-1 Standard (NG-SEC)* standard and whether security is treated as an integral function of each solution element from the initial design stage or if security is treated holistically as a separate overarching functional element of the solution.

Include a security plan (physical, applications, and network).

Utilize encryption in all communications across the ESInet

Ensure that all components and/or functional elements providing NG911 services, under a contract from this solicitation, carry credentials traceable to the national PSAP Credentialing Agency (PCA).

Have a credentialing plan/process for external entities with staff requiring access to ESInet elements or NGCS services.

Perform proactive analysis of the network for vulnerabilities including independent security audits of solution.

Possess a defined continuity of operations (COOP) plan as well as a disaster recovery (DR) plan and make those plans available for review at ASET's request.

Provide access reports from facilities (physical access) down to the individual device level (physical or virtual access), upon request, when a service-impacting issue has occurred.



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Offeror should:

Require multifactor authentication for any access to externally accessible portals, user interfaces (UIs), etc. (Policy Routing Function [PRF] portal, reporting portal, system dashboards, etc.).

Describe security software update policy, frequency, and procedures.

Describe plan/approach for adopting evolving security best practices.

Describe method and approach for complying with the requirements outlined in [Appendix E – State of Arizona IT Security Requirements](#).

Complete, and submit for approval, the [Arizona Baseline Infrastructure Security Controls assessment spreadsheet](#), as described in [Appendix E – State of Arizona IT Security Requirements](#). For this procurement, Offerors will need to comply with the Moderate requirements, i.e., all requirements designated as Required in column labeled “MODERATE [Control and Control Enhancement]” (column F) of the spreadsheet.

3.2.3 Documentation**Offeror should provide the following documentation for their proposed ESInet, NGCS, or both, as applicable:**

Proposed network design (transitional and end state).

As-built documentation depicting circuit path and equipment diversity within 30 days of system acceptance.

Network interface specifications for interoperating with CHE.

As-built solution design documentation to include configured parameters and policy-routing flow-downs (planned design and actual implemented design).

3.2.4 Monitoring and Alarming**Offeror should provide the following monitoring and alarming:**

Physical access monitoring and reporting for all ESInet and CHE facilities.

Automated network node monitoring and alarming in real- or near-real-time.

Event logging and reporting in real- or near-real-time.

Ability to replicate select alerts to a third-party monitoring/reporting system.

User-definable notification levels and recipients with text and email delivery options.

Have an executive dashboard with (near) real-time updates of tickets and network status.

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3.2.5 NOC/SOC

Offeror should provide the following functions:
24 x 7 x 365 staffed NOC/SOC with hot (preferred) or warm backup.
Ability for users to submit, track, and modify tickets by phone, email, and direct IT service management (ITSM) user access for incidents, problems, and changes.
Perform outward notifications and updates of customer tickets through phone, email, and text.
Fully documented escalation procedures with contact information for all primary and secondary responsible personnel at all levels of escalation.
Reason for outage (RFO) reports and regulatory compliance according to Federal Communications Commission (FCC) standards.
Preliminary RFO reports are due to ASET within five business days of initial report of the issue; final root-cause analysis within 30 calendar days of root cause determination.
Media contact for any outage or service failure.
Service management contact for any outage or service failure.
Documented and maintained COOP plan.
Access to technical and executive staff for escalations.
NOC/SOC staff trained or experienced with 911 issues with regular refresher/update training plan.
Ability to access and troubleshoot, diagnose, and repair network remotely.
Ability and commitment to support the troubleshooting of all service affecting issues, even when it is determined that the root cause of the issue is outside the scope of the Contractor's solution or service. (e.g., provide call traces and log analysis to assist in troubleshooting a third-party CHE location display issue).



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3.3 Call Handling Requirements

ASET desires to establish a contract vehicle to allow PSAPs within the state to procure a variety of NENA i3-compliant CHE solutions. The intent is to negotiate contracts for a handful of Offerors' solutions, in order to allow PSAPs to select a call-handling solution that best fits their unique operational needs.

3.3.1 Adopted Standards

Table 2: Adopted Standards

SDO	Document Number	Document Title	Standard Description	Latest Revision/ Release Date
APCO/ NENA	1.102.2-2010	Public Safety Answering Point (PSAP) Service Capability Criteria Rating Scale	APCO and NENA jointly have developed an assessment tool to evaluate current capabilities of the PSAP against models representing the best level of preparedness, survivability, and sustainability amidst a wide range of natural and manmade events	Version 2 July 28, 2010
NENA	75-001	NENA Security for Next Generation 9-1-1 Standard (NG-SEC)	The purpose of this document is to establish the minimum guidelines and requirements for the protection of NG9-1-1 assets or elements within a changing business environment	Version 1 February 6, 2010
NENA	08-751	NENA i3 Technical Requirements Document	Intended to specify the requirements the i3 (Long Term Definition) Standard should meet	Issue 1 September 28, 2006
NENA	STA-010.2-2016	NENA Detailed Functional and Interface Standards for the NENA i3 Solution	This Standard Document (STA) is published by NENA as an information source for the designers, manufacturers, administrators and operators of systems to be utilized for the purpose of processing emergency calls	August 16, 2016
APCO/ NENA	54-750	Human Machine Interface & PSAP Display Requirements	NENA and APCO have jointly developed this document for the purpose of prescribing requirements for the human machine interface (HMI) display for the NG9-1-1 system	Version 1 October 20, 2010



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3.3.2 Common Call-Handling Requirements

3.3.2.1 Architecture

Offeror should support the following:

To simplify the procurement process and minimize the number of CHE options to be supported across the state, ASET requires any Offeror providing a proposal in response to the CHE portion of this RFP to support the deployment of their solution as both CHaaS as well as customer premise CHE. Call handling solutions that support only one or the other deployment model will not be considered. To be clear, proposals that include one CHE solution as a service and a different CHE solution for customer premise deployment will not be considered.

3.3.2.2 Industry Standards Evolution

Offeror should support the following:

As industry standards evolve, Offeror's solution should be upgraded to maintain conformance with the current version of established industry standards. Offeror's solution should support new call-handling and security industry standards within 18 months of ratification of applicable industry standards. Conformance requirements apply also to the supporting standards referenced within each standard.

As solution updates are made to maintain conformance, the solution should not abandon services, features, or functionality in place at the time of the solution upgrade. Offeror must divulge and justify any performance or feature changes prior to the upgrade and report them to ASET and the affected PSAP(s) for approval.

3.3.2.3 I3 Conformance

Offeror's solution should be an i3-conformant call-handling system.

Offeror should support the following:

Offeror's solution should conform to the latest published/ratified version of NENA-STA-010.2-2016.

Offeror's solution should interface with any NENA i3-conformant NGCS/ESInet.

Offeror should provide the number of their operational call-handling installations that utilize Presence Information Data Format Location Object (PIDF-LO), HTTP-enabled location delivery (HELD), Location-to-Service Translation (LoST), ADR queries, and other i3 protocols.

3.3.2.4 Call Handling Technical Support

Offeror should support the following:

Offeror should provide a 24 x 7 NOC/SOC for reporting and escalating software and hardware issues beyond Tier 2.



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Offeror should support the following:

Offeror should provide a redundant/secondary/backup NOC/SOC or equivalent support capabilities and capacity in the event the primary center is offline or otherwise unusable.

Offeror should provide a NOC/SOC COOP that provides for situations when NOC/SOC staff are unable to work onsite (such as the COVID-19 pandemic environment).

3.3.2.5 Solution Validation

Offeror should support:

At the discretion of each PSAP procuring call handling under this contract, independent third-party validation of all mandatory solution requirements and feature functionality prior to cutover of the site.

Provide transparency and access to all SIP messaging, CDRs, KPIs (e.g., MOS, delay, jitter, and packet loss at ingress and egress of delivering network), call logs, and any other data determined to be necessary in order to verify compliance with contractual obligations or to troubleshoot issues.

Documentation of completed results from ATPs.

3.3.2.6 Multi-tenant Capability

Offeror's solution should support partitioning of tenants' (i.e., agencies') call-handling resources:

All ASET PSAPs should be able to create their own unique set of configurations (e.g., agent identifications [IDs, roles, permissions, and groups], screen layouts, speed-dial catalogs, MIS reports, system status screen layouts, etc.) that are not accessible to any other PSAP configured in the solution.

Authorized ASET administrative personnel should have full visibility into the enterprise, including configuration control and reporting.

3.3.2.7 Integrated Text-to-911

Offeror's solution should support an integrated SMS-based text-to-911 solution via SIP/MSRP.

Offeror should:

Explain how text calls are received, queued, answered, and tracked in the system.

Explain disposition of attached multimedia and how text calls are handled by the MIS.

Explain how text calls are transferred and shared, as well as any limitations.

Provide examples of the applicable UIs (e.g., screenshots).

Provide the ability to text outbound from the 911 system.



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Offeror should:

Be able to accept SMS delivery via the existing ESInet connection (i.e., not require a separate connection for SMS delivery).

Describe SMS foreign language translation capability.

3.3.2.8 Real-Time Text

Offeror's solution should support real-time text:

Offeror should describe its current implementation, if applicable, and any current beta or field trials.

If not currently developed, Offeror should provide details of when this capability will be included in the proposed solution as a no-charge upgrade/deliverable.

3.3.2.9 User Profiles

Offeror should support the following user profile characteristics:

Provide user profile settings, which are retained between logins, during upgrades, and between sessions (i.e., logoff and return next day).

Profiles should be stored on the network and be available from any workstation on the same call-handling system.

Solution should be capable of establishing skills-based profiles.

Access to call-handling assets (e.g., trunks, lines, queues, speed dials, configurations, screen layouts, etc.) may be controlled by a user's profile.

3.3.2.10 Redundancy, Reliability, Availability

Offeror's proposed solution should satisfy the following redundancy, availability, and diversity requirements:

Automatically (i.e., without manual intervention) transfer or failover core processing functionality upon detection of a problem that impacts the system's ability to meet the 99.999% SLA.

During such an event, call-handling capacity and performance should not be degraded.

It should be possible to manually switch core processing functionality back to its normal operating state, as well as to have the system automatically recover and resync once the problem is corrected.

Provide a detailed description of how the solution achieves 99.999% availability.

Core processing functionality may be distributed across two or more call-handling centers (CHCs) provided (at the tenant PSAP's discretion) by either the Offeror or the PSAP(s).



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Offeror's proposed solution should satisfy the following redundancy, availability, and diversity requirements:

Each CHC should have sufficient configured capacity to support 125% of busy-hour 911 call volume and call-mapping functionality for all PSAPs served by that call-handling system.

Should support the use of laptops as fully functional call-handling workstations with virtual private network (VPN) capability to provide remote call taking via FirstNet or other broadband connectivity.

Describe solution's hot-seating capabilities (i.e., the ability for a telecommunicator from one PSAP or agency to login at a workstation at a different PSAP or agency, provided both PSAPs/agencies are co-tenants on the same system, and have their "home" assets [e.g., trunks, lines, queues, speed dial lists, screen layouts, map, etc.] available at the other PSAP).

3.3.2.11 Security

Offeror should support the following security requirements:

Proposal should comply with NENA 75-001.1, *Security for Next-Generation 9-1-1 Standard (NG-SEC)*. Offeror should detail how its solution addresses the requirements of the following sections of the standard:

1. Section 6 – General Security.
2. Section 7 – Safeguarding Information Access.
3. Section 9 – Network and Remote Access Security Guidelines.

Describe CHE security software update policy, frequency, and procedures (include frequency of antivirus updates).

Describe policy/approach to independent system security audits.

Describe method and approach for complying with the requirements outlined in [Appendix E – State of Arizona IT Security Requirements](#) in Part 2 of this solicitation package.

Complete, and submit for approval, the [Arizona Baseline Infrastructure Security Controls assessment spreadsheet](#), as described in [Appendix E – State of Arizona IT Security Requirements](#) in Part 2 of this solicitation package. For this procurement, Offerors will need to comply with the Moderate requirements, i.e., all requirements designated as Required in column labeled "MODERATE [Control and Control Enhancement]" (column F) of the spreadsheet.

3.3.2.12 Long-term Availability

Offeror should commit to the following:

Six-month (minimum) advance written notification to ASET for any end-of-life (EOL) or end-of-support (EOS) component, with a plan for how the affected component(s) will be replaced without affecting service.



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Offeror should commit to the following:

Proposed solution should be supported by the manufacturer(s) for a minimum of five years (plus any optional contract extensions) from the date of full system acceptance by Contracting Authority.

3.3.2.13 CAD Interoperability

Offeror should support the following:

Support for the CAD interface as described in NENA-STA-027.3-2018, *NENA E9-1-1 PSAP Equipment Standards ANS Candidate* (originally NENA 04-001), July 2, 2018.

Support for IP-based connections.

Support for the CAD systems listed in the supplementary PSAP information packet, to be provided to all registered Offerors.

3.3.2.14 LIS/LDB

Offeror should:

Support interface(s) with LIS and LDB as defined in NENA-STA-010.2-2016, *NENA Detailed Functional and Interface Standards for the NENA i3 Solution*, (or its successor document, once published).

Describe how the proposed solution will address any transition period, during which both legacy ALI services and i3-compliant LDB/LIS services may need to be accessed by Offeror's call-handling solution.

3.3.2.15 PSAP Hardware

Offeror should support the following:

All PSAP hardware (e.g., monitors, keyboards, mice, headsets, phones) must be new and covered by (extended) manufacturer warranty for no less than five years from the date the device is placed into operation.

Whenever supported by the device manufacturer, all servers, switches, routers, firewalls, and other devices within the solution should be configured with redundant power supplies and redundant network interfaces.

Offeror should work with interested PSAPs to interface/integrate CHaaS positions in their existing mobile command and control assets with wireless ESInet connectivity to the NGCS for call delivery.



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3.3.2.16 Human-Machine Interface (HMI)

Offeror should support the following:

Offeror's solution should comply with NENA 54-750, *NENA/APCO Human Machine Interface & PSAP Display Requirements*, Version 1, October 20, 2010, and provide explanation of any areas of non-compliance with the standard.

If a call is default-routed or otherwise diverted to a destination other than the normally intended destination, the call-handling solution should recognize and present the originally intended destination and the reason why the call was diverted (ref. sections 3.3.CC of NENA 54-750).

3.3.2.17 Distinctive Ring Tones

Offeror's solution should support distinctive ring tones:

Offeror's solution should provide a ring tone for 911 calls that is distinctly different than the ring tones for administrative calls and text messages.

Offeror's solution should provide a ring tone for text messages that is distinctly different than the ring tones for administrative and 911 calls.

Offeror's solution should support user-selected, distinctive ring tones for each automatic call distribution (ACD) queue or call type.

Offeror's solution should provide distinctive ring tones to be customized by agent role or login.

3.3.2.18 Conference Controller

Offeror should support the following conferencing capabilities:

Conference controller should enable the telecommunicator to add an outside caller or inside caller to an in-progress "live" call while remaining on the line, with no limitation as to what type of call the telecommunicator is handling.

Conference controller should automatically control the audio levels (AGC) of the calling parties so that no degradation of voice quality occurs.

Original telecommunicator should be able to mute/unmute (i.e., disable/enable the microphone of) any party on the conference.

Original telecommunicator should be able to deafen/undeafen (i.e., disable/enable the earpiece/speaker of) any party on the conference without muting that party's audio (i.e., allow the telecommunicator to speak to others on the conference, without that party hearing, while still able to hear that party).

Original telecommunicator should be able to select and drop any party from the conference.



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Offeror should support the following conferencing capabilities:

Original telecommunicator, or any of the conference parties, should be able to drop out of the conference without disconnecting the original caller.

Conferencing feature should support, at a minimum, any combination of up to six parties.

3.3.2.19 Call Monitoring

Offeror should support the following:

Offeror's solution should allow authorized PSAP personnel to listen quietly to another telecommunicator's live conversation.

Monitoring feature should be controlled by the authorized personnel's credentials.

Monitoring should include the option as to whether the telecommunicator being monitored is made aware (visually or audibly) when their call is being monitored.

Monitoring should not degrade the audio quality of the call.

Offeror should describe its options, or future plans for supporting a call-monitoring-like functionality for text-to-911 sessions.

3.3.2.20 Call Barge-In

Offeror should support the following:

Offeror's solution should allow authorized PSAP personnel to listen quietly and mute/unmute (barge-in) while listening to another telecommunicator's live conversation.

The feature should be activated by utilizing a mouse or an easily invoked keyboard command.

This feature should not degrade the audio quality of the call.

This feature should be configurable to provide a tone to announce the barge-in.

The telecommunicator or supervisor is then part of a three-way call with the caller and original telecommunicator.

Offeror should describe options or plans for supporting a barge-in-like capability for text-to-911 sessions.

3.3.2.21 Callback

Offeror should support the following callback capabilities:

Callback of any 911 "call" (i.e., wireline, wireless, telecommunications device for the deaf/teletypewriter [TDD/TTY], text, and VoIP callers) based on the calling party number.



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Offeror should support the following callback capabilities:

Should utilize the calling party's number (CPN) of a 911 caller to invoke the callback process.

Should callback wireless or VoIP 911 calls utilizing the caller's telephone number, located within the PIDF-LO fields.

Should use the Caller ID (CID) information to allow a callback to an administrative caller.

Any required dialing prefix digit(s) insertion/deletion (e.g., adding +9 or removing the area code) should be automatic and not require manual input.

Callback function should require only a single mouse click.

3.3.2.22 Abandoned Calls

Offeror's solution should support the following regarding abandoned calls:

Provide a visual and audible indication for abandoned calls.

Display the number of abandoned calls from the same callback number.

Clear the abandoned call count display upon successful callback and answer of the telephone number.

Provide a configurable option allowing for an automatic response to an abandoned call.

Provide each individual agency with the ability to configure the automatic-callback option to be enabled or disabled by the agency.

Allow the system to automatically attempt to return a call and/or text message to an abandoned call, and to prompt the recipient of the call to take an action (e.g., press 1 to notify the agency that no assistance is needed; press 2 to be routed to 911).

Provide abandoned call reports as part of its MIS.

3.3.2.23 Repeat Callers

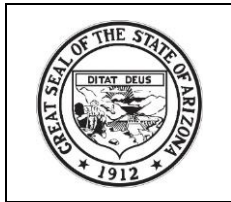
Offeror's solution should support the following features for managing repeat callers:

Make available a caller history feature that displays the date and time of up to ten previous calls from the same number and includes notes provided by the telecommunicator(s) who handled the previous calls.

Identify the repeat-call condition to the telecommunicator.

Allow agencies to specify that new calls from the same caller (within a configurable period of time) should be routed to the same telecommunicator who handled previous call(s), if that telecommunicator is available.

Describe capabilities for identifying and managing abusive repeat callers (e.g., NSI wireless phones, TDoS, location).



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3.3.2.24 Real-time Queries

Offeror should support the following:

Telecommunicators should have the ability to query telephone numbers, in real time, with a date/time range to retrieve call information for all calls — 911 and non-911 — received from a telephone number.

Telecommunicators do not have to be on an active 911 call to retrieve this information.

3.3.2.25 Speed Dials

Offeror should support the following:

Separate and multiple speed-dial lists for each group:

1. System wide (enterprise)
2. PSAP/Agency (local operations); and
3. Personal (by role or login ID).

The system administrator should maintain the enterprise-wide speed-dial list.

The PSAP-wide speed-dial list is managed by the local system administrator at the PSAP.

Telecommunicators will maintain their own personal speed-dial lists.

Access to speed dials with a minimum of mouse click actions.

Hierarchical organization of speed dials (up to at least five levels deep), in which a list entry may refer to a single speed dial or another list.

Alphanumeric entries, e.g., 1-888-911-HELP.

Extra digits or codes necessary to automatically dial a number and complete a call based on-line type, (e.g., long distance access, personal identification numbers [PINs], and star-code transfers).

Telecommunicators should not need to take any action to immediately access speed-dial list changes.

Association of content (files, links, etc.) with a speed-dial entry to include images, video, floorplans, comments, etc. (Please describe if and how this content is searchable.)

Allow display of speed dials in either list form or graphical form (i.e., as a grid of clickable buttons, icons, graphics, and/or images).

When a speed dial or list is assigned to a button that appears in the telecommunicator UI, allow for the display (in a popup window) of a user-selectable set of fields when the mouse pointer hovers over the button.

Describe how additional information is entered and associated with an entry.

Describe search functionality (PSAP prefers search-as-you-type capability).

Describe options for uploading and using user-provided icons/graphics/images for speed-dial buttons.



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Offeror should support the following:

Should support speed-dial entries/buttons that are dynamically populated with agencies (e.g., law enforcement, fire/rescue, EMS, poison control, animal control) and services (e.g., towing, language translation) based on the caller's location.

Should support a minimum of eight speed-dial entries per service area (analogous to a legacy emergency service zone [ESZ]).

Should support intelligent manipulation of the dialed digits, such as area code removal for 7-digit local dialing, adding '+1' for 11-digit dialing, etc.

Describe all methods of speed-dial import and export (e.g., comma-separated values [CSV], Structured Query Language [SQL], XML, etc.).

3.3.2.26 Automatic Call Distribution

Offeror's solution should support the following ACD requirements:

Permit trained and authorized PSAP and ASET staff to provision ACD-related queues, routing, and telecommunicator skill settings, as needed.

Support, at a minimum, the following ACD next-available-telecommunicator selection algorithms on a per-queue basis:

1. Longest idle.
2. Top down.
3. Round robin.
4. Ring all.

Ability to change role without having to log out and log back in.

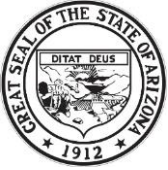
Be able to display to a telecommunicator the number of calls in each queue.

Toggling between "ready" and "not ready." While ready, telecommunicators can receive calls presented through the ACD queues. Conversely, ACD calls are not presented to telecommunicators who are not ready.

The option to require a telecommunicator to select from an agency-defined list of reasons when changing their status to "not ready."

In a "longest idle" ACD environment, switching to "not ready" should not reset the timer used to determine "longest idle" status.

A configurable option of forced (automatic) answer of ACD calls, which connects 911 callers to the next available telecommunicator, without any action needed on the part of the telecommunicator. Optionally, forced answer can provide an audible alert to the telecommunicator prior to connecting the 911 caller to the telecommunicator.

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Offeror's solution should support the following ACD requirements:

An optional, automatic, and configurable “wrap up” period following the end of a call. During this period, the telecommunicator is considered unavailable for ACD calls and may perform post-call tasks without interruption. Once the wrap up period expires, the telecommunicator is automatically made available for ACD calls.

Support the ability of each telecommunicator to record automatic greetings, in their own voice, for each queue or call type. This enables consistent call answering, as well as giving the telecommunicator a notification of the type of call they are about to handle.

3.3.2.27 Real-time Statistics

Offeror's solution should provide the following:

An option to each PSAP for one or more wall-mounted monitor/television displays for presenting real-time call information as configured by the PSAP.

Display information should include, at a minimum:

1. Name of queue or call type/category.
2. Number of calls in queue or call type/category.
3. Longest call-in queue or call type/category.
4. Number of telecommunicators logged in.
5. Number of telecommunicators available for calls.
6. Number of telecommunicators not ready.

Support configurable thresholds for color and audible alerts.

The following is just an example of the kind of display being requested:



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	Calls			Agents		
	<i>Waiting</i>	<i>Longest</i>	<i>Active</i>	<i>Logged In</i>	<i>Avail</i>	<i>Not Ready</i>
9-1-1	2	0:22	8	9	0	1
Spanish	0	0:00	1	2	0	0
Admin	3	2:13	1	11	0	1

3.3.2.28 Call Mapping

In the event that the Offeror's call-handling solution does NOT include call location mapping as a no-charge feature included in the base version of their solution, Offeror is asked to provide separate pricing for a call location mapping solution that is fully integrated with the call-handling solution and which meets the following requirements.

Offeror's solution should support the following:
The HMI should display emergency event location and calling device location information on a map display.
Map display configuration (e.g., map scale, base map data, iconography, caller/event location display rules) should be determined by user's profile/role.
The HMI should provide the ability to display updated location (from CHE re-bids) on the map display in real time.
The HMI should provide the ability to accept or reject the update request results.
If previous calls/incidents are to be shown on the display, the HMI should provide the ability to configure how long previous calls/incidents will remain on the display before being automatically removed/hidden.
The HMI should provide the ability to draw and label, modify, and delete geometric shapes or points on the map display.
The HMI should provide the ability to make such dynamic features private (i.e., visible only to the creating agent), visible to specific groups (i.e., roles, agencies), or visible to all users.
Such dynamic features should be able to be captured and stored for easy reuse.



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Offeror's solution should support the following:

The HMI should have the ability to “zoom” the map display.

Zoom parameters (e.g., default zoom level when call arrives; appearance of various features, information, iconography, and layers at different zoom levels) should be configurable based on user role.

Zoom history – it should be possible to return to the previous zoom level with a single click (up to ten steps back).

It should be possible to return to the default zoom level with a single click.

The HMI should provide the capability to pan the display.

Pan history – it should be possible to return to the previous pan location with a single click (up to ten steps back).

It should be possible to return to the current call location with a single click.

The HMI should provide the ability to set default GIS layers that are visible based on user login/role, and to manually select/unselect individual GIS layers for display.

The HMI should provide the ability to search for a location using either: a) geo-coordinates, b) civic addresses, or c) common place name.

The HMI should display location search results to the call-taker.

If multiple results are returned, each should include a confidence/match-score and clicking on a result should re-center the map on the selected location.

The HMI should provide the ability to retrieve location information (i.e., address and geo-coordinates) by clicking on a point on the map display.

The HMI should provide the ability to designate a location as a call/incident location by clicking on a point on the map or selecting it from the list of search results.

The HMI should provide the capability to display the emergency response agencies associated with a **caller's location** on the map display.

The HMI should provide the ability to display the emergency response agencies associated with an **emergency location** on the map display.

The HMI should provide the ability to graphically display the accuracy/uncertainty associated with a given calculated position.

The HMI should support the ability to represent calls on the map with different icons based on class of service/type of call (e.g., wireline, wireless, VoIP, SMS).

The HMI should support the representation of additional location information for a call based on call type/class of service (e.g., wireless, SMS, VoIP).

The HMI should provide the ability to answer and manage calls directly from the map.



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3.3.2.29 Training

Offeror's solution should support the following requirements:

Proposals should include options for both train-the-trainer and end-user models with different training content for telecommunicator staff versus supervisors/administrators (i.e., superusers).

Operational training on the call handling and mapping features and functionality will be provided to all telecommunicators and superusers.

Training for superusers should also include monitoring, reporting, system health, and performance (MIS).

Training for superusers should also include GIS/mapping administration.

Proposals should include options for PSAP-specific training at each PSAP and train-the-trainer instruction for regional training personnel.

Training scheduling should accommodate 24 x 7 shifts.

All training materials should be available in digital form.

ASET reserves the right to record all training sessions and make available to staff online for refresher and new-agent training at no additional charge.

Training services should include an onsite trainer/coach in each PSAP for a minimum of 4 hours for each different shift immediately following cutover (on-the-job training/coaching).

Provide a summary/syllabus and duration of each training class, so that PSAPs can coordinate personnel schedules.

Training materials should include quick-reference guides for call-takers (CHE and mapping).

Training for call-takers should take place no more than one week prior to go-live (retention issues).

3.3.2.30 MIS

Offeror should support the following:

Authorized personnel should be able to run reports specific to their PSAP, and other PSAPs should not have visibility into another PSAP's reports.

Authorized regional or agency personnel should be able to run reports on any PSAP within their jurisdiction.

Authorized ASET personnel should be able to run reports on any PSAP within the state.

Each PSAP will be provided with a business-grade color network printer for printing reports from the MIS.

Reports should support color charts and graphs.

Authorized personnel should have the ability to query the data to create and print reports in an ad hoc fashion.



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Offeror should support the following:

Provide documentation on the following. For each report, include a description as well as an anonymized sample to show the report's layout:

1. All built-in reports included in the proposal.
2. All additional reports currently available for an additional fee.
3. Options available for custom report creation by the manufacturer.
4. Options for supplementary training for PSAP personnel on ad hoc report development.

Offeror's MIS documentation should include a data dictionary and explanations of data fields available for reporting.

After ad hoc reports have been developed, the Offeror's solution should have the ability to save the ad hoc report as a template and to optionally schedule the report for automatic execution.

Ability for reports to be scheduled for output to files, printers, or other network locations.

3.3.2.31 Instant Recall Recorder

Offeror should support the following:

Recording at workstations for both radio and telephony.

Playback of radio and 911 calls independently or together.

Support of the following single-click playback controls that enable the user to navigate to any portion of the recorded conversation(s):

1. Play.
2. Pause.
3. Stop.
4. Play forward/fast forward (without altering voice pitch).
5. Rewind.
6. Repeat.
7. Skip forward or back a configurable number of seconds.

3.3.2.32 Project Management and Progress Reports

Since no specific call-handling deployment projects will immediately result from the award of this contract, the following project management-related requirements will apply, generally, to any such deployment projects (CHE or CHaaS) undertaken under a contract.

Offeror should support the following:

Prior to contracting with any PSAP or agency for call handling, selected Offeror will provide a **high-level** project plan and timeline that shows the entire project calculated from the date of contract signature.

Examples of what should be included in the project plan, at a minimum:



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Offeror should support the following:

1. Data gathering.
2. PSAP onsite testing.
3. Core component installation and testing.
4. PBX⁴/CHE/mapping and workstation installation.
5. Gateway/network interface testing at all PSAP locations.
6. Location format, update and discrepancy reporting mechanisms, and interface testing.
7. CAD, logging recorder, analog, digital and IP voice testing.
8. Comprehensive test and acceptance plan for all network connections verifying complete functionality with the CHE solution.
9. An overview of the approach and typical steps taken to ensure continuity of PSAP operations throughout the project.

Within 30 days of contract signing, the selected Offeror will provide a **detailed** project plan, timeline, and schedule, to the contracting PSAP/agency and ASET. This plan should include the specific approach and steps to be taken to ensure continuity of PSAP operations throughout the specific project.

Facilitate biweekly project calls followed by a written progress report, distributed within 24 hours of the call, that captures the minutes and action item updates from the prior biweekly project call.

3.3.2.33 Systems Integration

Offeror should support the following:

Coordinate and work with the appropriate vendors' technicians for the test and turn-up of CAD, recorder, mapping, radio, and local PSAP telephone system interfaces, as needed.

Coordinate and work with ASET's NGCS/ESInet vendor for system integration and testing.

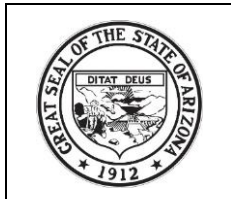
3.3.2.34 Change Orders

Offeror should support the following:

Submission, in writing, of all change orders.

All change orders require approval by the funding entity (PSAP or ASET) prior to performing work, not only those for equipment or services not covered under the contract with PSAP.

⁴ Private branch exchange.



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Offeror should support the following:

Contracting PSAP(s)/agency(ies) and ASET will not accept change orders resulting in additional costs unless additional features are requested by the PSAP(s)/agency(ies).

3.3.2.35 Service Interruptions and Facility Damages

Offeror should support the following:

As the Offeror performs the installation and cutover of the equipment, the Offeror should assure the PSAP that there will be minimal interruption to the normal business operations of the local PSAP.

Prior to any PSAP visit, provide advance notice to, and obtain authorization from, the PSAP, which reserves the right to alter or suspend the intended schedule for any reason at its sole discretion.

Be responsible for the repair or restoration of any damages caused by the Offeror, its subcontractors, or delivery personnel to any PSAP or agency facilities through the receipt, delivery, installation, or test of the solution.

3.3.2.36 Storage, Staging, Delivery, and Inventory Control

Offeror should support the following:

Be accountable for the storage of materials until such time that the items are to be installed.

Neither ASET nor PSAP facilities may be used as a warehouse for uninstalled equipment.

Coordinate with PSAP for the shipping, staging, and testing of all equipment prior to installation.

Be responsible for ensuring that the equipment is fully staged, configured and tested prior to delivery to the PSAP.

Arrange for equipment to be delivered onsite on an as-needed basis, and the cost for delivery should be included in the Offeror's proposal.

Receipt, inventory, and movement of material are the responsibility of the Offeror.

Be responsible for the disposal of shipping material, as well as the daily removal of other day-to-day refuse.

Provide PSAP with a detailed inventory of all equipment installed on PSAP premises, whether purchased by the PSAP or provided by the Offeror as part of a CHaaS offering.

At a minimum, the inventory data should include where it is installed, manufacturer, part number, serial number, quantity, and model number.

Provide the inventory in hard- and soft-copy format using MS Excel.

Be responsible for all hardware, from its receipt prior to staging until it is accepted by PSAP personnel in writing.



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Offeror should support the following:

Any hardware or equipment lost, misplaced, or damaged prior to acceptance will be replaced at the Offeror's sole expense.

3.3.2.37 Code Compliance, Grounding, and Transient Voltage Surge Suppression

Offeror should support the following:

Installation must comply with all applicable national, state, and local codes.

All metallic circuits (data or voice) should be equipped with both primary and secondary transient voltage surge suppression (TVSS) devices per industry standards and best practices for telecommunications equipment.

The secondary TVSS device should have an operational indicator in the form of a light or audible signal to alert maintenance personnel that the device has been exercised, failed, or the circuit is no longer protected.

Each PSAP where TVSS devices are installed should be provided an onsite spares kit to assist in emergency restoration.

TVSS equipment should comply with UL 497A, *Secondary Protectors for Communications Circuits*.

3.3.2.38 Pre-Cutover Acceptance Criteria

Prior to cutover, Offeror should provide the following:

Evidence of backup of all configuration files and databases for all customer-premise-installed equipment.

Confirmation and documentation of control, monitoring, and alarm solutions.

An inventory of all Offeror-provided, PSAP premise-installed equipment to include manufacturer, model, part number, quantity, serial number, and installed location.

ATPs and documentation reviewed and approved by the contracting PSAP(s).

If, during testing, PSAP staff believe that a solution test fails, they will provide the Offeror with a written description of what test failed and why. Offeror will work expeditiously to resolve the problem, providing an estimated time of resolution.

Final as-built drawings (preferably in editable Visio format) within 30 days of cutover.

As-built documentation should include all customer-premise-installed cabling, equipment, and configurations, bringing attention to unique or special deployment details.

3.3.2.39 Cutover Coordination

Offeror should support the following:



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Coordinate cutover activities with all service providers and PSAP personnel.

A detailed cutover plan, along with coordination conference calls and supporting documentation, should be provided to all participating parties, at least 30 days before cutover begins.

Review the cutover plan with PSAP staff at least 14 days prior to cutover.

Provide trained and capable technical and functional solution support, and the project manager should be available and onsite the day of cutover.

Offer the option of in-person, onsite cutover support for end users to ease the transition to the new system. This should include at least four hours for each unique shift immediately following cutover.

State the length of time technical support staff will be onsite for each cutover.

3.3.2.40 Acceptance Testing

Fault categories for call handling acceptance testing will be the same as those defined for NGCS in the Error! Reference source not found. section.

3.3.2.41 PSAP Call-Handling Final Acceptance Testing

Offeror should support the following:

PSAP call-handling final acceptance testing is intended to validate that the Offeror's solution operates during day-to-day use in each live PSAP environment and as asserted in the RFP response. The testing period should be sufficient to demonstrate the solution's performance and reliability. The period should be 30 consecutive calendar days with zero Priority One and zero Priority Two faults.

Offeror should provide a baseline PSAP Call-Handling Final Acceptance Test Plan (including specific test cases, scenarios, and expected outcomes) to each PSAP at least 28 days in advance of the planned execution thereof and allow each PSAP a full two weeks to modify the test plan to meet their system acceptance criteria.

If a failure to comply occurs:

1. The impacted PSAP(s) will provide a written notification to the Offeror with their classification of the fault according to the four categories.
2. If Offeror disputes the PSAP's fault classification, a call will be held at the earliest possible opportunity to resolve the disagreement. Parties to that call should include the reporting PSAP(s) representatives, Offeror, and (at the PSAP's discretion) ASET representative(s). If agreement is not reached within 30 minutes, the PSAP classification will prevail.
3. The Offeror should remedy the non-compliance per the Service Levels and Service Management Performance Standard sections of the contract and should provide written notification of the remedy to the reporting PSAP(s) and ASET.
4. For any conditions that reset the baseline period timer, the timer will restart upon the PSAP's written acceptance of the remedy, or five business days following delivery of the remedy, whichever is sooner.



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Offeror should support the following:

5. This procedure continues until compliance over the 30-day baseline period is achieved (or longer if there remain outstanding Priority Three and Priority Four faults), at which time the cutover will be deemed successful; the acceptance notice (to be defined in the test plan) will be mutually executed; and services may then be invoiced.

3.3.2.42 Call-Handling System Final Acceptance Testing

Definitions for Priority One through Priority Four faults and other terms related to acceptance testing are the same as previously defined in Error! Reference source not found..

Offeror should support the following:

System Final Acceptance Testing is intended to validate overall system performance, especially system-level functionality not otherwise verifiable during individual PSAP Acceptance Testing and includes (but will not be limited to) testing of areas such as the following:

1. Inter-PSAP transfers and conferences;
2. Automatic system failover and maintenance of full system functionality when a redundant element is taken out of service; and
3. Alternate routing under functional element and network component failure scenarios.

System final acceptance testing cannot begin until all PSAPs have successfully completed PSAP call-handling final acceptance testing. The testing period should be sufficient to demonstrate the solution's performance and reliability. The period should be 30 consecutive calendar days with zero Priority One and zero Priority Two faults.

Offeror should provide a baseline System Final Acceptance Test Plan (including specific test cases, scenarios, and expected outcomes) to the contracting PSAP(s) at least 28 days in advance of the planned execution thereof and allow the contracting PSAP(s) a full two weeks to modify the test plan to reflect their system acceptance criteria.

If a failure to comply occurs:

1. Affected PSAP(s) will provide a written notification to the Offeror with their classification of the fault according to the four categories.
2. If Offeror disputes the PSAP fault classification, a call will be held at the earliest possible opportunity to resolve the disagreement. Parties to that call should include affected PSAP(s), Offeror, and, at PSAP discretion, representative(s) from ASET. If agreement is not reached within 30 minutes, PSAP classification will prevail.
3. The Offeror should remedy the non-compliance per the Service Levels and Service Management Performance Standard sections of the contract and should provide written notification of the remedy to the affected PSAP(s).



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Offeror should support the following:

4. For any conditions that reset the baseline period timer, the timer will restart upon PSAP's written acceptance of the remedy, or five business days following delivery of the remedy, whichever is sooner.
5. This procedure continues until compliance over the 30-day baseline period is achieved (or longer if there remain outstanding Priority Three and Priority Four faults), at which time the cutover will be deemed successful, the acceptance notice (to be defined in the test plan) will be mutually executed, and the call handling solution will be deemed accepted by the contracting PSAP(s).

3.3.2.43 Transition Plan

Offeror should support the following:

Within 30 days of contract signing, the Offeror should provide a detailed transition plan that should include a full description of the methods and procedures that will be employed to ensure a non-service-affecting transition from the current call-handling environment to the new system.

Provide recommendations considering the complexity of the specific deployment environment.

This transition plan should recommend a suggested order for agency migration and provide projected time durations to complete the specific site, based on position count and other information the Offeror has learned of the region's configuration.

The migration plan should include a fallback procedure to restore any affected PSAPs to a pre-transition operational state in the event of a catastrophic failure.

3.3.2.44 Product Lifecycle Management (PLM)

3.3.2.44.1 Software Release Management

Offeror should support the following:

Describe the frequency of scheduled software releases and the decision-making processes involved in deciding what features and defect resolutions to include in a scheduled release.

Maintenance releases and feature releases should be provided to all PSAPs at no cost while a maintenance agreement is in place.

Provide all PSAPs and ASET read-only access to the Offeror's defect tracking system to track the progress of PSAP-reported defect resolutions. The Offeror should provide user training to PSAP and ASET staff, prior to PSAP acceptance testing.

Notify and coordinate scheduling with affected PSAPs whenever solution servicing requires onsite visits. Notification should occur no less than ten business days before the needed visit and scheduling should be at the sole discretion of the PSAP(s).



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Offeror should support the following:

Provide release notes to all affected PSAPs no less than ten business days prior to system upgrades or updates, clearly identifying any new functionality, of which the PSAPs may wish to take advantage.

Request authorization from the affected PSAP(s) no less than ten days prior to performing maintenance, upgrades, backups, restorations, or other system changes that may impact the performance or functionality of the system or service (depending on how the call-handling solution is procured). The only exception to this advance-notice requirement is in cases where an update or upgrade is immediately required to restore a failed or failing service or component.

3.3.2.44.2 Warranty and Monitoring

Offeror should support the following:

For all software and Offeror-provided, PSAP-owned hardware, Offeror shall include 24 x 7 x 365 parts and labor warranty for the duration of the contract (first five years) from the date of final PSAP acceptance. The Offeror also should provide 24 x 7 x 365 extended warranty (parts and labor) for years six and seven, as options.

For all software and Offeror-provided, PSAP-owned hardware, warranties should cover hardware, cabling and connectors, and software and include 24 x 7 x 365 phone/web support.

Should include 24 x 7 x 365 remote system monitoring and maintenance. Offeror should describe its monitoring facilities (NOC/SOC; primary, secondary, and backup; etc.) and staffing to both monitor and respond.

Describe NOC services, including proactive and reactive maintenance plans. Response should include details regarding the number of certified technicians who will reside within a two-hour drive time to each call-handling site.

System monitoring should include a near-real-time portal through which each PSAP may configure a dashboard-type view for monitoring their data and voice activity as well as overall system status and health.

Describe how out-of-warranty items are repaired or replaced. Offeror should describe the processes and procedures along with estimated cost for all system components.

3.3.2.44.3 Incident and Trouble Reporting

Offeror should support the following:

Describe the procedures involved for initiating, tracking, communicating status, and resolving trouble reports. Describe all capabilities available with the solution, including remote monitoring, maintenance, troubleshooting, and repair.

In addition to the built-in capabilities, describe capabilities to interface with other management systems using standard protocols such as Simple Network Management Protocol (SNMP) or Common Management Information Protocol (CMIP).



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3.3.2.44.4 Escalation Procedures

Offeror should support the following:

Following the solution cutover, PSAPs may require escalation of an issue for resolution. Provide:

- A. Documentation of the escalation process along with names, titles and contact information.
- B. The after-hours escalation process, if it is different from normal work hours.
- C. Process for updating escalation documentation as personnel changes occur during the contract period.

The escalation process should address inclusion of the manufacturer (if other than Offeror) in meetings and discussions with affected PSAPs when the Offeror's efforts have not resolved the issue.

Escalation processes should describe in detail the procedures for PSAPs regarding resolution of critical defects, including time to resolution and engagement of Tier 3 or Tier 4 engineering and development resources.

3.3.2.44.5 Software Backup and Restoration

Offeror should support the following:

Perform automatic backups of software, as well as all PSAP-specific configurations and databases. The backups cannot affect system performance.

Describe in detail, in the proposal, the recommended backup schedule on the workstations, servers, and any other customer-premise-installed devices that have databases, operating systems, and/or configurations that may be backed up.

3.3.2.44.6 Maintenance and Repair History Log

Selected Offeror should support the following:

Provide, utilize, and maintain an online history log for each PSAP site that tracks all system issues, resolutions, configuration changes, upgrades, etc. that are performed onsite or remotely. Describe the process for managing the history log and provide read access to PSAPs and ASET.

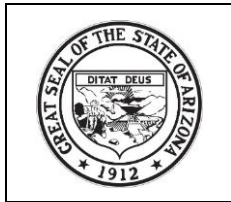
3.3.2.44.7 Spares and Advance Replacement

Offeror should support the following:

Include a critical spares kit for all customer-premise-installed equipment.

Describe the plan for maintaining a readily available cache of replacement parts to be available for delivery on site within the response time frames outlined in Appendix B - Performance Standards Definitions.

Provide pricing and documentation describing the repair and advance-replacement processes for out-of-warranty solution components purchased (versus leased) by PSAPs.



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3.3.2.45 CHE Documentation

Offeror should provide the following:

Documentation for all user-accessible configurations.

CHE (versus CHaaS) technician certification training for interested PSAPs whose staff could serve as local hands during emergency situations.

Documentation for MIS solution, if provided, including:

1. Sample reports
2. Report customization and automation; and
3. Ad hoc report design, including best practices.

Administrator guide(s) including screen layout customization and speed-dial directory maintenance, import, and export, user account management, etc.

Telecommunicator quick reference cards for call handling, mapping, discrepancy reporting, and other provided systems.

3.3.2.46 Artificial Intelligence and Machine Learning

Offeror should describe:

AI/ML capabilities of the proposed CHE system.

Plans to introduce/enhance AI/ML capabilities into the proposed CHE solution.

Opportunities to apply AI/ML technologies and techniques to the analysis of multimedia content delivered to the PSAP.

3.3.3 Call-Handling Equipment Requirements

3.3.3.1 Implementation Model

Offerors solution should support the customer premise deployment model for CHE:

Solution must be architected to support host/remote and/or geographically diverse configurations.

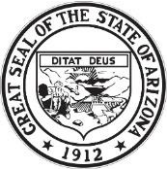
Include in the design all necessary hardware to successfully integrate with an i3-conformant ESInet.

All equipment must be new. Used, repurposed, or remanufactured equipment is prohibited.

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3.3.3.2 Training Specific to CHE

Offeror's solution should support the following requirements:
Technician certification training (at the manufacturer’s site) for one person (for PSAPs with 2 to 20 positions) or two persons (for PSAPs with more than 20 positions).
Technician training should include refresher (or new technician) training every year the same number of personnel.



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3.3.4 Call Handling as a Service Specific Requirements

3.3.4.1 CHaaS Implementation Model

Offeror should support the following:
Solution may leverage networking assets (building and connectivity) already deployed by PSAP in places where establishing new facilities may be cost-prohibitive or technically not feasible.
It is a PSAP’s expectation that all hardware and software required for service delivery will be provided as part of the per-position CHaaS monthly fees including all necessary edge router/firewall hardware and TDM gateways.
Solution should be able to interoperate on the same network with other vendors’ standards-conformant CHaaS solutions without interfering with the performance of the other.
All equipment must be newly manufactured and fully supported by the manufacturer with no published announcements of end of sale, EOL, or EOS as of the delivery date.

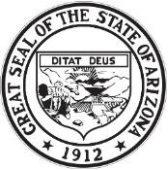
3.3.4.2 Training Specific to CHaaS

Offeror should support the following:
Technician certification training for interested PSAPs or regional entities whose staff could serve as local hands and eyes during outages or malfunctions of the equipment.
Technician training should include annual refresher training for PSAP staff.

Appendix Guide

Table 3: Appendix Guide

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Appendix A – ASET’s 911 Program and PSAP Information

In the interest of critical infrastructure security, detailed PSAP information will be distributed ONLY to verified RFP Offerors upon receipt, by ASET, of notice of their intent to respond.

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Appendix B – Performance Standards Definitions

Performance Terms and Standards

Service Level Agreement

An agreement between ASET and the Contractor that specifies, in measurable terms, the services that the Contractor will furnish.

Help Desk Availability

The time of day resources are available to answer calls from ASET, create trouble tickets and dispatch technicians.

Resources must be available (via tollfree telephone number) 24 x 7 x 365 to process requests for service.

Technician Availability

The time of day technicians are available to provide support remotely and/or onsite.

Technicians must be available remotely and/or onsite as required, on a 24 x 7 x 365 basis.

Regular Business Hours (RBH)

Hours between 8:00 a.m. and 5:00 p.m. Arizona time.

Customer-Generated Data – Transparency and Access Rights

Customer-Generated Data (CGD) is defined as any data that is configured within, or consumed or generated by, any of the systems, components, functional elements, services, or software applications provided by the Offeror, specifically, that data which is necessary to, or generated as a result of, providing the services or functionality called for in this RFP and which is unique to the operation and use of the systems, solutions, or services by ASET or any PSAP in Arizona. Such data may include, but is not limited to, voice and SMS “call” activity records, traces, or logs; system, component, or software troubleshooting, logs, configuration files, and diagnostics data; diagrams, drawings, or design and implementation documents which record the specific implementation details relating to ASET or any Arizona PSAP; as well as any reports or analytics based on, or derived from, CGD.

Limited Use. ASET or any PSAP in Arizona will use or disclose the CGD only in furtherance of the existing and identified Project or as required by Law.

Standard of Care. ASET or any PSAP in Arizona shall exercise at least the same degree of care as it uses with its own data and Confidential Information, but in no event less than reasonable care, to protect the CGD from misuse and unauthorized access or disclosure.

Agents and Subcontractors. ASET or any PSAP in Arizona shall ensure that any agents, including subcontractors, to whom it provides the CGD agree to the same restrictions and conditions listed in this agreement.

Personal Information. ASET or any PSAP in Arizona will not attempt to identify any Person whose information is contained in any CGD or attempt to contact those Persons.



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Required Disclosure. If ASET or any PSAP in Arizona is compelled by Law to disclose any CGD it shall provide Contractor with immediate written notice so that Contractor may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this agreement; if the parties cannot obtain a protective order, other appropriate remedy, or otherwise fail to quash the legal process requiring disclosure, ASET or any PSAP in Arizona will disclose the requested CGD only to the extent necessary to satisfy the request.

In the spirit of transparency and in support of ASET's interest in being able to verify and validate Contractor's compliance with the terms, requirements, and specifications contained herein, ASET reserves, for ASET and PSAP staff (as well as their designated representatives), the right to unfettered access to any and all CGD produced or used while such solutions or services are under contract by ASET or any PSAP in Arizona. It is not the intent of this requirement to expose or reveal any proprietary information, intellectual property or trade secrets of the Contractor and requests will be limited to CGD reasonably considered to be probative of compliance, as stated, above. ASET is committed to exercising this provision only when needed and always in good faith. Contractor's responses to such requests will be provided willingly and expeditiously. Contractor is prohibited from using blanket claims that data is of a proprietary or sensitive nature, in order to shield itself from such requests. In limited cases, Contractor may require the sharing of data to be under the terms of a non-disclosure agreement (NDA).

System Performance Standards and Reporting

Offerors must identify the SLAs and metrics for the system components that will be utilized to formulate the system performance measurements for each performance standard.

System Availability

The service must be available at least 99.999 % of the time, measured on a per-PSAP basis.

Service Level and Service Management Performance Standard

Services referenced here are limited to those provided under the agreement. All times are averages over a rolling 12-month measurement period. However, there are provisions for declaring an SLA violation in cases where repeated instances occur over a short period of time.

All time intervals are calculated to the nearest minute. Performance requirements are applicable to managed and non-managed services.

Fault Priority Levels

Fault priority level definitions are the same as those in Error! Reference source not found.. For the post-cutover environment, some examples are provided, here, of issues which would be considered of the specified priority.

Priority One – Critical

Examples of such issues may include:

- Isolation of any single site or sites from the rest of the network, resulting in the inability for affected sites to communicate with the rest of the network.
- Software defect without a workaround that impacts any site or site's ability to maintain business operations.



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- A reduction in call processing capacity at a single site of 50% or more.

Priority Two – Major

Examples of such issues may include:

- Loss of network or functional element redundancy, including PSAP or data center connectivity.
- System or component problem that could result in loss of a site without timely repair.
- A reduction in call processing capacity at a single site of 20% or more.
- Inability to accurately display caller location on the map.

Priority Three – Minor

Examples of such issues may include:

- Failure of a speed dial to route calls to the proper destination, requiring manual dialing or other additional steps to affect the same result.
- Misrouted calls
- Location failures, resulting in default routing of calls.

Priority Four – Non-service-impacting

Examples of such issues may include:

- Errors in data display/presentation within a user's application (layout, colors, data identification, etc.)
- Errors with peripheral systems such as recorders, MIS, auxiliary keypads, etc.
- Errors with monitoring systems, dashboards, etc.

Response Time

The time elapsed between identification (by monitoring staff) or reporting (by ASET, agency(ies), or PSAP(s)) of an issue and commencement of investigation or repair activity by Contractor.

Table 4: Maximum Response Time

Incident Severity	Maximum Response Time
Priority One	15 minutes
Priority Two	30 minutes
Priority Three	8 hours
Priority Four	12 hours



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Notification Time

The time elapsed between issue identification (by monitoring personnel) and notification of the affected agencies or PSAPs. Contractor shall have the ability to provide customized notifications based on desires of ASET, agency, or PSAP.

Table 4: Maximum Notification Time

Incident Severity	Maximum Notification Time
Priority One	15 minutes
Priority Two	30 minutes
Priority Three	8 hours
Priority Four	Next Business Day

Repair Time

The time elapsed between identification (by monitoring staff) or reporting (by ASET, agency(ies), or PSAP(s)) of an issue and the resolution of that issue, with full functionality and capacity restored to normal. At the discretion of the reporting party(ies), "resolution of that issue" may be achieved by the deployment of a workaround, if accompanied by a mutually agreeable written plan for definitively resolving the original issue.

Table 5: Maximum Repair Time

Incident Severity	Maximum Repair Time
Priority One	2 hours
Priority Two	4 hours
Priority Three	48 hours
Priority Four	96 hours

Escalation

A request for assistance to the next higher level of technical support must be executed whenever the Escalation Interval (in the following table) has elapsed since the issue was identified or reported and issue remains unresolved. Once an escalation has occurred, the Offeror will provide ASET and affected parties with a status update at the Update Interval until the issue has been resolved.



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Table 6: Expected Escalation Intervals

Incident Severity	Escalation Interval	Update Interval
Priority One	1 hour	2 hours
Priority Two	4 hours	8 hours
Priority Three	48 hours	24 hours
Priority Four	96 hours	As agreed to



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Appendix C – IP Network Measurement and Reporting Requirements

Network Performance

The selected Offeror must measure and report on the network performance against the service levels, on a monthly basis. For any circuit downtime, outages, or interruptions, the selected Offeror must provide a written report describing the degradation of service or outage, including the root cause and the plan to prevent similar occurrences in the future. Trend data must be supplied with this report that shows current and previous monthly performances.

Outage Reporting

In the event of an unplanned outage, the Offeror will provide to ASET a reason for outage (RFO) report. This report will include a timeline of the outage, the cause of the outage, actions taken to resolve the issue, and any actions/processes undertaken by Offeror and their subcontractors to prevent similar outages from occurring in the future or to mitigate their impact, if they do. ASET requires a preliminary report within 5 business days and a final report within 30 calendar days to be measured from detection of the outage.

As defined in 47 CFR § 4.5, Offeror is responsible for complying with all Federal reporting requirements for any outages or interruptions to 9-1-1 voice or SMS routing, delivery, and/or processing systems and services provided under this contract. Offeror is required to electronically report significant network outages and information about outages that exceed specific thresholds—in terms of duration and magnitude—to the FCC's Network Outage Reporting System (NORS). The electronic report shall also include information regarding communications disruptions affecting any Enhanced 911 facilities.

Bandwidth Management

Offeror shall provide monthly bandwidth performance and network utilization reports.

ASET must be able to monitor overall bandwidth usage and specific usage between sites. ASET must be able to view real-time or near-real-time bandwidth performance and utilization reports. Users of the monitoring tools should be able to filter on various traffic characteristics (e.g., protocol, QoS classification, media type, etc.). A web-based portal or browser-enabled viewer is preferred.

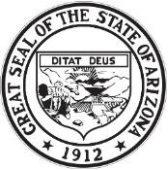
Offeror's call-processing capacity shall be capable of 125% busy hour call traffic for each PSAP and the NGCS as a whole.

Offeror's service shall be able to increase call-processing capability by up to 50% over contract duration with minimal hardware upgrades required.

Voice Quality and Quality of Service

Voice quality must be maintained at traditional public switched telephone network (PSTN) levels. Voice data (RTP⁵) must have priority over any other IP traffic and this priority must be respected and enforced by all network

⁵ Real-time Transport Protocol

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infrastructure elements, end-to-end. The service shall use an uncompressed, high quality voice codec. The ESInet/NGCS must not degrade the MOS of calls traversing the ESInet by more than two-tenths (0.2) point, from the point of network ingress to the point of delivery (network-to-network interface) to a call-handling system.

Network Management and Monitoring

The Offeror must provide a NOC to respond to network issues and meet the service levels stated within this RFP, including requirements for a secondary or backup NOC.

Proactive Monitoring

It is the responsibility of the Offeror to provide active monitoring of its circuits and functional elements. Offeror must proactively generate incident tickets and alert ASET and affected PSAPs in accordance with the fault priority tables in Appendix B regarding Notification and Response Times.



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Appendix D – Service Level Agreement

Offeror shall provide a description of its SLA reporting tool. A secure online SLA reporting dashboard is preferred. SLA reporting tools are expected to include both real-time and near-real-time performance statistics calculated at no greater than five-minute intervals. The SLA reporting tool shall summarize network performance metrics by hour, day, week, month, quarter, and year. The mechanism must deliver automated SLA results to ASET on a monthly schedule. QoS reporting shall present traffic by type. Reports shall include, at a minimum, statistics for latency, jitter, packet loss, and bandwidth utilization, and shall be available on demand with near real-time data. A web-based portal is preferred. Other relevant data also may be reported.

Offeror shall specify how they will conduct and provide end-of-month and end-of-quarter reviews, accounting for any degradation of service to include service failures, as well as incidents and problems, and their resolution.

SLR remedies shall be tracked to their full amount, but the maximum credit per month shall not exceed 25% of the total amount at risk (as defined, below).

Incidents shall be tracked via tickets and the ticket contents shall be made available to ASET and the affected PSAP(s) via an online portal with the ability to download or print reports.

Offeror shall have automated systems to track all SLA deliverables and provide ASET with monthly reports detailing the Offeror's performance.

The monthly SLA compliance report shall include the following detail and a one page summary of the detail:

- 1) Report period;
- 2) Offeror's trouble ticket number.
- 3) Name(s) of affected PSAP(s).
- 4) FCC ID(s) of affected PSAP(s).
- 5) Service type.
- 6) Brief trouble symptom.
- 7) Brief restoration description.
- 8) Trouble symptom category.
- 9) Ticket open date and time.
- 10) Priority level.
- 11) Problem resolution date and time.
- 12) Total outage duration.
- 13) Yes/no if qualified for SLR remedy.
- 14) Yes/no if FCC reporting required; and
 - a. If Yes, link to FCC report and FCC response, if any
- 15) The applicable SLA.

The following table details ASET's SLRs, providing a description of each, the metric or measurement to be used to confirm compliance, the target measurement, and the affected party or parties' (ASET or PSAP(s)) rights and remedies, in the event that an Offeror fails to achieve the SLR.

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For SLR violations, the remedy listed in the table, below, may be a portion of “the amount at risk”. For the purposes of this section, “amount at risk” is defined, as follows:

- For services (i.e., ESInet, NGCS, CHaaS) or solutions (i.e., CHaaS and CHE) incurring a monthly recurring charge (MRC), “amount at risk” shall be the MRC for that service or solution for the month in which the SLR violation occurs.
- For services (i.e., ESInet, NGCS, CHaaS) or solutions (i.e., CHaaS and CHE), the price for which includes a non-recurring charge (NRC) component, “amount at risk” shall be the total NRC for that service or solution for the duration of the contract divided by the number of months in the contract – in other words, one month’s portion of the NRC for that service or solution.
- For services (i.e., ESInet, NGCS, CHaaS) or solutions (i.e., CHaaS and CHE), the price for which includes both NRC and MRC, “amount at risk” shall be the total of the two amounts described above.



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Table 5 – Service Level Requirements, Metrics, and Remedies

#	Definition	Measurement Method	Objective	Rights and Remedies
1	Final master project plan (MPP) shall be delivered to ASET (for ESInet/CHE) or PSAP(s) (for call handling) within 60 calendar days of contract execution.	Calendar Days	Delivery of MPP within 60 days	Failure to meet the objective shall result in a \$5,000 credit or adjustment for each calendar day that the report is not delivered after the objective.
2	Contractor shall achieve all milestone dates identified in the MPP.	Calendar Days	Completion of MPP milestones on or before the date agreed by ASET and Offeror.	Any failure to meet the objective shall result in a \$5,000 credit or adjustment for each calendar day that the milestone is not delivered after the objective (for milestones with a majority of the underlying task ownership being that of the Contractor and/or its subcontractors).
3	SLA Remedy Delivery – Timely credit or adjustment of remedies due to ASET or PSAP(s) for missed SLR objectives.	Calendar Days	Contractor's credit or adjustment shall be issued no more than 60 calendar days after written notice from ASET or PSAP(s) of a service level failure.	Each occurrence of an SLR remedy (credit or adjustment) that is not issued within 60 calendar days shall result in a \$5,000 credit or adjustment for each calendar day that the credit or adjustment is not issued.



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#	Definition	Measurement Method	Objective	Rights and Remedies
4	Contractor shall provide a ticketing interface and monitoring dashboard 24 x 7 x 365.	The monthly availability percentage equals the Scheduled Uptime less Unavailable Time divided by Scheduled Uptime per month multiplied by 100. Scheduled Uptime is based on 24 hours x number of days in the month x 60 minutes. The monthly Availability percentage shall be based on the cumulative total of all outage durations for each calendar month.	99.9	Failure to meet the SLR objective for one month shall result in a \$2,500 credit or adjustment.



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#	Definition	Measurement Method	Objective	Rights and Remedies
5	When a manual (i.e., via phone call to NOC) emergent request is made to reroute calls to alternate PSAP, call rerouting will be effective within three minutes, from the time the PSAP call is answered by the NOC for pre-provisioned routes. If the request is for standard maintenance, the reroute will be effective within seven minutes for pre-provisioned routes, and if a new route is required, that will be completed within 20 minutes of request.	Time from NOC call received by human to time the routing change becomes effective.	3 minutes (emergency) 7 minutes (maintenance) 20 minutes (new route)	Failure to meet the SLR objective shall result in a \$5,000 credit or adjustment.
6	Contractor shall report all outages that potentially impact the delivery of 911 traffic to every affected PSAP within and ASET (az911outage@azdoa.gov) 15 minutes of the occurrence.	Any outage that potentially impacts the delivery of 911 traffic, regardless of traffic type.	Notification of PSAPs and ASET within 15 minutes or less.	Any failure to meet the objective shall result in a \$5,000 credit or adjustment For each additional minute that the Contractor fails to meet the SLR objective, an additional \$1,000 credit or adjustment will be due.



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#	Definition	Measurement Method	Objective	Rights and Remedies
7	Redundant ESInet connectivity shall be provided to each end point CHE core or host site connection (except as described in the following requirement).	The monthly availability percentage equals the Scheduled Uptime less Unavailable Time divided by Scheduled Uptime per month multiplied by 100. Scheduled Uptime is based on 24 hours x number of days in the month x 60 minutes. The ESInet connectivity availability requires two diverse IP network connections to each PSAP. For those PSAPs where diverse IP network connections are not available and when approved by the ASET, the Individual ESInet connectivity SLR applies. The monthly Availability percentage shall be based on the cumulative total of all outage durations for each calendar month.	99.999% availability <i>(less than 5.26 minutes per year or 26.3 seconds per month of unplanned downtime)</i>	Failure to meet the SLR objective for one month shall result in a 25% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs. Failure to meet the SLR objective for a second consecutive month shall result in a 50% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs for that month. Failure to meet the SLR objective for each additional consecutive month shall result in a 100% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs for all such consecutive months plus an additional \$25,000.



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#	Definition	Measurement Method	Objective	Rights and Remedies
8	Non-redundant ESInet connectivity shall be provided to each end point CHE core or host site and will only apply when diverse NG911 trunks are not available and when approved by the ASET.	The monthly availability percentage equals the Scheduled Uptime less Unavailable Time divided by Scheduled Uptime per month multiplied by 100. Scheduled Uptime is based on 24 hours x number of days in the month x 60 minutes. The monthly Availability percentage shall be based on the cumulative total of all outage durations for each calendar month.	99.999% availability <i>(less than 5.26 minutes per year or 26.3 seconds per month of unplanned downtime)</i>	Failure to meet the SLR objective for one month shall result in a 25% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month. A second consecutive month failure to meet the SLR objective shall result in a 50% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month. Each additional consecutive month failure to meet the SLR objective shall result in a 100% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month.
9	Failure to provide updates to solution to conform to NENA i3 standards within 18 months of ratification.	Identification by the ASET or its designee of i3 functionality not supported.	100% conformance to NENA i3 standards within 18 months of ratification.	20% credit or adjustment of amount at risk for the ESInet and/or call handling, as applicable, until conformance issue is resolved to ASET's or PSAP's satisfaction.



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#	Definition	Measurement Method	Objective	Rights and Remedies
10	ESInet and CHE must handle voice calls with little or no degradation of voice quality of the call from the ingress demarcation point to the workstation, as measured and monitored by an automated MOS measurement tool at the endpoint.	Ingress demarcation point shall be defined as the handoff point to the call handling equipment hosts.. Egress demarcation point shall be the call-handling workstation.	Egress MOS measurements shall be maintained at 4.0 or better.	Failure to meet the SLR objective for one month shall result in a 25% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month. A second consecutive month failure to meet the SLR objective shall result in a 50% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month. Each additional consecutive month failure to meet the SLR objective shall result in a 100% credit or adjustment of the amount at risk for the ESInet for all affected PSAPs that month.
11	CHE will receive and handle all call type traffic with minimal service interruption.	Single outage with a duration of six minutes or more.	Preventing CHE outages of six minutes or more.	100% credit or adjustment of the amount at risk for call handling for the affected PSAP(s).
12	CHE will receive and handle all call type traffic with minimal service interruption.	Single outage of greater than two minutes and less than six minutes.	Preventing CHE outages greater than two minutes, but less than six minutes.	50% credit or adjustment of the amount at risk for call handling for the affected PSAP(s).



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#	Definition	Measurement Method	Objective	Rights and Remedies
13	Contractor shall provide SLA reports required by this contract for each month of activity during the term of the contract by the 10 th business day of the following month.	Business Days	Contractor shall deliver accurate and complete reports by the 10 th of the month following the end of the applicable reporting month.	Failure to meet the objective shall result in a \$5,000 credit or adjustment for each business day that the report is not delivered after the objective.
14	Contractor shall provide a cybersecurity vulnerability notification upon recognition of a cybersecurity threat or breach within three business days of issue identification.	Business Days	Within three business days of the recognition of a vulnerability or identified cybersecurity threat or breach, Contractor shall notify the ASET and the impacted PSAP(s) of the event and measures taken to mitigate impact and avoid future risk.	Failure to meet the objective shall result in a \$5,000 credit or adjustment for each business day that the report is not delivered after the objective.
15	Contractor shall provide an RFO report for Priority One and Two issues within five business days.	Business Days	Contractor shall deliver initial root cause analysis to the ASET and the affected ECDs/PSAPs within five business days of service affecting issue.	Each occurrence of a failure to meet the objective shall result in a \$5,000 credit or adjustment for each business day that the report is not delivered after the objective.
16	Contractor shall provide a final RFO report within 30 calendar days from the beginning of the service affecting issue.	Calendar Days	Contractor shall deliver final RFO to the ASET and the affected ECDs/PSAPs within 30 calendar days from the beginning of the service affecting issue.	Each occurrence of a failure to meet the objective shall result in a \$5,000 credit or adjustment for each business day that the report is not delivered after the objective.



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Appendix E – State of Arizona IT Security Requirements

SECURITY STANDARDS

Security of the State's wide area network (WAN) and local area networks (LANs) are of **UTMOST** importance to the State. In order to assure security from a personnel and operations perspective, Contractor shall comply with all requirements, in their entirety, as described in the statewide enterprise architecture, and statewide Information Technology security policies, standards and procedures:

<https://aset.az.gov/resources/policies-standards-and-procedures>.

In some instances, Contractor personnel will only be allowed inside of a State facility if accompanied by a State escort. This is applicable in the Correctional facilities, Public Safety facilities, State Lottery, or other facilities as designated by the State.

SECURITY FRAMEWORK

The State of Arizona information security policies and standards follow the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) and NIST 800-53 revision 4. The State has established a process to assess risk associated with storing, processing and/or transmitting State of Arizona data with external, non-State of Arizona, entities. The Arizona Risk and Authorization Management Program (AZRamp) was developed to ensure State and contractors meet these requirements, all contractors responding to State solicitations must successfully complete the AZRamp risk assessment as determined by the Arizona Strategic Enterprise Technology (ASET) Department. Failure to successfully complete AZRamp assessment will be deemed as breach of contract.

Contractor understands and agrees no other forms of Cybersecurity Frameworks, Trust Documents, self-attestations, to include; ISO/IEC⁶, SOC 2 & 3, PCI, or HIPAA reports of compliance are recognized nor accepted by State.

NIST SP 800-53 Rev. 4 guidelines can be located at:

<https://csrc.nist.gov/publications/detail/sp/800-53/rev-4/final>

Contractor shall comply with all applicable security requirements including but not limited to:

- Arizona Risk and Authorization Management Program (AZRamp):
 - Submit with your solicitation package a completed Arizona Baseline Infrastructure Security Controls assessment spreadsheet as found at: <https://aset.az.gov/sites/default/files/Arizona%20Baseline%20Security%20Controls%20Pre-Requisite%20.xls>, and mitigate gaps or install compensating controls for any issues of concern identified by State. Contractor is required to provide any requested documentation to include System Security Plan

⁶ International Organization for Standardization/International Electrotechnical Commission



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(SSP), or Information Security Policies supporting the review of the assessment. The assessment shall be re-validated on a minimum annual basis.

- All Offerors will complete and submit with your solicitation package an unedited and signed State of Arizona HIPAA Business Associate Addendum (BAA), if required by this RFP.
- If selected for award (and based on the requirements and technologies involved in this procurement), all awards are contingent on the successful completion of the AZRamp 325 Moderate (Confidential, PII⁷, or PHI⁸) Impact Control Baseline spreadsheet titled “Arizona Baseline Infrastructure Security Controls 2017 (Excel)”, as determined by the Enterprise Security, Privacy & Risk Compliance team. Moderate Impact controls are identified in column F of the spreadsheet located here:
https://aset.az.gov/sites/default/files/Arizona%20Baseline%20Security%20Controls%202017_v2.xls
- State reserves the right to conduct risk assessments, vulnerability assessments, black-box penetration tests or hire a third party to conduct risk assessments, vulnerability assessments, and black-box penetration tests of the Contractor’s environment. Contractor will be alerted in advance and arrangements made for an agreeable time. Contractor shall respond to all serious flaws discovered by providing an acceptable timeframe to resolve the issue and/or implement a compensating control.
- Contractor will submit copies of system logs from Contractor’s environment to State of Arizona security team upon request to be added to the State Security Information Event Monitor (SIEM) or Intrusion Detection System (IDS).
- The ideal vendor solution will be contained within a Federal Risk and Authorization Management Program (FedRAMP), government-rated, single tenant cloud compartment. This preferred architecture provides protection during storage, processing, and/or transmission of sensitive or regulated State data. Information about FedRAMP Authorized SaaS, PaaS or IaaS platforms can be located at:
<https://marketplace.fedramp.gov/#/products?sort=productName>

Contractor shall comply with all applicable State and Federal laws and regulations, including, but not limited to:

- Federal Information Security Modernization Act of 2014 (FISMA): <https://csrc.nist.gov/topics/laws-and-regulations/laws/fisma>
- OMB Circular A-130: <https://www.federalregister.gov/documents/2016/07/28/2016-17872/revision-of-omb-circularno-a-130-managing-information-as-a-strategic-resource>
- National Cyber Strategy of the United States of America: <https://www.whitehouse.gov/wp-content/uploads/2018/09/National-Cyber-Strategy.pdf>
- Health Insurance Portability and Accountability Act (HIPAA) including Business Associate Agreement/ Health Information Technology for Economic and Clinical Health Act (HITECH):
<https://www.hhs.gov/hipaa/index.html>
- Tax Information Security Guidelines for Federal, State and Local Agencies: Safeguards for Protecting Federal Tax Returns and Return Information (IRS Publication 1075): <https://www.irs.gov/pub/irs-pdf/p1075.pdf>
- A.R.S. 18-104 - Arizona Department of Administration, Arizona Strategic Enterprise Technology (ASET), Powers and duties of the agency: <https://www.azleg.gov/arsDetail/?title=18>

⁷ Personally identifiable information

⁸ Protected health information



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- A.R.S. 18-105 - Statewide information security and privacy office (SISPO): <https://aset.az.gov/ars-18-105-statewide-information-security-and-privacy-office>
- A.R.S. 18-552 - Notification of security system breaches; requirements; enforcement; civil penalty; preemption; exceptions: <https://www.azleg.gov/ars/18/00552.htm>
- Arizona Executive Order 2008-10 – Mitigating Cyber Security Threats: <https://aset.az.gov/executive-order-2008-10-mitigating-cyber-security-threats>
- State of Arizona statewide policies, standards and procedures: <https://aset.az.gov/resources/policies-standards-and-procedures>
- SIPC Memorandum of Understanding (MOU): <https://www.sipc.org/about-sipc/>
- State Environmental policies: <https://azdeq.gov/LawsAndRules>
- Family Education Rights Privacy Act (FERPA): <https://www2.ed.gov/policy/gen/guid/fpco/ferpa/students.html>
- Driver's Privacy Protection Act (DPPA): <https://azdot.gov/motor-vehicles/driver-services/driver-license-information/motor-vehicle-records>
- Incident Response Reporting program and system:
https://aset.az.gov/sites/default/files/P8240%20Incident%20Response%20Planning_Sept2018_0.pdf
- Privacy Incident Reporting policy and standards:
<https://aset.az.gov/sites/default/files/STANDARD%208240%20INCIDENT%20RESPONSE%20PLANNING.pdf>
- State of Arizona Library, Archives and Public Records, Records Management Division, General Retention Schedules <https://azlibrary.gov/arm/policies>
- Payment Card Industry (PCI) Security Standards including but not limited to Supplemental Documents, Information Supplements and Validation Requirements: <https://www.pcisecuritystandards.org/>

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Appendix F – Glossary of Terms

Acronym	Term	Definition
ACD	Automatic Call Distribution (Distributor)	Equipment that automatically distributes incoming calls to available PSAP attendants in the order the calls are received, or queues calls until an attendant becomes available.
ADR	Additional Data Repository	A data storage facility for data that further describes the nature of how the call was placed, the person(s) associated with the device placing the call, or the location the call was placed from. There are three types of Additional Data: Additional Data for the Call, Additional Data for the Caller and Additional Data for the Location.
AGC	Automatic Gain Control	Auto-focus of audio.
AI	Artificial Intelligence	The theory and development of computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.
ALI	Automatic Location Identification	Tabular reference for the current 911 system. Defines destination PSAP for every landline telephone number and cellular tower.
ANI	Automatic Number Identification	Telephone number (TN) associated with the access line from which a call originates.
APCO	Association of Public-Safety Communications Officials-International	Organization of public safety communications professionals providing public safety communications expertise, professional development, technical assistance, advocacy and outreach to its members and the public.
ATIS	Alliance for Telecommunications Industry Solutions	A U.S.-based organization that is committed to developing and promoting technical and operations standards for the communications and related information technologies industry worldwide using a pragmatic, flexible and open approach. www.atis.org
ATP	Acceptance Test Plan	An Acceptance Test Plan (ATP) describes the acceptance testing process, such as the features to be tested, pass/fail criteria, approach to testing, checklists, roles and responsibilities, resource requirements and schedules.



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Acronym	Term	Definition
BCF	Border Control Function	Provides a secure entry into the ESInet for emergency calls presented to the network. The BCF incorporates firewall, admission control, and may include anchoring of session and media as well as other security mechanisms to prevent deliberate or malicious attacks on PSAPs or other entities connected to the ESInet.
CAD	Computer-Aided Dispatch	A computer-based system that aids PSAP telecommunicators by automating selected dispatching and record-keeping activities.
CDR	Call Detail Record	The data information sent to the ALI computer by a remote identifying device.
CHaaS	Call Handling as a Service	Call Handling Equipment (CHE) provided as a service and delivered over the ESInet as opposed to a capital purchase in an own/operate model.
CHE	Call-Handling Equipment	The PSAP equipment needed to manage and handle the details of all communication from the caller. It includes the interfaces, devices and applications utilized by the Agents to handle the call.
CID	Caller ID	A telephone service, available in analog and digital telephone systems, including voice over IP (VoIP), that transmits a caller's telephone number to the called party's telephone equipment when the call is being set up.
CJIS	Criminal Justice Information Services	Serves as the focal point and central repository for criminal justice information services in the FBI. Programs initially consolidated under the CJIS Division included the National Crime Information Center (NCIC), Uniform Crime Reporting (UCR), and Fingerprint Identification. In addition, responsibility for several ongoing technological initiatives was transferred to the CJIS Division, including the Integrated Automated Fingerprint Identification System (IAFIS), NCIC 2000, and the National Incident-Based Reporting System (NIBRS). https://www.fbi.gov/about-us/cjis
CLEC	Competitive Local Exchange Carrier	See "Local Exchange Carrier".
CMIP	Common Management Information Protocol	OSI-specified network management protocol; models management information in terms of managed objects and allows modification and performing actions on the objects.
COOP	Continuity of Operations	A Continuity of Operations (COOP) plan will document how the organization, division or department will perform essential operations during an emergency situation.



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Acronym	Term	Definition
CPE	Customer Premises Equipment	Communications or terminal equipment located in the customer's facilities. (The 9-1-1 telephone equipment at the PSAP.)
CPN	Calling Party's Number	The call back number associated with a wireless telephone. The CPN may also be the Mobile Directory Number (MDN), Mobile Identification Number (MIN), a temporary call back number, a tracking number or ID number and may not support call back in all cases.
CSAA	Central Station Alarm Association	The CSAA, which historically monitored only fire and burglar alarms, is now known as <i>The Monitoring Association</i> , and now also monitors medical devices, access control and other non-emergency events. The Association advances the professional monitoring industry through education, advocacy and public safety relationships.
CSV	Comma-Separated Values	A comma-separated values (CSV) file is a delimited text file that uses a comma to separate values. Each line of the file is a data record.
DBMS	Database Management System	A system of manual procedures and computer programs used to create, store and update the data required to provide Selective Routing (SR) and/or Automatic Location Identification (ALI) for E9-1-1 systems. Also known as: DMS
DOJ	Department of Justice	The DOJ is responsible for the enforcement of law and administration of justice in the U.S.
DR	Disaster Recovery	The process of resuming normal operations following a disaster by regaining access to data, hardware, software, networking equipment, power, and connectivity.
ECD	Emergency Communications District	A group of public safety agencies.
ECRF	Emergency Call Routing Function	A functional element in an NGCS (Next Generation 9-1-1 Core Services) which is a LoST protocol server where location information (either civic address or geo-coordinates) and a Service URN serve as input to a mapping function that returns a Uniform Resource Identifier (URI) used to route an emergency call toward the appropriate PSAP for the caller's location or towards a responder agency. • External ECRF: An ECRF instance that resides outside of an NGCS instance. • Internal ECRF: An ECRF instance that resides within and is only accessible from an NGCS instance.



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Acronym	Term	Definition
	Egress	At the egress port on the NGCS solution, where it connects to the ESInet out to the PSAPs.
EIDD	Emergency Incident Data Document	The Emergency Incident Data Document (EIDD) provides a standardized, industry-neutral National Information Exchange Model (NIEM) conformant (XML-based) specifications for exchanging emergency incident information to agencies and regions that implement NG9-1-1 and Internet Protocol (IP) based emergency communications systems. Emergency incident information exchanges supported by the EIDD include exchanges between disparate manufacturers' systems located within one or more public safety agencies and with other incident stakeholders.
EIDO	Emergency Incident Data Object	A JSON-based (JavaScript Object Notation) object that is used to share emergency incident information between and among authorized entities and systems.
EOL	End-of-Life	A term used with respect to a product supplied to customers indicating that the product is in the end of its useful life (from the vendor's point of view), and a vendor stops marketing, selling, or rework sustaining it.
EOS	End-of-Support	A term used with respect to a product or service supplied to customers indicating that the manufacturer intends to end further support of the product or service.
ESIND	Emergency Services IP Network Design	A set of network design requirements necessary to ensure that ESInets meet industry standards for NG911 systems.
ESInet	Emergency Services IP Network	Managed IP network that is used for emergency services communications, and which can be shared by all public safety agencies. It provides the IP transport infrastructure upon which independent application platforms and core services can be deployed, including, but not restricted to, those necessary for providing NG911 services.



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Acronym	Term	Definition
ESRP	Emergency Services Routing Proxy	An i3 ⁹ functional element that is a SIP proxy server; that the ESRP selects the next-hop routing within the ESInet based on location and policy. There is an ESRP on the edge of the ESInet. There is usually an ESRP at the entrance to an NG911 PSAP. There may be one or more intermediate ESRPs between them. Originating ESRP: The first routing element within the NGCS. It receives calls from the BCF at the edge of the ESInet. Terminating ESRP: The last ESRP for a call in NGCS.
ESZ	Emergency Service Zone	A geographical area that represents a unique combination of emergency service agencies (e.g., law enforcement, fire/rescue, and emergency medical service) that is within a specified 911 governing authority's jurisdiction.
FCC	Federal Communications Commission	An independent U.S. government agency overseen by Congress, the Federal Communications Commission regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia and U.S. territories.
GIS	Geographic Information System	A system for capturing, storing, displaying, analyzing, and managing data and associated attributes which are spatially referenced.
HELD	HTTP-Enabled Location Delivery	A protocol that can be used to acquire Location Information (LI) from a LIS within an access network as defined in IETF RFC 5985.
	Help Desk Availability	The time of day resources are available to answer calls from the PSAP or ASET to create trouble tickets and dispatch technicians.
HMI	Human-Machine Interface	The means through which a person interacts with an automated system/machine. A vehicle or an installation is sometimes referred to as the human machine interface.
HTTP	Hypertext Transfer Protocol	Typically used between a web client and a web server that transports HTML and/or XML.
i3	National Emergency Number Association's (NENA) designation for its Next Generation 911 (NG911) system specifications and definitions	NENA i3 introduces the concept of an Emergency Services IP network (ESInet), which is designed as an IP-based inter-network (network of networks) shared by all agencies which may be involved in any emergency.

⁹ https://www.nena.org/resource/resmgr/standards/NENA-STA-010.2_i3_Architectu.pdf

[Link operational as of June 16, 2020]



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Acronym	Term	Definition
i3 PSAP	A Public Safety Answering Point equipped with a call handling system capable of connecting to and receiving calls from an i3 NGCS call routing system.	NENA i3 introduces the concept of an ESInet, which is designed as an IP-based internetwork (network of networks) shared by all agencies that may be involved in any emergency. A PSAP that is capable of receiving IP-based signaling for delivery of emergency calls and for originating calls and is conformant to NENA-STA-010 and other specifications for such PSAPs.
IDS	Intrusion Detection System	An intrusion detection system is a device or software application that monitors a network or systems for malicious activity or policy violations. Any intrusion activity or violation is typically reported either to an administrator or collected centrally using a security information and event management system.
IDX	Incident Data Exchange	A Functional Element that facilitates the exchange of Emergency Incident Data Objects (EIDOs) among other Functional Elements both within and external to an agency. (Previously called "IDE")
IETF	Internet Engineering Task Force	Lead standard setting authority for Internet protocols.
ILEC	Incumbent Local Exchange Carriers	A telephone company that had the initial telephone company franchise in an area.
	Ingress	At the SIP interface on any LNG or LSRG, depending on the connection.
IoT	Internet of Things	A system of interrelated computing devices, mechanical and digital machines provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.
IP	Internet Protocol	The method by which data is sent from one computer to another on the Internet or other networks.
IPSR	Internet Protocol Selective Router	Routes calls based upon geospatial data, ensuring that all current and future call types—including text, multimedia, Voice over IP (VoIP), wireless, and landline—can be routed to the appropriate PSAP. Routing rules are defined in the solution, such as call delivery based upon the geography of an incoming call.
IS-ADR	Identity Searchable Additional Data Repository	An Additional Data Repository that provides a service that can search for Additional Data based on a sip/sips or tel URI: (e.g., Additional Data for the caller).



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Acronym	Term	Definition
ITSM	Information Technology Service Management	How IT teams manage the end-to-end delivery of IT services to customers. This includes all the processes and activities to design, create, deliver, and support IT services. The core concept of ITSM is the belief that IT should be delivered as a service.
KPI	Key Performance Indicator	A measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets.
LATA	Local Access and Transport Area	The geographical areas within which a local telephone company offers telecommunications services.
LATA POI	Local Access and Transport Area – Point of Interconnection	The geographical areas within which a local telephone company offers telecommunications services and a physical demarcation between an originating carrier network and an NG9-1-1 network.
LDB	Location Database	The server that retains all of the current information, functionality, and interfaces of today's ALI and can utilize the new protocols required in an NG911 deployment.
LEC	Local Exchange Carrier	A Telecommunications Carrier (TC) under the state/local Public Utilities Act that provides local exchange telecommunications services. Also known as: • Incumbent Local Exchange Carriers (ILECs) • Alternate Local Exchange Carriers (ALECs) • Competitive Local Exchange Carriers (CLECs) • Competitive Access Providers (CAPs) • Certified Local Exchange Carriers (CLECs) • Local Service Providers (LSPs)
LIS	Location Information Server	A functional element in an IP-capable originating network that provides locations of endpoints (i.e., calling device). A LIS can provide Location-by-Reference, or Location-by-Value, and, if the latter, in geo or civic forms. A LIS can be queried by an endpoint for its own location, or by another entity for the location of an endpoint. In either case, the LIS receives a unique identifier that represents the endpoint, for example an IP address, circuit-ID or Media Access Control (MAC) address and returns the location (value or reference) associated with that identifier. The LIS is also the entity that provides the dereferencing service, exchanging a location reference for a location value.
LNG	Legacy Network Gateway	A NG9-1-1 Functional Element that provides an interface between a non-IP originating network and a Next Generation Core Services (NGCS) enabled network.



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Acronym	Term	Definition
LoST	Location-to-Service Translation	A NG9-1-1 Functional Element that provides an interface between a non-IP originating network and a Next Generation Core Services (NGCS) enabled network.
LPG	Legacy PSAP Gateway	A signaling and media interconnection point between an ESI-net and a legacy PSAP. It plays a role in the delivery of emergency calls that traverse an i3 ESI-net to get to a legacy PSAP, as well as in the transfer and alternate routing of emergency calls between legacy PSAPs and NG9-1-1 PSAPs. The Legacy PSAP Gateway supports an IP (i.e., SIP) interface towards the ESI-net on one side, and a traditional MF or Enhanced MF interface (comparable to the interface between a traditional Selective Router and a legacy PSAP) on the other.
LNG	Legacy Network Gateway	An NG9-1-1 Functional Element that provides an interface between a non-IP originating network and a Next Generation Core Services (NGCS) enabled network.
LSRG	Legacy Selective Router Gateway	Provides an interface between a 9-1-1 Selective Router and an ESI-net, enabling calls to be routed and/or transferred between Legacy and NG networks. A tool for the transition process from Legacy 9-1-1 to NG9-1-1.
LTE	Long-Term Evolution	A standard for wireless communication of highspeed data for mobile phones and data terminals developed by the 3rd Generation Partnership Project (3GPP).
LVF	Location Validation Function	A functional element in an NGCS that is a LoST protocol server where civic location information is validated against the authoritative GIS database information.
MIS	Management Information System	A program that collects, stores, and collates data into reports enabling interpretation and evaluation of performance, trends, traffic capacities, etc.
ML	Machine Learning	Machine learning is the study of computer algorithms that improve automatically through experience. It is seen as a subset of artificial intelligence.
MLTS	Multiline Telephone System	A system comprised of common control unit(s), telephone sets, control hardware and software and adjunct systems used to support the capabilities outlined herein. This includes network and premises-based systems. E.g., Centrex, VoIP, as well as PBX, Hybrid, and Key Telephone Systems (as classified by the FCC under Part 68 Requirements) and includes systems owned or leased by governmental agencies and non-profit entities, as well as for profit businesses.



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Acronym	Term	Definition
MOP	Method of Procedure	A step-by-step guideline for completing a project.
MOS	Mean Opinion Score	A measure used in the domain of Quality of Experience and telecommunications engineering, representing overall quality of a stimulus or system. It is the arithmetic mean over all individual values on a predefined scale that a subject assigns as an opinion on the performance of a system quality. Such ratings are usually gathered in a subjective quality evaluation test, but they can also be algorithmically estimated.
MPP	Master Project Plan	The detailed project plan that specifies the project's scope, cost, schedule, activities, and resources.
MRC	Monthly Recurring Charge	A charge set to recur automatically each billing month.
MSAG	Master Street Address Guide	A database of street names and house number ranges within their associated communities defining Emergency Service Zones (ESZs) and their associated Emergency Service Numbers (ESNs) to enable proper routing of 911 calls. Tabular reference for address validation in the current 911 system. Defines all possible addresses within a jurisdiction.
MSRP	Message Session Relay Protocol	A standardized mechanism for exchanging instant messages using SIP where a server relays messages between user agents.
NENA	National Emergency Number Association	Standards body for 911 and NG911.
NENA i3	See i3 above	
NERC	North American Electric Reliability Corporation	A not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the electric grid.
NG911	Next Generation 911	An Internet Protocol (IP)-based system comprised of managed Emergency Services IP networks (ESInets), functional elements (applications), and databases that replicate traditional E9-1-1 features and functions and provides additional capabilities. NG9-1-1 is designed to provide access to emergency services from all connected communications sources and provide multimedia data capabilities for Public Safety Answering Points (PSAPs) and other emergency service organizations.



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Acronym	Term	Definition
NGCS	Next Generation Core Services	The base set of services needed to process a 9-1-1 call on an ESInet. Includes the ESRP, ECRF, LVF, BCF, Bridge, Policy Store, Logging Services and typical IP services such as DNS and DHCP. The term NG9-1-1 Core Services includes the services and not the network on which they operate. See Emergency Services IP Network.
NG-SEC	Security for Next Generation 911	Short name for NENA Standard 75-001, <i>Security for Next-Generation 9-1-1 (NG-SEC)</i> .
NIEM	National Information Exchange Model	A community-driven, standards-based, national model for structured information sharing. www.niem.gov
NIST	National Institute of Standards and Technology	A part of the United States Department of Commerce that oversees the operation of the U.S. National Bureau of Standards. NIST works with industry and government to advance measurement science and to develop standards in support of industry, commerce, scientific institutions, and all branches of government. Their mission is to promote innovation and industrial competitiveness. www.nist.gov
NOC	Network Operations Center	A centralized location where IT support technicians can supervise, monitor, and maintain client networks.
NORS	Network Outage Reporting System	System used by the FCC for communications providers to report significant network outages.
	Notification Time	The interval between recognition of an issue and communication to the reporting party of the issue.
NRC	Non-recurring Charge	A one-time charge by a vendor for a specific cost.
NSI	Non-Service Initiated	A mobile device for which there is no valid service contract with any CMRS provider. As such, NSI devices have no associated subscriber name and address, do not provide a call-back number, and may not provide location.
NTP	Network Time Protocol	A networking protocol for clock synchronization between computer systems over packet-switched, variable-latency data networks.
OSP	Originating Service Provider	A communications provider that allows its users or subscribers to originate 911 voice or nonvoice messages to a PSAP. This includes but is not limited to wireline, wireless and VoIP services.
pANI	Pseudo automatic number identification	A telephone number used to support routing of wireless 911 calls.
PCA	PSAP Credentialing Agency	The root authority designated to issue and revoke security credentials (in the form of an X.509 certificate) to authorized 911 agencies in an i3-compliant infrastructure.



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Acronym	Term	Definition
PIDF-LO	Presence Information Data Format Location Object	Provides a flexible and versatile means to represent location information in a SIP header using an XML schema.
PIF	Protocol Interworking Function	That functional component of a Legacy Network Gateway (LGN) or Legacy PSAP Gateway that interworks legacy PSTN signaling such as ISUP or CAMA with SIP signaling.
POI	Point of Interconnection	A Physical Demarcation between an originating carrier network and an NG9-1-1 network.
PRF	Policy Routing Function	That functional component of an Emergency Services Routing Proxy (ESRP) that determines the next hop in the SIP signaling path using a policy.
PRR	Policy Routing Rule	Rules established for forwarding and routing data packets based on defined policies.
PSAP	Public Safety Answering Point	The entity responsible for receiving 911 calls and processing those calls according to a specific operational policy.
PSTN	Public Switched Telephone Network	The network of equipment, lines, and controls assembled to establish communication paths between calling and called parties in North America.
QoS	Quality of Service	As related to data transmission a measurement of latency, packet loss and jitter.
RBH	Regular Business Hours	The hours that an organization has individuals staffed to take calls, generally 8 am to 5 pm Central and Eastern; depending on the location of the end site.
	Response Time	The interval between a trouble ticket being created and when a qualified resource is actively involved in addressing issues recorded in a trouble ticket.
	Repair Time	The interval between a trouble ticket being created and the technology issue being resolved, or an acceptable workaround is in place, and all functions have been restored to normal.
REST	Representational State Transfer	An interface that transmits domain-specific data over HTTP without an additional messaging layer such as simple object access protocol (SOAP) or session tracking via HTTP cookies.
RFC	Request for Comments	A request for document review by interested parties after a drafting committee/group has drafted a document.
RFO	Reason for Outage	A document provided by a vendor that provides details about an interruption in service.



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Acronym	Term	Definition
RFP	Request for Proposals	A document that solicits proposal, often through a bidding process, by an agency or company interested in procurement of a commodity, service, or valuable asset, to potential suppliers.
RTP	Real-time Transport Protocol	An Internet Protocol standard that specifies the way programs manage the real-time transmission of multimedia data over unicast or multicast network services.
RTT	Real-Time Text	Text transmission that is character at a time, as in TTY.
SBC	Session Border Control	A commonly available functional element that provides security, NAT traversal, protocol repair and other functions to VoIP signaling such as SIP. A component of a Border Control Function.
SI	Spatial Interface	A standardized interface between the GIS and the functional elements that consume GIS data, such as the ECRF and/or LVF.
SIP	Session Initiation Protocol	A protocol specified by the Internet Engineering Task Force (IETF) (RFC3261) that defines a method for establishing multimedia sessions over the internet. Used as the call-signaling protocol in VoIP, NENA i2 and NENA i3.
SIPREC	Session Recording Protocol	An open SIP-based protocol for call recording.
SLA	Service Level Agreement	A contract between a service provider (either internal or external) and the end user that defines the level of service expected from the service provider. SLAs are output-based in that their purpose is specifically to define what the customer will receive.
SLR	Service Level Requirement	Collection of requirements that is gathered by the IT service provider detailing the service requirements with respect to description of the service, availability, capacity, continuity, service level objectives, service level targets, suppliers needed, roles and responsibilities needed. ¹⁰
SMS	Short Messaging Service	A text messaging service component of most telephone, internet and mobile device systems.
SNMP	Simple Network Management Protocol	A protocol used for managing devices on an IP network.
SOC	Security Operations Center	A centralized unit that deals with security issues on an organizational and technical level.

¹⁰ <https://www.itil-docs.com/it-service-level-requirements-template/>



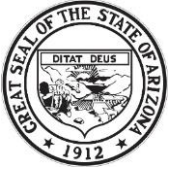
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Acronym	Term	Definition
SQL	Structured Query Language	A language used in programming and designed for managing data held in a relational database management system.
SR	Selective Router	The Central Office that provides the tandem switching of 9-1-1 calls. It controls delivery of the voice call with ANI to the PSAP and provides Selective Routing, Speed Calling, Selective Transfer, Fixed Transfer, and certain maintenance functions for each PSAP. Also known as Enhanced 911Control Office or 911 Tandem.
SSAE 16	Standards for Attestation Engagements Number 16	A deprecated auditing standard for service organizations, produced by the American Institute of Certified Public Accountants.
	System Availability	The percentage of time service is available; measured on a per-PSAP basis.
TCC	Text Control Center	A set of functions to interface between a carrier-originated wireless 911 text user and the PSAP environment. The TCC uses some of the functions of core NG9-1-1 system design, with additional specialized functionality to meet the needs of SMS text-to-9-1-1. When TCCs from different vendors are able to interoperate with each other, PSAPs can connect to multiple carriers through a single TCC.
TDD	Telecommunications Device for the Deaf	Text-based telecommunications equipment used by a person who does not have enough functional hearing to understand speech, even with amplification.
TDM	Time Division Multiplexing	A digital multiplexing technique for combining a number of signals into a single transmission facility by interweaving pieces from each source into separate time slots.
TDoS	Telephone Denial of Service	Illegal attacks targeting the telephone network by generating numerous 911phone calls, tying up the network and preventing an agency from receiving legitimate calls.
TIA	Telecommunications Industry Association	A lobbying and trade association, the result of the merger of the USTA (United States Telephone Association) and the EIA (Electronic Industries Association).
TTY	Teletypewriter	A teleprinter, an electronic device for text communication over a telephone line that is designed for use by persons with hearing or speech difficulties.
TVSS	Transient Voltage Surge Suppression	Devices designed to protect critical PSAP equipment from transients induced on powering and data/signal/telecommunications conductors.



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Acronym	Term	Definition
UI	User Interface	The means by which the user and computer system interact.
UPS	Uninterruptible Power Supply	An electrical apparatus that provides emergency power to a load when the input power source or main power fails.
URI	Uniform Resource Identifier	An identifier consisting of a sequence of characters that enables uniform identification of resources via a set of naming schemes.
URN	Uniform Resource Name	A type of URI. Uniform Resource Names (URNs) are intended to serve as persistent, location independent, resource identifiers and are designed to make it easy to map other namespaces (which share the properties of URNs) into URN-space.
VoIP	Voice over Internet Protocol	Telephone service provided through the internet rather than traditional telephone lines. This includes FIOS™, cable service such as Comcast and Time Warner, and purchased devices like Ooma, Google Voice, or Magic Jack.
VPN	Virtual Private Network	A network implemented on top of another network, and private from it, providing transparent services between networks or devices and networks. VPNs often use some form of cryptographic security to provide this separation.
XML	eXtensible Markup Language	An internet specification for web documents that enables tags to be used that provide functionality beyond that in Hyper Text Markup Language (HTML). In contrast to HTML, XML has the ability to allow information of indeterminate length to be transmitted to a PSAP call taker or dispatcher versus the current restriction that requires information to fit the parameters of pre-defined fields.

End of Section 2-A



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Section 2-B: Pricing Document

1.0 Compensation

1.1 COMPENSATION METHOD

Contractor will be compensated based on the final detailed written quote approved by the Customer. Pricing shall not exceed the labor rates indicated on the Pricing Document.

2.0 Pricing

2.1 **CONTRACTOR'S BEST PRICING.** Supplier warrants that, for the term of the Contract, the prices and discounts set out in Attachments/Exhibits titled ATTACHMENT 4_PRICING_BPM003444_NG911 _CHE.XLSX to this Pricing Document, including any subsequent agreed amendment to it (the "Contract Pricing"), will be equal to or better than the lowest prices and largest discounts, both separately and in combination, at which Contractor sells equivalent services, items of equipment and materials.

2.1.1 That price-plus-discount equivalence ("Contractor's Best Pricing") is intended to be irrespective of whether or not those other sales have special purchase terms, conditions, rebates or allowances.

2.1.2 If Contractor's Best Pricing for equivalent services, items of equipment and materials is better than the Contract Pricing, then Contractor agrees to adjust the Contract Pricing to match the Contractor's Best Pricing for all sales related to the Contractor made after the date when the Contractor's Best Pricing was first better than the Contract Pricing.

2.1.3 For clarification of intent, that date is intended to be the date when the difference first occurred, which might have been before the difference was first identified. If it was before, then Supplier agrees to charge at less than the Contract Pricing until the extended difference that would have been realized (i.e., if the Contractor's Best Pricing had been applied when it should have been) has been settled.

2.2 **PRICING-ALL-INCLUSIVE:**

2.2.1 Pricing is all-inclusive, including any ancillary fees and costs required to accomplish the Scope of Work and all aspects of Contractor's offer as accepted by State. Details of service not explicitly stated in the Scope of Work or in Contractor's Offer, but necessarily a part of, are deemed to be understood by Contractor and included herein. All administrative, reporting, or other requirements, all overhead costs and profit and any other costs toward the accomplishment of the requirements in the Contract are included in the pricing provided.

2.2.2 Pricing Structure for Call Handling – In order to stabilize State 911 Program budgeting, make pricing more predictable, and save Offerors the effort of individually pricing all 83 PSAPs in Arizona, ASET requests that Offerors provide **per-position pricing** for both their CHaaS and CHE proposals. ASET's preference is either for a fixed per-position price, regardless of the number of positions (typically used for CHaaS) OR a tiered per-position pricing structure, as follows:

Tier 1: 2 to 5 positions = \$W per position

Tier 2: 6 to 20 positions = \$X per position

Tier 3: 21 to 50 positions = \$Y per position

Tier 4: 51 or more positions = \$Z per position



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***** NOTE ***** For the purposes of this pricing proposal, CHE vendors may assume that every PSAP will have redundant broadband connections to the statewide ESInet and that all 911 calls will be delivered via the ESInet (i.e., no LPG will be needed) at the time of CHE deployment.

2.2.3 Optional Pricing for Call Location Mapping in Call Handling Solution – As mentioned in the Call Handling section of the Scope of Work (above), ASET is interested in providing a call location mapping capability to all PSAPs that is completely integrated into the call-handling application. If such capability is not included, no-additional-charge, feature of the proposed call-handling solution(s), Offeror is asked to provide separate, optional pricing for such an add-on. Such pricing should NOT be “baked-in” to the solution price for all PSAPs if it is normally sold as an optional, for-fee feature.

2.3 PRICE INCREASES:

2.3.1 The State may review a fully documented request for a price increase. The requested increase shall be in writing and be based upon a cost increase to the Contractor that was clearly unpredictable at the time of the offer and is directly correlated to the price of the product concerned. Contractor must provide conclusive evidence of a need for any price increases such as being substantiated by the Producer Price Index, Consumer Price Index, or similar pricing guide.

- (a) Initial Contract prices will be honored for one year after award of Contract.
- (b) All written requests for price adjustments made by the Contractor shall be initiated thirty (30) days in advance of any desired price increase to allow the State sufficient time to make a fair and equitable determination to any such requests. This may be waived upon proper documentation demonstrating the urgency of the request.
- (c) All price adjustments will be implemented by a formal contract amendment. The State shall determine whether the requested price increase or an alternate option is in the best interest of the State.

2.4 PRICE REDUCTIONS:

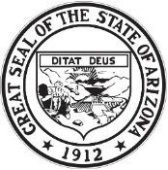
2.4.1 Price reductions shall be immediately passed along to the State and may be submitted in writing to the State for consideration at any time during the Contract period. The Contractor shall offer the State a price reduction on the Contract product(s) concurrent with a published price reduction made to other customers. The State, at its own discretion, may accept a price reduction. The price reduction request shall be in writing and include documentation showing the actual reduction of cost. Sales promotions requests shall include difference in pricing, begin and end date of promotion, along with the products covered.

2.5 ADDITIONAL CHARGES:

2.5.1 Any charges or fees not delineated in the Contract may not be added, billed, or invoiced under the Contract.

2.6 TRAVEL.

2.6.1 Contractor shall get written approval prior to any travel under the Contract in which reimbursement of expenses will be requested. Contractor will be reimbursed for actual expenses incurred in accordance with the current rates specified in the State’s Travel Policy. Contractor shall itemize all per diem and lodging charges. The State Travel Policy, including State rates, may be located at <https://gao.az.gov/travel>. The Eligible Entity/Customer shall reject any claim for travel reimbursement without prior written approval.



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3.0 Funding

No particular funding considerations, apart from paragraph 4.4 [*Availability of Funds for the Next State fiscal year*] and 4.5 [*Availability of Funds for the Current State fiscal year*] of the Uniform Terms and Conditions have been identified as of the Solicitation date.

4.0 Invoicing

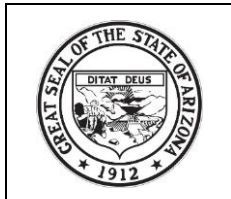
- 4.1 INVOICES GO TO BUYING ENTITY. Contractor shall submit all billing notices or invoices to the ordering Eligible Entity/Customer (e.g., Eligible Agency or Co-Op Buyer) at the address indicated on the applicable Order document or by utilizing the Buying Entity’s purchasing tool/process.
- 4.2 MINIMUM INVOICE REQUIREMENTS. Every invoice must include the following information:

Item	Required
Bill-to name and address	■
Contractor name and contact information	■
Remit-to address	■
State contract number	■
Order number (typically the State’s e-Procurement System PO #)	■
Invoice number and date	■
Date the items shipped or services performed	■
Applicable payment terms	■
Contract line item number	■
Contract line item description	■
Quantity delivered or performed	■
Line item unit of measure	■
Item price	■
Extended pricing	■
Discount off list or catalog	■
Taxes (<i>as a separate invoice line item</i>)	■
Upcharge shipping/freight, etc. (<i>as a separate invoice line item</i>)	Materials only
Total invoice amount due	■

- 4.3 NO INVOICE WITHOUT AUTHORIZATION. Contractor shall not seek payment for any:
1. Materials or Services that have not been authorized on an acknowledged Order;

2. Expediting, overtime, premiums, or upcharges absent State’s express prior approval; or

3. Materials or Services that are the subject of a Contract Amendment that has not been fully signed.



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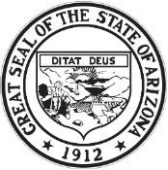
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- 4.4 PRE-INVOICE REVIEW. Shortly before Contractor is scheduled to submit each invoice, the parties' representatives shall meet informally to review any issues relevant to that upcoming invoice so that the formal invoice process is thereby facilitated and made more efficient.
- 4.5 SUBMITTING INVOICES. Contractor shall submit an invoice to the ordering Eligible Agency or Co-Op Buyer using the form and/or process provided or required by the ordering Eligible Entity/Customer (Eligible Agency or Co-Op Buyer). Every invoice must be signed by Contractor's authorized representative and accompanied by all supporting information and documentation required by the Contract and applicable laws.
- 4.6 DEFECTIVE INVOICES. Without prejudice to its other rights under the Contract or further obligation to Contractor, the ordering Eligible Entity/Customer (Eligible Agency or Co-Op Buyer) may, at its discretion, reject any materially defective invoice.
- 4.6.1 The ordering Authorize Entity/Customer (Eligible Agency or Co-Op Buyer) shall notify Contractor within 5 (five) business days after receipt if it determines an invoice to be materially defective.
- 4.6.2 Invoices will be deemed automatically rejected upon delivery if they:
- (a) are sent to an incorrect address;
 - (b) do not reference the correct State contract number; or
 - (c) are payable to any Person other than the Contractor.
- 4.6.3 The ordering Eligible Entity/Customer (Eligible Agency or Co-Op Buyer) will have no obligation to pay against a defective invoice unless and until Contractor has re-submitted it free of defects.

5.0 Payments

- 5.1 PAYMENT. The applicable Eligible Agency or Co-Op Buyer shall pay undisputed amounts due to Contractor within the time period specified in Section 4.0 Costs and Payments of the Uniform Terms and Conditions
- 5.2 JOINT CHECKS OR DIRECT PAY. applicable Eligible Agency or Co-Op Buyer may, but is under no obligation to, pay by joint check or to pay directly to any Subcontractor or other creditor to whom any portion of Contractor's requested payment is owed.
- 5.3 RECOVERY OF OVER-PAYMENT. If applicable Eligible Agency or Co-Op Buyer determines that an over-payment has been made to Contractor on any prior invoice, it shall inform Contractor of the amount and date of the over-payment and may deduct the over-paid amount from amounts then or thereafter due to Contractor.
- 5.4 PAYMENTS TO SUBCONTRACTORS. Contractor shall make payment of all undisputed amounts due to Subcontractors within thirty (30) days of receipt of funds from applicable Eligible Agency or Co-Op Buyer applicable to their services.
- 5.5 PURCHASING CARD. Applicable Eligible Agency or Co-Op Buyer may pay invoices for some or all Orders using a purchasing card. Any and all fees related to payment using a Purchasing Card are the responsibility of Contractor. Unless otherwise stated in the Contract there will be no additional fees or increase in prices associated with this method of payment.
- 5.6 AUTOMATED CLEARING HOUSE. Applicable Eligible Agency or Co-Op Buyer may pay invoices for some or all Orders through an Automated Clearing House (ACH). In order to receive payments in this manner from Eligible Agencies, Contractor must complete an ACH Vendor Authorization Form (form GAO-618) within 30 (thirty) days after the effective date of the Contract. The form is available online at:
- <https://gao.az.gov/afis/vendor-information>

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6.0 Exhibits to the Pricing Document

None.

End of Section 2-B



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Section 2-C: Special Terms and Conditions

The Special Terms and Conditions modify the Uniform Terms and Conditions and its Appendices. It can modify them by replacing, deleting, appending to, or revising the text of an existing provision or by inserting a new paragraph into an existing article. No other document modifies or adds to the Uniform Terms and Conditions, except as may subsequently be otherwise and expressly agreed and incorporated by Contract Amendment.

1.0 Definition of Terms

As used in the Contract, the terms listed below are defined as follows:

- 1.1 Acceptance "Acceptance" means the document headed "Offer and Acceptance Form" bearing the State contract number once Procurement Officer has signed it to signify (1) State's formal acceptance of the Accepted Offer and (2) the formation of the Contract. For clarity of intent, the foregoing is not to be confused with the term "acceptance" used throughout the Contract in the context of delivery, inspection, etc., with respect to Materials or Services.
- 1.2 Accepted Offer If State did not request a Revised Offer, then "Accepted Offer" means the Initial Offer.
If State did request a Revised Offer but not a Best and Final Offer, then "Accepted Offer" means the latest Revised Offer.
If State requested a Best and Final Offer, then "Accepted Offer" means the Best and Final Offer.
- 1.3 Arizona Procurement Code; A.R.S.; A.A.C. "Arizona Procurement Code, "A.R.S.," and "A.A.C." are each defined in the Instructions to Offerors.
- 1.4 Arizona TPT "Arizona TPT" means Arizona Transaction Privilege Tax. For information, refer to the Arizona Department of Revenue (DOR) website at:
<https://www.azdor.gov/business/transactionprivilegetax.aspx>
- 1.5 Attachment "Attachment" means any item that:
 1. the Solicitation required Offeror to submit as part of the relevant Offer (e.g., Initial Offer, Revised Offer, or BAFO);
 2. was attached to an Offer when submitted; and
 3. was included in the Accepted Offer.
- 1.6 Pricing Document "Pricing Document" means Section 2-B of Part 2 of the Solicitation Documents, provided that, if there is no such Section in the Contract, then "Pricing Document" is to be construed as referring to whatever item in the Contract contains the contracted pricing and payment provisions.
- 1.7 Contract Amendment "Contract Amendment" means a document signed by Procurement Officer that has been issued for the purpose of making changes to the Contract after execution.
- 1.8 Contract Terms and Conditions "Contract Terms and Conditions" means the Special Terms and Conditions and these Uniform Terms and Conditions taken collectively.
- 1.9 Contractor "Contractor" means the Person identified on the Accepted Offer who has entered into the Contract with State.
- 1.10 Contractor Indemnitor "Contractor Indemnitor" means Contractor or any of its owners, officers, directors, agents, employees, or Subcontractors.
- 1.11 Co-Op Buyer "Co-Op Buyer" means a member of the State Purchasing Cooperative that has entered into a "Cooperative Purchasing Agreement" with the Arizona Department of Administration State Procurement Office under A.R.S. § 41-2632. Unless there is an applicable Cooperative



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Purchasing Agreement in effect at the time, a State Purchasing Cooperative member cannot be a Co-Op Buyer. For reference, "Co-Op Buyer" is to be construed as encompassing "eligible procurement unit" under A.A.C. R2-7-101(23).

NOTE: Membership in the State Purchasing Cooperative is open to all Arizona political subdivisions, including cities, counties, school districts, and special districts. Membership is also available to non-profit organizations, other state governments, the federal government and tribal nations. For reference, "non-profit organizations" are defined in A.R.S. § 41-2631(4) as any nonprofit corporation as designated by the IRS under section 501(c)(3) through 501(c)(6) of the tax code.

- 1.12 Eligible Agency If the Special Terms and Conditions indicates that the Contract is a "single-agency" contract, then "Eligible Agency" means the particular State of Arizona agency, university, commission, or board identified therein. If the Special Terms and Conditions indicates that the Contract is a "statewide" contract, then "Eligible Agency" means any State of Arizona department, agency, university, commission, or board.
- 1.13 Indemnified Basic Claims "Indemnified Basic Claims" means any and all claims, actions, liabilities, damages, losses, or expenses, including court costs, attorneys' fees, and costs of claim processing, investigation and litigation, for bodily injury or personal injury, including death, or loss or damage to any real or tangible or intangible personal property, collectively. See paragraph 6.3.
- 1.14 Instructions to Offerors "Instructions to Offerors" is Section 3-A of Part 3 of the Solicitation Documents.
- 1.15 Order "Order" means the instrument by which State authorizes Contractor to perform some or all of the Work. Whether the Contract will have one Order or many Orders depends the scope of the Contract and how State will use it. The Special Terms and Conditions provide that information. Any of the following is to be construed as being an "Order":
1. "Release" or "Release Purchase Order" in The State's e-Procurement System;
 2. "task order", "service order," or "job order" when a Release Purchase Order for Services has already been committed in The State's e-Procurement System; or
 3. "purchase order" for buying by Co-Op Buyers, if co-op buying applies.
- 1.16 The State's e-Procurement System "The State's e-Procurement System" means State's official electronic procurement system, established pursuant to A.A.C. R2-7-201 as set forth in the Arizona Department of Administration State Procurement Office policy document *Technical Bulletin No. 020, The State's e-Procurement System – The Official State eProcurement System*.
- NOTE (1): Technical Bulletin No. 020 is available online at:
<https://spo.az.gov/administration-policy/state-procurement-resource/procurement-regulations>
- 1.17 State With respect to the Contract generally, "State" means the State of Arizona and its department, agency, university, commission, or board that has executed the Contract. With respect to administration or rights, remedies, obligations and duties under the Contract for a given Order, "State" means each of Eligible Agency or Co-Op Buyer who has issued the Order.
- 1.18 State Indemnitees "State Indemnitees" means, collectively, the State of Arizona, its departments, agencies, universities, commissions, and boards and, and their respective officers, agents, and employees.
- 1.19 Subcontractor "Subcontractor" has the meaning given in A.R.S. § 41-2503(38), which, for convenience of reference only, is "... a person who contracts to perform work or render service to ... [C]ontractor or to another [S]ubcontractor as a part of a contract with a state governmental unit . . ."The Contract is to be construed as "a contract with a state governmental unit" for purposes of the definition. For clarity of intent, a Person carrying out any element of the Work is a Subcontractor from the moment they first carry out that element of the Work regardless of whether or not a Subcontract exists then or subsequently.
- 1.20 Work "Work" means the totality of the Materials and the Services and all the acts of administration, creation, production, and performance necessary to fulfill and incidental to fulfilling all of

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Contractor's obligations and duties under the Contract in conformance with the Contract and applicable laws.

2.0 Contract Interpretation

2.1 Usage

Where the Contract:

1. assigns obligations to Contractor, any reference to "Contractor" is to be construed to be a reference to "Contractor and all Subcontractors, whether they are first-tier subcontractors, sub-subcontractors, suppliers, sub-suppliers, consultants, or sub-consultants, as well as all of Contractor's and the Subcontractors' respective agents, representatives, and employees" in every instance unless the context plainly requires that it is be a reference only to Contractor as apart from Subcontractors;
2. uses the permissive "may" with respect to a party's actions, determinations, etc., the term is to be interpreted as in A.A.C. R2-7-101(31) [Definitions]. For clarity of intent, any right given to State using "State may" or a like construction denotes discretion and freedom to act so far as any regulatory or operative constraints permit in the relevant circumstances, provided that: (a) where written "may, at its discretion," the discretion extends to whatever is most advantageous to State; and (b) where written only as "may," the discretion is constrained by what is fair, reasonable, and as accommodating of the respective best interests of both parties as practicable under the circumstances;
3. uses the imperative "shall" with respect to a party's actions, duties, etc., the term is to be interpreted as in A.A.C. R2-7-101(43) [Definitions]. Conversely, the phrase "shall not" is to be interpreted as an imperative prohibition;
4. uses the term "must" with respect to a requirement, criterion, etc., the term is to be interpreted as conveying compulsion or strict necessity, and is to be read as though written "*must, if [the subject] is to be entitled to have [the object] considered or credited as being compliant with, conforming to, or satisfying [the requirement, criterion, constraint, etc.], otherwise, [the object] will be considered or debited as being non-compliant, non-conforming, or unsatisfactory for its Contract-related purposes*" in every instance;
5. uses the term "might" with respect to an event, outcome, action, etc., the term is to be interpreted as conveying contingency or non-discretionary conditionality; and
6. uses the term "will" or the phrases "is to be" or "are to be" with respect to an event, outcome, action, etc., the term or phrase is to be interpreted as conveying such certainty or imperativeness that "shall" is either unnecessary or irrelevant in that instance.

2.2 Contract Order of Precedence

COMPLEMENTARY DOCUMENTS. All of the documents forming the Contract are complementary. If certain work, requirements, obligations, or duties are set out only in one but not in another, Contractor shall carry out the Work as though the relevant work, requirements, obligations, or duties had been fully described in all, consistent with the other documents forming the Contract and as is reasonably inferable from them as being necessary to produce complete results.

CONFLICTS. In case of any inconsistency, conflict, or ambiguity among the documents forming the Contract and their provisions, they are to prevail in the following order, descending from most dominate to most subordinate, provided that, among categories of documents or provisions having the same rank, the document or provision with the latest date prevails. Information being identified in one document but not in another is not to be considered a conflict or inconsistency.

- (a) Contract Amendments;
- (b) the final Solicitation Documents, in the order:
 - (1) Special Terms and Conditions;
 - (2) Exhibits to the Special Terms and Conditions;

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- (3) Uniform Terms and Conditions;
 - (4) Scope of Work;
 - (5) Exhibits to the Scope of Work;
 - (6) Pricing Document;
 - (7) Exhibits to the Pricing Document;
 - (8) Specifications; and
 - (9) any other documents referenced or included in the Solicitation;
- (c) Orders, in reverse chronological order; and
- (d) Accepted Offer.

ATTACHMENTS AND EXHIBITS. For clarity of intent, if an item was an Attachment in the Solicitation Documents or an Offer (either Initial, Revised, Best and Final, or Accepted) and was subsequently made into an Exhibit, or its content was incorporated into one of the other Contract documents, then that Attachment no longer exists contractually as an “Attachment” since it has at that point been made into some other Contract document. In every other case, an Attachment and the Offeror data therein remain part of the Accepted Offer for purposes of precedence and contractual effect.

- 2.3

Independent Contractor
- Contractor is an independent contractor and shall act in an independent capacity in performance under the Contract. Neither party is or is to be construed as being to be the employee or agent of the other party, and no action, inaction, event, or circumstance will be grounds for deeming it to be so.
- 2.4

Complete Integration
- The Contract, including any documents incorporated into the Contract by reference, is intended by the parties as a final and complete expression of their agreement. There are no prior, contemporaneous, or additional agreements, either oral or in writing, pertaining to the Contract.

3.0 Contract Administration and Operation

- 3.1

Term of Contract
- The term of the Contract will commence on the date indicated on the Acceptance and continue for five (5) years **unless cancelled, terminated, or permissibly extended**.
- 3.2

Contract Extensions
- State may at its discretion extend the initial Contract term in increments of one or more months and do so one or more times, provided that, the maximum aggregate term of the Contract including extensions cannot exceed the maximum aggregate term of seven (7) years.
- 3.3

Notices and Correspondence
- 3.3.1

TO CONTRACTOR. State shall:
- (a)

address all Contract correspondence other than formal notices to the email address indicated as “Default for Type” for “General Mailing Address” in Contractor’s corresponding The State’s e-Procurement System Vendor Profile; and
- (b)

address any required notices to Contractor to the “Contact Name and Title” at the “Mailing Address” indicated on the Accepted Offer, as that address might have been amended during the term of the Contract.
- 3.3.2

TO STATE. Contractor shall:
- (a)

address all Contract correspondence other than format notices to the email address indicated in “Contact Instructions” in the State’s e-Procurement System Summary for State; and
- (b)

address any required notices to State to Procurement Officer identified as “Purchaser” in the State’s e-Procurement System Summary at the following mailing address:
- Arizona Department of Administration

State Procurement Office

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- 3.4

Signing of Contract Amendments
- 3.3.3

CHANGES. State may change the designated Procurement Officer, update contact information, or change the applicable mailing address by Contract Amendment.
- Contractor’s counter-signature – or “approval” in The State’s e-Procurement System, in the case of an amendment – is not required to give effect if the Contract Amendment only covers either:

1.

extension of the term of the Contract within the maximum aggregate term;

2.

revision to Procurement Officer appointment or contact information; or

3.

modifications of a clerical nature that have no effect on terms, conditions, price, scope, or other material aspect of the Contract.

In every case other than those listed in (1), (2), and (3) above, both parties’ signature – or “approval” in The State’s e-Procurement System, in the case of an Amendment – are required to give it effect.
- 3.5

Click-Through Terms and Conditions
- If either party uses a web based ordering system, an electronic purchase order system, an electronic order acknowledgement, a form of an electronic acceptance, or any software based ordering system with respect to the Contract (each an “Electronic Ordering System”), the parties acknowledge and agree that an Electronic Ordering System is for ease of administration only, and Contractor is hereby given notice that the persons using Electronic Ordering Systems on behalf of State do not have any actual or apparent authority to create legally binding obligations that vary from the terms and conditions of the Contract. Accordingly, where an authorized State user is required to “click through” or otherwise accept or be made subject to any terms and conditions in using an Electronic Ordering Systems, any such terms and conditions are deemed void upon presentation. Additionally, where an authorized State user is required to accept or be made subject to any terms and conditions in accessing or employing any Materials or Services, those terms and conditions will also be void.
- 3.6

Books and Records
- 3.6.1

RETAIN RECORDS. By A.R.S. § 41-2548(B), Contractor shall retain and shall contractually require each Subcontractor to retain books and records relating for any cost and pricing data submitted in satisfaction of § 41-2543 for the period specified in the statute.
- 3.6.2

RIGHT TO AUDIT. The retained books and records are subject to audit by State during that period. By A.R.S. § 41-2548(B), Contractor shall retain and shall contractually require each Subcontractor to retain books and records relating to performance under the Contract for the period specified in the statute and those retained books and records are subject to audit by State during that period.
- 3.6.3

AUDITING. Contractor or Subcontractor shall either make all such books and records under subparagraphs 3.6.1 and 3.6.2 available to State at all reasonable times or produce the records at a designated State office on State’s demand, the choice of which being at State’s discretion. For the purpose of this paragraph, “reasonable times” are during normal business hours and in such a manner so as to not unreasonably interfere with normal business activities.
- 3.7

Contractor Licenses
- Contractor shall maintain current all federal, state and local licenses and permits required for the operation of its business in general, for its operations under the Contract, and for the Work itself.
- 3.8

Inspection and Testing
- By A.R.S. § 41-2547, State may at reasonable times inspect the part of Contractor’s or Subcontractors’ plant or places of business related to performance under the Contract. Accordingly, Contractor agrees to permit (for itself) and ensure (for Subcontractors) access for inspection at any reasonable time to its facilities, processes, and services. State may inspect or test, at its own cost, any finished goods, work-in-progress, components, or unfinished materials that are be supplied under the Contract or that will be incorporated into something to be supplied under the Contract. If the inspection or testing shows non-conformance or defects, then Contractor will owe State reimbursement or payment of all costs it incurred in carrying out or contracting for the inspection and testing, as well as for any re-inspection or re-testing that



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might be necessary. Neither inspection of facilities nor testing of goods, work, components, or unfinished materials will of itself constitute acceptance by State of those things.

3.9 Ownership of Intellectual Property

3.9.1 **RIGHTS IN WORK PRODUCT.** All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other documentation or improvements thereto, including Contractor's administrative communications and records relating to the Contract, are considered work product and Contractor's property, provided that, State has Government Purpose Rights to that work product as and when it was delivered to State.

(a) "Government Purpose Rights" are:

- i. the unlimited, perpetual, irrevocable, royalty free, non-exclusive, worldwide right to use, modify, reproduce, release, perform, display, sublicense, disclose and create derivatives from that work product without restriction for any activity in which State is a party;
- ii. the right to release or disclose that work product to third parties for any State government purpose; and
- iii. the right to authorize those to whom it rightfully releases or discloses that work product to use, modify, release, create derivative works from the work product for any State government purpose; such recipients being understood to include the federal government, the governments of other states, and various local governments.

(b) "Government Purpose Rights" do not include any right to use, modify, reproduce, perform, release, display, create derivative works from, or disclose that work product for any commercial purpose or to authorize others to do so.

3.9.2 **JOINT DEVELOPMENTS.** The parties may each use equally any ideas, concepts, know-how, or techniques developed jointly during the course of the Contract, and may do so at their respective discretion, without obligation of notice or accounting to the other party.

3.9.3 **PRE-EXISTING MATERIAL.** All pre-existing software and other materials developed or otherwise obtained by or for Contractor or its affiliates independently of the Contract or applicable Purchase Orders are not part of the work product to which rights are granted State under subparagraph 3.9.1 above, and will remain the exclusive property of Contractor, provided that:

- (a) any derivative works of such pre-existing material or elements thereof that are created pursuant to the Contract are part of that work product;
- (b) any elements of derivative work of such pre-existing material that was not created pursuant to the Contract are not part of that work product; and
- (c) except as expressly stated otherwise, nothing in the Contract is to be construed to interfere or diminish Contractor's or its affiliates' ownership of such pre-existing materials.

3.9.4 **DEVELOPMENTS OUTSIDE OF CONTRACT.** Unless expressly stated otherwise in the Contract does not preclude Contractor from developing competing materials outside the Contract, irrespective of any similarity to materials delivered or to be delivered to State hereunder.

3.10 Subcontracts

3.10.1 **INITIAL LIST.** At the time of Contract execution, Contractor's candidate Subcontractors were identified in Attachment 3-C to the Accepted Offer [*Proposed Subcontractors*]. Agreeing to them being included in the Accepted Offer signified Procurement Officer's advance consent for Contractor to enter into a Subcontract with each candidate, which Contractor shall do as promptly as necessary to ensure its ability to carry out the Work in a timely manner.



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- 3.10.2 **ADDITIONAL NAMES.** Contractor shall not enter into a Subcontract without first obtaining Procurement Officer's written consent with any prospective Subcontractor that (a) was not listed on Attachment 3-C at time of Contract execution or (b) is for any Materials or Services categories other than the ones for which they were previously consented. For either case (a) or (b), Contractor shall submit a written request sufficiently in advance of the need date for those materials or services so that performance under the Contract is not impaired. Procurement Officer may request any additional information he or she determines is necessary to assess the submittal, and may withhold consent pending it.
- 3.10.3 **FLOW-DOWN.** Contractor shall incorporate the provisions, terms, and conditions of the Contract into every Subcontract by inclusion or by reference, as appropriate. When making any post-execution consent requests, Contractor shall include its warrant that it will do the same for the pending Subcontracts covered by the request. Entering into Subcontracts will not relieve Contractor of any of its obligations or duties under the Contract, including, among other things, the duty to supervise and coordinate the work of Subcontractors. Nothing contained in any Subcontract will create or is to be construed as creating any contractual relationship between State and the Subcontractor.
- 3.11 Offshore Performance of Certain Work Prohibited
- Contractor shall only perform those portions of the Services that directly serve State or its clients and involve access to secure or sensitive data or personal client data within the defined territories of the United States. Unless specifically stated otherwise in the Scope of Work, this paragraph does not apply to indirect or overhead services, redundant back-up services, or services that are incidental to performance under the Contract. This provision applies to work performed by Subcontractors at all tiers.
- 3.12 Orders
- 3.12.1 **ORDER SUFFICIENCY.** The Contract was awarded in accordance with the Arizona Procurement Code; the transactions and procedures required by the code for competitive source selection have been met. An Order issued that cites the correct State contract number will suffice to authorize Contractor to provide the Materials and perform the Services covered by that Order.
- 3.12.2 **ORDER TERMS.** All Orders are subject to the Contract Terms and Conditions; an Order cannot modify the Contract Terms and Conditions.
- 3.12.3 **ORDERS ARE OBLIGATORY.** Until the expiration or earlier termination of the Contract, State may issue and Contractor shall accept Orders that make proper reference to the Contract and are permissible hereunder, provided that, Contractor is not obliged to accept any Order that is not consistent with the then-current pricing, lead times, specifications, or payment provisions of the Contract. Contractor shall fulfill and complete any Orders that are begun but not yet completed as of expiration or earlier termination of the Contract unless State instructs otherwise at the time.
- 3.12.4 **SPECIAL CASE.** In the special case where both the following conditions are true, Procurement Officer's signature on the Acceptance is Contractor's authorization to perform and therefore no Order is required: (a) the Contract is identified as being a "single-agency/single-project" contract and (b) the Contract was created in The State's e-Procurement System as something other than a "Master/ Blanket" type.
- 3.12.5 **NO MINIMUMS OR COMMITMENTS.** (a) Contractor shall not impose any minimum dollar amount, item count, services volume, or services duration on Orders; (b) State makes no commitment of any kind concerning the quantity or monetary value of activity actually initiated or completed during the term of the Contract; (c) Contractor shall only deliver or perform as authorized by Orders; and (d) State is not limited as to the number of Orders it may issue for the Contract. For clarity of intent, the foregoing applies equally whether an Eligible Agency issues the Order or, if applicable, a Co-Op Buyer issues it.



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3.12.6 NON-CONTRACTED MATERIALS OR SERVICES. Any attempt to knowingly represent for sales, marketing, or related purposes that goods or services not specifically awarded are under a State contract is a violation of the Contract and law.

3.13 Provisions for
Statewide Contracts:

- Co-Op Usage
- Eligible Agencies
- Quarterly Reporting

The Contract is a "statewide" contract for multiple purchases, projects, or assignments, and can be purchased against by some or all Eligible Agencies and any Co-Op Buyers that elect to participate. Even if only one Eligible Agency needs or elects to purchase against the Contract, it is to be construed as being a "statewide" contract hereunder.

The Contract is an indefinite delivery, indefinite quantity (ID/IQ) type of contract; it is to be construed as a "delivery order" sub-type of ID/IQ contract to the extent the Work is Materials, and a "task order" sub-type to the extent the Work is Services.

Co-Op Usage

1. Contractor shall verify if an ordering entity is a bona fide Co-Op Buyer before selling Materials to or providing Services for them under the Contract. The current list of Co-Op Buyers is available on the State Procurement Office website:
<https://spo.az.gov/procurement-services/cooperative-procurement/state-purchasing-cooperative>
2. Contractor shall sell to Co-Op Buyers at the same price and on the same lead times and other terms and conditions under which it sells to Eligible Agencies, with the sole exception of any legitimately additional costs for extraordinary shipping or delivery requirements if the Co-Op Buyer is having Materials delivered or installed or Services performed at locations not contemplated in the contracted pricing (e.g. delivery to a location outside Arizona).
3. Contractor shall pay State an administrative fee against all Contract sales to Co-Op Buyers, as provided for under A.R.S. § 41-2633. The fee rate is 1%. Failure to remit the administrative fees is a material breach of contract, and will entitle State to its remedies under Article 8 and its right to terminate for default under Article 9. Method of calculation, payment procedures, and other details are provided on the State Procurement Office website:
<https://spo.az.gov/contractor-resources/statewide-contracts-administrative-fee>
4. Contractor shall acknowledge each Order from Co-Op Buyers in conformance with each buyer's instructions given at the time of ordering or in any supplemental participating agreement Contractor might have with them. Orders from Co-Op Buyers create no obligation on State's part, since they are entirely between the Co-Op Buyer and Contractor. That notwithstanding, Contractor's obligation under the Contract is to service Co-Op Buyers commercially as though they were with an Eligible Agency, and Contractor's refusal to do so would be a material breach of the Contract.

Eligible Agencies – Orders

Contractor shall acknowledge each Order from Eligible Agencies within 1 (one) business day after receipt by either:

- (a) "Approving" the Order electronically in The State's e-Procurement System, which will indicate Contractor's unqualified acceptance of the Order as issued; or,
- (b) "Rejecting" the Order electronically in The State's e-Procurement System, with a concurrent explanation by email to relevant originator as to the reason for rejecting it. By way of reminder, the only grounds on which Contractor may reject or refuse an Order are those set out in subparagraph 3.14.3 (Orders are Obligatory).

Unless and until Contractor has approved the Order in the State's e-Procurement System, it will have no effect under the Contract and will not oblige either State or Contractor. If the relevant Eligible Agency explicitly instructs at the time that a verbal acceptance is sufficient because of urgency or other unusual circumstances and Contractor duly gives its verbal acceptance, then



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Contractor will be deemed to have accepted the Order immediately upon commencing performance, provided that, Contractor must follow-up its verbal acceptance by accepting the Purchase Order electronically in The State's e-Procurement System within three (3) business days. Contractor shall thereafter be barred from subsequently rejecting the Order in The State's e-Procurement System and if it does so the rejection will be void.

Quarterly Usage Reports

Contractor shall submit to State a *Quarterly Usage Report* documenting all Contract sales to both Eligible Agencies and Co-Op Buyers, itemized separately. A *Quarterly Usage Report* shall still be submitted, even if there have been no sales to either Eligible Agencies and/or Co-Op Buyers. Contractor shall further itemize divisions, groups or areas within a given Eligible Agency if they place Orders independently of each other. Failure to submit the report is a material breach of contract, and will entitle State to its remedies under Article 8 and its right to terminate for default under Article 9. Contractor shall submit the report using the forms and following the instructions on the State Procurement Office website:

<https://spo.az.gov/contractor-resources/statewide-contracts-administrative-fee>

3.14 Multiple-Use Provisions

Eligible Agencies may issue Orders for Services in several forms, all of which become final and effective by a "Release Purchase Order" in The State's e-Procurement System. Orders issued by Co-Op Buyers will be in whatever form the Co-Op Buyer normally uses. Regardless of origin, Orders must cite the State contract number to be valid. State may, at its discretion in each instance, determine the scope, schedule, and price for each Order in any of the following ways:

1. By choosing some or all of the Materials or Services items covered by the Contract for which a price is established in the Pricing Document, then preparing an Order using those prices (e.g., filling out an order form), and sending it to Contractor.
2. By instructing Contractor to provide a comprehensive proposal of item quantities, combinations, etc., or services hours, personnel, etc., for a defined scope using those established prices as a basis, then validating and negotiating the proposal with Contractor and issuing an Order if and when reaching agreement.
3. As described in (2) above but requesting the proposal from both Contractor and other vendors who are contracted within the applicable scope categories and locations, either sequentially or concurrently, then selecting the proposal or proposals combination that is most advantageous to State.
4. As described in (3) above but introducing ad-hoc commercial competition by making the selection and ordering conditional on obtaining more favorable prices than the contractually-established ones.

When evaluating the proposals under (3) and (4) above, State may select based on price (for example, a quoted number of hours times the contracted or improved rate plus a fixed amount for incidentals), by experience and qualifications (for example, having an office nearer the required work location), or whatever combination thereof it determines is most appropriate to the work in question.

3.15 Other Contractors

State may undertake with its own forces or award other contracts to the same or other vendors for additional or related work. In such cases, Contractor shall cooperate fully with State's employees and such other vendors and carefully coordinate, fit, connect, accommodate, adjust, or sequence its work to the related work by others. Where the Contract requires handing-off Contractor's work to others, Contractor shall cooperate as State instructs regarding the necessary transfer of its work product, services, or records to State or the other vendors. Contractor shall not commit or permit any act that interferes with the State's or other vendors' performance of their work, provided that, State shall enforce the foregoing section equitably among all its vendors so as not impose an unreasonable burden on any one of them.

3.16 Work on State Premises

3.16.1 **COMPLIANCE WITH RULES.** Contractor is responsible for ensuring that its personnel comply with State's rules, regulations, policies, documented practices, and documented operating procedures while delivering or installing Materials or performing Services on State's grounds or in its facilities. For clarity of intent, the foregoing means that if



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Contractor is required to comply with certain security requirements in order to deliver, install, or perform at that particular location, then it shall do so nonetheless and without entitlement to any additional compensation or additional time for performance if those particular requirements are not expressly stated in the Contract. Contractor is reminded that violation of the prohibition under A.R.S. § 13-1502 against possession of weapons on State's property by anyone for whom Contractor is responsible is a material breach of contract and grounds for termination for default.

- 3.16.2 PROTECTION OF GROUNDS AND FACILITIES. Contractor shall deliver or install the Materials and perform the Services without damaging any State grounds or facilities. Contractor shall repair or replace any damage it does cause promptly and at its own expense, subject to whatever instructions and restrictions State needs to make to prevent inconvenience or disruption of operations. If Contractor fails to make the necessary repairs or replacements and do so in a timely manner, State will be entitled to exercise its remedies under paragraph 8.5 *[Right of Offset]*.

4.0 Costs and Payments

4.1 Payments

- 4.1.1 PAYMENT DEADLINE. State shall make payments in compliance with Arizona Revised Statutes Titles 35 and 41. Unless and then only to the extent expressly stated otherwise in the Pricing Document, State shall make payment in full for Materials that have been delivered and accepted and Services that have been performed and accepted within the time specified in A.R.S. § 35-342 after both of the following become true: (a) all of the Materials being invoiced have been delivered or installed (as applicable) and accepted and all of the Services being invoiced have been performed and accepted; and (b) Contractor has provided a complete and accurate invoice in the form and manner called for in the Pricing Document, provided that, State will not make or be liable for any payments to Contractor until Contractor has registered properly in The State's e-Procurement System and provided a current IRS Form W-9 to State unless excused by law from providing one.
- 4.1.2 PAYMENTS ONLY TO CONTRACTOR. Unless compelled otherwise by operation of law or order of a court of competent jurisdiction, State will only make payment to Contractor under the federal tax identifier indicated on the Accepted Offer.

4.2 Applicable Taxes

- 4.2.1 CONTRACTOR TO PAY ALL TAXES. State is subject to Arizona TPT. Therefore, Arizona TPT applies to all sales under the Contract and Arizona TPT is Contractor's responsibility (as seller) to remit. Contractor's failure to collect Arizona TPT or any other applicable sales or use taxes from an Eligible Agency or Co-Op Buyer (as buyer) will not relieve Contractor of any obligation to remit sales or use taxes that are due under the Contract or laws. Unless stated otherwise in the Pricing Document, all prices therein include Arizona TPT as well as every other manner of transaction privilege or sales/use tax that is due to a municipality or another state or its political subdivisions. Contractor shall pay all federal, state, and local taxes applicable to its operations and personnel.
- 4.2.2 TAX INDEMNITY. Contractor shall hold State harmless from any responsibility for taxes or contributions, including any applicable damages and interest, that are due to federal, state, and local authorities with respect to the Work and the Contract, as well as any related costs; the foregoing expressly includes Arizona TPT, unemployment compensation insurance, social security, and workers' compensation insurance.

5.0 Contract Changes

5.1 Contract Amendments

The Contract is issued for State under the authority of Procurement Officer. Only a Contract Amendment can modify the Contract, and then only if it does not change the Contract's general scope. Purported changes to the Contract by a person not expressly authorized by Procurement Officer or made unilaterally by Contractor will be void and without effect; Contractor will not be entitled to any claim made under the Contract based on any such purported changes.



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5.2 Assignment and Delegation

- 5.2.1 IN WHOLE. Contractor shall not assign in whole its rights or delegate in whole its duties under the Contract without Procurement Officer's prior written consent, which consent Procurement Officer may withhold at his or her discretion. If Contractor's proposed assignment or delegation stems from a split, sale, acquisition, or other non-merger change in control, then no such consent will be given in any event without the assignee or delegate giving State satisfactory and equivalent evidence or assurance of its financial soundness, competency, capacity, and qualification to perform as that which Contractor possessed when State first awarded it the Contract.
- 5.2.2 IN PART. Subject to paragraph 3.10 [*Subcontracts*] with respect to subcontracting, Contractor may assign particular rights or delegate particular duties under the Contract, but shall obtain Procurement Officer's written consent before doing so. Procurement Officer shall not unreasonably withhold consent so long as the proposed assignment or delegation does not attempt to modify the Contract in any way or to alter or impair State's rights or remedies under the Contract or laws.

6.0 Risk and Liability

6.1 Risk of Loss

Contractor shall bear all risk of loss to Materials while in pre-production, production, storage, transit, staging, assembly, installation, testing, and commissioning, if and as those duties are within the scope of the Work, until they have been accepted as conforming by State in the particular location and situation specified in the Order, or as specified generally elsewhere in the Contract if the Order does not provide particulars, provided that, risk of loss for nonconforming Materials will remain with Contractor notwithstanding acceptance to the extent the loss stems from the nonconformance.

6.2 Contractor Insurance

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including until any warranty periods under this Contract have expired, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

MINIMUM SCOPE AND LIMITS OF INSURANCE: Contractor shall provide coverage with limits of liability not less than those stated below.

1. Commercial General Liability (CGL) – Occurrence Form

Policy shall include bodily injury, property damage personal injury and broad form contractual liability coverage

General Aggregate	\$2,000,000
Products – Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Damage to Rented Premises	\$ 50,000
Each Occurrence	\$1,000,000

- a. The policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.



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- b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

2. Business Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL)

\$1,000,000

- a. Policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor, involving automobiles owned, leased, hired and/or non-owned by the Contractor.
- b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

3. Worker’s Compensation and Employers’ Liability

Workers’ Compensation.....Statutory

Each Accident

\$1,000,000

Disease – Each Employee

\$1,000,000

Disease – Policy Limit

\$1,000,000

- a. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
- b. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. 23-901, and when such contractor or subcontractor executes the appropriate waiver form (Sole Proprietor/Independent Contractor).

4. Technology Errors & Omissions Insurance – Required as applicable to the services provided.

Each Claim

\$ 2,000,000

Annual Aggregate

\$ 2,000,000

- a. Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract.
- b. Coverage shall include copyright infringement, infringement of trade dress, domain name, title or slogan.
- c. In the event that the Tech E&O insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years, beginning at the time work under this Contract is completed.

5. Network Security (Cyber) and Privacy Liability – Required as applicable to the services provided.

Each Claim

\$ 2,000,000



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Annual Aggregate

\$ 2,000,000

- a. Such insurance shall include, but not be limited to, coverage for third party claims and losses with respect to network risks (such as data breaches, unauthorized access or use, ID theft, theft of data) and invasion of privacy regardless of the type of media involved in the loss of private information, crisis management and identity theft response costs. This should also include breach notification costs, credit remediation and credit monitoring, defense and claims expenses, regulatory defense costs plus fines and penalties, cyber extortion, computer program and electronic data restoration expenses coverage (data asset protection), network business interruption, computer fraud coverage, and funds transfer loss.
- b. In the event that the Network Security and Privacy Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- c. The policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to vicarious liability of the insured arising out of the activities performed by or on behalf of the Contractor.
- d. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its department, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include, the following provisions:

1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 E.
2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

NOTICE OF CANCELLATION: Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice that a policy has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to State Procurement Office.

ACCEPTABILITY OF INSURERS: Contractor's Insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

VERIFICATION OF COVERAGE: Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.



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1. All such certificates of insurance and policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.
2. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.
3. All such certificates required by this Contract shall be sent directly to the Arizona State Procurement Office. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.

SUBCONTRACTORS: Contractors' certificate(s) shall include all subcontractors as insured under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage.

APPROVAL and MODIFICATIONS: The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action.

EXCEPTIONS: In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of self-insurance. If the Contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

6.3 Indemnification

To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgement costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnification will survive the termination of the above listed contract with the Contractor.

This indemnity shall not apply if the Contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.

6.4 Patent and Copyright Indemnification

CONTRACTOR/VENDOR (NOT PUBLIC AGENCY). With respect to Materials or Services provided or proposed by a Contractor Indemnitor for performance under the Contract, Contractor shall indemnify, defend and hold harmless State Indemnitees against any third-party claims for

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liability, costs, and expenses, including, but not limited to reasonable attorneys' fees, for infringement or violation of any patent, trademark, copyright, or trade secret by the Materials and the Services. With respect to the defense and payment of claims under this subparagraph:

1. State shall provide reasonable and timely notification to Contractor of any claim for which Contractor may be liable under this paragraph;
2. Contractor, with reasonable consultation from State, shall have control of the defense of any action on an indemnified claim including all negotiations for its settlement or compromise;
3. State may elect to participate in such action at its own expense; and
4. State may approve or disapprove any settlement or compromise, provided that, (i) State shall not unreasonably withhold or delay such approval or disapproval and (ii) State shall cooperate in the defense and in any related settlement negotiations.

If Contractor is a public agency, this paragraph 6.4 does not apply.

6.5 Force Majeure

- 6.5.1 DEFINITION. For this paragraph, “force majeure” means an occurrence that is (a) beyond the control of the affected party, (b) occurred without the party’s fault or negligence, and (c) something the party was unable to prevent by exercising reasonable diligence. Without limiting the generality of the foregoing, force majeure expressly includes acts of God, acts of the public enemy, war, riots, strikes, mobilization, labor disputes, civil disorders, fire, flood, lockouts, injunctions-intervention-acts, failures or refusals to act by government authorities, and, subject to paragraph 7.6 [*Performance in Public Health Emergency*], declared public health emergencies. Force majeure expressly does not include late delivery caused by congestion at a manufacturer’s plant or elsewhere, an oversold condition of the market, late performance by a Subcontractor unless the delay arises out of an occurrence of force majeure, or inability of either Contractor or any Subcontractor to acquire or maintain any required insurance, bonds, licenses, or permits.
- 6.5.2 RELIEF FROM PERFORMANCE. Except for payment of sums due, the parties are not liable to each other if an occurrence of force majeure prevents its performance under the Contract. If either party is delayed at any time in the progress of their respective performance under the Contract by an occurrence of force majeure, the delayed party shall notify the other no later than the following working day after the occurrence, or as soon as it could reasonably have been expected to recognize that the occurrence had effect in cases where the effects were not readily apparent. In any event, the notice must make specific reference to this paragraph specifying the causes of the delay in the notice and, if the effects of the occurrence are on-going, provide an initial notification and thereafter the delayed party shall provide regular updates until such time as the effects are fully known. To the extent it is able, the delayed party shall cause the delay to cease promptly and notify the other party when it has done so. The parties shall extend the time of completion by Contract Amendment for a period equal to the time that the results or effects of the delay prevented the delayed party from performing.
- 6.5.3 EXCUSABLE DELAY IS NOT DEFAULT. Failure in performance by either party will not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if and to the extent that such failure was or is being caused by an occurrence of force majeure.
- 6.5.4 DEFAULT DIMINISHES RELIEF. Entitlement to relief from the effects of an occurrence of force majeure is diminished to the extent that the delay did or will result from the affected party’s default unrelated to the occurrence, in which case and to that extent the other party’s normal remedies and the affected party’s obligations would apply undiminished.

6.6 Third Party
Antitrust
Violations

Contractor assigns to State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to Contractor toward fulfillment of the Contract.

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7.0 Warranties

- 7.1

Conformity to Requirements

Contractor warrants that, unless expressly provided otherwise elsewhere in the Contract, the Materials and Services will for 1 (one) year after acceptance and in each instance: (1) conform to the requirements of the Contract, which by way of reminder include without limitation all descriptions, specifications, and drawings identified in the Scope of Work and any Contractor affirmations included as part of the Contract; (2) be free from defects of material and workmanship; (3) conform to or perform in a manner consistent with current industry standards; and (4) be fit for the intended purpose or use described in the Contract. Mere delivery or performance does not substitute for express acceptance by State. Where inspection, testing, or other acceptance assessment of Materials or Services cannot be done until after installation, the forgoing warranty will not begin until State’s acceptance.
- 7.2

Contractor Personnel

Contractor warrants that its personnel will perform their duties under the Contract in a professional manner, applying the requisite skills and knowledge, consistent with industry standards, and in accordance with the requirements of the Contract. Contractor further warrants that its key personnel will maintain any certifications relevant to their work, and Contractor shall provide individual evidence of certification to State’s authorized representatives upon request.
- 7.3

Intellectual Property

Contractor warrants that the Materials and Services do not and will not infringe or violate any patent, trademark, copyright, trade secret, or other intellectual property rights or laws, except only to the extent the Specifications do not permit use of any other product and Contractor is not and cannot reasonably be expected to be aware of the infringement or violation.
- 7.4

Licenses and Permits

Contractor warrants that it will maintain all licenses required under paragraph 3.7 [*Contractor Licenses*] and all required permits valid and in force.
- 7.5

Operational Continuity

Contractor warrants that it will perform without relief notwithstanding being sold or acquired; no such event will operate to mitigate or alter any of Contractor’s duties hereunder absent a consented delegation under paragraph 5.32 [*Assignment and Delegation*] that expressly recognizes the event.
- 7.6

Performance in Public Health Emergency

Contractor warrants that it will:

1.

have in effect promptly after commencement a plan for continuing performance in the event of a declared public health emergency that addresses, at a minimum: (a) identification of response personnel by name; (b) key succession and performance responses in the event of sudden and significant decrease in workforce; and (c) alternative avenues to keep sufficient product on hand or in the supply chain; and

2.

provide a copy of its current plan to State within 3 (three) business days after State’s written request. If Contractor claims relief under paragraph 6.5 [*Force Majeure*] for an occurrence of force majeure that is a declared public health emergency, then that relief will be conditioned on Contractor having first implemented its plan and exhausted all reasonable opportunity for that plan implementation to overcome the effects of that occurrence, or mitigate those effects to the extent that overcoming entirely is not practicable.

For clarification of intent, being obliged to implement the plan is not of itself an occurrence of force majeure, and Contractor will not be entitled to any additional compensation or extension of time by virtue of having to implement it. Furthermore, failure to have or implement an appropriate plan will be a material breach of contract.
- 7.7

Lobbying

7.7.1

PROHIBITION.

(a)

Contractor warrants that:

i.

it will not engage in lobbying activities, as defined in 40 CFR part 34 and A.R.S. § 41-1231, et seq., using monies awarded under the Contract, provided that, the foregoing does not intend to constrain Contractor’s use of its own monies or property, including without limitation any net proceeds



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duly realized under the Contract or any value thereafter derived from those proceeds; and

- ii. upon award of the Contract, it will disclose all lobbying activities to State to the extent they are an actual or potential conflict of interest or where such activities could create an appearance of impropriety.

- (b) Contractor shall implement and maintain adequate controls to assure compliance with (a) above.
- (c) Contractor shall obtain an equivalent warranty from all Subcontractors and shall include an equivalent no-lobbying provision in all Subcontracts.

7.7.2 EXCEPTION. This paragraph does not apply to the extent that the Services are defined in the Contract as being lobbying for State's benefit or on State's behalf.

7.8 Survival of Warranties

All representations and warrants made by Contractor under the Contract will survive the expiration or earlier termination of the Contract.

8.0 State's Contractual Remedies

- 8.1 No modifications to uniform terms and conditions section.

9.0 Contract Termination

- 9.1 No modifications to uniform terms and conditions section.

10.0 Contract Claims

- 10.1 Claim Resolution Notwithstanding any law to the contrary, all contract claims or controversies under the Contract are to be resolved according to Arizona Revised Statutes Title 41, Chapter 23, Article 9, and rules adopted thereunder, including judicial review under A.R.S. § 12-1518.
- 10.2 Mandatory Arbitration In compliance with A.R.S. § 12-1518, the parties agree to comply in a judicial review proceeding with any applicable, mandatory arbitration requirements.

11.0 General Provisions for Materials

- 11.1 Applicability Article 11 applies to the extent the Work is or includes Materials.
- 11.2 Off-Contract Materials Contractor shall ensure that the design and/or procedures for the Materials ordering method prevents Orders for off-contract items or excluded items. Notwithstanding that State might have its own internal administrative rules regarding off-contract or excluded item ordering, and endeavors to prevent such orders from occurring, Contractor is responsible for not accepting any such Orders, State may, at its discretion, return any such items under subparagraph 11.17 or cancel any such Order under subparagraph 11.18, in either case being without obligation and at Contractor's expense. As used above, "off-contract item" refers to any product not included in the scope of the Contract and for which no price or compensation has been established contractually, and "excluded item" refers to any product expressly stated in the Contract as being excluded from the Contract.
- 11.3 Compensation for Late Deliveries Contractor shall have clear, published policies in place regarding late delivery, order cancelation, discounts, or rebates given to compensate for late deliveries, etc., and make them readily available to those Eligible Agencies, and Co-Op Buyers if applicable, that are likely to need them.
- 11.4 Indicate Shipping Costs on Order Contractor shall identify and provide the required substantiating documentation for the amount it intends to add for shipping in the Order acknowledgment if shipping is additional to the contracted price or rate for an item; otherwise, Contractor shall indicate that shipping is included in the Order price (in other words, every Order must indicate clearly whether or not shipping is included in the Order price, and if not included, how much is to be added and why that amount is the correct or appropriate one).

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- 11.5 Current Products Contractor shall keep all products being offered under the Contract: (a) in current and ongoing production; (b) in its advertised product lines; (c) as models or types that are actively functioning in other paying customer environments; and (d) in conformance to the requirements of the Contract.
- 11.6 Maintain Comprehensive Selection Contractor shall provide at all times the comprehensive selection of products for which a price is established in the Commercial Document for ordering by Eligible Agencies, and Co-Op Buyers if applicable.
- 11.7 Additional Products State, at its discretion, may modify the scope of the Contract by Contract Amendment to include additional products or product categories so long as they are within the general scope of the ones originally covered by the Contract. Once the Contract Amendment has been fully executed, Contractor shall then update all applicable catalogs and price lists and make them available to all affected entities at no additional cost. Either party may make the request to add products to the Contract; regardless of who makes the request, the parties shall negotiate in good faith a fair price for any additional products, but State may elect not to add some or all of the products in question if no agreement is reached on pricing in a timely manner. Contractor's request or proposal in response to State's request must include: (a) documentation demonstrating that the additional products meet or exceed the specifications for the original products while remaining in the same product groups as the original ones; and (b) documentation demonstrating that the proposed price for the additional products is both fair and reasonable and at the same level of discount relative to market price as were the original ones. Demonstration of (b) typically requires showing how prices at which sales are currently or were last made to a significant number of buyers compare to the prices or discounts (as applicable) being proposed for the additional products.
- 11.8 Discounted Products If a product or groups of products covered by the Contract are discontinued by the manufacturer, Contractor shall notify State within 5 (five) business days after receiving the manufacturer's notification. State, at its discretion, will either allow Contractor to provide substitutes for the discontinued products or delete the products from the scope of the Contract, both of which will be accomplished by Contract Amendment. Contractor shall then update all applicable catalogs and price lists and make them available to all affected entities at no additional cost. The parties shall negotiate in good faith a fair price for any substitute product, but State may elect to delete the products from the scope of the Contract if no agreement is reached on substitute pricing in a timely manner. When notifying State of the discontinuance, Contractor shall provide: (a) manufacturer's announcement or documentation stating that the products have been discontinued, with identification by model/part number; (b) documentation demonstrating that the substitute products meet or exceed the specifications for the discontinued products while remaining in the same product groups as were the discontinued ones; and (c) documentation demonstrating that the proposed price for the substitute products is both fair and reasonable and at the same level of discount relative to market price as were the discontinued ones.
- 11.9 Forced Substitutes Forced substitutions will not be permitted; Contractor shall obtain State's prior written consent before making any discretionary substitution for any product covered by the Contract.
- 11.10 Recalls In the event of a recall notice, technical service bulletin, or other important notification affecting a product offered under the Contract (collectively, "recalls" hereinafter), Contractor shall send timely notice to State for each applicable Order referencing the affected Order and product.
- Notwithstanding whatever protection Contractor might have under A.R.S. § 12-684 with respect to a manufacturer, Contractor shall handle recalls entirely and without obligation on the State's part, other than to permit removal of installed products, retrieval of stored products, etc., as necessary to implement the recall.



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11.11 Delivery

11.11.1 **PRICING.** Unless stated otherwise in the Commercial Document, all Materials prices set forth therein are FCA (seller's dock) Incoterms®2010, with "seller's dock" meaning the last place of manufacturing, assembly, integration, final packing, or warehousing before departure to designated point of delivery to State. For reference, the foregoing is to be construed as equivalent to "F.o.b. Origin, Contractor's Facility" under [FAR 52.247-30](#).

11.11.2 **LIABILITY.** Unless stated otherwise in the Commercial Document or an Order, Contractor's liability for all Materials is DDP (State-designated receiving point per Order) Incoterms®2010, but with unloading at destination included. For reference, the foregoing is to be construed as equivalent to "F.o.b. Destination, Within Consignee's Premises" under [FAR 52.247-35](#).

11.11.3 **PAYMENT.** Unless stated otherwise in the Commercial Document or an Order, State shall reimburse Contractor the costs of the difference between DDP (State-designated receiving point per Order) and FCA (seller's dock) with no mark-up, which Contractor shall itemize and invoice separately.

11.12 Delivery Time

Unless stated otherwise in the Commercial Document generally or in the applicable Order particularly, Contractor shall make delivery within 2 (two) business days after receiving each Order.

11.13 Delivery Locations

Contractor shall offer deliveries to every location served under the scope of the Contract, specifically

1. if the Contract is for a single State agency in a single area, then Contractor shall deliver to any agency location in that area;
2. if the Contract is for a single State agency in all its locations, then Contractor shall deliver to any of that agency's location in Arizona;
3. if the Contract is for statewide use but excludes certain areas, then Contractor shall deliver to any Eligible Agency or Co-Op Buyer location that is not in the excluded areas; and
4. if the Contract is for unrestricted statewide use, then:
 - (a) Contractor shall deliver to any Eligible Agency or Co-Op Buyer anywhere in Arizona;
 - (b) If a prospective Co-Op Buyer outside Arizona wishes to order against the Contract, Contractor agrees to negotiate in good faith any fair and reasonable price or lead time adjustments necessary to serve that location if practicable to do so within the scope of its normal business; and,
 - (c) if the Commercial Document indicates defined delivery areas and prices, those always apply unless the Order expressly states otherwise and Contractor accepts it.

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11.14 Conditions at
Delivery Location

Contractor shall verify receiving hours and conditions (i.e. height/weight restrictions, access control, etc.) with the relevant purchaser for the receiving site before scheduling or making a delivery. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late delivery if Contractor has failed to make the verification or comply with the applicable conditions. Contractor shall make each delivery to the specific location indicated in the Order, which Contractor acknowledges might be inside an industrial building, institutional building, low-rise office building, or high-rise office building instead of a normal receiving dock. Contractor might be required to make deliveries to locations inside a secured perimeter at certain institutional facilities such as prisons where prior clearances are required for each delivery and driver individually.

Contractor shall contact each such facility directly to confirm its most-current security clearance procedures, allowable hours for deliveries, visitor dress code, and other applicable rules. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late delivery if Contractor has failed to make the confirmation or comply with the applicable conditions.

11.15 Acceptance of
Materials

State has the right to make acceptance of Materials subject to a complete inspection on delivery and installation, if installation is Contractor’s responsibility. State may apply as acceptance criteria conformity to the Contract, workmanship and quality, correctness of constituent materials, and any other matter for which the Contract or applicable laws state a requirement, whether stated directly or by reference to another document, standard, reference specification, etc. Contractor shall remove any rejected Materials from the delivery location, or from any immediate environs to which it might have been reasonably necessary to move it, carry it off the delivery premises, and subsequently deliver an equal number or quantity of conforming items. State will not owe Contractor any payment for rejected Materials, and State may, at its discretion, withhold or make partial payment for any rejected Materials that have been returned to Contractor in those instances where State has agreed to permit repair instead of demanding replacement.

11.16 Correcting Defects

Contractor shall, at no additional cost and without entitlement to extension of any delivery deadline or specified time for performance, remove or exchange and replace any defective or non- conforming delivered or installed Materials.

- Contractor shall be solely responsible for the cost of any associated cutting and patching, temporary protection measures, packing and crating, hoisting and loading, transportation, unpacking, inspection, repacking, reshipping, and reinstallation if installation is within the scope of the Contract.
- If Contractor fails to do so in a timely manner, State will be entitled to exercise its remedies under paragraph 8.5 [Right of Offset] of the Uniform Terms and Conditions.
- Whether State will permit Contractor to repair in place or demands that Contractor remove and replace is at State’s discretion in each instance, provided that, State shall not apply that discretion punitively if repair in place is practicable and doing so would not create safety hazards, put property at risk, unreasonably interfere with operations, create public nuisance, or give rise to any other reasonable concern on State’s part.



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11.17 Returns

State may, at its discretion, return for full credit and with no restocking charges any delivered Materials unused in the original packaging, including any instruction manuals or other incidental item that accompanied the original shipment, within thirty (30) days after receipt. If State elects to return delivered Materials, then State shall pay all freight, delivery, and transit insurance costs to return the products to the place from which Contractor shipped them, provided that, if State returns delivered Materials because they are defective or non-conforming or for any other reason having to do with Contractor fault or error, then State will not be responsible for paying freight, delivery, or transit insurance costs to return the products and may, at its discretion, either have those billed directly to Contractor or offset them under paragraph 8.5 [*Right of Offset*] of the Uniform Terms and Conditions.

11.18 Order Cancellations

State may cancel Orders within a reasonable period after issuance and at its discretion. The same method as that used for ordering will be used for cancellation. If State cancels an Order, then State shall:

1. pay Contractor for any portion of the Materials and Services from that Order that have been properly delivered or performed as of the cancellation effective date plus one (1) additional business day;
2. reimburse Contractor for:
 - (a) its actual, documented costs incurred in fulfilling the Order up to the cancellation effective date plus one (1) additional business day;
 - (b) the cost of any obligations it incurred in fulfilling the Order up to the cancellation effective date plus one (1) additional business day that demonstrably cannot be canceled, or that have pre-established cancellation penalties specified in the relevant Subcontracts, to the extent the penalties are reasonable and customary for the work in question; and,
3. Contractor shall not charge or be entitled to charge State for any new costs it incurs after receiving the cancellation notice.

By way of reminder, State is not liable for any products that were produced, shipped, or delivered or any services that were performed before Contractor had acknowledged the corresponding Order.

11.19 Product Safety

Materials as-shipped must comply with applicable safety regulations and standards. Unless expressly stated otherwise in the Scope of Work, State is not responsible for making any Materials safe or compliant following acceptance and is relying exclusively on Contractor to deliver only products that are already safe and compliant.

11.20 Hazardous Materials

Contractor shall timely provide State with any "Safety Data Sheets" (SDS) and any other hazard communication documentation required under the US Department of Labor's Occupational Safety and Health Administration (OSHA) "Hazard Communication Standard" (often referred to as the "HazCom 2012 Final Rule") that is reasonably necessary for State to comply with regulations when it or its other contractors install, handle, operate, repair, maintain or remove any Materials. Note that, in the past, those documents might have been referred to as "Material Safety Data Sheets" or "Product Safety Data Sheets", but State (and this Contract) use only the more up-to-date "SDS" reference. Contractor shall ensure that all its relevant personnel understand the nature of and hazards associated with, to the extent it they are Contractor's responsibility under the Contract, the design, shipping, handling, delivery, installation, repair and maintenance of any portion of the Work that is, contains or will become upon use a hazardous material, with "hazardous material" being any material or substance that is: (1) identified now or in the future as being hazardous, toxic or dangerous under applicable laws; or (2) subject to statutory or regulatory requirement governing special handling, disposal or cleanup.



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12.0 General Provisions for Services

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| 12.1 <u>Applicability</u> | Article 12 applies to the extent the Work is or includes Services. |
| 12.2 <u>Comprehensive Services Offering</u> | Contractor shall provide the comprehensive range of services for which a price is established in the <u>Pricing Document</u> for ordering by Eligible Agencies, and Co-Op Buyers if co-op buying applies. |
| 12.3 <u>Additional Services</u> | State at its discretion may modify the scope of the Contract by Contract Amendment to include additional services or service categories that are within the general scope of the ones originally covered by the Contract if it determines that doing so is in its best interest. Once the Contract Amendment is fully executed, Contractor shall then update all applicable price lists and make them available to all affected entities at no additional cost. Either party may make the request to add services to the Contract; regardless of who makes the request, the parties shall negotiate in good faith a fair price for any additional services, but State may elect not to add some or all of the services in question if no agreement is reached on pricing in a timely manner. Contractor's request or proposal in response to State's request must include documentation demonstrating that the proposed price for the additional services is both fair and reasonable and comparable to the original ones. |
| 12.4 <u>Off-Contract Services</u> | Contractor shall ensure that the design and/or procedures for the Services ordering method prevents Orders for off-contract or excluded services. Notwithstanding that State might have its own internal administrative rules regarding off contract or excluded service ordering, and endeavors to prevent such orders from occurring, Contractor is responsible for not accepting any such Orders. State may, at its discretion, cancel any such Order without obligation. As used above, "off-contract service" refers to any service not included in the scope of the Contract and for which no price or compensation has been established contractually, and "excluded service" refers to any service expressly excluded from the scope of the Contract. |
| 12.5 <u>Removal of Personnel</u> | Notwithstanding that Contractor is in every circumstance responsible for hiring, assigning, directing, managing, training, disciplining, and rewarding its personnel, State may at its discretion and without the obligation to demonstrate cause instruct Contractor to remove any of its personnel from State's facilities or from further assignment under the Contract. In such cases, Contractor shall promptly replace them with other personnel having equivalent qualifications, experience, and capabilities. |
| 12.6 <u>Transitions</u> | During commencement, Contractor shall attend transition meetings with any outgoing vendors to coordinate and ease the transition so that the effect on State's operations is kept to a minimum. State may elect to have outgoing vendors complete some or all of their work or orders in progress to ease the transition as is safest and most efficient in each instance, even if that scope is covered under the Contract. Conversely, State anticipates having a continued need for the same materials and services upon expiration or earlier termination of the Contract. Accordingly, Contractor shall work closely with any new (incoming) vendor and State to ensure as smooth and complete a transfer as is practicable. State's representative shall coordinate all transition activities and facilitate joint development of a comprehensive transition plan by both Contractor and the incoming vendor. As with the incoming transition. State may permit Contractor (outgoing) to complete work or orders in progress to ease the transition as is safest and most efficient in each instance. |
| 12.7 <u>Accuracy of Work</u> | Contractor is responsible for the accuracy of the Services, and shall promptly make all necessary revisions or corrections resulting from errors and omissions on its part without additional compensation. Acceptance by State will not relieve Contractor of responsibility for correction of any errors discovered subsequently or necessary clarification of any ambiguities. |
| 12.8 <u>Requirements at Services Location</u> | Contractor personnel shall perform their assigned portions of the Services at the specific location indicated in the Order (if applicable). Contractor acknowledges that the location might be inside |



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an industrial building, institutional building, or one of various office types and classes. Additionally, if performing the Services requires Contractor personnel to work inside a secured perimeter at certain institutional facilities such as prisons where prior clearances are required, Contractor shall contact the facility directly to confirm its most-current security clearance procedures, allowable hours for work, visitor dress code, and other applicable rules. State will neither allow extra charges for wait time, comebacks, or the like nor excuse late performance if Contractor has failed to make the confirmation or comply with the applicable conditions.

12.9 Services Acceptance

State has the right to make acceptance of Services subject to acceptance criteria. State may apply as acceptance criteria conformity to the Contract, accuracy, completeness, or other indicators of quality or other matter for which the Contract or law states a requirement, whether stated directly or by reference to another document, standard, reference specification, etc. State will not owe Contractor any payment for un-accepted Services; and State may, at its discretion, withhold or make partial payment for any rejected Services if Contractor is still in the process of re-performing or otherwise curing the grounds for State's rejection.

12.10 Corrective Action Required

Notwithstanding any other guarantees, general warranties, or particular warranties Contractor has given under the Contract, if Contractor fails to perform any material portion of the Services, including failing to complete any contractual deliverable, or if its performance fails to meet agreed-upon service levels or service standards set out in or referred to in the Contract, then Contractor shall perform a root-cause analysis to identify the source of the failure and use all commercially reasonable efforts to correct the failure and meet the Contract requirements as promptly as is practicable.

1. Contractor shall provide to State a report detailing the identified cause and setting out its detailed corrective action plan promptly after the date the failure occurred (or the date when the failure first became apparent, if it was not apparent immediately after occurrence).
2. State may demand to review and approve Contractor's analysis and plans, and Contractor shall make any corrections State instructs and adopt State's recommendations so far as is commercially practicable, provided that State may insist on any measures it determines within reason to be necessary for safety or protecting property and the environment.
3. Contractor shall take the necessary action to avoid any like failure in the future, if doing so is appropriate and practicable under the circumstances.

13.0 Data and Information Handling

13.1 Applicability

Article 13 applies to the extent the Work includes handling of any (1) State's proprietary and sensitive data or (2) confidential or access-restricted information obtained from State or from others at State's behest.

13.2 Data Protection and Confidentiality of Information

Contractor warrants that it will establish and maintain procedures and controls acceptable to State for ensuring that State's proprietary and sensitive data is protected from unauthorized access and information obtained from State or others in performance of its contractual duties is not mishandled, misused, or inappropriately released or disclosed. For purposes of this paragraph, all data created by Contractor in any way related to the Contract, provided to Contractor by State, or prepared by others for State are proprietary to State, and all information by those same avenues is State's confidential information. To comply with the foregoing warrant:

1. Contractor shall: (a) notify State immediately of any unauthorized access or inappropriate disclosures, whether stemming from an external security breach, internal breach, system failure, or procedural lapse; (b) cooperate with State to identify the source or cause of and respond to each unauthorized access or inappropriate disclosure; and (c) notify State promptly of any security threat that could result in unauthorized access or inappropriate disclosures; and



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2. Contractor shall not: (a) release any such data or allow it to be released or divulge any such information to anyone other than its employees or officers as needed for each person's individual performance of his or her duties under the Contract, unless State has agreed otherwise in advance and in writing; or (b) respond to any requests it receives from a third party for such data or information, and instead route all such requests to State's designated representative.

13.3 Personally Identifiable Information.

Without limiting the generality of paragraph 13.2, Contractor warrants that it will protect any personally identifiable information ("PII") belonging to State's employees' or other contractors or members of the general public that it receives from State or otherwise acquires in its performance under the Contract.

For purposes of this paragraph:

1. PII has the meaning given in the [federal] Office of Management and Budget (OMB) *Memorandum M-17-12 Preparing for and Responding to a Breach of Personally Identifiable Information*, January 3, 2017; and
2. "protect" means taking measures to safeguard personally identifiable information and prevent its breach that are functionally equivalent to those called for in that OMB memorandum and elaborated on in the [federal] General Services Administration (GSA) *Directive CIO P 2180.1 GSA Rules of Behavior for Handling Personally Identifiable Information*.

NOTE (1): For convenience of reference only, the OMB memorandum is available at:

<https://dpcl.d.defense.gov/Privacy/Authorities-and-Guidance/>

NOTE (2): For convenience of reference only, the GSA directive is available at:

[https://www.gsa.gov/directive/gsa-rules-of-behavior-for-handling-personally-identifiable-information-\(pii\)-](https://www.gsa.gov/directive/gsa-rules-of-behavior-for-handling-personally-identifiable-information-(pii)-)

13.4 Protected Health Information

Contractor warrants that, to the extent performance under the Contract involves individually identifiable health information (referred to hereinafter as protected health information ("PHI") and electronic PHI ("ePHI") as defined in the Privacy Rule referred to below), it:

1. is familiar with and will comply with the applicable aspects of the following collective regulatory requirements regarding patient information privacy protection: (a) the "Privacy Rule" in CFR 45 Part 160 and Part 164 pursuant to the Health Insurance Portability and Accountability Act ("HIPAA") of 1996; (b) Arizona laws, rules, and regulations applicable to PHI/ePHI that are not preempted by CFR 45-160(B) or the Employee Retirement Income Security Act of 1974 ("ERISA") as amended; and (c) State's current and published PHI/ePHI privacy and security policies and procedures;
2. will cooperate with State in the course of performing under the Contract so that both State and Contractor stay in compliance with the requirements in (1) above; and
3. will sign any documents that are reasonably necessary to keep both State and Contractor in compliance with the requirements in (1) above, in particular "Business Associate Agreements" in accordance with the Privacy Rule.

NOTE: For convenience of reference only, the Privacy Rule is available at:

<http://www.hhs.gov/hipaa/for-professionals/privacy/index.html>

14.0 Information Technology Work

14.1 Applicability

Article 14 applies to any Invitation for Bids, Request for Proposals, or Request for Quotations for "Information Technology," as defined in A.R.S. § 41-3501(6) 6: "... computerized and auxiliary automated information processing, telecommunications and related technology, including hardware, software, vendor support and related services, equipment and projects" if and to the extent that the Work is or includes Information Technology.



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14.2 Background Checks

Each of Contractor's personnel who is an applicant for an information technology position must undergo the security clearance and background check procedure, which includes fingerprinting, as required by A.R.S § 41-710. Contractor shall obtain and pay for the security clearance and background check. Contractor personnel who will have administrator privileges on a State network must additionally provide identify and address verification and undergo State-specified training for unescorted access, confidentiality, privacy, and data security.

14.3 Information Access

- 14.3.1 **SYSTEM MEASURES.** Contractor shall employ appropriate system management and maintenance, fraud prevention and detection, and encryption application and tools to any systems or networks containing or transmitting State's proprietary data or confidential information.
- 14.3.2 **INDIVIDUAL MEASURES.** Contractor personnel shall comply with applicable State policies and procedures regarding data access, privacy, and security, including prohibitions on remote access and obtaining and maintaining access IDs and passwords. Contractor is responsible to State for ensuring that any State access IDs and passwords are used only by the person to whom they were issued. Contractor shall ensure that personnel are only provided the minimum only such level of access necessary to perform his or duties. Contractor shall on request provide a current register of the access IDs and passwords and corresponding access levels currently assigned to its personnel.
- 14.3.3 **ACCESS CONTROL.** Contractor is responsible to State for ensuring that hardware, software, data, information, and that has been provided by State or belongs to or is in the custody of State and is accessed or accessible by Contractor personnel is only used in connection with carrying out the Work, and is never commercially exploited in any manner whatsoever not expressly permitted under the Contract. State may restrict access by Contractor personnel, or instruct Contractor to restrict access their access, if in its determination the requirements of this subparagraph are not being met.

14.4 Pass-Through Indemnity

- 14.4.1 **INDEMNITY FROM THIRD PARTY.** For computer hardware or software included in the Work as discrete units that were manufactured or developed solely by a third party, Contractor may satisfy its indemnification obligations under the Contract by, to the extent permissible by law, passing through to State such indemnity as it receives from the third-party source (each a "Pass-Through Indemnity") and cooperating with State in enforcing that indemnity. If the third party fails to honor its Pass-Through Indemnity, or if a Pass-Through Indemnity is insufficient to indemnify State Indemnitees to the extent and degree Contractor is required to do by the Uniform Terms and Conditions, then Contractor shall indemnify, defend and hold harmless State Indemnitees to the extent the Pass-Through Indemnity does not.
- 14.4.2 **NOTIFY OF CLAIMS.** State shall notify Contractor promptly of any claim to which a Pass-Through Indemnity might apply. Contractor, with reasonable consultation from State, shall control of the defense of any action on any claim to which a Pass-Through Indemnity applies, including negotiations for settlement or compromise, provided that:
- (a) State reserves the right to elect to participate in the action at its own expense;
 - (b) State reserves the right to approve or reject any settlement or compromise on reasonable grounds and if done so timely; and
 - (c) State shall in any case cooperate in the defense and any related settlement negotiations.

14.5 Systems and Controls

In consideration for State having agreed to permit Pass-Through Indemnities in lieu of direct indemnity, Contractor agrees to establish and keep in place systems and controls appropriate to ensure that State funds under this Contract are not knowingly used for the acquisition, operation, or maintenance of Materials or Services in violation of intellectual property laws or a third party's intellectual property rights.



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14.6 Redress of Infringement.

- 14.6.1 REPLACE, LICENSE, OR MODIFY. If Contractor becomes aware that any Materials or Services infringe, or are likely to be infringing on, any third party's intellectual property rights, then Contractor shall at its sole cost and expense and in consultation with State either:
- (a) replace any infringing items with non-infringing ones;
 - (b) obtain for State the right to continue using the infringing items; or
 - (c) modify the infringing item so that they become non-infringing, so long as they continue to function as specified following the modification.
- 14.6.2 CANCELLATION OPTION. In every case under 14.6.1, if none of those options can reasonably be accomplished, or if the continued use of the infringing items is impracticable, State may cancel the relevant Order or terminate the Contract and Contractor shall take back the infringing items. If State does cancel the Order or terminate the Contract, Contractor shall refund to State:
- (a) for any software created for State under the Contract, the amount State paid to Contractor for creating it;
 - (b) for all other Materials, the net book value of the product provided according to generally accepted accounting principles; and
 - (c) for Services, the amount paid by State or an amount equal to 12 (twelve) months of charges, whichever is less.
- 14.6.3. EXCEPTIONS. Contractor will not be liable for any claim of infringement based solely on any of the following by a State Indemnitee:
- (a) modification or use of Materials other than as contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor;
 - (b) operation of Materials with any operating software other than that supplied by Contractor or authorized or proposed by a Contractor Indemnitor; or
 - (c) combination or use with other products in a manner not contemplated by the Contract or expressly authorized or proposed by a Contractor Indemnitor.

14.7 First Party Liability Limitation

- 14.7.1 LIMIT. Subject to the provisos that follow below and unless stated otherwise in the Special Terms and Conditions, State's and Contractor's respective first party liability arising from or related to the Contract is limited to the greater of \$1,000,000 (one million dollars) or 3 (three) times the purchase price of the specific Materials or Services giving rise to the claim.
- 14.7.2 PROVISOS. This paragraph 14.7 limits liability for first party direct, indirect, incidental, special, punitive, and consequential damages relating to the Work regardless of the legal theory under which the liability is asserted. This paragraph 14.7 does not limit liability arising from any:
- (a) Indemnified Claim against which Contractor has indemnified State Indemnitees under paragraph 6.3;
 - (b) claim against which Contractor has indemnified State Indemnitees under paragraph 6.4; or
 - (c) provision of the Contract calling for liquidated damages or specifying amounts or percentages as being at-risk or subject to deduction for performance deficiencies.
- 14.7.3 PURCHASE PRICE DETERMINATION. If the Contract is for a single-agency and a single Order (or if no Order applies), then "purchase price" in Subparagraph 14.7.1 above means the aggregate Contract price current at the time of Contract expiration or earlier termination, including all Contract Amendments having an effect on the aggregate price through that date. In all other cases, "purchase price" above means the total price of the Order for the specific equipment, software, or services giving rise to the claim, and therefore a separate limit will apply to each Order.



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14.7.4 NO EFFECT ON INSURANCE. This paragraph does not modify the required coverage limits, terms, and conditions of, or any insured's ability to claim against, any insurance that Contractor is required by the Contract to provide, and Contractor shall obtain express endorsements that it does not.

14.8 Information Technology
Warranty

14.8.1 SPECIFIED DESIGN. Where the Scope of Work for information technology Work provides a detailed design specification or sets out specific performance requirements, Contractor warrants that the Work will provide all functionality material to the intended use stated in the Contract, provided that, the foregoing warranty does not extend to any portions of the Materials that are:

- (a) modified or altered by anyone not authorized by Contractor to do so;
- (b) maintained in a way inconsistent to any applicable manufacturer recommendations; or
- (c) operated in a manner not within its intended use or environment.

14.8.2 COTS SOFTWARE. With respect to Materials provided under the Contract that are commercial-off-the-shelf (COTS) software, Contractor warrants that:

- (a) to the extent possible, it will test the software before delivery using commercially available virus detection software conforming to current industry standards;
- (b) the COTS software will, to the best of its knowledge, at the time of delivery be free of viruses, backdoors, worms, spyware, malware, and other malicious code that could hamper performance, collect unlawfully any personally identifiable information, or prevent products from performing as required by the Contract; and
- (c) it will provide a new or clean install of any COTS software that State has reason to believe contains harmful code.

14.8.3 PAYMENT HAS NO EFFECT. The warranties in this paragraph are not affected by State's inspection, testing, or payment.

14.9 Specific Remedies

Unless expressly stated otherwise elsewhere in the Contract, State's remedy for breach of warranty under paragraph 14.8 includes, at State's discretion, re-performance, repair, replacement, or refund of any amounts paid by State for the nonconforming Work, plus (in every case) Contractor's payment of State's additional, documented, and reasonable costs to procure materials or services equivalent in function, capability, and performance at that first called for. For clarification of intent, the foregoing obligations are limited by the limitation of liability in paragraph 14.7. If none of the foregoing options can reasonably be effected, or if the use of the materials by State is made impractical by the nonconformance, then State may seek any remedy available to it under law.

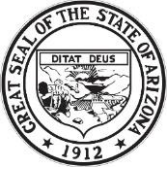
14.10 Section 508 Compliance

Unless specifically authorized in the Contract, any electronic or information technology offered to the State of Arizona under this Contract shall comply with A.R.S. § 18-131 and § 18-132 and Section 508 of the Rehabilitation Act of 1973, which requires that employees and members of the public shall have access to and use of information technology that is comparable to the access and use by employees and members of the public who are not individuals with disabilities.

14.11 Cloud Applications

The following are required for Contractor of any "cloud" solution that hosts State data outside of the State's network, or transmits and/or receives State data.

1. Submit a completed Arizona Baseline Infrastructure Security Controls assessment spreadsheet as found at: <https://aset.az.gov/resources/policies-standards-and-procedures>, and mitigate or install compensating controls for any issues of concern identified by State. Contractor is required to provide any requested documentation

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supporting the review of the assessment. The assessment shall be re-validated on a minimum annual basis.

2. State reserves the right to conduct Penetration tests or hire a third party to conduct penetration tests of the Contractor’s application. Contractor will be alerted in advance and arrangements made for an agreeable time. Contractor shall respond to all serious flaws discovered by providing an acceptable timeframe to resolve the issue and/or implement a compensating control.
3. Contractor must submit copy of system logs from cloud system to State of AZ security team on a regular basis to be added to the State SIEM (Security Information Event Monitor) or IDS (Intrusion Detection System).

Contractor must employ a government-rated cloud compartment to better protect sensitive or regulated State data.

End of Section 2-C



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Section 2-D: Uniform Terms and Conditions

Version: 9 (7/1/2013)

1.0 Definition of Terms

As used in the Contract, the terms listed below are defined as follows:

- | | | |
|------|----------------------------|--|
| 1.1 | <u>Attachment</u> | "Attachment" means any item the solicitation requires the Offeror to submit as part of the Offer. |
| 1.2 | <u>Contract</u> | "Contract" means the combination of the Solicitation, including the Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement of Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments. |
| 1.3 | <u>Contract Amendment</u> | "Contract Amendment" means a written document signed by the Procurement Officer that is issued for the purpose of making changes in the Contract. |
| 1.4 | <u>Contractor</u> | "Contractor" means any Person who has a Contract with the State. |
| 1.5 | <u>Days</u> | "Days" means calendar days unless otherwise specified. |
| 1.6 | <u>Exhibit</u> | "Exhibit" means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation. |
| 1.7 | <u>Gratuity</u> | "Gratuity" means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received. |
| 1.8 | <u>Materials</u> | "Materials" means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space. |
| 1.9 | <u>Procurement Officer</u> | "Procurement Officer" means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract. |
| 1.10 | <u>Services</u> | "Services" has the meaning given in A.R.S. § 41-2503(35), which, for convenience of reference only, is "... the furnishing of labor, time, or effort by [the] [C]ontractor or [S]ubcontractor which does not involve the delivery of a specific end product other than required reports and performance [but] does not include employment agreements or collective bargaining agreements." Services includes Building Work and the service aspects of software described in paragraph 1.8. |
| 1.11 | <u>State</u> | "State" means the State of Arizona and Department or Agency of the State that executes the Contract. |
| 1.12 | <u>State Fiscal Year</u> | "State Fiscal Year" means the period beginning with July 1 and ending June 30. |
| 1.13 | <u>Subcontract</u> | "Subcontract" means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract. |

2.0 Contract Interpretation

- | | | |
|-----|--------------------|--|
| 2.1 | <u>Arizona Law</u> | The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised |
|-----|--------------------|--|

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	Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.
2.2 Implied Terms	Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.
2.3 Contract Order of Precedence	In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below: 2.3.1. Special Terms and Conditions; 2.3.2. Uniform Terms and Conditions; 2.3.3. Statement or Scope of Work; 2.3.4. Specifications; 2.3.5. Attachments; 2.3.6. Exhibits; 2.3.7. Documents referenced or included in the Solicitation.
2.4 Relationship of Parties	The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.
2.5 Severability	The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.
2.6 No Parole Evidence	This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.
2.7 No Waiver	Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3.0 Contract Administration and Operation

3.1 Records	Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.
3.2 Non-Discrimination	The Contractor shall comply with State Executive Order No. 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.
3.3 Audit	Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.
3.4 Facilities Inspection and Materials Testing	The Contractor agrees to permit access to its facilities, subcontractor facilities and the Contractor's processes or services, at reasonable times for inspection of the facilities or materials covered under this Contract. The State shall also have the right to test, at its own cost, the materials to be supplied under this Contract. Neither inspection of the Contractor's facilities nor materials testing shall constitute final acceptance of the materials or services. If the State determines noncompliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.
3.5 Notices	Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise



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stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.

3.6 Advertising, Publishing and Promotion of Contract

The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the Procurement Officer.

3.7 Property of the State

Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.

3.8 Ownership of Intellectual Property

Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by Contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

3.9 Federal Immigration and Nationality Act

The Contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the Contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of Contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the Contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the contract for default and suspension and/or debarment of the Contractor.

3.10 E-Verify Requirements

In accordance with A.R.S. § 41-4401, Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A.

3.11 Offshore Performance of Work Prohibited.

Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and involve access to secure or sensitive data or personal client data shall be performed within the defined territories of the United States. Unless specifically stated otherwise in the specifications, this paragraph does not apply to indirect or 'overhead' services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.

4.0 Costs and Payments

4.1 Payments

Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.



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- 4.2 Delivery Unless stated otherwise in the Contract, all prices shall be F.O.B. Destination and shall include all freight delivery and unloading at the destination.
- 4.3 Applicable Taxes
- 4.3.1. Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.
- 4.3.2. State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.
- 4.3.3. Tax Indemnification. Contractor and all subcontractors shall pay all Federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to, hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.
- 4.3.4. IRS W9 Form. In order to receive payment, the Contractor shall have a current I.R.S. W9 Form on file with the State of Arizona, unless not required by law
- 4.4 Availability of Funds for the Next State fiscal year Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.
- 4.5 Availability of Funds for the Current State fiscal year Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State may take any of the following actions:
- 4.5.1. Accept a decrease in price offered by the Contractor;
- 4.5.2. Cancel the Contract; or
- 4.5.3. Cancel the contract and re-solicit the requirements

5.0 Contract Changes

- 5.1 Amendments This Contract is issued under the authority of the Procurement Officer who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the procurement officer in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.
- 5.2 Subcontracts The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the Procurement Officer. The Contractor shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract.
- 5.3 Assignment and Delegation The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the Procurement Officer. The State shall not unreasonably withhold approval.

6.0 Risk and Liability

- 6.1 Risk of Loss The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.
- 6.2 Indemnification
- 6.2.1. Contractor/Vendor Indemnification (Not Public Agency) The parties to this contract agree that the State of Arizona, its departments, agencies, boards and commissions shall be

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indemnified and held harmless by the Contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its departments, agencies, boards and commissions shall be responsible for its own negligence. Each party to this contract is responsible for its own negligence.

6.2.2. Public Agency Language Only Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers."

6.3 Indemnification – Patent and Copyright

The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the Contractor is insured pursuant to A.R.S. § 41-621 and § 35-154, this section shall not apply.

6.4 Force Majeure

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2. Force Majeure shall **not** include the following occurrences:

- 6.4.2.1. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;
- 6.4.2.2. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or
- 6.4.2.3. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5 Third Party Antitrust Violations

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.



Request for Proposal

Solicitation No. **BPM003444**
NG911 Call-Handling Equipment (CHE)

EXHIBIT A

Arizona Department of
Administration
State Procurement Office
100 N 15th Ave., Suite 402
Phoenix, AZ 85007

7.0 Warranties

- 7.1 Liens The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.
- 7.2 Quality Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the State of the materials, they shall be:
- 7.2.1. Of a quality to pass without objection in the trade under the Contract description;
 - 7.2.2. Fit for the intended purposes for which the materials are used;
 - 7.2.3. Within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;
 - 7.2.4. Adequately contained, packaged and marked as the Contract may require; and
 - 7.2.5. Conform to the written promises or affirmations of fact made by the Contractor.
- 7.3 Fitness The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.
- 7.4 Inspection/Testing The warranties set forth in subparagraphs 7.1 through 7.3 of this paragraph are not affected by inspection or testing of or payment for the materials by the State.
- 7.5 Compliance with Laws The materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable license and permit requirements.
- 7.6 Survival of Rights and Obligations after Contract Expiration or Termination
- 7.6.1. Contractor's Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.
 - 7.6.2. Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Procurement Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8.0 State's Contractual Remedies

- 8.1 Right to Assurance If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the Procurement Officer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of Days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.
- 8.2 Stop Work Order
- 8.2.1. The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.
 - 8.2.2. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Procurement Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.



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- 8.3 Non-exclusive Remedies The rights and the remedies of the State under this Contract are not exclusive.
- 8.4 Nonconforming Tender Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.
- 8.5 Right of Offset The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9.0 Contract Termination

- 9.1 Cancellation for Conflict of Interests Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.
- 9.2 Gratuities The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.
- 9.3 Suspension or Debarment The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the Contractor is not currently suspended or debarred. If the Contractor becomes suspended or debarred, the Contractor shall immediately notify the State.
- 9.4 Termination for Convenience The State reserves the right to terminate the Contract, in whole or in part at any time when in the best interest of the State, without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.
- 9.5 Termination for Default 9.5.1. In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The Procurement Officer shall provide written notice of the termination and the reasons for it to the Contractor.

	Request for Proposal Solicitation No. BPM003444 NG911 Call-Handling Equipment (CHE)	EXHIBIT A Arizona Department of Administration State Procurement Office 100 N 15th Ave., Suite 402 Phoenix, AZ 85007
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- 9.5.2. Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.

9.5.3. The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.
- 9.6 Continuation of Performance Through Termination

The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

10.0 Contract Claims

- 10.1 Contract Claims

All contract claims or controversies under this Contract shall be resolved according to A.R.S. Title 41, Chapter 23, Article 9, and rules adopted thereunder.

11.0 Arbitration

- 11.1 Arbitration

The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes (Title 41).

12.0 Comments Welcome

- 12.1 Comments Welcome

The State Procurement Office periodically reviews the Uniform Terms and Conditions and welcomes any comments you may have. Please submit your comments to: State Procurement Administrator, State Procurement Office, 100 North 15th Avenue, Suite 201, Phoenix, Arizona, 85007.

End of Section 2-D

End of Part 2



Attachment 5-B: Conformance Statements

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Attachment 5-B: Conformance Statements

Attachment 5-B: Conformance Statements

(WHEN TAKING EXCEPTIONS, ATTACHMENT 5-B AND SUPPLEMENTS MUST BE UPLOADED AS A SEPARATE WORD DOC. FILE TITLED "ATTACHMENT 5-B".)

STATE WILL NOT CONSIDER ANY EXCEPTIONS UNLESS DESIGNATED ON THIS FORM.

READ PARAGRAPH **ERROR! REFERENCE SOURCE NOT FOUND.** OF THE INSTRUCTIONS TO OFFERORS BEFORE TAKING ANY EXCEPTIONS – TAKING EXCEPTIONS CAN BE GROUNDS FOR STATE REJECTING OR DOWN-GRADING YOUR OFFER IN EVALUATION.

CONFORMANCE TO THE INSTRUCTIONS: (PART 3 OF THE SOLICITATION)

Check one of the following – if neither is checked, State will assume that as equivalent to "YES":



YES – Offeror acknowledges that it has read and understands the Instructions to Offerors in Section 3-A of the Solicitation Documents and attests that its Offer complies.



NO – Offeror acknowledges that it has read and understands the Instructions to Offerors in Section 3-A of the Solicitation Documents, and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 1.**

CONFORMANCE TO THE SCOPE OF WORK AND PRICING DOCUMENT: (PART 2 OF THE SOLICITATION)

Check one of the following – if neither is checked, State will assume that as equivalent to "YES":



YES – Offeror acknowledges that it has read and understands the Scope Document and the Pricing Document in Part 2 of the Solicitation Documents and attests that its Offer complies with both.



NO – Offeror acknowledges that it has read and understands the Scope Document and the Pricing Document in Part 2 of the Solicitation Documents and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 2.**

CONFORMANCE TO THE CONTRACT TERMS AND CONDITIONS: (PART 2 OF THE SOLICITATION)

Check one of the following – if neither is checked, State will assume that as equivalent to "YES":



YES – Offeror acknowledges that it has read and understands the Special Terms and Conditions and the Uniform Terms and Conditions, along with their respective Exhibits and Appendices, in Part 2 of the Solicitation Documents and attests that its Offer complies with both.



NO – Offeror acknowledges that it has read and understand the Special Terms and Conditions and the Uniform Terms and Conditions, along with their respective Exhibits and Appendices in Part 2 of the Solicitation Documents and attests that its Offer complies with both EXCEPT FOR the exceptions listed in **Attachment 5-B Supplement 3.**



Attachment 5-B: Conformance Statements

ATTACHMENT 5-B Supplement No. 1:
Exceptions to Instructions

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	RFP Language (Copy and Paste from Solicitation)
Section 3-A: Instructions to Offerors		
None.	None.	None.
	None.	

AT&T Corp.

A handwritten signature in blue ink, appearing to be "AT" followed by a stylized flourish.

Company Name

Signature of Person Authorized to Sign





Attachment 5-B: Conformance Statements

ATTACHMENT 5-B Supplement No. 2: Exceptions to Scope of Work and Pricing

Article / Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	RFP Language (Copy and Paste from Solicitation)
Section 2-A: Scope of Work		
None.	None. None.	None.
Section 2-B: Pricing Document		
2.0 Pricing	States Response: Exception Rejected. 1.1 is necessary to support the pricing provided for the vendor's proposal for the term of this contract. Open to revisions (srike out 1.1.1) but will not Delete this section. 2/23/21 State (Steven J.) has agreed to the following Language:1.1 CONTRACTOR'S BEST PRICING. Supplier warrants that, for the term of the Contract, the prices and discounts set out in Attachments/Exhibits titled ATTACHMENT 4_PRICING_BPM002617_NG911ESinet_NGCS_CHE.XLSX to this Pricing Document, including any subsequent agreed amendment to it (the "Contract Pricing"), will be equal to or better than the lowest prices and largest discounts, both separately and in combination, at which Contractor sells equivalent services, items of equipment and materials, within the State of Arizona under similar terms and conditions. 1.1.1 That price-plus-discount equivalence ("Contractor's Best Pricing") is intended to be irrespective of whether or not those other sales have special purchase terms, conditions, rebates or allowances. 1.1.2 If Contractor's Best Pricing under Section 1.1 above is for equivalent services, items of equipment and materials is better than the Contract Pricing, then Contractor agrees to	1.1 CONTRACTOR'S BEST PRICING. Supplier warrants that, for the term of the Contract, the prices and discounts set out in Attachments/Exhibits titled ATTACHMENT 4_PRICING_BPM002617_NG911ESinet_NGCS_CHE.XLSX to this Pricing Document, including any subsequent agreed amendment to it (the "Contract Pricing"), will be equal to or better than the lowest prices and largest discounts, both separately and in combination, at which Contractor sells equivalent services, items of equipment and materials. 1.1.1 That price-plus-discount equivalence ("Contractor's Best Pricing") is intended to be irrespective of whether or not those other sales have special purchase terms, conditions, rebates or allowances. 1.1.2 If Contractor's Best Pricing for equivalent services, items of equipment and materials is better than the Contract Pricing, then Contractor agrees to adjust the Contract Pricing to match the Contractor's Best Pricing for all sales related to the Contractor made after the date when the Contractor's Best



Attachment 5-B: Conformance Statements

	adjust the Contract Pricing to match the Contractor's Best Pricing for all sales related to the Contractor made after the date when the Contractor's Best Pricing was first better than the Contract Pricing.	Pricing was first better than the Contract Pricing. 1.1.3 For clarification of intent, that date is intended to be the date when the difference first occurred, which might have been before the difference was first identified. If it was before, then Supplier agrees to charge at less than the Contract Pricing until the extended difference that would have been realized (i.e., if the Contractor's Best Pricing had been applied when it should have been) has been settled
4.0 Invoicing	Exception: AT&T would delete this Section Rationale: AT&T invoices are produced via automated systems. The form and/or process cannot accommodate specific requirements of any individual customer, nor can it be signed by an authorized representative STATE RESPONSE: Exception Accepted- understand this cannot be signed by authroized representative, but suporting information and documentation must be provided	4.5 SUBMITTING INVOICES. Contractor shall submit an invoice to the ordering Eligible Agency or Co Op Buyer using the form and/or process provided or required by the ordering Eligible Entity/Customer (Eligible Agency or Co-Op Buyer). Every invoice must be signed by Contractor's authorized representative and accompanied by all supporting information and documentation required by the Contract and applicable laws.

AT&T Corp.

Company Name

Signature of Person Authorized to Sign



Attachment 5-B: Conformance Statements

ATTACHMENT 5-B Supplement No. 3: Exceptions to Contract Terms & Conditions

Article/ Paragraph or Exhibit Reference	Proposed Changes / Alternate Language	RFP Language (Copy and Paste from Solicitation)
Section 2-C: Special Terms & Conditions		
3.9 Ownership of Intellectual Property	RIGHTS IN WORK PRODUCT. All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other documentation or improvements thereto, including Contractor's administrative communications and records relating to the Contract, are considered work product and Contractor's property, provided that, State has Government Purpose Rights to that work product as and when it was delivered to State. (a) "Government Purpose Rights" are: i. the unlimited, perpetual, irrevocable, royalty free, non-exclusive, worldwide right to use, modify, reproduce, release, perform, display, RIGHTS IN WORK PRODUCT. All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other documentation or improvements thereto, including Contractor's administrative communications and records relating to the Contract, are considered work product and Contractor's property, provided that, State has Government Purpose Rights to that work product as and when it was delivered to State. (a) "Government Purpose Rights" are: i. the unlimited, perpetual, irrevocable, royalty free, non-exclusive, worldwide right to use, modify, reproduce, release, perform, display, sublicense, disclose and create derivatives from that work product without restriction for any activity in which State is a party; ii. the right to release or disclose that work product to third parties for any State government purpose; and iii. the right to authorize those to whom it rightfully releases or discloses that work product to use, modify, release, create derivative works from the work product for any State government purpose;	RIGHTS IN WORK PRODUCT. All intellectual property originated or prepared by Contractor pursuant to the Contract, including but not limited to, inventions, discoveries, intellectual copyrights, trademarks, trade names, trade secrets, technical communications, records reports, computer programs and other documentation or improvements thereto, including Contractor's administrative communications and records relating to the Contract, are considered work product and Contractor's property, provided that, State has Government Purpose Rights to that work product as and when it was delivered to State. (a) "Government Purpose Rights" are: i. the unlimited, perpetual, irrevocable, royalty free, non-exclusive, worldwide right to use, modify, reproduce, release, perform, display, sublicense, disclose and create derivatives from that work product without restriction for any activity in which State is a party; ii. the right to release or disclose that work product to third parties for any State government purpose; and iii. the right to authorize those to whom it rightfully releases or discloses that work product to use, modify, release, create derivative works from the work product for any State government purpose; such recipients being understood to include the federal government, the governments of other states, and various local governments. (b) "Government Purpose Rights" do not include any right to use, modify, reproduce, perform, release, display, create derivative works from, or disclose that work product for any commercial purpose or to authorize others to do so. 3.9.2 JOINT DEVELOPMENTS. The parties may each use equally any ideas, concepts, know-how, or



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	such recipients being understood to include the federal government, the governments of other states, and various local governments. (b) "Government Purpose Rights" do not include any right to use, modify, reproduce, perform, release, display, create derivative works from, or disclose that work product for any commercial purpose or to authorize others to do so. 3.9.2 JOINT DEVELOPMENTS. The parties may each use equally any ideas, concepts, know-how, or techniques developed jointly during the course of the Contract, and may do so at their respective discretion, without obligation of notice or accounting to the other party. 3.9.3 PRE-EXISTING MATERIAL. All pre-existing software and other materials and all intellectual property developed or otherwise obtained by or for Contractor or its affiliates independently of the Contract or applicable Purchase Orders are not part of the work product to which rights are granted State under subparagraph 3.9.1 above, and will remain the exclusive property of Contractor, provided that: (a) any derivative works of such intellectual property and pre-existing material or elements thereof that are created pursuant to the Contract are part of that work product; (b) any elements of derivative work of such intellectual property and pre-existing material that was not created pursuant to the Contract are not part of that work product; and (c) except as expressly stated otherwise, nothing in the Contract is to be construed to interfere or diminish Contractor's or its affiliates' ownership of such intellectual property and pre-existing materials. 3.9.4 DEVELOPMENTS OUTSIDE OF CONTRACT. Unless expressly stated otherwise in the Contract does not preclude Contractor from developing competing materials outside the Contract, irrespective of any similarity to materials delivered or to be delivered to State hereunder. Rationale: AT&T is very protective of its intellectual property. These minimal edits are designed to ensure that we retain ownership of our IP. State Response: Approved minor edits and additional language	techniques developed jointly during the course of the Contract, and may do so at their respective discretion, without obligation of notice or accounting to the other party. 3.9.3 PRE-EXISTING MATERIAL. All pre-existing software and other materials developed or otherwise obtained by or for Contractor or its affiliates independently of the Contract or applicable Purchase Orders are not part of the work product to which rights are granted State under subparagraph 3.9.1 above, and will remain the exclusive property of Contractor, provided that: (a) any derivative works of such pre-existing material or elements thereof that are created pursuant to the Contract are part of that work product; (b) any elements of derivative work of such pre-existing material that was not created pursuant to the Contract are not part of that work product; and (c) except as expressly stated otherwise, nothing in the Contract is to be construed to interfere or diminish Contractor's or its affiliates' ownership of such pre-existing materials. 3.9.4 DEVELOPMENTS OUTSIDE OF CONTRACT. Unless expressly stated otherwise in the Contract does not preclude Contractor from developing competing materials outside the Contract, irrespective of any similarity to materials delivered or to be delivered to State hereunder.
x	Exception: 4.2.1 ADDITIONAL CHARGES AND CONTRACTOR TO PAY ALL TAXES. Sales to the State of Arizona are is subject to all applicable state and local transaction privilege taxes (TPT), unless otherwise	CONTRACTOR TO PAY ALL TAXES. State is subject to Arizona TPT. Therefore, Arizona TPT applies to all sales under the Contract and Arizona TPT is Contractor's responsibility (as seller) to remit.



Attachment 5-B: Conformance Statements

	exempt Arizona TPT. Therefore, Arizona TPT applies to all sales under the Contract unless otherwise exempt and Arizona TPT it is Contractor's responsibility (as seller) to remit TPT on such sales to the appropriate taxing authority. Contractor's failure to collect Arizona TPT or any other applicable sales or use taxes from an Eligible Agency or Co-Op Buyer (as buyer) will not relieve Contractor of any legal obligation to remit sales TPT or use taxes that are is due under the Contract or laws. Unless stated otherwise in the Pricing Document, all prices therein are exclusive of, and the buyer will pay, all current and future taxes (excluding those on Contractor's net income), surcharges, recovery fees, custom clearances, duties, levies, shipping charges, and other similar charges (and any associated interest and penalties resulting from the buyer's failure to timely pay such taxes or similar charges) relating to the sale, transfer of ownership, installation, license, use or provision of services, except to the extent the buyer provides satisfactory proof of a valid tax exemption prior to the delivery of the product or service. To the extent a buyer is required by law to withhold or deduct any applicable taxes from payments due to Contractor, the buyer will use reasonable commercial efforts to minimize any such taxes to the extent allowed by law or treaty, and the buyer will furnish Contractor with such evidence as may be required by relevant taxing authorities to establish that such tax has been paid so that Contractor may claim any applicable credit include Arizona TPT as well as every other manner of transaction privilege or sales/use tax that is due to a municipality or another state or its political subdivisions. Contractor shall pay all federal, state, and local taxes applicable to its operations and personnel. 4.2.2 TAX INDEMNITY. Contractor shall pay all hold State harmless from any responsibility for taxes or contributions, including any applicable damages and interest, that are due to federal, state, and local taxes applicable to its operations, including authorities with respect to the Work and the Contract, as well any related costs; the foregoing expressly includes Arizona TPT, unemployment compensation insurance, social security, and workers' compensation insurance. Rationale: As written, this section would not allow AT&T to make a recovery of TPT outside of the prices listed in the pricing document. AT&T would not want to waive our right to collect the tax from the customer. We also prefer our promise to pay all taxes we owe over an actual indemnity to the state.	Contractor's failure to collect Arizona TPT or any other applicable sales or use taxes from an Eligible Agency or Co-Op Buyer (as buyer) will not relieve Contractor of any obligation to remit sales or use taxes that are due under the Contract or laws. Unless stated otherwise in the Pricing Document, all prices therein include Arizona TPT as well as every other manner of transaction privilege or sales/use tax that is due to a municipality or another state or its political subdivisions. Contractor shall pay all federal, state, and local taxes applicable to its operations and personnel.
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	State Response: Exception Accepted - language edits and struck out language.	
6.2 Contractor Insurance	Exception: Contractor shall and subcontractors shall endeavor to carry procure and maintain [REJECTED] until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors. The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance. MINIMUM SCOPE AND LIMITS OF INSURANCE: Contractor shall provide coverage with limits of liability not less than those stated below. 1. Commercial General Liability (CGL) – ISO form CG 00 01 (or its equivalent) [REJECTED] Occurrence Form Policy shall include bodily injury, property damage personal injury and broad form contractual liability coverage General Aggregate \$2,000,000 Products – Completed Operations Aggregate \$1,000,000 Personal and Advertising Injury \$1,000,000 Damage to Rented Premises \$ 50,000 Each Occurrence \$1,000,000 a. The required policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor this Agreement. [REJECTED]	Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including until any warranty periods under this Contract have expired, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors. The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance. MINIMUM SCOPE AND LIMITS OF INSURANCE: Contractor shall provide coverage with limits of liability not less than those stated below. 1. Commercial General Liability (CGL) – Occurrence Form Policy shall include bodily injury, property damage personal injury and broad form contractual liability coverage General Aggregate \$2,000,000 Products – Completed Operations Aggregate \$1,000,000 Personal and Advertising Injury \$1,000,000 Damage to Rented Premises \$ 50,000 Each Occurrence \$1,000,000 a. The policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards,



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	b. The required Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. 2. Business Automobile Liability Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract. Combined Single Limit (CSL) \$1,000,000 per accident [REJECTED] a. The required Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor, involving automobiles owned, leased, hired and/or non-owned by the Contractor. this Agreement. [REJECTED] b. The required Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. 3. Worker's Compensation and Employers' Liability Workers' Compensation Statutory Each Accident \$1,000,000 Disease – Each Employee \$1,000,000 Disease – Policy Limit \$1,000,000 a. To the extent allowed by law the required [REJECTED] Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor as respects this Agreement. [REJECTED] b. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. 23-901, and when such contractor or subcontractor executes the appropriate waiver form (Sole	commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor. b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. 2. Business Automobile Liability Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract. Combined Single Limit (CSL) \$1,000,000 a. Policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor, involving automobiles owned, leased, hired and/or non-owned by the Contractor. b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. 3. Worker's Compensation and Employers' Liability Workers' Compensation Statutory Each Accident \$1,000,000 Disease – Each Employee \$1,000,000 Disease – Policy Limit \$1,000,000 a. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards,
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	Proprietor/Independent Contractor). 4. Technology Errors & Omissions Insurance – Required as applicable to the services provided. Each Claim \$ 2,000,000 Annual Aggregate \$ 2,000,000 a. Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract. b. Coverage shall include copyright infringement, infringement of trade dress, domain name, title or slogan. INTENTIONALLY OMITTED [REJECTED] c. In the event that the Tech E&O insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years, beginning at the time work under this Contract is completed. 5. Network Security (Cyber) and Privacy Liability – Coverage under Contractor’s Technical Errors & Omissions Insurance Required as applicable to the services provided. Each Claim \$ 2,000,000 Annual Aggregate \$ 2,000,000 a. Such insurance shall include, but not be limited to, coverage for third party claims and losses with respect to network risks (such as data breaches, unauthorized access or use, ID theft, theft of data) and invasion of privacy regardless of the type of media involved in the loss of private information, crisis management and identity theft response costs. This should also include breach notification costs, credit remediation and credit monitoring, defense and claims expenses, regulatory defense costs plus fines and penalties, where insurable by law, [ACCEPTED] cyber extortion, [REJECTED] computer program and electronic data restoration expenses coverage (data asset protection), network business interruption, [REJECTED] computer fraud coverage, and funds transfer loss. [REJECTED] b. In the event that the Network Security and Privacy Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous	commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. b. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. 23-901, and when such contractor or subcontractor executes the appropriate waiver form (Sole Proprietor/Independent Contractor). 4. Technology Errors & Omissions Insurance – Required as applicable to the services provided. Each Claim \$ 2,000,000 Annual Aggregate \$ 2,000,000 a. Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract. b. Coverage shall include copyright infringement, infringement of trade dress, domain name, title or slogan. c. In the event that the Tech E&O insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years, beginning at the time work under this Contract is completed. 5. Network Security (Cyber) and Privacy Liability – Required as applicable to the services provided. Each Claim \$ 2,000,000 Annual Aggregate \$ 2,000,000 a. Such insurance shall include, but not be limited to, coverage for third party claims and losses with respect to network risks (such as data breaches, unauthorized access or use, ID theft, theft of data) and invasion of privacy regardless of the type of media involved in the loss of private information, crisis management and identity theft response costs. This should also include breach notification costs, credit remediation and credit monitoring, defense and claims expenses, regulatory defense costs plus fines and penalties,
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	coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed. c. The policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to vicarious liability of the insured arising out of the activities performed by or on behalf of the Contractor INTENTIONALLY OMITTED. [REJECTED] d. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its department, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor under this Agreement. [REJECTED] ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include, the following provisions: 1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor [REJECTED] shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 E. 2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract. NOTICE OF CANCELLATION: Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice that a policy has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand-delivered or sent by facsimile transmission to State Procurement Office. Contractor shall provide the State of Arizona at least thirty (30) days prior written notice of cancellation or nonrenewal of any required coverage that is not replaced ACCEPTABILITY OF INSURERS: Contractor's Insurance	cyber extortion, computer program and electronic data restoration expenses coverage (data asset protection), network business interruption, computer fraud coverage, and funds transfer loss. b. In the event that the Network Security and Privacy Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed. c. The policy shall be endorsed, as required by this written agreement, to name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to vicarious liability of the insured arising out of the activities performed by or on behalf of the Contractor. d. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its department, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor. ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include, the following provisions: 1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 E. 2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract. NOTICE OF CANCELLATION: Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be
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	shall be placed with companies licensed eligible in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency. VERIFICATION OF COVERAGE: Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. The certificate(s) shall be completed and signed by the insured's broker. An authorized representative of the insurer shall sign the certificates by the insured to bind coverage on its behalf. 1. All such certificates of insurance and required policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement. 2. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract. 3. All such certificates required by this Contract shall be sent directly to the Arizona State Procurement Office. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time. [REJECTED, WILL DISCUSS] SUBCONTRACTORS: Contractors' certificate(s) shall include all subcontractors as insured under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage.	suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice that a policy has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to State Procurement Office. ACCEPTABILITY OF INSURERS: Contractor's Insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency. VERIFICATION OF COVERAGE: Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates. 1. All such certificates of insurance and policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement. 2. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract. 3. All such certificates required by this Contract shall be sent directly to the Arizona State Procurement Office. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The
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	APPROVAL and MODIFICATIONS: The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverage's, or endorsements throughout the once during the term life of this contract with sixty (60) days prior written notice to the Contractor, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action. EXCEPTIONS: In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply and the Contractor may, in its sole discretion, self-insure any of the required insurance under the same terms as required by this Agreement. [REJECTED] Such public entity shall provide a Certificate of self- insurance. If the Contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply. Rationale: Edited to reflect AT&T insurance coverages and policies. AT&T requests that our Risk Manager discuss these topics with the State's Risk Manager. States Response: SEE COMMENTS IN [BRACKETS] IN COLUMN B. ALL CHANGED NOT MARKED "REJECTED" ARE ACCEPTED.	State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time. SUBCONTRACTORS: Contractors' certificate(s) shall include all subcontractors as insured under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage. APPROVAL and MODIFICATIONS: The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action. EXCEPTIONS: In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of self-insurance. If the Contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply
6.3 Indemnification	Exception: To the fullest extent permitted by law and subject to and without waiver of all protections granted by law to the provider of 9-1-1 services, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible real or personal or intangible property caused, or alleged to be caused, in whole or in part, by the gross negligence negligent or willful acts or	To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents,



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	omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgement costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnification will survive the termination of the above listed contract with the Contractor. This indemnity shall not apply if the Contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona Rationale: AT&T has edited this to reflect protections afford to us. States Response and AT&T agreement on 2/19/21: Insertion of "and subject to and without waiver of all protections granted by law to the provider of 9-1-1 services," is ACCEPTED. Deletion of "or personal injury" is REJECTED and should be stricken. Addition of "real or personal" is ACCEPTED. Deletion of "or intangible" is ACCEPTED. Addition of "gross negligence" is REJECTED and should be stricken. Deletion of "negligent" is REJECTED.	employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Contractor to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense, and judgement costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of, its officers, officials, agents, and employees for losses arising from the work performed by the Contractor for the State of Arizona. This indemnification will survive the termination of the above listed contract with the Contractor. This indemnity shall not apply if the Contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.
6.4 Patent and Copyright Indemnification	Exception: CONTRACTOR/VENDOR (NOT PUBLIC AGENCY). With respect to Materials or Services provided or proposed by a Contractor Indemnitor for performance under the Contract, Contractor shall indemnify, defend and hold harmless State Indemnitees against any third-party claims for liability, costs, and expenses, including, but not limited to reasonable attorneys' fees, for infringement or violation of any patent, trademark, copyright, or trade secret by the Materials and the	CONTRACTOR/VENDOR (NOT PUBLIC AGENCY). With respect to Materials or Services provided or proposed by a Contractor Indemnitor for performance under the Contract, Contractor shall indemnify, defend and hold harmless State Indemnitees against any third-party claims for liability, costs, and expenses, including, but not limited to reasonable attorneys' fees, for infringement or violation of any patent, trademark,



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	Services. The obligation to indemnify shall not apply where the claimed infringement arises out of or results from: (a) the customer or a user's content; (b) modifications to the Service by the customer or a third party not working on behalf of Contractor, or combinations of the Service with any non-Contractor services or products by customer or others outside of Contractor's control; (c) Contractor's adherence to customer's written requirements; or (d) use of a Service in violation of this Agreement. With respect to the defense and payment of claims under this subparagraph: 1. State shall provide reasonable and timely notification to Contractor of any claim for which Contractor may be liable under this paragraph; 2. Contractor, with reasonable consultation from State, shall have control of the defense of any action on an indemnified claim including all negotiations for its settlement or compromise; 3. State may elect to participate in such action at its own expense; and 4. State may approve or disapprove any settlement or compromise, provided that, (i) State shall not unreasonably withhold or delay such approval or disapproval and (ii) State shall cooperate in the defense and in any related settlement negotiations. If Contractor is a public agency, this paragraph 6.4 does not apply. Rationale: AT&T has edited this section to protect itself against third party claims caused by the customer or user. States Response:: Consider the following modification to the added language: The obligation to indemnify shall not apply where the claimed infringement arises out of or results from: (a) the customer or a user's content; (b) modifications to the Service by the customer or a third party not under Contractor's control working on behalf of Contractor, or combinations of the Service with any non-Contractor services or products by customer or others outside of Contractor's control; (c) Contractor's adherence to customer's written requirements; or (d) use of a Service in violation of this Agreement. RM 2/19/21: State accepts Contractor's language in Column B.	copyright, or trade secret by the Materials and the Services. With respect to the defense and payment of claims under this subparagraph: 1. State shall provide reasonable and timely notification to Contractor of any claim for which Contractor may be liable under this paragraph; 2. Contractor, with reasonable consultation from State, shall have control of the defense of any action on an indemnified claim including all negotiations for its settlement or compromise; 3. State may elect to participate in such action at its own expense; and 4. State may approve or disapprove any settlement or compromise, provided that, (i) State shall not unreasonably withhold or delay such approval or disapproval and (ii) State shall cooperate in the defense and in any related settlement negotiations. If Contractor is a public agency, this paragraph 6.4 does not apply.
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7.3 Intellectual Property	Exception: AT&T'S RESPONSE TO RFP SECTION 2-C, §7.3: AT&T does not make this warranty but will agree to negotiate an IP indemnification provision to the agreement, with no damage cap. Rationale: Edited to reflect warranties that AT&T is willing to provide. State Response: Agreement to the vendors rationale and will accept their offer to negotiate an IP indemnification provision to the agreement, with no damage cap	Contractor warrants that the Materials and Services do not and will not infringe or violate any patent, trademark, copyright, trade secret, or other intellectual property rights or laws, except only to the extent the Specifications do not permit use of any other product and Contractor is not and cannot reasonably be expected to be aware of the infringement or violation.
14.7 First Party Liability Limitation	Exception:14.7.1 LIMIT. Subject to the provisos that follow below and unless stated otherwise in the Special Terms and Conditions, State's and Contractor's respective first party liability arising from or related to the Contract is limited, on an aggregate basis during any twelve (12) month period, to the greater of \$1,000,000 (one million dollars) or 2 (two) 3 (three) times the total net charges under the Contract in the twelve (12) month time period during which the claim arose. purchase price of the specific Materials or Services giving rise to the claim PROVISOS. This paragraph 14.7 limits liability for first party direct, indirect, incidental, special, punitive, and consequential damages relating to the Work regardless of the legal theory under which the liability is asserted. This paragraph 14.7 does not limit liability arising from any: (a) Indemnified Claim against which Contractor has indemnified State Indemnitees under paragraph 6.3; (b) claim against which Contractor has indemnified State Indemnitees under paragraph 6.4; or (c) provision of the Contract calling for liquidated damages or specifying amounts or percentages as being at-risk or subject to deduction for performance deficiencies.(d) purchasing entity's responsibility for the payment of all properly due charges under this Contract.14.7.3 EXCEPT AS SET FORTH IN SECTIONS 6 OR IN THE CASE OF A PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, RELIANCE OR SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS, ADVANTAGE, SAVINGS OR REVENUES OR FOR INCREASED COST OF OPERATIONS.14.7.3 PURCHASE PRICE DETERMINATION. If the Contract is for a single	LIMIT. Subject to the provisos that follow below and unless stated otherwise in the Special Terms and Conditions, State's and Contractor's respective first party liability arising from or related to the Contract is limited to the greater of \$1,000,000 (one million dollars) or 3 (three) times the purchase price of the specific Materials or Services giving rise to the claim. 14.7.2 PROVISOS. This paragraph 14.7 limits liability for first party direct, indirect, incidental, special, punitive, and consequential damages relating to the Work regardless of the legal theory under which the liability is asserted. This paragraph 14.7 does not limit liability arising from any: (a) Indemnified Claim against which Contractor has indemnified State Indemnitees under paragraph 6.3; (b) claim against which Contractor has indemnified State Indemnitees under paragraph 6.4; or (c) provision of the Contract calling for liquidated damages or specifying amounts or percentages as being at-risk or subject to deduction for performance deficiencies. 14.7.3 PURCHASE PRICE DETERMINATION. If the Contract is for a single-agency and a single Order (or if no Order applies), then "purchase price" in Subparagraph 14.7.1 above means the aggregate Contract price current at the time of Contract expiration or earlier termination, including all Contract Amendments having an effect on the



Attachment 5-B: Conformance Statements

	agency and a single Order (or if no Order applies), then "purchase price" in Subparagraph 14.7.1 above means the aggregate Contract price current at the time of Contract expiration or earlier termination, including all Contract Amendments having an effect on the aggregate price through that date. In all other cases, "purchase price" above means the total price of the Order for the specific equipment, software, or services giving rise to the claim, and therefore a separate limit will apply to each Order. 14.7.4 NO EFFECT ON INSURANCE. This paragraph does not modify the required coverage limits, terms, and conditions of, or any insured's ability to claim against, any insurance that Contractor is required by the Contract to provide, and Contractor shall obtain express endorsements that it does not. A. Disclaimer of Liability. CONTRACTOR WILL NOT BE LIABLE FOR ANY DAMAGES ARISING OUT OF OR RELATING TO: INTEROPERABILITY, ACCESS OR INTERCONNECTION OF THE SERVICES WITH APPLICATIONS, DATA, EQUIPMENT, SERVICES, CONTENT OR NETWORKS PROVIDED BY PURCHASING ENTITY OR THIRD PARTIES; SERVICE DEFECTS, SERVICE LEVELS, DELAYS OR ANY SERVICE ERROR OR INTERRUPTION, INCLUDING INTERRUPTIONS OR ERRORS IN ROUTING OR COMPLETING ANY 911 OR OTHER EMERGENCY RESPONSE CALLS OR ANY OTHER CALLS OR TRANSMISSIONS (EXCEPT FOR CREDITS EXPLICITLY SET FORTH IN THIS AGREEMENT); LOST OR ALTERED MESSAGES OR TRANSMISSIONS; OR UNAUTHORIZED ACCESS TO OR THEFT, ALTERATION, LOSS OR DESTRUCTION OF PURCHASING ENTITY'S (OR ITS AFFILIATES', USERS' OR THIRD PARTIES') APPLICATIONS, CONTENT, DATA, PROGRAMS, INFORMATION, NETWORKS OR SYSTEMS. Rationale: AT&T would edit this section as indicated and would add the Disclaimer of Liabilities as set forth above. States Response and AT&T's on agreement 2/19/21: The following should be stricken from 14.7.1: "Except in the case of a party's gross negligence or willful misconduct, neither party will be liable to the other party for any indirect, incidental, consequential, punitive, reliance or special damages, including without limitation damages for lost profits, advantage, savings, or revenues or for increased cost of operations." (Note: redundant - identical language appears in 14.7.3)	aggregate price through that date. In all other cases, "purchase price" above means the total price of the Order for the specific equipment, software, or services giving rise to the claim, and therefore a separate limit will apply to each Order. 14.7.4 NO EFFECT ON INSURANCE. This paragraph does not modify the required coverage limits, terms, and conditions of, or any insured's ability to claim against, any insurance that Contractor is required by the Contract to provide, and Contractor shall obtain express endorsements that it does not.
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Attachment 5-B: Conformance Statements

	The word "or" before 14.7.2(c) should be moved to the end of 14.7.2(c). Final section "A. Disclaimer of Liability" is REJECTED and should be stricken. All other changes ACCEPTED.	
Article/ Paragraph or Appendix Reference	Proposed Changes / Alternate Language	RFP Language (Copy and Paste from Solicitation)
Section 2-D: Uniform Terms & Conditions		
3.7 Property of the State	Exception: <u>Property of the State.</u> Any materials, including copies of reports ("Reports"), computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or grants to the State under Contractor's copyrights on those materials the perpetual, non-exclusive, personal and non-transferable right to reproduce and modify the Reports for State's own internal purposes. For avoidance of doubt, "internal purposes" exclude public distribution, except as required by law, or resale to third parties and revenue generation purposes and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials reports for purposes unrelated to this Agreement without the prior written consent of the State. Rationale: Edited to reflect AT&T policies regarding ownership of reports. State Response: State approves that added language for 3.7	Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.
3.8 Ownership of Intellectual Property	Exception: Subject to Contractor's ownership of intellectual property and pre-existing materials under Section 3.9.3 (Pre-Existing Material), any Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets, created or conceived and delivered to the State by Contractor pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona	Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract shall own (for and on behalf of the State) the entire



Attachment 5-B: Conformance Statements

	requesting the issuance of this contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Notwithstanding that this contract vests ownership of the Intellectual Property in the State, the Contractor and State will cooperate to execute any and all additional document(s) in the event doing so becomes necessary to further assure ownership of the Intellectual Property vests in the State. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by Contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract. Rationale: AT&T is very protective of its intellectual property. These minimal edits are designed to ensure that we retain ownership of our IP.. State Response: State will approve to the added language but does not agree to having the struck out language removed. The state will be notified within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s) that is relevant to the contract. Henry on 02/16: AT&T agrees to withdraw strikethrough.	right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by Contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.
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AT&T Corp.

Company Name

Signature of Person Authorized to Sign

End of Attachment 5-B

EXHIBIT B
AMENDMENT 1 TO COOPERATIVE PURCHASING AGREEMENT

State of Arizona Contract # CTR055782 for NG911 Call-Handling Equipment (CHE)

Exhibit A						
PSAP Description	NRC VPN	MRC VPN Yr 1-5	NRC BB	MRC BB Yr 1-5	DUAL AVPN NRC	DUAL AVPN MRC Yr 1-5
AMR Maricopa	\$ -	\$ 550.23	\$ 250.00	\$ 91.37	\$ -	\$ 757.55
Apache Junction	\$ -	\$ 768.27	\$ 410.00	\$ 84.55	\$ -	\$ 755.00
ASU PD	\$ -	\$ 550.23	\$ 250.00	\$ 91.37	\$ -	\$ 757.55
Avondale PD	\$ -	\$ 612.39	\$ 410.00	\$ 84.55	\$ -	\$ 612.39
AZDPS-Central	\$ -	\$ 800.06	\$ 565.00	\$ 118.65	\$ -	\$ 1,379.00
AZDPS-South	\$ -	\$ 1,379.00	\$ 250.00	\$ 110.69	\$ -	\$ 717.00
Benson PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ -	\$ -
Buckeye PD	\$ -	\$ 699.53	\$ 410.00	\$ 120.55	\$ -	\$ 589.39
Bullhead City PD	\$ -	\$ 476.75	\$ 2,150.00	\$ 512.96	\$ -	\$ -
Camp Verde Marshal's Office	\$ -	\$ 648.27	\$ 410.00	\$ 84.55	\$ -	\$ -
Casa Grande PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ -	\$ -
Chandler PD	\$ -	\$ 589.39	\$ 250.00	\$ 110.69	\$ -	\$ 589.39
Clifton PD	\$ -	\$ 744.00	\$ 350.00	\$ 89.99	\$ -	\$ -
Coolidge PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ -	\$ -
Cottonwood PD	\$ -	\$ 670.78	\$ 350.00	\$ 89.99	\$ -	\$ -
Douglas PD	\$ -	\$ 528.48	\$ 250.00	\$ 91.37	\$ -	\$ -
Eloy PD	\$ -	\$ 648.27	\$ 410.00	\$ 84.55	\$ -	\$ -
Flagstaff PD	\$ -	\$ 1,379.00	\$ 410.00	\$ 84.55	\$ -	\$ 897.81
Florence PD	\$ -	\$ 648.27	\$ 250.00	\$ 91.37	\$ -	\$ -
Ft McDowell	\$ -	\$ 527.23	\$ 2,150.00	\$ 512.96	\$ -	\$ 644.94
Gila River Indian Community	\$ -	\$ 890.60	\$ 2,150.00	\$ 743.64	\$ -	\$ -
Gila Sheriff Office	\$ -	\$ 744.00	\$ 350.00	\$ 89.99	\$ -	\$ -
Gilbert PD	\$ -	\$ 589.53	\$ 410.00	\$ 84.55	\$ -	\$ 1,027.05
Glen Canyon NPS	\$ -	\$ 744.00	\$ 350.00	\$ 89.99	\$ -	\$ -
Glendale PD	\$ -	\$ 812.39	\$ 250.00	\$ 110.69	\$ -	\$ 1,127.05
Goodyear PD	\$ -	\$ 1,515.10	\$ 250.00	\$ 110.69	\$ -	\$ 570.76
Graham County Sheriff	\$ -	\$ 648.27	\$ 410.00	\$ 84.55	\$ -	\$ -
Grand Canyon NPS	\$ -	\$ 744.00	\$ 410.00	\$ 84.55	\$ -	\$ -
Greenlee County Sheriff	\$ -	\$ 744.00	\$ 350.00	\$ 89.99	\$ -	\$ -
Hildale / Colorado City Communications Center	\$ -	\$ 744.00	\$ 2,150.00	\$ 512.96	\$ -	\$ -
Kingman 9-1-1 Communications	\$ -	\$ 407.78	\$ 300.00	\$ 114.10	\$ -	\$ -
La Paz County Sheriff	\$ -	\$ 589.53	\$ 300.00	\$ 114.10	\$ -	\$ -
Lake Havasu PD	\$ -	\$ 589.53	\$ 300.00	\$ 114.10	\$ -	\$ -
Luke AFB	\$ -	\$ 550.23	\$ 250.00	\$ 113.34	\$ -	\$ 757.55
Marana PD	\$ -	\$ 449.31	\$ 250.00	\$ 104.10	\$ -	\$ -
Maricopa County Sheriff	\$ -	\$ 1,299.76	\$ 250.00	\$ 110.69	\$ -	\$ 1,074.50
Maricopa PD	\$ -	\$ 637.27	\$ 600.00	\$ 458.76	\$ -	\$ -
Mesa Fire	\$ -	\$ 1,033.00	\$ 410.00	\$ 84.55	\$ -	\$ 1,057.00
Mesa PS	\$ -	\$ 2,066.00	\$ 250.00	\$ 165.23	\$ -	\$ 803.00
Mohave County Sheriff	\$ -	\$ 589.53	\$ 300.00	\$ 114.10	\$ -	\$ -
Nogales PD	\$ -	\$ 648.27	\$ 410.00	\$ 84.55	\$ -	\$ -
Oro Valley PD	\$ -	\$ 527.56	\$ 250.00	\$ 104.10	\$ -	\$ -
Page PD	\$ -	\$ 648.27	\$ 350.00	\$ 89.99	\$ -	\$ -
Paradise Valley PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ -	\$ -
Payson PD	\$ -	\$ 648.27	\$ 300.00	\$ 114.10	\$ -	\$ -
Peoria PD	\$ -	\$ 589.53	\$ 250.00	\$ 370.57	\$ 250.00	\$ 110.69
Phoenix Fire	\$ -	\$ 1,033.15	\$ 250.00	\$ 355.00	\$ -	\$ 1,253.76
Phoenix PD	\$ -	\$ 1,033.15	\$ 250.00	\$ 355.00	\$ -	\$ 1,253.76
Pima County Sheriff-Ajo	\$ -	\$ 744.00	\$ 2,150.00	\$ 512.96	\$ -	\$ -
Pima County Sheriff-Tucson	\$ -	\$ 789.71	\$ 565.00	\$ 118.65	\$ -	\$ 789.71
Pinal County Sheriff	\$ -	\$ 589.53	\$ 250.00	\$ 110.69	\$ -	\$ -
Prescott Region Comm Center	\$ -	\$ 1,379.00	\$ 410.00	\$ 84.55	\$ -	\$ 897.81
Rural Metro Fire Dept - Yuma	\$ 300.00	\$ 528.48	\$ 250.00	\$ 124.32	\$ -	\$ -
Rural Metro Fire Dept-Pima	\$ -	\$ 589.53	\$ 250.00	\$ 91.37	\$ -	\$ -
Salt River	\$ -	\$ 713.71	\$ 450.00	\$ 259.00	\$ -	\$ 713.71
San Luis PD	\$ 300.00	\$ 528.48	\$ 410.00	\$ 84.55	\$ -	\$ -
Santa Cruz County Sheriff	\$ -	\$ 648.27	\$ 275.00	\$ 169.78	\$ -	\$ -
Scottsdale PD	\$ -	\$ 1,438.68	\$ 250.00	\$ 165.23	\$ -	\$ 803.23
SEACOM	\$ -	\$ 589.53	\$ 250.00	\$ 91.37	\$ -	\$ -
Sedona PD	\$ -	\$ 648.27	\$ 300.00	\$ 114.10	\$ -	\$ -
Somerton PD	\$ 300.00	\$ 528.48	\$ 250.00	\$ 124.32	\$ -	\$ -
Surprise PD	\$ -	\$ 786.00	\$ 250.00	\$ 170.67	\$ -	\$ 786.00
Tempe PD	\$ -	\$ 759.00	\$ 250.00	\$ 556.23	\$ 565.00	\$ 118.65
Tolleson PD	\$ -	\$ 527.56	\$ 250.00	\$ 113.34	\$ -	\$ -
Tucson Public Safety Comm Ctr	\$ -	\$ 1,299.76	\$ 250.00	\$ 110.69	\$ -	\$ 1,074.50
University of AZ PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ 565.00	\$ 118.65
Valley Emergency Communications Center	PCSD	PCSD	\$ 410.00	\$ 84.55	\$ -	\$ -
Wickenburg PD	\$ -	\$ 527.56	\$ 250.00	\$ 91.37	\$ -	\$ -
Williams PD	\$ -	\$ 648.27	\$ 410.00	\$ 84.55	\$ -	\$ -
Yavapai County Sheriff	\$ -	\$ 670.78	\$ 410.00	\$ 84.55	\$ -	\$ -
Yuma County Sheriff	\$ -	\$ 670.78	\$ 410.00	\$ 84.55	\$ -	\$ -
Yuma Public Safety Communications Center	\$ -	\$ 638.69	\$ 250.00	\$ 124.32	\$ -	\$ -
ESInet for CHaas (Route) FirstNet	\$ 1,300.00	\$ 37.00	\$ -	\$ -	\$ -	\$ -

DATE 1/22/2024
 VERSION 5.2 MR
 Account Manager Jeff Reeve
 Phone 714-227-1268
 Email ju7072@att.com

Quote Summary
Surprise Police Department
CHaaS



Motorola
 (10) VESTA IWS Positions Workstations
 Admin Queue ACD w/ Touchscreen
Tier 2 - Dual Path AVPN with Broadband

VESTA (10) Positions (Tab: AT&T CHaaS, Row 56 and 57)		
Total Non-Recurring Charge:	\$	38,829.00
Total Monthly Recurring Charge:	\$	7,521.00
60 MONTH TOTAL:	\$	490,089.00
UPS for Front (10) and/or Back Room (4) (Tab: Options, Row 41 and 42)		
Total Non-Recurring Charge:	\$	18,416.20
Total Monthly Recurring Charge:	\$	176.00
60 MONTH TOTAL:	\$	28,976.20
VESTA Map Local - 10 Positions (Tab: Options (2), Row 19 and 20)		
Total Non-Recurring Charge:	\$	5,114.80
Total Monthly Recurring Charge:	\$	1,129.40
60 MONTH TOTAL:	\$	72,878.80
(1) 55" wallboard monitor, (10) 23" flat panel wide touch screen monitor (Tab: Options, Row 27, Row 35)		
Total Non-Recurring Charge:	\$	6,988.70
Total Monthly Recurring Charge:	\$	25.00
60 MONTH TOTAL:	\$	8,488.70
(Additional) Gateways (Tab: Options, Row 20 & 23)		
Total Non-Recurring Charge:	\$	25,056.20
Total Monthly Recurring Charge:	\$	218.50
60 MONTH TOTAL:	\$	38,166.20
Enhanced Data Window (Tab: Options, Row 13)		
Total Non-Recurring Charge:	\$	3,033.80
Total Monthly Recurring Charge:	\$	105.70
60 MONTH TOTAL:	\$	9,375.80
Citizen Input/Smart Transcription - (10) Positions (Tab: Options, Row 10 and 11)		
Total Non-Recurring Charge:	\$	15,904.40
Total Monthly Recurring Charge:	\$	2,482.50
60 MONTH TOTAL:	\$	164,854.40
Automatic Abandoned Callback (Tab: Options, Row 12)		
Total Non-Recurring Charge:	\$	21,707.80
Total Monthly Recurring Charge:	\$	161.40
60 MONTH TOTAL:	\$	31,391.80
(Additional) Training (Tab: Options (2), Row 32 and 37)		
Total Non-Recurring Charge:	\$	3,091.30
Total Monthly Recurring Charge:	\$	-
60 MONTH TOTAL:	\$	3,091.30
SUB-TOTAL For CHaaS:		\$ 847,312.20

ESInet for CHaaS ("A" Route Primary AVPN)	
Total Non-Recurring Charge:	\$ -
Total Monthly Recurring Charge:	\$ 786.00
60 MONTH TOTAL:	\$ 47,160.00
ESInet for CHaaS ("B" Route Secondary AVPN)	
Total Non-Recurring Charge:	\$ -
Total Monthly Recurring Charge:	\$ 786.00
60 MONTH TOTAL:	\$ 47,160.00
ESInet for CHaaS ("C" Route Broadband)	
Total Non-Recurring Charge:	\$ 250.00
Total Monthly Recurring Charge:	\$ 170.67
60 MONTH TOTAL:	\$ 10,490.20
ESInet for CHaaS ("D" Route) FIRSTNET - 2 Routers + Access (Tab: Options (3), Row 20 and 21)	
Total Non-Recurring Charge:	\$ 2,600.00
Total Monthly Recurring Charge:	\$ 74.00
60 MONTH TOTAL:	\$ 7,040.00
SUB-TOTAL For ESInet For CHaaS:	\$ 111,850.20
Total Surprise PD Strategic Discount (60 Month)	\$ (24,942.50)
NON-RECURRING GRAND TOTAL:	\$ 138,392.20
MONTHLY RECURRING GRAND TOTAL:	\$ 13,263.80
60 MONTH GRAND TOTAL:	\$ 934,219.90

Quote Valid For 120 Days

Notes:

Prices quoted here reflect the pricing, terms and conditions set forth in that certain contract between AT&T and the State of Arizona, #CTR055782, dated June 18 2021 (the "Contract"). The terms and conditions set forth in the Contract apply to all orders placed pursuant to this quote. Unless agreed upon by both parties in writing, any contractual terms and conditions placed in the corresponding Order are deemed void and do not apply.

1. This quote is for a CHaaS VESTA system with (10) IWS Positions, (0) Laptop Position, (0) docking station, and (0) IP phone.
2. This quote includes (10) additional 23" wide touch screen monitors for dual monitors at each position, a total of 20 touch screen monitors.
3. This quote DOES NOT include VESTA Analytics.
4. This quote includes VESTA Map Local for (10) positions.
5. This quote includes Motorola on-site training for VESTA.
6. This quote includes (10) 4-Port KVMs.
7. This quote includes (10) 48-button Genovation keypads.
8. This quote DOES NOT include a NetClock system.
9. This quote Includes UPS; Backroom (4) and for front room (10) positions
10. This quote includes Motorola's managed services.
11. In addition to the (1) VESTA Agent Training class, (1) VESTA Admin Training class, and (1) Cutover Coaching class. Per PSAP request, this quote also includes additional:
 - (4) VESTA Agent Training classes
 - (1) VESTA Admin Training class
12. Per discussion with AZDOA, removed "additional" FXS gateways.
13. This quote includes FIRSTNET as an optional network connection for voice.
14. This quote includes (0) additional positions at the PSAP request for a total of (10) positions.
15. Citizen Input/Smart Transcription service requires internet service and will leverage the Route B or Route C broadband connection.
16. The broadband connection may not provide additional diversity.
17. This quote includes (1) network printer.
18. Includes (3) bundled FXO's Gateways and (3) additional FXO's.
19. Includes (1) additional T1.
20. This quote includes (1) 55" Wallboard monitor and ACD.



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024
Submitting Department: Police
Staff Recommendations:

Contact Person: Benny Pina, POLICE CHIEF
District: Citywide

Consent: Yes	Regular: No	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to approval of an amendment to the FY2024 budget by moving budget authority of \$62,200 from General Contingency to Project #G31245 FFY23 DEA Task Force in the Grants Fund to account for the acceptance of an addendum to the agreement with the U.S. Department of Justice Drug Enforcement Administration (DEA) Task Force; Resolution #2024-06.

Motion:

I move to approve Resolution 2024-06.

Background:

This is an addendum to the agreement with the Department of Justice, which Surprise originally entered on January 17, 2023. The Department of Justice wishes to increase the number of officers from two (2) experienced officers to three (3) experienced officers. The Surprise Police Department (SPD) agrees to assign three (3) experienced officers to the DEA Phoenix Task Force for a period of not less than two (2) years. Annual funding is capped at the equivalent to 25% of the salary of a GS-12, step 1, federal employee, per officer, and may be adjusted annually. For FFY24, the DEA agrees to reimburse the City of Surprise up to \$20,707.50 per officer (no more than \$62,122.50 total) for overtime expenses for this federal fiscal year.

Objective Analysis:

One drawback from obtaining grant funding is that three experienced officers are at the task force and not performing daily police functions within the city. However, the positives more than outweigh the negatives. The agreement will help disrupt a considerable amount of drug trafficking activities, especially focused upon the West Valley, and these officers will return to the City of Surprise after two years having obtained considerable skills that they will use in the daily performance of their job.

Policy Compliant:

This action is compliant with City and Council policy. The City regularly partners with other government entities when it is beneficial to do so, as is this partnership. Also, the city has consistently and strongly opposed drug trafficking and the harm that results.

Financial Impact:

This agreement is for \$20,707.50 per officer for overtime expenses for a one-time budget amendment total of \$62,200. There is no City match requirement; however, the city is responsible for payment of salary, benefits, and overtime to the officers assigned to the Task Force. The DEA will reimburse the SPD for overtime expenses. Additionally, the DEA will provide investigative equipment, supplies, training, and per diem to support the officer's activities in the Task Force.

Budget Impact:

The FY2024 adopted budget did not include appropriations for revenue and expenses related to the FFY2023 DEA Task Force IGA Addendum. Acceptance of the addendum to this agreement will require an amendment to the Fiscal Year 2024 budget by moving budget authority of \$62,200 from General Contingency to Project G31245 FFY23 DEA Task Force in the Grants Fund. Budget allocations for future fiscal years will be included in the budget adoption process for that year. Salary and benefits for the three officers to be assigned to the Task Force have been included as part of the Surprise Police Department's FY2024 General Fund operating budget. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. Res 2024-06 DEA Task Force Agreement (1) Final (2)011924
 2. FY23-26 Program Surprise PD
 3. Addendum PGM Surprise signed122823
-

RESOLUTION # 2024-06

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA AUTHORIZING THE CITY TO ACCEPT AN ADDENDUM TO THE AGREEMENT WITH THE U.S. DEPARTMENT OF JUSTICE, DRUG ENFORCEMENT ADMINISTRATION ENTERED ON JANUARY 17, 2023. ALSO, TO ACCEPT FUNDING BY AMENDING THE FISCAL YEAR 2024 BUDGET BY MOVING BUDGET AUTHORITY OF \$62,200 FROM GENERAL CONTINGENCY TO PROJECT G31245 FFY23 DEA TASK FORCE FOR OVERTIME EXPENSES IN THE GRANTS FUND.

WHEREAS, pursuant to Arizona Revised Statute §13-3872, *et seq.*, the City of Surprise has the authority to enter into agreement with other governmental entities for the purposes set forth within;

WHEREAS, there is evidence that trafficking in narcotics and dangerous drugs exists throughout the state and in the Phoenix area;

WHEREAS, such illegal activity has a substantial and detrimental effect on the health and general welfare of the people of the State of Arizona and the City of Surprise;

WHEREAS, the parties desire to enter into an addendum to the agreement in order to continue the partnership already in place to combat these issues;

WHEREAS, the Drug Enforcement Administration, as part of their commitment to this partnership desires to reimburse overtime incurred as a result of this addendum from two full-time investigators to three full-time investigators up to the amount of \$20,707.50 per position and the City of Surprise desires to accept such funding.

WHEREAS, the Addendum to this agreement provides overtime funding from two officers to three assigned officers to the DEA Task Force for the federal fiscal year 2023-2024 and such funding was not included in the budget as the addendum to the IGA was not executed at that time;

WHEREAS, the FY2024 budget was adopted by Council Resolution #2023-85 on June 6, 2023;

WHEREAS, execution of this agreement will necessitate a budget amendment;
and

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

Section 2. The Addendum to the Agreement between the City of Surprise and the U.S. Department of Justice, Drug Enforcement Administration, attached as Exhibit B, is approved.

Section 3. The City Manager, or his designee, is hereby authorized to execute and submit all documents and other necessary or desirable instruments in connection with said agreement.

APPROVED AND ADOPTED this ____ day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2024-06
Exhibit A

1. Appropriation - Acceptance of an addendum to the agreement with the U.S. Department of Justice Drug Enforcement Administration (DEA) Task Force and amending the FY2024 budget by moving budget authority of \$62,200 from General Contingency to Project #G31245 FFY23 DEA Task Force in the Grants Fund. This agreement is for \$20,707.50 per officer to overtime expenses for a one-time budget amendment total of \$62,200. The FY2024 adopted budget did not include appropriations for revenue and expenses related to the FFY2023 DEA Task Force IGA Addendum. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
Grants	Police	#G31245 FFY23 DEA Task Force	E	6,200	62,200	68,400
Grants	Police	#G31245 FFY23 DEA Task Force	R	6,200	62,200	68,400
Contingency	General Operations	Contingency	E	71,237,500	(62,200)	71,175,300
Contingency	General Operations	Other	R	75,219,900	(62,200)	75,157,700
Expense Total				71,243,700	-	71,243,700
Revenue Total				75,226,100	-	75,226,100

RESOLUTION 2024-06
EXHIBIT B

ADDENDUM TO AGREEMENT BETWEEN
THE CITY OF SURPRISE AND U.S. DEPARTMENT OF JUSTICE,
DRUG ENFORCEMENT ADMINISTRATION

(BEGINS ON THE NEXT PAGE)

PROGRAM - FUNDED STATE AND LOCAL TASK FORCE AGREEMENT

This agreement is made this **1st day of October 2022**, between the United States Department of Justice, Drug Enforcement Administration (hereinafter "DEA"), and the **Surprise Police Department, ORI#AZ007200** (hereinafter "parent agency"). The DEA is authorized to enter into this cooperative agreement concerning the use and abuse of controlled substances under the provisions of 21 USC § 873.

WHEREAS there is evidence that trafficking in narcotics and dangerous drugs exists in the state of Arizona area and that such illegal activity has a substantial and detrimental effect on the health and general welfare of the people of Arizona, the parties hereto agree to the following:

1. The **Phoenix Task Force** will perform the activities and duties described below:
 - a. disrupt the illicit drug traffic in the Arizona area by immobilizing targeted violators and trafficking organizations;
 - b. gather and report intelligence data relating to trafficking in narcotics and dangerous drugs; and,
 - c. conduct undercover operations where appropriate and engage in other traditional methods of investigation in order that the task force's activities will result in effective prosecution before the courts of the United States and the state of Arizona.
2. To accomplish the objectives of the Phoenix Task Force, the parent agency agrees to detail **two (2)** experienced officers to the Phoenix Task Force for a period of not less than two years. During this period of assignment, the parent agency officers will be under the direct supervision and control of DEA supervisory personnel assigned to the task force.
3. The parent agency officers assigned to the task force shall adhere to DEA policies and procedures. Failure to adhere to DEA policies and procedures shall be grounds for dismissal from the task force.
4. The parent agency officers assigned to the task force shall be deputized as task force officers of DEA pursuant to 21 USC § 878.
5. To accomplish the objectives of the Phoenix Task Force, DEA will assign six (6) special agents to the task force. The parent agency agrees to provide and maintain a vehicle for use for each of its assigned task force officers. DEA will also, subject to the availability of annually appropriated funds or any continuing resolution thereof, provide necessary funds and equipment to support the activities of the DEA special agents and parent agency officers assigned to the task force. This support will include: office space, office supplies, travel funds, funds for the purchase of evidence and information, investigative equipment, training, and other support items.

6. During the period of assignment to the Phoenix Task Force, the parent agency will remain responsible for establishing the salary and benefits, including overtime, of the officers assigned to the task force, and for making all payments due them. DEA will, subject to availability of funds, reimburse the parent agency for overtime payments. Annual overtime for each state and local law enforcement officer is capped at the equivalent to 25% of the salary of a GS-12, step 1, of the general pay scale for the rest of the United States. Reimbursement for all types of qualified expenses shall be contingent upon availability of funds and submission of a proper request for reimbursement which shall be submitted monthly or quarterly on a fiscal year basis, and which provides the names of investigators who incurred overtime for DEA during invoiced period, the number of overtime hours incurred, the hourly regular and overtime rates in effect for each investigator, and the total cost for the invoiced period. The parent agency will bill overtime as it is performed and no later than 60 days after the end of each quarter in which the overtime is performed. ***Note: Task Force Officer's overtime shall not include any costs for benefits, such as retirement, FICA, and other expenses.***
7. In no event will the parent agency charge any indirect cost rate to DEA for the administration or implementation of this agreement.
8. The parent agency shall maintain on a current basis complete and accurate records and accounts of all obligations and expenditures of funds under this agreement in accordance with generally accepted accounting principles and instructions provided by DEA to facilitate on-site inspection and auditing of such records and accounts.
9. The parent agency shall permit and have readily available for examination and auditing by DEA, the United States Department of Justice, the Comptroller General of the United States, and any of their duly authorized agents and representatives, any and all records, documents, accounts, invoices, receipts or expenditures relating to this agreement. The parent agency shall maintain all such reports and records until all audits and examinations are completed and resolved, or for a period of six (6) years after termination of this agreement, whichever is later.
10. The parent agency shall comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, as amended, and all requirements imposed by or pursuant to the regulations of the United States Department of Justice implementing those laws, 28 C.F.R. Part 42, Subparts C, F, G, H and I.
11. The parent agency agrees that an authorized officer or employee will execute and return to DEA the attached OJP Form 4061/6, *Certification Regarding Lobbying; Debarment, Suspension and Other Responsibility Matters; and Drug-Free Workplace Requirements*. The parent agency acknowledges that this agreement will not take effect and no federal funds will be awarded to the parent agency by DEA until the completed certification is received.

12. When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal money, the parent agency shall clearly state: (1) the percentage of the total cost of the program or project which will be financed with federal money and (2) the dollar amount of federal funds for the project or program.
13. The term of this agreement shall be effective from the date in paragraph number one until September 30, 2026. This agreement may be terminated by either party on 30 days' advance written notice. DEA's support to the task force, including reimbursement of overtime, is subject to the availability of funds on a fiscal year basis (October 1 through September 30 of the next year). Billing for all outstanding obligations must be received by DEA within 60 days of the end of the fiscal year or within 60 days of the date of termination of this agreement. DEA will be responsible only for obligations incurred by parent agency during the term of this agreement on a fiscal year basis, subject to the availability of funds.

For the Drug Enforcement Administration:

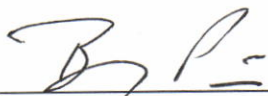


Cheri A. Oz, Special Agent in Charge
Phoenix Field Division



Date

For the Surprise Police Department:



Benny Pina, Chief of Police



Date

**Addendum to the Program-Funded
State and Local Task Force Agreement**

This agreement is an addendum to the Agreement dated October 1, 2022, between the United States Department of Justice, Drug Enforcement Administration (DEA) and the Surprise Police Department. The DEA is authorized to enter into this cooperative agreement concerning the use and abuse of controlled substances under the provisions of 21 U.S.C. § 873.

1. The term of the Agreement shall be effective from the date in paragraph number one (1) through September 30, 2026.
2. Except as modified by this addendum, the Agreement between DEA and the Surprise Police Department shall remain in full force and effect.

MODIFICATIONS:

1. To accomplish the objectives of the Phoenix Task Force, the SPD agrees to detail three (3) experienced officer(s) to the Phoenix Task Force for a period of not less than two years. This is an increase of one (1) officer noted in the original agreement. During this period of assignment, the SPD officers will be under the direct supervision and control of DEA supervisory personnel assigned to the task force.
2. During the period of assignment to the DEA, the Surprise Police Department will remain responsible for establishing the salary and benefits, including overtime, of the officers assigned to the task force and for making all payments due them. DEA will, subject to availability of appropriated funds, reimburse the Surprise Police Department for overtime payments made by it to the officers, for up to a sum equivalent to 25 percent of the salary of a GS-12, step 1, federal employee, per officer. *Note: Task Force Officer's overtime "Shall not include any costs for benefits, such as retirement, FICA, and other expenses."*

For the Drug Enforcement Administration:



**Cheri A. Oz, Special Agent in Charge
Phoenix Field Division**

Date: 12/28/23

For the Surprise Police Department:



**Benny Piña
Surprise Police Department**

Date: 12/11/2023



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024
Submitting Department: City Clerk
Staff Recommendations:

Contact Person: Kristi Passarelli, City Clerk
District: District 3

Consent: No	Regular: No	Public Hearing: Yes	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to a recommendation to the Arizona Department of Liquor Licenses and Control (DLLC) on Application No. 273271, requested by Amy S. Nations, for Cold Beers & Cheeseburgers for Series 12 Liquor License. Cold Beers & Cheeseburgers is located at 13400 N Prasada Parkway, Surprise, AZ 85388.

Motion:

I move to recommend approval of application No. 273271 to the Arizona Department of Liquor Licenses and Control.

Background:

The City has received an application for a new Series 12 liquor license for Cold Beers & Cheeseburgers is located at 13400 N Prasada Parkway, Surprise, AZ 85388. The City Clerk's Office has posted the appropriate notice as required by law. No written arguments in favor of or opposed to the issuance of the license have been received by the Clerk's Office within the twenty days after the date of posting the notice.

The application has also been disseminated to the Community Development Department, Finance Department, Surprise Police Department, and Surprise Fire and Medical Department for review. Those departments have submitted memoranda which are attached to this item.

Objective Analysis:

Pursuant to state law, the City Council shall enter an order recommending approval or disapproval within sixty days after the filing of the application and shall file a certified copy of the order with the director. If the City Council recommends approval of the license a hearing before the state Liquor License Board is not required unless the director, the board or any aggrieved party requests a hearing on the grounds that the public convenience and the best interest of the community will not be substantially served if a license is issued. If the recommendation is for disapproval, a statement of the specific reasons containing a summary of the testimony or other evidence supporting the recommendation for disapproval shall be attached to the order and the state Liquor License Board will hold a hearing.

Policy Compliant:

The Liquor License process is controlled by state law. The steps taken by the City Clerk’s Office and this public hearing comply with, and fulfill the City’s legal obligation under, applicable state law.

Financial Impact:

None

Budget Impact:

None

FTE Impact:

None

ATTACHMENTS:

1. CD - COLD BEERS AND CHEESEBURGERS REPORT
 2. COLD BEERS AND CHEESEBURGERS MAP
 3. FD - 13400 N Prasada Pkwy Cold Beers and Cheeseburgers Liquor License
 4. PD - Cold Beers & Cheeseburgers
 5. 01.16.2024_Cold Beers and Cheeseburgers - 13400 N Prasada Pkwy
-



COMMUNITY DEVELOPMENT DEPARTMENT

Date: January 26, 2024
To: Kristi Passarelli, City Clerk
From: Lloyd Abrams, Community Development Director
James Stewart, Zoning Specialist
Re: Liquor License Application for:

**Agent, Amy S. Nations
Cold Beers & Cheeseburgers
13400 N. Prasada Pkwy.
Surprise, Arizona 85388**

Series 12 (New Application - Restaurant)- Application # 273271

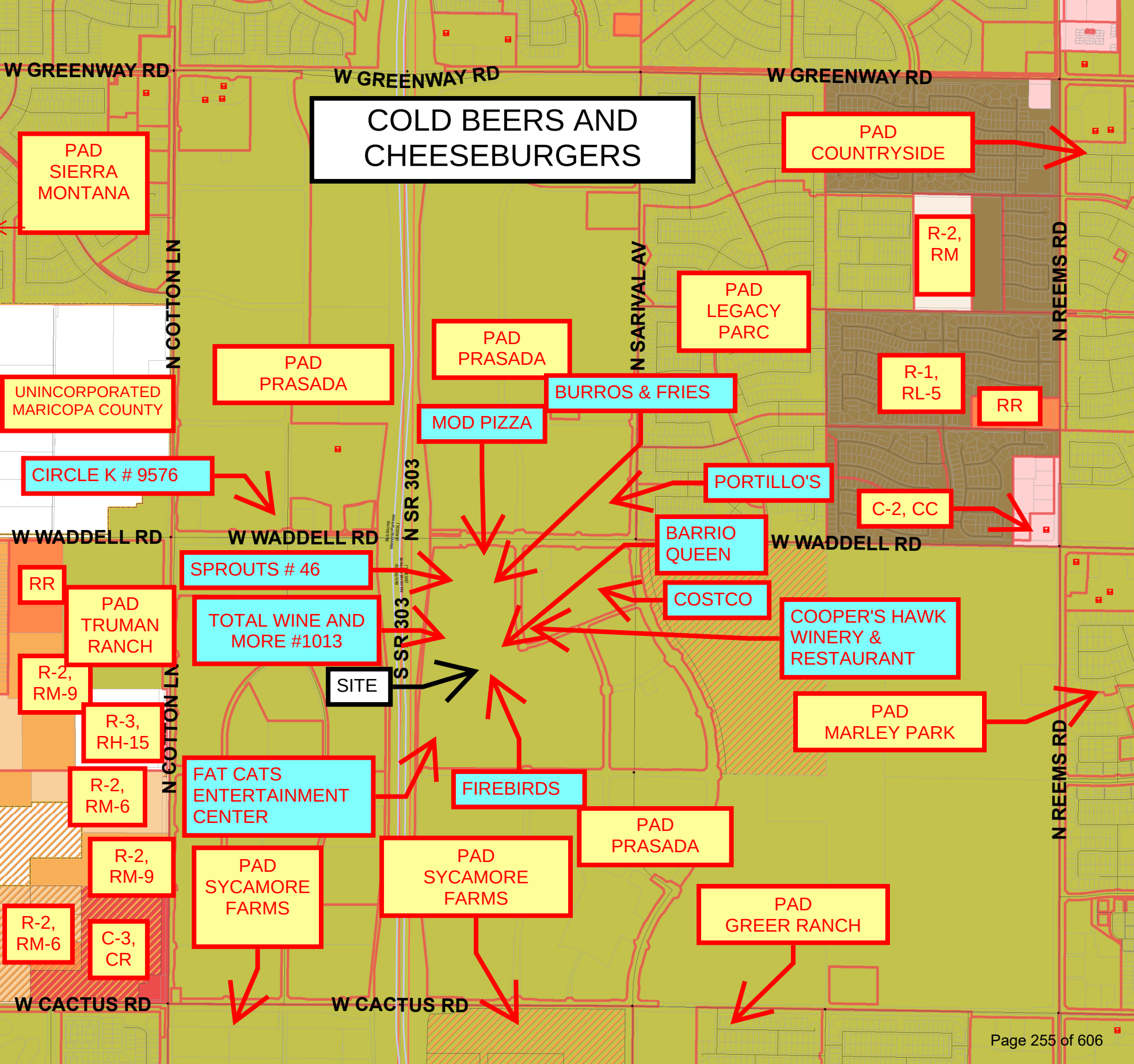
The number and series of licenses in close proximity to the subject site are:

1. Walmart # 5429 (Series 9) – 14111 N. Prasada Gateway Ave.
2. Circle K Store (Series 10) – 16934 W. Waddell Rd. (NEW APPLICATION)
3. CVS Pharmacy # 5530 (Series 9) – 15300 N. Cotton Ln.
4. Fry's Marketplace # 680 (Series 9) – 15215 N. Cotton Ln.
5. 1 Brothers Pizza (Series 12) – 16995 W. Greenway Rd.
6. Frederico's Mexican Food (Series 12) – 16995 W Greenway Rd. #100
7. Ben's Pizza (Series 12) – 16630 W. Greenway Rd. # 326 (EXPIRED)
8. Big Buddha (Series 12) – 16572 W. Greenway Rd. #115
9. CVS Pharmacy # 5477 (Series # 9) – 15474 W Greenway Rd.
10. Barro's Pizza (Series 12) – 15403 W. Greenway Rd. #104
11. Wal-Mart Neighborhood Market # 4218 (Series 9) – 15431 W. Greenway Rd.
12. Walgreens # 7933 (Series 9) – 15514 W. Waddell Rd.
13. 4 Sons Food Store (Series 10) – 15445 W. Waddell Rd.
14. Bashas' # 137 (Series 9) – 15367 W. Waddell Rd.
15. Vogue Bistro (Series 12) – 15411 W. Waddell Rd. # 108
16. ARCO AM/PM (Series 10) – 15433 W. Cactus Rd. (EXPIRED)
17. Portillo's Hot Dogs (Series 12) – 16320 W. Waddell Rd.
18. Costco Wholesale #1375 (Series 09) – 16385 W. Waddell Rd.
19. Cooper's Hawk Winery & Restaurant (Series 12) – 16470 W. Alexandria Wy.
20. Firebirds Wood Fired Grill (Series 12) – 13388 N. Prasada Pkwy.
21. Fat Cats Entertainment Center (Series 6) – 13100 N. Prasada Pkwy.
22. Total Wine and More #1013 (Series 9) – 13440 N. Prasada Pkwy.
23. Sprouts Farmers Market # 46 (Series 10) – 13650 N. Prasada Pkwy.
24. MOD Pizza (Series 12) – 13668 N. Prasada Pkwy. # 100
25. Burros & Fries (Series 12) – 13544 N. Prasada Pkwy. #101
26. Barrio Queen (Series 12) – 13434 N. Prasada Pkwy.

The immediate area is comprised of commercial zoning. The property is zoned PAD, Prasada (Commercial) which is consistent with the proposed use.

Commercial and residential growth is expected.

If managed properly, the effects of granting this liquor license on surrounding residences will be minimal. This license will have little to no affect on parking in the area. Staff believes that granting this liquor license will not directly impact the surrounding business and residential areas in a negative way.





Surprise Fire-Medical Department
14250 W. Statler Plaza Ste. 101
Surprise, AZ 85374-7479
Phone: 623-222-5000
Fax: 623-222-5001



January 16, 2024

To: Charles Vasquez, Deputy City Clerk

From: Keith Tanner, Fire Marshal

Subject: Liquor License Application

Applicant: Cold Beers and Cheeseburgers
13400 N Prasada Parkway

The Surprise Fire-Medical Department has been involved with the pre-construction / plan review process at the above referenced location within the last few months to ensure compliance with the applicable fire codes within the tenant space and building. Since construction work is still ongoing, there are no known fire code violations. Therefore, fire has no comment on the application at this time.

If you have any questions feel free to contact me.

Keith Tanner
Keith Tanner, Fire Marshal
Fire Prevention Division
Surprise Fire-Medical Department

S U R P R I S E P O L I C E D E P A R T M E N T
L I Q U O R L I C E N S E A P P L I C A T I O N R E V I E W

REFERENCE:

DATE: January 30, 2024

Application Number - 273271
New Series #12 – Restaurant

APPLICANT:

Cold Beers & Cheeseburgers
13400 N Prasada Parkway
Surprise, Arizona 85388

FINDINGS:

- 1) **Evidence concerning the nature of the proposed business, its potential market and its likely customers.**
Cold Beers & Cheeseburgers is a local full size chain restaurant only in Arizona with 16 preexisting locations. The restaurant specializes in hamburgers, sandwiches, and beer. It is currently under construction in the brand-new Village at Prasada retail district. The potential market should be residents of all ages from Surprise and the west valley. There is projected seating for the interior is 155 persons, including separate bar seating of 23 persons. There is also seating for an outdoor patio area.
- 2) **Effect of vehicular traffic in proximity.**
The entire Prasada development has been engineered to have plenty of ingress and egress locations throughout the entire retail area, which should be sufficient for the area, including for Cold Beers & Cheeseburgers.
- 3) **The history for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant has received a detailed report of such activity at least 20 days before the hearing.**
N/A. New construction.
- 4) **Comparison of hours of operation of the proposed premises to the existing businesses in proximity.**
All other Cold Beers & Cheeseburger restaurants are opened every day from 11 AM to 10 PM during the week and open until 11 PM on Friday and Saturday nights. In the general vicinity, there other new restaurants including with Series 12 licenses. There is Barrio Queen Restaurant and Firebirds Wood Fired Grill, both with the same hours as Cold Beers. Cooper's Hawk Winery and Restaurant (series 12) has the hours of 11 AM to 9 PM every day, with exception of Fridays and Saturdays when they close at 10 PM. There are several new retail businesses in the expanding Prasada retail area, including fast casual eateries that all close approximately at the same time. Fat Cats Family Entertainment Center (Series 6) is in the vicinity as well and is from 10 AM to 11 PM every day.
- 5) **Appropriateness of series license requested.**
A series 12 license is appropriate for Cold Beers & Cheeseburgers, per Arizona state guidelines for restaurants.

Submitted by Officer Chris Tovar #2059



MEMO

Date: 1/16/2024

To: Kristi Passarelli, City Clerk

Charles Vasquez, Deputy City Clerk

From: Courtnee Chavez, Business Compliance Specialist

RE: Liquor License Application – COLD BEERS & CHEESEBURGERS - 13400 N PRASADA PKWY

Business License Status:

- ☒ Application link emailed on 1/16/2024 .
- ☐ License # , current and valid for .
- ☐ Applied for license but is still pending and waiting on customer to provide additional information or documents.



Finance Department
Revenue Division
16000 N. Civic Center Plaza
Surprise, AZ 85374-7470
Business.license@surpriseaz.gov

1/16/2024

COLD BEERS & CHEESEBURGERS

13400 N PRASADA PKWY

SURPRISE, AZ 85388

Re: Business License Requirement

To Whom It May Concern:

The Revenue Division has received notification that a liquor license application has been received on behalf of your company.

The City of Surprise requires that all businesses located within the City of Surprise have a City of Surprise business license prior to the start of their operations. Please be sure to apply for your business license at least 3 weeks prior to the opening of your business.

You can apply online at <https://primeweb.surpriseaz.gov/>. City of Surprise Business License applications and supplemental forms are available online at <https://www.surpriseaz.gov/407/Business-License-Application-Supplementa>. License Fees will be billed upon approval of your license application.

For additional information, please visit the City of Surprise website at www.surpriseaz.gov.

If you have any questions, please email our office at business.license@surpriseaz.gov.

Respectfully,
Revenue Division



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024

Contact Person: Eric Boyles, ASSISTANT
DIRECTOR - FINANCE

Submitting Department: Transportation
Staff Recommendations:

District: District 3

Consent: No	Regular: Yes	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to initiation of the Cactus Road - Cotton to Reems Property Lien Process; Ordinance #2024-05.

Motion:

I move to approve Ordinance #2024-05.

Background:

In the FY2023 Annual Budget, the City identified and funded the design of the improvements to Cactus Road, from Cotton Lane to Reems Road. The project included the widening of the roadway to its ultimate cross-section of 3 travel lanes, as well as sidewalks, curb, gutter, and drainage improvements. In FY2024, the construction phase of the project was funded. Currently, the design has been completed, and the City is ready to move forward with the construction of the project.

Objective Analysis:

In accordance with Surprise City Code Section 42-11, City Council may adopt an ordinance providing for the construction of streets and sidewalks. Portions of the Cactus Road; Cotton Lane to Reems Road project will be installing public roadway improvements that would be the responsibility of the adjacent property owners. These improvements would be completed ahead of their development timeline, and the City needs the ability to place liens on the properties for the portions of the improvements adjacent to the properties.

Policy Compliant:

This item is compliant with City Code and City Council policies pertaining to development paying for itself.

Financial Impact:

None immediately, but this will allow the City the possibility of recuperating some of the project costs that were required for the developers to construct per City Code.

Budget Impact:

There is no direct budget impact with this request. After the establishment of the property liens, the City may receive funds that could be added to one-time funding for future budgets.

FTE Impact:

TThis item does not have an impact on current staff levels.

ATTACHMENTS:

1. Lien Ordinance_24.01.16 (002)
 2. Lien Ordinance_Ex. A
-

ORDINANCE # 2024-05

AN ORDINANCE OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, ORDERING THE CONSTRUCTION OF STREETS AND SIDEWALKS GENERALLY LOCATED ON CACTUS ROAD BETWEEN NORTH COTTON LANE AND NORTH REEMS ROAD, PURSUANT TO SURPRISE MUNICIPAL CODE § 42-11 AND A.R.S. § 9-243.

WHEREAS, this Ordinance was properly noticed for public hearing, and the necessary hearings and opportunity for public input were completed;

WHEREAS, pursuant to Surprise Municipal Code (“SMC”) § 42-11, owners of property abutting upon any proposed street and sidewalk shall have the duty to construct such streets and sidewalks adjacent to their property;

WHEREAS, the City is constructing a roadway improvement project along Cactus Road, between Reems Road on the east and Cotton Lane on the west, which will require pavement, drainage, curb, gutter, and sidewalks to be installed on both the north and south sides of Cactus Road; and

WHEREAS, upon the abutting property owners’ failure to construct such streets and sidewalks, the City shall do the work and shall assess the expense against each listed property.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. *Public Health, Safety, Welfare, and Convenience.* The public health, safety, welfare, and convenience requires the construction of the streets and sidewalks before the development of the abutting properties (the “**Abutting Properties**”), as depicted in *Exhibit A*.

Section 2. *Construction.* Pursuant to SMC § 42-11, the owners of the Abutting Properties shall construct, at their sole cost and expense, the streets and sidewalks to be located on the north and south sides of Cactus Road between Reems Road and Cotton Lane.

Section 3. *Failure to Construct.* In the event the owners of the Abutting Properties fail to construct the streets and sidewalks, the City shall construct the streets and sidewalks and shall assess the expense against the Abutting Properties by recording a notice and claim of lien with the Maricopa County Recorder and, within a reasonable time thereafter, serving a copy of the same upon the owners of the Abutting Properties.

Section 4. *Map.* The City Engineer or its designee shall prepare a map

establishing the boundaries of the area showing the width and location of the proposed streets and sidewalks to be filed in the office of the City Clerk. The map shall contain:

- a. A description of the streets and sidewalks to be constructed;
- b. A general description of the estimated total cost and cost per frontage foot of the proposed streets and sidewalks;
- c. A list of all parcels, including parcel numbers, depicted on the map; and
- d. A determination of that portion of the estimated total cost of the public improvement which is for general public benefit and that portion which would specifically benefit the listed properties.

Section 5. *Codification.* This Ordinance is not of a general nature and shall not be codified.

Section 6. *Repeal of Conflicting Ordinances.* All ordinances or parts of ordinances in conflict with the provisions of this ordinance or any part of the code adopted herein by reference are hereby repealed, upon the effective date of this Ordinance.

Section 7. *Severability.* If any section, subsection, sentence, clause, phrase, or portion of this ordinance 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 8. *Effective Date.* This ordinance shall become effective at the time and in the manner prescribed by law.

PASSED AND ADOPTED this ____ day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

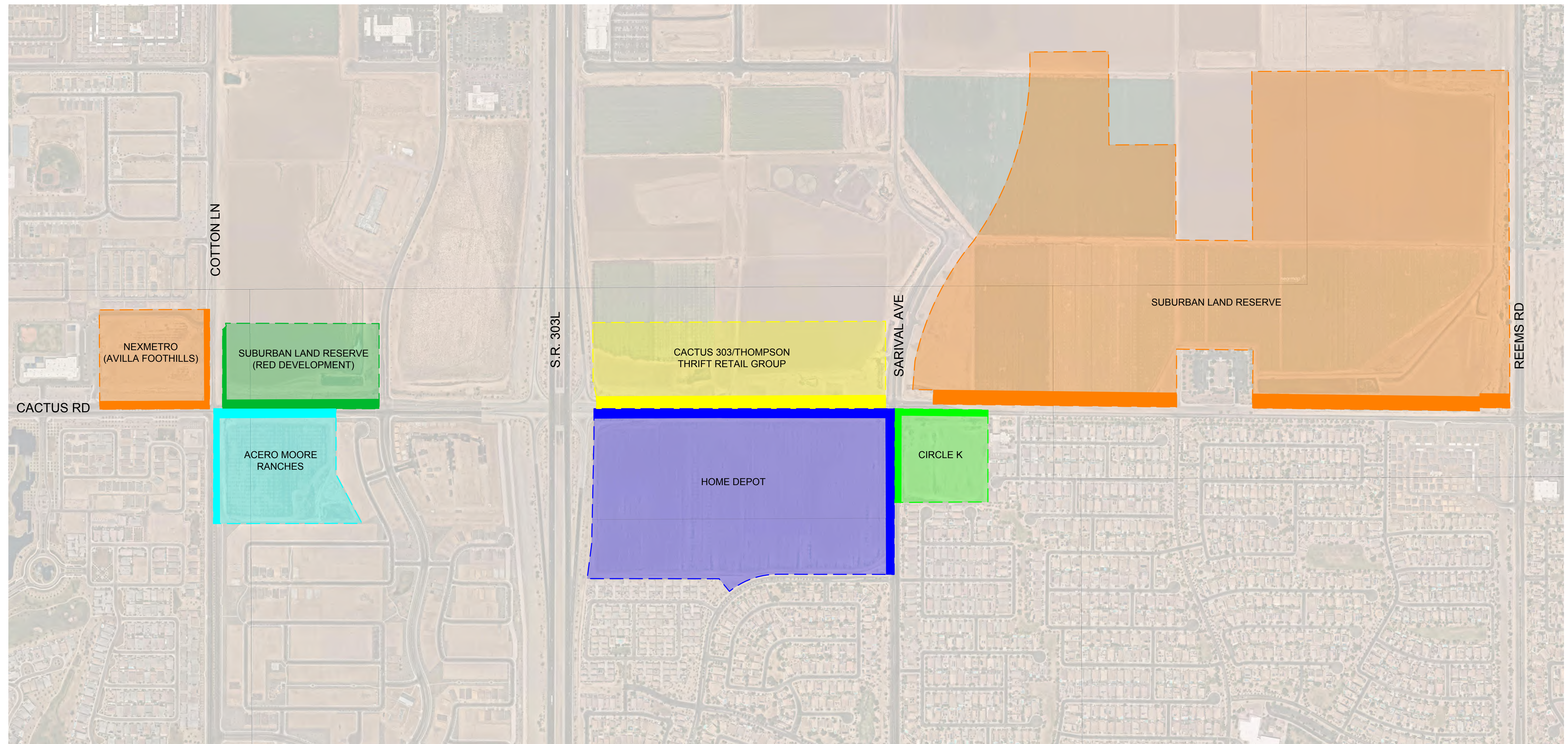
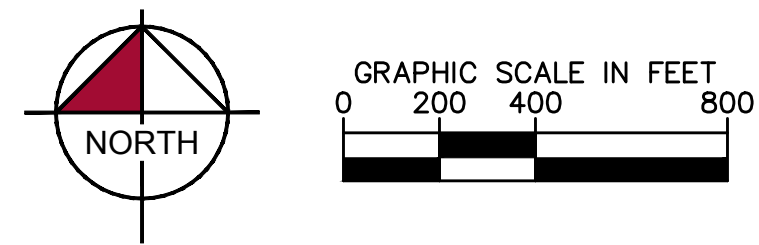
Kristi Passarelli, City Clerk

Robert Wingo, City Attorney

Ordinance No. 2024-05
RFLS #9082

EXHIBIT A

Depiction of the Abutting Properties





CITY OF SURPRISE
Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024

Contact Person: Eric Boyles, ASSISTANT
DIRECTOR - FINANCE, Andrea Davis,
DIRECTOR - FINANCE

Submitting Department: Transportation
Staff Recommendations:

District: District 1

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to approval of an amendment to the Fiscal Year 2024 budget by moving budget authority of \$11,000,000 from general capital contingency and establishing project P65390, 163rd Ave Roadway Improvements, for the advancement of the construction phase of the project from FY2025 to FY2024 and amending the FY2024 Contract Awarding Authority List; Resolution #2024-19.

Motion:

I move to approve Resolution #2024-19.

Background:

Through the FY2023 budget process, City Council identified the 163rd Avenue (Grand to Happy Valley) project as a top priority for the city and funded the design phase of the project. The City then identified the construction phase of the project as part of the 2023 GO Bond initiative, which was approved by the voters in November 2023.

As the City progressed through the design phase of the project, the Arizona Department of Transportation (ADOT) started a project to bring short-term improvements to US60 with congressional discretionary funding secured by the City through the legislative process. ADOT recently advanced some of the short-term improvements identified in that project to help with some of the traffic issues in the area. These advanced improvements were originally scheduled to start in the summer of 2024, which would have made them concurrent with the original start date of the City's project.

Objective Analysis:

ADOT advancement of the improvements to US60 has created the need for the City to advance the construction phase of the project. Currently, there are dual right turn lanes on US60 entering onto 163rd Ave. At the intersection, 163rd Ave. is widened to 3 lanes of traffic, but after the intersection, 163rd Ave. transitions down to a one-lane roadway. This reduction in travel lanes with the implementation of dual right turn lanes on US60 creates a safety concern for the traveling public.

With the passing of the GO Bond in November 2023, this gives the City the unique ability to advance the construction phase of this project to address the safety concerns created by the advancement of the improvements to US60.

Currently, there are three separate projects along the 163rd Ave. corridor, P61531 – 163rd Ave/Jomax Rd Intersection Ph2, P61540 – 163rd Ave (Grand-Happy Valley), and P61640 – 163rd Ave (Happy Valley-W Desert Moon).

To reduce the impact on the residents in the area, the construction of all three projects will be done concurrently. This will increase the efficiency of the delivery of the project, and reduce the administrative burden of constructing all three separately. This will require the construction phases of the three projects to be combined into a single project.

Policy Compliant:

The budget amendment is in compliance with the Comprehensive Financial Management Policy.

Financial Impact:

This action will allow for an additional \$11,000,000 in budget authority to be allocated to project P65390 to advance the construction phase of this project.

Budget Impact:

The FY2024 budget did not include any authority for the construction phase of this project. This action will result in the movement of budget authority from General Capital Contingency to project P65390 in the amount of \$11,000,000. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. Resolution-BA_P65390
-

RESOLUTION # 2024-19

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA, AMENDING THE FISCAL YEAR 2024 BUDGET BY MOVING BUDGET AUTHORITY OF \$11,000,000 FROM GENERAL CAPITAL CONTINGENCY AND ESTABLISHING PROJECT P65390 163RD AVE ROAD IMPROVEMENTS FOR THE ADVANCEMENT OF THE CONSTRUCTION PHASE OF THE PROJECT FROM FY2025 TO FY2024 AND AMENDING THE FISCAL YEAR 2024 CONTRACT AWARDING AUTHORITY LIST BY ADDING THE 163RD AVE ROAD IMPROVEMENTS ITEM IN THE AMOUNT OF \$11,000,000.

WHEREAS, the FY2024 budget was adopted without funding for the construction phase of projects P61531 – 163rd Ave/Jomax Road Intersection Ph. 2, P61540 – 163rd Ave (Grand to Happy Valley), and P61640 – 163rd Ave (Happy Valley to Desert Moon);

WHEREAS, the construction phases of these three projects will be combined into one project P65390 163rd Ave. Road Improvements to be concurrent with the construction delivery approach and increase efficiency and allow the construction to be managed in one project;

WHEREAS, moving budget authority in the amount of \$11,000,000 from general capital contingency to project P65390 – 163rd Ave Road Improvements to advance the first phase of construction of the project from budget year FY2025 to budget year FY2024;

WHEREAS, the FY2024 budget, including the FY2024 Contract Awarding Authority List, was adopted by Council Resolution #2023-85 on June 6, 2023;

WHEREAS, this action will necessitate a budget amendment;

WHEREAS, the City of Surprise Administrative Policies requires the approval of the Mayor and Council for budget amendments of this nature; and

WHEREAS, the City of Surprise Procurement Code §2-338 (d) requires the authority of the Mayor and Council when the cost to the city is greater than \$50,000.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows.

Section 1. That the statements and schedules attached as *Exhibit A* and incorporated by reference are adopted, amending the budget of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

Section 2. That the statements and schedules attached as *Exhibit B* and incorporated by reference are adopted, amending the Fiscal Year 2024 Contract

Awarding Authority List of the City of Surprise, Arizona for the fiscal year July 1, 2023 through June 30, 2024.

APPROVED AND ADOPTED this ____ day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Robert Wingo, City Attorney

RESOLUTION # 2024-19
Exhibit A

1. Appropriation- The allocation below represents a movement of budget authority in the amount of \$11,000,000 from General Capital Contingency to construction in project P65390 163rd Ave Road Improvements to establish the construction phase of the project. This action represents a transfer of spending authority and does not increase or decrease the total adopted citywide expenditure budget.

Fund	Department	Project/Category	Rev/ Exp	Current Budget	Increase/ (Decrease)	Amended Budget
General Capital Projects	Transportation	P65390 163 rd Ave Road Improvements	E	\$ -	\$11,000,000	\$11,000,000
Contingency	General Operations	Contingency	E	\$71,508,300	(\$11,000,000)	\$60,508,300
				\$71,508,300	\$ -	\$71,508,300

Exhibit B

1. Contract Awarding Authority List – The Fiscal Year 2024 Contract Awarding Authority List will be amended to include Project P65390 163rd Ave Road Improvements.

Reference #	Description	Current Amount	Increase/ (Decrease)	Amended Amount
24314	163rd Ave Road Improvements	\$0	\$11,000,000	\$11,000,000



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024

Contact Person: Andrea Davis, DIRECTOR -
FINANCE, Erick Martin, Accounting Manager
District: Citywide

Submitting Department: Finance
Staff Recommendations:

Consent: No	Regular: Yes	Public Hearing: No	Report/Discussion: Yes
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Agenda Wording:

Presentation and discussion pertaining to the fiscal year 2023 annual audit and Annual Comprehensive Financial Report and associated reports.

Motion:

None; discussion only.

Background:

The City is subject to an annual audit performed by external auditors. Each year the auditors issue an opinion on the City of Surprise Annual Comprehensive Financial Report (ACFR), Single Audit Report, Annual Expenditure Limitation Report (AELR), and Highway User Revenue Fund (HURF) Report, and provide letters related to the outcome of the audit such as the Management Letter and the Communication with Governance. The city received an unmodified opinion, which is the 'clean' opinion and the goal of all cities.

Objective Analysis:

A "clean" or unmodified opinion is the goal of all cities.

Policy Compliant:

The reports have met the requirements of external regulators and are compliant with City policy.

Financial Impact:

There is no financial impact as these reports are for informational purposes only.

Budget Impact:

There is no budget impact as these reports are for informational purposes only.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. 2023 Annual Comprehensive Financial Report
 2. City of Surprise Communication to Governance 23
 3. City of Surprise Management Letter 23
 4. FY23 Single Audit Report
 5. General_Representation_Letter_-_FY23_City_of_Surprise_Updated__Erick_Martin-signed
 6. 2023 Highway User Revenue Fund Report
 7. City of Surprise ELR 23 Signed
 8. City_of_Surprise_General_Representation_Letter_-_ELR_FY23_signed
-



SURPRISE
ARIZONA

City of Surprise, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



CITY OF SURPRISE, ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the fiscal year ended
June 30, 2023

Prepared by:
Finance Department



SURPRISE

ARIZONA

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S U R P R I S E

A R I Z O N A



INTRODUCTORY SECTION



SURPRISE

ARIZONA



INTRODUCTORY SECTION

The Introductory Section is the first of three essential components of the City's Annual Comprehensive Financial Report (ACFR). The second essential component is the Financial Section, and the third is the Statistical Section. The Introductory Section provides general information on the City's structure and personnel as well as information useful in assessing the City's economic condition, with the letter of transmittal as the key element to formally introduce the ACFR to the intended readers.



S U R P R I S E

A R I Z O N A

December 14, 2023

Members of the City Council and City Manager:

In accordance with the requirements of Arizona Revised Statutes (A.R.S.) § 41-1279.07, I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Surprise, Arizona (the City), for the fiscal year ended June 30, 2023. These financial statements are prepared and presented in conformity with generally accepted accounting principles in the United States (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the various funds of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based on internal controls established for this purpose. To provide a reasonable basis for making these representations, the City has established a framework of internal control that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Heinfeld, Meech and Co., P.C., a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S. § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

An unmodified audit opinion denotes that the financial statements are presented fairly and in conformity with GAAP. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Heinfeld, Meech and Co., P.C. was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Uniform Grant Guidance.

The single audit report is issued separately from this ACFR. Copies are available online and upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 108 square miles, including urban and commercial developments, ranches, industrial sites, and business parks. Surprise has grown from 500 residents to a city of over 150,000 people, evolving from a small town government to a regional governmental entity.

Surprise operates under the Council/Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the Mayor and six Council Members. The Council is responsible for, among other things, passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Clerk, City Attorney, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for selecting department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, as well as general administrative services. Sanitation, water, stormwater, ground ambulance, and sewer services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for existing and new areas through legally formed street lighting districts. The City accounts for a community facilities district designed to provide funding for the construction and acquisition of certain public infrastructure improvements. These last three activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all three of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department and may be amended during the fiscal year in accordance with our budget amendment policy which can be found in the City's budget book.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of Surprise operates.

Local Economy

Last year's fiscal year 2022 budget was unique in the fact that its focus was on the recovery from a global pandemic. After two consecutive budgets with financial uncertainty, the fiscal year 2022 budget was the

first step back into normalcy. As the City continues to navigate in this economic climate, new challenges such as sweeping supply chain interruptions, rising inflation, and workforce shortages are now at the forefront of not only the headlines, but also the City's budget strategy

The City's economic position continues to be strong due to financially sound policy decisions led by our City Council. This is evident by receiving a AAA Fitch bond rating. The City continues to see robust commercial development, and while the single-family home market is slowing, Surprise is seeing the emergence of the multi-family residential market. This has resulted in continued strong revenues, which has provided the City the opportunity to provide dedicated funding to maintain our high level of service and provide operational funding to enhance the services that we provide to our residents. Additionally, the City saw an increase in its state shared revenue, mainly due to the growth that the State of Arizona continues to see. This revenue provides funding to help offset the cost to support new residents. Residential and commercial growth adds demand to our service levels in areas such as public safety, transportation, parks and recreation, and community development. The City continues to strengthen its financial position to maintain its valuable assets moving into the future

Throughout the year, the city experienced residential population growth and significant commercial permit activity. The city continues to exceed the statewide average in population growth and the trend is expected to continue based on the availability of land within the city's planning area. This results in a greater number of consumers and a larger proportion of state shared revenues. These have combined to result in a 20.2% increase in sales tax collections while state shared sales tax revenues increased by 26.4% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

Further information on the history of City revenues and expenses can be found in the MD&A, pages 9 through 21, and the statistical section that begins on page 185, of this financial report.

Long-Term Financial Planning

The City continues to plan for investment in maintaining facilities, infrastructure, and equipment that allow for the continued delivery of high quality services to the residents of Surprise.

During fiscal year 2023, the City continued to contribute additional funding to Public Safety Pension Reserve dedicated for the Public Safety Personnel Retirement System (PSPRS) unfunded liability.

Major Initiatives

On November 7, 2023, the voters of the City of Surprise approved two General Obligation Bond questions in the areas of public safety and transportation. The amounts raised from issuing bonds will be used to fund significant public safety and transportation improvements, such as the building of a new fire station, a new police substation and expansion of roads, reducing public safety response times and traffic across the City.

In fiscal year 2023, the City began design on a new multigenerational community resource center on city owned land in the original town site, funded mainly by grant funding from the American Rescue Plan Act. The center is expected to be around 30,000 square feet and would provide services such as recreation and congregate meals to seniors, resources such as utility and rental assistance to eligible residents, and an updated and more modernized library.

The City received approval of a loan from the Water Infrastructure Financing Authority in fiscal year 2023 for the expansion of the City's primary wastewater treatment facility.

In fiscal year 2023, the City established the Water Resource Roundtable that will provide a forum for the City, other utility providers, and our customers to discuss water conservation and augmentation.

In fiscal year 2023, the Water Resource Management department initiated the second phase of the Biosolids Dryer project that will provide significant environmental and financial benefits.

On May 15, 2018, the voters of the City of Surprise approved the acquisition of a local water company that operates in the City's northern planning area and future water service area. The acquisition will provide the City with the company's existing water infrastructure and grow the City's allocation of Colorado River water by more than 38%. The process for the acquisition of the water company has begun and is expected to be finalized within the next few years.

In fiscal year 2019, the City completed a five-year comprehensive utility rate study of the Water, Sewer, and Sanitation Funds. This study resulted in rates for the Water and Sewer funds remaining unchanged for next five fiscal years, 2020-2024. The study resulted in Sanitation Fund rates increasing from \$16.96 in fiscal year 2019 to \$23.70 in fiscal year 2024, an increase of 39.74%. The City is currently undergoing a five-year comprehensive utility rate study which will cover fiscal years 2025-2030.

The City continues to work in partnership with Ottawa University Arizona and the surrounding landowners to develop the City Center. The Residential Housing Facility and the O'Dell Center which includes athletic facilities for the University was completed last year. Additionally, the Texas Rangers completed construction on their team housing complex, Rangers' Village in fiscal year 2021, and in fiscal year 2022, the Kansas City Royals completed construction on their team housing complex, The Fountains at Surprise Center. Both projects are multi-story team complexes located at City Center near Surprise Stadium. Finally, the City continues to see development in the Entertainment District of City Center.

The City also finished the roadway construction on Sweetwater Avenue - Sarival Avenue to SR 303, Cactus Road and Cotton Road intersection improvements and multiple traffic signal improvements.

The City is also dedicated to funding the construction of new parks. In fiscal year 2023, the Countryside project was completed. This park provides another dedicated location for the Parks Department to provide much needed programming for City residents. The Surprise Community Park improvements were also completed, which provides a place for residents to relax and play in the heart of the City.

Relevant Financial Policies

The City of Surprise has adopted a comprehensive set of financial policies which are reviewed annually and updated as necessary.

During the fiscal year 2023, the City created or revised a number of policies and desk procedures. A few of those policies include, the City investment policy, developer in-lieu payments, procurement card, and accounts payable guidelines.

Budgetary Controls

The adopted level of budget control is appropriated by department within each fund. The Capital Improvement Plan (CIP) is appropriated by project.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Surprise for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, which represented the 19th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

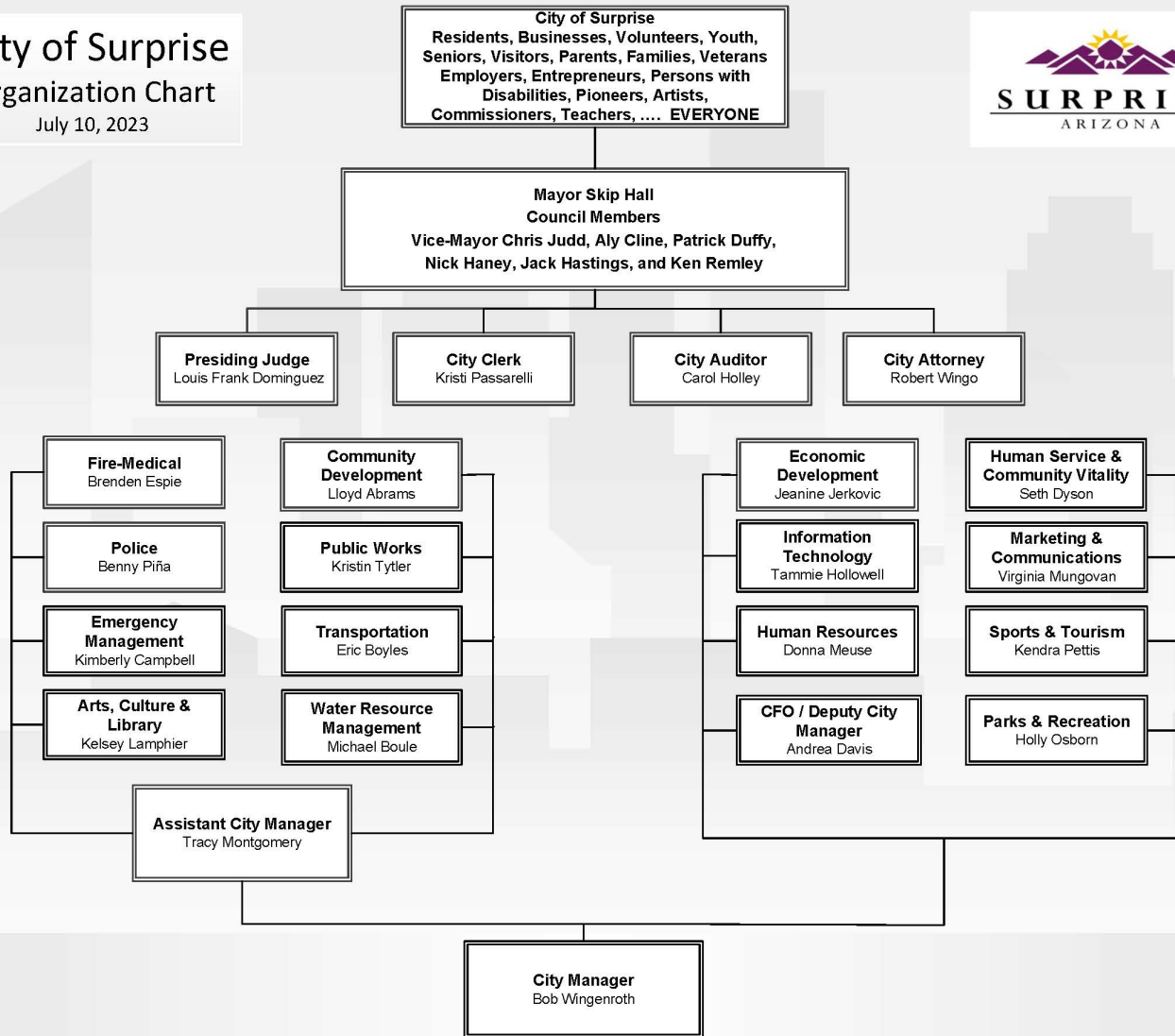
I want to thank and recognize the staff of the Finance Department for their efforts in preparing this report. I would also like to thank all City departments for their assistance throughout the past year and express my appreciation for the guidance and support from the City Manager's Office and Mayor and City Council in planning and conducting the financial operations of the City in a fiscally responsible manner. Respectfully submitted,



Andrea Davis
Chief Financial Officer/Deputy City Manager

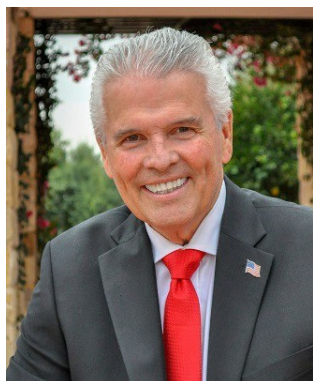
City of Surprise Organization Chart

July 10, 2023



Mayor and City Council Members

MAYOR SKIP HALL – Mayor@surpriseaz.gov



Skip Hall was elected to serve as Mayor in August 2020. His four-year term began on January 1, 2021 and ends on December 31, 2024.

Mayor Hall was first elected to the City Council with a special election for District 6 (Palo Verde) in April 2008 and re-elected to office in 2009 to a full term. Redistricting placed him in the newly-configured District 5, and on August 27, 2013, he was elected to the District 5 seat. He was re-elected to that seat in the August 2018 Primary Election. He also served as Vice Mayor in 2011 and 2014. Mayor Hall was selected to serve as Mayor by the City Council in November 2018 to fill a vacancy.

Prior to serving on City Council, Mayor Hall served three years on the City of Surprise Planning and Zoning Commission. He also spent several decades working in various capacities in the hospitality and real estate industries.

For three years, Mayor Hall served as the Vice President for a new homebuilder in California, and prior to that, he served 10 years as the Senior Vice President of a hospitality company based in Japan. Most of his professional career was spent opening and operating several restaurants and hotels along the west coast.

Mayor Hall has been part of the City Council's united effort that helped bring Surprise back to fiscal health during the recession, generating a budget surplus placing the City's fiscal house in order and improving our City's bond ratings. Mayor Hall also played a proactive supporting role in initiating a Surprise youth initiative and the annual Surprise Literacy Challenge with former Councilman John Williams. Mayor Hall oversees a growing economy that has added many new businesses and thousands of jobs to Surprise, as well as a new capital investment and employers like Amazon, IRIS USA, OUAZ and many more. He brings a renewed focus and attention to Surprise downtown area and a creative economy with new restaurant and entertainment options to the Prasada area.

During his time on Council, Mayor Hall has served on numerous City Council Sub-Committees, including as current chair of Public Safety Retirement Commission. He has also served on WESTMARC's Water and Energy Committee and the Valley Metro RPTA Board. Mayor Hall's regional service currently includes a position on the Maricopa Association of Governments (MAG) Regional Council, MAG Transportation Policy Committee, and Luke West Valley Council. Mayor Hall is active with the City's AZ TechCelerator to promote business growth, and he is the chair of the Mayor's Veterans Roundtable.

Mayor Hall's goals for the City include maintaining strong public safety for residents amidst continued growth; continuing to expand upon the City's long-term, sustainable water master plan; working with federal, state and county partners to increase funding opportunities and maintain focus on transportation infrastructure needs and expanding east-west connections specific to north Surprise. Mayor Hall continues to seek opportunities to bring healthy and active outdoor spaces to our community that will help meet the demands of our recreational and sports programs and increase youth involvement within the community.

Mayor Hall continues to look for ways to serve the residents of Surprise with an emphasis on public safety, financial health, water resources, streets, solid waste, recycling, youth, veterans and keeping the friendly, small-town feel of Surprise as the City grows.

Mayor Hall is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970. He grew up in Idaho and received a business degree from Seattle University.

NICK HANEY – Nick.Haney@surpriseaz.gov



Nick Haney was elected to serve the residents of District One in August of 2022 and began a four-year term in January 2023. His family moved to Surprise over 20 years ago and put down roots in the community. Nick was raised in Surprise and attended school in the Dysart Unified School District. His call to service started at a young age as he became involved in the Surprise Youth Council and was elected to serve as chair.

Nick obtained his bachelor's degree from Arizona State University where he quickly became a student leader on campus. In addition to his volunteer involvement on campus, Nick achieved the highest academic success, graduating Summa Cum Laude. After college, he chose to carry on the family tradition of public service as a first responder.

Nick is proud to come from a family of public servants. Two of his grandparents served in the United States Air Force. In addition, his other grandfather, who lives in Surprise, served in the United States Navy as a Corpsman and is a veteran of the Vietnam War. Nick's father is a United States Army Veteran, and his mother is a member of law enforcement. Nick has continued this tradition of service as a firefighter paramedic with one of the busiest fire departments in the Valley. When he is not at the fire station, he volunteers at various charitable events throughout the year, giving back to those in need.

Nick recently married the love of his life, Nicole, who is a nurse at Phoenix Children's Hospital in the Pediatric Intensive Care Unit. The Haney's bought their first home in Surprise and are excited to start their new family in the city they both love.

Nick is excited to serve the City and community that has given him so much. He is committed to making Surprise an even better and safer city for his family and yours.

ALY CLINE – Aly.Cline@surpriseaz.gov



Alyson "Aly" Cline was first elected to City Council in 2020, with a term beginning in January 2021 and a term expiration of December 31, 2024.

Aly and her husband Gary have lived in Surprise since 2002 and have been married for 33 years and have two stepsons, Eric and Nathan Cline.

In the last 12 years, Aly has volunteered more than 20,000 hours within the City of Surprise. Before retiring in 2008, she worked for 35 years in the financial services industry, managing staff and developing training programs for management and staff. Aly has a Certificate in Business Management from UCLA.

Aly currently chairs the City's Boards and Commissions selection Committee, Community Outreach, Partnership and Grants Committee, and serves on the Education Committee. In addition, she serves on the Maricopa Association of Government (MAG) Human Services and Community Initiatives board and MAG Domestic Violence board. She also serves on the Broadband USA Committee relating to the need for Broadband access in rural areas of Arizona and the impacts on businesses, families, students and local schools.

Aly is active in West Valley Women, an organization that supports women in business and participates in Women 4 Women, a non-profit organization that provides hygiene products to help women in crisis. She also supports the West Valley Veterans Success Center in the Surprise Resource Center.

Aly continues to serve as President of Friends of the Surprise Libraries, Inc., a non-profit organization that supports local teachers through a grant program focused on literacy, reading and special education programs.

Representing the interests of all of the communities within District 2 is of the utmost importance to Aly, which means reaching out to local Home Owner Associations, meeting residents, and listening to their needs and concerns.

PATRICK DUFFY – Patrick.Duffy@surpriseaz.gov



Patrick Duffy was first appointed by City Council in September 2017 to represent the residents of District 3 (D3) and was subsequently elected to the D3 seat in 2018 and 2020. City Council selected him to serve a one-year term as Vice Mayor in January 2021.

Patrick is a Financial Advisor for First Financial Equity Corporation, and for nine years prior to his appointment to City Council, he worked part-time as a City of Surprise Recreation Leader. He has lived in Surprise for 11 years, four of them in D3. Patrick is currently a Board Member on WESTMARC, and also serves on City Council Subcommittees for Performance Evaluation Leaders; and the Tourism Fund. Patrick was a member of the Surprise Municipal Property Corporation Board, and through his city service, has been part of numerous Community and Recreation Services events, including Spring Training support, Relay for Life events and Cal Ripken All-Star games. He holds a Bachelor of Arts in Political Science from Arizona State University.

Patrick's appointment to the D3 seat expired December 31, 2018. When the seat went to ballot, he was elected to serve out the remainder of the four-year term (two years) with an expiration of December 31, 2020. Patrick was re-elected for another four-year term in the August 2020 primary. His term will expire December 31, 2024.

KEN REMLEY – Ken.Remley@surpriseaz.gov



Ken Remley believes in strong leadership by example, building consensus among his peers in decision-making, developing partnership relationships, and maintaining fiscal responsibility and transparency.

Drawing upon his 30+ years of experience in public accounting and as a Chief Financial Officer of a publicly-held company, Ken's vision is to attract quality employers and good paying jobs to Surprise, while maintaining cost-effective city services and fostering community pride.

Ken was elected to a four-year term as District 4 Councilman in 2016, served as Vice Mayor for the year 2018, and was re-elected for another four-year term in the August 2020 primary, with a term expiration of December 31, 2024.

In addition to his city council duties, Ken is currently employed as a Licensed Mortgage Loan Originator and income tax preparer.

Ken has always been actively involved in the community. He previously served as Treasurer of Litchfield Manor Homeowners Association for 13 years, participating in its Budget, Landscaping, Architectural and Social Committees. Ken currently serves on the Salvation Army Advisory Board.

Ken is a Vietnam Era Veteran, having served in the United States Navy from 1963-1967.

Ken's educational accomplishments include a Bachelor's degree in Business Education-Accounting from California State University Fullerton, followed by graduate studies at University of Phoenix. He also holds lifetime teaching credentials in Community Colleges.

On a personal basis, Ken has lived in Surprise since 2004. He has four children, nine grandchildren, and 10 great-grandchildren.

JACK HASTINGS – Jack.Hastings@surpriseaz.gov



Jack Hastings was elected in 2020, and re-elected in 2022 to represent the residents of Surprise District 5.

Jack is a third-generation Surprise resident. He is married to his wife Olivia, who he met in Surprise. He works as an Academic Intervention Specialist at West Point Elementary in the Dysart Unified School District. Jack has a Bachelor's Degree from Arizona State University and earned his Master's Degree in Educational Leadership.

Jack has helped pass balanced budgets on the Surprise City Council. He currently chairs the Education Subcommittee and serves on the Sports and Tourism Fund Subcommittee, the Community Outreach, Partnerships and Grants Subcommittee, and the Joint Planning Advisory Council. He also is an ambassador to the Greater Phoenix Economic Council (GPEC) to help promote our city and bring jobs and businesses to Surprise.

Jack is a strong supporter of public safety and an outspoken advocate for our first responders. His faith and relationship with God is central to his life. He loves seeing the work that God is doing in the community. Jack loves Surprise and is dedicated to giving back to the city he grew up in. He serves as your voice on the Surprise City Council.

VICE MAYOR CHRIS JUDD – Chris.Judd@surpriseaz.gov



Chris Judd was elected as the District 6 (D6) Councilmember in the August 2018 Primary Election to serve a four-year term beginning January 1, 2019.

Chris is a native Arizonan and graduate of Arizona State University. He has been part of the Surprise business community since the mid-'90's, and he and his family of five have been coming home to Surprise for over a decade.

As an independent businessman, former owner, and manager of local small businesses, Chris was very active with the Rotary Club of Surprise and the Surprise Regional Chamber of Commerce. He served as the Rotary Club President from 2015-2016 and currently serves on the Board of Directors for the Rotary Club of Surprise Community Foundation.

Chris currently chairs the Community Outreach, Partnership and Grants Committee, Rules Committee and White Tanks Conservancy and serves on the Audit Committee and served on the MAG Economic Development Committee.

Chris began working in Surprise in 1996, right out of college and spent 14 years as General Manager of a local small manufacturing plant. There he learned about the many challenges that businesses- especially small businesses-face, and how difficult it can be to juggle all of the factors required to make a business successful, profitable, and a good place to work. He applied that knowledge and experience to a small business of his own, a Surprise-based trucking company that served local and long-haul clients.

Chris is an independent Insurance broker licensed in Property and Casualty Insurance. He holds a professional designation as a Life Underwriter Training Council Fellowship from the College for Financial Planning and a Bachelor of Science degree from Arizona State University.

Chris and his wife Jenna have been married for over 20 years and are most proud of the work they've done, and are doing, raising their three wonderful daughters. The family loves the great outdoors and they spend as much time as they can together, camping and hiking in and around the beautiful backcountry of Arizona's deserts, mountains, and forests.



City of Surprise Appointed Officials

City Manager	Bob Wingenroth
City Clerk	Kristi Passarelli
City Attorney	Robert Wingo
Presiding Judge	Louis Frank Dominguez



Government Finance Officers Association

**Certificate of
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Presented to

**City of Surprise
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION - INDEPENDENT AUDITORS' REPORT



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ARIZONA



FINANCIAL SECTION – INDEPENDENT AUDITORS’ REPORT

The Financial Section is divided into five subsections. The first subsection is the Independent Auditors’ Report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

Financial Subsections

- ❖ Independent Auditors’ Report
- ❖ Management’s Discussion and Analysis
- ❖ Government Wide Financial Statements
- ❖ Fund Financial Statements
- ❖ Notes to the Financial Statements



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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Surprise, Arizona

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Surprise, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 99, *Omnibus 2022* for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing

the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of City of Surprise, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Surprise, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Surprise, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023



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FINANCIAL SECTION - MANAGEMENT'S DISCUSSION AND ANALYSIS



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FINANCIAL SECTION - MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Section is divided into five subsections. The second subsection is Management's Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City's financial activities.



SURPRISE

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2023. The intended purpose of Management’s Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes and provides an objective and easy-to-read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing a summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ **Governmental Activities net position.** The City’s net position increased 17.7% or \$130.8 million from \$738.0 million to \$868.8 million. This increase is attributable to an increase in revenue due to continued economic and population growth.
- ❖ **Business-Type Activities net position.** The City’s net position increased by 10.6% or \$44.9 million from \$423.5 million to \$468.4 million. Continued growth in the City accounts for the increase, with \$41.9 million of the increase resulting from developer capital contributions.
- ❖ **Governmental Activities expenses** of \$227.7 million exceeded program revenues of \$140.3 million. The difference of \$87.4 million of expense represents the total burden each separate function places on the City; that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers.
- ❖ **Business-Type Activities expenses** were \$56.7 million, while program revenues totaled \$100.9 million, a difference of \$44.2 million. The current year excess will be added to net position.
- ❖ **Component units.** The City includes two separate legal entities in its report: Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these “component units” are presented along with the City’s financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units meets these requirements. A more detailed description of these component units is available in Note 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 26-27 and 28-29) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 34. These government-wide financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 26. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities provide information about the City as a whole and about its activities in a way that helps answer this question. These statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net position and/or changes in them. The City's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You may also consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

The statement of net position and the statement of activities are divided into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including police, fire-medical, ground ambulance services, public works, parks and recreation, human services and community vitality, community development, economic development departments, and general administration.
- ❖ **Business-Type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's water, sewer, sanitation, and stormwater systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 34 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is included in the reconciliations following the fund financial statements.
- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash

flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, specifically the City's Employee Healthcare Fund, the Risk Management Fund, and the Workers' Compensation Fund.

- ❖ **Fiduciary Funds** – The City is the fiduciary for the Flexible Spending Account. All of the City's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 48-49.

These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2023 and June 30, 2022.

City of Surprise's Net Position (in Millions)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 387.1	\$ 327.8	\$ 128.4	\$ 114.1	\$ 515.5	\$ 441.9
Capital assets, net	722.9	634.7	383.3	358.1	1,106.2	992.8
Total assets	1,110.0	962.5	511.7	472.2	1,621.7	1,434.7
DEFERRED OUTFLOWS OF RESOURCES	40.5	32.5	2.2	3.3	42.7	35.8
LIABILITIES						
Current liabilities	27.1	22.7	6.9	6.4	34.0	29.1
Long-term liabilities	230.8	185.5	38.1	41.6	268.9	227.1
Total liabilities	257.9	208.2	45.0	48.0	302.9	256.2
DEFERRED INFLOWS OF RESOURCES	23.8	48.6	0.6	4.2	24.4	52.8
NET POSITION						
Net investment in capital assets	635.1	557.1	359.3	332.0	994.4	889.1
Restricted	40.4	39.3	19.5	12.4	59.9	51.7
Unrestricted	193.3	141.8	89.5	78.9	282.8	220.7
Total net position	\$ 868.8	\$ 738.2	\$ 468.3	\$ 423.3	\$ 1,337.1	\$ 1,161.5

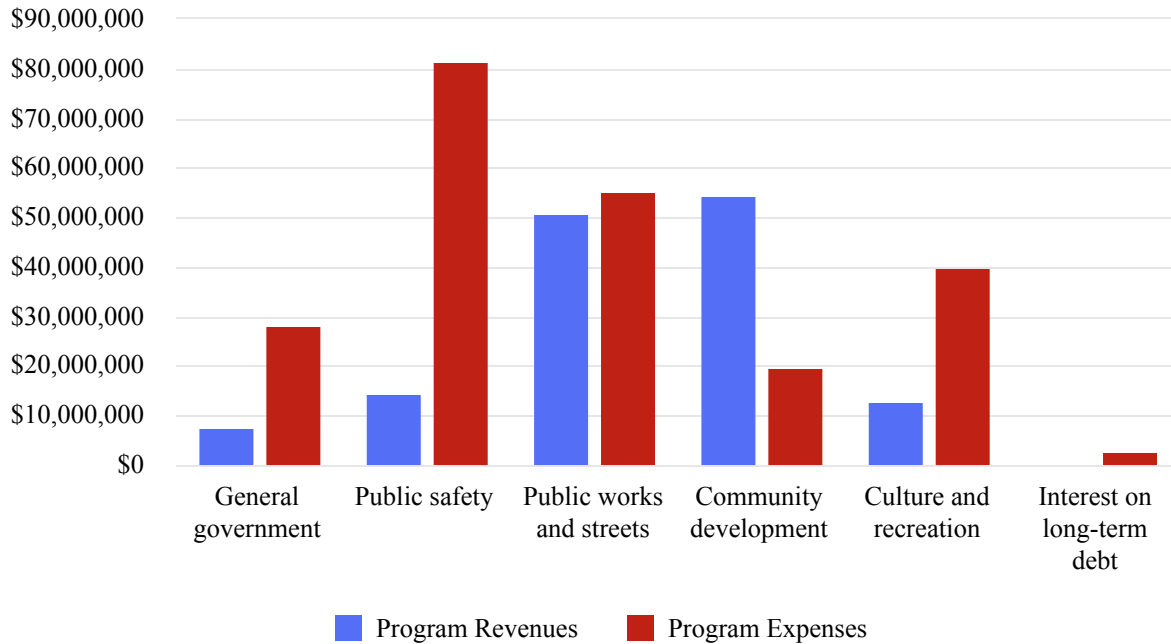
Net position is a good indicator of a city's overall financial standing. For fiscal year 2023, the City had total combined net position of \$1,337.1 million. This was an increase of \$175.6 million, or 15.1% over the prior year's net position of \$1,161.5 million. The increase can be attributed to continued economic strength, population growth, and capital grants and contributions.

Not all of the \$1,337.1 million is available for the City to use without restraint. The largest portion of the City's total net position, \$994.4 million, or 74.4%, represents the City's net investment in capital assets. Of the remaining net position, \$59.9 million is restricted for various purposes with the remaining \$282.8 million unrestricted as to its use.

City of Surprise's Changes in Net Position (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 45.4	\$ 41.3	\$ 59.1	\$ 64.3	\$ 104.5	\$ 105.6
Operating grants and contributions	16.2	25.2	—	—	16.2	25.2
Capital grants and contributions	78.6	68.6	41.8	22.9	120.4	91.5
General revenues:						
Property taxes	21.3	19.3	—	—	21.3	19.3
Sales taxes	124.3	103.4	—	—	124.3	103.4
Franchise taxes	6.7	6.4	—	—	6.7	6.4
State shared revenues	57.8	45.7	—	—	57.8	45.7
Unrestricted investment earnings	5.8	(2.6)	2.0	(0.8)	7.8	(3.4)
Other	0.8	1.4	0.2	0.3	1.0	1.7
Total revenues	356.9	308.7	103.1	86.7	460.0	395.4
EXPENSES						
Program activities:						
Governmental activities:						
General government	28.3	23.5	—	—	28.3	23.5
Public safety	81.6	70.5	—	—	81.6	70.5
Public works and streets	55.1	44.1	—	—	55.1	44.1
Community development	19.8	16.8	—	—	19.8	16.8
Culture and recreation	40.1	32.1	—	—	40.1	32.1
Interest on long-term debt	2.8	2.5	—	—	2.8	2.5
Business-type activities:						
Ground ambulance services	—	—	—	5.6	—	5.6
Water	—	—	18.0	16.3	18.0	16.3
Sewer	—	—	25.2	26.4	25.2	26.4
Sanitation	—	—	12.0	10.4	12.0	10.4
Stormwater	—	—	1.5	1.3	1.5	1.3
Total expenses	227.7	189.5	56.7	60.0	284.4	249.5
Excess before transfers	129.2	119.2	46.4	26.7	175.6	145.9
Transfers in (out)	1.6	0.7	(1.6)	(0.7)	—	—
Increase/(Decrease) in net position	130.8	119.9	44.9	26.0	175.6	145.9
Net position - beginning	738.0	618.3	423.5	397.3	1,161.5	1,015.6
Net position - ending	<u>\$ 868.8</u>	<u>\$ 738.2</u>	<u>\$ 468.4</u>	<u>\$ 423.3</u>	<u>\$ 1,337.1</u>	<u>\$ 1,161.5</u>

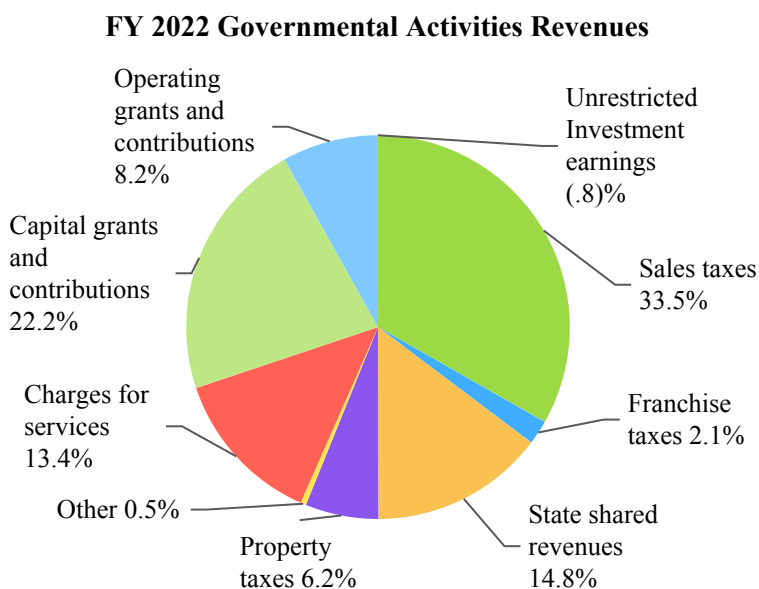
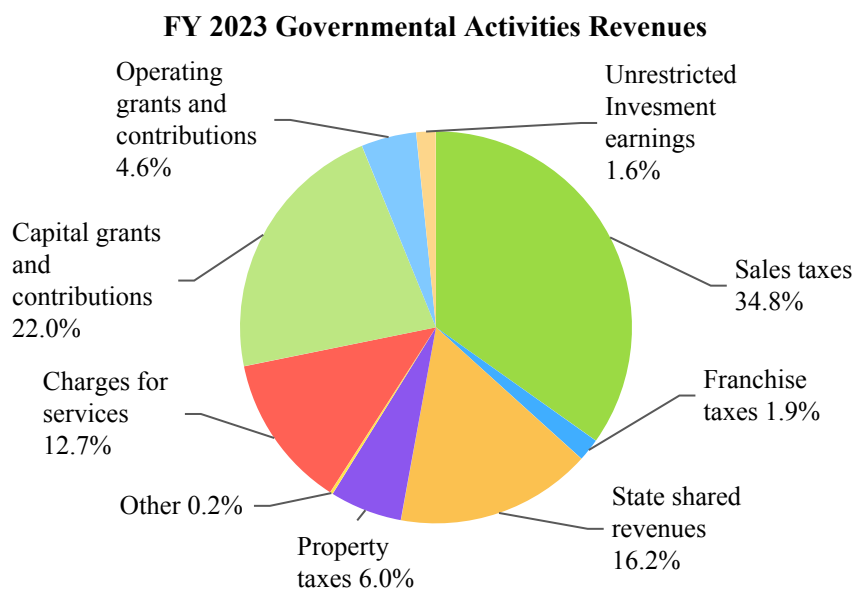
FY 2023 Governmental Activities Program Revenues and Expenses



For fiscal year 2023, governmental activities program expenses exceeded program specific revenues by \$87.4 million. The remaining expenses were supported by general governmental revenues.

- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 39.3% of total governmental revenues.
- ❖ Community oriented programs such as public safety (police, fire, ambulance services, and courts) and culture and recreation (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
 - Culture and recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction-related activities.
- ❖ **SLIDS** are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDS are included in the public works and streets program.

Governmental Activities revenues for the fiscal year ended June 30, 2023 totaled \$356.9 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

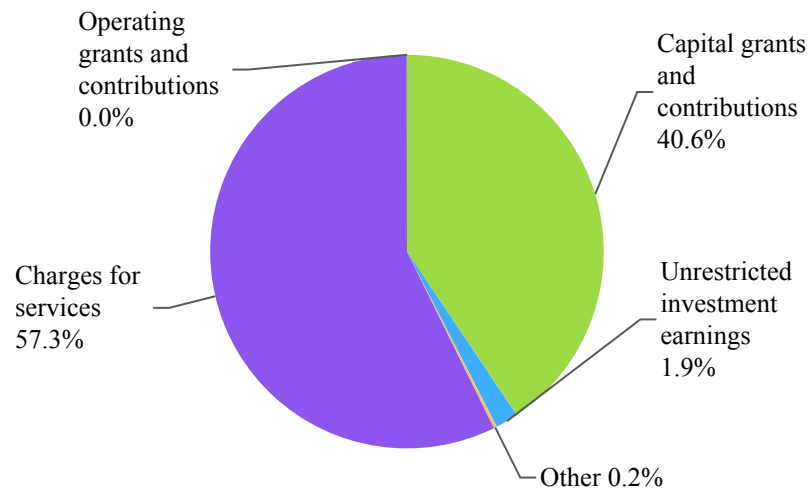


- ❖ The City's largest revenue source is sales tax revenue at \$124.3 million, followed by capital grants and contributions totaling \$78.6 million. Total governmental activities revenues increased \$48.2 million from the prior year as a result of the following changes in revenue: Charges for services increased \$4.1 million due to the inclusion of the ground ambulance services fund as a governmental fund in fiscal year 2023. Also, local sales taxes increased \$20.9 million due to local economic and population growth, State shared revenues also increased \$12.1 million from continued state economic and population growth. Charges for services revenue also increased over prior year due to spring training attendance returning to normal after the pandemic restrictions in prior years. Building inspection revenue and administrative fee revenue related to

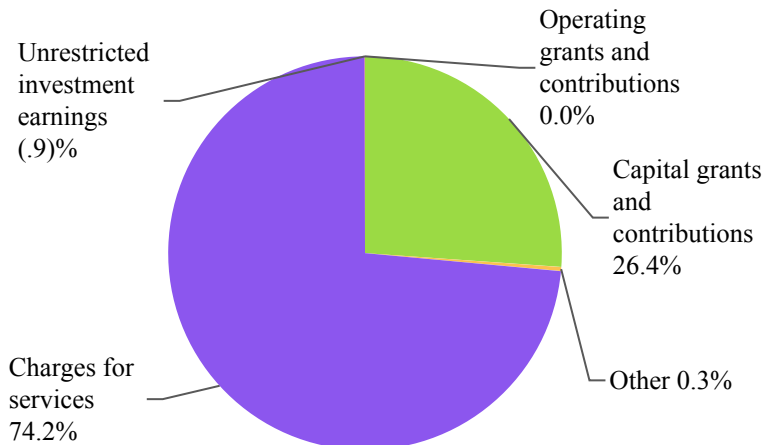
permitting decreased by about \$4 million compared to prior year, due to less residential building permits issued. Capital grants and contributions increased \$10.0 million from developer donated infrastructure in prior year and operating grants and contributions decreased \$9.0 million due to the American Rescue Plan Act grant revenue recorded in prior year, not applicable to fiscal year 2023.

Business-Type Activities revenues for the fiscal year ended June 30, 2023 totaling \$103.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

FY 2023 Business-Type Activities Revenues



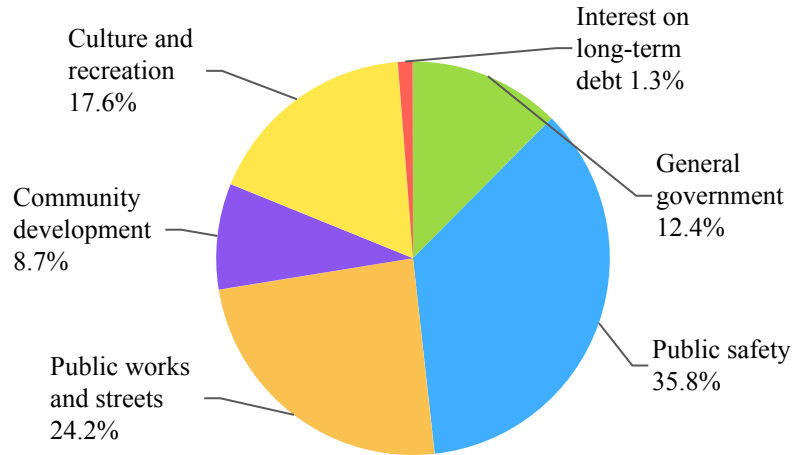
FY 2022 Business-Type Activities Revenues



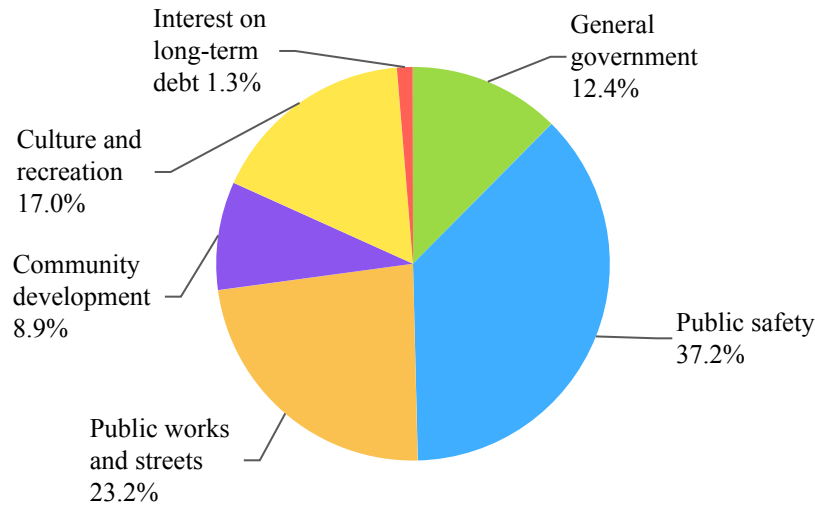
- ❖ Total Business-Type Activities revenues increased 19.0% or \$16.4 million from the prior fiscal year. Capital grants and contributions increased by 83.0% or \$18.9 million due to a larger amount of developer donated infrastructure in the current year compared to prior year.

Governmental Activities expenses for the fiscal year ended June 30, 2023 totaled \$227.7 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison

FY 2023 Governmental Activities Expenses



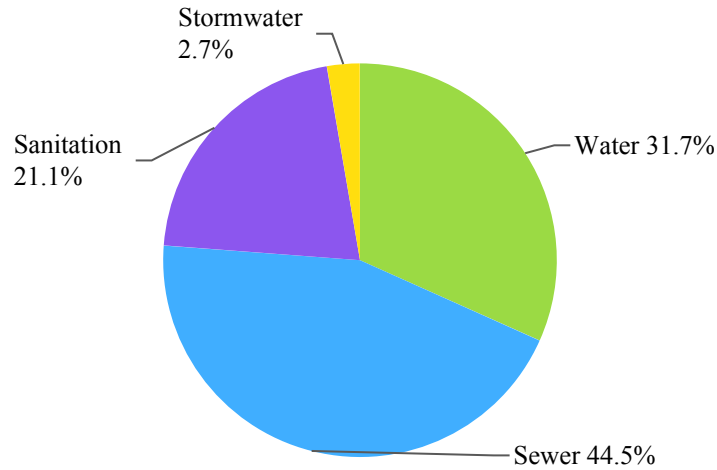
FY 2022 Governmental Activities Expenses



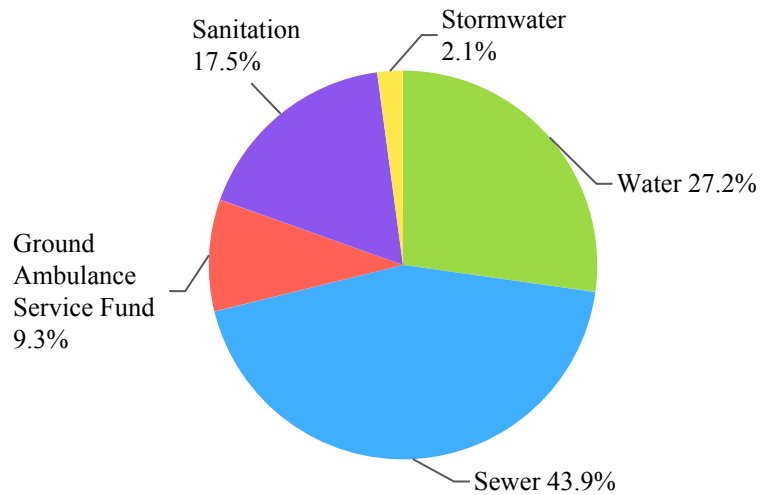
- ❖ Current year expenses increased by \$38.2 million or 20.1% as result of increases in personnel, supplies, and services. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at 35.8% or \$81.6 million.

Business-Type Activities expenses for the fiscal year ended June 30, 2023 totaled \$56.7 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

FY 2023 Business-Type Activities Expenses



FY 2022 Business-Type Activities Expenses



- ❖ Business-Type Activities expenses decreased by \$3.3 million or 5.5% from the prior year. The ground ambulance service fund being converted to a governmental fund contributed \$5.6 million to the decrease, offset by about \$2.3 million for inventory adjustment of water storage credits used up in fiscal year 2023 that were purchased in prior years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$51.0 million from \$258.4 million to \$309.8 million. The increase is attributed to continued economic strength, population growth, and grants. Of the total ending fund balance, \$5.1 million has been classified as nonspendable and is not available to meet future funding needs because it is not in spendable form or is legally or contractually required to be maintained intact. An additional \$38.0 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining fund balance, \$73.0 million has been committed to recognize a specific council determined purpose which may not be used for another purpose without council's direction, but the purpose can be changed by council. There is \$136.3 million of fund balance which has been assigned to a specific purpose by the Chief Financial Officer; these amounts may be used for other purposes than the currently assigned positions if the Chief Financial Officer deems it necessary. Finally, there is an unassigned fund balance of \$57.4 million which can be used for any purpose.
 - The General Fund balance increased \$15.0 million. This change was the result of increases in property taxes due to additional properties being built in the City and a general increase in taxable property values, and sales taxes, state shared revenues, and intergovernmental revenues due to growth within the State. The increase can also be attributed to the increase in investment value and investment interest received. Administrative development revenue and building inspections related to permitting decreased by about \$4.0 million compared to prior year, due to less residential building permits being issued in fiscal year 2023.
 - The General Capital Projects Fund balance increased \$22.1 million. This increase was due to a transfer of one-time revenue and savings from the General Fund and an increase of construction sales tax of \$7.7 million compared to prior year.
 - The General Government Development Fee Fund contains \$3.7 million in advances from other funds and debt service obligations. The cash on hand in the fund is maintained to meet future debt service obligations in accordance with a settlement agreement. Any cash on hand in excess of the future debt service obligation shall be used to repay the advances from other funds.
 - The Transportation Improvement Fund balance increased \$7.7 million from \$18.3 million to \$26.0 million. This increase is mainly due to construction sales tax revenue, which increased by \$5.3 million from prior year. This revenue is derived from sales tax on construction within the City.
 - The Nonmajor Governmental Funds fund balance increased \$6.2 million. The increase was due to an increase in taxes, intergovernmental revenues, and development fees.
- ❖ **Proprietary Fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are discussed previously in the review of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$189.4 million. Budget adjustments throughout the year resulted in total budgeted expenditures of \$190.9 million. The \$1.5 million budget increase is mainly related to public safety costs due to overtime, increase in supplies and services and vehicle purchases.

- ❖ Actual General Fund expenditures totaling \$145.2 million was \$45.7 million less than the final budget due to budgeting for certain contingencies and unforeseen expenses that did not come to fruition.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End Net of Depreciation (in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and improvements	\$ 235.6	\$ 194.5	\$ 13.3	\$ 5.4	\$ 248.9	\$ 199.9
Parks	8.6	8.6	—	—	8.6	8.6
Water rights	—	—	28.3	25.0	28.3	25.0
Construction in progress	7.8	5.7	10.8	9.6	18.6	15.3
Buildings and improvements	143.2	144.9	308.4	296.0	451.6	440.9
Improvements other than buildings	32.6	21.5	8.8	9.1	41.4	30.6
Equipment and vehicles	22.1	22.5	13.6	13.0	35.7	35.5
Intangibles	3.6	4.8	—	—	3.6	4.8
Infrastructure	261.2	226.5	—	—	261.2	226.5
Subscriptions assets	2.5	—	0.1	—	2.6	—
Lease assets	5.7	5.7	—	—	5.7	5.7
Total capital assets, net	<u>\$ 722.9</u>	<u>\$ 634.7</u>	<u>\$ 383.3</u>	<u>\$ 358.1</u>	<u>\$ 1,106.2</u>	<u>\$ 992.8</u>

The capital assets of the Governmental Activities increased by \$88.2 million from the prior fiscal year, net of depreciation (\$117.8 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2023 were the result of:
 - Implementation of GASB 96 where certain IT subscriptions previously recorded only when cash was received/paid, are now recorded as right-to-use capital assets.
 - Current year depreciation expense of \$36.1 million
 - Capital contributions made to the City by developers
 - \$37.8 million – right-of ways
 - \$32.9 million – streets infrastructure
- ❖ Governmental Activities construction in progress includes:
 - \$1.0 million – Community Pool
 - \$1.7 million – Regional Communications Tower #1
 - \$0.8 million – Cactus Road (Cotton to Reems)

The capital assets of the Business-Type Activities funds increased by \$25.2 million from the prior fiscal year, net of depreciation (\$42.3 million increase before depreciation).

- ❖ Changes to the Business-Type Activities capital assets for fiscal year 2023 were the result of:
 - Current year depreciation expense of \$16.4 million.
 - Capital contributions made to the City by developers. The assets donated consisted primarily of water, sewer, and stormwater improvements.
 - \$7.7 million – Water lines
 - \$10.7 million – Sewer lines
 - \$4.8 million – Stormwater drains

- ❖ Business-Type Activities construction in progress includes:
 - \$5.1 million – South Plant Operations Building Remodel
 - \$1.3 million – SPA1 Recharge Expansion
- ❖ For more detailed information on Capital Assets, see Note 4 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental		Business-Type		Total	
	2023	2022	2023	2022	2023	2022
General obligations	\$ 42.6	\$ 46.6	\$ —	\$ —	\$ 42.6	\$ 46.6
Pledged revenue obligations	12.3	15.4	0.8	1.6	13.1	17.0
Senior lien utility system revenue refunding obligations	—	—	23.2	24.5	23.2	24.5
Community facilities district bonds	31.0	18.4	—	—	31.0	18.4
Community facilities district notes	2.0	2.2	—	—	2.0	2.2
Subscriptions liability	2.6	—	0.1	—	2.7	—
Leases payable	6.7	6.0	—	—	6.7	6.0
Total debt outstanding	<u>\$ 97.2</u>	<u>\$ 88.6</u>	<u>\$ 24.1</u>	<u>\$ 26.1</u>	<u>\$ 121.3</u>	<u>\$ 114.7</u>

- ❖ **Long-term debt**, including amounts due within one year, increased \$6.6 million this year from \$114.7 million to \$121.3 million due to the issuance of \$13.0 million in community facilities districts bonds less normal debt service payments.
- ❖ **Subscriptions liability** - The City implemented GASB Statement No. 96, Subscription-Based Information Technology Agreements, in fiscal year 2023, which establishes that the contracted value of certain technology based subscriptions should be recorded as an intangible asset and have a corresponding liability.
- ❖ For more detailed information on long-term debt, see Note 7 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

Last year's fiscal year 2022 budget was unique in the fact that its focus was on the recovery from a global pandemic. After two consecutive budgets with financial uncertainty, the fiscal year 2022 budget was the first step back into normalcy. As the City continues to navigate in this economic climate, new challenges such as sweeping supply chain interruptions, rising inflation, and workforce shortages are now at the forefront of not only the headlines, but also the City's budget strategy

The City's economic position continues to be strong due to financially sound policy decisions led by our City Council. This is evident by receiving a AAA Fitch bond rating. The City continues to see robust commercial development, and while the single-family home market is slowing, Surprise is seeing the emergence of the multi-family residential market. This has resulted in continued strong revenues, which has provided the City the opportunity to provide dedicated funding to maintain our high level of service and provide operational funding to enhance the services that we provide to our residents. Additionally, the City saw an increase in its state shared revenue, mainly due to the growth that the State of Arizona continues to see. This revenue provides funding to help offset the cost to support new residents. Residential and commercial growth adds demand to our service levels in areas such as public safety, transportation, parks and recreation, and community development. The City continues to strengthen its financial position to maintain its valuable assets moving into the future.

Throughout the year, the city experienced residential population growth and significant residential and commercial permit activity. The city continues to exceed the statewide average in population growth and the trend is expected to continue based on the availability of land within the city's planning area. This results in a greater number of consumers and a larger proportion of state shared revenues. These have combined to result in a 20.2% increase in sales tax collections while state shared sales tax revenues increased by 26.4% over the previous year. The population and commercial square footage growth has been a factor in the improved economic performance for the city.

- ❖ **Revenues are expected to increase** – Revenues are estimated to increase due to population growth and a strengthening local economy.
- ❖ **Personnel increase** – For the fiscal year 2024 budget, city employees received COLA increases of 8.0%. Further, increases in personnel costs are also attributable to new positions added to the budget.
- ❖ **Next year's budget** – Total budgeted expenditures for the City's fiscal year 2024 is \$771.1 million, a \$36.5 million increase over the fiscal year 2023 adopted budgeted of \$734.6 million.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



SURPRISE

ARIZONA



FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The third subsection is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net position and the statement of activities.

City of Surprise, Arizona
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 338,314,692	\$ 93,385,103	\$ 431,699,795
Restricted cash and investments	4,425,857	10,534,202	14,960,059
Receivables (net of allowances):			
Accounts	1,720,139	9,025,597	10,745,736
Taxes and franchise fees	17,706,258	—	17,706,258
Grants	1,078,110	—	1,078,110
Intergovernmental	2,288,665	—	2,288,665
Leases	341,093	—	341,093
Other	1,937,891	190,086	2,127,977
Prepaid items and other assets	2,759,170	3,421,926	6,181,096
Inventory	2,331,005	3,301,852	5,632,857
Internal balances	(8,100,908)	8,100,908	—
Total current assets	<u>364,801,972</u>	<u>127,959,674</u>	<u>492,761,646</u>
Noncurrent assets:			
Equity interest in joint venture	901,878	—	901,878
Net other postemployment benefits asset (OPEB)	2,259,411	413,560	2,672,971
Leases receivable	19,113,353	—	19,113,353
Capital assets, non-depreciable	252,022,283	52,479,183	304,501,466
Capital assets, depreciable	946,377,837	515,165,684	1,461,543,521
Accumulated depreciation/amortization	(475,463,919)	(184,342,871)	(659,806,790)
Total noncurrent assets	<u>745,210,843</u>	<u>383,715,556</u>	<u>1,128,926,399</u>
Total assets	<u>1,110,012,815</u>	<u>511,675,230</u>	<u>1,621,688,045</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related	40,010,214	2,206,582	42,216,796
Deferred outflows of resources - OPEB related	470,573	50,096	520,669
Total deferred outflows of resources	<u>40,480,787</u>	<u>2,256,678</u>	<u>42,737,465</u>
Total assets and deferred outflows of resources	<u>1,150,493,602</u>	<u>513,931,908</u>	<u>1,664,425,510</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,303,680	3,249,476	11,553,156
Accrued payroll and related taxes	2,541,677	262,331	2,804,008
Deposits	534,877	517,634	1,052,511
Unearned revenues	6,848,508	498,148	7,346,656
Other liabilities	59,850	—	59,850
Matured bond and loan interest payable	1,719,067	569,033	2,288,100
Matured bond and loans payable	7,077,488	1,812,512	8,890,000
Total current liabilities	<u>\$ 27,085,147</u>	<u>\$ 6,909,134</u>	<u>\$ 33,994,281</u>

See accompanying Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities:			
Due within one year:			
Contracts payable	\$ 10,973,352	\$ 858,950	\$ 11,832,302
Compensated absences payable	4,065,056	490,983	4,556,039
Bonds, loans and payables	8,647,694	1,986,919	10,634,613
Claims payable	2,420,267	—	2,420,267
Due in more than one year:			
Compensated absences payable	6,358,165	767,947	7,126,112
Bonds, loans and payables	88,567,472	22,132,022	110,699,494
Claims payable	582,870	—	582,870
Net pension liability	109,170,792	11,841,156	121,011,948
Net OPEB liability	30,458	6,753	37,211
Total noncurrent liabilities	230,816,126	38,084,730	268,900,856
Total liabilities	257,901,273	44,993,864	302,895,137
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related	3,223,403	311,908	3,535,311
Deferred inflows of resources - OPEB related	1,781,489	264,723	2,046,212
Deferred inflows of resources - lease related	18,815,626	—	18,815,626
Total deferred inflows of resources	23,820,518	576,631	24,397,149
Total liabilities and deferred inflows of resources	281,721,791	45,570,495	327,292,286
NET POSITION			
Net investment in capital assets	635,129,381	359,266,161	994,395,542
Restricted for:			
Capital projects	—	19,143,984	19,143,984
Court	593,560	—	593,560
Debt service	1,390,416	10,672	1,401,088
Economic development	6,127	—	6,127
Fire-Medical	12,696,123	—	12,696,123
Human services and community vitality	26,412	—	26,412
Parks and recreation	9,169,151	—	9,169,151
Police	8,327,713	—	8,327,713
Public works	1,033,646	—	1,033,646
Transportation	4,910,428	—	4,910,428
OPEB	2,228,953	406,807	2,635,760
Unrestricted	193,259,901	89,533,789	282,793,690
Total net position	\$ 868,771,811	\$ 468,361,413	\$ 1,337,133,224

City of Surprise, Arizona
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs		Program Revenues		
		Charges for	Operating	Capital Grants
Primary government:	Expenses	Services	Grants and	and
			Contributions	Contributions
Governmental activities:				
General government	\$ 28,301,955	\$ 6,986,841	\$ 52,916	\$ 672,173
Public safety	81,547,703	8,895,858	1,970,757	3,582,696
Public works and streets	55,094,815	5,758,180	11,582,757	33,329,730
Community development	19,817,626	16,694,651	5,000	37,802,725
Culture and recreation	40,095,959	7,108,660	2,615,082	3,203,041
Interest on long-term debt	2,804,532	—	—	—
Total governmental activities	227,662,590	45,444,190	16,226,512	78,590,365
Business-type activities:				
Water	17,982,628	20,634,451	—	22,928,305
Sewer	25,233,442	22,089,082	—	14,212,924
Sanitation	11,969,060	13,621,619	—	—
Stormwater	1,532,003	2,732,797	—	4,713,249
Total business-type activities	56,717,133	59,077,949	—	41,854,478
Total primary government	<u>\$ 284,379,723</u>	<u>\$ 104,522,139</u>	<u>\$ 16,226,512</u>	<u>\$ 120,444,843</u>

General revenues:

Property taxes

Sales taxes

Franchise taxes

Unrestricted State shared revenues

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning (as restated)

Net position - ending

See accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(20,590,025)	—	(20,590,025)
(67,098,392)	—	(67,098,392)
(4,424,148)	—	(4,424,148)
34,684,750	—	34,684,750
(27,169,176)	—	(27,169,176)
(2,804,532)	—	(2,804,532)
(87,401,523)	—	(87,401,523)
—	25,580,128	25,580,128
—	11,068,564	11,068,564
—	1,652,559	1,652,559
—	5,914,043	5,914,043
—	44,215,294	44,215,294
(87,401,523)	44,215,294	(43,186,229)
21,294,443	—	21,294,443
124,293,240	—	124,293,240
6,676,257	—	6,676,257
57,757,239	—	57,757,239
5,759,229	1,959,742	7,718,971
838,040	247,893	1,085,933
1,563,726	(1,563,726)	—
218,182,174	643,909	218,826,083
130,780,651	44,859,203	175,639,854
737,991,160	423,502,210	1,161,493,370
868,771,811	468,361,413	1,337,133,224



SURPRISE

ARIZONA



**FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**



SURPRISE

ARIZONA



FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS FUND FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fourth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.

City of Surprise, Arizona

Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
ASSETS			
Cash and investments	\$ 131,354,407	\$ 109,679,132	\$ 366,667
Restricted cash and investments	—	—	—
Receivables (net of allowances):			
Accounts	266,843	—	—
Taxes and franchise fees	17,500,909	—	—
Grants	—	—	—
Intergovernmental	1,191,661	—	—
Leases	16,566,611	—	—
Due from other funds	69,457	—	—
Other	560,186	—	—
Prepaid items and other assets	204,924	983,261	—
Inventory	1,264,546	624,562	—
Total assets	<u>\$ 168,979,544</u>	<u>\$ 111,286,955</u>	<u>\$ 366,667</u>
LIABILITIES			
Accounts payable	\$ 2,281,111	\$ 3,131,679	\$ —
Accrued payroll and related taxes	2,381,760	—	—
Due to other funds	—	—	—
Deposits	482,200	—	—
Unearned revenue	965,198	—	—
Contracts payable	10,911,062	—	—
Other liabilities	30,486	—	—
Matured bond interest payable	—	—	—
Matured bonds and notes payable	—	—	—
Advances from other funds	—	—	3,716,143
Total liabilities	<u>17,051,817</u>	<u>3,131,679</u>	<u>3,716,143</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - unavailable revenue	215,622	—	—
Deferred inflows - leases	16,049,173	—	—
Total deferred inflow of resources	<u>16,264,795</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>33,316,612</u>	<u>3,131,679</u>	<u>3,716,143</u>
FUND BALANCES (DEFICITS)			
Nonspendable	1,469,470	1,607,823	—
Restricted	303,801	—	—
Committed	43,210,100	—	—
Assigned	29,737,690	106,547,453	—
Unassigned	60,941,871	—	(3,349,476)
Total fund balances (deficits)	<u>135,662,932</u>	<u>108,155,276</u>	<u>(3,349,476)</u>
Total liabilities, deferred inflows and fund balances (deficits)	<u>\$ 168,979,544</u>	<u>\$ 111,286,955</u>	<u>\$ 366,667</u>

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 4,380,328	\$ 26,749,329	\$ 5,008,547	\$ 40,964,445	\$ 318,502,855
—	—	3,123,856	1,302,001	4,425,857
—	—	—	1,453,296	1,720,139
—	—	138,443	66,906	17,706,258
—	—	—	1,078,110	1,078,110
1,097,004	—	—	—	2,288,665
—	—	—	2,887,835	19,454,446
—	—	—	—	69,457
—	—	—	371,706	931,892
1,147	—	—	1,567,596	2,756,928
432,965	—	—	8,932	2,331,005
<u>\$ 5,911,444</u>	<u>\$ 26,749,329</u>	<u>\$ 8,270,846</u>	<u>\$ 49,700,827</u>	<u>\$ 371,265,612</u>
\$ 555,110	\$ 719,510	\$ —	\$ 1,440,386	\$ 8,127,796
11,412	—	—	140,720	2,533,892
—	—	—	69,457	69,457
—	52,215	—	462	534,877
2,000	—	—	5,881,310	6,848,508
—	3,750	—	58,540	10,973,352
—	—	—	—	30,486
—	—	1,105,489	613,578	1,719,067
—	—	6,422,488	655,000	7,077,488
—	—	—	—	3,716,143
<u>568,522</u>	<u>775,475</u>	<u>7,527,977</u>	<u>8,859,453</u>	<u>41,631,066</u>
—	—	39,296	734,348	989,266
—	—	—	2,766,453	18,815,626
—	—	39,296	3,500,801	19,804,892
<u>568,522</u>	<u>775,475</u>	<u>7,567,273</u>	<u>12,360,254</u>	<u>61,435,958</u>
434,112	—	—	1,576,528	5,087,933
4,908,810	—	703,573	32,102,805	38,018,989
—	25,973,854	—	3,827,063	73,011,017
—	—	—	—	136,285,143
—	—	—	(165,823)	57,426,572
<u>5,342,922</u>	<u>25,973,854</u>	<u>703,573</u>	<u>37,340,573</u>	<u>309,829,654</u>
<u>\$ 5,911,444</u>	<u>\$ 26,749,329</u>	<u>\$ 8,270,846</u>	<u>\$ 49,700,827</u>	<u>\$ 371,265,612</u>



SURPRISE

ARIZONA

City of Surprise, Arizona**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position**

June 30, 2023

Fund balances - total governmental funds		\$ 309,829,654
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,198,400,120	
Less accumulated depreciation	<u>(475,463,919)</u>	
		722,936,201
Some revenues will not be available to pay for current period expenditures and, therefore, are unavailable in the funds.		989,266
Internal Service Funds used by management to charge the costs of employee healthcare, risk management, and workers' compensation to individual funds are included in the statement of net position.		
Net position (adjusted for interfund activity)	13,248,507	
Net pension liability	(510,313)	
Net pension deferred outflows	95,096	
Net pension deferred inflows	(13,442)	
Compensated absences payable	(60,331)	
Net OPEB asset	17,824	
Net OPEB deferred outflows	2,158	
Net OPEB deferred inflows	(11,408)	
Net OPEB liability	<u>(291)</u>	
		12,767,800
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	39,915,118	
Deferred inflows of resources related to pensions	<u>(3,209,961)</u>	
		36,705,157
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(83,646,189)	
Leases payable/subscriptions payable	(9,355,984)	
Interest payable	(29,364)	
Issuance premium (to be amortized as interest expense)	(4,212,993)	
Net pension liability	(108,660,479)	
Compensated absences payable	(10,362,890)	
Net OPEB asset	2,241,587	
Net OPEB liability	<u>(30,167)</u>	
		(214,056,479)
The equity interest in the joint venture, Regional Wireless Cooperative, is not a financial resource and, therefore, is not reported in the funds.		901,878
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to OPEB	468,415	
Deferred inflows of resources related to OPEB	<u>(1,770,081)</u>	
		(1,301,666)
Net position of governmental activities		<u>\$ 868,771,811</u>

See accompanying Notes to Financial Statements

City of Surprise, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General Fund	General Capital Projects Fund	General Government Development Fee Fund
REVENUES			
Taxes	\$ 93,988,457	\$ 23,745,330	\$ —
Licenses and permits	6,781,295	436,017	—
Intergovernmental revenues	59,294,953	—	—
Charges for services	24,966,845	—	—
Grants revenue	—	—	—
Fines	859,484	—	—
Rents	621,200	—	—
Development fees	—	—	672,173
Interest revenue	2,244,178	1,992,623	29,723
Donations	94,899	—	—
Indirect charges	6,455,301	—	—
Other revenue	768,606	94,154	—
Total revenues	196,075,218	26,268,124	701,896
EXPENDITURES			
Current:			
General government	23,414,458	125,800	—
Public safety	72,354,872	1,231,244	—
Public works and streets	11,096,412	3,822,219	—
Community development	17,274,552	82,415	—
Culture and recreation	18,191,996	4,938,536	—
Debt service:			
Administrative charges	—	—	—
Principal retirement	936,693	—	—
Interest	15,132	—	—
Capital outlay	1,921,035	27,704,627	—
Total expenditures	145,205,150	37,904,841	—
Excess (deficiency) of revenues over expenditures	50,870,068	(11,636,717)	701,896
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	165,522	—	—
Transfers in	1,779,600	33,359,800	—
Transfers out	(37,804,131)	(95,599)	(366,702)
Issuance of debt	—	—	—
Premium on debt issuance	—	—	—
Lease agreements	56,124	—	—
Total other financing sources (uses)	(35,802,885)	33,264,201	(366,702)
Net change in fund balances	15,067,183	21,627,484	335,194
Fund balances - beginning (as restated)	120,626,996	86,081,107	(3,684,670)
Increase (decrease) in inventories	(31,247)	446,685	—
Fund balances (deficits) - ending	\$ 135,662,932	\$ 108,155,276	\$ (3,349,476)

See accompanying Notes to Financial Statements

Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ —	\$ 16,189,998	\$ 5,552,056	\$ 6,124,074	\$ 145,599,915
—	—	—	—	7,217,312
11,093,076	—	—	1,357,417	71,745,446
15,000	—	—	10,104,610	35,086,455
—	—	—	3,733,991	3,733,991
—	—	—	299,815	1,159,299
—	—	—	488,130	1,109,330
—	—	—	6,195,449	6,867,622
109,834	447,991	63,106	705,259	5,592,714
—	—	—	—	94,899
—	—	—	—	6,455,301
44,450	43,059	184,347	77,002	1,211,618
11,262,360	16,681,048	5,799,509	29,085,747	285,873,902
163,509	—	—	312,400	24,016,167
—	—	—	5,817,322	79,403,438
10,695,785	2,992,766	—	364,134	28,971,316
—	—	—	2,304,899	19,661,866
—	—	—	9,990,653	33,121,185
—	—	2,516	508,417	510,933
2,835	—	6,422,488	684,968	8,046,984
62	—	2,210,978	1,239,564	3,465,736
967,179	5,910,553	—	16,092,927	52,596,321
11,829,370	8,903,319	8,635,982	37,315,284	249,793,946
(567,010)	7,777,729	(2,836,473)	(8,229,537)	36,079,956
48,423	—	—	—	213,945
—	—	3,475,905	2,892,023	41,507,328
—	(112,300)	—	(1,564,870)	(39,943,602)
—	—	—	13,065,000	13,065,000
—	—	—	27,551	27,551
—	—	—	—	56,124
48,423	(112,300)	3,475,905	14,419,704	14,926,346
(518,587)	7,665,429	639,432	6,190,167	51,006,302
5,814,535	18,308,425	64,141	31,150,902	258,361,436
46,974	—	—	(496)	461,916
\$ 5,342,922	\$ 25,973,854	\$ 703,573	\$ 37,340,573	\$ 309,829,654

City of Surprise, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ 51,006,302

Amounts reported for governmental activities in the statement of activities net position are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	50,508,267	
Less current year depreciation	<u>(36,098,714)</u>	14,409,553

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.

Capital contributions	70,733,187	
Disposals of assets	<u>(1,299,810)</u>	69,433,377

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (38,321)

Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the statement of activities.

Change in inventory		461,916
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Governmental funds report City pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension contributions	16,538,534	
Pension expense	<u>(16,489,870)</u>	48,664

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. There is the same effect with premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds, whereas, the amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.

Amortization of issuance premium	689,072	
Principal paid	8,046,984	
Bond proceeds	(13,907,705)	
Issuance premium	(27,551)	
Interest payable	(27,868)	
Disposal of lease	<u>(8,874)</u>	(5,235,942)

See accompanying Notes to Financial Statements

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences	(951,279)
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Internal service funds are used by management to charge the costs of employee healthcare, risk management, and workers' compensation. The net revenue of certain activities of the internal services funds is reported in the statement of activities.

Change in net position for the internal service funds (adjusted for interfund activity)	1,092,417
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Change in equity interest in joint venture	(2,552)
--	---------

Governmental funds report City OPEB contributions as expenditures when made. However, in the statement of activities, OPEB expense is the cost of benefits earned adjusted for member contributions, the recognition of changes in deferred outflows, and inflows of resources related to OPEB, and the investment experience.

OPEB contributions	237,884	
OPEB expense	318,632	
		556,516

Change in net position of governmental activities		<u><u>\$ 130,780,651</u></u>
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City of Surprise, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
ASSETS			
Current assets:			
Cash and investments	\$ 44,760,775	\$ 35,197,677	\$ 8,722,159
Restricted cash and investments	2,807,085	7,544,471	—
Receivables (net of allowances):			
Accounts	2,515,396	3,557,013	1,782,929
Other	186,297	3,789	—
Other assets	3,421,680	82	164
Inventory	2,277,870	711,668	312,314
Total current assets	<u>55,969,103</u>	<u>47,014,700</u>	<u>10,817,566</u>
Noncurrent assets:			
Advances to other funds	—	3,716,143	—
Net OPEB asset	126,079	151,710	114,442
Capital assets, non depreciable	41,596,241	10,651,934	87,321
Capital assets, depreciable	145,226,586	342,166,898	13,885,386
Accumulated depreciation	(48,608,100)	(127,898,816)	(6,909,235)
Total noncurrent assets	<u>138,340,806</u>	<u>228,787,869</u>	<u>7,177,914</u>
Total assets	<u>194,309,909</u>	<u>275,802,569</u>	<u>17,995,480</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	672,703	809,461	610,613
Deferred outflows related to OPEB	15,273	18,377	13,863
Total deferred outflows of resources	<u>687,976</u>	<u>827,838</u>	<u>624,476</u>
Total assets and deferred outflows of resources	<u>\$ 194,997,885</u>	<u>\$ 276,630,407</u>	<u>\$ 18,619,956</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,702,379	\$ 734,442	\$ 674,758
Accrued payroll and related taxes	77,052	103,457	70,309
Deposits	166,651	265,699	84,961
Unearned revenue	—	373,272	84,246
Claims payable	—	—	—
Compensated absences payable, due in less than one year	177,395	192,009	120,038
Contracts payable	272,000	586,950	—
Matured bond interest payable	—	569,033	—
Matured bonds and loans payable	—	1,812,512	—
Bonds, loans and payables, due in less than one year	43,537	1,943,382	—
Total current liabilities	<u>2,439,014</u>	<u>6,580,756</u>	<u>1,034,312</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	277,464	300,322	187,751
Bonds, loans and payables, due in more than one year	—	22,132,022	—
Claims payable	—	—	—
Net pension liability	3,609,922	4,343,797	3,276,726
Net OPEB liability	2,059	2,477	1,869
Total noncurrent liabilities	<u>3,889,445</u>	<u>26,778,618</u>	<u>3,466,346</u>
Total liabilities	<u>6,328,459</u>	<u>33,359,374</u>	<u>4,500,658</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	95,089	114,420	86,312
Deferred inflows related to OPEB	80,704	97,110	73,255
Total deferred inflows of resources	<u>175,793</u>	<u>211,530</u>	<u>159,567</u>
Total liabilities and deferred inflows of resources	<u>6,504,252</u>	<u>33,570,904</u>	<u>4,660,225</u>
NET POSITION			
Net investment in capital assets	138,214,727	200,884,181	7,063,472
Restricted for:			
Capital projects	17,552,013	1,591,971	—
Debt service	—	10,672	—
Unrestricted	32,726,893	40,572,679	6,896,259
Total net position	<u>\$ 188,493,633</u>	<u>\$ 243,059,503</u>	<u>\$ 13,959,731</u>

Difference between business-type adjustments to assets and liabilities
Net position of business-type activities

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 4,704,492	\$ 93,385,103	\$ 19,811,837	
182,646	10,534,202	—	
1,170,259	9,025,597	—	
—	190,086	1,005,999	
—	3,421,926	2,242	
—	3,301,852	—	
6,057,397	119,858,766	20,820,078	
—	3,716,143	—	
21,329	413,560	17,824	
143,687	52,479,183	—	
13,886,814	515,165,684	—	
(926,720)	(184,342,871)	—	
13,125,110	387,431,699	17,824	
19,182,507	507,290,465	20,837,902	
113,805	2,206,582	95,096	
2,583	50,096	2,158	
116,388	2,256,678	97,254	
\$ 19,298,895	\$ 509,547,143	\$ 20,935,156	
\$ 137,897	\$ 3,249,476	\$ 175,884	
11,513	262,331	7,785	
323	517,634	—	
40,630	498,148	—	
—	—	2,420,267	
1,541	490,983	23,529	
—	858,950	—	
—	569,033	—	
—	1,812,512	—	
—	1,986,919	—	
191,904	10,245,986	2,627,465	
2,410	767,947	36,802	
—	22,132,022	—	
—	—	582,870	
610,711	11,841,156	510,313	
348	6,753	291	
613,469	34,747,878	1,130,276	
805,373	44,993,864	3,757,741	
16,087	311,908	13,442	
13,654	264,723	11,408	
29,741	576,631	24,850	
835,114	45,570,495	3,782,591	
13,103,781	359,266,161	—	
—	19,143,984	—	
—	10,672	—	
5,360,000	85,555,831	17,152,565	
\$ 18,463,781	\$ 463,976,648	\$ 17,152,565	
	4,384,765		
	\$ 468,361,413		

City of Surprise, Arizona
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
OPERATING REVENUES			
Charges for services	\$ 20,291,846	\$ 21,973,634	\$ 13,576,514
Other revenue	530,585	156,984	45,105
Total operating revenues	20,822,431	22,130,618	13,621,619
OPERATING EXPENSES			
Costs of sales and services	11,290,698	11,287,679	8,402,243
Personnel services	—	—	—
Contractual services, materials, and supplies	—	—	—
Insurance claims, premiums, and administrative expenses	—	—	—
Indirect costs	2,060,030	1,950,152	2,203,408
Depreciation	4,412,620	10,144,409	1,392,162
Total operating expenses	17,763,348	23,382,240	11,997,813
Operating income (loss)	3,059,083	(1,251,622)	1,623,806
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	965,325	717,820	183,050
Developer reimbursement	(378,915)	(1,500,000)	—
Gain/(Loss) on disposal of capital assets	—	14,216	—
Amortization of bond premium	—	309,604	—
Interest and fiscal charges	(1,205)	(1,141,130)	—
Total nonoperating revenues (expenses)	585,205	(1,599,490)	183,050
Income (loss) before contributions and transfers	3,644,288	(2,851,112)	1,806,856
Transfers in	1,391,374	20,898	—
Transfers out	(629,622)	(2,292,763)	(46,489)
Capital contributions	22,928,305	14,212,924	—
Change in net position	27,334,345	9,089,947	1,760,367
Total net position - beginning (as restated)	161,159,288	233,969,556	12,199,364
Total net position - ending	\$ 188,493,633	\$ 243,059,503	\$ 13,959,731

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Changes in net position of business-type activities

See accompanying Notes to Financial Statements

		Governmental Activities	
Stormwater Fund	Total Enterprise Funds	Internal Service Funds	
\$ 2,732,797	\$ 58,574,791	\$ 23,279,121	
4,161	736,835	889,750	
2,736,958	59,311,626	24,168,871	
879,177	31,859,797	—	
—	—	628,144	
—	—	383,142	
—	—	21,707,719	
241,711	6,455,301	—	
409,394	16,358,585	—	
1,530,282	54,673,683	22,719,005	
1,206,676	4,637,943	1,449,866	
93,547	1,959,742	310,747	
—	(1,878,915)	—	
—	14,216	—	
—	309,604	—	
—	(1,142,335)	—	
93,547	(737,688)	310,747	
1,300,223	3,900,255	1,760,613	
—	1,412,272	—	
(7,124)	(2,975,998)	—	
4,713,249	41,854,478	—	
6,006,348	44,191,007	1,760,613	
12,457,433	419,785,641	15,391,952	
\$ 18,463,781	\$ 463,976,648	\$ 17,152,565	
	668,196		
	\$ 44,859,203		

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities		
	Water Fund	Sewer Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 20,856,331	\$ 20,813,074	\$ 13,354,784
Cash receipts from interfund services provided	—	—	—
Payments to employees	(4,194,106)	(4,705,132)	(3,877,312)
Payments to suppliers	(11,517,314)	(8,419,825)	(6,564,338)
Payments for insurance claims and expenses	—	—	—
Other operating cash receipts	530,585	156,984	45,105
Net cash provided (used) by operating activities	<u>5,675,496</u>	<u>7,845,101</u>	<u>2,958,239</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	—	—	(46,489)
Cash paid to other funds	(607,533)	(1,569,968)	—
Net cash provided (used) by noncapital financing activities	<u>(607,533)</u>	<u>(1,569,968)</u>	<u>(46,489)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds received from development fees	5,988,202	3,493,628	—
Principal and interest paid on bonds, loans and payables	(44,143)	(2,951,073)	—
Sale/Acquisition of capital assets	(4,390,544)	(2,826,433)	(2,640,704)
Developer reimbursements	(378,915)	(1,729,925)	—
Net cash provided (used) by capital and related financing activities	<u>1,174,600</u>	<u>(4,013,803)</u>	<u>(2,640,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest income/(loss)	965,325	717,820	183,050
Net cash provided (used) by investing activities	<u>965,325</u>	<u>717,820</u>	<u>183,050</u>
Net increase (decrease) in cash and cash equivalents	7,207,888	2,979,150	454,096
Balances - beginning of year	40,359,972	39,762,998	8,268,063
Balances - end of the year	<u>\$ 47,567,860</u>	<u>\$ 42,742,148</u>	<u>\$ 8,722,159</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income/(loss)	\$ 3,059,083	\$ (1,251,622)	\$ 1,623,806
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	4,412,620	10,144,409	1,392,162
Changes in assets and liabilities:			
Accounts receivable	(181,261)	(1,171,827)	(238,769)
Other receivables	701,315	(3,789)	—
Other assets	(3,151,833)	9,810	4,207
Inventory	336,176	(116,900)	(19,107)
Accounts payable	439,786	249,064	173,553
Accrued payroll and related taxes	(104,527)	(108,325)	(100,967)
Deposits	44,431	31,897	18,864
Unearned revenue	—	(16,841)	(1,825)
Compensated absences	41,484	(14,899)	35,313
Net pension liability	106,698	128,388	96,849
Claims payable	—	—	—
Net OPEB asset/liability	(28,476)	(34,264)	(25,847)
Net cash provided (used) by operating activities	<u>\$ 5,675,496</u>	<u>\$ 7,845,101</u>	<u>\$ 2,958,239</u>
Noncash investing, capital and financing activities			
Capital asset contributions from developers	\$ 16,940,103	\$ 10,719,296	\$ —
Capital asset contributions to/from other funds/governmental activities	1,369,285	—	—
Lease agreement commitments	86,475	78,594	—
Total noncash investing, capital and financing activities	<u>\$ 18,395,863</u>	<u>\$ 10,797,890</u>	<u>\$ —</u>
Reconciliation to Statement of Net Position			
Cash and investments	\$ 44,760,775	\$ 35,197,677	\$ 8,722,159
Restricted cash and investments	2,807,085	7,544,471	—
Total cash and investments	<u>\$ 47,567,860</u>	<u>\$ 42,742,148</u>	<u>\$ 8,722,159</u>

Stormwater Fund	Total Enterprise Funds	Governmental Activities	
		Internal Service Funds	
\$ 2,612,626	\$ 57,636,815	\$ —	—
—	—	22,932,075	—
(644,414)	(13,420,964)	(622,054)	—
(358,342)	(26,859,819)	(353,352)	—
—	—	(21,631,748)	—
4,161	736,835	1,267,163	—
1,614,031	18,092,867	1,592,084	—
(7,124)	(53,613)	—	—
—	(2,177,501)	—	—
(7,124)	(2,231,114)	—	—
—	9,481,830	—	—
—	(2,995,216)	—	—
(184,765)	(10,042,446)	—	—
—	(2,108,840)	—	—
(184,765)	(5,664,672)	—	—
93,547	1,959,742	310,747	—
93,547	1,959,742	310,747	—
1,515,689	12,156,823	1,902,831	—
3,371,449	91,762,482	17,909,006	—
\$ 4,887,138	\$ 103,919,305	\$ 19,811,837	—
\$ 1,206,676	\$ 4,637,943	\$ 1,449,866	—
409,394	16,358,585	—	—
(118,550)	(1,710,407)	—	—
—	697,526	30,367	—
1,380	(3,136,436)	1,135	—
—	200,169	—	—
124,924	987,327	31,095	—
(19,899)	(333,718)	(16,927)	—
321	95,513	—	—
(1,942)	(20,608)	9,520	—
(1,510)	60,388	—	—
18,051	349,986	15,083	—
—	—	75,971	—
(4,814)	(93,401)	(4,026)	—
\$ 1,614,031	\$ 18,092,867	\$ 1,592,084	—
\$ 4,713,249	\$ 32,372,648	\$ —	—
—	1,369,285	—	—
—	165,069	—	—
\$ 4,713,249	\$ 33,907,002	\$ —	—
\$ 4,704,492	\$ 93,385,103	\$ 19,811,837	—
182,646	10,534,202	—	—
\$ 4,887,138	\$ 103,919,305	\$ 19,811,837	—

City of Surprise, Arizona
 Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2023

	Custodial Fund
ASSETS	
Cash and investments	\$ 79,031
Total assets	<u>79,031</u>
LIABILITIES	
Accounts payable	<u>60,000</u>
Total liabilities	<u>60,000</u>
NET POSITION	
Restricted for:	
Individuals	<u>19,031</u>
Total net position	<u><u>\$ 19,031</u></u>

See accompanying Notes to Financial Statements

City of Surprise, Arizona
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	Custodial Fund
ADDITIONS	
Contributions:	
Employee contributions	\$ 533,037
Total contributions	<u>533,037</u>
Total additions	<u>533,037</u>
DEDUCTIONS	
Claim settlement	<u>610,012</u>
Total deductions	<u>610,012</u>
Net increase (decrease) in net position	<u>(76,975)</u>
Net Position - beginning	<u>96,006</u>
Net Position - end of the year	<u><u>\$ 19,031</u></u>

See accompanying Notes to Financial Statements



SURPRISE

ARIZONA



FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS



SURPRISE

ARIZONA



Financial Section – Notes to the Financial Statements

The Financial Section is divided into five subsections. The fifth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements, are an integral part of the financial statements and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.



SURPRISE

ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Implementation of New Accounting Principles

For the year ended June 30, 2023, the City implemented the following GASB Statements:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve the financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This pronouncement did not impact the preparation of these financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. This statement (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset — an intangible asset — and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard. Capital assets and SBITAs payable were restated by \$3,455,982 each in the Governmental Activities and \$165,069 each in the Business-Type Activities, resulting in no net effect on beginning balances reported in the financials due to the implementation of the standard.

GASB Statement No. 99, *Omnibus 2022*. This Statement establishes accounting and financial reporting requirements for specific issues related to derivative instruments, leases, public-private and public-public partnerships, subscription-based information technology arrangements (SBITAs), LIBOR usage extension, disclosures for nonmonetary transactions, pledging of revenues, government-wide financial statement focus. This pronouncement did not impact the preparation of these financial statements.

The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1960 under the provision of the Arizona Constitution. During 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected mayor, and a six-member council, and offers the following services: public safety (police, fire-medical, and court), highways and streets, sanitation, water, sewer, stormwater, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

NOTES TO THE FINANCIAL STATEMENTS

Component Units

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. A primary government is considered financially accountable for another organization when it can impose its will or have a financial benefit or burden relationship. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The following entities are blended component units of the City:

Various *Street Lighting Improvement Districts* (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

Marley Park Community Facilities District (CFD) is maintained by the City for a developing area. The CFD's board is the same as the City's council. CFD property tax rates are approved by the City's council. The CFD is reported in a special revenue fund.

For the fiscal year ended June 30, 2023, the City had no discretely presented component units. Separately issued financial statements are not prepared for any of the component units.

Related Organizations

A related organization is one for which the primary government is not financially accountable even though the primary government appoints a voting majority of the organization's governing board.

Excluded Organizations

Although there are schools located within the geographic boundaries of the City, school districts are separate from the municipalities in which they are located, with their own elected officials and taxing powers. Consequently, this report does not include the activities of the area school districts.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

NOTES TO THE FINANCIAL STATEMENTS

The government-wide statement of activities present a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position is reported as restricted when constraints placed on net position is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. General capital asset acquisitions are reported as expenditures. Issuances of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources. Major governmental funds include the following:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***General Capital Projects Fund***, a capital projects fund, accounts for revenues and expenditures relating to the acquisition of capital items.

The ***General Government Development Fee Fund****, a special revenue fund, accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

NOTES TO THE FINANCIAL STATEMENTS

The **Highway User Revenue Fund***, a special revenue fund, accounts for State shared highway user revenues consisting of state taxes collected on gasoline, vehicle registration, vehicle license tax, and a number of other additional transportation related fees and expenditures that are legally restricted to expenditures for transportation and the construction, repairs, and maintenance of public works and streets.

The **Transportation Improvement Fund***, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures for existing roadway corridor improvements and the related costs of the construction of new roadways.

The **Debt Service Fund**, a debt service fund, accounts for revenues and expenditures that are legally restricted for the payment of principal, interest, and associated costs of long-term debt of the City.

Proprietary and Fiduciary Funds

All proprietary and custodial funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Major proprietary funds include the following:

The **Water Fund** accounts for the provision of the water treatment and distribution to residential and commercial customers of the City.

The **Sewer Fund** accounts for sanitary sewer services provided to the residential and commercial customers of the City.

The **Sanitation Fund*** accounts for trash collection services provided to the residential and some commercial customers of the City.

The **Stormwater Fund*** accounts for stormwater management services provided to the residential and commercial customers of the City.

* These funds have not met the criterion which mandates they be reported separately as major funds. However, the City has chosen to present these funds as major funds.

In addition, the City reports the following fund types:

Internal service funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities which includes general insurance, health insurance programs, and workers' compensation.

Custodial fund (not included in government-wide statements) accounts for employee contributions to their flexible spending accounts.

NOTES TO THE FINANCIAL STATEMENTS

C. DEPOSITS AND INVESTMENTS

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

D. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements, for outstanding debt amounts and other contractual requirements.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Fund balance resulting from advances to other funds is shown as nonspendable and committed amounts.

All accounts receivable are shown net of allowance for un-collectibles when applicable.

F. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption. For the governmental funds, inventories are reported using the purchases method: expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method: inventory is recorded when it is purchased and expensed as it is used. Inventory is valued using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported using the consumption method in both government-wide and fund financial statements and are therefore recorded as prepaid items.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, intangibles (e.g. software, rights such as water rights, and right-to-use lease assets), and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Land, right-of-ways, and easements regardless of cost are capitalized. Donated (contributed) capital assets, works of art, historical treasures, and any capital assets the City may receive as part of a service concession arrangement are recorded at acquisition value.

NOTES TO THE FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation and amortization of capital assets is computed and recorded according to the straight-line method. Estimated useful lives of the various classes of depreciated and amortized capital assets are as follows:

Assets	Useful life (Years)
Buildings and improvements	20-50
Buildings and system	20-50
Improvements other than buildings	5-50
Equipment and vehicles	2-15
Intangibles	5-30
Infrastructure	5-50
Right-to-use subscription assets	2-5
Right-to-use lease assets:	
Land and land improvements	5-50
Buildings and improvements	5-50
Equipment and vehicles	2-15

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City is reasonably certain of being exercised - then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

H. DEFERRED OUTFLOWS OF RESOURCES

The City recognizes the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other post employment benefits (OPEB), and bond refunding.

I. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, Ground Ambulance Service Fund, the Employee Healthcare Fund, Worker's Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

NOTES TO THE FINANCIAL STATEMENTS

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. POSTEMPLOYMENT BENEFITS

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/ deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the General Fund, Highway User Revenue Fund, Transportation Improvement Fund, the nonmajor funds - SPD Towing Fund, Grants Fund, Ground Ambulance Service Fund, Neighborhood Revitalization Fund, Municipal Court FARE Fund, Municipal Court JCEF Fund, and the Municipal Court MFTG Fund; the Employee Healthcare Fund, Workers' Compensation Fund, and the Risk Management Fund have been used in prior years to liquidate the Pension and OPEB liabilities.

L. DEFERRED INFLOWS OF RESOURCES

The City recognizes the acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other postemployment benefits (OPEB), and lease accounting, and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

M. FUND BALANCE

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS

Committed fund balances are self-imposed limitations by the highest level of decision making authority, namely Mayor and City Council, prior to the end of the reporting period. Mayor and City Council approval is required to commit resources or to rescind the commitment through a City Council resolution. Only City Council can remove or change the constraints placed on committed fund balance through formal council resolution.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

N. MINIMUM FUND BALANCE

The minimum fund balances are not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its needs. If the necessity arises to draw down a fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to the City Council for approval.

Minimum fund balance requirements will be evaluated annually for long-term adequacy and use requirements.

The City has formally adopted a minimum fund balance policy for the following governmental funds:

The General Fund will maintain a reserve equal to two months of budgeted personnel, supplies, and services for the General Fund, Ground Ambulance Fund, and Highway User Revenue Fund. This amount will be allocated across a three-part reserve as follows:

- i. Ten percent (10%) will be dedicated to an Emergency Reserve for unexpected, large-scale expenses resulting from events where immediate, remedial action must be taken to protect the health and safety of residents, all unassigned fund balance has been exhausted, and no amount previously appropriated by the City Council is otherwise available. Any use of the Emergency Reserve must be approved by the City Manager or designee. When this occurs, the City Manager shall provide a summary report to the City Council as soon as practical on the usage of these funds and have City Council approve any necessary budget amendments. At that time, the City Manager will also present a plan to restore the Emergency Reserve within the next fiscal year following the fiscal year in which the event occurred. For the year ended June 30, 2023, this balance totaled \$4.3 million.
- ii. Sixty percent (60%) will be dedicated to an Operating Reserve for unexpected events such as failure of the state to remit revenues to the City, loss of state shared revenues, or other impairment of a significant funding source for the remainder of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

The Operating Reserve may also be used for unexpected mandates or other events that cause the City to incur unplanned expenses. The Operating Reserve allows for the continuance of critical City services due to these unanticipated events and is done so after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Operating Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan that projects to restore the Operating Reserve within two fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, the operating reserve totaled \$25.9 million.

iii. Thirty percent (30%) will be dedicated to a Stabilization Reserve to provide funding to offset reductions in revenues resulting from fluctuations in the economic cycle that cannot be otherwise absorbed by the operating budget. The reserve funds will provide time for the City to restructure its operations in a deliberate manner to ensure continuance of critical City activities and is used after all unassigned fund balance has been exhausted and no amount previously appropriated by the City Council is otherwise available. Any use of the Budget Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve within the three fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, the stabilization reserve totaled \$13.0 million.

General Capital Projects Fund - \$1.0 million

Transportation Improvement Fund - \$500,000

Tourism Fund - \$5,000

Sports & Tourism Fund - will have a minimum fund balance of \$600,000. Any excess fund balance remaining as of June 30 shall be remitted to the General Fund.

Street Light Improvement Districts Fund - SLIDs have a maximum levy limit of \$1.20 per \$100 of assessed valuation in accordance with A.R.S. 48-616. To the extent that the levy limit has not been exceeded, taxes will be levied at a rate that will approach an individual ending fund balance reserve of 5% of its budgeted annual expenses.

These minimum fund balance policies do not affect the presentation of fund balance on the face of the financial statements. The City is in compliance with its established minimum fund balance policies.

O. NET POSITION

The government-wide, proprietary and fiduciary fund financial statements present ending resources as net position. Net position is categorized to help signify their availability.

Net Investment in Capital Assets includes all capital assets of the City both depreciable and non-depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net position in this category represents infrastructure of the City and is not available to meet the City's needs.

Restricted Net Position consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net position in this category represents amounts that are not available to meet the City's needs as they have been promised for other purposes.

NOTES TO THE FINANCIAL STATEMENTS

Unrestricted Net Position represents amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net position is technically available to be spent by the City, it is important to remember that the City has established financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

P. MINIMUM NET POSITION

Minimum net position is not intended to be spent. The purpose of the minimum net position balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

The Water Fund will have a four-part reserve as follows:

- i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Water Fund. For the year ended June 30, 2023, this balance totaled \$3,480,100.
- ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2023, this balance totaled \$2,807,085.
- iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total charges for services revenue. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, this balance totaled \$1,053,900.
- iv. The City will maintain a Resource Portfolio Reserve equal to fifteen percent (15%) of the total cost of delivery and capital charges for Municipal and Industrial water plus the Phoenix Active Management Area (AMA) Underground Storage charges multiplied by the total amount of the City's Central Arizona Project (CAP) allocation. For the year ended June 30, 2023, this balance totaled \$722,500.

The Sewer Fund will have a three-part reserve as follows:

- i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Wastewater Fund. For the year ended June 30, 2023, this balance totaled \$4,148,700.
- ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2023, this balance totaled \$6,779,675.

NOTES TO THE FINANCIAL STATEMENTS

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, this balance totaled \$1,023,600.

The Sanitation Fund will have a four-part reserve as follows:

i. The City will maintain an Operating Reserve equal to the average of budgeted personnel, supplies, and services expenses over a three-month period for that year's Council Adopted Budget for the Sanitation Fund. For the year ended June 30, 2023, this balance totaled \$2,354,300.

ii. The City will maintain an Asset Reserve equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year. For the year ended June 30, 2023, this balance totaled \$258,000.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, this balance totaled \$623,400.

iv. As the Sanitation Fund has excess revenues, the City will maintain a phased Contingency Reserve equal to one-half percent (0.5%) beginning in FY2023 and increases to one percent (1%) for each subsequent year through FY2024. For the year ended June 30, 2023, this balance was \$623,400.

The Stormwater Fund will have a three-part reserve as follows:

i. The City will maintain an amount equal to the average budgeted personnel, supplies, and services expenses over a two-month period for that year's Council Adopted Budget for the Stormwater Fund. For the year ended June 30, 2023, this balance totaled \$198,200.

ii. The City will maintain an amount equal to two percent (2%) of tangible capital assets of the system as of June 30 from the previous fiscal year for repair and replacement. For the year ended June 30, 2023, this balance totaled \$182,646.

iii. The City will maintain a Rate Stabilization Reserve equal to five percent (5%) of the total revenues collected through charges for services. Monies may be withdrawn from this reserve to supplement operating revenue shortfalls caused by various economic factors which may cause either reduced revenues or an unforeseen increase in expenses. Any use of the Rate Stabilization Reserve, and associated budget amendments, must be approved by the City Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Rate Stabilization Reserve within the four fiscal years following the fiscal year in which the event occurred. For the year ended June 30, 2023, this balance totaled \$136,700.

NOTES TO THE FINANCIAL STATEMENTS

The Risk Management Fund will maintain an amount that, together with purchased insurance policies, will adequately indemnify the City. The appropriate funding level will be set at three times the maximum annual loss of \$250,000, equal to \$750,000, which will be approved by the City Council.

The Employee Healthcare Trust Fund (“Trust Fund”) will maintain an amount at a level which, together with purchased insurance policies (individual and aggregate stop loss), will adequately indemnify the City. The City has established an Adverse Times Reserve. The purpose of this reserve is to address cash flow needs caused by periods in which claim payments exceed projections. The target amount of this reserve is at least twenty-five percent (25%) of expected annual claims. If, at any time prior to the end of the fiscal year, the Trust Fund’s target reserve is met and fully funded for the entire fiscal year based on the original budget projections approved by the City Council, the Finance Director shall document such funding and, after consulting with the City Manager, may conduct an evaluation of the claims incurred by the Trust Fund year to date, and if fiscally and financially prudent based on the claims incurred, transfer from the City’s various operating funds only that portion of the employer premium necessary to cover actual claims incurred, such that the Trust Fund revenues are equal to the Trust Fund expenses, and the Trust Fund account experiences a zero change in net position. At all times the City will continue to transfer and deposit into the Trust Fund 100% of the monthly employee premiums collected.

The Workers’ Compensation Fund will maintain an amount which, together with the purchased excess insurance policy, will adequately indemnify the City. The City has established an Adverse Times Reserve of \$3,000,000. The purpose of this reserve is to maintain the regulatory required reserve. For the year ended June 30, 2023, the balance was \$3,658,540.

The City is in compliance with its established minimum net position policies.

Q. PROPERTY TAX

An annual primary tax levy is limited to an increase of two percent over the previous year’s maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year (Section 42-301, Arizona Revised Statutes). The two percent increase is based on the City’s “maximum allowable levy” for the prior year.

Property taxes are recognized as revenues in the year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the year-end for which they are levied, are reported as unavailable revenues.

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October, and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year, and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

R. GRANT REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

NOTES TO THE FINANCIAL STATEMENTS

S. INTEREST REVENUE

Investment revenue is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment revenue is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

T. INTERFUND TRANSACTIONS

Interfund services provided or used are presented as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

U. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

V. LEASES / SBITAs

Leases - As lessee, the City recognizes lease liabilities with an initial, individual value of \$10,000 or more. The City does not have an incremental borrowing rate or any current debt instruments representing leasing arrangements as a basis for calculating such a rate. Therefore, the City uses discounted lease rates of comparable governmental entities in similar leasing arrangements to measure lease liabilities unless it can readily determine the interest rate implicit in the lease.

As lessor, the City recognizes receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses discounted lease rates of comparable governmental entities in similar leasing arrangements to measure lease receivables.

Subscription-based information technology arrangements - The City recognizes subscription liabilities with an initial, individual value of \$50,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

NOTE 2 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits were \$155,438,087 and the bank balance was \$157,117,466. At year end, \$1,250,000 of the City's deposits were covered by federal depository insurance. Of the remaining bank balance not covered by federal depository insurance, \$154,500,716 was covered by the pledging financial institution's trust department or agent, but not in the City's name and \$1,366,750 was uninsured and is not collateralized.

NOTES TO THE FINANCIAL STATEMENTS

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2023, follows:

Cash in bank	\$ 157,117,466
<i>Reconciling items:</i>	
Outstanding checks	(2,174,646)
Deposits in transit	493,652
Other	1,615
	<u>\$ 155,438,087</u>
Less:	
Custodial Fund	\$ 79,031
Total City deposits	<u>\$ 155,359,056</u>

The City's investments consisted of the following as of June 30, 2023:

Investment Type	Total Fair Value	Less than 1 year	1-2 years	2-3 years	3+ years
U. S. government securities	\$172,971,162	\$ 79,053,916	\$ 34,690,075	\$ 23,549,496	\$ 35,677,675
Government sponsored entity debt	2,123,314	—	2,123,314	—	—
Corporate bonds	8,398,922	—	—	4,321,562	4,077,360
Money market mutual funds	3,888,652	3,888,652	—	—	—
Local government investment pool	102,612,847	102,612,847	—	—	—
	<u>\$289,994,897</u>	<u>\$185,555,415</u>	<u>\$ 36,813,389</u>	<u>\$ 27,871,058</u>	<u>\$ 39,755,035</u>

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

Total cash and investments for the City as of June 30, 2023, are as follows:

City's deposits	\$ 155,438,087
Cash on hand	3,900
City's investments	289,994,897
Cash held by trustee	1,302,001
Total	<u>\$ 446,738,885</u>

Interest Rate Risk. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. The City's investments in securities included \$2,123,314 of government sponsored entity debt. At June 30, 2023, these investments were rated by Standard and Poor's at AA+, the money market mutual funds were rated at AAAm, the corporate bonds were rated at A/A2 or better, and the Local Government Investment Pool was rated at AA Af. The City's formal investment policy limits investment choices to the following:

- (1) Certificates of deposit in eligible depositories that must be insured or fully collateralized;
- (2) Interest bearing savings accounts in banks and savings and loan institutions doing business in the State of Arizona whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under Arizona Revised Statute 35-323 (A);
- (3) The pooled investment funds established by the State Treasurer pursuant to Arizona Revised Statute 35-326;
- (4) Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities;
- (5) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635;
- (6) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated "A" or the equivalent by a nationally recognized statistical rating organization; and
- (7) Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated "A" or the equivalent by a nationally recognized statistical rating organization.
- (8) Commercial paper of prime quality.
- (9) Bonds, debentures, notes or other evidences of indebtedness.

Custodial Credit Risk – Investments. All of the City's security investments are held in the City's name. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City's investment policy places a limit on certain investment choices as follows:

- (1) Certificates of deposits have a 50% sector limit;
- (2) Bonds or other evidence of indebtedness of the State of Arizona or any of its counties, incorporated cities, towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic funds transfers that bear interest pursuant to section Arizona Revised Statute 11-635 have a 25% sector limit and a 5% issuer limit;
- (3) Bonds, notes, evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district within the State of Arizona that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations that are rated "A" or the equivalent by a nationally recognized statistical rating organization have a 25% sector limit and a 5% issuer limit;

NOTES TO THE FINANCIAL STATEMENTS

- (4) Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district in the State of Arizona to finance local improvements authorized by law that are rated “A” or the equivalent by a nationally recognized statistical rating organization have a 25% sector limit and a 5% issuer limit. All other eligible investment choices do not have a concentration limit placed on them by the City’s investment policy.
- (5) Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency, must be issued by corporations organized and doing business in the United States and are subject to a 10% sector limit and a 2% issuer limit.
- (6) Bonds, debentures, notes or other evidences of indebtedness are denominated in United States dollars and carry at a minimum an “A/A2” or better rating, at the time of purchase, from at least two nationally recognized rating agencies and are subject to a 10% sector limit and a 2% issuer limit.

The City’s current investments are in U.S. government securities, government sponsored entity debt, corporate bonds, money market mutual funds and the local governmental investment pool which policy does not constrain.

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, or inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

NOTES TO THE FINANCIAL STATEMENTS

Investments are measured as follows:

	Disclosure of Fair Value Inputs		
	Total	Level 1	Level 2
Investments by Fair Value Level:			
U. S. Treasury Notes	\$ 172,971,162	\$ 172,971,162	\$ —
Federal Agency	2,123,314	—	2,123,314
Corporate bonds	8,398,922	—	8,398,922
Total investments by fair value level	<u>\$ 183,493,398</u>	<u>\$ 172,971,162</u>	<u>\$ 10,522,236</u>
External Investment Pool Measured at Fair Value:			
LGIP	102,612,847		
Total investments measured at fair value	<u>\$ 286,106,245</u>		
Investments Measured at Amortized Cost:			
Money market funds	3,888,652		
Total investments	<u><u>\$ 289,994,897</u></u>		

Cash Reconciliation to Financial Statements

The following reconciliations are provided to reconcile cash to the government-wide and fund financial statements:

Government-wide Financial Statements

Total cash and investments	\$ 431,699,795
Total restricted cash and investments	14,960,059
Subtotal	<u>446,659,854</u>
Government-wide total cash and investments	446,659,854
Plus: Custodial Fund cash and cash equivalents	79,031
Total	<u><u>\$ 446,738,885</u></u>

Fund Financial Statements

<i>Governmental Funds</i>	
Cash and investments	\$ 318,502,855
Restricted cash and cash equivalents	4,425,857
<i>Enterprise Funds</i>	
Cash and investments	93,385,103
Restricted cash and cash equivalents	10,534,202
<i>Internal Service Fund</i>	
Cash and investments	19,811,837
<i>Custodial Fund</i>	
Cash and cash equivalents	79,031
Total	<u><u>\$ 446,738,885</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

The intergovernmental receivable of \$2,288,665, as reported in the statement of net position is made up of \$867,057 in State shared sales tax, \$324,604 in State shared in-lieu auto tax, and \$1,097,004 in highway user tax.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned.

The amounts reported in the governmental funds for the year ended June 30, 2023, are as follows:

ACFR Fund Name	Unearned	Unavailable
General Fund	\$ 965,198	\$ 215,622
Highway User Revenue Fund	2,000	—
Debt Service Fund	—	39,296
Nonmajor Governmental Funds	5,881,310	734,348
	<u>\$ 6,848,508</u>	<u>\$ 989,266</u>

Proprietary funds also report unearned revenue in connection with resources that have been received, but not yet earned.

The amounts reported in the proprietary funds for the year ended June 30, 2023, are as follows:

ACFR Fund Name	Unearned
Sewer	\$ 373,272
Sanitation	84,246
Stormwater	40,630
	<u>\$ 498,148</u>

Lease receivables—The City leases land, buildings and building improvements to third parties under the provisions of various lease agreements. One of the buildings is a sublease to the third party. During the fiscal year ended June 30, 2023, the City recognized total lease-related revenues of \$831,933. This includes \$10,000 of other payments not previously included in the lease receivable.

Housing rehabilitation loan program - The City has entered into several Housing Rehabilitation Agreements utilizing Community Development Block Grant funds. These deferred loans are due upon the sale, transfer or foreclosure of the property. Due to the contingent nature of the repayment of these loans, there is an allowance recorded at 100% of the outstanding balance. The balance of the rehabilitation loans at June 30, 2023, is \$511,883.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Primary Government				
	Balance July 1, 2022 (restated)	Increases	Decreases	Transfers	Balance June 30, 2023
Governmental activities:					
Not being depreciated:					
Land and land improvements	\$ 194,458,996	\$ 41,172,985	\$ (31,292)	\$ —	\$ 235,600,689
Parks	8,607,783	—	—	—	8,607,783
Construction in progress	5,731,655	28,501,666	—	(26,419,510)	7,813,811
Total not being depreciated	208,798,434	69,674,651	(31,292)	(26,419,510)	252,022,283
Other capital assets:					
Buildings and improvements	247,323,370	939,074	(9,843)	5,567,631	253,820,232
Improvements other than buildings	35,088,661	368,834	—	13,214,839	48,672,334
Equipment and vehicles	64,724,424	3,915,744	(1,541,141)	575,407	67,674,434
Intangibles	11,815,859	—	—	—	11,815,859
Infrastructure	503,304,563	45,416,490	(1,847,193)	7,061,633	553,935,493
Right-to-use subscription assets	3,455,982	131,207	—	—	3,587,189
Right-to-use lease assets:					
Land and land improvements	11,380	—	—	—	11,380
Buildings and improvements	6,074,335	786,581	—	—	6,860,916
Equipment and vehicles	10,041	8,873	(18,914)	—	—
Total other capital assets	871,808,615	51,566,803	(3,417,091)	26,419,510	946,377,837
Total assets before depreciation/ amortization	1,080,607,049	121,241,454	(3,448,383)	—	1,198,400,120
Accumulated depreciation/amortization					
Building and improvements	(102,254,264)	(8,420,068)	8,859	—	(110,665,473)
Improvements other than buildings	(13,538,691)	(2,515,290)	—	—	(16,053,981)
Equipment and vehicles	(41,499,307)	(5,438,885)	1,381,922	—	(45,556,270)
Intangibles	(7,060,377)	(1,190,236)	—	—	(8,250,613)
Infrastructure	(276,769,677)	(16,720,839)	738,877	—	(292,751,639)
Right-to-use subscription assets	—	(1,026,250)	—	—	(1,026,250)
Right-to-use lease assets:					
Land and land improvements	(2,845)	(2,845)	—	—	(5,690)
Buildings and improvements	(371,136)	(782,867)	—	—	(1,154,003)
Equipment and vehicles	(8,607)	(1,434)	10,041	—	—
Total accumulated depreciation/ amortization	(441,504,904)	(36,098,714)	2,139,699	—	(475,463,919)
Net capital assets - governmental activities	\$ 639,102,145	\$ 85,142,740	\$ (1,308,684)	\$ —	\$ 722,936,201

Depreciation/amortization was charged by function as follows:

General government	\$ 2,979,568
Public safety	4,533,208
Public works and streets	21,060,501
Community development	54,625
Culture and recreation	7,470,812
Total governmental activities depreciation/ amortization expense	\$ 36,098,714

NOTES TO THE FINANCIAL STATEMENTS

	Primary Government				Balance June 30, 2023
	Balance July 1, 2022 (restated)	Increases	Decreases	Transfers	
Business-type activities:					
Not being depreciated:					
Land	\$ 5,480,546	\$ 7,860,030	\$ —	\$ —	\$ 13,340,576
Water rights	24,990,244	3,345,250	—	—	28,335,494
Construction in progress	9,580,405	2,153,426	—	(930,718)	10,803,113
Total not being depreciated	40,051,195	13,358,706	—	(930,718)	52,479,183
Other capital assets:					
Buildings and system	449,128,186	24,615,013	—	930,718	474,673,917
Improvements other than buildings	10,659,919	137,784	—	—	10,797,703
Vehicles and equipment	24,809,712	4,206,155	(37,964)	—	28,977,903
Intangibles	551,092	—	—	—	551,092
Right-to-use subscription assets	165,069	—	—	—	165,069
Total other capital assets	485,313,978	28,958,952	(37,964)	930,718	515,165,684
Total assets before depreciation/ amortization	525,365,173	42,317,658	(37,964)	—	567,644,867
Accumulated depreciation/amortization:					
Buildings and system	(153,174,195)	(13,063,298)	—	—	(166,237,493)
Improvements other than buildings	(1,586,903)	(399,295)	—	—	(1,986,198)
Vehicles and equipment	(12,729,063)	(2,810,533)	37,964	—	(15,501,632)
Intangibles	(532,089)	(2,924)	—	—	(535,013)
Right-to-use subscription assets	—	(82,535)	—	—	(82,535)
Total accumulated depreciation/ amortization	(168,022,250)	(16,358,585)	37,964	—	(184,342,871)
Net capital assets business type activities	<u>\$ 357,342,923</u>	<u>\$ 25,959,073</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 383,301,996</u>

Depreciation/amortization was charged by function as follows:

Water	\$ 4,412,620
Sewer	10,144,409
Sanitation	1,392,162
Stormwater	409,394
Total depreciation expense	<u>\$ 16,358,585</u>

NOTE 5 - DEVELOPER AGREEMENTS

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a designated period of time, the City pays the developers for the infrastructure with collections of impact fees and other specified revenues, up to the maximum amount per agreement. Commitments to reimburse developers under these agreements are not currently recognized until the requirements of the agreements are met. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

NOTES TO THE FINANCIAL STATEMENTS

Development agreements related to water system infrastructure will be reimbursed using water system impact fees. Total water system infrastructure value conveyed is \$25,629,990. Depending on the terms of the specific agreement, this value is eligible for reimbursement during the next ten years. Once an agreement expires, water system fees are no longer eligible for developer reimbursement. As of June 30, 2023, \$19,508,717 had expired or been reimbursed, leaving a potential remaining balance of \$6,121,273.

Development agreement reimbursements related to wastewater system infrastructure will be calculated based on specified sales tax revenues. The total net value reimbursable for wastewater system infrastructure is \$15,450,485. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-seven years. Once the agreements expire, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2023, \$451,520 had expired or been reimbursed, leaving a potential remaining balance of \$14,998,965.

Infrastructure installed in connection with development agreements related to transportation will be reimbursed using a portion of sales tax collections as prescribed in the agreements. The total net reimbursable value for this infrastructure is \$72,190,319 at June 30, 2023. Depending on the terms of the specific agreements, this value is eligible for reimbursement over the next twenty-seven years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2023, \$3,954,189 had expired or been reimbursed, leaving a potential remaining balance of \$68,236,130.

Development agreements related to park infrastructure will be reimbursed using park impact fees. Total park infrastructure value conveyed is \$4,777,882. Depending on the terms of the specific agreement, this value is eligible for reimbursement through November 2030. Once an agreement expires, park impact fees are no longer eligible for developer reimbursement. As of June 30, 2023, the City has reimbursed \$1,088,989 leaving a potential balance remaining of \$3,688,893.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City. The total cost to be incurred under these agreements is currently indeterminable.

Tax Abatements - The City of Surprise participates in two tax abatement programs, foreign trade zones and a sales tax incentive program.

Foreign Trade Zones - The City of Surprise provides property tax abatements in any area of the City deemed to be foreign trade zone in accordance with Section 44-6501, Arizona Revised Statutes. The State of Arizona, any county, city or town within the state or a public or private corporation or any combination thereof can apply to the foreign trade zones board, United States Department of Commerce, for the right to establish, operate and maintain a foreign trade zone and subzones. For tax purposes, property in foreign trade zones is classified as class six property in accordance with Section 42-12006, Arizona Revised Statutes. The change in tax classification is administered by the County who levies and collects property taxes on the City's behalf. The property would otherwise be class one property. Class six foreign trade zones have a property tax assessment ratio of six percent compared to class one properties which have an assessment ratio of 18 percent. For fiscal year 2023, \$32,554 of property taxes were abated by this program.

Sales Tax Incentive Program - The City of Surprise administers a sales tax (transaction privilege tax) incentive program in accordance with Ariz. Rev. Stat. § 42-6010. The City has entered into agreements with specific businesses to return a portion of the sales tax generated by the business and paid to the Arizona State Department of Revenue. The City will return up to 50% of the sales tax generated by the business. The amount of taxes paid and returned is determined by the City's review of the monthly reports received from the Arizona State Department of Revenue. The exact amount of taxes abated during fiscal year 2023 cannot be disclosed in accordance with Ariz. Rev. Stat. § 42-2002.

NOTES TO THE FINANCIAL STATEMENTS

The City has entered into a development agreement to reimburse developers for the construction of public infrastructure that will benefit the community. These reimbursements are paid over time from collections within a defined area. For the fiscal year ended June 30, 2023, the city reimbursed \$10,079,135.

NOTE 6 – SIGNIFICANT COMMITMENTS

The City of Surprise has active construction projects as of June 30, 2023. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Funding Source
163rd Ave (Happy Valley - W Desert M)	\$ 76,755	\$ 180,185	In Lieu Developer Revenue
163rd Ave/Jomax Rd Intersection Ph2	130,886	5,614	In Lieu Developer Revenue
164th Ave (Grand-Happy Valley)	102,210	498,327	In Lieu Developer Revenue
Animal Control Kennels	167,130	3,139	General Capital Projects Fund
Cactus Rd (Cotton-Reems)	751,937	931,634	In Lieu Developer Revenue
Cactus Road (Litchfield-RR Track)	114,796	103,990	General Capital Projects Fund
Cactus Road (Litchfield-RR Track)	36,380	1,103	Sewer Utility Capital
Camino Permit Intake Platform	434,786	75,711	General Capital Projects Fund
Circle City Water Acquisition	1,271,650	85,509	Water Utility Capital
City Hall Access and Video	117,099	26,863	General Capital Projects Fund
Community Pool	961,452	2,038,547	Program Fees Revenue
Desert Oasis Facility Security	149,654	451,828	Water Utility Capital
Fire Station #9 Improvements	197,675	1,043,967	General Capital Projects Fund
Regional Communication Tower #1	1,618,156	290,768	General Capital Projects Fund
Improv - Regional Communication Tower #1	205,279	35,895	Sewer Utility Capital
Improv - Regional Communication Tower #1	205,525	35,895	Water Utility Capital
Isilon Expansion	394,219	256,653	General Capital Projects Fund
Multigenerational Community Center	545,288	3,162,741	Human Svcs & Comm Vitality CIP
Plant Capacity Increase / Enhancement	1,643,039	195,419	Sewer Utility Capital
Rancho Mercado Well No. 2	127,509	53,811	Wtr Res Dev Fee 2020
SCADA Integration/Enhancement	306,546	20,539	Sewer Utility Capital
SCADA Integration/Enhancement	31,117	4,261	Water Utility Capital
Security Measures	130,835	87	General Capital Projects Fund
South Plant Ops Bldg Remodel	2,570,002	25,846	Sewer Utility Capital
South Plant Ops Bldg Remodel	1,459,029	22,059	Water Utility Capital
SPA1 Recharge Expansion	1,108,548	247,827	Sewer Utility Capital
Traffic Signal - Bell Rd & Bell Pointe Blvd	24,650	3,699	In Lieu Developer Revenue
Traffic Signal - Waddell & 140th Dr	360,719	127,901	In Lieu Developer Revenue
	<u>\$ 15,242,871</u>	<u>\$ 9,929,818</u>	

The City had contractual commitments related to subscription-based information technology arrangements for which the subscription term had not yet commenced at June 30, 2023, for library software. At June 30, 2023, the City had made payments of \$26,250 to the vendors and had remaining contractual commitments with vendors of \$141,099, including the subscription liabilities that will be recognized at the commencement of the subscription terms.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT & OTHER PAYABLES

PLEDGED REVENUE OBLIGATIONS

Series 2015 Pledged Revenue Obligations

In 2015, the City of Surprise issued Pledged Revenue Obligations and Pledged Revenue Refunding Obligations secured by a pledge on excise tax revenues and state shared revenues. A portion of the issuance was for the purpose of refunding the former MPC Series 2003 Bonds, and the remainder was for the construction of stadium improvements.

The issuance requires excise tax and state shared revenues to be maintained at a minimum of 3.0 times the combined debt service requirement payable. The debt service coverage ratio at June 30, 2023, (revenues to debt service payable) is 51.6.

The Pledged Revenue Obligations, Series 2015, were issued in the amount of \$17,385,000, and have an outstanding principal balance at June 30, 2023, of \$9,510,000. Proceeds of these obligations are designated for the construction of stadium improvements. The obligations are payable solely from pledged revenues and are payable through 2030. Principal and interest payments and pledged revenues for the current year were \$1,585,000 and \$218,499,888, respectively. Next year's principal and interest payments of \$1,584,050 constitute approximately 0.7% of the current year pledged revenue.

The Pledged Revenue Refunding Obligations, Series 2015, were issued in the amount of \$19,280,000 and have an outstanding principal balance at June 30, 2023, of \$2,525,002. The proceeds of these obligations were used to refund (extinguish the debt) of the former MPC Series 2003 Bonds and pay costs of issuance. The refunding obligations are payable solely from pledged revenue and mature in 2024. Principal and interest payable and pledged revenues for the current year were \$2,651,500 and \$218,499,888, respectively. Next year's principal and interest payments totaling \$2,651,251 constitute approximately 1.2% of current year pledged revenue.

Series 2018 Senior Lien Utility System Revenue Refunding Obligations

In August 2018, the City of Surprise issued Senior Lien Utility System Revenue Refunding Obligations, Series 2018, secured by a pledge of revenues of the system, which are revenues (including any unrestricted fund balances of the System) remaining after deducting operation expenses. A portion of the proceeds of the obligations, together with other legally available funds of the City, were placed in a trust fund which fully defeased the City of Surprise Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Revenue Bonds, Series 2007, on October 1, 2018.

The Senior Lien Utility System Revenue Refunding Obligations, Series 2018, were issued in the amount of \$25,255,000, and have an outstanding principal balance at June 30, 2023, of \$20,185,000. The refunding obligations have interest rates that range between 4%-5%, are payable solely from pledged revenue, and mature in 2036. Principal and interest payable and pledged revenues for the current year were \$2,148,500 and \$19,771,473, respectively. Current year pledged revenue equals approximately 920 percent of next year's principal and interest payments, which total \$2,149,250.

The issuance requires pledged revenues to be at least 175 percent of the Parity Lien Test Debt Service. Parity Lien Test Debt Service is the highest aggregate Principal Requirement and Interest Requirement of all Series 2018 Senior Lien Utility System obligations and additional Utility System obligations then outstanding, to fall due and payable in the current or any future Bond Year. At June 30, 2023, the Parity Lien Test Debt Service is \$2,951,253 and pledged revenues are \$19,771,473. The current year ratio is 670 percent of the Parity Lien Test Debt Service.

NOTES TO THE FINANCIAL STATEMENTS

The issuance also requires the City to establish and maintain rates, fees, and charges for all services supplied by the System, to provide Pledged Revenues fully sufficient to produce pledged revenue in each fiscal year equal to at least 125 percent of the Principal Requirement and Interest Requirement on all Series 2018 Senior Lien Utility System Obligations and Additional Utility Obligations then outstanding for the corresponding Bond Year. At June 30, 2023, pledged revenue equals 670 percent of that Principal Requirement and Interest Requirement.

Water Infrastructure Finance Authority of Arizona Loan

On May 23, 2023, the City executed a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) in which WIFA would reimburse costs incurred by the City for funding wastewater capital improvement projects for an amount not to exceed \$34,980,000. The loan is secured by system net revenues and provides for semiannual payments of principal and interest, payable from system revenues, for a term of 20 years, at a combined interest and fee rate percentage of 2.805%, with maturity at July 1, 2043. The loan carries a forgivable amount of \$1,000,000 upon qualification. During the year ended June 30, 2023, the City incurred \$85,000 of expenses that were reimbursed in September 2023, however no reimbursements had been received under this loan agreement as of June 30, 2023.

GENERAL OBLIGATIONS

The City of Surprise has two issues of General Obligation Bonds, secured by secondary property taxes, which are currently outstanding. The Bonds are issued pursuant to the Arizona Constitution and laws of the State of Arizona, including particularly Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and a vote of the qualified electors of the City at an election held on November 7, 2017 (the "Election"), and a resolution authorizing issuance of the Bonds adopted by the Mayor and Council of the City on April 3, 2018 (the "Bond Resolution"). The Bonds were issued for the purpose of paying for certain facilities improvements including a Fire Station, an Evidence and Readiness Center, a Public Works Operations Facility, and road projects including improvements to Greenway, Litchfield, and Waddell Roads, and the costs of issuance of the Bonds.

Series 2018 of the General Obligation Bonds were issued in May 2018 in the amount of \$37,730,000. These bonds have coupon rates ranging from 3%-5% with final maturity occurring in 2038, and a principal balance at June 30, 2023, of \$28,550,000.

The Series 2020 General Obligation Bonds were issued in September 2020 in the amount of \$17,460,000, and represent the second and last installment of general obligation bonds approved at the Election. The Bonds carry interest rates ranging from 2% to 4%, have a final maturity in 2038, and have a remaining principal balance at June 30, 2023, of \$11,065,000.

COMMUNITY FACILITIES DISTRICT BONDS AND NOTES

Community Facilities District (CFD) Bonds and Notes are special purpose government entity debt which the City Council and District Board may issue under Arizona law to (among other things) acquire and improve public infrastructure.

In October 2016, Marley Park Community Facilities District defeased certain general obligation bonds related to the Series 2006, 2007 and 2008 Bonds through a new issuance of Marley Park Series 2016 general obligation bonds. The new bonds were issued in the original amount of \$11,365,000 of which \$4,800,000 was new issuance and \$6,565,000 was in refunding obligations for the purpose of accomplishing the aforementioned defeasance.

NOTES TO THE FINANCIAL STATEMENTS

In October 2017, Marley Park Community Facilities District directly borrowed \$3,000,000 through new general obligation notes. These new note funds were used for the cost of issuance as well as the acquisition of infrastructure. These notes have an interest rate of 2.690% with final maturity occurring in 2032. The notes contain a gross up provision in the event they become taxable due to actions or omissions of the District. In such a case the taxable rate would be 4.14% and would be effective as of the date of a final determination of the Internal Revenue Service or a court of competent jurisdiction, or an opinion of a nationally recognized bond counsel selected by the lender.

In October 2019, Marley Park Community Facilities District issued \$8,470,000 in new general obligation bonds. The proceeds were used for the cost of issuance as well as the acquisition of capital assets. The bonds carry interest rates from 3% to 4% with final maturity occurring in 2044.

In September 2022 Marley Park Community Facilities District issued \$13,065,000 in new general obligation bonds. The proceeds were used for the cost of issuance as well as the acquisition of capital assets. The bonds carry interest rates from 4.125% to 5.0% with final maturity occurring in 2047.

At June 30, 2023, there remained \$41,955,000 in authorized but unissued debt authority. Such debt could be issued in future years, when and if qualifying infrastructure costs are incurred and presented for acceptance by the District. Long-term debt as of June 30, 2023, is comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

City of Surprise General and Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Obligation (issued June 23, 2015) due in annual installments of \$1,025,000 to \$1,505,000 through July 1, 2030; interest at 3 percent to 5 percent. Original issue amount \$17,385,000	\$ 9,510,000
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$2,185,000 to \$2,525,000 through July 1, 2024; interest at 3 percent to 5 percent. Original issue amount \$19,280,000. 69.75 percent of this issue pertains to governmental activities	1,761,189
Total 2015 Pledged Revenue Obligation	11,271,189
2015, Pledged Revenue Revenue Obligations, Issuance Premium	993,721
2018, General Obligation Bonds, (issued May 9, 2018) due in annual installments of \$1,205,000 to \$2,400,000 through July 1, 2038; interest at 3 percent to 5 percent. Original issue amount of \$37,730,000	28,550,000
2018, General Obligation Bonds, Issuance Premium.	1,693,125
2020, General Obligation Bonds, (issued September 30, 2020) due in annual installments of \$260,000 to \$3,010,000 through July 1, 2028; interest at 2 percent to 4 percent. Original issue amount of \$17,460,000	11,065,000
2020, General Obligation Bonds, Issuance Premium	1,280,493
Total General and Revenue Obligations	<u>\$ 54,853,528</u>

NOTES TO THE FINANCIAL STATEMENTS

Community Facilities District General Obligation Bonds and Notes	Long-Term Debt Outstanding
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, due in annual installments of \$385,000 to \$665,000 through July 15, 2041; interest from 2 to 4%. Original issue amount \$11,365,000 of which \$4,800,000 was new issuance and \$6,565,000 was refunding obligations	\$ 9,545,000
2016 Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds, Issuance Premium	184,687
2017 Marley Park Community Facilities District General Obligation Notes, directly placed borrowing, due in annual installments of \$185,000 to \$245,000 through July 15, 2032; interest at 2.690%. Original issue amount \$3,000,000	2,005,000
2019 Marley Park Community Facilities District General Obligation Bonds, due in annual installments of \$50,000 to \$1,260,000 through July 15, 2044; interest from 3% to 4%. Original issue amount \$8,470,000	8,145,000
2019 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	34,518
2022 Marley Park Community Facilities General Obligation Bonds, due in annual installments of \$40,000 to \$2,025,000 through May 15, 2047; interest from 4.125% to 5%. Original issue of \$13,065,000.	13,065,000
2022 Marley Park Community Facilities District General Obligation Bonds, Issuance Premium	26,449
Total Community Facilities Districts General Obligation Bonds and Notes Outstanding	33,005,654
Total Bonds and Notes Payable Recorded in Governmental Activities	<u>\$ 87,859,182</u>

Classified in Business-type Activities on the Government-wide Financial Statements:

Revenue Obligations	Long-Term Debt Outstanding
2015, Pledged Revenue Refunding Obligation (issued June 23, 2015) due in annual installments of \$2,185,000 to \$2,525,000 through July 1, 2024; interest at 3% to 5%. Original issue amount \$19,280,000. 30.25% of this issue pertains to business-type activities	\$ 763,813
2015, Pledged Revenue Refunding Obligation, Issuance Premium	78,152
2018, Senior Lien Utility System Revenue Refunding Obligations (issued August 7, 2018) due in installments of \$985,000 to \$2,045,000 through July 1, 2036; interest from 4% to 5%. Original issue amount \$25,255,000	20,185,000
2018, Senior Lien Utility System Revenue Refunding Obligations, Issuance Premium	3,008,870
Total Bonds Payable Recorded in Business-type Activities	24,035,835
Total Long-Term Bonds Payable	<u>\$ 111,895,017</u>

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2023:

	Balance July 1, 2022 (restated)	Additions	Reductions	Balance June 30, 2023	Due within 1 Year
Governmental activities					
Bonds and notes payable:					
City of Surprise, Series 2015 Pledged revenue obligations \$28,701,375 (\$36,665,000 issued)	\$ 14,083,677	\$ —	\$ (2,812,488)	\$ 11,271,189	\$ 2,951,189
City of Surprise, Series 2018 General obligations \$37,730,000	29,880,000	—	(1,330,000)	28,550,000	1,395,000
City of Surprise, Series 2020 General obligations \$17,460,000	13,345,000	—	(2,280,000)	11,065,000	2,425,000
For issuance premium 2015	1,290,141	—	(296,420)	993,721	—
For issuance premium 2018	1,806,000	—	(112,875)	1,693,125	—
For issuance premium 2020	1,536,591	—	(256,098)	1,280,493	—
Community Facilities District					
Series 2016 Bonds \$11,365,000 issued	9,950,000	—	(405,000)	9,545,000	415,000
Series 2017 Direct Placement Note \$3,000,000 issued	2,200,000	—	(195,000)	2,005,000	200,000
Series 2019 Bonds, \$8,470,000 issued	8,200,000	—	(55,000)	8,145,000	60,000
Series 2022 Bonds, \$13,065,000 issued	—	13,065,000	—	13,065,000	40,000
For issuance premium 2016	205,620	—	(20,933)	184,687	—
For issuance premium 2019	36,162	—	(1,644)	34,518	—
For issuance premium 2022	—	27,551	(1,102)	26,449	—
Subscriptions liability	3,455,982	56,124	(903,918)	2,608,188	1,034,027
Leases payable	6,026,793	786,581	(65,578)	6,747,796	127,478
Total bonds and notes payable	92,015,966	13,935,256	(8,736,056)	97,215,166	8,647,694
Compensated absences payable	9,462,422	7,296,552	(6,335,753)	10,423,221	4,065,056
Contracts and developer payable	10,564,891	5,323,692	(4,915,231)	10,973,352	10,973,352
Claims payable	2,927,166	17,437,651	(17,361,680)	3,003,137	2,420,267
Total governmental activities long-term liabilities	\$ 114,970,445	\$43,993,151	\$(37,348,720)	\$ 121,614,876	\$ 26,106,369
Business-type activities					
City of Surprise, Series 2015 Pledged revenue obligations \$5,278,625 (\$36,665,000 issued)	\$ 1,491,325	\$ —	\$ (727,512)	\$ 763,813	\$ 763,813
Senior Lien Utility System Revenue Refunding Obligations, Series 2018	21,270,000	—	(1,085,000)	20,185,000	1,140,000
For issuance premium 2015	156,305	—	(78,153)	78,152	—
For issuance premium 2018	3,240,321	—	(231,451)	3,008,870	—
Subscriptions liability	165,069	—	(81,963)	83,106	83,106
Total bonds payable	26,323,020	—	(2,204,079)	24,118,941	1,986,919
Compensated absences payable	1,198,542	812,039	(751,651)	1,258,930	490,983
Contracts and developer payable	2,569,813	590,646	(2,301,509)	858,950	858,950
Total business-type activities long-term liabilities	\$ 30,091,375	\$ 1,402,685	\$ (5,257,239)	\$ 26,236,821	\$ 3,336,852

NOTES TO THE FINANCIAL STATEMENTS

The City's outstanding bonds had the following ratings:

Description	Fitch Rating	Standard & Poor's Rating
City of Surprise, Arizona, Pledged Revenue and Revenue Refunding Obligations SERIES 2015	AAA	AA+
City of Surprise, Arizona, General Obligation Bonds SERIES 2018	Not rated	AA
City of Surprise, Arizona, General Obligation Bonds SERIES 2020	Not rated	AA
City of Surprise, Arizona, Senior Lien Utility System Revenue Refunding Obligations SERIES 2018	Not rated	AA+
Marley Park Community Facilities District General Obligation Bonds SERIES 2019*	Not rated	AA
Marley Park Community Facilities District General Obligation Bonds SERIES 2017	Not rated	Not rated
Marley Park Community Facilities District General Obligation and General Obligation Refunding Bonds SERIES 2016*	Not rated	AA

* Insured by Building America Mutual

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2023. Deferred amounts are not included:

Year Ended June 30	Governmental Activities					
	Refunding/Stadium Imp 2015		GO Bonds 2018		GO Bonds 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,951,189	\$ 482,109	\$ 1,395,000	\$ 1,082,044	\$ 2,425,000	\$ 394,100
2025	1,250,000	334,550	1,465,000	1,012,294	2,580,000	345,600
2026	1,310,000	272,050	1,540,000	939,044	2,790,000	242,400
2027	1,375,000	206,550	1,620,000	862,044	3,010,000	130,800
2028	1,420,000	165,300	1,700,000	781,044	260,000	10,400
2029-2033	2,965,000	197,950	9,580,000	2,815,320	—	—
2034-2038	—	—	11,250,000	1,152,819	—	—
Total	<u>\$ 11,271,189</u>	<u>\$ 1,658,509</u>	<u>\$ 28,550,000</u>	<u>\$ 8,644,609</u>	<u>\$ 11,065,000</u>	<u>\$ 1,123,300</u>

Year Ended June 30	Governmental Activities					
	Marley Park CFD 2016		Marley Park CFD 2017 Direct Placement		Marley Park CFD 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 415,000	\$ 316,987	\$ 200,000	\$ 53,934	\$ 60,000	\$ 253,900
2025	425,000	304,538	205,000	48,555	65,000	252,100
2026	435,000	296,037	210,000	43,040	65,000	250,150
2027	445,000	286,250	215,000	37,391	70,000	248,200
2028	460,000	275,681	225,000	31,608	60,000	246,100
2029-2033	2,565,000	1,089,606	950,000	64,560	640,000	730,289
2034-2038	2,860,000	581,713	—	—	2,090,000	960,300
2039-2043	1,940,000	122,344	—	—	3,835,000	601,800
2044-2047	—	—	—	—	1,260,000	37,800
Total	<u>\$ 9,545,000</u>	<u>\$ 3,273,156</u>	<u>\$ 2,005,000</u>	<u>\$ 279,088</u>	<u>\$ 8,145,000</u>	<u>\$ 3,580,639</u>

Year Ended June 30	Marley Park CFD 2022		Governmental Activities	
	Total		Total	
	Principal	Interest	Principal	Interest
2024	\$ 40,000	\$ 583,288	\$ 7,486,189	\$ 3,166,362
2025	130,000	581,287	6,120,000	2,878,924
2026	240,000	574,788	6,590,000	2,617,509
2027	245,000	562,787	6,980,000	2,334,022
2028	265,000	550,537	4,390,000	2,060,670
2029-2033	1,515,000	2,542,187	18,215,000	7,439,912
2034-2038	1,920,000	2,143,638	18,120,000	4,838,470
2039-2043	2,355,000	1,701,681	8,130,000	2,425,825
2044-2047	6,355,000	794,719	7,615,000	832,519
Total	<u>\$ 13,065,000</u>	<u>\$ 10,034,912</u>	<u>\$ 83,646,189</u>	<u>\$ 28,594,213</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30	Business-Type Activities					
	Refunding/Stadium Imp 2015		Sr. Lien Utility System Revenue Refunding 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 763,813	\$ 38,190	\$ 1,140,000	\$ 1,009,250	\$ 1,903,813	\$ 1,047,440
2025	—	—	1,195,000	952,250	1,195,000	952,250
2026	—	—	1,255,000	892,500	1,255,000	892,500
2027	—	—	1,320,000	829,750	1,320,000	829,750
2028	—	—	1,385,000	763,750	1,385,000	763,750
2029-2033	—	—	8,040,000	2,708,000	8,040,000	2,708,000
2034-2036	—	—	5,850,000	594,500	5,850,000	594,500
Total	<u>\$ 763,813</u>	<u>\$ 38,190</u>	<u>\$ 20,185,000</u>	<u>\$ 7,750,000</u>	<u>\$ 20,948,813</u>	<u>\$ 7,788,190</u>

Contracts Payable

General Government Activities

A balance of \$10,973,352 is owed based on improvements and deposits paid toward improvements made by developers per development agreements for various infrastructure items the City will own, and amounts owed to contractors for the retainage of on-going projects.

Business Type Activities

A balance of \$858,950 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net assessed full cash value of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net assessed full cash value of the taxable property of the city. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2023:

20% Limitation		6% Limitation	
20% Constitutional Limit	\$ 398,129,171	6% Constitutional Limit	\$ 119,438,751
Less General Obligation 20% Bonds Outstanding	(39,615,000)	Less General Obligation 6% Bonds Outstanding	—
Reduction for Excess Premium	(2,973,618)	Reduction for Excess Premium	—
Available 20% Limitation Borrowing Capacity	<u>\$ 355,540,553</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 119,438,751</u>

NOTES TO THE FINANCIAL STATEMENTS

LEASES

The City has obtained the right to use land and buildings, such as a church, a social hall, a residential facility and nearby university facilities, under the provisions of various lease agreements. The City subleases the church building to a third party.

The total amount of lease assets and related accumulated amortization, as of June 30, 2023, are as follows:

	Governmental Activities
Total intangible right-to-use lease assets	\$ 6,872,296
Less: accumulated amortization	(1,159,693)
Carrying value	<u>\$ 5,712,603</u>

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2023:

Year ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 127,478	\$ 27,837
2025	365,150	40,165
2026	1,078,404	74,014
2027	1,092,855	60,833
2028	1,107,757	47,468
2029-2033	2,461,625	88,097
2034-2037	514,527	12,818
Total	<u>\$ 6,747,796</u>	<u>\$ 351,232</u>

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The City has acquired intangible right-to-use software, under the provisions of various subscription-based information technology arrangements.

The total amount of subscription assets and related accumulated amortization, as of June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities
Total intangible right-to-use subscription	\$ 3,587,189	\$ 165,069
Less: accumulated amortization	(1,026,250)	(82,535)
Carrying value	<u>\$ 2,560,939</u>	<u>\$ 82,534</u>

NOTES TO THE FINANCIAL STATEMENTS

The following schedule details minimum subscription payments to maturity for the City's subscriptions liability at June 30, 2023:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,034,027	\$ 36,335	\$ 83,106	\$ 1,158
2025	804,116	21,930	—	—
2026	770,045	10,728	—	—
Total	<u>\$ 2,608,188</u>	<u>\$ 68,993</u>	<u>\$ 83,106</u>	<u>\$ 1,158</u>

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS) for police officers and firefighters, and the Elected Officials Retirement Plan (EORP) for elected officials and judges. The plans are component units of the State of Arizona.

At June 30, 2023, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net OPEB asset	\$ 2,259,411	\$ 413,560	\$ 2,672,971
Net pension liabilities	109,170,792	11,841,156	121,011,948
Net OPEB liabilities	30,458	6,753	37,211
Deferred outflows of resources related to pensions	40,010,214	2,206,582	42,216,796
Deferred outflows of resources related to OPEB	470,573	50,096	520,669
Deferred inflows of resources related to pensions	3,223,403	311,908	3,535,311
Deferred inflows of resources related to OPEB	1,781,489	264,723	2,046,212
Pension expense	16,489,870	1,518,241	18,008,111
OPEB expense	(318,632)	(62,724)	(381,356)
Pension contributions	16,538,534	1,153,190	17,691,724
OPEB contributions	237,884	34,700	272,584

The City reported accrued payroll and employee benefits of \$385,977 for outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the City reported \$16,171,238 of pension and OPEB expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System

Plan description — City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

NOTES TO THE FINANCIAL STATEMENTS

Benefits provided — The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Arizona State Retirement System

	Retirement Initial membership date	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions — In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

NOTES TO THE FINANCIAL STATEMENTS

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023, were \$6,091,867, \$110,400, and \$72,905, respectively.

During fiscal year 2023, the City paid for ASRS pension and OPEB contributions as follows: 73% from the General Fund, 22% from enterprise funds, and 5% from other funds.

Liability/(Asset) — At June 30, 2023, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (asset) liability
Pension	\$ 65,244,813
Health insurance premium benefit	(2,278,716)
Long-term disability	37,211

The net asset and net liabilities were measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The total liabilities as of June 30, 2022, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7–7.2% to 2.9–8.4%.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The City's proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

ASRS	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.40%	0.02%
Health insurance premium benefit	0.41%	0.02%
Long-term disability	0.40%	0.02%

Expense — The City has deferred outflows and inflows of resources related to the net pension liability and net OPEB liability/(asset). Certain changes in the liability/(asset) are recognized over time rather than the year of occurrence. For the year ended June 30, 2023, the City recognized the following pension and OPEB expense.

ASRS	Pension/OPEB expense
Pension	\$ 8,020,290
Health insurance premium benefit	(342,566)
Long-term disability	11,219

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/inflows of resources — At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 555,925	\$ —
Changes in assumptions or other inputs	3,238,226	—
Difference between projected and actual investment earnings	—	1,718,611
Changes in proportion and differences between City contributions and proportionate share of contributions	2,272,257	—
City contributions subsequent to the measurement date	6,091,867	—
Total	<u>\$ 12,158,275</u>	<u>\$ 1,718,611</u>

	Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ —	\$ 1,162,926
Changes in assumptions or other inputs	36,983	62,148
Difference between projected and actual investment earnings	—	76,759
Changes in proportion and differences between City contributions and proportionate share of contributions	481	27,028
City contributions subsequent to the measurement date	110,400	—
Total	<u>\$ 147,864</u>	<u>\$ 1,328,861</u>

	Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 19,366	\$ 34,673
Changes in assumptions or other inputs	20,265	90,819
Difference between projected and actual investment earnings	—	1,157
Changes in proportion and differences between City contributions and proportionate share of contributions	15,629	3,112
City contributions subsequent to the measurement date	72,905	—
Total	<u>\$ 128,165</u>	<u>\$ 129,761</u>

NOTES TO THE FINANCIAL STATEMENTS

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2024	\$ 4,328,515	\$ (353,988)	\$ (5,575)
2025	252,476	(384,583)	(7,655)
2026	(2,983,913)	(421,159)	(16,370)
2027	2,750,719	(68,158)	(596)
2028	—	(63,509)	(16,977)
Thereafter	—	—	(27,328)

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes, which were applied to the June 30, 2020 actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

The long-term expected rate of return on ASRS plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-term expected geometric real rate of return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Interest rate sensitive bonds	10%	(0.20)%
Real estate	20%	6.00%
Total	100%	

Discount rate — At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%, which was a decrease of 0.5% from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the City's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate — The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

ASRS City's proportionate share	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 96,266,783	\$ 65,244,813	\$ 39,377,338
Net health insurance premium benefit liability (asset)	(1,638,520)	(2,278,716)	(2,821,908)
Net long-term disability liability	61,685	37,211	13,492

Plan fiduciary net position — Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Public Safety Personnel Retirement System

Plan descriptions — City police employees and City firefighters who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution

NOTES TO THE FINANCIAL STATEMENTS

Retirement Plan (PSDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided — The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit based on initial membership date as follows:

PSPRS	Initial membership date:		
Retirement and disability	Before January 1, 2012 (Tier 1)	On or after January 1, 2012 and before July 1, 2017 (Tier 2)	On or after July 1, 2017 (Tier 3)
Years of service and age required to receive benefit	20 years of service, any age, or 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 or more years of service, age 55, or 15 years of credited service, age 52.5*
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

*with actuarially reduced benefits

NOTES TO THE FINANCIAL STATEMENTS

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms — At June 30, 2023, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	66	66	15	15
Inactive employees entitled to but not yet receiving benefits	25	7	15	13
Active employees	92	92	104	104
Total	183	165	134	132

Contributions — State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS			
	Police		Fire	
	Tier 1 & 2	Tier 3	Tier 1 & 2	Tier 3
Active members - pension	7.65% - 11.65%	9.94%	7.65% - 11.65%	9.94%
Active members - health benefit	0.00%	0.12%	0.00%	0.12%
City				
Pension	35.61%	31.93%	25.80%	20.90%
Health insurance premium benefit	0.09%	0.13%	0.26%	0.12%

In addition, statute required the City to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

	PSPRS	
	Police	Fire
Alternative contribution rate - pension and health	21.09 %	11.03 %

NOTES TO THE FINANCIAL STATEMENTS

The City's contributions to the plans for the year ended June 30, 2023, were:

	PSPRS Police	PSPRS Fire
Contributions made		
Pension	\$ 5,911,475	\$ 5,543,071
Health Insurance premium benefit	41,698	47,581

During fiscal year 2023, the City paid for PSPRS pension and OPEB contributions primarily from the General Fund.

Liability — At June 30, 2023, the City reported the following net pension/OPEB liabilities/(assets):

	Net pension liability	Net OPEB liability/(asset)
PSPRS Police	\$ 33,028,016	\$ (307,828)
PSPRS Fire	20,989,287	(86,427)

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 2.75 - 15.0 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	2.75 - 15.0% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022, actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash Mellon	1%	(0.35)%
Total	100%	

Discount rate — At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability (asset).

NOTES TO THE FINANCIAL STATEMENTS

Changes in the net pension/OPEB liability (asset) – The following tables present changes in the City’s net pension/OPEB liability (asset) for the PSPRS – Police and PSPRS – Fire plans as follows:

PSPRS - Police - Pension	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2022	\$ 89,295,141	\$ 64,012,442	\$ 25,282,699
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	2,296,280	—	2,296,280
Interest on the total pension liability	6,546,272	—	6,546,272
Changes of benefit terms	—	—	—
Difference between expected and actual experience of the total pension liability	1,311,952	—	1,311,952
Changes of assumptions	856,726	—	856,726
Contributions—employer	—	4,734,626	(4,734,626)
Contributions—employee	—	1,225,997	(1,225,997)
Net investment income	—	(2,669,674)	2,669,674
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,832,929)	—
Administrative expense	—	(48,124)	48,124
Other changes	—	23,088	(23,088)
Net changes	7,178,301	(567,016)	7,745,317
Balances at June 30, 2023	\$ 96,473,442	\$ 63,445,426	\$ 33,028,016

PSPRS - Police - Health insurance premium benefit	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) – (b)
Balances at June 30, 2022	\$ 1,052,911	\$ 1,598,971	\$ (546,060)
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	40,190	—	40,190
Interest on the total OPEB liability	78,438	—	78,438
Difference between expected and actual experience of the total OPEB liability	54,218	—	54,218
Changes of assumptions	24,055	—	24,055
Contributions—employer	—	22,060	(22,060)
Contributions—employee	—	—	—
Net investment income	—	(62,282)	62,282
Benefit payments, including refunds of employee contributions	(37,228)	(37,228)	—
OPEB plan administrative expense	—	(1,109)	1,109
Other changes	—	—	—
Net changes	159,673	(78,559)	238,232
Balances at June 30, 2023	\$ 1,212,584	\$ 1,520,412	\$ (307,828)

NOTES TO THE FINANCIAL STATEMENTS

	Total pension liability	Plan fiduciary net position	Net pension liability (asset)
PSPRS - Fire - Pension	(a)	(b)	(a) – (b)
Balances at June 30, 2022	\$ 81,047,596	\$ 71,991,133	\$ 9,056,463
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	2,827,598	—	2,827,598
Interest on the total pension liability	6,083,653	—	6,083,653
Difference between expected and actual experience of the total pension liability	4,696,366	—	4,696,366
Changes of assumptions	382,523	—	382,523
Contributions—employer	—	4,049,340	(4,049,340)
Contributions—employee	—	1,070,430	(1,070,430)
Net investment income	—	(3,008,243)	3,008,243
Benefit payments, including refunds of employee contributions	(1,074,975)	(1,074,975)	—
Administrative expense	—	(54,211)	54,211
Other changes	—	—	—
Net changes	12,915,165	982,341	11,932,824
Balances at June 30, 2023	<u>\$ 93,962,761</u>	<u>\$ 72,973,474</u>	<u>\$ 20,989,287</u>
PSPRS - Fire - Health insurance premium benefit	Total OPEB liability	Plan fiduciary net position	Net OPEB liability (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2022	\$ 1,105,117	\$ 1,338,983	\$ (233,866)
Adjustment to Beginning of Year	—	—	—
Changes for the year:			
Service cost	42,976	—	42,976
Interest on the total OPEB liability	82,978	—	82,978
Difference between expected and actual experience of the total OPEB liability	(467)	—	(467)
Changes of assumptions	10,060	—	10,060
Contributions—employer	—	41,621	(41,621)
Net investment income	—	(52,577)	52,577
Benefit payments, including refunds of employee contributions	(22,804)	(22,804)	—
OPEB plan administrative expense	—	(936)	936
Other changes	—	—	—
Net changes	112,743	(34,696)	147,439
Balances at June 30, 2023	<u>\$ 1,217,860</u>	<u>\$ 1,304,287</u>	<u>\$ (86,427)</u>

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the City's net pension/OPEB liability/(asset) to changes in the discount rate — The following table presents the City's net pension/OPEB liabilities (assets) calculated using the discount rate of 7.2%, as well as what the City's net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
PSPRS Police			
Net pension liability	\$ 47,805,389	\$ 33,028,016	\$ 21,116,352
Net OPEB liability (asset)	(158,751)	(307,828)	(432,721)
PSPRS Fire			
Net pension liability	\$ 36,120,749	\$ 20,989,287	\$ 8,741,001
Net OPEB liability (asset)	65,313	(86,427)	(214,227)

Plan fiduciary net position — Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports. These reports are available on the PSPRS website at www.psprs.com.

Expense — For the year ended June 30, 2023, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 5,094,815	\$ (50,601)
PSPRS Fire	4,715,041	588

Deferred outflows/inflows of resources — At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 4,392,244	\$ 225,476
Changes in assumptions or other inputs	1,895,189	—
Net difference between projected and actual earnings on pension plan investments	896,084	—
City contributions subsequent to the measurement date	5,911,475	—
Total	\$ 13,094,992	\$ 225,476
PSPRS - Police - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 46,470	\$ 319,823
Changes in assumptions or other inputs	32,732	19,757
Net difference between projected and actual earnings on OPEB plan investments	26,640	—
City contributions subsequent to the measurement date	41,698	—
Total	\$ 147,540	\$ 339,580

NOTES TO THE FINANCIAL STATEMENTS

PSPRS - Fire - Pension	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 8,042,798	\$ 1,581,025
Changes in assumptions or other inputs	1,956,115	—
Net difference between projected and actual earnings on pension plan investments	1,260,432	—
City contributions subsequent to the measurement date	5,543,071	—
Total	<u>\$ 16,802,416</u>	<u>\$ 1,581,025</u>

PSPRS - Fire - Health insurance premium benefit	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 7,882	\$ 198,344
Changes in assumptions or other inputs	17,113	49,666
Net difference between projected and actual earnings on OPEB plan investments	24,524	—
City contributions subsequent to the measurement date	47,581	—
Total	<u>\$ 97,100</u>	<u>\$ 248,010</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability (asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS			
	Police		Fire	
	Pension	Health	Pension	Health
Year ending June 30				
2024	\$ 1,658,297	\$ (74,441)	\$ 1,593,013	\$ (33,434)
2025	1,285,562	(63,536)	1,395,024	(37,105)
2026	744,161	(70,092)	670,014	(49,354)
2027	2,908,574	(14,830)	2,775,445	(7,241)
2028	361,447	(22,020)	983,068	(22,715)
Thereafter	—	11,181	2,261,756	(48,642)

PSPDCRP plan—City police and fire employees who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2023, active PSPDCRP members were required by statute to contribute at least 9% of the members' annual covered payroll, and the City was required by statute to contribute 9% of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2023, the City recognized pension expense of \$111,533.

NOTES TO THE FINANCIAL STATEMENTS

Elected Officials Retirement Plan

Plan description — Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com. The EORP OPEB is immaterial to the financial statements of the City; therefore, it is not included in the financial statements or presented here in the notes to the financial statements.

Benefits provided — The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP Retirement and disability	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

NOTES TO THE FINANCIAL STATEMENTS

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Contributions — State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2023, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 70.42% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.39% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42% to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2023, were \$145,311 and \$100, respectively.

During fiscal year 2023, the City paid for EORP pension contributions as follows: 100% from the General Fund.

Liability — At June 30, 2023, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,749,832
State's proportionate share of the EORP net pension liability associated with the City	170,379
Total	<u>\$ 1,920,211</u>

The net liability was measured as of June 30, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

NOTES TO THE FINANCIAL STATEMENTS

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2022. The City's proportion measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

EORP	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.26%	—%

Expense — For the year ended June 30, 2023, the City recognized pension expense for EORP of \$197,598 and revenue of \$49,810 for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources — At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP - Pension	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on plan investments	\$ 15,802	\$ —
Changes in proportion and differences between City contributions and proportionate share of contributions	—	10,199
City contributions subsequent to the measurement date	145,311	—
Total	<u>\$ 161,113</u>	<u>\$ 10,199</u>

The amounts reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	Pension
2024	\$ (7,017)
2025	152
2026	(7,448)
2027	19,916
2028	—

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions — The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.2%
Wage Inflation	3.25%
Price Inflation	2.5%
Cost of Living Adjustment	1.85%
Mortality rate	PUBG-2010 Tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP

Asset class	Target allocation	Long-term expected geometric real rate of return
U. S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash-Mellon	1%	(0.35)%
Total	100%	

Discount rates — At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate — The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.2%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

EORP	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability	\$ 1,997,679	\$ 1,749,832	\$ 1,537,534

Plan fiduciary net position — Detailed information about the plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan — Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by State statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

For the year ended June 30, 2023, active EODCRS members were required by statute to contribute 8% of the members' annual covered payroll, and the City was required by statute to contribute 6% of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2023, the City recognized pension expense of \$4,909.

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. A governing board (committee) makes decisions about investment options available within each Plan. In fiscal year 2023, the City contributed to the 457 plan on behalf of eligible employees in an amount equal to a percentage of base annual salary. The City contributed \$889,198 for the year ended June 30, 2023. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan assets are held in trust for employees. Employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Defined Contribution Other Postemployment Plans

The City also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post-employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions from the City and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

The City is contributing \$45 per pay period to the plan for members of the Surprise Police Employees Association and the Northwest Valley Fire Fighters Association Local 4361. Employees are not required to contribute in order to receive the City's contribution.

Further, eligible employees that are Tier 1 members of the Public Safety Personnel Retirement System (PSPRS), who enter the Deferred Retirement Option Plan (DROP) are eligible for an additional benefit. Upon the employee's acceptance by the local board and PSPRS to the DROP program, the City will contribute eight percent of total PSPRS eligible earnings, per pay period, to the employee's PEHP. If for any reason an employee terminates participation in DROP, this additional benefit shall cease.

The City contributed \$735,592 for the year ended June 30, 2023.

The City's fiduciary responsibility for the plan is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that post-employment health plan assets be held in trust for employees; therefore, employee assets held in post-employment plan assets are held in trust for employees. Employee assets held in post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Custodial Fund is not included in the City's Financial Statements.

NOTE 9 - RISK MANAGEMENT

Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program covering property, general liability, public officials' liability, automobile liability and physical damage, bonds and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

The limit for basic coverage is \$2 million per occurrence and \$13 million under an umbrella policy for a total of \$15 million on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2023, unpaid claims were as follows:

	Risk Management Fund	
	2023	2022
Beginning unpaid claims	\$ 319,826	\$ 245,082
Claims incurred and changes in estimates	806,479	584,381
Payments made	(889,628)	(509,637)
Ending unpaid claims	<u>\$ 236,677</u>	<u>\$ 319,826</u>

Employee Healthcare Fund

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self-insurance program. The City is self-insured for individual health claims up to \$250,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 125% of the City's total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$949,413 of the total claims payable reported. The remaining \$829,884 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2023, unpaid claims were as follows:

	Employee Healthcare Fund	
	2023	2022
Beginning unpaid claims	\$ 1,751,813	\$ 1,511,371
Claims incurred and changes in estimates	15,736,560	13,705,945
Payments made	(15,709,076)	(13,465,503)
Ending unpaid claims	<u>\$ 1,779,297</u>	<u>\$ 1,751,813</u>

Workers' Compensation Fund

Following in-depth analysis including an actuarial study to determine feasibility, the Mayor and City Council approved establishing a Workers' Compensation Fund on January 3, 2017, to administer a self-insured workers' compensation program. The City sought and gained authority to self-insure/self-administer workplace injury claims through the Industrial Commission of Arizona (ICA), effective July 1, 2017. The program assumed responsibility for all new workplace injury/exposures deemed commendable, while leaving liability of prior claims with the previous insurance carrier.

The program assumes first-dollar losses up to the established self-insured retention (SIR) levels of two categories of employees. The first category, General Employee Population, carries a self-insured retention level of \$500,000 per occurrence. Public Safety Population assumes a self-insured retention of \$1,000,000 per occurrence. Should a claim exceed the respective SIR, the excess carrier assumes liability up to statutory limits. All claims below the SIR are managed in-house and resolved via funds established for claims settlement. Expenses within the program are reported regularly to the Workers' Compensation Trust Board, as prescribed by Arizona Revised Statute.

NOTES TO THE FINANCIAL STATEMENTS

Excess insurance premiums are calculated following underwriting evaluation to include actuarial study and loss history. Being a newly designated self-administered program, the City has been assigned an experience modifier of 1.0, which designates an insurance premium of \$0.35 per \$100 of payroll. These premiums are assigned to each department based on industry hazard codes and total payroll.

The Workers' Compensation fund currently has an established reserve of \$3,000,000, which exceeds the required amount designated by the Industrial Commission of Arizona. The funds held in this reserve account are maintained by the City following approval from both City Council and the ICA for exemption from posting security for outstanding workers' compensation claims, per Arizona Administrative Code R20-5-114.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$873,790 of the total claims payable reported. The remaining \$113,373 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2023, unpaid claims were as follows:

	Workers' Compensation Fund	
	2023	2022
Beginning unpaid claims	\$ 855,527	\$ 303,661
Claims incurred and changes in estimates	894,612	1,442,863
Payments made	(762,976)	(890,997)
Ending unpaid claims	<u>\$ 987,163</u>	<u>\$ 855,527</u>

NOTE 10 - CONTINGENT LIABILITIES

The City is a defendant in various lawsuits that are incidental to the ordinary course of its operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the City's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2023, interfund balances were as follows:

Due to/from other funds:

Due from	Due to General Fund
Non-Major Governmental Funds	
Neighborhood Revitalization Fund	\$ 69,457

At year end, the Neighborhood Revitalization Fund, a non-major governmental fund, had a negative cash balance in the pooled cash account. The short-term negative cash balance was eliminated by interfund borrowing with the General Fund and is expected to be repaid within one year.

Advances to/from other funds:

Advances to	Advances from	
	Sewer Fund	Total
General Government Development Fee Fund	\$ 3,716,143	\$ 3,716,143
Total	\$ 3,716,143	\$ 3,716,143

As of June 30, 2023, the City had one long-term loans outstanding. The loan relates to expenditures for projects to be funded by impact fees. This loan will be repaid as impact fees are collected in future years.

Interfund Transfers:

	Transfers Out	Transfers In
Governmental Funds		
General Fund	\$ 37,804,131	\$ 1,779,600
General Capital Projects Fund	95,599	33,359,800
General Government Development Fee Fund	366,702	—
Debt Service Fund	—	3,475,905
Transportation Improvement Fund	112,300	—
Non-Major Governmental Funds	1,564,870	2,892,023
Total Governmental Funds	39,943,602	41,507,328
Enterprise Funds		
Water Fund	629,622	1,391,374
Sewer Fund	2,292,763	20,898
Sanitation Fund	46,489	—
Stormwater Fund	7,124	—
Total Enterprise Funds	2,975,998	1,412,272
Total Transfers	\$ 42,919,600	\$ 42,919,600

Transfers between funds were used to (1) record payments in lieu of franchise fees from the enterprise funds to the General Fund (2) record payments in lieu of property taxes from the enterprise funds to the General Fund and Debt Service Fund (3) support as needed replacement of vehicles and maintenance and construction or purchase of city assets (4) move amounts for debt service payments (5) to fund municipal arts projects, and (6) transfer water rights (capital assets) generated by the Sewer Fund to the Water Fund to be used for water services.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE CLASSIFICATION

The fund balance classifications of the governmental funds as of June 30, 2023, were as follows:

	General Fund	General Capital Projects Fund	General Govt Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Debt Service Fund	Non-Major Governmental Fund	Total
Fund balance								
Nonspendable:								
Inventory	\$ 1,264,546	\$ 624,562	\$ —	\$ 432,965	\$ —	\$ —	\$ 8,932	\$ 2,331,005
Prepays	204,924	983,261	—	1,147	—	—	1,567,596	2,756,928
Total Nonspendable	1,469,470	1,607,823	—	434,112	—	—	1,576,528	5,087,933
Restricted:								
Court	—	—	—	—	—	—	593,560	593,560
Debt service	—	—	—	—	—	703,573	633,144	1,336,717
Economic development	6,127	—	—	—	—	—	—	6,127
Fire and medical	4,291	—	—	—	—	—	12,686,195	12,690,486
Human services and community vitality	26,412	—	—	—	—	—	—	26,412
Library	9,220	—	—	—	—	—	—	9,220
Parks and recreation	151,934	—	—	—	—	—	8,938,647	9,090,581
Police	105,817	—	—	—	—	—	8,221,896	8,327,713
Public works	—	—	—	—	—	—	1,027,745	1,027,745
Transportation	—	—	—	4,908,810	—	—	1,618	4,910,428
Total Restricted	303,801	—	—	4,908,810	—	703,573	32,102,805	38,018,989
Committed:								
Emergency reserve	4,321,000	—	—	—	—	—	—	4,321,000
Operating reserve	25,926,100	—	—	—	—	—	—	25,926,100
Stabilization reserve	12,963,000	—	—	—	—	—	—	12,963,000
Public safety	—	—	—	—	—	—	2,379,810	2,379,810
Transportation	—	—	—	—	25,973,854	—	—	25,973,854
Tourism	—	—	—	—	—	—	1,447,253	1,447,253
Total Committed	43,210,100	—	—	—	25,973,854	—	3,827,063	73,011,017
Assigned:								
Construction projects	—	99,877,700	—	—	—	—	—	99,877,700
FS package replacement reserve	—	95,017	—	—	—	—	—	95,017
Vehicle replacement	—	2,577,607	—	—	—	—	—	2,577,607
IT asset replacement	—	1,971,859	—	—	—	—	—	1,971,859
Parks and recreation	—	1,590,138	—	—	—	—	—	1,590,138
PSPRS funding	29,091,778	—	—	—	—	—	—	29,091,778
Public safety	10,630	—	—	—	—	—	—	10,630
Wildland vehicle replacement	268,193	—	—	—	—	—	—	268,193
Other	367,089	435,132	—	—	—	—	—	802,221
Total Assigned	29,737,690	106,547,453	—	—	—	—	—	136,285,143
Unassigned:								
Unassigned or negative fund balance	60,941,871	—	(3,349,476)	—	—	—	(165,823)	57,426,572
Total	<u>\$ 135,662,932</u>	<u>\$ 108,155,276</u>	<u>\$ (3,349,476)</u>	<u>\$ 5,342,922</u>	<u>\$ 25,973,854</u>	<u>\$ 703,573</u>	<u>\$ 37,340,573</u>	<u>\$ 309,829,654</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – DEFICIT FUND BALANCES

As of June 30, 2023, the following individual governmental funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds:	
General Government Development Fee Fund	\$ 3,349,476
Non-Major Governmental Funds:	
Grants Fund	99,389
Neighborhood Revitalization Fund	65,534

Deficits arose due to project and grant expenditures incurred in current and prior years exceeding impact fee and available grant revenues. The deficit fund balances are expected to be funded with future development impact fees and grant revenue reimbursements.

NOTE 14 – BUDGET BASIS OF ACCOUNTING

The City records expenditures for prepaid items as an expenditure in the period goods or services are received; however, on the budgetary basis of accounting the expenditure is recorded in the period of the actual cash outlay.

NOTE 15 – JOINT VENTURE

The City currently participates with twenty two cities, towns and fire districts in the Regional Wireless Cooperative (RWC) agreement for the administration, operation, management, construction, and maintenance of a regional public safety communications network. The RWC is an Arizona joint venture, multi-jurisdictional organization throughout the Phoenix Metropolitan Region. The City of Phoenix is both the Network Managing Member and the Administrative Managing Member. As the Network Managing Member, the City of Phoenix operates and maintains the network. As the Administrative Managing Member, the City of Phoenix is responsible for accounting, budgeting, procurement and contracting for the RWC.

The City has an ongoing financial responsibility as a result of the agreement to participate in the cost to construct, operate and maintain the network. The City's share of costs is determined based on the proportionate number of subscriber units in use at the time of assessment. The equity interest for the City at June 30, 2022, which is the latest audited information available, was \$901,878.

Separate financial statements may be obtained from the RWC Director's Office, 200 W. Washington Street, 14th Floor, Phoenix, Arizona 85003.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 - PRIOR PERIOD ADJUSTMENT

Government Wide and Proprietary Funds

A total prior period adjustment of \$1,519,673 was made to increase the beginning fund balance of the Ground Ambulance Service fund, due to the conversion from enterprise fund to special revenue fund at June 30, 2022. The adjustment resulted in the following restatement to net position/fund balances at June 30, 2022:

			Proprietary Fund	Non-Major Special Revenue Fund
	Governmental Activities	Business-type Activities	Ground Ambulance Service Fund	Ground Ambulance Service Fund
Net Position/Fund Balance at June 30, 2022, as previously reported	\$ 738,232,903	\$ 423,260,467	\$ (241,743)	\$ —
Prior period adjustments:				
Unavailable revenue	—	—	—	(747,205)
Capital assets	1,909,483	(1,909,483)	—	(1,909,483)
Accumulated depreciation	(940,993)	940,993	—	940,993
Compensated absences	(120,531)	120,531	—	120,531
Pension liabilities	(2,538,498)	2,538,498	—	2,538,498
Net OPEB assets	90,459	(90,459)	—	(90,459)
Deferred outflows related to pension	864,445	(864,445)	—	(864,445)
Deferred outflows related to OPEB	17,314	(17,314)	—	(17,314)
Deferred inflows related to pensions	(958,012)	958,012	—	958,012
Deferred inflows related to OPEB	(85,083)	85,083	—	85,083
Reclass Ground Ambulance Net Position/Fund Balance	1,519,673	(1,519,673)	241,743	(241,743)
Net position/Fund Balance at June 30, 2022, as restated	<u>\$ 737,991,160</u>	<u>\$ 423,502,210</u>	<u>\$ —</u>	<u>\$ 772,468</u>

NOTE 17 – SUBSEQUENT EVENTS

On November 7, 2023 the voters of the City of Surprise authorized the City to issue \$100,000,000 in General Obligation bonds for public safety and transportation projects. The bonds will be issued in installments over the next 3 to 4 years.



SURPRISE

ARIZONA



REQUIRED SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA



REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary information (RSI) section presents certain information concerning the City's progress in funding its pension obligations and its other post employment benefits (OPEB) obligations. This section also includes budgetary comparison schedules for the General fund and for each major special revenue fund.

Required Supplementary Information**Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability (Asset)
Cost-Sharing Plans****Arizona State Retirement System - Pension**

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net pension liability	0.40%	0.38%	0.38%
City's proportionate share of the net pension liability	\$ 65,244,813	\$ 49,671,464	\$ 65,171,972
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net pension liability as a percentage of its covered payroll	142.85%	116.80%	153.57%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%

Information not available for fiscal years 2012 through 2014.

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net OPEB (asset)	0.41 %	0.38 %	0.38 %
City's proportionate share of the net OPEB (asset)	\$ (2,278,716)	\$ (1,880,770)	\$ (270,717)
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.99%	-4.42%	-0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	137.79%	130.24%	104.33%

Information not available for fiscal years 2012 through 2017.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net OPEB liability	0.40%	0.38%	0.38%
City's proportionate share of the net OPEB liability	\$ 37,211	\$ 78,871	\$ 287,923
City's covered payroll	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's proportionate share of the net OPEB liability) as a percentage of its covered payroll	0.08%	0.19%	0.68%
Plan fiduciary net position as a percentage of the total OPEB liability	95.40%	90.38%	68.01%

Information not available for fiscal years 2012 through 2017.

Elected Official Retirement Plan - Pension

	Reporting fiscal year (measurement date)		
	2023	2022	2021
	(2022)	(2021)	(2020)
City's proportion of the net pension liability	0.26%	0.26%	0.26%
City's proportionate share of the net pension liability	\$ 1,749,832	\$ 1,596,460	\$ 1,745,940
State's proportionate share of the net pension liability associated with the city	\$ 170,379	\$ 160,464	\$ 165,938
Total	\$ 1,920,211	\$ 1,756,924	\$ 1,911,878
City's covered payroll	\$ 233,509	\$ 205,522	\$ 206,644
City's proportionate share of the net pension liability as a percentage of its covered payroll	822.33%	854.86%	925.20%
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.27%	29.80%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2020	2019	2018	2017	2016	2015
(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
0.38%	0.37%	0.36%	0.35%	0.32%	0.29%
\$ 55,824,084	\$ 51,433,226	\$ 56,257,015	\$ 56,796,968	\$ 50,841,272	\$ 42,980,167
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195
143.24%	136.86%	159.64%	172.46%	168.79%	161.97%
73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

2020	2019	2018
(2019)	(2018)	(2017)
0.39 %	0.38 %	0.37 %
\$ (108,422)	\$ (135,084)	\$ (199,174)
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
-0.28%	-0.36%	-0.57%
101.62%	102.20%	103.57%

2020	2019	2018
(2019)	(2018)	(2017)
0.39%	0.37%	0.36%
\$ 253,425	\$ 193,112	\$ 131,344
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.65%	0.51%	0.37%
72.85%	77.83%	84.44%

2020	2019	2018	2017	2016	2015
(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
0.23%	0.29%	0.17%	0.19%	0.16%	0.22%
\$ 1,511,837	\$ 1,849,518	\$ 2,034,660	\$ 1,829,709	\$ 1,276,030	\$ 1,505,462
\$ 142,097	\$ (90,103)	\$ 213,700	\$ 100,812	\$ 107,037	\$ 136,820
\$ 1,653,934	\$ 1,759,415	\$ 2,248,360	\$ 1,930,521	\$ 1,383,067	\$ 1,642,282
\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,470	\$ 154,983
939.08%	1166.98%	1454.63%	1241.73%	889.60%	1059.65%
30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

Required Supplementary Information

Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios Agent Plans

PSPRS - Police - Pension	Reporting fiscal year (measurement date)			
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
Total pension liability				
Service cost	\$ 2,296,280	\$ 2,331,614	\$ 2,500,116	\$ 2,625,724
Interest on the total pension liability	6,546,272	6,036,548	5,548,786	4,977,350
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience in the measurement of the pension liability	1,311,952	2,228,040	1,718,866	1,469,073
Changes of assumptions or other inputs	856,726	—	—	2,103,228
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,323,784)	(2,511,403)	(2,089,561)
Net change in total pension liability	\$ 7,178,301	\$ 7,272,418	\$ 7,256,365	\$ 9,085,814
Total pension liability-beginning	89,295,141	82,022,723	74,766,358	65,680,544
Total pension liability-ending (a)	\$ 96,473,442	\$ 89,295,141	\$ 82,022,723	\$ 74,766,358
Plan fiduciary net position				
Contributions-employer	\$ 4,734,626	\$ 4,486,148	\$ 3,698,985	\$ 4,065,062
Contributions-employee	1,225,997	1,228,642	972,696	1,015,880
Net investment income	(2,669,674)	14,037,729	607,678	2,315,207
Benefit payments, including refunds of employee contributions	(3,832,929)	(3,323,784)	(2,511,403)	(2,089,561)
Pension plan administrative expense	(48,124)	(65,272)	(49,546)	(41,215)
Other changes	23,088	—	—	—
Net change in plan fiduciary net position	\$ (567,016)	\$ 16,363,463	\$ 2,718,410	\$ 5,265,373
Plan fiduciary net position-beginning	64,012,442	47,648,979	44,930,566	39,693,746
Adjustment to Beginning of Year	—	—	3	(28,553)
Plan fiduciary net position-ending (b)	\$ 63,445,426	\$ 64,012,442	\$ 47,648,979	\$ 44,930,566
City's net pension (asset) liability-ending (a) - (b)	\$ 33,028,016	\$ 25,282,699	\$ 34,373,744	\$ 29,835,792
Plan fiduciary net position as a percentage of the total pension liability	65.76%	71.69%	58.09%	60.09%
Covered payroll	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361	\$ 13,066,419
City's net pension (asset) liability as a percentage of covered payroll	253.15%	193.50%	264.63%	228.34%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2019	2018	2017	2016	2015
(2018)	(2017)	(2016)	(2015)	(2014)
\$ 2,432,053	\$ 2,580,430	\$ 2,064,206	\$ 1,663,042	\$ 1,565,018
4,564,294	4,152,228	3,530,011	2,833,422	2,300,961
—	431,035	4,507,117	—	241,790
(615,366)	884,245	144,478	5,574,308	1,218,340
—	950,588	2,249,172	—	2,469,394
(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
\$ 4,052,856	\$ 6,111,187	\$ 10,665,632	\$ 9,104,921	\$ 6,638,202
61,627,688	55,516,501	44,850,869	35,745,948	29,107,746
\$ 65,680,544	\$ 61,627,688	\$ 55,516,501	\$ 44,850,869	\$ 35,745,948
\$ 3,608,348	\$ 2,601,364	\$ 2,303,420	\$ 1,729,946	\$ 1,359,213
1,121,032	1,376,163	1,496,064	1,196,870	977,373
2,508,024	3,589,391	168,147	951,951	2,875,527
(2,328,125)	(2,887,339)	(1,829,352)	(965,851)	(1,157,301)
(38,871)	(32,160)	(24,595)	(23,613)	—
20,867	36,754	138,888	210,447	(462,996)
\$ 4,891,275	\$ 4,684,173	\$ 2,252,572	\$ 3,099,750	\$ 3,591,816
34,802,471	30,118,298	27,865,726	24,765,976	21,174,160
—	—	—	—	—
\$ 39,693,746	\$ 34,802,471	\$ 30,118,298	\$ 27,865,726	\$ 24,765,976
\$ 25,986,798	\$ 26,825,217	\$ 25,398,203	\$ 16,985,143	\$ 10,979,972
60.43%	56.47%	54.25%	62.13%	69.28%
\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979
210.83%	227.91%	227.59%	158.99%	125.76%



SURPRISE

ARIZONA

Required Supplementary Information

Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios Agent Plans

PSPRS - Police - OPEB

	Reporting fiscal year (measurement date)					
	2023	2022	2021	2020	2019	2018
	(2022)	(2021)	(2020)	(2019)	(2018)	(2017)
Total OPEB liability						
Service cost	\$ 40,190	\$ 43,797	\$ 47,355	\$ 33,493	\$ 34,574	\$ 37,056
Interest on the total pension liability	78,438	82,702	83,812	88,366	87,925	94,154
Changes of benefit terms	—	—	—	—	—	6,912
Differences between expected and actual experience of the total OPEB liability	54,218	(146,929)	(97,685)	(194,295)	(105,683)	(68,029)
Changes of assumptions or other inputs	24,055	—	—	24,230	—	(107,363)
Benefit payments, including refunds of employee contributions	(37,228)	(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
Net change in total pension liability	\$ 159,673	\$ (51,952)	\$ 5,776	\$ (74,899)	\$ (10,630)	\$ (67,202)
Total OPEB liability-beginning	1,052,911	1,104,863	1,099,087	1,173,986	1,184,616	1,251,818
Total OPEB liability-ending (a)	\$ 1,212,584	\$ 1,052,911	\$ 1,104,863	\$ 1,099,087	\$ 1,173,986	\$ 1,184,616
Plan fiduciary net position						
Contributions-employer	\$ 22,060	\$ 33,459	\$ 34,570	\$ 42,535	\$ 26,730	\$ 55,927
Contributions-employee	—	—	—	—	—	—
Net investment income	(62,282)	342,648	15,453	61,524	73,735	110,362
Benefit payments, including refunds of employee contributions	(37,228)	(31,522)	(27,706)	(26,693)	(27,446)	(29,932)
OPEB plan administrative expense	(1,109)	(1,409)	(1,257)	(1,062)	(1,122)	(976)
Other changes	—	—	—	—	1	—
Net change in plan fiduciary net position	\$ (78,559)	\$ 343,176	\$ 21,060	\$ 76,304	\$ 71,898	\$ 135,381
Plan fiduciary net position-beginning	1,598,971	1,255,795	1,234,735	1,129,879	1,057,981	922,600
Adjustment to beginning of year	—	—	—	28,552	—	—
Plan fiduciary net position-ending (b)	\$ 1,520,412	\$ 1,598,971	\$ 1,255,795	\$ 1,234,735	\$ 1,129,879	\$ 1,057,981
City's net OPEB (asset) liability-ending (a) - (b)	\$ (307,828)	\$ (546,060)	\$ (150,932)	\$ (135,648)	\$ 44,107	\$ 126,635
Plan fiduciary net position as a percentage of the total OPEB liability	125.39%	151.86%	113.66%	112.34%	96.24%	89.31%
Covered payroll	\$13,046,658	\$13,066,287	\$12,989,361	\$13,066,419	\$12,326,006	\$11,769,882
City's net OPEB (asset) liability as a percentage of covered payroll	-2.36%	-4.18%	-1.16%	-1.04%	0.36%	1.08%

Information not available for fiscal years 2012 through 2017.

See accompanying notes to this schedule

Required Supplementary Information

Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios Agent Plans

PSPRS - Fire - Pension	Reporting fiscal year (measurement date)			
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
Total pension liability				
Service cost	\$ 2,827,598	\$ 2,605,918	\$ 2,585,747	\$ 2,703,787
Interest on the total pension liability	6,083,653	5,389,067	4,775,536	4,299,178
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience in the measurement of the pension liability	4,696,366	2,288,365	2,107,451	223,172
Changes of assumptions or other inputs	382,523	—	—	1,224,623
Benefit payments, including refunds of employee contributions	(1,074,975)	(905,343)	(1,263,395)	(759,444)
Net change in total pension liability	\$ 12,915,165	\$ 9,378,007	\$ 8,205,339	\$ 7,691,316
Total pension liability-beginning	81,047,596	71,669,589	63,464,250	55,772,934
Total pension liability-ending (a)	\$ 93,962,761	\$ 81,047,596	\$ 71,669,589	\$ 63,464,250
Plan fiduciary net position				
Contributions-employer	\$ 4,049,340	\$ 4,411,913	\$ 2,592,924	\$ 3,232,317
Contributions-employee	1,070,430	1,194,804	1,086,498	955,090
Net investment income	(3,008,243)	15,348,395	662,772	2,477,023
Benefit payments, including refunds of employee contributions	(1,074,975)	(905,343)	(1,263,395)	(759,444)
Pension plan administrative expense	(54,211)	(71,250)	(54,041)	(44,033)
Other changes	—	62,571	—	—
Net change in plan fiduciary net position	\$ 982,341	\$ 20,041,090	\$ 3,024,758	\$ 5,860,953
Plan fiduciary net position-beginning	71,991,133	51,950,043	48,925,283	43,082,800
Adjustment to Beginning of Year	—	—	2	(18,470)
Plan fiduciary net position-ending (b)	\$ 72,973,474	\$ 71,991,133	\$ 51,950,043	\$ 48,925,283
City's net pension (asset) liability-ending (a) - (b)	\$ 20,989,287	\$ 9,056,463	\$ 19,719,546	\$ 14,538,967
Plan fiduciary net position as a percentage of the total pension liability	77.66%	88.83%	72.49%	77.09%
Covered payroll	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436	\$ 11,767,811
City's net pension (asset) liability as a percentage of covered payroll	121.48%	68.21%	167.99%	123.55%

Information not available for fiscal years 2012 through 2014.

See accompanying notes to this schedule

2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 2,629,254	\$ 2,540,844	\$ 1,944,045	\$ 1,709,096	\$ 1,635,304
3,959,756	3,537,634	2,858,919	2,480,922	2,170,938
—	324,839	4,813,386	—	25,204
(2,685,396)	721,498	(428,646)	991,201	122,957
—	36,178	2,042,866	—	1,068,570
(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
\$ 3,251,071	\$ 6,086,657	\$ 10,745,185	\$ 4,699,725	\$ 3,282,408
52,521,863	46,435,206	35,690,021	30,990,296	27,707,888
\$ 55,772,934	\$ 52,521,863	\$ 46,435,206	\$ 35,690,021	\$ 30,990,296
\$ 3,149,148	\$ 1,828,952	\$ 1,773,960	\$ 1,394,750	\$ 1,298,311
1,036,287	1,340,153	1,188,041	1,085,819	916,860
2,659,343	3,742,608	170,022	956,696	2,973,644
(652,543)	(1,074,336)	(485,385)	(481,494)	(1,740,565)
(41,175)	(33,516)	(24,864)	(23,732)	—
147,401	141,131	30,036	23,521	(491,977)
\$ 6,298,461	\$ 5,944,992	\$ 2,651,810	\$ 2,955,560	\$ 2,956,273
36,784,339	30,839,347	28,187,537	25,231,977	22,275,704
—	—	—	—	—
\$ 43,082,800	\$ 36,784,339	\$ 30,839,347	\$ 28,187,537	\$ 25,231,977
\$ 12,690,134	\$ 15,737,524	\$ 15,595,859	\$ 7,502,484	\$ 5,758,319
77.25%	70.04%	66.41%	78.98%	81.42%
\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,942,409
110.02%	139.32%	146.46%	76.54%	64.39%



SURPRISE

ARIZONA

Required Supplementary Information

Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios Agent Plans

PSPRS - Fire - OPEB	Reporting fiscal year (measurement date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 42,976	\$ 42,778	\$ 42,441	\$ 28,223	\$ 28,223	\$ 28,898
Interest on the total pension liability	82,978	79,625	72,508	78,968	72,743	78,136
Changes of benefit terms	10,060	—	—	—	—	8
Differences between expected and actual experience of the total OPEB liability	(467)	(57,371)	11,259	(206,517)	(17,297)	(28,004)
Changes of assumptions or other inputs	—	—	—	12,836	—	(124,948)
Benefit payments, including refunds of employee contributions	(22,804)	(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
Net change in total pension liability	\$ 112,743	\$ 49,252	\$ 110,722	\$ (101,061)	\$ 70,942	\$ (58,292)
Total OPEB liability-beginning	1,105,117	1,055,865	945,143	1,046,204	975,262	1,033,554
Total OPEB liability-ending (a)	\$ 1,217,860	\$ 1,105,117	\$ 1,055,865	\$ 945,143	\$ 1,046,204	\$ 975,262
Plan fiduciary net position						
Contributions-employer	\$ 41,621	\$ 37,731	\$ 35,723	\$ 34,300	\$ 29,385	\$ 40,649
Contributions-employee	—	—	—	—	—	—
Net investment income	(52,577)	283,657	12,652	50,072	58,948	86,787
Benefit payments, including refunds of employee contributions	(22,804)	(15,780)	(15,486)	(14,571)	(12,727)	(12,382)
OPEB plan administrative expense	(936)	(1,166)	(1,029)	(864)	(897)	(769)
Other changes	—	—	—	—	1	—
Net change in plan fiduciary net position	\$ (34,696)	\$ 304,442	\$ 31,860	\$ 68,937	\$ 74,710	\$ 114,285
Plan fiduciary net position-beginning	1,338,983	1,034,541	1,002,681	915,274	840,564	726,279
Adjust to Beginning of Year	—	—	—	18,470	—	—
Plan fiduciary net position-ending (b)	\$ 1,304,287	\$ 1,338,983	\$ 1,034,541	\$ 1,002,681	\$ 915,274	\$ 840,564
City's net OPEB (asset) liability-ending (a) - (b)	\$ (86,427)	\$ (233,866)	\$ 21,324	\$ (57,538)	\$ 130,930	\$ 134,698
Plan fiduciary net position as a percentage of the total OPEB liability	107.10%	121.16%	97.98%	106.09%	87.49%	86.19%
Covered payroll	\$17,278,086	\$13,277,038	\$11,738,436	\$11,767,811	\$11,534,304	\$11,296,060
City's net OPEB (asset) liability as a percentage of covered payroll	-0.50%	-1.76%	0.18%	-0.49%	1.14%	1.19%

Information not available for fiscal years 2012 through 2017.

See accompanying notes to this schedule

Required Supplementary Information
Schedule of City Pension/OPEB Contributions

Arizona State Retirement System - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 6,091,867	\$ 5,478,357	\$ 4,940,338	\$ 4,678,053
City's contributions in relation to the statutorily required contribution	6,091,867	5,478,357	4,940,338	4,678,053
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	11.81%	11.99%	11.62%	11.02%

Information not available for fiscal years 2012 through 2013.

Arizona State Retirement System - Health insurance premium benefit

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 110,400	\$ 97,559	\$ 172,796	\$ 191,599
City's contributions in relation to the statutorily required contribution	110,400	97,559	172,796	191,599
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	0.21%	0.21%	0.41%	0.45%

Information not available for fiscal years 2012 through 2016.

Arizona State Retirement System - Long-term disability

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 72,905	\$ 86,437	\$ 76,187	\$ 69,064
City's contributions in relation to the statutorily required contribution	72,905	86,437	76,187	69,064
City's contribution deficiency	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 51,589,538	\$ 45,673,733	\$ 42,528,059	\$ 42,439,245
City's contributions as a percentage of covered payroll	0.14%	0.19%	0.18%	0.16%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 4,349,366	\$ 4,084,163	\$ 3,773,263	\$ 3,569,994	\$ 3,259,073	\$ 2,801,701
4,349,366	4,084,163	3,773,263	3,569,994	3,259,073	2,801,701
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842	\$ 32,932,534	\$ 30,121,665	\$ 26,536,195
11.16%	10.87%	10.71%	10.84%	10.82%	10.56%

2019	2018	2017
\$ 178,575	\$ 164,581	\$ 196,952
178,575	164,581	196,952
\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.46%	0.44%	0.56%

2019	2018	2017
\$ 62,149	\$ 61,374	\$ 49,278
62,149	61,374	49,278
\$ —	\$ —	\$ —
\$ 38,971,217	\$ 37,581,388	\$ 35,238,842
0.16%	0.16%	0.14%

Required Supplementary Information
Schedule of City Pension/OPEB Contributions

Elected Official Retirement Plan - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 145,311	\$ 120,671	\$ 115,754	\$ 117,327
City's contributions in relation to the statutorily required contribution	145,311	120,671	115,754	117,327
City's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 250,647	\$ 376,872	\$ 205,523	\$ 206,644
City's contributions as a percentage of covered payroll	57.97%	32.02%	56.32%	56.78%

Information not available for fiscal years 2012 through 2013.

The City was not required to and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2023 through 2017. Information for fiscal years 2016 through 2012 is not available.

PSPRS - Police - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 5,515,963	\$ 4,043,750	\$ 4,094,704	\$ 3,850,896
City's contributions in relation to the actuarially determined contribution	5,911,475	4,670,817	4,094,704	3,850,896
City's contribution deficiency (excess)	\$ (395,512)	\$ (627,067)	\$ —	\$ —
City's covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361
City's contributions as a percentage of covered payroll	36.46%	35.80%	31.34%	29.65%

Information not available for fiscal years 2012 through 2013.

PSPRS - Police - OPEB

	Reporting fiscal year			
	2023	2022	2021	2020
Statutorily required contribution	\$ 41,698	\$ 25,907	\$ 40,791	\$ 37,796
City's contributions in relation to the actuarially determined contribution	41,698	41,394	40,791	37,796
City's contribution deficiency (excess)	\$ —	\$ (15,487)	\$ —	\$ —
City's covered payroll	\$ 16,214,339	\$ 13,046,658	\$ 13,066,287	\$ 12,989,361
City's contributions as a percentage of covered payroll	0.26%	0.32%	0.31%	0.29%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 101,371	\$ 66,206	\$ 34,133	\$ 36,535	\$ 35,199	\$ 47,836
101,371	66,206	34,133	36,535	35,199	47,836
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 176,123	\$ 150,767	\$ 154,566	\$ 155,470	\$ 155,918	\$ 154,983
57.56%	43.91%	22.08%	23.50%	22.58%	30.87%

2019	2018	2017	2016	2015	2014
\$ 3,977,387	\$ 5,056,552	\$ 2,598,440	\$ 2,301,028	\$ 1,753,988	\$ 1,359,213
3,977,387	5,056,552	2,598,440	2,301,028	1,753,988	1,359,213
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 13,066,419	\$ 12,326,006	\$ 11,769,882	\$ 11,159,388	\$ 10,682,880	\$ 8,730,979
30.44%	41.02 %	22.08 %	20.62 %	16.42 %	15.57 %

2019	2018	2017
\$ 44,365	\$ 79,382	\$ 58,849
44,365	79,382	58,849
\$ —	\$ —	\$ —
\$ 13,066,419	\$ 12,326,006	\$ 11,769,882
0.34%	0.64%	0.50%

Required Supplementary Information
Schedule of City pension/OPEB Contributions

PSPRS - Fire - Pension

	Reporting fiscal year			
	2023	2022	2021	2020
Actuarially determined contribution	\$ 4,565,888	\$ 3,181,809	\$ 3,569,521	\$ 3,060,602
City's contributions in relation to the actuarially determined contribution	5,543,071	4,637,873	3,569,521	3,060,602
City's contribution deficiency (excess)	\$ (977,183)	\$ (1,456,064)	\$ —	\$ —
City's covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436
City's contributions as a percentage of covered payroll	33.29%	26.84%	26.88%	26.07%

Information not available for fiscal years 2012 through 2013.

PSPRS - Fire - OPEB

	Reporting fiscal year			
	2023	2022	2021	2020
Actuarially determined contribution	\$ 47,581	\$ 37,981	\$ 40,124	\$ 36,517
City's contributions in relation to the actuarially determined contribution	47,581	46,383	40,124	36,517
City's contribution deficiency (excess)	\$ —	\$ (8,402)	\$ —	\$ —
City's covered payroll	\$ 16,649,124	\$ 17,278,086	\$ 13,277,038	\$ 11,738,436
City's contributions as a percentage of covered payroll	0.29%	0.27%	0.30%	0.31%

Information not available for fiscal years 2012 through 2016.

See accompanying notes to this schedule

2019	2018	2017	2016	2015	2014
\$ 2,977,137	\$ 4,499,428	\$ 1,832,987	\$ 1,716,087	\$ 1,417,546	\$ 1,298,311
2,977,137	4,499,428	1,832,987	1,716,087	1,417,546	1,298,311
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 11,767,811	\$ 11,534,304	\$ 11,296,060	\$ 10,648,460	\$ 9,802,389	\$ 8,492,409
25.30%	39.01%	16.23%	16.12%	14.46%	15.29%

2019	2018	2017
\$ 35,366	\$ 77,072	\$ 40,740
35,366	77,072	40,740
\$ —	\$ —	\$ —
\$ 11,767,811	\$ 11,534,304	\$ 11,296,060
0.30%	0.67%	0.36%

Required Supplementary Information

Notes to Pension/OPEB Schedules

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTIONS RATES

Actuarially determined contribution rates are calculated as of June 30 each year for ASRS which is 12 months prior to the beginning of the fiscal year in which contributions are reported. Actuarial determined contribution rates for PSPRS are calculated as of June 30, two years prior to the beginning of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, Closed
Remaining amortization period as of the 2017 actuarial valuation	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 2 - FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the City refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP provided the City the option to reduce its actual employer contributions for the refunded amounts; however, the City elected not to reduce its actual employer contributions for the refunded amounts.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflects the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

General Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 89,969,400	\$ 89,969,400	\$ 93,988,457	\$ 4,019,057
Licenses and permits	6,010,700	6,010,700	6,781,295	770,595
Intergovernmental revenues	57,080,300	57,130,300	59,294,953	2,164,653
Charges for services	13,044,300	13,044,300	24,966,845	11,922,545
Fines	1,218,300	1,218,300	859,484	(358,816)
Rents	563,900	563,900	621,200	57,300
Interest revenue	222,300	222,300	2,244,178	2,021,878
Donations	157,900	157,900	94,899	(63,001)
Indirect charges	6,455,200	6,455,200	6,455,301	101
Other revenue	231,300	231,300	768,606	537,306
Total revenues	174,953,600	175,003,600	196,075,218	21,071,618
EXPENDITURES				
Current:				
General government:				
City council	697,300	697,300	613,387	83,913
City manager	2,212,300	2,212,500	2,212,388	112
City attorney	2,880,800	2,880,800	2,591,385	289,415
City clerk	807,300	807,300	714,338	92,962
Finance	5,757,200	5,757,200	4,330,058	1,427,142
Human resources	3,286,800	3,286,800	2,820,678	466,122
Information technology	7,761,900	7,761,900	6,296,850	1,465,050
Marketing and communications	1,334,600	1,334,600	1,289,106	45,494
City auditor	500,800	500,800	419,768	81,032
General operations	34,381,800	33,938,000	2,126,500	31,811,500
Total general government	59,620,800	59,177,200	23,414,458	35,762,742
Public safety:				
Police	39,181,700	39,181,700	38,080,054	1,101,646
Fire-medical	31,802,000	32,224,500	31,659,763	564,737
Court	2,972,400	2,972,400	2,615,055	357,345
Total public safety	73,956,100	74,378,600	72,354,872	2,023,728
Public works and streets				
Public works and streets	12,896,700	12,869,500	11,096,412	1,773,088
Total public works and streets	12,896,700	12,869,500	11,096,412	1,773,088

Community development:				
Economic development	13,944,600	13,929,600	11,039,104	2,890,496
Community development	7,310,200	7,310,200	6,235,448	1,074,752
Total community development	<u>21,254,800</u>	<u>21,239,800</u>	<u>17,274,552</u>	<u>3,965,248</u>
Culture and recreation:				
Human services and community vitality	3,013,800	3,003,400	2,420,341	583,059
Arts, culture, and library	—	1,967,500	1,556,058	411,442
Parks and recreation	16,138,100	14,855,000	14,058,752	796,248
Sports and tourism	157,000	157,000	156,845	155
Total culture and recreation	<u>19,308,900</u>	<u>19,982,900</u>	<u>18,191,996</u>	<u>1,790,904</u>
Total current	<u>187,037,300</u>	<u>187,648,000</u>	<u>142,332,290</u>	<u>45,315,710</u>
Debt service:				
Principal retirement	—	—	936,693	(936,693)
Interest	—	—	15,132	(15,132)
Total debt service	<u>—</u>	<u>—</u>	<u>951,825</u>	<u>(951,825)</u>
Capital outlay	<u>2,324,800</u>	<u>3,222,500</u>	<u>1,921,035</u>	<u>1,301,465</u>
Total expenditures	<u>189,362,100</u>	<u>190,870,500</u>	<u>145,205,150</u>	<u>45,665,350</u>
Excess (deficiency) of revenues over expenditures	<u>(14,408,500)</u>	<u>(15,866,900)</u>	<u>50,870,068</u>	<u>66,736,968</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	—	—	165,522	165,522
Transfers in	1,762,500	1,783,600	1,779,600	(4,000)
Transfers out	(26,336,000)	(26,336,000)	(37,804,131)	(11,468,131)
Lease agreements	—	—	56,124	56,124
Total other financing sources (uses)	<u>(24,573,500)</u>	<u>(24,552,400)</u>	<u>(35,802,885)</u>	<u>(11,250,485)</u>
Net change in fund balances	<u>\$ (38,982,000)</u>	<u>\$ (40,419,300)</u>	<u>\$ 15,067,183</u>	<u>\$ 55,486,483</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

General Government Development Fee Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	\$ 649,800	\$ 649,800	\$ 672,173	\$ 22,373
Interest revenue	3,300	3,300	29,723	26,423
Total revenues	653,100	653,100	701,896	48,796
EXPENDITURES				
Current:				
General government	1,475,900	1,475,900	—	1,475,900
Total current	1,475,900	1,475,900	—	1,475,900
Total expenditures	1,475,900	1,475,900	—	1,475,900
Excess (deficiency) of revenues over expenditures	(822,800)	(822,800)	701,896	1,524,696
OTHER FINANCING SOURCES (USES)				
Transfers out	(366,900)	(366,900)	(366,702)	198
Total other financing sources (uses)	(366,900)	(366,900)	(366,702)	198
Net change in fund balances	\$ (1,189,700)	\$ (1,189,700)	\$ 335,194	\$ 1,524,894

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Highway User Revenue Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenues	\$ 11,355,200	\$ 11,355,200	\$ 11,093,076	\$ (262,124)
Charges for services	8,300	8,300	15,000	6,700
Interest revenue	—	—	109,834	109,834
Other revenue	1,500	1,500	44,450	42,950
Total revenues	11,365,000	11,365,000	11,262,360	(102,640)
EXPENDITURES				
Current:				
General government	2,394,300	2,708,900	163,509	2,545,391
Public works and streets	11,312,000	11,274,100	10,695,785	578,315
Total current	13,706,300	13,983,000	10,859,294	3,123,706
Debt service:				
Principal retirement	—	—	2,835	(2,835)
Interest	—	—	62	(62)
Total debt service	—	—	2,897	(2,897)
Capital outlay	2,184,400	1,907,700	967,179	940,521
Total expenditures	15,890,700	15,890,700	11,829,370	4,061,330
Excess (deficiency) of revenues over expenditures	(4,525,700)	(4,525,700)	(567,010)	3,958,690
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	—	—	48,423	48,423
Total other financing sources (uses)	—	—	48,423	48,423
Net change in fund balances	\$ (4,525,700)	\$ (4,525,700)	\$ (518,587)	\$ 4,007,113

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Transportation Improvement Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 10,127,800	\$ 10,127,800	\$ 16,189,998	\$ 6,062,198
Interest revenue	20,600	20,600	447,991	427,391
Other revenue	862,500	862,500	43,059	(819,441)
Total revenues	11,010,900	11,010,900	16,681,048	5,670,148
EXPENDITURES				
Current:				
Public works and streets	3,124,900	3,059,500	2,992,766	66,734
Total current	3,124,900	3,059,500	2,992,766	66,734
Capital outlay	25,658,800	25,724,200	5,910,553	19,813,647
Total expenditures	28,783,700	28,783,700	8,903,319	19,880,381
Excess (deficiency) of revenues over expenditures	(17,772,800)	(17,772,800)	7,777,729	25,550,529
OTHER FINANCING SOURCES (USES)				
Transfers out	(112,300)	(112,300)	(112,300)	—
Total other financing sources (uses)	(112,300)	(112,300)	(112,300)	—
Net change in fund balances	\$ (17,885,100)	\$ (17,885,100)	\$ 7,665,429	\$ 25,550,529

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) Capital Projects, the Grants, and Neighborhood Revitalization Funds adopt project-length budgets which normally extend beyond the fiscal year, (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis, (4) Bad debt expense represents revenue the City won't receive, rather than an actual cash outlay, and (5) Prepaid items, leases, and inventory are expended when paid not when the goods or services are received or used.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. It has been programmed to allow as much flexibility as possible while still establishing useful guidelines. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The City budget is adopted by department within each fund and by project in the capital funds. In addition, the full-time equivalent (FTE) position count is adopted by department within each fund. Changes to the adopted budget must be made in accordance with the City's Budget Amendment Policy. This policy specifies the approval levels required for various types of budget amendments. During the fiscal year, amendment requests are submitted to the Finance Department for preparation and processing. Changes can be made pursuant to the policy only if funds are unencumbered and available.



SURPRISE

ARIZONA



OTHER SUPPLEMENTARY INFORMATION



SURPRISE

ARIZONA

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

General Capital Projects Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 14,893,200	\$ 14,893,200	\$ 23,745,330	\$ 8,852,130
Licenses and permits	—	—	436,017	436,017
Interest revenue	138,400	138,400	1,992,623	1,854,223
Other revenue	—	—	94,154	94,154
Total revenues	15,031,600	15,031,600	26,268,124	11,236,524
EXPENDITURES				
Current:				
General government:				
Information technology	14,900	14,900	—	14,900
Marketing and communications	179,900	149,200	98,284	50,916
General operations	47,400	47,400	27,516	19,884
Total general government	242,200	211,500	125,800	85,700
Public safety:				
Police	1,134,700	1,475,900	1,222,323	253,577
Fire-Medical	21,500	21,500	8,921	12,579
Total public safety	1,156,200	1,497,400	1,231,244	266,156
Public works and streets	4,100,000	4,100,000	3,822,219	277,781
Community development:				
Economic development	240,100	210,700	82,415	128,285
Total community development	240,100	210,700	82,415	128,285
Culture and recreation:				
Human services and community vitality	14,100	13,600	8,965	4,635
Parks and recreation	3,394,200	2,935,600	1,952,435	983,165
Sports and tourism	4,218,700	3,759,600	2,977,136	782,464
Total culture and recreation	7,627,000	6,708,800	4,938,536	1,770,264
Total current	13,365,500	12,728,400	10,200,214	2,528,186
Capital outlay	108,059,000	110,949,100	27,704,627	83,244,473
Total expenditures	121,424,500	123,677,500	37,904,841	85,772,659
Excess (deficiency) of revenues over expenditures	(106,392,900)	(108,645,900)	(11,636,717)	97,009,183
OTHER FINANCING SOURCES (USES)				
Transfers in	20,588,300	20,588,300	33,359,800	12,771,500
Transfers out	(94,900)	(94,900)	(95,599)	(699)
Total other financing sources (uses)	20,493,400	20,493,400	33,264,201	12,770,801
Net change in fund balances	\$ (85,899,500)	\$ (88,152,500)	\$ 21,627,484	\$ 109,779,984



SURPRISE

ARIZONA

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Debt Service Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 5,557,500	\$ 5,557,500	\$ 5,552,056	\$ (5,444)
Interest revenue	—	—	63,106	63,106
Other revenue	—	—	184,347	184,347
Total revenues	5,557,500	5,557,500	5,799,509	242,009
EXPENDITURES				
Debt service:				
Administrative charges	8,000	8,000	2,516	5,484
Principal retirement	7,218,200	7,218,200	6,422,488	795,712
Interest	2,211,100	2,211,100	2,210,978	122
Total debt service	9,437,300	9,437,300	8,635,982	801,318
Total expenditures	9,437,300	9,437,300	8,635,982	801,318
Excess (deficiency) of revenues over expenditures	(3,879,800)	(3,879,800)	(2,836,473)	1,043,327
OTHER FINANCING SOURCES (USES)				
Transfers in	3,437,300	3,437,300	3,475,905	38,605
Total other financing sources (uses)	3,437,300	3,437,300	3,475,905	38,605
Net change in fund balances	\$ (442,500)	\$ (442,500)	\$ 639,432	\$ 1,081,932

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special Revenue Funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
- *Grants Fund* - This fund has been established to account for revenues and expenditures from the various grants received by the City.
 - *Ground Ambulance Service Fund* - This fund accounts for ground ambulance services provided to patients in need of emergency medical services within the City.
 - *LTAF II/ALF Fund* - This fund has been established to account for revenues and expenditures received by the City from the state of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.
 - *Municipal Court Enhancement Fund* - Established in FY2003, this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
 - *Municipal Court FARE fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which enhance the fine collections process. FARE - Fare/fees and restitution enforcement.
 - *Municipal Court JCEF Fund* - This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
 - *Municipal Court MFTG Fund* - This fund is used to discretely track funds received by the City that are restricted to use on projects which aid in the processing of criminal cases. MFTG - Municipal Fill The Gap.
 - *Neighborhood Revitalization Fund* - This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
 - *Net Premium Seating Fund* - This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.
 - *Proposition 400 Fund* - This fund is used to track all revenues and expenditures for the county-wide half-cent sales tax to be used for regional transportation improvements.
 - *SB1398 Fines Fund* - This fund was established to account for funds the City receives from the state of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.
 - *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. The use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of department equipment not included in the general budget. SPD - Surprise Police Department. DEA - Drug Enforcement Activity.
 - *SPD RICO Fund* - This fund is used to discretely track funds received from participation in the Maricopa County Attorney's Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* - This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Sports & Tourism Fund* - This fund is used to track all revenues and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.
 - *Smart & Safe Police Fund* - This fund is used to track Police revenues and expenditures related to Prop 207.
 - *Smart & Safe Fire-Medical Fund* - This fund is used to track Fire revenues and expenditures related to Prop 207.

NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS (continued)

- *Tourism Fund* - This fund is used to track all revenues and expenditures associated with the City's 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.
- *163rd Avenue Roadway Development Impact Fee Fund* - This fund was established to account for development impact fees which are assessed to the service area identified as the 163rd Avenue Roadway.
- *Fire Development Fee Fund* - This fund was established to account for the inflow of Fire and EMS development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on Fire and EMS services caused by growth.
- *Parks and Recreation Development Fee Fund* - This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
- *Police Development Fee Fund* - This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction financing and furnishing of new capital or one-time items directly related to the increased demand of police services caused by growth.
- *Street Lighting District Fund* – 161 Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of expenses to operate the street lights within the district.
- *Marley Park Community Facility District Fund* – This fund was established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations expenses and debt service within the district.

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	Grants Fund	Ground Ambulance Service Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund
ASSETS					
Cash and investments	\$ 4,978,625	\$ 1,694,015	\$ 1,218	\$ 404,437	\$ 22,979
Restricted cash and investments	—	—	—	—	—
Receivables (net of allowances):					
Accounts	—	1,453,296	—	—	—
Taxes and franchise fees	—	—	—	—	—
Grants	635,546	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Prepaid items and other assets	900	—	—	—	—
Inventory	—	—	—	—	—
Total assets	<u>\$ 5,615,071</u>	<u>\$ 3,147,311</u>	<u>\$ 1,218</u>	<u>\$ 404,437</u>	<u>\$ 22,979</u>
LIABILITIES					
Accounts payable	\$ 124,540	\$ 46,311	\$ —	\$ —	\$ —
Accrued payroll and related taxes	—	92,595	—	—	—
Due to other fund	—	—	—	—	—
Deposits	—	—	—	—	—
Unearned revenue	5,505,713	—	—	—	—
Contracts payable	—	—	—	—	—
Matured bond interest payable	—	—	—	—	—
Matured bonds payable	—	—	—	—	—
Total liabilities	<u>5,630,253</u>	<u>138,906</u>	<u>—</u>	<u>—</u>	<u>—</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	84,207	628,595	—	—	—
Deferred Inflows - leases	—	—	—	—	—
Total deferred inflow of resources	<u>84,207</u>	<u>628,595</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>5,714,460</u>	<u>767,501</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCES (DEFICITS)					
Nonspendable	900	—	—	—	—
Restricted	—	—	1,218	404,437	22,979
Committed	—	2,379,810	—	—	—
Unassigned	(100,289)	—	—	—	—
Total fund balances (deficits)	<u>(99,389)</u>	<u>2,379,810</u>	<u>1,218</u>	<u>404,437</u>	<u>22,979</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,615,071</u>	<u>\$ 3,147,311</u>	<u>\$ 1,218</u>	<u>\$ 404,437</u>	<u>\$ 22,979</u>

Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund
\$ 109,351	\$ 56,793	\$ —	\$ 269,242	\$ 400	\$ 53,537	\$ 17,280	\$ 5,192
—	—	—	—	—	—	—	1,302,001
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	442,564	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 109,351</u>	<u>\$ 56,793</u>	<u>\$ 442,564</u>	<u>\$ 269,242</u>	<u>\$ 400</u>	<u>\$ 53,537</u>	<u>\$ 17,280</u>	<u>\$ 1,307,193</u>
\$ —	\$ —	\$ 63,044	\$ 13,293	\$ —	\$ —	\$ —	\$ 7,535
—	—	—	—	—	—	—	—
—	—	69,457	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	375,597	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>508,098</u>	<u>13,293</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,535</u>
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>508,098</u>	<u>13,293</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,535</u>
—	—	—	—	—	—	—	—
109,351	56,793	—	—	400	53,537	17,280	1,299,658
—	—	—	255,949	—	—	—	—
—	—	(65,534)	—	—	—	—	—
<u>109,351</u>	<u>56,793</u>	<u>(65,534)</u>	<u>255,949</u>	<u>400</u>	<u>53,537</u>	<u>17,280</u>	<u>1,299,658</u>
<u>\$ 109,351</u>	<u>\$ 56,793</u>	<u>\$ 442,564</u>	<u>\$ 269,242</u>	<u>\$ 400</u>	<u>\$ 53,537</u>	<u>\$ 17,280</u>	<u>\$ 1,307,193</u>

(Continued)

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2023

	SPD Towing Fund	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund
ASSETS					
Cash and investments	\$ 16,352	\$ 606,166	\$ 822,249	\$ 806,069	\$ 1,641,382
Restricted cash and investments	—	—	—	—	—
Receivables (net of allowances):					
Accounts	—	—	—	—	—
Taxes and franchise fees	—	—	—	—	—
Grants	—	—	—	—	—
Leases	—	2,887,835	—	—	—
Other	—	339,456	—	—	—
Prepaid items and other assets	—	—	—	—	—
Inventory	—	8,932	—	—	—
Total assets	<u>\$ 16,352</u>	<u>\$ 3,842,389</u>	<u>\$ 822,249</u>	<u>\$ 806,069</u>	<u>\$ 1,641,382</u>
LIABILITIES					
Accounts payable	\$ —	\$ 189,121	\$ —	\$ —	\$ 450,078
Accrued payroll and related taxes	613	47,512	—	—	—
Due to other funds	—	—	—	—	—
Deposits	—	—	—	—	—
Unearned revenue	—	—	—	—	—
Contracts payable	—	—	—	—	—
Matured bond interest payable	—	—	—	—	—
Matured bonds payable	—	—	—	—	—
Total liabilities	<u>613</u>	<u>236,633</u>	<u>—</u>	<u>—</u>	<u>450,078</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - unavailable revenue	—	—	—	—	—
Deferred Inflows - leases	—	2,766,453	—	—	—
Total deferred inflow of resources	<u>—</u>	<u>2,766,453</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and deferred inflows of resources	<u>613</u>	<u>3,003,086</u>	<u>—</u>	<u>—</u>	<u>450,078</u>
FUND BALANCES (DEFICITS)					
Nonspendable	—	8,932	—	—	—
Restricted	15,739	830,371	822,249	806,069	—
Committed	—	—	—	—	1,191,304
Unassigned	—	—	—	—	—
Total fund balances (deficits)	<u>15,739</u>	<u>839,303</u>	<u>822,249</u>	<u>806,069</u>	<u>1,191,304</u>
Total liabilities and fund balances (deficits)	<u>\$ 16,352</u>	<u>\$ 3,842,389</u>	<u>\$ 822,249</u>	<u>\$ 806,069</u>	<u>\$ 1,641,382</u>

163rd Ave Development Fee Fund	Fire Development Fee Fund	Parks and Recreation Development Fee Fund	Police Development Fee Fund	Street Lighting Districts Fund	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
\$ 34,448	\$ 11,993,128	\$ 8,172,694	\$ 6,013,771	\$ 1,193,816	\$ 2,051,301	\$ 40,964,445
—	—	—	—	—	—	1,302,001
—	—	—	—	—	—	1,453,296
—	—	—	—	34,989	31,917	66,906
—	—	—	—	—	—	1,078,110
—	—	—	—	—	—	2,887,835
—	—	—	—	—	32,250	371,706
—	1,566,696	—	—	—	—	1,567,596
—	—	—	—	—	—	8,932
<u>\$ 34,448</u>	<u>\$ 13,559,824</u>	<u>\$ 8,172,694</u>	<u>\$ 6,013,771</u>	<u>\$ 1,228,805</u>	<u>\$ 2,115,468</u>	<u>\$ 49,700,827</u>
\$ 34,448	\$ 113,002	\$ 25,350	\$ 338	\$ 194,697	\$ 178,629	\$ 1,440,386
—	—	—	—	—	—	140,720
—	—	—	—	—	—	69,457
—	—	—	—	462	—	462
—	—	—	—	—	—	5,881,310
—	—	58,540	—	—	—	58,540
—	—	—	—	—	613,578	613,578
—	—	—	—	—	655,000	655,000
<u>34,448</u>	<u>113,002</u>	<u>83,890</u>	<u>338</u>	<u>195,159</u>	<u>1,447,207</u>	<u>8,859,453</u>
—	—	—	—	5,901	15,645	734,348
—	—	—	—	—	—	2,766,453
—	—	—	—	5,901	15,645	3,500,801
<u>34,448</u>	<u>113,002</u>	<u>83,890</u>	<u>338</u>	<u>201,060</u>	<u>1,462,852</u>	<u>12,360,254</u>
—	1,566,696	—	—	—	—	1,576,528
—	11,880,126	8,088,804	6,013,433	1,027,745	652,616	32,102,805
—	—	—	—	—	—	3,827,063
—	—	—	—	—	—	(165,823)
<u>—</u>	<u>13,446,822</u>	<u>8,088,804</u>	<u>6,013,433</u>	<u>1,027,745</u>	<u>652,616</u>	<u>37,340,573</u>
<u>\$ 34,448</u>	<u>\$ 13,559,824</u>	<u>\$ 8,172,694</u>	<u>\$ 6,013,771</u>	<u>\$ 1,228,805</u>	<u>\$ 2,115,468</u>	<u>\$ 49,700,827</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Grants Fund	Ground Ambulance Service Fund	LTAF II/ALF Fund	Municipal Court Enhancement Fund	Municipal Court FARE Fund
REVENUES					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental revenues	—	—	364,134	—	2,401
Charges for services	—	6,621,160	—	—	—
Grants revenue	2,113,000	—	—	—	—
Fines	—	—	—	84,666	—
Rents	—	—	—	—	—
Development fees	—	—	—	—	—
Interest revenue	—	26,246	15	7,647	471
Other revenue	—	54,936	—	—	—
Total revenues	2,113,000	6,702,342	364,149	92,313	2,872
EXPENDITURES					
Current:					
General government	1,600	—	—	—	—
Public safety	669,937	4,965,490	—	—	—
Public works and streets	—	—	364,134	—	—
Community development	—	—	—	—	—
Culture and recreation	903,245	—	—	—	—
Debt service:					
Administrative charges	—	—	—	—	—
Principal retirement	—	—	—	—	—
Interest	—	—	—	—	—
Capital outlay	609,246	129,510	—	—	—
Total expenditures	2,184,028	5,095,000	364,134	—	—
Excess (deficiency) of revenues over expenditures	(71,028)	1,607,342	15	92,313	2,872
OTHER FINANCING SOURCES (USES)					
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Issuance of debt	—	—	—	—	—
Issuance of premium	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—
Net change in fund balance	(71,028)	1,607,342	15	92,313	2,872
Fund balances - beginning (as restated)	(28,361)	772,468	1,203	312,124	20,107
Increase / (decrease) in inventories	—	—	—	—	—
Fund balances - ending	\$ (99,389)	\$ 2,379,810	\$ 1,218	\$ 404,437	\$ 22,979

Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborhood Revitalization Fund	Net Premium Seating Fund	Proposition 400 Fund	SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	8,312	—	—	—	—	—	—
—	—	—	26,160	—	—	—	—
—	—	1,620,991	—	—	—	—	—
12,216	—	—	—	—	21,058	—	181,875
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
2,160	1,113	—	2,432	8	1,036	358	27,848
—	—	—	—	—	—	—	—
14,376	9,425	1,620,991	28,592	8	22,094	358	209,723
—	—	—	—	—	—	—	—
—	—	—	—	—	9,926	—	106,559
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	1,568,893	79,518	—	—	—	—
—	—	—	—	—	—	—	—
—	—	29,968	—	—	—	—	—
—	—	22,130	—	—	—	—	—
—	—	—	—	—	—	—	54,623
—	—	1,620,991	79,518	—	9,926	—	161,182
14,376	9,425	—	(50,926)	8	12,168	358	48,541
—	—	—	140,907	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	140,907	—	—	—	—
14,376	9,425	—	89,981	8	12,168	358	48,541
94,975	47,368	(65,534)	165,968	392	41,369	16,922	1,251,117
—	—	—	—	—	—	—	—
\$ 109,351	\$ 56,793	\$ (65,534)	\$ 255,949	\$ 400	\$ 53,537	\$ 17,280	\$ 1,299,658

(Continued)

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds (Continued)

For the Year Ended June 30, 2023

	SPD Towing Fund	Sports & Tourism Fund	Smart & Safe Police Fund	Smart & Safe Fire-Medical Fund	Tourism Fund
REVENUES					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,222,911
Intergovernmental revenues	—	—	414,662	409,058	158,850
Charges for services	22,500	3,427,632	—	—	—
Grants revenue	—	—	—	—	—
Fines	—	—	—	—	—
Rents	—	488,130	—	—	—
Development fees	—	—	—	—	—
Interest revenue	479	40,520	—	—	43,639
Other revenue	—	22,066	—	—	—
Total revenues	22,979	3,978,348	414,662	409,058	1,425,400
EXPENDITURES					
Current:					
General government	—	—	—	—	—
Public safety	49,369	—	—	—	—
Public works and streets	—	—	—	—	—
Community development	—	—	—	—	—
Culture and recreation	—	6,582,577	—	—	677,791
Debt service:					
Administrative charges	—	—	—	—	—
Principal retirement	—	—	—	—	—
Interest	—	—	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	49,369	6,582,577	—	—	677,791
Excess (deficiency) of revenues over expenditures	(26,390)	(2,604,229)	414,662	409,058	747,609
OTHER FINANCING SOURCES (USES)					
Transfers in	—	2,751,116	—	—	—
Transfers out	—	(8,674)	—	—	(917,183)
Issuance of debt	—	—	—	—	—
Premium on debt issuance	—	—	—	—	—
Total other financing sources (uses)	—	2,742,442	—	—	(917,183)
Net change in fund balances	(26,390)	138,213	414,662	409,058	(169,574)
Fund balances - beginning (as restated)	42,129	701,586	407,587	397,011	1,360,878
Increase / (decrease) in inventories	—	(496)	—	—	—
Fund balances - ending	\$ 15,739	\$ 839,303	\$ 822,249	\$ 806,069	\$ 1,191,304

163rd Ave Development Fee Fund	Fire Development Fee Fund	Parks and Recreation Development Fee Fund	Police Development Fee Fund	Street Lighting Districts Fund	Marley Park Community Facility District Fund	Total Nonmajor Special Revenue Funds
\$ —	\$ —	\$ —	\$ —	\$ 2,832,015	\$ 2,069,148	\$ 6,124,074
—	—	—	—	—	—	1,357,417
—	—	—	—	7,158	—	10,104,610
—	—	—	—	—	—	3,733,991
—	—	—	—	—	—	299,815
—	—	—	—	—	—	488,130
—	2,377,853	2,657,753	1,159,843	—	—	6,195,449
2,197	247,004	157,486	119,185	25,415	—	705,259
—	—	—	—	—	—	77,002
2,197	2,624,857	2,815,239	1,279,028	2,864,588	2,069,148	29,085,747
—	—	195,460	6,944	108,396	—	312,400
—	16,041	—	—	—	—	5,817,322
—	—	—	—	—	—	364,134
—	—	—	—	2,304,899	—	2,304,899
—	—	—	—	—	178,629	9,990,653
—	—	—	—	—	508,417	508,417
—	—	—	—	—	655,000	684,968
—	—	—	—	—	1,217,434	1,239,564
116,514	322,181	1,988,967	369,456	—	12,502,430	16,092,927
116,514	338,222	2,184,427	376,400	2,413,295	15,061,910	37,315,284
(114,317)	2,286,635	630,812	902,628	451,293	(12,992,762)	(8,229,537)
—	—	—	—	—	—	2,892,023
—	(66,818)	(436,968)	(135,227)	—	—	(1,564,870)
—	—	—	—	—	13,065,000	13,065,000
—	—	—	—	—	27,551	27,551
—	(66,818)	(436,968)	(135,227)	—	13,092,551	14,419,704
(114,317)	2,219,817	193,844	767,401	451,293	99,789	6,190,167
114,317	11,227,005	7,894,960	5,246,032	576,452	552,827	31,150,902
—	—	—	—	—	—	(496)
\$ —	\$ 13,446,822	\$ 8,088,804	\$ 6,013,433	\$ 1,027,745	\$ 652,616	\$ 37,340,573

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Grants Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grants revenue	\$ 23,845,100	\$ 24,055,900	\$ 2,113,000	\$ (21,942,900)
Total revenues	23,845,100	24,055,900	2,113,000	(21,942,900)
EXPENDITURES				
Current:				
General government:				
City attorney	—	1,600	1,600	—
Public safety:				
Police	586,600	714,400	467,102	247,298
Fire-Medical	514,800	368,000	202,835	165,165
Culture and recreation:				
Human services and community vitality	1,189,000	4,548,500	781,945	3,766,555
Parks and recreation	—	7,200	4,760	2,440
Sports and Tourism	—	120,000	116,540	3,460
Total current	2,290,400	5,759,700	1,574,782	4,184,918
Capital outlay	27,105,700	23,756,400	609,246	23,147,154
Total expenditures	29,396,100	29,516,100	2,184,028	27,332,072
Excess (deficiency) of revenues over expenditures	(5,551,000)	(5,460,200)	(71,028)	5,389,172
OTHER FINANCING SOURCES (USES)				
Transfers out	—	(21,100)	—	21,100
Total other financing sources (uses)	—	(21,100)	—	21,100
Net change in fund balances	\$ (5,551,000)	\$ (5,481,300)	\$ (71,028)	\$ 5,410,272

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Ground Ambulance Service Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	\$ 5,004,800	\$ 5,004,800	\$ 6,621,160	\$ 1,616,360
Interest revenue	3,100	3,100	26,246	23,146
Other revenue	10,000	10,000	54,936	44,936
Total revenues	5,017,900	5,017,900	6,702,342	1,684,442
EXPENDITURES				
Current:				
Public safety	5,234,700	5,860,000	4,965,490	894,510
Total current	5,234,700	5,860,000	4,965,490	894,510
Capital outlay	902,000	902,000	129,510	772,490
Total expenditures	6,136,700	6,762,000	5,095,000	1,667,000
Excess (deficiency) of revenues over expenditures	(1,118,800)	(1,744,100)	1,607,342	3,351,442
Net change in fund balances	\$ (1,118,800)	\$ (1,744,100)	\$ 1,607,342	\$ 3,351,442

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

LTAF II/ALF Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 400,000	\$ 400,000	\$ 364,134	\$ (35,866)
Interest revenue	—	—	15	15
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>364,149</u>	<u>(35,851)</u>
EXPENDITURES				
Current:				
Public works and streets	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Total current	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Total expenditures	<u>401,100</u>	<u>401,100</u>	<u>364,134</u>	<u>36,966</u>
Excess (deficiency) of revenues over expenditures	<u>(1,100)</u>	<u>(1,100)</u>	<u>15</u>	<u>1,115</u>
Net change in fund balances	<u>\$ (1,100)</u>	<u>\$ (1,100)</u>	<u>\$ 15</u>	<u>\$ 1,115</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditure, and Changes in Fund Balances - Budget to Actual

Municipal Court Enhancement Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines	\$ 74,400	\$ 74,400	\$ 84,666	\$ 10,266
Interest revenue	—	\$ —	7,647	7,647
Total revenues	74,400	74,400	92,313	17,913
EXPENDITURES				
Current:				
Public safety:				
Court	317,500	317,500	—	317,500
Total current	317,500	317,500	—	317,500
Capital outlay	25,000	25,000	—	25,000
Total expenditures	342,500	342,500	—	342,500
Excess (deficiency) of revenues over expenditures	(268,100)	(268,100)	92,313	360,413
Net change in fund balances	\$ (268,100)	\$ (268,100)	\$ 92,313	\$ 360,413

City of Surprise, Arizona

Schedule of Revenues, Expenditure, and Changes in Fund Balances - Budget to Actual

Municipal Court FARE Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 2,000	\$ 2,000	\$ 2,401	\$ 401
Interest revenue	—	—	471	471
Total revenues	2,000	2,000	2,872	872
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	—	—	—	—
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	2,000	2,000	2,872	872
Net change in fund balances	\$ 2,000	\$ 2,000	\$ 2,872	\$ 872

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court JCEF Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 16,000	\$ 16,000	\$ 12,216	\$ (3,784)
Interest revenue	—	—	2,160	2,160
Total revenues	16,000	16,000	14,376	(1,624)
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	—	—	—	—
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	16,000	16,000	14,376	(1,624)
Net change in fund balances	\$ 16,000	\$ 16,000	\$ 14,376	\$ (1,624)

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Municipal Court MFTG Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 9,400	\$ 9,400	\$ 8,312	\$ (1,088)
Interest revenue	—	—	1,113	1,113
Total revenues	9,400	9,400	9,425	25
EXPENDITURES				
Current:				
Public safety	—	—	—	—
Total current	—	—	—	—
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	9,400	9,400	9,425	25
Net change in fund balances	\$ 9,400	\$ 9,400	\$ 9,425	\$ 25

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Neighborhood Revitalization Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grants revenue	\$ 3,086,800	\$ 2,876,000	\$ 1,620,991	\$ (1,255,009)
Total revenues	3,086,800	2,876,000	1,620,991	(1,255,009)
EXPENDITURES				
Current:				
Culture and recreation:				
Human services and community vitality	3,021,400	2,883,300	1,568,893	1,314,407
Total current	3,021,400	2,883,300	1,568,893	1,314,407
Debt service:				
Principal retirement	—	—	29,968	(29,968)
Interest	—	—	22,130	(22,130)
Total debt service	—	—	52,098	(52,098)
Total expenditures	3,021,400	2,883,300	1,620,991	1,262,309
Excess (deficiency) of revenues over expenditures	65,400	(7,300)	—	7,300
Net change in fund balances	\$ 65,400	\$ (7,300)	\$ —	\$ 7,300

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Net Premium Seating Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 23,000	\$ 23,000	\$ 26,160	\$ 3,160
Interest revenue	1,300	1,300	2,432	1,132
Total revenues	24,300	24,300	28,592	4,292
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	281,600	281,600	79,518	202,082
Total current	281,600	281,600	79,518	202,082
Total expenditures	281,600	281,600	79,518	202,082
Excess (deficiency) of revenues over expenditures	(257,300)	(257,300)	(50,926)	206,374
OTHER FINANCING SOURCES (USES)				
Transfers in	139,600	139,600	140,907	1,307
Total other financing sources (uses)	139,600	139,600	140,907	1,307
Net change in fund balances	\$ (117,700)	\$ (117,700)	\$ 89,981	\$ 207,681

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SB1398 Fines Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 16,200	\$ 16,200	\$ 21,058	\$ 4,858
Interest revenue	200	200	1,036	836
Total revenues	16,400	16,400	22,094	5,694
EXPENDITURES				
Current:				
Public safety:				
Police	45,400	45,400	9,926	35,474
Total current	45,400	45,400	9,926	35,474
Total expenditures	45,400	45,400	9,926	35,474
Excess (deficiency) of revenues over expenditures	(29,000)	(29,000)	12,168	41,168
Net change in fund balances	\$ (29,000)	\$ (29,000)	\$ 12,168	\$ 41,168

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD DEA Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ —	\$ —	\$ 358	\$ 358
Total revenues	—	—	358	358
EXPENDITURES				
Current:				
Public safety	16,900	16,900	—	16,900
Total current	16,900	16,900	—	16,900
Total expenditures	16,900	16,900	—	16,900
Excess (deficiency) of revenues over expenditures	(16,900)	(16,900)	358	17,258
Net change in fund balances	\$ (16,900)	\$ (16,900)	\$ 358	\$ 17,258

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD RICO Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines	\$ 249,900	\$ 249,900	\$ 181,875	\$ (68,025)
Interest revenue	—	—	27,848	27,848
Total revenues	249,900	249,900	209,723	(40,177)
EXPENDITURES				
Current:				
Public safety:				
Police	857,500	857,500	106,559	750,941
Total current	857,500	857,500	106,559	750,941
Capital outlay	—	—	54,623	(54,623)
Total expenditures	857,500	857,500	161,182	696,318
Excess (deficiency) of revenues over expenditures	(607,600)	(607,600)	48,541	656,141
Net change in fund balances	\$ (607,600)	\$ (607,600)	\$ 48,541	\$ 656,141

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

SPD Towing Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 25,800	\$ 25,800	\$ 22,500	\$ (3,300)
Interest revenue	200	200	479	279
Total revenues	<u>26,000</u>	<u>26,000</u>	<u>22,979</u>	<u>(3,021)</u>
EXPENDITURES				
Current:				
Public safety:				
Police	<u>77,400</u>	<u>77,400</u>	<u>49,369</u>	<u>28,031</u>
Total current	<u>77,400</u>	<u>77,400</u>	<u>49,369</u>	<u>28,031</u>
Total expenditures	<u>77,400</u>	<u>77,400</u>	<u>49,369</u>	<u>28,031</u>
Excess (deficiency) of revenues over expenditures	<u>(51,400)</u>	<u>(51,400)</u>	<u>(26,390)</u>	<u>25,010</u>
Net change in fund balances	<u><u>\$ (51,400)</u></u>	<u><u>\$ (51,400)</u></u>	<u><u>\$ (26,390)</u></u>	<u><u>\$ 25,010</u></u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Sports & Tourism Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	\$ 2,893,700	\$ 2,893,700	\$ 3,427,632	\$ 533,932
Rents	336,500	336,500	488,130	151,630
Interest revenue	—	—	40,520	40,520
Other revenue	—	—	22,066	22,066
Total revenues	3,230,200	3,230,200	3,978,348	748,148
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	7,065,600	7,065,600	6,582,577	483,023
Total current	7,065,600	7,065,600	6,582,577	483,023
Total expenditures	7,065,600	7,065,600	6,582,577	483,023
Excess (deficiency) of revenues over expenditures	(3,835,400)	(3,835,400)	(2,604,229)	1,231,171
OTHER FINANCING SOURCES (USES)				
Transfers in	3,835,400	3,835,400	2,751,116	(1,084,284)
Transfers out	—	—	(8,674)	(8,674)
Total other financing sources (uses)	3,835,400	3,835,400	2,742,442	(1,092,958)
Net change in fund balances	\$ —	\$ —	\$ 138,213	\$ 138,213

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Smart & Safe Police Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues	\$ 176,500	\$ 176,500	\$ 414,662	\$ 238,162
Total revenues	176,500	176,500	414,662	238,162
EXPENDITURES				
Current:				
Public safety	418,500	418,500	—	418,500
Total current	418,500	418,500	—	418,500
Total expenditures	418,500	418,500	—	418,500
Excess (deficiency) of revenues over expenditures	(242,000)	(242,000)	414,662	656,662
Net change in fund balances	\$ (242,000)	\$ (242,000)	\$ 414,662	\$ 656,662

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Smart & Safe Fire-Medical Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues	\$ 165,400	\$ 165,400	\$ 409,058	\$ 243,658
Total revenues	165,400	165,400	409,058	243,658
EXPENDITURES				
Current:				
Public safety	378,400	378,400	—	378,400
Total current	378,400	378,400	—	378,400
Total expenditures	378,400	378,400	—	378,400
Excess (deficiency) of revenues over expenditures	(213,000)	(213,000)	409,058	622,058
Net change in fund balances	\$ (213,000)	\$ (213,000)	\$ 409,058	\$ 622,058

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Tourism Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 991,500	\$ 991,500	\$ 1,222,911	\$ 231,411
Intergovernmental revenues	230,000	304,300	158,850	(145,450)
Charges for services	500,000	500,000	—	(500,000)
Interest revenue	—	—	43,639	43,639
Total revenues	1,721,500	1,795,800	1,425,400	(370,400)
EXPENDITURES				
Current:				
Culture and recreation:				
Sports and tourism	2,256,700	2,331,000	677,791	1,653,209
Total current	2,256,700	2,331,000	677,791	1,653,209
Total expenditures	2,256,700	2,331,000	677,791	1,653,209
Excess (deficiency) of revenues over expenditures	(535,200)	(535,200)	747,609	1,282,809
OTHER FINANCING SOURCES (USES)				
Transfers out	(658,200)	(658,200)	(917,183)	(258,983)
Total other financing sources (uses)	(658,200)	(658,200)	(917,183)	(258,983)
Net change in fund balances	\$ (1,193,400)	\$ (1,193,400)	\$ (169,574)	\$ 1,023,826

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

163rd Ave Development Fee Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest revenue	\$ —	\$ —	\$ 2,197	\$ 2,197
Total revenues	—	—	2,197	2,197
EXPENDITURES				
Capital outlay	125,000	125,000	116,514	8,486
Total expenditures	125,000	125,000	116,514	8,486
Excess (deficiency) of revenues over expenditures	(125,000)	(125,000)	(114,317)	10,683
Net change in fund balances	\$ (125,000)	\$ (125,000)	\$ (114,317)	\$ 10,683

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Fire Development Fee Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Development fees	\$ 2,464,800	\$ 2,464,800	\$ 2,377,853	\$ (86,947)
Interest revenue	26,800	26,800	247,004	220,204
Total revenues	2,491,600	2,491,600	2,624,857	133,257
EXPENDITURES				
Current				
Public safety:				
Fire-medical	10,057,600	8,833,500	16,041	8,817,459
Total current	10,057,600	8,833,500	16,041	8,817,459
Capital outlay	3,155,300	4,249,000	322,181	3,926,819
Total expenditures	13,212,900	13,082,500	338,222	12,744,278
Excess (deficiency) of revenues over expenditures	(10,721,300)	(10,590,900)	2,286,635	12,877,535
OTHER FINANCING SOURCES (USES)				
Transfers out	(66,900)	(66,900)	(66,818)	82
Total other financing sources (uses)	(66,900)	(66,900)	(66,818)	82
Net change in fund balances	\$ (10,788,200)	\$ (10,657,800)	\$ 2,219,817	\$ 12,877,617

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Parks and Recreation Development Fee Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	\$ 3,299,000	\$ 3,299,000	\$ 2,657,753	\$ (641,247)
Other revenue	—	—	—	—
Interest revenue	10,800	10,800	157,486	146,686
Total revenues	3,309,800	3,309,800	2,815,239	(494,561)
EXPENDITURES				
Current:				
General government:				
General operations	7,496,600	7,496,600	195,460	7,301,140
Total current	7,496,600	7,496,600	195,460	7,301,140
Capital outlay	2,000,000	2,000,000	1,988,967	11,033
Total expenditures	9,496,600	9,496,600	2,184,427	7,312,173
Excess (deficiency) of revenues over expenditures	(6,186,800)	(6,186,800)	630,812	6,817,612
OTHER FINANCING SOURCES (USES)				
Transfers out	(437,200)	(437,200)	(436,968)	232
Total other financing sources (uses)	(437,200)	(437,200)	(436,968)	232
Net change in fund balances	\$ (6,624,000)	\$ (6,624,000)	\$ 193,844	\$ 6,817,844

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Police Development Fee Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Development fees	\$ 1,204,700	\$ 1,204,700	\$ 1,159,843	\$ (44,857)
Other revenue	—	—	—	—
Interest revenue	13,900	13,900	119,185	105,285
Total revenues	1,218,600	1,218,600	1,279,028	60,428
EXPENDITURES				
Current:				
General government				
General operations	—	16,100	6,944	9,156
Public safety:				
Police	3,154,700	3,229,200	—	3,229,200
Total current	3,154,700	3,245,300	6,944	3,238,356
Capital outlay	2,735,900	2,645,300	369,456	2,275,844
Total expenditures	5,890,600	5,890,600	376,400	5,514,200
Excess (deficiency) of revenues over expenditures	(4,672,000)	(4,672,000)	902,628	5,574,628
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(135,400)	(135,400)	(135,227)	173
Total other financing sources (uses)	(135,400)	(135,400)	(135,227)	173
Net change in fund balances	\$ (4,807,400)	\$ (4,807,400)	\$ 767,401	\$ 5,574,801

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Street Lighting Districts Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,838,100	\$ 2,838,100	\$ 2,832,015	\$ (6,085)
Charges for services	10,900	10,900	7,158	(3,742)
Interest revenue	—	—	25,415	25,415
Total revenues	<u>2,849,000</u>	<u>2,849,000</u>	<u>2,864,588</u>	<u>15,588</u>
EXPENDITURES				
Current:				
General government:				
General operations	80,400	116,400	108,396	8,004
Community development	<u>3,238,600</u>	<u>3,245,000</u>	<u>2,304,899</u>	<u>940,101</u>
Total current	<u>3,319,000</u>	<u>3,361,400</u>	<u>2,413,295</u>	<u>948,105</u>
Total expenditures	<u>3,319,000</u>	<u>3,361,400</u>	<u>2,413,295</u>	<u>948,105</u>
Excess (deficiency) of revenues over expenditures	<u>(470,000)</u>	<u>(512,400)</u>	<u>451,293</u>	<u>963,693</u>
Net change in fund balances	<u>\$ (470,000)</u>	<u>\$ (512,400)</u>	<u>\$ 451,293</u>	<u>\$ 963,693</u>

City of Surprise, Arizona

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Marley Park Community Facility District Fund

For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 2,073,600	\$ 2,073,600	\$ 2,069,148	\$ (4,452)
Other revenue	—	—	—	—
Total revenues	<u>2,073,600</u>	<u>2,073,600</u>	<u>2,069,148</u>	<u>(4,452)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and recreation	199,500	199,500	178,629	20,871
Total current	<u>199,500</u>	<u>199,500</u>	<u>178,629</u>	<u>20,871</u>
Debt service:				
Administrative charges	580,200	580,200	508,417	71,783
Principal retirement	1,080,200	1,080,200	655,000	425,200
Interest	1,350,600	1,350,600	1,217,434	133,166
Total debt service	<u>3,011,000</u>	<u>3,011,000</u>	<u>2,380,851</u>	<u>630,149</u>
Capital outlay	12,503,000	12,503,000	12,502,430	570
Total expenditures	<u>15,713,500</u>	<u>15,713,500</u>	<u>15,061,910</u>	<u>651,590</u>
Excess (deficiency) of revenues over expenditures	<u>(13,639,900)</u>	<u>(13,639,900)</u>	<u>(12,992,762)</u>	<u>647,138</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	13,079,200	13,079,200	13,065,000	(14,200)
Premium on debt issuance	—	—	27,551	27,551
Total other financing sources (uses)	<u>13,079,200</u>	<u>13,079,200</u>	<u>13,092,551</u>	<u>13,351</u>
Net change in fund balances	<u>\$ (560,700)</u>	<u>\$ (560,700)</u>	<u>\$ 99,789</u>	<u>\$ 660,489</u>

INTERNAL SERVICE FUND DESCRIPTIONS

- ❖ Internal Service Funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
 - *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs city-wide.
 - *Employee Healthcare Trust Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Workers’ Compensation Fund* – This fund was created to account for expenses incurred for workers’ compensation claims, administration, coverage, and fund reserves.

City of Surprise, Arizona
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 6,959,247	\$ 8,071,989	\$ 4,780,601	\$ 19,811,837
Receivables (net of allowances):				
Other	510,444	495,555	—	1,005,999
Other assets	1,822	420	—	2,242
Total current assets	<u>7,471,513</u>	<u>8,567,964</u>	<u>4,780,601</u>	<u>20,820,078</u>
Noncurrent assets:				
Net other postemployment benefits asset	10,615	3,853	3,356	17,824
Total noncurrent assets	<u>10,615</u>	<u>3,853</u>	<u>3,356</u>	<u>17,824</u>
Total assets	<u>7,482,128</u>	<u>8,571,817</u>	<u>4,783,957</u>	<u>20,837,902</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	56,635	20,557	17,904	95,096
Deferred outflows related to other postemployment benefits	1,286	466	406	2,158
Total deferred outflows of resources	<u>57,921</u>	<u>21,023</u>	<u>18,310</u>	<u>97,254</u>
Total assets and deferred outflows of resources	<u>\$ 7,540,049</u>	<u>\$ 8,592,840</u>	<u>\$ 4,802,267</u>	<u>\$ 20,935,156</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,815	\$ 159,913	\$ 11,156	\$ 175,884
Accrued payroll and related taxes	2	2,047	5,736	7,785
Claims payable, current portion	236,677	1,779,297	404,293	2,420,267
Compensated absences payable, due in less than one year	—	8,374	15,155	23,529
Total current liabilities	<u>241,494</u>	<u>1,949,631</u>	<u>436,340</u>	<u>2,627,465</u>
Noncurrent liabilities:				
Compensated absences payable, due in more than one year	—	13,098	23,704	36,802
Claims payable, noncurrent portion	—	—	582,870	582,870
Net pension liability	303,918	110,316	96,079	510,313
Net other postemployment benefits liability	173	63	55	291
Total noncurrent liabilities	<u>304,091</u>	<u>123,477</u>	<u>702,708</u>	<u>1,130,276</u>
Total liabilities	<u>545,585</u>	<u>2,073,108</u>	<u>1,139,048</u>	<u>3,757,741</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	8,005	2,906	2,531	13,442
Deferred inflows related to other postemployment benefits	6,794	2,466	2,148	11,408
Total deferred inflows of resources	<u>14,799</u>	<u>5,372</u>	<u>4,679</u>	<u>24,850</u>
Total liabilities and deferred inflows of resources	<u>560,384</u>	<u>2,078,480</u>	<u>1,143,727</u>	<u>3,782,591</u>
NET POSITION				
Unrestricted	6,979,665	6,514,360	3,658,540	17,152,565
Total net position	<u>\$ 6,979,665</u>	<u>\$ 6,514,360</u>	<u>\$ 3,658,540</u>	<u>\$ 17,152,565</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures, and Changes in Net Position

Internal Service Funds

For the Year Ended June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 3,705,600	\$ 17,133,933	\$ 2,439,588	\$ 23,279,121
Other revenue	876,101	13,529	120	889,750
Total operating revenues	4,581,701	17,147,462	2,439,708	24,168,871
OPERATING EXPENSES				
Personnel services	355,280	125,140	147,724	628,144
Contractual services, materials and supplies	81,320	186,317	115,505	383,142
Insurance claims, premiums, and administrative expenses	2,739,088	17,316,799	1,651,832	21,707,719
Total operating expenses	3,175,688	17,628,256	1,915,061	22,719,005
Operating income (loss)	1,406,013	(480,794)	524,647	1,449,866
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	133,146	90,066	87,535	310,747
Total nonoperating revenues (expenses)	133,146	90,066	87,535	310,747
Income (loss) before contributions and transfers	1,539,159	(390,728)	612,182	1,760,613
Change in net position	1,539,159	(390,728)	612,182	1,760,613
Total net position - beginning	5,440,506	6,905,088	3,046,358	15,391,952
Total net position - ending	\$ 6,979,665	\$ 6,514,360	\$ 3,658,540	\$ 17,152,565

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management Fund	Employee Healthcare Trust	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 3,705,600	\$ 16,786,887	\$ 2,439,588	\$ 22,932,075
Payments to employees	(389,100)	(120,343)	(112,611)	(622,054)
Payments to suppliers	(83,224)	(161,993)	(108,135)	(353,352)
Payments for insurance claims and expenses	(2,822,237)	(17,289,315)	(1,520,196)	(21,631,748)
Other receipts	1,054,977	212,066	120	1,267,163
Net cash provided (used) by operating activities	1,466,016	(572,698)	698,766	1,592,084
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from interest income	133,146	90,066	87,535	310,747
Net cash provided (used) by investing activities	133,146	90,066	87,535	310,747
Net increase (decrease) in cash and cash equivalents	1,599,162	(482,632)	786,301	1,902,831
Balances - beginning of year	5,360,085	8,554,621	3,994,300	17,909,006
Balances - end of the year	<u>\$ 6,959,247</u>	<u>\$ 8,071,989</u>	<u>\$ 4,780,601</u>	<u>\$ 19,811,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ 1,406,013	\$ (480,794)	\$ 524,647	\$ 1,449,866
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Other receivables	178,876	(148,509)	—	30,367
Other assets	484	651	—	1,135
Accounts payable	(534)	23,673	7,956	31,095
Accrued payroll and related taxes	(14,821)	(3,250)	1,144	(16,927)
Compensated absences	(27,436)	5,656	31,300	9,520
Net pension liability	8,982	3,261	2,840	15,083
Claims payable	(83,149)	27,484	131,636	75,971
Net other postemployment asset/liability	(2,399)	(870)	(757)	(4,026)
Net cash provided (used) by operating activities	<u>\$ 1,466,016</u>	<u>\$ (572,698)</u>	<u>\$ 698,766</u>	<u>\$ 1,592,084</u>



STATISTICAL SECTION



SURPRISE

ARIZONA



STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, not disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

Contents:

Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Reports for the relevant year.

City of Surprise, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017
Governmental activities				
Net investment of capital assets	\$ 413,717,047	\$ 409,274,827	\$ 405,111,110	\$ 392,458,485
Restricted	29,650,958	27,948,361	22,743,525	24,613,341
Unrestricted	25,538,922	(18,482,747)	(16,896,594)	(27,479,276)
Total governmental activities net position	<u>\$ 468,906,927</u>	<u>\$ 418,740,441</u>	<u>\$ 410,958,041</u>	<u>\$ 389,592,550</u>
Business-type activities				
Net investment of capital assets	\$ 263,420,571	\$ 264,678,599	\$ 270,081,565	\$ 279,249,380
Restricted	6,895,582	5,381,403	13,039,887	12,326,207
Unrestricted	57,257,700	44,564,505	29,979,759	22,570,204
Total business-type activities net position	<u>\$ 327,573,853</u>	<u>\$ 314,624,507</u>	<u>\$ 313,101,211</u>	<u>\$ 314,145,791</u>
Primary government				
Net investment of capital assets	\$ 677,137,618	\$ 673,953,426	\$ 675,192,675	\$ 671,707,865
Restricted	36,546,540	33,329,764	35,783,412	36,939,548
Unrestricted	82,796,622	26,081,758	13,083,165	(4,909,072)
Total primary government net position	<u>\$ 796,480,780</u>	<u>\$ 733,364,948</u>	<u>\$ 724,059,252</u>	<u>\$ 703,738,341</u>

Source: City financial records

2018	2019	2020	2021	2022	2023
\$ 393,984,378	\$ 399,420,150	\$ 435,144,710	\$ 502,976,390	\$ 557,077,466	\$ 635,129,381
67,683,440	29,462,370	21,821,951	39,557,045	39,307,858	40,382,529
(57,592,973)	1,815,847	28,238,342	75,855,018	141,847,579	193,259,901
<u>\$ 404,074,845</u>	<u>\$ 430,698,367</u>	<u>\$ 485,205,003</u>	<u>\$ 618,388,453</u>	<u>\$ 738,232,903</u>	<u>\$ 868,771,811</u>
\$ 277,989,957	\$ 274,750,943	\$ 282,360,332	\$ 320,299,739	\$ 331,988,392	\$ 359,266,161
14,365,125	12,932,109	13,735,679	9,425,177	12,408,370	19,561,463
31,396,601	43,938,146	52,259,316	67,556,649	78,863,705	89,533,789
<u>\$ 323,751,683</u>	<u>\$ 331,621,198</u>	<u>\$ 348,355,327</u>	<u>\$ 397,281,565</u>	<u>\$ 423,260,467</u>	<u>\$ 468,361,413</u>
\$ 671,974,335	\$ 674,171,093	\$ 717,505,042	\$ 823,276,129	\$ 889,065,858	\$ 994,395,542
82,048,565	42,394,479	35,557,630	48,982,222	51,716,228	59,943,992
(26,196,372)	45,753,993	80,497,658	143,411,667	220,711,284	282,793,690
<u>\$ 727,826,528</u>	<u>\$ 762,319,565</u>	<u>\$ 833,560,330</u>	<u>\$ 1,015,670,018</u>	<u>\$ 1,161,493,370</u>	<u>\$ 1,337,133,224</u>

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017
<u>Expenses</u>				
Governmental Activities:				
General government	\$ 16,079,202	\$ 21,038,892	\$ 18,906,430	\$ 27,733,034
Public safety	40,931,709	44,415,505	47,273,449	64,148,194
Public works & streets	34,988,682	35,141,030	38,670,796	41,540,981
Community development	8,388,639	5,205,925	10,235,430	12,326,274
Culture and recreation	17,228,719	21,863,417	25,690,406	22,555,794
Interest	1,378,709	1,635,320	1,472,910	1,381,807
Total governmental activities expenses	<u>118,995,660</u>	<u>129,300,089</u>	<u>142,249,421</u>	<u>169,686,084</u>
Business-type Activities:				
Ground ambulance services	—	—	—	—
Sanitation	7,144,521	7,883,309	7,972,061	9,034,441
Sewer	20,072,400	20,360,031	20,399,067	19,519,303
Stormwater	—	—	—	187,744
Water	10,546,378	10,619,858	11,823,538	15,013,661
Total business-type activities	<u>37,763,299</u>	<u>38,863,198</u>	<u>40,194,666</u>	<u>43,755,149</u>
Total primary government expenses	<u>\$ 156,758,959</u>	<u>\$ 168,163,287</u>	<u>\$ 182,444,087</u>	<u>\$ 213,441,233</u>
<u>Program Revenues</u>				
Governmental Activities:				
Charges for services:				
General government	\$ 8,494,212	\$ 5,301,697	\$ 5,041,335	\$ 5,863,856
Public safety	1,306,553	2,963,326	3,778,584	3,600,402
Public works & streets	499,338	507,198	853,321	1,445,873
Community development	1,697,315	2,005,421	2,552,293	3,770,393
Culture and recreation	4,917,918	5,313,203	5,894,021	5,586,303
Operating grants and contributions	9,833,470	9,908,788	11,178,339	12,097,958
Capital grants and contributions	2,877,937	11,561,202	11,558,409	14,356,832
Total governmental activities program revenues	<u>29,626,743</u>	<u>37,560,835</u>	<u>40,856,302</u>	<u>46,721,617</u>
Business-type activities:				
Charges for services:				
Ground ambulance services	—	—	—	—
Sanitation	7,000,935	6,952,296	7,099,896	7,525,140
Sewer	16,046,564	17,950,085	16,151,096	17,190,499
Stormwater	—	—	—	1,282,788
Water	9,987,819	10,814,903	12,195,621	14,048,726
Operating grants and contributions	—	—	—	—
Capital grants and contributions	3,270,131	129,722	3,107,265	5,788,132
Total business-type activities program revenues	<u>36,305,449</u>	<u>35,847,006</u>	<u>38,553,878</u>	<u>45,835,285</u>
Total primary government program revenues	<u>\$ 65,932,192</u>	<u>\$ 73,407,841</u>	<u>\$ 79,410,180</u>	<u>\$ 92,556,902</u>

Note 1: Ground Ambulance Service Fund converted from a Business-Type fund to a Special Revenue Governmental Fund for fiscal year 2023.

2018	2019	2020	2021	2022	2023
\$ 24,693,086	\$ 18,847,192	\$ 30,683,840	\$ 27,692,032	\$ 23,540,312	\$ 28,301,955
51,157,392	60,235,535	60,035,327	66,442,651	70,506,625	81,547,703
37,661,923	41,578,280	46,270,405	39,687,896	44,050,913	55,094,815
12,345,202	12,382,036	12,764,778	11,564,452	16,842,667	19,817,626
26,471,045	24,970,626	20,925,306	29,248,928	32,115,378	40,095,959
1,927,016	2,473,876	2,635,766	2,695,568	2,471,982	2,804,532
154,255,664	160,487,545	173,315,422	177,331,527	189,527,877	227,662,590
3,141,623	3,375,334	4,407,898	4,696,823	5,577,280	—
8,557,348	8,657,107	9,077,490	7,669,633	16,337,896	17,982,628
20,039,173	19,340,045	19,418,478	24,744,000	26,366,082	25,233,442
775,651	1,363,889	1,209,576	1,167,538	10,463,274	11,969,060
10,926,918	11,690,946	18,376,477	19,000,628	1,269,792	1,532,003
43,440,713	44,427,321	52,489,919	57,278,622	60,014,324	56,717,133
\$ 197,696,377	\$ 204,914,866	\$ 225,805,341	\$ 234,610,149	\$ 249,542,201	\$ 284,379,723
\$ 7,171,091	\$ 6,744,068	\$ 6,729,339	\$ 8,125,797	\$ 7,074,743	\$ 6,986,841
2,801,908	1,948,725	1,581,814	1,754,361	2,715,939	8,895,858
2,252,924	4,100,847	3,570,832	5,283,508	6,154,286	5,758,180
7,384,028	9,901,258	12,206,567	16,185,099	20,408,874	16,694,651
5,507,476	5,590,198	3,311,464	3,480,856	4,887,693	7,108,660
12,530,903	11,555,218	21,503,712	22,709,789	25,235,620	16,226,512
25,485,790	22,468,016	42,184,054	92,168,449	68,578,941	78,590,365
63,134,120	62,308,330	91,087,782	149,707,859	135,056,096	140,261,067
2,974,704	3,284,354	3,946,881	4,541,588	5,929,650	—
7,485,027	7,859,915	10,380,560	12,271,547	21,541,940	20,634,451
17,345,559	17,612,146	19,142,098	20,301,588	21,257,199	22,089,082
1,834,202	1,987,661	1,934,275	2,554,905	13,054,015	13,621,619
14,227,502	16,125,842	18,226,759	20,727,214	2,579,333	2,732,797
—	—	60,647	14,820	—	—
9,682,391	5,509,692	15,030,201	46,935,506	22,872,999	41,854,478
53,549,385	52,379,610	68,721,421	107,347,168	87,235,136	100,932,427
\$ 116,683,505	\$ 114,687,940	\$ 159,809,203	\$ 257,055,027	\$ 222,291,232	\$ 241,193,494

City of Surprise, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017
Net revenue/expense:				
Governmental activities	\$ (89,368,917)	\$ (91,739,254)	\$ (101,393,119)	\$ (122,964,467)
Business-type activities	(1,457,850)	(3,016,192)	(1,640,788)	2,080,136
Total primary government net expense	<u>\$ (90,826,767)</u>	<u>\$ (94,755,446)</u>	<u>\$ (103,033,907)</u>	<u>\$ (120,884,331)</u>
<u>General Revenues and Other Changes in Net Position</u>				
Governmental activities:				
Taxes				
Property taxes	\$ 9,401,277	\$ 9,713,903	\$ 9,962,925	\$ 10,441,730
Sales taxes	39,685,844	42,111,177	46,807,817	49,416,383
Franchise taxes	5,159,956	5,249,320	5,062,719	5,674,974
Unrestricted State shared revenue	26,722,541	29,879,804	30,560,635	31,755,661
Unrestricted investment earnings	329,637	400,260	607,602	26,274
Other	482,776	1,146,649	407,445	3,129,094
Transfers	1,147,181	1,132,145	201,576	1,154,860
Total governmental activities	<u>82,929,212</u>	<u>89,633,258</u>	<u>93,610,719</u>	<u>101,598,976</u>
Business-type activities:				
Unrestricted investment earnings	296,183	253,407	319,068	119,304
Other	—	—	—	—
Transfers	(1,147,181)	(1,132,145)	(201,576)	(1,154,860)
Total business-type activities	<u>(850,998)</u>	<u>(878,738)</u>	<u>117,492</u>	<u>(1,035,556)</u>
Total primary government	<u>\$ 82,078,214</u>	<u>\$ 88,754,520</u>	<u>\$ 93,728,211</u>	<u>\$ 100,563,420</u>
<u>Change in Net Position</u>				
Governmental activities	\$ (6,439,705)	\$ (2,105,996)	\$ (7,782,400)	\$ (21,365,491)
Business-type activities	(2,308,848)	(3,894,930)	(1,523,296)	1,044,580
Prior period adjustments	—	—	—	—
Total primary government	<u>\$ (8,748,553)</u>	<u>\$ (6,000,926)</u>	<u>\$ (9,305,696)</u>	<u>\$ (20,320,911)</u>

Source: City financial records

Note 1: GASB Statement No. 68 was implemented in fiscal year 2015. Prior years' financial statements were not restated.

Note 2: GASB Statement No. 75 was implemented in fiscal year 2018. Prior years' financial statements were not restated.

Note 3: Ground Ambulance Service Fund converted from a Business-Type fund to a Special Revenue Governmental Fund for fiscal year 2023.

2018	2019	2020	2021	2022	2023
\$ (91,121,544)	\$ (98,179,215)	\$ (82,227,640)	\$ (27,623,668)	\$ (54,471,781)	\$ (87,401,523)
10,108,672	7,952,289	16,231,502	50,068,546	27,220,812	44,215,294
<u>\$ (81,012,872)</u>	<u>\$ (90,226,926)</u>	<u>\$ (65,996,138)</u>	<u>\$ 22,444,878</u>	<u>\$ (27,250,969)</u>	<u>\$ (43,186,229)</u>
\$ 10,813,317	\$ 16,143,232	\$ 17,015,618	\$ 17,675,230	\$ 19,263,163	\$ 21,294,443
54,419,572	61,596,634	70,904,612	90,643,310	103,406,232	124,293,240
5,643,876	5,609,625	5,514,602	5,654,379	6,424,278	6,676,257
35,032,519	35,899,596	38,379,519	44,122,121	45,691,294	57,757,239
324,501	3,494,962	3,403,862	228,665	(2,591,655)	5,759,229
(753,721)	517,587	418,161	1,040,102	1,420,878	838,040
1,355,582	1,541,101	1,097,902	1,443,311	702,041	1,563,726
<u>106,835,646</u>	<u>124,802,737</u>	<u>136,734,276</u>	<u>160,807,118</u>	<u>174,316,231</u>	<u>218,182,174</u>
141,108	1,458,327	1,556,564	115,514	(821,961)	1,959,742
—	—	43,965	185,489	282,092	247,893
(1,355,582)	(1,541,101)	(1,097,902)	(1,443,311)	(702,041)	(1,563,726)
<u>(1,214,474)</u>	<u>(82,774)</u>	<u>502,627</u>	<u>(1,142,308)</u>	<u>(1,241,910)</u>	<u>643,909</u>
<u>\$ 105,621,172</u>	<u>\$ 124,719,963</u>	<u>\$ 137,236,903</u>	<u>\$ 159,664,810</u>	<u>\$ 173,074,321</u>	<u>\$ 218,826,083</u>
\$ 15,714,102	\$ 26,623,522	\$ 54,506,636	\$ 133,183,450	\$ 119,844,450	\$ 130,780,651
8,894,198	7,869,515	16,734,129	48,926,238	25,978,902	44,859,203
(520,113)	—	—	—	—	—
<u>\$ 24,088,187</u>	<u>\$ 34,493,037</u>	<u>\$ 71,240,765</u>	<u>\$ 182,109,688</u>	<u>\$ 145,823,352</u>	<u>\$ 175,639,854</u>

City of Surprise, Arizona
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018
General fund					
Nonspendable	\$ 821,009	\$ 1,313,505	\$ 1,287,510	\$ 1,262,361	\$ 1,602,598
Restricted	66,385	—	—	501,278	480,554
Committed	—	—	—	—	—
Assigned	360,030	578,518	542,821	338,555	338,167
Unassigned	26,849,205	34,324,717	37,385,696	38,436,548	41,763,040
Total general fund	<u>\$ 28,096,629</u>	<u>\$ 36,216,740</u>	<u>\$ 39,216,027</u>	<u>\$ 40,538,742</u>	<u>\$ 44,184,359</u>
All other governmental funds					
Nonspendable	\$ 206,294	\$ 195,374	\$ 368,126	\$ 618,466	\$ 638,371
Restricted	29,584,573	46,848,361	23,064,256	24,112,063	67,202,886
Committed	47,607,527	42,241,616	40,246,190	40,005,619	3,483,301
Assigned	1,173,198	1,209,403	469,830	1,109,942	2,912,343
Unassigned	(50,029,315)	(49,288,936)	(47,671,784)	(46,064,773)	(8,258,667)
Total all other governmental funds	<u>\$ 28,542,277</u>	<u>\$ 41,205,818</u>	<u>\$ 16,476,618</u>	<u>\$ 19,781,317</u>	<u>\$ 65,978,234</u>

Source: City financial records

2019	2020	2021	2022	2023
\$ 2,197,168	\$ 2,563,831	\$ 3,565,902	\$ 1,606,366	\$ 1,469,470
454,024	491,526	525,607	419,863	303,801
—	—	—	25,185,400	43,210,100
393,622	490,732	16,732,161	27,234,620	29,737,690
42,252,127	73,973,321	91,303,747	66,180,747	60,941,871
<u>\$ 45,296,941</u>	<u>\$ 77,519,410</u>	<u>\$ 112,127,417</u>	<u>\$ 120,626,996</u>	<u>\$ 135,662,932</u>
\$ 664,672	\$ 415,537	\$ 405,327	\$ 582,565	\$ 3,618,463
61,562,397	29,864,806	39,031,439	38,819,236	37,715,188
6,446,528	9,115,539	14,406,518	19,835,271	29,800,917
19,690,585	17,786,146	38,853,060	81,506,299	106,547,453
(5,888,966)	(4,903,347)	(4,669,172)	(3,781,399)	(3,515,299)
<u>\$ 82,475,216</u>	<u>\$ 52,278,681</u>	<u>\$ 88,027,172</u>	<u>\$ 136,961,972</u>	<u>\$ 174,166,722</u>

City of Surprise, Arizona

Changes in Fund Balances of Governmental Funds

Last Ten Years

(modified accrual basis of accounting)

	2014	2015	2016	2017
<u>Revenues</u>				
Taxes	\$ 48,262,126	\$ 52,178,522	\$ 56,908,903	\$ 59,749,360
Licenses and permits	5,197,956	4,975,398	5,121,719	5,811,255
Intergovernmental revenues	35,923,296	37,947,604	39,209,688	40,430,400
Charges for services	7,896,783	9,241,853	11,363,453	13,127,359
Grants revenue	2,131,707	1,659,609	3,060,620	1,856,830
Fines	1,498,451	1,768,671	1,214,978	1,052,366
Rents	606,679	549,400	630,514	621,033
Development fees	1,790,461	2,224,125	3,297,082	4,413,714
Interest revenue	307,139	400,260	607,602	24,449
Special assessments	—	—	—	—
Donations	148,062	245,671	228,316	160,706
Indirect charges	4,682,772	4,682,772	4,884,443	4,768,960
Other revenue	482,776	1,155,192	392,199	2,908,665
Total revenues	<u>108,928,208</u>	<u>117,029,077</u>	<u>126,919,517</u>	<u>134,925,097</u>
<u>Expenditures</u>				
Current				
General government	13,674,046	20,291,986	16,306,183	16,675,593
Public safety	38,018,470	41,862,877	44,433,546	47,036,287
Public works and streets	16,784,098	17,314,612	20,492,467	20,116,384
Community development	8,344,991	5,074,395	10,080,446	12,225,155
Culture and recreation	14,912,746	19,301,123	18,416,339	17,998,257
Capital outlay	6,409,054	8,604,468	36,511,052	17,501,271
Debt Service				
Principal	2,661,713	2,786,800	2,361,425	2,613,738
Interest	1,378,709	1,245,447	1,749,568	1,587,151
Other charges	—	389,873	19,762	724,982
Total expenditures	<u>102,183,827</u>	<u>116,871,581</u>	<u>150,370,788</u>	<u>136,478,818</u>
Excess of revenues over (under) expenses	6,744,381	157,496	(23,451,271)	(1,553,721)
<u>Other financing sources (uses)</u>				
Proceeds from sale of assets	240,830	226,080	336,821	368,156
Transfers in (out)	4,803,747	1,132,145	1,150,009	354,860
From bonding	(3,656,566)	19,320,205	—	11,696,218
Insurance recoveries	—	—	—	—
Payments to refunded bond escrow agent	—	—	—	(6,500,617)
Leases	—	—	—	—
Total other financing sources (uses)	<u>1,388,011</u>	<u>20,678,430</u>	<u>1,486,830</u>	<u>5,918,617</u>
Net change in fund balances	<u>\$ 8,132,392</u>	<u>\$ 20,835,926</u>	<u>\$(21,964,441)</u>	<u>\$ 4,364,896</u>
Debt service as a percentage of noncapital expenditures	4.2 %	4.1 %	3.6 %	4.1 %

Source: City financial records

2018	2019	2020	2021	2022	2023
\$ 65,257,328	\$ 77,739,476	\$ 87,768,923	\$ 108,394,703	\$ 122,672,859	\$ 145,599,915
5,817,956	5,991,243	5,944,921	6,168,794	6,954,398	7,217,312
44,773,004	45,774,226	48,421,077	55,052,905	58,674,186	71,745,446
15,186,099	19,189,262	18,680,847	24,318,166	30,676,826	35,086,455
2,691,930	1,581,233	11,165,982	11,476,297	13,620,067	3,733,991
2,281,998	1,788,745	1,340,263	1,441,835	1,504,375	1,159,299
601,628	724,073	620,862	621,198	1,117,625	1,109,330
5,306,365	6,482,159	5,321,641	6,892,441	9,835,523	6,867,622
310,038	3,299,929	3,169,797	207,335	(2,267,135)	5,592,714
—	—	—	52,791	87,490	94,899
183,307	125,872	103,910	6,348,174	6,254,474	6,455,301
5,249,200	5,481,600	5,591,100	855,497	1,250,978	1,211,618
522,745	726,564	670,836	—	—	—
148,181,598	168,904,382	188,800,159	221,830,136	250,381,666	285,873,902
16,965,220	17,358,137	18,294,432	20,835,950	23,106,538	25,076,415
51,471,894	51,993,630	53,778,182	56,880,732	70,355,566	78,398,666
19,858,787	20,580,186	20,721,301	20,287,785	24,769,074	32,529,112
11,890,816	12,141,786	12,024,962	13,554,495	16,958,678	19,645,774
19,540,944	19,613,758	19,275,188	20,113,774	25,885,768	31,612,059
18,067,055	22,824,600	62,975,337	30,339,040	24,069,521	50,508,267
2,776,050	5,352,900	6,003,700	6,429,038	6,781,238	8,046,984
1,578,092	3,271,455	3,015,280	3,227,799	3,126,841	3,465,736
472,877	4,851	453,307	222,909	3,004	510,933
142,621,735	153,141,303	196,541,689	171,891,522	195,056,228	249,793,946
5,559,863	15,763,079	(7,741,530)	49,938,614	55,325,438	36,079,956
136,426	276,091	205,824	159,875	235,226	213,945
974,136	1,607,973	951,667	369,045	266,662	1,563,726
43,211,107	—	8,511,093	19,625,309	—	13,092,551
—	—	7,249	—	—	—
—	—	—	—	—	—
—	—	—	—	1,225,337	56,124
44,321,669	1,884,064	9,675,833	20,154,229	1,727,225	14,926,346
\$ 49,881,532	\$ 17,647,143	\$ 1,934,303	\$ 70,092,843	\$ 57,052,663	\$ 51,006,302
3.3 %	6.2 %	6.1 %	7.5 %	5.8 %	5.8 %



SURPRISE

ARIZONA

City of Surprise, Arizona
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise & Business Licenses	Total
2014	\$ 9,401,277	\$ 39,685,844	\$ 5,159,956	\$ 54,247,077
2015	9,713,903	42,111,177	5,249,320	57,074,400
2016	9,962,925	46,807,817	5,062,719	61,833,461
2017	10,441,730	49,416,383	5,674,974	65,533,087
2018	10,813,317	54,419,572	5,643,876	70,876,765
2019	16,143,232	61,596,634	5,609,625	83,349,491
2020	17,015,618	70,904,612	5,514,602	93,434,832
2021	17,675,230	90,643,310	5,654,379	113,972,919
2022	19,263,163	103,406,232	6,424,278	129,093,673
2023	21,294,443	124,293,240	6,676,257	152,263,940

Source: City financial records

City of Surprise, Arizona
Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2014	2015	2016	2017
<u>Description of Payers Business</u>				
Construction	\$ 5,702,652	\$ 5,318,361	\$ 8,429,076	\$ 7,444,202
Retail trade	15,319,378	17,897,576	18,608,256	20,578,048
Communications and utilities	5,230,594	5,379,741	5,609,855	5,682,238
Restaurant and bar	5,262,786	5,600,500	5,933,745	6,543,214
Real estate, rental and leasing	3,872,029	4,077,066	4,246,757	4,790,722
Other	3,439,338	4,188,861	4,109,905	4,377,959
Total	<u>\$ 38,826,777</u>	<u>\$ 42,462,105</u>	<u>\$ 46,937,594</u>	<u>\$ 49,416,383</u>

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2023.

When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

2018	2019	2020	2021	2022	2023
\$ 9,424,657	\$ 13,938,324	\$ 17,529,115	\$ 24,116,467	\$ 26,833,113	\$ 39,935,328
24,170,542	25,309,922	30,133,931	39,817,504	45,163,884	48,855,932
5,010,541	4,873,454	4,804,402	5,218,205	5,465,416	6,156,707
7,673,195	8,226,189	8,368,795	9,966,480	12,102,740	13,436,032
4,858,025	5,495,101	6,013,853	6,798,088	7,662,985	9,238,151
3,282,612	3,753,644	4,054,516	4,726,567	6,178,095	6,671,090
<u>\$ 54,419,572</u>	<u>\$ 61,596,634</u>	<u>\$ 70,904,612</u>	<u>\$ 90,643,311</u>	<u>\$ 103,406,233</u>	<u>\$ 124,293,240</u>



SURPRISE

ARIZONA

City of Surprise, Arizona

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

		Real Property		Exemptions	Total			Ratio of Total
		Assessed Value	Assessed Value				Estimated	Assessed Value
Fiscal Year		Residential Property	Commercial Property	Real Property	Net Assessed Valuation	Direct Tax Rate	Actual Taxable Full Cash Value	Estimated Actual Value
2014	P	590,891,318	352,740,031	(120,457,469)	823,173,880	0.7783	7,921,310,783	10.39%
2014	S	592,539,973	366,349,440	(128,753,963)	830,135,450	—	8,021,860,448	10.35%
2015	P	635,011,041	351,426,277	(128,356,166)	858,081,152	0.7591	8,378,359,740	10.24%
2015	S	674,517,543	367,445,212	(137,241,712)	904,721,043	—	8,871,516,138	10.20%
2016	P	659,032,840	359,978,533	(129,767,780)	889,243,593	0.7591	8,723,777,883	10.19%
2016	S	775,338,584	403,053,294	(146,482,133)	1,031,909,745	—	10,151,951,511	10.16%
2017	P	703,447,546	353,382,997	(127,933,738)	928,896,805	0.7591	9,188,106,400	10.11%
2017	S	832,582,676	418,393,201	(151,461,223)	1,099,514,654	—	10,888,981,453	10.10%
2018	P	742,214,719	372,303,716	(136,482,015)	978,036,420	0.7591	9,704,804,426	10.08%
2018	S	883,909,865	470,218,102	(164,602,354)	1,189,525,613	—	11,739,266,942	10.13%
2019	P	786,977,862	394,591,418	(132,661,610)	1,048,907,670	0.7591	10,275,630,683	10.21%
2019	S	979,109,102	501,184,044	(163,680,703)	1,316,612,443	—	12,872,480,509	10.23%
2020	P	844,245,064	406,984,939	(141,141,959)	1,110,088,044	0.7591	10,927,509,235	10.16%
2020	S	1,064,787,961	529,620,552	(185,022,186)	1,409,386,327	—	13,911,798,083	10.13%
2021	P	911,365,696	443,779,946	(149,135,143)	1,206,010,499	0.7591	11,823,893,218	10.20%
2021	S	1,192,185,322	601,386,798	(197,101,947)	1,596,470,173	0.3880	15,624,599,329	10.22%
2022	P	990,350,177	482,829,467	(158,793,354)	1,314,386,290	0.7591	12,850,915,016	10.23%
2022	S	1,326,558,965	687,137,725	(224,417,986)	1,789,278,704	0.3880	17,496,518,302	10.23%
2023	P	1,091,571,186	510,365,131	168,208,242	1,770,144,559	0.7591	14,077,385,223	12.57%
2023	S	1,503,503,120	724,998,192	237,855,457	2,466,356,769	0.3880	19,563,322,605	12.61%

Source: Maricopa County Assessor's Office State Abstract

Direct Tax Rate is From the Maricopa County Finance Department's "Tax Levy Book for the City of Surprise" for the applicable tax year.

City of Surprise, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Surprise			Overlapping Rates				
				Maricopa County				
	Operating (Primary) Tax Rate	Debt Service (Secondary) Tax Rate	Total City Tax Rate	Operating Tax Rate	Debt Service Tax Rate	County Library	Flood Control	Total County Tax Rate
2014	0.7783	—	0.7783	1.2807	—	0.0492	—	1.3299
2015	0.7591	—	0.7591	1.3209	—	0.0556	—	1.3765
2016	0.7591	—	0.7591	1.4009	—	0.0556	—	1.4565
2017	0.7591	—	0.7591	1.4009	—	0.0556	—	1.4565
2018	0.7591	—	0.7591	1.4009	—	0.0556	0.1792	1.6357
2019	0.7591	—	0.7591	1.4009	—	0.0556	0.1792	1.6357
2020	0.7591	0.3880	1.1471	1.4009	—	0.0556	0.1792	1.6357
2021	0.7591	0.3880	1.1471	1.4009	—	0.0556	0.1792	1.6357
2022	0.7591	0.3880	1.1471	1.3459	—	0.0556	0.1792	1.5807
2023	0.7591	0.3880	1.1471	1.2473	—	0.0505	0.1592	1.4570

Source: Maricopa County Finance Department's "Maricopa County 2021 Tax Levy" report.

Note: Prior to fiscal year 2018, the Maricopa County Flood Control District tax rate was included in the other column.

Overlapping Rates				
Dysart School District				
Operating Tax Rate	Debt Service Tax Rate	Total School District Tax Rate	Other	Total Direct & Overlapping Rates
4.3492	2.9538	7.3030	1.6356	11.0468
3.9957	2.7750	6.7707	1.7472	10.6535
3.0640	2.9085	5.9725	1.7120	9.9001
4.1562	2.8032	6.9594	2.5181	11.6931
4.1562	2.8032	6.9594	2.5104	11.8646
4.1089	2.7859	6.8948	2.4330	12.1426
3.9117	2.6680	6.5797	2.4218	11.7843
3.8251	2.6201	6.4452	2.3408	11.5688
3.8026	2.3794	6.1820	2.3408	11.2506
3.5443	2.3467	5.8910	2.2469	10.7420

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2023 and 2014

Taxpayer	2023			2014		
	Net Limited Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Route 14 Investment Partners LLC	\$ 35,406,445	1	2.00%			
Toll Prasada LLC	23,348,174	2	1.32%			
Breit MF Stadium Village LLC	9,464,350	3	0.53%			
Arizona Public Service	9,395,452	4	0.53%	\$ 22,910,103	1	2.67%
Fulton Homes Corporation	9,314,065	5	0.53%			
BMF IV AZ Harmony Surprise LLC	7,737,930	6	0.44%			
DG Industrial Portfolio 1 Property Owner LP	6,722,922	7	0.38%			
GSA Surprise LP	6,114,559	8	0.35%			
CCD Real Estate Holdings LLC	5,728,083	9	0.32%	3,023,742	4	0.35%
Phoenix SFR Dist	4,431,860	10	0.25%			
Southwest Gas Corporation (T&D)				5,750,491	2	0.67%
EPCOR (Agua Fria Water Division)				3,131,197	3	0.36%
MCI Communications Services Inc				2,844,277	5	0.33%
Wal Mart Stores Inc				2,574,253	6	0.30%
Sanifill of Arizona Inc				2,428,384	7	0.28%
Surprise Pointe LLC				2,404,108	8	0.28%
Surprise Marketplace Holdings LLC				2,350,737	9	0.27%
Surprise Towne Center Holdings LLC				2,329,723	10	0.27%
Total	<u>\$ 117,663,840</u>		<u>6.65%</u>	<u>\$ 49,747,015</u>		<u>5.78%</u>
Total Net Limited Assessed Valuation	\$ 1,770,144,559			\$ 858,081,152		

Source: Maricopa County Assessor's Office

City of Surprise, Arizona
Primary Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Tax Collections in Subsequent Years	Total Collections to Date	
		Current Tax Collections	Percentage of Levy		Tax Collections	Percentage of Levy
2014	6,350,356	6,249,156	98.4%	69,251	6,318,407	99.5%
2015	6,509,332	6,425,856	98.7%	62,517	6,488,373	99.7%
2016	6,754,752	6,661,068	98.6%	39,168	6,700,236	99.2%
2017	7,037,842	6,947,745	98.7%	53,915	7,001,660	99.5%
2018	7,424,272	7,321,178	98.6%	64,283	7,385,461	99.5%
2019	12,369,233	12,219,247	98.8%	(20,976)	12,192,352	98.6%
2020	12,735,513	12,539,853	98.5%	105,969	12,698,311	99.7%
2021	13,835,935	13,663,445	98.8%	132,259	13,795,704	99.7%
2022	15,079,386	14,897,120	98.8%	—	14,897,120	98.8%
2023	16,448,765	16,165,481	98.3%	—	16,165,481	98.3%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2023.

City of Surprise, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Special (CFD) Assessment Bonds and Notes	Municipal Property Corp. Bonds	Pledged Revenue Obligations	Leases and Subscriptions*
2014	—	7,335,000	17,444,474	—	—
2015	—	7,115,000	—	30,832,800	—
2016	—	6,885,000	—	31,770,034	—
2017	—	12,105,285	—	29,249,876	—
2018	40,211,105	14,619,352	—	24,166,587	—
2019	37,322,019	14,143,419	—	23,963,088	—
2020	34,285,598	21,966,935	—	21,192,968	—
2021	50,304,950	21,249,359	—	18,347,512	—
2022	46,567,591	20,591,782	—	15,373,818	6,026,793
2023	42,588,618	33,005,654	—	12,264,910	9,355,984

Source: City financial records

*Note: The provisions of Governmental Accounting Standards Board (GASB) Statement Nos. 87 and 96 were adopted in FY 2022 and 2023 respectively.

Business-Type Activities					
Municipal Property Corp. Bonds	Utility Revenue Obligations	Pledged Revenue Obligations	Total Primary Government	Percentage of Personal Income	Per Capita
53,565,524	—	—	78,344,998	3.0%	633
39,365,000	—	5,832,000	83,144,800	3.1%	658
37,585,000	—	5,903,844	82,143,878	3.0%	640
35,720,000	—	5,249,430	82,324,591	2.8%	620
33,770,000	—	4,103,413	116,870,457	3.9%	872
—	28,164,675	3,877,076	107,470,277	3.4%	778
—	26,993,224	3,157,623	107,596,348	3.2%	760
—	25,776,772	2,418,508	118,097,101	3.2%	798
—	24,510,321	1,647,630	114,717,935	2.9%	769
—	23,193,870	841,965	121,251,001	2.8%	786

City of Surprise, Arizona
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2014	\$ —	\$ —	\$ —	0.000%	—
2015	—	—	—	0.000%	—
2016	—	—	—	0.000%	—
2017	—	—	—	0.000%	—
2018	37,730,000	5,857	37,724,143	3.171%	281
2019	35,215,000	483,319	34,731,681	2.638%	251
2020	32,350,000	544,112	31,805,888	2.257%	225
2021	46,625,000	158,771	46,466,229	0.393%	314
2022	43,225,000	104,285	43,120,715	0.276%	289
2023	39,615,000	703,573	38,911,427	0.249%	261

Source: City financial records

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

Overlapping Jurisdiction	General Obligation and Pledged Revenue Bonded Debt	Proportion Applicable to the City	
		Approximate Percent	Net Debt Amount
Maricopa County	None	2.76 %	None
Maricopa County Community College District	\$ 87,320,000	2.76 %	\$ 2,410,032
Maricopa County Special Health Care District	574,205,000	2.76 %	15,848,058
Western Maricopa Education Center	114,930,000	7.27 %	8,355,411
Dysart Unified School District No. 89	69,425,000	76.50 %	53,110,125
Peoria Unified School District No. 11	153,065,000	0.37 %	566,341
Nadaburg Unified School District No. 81	None	37.87 %	—
Wickenburg Unified School District No. 9	4,710,000	1.63 %	76,773
Subtotal, overlapping debt	<u>\$ 1,003,655,000</u>		<u>\$ 80,366,740</u>
City of Surprise	\$ 54,853,528	100.00 %	\$ 54,853,528
Marley Park Community Facilities District	33,005,654	100.00 %	33,005,654
Subtotal, direct debt	<u>\$ 87,859,182</u>		<u>\$ 87,859,182</u>
Total Direct and Overlapping General Obligation and Pledged Revenue Bonded Debt			<u><u>\$ 168,225,922</u></u>

Source: The various jurisdictions

Proportion applicable to City of Surprise, Arizona is computed on the ratio of net limited property valuation for fiscal year 2022/2023.

Excludes various other non-property tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and capital leases.

Includes: Excise Tax Revenue obligations for City of Surprise

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2014	2015	2016	2017
Debt limit 6%	\$ 49,298,862	\$ 54,283,263	\$ 61,914,585	\$ 65,970,879
Unrestricted legal debt margin	<u>\$ 49,298,862</u>	<u>\$ 54,283,263</u>	<u>\$ 61,914,585</u>	<u>\$ 65,970,879</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00 %	0.00 %

Restricted

	2014	2015	2016	2017
Debt limit 20%	\$ 164,329,540	\$ 180,944,209	\$ 206,381,949	\$ 219,902,931
Total net debt applicable to limit	—	—	—	—
Restricted legal debt margin	<u>\$ 164,329,540</u>	<u>\$ 180,944,209</u>	<u>\$ 206,381,949</u>	<u>\$ 219,902,931</u>
Total net debt applicable to the limit as a percentage of 20% debt limit	0.00%	0.00%	0.00%	0.00%

Source: City financial records

2018	2019	2020	2021	2022	2023
\$ 71,371,537	\$ 78,996,747	\$ 84,563,180	\$ 95,788,210	\$ 107,356,722	\$ 119,438,751
<u>\$ 71,371,537</u>	<u>\$ 78,996,747</u>	<u>\$ 84,563,180</u>	<u>\$ 95,788,210</u>	<u>\$ 107,356,722</u>	<u>\$ 119,438,751</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2018	2019	2020	2021	2022	2023
\$ 237,905,123	\$ 263,322,489	\$ 281,877,265	\$ 319,294,035	\$ 357,855,740	\$ 398,129,171
39,987,500	37,322,019	34,285,598	50,304,950	46,567,591	42,588,618
<u>\$ 197,917,623</u>	<u>\$ 226,000,470</u>	<u>\$ 247,591,667</u>	<u>\$ 268,989,085</u>	<u>\$ 311,288,149</u>	<u>\$ 355,540,553</u>
16.81%	14.17%	12.16%	15.76%	13.01%	10.70%

City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
2014	123,797	\$ 2,623,490,276	\$ 59,973	36.0	5.4%
2015	126,275	2,684,147,318	58,455	37.0	9.8%
2016	128,422	2,779,842,369	59,094	38.7	9.4%
2017	132,677	2,911,895,653	59,916	39.0	4.5%
2018	134,085	2,997,757,500	61,035	39.9	4.6%
2019	138,161	3,184,636,354	62,927	41.3	3.7%
2020	141,664	3,381,255,033	65,160	41.2	5.4%
2021	147,965	3,743,919,200	69,076	41.4	6.8%
2022	149,191	3,890,551,528	71,192	41.9	6.9%
2023	154,198	4,327,880,349	76,623	41.7	4.3%

Sources: Office of Economic Opportunity
Maricopa Association of Governments
US Department of Labor, Bureau of Labor Statistics
US Census Bureau

City of Surprise, Arizona
Principal Employers
June 30, 2023 and Nine Years Prior

Employer	2023 ¹			2014 ²		
	Employees	Rank	% of Total	Employees	Rank	% of Total
Dysart School District (Surprise Schools Only)	1,610	1	5.93%	1,753	1	14.61%
Wal-Mart	1,070	2	3.94%	988	2	8.24%
City of Surprise	1,103	3	4.06%	748	3	6.24%
Fry's Food Store	590	4	2.17%	537	4	4.48%
Sun Health Foundation Inc	460	5	1.70%			
Rousseau Farming Company	340	6	1.25%			
Costco	330	7	1.22%		9	
Home Depot	320	8	1.18%	176		1.47%
McDonalds	270	9	1.00%		5	
Maricopa County	230	10	0.85%	225		1.88%
Safeway				182	8	1.52%
Crescent Crown				200	7	1.67%
Albertson's Food Store				159	10	1.33%
Kohl's Department Store				224	6	1.87%
Total	<u>6,323</u>		23.30%	<u>5,192</u>		43.28%
Total City Employment	27,130			11,996		

Sources:

¹ Maricopa Association of Governments, as of June 30, 2023

² City previous ACFR



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City of Surprise, Arizona

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General government	123	136	134	140	142	146	150	150	156	167
Public safety:										
Police:										
Officer	134	130	139	158	159	159	155	154	161	165
Civilians	48	54	49	43	42	45	55	55	65	70
Fire:										
Firefighters and officers	111	113	113	128	127	126	132	138	144	160
Ground ambulance services	—	—	—	—	19	26	32	32	36	39
Civilians	7	7	8	8	7	7	7	9	10	11
Public works and streets:										
All others	83	83	84	84	80	84	90	92	96	110
Community development	40	43	40	41	41	42	43	43	49	52
Economic development	—	—	8	8	8	7	9	9	9	10
Parks and recreation	110	122	118	117	116	120	105	84	90	99
Sports and tourism	—	—	—	—	—	—	18	39	41	40
Human service and community	—	—	9	15	16	18	24	25	26	26
Water	25	24	29	33	36	35	42	43	44	47
Sanitation	31	32	33	35	37	37	41	41	44	53
Sewer	36	37	39	50	45	45	47	49	48	46
Stormwater	—	—	—	—	6	5	6	6	7	8
Total	748	781	803	860	881	902	956	969	1,026	1,103

Source: Fiscal year 2023 Adopted Budget

City of Surprise, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2014	2015	2016	2017
Public safety:				
Police:				
Calls - incidents responded to	37,566	38,191	39,511	40,909
Citations issued	7,020	7,524	5,971	6,358
Officers per 1,000 residents	1.1	1.1	1.0	1.0
Fire-Medical:				
Number of responses	14,004	15,750	16,896	16,546
Inspections	1,411	1,885	2,745	2,407
Public works and streets:				
Sq. ft. of buildings to maintain	830,271	830,271	855,774	855,774
Vehicles/equipment maintained per month	392	405	334	375
Number of street lights repaired	377	43	44	38
Street miles maintained	607	627	627	627
Community development:				
Building safety inspections performed	18,220	15,624	20,320	22,407
Annual new residential starts	385	417	486	600
Parks and recreation:				
Organized recreation program participants	192,300	178,186	160,535	163,580
Special events/open facility participants	278,980	321,214	307,475	306,714
Sports and Tourism				
Special events/open facility participants	N/A	N/A	N/A	N/A
Water:				
Water service connections	14,740	14,971	15,362	15,499
Water main breaks	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A
Sewer:				
Sewage treated (million gallons per day)	8.1	8.4	8.4	8.4
Sewer service connections	45,984	44,923	47,273	48,196
Sanitation:				
Refuse collected (tons/annually)	30,583	33,351	32,787	33,671
Number of routes	32	32	56	56
Total services	33,321	32,683	35,366	36,421
Stormwater:				
Customers	—	—	—	49,429

Sources: Various government departments
N/A - This information is not available.

2018	2019	2020	2021	2022	2023
41,806	40,541	42,306	41,430	45,634	44,805
5,136	8,602	6,350	6,098	7,550	7,476
1.0	1.0	1.0	1.0	1.0	0.5
17,435	10,865	18,195	19,493	21,677	22,286
1,810	1,595	2,391	1,781	2,614	2,024
855,774	855,774	973,187	1,016,276	1,016,276	1,066,317
397	415	425	353	415	479
79	52	71	68	180	45
627	629	630	665	688	700
31,063	34,598	45,750	51,542	60,013	62,769
1,288	1,303	2,076	2,856	2,873	2,039
162,012	141,189	85,362	70,873	135,632	160,783
343,868	120,114	78,548	22,935	105,284	67,800
N/A	253,823	240,065	143,728	270,962	405,902
16,331	16,729	17,886	19,705	21,283	22,167
4	2	6	15	11	4
7,322	7,416	7,402	7,776	7,787	7,815
8.4	9.0	9.0	9.1	9.2	9.5
50,303	48,451	53,164	55,796	58,568	60,300
34,979	36,757	48,905	56,781	58,354	59,516
57	59	55	58	59	74
36,657	35,510	39,676	41,212	42,964	45,206
50,594	47,235	51,199	54,177	56,781	58,413

City of Surprise, Arizona
Capital Asset Statistics by Function
Last Ten Years

Function	2014	2015	2016	2017
Public safety:				
Police:				
Stations	2	2	2	2
Patrol units	63	68	72	90
Fire:				
Fire stations	7	7	7	7
Fire engines and ladder trucks	12	12	12	12
Ambulances	0	0	1	3
Public works and streets:				
Street miles	607	627	627	627
Street lighting improvement districts	101	107	107	123
Traffic Signals	51	50	50	50
Bridges	19	19	19	19
Community development:				
Inspection vehicles	10	10	10	11
Parks and recreation:				
Parks acreage	393	393	393	393
Parks	12	12	12	12
Swimming pools	2	2	2	2
Softball fields	11	11	11	11
Baseball fields	21	21	21	21
Libraries	2	2	2	2
Water:				
Well Production Maximum Daily Capacity (millions of gallons)	31	32	32	33
Sewer:				
Sewer treatment plants	2	2	2	2
Maximum daily treatment capacity	18.3	18.3	18.3	18.3
Sanitation:				
Collection trucks	26	26	27	27

Sources: Various government departments

2018	2019	2020	2021	2022	2023
2	2	2	2	2	2
73	87	87	87	74	83
7	7	7	7	8	8
13	13	13	13	15	14
4	5	5	5	5	6
627	629	630	665	688	700
132	146	155	156	159	161
50	52	58	61	61	65
19	19	21	21	21	21
11	11	11	13	14	15
393	393	393	393	393	406
12	12	12	12	12	13
2	2	2	2	2	2
11	11	11	11	11	11
21	21	21	21	21	21
2	2	3	3	3	3
33	33	34	30	30	30
2	2	2	3	3	3
18.3	18.3	18.3	20.1	20.1	20.1
27	27	27	28	28	35



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FINANCE DEPARTMENT

16000 N. Civic Center Plaza

Surprise, AZ 85374-7470

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623.222.1002 TTY

December 16, 2023

To the Honorable Mayor and Members of the Town Council
City of Surprise, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of City of Surprise, Arizona (City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Surprise, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. GASB Statement No. 96 increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for SBITAs. The City's analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard. The City also implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 99, *Omnibus 2022*, which did not affect the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit and communicate them to the appropriate level of management. A misstatement is defined as a difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. During the course of the audit we did not identify any uncorrected misstatements which require communication.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the City's auditors.

Compliance with Ethics Requirements Regarding Independence

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

Responsibility for Fraud

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper "tone at the top", increases the likelihood that fraud will be prevented, deterred and detected.

Additional Reports Issued

In addition to the auditor's report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Single Audit Report
- Management Letter
- Examination report on the Annual Expenditure Limitation Report
- HURF Report

Other Important Communications Related to the Audit

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

Restriction on Use

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

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

1. Is ongoing anti-fraud training provided to all employees of the organization?

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

2. Is an effective fraud reporting mechanism in place?

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
 - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
 - Are performance goals realistic?
 - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
 - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?
- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**
- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
 - Proper separation of duties
 - Use of authorizations
 - Physical safeguards
 - Job rotations
 - Mandatory vacations
- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**
- 8. Does the hiring policy include the following (where permitted by law)?**
 - Past employment verification
 - Criminal and civil background checks
 - Credit checks
 - Drug screening
 - Education verification
 - References check
- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**
- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**
- 11. Are anonymous surveys conducted to assess employee morale?**

May 8, 2023

Honorable Mayor, Members of the City Council, and Management
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374

We are pleased to confirm our understanding of the services we are to provide for City of Surprise, Arizona (City) for the year ended June 30, 2023. We encourage you to read this letter carefully as it includes important information regarding the services we will be providing to the City. If there are any questions on the content of the letter, or the services we will be providing, we would welcome the opportunity to meet with you to discuss this information further.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of City of Surprise, Arizona as of and for the year ended June 30, 2023.

We have also been engaged to report on supplementary information that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards
2. Combining and individual fund financial statements and schedules

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to supplement the City's basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedules
3. GASB-required pension and other post-employment benefits schedules

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Other information included with the audited financial statements such as the transmittal letter and statistical data

In addition, we will perform the necessary procedures to issue the applicable report for the following.

1. Examination report on the Annual Expenditure Limitation Report
2. Examination report on compliance for highway user revenue fund monies in accordance with ARS §9-481(B)(2)

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

An important aspect to our expression of opinions on the financial statements is understanding the concept of materiality. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. For purposes of determining materiality we may assume that reasonable users –

1. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable judgements based on the information in the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in the financial statements nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. Our procedures will also include, as deemed necessary, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request, if deemed necessary, written representations from the City's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the City and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. For federal programs that are included in the *OMB Compliance Supplement*, our compliance and internal control procedures will relate to the compliance requirements that the *OMB Compliance Supplement* identifies being subject to audit. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Governing Board of the City. Circumstances may arise in which our reports may differ from expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Nonaudit Services

As part of the audit, we will assist with the completion of the auditee section of the data collection form to be submitted to the Federal Audit Clearinghouse. You have expressed your intention to use these nonaudit services within the scope of your request for proposal for audit services. These nonaudit services do not constitute an audit and such services will not be conducted in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under Uniform Guidance; (3) additional information we may request for the purpose of the audit; and (4) unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Management's responsibilities also include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

Management is responsible for the design and implementation of programs to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review prior to issuance of our reports. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19 related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Your responsibilities include acknowledging to us in a written representation letter that (1) you are responsible for presentation of supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or studies related to the objectives discussed in the *Audit Scope and Objectives* section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our tests will not include a detailed check of all transactions for the period.

We have identified the following significant risks of material misstatement as part of our audit planning:

1. Management override of controls
2. Improper revenue recognition

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit in May 2023 and conclude audit procedures and date our report in December 2023.

Our audit of the financial statements does not relieve you of your responsibilities outlined in the *Responsibilities of Management for the Financial Statements* section of this letter.

Use of Third-Party Service Providers

We maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. We may, depending on the circumstances, use third-party service providers in providing our professional services. The following service providers may be utilized in the completion of our engagement:

- Capital Confirmation, Inc. – electronic bank and account balance confirmation service
- Citrix ShareFile – web-based application service to transfer files
- CCH Engagement Organizer – web-based application service to transfer files
- Harvest Investments, Ltd. – investment portfolio valuation service

You hereby consent and authorize us to use the above service providers, if deemed necessary, to complete the professional services outlined in this letter.

Engagement Administration, Fees, and Other

Brittney Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit documentation for this engagement is the property of Heinfeld, Meech & Co., P.C., and constitutes confidential information. However, we may be requested to make certain audit documentation available to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, the U.S. Government Accountability Office, or other authorized governmental agency for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Heinfeld, Meech & Co., P.C., personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date, or for any additional period requested by a regulator, cognizant agency, oversight agency for audit, or pass-through entity. Upon expiration of the seven year period, or any additional period, we will commence the process of destroying the contents of our engagement files. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Any disagreement, controversy, or claim ("dispute") that may arise from any aspect of our services, including this engagement or any prior engagement, will be submitted to mediation. The parties will engage in the mediation process in good faith once a written request to mediate has been given by any party. Any mediation initiated as a result of this engagement shall be administered by The American Arbitration Association, according to its mediation rules before resorting to litigation. The results of any such mediation shall be binding only upon agreement of each party to be bound. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally.

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("limitation period") after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. The limitation period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Professional standards prohibit auditors from agreeing to indemnify attest clients for damages, losses or costs arising from lawsuits, claims or settlements that relate, directly or indirectly, to the client's acts. As such, professional standards will prevail for indemnification clauses included in audit contracts. In addition, we are unable to obtain waivers on our professional liability insurance policy for certain provisions, including indemnification provisions, provisions requiring the firm to name the City as an additional insured party, and a waiver of subrogation rights.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our fee for these services will be at the amount outlined in our proposal. We exercised care in estimating the fee and believe it accurately indicates the scope of the work. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Our fees are based on anticipated cooperation from your personnel, timely receipt of information, and the assumption that unexpected circumstances will not be encountered during the audit, including factors beyond our control, such as new accounting pronouncements or legal requirements, additional consultation, and assistance in correcting errors in your financial records. We will plan the engagement based on the assumption that your personnel will prepare and provide us with the items listed in our request for audit information, including preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Additional fees incurred will be billed at the following hourly rates: Partner - \$275; Manager - \$225; Senior - \$155; Staff - \$115.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect. *Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2021 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. Please feel free to contact us at any time if you have any questions or concerns. If you have any questions regarding this letter, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona

cc: Andrea Davis, Finance Director
Erick Martin, Accounting Supervisor

RESPONSE

Please indicate the name of the individual responsible for overseeing the nonaudit services of preparing the year-end adjusting journal entries and the preparation of the financial statements:

Erick Martin

Name: _____

This letter correctly sets forth the understanding of City of Surprise, Arizona.

Andrea Davis

Printed Name: _____

CFO/Deputy City Manager

Title: _____

Andrea Davis

Signature: _____

05/15/2023

Date: _____

Report on the Firm's System of Quality Control

August 31, 2021

To Heinfeld, Meech & Co., P.C. and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. (the firm) in effect for the year ended May 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

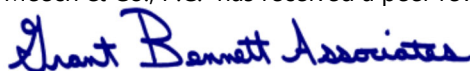
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Heinfeld, Meech & Co., P.C. in effect for the year ended May 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Heinfeld, Meech & Co., P.C. has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

SIGNATURE CERTIFICATE



REFERENCE NUMBER
E2741DFA-9A0D-4F21-9196-F6A03895E2CA

TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number E2741DFA-9A0D-4F21-9196-F6A03895E2CA	Document Name Engagement Ltr Fy23 Surprise City
Transaction Type Signature Request	Filename engagement_ltr_fy23_surprise_city.pdf
Sent At 05/08/2023 14:03 MST	Pages 13 pages
Executed At 05/15/2023 09:51 MST	Content Type application/pdf
Identity Method email	File Size 388 KB
Distribution Method email	Original Checksum aafd3a67bbb81d225249bd85ec040d1c59dab00c510648618c8014b808c6cedb
Signed Checksum afb5ab5963bf1bd9985d15c5c09cb57852b591e52ffa2dc0253bada9371ea74a	
Signer Sequencing Disabled	
Document Passcode Disabled	

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Andrea Davis	Status signed	Viewed At 05/15/2023 09:49 MST
Email andrea.davis@surpriseaz.gov	Multi-factor Digital Fingerprint Checksum 7a6edad8f892880a08a8095a56576315aac45a5cbe444486cd55dfee3da36a45	Identity Authenticated At 05/15/2023 09:51 MST
Components 5	IP Address 67.132.117.228	Signed At 05/15/2023 09:51 MST
	Device Microsoft Edge via Windows	
	Typed Signature 	
	Signature Reference ID 669F5B44	

AUDITS

TIMESTAMP	AUDIT
05/08/2023 14:03 MST	Carri Corbett (carri.corbett@hm.cpa) created document 'engagement_ltr_fy23_surprise_city.pdf' on Chrome via Windows from 69.242.238.232.
05/08/2023 14:03 MST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign.
05/12/2023 16:02 MST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a reminder.
05/15/2023 09:49 MST	Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228.
05/15/2023 09:51 MST	Andrea Davis (andrea.davis@surpriseaz.gov) authenticated via email on Microsoft Edge via Windows from 67.132.117.228.
05/15/2023 09:51 MST	Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of City of Surprise, Arizona, which comprise the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
- we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
31. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
32. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
35. The financial statements include all fiduciary activities required by U.S. GAAP.
36. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.

37. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
38. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
39. Investments are properly valued.
40. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
41. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
42. All payroll information and the individual employment data have been properly submitted to the state retirement systems, and the employer contributions have been properly submitted to the retirement systems.
43. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
44. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
45. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
46. Special and extraordinary items, if any, are appropriately classified and reported.
47. Deposits and investment securities are properly classified as to risk and are properly disclosed.
48. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

49. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. SBITAs have been properly recorded and disclosed in the notes to the financial statements.
50. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
51. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
52. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
53. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
54. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
55. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information,

including its form and content, is fairly presented and is materially consistent with the basic financial statements.

56. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
- b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- t. If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u. If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb. If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the City Council a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Andrea Davis

Andrea Davis, Chief Financial Officer
City of Surprise, Arizona

12/14/2023

Date

Erick Martin

Erick Martin, Accounting Manager
City of Surprise, Arizona

12/13/2023

Date

SIGNATURE CERTIFICATE



REFERENCE NUMBER
B5E2B1FA-8567-4598-8D24-4BA1F4D85EB5

TRANSACTION DETAILS	DOCUMENT DETAILS
Reference Number B5E2B1FA-8567-4598-8D24-4BA1F4D85EB5	Document Name General Representation Letter - FY23 City of Surprise Updated
Transaction Type Signature Request	Filename General_Representation_Letter_-_FY23_City_of_Surprise_Updated_.pdf
Sent At 12/13/2023 15:48 EST	Pages 9 pages
Executed At 12/14/2023 19:06 EST	Content Type application/pdf
Identity Method email	File Size 1.93 MB
Distribution Method email	Original Checksum 0a4a9e25344d286977146e6937f8f22925322a57e527153b175c75d69e8507dd
Signed Checksum 4a5c6eaa7ddaf075df2bfe4bcf7ef4d0df5fa91cc48648798d186f091eec31e6	
Signer Sequencing Disabled	
Document Passcode Disabled	

SIGNERS

SIGNER	E-SIGNATURE	EVENTS
Name Andrea Davis	Status signed	Viewed At 12/14/2023 19:06 EST
Email andrea.davis@surpriseaz.gov	Multi-factor Digital Fingerprint Checksum 4e8533a3fe9e1ecf782fee910ca1a687e539af5efedac904bac66825de11e300	Identity Authenticated At 12/14/2023 19:06 EST
Components 2	IP Address 67.132.117.228	Signed At 12/14/2023 19:06 EST
	Device Microsoft Edge via Windows	
	Typed Signature 	
	Signature Reference ID 5A0EDB91	
Name Erick Martin	Status signed	Viewed At 12/13/2023 17:18 EST
Email erick.martin@surpriseaz.gov	Multi-factor Digital Fingerprint Checksum 83adb9273afc36a9e60059f098823ef993e4fa007710daece7648cc2ac6c4117	Identity Authenticated At 12/13/2023 17:20 EST
Components 2	IP Address 67.132.117.228	Signed At 12/13/2023 17:20 EST
	Device Microsoft Edge via Windows	
	Drawn Signature 	
	Signature Reference ID 105630BE	
	Signature Biometric Count 6	

AUDITS

TIMESTAMP	AUDIT
12/13/2023 15:48 EST	Makaela Clapp (makaela.clapp@hm.cpa) created document 'General_Representation_Letter_-_FY23_City_of_Surprise_Updated_.pdf' on Chrome via Windows from 72.201.245.73.
12/13/2023 15:48 EST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a link to sign.
12/13/2023 15:48 EST	Erick Martin (erick.martin@surpriseaz.gov) was emailed a link to sign.
12/13/2023 17:16 EST	Erick Martin (erick.martin@surpriseaz.gov) was emailed a reminder.

TIMESTAMP	AUDIT
12/13/2023 17:16 EST	Andrea Davis (andrea.davis@surpriseaz.gov) was emailed a reminder.
12/13/2023 17:18 EST	Erick Martin (erick.martin@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228.
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12/13/2023 17:20 EST	Erick Martin (erick.martin@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.
12/14/2023 19:04 EST	Andrea Davis (andrea.davis@surpriseaz.gov) viewed the document on Microsoft Edge via Windows from 67.132.117.228.
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12/14/2023 19:06 EST	Andrea Davis (andrea.davis@surpriseaz.gov) signed the document on Microsoft Edge via Windows from 67.132.117.228.

City of Surprise
Management Letter
Year Ended June 30, 2023

Honorable Mayor and Members of City Council
City of Surprise

Members of the City Council:

In planning and conducting our single audit of the City of Surprise, Arizona for the year ended June 30, 2023, we performed the following as required by *Government Auditing Standards* (GAS) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance):

- Considered the City's internal control over financial reporting,
- Tested internal controls over major Federal programs, and
- Tested compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the City's financial statements and major federal programs.

Any audit findings that are required to be reported by GAS and Uniform Guidance have been included in the City's Single Audit Report for the year ended June 30, 2023. However, during our audit we noted a certain immaterial matter that is an opportunity for strengthening internal controls and instances of noncompliance with laws and regulations that did not meet that reporting criteria. Management should address this item to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, contracts, and grant agreements. This item and our related recommendation is briefly described in the accompanying summary. The item discussed in the accompanying summary is only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified.

This information is intended for the City of Surprise, Arizona's Council and Management and is not intended to be and should not be used by anyone other than the specified party. However, this information is a matter of public record, and its distribution is not limited.

We have already discussed this item and suggestion with City personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

**City of Surprise
Management Letter
Year Ended June 30, 2023**

Payroll

The payroll and human resources roles and responsibilities are not sufficiently segregated to prevent or detect a misstatement or misappropriation. The City's payroll supervisor and payroll specialists make changes to employee pay, process payroll, and disburse payroll. There is not a compensating control in place to detect improper changes to employee pay.

It is recommended the City segregate duties, require system workflow approval for changes to employee pay, or have an employee independent of the payroll process review changes to employee pay for propriety.

City of Surprise, Arizona
Single Audit Report
Year Ended June 30, 2023

**City of Surprise, Arizona
Single Audit Report
For the Year Ended June 30, 2023**

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Mayor and Members of the City Council
City of Surprise, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements, and have issued our report thereon dated December 14, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, and Statement No. 99, *Omnibus 2022*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Surprise, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Surprise, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Surprise, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Surprise, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Honorable Mayor and Members of the City Council
City of Surprise, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Surprise, Arizona's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Surprise, Arizona's major federal programs for the year ended June 30, 2023. City of Surprise, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Surprise, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Surprise, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Surprise, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Surprise, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Surprise, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Surprise, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Surprise, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Surprise, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Surprise, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Surprise, Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Surprise, Arizona's basic financial statements. We issued our report thereon dated December 14, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal/Pass-Through/Agency</u>	<u>AL Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Amount Provided to Subrecipients</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs					
CDBG-Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 638,760	\$ 325,599	\$
Community Development Block Grants/Entitlement Grants	14.218	N/A	70,192		
COVID-19 Community Development Block Grant	14.218	N/A	523,542	513,438	
Total CDBG-Entitlement Grants Cluster					1,232,494
Passed through the Maricopa County/Maricopa HOME Constorium					
HOME Investment Partnerships Programs	14.239	C-22-17-046-3-04	8,790	8,790	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-01	176,945	176,945	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-02	200,703	200,703	
HOME Investment Partnerships Programs	14.239	C-22-21-092-X-02	2,059	2,059	
Total HOME Investment Partnership Programs					388,497
Total U.S. Department of Housing and Urban Development					1,620,991
<u>U.S. Department of Justice</u>					
Passed through Arizona Department of Public Safety					
COVID-19 Crime Victim Assistance	16.575	VOCA-2021-SPD-00158			129,623
Passed through the City of Phoenix					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13429092	3,650		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13688934	12,731		
Total Edward Byrne Memorial Justice Assistance Grant Program					16,381
Total U.S. Department of Justice					146,004
<u>U.S. Department of Transportation</u>					
Passed through Arizona Governor's Office of Highway and Safety:					
Highway Safety Cluster					
State and Community Highway Safety	20.600	2022-PTS-065	14,089		
State and Community Highway Safety	20.600	2023-PTS-064	14,616		
State and Community Highway Safety	20.600	2022-PS-010	16,021		
State and Community Highway Safety	20.600	2023-PS-010	12,403		
State and Community Highway Safety	20.600	2022-OP-014	16,327		
State and Community Highway Safety	20.600	2022-MC-003	10,324		
State and Community Highway Safety	20.600	2023-MC-004	34,994		
State and Community Highway Safety	20.600	2022-AI-010	576		
State and Community Highway Safety	20.600	2023-AI-011	27,378		
State and Community Highway Safety	20.600	2023-OP-013	2,392		
National Priority Safety Programs	20.616	2022-II-005	208		
National Priority Safety Programs	20.616	2023-405d-043	40,000		
National Priority Safety Programs	20.616	2022-405d-046	4,077		
National Priority Safety Programs	20.616	2023-405d-044	16,065		
National Priority Safety Programs	20.616	2023-405b-008	11,129		
National Priority Safety Programs	20.616	2023-CIOT-024	4,000		
Total Highway Safety Cluster					224,599
Total U.S. Department of Transportation					224,599
<u>U.S. Department of Treasury</u>					
Direct Program					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	49,434		
Passed through Maricopa County Human Services					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	C-22-22-084-X-00	545,288		
Passed through Area Agency on Aging, Region One					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-36-SUR	4,675		
Passed through Arizona Office of Tourism					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-09162022-02-034	116,540		
Passed through City of El Mirage					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	322280	20,744		
Total Coronavirus SLFRF Program					736,681
Passed through Maricopa County Human Services					
COVID-19 Emergency Rental Assistance Program	21.023	C-22-22-110-X-00			343,433
Total U.S. Department of the Treasury					1,080,114

City of Surprise, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

U.S. Department of Health and Human Services

Passed through Area Agency on Aging, Region One				
Aging Cluster				
Special Programs for the Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	2023-36-SUR	9,188	
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2023-36-SUR	61,251	
Nutrition Services Incentive Program	93.053	2023-36-SUR	<u>3,049</u>	
Total Aging Cluster				73,488
Passed through Maricopa County Human Services				
Low-Income Home Energy Assistance	93.568	C-22-22-110-X-00		97,953
Community Services Block Grant	93.569	C-22-19-038-3-03	82,605	136,669
Passed through Area Agency on Aging, Region One				
Social Services Block Grant	93.667	2023-36-SUR		<u>6,202</u>
Total U.S. Department of Housing and Urban Development				<u>314,312</u>

U.S. Department of Homeland Security

Direct Programs				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018-FH-00377		150,320
Passed through Arizona Department of Homeland Security:				
Homeland Security Grant Program	97.067	210821-01	34,281	
Homeland Security Grant Program	97.067	190822-02	10,000	
Homeland Security Grant Program	97.067	220825-01	22,084	
Homeland Security Grant Program	97.067	210216-01	34,221	
Homeland Security Grant Program	97.067	210820-01	42,445	
Total Homeland Security Grant Program				<u>143,031</u>
Total U.S. Department of Homeland Security				<u>293,351</u>
Total Expenditures of Federal Awards			<u>\$ 1,310,139</u>	<u>\$ 3,679,371</u>

City of Surprise, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Surprise, Arizona under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Indirect Cost Rate

The auditee did not use the de minimis indirect cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

Housing Rehabilitation Loan Program

The City has entered into several Housing Rehabilitation Agreements utilizing CDBG funds (Assistance Listing Number 14.218). These deferred loans are due upon the sale, transfer, or foreclosure of the property. Loan repayments to the City are considered program income and are subject to the CDBG guidelines in perpetuity. Due to the contingent nature of the repayment of these loans, there is an allowance recorded at 100% of the outstanding balance.

**City of Surprise, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

Assistance Listing Numbers
14.218

Name of Federal Programs or Clusters
CDBG-Entitlement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Rd., Suite 300
Scottsdale, AZ 85257

This representation letter is provided in connection with your audit of the financial statements of City of Surprise, Arizona, which comprise the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of all known actual or possible litigation, claims, and assessments have been evaluated, and if necessary, have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
15. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. If applicable, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified and communicated to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
23. If applicable, we have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred outflows/inflows of resources, and fund balance or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. With respect to your compliance examination of highway user revenue fund monies and other dedicated state transportation revenues, we represent the following:
- we are responsible for compliance with A.R.S. Title 28, Chapter 18, Article 2; and for establishing and maintaining effective internal controls to ensure compliance.
 - we have disclosed to you all known noncompliance with the aforementioned statutes and related requirements.
 - we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with the aforementioned statutes and related requirements.
27. We have identified and disclosed to you all instances of identified fraud and suspected fraud that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances of identified noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
29. We have identified and disclosed to you all instances of identified abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
31. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
32. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. If applicable, the financial statements include all component units, appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
35. The financial statements include all fiduciary activities required by U.S. GAAP.
36. The financial statements properly classify all funds and activities in accordance with U.S. GAAP.

37. All funds that meet the quantitative criteria for presentation as a major fund are identified and presented as such and all other funds that are presented as a major fund are particularly important to financial statement users.
38. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
39. Investments are properly valued.
40. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
41. If applicable, provisions for uncollectible receivables have been properly identified and recorded.
42. All payroll information and the individual employment data have been properly submitted to the state retirement systems, and the employer contributions have been properly submitted to the retirement systems.
43. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
44. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
45. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
46. Special and extraordinary items, if any, are appropriately classified and reported.
47. Deposits and investment securities are properly classified as to risk and are properly disclosed.
48. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

49. We have identified and disclosed to you all contracts, agreements, and transactions that result in subscription-based information technology arrangements (SBITAs) for financial reporting purposes. SBITAs have been properly recorded and disclosed in the notes to the financial statements.
50. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
51. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
52. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
53. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
54. With respect to the supplementary information presented, such as the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards.
 - a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
55. We acknowledge our responsibility for the other information included in the financial statements, such as the transmittal letter and statistical data. We believe the other information,

including its form and content, is fairly presented and is materially consistent with the basic financial statements.

56. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
- b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- t. If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u. If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- v. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- bb. If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

We understand that at the conclusion of the audit Heinfeld, Meech & Co, P.C. will submit to the City Council a communication to those charged with governance that will include a copy of this representation letter and a copy of the engagement letter.

Andrea Davis

Andrea Davis, Chief Financial Officer
City of Surprise, Arizona

12/14/2023

Date

Erick Martin

Erick Martin, Accounting Manager
City of Surprise, Arizona

12/13/2023

Date

Independent Accountant's Report

Honorable Mayor and Members of the City Council
City of Surprise, Arizona

We have examined the City of Surprise, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2023. Management is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Surprise, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2023.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2023

City of Surprise, Arizona
Annual Expenditure Limitation Report
Year Ended June 30, 2023

**Annual Expenditure Limitation Report
Year Ended June 30, 2023**

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Independent Accountant's Report

The Auditor General of the State of Arizona

The Honorable Mayor and City Council
of the City of Surprise, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Surprise, Arizona for the year ended June 30, 2023, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the Uniform Expenditure Reporting System, in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System as described in Note 1.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
January 29, 2024

City of Surprise, Arizona
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2023

1. Economic Estimates Commission expenditure limitation	\$ <u>1,326,077,781</u>
2. Amount subject to the expenditure limitation (total amount from Part II, line C)	<u>253,018,540</u>
3. Amount under the expenditure limitation	\$ <u><u>1,073,059,241</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of chief financial officer: Andrea Davis

Name and title: Andrea Davis

Telephone number: 623-222-1853 Date: 01/30/2024

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2023

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Amounts reported on the Reconciliation, line D	\$ 231,089,793	\$ 52,611,476	\$ 22,223,822	\$ 610,012	\$ 306,535,103
B. Less exclusions claimed:					
Debt service requirements (see Note 2)	8,633,466	2,952,547	-	-	11,586,013
Dividends, interest, and gains on the sale or redemption of investment securities (see Note 3)	5,592,709	1,959,741	310,747	-	7,863,197
Custodian	-	-	-	610,012	610,012
Grants and aid from the federal government (see Note 4)	3,679,371	-	-	-	3,679,371
Amounts received from the State of Arizona (see Note 5)	364,134	-	-	-	364,134
Quasi-external interfund transactions (see Note 6)	-	-	17,147,515	-	17,147,515
Highway user revenues in excess of those received in fiscal year 1979-80 (see Note 7)	11,766,939	-	-	-	11,766,939
Refunds, reimbursements, and other recoveries (see Note 8)	137,109	359,143	3,130	-	499,382
Total exclusions claimed	<u>30,173,728</u>	<u>5,271,431</u>	<u>17,461,392</u>	<u>610,012</u>	<u>53,516,562</u>
C. Amounts subject to the expenditure limitation	<u>\$ 200,916,065</u>	<u>\$ 47,340,045</u>	<u>\$ 4,762,430</u>	<u>\$ -</u>	<u>\$ 253,018,540</u>

See accompanying notes to report.

City of Surprise, Arizona
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2023

Description	Governmental funds	Enterprise funds	Internal service funds	Fiduciary funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 249,793,946	\$ 57,694,933	\$ 22,719,005	\$ 610,012	\$ 330,817,896
B. Subtractions:					
Items not requiring use of current financial resources:					
Depreciation	-	16,358,585	-	-	16,358,585
Bad debt expense (Note 9)	1,123,014	107,257	-	-	1,230,271
Pension and other postemployment benefits (OPEB) expense (see Note 10)	49,810	1,563,027	67,361	-	1,680,198
Claims incurred but not reported (IBNR) (see Note 11)	-	-	1,823,203	-	1,823,203
Expenditures of separate legal entities established under Arizona Revised Statutes (see Note 12)	17,475,205	-	-	-	17,475,205
Required fees paid to the Industrial Commission of Arizona (see Note 14)	-	-	383,929	-	383,929
Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception (see Note 15)	56,124	-	-	-	56,124
Total subtractions	<u>18,704,153</u>	<u>18,028,869</u>	<u>2,274,493</u>	<u>-</u>	<u>39,007,515</u>
C. Additions:					
Principal payments on long-term debt (see Note 2)	-	1,812,512	-	-	1,812,512
Capital asset acquisitions (see Note 13)	-	9,945,010	-	-	9,945,010
Amounts paid in the current year but reported as expenses in previous years:					
Claims previously recognized as IBNR (see Note 11)	-	-	1,730,363	-	1,730,363
Pension and OPEB contributions paid in the current year (see Note 10)	-	1,187,890	48,947	-	1,236,837
Total additions	<u>-</u>	<u>12,945,412</u>	<u>1,779,310</u>	<u>-</u>	<u>14,724,722</u>
D. Amounts reported on Part II, line A	<u>\$ 231,089,793</u>	<u>\$ 52,611,476</u>	<u>\$ 22,223,822</u>	<u>\$ 610,012</u>	<u>\$ 306,535,103</u>

See accompanying notes to report.

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

Note 1 - Summary of significant accounting policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; statement of revenues, expenses, and changes in fund net position for the proprietary funds; the statement of cash flows for the proprietary funds.

Note 2

The exclusion claimed for debt service requirements on bonded indebtedness of \$8,633,466 in the governmental funds consists of principal and interest payments of \$6,422,488 and \$2,210,978, respectively. The exclusion claimed for debt service requirements on bonded indebtedness of \$2,952,547 in the enterprise funds consists of principal and interest payments of \$1,812,512 and \$1,138,066, respectively, and \$1,969 in miscellaneous administrative expenses.

Note 3

The exclusions claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental, enterprise and internal service funds includes investment earnings expended of \$5,592,709, \$1,959,741, and \$310,747, respectively, which are recorded as Interest Revenue in the fund financial statements.

Note 4

The following schedule presents revenues from which exclusions have been claimed for grants and aid from the federal government in the governmental and enterprise funds.

Federal Agency		
U.S. Department of Housing and Urban Development	\$	1,620,991
U.S. Department of Justice		146,004
U.S. Department of Transportation		224,599
U.S. Department of the Treasury		1,080,114
U.S. Department of Health and Human Services		314,312
U.S. Department of Homeland Security		293,351
Total	\$	<u><u>3,679,371</u></u>

Note 5

The exclusion claimed for amounts received from the State of Arizona in the governmental funds consist of intergovernmental revenues received in the following funds:

Governmental Fund		
Local Transportation Assistance II / Arizona Lottery	\$	<u>364,134</u>
	\$	<u><u>364,134</u></u>

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

Note 6

There are certain transactions that are recorded between the City's funds as if the transaction was with an entity external to the City. The Employee Healthcare Fund charged other funds \$12,533,213 in order to meet the costs of providing health insurance claims coverage, plan administration, stop loss premiums and reserves. The Risk Management Fund charged other funds \$3,705,600 to provide risk management, loss control and safety programs citywide. The Worker's Compensation Fund charged other funds \$2,439,588 in order to meet the costs of providing worker's compensation claims coverage, plan administration, stop loss premiums and reserves. Excludable revenues expended in the current fiscal year for the Risk Management Fund totaled \$3,175,688, resulting in a current year carryforward balance of \$1,013,38. Excludable revenues expended in the current fiscal year for the Worker's Compensation Fund totaled \$1,915,061, which is less than current year revenues by \$524,527 resulting in a current year carryforward balance of \$524,527.

Note 7

Highway user revenues for the current fiscal year were \$11,093,076 which is \$11,030,645 more than the highway user revenues received by the City in fiscal year 1980. Excludable revenues expended in the current fiscal year totaled \$11,766,939, which is more than current excludable revenues by \$736,294, decreasing the carryforward balance to \$3,819,871.

Note 8

The exclusions claimed for refunds, reimbursements, and other recoveries includes recovery of prior year expenses of \$54,603, \$284,942, and \$3,130 in the governmental, enterprise and internal service funds, respectively; miscellaneous refunds and reimbursements of \$80,471 and \$74,201 in the governmental and enterprise funds, respectively; and insurance recoveries of \$2,035 in the governmental funds.

Note 9

The subtraction of \$1,123,014 and \$107,257 of bad debt expense in the governmental and enterprise funds, respectively, are reported as an offset to revenue under Charges for Services.

Note 10

The \$1,5563,027 and \$67,361 subtraction amounts for pension and other post employment benefit (OPEB) expense in the enterprise funds and internal service funds, respectively, consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise funds and internal service funds. The \$1,187,890 and \$48,947 addition amounts for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds and internal service funds.

	Enterprise funds	Internal service funds
Subtractions - Pension/OPEB Expense		
Pension expense	\$ 1,498,493	\$ 64,580
OPEB expense	64,534	2,781
Total	<u>1,563,027</u>	<u>67,361</u>
Additions - Pension/OPEB Contributions		
Pension contributions	\$ 1,153,190	\$ 47,517
OPEB contributions	34,700	1,430
Total	<u>1,187,890</u>	<u>48,947</u>

City of Surprise, Arizona
Notes to Annual Expenditure Limitation Report
Year ended June 30, 2023

The subtraction of \$49,810 for pension expense in the governmental funds consists of nonemployer contributions to the Elected Officials Retirement Plan (EORP) that was reported as a revenue and an offsetting expenditure in the governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

Note 11

The subtraction of \$1,823,203 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the internal service funds. The addition of \$1,730,363 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the internal service funds.

Note 12

The subtraction in the governmental funds of \$17,475,205 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the City's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds category in the fund financial statements:

Street Lighting Districts Fund	
General government	\$ 108,396
Community development	2,304,899
Subtotal	<u>\$ 2,413,295</u>
Marley Park Community Facility District Fund	
Culture and recreation	\$ 178,629
Administrative charges	508,417
Principal payments on debt	655,000
Interest payments on debt and other charges	1,217,434
Capital outlay	12,502,430
Subtotal	<u>\$ 15,061,910</u>
Total separate legal entities	<u><u>\$ 17,475,205</u></u>

Note 13

The addition of \$9,945,010 for the acquisition of capital assets in the enterprise funds is comprised of total capital asset increases of \$42,317,658 less \$32,372,648 in capital contributions.

Note 14

The subtraction for required fees State law required the City to pay that are excluded from the city expenditure limitation consists of payments to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund, which were recorded as a \$383,929 expenditure.

Note 15

The subtraction of \$56,124 is the result of subscription-based IT arrangements at their inception.

Heinfeld, Meech & Co., P.C.
1365 N. Scottsdale Road. Suite 300
Scottsdale, AZ 85257

In connection with your examination of the Annual Expenditure Limitation Report (AELR) for the year ended June 30, 2023, for the purpose of expressing an opinion about whether the AELR is presented, in all material respects, in accordance with the Uniform Expenditure Reporting System, we confirm, to the best of our knowledge and belief, as of the date of our signature, the following representations made to you during your examination.

1. The AELR for the year ended June 30, 2023 is presented in accordance with the Uniform Expenditure Reporting System.
2. We are responsible for the AELR and for our assertion that it is presented in accordance with the Uniform Expenditure Reporting System.
3. We are responsible for selecting the criteria and determining the criteria are suitable, available to intended users, and appropriate for the purpose of the engagement.
4. Under the terms of the agreement, we have provided you with all relevant information and access to information and personnel in connection with your examination of the AELR.
5. We have disclosed to you all deficiencies in internal control relevant to the engagement of which we are aware.
6. We have disclosed to you knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the AELR.
7. All relevant matters are reflected in the measurement and/or evaluation of the AELR.
8. We believe that significant assumptions used in making any material estimates are reasonable.
9. We have disclosed to you all known matters that may contradict the AELR, and we have disclosed to you all communications from regulatory agencies, received through the date of your report affecting the AELR.
10. We have disclosed to you all events subsequent to June 30, 2023 that would have a material effect on the AELR.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Andrea Davis

01/29/2024

Andrea Davis, Finance Director
City of Surprise, Arizona

Date



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024

Contact Person: Donna Meuse, Human Resources
Director

Submitting Department: Human Resources

District: Internal

Staff Recommendations:

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Consideration and action by City Council determining, in accordance with A.R.S. § 9-481(H), that the City of Surprise has complied with A.R.S. § 41-1494, an Arizona law which prohibits a state agency, including cities, from requiring, or expending public funds on, certain training, orientation or therapy; Resolution #2024-25.

Motion:

I move to approve Resolution #2024-25.

Background:

In 2021 the Arizona Legislature enacted HB 2906 which requires the governing body of a city to demonstrate annual compliance with A.R.S. § 41-1494 which prohibits a city, town, county, or political subdivision from requiring employees to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. Similarly, a city may not expend public money on same.

Objective Analysis:

The Human Resources Director of the City of Surprise has verified that the City of Surprise has not required any employee to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex as defined by A.R.S. § 41-1494.

Policy Compliant:

The City is compliant with A.R.S. § 41-1494.

Financial Impact:

There is no financial impact as no public monies have been expended for this purpose.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. * Memo re ARS 41-1494 (Updated on 2/5/24)
 2. * Resolution 2024-25 (Added on 2/5/24)
-



HUMAN RESOURCES
CITY OF SURPRISE
16000 N. CIVIC CENTER PLAZA
SURPRISE, AZ 85374
T. 623-222-3500

Memorandum

From: Donna Meuse, Director of Human Resources

Date: February 2, 2024

Re: Acknowledgement of Compliance with ARS 41-1494

The City of Surprise offers a variety of training programs in support of city policy and in compliance with state and federal law. As the Human Resources Director for the City of Surprise, I am familiar with mandated city-wide training. In compliance with ARS 41-1494, the City does not require employees to engage in any trainings, orientations, or therapies that present any form of blame or judgment on the basis of race, ethnicity, or sex. In addition to city-wide training presented by the Human Resources Department, I have confirmed that department specific trainings developed and delivered by the Police Department and the Fire Medical Department do not include training that violates the prohibition as defined by ARS 41-1494.

A handwritten signature in black ink that reads "Donna Meuse". The signature is written over a horizontal line.

Donna Meuse

A handwritten date in black ink that reads "2-2-2024". The date is written over a horizontal line.

Date

RESOLUTION# 2024-25

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF SURPRISE, ARIZONA DETERMINING COMPLIANCE WITH A.R.S. § 41-1494 REGARDING TRAINING, ORIENTATION, THERAPY, BLAME, AND JUDGMENT, IN ACCORDANCE WITH A.R.S. § 9-481 (H).

WHEREAS, the Arizona Legislature enacted HB 2906 in 2021 and said legislation became effective on or about September 29, 2021;

WHEREAS, pursuant to HB 2906, newly enacted A.R.S. § 41-1494 prohibits a city, town, county, or political subdivision from certain actions regarding training, orientation, therapy, blame, and judgment;

WHEREAS, HB 2906 also adopted subsection H of A.R.S. § 9-481 requiring the governing body of a city to demonstrate compliance with A.R.S. § 41-1494;

WHEREAS, the Human Resources Director of the City of Surprise has verified that the City of Surprise has not required any employee to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex as defined by A.R.S. § 41-1494; and

WHEREAS, because no training, orientation or therapy prohibited by A.R.S. § 41-1494 has been required, no public monies have been expended for this purpose.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Surprise, Arizona, as follows:

Section 1. The City Council hereby finds that the City of Surprise has complied with the provisions of HB 2906 (2021) as applicable to the City.

Section 2. The City Council further finds that the City of Surprise does not require and does not intend to require employees to engage in any training, orientation, or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex as proscribed in A.R.S. § 41-1494.

Section 3. The City Council further finds that the City of Surprise does not use and does not intend to use public monies for training, orientation, or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex as proscribed in A.R.S. § 41-1494.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

APPROVED AND ADOPTED this __day of _____, 2024.

Skip Hall, Mayor

Attest:

Approved as to form:

Kristi Passarelli, City Clerk

Robert Wingo, City Attorney



CITY OF SURPRISE Amended Regular City Council Meeting

Council Meeting Date: February 6, 2024
Submitting Department: Legal
Staff Recommendations:

Contact Person: Robert Wingo, CITY ATTORNEY
District: Citywide

Consent: No	Regular: Yes	Public Hearing: No	Report/Discussion: No
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Agenda Wording:

Consideration and action pertaining to updating the City's Uniform Video Service License Agreement.

Motion:

I move to approve the updated Uniform Video Service License Agreement as presented.

Background:

During the 2018 legislative session, the State legislature determined that the licensing of video service providers and the regulation and use of video service are matters of statewide concern and therefore, passed legislation which preempts all local jurisdictions' current franchise licensing procedures and processes.

At that time, each local government had to adopt an Uniform Video Service License Agreement, application, and affidavit by July 1, 2019. On June 18, 2019, the City complied with the new law and City Council adopted the mandated documents. The City Attorneys Office has since reviewed the adopted Uniform Video Service License Agreement and identified revisions to that document that comply with the relevant statutes, and are also beneficial to protecting the City of Surprise.

Objective Analysis:

The Uniform Video Service License Agreement complies with the limitations and requirements prescribed by state law.

Policy Compliant:

This updating of the Uniform Video Service License Agreement is compliant with Arizona revised statutes, specifically A.R.S. 9-1411, and consistent with City policy of protecting the City's police powers over its rights-of-way.

Financial Impact:

This item does not have a direct financial impact; however, the City will continue to collect 5% of Gross Revenues, as defined by state law. This 5% will be offset by any permitting, inspection, or construction fees the City assesses.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. 24.01.26 (FOR 2.6.24 MEETING) Updates to Video Service License
 2. 24.01.29 (FOR 2.6.24 MEETING) Edits Uniform Video Service License Agreement
-



Updates to Uniform Video Service License Agreement

City Attorney's Office – February 6, 2024

History

- Initiated by S.B. 1140 in 2018, which was codified in A.R.S. 9-1401 *et seq.*
- State pre-empted the field of Video Service licensing
- A.R.S. § 9-1411(B) required the City to adopt a standard form of a uniform video service license agreement

History continued...

- On **June 18, 2019**, the Surprise City Council adopted a form of a uniform video service license agreement
- Now, the City has revised the form agreement within the limitations prescribed by State law

What has changed?

- Provided specific laws, rules, and regulations, as set forth in the Surprise Municipal Code (“SMC”)
 - Engineering standards
 - Insurance, indemnification requirements
- Removed references to incumbent cable operators, as irrelevant to the form agreement
- Further clarified the fees being assessed

Why the change?

- The 2019 Statute addresses an evolving technology and process that is being rapidly deployed
 - Take into context the other similar areas of law that are currently expanding simultaneously:
 - Small Wireless Facilities deployment (A.R.S. § 9-591 *et seq.*)
 - Fiber/conduit deployment (A.R.S. § 9-581 *et seq.*)
- These updates allow the City to further exercise its police powers, including its authority to apply generally applicable, nondiscriminatory laws for use of the City's rights-of-way



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

~~Model~~ Uniform Video Service License Agreement

Date of Issuance: _____

This Uniform Video Service License Agreement ("~~License~~ AGREEMENT") is made on the date of issuance hereof by and between the City of Surprise, an Arizona municipal corporation ("~~Licensor~~ CITY") and _____, a _____ ("~~Licensee~~").

WHEREAS, THE CITY OF SURPRISE HAS THE EXCLUSIVE AUTHORITY TO ISSUE A UNIFORM VIDEO SERVICE LICENSE TO ANY PERSON OR ENTITY THAT WANTS TO CONSTRUCT AND OPERATE A VIDEO SERVICE NETWORK WITHIN ITS LEGAL BOUNDARIES¹;

WHEREAS, Licensee has filed a completed application and affidavit ~~under Title 9, Chapter 13, Arizona Revised Statutes ("Licensing Statute"), for Licensor~~ WITH THE CITY CLERK to ~~issue~~ OBTAIN a Uniform Video Service License² to Licensee; and

WHEREAS, Licensee is authorized under the laws of the State of Arizona to provide ~~Cable~~ VIDEO Service.

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated herein and the mutual covenants set forth herein, the ~~P~~ parties agree as follows:

1. Definitions. Capitalized terms that are not defined herein have the same meaning prescribed in ~~the Licensing Statute, including A.R.S. Section~~ § 9-1401 *ET SEQ.*

2. Licensee Information. The following appear on Exhibit A attached hereto and are incorporated herein by this reference:

2.1 The name of Licensee, its type of entity and its jurisdiction of formation.

2.2 The address and telephone number of Licensee's principal place of business.

2.3 The names, titles and addresses of Licensee's principal executive officers or general partners.

2.4 The names, titles, telephone and fax numbers and email addresses of any persons authorized to represent Licensee before Licensor.

3. Grant of License. ~~Under the Licensing Statute~~ PURSUANT TO SURPRISE MUNICIPAL CODE ("SMC"), CH. 50, ART. II, City hereby issues to Licensee, and

¹ ARIZ. REV. STAT. § 9-1411(A)

² SURPRISE MUNICIPAL CODE, SEC. 50-30

Licensee hereby accepts from City, a nonexclusive Uniform Video Service License ("LICENSE"). THIS LICENSE GRANTS THE LIMITED AUTHORITY TO:

3.1 USE AND OCCUPY THE HIGHWAYS IN THE DELIVERY OF THE VIDEO SERVICE, BUT ONLY TO THE EXTENT REQUIRED BY A.R.S. TITLE 9, CHAPTER 13, AND SUBJECT TO THE LAWS OF THIS STATE AND THE POLICE POWERS OF THE LOCAL GOVERNMENT; AND

3.2 PROVIDE VIDEO SERVICE IN THE SERVICE AREA. The Service Area in which this LicenseE authorizes Licensee toWILL provide Video Service in the areaS described on Exhibit B attached hereto and incorporated herein by this reference.

~~3.2. Licensors grants Licensee authority in the delivery of Video Service to use and occupy, and to construct and operate a Video Service Network in, Highways in the Service Area in compliance with the Licensing Statue and this License.~~

~~3.3 Licensee may operate and maintain facilities installed in the Highways in the Service Area to provide services pursuant to and subject to all the following: A.R.S. Section 9-584 and A.R.S. Title 9, Chapter 5.~~

4. Licensee Compliance with Law. Licensee shall BE SUBJECT TO AND comply with ~~and be subject to~~ALL OF THE FOLLOWING:

4.1 All valid and enforceable federal and state laws.

4.2 ARIZ. REV. STAT., TITLE 9, CHAPTER 13 (VIDEO SERVICE).

4.23 All generally applicable, nondiscriminatory Llocal Llaws, AS AMENDED, including hHighway³ use, mapping, insurance, performance bonds, security fund, indemnification, letter of credit or similar requirements that apply to the use and occupation of any hHighway and that conform to the Licensing StatuteA.R.S. § 9-1401 *ET SEQ.* THESE REQUIREMENTS INCLUDE, BUT ARE IN NO WAY LIMITED TO, THE FOLLOWING:-

4.3.1 SMC, CH. 50, ART. II.

4.3.2 ENGINEERING DEVELOPMENT STANDARDS (EDS) MANUAL 2021, AS REVISED, AND SUPPLEMENTS THERETO.

4.3.3 CITY OF SURPRISE TEMPORARY WORK ZONE TRAFFIC MANAGEMENT POLICY, AS REVISED, AND TRAFFIC MANAGEMENT ORDINANCE⁴ (INCLUDING, BUT NOT LIMITED TO, COMPLIANCE WITH

³ A.R.S. § 9-1401(10) DEFINES A "HIGHWAY" AS "ALL ROADS, STREETS AND ALLEYS AND OTHER DEDICATED PUBLIC RIGHTS-OF-WAY THAT ARE OPERATED AND MAINTAINED BY A LOCAL GOVERNMENT."

⁴ SMC, SEC. 54-161 – 164

THE LATEST MANUAL ON UNIFORM TRAFFIC CONTROL DEVICES AND/OR THE CITY OF PHOENIX TRAFFIC BARRICADE MANUAL).

4.3.4 ALL PERMITTING REQUIREMENTS, SET FORTH IN THE SMC LAND DEVELOPMENT ORDINANCE (SMC, PART II).

4.34 All public, education and government programming requirements of the Licensing Statute A.R.S. § 9-1401 *ET SEQ.*

4.45 All customer service rules of the Federal Communications Commission under 47 Code of Federal Regulations Section 76.309(c) applicable to Cable Operators.

4.56 All consumer privacy requirements of 47 United States Code Section 551 applicable to Cable Operators.

~~5. Commencement of Video Service; Revocation. If Licensee is an incumbent cable operator, Licensee shall begin to provide Video Services under this License on the date of issuance of this license. If Licensee is not an incumbent cable operator, Licensee shall provide video service to at least one subscriber within each service area authorized by this License not later than twenty-four months after the date of issuance of this License. Failure of a non-incumbent cable operator to provide video service to at least one subscriber within each service area as set forth above shall result in revocation of this License unless the Licensee establishes to the satisfaction of the City that such failure was for reasons beyond the Licensee's control.~~

65. ~~License Fee~~^S. Licensee is required to SHALL pay TO THE CITY the License Fees required under the Licensing Statute BY A.R.S. TITLE 9, CHAPTER 13 and all other lawful fees, taxes and charges imposed by Licensee THE CITY.

5.1 SUCH FEES INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

5.1.1 A LICENSE FEE FOR THE USE OF THE CITY HIGHWAYS FOR AND FOR THE PRIVILEGE OF PROVIDING VIDEO SERVICE WITHIN THE SERVICE AREA.⁵ THE INITIAL RATE OF THE LICENSE FEE SHALL BE FIVE PERCENT (5%) OF ALL GROSS REVENUES EARNED BY LICENSEE IN THE SERVICE AREA; AND

5.1.2 ALL APPLICABLE TRANSACTION PRIVILEGE TAXES, AS SET FORTH IN A.R.S. § 9-1442.⁶

~~The initial rate of the License Fee shall be five (5) percent.~~

5.2 NOTWITHSTANDING THE FOREGOING, THE CITY MAY ELECT TO IMPOSE ON LICENSEE SOME OR ALL OF THE FEES AND CHARGES

⁵ SMC, SEC. 50-60(A)

⁶ SEE – CITYWIDE FEE SCHEDULE, AS MOST RECENTLY ADOPTED BY THE SURPRISE CITY COUNCIL.

DESCRIBED IN A.R.S. § 9-1442(A)(2)⁷. FEES AND CHARGES IMPOSED PURSUANT TO THIS SECTION 5.2 SHALL OFFSET AGAINST THE NEXT LICENSE FEE PAYMENT MADE BY THE LICENSEE

76. Federal Filing Requirement. Licensee is required to file in a timely manner with the Federal Communications Commission all forms required by that agency before Licensee offers Video Service in the Service Area, including the forms required by 47 Code of Federal Regulations Section 76.1801.

87. Term. The term of thisE License is ten (10) years and shall begin on the date of issuance.

98. ~~Compliance with Law~~CONFLICTS OF INTEREST. ~~Licens~~or and Licensee agree that they are subject to and must comply with the Licensing Statute. This LicenseAGREEMENT is subject to A.R.S. Section§ 38-511 AND MAY BE TERMINATED IN ACCORDANCE THEREWITH.

Licensor

Licensee

City of Surprise, an Arizona municipal corporation

By: _____
Its: _____
Date: _____

By : _____
Its: _____
Date: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

⁷ PURSUANT TO A.R.S. § 9-1442(A)(2), "TAXES, RENTS, FEES AND CHARGES INCLUDE... RENTAL, APPLICATION, CONSTRUCTION, PERMIT, INSPECTION, INCONVENIENCE AND OTHER FEES AND CHARGES RELATED TO A VIDEO SERVICE PROVIDER'S USE OF THE HIGHWAYS, INCLUDING THE USE AUTHORIZED BY [A.R.S. § 9-1442(D)].

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day
of _____, 20__ by _____, the _____ of
_____, a _____ on behalf of Licensee.

(Seal)

Notary Public

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this _____ day
of _____, 20__ by _____, Mayor of the City of Surprise, an
Arizona municipal corporation, on its behalf.

(Seal)

EXHIBIT A

[Information about Licensee]

I. Licensee:

Date:		
Applicant's Name:		
Principal Place of Business		
Phone:	Address:	
City:	State:	Zip:
Type of Entity:	Jurisdiction of Formation:	Email:

II. Licensee's principal executive officers or general partners:

Name:	Title:
Address:	

Name:	Title:
Address:	

Name:	Title:
Address:	

Name:	Title:
Address:	

III. Person(s) authorized to represent Licensee before Local Government:

Name:	Title:	
Address:		
Phone:	Fax:	Email:

Name:	Title:	
Address:		
Phone:	Fax:	Email:

Name:	Title:	
Address:		
Phone:	Fax:	Email:

EXHIBIT B
[Service Area]