

YOUR QUESTIONS REGARDING THE VAIL, ARIZONA INCORPORATION

1) Has the budget been updated for changes to the minimum wage?

In the feasibility analysis, all of the town staff are exempt (salaried) employees. To the extent that contractors use minimum wage laborers, this would need to be rebid after the Town of Vail is formed assuming the new Town Council decides to choose to contract its labor rather than bring it in house. However, in a municipal work environment, very few employees are paid minimum wage.

2) What is the short-term rental tax rate?

This will need to be determined by the new Town Council. The range varies between counties and cities but is in the range of 2% to 3.5%. There are no hotels in Vail and after doing a quick internet search, only found five short term rentals on AirBnB and zero on VRBO.

3) What will be the city's leadership wage cap per position?

Municipal wages are dictated by the open market. Market wages will bring the best candidates. A wage cap and below market wages would be detrimental to the Town of Vail.

4) How will the city cover cost if state doesn't pay the full city's operating costs? Bankruptcy happens.

Cities and towns in Arizona must prepare and file a balanced budget to the state of Arizona. The likelihood of bankruptcy is 0.1% (one tenth of one percent). From a google search, Fidelity states, "Municipal defaults and bankruptcies have become more common in the last 15 years but are still rare. The average five-year municipal default rate since 2012 is 0.1%, compared to 0.08% for the entire study." In contrast, the average five-year global corporate default rate was 7.2% since 2012 and 6.8% since 1970."

5) Has the budget been updated for real estate cost, fuel cost, sheriff over budget?

The feasibility budget will need to be updated by the new Town of Vail council once incorporated. The Council may decide to bring all services in house which would require a bottom-up budgeting process.

6) What will be the cost of business licenses?

This will need to be determined by the new Town of Vail council. Sahuarita doesn't charge a fee for business licenses, but Marana charges at \$60 and Ojo Valley charges \$80 depending on the type of business.

7) Is the CEO from the staffing agency been excluded from a competition to operate due to inside information?

The staffing agency was invited to speak as a guest speaker by the Incorporate Vail AZ group. Being hired by the Town of Vail is a separate transaction by a different entity and would be subject to state procurement rules.

8) What is the due diligence research of businesses in the incorporation area to determine sales tax income which will change the rate?

In the feasibility analysis, it only lists sales tax revenue of \$50,000 based on \$2.5 million in taxable sales using a 2% local sales tax. Sales tax data is inherently difficult to get because it's based on private sector sales. However, here are some average revenues for a few stores in Vail: Safeway \$26.6m, Walgreens \$8.5m, McDonalds \$2.7m, Taco Bell \$1.6m. Food bought in a grocery store is not taxable in Arizona but you can see how the IVA's estimate of \$50,000 is very conservative. Just

McDonalds' revenue is over \$2.5 million. In addition, with the 2018 Supreme Court ruling in the Wayfair decision, internet sales tax is estimated to be about \$1 million. This additional revenue is not included in the feasibility analysis.

9) What are the human services, elder aging services, homelessness?

Vail has the Vail Depot Thrift store, the Resources foodbank, and the United Community Health Center. All of these are self-sustaining. The Vail Unified Schols District offers Free and "Reduced Price School" meals for families who qualify. In Vail, there are no homeless camps currently.

10) What is the commercialization plan while maintaining rural community?

This will be the responsibility of the new Town of Vail council. The IVA has hypothesized that areas around the I-10 interchanges and along Colossal Cave Road would be appropriate for commercial development. Other vacant state land properties could be annexed and used for industrial and commercial development as well.

11) What is the housing plan, zoning?

This will be the responsibility of the new Town of Vail council. Typically, the current county zoning is adopted at the time of incorporation and then over a period of time and through a public process, land may be rezoned to fit the needs and wishes of the community.

12) How is the infrastructure being funded for this new development (pipes, roads, etc.)?

Infrastructure is typically funded with impact fees or construction sales tax. Pima County currently charges \$7,671 per house which is escrowed for future capacity improvements. Developers are often required to provide traffic mitigation such as turning lanes or traffic signals for new developments. Underground infrastructure such as water, electric, and gas is built into the cost of developed land and the interconnect fees of each house. The buyers pay for this through the price of their house.

13) Publish the proposed city charter.

As soon as a new town or city is formed in the State of Arizona, the AZ League of Cities and Towns meets with the first town council to create the first city charter. There are multiple resources available including:

- The Arizona Department of Revenue publishes a Model City Tax Code. It can be found at: azdor.gov/business/transaction-priviledge-tax/model-city-tax-code.
- Guide to Preparing and Adopting Local Laws by the League
- Exploring Charter Government for your City