

REFERENCE TITLE: **community facilities districts**

State of Arizona  
House of Representatives  
Fifty-fifth Legislature  
First Regular Session  
2021

# **HB 2317**

Introduced by  
Representative Toma

## **AN ACT**

AMENDING SECTIONS 48-701, 48-702, 48-703, 48-704, 48-705, 48-707, 48-708, 48-709, 48-711, 48-716, 48-719, 48-721, 48-722 AND 48-723, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-729; RELATING TO COMMUNITY FACILITIES DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 48-701, Arizona Revised Statutes, is amended to  
3 read:

4 48-701. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Clerk" includes any person or official who performs the duties  
7 of clerk of the municipality or county or any person appointed by the  
8 district board to be the district clerk pursuant to section 48-711.

9 2. "County" means a county that forms a community facilities  
10 district pursuant to this article in an unincorporated area or in an  
11 incorporated area with the municipality's consent.

12 3. "Debt service" means the principal of, interest on and premium,  
13 if any, on the bonds, when due, whether at maturity or prior redemption  
14 and fees and costs of registrars, trustees, paying agents or other agents  
15 necessary to handle the bonds and the costs of credit enhancement or  
16 liquidity support.

17 4. "District" means a tax levying community facilities district  
18 formed pursuant to this article by a municipality or formed pursuant to  
19 this article by a county in an unincorporated area or in an incorporated  
20 area with the municipality's consent.

21 5. "District board" means the board of directors of the district.

22 6. "Enhanced municipal services" means public service provided by a  
23 county or municipality within the district at a higher level or to a  
24 greater degree than provided in the remainder of the county or  
25 municipality, including such services as public safety, fire protection,  
26 street or sidewalk cleaning or landscape maintenance in public areas.

27 7. "Entity" means any of the following:

28 (a) A corporation.

29 (b) A general partnership, including a general partnership that is  
30 registered as a limited liability partnership.

31 (c) A limited partnership, including a limited partnership that is  
32 registered as a limited liability partnership.

33 (d) A limited liability company, including a professional limited  
34 liability company.

35 (e) A business trust, statutory trust entity or similar trust.

36 (f) An unincorporated association.

37 (g) A cooperative.

38 (h) Any other person that has a separate legal existence or has the  
39 power to acquire an interest in real property in its own name other than  
40 any of the following:

41 (i) An individual.

42 (ii) A testamentary, inter vivos or charitable trust, with the  
43 exception of a business trust, statutory trust entity or similar trust.

44 (iii) A decedent's estate.

1 (iv) A government, a governmental or political subdivision, a  
2 governmental agency or entity or a municipal corporation.

3 8. "General obligation bond" means a bond that is issued pursuant  
4 to section 48-719 and that is secured by a pledge of ad valorem taxes  
5 levied by the district.

6 9. "General plan" means the general plan described in section  
7 48-702, subsection D, as the plan may be amended.

8 10. "Governing body" means the body or board that by law is  
9 constituted as the legislative department of the municipality or county.

10 11. "Municipality" means an incorporated city or town.

11 12. "NET PREMIUM" MEANS THE DIFFERENCE BETWEEN THE PAR AMOUNT OF  
12 THE GENERAL OBLIGATION BOND ISSUE AND THE GENERAL OBLIGATION BOND ISSUE  
13 PRICE THAT IS DETERMINED PURSUANT TO UNITED STATES DEPARTMENT OF THE  
14 TREASURY REGULATIONS.

15 ~~12.~~ 13. "Owner" means the person or entity that, on the day the  
16 action, election or proceeding is begun or held, appears to be the owner  
17 of real property as shown on the property tax assessment roll.

18 ~~13.~~ 14. "Public infrastructure" means all improvements listed in  
19 this paragraph that will result in a beneficial use principally to land  
20 within the geographical limits of the district and may include a  
21 district's share of any improvements listed in this paragraph if the  
22 district board determines such share is proportionate to the beneficial  
23 use of such improvements to land within the geographical limits of the  
24 district, improvements within or outside the geographical limits of the  
25 district, necessary or incidental work, whether newly constructed,  
26 renovated or existing, and all necessary or desirable appurtenances. For  
27 the purposes of this paragraph, adoption by the district board of a  
28 resolution of intent pursuant to section 48-715 shall conclusively  
29 establish that the improvements or, if applicable, share of the  
30 improvements that are the subject of the resolution will result in a  
31 beneficial use principally to land within the geographical limits of the  
32 district. Public infrastructure improvements are:

33 (a) Sanitary sewage systems, including collection, transport,  
34 storage, treatment, dispersal, effluent use and discharge.

35 (b) Drainage and flood control systems, including collection,  
36 transport, diversion, storage, detention, retention, dispersal, use and  
37 discharge.

38 (c) Water systems for domestic, industrial, irrigation, municipal  
39 or fire protection purposes, including production, collection, storage,  
40 treatment, transport, delivery, connection and dispersal, but not  
41 including facilities for agricultural irrigation purposes unless for the  
42 repair or replacement of existing facilities when required by other  
43 improvements ~~permitted~~ ALLOWED by this article.

44 (d) Highways, streets, roadways and parking facilities, including  
45 all areas for vehicular use for travel, ingress, egress and parking.

1 (e) Areas for pedestrian, equestrian, bicycle or other nonmotor  
2 vehicle use for travel, ingress, egress and parking.

3 (f) Pedestrian malls, parks, recreational facilities other than  
4 stadiums, and open space areas for the use of members of the public for  
5 entertainment, assembly and recreation.

6 (g) Landscaping, including earthworks, structures, lakes and other  
7 water features, plants, trees and related water delivery systems.

8 (h) Public buildings, public safety facilities and fire protection  
9 facilities.

10 (i) Lighting systems.

11 (j) Traffic control systems and devices, including signals,  
12 controls, markings and signage.

13 (k) Equipment, vehicles, furnishings and other personalty related  
14 to the items listed in this paragraph.

15 ~~14.~~ 15. "Public infrastructure purpose" means:

16 (a) Planning, design, engineering, construction, acquisition or  
17 installation of public infrastructure.

18 (b) Acquiring, converting, renovating or improving existing  
19 facilities for public infrastructure.

20 (c) Acquiring interests in real property for public infrastructure.

21 (d) Establishing, maintaining and replenishing reserves from any  
22 source described in section 48-717 or from any other source in order to  
23 secure payment of debt service on bonds.

24 (e) Notwithstanding section 48-589, funding and paying from bond  
25 proceeds interest accruing on bonds for a period of not to exceed three  
26 years ~~from~~ AFTER their date of issuance.

27 (f) Providing for the timely payment of debt service on bonds or  
28 other indebtedness of the district.

29 (g) Refinancing any matured or unmatured bonds with new bonds.

30 (h) Incurring expenses of the district incident to and reasonably  
31 necessary to carry out the purposes specified in this paragraph.

32 ~~15.~~ 16. "Revenue bonds" means those bonds that are issued pursuant  
33 to section 48-720 and that are secured by a pledge of revenues of the  
34 district or revenues collected by the county or municipality and returned  
35 to the district.

36 ~~16.~~ 17. "Treasurer" includes any person or official who performs  
37 the duties of treasurer of the municipality or county or any person  
38 appointed by the district board as the district treasurer pursuant to  
39 section 48-711.

40 Sec. 2. Section 48-702, Arizona Revised Statutes, is amended to  
41 read:

42 48-702. Resolution declaring intention to form district

43 A. If the public convenience and necessity require, and on  
44 presentation of a petition signed by the owners of at least twenty-five  
45 percent of the land area proposed to be included in the district, the

1 governing body may adopt a resolution declaring its intention to form a  
2 community facilities district that shall include contiguous or  
3 noncontiguous property that is wholly within the corporate boundaries of  
4 the municipality or county.

5 B. On presentation of a petition signed by the owners of at least  
6 twenty-five percent of the land area proposed to be included in the  
7 district and a completed application for formation of a district by an  
8 individual or entity, the governing body of a municipality or county  
9 within sixty days after submission of the completed application shall hold  
10 a public hearing to consider the application for formation of the  
11 district. Immediately after completion of the hearing, the governing body  
12 may adopt a resolution declaring its intention to form a community  
13 facilities district that shall include contiguous or noncontiguous  
14 property that is wholly within the corporate boundaries of the  
15 municipality or county. If the governing body does not adopt a resolution  
16 declaring its intention to form a district, the governing body shall  
17 provide a written basis for not adopting the resolution and shall identify  
18 the specific changes needed for the application to be approved. This  
19 subsection does not create a presumption of district formation.

20 C. The resolution adopted by the governing body shall state the  
21 following:

- 22 1. The area or areas to be included in the district.
- 23 2. The purposes for which the district is to be formed.
- 24 3. That a general plan for the district is on file with the clerk  
25 OF THE MUNICIPALITY OR COUNTY, AS APPLICABLE.
- 26 4. The date, time and place of the hearing to be held on the  
27 formation of the district.
- 28 5. The place where written objections to the formation of the  
29 district may be filed.
- 30 6. That formation of the district may result in the levy of taxes  
31 to pay the costs of improvements constructed by the district and for their  
32 operation and maintenance.
- 33 7. A reference to this article.
- 34 8. Whether the district will be governed by a district board that  
35 consists of the members of the governing body, ex officio, AND IF  
36 REQUESTED PURSUANT TO THIS SECTION, with two additional DISTRICT BOARD  
37 members who are initially designated by the owner who owns the largest  
38 amount of privately owned acreage in the proposed district and who are  
39 appointed by the governing body, or, at the option of the governing body,  
40 five directors appointed by the governing body. The applicant for  
41 formation of the district shall provide in the application WHETHER TWO  
42 ADDITIONAL DISTRICT BOARD MEMBERS ARE TO BE APPOINTED AND SHALL PROVIDE a  
43 process for the designation of the two additional district board members,  
44 if applicable, on completion of the development of all of the property in  
45 the district, as certified by the applicant or its successors, and may

1 provide for the designation of **ADDITIONAL DISTRICT** board members on  
2 expiration of the term of additional district board members and for the  
3 designation of ~~a~~ **AN ADDITIONAL DISTRICT** board member if a vacancy occurs  
4 on the district board because of the death, resignation or inability to  
5 discharge the duties ~~of director~~ of an additional district board member.

6 D. A completed application **ALSO** shall include at least the  
7 following information:

8 1. A petition signed by the owners of at least twenty-five percent  
9 of the land to be included in the district.

10 2. A description of the applicant, including the corporate and  
11 organizational structure of the entity or individual making the  
12 application, the names of all officers and corporate directors directly  
13 related to or associated with the proposed district, the name, address and  
14 telephone number of the primary contact for the applicant, the names of  
15 any legal representatives, engineers, architects, financial consultants or  
16 other consultants significantly involved in the application and a general  
17 description of the applicant's experience with similar types of  
18 developments.

19 3. A general plan setting out a general description of the public  
20 infrastructure for which the district is proposed to be formed, the  
21 general areas to be improved and the estimated costs of construction or  
22 acquisition of the public infrastructure to be financed, constructed or  
23 acquired by the district.

24 4. A preliminary financing plan that includes the sources and uses  
25 of monies for the public improvements.

26 E. In reviewing an application for formation of a district in a  
27 county, the governing body of the county may consider the district's  
28 proximity to a city or town, its inclusion in a metropolitan planning area  
29 or county growth area, the availability and capacity of utilities and  
30 public infrastructure, including the transportation network, law  
31 enforcement services, current levels of other public services and the  
32 terms of existing zoning, development agreements and capital improvement  
33 plans.

34 Sec. 3. Section 48-703, Arizona Revised Statutes, is amended to  
35 read:

36 **48-703. Notice**

37 A. The clerk **OF THE MUNICIPALITY OR COUNTY** shall execute a notice  
38 ~~which~~ **THAT** shall read substantially as follows:

39 To whom it may concern:

40 The governing body of the (city) (town) (county) of  
41 \_\_\_\_\_, on \_\_\_\_\_ (Date) \_\_\_\_\_, adopted the attached resolution  
42 declaring its intention to form a tax levying community  
43 facilities district. A hearing on formation will be held  
44 on \_\_\_\_\_ (Date) \_\_\_\_\_, at \_\_\_\_\_ (Time) at \_\_\_\_\_ (Location) \_\_\_\_\_.

45 All persons owning or claiming an interest in property in the

1 proposed district who object to the inclusion of their land in  
2 the district, to the formation of the district or to the  
3 contents of the general plan must file a written objection  
4 with the undersigned at the following address before the time  
5 set for the hearing.

6 (Date)\_\_\_\_\_

7 \_\_\_\_\_  
8 Clerk

9 \_\_\_\_\_  
10 Address

11 (Name of municipality or county)

12 B. A copy of the resolution declaring the governing body's  
13 intention to form the district shall be attached to the notice and the  
14 clerk OF THE MUNICIPALITY OR COUNTY shall cause a copy to be mailed to the  
15 owners of real property in the district as shown on the most recent  
16 property tax assessment roll and to all other persons claiming an interest  
17 in such property who have filed a written request for a copy of the notice  
18 within the six months preceding or at any time following the adoption of  
19 the resolution of intent to form the district. The clerk OF THE  
20 MUNICIPALITY OR COUNTY shall also publish a copy of the notice and  
21 resolution at least once in the official newspaper of the municipality or  
22 county, if there is one, or, if there is no official newspaper of the  
23 municipality, in a newspaper of general circulation in the county in which  
24 the municipality is located. The mailing and publication shall be  
25 completed at least twenty days before the date set for hearing. The clerk  
26 OF THE MUNICIPALITY OR COUNTY shall execute an affidavit of mailing  
27 stating the date of mailing and the names and addresses of the persons to  
28 whom the notices and copies of the resolutions were mailed. The clerk OF  
29 THE MUNICIPALITY OR COUNTY shall obtain an affidavit from the newspaper in  
30 which the publication was made. The clerk OF THE MUNICIPALITY OR COUNTY  
31 shall cause both affidavits to be placed in the official records of the  
32 municipality or county. The affidavits are conclusive evidence of the  
33 mailing and publishing of notice. Notice shall not be held invalid for  
34 failure of delivery to the addressee.

35 C. If the clerk OF THE MUNICIPALITY OR COUNTY is informed that the  
36 person listed on the assessment roll is no longer the owner and the name  
37 and address of the successor owner become known, the clerk OF THE  
38 MUNICIPALITY OR COUNTY shall cause a copy of the notice and resolution to  
39 be mailed to the successor owner as soon as practicable after learning of  
40 the change of ownership.

41 Sec. 4. Section 48-704, Arizona Revised Statutes, is amended to  
42 read:

43 48-704. Hearing on objections

44 A. Within thirty days after adoption of the resolution of intent to  
45 form a district, any person claiming an interest in real property that the

1 resolution discloses is situated in the district may file a written  
2 objection with the clerk OF THE MUNICIPALITY OR COUNTY THAT ADOPTED THE  
3 RESOLUTION before 5:00 p.m. on the business day preceding the date and  
4 time set for the hearing on the question of formation of the  
5 district. The objection may raise one or more of the following:

6 1. That the objector's property would not be benefited from the  
7 improvements set forth in the general plan and that the property should be  
8 excluded from the district.

9 2. That the district should not be formed, stating the specific  
10 reasons.

11 3. That the general plan should be modified, stating the reasons  
12 for modification.

13 B. At the hearing, including any adjournments or continuances, the  
14 governing body shall hear and pass only on the written objections and the  
15 testimony and evidence presented in support of or opposition to the  
16 objections. The hearing shall be either transcribed by a court reporter  
17 or recorded by a tape recorder. The court reporter's transcript or a  
18 transcription of the tape recording certified to be true and correct by  
19 the clerk OF THE MUNICIPALITY OR COUNTY shall be filed in the official  
20 records of the governing body.

21 C. In furtherance of the hearing, the clerk OF THE MUNICIPALITY OR  
22 COUNTY, on written request or praecipe being presented, shall issue  
23 subpoenas or subpoenas duces tecum to compel the attendance and testimony  
24 of any person or the submission of any documents at the hearing.  
25 Compliance with the subpoena shall be enforced as if the subpoena were  
26 issued by a clerk of the superior court.

27 D. Testimony at the hearing need not be under oath, unless  
28 requested by any owner or required by the governing ~~board~~ BODY. Requests  
29 by owners that the testimony be under oath must be made in writing and be  
30 filed with, or served on, the clerk OF THE MUNICIPALITY OR COUNTY before  
31 the hearing begins or the request is deemed waived.

32 E. The minutes or a copy of a written transcript or a tape  
33 recording of the proceedings of a hearing conducted pursuant to this  
34 section shall be open to public inspection three working days after the  
35 conclusion of a hearing. Any person may request to examine or be  
36 furnished copies, printouts, photographs, transcripts or recordings of a  
37 hearing during regular office hours of the governing body. The custodian  
38 of the records shall furnish the copies, printouts, photographs,  
39 transcripts or recordings and may charge a reasonable fee that does not  
40 exceed the actual cost of reproducing the item requested.

41 Sec. 5. Section 48-705, Arizona Revised Statutes, is amended to  
42 read:

43 48-705. Order forming district; election

44 A. After the hearing, the governing body may adopt a resolution  
45 ordering the formation of the district, deleting any property determined



1 not to be benefited by the district or modifying the general plan and then  
2 ordering the formation of the district or determining that the district  
3 not be formed. A resolution ordering formation of the district shall  
4 state whether the district will be governed by a district board that  
5 consists of the members of the governing body, ex officio, AND IF  
6 REQUESTED PURSUANT TO SECTION 48-702, with two additional DISTRICT BOARD  
7 members who are initially designated by the owner who owns the largest  
8 amount of privately owned acreage in the district and who are appointed by  
9 the governing body, or, at the option of the governing body, five  
10 directors appointed by the governing body. The resolution shall contain  
11 the names of the ~~five~~ initial ~~directors~~ APPOINTED DISTRICT BOARD MEMBERS  
12 and the terms of office of each. IF THE DISTRICT WILL BE GOVERNED BY THE  
13 GOVERNING BODY, EX OFFICIO, WITH TWO ADDITIONAL DISTRICT BOARD MEMBERS WHO  
14 ARE INITIALLY DESIGNATED BY THE OWNER WHO OWNS THE LARGEST AMOUNT OF  
15 PRIVATELY OWNED ACREAGE IN THE DISTRICT AND WHO ARE APPOINTED BY THE  
16 GOVERNING BODY, AFTER THE GOVERNING BODY RECEIVES A LANDOWNER PETITION  
17 PRESCRIBED IN SECTION 48-729, SUBSECTION A, PARAGRAPH 3, THE RESOLUTION  
18 ORDERING FORMATION OF THE DISTRICT MAY STATE THAT THE TWO ADDITIONAL  
19 APPOINTED DISTRICT BOARD MEMBER POSITIONS SHALL PERMANENTLY BE ADVISORY  
20 NONVOTING MEMBERS OF THE DISTRICT BOARD.

21 B. If the governing body determines that the district should be  
22 formed, it shall submit the formation to an election of the owners of land  
23 in the district who are qualified electors of this state and other  
24 landowners, according to section 48-3043, unless a petition is presented  
25 to the governing body pursuant to section 48-707, subsection F. Each  
26 owner has the number of votes or portions of votes equal to the number of  
27 acres or portions of acres rounded upward to the nearest one-fifth of an  
28 acre owned by that owner in the submitted district. In addition to  
29 holding the landowner election required by this subsection or receipt of  
30 the landowner petition pursuant to section 48-707, subsection F, and  
31 subject to section 48-707, subsection G, the governing body shall submit  
32 the formation of the district to a vote of the qualified electors who  
33 reside within the boundaries of the proposed district.

34 Sec. 6. Section 48-707, Arizona Revised Statutes, is amended to  
35 read:

36 48-707. Notice and conduct of elections; waiver

37 A. Any election under this article shall be a nonpartisan election  
38 called by posting notices in three public places within the boundaries of  
39 the district not less than twenty days before the election. Notice shall  
40 also be published in a newspaper of general circulation in the  
41 municipality or county or if there is no newspaper so circulated in the  
42 municipality in a newspaper of general circulation in the county in which  
43 the municipality is located once a week for two consecutive weeks before  
44 the election. The notice shall state:

45 1. The place of holding the election.

1           2. The hours during the day, not less than six, in which the polls  
2 will be open.

3           3. If it is a formation election, the boundaries of the proposed  
4 district.

5           4. If it is a bond election, the amount of bonds to be authorized  
6 for the district, the maximum rate of interest to be borne on the bonds,  
7 the maximum term of the bonds, not exceeding twenty-five years, and the  
8 purposes for which the monies raised will be used.

9           5. If it is an ad valorem tax levy election pursuant to section  
10 48-723, the maximum tax rate per ~~one hundred dollars~~ \$100 of NET assessed  
11 LIMITED PROPERTY valuation to be imposed, the purposes for which the  
12 monies raised will be used and the existing maximum tax rate, if any.

13           6. That a general plan is on file with EITHER the clerk OF THE  
14 DISTRICT OR THE CLERK OF THE MUNICIPALITY OR COUNTY THAT ADOPTED THE  
15 RESOLUTION ORDERING THE FORMATION OF THE DISTRICT AS PRESCRIBED BY SECTION  
16 48-705.

17           B. The district board or the governing body, as applicable, shall  
18 determine the date of the election and the polling places for the election  
19 and may consolidate county precincts. For other than a formation election  
20 pursuant to section 48-705, subsection B, and an election held pursuant to  
21 subsection G of this section, precinct registers shall be used. The  
22 county recorder shall submit precinct registers on the request of the  
23 clerk OF THE DISTRICT OR THE CLERK OF THE MUNICIPALITY OR COUNTY, AS  
24 APPLICABLE, and if the district includes land lying partly in and partly  
25 out of any county election precinct, the precinct registers may contain  
26 the names of all registered voters in the precinct and the election boards  
27 at those precincts shall require that a prospective elector execute an  
28 affidavit stating that the elector is also a qualified elector of the  
29 district. For formation elections and elections held pursuant to  
30 subsection G of this section, a prospective elector shall execute an  
31 affidavit stating that the elector is the owner of land in the proposed  
32 district and is a qualified elector of this state or otherwise qualified  
33 to vote pursuant to section 48-3043 and stating the area of land in acres  
34 owned by the elector. Election board members may administer oaths or take  
35 all affirmations for these purposes. A community facilities district  
36 election held pursuant to this article is not subject to title 16, chapter  
37 2, article 3.

38           C. Except as otherwise provided by this article, the election shall  
39 comply with the general election laws of this state, except that the words  
40 to appear on the ballots shall be for a formation election "district, yes"  
41 and "district, no", for a bond election "bonds, yes" and "bonds, no", for  
42 a tax election if no tax is in place "tax, yes" and "tax, no" and for a  
43 tax election to change an existing maximum or eliminate an existing tax  
44 "tax change, yes" and "tax change, no". The returns of election shall be  
45 made to the governing body or, if after formation, to the district board.

1 D. Within fourteen days after an election, the governing body, or  
2 if after formation, the district board, shall meet and canvass the  
3 returns, and if a majority of the votes cast at the election is in favor  
4 of formation, issuing the bonds, imposing the tax or changing the tax, the  
5 governing body or the district board, as appropriate, shall enter that  
6 fact on its minutes. The canvass may be continued from time to time.  
7 Failure of a majority to vote in favor of the matter submitted does not  
8 prejudice the submission of the same or similar matters at a later  
9 election.

10 E. If a person listed on the assessment roll is no longer the owner  
11 of land in the district and the name of the successor owner becomes known  
12 and is verified by recorded deed or other similar evidence of transfer of  
13 ownership, the successor owner is deemed to be the owner for the purposes  
14 of this article.

15 F. Notwithstanding any other provision of this article, if a  
16 petition for formation is signed by owners of all of the land in the  
17 district described in the petition and is approved by the municipality or  
18 county, the municipality or county may waive any or all requirements of  
19 posting, publication, mailing, notice, hearing and landowner election. On  
20 receipt of such a petition, and after approval by an election of resident  
21 electors, if any, the municipality or county shall declare the district  
22 formed without being required to comply with the provisions of this  
23 article for posting, publication, mailing, notice, hearing or landowner  
24 election.

25 G. Notwithstanding any other provision of this article, if no  
26 person has registered to vote within the district within fifty days  
27 immediately preceding any scheduled election date, any election required  
28 to be held pursuant to this article shall be held with the vote by the  
29 owners of land within the district who are qualified electors of this  
30 state and other landowners according to section 48-3043. Each owner has  
31 the number of votes or portion of votes equal to the number of acres or  
32 portion of acres rounded upward to the nearest one-fifth of an acre owned  
33 in the district by that person.

34 H. For a district that is proposed to be formed by a county, a  
35 district may be formed only if a petition for formation is signed by the  
36 owners of all of the land in the district that is described in the  
37 petition and if it is approved by the county. If the district is proposed  
38 to be formed in a county island, as defined in section 11-251.12, **THAT IS**  
39 in existence on ~~the effective date of this amendment to this section~~  
40 **SEPTEMBER 21, 2006**, the petition must be signed by the owners of all of  
41 the land in the district that is described in the petition and the  
42 district must be approved by the county and by the municipality or all  
43 municipalities that form the county island. If the petition is signed by  
44 the owners of all of the land in the district, the county may waive any or  
45 all requirements of posting, publication, mailing, notice, hearing and

1 landowner election. On receipt of such a petition, and after approval by  
2 an election of one hundred ~~per cent~~ PERCENT of the resident electors, if  
3 any, the county shall declare the district formed without being required  
4 to comply with the provisions of this article for posting.

5 Sec. 7. Section 48-708, Arizona Revised Statutes, is amended to  
6 read:

7 48-708. Formation; debt limitation; disclosure

8 A. If the formation of the district is approved by a majority of  
9 the votes cast at the election, the governing body shall order the  
10 formation, ~~AND IF APPLICABLE,~~ appoint the initial directors of the  
11 district board ~~that~~ WHO are not members of the governing body, ex officio,  
12 set the district boundaries and order that a map showing the district  
13 boundaries be drawn and a copy of the order forming the district be  
14 delivered to the county assessor and the board of supervisors of the  
15 county in which the district is located and to the department of revenue.  
16 A notice of the formation showing the number and date of the order and  
17 giving a description of the land included in the district shall be  
18 recorded with the county recorder.

19 B. On its formation, the district is a special purpose district for  
20 purposes of article IX, section 19, Constitution of Arizona, a tax levying  
21 public improvement district for the purposes of article XIII, section 7,  
22 Constitution of Arizona, and a municipal corporation for all purposes of  
23 title 35, chapter 3, articles 3, 3.1, 3.2, 4 and 5. A district that  
24 distributes or sells groundwater is a private water company only for  
25 purposes of title 45, chapters 2 and 3.1. Except as otherwise provided in  
26 this section, a district is considered to be a municipal corporation and  
27 political subdivision of this state, separate and apart from the  
28 municipality or county. Under no circumstances may the amount of  
29 indebtedness evidenced by general obligation bonds issued pursuant to  
30 section 48-719 and revenue bonds issued pursuant to section 48-720 exceed  
31 the estimated cost of the public infrastructure improvements plus all  
32 costs connected with the public infrastructure purposes and issuance and  
33 sale of bonds, including, without limitation, credit enhancement and  
34 liquidity support fees and costs. The total aggregate outstanding amount  
35 of bonds and any other indebtedness for which the full faith and credit of  
36 the district are pledged shall not exceed sixty percent of the aggregate  
37 of the estimated market value of the real property and improvements in the  
38 district after the public infrastructure of the district is completed plus  
39 the value of the public infrastructure owned or to be acquired by the  
40 district with the proceeds of the bonds.

41 C. On formation of the district, the district board shall make a  
42 good faith effort to implement the general plan for the public  
43 infrastructure of the district and any development agreement entered into  
44 pursuant to section 9-500.05 OR 11-1101, AS APPLICABLE, between the

1 governing body and owners of land in the district. The district board  
2 shall be considered a party to that agreement.

3 D. For districts approved after August 9, 2017, the district board  
4 shall require that a seller of a property in the district who is otherwise  
5 required to obtain a subdivision public report as prescribed by section  
6 32-2183 disclose to a prospective purchaser the existence of the district,  
7 the purpose for which the district was formed as set forth in the  
8 resolution adopted by the governing body, the estimated tax rate and the  
9 estimated annual tax amount that is based on applying that tax rate to a  
10 hypothetical residential property value.

11 E. Fees and other charges assessed by a municipality or county in  
12 connection with the submission and consideration of an application to form  
13 a district shall not exceed ~~fifteen thousand dollars~~ \$15,000. If an  
14 application is denied by the governing body, the municipality or county  
15 may not assess a fee or other charge in connection with the submission and  
16 consideration of a substantially similar application that is submitted  
17 within one year following the denial. Fees and other charges assessed by  
18 a municipality, county or district in connection with the administration  
19 of a district, including the issuance and sale of bonds, shall not exceed  
20 the actual expense incurred by the municipality, county or district for  
21 staff and consultant services and support facilities supplied by the  
22 municipality, county or district or the financial, legal and  
23 administrative costs of the district that are not reimbursed from proceeds  
24 of the bonds or other district revenue. Any fees or other charges paid by  
25 the applicant before formation of the district that exceed the actual  
26 costs of forming the district shall be ~~used~~ TRANSFERRED by the  
27 municipality or county TO THE DISTRICT AND THE DISTRICT SHALL USE THE  
28 TRANSFERRED MONIES solely to support the formation or administration of  
29 the district, including the issuance and sale of bonds.

30 Sec. 8. Section 48-709, Arizona Revised Statutes, is amended to  
31 read:

32 48-709. Powers of a community facilities district

33 A. In addition to the powers otherwise granted to a district  
34 pursuant to this article, a district may to further the general plan:

35 1. Enter into contracts and expend monies for any public  
36 infrastructure purpose with respect to the district.

37 2. Enter into intergovernmental agreements as prescribed in title  
38 11, chapter 7, article 3 for the planning, design, inspection, ownership,  
39 control, maintenance, operation or repair of public infrastructure or the  
40 provision of enhanced municipal services by the municipality in the  
41 district.

42 3. Sell, lease or otherwise dispose of district property if the  
43 sale, lease or conveyance is not a violation of the terms of any contract  
44 or bond resolution of the district.

- 1           4. Reimburse the municipality for providing enhanced municipal  
2 services in the district.
- 3           5. Operate, maintain and repair public infrastructure.
- 4           6. Establish, charge and collect user fees, rates or charges for  
5 the use of any public infrastructure or service.
- 6           7. Employ staff, counsel and consultants.
- 7           8. Reimburse the municipality or county for staff and consultant  
8 services and support facilities supplied by the municipality or county.
- 9           9. Accept gifts or grants and incur and repay loans for any public  
10 infrastructure purpose.
- 11          10. Enter into agreements with landowners and the municipality or  
12 county for the collection of fees and charges from landowners for public  
13 infrastructure purposes, the advance of monies by landowners for public  
14 infrastructure purposes or the granting of real property by the landowner  
15 for public infrastructure purposes.
- 16          11. By resolution, levy and assess the costs of any public  
17 infrastructure purpose on any land benefited in the district.
- 18          12. Pay the financial, legal and administrative costs of the  
19 district.
- 20          13. Enter into contracts, agreements and trust indentures to obtain  
21 credit enhancement or liquidity support for its bonds and process the  
22 issuance, registration, transfer and payment of its bonds and the  
23 disbursement and investment of proceeds of the bonds.
- 24          14. With the consent of the governing body of the municipality or  
25 county ~~which~~ THAT formed the district, enter into agreements with persons  
26 outside of the district to provide services to persons and property  
27 outside of the district.
- 28          15. Use public easements and rights-of-way in or across public  
29 property, roadways, highways, streets or other thoroughfares and other  
30 public easements and rights-of-way, whether in or out of the geographical  
31 limits of the district, the municipality or the county.
- 32          B. This article does not authorize:
  - 33           1. A district to acquire, construct, operate or maintain an  
34 electric generation or distribution system or natural gas distribution  
35 system without the written consent of any affected public service  
36 corporation, electric cooperative, agricultural improvement or power  
37 district or other district described in article XIII, section 7,  
38 Constitution of Arizona, the service area of which encompasses all or part  
39 of the district, if that entity is providing or is capable of adequately  
40 providing electrical utility service or natural gas utility service in the  
41 district.
  - 42           2. A district to provide service outside its boundaries without the  
43 written consent of any affected public service corporation, electric  
44 cooperative, agricultural improvement or power district or other district  
45 described in article XIII, section 7, Constitution of Arizona, with a

1 service area that lies outside of the district, if that entity is  
2 providing or is capable of adequately providing electrical utility service  
3 or natural gas utility service in the area that the district proposes to  
4 serve.

5 C. If a district is granted written consent pursuant to this  
6 section, the district shall provide a copy to the governor, the president  
7 of the senate, the speaker of the house of representatives and each  
8 commissioner of the Arizona corporation commission no later than thirty  
9 days after consent is granted.

10 D. In connection with any power authorized by statute, the district  
11 may:

- 12 1. Contract.
- 13 2. Enter into intergovernmental agreements pursuant to title 11,  
14 chapter 7, article 3.
- 15 3. Adopt and change a seal.
- 16 4. Sue and be sued.
- 17 5. Enter into development agreements, as defined in section  
18 9-500.05 OR AS PRESCRIBED BY SECTION 11-1101.

19 6. Exercise the same right and power of eminent domain as a public  
20 service corporation pursuant to title 12, chapter 8, articles 2 and 3 to  
21 acquire any property or right-of-way, except political subdivision,  
22 county, state or federal property, for any public infrastructure purpose.

23 E. A district which proposes to provide domestic water service in  
24 the certificated area of a public service corporation serving domestic  
25 water shall provide just compensation to the public service corporation  
26 pursuant to section 9-516.

27 F. Public infrastructure other than personalty may be located only  
28 in or on lands owned by the state, a county, a municipality or the  
29 district or dedicated or otherwise designated as public roadways,  
30 highways, streets, thoroughfares, easements or rights-of-way, whether in  
31 or out of the district or the municipality. Personalty may be used only  
32 for purposes authorized by the district board.

33 G. An agreement pursuant to subsection A, paragraph 10 of this  
34 section may include agreements to repay all or part of such advances, fees  
35 and charges from the proceeds of bonds if issued or from advances, fees  
36 and charges collected from other landowners or users or those having a  
37 right to use any public infrastructure. A person does not have authority  
38 to compel the issuance or sale of the bonds of the district or the  
39 exercise of any taxing power of the district to make repayment under any  
40 agreement.

41 H. A district shall not contract with a municipality for enhanced  
42 municipal services unless the area for which the services are to be  
43 provided is designated by the municipality as a slum or blighted area  
44 pursuant to title 36, chapter 12, or an urban core business district of  
45 the municipality determined by formal resolution of the municipality to be

1 in need of enhanced municipal services to encourage or preserve commercial  
2 development in the area.

3 I. Notwithstanding title 34 or article 2 of this chapter, the  
4 district at the option of the district board may enter into contracts for  
5 the performance of district projects with landowners in the district after  
6 calling for bids but before publishing notice of the award of a contract  
7 if all of the following conditions are met:

8 1. The landowner or landowners own three-fourths or more of the  
9 total land area of the district.

10 2. The landowner or landowners contract to perform the work at a  
11 cost ~~which~~ THAT does not exceed the cost specified in the bid of the  
12 bidder who would have been awarded that bid.

13 3. The work for which the contract was let is to be financed  
14 pursuant to this article.

15 4. All contracts and work executed pursuant to this section are  
16 subject to those rules as the district board may prescribe.

17 Sec. 9. Section 48-711, Arizona Revised Statutes, is amended to  
18 read:

19 48-711. Records; district board; terms; vacancies; open  
20 meetings

21 A. The district shall keep the following records that shall be open  
22 to public inspection:

- 23 1. Minutes of all meetings of the district board.
- 24 2. All resolutions.
- 25 3. Accounts showing all monies received and disbursed.
- 26 4. The annual budget.
- 27 5. All other records required to be maintained by law.

28 B. If the resolution ordering formation of the district provides  
29 that the district will be governed by a district board that consists of  
30 five directors who are appointed by the governing body, all of the  
31 following apply:

32 1. Each appointed director shall serve for a term of six years,  
33 except that two directors initially appointed by the governing body in the  
34 resolution shall serve for a term of four years.

35 2. The resolution shall state which directors shall serve four-year  
36 terms and which shall serve six-year terms.

37 3. On the expiration of the term of an appointed director, the  
38 governing body shall appoint a person to fill the position.

39 4. If a vacancy occurs on the district board because of death,  
40 resignation or inability of the director to discharge the duties of  
41 director, the vacancy shall be filled by appointment made by the governing  
42 body.

43 C. If the resolution ordering formation of the district provides  
44 that the district will be governed by a district board that consists of  
45 the members of the governing body, ex officio, with two additional members



1 who are initially designated by the owner who owns the largest amount of  
2 privately owned acreage in the district and who are appointed by the  
3 governing body, all of the following apply:

4 1. Each of the additional appointed ~~directors~~ DISTRICT BOARD  
5 MEMBERS shall serve for a term of six years.

6 2. On the expiration of the term of an additional appointed  
7 ~~director~~ DISTRICT BOARD MEMBER, the governing body shall appoint a person  
8 according to the process for designating a ~~director~~ DISTRICT BOARD MEMBER  
9 for a term of office as prescribed in the application for formation of the  
10 district submitted pursuant to section 48-702, or if no process is  
11 prescribed in the application for formation, the owner who owns the  
12 largest amount of privately owned acreage in the district at the time the  
13 term expires shall designate a person to fill the position and the  
14 governing body shall appoint that person to fill the position.

15 3. If a vacancy occurs on a district board because of death,  
16 resignation or inability of either of the additional appointed members to  
17 discharge the duties of ~~director~~ AN ADDITIONAL DISTRICT BOARD MEMBER, the  
18 governing body shall appoint a person according to the process for  
19 designating a person to fill a vacancy on the district board as prescribed  
20 in the application for formation of the district submitted pursuant to  
21 section 48-702, or if no process for filling a vacancy is prescribed in  
22 the application for formation, the vacancy shall be filled by a person who  
23 is designated by the owner who owns the largest amount of privately owned  
24 acreage in the district at the time of the vacancy and who is appointed by  
25 the governing body to fill the vacancy.

26 D. A ~~director~~ DISTRICT BOARD MEMBER appointed by the governing body  
27 to fill a vacancy on the district board shall hold office for the  
28 remainder of the unexpired term until that ~~director's~~ DISTRICT BOARD  
29 MEMBER'S successor is appointed.

30 E. An appointed ~~director~~ DISTRICT BOARD MEMBER shall not be a  
31 landowner owning more than forty acres in the district, an elected  
32 official of the municipality or county or an employee or agent of the  
33 landowner or municipality or county but may be a ~~director~~ DISTRICT BOARD  
34 MEMBER of more than one district.

35 F. The members of the governing body of the municipality or county  
36 are not eligible to receive compensation for their services as members of  
37 the district board.

38 G. The DISTRICT board ~~of directors~~ shall comply with title 38,  
39 chapter 3, article 3.1 as a separate political subdivision, and the  
40 members of the DISTRICT board ~~of directors~~ are deemed public officers for  
41 the purposes of and shall comply with title 38, chapter 3, article 8.

42 H. The district manager, clerk and treasurer shall be the manager,  
43 clerk and treasurer of the municipality or county, respectively, unless  
44 the district board appoints a district manager, clerk and treasurer.

1           Sec. 10. Section 48-716, Arizona Revised Statutes, is amended to  
2 read:

3           48-716. Budget

4           On or before July 15 each year, the ~~district~~ treasurer shall prepare  
5 a proposed budget for the ensuing fiscal year to be submitted to the  
6 district board for approval. The **DISTRICT** board shall indicate its  
7 approval of the budget by resolution, which shall provide for a hearing on  
8 the budget as approved. Notice of the hearing on the budget shall be  
9 provided in the manner prescribed by section 48-715. The municipality **OR**  
10 **COUNTY** may review the proposed annual budget and may submit written  
11 comments to the **DISTRICT** board for its assistance and information in  
12 adopting its annual budget. At the conclusion of the budget hearing, the  
13 district board, by resolution, shall adopt the budget as finally approved  
14 by the **DISTRICT** board. The budget shall be adopted before October 1 each  
15 year.

16           Sec. 11. Section 48-719, Arizona Revised Statutes, is amended to  
17 read:

18           48-719. General obligation bonds; tax levy; security

19           A. At any time after the hearing on formation of the district, the  
20 district board, or, if before formation, the governing body, may from time  
21 to time order and call a general obligation bond election to submit to the  
22 qualified electors of the district or to those persons who are qualified  
23 to vote pursuant to section 48-707, subsection G the question of  
24 authorizing the district board to issue general obligation bonds of the  
25 district to provide monies for any public infrastructure purposes  
26 consistent with the general plan. The election may be held in conjunction  
27 with the formation election.

28           B. If general obligation bonds are approved at an election, the  
29 district board may issue and sell general obligation bonds of the  
30 district.

31           C. The district may issue and sell refunding bonds to refund any  
32 general obligation bonds of the district. If general obligation bonds are  
33 issued to refund any general obligation bonds of the district, an election  
34 on the issuance of such refunding bonds is not required.

35           D. After the bonds are issued, the district board shall enter in  
36 its minutes a record of the bonds sold and their numbers and dates and  
37 shall annually levy and cause an ad valorem tax to be collected, at the  
38 same time and in the same manner as other taxes are levied and collected  
39 on all taxable property in the district, sufficient, together with any  
40 monies from the sources described in section 48-717, to pay debt service  
41 on the bonds when due. **THE ANNUAL LEVY SHALL NOT EXCEED THE NET AMOUNT**  
42 **NECESSARY TO MEET ANNUAL PAYMENTS OF PRINCIPAL AND INTEREST, PROJECTED**  
43 **PAYMENTS OF PRINCIPAL AND INTEREST ON NEW DEBT PLANNED FOR THE ENSUING**  
44 **YEAR, A REASONABLE DELINQUENCY FACTOR, INCLUDING AN AMOUNT NECESSARY TO**  
45 **CORRECT PRIOR YEAR ERRORS OR SHORTAGES IN THE LEVY, IF APPLICABLE, AND ANY**

1 EXPENSES AND FEES REQUIRED IN CONJUNCTION WITH THE AUTHORIZATION PURSUANT  
2 TO SECTION 35-512. THE LEVY SHALL BE THE NET OF ALL CASH IN EXCESS OF TEN  
3 PERCENT OF THE ANNUAL PAYMENTS OF PRINCIPAL AND INTEREST IN THE CURRENT  
4 FISCAL YEAR FROM THE PREVIOUS YEAR REMAINING IN THE FUND OR FUNDS  
5 PRESCRIBED BY SUBSECTION E OF THIS SECTION.

6 E. Monies derived from the levy of the tax provided in this section  
7 when collected constitute funds to pay the debt service on the bonds and  
8 shall be kept separately from other funds of the district. Amounts levied  
9 for debt service on bonds payable from the secondary tax are and shall be  
10 considered special revenues of the district, shall be kept in a special,  
11 segregated fund, are not and shall not be general property taxes and may  
12 not be used for any other purpose of the district.

13 ~~F.~~ F. All bonds, heretofore and hereafter issued, are secured by a  
14 lien on all revenues received pursuant to the tax levy. The lien arises  
15 automatically without the need for any action or authorization by the  
16 district or the district board. The lien is valid and binding from the  
17 time of the issuance of the bonds. The revenues received pursuant to the  
18 levy of the tax are immediately subject to the lien. The lien attaches  
19 immediately to the revenues and is effective, binding and enforceable  
20 against the district, the district's successors, transferees and creditors  
21 and all other parties asserting rights in the revenues, irrespective of  
22 whether the parties have notice of the lien, without the need for any  
23 physical delivery, recordation, filing or further act.

24 Sec. 12. Section 48-721, Arizona Revised Statutes, is amended to  
25 read:

26 48-721. Special assessments; special assessment bonds

27 A. The district board, by resolution and pursuant to the procedures  
28 prescribed by sections 48-576 through 48-589, as nearly as practicable, or  
29 such other procedures as the district board provides, may levy an  
30 assessment of the costs of any public infrastructure purpose, any  
31 operation and maintenance of public infrastructure or any enhanced  
32 municipal services on any land in the district based on the benefit  
33 determined by the district board to be received by the land. ~~Prior to~~  
34 ~~BEFORE~~ the issuance of special assessment bonds the district may enter  
35 into a written agreement with a landowner as to the manner in which the  
36 assessment is to be allocated if the land is to be divided into more than  
37 one parcel. If an issue of special assessment ~~lien~~ bonds finances more  
38 than one purpose or service, the benefit received by the land, in the  
39 discretion of the district, may be determined by reference to the purposes  
40 and services as a whole or individually. The assessment may be based on  
41 estimated costs and amended to reflect actual costs, and the preparation  
42 of plans and specifications and the awarding of the contract are not a  
43 prerequisite to the levying of the assessment. An owner of land on which  
44 an assessment has been levied may seek judicial review of whether the land  
45 is benefited by the proposed infrastructure, on the merits, by special

1 action filed with the court of appeals pursuant to the procedures of  
 2 section 48-706, within thirty days after the effective date of the  
 3 resolution.

4 B. After adoption by the district board of a resolution levying a  
 5 special assessment on property in the district pursuant to section 48-709,  
 6 subsection A, paragraph 11 the district board may issue and sell special  
 7 assessment ~~lien~~ bonds payable from amounts collected from the special  
 8 assessments, from amounts available from time to time in any reserve fund  
 9 established for those SPECIAL ASSESSMENT bonds and from any other amounts  
 10 available for those purposes as prescribed by section 48-717. The  
 11 district and the county treasurer for the county in which the district is  
 12 located may enter into an agreement for the county treasurer to collect  
 13 the district's special assessments in the manner and by the officers  
 14 provided by law for the collection and enforcement of general taxes. The  
 15 district and the county treasurer may provide by agreement for the payment  
 16 of the county treasurer's collection expenses directly related to the levy  
 17 of the special assessment and, if so provided, the levy of the special  
 18 assessment may include an amount for compensation of the county treasurer  
 19 directly related to the collection of the special assessment. The  
 20 compensation received by the county treasurer pursuant to the agreement  
 21 shall be governed by section 11-496. The district board may also issue  
 22 and sell bond anticipation notes pursuant to the procedures prescribed in  
 23 section 48-2081 or with procedures as similar to those as is practicable.  
 24 The assessment shall be a first lien on the property assessed subject only  
 25 to general property taxes and prior special assessments. In the event of  
 26 nonpayment of an assessment and except as otherwise provided in an  
 27 agreement between the district and the county treasurer pursuant to this  
 28 section, the procedures for collection of delinquent assessments, sale of  
 29 delinquent property and issuance and effect of the superintendent's deed  
 30 prescribed by sections 48-601 through 48-607 apply, as nearly as  
 31 practicable, except that in no event is the district or the municipality  
 32 required to purchase the delinquent land at the sale if there is no other  
 33 purchaser. If the landowner owns more than one parcel in the district,  
 34 the district board may provide procedures for the collection and  
 35 enforcement of assessments as the board deems appropriate by contract with  
 36 a landowner to ~~permit~~ ALLOW the sale of any or all of the landowner's  
 37 parcels in the district if the landowner becomes delinquent as to any  
 38 parcel that the landowner owns in the district.

39 C. On adoption of the resolution, but before issuance of the  
 40 special assessment ~~lien~~ bonds, the district may direct the treasurer to  
 41 make demand on the owners of the property so assessed, as shown on the  
 42 property tax roll, for advance payment of the amount assessed. The demand  
 43 shall state a date not less than twenty days after the date of adoption of  
 44 the ordinance after which the treasurer may refuse to accept advance  
 45 payments of the assessment. The treasurer shall certify to the clerk on

1 or after the date specified in the demand the amount collected and the  
2 assessments remaining unpaid against each parcel of land assessed.  
3 Special assessment ~~ties~~ bonds may not be issued in an amount in excess of  
4 the amount assessed in the ordinance or, if advance payments are demanded,  
5 the amount certified to the clerk. The district may adopt procedures for  
6 prepayment and provisions for payment and reallocation of assessments.

7 D. The district, by resolution and pursuant to the procedures  
8 prescribed by article 4 of this chapter, as nearly as practicable, may  
9 issue and sell refunding bonds to refund any special assessment bonds of  
10 the district.

11 Sec. 13. Section 48-722, Arizona Revised Statutes, is amended to  
12 read:

13 48-722. Terms of bonds

14 A. Notwithstanding article 2 of this chapter, with respect to any  
15 bonds the district board shall prescribe the denominations of the bonds,  
16 the size of each issue and the form of the bonds and shall establish the  
17 maturities, interest payment dates and interest rates, whether fixed or  
18 variable, not exceeding the maximum rate stated in the notice of the  
19 election or the resolution of the district board. The bonds may be sold  
20 by competitive bid or negotiated sale for public or private offering at,  
21 below or above par. If the bonds are sold below par, the aggregate amount  
22 of discount and interest to be paid on the bonds shall not exceed the  
23 amount of interest ~~which~~ THAT would have been payable on those bonds  
24 pursuant to the maturity schedule prescribed by the district board at the  
25 maximum rate set out in the bond resolution.

26 B. IF GENERAL OBLIGATION BONDS OF THE DISTRICT ARE SOLD ABOVE PAR,  
27 THE AMOUNT OF NET PREMIUM ASSOCIATED WITH A GENERAL OBLIGATION BOND ISSUE  
28 MAY BE USED ONLY FOR THE FOLLOWING PURPOSES:

29 1. TO PAY ANY OR ALL COSTS INCURRED IN ISSUING THE GENERAL  
30 OBLIGATION BONDS.

31 2. AS A DEPOSIT IN A DEBT SERVICE FUND AND USED ONLY TO PAY  
32 INTEREST ON THE ISSUE OF GENERAL OBLIGATION BONDS.

33 C. IF USED FOR ANY PURPOSE OTHER THAN AS PRESCRIBED IN SUBSECTION B  
34 OF THIS SECTION, AND IF THE DISTRICT HAS GENERAL OBLIGATION BOND VOTER  
35 AUTHORIZATION AND AVAILABLE CAPACITY UNDER ITS DEBT LIMITATIONS PRESCRIBED  
36 BY SECTION 48-708, SUBSECTION B, THE AMOUNT OF NET PREMIUM USED FOR THAT  
37 PURPOSE SHALL REDUCE IN AN EQUAL AMOUNT BOTH THE AVAILABLE AGGREGATE  
38 INDEBTEDNESS CAPACITY OF THE DISTRICT PRESCRIBED IN SECTION 48-708,  
39 SUBSECTION B AND THE PRINCIPAL AMOUNT AUTHORIZED AT THE GENERAL OBLIGATION  
40 BOND ELECTION FOR THE DISTRICT FROM WHICH THE ISSUE OF GENERAL OBLIGATION  
41 BONDS IS BEING SOLD. ANY NET PREMIUM THAT IS USED AS PRESCRIBED IN THIS  
42 SUBSECTION SHALL BE AMORTIZED FOR ALL DEBT LIMITATION PURPOSES ON A PRO  
43 RATA BASIS EACH YEAR BY MULTIPLYING THE NET PREMIUM USED BY A PERCENTAGE  
44 EQUAL TO THE PERCENTAGE OF THE TOTAL PRINCIPAL AMOUNT OF THE GENERAL  
45 OBLIGATION BOND ISSUE THAT MATURES IN THAT YEAR.

1           D. The proceeds of the sales shall be deposited with the treasurer,  
2 or with a trustee or agent designated by the district board, to the credit  
3 of the district to be withdrawn for the purposes provided by this  
4 article. Pending that use, the proceeds may be invested as determined by  
5 the district. The bonds may contain such terms, conditions, covenants and  
6 agreements as the district board deems proper. The bonds may be payable  
7 from any combination of taxes, revenues or special assessments of the  
8 types described in sections 48-719, 48-720 and 48-721 and as specified in  
9 the bonds provided that all applicable requirements of those sections are  
10 met.

11           Sec. 14. Section 48-723, Arizona Revised Statutes, is amended to  
12 read:

13           48-723. District taxes; annual financial estimate and budget

14           A. Except as provided in subsection D of this section and at any  
15 time after the hearing on formation of the district, the district board,  
16 or, if before formation, the governing body, may call an election to  
17 submit to the qualified electors of the district or to the persons  
18 qualified to vote pursuant to section 48-707, subsection G the question of  
19 authorizing the district board to levy an ad valorem tax on the NET  
20 assessed LIMITED PROPERTY value of all the real and personal property in  
21 the district at a rate or rates ~~which~~ THAT do not exceed the maximum rate  
22 or rates specified in the ballot. All taxes attributable to the operation  
23 and maintenance expenses of the district, excluding expenses for an area  
24 described in section 48-709, subsection ~~G~~ H, shall not exceed an amount  
25 equal to ~~thirty cents~~ \$.30 per ~~one hundred dollars~~ \$100 of NET assessed  
26 LIMITED PROPERTY valuation for all real and personal property in the  
27 district, unless a higher rate is approved by a vote of the electors of  
28 the district, or by the persons who are qualified to vote as provided in  
29 section 48-707, subsection G, voting at an election not less than three  
30 years after the date of the formation of the district. The election may  
31 be held in conjunction with the formation election. Once approved at an  
32 election, the maximum rate remains in effect until increased or decreased  
33 at a subsequent election. If a maximum rate is in effect, the district  
34 board, on petition of twenty-five ~~per cent~~ PERCENT of the qualified  
35 electors of the district, or by those persons owning twenty-five ~~per cent~~  
36 PERCENT of the land area who are qualified to vote pursuant to section  
37 48-707, subsection G, shall call an election to reduce the maximum tax  
38 rate but not below the lesser of that rate determined by the district  
39 board to be necessary to maintain the district's facilities and  
40 improvements or the actual rate then in effect. On the presentation to  
41 the district board of a petition signed by the owners of a majority of the  
42 property in the district, the district board shall adopt a resolution to  
43 reduce or eliminate the portion of the tax, beginning the next fiscal  
44 year, required for one or more enhanced municipal services specified in

1 the petition. Signatures on a petition to reduce or eliminate a tax are  
2 valid for a period of sixty days.

3 B. The district may not levy, other than for the payment of debt  
4 service on general obligation bonds, at a rate or rates in excess of the  
5 maximum rate then in effect.

6 C. When levying an ad valorem tax, the district board shall make  
7 annual statements and estimates of the operation and maintenance expenses  
8 of the district, the costs of capital improvements to be financed by the  
9 tax levy or levies and the amount of all other expenditures for public  
10 infrastructure and enhanced municipal services proposed to be paid from  
11 the tax levy or levies and of the amount to be raised to pay general  
12 obligation bonds of the district, all of which shall be provided for by  
13 the levy and collection of ad valorem taxes on the NET assessed LIMITED  
14 PROPERTY value of all the real and personal property in the district. The  
15 district board shall file the annual statements and estimates with the  
16 clerk OF THE DISTRICT. The district board shall publish a notice of the  
17 filing of the estimate, shall hold hearings on the portions of the  
18 estimate not relating to debt service on general obligation bonds and  
19 shall adopt a budget. The DISTRICT board, on or before the date set by  
20 law for certifying the annual budget of the county or municipality, shall  
21 fix, levy and assess the amounts to be raised by ad valorem taxes of the  
22 district and shall cause certified copies of the order to be delivered to  
23 the board of supervisors and to the department of revenue. All statutes  
24 relating to the levy and collection of general county taxes, including the  
25 collection of delinquent taxes and sale of property for nonpayment of  
26 taxes, apply to the district taxes provided for by this section.

27 Sec. 15. Title 48, chapter 4, article 6, Arizona Revised Statutes,  
28 is amended by adding section 48-729, to read:

29 48-729. District board composition reconciliation; petition

30 A. FOR DISTRICTS THAT ARE FORMED AFTER AUGUST 9, 2017 AND FOR WHICH  
31 THE DISTRICT BOARD CONSISTS OF THE GOVERNING BODY OF THE MUNICIPALITY OR  
32 COUNTY, EX OFFICIO, WITH TWO ADDITIONAL DISTRICT BOARD MEMBERS WHO WERE  
33 INITIALLY DESIGNATED BY AN OWNER WHO OWNED THE LARGEST AMOUNT OF PRIVATELY  
34 OWNED ACREAGE IN THE DISTRICT AT FORMATION AND WHO WERE APPOINTED BY THE  
35 GOVERNING BODY, ALL OF THE FOLLOWING APPLY:

36 1. AT ANY TIME AFTER RECEIPT OF A PETITION SIGNED BY THE OWNERS OF  
37 A MAJORITY OF THE PRIVATELY OWNED REAL PROPERTY WITHIN THE BOUNDARIES OF  
38 THE DISTRICT AS MEASURED BY SQUARE FOOTAGE OR ACREAGE, THE DISTRICT BOARD  
39 MAY ADOPT A RESOLUTION TO RECONCILE THE DISTRICT BOARD COMPOSITION BY  
40 PERMANENTLY REMOVING FROM THE DISTRICT BOARD THE TWO ADDITIONAL APPOINTED  
41 DISTRICT BOARD MEMBERS AND THEIR POSITIONS ON THE DISTRICT BOARD.

42 2. ON REMOVAL OF THE TWO ADDITIONAL DISTRICT BOARD MEMBERS AND  
43 THEIR POSITIONS AS PRESCRIBED IN PARAGRAPH 1 OF THIS SECTION, THE DISTRICT  
44 SHALL BE GOVERNED BY A DISTRICT BOARD THAT CONSISTS OF THE GOVERNING BODY  
45 OF THE MUNICIPALITY OR COUNTY, EX OFFICIO.

1           3. AT ANY TIME AFTER RECEIPT OF A PETITION SIGNED BY THE OWNERS OF  
2 A MAJORITY OF THE PRIVATELY OWNED REAL PROPERTY WITHIN THE BOUNDARIES OF  
3 THE DISTRICT AS MEASURED BY SQUARE FOOTAGE OR ACREAGE, THE DISTRICT BOARD  
4 MAY ADOPT A RESOLUTION THAT PROVIDES THAT THE TWO ADDITIONAL APPOINTED  
5 DISTRICT BOARD MEMBER POSITIONS SHALL PERMANENTLY BE ADVISORY NONVOTING  
6 MEMBERS OF THE DISTRICT BOARD FOLLOWING ADOPTION OF THE RESOLUTION.  
7 CONVERSION OF THE TWO ADDITIONAL APPOINTED DISTRICT BOARD MEMBER POSITIONS  
8 TO ADVISORY NONVOTING DISTRICT BOARD MEMBER POSITIONS DOES NOT PRECLUDE  
9 ANY SUBSEQUENT DISTRICT BOARD RECONCILIATION AS PRESCRIBED IN PARAGRAPHS 1  
10 AND 2 OF THIS SUBSECTION. THE PETITION PRESCRIBED IN THIS PARAGRAPH MAY  
11 BE PRESENTED TO THE GOVERNING BODY OF THE MUNICIPALITY OR COUNTY BEFORE  
12 FORMATION OF THE DISTRICT, AND IF SO PRESENTED, THE RESOLUTION ORDERING  
13 FORMATION OF THE DISTRICT ADOPTED BY THE GOVERNING BODY MAY STATE THAT THE  
14 TWO ADDITIONAL APPOINTED DISTRICT BOARD MEMBER POSITIONS SHALL PERMANENTLY  
15 BE ADVISORY NONVOTING MEMBERS OF THE DISTRICT BOARD.

16           B. THE CONVERSION OF THE TWO ADDITIONAL APPOINTED DISTRICT BOARD  
17 MEMBER POSITIONS TO PERMANENTLY BE ADVISORY NONVOTING DISTRICT BOARD  
18 MEMBER POSITIONS AS PRESCRIBED BY SUBSECTION A, PARAGRAPH 3 OF THIS  
19 SECTION OR THE RECONCILIATION TO PERMANENTLY REMOVE THE TWO ADDITIONAL  
20 APPOINTED DISTRICT BOARD MEMBERS AS PRESCRIBED BY SUBSECTION A, PARAGRAPHS  
21 1 AND 2 OF THIS SECTION DOES NOT AFFECT THE VALIDITY OF THE FORMATION OF  
22 THE DISTRICT OR THE VALIDITY OF DISTRICT BOARD ACTIONS BEFORE THE  
23 CONVERSION OR RECONCILIATION OF THE DISTRICT BOARD.

24           Sec. 16. Emergency

25           This act is an emergency measure that is necessary to preserve the  
26 public peace, health or safety and is operative immediately as provided by  
27 law.