

PUBLIC NOTICE OF INTENT TO INCREASE TAX

The Mayor and City Council of Page, Arizona will vote on proposed rate changes for the Hotels classification and the Additional Tax on Transients classification during a City Council meeting to be held at 5:30 p.m. on June 12, 2024, at the Page City Council Chambers located at 697 Vista Ave., Page, Arizona. A schedule of the proposed increased tax that includes the amount of the tax and a written report or data that supports the increased tax is available at www.cityofpage.org.

Additional information can be obtained at:

Page City Hall, 697 Vista Ave., Page, Arizona or by calling 928-645-4221.

NOTICE OF INTENT TO INCREASE TAXES

In accordance with A.R.S. §9-499.15, notice is hereby given that the Page City Council will consider the imposition of increased taxes in the Hotels classification and the Additional Tax on Transients classification as set forth below. The new tax rate in both categories would be five percent (5%). The proposed increase and report will be published for a minimum of sixty (60) days prior to final approval, modification or disapproval by the City Council.

BASIS FOR INCREASE:

Although the revenues from the proposed increase would go directly to the general fund and may be used for any municipal purpose, the primary intent of the tax increase at this time is to fund the construction and operation of a pool to be built in the City of Page. The estimated cost to construct the pool facility is twelve to fifteen million dollars and the estimated annual operation cost is approximately \$400,000. The projected debt service cost for the pool construction and the anticipated revenue from the proposed increase in the tax categories is set forth below.

City of Page, Arizona

Summary of Hotel Tax Options (Source: Estimates provided by League of Az Cities and Towns)

Public Policy Challenge:	Could revenues from additional hotel taxes (Sec. 444) and transient lodging taxes (Sec. 447) be used to help pay for a Recreational Type Project for the City of Page?
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City of Page Current TPT, Bed Tax, Transient Lodging and Maximum Allowable

Local Retail TPT Rate	Hotels Classification (Sec. 444) <i>(Applies to Hotels and Short-term Rentals, any booking length)</i>	Maximum Allowable Hotels Tax <i>Up to 2% above Retail TPT = General Fund revenues. >2% = Dedicated to Tourism</i>	Transient Lodging classification (Sec. 447) <i>(Applies to Hotels and Short-term Rentals, Less Than 30 days)</i>	Maximum Allowable Transient Lodging Tax <i>Up to 2% above Retail TPT = General Fund revenues. >2% = Dedicated to Tourism</i>
3.0%	3.0% ~ \$1.9 m (FY2023)	5.0% ~ \$3.2 m (est.)	4.263% ~ \$2.7 m (FY2023)	5.0% ~ \$3.1 m (est.)

Page collected ~\$1.9 million from Sec. 444, Hotels classification based on a tax rate of 3.0% during FY2023. A 2% rate increase of the Sec. 444 Hotels tax to the maximum unrestricted tax rate of 5% would result in approximately **\$1,285,000** additional annual General Fund revenue, based on FY2023 collections.

Page collected ~\$2.7 million from Sec. 447, Add'l Tax on Transient Lodging classification based on a tax rate of 4.263% during FY2023. A 0.737% rate increase of the Sec. 447 Transient Lodging tax to the maximum unrestricted tax rate of 5% would result in approximately **\$460,000** additional annual General Fund revenue.

1. Bed Taxes (Hotels and Transient Lodging) are generally the least sensitive tax for citizens. Typically, they're only paid by tourists; rarely considered when booking a room; and a straight passthrough for the hotel/STR operator.
2. Can such funds be used to help pay for a Swimming Pool/splash pad project? Can such funds be used to pay debt service on the bonds issued to finance the Recreational Project? **Yes. Increases up to 2% above the Retail rate are General Fund revenues and can be spent for any municipal purpose.**
3. Can we use 444 revenues to help pay for the Recreational Project? **Yes. Tourism spending requirements are NOT an issue provided the 444 rate does not exceed Retail rate by more than 2%.**

\$15MM, 15-Year Pledged Revenue Obligations Transaction – Estimated Debt Service and Projected Coverage

(1)	(2)	(3)	(4)	(5)	(6)
		\$15,000,000 Pledged Revenue Obligations, Series 2024 Bonds Dated: 7/1/2024			
Fiscal Year	Pledged Revenues	Principal	Est. Interest @ 4.25%	Total Debt Service	Coverage Ratio
2022/23	\$ 19,596,197				
2023/24					
2024/25		\$ 735,000	\$ 637,500	\$ 1,372,500	
2025/26		765,000	606,263	1,371,263	
2026/27		800,000	573,750	1,373,750	
2027/28		835,000	539,750	1,374,750	14.25x
2028/29		870,000	504,263	1,374,263	
2029/30		905,000	467,288	1,372,288	
2030/31		945,000	428,825	1,373,825	
2031/32		985,000	388,663	1,373,663	
2032/33		1,025,000	346,800	1,371,800	
2033/34		1,070,000	303,238	1,373,238	
2034/35		1,115,000	257,763	1,372,763	
2035/36		1,160,000	210,375	1,370,375	
2036/37		1,210,000	161,075	1,371,075	
2037/38		1,265,000	109,650	1,374,650	
2038/39		1,315,000	55,888	1,370,888	
		\$15,000,000			

\$15MM, 20-Year Pledged Revenue Obligations Transaction – Estimated Debt Service and Projected Coverage

(1)	(2)	(3)	(4)	(5)	(6)
		\$15,000,000 Pledged Revenue Obligations, Series 2024 Bonds Dated: 7/1/2024			
Fiscal Year	Pledged Revenues	Principal	Est. Interest @ 4.50%	Total Debt Service	Coverage Ratio
2022/23	\$ 19,596,197				
2023/24					
2024/25		\$ 480,000	\$ 675,000	\$ 1,155,000	
2025/26		500,000	653,400	1,153,400	
2026/27		520,000	630,900	1,150,900	
2027/28		545,000	607,500	1,152,500	
2028/29		570,000	582,975	1,152,975	
2029/30		595,000	557,325	1,152,325	
2030/31		625,000	530,550	1,155,550	
2031/32		650,000	502,425	1,152,425	
2032/33		680,000	473,175	1,153,175	
2033/34		710,000	442,575	1,152,575	
2034/35		745,000	410,625	1,155,625	
2035/36		775,000	377,100	1,152,100	
2036/37		810,000	342,225	1,152,225	
2037/38		850,000	305,775	1,155,775	16.96x
2038/39		885,000	267,525	1,152,525	
2039/40		925,000	227,700	1,152,700	
2040/41		965,000	186,075	1,151,075	
2041/42		1,010,000	142,650	1,152,650	
2042/43		1,055,000	97,200	1,152,200	
2043/44		1,105,000	49,725	1,154,725	
		<u>\$15,000,000</u>			

\$15MM, 25-Year Pledged Revenue Obligations Transaction – Estimated Debt Service and Projected Coverage

(1)	(2)	(3)	(4)	(5)	(6)
		\$15,000,000 Pledged Revenue Obligations, Series 2024 Bonds Dated: 7/1/2024			
Fiscal Year	Pledged Revenues	Principal	Est. Interest @ 4.75%	Total Debt Service	Coverage Ratio
2022/23	\$ 19,596,197				
2023/24					
2024/25		\$ 325,000	\$ 712,500	\$ 1,037,500	
2025/26		340,000	697,063	1,037,063	
2026/27		355,000	680,913	1,035,913	
2027/28		375,000	664,050	1,039,050	
2028/29		390,000	646,238	1,036,238	
2029/30		410,000	627,713	1,037,713	
2030/31		430,000	608,238	1,038,238	
2031/32		450,000	587,813	1,037,813	
2032/33		470,000	566,438	1,036,438	
2033/34		495,000	544,113	1,039,113	
2034/35		515,000	520,600	1,035,600	
2035/36		540,000	496,138	1,036,138	
2036/37		570,000	470,488	1,040,488	18.83x
2037/38		595,000	443,413	1,038,413	
2038/39		625,000	415,150	1,040,150	
2039/40		655,000	385,463	1,040,463	
2040/41		685,000	354,350	1,039,350	
2041/42		715,000	321,813	1,036,813	
2042/43		750,000	287,850	1,037,850	
2043/44		785,000	252,225	1,037,225	
2044/45		825,000	214,938	1,039,938	
2045/46		860,000	175,750	1,035,750	
2046/47		905,000	134,900	1,039,900	
2047/48		945,000	91,913	1,036,913	
2048/49		990,000	47,025	1,037,025	
		\$15,000,000			