

Town of Tusayan Funding Strategy
For New Capital Projects
Involving Proposed TPT Increase

Greetings. As your town manager, I have been working with our Town Council and finance team to put together the annual budget for the 2026-27 Fiscal Year. Our fiscal year coincides with that of the State of Arizona, commencing on July 1st of each year and ending on June 30th. The Town of Tusayan remains in great shape financially, as evidenced through a very good audit report, strong fund balances, and sound fiscal policies.

The financial horizon presents some interesting challenges, however, as we plan for some very important capital improvements that will benefit the Tusayan community. These projects have been discussed for some time now. They cannot be capitalized with existing revenues. The prioritized projects can be summarized as follows:

- **The new Town Hall** facility will be constructed right in town on Hwy 64 (the vacant parcel has been purchased by the town, and we are currently underway with architectural services). This new facility will provide a permanent home for the town organization and will include significant community space for various functions and non-profit services. This is important insofar as the town does not currently own the land where the existing town hall exists.
- **Expansion of the Sports Complex.** The added multi-use facilities are being discussed in partnership with the Grand Canyon Unified School District and will follow the recommendations as identified in the Sports Complex Master Plan, meeting the local needs of our residents and students.
- **Flood Control and Mitigation Improvements.** These improvements, as identified within the Tusayan Drainage Master Plan, are now at 30% design. The overall cost and complexity of these improvements will require phased development over many years, utilizing federal and state funding opportunities. The Town of Tusayan will need to establish a dedicated fund to help meet local cash match obligations and some property and easement acquisitions. We are working in conjunction with the Coconino Flood Control District in pursuing these critical improvements.
- There are present and future staffing needs within the town organization, and we will need to invest in some **Town Workforce Housing** to accommodate these staff positions. Please note that the Town is not contemplating significant staffing needs at this time, and the positions being considered are ones that are truly needed to provide essential town services and support.

To fund these important improvements, the town is considering a municipal bond issuance that will be secured by a new revenue source involving a TPT (sales tax) increase. The current town sales tax is set at 2%. Various options have discussed, and the Town is now proceeding to raise this amount to 4%. The anticipated revenue increases resulting from this increased TPT are outlined in the document entitled *Data and Schedule related TPT Increase*. The additional revenues will be used to secure a municipal bond to be issued later this calendar year, with the revenues to be placed into a capital fund to be used for these projects. Bear in mind that a sales tax adjustment of this sort will not impact the purchase of food for home consumption.

The Tusayan community enjoys an existing sales tax base that is very competitive with other local governments throughout Arizona. Even with some upward adjustment to pay for these projects, we will remain competitive.

The hearing for the TPT increase will occur at the Regular Council Meeting on July 14, 2026. The effective date for the proposed TPT increase is October 1, 2026.

This *Funding Strategy*, the supporting information as set forth in the *Data and Schedule related TPT Increase*, and the summary list of lodging tax as provided in the *Municipal Sales and Lodging Tax Rates in Arizona*, are all posted on the Town's Website Homepage for easy access. Thank you.

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