

Purpose

To outline the City of Maricopa's process to allocate Hotel/Motel Additional tax revenues to comply with Arizona Revised Statute §9-500.06 and meet the following Council approved Strategic Priorities:

Strategic Action 4.4 - "To enhance Maricopa's cultural vitality, we will champion initiatives that celebrate the arts by investing in public art projects and experiences."

Strategic Action 5.1 - "To attract visitors from across the region and the nation, we will employ a sports and event tourism strategy that encompasses broad appeal. We will utilize bed tax funds to minimize the impact on local taxpayers while inviting visitors who can boost local businesses and enhance Maricopa's regional profile. By attracting tourists who spend dollars in our community, we aim to create an influx of revenue that supports both local commerce and the growth of our city."

Background Information

On June 1, 2021, the City of Maricopa passed Ordinance No. 21-08 amending Article 4, Section 8-447 of the City Tax Code to increase the "Rental, Leasing, and Licensing for Use of Real Property: Additional Tax on Transient Lodging" (Hotel/Motel Additional Tax, Business Code 144), from two percent (2.00%) to five and one-half percent (5.50%).

To comply with statute, one and one-half percent of the proceeds from the approved increase shall be used exclusively for the promotion of tourism.

Expenditures for the promotion of tourism include:

- 1. Direct expenditures by the city or town to promote tourism, including but not limited to sporting events or cultural exhibits.*
- 2. Contracts between the city or town and nonprofit organizations or associations for the promotion of tourism by the nonprofit organization or association.*
- 3. Expenditures by the city or town to develop, improve or operate tourism related attractions or facilities or to assist in the planning and promotion of such attractions and facilities.*

Process

All Hotel/Motel Additional Tax revenue (5.5%) is designated for Art and Tourism initiatives.

Recording Revenue

- ❖ Due to the nature of Arizona Department of Revenue (AZDOR) reporting, proceeds will be recorded two months after collection.
- ❖ Financial Services will record proceeds from the Hotel/Motel Additional Tax to the established account, 10010000-41312.

Budgeting Allocations from Hotel/ Motel Additional Tax Revenue

The annual budget for the Hotel/Motel Additional Tax revenue is recommended to Council during the annual budget process based on collections and goals.

Allocations:

- ❖ 91% of receipts: Funding for Event Tourism initiatives, including current and future events.
- ❖ 9% of receipts: Funding for the Art Grant Program.

Carry Forward Funds

Unused funds budgeted for expenditure in the current year will carry forward to subsequent fiscal year.

Expenditures

Event Tourism:

The Event Tourism Project #24100 is established to record all tourism related expenditures allocated from revenues derived from the Hotel/Motel Additional Tax.

Current authorized expenditures: Wild West Music Festival

Arts:

The Art project #24102 is established to record all art related expenditures allocated from the revenues derived from the Hotel/Motel Additional Tax.

Current authorized expenditures: Art Grant programs

Reporting and Accountability

- The City's Finance Services shall oversee the administration of both event tourism and arts expenditures, ensuring compliance with this policy.
- Any proposed changes to fund allocations or authorized expenditures shall require approval from City Manager.

Effective Date: This policy is effective immediately upon adoption and applies to all relevant budgeting and financial activities starting in FY 25/26