



Agenda Item: Discuss and Consider Value of Fiscal Year 2022-2023 Hotel Occupancy Tax

Background: The original forecast, following national and state guidance from destination marketing associations suggested it would take 3-4 years for destinations to recover to pre-pandemic levels. However, the performance on Galveston Island has shown a quicker and robust recovery. The actual penny value for FY2021 was \$2.5 million, the highest on record.

One indicator that has proven true year over year, is Spring Break performance. How the Island performs during that two-week run sets the stage for the summer months, and the island performed well in March 2022, with HOT collections exceeding March 2021 by 40%. Lodging Average Daily Rate and property revenue produced the highest numbers when compared to the last 8 years, so summer in Galveston is expected to be strong.

This year has seen the return of many of the island's annual special events. Following that trend, the return of a full schedule of fall and winter festivals in 2022-23 is expected.

The Tourism Development Advisory Committee (TDAC) recommended a \$2.5 million HOT penny value for FY2023. The Finance and Operations Advisory Committee (FOC) recommended a \$2.7 million penny value.

Staff Recommendation: After consideration of both recommendations, and because of Galveston's current performance, booking pace and consumer demand moving through the summer and into the fall/winter, staff recommends setting the penny value at \$2.7 million for fiscal year 2023.