



Agenda Item: Discussion of 3rd Quarter Hotel Occupancy Tax Allotment Request for Funding from the City of Galveston

Background: Since the ordinances (22-073 and 22-074) were passed on 12/8/2022, the Park Board initially transferred \$14.2 million of HOT to the City (Ordinance 22-073). Pursuant to Ordinance 22-074, the Park Board also transferred all November HOT collections, December HOT collections, and the 1st distribution of January HOT collections to the City totaling \$3.1 million. This is compliant with section 6 of Ordinance 22-074.

Per Ordinance 22-073, the Park Board retained 112 days of operating funds for HOT dependent departments and 120 days of emergency contingency reserves. While both the City and Park Board agreed on the amount of funding that was to be maintained for these purposes (\$7.9 million), they disagreed about the categorization of non-HOT funds as HOT funds, which resulted in a request from the City to transfer more HOT funding than the Park Board had originally calculated.

Tourism Development, Coastal Zone Management, Nourished Beach, and Beach Patrol are HOT dependent departments. Collectively, to date (2/23/2023) they have expended or encumbered \$7.3 million of the total available \$7.9 million in resources retained. Staff has worked to minimize major expenditures in the current fiscal quarter (January 1 to March 31, 2023). While there have been limited operational constraints, one notable issue was a delay in payment to the Texas GLO for the Dellanera Beach Nourishment project. Staff notified the GLO that a draw request to the City will be necessary before the Park Board can expedite payments and request reimbursements from FEMA. The GLO has been an outstanding partner and is willing to work with the Park Board as HOT funding from the City is secured.

Current forecasts indicate that despite the management of funds and activities, HOT resources will likely be exhausted by sometime in March or April, and that the Park Board may need to utilize 120-day reserve funds to maintain the basic operational functions of the organization until the third quarter disbursement of funding is received from the City.

Park Board and City staff have been negotiating the 'HOT Agreement', the contract that awards the use of State and locally appropriated HOT resources to the Park Board annually. Per Ordinance 22-073, this contract is to be in place to provide a process for quarterly payments of HOT to the Park Board to support the council approved budget.

The Park Board is entering the 3rd fiscal quarter of the year; April 1 to June 30, 2023. Historically this is an intense ramp up period for the organization as it prepares for the peak season; staffing up 150 additional seasonal employees, obtaining necessary heavy and lifesaving equipment and deploying 'summer season' advertising campaigns. Special project funds for the sponsorship of 4th of July activities, Juneteenth and beach construction projects are also forecasted to make this the quarter to be a high resource utilization period.

In preparation for the initial quarterly HOT funding draw request, executive staff have prepared forecasts for quarterly expenses, scheduled departmental reviews and established a timeline for submission. Currently, the third quarter Hot funding draw request is scheduled to be submitted to the City by March 15, 2023, to ensure a

timely payment of funds to the Park Board by April 1, 2023. The third quarter funding request will be reviewed by the Finance & Operations Committee before submittal but is not considered an item requiring Board approval. This measure is being taken to keep the FOC abreast of current cash flow constraints and to share newly established processes designed to meet contractual requirements.

It will be the position of the Park Board to obtain contractual agreement with the City that the use of emergency reserves should be avoided unless approved by the board or in time of emergency. Given both the geographic risk of disaster, together with the availability of reserves, best practice dictates that the reserves should be kept whole.

Staff Recommendation: N/A – Discussion item only.