



Agenda Item: Discuss and Consider Approval of Interlocal Agreement Between the Park Board of Trustees and the City of Galveston for Funding of Hotel Occupancy Tax for the Park Board for the Remainder of Fiscal Year 2023

Background: City of Galveston ordinance 22-073 mandated the creation of an annual “HOT Contract” by the (end of) March between the City of Galveston and Park Board of Trustees for the distribution of HOT funds and the regular reporting of expenditures for the remainder of fiscal year 2022-2023.

The ordinance also provided “provisional approval” of the Park Board budget as presented and approved by the Trustees- with the exception of capital projects which are being reviewed and approved independently by City staff and presented to the Council.

With the assistance of Germer attorney Larry Simmons, Park Board staff together with City staff successfully put forward a mutually agreed upon contract for Council’s approval on 3/23/2023 to appropriate HOT funding to the Park Board for the period of April 1 – Sept 30, 2023.

A full copy of the contract as agreed upon by staff is included here. Below is a summary of some of the terms from the proposed 2023 Contract:

- Required annual budget approval from Council with the submission of next year’s budget to the City by August 1.
- Allocation of 3 pennies for Visit Galveston and 1 penny for Beach Patrol & Beach Cleaning from local taxes, and 2 pennies for Beach Patrol & Beach Cleaning from state taxes.
- City Finance Director to determine value of penny for each budget year.
- Draft audit report on the 2023 budget submitted to City by March 1.
- City Council holds the ability to call for audits on Park Board HOT budgets.
- Specific approval on capital improvements utilizing HOT funds is required by Council.
- No pledging of HOT without City Council approval.
- Quarterly disbursements based on budget and projects- disbursement requests two weeks before end of the quarter with payments made on the 1st day of each quarter.
- Recognition of the Park Board’s policy to maintain 120 of emergency reserves and loose language committing to maintaining that balance at the Park Board.
- Revenues generated by the Park Board in the duty of activities (such as advertising) to be treated as unrestricted and shared with the City in a 50/50 revenue split. This does not include project funds, loan proceeds, or insurance reimbursements- rather advertising (Island Soul destination guide) and sponsorships.

A follow-up contract will need to be drafted and signed for the Oct 1 – Sept 30, 2024 fiscal year by the end of this year (Sept 2023). At the same time, City staff is anxious for a review of the Interlocal Agreement bet the Park Board and City. The interlocal agreement outlines operational duties. So continued negotiations are expected through the remainder of this fiscal year.

Staff Recommendation: Staff supports the document as presented and with any amendments authorized by attorney Simmons.

Funding Source (if applicable): This contract releases budgeted resources for Q3 and Q4 for Beach Patrol, Beach Cleaning, Tourism Development and Nourished Beach.