



Agenda Item: Fiscal Year 2023 3rd and 4th Quarter Hotel Occupancy Tax Funding Update

Background: Ordinance 22-073 calls for the City and Park Board to enter into a contract for the distribution and use of Hotel Occupancy Tax (HOT). 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 Galveston City Council approved the contract at their March 23, 2023, regular council meeting. The Park Board trustees will consider approval of the contract at the March 28, 2023, regular trustee meeting.

Tourism Development, Coastal Zone Management, Nourished Beach, and Beach Patrol are HOT dependent departments. The Park Board is getting prepared for the busy summer season and needs an injection of HOT cash. 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 quarter a high resource utilization period.

City Council approved a HOT transfer budget to fund the Park Board during the 3rd and 4th quarters of fiscal year 2023. The total transfer amount in the City’s HOT transfer budget for the last two quarters of 2023 is \$15,288,839. The transfer should be a sufficient fund the Park Board operations and equipment needs through 9/30/2023. Park Board staff anticipates the funds will be broken-down by quarter as follows: \$6,955,000 for the 3rd quarter and \$8,333,839 for the 4th quarter. Below is a breakdown of the City’s HOT transfer budget by fund for the final two quarters of fiscal year 2023:

**HOT Funds Distribution from City of Galveston
 Fiscal Year 2023 - 3rd and 4th Quarters**

Fund	3rd and 4th Qtr HOT Distribution
Beach Cleaning	\$ 3,334,131
Beach Patrol	\$ 2,647,100
Nourished Beach	\$ 1,386,948
Tourism Development	\$ 7,920,660
Total	\$ 15,288,839

Source: City of Galveston Council Meeting Agenda - Item 10.F - Exhibit (Attachment) A -

<https://www.galvestontx.gov/AgendaCenter/ViewFile/Item/15893?fileID=35313>

Park Board staff was allowed to retain 112-days of HOT funds for maintenance and operations and 120-days of HOT reserve funds. The HOT funding contract stipulates that the 120-day HOT reserve may be used to fund

operations or projects pending receipt of quarterly payments by the City. Included in the HOT funding contract is a mechanism for the park board to request reimbursement for expenditures of the 120-day HOT reserve fund. If the Park Board uses some of the 120-day HOT reserve fund, staff will calculate the amount used and could prepare a reimbursement request to send to the City of Galveston, if approved by the Board. Per the contract, the request would be submitted to the City Manager, and he or his designee will make a recommendation to City Council.

Staff Recommendation: N/A