



AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of March 29, 2016
Second Reading Item for the City Council Meeting of April 12, 2016

DATE: February 15, 2016
TO: Ronald L. Olson, City Manager
FROM: Stacie Talbert Anaya, Interim Director
StacieT@cctexas.com
361-826-3464

Appropriate State Hotel Occupancy Tax revenues and establish a fiscal policy for the fund

CAPTION:

Ordinance appropriating \$2.9 million in estimated revenues from the State hotel tax revenue in the No. 1032 State Hotel Occupancy Tax Fund to be used for beach and bayfront maintenance, and safety and protection activities; amending the FY 2015-16 Operating Budget adopted by Ordinance No. 030620 by increasing expenditures by \$2,900,000.

PURPOSE:

Appropriate State Hotel Occupancy Tax (HOT) funds for beach and bayfront maintenance, safety and protection activities for the remaining months of Fiscal Year 2016 (April – September) as well as establish a fiscal policy for the fund.

BACKGROUND AND FINDINGS:

During the 2015 State of Texas Legislative Session, legislation was approved to direct 2% of the State's portion of hotel occupancy tax (HOT) revenues collected in Corpus Christi to be allocated to the City to assist with Gulf and Bay Beach operations and shoreline protection projects. Figures provided by the Texas Comptroller's Office estimated \$2.9 - \$3.0 million in annual revenues to be shared with the City of Corpus Christi.

While lobbying for the bill, staff presented a spending plan that designated approximately one-third of designated revenues for operational activities such as maintenance and safety/enforcement annually. Testimony and documentation provided to lawmakers indicated approximately two-thirds of the annual revenue would be placed in reserve for future projects to renourish beaches or stabilize shorelines along the gulf and bay coasts.

During the September 9th City Council Meeting Councilwoman McIntyre requested staff draft a financial policy to ensure the revenue from State Hotel Occupancy Tax Revenues does not supplant current funding streams for beach operation and maintenance functions. Current budgets for gulf beach maintenance and safety operations are approximately \$2.3 million. Current budgets for bay beach maintenance are approximately \$120,000.

City Council approved a fiscal policy regarding this fund on March 22, 2016:

A State Hotel Occupancy Tax Fund was created for the Fiscal Year 2015-16 Budget as a result of House Bill 1915. The expenditures in this Fund shall not be

used to offset the current expenditures in the Local Hotel Occupancy Tax Fund for Gulf Beach maintenance. The expenditures budgeted for Gulf Beach maintenance in the Local Hotel Occupancy Tax Fund shall not fall below the lesser of \$1,825,088 or 15% of Hotel Occupancy Tax revenue (not including the Convention Expansion portion) budgeted. This amount will be in addition to any expenditures budgeted for Gulf Beach maintenance in the State Hotel Occupancy Tax Fund.

Staff has worked with the Watershore and Beach Advisory Committee (WBAC) to finalize the work plan for the new source of funds. The plan includes approximately \$510,000 for expanded gulf beach maintenance, lifeguarding and enforcement; approximately \$480,000 for expanded bayfront and bay beach maintenance and enforcement, and reinstituting the lifeguarding program at McGee Beach. In addition, the WBAC reviewed the initial list of renourishment and shoreline protection projects in future years: gulf and bay beach nourishment, shoreline protection measures along the downtown bayfront and parks that front the bay. WBAC formally approved the plan on January 7, 2016. The plan was also shared with the Island Strategic Action Committee the same month.

ALTERNATIVES:

Do not approve request for appropriation for State HOT Funds

OTHER CONSIDERATIONS: none

CONFORMITY TO CITY POLICY: Funds must be appropriated prior to them being spent.

EMERGENCY / NON-EMERGENCY: Non-emergency

DEPARTMENTAL CLEARANCES:

Legal, Finance

FINANCIAL IMPACT:

X Operating

☐ Revenue

☐ Capital

☐ Not applicable

Fiscal Year: 2015-2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item		2,900,000		2,900,000
BALANCE		2,900,000		2,900,000

Fund(s): State HOT Fund 1032

Comments: none

RECOMMENDATION:

Staff recommends approval of this request

LIST OF SUPPORTING DOCUMENTS:

Ordinance

Attachment – Fund 1032 Budget