

## Legislation Text

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Presenter/Contact

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**SUBJECT:**

Approval of an amendment to the contract between the City of New Braunfels and the Greater New Braunfels Chamber of Commerce Inc. concerning the use of Hotel Occupancy Tax and the appropriate budget amendment in the Hotel/Motel Tax Fund.

**BACKGROUND / RATIONALE:**

The City contracts with the Greater New Braunfels Chamber of Commerce for the provision of marketing, tourism support and convention activities. As part of this agreement, the chamber receives 50 percent of the City's hotel/motel tax revenue (HOT) to support these activities. The City Council approved a new contract on June 9, 2014. In March of 2017, the contract was amended to modify the process in which the 50 percent portion of occupancy tax was remitted to the Chamber by the City. As we are aware, the collection of hotel/motel taxes is seasonally impacted. Therefore, during the first six months of the fiscal year (approximately), the payments were much smaller than those remitted during the summer months. Over the past couple of years, the chamber has shifted to more digital and on-line promotional modes and methods of advertisement, which require either partial of full payment up front. Prior to, print media and publications was the main mode of advertisements, which didn't require payment until those goods were received (later in the fiscal year).

To attempt to address the cash flow issue, the contract was amended. The change modified remittance of hotel/motel proceeds in a way that allowed up to 50 percent of the budgeted expenditures to be reimbursed during the first six months of the fiscal year. For the remainder of the fiscal year (April-September), payments would only be remitted that reconcile with 50 percent of the actual fiscal year to date total hotel/motel proceeds. While the latest amendment helped to address the cash flow problems, it did not do effectively enough to eliminate the issue altogether. This is driven by the continued necessity to outlay funds earlier in the fiscal year as well as the recent stagnation/low growth of occupancy tax revenue collections.

At the FY 2018-19 City Council Budget Workshop, The Convention and Tourism Fund Budget was presented by Judy Young, Vice President-Convention & Visitors Bureau, of the Greater New Braunfels Chamber of Commerce to allow for the establishment of a \$700,000 reserve (or 30% of annual expenditures) to address the cash flow problem. The current contract allows for a \$100,000 reserve (or 5% of annual expenditures). The Finance Department, City Attorney's Office and Chamber of Commerce leadership have been working together on the ordinance and contract amendment (attached) to support the higher reserve level(s) and reconciliation process.

**Budget Amendment - Hotel/Motel Tax Fund**

The ordinance has been amended to allow the City to use funds from the 35% of total tax revenues

for maintaining the Chamber's Convention and Tourism Fund reserve balance. To establish this reserve prior to the end of the fiscal year, a budget amendment is necessary. Therefore, the following budget amendment is recommended for City Council consideration.

*Increase - Hotel/Motel Tax Fund Operating Expenditures* *\$700,000*

**ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:**

N/A

**FISCAL IMPACT:**

There is sufficient fund balance in the Hotel/Motel Tax Fund to support the budget amendment as described above.

**COMMITTEE RECOMMENDATION:**

N/A

**STAFF RECOMMENDATION:**

Staff recommends approval of the contract amendment.