

Legislation Text

File #: 18-597, **Version:** 1

Presenter/Contact

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SUBJECT:

Discuss and consider 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.

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 the latest 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. In September, the contract was amended once again to increase reserve levels within the Convention and Tourism Fund, which solved a long-term cash flow management challenge driven by seasonality of revenues and chamber expenditures.

As mentioned above, the current contract with the Chamber of Commerce is limited to 50 percent of the City's hotel/motel tax revenue. In addition, the ordinance currently doesn't allow for more than 50 percent of collections to be contracted out. In FY 2017-18, it appears that actual collections will be flat or slightly lower in comparison to FY 2016-17. Given that the FY 2017-18 budget included an assumption for growth, it is likely that the Convention and Tourism Fund expenditures will exceed 50% of actual collections in FY 2017-18. Stagnant and/or declining occupancy tax revenues is something we have yet to encounter under the 2014 contract. Annual growth in this revenue source has ranged from 5-10 percent in recent history.

Chamber and City staff recently met to evaluate options to provide the City Council more flexibility regarding the allocation of occupancy tax revenues, specifically as it relates to the contract with the chamber. The attached contract amendment incorporates a process in which the chamber could exceed the 50 percent threshold via City Council approval. In the event that the City Council chose not to approve an increase in the 50 percent threshold in any given year, the Chamber would have to reduce the following year budget by an amount to ensure that the cap isn't exceeded cumulatively over the two-year period. If this contract amendment is approved, it would require a subsequent amendment to the ordinance prior to executing the contract.

Policy Consideration - Budget Amendment

The FY 2018-19 Hotel Motel Tax Fund includes a tax revenue budget of \$4,237,312. Given the recent stagnation of this revenue source, chamber and city staff have discussed a potential amendment to the revenue budget as well. Consequently, this amendment would trigger a decrease in the FY 2018-

19 Convention and Tourism Fund expenditure budget - to align to 50 percent.

However, If the previously described contract amendment is approved, that would give the Council the authority to allow for the existing budget to move forward as adopted, even though it is likely to exceed the 50 percent cap. The Hotel/Motel tax Fund has sufficient reserves to cover the expenditures up and above the 50 percent cap for both FY 2017-18 and FY 2018-19.

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

N/A

FISCAL IMPACT:

There are sufficient reserves In the Hotel/Motel Tax Fund available to allow the Convention and Tourism Fund to execute their FY 2018-19 Adopted Budget.

COMMITTEE RECOMMENDATION:

N/A

STAFF RECOMMENDATION:

Staff recommends approval of the contract amendment.