



STAFF REPORT

MEETING DATE: September 12, 2023

AGENDA ITEM: 9A

TITLE:

Consider action to approve the first reading of Ordinance No. 2023-28 of the City Council, of the City of Bastrop, Texas, amending the Visit Bastrop Corporation budget, and creating a 4th amendment to the Visti Bastrop Agreement; and move to include on the September 19, 2023, Council agenda for a second reading.

AGENDA ITEM SUBMITTED BY:

Submitted by: Sylvia Carrillo, ICMA-CM, CPM, City Manager

BACKGROUND/HISTORY:

Visit Bastrop was created in 2017, with its first agreement with the city commencing on October 1, 2017. It is a Destination Marketing Organization, an independent entity from the City. The original contract has received three amendments, with this agenda item potentially creating a fourth.

Compensation to Visit Bastrop, as shown in attached Exhibit A (Original Contract and subsequent amendments), is a formula based on total hotel occupancy tax (HOT) funds received. That formula is 50% of NET HOT after the City has satisfied its debt obligations against the HOT fund. The amount allocated to Visit Bastrop “should not be less than 45% of the total HOT revenue”.

“The targeted annual percentage may be adjusted by the City during the City’s annual budget process...” (Original Contract - III. Compensation to Visit Bastrop, B)

Due to the annual budget being a forecasted tool, a “true up” of the annual appropriation was incorporated into the annual contract. “Any surplus or deficit may be considered for an additional adjustment to Visit Bastrop at the City’s discretion as part of a mid-year adjustment to the current fiscal year appropriation.” (Original Contract - III. Compensation to Visit Bastrop, C)

“Visit Bastrop must also provide an amended Business Plan detailing how the surplus or reduction of funds will be utilized.” (Original Contract - III. Compensation to Visit Bastrop, C).

The Visit Bastrop budget has always been intended to be diversified with the additional of funds outside of the HOT allocation since the inception of the contract however, there has been little movement in that direction. (Original Contract – II. Scope of Services, 2.3 Business Plan, B.)

*“(B) Business Plan Performance Targets. As part of the development of each annual Business Plan, Visit Bastrop shall establish "Performance Targets" against which Visit Bastrop's execution of the Business Plan, to include its revenue enhancement efforts and goals, is evaluated. **The Revenue Enhancement Plan will be updated as part of the annual***

Business Plan and will identify targets for potential funding sources of additional non-HOT revenues.”

Changes in market conditions, specifically the request from many other organizations for utilization of HOT funds, as well as additional resource requirements to the Convention Center necessitate the removal of the mid-year adjustment, also known as the “true-up”. Instead, the contract must be amended to create a baseline budget that is also not entirely dependent on HOT funds.

In FY 2020, due to COVID, the budget was reduced by \$132,000. In FY 2021, the original budget was adjusted by an additional \$172,668. In FY 2022, the adjusted amount is \$453,225. If revenue projections for the fund are on target, Visit Bastrop would have been due an additional \$167,000 at the end of the fiscal year. Council took action on August 22, 2023 to not “true up” and instead allocate that amount to repairs at the rodeo arena. Revenue projections for the HOT fund are on target. (Table 1)

Given that revenue diversification does not come “overnight”, the proposed agenda item seeks to remove any mid-year adjustment as a starting point moving forward and create a baseline budget that is a maximum amount, but it still dependent on a formula. For example, in the table below, for FY 2023, the baseline budget was \$1,355,000); using FY 23 as an example, the proposed amendment would allocate a ceiling in a not to exceed amount of \$1,355,000.

Table 1

Destination Marketing Organization				
Visit Bastrop				
HOT Revenue Actual	\$ 1,673,608	\$ 2,029,978	\$ 3,233,135	\$ 2,830,000
	FY2020	FY2021	FY2022	FY2023
Original Budget	\$ 1,233,042	\$ 934,356	\$ 792,824	\$ 1,228,500
Amendment - Sp Events	\$ -	\$ -	\$ -	\$ 50,000
Amendment - Rev proj	\$ -	\$ (132,000)	\$ 172,668	\$ 201,500
Amendment - True-up	\$ 45,150			\$ 453,225
Final Budget	\$ 1,278,192	\$ 802,356	\$ 965,492	\$ 1,933,225
Qtrly Payments	\$ 868,532	\$ 727,356	\$ 890,492	\$ 1,355,000
Special Event Funds	\$ 56,250	\$ 75,000	\$ 75,000	\$ 125,000
True-up prior year	\$ 44,525			\$ 453,225
Total Paid	\$ 969,306	\$ 802,356	\$ 965,492	\$ 1,933,225
Notes:	only paid 3Qs out -DMO waived 4Q	council reduced budget due to rev projections	Council increased due to positive rev projections	Council increased due to positive rev projections

Tracy Waldron:
Estimated amount

For FY 2024, the proposed compensation to Visit Bastrop was \$1,816,000. However, at the August 22, 2023 meeting, Councilmember Myer requested that the amount be reduced by 15%. That amount is reflected in the \$1,543,600 figure shown in the amendment below.

4TH PROPOSED AMENDMENT

III. COMPENSATION TO VISIT BASTROP

3.1 Compensation.

(A) Transition Period. The applicable compensation to be provided by the City to Visit Bastrop during the period from ~~July 1, 2017 to September 30, 2017~~ **October 1, 2023 to September 30, 2024** (the *Transition*), in addition to other applicable terms governing the Parties' actions prior to the effective date of this Management Agreement, are set forth in Exhibit B hereto, of which such Transition Plan is hereby incorporated into this Management Agreement by reference.

(B) **FY 2024. Beginning on October 1, 2023, the City shall target thirty-five percent (35%)** of the net HOT revenue collected, defined as HOT revenue minus the provision of payment satisfying the City's [outstanding debt, **and other contractual obligations** secured by HOT]. This amount should not be less ~~more~~ than **\$1,543,600** of total Hotel Occupancy Tax Revenues. Each year during the City's annual budget process, the targeted percentage subject to adjustment as outlined below will result in an annual appropriation to be paid to Visit Bastrop.

The targeted annual percentage maybe adjusted by the City during the City's annual budget process based upon the annual update to the HOT pro forma in order to make a determination on whether or not adjustments are necessary to increase, maintain, or reduce operating expenses due to factors including changing economic conditions, requirements of Visit Bastrop, requirements of the City and funding levels of the contingency funds and lease payment as set forth in the hereafter referenced HOT financial policy. The City will actively manage operating expenses to be funded with HOT in keeping with the HOT Funds financial policy approved by City Council on May 9, 2017 through Resolution No. R-2017-26.

The annual HOT appropriation as approved by the City Council in accordance with the provisions and requirements of the Tax Code, shall be paid to the Visit Bastrop in equal quarterly installments (October, January, April, July) beginning October 1 of each Fiscal

Year. The quarterly payments will be made in advance on the first day of each month.

FISCAL IMPACT:

Varies; varies for the final quarter of the fiscal year, \$167,000 net savings to the HOT fund in FY 23

RECOMMENDATION:

Amend the Visit Bastrop contract removing the mid-year adjustment. Additionally, work jointly with the Visit Bastrop Board and the community assets (who are supposed to be the primary benefactor to Visit Bastrop, Original agreement, 9th "whereas"), to establish improved business plan metrics and continue to require Visit Bastrop seek alternate revenue sources.

ATTACHMENTS:

1. Original Agreement
2. First Amendment
3. Second Amendment
4. Third Amendment
5. FY 2024 Proposed Budget and Comparative Analysis
6. TML Publication, "What Cities Need to Know About Administering the Hotel Occupancy Tax"