



STAFF REPORT

MEETING DATE: August 22, 2023

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 Visit Bastrop agreement; and move to include on the September 12, 2023, Council agenda for 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. 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

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 be due an additional \$167,000 at the end of the fiscal year. Revenue projections for the HOT fund are on target. (Table 1)

Table 1

| Destination Marketing Organization | | | | |
|------------------------------------|-------------------------------------|---|---|---|
| Visit Bastrop | | | | |
| | FY2020 | FY2021 | FY2022 | FY2023 |
| HOT Revenue Actual | \$ 1,673,608 | \$ 2,029,978 | \$ 3,233,135 | \$ 2,830,000 |
| 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

FISCAL IMPACT:

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

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. Proposed Amendment
6. FY 2024 Proposed Budget and Comparative Analysis
7. TML Publication, "What Cities Need to Know About Administering the Hotel Occupancy Tax"