

HOTEL OCCUPANCY TAX AND SPONSORSHIP COMMITTEE MINUTES
May 23, 2019

After determining that a quorum is present, the Hotel Occupancy Tax and Sponsorship Committee convened into an Open Meeting on Thursday, May 23, 2019 at 1:18 p.m., in the City Hall Work Session Room, City of Denton City Hall, 215 E. McKinney Street, Denton, Texas.

PRESENT: Committee Chair, Mayor Pro-Tem Gerard Hudspeth and Councilmember, Deb Armintor

STAFF PRESENT:

Antonio Puente, Jr, Chief Financial Officer
Mack Reinwand, Deputy City Attorney
Nancy Towle, Treasury Manager
Randee Klingele, Senior Treasury Analyst

AGENDA ITEM 1: CONSIDER APPROVAL OF HOTEL OCCUPANCY TAX AND SPONSORSHIP MINUTES FROM APRIL 30, 2019.

Minutes were approved as written by Mayor Pro-Tem Hudspeth and seconded by Councilmember Armintor.

Motion passed unanimously.

AGENDA ITEM 2: RECEIVE A REPORT, HOLD A DISCUSSION AND PROVIDE RECOMMENDATIONS REGARDING THE HOTEL OCCUPANCY TAX FUNDING LEVELS AND BUDGET REQUESTS FOR PROGRAM YEAR 2020.

Randee Klingele introduced the item by providing an overview of Exhibit 2, Council and Committee Questions and Answers. This exhibit provided additional answers the Committee posed during the April 30 meeting including market models around the metroplex, the local mall as a potential market location, Denton County's current and future financial plans and capital projects for their Historical Park. Mayor Pro Tem Hudspeth directed staff to ensure any future funding of specific projects be contracted with language to support the project definition, timeline and status updates to the city.

Financials were presented to the committee illustrating a 2% projected increase in revenue from current year budget. The 2020 projection of \$2,490,655 is based upon historical activity and the addition of two hotels. The convention center hotel (Embassy Suites) revenue is a projection provided in the City's Economic Development's five-year forecast for the economic impact agreement. The agreement dictates all Embassy Suites revenue is returned to the property, thus has no impact on the allocation of funds.

Committee reviewed budget requests compared to revenue availability. Councilmember Armintor proposed all applicants receive the amount requested. With a large beginning fund balance and revenues, the Committee could fully fund requests and maintain a healthy fund balance. Mayor Pro Tem Hudspeth did not agree to allocate the funding without consideration to the organization or event's impact based upon tourism and hotel nights.

The committee requested Chief Financial Officer, Tony Puente, illustrate (in percentage) the increase each applicant would receive if fully funded versus their current budget. Percentage increases ranged from 0% - 5,270%. The Committee continued discussions regarding tourism, hotel nights, statutory restrictions and fund balance. Staff advised the current practice of maintaining more than 15% of recurring expenditures is to support the future Cultural Arts District project. In addition, supporting applicant's request in full, \$3,500,500 would position the city over its statutory mandated 15% cap in both the arts and historical categories.

Due to the impasse in approaches to reviewing the budget requests, Mayor Pro Tem Hudspeth and Councilmember Armintor agreed to table this item until a future meeting with Mayor Watts present.

AGENDA ITEM 3: RECEIVE A REPORT, HOLD A DISCUSSION AND PROVIDE RECOMMENDATIONS REGARDING SPONSORSHIP FUNDING LEVELS AND BUDGET REQUESTS FOR FY 2019-20.

Staff presented the item with the annual sponsorship budget of \$87,500. Reminding the committee that this is not a revenue driven fund, but budgeted within general and electric funds. For FY 2019-20 the city received one new applicant along with thirteen returning requests. Of all fourteen, four budget requests presented the same funding amount as their current year. Total requests equal \$103,150, which is \$15,650 over available budget.

Councilmember Armintor proposed the full overage of \$15,650 be used to reduce Kiwanis' \$40,000 request as it is significantly larger than other requests. Mayor Pro Tem Hudspeth proposed reducing other request such as Filmmaking Access due to the tangible items being sought again (cameras and backdrops). The committee discussed the vagueness of digital marketing, local catering requirements and how applicants are notified of their acceptable sponsorship expenditures. Committee directed staff to add language to the sponsorship contracts to make local catering mandatory.

Committee directed staff to work out a pro rata formula along with specific reductions to particular budgets. This action created a balanced budget.

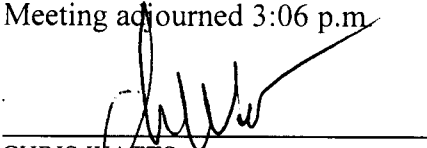
This item was tabled to further review the formularies being used to maintain a balanced budget.


CONCLUDING ITEMS

Councilmember Armintor requested the committee review the HOT program in a broader tourism definition rather than heads in beds.

Councilmember Armintor requested staff review the difference in revenue if the city reduced its hotel occupancy tax from 7% to 4%. Furthermore, obtain legal opinion if the reduction would dissolve the city's current 15% cap on art and historical expenditures.

Meeting adjourned 3:06 p.m.


CHRIS WATTS
COMMITTEE CHAIR
CITY OF DENTON, TEXAS


RANDEE KLINGELE
RECORDING SECRETARY
CITY OF DENTON, TEXAS