



City of Brownsville
HOT Funds Grant Policy and Application
Fiscal Year 2024
October 2023 – September 2024

HOT Funds Committee and
Brownsville Convention and Visitors Bureau
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City Policy

Purpose

This document outlines specific policies and procedures associated with the allocation and use of Hotel Occupancy Tax (HOT) revenues by the City of Brownsville.

Municipal hotel occupancy taxes are governed by Chapter 351 of the Texas Tax Code and Article IV, Hotel Occupancy Tax, Chapter 94, Taxation, of the City of Brownsville Code of Ordinances. The City of Brownsville wishes to make Hotel Occupancy Tax (HOT) funds available to entities other than the City in accordance with the Tax Code to encourage expenditures that enhance the Brownsville tourism, convention, and hotel industry and that help stimulate the continued growth and development thereof.

The City of Brownsville currently levies a Hotel Occupancy Tax of 7% within the City. Unlike property tax and sales tax revenues which cities can use for most public purposes, local hotel occupancy tax revenues fall under a more structured statutory mandate. The policies and guidelines herein delineate the terms under which the City of Brownsville will allocate revenues derived from the Hotel Occupancy Tax and the terms under which potential recipients of such revenue may request and use such funds.

Authority

There is a two-part test that every expenditure of local hotel occupancy tax must pass to be valid. First, the revenue derived from the tax authorized by Texas Tax Code 351.101(a). All revenues for this tax are required to be expended in a manner directly enhancing and promoting the hotel industry. Additionally, revenue may not be used for general revenue purposes or general governmental operations of the City.

The second part of the test is that all expenditures must clearly fit into one of the nine statutorily provided categories that apply to the City for expenditures of local hotel occupancy tax revenues. These nine categories are as follows:

Chapter 351 of the Texas Tax Code limits the use of Hotel Occupancy Tax funds for uses that promote tourism and the convention and hotel industry, and that use is limited to the following categories:

- A. **Constructing, improving, enlarging, equipping, repairing, operating, and maintaining a convention center or visitor information center** – the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing operation and maintenance of convention facilities or visitor information centers or both.
- B. **Paying the administrative costs for facilitation of convention registration** – the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants.

- C. **Advertising and conducting promotional programs to attract tourists and convention delegates or registrants** – advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity.
- D. **Encouragement, promotion, improvement and application of the arts** – the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major arts forms.
- E. **Funding historical restoration or preservation programs** – the historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums at or in the immediate vicinity of convention center facilities or visitor information centers; or located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates.
- F. **Funding certain expenses, including promotional expenses, directly related to a sporting event within counties with a population of under 1 million** – funding the events costs for sporting tournaments that substantially increase economic activity at hotels in which a majority of participants are tourists.
- G. **Funding the enhancement and upgrading of existing sports facilities or sports fields for certain municipalities** – if the municipality owns the facilities or fields, acceptable sports facilities include those for baseball, softball, soccer, and flag football.
- H. **Signage directing the public to sights and attractions that are visited frequently by hotel guests in the municipality.**

Eligibility for Hotel Tax Funds

Priority will be given to those events and entities based on their ability to generate overnight visitors to Brownsville. The amount you request will be subject to approval based on the HOT Funds Collection.

- A. Must be based in the City of Brownsville.
- B. Must present, perform, exhibit, conduct workshops, or provide services and other activities that promote tourism and the hotel and convention industry.
- C. May be a governmental entity, a non-profit or for-profit Texas corporation that has properly filed documentation with the Texas Secretary of State.

- D. Must demonstrate corporate good standing with the State of Texas at time of application and throughout the program or contract period.
- E. Must have a history of continuous, stable programming prior to the application date.
- F. Must have an active governing body.
- G. Must have programming, administrative practices, and board membership that does not discriminate on the basis of color, religion, age, pregnancy, national origin, or sexual orientation or gender identity, citizenship, familial status, disability, or veteran status.
- H. If previously funded, applicant must have successfully fulfilled all prior contract or program requirements.

Guidelines and Funding Goals for Hotel Occupancy Tax Usage on Events

An event must generate meaningful hotel night activity to be eligible for receipt of hotel occupancy tax funds. Events can prove this potential to generate overnight visitors by:

- A. historical information on the number of room nights used during previous years of the same events;
- B. current information on the size of a room block that has been reserved at area hotels to accommodate anticipated overnight guests attending the funded event;
- C. historical information on the number of guests at hotel or other lodging facilities that attended the funded event (through surveys, guest directories, or other sources);
- D. examples of the planned marketing of the programs and activities that will likely generate overnight visitors to local lodging properties from this event; and/or
- E. historical information on the visitors’/attendees’ travel from information during previous years of the same events/activities.

Additional Use of Hotel Funds

Expenditures listed below are allowable for organizations, to the extent that such expenditures are used exclusively to attract tourists and convention delegates or registrants to the City or its vicinity as governed by the Tax Code 351.101 (a). These special allowance expenditures may not be used for the benefit of local businesses or individuals, and the benefit to tourism may not be indirect or incidental but must be direct or purposeful.

- A. Administrative Expenses – Hotel occupancy tax revenues spent for the purpose authorized by Tax Code 351.101 may be spent for day-to-day operations, supplies, salaries, office rental, travel expenses, and other administrative costs only if those administrative costs are

incurred directly in the promotion and servicing expenditures authorized under section 351.101 (a). If a municipality or other public or private entity that conducts an activity authorized under section 351.101 (a) conducts other activities that are not authorized, the portion of the total administrative costs of the entity for which local occupancy tax revenue may be used may not exceed the portion of these administrative costs incurred in conducting the authorized activities.

For Example: Organization A has a total operating budget of \$500,000 which consists of \$250,000 for administrative expenses, \$100,000 for advertising, and \$150,000 for stages, lighting, and artists. Under this example, 50% ($\$250,000/\$500,000$) is their eligible proportion for administrative expenses, only if at least 50% is devoted to the event and promotes tourism and the hotel and convention industry.

Therefore, assuming the City approved a \$100,000 budget from Hotel Occupancy Tax Funds, \$50,000 ($\$100,000 \times 50\%$) of this budget may be spent on administrative expenses.

The following expenses may be incurred, but may not exceed the eligible proportion, as authorized under section 351.101 (e): salaries, supplies, equipment, fixed assets, utilities, event insurance, communications, technology, office space, janitorial maintenance & supplies, non-local printed matter such as newsletters, applications, and entry forms et cetera.

Requests for administrative expenses, including the purchase of fixed assets and equipment, must be provided in detail to the City for consideration during the application process.

- B. Promotion Expenses – Expenditures for food and beverages for meetings and special events and promotional items may be funded if the focus of that event or meeting directly promotes and services expenditures authorized under section 351.101 (a). If a municipality or other public or private entity that conducts an activity authorized under section 351.101 (a) conducts other activities that are not authorized under section 351.101 (a), the portion of the total costs of the entity for which local occupancy tax revenue may be used may not exceed the portion of those costs actually incurred in conducting the authorized activities.

Each entity that is ultimately funded by the tax shall, before making such expenditure, specify in a list each scheduled activity, program, or event that:

1. Is directly funded by the tax or has its administrative costs funded in whole or in part by the tax; and
2. Is directly enhancing and promoting tourism and the convention and hotel industry.

The listing of meetings and special events (and purpose) where expenses for food, beverages, or promotional items will be incurred must be provided in detail to the City for consideration during the application process.

Limitations of Hotel Funds

Recipients are responsible for assuring compliance with all statutory, and other legal requirements applicable to receipt, use, expenditure, and accounting of hotel tax revenues. No provision, restrictions, or lack thereof, in these guidelines shall excuse the failure of a recipient to comply with all such requirements. If organization is non-compliant and expenses are ineligible, the awarded funds must be returned to the City of Brownsville HOT Funds.

Hotel funds may not be used for the following:

- A. Funding for the benefit of individual(s) that do not directly benefit tourism and are not registered with the Texas secretary of state if the entity is transacting business in Texas;
- B. Reduction of deficits from, or expenditures related to, activities of previous or future fiscal, calendar, or program years;
- C. Capital improvements, except for those funded by the City through bonds or historical restoration or preservation projects;
- D. Contracted auditing, accounting, or bookkeeping fees;
- E. Landscaping;
- F. Travel for a person to attend an event or conduct an activity the primary purpose of which is not directly related to the promotion of tourism and the convention and hotel industry or the performance of the person's job in an efficient and professional manner; or
- G. Advertising materials that will be distributed inside the city limits of Brownsville.
- H. Allocation percentage of revenue exceeding 15 percent of the HOT Funds collected for the promotion of the arts, including but not limited to a designated cultural arts district, or historical restoration and preservation programs.

Recipient Requirements

- A. In all publications (e.g., flyers, programs, brochures, press releases, advertisements, annual reports, and all other mailing pieces), the recipient shall acknowledge in some meaningful way that their organization is funded in part by the City. Such acknowledgment might take the form of inclusion on a donor list for particular events. Recipients are advised that usage of the official City logo is restricted by policy. Any use of the City logo must be coordinated with and approved by the appropriate City representatives, to ensure compliance with these standards. Written authorization must be obtained from the City Manager or their designee.
- B. An organization with whom a municipality contracts to conduct an activity authorized by section 351.101(a) shall maintain complete and accurate financial records of each expenditure of hotel occupancy tax revenue made by the organization and, on request of

the City or its representatives, shall make the records available for inspection and review to the governing body, or another person as may be required by law.

All financial records and any other records relating to the contracts shall be subject to the requirements of the Public Information Act. Organizations must maintain and account for revenue provided from the tax authorized by section 351.101 within one of the two forms of accounting listed below:

1. Maintain hotel occupancy tax funds in a separate checking account established for that sole purpose and may not commingle with any other money or in any other bank account, or
 2. Maintain segregated fund accounting, whereby the accounting of HOT revenues and expenditures may not be commingled with any other revenues and expenditures. The funds may be maintained in the same bank account. However, if the HOT funds are invested in an interest-bearing account, then a separate account must be established for that sole purpose and may not commingle with any other money. All interest earned on the invested account will be considered restricted to Hotel Occupancy Tax funds.
- C. Payments to approved, contracted recipients will be made by October 31st or as requested by the applicant. *Subject to change.*
- D. Electronic submission of quarterly reports and post-event reports is required thirty days after each quarter. The quarterly reports should include the following:
1. Complete financial report (including signature) provided by the City's Finance Department.
 2. Copies of all HOT paid invoices OR a listing of all invoices including check number/payment type, vendor name, budget category, expenditure descriptions and amount paid. If a list of invoices is provided, an audit may be performed at any time by the Finance Department to determine program eligibility.
 3. Copies of all HOT invoices related to social media marketing such as, but not limited to, Facebook, Twitter, and Instagram. Invoices shall include metrics and/or performance results of paid activity. If a listing of invoices is provided (see #2 above) copies of these invoices must be provided each quarter.
 4. Front and back copies of all cleared HOT checks written for the above invoices OR full monthly bank statements illustrating the cleared checks, card/debit, ACH payments.

5. Submission of Post-Event Report may not exceed 60 calendar days after the event. The Commission has the discretion to terminate the contract if the organization continues to be non-compliant with quarterly or post-event reports.
 6. Withholding of contract funds shall be implemented if the quarterly report or post-event report is not turned in on time.
- E. Provide the Finance Department notice of local Board of Directors meeting schedule.
- F. Return any unused or ineligible monies to the City at the end of each contract period.
- G. Each required organization must have insurance coverage prior to the event. A copy must be filed with the Finance Department at least one week prior to the event.
- H. New applicants must attend a training session in the Finance Department prior to the beginning of the program year.
- I. Recipients must explore local business for products and services when expending HOT funds.

Contract Term

The program period will commence on October 1st of the program year and terminate at midnight on September 30th of the same fiscal year. However, the contract period will commence on October 1st of the program year and terminate at midnight on October 31st of the following fiscal year. A thirty-day grace period is provided which allows recipients to finalize their reporting of expenditures. Either party may terminate the contract with sixty days' written notice.

Application Process and Timeline

The HOT Funds Committee determines program eligibility. The following city departments serve as liaisons: the City Manager's Office, the Finance Department, Convention & Visitors Bureau and Office of Space Commerce, and the Grants and Community Development Department. The application process is summarized below.

The City will accept applications from groups and businesses whose program fits into one or more of the above categories. All new requests for funds should be submitted to the email hotfundscontracts@brownsvilletx.gov, accompanied by the official application by June 1st, - June 30th, 2023. The City will review the application by July 30th, 2023.

The City Commission will meet to review and grant applications after all applications have been submitted by or on the deadline as defined in the call for applications. **Funding is subject to availability and at the discretion of the City Commission.**

- A. The City of Brownsville will provide public notice of Hotel Occupancy Tax funding availability at the end of the 2nd quarter.

- B. Applications are distributed to all current and past recipients as well as other organizations requesting Hotel Occupancy Tax funding.
- C. All applications must include the following: a proposed budget that details the plan for expending all monies requested, financial statements from at least two previous years, letter of determination certifying tax-exempt status under the Internal Revenue Code, current W-9, proof of current status as a non-profit or for-profit Texas corporation, a list of local Board of Directors, Officers, or Governing Body and schedule of meetings, constitutions and/or by-laws, a list of all prior year donations made by the organization, marketing examples, itemized income and expense reports for the requested event, and a notice of events/schedules for which the hotel funds will be spent.
- D. The application deadline will be June 30th. This is a fixed deadline, without acceptance of applications after the set date.
- E. All applications will be reviewed by staff for completeness and adherence to hotel occupancy tax state laws and program eligibility.
- F. The Hot Funds Committee will recommend approval of all or part of the request(s) for funding.
- G. Staff prepare notification letters and contracts for the awarded recipient’s signature.
- H. HOT contracts will be approved annually by the City Commission at a regularly scheduled meeting during the third quarter.

The tentative timeline is as follows:

May	Call for applicants
June	Application Submittal from Organizations
June – July	HOT Funds Committee review and determination of proposed funding recommendation for City Commission decision
July	Funding Budget Submittal to the City of Brownsville Finance Department
August – September	City Commission Approval for funding
October	Funds become available with the executed funding agreement
November 1 st	Unexpended funds revert back to the City

HOT Funds Award Review Guidelines

- A. To document the City’s compliance with state law, whenever the City Commission approves an allocation of funding from Hotel Occupancy Tax revenues for any activity, approval will be documented with a City Commission Resolution that will include in its recitals a finding of fact that the City Commission believes that the proposed activity to be

funded will directly promote tourism and the convention and hotel industry and that it meets one of the other 8 criteria for funding eligibility outlined in Chapter 351.101 of the Texas Tax Code.

- B. In reviewing proposed uses for the Hotel Occupancy Tax revenues, the HOT Funds Committee and City Commission are encouraged, but not required, to give a higher funding priority to funding requests that can be shown to quantify the number of overnight stays at Brownsville hotels that can be expected to be generated by the proposed use and that the City Commission believes will generate more overnight stays at Brownsville hotels than to requests that the City Commission believes will generate fewer overnight stays.
- C. In reviewing proposed uses for the Hotel Occupancy Tax revenues, the HOT Funds Committee and City Commission are encouraged, but not required, to give a high funding priority to proposed uses of HOT funds that will provide a significant benefit to the City of Brownsville, the Brownsville community, and/or the Brownsville hotel, meetings, convention, and tourism industry.
- D. In reviewing proposed uses for the Hotel Occupancy Tax revenues, the HOT Committee and City Commission are encouraged, but optional, to give a high funding priority to funding requests that propose matching funds from the organization applying for the grant.
- E. The City Commission shall not fund activities with Hotel Occupancy Tax revenues that the City Commission itself does not believe will in some way directly promote tourism and the convention and hotel industry.
- F. The City Commission shall not fund activities with Hotel Occupancy Tax revenues that the City Commission itself does not believe will in some way meet the other, non-tourism-related criteria described in Chapter 351.101 of the Texas Tax Code.
- G. Funding of the City of Brownsville activities that departments administer is already under the City's direct control. Accordingly, no funding contract(s) or Hotel Occupancy Tax application will be required for such activities.

APPLICATION

Name of Organization:	
Type of Organization:	
Physical Address:	
Organizational Email Address:	
Phone Number:	
Authorizing Official:	
Authorizing Official email address:	
Non-profit or For-profit Status:	
TAX ID #:	
Point of Contact or representative responsible for the Application:	
Phone Number for the Point of Contact:	
Email Address for the Point of Contact:	

PROGRAM OR PROJECT DESCRIPTION

Name of Event or Project:	
Date of Event or Project:	
Primary Location of Event or Project:	
Total Event or Project Budget:	
Total Event or Project Funding Requested from HOT Funds:	

1. Describe your organization or your organization’s project. The description should include a few sentences about the background of your organization.

2. What is the expected attendance for your project or event?
3. What issues are you are trying to address (i.e. promotion of the arts, promotion of tourism, increasing signage of tourism sites, etc.)?
4. What methods are you using to accomplish the activities described above?
5. How many hotel room blocks have you reserved within the City of Brownsville? If your organization does not reserve room blocks, what other information can you share that directly promotes tourism and the convention/hotel industry within the City of Brownsville?
6. How are defining and measuring success?
7. Please explain how your organization, program or activity directly promotes tourism and the convention/hotel industry within the City of Brownsville.

8. What methods or documents do you use to track or quantify out-of-town visitors participating in organization’s activities or programming?
9. Please provide a schedule of activities or events relating to the proposed event or project.
10. Does your organization purchase advertising to promote your organization’s activities in a manner that would result in overnight guests within the City of Brownsville? If so, where do you advertise and at what volume?
11. Please provide samples of the planned advertising for this fiscal year. If not available yet, provide examples of the previous year.
12. Does your organization actively engage in social media? If so, list the names of your accounts. What is the following for each account? Please provide analytics if available.
13. Have you established partnerships with other organizations, governmental entities, or businesses that result in an increase in tourism? If so, please describe those partnerships.

14. Please describe how your organization will use HOT Funds as described by each of the items you checked above.

BUDGET

Requested Amount?	
What is your fiscal year? ____ through ____	
Do you seek grants and donations to supplement city funding? If so, describe your efforts (1 paragraph).	
Please provide copies of the current budget and financial usage.	
Please attach any documents.	

By signing below, I certify all information is true and correct to the best of my knowledge.

Name of ED/CEO

Signature of ED/CEO

Date

For any additional information or questions please contact:

City of Brownsville Convention & Visitors Bureau | Office of Space Commerce
Dafne Maldonado – CVB Director 956-546-3721 or dafne.maldonado@brownsvilletx.gov