



CITY OF SOUTH PADRE ISLAND

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024

THE TROPICAL TIP OF TEXAS

*City of South Padre Island Popular Annual Financial Report
Year Beginning October 1, 2023 and Ending September 30, 2024*

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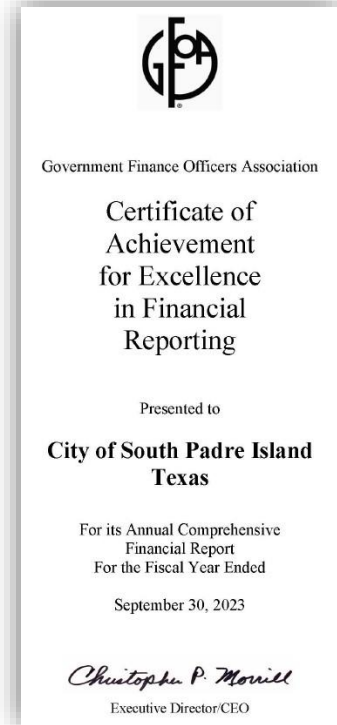
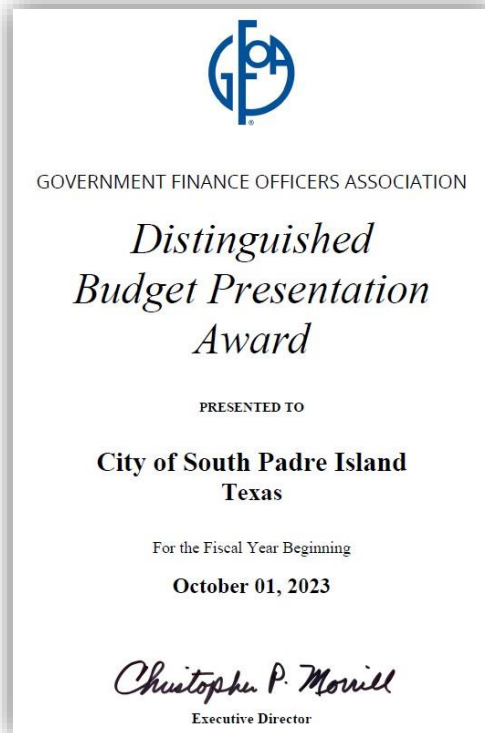
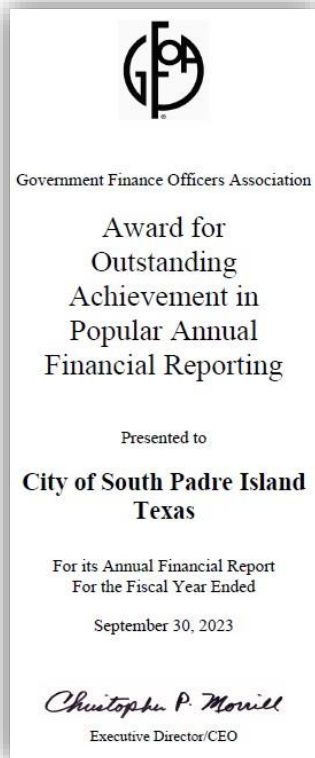
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its Annual Comprehensive Financial Report for the Fiscal Year ended September 30, 2023. This is the 34th consecutive year the City has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Additionally, the City of South Padre Island was awarded the Distinguished Budget Presentation Award for the Fiscal Year beginning October 1, 2023. This was the 13th consecutive year the City has received this prestigious award. To qualify for the award, the Finance Department must satisfy nationally recognized guidelines for effective budget presentation. The budget is ranked on how well it serves as a policy document, a financial plan, an operations guide, and a communications device. All four categories must be rated proficient. Additionally, fourteen mandatory criteria must be met.

Furthermore, the Texas Comptroller, Glenn Hegar, announced the City of South Padre Island achieved specific transparency goals through the Comptroller’s Transparency Stars program. The program recognizes local government entities that provide easy online access to important financial data. In Fiscal Year 2018–2019, the City received a star in the area of Traditional Finances which recognizes an entity for outstanding efforts in making its spending and revenue information available. During Fiscal Year 2019–2020, the City received the Debt Obligations transparency star. Additionally, the Public Pension transparency star was awarded during Fiscal Year 2023-2024.

The Government Finance Officers Association of the United States and Canada (GFOA) has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of South Padre Island, Texas, for its Popular Annual Financial Report for the Fiscal Year ended September 30, 2023. This is the 5th consecutive year the City has been awarded this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, the contents of which must conform to program standards for creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.



ABOUT THIS REPORT

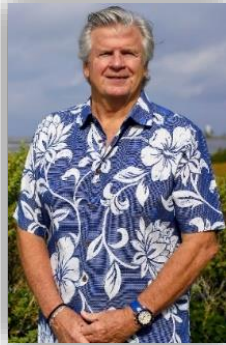
The Popular Annual Financial Report (PAFR) is a summary of the major financial activities of City Governmental funds as presented in the audited 2024 Annual Comprehensive Financial Report. Please note the PAFR **does not include any component unit and non-major fund data**, and should not be used as a substitute for the City's Annual Comprehensive Financial Report (ACFR) which contains more detailed financial information. The City's Annual Comprehensive Financial Report is independently audited by Carr, Riggs & Ingram, CPAs and Advisors, LLC and is developed in conformity with generally accepted accounting principles (GAAP). All prior year Annual Comprehensive Financial Reports can be found on the City website at the following link; <https://www.myspi.org/ACFR>.

Please note the resources used in this year's PAFR include both the 2023-24 ACFR as well as the Annual Report for the Mayoral Address prepared this year by the City Public Information Coordinator, Karin Spinks.

ELECTED OFFICIALS



Patrick McNulty –
Mayor



Kerry Schwartz –
Council Member Place 2



Rees Langston
Mayor Pro-Tem Place 4



Ken Medders, Jr. –
Council Member Place 1



Joe Ricco –
Council Member Place 3



Lisa Graves –
Council Member Place 5

A MESSAGE FROM THE MAYOR

Mayor's Message



Welcome to South Padre Island,

South Padre Island offers more than just stunning landscapes; it's a vibrant community where cherished memories are made. The progress we see – from improved ordinances to enhanced infrastructure like our parks, side streets, and Laguna Boulevard – is a direct result of our united community and the dedicated work of our city staff.

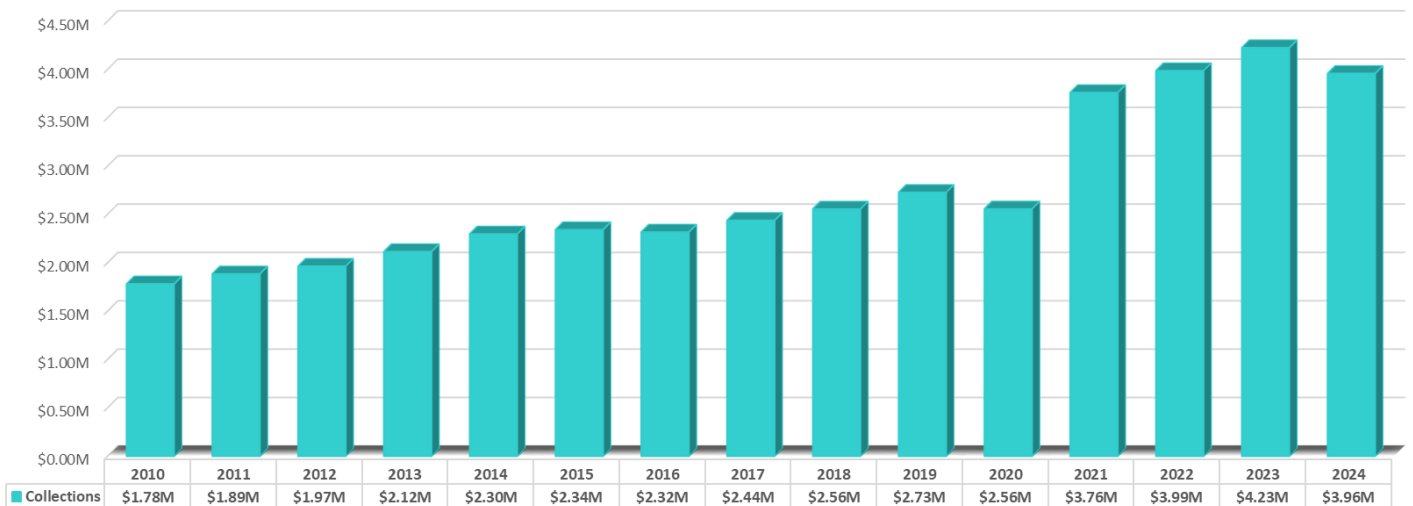
Demonstrating sound financial management, the City operated within its budget for the year, bolstering reserve funds for future essential projects. This fiscal prudence is reflected in our sustained AA+ general obligation bond rating, a testament to our robust financial standing. Furthermore, we've maintained the lowest property tax rates since 2014, positioning us among the most affordable municipalities in Texas.

I applaud the City Council, City Manager, and staff's unwavering commitment to serving our community. I eagerly anticipate seeing our current vision transform into a tangible reality.

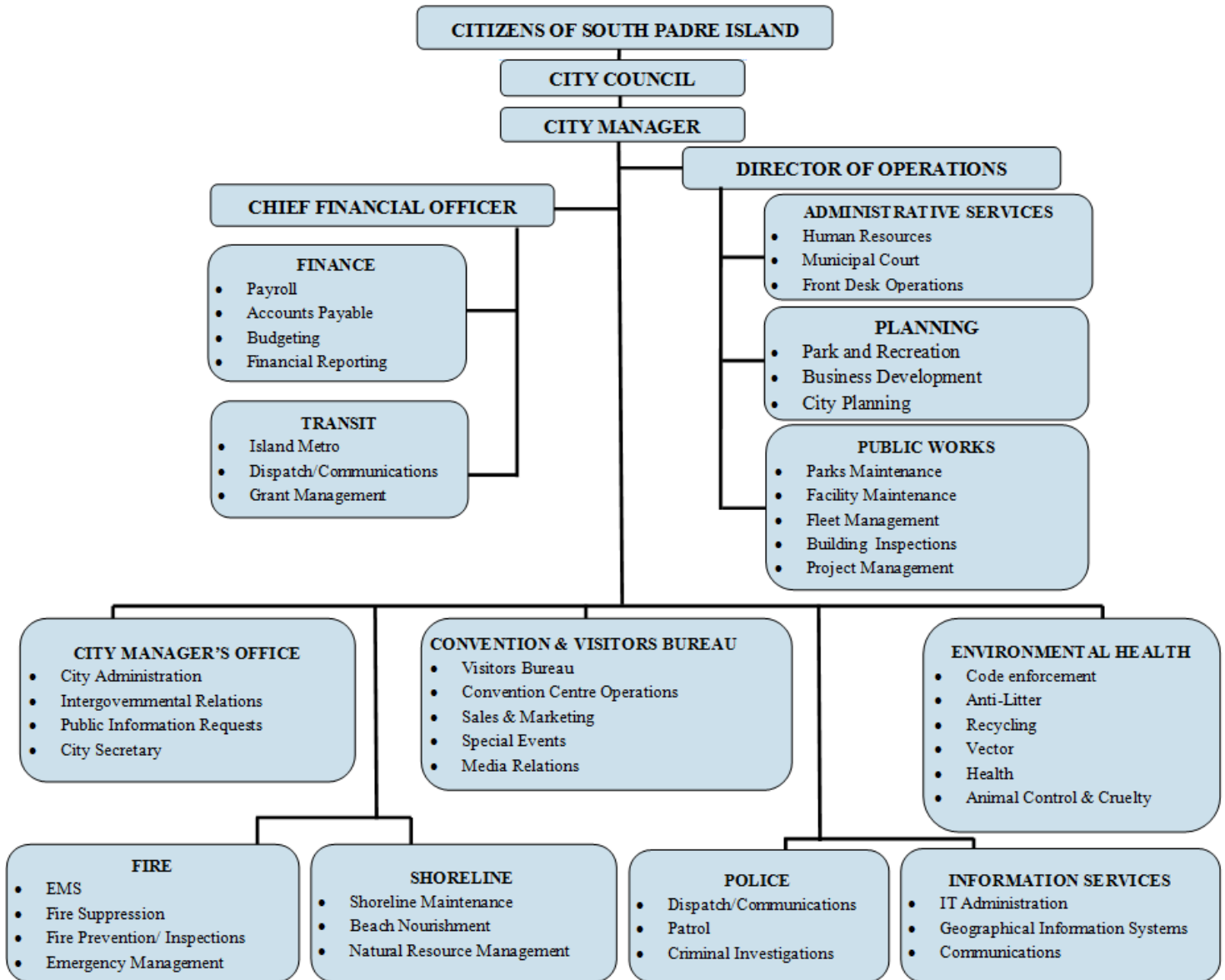
A stylized, handwritten signature in white ink.

Mayor Patrick McNulty

Sales Tax 15 year comparison
Presented by Fiscal Year from October through September



ORGANIZATION CHART



FISCAL YEAR IN REVIEW

“On behalf of myself and staff, we are honored to serve the South Padre Island community! The following are a few of the departments’ highlights that help make the City great. This year brought a balance of new growth and development while preserving our Island’s culture and its amenities.”

-Randy Smith, City Manager



Administrative Services

The Administrative Services Department was recognized in 2023 by Lexipol for excellence in consistent and effective online training management. Lexipol is the leading provider of policy, training and wellness support for first responders and public servants. This program tracks performance on metrics which include training activities and personnel engagement.

Shoreline

The Shoreline Department has been working with several different grants to maintain the beach and keep it beautiful. The dune restoration project of \$400,000 is funded equally by the National Fish and Wildlife Fund and Coastal Management Program. Dune restoration which encompasses the placement of sand fencing to capture wind-driven sand and planting of dune vegetation has proven successful with increased dune growth and sand accumulation on the shoreline. In recognition of a coastal project that has shown positive environmental benefits, the City received the Robert Wiegel Award from the American Shore and Beach Preservation Association in August 2024.

Additional grant funding cycles have been utilized for the following: Access improvements and added amenities at Neptune Circle, Sea

Island Circle, Fantasy Circle, and Whitecap Circle—to add ADA walkovers, parking, restrooms and rinse stations. The cumulative total for grant funded beach access improvements is \$890,000.

The City is responsible for maintenance dredging of the Tompkins Channel along the bay. Maintenance dredging began at the beginning of 2024.

Engineering and permitting for the City’s future boat ramp have continued through Fiscal Year 2023-24. The boat ramp project is partially funded by RESTORE and by the Texas Parks and Wildlife Department. Upon completion, island visitors will have access to the City’s first new boat ramp and associated parking for larger sized vehicles—including trailers.

Additionally, the City is awaiting permit approval from the U.S. Army Corps of Engineers, the United States Fish and Wildlife Service, and a General Land Office lease for the Wind and Water Sports Park. This project was approved by voters in 2016 to provide a point of access to athletes. Designs include a launch area and parking access to the Laguna Madre. Engineers HDR were hired in 2024 for project permitting, and land was purchased on the north side as mitigation for the project.

Convention Center and Tourism

The City was recognized with three Texas Travel Awards (TTA) for Tacos & Tequila Best Food Fest, for Sunset Best Views, and Best Outdoor Activity at Black Dragon Cruises. The Island was also featured as one of the top 10 travel destinations for spring break.

A visual of Sand fencing and vegetation.



**EXPANSION FEASIBILITY STUDY
SOUTH PADRE ISLAND CONVENTION CENTRE**

Additionally, Visit South Padre Island successfully established major marketing partnerships with the San Antonio Spurs and the McAllen Holiday Parade. So the department continues to drive tourism and economic growth with an impressive 38,435 rooms nights booked. Moreover, there were 27 sponsored special events. This year's Hotel Occupancy Tax collections as shown in the year over year revenue comparison chart below saw a reduction compared to the prior year.

The Convention Center expansion to a rentable facility of 33,000 square feet is a transformative project for the future of South Padre Island. The feasibility study conducted by Johnson Consulting outlined the potential to attract larger conventions and events. Furthermore, Fulton Construction was selected to provide pre-construction services and final cost estimate as the project moves to the next phase.

Tompkins Park

The City of South Padre Island partnered with the Texas Department of Parks and Wildlife for Phase III of John L. Tompkins Park improvements. Plans for phase III are underway and will include funding to add solar lights, as well as a shade pavilion over the basketball court.

There are now 4 courts at Pickleball Park. Other park amenities include tables, shade structure, ADA ramp and sidewalk. Stop by the newly painted SPI Community Center throughout the year to participate in a variety of fun activities and events.



Public Safety

The City spent \$287,800 for the Police Department to purchase and up-fit four new Chevrolet Tahoe's. This year, the department received approximately \$141,500 in the form of overtime reimbursements from Operation Stonegarden and Borderstar grants. These grant programs provide funding to enhance coordination among law enforcement agencies to secure U.S. borders and to deter criminal activity. Additionally, the City



purchased more weapons, vests, and body cameras for the department for approximately \$70,000.

The City purchased one Honda Pioneer for Beach Patrol—a division of the Fire Department—for \$22,000. The City also spent \$37,000 toward fire hydrant repairs with funds received from the American Rescue Plan. Additional funds of approximately \$10,000 were awarded to the Fire Department from Texas Intrastate Fire Mutual Aid System Grant (TIFMAS) and Trauma Regional Advisory Council-V grant (TRAC-V) programs for training expenses and medical supplies.



Environmental Health and Code Enforcement

The City was named a Gold Star Affiliate by Keep Texas Beautiful for its commitment to protecting the Island through waste management. The Gold Star recognition is the highest status any community affiliate can achieve.

Infrastructure

The Public Works Department has undertaken and completed many projects to improve infrastructure and provide safer streets. Among these projects includes Laguna Boulevard as the top priority which would improve lanes, drainage and intersections throughout. The initial engineering and design phase of the Laguna project was completed in-house and resulted in savings of approximately \$478,000, and a total construction cost of approximately \$6.5 million. The Boulevard was widened and storm drainage was installed at intersecting streets. The project is expected to conclude by early March 2025.



In 2023, the in-house design of six side streets was finalized saving approximately \$235,000. Total construction cost is anticipated to be approximately \$2.5 million. Construction on three side streets was concluded May 2024, and completion of additional side streets is expected to be by July 2025.

A \$1.5 million grant—funded by the American Rescue Plan—was awarded to the City by the Economic Development Administration for construction of a South Padre Island Historical Museum. Keller Construction was awarded the bid and construction is in progress. This project is expected to support local tourism and attract new visitors.

During Fiscal Year 2023-24, the City allocated TIRZ funds for infrastructure expenses related to crosswalk engineering to enhance safety. The Tax Increment Reinvestment Zones (TIRZ) are special zones created by City Council to attract new investment in an area. Some benefits of TIRZ include building and/or improving public infrastructure and development, and—through reimbursement—lowering the cost of private development. The City contributes incremental revenue at 100% of its tax rate.

Transit

The Transit Department, through Island Metro, provides bus services to citizens of South Padre Island and Port Isabel. The service is mainly funded by the Texas Department of Transportation (TxDOT). In Fiscal Year 2023-24 the department received more than \$1.56 million in Federal and State funds.

Last Fiscal Year, an overhaul of the Multimodal A/C Chiller and Emergency Facility Generator was completed in February 2024 for \$47,500. Another project included the purchase of eight (8) infotainment monitors and software to improve public engagement and was completed in May 2024 for a total of \$86,991. Both of these projects were 100% grant funded.

Island Metro provided transit services to a total of 449,898 passengers.



Hotel Occupancy Tax Revenue Comparison

*Does not include State Hotel Motel Collections



FINANCIAL HIGHLIGHTS

The City of South Padre Island Fiscal Year begins on October 1st and ends on September 30th each year. Overall the City continues to have a strong financial position with AA+ general obligation bond ratings, a six month operating reserve, steady revenue stream and excess reserves to fund capital projects.

NET POSITION

The *Statement of Net Position* (ACFR pg. 39) summarizes information on all City assets, liabilities, capital assets, and long-term obligations with the difference reported as *net position*. Net position may serve over time as a useful indicator of a government's financial position. For the City of South Padre Island, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$102,993,153 at the September 30, 2024 Fiscal Year end.

A large portion of the City's net position (30%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending and cannot be liquidated to repay related debt.

	Total Governmental Activities	Total Governmental Activities
<i>September 30,</i>	2024	2023
Assets		
Current and other assets	\$ 79,062,485	\$ 75,832,001
Capital and non-current assets	50,352,002	46,932,560
Total assets	129,414,487	122,764,561
Deferred Outflows of Resources		
Deferred outflows related to pension	3,043,658	4,836,571
Deferred outflows related to OPEB	112,717	124,042
Deferred amount on refunding	23,354	46,710
Total deferred outflows of resources	3,179,729	5,007,323
Liabilities		
Current liabilities	2,994,865	3,493,748
Non-current liabilities	25,962,916	27,184,351
Total liabilities	28,957,781	30,678,099
Deferred Inflows of Resources		
Deferred inflows related to leases	171,835	-
Deferred inflows related to pension	280,880	277,429
Deferred inflows related to OPEB	177,502	227,935
Deferred inflows on bond refunding	13,065	15,242
Total deferred inflows of resources	643,282	520,606
Net Position		
Net investment in capital assets	30,861,234	30,014,420
Restricted	57,842,239	53,988,251
Unrestricted	14,289,680	12,570,508
Total net position	\$ 102,993,153	\$ 96,573,179

STATEMENT OF ACTIVITIES

The Statement of Activities (ACFR pg. 40-41) presents information showing how the City's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement.

The City's net position increased by \$6,419,974 from the beginning net position of \$96,573,179 as a result of current year activities. Total revenues increased approximately \$695 thousand. This is primarily the result of an increase in investment interest of \$1.36 million, property taxes of \$562 thousand, as well as increases in capital and operating grant revenue of \$324 thousand. Increases were offset with decreases in the remaining tax and miscellaneous revenues of approximately \$1.6 million.

Expenses during the Fiscal Year increased by approximately \$5.6 million or 18%. This increase in expenses is mostly related to General Government and Public Works.

	Total Governmental Activities	Total Governmental Activities
<i>For the year ended September 30,</i>	2024	2023
Revenues		
Program revenues		
Charges for Services	\$ 3,038,344	\$ 2,722,367
Operating Grants and Contributions	2,195,336	1,968,745
Capital Grants and Contributions	847,062	749,531
General revenues		
Property Tax	9,623,253	9,060,930
Sales Tax	3,959,340	4,226,070
Franchise Tax	922,094	958,246
Hotel Motel Tax	14,313,480	15,534,794
Hotel Motel Beach Maintenance Tax	3,846,591	4,168,093
Mixed Beverage Tax	537,524	543,783
Interest	3,044,234	1,680,748
Miscellaneous	627,339	646,025
Total revenues	42,954,597	42,259,332
Expenses		
Program expenses		
General Government	6,618,643	4,969,391
Public Safety	8,521,713	8,262,976
Public Works	4,620,496	4,170,966
Shoreline	3,284,959	1,618,331
Transportation	2,265,914	2,306,392
Community Service	265,956	257,219
Convention and Visitors Bureau	10,388,344	8,896,692
Interest on Long-Term Debt	568,598	458,574
Total expenses	36,534,623	30,940,541
Increase in Net Position	6,419,974	11,318,791
Beginning Net Position	96,573,179	85,254,388
Ending Net Position	\$ 102,993,153	\$ 96,573,179

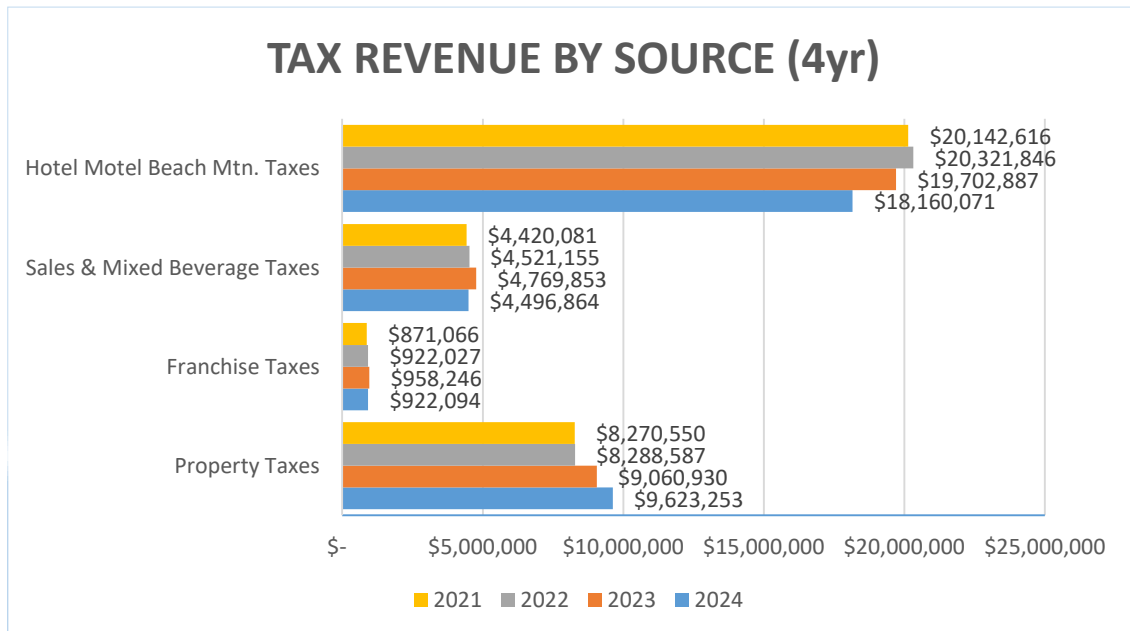
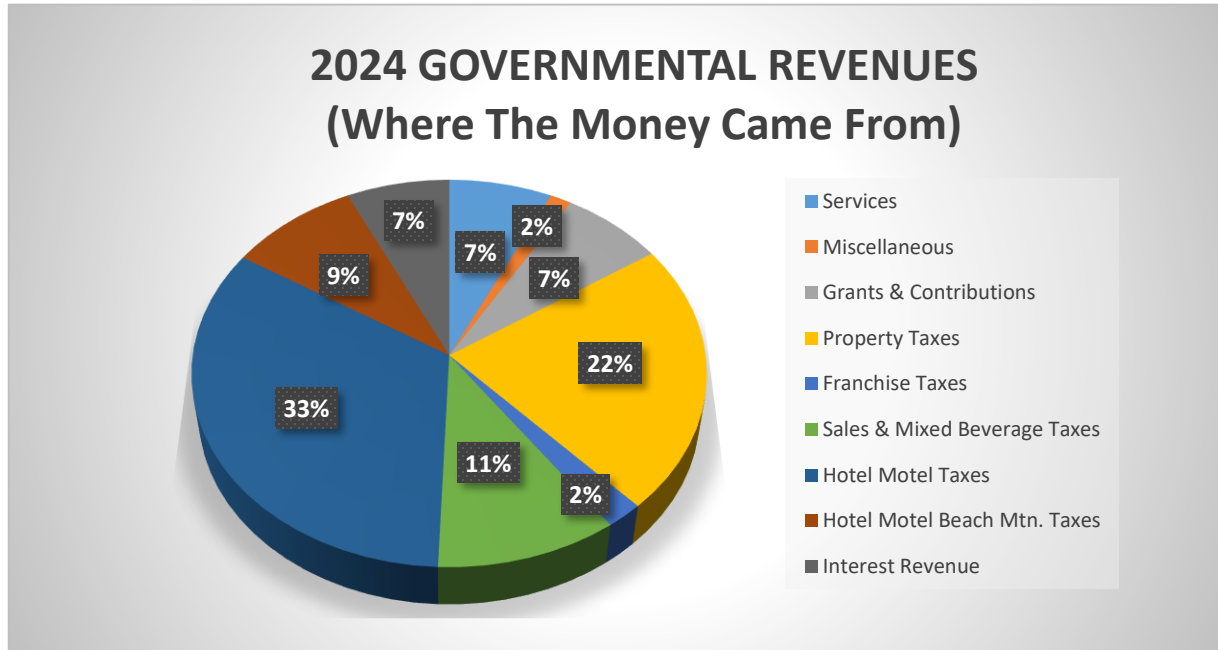
FULL TIME EMPLOYEES BY GOVERNMENTAL ACTIVITIES



GOVERNMENTAL REVENUES

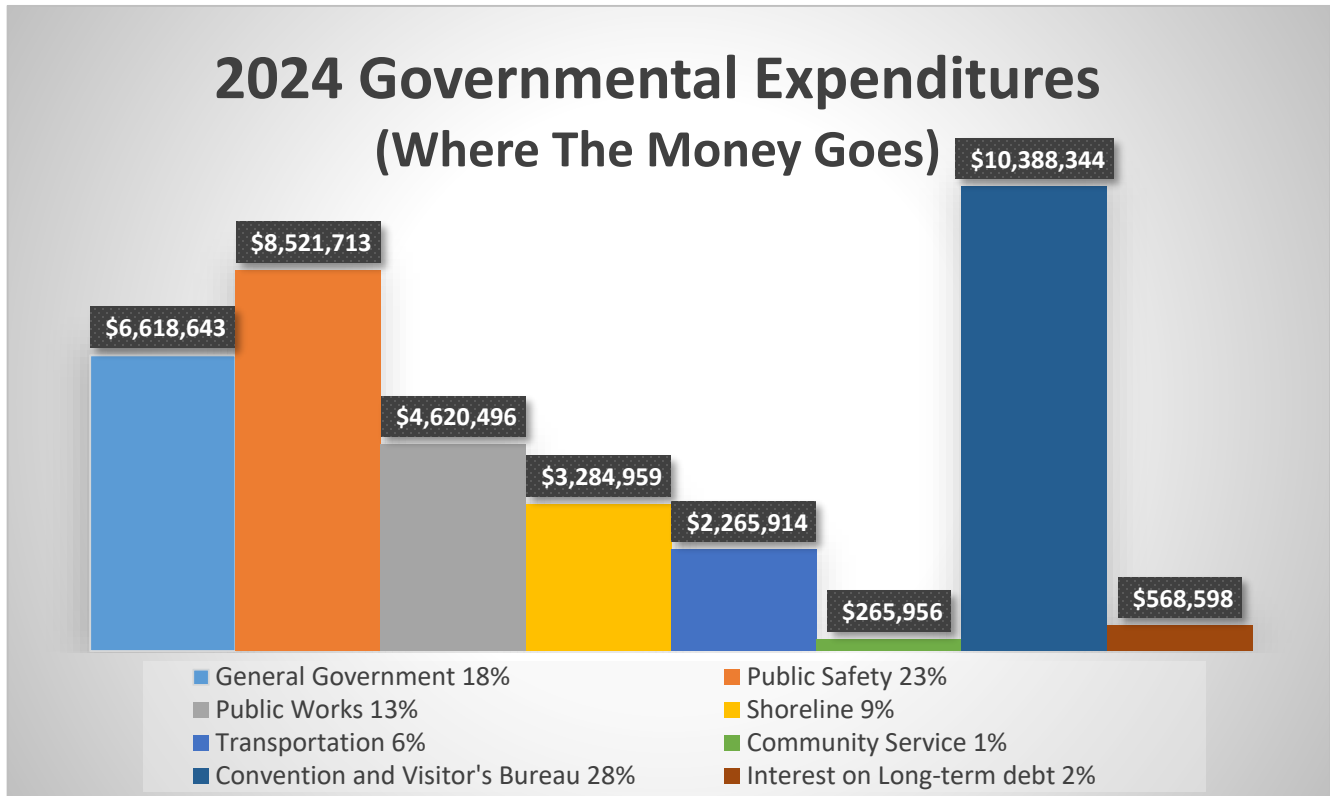
The City's main source of revenue is from Local and State Hotel Motel Tax and Property Tax collections with each bringing in approximately \$18.2 and \$9.6 million, respectively. The highly seasonal nature of tourist activity means that almost half of the lodging sales come in June, July and August.

The four-year trend chart for tax revenues shown below indicates increases in tax revenue continues to normalize with a slight decrease in Hotel Motel tax collections. The exception here is property tax revenue which increased by roughly \$562 thousand. The City recognized a 6% increase in property tax due to higher property appraised values.



GOVERNMENTAL EXPENDITURES

Convention Center marketing activities are the City's greatest expenditure—currently representing approximately 29% of governmental activity expenses. This is due to the fact that all business and economic activity on the Island centers on tourism. As the Island—located in deep south Texas—gains more recognition as a year-round vacation retreat, there will be a growing need to preserve, improve, and add to the amenities and attractions sought by the rising tide of tourists. Thus, marketing for new attractions is of great importance.



VISITORS MAP



BY THE NUMBERS

SOUTH PADRE ISLAND

❖ INCORPORATED as "TOWN OF.."	1973
❖ Became "CITY OF.."	2009
❖ Bond Rating	AA+
❖ Size in square miles	2.5
❖ Visitor's last year in millions	9.3
❖ Population- full-time residents	2,852
❖ Per Capita Personal Income	\$67,367
❖ Median Age	59
❖ School Enrollment	1,772
❖ Unemployment Rate	5.2%

CITY TAX RATES

- Property Tax Rate per \$100 evaluation (ACFR pg. 32):
0.232159
- Hotel Occupancy Tax Rate:

State	6%
CVB	8%
Beach Nourishment	0.5%
City Venue Tax	2%
Cameron County	0.5%
- Sales Tax Rate:

State	6.25%
EDC	0.5%
City	1.5%

FUN FACTS

- Avg. Low Temp: 68° F
- Avg. High Temp: 80° F
- Parks & Playgrounds: 8
- Beach Accesses: 28 (5 mi.)
- Public Transport: 7 days/wk
- Police Officers: 29
- Arrests/Violations: 3,565
- Firefighters: 28
- Fire/EMS calls: 4,417
- Full Time Employees: 184
- Council Terms: 3yrs staggered

TOP TAXPAYERS

1. Hosp Soutx Marg LLC
2. Modern Resort Lodging LLC
3. Affiliated Hospitality LLC
4. SPI Management Co.
5. Innjoy Hospitality LLC
6. SPI Oleander Ltd.
7. SPI La Copa Ltd.
8. Peninsula Island Resort & Spa LLC
9. ICS Management Company
10. AGORA USA LP

Utilities

American Electric
Power (AEP)

1 (800) 423-7316

AEPTexas.com

Laguna Madre Water
District (LMWD)

(956) 943-2626

LMWD.org

Spectrum Cable &
Internet Provider

(833) 267-6094

Spectrum.com

Republic Services
Recycling & Disposal

1 (866) 223-8508

RepublicServices.com

Key Contacts

(956) 761-8104

Building Division

(956) 761-8101

City Hall Front Desk

(956) 761-8110

City Manager's Office

(956) 761-8168

Community Center

(956) 761-3000

Convention & Visitors Bureau

(956) 761-6805

Economic Development Corporation

(956) 761-8123

Environmental Health

(956) 761-8130

Finance

(956) 761-3830

Fire Department

(956) 761-8137

Municipal Court

(956) 761-8168

Parks & Recreation

(956) 761-8112

Planning

(956) 761-5454

Police Non-Emergency

(956) 761-8159

Public Works

(956) 761-8111

Shoreline

(956) 761-8178

Transit

(956) 761-6433

Visitors Center



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