



CITY OF SOUTH PADRE ISLAND

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

THE TROPICAL TIP OF TEXAS



*City of South Padre Island Popular Annual Financial Report
Year Beginning October 1, 2022 and Ending September 30, 2023*

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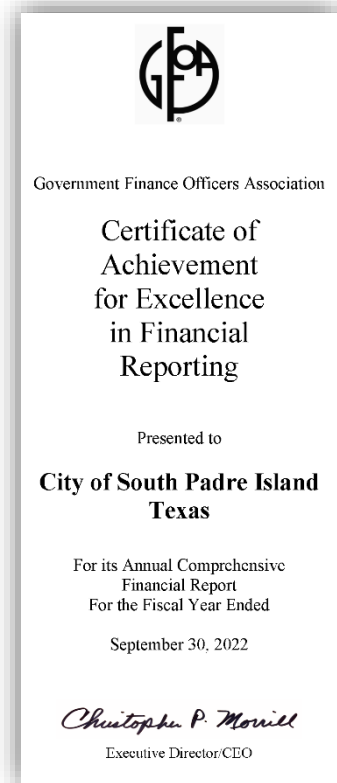
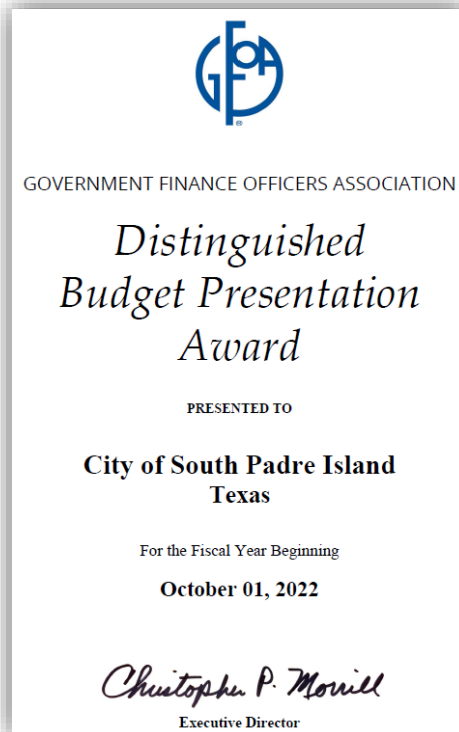
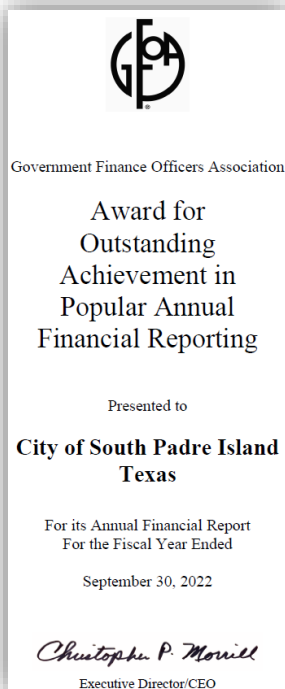
AWARDS

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, 2022. This is the 33rd 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, 2022. This was the 12th 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, City Finance staff plan to apply for the Public Pension transparency star.

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, 2022. This is the 4th 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

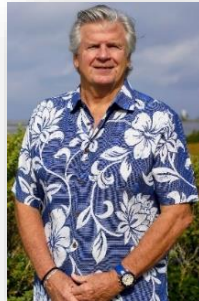
The Popular Annual Financial Report (PAFR) is a summary of the major financial activities of City Governmental funds as presented in the audited 2023 Annual Comprehensive Financial Report. Please note the PAFR **does not include any component unit and non-major fund data**, and should not be used as 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 2022-23 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 –
Mayor Pro-Tem Place 2



Rees Langston
Council Member Place 4



Ken Medders, Jr. –
Council Member Place 1



Joe Ricco –
Council Member Place 3



Eva-Jean Dalton –
Council Member Place 5

A MESSAGE FROM THE MAYOR

MAYOR'S MESSAGE



Welcome to South Padre Island,

From beautiful scenery to a sandtastic community, the Island is your one-stop shop for creating memories. Without the unity of our community and dedication from staff improvements to the City's ordinances, infrastructure such as the Parks, Side Streets, Laguna Boulevard, and more would not be possible.

In the future, we will have many more exciting projects like the Convention Center Expansion, funding for a second causeway, the SPI Historical Museum, the completion of the Laguna Boulevard project, and various others.

Some highlights of 2023 include favorable economic conditions reflected in tax revenue increases, as well as effective budgetary management practices, resulting in the replenishment of reserves including a \$3.1 million balance in General Fund excess reserves. We also have an 8-month operating reserve,

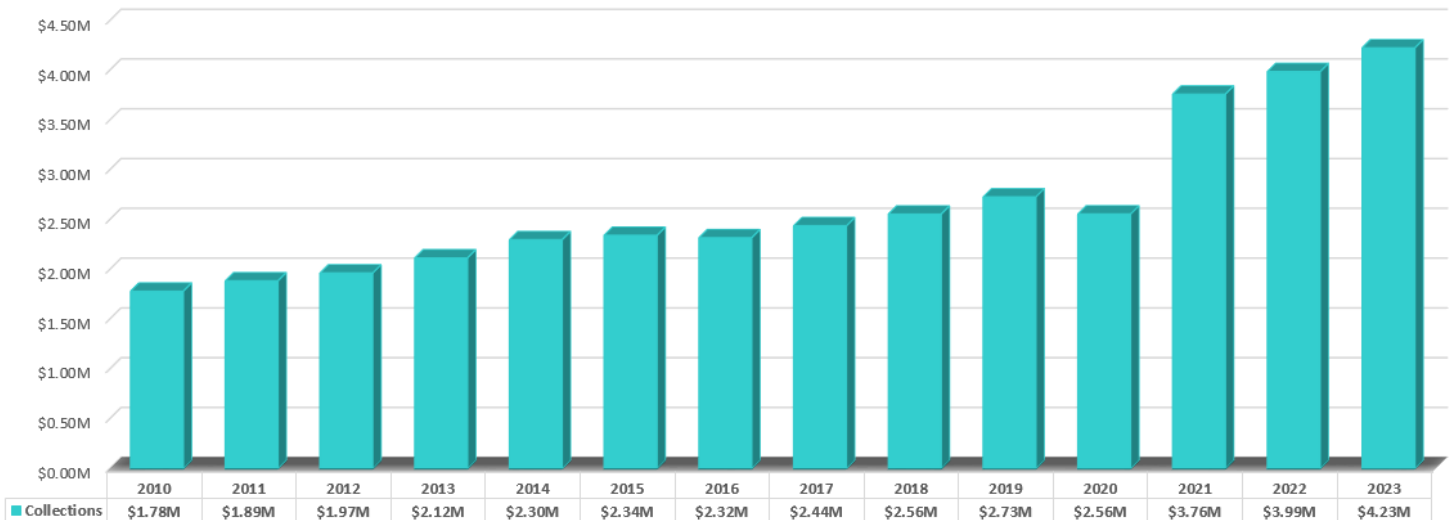
a \$5.1 million beach fund reserve, a \$21.3 million CVB reserve, and our 2022-2023 total budget was approximately \$32 million.

Additionally, the City maintained its annual expenditures within budget and increased excess reserves to fund critical projects. The City continues to be fiscally prudent and the 2022-2023 fiscal year reflects our strong financial position with an AA+ general obligation bond rating. Not only has the City had the lowest property taxes since 2014 we also have one of the lowest property taxes in the state of Texas.

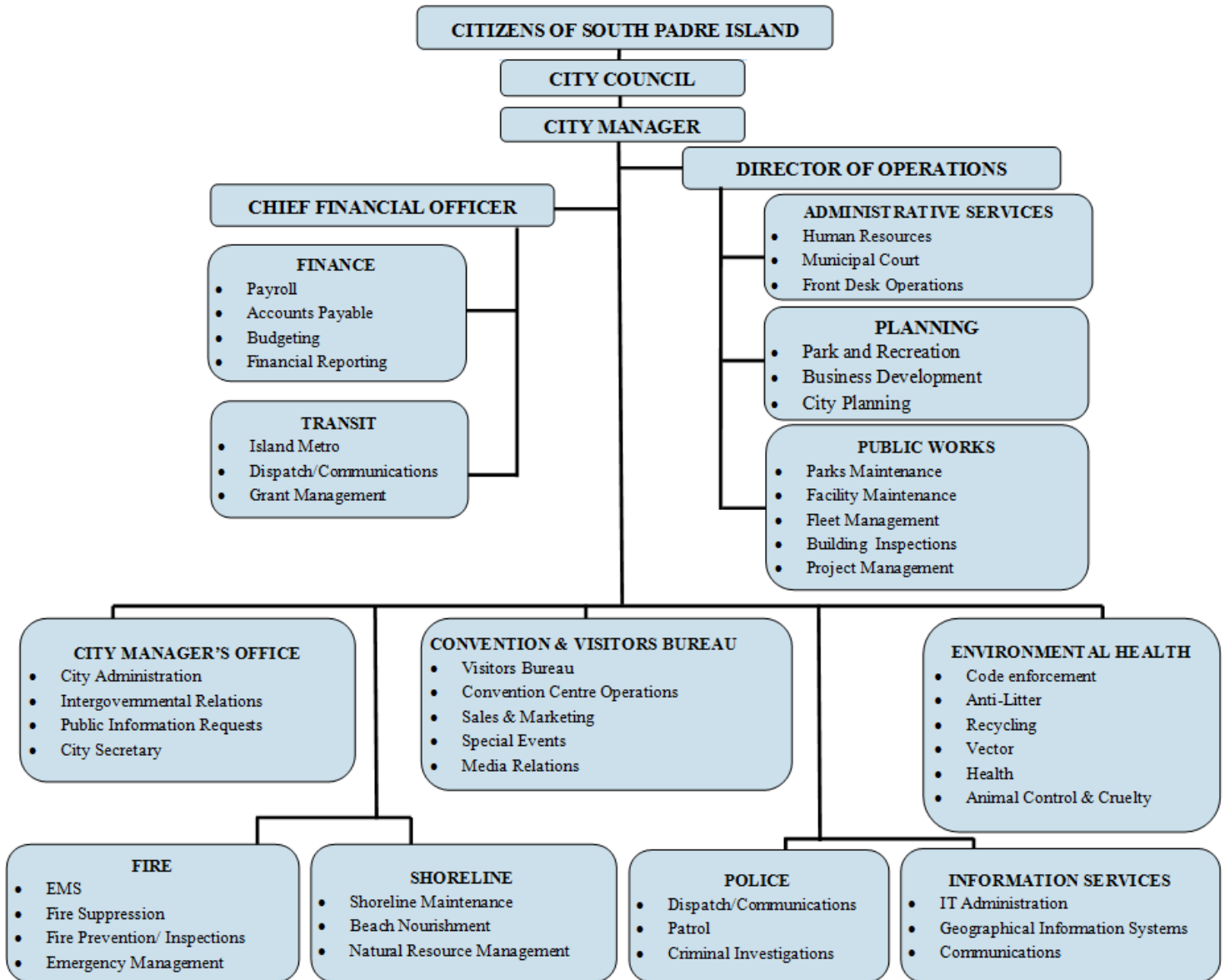
I know that City Council, City Manager, and staff will continue their dedication in serving our community. I look forward to seeing today's possibilities become tomorrow's certainty.

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 responsible for overseeing the Compensation Plan study for all City employees last year. It was approved and brought all employees to a new market benchmark. This year, the department successfully completed the new related policies and job descriptions for City staff. Furthermore, the department revised the employee handbook and expects to launch a new user friendly platform.

Shoreline

The Shoreline Department has been working with several different grants to maintain the beach and keep it beautiful. Most recently the City was awarded \$730,000 by the National Fish and Wildlife Foundation and Coastal Management Program—which is partially funded through the Texas General Land Office and the National Oceanic and Atmospheric Administration—across five funding cycle projects. Funds have been utilized for the following: Access improvements and added amenities at Neptune Circle, Whitecap Circle, Sea Island Circle and Fantasy Circle—to add ADA walkovers, parking, restrooms and rinse stations; Dune restoration—for placement of sand fencing to capture wind-driven sand and planting of dune vegetation.



A visual of Sand fencing and vegetation.

In June 2023, approximately 238,700 cubic yards of material were placed on City beaches a joint effort which is partially funded by General Land Office Coastal Erosion Planning and Response Act. The City is responsible for maintenance dredging of the Tompkins Channel along the bay. Construction procurement for maintenance dredging began at year-end and is expected to begin soon thereafter.

Engineering and permitting for the City’s future boat ramp have continued through Fiscal Year 2022-23. 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 waiting on 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.



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

Convention Center and Tourism

The City was given the 2023 Texas Destination of the Year award by Texas Travel Awards (TTA)! This is the second consecutive year being recognized by TTA. The Island hosted over 9.3 million people in 2023 and Visit South Padre Island (VSPI) booked over 33,000 room nights. Moreover, there were 25 sponsored special events that brought an estimated \$5.1 million in estimated

economic impact. This year's Hotel Occupancy Tax collections were comparable to last Fiscal Year's collections as shown in the year over year revenue comparison chart below.

Convention Center expansion is a transformative project for the future of South Padre Island. In 2024, architectural services were selected through a Request for Qualifications (RFQ) process and future updates are forthcoming.

Public Safety



The City spent \$185,000 for the Police Department to purchase new vehicles and motorcycles. This year, the department received approximately \$186,000 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. In addition, the department received reimbursement of \$83,755 from the Office of the Governor (OOG) to purchase 11 bullet resistant shields.



The City purchased one wave runner for Beach Patrol—a division of the Fire Department—for \$14,186. The City also purchased three trucks including equipment for a total cost of \$146,155. The department spent \$133,941 toward fire hydrant

repairs and SCBA gear with funds earned from the American Rescue Plan. Additional funds of approximately \$7,400 were awarded to the Fire Department from TIFMAS and 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 2024.

In 2023, the in-house design of three side streets was finalized saving approximately \$110,000. Total construction cost is anticipated to be approximately \$1.2 million. Construction on these side streets is expected to conclude by late April 2024.

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. This project is expected to support local tourism and attract new visitors.

During Fiscal Year 2022-23, the City allocated TIRZ funds for infrastructure expenses related to crosswalk engineering and light poles. 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.

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.

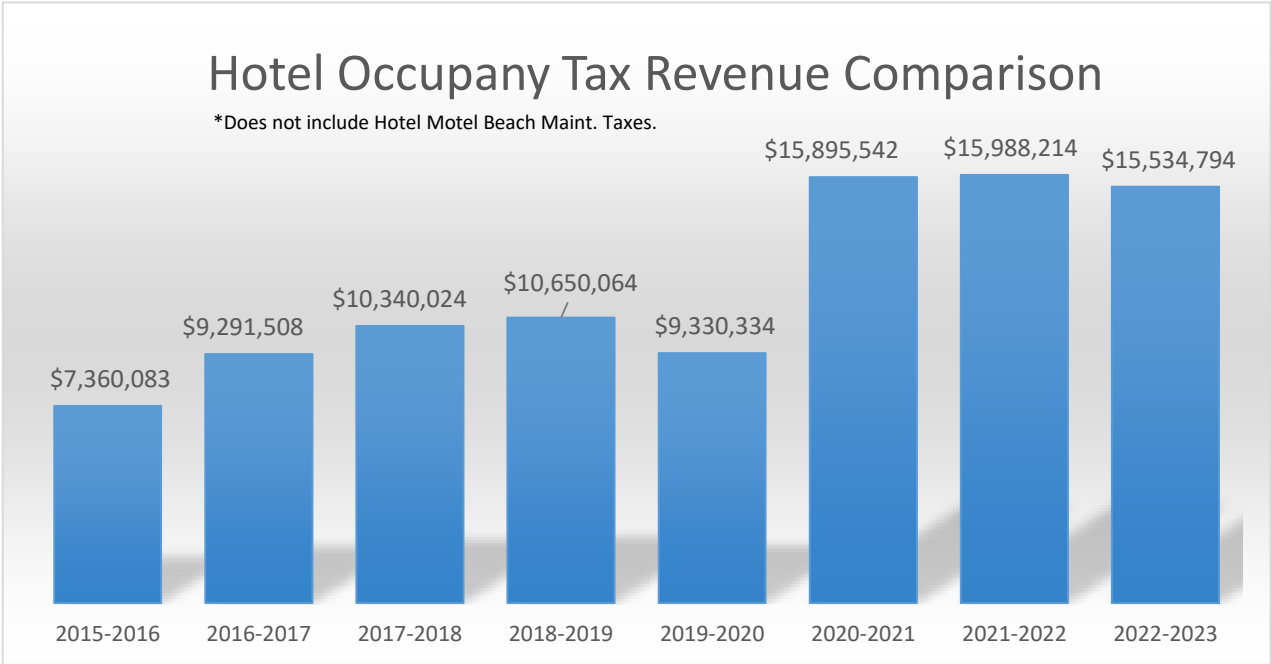
There are now 4 courts at Pickleball Park. Other park amenities include tables, shade structure, ADA ramp and sidewalk. Stop by the newly painted SPI Community Center throughout the year to participate in a variety of fun activities and events.

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 2022-23 the department received more than \$1.91 million in Federal and State funds.

Last Fiscal Year, a total of 19 bus shelters were purchased—to be added and/or replaced along the Island Metro route, and was concluded by January 2023 with a total cost of \$353,981.

Island Metro provided transit services to a total of 457,732 passengers.



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* 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 \$96,573,179 at the September 30, 2023 Fiscal Year end.

A large portion of the City's net position (31%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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 2023	Total Governmental Activities 2022
<i>September 30,</i>		
Assets		
Current and other assets	\$ 75,832,001	\$ 64,011,141
Capital and non-current assets	46,932,560	44,957,652
Total assets	122,764,561	108,968,793
Deferred Outflows of Resources		
Deferred outflows related to pension liabilities	4,836,571	1,625,597
Deferred outflows related to OPEB liabilities	124,042	148,476
Deferred amount on refunding	46,709	70,066
Total deferred outflows of resources	5,007,322	1,844,139
Liabilities		
Current liabilities	3,493,747	2,660,547
Non-current liabilities	27,184,351	19,669,946
Total liabilities	30,678,098	22,330,493
Deferred Inflows of Resources		
Deferred inflows related to pension liabilities	277,429	3,182,512
Deferred inflows related to OPEB liabilities	227,935	28,120
Deferred inflows on bond refunding	15,242	17,419
Total deferred inflows of resources	520,606	3,228,051
Net Position		
Net investment in capital assets	30,014,420	29,909,022
Restricted		
Debt service	1,058,877	1,029,326
Special revenue fund	52,929,374	43,596,736
Capital projects	-	662,729
Unrestricted	12,570,508	10,056,575
Total net position	\$ 96,573,179	\$ 85,254,388

STATEMENT OF ACTIVITIES

The Statement of Activities 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 \$11,318,791 from the beginning net position of \$85,254,388 as a result of current year activities. Total revenues increased approximately \$459 thousand. This is primarily the result of an increase in investment interest and property taxes of approximately \$1.5 million and \$772 thousand, respectively, coupled with a decrease in funding for operating and capital grants of \$2 million.

Expenses during the Fiscal Year increased by \$2.22 million or 7.8%. This is mostly due to an increase in Public Safety expenses related to increased events and activities.

	Total Governmental Activities	Total Governmental Activities
<i>For the year ended September 30,</i>	2023	2022
Revenues		
Program revenues		
Charges for Services	\$ 2,722,367	\$ 2,270,347
Operating Grants and Contributions	1,968,745	3,444,973
Capital Grants and Contributions	749,531	1,591,435
General revenues		
Property Tax	9,060,930	8,288,587
Sales Tax	4,226,070	3,988,332
Franchise Tax	958,246	922,027
Hotel Motel Tax	15,534,794	15,988,214
Hotel Motel Beach Maintenance Tax	4,168,093	4,333,632
Mixed Beverage Tax	543,783	532,823
Interest	1,680,748	184,970
Miscellaneous	646,025	254,727
Total revenues	42,259,332	41,800,067
Expenses		
Program expenses		
General Government	4,969,391	4,433,409
Public Safety	8,262,976	6,867,398
Public Works/Shoreline	5,789,297	5,890,215
Transportation	2,306,392	2,153,857
Community Service	257,219	198,737
SPI Museum	-	32,066
Convention and Visitors Bureau	8,896,692	8,708,194
Bond Issuance Costs	-	-
Interest on Long-Term Debt	458,574	430,555
Total expenses	30,940,541	28,714,431
Increase in Net Position	11,318,791	13,085,636
Beginning Net Position	85,254,388	72,168,752
Ending Net Position	\$ 96,573,179	\$ 85,254,388

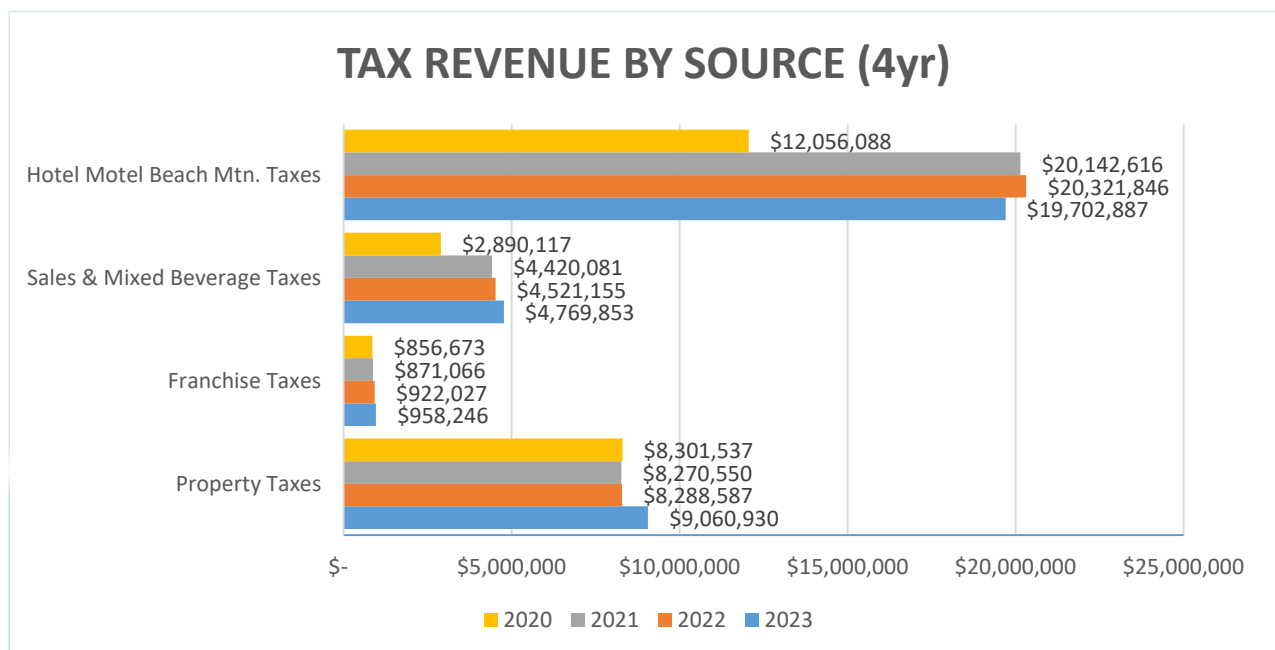
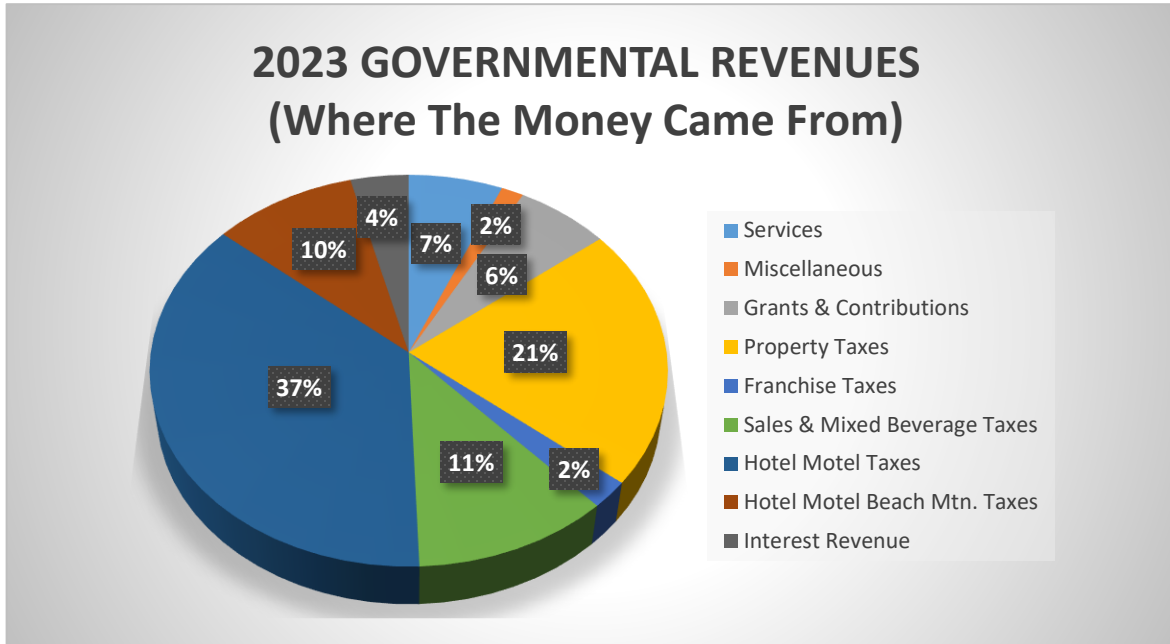
FULL TIME EMPLOYEES BY GOVERNMENTAL ACTIVITIES



GOVERNMENTAL REVENUES

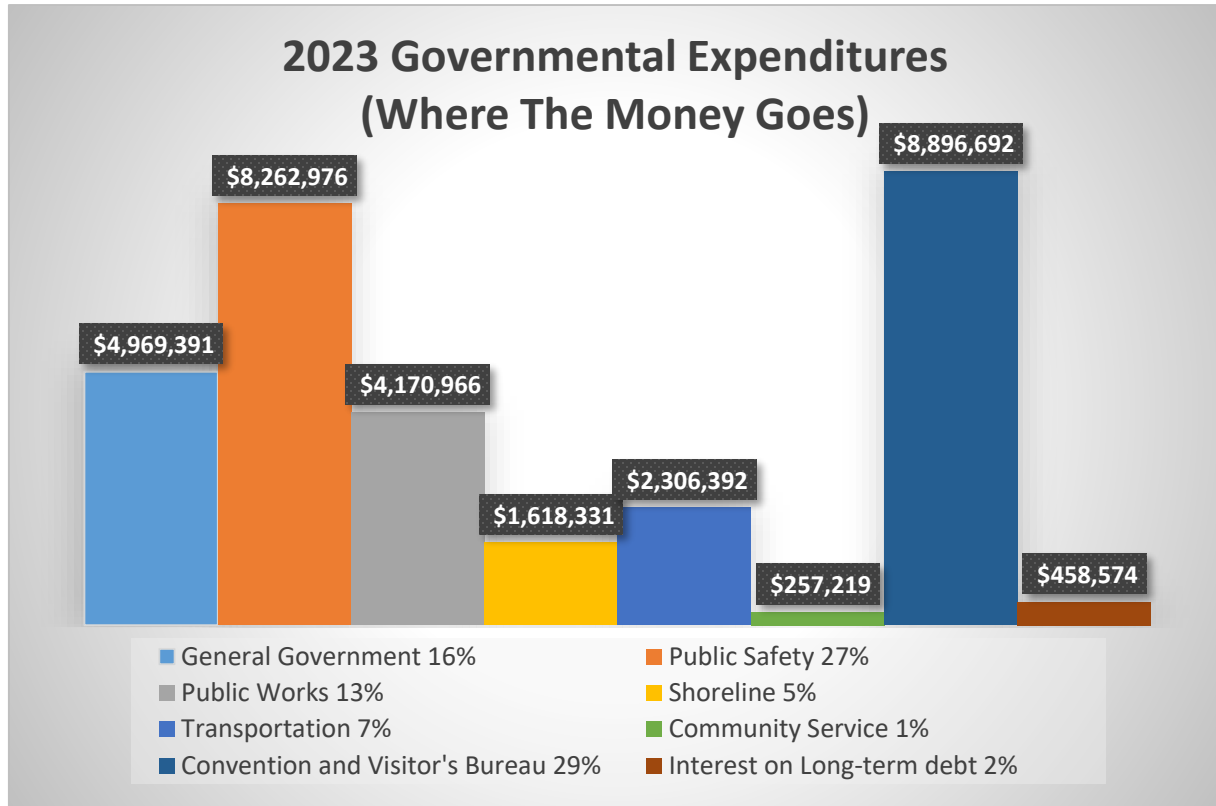
The City's main source of revenue is from Local and State Hotel Motel Tax and Property Tax collections with each bringing in approximately \$19.7 and \$9.06 million, respectively. The highly seasonal nature of tourist activity means that almost half of the lodging sales come in June, July and August.

The six-year trend chart for tax revenues shown below indicates increases in tax revenue is slowing in a post-pandemic, post-stimulus economy. The exception here is property tax revenue which increased by roughly \$770 thousand. The City recognized a 9% 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.



*Excludes Other Financing Uses



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	2,386
❖ Per Capita Personal Income	\$52,745
❖ Median Age	58.5
❖ School Enrollment	1,857
❖ Unemployment Rate	5.1%

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: 33
- Arrests/Violations: 3,368
- Firefighters: 28
- Fire/EMS calls: 4,702
- Full Time Employees: 180
- Council Terms: 3yrs staggered

TOP TAXPAYERS

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

Key Contacts

(956) 761-8104	Building Division
(956) 761-8101	City Hall
(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

Stay Informed

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Sign up to receive updates delivered to your inbox.

<https://lp.constantcontactpages.com/su/f4MLswz/islandvibes>

Social Media

The City of South Padre Island's social media pages have more than 26,500 followers. Follow us today to stay up to date. <https://www.facebook.com/CityofSPI>

<https://twitter.com/CityofSPI>

For tourism and event information follow us at:

<https://www.facebook.com/sopadre/>

Meetings

View upcoming meeting agendas, live stream meetings in session or watch archived meetings.

<http://www.myspi.org/egov/apps/services/index.egov?view=detail;id=20>