



POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



THE TROPICAL TIP OF TEXAS





*City of South Padre Island Popular Annual Financial Report
Year Beginning October 1, 2020 and Ending September 30, 2021*

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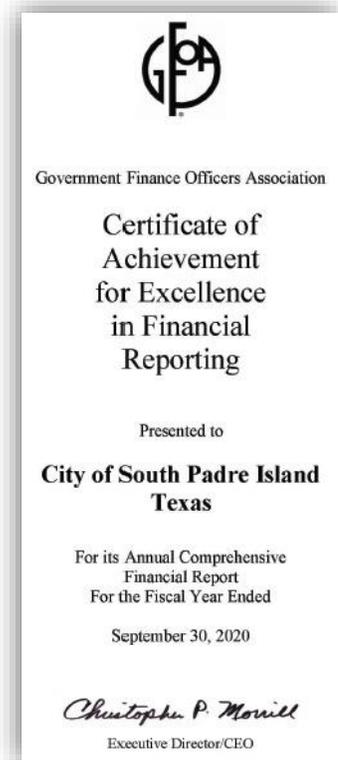
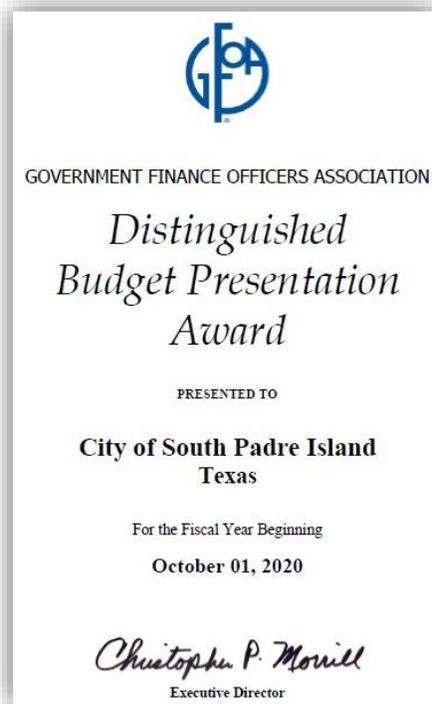
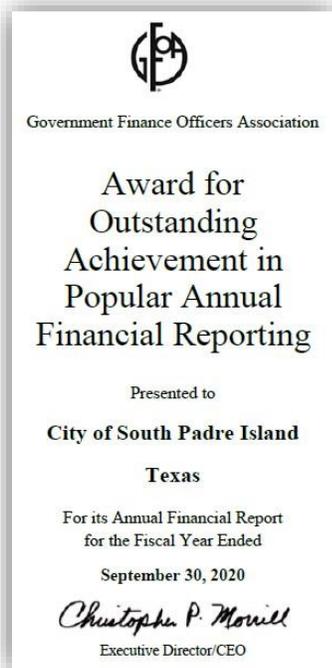
AWARDS

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, 2021. This is the 31st 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, 2020. This was the 10th 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. The City looks forward to attain more transparency stars offered by the program very soon.

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, 2020. This is the 2nd 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.



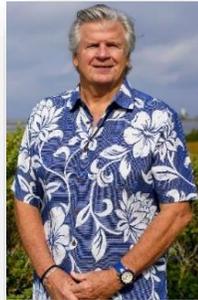
ABOUT THIS REPORT

The Popular Annual Financial Report (PAFR) is a summary of the major financial activities of City Governmental funds as presented in the audited 2021 Annual Comprehensive Financial Report. Please note the PAFR **does not include any component unit non-major fund data**, and should not be used as a substitute for the City's Annual Comprehensive Financial Report 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>.

ELECTED OFFICIALS



Patrick McNulty –
Mayor



Kerry Schwartz –
Council Member Place 2



Lydia Caballero –
Council Member Place 4



Ken Medders, Jr. –
Council Member Place 1



Joe Ricco –
Mayor Pro-Tem Place 3



Eva-Jean Dalton –
Council Member Place 5

MAYOR'S MESSAGE



Welcome to South Padre Island,

A year ago, I shared with you the many challenges our community faced. This year I'm proud to say we have made great strides towards an even brighter future for South Padre Island.

With Texas opening up fully in March of 2021, businesses were able to operate without restrictions to better serve the community and visitors. There's been a positive growth in tax revenues as the Island became an idyllic retreat for many. 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 2020-2021 fiscal year reflects our strong financial position.

Although there has been great growth throughout the last year, our community continues to face the effects of COVID-19, including staffing shortages in local businesses, lack of necessary inventory and variants of the virus causing even further disruption to our daily lives.

Despite these latest challenges, the City Council, City Manager, and staff continue their dedication in serving our community. Construction for the PR100 Median, Sidewalk and Boardwalk project has been completed, as well as the Skate Park in John L Tompkins Park. I'm proud to announce that the Laguna Boulevard Reconstruction plans began February 25th, 2022.

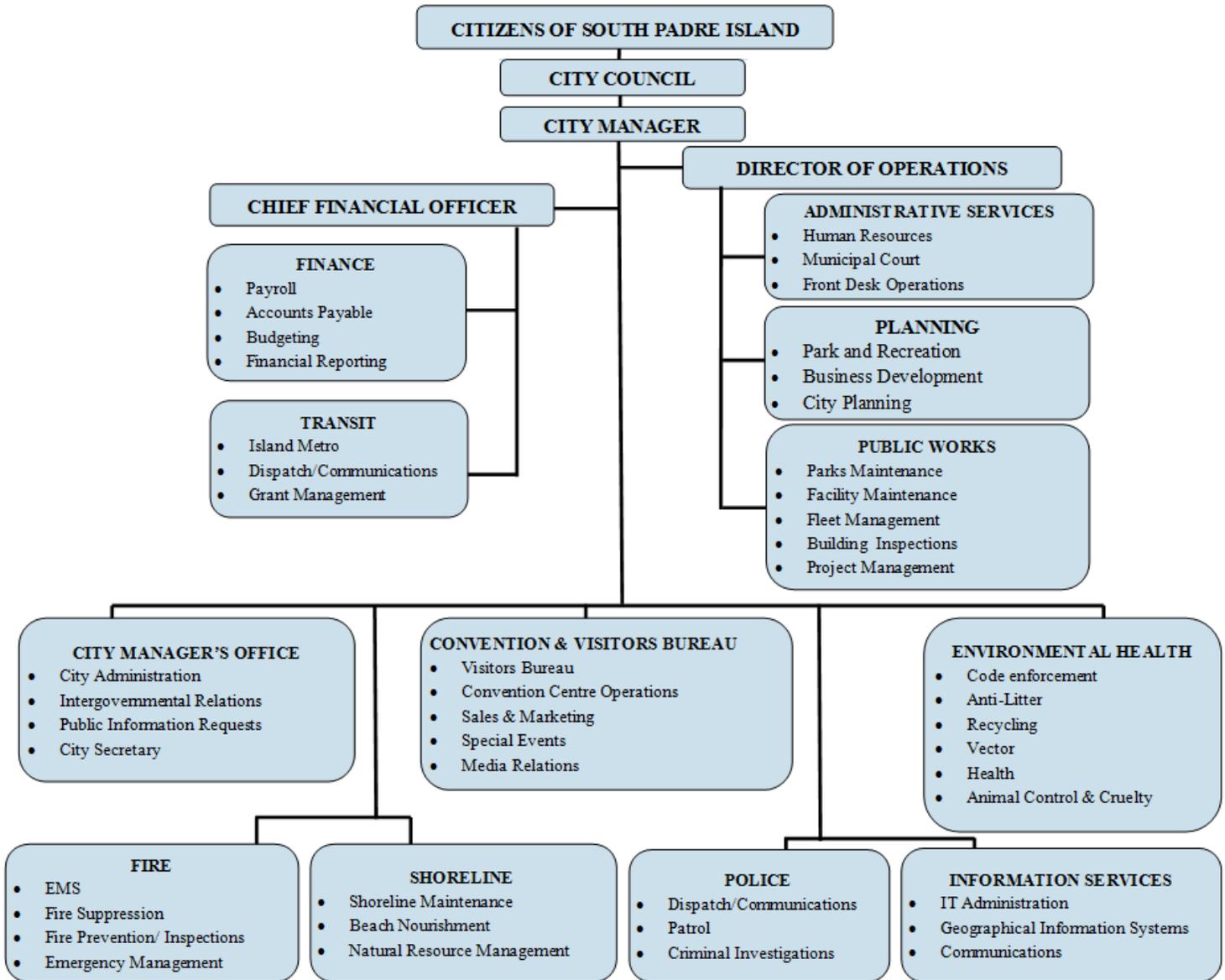
I look forward to the coming year and all the great things it will bring to South Padre Island!

Patrick McNulty
Mayor

Sales Tax 20 Year Comparison



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



Infrastructure

The Public Works Department has undertaken and completed many projects to improve infrastructure and provide safer streets for pedestrians. Among these projects is the Park Road 100 or PR 100 Median, Sidewalk and Boardwalk project which kicked off in December of 2019. Since Padre Boulevard is the main street on the Island, this project was focused on pedestrian mobility to cut down the number of pedestrian related accidents. As a result, 3.7 miles of center medians were built and included installation of new 6-inch irrigation water meters. In addition, traffic signals were improved and three new intersections were added.

The project is now 100% complete and stayed within budget. The original construction cost was estimated at just below \$7.9 million with the final grand total being approximately \$7.53 million. The PR 100 project was funded with Venue Tax monies that required voter approval. The vote was passed in 2016.



Tompkins Park

The City of South Padre Island is partnered with the Texas Department of Parks and Wildlife to complete Phase II of John L. Tompkins Park. When complete, the park will include a walking trail, soccer field, exercise stations, bocce ball court, benches, and shade structures. This project was 90% complete at the end of the 2020-2021 fiscal year with skate park construction concluding in May.

The City is pleased to announce an additional grant for Phase III of Tompkins Park has been awarded by Texas Parks and Wildlife. This phase will include funding for solar lights and a shade pavilion over the basketball court.



Beach Maintenance

The Shoreline Department has been working with several different grants to maintain the beach and keep it beautiful. One grant was for \$150,000 to complete a feasibility study on the bayside using funds allocated by National Fish and Wildlife Foundation. Another grant was awarded to improve dunes and beach accesses, and to construct new lifeguard towers for approximately \$375,000 as part of the Coastal Management Program.

Further, bayside land was purchased in June 2021 using RESTORE Act funds that were allocated to the City during the 2019-2020 fiscal year. Upon completion, island visitors will have access to a new boat ramp and associated parking for larger sized vehicles. These funds were awarded to the City by the Texas Parks and Wildlife Department and approximately \$140,000 have been used for engineering and permitting of this project.

Lastly, in May 2021, a dredge of the Brazos Santiago Pass was successfully completed. This project was in partnership with US Army Corp of Engineers, Texas General Land Office, and Cameron County. This dredging is a beach re-nourishment project that placed more than 355,000 cubic yards of sediment back on the beach which is imperative to combat beach erosion.



Public Safety

The City spent approximately \$250,000 for the Police department to purchase audio recording software and hardware, new surveillance equipment for the jail, and four new Police vehicles. The department received approximately \$97,000 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.



The City purchased a new ambulance and related equipment for the Fire department for a total of \$129,392. The department received \$52,652 from U.S. Health and Human Services for Phase 3 of the COVID-19 Provider Relief Distribution. Additional funds of approximately \$19,000 were awarded to the Fire department from TIFMAS and TRAC-V programs for training expenses and medical supplies.



Transit

The Transit department, through Island Metro, provides bus services to citizens of South Padre Island and Port Isabel. The service is fully funded by Texas Department of Transportation (TxDOT). In fiscal year 2020-2021 the department received \$877,390 from the CARES ACT, funding a Project Grant Agreement to be spent on hazardous pay for drivers and maintenance staff as well as purchasing COVID-19 related personal protective equipment and sanitation services.

Additionally, five new buses were purchased this year for approximately \$836,000.

Convention Center and Tourism

The Convention and Visitors Bureau (CVB) booked over 17,000 group room nights and the Island hosted over 9 million people in 2021. The Special Events division of the CVB also brought year-round business with a total of 24 sponsored and guided events during the year. Despite worldwide uncertainty, Hotel Occupancy Tax collections increased by approximately 70% when compared to last fiscal year’s collections. A Hotel Occupancy Tax Revenue chart with year over year comparison can be seen below.

Additionally, in June 2021 the City entered into a contract to update the Convention Centre Expansion Feasibility Study and Business Plan. As

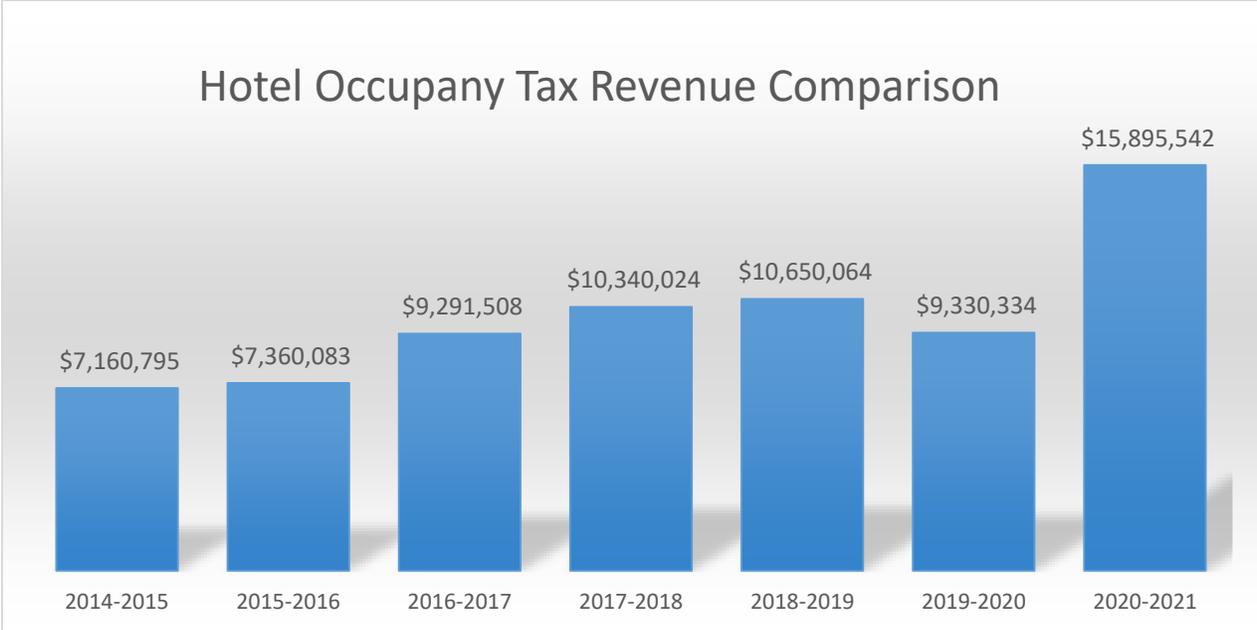
stated in the City of South Padre Island Annual Report for 2020-2021, expanding the Convention Centre would be a transformative project that embraces the future of the Island. An expansion of the Convention Centre could bring an 82% increase in direct and supporting revenues within five years and 107% increase within ten years.



Impact of the Coronavirus Pandemic

The City received an allocation of \$344,175 from the Coronavirus Local Fiscal Recovery Fund for eligible costs between March 3, 2021 and December 31, 2024. This program was established as part of the American Rescue Plan Act.

The community continues to remain resilient despite pandemic related challenges and new variants. We are proud to announce City expenses stayed within budget and tax revenues increased.



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 and 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 \$72,168,754 at the September 30, 2021 fiscal year end.

	Total Governmental Activities 2021	Total Governmental Activities 2020
ASSETS		
Current and other assets	\$ 53,322,286	\$ 39,818,332
Capital assets	42,634,579	38,887,886
Total assets	95,956,865	78,706,218
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	949,140	985,666
Deferred outflows related to OPEB liabilities	152,897	100,105
Deferred amount on refunding	93,423	116,780
Total deferred outflows of resources	1,195,460	1,202,551
LIABILITIES		
Current liabilities	1,629,636	1,995,256
Non-current liabilities	21,587,033	19,216,136
Total liabilities	23,216,669	21,211,392
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on bond refunding	19,596	-
Deferred inflows related to OPEB liabilities	36,092	43,884
Deferred inflows related to pension liabilities	1,711,214	1,368,075
Total deferred inflows of resources	1,766,902	1,411,959
NET POSITION		
Net investment in capital assets	29,334,469	27,214,217
Restricted	34,978,234	23,949,542
Unrestricted	7,856,051	6,121,659
Total net position	\$ 72,168,754	\$ 57,285,418

A large portion of the City's net position (40.65%) 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF ACTIVITIES

The City's net position increased by \$14,883,336 from the beginning net position of \$57,285,418, as a result of current year activities. Total revenues increased by approximately \$10.8 million, primarily the result of an increase in non-property taxes of approximately \$9.2 million and an increase in operating and capital grants of about \$1.3 million, both were caused by increased tourism and traffic during fiscal year 2021 as the Island remained open during this period of the pandemic.

Expenses during this time decreased by \$515,706 or 2% mostly due to a reduction in personnel costs.

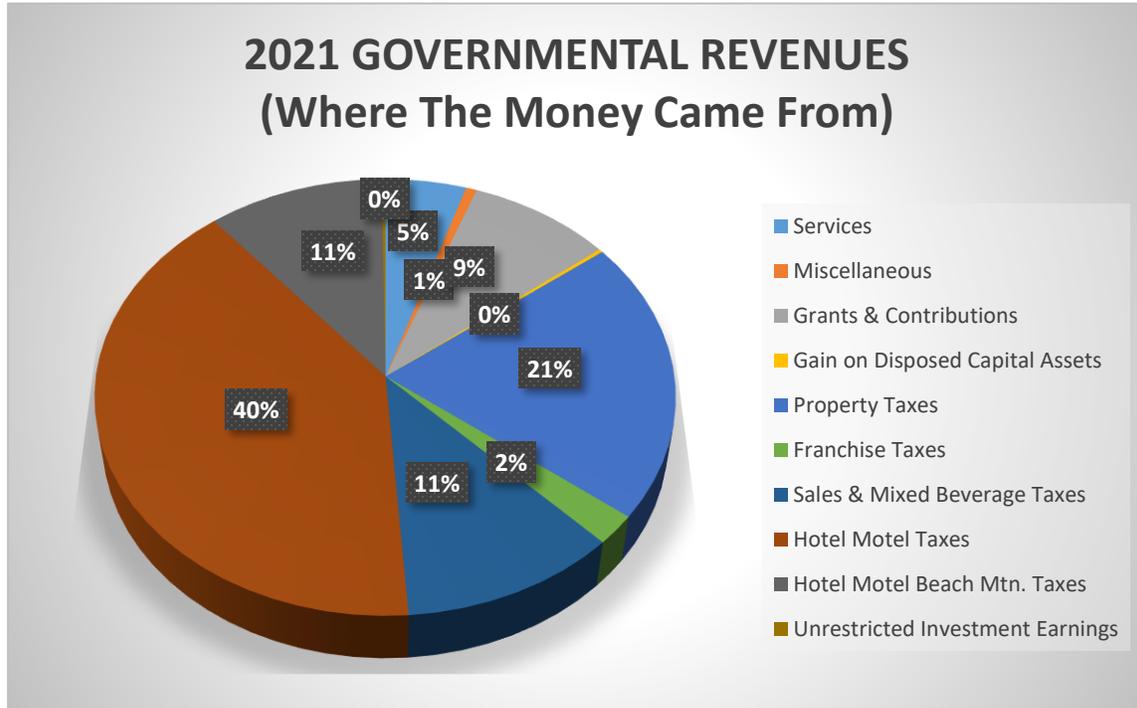
	Total Governmental Activities 2021	Total Governmental Activities 2020
Program Revenues:		
Charges for Services	\$ 1,946,925	\$ 1,905,711
Operating Grants and Contributions	1,937,021	1,868,133
Capital Grants and Contributions	1,530,421	271,409
General Revenues:		
Property Tax	8,270,550	8,301,537
Sales Tax	3,761,917	2,558,059
Franchise Tax	871,066	856,673
Hotel Motel Tax	15,895,542	9,330,334
Hotel Motel Beach Maintenance Tax	4,247,074	2,725,754
Mixed Beverage Tax	658,164	332,058
Gain/(Loss) on Sale of Capital Assets	97,517	5,690
Interest and Other	346,648	563,603
Total Revenues	39,562,845	28,718,961
Program Expenses:		
General Government	3,820,322	4,264,772
Public Safety	6,479,131	6,463,558
Public Works/Shoreline	4,961,458	4,432,491
Transportation	2,053,720	1,874,534
Community Service	227,264	232,617
SPI Museum	27,542	-
Convention and Visitors Bureau	6,486,339	7,355,929
Bond Issuance Costs	188,821	-
Interest on Long-Term Debt	434,912	571,314
Total Expenses	24,679,509	25,195,215
Increase in Net Position	14,883,336	3,523,746
Beginning Net Position	57,285,418	53,761,672
Ending Net Position	\$ 72,168,754	\$ 57,285,418

FULL TIME EMPLOYEES BY GOVERNMENTAL ACTIVITIES



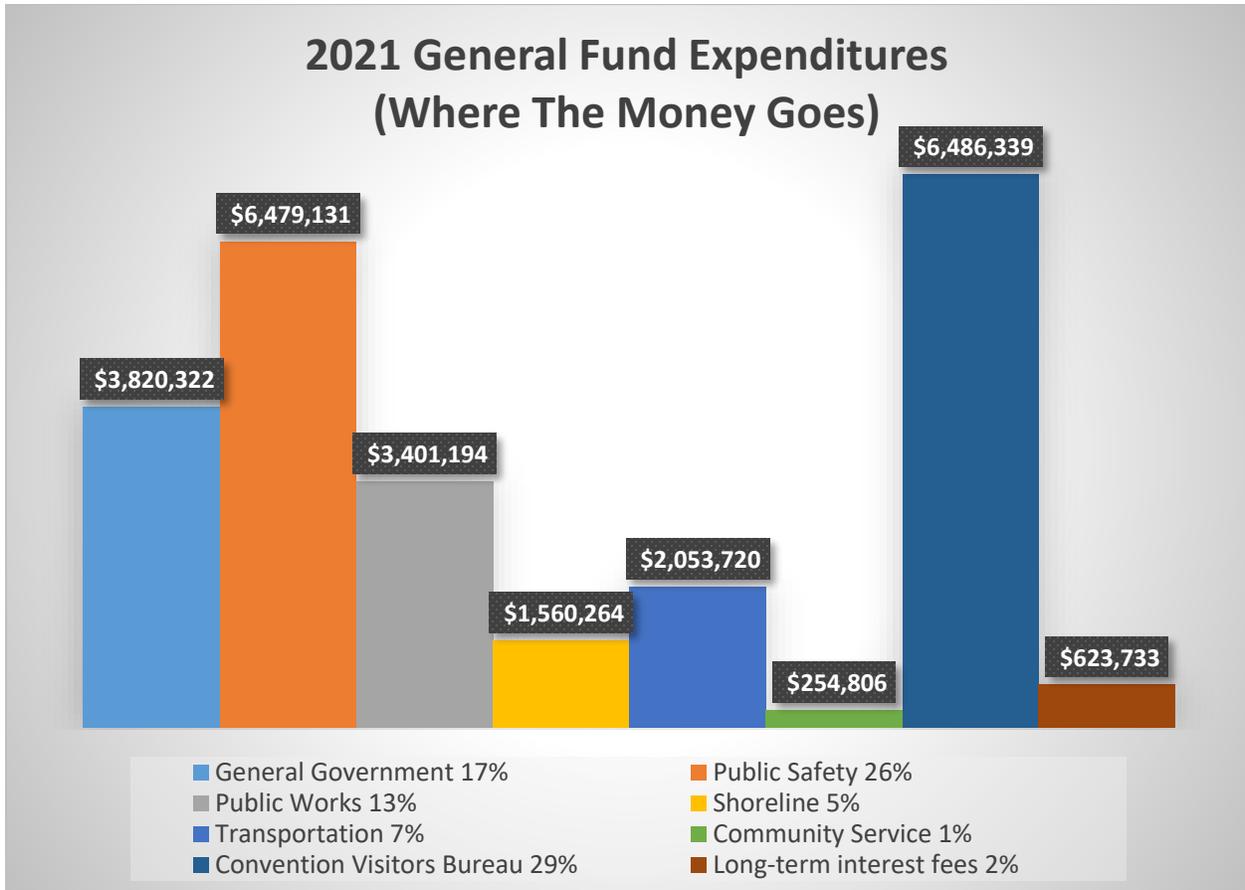
GOVERNMENTAL REVENUES

The City's main source of revenue is from Hotel Motel Tax and Property Tax collections with each bringing in approximately \$15.9 and \$8.27 million, respectively. A breakdown of additional revenue sources is shown below.



GOVERNMENTAL EXPENDITURES

Convention Centre marketing activities are the City's greatest expenditure; currently representing just over 26% of governmental activity expenses. This is due to the fact that all business and economic activity on the Island centers on tourism. As the area 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.



*Excludes Other Financing Uses

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 per year in millions	5.2
❖ Population- full-time residents	2,818
❖ Per Capita Personal Income	\$58,235

TOP EMPLOYERS

1. Dirty Al's Management Co.
2. City of South Padre Island
3. Perspective Hospitality
4. Beach Park (formerly Schlitterbahn)
5. Isla Grand Beach Resort
6. Cameron County Parks
7. Louie's Backyard
8. Sea Ranch Enterprises
9. The Pearl Beach Resort
10. Blackbeard's Restaurant

CITY TAX RATES

- Property Tax Rate per \$100 evaluation
0.313740
- 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%

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. AGORA USA LP
9. Peninsula Island Resort & Spa LLC
10. ICS Management Company

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) 761-3225	Municipal Court
(956) 761-8168	Parks & Recreation
(956) 761-8112	Planning
(956) 761-5454	Police Non-Emergency
(956) 761-8159	Public Works
(956) 761-8166	Shoreline
(956) 761-8178	Transit
(956) 761-6433	Visitors Center

Stay Informed

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<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>