



POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



THE TROPICAL TIP OF TEXAS

City of South Padre Island Popular Annual Financial Report
Year Beginning October 1, 2019 and Ending September 30, 2020

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AWARDS

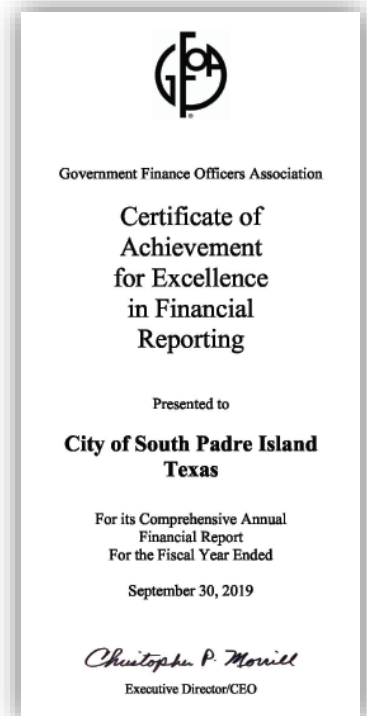
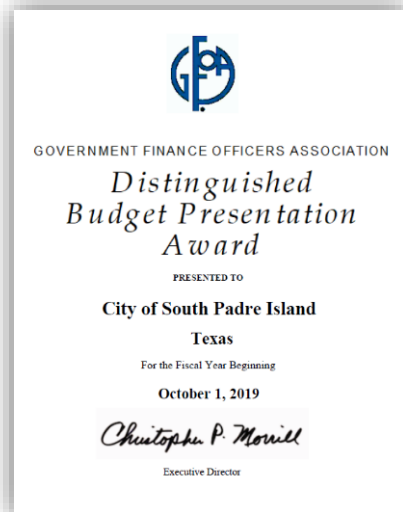
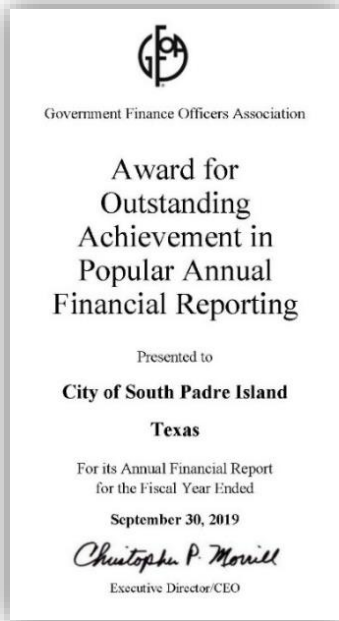
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its comprehensive annual financial report for the fiscal year that ended September 30, 2019. This was the 30th consecutive year the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 9th consecutive year the City has achieved this prestigious award. To receive the award, the Finance Department had to 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 entities for their outstanding efforts in making their spending and revenue information available. During fiscal year 2019-2020, the City received the Debt Obligations transparency star. The City looks forwards to attain more of the stars offered by the program.

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, 2019. The Award for

Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents 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.



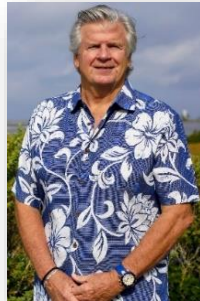
ABOUT THIS REPORT

The Popular Annual Financial Report (PAFR) is a summary of the major financial activities of City Governmental funds as presented in the audited 2020 Comprehensive Annual 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 Comprehensive Annual Financial Report which contains more detailed financial information. The City's Comprehensive Annual 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 Comprehensive Annual Financial Reports can be found on the City website at the following link; <https://www.myspi.org/CAFR>.

ELECTED OFFICIALS



Patrick McNulty –
Mayor



Kerry Schwartz –
Council Member Place 2



Alita Bagley –
Council Member Place 4



Ken Medders, Jr. –
Mayor Pro-Tem Place 1



Joe Ricco –
Council Member Place 3



Eva-Jean Dalton –
Council Member Place 5

A MESSAGE FROM THE MAYOR



Dear Islanders, Welcome!

As Mayor of the City of South Padre Island, and in collaboration with my colleagues on the City Council and all city staff, I am proud to present this year's City of South Padre Island Popular Annual Financial Report (PAFR) for the year ended September 30, 2020.

This report is a summary of the City's Comprehensive Annual Financial Report and includes information such as the City's revenues, spending, and financial condition. We provide this version for citizens to gain an understanding of where their tax dollars go and how they are spent, and to demonstrate that our leaders are responsible stewards of City funds with our ultimate goal being to remain transparent and accountable to the citizens of South Padre Island.

We faced many challenges this fiscal year and our Island was tasked with new obstacles that we have never faced before. As our City is a tourism-dependent community, COVID-19 placed us in an unforeseeable future. The travel bans, curfews, quarantine requirements, staff layoffs and furloughs brought difficulties to us all. Regardless of these hardships, the City persevered as a community and had many positive accomplishments through the combined efforts of the City Council, City Manager and staff.

The City continues to be fiscally prudent and the 2019-2020 fiscal year reflects our strong financial position with a AA+ general obligation bond rating. We are pleased to report that the total net position for the City of South Padre Island increased by \$3,523,746 during the fiscal year from the results of current year activities. Furthermore, we have completed construction on the Tompkins Skate Park, and look forward to completing the Padre Boulevard Medians, Sidewalks and Boardwalk Project. We are also finalizing a design concept for the reconstruction of Laguna Boulevard.

As a unique seaside community, our beaches and other amenities have been and remain particularly attractive to both pleasure seeking tourists and visitors, as well as permanent and seasonal residents. Our Island offers some of the cleanest, most scenic beaches in the Gulf and a variety of activities for everyone to enjoy.

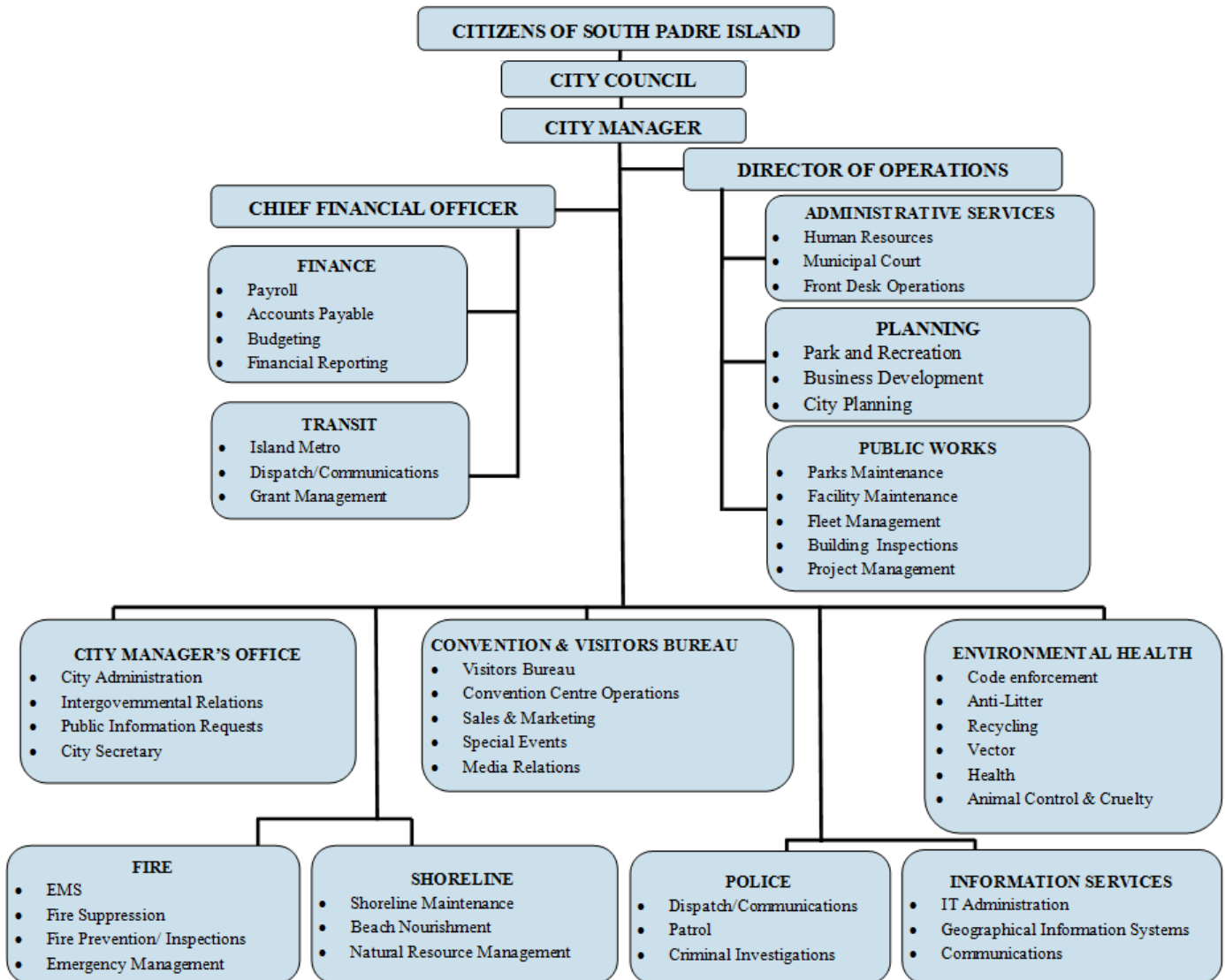
We appreciate your interest in the City of South Padre Island and together we welcome your feedback, suggestions and comments as they pertain to the information presented herein.

Sincerely,

Patrick McNulty- Mayor
City of South Padre Island, Texas

Email: pmcnulty@myspi.org

ORGANIZATION CHART



FISCAL YEAR IN REVIEW

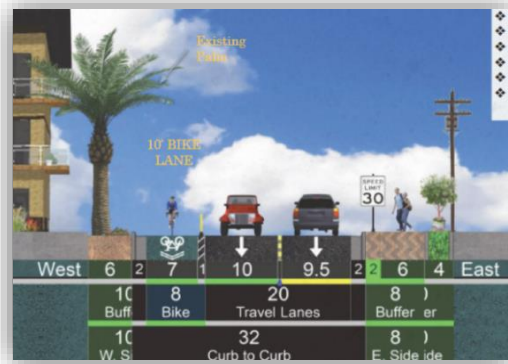
“On behalf of myself and staff, we are honored to serve the South Padre Island community! The following are a few of the departments’ highlights that help make the City great. This year brought a balance of new growth and development while preserving our Island’s culture and its amenities.”

-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 Median, Sidewalk and Boardwalk project which kicked off in December of 2019. The project was 60% complete by the fiscal year end with an original construction cost of just below \$7.9 million.



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 is expected to conclude in the 2020-2021 fiscal year. Reimbursement requests will be submitted in the coming fiscal year, and should cover the total cost of park upgrades.

well as purchasing COVID-19 related personal protective equipment and sanitation services.

Additionally, a separate allocation by TxDOT of \$278,000 was granted to the department for the purchase of twelve bus shelters and one facility generator. This project is ongoing.

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), and in 2019-2020 the department received approximately \$1 million from the CARES ACT, funding a Project Grant Agreement to be spent on hazardous pay for drivers and maintenance staff, as

Beach Maintenance

The Shoreline Department received approximately \$2.5 million in grants this year from the RESTORE Act to purchase bayside land and construct a new boat ramp. The department also received \$290,000 from the Coastal Management Program to analyze and improve the shoreline, and to update island facilities and amenities such as restrooms, rinse stations and walkovers.

Environmental Health

The Environmental Health and Services Department, and City Recycling and Education Outreach team are committed to protecting the

Island by providing friendly solutions to waste management. This year, Keep Texas Beautiful (KTB) named the City of South Padre Island a Gold Star affiliate which is the highest status any community affiliate can achieve.



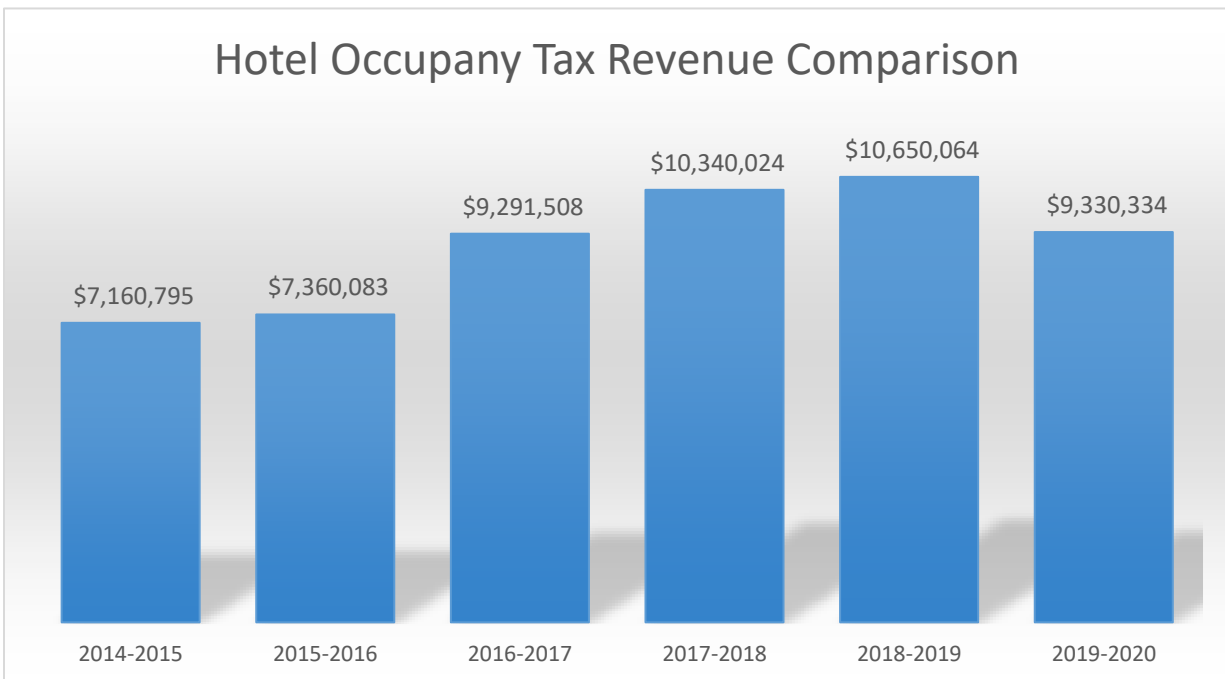
Convention Center and Tourism

The Convention and Visitors Bureau (CVB) fund balance increased by approximately \$1.4 million

due to significant budget reductions. Savings from budget reductions helped the City offset a 12% decline in hotel occupancy tax revenue as the Island had less visitors due to the uncertain economic situation. A Hotel Occupancy Tax Revenue chart with year over year comparison can be seen below.

Coronavirus 2019

The Pandemic also brought in some unexpected revenue through several COVID-19 related grants including the Coronavirus Relief Fund. This grant brought in \$155,815 and was used to cover COVID-19 related expenditures and labor for March and April 2020. The total amounts of pandemic related grant revenue collected during the fiscal year was \$165,815. There will also be additional funding requested through FEMA Public Assistance forthcoming.



FINANCIAL HIGHLIGHTS

The City of South Padre Island fiscal year begins on October 1st and ends on September 30 each year.

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 \$57,285,418 at the September 30, 2020 fiscal year end.

	Total Governmental Activities 2020	Total Governmental Activities 2019
ASSETS		
Current and other assets	\$ 39,818,332	\$ 38,996,592
Capital assets	38,887,886	37,051,501
Total assets	78,706,218	76,048,093
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liabilities	985,666	2,517,082
Deferred outflows related to OPEB liabilities	100,105	37,522
Deferred amount on refunding	116,780	140,137
Total deferred outflows of resources	1,202,551	2,694,741
LIABILITIES		
Current liabilities	1,995,256	1,212,479
Non-current liabilities	19,216,136	23,607,761
Total liabilities	21,211,392	24,820,240
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB liabilities	43,884	24,138
Deferred inflows related to pension liabilities	1,368,075	136,784
Total deferred inflows of resources	1,411,959	160,922
NET POSITION		
Net investment in capital assets	27,214,217	28,045,389
Restricted	23,949,542	19,918,111
Unrestricted	6,121,659	5,798,172
Total net position	\$ 57,285,418	\$ 53,761,672

A large portion of the City's net position (47.5%) 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

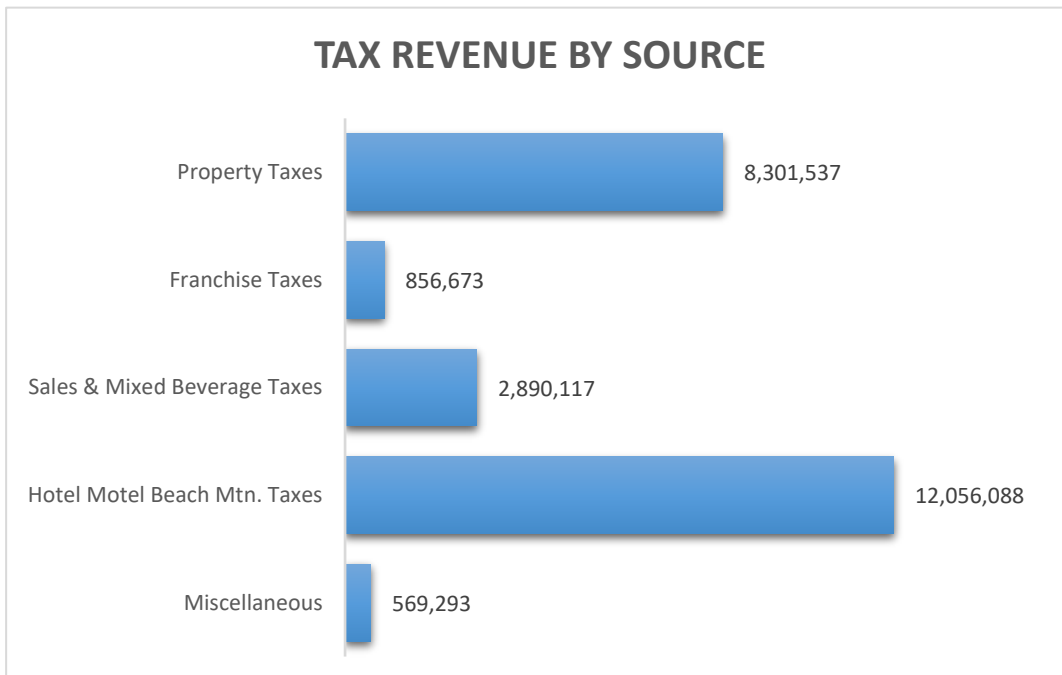
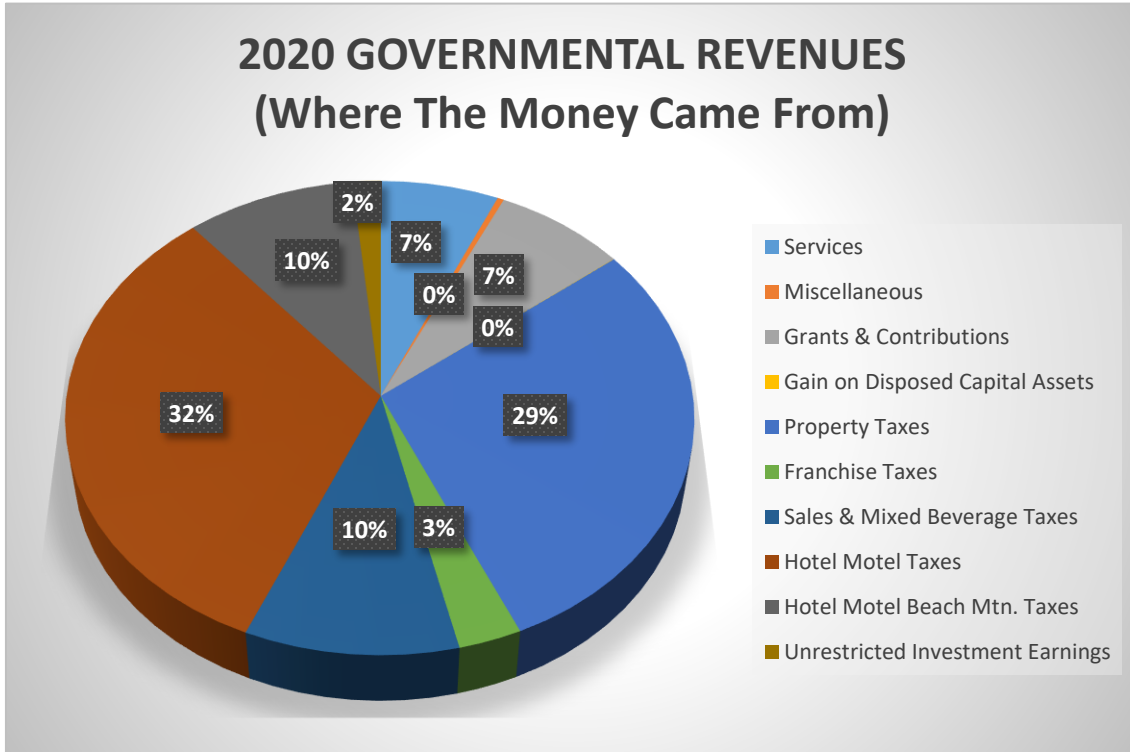
The City's net position increased by \$3,523,746 from the beginning net position of \$53,761,672, as a result of current year activities. Total revenues decreased by approximately \$5.1 million, primarily the result of a decrease in non-property taxes of approximately \$1.6 million and a decrease in charges for services of roughly \$545,000, both were caused by decreased tourism and traffic due to the pandemic. Capital grants also decreased by approximately \$3.2 million, primarily due to the completion of the federally funded Transit Multi Modal Facility.

	Total Governmental Activities 2020	Total Governmental Activities 2019
Program Revenues:		
Charges for Services	\$ 1,905,711	\$ 2,450,755
Operating Grants and Contributions	1,868,133	1,589,941
Capital Grants and Contributions	271,409	3,519,537
General Revenues:		
Property Tax	8,301,537	8,040,930
Sales Tax	2,558,059	2,729,632
Franchise Tax	856,673	886,318
Hotel Motel Tax	9,330,334	10,650,064
Hotel Motel Beach Maintenance Tax	2,725,754	2,741,917
Mixed Beverage Tax	332,058	361,391
Gain/(Loss) on Sale of Capital Assets	5,690	(9,839)
Interest and Other	563,603	901,409
Total Revenues	28,718,961	33,862,055
Program Expenses:		
General Government	4,264,772	4,034,629
Public Safety	6,463,558	6,965,278
Public Works/Shoreline	4,432,491	4,405,207
Transportation	1,874,534	1,866,276
Community Service	232,617	183,225
Convention and Visitors Bureau	7,355,929	10,041,264
Interest on Long-Term Debt	571,314	566,295
Total Expenses	25,195,215	28,062,174
Increase in Net Position	3,523,746	5,799,881
Beginning Net Position	53,761,672	47,961,791
Ending Net Position	\$ 57,285,418	\$ 53,761,672

Expenses during this time also decreased by \$2.9 million or 10% mostly due to a reduction in personnel costs.

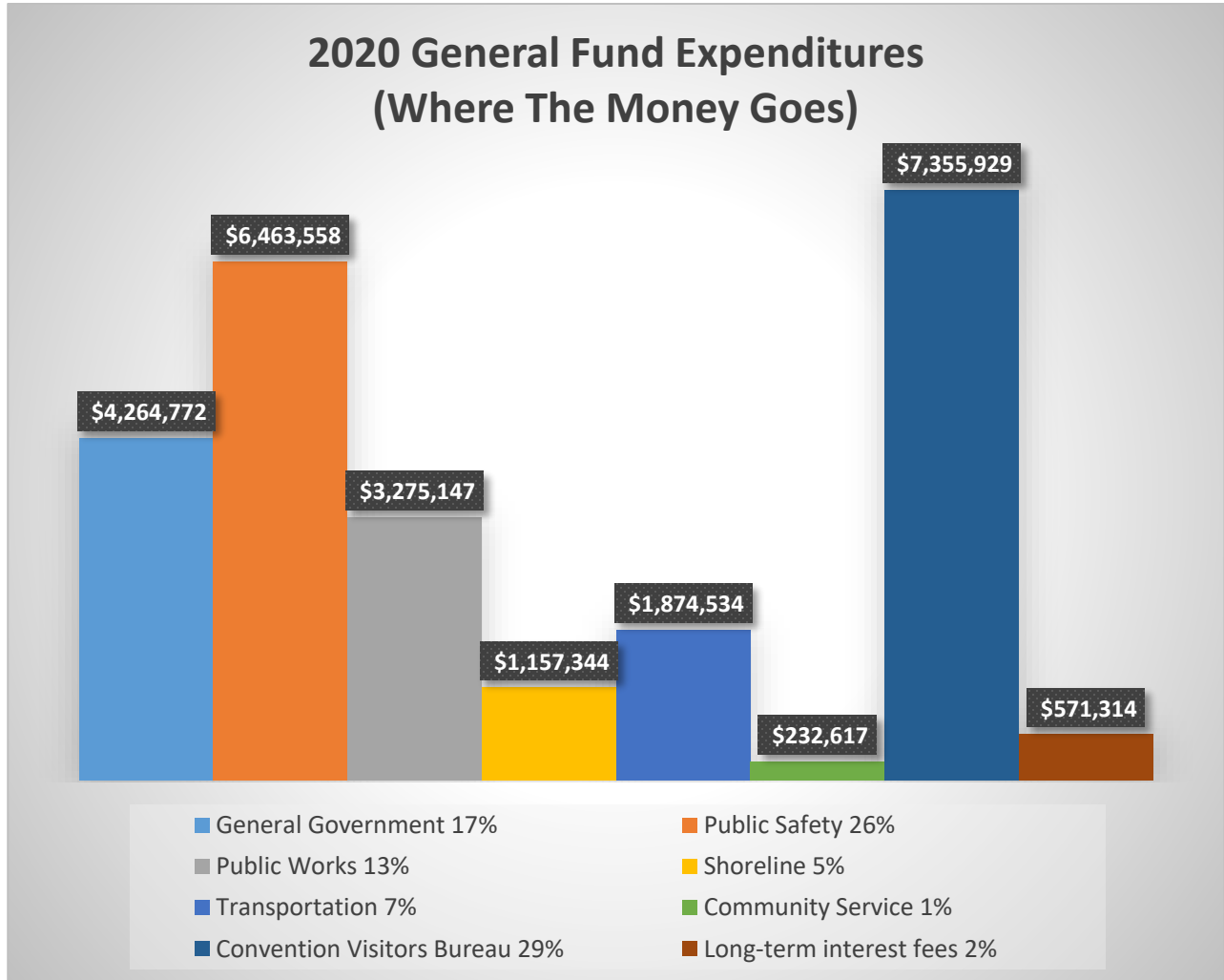
GOVERNMENTAL REVENUES

The City's main source of revenue is from Hotel Motel Tax and Property Tax collections with each bringing in approximately \$12.05 and \$8.30 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 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 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

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❖ Population- full-time residents	2,818

CITY TAX RATES

- Property Tax Rate per \$100 evaluation
0.31564

- 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%

City	1.5%
EDC	0.5%
State	6.25%

- Sales Tax Rate:

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

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TOP TAXPAYERS

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

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



Key Contacts

Building Division (956) 761-8104

City Hall (956) 761-6456

City Manager's Office (956) 761-8110

Community Center (956) 761-8168

Convention & Visitors Bureau (956) 761-3000

Economic Development Corporation (956) 761-6805

Environmental Health (956) 761-8123

Finance (956) 761-8130

Fire Department (956) 761-3830

Municipal Court (956) 761-3225

Parks (956) 761-8168

Planning (956) 761-8112

Police Non-Emergency (956) 761-5454

Public Works (956) 761-8159

Shoreline (956) 761-8166

Transit (956) 761-8178

Visitors Center (956) 761-6433

Stay informed

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<http://myspi.org/category/subcategory.php?categoryid=71>

Facebook

The City of South Padre Island's Facebook Page has more than 7,300 followers. Follow us today to stay up to date. <https://www.facebook.com/SouthPadreTexas/>

For tourism and event information follow us at:
<https://www.facebook.com/sopadre/>

Website

The City's website has the most information about your Island!
www.myspi.org

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>