



# CITY OF SOUTH PADRE ISLAND

## POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2022



## *THE TROPICAL TIP OF TEXAS*







*City of South Padre Island Popular Annual Financial Report  
Year Beginning October 1, 2021 and Ending September 30, 2022*

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**AWARDS**

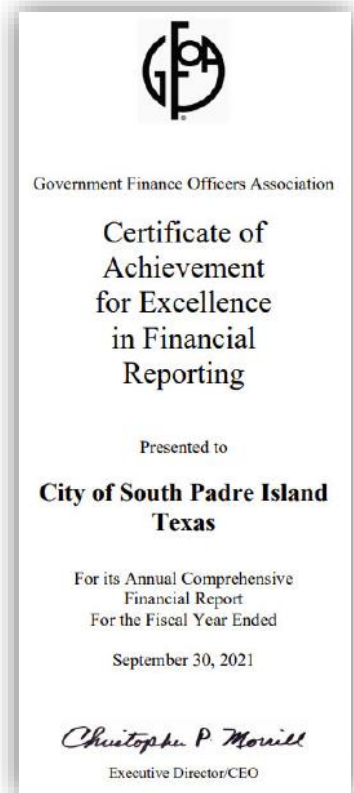
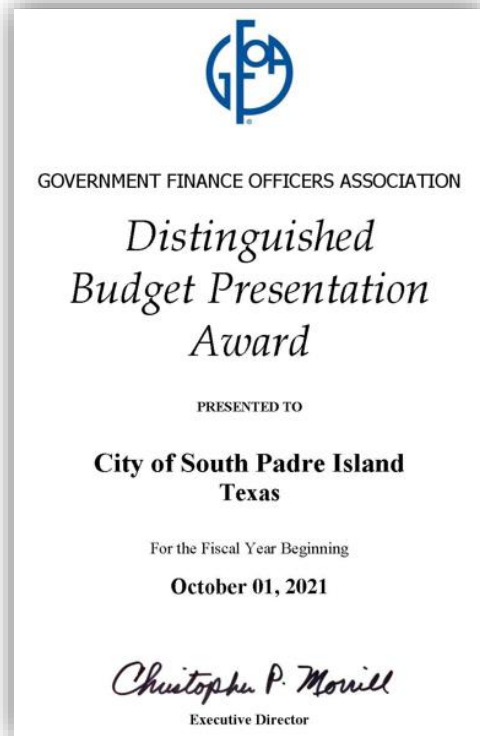
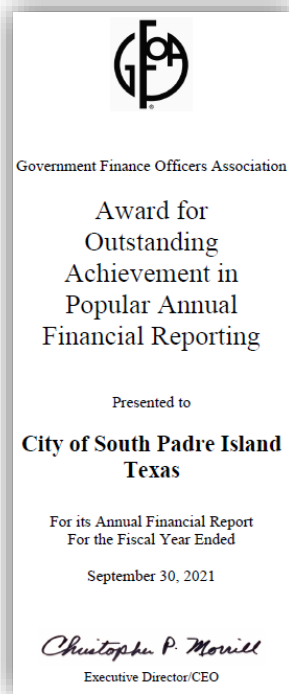
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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Padre Island for its annual comprehensive financial report for the fiscal year ended September 30, 2021. This is the 32nd 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, 2021. This was the 11th 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 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, 2021. This is the 3rd 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

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The Popular Annual Financial Report (PAFR) is a summary of the major financial activities of City Governmental funds as presented in the audited 2022 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 (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>.

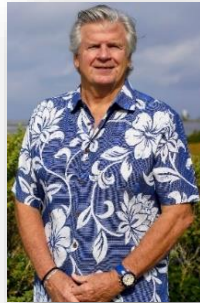
Please note the resources used in this year's PAFR include both the 2021-22 ACFR as well as the Annual Report for the Mayoral Address prepared this year by the City Public Information Coordinator, Karin Spinks.

## ELECTED OFFICIALS

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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



# MAYOR'S MESSAGE



Welcome to South Padre Island,

Through the many challenges and triumphant moments, the City has always held a high standard of transparency and accountability.

The Island is home to many diverse and unique community members, which has made South Padre Island what it is today. With the comradery of our community, the additions of the Convention Centre renovation, Fire Station, City Parks, Multi-Modal, Gulf Boulevard improvements, PR 100 Sidewalks, and boardwalk projects, and Laguna Boulevard improvements were possible.

Through this continued unity, we will have many more exciting projects in the future like the Convention Centre Expansion,

SPI Historical Museum, the completion of the Laguna Boulevard project, and various others.

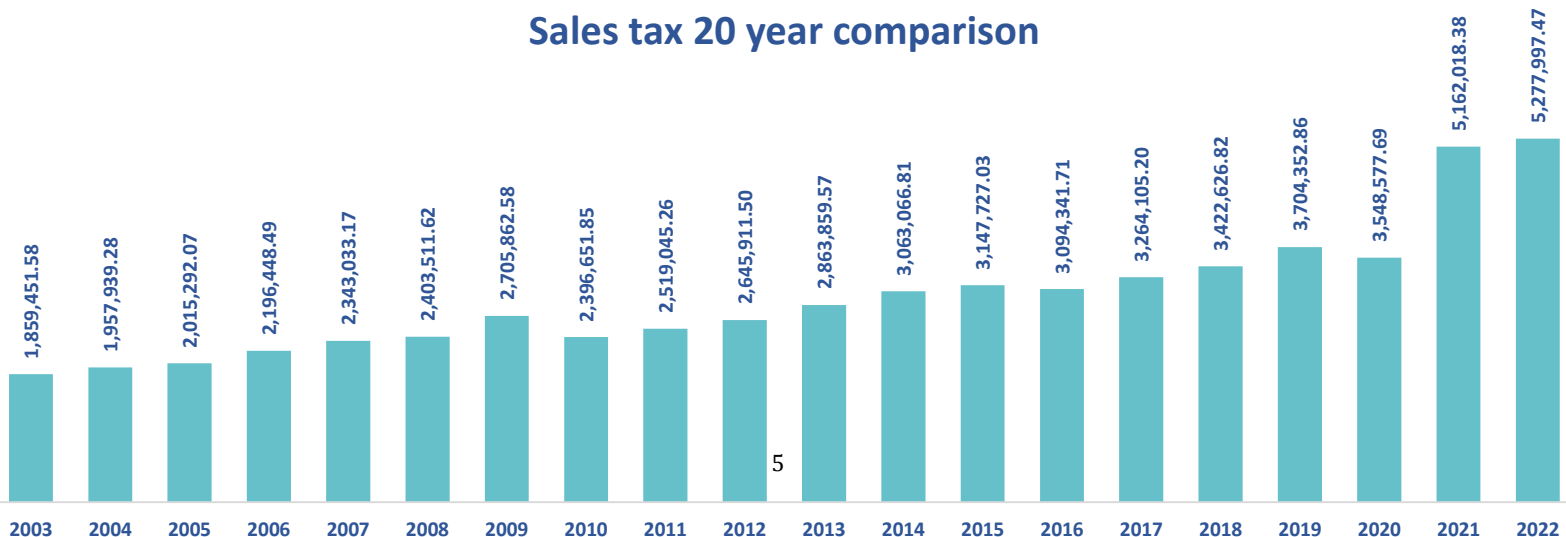
Some highlights of 2022 include favorable economic conditions reflected in tax revenue increases, as well as effective budgetary management practices, resulting in the replenishment of reserves including a \$3.8 million balance in General Fund excess reserves. We also have an 8-month operating reserve, a \$5 million beach fund reserve, a \$23 million CVB reserve, and our 2022-2023 total budget was approximately \$31 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 2021-2022 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 2017 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.

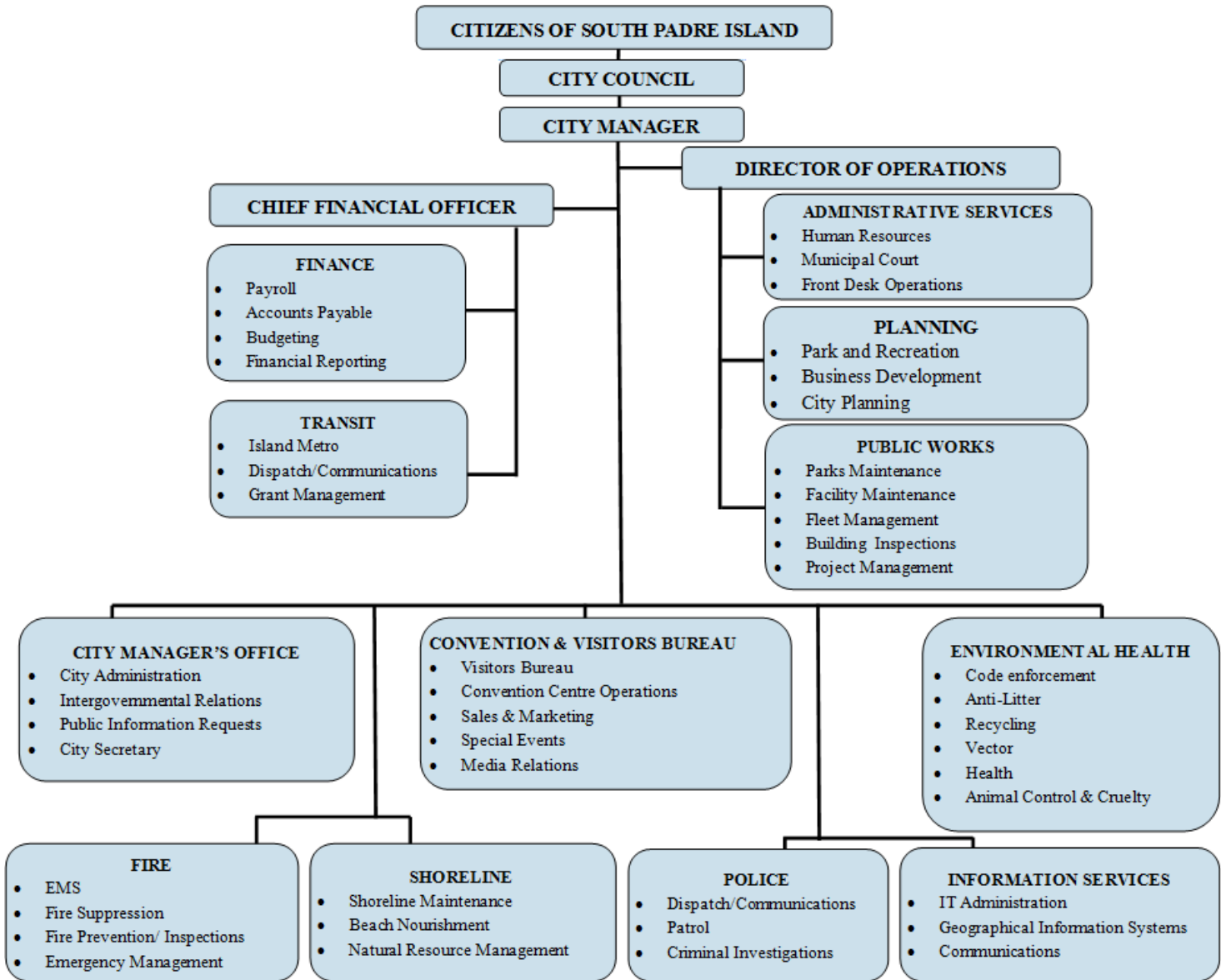
Patrick McNulty

## Sales tax 20 year comparison



## ORGANIZATION CHART

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## 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. The study was completed, presented and approved by City Council in May 2022—at which point all employees were brought to a new market benchmark. Furthermore, the department is planning to release a new employee handbook by 2023.

### ***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 \$440,000 by the Coastal Management Program—which is partially funded through the Texas General Land Office and the National Oceanic and Atmospheric Administration—across three funding cycle projects. These funds were utilized for the following: Access improvements at Whitecap Circle and Sea Island Circle—to add an ADA dune walkover, parking, restrooms and rinse stations; Dune restoration—for placement of sand fencing to capture wind-driven sand and planting of

dune vegetation; and Construction of six 15-foot-tall mobile lifeguard towers.

Also, in June 2021, Bayside land was purchased using RESTORE Act funds that were allocated to the City during the 2019–20 fiscal year. Upon completion, island visitors will have access to a new boat ramp and associated parking for larger sized vehicles—including trailers. More than \$140,000 was awarded to the City by the Texas Parks and Wildlife Department and was used for engineering and permitting of this project.

Additionally, the City is waiting on permit approval from the U.S. Army Corps of Engineers 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.

### ***Convention Center and Tourism***

The City was given the 2022 Texas Destination of the Year award by Texas Travel Awards! The Island hosted over 9.3 million people in 2022 and the Convention and Visitors Bureau (CVB) booked over 24,000 group room nights. Moreover, the Special Events division increased year-round business to include 28 sponsored and guided events. This year’s Hotel Occupancy Tax collections were

**A visual of Sand fencing and lifeguard tower.**



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

comparable to last fiscal year’s collections as shown in the year over year revenue comparison chart below.

In June 2021, the City entered into a contract to update the Convention Centre Expansion Feasibility Study and Business Plan. The Feasibility Study should be completed in 2023. The CVB staff is working on a Request for Qualifications (RFQ) for architectural and engineering services for the CVB expansion project. Results from this RFQ are expected to be released in 2023.

**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 is the Park Road 100 or PR 100 Median, Sidewalk and Boardwalk project which is 100% complete as of September 2022. Since Padre Boulevard is the main street on the Island, 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 grand total was approximately \$8 million and was funded by the 2% Venue Tax monies that was approved by voters in 2016.

Sticking with streets—work on the Laguna Boulevard project began in February and should conclude by 2024. The initial engineering and design phase of the Laguna project was completed in-house and resulted in savings



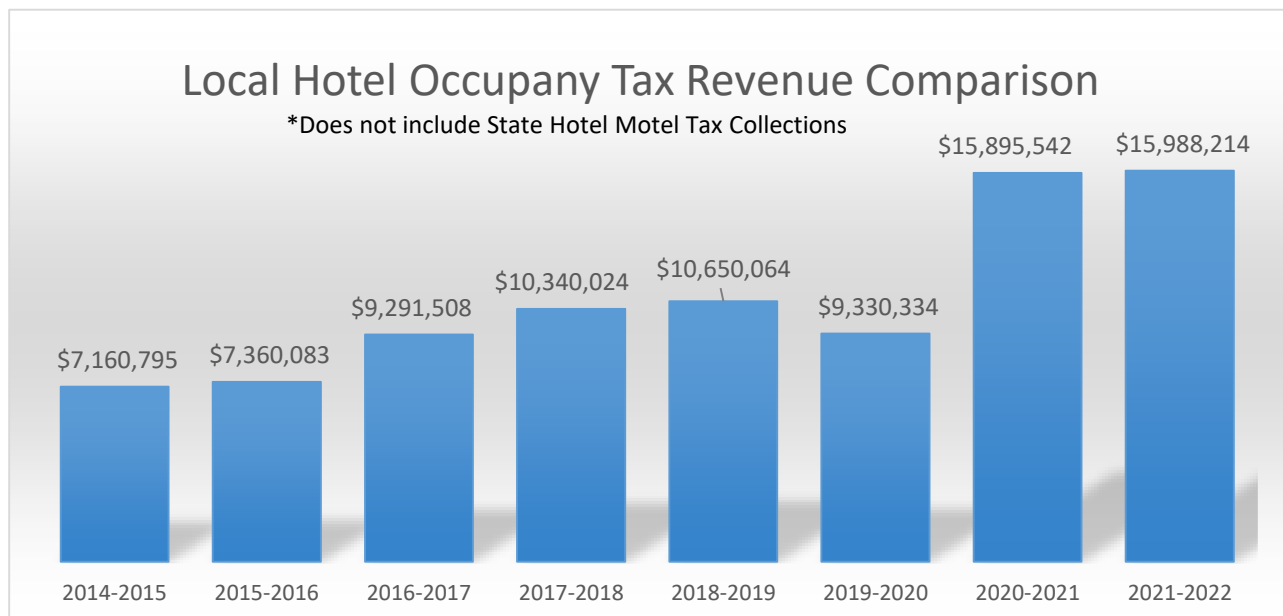
of approximately \$478,000. Bidding for the project was awarded to Clore Equipment and is expected to cost approximately \$4.6 million once complete.

In July 2022, a new \$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 2021–22, 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.

**Public Safety**

The City spent \$195,500 for the Police department to purchase thermal imaging binoculars and three new Police vehicles. The department received approximately





\$89,000 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 department also received \$14,724.75 from the Patrick Leahy Bulletproof Vest Partnership for body armor.



The City purchased 10 mobi-chairs and 5 portable radios for the Fire department for a total of \$43,375. The department received \$38,014 from U.S. Health and Human Services for Phase 4 of the COVID-19 Provider Relief Distribution. Additional funds of approximately \$12,000 were awarded to the Fire department from TIFMAS and TRAC-V programs for training expenses and medical supplies.



### ***Tompkins Park***

The City of South Padre Island partnered with the Texas Department of Parks and Wildlife for Phase II of John L. Tompkins Park improvements which concluded in July. Completed Park amenities now include a skate park, basketball court, walking trail, soccer field, exercise stations, two playgrounds, a bocce ball court, benches and shade structures, and restrooms.



The City is pleased to announce an additional grant for Phase III of Tompkins Park was awarded by The Texas Parks and Wildlife. Plans for phase III are underway and will include funding to add solar lights as well as a shade pavilion over the basketball court.

### ***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 the Texas Department of Transportation (TxDOT). In fiscal year 2021-22 the department received more than \$2 million in Federal and State funds. New funding was allocated to purchase digital displays for buses as well as the purchase and installation of an emergency facility generator.

In addition, a total of 19 bus shelters were purchased—to be added and/or replaced along the Island Metro route. The project is currently ongoing with an expected completion date in 2023.



## FINANCIAL HIGHLIGHTS

The City of South Padre Island fiscal year begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup> 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 \$85,254,388 at the September 30, 2022 fiscal year end.

A large portion of the City's net position (35%) 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 this debt.

<i>September 30,</i>	Total Governmental Activities 2022	Total Governmental Activities 2021
<b>Assets</b>		
Current and other assets	\$ 64,011,141	\$ 53,322,284
Capital and non-current assets	44,957,652	42,634,579
<b>Total assets</b>	<b>108,968,793</b>	95,956,863
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension liabilities	1,625,597	949,140
Deferred outflows related to OPEB liabilities	148,476	152,897
Deferred amount on refunding	70,066	93,423
<b>Total deferred outflows of resources</b>	<b>1,844,139</b>	1,195,460
<b>Liabilities</b>		
Current liabilities	2,660,547	1,629,636
Non-current liabilities	19,669,946	21,587,033
<b>Total liabilities</b>	<b>22,330,493</b>	23,216,669
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension liabilities	3,182,512	1,711,214
Deferred inflows related to OPEB liabilities	28,120	36,092
Deferred inflows on bond refunding	17,419	19,596
<b>Total deferred inflows of resources</b>	<b>3,228,051</b>	1,766,902
<b>Net Position</b>		
Net investment in capital assets	29,909,022	29,334,469
Restricted	48,428,046	34,978,233
Unrestricted	6,917,320	7,856,050
<b>Total net position</b>	<b>\$ 85,254,388</b>	<b>\$ 72,168,752</b>



## 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 \$13,085,636 from the beginning net position of \$72,168,752 as a result of current year activities. Total revenues increased approximately \$2.2 million, primarily the result of an increase in operating and capital grants of approximately \$1.5 million and an increase in charges for services of approximately \$323 thousand, both of which were caused by an increase in tourism and traffic during 2022.

Expenses during the fiscal year increased by \$4 million or 16%. This is mostly due to an increase in events and activities held at the Convention and Visitor's bureau.

	Total Governmental Activities 2022	Total Governmental Activities 2021
<i>For the year ended September 30, 2022</i>		
<b>Revenues</b>		
Program revenues		
Charges for Services	\$ 2,270,347	\$ 1,946,925
Operating Grants and Contributions	3,444,973	1,937,021
Capital Grants and Contributions	1,591,435	1,530,421
General revenues		
Property Tax	8,288,587	8,270,550
Sales Tax	3,988,332	3,761,917
Franchise Tax	922,027	871,066
Hotel Motel Tax	15,988,214	15,895,542
Hotel Motel Beach Maintenance Tax	4,333,632	4,247,074
Mixed Beverage Tax	532,823	658,164
Interest	184,970	96,832
Miscellaneous	254,727	347,333
<b>Total revenues</b>	<b>41,800,067</b>	<b>39,562,845</b>
<b>Expenses</b>		
Program expenses		
General Government	4,433,409	3,820,322
Public Safety	6,867,398	6,479,131
Public Works/Shoreline	5,890,215	4,961,458
Transportation	2,153,857	2,053,720
Community Service	198,737	227,264
SPI Museum	32,066	27,542
Convention and Visitors Bureau	8,708,194	6,486,339
Bond Issuance Costs	-	188,821
Interest on Long-Term Debt	430,555	434,912
<b>Total expenses</b>	<b>28,714,431</b>	<b>24,679,509</b>
<b>Increase in Net Position</b>	<b>13,085,636</b>	<b>14,883,336</b>
<b>Beginning Net Position</b>	<b>72,168,752</b>	<b>57,285,416</b>
<b>Ending Net Position</b>	<b>\$ 85,254,388</b>	<b>\$ 72,168,752</b>

FULL TIME EMPLOYEES BY GOVERNMENTAL ACTIVITIES

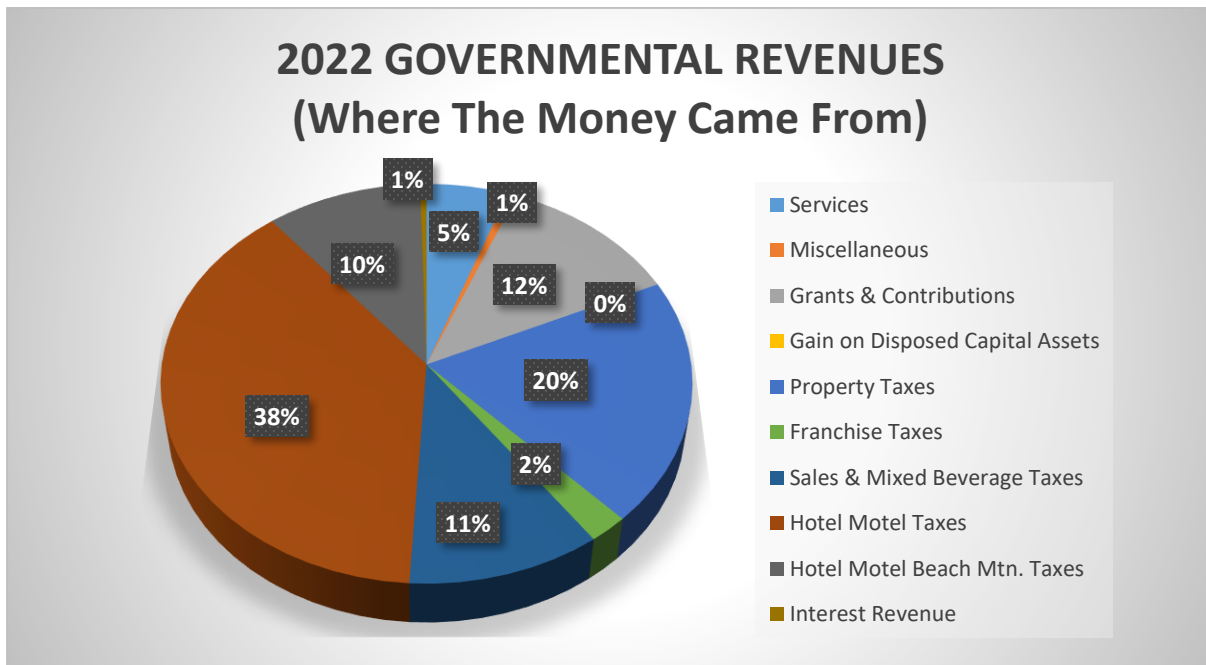
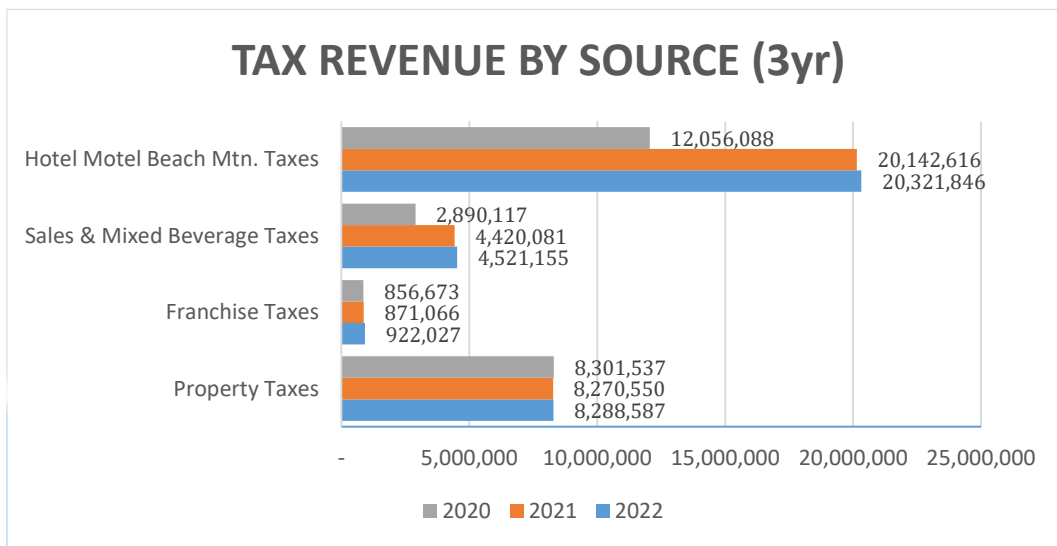




## GOVERNMENTAL REVENUES

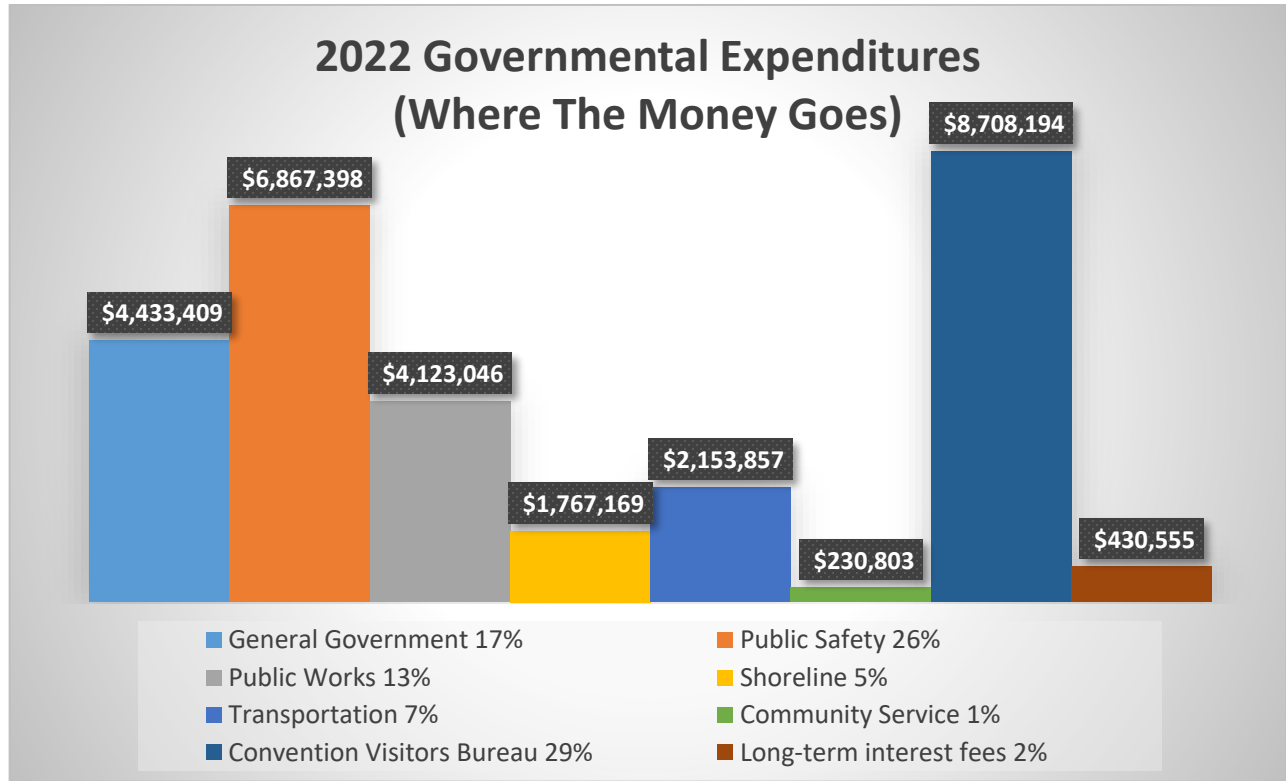
The City's main source of revenue is from Local and State Hotel Motel Tax and Property Tax collections with each bringing in approximately \$20.3 and \$8.29 million, respectively. A three-year trend chart for revenues by source shown below displays significant jumps in revenue for both Hotel Motel Tax and Sales Tax following the shut-downs during the pandemic.

During fiscal year 2020–21, the City experienced record high collections of Hotel Motel Tax which is a good indicator of the City's economy. A 70% increase was recognized compared to fiscal year 2019–20 and has maintained collections through fiscal year 2021–22. The highly seasonal nature of tourist activity means that almost half of the lodging sales come in June, July, and August. Another key economic indicator for the City is the sales tax growth rate. The City recognized a 6% increase in sales tax which is in addition to the 47% increase seen just one year prior.



## GOVERNMENTAL EXPENDITURES

Convention Centre marketing activities are the City’s greatest expenditure—currently representing just over 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







## BY THE NUMBERS

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### 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	6+
❖ Population- full-time residents	2,138
❖ Per Capita Personal Income	\$52,275
❖ Median Age	58.5
❖ School Enrollment	1,891
❖ Unemployment Rate	5.8%

### TOP EMPLOYERS

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

### 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. Affiliated Hospitality LLC
4. SPI Management CO.
5. SPI Oleander Ltd.
6. SPI La Copa Ltd.
7. AGORA USA LP
8. Innjoy Hospitality LLC
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) 761-8137	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

### Subscribe

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.mysni.org/egov/apps/services/index.egov?view=detail:id=20>