



Hotel Occupancy Tax (HOT) & Sponsorship Program

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Chief Financial Officer

ID 26-1303 August 18, 2026



Program Types

Hotel Occupancy Taxes (HOT) - Restricted

- Governed by Texas Tax Code 351
- 351.101 Use - Tax may only be used to promote tourism and the convention and hotel industries. The Texas Comptroller refers to a “Texas Two-Step” to assist with determining allowable expenditures.
 - ❑ Step #1 – Tax must be used to attract tourists to hotels for overnight stays.
 - ❑ Step #2 – The expenditures must fall within nine (9) statutory categories.
 - The law requires that when a hotel tax is used for one of the nine purposes, it must also have the effect of attracting tourists to hotels for overnight stays.
- The Art and Historical categories expenses in a fiscal year cannot exceed 15% each of the total HOT revenue
- City of Denton Resolution 2013-021 requires at least 2.4% of total HOT revenue be allocated to the Public Art.

Sponsorship Funding - Unrestricted

- Cash and In-Kind donation of the City to support local organizations.
- Funded by General Fund & Denton Municipal Electric.
- Funding level is determined in the annual budget process by City Council.

HOT Program

Recipient Requirements

- The applicant must be a tax-exempt non-profit organization or public agency.
- Applicant and event must be based in the City of Denton.
- Nondiscrimination practice.
- Successfully fulfilled prior contracts.
- Must be compliant with the Special Event Ordinance.

Prioritization of Qualified Events and Programs

- Limit applications to events with a minimum of 200 attendees (aligns with Special Event Criteria).
- Require applicants to have alternative funding sources besides City HOT or Sponsorship funds.
- Event must successfully have taken place in prior years (no first-time events).
- Events must demonstrate a positive economic impact to the City of Denton.
- Applicants will be required to submit an application online via Neighborly Software.
- Recommendations are based on scoring criteria.

HOT Program Scoring Rubric

Scoring Rubric:

Section	Description	Points
A. Eligibility & Compliance	Applicants must be a government entity or nonprofit and must demonstrate alignment with eligible HOT fund uses including tourism promotion, arts, or convention-related activities.	
B. Tourism Impact	Measures the applicant's ability to generate overnight stays and attract visitors from outside the local area.	25
C. Economic Impact	Measures measurable benefit to the local economy including restaurants, retail, and other local businesses.	15
D. Marketing Plan	Measures the applicant's ability to effectively promote tourism.	15
E. Budget & Fiscal Responsibility	Measures financial sustainability and responsible budgeting.	15
F. Organizational Capacity	Measures ability to successfully execute the project.	10
G. Community Benefit & Alignment	Measures cultural and tourism value.	10
H. Reporting & Evaluation Plan	Measures accountability and reporting.	10
TOTAL		100

HOT Program Scoring Rubric

Final Scoring Interpretation:

<u>Score Range</u>	<u>Description</u>	<u>Funding</u>
90–100 Points:	Exceptional – Priority funding	100%
75–89 Points:	Strong – Recommended funding	80%
60–74 Points:	Moderate – Partial funding consideration	60%
Below 60 Points:	Low – Minimal funding consideration	40%

HOT Funding Scenario #1

Provide funding at the same level as program year 2026.

Expenditures:	Application Score	PY 2026 Funding	PY 2027 Request	% Request Increase over Prior Year Funding	Scenario # 1 Funding Option
North Texas Fair & Rodeo	95	\$ 417,200	\$ 490,000	17%	\$ 417,200
Denton's Day of the Dead	94.5	80,000	100,000	25%	80,000
Denton Black Film Festival Institute	93	62,500	98,000	57%	62,500
Denton 31 Days of Halloween 2026	93	250,000	250,000	0%	250,000
Discover Denton	90.5	1,964,250	2,300,000	17%	1,964,250
Texas Filmmakers Corporation	87	75,000	100,000	33%	75,000
Denton Festival Foundation	86.5	94,000	125,000	33%	94,000
Denton County Office of History & Culture	83	300,000	300,000	0%	300,000
Downtown Denton Foundation	83	111,680	201,310	80%	111,680
Theatre Denton, Inc. (Denton Community Theater)	82	35,100	40,000	14%	35,100
Denton Black Chamber of Commerce	79.5	48,000	85,000	77%	48,000
Greater Denton Arts Council - Operations	78	160,400	300,000	87%	160,400
Instant Film Society	78	-	5,000	100%	-
Southwest Celtic Music Association	77	-	25,000	100%	-
Tejas Storytelling Association	75.5	59,055	59,055	0%	59,055
Denton Breakfast Kiwanis	75.5	-	7,000	100%	-
Denton Holiday Festival Association	66	30,000	75,000	150%	30,000
Denton Parks Foundation - Juneteenth	62.5	30,800	70,000	127%	30,800
Denton Main Street Association	60	10,000	85,500	755%	10,000
DMAC Amplify	57	9,900	11,000	11%	9,900
Texas Veterans Hall of Fame Foundation	56	70,000	98,800	41%	70,000
Denton Parks Foundation - Dog Days of Denton	48	30,000	20,000	-33%	20,000
Greater Denton Arts Council - Public Art	N/A	70,728	-		77,560
TOTAL:		\$ 3,908,613	\$ 4,845,665	23.97%	\$ 3,905,445

HOT Funding Scenario #2

Provide funding based on rubric scoring tiers.

Expenditures:	Application Score	PY 2026 Funding	PY 2027 Request	% Request Increase over Prior Year Funding	Scenario # 2 Funding Option
North Texas Fair & Rodeo	95	\$ 417,200	\$ 490,000	17%	\$ 417,200
Denton's Day of the Dead	94.5	80,000	100,000	25%	80,000
Denton Black Film Festival Institute	93	62,500	98,000	57%	62,500
Denton 31 Days of Halloween 2026	93	250,000	250,000	0%	250,000
Discover Denton	90.5	1,964,250	2,300,000	17%	1,964,250
Texas Filmmakers Corporation	87	75,000	100,000	33%	60,000
Denton Festival Foundation	86.5	94,000	125,000	33%	75,200
Denton County Office of History & Culture	83	300,000	300,000	0%	240,000
Downtown Denton Foundation	83	111,680	201,310	80%	89,344
Theatre Denton, Inc. (Denton Community Theater)	82	35,100	40,000	14%	28,080
Denton Black Chamber of Commerce	79.5	48,000	85,000	77%	38,400
Greater Denton Arts Council - Operations	78	160,400	300,000	87%	128,320
Instant Film Society	78	-	5,000	100%	-
Southwest Celtic Music Association	77	-	25,000	100%	-
Tejas Storytelling Association	75.5	59,055	59,055	0%	47,244
Denton Breakfast Kiwanis	75.5	-	7,000	100%	-
Denton Holiday Festival Association	66	30,000	75,000	150%	18,000
Denton Parks Foundation - Juneteenth	62.5	30,800	70,000	127%	18,480
Denton Main Street Association	60	10,000	85,500	755%	6,000
DMAC Amplify	57	9,900	11,000	11%	3,960
Texas Veterans Hall of Fame Foundation	56	70,000	98,800	41%	28,000
Denton Parks Foundation - Dog Days of Denton	48	30,000	20,000	-33%	12,000
Greater Denton Arts Council - Public Art	N/A	70,728	-		77,560
Contingency					100,000
TOTAL:		\$ 3,908,613	\$ 4,845,665	23.97%	\$ 3,744,538

HOT Financials

Scenario #1:

Forecasted Resources	\$ 5,391,802
Embassy Suites 380 Agreement rebate	1,154,115
Baseline Recommendation	3,905,445
Total Expenditure	\$ 5,059,560
Remaining fund balance	\$ 332,242

Scenario #2:

Forecasted Resources	\$ 5,391,802
Embassy Suites 380 Agreement rebate	1,154,115
Baseline Recommendation	3,744,538
Total Expenditure	\$ 4,898,653
Remaining fund balance	\$ 493,149

Sponsorship Program

Recipient Requirements

- The applicant must be a tax-exempt non-profit organization or public agency
- Applicant and event must be based in the City of Denton
- Nondiscrimination practice
- Successfully fulfilled prior contracts
- Must be compliant with the Special Event Ordinance

Community Purpose

- Must further a charitable cause, economic or community growth, or public interest
- Serve to benefit the entire community
- Open to the public
- Encourage community engagement
- Event must be held in a safe, accessible and family-friendly location
- Must support the City's core values

Sponsorship Program

Cash Support

Hotel Occupancy Tax
(HOT) Program

In-Kind Support

\$150,000 Budget

- \$110,000 General Fund
- \$40,000 Electric Fund

\$200,000 Budget

- General Fund – PARD Operating Budget
 - Covers in-kind services provided by the City
 - Expenses transferred from impacted departments
- Budget History:
 - 2023 - \$250,000
 - 2024 - \$400,000
 - 2025 - \$400,000
 - 2026 - \$200,000
 - 2027 - \$200,000

Sponsorship Scoring

Scoring Rubric:

Section	Description	Points
A. Eligibility & Compliance	Applicants must be a government entity or nonprofit and must demonstrate alignment with eligible HOT fund uses including tourism promotion, arts, or convention-related activities.	
B. Economic Impact	Measures measurable benefit to the local economy including restaurants, retail, and other local businesses.	40
C. Marketing Plan	Measures the applicant's ability to effectively promote tourism.	15
D. Budget & Fiscal Responsibility	Measures financial sustainability and responsible budgeting.	15
E. Organizational Capacity	Measures ability to successfully execute the project.	10
F. Community Benefit & Alignment	Measures cultural and tourism value.	10
G. Reporting & Evaluation Plan	Measures accountability and reporting.	10
TOTAL		100

- Sponsorship applications have the same categories as HOT, with the exception of Tourism Impact removed. As a result, sponsorship recipients do not have a requirement to generate any overnight stays or attract visitors from outside the local area. This funding is specifically intended for local community events.

Sponsorship Scoring

Final Scoring Interpretation:

<u>Score Range</u>	<u>Description</u>	<u>Funding</u>
90–100 Points:	Exceptional – Priority funding	100%
75–89 Points:	Strong – Recommended funding	70%
60–74 Points:	Moderate – Partial funding consideration	50%
Below 60 Points:	Not Recommended	0%

CPC Funding Recommendation

Community Partnership Committee Recommendation:

- Utilize the scoring rubrics and apply funding based on the application scores.
- Utilize contingency funds to add funding to the following organizations:
 - Denton Black Film Festival Institute (+\$17,500 HOT Funding)
 - Denton Festival Foundation - Arts & Jazz Festival (+\$18,800 HOT Funding)
 - Kiwanis Youth Services Inc - 4th of July Fireworks (+\$5,000 Cash Sponsorship & \$10,000 In-Kind Sponsorship)
- Remaining contingency balances:
 - HOT Funds: \$493,149 (target balance \$500,000)
 - Cash Sponsorship: \$5,650
 - In-Kind Sponsorship: \$10,000

Combined Requests

	PY 2026 Total Funding	2027 Requested HOT	2027 Requested Sponsorship	PY 2027 Total Requested Funding	2027 CPC Recommended HOT Funds	2027 CPC Recommended Sponsorship Funds	2027 CPC Recommended In Kind	PY 2027 Total CPC Recommended Funding
Childrens Advocacy	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -
Denton 31 Days of Halloween 2026	250,000	250,000	-	250,000	250,000	-	-	250,000
Denton Black Chamber of Commerce – Blues Festival	52,000	85,000	10,000	95,000	38,400	5,000	10,000	53,400
Denton Black Film Festival Institute	74,500	98,000	12,000	110,000	80,000	8,400	-	88,400
Denton Breakfast Kiwanis – Turkey Roll	-	7,000	7,000	14,000	-	3,500	2,000	5,500
Denton Community Market	11,800	-	12,000	12,000	-	6,000	12,000	18,000
Denton County Friends of the Family – Coffee Crawl	2,000	-	5,000	5,000	-	2,500	-	2,500
Denton County Friends of the Family – Friends of the Badge	2,932	-	5,000	5,000	-	-	-	-
Denton County Office of History & Culture	300,000	300,000	-	300,000	240,000	-	-	240,000
Denton Festival Foundation – Arts and Jazz Festival	114,000	125,000	20,000	145,000	94,000	20,000	76,000	190,000
Denton Holiday Festival Association	36,000	75,000	10,000	85,000	18,000	7,000	20,000	45,000
Denton Main Street Association	10,000	85,500	-	85,500	6,000	-	-	6,000
Denton Maker Center (DMC)	-	-	10,000	10,000	-	-	-	-
Denton Parks Foundation	-	-	25,000	25,000	-	-	-	-
Denton Parks Foundation - Dog Days of Denton	30,000	20,000	-	20,000	12,000	-	-	12,000
Denton Parks Foundation - Juneteenth	34,800	70,000	5,000	75,000	18,480	2,500	20,000	40,980
Denton's Day of the Dead	88,000	100,000	15,000	115,000	80,000	15,000	15,000	110,000
Discover Denton	1,964,250	2,300,000	-	2,300,000	1,964,250	-	-	1,964,250

Combined Requests (Cont.)

	PY 2026 Total Funding	2027 Requested HOT	2027 Requested Sponsorship	PY 2027 Total Requested Funding	2027 CPC Recommended HOT Funds	2027 CPC Recommended Sponsorship Funds	2027 CPC Recommended In Kind	PY 2027 Total CPC Recommended Funding
DMAC Amplify	12,500	11,000	6,500	17,500	3,960	3,250	5,000	12,210
DMAC Joan of Bark	2,000	-	5,000	5,000	-	-	-	-
DMAC Monster Dash	1,800	-	4,500	4,500	-	-	-	-
Downtown Denton Foundation – Arts and Autos	111,680	201,310	25,000	226,310	89,344	17,500	-	106,844
Filmmaking Access Incorporated	-	-	12,000	12,000	-	-	-	-
Friends with Benefits - Boil Buddies	3,000	-	5,000	5,000	-	2,500	5,000	7,500
Greater Denton Arts Council – Operations	164,168	300,000	6,000	306,000	128,320	4,200	-	132,520
Greater Denton Arts Council – Public Art (2.4%)	70,728	-	-	-	77,560	-	-	77,560
Health Services of North Texas	-	-	6,000	6,000	-	-	-	-
Instant Film Society	-	5,000	-	5,000	-	-	-	-
Kiwanis Youth Services Inc – 4 th of July Fireworks	26,800	-	65,000	65,000	-	5,000	10,000	15,000
North Texas State Fair Association	427,200	490,000	32,000	522,000	417,200	32,000	5,000	454,200
Southwest Celtic Music Association*	-	25,000	-	25,000	-	-	-	-
Tejas Storytelling Association	59,055	59,055	-	59,055	47,244	-	-	47,244
Texas Filmmakers Corporation – Thin Line Film Festival	83,000	100,000	10,000	110,000	60,000	5,000	10,000	75,000
Texas Veterans Hall of Fame Foundation – Museum	72,000	98,800	10,000	108,800	28,000	5,000	-	33,000
Theatre Denton, Inc. (Denton Community Theater)	35,100	40,000	-	40,000	28,080	-	-	28,080
Vokkaliga Parishat of America*	-	-	40,000	40,000	-	-	-	-
Contingency	-	-	-	-	63,700	5,650	10,000	79,350
Total	\$ 4,039,313	\$ 4,845,665	\$ 393,000	\$ 5,238,665	\$ 3,744,538	\$ 150,000	\$ 200,000	\$ 4,094,538

Next Steps

- Discuss funding recommendations.
- Funding recommendations will be included in the City's budget.

QUESTIONS?

