City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: August 18, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the special events sponsorship and Hotel Occupancy Tax funds.

BACKGROUND

The Finance department currently administers two separate and distinct programs to support community organizations and events on an annual basis. These programs include the Hotel Occupancy Tax (HOT) funds, and Sponsorship funds. These programs are overseen by the Community Partnership Committee (CPC) which monitors allocation and use, ensuring HOT funds are being used to directly enhance and promote tourism and the hotel industry, and ensuring the sponsorship funds are being used to further a charitable cause, economic or community purpose. The CPC receives presentations from organizations, reviews applicant requests, and makes funding recommendations to City Council in conjunction with the budget process.

To support the administration of the program, clear guidelines and a standardized application have been developed for both programs. In addition, a scoring rubric has been developed to quantify an applicant's ability to meet the intent of each program. Each year, the Committee reviews and updates the guidelines and application as necessary. These tools assist the Community Partnership Committee in evaluating applicants' funding requests. The scoring rubric outlines the following categories for organizations to focus on:

Tourism Impact	Measures the applicant's ability to generate overnight stays and attract visitors from outside the local area.
Economic Impact	Measures measurable benefit to the local economy including restaurants, retail, and other local businesses.
Marketing Plan	Measures the applicant's ability to effectively promote tourism.
Budget & Fiscal Responsibility	Measures financial sustainability and responsible budgeting.
Organizational Capacity	Measures ability to successfully execute the project.
Community Benefit & Alignment	Measures cultural and tourism value.
Reporting & Evaluation Plan	Measures accountability and reporting.

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. Sponsorship funding is specifically intended for local community events.

Once the updated guidelines and application are approved, notification of the application period is sent via email to current and past recipients, as well as to other interested organizations. The documents are also made available on the City's website.

The application period opened on May 1, 2026, and closed on June 30, 2026. An application workshop was hosted by staff for event organizers on Tuesday, May 5, 2026, to provide guidance and answer questions regarding the application and scoring process for each program. The recording of the meeting was made available online to any organizers who could not attend in-person.

Hotel Occupancy Taxes
Program guidelines based on Tax Code Section 351.001 have been established to guide the administration of the HOT Program. The state statutes limit the use of the tax to only promote tourism and the convention and hotel industries. Organizations must use the revenue to both attract tourists to hotels for overnight stays, and use the funds within nine allowable use 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 following nine categories are provided as allowable uses:

1. Constructing, improving, enlarging, equipping, repairing, operating and maintaining a convention center or visitor information center;
2. Furnishing of facilities, personnel and materials for the registration of convention delegates or registrants;
3. Advertising and conducting promotional programs to attract tourists and convention delegates or registrants;
4. Encouragement, promotion, improvement and application of the arts;
5. Historical restoration and preservation projects or advertising and conducting promotional programs to encourage tourists to visit preserved historic sites or museums;
6. Expenses related to a sporting event in which a majority of participants are tourists;
7. Enhancement and upgrading of existing sports facilities or fields;
8. Constructing, improving, enlarging, equipping, repairing, operating and maintaining a coliseum or multiuse facility; and
9. Signage directing public to sights and attractions that are visited by hotel guests.

To note, category number 6 and 7 in the list above do not apply to the City of Denton due to restrictions in the statutes for specific geographic locations and county populations. However, the remaining sections would be allowable uses.

Additionally, program expenditures have a 15% cap on both the Art and Historical statute categories. The Public Art Committee, administered by the Greater Denton Arts Council, is allocated a minimum of 2.4 percent of estimated hotel revenue by Resolution 2013-021.

Sponsorship Funds
The Sponsorship Program provides a combination of cash support and in-kind services to non-profit and civic-minded programs and organizations. Beginning in Fiscal Year 2022–23, the Denton Parks and Recreation Department's Co-Sponsorship Program was merged with the broader City Sponsorship Program to more efficiently evaluate cash and in-kind requests.

Sponsorship funds are not restricted by state statute for allowable uses, however the City does require the following:

- The applicant must be a tax-exempt non-profit organization or public agency
- Applicant and event must be based in the City of Denton
- The organization must have successfully fulfilled prior contracts (if applicable)

- Must be compliant with the Special Event Ordinance
- 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

FISCAL INFORMATION

The revenue projection for Fiscal Year 2026-27 is based on historical collections and current trends. The proposed revenue budget includes total resources of $5,391,802. The proposed HOT fund expenditure budget is $4,898,653, resulting in an ending fund balance of $493,149. The Sponsorship program is budgeted at $150,000 for cash support and $200,000 for in-kind support.

EXHIBITS

Exhibit 1 – Agenda Information Sheet
Exhibit 2 – Presentation
Exhibit 3 – PY 2027 HOT Funds Program Guidelines
Exhibit 4 – PY 2027 Sponsorship Funds Program Guidelines
Exhibit 5 – PY 2027 Scoring Rubric
Exhibit 6 – Funding Requests (Combined Programs)

Respectfully submitted:
Matt Hamilton
Chief Financial Officer