

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT BETWEEN THE CITY OF DENTON AND THE GREATER DENTON ARTS COUNCIL, INC. FOR THE PAYMENT AND USE OF HOTEL TAX REVENUE; AND PROVIDING AN EFFECTIVE DATE.

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The City Manager, or his designee, is hereby authorized to execute an agreement between the City of Denton and the Greater Denton Arts Council, Inc. for the payment and use of hotel tax revenue, under the terms and conditions contained in the agreement, a copy of which is attached hereto and made a part hereof.

SECTION 2. This ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED this the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
CHRIS WATTS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY: \_\_\_\_\_

APPROVED AS TO LEGAL FORM:  
AARON LEAL, CITY ATTORNEY

BY: \_\_\_\_\_  


**AGREEMENT BETWEEN THE CITY OF DENTON AND THE GREATER  
DENTON ARTS COUNCIL, INC. (PY2018) PROVIDING FOR THE PAYMENT  
AND USE OF HOTEL TAX REVENUE**

THIS AGREEMENT made between the City of Denton, Texas, a municipal corporation (the “CITY”), and the Greater Denton Arts Council, Inc., a non-profit corporation incorporated under the laws of the State of Texas (the “GDAC”):

WHEREAS, TEX. TAX CODE §351.002 authorizes CITY to levy by ordinance a municipal hotel occupancy tax (“hotel tax”) not exceeding seven percent (7%) of the consideration paid by a hotel occupant; and

WHEREAS, by ordinance, CITY has provided for the assessment and collection of a municipal hotel occupancy tax in the city of Denton of seven percent (7%); and

WHEREAS, TEX. TAX CODE §351.101(a) authorizes CITY to use revenue from its municipal hotel occupancy tax to promote tourism and the convention and hotel industry by advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity; and

WHEREAS, GDAC is well equipped to perform those activities; and

WHEREAS, TEX. TAX CODE §351.101(c) authorizes CITY to delegate by contract with GDAC; as an independent entity, the management and supervision of programs and activities of the type described hereinabove funded with revenue from the municipal hotel occupancy tax;

NOW, THEREFORE, in consideration of the performance of the mutual covenants and promises contained herein, CITY and GDAC agree and contract as follows:

**I. HOTEL TAX REVENUE PAYMENT**

**1.1 Consideration.** For and in consideration of the activities to be performed by GDAC under this Agreement, CITY agrees to pay to GDAC a portion of the hotel tax revenue collected by CITY at the rates and in the manner specified herein (such payments by CITY to GDAC sometimes herein referred to as the “agreed payments” or “hotel tax funds”).

**1.2 Amount of Payments.**

(a) As used in this Agreement, the following terms shall have the following specific meanings:

(i) The term “hotel tax revenue” shall mean the gross monies collected and received by CITY as municipal hotel occupancy tax at the rate of seven percent (7%) of the price paid for a room in a hotel, pursuant to Texas Tax

Code §351.002 and City Ordinance. Hotel tax revenue will include penalty and interest related to the late payments of the tax revenue by the taxpayer.

(ii) The term “Collection period” will mean the collection period for CITY’s fiscal year. It will include hotel tax revenue due to CITY for the relevant fiscal year and collected through the 22nd day of the month following the close of the relevant fiscal year.

(iii) The term “base payment amount” shall mean a net amount of money equal to the total hotel tax revenue collected by CITY during any relevant period of time (*i.e.*, fiscal year or fiscal quarter), less: (1) attorney and auditing costs incurred during such relevant period of time for costs of collection or auditing of hotel taxpayers (attorney and auditing costs include fees paid to attorneys or agents not in the regular employ of CITY for which attorneys or agents effect compliance or collection of the hotel tax from taxpayers); and (2) court costs and other expenses incurred in litigation against, or auditing of, such taxpayers.

(iv) The term “contract quarter” shall refer to any quarter of the calendar year in which this Agreement is in force. Contract quarters will end on March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> of each contract year.

(b) In return for satisfactory performance of the activities set forth in this Agreement and all attachments hereto, CITY shall pay to GDAC an amount of money in each contract year equal to the lesser amount of: Four and Thirty-Nine Hundredths percent (4.39%) of the annual base payment amount, or the fixed contract amount of One Hundred Forty-Four Thousand Two Hundred Dollars (\$144,200). This amount will be divided into quarterly payments equal to 25% of the annual fixed contract amount, unless CITY can show with reasonable certainty that the annual base payment amount will be less than originally estimated for the fiscal year. The fourth quarterly payment will represent 25% of the fixed contract amount or the unpaid remainder of 4.39% of the base payment amount, whichever is less. If CITY’s Chief Financial Officer determines that hotel tax receipts by the CITY are not meeting the anticipated budget projection, CITY may reduce the GDAC’s current budget at any time during the contract period. Each quarterly payment is subject to refund of any unused or improperly expended funds from the prior contract period, and CITY’s timely receipt of the required quarterly reports.

### **1.3 Dates of Payments.**

(a) The term “quarterly payments” shall mean payments by CITY to GDAC of those amounts specified in ¶1.2, above, as determined by the hotel tax revenue collected.

(b) Each quarterly payment shall be paid upon receipt of the required reports, and after the 25<sup>th</sup> day following the last day of the contract quarter. If any quarterly financial report is not received within thirty (30) days of the end of the applicable contract quarter, the recipient may be held in breach of this Agreement. CITY may withhold the quarterly

payment(s) until the appropriate reports are received and approved, which approval shall not be unreasonably withheld.

#### **1.4 Other limitations regarding consideration.**

(a) The funding of this project in no way commits CITY to future funding of this program beyond the current contract period. Any future funding is solely the responsibility of GDAC.

(b) It is expressly understood that this contract in no way obligates the General Fund or any other monies or credits of CITY.

(c) CITY may withhold further allocations if CITY determines that GDAC's expenditures deviate materially from their approved budget.

## **II. USE OF HOTEL TAX REVENUE**

**2.1 Use of Funds.** For and in consideration of the payment by CITY to GDAC of the agreed payments of hotel tax funds specified above, GDAC agrees to use such hotel tax funds only for (1) advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity, as authorized by TEX. TAX CODE §351.101(a); and (2) encourage promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms, as authorized by TEX. TAX CODE §351.101(a)(4). Funds for any calendar year which are unused by midnight December 31<sup>st</sup> of that year shall be refunded to CITY within sixty (60) days.

Advertising materials purchased with the hotel occupancy tax funds must be targeted to reach audiences outside the Denton city limits. These materials include, but are not limited to, signs, posters, postcards, newsletters and print advertising.

**2.2 Administrative Costs.** The hotel tax funds received from CITY by GDAC may be spent for day-to-day operations, office supplies, salaries, travel expenses and other administrative costs allowed by TEX. TAX CODE §351.101(e), but only if specified in GDAC's budget (Exhibit "A") and each such expenditure is directly attributable to work on programs which promote tourism and the hotel and convention industry, and promotes at least one of the six statutory purposes enumerated within TEX. TAX CODE §351.101(a).

#### **2.3 Specific Restrictions on Use of Funds.**

(a) GDAC agrees to demonstrate strict compliance with the record keeping and apportionment limitations imposed by TEX. TAX CODE §351.101(f) and §351.108 (c) and (d). GDAC shall not utilize hotel tax funds for any expenditure, which has not been specifically documented to satisfy the purposes set forth in §§2.1 and 2.2 above.

(b) Hotel tax funds may not be spent for travel for a person to attend an event or conduct an activity, the primary purpose of which is not directly related to the promotion of local tourism and the convention and hotel industry and the performance of the person's job in an efficient and professional manner.

### **III. RECORDKEEPING AND REPORTING REQUIREMENTS**

#### **3.1 Budget.**

(a) GDAC shall adhere to the budget (Exhibit "A") as approved by the City Council for each calendar year, for all operations of GDAC in which the hotel tax funds shall be used by GDAC. In other words, CITY should be able to audit specifically the purpose of each individual expenditure of hotel tax funds from the separate account relating to hotel tax funds. CITY shall not pay to GDAC any hotel tax revenues as set forth in Section I of this contract during any program year of this Agreement unless a budget for such respective program year has been approved in writing by the Denton City Council, authorizing the expenditure of funds.

(b) GDAC acknowledges that approval of the budget (Exhibit "A") by the Denton City Council creates a fiduciary duty in GDAC with respect to the hotel tax funds paid by CITY to GDAC under this Agreement. GDAC shall expend hotel tax funds only in the manner and for the purposes specified in this Agreement, TEX. TAX CODE §351.101(a) and in the budget as approved by CITY.

(c) Upon the application or consent of GDAC, the City Manager or his designate may authorize minor amendments to the approved budget as necessary to carry out the intent of this Agreement, in a manner consistent with efficient use of public funds, and in accordance with State law. Such minor amendments may not increase the overall funding set forth in ¶1.2(b), extend the term, or otherwise alter the performance obligations of GDAC, without approval of the City Council by ordinance.

**3.2 Separate Accounts.** GDAC shall maintain any hotel tax funds paid to GDAC by CITY in a separate account or with segregated fund accounting, such that any reasonable person can ascertain the revenue source of any given expenditure.

**3.3 Financial Records.** GDAC shall maintain complete and accurate financial records of each expenditure of the hotel tax funds made by GDAC. These funds are required to be classified as restricted funds for audited financial purposes, and may not be used for contracted services, including, but not limited to, auditing fees or attorney fees. Upon reasonable advance written request of the Denton City Council, the City Manager or designate, or any other person, GDAC shall make such financial records available for inspection and review by the party making the request. GDAC understands and accepts that all such financial records, and any other records relating to this Agreement shall be subject to the Texas Public Information Act, TEX. GOV'T CODE, ch. 552, as hereafter amended.

**3.4 Quarterly Reports.** After initial receipt of hotel tax funds, and within thirty (30) days after the end of every contract quarter, GDAC shall furnish to CITY: (1) a completed financial report, (2) a list of the expenditures or copies of the invoices or receipts made with regard to hotel tax funds pursuant to TEX. TAX CODE §351.101(c), and (3) a copy of all financial records (e.g., copies of front and back cleared checks or bank statements, and other relevant documentation). GDAC shall prepare and deliver all reports in a form and manner approved by the City Manager or designate. GDAC shall respond promptly to any request from the City Manager of CITY, or designate, for additional information relating to the activities performed under this Agreement.

**3.5 Notice of Meetings.** GDAC shall give the City Manager of CITY, or his designate, reasonable advance written notice of the time and place of all meetings of GDAC's Board of Directors, as well as any other meeting of any constituency of GDAC, at which this Agreement or any matter subject to this Agreement shall be considered.

#### **IV. TERM AND TERMINATION**

**4.1 Term.** The term of this Agreement shall commence on January 1, 2018, and terminate at midnight on January 31, 2019. However, the program period shall commence on January 1, 2018 and terminate at midnight on December 31, 2018. Only those expenditures authorized by Chapter 351 of the Texas Tax Code and the program guidelines, which are actually incurred during the program period, for events and activities taking place within the program period, are eligible for funding under this agreement, and any ineligible expenditures or unspent funds shall be forfeited to CITY upon termination of the Agreement.

**4.2 Termination Without Cause.**

(a) This Agreement may be terminated by either party, with or without cause, by giving the other party sixty (60) days advance written notice.

(b) In the event this contract is terminated by either party pursuant to ¶4.2(a), CITY agrees to reimburse GDAC for any contractual obligations undertaken by GDAC in satisfactory performance of those activities specified in ¶¶2.1 and 2.2 above, and that were approved by the Council through the budget, as noted in ¶3.1. This reimbursement is conditioned upon such contractual obligations having been incurred and entered into in the good faith performance of those services contemplated in ¶¶2.1 and 2.2 above, and further conditioned upon such contractual obligations having a term not exceeding the full term of this Agreement. Notwithstanding any provision hereof to the contrary, the obligation of CITY to reimburse GDAC, or to assume the performance of any contractual obligations of GDAC, for or under any contract entered into by GDAC as contemplated herein, shall not exceed 66 2/3% of the current quarterly payment.

(c) Further, upon termination pursuant to ¶4.2(a), GDAC will provide CITY: 1) within ten (10) business days from the termination notification, a short-term budget of probable expenditures for the remaining sixty (60) day period between termination notification and contract termination. This budget will be presented to Council for

approval within ten (10) business days after receipt by CITY. If formal approval is not given within ten (10) business days, the budget does not contain any expenditures that would be prohibited by the Texas Tax Code, and is within the current contractual period approved budget, the budget will be considered approved; 2) within thirty (30) days, a full accounting of all expenditures not previously audited by CITY; 3) within five (5) business days of a request from CITY, a listing of expenditures that have occurred since the last required reporting period; 4) a final accounting of all expenditures and tax funds on the day of termination. GDAC will be obligated to return any unused funds, or funds determined to be used improperly. Any use of remaining funds by GDAC after notification of termination is conditioned upon such contractual obligations having been incurred and entered into in the good faith performance of those services contemplated in ¶¶2.1 and 2.2 above, and further conditioned upon such contractual obligations having a term not exceeding the full term of this Agreement.

**4.3 Automatic Termination.** This Agreement shall automatically terminate upon the occurrence of any of the following events:

- (a) The termination of the legal existence of GDAC;
- (b) The insolvency of GDAC, the filing of a petition in bankruptcy, either voluntarily or involuntarily, or an assignment by GDAC for the benefit of creditors;
- (c) The continuation of a breach of any of the terms or conditions of this Agreement by either CITY or GDAC for more than thirty (30) days after written notice of such breach is given to the breaching party by the other party; or
- (d) The failure of GDAC to submit a financial quarterly report which complies with the reporting procedures required herein and generally accepted accounting principles prior to the beginning of the next contract term, or quarterly as required by ¶1.3 hereof.

**4.4 Right to Immediate Termination Upon Litigation.** Notwithstanding any other provision of this Agreement, to mitigate damages and to preserve evidence and issues for judicial determination, either party shall have the right to terminate this Agreement upon immediate notice to the other party in the event that any person has instituted litigation concerning the activities of the non-terminating party, and the terminating party reasonably believes that such activities are required or prohibited under this Agreement.

**4.5** In the event that this Agreement is terminated pursuant to ¶¶4.3 or 4.4, GDAC agrees to refund any and all unused funds, or funds determined by CITY to have been used improperly, within thirty (30) days after termination of this Agreement.

## **V. GENERAL PROVISIONS**

**5.1 Subcontract for Performance of Services.** Nothing in this Agreement shall prohibit, nor be construed to prohibit, the agreement by GDAC with another private entity, person, or organization for the performance of those services described in ¶2.1 above. In the event that GDAC enters into any arrangement, contractual or otherwise, with such other

entity, person or organization, GDAC shall cause such other entity, person, or organization to adhere to, conform to, and be subject to all provisions, terms, and conditions of this Agreement and to TEX. TAX CODE ch. 351, including reporting requirements, separate funds maintenance, and limitations and prohibitions pertaining to expenditure of the agreed payments and hotel tax funds.

**5.2 Independent Contractor.** GDAC shall operate as an independent contractor as to all services to be performed under this Agreement and not as an officer, agent, servant, or employee of CITY. GDAC shall have exclusive control of its operations and performance of services hereunder, and such persons, entities, or organizations performing the same, and GDAC shall be solely responsible for the acts and omissions of its directors, officers, employees, agents, and subcontractors. GDAC shall not be considered a partner or joint venturer with CITY, nor shall GDAC be considered, nor in any manner hold itself out as, an agent or official representative of CITY.

**5.3 Indemnification.** GDAC AGREES TO INDEMNIFY, HOLD HARMLESS, AND DEFEND CITY, ITS OFFICERS, AGENTS, AND EMPLOYEES FROM AND AGAINST ANY AND ALL CLAIMS OR SUITS FOR INJURIES, DAMAGE, LOSS, OR LIABILITY, OF WHATEVER KIND OR CHARACTER, ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE BY GDAC OF THOSE SERVICES CONTEMPLATED BY THIS AGREEMENT, INCLUDING ALL SUCH CLAIMS OR CAUSES OF ACTION BASED UPON COMMON, CONSTITUTIONAL OR STATUTORY LAW, OR BASED, IN WHOLE OR IN PART, UPON ALLEGATIONS OF NEGLIGENT OR INTENTIONAL ACTS OF GDAC, ITS OFFICERS, EMPLOYEES, AGENTS, SUBCONTRACTORS, LICENSEES AND INVITEES.

**5.4 Assignment.** GDAC shall not assign this Agreement without first obtaining the written consent of CITY.

**5.5 Notice.** Any notice required to be given under this Agreement or any statute, ordinance, or regulation, shall be effective when given in writing and deposited in the United States mail, certified mail, return receipt requested, or by hand-delivery, addressed to the respective parties as follows:

CITY

City Manager  
CITY OF DENTON  
215 E. McKinney  
Denton, TX 76201

GDAC

GREATER DENTON ARTS COUNCIL,  
INC.  
400 E. Hickory  
Denton, TX 76201

**5.6 Inurement.** This Agreement and each provision hereof, and each and every right, duty, obligation, and liability set forth herein shall be binding upon and inure to the benefit and obligation of CITY and GDAC and their respective successors and assigns.



**5.7 Application of Laws.** All terms, conditions, and provisions of this Agreement are subject to all applicable federal laws, state laws, the Charter of the City of Denton, all ordinances passed pursuant thereto, and all judicial determinations relative thereto.

**5.8 Exclusive Agreement.** This Agreement contains the entire understanding and constitutes the entire agreement between the parties hereto concerning the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, express or implied, between or among the parties hereto, relating to the subject matter of this Agreement, which are not fully expressed herein. The terms and conditions of this Agreement shall prevail, notwithstanding any variance in this Agreement from the terms and conditions of any other document relating to this transaction or these transactions.

**5.9 Duplicate Originals.** This Agreement is executed in duplicate originals.

**5.10 Headings.** The headings and subheadings of the various sections and paragraphs of this Agreement are inserted merely for the purpose of convenience and do not express or imply any limitation, definition, or extension of the specific terms of the section and paragraph so designated.

**5.11 Severability.** If any section, subsection, paragraph, sentence, clause, phrase or word in this Agreement, or application thereof to any person or circumstance is held invalid by any court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Agreement, and the parties hereby declare they would have enacted such remaining portions despite any such invalidity.

**5.12 Insurance.** GDAC shall, at a minimum, provide insurance as follows:

1. \$500,000 Commercial General Liability, or \$1,000,000 Event Insurance, covering all events taking place on City-owned property,
2. Statutory Workers' Compensation and Employers' Liability (\$100,000/\$500,000/\$100,000),
3. \$250,000 Liquor/Dram Shop Liability for any event occurring on City-owned property where alcohol will be provided or served, and
4. \$500,000 Business Automobile Liability on any owned, non-owned or hired vehicles.

CITY must be named as an additional insured on all policies (except Workers' Compensation) and proof of coverage shall be submitted prior to any payment by CITY.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

THE CITY OF DENTON, TEXAS

By: \_\_\_\_\_  
TODD HILEMAN,  
CITY MANAGER

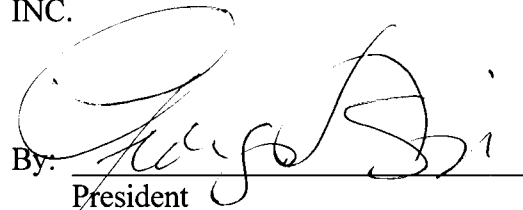
ATTEST:

APPROVED AS TO LEGAL FORM:

By: \_\_\_\_\_  
JENNIFER WALTERS,  
CITY SECRETARY

By: \_\_\_\_\_  
AARON LEAL,  
CITY ATTORNEY

GREATER DENTON ARTS COUNCIL,  
INC.

By: \_\_\_\_\_  
President

ATTEST:

APPROVED AS TO LEGAL FORM:

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_

**Greater Denton Arts Council**  
**Program Year 2018 Budget Request**

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**Advertising**

Website Partial Salary	\$	15,000
Area Arts Partnerships		2,000
Direct Promotion: Print, Internet, News/Mag		4,200
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	\$	21,200

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**Convention Center**

Facility Staff	\$	30,000
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**Art**

Executive Director Partial Salary	\$	33,000
Administrative Staff Partial Salary		10,000
Exhibition Partial Salary		20,000
Exhibition Honorees and Displays		25,000
Office Supplies		5,000
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	\$	93,000

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\$ 144,200