



Agenda Item Report

Legislative Board:	City Council
Date:	August 4, 2026
Contact:	Lysa Gonzales, Tourism Director
Agenda Item ID / Number:	2026-627- / J.1

ITEM TITLE: Deliberation and possible action to consider an Ordinance on first and final reading and to adopt said Ordinance amending Ordinance #2024-48 regarding the Downtown Co-Marketing Grant Program funded through Hotel Occupancy Tax (HOT) (Community Relations and Destination Services Director Lysa Gonzalez and Main Street Program Manager Garret Hope) [PUBLIC TESTIMONY]

1. EXECUTIVE SUMMARY

Staff is requesting City Council approval of revisions to the Downtown Co-Marketing Grant Program. The proposed amendments transition the program from a reimbursement-only grant to a revolving grant model that provides eligible businesses with advance funding for approved marketing projects while maintaining accountability through project compliance requirements.

The revised structure is intended to improve accessibility for small businesses that may not have the financial resources to pay marketing expenses upfront while continuing to ensure that Hotel Occupancy Tax (HOT) funds are used in accordance with state law and City requirements. The revisions also modernize the grant guidelines, clarify eligibility requirements, establish standardized compliance procedures, and improve overall program administration.

2. BACKGROUND/HISTORY

The Downtown Co-Marketing Grant Program was established in 2018 as a reimbursement-based marketing grant funded through Hotel Occupancy Tax (HOT) revenues. Since its inception, eligible downtown businesses have been required to pay for approved marketing activities in advance and submit documentation for reimbursement after the project has been completed.

Each year, an average of eight businesses utilize the grant and generally do not reach the full \$3,000 reimbursement amount. Staff reached out to businesses to find out more information about grant utilization and non-utilization. Through discussions with downtown businesses, staff identified that the reimbursement requirement can create a financial barrier for some small businesses that may not have sufficient cash flow to invest in marketing before receiving reimbursement. In response, staff evaluated the existing program and developed a revised funding structure that better supports local businesses while maintaining appropriate oversight and accountability for the use of public funds.

The proposed amendments also reorganize and modernize the grant guidelines to provide clearer eligibility requirements, standardized administrative procedures, and improved consistency

throughout the program.

3. ANALYSIS

The proposed amendments convert the Downtown Co-Marketing Grant Program from a reimbursement model to a revolving grant model.

Under the revised program, applicants may receive advance funding of up to \$1,000 for an approved marketing project. Upon successful completion of the project and verification that all grant requirements have been met, applicants become eligible to apply for funding for additional marketing projects during the same fiscal year, up to the annual maximum grant award of \$3,000.

The revised program maintains strong administrative controls by requiring:

- Pre-approval of all marketing projects.
- Execution of a grant agreement before funds are distributed.
- Submission of proof of payment and documentation demonstrating the marketing campaign was completed.
- Staff compliance review prior to future funding eligibility.
- Repayment of grant funds when required for non-compliance or unapproved expenditures.

To balance improved accessibility with responsible stewardship of public funds, the maximum advance for any individual project remains capped at \$1,000. Limiting the advance amount reduces the City's financial exposure on any single project while allowing businesses to access marketing funds that may otherwise be unavailable to them. Projects with eligible costs exceeding \$1,000 may receive reimbursement for additional approved expenses after successful completion of the project and verification of compliance with all program requirements.

4. FINANCIAL IMPACT

The proposed FY 2027 budget includes \$15,000 for the Downtown Co-Marketing Grant Program.

No additional funding is requested.

Under the proposed revolving funding structure, the City's maximum advance on any individual marketing project is limited to \$1,000, or less if the approved marketing proposal requests a smaller amount. This approach allows businesses greater access to marketing funding while limiting the City's financial exposure on any single project.

5. STRATEGIC PLAN/GOALS

BALANCED AND INTENTIONAL GROWTH

6. STRATEGIC PLAN OBJECTIVES

Retain and grow local businesses in Buda

7. PROS AND CONS

Pros

- Improves access to marketing funds for small downtown businesses
- Reduces the financial barrier associated with reimbursement-only grants
- Maintains accountability through grant agreements, compliance reviews, and required documentation
- Modernizes and standardizes the grant guidelines
- Encourages continued investment in tourism marketing throughout the fiscal year
- Maintains a limited financial exposure of up to \$1,000 per project

Cons

- Requires staff to administer advance funding and compliance reviews rather than a reimbursement-only process
- Advances public funds before project completion, requiring continued monitoring to ensure compliance

8. ALTERNATIVES

Maintain the existing Downtown Co-Marketing Grant Program as a reimbursement-only grant without adopting the proposed amendments.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends approval of the amended ordinance for the Downtown Co-Marketing Grant on the first and final reading.

Attachments:

[Presentation - 2026 Downtown Co-Marketing Grant Update.pdf](#)

[Ordinance - DRAFT 2026 ORD Amendment Downtown Co-Marketing Grant Program.docx](#)

[DRAFT 2026 Downtown Co-Marketing Grant Guidelines.docx](#)