

May 29, 2020 Meeting

# **ROOM TAX COMMISSION**

# VIRTUAL MEETING INSTRUCTIONS

1. Written Comments: You can send comments on agenda items to [finance@cityofmadison.com](mailto:finance@cityofmadison.com).
2. Register but Do Not Speak: You can register your support or opposition to an agenda item at <https://www.cityofmadison.com/MeetingRegistration>.
3. Register to Speak or to Answer Questions: If you wish to speak at the virtual meeting on an agenda item, you must register. You can register at <https://www.cityofmadison.com/MeetingRegistration>. When you register to speak, you will be sent an email with the information you will need to join the virtual meeting.
4. Watch the Meeting: You can call-in or watch the Room Tax Commission meeting in several ways: • Livestream on the Madison City Channel • Livestream on the City of Madison YouTube channel • Television: Watch live on Spectrum channel 994 and AT&T U-Verse channel 99 • Listen to audio via phone: (877) 853-5257 (Toll Free) Webinar ID: 968 0402 1997

# AGENDA

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1. Discussion with Mayor Satya Rhodes-Conway (60607)
2. Presentation by Major Recipients of Room Tax Commission Funds (60608)
3. 2019 Financial Performance and 2020 Economic and Fiscal Outlook (60609)
4. Briefing on Legal Issues (60610)
5. Options for Balancing 2020 Revenues and Expenditures (60611)
6. Amending the 2020 Adopted Room Tax Commission Budget (60612)



**MAYOR SATYA RHODES-CONWAY**

# PRESENTATION – DESTINATION MADISON

# PRESENTATION – OVERTURE

# PRESENTATION – MONONA TERRACE

# PRESENTATION - CITIARTS



# **2019 FINANCIAL PERFORMANCE**

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## **2020 ECONOMIC AND FISCAL OUTLOOK**

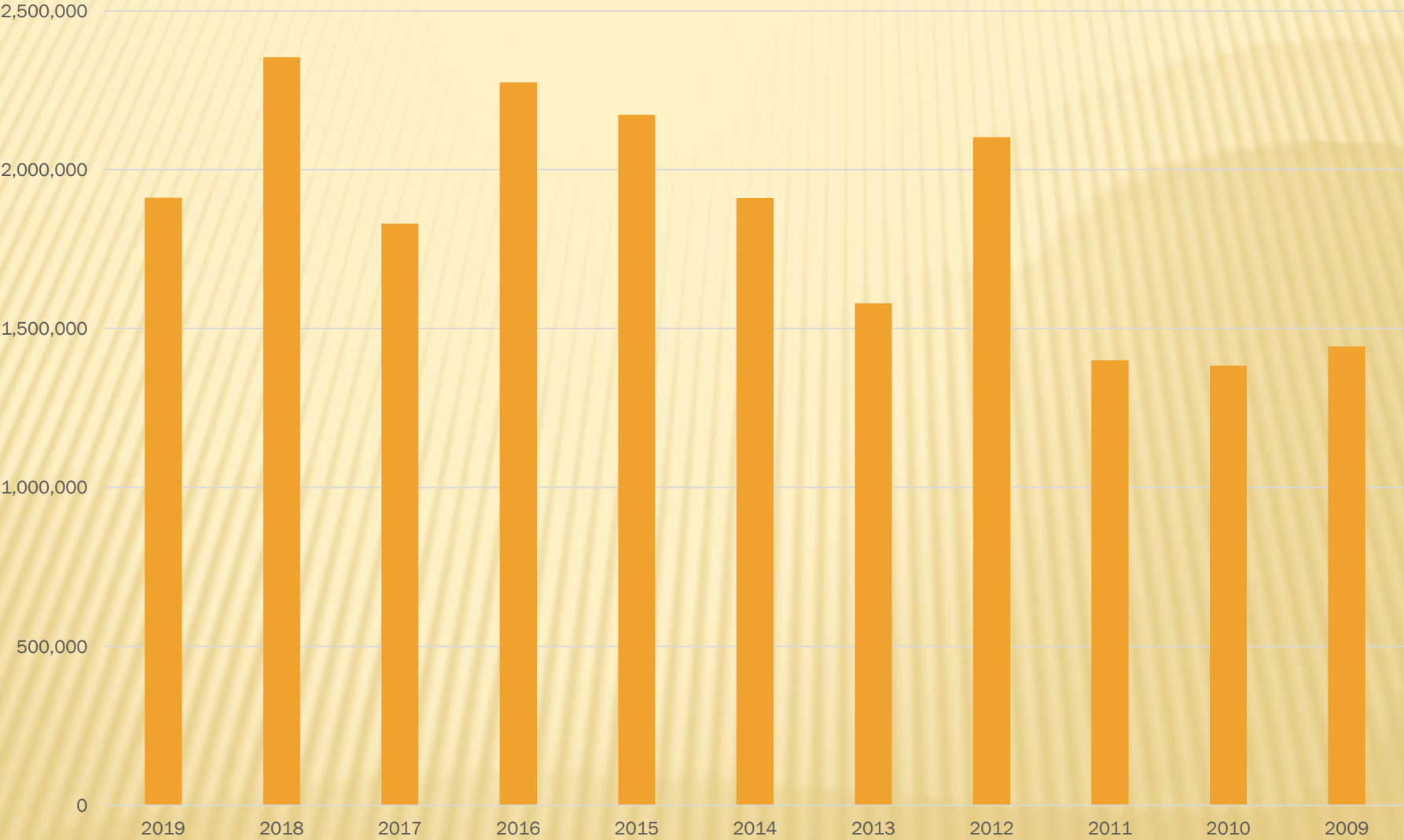
# 2019 FINANCIAL PERFORMANCE

# 2019 PERFORMANCE – BUDGET TO ACTUAL

*2019 performance generally positive.*

- ✖ Revenues – up \$129,708 (5.8% over 2018)
- ✖ Expenses – down \$240,830
  - + MT – \$420,654 under budget (primarily capital)
  - + Dest. Madison – \$229,929 over budget (calculation error corrected in January 2020 payment)
  - + City Tourism Marketing – \$50,105 under budget
- ✖ Net Fund Balance – down \$40,326
  - + Committed to MT Capital – up \$383,785
  - + Committed to Event Assistance – up \$6,275

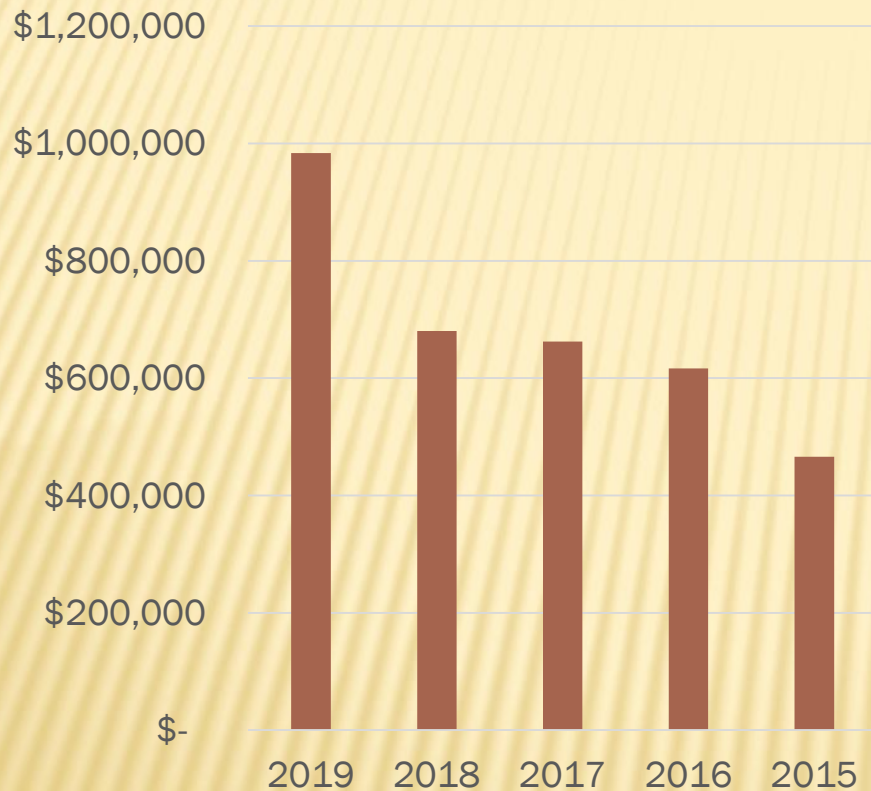
# Monona Terrace Cumulative Reserves



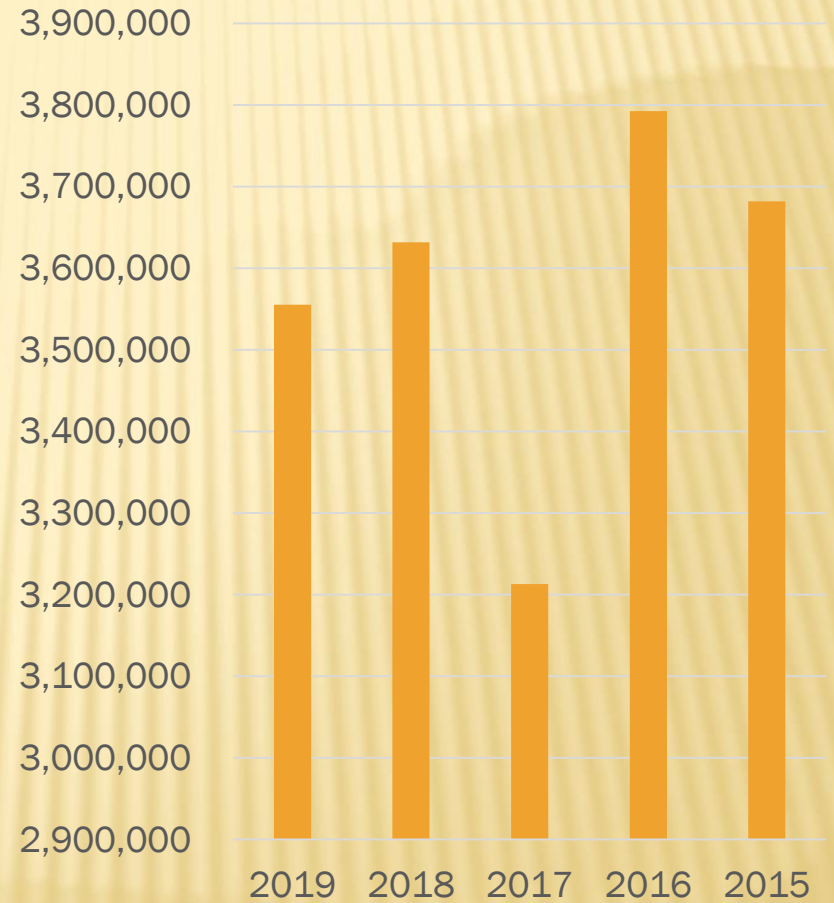


## Other Monona Terrace Financial Indicators

Unspent Capital Appropriations  
reserved in Room Tax Fund



Year-End Cash Balances

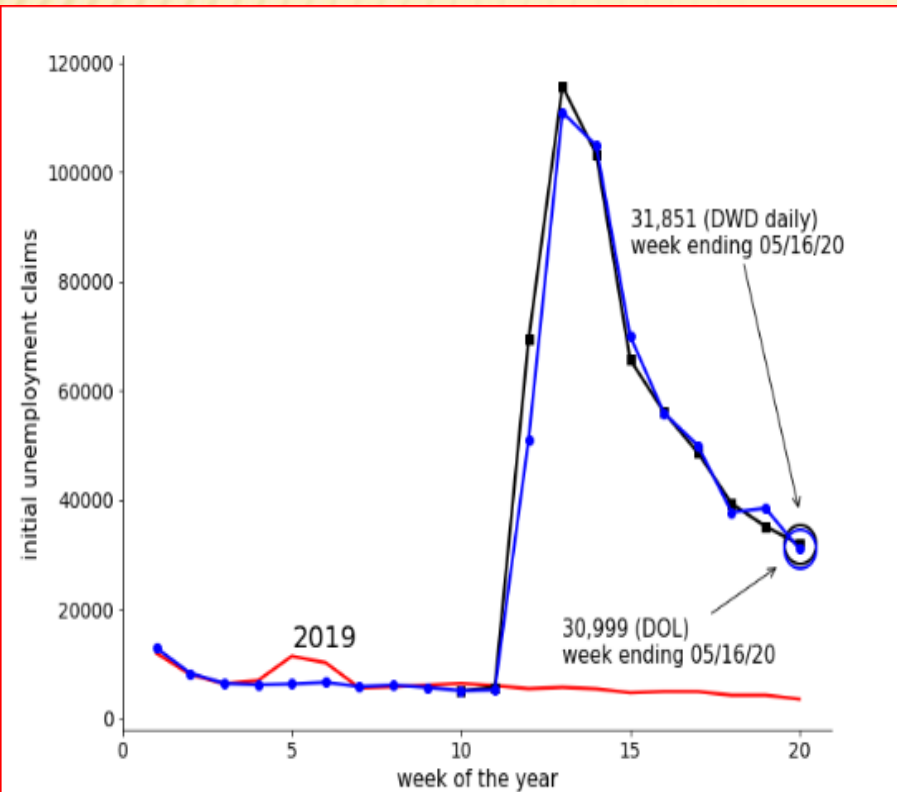


# 2020 ECONOMIC CONDITION

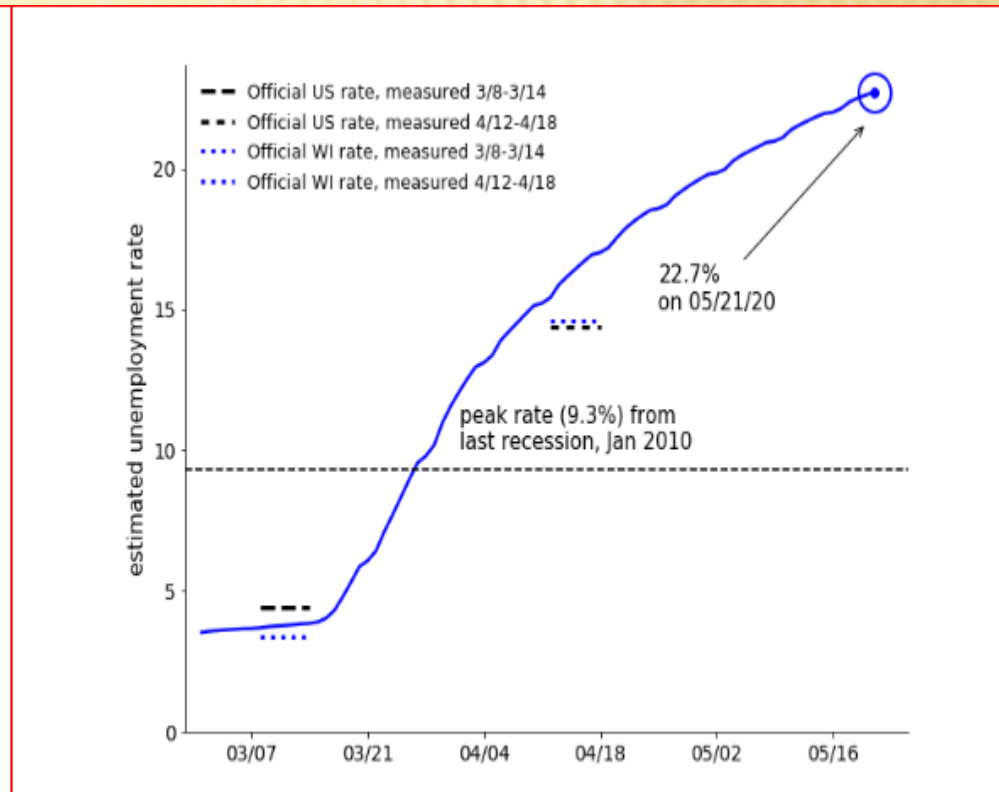
# HISTORIC UNEMPLOYMENT LEVELS

- ✗ Officially 14.7% unemployment rate in April – closer to 23% due to incorrect classification of workers as absent rather than laid off and historic drop in labor force participation.
- ✗ Great Depression unemployment rate reached 25%
- ✗ Over 30 million people have lost their jobs since mid-March – 19% of workforce

# Wisconsin Unemployment rate over 20%



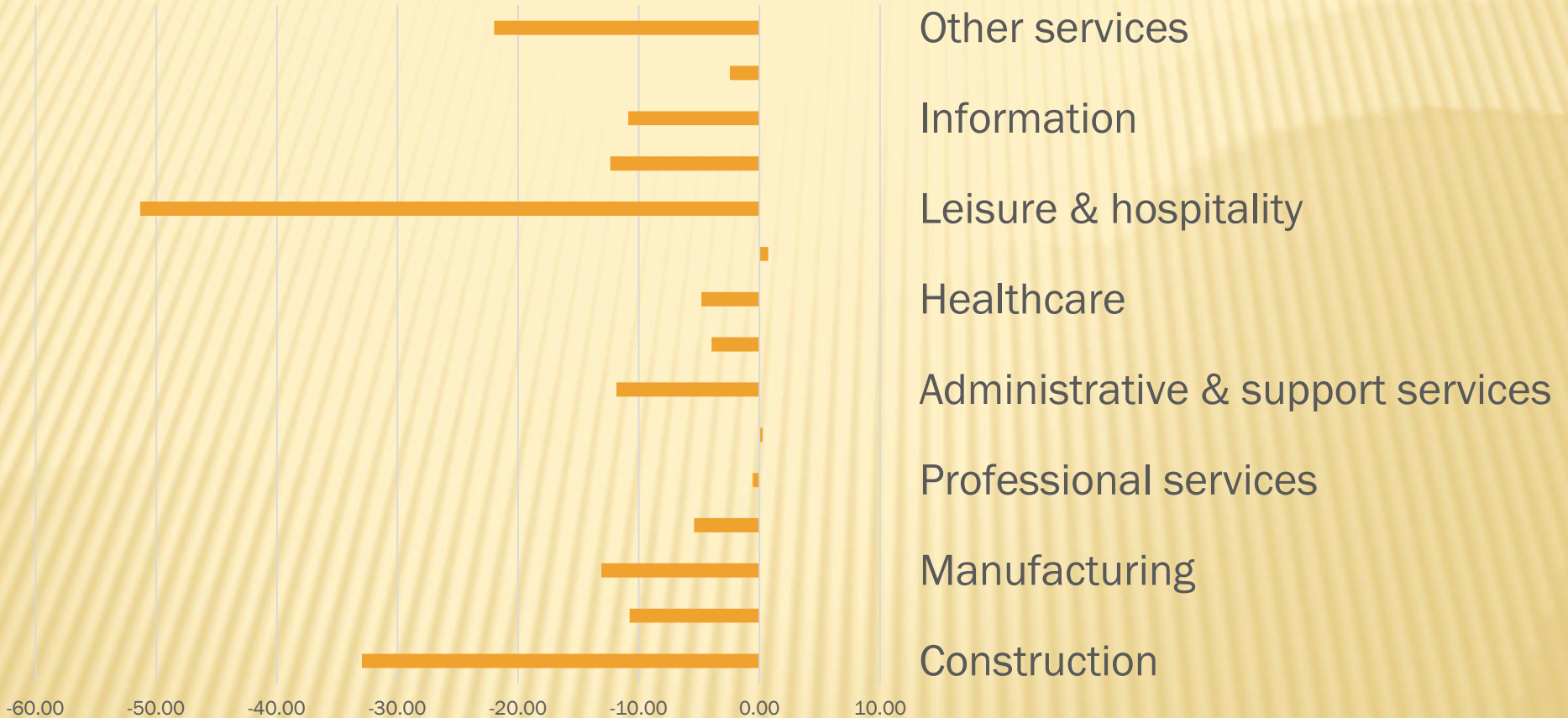
Wisconsin initial unemployment claims, weekly, Kim Ruhl, 22 May, 2020



Estimated Wisconsin unemployment rate, daily, Kim Ruhl, 22 May, 2020.

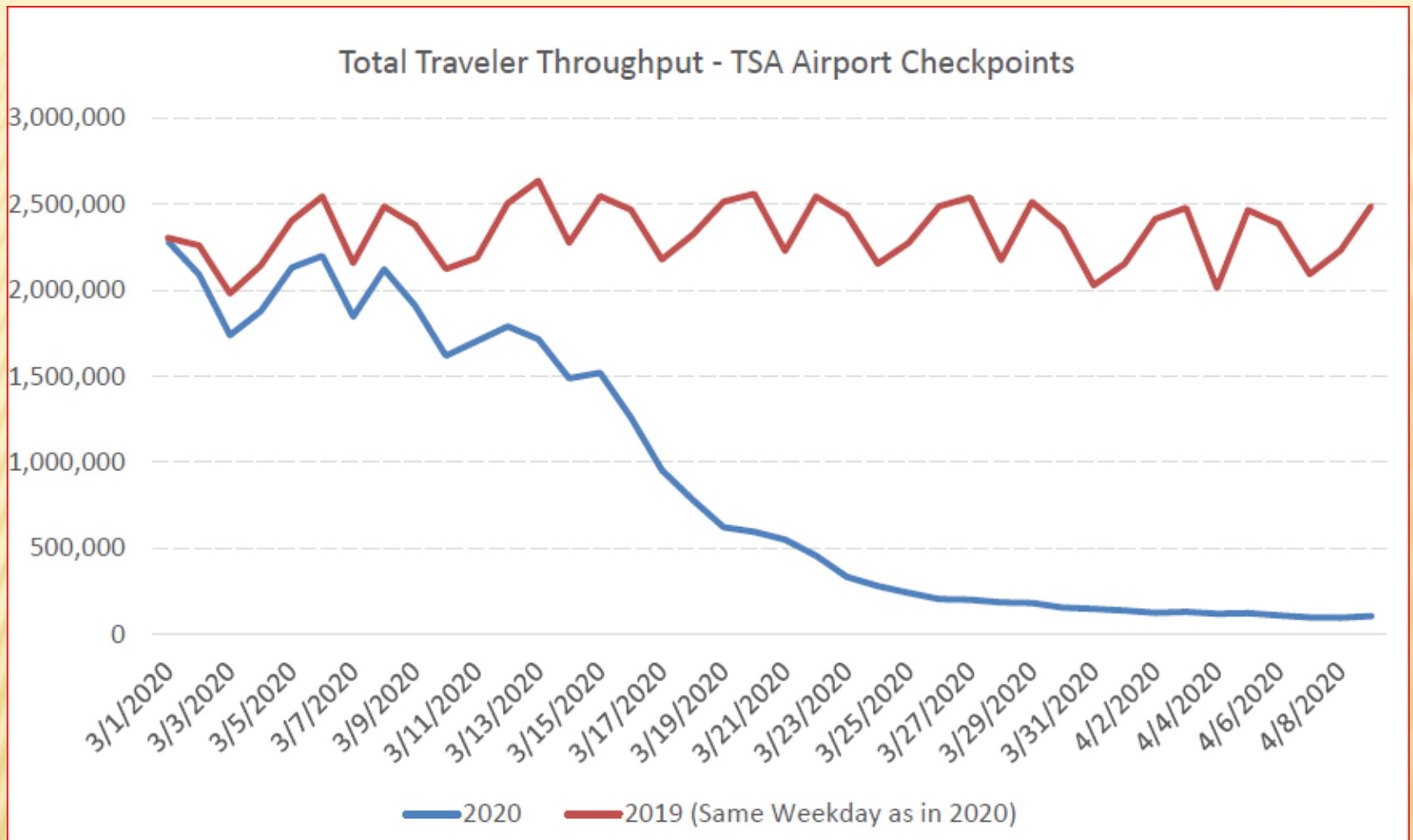


## Change by Employment Sector – March 2020 to April 2020

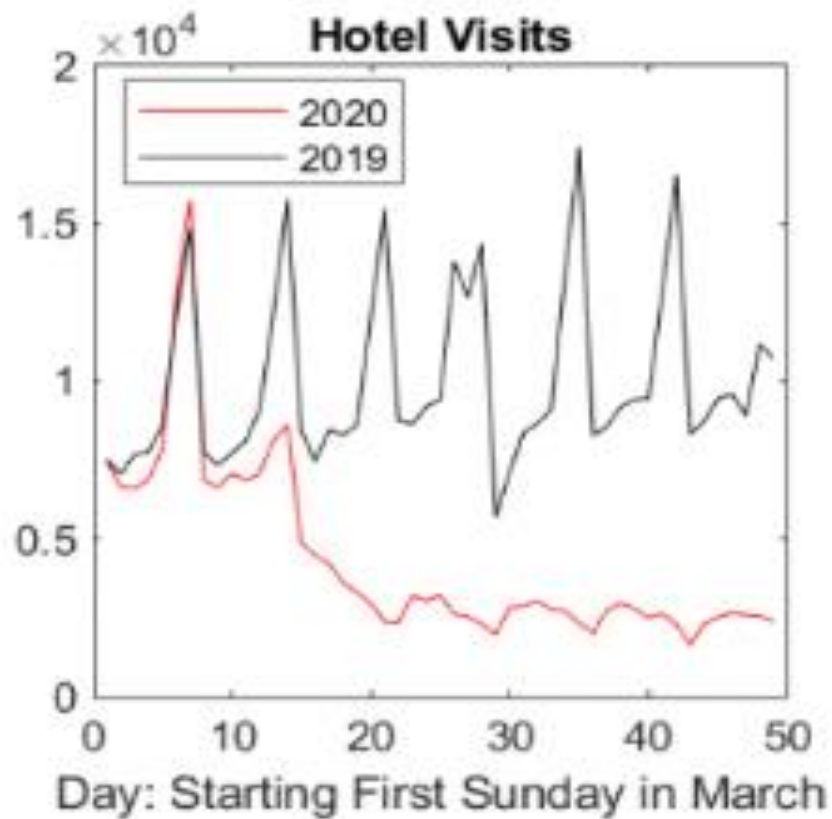


# COVID-19 COULD SHUTTER MANY SMALL BUSINESSES

- ✖ 52% will be out of business within 6 months
- ✖ 54% have laid off employees; another 22% have furloughed employees
- ✖ 62% report a decrease in revenue; 12% report an increase
  - + 10% to 30% decrease – 47%
  - + Over 30% decrease – 41%
  - + 100% decrease – 13%
- ✖ Society for Human Resources Management Survey (375 small businesses)



Dane County Regional Airport – typical day – 2,000 passengers; recent – 60 passengers



UW-Madison Center for Research on Wisconsin Economy



# Lodging Revenue Projections

## Top 24 Markets

### Best Case: Total Forecasted Revenues

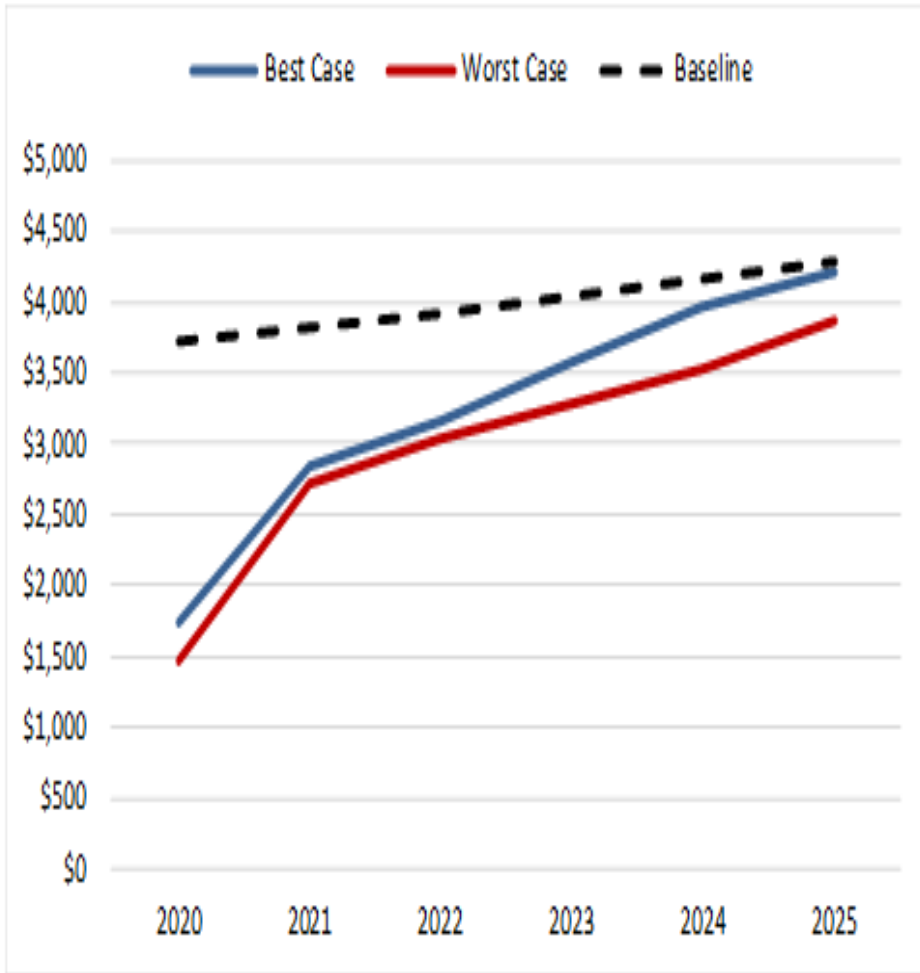
	Base Year	Best Case - Revenue Change (millions)					
	2019	2020	2021	2022	2023	2024	2025
Best Case Scenario	\$3,656	\$1,742	\$2,834	\$3,165	\$3,579	\$3,974	\$4,214
Baseline	3,656	3,725	3,811	3,925	4,043	4,164	4,289
Decline from Baseline		(\$1,983)	(\$977)	(\$760)	(\$463)	(\$190)	(\$75)
Percent Change (From Prior Year)		-52.35%	62.69%	11.68%	13.08%	11.04%	6.04%

Source: HVS

### Worst Case: Total Forecasted Revenues

	Base Year	Worst Case - Revenue Change (millions)					
	2019	2020	2021	2022	2023	2024	2025
Worst Case Scenario	\$3,656	\$1,468	\$2,716	\$3,023	\$3,290	\$3,533	\$3,870
Baseline	3,656	3,725	3,811	3,925	4,043	4,164	4,289
Decline from Baseline		(\$2,257)	(\$1,095)	(\$902)	(\$753)	(\$631)	(\$419)
Percent Change (From Prior Year)		-59.85%	85.01%	11.30%	8.83%	7.39%	9.54%

### Lodging Tax Revenues Forecast (\$ millions)



Source: HVS

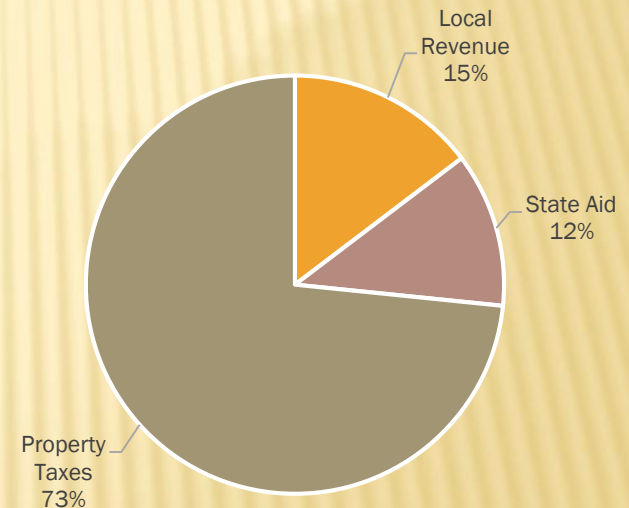
# CITY GENERAL AND ROOM TAX FUNDS

# GENERAL FUND REVENUE - 2020

**Total Budgeted Revenue=\$340.7m**

- 73% (or \$250.0m) -- property tax -- assume this full amount will be realized (tax bills sent-collections underway)
- 12% (or \$40.7m) – state aid -No projected cuts in 2020
- 15% (or \$49.9m) other sources – more susceptible to immediate economic effects
  - Total Projected Revenue loss from these sources=\$10.0m
    - ✗ Ambulance Conveyance Fees: \$1.2m deficit (Down 15%)
    - ✗ Licenses and Permits: \$1.5m deficit (Down 21%)
    - ✗ Fines (traffic and parking): \$1.5 million (Down 25%)
    - ✗ Room Tax: \$3.0m deficit (Down 50%)
    - ✗ Interest Revenue: \$2.25m deficit (Down 56%)

General Fund Budget by Funding Source



# CITY ADMINISTRATIVE ACTIONS

## Immediate Hiring Freeze on All Positions, with some exceptions for essential services

- *Potential Savings=\$1.5m*
- Recommended guidance for filling positions:
  - Any positions newly created in the 2020 budget and not yet filled are on hold indefinitely.
  - Filling positions that do not result in backfill overtime should be suspended.
  - Before filling positions that may result in backfill overtime, agencies should consider service delivery changes that can accommodate providing the service with fewer positions.
  - Requests subject to Mayoral approval.

## Seasonal/Hourly Staffing

- *Potential Savings=\$1.2-\$2.5m*
- Seasonal staffing requests need to be submitted to the Mayor's Office for approval.
- Wherever possible, activities performed by seasonal hourly staff should be performed by redeployed City staff.
- Hourly hiring for activities that will be impacted by reduced service levels should be not pursued.

## Halt all non-essential supplies and purchased services spending.

- *Potential Savings=\$500-\$1.0m*
- Focus spending on COVID response and any associated work environment changes.
- Management and consulting contracts require Mayor's Office approval.
- P-card transactions will be closely monitored and agency heads asked for justification of non-essential expenditures.



# 2021 PRELIMINARY OUTLOOK-GENERAL & LIBRARY FUNDS

Gen Fund  
Revenue:  
-11.0%

Property Tax  
+3.2%

GF Expenditures:  
+6.75%

2020 Adopted Budget	\$340,708,133
2021 Projected Costs	373,708,133
Projected Expenditure Increase	23,000,000
Projected Reduction in General Fund Revenues	10,000,000
Gap before Levy Increase	\$33,000,000
Allowable Levy Growth	-8,000,000
Gap	\$25,000,000

## Overall Outlook=\$25m Deficit

- GF Revenue is projected to *DECLINE* by 7.8% while expenditures projected to *INCREASE* by 6.75%
- Projection assumes net new construction is similar to prior years and the levy limit is maxed out

# Room Tax Revenues



# BRIEFING ON LEGAL ISSUES

# OPTIONS FOR BALANCING 2020 BUDGET

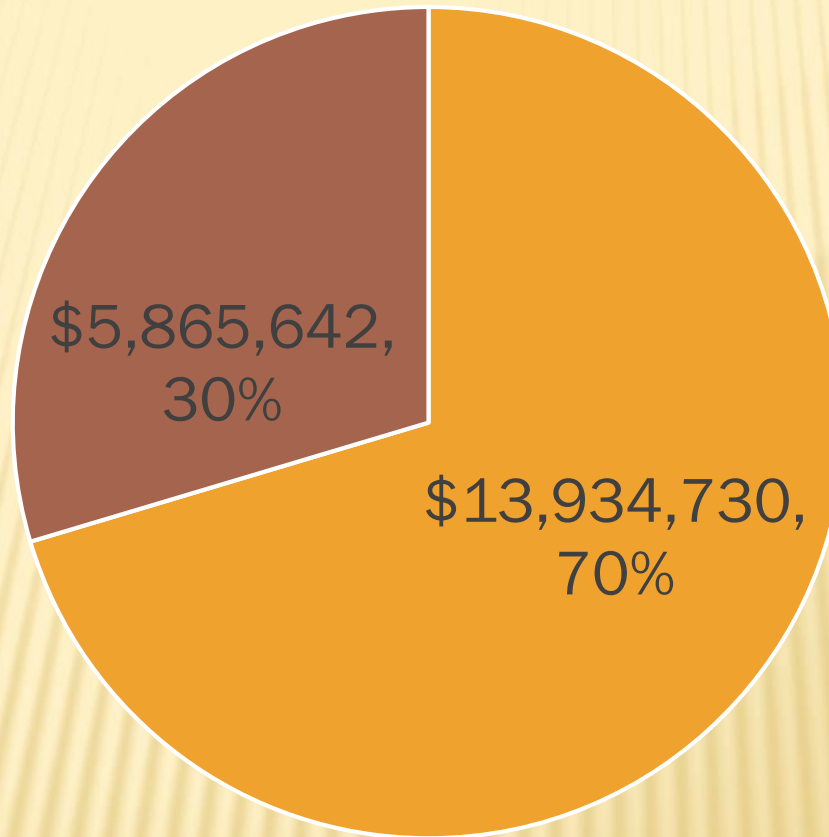


# BACKGROUND

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- ✘ State law limits room tax to 8%, unless there is a convention center. Madison has a 10% rate.
- ✘ City's room tax primarily set up in early 1990s to subsidize construction and operation of Monona Terrace.
- ✘ State law requires at least 70% of room tax be used for three purposes that are significantly used by transient tourists and reasonably likely to generate paid overnight stays:
  - + Tourism marketing projects.
  - + Transient tourism information services
  - + Tangible municipal development, including a convention center.
- ✘ Destination Madison contract generally based on a set percentage of prior year room taxes (28% in 2020)
- ✘ Overture Structural Agreement and Annual Funding Contract – paid from room taxes.
- ✘ City General Fund receives 30% of room taxes

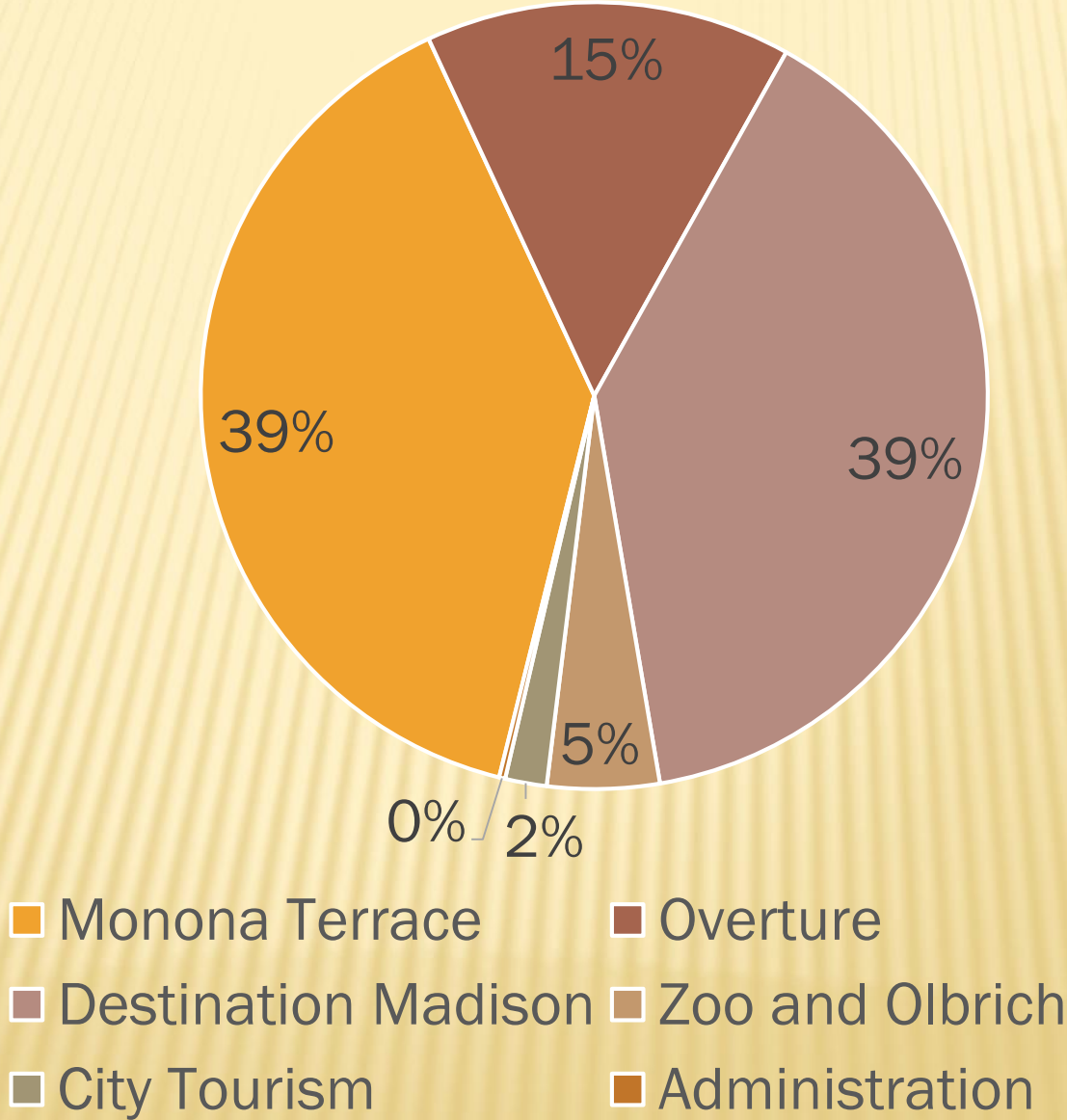
## Room Tax Revenues -- 2020 Adopted Budget



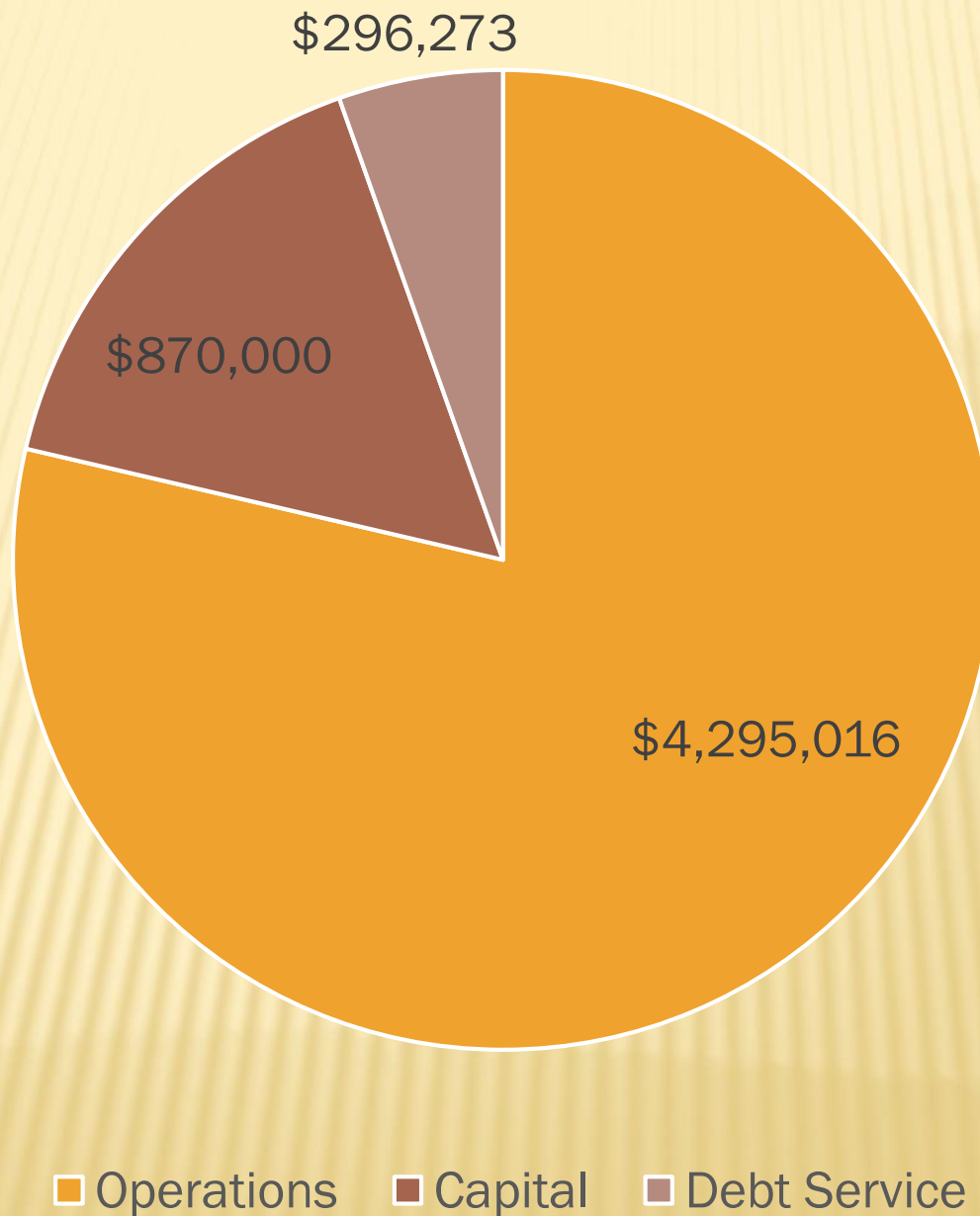
Room Tax Commission

City General Fund

Room Tax Commission Allocations -- 2020 Adopted Budget



# Allocation of Monona Terrace Subsidy -- 2020 Adopted Budget





# REVENUES/EXPENDITURES TO DATE

- ✖ Revenues -- \$1.4 million collected
  - + Down 57% from 2019 Q1
  - + 20% to 25% of hotels appear to have deferred Q1 payments to July 31.
- ✖ Expenditures -- \$2.8 million spent
  - + Overture -- \$1.05 million (January payment)
  - + Destination Madison -- \$1.76 million (through May)
  - + Make Music Madison -- \$10,000 (planning)

# ANTICIPATED FINANCIAL CONDITION

- ✖ 2020 room taxes down 50% from 2019
  - + \$10.1 million drop from 2020 budget
    - ✖ General Fund share down \$3 million
    - ✖ Room Tax Commission share down \$7.1 million
- ✖ \$7.0 million deficit between 2020 adopted allocations and projected revenues.

# DISCUSSION OF OPTIONS

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- ✖ 50% reduction in allocations
  - + No further payments to Overture (\$1.045m)
  - + Monona Terrace -- \$2.7 million
  - + Olbrich/Zoo -- \$321,176
  - + Destination Madison -- \$2.7 million
  - + City Tourism -- \$118,750
    - ✖ 28% reduction in music/arts
    - ✖ 70% reduction in civic conferences/promotion
    - ✖ 50% reduction in Sister Cities
    - ✖ No funding for WIAA or Shake the Lake

# OTHER OPTIONS

Option % reduction (Change from 50%)	25% Reduction to Destination Madison	25% Reduction to Overture and Destination Madison	25% Reduction to Monona Terrace
Overture	50%	25% (+525k)	50%
Monona Terrace	75% (-\$1.4m)	80%+ (-\$1.7m)	25% (+\$1.4m)
Olbrich/Zoo	75% (-\$160k)	80%+ (-\$200k)	70% (-\$130k)
Destination Madison	25% (+\$1.4m)	25% (+\$1.4m)	70% (-\$1.1m)
City Tourism	75% (-\$60k)	80%+ (-\$75k)	70% (-\$50k)



# ACTION ON 2020 BUDGET

# CONSIDERATIONS

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- ✘ Remaining 2020 revenues collected in August, November, February.
- ✘ Expenditures occur monthly; Overture second payment September 1.
- ✘ Recipient planning needs.