



MADISON INNKEEPERS
Recommendations for Future of City of Madison TOT Rate & Distribution

After carefully reviewing the findings of the TOT study we commissioned and, conferring with industry leaders, we have established the following recommendations with corresponding illustrations or comments and/or supporting documentation.

Recommendation	Additional Information	TOT Study References and Other Supporting Information
<p>#1 Minimum of five (5) year contract for destination marketing with GMCVB (FY 2007 thru FY 2011) with an automatic one (1) year rolling renewal. The base language for this contract would include the funding mechanism formula as set forth in our destination marketing funding recommendation (see below).</p>	<p>A minimum 5 year contract period is required to:</p> <ul style="list-style-type: none"> • Provide stability and predictability for destination marketing planning; • Allow time for new funding to be invested and put to work in marketing and sales programs 	<p>Case studies, pages 28 thru 35 illustrate variations of the need for multiple years to provide meaningful ROI measurements.</p> <p>The GMCVB estimates it takes a minimum of 3 years to be able to develop meaningful measurements from sales or marketing investments.</p>

<p>#2 Increase City of Madison TOT rate from 8% to 9%.</p>	<p>The GMCVB (the city and community’s official DMO/Destination Marketing Organization) is clearly under-funded for a market with two major convention facilities and, for the goals/expectations set forth by its stakeholders.</p> <p>Raising room tax is not the first “choice” of the innkeeper community for solving destination marketing funding issues.</p> <p>However, we believe it is:</p> <ul style="list-style-type: none"> • the most practical recommendation at this point • will provide the most substantial (see below) and immediate funding results for destination marketing purposes • provides the strongest opportunity for consistent, future positive TOT fund balances 	<p>References to competitive budgets are made on page 3 and in chart on page 16 of study. Both illustrate competitive budgets and our destination’s clear disadvantage within our competitive set.</p> <p>Raising room tax is a risk. Within our region, raising the tax to 9% will put Madison in the top tier of our national and regional competitive destination set related to hotel check-out rates. See charts on pages 19, 20 & 21.</p> <p>We contend that the increase in room tax will be counteracted with anticipated, additional, new business as supported by:</p> <ul style="list-style-type: none"> • case study data (pages 4 and 28-34) which illustrates that an increase in destination marketing funding has a corresponding, positive impact on generating new room night business for destinations; and • past GMCVB booking pace and success when additional sales/marketing dollars have been available
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<p>#3 Effective January 1, 2007, City of Madison will dedicate 20% of all annual TOT contributions to destination marketing via GMCVB. This percentage is in addition to the \$100,000 in annual Event Assistance Funding and direct funding GMCVB receives via a reimbursable marketing program from Monona Terrace. {Note: We recommend utilizing the prior year's TOT collections for the annual funding formula.}</p>	<p>Establishing a formula for destination marketing funding is essential. This achieves the following:</p> <ul style="list-style-type: none"> • Ties funding to the revenue mechanism the tourism industry generates • Creates a predictable and stable funding foundation from which the GMCVB can develop and implement its annual Program of Work • This increase nets an approximately additional \$450,000 in destination marketing funding, moving the GMCVB 50% closer to its target goal of \$3 million total budget (currently the city contributes approximately \$1 million to the GMCVB for destination marketing) 	<p>The study (pages 22, 23) clearly points to room tax allocations to CVBs.</p> <ul style="list-style-type: none"> • In all comparisons, our CVB is funded at a much lower (16%) percentage of the TOT collections than its competitors and with this increase (39.4%). <p>While we would recommend a higher investment level, until other distribution channels are eliminated or altered, this cannot be achieved in Madison.</p>
<p>#4 The City will continue to respect the language of the TOT ordinance, by investing its non-designated portion of the room tax to tourism and convention related activities.</p>	<p>The additional, new money the increased TOT rate will generate (for the City) will allow the City to invest in this destination in a variety of ways and/or cover existing City budget items, which relate to tourism while keeping the city (destination product) competitive.</p>	
<p>#5 The Innkeepers recommend that the TOT Oversight Committee become reactivated in late 2007 or 2008 to further analyze TOT distribution/utilization.</p>		