

August 14, 2017 Meeting

# **ROOM TAX COMMISSION**

# AGENDA

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- ✘ 2017 Room Tax Collections and Projection
- ✘ Long-Term Financial Outlook
- ✘ 2018 Budget
- ✘ Presentations – Overture, CVB, City Arts, MT
- ✘ Overture Contract
- ✘ GMCVB Contract
- ✘ Wrap Up and Next Meeting

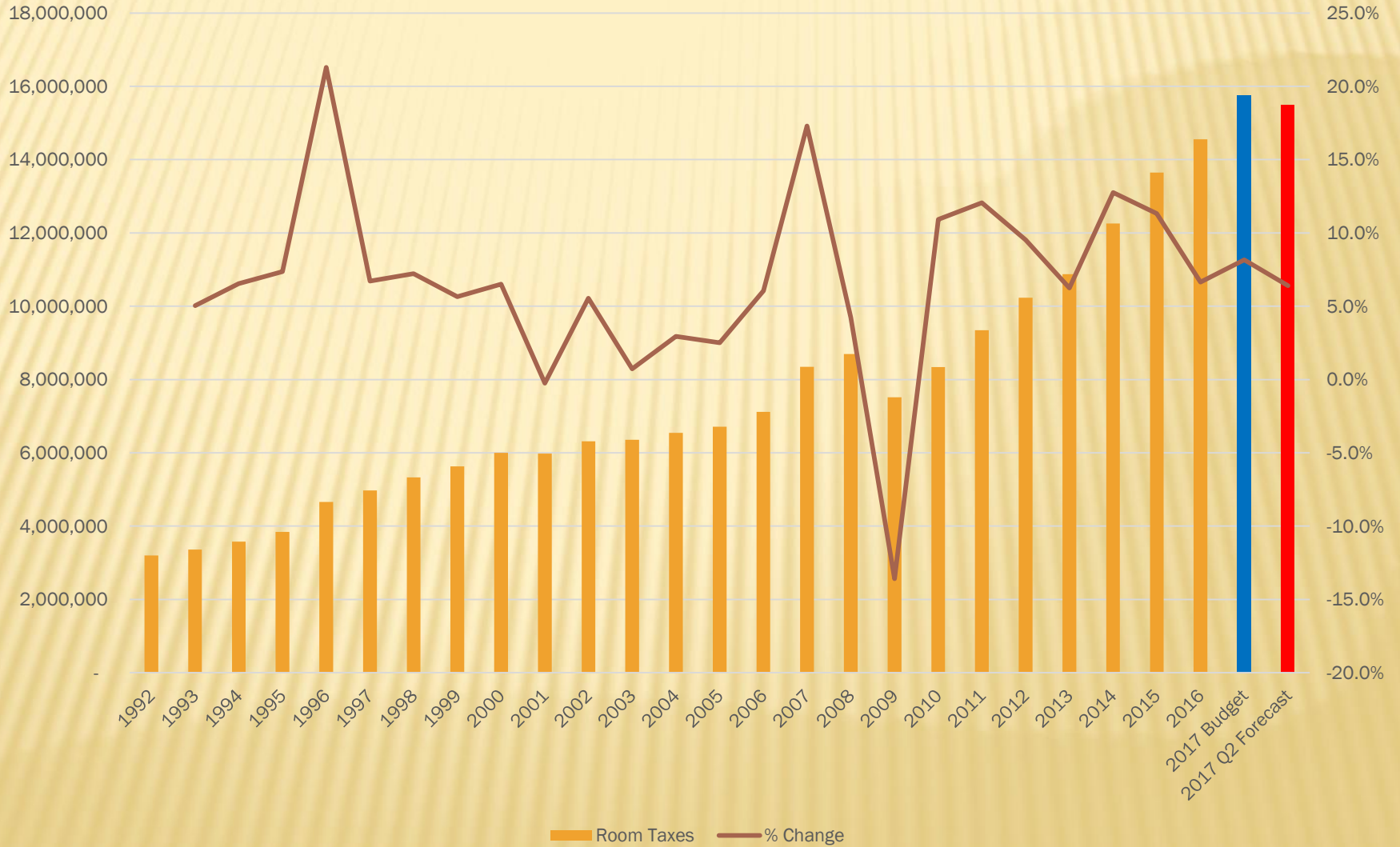
# ROOM TAX COLLECTIONS AND FORECAST

# ROOM TAX COLLECTIONS – 2017

- ✘ 2017 Budget -- \$15,744,615
  - + 8% over 2016 Final Collections
- ✘ 2017 Second Quarter -- \$4,055,422
  - + 5.9% more than 2016 Q2; 2.85% year/year
  - + Need 12% growth for remainder of year to meet budget; projections for new properties reduce that to 6%; 2016 2 quarters v 2015 2 quarters was 6.4%
  - + Based on 5 year trends and new properties, collections could be short of budget by \$250,000 (6.4% increase over 2016).



# ROOM TAXES



# ROOM TAX COLLECTIONS - 2017

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- ✘ AC Hotel in Q2 Collections (May opening)
- ✘ Air BnB in Q2 Collections (May)
- ✘ Park Hotel renovations complete.
- ✘ Slow growth in existing properties.

# 2017 PROJECTED ROOM TAX FUND CONDITION

Compared with 2017 budget:

- ✘ Revenues down \$250,000.
- ✘ Expenditures / Set-Asides down \$311,000
  - + GMCVB marketing down \$20,000 due to lower 2016 revenues
  - + City Tourism Marketing down \$20,000
  - + Transient Tourism Rooming Houses Enforcement down \$38,000 compared with budget
  - + General Fund share down \$75,000
  - + MT and Event Booking set-asides down \$150,000
- ✘ 2017 Projected Balance = \$142,000 (up \$66,000)

# LONG-TERM FINANCIAL FORECAST



# 2018 TO 2023 FORECAST ASSUMPTIONS

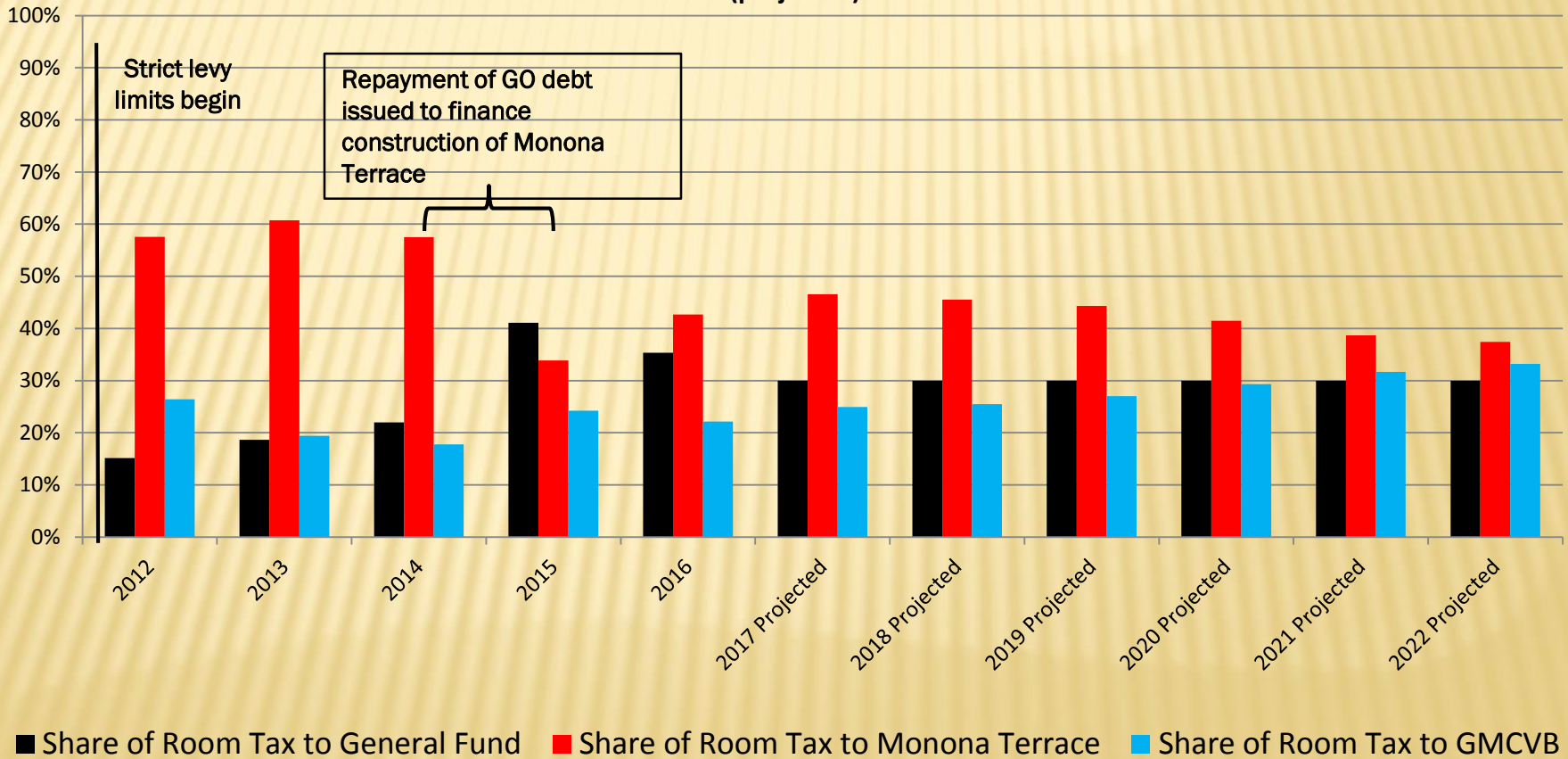
- ✘ 2017 falls \$250,000 short of budget; average growth since 2009 has been 10%.
- ✘ Monona Terrace operating subsidy grows at 3%; implement City internal services cost allocation.
- ✘ Monona Terrace capital needs based on 2018 CIP through 2022.
- ✘ Monona Terrace construction bond paid off in 2020.
- ✘ GMCVB share increases 2% annually from 24% in 2017 to 35% by 2023.
- ✘ Overture subsidy remains at \$1.9 million.
- ✘ Olbrich Gardens and Zoo subsidies of \$642,000 shifted to General Fund.

# GMCVB AND GENERAL FUND

	GMCVB @ 2% Rev Growth	GMCVB @ 5% Rev Growth	General Fund @2% Rev Growth	General Fund @5% Rev Growth
2016 Actual	\$3,197,655	\$3,197,655	\$5,146,194	\$5,146,194
2017 Budget	3,714,680	3,714,680	4,726,020	4,726,020
2018	4,228,600	4,228,600	4,662,500	4,801,700
2019	4,625,400	4,755,320	4,757,300	5,045,600
2020	5,036,300	5,324,600	4,853,900	5,301,800
2021	5,461,760	5,939,520	4,952,600	5,570,900
2022	5,902,480	6,603,220	5,053,100	5,853,500
2023	6,187,450	7,121,250	5,155,700	6,150,200

# SHARE OF ROOM TAX

**Distribution of Room Tax  
2012 to 2022  
(projected)**



# FORECAST- RTC FUND BALANCE

Average Growth	2%	5%	7%
2018	-\$875,000	-\$600,000	-\$350,000
2019	-\$1,300,000	-\$800,000	-\$450,000
2020	-\$1,200,000	-\$500,000	\$0
2021	-\$1,200,000	-\$200,000	+\$500,000
2022	-\$1,600,000	-\$400,000	+\$500,000



# 2018 BUDGET OVERVIEW AND DISCUSSION

# 2018 OVERVIEW

Based on these projections the property tax levy impact would be:

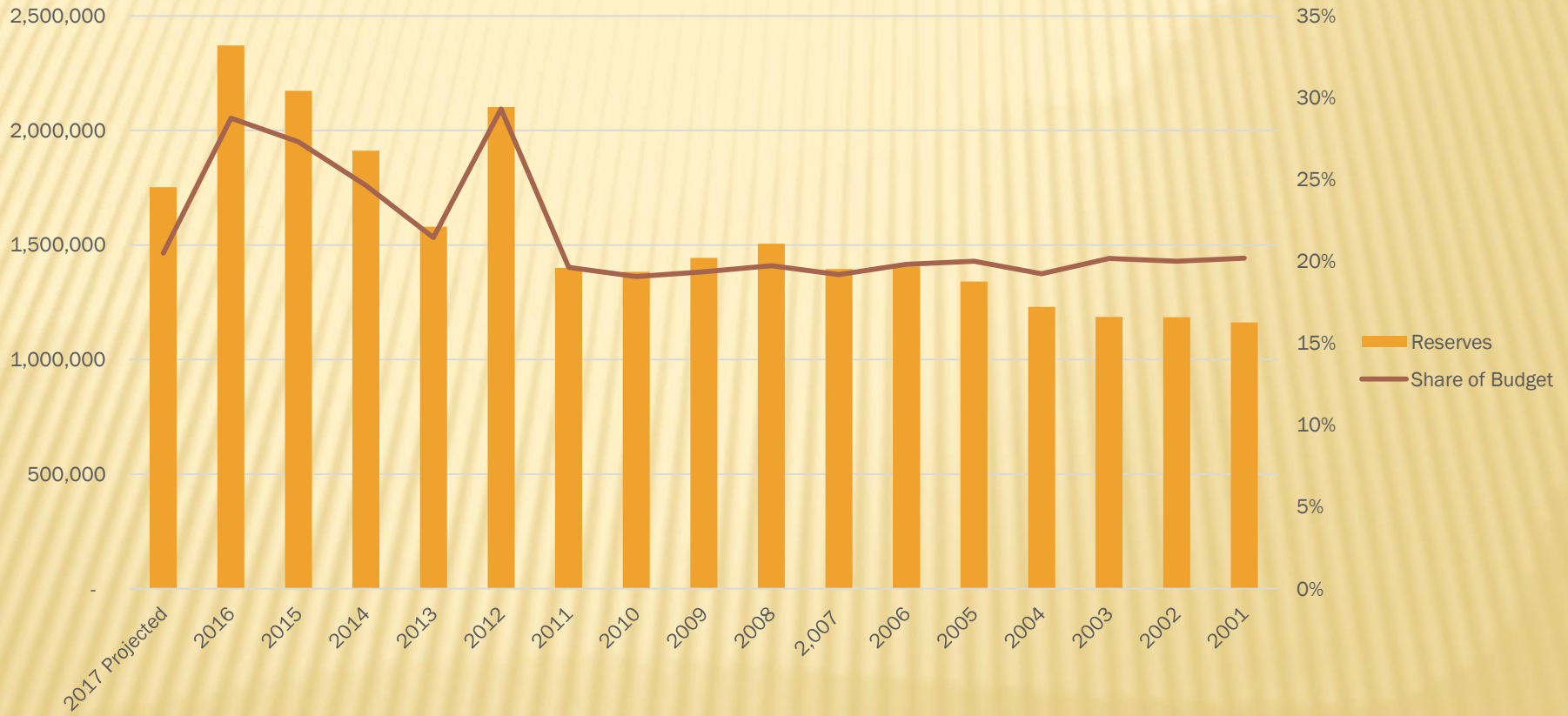
1. Levy Increase – 5.2%
2. TOAH – 3.0% (\$72.00)
3. Projected Value Increase – 8.2%
4. Avg. Value Home – up 5.8%
5. Tax Rate – down 2.7%

Assumes TIF value up 60% and net new construction @ 3%

2018 Projection	
<i>Revenue Adjustments</i>	
Payments in Lieu of Taxes	260,000
Room Tax	170,000
Charges for Services	120,000
Licenses & Permits	285,000
State Aid	1,600,000
Other Adjustments	260,000
<b>Total Revenue Adjustments</b>	<b>2,695,000</b>
<i>Expenditure Adjustments</i>	
Fire Station 14 & Midtown	1,750,000
Debt Service	4,400,000
Pay & Health Insurance	6,000,000
Room Tax Funds	640,000
Cost to Continue	925,000
Fleet Savings	600,000
Other Adjustments	4,000,000
<b>Total Expenditure Adjustments</b>	<b>17,715,000</b>
Allowable 2018 Levy	11,533,973
<b>Projected 2018 Gap</b>	<b>\$-3,486,027</b>

# MONONA TERRACE RESERVES

Monona Terrace Reserves  
Goal is 20% of subsequent year budget



# 2018 BUDGET

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- ✘ Assume 5% revenue growth; borrow for air wall replacement (\$200,000)
- ✘ Proposed Approach
  - + No Olbrich or Zoo subsidy
  - + Increase MT budget for city-wide internal cost allocations (\$200,000)
  - + Maintain GMCVB Share at 24% (assumes new contract).
  - + Increase Sister Cities by \$10,000
  - + Reallocate City Tourism Marketing for Arts (\$10,000)
- ✘ Decisions at Next Meeting.



# PRESENTATIONS

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- ✘ Overture Center
- ✘ Greater Madison Convention and Visitors Bureau
- ✘ City Tourism Marketing Arts Programs
- ✘ Monona Terrace

# OVERTURE CONTRACT AMENDMENT

# DRAFT AMENDMENT

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- ✘ 1. Subject to the terms and conditions hereof and the terms of the Structural Agreement, the City of Madison will continue to appropriate funds for a grant to OCF in its annual budget process, and will continue to be the party entering into the Annual Performance Agreement with OCF. The Annual Performance Agreement is approved by the Common Council
- ✘
- ✘ 2. The City intends that the first source of funds to be appropriated for the OCF grant come from available room tax funds controlled by the Room Tax Commission of the City of Madison. Since the City does not control this designation by the Room Tax Commission, that portion of the grant will be determined by the Room Tax Commission. The balance of the City's grant shall be subject to appropriation by the Common Council and may be sourced from any other available City funds. Regardless of the source of funds, the ultimate responsibility for the City grant remains with the Common Council in its annual budget process under the terms and conditions of this Agreement and the Structural Agreement.
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- ✘ 3. OCF will continue to report to the Madison Arts Commission (MAC) as its primary contact at the City. Written reports, including the annual audit, should be shared with the Common Council, the Mayor's office, the Finance Department and the Room Tax Commission.

# GMCVB CONTRACT



**WRAP UP AND SCHEDULE NEXT MEETING**