

August 8, 2016 Meeting

ROOM TAX COMMISSION

AGENDA

- ✘ Election of Officers
- ✘ Discussion of Committee Structure and Governance
- ✘ Discussion of Room Tax Law and 2017 Room Tax Budget
- ✘ Meeting Schedule

ELECTION OF OFFICERS

COMMITTEE STRUCTURE AND GOVERNANCE

ROOM TAX LAW AND 2017 ROOM TAX BUDGET

TIMELINE

- ✘ August 8th Meeting
 - + Organization
 - + Overview
 - + Review of 2017 Budget Issues
- ✘ Next Meeting (Late August / Early Sept -- TBD)
 - + 2017 Budget Decisions
 - + Discussion of Process / Procedures / Policies
 - + Establish regular meeting schedule
- ✘ Mayor's Operating Budget – October 4th

ROOM TAX

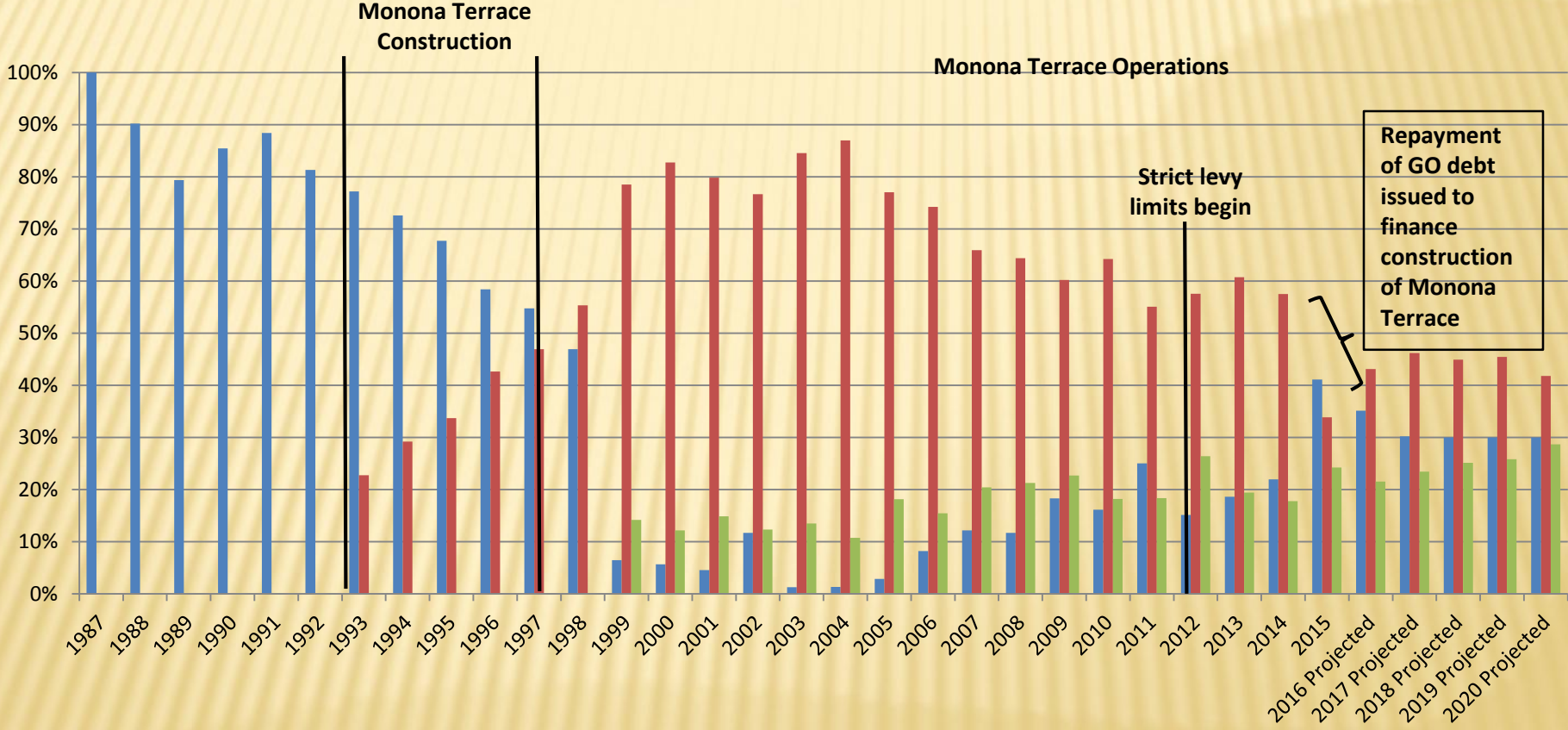
- ✘ Authorized under state law (s. 66.0615, Wisconsin Statutes)
- ✘ Maximum rate of 8%, municipalities may levy a higher rate under certain conditions.
- ✘ Madison has a 9% rate because it has long-term debt outstanding to construct or renovate a convention center.

STATE LAW PRIOR TO 2015-17 BUDGET

- ✘ Generally, municipalities with room tax prior to 1994 could retain for general purposes the same share of room taxes as retained in 1994.
- ✘ Madison could retain over 70% of room taxes for general purposes; retained much less than 70% after Monona Terrace opened.
- ✘ Municipalities could directly appropriate room taxes through budget.

ROOM TAX DISTRIBUTION

1987 TO 2020 (PROJECTED)



■ Share of Room Tax to General Fund ■ Share of Room Tax to Monona Terrace ■ Share of Room Tax to GMCVB

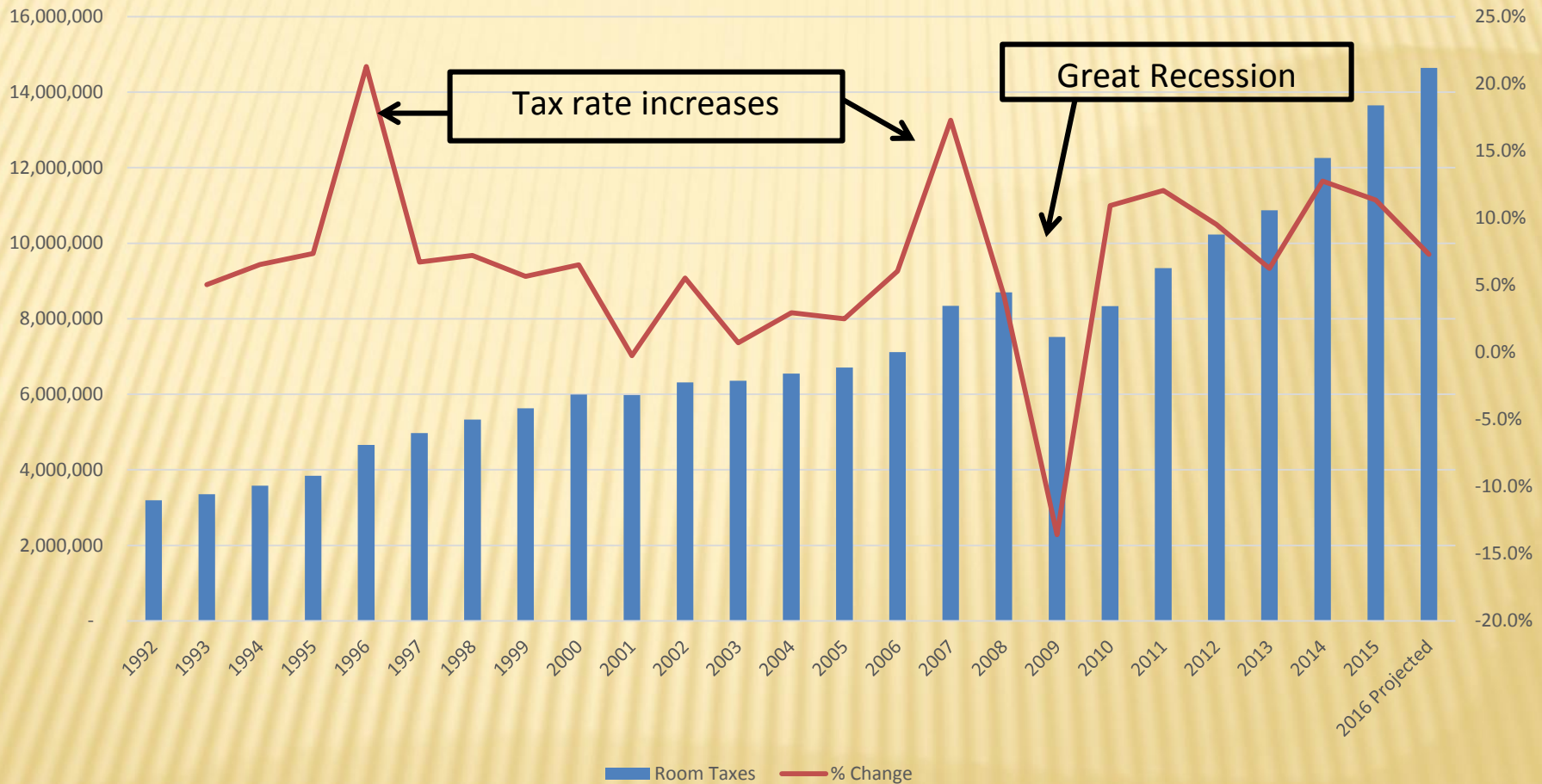
2015-17 STATE BUDGET

- ✘ Starting in 2017, 70% of room tax revenues must be allocated by Room Tax Commission.
- ✘ 30% is retained by municipality for any purpose.
- ✘ Expenditures of \$1,000 or more must be reported to Department of Revenue
- ✘ Municipalities using 1994 exemption must provide 1993 financial statements to DOR

STATE LAW (CONTINUED)

- “Tourism” = Travel for recreational, business or educational purposes.
- “Tourism promotion and tourism development” = Significantly used by transient tourists; reasonably likely to generate paid overnight stays:
 - Tangible Municipal Development, including a convention center
 - Tourism Marketing, including advertising, materials, event recruitment
 - Transient Tourist Informational Services

ROOM TAXES COLLECTED 1992 TO 2016



Avg annual % Chg – 1997 to 2006 = 4%; 2010 to 2016 = 10%

2016 ROOM TAX ALLOCATION

	<u>2016 Budget</u>	
Monona Terrace	4,400,417	Tangible Muni Development
GMCVB	3,201,966	Marketing
Overture Center	1,750,000	Tangible Muni Development
City Tourism	<u>170,000</u>	Marketing
	9,522,383	63%
Other Purposes	<u>\$ 5,642,158</u>	37%
	15,164,541	

2016 ROOM TAX COLLECTIONS

- ✘ 1st Quarter \$2,693,955 (4.1% over 2015 Q1)
- ✘ 2nd Quarter \$3,830,213 (8.9% over 2015 Q2)
- ✘ YTD \$6,524,168 (6.9% over 2015 YTD)

- ✘ 1992 to 2015 YTD avg of total 45.2%
- ✘ 5 year YTD avg of total 44.1%

- ✘ 1992 to 2015 projection \$14,443,306
- ✘ 5 year projection \$14,780,764

2016 ROOM TAX PROJECTION

- ✘ Budgeted Revenues = \$15,144,500 (10% inc)
- ✘ Projected Revenues = \$14,644,500 (6% inc)
- ✘ Projected revenues based on 2nd quarter actual collections.
- ✘ Difference will result in a reduction in transfer to the General Fund, net of actual expenditures compared to budget.

2017 PROJECTION

- ✘ Estimated revenues = \$15,678,400
- ✘ 7% Growth Rate over 2016 budget.
- ✘ Increase over budget = \$513,900

2017 ISSUES

- ✘ General Fund share of Room Tax from 37% to 30%.
- ✘ Monona Terrace
- ✘ GMCVB Contract and Requests
- ✘ Overture Contract and Request
- ✘ City Tourism Marketing
- ✘ Administrative Costs

CITY GENERAL FUND

- ✘ 2016 Budget Share = \$5,563,100 (37%)
- ✘ 2017 Required Share = \$4,658,400 (30%)
- ✘ Difference = -\$804,700
- ✘ City funds other tourism-related tangible municipal development:
 - + Henry Vilas Zoo -- \$400,000 (estimated for 2017)
 - + Olbrich Botanical Gardens -- \$1.1 million
- ✘ Mayor's Budget Goal – shift Zoo and portion of Olbrich to Room Tax Commission; hold City General Fund harmless.

MONONA TERRACE

<u>Monona Terrace:</u>	<u>2015 Actual</u>	<u>2016 Budget</u>
Debt Service Payment-Revenue Bond Issue (a)	\$ 870,600	867,525
Debt Service Payment-Gen'l Obligation Bond Issue (a)	-	26,197
Operating Subsidy	3,190,538	3,386,759
Capital Purchases	132,065	556,000
Reserves (b)	<u>150,000</u>	<u>(436,064)</u>
Subtotal Monona Terrace	<u>\$ 4,343,203</u>	<u>4,400,417</u>

2017 Preliminary Request:

- Increase operating subsidy based on anticipated Monona Terrace event revenues and operating costs.
- Borrow for \$500,000 of Monona Terrace capital purchases.
- Use \$575,000 of Monona Terrace reserves (replenish in future years)
- Overall net change in room tax support = \$92,623

GMCVB CONTRACT

- ✘ Contract term – 1/1/2015 to 12/31/2018 with one 4 year extension.
- ✘ Program Goals – Established annually by Monona Terrace and GMCVB
- ✘ Compensation:

Year	Share of Tax	Year	Share of Tax
2014	20%	2018	26%
2015	21.5%	2019	28%
2016	22%	2020	30%
2017	24%	2021	32%
		2022	34%

GMCVB Request – Increase Event Assistance Booking Subsidy from \$200,000 to \$250,000

OVERTURE CONTRACT

- ✘ Overture operates under a Structural Agreement with the City and an Annual Contract.
- ✘ The Structural Agreement set a City subsidy goal of \$2 million, adjusted for inflation, subject to appropriation by the Common Council.
- ✘ 2016 Subsidy = \$1.75 million from Room Taxes
- ✘ 2017 Overture Request = \$2.16 million

CITY TOURISM MARKETING

	2015 Actual	2016 Budget
<u>City Tourism Marketing Activities</u>		
Support for Fireworks Events (d)	-	15,000
Sister Cities Program	14,310	15,000
Civic Conferences (e)	16,525	35,000
Civic Promotion (f)	1,500	15,000
Madison Music City (g)	44,500	75,000
WIAA Basketball Tournament (h)	30,000	15,000
Madison Area Sports Commission	100,000	-
Subtotal City Tourism Marketing	\$ 206,835	170,000

Finance Recommendation to Mayor – Increase Sister Cities funding to \$30,000 to provide more support to locally produced gifts for Sister Cities delegations; reduce Music City by \$30,000 (to \$40,000); add \$10,000 to Dane Dances (to \$15,000). Eliminate Fireworks subsidy (\$15,000).

GMCVB Request – Provide \$150,000 for Madison Area Sports Commission

CITY TOURISM MARKETING

	2015	2016	2016	2017
	<u>Actual</u>	<u>Budget</u>	<u>Projected</u>	<u>Executive</u>
<u>City Tourism Marketing Activities</u>				
Support for Fireworks Events (d)	-	15,000	15,000	-
Sister Cities Program	14,310	15,000	15,000	30,000
Civic Conferences (e)	16,525	35,000	20,000	35,000
Civic Promotion (f)	1,500	15,000	5,000	15,000
Madison Music City (g)	44,500	75,000	44,500	55,000
WIAA Basketball Tournament (h)	30,000	15,000	15,000	15,000
Madison Area Sports Commission	100,000	-	-	-
Subtotal City Tourism Marketing	<u>\$ 206,835</u>	<u>170,000</u>	<u>\$ 114,500</u>	<u>\$ 150,000</u>

2017 PRELIMINARY RECOMMENDATION

- ✘ Support Zoo Subsidy (\$400,000) and portion of Olbrich (\$400,000) from Room Tax Commission.
- ✘ Fund Monona Terrace, net of borrowing for capital purchases and use of reserves (\$92,623)
- ✘ Maintain 2% point contractual increase to GMCVB (\$512,700)
- ✘ Maintain Overture subsidy at \$1.75 million
- ✘ Increase Sister Cities from \$15,000 to \$30,000

ADMINISTRATIVE ISSUES

✘ Commission Support

- + Meetings

- + Tax Collection, Audit and Enforcement

- + Finance, Accounting, Budget

- + 0.1% of revenues (\$15,000)

✘ Financial Management

- + Reserves – goal of 5%

- + Quarterly review of revenues and expenditures

SUMMARY

Preliminary Change from 2016		
Monona Terrace	92,623	Tangible Muni Development
GMCVB	512,714	Marketing
Zoo	400,000	Tangible Muni Development
Olbrich	400,000	Tangible Muni Development
Overture Center	-	Tangible Muni Development
City Tourism	(20,000)	Marketing
Administration	<u>15,670</u>	
	1,401,007	70% Share
Other Purposes	<u>\$ (904,723)</u>	30% Share
Net Change	496,284	
Revenue	\$ 513,866	7% Growth
Unallocated	\$ 17,582	Initial Reserves

NEXT MEETING AND ADJOURNMENT