September 6, 2018 Meeting

ROOM TAX COMMISSION

AGENDA

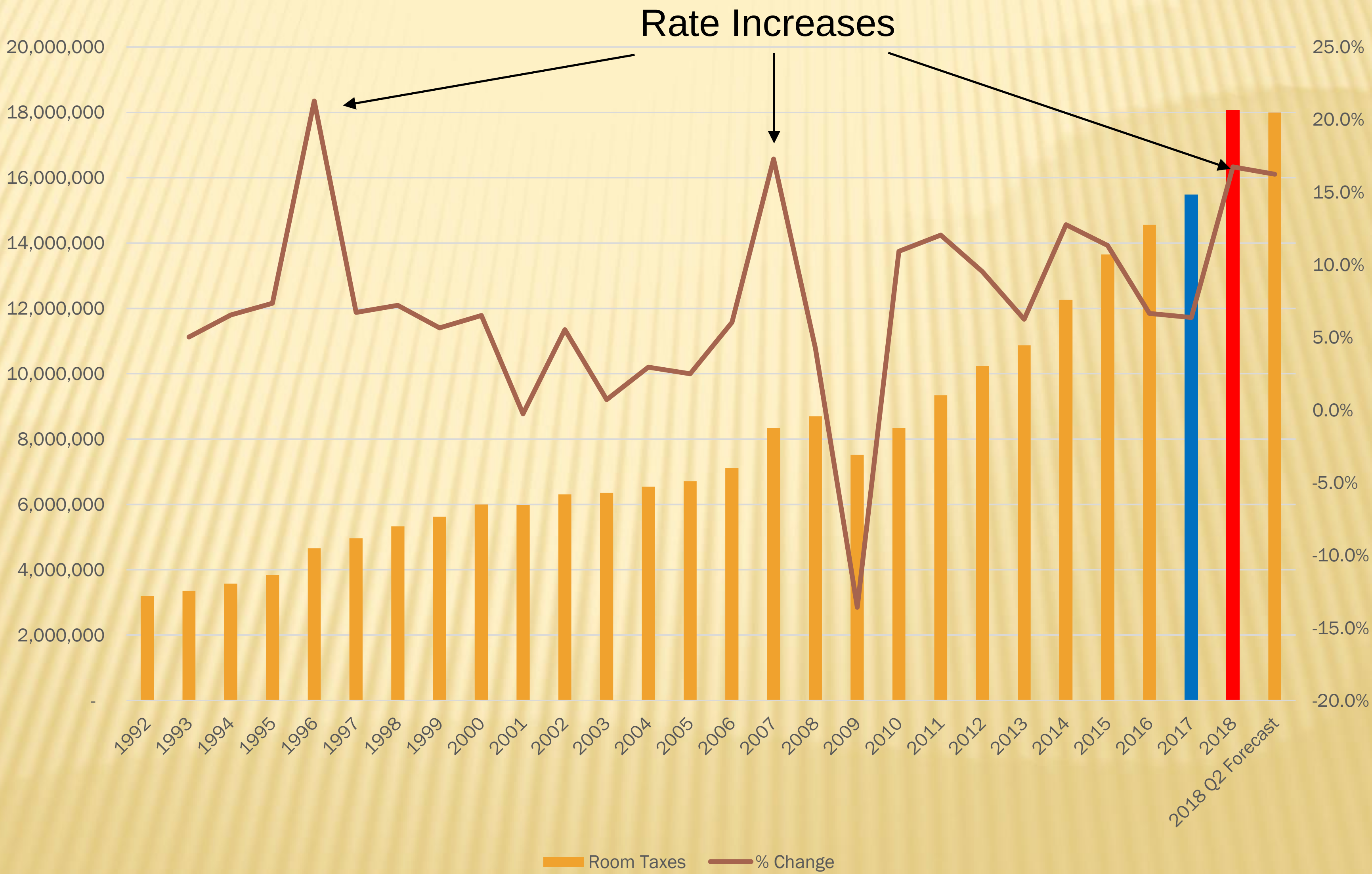
- 2018 Room Tax Collections and Projection
- Long-Term Financial Outlook
- 2019 Budget Discussion
- Presentations – Overture, CVB, City Arts, Monona Terrace
- 2019 Budget Decisions
- Adjournment

ROOM TAX COLLECTIONS AND FORECAST

ROOM TAX COLLECTIONS – 2018

- 2018 Budget -- $18,077,051
  - 17% over 2017 Final Collections (11.1% rate increase plus 5% base revenue increase)
- 2018 Second Quarter -- $4,820,496
  - 18% more than 2017 Q2; 17.5% year/year
  - Generally on track with forecast.
  - Third quarter will be available in early November.

ROOM TAXES


Rate Increases
20,000,000
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
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2018
2018 Q2 Forecast
Room Taxes
% Change

ROOM TAX COLLECTIONS - 2018

- Air BnB Q2 Collections = $208,481 ($445,041 since inception)

- One new property in Q2 collections – Madison West Tru Hotel by Hilton

2018 PROJECTED ROOM TAX FUND CONDITION

Compared with 2018 budget:

- Revenues and expenditures close to budget.
- 2018 Projected Balance = $350,000

LONG-TERM FINANCIAL FORECAST

2019 TO 2025 FORECAST ASSUMPTIONS

- 2018 at budget; average growth – 10% since 2009; 7% since 2015.
- Monona Terrace operating subsidy grows 2% annually; implement City internal services cost allocation.
- Monona Terrace capital needs based on 2019 CIP through 2024.
- Monona Terrace construction bond paid off in 2020.
- GMCVB share increases 2% points annually from 26% in 2019 to 34% by 2023.
- Overture subsidy remains at $1.9 million.
- Olbrich Gardens and Zoo subsidies remain in Room Tax Fund.

MONONA TERRACE CAPITAL IMPROVEMENT PLAN

	2019	2020	2021	2022	2023	2024
Building Improvements	$465,000	$410,000	$485,000	$595,000	$3,755,000	$1,595,000
Major Items	Network core replacement	North Hall Ceiling	Technology Upgrade	Olin Terrace tiles; Room Audio; Heat Exchanger	10-year major renovation cycle	10-year major renovation cycle
Equipment	$425,000	$610,000	$400,000	$340,000	$870,000	$350,000
Major Items	Dance floor	Large tier projector update; resurface docks	Trash waste containers	Rooftop stage; banquet tables	Banquet chairs; décor package; drape and table skirts	Stage steps and railings
GRAND TOTAL	**$890,000**	**$1,020,000**	**$885,000**	**$935,000**	**$4,625,000**	**$1,945,000**

NEW PROPERTIES UNDER/NEAR CONSTRUCTION

- Hilldale area – 2018
- Capitol East District – 2019
- Rimrock Road – 2019
- State Street – 2020
- Downtown / MATC Site – 2021
- Judge Doyle -- TBD

FORECAST– RTC FUND BALANCE

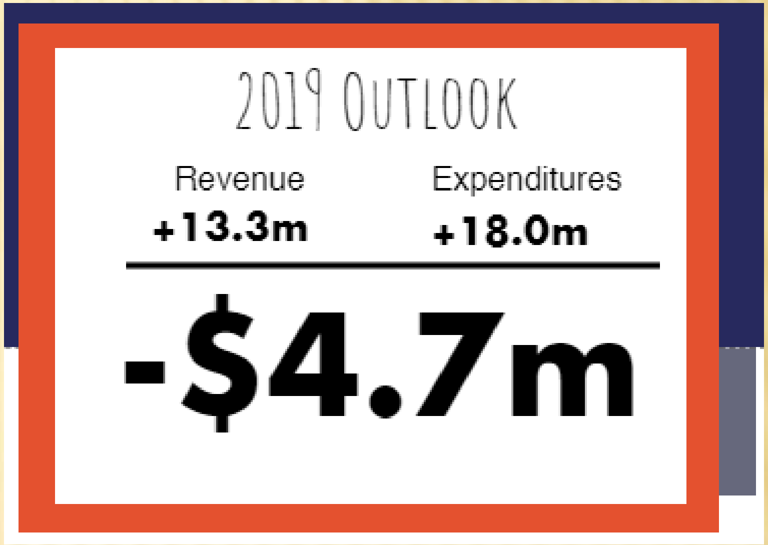
Average Growth	3%	4%	5%
2019	+$100,000	+$200,000	+$350,000
2020	+$100,000	+$400,000	+$700,000
2021	+$200,000	+$800,000	+$1,500,000
2022	+$100,000	+$1,000,000	+$2,100,000
2023 (10 year renovation cycle)	-$4,000,000	-$2,500,000	-$1,100,000

2019 Budget

OVERVIEW, DISCUSSION AND DECISIONS

2019 GENERAL FUND BUDGET OUTLOOK

- General Fund expenditures are growing at a faster pace than allowable revenue growth
  - Projected Revenue Growth=$13.3m
  - Projected Expenditure Growth=$18.0m
- The projected deficit for 2019 is $4.7m



UNDERSTANDING THE 2019 BUDGET OUTLOOK: REVENUE VS EXPENDITURES

REVENUE

+4.1%
INCREASE

- Growth in General Fund revenue is driven by projected levy increase($10.6m).
- Local revenues are projected to decline by 0.8% ($0.4m) from 2018 to 2019.

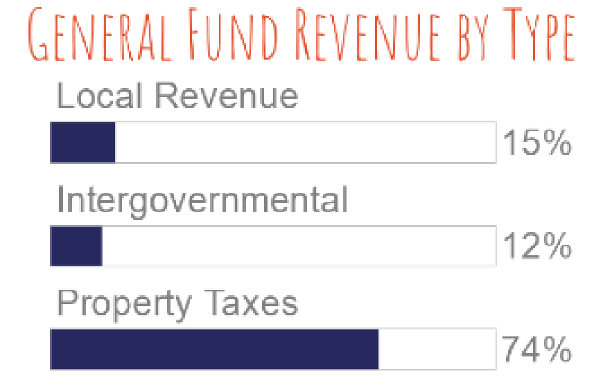
EXPENDITURES

+5.8%
INCREASE

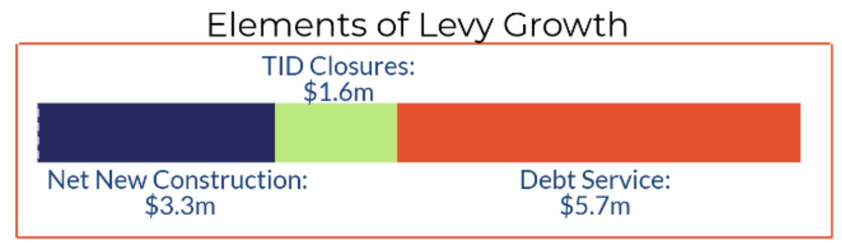
- General Fund expenditures are projected to increase by 5.8%. Debt service & personnel costs are the primary drivers of the increase.

UNDERSTANDING THE 2019 BUDGET OUTLOOK: GENERAL FUND REVENUES

WHERE THE MONEY COMES FROM



PROPERTY TAX LEVY



Projected Allowable Levy Growth=$10.6m

- State-imposed Levy Limits cap the growth rate in the property tax levy. The closures of three TIF Districts adds $1.6m to the allowable increase in 2019.
- The property tax levy is projected to increase by 4.6% ($10.6m) from 2018 to 2019; at this rate taxes on the average value home will increase 1.1%.

MONONA TERRACE RESERVES

PRESENTATIONS

- Overture Center (requesting $2.22 million -- up $320,882)
- Greater Madison Convention and Visitors Bureau (provide 26% of room tax revenues, per contract)
- City Tourism Marketing Arts Programs (add $25,000)
- Monona Terrace
  - $3.8 million operating subsidy (reflects $200,000 from reserves)
  - $890,000 capital request

2019 BUDGET DECISIONS

- Assume 4% revenue growth for 2019.
- Proposed Approach:
  - Continue Olbrich and Zoo subsidy
  - Increase MT budget for city-wide internal cost allocations ($100,000)
  - Continue GMCVB share increase per contract (26% in 2019)
  - Maintain City Tourism funding at current levels.
  - Maintain Overture Center funding at current level.
  - Commission develops long-term plan to finance Monona Terrace renovations in 2023.
- Commission decisions.

ADJOURNMENT