

June 5, 2023, Meeting

# ROOM TAX COMMISSION

# AGENDA – VIRTUAL MEETING

*Equity Statement on all BCC agendas – “Consider: Who benefits? Who is burdened? Who does not have a voice at the table? How can policymakers mitigate unintended consequences?”*

*This meeting is being recorded*

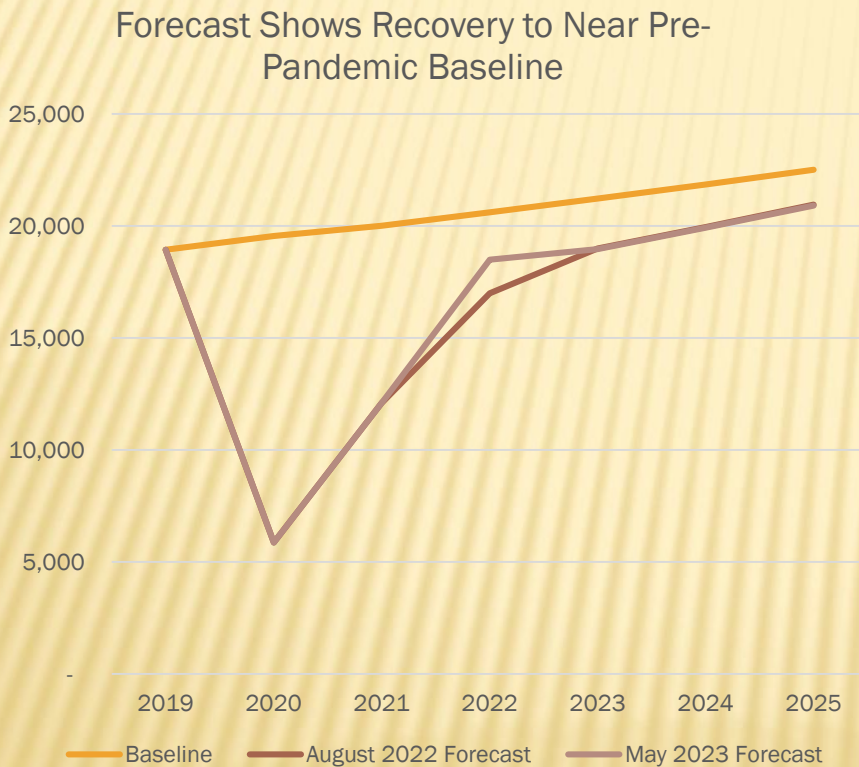
1. Call to Order/Virtual Meeting Instructions/Roll Call
2. Approval of Minutes from March 1, 2023, meeting
3. Public Comment
4. Disclosures and Recusals
5. Room Tax Revenues and Expenditures
6. Room Tax Fund Reserve Policy Discussion
7. 2023 Meeting Schedule
8. Annual Discussion of the Elected and Appointed Official Code of Ethical Conduct
9. Destination Madison Contract – Possible Closed Session
10. Adjournment

Room Tax Commission

# ROOM TAX REVENUES AND EXPENDITURES 2022 - 2024



# ROOM TAX REVENUES



- ✗ Final 2022 – \$18.5 million (up 53% from 2021)
- ✗ 2023 Q1 – \$3.3m (up 22% over 2022 Q1; but 3% below 2023 Q1 forecast).
- ✗ 2023 forecast – \$19m – no change from budget (up 2.8% from 2022 actual).
- ✗ 2024 forecast – \$19.9m – up 5% from 2023

# TOURISM ECONOMICS FORECAST

- ✖ Prepared February 2023
- ✖ Weakening labor market and inflation will weaken disposable income; recession possible in mid-2023.
- ✖ Revenue estimates (% change over prior):
  - ✖ 2023 – \$19.3m (+4.4%)
  - ✖ 2024 – \$20.5m (+6.4%)
  - ✖ 2025 – \$21.7m (+5.7%)
  - ✖ 2026 – \$22.9m (+5.4%)
  - ✖ 2027 – \$24.1m (+5.2%)

# FUND CONDITION SUMMARY – 2019 TO 2023

	2019	2020 Actual	2021 Actual	2022 Budget	2022 Actual	2023 Adopted	2023 Projected (June 2023)
Revenues	18,929,841	5,862,255	12,088,276	14,250,000	18,488,410	19,000,000	19,000,000
<b>Tangible Municipal Development (s. 66.0615 (1) (fm) 3., Wis. Stats.)</b>							
Monona Terrace	5,184,540	5,045,935	3,839,685	4,100,000	4,150,574	6,688,446	6,688,446
Debt Service	800,025	272,275	112,883	137,900	115,479	207,721	207,721
Operating	3,795,928	4,295,016	3,559,302	3,962,100	3,962,100	4,825,725	4,825,725
Capital	588,587	478,644	8,793	-	72,995	1,655,000	1,655,000
Alliant Center, Olbrich and Zoo	642,352	-				738,152	738,152
Overture	2,000,000	1,200,000	1,500,000	1,600,000	1,600,000	2,095,000	2,095,000
<b>Tourism Marketing (s. 66.0615 (1) (fm) 1., Wis. Stats.)</b>							
Destination Madison	4,989,009	2,655,643	3,750,000	3,900,000	3,900,000	5,264,037	5,264,037
Event Booking Assistance	140,953	45,559	150,000	200,000	198,245	275,000	275,000
City Tourism	174,895	80,250	113,540	145,000	106,964	222,500	247,500
Other	33,800	-	21,096	30,000	16,229	35,000	47,835
<b>Room Tax Retained for General Purposes</b>							
General Fund Share	5,671,290	1,758,677	3,626,483	4,275,000	5,667,799	5,700,000	5,546,523
Total Expenditures	18,836,839	10,786,064	13,000,804	14,250,000	15,639,811	21,018,135	20,902,493
Ending Balance	355,432	(1,797,591)	(2,669,519)	59,661	3,961,106	923,167	2,111,187
Transfer from TID 25 Surplus			-				
No Transfer to General Fund		1,758,677	3,626,483				
Revised Ending Balance		4,884,894	1,869,492				
Structural Balance (rev v exp)	93,002	(4,923,809)	(912,528)	-	2,848,599	(2,018,135)	(1,902,493)



# STATE LAW ALLOCATION REQUIREMENTS

- ✗ Tourism Marketing (s. 66.0615 (1) (fm) 1., Wis. Stats.)
- ✗ Tangible Municipal Development (s. 66.0615 (1) (fm) 3., Wis. Stats.)

Section 66.0615 (1) (fm), Wisconsin Statutes – “Tourism promotion and tourism development” means any of the following **that are significantly used by transient tourists and reasonably likely to generate paid overnight stays at more than one establishment on which a tax under sub. (1m) (a) may be imposed**, that are owned by different persons and located within a municipality in which a tax under this section is in effect; or, if the municipality has only one such establishment, reasonably likely to generate paid overnight stays in that establishment:

1. Marketing projects, including advertising media buys, creation and distribution of printed or electronic promotional tourist materials, or efforts to recruit conventions, sporting events, or motorcoach groups.
2. Transient tourist informational services.
3. Tangible municipal development, including a convention center.

- ✗ Room Tax Retained for General Purposes

Section 66.0615 (1m) (dm), Wisconsin Statutes – Up to 30% of room tax revenues may be retained by a municipality; the remainder must be sent to a room tax commission for tourism promotion and tourism development purposes.

ROOM TAX COMMISSION

# ROOM TAX FUND RESERVE POLICY DISCUSSION ITEM

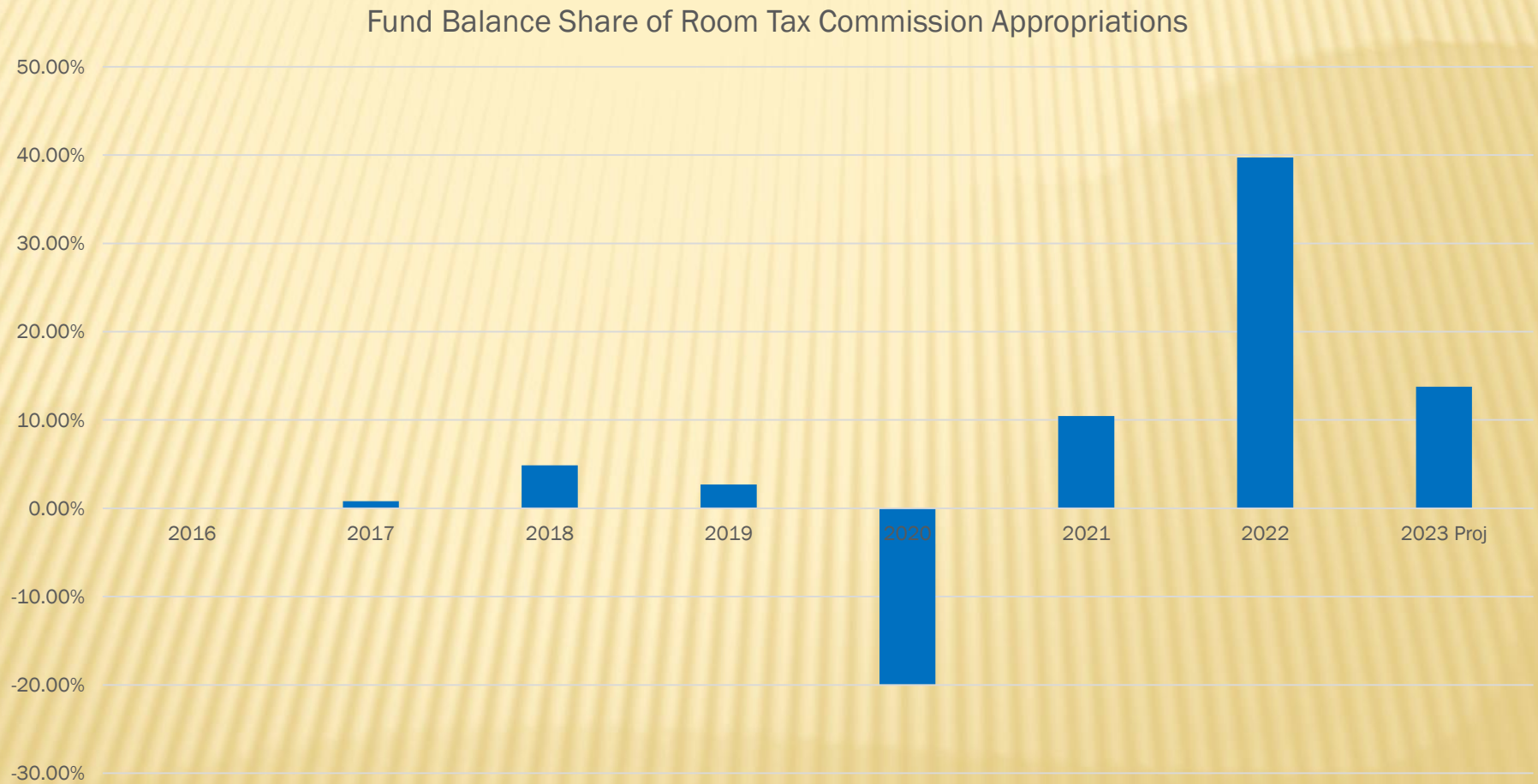


# RESERVES – RATIONALE

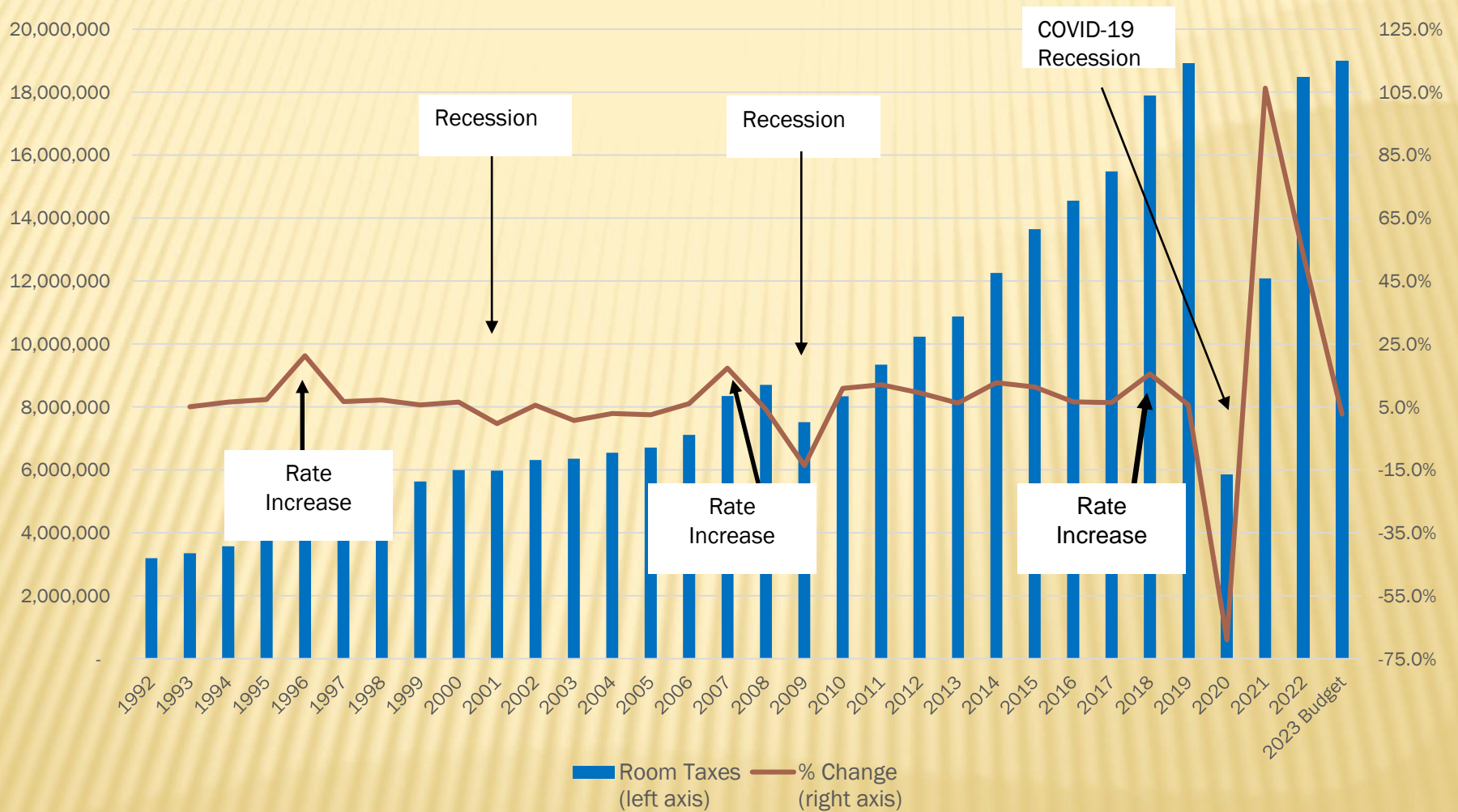
- ✘ Reserves are often referred to as “rainy day” funds – to help keep programs sustained when internal and external events cause a reduction in revenues from the baseline (e.g., Great Recession, COVID-19).
- ✘ Reserves help maintain cash flow – not a significant issue for Room Tax Fund due to pooled city fund cash management.
- ✘ Reserves are a measure of the city’s fiscal health – a key issue for investors in the city’s debt.
- ✘ Higher proportional levels of reserves are recommended for more volatile revenue sources.

# FUND BALANCE SHARE OF RTC PROGRAMS

(EACH 1% IN 2023 = \$153,000)



# YEAR-TO-YEAR REVENUE CHANGES





# OTHER RESERVE POLICIES

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- ✖ Monona Terrace – 20% of budgeted expenditures.
- ✖ City General Fund – 15% of budgeted expenditures.

# POSSIBLE RESERVE FUND POLICY

- ✖ 2023 fund balance share of RTC appropriations = 14%
- ✖ 2024 projected fund balance share = 9%
- ✖ Each 1% of appropriations = \$153,000; each 1% of revenues = \$190,000.
- ✖ “The Room Tax Commission shall by its 2029 budget establish a reserve at least equal to 10% of budgeted appropriations for Room Tax Commission programs. The reserve amount for the 2024 budget will be at least 5% of budgeted appropriations for Room Tax Commission programs.”
- ✖ “Reserves will only be used to respond to declining revenue of more than 10% compared to the prior year. Use of reserve levels requires an affirmative vote of at least two-thirds of commission members (4 of 6). Reserve levels will be replenished to policy target within 5 years of event.”

ROOM TAX COMMISSION

# 2023 MEETING SCHEDULE AND FORMAT



# 2023 MEETING SCHEDULE

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- ✕ August / September (in-person)
  - + Meeting 1 – Officer elections; Presentations on 2024 allocations; Q2 actual collections;
  - + Meeting 2 – Adopt 2024 allocations
  
- ✕ December (virtual)
  - + Review 2023 and 2024 forecasts
  - + Meeting schedule for 2024

ROOM TAX COMMISSION

# ELECTED AND APPOINTED OFFICIAL CODE OF ETHICAL CONDUCT

ROOM TAX COMMISSION

# DESTINATION MADISON CONTRACT CLOSED SESSION



June 5, 2023, Room Tax Commission Meeting

**ADJOURNMENT**

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