Room Tax Commission

August 24, 2026, Meeting

Agenda

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/roll call
2. Approval of minutes from June 2, 2026 meeting
3. Public Comment
4. Disclosures and recusals
5. Financial Update and Budget Priorities from Organizations Receiving Room Tax Commission Allocations
6. Room Tax Fund Condition and Projections / City Budget Outlook
7. Outline of Room Tax Commission 2027 Budget Meeting
8. Upcoming Meetings
9. Adjourn

Financial update and budget priorities from organizations receiving room tax commission allocations

Destination Madison, Monona Terrace, Alliant Center, Overture Center, Madison Arts Commission

Presentation Outline

- 2026 Operational Goals and Financial Condition
- Impact of Room Tax Funding on Achieving the Goals of the Organization (with examples of specific successes and related data)
- 2027 Outlook
- Proposed Concepts for 2027 RTC Budget (including implications of possible funding reductions of up to 2% of 2026 allocations – City agencies have been instructed to provide plans for 2% reductions)

Room Tax fund condition and projections

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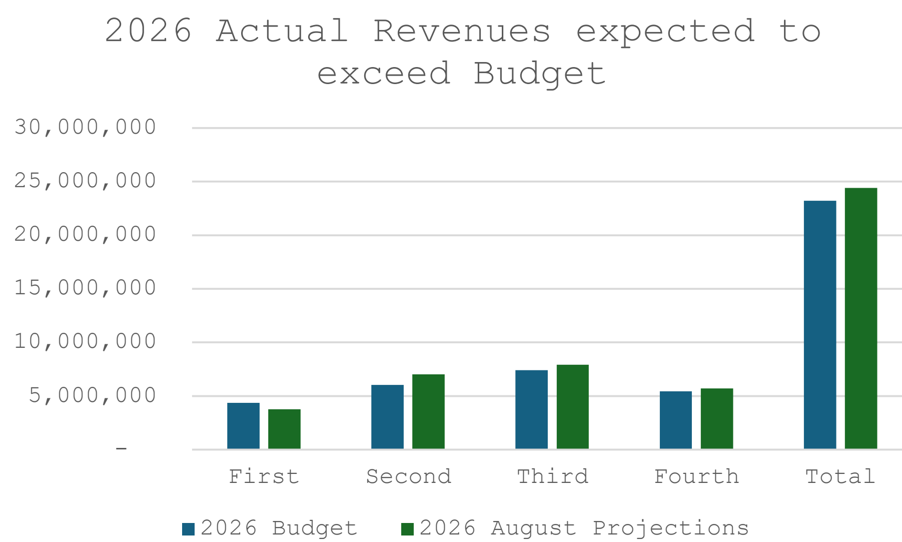
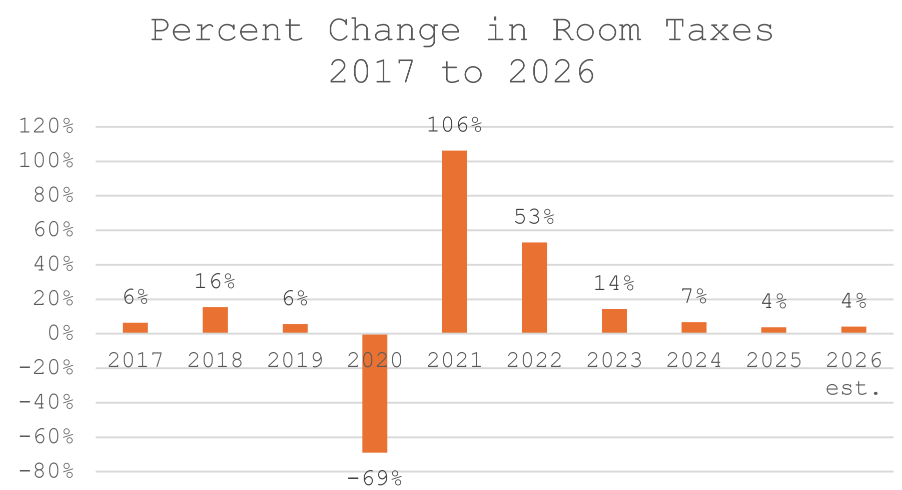
2026 Q2 Collections and Forecast

- Preliminary collections -- $7.0 million
- Up 4.2% over 2025 Q2; up 4.2% YTD
- Expected to exceed 2026 budget by $1.1 million.





National economic outlook

- CoStar and Tourism Economics
  - 18th Hotel Data Conference – August 2026
- Revenue Per Available Room (RevPAR)
  - 2026 – up 3.5%
  - 2027 – up 2.0%
- General Economic Outlook
  - 2026 – stronger growth than rest of economy; World Cup had major impact on some markets
  - 2027 – moderate economic growth; sensitivity to inflation and travel costs; corporate/business travel returning; continuing increase in hotel supply, but at slower place than demand

Long-range Assumptions

- Room tax growth – 4% in 2026; 3% in 2027; 4% thereafter
- 28% of room tax to Destination Madison
- 1% growth in MT Subsidy after 2026
- 50% support for Zoo and Olbrich after 2026
- Overture and Alliant grow at 3% annually
- Fund MT operating deficit
- Fund MT capital -- equipment and machinery with RT cash; building improvements with RT-supported GO borrowing
- No growth in City Tourism funding
- RTC policy goal of 10% reserve by 2029; 5% prior to 2029

2027 City Budget background

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Operating Budget Considerations

The operating budget must be balanced (revenues = expenditures). There are constraints on both sides of the equation.

Revenue Limits

- The levy limit and other limits on local revenues have been the primary challenge with structural deficit. Allowable growth in revenues does not keep pace with expenditures.
- Voters approved a $22 million referendum in 2024 to close the budget gap in 2025. This amount is permanently added to tax base but does not grow with inflation or rising expenses.
- The 5-year plan in the 2026 budget shows the structural gap and options to balance the budget (e.g. fund balance, special charges).

Expenditure Limits

- The Expenditure Restraint Incentive Program (ERIP) limits growth in year over year expenditures.
- Compliance results in annual State Aid payments of $7m-$9m.
- Prior to 2026, ERIP limit had been significantly higher than levy limit, meaning we could have increased expenditures if revenues allowed.
- 2026 is first budget that had an ERIP constraint before levy constraint.

2027 Cost to Continue projects a revenue gap and exceeds the ERIP limit.

General and Library Funds

Revenues = $472.1 million

Total revenues are $19.4 million (4.3%) higher than the 2026 adopted budget. Assumptions:

- + $18.5m: Levy increase
- + $2.6m: Increase in ambulance fees
- +$1.0m: Increase in building permit revenue
- - $1.2m: Decrease in municipal service payment
- -$1.0m: Decrease in interest earnings
- -$2.2m: Removing fund balance applied
- +1.8m: Other adjustments to state aid, licenses, transfers, and other sources

Expenditures = $483.2 million

Total expenses are $30.4 million (6.7%) higher than 2026 adopted budget. Major changes:

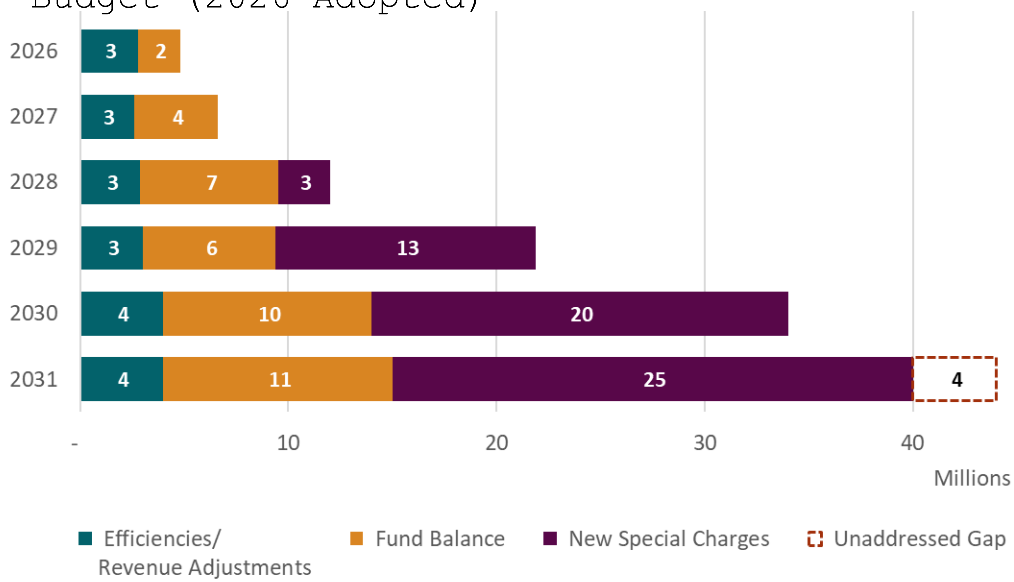
- + $9.7m: Salary + benefits increases
- + $9.5m: Metro subsidy increase
- + $6.0m: Placeholder for GF Debt Service; excluded from ERIP calculations
- + $2.6m: Non-Personnel Costs. Half of increase for software costs ($1.3m). Library contract with Dane County ($289,000), legal services and consulting for property tax challenges ($225,000), building maintenance costs ($170,000), and other expenses

$11.0 million gap between revenues and expenditures

$7.2 million above ERIP limit

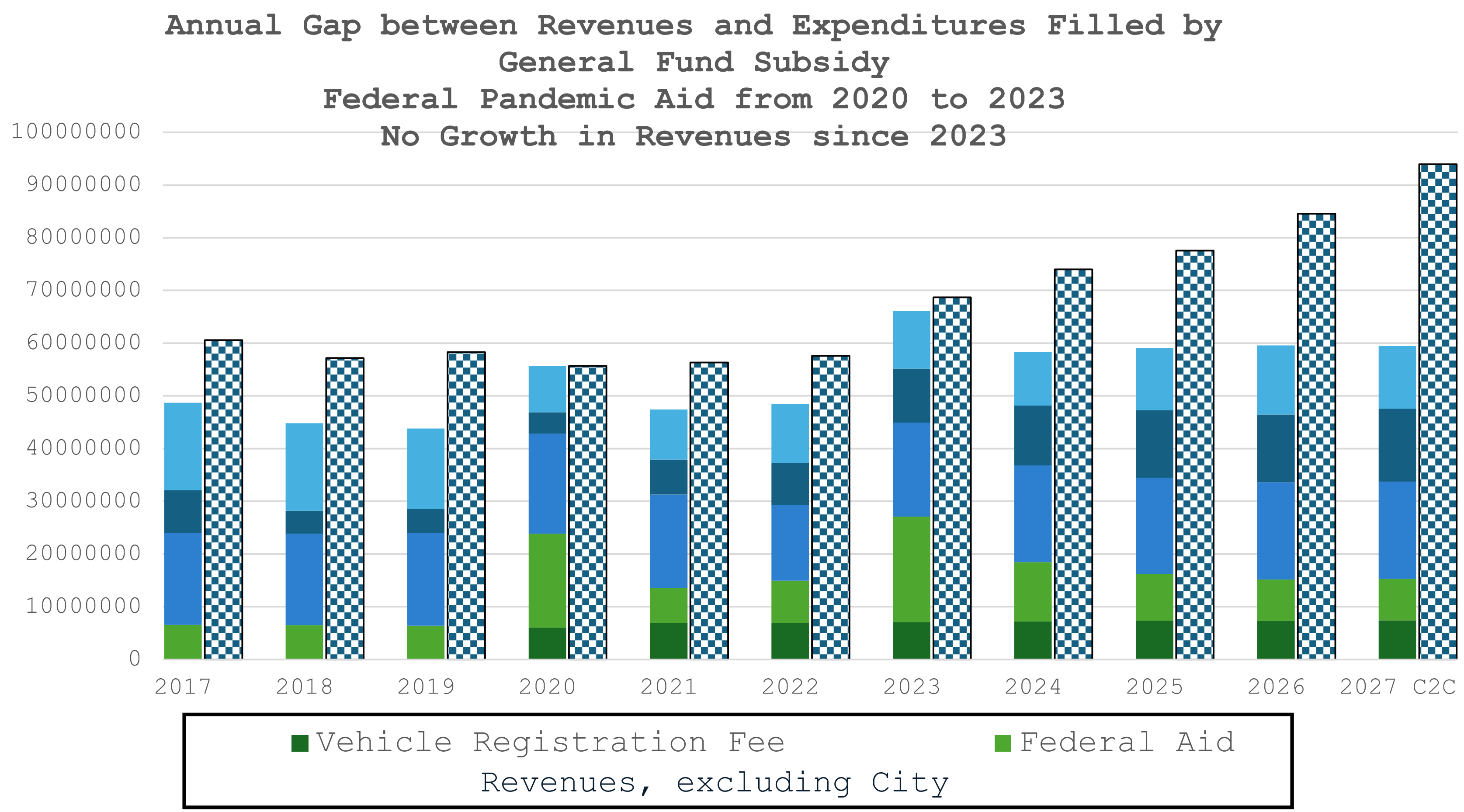
Five-year operating budget plan presents a roadmap for closing the revenue gap.

Five-Year Plan to Balance the Operating Budget (2026 Adopted)



- Five-year plan first introduced in 2025 adopted budget, updated for 2026.
- Plan assumed using $40m of fund balance to close future gaps.
- Model assumed growth in personnel costs and inflation for non-personnel costs, but did not factor in current fuel prices or significant growth in Metro subsidy.
- Applying fund balance helps with the levy limit but does not solve the ERIP issue. Reductions will be required to comply with ERIP.
- Plan will be updated in the 2027 executive budget summary.

Context on Metro Transit Revenues
$20 million increase in General Fund Subsidy since 2024



2027 budget instructions to agencies *2% reduction scenarios and no supplemental requests*

- Due to expenditure limits, **all** agencies will be required to submit 2% reduction scenarios as part of their request.
- Baseline budget will continue a 3% average salary savings rate (All Funds) and 0.75% "Budget Efficiency" reduction for General, Library, and Fleet Funds.
- No new positions and no supplemental requests will be allowed.
- This year's guidance on reductions and supplementals applies to enterprise and restricted funds, which have been historically excluded from budget cuts, to examine affordability of all City services.

Key Dates for 2027 Budget Development

Capital Budget

- Kick Off: **March 17**
- Agency Requests Due: **April 17**
- Agency Briefings: **May 13-15**
- Executive Budget Introduced: **September 8**
- FC Briefings: **September 14-15**
- FC Amendment Meeting: **September 28**
- CC Budget Meetings: **November 10-12**

*FC = Finance Committee
*CC = Common Council

Operating Budget

- Kick Off: **June 9**
- Agency Requests Due: **July 17**
- Agency Briefings: **August 12-21**
- Executive Budget Introduced: **October 6**
- FC Briefings: **October 12-13**
- FC Amendment Meeting: **October 26**
- CC Budget Meetings: **November 10-12**

2027 Room Tax Commission budget

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2027 Preliminary Budget -- Concept

- Overall – Using long-range assumptions, the budget is balanced in 2027. Deficit expected for 2028. Destination Madison receives 28% of room tax revenues; removes one-time adjustments in 2026 budget (Olbrich, Zoo, GF Share)
- Monona Terrace – Fund operating budget with 1% increase in subsidy – helps rebuild Monona Terrace fund balance; machinery and equipment capital from room tax / building improvements from room tax-supported GO borrowing.
- Overture and Alliant Center– 3% increase
- Olbrich and Zoo – Return to 50% funding share of costs.
- Room Tax administrative cost – increase to $35,300, consistent with Cost Allocation Plan for enterprise agencies (current = $20,000 – reflects estimate made in 2016).
- Room Tax enforcement of transient tourist rooming houses – decrease to $6,000, consistent with contractual costs for software (current = $15,000; $17,100 in 2025)
- Reserve Level @ 5% = $943,900
- Ending Balance = $274,900

- ***Room Tax Commission will continue its discussion of long-range financial matters at its December 2026 meeting.***

Fund condition

	2026 Projected	2027 Projected	2028 Projected	2029 Projected	Chg from 2026 to 2027
Revenues	24,400,000	25,132,000	26,137,280	27,182,771	3%
Tangible Municipal Development (s. 66.0615 (1) (fm) 3., Wis. Stats.)					
Monona Terrace	6,706,780	7,546,379	7,566,625	8,198,384	13%
Debt Service	816,030	1,025,959	1,093,246	1,123,001	26%
Operating	5,392,000	5,445,920	5,500,379	5,555,383	1%
Capital	498,750	1,074,500	973,000	1,520,000	115%
Olbrich	1,030,473	856,700	882,401	908,873	-17%
Zoo	636,227	556,900	573,607	590,815	-12%
Alliant Center	102,000	105,060	108,212	111,458	3%
Overture	2,286,600	2,355,198	2,425,854	2,498,630	3%
Tourism Marketing (s. 66.0615 (1) (fm) 1., Wis. Stats.)					
Destination Madison	6,577,887	6,832,000	7,036,960	7,318,438	4%
Event Booking Assistance	275,000	275,000	275,000	275,000	0%
City Tourism	308,700	308,700	308,700	308,700	0%
Other	35,000	41,300	41,300	41,300	18%
Room Tax Commission	17,959,174	18,877,237	19,218,659	20,251,598	5%
Room Tax Retained for General Purposes					
General Fund Share	6,570,000	7,539,600	7,841,184	8,154,831	15%
Total Expenditures	24,529,174	26,416,837	27,059,843	28,406,429	8%
RTC Reserve	500,000	943,862	960,933	2,025,160	89%
Ending Balance	2,060,429	274,875	(580,099)	(2,783,325)	-87%
Structural Balance (rev v exp)	(776,607)	(1,284,837)	(922,563)	(1,223,658)	65%

City Tourism Activities Detail

	2025 Actual	2026 Adopted	2026 8/18/2026 Projection	2027 Preliminary
City Tourism Marketing Activities				
Sister Cities Program	29,530	30,000	30,000	30,000
Civic Conferences / Fairs / Festivals / Summer Concerts	221,668	263,700	263,700	263,700
Civic Conferences (e)	$ 9,208	$ 35,000	$ 35,000	$ 35,000
Civic Promotion (e)	$ -	$ 15,000	$ 15,000	$ 15,000
Madison Music City (g)			$ -	
Dane Dances (g)	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Make Music Madison (g)	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Music Tourism Study / Implementation	$ 30,210	$ 25,000	$ 25,000	$ 25,000
Arts Workers Grants	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Fairs / Festivals / Summer Concerts (f)	$ 17,500	$ 17,500	$ 17,500	$ 17,500
Downtown Visual and Performing Art	$ 34,750	$ 41,200	$ 41,200	$ 41,200
WIAA Basketball Tournament (h)	$ 15,000	$ 15,000	$ 15,000	$ 15,000
Subtotal City Tourism Marketing	$ 266,198	$ 308,700	$ 308,700	$ 308,700

Next steps

2027 Executive Capital Budget introduced September 8th

- *Monona Terrace capital projects – building and building improvements – Room Tax-supported GO Debt; machinery and equipment – Room Tax annual funding*

2027 Executive Operating Budget introduced October 6th

2027 Budget adopted on November 10-12,

Room Tax Commission 2027 budget review – August 24

Room Tax Commission 2027 budget approval – September 2

Budget Motion will be prepared by Chair.

Upcoming meetings

ROOM TAX COMMISSION

August 24, 2026

2026 MEETING SCHEDULE

Aug.-Sep.

(in-person)

- **August 24** – Presentations on 2027 allocations; Q2 actual collections;
- **September 2** – Adopt 2027 allocations

December

(virtual)

- Review 2026 and 2027 forecasts
- Discuss long range plan
- Meeting schedule for 2027

Adjournment

August 24, 2026, Room Tax Commission Meeting