

A STUDY OF TRANSIENT OCCUPANCY TAX AS AN ECONOMIC DEVELOPMENT STRATEGY

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ZEITGEIST CONSULTING

Box 45445 • Madison WI 53744
www.ZeitgeistConsulting.com

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INTRODUCTION

The utilization of Transient Occupancy Tax (TOT) is often debated in communities in Wisconsin and beyond. In Dane County, Madison is the municipality with the largest number of hotel rooms and collects the most TOT revenue.

Zeitgeist Consulting has been engaged by the Madison Innkeepers Association to perform an analysis of how TOT revenues are utilized by other cities across the United States and to establish a correlation between the investment of TOT dollars and total budget of a Destination Marketing Organization, or “DMO” (e.g., a Convention & Visitors Bureau), and its ability to attract future leisure, convention and event business for the destination. The results of this study are intended to be used to develop recommendations for future City of Madison TOT investment policies. The policy recommendations are intended to provide maximum opportunity for the City of Madison TOT fund stability and growth.

Through initial discussions with the Innkeepers Association, the City of Madison’s TOT Study Oversight Committee and the Greater Madison Convention & Visitors Bureau (GMCVB), a set of criteria was established to identify destinations for comparison to Madison. Among these criteria were:

- **Population.** We identified all destinations in the 150,000 to 250,000 population range that had a DMO or CVB.
- **University Towns.** We identified all destinations that included a Division I University with a student population over 15,000.
- **Capital Cities.** We identified all capital cities with a population over 100,000.
- **Competitive Destinations.** We identified those destinations with which the Greater Madison CVB competes for meeting, convention and event business.

This initial list included 45 cities (hereinafter referred to as the “competitive set”). Zeitgeist first contacted the DMO or CVB in each destination to secure organizational, destination and budgetary information. This data was cross-referenced with the just-released *2005 CVB Organizational & Financial Profile*, sponsored by the Destination Marketing Association International, the CVB industry’s trade association.

After several months of research, data was compiled on 41 of the 45 targeted destinations, representing a 91% success rate. This level of data capture provides a credible level of confidence for the findings in this study.

After embarking on this study, the subject was realized to be a very complex issue and could be analyzed from a multitude of reference points. Arguably, more time and resources could be dedicated toward this task. However, we believe strongly any new data would result in the same findings. Therefore, we are confident this study is conclusive.

EXECUTIVE SUMMARY

In our analysis of Destination Marketing Organizations and the utilization of Transient Occupancy Tax (also known as “Room Tax” in Wisconsin), we have found the following trends:

ORGANIZATION:

- The Greater Madison Convention & Visitors Bureau (the official Destination Marketing Organization for the City of Madison and Dane County) is organized as a private, not-for-profit 501(c)(6) organization. Nationally, 61% of DMOs/CVBs share this structure with the GMCVB. In the GMCVB’s competitive set of 41 like destinations, the 501(c)(6) model is utilized by 79% of DMOs.

PRIVATE v. PUBLIC FUNDING:

- The average DMO/CVB in Madison’s competitive set derives 84% of its budget from the public sector. The GMCVB’s budget mix is 71% public vs. 29% private sector funding.
- Breaking out the competitive set by destination characteristics, we see the following budget breakdowns:

	Public Sector Funding as % of Budget	Madison
Similar Population	88%	71%
Capital Cities	86%	71%
Comparable Hotel Room Inventory	86%	71%
With a Convention Center	85%	71%
With 2 or more Convention Centers	81%	71%
University Town	83%	71%
Capital City University Town	91%	71%
501(c)(6) Organizations	83%	71%
CVBs with a Membership Program	78%	71%

- Like the GMCVB, 63% of the DMOs/CVBs in Madison’s competitive set maintain a private sector Membership Program. Of these CVBs, the average number of member businesses is 355 and the average private sector revenues realized through these programs totals \$167,325. In contrast, the GMCVB was supported by 555 members that invested approximately \$262,000 in membership dues in 2005.

COMPETITIVE BUDGETS

- The GMCVB has one of the smallest destination marketing budgets of the DMOs in its competitive set, less than half the national average of \$4.97 million.
- Breaking out the competitive set by destination characteristics, we see the following budget breakdowns:

	Average DMO Budget (millions)*	Madison (millions)
Similar Population	\$3.2	\$2.1
Capital Cities	\$4.5	\$2.1
Comparable Hotel Room Inventory	\$3.4	\$2.1
With Convention Center	\$5.0	\$2.1
With 2 or more Convention Centers	\$5.2	\$2.1
University Town	\$6.3	\$2.1
Capital City University Town	\$5.2	\$2.1

* As DMOs/CVBs utilize varying fiscal calendars, all budgets quoted are for the most current fiscal year (i.e., 2005 or 2006, whichever the organization is currently operating within).

TAXES PAID BY HOTEL GUESTS

- The total tax paid by a hotel guest in the City of Madison is 13.5% (8% Room Tax, 5% State Sales Tax & .5% County Sales Tax). This is significantly higher than the National Average of 12.2% and slightly above the average for destination's in Madison's competitive set (13%).
- Madison currently has the 14th highest total tax rate among its competitive set of destinations.

UTILIZATION OF TOT REVENUES

- The average city in Madison's competitive set invests 39.4% of its total Room Tax collections in its CVB and 29.6% in its Convention Center(s). The City of Madison invests 16% of the TOT in its CVB and 75.3% in its Convention Center.
- Breaking out the competitive set by destination characteristics, we see the following averages:

	TOT % to the DMO/CVB	TOT % to the GMCVB
Similar Population	47.4%	16%
Capital Cities	37.5%	16%
Comparable Hotel Room Inventory	35.6%	16%
With Convention Center	37.0%	16%
With 2 or more Convention Centers	31.1%	16%
University Town	34.6%	16%
Capital City University Town	42.3%	16%

THE RELATION OF CVB / DMO BUDGET TO INCREASED VISITATION

- While there are a myriad of market conditions that play a role in the ability of a CVB to secure meeting, convention and event business for a destination, there appears to be a correlation between an increased budget for a CVB and the business that they can book for a community.
- 7 of 10 CVBs in Madison's competitive set that reported a marked increase in their budget, report a corresponding increase in hotel room nights sold through their efforts. The other three believe that their efforts increased room sales and visitation but cannot "prove" the increase due to other market conditions occurring at the same time.
- Conversely, reducing a CVB budget may have just the opposite effect. While not in our control set of competitive communities, the Buffalo CVB's budget has been halved over the past two years. And, this year, the CVB reports its room night bookings during the first half of this year are down by 28% from 2004 levels.

STUDY METHODOLOGY

Zeitgeist Consulting met with representatives from the Greater Madison Innkeepers Association and the Greater Madison Convention & Visitors Bureau during the fourth quarter of 2005 to develop the scope of this research project. It was agreed that, in order to provide the City of Madison with the most actionable data possible, this study should focus on the practices of cities that were similar to Madison, rather than simply reporting national averages of Transient Occupancy Tax (Room Tax) utilization.

The study was designed by identifying destination cities that shared one or more of the following criteria with Madison:

- Had a Destination Marketing Organization/CVB representing the city
- Had a population between 150,000 and 250,000
- Had a Hotel Room Inventory of between 5,000 and 7,000 rooms
- Was a State Capital with a population of more than 100,000
- Was home to a Division I University of more than 15,000 students

It was also agreed that the study should include destination cities with which Madison often competed for meeting and convention business.

Zeitgeist contacted each of the identified 45 DMOs or CVBs by phone and/or e-mail, requesting their assistance in completing an online survey (which can be found in the Appendix of this document as Exhibit One). The survey was designed to identify the following:

- How competitive DMOs were organized (e.g., 501(c)(6), a unit of government, division of another economic development agency, etc.)
- How competitive DMOs were funded (public and private)
- How each destination invested its TOT revenues
- Whether there was a correlation between a DMO budget increase and increased meeting and convention bookings

Zeitgeist was able to develop comparative data on 41 of the 45 targeted destinations through responses to the online survey and phone and e-mail interviews. In most cases we were able to cross-reference and confirm data by utilizing the most recent edition of the *CVB Organizational and Financial Profile*, released in March 2006, by Destination Marketing Association International, the DMO industry's professional trade association.

In completing the survey, 10 of the 41 respondents reported a significant increase in their budget over the past 15 years. Zeitgeist performed follow-up interviews with these DMOs to identify whether there was a connection between that increase and future meeting and convention bookings.

Zeitgeist would like to thank the City of Madison Comptroller, Dean Brassler, for supplying background data and TOT history/projection statistics for this study.

TOT IN WISCONSIN

The first introduction of a Transient Occupancy Tax (also referred to as a “TOT” or “Room Tax”) in America occurred 60 years ago when New York City enacted a 5% lodging tax in 1946. Ten years later, Las Vegas followed suit.

In 1967, the Wisconsin State Legislature passed (and then-Governor Warren Knowles signed into law) a bill that enabled municipalities to enact a Transient Occupancy Tax (also referred to as a “Room Tax”) on lodging establishments throughout the State. The majority of states that passed similar legislation in the ‘70s and ‘80s restricted the revenues derived from this tax to tourism promotion and development.* Wisconsin’s initial State Statute (§66.0615) did not specify how the revenues could be expended.

Over the past 40 years, the majority of Wisconsin municipalities with one or more lodging properties have enacted a local option Room Tax (Door County communities north of Sturgeon Bay are an exception). Prior to 1994, Room Tax rates were generally in the 3-5% range, with Madison and Milwaukee charging their hotel guests slightly more.

In 1994, the State Room Tax Statute was amended in an attempt to insure that no less than 70% of future TOT increases would be invested back into tourism promotion and development. The amendment also stipulated that the percentage of pre-existing TOT collections used for “tourism promotion and development” could not be less than the level in existence in May, 1994. And, at the urging of the lodging industry, a statutory cap of 8% was placed on the TOT.

While the legislative intent of the 1994 Room Tax Reform Act was to encourage municipalities to invest room tax dollars in tourism promotion and development, a number of exemptions from the requirements and limitations were included in the bill for municipalities that were building, renovating or financing a convention center. The City of Madison will likely remain exempt from the 1994 amendment to State Statute §66.0615 as long as it continues to pay debt service and other costs related to the construction and renovation of convention centers.

In 2006, Governor Jim Doyle signed into law Wisconsin Act 135 which further clarified the term “tourism promotion and development,” outlining acceptable uses for TOT revenues such as marketing, sales and advertising and municipal development that would be likely to attract overnight visitors. The Act also reiterates that no provision therein can prevent a City from meeting the “terms of its obligation” relative to a municipal convention center for which debt was incurred prior to January 1, 2005.

** For example, Texas requires 100% of the use of collected Room Tax to be invested in convention centers and CVBs. Florida mirrors the Texas model, with the inclusion of beach renourishment as an approved use. Illinois stipulates that 97% of locally collected Room Taxes be invested in their CVBs.*

TOT IN MADISON

Madison enacted a 3% TOT in 1969, increasing it to 6% in 1970, 7% in 1982 and to the current level of 8% in 1996. According to a 2002 report by the City Comptrollers office, the TOT grew at an average annual rate of 8.8% (after factoring out the impact of rate increases) from its inception to 2002. While the general economic downturn in the first few years of this decade slowed TOT growth, the TOT fund may now be returning to its previous, stronger growth rate. Of course, future economic downturns and/or terrorism/epidemics could stall or reverse this growth at any moment.

Initially, the City of Madison combined the money it derived from its Room Tax with General Fund revenues and allocated it as such. This practice was contrary to the majority of other cities in Wisconsin (and across the country) that dedicated the funds to tourism promotion and development. In the early years of Madison's TOT, anticipated room tax collections were budgeted along with property tax proceeds and other revenue streams to fund standard operating costs of various City departments, including its investment in destination marketing with the GMCVB, which was included in the "miscellaneous" appropriations section of the City's annual Operating Budget.

Talk of the need for a convention center for Madison resumed in the mid-1980s. After several feasibility studies, a proposal known as the Nolen Terrace Convention Center project (not to be confused with the later "Monona Terrace" plan) was proposed in 1987. The following year, the City capped the amount of revenue that would flow to the General Fund in future years at \$2,181,934. It then forwarded all annual TOT revenues over that amount to a separate "Convention Center Development Fund" to begin preparing for the construction of Nolen Terrace, should it be approved by the voters the following year. Despite a referendum defeat of the Nolen Terrace Convention Center initiative in the spring of 1989, this policy of forwarding revenues to the "Convention Center Development Fund" continued through the early 1990s, as the city considered the Monona Terrace Convention Center concept. When the Monona Terrace referendum was approved in 1992, the practice continued through the opening of the convention center in 1997. The revenues that had accumulated in the Development Fund were used in the construction phase of the center.

According to records provided by the Comptroller, the City issued \$14.3 million of Room Tax Revenue Bonds as part of the financing package for the construction of Monona Terrace in 1995. The initial bond issue was structured with annually increasing debt service payments through 2010, with the expectation that Room Tax revenues would also be increasing during this period.

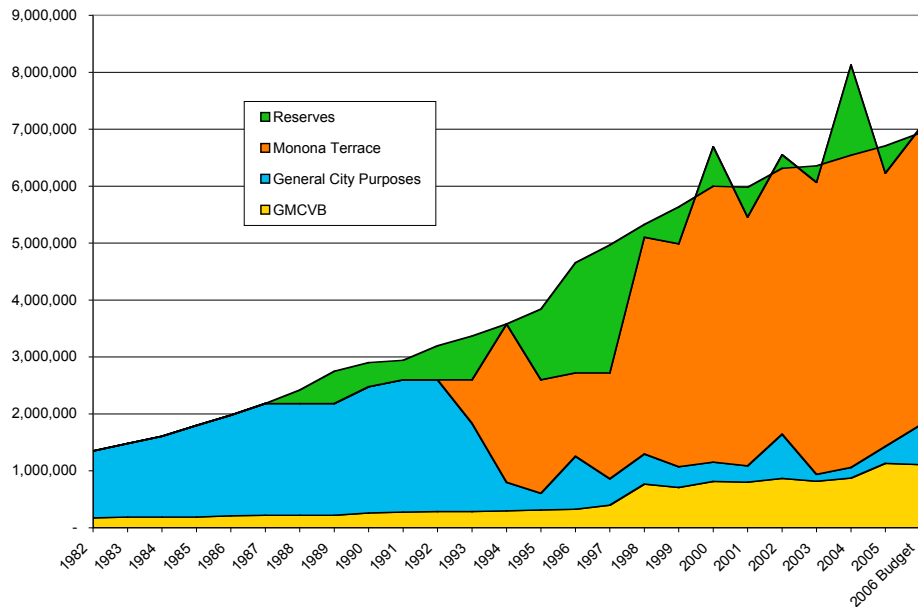
In 1998 the City elected to shift the annual operating subsidy for Monona Terrace and its investment in the GMCVB from the General Fund to be funded, instead, directly from the Room Tax. Resolution No. 55663 formally directs that future Room Tax revenues be used to fund convention and tourism related activities, subject to the annual appropriation of the Common Council. Concurrent with this 1998 decision, the City also developed a long-

term plan that reduced room tax distribution to the General Fund with a planned “sunset date” of 2005 (last payment to General Fund in 2004).

Through this annual process, the definition of “tourism related activities” has evolved to include all capital, debt service and operating subsidies of Monona Terrace, increases in destination marketing, Monona Terrace event booking assistance, contributions to Madison Arts Commission (formerly Madison CitiArts), Civic Promotions, security for Rhythm & Booms, US Conference of Mayors and extension of former annual contributions to the Capitol Sound/ Madison Scouts and Badger State Games. In addition, the former plan of ending TOT contributions to the general fund has been reversed with Council approvals of increased annual contributions from a low of \$45,500 in 2004 to \$500,000 in 2006.

The following chart (prepared by the City Comptroller) summarizes the revenues in and expenditures from the Room Tax Fund since 1982.

HISTORICAL USE OF ROOM TAX:



The above chart summarizes the historical use of room tax funds since 1982 using four major categories of expenditure: General City Purposes, the Greater Madison CVB (GMCVB), Monona Terrace and contributions to reserves. The growth line of TOT revenues is relative constant. The three “spikes” over that line that are seen in 2000, 2002 and 2004 are years in which TOT revenue growth was *not* sufficient to cover Monona Terrace financing and subsidization costs. In those years, Reserve revenues that had been accumulated in previous years were utilized to cover any shortfall.

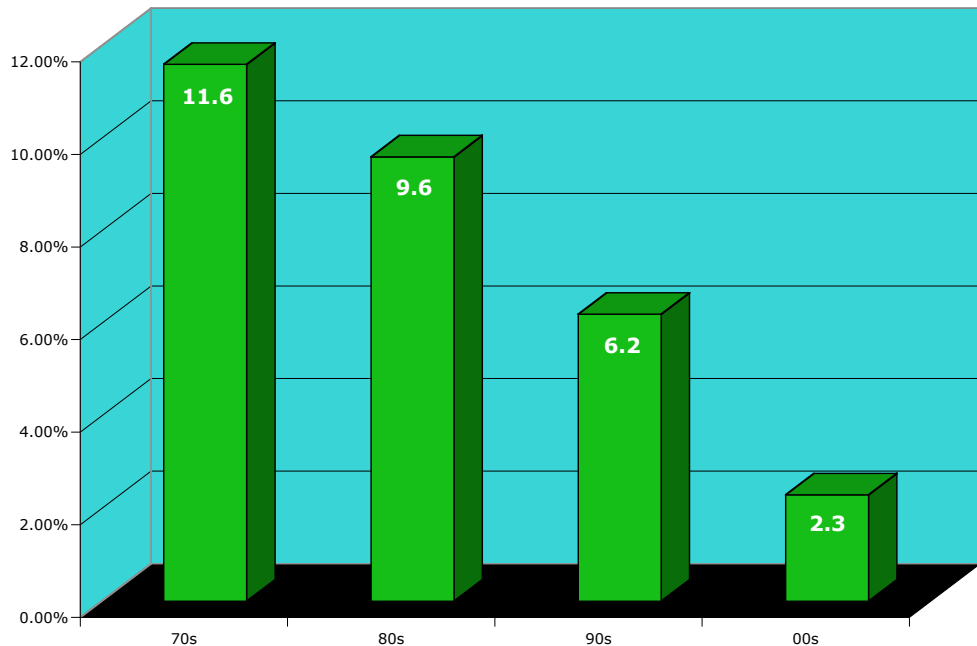
In the early 1980s, the City invested an amount equal to roughly 12% of its total TOT collections in the GMCVB. That figure steadily declined to roughly 8% in the mid-1990s. In 1998, realizing the need to aggressively market Monona Terrace, the City increased its investment in its CVB to 14.4% of

TOT collections. Since that time, the percentage of TOT invested in the GMCVB has increased to 16%.

While the City's dollar investment in the GMCVB's destination marketing work has doubled over the past decade, the percentage of TOT revenues invested in the Bureau is one of the lowest of any destination in the competitive set (as outlined on page 22).

Since its inception in 1969, over \$100 million in TOT has been collected by the City of Madison. However, the rate of TOT growth has slowed considerably over that period from a high of almost 12% annual growth in the 1970s to 2.3% annual growth in the first half of this decade.

RATE OF MADISON TOT GROWTH BY DECADE:



While a contributor to this trend could well be the economic slowdowns experienced between 1991-93 and 2001-03, the reality exists that revenue growth in the TOT account continues to slow. Should this trend line continue, financing expectations for completing the payoff of Monona Terrace bonds and covering operating subsidies could be in jeopardy.

Note: For further detail on City of Madison TOT fund history and trends, please refer to the Appendix.

THE COMPETITIVE SET

While national averages and trends offer an interesting view into how other communities have structured their destination sales and marketing strategies, they do not take into consideration some of the unique aspects that make some destinations invest their revenues differently than others.

This study of TOT utilization will not include a detailed analysis of how dissimilar destinations such as Las Vegas and Ladysmith handle their investment of Room Tax. Instead, this study will focus on those destinations that are similar in some way with Madison, such as population, University Town, State Capital, boasting a Convention Center (or multiple public assembly facilities), etc. This study will also analyze destinations with which the GMCVB regularly competes for conventions, such as Cleveland and San Jose).

In this way, we will be able to more accurately compare how Madison invests its TOT vs. communities that look like Madison and compete with Madison.

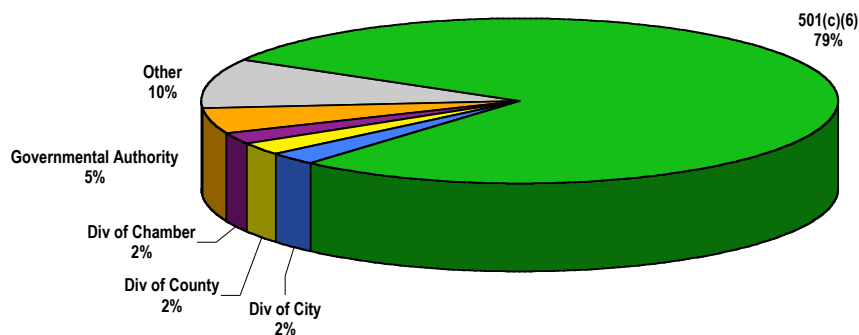
Along this line, Zeitgeist Consulting identified 45 destinations that exhibited similarities to Madison and/or were direct competitors for convention business. The GMCVB confirmed that they have been in competition for conventions, meetings and events business with each of these cities: We were able to secure information for 41 of these communities:

AUSTIN TX	OKLAHOMA CITY OK
BATON ROUGE LA	OVERLAND PARK KS
BIRMINGHAM AL	PITTSBURGH PA
BOISE ID	PROVIDENCE RI
BOSTON MA	RALEIGH NC
CHARLOTTE NC	RICHMOND VA
CLEVELAND OH	ROCHESTER NY
COLUMBIA SC	ROCKFORD IL
COLUMBUS OH	SAN JOSE CA
DAYTON OH	SEATTLE WA
DENVER CO	SPOKANE WA
DES MOINES IA	SPRINGFIELD MO
DURHAM NC	ST. PAUL MN
FT. LAUDERDALE FL	TUCSON AZ
FT. WAYNE IN	WICHITA KS
GRAND RAPIDS MI	WISCONSIN DELLS WI
HARTFORD CT	
IRVING TX	
KANSAS CITY MO	
LANSING MI	
LOUISVILLE KY	
MILWAUKEE WI	
MINNEAPOLIS MN	
MOBILE AL	
NORFOLK VA	

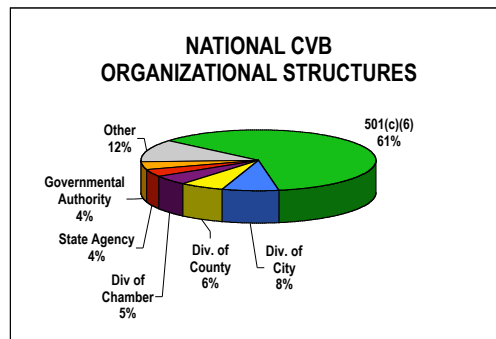
CVB ORGANIZATIONAL STRUCTURE

The most prevalent organizational structure for American CVBs is that of an independent, 501(c)(6) not-for-profit association that, in most cases, contracts with a unit (or units) of government to provide destination marketing services.

According to the *2005 CVB Organizational & Financial Profile* (produced by the Destination Marketing Association International), 61% of Bureaus are organized in this manner. However, in Madison’s competitive set, 501(c)(6) structures are used by 79% of CVBs.



A small percentage of destinations elect to keep their CVBs as divisions of government, although this format appears to be declining in favor, as has the notion of housing a CVB within the local Chamber of Commerce. While the latter was the standard format for CVBs until the 1980s, only 5% of Bureaus continue to be managed by their Chamber (and only 2% of CVBs in Madison’s competitive set).



The Government Authority model appears most often in CVBs that are responsible for managing their Convention Centers and/or Arenas. The “Other” category is made up of CVBs in States such as North Carolina where state law calls CVBs “Instrumentalities of Government.” These formats are similar to Authorities in that they are autonomous from government, but different in that they do not have the authority to levy or collect tax.

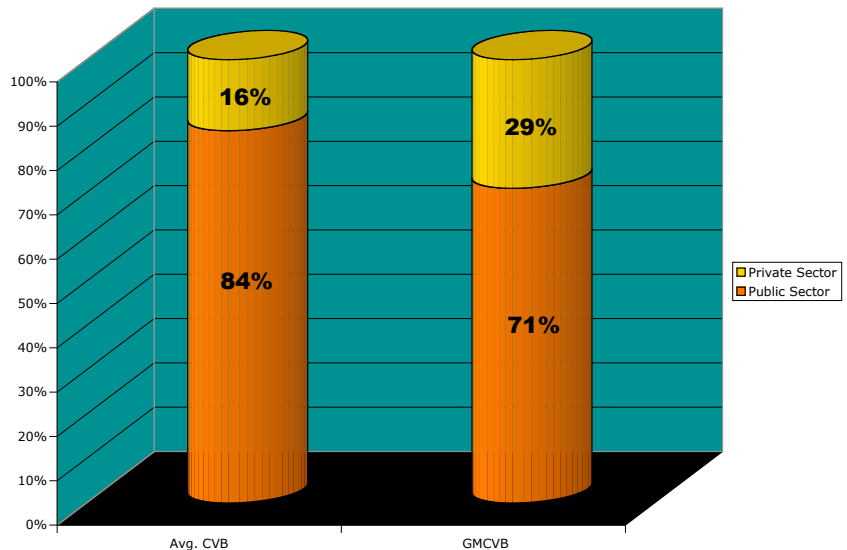
HOW CVBs ARE FUNDED

The average CVB derives its operating budget from a number of public and private sources. While there are those CVBs in our control group of competitive destinations that operate solely on TOT revenues (Oklahoma City, Birmingham, Irving, Fort Lauderdale and Overland Park), TOT revenues make up 68% of the average CVB's budget.

The average CVB's revenue sources in our competitive set look like this:

	COMPETITIVE SET	MADISON
TOT (Local and/or State)	68%	52%
General Purpose Funds (Local)	4%	16%
General Purpose Funds (State)	2.8%	0%
Special Hotel Assessments	2.6%	0%
Food & Beverage Tax	1.9%	0%
State Grants	1.4%	0%
Other Public Sector Investment	3.3%	3%
TOTAL PUBLIC SECTOR >>>	84%	(Madison: 71%)
Membership Dues	4.4%	12.5%
Co-Op Advertising	2.3%	2%
Sponsorship	1%	8%
Visitors Guide Advertising	1%	1%
Event Revenues	0.6%	0%
Trade Show Co-Op	0.3%	0.4%
Retail Merchandise Sales	0.2%	0.1%
Website Advertising	0.1%	1%
Other Private Sector Investment	6.1%	4%
TOTAL PRIVATE SECTOR >>>	16%	(Madison: 29%)

By comparison, the GMCVB derives 29% of its operating budget from the Private Sector and only 71% from Public Sources.



Again, in looking at subsets of the control group of competitive destinations, we are able to better assess how different types of destinations fund their CVBs:

By Population: For cities of comparable size (150,000 to 250,000 population), the average CVB budget is made up of 87.9% Public Sector Revenues and 12.1% Private Sector Revenues.

By Capital City: For cities that serve as the seat of State Government, the average CVB budget is made up of 86% Public Sector Revenues and 14% Private Sector Revenues.

By Hotel Room Inventory: For cities that have a comparable number of available hotel rooms (5,000 to 7,000), the average CVB budget is made up of 85.5% Public Sector Revenues and 14.5% Private Sector Revenues.

By Facility Mix: For cities that feature one public convention center, the average CVB budget is made up of 84.6% Public Sector Revenues and 15.4% Private Sector Revenues. For cities that feature two public convention centers, the average CVB budget is made up of 81.2% Public Sector Revenues and 18.8% Private Sector Revenues.

By University Town: For cities featuring at least one Division I University with a student population of over 15,000, the average CVB budget is made up of 83.2% Public Sector Revenues and 16.8% Private Sector Revenues. For Capital Cities that also feature a University, the average CVB budget is made up of 90.9% Public Sector Revenues and 9.1% Private Sector Revenue.

We also split the control group by Organizational Structure.

501(c)(6) CVBs: For CVBs organized as 501(c)(6) not-for-profit organizations, the average CVB budget is made up of 82.6% Public Sector Revenues and 17.4% Private Sector Revenue.

Membership CVBs: For CVBs that include a membership component in their program, the average CVB budget is made up of 77.6% Public Sector Revenues and 22.4% Private Sector Revenue.

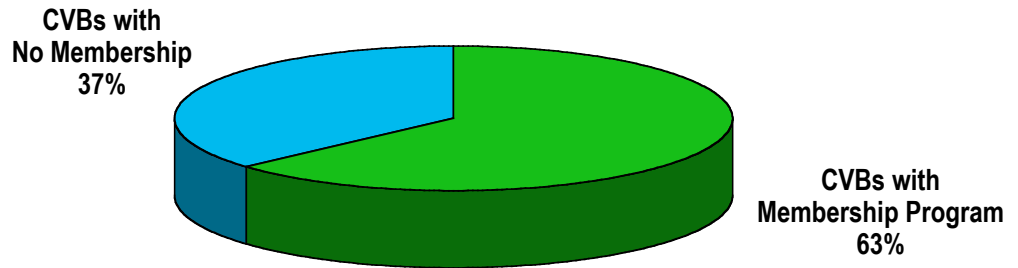
The GMCVB is unique in its public sector investments by both the City of Madison (TOT funding and Monona Terrace contributions) and Dane County (thru general levy funding). In addition, the GMCVB receives TOT funding from six municipalities in Dane County: DeForest/Windsor, Fitchburg, Monona, Verona, Middleton and Sun Prairie. While many CVBs receive funding from regional communities, only 7 of the 41 Bureaus in our competitive set are funded by both City and the County.

PRIVATE SECTOR INVESTMENT IN CVBs

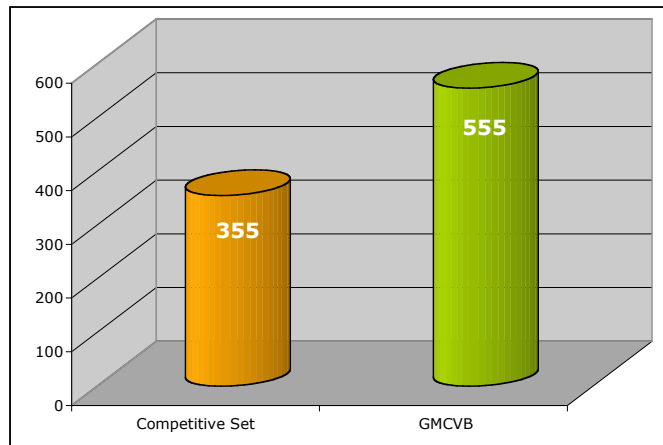
While government funding makes up the majority of the sales and marketing budgets of most DMOs in America, most CVBs attempt to enhance their competitive position by creating alliances with the private sector.

One of the ways that CVBs attract private sector revenue is to offer a Membership program. Bureaus with these programs still promote the entire destination, but often provide enhanced visibility or services to those businesses that invest revenues, such as listings in Visitors Guides or links from the CVB's website.

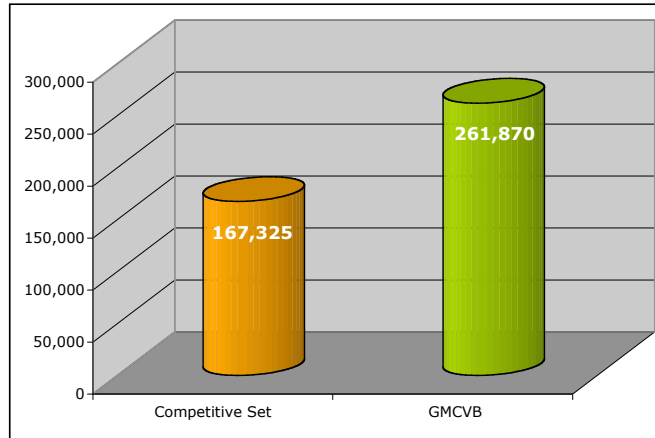
Roughly half of all members of Destination Marketing Association International maintain a Membership Program. In Madison's competitive set, however, the percentage of Bureaus that maintain a Membership program is much higher than the national average (63%).



The average membership CVB in communities the size of Madison (population 150,000 to 250,000) in our competitive set reports 355 members and is able to generate just under \$170,000 toward its program of work. The GMCVB reports 555 members and generates nearly \$270,000, almost \$100,000 more than the average CVB in its competitive set.



**AVERAGE NUMBER OF MEMBERS
in similar size communities**

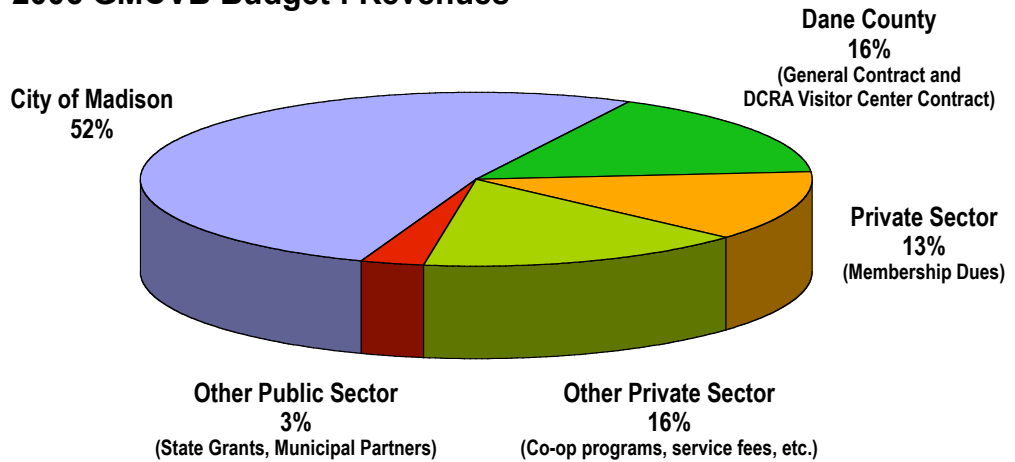


**AVERAGE ANNUAL MEMBERSHIP DUES
in similar size communities**

In addition to Membership revenues, many CVBs generate private sector revenues through sponsorships, co-operative advertising programs (where businesses share the cost of advertising placements in order to gain visibility for their product as well as expand the size and reach of the CVB's message), providing convention registration assistance and other programs.

The GMCVB reports that, in 2006, the private sector (in addition to membership fees), will invest over \$300,000 in programs such as event sponsorships, co-operative advertising, convention services fees, housing and reservation service fees, web site link fees, etc.

2006 GMCVB Budget : Revenues

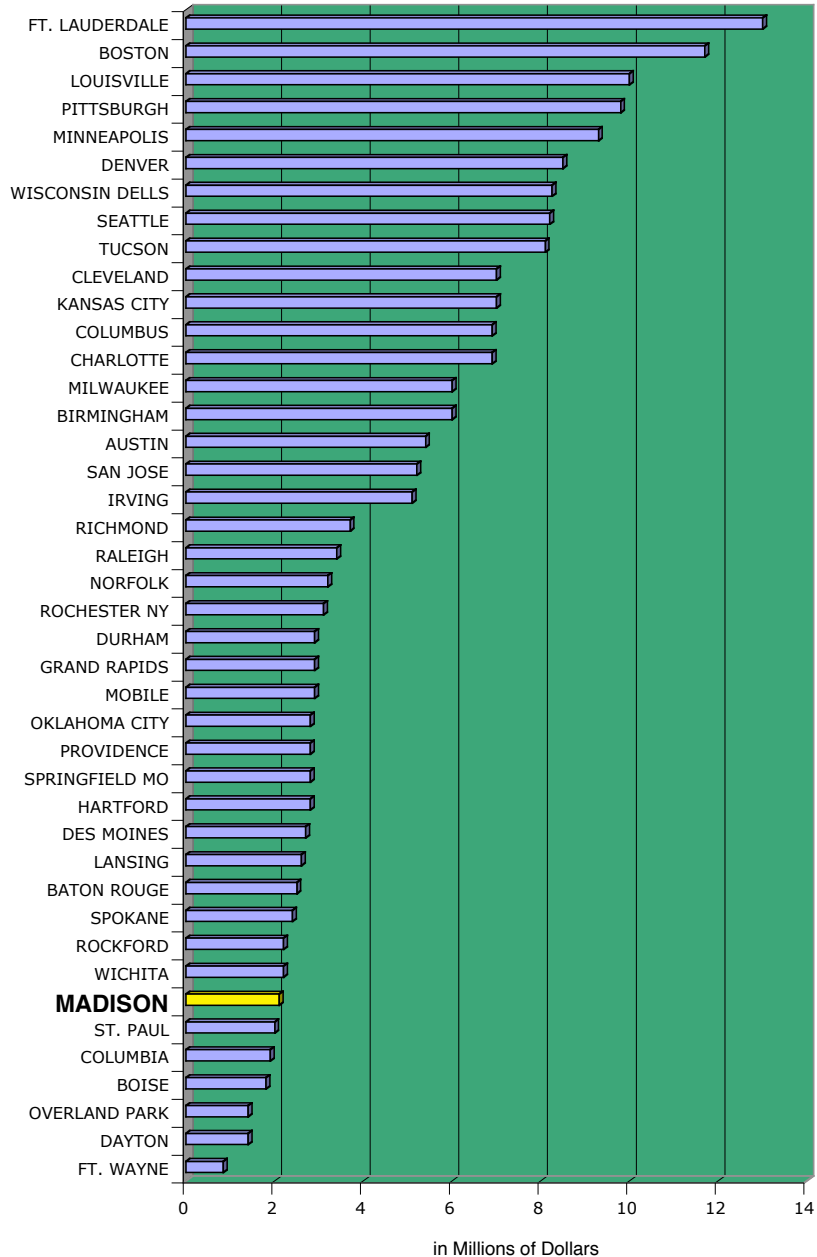


Source: Greater Madison Convention & Visitors Bureau

In addition, the GMCVB estimates that the private sector invests another \$250,000 annually in co-operative destination marketing investments through direct advertising in the GMCVB's *Official Visitors Guide* and other third party programs that promote the destination. If these revenues were incorporated into the overall budget, it would change the public/private resource ratio to 64% public and 36% private.

BUDGETS OF COMPETITIVE SET CVBs

The average operating budget for Madison's competitive set is \$4.97 million. Only 6 CVBs in the competitive set operate with budgets lower than the GMCVB.



As DMOs/CVBs utilize varying fiscal calendars, all budgets quoted are for the most current fiscal year.

It is important to note that this grouping includes cities that have a larger population base than the City of Madison (e.g., San Jose and Columbus) and destination economies that are more singularly dependent upon tourism (e.g., Wisconsin Dells).

To perform a more realistic comparison, we have analyzed average budgets using subsets of the control group of CVBs:

By Population: For cities of comparable size (150,000 to 250,000 population), the average CVB Budget is \$3.2 million.

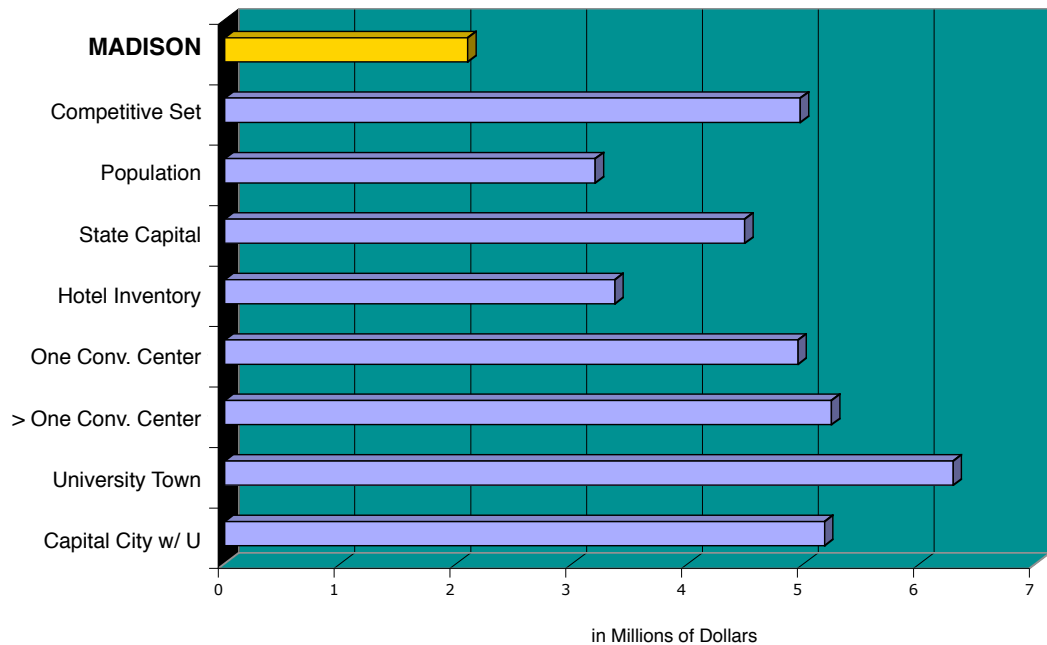
By Capital City: For cities that serve as the seat of State Government, the average CVB budget is \$4.49 million.

By Hotel Room Inventory: For cities that have a comparable number of available hotel rooms (5,000 to 7,000), the average CVB budget is \$3.37 million.

By Facility Mix: For cities that feature one public convention center, the average CVB budget is \$4.95 million. For cities that feature two public convention centers, the average CVB budget is \$5.24 million.

By University: For cities featuring at least one Division I University with a student population of over 15,000, the average CVB budget is \$6.29 million. For Capital Cities that also feature a University, the average CVB budget is \$5.18 million.

BUDGET COMPARISONS BY DESTINATION CHARACTERISTICS:



- Source: Zeitgeist Consulting & Destination Marketing Association International

TAXES PAID BY HOTEL GUESTS

In virtually all of the destinations that make up the control group of competitive cities, a local option Transient Room Tax is collected. The exception (Providence RI) is located in a state that collects the TOT.

Whether City, County or State (or a combination of the three) collect a TOT, the rate of the Room Tax is usually in the 3%-8% range, depending upon State set levels and caps. As government searches for new revenue streams, an increase in the Room Tax rate is often one of the discussions that takes place. However, basing decisions on the Room Tax rate alone cannot be the only focus is such an analysis or comparison.

The figure found to be more meaningful is the total rate of the tax paid by a hotel guest, for it is there that some consumers (particularly meeting planners) will make a booking decision based on the total rate. For example, a TOT rate of 3% would be considered attractive by many consumers. However, if the total rate paid at checkout also included a 6% State Sales Tax, a 6% State TOT and a 1% County Sales Tax (in addition to the local TOT of 3%), the total impact of taxes on a hotel room would be 16%, well above the national average.

In the Destination Marketing Association International's *2005 Organizational and Financial Profile*, the average rate of total tax paid by Hotel guests across its membership is 12.2%. The average total tax paid by Hotel guests in our competitive set of CVBs is 13%.

Currently, the total rate of taxes paid on a hotel stay in the City of Madison is 13.5%. This total tax rate places Madison as the City with the 14th highest rate of tax out of the 41 CVBs studied.

In Wisconsin, the highest Room Tax rate allowed under State Statutes is 8%. However, those cities that are building, paying for or renovating a convention center in counties with populations over 380,000 are not constrained by this cap. Thus, at least until the bonds are paid on Monona Terrace, the City of Madison is not subject to the Room Tax cap and has the authority to increase the TOT over the present 8%.

NOTE: An increase in TOT by 1% would result in Madison having the highest Room Tax rate in the State (tied with Milwaukee) and behind only three other cities in its competitive set (Birmingham AL, Denver and San Jose). It would also position the City as having the 8th highest total tax rate among competitive cities and the highest total tax rate for a city with a population under 450,000 in the country. The only cities with total tax rates of 14.5% and higher are Cleveland, Seattle, Boston, Milwaukee, Austin, Kansas City, Louisville and Columbus (OH).

Guests utilizing lodging establishments in our competitive destination set are taxed at the following rates upon check-out:

CITY	TOTAL TAX RATE AT CHECKOUT*	CITY ROOM TAX RATE
Boston MA	17.45%	4%
Columbus OH	16.75%	6.75%
Seattle WA	15.8%	7%
Austin TX	15%	9%
Louisville KY	15%	7.5%
Kansas City MO	14.86%	7.5%
Milwaukee WI	14.6%	9%
Cleveland OH	14.5%	3%
Birmingham AL	14%	10%
Pittsburgh PA	14%	7%
Rochester NY	14%	6%
Oklahoma City OK	13.875%	5.5%
Denver CO	13.85%	9.75%
MADISON WI	13.5%	8%
Charlotte NC	13.5%	6%
Overland Park KS	13.5%	6%
Norfolk VA	13%	8%
Richmond VA	13%	8%
Irving TX	13%	7%
Wichita KS	13%	6%
Minneapolis MN	13%	6%
Raleigh NC	13%	6%
St. Paul MN	13%	6%
Durham NC	13%	6%
Grand Rapids MI	13%	5%
Baton Rouge LA	13%	4%
Dayton OH	13%	3%
Des Moines IA	12%	7%
Ft. Wayne IN	12%	6%
Hartford CT	12%	6%
Mobile AL	12%	6%
Providence RI	12%	5%
Rockford IL	12%	5%
Springfield MO	11.8%	5%
Tucson AZ	11.5%	6%
Ft. Lauderdale FL	11%	5%
Lansing MI	11%	5%
Wisconsin Dells WI	11%	5%
Boise ID	11%	4%
Columbia SC	11%	2%
Spokane WA	10.6%	2%
San Jose CA	10%	10%

* includes sales and other taxes

Closer to home, the City of Madison should also consider its room tax rate compared to its competitors within Dane County and throughout the State of Wisconsin. In its *2004 Room Tax Study*, The Wisconsin Taxpayers Alliance identified the Total Rate of Taxes paid at checkout for every city in the State.

Among the rates of the City of Madison's competitors:

CITY	TOTAL TAX RATE AT CHECKOUT*	CITY ROOM TAX RATE
Milwaukee	14.6%	9%
MADISON	13.5%	8%
Green Bay	13.5%	8%
Kenosha	13.5%	8%
Wausau	13.5%	8%
Monona	13.5%	8%
Janesville	13%	8%
Eau Claire	12.5%	7%
La Crosse	12.5%	7%
Racine	11.5%	6%
Appleton	11.0%	6%
Wisconsin Dells	11.0%	5%
Fitchburg	10.5%	5%
Middleton	10.5%	5%
Verona	10.5%	5%
Sun Prairie	9.5%	4%
Door County	5.5%	0%**

* includes sales and other taxes

** the City of Sturgeon Bay has enacted a 4% TOT

As with Bureau Budget, we have broken out the rate of Total Tax Paid by destinations based upon subsets of the control group of CVBs:

By Population: For cities of comparable size (150,000 to 250,000 population), the average rate of Total Tax Paid by hotel guests is 12.5%.

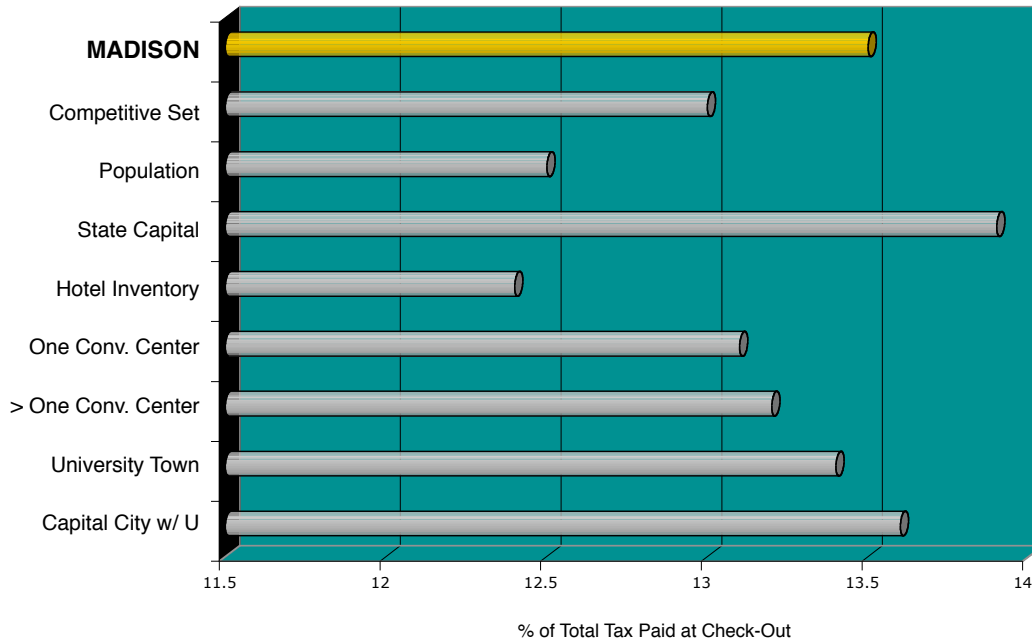
By Capital City: For cities that serve as the seat of State Government, the average rate of Total Tax Paid by hotel guests is 13.9%.

By Hotel Room Inventory: For cities that have a comparable number of available hotel rooms (5,000 to 7,000), the average rate of Total Tax Paid by hotel guests is 12.4%.

By Facility Mix: For cities that feature one public convention center, the average rate of Total Tax Paid by hotel guests is 13.1%. For cities that feature two public convention centers, the average rate of Total Tax Paid by hotel guests is 13.2%.

By University Town: For cities featuring at least one Division I university with a student population of over 15,000, the average rate of Total Tax Paid by hotel guests is 13.4%. For capital cities that also feature a university, the average rate of Total Tax Paid by hotel guests is 13.6%.

**TOTAL TAX UPON HOTEL CHECK-OUT
BY DESTINATION CHARACTERISTICS:**

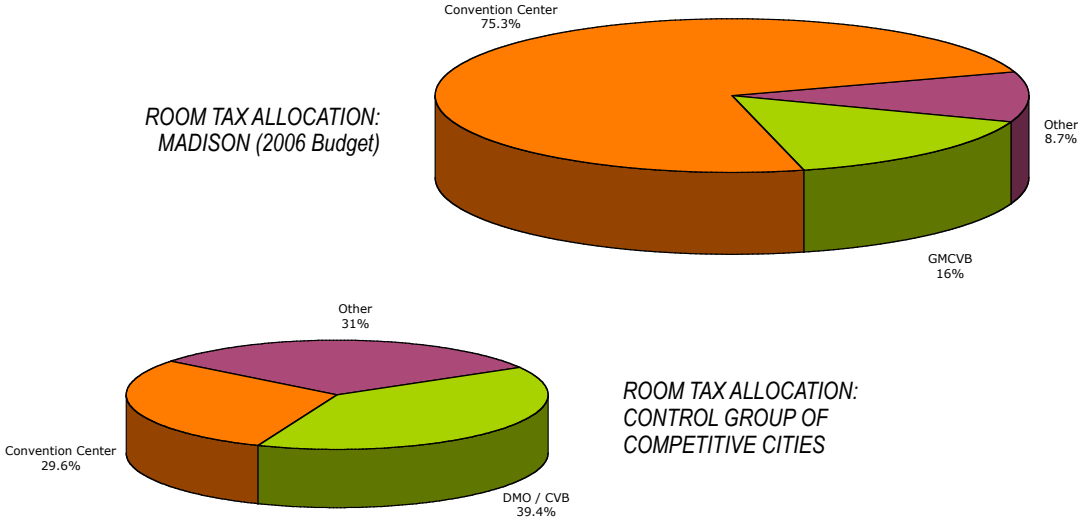


UTILIZATION OF TOT REVENUES

How cities distribute the revenues derived from their Room Tax varies significantly from destination to destination. According to industry studies, the vast majority of cities around the country do invest a significant portion of TOT revenues in their Destination Marketing Organizations/CVBs and Convention Centers.

In our control group of competitive destinations, 39.4% of TOT revenue collected was invested in the CVB and 29.6% of revenues were invested in their convention centers. In comparison, the City of Madison invests 75.3% in its convention center and only 16% in its CVB.

ROOM TAX UTILIZATION:



By Population: For cities of comparable size (150,000 to 250,000 population), the average breakdown of how TOT is invested is:

	<u>BY POPULATION</u>	<u>MADISON</u>
CVB / DMO	47.4%	16%
Convention Center	26.9%	75.3%
Other	25.7%	8.7%

By Capital City: For cities that serve as the seat of State Government, the average breakdown of how TOT is invested is:

	<u>CAPITAL CITIES</u>	<u>MADISON</u>
CVB / DMO	37.5%	16%
Convention Center	32.8%	75.3%
Other	29.7%	8.7%

By Hotel Room Inventory: For cities that have a comparable number of available hotel rooms (5,000 to 7,000), the average breakdown of how TOT is invested is:

	<u>BY HOTEL INVENTORY</u>	<u>MADISON</u>
CVB / DMO	35.6%	16%
Convention Center	19.5%	75.3%
Other	44.9%	8.7%

By Facility Mix: For cities that feature one public convention center, the average breakdown of how TOT is invested is:

	<u>WITH A CONVENTION CENTER</u>	<u>MADISON</u>
CVB / DMO	37%	16%
Convention Centers	31.2%	75.3%
Other	31.8%	8.7%

By Facility Mix: For cities that feature more than one public convention centers, the average breakdown of how TOT is invested is:

	<u>WITH >1 CONVENTION CENTERS</u>	<u>MADISON</u>
CVB / DMO	31.1%	16%
Convention Centers	39.5%	75.3%
Other	29.4%	8.7%

By University: For cities featuring at least one Division I university with a student population of over 15,000, the average breakdown of how TOT is invested is:

	<u>UNIVERSITY TOWN</u>	<u>MADISON</u>
CVB / DMO	34.6%	16%
Convention Centers	33.7%	75.3%
Other	31.7%	8.7%

Capital City/University Town: For capital cities that also feature a university, the average breakdown of how TOT is invested is:

	<u>CAP CITY / U TOWN</u>	<u>MADISON</u>
CVB / DMO	42.3%	16%
Convention Centers	31.1%	75.3%
Other	26.6%	8.7%

THE CITY OF MADISON'S COMPETITIVE SET

During our research, it was learned that the Mayor's Office had identified five cities it believed matched up well with the City of Madison and that were communities against which the City would be comparing itself. Those cities are Des Moines IA, Boise ID, Salt Lake City UT, Lincoln NE and Providence RI.

We have comparative data for four of those five, as three (Des Moines, Boise and Providence) were in our original competitive set and information on the other (Salt Lake City) was available through the *2005 CVB Organizational and Financial Profile* from the Destination Marketing Association International.

Lincoln NE is not considered a destination which is competitive to Madison in the convention meeting and event markets. Therefore, it is not included in our analysis of cities identified by the Mayor's Office.

We present the following comparative profiles of these suggested cities:

BOISE ID

<i>Comparables</i>	<i>Boise</i>	<i>Madison</i>
Population:	190,122	222,000
Capital City:	YES	YES
University:	Boise State	UW-Madison
CVB Structure:	501(c)(6)	501(c)(6)
Hotel Room Inventory:	5,700	6,400
CVB Budget:	\$1.8 million	\$2.1 million
Total Tax Paid at Check-Out:	11%	13.5%
% of TOT to the CVB:	35%	16%
% of TOT to a Convention Center:	65%	75.3%
% Additional Governmental Funding:	35% / State	19%
% of CVB Budget that is Public Sector:	100%	71%
% of CVB Budget that is Private Sector:	0%	29%
Size of Convention Center (in sq. ft.):	50,000 (Boise Centre)	250,000 (MTCCC) 250,000 (AEC)

DES MOINES IA

Comparables	Des Moines	Madison
Population:	194,311	222,000
Capital City:	YES	YES
University:	Drake*	UW-Madison
Hotel Room Inventory:	8,734	6,400
CVB Structure:	501(c)(6)	501(c)(6)
CVB Budget:	\$2.7 million	\$2.1 million
Total Tax Paid at Check-Out:	12%	13.5%
% of TOT to the CVB:	28%	16%
% of TOT to a Convention Center:	72%	75.3%
% Additional Governmental Funding:	0%	19%
% of CVB Budget that is Public Sector:	92%	71%
% of CVB Budget that is Private Sector:	8%	29%
Size of Convention Center (in sq. ft.):	200,000	250,000
	(Hy-Vee Hall)	(MTCCC)
	50,000	250,000
	(Polk Co. Conv. Cntr)	(AEC)

PROVIDENCE RI

Comparables	Providence	Madison
Population:	178,126	222,000
Capital City:	YES	YES
University:	Brown*	UW-Madison
Hotel Room Inventory:	3,839	6,400
CVB Structure:	501(c)(6)	501(c)(6)
CVB Budget:	\$2.8 million	\$2.1 million
Total Tax Paid at Check-Out:	12%	13.5%
% of TOT to the CVB:	62%	16%
% of TOT to a Convention Center:	38%	75.3%
% Additional Governmental Funding:	0%	19%
% of CVB Budget that is Public Sector:	56%	71%
% of CVB Budget that is Private Sector:	44%	29%
Size of Convention Center (in sq. ft.):	100,000	250,000
	(RI Conv. Cntr)	(MTCCC)
		250,000
		(AEC)

SALT LAKE CITY UT

Comparables	Salt Lake City	Madison
Population:	181,743	222,000
Capital City:	YES	YES
University:	Utah	UW-Madison
Hotel Room Inventory:	20,000	6,400
CVB Structure:	501(c)(6)	501(c)(6)
CVB Budget:	\$10.5 million	\$2.1 million
Total Tax Paid at Check-Out:	12.46%	13.5%
% of TOT to the CVB:	67%	16%
% of TOT to a Convention Center:	33%	75.3%
% Additional Governmental Funding:	0%	19%
% of CVB Budget that is Public Sector:	54%	71%
% of CVB Budget that is Private Sector:	46%	29%
Size of Convention Center (in sq. ft.):	370,000	250,000
	(Salt Palace)	(MTCCC)
	230,000	250,000
	(South Towne Expo)	(AEC)

** For study purposes we only recognized Universities with student populations of over 15,000, thus, these communities were not included when running comparisons on University Towns*

THE RELATIONSHIP BETWEEN BUDGET GROWTH AND CVB PRODUCTIVITY

The preceding analysis of national averages by destination type offers a snapshot of how competitive cities across the country view and invest in their CVBs.

As every city is different and as visitor spending is dependent on a number of forces external to the work of a CVB (the economy, room availability, destination brand awareness, etc.), establishing a direct correlation between destination marketing and corresponding results may not be possible.

In our interviews with the CVBs in the competitive set, we asked whether there had been a marked increase in their CVBs budget over the past 15 years. Of the 41 CVBs surveyed, 10 report experiencing a marked increase in budget. Seven of those CVBs report a corresponding increase in meeting, convention and event bookings and/or visitor spending in the years following the increase. The remaining three CVBs reported an increase in bookings and destination spending, but were unable to correlate the increase to their budgetary increase, citing other simultaneous factors (improving economy, etc.) and a lack of definitive research.

The following case studies exhibit close analysis of CVBs experiencing recent public sector budget changes and results from the same.

COLUMBIA SC

<i>Comparables</i>	<i>Columbia</i>	<i>Madison</i>
Population:	116,331	222,000
Capital City:	Yes	Yes
University:	University of South Carolina	UW-Madison
Hotel Room Inventory:	9,000	6,400
2004 Average Daily Rate:	N/A	74.96
2005 Average Daily Rate:	N/A	79.00
2004 Hotel Occupancy Rate:	N/A	62.3%
2005 Hotel Occupancy Rate:	N/A	61.4%
2005 Total TOT Collections:	\$1.6 million	\$6.7 million
Total Tax Paid by Hotel Guest:	11%	13.5%
2005 CVB Budget:	\$1.9 million	\$1.9 million
Convention Center:	142,500 sq. ft.	250,000 sq. ft. (MT) 250,000 sq. ft.(AEC)

In 2003, the City of Columbia instituted a Food & Beverage Tax and invested \$1 million of the proceeds into the Convention & Visitors Bureau, more than doubling its budget to \$1.9 million. In the years that have followed, ***the Bureau's productivity increased from booking 16,000 room nights in FY02-03 to more than 28,000 room nights in FY04-05.*** The Bureau is on pace to book more than 35,000 room nights in FY05-06. In addition, ***advertising impressions (views per ad) increased from 2.5 million in 2002 to more than 21 million in 2004.***

COLUMBUS OH

<i>Comparables</i>	<i>Columbus</i>	<i>Madison</i>
Population:	730,008	212,000
Capital City:	Yes	Yes
University:	Ohio State University	UW-Madison
Hotel Room Inventory:	21,000	6,400
2004 Average Daily Rate:	N/A	74.96
2005 Average Daily Rate:	N/A	79.00
2004 Hotel Occupancy Rate:	N/A	62.3%
2005 Hotel Occupancy Rate:	N/A	61.4%
2005 Total TOT Collections:	\$30 million	\$6.7 million
Total Tax Paid by Hotel Guest:	16.75%	13.5%
2005 CVB Budget:	\$6.9 million	\$1.9 million
Convention Centers	1.7 million sq. ft. (Gr. Columbus Conv. Center)	250,000 sq. ft. (MTCCC)
	1 million sq. ft. (Expo Center)	250,000 sq. ft. (AEC)
	110,000 sq. ft. (Vet's Memorial)	

On top of the roughly \$4.6 million that the City of Columbus invests in its CVB, the County began investing over \$500,000 into the CVB budget in 2002. This annual discretionary addition has ranged from \$500,000 in 2002 and 2003 to \$900,000 in 2004 and \$750,000 in 2005. Since the increase, CVB management reports ***an annual average increase in bookings of 10% since 2003, representing roughly an additional 30,000 room nights each year.*** Assuming a continuation of this funding stream, the CVB expects this pace to continue through 2010, with the exception of 2008, which is only slightly off of that pace.

DURHAM NC

Comparables	Durham	Madison
Population:	201,726	222,000
Capital City:	No	Yes
University:	Duke University	UW-Madison
Hotel Room Inventory:	7,150	6,400
2004 Average Daily Rate:	N/A	74.96
2005 Average Daily Rate:	N/A	79.00
2004 Hotel Occupancy Rate:	N/A	62.3%
2005 Hotel Occupancy Rate:	N/A	61.4%
2005 Total TOT Collections:	\$6.7 million	\$6.7 million
Total Tax Paid by Hotel Guest:	13%	13.5%
2005 CVB Budget:	\$2.9 million	\$1.9 million
Convention Center:	No	250,000 sq. ft. (MTCCC) 250,000 sq. ft. (AEC)

A 30% increase in the CVB's budget in 1991 resulted in **a 100% increase in both generated leads and bookings for the destination during the following year and visitation to Durham jumped 30%** by 1993. The City increased the rate of the TOT in 2002 but failed to invest any of the new revenues generated (by new business secured by the CVB) in the CVB. Group Bookings dropped by 49% over the next two years, while visitation dropped 7% and overall visitor spending decreased 14.8%.

RICHMOND VA

Comparables	Richmond	Madison
Population:	192,494	222,000
Capital City:	Yes	Yes
University:	No	UW-Madison
Hotel Room Inventory:	15,500	6,400
2004 Average Daily Rate:	\$67.53	\$74.96
2005 Average Daily Rate:	\$70.50	\$79.00
2004 Hotel Occupancy Rate:	59.1%	62.3%
2005 Hotel Occupancy Rate:	60.5%	61.4%
2005 Total TOT Collections:	\$17.2 million	\$6.7 million
Total Tax Paid by Hotel Guest:	13%	13.5 %
2005 CVB Budget:	\$3.7 million	\$1.9 million
Convention Center:	640,000 sq. ft.	250,000 sq. ft. (MT) 250,000 sq. ft. (AEC)

Through a redirection of TOT, the CVB's budget has doubled (from \$1.6 million to \$3.2 million) since 2000, allowing the CVB to increase its sales staff by two positions, increase convention trade show appearances from 14 state and national shows to 22 last year (with an expanded "island" booth) and a initiate a substantial increase in advertising.

During that time, **visitor spending in the destination has grown 17% and the CVB has been able to set hotel room night sales records** in every year except recession-plagued 2002. Between 2003 and 2004, **visitor spending increased 8% with lodging sales increasing 17%**. Conversely, Richmond's competitors (Williamsburg, Norfolk, Virginia Beach and other Northern Virginia communities), none of which saw an increase in their promotional budgets, have seen visitor expenditures drop an average of 20% since 2000.

Among the major conventions that the CVB was able to secure as a result are:

- American Business Women's Association
- National Science Teachers Association
- U.S. Fencing - North American Cup
- National Forum for Black Public Administrators
- Association of Science-Technology Centers
- Embroiderers Guild of America
- National Genealogical Society
- National Association of Counties
- Southern Historical Society
- International City/County Management Association

ROCKFORD IL

Comparables	Rockford	Madison
Population:	152,452	222,000
Capital City:	No	Yes
University:	No	UW-Madison
Hotel Room Inventory:	3,000	6,400
2004 Average Daily Rate:	\$59.72	\$74.96
2005 Average Daily Rate:	\$61.10 (up 2.3%)	\$79.00
2004 Hotel Occupancy Rate:	54.9%	62.3%
2005 Hotel Occupancy Rate:	61.4% (up 11.8%)	61.4%
2005 Total TOT Collections:	\$1.8 million	\$6.7 million
Total Tax Paid by Hotel Guest:	12%	13.5%
2005 CVB Budget:	\$2.2 million	\$1.9 million
Convention Center:	No	250,000 sq. ft. (MTCCC) 250,000 sq. ft. (AEC)

The City of Rockford began its imposition of a 2% room tax in 1984, investing 100% of the collections in its CVB. The City increased the rate to 3% in 2000 and, in the following four years, **visitor spending increased 22%, resulting in \$45 million in new dollars to the community and a \$1 million increase in local tax collections.**

In 1997, with the approval of area hoteliers, the room tax was bumped to 5%, with 1% going to fund renovations to the historic Coronado Theatre and the other 1% invested in CVB's program of work. Over the next three years, the increase in the CVB's budget helped power **an 18% increase in visitor spending, resulting in \$55 million in new dollars to the community and an additional \$1.1 million in local tax collections.**

In 2004, the 1% of the room tax that had been dedicated to the Coronado Theatre project reverted back to the CVB, which added a full-time sales person and two Full Time Equivalent support positions to prospect the Medical and Hobby Meetings Markets and the Chicago-based association market. As a direct result, **the Bureau's lead generation the following year jumped 40% and meeting and event bookings increased 20%.**

Major events that the CVB was able to secure over the past two years include:

- Jehovah's Witness Regional Conference
- Region 2 Youth Soccer Tournaments
- American Fastpitch Association National Championships

The CVB has also been able to land the following conventions and events for 2006-2009:

- Jehovah's Witness Regional Conference
- Region 2 Youth Soccer Tournaments

SPRINGFIELD MO

Comparables	Springfield	Madison
Population:	150,704	212,000
Capital City:	No	Yes
University:	No	UW-Madison
Hotel Room Inventory:	6,000	6,400
2004 Average Daily Rate:	\$55.28	\$74.96
2005 Average Daily Rate:	\$57.82	\$79.00
2004 Hotel Occupancy Rate:	54.4%	62.3%
2005 Hotel Occupancy Rate:	53.7%*	61.4%
2005 Total TOT Collections:	\$3.1 million	\$6.7 million
Total Tax Paid by Hotel Guest:	11.8%	13.5%
2005 CVB Budget:	\$2.8 million	\$1.9 million
Convention Center:	112,000 sq. ft. (Expo Center) 85,000 sq. ft. (Ozark E-Plex)	250,000 sq. ft. (MT) 250,000 sq. ft. (AEC)

The City of Springfield increased the Room Tax Rate in 2004 from 4.5% to 5% and invested 94% of the increase into the CVB's destination marketing work. Of the roughly \$300,000 increase, the CVB augmented its staff with an additional convention salesperson, created a sales incentive program, added two meeting planner Familiarization Tours of the destination, added appearances and sponsorships at half a dozen new industry trade shows (including a new, enhanced trade show booth), developed an incentive fund to assist groups in booking the destination and increased convention and sports advertising in industry trade publications by \$60,000. The CVB also used about \$40,000 of the new fund to staff one of its three tourist information centers.

The following year, ***the CVB's Room Night production increased from 33,952 room nights to 70,027 room nights. Total rooms occupied increased from 1,110,677 in 2004 to approximately 1,125,000 in 2005.***

Among the major conventions that the CVB secured and hosted over the past two years:

- AAU Boys Under 10 National Basketball Tournament
- AAU Girls Under 11 National Basketball Tournament
- Missouri Association for Career and Technical Education
- National Street Rod Association Mid-America Nationals
- Wally Byam Caravan Club International

The CVB has also been able to secure the following conventions and events for 2006-2009:

- American Junior Charolais Association Junior Nationals
- Missouri Municipal League
- American Softball Association Girls Northern Nationals
- American Baptist Association
- Missouri Youth Soccer Association State Cup

* Occupancy rates alone do not reflect the health of the lodging industry. Springfield experienced a net gain of hotel rooms during 2004-2005. While the rate of occupied rooms decreased in 2005, the actual number of occupied rooms increased by over 14,000.

TUCSON AZ

Comparables	Tucson	Madison
Population:	486,699	222,000
Capital City:	No	Yes
University:	University of Arizona	UW-Madison
Hotel Room Inventory:	16,000	6,400
2004 Average Daily Rate:	N/A	74.96
2005 Average Daily Rate:	N/A	79.00
2004 Hotel Occupancy Rate:	N/A	62.3%
2005 Hotel Occupancy Rate:	N/A	61.4%
2005 Total TOT Collections:	\$17 million	\$6.7 million
Total Tax Paid by Hotel Guest:	11.5%	13.5%
2005 CVB Budget:	\$8.1 million	\$1.9 million
Convention Center:	205,000 sq. ft.	250,000 sq. ft. (MTCCC) 250,000 sq. ft. (AEC)

The City increased the rate of its room tax by 2% in July 2003. The County increased its Room Tax rate to match the City's in 2005, which went into effect in January of 2006. The net effect when the County Tax is fully implemented will be an increase in the CVB budget of approximately \$4 million from July 2003 to July 2006. While CVB management cautions that it is too early to tell the total effect of the budget increase, **they have seen an increase in hotel occupancy of 4-5% in both 2004 and 2005. RevPAR* is up 18% in that same period and future CVB Bookings are up 4%.**

* Revenue Per Available Room (RevPAR) is a ratio commonly used to measure financial performance in the hospitality industry. The metric, which is a function of both room rates and occupancy, is one of the most important gauges of health among hotel operators.

BUFFALO NY

Buffalo was not included in the original competitive set of destinations. However, the past two years have seen the Buffalo/Niagara CVB's budget almost halved as Erie County has worked to make up a significant budget deficit.

Information from the Buffalo/Niagara CVB has been included to illustrate another example of the correlation between CVB budgets and destination marketing performance.

The Buffalo/Niagara CVB's budget was cut from \$3.3 million in 2004 to \$1.7 million in 2005, which led CVB management to eliminate 1/3 of its staff (including two of its six salespeople). At first glance, one might say that the cut has had little or no effect on visitor, convention and event business in the region as the first half of 2006 has seen increases in Hotel Occupancy and the Average Daily Rate paid by hotel guests.

However, upon review, it is deemed that this growth can be tied to Bureau bookings of meetings and amateur sports events that the CVB secured between 2001-2004 and that are just now coming to Buffalo. More telling is that the Booking pace for future year room nights is down 28% from 2004 levels. The number of room nights sold over the past year and a half for 2007 is off 20%. 2008 Room Night lead totals are down 40% and 2008 room night production is down 32%.

In real dollars, this represents a loss in 2007 of roughly 40,000 room nights and \$15 million in direct visitor spending. A loss of that size correlates to a loss of \$675,000 in County sales tax and preliminary estimates are for the County's convention center subsidy to increase by at least \$300,000 to cover forfeited event revenue.

ABOUT ZEITGEIST CONSULTING

Zeitgeist Consulting specializes in working with the Destination Marketing industry to increase visibility, productivity and economic impact of the organizations responsible for attracting visitors to a community. Since 1995, we have served over 100 Destination Marketing Organizations from Fort Lauderdale to Juneau, Alaska in areas such as Strategic Planning, Marketing Analysis, Internet Marketing Strategies and Political Advocacy.

Zeitgeist founder and president Bill Geist has worked in the marketing field for thirty years and in the destination marketing arena for the past twenty. The former President of the Greater Madison Convention & Visitors Bureau, he also served as the President of the Wisconsin Association of Convention & Visitors Bureaus and as Executive Director of the Kankakee County (IL) CVB. Geist is well-versed in the history of Transient Occupancy Tax utilization in Wisconsin and around the country.

More on Zeitgeist Consulting can be found on the web at ZeitgeistConsulting.com.