September 3, 2025 Meeting

ROOM TAX COMMISSION

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 11, 2025 meeting
3. Disclosures and Recusals
4. Financial Update and Budget Priorities from Organizations Receiving Room Tax Commission Allocations
5. Room Tax Fund Condition and Projections / City Budget Outlook
6. Outline of Room Tax Commission 2026 Budget Meeting
7. Adjournment

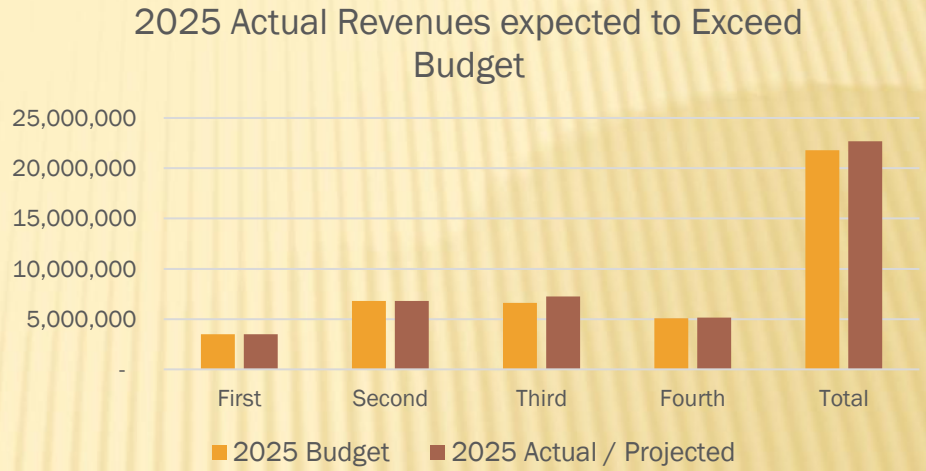
Alliant Center, Madison Arts Commission, Destination Madison, Monona Terrace, Overture Center

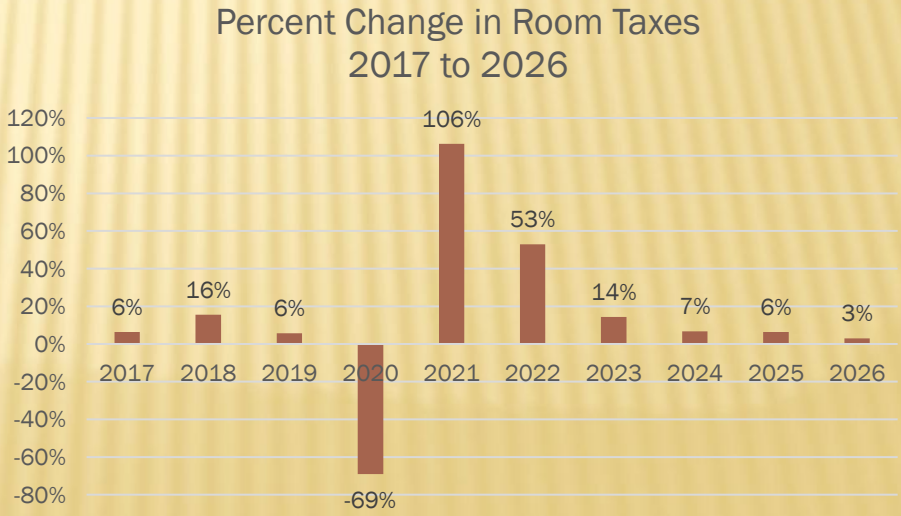
FINANCIAL UPDATE AND BUDGET PRIORITIES FROM ORGANIZATIONS RECEIVING ROOM TAX COMMISSION ALLOCATIONS

ROOM TAX FUND CONDITION AND PROJECTIONS

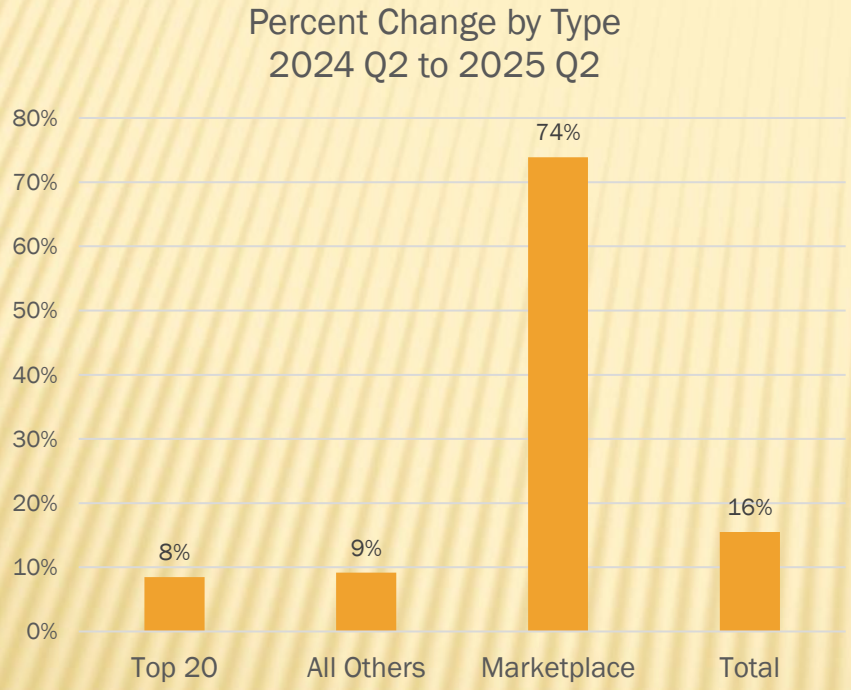
2025 Q2 COLLECTIONS AND FORECAST

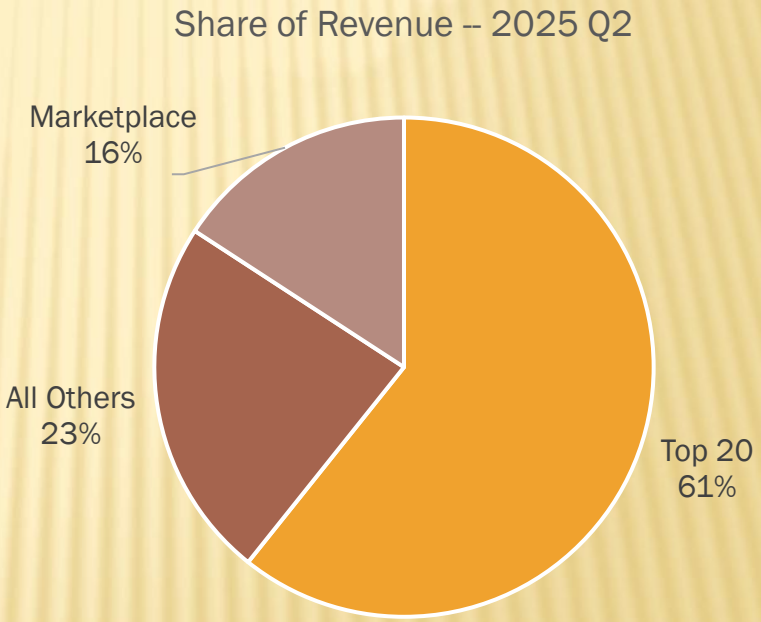
- Preliminary collections -- $6.7 million
- Up 15% over 2024 Q2; up 14% YTD
- “Marketplace” revenues up nearly 75%; “establishments” up 9%.
- Expected to exceed 2025 budget by $500,000 to $1 million.





MARKETPLACE DRIVING Q2 INCREASE





Marketplace includes Expedia, Airbnb, Priceline, Booking, Agoda, Hopper, HomeAway. Marketplace includes room nights that might otherwise be in “Top 20” and “All Others”.

Major new payments in 2025 Q2 vs 2024 Q2: Priceline, Booking, Embassy Suites, Echo Suites

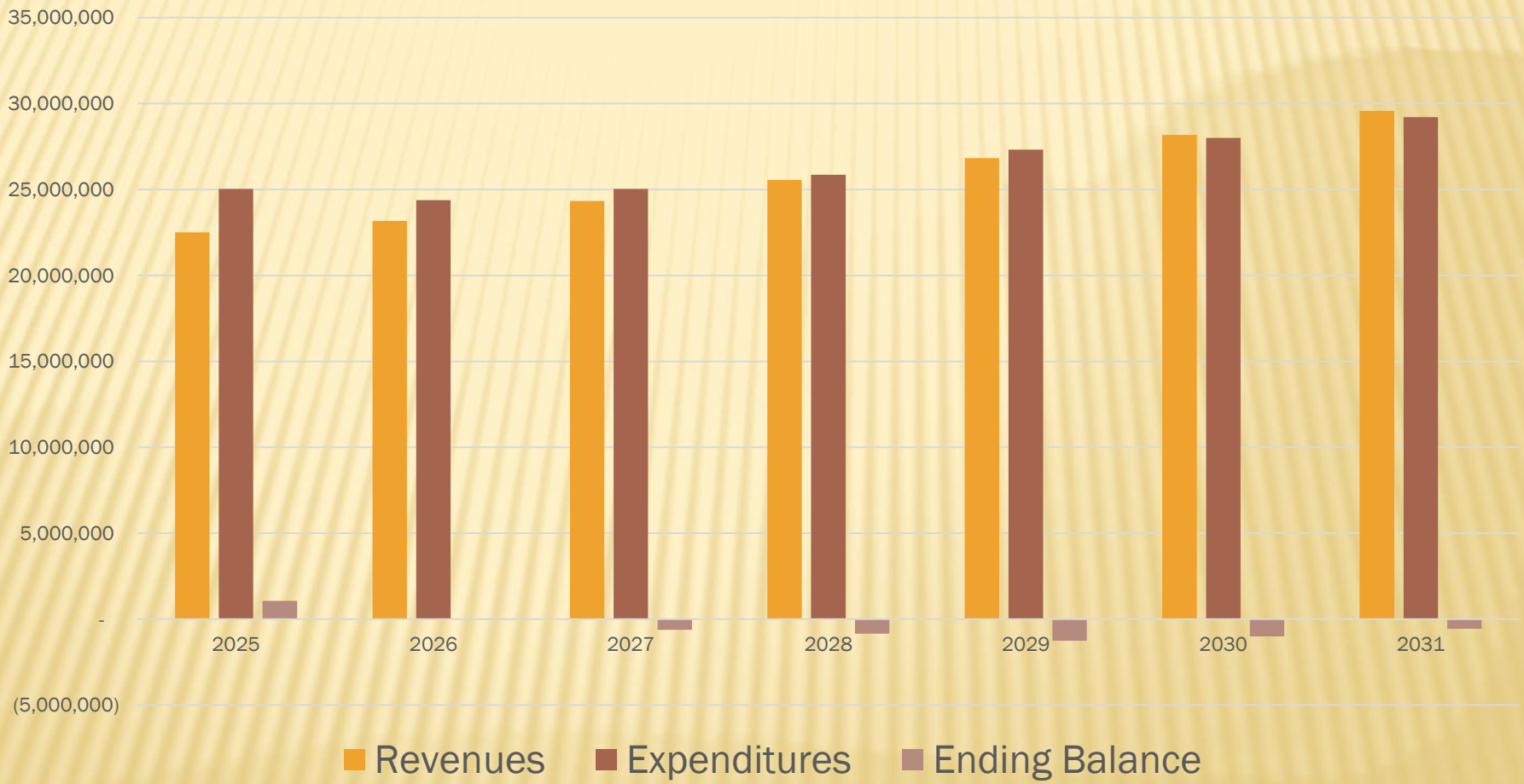
NATIONAL ECONOMIC OUTLOOK

- CoStar and Tourism Economics
  - 17th Hotel Data Conference – August 2025
- Revenue Per Available Room (RevPAR)
  - 2025 – down 0.1%
  - 2026 – up 0.8%
- General Economic Outlook
  - 2025 – tariffs and trade talks will slow demand
  - 2026 – tax cuts will moderately boost demand

LONG-RANGE ASSUMPTIONS

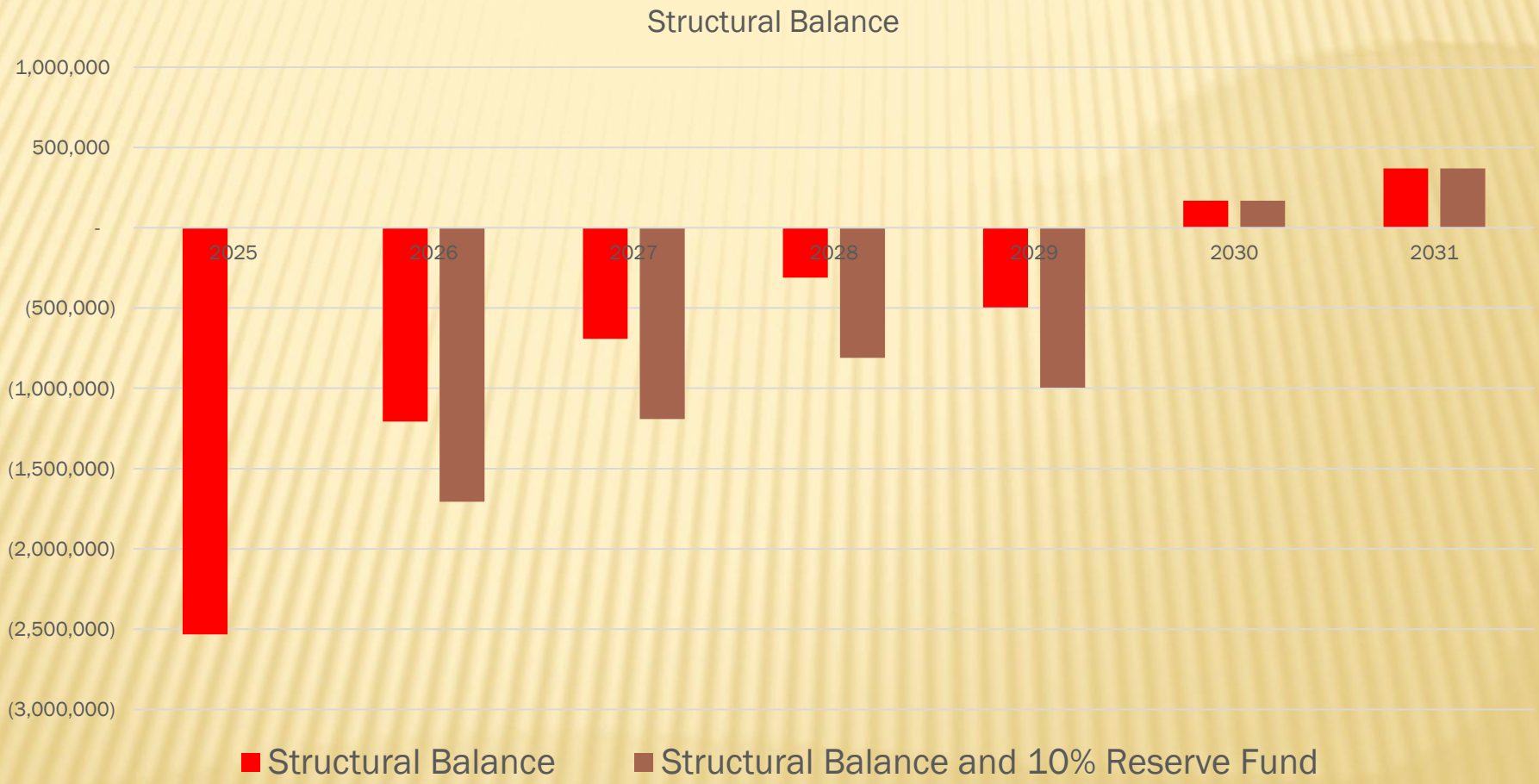
- Room tax growth – 3% in 2026; 5% 2027-2030
- 28% of room tax to Destination Madison
- 1% growth in MT Subsidy after 2026
- 50% support for Zoo and Olbrich after 2026
- Overture and Alliant grow at 3% annually
- Fund MT operating deficit
- Fund MT capital -- equipment and machinery with RT cash; building improvements with RT-supported GO borrowing
- No growth in City Tourism funding
- RTC policy goal of 10% reserve by 2029

FORECAST – EXPENDITURES EXCEED REVENUES



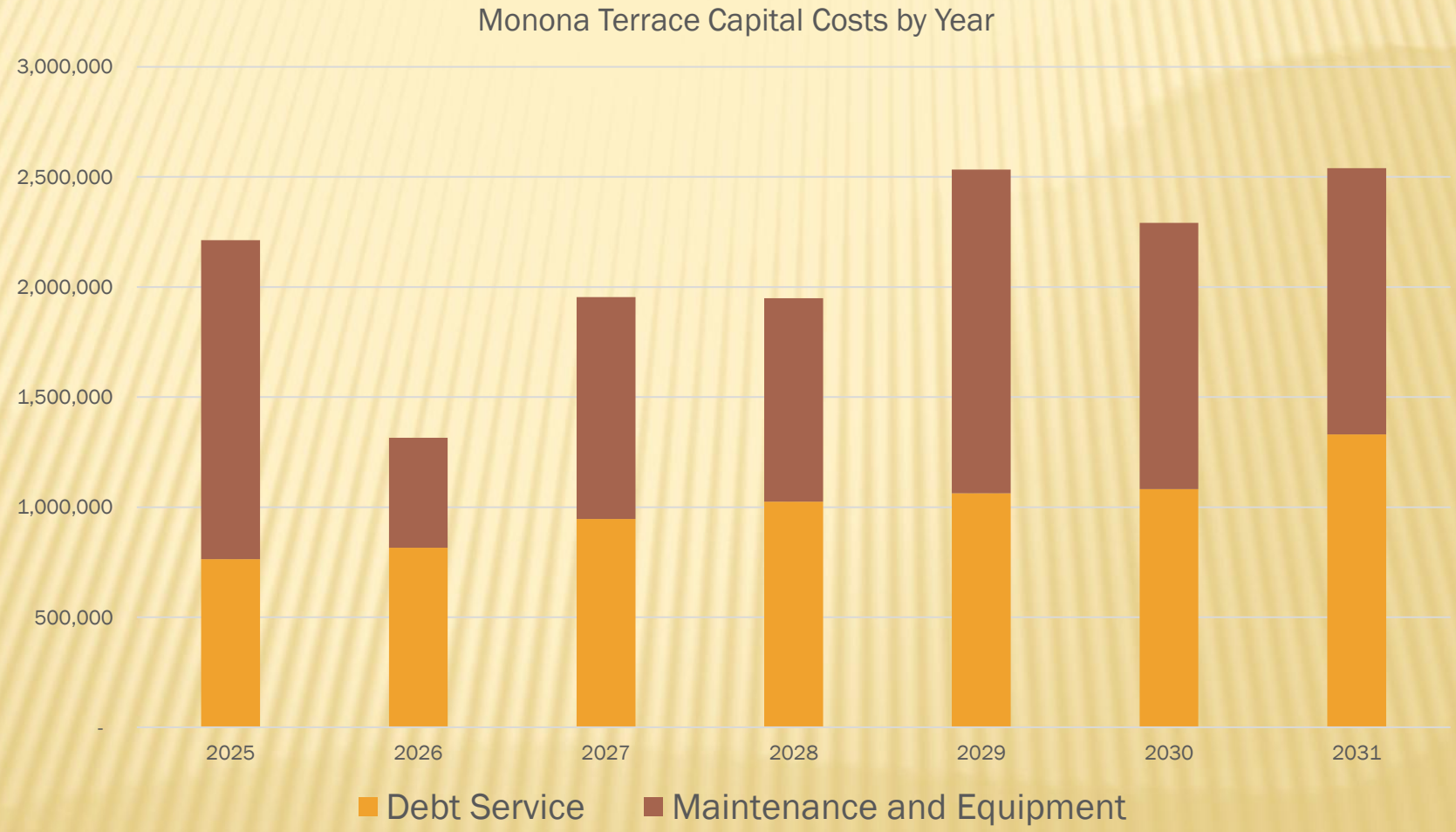
RESULT – FUTURE STRUCTURAL DEFICITS

EQUIVALENT TO 5% TO 7% CUTS TO CURRENT FUNDING LEVELS

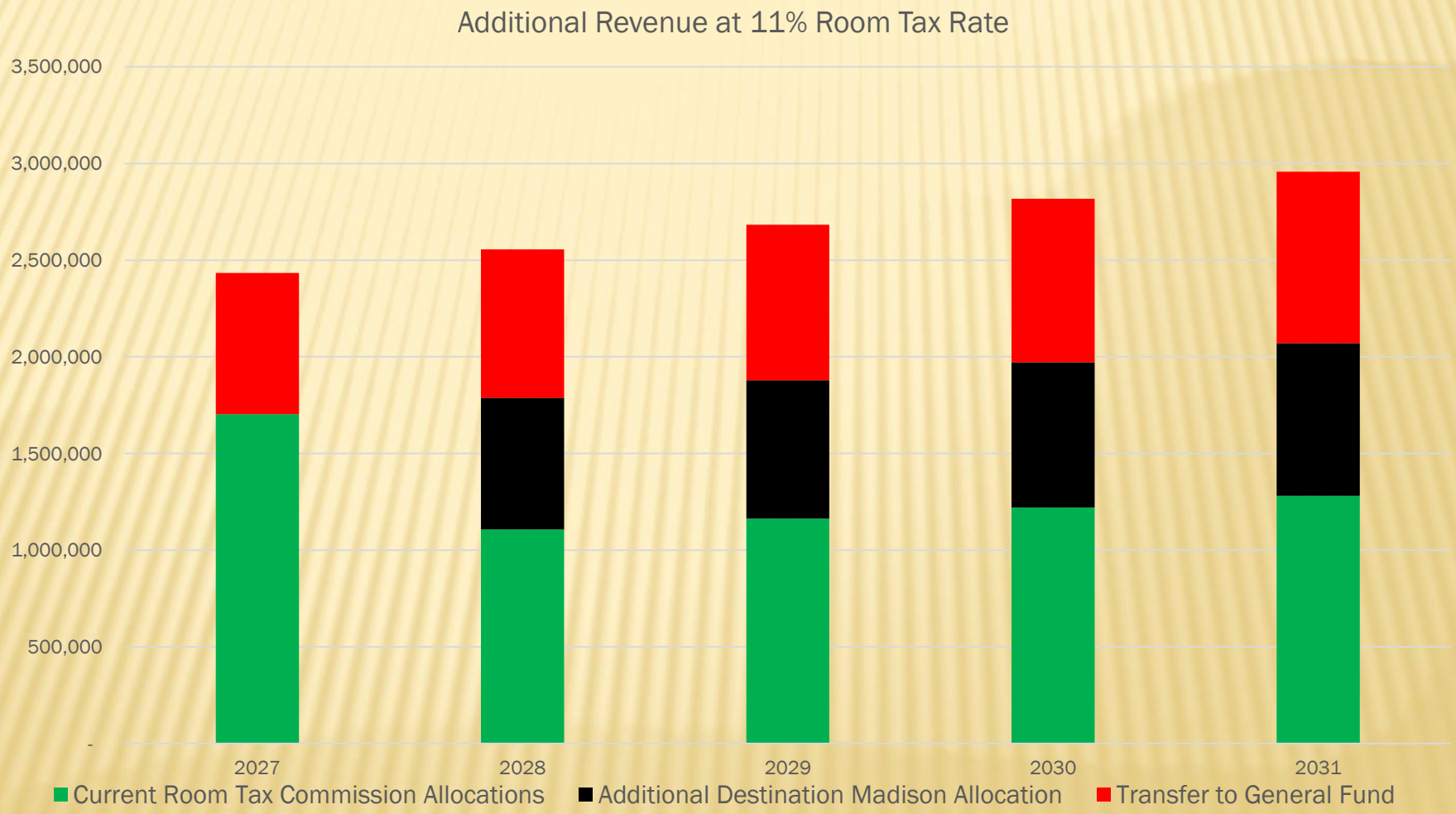


MONONA TERRACE CAPITAL COSTS

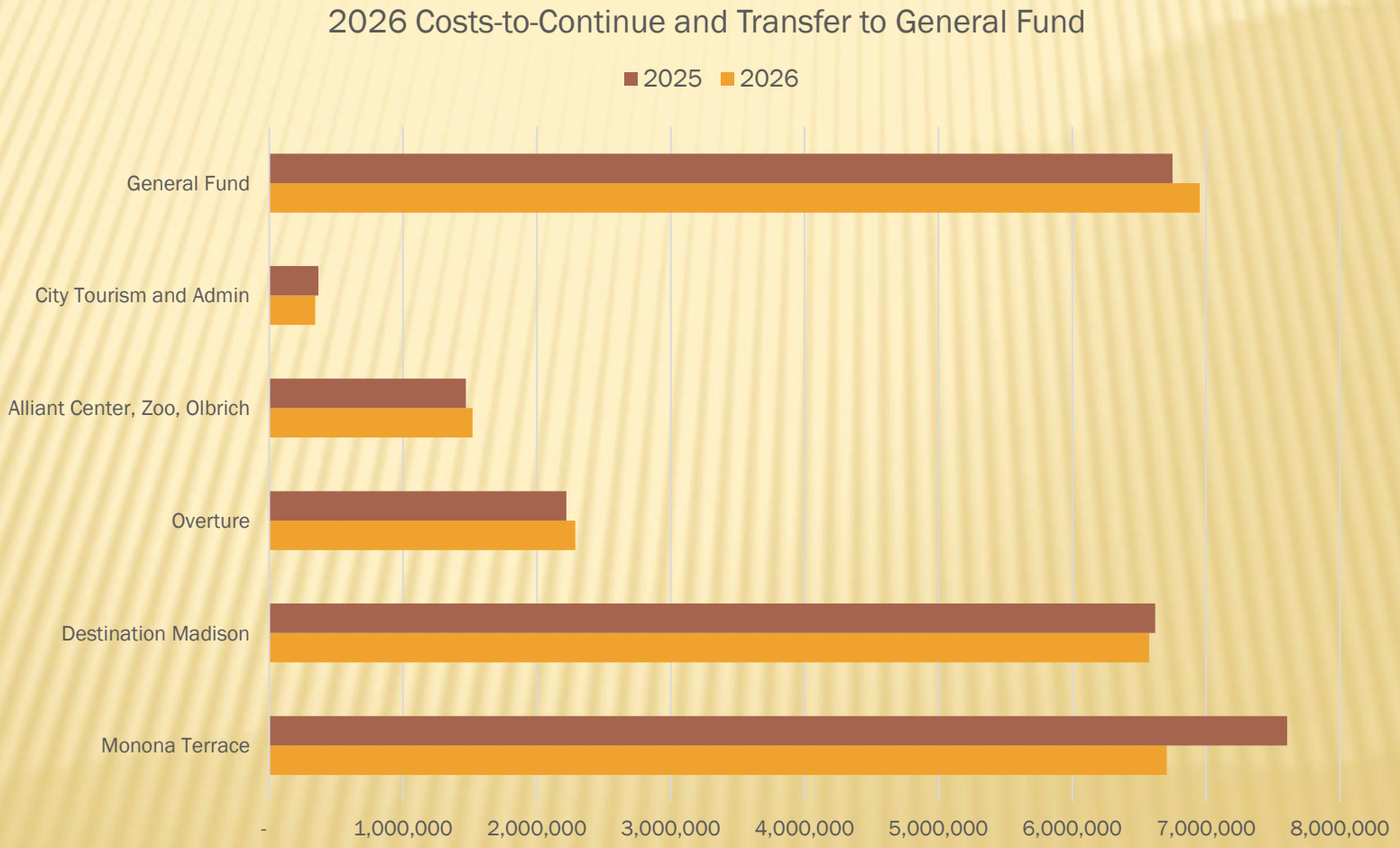
LARGE DECLINE IN 2026



REVENUE OPTION



MONONA TERRACE CAPITAL COSTS REDUCING COST-TO-CONTINUE



FUND CONDITION

	2023 Actual	2024 Adopted	2024 Actual	2025 Projected (August 2025)	2026 Preliminary	Chg from 2025 Projected
Revenues	21,143,358	21,165,000	22,660,756	22,500,000	23,175,000	3%
Tangible Municipal Development (s. 66.0615 (1) (fm) 3., Wis. Stats.)						
Monona Terrace	5,791,080	6,300,768	6,931,782	7,605,133	6,706,780	-12%
Debt Service	-	509,768	717,927	764,133	816,030	7%
Operating	4,825,725	5,392,000	5,392,000	5,392,000	5,392,000	0%
Capital	965,355	399,000	821,855	1,449,000	498,750	-66%
Alliant Center, Olbrich and Zoo	738,152	1,386,000	1,487,784	1,469,700	1,518,670	3%
Overture	2,095,000	2,180,000	2,180,000	2,220,000	2,286,600	3%
Tourism Marketing (s. 66.0615 (1) (fm) 1., Wis. Stats.)						
Destination Madison	5,264,037	5,591,000	5,824,469	6,345,012	6,300,000	-1%
Event Booking Assistance	177,607	275,000	220,322	275,000	275,000	0%
City Tourism	204,170	297,500	233,268	332,500	307,500	-8%
Other	49,767	35,000	35,507	35,000	35,000	0%
Room Tax Commission	14,319,813	16,065,268	16,913,132	18,282,345	17,429,550	
Room Tax Retained for General Purposes						
General Fund Share	6,288,337	6,350,000	6,893,025	6,750,000	6,952,500	3%
Total Expenditures	20,608,150	22,415,268	23,806,157	25,032,345	24,382,050	-3%
Ending Balance	4,571,636	1,868,676	3,478,405	1,063,382	(26,346)	-102%
Structural Balance (rev v exp)	535,208	(1,250,268)	(1,145,401)	(2,532,345)	(1,207,050)	-52%

CITY TOURISM ACTIVITIES DETAIL

	2024 Actual	2025 8/6/2025 Projection	2026 Preliminary
City Tourism Marketing Activities			
Sister Cities Program	28,274	30,000	30,000
Civic Conferences / Fairs / Festivals / Summer Conce	189,994	287,500	262,500
Civic Conferences (e)	$ 3,640	$ 35,000	$ 35,000
Civic Promotion (e)	$ 14,430	$ 15,000	$ 15,000
Madison Music City (g)		$ -	
Dane Dances (g)	$ 25,000	$ 25,000	$ 25,000
Make Music Madison (g)	$ 30,000	$ 30,000	$ 30,000
Music Tourism Study / Implementation	20,500	$ 50,000	$ 25,000
Arts Workers Grants	$ 55,000	$ 75,000	$ 75,000
Fairs / Festivals / Summer Concerts (f)	$ 17,500	$ 17,500	$ 17,500
Downtown Temporary Art Installations	$ 23,924	$ 40,000	$ 40,000
WIAA Basketball Tournament (h)	15,000	$ 15,000	$ 15,000
Subtotal City Tourism Marketing	$ 233,268	$ 332,500	$ 307,500

2026 CITY BUDGET BACKGROUND

COST TO CONTINUE SUMMARY
(GENERAL AND LIBRARY FUNDS)

Initial cost to continue estimates projected a budget gap of $6.2 million.
Comprehensive review of C2C assumptions presented at June 23 FC meeting (File 88414)

Expenditures = $456.3 million

Total expenses are $23.8 million (5.5%) higher than 2025 adopted budget. Major changes:

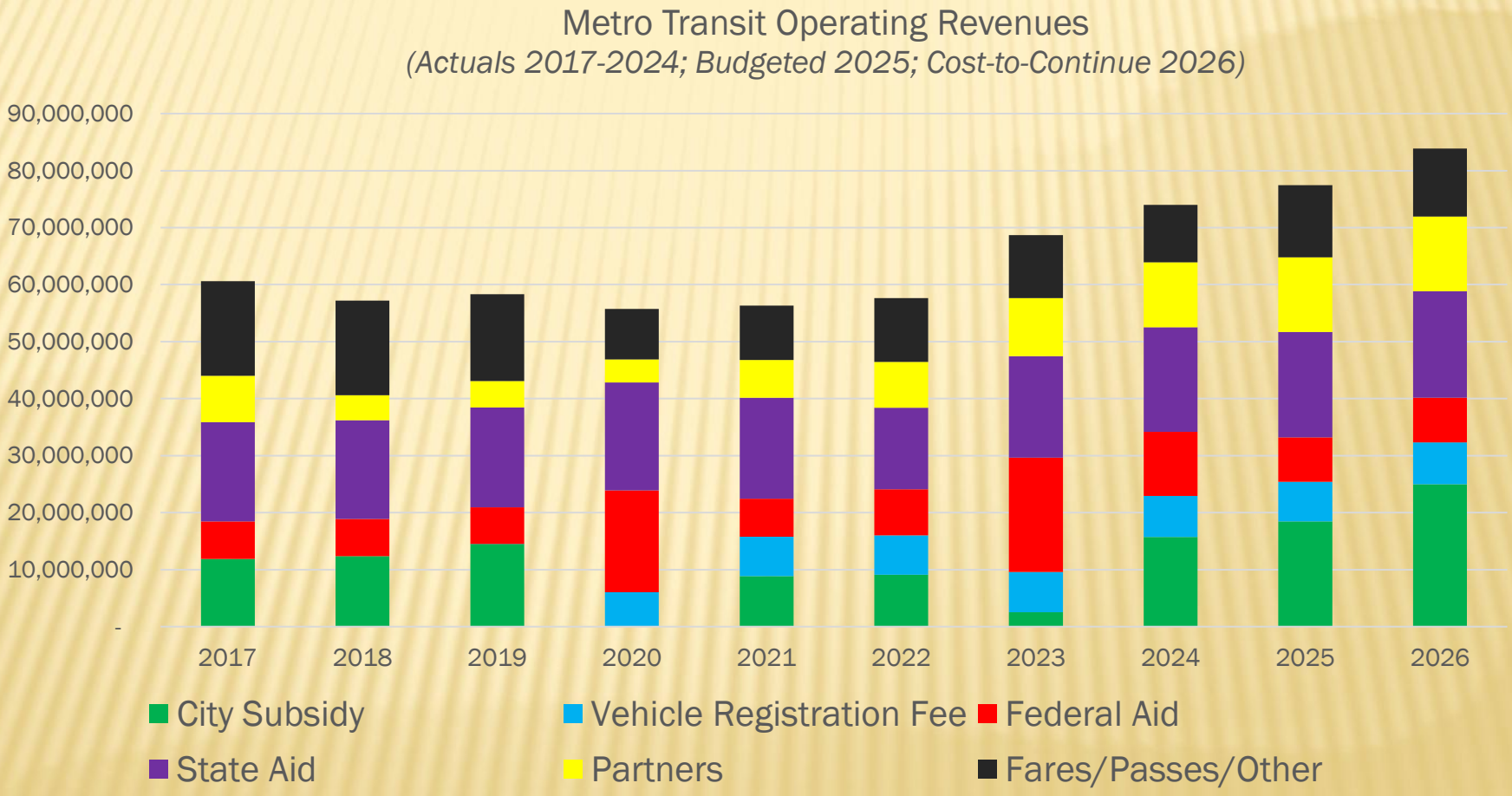
- + $10.2m: Salary + benefits increases
- + $6.5m: Metro subsidy increase
- + $6.2m: Placeholder for GF Debt Service
- ~$0.0m: Non-Personnel Costs. Increased funding for software ($1.3m), library costs for shared services and revenue adjustments ($470,000), and other increases, offset by removing $2.0 million in one-time funds for CDD homeless services
- Totals above include cost of 2 additional elections ($689,000 staffing and services)

Revenues = $450.1 million

Total revenues are $17.6 million (4.1%) higher than the 2025 adopted budget. Assumptions:

- + $13.9m: Levy increase
- + $3.0m: Increase in interest earnings
- -$0.5m: Decrease building permit revenue
- - $0.8m: Removing one-time fund balance for unsheltered operations

CONTEXT ON METRO TRANSIT OPERATING REVENUES



CORRECTIONS/ TECHNICAL ADJUSTMENTS TO COST-TO-CONTINUE

- Benefits Savings (-$2.6 million)
  - Health insurance increase lower than anticipated (9.3% instead of 11.5%): -$650,900
  - WRS rate increase lower than anticipated: -$1.0 million
  - 60% reduction in Duty Disability premiums for Police & Fire: -$786,000
  - Other adjustments: -$107,500
- Expenses not included in Cost to Continue: (+$728,500)
  - Clerk – software expenses= $140,000
  - Correct cost allocation billings = $144,900
  - Direct appropriations revenue sharing payments = $164,600
  - Police – GF contribution to COPS grant positions = +$202,000
  - Streets – correct salary savings + efficiency calculation = +$77,000
- Net savings from technical adjustments = $1.9 million

SUPPLEMENTAL REQUESTS

Table below summarizes supplemental request forms. Some agencies noted additional requests in their memos but did not submit a supplemental form (enterprise fund adjustments, Fire request for additional ambulance, OIM request to restore funding levels).

Agency	Description	2026 Cost	Annualized Cost
CDD	Permanent Men's Shelter Operations • Contract with Porchlight ($1.5 million) • Facility Maintenance Costs ($200,000) • 2026 costs are offset by reallocating $700,000 in existing contracts	$1 million	$1.7 million
EDD	Continue funding Kiva Madison program, previously in SBER Capital Program (mix of GO Borrowing and grant funding)	$50,000	$50,000
HR	1 FTE to administer HRM	$105,500	$110,600
	Move Metro HR position to HR	$85,400	$90,600
Library	ICRP Operations • 8 FTEs, hourly positions, supplies and purchased services • 2026 cost is for quarter year, 2027 is full cost	$326,040	$1,154,385
Mayor	LTE to FTE Position and software previously funded by grants	$138,957	$186,357
Parks	ICRP Operations • Hourly staff and supplies for maintenance, snow removal	$11,675	$35,230
	Facility maintenance worker for WPCRC	$39,137	$78,273
Streets	Olin Drop off site • 2 FTEs ($168,000), cost offset by charging time to RRSC and stopping processing wood from private haulers (policy change)	$0	$0
	Total	**$1,756,709**	**$3,405,445**

EXPENDITURE RESTRAINT INCENTIVE PROGRAM

- City qualifies for $7 million in state aid if it keeps the increase in General Fund budget, excluding debt service, below the change in the Consumer Price Index (CPI) plus 60% of net new construction.
- Estimated growth limit for 2026 = 4 percent
- Cost-to-continue, plus technical corrections, excluding debt service = $378.8 million
- Maximum allowed to qualify for ERIP = $380.4 million
- The total amount of supplemental requests, and other adjustments, would have to remain below the ERIP target in the executive and adopted budgets.

TIMELINE

		Capital	Operating
1.	Mayor Introduces Executive Budget	• September 2	• October 7
2.	Finance Committee (FC) Hearings	*Agencies present budget; alders have opportunity to ask questions* • September 15 & 16	• October 13 & 14
3.	FC Amendment Week	• September 17 – 24	• October 15 – 22
4.	FC Vote on Amendments	• September 29	• October 27
5.	City Council Amendments	• October 28 – November 5	
6.	City Council Adoption	Up to three (3) CC meetings to vote on amendments and adopt budget • November 11, 12, 13	

2026 ROOM TAX COMMISSION BUDGET

2026 PRELIMINARY BUDGET – CONCEPT

- Overall – Identify options to balance the fund and maintain reserve; current gap is $26,000 without reserves. Destination Madison receives 28% of room tax revenues
- Monona Terrace – Fund operating budget cost-to-continue request; fund machinery and equipment capital from room tax / building improvements from room tax-supported GO borrowing.
- Overture and Alliant Center– 3% increase
- Olbrich and Zoo – Continue funding share of costs.
- Reserve Level @ 5% = $850,000

NEXT STEPS

- 2026 Executive Capital Budget introduced September 2nd
  - *Monona Terrace capital projects – building and building improvements – Room Tax-supported GO Debt; machinery and equipment – Room Tax annual funding*

Room Tax Commission 2026 budget review – September 3
Room Tax Commission 2026 budget approval – September 10
Budget Motion will be prepared by Chair.

- 2026 Executive Operating Budget introduced October 7th
- 2026 Budget adopted on November 11-13, 2025

September 3, 2025, Room Tax Commission Meeting

ADJOURNMENT