

July 2020

MEMO

TO: City of Madison Room Tax Commission
FROM: Greg Frank, Chair, Destination Madison Board of Directors
RE: 2020 and 2021 Funding for Destination Marketing

As the pandemic caused by COVID-19 continues to impact our community, country and the globe, the curtailment of travel and gatherings has brought the hospitality and events industries to their collective knees. A direct result of this is the shortage of transient occupancy tax, which the City of Madison collects and helps support a variety of city and tourism-related entities and activities.

Destination Madison is the entity charged with marketing the destination, with focus on generating economic activity by attracting visitors to the community for leisure visits, sports events, conventions, conferences and tradeshows. The organization also provides valuable services to our airport and to large room-tax generating events such as World Dairy Expo and Epic's large user groups.

We know the deliberations of the Room Tax Commission are fraught with tough decisions on how to disseminate the anticipated, reduced collections for 2020 and, looking ahead to 2021 distributions and what the revenues may look like moving forward.

Two weeks ago, Deb Archer, Diane Morgenthaler and I met with Dave Schmiedicke, your chair, Sally Miley and the Mayor's Deputy, Katie Crawley, to share our request for room tax investment for this year, for 2021 and related information.

We briefly reviewed the cost containment measures we have been taking since March. We shared a request for \$3 million from the room tax fund this year (2020), which would allow us to add back in key marketing and PR activities and bring the remaining Destination Madison staff, all of whom are currently furloughed between 10 and 60% to a minimum of 80% in August and, hopefully full time beginning September 1. These dates are based on information we have collected regarding traveler sentiment, event planners' booking activity and, the multi-year marketing and selling timelines that lead us to securing high yield, future room night business for the destination, Monona Terrace, Alliant Energy Center and other venues.

In addition to this information, we shared that Destination Madison's Executive Committee has approved release of our \$1.3 million Unrestricted Reserves, to supplement room tax and other funding to allow us to address the staffing and programming plan mentioned above. The Executive Committee has directed us to retain our remaining reserves to supplement funding in 2021 and 2022, to assure Destination Madison can meet its mandate for the next 2-3 years – and, until room tax revenues begin to reach former levels.

In our conversation, we also requested that the Room Tax Commission provide recommendations for \$4 million in room tax investment in Destination Madison for 2021, as our work depends on being able to leverage and invest in marketing and sales activities in advance of the program or event occurrences, which we hope you are able to do.

The last item we discussed was our request to “suspend” the current terms of our contract with the City thru a minimum of 2021, as the City addresses the room tax shortfall. We would then reinstate the terms of the contract in 2022 or 2023 – after we all have a chance to review future room tax revenue projections.

All of the entities, the City is investing room tax in, are important assets to our community. The difference with investing in Destination Madison is that our work - of growing the visitor and events markets - will provide direct benefit to each of the other entities. That makes our work unique and, as determined in the last commissioned room tax study –the study which led to the multi-year, increasing investment contract for Destination Madison – as a clear priority investment for the city’s room tax.

We thank you for the work you are doing and respect for the deliberations ahead of you. Destination Madison exists as an economic development entity for our community, the hundreds of businesses and thousands of workers that depend on our ability to deliver results. We ask you for the maximum investment possible so we can continue our work and help generate visits and revenues for all of the entities and people supported by transient occupancy tax.

cc: Destination Madison Board of Directors