

ROOM TAX FUND

	2023 Actual	2024 Budget	2024 Projected	2025 Executive
Fund Balance, January 1	\$ 4,525,757	3,641,978	5,218,413	3,491,053
Reserved for Monona Terrace Capital Projects	(94,505)	(94,505)	(207,772)	(94,505)
Committed for Event Booking Assistance	(470,145)	(470,145)	(439,005)	(470,145)
Balance of Unassigned Funds, January 1	\$ 3,961,107	\$ 3,077,328	\$ 4,571,636	\$ 2,926,403

SOURCES

Estimated Total Room Tax Receipts	21,143,358	21,165,000	21,165,000	21,800,000
Interest Revenue	157,448	41,616	59,629	39,891
TOTAL SOURCES	\$ 21,300,806	\$ 21,206,616	\$ 21,224,629	\$ 21,839,891

USES

Tangible Municipal Development (s. 66.0615 (1) (fm) 3., Wis. Stats.)

Monona Terrace:

Debt Service Payment-Gen'l Obligation Bond Issue (a)	-	509,768	717,489	764,133
Capital Purchases	965,355	399,000	399,000	1,449,000
Operating Subsidy	4,825,725	5,392,000	5,392,000	5,392,000
Reserves (b)	-	-	-	-
Net Operating Subsidy	4,825,725	5,392,000	5,392,000	5,392,000

Subtotal Monona Terrace	\$ 5,791,080	\$ 6,300,768	\$ 6,508,489	\$ 7,605,133
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Monona Terrace Share of Room Tax Revenues	27%	30%	31%	35%
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<u>Alliant Energy Center, Henry Vilas Zoo and Olbrich Gardens (i)</u>	\$ 738,152	\$ 1,386,000	\$ 1,386,000	\$ 1,469,700
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<u>Overture Center Subsidy from Room Tax (j)</u>	\$ 2,095,000	\$ 2,180,000	\$ 2,180,000	\$ 2,200,000
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Subtotal Tangible Municipal Development	\$ 8,624,232	\$ 9,866,768	\$ 10,074,489	\$ 11,274,833
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Tangible Municipal Development Share of Room Tax Revenues	41%	47%	48%	52%
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ROOM TAX FUND

	<u>2023 Actual</u>	<u>2024 Budget</u>	<u>2024 Projected</u>	<u>2025 Executive</u>
Tourism Marketing (s. 66.0615 (1) (fm) 1., Wis. Stats.)				
<u>Greater Madison Convention and Visitors Bureau:</u>				
Destination Marketing (c)	5,264,037	5,591,000	5,920,000	5,926,200
Estimated Event Booking Assistance Subsidy	177,607	275,000	275,000	275,000
Subtotal GMCVB	<u>\$ 5,441,644</u>	<u>\$ 5,866,000</u>	<u>\$ 6,195,000</u>	<u>\$ 6,201,200</u>
<u>City Tourism Marketing Activities</u>				
Support for Fireworks Events (d)	-	-		
Sister Cities Program	27,273	30,000	30,000	30,000
Civic Conferences / Fairs / Festivals / Summer Concerts	161,897	252,500	252,500	262,500
Civic Conferences (e)	2,272	35,000	35,000	35,000
Civic Promotion (e)	15,000	15,000	15,000	15,000
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 (f)	45,000	25,000	25,000	25,000
Arts Worker Grants (f)		75,000	75,000	75,000
Fairs / Festivals / Summer Concerts (f)	20,095	17,500	17,500	17,500
Downtown Temporary Art Installations (g)	24,530	30,000	30,000	40,000
WIAA Basketball Tournament (h)	15,000	15,000	15,000	15,000
Subtotal City Tourism Marketing	<u>\$ 204,170</u>	<u>\$ 297,500</u>	<u>\$ 297,500</u>	<u>\$ 307,500</u>
Subtotal Tourism Marketing	<u>\$ 5,645,814</u>	<u>\$ 6,163,500</u>	<u>\$ 6,492,500</u>	<u>\$ 6,508,700</u>
Share of Room Tax Revenues	27%	29%	31%	30%
Room Tax Commission Administration	<u>\$ 35,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Room Tax Commission Enforcement of Transient Tourist Rooming	<u>\$ 14,767</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Share of Room Tax Revenues	0.2%	0.2%	0.2%	0.2%
Reserves				
Share of Room Tax Revenues				
Room Tax Commission	<u>\$ 14,319,814</u>	<u>\$ 16,065,268</u>	<u>\$ 16,601,989</u>	<u>\$ 17,818,533</u>
Tourism-Related Share of Room Tax	67%	76%	78%	82%
Room Tax Retained for General Purposes				
General Purposes (b)	6,288,337	6,350,000	6,350,000	6,540,000
Share of Room Tax Revenues	30%	30%	30%	30%
TOTAL USES	<u>\$ 20,608,151</u>	<u>\$ 22,415,268</u>	<u>\$ 22,951,989</u>	<u>\$ 24,358,533</u>
Fund Balance, December 31	<u>\$ 5,218,413</u>	<u>\$ 2,433,326</u>	<u>\$ 3,491,053</u>	<u>\$ 972,411</u>
Committed for Monona Terrace Capital Projects	(207,772)	(94,505)	(207,772)	(207,772)
Committed for Event Booking Assistance	(439,005)	(470,145)	(439,005)	(439,005)
Balance of Unassigned Funds, December 31 (b)	<u>\$ 4,571,636</u>	<u>\$ 1,868,676</u>	<u>\$ 2,844,276</u>	<u>\$ 325,634</u>

Background on Room Tax Fund and Role of Room Tax Commission

The presentation of the Room Tax Fund has been modified from prior years to reflect changes to state law and to reflect the requirement, first effective in 2017, that 70 percent of room tax revenues be transferred for allocation by a Room Tax Commission created by the City.

The City of Madison Room Tax Commission is created and defined by state law, as reflected in city ordinance, with members appointed by the Mayor and approved by the Common Council.

The Room Tax Commission is responsible for allocating at least 70 percent of room taxes collected by the City of Madison and allocated to it in the adopted City budget. Funds allocated by the Commission must adhere to state law which requires that the funds be used for tourism marketing and tangible municipal development that is reasonably expected to result in overnight stays at transient occupancy facilities in the city. The remaining 30 percent of room taxes are deposited in the City's General Fund for appropriation by the Common Council to support general city programs and services.

The City of Madison has entered into a contract with Destination Madison (i.e., the Greater Madison Convention and Visitors Bureau) to provide tourism destination marketing services to the Monona Terrace Convention and Community Center. That contract provides 28% of all room taxes collected in the prior year to Destination Madison to fund these services. Monona Terrace administers this contract, including evaluation of performance measures. The Room Tax Commission budget allocations reflect estimates of this payment calculation.

The City of Madison has entered into a Structural Agreement and Annual Performance Contract with the Overture Center Foundation, operating entity of the Overture Center for the Performing Arts. The Structural Agreement and Annual Performance Contract include an expected amount of City subsidy provided annually, subject to appropriation. The Room Tax Commission allocates room tax funding to the Overture Center annually based on its review of overall priorities, available funding, and Commission policies. The Madison Arts Commission and Common Council review the various performance provisions included in the Structural Agreement and the Annual Performance Contract.

Notes to Room Tax Fund Condition Statement

(a) The CDA lease revenue bonds issued to finance the construction of Monona Terrace were retired in 2020. The General Obligation bonds initially issued as part of the original Monona Terrace financing were retired in 2014. New GO bonds have been issued for renovation projects at Monona Terrace.

(b) Under state law, 70% of room taxes are distributed by the Room Tax Commission and 30% are retained by the City. The Room Tax Commission anticipates allocating sufficient room tax revenues on a permanent basis to eliminate the reliance on Monona Terrace reserves, as well as providing additional room tax subsidy to Monona Terrace to help reach the goal that reserves are at least 20% of expenditures. The Monona Terrace Board has stated that the Monona Terrace Reserve Fund is to be used to cover Monona Terrace's unexpected operating and capital shortfalls as well as to help support a future renovation. Due to economic impacts brought on by the global pandemic, Monona Terrace reserves were exhausted by the end of 2020. In July 2020, the Room Tax Commission amended its 2020 adopted budget to reduce allocations by 50% in response to the impact of the global pandemic on City room tax collections. The Room Tax Fund retained 100% of room tax revenues that were budgeted for general purposes in 2020 and 2021, resulting in \$0 transferred to the City's General Fund for 2020 and 2021. The "Balance of Unassigned Funds" represent the unspent portion of the 70% of room taxes allocated to the Room Tax Commission.

Effective with its adopted 2024 budget, the Room Tax Commission has established a policy that it 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 2025 budget is 1.8% 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 an event.

(c) In 2020, the contract with Destination Madison, Inc., was amended to provide a fixed amount of funding based on much lower room tax revenues brought on by the impacts of the global pandemic. A new contract allocating 28% of prior year room tax revenues went into effect in 2024.

(d) In 2024, no funding is provided to help support fireworks events.

(e) These funds will be used to promote conferences and/or enterprises that the City helps host or sponsor that are designed to provide education and training for Madisonians and also to promote Madison as a city of distinction and place of topical interest.

(f) This includes funds for events as determined by the Arts Commission that result in tourism and hotel room nights in the City. In 2023, \$25,000 was allocated for implementing recommendations from a study to support and expand the diversity of music tourism in Madison. Unspent funding of \$25,000 from 2022 was allocated through an amendment to the 2023 budget allocations which was adopted by the Room Tax Commission. In 2024, \$75,000 was allocated for grants to organizations to support employment of arts workers.

(g) This includes funding for Dane Dances (\$25,000); Make Music Madison, a summer solstice festival (\$30,000); and Downtown Temporary Art Installations (\$40,000).

(h) In 2025, \$15,000 is continued to support the WIAA Tournament.

(i) Allocation of funding for enforcement of state laws and City ordinances related to tourism rooming houses is subject to approval by the Room Tax Commission.

(j) Allocation of funding to support an operating subsidy to the Overture Center (\$2,200,000) is authorized by the Room Tax Commission, consistent with state law. In 2025, funding of \$1,370,700, is provided for city costs related to the Henry Vilas Zoo and Olbrich Gardens. In 2025, \$99,000 is provided to the Alliant Energy Center (AEC) to reflect a previous agreement between AEC and the former Town of Madison regarding sharing of room taxes; the AEC was attached to the City of Madison on October 31, 2022, pursuant to the final attachment agreement dissolving the Town of Madison.

By the adoption of this budget, the City Council hereby incorporates the decisions of the Room Tax Commission into the 2025 operating budget in accordance with state law. An increase in the room tax rate from 9% to 10% for the Room Tax Fund was first adopted in the 2018 budget.