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Shawn N. Reilly
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MEMO: To Common Council
FROM: Mayor Shawn Reilly
DATE: June 12, 2015
RE: Room Tax Legislation/Proposed Resolution

The League of Municipalities anticipates that the room tax law will remain part of the state budget. It is anticipated that the state budget will be approved by the Legislature sometime in the next 3-4 weeks.

The present room tax law significantly reduces the impact upon the City of Waukesha as compared to what was originally proposed. As originally proposed, the City would have "lost" approximately \$240,000.00 in 2016 in general fund/TIF revenue. The "loss" of general fund/TIF revenue under the present law is significantly less than the original proposal but it will still impact City Finances in the coming years.

Attached is a work sheet prepared by Rich Abbott to provide an analysis of the impact to the City of Waukesha if the proposed room tax law is adopted in the state budget bill. Rich will be available to answer questions concerning his analysis during the Common Council meeting.

Rich's analysis assumes that there will be a 1% growth in room tax dollars collected per year. This assumption is based upon the likelihood of more hotel rooms being rented during the year and/or that the cost of a motel room will increase. It does not anticipate or factor in new hotels/motels.

From 2009 through 2014 there were yearly increases in revenue, except for the year 2012 when the amount collected went down. The 2015 budget estimated slightly less than a 1% growth in income in room tax revenue over the 2014 actual amount collected.



Assuming that the total amount of room taxes collected in 2016 is 1% more than the amount projected to be collected in 2015, it is estimated that the 2016 "loss" of general revenue funds will be \$9,989.80. It is not anticipated that there will be any loss of TIF revenue. The revenue loss impact is not large because the total amount of room tax collected in 2016 is estimated to only be approximately \$10,000.00 more than the amount collected in 2013.

In 2017 however, the impact to the general fund and to TIF revenue is more significant. This is due to the fact that the maximum that can go toward the general fund and TIF dollars is capped at the amount that was collected in 2012. The amount of room tax collected in 2012 was significantly lower than the amount collected in 2013 and 2014. It is estimated that the 2017 general fund will "lose" \$60,959.73 over what it would have without the change in the law. In addition, the TIF revenue is estimated to decrease by \$1,341.09.

In 2018, assuming that the total amount of room taxes collected is 1% more than the amount projected to be collected in the prior year, it is estimated that the "loss" of general revenue funds will be \$45,838.52. The loss of TIF revenue is estimated to be \$5,763.53.

In each succeeding year after 2018, the total amount of room taxes "lost" to the general fund will be more than \$50,000.00 and the "loss" of TIF revenue will be more than \$10,000.00 per year in 2019 and beyond. As of the 2020 budget year, the room tax law caps the amount of room tax the City will receive at \$396,931.77 and caps the amount of TIF revenue at \$11,915.18.

If additional hotels/motels rooms are added, the City of Waukesha will not receive any additional room tax dollars. The revenue source will become static. As of 2020 and beyond, room tax revenue be non growth revenue.

I object to this law being inserted into the Budget Bill. This law has no state budget implications. The Legislature had considered modifying the room tax at least 2 times before as stand alone bills (which is the way it should be done) and both times it was defeated. Nine members of the Joint Finance Committee decided to include this law in the budget bill. It was not subject to hearings or review by other legislators, let alone the public or the entities impacted by the

law. The budget bill is being used to pass a law that otherwise would never be passed on its own merits.

Tammy Tritz, of the Waukesha Pewaukee CVB, also has provided a memo regarding the room tax, which is included under this agenda item. The memo from the Waukesha Pewaukee CVB provides additional information on both the Convention and Visitors Bureau and on the room tax law.

SR/cc

A handwritten signature in blue ink, reading "Shawn M. Reilly". The signature is fluid and cursive, with the first name "Shawn" and last name "Reilly" clearly legible, and "M." as a middle initial.

Reilly/Room Tax Memo to Council 6 12 2015