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June 4, 2015

TO: Mayor Shawn Reilly
Waukesha Common Council

FROM: Tammy Tritz
Waukesha Pewaukee CVB

RE: Room Tax Reform Language

Like you, our office was surprised to learn about the room tax reform language that was presented and passed through joint finance on the evening of May 27. Through the assistance of our state CVB association, we were able to obtain the actual motion language in an effort to understand its impact on our city and our role as tourism marketers for our city.

As you know, the city of Waukesha invests 25% of total room tax dollars into tourism promotion and marketing through the CVB office, with the remaining 75% used at the city's discretion. Waukesha was grandfather cloused in 1994, when reform efforts passed requiring communities to invest 70% of total collections into tourism promotion with the remaining 30% available for use at their discretion.

The language currently placed into the budget by joint finance changes the tourism promotion funding model as well as who can determine how these room tax dollars are spent. In addition, a report is required to be submitted to the Department of Revenue, certifying where the funds are being sent and in detail, how they are being spent.

The motion language indicates room tax dollars can be sent to a tourism entity, defined as a non-profit organization in existence prior to January 1, 2015 and spends at least 51% of its revenues on tourism promotion and tourism development and supplies destination marketing staff and services to the municipality. The second option the municipality has, which is allowed under current law, is to forward the room tax dollars to a tourism commission, who is appointed by the municipal leader, to determine how those dollars are invested in the community. In this scenario, the commission contracts with a tourism entity (as defined above) to provide staff, tourism development and promotional services for the tourism industry in the municipality.

In breaking down the financial implications of the current language, if passed in the budget as presented, Waukesha has two options, and can select whichever option provides greater revenue to them. The city can annually keep 30% of the current year collections or use a 5 year funding formula, of which, I have broken down below, based on my understanding:

Formula	Total Collections	Revenue to be Retained
In 2016, retain same room tax revenue as in 2013:	\$599,494	\$449,620
In 2017, retain same room tax revenue as in 2012:	\$535,113	\$401,335
In 2018, retain same room tax revenue as in 2011:	\$565,685	\$424,263
In 2019, retain same room tax revenue as in 2010:	\$551,528	\$413,646
In 2020 and thereafter, retain same room tax revenue as in 2009:	\$545,129	\$408,846

While using either of these formulas reduces the amount of revenue the city currently has at its discretion, the impact is lower than originally communicated. Historically, room tax is an effective investment into the community, generating increased taxes and revenue returns, creates thousands of jobs and builds business in the existing tourism industry. As shared with you earlier in May, Waukesha County is the fourth highest county in the state for tourism receipts, with business and leisure travelers spending over \$693.3 million dollars in the county in 2014, following Milwaukee, Dane and Sauk County respectively. In addition, Waukesha County supports 14,002 full time equivalent jobs from the tourism industry, which happens to be the third highest number of jobs generated by tourism in the state.

I am hopeful this information provides some clarity on the motion language and I welcome any questions or discussion any of you may wish to have. In addition, should there be any amendments or updates on this motion that will impact our city, I will share that information as soon as I can.

cc: City Administrator Kevin Lahner