

City of Racine

**POLICY ON THE USE OF ROOM TAX PROCEEDS**

Issued By: Common Council

Date: May 1, 2018

Revision Update(s):

**I. PURPOSE**

To establish a concise and clearly-articulated policy detailing the desired, appropriate, and lawful use of Room Tax proceeds received as revenue by the City and expended consistent with State Statutes and City Budget priorities.

**II. POLICY**

- A. **Room Tax Collections:** The City of Racine accounts for and receipts all proceeds from Room Taxes received by the City from the Room Tax levied and imposed by the City (at a rate of 8% of gross receipts) against the retail furnishing of rooms and lodging within the city, consistent with Section 66.75, Wis. Stats, as amended.
- B. **Primary Tourism Entity:** The City maintains a contractual agreement with Real Racine to act as the "Primary Tourism Entity" on the City's behalf and to provide tourism promotion activities for the benefit of the Greater Racine area, including the City, in exchange for the City paying over and disbursing to Real Racine certain, contractually obligated portions of the Room Taxes levied and collected within the City.

More specifically, Real Racine is charged with providing: 1.) Ongoing tourism promotion and tourism development; 2.) Marketing, promotional and advertising efforts; 3.) Cooperation with, support for, and actual organization and operating of one-time and recurring community events and festivals; and, 4.) The employing and/or contracting for professional destination marketing and support staff to achieve #1-3; all of which serves the interest and intent of creating, growing, and expanding the positive economic impact achieved by the city of Racine and its business and commercial sector from induced spending on tourism, hospitality, culture, recreation, and arts and entertainment.

- C. **Proceeds Maintained by the City:** All Room Tax proceeds accounted for and received by the City and not otherwise paid over and disbursed to Real Racine shall be maintained, obligated, and/or disbursed and expended consistent with the following:

1. **Room Tax Fund**: All such funds shall be accounted for separate from City General Fund Revenues and maintained in a Fund titled, "Room Tax Fund".
2. **Revenues**: Each year, precedent to the Budget development process, the City Finance Director shall develop, which shall constitute the sum total of the Revenues of the Room Tax Fund, an accounting of the Fund Balance (if any); an estimate of the year-end carry-forward of unexpended and un-obligated yearly Revenues (if any); and, the estimated yearly Revenues to be received for the Budget year in development -- together these totals shall constitute the available Room Tax Revenues for Budgeting purposes.
3. **Expenditures**: The City shall expend Room Tax proceeds exclusively for one or more of the following purposes:
  - a.) To repay debt service obligations on a "tangible municipal development" consistent with Section 66.75, Wis. Stat., as amended.
  - b.) To pay all or a portion of the costs associated with providing the labor, equipment, materials and/or supplies, or the contracted services associated with security, logistical, or promotional support of large-impact, destination venues, festivals, events, parades, or sporting events held in the City of Racine and designed to draw attendees from outside the City.
  - c.) To pay all or a portion of the costs of professional services when same are in pursuit or support of tourism promotions and marketing or the development or enhancement of programs or projects, one-time or recurring, designed to induce spending in Racine from individuals outside Racine on tourism, hospitality, culture, recreation, and/or arts & entertainment.
  - d.) To pay all or a portion of the costs of acquiring personal property and equipment such as sporting and athletic goods, equipment, or protective gear; performing arts equipment, devices, instruments, or gear; games, including tables, boards or hardware; and sound and lighting equipment and/or staging and rigging associated with activities designed to draw visitors from outside the community.
  - e.) To pay all or a portion of the costs of acquiring, fabricating, and/or installing physical markers, signs, plaques, street furnishings, elements of infrastructure, sculptures or art pieces which designate, or are component parts of, or associated with destinations, or features combining together as destinations of an historic, cultural, entertainment, or artistic nature designed to draw visitors from outside the community.
  - f.) To pay all or a portion of the costs of advertising, royalties, awards, prizes, or sponsorships associated with activities covered in b.) through e.) herein
  - g.) To provide competitive, yearly grants to organized, community Non-profits engaging in efforts and activities, whether one-time or recurring, as covered in b.) through f.) herein.

4. **Budget:** The City shall produce and adopt a yearly Budget for the Room tax Fund as part of the yearly Budget process and in so doing shall fulfill the following:
  - a.) **First Priority:** To provide and obligate adequate funds to repay said budget year's debt service requirements consistent with Section 3., a.) herein.
  - b.) **Second Priority:** To budget not-less-than sixty-percent (60%) of said Budget year's expenditures, net of "first-priority" debt service payments, to costs obligated by the City of Racine and detailed in b.) through e.) herein.
  - c.) **Third Priority:** To budget not-greater-than forty-percent (40%) of said Budget year's expenditures, net of "first-priority" debt service payments, to grants as described in Section 3.,f.) herein.
  
5. **Grants:** The Department of City Finance, in consultation with the city Administrator, shall develop an application form, process, guidelines, and timeline for submittal, review and recommendation of yearly grant awards as contemplated in Sections 3., f.) and 4., c.) herein. Following yearly review and recommendation by the Finance Department, the Finance & Personnel Committee shall recommend, and the Common Council shall approve all grants awarded and disbursed hereunder.