

1 **DOOR COUNTY TOURISM ZONE COMMISSION**

2 **NOTES FROM OCTOBER 28, 2009**
3 **FINANCE COMMITTEE MEETING**
4 **Kerber Rose/Sister Bay**

5
6 **ACTION ITEMS:**

7 No quorum

8
9 **Committee Members Present:** Bob Kufrin, Bryan Nelson,

10 **Absent:** Tom Benzshawel, Dick Skare

11 **Excused:** Andy Coulson

12 **Also Present:** Dianne Lensert, Kerber Rose; Kathy Kirkland, Administrative Assistant

13 **Call to Order**

14 Bob Kufrin called the meeting to order at 1:14 p.m. He noted that we do not have a quorum; the
15 budget will be discussed but no actions taken.

16 **Sturgeon Bay Room Tax Figures**

17 Kufrin received a report from City Administrator Steve McNeil covering Sturgeon Bay's room
18 tax income by quarter for the years 2006 through 2008; those are audited figures with collections
19 relating to the actual quarters of lodging income. Lensert used that report for her calculations.

20
21 Kufrin stated that McNeil told him last year that 2008 room tax was expected to reach \$467,000
22 with the Visitor Bureau getting approximately \$300,000 of that. However, based on 2008
23 collections, the totals turned out to be \$322,043 or about 30% lower than expected. However,
24 after adjusting from their old rate (4%) to the Zone's 5.5% rate, the difference is not as great
25 (\$442,809). Lensert noted her budget sheets sent; specifically, there's a 2009 budget with actual
26 figures through August and then projections for the balance of the year. Lensert said revenues
27 through August (actual), and September through December, she used 2008 and dropped them by
28 3% as projections. She included 97% of last plus new municipality figures until we had
29 something to go on. Then she got the Sturgeon Bay numbers and history. First quarter was down
30 25%, end down 10%, third quarter are just under \$45,000 for September already, which brings it
31 to \$197,591 for 3rd quarter, down just 2%. Fourth quarter adjusted for the % difference, took
32 90% of it because it's hard to tell how much they'll be down. That's roughly \$78,000, which

33 would change the projected months. At this point, the suggestion would be to add \$15,000
34 overall, making it \$3,020,000 total. These changes will change the larger worksheet, which she'll
35 adjust.

36

37 Kufrin said, looking at these numbers, how would we change what we do in the future? Lensert
38 said the new forecasted amount, what number do we plug in? The 2010 worksheet assumes that
39 all will be flat. Should we leave it flat, up, down?

40

41 Lensert said that we collected about \$40,000 in prior year lates. She took the \$40,000 out and left
42 it flat. Kufrin said the added \$40,000 of late collections brings it to \$369,000, getting us back to
43 the expected this year. Lensert said if we don't add the \$40,000 but do add the \$15,000, that
44 would make projected 2009 room tax \$2,980,000.

45

46 **CMF Money**

47 On the CMF, is projected at \$300,000 but it doesn't appear that they'll generate that much in
48 2009. The division to the Visitor Bureau versus Sturgeon Bay stays the same, but Kufrin said we
49 need to let them know that they're not going to reach the projected number. The second year of
50 CMF is a percentage of the 1st year (it sunsets), is it 90% or 95%? It's supposed to be \$285,000 is
51 for the second year. Lensert said the Sturgeon Bay numbers are about \$268,797 for 2009
52 (\$407,268 total collections). That's a substantial downturn. Lensert will change September
53 through December CMF to reduce it to what we're expecting collections, which will be about
54 \$269,000. For 2010, is 95% the agreement? Kufrin said there was a commitment of \$285,000 in
55 2010 but whatever would have been collected; if more, they'd get more; if less, then they'd get
56 less. If 2010 is above 2009 and up to \$285,000, that's what they'll get. If Sturgeon Bay is
57 anticipated to be flat, the budget would list collections at \$268,000.

58

59 Kufrin said the CMF Agreement says that the City will not be liable for a shortfall and that a new
60 CMF may be renegotiated by all parties if the shortfall exceeds 20% of expected. Kufrin said the
61 Visitor Bureau is entitled to its share of the collection (66%) and no more. Kufrin said there's
62 nothing in the agreement that holds the Visitor Bureau responsible for making up a shortfall from
63 collections. The Agreement is not worded using percentages; the collections are listed as
64 amounts, which is how Money Penny wanted it worded.

65

66 Kufrin talked to McNeil and Eliot over the last couple weeks, and Sturgeon Bay's going to be
67 challenged by the income drop. They're projected at \$407,268 now, according to Lensert. Kufrin
68 said the key part of the Agreement is "the Bureau will always receive budget dollars first if there
69 are no collections...in the event tax collection is down, all communities share proportionately in
70 the lack of funds." Since it states 2010 is \$285,000 and not a formula of prior year's collection,

71 we should budget \$268,797 if it's going to be flat; Lensert felt it's limited by Sturgeon Bay's
72 collections. If they collect more, they could realize more than is in the budget. Nelson restated
73 that if it does exceed the \$268,797 in the budget, the Bureau would be funded up to the \$285,000
74 in the original Agreement. Lensert reminded that if it falls shorter, as it did this year, they would
75 receive even less. Kufrin estimated that Sturgeon Bay will be short by \$62,000 over two years.

76
77 Kirkland mentioned single-family homes are an issue in Sturgeon Bay, but given the high
78 percentage of them as permit holders, if the City allowed single-home rentals, it could bring in a
79 lot in room tax. She had given Benzshawel a by-municipality number of how many ones-and-
80 twos there are permitted; his concern was neighborhood complaints about revolving-door renters.
81 Kufrin said the law says you can rent up to 16 weeks a year; Sister Bay ameliorated that by
82 ruling that one night's rental in a week would constitute an entire week. Nelson said
83 Benzshawel's having that challenge in the Common Council, yet Sturgeon Bay is the only
84 municipality that doesn't allow private homes to rent.

85
86 Kufrin changed December's Sturgeon Bay income to add up to the actual and refigure the Door
87 County Visitor Bureau net allocation to identify how much they'd get paid; \$1,698,003 was what
88 he calculates. He took the 2010 projected income x 66% less the 2010 projected CMF, and that
89 equals how much Moneypenny gets to spend.

90
91 Kufrin noted that Moneypenny was supposed to send out the 2010 Strategic Conversation and a
92 budget by the end of October so Commissioners could study it prior to the November 19
93 meeting; he hasn't gotten anything yet and will call Moneypenny about it.

94
95 **Administrative Budget**

96 Looking at one year, Kufrin said we show a loss of \$5,355. Overall, most administrative items
97 are unchanged. Kufrin suggested projecting everything down 3% on revenues and prorated
98 everything. Lensert will do that.

99
100 The comparative budget shows that Compliance Enforcement is the standout problem. The
101 budget doesn't include Compliance Enforcement's full amounts; Lensert said we ostensibly
102 recoup legal fees but that doesn't always happen. Lensert says the municipalities all agreed to
103 make the TZC the enforcement entity, but that doesn't say anything about costs, which are huge.
104 Lensert said there are categories of General Compliance (internal issues, etc.) and Compliance
105 Enforcement (specific cases with court courts and case-specific fees). Kufrin noted that it looks
106 like we need another half-percent to cover compliance. We can reduce the municipal percent
107 from 30% to 29.5% but not reduce Moneypenny's amount; most municipalities would see only a
108 minuscule difference. Nelson said his board will ask why the TZC can't balance its budget.

109

110 Lensert said Kerber Rose can transfer some tasks to Kirkland to reduce their fees. Postage stays
111 the same but if Compliance is going to mandate Certified Mail, that amount isn't configured into
112 2010. Kirkland said Compliance is considering a 30-day total notification timeframe plus adding
113 a third letter from The Zone's offices; compressing the time for response and adding an extra
114 letter will increase postage significantly. That kind of expense would go under Legal General
115 Compliance; Lensert will use that category but remove "Legal" so it the category becomes
116 "General Compliance."

117

118 Lensert said equity was \$26,680 in 2008. Projected, it's a \$9,400 loss for this year. Kufrin said if
119 we pursue a half-percent from municipal members to address compliance costs, we can
120 aggressively pursue people not paying, and the municipalities will get more than that half-
121 percent back. He asked for a report of how many ones-and-twos there were in 2007 versus now
122 in each community and how much more revenue came in from that.

123 Key is getting the Compliance Policy adopted, and Kufrin will ask Tice about having it ready. E
124 felt that Kirkland should prepare a narration of what does compliance means, that when we're
125 talking about compliance, includes not just an initial letter about meeting criteria for permitting
126 but time spent in all activities: tracking down those who are trying to avoid the room tax,
127 certified letters, fees, penalties, and then Vande Castle's involvement. Part is it is the cost of
128 doing business, but the totals go beyond that. Kirkland will do a narration over the past two
129 years, what has it meant, what kinds of activities have been undertaken, how many people passed
130 the threshold of being late in filing versus noncompliant. Lensert says it takes a month or more to
131 collect simple late fees; some are repeat offenders or fight late fees.

132 Can we legally drop the 30% municipality percentage before the five-year contract expires?
133 Kufrin said the municipalities have to give approval for any changes. If they don't, how do we
134 pursue compliance to drop the costs? Kufrin suggested the alternative of reducing the specific
135 municipality's check to deduct cost of enforcement. If Sister Bay's enforcement costs \$10,000,
136 then it's reduced by \$10,000; that would make budgeting the room tax money difficult on a
137 municipality level, and Nelson said it would be a disincentive for them to find violators for us to
138 pursue because the municipality would get the bill.

139 Kirkland stated that once a couple of cases are closed, we had talked about making the figures
140 public; knowing how much others have had to pay may give some people pause about being late
141 or skirting the tax.

142 Lensert said that part of legal costs is inconsistencies in the various ordinances. Kufrin asked if,
143 when computing room tax income, can Kerber Rose identify the dollar value of late fees?

144 Lensert says they're always kept separate in a rolling worksheet. It's \$25 a month and then
145 eventually goes up to 25%. Another option is for the TZC to keep the late fees and penalties and
146 not make them part of the 66%-30%-4% formula. Are late fees and penalties legally considered
147 as part of the tax? So far, we have been paying the formula even for those. If the municipalities
148 continue to get 30% but the late fees and penalties revert back to the TZC, that's more incentive
149 for The Zone to pursue. Kufirin noted that we haven't been charging \$25 late fees if there's \$0
150 income; having to pay \$25 for not renting would be an extra blow. But there are many legitimate
151 late fees and penalties levied.

152 Kufirin asked Lensert to compute the 2009 late fees and penalties; are they substantial? Lensert
153 said the big properties hitting 25% would be substantial but most don't get to that level. Nelson
154 asked if it would be enough to put the budget in balance. Lensert says 2010 doesn't include
155 compliance recoup. Lensert will pull the figures. Compliance for 2009 was budgeted about
156 \$10,000 lower than actual.

157
158 Kufirin said when we go to court, we can recover enforcement actions and attorney bills. Lensert
159 said because that's part of compliance, Kerber Rose has yet to bill anyone for court costs. That
160 would be part of Kirkland's duties once Compliance Policy is approved. However, we are
161 allowed to charge back permit holders for legal fees. Nelson said we should amend the
162 ordinances so that the TZC keeps the late fees and penalties.

163
164 Nelson asked about the money carried forward from 2007; are we still working on that cash?
165 Lensert said we still have some left, but cash flow didn't allow us to get the rest of it to the
166 DCVB until August. We still do have some 2007 "float."


167

168 **Finance Committee Meeting**

169 The Committee needs a quorum to work on the budget and present it at the November 19
170 meeting. There are two date possibilities: **Early afternoon on Friday, November 6, or any**
171 **time on Thursday, November 12, as long as the meeting ends by 2:30 p.m.** Kirkland will
172 e-mail Finance Committee members those choices along with a draft of the notes from today's
173 meeting. Lensert will make changes already talked about and do a second draft.

174

175 Respectfully submitted,

176 

177 Kathy Kirkland

178 Administrative Assistant