

Committee of the Whole (2) Report

DATE: Tuesday, September 22, 2020

WARD(S): ALL

**TITLE: TOURISM VAUGHAN CORPORATION 2020 BUDGET
REVISIONS**

FROM:

Jim Harnum, City Manager

Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

Wendy Law, Deputy City Manager, Administrative Services and City Solicitor

ACTION: DECISION

Purpose

On behalf of the Tourism Vaughan Corporation (TVC) this report seeks to obtain Council approval of revisions to the TVC's 2020 Budget, as originally approved by Council on March 11, 2020. These revisions are a result of implications due to COVID-19 including the Municipal Accommodation Tax (MAT) suspension and the successful funding application to the Tourism Industry Association of Ontario (TIAO). This report also seeks authority for the TVC to apply for the Tourism Economic Development Recovery Fund (TEDRF) to further offset costs related to the Destination Master Plan.

In accordance with the Memorandum of Agreement between the Corporation of the City of Vaughan and the TVC (the MOA) the annual budget of TVC may only be revised with the express consent of Council.

Report Highlights

- TVC has experienced significant revenue losses in 2020 estimated at nearly \$1.3 million due to suspension of the MAT and decreased visitation. The pre-COVID 2020 TVC budget estimated MAT revenue collection of \$1.7 million.
- The TVC 2020 Budget has been amended to reflect revenue losses and includes an alternative source of revenue granted to the corporation through the Regional Relief and Recovery Fund (RRRF).
- The TVC has received \$426,625 in funding through the RRRF through the Tourism Industry Association of Ontario (TIAO) on behalf of FedDev Ontario to support the economic recovery of the tourism sector as a result of the COVID-19 pandemic. As per 6.13 of the MOA, the TVC is required to obtain Council's consent to use these funds.
- TVC can apply for the Tourism Economic Development Recovery Fund (TERDF) through the Ministry of Heritage, Sport, Tourism and Culture Industries to offset a portion of costs of consulting services for development of the multi-year Vaughan Destination Master Plan and Business Plan.
- Council ratification of the recommendations in this report supports the TVC in complying with the requirements of the MOA, supports a balance between the organization's original vision and mission for 2020, and supports efforts to aid the industry through the COVID-19 pandemic.

Recommendations

1. That the revised TVC 2020 Budget be approved, inclusive of allocated investment of the RRRF funds, as substantially presented in this report; and
2. That the TVC be authorized to apply for the Tourism Economic Development Recovery Fund (TEDRF) and enter into a Transfer Payment Agreement with Ministry of Heritage, Sport, Tourism and Culture Industries should Vaughan be successful in its application, in a form satisfactory to the City Solicitor and Chief Financial Officer.

Background

Tourism Vaughan began operations on January 1, 2020. In its inaugural year, Tourism Vaughan established a business plan and budget for 2020 focused on the development of a strong strategic foundation to power the destination and new organization forward, with primary focus on the development of a Vaughan Destination Master Plan. On March 11, 2020, Vaughan City Council approved the plan and budget as sole voting member of the TVC and in accordance with the MOA.

As a result of the COVID-19 pandemic, the tourism industry has been severely impacted due to border closures, travel bans, gathering limits and other implemented safety measures. Based on an economic forecast by The Conference Board of Canada (2020), in 2020 tourism and tourism-related businesses are anticipated to realize a 28%

decline in GDP and 29% decline in employment/jobs. From the Canadian Survey on Business Conditions (CSBS), recently conducted by Statistics Canada (2020), Vaughan-based businesses represented a significant portion of the responses, identifying the Accommodation and Food Services sector as one of the hardest hit sectors in Vaughan and York Region.

The City of Vaughan supported the local accommodations industry through suspension of the MAT from March 17-June 1, 2020 and further extended the suspension until September 1, 2020. Due to the suspension, TVC's sole revenue source was cut and lost budgeted revenue for TVC in 2020 estimated at nearly \$1.3 million. The 2020 TVC budget estimated MAT revenue collection of \$1.7 million in 2020.

Consequently, revisions to the TVC 2020 Budget have been made to reflect revenue losses, reallocate funds, and include an alternative source of revenue from the RRRF, applied for under authority of the City's Grant Funding Policy to offset losses. As per item 6.5 of the MOA, express consent of Council is required for revisions to the annual budget of TVC, of which this report seeks to obtain. Detailed budget amendments are outlined under the section titled Financial Impact.

Additionally, Item 6.13 of the MOA states that subject to Council approval, the TVC may generate revenue from alternative sources including government grants. This report seeks approval to apply for and use the TEDRF to offset costs related to professional fees related to the Vaughan Destination Master Plan.

Throughout the pandemic, the TVC has quickly responded to implement new initiatives outside of its original Business Plan, required to support the local industry. Through the revised budget, TVC is looking to strike a balance between essential work to establish the organization's foundation and additional measures to support the industry during and after the pandemic through visitor attraction.

To achieve this, the revised budget and recommendations of this report provide a blend of the corporation's initial objectives, and a COVID-19 resiliency and recovery scope through newly developed tactics funded through revenues of the MAT, acquired the RRRF, and additional sources of revenue to further offset losses.

Previous Reports/Authority

- [Committee of the Whole \(2\) Report – TOURISM VAUGHAN CORPORATION \(TVC\) – 2020 Budget and Business Plan](#)
- [EXTENSION OF MUNICIPAL ACCOMMODATION TAX SUSPENSION IN RESPONSE TO COVID-19](#) - May 20, 2020
- [Tourism Vaughan Corporation – By-Law No. 1](#)

- [Memorandum of Agreement – The Corporation of City of Vaughan and Tourism Vaughan Corporation](#)– January 13, 2020
- [By-Law 02-2019](#)
- [09.C.01 - Grant Funding Policy](#)

Analysis and Options

As a newly established corporation, TVC is required to provide much needed support to local industry partners while continuing to establish its foundation through delivery of its mandate to:

- Develop and implement multi-year business development and marketing plans, in collaboration with industry stakeholders, that address Vaughan’s goals as a tourism destination, including promotion of overnight stays in Vaughan based transient accommodations;
- Support and facilitate growth of the local tourism sector by identifying and promoting opportunities to attract strategic investments and new infrastructure that generate positive economic impacts in Vaughan;
- Conduct targeted economic and market research for the purpose of identifying growth opportunities and developing competitive strategies; and
- Facilitate marketing collaborations amongst Vaughan’s tourism industry stakeholders.

INDUSTRY SUPPORT THROUGH COVID-19

Since the onset of the pandemic, the organization has demonstrated resiliency and pivoted its focus to support the local industry despite not having established programs and services to easily pivot. Tourism Vaughan has been working with local industry partners on several projects to be funded through pre-collect MAT and newly granted RRRF to revitalize the local tourism industry, including:

- launching visitvaughan.ca – the City’s first visitor website promoting all there is to safely see and do in Vaughan both virtually and in-person (in partnership with Central Counties Tourism RTO6). Since its launch in late May, nearly 1,000 people have visited the website;
- facilitating connections to resources such as PPE and local charities;
- a tourism industry-specific eNewsletter to keep businesses up to date on collaboration opportunities, accessing financial support, workshops and government announcements;
- establishing an interim recovery plan to attract future corporate events, conferences, tradeshow, exhibits, board meetings, sports events and SMERF (social, military, education, religious, fraternal) when safe to welcome groups back to Vaughan within the Province’s health guidelines;

- developing a phased-in marketing strategy and travel incentive program initially targeted at hyper-local and domestic travel; and
- adoption of the global Safe Travels safety stamp for industry operators to display in accordance with health and hygiene global standards outlined by the World Travel and Tourism Council (WTTC), and TIAO. The stamp is designed to rebuild confidence among consumers so that they can travel safely once the restrictions are lifted.

CONTINUING TO ESTABLISH THE TVC

In parallel, work has continued to develop the organization's foundation as per the TVC 2020 Business Plan through:

- onboarding of a Tourism Development Officer to assist in managing and operating TVC; and
- acquisition of a consultant to guide development of a comprehensive multi-year Destination Master Plan and Business Plan to guide tourism investment and enhance tourism business strategies within the city. The plan will be developed in close working collaboration with an industry Project Advisory Group made of industry partners and stakeholders, TVC Board of Directors, and the City of Vaughan.

Upcoming initiatives include completion of a TVC governance review pursuant to the motion passed by the TVC Board on February 24, 2020 that directs TVC and City staff to initiate a governance review and report recommendations back to the Voting Member (City Council), as result of the resignation of TVC Chair and President. This process was halted during suspension of committees of Council during the pandemic and is set to resume with the recent onboarding of the City Manager.

ALTERNATIVE SOURCES OF REVENUE

Regional Relief and Recovery Fund (RRRF)

The revised budget includes a grant of \$426,625 from the Regional Relief and Recovery Fund, granted to the TVC by TIAO through FedDev Ontario to be spent during the eligibility period of June 5, 2020 to December 31, 2021. The TVC and City have entered into a transfer payment agreement under authority of the City's Grant Funding Policy with TIAO for receipt of the funds, and through this report, is seeking Council's approval to invest the funds.

Eligible projects are designated to support Tourism Vaughan in driving visitors back into the community as the economy reopens to generate new revenue for tourism

dependent SMEs and help local economic recovery in Vaughan and across Ontario. TVC's proposed investment of the RRRF funds has been approved by TIAO as follows:

- a series of integrated marketing campaigns targeting local and domestic travel in both the leisure and meetings & events markets;
- development of Tourism Vaughan social media channels and a business-to-consumer electronic newsletter;
- labour costs for existing TVC staff. The Executive Director and Tourism Development Officer of TVC will support marketing tactics where required, and continue to deliver all remaining and new initiatives, including development of the corporation such as the Destination Master Plan and Governance Review;
- development of an interim recovery plan to attract corporate events, conferences, tradeshow, exhibits, board meetings, sports events and SMERF (social, military, education, religious, fraternal) when safe to welcome groups back to Vaughan within the Province's health guidelines;
- a travel incentive program initially targeted at hyper-local and domestic travel;
- a culinary tourism campaign called The Great Taste of Ontario Road Trip, through the Culinary Tourism Alliance of Ontario. The campaign, mandatory for all recipients of the RRRF, will consist of community engagement initiatives, product enhancement, product development and strategic promotional marketing focused on culinary experiences. TIAO will match all DMO contributions to the program; and
- adoption of the global Safe Travels safety stamp for industry operators to display in accordance with health and hygiene global standards outlined by the World Travel and Tourism Council (WTTC), and TIAO. The stamp is designed to rebuild confidence among consumers so that they can travel safely once the restrictions are lifted.

To support delivery of the new marketing and development of travel incentive programs and promotion, the TVC will retain services of a marketing agency in collaboration with the departments of Corporate and Strategic Communications and Procurement Services.

Costs incurred later than December 31, 2020 will be allocated to the TVC 2021 budget, to be presented to Council for consideration and approval no later than March 31, 2021 as per item 6.4 of the MOA. A preliminary forecasted 2021 budget is included under the Financial Impact section of this report as Table 2.

Tourism Economic Development Recovery Fund (TEDRF)

In addition, TVC can apply for the Tourism Economic Development Recovery Fund (TERDF) through the Ministry of Heritage, Sport, Tourism and Culture Industries. This

fund is intended to support projects that develop innovative tourism products and experiences. Eligible TVC projects include consulting services for the multi-year Vaughan Destination Master Plan and Business Plan. If successful, this fund may offset approximately \$60,000 of professional fees currently budgeted. Pending approval of the recommendations of this report, TVC will pursue this revenue opportunity with support of the Municipal Partnership Office (MPO).

Financial Impact

The expenditures outlined in the TVC budget are funded from revenues collected under the MAT. Regulation 435/17 prescribes that municipalities without a Destination Marketing Fee, like the City of Vaughan, are required to share at least 50% of the MAT revenue, net of reasonable administration costs, be dedicated to tourism promotion and development of tourism products by an eligible tourism entity – TVC.

As approved by Council on March 11, 2020, the original 2020 TVC Budget is reflected in Table 1 with estimated MAT revenues at \$1,706,500. The revised 2020 operating budget seeking approval via this report is also outlined in Table 1, with estimated total revenues at \$836,423, inclusive of the \$426,625 granted from the RRRF. Variances show a foregone MAT revenue loss of \$1,296,702 for TVC due to COVID-19 impacts on the tourism industry, and the suspension of MAT in Vaughan.

Table 1 also shows the 2019 actuals with revenues as of the effective date of April 1, 2019 for implementation of MAT by-law 029-2019 of 4 per cent to all hotels, motels, hostel, campgrounds, bed and breakfasts, club, condo hotel, or large multi-use complex used as a hotel for less than 30 days. As previously reported, expenses incurred by TVC in 2019 mainly reflect the initial set up costs and the onboarding of the TVC Executive Director in November 2019. Costs for 2020 were expected to ramp up as TVC entered its first full year of operations, however, could not have planned for a global pandemic.

The revised 2020 TVC operating budget includes gross expenditures of \$936,217. Revised 2020 MAT revenues are estimated at \$409,798, in addition to proceeds of \$426,625 from the RRRF grant. This results in a budgeted net loss of \$99,794, which has been largely offset by the RRRF. Retained earnings opening balance for 2020 will be reduced by the 2020 net loss and the remaining funds will be available for future year(s) tourism related investments.

The revised projected and budgeted 2020 revenues account for the reinstatement of the MAT on September 1, 2020 with a reported average occupancy rate in Vaughan accommodations of 30 per cent from September 1 to December 31. These estimations

are based on the staff report [EXTENSION OF MUNICIPAL ACCOMMODATION TAX SUSPENSION IN RESPONSE TO COVID-19](#) dated May 20, 2020.

A summary of revised budget allocations are as follows:

- The original 2020 budgeted labour expenses include the full year costs for two (2) full-time City staff as stated in the MOA. Labour costs will be funded by the RRRF between June 5, 2020 to December 31, 2020, and from MAT revenues before and after this period.
- TVC initially budgeted \$100,000 for the Tourism Vaughan Advisory Committee, yet to be formed due to the governance review, to implement pilot program(s) and/or initiative(s). These funds have been amalgamated with additional programming funds through the RRRF to support COVID-19 related programs including an interim tourism meetings and events strategy, safety assurance programming and the Great Taste of Ontario Road Trip program.
- Professional Fees in 2020 are maintained to account for the investment in the development of a Tourism Vaughan visual identifier, Destination Master Plan, Strategic Business Plan and Data Management & Analytical Capabilities. Opportunities to offset a portion of these costs are outlined below through the TEDRF.
- Marketing and Promotions was originally intended to be lightly invested in for 2020 pending researched direction of the Destination Master Plan. This budget line has been significantly increased as a result of the RRRF mandate to support visitor attraction and COVID-19 recovery and will support a series of integrated marketing campaigns, visitor incentive programs and establishment of Tourism Vaughan social media channels.

The revised 2020 MAT supported operating budget for TVC can be summarized as follows:

Table 1: Proposed Revised 2020 Operating Budget – TVC

Tourism Vaughan Operating Statement	2019 Actuals	2020 Original Budget	2020 Revised Budget	Variance
Revenue				
Total MAT Tax Collection	2,117,140	3,413,000	819,596	(2,593,404)
TVC Portion 50% of Revenue	1,058,570	1,706,500	409,798	(1,296,702)
Regional Relief and Recovery Fund (RRRF)			426,625	426,625
Total Revenue		1,706,500	836,423	(870,077)
Operating Expenses				
Labour	17,866	266,655	240,115	26,540
Programs	0	100,000	200,000	(100,000)
Transfer from COV for MAT				
Administration	16,062	16,192	16,192	0
Professional Fees	135,645	295,810	295,810	0
Marketing and Promotions	0	10,000	160,000	(150,000)
Other Administration Costs	1,242	18,700	24,100	(5,400)
Total Expenses	170,271	707,357	936,217	(228,860)
Net Income / (Loss)	888,300	999,143	(99,794)	(1,098,937)
Opening balance in Retained Earnings	0	888,300	888,300	0
Add: Net Income/(Loss)	888,300	999,143	(99,794)	(1,098,937)
Total Retained Earnings	888,300	1,887,443	788,506	(1,098,937)

2021 Preliminary Forecasted Budget

Costs incurred later than December 31, 2020 for RRRF related projects will be allocated to the TVC 2021 budget, to be presented to Council for consideration and approval no later than March 31, 2021 in accordance with the MOA.

The following Table 2 outlines a preliminary forecasted 2021 budget, with MAT revenues based on projections by Coldwell Banker Richard Ellis (CBRE) outlined in the report [CBRE Hotels Canada Quarterly Update Q1 2020 - The Impacts of COVID-19](#).

Compared to 2019 levels, according to the report, CBRE predicts 2021 RevPAR (Revenue Per Available Room) to be 20 per cent lower and Occupancy rates to be 8 per cent lower. Staff have taken a conservative approach to this projection, as the report does not outline the impact(s) of a potential second wave, and estimate that Vaughan MAT will earn an estimated \$1.5 million in revenue for 2021, with TVC's 50 per cent portion amounting to \$750,000.

Of additional note beyond 2021, the report also predicts that even if a vaccine is introduced in late 2021, the industry will return to 2019 demand levels and price points in 2024.

Table 2: Preliminary Forecasted 2021 Operating Budget – TVC

Tourism Vaughan Operating Statement	2020 Revised Budget	2021	
		Forecast Budget	Variance
Revenue			
Total MAT Tax Collection	819,596	1,500,000	680,404
TVC Portion 50% to Revenue	409,798	750,000	340,202
Regional Relief and Recovery Fund (RRRF)	426,625	0	
Tourism Economic Development Recovery Fund	0	60,000	60,000
TOTAL REVENUE	836,423	810,000	(26,423)
Operating Expenses TVC			
Labour	240,115	363,984	(123,869)
Programs	200,000	340,000	(140,000)
Transfer from COV for MAT Administration	16,192	16,192	0
Professional Fees	295,810	170,000	125,810
Marketing and Promotions	160,000	150,000	10,000
Other Administration Costs	24,100	46,100	(22,000)
Total Expenses	936,217	1,086,276	(76,059)
Net Income	(99,794)	(276,276)	(102,482)
Opening balance in retained earnings	888,300	788,506	99,794
Add: TVC Net Income/(Loss)	(99,794)	(276,276)	(176,482)
Total Retained Earnings	788,506	512,230	(76,688)

Broader Regional Impacts/Considerations

Copies of this report will be circulated to the Vaughan Chamber of Commerce, industry partners, and the Central Counties Regional Tourism Organization for their information.

Central Counties Tourism RTO6 (CCT), Experience York Region, and Markham Tourism have also received the RRRF, in addition to approximately 100 other destination marketing organizations and regional tourism organizations across the province. TVC has developed the strategies presented in this report in close consultation with these local association partners, industry partners and TIAO to capitalize on cross-promotional and partnership opportunities. They have also developed similar strategies to target domestic travel and are collaborating with TVC wherever possible. The Great Taste of Ontario project, for example, is being delivered in close collaboration with these groups to ensure best representation of culinary businesses in the region.

In addition, TVC staff participate on weekly calls with all 100 RRRF recipients across Ontario through TIAO and Destination Ontario (the provincial tourism marketing organization). The purpose of these calls is to encourage partnerships, sharing of best practices and opportunities to further promote domestic travel across municipalities within the province. Many RRRF recipients have onboarded contract staff to deliver newly implemented COVID-19 projects.

Conclusion

In conclusion, as the sole voting member of the new Tourism Vaughan Corporation, Council has the responsibility to approve revisions to the corporation's budget, as discussed in this report, approve TVCs application for the TEDRF as an additional source of revenue.

With approval of the recommendations in this report, Council will continue to support the establishment the new Municipal Service Corporation, called Tourism Vaughan Corporation, support its mandate through the 2020 Business Plan, and support the tourism industry during the COVID-19 pandemic.

For more information, Ashley Travassos, Manager of Tourism, Arts and Cultural Development / Executive Director, Tourism Vaughan Corporation, 647-619-7100

Attachments

None

Prepared by

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Approved by

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Raphael Costa
Acting Director of Economic and
Cultural Development

Reviewed by

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Jim Harnum
City Manager