

Committee of the Whole (2) Report

DATE: Monday, March 8, 2021

WARD(S): ALL

TITLE: TOURISM VAUGHAN 2021 BUSINESS PLAN AND BUDGET

FROM:

Jim Harnum, City Manager

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

ACTION: DECISION

Purpose

On behalf of the Tourism Vaughan Corporation (TVC) Board of Directors (TVC Board), this report seeks to obtain Council ratification of the TVC's 2021 Business Plan and Budget, as approved by the TVC Board on January 27, 2021. This report also seeks to provide staff authority to apply for and receive grants for TVC in accordance with Corporate Policy 09.C.01 Grant Funding.

Report Highlights

- On January 27, 2021, the TVC Board of Directors adopted a 2021 Business Plan and Budget, subject to the approval of the Voting Member of the TVC, being Vaughan City Council.
- In accordance with the Memorandum of Agreement (MOA) between the Corporation of the City of Vaughan and the TVC, the creation and management of business plans is the responsibility of the TVC Board. As sole voting member, the MOA states that the TVC Board will obtain Council approval of the TVC Business Plan and Budget as part of the City's annual budget approval process by no later than March 31st of each year with a multi-year business plan.
- Due to the COVID-19 pandemic, the tactics of 2020 TVC Business Plan have been rolled into the 2021 Business Plan to strike balance between finalizing primitive work to establish the organization's foundation and newly added measures to support the industry during and after the pandemic.
- The MOA also requires Council approval for TVC to generate revenue from sources such as government grants presenting a challenge for staff to meet rapid COVID-19 economic recovery grant submission timelines. Aligning staff authority to apply for and receive grant funding for TVC in accordance with Corporate Policy 09.C.01 Grant Funding, will assist TVC in the provision of its mandate in accordance with the City's Grant Funding Procedures, and in collaboration with the Municipal Partnerships and Sponsorships Office.
- The 2021 TVC Business Plan is directed by the 2020-2023 Economic and Cultural Development Strategic Business Plan and the Vaughan Business Resilience Plan - an addendum to ECD's business plan as a result of the COVID-19 pandemic to build readiness, resourcefulness, and resilience into Vaughan's business community, inclusive of the tourism sector.

Recommendations

1. That the Tourism Vaughan Corporation (TVC) 2021 Business Plan and Budget be ratified, as presented in Attachment 2 of this report; and
2. That staff be authorized to apply for and receive grant funding for TVC in accordance with [Corporate Policy 09.C.01 Grant Funding](#).

Background

Tourism Vaughan Corporation (TVC), Vaughan's official destination marketing organization (DMO) with the mission to market and promote Vaughan as a destination for tourists and business travelers, has entered its second year of operations in 2021.

TVC Business Plan Requirements

On January 27, 2021, TVC hosted its first Board of Directors meeting of the year where the Board adopted a 2021 Business Plan and Budget, subject to the approval of the

Voting Member of the TVC, being Vaughan City Council. The plan and budget utilize 50% of the Tourism Promotion Share of the Vaughan Municipal Accommodation Tax (MAT) pursuant to By-law 029-2019.

On behalf of, and as approved by the TVC Board of Directors, the purpose of this report is to obtain Council approval of the TVC's 2021 Business Plan and Budget. In accordance with the Memorandum of Agreement between the Corporation of the City of Vaughan and the TVC, the creation and management of business plans are the responsibility of the TVC Board. As sole voting member, the MOA states that the TVC Board will obtain Council approval of the TVC Business Plan and Budget as part of the City's annual budget approval process by no later than March 31st of each year with a business plan.

The MOA also requires Council approval for TVC to generate revenue from sources such as government grants presenting a challenge for Staff to meet rapid COVID-19 economic recovery grant submission timelines. Aligning Staff authority to apply for and receive grant funding for TVC in accordance with Corporate Policy 09.C.01 Grant Funding, will assist TVC in the provision of its mandate in accordance with the City's Grant Funding Procedures, and in collaboration with the Municipal Partnerships and Sponsorships Office.

Impact of COVID-19 in 2020

In its first year of operations, the 2020 TVC Business Plan and Budget focused on the development of a strong strategic foundation to power the destination and new organization forward with marketing programs and services starting in 2021. The plan outlined eight key activities including development of a five-year Vaughan Destination Master Plan to ensure that TVC's investments were based on calculated and measurable strategies, formulated with and supported by the tourism industry and partners.

As a result of the COVID-19 pandemic commencing in March of 2020, only two months into Tourism Vaughan's inaugural year, TVC was forced to temporarily pause activities of the 2020 Business Plan to provide pandemic support to local industry partners and adjust to significant losses in projected revenues. This direction was approved by the TVC Board and City of Vaughan Council, via report to Council on September 22, 2020 to reflect revenue losses, reallocate funds to deliver new COVID-19 support measures, and included an alternative source of revenue from the Regional Relief and Recovery Fund (RRRF) to offset losses.

By the end of 2020, Tourism Vaughan was able to resume some work on the originating tactics of the 2020 Business Plan to establish its organizational foundation. As such, the tactics of 2020 have been rolled into the 2021 Business Plan to strike balance between

finalizing primitive work to establish the organization's foundation and newly added measures to support the industry during and after the pandemic.

COVID-19 Impact in 2021

Tourism Vaughan has entered its second year of operations during an unprecedented era for the tourism industry. The COVID-19 pandemic continues to severely impact the tourism industry with ongoing and ever-changing safety measures such as lockdowns, border closures, stay-at-home orders, travel bans, gathering limits and more. This has resulted in uncertainty within the sector and in the economy, particularly regarding recovery projections. Of most recent, experts at CBRE Hotels Research estimate that the Canadian accommodation industry will not see full recovery to 2019 performance metrics until 2023 to 2025, assuming that a vaccine is successfully rolled out and travel can resume.¹

Through these challenging times, destination marketing organizations (DMO) are faced with several challenges such as shifting travel restrictions, adverse traveler and local community sentiments, consumer shifts to digital platforms, increased business support needs, amplified local competition with the push for domestic travel, and ultimately a decreased demand for travel resulting in loss of income.

Long-established DMOs have the benefit of an existing understanding of its identity and vision as destination with existing resources, programs, KPIs and services to pivot in response to the pandemic. As a new DMO, Tourism Vaughan is presented with challenges as it does not yet have this same pre-established understanding and resources, outside of those it developed in 2020.

To best serve the tourism industry, Tourism Vaughan will achieve the activities outlined through the 2021 Business Plan through a commitment to staying informed of the current and future impacts of the COVID-19 pandemic on the tourism industry in Vaughan. On behalf of the TVC Board, Staff will report to the Council should any changes need to be made to the objectives and/or tactics of the business plan. This is in accordance with the Memorandum of Agreement between the Corporation of the City of Vaughan and the TVC (the MOA) which states that the annual budget of TVC may only be revised with the express consent of Council.

2021 Business Plan Key Activities

The 2021 Business Plan presents a theme of destination formation and transformation – a need for continual evolution to meet changing realities in the tourism industry to best support local Vaughan tourism partners and stakeholders. This is proposed through the delivery of nine key activities falling under 5 buckets of destination management:

¹ [CBRE Hotels Canada Industry Outlook - COVID-19 Impact - October 2020](#)

Destination Development

1. Support Stakeholders & Industry Resilience
2. Develop a Destination Master Plan
3. Develop a multi-year Tourism Strategic Business Plan
4. Maintain Sustainable Funding

Destination Marketing

5. Engage Consumers & Form a Market Presence

Industry Relations

6. Leverage Partnerships & Resources

Governance

7. Support the TVC Board of Directors
8. Sustain Accountability & Transparency

Research

9. Advance Destination Research

As such, the following Tourism Vaughan Business Plan for 2021 provides the groundwork to help the TVC formulate strategic decisions heading into the future and build resiliency for Vaughan's tourism industry during and post-pandemic.

Previous Reports/Authority

- [Committee of the Whole \(2\) Report - Tourism Vaughan Corporation 2020 Budget Revisions – Sept 22, 2020](#)
- [Ready, Resilient and Resourceful Committee Report – Vaughan Business Resilience Plan – June 23, 2020](#)
- [Committee of the Whole \(2\) Report – Strategic Business Plan for Economic and Cultural Development, 2020-2023 \(September 24, 2019\)](#)
- [Corporate Policy 09.C.01 Grant Funding](#)

Analysis and Options

The 2021 Business Plan and Budget supports Tourism Vaughan's 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.

Additionally, the recommendation of this report to align Staff authority to apply for grant funding for TVC with [Corporate Policy 09.C.01 Grant Funding](#), will welcome and encourage Staff to apply for grant funding to assist TVC in the provision of its mandate.

The MOA currently states that Council approval is required for TVC to generate revenue from sources such as government grants. This presents a challenge for Staff when seeking alternative sources of revenue, particularly in a COVID-19 climate with rapid grant submission timelines to support economic sustainability and recovery for the tourism industry.

The policy acknowledges that Grant funding helps sustain and deliver city programs and services in a way that is fiscally responsible. This will ensure that Staff seek alternative sources of revenue in accordance with the City's Grant Funding Procedures, and in collaboration with the Municipal Partnerships and Sponsorships Office.

Financial Impact

The expenditures to support the business plan are funded from revenues collected under the Vaughan Municipal Accommodation Tax (MAT), pursuant to applicable City By-law 029-2019 and Ontario Regulations. The 2021 operating budget seeking approval via this report sets out the expenditures for 2021.

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, to be dedicated to tourism promotion and development of tourism products by an eligible tourism entity – Tourism Vaughan.

The following revenue and expenditures statement identifies line items in support of 2021 key activities in addition to general operations. The projection outlined for 2021 Municipal Accommodation Tax Collection is based off CBRE Tourism & Leisure Group's memo Projected MAT Collection, Vaughan, 2020-2022 (Attachment 3), which outlines assumptions of:

- In 2021, market demand levels in Vaughan are expected to increase by 48% as travel resumes by mid-year;

- Market occupancy is projected to improve to 50% and average daily rate (ADR) is projected to be 10% to reach \$130; and
- Assuming a full-year MAT collection period in 2021, CBRE projects \$1,756,400 in total revenues with Tourism Vaughan's share at \$878,200.

Tourism Vaughan's 2021 expenses total \$1,283,537 and reflect introduction of new programming and marketing initiatives as originally intended for Tourism Vaughan's second year of operations, in addition to continuation of the additional staff member in 2020 to support implementation.

MAT collections in 2019 were intended to develop retained earnings to fuel the organization in product and service delivery in 2021, with foundational development prioritized in 2020. As outlined in the Business Plan, the COVID-19 pandemic and MAT suspension in 2020, resulted in a drastic reduction to anticipated revenues and shifted 2020 investments toward COVID-19 support marketing and programs. As such, with the reinvestment of \$213,371 from retained earnings to the 2021 operations, the 2021 Budget directs the majority of its investment into marketing and promotions to establish Vaughan's market presence and develop programs to support industry resiliency and recovery through the pandemic.

Marketing expenses include investment for development of a meeting planner website and subsequent meeting planner marketing campaigns, hyper-local visitor attraction campaigns, destination marketing asset development such as photography and video for both leisure and business markets, enhancements to the consumer website visitvaughan.ca and more. These campaigns will promote programs to be developed including Spousal Incentive Programs, Attractions Week, Product and Economic Development Workshops, Accommodations Incentive Program, Leisure Travel Incentive Program and visitor servicing initiatives etc.

Tourism Vaughan will continue to seek alternate sourcing of revenue in accordance with [Corporate Policy 09.C.01 Grant Funding](#), as per recommendation of this report, such as grants to offset costs wherever possible, and complete investment of the Regional Relief and Recovery Fund (RRRF) of an estimated amount of \$191,966 carried over from 2020.

Understanding that this budget outlines best scenario outcomes as per CBRE's assumptions of a stable travel market recovery in 2021, Tourism Vaughan will continue to monitor up-to-date market performance against revenues and adjust budgeted expenses accordingly, and report back to the Board for necessary approvals.

Table 1: Proposed 2021 Operating Budget – TVC

Tourism Vaughan Operating Statement		2021 Budget
<u>Revenue</u>		
Total Municipal Accommodation Tax Collection		1,756,400
TVC Portion 50% to Revenue		878,200
Regional Relief and Recovery Fund (RRRF)		191,966
TOTAL REVENUE		1,070,166
<u>Operating Expenses TVC</u>		
Labour		398,767
Programs		215,200
Transfer from COV for MAT Administration		16,192
Professional Fees		146,000
Memberships and Sponsorships		39,171
Marketing and Promotions		457,379
Other Administration Costs		10,828
Total Expenses		1,283,537
Net (Loss)		(213,371)
Tourism Vaughan Retained Earnings Statement		
Estimated opening balance in retained earnings		998,830
Less: TVC Net (Loss)		(213,371)
Estimated Total Retained Earnings		785,459

Broader Regional Impacts/Considerations

To ensure strategic alignment and a regional approach to tourism, the 2021 TVC Business Plan was developed in consultation with the 2021 strategies of local partners such as Central Counties Tourism (Regional Tourism Organization 6), York Region Arts Council, and provincial and national tourism organizations such as Destination Ontario and Destination Canada.

Copies of this report will be circulated to the Vaughan Chamber of Commerce, industry stakeholders including hotels, motels, short term rentals, attractions, festival and events, and the Central Counties Regional Tourism Organization (RTO6) for their information.

Additionally, as a City-owned corporation, the TVC is supported by city staff that operate within the City of Vaughan's Economic & Cultural Development (ECD) Department. As

such, the work of staff supporting the TVC is also directed by the 2020-2023 ECD Strategic Business Plan and the Vaughan Business Resilience Plan - an addendum to ECD's existing business plan as a result of the COVID-19 pandemic to build readiness, resourcefulness, and resilience into Vaughan's business community, inclusive of the tourism sector.

Conclusion

As the sole voting member of the new Tourism Vaughan Corporation, Council has the responsibility to approve the corporation's business plan and budget, as discussed in this report.

With approval of the recommendations in this report, Council will continue to support the establishment of a sound foundation for the 2021 strategic objectives and financial plan of TVC in its second year of operations.

For more information, Ashley Travassos, Manager of Tourism, Arts and Cultural Development / Executive Director, Tourism Vaughan Corporation, ext. 8472

Attachments

1. Memorandum of Agreement – The Corporation of the City of Vaughan and Tourism Vaughan Corporation – Jan 13, 2020.
2. Tourism Vaughan Corporation 2021 Business Plan and Budget.
3. MEMO: Projected MAT Collection, Vaughan, 2020-2022, CBRE Tourism & Leisure Group.

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