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## **Community Tourism Foundations® Program**

### **Options for Community Tourism Organizations Funding Report**

**December 15, 2005**

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**1. EXECUTIVE SUMMARY**

This report provides an overview of the different funding models that BC communities might consider as they embark on tourism marketing. It examines the different funding options including hotel tax, municipal funding, business levies, memberships, earned revenue, funding through Tourism British Columbia, and other sources of funding. The information in this report is intended to help communities make informed decisions on the best funding options for their particular community.

The following is a summary of the funding options and the advantages and disadvantages of each, based on interviews with fourteen communities.

Funding Option	Advantages	Disadvantages
Additional Hotel Room Tax (AHRT)	<ul style="list-style-type: none"> <li>• The AHRT can be imposed by a majority of the fix-roofed accommodators, with four units and over, who control 51% of the total units in the proposed taxable area.</li> <li>• The hotel tax provides sustainable, long-term funding that is not subject to political will.</li> <li>• The hotel tax can provide more funding than other funding options, especially if the community has a significant number of accommodation rooms.</li> <li>• The hotel tax is levied on visitors while municipal funding comes from taxes paid by community businesses and residents.</li> <li>• The amount of funding provided by the hotel tax has the potential to grow as tourism to the community grows.</li> </ul>	<ul style="list-style-type: none"> <li>• The hotel tax may not be appropriate for communities with few accommodation rooms.</li> <li>• The hotel tax may not be appropriate for communities that are targeting day visits.</li> <li>• Accommodation properties often see the funding from the hotel tax as coming from the accommodation sector and may expect the community tourism organization to focus on filling rooms rather than on overall tourism.</li> <li>• The hotel tax may not be appropriate if most of the guests of the accommodation properties are business-related rather than staying for leisure purposes.</li> <li>• The hotel tax takes a significant amount of time and resources to implement.</li> <li>• Because funding provided by the hotel tax fluctuates as tourism fluctuates, funding declines during a tourism downturn.</li> <li>• Applications must be made to renew the hotel tax every five years.</li> </ul>

Funding Option	Advantages	Disadvantages
Municipal funding	<ul style="list-style-type: none"> <li>• Municipal funding sends a message to the community that tourism is an important source of economic development for the municipality.</li> <li>• Municipal funding can be significant and for communities without a significant accommodation base, can be the single largest source of funding.</li> <li>• During downturns in tourism, municipal funding can be more stable than hotel tax funding.</li> <li>• Municipal funding is a good source of funds for communities that are in the early stages of tourism development.</li> </ul>	<ul style="list-style-type: none"> <li>• Because municipal funding is subject to annual approval of the municipal government, it is subject to political pressures.</li> <li>• Municipal funding may not grow as the tourism industry grows, in contrast to hotel tax funding.</li> <li>• Municipal transfer of funds may not coincide with the tourism planning cycle</li> </ul>
Business levies (including mandatory membership assessments)	<ul style="list-style-type: none"> <li>• Business levies provide sustainable, long-term funding that is not subject to political will.</li> <li>• Business levies can provide more funding than other funding options, depending on the particular characteristics of the community.</li> <li>• Business levies can be collected from those businesses that benefit the most from tourism.</li> <li>• Business levies are a stable funding source that would not decline to the same degree as hotel tax funding during a downturn in tourism.</li> <li>• Levies on business licenses can be used by all communities. (<i>Check this fact in the Community Charter; our research in August 2004 concluded there was no provision in the Charter to do this, even though municipalities are doing it. Oceanside Tourism is one example of a community who has a contract for this levy.</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• The amount of funding provided by business levies would grow only as the <u>number</u> of businesses grows, rather than growing as each business increases its tourism revenue.</li> <li>• Communities without a large base of tourism businesses would not generate significant funds through a business license levy.</li> <li>• Mandatory membership assessments are applicable <del>to</del> only to designated mountain resorts and require agreement by members of the mountain resort.</li> <li>• Mandatory membership assessments require a high level of accountability to owners and a strong governance model.</li> </ul>
Memberships	<ul style="list-style-type: none"> <li>• Memberships are an additional form of funding but they generally make up a small percentage of total funding.</li> <li>• Membership fees to the chamber of commerce that are then provided to the tourism organization reinforce the importance of tourism to the community.</li> <li>• Those businesses that become members have indicated their support for the tourism organization through their membership fees.</li> </ul>	<ul style="list-style-type: none"> <li>• Membership fees tend to generate only a small percentage of funding needed to run the tourism organization.</li> <li>• There may be pressure on the tourism organization to pursue initiatives that specifically benefit members, making it difficult to juggle members' priorities with those of the tourism community at large.</li> <li>• Resources will need to be put toward programs to keep members informed and supportive of the tourism organization's activities.</li> </ul>

Funding Option	Advantages	Disadvantages
Earned revenue	<ul style="list-style-type: none"> <li>• While earned revenue typically contributes a small percentage of overall funding for a community, it is often symbolic, much like membership fees, as it represents support from the tourism community.</li> <li>• Revenue from a central reservation service may be greater than other forms of earned revenue but such a service requires significant setup and a critical mass of advertising and promotion.</li> </ul>	<ul style="list-style-type: none"> <li>• Trying to earn revenue can take the focus away from the core activities of the tourism organization.</li> <li>• Earned revenue generally contributes only a small percentage of funding for a tourism community.</li> </ul>
Funding available through Tourism BC	<ul style="list-style-type: none"> <li>• The Tourism BC programs are available to all communities interested in tourism during different stages of development.</li> <li>• Because the Tourism BC marketing programs provide cost-shared funding, they encourage tourism businesses to participate in the community tourism organization's programs through leveraging.</li> </ul>	<ul style="list-style-type: none"> <li>• The Tourism BC marketing programs provide funding for specific purposes and require documentation so some administration is involved.</li> <li>• The Tourism BC marketing programs are cost-shared programs so other forms of funding are required before communities can access these funds.</li> </ul>

All except one of the communities interviewed received funding from multiple sources. For these communities, each had one or both of the hotel tax and municipal funding as the major source of funding. For designated mountain resort areas, business levies were a major source of funding.

Most communities had some form of funding from tourism businesses, including membership fees, earned revenue (e.g. racking fees or income from cooperative marketing programs), or commission from central reservation service.

Having multiple forms of funding likely helps to neutralize disadvantages of each type of funding to provide for more sustainable, long-term funding.

## **2. INTRODUCTION**

This report provides an overview of the different funding models that BC communities might consider as they embark on tourism marketing. It examines the different funding options including Additional Hotel Room Tax (AHRT), municipal funding, business levies, memberships, earned revenue, funding through Tourism British Columbia, and other sources of funding. The information in this report is intended to help communities make informed decisions on the best funding options for their particular community.

Fourteen communities were interviewed to understand the funding models they use. Each of the funding options is examined, including descriptions, advantages, disadvantages, advice from the communities about each funding option for other communities, and conclusions.

The funding model used by each of the fourteen communities is summarized along with how communities with different budget levels allocate their funds.

New funding programs available through Tourism BC are discussed along with how communities can participate in these programs.

### 3. COMMUNITIES INTERVIEWED

Fourteen communities were interviewed, with twelve from British Columbia and two outside the province. The communities interviewed were from each of the six tourism regions in BC, two from Vancouver Coast & Mountains, four from Thompson Okanagan, one from Northern BC, one from Vancouver Island / Gulf Islands, one from Kootenay Rockies, two from Cariboo Chilcotin Coast, one from Alberta, and one from Colorado.

The communities range in population size from 500 to over 100,000 and represent a cross section of different funding models.

#### Communities Interviewed

Community	Region	Funding Model	Contact
Chilliwack	Vancouver Coast & Mountains	2% hotel tax, Chilliwack Economic Partners Corporation (municipal funding), membership fees, earned revenue, VIC funding from Tourism BC	Brian Coombes, Director of Tourism, Chilliwack Economic Partners Corporation
Maple Ridge / Pitt Meadows	Vancouver Coast & Mountains	Municipal funding, earned revenue, VIC funding from Tourism BC, HRSDC funding	Cheryl Johnson, Executive Director, Tourism Maple Ridge & Pitt Meadows
Kamloops	Thompson Okanagan	2% hotel tax, municipal funding	Lee Morris, CEO, Tourism Kamloops
Kelowna	Thompson Okanagan	2% hotel tax, retail sales, membership fees, municipal funding, VIC funding from Tourism BC	Nancy Cameron, General Manager, Tourism Kelowna
Penticton	Thompson Okanagan	Municipal funding, earned revenue, recently added 2% hotel tax	Kelly Reid, Tourism Development Services, City of Penticton
Sun Peaks	Thompson Okanagan	Assessments on resort owners, 2% hotel tax, and central reservation service	Christopher Nicholson, President, Tourism Sun Peaks
Prince George	Northern BC	Municipal funding, moving to add 2% hotel tax	Deborah Kulchiski, Manager, Tourism Prince George
North/ Central Saanich	Vancouver Island	Fees from Chamber members, municipal in-kind funding, earned revenue	Tom Walker, Executive Director, Saanich Peninsula Chamber of Commerce
Parksville / Qualicum	Vancouver Island	2% hotel tax, memberships, business license levy	Blain Sepos, Executive Director, Oceanside Tourism Association (with Caroline Grover and Dorothy Mansell)
Fernie	Kootenay Rockies	Volunteer marketing consortium moving toward 2% hotel tax and business license levy	Randal Macnair, Mayor, City of Fernie
Wells	Cariboo Chilcotin Coast	Municipal funding, Chamber of Commerce, VIC funding from Tourism BC <sup>1</sup>	Carole McGregor, Marketing Economic Development, District of Wells
100 Mile House / Clinton	Cariboo Chilcotin Coast	Municipal funding (District of 100 Mile House, Cariboo Regional District, Village of Clinton, Thompson Regional District), earned revenue	Darrell Warman, Visitor Service Manager, The 100 Mile House Development Corporation

<sup>1</sup> Respondent was not sure about VIC funding from Tourism BC.

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Banff/Lake Louise	Alberta	Business license levy	Julie Canning, President, Banff Lake Louise Tourism
Aspen	Colorado	0.5% hotel tax, business levy, central reservation service, Chamber of Commerce	Debbie Braun, President and CEO, Aspen Chamber Resort Association

To put each community in context from a tourism standpoint, the following lists the number of accommodation properties, rooms, and annual room revenue, where this information is available.

**Tourism Accommodation Characteristics by Community**

Community	Region	Size <sup>2</sup>	Number of Accommodation Properties*	Number of Accommodation Rooms*	Annual Room Revenue (2004)*
Chilliwack	Vancouver Coast & Mountains	69,009	20 (TBC approved accommodation)	n/a	n/a
Maple Ridge / Pitt Meadows	Vancouver Coast & Mountains	86,412	4 (TBC approved accommodation)	123	n/a
Kamloops	Thompson Okanagan	81,699	81	4,082	\$47.9 million
Kelowna	Thompson Okanagan	105,621	70	4,016	\$61.2 million
Penticton	Thompson Okanagan	32,868	59	2,034	\$23.8 million
Sun Peaks	Thompson Okanagan	500	n/a	4,500	n/a
Prince George	Northern BC	76,000	35	2,155	\$21.2 million
Saanich	Vancouver Island	39,049	n/a	n/a	n/a
Parksville / Qualicum	Vancouver Island	18,628	n/a	n/a	n/a
Fernie	Kootenay Rockies	4,611	n/a	n/a	\$10 million approx.
Wells	Cariboo Chilcotin Coast	261	5 (TBC approved accommodation)	71	n/a
100 Mile House / Clinton	Cariboo Chilcotin Coast	1,823	8 (TBC approved accommodation)	169	n/a
Banff/Lake Louise	Alberta	7,135	Over 100	5,500	n/a
Aspen	Colorado	5,914	n/a	n/a	n/a

\*Unless otherwise stated, information is from BC Tourism Room Revenue report, BC Stats, 2004.

<sup>2</sup> Size is measured by population.

#### 4. OPTIONS FOR FUNDING

In the interviews with communities, they identified their sources of funding that included the hotel tax, municipal funding, business levies, memberships, and earned revenue. The findings have been summarized by each funding option in this section. However, almost all communities have several sources of funding. Combinations of funding sources are examined and the new funding available through Tourism British Columbia is detailed in this section.

##### 4.1 Additional Hotel Room Tax (AHRT)

###### Description

Municipalities and regional districts may arrange for the province of BC to levy an additional tax on their behalf, on accommodation sold within their jurisdiction.<sup>3</sup> The tax collected is intended to assist in financing and operating new tourist facilities and with tourism promotion. Currently, the maximum amount of this additional tax on accommodation is 2%. For communities receiving the hotel tax, it is typically one of several sources of funding, including municipal funding.

The following municipalities and regional districts currently have the additional hotel tax.

<b>Municipality or Regional District</b>	<b>Rate</b>	<b>Effective Date</b>
Abbotsford	2%	May 1, 2003
Burnaby	2%	June 1, 2004
Chilliwack	2%	January 1, 2005
Kamloops	2%	July 1, 2005
Kelowna	2%	January 1, 2004
Kitimat-Stikine	2%	December 1, 2004
Langley	2%	September 1, 2005
Merritt	2%	February 1, 2005
Nanaimo	2%	November 1, 2005
North Vancouver (city)	2%	March 1, 2001
Oak Bay	2%	August 1, 1989
Parksville	2%	February 1, 2005
Penticton	2%	January 1, 2006
Prince Rupert	2%	November 1, 1990
Qualicum Beach	2%	February 1, 2005
Richmond	2%	October 1, 2004
Rossland	1%	January 1, 2002
Saanich (District)	2%	October 1, 1990
Smithers	2%	November 1, 1990
Sun Peaks Mountain Resort Area	2%	November 1, 2005
Surrey	2%	March 1, 2002
Vancouver	2%	October 1, 1988
Victoria	2%	February 1, 1989
Wells	2%	June 1, 2004
Whistler	2%	May 1, 1988

<sup>3</sup> The hotel tax is charged on all fixed roof tourist accommodation with four rooms or more that rent for periods not exceeding two months in duration, and at a daily rate of \$20 or more. More detailed information is available from the Ministry of Small Business and Revenue.

#### Background

The BC hotel tax was introduced in April 1, 1971 and was set at 5%. It is now at 8% and 1.65 points of it provides funding for Tourism British Columbia. Accommodation properties in BC are required to collect and submit this 8% to the Minister of Finance on specified dates.

The 1.65 points of the BC hotel tax equates to a forecasted \$26.7 million for Tourism BC in 2005/06. In addition, the Province of BC has committed to an annual operating grant to increase Tourism BC's budget to a fixed total of \$50 million (in 2005/06, the operating grant equated to \$23.3 million).<sup>4</sup> Tourism BC's budget provides funding for a variety of programs, including the Community Tourism Foundations development and marketing programs. Tourism BC also provides funding for each of the six regional destination marketing organizations, providing the majority of funding for these organizations.

The hotel room tax act limits the total amount of tax to 10%, including the province-wide 8% BC hotel tax, thereby limiting the portion that can be levied on behalf of municipalities and regional districts to 2%. Accommodation properties in those municipalities and regional districts that have approved the additional hotel tax collect it in a similar way as the 8% hotel tax.

#### Mechanics

The tax may be levied in the whole municipality or regional district or a prescribed area within the boundaries of the municipality or regional district. The tax is collected by the province through the existing hotel room tax collection system administered by the Consumer Taxation Branch. The tax collected is then remitted to the municipality or regional district on a monthly basis. The branch charges the municipality or regional district an administration fee to recover the additional costs incurred for collection and administration of the tax.

To initiate this process, the accommodation sector must confirm in writing by signature the majority (51%) of fixed roof accommodation suppliers controlling 51% of the units in the proposed area agree to the tax and the amount to be taxed. The municipality or regional district must pass a bylaw requesting the province to levy the additional tax on behalf of the accommodation sector. The bylaw should contain:

- The rate of tax to be charged.
- The geographic area in which the additional tax will apply.
- The purpose for which the funds will be used.
- The desired effective date of the new tax.

Municipalities and regional districts must provide evidence that their respective municipalities (if the regional district is applying) or their respective regional district (if the municipality is applying) support the tax, that they have the authority to use for funds for their intended purpose, that the local accommodation sector supports the tax, and a list of all accommodation properties (to ensure all can be contacted and informed).

This description is a summary only and the information may have changed since this report was written. Readers should check the Ministry of Small Business and Revenue website ([www.sbr.gov.bc.ca](http://www.sbr.gov.bc.ca)) for definitive and most recent information.

Many communities interviewed indicated that it was a challenge to obtain agreement from the accommodation properties and the communities needed to communicate the value of the additional hotel room tax and the potential benefit to the accommodation properties and to other stakeholders. Accommodation properties are often reluctant to charge their customers an additional tax that raises the prices of accommodation in their community compared to adjacent communities, viewing this price differential as a competitive disadvantage. Communities needed to communicate to other tourism industry stakeholders that the additional hotel tax would not necessarily mean that the tourism organization would be focused only on helping the accommodation properties fill their rooms.

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<sup>4</sup> Tourism British Columbia 2005/06 – 2007/08 Service Plan.

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In many cases, because the additional hotel tax meant that funding for tourism programs would substantially increase in a community that may not currently receive large numbers of visitors, communities also needed to communicate to residents and municipal government what the benefits of increased tourism would mean and to work through concerns about becoming overrun with tourists. Many communities needed to campaign for the additional hotel tax among its many stakeholder groups. The amount of time it takes a community to receive approval for the additional hotel tax typically takes a minimum of one to two years.

## Advantages

- The hotel tax provides sustainable, long-term funding that is not subject to political will, compared to municipal funding.

Once the hotel tax has been implemented, it would be expected to continue for five years (re-applications must be made every five years for the hotel tax). As a result, long-term planning is enhanced with a stable source of funding.

- The hotel tax can provide more funding than business license levies, memberships, or earned revenue, depending on the particular characteristics of the community. If there are a significant number of accommodation rooms in the community, the hotel tax can provide significant funding. The amount of funding provided by the various sources will differ substantially from one community to the next.
- The hotel tax is levied on visitors while municipal funding comes from taxes paid by community businesses and residents.
- The amount of funding provided by the hotel tax has the potential to grow as tourism to the community grows.

## Disadvantages

- The hotel tax may not be appropriate for communities with few accommodation rooms (such as smaller communities) as the amount of funding provided may not be enough by itself to support a community tourism organization.
- The hotel tax may not be appropriate for communities that are targeting day visits.

Targeting day visits can be an appropriate strategy for a community that is in the early stages of tourism development, that has a few attractions suitable for a visit for a few hours or a day, and can draw from nearby communities. With day visits, a community can attract visitors from nearby communities; with more visitors, the community can develop more attractions, and can grow to a point where there is enough for a visitor to do for a few days, supporting new accommodation and then targeting overnight visits. When the community gets to the point where it can target overnight visits, the hotel tax may be an appropriate funding method to pursue then.

If a community is targeting day visits and implements the hotel tax immediately, the tourism organization may be pressured to shift its strategy to try to obtain more overnight visits, even if the total number of visitors and total visitor revenue associated with day visits is greater than with overnight visits

- Accommodation properties that collect the hotel tax on behalf of the community often see the funding from the hotel tax as coming from the accommodation sector and may expect the community tourism organization to focus on filling rooms rather than on overall tourism.
- The hotel tax may not be appropriate if most of the guests of the accommodation properties are business-related rather than staying for leisure purposes.

Most business-related guests are in town for meetings or sales purposes and thus are not influenced by tourism marketing initiatives (with the exception of conferences). With the hotel tax, overnight leisure visits

would be expected to be a focus of the tourism organization's efforts. The community may not have sufficient leisure activities to support overnight stays or it may not have sufficient accommodation capacity for leisure visitors.

- The hotel tax takes a significant amount of time and resources to implement, with a need to educate and convince accommodation properties and tourism stakeholder groups. The typical amount of time taken to implement the hotel tax was a minimum of one to two years.
- Because funding provided by the hotel tax fluctuates as tourism fluctuates, funding grows during a rising tourism market. However, during a tourism downturn, funding would decline accordingly.
- Applications must be made to renew the hotel tax every five years.

#### Advice for Other Communities

- Have a plan in place before moving toward obtaining support for the hotel tax. A business plan for the use of funds must be approved by the accommodation sector with an organization identified to ultimately receive the funds.
- Educating and consulting with stakeholders (early and often) was a key activity in implementing the hotel tax as it ensures smooth implementation.
- Be patient when obtaining support for the hotel tax as it takes a significant amount of time and a soft sell approach.
- In the process of obtaining the hotel tax, Kelowna did not hold a vote. Rather, it asked hotels to sign a letter of support (hotels could choose to sign or not to sign).
- While accommodation properties need to take ownership of the hotel tax, the tourism organization needs to ensure there is a balance between accommodation properties and attractions.
- For smaller communities, the 2% hotel tax may not work as the smaller number of rooms may not generate enough funding.

#### Conclusions

The hotel tax is a good source of sustainable funding if a community's tourism products are ready for overnight stays and if a community has a significant number of accommodation rooms. If the community does not have a critical mass of market-ready tourism products, it may not be in the best interest of the tourism community to target overnight stays at the outset. Other forms of funding such as municipal funding could be pursued while the community further develops its tourism products. The hotel tax is best pursued once a community has enough market-ready tourism products to provide visitors with enough to see and do for an overnight stay. Many communities that have the hotel tax also have other forms of funding such as municipal funding, member fees, business levies, and earned revenue.

## 4.2 Municipal Funding

### Description

Communities may obtain funding from their respective municipalities. This funding may take a variety of forms, including an annual amount based on the tourism plan and budget submitted, fee for service, or the municipality may pay the tourism organization's staff salaries. For communities receiving municipal funding, it is typically one of several sources of funding.

Some tourism organizations encompass more than one municipality and as such, receive funding from each of the municipalities involved. This is often a good way to pool resources and collaborate, providing more reasons for visitors to come to the area.

### Mechanics

To receive municipal funding, the tourism organization must obtain approval of its budget on an annual basis. The specific mechanics will differ by municipality.

### Advantages

- Municipal funding sends a message to the community that tourism is an important source of economic development for the municipality.
- Municipal funding can be significant and for communities without a significant accommodation base, can be the single largest source of funding.

For communities targeting day visits from nearby communities as a strategy, municipal funding allows the tourism organization to grow tourism on a sustainable basis over the longer term, moving from day visits to overnight stays when the community's tourism products have progressed to the point where there is enough for visitors to see and do (without the expectation from accommodation properties that overnight stays will be a priority at the outset).

- During downturns in tourism, municipal funding can be more stable than hotel tax funding.
- Municipal funding is a good source of funds for communities that are in the early stages of tourism development as municipalities can take a long-term view of economic development. It can often be the catalyst for attracting other forms of funding.

### Disadvantages

- Because municipal funding is subject to annual approval of the municipal government, it is subject to political pressures and, due to the need for annual approval, does not provide long-term funding stability.
- Municipal funding may not grow as the tourism industry grows, in contrast to hotel tax funding. Municipal budgets are under constant pressure and many tourism organizations that receive municipal funding indicate the need for more funding.

### Advice for Other Communities

- Have a plan in place before trying to obtain funding from municipalities.
- 100 Mile House / Clinton have a combination of municipal funding and funding from the business community through cooperative marketing and racking fees. Its experience has been positive with this cooperative combination.
- It is an ongoing process to educate municipalities on the importance of tourism and the role of the municipalities in tourism.

Conclusions

Municipal funding is a good source of significant amounts of funding, especially for communities in the early stages of tourism development and/or without a significant accommodation base. Many communities that have municipal funding also have other forms of funding such as member fees, business levies, earned revenues, and at a later date, the hotel tax.

### 4.3 Business Levies

#### Description

In some communities, a business levy such as levies on business licenses or mandatory membership assessments have been implemented. Levies on business licenses are a municipal responsibility and they are not as common as other forms of funding. Banff/Lake Louise Tourism is funded primarily by levies on business licenses.

Mandatory membership assessments are used by designated “mountain resort areas” as a way of promoting and facilitating the development, maintenance, and operation of mountain resorts in BC. Under the BC “Mountain Resort Associations Act”, a designated mountain resort area can implement a special levy on business properties within the designated boundaries of the area. These levies are collected through the local government taxation system. The basis for setting rates can be based on bed units, square footage of business premises, parcel, frontage, or property value. Different classes of businesses can have different levies. Readers wanting further information on the Mountain Resort Associations Act should go to the Ministry of Community Services website ([www.mcaaws.gov.bc.ca](http://www.mcaaws.gov.bc.ca)).

While the levies on businesses are mandatory for those businesses within a particular municipality, businesses outside of the municipality can join as voluntary members.

#### Background

Banff/ Lake Louise is funded primarily by levies on business licenses.

Sun Peaks was funded primarily by mandatory membership assessments and has moved toward multiple forms of funding that includes the hotel tax and earned revenue (e.g. central reservation service). Fernie is moving toward a funding model that includes mandatory tourism services levy on business licenses and the hotel tax.

Aspen is funded by a hotel tax and a temporary “pillow fee” that is paid by accommodation properties (that are members of the centralized sales force) to aid in the set up of the centralized sales force. Once the centralized sales force is set up, revenue from sales commissions will replace the “pillow fee”.

#### Advantages

- Business levies provide sustainable, long-term funding that is not subject to political will, compared to municipal funding.

Once the business levies have been implemented, they would be expected to continue unless actions are put in place to revoke them. As a result, long-term planning is enhanced with a stable source of funding.

- Business levies can provide more funding than the hotel tax, municipal funding, voluntary memberships, or earned revenue, depending on the particular characteristics of the community.

In particular, communities with economies that are reliant on tourism can generate significant funding through business levies. The amount of funding provided by the various sources will differ substantially from one community to the next.

- Business levies can be collected from those businesses that benefit the most from tourism.
- Business levies are a stable funding source that would not decline to the same degree during a downturn in tourism, compared to the hotel tax.
- Levies on business licenses can be used by all communities. (are we sure?)

#### Disadvantages

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- The amount of funding provided by business levies would grow only as the number of businesses grows, rather than growing as each business increases its tourism revenue.
- Communities without a large base of tourism businesses would not generate significant funds through a business license levy.
- Mandatory membership assessments are applicable to only to designated mountain resorts and require agreement by members of the mountain resort. This agreement is easier to obtain during the early stages of mountain resort development.
- Mandatory membership assessments require a high level of accountability to owners and a strong governance model.

## Advice for Other Communities

- Have a plan in place before moving toward obtaining support for the business levy, including a governance model to ensure stakeholders are comfortable with the nature of the proposed investment and the results that would be generated.
- Be accountable to those providing funding and deliver results for their investment.

## Conclusions

Business levies are a good source of funding and can generate significant funds for communities that have a large base of tourism businesses. Levies on business licenses are applicable to all communities but mandatory membership assessments are applicable only to designated mountain resorts. (fact check)

#### 4.4 Memberships

##### Description

For the purposes of this report, memberships are defined as voluntary memberships. Mandatory memberships are discussed under 4.3 Business Levies. Memberships to the tourism organization can be purchased on a voluntary basis for member benefits such as preferred pricing, initiatives available to members only, or for a say in how the tourism organization allocates its resources.

##### Background

Four of the fourteen communities interviewed for this report had voluntary memberships as a funding source: Parksville/ Qualicum, Chilliwack, Kelowna, and Aspen. For Parksville/ Qualicum, businesses purchase memberships to the tourism organization. For Chilliwack, Kelowna, and Aspen, businesses purchase memberships to the chamber of commerce or economic development organization that in turn provides a portion of these membership fees to the tourism organization. For some communities, the membership fees from the chamber flow directly to the tourism organization while for others, the membership fees pay for tourism staff.

##### Advantages

- Memberships are an additional form of funding but they generally make up a small percentage of total funding.
- Membership fees to the chamber of commerce that are then provided to the tourism organization reinforce the importance of tourism to the community. The tie-in to the chamber of commerce further strengthens the tourism organization.
- Those businesses that become members have indicated their support for the tourism organization through their membership fees.

##### Disadvantages

- Membership fees tend to generate only a small percentage of funding needed to run the tourism organization.
- There may be pressure on the tourism organization to pursue initiatives that specifically benefit members, making it difficult to juggle members' priorities with those of the tourism community at large. At the same time, the tourism organization must provide benefits for members to warrant the membership fee.
- Resources will need to be put toward programs to keep members informed and supportive of the tourism organization's activities.

##### Advice for Other Communities

- Be accountable to those providing funding and deliver results for their investment.
- Be creative in finding other forms of funding.

##### Conclusions

Memberships are a way of helping to gauge the interest of local businesses in tourism and reinforce the importance of tourism to the community but they do not generally provide significant funding.

#### 4.5 Earned Revenue

##### Description

Earned revenue encompasses activities that generate revenue that the tourism organization can use to fund its activities, such as commission from central reservations, commission on sales of BC Parks parking passes, special events, fund raising events, racking fees, retail sales, and income from cooperative marketing initiatives.

Revenue from cooperative marketing initiatives (such as the fees that businesses pay to be included in cooperative marketing activities) would be not included as earned revenue, but any income from these activities would be included.

##### Background

Most of the communities interviewed do have cooperative marketing programs with the tourism businesses in their area and some generate income from this activity while others do not. Due to the differences in how revenue and income from cooperative marketing activities were categorized by each community, conclusions could not be made about cooperative marketing activities as a funding source.

Other than cooperative marketing, the types of earned revenue by community are listed below. Earned revenue generally makes up a small percentage of overall funding.

<b>Community</b>	<b>Type of Earned Revenue</b>
100 Mile House/ Clinton	Racking fees
Aspen	Central reservation service
Chilliwack	Retail sales
Sun Peaks	Central reservation service
Kelowna	Retail sales
Maple Ridge/ Pitt Meadows	Commission from BC Parks parking passes, special events
North/ Central Saanich	Fund raising events

##### Advantages

- While earned revenue typically contributes a small percentage of overall funding for a community, it is often symbolic (especially for cooperative marketing, racking fees, special events, and central reservation services), much like membership fees, as it represents support from the tourism community.

Some communities may choose to implement membership fees, others may choose to go the earned revenue route as different ways to engage tourism businesses, while still others may opt for both membership fees and earned revenue.

- Revenue from a central reservation service may be greater than other forms of earned revenue but such a service requires significant setup and a critical mass of advertising and promotion to promote the telephone number and/or website. It is most applicable when there is a large base of accommodation from which to draw.

##### Disadvantages

- Trying to earn revenue can take the focus away from the core activities of the tourism organization so communities need to understand the time requirements when deciding if earned revenue should be pursued and the type of earned revenue to pursue.
- Earned revenue generally contributes only a small percentage of funding for a tourism community.

##### Advice for Other Communities

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- Stay in touch with the business community through bulletins, faxes, mailouts, and regular (e.g. quarterly) meetings to ensure businesses know what the tourism organization is doing with the fees it is collecting from businesses as well as other forms of funding.
- Be accountable to those providing funding and deliver results for their investment.
- Be creative in finding other forms of funding.

Conclusions

Earned revenue may not contribute significant amounts of funding for a community, but it may be a good way of obtaining the support of businesses, especially if the tourism organization does not have membership fees.

#### 4.6 Funding Available through Tourism British Columbia

##### Description

Tourism British Columbia can provide funds and resources to assist communities in destination development and market development activities. These are new programs that are available to communities.

Tourism BC can also provide modest funds (fee for service) to assist in the operation of an official Visitor Centre. The amount of funding available from Tourism BC for official Visitor Centres helps defray some of the costs of running the official Visitor Centre, with most of the cost needing to be borne by the community.

The Community Tourism Foundations development program helps communities develop a comprehensive tourism development plan through the provision of professional facilitators rather than through direct funding. The Community Tourism Foundations marketing program and other marketing programs helps communities to lever their funds through cost-shared programs.

All the Tourism BC programs are designed to give communities a helping hand once communities have the support and the commitment from their stakeholders that they wish to get into the business of tourism in a concerted way. That is why it is important that community stakeholders provide the initial resources or funding before they can access Tourism BC's program.

##### Background

The various programs are designed to assist communities along every stage of tourism development. The following diagram illustrates how a community progresses in tourism development over time and the programs that would be applicable at each stage. These programs have been designed to complement each other and avoid redundancy, such that each program accomplishes something different and the programs in their entirety help to increase tourism revenues for British Columbia.

Programs provided by other sources such as Union of BC Municipalities (UBCM) and 2010 Legacies Now are identified in this diagram for the sake of completeness but they would need to be accessed through UBCM or 2010 Legacies Now.

**Community Tourism Development and Marketing Programs**



<p>Community is interested in getting into the business of tourism in a concerted way but does not have a tourism development plan.</p>	<p>Community has been involved in tourism but does not yet have a comprehensive tourism development plan.</p>	<p><b>or</b> Community has a workable tourism development plan and has started to implement destination development and market development initiatives. Attracts primarily day and/or overnight visitors from within BC.</p>	<p>Community has been in tourism for a number of years and has started to address infrastructure issues. Attracts primarily BC residents and those from nearby provinces and states. Example is Kelowna.</p>	<p>Community has become a tourism destination with a critical mass of tourist attractions. Most crucial longer-term product and infrastructure issues already addressed, leaving some still to be addressed. Attracts a significant percentage of international and overseas visitors. Example is Whistler.</p> <p>Communities can move beyond this stage but it is arguable whether than community in BC is past this stage.</p>
<p>Applicable Tourism Cooperative BC Programs</p>				
<ul style="list-style-type: none"> <li>Community Tourism Foundations Development Program</li> </ul>	<ul style="list-style-type: none"> <li>Community Tourism Foundations Development Program</li> </ul>	<ul style="list-style-type: none"> <li>Community Tourism Foundations Cooperative Marketing Program*</li> <li>Tourism Partners Program*</li> </ul>	<ul style="list-style-type: none"> <li>Partners Plus Cooperative Marketing Program*</li> <li>Tourism Partners Program*</li> <li>Meetings BC Cooperative Marketing Program</li> </ul>	<ul style="list-style-type: none"> <li>Various programs</li> </ul>
<p>Available Tourism BC Workshops</p>				
<p>Tourism Business Essentials workshops (including Travel Media Relations, Tourism Packaging &amp; Product Distribution and Sport Tourism) and SuperHost workshops (including SuperHost Fundamentals, Service Across Cultures, Japanese Service Expectations, Customers with Disabilities, and Frontline Management Solutions)</p>				
<p>Other Applicable Programs</p>				
<p>UBCM Community Tourism Program, for funding on variety of tourism initiatives</p>				
<p>Spirit of 2010 Community Committees, through 2010 Legacies Now on aspects directly related to sports and recreation, arts and culture, literacy, volunteerism, and the 2010 Winter Games</p>				

\* Communities to access this Tourism British Columbia program through the regional destination marketing organizations.

For “new” communities or “early growing” communities (that may be involved in tourism but do not yet have a comprehensive tourism development plan), the Community Tourism Foundations Development program helps communities to develop a comprehensive, long-term tourism development plan.

For communities in the “new” stage or “early growing” stage, the CTF Development Program, the UBCM Community Tourism Program, the CTF Cooperative Marketing Program, and the Tourism Partners programs were designed to work in concert. For example:

- For communities that do not yet have a comprehensive tourism development plan (“new” or “early growing”
  - The CTF Development Program could assist a community in the development of a long-term tourism development plan.

- The UBCM Community Tourism Program funding could assist in the development of a website, brochures, maps, signage, visitor information centre improvements, festivals and events, and capital projects, as these are all activities that are not covered under the other programs. The funding provided through the UBCM Community Tourism Program can be used as seed money to cost-share initiatives under the CTF Cooperative Marketing Program and/or to participate in the Tourism Partners Program. Refer to Union of BC Municipalities at [www.civicnet.bc.ca](http://www.civicnet.bc.ca) for information.
- For communities that have completed a comprehensive tourism development plan (“early growing”)
  - The CTF Cooperative Marketing Program could then be used to cost-share consumer promotion activities such as broadcast or print advertising, direct marketing, promotions, and research and tracking. The community may choose to participate in the CTF Cooperative Marketing Program or the Tourism Partners Program or both.
  - The community can choose to buy into marketing initiatives under the Tourism Partners Program.

Short descriptions of the programs that are applicable to communities in the “new”, “early growing”, and “mid growing” stages are listed below. More detail on each of the programs is available from Tourism British Columbia.

- Community Tourism Foundations (CTF) Cooperative Marketing Program. For those communities that are in the “early growing” stage and have a comprehensive, long-term tourism development plan (prepared independently or through the Community Tourism Foundations Development Program), the Community Tourism Foundations Cooperative Marketing Program provides cost-shared funding (50%) for marketing initiatives to close-in markets. The CTF Cooperative Marketing Program includes consumer promotion activities such as broadcast or print advertising, direct marketing, promotions, research and tracking.

This program was designed to specifically help communities stretch their promotional budgets and provide flexibility in that these promotional initiatives can be unique to a particular community.

- Tourism Partners Program. The Tourism Partners Program is a cooperative marketing program that the regional destination marketing organizations (RDMOs) manage on behalf of Tourism British Columbia. With this program, the RDMOs typically design cooperative marketing initiatives into which private sector tourism operators and community purchase participation at leveraged rates. These marketing initiatives would take place within BC or in nearby provinces and states. These initiatives could include consumer promotion activities such as print and broadcast advertising, direct marketing, promotions, regional vacation planners and publications, consumer shows, research and tracking, and proactive media relations.
- Partners Plus Cooperative Marketing Program. The Partners Plus Cooperative Marketing Program that the RDMOs administer on behalf of Tourism BC provides cost-shared funding (50%) for marketing initiatives to long-haul Canada and U.S. markets. Partners Plus includes consumer promotion activities such as consumer promotion activities such as broadcast or print advertising, direct marketing, promotions, related research and tracking, and media relations. This program is applicable to larger communities.
- Meetings BC Cooperative Marketing Program. The Meetings BC Cooperative Marketing Program was specifically designed to assist communities with public convention facilities to build revenues from the meetings, incentive, conventions, and exhibitions market. This program is applicable to larger communities with public convention facilities,
- UBCM Community Tourism Program. Funding is available from the Union of BC Municipalities to all BC municipalities for a variety of tourism activities. Funding is on an entitlement basis, with smaller

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municipalities receiving more on a per capita basis. Eligible activities could include development or upgrading of a tourism plan, implementation of tourism activities identified in the plan, marketing promotional tools such as signage, brochure, and website, visitor information centre improvements, festivals and events, and capital projects directly related to tourism. Phase I of this funding is currently available (\$12 million in total) and information on further phases has not been released. However, UBCM funding was not meant to be a source of ongoing funding for operations of a community tourism organization. Refer to Union of BC Municipalities at [www.civicnet.bc.ca](http://www.civicnet.bc.ca) for information.

## Advantages

- The Tourism BC programs are available to all communities interested in tourism during different stages of development. The Community Tourism Foundations development program provides assistance in the development of a comprehensive tourism development plan while the marketing programs provide cost-shared funding.
- Because the Tourism BC marketing programs provide cost-shared funding, they encourage tourism businesses to participate in the community tourism organization's programs through leveraging. The Tourism BC marketing programs are meant to be ongoing programs, they allow the community to plan on a sustainable, long-term basis, provided Tourism BC receives its funding from the Province of BC.

## Disadvantages

- The Tourism BC marketing programs provide funding for specific purposes and require documentation so some administration is involved.
- The Tourism BC marketing programs are cost-shared programs so other forms of funding are required before communities can access these funds. This cost-sharing ensures the community's tourism organization has the support of the community and its tourism businesses.

## Conclusions

The Tourism BC programs provide assistance to communities in the form of cost-shared funding and by providing other resources. The Tourism BC marketing programs are ongoing programs that can lever other funding that communities can secure.

#### **4.7 Other Sources of Funding**

There may be other sources of funding but the ones reviewed in this document are the main sources of funding that are currently being used by communities in BC or have recently been made available to communities in BC. A source of funding that may be available in the future is a levy on tourism businesses through the Province of BC, similar to the “Vancouver Tourism Levy Enabling Act”, Bill14 – 2004 that gives Tourism Vancouver the ability to require different classes of tourism businesses to pay a levy, if the appropriate tourism businesses support that levy. This levy has not been implemented but once it has, this may present an option for communities.

One community indicated it received funding from Human Resources and Skills Development Canada (HRSDC) for summer staffing.

#### **4.8 Funding Combinations**

All except one of the communities interviewed received funding from multiple sources. For these communities, each had one or both of the hotel tax and municipal funding as the major source of funding. For designated mountain resort areas, business levies were a major source of funding.

Most communities had some form of funding from tourism businesses, including membership fees, earned revenue (e.g. racking fees or income from cooperative marketing programs), or commission from central reservation service.

Having multiple forms of funding likely helps to neutralize disadvantages of each type of funding to provide for more sustainable, long-term funding.

**5. BUDGET ALLOCATIONS**

How each community allocates its budget is examined in this report. Each of the communities is categorized into one of four annual budget categories: \$250K or less, \$250K to \$500K, \$501K to \$1 million, and over \$1 million. For each category, the trends in budget allocations are identified below.

Generally, the smaller the budget, the larger the percentage allocated to staffing while the larger the budget, the larger the percentage allocated to promotion.

<b>Community</b>	<b>Annual Budget</b>	<b>Budget Allocations</b>
100 Mile House/ Clinton, Maple Ridge/ Pitt Meadows, Penticton, Saanich, Wells	\$250K or less	<ul style="list-style-type: none"> <li>• 50% to 70% for staffing (of those that operate VICs, 17% to 32% of total funding is allocated to VIC staff)</li> <li>• 10% to 50% for promotion</li> <li>• 10% to 60% for operations</li> <li>• 2% to 5% for infrastructure and development</li> <li>• 2% to 11% for research</li> </ul>
Chilliwack, Parksville/ Qualicum, Prince George	\$251K to \$500K	<ul style="list-style-type: none"> <li>• 30% to 80% for staffing (of those that operate VICs, 20% to 50% of total funding is allocated to VIC staff)</li> <li>• 13% to 70% for promotion</li> <li>• 10% for operations</li> <li>• 2% for research</li> </ul>
Aspen, Fernie, Kamloops	\$501K to \$1 million	<ul style="list-style-type: none"> <li>• 15% to 28% for staffing</li> <li>• 47% to 58% for promotion, including research</li> <li>• 3% to 14% for operations</li> </ul>
Banff/ Lake Louise, Kelowna, Sun Peaks	Over \$1 million	<ul style="list-style-type: none"> <li>• 20% for staffing</li> <li>• 40% to 80% for promotion</li> <li>• Up to 20% for operations</li> <li>• 2% for research</li> </ul>