

TOURISM KELOWNA

City Council - August 8, 2016



OVERVIEW

- ▶ Introduction to MRDT (Accommodation Tax)
- ▶ Increasing the MRDT rate to 3%
- ▶ Service Agreements with Tourism Kelowna

MRDT - WHAT IS IT?

- ▶ Municipal & Regional District Tax
- ▶ Raises revenue for 'tourism marketing, programs and projects'
- ▶ As of 2015, maximum tax may be 3% of the price of accommodation in a designated accommodation area
- ▶ Kelowna's current rate is 2% until Dec. 31, 2018 (renewal)

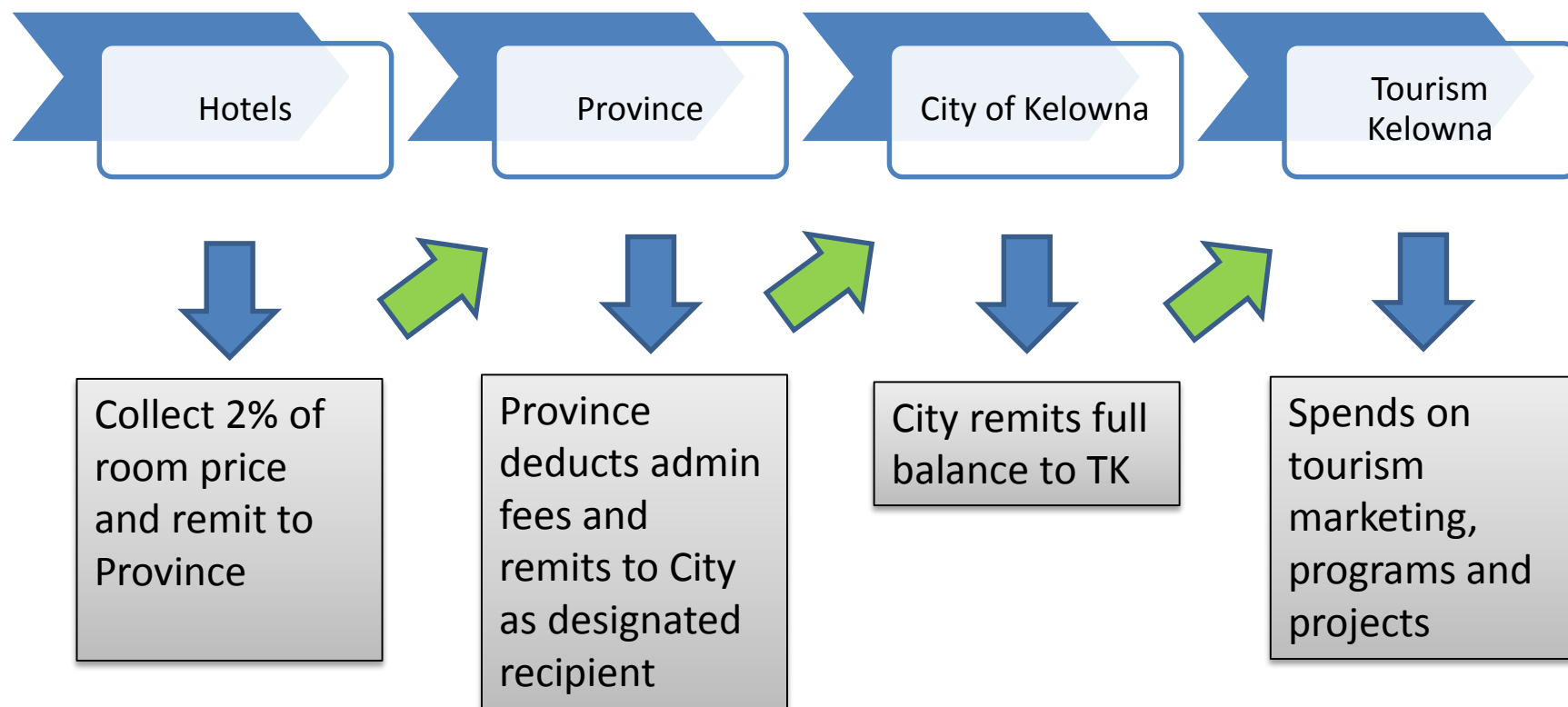
MRDT - LEGISLATIVE FRAMEWORK

- ▶ Section 123 Provincial Sales Tax Act
- ▶ Designated Accommodation Area Tax Regulation
- ▶ City of Kelowna Hotel Tax Bylaw 10853 (for 2014-2018) - replaces previous Bylaw 10015 (2009-2013).

MRDT - ADMINISTRATION

- ▶ City is designated recipient
- ▶ Renewal application every 5 years
- ▶ City delegates admin/spending to TK
- ▶ City accountable for reporting and compliance as designated recipient

MRDT PROCESSING



2% MRDT - REVENUES

From City audit:

2013: \$1,470,964

2014: \$1,603,775

2015: \$1,797,943

MRDT - EXPENDITURES

- ▶ Prescribed purposes are 'tourism marketing, programs and projects' and may include related admin costs
- ▶ Other purposes can be authorized by regulation with Provincial approval: i.e. capital projects (Richmond, Vancouver, Sun Peaks), sport hosting (Richmond, Nanaimo, Vernon)
- ▶ Tourism industry support required for additional purposes

MRDT - REPORTING REQUIREMENTS

City as Designated Recipient is accountable; reports are prepared by Tourism Kelowna.

- ▶ Annual Financial & Performance Reports
- ▶ One-Year Tactical Plan
- ▶ Five-Year Strategic Business Plan

MRDT reporting must meet City of Kelowna audit standards.

MRDT - RATE INCREASE TO 3%

- ▶ Enhanced reporting requirements
- ▶ Mandatory contribution to provincial Tourism Events Program (0.2% of additional 1% to support provincially significant tourism events)
- ▶ Net effective revenue return is 2.8%

MRDT REVENUE COMPARISON

2% rate

From City audit:

2013: \$1,470,964

2014: \$1,603,775

2015: \$1,797,943

3% rate

By full implementation in
2017/18 (projection):

\$2,998,452.00 (calculated
at net return of 2.8%)

HOW ADDITIONAL MRDT WILL BE SPENT

- ▶ Increased marketing in Ontario
- ▶ Reaching new CDN and US markets with high potential
- ▶ Additional investment in provincial and national marketing programs which reach overseas markets

IMPACT OF INCREASED MRDT



SERVICE AGREEMENTS

- ▶ Recommended by province
- ▶ Many BC communities have them
- ▶ Two separate agreements:
 - ▶ 1) standards for financial reporting of MRDT
 - ▶ 2) deliverables/reporting re: City's annual funding of \$344,430.

TIMELINE

Application
Aug 2016

Service
Agreements

3% rate
Apr 1, 2017

