

---

## **2006 BUDGET BRIEFING NOTE – Investment by Tourism Toronto in City Tourism Initiatives**

---

### **Issue / Background:**

The new agreement with Tourism Toronto will give the City of Toronto access to a minimum of \$3 million in project specific investment over three years, \$700,000 in 2006 and \$2.300 million for 2007-2008.

City of Toronto previously has provided an annual operating grant to Tourism Toronto to undertake tourism destination marketing activities on its behalf. Tourism Toronto was provided an annual contribution of \$4.231 million from 1999 to 2003. In 2004 Council reduced the payment to Tourism Toronto by \$1.2 million to \$3.031 million. In 2005 Council further reduced the payment by \$2.5 million, to the 2005 contribution of \$0.531 million. Services provided by Tourism Toronto have been guided by a Service Agreement with the City. Council directives for a new Agreement were approved in December, 2005. The proposed new Agreement clarifies the respective roles and responsibilities of Tourism Toronto and the City of the Toronto Tourism Program. The proposed new Agreement will end the City's annual contribution to Tourism Toronto (\$531,000 in 2005). The portion of the base budget previously allocated to Tourism Toronto will be used in 2006 to address Division budget pressures. (See Briefing Note "Reallocation of Annual City Investment in Tourism Toronto)).

### **Key Points:**

Tourism Toronto's capacity as a destination marketing organization was substantially changed in 2004 by the introduction of a new revenue source – a destination marketing fee (DMF) voluntarily introduced by the Greater Toronto Hotel Association (GTHA). Guests at the participating hotels pay a fee equal to 3% of room charges. These funds are turned over to Tourism Toronto to be used for marketing purposes that are specified by the GTHA. While the DMF has increased Tourism Toronto's marketing resources, many aspects of destination development needed for a sustainable and healthy tourism sector are not eligible for funding from it.

The new agreement with Tourism Toronto is expected to give the City of Toronto access to a minimum of \$3 million in project specific Tourism investments over three years, \$0.700 million in 2006 and \$2.300 million for 2007-2008. Tourism Toronto's final decision on projects they will invest in will be made in the first quarter of 2006. The Deputy City Manager responsible for Tourism has been requested to report to Budget Advisory Committee during the 2006 Operating Budget Review Process on the status of Tourism Toronto's investment in the City's Tourism initiatives.

The new agreement will fundamentally change the operating model between the two organizations from the past service provider model to a model that sees both organizations investing in mutually approved

and mutually beneficial projects. The agreement marks a fundamental change in that Tourism Toronto will move from being a recipient of City funds to being an investor in important City of Toronto tourism development projects. Tourism Toronto has similar agreements with the City of Mississauga and York Region.

Many of the projects that are contained within the Council-approved Tourism Action Plan 2003-2008 have not been realized due to City budget pressures. Council continues to re-affirm support for the Tourism Action Plan and now with the investment from Tourism Toronto, a number of initiatives can be undertaken. Partnership projects under consideration for 2006 include enhancements to the provision of visitor information services, support for marketing festivals and events including the creation of a festival and event alliance, support for one time major events, and initiatives to support new product development in areas such as youth travel, culinary tourism and advancing tourism to Toronto's many BIA's and neighbourhood experiences. Council has approved many individual strategies and project plans in the last three years and now, with an identified source of funding, the implementation can commence. The following projects have been presented to Tourism Toronto as candidates for investment.

### **Summer Festival Campaign**

\$0.350 million is requested for a Summer Festival Campaign to support the Tourism and Festival Industry through a promotion of summer festivals and events taking place in Toronto. Part of the Event Enhancement Strategy is to develop a festival and event network and launch an umbrella summer festival campaign in support of this network. This project is part of the Event Enhancement Strategy that was approved by Council July 19-26, 2005.

### **Visitor Information Services**

\$0.250 million is requested for year round, city-focused information delivery from Ontario Travel Information Centre at Yonge and Dundas. This is a follow up to the pilot project implemented between May and September 2005 for which the Tourism Program received a grant from the Ontario Ministry of Tourism. A report on the project will be presented to the Economic Development and Parks Committee in January 2006.

### **Cavalcade of Lights - Neighbourhood Expansion**

\$0.100 million is requested for increased marketing and promotion to address the increased Business Improvement Areas (BIA) participation in the Cavalcade of Lights Neighbourhood Lighting program and city-wide events program. Seven BIA's invested in the program in 2004, 14 participated in 2005 and more will be participating in the future. The Cavalcade of Lights enhancement and expansion strategy was approved by Council at its meeting October 26 -28, 2004.

### **Tourism - Major Event Support**

Council directions contained in the Tourism Action Plan (adopted by City Council on June 22, 2003) include increasing the awareness of the value of tourism to the community, implementing a strategy to pursue major events, and assisting in the development of a tourism event strategy. The strategy to attract major events was approved by Council in September 2003. Tourism Toronto will consider investing support in one time events of significance.

## **Question & Answers**

- **Q** How much revenue does Tourism Toronto collect from the DMF?  
**A** Approximately \$21 Million will be collected in 2005 from hotels in the Greater Toronto Hotel Association (GTHA).
- **Q** What is Tourism Toronto's relationship with the other municipalities within the GTA?  
**A** Tourism Toronto also has partnership agreements with Mississauga and York Region that includes participation in Tourism Toronto programs as GTHA membership extends outside the City of Toronto.
- **Q** What is the life of the proposed new Agreement with Tourism Toronto?  
**A** The Agreement will expire December 31, 2008, and sets forth the expectation that discussions on future agreements will commence one year prior to that date.
- **Q** What commitments is the City of Toronto making to Tourism Toronto as part of the Agreement?  
**A** The key aspect of the agreement is that the City agrees not to impose any charges that would conflict with revenues currently raised by Tourism Toronto via the voluntary Destination Marketing Fee for the term of the agreement
- **Q** Do the negotiations respecting the City of Toronto Act impact the proposed Agreement in any way?  
**A** No, since it is unlikely that any changes resulting from the City of Toronto Act negotiations could be able to be implemented until mid 2008 as there must be extensive consultation, development of regulations and the creation of an implement plan. Any changes arising from a revised City of Toronto Act would be taken into consideration in the post 2008 Agreement with Tourism Toronto
- **Q** Can the City of Toronto utilize this funding source for other City of Toronto projects that are not specifically tourism related?  
**A** No, projects considered for support has to be consistent with the Council Approved Tourism Action Plan and be mutually beneficial to both Tourism Toronto and the City of Toronto. The projects supported have to be approved by both Tourism Toronto and the City.

### **Prepared by:**

Duncan Ross, Executive Director, Tourism (416) 397-5395

Contact for further information:

Duncan Ross, Executive Director, Tourism (416) 397-5395

**Date: January 16, 2006**