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## **2006 BUDGET BRIEFING NOTE – Reallocation of Annual City Investment in Tourism Toronto**

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### **Issue / Background:**

City of Toronto previously has provided an annual operating grant to Tourism Toronto to undertake convention sales and 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. The Content for a new Agreement was approved by Council at its meeting of December 5 -7, 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 budget pressures and projects related to Tourism and identified as candidates for alternative funding (summarized below).

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, funded from the revenue collected from the 3% Destination Marketing Fee. This project is addressed in a separate briefing note.

### **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 in the participating hotels pay a fee equal to 3% of their 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 \$531,000 presently allocated to Tourism Toronto will remain with the Economic Development Culture and Tourism Operating Budgets to be used for strategically important initiatives needed to build the City of Toronto's strength as a tourism destination. The proposed three year 2006-2008 allocation of the funding is presented in the table below. All of the initiatives proposed for funding are included in the 2006 Operating Budget submission and identified as candidates for alternative funding.

## Initiatives to be funded from the \$0.531 million Reallocation

<b>Program</b>	<b>Project</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Tourism	Base Budget Target	41,000	41,000	41,000
	Premier Ranked Program	30,000	0	0
	Major One Time Event Support	100,000	100,000	100,000
	Tourism Product Incubator	0	150,000	150,000
EcDev	Enhanced International Profile	210,000	240,000	240,000
Culture	Live with Culture	150,000	0	0
<b>Total</b>		<b>531,000</b>	<b>531,000</b>	<b>531,000</b>

### Initiatives in the Tourism Program, funded from Tourism Toronto savings

#### Tourism - Base Budget Target

\$0.041 million is proposed to be allocated from the Tourism Toronto savings to fund Tourism base budget activities and bring the 2006 base budget increases to 2% over 200. The allocation of \$0.041 million to the Tourism Base Budget is proposed.

#### Tourism - Premier Ranked Destination Framework (Base Budget)

The Premier Ranked Destination Framework initiative was developed by the Province to inventory and assess an area's tourist attractions and identify opportunities for investment and development. The Province is encouraging all municipalities to implement the framework, thereby building a consistent picture of tourism assets and development opportunities across Ontario. The project was not started in 2005 as had been anticipated. The approved budget will not be spent in 2005, and the expenditures will be required in 2006.

A \$0.100 million gross and \$0.030 million net increase is proposed, conditional on securing funding from the Ministry of Tourism & Recreation and HRSDC.

#### Tourism - Major Event Support - World AIDS Conference/Dragonboat Worlds in 2006

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. It is intended that the \$0.100 million allocation for Major Event Support will be a continuing focus of tourism development.

In August 2006, Toronto will be hosting two major international events. The World AIDS Conference, a prestigious medical, scientific and social conference that has 20,000 delegates and generates approximately \$40.0 million in direct expenditures. The 2006 IDBF (Dragon Boat) Club Crew World Championships to be held on the new \$23 million Watercourse, on the Waterfront, will bring 3,000 participants from over 25 countries for a week. The \$0.100 million gross and net increase proposed for 2006 will fund the City's participation in these 2 events.

## **Tourism - Tourism Product Incubator and Niche Market Development**

In the 2006 Tourism Operating Budget Request \$0.300 million was requested to support the development of new tourism experiences and marketing to targeted "niche markets" (e.g. gay & lesbian, green tourism, youth). The City's role will be to identify opportunities and build business cases in partnership with the community, support development of alliances and their programs during a defined "incubation" phase, and co-fund niche marketing programs supplementing the general mass marketing undertaken by Tourism Toronto. This program incubates new experiences from within the community, both increasing the markets and success of local business and developing "only in Toronto" experiences. The premier Ranked Tourism Destination Framework project will provide the foundation for the program in 2006 and \$0.150 million is proposed to be allocated in 2007 and in 2008 to allow this initiative to move forward.

## **Initiatives in the Economic Development Program, funded from Tourism Toronto savings**

### **Economic Development - Enhanced International Profile**

The International Profile and Branding project is a program to enhance Toronto's image and reinforce a Toronto business identity in the local, national and international markets by providing current business information and promoting the competitive advantages of Toronto. In 2005 the proposed \$1.498 million program was reduced to \$0.160 million gross and net, to allow Economic Development to implement a limited program.

Staff had requested an additional \$0.300 million gross and net for this initiative in 2006. As part of the reallocation of savings from the Tourism Toronto contribution in 2006, \$0.210 million gross and net is being recommended to enhance the international business profile of Toronto including a local awareness program, a business ambassador program, and strategic marketing efforts for key sectors in the international marketplace.

If approved, \$0.210 million gross and net will be reallocated from the Tourism Toronto contribution to Economic Development activities related to Toronto's image and profile on the international stage.

### **Alternative Allocation – City to City Relationships**

Council adopted a new program of city-to-city Partner and Friendship cities at its December 2005 meeting. Council directed that a program of four partner cities and four friendship cities be implemented immediately, and recommended that an additional two partner and two friendship cities be added subject to budget approval. No funding has been allocated in the recommended budget for this purpose. If Council wishes, \$89.5 of the \$210.0 for enhanced international profile efforts could be allocated to achieve this Council directive.

## **Initiatives in the Culture Program, funded from Tourism Toronto savings**

### **Culture - Year of Creativity**

The Year of Creativity was identified in the Culture Plan as a two year initiative for 2005 and 2006 to celebrate and build upon the accomplishments resulting from the completion of \$1 billion of cultural capital infrastructure in Toronto including: the Four Seasons Centre for the Performing Arts, the additions to the Royal Ontario Museum, the Ontario College of Art and Design, and the Art Gallery of

Ontario. The Year of Creativity program will require \$1.5 million net from the City in 2006. The funding in 2005 was part of a broader EDCT initiative of tourism destination activities for 2005 and future years with the funding of \$0.885 million gross and \$0.635 million net, in 2005, offset by the 2005 reduction in the funding to Tourism Toronto. \$0.150 million net funding from the 2006 \$0.531 million re-allocation of Tourism Toronto funding is proposed to be used to partially offset the City's net cost, bringing the total from \$1.500 million to \$1.350 million net.

### **Question & Answers**

- **Q** How much revenue does Tourism Toronto collect from the Destination Marketing Fee?  
**A** Approximately \$21 Million will be collected in 2005 from hotels in the Greater Toronto Hotel Association (GTHA).
  
- **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 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

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