

Attachment 2

Key Terms of Collection Agreement between the City of Toronto and Greater Toronto Hotel Association

General:

- The Municipal Accommodation Tax ("MAT") comprises two components: a sales tax on hotel accommodation ("MAT-Hotel"), and a sales tax on short-term rentals ("MAT-STR"). This document refers to the Hotel Tax component of the MAT, i.e. MAT-Hotel.
- The City of Toronto is seeking to retain the Greater Toronto Hotel Association (GTHA) to act as its collection agent for the MAT-Hotel. The City requested that the GTHA provide a summary of the terms, costs and other conditions that would see the GTHA act as the City of Toronto's agent, under a fee for service contract, to collect and remit the MAT-Hotel for all properties subject to the tax within the City of Toronto. The GTHA provided a preliminary response to the City on November 17, 2017.
- The general terms of the collection agreement between the GTHA and the City of Toronto and the responsibilities of both parties under the agreement are summarized below.

Proposed Approach:

The GTHA would collect the MAT-Hotel on behalf of the City of Toronto utilizing the GTHA's existing and expanded service network and methods under which it currently collects a Destination Marketing Program (DMP) fee from participating hotel properties. GTHA would also be responsible for remitting amounts collected to the City of Toronto, and for accounting and auditing of collections and remittances.

Privacy

The *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA) will govern the use and disclosure of personal information by the City and the GTHA respectively. GTHA will be responsible to prepare/issue a "Notice of Collection" specific to the collection of the MAT-Hotel to all properties subject to the tax.

Roles and Responsibilities of Toronto and GTHA in Setting up MAT-Hotel Collection System

City of Toronto	GTHA
<ul style="list-style-type: none"> • Articulate the detailed design of the MAT-Hotel • Obtain Council approval of the design of the MAT-Hotel • Enact detailed City by-law • Participate in Privacy Impact Assessment • Articulate detailed reporting requirements including frequency • Develop public Communication Strategy 	<ul style="list-style-type: none"> • Co-lead the development of business requirements based on City’s design • System changes to allow for the collection of the MAT-Hotel • Lead development of monthly revenue remittance process • Provide input to the development of Communications Plan • Prepare/issue approved notifications related to collection of MAT-Hotel to properties subject to the tax

Key Responsibilities:

1. MAT-Hotel will be collected by the GTHA through its existing and expanded service network and methods under which it currently collects a Destination Marketing Program (DMP) fee from participating hotel properties, expanded as necessary to include all properties subject to the tax.
2. Hotel operators will be required to collect the tax and remit to the GTHA, as the City's collection agent, in accordance with the requirements and forms established by the GTHA for remittances on a monthly basis within 15 days of the end of each calendar month for the month prior.
3. All taxes collected by the GTHA under the collection agreement are to be remitted by the GTHA to the City on a monthly basis within 30 days of the end of each calendar month for the prior month, or at such other intervals up to three calendar months as determined by the City's Chief Financial Officer (CFO).
4. Remittance is to be accompanied by a monthly report indicating for each hotel property the average number of rooms available for taxable occupancy, the average daily rate, the total room charges for the month, the total tax collected and remitted, and any other details relating to the amount of tax due as may be determined by the CFO.
5. Hotel operators must remit the MAT-Hotel to the GTHA by one of the following methods: electronic transfer, cash, certified cheque, credit card or debit card, or by any other method proposed by the GTHA and deemed acceptable by the City's CFO.
6. The City of Toronto remains responsible for remittances of amounts collected by the GTHA under the MAT-Hotel to Tourism Toronto.

7. The City of Toronto remains responsible for remittances of any applicable taxes (e.g., HST) or any other payments associated with amounts collected under the MAT-Hotel.

Communications and Notification Requirements

1. The GTHA will be responsible to distribute information, notifications and communication materials to entities subject to payment of the MAT-Hotel, by mail or in electronic format. All such materials and communications will be developed by the City of Toronto, and/or jointly with the GTHA, as it concerns the collection of the MAT-Hotel. All communications and materials distributed under the MAT-Hotel program must be approved in advance by the City of Toronto without exception.
2. The City may also undertake to issue its own mailed or electronically transmitted communications, correspondence or other notifications as deemed necessary under the program for its own purposes.

Effective Date:

The Effective Date of this agreement is the same as the effective date of the MAT-Hotel by-law which will be April 1, 2018.

Term:

The service agreement with the GTHA to act as the City's MAT-Hotel administration agent will specify an initial term of 2 years, with a right to renew annually, for a further two (2) one-year periods. Either party may terminate the service agreement without cause, by providing not less than 60 days' notice of its intention to terminate.

Financial Reconciliation:

1. The MAT-Hotel collected will be separated from the GTHA's revenues and expenditures and deposited into designated City of Toronto liability account(s) until a payment is created and the funds are remitted to the City of Toronto.
2. GTHA will perform daily financial reconciliation of amounts collected.
3. GTHA will investigate and rectify any financial anomalies. The term and conditions of dealing with the aforementioned financial anomalies are subject to final negotiations between the City and GTHA.
4. GTHA will perform a payment transfer to the City of Toronto (all payments for taxes, penalties, interest on late payments, etc.) on a monthly basis within 30 days of the end of each calendar month for the prior month, via electronic funds transfer, to the City's designated account(s).

5. GTHA shall invoice the City for services provided under the service agreement, subject to any terms, conditions, definitions or payment schedules contained therein, on a not less than quarterly basis, using forms designed for this purpose, with payments by the City to be made no longer than 30 days following receipt of the GTHA's invoice.

Refunds:

The administration, approval and issuance of any refunds collected under the MAT-Hotel (i.e., arising due to adjustments, overpayments, etc.) will be the responsibility of the City. Refunds of amounts where necessary will be paid by the City, and documented and adjusted as appropriate from amounts collected under this agreement.

Reporting Requirements:

The GTHA will provide the City of Toronto with reports on a monthly/yearly basis to support various City functions related to the MAT-Hotel including reconciliation, refund verification and auditing. Reports to be produced shall be prepared using the GTHA's accounting software or systems, and provided to the City with the required information and in a format compatible with the City's electronic systems. The following reports will be produced by the GTHA and made available electronically to the City.

- **Monthly Reconciliation Report:** (Frequency: Monthly)
Detailed reconciliation reports identifying the number of transactions and MAT-Hotel revenue collected by the GTHA and submitted to the City. The reports will contain information to substantiate amounts collected, including name and identifier of taxable entity, summary of room revenues, applicable exemptions or deductions, adjustments, MAT-Hotel payable, and total amount due, etc.
- **Monthly Refund Report:** (Frequency: Monthly)
GTHA will send the City a monthly report to support refunds processed. The report will include a listing of all refund transactions, reasons and any related documentation to support the refund.
- **Audit Reports:** (Frequency: Within 10 days of receipt by the GTHA)
All audit findings, reports and summaries shall be provided, unaltered and completely, to the City.

GTHA Liability:

The GTHA agrees to assume liability for its failure to report, collect and/or remit the correct amount of the MAT-Hotel, and the City shall impose such penalties for such failure as the CFO may determine.

Audit Requirements:

1. The GTHA is required to engage an auditor to undertake all audits concerning GTHA financial operations. The audit of financial operations shall be undertaken not less frequently than annually following year end. The costs of conducting audits shall be at GTHA's expense.
2. All audit findings, reports and summaries shall be provided, unaltered and completely, to the City within 10 days of receipt by the GTHA.
3. The independent audits of the individual hotel entities, subject to the MAT-Hotel, will be subject to the terms and conditions negotiated in the collection agreement between the City and GTHA.
4. In all instances, the City reserves the right to engage an independent auditor for its purposes, to audit, without limitation, the GTHA's operations as they concern the MAT-Hotel, or the collection of the MAT-Hotel by the GTHA, and/or for compliance with the City's by-law(s) by entities subject to the MAT-Hotel.

GTHA's Estimate of Costs to Provide Collections:

Upon the City's request, GTHA provided a summary of the terms, costs and other conditions that would see the GTHA act as the City of Toronto's agent, under a fee for service contract, to collect and remit the MAT-Hotel for all properties subject to the tax within the City of Toronto.

Fee for service rendered as per the GTHA's proposal will not exceed:

- (1) A one-time fee of \$25,900.00 plus 13% HST, for a total of \$29,267.00; and
- (2) Annual fees for \$265,050.00 plus 13% HST, for a total of \$299,506.50

The above fees shall include labour, profit, other overhead, materials, equipment, licences, analysis, travel, accommodations, communication, transportation and delivery costs (courier, long distance charges, and so on), staff time, City/GTHA meetings (as and where deemed required by the City), disbursements and any/all other operational costs and fees associated with the services. The City shall not be responsible for any additional costs. Labour or direct expenses incurred by the GTHA over and above this amount shall not be charged to the City.

Any additional fees or expenses must be pre-authorized in writing by the CFO before the GTHA undertakes any additional work.

The City will reimburse the GTHA for approved disbursements made as required in order to undertake its responsibilities, at the GTHA's cost, with no mark-up. The total amount to be paid for disbursements is included in the total amount above.