

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JUNE 18, 2019</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>MUNICIPAL ACCOMMODATION TAX – PROCESS FOR ALLOCATION OF FUNDS</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, all contributions to the Tourism Infrastructure Reserve Fund from the City’s share of Municipal Accommodation Tax revenues **BE APPROVED** as a source of funding for the City’s capital plan, with the exception of the commitments to external parties previously approved by Council.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Corporate Services Committee, May 28, 2019, Agenda Item # 2.1, Provincial Budget & Recent Proposed Legislative Changes with Financial Impacts  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=62852>

Strategic Priorities & Policy Committee, May 6, 2019, Agenda Item #4.1, 2020-2023 Multi-Year Budget  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=62405>

Strategic Priorities & Policy Committee, April 8, 2019, Agenda Item #2.2, London Community Grants Policy Update  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=60762>

Corporate Services Committee, February 19, 2019, Agenda Item #4.1, Grand Theatre – Municipal Accommodation Tax Funding Request  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=57697>

Corporate Services Committee, February 5, 2019, Agenda Item #3.1, London Convention Centre Investment  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=57136>

Strategic Priorities & Policy Committee, January 24, 2019, Agenda Item #4.1 g., Review of Operating Budget Amendments (2019 Annual Budget Update) – Business Case #7  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=56937>

Corporate Services Committee, December 11, 2018, Agenda Item #2.3, Request for Funding – 2019 Juno Awards  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=55743>

Strategic Priorities & Policy Committee, June 25, 2018, Agenda Item #2.2, Municipal Accommodation Tax – Required Agreements and By-laws  
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=46809>

<b>BACKGROUND</b>
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The Municipal Accommodation Tax (MAT) was implemented in London on October 1, 2018. Fifty percent of the net MAT revenues are allocated to Tourism London as the City’s “eligible tourism entity for the exclusive purpose of promoting tourism” in accordance with Ontario Regulation 435/17. The other fifty percent of the net MAT revenues remain with the City of London and are contributed to the Tourism Infrastructure Reserve Fund (TIRF). The use of the City’s portion is not restricted by Provincial regulation.

Since the MAT was implemented in October 2018, Council has approved four allocations of funding from the TIRF:

1. **2019 Juno Awards (\$150,000)** - On December 18, 2018, Council approved the allocation of \$150,000 from the TIRF to construct temporary outdoor infrastructure surrounding Budweiser Gardens for the 2019 Juno Awards, including a red carpet viewing area, fan zone, and media staging area.
2. **London Children’s Museum (\$500,000)** - During deliberations for the 2019 Annual Budget Update, a business case was presented requesting a one-time \$2 million investment as part of a broader \$13.9 million project to support the establishment of a new Children’s Museum at 100 Kellogg Lane. On February 12, 2019, Municipal Council approved funding for the full request, with \$500,000 being funded from the TIRF. It is anticipated that this draw will not be required until 2020 or 2021 as the move is scheduled for 2022.
3. **London Convention Centre (\$500,000)** - On February 5, 2019, the Corporate Services Committee received a request from the London Convention Centre for \$500,000 to support their second floor renovation project, with the source of funding being the TIRF. This request was approved by Municipal Council on February 12, 2019.
4. **Grand Theatre (\$2,000,000)** - On February 19, 2019, the Corporate Services Committee received a request from Grand Theatre for \$2 million from the TIRF. This request was part of an \$8 million renovation project impacting the Spriet Stage, the McManus Stage, the building envelope/infrastructure, the box office, the lobby, wardrobe and props and artist spaces. The City’s \$2 million contribution leveraged \$4 million from a Federal grant and \$2 million of private donations. On March 5, 2019, Municipal Council approved the request with the first source of financing being the TIRF and a secondary source of financing being the Economic Development Reserve Fund.

For the first six months ending March 31, 2019, net MAT revenues after collection fees totalled approximately \$1,616,000. The City’s share (\$808,000) was contributed to the TIRF, with the other half allocated to Tourism London.

Assuming average monthly total MAT revenues net of collection fees of \$250,000 (50% of which will be allocated to Tourism London), estimated annual contributions to the TIRF are \$1,500,000. After consideration for Council approved allocations to date, the balance can be estimated as:

**Table 1 – Estimated Continuity Schedule for the Tourism Infrastructure Reserve Fund**

<b>Tourism Infrastructure Reserve Fund (\$000's)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Opening Balance	0	411	461	261
Estimated Contributions	411	1,500	1,500	1,500
Approved Drawdowns:				
- 2019 Juno Awards		(150)		
- London Children's Museum			(500)	
- London Convention Centre		(500)		
- Grand Theatre		(800)	(1,200)	
Estimated Ending Balance	411	461	261	1,761

Municipal Council's resolution from March 5, 2019 approving the allocation for the Grand Theatre also included the following clause:

*e) further requests for funding from the Tourism Infrastructure Reserve Fund BE DEFERRED, pending the Civic Administration's report on a process for future allocations from the Tourism Infrastructure Reserve Fund.*

**Purpose of this Report**

The purpose of this report is to seek Municipal Council approval regarding the proposed future use of the City’s 50% share of revenues received from the Municipal Accommodation Tax.

## DISCUSSION

### Recommended Process

It was initially contemplated that a portion of the City's share of MAT revenues could be made available each year to groups external to the City, such as the Children's Museum and the Grand Theatre. If that were the case, a process would need to be established to allocate MAT funds between these external groups and municipal tourism infrastructure needs. Civic Administration has since reconsidered this approach.

On May 21, 2019, Municipal Council endorsed a target of 2.7% for the average annual tax levy increase for the 2020-2023 Multi-Year Budget. This target included an amount to maintain existing services plus an allowance to fund some additional investment in priorities identified in Council's Strategic Plan.

Additional anticipated pressures on the City's budget have also been identified from the recent provincial budget plus other legislative changes. On May 28, 2019, Civic Administration reported to the Corporate Services Committee that these pressures are estimated to grow to \$6.6 million per year by 2023. The report also identified many service areas that are still evaluating the impacts of provincial changes, awaiting further information and details.

At this time, in light of the anticipated future budget pressures, Civic Administration recommends that all contributions to the TIRF from the City's share of MAT revenues be used to fund the City's future capital plan (with the exception of the commitments already approved by Council). To date, allocations to external groups have been considerable, consuming a large part of the City's share of estimated MAT revenues until the end of 2020. Any remaining funding in the TIRF needs to be retained internally to meet demands for municipal tourism infrastructure.

As discussed in previous reports, MAT revenues will be allocated to municipal tourism related capital infrastructure projects such as:

- "upsized" or enhance a recreation facility (e.g. sports fields, pools, arenas) already included in the capital plan to make that facility viable for hosting a major event;
- enhance parks infrastructure to better support festivals and other gatherings;
- new tourism infrastructure (e.g. way-finding signage);
- lifecycle improvements to existing tourism infrastructure where these improvements are necessary to maintain tourism draw;
- to act as a catalyst to leverage private sector and government capital investment to support initiatives that encourage tourism related development; and,
- investments in Budweiser Gardens and other public-private partnerships.

These uses could include funding existing tourism related projects in the capital plan such as Museum London, London Convention Centre or recreation facilities capital projects, thus creating capacity in capital levy or debt in the current capital plan that could be applied to other strategic projects. The Parks & Recreation Master Plan identifies a number of capital projects that are unfunded, including upgrades to the Canada Games Aquatic Centre proposed to improve the facility's ability to host provincial, national and international events, as well as new attractions or enhancements to amenities at Storybook Gardens. Alternatively, MAT revenues may also be accumulated in the TIRF, similar to other reserve funds, in order to fund future tourism related capital projects, in accordance with Council's 2019-2023 Strategic Plan, either in whole or to fund debt servicing costs for these future initiatives.

Civic Administration will therefore include funding from the TIRF as a funding source in the 2020-2023 Multi-Year Budget capital plan, in accordance with the reserve fund by-law, which Municipal Council will approve through the established capital budget approval process.

### London Community Grants Program

External groups may still request funding for capital projects through the London Community Grants Program. Capital funding is available each year through the Capital and Innovation Stream of the Program. On April 9, 2019, Municipal Council approved a revised London Community Grants Policy. One of the revisions was to provide a process to review capital grant requests greater than the available budget for this stream of the Community Grants Program. This will allow projects to be reviewed by the community review panel using the process and criteria defined in the London Community Grants Policy. Projects recommended by the community review panel will be referred to the budget process for Council consideration, noting that a detailed business case would be submitted as part of the budget request. Civic Administration will recommend source of funding options for these requests as they arise.

<b>CONCLUSION</b>
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The Municipal Accommodation Tax (MAT) was implemented in London on October 1, 2018. Fifty percent of the net MAT revenues are allocated to Tourism London. The other fifty percent remains with the City of London and is contributed to the Tourism Infrastructure Reserve Fund. Estimated annual contributions are \$1.5 million.

Since the MAT was established, multiple requests for funding from MAT revenues have been submitted directly to Municipal Council. To date, \$3.15 million of the City’s MAT revenues has been allocated to tourism related projects with \$2.5 million of that amount to groups external to the City.

At this time, Civic Administration recommends that all contributions to the Tourism Infrastructure Reserve Fund from the City’s share of MAT revenues be used to fund the City’s future capital plan (with the exception of the commitments already approved by Council). Municipal Council endorsed a 2.7% target for the average annual tax levy increase for the 2020-2023 Multi-Year Budget. Additional anticipated pressures on the City’s budget have also been identified from the recent provincial budget plus other legislative changes.

External groups may still request funding for capital projects using the London Community Grants Program. Capital grant requests greater than the available budget for this program will be reviewed by the community review panel established for the program, which may refer projects to the City’s budget review process. Civic Administration will recommend source of funding options for these requests as they arise.

<b>PREPARED BY:</b>	<b>CONCURRED BY:</b>
<b>ALAN DUNBAR, CPA, CGA MANAGER, FINANCIAL PLANNING &amp; POLICY</b>	<b>KYLE MURRAY, CPA, CA DIRECTOR OF FINANCIAL PLANNING AND BUSINESS SUPPORT</b>
<b>RECOMMENDED BY:</b>	
<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>	

Cc:

Bryan Baar - Senior Financial Business Administrator  
Jason Davies - Manager, Financial Planning & Policy  
Martin Galczynski - Manager, Financial Planning & Policy  
John Millson - Senior Financial Business Administrator