

Backgrounder

Phase 2 Community Tourism Funds

Report to UBCM Members on the Rationale for the Phase 2 approach by the UBCM Tourism Task Force

This Backgrounder outlines the considerations that have led to the recommendation to repeat the CTF Phase 1 funding allocations.

1. TASK FORCE RECOMMENDATIONS:

The Tourism Task Force was established in 2007 to review Phase 1 results and to make recommendations on Phase 2. Phase 1 was \$12.5 million (50% of the total available provincial funding) and was allocated on the basis of an entitlement-based formula. The Committee reviewed the experience with Phase 1, including member experiences and expectations.

The Committee was motivated to replicate Phase 1 because of:

- strong member support to repeat Phase 1 (see Section 2 below)
- the success of Phase 1 in terms of member uptake and range of tourism initiatives (see Section 3 below)
- the solid foundation of goals and principals and a rigorous program development process that Phase 1 was based on.

The challenge of the Task Force then became to replicate Phase 1 on the basis of the:

- 2005 funding allocations
- using the 2005 formulas with new information

The Task Force spent considerable time and effort in attempts to update the allocations using more recent data, but we were not confident that the results could hold up to scrutiny. For instance:

- we were advised not to rely on 2006 census data at this time;
- recent developments in hotel tax eligibility were not easily adapted to the 2005 model;
- changes to hotel tax revenues used in the "tourism activity" component produced some questionable results

Our conclusion and recommendation was to allocate the funding based on the 2005 allocations.

The individual allocations are available on the CivicNet website under LGPS - CTF Phase 2 Allocations.

2. SURVEY OF MEMBERS ON PHASE 1 AND 2:

The Task Force surveyed the members in December 2006. Three surveys were developed and distributed based on whether members that had accessed:

- all their entitlement.

- some of their entitlement; or
- none of their entitlement (at that time).

When members were surveyed to determine their satisfaction with Phase 1 of the Program, feedback was very positive. For instance, among those that had accessed all their entitlement 100% responded that:

- the program and application guide was clear and easy to follow.
- they were happy with the application process.
- their application was dealt with by UBCM in a timely fashion.
- the information response times were appropriate.

When asked what they would want to see with respect to Phase 2 design, we received the following feedback.

- 82% of those surveyed indicated that Phase 2 of the program should be identical to Phase 1 design.
- Across the four funding factors, 62% indicated that the same factors should be considered for Phase 2.
- When asked whether they would be interested in an “application based” program as opposed to “entitlement based”, 96 % stated that they wished the “entitlement based” program to continue. 25% did indicate they would support a mix of the two concepts.
- When asked if all of the remaining funding should be allocated in Phase 2, or if a portion of the funds should be held back for future projects 81% indicated that all funds should be expended in Phase 2.

3. PROJECT RESULTS:

Applications were received from almost every local government in British Columbia and substantially all of the \$12.5 million has been approved. Phase 1 met its objectives of providing all UBCM members with a share of the funding on a non-competitive basis. It allowed local governments to access funding when they were ready, which was particularly useful to municipalities that wanted to develop strategies and then to access funding to implement those strategies. It also was particularly useful for regional districts that brought forward proposals from their various Electoral Areas.

Phase 1 also produced a very good range of projects: tourism planning, improvements to Visitor Information Centres, festivals and events, marketing and communications tools, and small capital projects were represented across the province. All projects are based on local initiatives.

A summary report highlighting successes of the program as at January 2007 is available on “Civicnet”.

4. PHASE 1 AS A SOLID FOUNDATIONS FOR PHASE 2

Phase 2 is consistent with the Premier's directions for the program as they were developed during Phase 1. That Phase had an extensive and rigorous development.

At the September 2004 UBCM Convention in Kelowna, the Premier announced \$25 million in a one-time grant to local government, in support of tourism development. The premier emphasized that local government would have full discretion in the use of the funds, stating:

I want you to understand that this is going to be your money. You can use it how you see fit, whether it's for marketing or building products or connecting with other people.

Following the Premier's announcement, UBCM undertook background research to inform the development of the program's guidelines. Included in this research was an informal email to CAOs within local governments to determine i) possible funding projects to be pursued ii) expectations of costs, and iii) possible mechanisms for tracking and reporting the results of the project(s).

Consultations were also undertaken with representatives from Tourism BC, Capilano College's *BC Centre for Tourism Leadership and Innovation* program, Ministry of Small Business, and other groups.

In January 2005 the UBCM Executive endorsed the goals and guiding principles of the program. The **primary goal** of the program was to "assist local governments in increasing tourism activity that, in turn, will build stronger economies." **Secondary goals** of the program were to help the province achieve its target of doubling tourism over ten years, enhancing UBCM's program management capacity, and increasing industry's awareness of local government's role in promoting tourism.

The program's nine guiding principles are:

1. Fair and equitable access to program activities by local governments.
2. Recognize and accommodate the relative capacity of smaller communities.
3. Avoid duplication of existing tourism initiatives (particularly in marketing); should encourage innovative partnerships; and where appropriate, complement initiatives of other agencies.
4. Recognize the diversity of readiness and tourism development needs of different communities.
5. An open and transparent participation process.
6. Fill the gaps in sectors not being marketed or areas that have yet to identify their potential.
7. Communities should have wide latitude to determine which activities would be of greatest assistance to increasing tourism activities; the program should not be overly prescriptive in terms of eligible activities.
8. Recognize the variety of roles played by local government.
9. Funding is not to be used to replace existing local programs or activities and should result in new, increased activities.

In March 2005 the Premier responded in writing to UBCM's proposed goals and guiding principles for the funding, adding that the proposal "is certainly in keeping with the spirit of what I said at the Convention." In April 2005 UBCM received the funds and the UBCM Executive appointed a Tourism Task Force. The Task Force was charged with the responsibility of developing parameters for the design of the tourism program, and making recommendations to the UBCM Executive on the guiding principles and research.

OVERVIEW OF THE PHASE 1 DESIGN

The key aspect of the funding allocation is the release of the funds in two phases, with the first 50% of the \$25 million to be made available to **all** UBCM members, on the basis of a formula that provides supplementary funding support to communities with smaller revenue bases and lower tourism traffic or activity.

Phase 1 saw the immediate release of approximately \$12.5 million in funding.

As part of Phase 1, funding entitlements were made available, with a base of \$5,000 for all members. In response to Guiding Principle #4 (Recognize the diversity of readiness and tourism development needs of different communities) the funds were made immediately available for communities that needed or wished to move ahead with projects that have already been identified.

The Task Force made these recommendations:

Policies & Procedures and Timeline Recommendations

- Program duration will be 18 months, after which local governments will not be able to access program funds
- Only local governments can apply for the funds, but they can appoint other agencies to undertake projects
- Funding is for new projects, and can not replace existing projects
- There will be a simple application process that meets the tests of due diligence, which reflects the nine program guiding principles, where applicable
- There will be a reporting requirement attached to the funding, which will ensure that sufficient project-specific and program-wide information can be assembled to report the program's achievements to the Premier
- 25% of individual project funds will be held back to ensure reporting

Funding Recommendations

- First phase of initial funding approved, with approximately half of the funds scheduled for allocation (\$12.5 million)
- Phase 1 funds will be delivered entirely by entitlement
- All types of tourism-related projects will be eligible, including:
 - Capital projects
 - Marketing
 - Planning
 - Special events development (e.g., tournaments, festivals)
- There will be no cost sharing (i.e., local governments will not be required to match any of the funds for projects)
- Regional Districts will receive will receive funds for the electoral areas
- There will be a \$5,000 base entitlement, not tied to any particular activity
- Funding allocations will also be derived from the reverse UBCM dues schedule, with the following allocations:
 - \$2.70 per capita for the first 5,000 in population
 - \$2.16 per capita for the next 10,000
 - \$1.62 per capita for the next 15,000
 - \$.54 per capita for the remaining population
- Per-capita based supplements will also be added for communities with no hotel tax revenue and tourism activity (a five step range using the provincial share of hotel room stays were used as the basis for determining visitor activity)
The minimum entitlement would be \$15,000.

The overall funding to all local governments would reflect the following target percentages:

- Population: 50%
- Level of tourism activity: 35%
- Hotel tax: 15%