



RMI FUNDING

BUILDING ON SUCCESS

PREPARED FOR THE RESORT MUNICIPALITY INITIATIVE RESORT COLLABORATIVE

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EXECUTIVE SUMMARY

British Columbia's Resort Municipality Initiative (RMI) communities welcomed more than 5.34 million visitors in 2015 representing 28% of the Province's total tourism visitation. RMI communities are a gateway to visitation in British Columbia. Visitors, having enjoyed remarkable experiences in one or more of BC's RMI communities, will often travel farther afield exploring other areas of the Province. **Close to 35% of all foreign visitors to British Columbia visit an RMI community.**

Despite having only 1% of the total Provincial population (approximately 50,000 residents), BC's 14 RMI Communities represent 29% (\$265 million) of Provincial tourism taxes and 30% (\$1.97 billion) of the Province's tourism export revenues. In 2015, the 14 RMI communities generated \$680,900,000 in taxes or more than \$1.8 million per day to federal, provincial and municipal governments. **The current annual allocation of \$10.5 million in RMI funding is returned to the Province in taxes generated in the RMI communities by January 14th every year.** In addition to these taxes generated through visitor spending, the 14 RMI communities also contributed \$21,052,262 in property transfer tax in fiscal year 2016. This tax alone is more than \$10,552,262 greater than the entire RMI funding allocation.

Not only is the performance of RMI communities significant relative to Provincial tourism totals, it is also well beyond Provincial tourism averages. Tourism spending in RMI communities outperforms the Provincial average and this level of economic activity 'ripples' throughout rural BC. During the five-year period from 2011-2015, tourism spending in the RMI communities grew by just over 38% as compared to the Provincial growth excluding the RMI Communities of 20%. Further evidence of this exceptional performance is the growth of Municipal Regional District Tax (MRDT) accommodation revenues – in RMI communities, revenues grew by 42% over this same five-year period – in the rest of BC, the level of growth was 29%. When the Lower Mainland and Victoria are excluded from provincial MRDT revenues, the RMI communities represent 53% of those non-metro MRDT revenues.

Further, there is evidence that RMI dollars leverage other funding sources and attract incremental private sector investments. For example, third party event organizers like IRONMAN in Whistler invest considerably more than the modest investment the event receives through RMI funding. The private investment associated with IRONMAN is over ten times the RMI investment and the event generates \$17.3 million in economic impact annually. This is just one such example and there are many more throughout the RMI communities.



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In order to produce these substantial returns to both the Province and to the rural areas in which RMI communities are located, it is essential for RMI communities to continue to deliver remarkable visitor experiences and to motivate these 5.34 million visitors to return again and become ‘promoters’ of British Columbia. The Province’s tourism marketing agency, Destination BC, has recognized that the distinction between marketing the destination experience and delivering on it, is becoming increasingly blurred. The rise of social media and third party platforms such as TripAdvisor and Facebook is shifting a significant share of the power of destination marketing into the hands of travellers themselves making the quality of the visitor experience absolutely critical to continued success. RMI communities’ and their tourism products and programs are the foundational platform upon which the guest experience is delivered. The RMI communities are at the forefront of tourism in BC and present BC to the world.

Similar to Destination BC, BC’s international tourism competitors recognize the importance of supporting remarkable visitor experiences and are making investments in tourism products and programs that support their destination competitiveness. Major resorts throughout the United States and Europe employ performance-based funding models that correlate resort funding to visitor spending and visitor use thereby generating a more predictable, robust and equitable approach to funding their destination.

The 14 RMI Communities host 105 visitors for every one local resident. RMI community local governments, who provide essential and experiential services to these 5.34 million visitors, must fulfill the needs of visitors from revenues derived primarily from only 50,000 residents.

This disproportionate level of visitation creates unique challenges. RMI community local governments are required to provide infrastructure, amenities, services and experiences for an exponentially larger visitor base than their resident population. In British Columbia local government revenue streams are primarily derived from property taxes and are simply inadequate to support the infrastructure and experiential demands of such a large visitor base. Leading international resorts fund tourism services through tourist generated revenues and do not rely on property taxes to the same extent.

In British Columbia, RMI funding is one of the only tourism-funded tools available to RMI communities to support the delivery of these remarkable visitor experiences.



EXECUTIVE SUMMARY

Without similar tools, British Columbia's RMI resorts may lose their present momentum and there is risk to the provincial and rural economies. A long-term Provincial commitment to continuing performance-based visitor sourced funding to BC's RMI communities will neutralize these disadvantages and allow these communities to focus on continued success and growth opportunities.

Arguably, beyond the significant dollars generated by tourism as reflected in GDP and export revenues, one of the tourism industry's greatest strengths and contributions to the Province, in particular to rural BC, is the number of small businesses supported and the web of employment created in all corners of the Province. **In 2015, the 14 RMI communities alone employed as many British Columbians as the entire Provincial mining sector or the entire Provincial forestry and logging sector.**

Notably, there is opportunity to secure even greater returns from RMI communities through a long-term commitment to performance based, formula funded tools as evidenced by a future scenario that postulates enhanced RMI funding leading to a 5% increase in visitor spending which would generate an additional \$18 million to Provincial taxes, a sum greater than the costs of RMI funding.

Conversely, the risk of loss from potential declines in visitor spending should RMI communities no longer deliver remarkable experiences can be predicted, as evidenced by a future scenario that postulates a 20% decline in visitor spending and an associated loss in Provincial tax revenues of \$74 million and 6,000 jobs for British Columbians.

While a resort or local sales tax supports most of the successful international resorts that compete with BC's RMI communities, this option would represent a significant tax shift for British Columbia. Although a resort sales tax may be the fairest revenue source for RMI communities, it could not be implemented easily. The challenge for British Columbia is to define an RMI program that reflects visitor spending in each resort.

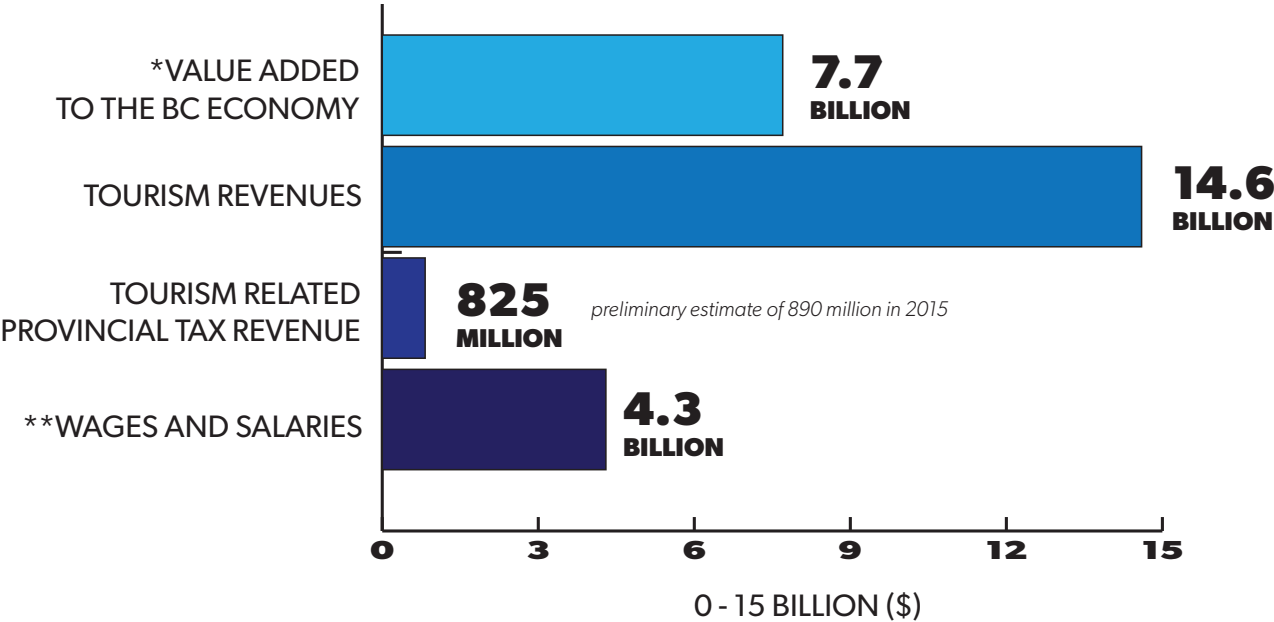
Failing this local sales tax option, a continuation of the original RMI program with a return to a performance based model tied to prior year's Municipal & Regional District Tax collected would support British Columbia's RMI communities continued exceptional performance. In either case, long-term program certainty is needed to permit partnerships, leveraging and investment in multi-year programs and projects. A failure to recognize the need for tourist based financial support for RMI communities will risk today's performance and will likely lead to reductions in provincial taxes and jobs in resort communities.

HIGHLIGHTS

A comprehensive review of the RMI funding program and the financial returns to the local, regional and Provincial tourism economy that have been historically generated by BC’s 14 RMI communities was undertaken on behalf of the Resort Communities’ Collaborative. The objective of this study was to quantify the returns to local, regional and Provincial tourism economies and to better understand how RMI communities could continue to grow their tourism contribution at rates above the Provincial average. This review also considered the current competitive context within which these communities must function. The detailed report which follows confirms and substantiates the following conclusions:

The tourism sector is a growing and vital contributor to BC’s economic success and prosperity.

TOURISM IN 2014



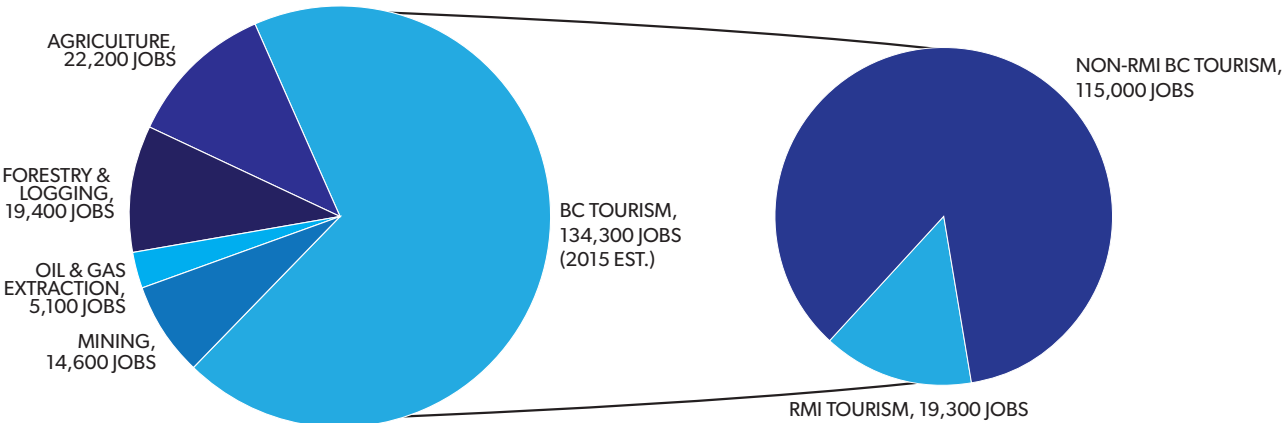
*\$7.7 billion (2015 preliminary estimate of \$8.6 billion) of value added to the BC economy as measured by GDP – more than either the forest products industry or the agriculture and primary fishing industry

**18,682 tourism-related businesses employing 127,500 British Columbians earning \$4.3 billion in wages and salaries

HIGHLIGHTS

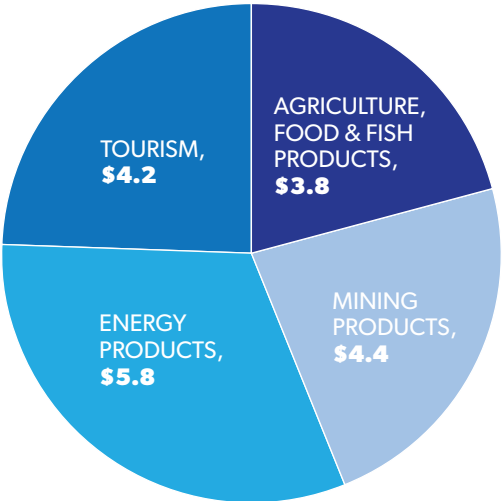
In 2015, tourism employment grew to 134,300 jobs. This level of employment vastly exceeds BC's other major export industries. In 2015, the 14 RMI communities alone employed as many British Columbians as the entire Provincial mining sector or the entire Provincial forestry and logging sector.

EMPLOYMENT BY MAJOR EXPORT INDUSTRY, 2015



Tourism international export revenue is estimated at \$4.2 billion, similar to that of mining products (\$4.4 billion), energy products (\$5.8 billion), or agriculture, food and fish products (\$3.8 billion).

INTERNATIONAL EXPORTS, 2015



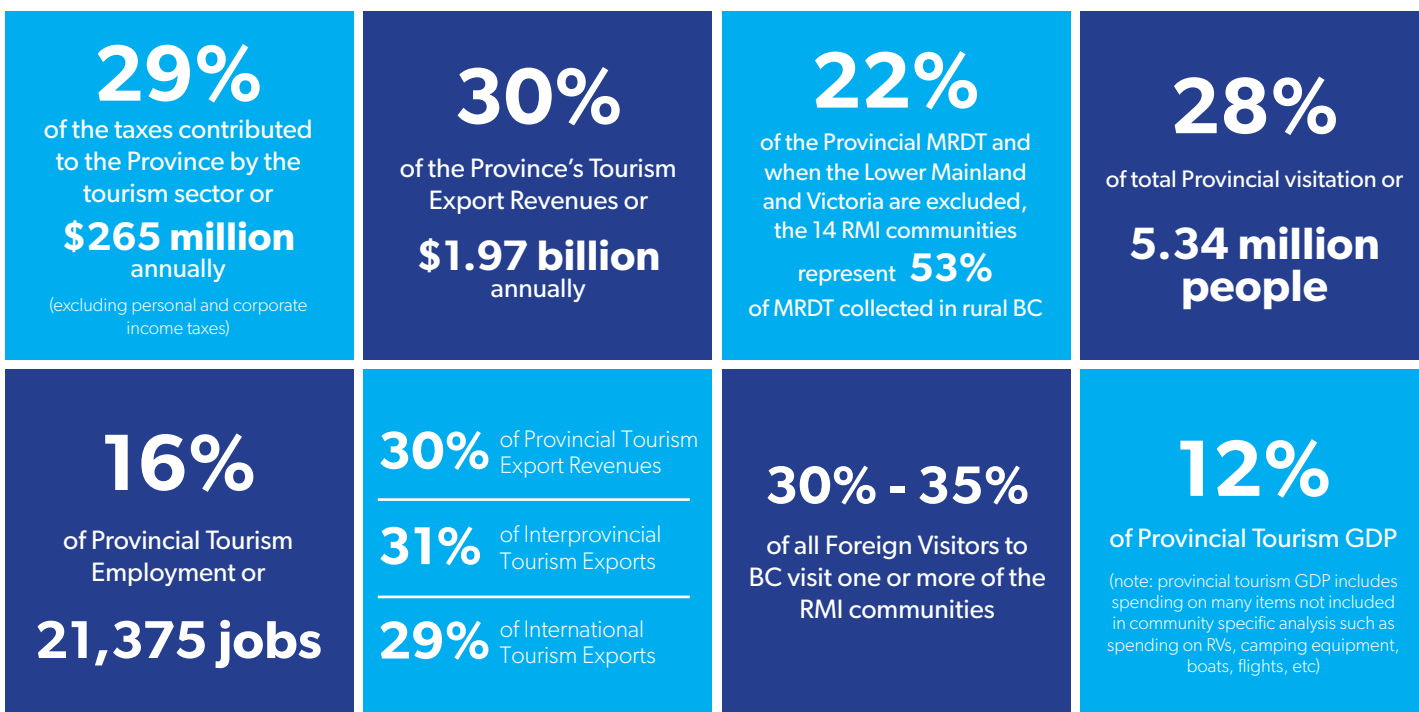
HIGHLIGHTS

BC's 14 RMI communities are significant contributors to the larger tourism economy and the health and success of BC's 14 RMI communities is essential to the health and success of the Provincial economy and that of its rural communities.

A continued Provincial government focus on the unique needs of BC's RMI communities and continued provision of tools to support their continued success is needed to ensure financial tools are available to them to invest in the delivery of remarkable experiences and to ensure continued destination competitiveness and the generation of financial returns beyond Provincial averages.

BC's 14 RMI communities are significant contributors on all measures – whether considering employment, GDP, export revenues, visitation, visitor spending or contribution to Provincial taxes, these 14 RMI communities 'punch far above their weight class' delivering far more than could typically be expected from communities having a similarly small size and modest population.

RMI Communities have only 1% of the total Provincial population but contribute:



HIGHLIGHTS

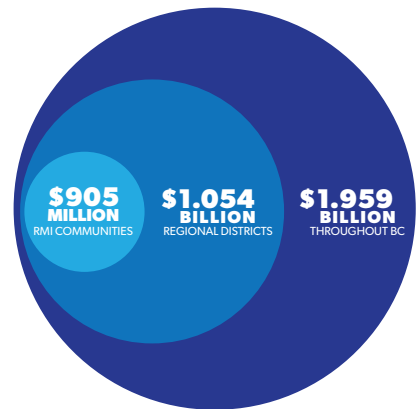
BC's 14 RMI communities are delivering results well beyond Provincial averages indicating that the strategic choices being made by local governments with the RMI funds being invested are yielding returns.

RMI Communities' Performance Results from 2011-2015:

- Tourism spending in the RMI communities grew by just over 38% as compared to the rest of Province growth of 20%.
- RMI communities' accommodation revenues upon which MRDT is collected grew 42% compared to the rest of BC, which grew 29%.

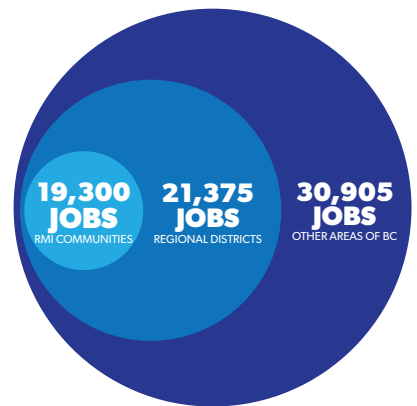
These above average returns are benefiting not only the local economy but are also rippling more broadly throughout rural BC and benefiting the Province as a whole.

Tourism Gross Domestic Product in RMI communities in 2015 was \$905 million while tourism GDP in Regional Districts in which RMI communities are found totaled \$1.054 billion – a contribution of \$149 million in GDP outside the RMI communities but within their respective Regional Districts. Another \$867 million of GDP was generated in Regional Districts not including any of the RMI communities.



TOURISM GROSS DOMESTIC PRODUCT GENERATED BY RMI COMMUNITIES

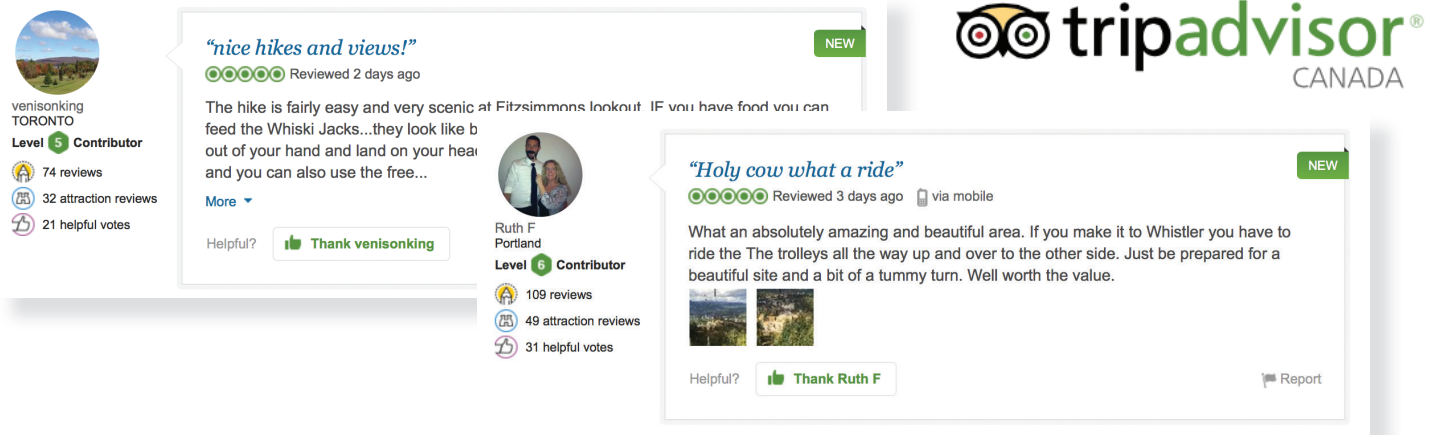
In terms of employment, tourism activity in the RMI communities was responsible for 19,300 jobs in those communities in 2015, another 2,075 in Regional Districts where the RMI communities are located, and an additional 9,530 jobs in other parts of the province.



EMPLOYMENT GENERATED BY RMI COMMUNITIES

HIGHLIGHTS

The continued delivery of remarkable visitor experiences is essential to continued RMI community success as travellers themselves utilize their own and third party platforms such as TripAdvisor, Facebook and Twitter to publicly share their destination experiences.



BC's tourism competition is making investments in their own destination competitiveness and throughout the United States and Europe have access to a much wider range of long-term financial tools that are performance based and tied to levels of visitation and visitor spending.

Vail Resorts to Invest \$13 Million to Completely Transform the Guest Experience at Wilmot Mountain

March 10, 2016

Entire Experience Re-Imagined with Three New Lifts, Dramatically Improved Snowmaking, Fully Renovated Base Lodge and New Parents Lounge, New Kids Ski and Snowboard School Facility and Upgraded Terrain Park

Big changes continue at Whitefish Mountain Resort

Jul 01, 2016

Crews are hard at work with the latest updates to the Whitefish Mountain Resort with management putting over \$1 million into improving guest services, aesthetics and the overall experience at the resort.

Vail's \$25 Million Summer Development Sparks new Era of Year-Round Ski Resort Playgrounds

June 27, 2016

Vail's investment is designed to turn its ski areas into 12-month playgrounds, with mountain coasters, ziplines, aerial adventure courses and more hiking and biking trails. All of it stems from the 2011 Ski Area Recreational Opportunity Enhancement Act, which allows the Forest Service greater leeway when approving projects at resorts that initially were designed for downhill skiing.

Colorado Ski Country USA Enhances Guest Experience for 2016/17 Season with Major Capital Improvements

September 15, 2016

CSCUSA resorts regularly invest to improve facilities and enhance the guest experience both on and off the mountain. For the 2016/17 season, guests will find new dining options, new chairlifts and new terrain enhancements, as well as other improvements that will elevate the premier skiing and snowboarding experience at 15 CSCUSA resorts.

Performance-based funding models available to BC's competition correlate resort funding to visitor spending and visitor use thereby giving these destinations a more predictable, robust and equitable approach to funding their attractions and competitiveness.

HIGHLIGHTS

Resort Funding Comparative

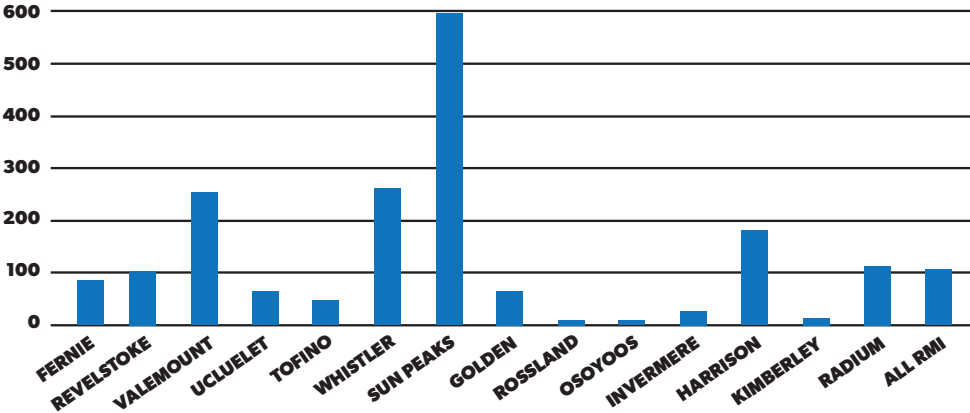
| Resort | Population | Municipal Budget \$Cdn (millions) | % from Property Taxes | % from Resort Sales Tax | % from User Fees | % from inter-governmental transfers | % from permits/ license fees | % from other sources |
|-------------------------|------------|-----------------------------------|-----------------------|-------------------------|---------------------------|-------------------------------------|------------------------------|----------------------|
| Aspen, CO | 6,658 | \$142.43 | 6% | 31% | 28% | 25% | With user fees | 9% |
| Vail, CO | 5,305 | \$96.23 | 7% | 40% | 23% ^{other tax*} | 5% | 23% | 2% |
| Ketchum, Sun Valley, ID | 4,114 | \$22.44 | 36% | 20% | 16% | 13% | | 15% |
| Park City, UT | 7,962 | \$84.48 | 21% | 29% | 24% | 11% | 15% | 0% |
| South Lake Tahoe, CA | 21,387 | \$72.73 | 12% | 33% | 15% | 21% ^{port. from bed tax} | 0% | 19% |
| Kitzbuhel AUT | 8,134 | \$47.04 | 9% | 16%** | 33% | 26% | 16% | 0% |
| Whistler, BC | 10,361 | \$76.44 | 57% | 0% | 14% | 13%**** | 12% | 4% |
| Sun Peaks, BC | 550 | \$2.30 | 67% | 0% | 1%*** | 30%***** | 0.7% | 1.3% |

Note: data sourced from local government websites and RMI community municipal representatives
 *Vail \$4.7 million lift tax, \$6.5 million property transfer tax, \$1.5 million Construction tax, \$4.2 million in parking revenues. (\$4.9 million in property taxes)
 ** Kitzbuhel Austria 16% of revenue from employee income tax sharing
 *** Sun Peaks Utilities owned privately not Municipal operation
 **** includes RMI and MRDT revenues
 *****includes RMI only; MRDT goes directly to DMO

RMI communities face unique challenges. They are required to provide infrastructure, amenities, services and experiences for an exponentially larger visitor base than their resident population. In British Columbia, local government revenue streams are primarily derived from property taxes and are inadequate to support the infrastructure and experiential demands of such a large visitor base.

- British Columbia’s 14 RMI Communities welcome 5.34 million visitors each year - 105 visitors for every local resident
- RMI local governments, who provide essential and experiential services to these visitors, must fulfill the needs of visitors from revenues derived primarily from only 50,000 residents

VISITORS PER CAPITA



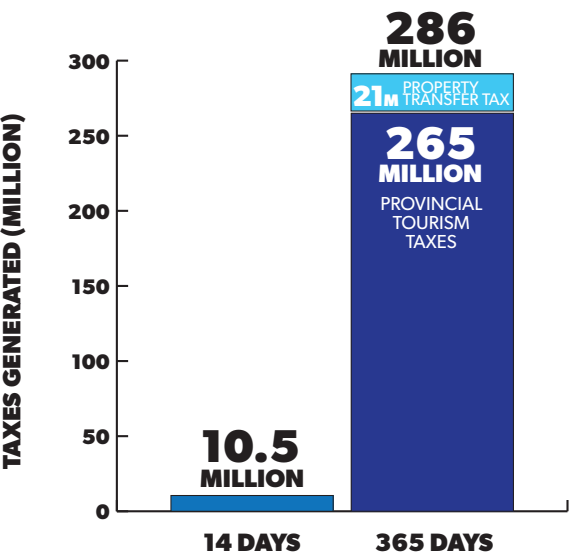
HIGHLIGHTS

These experiential demands of these visitors must be met through the delivery of remarkable experiences or Net Promoter Scores will fall, promoters will become detractors and ultimately visitation will decline¹.

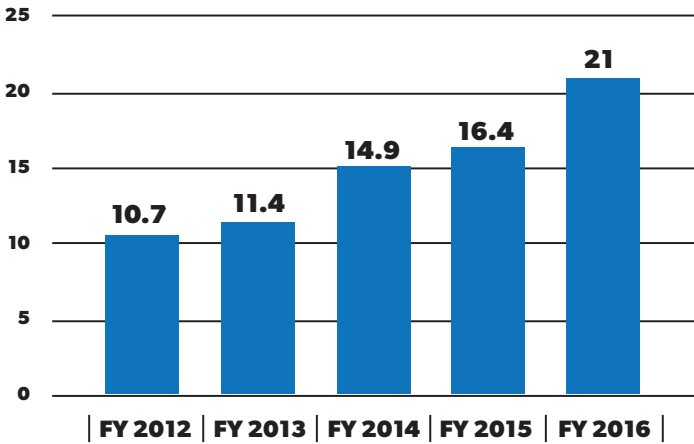
The unique challenges of RMI communities and the uneven playing field relative to the international resorts, place substantial historical returns to rural economies at risk. A long-term commitment to performance-based visitor-sourced funding directed to BC's RMI communities will allow these communities to focus on continued success and growth opportunities.

- Currently RMI and MRDT funding are the only tourism-funded financial tools available to BC's RMI communities to support program, project and marketing investments to enhance the visitor experience and thereby support destination competitiveness
- RMI funding helps to more equitably balance revenue contributions made by local taxpayers and by the large influx of visitors that define RMI communities. RMI funding targets initiatives that contribute the most to resort community competitiveness through support for the delivery of remarkable experiences
- The RMI investments being made to support the delivery of remarkable experiences is working as evidenced by above-average growth rates in RMI communities and total contributions to regional and rural economies and to the Provincial tax base
- RMI communities contribute to the Province through accelerated tourism spending, export revenues and increased taxes, non-resident accommodation investment and higher property taxes
- The current RMI investment of \$10.5 million is returned to the Province in taxes generated in RMI communities in the first 14 days of each year

RMI FUNDING VS PROVINCIAL TAXES GENERATED



PROPERTY TRANSFER TAX CONTRIBUTIONS BY 14 RMI COMMUNITIES (IN MILLIONS)



Note: Sun Peaks figures not included in FY 2012 - 2015. In FY 2016 (April 1, 2015 - March 31, 2016), Sun Peaks figures were calculated July 2015 - July 2016.

¹The Net Promoter Score (NPS), developed by Frederick Reichheld and Bain & Company in 2002, is a simple metric that helps organizations monitor the engagement of their customers. It reflects the likelihood that customers will recommend a product/ company/place to friends, family or colleagues.

NPS is calculated by subtracting the percentage of detractors from the percentage of promoters.

$$\text{NET PROMOTOR SCORE} = \% \text{ OF PROMOTORS} - \% \text{ OF DETRACTORS}$$

HIGHLIGHTS

The opportunity to secure even greater returns from RMI communities through provision of formula funding is significant as evidenced by a future scenario that postulates a 5% increase in visitor spending which could generate an additional \$18 million to Provincial taxes (see page 31 for details).

The risk of loss from declines in visitor spending should RMI communities no longer deliver remarkable experiences is realistic as evidenced by a future scenario that postulates a 20% decline in visitor spending and an associated loss in Provincial tax revenues of \$74 million and 6,000 jobs for British Columbians should the RMI program be discontinued (see page 32 for details).

TAX & EMPLOYMENT IMPLICATIONS OF CHANGES IN VISITOR SPENDING

