

Performance-Based Funding Model for Destination BC Corp.

AUTHORITY: This direction is issued pursuant to the Minister's general responsibility for administration of the *Destination BC Corp. Act* as assigned to the Minister in Order in Council 602 dated November 26, 2020.

DIRECTION: Commencing with the fiscal year starting on April 1, 2021 the guidelines for the performance-based funding model and subsequent revenue-generating activities listed or described in Schedule 1 shall be applied to determine the amount of funding of Destination BC Corp. that may be drawn from an appropriation under a Supply Act (the "Appropriation") available in that fiscal year and in subsequent fiscal years for that purpose.

APPROVED BY TREASURY BOARD: September 28, 2021

Schedule 1

Funding Model:

It is intended that Destination BC Corp.’s (DBC) annual minimum base funding contribution of \$50 million provided by its responsible Ministry is to be protected.

Starting April 1, 2021, DBC’s annual base funding contribution (Ministry Base Contribution) will increase cumulatively, year-over-year, if certain conditions are met as specified below.

The funding model specifies a “Target Year” for which the performance targets are set, a “Measurement Year” during which performance against the targets is determined and verified, and then a “Payment Year” during which Destination BC’s budget is increased, depending on measured performance relative to the targets. For example:

1. Target Year – 2021/22
2. Measurement Year – 2022/23
3. Payment Year – 2023/24

Given the ongoing COVID-19 impacts to tourism and Government’s fiscal position, even if all conditions are met, funding increases will be subject to sufficient funds being available as confirmed and approved by Treasury Board.

The maximum increase in the Ministry Base Contribution in any one-fiscal-year period will be up to 2% of the actual Ministry Base Contribution paid or payable to DBC for the previous fiscal year, based on the following Parts 1 and 2:

Part 1 – Economic Performance Component

Applicable Class of Provincial Sales Tax (PST) Revenue.

The Ministry of Finance (Finance) collects/assesses PST revenue from registered vendors and collectors of PST in the tourism-related sector (as defined by Finance) and will report such revenues using the North American Industry Classification System (NAICS) code system. The following describes the sub-classes of PST collections that Finance has identified as related to the tourism sector:

| NAICS Code | Description | | | | |
|-------------------|--|--|--|--|--|
| 711 | Performing arts, spectator sports and related industries | | | | |
| 712 | Heritage institutions | | | | |
| 713 | Amusement, gambling and recreation industries | | | | |
| 721 | Accommodation services | | | | |
| 7224 | Drinking places (alcoholic beverages) | | | | |
| 7225 | Full-service restaurants and limited-service eating places | | | | |

For the purposes of calculating the amount of any allowable draw against an Appropriation, the class of PST established is the total of collections/assessments identified and reported by the Ministry of Finance using the NAICS codes identified for, and as self-reported by, the tourism-related sector (the “Tourism Class”).

Amount and Methodology of Calculating Payments

To establish the contribution to DBC, the portion of the actual or estimated Tourism Class of PST revenue is calculated to equal \$51.37 million. This amount is authorized as an expenditure from Vote 42 of the *Supply Act* for the 2020/21 fiscal year. This amount constitutes the starting Ministry Base Contribution from which the amount of funding from an Appropriation for the fiscal year 2021/22 and subsequent fiscal years may be made¹.

Additionally, the Ministry Base Contribution used for the calculation excludes any other one-time additional contributions (i.e. one-time funding for pandemic marketing etc.) that may be paid by the government to DBC during a fiscal year, other than for any authorized audit adjustments.

Subject to available funding from an Appropriation, for the fiscal years beginning April 1, 2021, if the growth rate in *estimated* aggregate provincial PST collections/assessments of the Tourism Class in the preceding calendar year exceeds 5% of the *actual* amount of PST collections/assessments in the next previous calendar year, as determined by the Ministry of Finance, then the total *estimated* amount that may be paid to DBC under an Appropriation for the fiscal year beginning April 1st of the next immediate calendar year, may be calculated at 1% higher than the actual amount of the Ministry Base Contribution paid to DBC for the fiscal year in which the calendar year collections/assessments being *estimated* ends.

Payment Dates from Appropriation

In accordance with an Appropriation and subject to the eligibility requirements of Part 1 and Part 2 payments to DBC may be made quarterly, no later than the last day of business in April, July, October, and January.

Amount and Methodology of Adjustments

For the purposes of making adjustments where an amount paid from an Appropriation is based on an estimate and the actual PST revenue in the Tourism Class is different from the estimate, the amount paid from an Appropriation for a later fiscal year may be adjusted in accordance with the result obtained from a recalculation by the Ministry of Finance of the *actual* amount of collections/assessments for a calendar year based on the government’s

¹ Subject to confirmation in the government’s audited financial statements

actual audited results for total PST collections/assessment for the fiscal year in which the calendar year ends.

If:

- The growth rate in the *actual* amount of aggregate provincial PST collections/assessments of the Tourism Class for a calendar year is higher than 5% compared to the same Class in the previous calendar year; and
- The previously *estimated* growth rate was 5% or less, for the purposes of section 20 (1) of the Act,

Then the amount paid under an Appropriation for the fiscal year in which that calendar year was *estimated* may be increased by an amount equal to 1% of the actual amount of the Ministry Base Contribution paid or payable to DBC, in the fiscal year in which the calendar year collections/assessments being *estimated* ended.

If:

- The growth rate in the actual amount of aggregate provincial PST collections/assessments of the Tourism Class for a calendar year is 5% or less compared to the Tourism Class in the previous calendar year; and
- The previously estimated growth rate was higher than 5% for the same period,

Then the amount paid under an Appropriation for the fiscal year in which that calendar year was *estimated* may be reduced by an amount equal to 1% of the actual amount of the Ministry Base Contribution paid to DBC in the fiscal year in which the calendar year collections/assessments being *estimated* ended.

The maximum annual amount of increase to the Ministry Base Contribution in respect of the Economic Performance Component is 1% of the actual amount of the Ministry Base Contribution paid to DBC in respect of the previous fiscal year.

The amount in respect of the Economic Performance Component shall be cumulative and added to the Ministry Base Contribution used for purposes of calculating the amount of payments to DBC under this Part for the next fiscal year, as well as under Part 2.

Part 2 – Destination BC Corp. (DBC) Performance Component

It is intended that the annual Ministry Base Contribution to DBC will also be tied to DBC's success in achieving specific annual Performance Targets established by the minister responsible for DBC, in consultation with the corporation and the Minister of Finance (or the Minister of Finance's designate).

Where the Ministry Base Contribution to DBC has increased by 1% as a result of the Economic Performance Component in Part 1, the Ministry Base Contribution may be further increased by up to 1% of the actual Ministry Base Contribution paid or payable in respect of the previous fiscal year, subject to DBC achieving the following Performance Target criteria: This means that Destination BC may receive 1% for PST performance or up to 1% for corporate performance, or both to a maximum increase of 2%.

Annually by November 30, the minister responsible for DBC will establish four measurable Performance Targets for DBC for the next fiscal year.

By August 31 of the following fiscal year, DBC will prepare a report to the minister responsible for DBC on the achievement of those four Performance Targets, as verified by DBC's independent auditors.

Subject to available funding, the four specific Performance Targets award a 0.25% increase each, per target met, to a maximum annual increase of 1% of the actual amount of the Ministry Base Contribution paid to DBC in respect of the previous fiscal year under section 20 (1) of the Act.

- Such payment would commence on April 1 of the following fiscal year and be added to the annual Ministry Base Contribution calculated under Part 1. Payments in respect of the DBC Performance Component shall be cumulative and added to the Ministry Base Contribution used for purposes of calculating the amount of payments to DBC under this Part for the next fiscal year, as well as under Part 1.

The priority for new funding to DBC as a result of Parts 1 and 2 will be to allocate such funding toward long-term tourism industry renewal in alignment with the Government of British Columbia's priorities for tourism as outlined in the Strategic Framework for Tourism in B.C. The minister responsible for DBC and the Minister of Finance will undertake an internal review the performance of DBC and the operations of this Funding Model every three years.

Part 3 – DBC Revenue-generating Activities:

Pursuant to section 5(1)(f) of the Act, DBC is authorized to engage in the following revenue generating activities:

Generally

- Sales of goods and services
- Charging of participant fees
- Charging of commissions
- Entering arrangements to receive partner contributions
- Investing surplus cash to earn interest income

HelloBC Program

- Advertising in online or print publications

Destination BC Corp. Training and Learning Programs

- Participant fees for online or offline workshops, courses, training or development programs and materials.

Visitor Services

- Merchandising, food and beverage, space rental, brochure, and ticket sales at Visitor Centres and online (in some cases the entire transaction will be billed and handled by DBC, in other cases DBC will bill only a commission).

Cooperative Marketing Campaigns

- Recoveries from other partners. DBC will receive funds from partners and these will then be used to pay for cooperative marketing activities with tour operators, online travel agencies, media organizations or other partners. For example, DBC may budget \$25,000 for a program, receive \$25,000 from a variety of partners, and then pay \$50,000 towards the program.

Industry Buy-in Programs

- DBC may create programs that industry organizations and/or businesses pay to participate in.

Appendix 1: Approved Corporate Performance Measures and Targets Set by the Minister Responsible for DBC

The performance-based funding model was developed to allow, and provide incentive for, DBC to expand international and domestic marketing efforts and industry capacity building. Increased exposure of British Columbia as a tourist destination will benefit all British Columbians and by providing additional funds, will assist the tourism industry in realizing its potential to create jobs, income for residents, and tax revenue from visitor spending, to support essential public services.

The performance-based components and measures were developed to ensure DBC's continued progress in supporting and implementing programs that align with Government priorities to create a strong, sustainable economy and meet the objectives outlined in the Province's Strategic Framework for Tourism, specifically as it relates to marketing British Columbia domestically, nationally and internationally as a tourist destination in a highly competitive global market.

The performance measures and targets outlined below are aligned with DBC's Corporate Strategy and Service Plan goals; priorities expressed in the annual mandate letter from the Minister to DBC; and the broader vision of the Strategic Framework for creating a strong, sustainable tourism sector that benefits all British Columbians.

The global COVID-19 pandemic has had a significant impact on the B.C. tourism industry. Therefore, several of the corporate performance targets have been revised to reflect the impacts of COVID-19 and DBC's ongoing work to support the tourism industry's response and recovery. These measures and targets will also allow DBC and the Ministry to measure success against the Minister's mandate commitment to *"Support the tourism, arts, culture and sport sectors through the COVID-19 response and recovery, setting them up for success in the years ahead"*.

Approved Corporate Performance Targets for DBC

| Service Plan Goal | Ministerial Directive Performance Measures | | 2019/20 Targets | 2019/20 Actual | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/2024 Target |
|---|--|---|------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Goal 1: Growth of overnight visitor expenditures | #1 | Number of customer leads for industry generated directly by Destination BC through digital marketing activities | 4.5 M (Direct & Indirect) | 4.6 M | Maintain | 650,000 | 845,000 | Maintain or Improve |
| | #2 | Size of Destination BC's global social media community of brand advocates | 1.6 M | 1.7 M | 1.9 M | 1.9 M | 2.1 M | 2.3 M |
| Goal 3: A Powerful Marketing Network | #3 | a) Number of communities and sectors participating in Destination BC's application-based co-op marketing program | 120 (total) | 153 (total) | 120 (total) | 120 (total) | 120 (total) | 120 (total) |
| | | b) Number of participating communities outside Metro Vancouver, Victoria, and Whistler | 100 (regional) | 121 (regional) | 100 (regional) | 100 (regional) | 100 (regional) | 100 (regional) |
| | #4 | Net Promoter Score of Participants in all on-going* Destination BC delivered workshops or webinars *excludes one-time webinars, etc. | 50 | 62.0 | 50.0 or greater | 50.0 or greater | 50.0 or greater | 50.0 or greater |

**As noted in the funding model the targets are reviewed annually.*