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# Organizing for Destination Marketing

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Destination  
Yellowknife

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Outcrop Communications Ltd.  
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## Reader Note

This document provides information to assist in identifying choices and making decisions about the creation of an Accommodation Levy and the choices to be made and the recommended actions taken to bring a Destination Marketing Organization (DMO) for the City of Yellowknife into existence.

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## 1.01 The Role of Destination Marketing Organizations

In North America Destination Marketing Organizations (DMOs) have evolved over the last 50 years as travel has become easier, more affordable and accessible to more people.

Destinations that lead in attracting visitors have an appealing combination of attractions, events, facilities, transportation, infrastructure and hospitality resources and are most likely to be successful.<sup>1</sup>

Initially much of destination marketing was driven by events like “world fairs”, Olympic Games, conventions and commerce. Transportation systems also played important roles. For example “ocean going” passenger ship lines and national railroads like those across Canada or Russia. Today the attraction combinations are much more diverse and often target specific activity market niches and specific demographics.

To bring focus and economy to the promotion of destinations marketing, organizations have evolved – national, provincial, regional and local/municipal. Those at the national and provincial level are almost always government funded and directed, with participation of stakeholders provided. At the regional and municipal/local levels Destination Marketing Organizations (DMOs)s may be directed by public governments, public/private partnerships, private associations and/or not-for-profit societies dedicated to local tourism promotion.

In most cases the form of DMO organization that emerges is likely to depend on the DMO initiator, the local tourism goals and sustainable funding sources.

The roles that a DMO performs at a local level may also vary. In 2007 the UN World Tourism Organization (UNWTO) identified four roles that are common to most DMOs. These are:

- **Leading and Coordinating Tourism Development** -- optimizing the efforts of all of the tourism stakeholders within a defined destination including attractions, amenities, accessibility, human resources, image and price.
- **Marketing and Tourism Promotion** – including destination promotion, marketing campaigns, unbiased visitor information.
- **Tourism Destination and Product Development** – working with stakeholders to create an environment for continuing tourism development including advocating for infrastructure development, leading product development, systems

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<sup>1</sup> Morrison, Alistair M. 2013. Marketing and Managing Tourism Destinations. P, 5

development and establishing policies and regulations for guiding and controlling tourism

- **Delivering Positive Tourism Experiences on the Ground** – Monitoring and managing the quality of tourism experiences, training/education and tourism business management advice.

The letters “DMO” are also used to identify two complementary types of tourism organizations. A DMO may be either a “Destination Management Organization” or a “Destination Marketing Organization” or a combination of the two. Some comments about both will provide context for this report.

The United Nations World Tourism Organization (UNWTO) website identifies five benefits that should flow from the effective operation of a Destination Management Organization as:

- Identify and establish a competitive tourism edge
- Work to ensure tourism sustainability
- Work to spread the benefits of tourism within the tourism area
- Work to improve tourism yield
- Build a strong and vibrant tourism brand identity

The Destination Marketing Association International (DMAI) website adds that the following benefits need to also be available to visitors and convention and meeting planners:

- Unbiased, reliable, current information about a destination’s services and facilities
- Be a one-stop shop for local tourism interests
- Provide the full range of information about a destination
- Provide most services free to the user

Because the DMAI grew out of an association of convention and visitors bureaus their focus includes the promotion of group events that can bring large numbers of visitors to a community at the same time.

According to Alistair Morrison, who is Professor Emeritus in the School of Hospitality and Tourism at Purdue University in the U.S.A. and the CEO of Belle Tourism International in the People’s Republic of China, destination marketing is “a continuous, sequential process through which a DMO plans, researches, implements, controls and

evaluates programs aimed at satisfying traveller's needs and wants as well as the DMO's vision, goals and objectives."<sup>2</sup>

According to Morrison, where marketing and promotion are the predominant role of the DMO (as appears to be the intention in Yellowknife) the main components of this sort of DMO's roles are:

- Market Research & Market Segmentation
- Marketing Strategy & Destination Branding
- Marketing Planning
- Marketing Promotion and Communication
- Effectiveness Measurement

While many DMOs are run as departments, divisions or direct reports of senior levels of government, there has been a trend in recent years to create separate bodies and other forms of not-for-profit organizations to handle destination marketing.

In many cases both can exist within the same geographic area. For example in British Columbia province-wide marketing is undertaken by "Destination BC" and managed by the Government of British Columbia. At the same time there are municipal and regional destination marketing organizations funded by hotel taxes collected by the Province of British Columbia and reserved for that purpose.

## **2.01 Establishing & Implementing a Destination Marketing Accommodation Levy**

Depending on who collects the Accommodation Levy different methods may be used for collection and administration of a Levy.

When the Levy is collected by a Hotel Association on behalf of its members this is done within the context of the hotel association Charter of Incorporation and By-Laws. The monies collected may be used directly by the Association in support of destination marketing or they may be transferred to a local tourism marketing association with conditions as to their use attached.

When the Levy is collected by a provincial government, as is the case in British Columbia, the Levy is treated the same as any other tax imposed by the provincial government, except that a separate registration and remittance process is involved. In BC the Levy is collected and remitted along with the Provincial Sales tax (PST). Detailed

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<sup>2</sup> Alastair M. Morrison. *Marketing and Managing Tourism Destinations*, (London and New York Routledge 2013); p 9.

reporting and remittance guides have been published by the BC Ministry of Finance and are available at <http://www2.gov.bc.ca/gov/content/taxes/sales-taxes/pst>. The BC Governments charges a small handling fee to cover the cost of collection and redistribution. Registration and late payment penalties are similar to those that apply to the PST. The balance is remitted to the local Destination Marketing Association.

When the Levy is collected by a municipality, as is the case with the Halifax Regional Municipality, a local By-Law sets out the authority to collect the Levy. The By-Law requires all accommodation businesses to which the Levy applies to register and be assigned a separate Levy Registration Number unique to their business. The full text of the Accommodation Levy By-law (H-400) is available at <https://www.halifax.ca/legislation/bylaws/hrm/documents/By-LawH-400.pdf>.

Once registered each business must submit a monthly remittance report along with the funds collected. Late payment fees are the same as for failure to remit any other municipal tax. The general information and registration processes are described in the “Marketing Levy – Registration and Collections” bulletin available at [www.halifax.ca/Finance/assets/documents/MarketingLevy.PDF](http://www.halifax.ca/Finance/assets/documents/MarketingLevy.PDF)

### **3.01 Alternative Destination Marketing Program Funding Models**

On January 11, 2016 the City of Toronto Budget Committee requested a briefing note on the revenue and collection model currently in use to collect a hotel levy from Toronto hotels. A Briefing Note prepared January 18, 2016 sets out the Toronto situation which involves the funding of Tourism Toronto – a private not-for-profit agency on which City staff have ex officio status. That report is available at [www.toronto.ca/legdocs/mmis/2016/ex/bqrd/backgroundfile-89339.pdf](http://www.toronto.ca/legdocs/mmis/2016/ex/bqrd/backgroundfile-89339.pdf).

Toronto is somewhat unique in that there is strong support among hotels for the collection and remittance of a Destination Marketing Fee. Unlike many cities where it is difficult to get all hotels to agree to collect a DMF, Toronto hotels rallied around the establishment of a DMF based marketing funding system to counteract the hugely negative effective of the SARS crisis in 2003 on Toronto tourism.

However, in other cities some hotels (often chain hotels) are not willing to participate in a voluntary Levy but fully support a compulsory levy to raise funds for destination marketing purposes.

#### **4.01 Passing Enabling Legislation to Allow Collection of a Mandatory Levy**

Municipal-level Destination Marketing Organizations (DMOs), and their funding through accommodation taxes, levies or fees, has been evolving in Canada over the last fifty years. The idea for bed taxes or room levies appears to have originated in the United States. A research paper authored by Tom Knipe in 2011 (Cornell University, Department of City and Regional Planning) reports that one of the earliest recorded uses of an Accommodation Tax was in New York City in 1946. It was vigorously opposed by the New York City Hotel Association but was still successfully implemented.

By the 70s and 80s the accommodation taxes had become widely adopted in the U.S. Today states and cities across the United States levy a hotel tax almost ubiquitously. The same is true in Canada where mandatory accommodation levies or taxes are legally collected by/for municipalities in Newfoundland, Nova Scotia, Prince Edward Island, Quebec, Manitoba and British Columbia. In New Brunswick, Ontario, Saskatchewan and Alberta Destination Marketing Fees are collected by local and regional hotel associations for tourism marketing.

#### **5.01 Setting the Authorized Allowable Accommodation Levy**

Almost all Accommodation Levies collected by Canadian municipalities are set as percentage of the nightly cost of accommodation. The allowable percentage ranges from 1% to 5% and is determined by provincial legislation that enables municipalities and other designated regions to pass their own legislation to authorize collection of a Levy.

The most common percentage level currently used is 3%. In most cases the entire 3% is made available for tourism marketing by the municipality or designated location (for example an unincorporated resort area).

Where the entire 3% is not used for destination marketing it is designated for tourism related purposes. For example, in British Columbia 2% goes directly to a local DMO for tourism marketing. The additional 1% goes into a special fund. Communities across the province then apply for support from the fund to host special events, festivals and other tourism draws – meaning the 1% may not necessarily go back into the community from which it was collected.

A similar strategy is used in the Halifax Regional Municipality (HRM) where 30% percent of the Levies collected are held in a Special Events Reserve Fund that the HRM can use to fund large public events in the Halifax region that have the potential to draw visitors to the area.



## **6.01 Requirement to Collect the Accommodation Levy**

Businesses and persons in Canada that provide short term accommodation range in scale from homes with an extra bedroom to large, full service hotel/conference centres. Over the last few years a consensus view has emerged that small home based businesses should be exempt from having to collect and remit an Accommodation Levy.

The cut-off point that has generally been adopted by municipalities is that businesses with four or more rooms for rent should be included in the requirement to collect the Levy. Businesses with three or fewer rooms for rent would be exempt from collecting the Levy. This would apply to all providers of visitor rooms for rent whether or not they promoted themselves on accommodation booking sites like Air B&B or through other marketing methods.

## **7.01 Exemption from the Requirement to Pay the Accommodation Levy**

In most municipalities specific categories of travelers are exempt from paying the Accommodation Levy or have the right to a refund if they do not have the required proof of exemption at the time of registration with the accommodation provider.

Most jurisdictions make allowance for some categories of travel where an Accommodation Levy should not be charged. The most common exemptions are persons travelling for medical care, certain classes of government employees travelling on official business (duty travel) and diplomatic persons and their entourage. The reasons for exemption include compassion, travel paid for by specific governments and/or international agreements.

In some jurisdictions some classes of government employees who are paying for their accommodation with a government issued Credit Card are exempt.

In the case of persons travelling for medical care, they may be required to pay the Levy but would be entitled to apply for a refund by providing the proper documentation upon return to their home community.

In the case of diplomatic travel, persons carrying diplomatic credentials are exempt from the Levy.

In the case of persons who occupy a room for 30 or more continuous days, they are usually exempt from the Levy.

## 8.01 Municipal Accommodation Levy By-Law

A Municipal By-Law is the most common authority used to enable the collection of an Accommodation Levy.

As an example, the following has been adapted from the By-Law passed in the Halifax Regional Municipality (HRM) to begin collection of an Accommodation Levy. The HRM's authority to be able to do this comes from provincial legislation granting Halifax the right to enact a By-Law to collect an Accommodation Levy.

### 1. Authority to Collect an Accommodation levy

The authority to collect an Accommodation Levy will rest with the City of Yellowknife (and other tax based Northwest Territories municipalities as provided in amendments to the *NWT Towns and Villages Act* or by a separate Act of the Legislative Assembly of the Northwest Territories). The City will have no authority to collect a Levy unless that power is granted to tax based municipalities by the GNWT.

### 2. Enabling By-Law

A "Tourism Marketing Levy By-Law" will be required to authorize local collection of the Levy. The text in this section is provided as an example of the sort of By-Law provisions that could be included in a Yellowknife Accommodation Levy By-Law.

#### (2) Definitions

- (a) "Accommodation" means the provision of lodging in hotels and motels and other similar lodging facilities licenced by the City of Yellowknife where the hotel, motel or facility consists of more than ten individual units or rooms that are offered as lodgings.
- (b) An "Operator" mean a person who in the normal course of business sells, offers to sell, and provides accommodation for a period of up to and including 30 days of continuous accommodation.
- (c) "Purchase price" means the price for which the accommodation is purchased not including GST.

#### (3) Application of the Levy

- (a) The Marketing Levy is hereby imposed by the City of Yellowknife at the rate of 3.0% of the purchase price of the accommodation.
- (b) The Marketing Levy imposed by the By-Law must be collected at the time of the sale on the total amount of the purchase price prior to the application of the GST and is required to be remitted to the City of Yellowknife at the prescribed times and in the prescribed manner.

(4) Exemption from the Levy

- (a) The Marketing Levy will not apply to a person for whom the daily purchase price of accommodation is \$50 or less (a lower limit provision is included in most Accommodation Levy By-Laws across Canada).
- (b) A student whom is accommodated in a building owned or operated by a post-secondary institution while the student is registered in and attending that institution.
- (c) A person who is accommodated in a room for more than 30 consecutive days.
- (d) A person, family member and/or designated medical escort who accommodated while the principal person is receiving medical care and/or medical advice. To obtain the exemption the person, family member and/or designated medical escort must provide the operator with a statement from the hospital or practitioner licenced to practice in the NWT specifying the dates that are included in the medical treatments and/or consultations.
- (e) Other specified persons as listed.

(5) Registration of Accommodation Operator

- (a) Every operator of a facility providing accommodations to which the By-Law applies shall apply to the City of Yellowknife for and be issued a Levy Accommodation Registration Number.
- (b) Where an operator carries on business at more than one place, he shall obtain a Registration Number for each individual place of business.
- (c) The Registration Certificate shall be displayed in a public place on the premises.
- (d) Where an operator changes his address, the name or nature of his business, he shall forthwith return his Registration Certificate for amendment.
- (e) A Registration Certificate is not transferable.

(6) Return and Remittance of Accommodation Levy

- (a) Unless otherwise provided, all operators must make separate monthly returns to the City of Yellowknife using the prescribed forms and quoting their Registration Number.
- (b) Returns shall be made and the Accommodation Levy remitted by the 15<sup>th</sup> day of the month following collection of the levy by the operator.
- (c) If the operator has collected no levy during the period, he shall still report using the prescribed form.
- (d) Where an operator ceases to carry on or disposes of his business he shall make a final return and remit the final levy collected within 15 days of the discontinuance or disposal of the business.

(7) Records

- (a) Every operator shall keep records sufficient to provide the City of Yellowknife with detail of accommodation sales, amount of the Levy collected and remittance of the Levy.
- (b) Records of the Levy collected must be kept separate from those of other taxes and entries.
- (c) Every operator must retain a record of account respecting the Levy and make such available to the City of Yellowknife on request.
- (d) Where an accommodation invoice and/or receipt or other document is issued by the operator the Accommodation Levy charge shall be shown separate from all other charges.

(8) Calculation of the Levy

- (a) Where an operator sells accommodation in combination with meals and other services the purchase price of the accommodation for purposes of calculating the Levy will be deemed to be the same as the price of accommodations when such accommodations are offered for sale at the same facility without the cost of meals or other services.

(9) Refund of Levy Collected in Error

- (a) If a Levy has been paid in error, the City of Yellowknife may refund the overpayment to the person entitled upon presentation of appropriate documentation.

(10) Interest

- (a) Interest payable for late remittance of Levy by an operator shall be calculated at \_\_\_\_\_.

(11) Inspection, Audit and Assessment

- (a) A person appointed by the City of Yellowknife may enter, upon reasonable notice, the business premises where the operator's records are kept to determine if the Levy By-Law applies to the business; if the operator is in compliance with the By-Law; and/or to inspect, audit or examine books of account or records respecting the Levy.

(12) Offense under the By-Law

- (a) A person who contravenes any provision of the By-Law is guilty of an offence punishable by summary conviction or on conviction is liable;

- a. On first conviction to a fine of not less than \$XXX and not more than \$XXX; and
- b. On a subsequent conviction to a fine of not less than \$XXX and not more than \$XXX.

(13) Effective Date

- (a) The Accommodation Levy By-Law is effective \_\_\_\_\_.

### **9.01 Penalties for Non-Compliance in Remitting the Levy**

Municipalities are using different methods. One is to make non-compliance a By-Law offence with specified penalties. For example \$500 in the first offence and higher levels if there are subsequent events.

### **10.01 Draft Levy Collection Guidelines for Accommodation Operators**

The following guidelines are adapted from the Regional Municipality of Halifax and are offered as an example only.

Accommodation Operator Registration

Registration processes are spelled out in the By-Law. Registration and Remittance Forms are available from the City of Yellowknife.

Collecting the Accommodation Levy

- a) Informing Your Customers: On the receipt, bill, invoice or other document issued for accommodations you must show the amount of the Accommodation Levy separate from the cost of lodging and the GST. The Marketing Levy is calculated only on the cost of lodging and not on the cost of the GST.
- b) If accommodation is sold in combination with meals or other services, the Levy only applies to the cost of the lodging without the specialized services. If these are never separated by the operator the cost of lodging should be calculated as 80% of the combined daily accommodation rate.

Changes to Your Business

- a) If you change the address, name or nature of your business you must apply for a new Registration Number.

- b) Your registration is not transferrable. A new operator/owner must apply for a new registration.

#### Remittance of Accommodation Levy

- a) Remittance of the Accommodation Levy is to be submitted by the 15<sup>th</sup> day of the month following collection of the Levy. A Remittance Form must be completed and filed even if no levy has been collected.
- b) To make a remittance mail your form with a cheque to the City of Yellowknife.

#### Marketing Levy Remittance Information Required

- a) The dates for the period from/to.
- b) Registration Number
- c) Corporate Name
- d) Operating Name (if different)
- e) Contact Name
- f) Telephone #
- g) Email
- h) Total Room Revenue for the Period
- i) Deduction for Refunds due to Errors
- j) Accommodation Levy Collected
- k) Accommodation Levy Remitted
- l) Total Number of Available Room Nights for the Month
- m) Total number of Room Nights Sold This Month

### **11.01 Who is Entitled to Use the Levy Funds Collected?**

In most Canadian communities the Levy funds collected are managed by a DMO created by a not-for-profit community-based Society. In a few cases (e.g. smaller communities in B.C. and Manitoba) the funds are managed by the community government, are accounted for separately and are designated for tourism related activities and tourism marketing.

### **12.01 Managing Accommodation Levy Funded Programs**

In Canada, British Columbia has the most fully developed Accommodation Levy program. The province has established approximately 60 eligible municipalities and eligible entities (villages, districts, regional districts and resort areas) that can apply to the province to increase the tax to 3% on short term accommodations collected in their behalf.

However, before the province will act on the request to collect and remit funds, a not-for-profit society Board of Directors must have been formed and have developed a detailed 5-year marketing plan and a 1-year action plan with measureable performance indicators.

That plan is subject to local and provincial review and once approved by the municipality and the province, funds are collected and remitted through the municipality to the designated tourism promotion society that is responsible for implementation. The province retains a collection and program administration fee of 1% of the taxes collected. It is understood that the funds cannot be used for visitor services such as “information centres” but are reserved strictly for tourism marketing.

Guidelines are in place to ensure that Boards of Directors represent key tourism promotion sectors and bring specialized tourism- appropriate personal competence to the Board.

### **13.01 Registration of a Not-for-Profit Society under the NWT Societies Act**

Like most DMOs operating in Canada it is recommended that the Yellowknife Destination Marketing Organization be incorporated as a not-for-profit Society. Standard incorporation provisions provided by the GNWT on its website may be acceptable but should be reviewed by legal counsel prior to proceeding.

Particular care should be given to sections of the By-Laws that are written to provide for:

- The name and purpose of the Society
- Appointment/Election of Directors
- Board Committees and Responsibilities
- Operating name of the DMO
- Membership in the Society and membership rights and responsibilities
- Funding and fund raising activities
- Public reporting and Board’s accountability
- Voting Rights of members
- Appointment/Election of Directors
- Responsibilities for program planning and budgeting
- Contracting rights and responsibilities
- Borrowing Limits

## 14.01 Creating a Yellowknife DMO

Yellowknife has a number of viable organizational options that could be used to create a DMO to develop and implement a “Destination Yellowknife” marketing plan.

- #1 – Encourage local tourism stakeholders to independently create and register a not-for-profit society for the specific purpose of establishing a Yellowknife DMO, governing the DMO and ensuring that funds available through the collection of an Accommodation Levy are transparently and effectively managed and used exclusively for marketing the City of Yellowknife as a year round tourism destination.
- #2– Facilitate the establishment of a DMO, by convening an open meeting of businesses, organizations and persons active in Yellowknife-based tourism. Use the “inclusion model” of membership enabling all persons who identify their primary activities as tourism in Yellowknife to participate. By a vote of participants, authorize the creation of a not-for-profit Destination Marketing Society and the DMO.
- #3 – Transitionally establish a DMO using a not-for-profit model, for a specified period of time (12-18 months). For that period, operate the transitional DMO as an extension of the City’s economic development activities. Facilitate the transition from a City of Yellowknife economic development activity to an independent not-for-profit Destination Marketing Society with its own mandate, Board of Directors and staff.

## 15.01 Not-for-Profit Society and DMO Funding Models

For DMOs that are not operated as a direct extension of a senior level of government, there are many different funding models.

However, for the majority, funding through a Levy on short term accommodations has become the most successful model.

In Canada two models have proven to be highly stable and successful. Both are based on the collection of mandatory levies to be used for destination marketing. One is British Columbia where the Province of British Columbia collects a tax from local accommodation providers and, after taking a 1% fee for collection and administration, it returns the balance of the fees collected to a local destination marketing organization to be used for tourism marketing and development. The other is in eastern Canada where the cities of Charlottetown, Prince Edward Island and St. John’s, Newfoundland and



Labradour have been given the authority to collect an Accommodation Levy up to a specified level and to use it for tourism marketing.

On the other hand, voluntary contributions from Destination Marketing Fees, collected by hotels, are still used in many areas. However these voluntary fee arrangements have proven to be problematic in many communities. In most jurisdictions where this is the practice the voluntary fee model has never come close to being as successful as mandatory levies. A good example of this is the work of *Canmore Business and Tourism* which, until July 2016, had been Canmore, Alberta's DMO. That DMO had achieved an award winning track record of increasing tourism in Canmore but had to be shut down when the percentage of hotels in Canmore that helped to fund the DMO by a voluntary DMF dropped to 20% of the total. The other hotel and accommodation providers were competing by promoting the fact that they didn't add a DMF to the guest's hotel bill. Ironically the Canmore DMO had increased tourism volumes so much that many businesses no longer saw any need for the DMO to continue.

In virtually all cases the funds generated by the Accommodation Levy are not the DMOs only source of funding.

### **16.01 Naming the Yellowknife DMO**

There is no specific requirement to be met in selecting the name for a Yellowknife DMO. However the most common formula is simply to connect the name of the municipality to the word "Destination." This makes it easier to fit into a category and have others' expectations align with the common nature of Destination Marketing Organizations. Another common option is to combine the name of the city with the word "Tourism."

### **17.01 Election of Directors to the Not-for-Profit Society**

There are a number of different ways this happens. In almost all cases the municipal government has had some role in directing the selection of the initial Board members. The local Hotel Association (or similar organization) may also play a selection role. Other stakeholders like tourism operators or funding organizations may be consulted about Board member selection in the DMO formation period.

Since the Board for the not-for-profit society is elected by members of the society, the issue of "membership" in the society also needs to be addressed from the outset. In

some cases there is a formal membership process, with a fee paid to the society by the member. Membership usually has categories based on corporate and individual membership categories. Membership may also include criteria that must be met before the membership fee may be paid and the member accepted. For example, is the member resident locally? Is the member engaged in some aspect of the tourism sector? In other communities the “inclusion model” may be applied with all persons who are active in tourism and are based in the local community are entitled to attend meetings of the society and vote on the election of Board members and other matters that require a vote of the membership.

The size of the Board of Directors is also a consideration. The number of directors needed should be discussed in relation to the anticipated director workload and the range of skills and experience required for the Board to be effective. Since Board positions are unpaid a larger number of directors may be better able to share the workload. In Canada, Boards for societies managing a DMO range in size from as few as five to as many as 21. The most common Board size is in the range of 11-13 members. Board of Directors positions are “voting” positions and directors are usually elected at the Annual General Meeting of the Society. Some Boards also provide for non-voting members..

### **18.01 DMO Planning, Priorities and Action**

Most DMOs in Canada do extensive annual planning to make best use of resources and to establish performance measurement standards.

Two types of planning should take place. The first is for a newly formed DMO is the development of a multi-year plan with specific longer term goals. The second is a shorter term 1-year Action Plan with performance measures.

One of the best DMO planning templates is found in the British Columbia “Municipal and Regional District Tax Program Requirements (Fall 2015) Guide – Appendix 1.2.”

The plan needs to identify marketing strategies, key markets, and targets that the community will focus on to build its tourism business and the steps it needs to take to achieve the desired results. The 5-year plan is intended to answer the following questions:

- What business objectives related to tourism does Yellowknife expect to achieve?
- What types of growth does Yellowknife want to achieve in relation to tourism?
- How will a Yellowknife DMO help to achieve these objectives

- What types of tourism products are needed?
- What type of visitor is Yellowknife hoping to attract?

### **19.01 Not-for-Profit Society and Public Accountability**

After financial sustainability the most critical issues most DMOs face are governance, accountability and transparency – with stakeholders and the larger Yellowknife community.

To be accountable, DMOs need to publicly address their choice of organizational structure, funding mechanisms, and decision making processes. Major leadership roles also need to be clearly identified and a leadership style chosen that consciously fits with the DMOs purpose. It is also important the DMO clearly spells out its purpose and commitment to transparency, accountability and responsibility.

The DMO needs to be incorporated separate from the City of Yellowknife but will be principally dependent on the City of Yellowknife’s ability to collect and manage proceeds of an Accommodation Levy collected from local hotel and motel operators. Of course it is anticipated that the DMO will also have additional funding sources. In other Canadian jurisdictions these include direct contributions from senior levels of government, local grants from the municipality and possibly membership fees.

The number of directors needed should be discussed in relation to the likely workload for directors. The Prince George, British Columbia allocation of 12 Board positions is an example of inclusion and representation. Their By-Laws provide for a total of 13 Board members but only 12 are currently named. The Board includes six hotels, the First Nation (Lheidli T’enneh) on whose lands the city sits, the Prince George City Government, two sports organizations (since they have identified sports tourism as a major influence in bringing visitors into their community), restaurants and transportation representation.

### **20.01 Allocation of Board Responsibilities**

To provide structural focus to Board activities it is recommended that the following positions be established within the Board:

- Chair
- Vice Chair (and Strategic Planning Lead)

- Secretary (and Public Engagement Lead)
- Treasurer
- Marketing Chair
- Product & Market Development Chair

The remaining Board members would work with other Board members as needed. The Board may choose to invite additional persons to attend Board meetings as non-voting stakeholders – for example representatives of the GNWT and City of Yellowknife elected and appointed officials.

### **21.01 The Importance of Competence-based Board Expertise**

A review DMOs across Canada makes it clear that most DMO Board members need to be competence-based “working” Board members. It will also be beneficial if potential directors can bring specialized expertise appropriate to strategic planning, marketing, branding, financial management and program and performance measurement.

Aligning the work of the DMO Board with broader economic issues will be a useful perspective for directors. In that regard, there are lessons to be learned from a report by the Halifax Regional Municipality Auditor General who examined activities and operations of Destination Halifax. In her February 2013 report she noted the importance of aligning DMO activities within a municipal economic development framework.

“A true strategy for economic development must be developed with clear and specific expected outcomes. Halifax Regional Municipality must ensure all economic development activities, particularly those of the Greater Halifax Partnership and Destination Halifax and, for example, the Marketing Levy Special Events Reserve that is aligned under one guiding strategy with clear and measurable outcomes.”<sup>3</sup> She also observed that integration of efforts across all economic development initiatives needed to be improved to maximize value.

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<sup>3</sup> Halifax Regional Municipality Auditor General. 2013. *Economic Development through Partnerships – A Performance Evaluation*. Page 12.

## **22.01 Staffing of a Yellowknife Destination Marketing Organization**

For DMOs that are not operated as a direct extension of a senior level of government, there are many different funding and governance models in Canada.

The most critical issue in establishing a successful DMO is the securing of adequate sustainable funding. Tax based funding through a levy on short term accommodation has become the most successful model in both Canada and the United States.

On the other hand, voluntary contributions from Destination Marketing Fees, collected by hotels, are still used in many areas. However these voluntary fee arrangements have proven to be problematic in many communities.

## **23.01 The Not-for-Profit Society and Public Accountability**

After financial sustainability the most critical issues most DMOs face are governance, accountability and transparency – with stakeholders and the larger Yellowknife community.

To be accountable, DMOs need to publicly address their choice of organizational structure, funding mechanisms, and decision making processes. Major leadership roles also need to be clearly identified and a leadership style chosen that consciously fits with the DMOs purpose. It is also important the DMO clearly spells out its purpose and commitment to transparency, accountability and responsibility.

The DMO needs to be incorporated separate from the City of Yellowknife but will be principally dependent on the City of Yellowknife's ability to collect and manage proceeds of an Accommodation Levy collected from local hotel and motel operators. Of course it is anticipated that the DMO will also have additional funding sources. In other Canadian jurisdictions these include direct contributions from senior levels of government, local grants from the municipality and possibly membership fees.

The number of directors needed should be discussed in relation to the likely workload for directors. The Prince George, British Columbia allocation of 12 Board positions is an example of inclusion and representation. Their By-Laws provide for a total of 13 Board members but only 12 are currently named. The Board includes six hotels, the First Nation (Lheidli T'enneh) on whose lands the city sits, the Prince George City Government, two sports organizations, restaurants and transportation representation.

## 24.01 Developing a Long Range Strategic Plan and Action Plan

Outcrop's research has confirmed that before funds are released to a DMO (or by the DMO to a sub-contractor) careful planning has become the standard. The degree to which this is formalized varies across provinces.

The most thorough requirement for plan approvals before funds are released is in British Columbia.<sup>4</sup> A Five-Year "Strategic Business Plan" and a One-Year "Tactical Plan with Performance Measures" is required. In some BC cases the plan is developed by the municipality and in others a not-for-profit society Board or an operating DMO takes on the planning.

British Columbia is a leader in facilitating the development of community-based destination marketing plans that are inclusive of all stakeholders. The provincial government offers support to cities and regions through the Tourism British Columbia Community Tourism Foundations program that provides resources to assist communities in developing their own comprehensive tourism plan. In the case of Prince George the Community Tourism Foundation led the development of a comprehensive plan that was inclusive of all stakeholders. It addresses not only current opportunities but also lays out plans for adding new experiences that will help to distinguish Prince George from other northern destinations by adding new tourism experiences that will motivate more tourists to visit Prince George.

Larger centres like Vancouver have opted to contract with external experts for assistance in developing their own "Tourism Master Plan." Plans go well beyond promotion and address the need for enhancement of visitor experiences, developing new products, events and services, leveraging cultural diversity, improving visitor transportation and connectivity between these products and events with communities and neighbourhoods. In the case of Vancouver the plan also addresses the need to develop new products and events in the 1<sup>st</sup> and 4<sup>th</sup> quarters to improve hotel occupancy throughout the year. All of this planning is being coordinated by Tourism Vancouver as the official destination marketing organization for Vancouver, the City of Vancouver and the Vancouver Economic Commission.

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<sup>4</sup> Government of British Columbia. *Municipal and Regional District Tax Program Requirements*. Fall 2015

## 25.01 Potential Contracting Out of Destination Marketing Services

Whether or not tourism marketing is contracted out depends in part on the source of the funds to be used for marketing, the goals of the DMO and specific long term DMO commitments.

Where the DMO funds come from a Destination Marketing Fund (DMF) made up of accommodation providers, the funds are usually contracted to a local Destination Marketing Organization or Tourism Association.

Where funds come from a tax or mandatory levy the most common allocation of funds is to a not-for-profit that has an independent Board of Directors that administers the funds in accordance with established By-Laws and an annual business plan that has stakeholder review and approval of the Board.

Outcrop's research has not identified overall destination marketing services being contracted out to organizations not already engaged in tourism marketing. However there is ample evidence that once strategic plans are made DMOs make use of creative marketing and advertising agencies for campaign execution.

In some cases funds collected for destination marketing through an accommodation levy are combined with funds and campaigns involving partnerships or other work with other tourism related organizations. For example in Edmonton the funds collected by the DMF are used to fund marketing initiatives of Edmonton Tourism and Edmonton Economic Development Corporation – each of which has their own separate Board and accountability processes.

On the other hand, in Banff, Tourism Banff/Lake Louise is contracted to provide marketing services to both communities. And in a larger centre like Calgary the funds collected by the DMF are split between campaigns delivered by Tourism Calgary and other local destination marketing initiatives. Tourism Calgary also receives funding from the City of Calgary, Calgary Economic Development, Calgary Sport Tourism Authority and Meetings & Conventions Calgary – all of whom have their own accountability practices and processes.

Where funds are collected by a provincial government (as in the case of British Columbia) they are returned to provincially registered local tourism marketing and services organizations to be used to direct and manage local destination marketing. In B.C. these funds collected using a Municipal and Regional District Tax (MRDT) on accommodation. Depending on the local community they can also be augmented by the collection of an up to 2% additional accommodation tax to increase the dollars available

for local destination marketing. Funds are only collected in municipalities and regions that have registered with the provincial government to have the tax collected in their area.

In smaller BC cities like Prince George a single organization, in this case Tourism Prince George, receives and manages the funds. Based on detailed multi-year planning, Tourism Prince George uses the funds to provide market development (including brand building), visitor services, product development leadership and organizational effectiveness in the areas of governance, engagement, staff development and policies and procedures.

### **26.01 Potential Contracting Out of Visitor Information Services**

Visitor services are often provided by staff that are separate from the day-to-day DMO operations. In many cases this appears to follow the historical development of visitor services within the community as separate from broad tourism development strategic planning and tourism marketing beyond the community to external audiences. Providers of visitor services are also seen as important stakeholders that can provide valuable input in the development of new products and helping operators address deficiencies. Since visitor services are often funded directly by senior levels of government to meet a need for public services the operating philosophy of those organizations is different from marketing organizations reaching out to engage and attract new visitors.

### **27.01 Potential to Use of Levy funds for Infrastructure Funding and/or Purposes other than Tourism Marketing**

In some jurisdictions the funds collected by an accommodation tax are more loosely associated with tourism marketing.

In Newfoundland the 4% accommodation tax goes almost entirely to pay down interest and debt on the City of St. John's Convention Centre. In Halifax, Nova Scotia a portion of funds collected is held back (up to 1/3rd) to be used by the Halifax Regional Municipality to fund activities that could become tourism attractions and to build up a "reserve fund" to support the construction or expansion of a major facility like a convention centre.



In Brandon, Manitoba community residents and not-for-profit groups can apply to the City to receive grants (from funds raised) for special projects that will bring visitors into the community. These are often regional sporting competitions or community cultural events.

**Outcrop Communications Ltd.**

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