



Draft for Public Consultation

City of Brampton:

***Business Case for a Tourism
Municipal Services Corporation***

March 2025

City of Brampton – Tourism Municipal Services Corporation

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Subject: Tourism Municipal Services Corporation

Prepared according to Section 6 of Ontario Regulation 599/06 (Municipal Services Corporations) as per section 203(4) of the *Municipal Act*, 2001, S.O. 2001, c.25 as amended or replaced from time to time (the “*Municipal Act*, 2001”).

Definitions

Eligible Tourism Entity: is a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality and may include the development of tourism products.

Municipal Accommodation Tax (“MAT”): is a tax on the purchase of transient accommodation in the municipality which funds tourism promotion and other projects that will benefit the local economy.

Municipal Services Corporation (“MSC”): is a corporation that is established by a municipality or by a municipality and one or more other public sector entities and whose purpose is to provide a system, service, or thing that the municipality itself could provide.

Transient Accommodation: is accommodation for a continuous period of stay of twenty-nine (29) nights or less; this continuous period is not disrupted by the purchase of different rooms, suites, beds or lodging in the same licensed establishment, such as a hotel, motel or bed and breakfast.

Background

On December 1, 2017, the Province of Ontario introduced a Transient Accommodation Tax under Ontario Regulation 435/17, permitting municipalities to implement a tax on local accommodations for the purpose of supporting tourism growth in the community.

The Brampton Tourism Strategy, published in 2021 and endorsed by Brampton City Council (the “Council”), recommended that the City of Brampton (the “City”) implement a four percent (4%) MAT and create a MSC for tourism that would become the City’s destination marketing organization and the recipient of fifty percent (50%) of MAT revenue.

On April 13, 2023, Council approved the City staff recommendation for a four percent (4%) MAT to be implemented. City staff was also approved for the preparation of a work plan to support the creation of a Municipal Services Corporation pursuant to the *Municipal Act*, 2001 requirements of Ontario Regulation 599/06, and other application legislation and regulations of the Province of Ontario.

Under the Province of Ontario regulation, the City is required to share a minimum of fifty percent (50%) of the MAT revenue with an Eligible Tourism Entity. As of 2025, the City does not have the required Eligible Tourism Entity Mandated by Ontario Regulation 435/17. Therefore, City staff propose establishing a MSC for tourism to serve as the Eligible Tourism Entity for the City.

Ontario Regulation 599/06 Municipal Services Corporation requires the City to prepare a business case study (the “Business Case”) for the proposed MSC for tourism and obtain approval of the Business Case by Council resolution.

Purpose

The City proposes the incorporation of a non-profit, non-share capital Corporation under the *Corporations Act* (Ontario) to be named **Brampton Tourism Development Corporation** (the “Tourism MSC”), if such name is available at the time of incorporation. The Corporation of the City of Brampton shall be the sole shareholder of the Tourism MSC.

The main objective of the Tourism MSC will be to work in partnership with the City to promote tourism activity. This Business Case outlines the Tourism MSC’s mandate, guiding principles, governance structure, funding, accountability and reporting.

Benefits of a Tourism Municipal Services Corporation

There will be many benefits to the local business community associated with establishing the Tourism MSC:

- a. Meeting the requirements of the Provincial Regulation for a non-profit tourism organization to serve as a destination marketing organization that makes use of a minimum of fifty percent (50%) of the MAT revenues
- b. Establish the City as sole voting member to select and elect the Board of Directors that will determine the governance framework for business plans, expenditures and policies
- c. The Tourism MSC shall have access to City resources and industry expertise in the areas of destination marketing, economic development, investment attraction and strategic tourism investment planning through the involvement of experienced City staff and external stakeholders
- d. Establishing the Tourism MSC will allow City staff to continue to work and operate under the current work structure and organizational chart. This allows for a seamless transition and a continued focus on the City’s current ongoing Tourism initiatives

- e. The elected Board of Directors will provide governance, structure and leadership for strategic decision making with regards to the spending of MAT. The elected Board of Directors decisions on MAT will direct City staff on the execution of Tourism programming and promotions
- f. Create accountability and transparency for City tourism stakeholders and Council on the spending of MAT
- g. The Tourism MSC will be mandated to increase economic activity through the attraction of visitors to the City – providing direct financial impact to local businesses such as restaurants, accommodations, conference centres, event suppliers, and the arts community

Mandate and Objectives

The mandate of the Tourism MSC will be the promotion of tourism and tourism product development in alignment with the Brampton Tourism Strategy. The Tourism MSC will provide funding and promotional support to community partners, tourism industry businesses and stakeholders that stimulate the City's economy.

The Brampton Tourism Strategy will provide a foundation for strategic planning during the Tourism MSC's inception period. The Tourism MSC will also obtain feedback and direction from its Board of Directors and a community-based, voluntary tourism advisory committee. The Tourism MSC will use the funds collected from MAT to implement initiatives that attract business activity and promote the City as a destination, as directed by the Board of Directors.

Core Principles

The following core principles will guide the Tourism MSC. The core principles are guided under four areas of focus: engagement, promotion, development and attraction.

- *Engagement:* The Tourism MSC will engage with tourism industry stakeholders to solicit feedback, facilitate collaboration and collect data to support decision making regarding the use of MAT revenue
- *Promotion:* The Tourism MSC will actively research, plan and implement tourism promotion opportunities that attract visitors, events and businesses to the City
- *Development:* The Tourism MSC will proactively engage in tourism product developments that have the potential to enhance the visitor experience
- *Attraction:* The Tourism MSC will conduct in-depth analysis on opportunities to attract business, sport or cultural events to the City for the purpose of attracting new visitors.

Key Responsibilities

The Tourism MSC will have responsibilities to Brampton's tourism industry and to the City to provide transparency and accountability on meeting the core principles;

- a) The Tourism MSC will act as steward and receiver of a minimum of fifty percent (50%) funds issued by the City from the MAT collection;
- b) The Tourism MSC's business plan and/or guiding documents will be the Brampton Tourism Strategy, including all updates;
- c) The Tourism MSC will engage in tourism promotion and tourism product development in the City;
- d) The Tourism MSC will act as a vehicle for moving funding to third parties. This process shall enhance, but does not seek to replace, existing municipal funding;
- e) The Tourism MSC will report to Council at least once a year or as otherwise stipulated in the Tourism MSC's by-laws; and
- f) The Tourism MSC will undertake its work based on objective decision-making processes that are accountable and transparent, resulting in City-wide benefits.

Governance, Structure and Incorporation

The City must submit an application to the Province of Ontario to incorporate a non-share capital Corporation as per the *Corporations Act* (Ontario). The City's Legal Services will draft a patent letter to apply for the incorporation of the Tourism MSC. The application will include the following items;

- a) Name of the Corporation: Brampton Tourism Development Corporation
- b) Address of the Corporation: Brampton City Hall, 2 Wellington St. West
- c) Interim Directors of the Board of Directors

It is proposed that City staff act as the interim directors until a full time Board of Directors can be elected/appointed by Council.

City staff will bring a report to Council with municipal benchmarking and options relating to the Board of Directors composition. Once a full time Board of Directors is established, the interim directors, if not part of the full time Board of Directors, will be invited to attend meetings and continue a relationship with in an advisory (non-voting) capacity.

The City's Strategic Communications, Tourism and Events staff will work with the Tourism MSC's Board of Directors to establish a community-based, voluntary, tourism advisory committee (the "Committee"). The Committee will be composed of City business operators representing different sectors, including; accommodations, attractions, events, restaurants and economic development areas.

Service Level Agreement

Ontario Regulation 435/17 requires a municipality and each eligible tourism entity that receives an amount of MAT revenue to enter into an agreement to respect reasonable financial accountability matters in order to ensure that amounts paid to the entity are used for the exclusive purpose of promoting tourism.

This agreement can be prepared by the City's Legal Services in the form of a Service Level Agreement or Memorandum of Understanding.

Funding, Budget and Collection of MAT Funds

- a) *Impact on City Tax:* Tourism MSC will have no impact on the City tax levy as it is funded entirely from the MAT revenues.
- b) *Accounts:* Trust and bank accounts separate from City's accounts will be set up to record and report on the Tourism MSC transactions.
- c) *Financial Statements:* The audited Financial Statements and the report from the auditor are to be presented to Tourism MSC Board of Directors on an annual basis at the Tourism MSC's annual general meeting ("AGM").
- d) *Auditor:* The designated auditor for the Tourism MSC shall be the auditor of the City.
- e) *City MAT Reserve Fund:* At the Council meeting on April 12, 2023, Council approved a new reserve fund titled "Municipal Accommodation Tax" be established as a holding account for the revenue collected from MAT. This was completed and the City has been collecting this revenue since January 1, 2024.
- f) *Tourism MSC Reserve Fund:* The City will develop a reserve fund for the Tourism MSC, which the collection of 50% of MAT funds will be transferred to by the City.
- g) *Collection of Funds:* The City's Tourism Staff and Accounting Services Staff will continue to work together to collect the MAT revenues from thirteen (13) Brampton accommodation businesses.
- h) *MAT Revenue:* As of January 31, 2025, the City has collected one million eight hundred fifteen thousand eight hundred and twenty-six dollars (\$1,815,826) in MAT revenue over the course of twelve (12) months of collection. It is estimated that approximately nine hundred and seven thousand nine hundred and thirteen dollars (\$907,913) in revenue will be provided to the City, and nine hundred and seven thousand nine hundred and thirteen dollars (\$907,913) to the Tourism MSC on an annual basis.
- i) *MSC Annual and Multi-Year Operating Budget:* The Tourism MSC will be funded from a minimum of fifty percent (50%) of the proceeds of the MAT revenues. The annual operating budget and multi-year operating budget will be the responsibility of the Tourism MSC's Board of Directors. The Tourism MSC will report audited financials at its annual general meeting.

Accountability and Reporting

The Tourism MSC will initially use the Brampton Tourism Strategy as the guiding document. The Tourism MSC will develop and return to the City with a multi-year business plan to support its funding and activities. Ontario Regulation 599/06 will deem the Tourism MSC to be an institution for the purposes of the *Municipal Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c. M. 56* ("MFIPPA"), once formed. As such, all records, including decisions made and financial records, must be maintained in accordance with the City's policies and procedures.

A report to Council will take place at least once a year outlining the budget, planned spending, key objectives and performance measures.

Conclusion

The City of Brampton has been collecting MAT since January 1, 2024, with over one million eight hundred thousand dollars (\$1,800,000) collected by the end of 2024. Fifty percent (50%) of the MAT revenue is required to be provided to a non-profit Eligible Tourism Entity as per Ontario Regulation 435/17. City staff propose the creation of a Tourism MSC to meet the needs of the Ontario Regulation, and to gain access to fifty percent (50%) of the MAT funds and build its ability to promote the City of Brampton as a destination.

There are clear benefits to creating a Tourism MSC, these include; meeting the Ontario Regulation requirements, establishing the City as sole voting member, providing governance, structure, accountability and transparency when building destination marketing programs.

Council will appoint an interim Board of Directors that will provide initial guidance on how the MAT funds are spent by the Tourism MSC. A supplementary Tourism Advisory Committee will also be established to provide recommendations on spending to the Tourism MSC Board of Directors. In addition, annual reports back to Council will maintain accountability and transparency in MAT fund spending.

The Tourism MSC will promote the City as a destination for visitors and a place to do business. The Business Case is a step forward for this new Municipal Services Corporation with a mandate to promote tourism, in alignment with the Brampton Tourism Strategy. Establishing a Tourism MSC allows the City to enhance its role in growing Brampton as a destination, welcome visitors to the City, and support local businesses. The Tourism MSC is established based on Ontario Regulation 599/06 and Ontario Regulation 435/17.