



Business Case Study: 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.

Preface

This business case is being presented at this time as a final document. The draft document was finalized based on public input received through an online information portal that included the draft business case study along with general information related to the Municipal Accommodation Tax and a survey to gather public input.

1.0 Purpose

Under the authority of Ontario Regulation 435/17: Transient Accommodation Tax of the Ontario Municipal Act, 2001, the Municipality of Lambton Shores intends to collect the Municipal Accommodation Tax (MAT) for transient accommodation in Lambton Shores at hotels, motels, and short-term rentals. The regulation requires the Municipality to share a minimum of 50% of MAT revenues (less the Municipality's reasonable costs of collecting and administering the tax) with an entity that is designated as an Eligible Tourism Entity.

Lambton Shores intends to incorporate a non-profit Municipal Services Corporation to serve as the eligible tourism entity for the purposes of the MAT. The entity will be named "**Discover Lambton Shores Inc.**" assuming such a name is available at the time of incorporation. The Municipality has proactively secured the domain "Discoverlambtonshores.ca and "Discoverlambtonshores.com" for use by the corporation

This Business Case Study provides information on the benefits of a Municipal Services Corporation and a proposed governance framework for the Corporation. Specifically, this document sets out the objectives of the Corporation and its mandate, guiding objectives, governance structure, funding sources, accountability, reporting and implementation strategy.



2.0 Defined Terms

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 things that the municipality itself could provide.

Transient Accommodation is accommodation for a continuous period of stay of 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 short-term rental.

3.0 Background

Tourism is defined as all activities that people engage in when travelling outside their usual environment for any purpose. A visitor is someone who takes an overnight out-of-town trip or an out-of-town same-day trip of 40 kilometres or more away from their home for leisure, business, or other purposes.

Tourism plays a significant economic, social and cultural role in communities across Ontario and provides benefits to local businesses and residents. The Province of Ontario developed the Municipal Accommodation Tax (MAT) as a funding source to support tourism in communities and allow growth in the sector, so tourism continues to contribute to economic growth and development across Ontario.

The Municipality of Lambton Shores intends to collect MAT for transient stays at hotels, motels and short-term rentals. The Municipality intends to establish a Municipal Service Corporation as the Eligible Tourism Entity to share 50% of revenue collected from MAT.

Ontario Regulation 599/06: Municipal Services Corporations requires the Municipality to prepare a Business Case Study for the proposed corporation and obtain approval of the Business Case by Council Resolution.



The Business Case Study presented herein fulfills the requirements of Regulation 599/06.

4.0 Mandate and Objectives

The mandate of the Corporation will be the promotion of tourism in Lambton Shores. With the implementation of MAT, funding will be accessible to support tourism initiatives.

The following objectives will guide the Corporation in decision making throughout its lifecycle:

- a) The Corporation will act as steward and receiver of funds from MAT.
- b) The Corporation will report to Council at least once per calendar year.
- c) The Corporation will undertake its work based on objective decision-making processes that are accountable and transparent.
- d) The Corporation will engage in tourism promotion in Lambton Shores.
- e) The Corporation will have the ability to fund non-profit third-party organizations for the purpose of supporting tourism projects and events.
- f) The Corporation will engage in tourism product development in Lambton Shores. *
- g) The Corporation will develop a tourism strategy for Lambton Shores.
- h) The Corporation will undertake projects that contribute to tourism in Lambton Shores.
- i) The Corporation will underwrite event applications in partnership with third parties for events taking place in Lambton Shores.

* Product development includes the development of brochures, maps, guides, apps etc.

5.0 Analysis

5.1 Benefits of a Municipal Services Corporation

The benefits of establishing a Municipal Services Corporation include:

- Satisfying the Province's requirement for a non-profit tourism entity to serve as an Eligible Tourism Entity that utilizes a minimum of 50% of the MAT revenues.



- The Municipal Services Corporation model provides accountability, corporate responsibility and reasonable controls through the role of the voting members.
- Ensures the work of the Municipal Services Corporation promotes and supports tourism and contributes to local economic growth and development specific to Lambton Shores.
- The establishment of a Municipal Services Corporation ensures local community members are represented in the decision-making process regarding the application of MAT funds

5.2 Governance Structure and Incorporation

To proceed with the establishment of the Corporation, the Municipality must submit an application to the Province to incorporate a not-for-profit corporation under the Ontario Not-for-Profit Corporations Act, 2010 (The Corporation will be created by way of articles of incorporation that will be drafted with the assistance of the Municipality's Solicitor and approved by Council.

The application will include the following information:

- a) Name of the Corporation: Discover Lambton Shores Inc.
- b) Address of the Head Office: 9577 Port Franks Road, Thedford ON N0M 2N0

The Board of Directors will have oversight and critical decision-making roles concerning the operation of the Corporation. Municipal staff in consultation with the Municipal Solicitor will work to develop the legally required agreements, policies and incorporation documents.

The Board of Directors will develop its By-laws, budget and other details to bring the Corporation to a complete stage of operation.

- c) The Board of Directors will include the following nine (9) members:
 - Lambton Shores Mayor
 - One (1) Member of Council
 - Lambton Shores CAO or designate
 - A designate from the Forest BIA
 - A designate from the Grand Bend Area Chamber of Commerce and Tourism
 - A designate from Tourism Sarnia-Lambton
 - A member of the accommodation sector (hotel\motel\short term rental)
 - A member of the Hospitality/restaurant sector
 - A member of the public at large



- d) Objectives of the Corporation are limited to the promotion and supply of services supporting tourism in the Municipality of Lambton Shores. This provision does not preclude the marketing of places or events in neighbouring municipalities where the Board deems there to be a tourism benefit to Lambton Shores.
- e) Special Provisions:
- The Corporation is limited to providing services to members of the Corporation on behalf of the Municipality of Lambton Shores in place of the municipality providing those services.
 - Directors shall serve without remuneration, and no Director shall directly or indirectly receive any profit from their position as such, provided that a Director may be reimbursed for reasonable expenses incurred in performing their duties. A Director shall not be prohibited from receiving compensation for services provided to the Corporation for other duties.
 - Upon the dissolution of the Corporation and after payment of all debts and liabilities, the Corporation's remaining property shall be distributed, or disposed of, to the Corporation of the Municipality of Lambton Shores.

The letters, patents and the By-laws of the Corporation will set out the power of the Corporation, its membership structure, and the process for making changes to the Corporation's By-laws.

5.3 Funding, Budget and Collection of MAT Funds

5.3.1 Financial Impact of MAT

It is anticipated that the MAT, levied at 4%, will generate approximately \$400,000 in annual revenue to the Municipality, based on current known short-term accommodations. The total generated revenue will be divided equally between the Municipality and the Corporation, less the Municipality's reasonable costs of collecting and administering the MAT.

5.3.2 Corporation Annual and Multi-Year Operating Budget

The Corporation is responsible for the creation and management of its budget.

5.3.3 Loan from the Municipality for Startup Costs

The nominal costs to establish the Corporation, such as incorporation fee, purchase of accounting software, and staff costs to perform financial and/or administrative duties of the Corporation, will be funded by the Municipality through a loan to be repaid by the Corporation. Any such loan or assistance whether



monetary or in-kind shall be reported by the municipal treasurer (Director of Financial Services) as required by O.Reg 599/06.

5.3.4 Agreement

The Corporation will enter into an agreement with the Municipality respecting reasonable financial accountability matters to ensure that the amounts paid to the Corporation are used for the sole purposes as outlined in the Corporation’s mandate.

5.3.5 Accountability and Reporting

The above noted agreement will also outline the requirements for the Corporation to report to Council at least annually, or as otherwise agreed to. Such report shall inform Council on the tourism activities and promotion undertaken by the Corporation in Lambton Shores and how use of the MAT revenue supported those activities.

6.0 Conclusion

The Business case for a new Corporation mandated to promote tourism is established based on Ontario Regulation 599/06: Municipal Services Corporations and Ontario Regulation 435/17: Transient Accommodation Tax. The establishment of a tourism focused MSC will allow the Municipality to distribute 50% of the MAT funding to an Eligible Tourism Entity whose mandate is to focus on tourism in Lambton Shores. The Corporation will help to advance the Municipality’s position as a world class tourist destination.

Approved by Council Resolution: _____

Dated: _____

Mayor

Clerk