



The Corporation of the City of Courtenay

Staff Report

To: Council

From: Director of Finance

Subject: 2024 MRDT Annual Performance Report

File No.: 6900-01 (2024)

Date: May 21, 2025

PURPOSE:

To seek Council approval of the 2024 Municipal and Regional District Tax (MRDT) Annual Performance and Financial Reports submitted by Experience Comox Valley (4VI), for onward submission to Destination BC.

EXECUTIVE SUMMARY:

Governance of the MRDT is supported by a Tourism Advisory Committee (TAC). Under the agreement between the City of Courtenay and 4VI, 4VI is responsible for the management, delivery, and reporting of MRDT funds on the City's behalf. As part of this agreement, 4VI is required to submit an Annual Performance Report and Financial Report for City review and Council approval.

BACKGROUND:

The City of Courtenay's participation in the MRDT program was re-established in 2021 following the dissolution of the Comox Valley Economic Development Society (CVEDS). The previous MRDT regulation was repealed as of August 31, 2021, and a new application was submitted and approved by the BC Ministry of Finance, effective September 1, 2021.

On September 27, 2021, Council approved an agreement with 4VI, the official Destination Management Organization (DMO) for Courtenay, to manage, deliver, and report on MRDT-funded activities.

DISCUSSION:

As of 2024, the City of Courtenay has established a dedicated reserve to hold all Municipal and Regional District Tax (MRDT) revenues, including the portion collected from Online Accommodation Platforms (OAP). This Reserve improves financial transparency and oversight by centralizing the management of MRDT funds.

MRDT is collected from two different accommodation types and the revenue is tracked separately:

- General MRDT Revenue - collected from traditional accommodation providers, including hotels and motels, bed and breakfasts, and vacation rental reservation systems that list properties with verifiable property managers.
- Online Accommodation Platform (OAP) MRDT Revenue - collected from online marketplaces that facilitate transactions for renting short-term accommodations and typically list basement suites, individual rooms, or other forms of accommodations.

The OAP-designated portion continues to be reserved specifically for affordable housing initiatives, consistent with provincial requirements and Council's strategic objectives.

While MRDT revenue and expenses are recorded on an accrual basis, timing differences in expenditures - particularly related to OAP funds - may impact the City's annual surplus or deficit. However, the delivery of

tourism services remains cost-neutral to the City's general operations, as these services are fully funded through MRDT revenues rather than general taxation.

MRDT revenues are collected by the Province and remitted to the City on a monthly basis, then deposited into the reserve. Funds are transferred to Experience Comox Valley (4VI) upon submission and approval of eligible expenses related to tourism marketing and management.

4VI is responsible for:

- Maintaining accurate accounting records for MRDT-funded activities
- Providing timely financial reporting to the City
- Preparing and submitting the required Annual Performance Report and Financial Report

The attached 2024 reports confirm that 4VI continues to fulfill its obligations in managing and promoting tourism on behalf of the City of Courtenay.

POLICY ANALYSIS:

Section 123 of the Provincial Sales Tax Act authorizes a tax of up to 3% on short-term accommodation in designated areas; the City of Courtenay's rate is 2%. The Designated Accommodation Area Tax Regulation (B.C. Reg. 93/2013) outlines eligible uses of MRDT funds, including tourism marketing and, where approved, affordable housing initiatives.

As the designated recipient, the City is responsible for ensuring compliance with provincial requirements, including the submission of annual performance and financial reports to Destination BC.

FINANCIAL IMPLICATIONS:

In 2024, the MRDT generated \$570,112 in revenue, comprised of \$462,611 from standard MRDT sources and \$107,501 from Online Accommodation Platform (OAP) contributions. This represents a decrease from 2023 revenues of \$698,328 (MRDT: \$417,521; OAP: \$280,807), primarily due to changes in provincial legislative changes introduced in May 2024, including the new Principal Residence Requirement for short-term rentals.

As of December 31, 2024, the OAP fund balance held by the City is \$1,062,534 which is reserved for affordable housing initiatives. Planning is currently underway to develop a coordinated strategy for the use of these funds, involving the Finance, Development Services, and Recreation and Community Services departments, in collaboration with regional and provincial partners.

With the administrative support provided by 4VI, there are no direct budget implications to the City for the delivery of MRDT-funded tourism services.

2025 Outlook:

Looking ahead, MRDT revenues from traditional accommodations are expected to remain stable or grow modestly, while OAP revenues may continue to decline. The OAP portion of MRDT dropped significantly in 2024 (from ~\$280K to ~\$107K), a decline of over 60%. If the Principal Residence Requirement continues to restrict the number of eligible short-term rental listings, OAP revenue in 2025 is likely to remain low or decline further unless offset by market adaptation or compliance improvements. The City will continue to monitor these trends for financial planning and Reserve management.

ADMINISTRATIVE IMPLICATIONS:

Once Council approves the 2024 Municipal and Regional District Tax (MRDT) Annual Performance Report and Financial Report, they will be submitted to Destination BC.

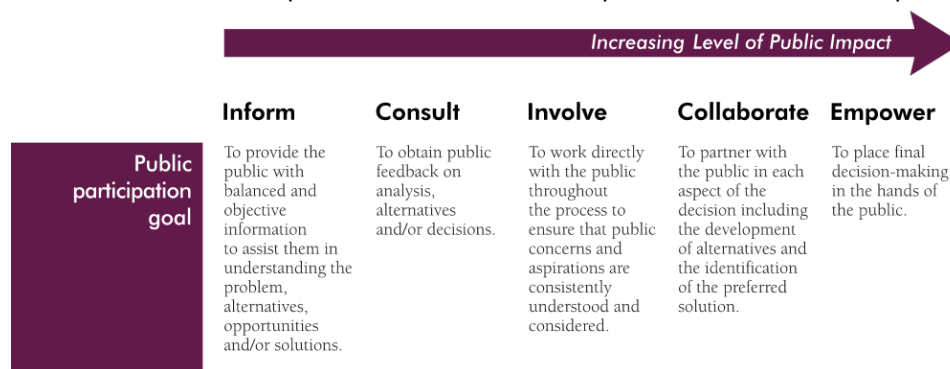
STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following cardinal direction:

- **COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE** by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

PUBLIC ENGAGEMENT:

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



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OPTIONS:

1. THAT Council approve the 2024 MRDT Annual Performance and Financial Reports.
2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

1. Appendix 2.1 - 2024 Financial Report
2. Appendix 2.2 - 2024 Annual Performance Report
3. Appendix 2.4 - 2024 Annual Affordable Housing MRDT Report

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