

Town of Whitby

Staff Report

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Report Title: Municipal Accommodation Tax Reserve Fund Policy

Report to: Committee of the Whole

Date of meeting: September 16, 2024

Report Number: FS 32-24

Department(s) Responsible:

Financial Services Department

Submitted by:

Fuwing Wong, Commissioner of
Financial Services / Treasurer

Acknowledged by M. Gaskell, Chief Administrative Officer

For additional information, contact:

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1. Recommendation:

That Council approve the creation of the Municipal Accommodation Tax Reserve Fund and the affiliated reserve fund policy included in Attachment 1 of Report FS 32-24.

2. Highlights:

- Staff recommend the creation of a new discretionary program reserve fund, the Municipal Accommodation Tax Reserve Fund.
- The Municipal Accommodation Tax Reserve Fund will be governed by the reserve fund policy proposed in Attachment 1 of this report.
- The purpose of the reserve fund is to provide a source of funding for tourism-related programs, infrastructure, staffing, and services that support visitors to Whitby.

3. Background:

The Municipal Act, 2001, S.O. 2001, c.25 (“**Act**”) allows municipalities to impose a local tax levied on the purchase of transient accommodations from providers such as hotels and motels. The purpose of the tax is to generate revenue to support local tourism initiatives. The Town passed By-law [8082-24](#) on May 27, 2024 establishing a Municipal Accommodation Tax (“**MAT**”) effective July 1, 2024.

The Act requires municipalities to allocate 50 per cent of the MAT revenues (after deduction of the municipality's reasonable costs for collecting and administering the tax) to an "eligible tourism entity". The Town will be establishing a Municipal Services Corporation, the Whitby Tourism Development Corporation, as the eligible tourism entity. The other 50 per cent of the net MAT revenues remain with the municipality. MAT revenues retained by the Town will be transferred to the Municipal Accommodation Tax Reserve Fund. Unspent MAT funds will accumulate in the reserve to be used in future years.

This report satisfies the requirements for establishing a reserve or reserve fund as provided by Subsection 7.2 of the Town's Reserve and Reserve Fund Policy ([F390](#)).

4. Discussion:

Staff recommend the creation of a new discretionary program reserve fund for the Municipal Accommodation Tax. This reserve fund will provide a source of funding for tourism-related programs, infrastructure, staffing, and services that support visitors to Whitby.

The proposed policy to govern the Municipal Accommodation Tax Reserve Fund is included in Attachment 1 of this report.

The purpose of this program reserve is to provide a funding source that will offset or mitigate the use of tax-based funding for eligible projects. There is no initial contribution to this reserve fund, but future contributions will be funded from 50 per cent of Municipal Accommodation Tax revenues collected from accommodation providers.

In accordance with the Town's Reserve and Reserve Fund Policy, the MAT Reserve Fund shall be reviewed on an annual basis. As part of the annual review, the MAT Reserve Fund Policy will also be reviewed and any necessary changes be made.

5. Financial Considerations:

Since the implementation of the MAT by-law, the Town is expecting to receive just over \$42,000 (gross) related to July 2024 MAT revenues. As noted above, reasonable costs for collection and administration will be deducted before allocating 50% to the Whitby Tourism Development Corporation and 50% to the MAT reserve fund.

Aside from property taxes, the Town does not have other dedicated and on-going funding sources for tourism-related projects. Staff will consider MAT revenues and reserve fund balances when proposing projects to be funded from the Municipal Accommodation Tax Reserve Fund.

6. Communication and Public Engagement:

Not Applicable

7. Input from Departments/Sources:

This report incorporates feedback from Strategic Initiatives and the Policy Co-ordination Committee.

8. Strategic Priorities:

The recommendations in this report support the following Community Strategic Plan priorities:

- Pillar 3: Action Item 3.1.3 – Implement actions to enhance Whitby’s tourism sector, including a focus on the waterfront
- Pillar 3: Action Item 3.2.5 – Implement initiatives that support our downtowns as thriving destinations

9. Attachments:

Attachment 1 – Municipal Accommodation Tax Reserve Fund Policy