

TOURISM VICTORIA



Marketing our favourite destination



In Full Swing

**TOURISM VICTORIA
2014 ANNUAL REPORT**

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Message from the Chair



After long recovery period, 2014 will be noted as the year that Victoria's regional tourism economy surpassed 2008 levels and started earning its share of global tourism growth. On behalf of the Board of Tourism Victoria, I am pleased to report that the organization has now completed a very successful first year with CEO, Paul Nurse and performance to date indicates the presence of strong fundamentals that are actively inspiring confidence in our Destination Marketing Organization (DMO) and destination. After a year of renewal that increased executive and governance capacity, the Board is confident that Tourism Victoria is well positioned in 2015 to capitalize on strategic partnerships and leverage opportunities in key markets.

As we move into high season, the Board and staff of Tourism Victoria believe that success will be driven by more than just sunshine and a low dollar; it is important for all tourism stakeholders to realize that Tourism Victoria has put key fundamentals in place to inspire member and investor confidence in our growing destination. On the supply side, Greater Victoria has a wide range of engaging experiences and many high quality accommodation choices. On the demand

side we are increasingly well-served by a competitive and competent Tourism Victoria that is driving for freshness, innovation and disruption.

Underpinning the exciting creative initiatives being delivered by the Sales & Marketing teams, the Board continues to ensure a robust governance structure that generates well-thought-out strategy and productive oversight. Tourism Victoria is led by an engaged strategic Board that encourages innovation and our governance is strong and always improving. 2014 saw the expansion of our committee structure to provide better oversight of Risk and HR and with the creation of a new CFO position, the Board is pleased to report improvements in both financial oversight and strategy. Perhaps the year's highlight was that Staff completed our last three year strategic plan one year early, thereby allowing us to engage our Executive Team in delivering a new three year Strategic Plan.

With the addition of Rob Ringma, Director of Sales and Alan Paige, CFO and VP Strategy Management, Tourism Victoria has a reinvigorated executive team that has been challenging status quo and delivering high quality work. While Tourism Victoria continues to win many key awards like BCAMA Marketer of the Year and members continue to win many accolades, Tourism Victoria staff remains focused and is finding new ways to work productively with the Victoria Conference Centre and other key tourism partners like Destination British Columbia (DBC). A continued focus for 2015 will be on building strategic partnerships with Members and other Regional and Provincial Tourism stakeholders. Similarly, further efforts will be designed to retain and engage our active and growing membership.

In the coming months your Board will be working hard to once again affirm that Tourism is recognized as a top economic contributor to the regional economy of Greater Victoria. With over 800 business members throughout the Capital Regional District, we are hopeful that visitors will stay longer and truly explore our region and that a prosperous 2015 will deliver year-round business for all members.

Yours in Tourism,

A handwritten signature in black ink that reads "Dave Cowen". The signature is stylized and written in a cursive-like font.

Dave Cowen
Chair, Board of Directors

Message from the President & CEO

Some key industry measures achieved in 2014 include reaching an occupancy rate of 66.66 per cent and increase of 2.33 per cent over 2013. Revenue Per Available Room (RevPAR) also increased by nine per cent to \$89.87 and the Victoria International Airport saw passenger volumes increase to 1,650,165, an increase of 5.99 per cent.

The industry in Greater Victoria successfully completed the business targets set out in the 2013-2015 Strategic Plan one year early. Tourism Victoria's three overarching goals outlined in the 2013-2015 plan, "We Will" were all achieved within two years:

1. A workable plan for the revitalization of the Inner Harbour was achieved and advanced into the Provincial Government. Redevelopment of the Belleville Terminal is now part of the Government of British Columbia's new (2015) Transportation Plan.
2. Victoria became a leader in consumer centric metrics with rankings on TripAdvisor improving from #7 in 2013 to the #5 Destination in Canada in 2014.
3. The targeted cumulative 4.50 per cent occupancy increase was achieved in two years as destination occupancy increased from 62.25 per cent at the start of 2013 to 66.66 per cent by December 31, 2014.



As a result of having achieved the overarching targets of the three year strategy one year ahead of schedule, a great deal of energy was invested in 2014 seeking input on and ultimately developing a new three year strategy entitled Accelerating Growth released in February 2015.

Internally at Tourism Victoria, a comprehensive organizational review was completed in the first half of 2014. This resulted in moves to reduce structural overhead, re-invest resources into core functions of sales and marketing and to build capacity in critical areas such as content marketing and more robust support for our governance process.

One key improvement in 2014 was to increase accountability and transparency for results. Tourism Victoria placed emphasis on independent third party evaluations of the organization's major advertising campaign. The organization has consistently been celebrated for highly creative and impactful marketing and now we can empirically and beyond a shadow of a doubt say that Tourism Victoria's marketing efforts produce significant conversion of 39:1 and over 10,400 incremental visitors from Seattle were influenced from the 2014 Seattle campaign.

In 2014, Tourism Victoria management, supported by its Board of Directors, often undertook difficult work to put the organization on a much more lean and sustainable path. A mantra of running the organization in a leaner and outcomes-driven environment was adopted with careful scrutiny placed on improving the organization's overall cash flow and financial sustainability.

I am particularly proud of the many achievements of the Tourism Victoria staff in 2014 including turning the Visitor Centre into a commercial success, growing membership, re-invigorating the travel trade channel including: sending business leads to members, collaboration with the Victoria Conference Centre (VCC) and convention hotels through the Victoria Conference Optimization Network (VCON) and releasing a dynamic destination video which now has over 85,000 organic YouTube views. This was all followed by ultimately being named British Columbia's Marketer of the Year by the BC Chapter of the American Marketing Association for 2014.

Thank-you to the passionate and engaged staff who embraced change in 2014 and to the valued members who welcomed me to Greater Victoria.

Onward and upward,

Paul Nursey
President & CEO

A handwritten signature in black ink that reads "Paul Nursey". The signature is written in a cursive, flowing style.

Our Mission & Vision

Our Mission

We inspire the world to experience our destination.

Our Vision

Tourism Victoria will be internationally recognized as a leader in sustainable tourism development, ensuring Greater Victoria remains one of the top destinations in the world.

Brand Promise

Victoria is where old-world tradition meets new-world experiences. Our guests are rejuvenated by fresh ocean air and are inspired by our warm, island welcome and year-round, natural beauty.

Brand Definition: Full of Life™

Few places on earth are as full of life – on every level – as Victoria. From wildlife, to plant life, to arts and cultural life, our fair city offers a complete experience that is rejuvenating, fun filled and inspiring.

Full of life is exactly what and who we are. This moves the needle forward for Victoria and puts to rest, once and for all, the tired old definitions of us. Full of life personifies Victoria in a positive and true fashion.

Brand Portfolio

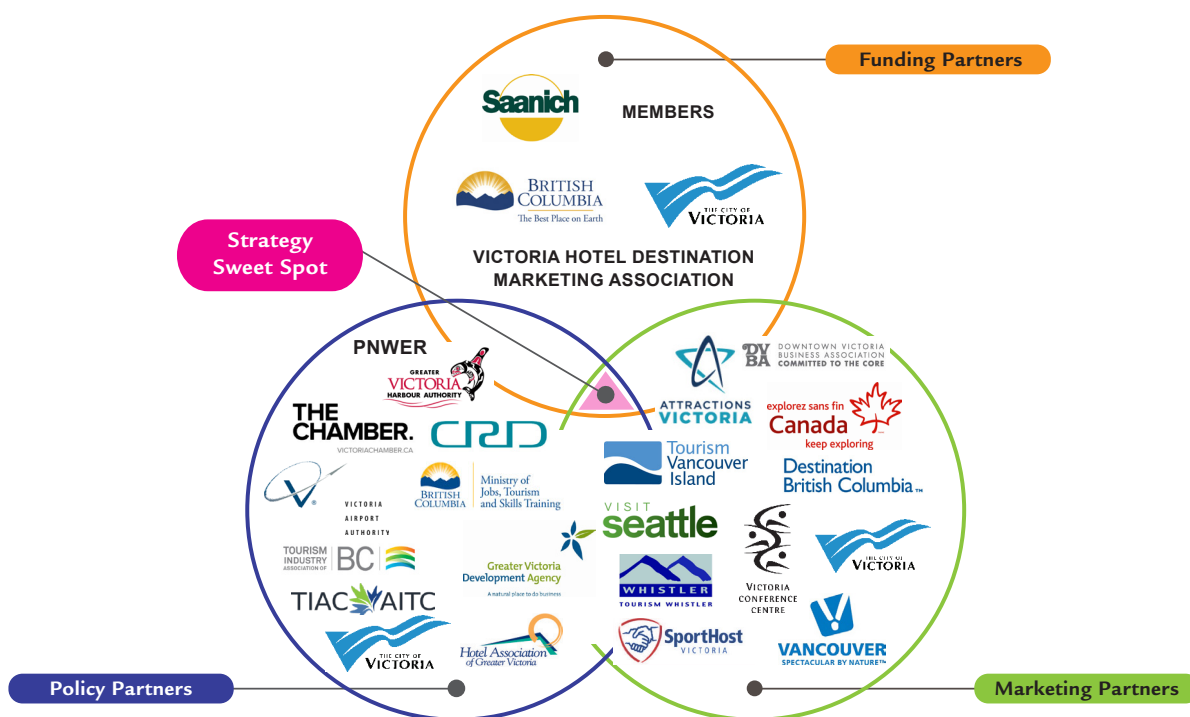
The Greater Victoria Brand Portfolio is a marketing tool developed in 2013 to help simplify and explain our diverse offering to ourselves first so we can, in turn, effectively communicate them to our potential visitors. Showing potential visitors a consolidated destination with a wide variety of diverse experiences that are easy to categorize and understand allows us to be more competitive while maximizing economic impact throughout our region.



Driving Business Forward

Driving Business Forward in a Complex Stakeholder Environment

Tourism Victoria, like most DMOs, operates in a complex stakeholder environment. Tourism Victoria is enabled by both a public sector policy framework and substantial private sector financial contributions. Stakeholders see the value in working together to market the Greater Victoria region as a tourism destination under a common and unified brand proposition: *Victoria Full of Life*. While different stakeholders may have slightly different priorities for the organization, Tourism Victoria overcomes this by focusing on clear strategy that benefits all, as well as executing the strategy well and in a disciplined manner. Naturally Tourism Victoria's primary strategic objective is to increase tourism revenues, which is most easily measured by increased accommodation occupancy, RevPAR and Average Daily Room Rate. A city full of paying visitors and brimming with activity is a great objective to focus strategic energy.



Focus on Alignment

In the past year, one of the more exciting developments within the destination marketing arena has been an increased focus on alignment and delivering efficiencies through the destination marketing value chain. From the highest level, the Canadian Tourism Commission (CTC) is working in closer alignment with provincial and territorial partners who are working more closely together. Tourism Victoria is committed to supporting DBC's common sense approach to selecting source markets and its revitalized strategy. While operationalization alignment is hard work and will take some time, it is great to see increased alignment through the destination marketing system. Within the Greater Victoria region we are also seeing greater alignment and partnership. On top of the Victoria Conference Optimization Network (VCON) that will be discussed in detail in this report, Tourism Victoria is working more closely with Attractions Victoria, the Greater Victoria Harbour Authority, Victoria International Airport and the Greater Victoria Chamber of Commerce, including the Greater Victoria Development Agency in order to leverage areas of strength and expertise along with our respective resources to advance files and programs more effectively than by doing so on our own. Those who provide governance and oversight to these organizations would expect nothing less. Tourism Victoria is pleased to be a constructive partner working to advance our common goals.

The following is a summary of how Tourism Victoria's key functional areas delivered on our strategy in 2014.

Giving Back to the Community

Tourism Victoria Staff Initiatives

Tourism Victoria staff show their support for our community by participating in a wide variety of charitable and social programs:

- Jeans Day (Children's Hospital)
- Canada's Gingerbread Showcase
- Bike to Work Week
- Big Bike (Heart & Stroke Foundation)

We have had more than 10 staff also participate in the Heart & Stroke Foundations Big Bike over the last two years. The Heart & Stroke Big Bike is a team event and is made up of 29 enthusiastic riders who each commit to raise \$50 or more to support heart disease and stroke research.

We continue to maintain our Climate Smart focus (www.climatesmartbusiness.com) on green initiatives and reducing our carbon footprint going into our fifth consecutive year participating in this program. Tourism Victoria and participating member restaurants also partnered with BC Hydro for the successful Candlelight Conservation Dinner (www.bcydro.com/candelight).

Official Charity

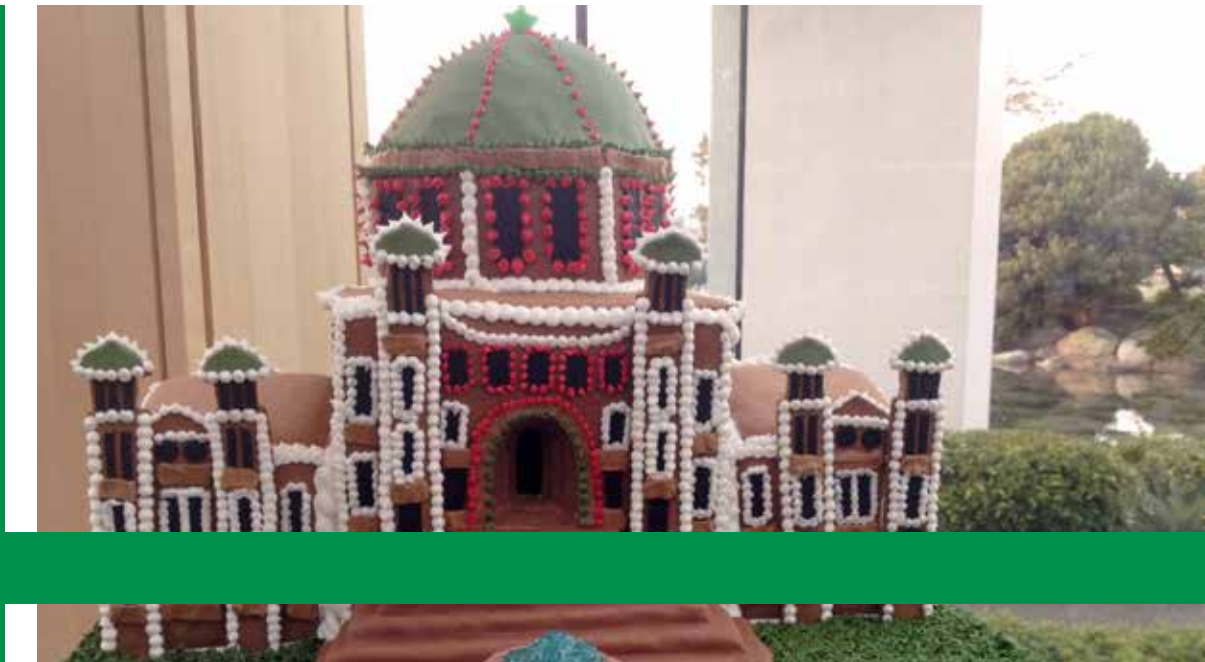
The BC Hospitality Foundation (BCHF) became the first official charitable partner for Tourism Victoria in 2014. The partnership grants BCHF access to various marketing channels and Tourism Victoria is working with the Foundation to find new and innovative ways to enhance its profile within the hospitality industry. We are excited to support an organization so deeply involved in

our industry and look forward to promoting their efforts while spreading the word about the important work they do.

The BCHF offers assistance to individuals within the hospitality community who are coping with financial crises arising from health or medical conditions. Tourism is responsible for an estimated 22,000 jobs in Greater Victoria and Tourism Victoria's partnership with the BCHF signals support to those in the community who dedicate themselves to the hospitality industry.

About the BCHF

The BC Hospitality Foundation is the industry's charity of choice, providing financial support for individuals within the hospitality community who are coping with a financial crisis arising from a health or medical condition. The foundation's mission is to offer financial assistance, beyond traditional medical benefits and insurances, to individuals within the hospitality community in their times financial need. As well, it is committed to supporting the industry's next generation by providing scholarships to selected students enrolled in hospitality, culinary and wine programmes in B.C.



Corporate & Destination Awards

Tourism Victoria was named Marketer of the Year by the BC chapter of the American Marketing Association and was honoured with a gala at the Westin Bayshore on November 12, 2014. The gala was attended by 340 Vancouver-area executives and media and was a celebration of how Tourism Victoria has been able to successfully enhance perceptions of the destination through innovative and strategic marketing.

Many partners came together to make this night a success. The Victoria Hotel Destination Marketing Association (VHDMA) provided funding to create the Victoria experience in the reception area, which was enhanced by live foliage donated by Butchart Gardens and one of the Royal BC Museum's most treasured pieces, the Bill Reid Haida Box. The Victoria Conference Centre provided centerpieces for all the tables and VIATeC provided Dan Gunn as the MC for the evening along with other props. Having Tech and Tourism on stage showed Vancouver a different side of Victoria and strengthened the ties between these two complimentary industries.



CORPORATE AWARDS

Marketer of the Year

BC Chapter of the American Marketing Association

November 2014

For outstanding growth of the Victoria brand

Gold Adrian Award

HSMIA, Hospitality Sales and Marketing Association International

November 2013

Tourism Victoria – Find Christmas Here Storybooks

DESTINATION RECOGNITION

#1 Top Island in Continental US and Canada – *Travel + Leisure World's Best Awards*

#1 Most Romantic City in Canada – *Amazon.ca*

#3 Friendliest City in the World – *Condé Nast Traveler Readers' Choice Awards*

#3 Most Romantic North American City – *USA Today 10 Best Readers' Choice*

#5 Best Destination in Canada – *TripAdvisor Travellers' Choice Best Destination Awards*

#16 Most Romantic City in the World – *Condé Nast Traveler Readers' Choice Awards*

#19 World's Best Cities for Romance – *Travel + Leisure World's Best Awards*

#29 Top Islands in the World – *Condé Nast Traveler Readers' Choice Awards*

Destination Marketing

MISSION: Market Greater Victoria as a destination to consumers and maintain brand integrity throughout all Tourism Victoria communications.

In 2014 the Destination Marketing department continued with three major campaigns including: *Victoria Calling*, *Great Meetings* and *Find Christmas Here*. In addition the Destination Marketing department worked on building shoulder-season reasons to visit with the creation and implementation of the destination's first-ever Halloween campaign.

New this year, Tourism Victoria commissioned an independent third-party research firm to conduct an assessment of *Victoria Calling* to measure, through an advertising tracking and conversion study, the effectiveness of its destination advertising program. The research showed that *Victoria Calling* significantly outperformed industry norms and successfully moved Seattle consumers along the path to purchase driving visitation and economic impact for the destination.

Victoria Calling

Victoria Calling was back in 2014 with a renewed digital experience that incorporated gamification to engage our consumer in a *What Type of Traveller are You?* quiz. This quiz leveraged CTC EQ profiling to gather data on our consumers' traveler type while also incorporating trivia to counter our destination's perceived weaknesses as identified in the 2013 Tourism Victoria Destination Brand Study. As in 2013, this campaign was

centered on the innovative, inspiring and impossible to ignore communication vehicle: the *Victoria Calling* telephone booths.

You're a Star – Meetings Campaign

Tourism Victoria celebrated meeting planners through an incentive-based campaign that took the stress out of planning while making the planner shine in the eyes of their client. Planners could literally see themselves as stars in a multi-media campaign with the tagline, "You're a Star. We'll Help you Shine."

B.C.'s Haunted Capital

Tourism Victoria started building a strategic position around Halloween to drive rate and volume for the month of October. The campaign played up the caché the destination has around Halloween branding Victoria as "B.C.'s Haunted Capital."

Find Christmas Here

For the fourth year Tourism Victoria continued to carve out its reputation as a favourite Christmas destination with the *Find Christmas Here* campaign. New this year was the addition of pairing whimsical illustrations of iconic Victoria Christmas experiences with disruptive headlines like "It's like an extra shot in your eggnog." Also new was the addition of video advertising to give the campaign's illustrations life and tell a deeper story with humour that communicated what a Christmas getaway to Victoria can offer.

VICTORIA CALLING RESULTS

39:1 ROI

10,400 Seattle travelers booked a trip to Victoria with an economic impact of \$4.8 million to the destination

26 per cent of respondents recalled at least one advertising touch point

Advertising is performing 52 per cent better than other city/regional destinations'



Media Relations

MISSION: Promote Greater Victoria to travel media to achieve positive editorial coverage of the destination.

2014 was a year of change of the Media Relations team. It began with a name change, no longer Travel Media Relations as the focus of coverage is now beyond the travel pages extending to lifestyle, technology, travel trade and meetings. In 2014 the team also further refined our geographic markets of focus allowing for more effort in high yield markets including: B.C., Alberta, Toronto, Washington, Oregon, California, New York, Australia and China.

Additional change included the team leading with creative approaches to initiatives that support Tourism Victoria's Marketing Calendar and reinforce campaign themes helping to solidify positioning as a destination in the eyes and keyboards of key media. As an example, the *Victoria Calling* Media Events in Seattle and Vancouver saw an outstanding conversion rate of media visits to the destination of 60 per cent. Also new in 2014 was a focus on developing Instagram including introducing Instagram FAMs to complement Marketing initiatives. As a result of this focus, Tourism Victoria's Instagram account has grown by 700 per cent.

Assisted Placements

Canada

Amazing Race Canada

Season Two Premiere episode — July 8, 2014

Audience: 3.5 million Canadian viewers per week

Style at Home

Style Destination — May, 2014

Audience: 234,000 print circulation/1.58 million online

US

Seattleite

Culture Dose Victoria Calling — May 6, 2014

Audience: 80,000 unique visitors per month

LA Times

Canada: Highly haunted Victoria Prepares for its Ghosts Festival
September 4, 2014

Audience: 23 million unique visitors per month

International

Perth Now, Australia

Visit Victoria on Vancouver Island – Canada's fittest city
June 14, 2014

Audience: 6 million national readership

Youku.com, China

Wanting Qu Brings You the Most Beautiful Song Tour of
Victoria, BC — December 2014

Audience: 2 million Viewers



2014 HIGHLIGHTS

147 Media Visits

**283 Media Calls
(81% increase)**

**320 Assisted Editorial
Placements
(31% increase)**

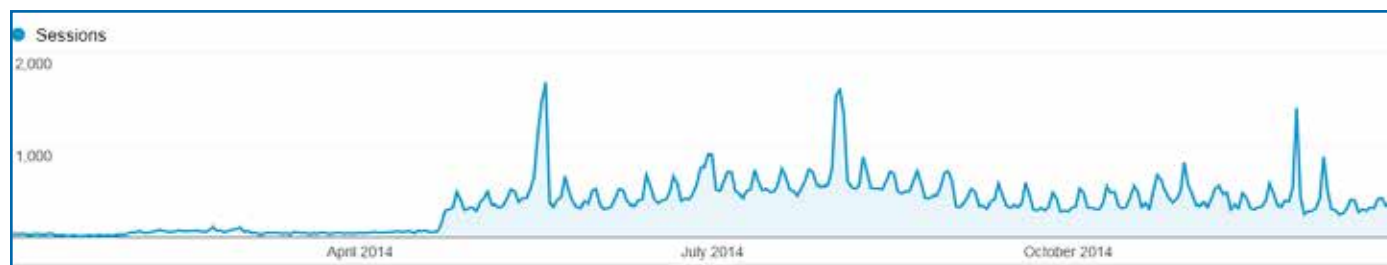
Social Media and Content Marketing

Mission: Create, curate and share Greater Victoria content daily on relevant platforms.

In 2014 an increased focus on content marketing saw the addition of a Content Market Specialist to the Tourism Victoria team. In 2014, Tourism Victoria also created and distributed a new Destination Video, Victoria...It's More Than That. The video was meant to be a sales tool, but spread quickly among consumers with over 85,000 views on YouTube and remains a tool for all stakeholders to use in their promotion of the destination.

Website

New in 2014 was the replacement of Tourism Victoria's mobile app with a mobile website in April. This significantly increased the amount of visits and interaction TourismVictoria.com received on mobile.



Mobile App Sessions

Mobile Website Sessions

Mobile Website Results

	2013 (April 15-Dec. 31) Mobile App	2014 (April 15-Dec. 31) Mobile Site	Per cent Change
Sessions	12,419	123,502	+894.46 per cent
Page Views	5,429	402,899	+7,321.24 per cent
Bounce Rate	n/a	41.01 per cent	n/a
Average Site Duration	n/a	2:12	n/a

Desktop Website Results

	2012	2013	2014	Per cent Change
Sessions		1,198,942		
Page Views	3,520,000	4,392,978	4,546,986	+3.5 per cent
Bounce Rate	56.81 per cent	41.47 per cent	46 per cent	+10 per cent
Average Site Duration	1:59	3:58	3:28	-8 per cent

Travel Trade

MISSION: *Promote Greater Victoria to tour operators, receptive tour operators and travel agents to develop and increase itineraries to the destination.*

In Market Activity

The Travel Trade department participated in a number of tradeshows throughout 2014. Major initiatives included attendance at Rendezvous Canada, Canada's West Marketplace, Showcase Canada and Focus Japan in Asia, Focus Canada in India and multiple United States based tradeshows such as US Tour Operators Association Annual Conference, Cruise 360 and Active America China. Long-haul sales missions were conducted in Australia, United Kingdom, Germany, India, Japan and China. Within our short-haul markets, sales calls and agent training were conducted in Vancouver, Seattle, Portland, San Francisco, Calgary, Toronto and Montreal.

FAMs

FAMs are a major channel for showcasing the destination and educating travel influencers. Travel Trade welcomed 59 FAMs from 15 different geographic markets throughout 2014. Working to showcase the diversity of off-season product available in Victoria, the travel trade team also hosted 12 off-season FAMs including working with DBC to bring in a group of key receptive tour operators in December.

Building New Product

Working to build shelf space and distribution through the travel trade channel, the travel trade team was successful in developing

seven new tour operator programs that included Victoria and member products. Two highlights were Virgin Holidays UK adding several new West Coast itineraries featuring overnight stays in Victoria and the Rocky Mountaineer announcing a new Rockies to Vancouver Island Circle Route tour that includes two days in Victoria. This is the first product of this nature in five years and will be available across their operator network.

The Travel Trade team continued to focus on Asia as a key volume driver to the destination and successfully organized a China marketplace sales mission to support Tourism Victoria's strategy. This sales initiative included the combination of sales calls to key tour operators and sales appointments at Showcase Canada with seven local members, the organization's largest attendance ever. Tourism Victoria coordinated all arrangements including sales call scheduling plus hotel and transportation requirements, and delivered over 20 successful meetings with executives of some of China's largest tour operators in Guangzhou and Beijing. At the Showcase Canada tradeshow in Shenyang the Travel Trade team secured 95 appointments over four days and was able to secure 85 specific product leads for member businesses.

Delivering Business Leads to Members

In the spring of 2014 the Travel Trade team began to shift its sales efforts focus to developing and delivering new member leads. This performance metric was embraced by the team and will continue to be a focus in 2015. We are proud to report that in 2014 the team was able to deliver 153 leads to 619 member businesses.

2014 HIGHLIGHTS

153 Member Leads

12 Tradeshows

59 FAM Tours

7 New Programs by Tour Operators



Meetings & Incentive Travel

MISSION: Promote Greater Victoria to meeting planners to bring meetings, conferences and incentive travel to meeting hotels in the destination.

Tradeshows

2014 was another outstanding year for the Meetings and Incentive Travel department (M&IT). The team continued the successful incentive based meetings campaign from 2013 and incorporated the Star Meetings campaign theme in all M&IT initiatives. The M&IT team planned and executed five major tradeshows, which included Tête-à-Tête, the Canadian Society of Association Executives National Conference & Showcase, IMEX America, Ignite Business Event Expo and IncentiveWorks.

In Market Activity

From a sales call perspective the M&IT team conducted one-on-one visits with corporate and third party meeting planners and association executives in the following key Canadian markets: Vancouver, Calgary, Ottawa, Toronto and Montreal. The US remains a key and growing source of corporate opportunities and the team conducted additional sales calls in the key centres of Seattle, San Francisco and Los Angeles. They met with an assortment of corporate and incentive third party planners and these companies were all extremely busy, showing positive signs that the US is once again willing to cross borders to host meetings.

Continuing to build on the resurgence of the US corporate meetings market the M&IT team also attended the Site SoCal event in California with partners from Tourism Whistler, Tourism Vancouver and Business Events Canada. This prestigious, two-day event provides numerous opportunities to network with over 300 Southern California meeting planners plus the opportunity to conduct additional sales calls in the San Francisco area.

Client Events and FAMs

M&IT also promoted the meetings campaign at two client events held in Vancouver and Calgary. Combined these events drew over 91 meeting planners and provided an opportunity for member partners to mingle and network with these influential clients.

Additionally the team hosted a total of 22 meeting planners on two FAMs to Victoria and as the following testimonial supports. They were able to showcase Victoria as a capable meetings, conference and incentive destination:

“Your hospitality was spectacular and greatly appreciated! I thought I knew Victoria before I came on the FAM but I learned so much more about your beautiful city. Victoria is not only beautiful, friendly and welcoming, but it offers the Meetings and Events Industry some of the best amenities that are usually only found in larger cities.”

— Heather Lockwood – Research Branch Correctional Service of Canada

2014 HIGHLIGHTS

103 RFPs

56,784 potential room nights

9,728 confirmed room nights



Visitor Services

MISSION: Apply superior destination knowledge and outstanding customer service to provide visitor information and booking services that help create an unforgettable travel experience and extend length of stay.

Key Strategic Asset

For many years Tourism Victoria has operated a flagship Visitor Centre at 812 Wharf Street, strategically located on the heart of the Inner Harbour. Tourism Victoria's Visitor Centre provides high quality service for visitor inquiries including in person inquiries, booking tickets and tours, phone and e-mail counselling service and opportunities to handle and turn around visitor complaints. Tourism Victoria's Visitor Centre is a proud member of the DBC Visitor Services Network.

Visitor Centre Renovation

As noted in the 2013 Annual Report, the Visitor Centre closed to the public on December 16, 2013 to undergo renovations and reopened in March 2014. This facelift included carpet, fresh paint, improved brochure racks, signage and technology and was well received with staff and members alike.

Increased Focus on Business Development and Confirming Sales of Member Product

Starting in the late spring of 2014 an increased focus was placed on confirming sales of member product so that the Visitor Centre could maximize economic impact and confirmed business to members. Having Visitor Centre staff making activity, adventure, tour and attractions bookings is seen as preferable to having visitors walk around the Inner Harbour with no confirmed plans. Members enjoyed receiving increased confirmed business from the Visitor Centre. Through business development efforts, new members and increased member product was added to Tourism Victoria's roster of saleable product. The combined efforts of an increased emphasis on confirming sales and business development efforts increased ticket sales from \$724,072 in 2013 to \$1,033,631 in 2014.³

³ These sales numbers represent gross sales including appropriate sales taxes.

Visitor Centre Ownership Changes

Through late 2013 and into early 2015 the ownership of 812 Wharf Street went through a series of changes. With the dissolution of the Provincial Capital Commission in the fall of 2013, ownership transferred to Shared Services BC. Shared Services BC then went through a process of divesting the asset. The City of Victoria completed a purchase of 812 Wharf Street in March of 2015. Tourism Victoria looks forward to building a long term partnership with the City of Victoria going forward. The City of Victoria continues to follow all terms and conditions associated with the existing lease.

Destination Flat Map

2014 marked the first year in a long term relationship with Attractions Victoria and the Greater Victoria Harbour Authority to consolidate our various map products into one coherent and consistent map to service customers in the destination. All of these entities had previously produced maps independently causing confusion with customers and stakeholders. The environmental benefit of reducing map production and the efficiencies gained by not having overlapping efforts made this a worthwhile endeavor.

2014 Performance Results

	2013	2014
Visitor Parties Served	46,312	46,146
Visitors Served	92,716	95,557 (including those serviced by volunteers)
Ticket Sales ³	\$724,072	\$1,033,631
Foot Traffic Counter	n/a	293,483

Volunteer Program

In 2014, Tourism Victoria enhanced their approach to seasonal visitor servicing with the addition of over 75 volunteers to the team. The friendly and knowledgeable volunteers welcomed over 83,000 visitors and cruise ship passengers to the destination, providing travel information and counseling services throughout downtown Victoria, including a kiosk at Ogden Point.

Member Services

Tourism Victoria's Finance & Corporate Services department combines various areas of internal and external responsibility including finance, member services, human resources, information technology, operations and risk management.

MEMBER SERVICES

Tourism Victoria benefits from strong and engaged membership bases. As of December 31, 2014 Tourism Victoria had a total of 849 member listings, including main and additional businesses and additional category listings. Membership revenue grew by over 10 per cent in 2014. For a destination of its size Tourism Victoria over indexes in term of its size and relative contribution of its membership base. By comparison, Tourism Vancouver has approximately 1,100 members and Tourism Toronto 1,200 members according to its annual report.

(See Management Financial Analysis on page 33 for a detailed analysis.)

Member Events in 2014

Tourism Victoria's enthusiastic members ensured that most events were oversubscribed. During 2014 a total of 927 Tourism Victoria members attended ten Membership Matters Mixers

and our Annual Open House, up from 819 total attendees in 2013, a growth of 1.13 per cent.

The organization offered six member workshops on topics such as culinary tourism, social media and making use of Yelp to grow business. Workshops on social media topics are definitely popular with members as it provides an opportunity to increase hard skills.

Membership Drive

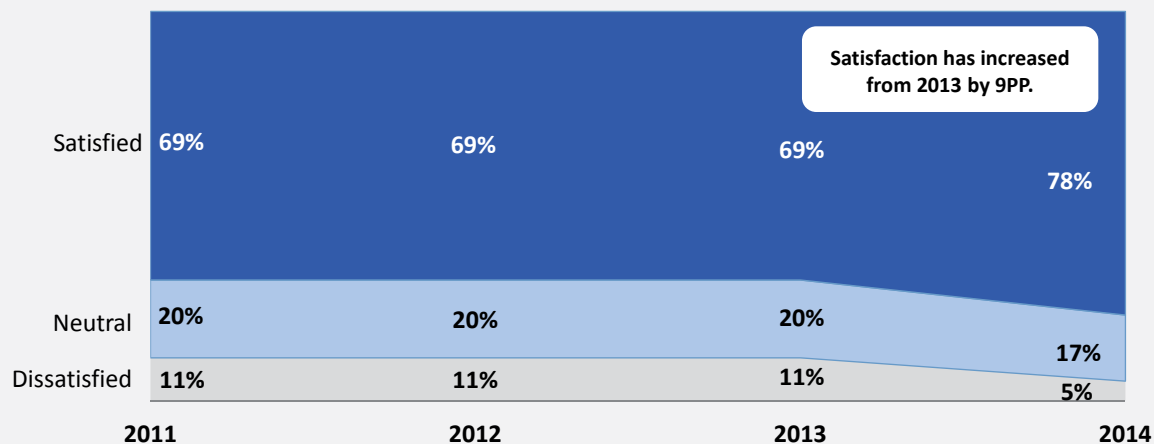
For the first time in many years Tourism Victoria proactively recruited new members through a membership drive. Held in November 2014, this membership drive was designed to efficiently introduce a number of prospective members to the organization and see if there is a mutual benefit. This was a success attracting over a dozen new members that are a great fit to the organization. The membership drive will be held on an ongoing basis in the future.

Membership Satisfaction

Tourism Victoria conducts a member survey annually. In 2014 there was a significant increase in membership satisfaction with neutral and satisfied increasing to 95 per cent.

Satisfaction score has spiked upward for the first time in 4 years

Overall, how satisfied are you with your membership with Tourism Victoria? (Q.C12)
Please use a scale of 1 to 7 where 7 means very satisfied and 1 means very dissatisfied.



Corporate Communication & Public Affairs

Mission: Ensure better communication of the tourism industry's position and articulate how the tourism industry supports community well-being and economic vitality.

Halfway through 2014, Corporate Communications and Public Affairs was resourced in the organization and the department administers the Festivals and Events Partnership Investment Program, handles local media requests, public affairs opportunities and research.

In 2014, Tourism Victoria strengthened its Festivals and Events program with the addition of transparent guidelines surrounding the applications. The guidelines placed more emphasis on room nights and gave preference to off-season events and festivals to drive business to the destination during that time. The guidelines were also posted on Tourism Victoria's website for full transparency on expectations.

Tourism Victoria supported the following events and organizations in 2014:

- Aboriginal Tourism Festival
- Bayview Place Island Savings Open
- Canadian Swimming Trials
- City of Victoria Canada Day
- GoodLife Fitness Victoria Marathon
- Rifflandia Festival
- Royal BC Museum Vikings Exhibit
- Rugby Canada
- Symphony Splash
- TD Victoria JazzFest
- Times Colonist 10K
- Tour de Victoria
- Victoria Beer Week
- Victoria Film Festival
- Victoria International Buskers Festival
- Victoria International Chalk Art Festival
- Victoria International Cycling Festival
- Victoria International Kite Festival
- SportHost Victoria

Through Public Affairs the department assisted the President & CEO with more than 400 meetings with key politicians, stakeholders, partners and member in 2014. It also supported the 2014 Elections process with important political briefings.

Highlights

- 83 local media placements
- 64 local media requests handled
- Engaged key politicians in Q3 Transportation Meeting to move Belleville Terminal file forward



Business Discussion and Analysis

The purpose of the Business Discussion and Analysis and the subsequent Financial Discussion and Analysis is to provide, through management's eyes clear disclosure of the material items affecting Tourism Victoria's ability to deliver against its mission, vision and strategy.

Operating Context

Globally the tourism industry continues with a decade long growth trajectory. The United Nations World Tourism Organization has successfully predicted ongoing global tourism growth of five per cent annually. Based on these forecasts it is predicted there will be 1.8 billion overnight international travellers by 2030. While there was significant growth in Victoria's occupancy rate in 2014 reaching 66.66 per cent in 2014. This performance was slightly better than the provincial occupancy average of 66.4 per cent for 2014. For the first time in several years, Victoria has outperformed the British Columbia average.⁴

Ability to Remain a Going Concern

Tourism Victoria must constantly work on resourcing. It has been consistently stated through the organization's past strategic plans and annual reports that funding for Tourism Victoria is short term in nature and always vulnerable. However, Tourism Victoria is a very stable organization with over 40 years of successful work. Tourism Victoria's ability to remain a going concern is largely dependent on its ability to inspire confidence and investment from a series of funding partners including the City of Victoria, the District of Saanich, the VHDMA, its membership base and various organizations who provide grants to the organization. As referenced at the outset of this annual report, good strategy, strong execution and transparency with results are keys to ensure ongoing resourcing thereby being a going concern.

Execution of Strategy

In 2014, Tourism Victoria reached and completed the three overarching goals in its 2013 - 2015 three year plan *We Will*, one year ahead of schedule. As a result, considerable work and stakeholder engagement became focused in 2014, creating a new rolling three year plan entitled *Accelerating Growth and Community Prosperity: A Roadmap for a Prosperous and Vibrant Tourism Industry in Greater Victoria*. This plan is supported by a clear strategy map, Enterprise Balanced Scorecard and an annual operating plan

and budget with performance measures. Having a clear strategy and operational plan will help to mitigate one of primary risks any DMO can face, which is being pulled in many different directions by stakeholders without considering a strategy lens and clear objectives.

Notwithstanding its ongoing vulnerable funding challenge, Tourism Victoria management is confident it has the capability to successfully execute its three year strategy. The only gap at this point is the need to build capacity in key areas of research, business intelligence, analytics and examine how to best resource the specialized knowledge and skills around festivals and events development.

Human Resources Strategy

It is the people who execute and add value in delivering on Tourism Victoria's strategy through innovation and strong execution. People with specialized knowledge and expertise are a critical asset to any organization. DMOs will excel if they have a clear and well understood strategy executed by highly talented and focused people. It is a people, skill and knowledge business.

Balancing this is the need of any DMO to be lean and operate within its means. Because of scarce revenues in previous years, Tourism Victoria's Human Resources strategy was limited and correctly focused on having a positive, supportive and enjoyable place to work. By and large, staff report very much enjoying working at Tourism Victoria and are highly engaged because they believe in the mission and enjoy a great attitude and corporate culture.

Going forward, Tourism Victoria will look to leverage those existing strengths, but also build capacity and skill in key areas to better drive value and remain leaders in the core areas of business. 2014 was focused on assessing key talent, restructuring the organization to eliminate redundancy and excessive administrative positions, along with building a strong and capable leadership team. With this in place, 2015 will focus on building a comprehensive Human Resources strategy including looking at key areas such as leadership development, address skills gaps in key areas, reviewing the compensation strategy that was last examined in 2007 and developing a succession and retention plan for critical positions.

⁴ Destination BC, Tourism Indicators December 2014

Risk Management

In 2014 Tourism Victoria placed greater emphasis on organizational risk management. “Risk” was written into the terms of reference of the Governance, Human Resources and Risk Management committee. Starting with the organizational review, Tourism Victoria begun keeping a more robust risk

register and is working to mitigate controllable risks on an ongoing basis. At the time of publishing, the following were the top three risks to Tourism Victoria, along with mitigation strategies.

Risk	Description	Current Assessment of Impact and Likelihood	Mitigation Strategy
Visitor Centre Lease	The current visitor centre lease expires in December 31, 2015. Ownership of 812 Wharf has transferred to Shared Services BC and subsequently to the City of Victoria.	A high functioning Visitor Centre is important and is fundamental to the Tourism Victoria membership model. Ownership transaction in March 2015 clarifies go forward ownership structure.	<ul style="list-style-type: none"> Engaged with Shared Services British Columbia. Understand that Tourism Victoria is a strategic asset to the community, not just another tenant. Signalled interest in a long term lease renewal at a fair rate. Keeping strategic partners informed and share information. June 2014, started exploring alternative locations With ownership clarified, commence lease negotiations with City of Victoria.
Long Term Sustainable Funding	Tourism Victoria is one of a few remaining Destination Marketing Organizations in British Columbia requiring annual approval of funding.	Tourism Victoria’s competition is able to plan with more certainty and with a longer time horizon.	<ul style="list-style-type: none"> Continue to work to secure annual funding with strong strategy and execution. At appropriate time consider moving to longer term models consistent with our competition.
Managing Disruptive Tourism Industry Risks	The growing tourism industry is subject to ongoing shocks and disruptions from external macro-economic, political or societal forces.	This is an ongoing risk that industry has been facing on a consistent basis. There is strong underlying global demand for tourism; however the industry is susceptible to disruption. Likelihood of a future disruption is almost certain. Ability to react is key.	<ul style="list-style-type: none"> Continue to build a strong tourism brand for Greater Victoria so customers want to come to Greater Victoria. As a result the industry in Greater Victoria will bounce back faster should disruptive risks materialize. Ensure strong communications links and protocols within the local tourism industry, political and policy makers and sister organizations such as the Chamber of Commerce to rally industry and policy makers to react effectively should disruptive events occur. Ensure strong business continuity protocols, corporate communications and stakeholder engagement processes are in place to build capacity to respond to industry disruptions and shocks.

Colour Code	Risk Level	Description
	High	Significant or acute risk to the organization financially and on its ability to deliver against strategy
	Medium	Places constraints or drag on the organization’s ability to deliver against its strategy
	Low	Risk exists in the environment but is not materially impacting the organizations ability to deliver against its strategy

Finance & Corporate Services

The Greater Victoria Visitors & Convention Bureau's 2014 fiscal year resulted in a net operating surplus of \$30,775, of which up to 50 per cent will be transferred to the internally restricted Reserve Fund. The Reserve Fund is specifically designated to provide for operating costs, for a period of up to six months, in the event of a significant economic decline.

Total revenue increased by 7.8 per cent, or \$354,003, compared to 2013 primarily due to increases in the additional hotel room tax, Destination Marketing Fee (DMF) funding from the VHDMA and ticket and advertising sales at the Visitor Centre.

Total expenditures increased by 7.9 per cent, or \$354,776, compared to 2013. Approximately 60 per cent was related increased destination marketing activities including advertising and publications. The remaining 40 per cent is distributed between visitor information services, membership services and general and administrative costs. Further detail and explanation of revenues and expenses are found in the Management Financial Analysis section.

Tourism Victoria is a not-for-profit, member-based organization and although all received funding continues to be variable and vulnerable, the organization has formalized sustainable funding agreements with industry and government partners. These agreements support longer-term, proactive funding for Tourism Victoria's sales and marketing efforts. Because of the nature of the organization's revenues, variations from internal forecasts are monitored on a monthly basis, allowing as much time as possible for corrective actions to be implemented.





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INDEPENDENT AUDITORS' REPORT

To the Members of Greater Victoria Visitors & Convention Bureau

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Victoria Visitors & Convention Bureau, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Victoria Visitors & Convention Bureau as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



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Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied by the Greater Victoria Visitors and Convention Bureau in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

April 9, 2015

Victoria, Canada

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 183,721	\$ 152,656
Short-term deposits (note 2)	268,217	249,210
Accounts receivable	937,728	730,324
Inventories	3,547	1,558
Prepaid expenses	42,368	185,966
	1,435,581	1,319,714
Capital assets (note 3)	320,556	346,224
	\$ 1,756,137	\$ 1,665,938

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 443,700	\$ 387,244
Deferred revenue (note 5)	429,116	282,088
Deferred Destination Marketing fees (note 6)	187,819	317,303
	1,060,635	986,635
Leasehold inducements	224,865	239,441
Net assets:		
Internally Restricted Reserve Fund (note 7)	263,676	247,902
Unrestricted	206,961	191,960
	470,637	439,862
Lease commitment (note 8)		
	\$ 1,756,137	\$ 1,665,938

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenues:		
Hotel room tax (note 11)	\$ 2,284,123	\$ 2,182,934
Destination marketing fee (note 6)	1,124,415	913,929
Membership services:		
Membership fees	421,043	409,921
Advertising fees	545,549	500,657
Retail sales	58,455	52,623
Sundry	52,564	103,185
Events	38,411	36,891
	1,116,022	1,103,277
Travel auction	34,681	37,298
Government grants:		
Municipal	83,500	83,500
Visitor services	120,000	120,000
Reservation and ticket commissions	112,872	80,672
	4,875,613	4,521,610
Expenses:		
Marketing services (note 9)		
Advertising and publications	1,592,534	1,339,940
Media relations	363,361	373,648
Travel trade	463,065	492,698
Research	91,285	122,502
Meetings and incentive travel	539,216	474,230
Web marketing	198,856	220,905
	3,248,317	3,023,923
General and administrative	639,790	556,306
Information services	626,108	593,194
Membership services	214,874	213,324
Amortization	115,749	103,315
	4,844,838	4,490,062
Excess of revenues over expenses	\$ 30,775	\$ 31,548

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, December 31, 2012	\$ 212,121	\$ 196,193	\$ 408,314
Excess of revenue over expenses	-	31,548	31,548
Transfer to Reserve Fund	35,781	(35,781)	-
Balance, December 31, 2013	247,902	191,960	439,862
Excess of revenue over expenses	-	30,775	30,775
Transfer to Reserve Fund	15,774	(15,774)	-
Balance, December 31, 2014	\$ 263,676	\$ 206,961	\$ 470,637

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 30,775	\$ 31,548
Items not involving cash:		
Amortization of capital assets	115,749	103,315
Amortization of leasehold inducements	(14,576)	(11,009)
	131,948	123,854
Change in non-cash operating working capital:		
Accounts receivable	(207,404)	(10,783)
Inventories	(1,989)	1,099
Prepaid expenses	143,598	6,481
Accounts payable and accrued liabilities	56,456	(78,998)
Deferred Destination Marketing fees	(129,484)	19,679
Deferred revenue	147,028	(46,515)
	140,153	14,817
Financing:		
Proceeds from short-term loan	500,000	-
Repayment of short-term Loan	(500,000)	-
	-	-
Investing:		
Purchase of capital assets	(90,081)	(20,252)
Decrease in short-term deposits	(19,007)	(35,755)
	(109,088)	(56,007)
Increase (decrease) in cash and cash equivalents	31,065	(41,190)
Cash and cash equivalents, beginning of year	152,656	193,846
Cash and cash equivalents, end of year	\$ 183,721	\$ 152,656

See accompanying notes to financial statements.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements

Year ended December 31, 2014

Nature of operations:

Greater Victoria Visitors & Convention Bureau (the "Bureau") is incorporated under the Society Act (British Columbia) as a non-profit organization as described in paragraph 149(1) of the Income Tax Act. The Bureau is exempt from income taxation. Its principal business activity is the promotion of tourism in the Greater Victoria area.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for Not-For-Profit Organizations in Part III of the CPA Handbook. The Bureau's significant accounting policies are as follows:

(a) Revenue recognition:

The Bureau follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Revenue from membership dues is recognized on a straight-line basis over the term of the membership. Revenue from advertising spaces is recognized on a straight-line basis over the term of the contract. Government grants are recorded as revenue in the period in which the related expenses are incurred. Reservation and ticket sales are collected on behalf of members and the net commissions are recognized as revenue when a service has been rendered for which a fee is chargeable. Hotel tax revenue is recognized in the period in which the related room sales occur. Destination marketing fees are recorded as revenue in the period in which the related expenses have occurred.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Office furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years
Leasehold improvements	Straight-line	remaining lease term
Tradeshow equipment	Straight-line	3 years
Computer software	Straight-line	3 years
Website development costs	Straight-line	3 years

When a capital asset no longer has any long-term service potential to the Bureau, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(c) Leasehold inducements:

Leasehold inducements are recorded at the cost of leasehold improvements paid for by the landlord and are amortized on a straight-line basis over the lease term.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Bureau has not elected to carry any such financial instruments at fair value. Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(e) Inventories:

Inventories are recorded at the lower of actual cost and net realizable value.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the amortization period and rates for capital assets and provisions for impairment of accounts receivable.

2. Short-term deposits:

Short-term deposits consist of guaranteed investment certificates bearing interest of 1.26% (2013 - 1.26%) per annum.

3. Capital assets:

	2014		
	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 116,405	\$ 54,840	\$ 61,565
Computer equipment	125,217	91,093	34,124
Leasehold improvements	300,392	92,628	207,764
Tradeshaw equipment	2,549	2,549	-
	544,563	241,110	303,453
Computer software	48,334	48,334	-
Website development costs	89,053	71,950	17,103
	\$ 681,950	\$ 361,394	\$ 320,556

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Capital assets (continued):

			2013
	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 89,067	\$ 36,767	\$ 52,300
Computer equipment	93,360	74,404	18,956
Leasehold improvements	269,505	49,017	220,488
Tradeshaw equipment	2,549	2,549	-
	454,481	162,737	291,744
Computer software	48,334	40,278	8,056
Website development costs	89,053	42,629	46,424
	\$ 591,868	\$ 245,644	\$ 346,224

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$17,064 (2013 - \$39,876), which includes amounts payable for payroll remittances, sales tax and workers' safety insurance.

5. Deferred revenue:

	2014		2013
Membership dues	\$ 137,412	\$	43,535
Advertising fees and listing revenue	147,442		142,828
Dine Around Program revenue	-		7,332
Deferred vacation guide advertising	144,262		88,393
	\$ 429,116	\$	282,088

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Deferred Destination Marketing fees:

The Bureau has entered into an agreement with the Victoria Hotel Destination Marketing Association ("VHDMA") to conduct destination marketing funded by destination marketing fees collected from member hotels. The continuity of these revenues is as follows:

	2014	2013
Balance, beginning of year	\$ 317,303	\$ 297,624
Amounts received	811,058	762,922
Amounts receivable	183,873	170,686
	1,312,234	1,231,232
Revenue recognized	1,124,415	913,929
Balance, end of year	\$ 187,819	\$ 317,303

7. Internally restricted reserve:

To maintain Tourism Victoria's financial stability, an internally restricted reserve has been designated to provide for operating costs, for a period of up to six months, in the event of a significant economic decline. These internally restricted funds are available only at the approval of the Board of Directors. This reserve is funded by short-term deposits.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. Lease commitment:

The Bureau leases the premises it occupies. The lease at Suite 200 - 737 Yates Street is for the period June 1, 2012 to May 31, 2022. The initial lease for the Visitor Centre on Wharf Street was for the five-year period ending June 30, 2015; a six month extension was granted and the lease now expires on December 31, 2015. Minimum future lease payments over the next five years are as follows:

	Yates Street	Visitor Center	Total
2015	\$ 134,552	\$ 67,566	\$ 202,118
2016	138,120	-	138,120
2017	147,803	-	147,803
2018	152,900	-	152,900
2019	152,900	-	152,900
2020 and thereafter	369,508	-	369,508

9. Allocated expenses:

The Bureau classifies expenses on the statement of operations by function. The Bureau allocates certain general and administrative support expenses to departments by identifying the appropriate basis of allocating and applying that basis consistently each year. Support salaries and benefits are allocated proportionately on the basis of activity in the department. Support expenses are allocated proportionately based on the square footage of office space in each department. The allocations are as follows:

	2014	2013
Advertising and publications	\$ 103,991	\$ 92,499
Media relations	104,996	96,920
Travel trade	112,879	104,388
Research	2,190	2,055
Meetings and incentive travel	112,787	104,301
Web marketing	82,601	80,684
	\$ 519,444	\$ 480,847

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Financial risks and concentration of risk:

The Bureau believes that it is not exposed to significant interest rate or cash flow risk arising from its financial instruments. Liquidity risk is limited as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The Bureau also maintains a line of credit arrangement to enable short term borrowing if needed.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Bureau limits its exposure to credit risk on cash and cash equivalents and short-term deposits by investing in instruments issued by high credit quality financial institutions. The Bureau is also exposed to credit risk with respect to accounts receivable. The risks are minimal as the most significant receivables relate to amounts due from various governments. The Bureau monitors member and other receivables to ensure amounts remain current. Historically, the extent of receivables not recovered has not been significant.

The Bureau is exposed to interest rate risk on its fixed interest rate short term deposits however all such investments are generally held to maturity as the Bureau does not trade in such securities.

The Bureau is exposed to financial risk as a result of exchange rate fluctuations and the volatility of these rates.

GREATER VICTORIA VISITORS & CONVENTION BUREAU

Notes to Financial Statements (continued)

Year ended December 31, 2014

11. Schedule of Hotel Room Tax and Destination Marketing Expenses:

	2014	2013
Total hotel room tax revenues were:		
City of Victoria	\$ 2,746,182	\$ 2,639,924
District of Saanich	119,141	124,210
	<u>2,865,323</u>	<u>2,764,134</u>
Retained by the City of Victoria for the Victoria Conference Centre	(581,200)	(581,200)
	<u>2,284,123</u>	<u>2,182,934</u>
Destination marketing fee	1,124,415	913,929
Sundry	31,890	68,919
	<u>3,440,428</u>	<u>3,165,782</u>
Marketing services:		
Advertising and publications	1,592,534	1,339,940
Media relations	363,361	373,648
Travel trade	463,065	492,698
Research	91,285	122,502
Meetings and incentive travel	539,216	474,230
Web marketing	198,856	220,905
	<u>3,248,317</u>	<u>3,023,923</u>
Visitor information services	187,832	177,958
Amortization	73,849	76,539
	<u>3,509,998</u>	<u>3,278,420</u>
Deficiency of revenue over expenses	\$ (69,570)	\$ (112,638)

Management Financial Analysis

Tourism Victoria is a not-for-profit, member-based organization. Visitor Services and Member Services are funded mainly by membership fees, member-exclusive advertising opportunities on Tourism Victoria's website, in printed materials and at the Visitor Centre advertising as well as from member events revenue.

REVENUES

Additional Hotel Room Tax

Additional hotel room tax / municipal regional hotel tax (AHRT / MRHT) revenue increased by 4.6 per cent from \$2,182,934 in 2013 to \$2,284,123 in 2014. Tourism Victoria receives AHRT / MRHT from the City of Victoria and the District of Saanich and it funds the majority of the destination marketing budget. In 2014 the AHRT / MRHT represented 46.8 per cent of Tourism Victoria's total revenue and 48.3 per cent in 2013. Fluctuation in the amount of annual AHRT / MRHT revenues is subject to a variety of tourism industry related risks including timing issues related to the Ministry of Finance reporting and variations from expected revenues when correlated to industry provided data.

Destination Marketing Fee

The Destination Marketing Fee (DMF) revenue was \$1,124,415 in 2014 up from \$913,939 in 2013, representing a 23 per cent increase year-over-year. It is important to note that Tourism Victoria can only record DMF funds provided there is a corresponding expense to which the revenue can be matched. If more DMF funds are received than are expensed in a period, then the excess funds are recorded as deferred revenue liability on the balance sheet. The amount of DMF funds recorded as deferred revenue declined by 40.8 per cent from \$317,303 (2013) to \$187,819 (2014). In 2014, Tourism Victoria received a total of \$994,931 and \$933,607 in 2013.

The DMF is administered by the Victoria Hotel Destination Marketing Association (VHDMA) as a one per cent voluntary marketing fee applied to the hotel rate for guests. Approximately 20 hotels in Victoria's downtown voluntarily joined the program that began on June 1, 2011. The funds generated from this fee go to Tourism Victoria exclusively for sales and marketing initiatives and with the express purpose of generating room nights.

Membership Services

Membership services revenue, includes fees for membership, advertising and events and retail sales. In aggregate, revenues increased by 1.2 per cent per cent from compared to 2013. Of particular note is an increase in the number of members in 2014 that led to a 2.7 per cent increase in membership fees from \$409,921 (2013) to \$421,043 (2014). Advertising revenue also increased by \$44,892 or 9 per cent from \$500,657 in 2013 to \$545,549 in 2014. The \$50,620 decline in the sundry revenue from 2013 to 2014 is primarily the result of a Tourism Victoria policy change. The change was to cease charging DMF hotels to recover attendance or participation costs in relation to M&IT business initiatives. These initiatives include conferences and trade shows.

Travel Auction

Twice annually, Tourism Victoria hosts an online travel auction with donations made by both members and non-members. In 2014, travel auctions generated \$34,681 (2013: \$37,298). The net funds from these activities are primarily put towards membership activities and initiatives.

Reservation and Ticket Commissions

Along with providing guidance and answering questions to increase visitor length of stay, Tourism Victoria sells member's tickets, bus passes, maps and special event tickets at the Visitor Centre. In 2014, commission revenue from these activities increased by 39.9 per cent or \$32,199 from 2013.

Grants

Grants were received from both the City of Victoria and the District of Saanich in 2014 and the funding was used to support the operation of Tourism Victoria's Visitor Centre. Grant applications are submitted annually and are not guaranteed. In addition, the following municipalities also support our organization through their membership: City of Victoria, District of Saanich, District of Oak Bay, Township of Esquimalt, Town of Sidney and City of Langford.

A grant was also received from DBC to support the operation of the Visitor Centre. The grant is for a three year term with 2015 being the last year. If the grant continues to be available from the DBC, Tourism Victoria will apply. All grant amounts were the same between 2013 and 2014.

Management Financial Analysis

EXPENSES

Marketing Services

Marketing Services include activities that promote greater Victoria as a destination. These activities include advertising, media relations, travel trade, meeting and incentive travel, website activities and market research.

Overall there was a 7.4 per cent increase in marketing services expenses from \$3,023,923 in 2013 to \$3,248,317 in 2014. The majority of which can be attributed to the increased expenditures associated with the DMF revenue which ultimately drives hotel room demand for our destination.

Expenditures increased from 2013 levels for advertising and publications (\$252,594) and meetings and incentive travel (\$64,987). Expenses declined in 2014 from the 2013 levels for media relations (\$10,286), website activities (\$22,051), travel trade (\$29,633) and research (\$31,217).

General and Administrative

There was an increase of 15 per cent or \$83,483 in General and Administrative expenses between 2013 and 2014. Between 2013 and 2014, there was \$28,680 increase in legal, consulting and transition support fees associated with the restructuring that impacted five positions. As well there was an overall increase in personnel costs of \$79,654, mostly attributable to the one-time restructuring costs which will provide ongoing structural cost savings.

Visitor Information Services

Visitor and Information Services expenses include all personnel and overhead costs associated with the Visitor Centre. Expenses were noted to increase by 5.6 per cent or \$32,914 from 2013 to 2014, of which more than 30 per cent is directly attributable to an increase in processing fees directly related to the corresponding increase in reservation and ticket commission sales. Smaller increases in expenses were associated with operating expenses including rent, utilities and communications.

Membership Services

Membership services expenses include all overhead costs associated with personnel who are associated with membership as well as costs associated with membership events, activities and initiatives. Expenses between 2014 and 2013 were consistent with only a slight increase of \$1,550 noted for 2014.

2014 Board of Directors

OFFICERS

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Dave Cowen
The Butchart Gardens
Attractions

First Vice Chair

Bill Lewis
The Magnolia Hotel & Spa
Member at Large

Vice Chair

Darlene Hollstein
The Bay Centre
Retail & Restaurants

Vice Chair

Brian Henry
Ocean River Adventures
Sports & Outdoor Adventure

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Starrboard Enterprises Inc.
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Victoria Airport Authority
Transportation

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Left Coast Insights
District of Saanich Appointed Representative

Marianne Alto
Councillor, City of Victoria
City of Victoria Appointed Representative

Ian MacPhee
Abbeymoore Manor B&B Inn
Accommodations – 25 Rooms or Fewer

Kathy Kay
Victoria Film Festival
Arts, Culture & Societies

Mandy Farmer
Accent Inns and Hotel Zed
Accommodation – From 26 to 149 Rooms

Stephen Peters
Pacific Sands Beach Resort
*Tourism Vancouver Island Appointed Representative
January - September*

Janet Docherty
Merridale Ciderworks Corp.
*Tourism Vancouver Island Appointed Representative
September - December*

Brenda Ollis
Chateau Victoria
Accommodation – More than 149 Rooms

Derek Sanderson
Island IT
Member at Large

John Wilson
Wilson's Transportation
Greater Victoria Chamber of Commerce Appointed Representative



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