



**Nichols**  
APPLIED MANAGEMENT INC.

## Analysis to Support Discussions with Banff

Submitted to:

The Banff and Lake Louise Hospitality Association

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# 1. Executive Summary

## Introduction

The majority of businesses in Banff are reliant on tourism and the current pandemic has resulted in a dramatic and sustained drop in visitation, which has led to a drop in economic activity and widespread unemployment. Moreover, economic recovery in the community is contingent upon a return to international travel, which, at the time of this writing, is looking increasingly unlikely for Summer 2021. This report examines the magnitude of the drop in economic activity and explores municipal policy options that could be used to support local businesses through the recovery from the pandemic.

## COVID-19 Impacts

The local economy of Banff is driven by tourism as people from outside the community arrive to partake in any number of activities ranging from solo or guided outdoor recreation to eating and drinking in local establishments. Historically, international travelers have comprised a sizeable portion of the total visitors to Banff (70% in summer, 40% in winter). On average, these international travelers spend more than domestic visitors, further reinforcing their importance to the local economy. The COVID-19 pandemic saw the volume of international travellers plummet while the number of domestic day-trip visitors increase who spend comparatively less. The reduction in tourism coupled with a shift in the dominant expenditure pattern by these visitors has led to a drop in overall economic activity (GDP) in Banff from an estimated \$780 million 2019 to \$290 million in 2020. In summary:

- During 2020, the COVID-19 pandemic forced the national park to shut down for the months of April and May, causing visitation to cease almost entirely.
- Restrictions such as border closure and limited travel advisories contributed to a drop in visitors of approximately 25% during the month of June and 15% in July as compared to the 2019.
  - By August of 2020, visitation numbers had generally recovered to be in line with pre-pandemic years.
- Stakeholders across the tourism industry reported revenue decreases anywhere from 40% to 90% as compared to a typical year;
- Stakeholders across the tourism industry reported employment impacts such as: reduction in salary, reduction in hours, temporary lay-offs, and difficulty filling specialized positions that typically hired international worker;

Many business representatives indicated that they are optimistic that Banff will recover and attract many tourists. Some predict that once the borders open there will be a surge of customers resulting from international travel. As a result, employment was highlighted as one of the biggest concerns with the recovery of the tourism industry. Specifically, there was mention of:

- Previous employees have relocated due to the pandemic and may not return when the opportunity comes.
- The timing between CERB roll-back and re-opening will be critical in the return of employees.
- Employees need more incentives to come to Banff to work because cost of living in Banff is high.
- The process to hire individuals with international working visas and/or foreign temporary workers may not align with the surge of international visitors if border restrictions quickly begin to ease.
- Promoting the earlier anticipation of hiring more staff members will help in the long term.

## Financial Context

A comparison of key metrics between Banff, Canmore, and Jasper is provided in order to provide insight into how Banff relates to similar municipalities whose local economies are largely focused on tourism in the Canadian Rockies. In summary:

- Banff has an assessment base split of 37/63 (non-residential/residential) that is similar to Jasper (42/58) and well above that of Canmore (19/81).
- On a per-capita basis, Banff has less total assessment than Canmore and is nominally more than Jasper.
- The average residential tax bill in Banff is slightly above Jasper and well below Canmore. Additionally, the average residential tax bill:
  - in Banff has decreased from \$1,000 in 2019 to \$950 in 2021.
  - in Jasper has increased from \$480 in 2019 to \$800 in 2021; and
  - in Canmore has increased from approximately \$1,700 to \$1,800 over same period.
- The average non-residential tax bill in Banff is slightly below the Jasper (urban businesses) and well above Canmore. Additionally, the average non-residential bill:
  - in Banff has increased from \$6,300 in 2019 to \$6,700 in 2021.
  - in Jasper (urban) has increased from \$7,900 in 2019 to \$8,000 in 2021; and
  - in Canmore, decreased from approximately \$3,900 to \$3,600 over same period.
- With respect to tax burden, in Banff, 80% of municipal tax revenue is contributed by owners of non-residential property. By comparison:
  - in Jasper, 59% of tax revenues comes from non-residential properties; and
  - in Canmore, 42% of tax revenue comes from non-residential properties.

## Key Issues

Discussion with businesses in the Town revealed that, not surprisingly, the fundamental issue they face today relates to a lack of demand due to restriction imposed by government and the public's risk-aversion in engaging in activities that are permissible. Accordingly, revenues have dropped dramatically.

In conversations with stakeholders, the study team explored the possibility of the municipality reducing costs such as property taxes and utilities as a means of supporting local business. However, most indicated that doing so would have a very limited impact on their ability to survive and recover from the pandemic.

Although property taxes alone may not represent a critical line-item in the budget of local businesses, the general attitude of Town Council towards business is viewed, by many, as unfavorable. This sentiment relates in large part to the failure of council to align current taxation levels with guidance from the provincial government which, per the Municipal Government Act (MGA) stipulates that the ratio of non-residential to residential mill rates be no greater than 5:1. In other words, the municipal tax rate levied on businesses shall not exceed five times that levied upon residences.

## Looking Forward

Looking forward, Nichols suggests the following:

- Revaluation of the tax rates to align with the proposed 5:1 ratio outlined in the Municipal Government Act;
- Allocating funds from the new paid parking revenue directly to the areas where it is collected to ensure maintenance and proper upgrades.
- Expand the involvement of business leaders and the general public in the Town's Governance & Finance Committee to encourage increased dialogue, transparency, and policy option development.
- Work alongside Canmore and Jasper to continue the efforts in achieving resort municipality status

## 2. Introduction

Banff's economy is almost wholly reliant on tourism. The current pandemic has resulted in a dramatic and sustained drop in visitation, which has led to widespread unemployment. Moreover, economic recovery in the community is contingent upon a return to international travel, which is increasingly unlikely for Summer 2021. Local businesses also face additional challenges with respect to above-average taxes and utility rates. The Banff and Lake Louise Hospitality Association (BLLHA) is interested in identifying and exploring policy tools that could be used to support local businesses and provide a sober second thought on municipal fiscal decisions as the community begins the process of a slow recovery.

Nichols Applied Management (Nichols) has been engaged to complete this work. The balance of this report includes:

- An overview of the historical activity in hospitality sector and related visitation levels in Banff.
- An examination of the fiscal position of the municipality in comparison to similar communities in Alberta.
- A review of policy tools available to the municipality that might alleviate pressures on local business.

### 3. COVID-19 Impacts

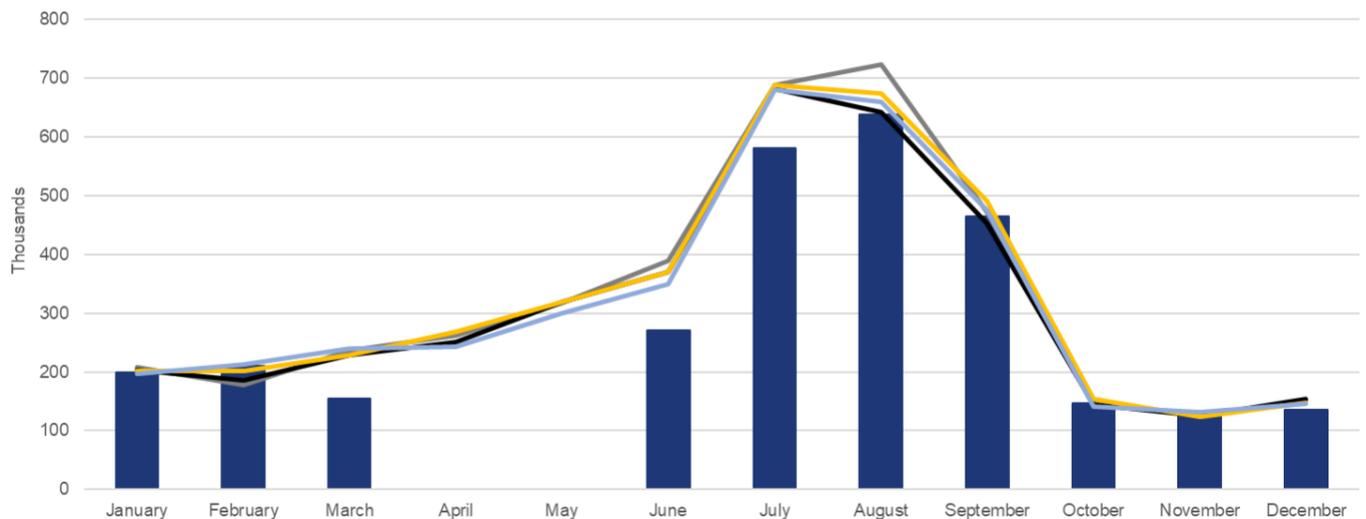
Grant Thornton (GT) released a tourism economic impact study in 2016 with the aim of providing critical information regarding the economic contributions of tourism related to the broader economy. Nichols has extrapolated this work and performed a macro-level analysis to illustrate changes to the hospitality industry in Banff from 2016 through to the beginning of the pandemic in an effort to provide estimates of baseline or 'business-as-usual' levels of activity. Changes to this baseline level of activity were then estimated based on changes to the magnitude and nature of visitors to the community and using information collected through the engagement of select businesses operating in in the accommodation, tour and attraction, food and beverage, and retail sectors.

#### 3.1 Visitation

The local economy of Banff is driven by tourism as people from outside the community arrive to partake in any number of activities ranging from solo or guided outdoor recreation to eating and drinking in local establishments. Historically, Banff typically hosts between 3.7 and 3.9 million visitors annually (Figure 3-1) with seasonal variation that generally aligns with peak demand in the summer months and some sustaining activity through the winter.

Figure 3-1 Monthly Visitation, 2016 – 2020

2020 | 2019 | 2018 | 2017 | 2016



During 2020, the COVID-19 pandemic forced the national park to shut down for the months of April and May, causing visitation to cease entirely. Additionally, ensuing restrictions such as border closure and limited travel advisories contributed to a drop in visitors of approximately 25% during the month of June and 15% in July as compared to the 2019. However, by August of 2020, visitation number had generally recovered to be in line with pre-pandemic years.

However, the **type** of visitor to Banff was affected by the restrictions during 2020 and early 2021. Discussion with business representatives in the Banff area indicated that that the visitation in 2020 was largely driven by day travelers or regional weekend travelers. Since Banff is within close proximity to Calgary, it provides an ideal day

trip for those residing nearby. Interviewees expressed that, pre-COVID, approximately 60% to 75% of the client base was international travellers during the summer months and between 25% and 40% during the winter months. Due to the COVID-19 restrictions, the visitation numbers are almost entirely domestic travellers.

This shift offered a different experience to certain businesses within the tourism industry. For example, several individuals in the hospitality and hotel services indicated that hotels were running at 5% to 25% occupancy in months where they typically see 85% to 95% occupancy and despite the number of visitors in the park being generally in line with previous years.

In addition to the low occupancy rates, tours and activity-based businesses saw a significant drop in customer interest. This may be due to the shift in the type of visitors, as many interviewees acknowledged that regional travelers have a higher tendency to plan out their trip and that COVID restrictions and concerns made group-based (e.g. tour) activities less appealing.

The shift in the type of visitors to Banff had a profound impact on the level of economic activity in the Town. As shown in Table 3-1, Alberta domestic day-trip visitors spend substantially less than overnight travelers. Thus, despite the apparent return of tourist traffic driven by Canadians looking to engage in some outside activity, spending in the community dropped considerably. Given the increase in domestic activity and dearth of international travel, Nichols estimated that Banff experienced a reversal in the number of overnight trips versus day trips. Approximately 80% of visitors were day trip visitors while the other 20% stayed overnight.

**Table 3-1 Average Spending Per Person**

Visitor Origin	Spending (\$) per person per visit
Alberta (day-trip visitor)	33
Alberta	207
Other Canada	471
United States	900
United Kingdom	1,200
China	1,200
Germany	1,100
Australlia	1,200
Japan	1,800

Source: Tourism in Alberta, October 2019, Government of Alberta.

Banff, Jasper and Canmore collectively account for 0.68% of Alberta’s population but host 13% of Alberta’s visitors while accounting for 15% (\$1.09 billion) of the total tourism expenditure in Alberta.<sup>1</sup>

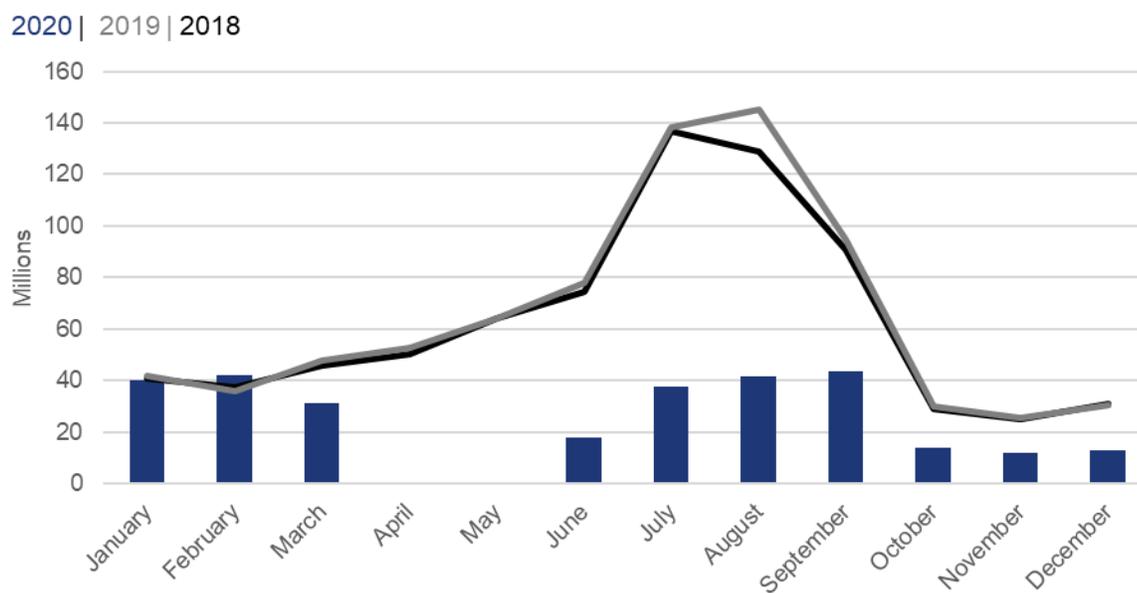
In sum, the reduction in tourism coupled with a shift in the dominant expenditure pattern by these visitors has led to a drop in overall economic activity (GDP) in Banff from an estimated \$780 million 2019 to \$290 million in 2020. Figure 3-2 shows:

- April 2020 and May 2020 experienced minimal to no economic activity from tourism due to park closure;

<sup>1</sup> Grant Thornton Tourism Economic Impact Study

- March 2020 experienced a decrease of 35% compared to March 2019. This is likely driven by the mid-March announcement of COVID-19 and the complete closure during the last week of the month;
- June, July, and August of 2020 experienced a decrease of approximately 78%, 73%, and 70% respectively as compared to 2019. This profound reduction is driven primarily by the lack of international tourists visiting Banff; and
- The remaining months experienced a decrease of at most 60% compared to 2019. Members of the business community indicated that the number of regional visitors increased during the pandemic and served to partially offset the closure of the borders and international travel. Additionally, the later months of the year typically accommodate a larger proportion of domestic travelers than during the summer – hence the absence of international visitors is less conspicuous.

Figure 3-2 Estimated GDP From Tourism(2020\$)



Source: Banff National Park Attendance Data and Grant Thornton Economic Impact Analysis Report (2016)

The following sections of the report provide a summary of the unique experience of businesses operating in three key sectors: accommodation, food services, and tour and attraction.

### 3.2 Accommodation

As noted previously, Discussion with business representatives in the Banff area indicated that that the visitation in 2020 was the result of domestic day travelers or regional weekend travelers. Since Banff is in close proximity to Calgary, it provides an ideal day trip for those residing nearby. This offered a different experience to certain businesses within the tourism industry.

As mentioned prior, the summer months typically see the customer base consisting of 60% to 75% international travellers. Since the restrictions were implemented the customer base shifted to all regional based visitors which resulted in a lower demand for accommodation and an excess supply in hotel rooms. Notably, the rates in the summer are typically driven up by the demand and result in an increase in monthly revenue – particularly for the

accommodation sector. However, a low demand during the pandemic resulted in downwards pressure on rates which lead to a further erosion of revenues. Individuals in the hospitality and hotel services indicated that hotels were running at 5% to 25% occupancy in months where they typically see 85% to 95% occupancy on average. As a result:

- revenues were reported down by roughly 70% as compared to a typical year;
- staff reductions of roughly 40% coupled with salary reductions and reduced hours were necessary.

Operators noted that, although subsidy programs have allowed them to remain operational – to some degree – only the return of overnight and international travel will allow the sector to recover. Many indicated a strong willingness to support a vaccine passport if it would lead to the return of international travellers in a more timely manner.

### 3.3 Tour and Attraction

Tours and activity-based businesses saw a significant drop in customer interest. As noted previously, this reduction was driven largely by the shift in the type of visitors as many interviewees acknowledged that regional travelers have a higher tendency to plan out their trip on their own and that COVID restriction made group-based (e.g. tour) activities less appealing. Furthermore, domestic or day-trip travellers are generally more self-reliant as they are more likely to have their own vehicle. Conversely, international and overnight visitors tend to be more reliant on tour companies to facilitate typical excursions.

The tour and attraction businesses whose primary focus is international travellers reported a drop in revenues by up to 90% as compared to a typical year. Similarly, activities such as rafting, which require people to be in close proximity, saw drops of nearly as much. Other pursuits that allowed for social-distancing, such as horseback riding, were less affected but still experienced revenue reductions in the order of 50%.

Lastly, operators in the tour and attraction sector noted concern at being able to capitalize on the recovery post-Covid. Many firms rely on a seasonal workforce – including international workers – to provide specialized skills for key attractions. Concerns regarding prolonged restrictions on air-travel or reduced capacity amongst airlines in general were also noted as potential constraints on the ability of tour and attraction companies to draw the required number of seasonal workers to support a full recovery.

### 3.4 Food & Beverage Sales

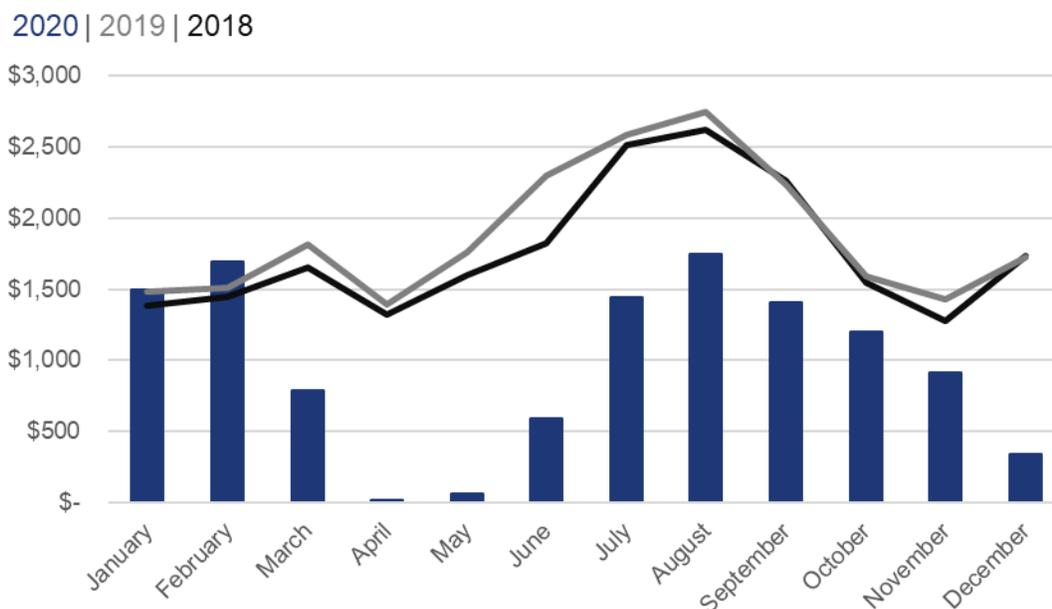
As noted in the preceding sections, regionally based day-trip visitors are generally self-sufficient and similarly less inclined to partake in beverage or dining experiences while in Banff as compared to those who are in the community overnight. Additionally, the food and beverage industry experienced heavy and prolonged restrictions during the COVID-19 pandemic (e.g. closures and limited occupancy) which served to further reduce patronage at pubs, bars and nightclubs, independent restaurants, and hotel restaurant outlets.

Since the beginning of the pandemic, most establishments have been unable to operate at full capacity and have had to resort to alternatives such as take-out and/or delivery services. Representatives within the Banff area indicated that complete shutdowns occurred in most instances because the food they offered did not travel well – meaning take-out/delivery services were not an option. Some changes in restrictions provided businesses the opportunity to reopen with limitations allowing them to recover in some capacity. The varying circumstances and restrictions faced by the industry resulted in restaurants experiencing a drop of 30%-60% in their annual gross receipts.

The dollar value associated with a customer (\$/seat) can be found in Figure 3-3 for 2018 to 2020. Through 2018 and 2019, the monthly pattern is in line with the visitation data – reaching peaks in July through September. However, in 2020 there was a substantially drop in dollars per seat. Specifically:

- March 2020 experienced a 57% decrease compared to March 2019;
- April 2020 and May 2020 experienced a 99% and 96% decrease compared to 2019, largely due to the closure of the park;
- The dollars per seat did not fully recover during the latter months, peaking at 75% of the past year values;
- December 2020 indicates another full shutdown of restaurants.

Figure 3-3 Gross Revenues Per Seat (2020\$)



Source: Banff & Lake Louise – Food & Beverage Historical Sales Performance

### 3.5 Additional Concerns

As indicated previously, the impacts of the COVID-19 pandemic caused partial or complete shutdown in operations for many businesses in the tourism industry. This resulted in temporary and permanent layoffs. Businesses indicated that during the peak seasons they were operating with anywhere between 40%-60% of their typical employment. Compounding the problems for resort destinations is the fact that large, structural labour shortages existed pre-pandemic. Work conducted by TourismHR Canada has revealed that perceptions of tourism industry workers has deteriorated during the pandemic for a variety of reasons, including securing reliable hours, job security, and perceptions of health and safety working on the front-line of the service industry.

However, many business representatives indicated that they are optimistic that Banff will recover and attract many visitors. Some predict that once the borders open there will be a surge of customers resulting from international travel. As a result, employment was highlighted as one of the biggest concerns with the recovery of the tourism industry. Specifically, there was mention of:

- Previous employees have relocated due to the pandemic and may not return when the opportunity comes;
- The timing between CERB roll-back and re-opening will be critical in the return of employees;
- Employees need more incentives to come to Banff to work because cost of living in Banff is high;
- The process to hire individuals with international working visas and/or foreign temporary workers may not align with the surge of international visitors if border restrictions quickly begin to ease; and,
- Promoting the earlier anticipation of hiring more staff members will help in the long term.

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## 4. Financial Context

This section of the report is intended to provide a high-level overview of the Town's financial situation in order to provide context for the discussion of potential municipal policy initiatives in response to COVID-19. Key aspects of the Town's finances to be examined include:

- the assessment base;
- mill rates;
- municipal revenues; and
- municipal expenses

Where possible, a comparison of key metrics between Banff, Canmore, and Jasper is provided in order to provide insight into how Banff relates to similar municipalities whose local economies are largely focused on tourism in the Canadian Rockies.

Although similar to Banff, Jasper and Canmore do differ in some key dimensions. Specifically:

- Canmore is not located within a national park. Accordingly, the community does not face the same limits to commercial development or growth as Banff and Jasper.
- Both Banff and Canmore are within a short drive of Calgary. As such, Canmore has developed a considerable amount of tourist homes – properties that are effectively second homes to people who otherwise live outside the community. Similarly, Canmore and Banff are frequent day-trip destinations for Calgaryans who can commute to and from the park in a single day.
- Conversely, Jasper is a considerable distance from a large urban centre and likely experiences a lower proportion of day-trippers as compared to Banff or Canmore.

These differences have the potential to impact the nature of municipal services, levels of taxations, etc. that have evolved to meet the specific needs to a local economy. Despite the above-noted differences, Jasper and Canmore provide the most appropriate municipal comparators to Banff in the Alberta context.

### 4.1 Assessment Base

A municipality's assessment base reflects the real assets available for taxation, and the composition of a community's assessment base can provide insight into the relative financial health of a municipal corporation. A comparatively larger proportion of non-residential assessment is generally preferred as this assessment class typically consumes fewer municipal services than the taxes levied against them - the opposite is true for residential properties. Accordingly, a municipality with a large ratio of non-residential to residential assessment is typically considered to be more financially robust as compared to those communities with relatively smaller non-residential bases.

Banff has established assessed values of all taxable properties under two categories – residential and non-residential. The assessment base for the above categories are highlighted in Table 4-1. The results show that Banff is comprised of approximately:

- 63% residential properties
- 37% non-residential properties; and

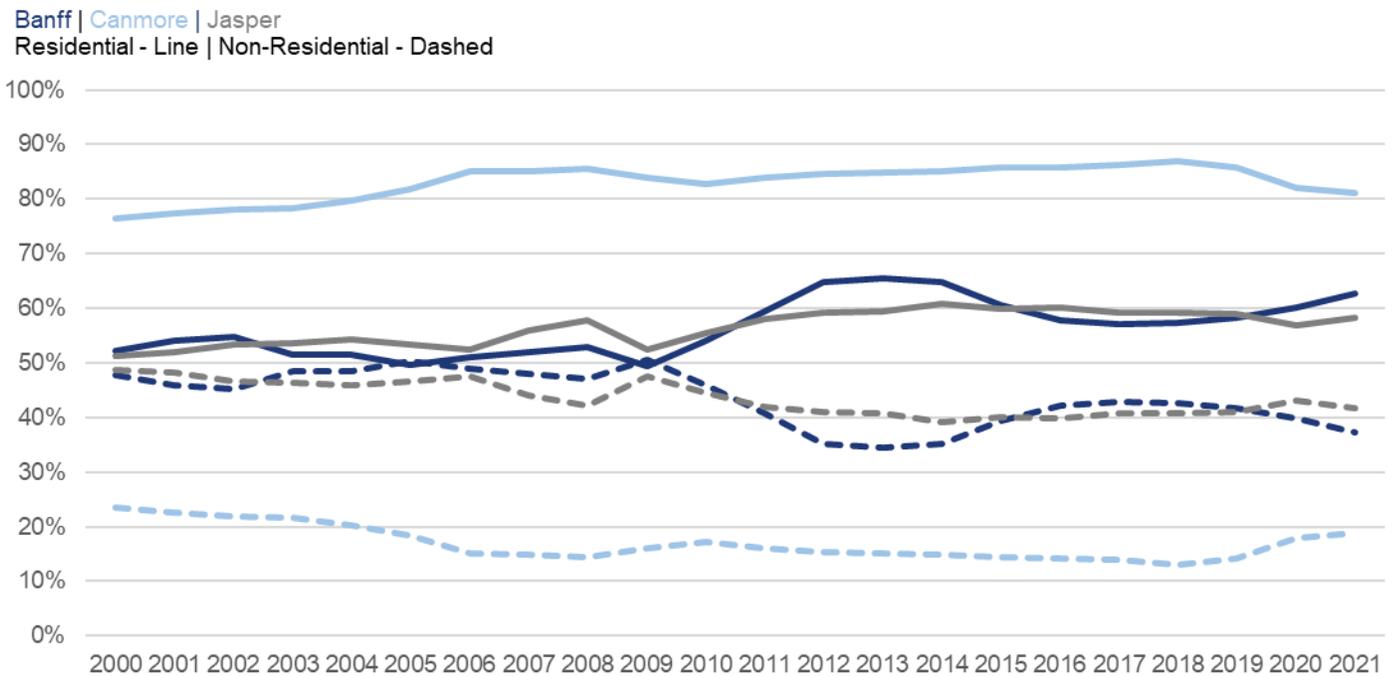
Table 4-1 Assessment Base 2021

Property Type	2021 \$
Residential	1,128,573,190
Non-residential	1,894,273,840

Source: Town of Banff 2021 Tax Bylaw

As shown in Figure 4-1 Share of Assessment Base, Banff, Jasper and Canmore, 2000 - 2021 Figure 4-1 compared to Jasper and Canmore, Banff's assessment base has a lower proportion of residential properties than Canmore and a similar composition as Jasper. Also, the proportion of the assessment base consisting of non-residential properties decreased from approximately 48% to 41% since 2000.

Figure 4-1 Share of Assessment Base, Banff, Jasper and Canmore, 2000 - 2021

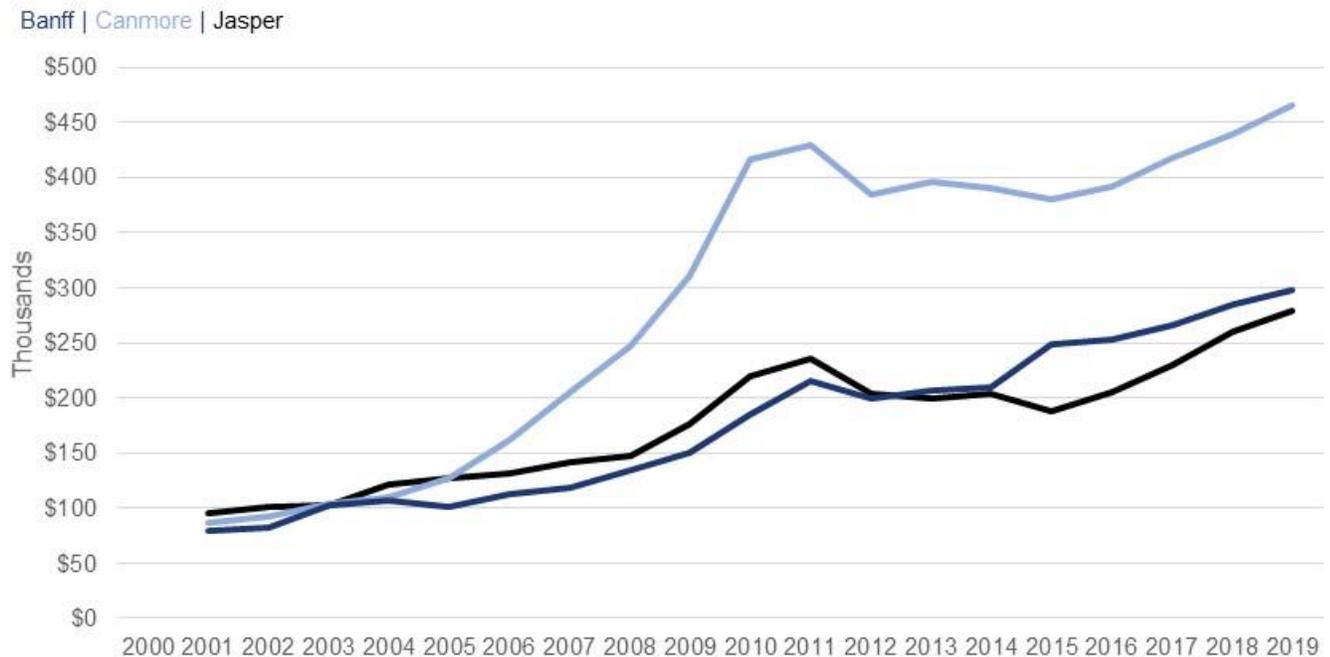


Non-residential excludes M&E as it accounts for a small portion in towns. MFIS does not delineate tourist homes from other residential properties.

Source: Tabulated by NAM from Alberta Municipal Financial and Statistical (MFIS) Data.

Despite the shift away from non-residential assessment, Banff's total assessment per capita has consistently remained in line with Jasper but below that of Canmore (Figure 4-2). This is likely driven, in large part, by the rapidly increasing property values in Canmore as the development of second homes coupled with a lack of restrictions typically found in national parks pushed home values upwards.

Figure 4-2 Total Equalized Assessments per Capita, Banff, Jasper and Canmore, 2000-2019



Source: Alberta Municipal Financial and Statistical Data.

## 4.2 Mill Rates

Mill rates reflect the tax per \$1,000 of assessment collected by a municipality. Tax rates typically differ between residential and non-residential properties and, in some cases, differ between urban and rural areas of a municipality in order to reflect differing levels of municipal services. The mill rates applied by the Town of Banff to the above-described assessment base are summarized in Table 4-2.

Table 4-2 Banff Mill Rates, 2021

Category	2021
Residential	2.1259
Non-residential	13.5356

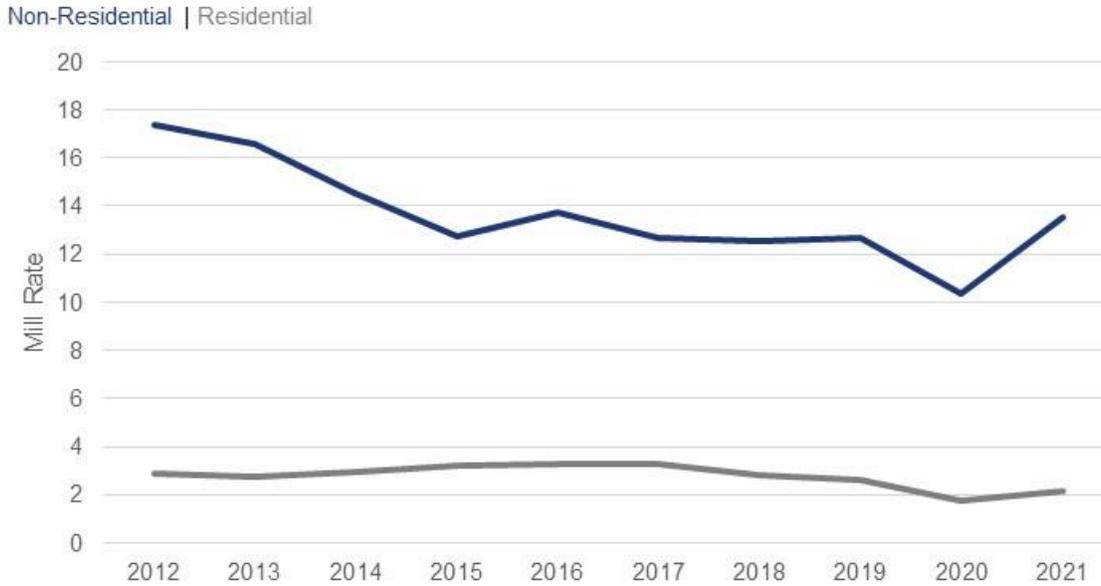
Source: Banff 2021 Tax Bylaw.

Figure 4-3 illustrates the change in mill rates from 2012 through to 2021, it shows that tax rates in Banff have generally decreased over time. Specifically:

- The non-residential mill rate has dropped from 17.39 to 13.53.
- The residential mill rate has decreased slightly from 2.89 to 2.13.

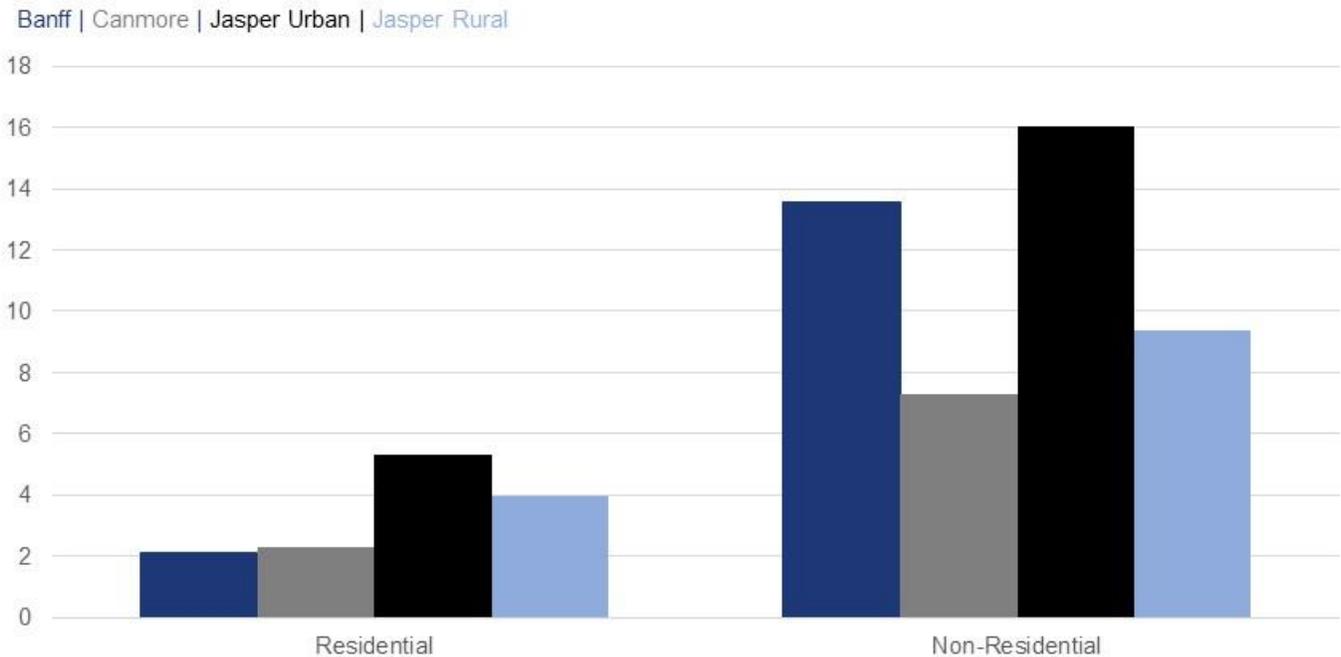
When comparing Banff's tax rates to Canmore and Jasper, Banff's municipal tax rates are notably higher for non-residential properties but in line with residential rates, as shown in Figure 4-4.

Figure 4-3 Change in Banff Mill Rates Over Time, 2012 - 2021



Source: Alberta Municipal Financial and Statistical Data.

Figure 4-4 Municipal Residential and Non-Residential Property Tax Rates, Banff and Alberta Towns, 2021



Source: Alberta Municipal Financial and Statistical Data.

### 4.3 Tax Bills

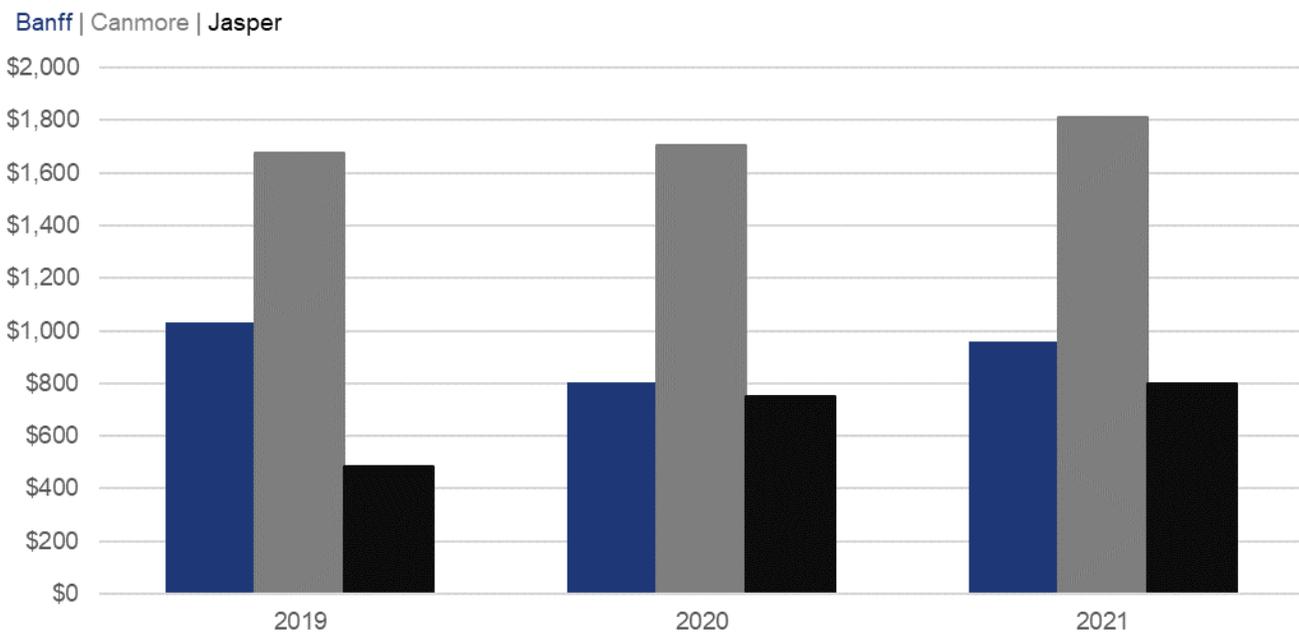
Contemplating mill rates in isolation does not illustrate the full experience of rate-payers in a community. Mill rates are applied to assessed values to generate taxes payable by property owners. Accordingly, all else equal, a

community with high property values may apply a lower mill rate to generate the same tax revenues as a community with lower property values and higher mill rates.

When coupled with the prevailing assessment base, the mill rates noted in section 3.2 yield the tax payable by property owners in the Town of Banff. As shown in Figure 4-5, the average residential tax bill in Banff has decreased from pre-pandemic levels (2019) of \$1,000 to \$950 in 2021. Comparatively:

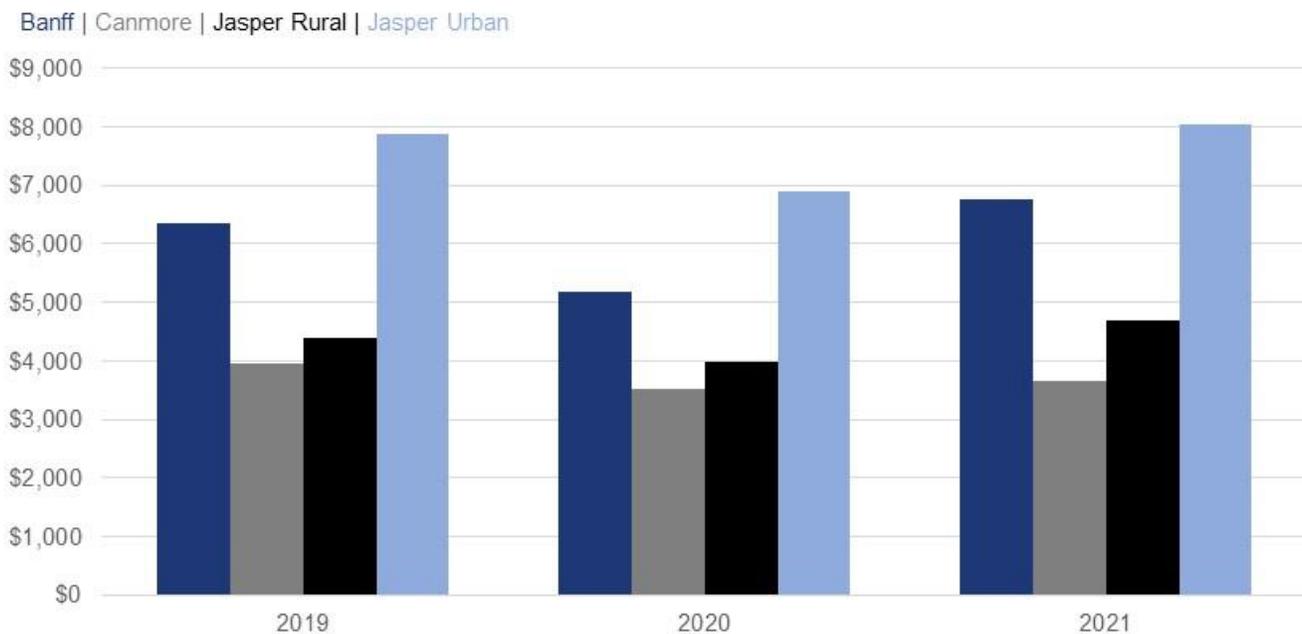
- Jasper increased sharply from \$480 in 2019 to \$750 in 2020, and then experienced a minor increase to \$800; and
- Canmore experienced a gradual increase from approximately \$1,700 to \$1,800 over same period.

**Figure 4-5 Banff Residential Tax Bill, 2019 - 2021**



Source: Alberta Municipal Financial and Statistical Data, Banff Tax Bylaw 2020, 2021.

Figure 4-6 Banff Non-Residential Tax Bill, 2019 - 2021



Source: Alberta Municipal Financial and Statistical Data, Banff Tax Bylaw 2020, 2021. Calculated for a representative non-residential property valued at \$500,000.

Over that same time period, the average tax bill payable by non-residential property owners in Banff increased from \$6,300 to \$6,700 (Figure 4-6). In comparison:

- A representative non-residential tax bill in rural Jasper decreased from \$4,400 in 2019 to \$4,000 in 2020 before rebounding to \$4,700 in 2021.
- A representative non-residential tax bill in urban Jasper decreased from \$7,900 in 2019 to \$6,900 in 2020 before rebounding to \$8,000 in 2021.
- Canmore experienced a similar dip in non-residential tax bills, down from \$3,900 in 2019 to \$3,500 in 2020 before rebounding back to \$3,600 in 2021.

#### 4.4 Operating Revenues

As shown in Table 4-3, in 2020 the assessment base and mill rates described above combined to generate \$17,139,250 in property taxes for the Town. Of that total tax revenue:

- approximately 21% was contributed by owners of residential properties as compared to 41% in Jasper and 58% for Canmore;
- the remaining 79% was contributed primarily by non-residential properties as compared to 59% in Jasper and 42% in Canmore.

The remaining \$38 million was generated largely through government transfers (\$17 million), the collection of user fees and the sales and user charges (\$10 million), and licenses and permits (\$4 million), with nominal collections from a range of other activities.

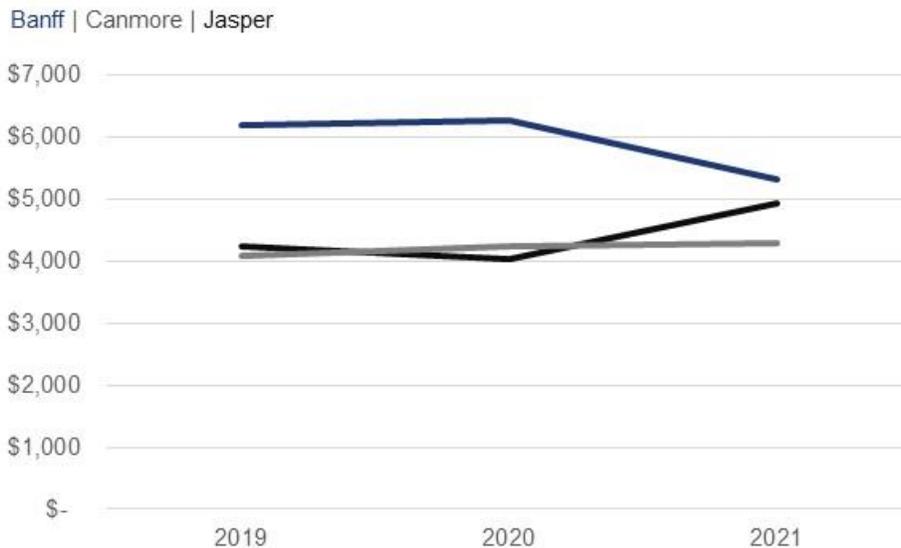
As shown in Figure 4-7, the per capita revenue in Banff is higher than Jasper and Canmore. Most notably, while Banff experienced a decrease in revenue per capita from 2020 to 2021, the comparator communities noticed a rise.

**Table 4-3 Town of Banff: Summary of 2020 Revenue by Object**

Revenue Source	2020 Dollars	Portion (%)
Taxes	17,139,250	30.62
Sales to other governments	582,618	1.04
Sales and user charges	10,499,310	18.76
Penalties and cost on taxes	37,621	0.07
Licenses and permits	4,297,014	7.68
Fines	477,918	0.85
Franchise and concession contracts	1,020,156	1.82
Return on investment	316,861	0.57
Rentals	2,362,696	4.22
Contributed and donated assets	18,186	0.03
Government Transfers	17,732,145	31.68
Developer agreements and offsite levies	196,278	0.35
Net gain on disposal of TCAs	13,833	0.03
Other revenue	1,279,596	2.29
<b>Total</b>	<b>55,973,482</b>	<b>100.00</b>

Source: Town of Banff. Consolidated Schedule of Revenue and Expenses by Object

Figure 4-7 Per Capita Revenue, 2019 - 2021



Source: Operating Financial Statements, Banff, Canmore, Jasper 2020. Operating Budget 2021, Banff, Canmore, Jasper. MFIS 2019 Population Data.

Note: The population was assumed to remain constant over the 2019-2020 period. Insufficient data was available to accurately represent the population growth within the communities.

#### 4.5 Operating Expenses

In 2020, the Town of Banff had operating expenditures totaling \$43.2 million. The single largest expense by object related to salaries, wages, and benefits (\$17.7 million) and, contracted and general services (\$12.6 million). In 2020, the Town generated a considerable surplus of \$12.7 million – doubling the 2019 surplus of \$6.3 million.

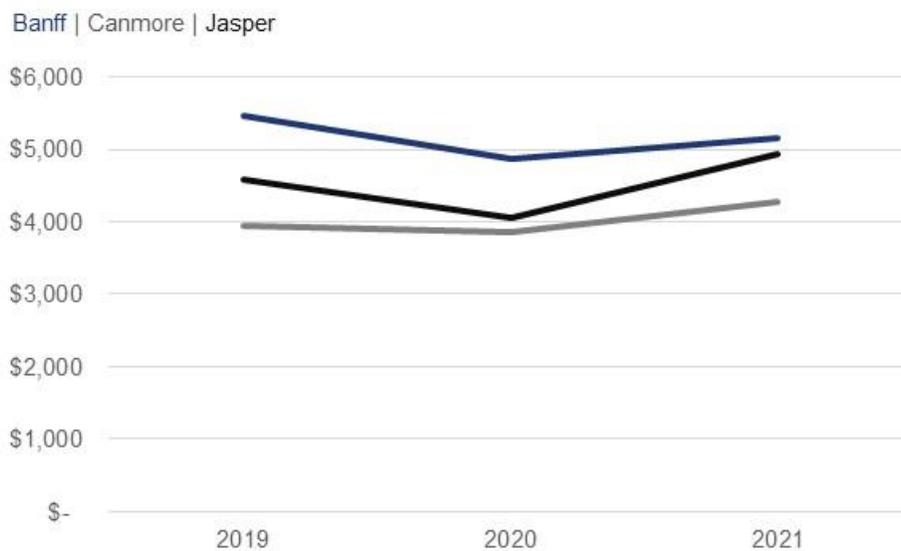
Figure 4-8 highlights the per capita operating expenses in Banff and its comparators. This indicates that Banff has a higher per capita spend than Jasper and Canmore. It should be noted that the application of per-capita measures for expenditures in tourism-driven communities can be problematic as municipalities likely offer services to a considerable portion of non-residents. However, given that all three Towns host large visitor populations, we believe the comparison provides useful insight into spending levels.

Table 4-4 Town of Banff: Summary of 2020 Expenses by Object

Expense Category	2020 (\$)	Portion (%)
Salaries, wages and benefits	17,864,514	41.07
Contracted and general services	12,619,678	29.01
Purchases from other governments	2,198,747	5.06
Materials, goods, supplies & utilities	2,750,410	6.32
Provisions for allowances	525	0.001
Transfers to local boards and agencies	39,375	0.09
Transfers to individuals and organizations	166,017	0.38
Bank charges and short-term interest	49,522	0.11
Interest on operating long-term debt	13,831	0.03
Interest on capital long-term debt	498,559	1.15
Amortization of tangible capital assets	6,318,565	14.53
Net loss on disposal of TCAs	980,507	2.25
<b>Total Expenditures</b>	<b>43,320,250</b>	<b>100.00</b>
<b>Excess of Revenues over Expenditures</b>	<b>12,653,232</b>	<b>-</b>

Source: Town of Banff. Consolidated Schedule of Revenue and Expenses by Object

Figure 4-8 Per Capita Expenses, 2019 - 2021



Source: Operating Financial Statements, Banff, Canmore, Jasper 2020. Operating Budget 2021, Banff, Canmore, Jasper. MFIS 2019 Population Data.

Note: The population was assumed to remain constant over the 2019-2020 period. Insufficient data was available to accurately represent the population growth within the communities.

## 4.6 Summary

In summary:

- Banff has an assessment base split of 37/63 (non-residential/residential) that is similar to Jasper (42/58) and well above that of Canmore (19/81).

- On a per-capita basis, Banff has less total assessment than Canmore and is nominally more than Jasper.
- The average residential tax bill in Banff is slightly above Jasper and well below Canmore. Additionally, the average residential tax bill:
  - in Banff has decreased from \$1,000 in 2019 to \$950 in 2021.
  - in Jasper has increased from \$480 in 2019 to \$800 in 2021; and
  - in Canmore has increased from approximately \$1,700 to \$1,800 over same period.
- The average non-residential tax bill in Banff is slightly below the Jasper (urban businesses) and well above Canmore. Additionally, the average non-residential bill:
  - in Banff has increased from \$6,300 in 2019 to \$6,700 in 2021.
  - in Jasper (urban) has increased from \$7,900 in 2019 to \$8,000 in 2021; and
  - in Canmore, decreased from approximately \$3,900 to \$3,600 over same period.
- With respect to tax burden, in Banff, 80% of municipal tax revenue is contributed by owners of non-residential property. By comparison:
  - in Jasper, 59% of tax revenues comes from non-residential properties; and
  - in Canmore, 42% of tax revenue comes form non-residential properties.

## 5. Municipal Actions

### 5.1 Key Issues

Municipalities have a number of policy tools available to encourage new or support existing business generally and in the face of the pandemic. Discussion with businesses in the Town revealed that, not surprisingly, the fundamental issue they face today relates to a lack of demand due to restriction imposed by government and the public's risk-aversion in engaging in activities that are permissible. Accordingly, revenues have dropped dramatically.

In conversations with stakeholders, Nichols explored the possibility of the municipality reducing costs such as property taxes and utilities as a means of supporting local business. Most firms indicated that doing so would have a very limited impact on their ability to survive and recover from the pandemic. Many indicated that:

- although municipal taxes represent a fixed cost, the average cost to businesses around Banff is less than 10% - relatively low magnitude - and is not likely to be a factor in the ultimate viability of a business; and
- utilities are largely variable as establishments such as hotels reduce usage as occupancy wanes. Although some base-level of utility costs are ever-present, like taxes, they represent a small portion of the overall cost structure of a business and are not likely to be a factor in the ultimate viability of a business.

An exception to the above is those firms who owned multiple properties and were forced to close almost entirely – shuttering most properties and operating the remaining businesses at reduced capacity. In these cases, the cumulative tax bills amounted to almost half of their remaining revenue.

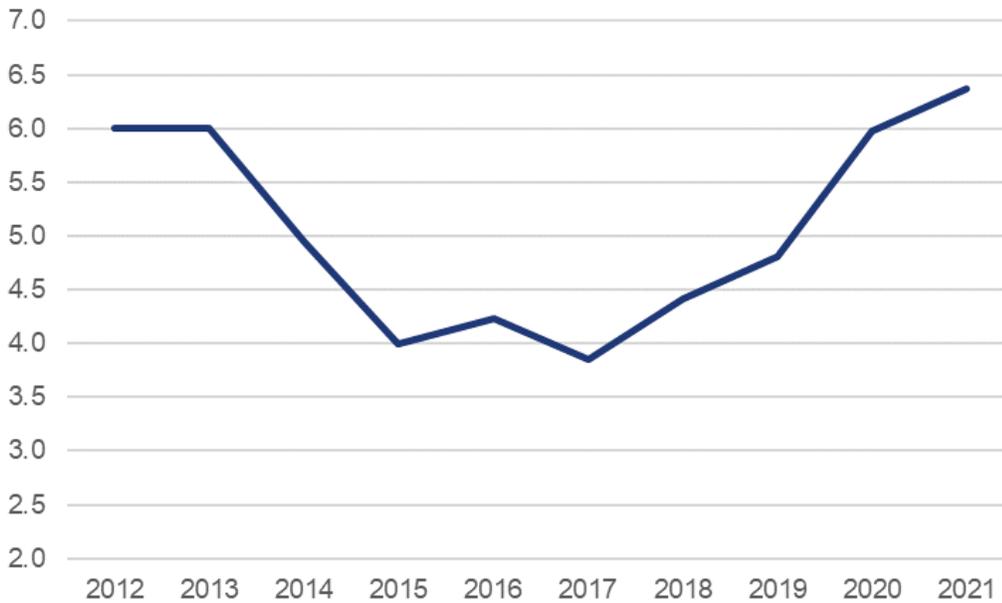
Participants pointed to large scale federal programs, namely the Canadian Emergency Rent Subsidy (CERS), the Canadian Emergency Wage Subsidy (CEWS), and the Canadian Emergency Response Benefit (CERB) as being crucial to their continued operation. In light of this feedback, the most meaningful support the Town can offer to local businesses – particularly during the economic recovery phase - is the continued lobbying of higher orders of government to:

- maintain these support programs until such a time as businesses have fully recovered from the pandemic; and
- open border to international travel as soon as possible so as to facilitate the return of international visitors to the Town.

Although property taxes alone may not represent a critical line-item in the budget of local businesses, the general attitude of Town Council towards business is viewed, by many, as unfavorable. This sentiment relates in large part to the failure of council to align current taxation levels with guidance from the provincial government which, per the Municipal Government Act (MGA) stipulates that the ratio of non-residential to residential mill rates be no greater than 5:1. In other words, the municipal tax rate levied on businesses shall not exceed five times that levied upon residences.

The requirement to arrive at a ratio of 5:1 was initially provided in 2015 and, as shown in Figure 5-1, until 2020, the Town has maintained the required ratio.

Figure 5-1 Ratio of Residential and Non-Residential Property Tax Rates, 2012 - 2021



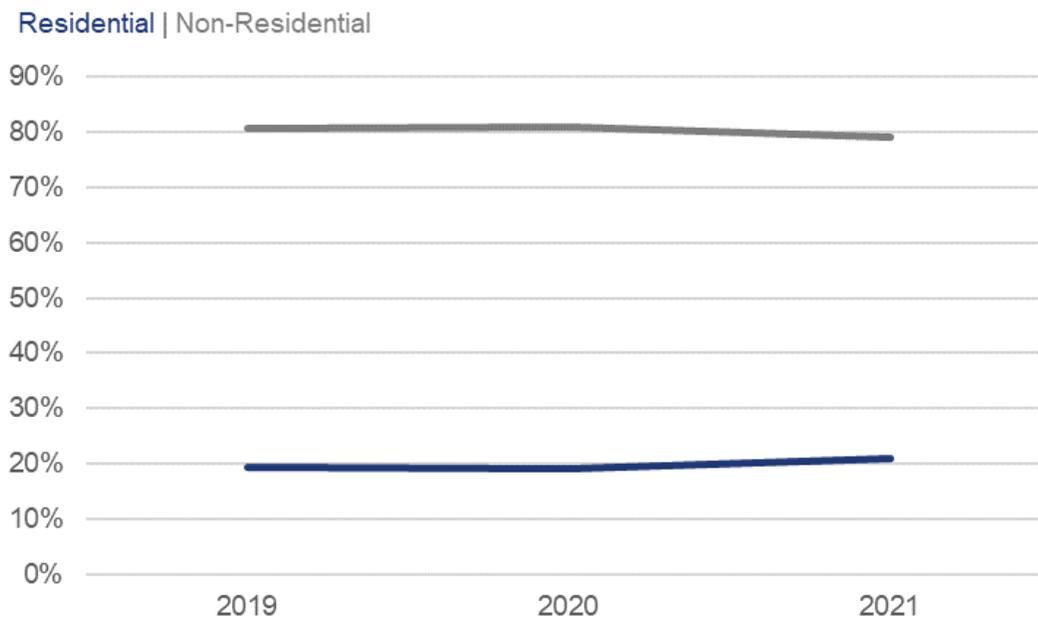
Source: Alberta Municipal Financial and Statistical Data, Banff Tax Bylaw 2020, 2021.

The movement from compliance in 2019 to exceeding the 5:1 ratio in 2020 – when mill rates for non-residential and residential properties were 10.3464 and 1.7315 respectively (a ratio of 5.98:1) – appears to be linked to an effort to reduce taxes across the community during the pandemic. Although the ratio exceeded allowable limits, and as noted in section 3.3., there appears to have been a drop in representative tax bills for both residential and non-residential properties.

However, the 2021 bylaw where rates were set at 13.5356 and 2.1259, further increasing the ratio of non-residential to residential mill rates to 6.37:1 while increasing a representative tax bill by 31% and 19% - above pre-pandemic levels.

Although the mill rates have exceeded the allowable ratio, the share of the municipal tax revenue generated from non-residential properties has decreased slightly from 81% to 79% since 2019 – suggesting that the municipality is attempting to maintain some target level of revenue from non-residential properties through rate adjustments.

Figure 5-2 Banff Residential and Non-Residential Tax Revenue Composition, 2019 - 2021



Source: Alberta Municipal Financial and Statistical Data, Banff Tax Bylaw 2020, 2021.

## 5.2 Potential Solutions

### 5.2.1 Mill Rate Adjustment

Using 2020 taxation and budget information, Nichols has explored two scenarios in which the Town of Banff can align its mill rates with the provincially-required 5:1 ratio. The scenarios are as follows:

- Scenario 1: The ratio of 5:1 is achieved through the downwards adjustment of the non-residential mill rate to be no more than five times that of the residential rate.
- Scenario 2: The ratio of 5:1 is achieved through the upwards adjustment of the residential rate to be no less than one fifth of the non-residential rate.

As illustrated in Table 5-1 below:

- If the residential mill rate remains unchanged at 2.1259, the maximum non-residential rate that will satisfy the MGA ratio is 10.6295.
  - The drop in non-residential mill rates results in an approximately \$3.2 million decrease in tax revenue. Under this scenario, the resulting average tax bill for non-residential properties in Banff would decrease to \$5,300 for a property valued at \$500,000, remaining above Canmore and Jasper.
- If the non-residential mill rate remains unchanged at 13.5356, the minimum residential tax rate that will satisfy the MGA ratio is 2.7071.
  - The increase in residential mill rates results in approximately \$1.1 million increase in tax revenue.
  - Under this scenario, the resulting average tax bill for residential properties in Banff would increase to approximately \$1,200 - remaining below the Canmore tax bill and above the Jasper tax bill.

Table 5-1 Mill Rate Scenarios - Impact on Tax Levy

Baseline	Mill Rates	Assessment Base (2020\$)	Tax Levy (2020\$)	Change (Scenario – Baseline)
Non-Residential	13.5356	1,128,573,190	15,275,915	-
Residential	2.1259	1,894,273,840	4,027,037	-
Total	-	3,022,847,030	19,302,952	-
<b>Scenario 1</b>				
Non-Residential	10.6295	1,128,573,190	11,996,168	(3,279,746)
Residential	2.1259	1,894,273,840	4,027,037	-
Total	-	3,022,847,030	16,023,205	(3,279,746)
<b>Scenario 2</b>				
Non-Residential	13.5356	1,128,573,190	15,275,915	-
Residential	2.7071	1,894,273,840	5,128,027	1,100,989
Total	-	3,022,847,030	20,403,942	1,100,989
<b>BlendedScenario</b>				
Non-Residential	12.8052	1,128,573,190	15,451,631	(824,284)
Residential	2.5610	1,894,273,840	4,851,320	824,284
Total	-	3,022,847,030	19,302,952	-

Recognizing that the Town may not be willing to forgo any revenue change as a result of achieving the 5:1 ratio, Nichols calculated the blended scenario where mill rates would maintain the tax revenue noted in the 2020 consolidated financial statement (\$17.2 million). They are 2.5610 and 12.8052 for residential and non-residential, respectively.

- This scenario results in a shift of approximately \$800,000 from non-residential to residential tax levies due to the adjustment of mill rates.
- Under this scenario, the resulting average tax bill for residential properties in Banff would increase to approximately \$1,150 - remaining below the Canmore tax bill and above the Jasper tax bill; and
- Under this scenario, the resulting average tax bill for non-residential properties in Banff would decrease to \$6,000 for a property valued at \$500,000, remaining above Canmore and Jasper.

Lastly, we understand that Banff has effectively reached commercial build-out, with little land available for development. As such, the pursuit of growth strategies that focus on diversifying and growing the assessment base – as is done in conventional municipalities with substantial land inventories – is not possible in the case of Banff. As such, the movement to a 5:1 ratio is not likely to be achieved via growth.

### 5.2.2 Paid Parking Reinvestment

The Town of Banff introduced visitor-pay parking in the downtown core in July 2021. Banff has indicated that the revenue generation is not the primary reason for introducing pay-parking' rather, the Town states that pay parking is a proven method to promote customer turnover and it increases the likelihood that there will be an available parking spot when driving through the downtown core and therefore will increase accessibility to the offerings of downtown.

The introduction of paid parking is heavily influenced by Banff's inability to expand into the national park. This means that no additional parking can be added as commercial buildout has effectively been reached. Due to the current free parking system and the increasing number of visitors a year, congestion in traffic has resulted in an increased in the number of idling vehicles and frustrated drivers.

Currently, the Town intends to use the revenue from the paid parking system to offset the cost of parking infrastructure and enforcement, with any additional revenue not earmarked for any specific purpose. We note that the principle of using prices to control demand (i.e. pay parking) is sound; however, best practice would be to re-invest the revenues in projects (e.g. improved sanitation, beautification, etc.) that serve to benefit the specific geographic area from which they are collected. In the unique instance of the economic impacts arising from the pandemic, the duration of which are unclear, excess parking revenues could be temporarily designated to help offset taxes levied on nearby businesses.

### 5.2.3 Expanding the Finance and Governance Committee

The Town of Banff has a Governance and Finance Committee whose mandate is to maintain continuing oversight of the governance, policy, and financial affairs of the Town – with a particular focus on strategic items. The Committee is comprised of each member of Town Council and meets as needed, often on a monthly basis. Committee minutes and recordings of the proceedings are available on the Town website for review by members of the public. Additionally, the Committee does receive written and verbal submissions from the public on matters before it.

Although there are mechanisms through which the general public or members of the business community may engage with Committee members or the Committee itself, there does appear to be an opportunity to improve the collaboration between stakeholders in the business community and the Committee. In a community that is highly reliant upon a single sector, it can be useful for local government to have a close relationship with business stakeholders so as to be fully apprised of any issues that may arise. In the case of the Town of Banff and the Governance and Finance Committee, there is likely benefit in formalizing a mechanism through which the public and members of the tourism industry can regularly share and receive information directly with and from the Committee. Doing so may provide a number of benefits to the community overall, including:

- improving the timeliness with which the Committee receives and reacts to information;
- improving the engagement of industry members in the local government process;
- encouraging collaboration between government and industry on key issues; and
- increasing the perceived transparency and accountability of the committee.

We note that if the Committee were to formalize the regular participation of business leaders in their proceedings, a corresponding process should be undertaken to engage members of the general public. The process of engaging members of industry and the public should focus on encouraging both individuals with relevant expertise (e.g. finance, economic development, planning, etc.) and lay members of the public who may offer unique views on their experiences with issues in front of the committee.

### 5.2.4 Resort Municipality Status

Tourism focused communities often face costs that other municipalities do not. In some cases, oversizing infrastructure to accommodate a tourist population that dwarfs the permanent residents can burden a local government in a way that a larger or more diversified municipality is not. A Canmore real estate company reported

that Banff, Jasper and Canmore have been lobbying for unique status as a resort municipality which would offer a different outlook on the traditional per capital funding arrangements. They also estimated that these tourism-based communities invest approximately 58% more than similar sized communities such as Brooks, Taber and Mornville<sup>2</sup>.

Some jurisdictions in Canada have established a special designation for tourism-focused communities in an effort to recognize and offset some of the costs faced by these unique municipalities. For example, in British Columbia, once a municipality is designated a 'resort municipality' and participates in the Municipal and Regional District Tax (formerly known as the Additional Hotel Room Tax) they are eligible to apply for resort municipality funding. The intention of this program is to fund projects that provide key outcomes to the tourist industry in the community. In 2019, the BC Government committed to providing \$39 million over 3 years to this program in order to fund infrastructure projects, create jobs and promote a stronger economy.<sup>3</sup> In order to be eligible for this program, municipalities must additionally create a multi-year development strategy that identifies the long-term plans and projects the municipality hopes to achieve. The program focuses on projects that having the following key outcomes:

- Increased activities and amenities;
- Increased visitation and visitor activity;
- Increased private investment;
- Increased employment in the community;
- Increased tourism contribution to the local economy;
- Increased municipal tax revenue; and
- Diversification of municipal tax base and revenue

Although this municipal status does not currently exist in Alberta, for many years now, Banff, Jasper and Canmore have been seeking a more appropriate "tourism-based community" status from the provincial and federal government. This would recognize these tourism reliant communities as their own special municipality and would help to provide affordable housing, transit and tourist services that many other towns of similar size do not need to worry about. Resort status would help support small, tourism-based municipalities to build and diversify their community to ensure an exceptional visitor experience while incorporating future growth and sustainability.

Continued lobbying on this front – particularly in light of the profound effect of the COVID-19 pandemic, may prove fruitful and help alleviate the tax burden faced by commercial ratepayers in Banff.

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<sup>2</sup> Seeking Resort Municipality Status - <https://www.victorhenning.ca/Blog.php/seeking-resort-municipality-status>

<sup>3</sup> Source: Government of BC – Resort Municipality Funding <https://www2.gov.bc.ca/gov/content/tourism-immigration/tourism-resources/tourism-funding-programs/resort-municipality-funding-rmi>

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