



CITY OF KINGSTON
INFORMATION REPORT TO COUNCIL

Report No.: 12-341

TO: Mayor and Members of Council
FROM: Cynthia Beach, Commissioner Sustainability and Growth
RESOURCE STAFF: Same
DATE OF MEETING: October 2, 2012
SUBJECT: Ontario Lottery and Gaming Corporation (OLG) – Municipal Contribution Agreement

EXECUTIVE SUMMARY:

The Ontario Lottery and Gaming Corporation (OLG) has been reviewing the terms for financial agreements that outline the host municipality's share of revenue. A draft agreement will be provided to other potential host municipalities next week. OLG provided information to the City regarding the financial formulas in an email on October 2. Staff received a summary for Council to summarize the financial revenue sharing formula.

The City of Kingston still has a timeline until the end of the year to provide information to OLG to indicate whether it is interested in hosting a gaming facility in the City of Kingston. Correspondence from OLG is included in the October 2 Council Agenda, clarifying that the decision to host a gaming facility is only the starting point of the process and does not represent a final or binding agreement to proceed with a final commitment.

RECOMMENDATION:

This report is for information purposes.

AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY COMMISSIONER Cynthia Beach, Commissioner, Sustainability and Growth
ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Lanie Hurdle, <i>Community Services</i>	N/R
Denis Leger, <i>Transportation, Properties & Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

OPTIONS/DISCUSSION:

OLG has been reviewing their municipal contribution agreements and have been consulting with municipalities who host gaming facilities this year. As part of their process to modernize gambling, a new formula will be used for their Municipality Contribution Agreement (MCA). The new formula was provided to potential host gaming communities this week and city staff have provided the information to Council as soon as it was available for Council's consideration.

The previous funding formula that was in place has previously been provided to Council. The new funding formula is based on the total slots revenue rather than being based on the number of slot machines located in a facility. The calculation will be made according to International Financial Reporting Standards.

Municipal Host Community Funding will be calculated using International Financial Reporting Standards at a rate of:

- 5.25% for the first \$65 million
- 3.00% on the next \$135 million plus;
- 2.5% on the \$300 million plus;
- 0.05% based on the remainder.

The formula will be applied to the total slot revenue generated at gaming facilities within the municipality (exclusive of charitable bingo and eBingo sites.)

With the previous funding formula, the municipal revenue sharing included 5% of revenues for slot machines for the first 450 slot machines and 2% revenue sharing for slot machines above 450.

The examples that were provided by OLG at the Council meeting have been recalculated using the new funding formula. The Western Fair in London, Ontario contributed \$4.1 million under the old agreement but would contribute \$4.7 million under the new agreement. The 1000 Island Casino in Gananoque would result in \$3.3 million to municipal revenues under the old agreement but would contribute \$3.5 million under the new formula.

EXISTING POLICY/BY LAW:

None

NOTICE PROVISIONS:

None

ACCESSIBILITY CONSIDERATIONS:

Not applicable.

FINANCIAL CONSIDERATIONS:

Gaming facilities would still be subject to property taxes at commercial tax rates and would be assessed on the basis of square footage, occupancy of the building and revenue or income of the property.

CONTACTS:

Cynthia Beach, Commissioner Sustainability and Growth, ext. 1150

OTHER CITY OF KINGSTON STAFF CONSULTED:

Hal Linscott, Director Legal Services

EXHIBITS ATTACHED:

None.