



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond, Commissioner of Corporate and Legislative Services

Meeting Date: December 5, 2022

Subject: Amendment to Funding Agreement, Ontario Lottery and Gaming Corporation, Report CLSFS22-036

Purpose

To recommend an amendment to the City's funding agreement with Ontario Lottery and Gaming Corporation (OLG).

Recommendation

That Council approve the recommendation in Report CLSFS22-036 dated December 5, 2022 of the Commissioner of Corporate and Legislative Services as follows:

That the Mayor and Clerk be authorized to execute an agreement to amend a funding agreement dated August 14, 2018 between The Corporation of the City of Peterborough and Ontario Lottery and Gaming Corporation, substantially in the form of agreement comprising Appendix B to report CLSFS22-036 and ultimately on terms acceptable to the Commissioner of Corporate and Legislative Services and in a form acceptable to the City Solicitor.

Budget and Financial Implications

There are no budget or financial implications directly related to this report's recommendation.

Since the gaming site opened in October 2018, the City has received approximately \$8.0 Million which has been used to support and enhance the City's investments in infrastructure and related works through the annual Capital Budget program.

Background

On October 28, 2022 the OLG corresponded with the CAO, as per Appendix A, to advise that the OLG and casino service providers are moving forward with the addition of Sportsbooks at Ontario Casinos, which can offer sports and other betting. Great Canadian Entertainment will be adding a Sportsbook in Shorelines Casino Peterborough, which requires the amendment to the Municipality Contribution Agreement (MCA) attached as Appendix B. The Municipal Contribution Agreement outlines the transfer of revenue to the municipality as a host community; it does not give the municipality authority to decide on gaming options offered.

The calculation of Sportsbook revenue will be retroactive to the first day the Sportsbook is offered at Shorelines Casino Peterborough and will be included as part of the first quarterly MCA payment following receipt of the signed Amendment.

Submitted by,

Richard Freymond
Commissioner of Corporate and Legislative Services

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Attachments:

Appendix A: Letter received from OLG – October 28, 2022
Appendix B: Amending Agreement



October 28, 2022.

Sent via email

Dear Sandra Clancy:

I am writing as a follow-up to my letter dated September 12, 2022, to advise that OLG and casino service providers are beginning to move forward with the addition of Sportsbooks at Ontario casinos, which can offer sports and other betting.

Sportsbooks are being rolled out using a phased approach over a number of months, in compliance with provincial regulations. OLG's award-winning responsible gambling program, PlaySmart, will be incorporated into all casino-based Sportsbook offerings.

I am pleased to let you know that Great Canadian Entertainment will be adding a Sportsbook in Shorelines Casino Peterborough, in your community.

As such, appended to my email with this letter, for your review and signature, is a copy of an Amendment to the Municipality Contribution Agreement (Amendment). OLG makes payments to municipal hosts based on a formula that is fair and equitable to all host gaming municipalities. Revenue generated from the introduction of a Sportsbook will be shared with the City of Peterborough pursuant to the Amendment, which adds to the Annual Contribution an amount equal to 4 per cent of Sportsbook revenue, as defined, if any, generated during each operating year.

The Amendment requires the signature of municipal representatives to come into effect. Please input electronic signatures to the attached Amendment and email a copy to Kathleen Devine, OLG's Senior Municipal Relations Manager, at kdevine@olg.ca. Should you prefer to print and provide a signed copy, it should be returned with signatures to OLG by mail, C/O Kathleen Devine; 4120 Yonge Street, Suite 402; Toronto, Ontario; M2P 2B8. Once we receive your signed copy, OLG will return a signed and executed copy of the Amendment to you for your records.

The calculation of Sportsbook revenue will be retroactive to the first day the Sportsbook is offered at Shorelines Casino Peterborough and will be included as part of the first quarterly MCA payment following receipt of the signed Amendment.

Should you have any questions regarding Sportsbooks, or the Amendment and the provisions contained therein, please feel free to reach out to Kathleen Devine, at the email address noted above or via phone at 416-726-6079.

OLG

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Public

OLG is proud to deliver great lottery and gaming entertainment in a socially responsible manner, while contributing to our host communities and the people of Ontario.

Yours truly,



Brian Calalang
Vice President, Casino Gaming Relationship Management

Cc: Diane Therrien, Mayor, City of Peterborough
Dave Pridmore, Chief Gaming Officer, OLG
Josh Cogan, Senior Director, Government & Stakeholder Relations, OLG

AMENDMENT TO MUNICIPALITY CONTRIBUTION AGREEMENT

THIS AMENDMENT TO MUNICIPALITY CONTRIBUTION AGREEMENT (this “**Amendment**”) made as of the ___ day of _____, 2022 (the “**Effective Date**”),

BETWEEN:

ONTARIO LOTTERY AND GAMING CORPORATION

(hereinafter referred to as “**OLG**”)

- and -

THE CORPORATION OF THE CITY OF PETERBOROUGH,

with its administrative office located at 500 George Street North, Peterborough, ON K9H 3R9 (hereinafter referred to as the “**Municipality**”).

WHEREAS OLG and the Municipality (the “**Parties**” and each a “**Party**”) are parties to that certain Municipality Contribution Agreement dated as of August 14, 2018 (the “**Contribution Agreement**”);

AND WHEREAS capitalized terms that are used but not defined in this Amendment, including in the recitals hereto, have the respective meanings specified in the Contribution Agreement;

AND WHEREAS pursuant to the Contribution Agreement, the Municipality is entitled to receive from OLG in respect of each Operating Year an Annual Contribution, which is defined and calculated by reference to a percentage of Electronic Games Revenue and Live Table Games Revenue, subject to the terms and conditions of the Contribution Agreement;

AND WHEREAS OLG is willing to conduct and manage Sports and Other Betting (as defined below) at the Location, if OLG’s service provider wishes to offer Sports and Other Betting at the Location;

AND WHEREAS the Parties are entering into this Amendment in accordance with Section 19 of the Contribution Agreement for the purpose of amending the manner in which the Annual Contribution will be calculated if and when Sports and Other Betting is operated at the Location;

NOW THEREFORE THIS AMENDMENT WITNESSES THAT in consideration of the respective covenants and agreements of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties agree as follows:

1. **Amendment to Section 1 (*Definitions*)**

From and after the Effective Date, Section 1 of the Contribution Agreement is hereby amended by inserting the following definitions in such Section in alphabetical order:

“**Sports and Other Betting**” means, (a) with respect to sports betting, the making of a bet or placing of a wager on any actual sport event or any other athletic contest, race or fight, and (b) with respect to other betting, the making of a bet or placing of a wager on (i) video games that are played competitively, (ii) any non-sporting event (for greater certainty, other than Electronic Games and Live Table Games) where real-world factual occurrences are the contingency on which an outcome is determined (“Novelty Events”), and (iii) any pay-to-play sport betting product that allows participants to assemble a virtual team composed of real players in a given sport and compete against other virtual teams based on the performance of those players in real matches. The making of a bet or placing of a wager on horse racing or on a computer-generated presentation of a random number draw that provides sport-like visual presentation for entertainment purposes only, so that the outcome of the “event” is determined by a random number generator rather actual sports, players or Novelty Events, does not constitute Sports and Other Betting;”

“**Sportsbook Revenue**” means, for any period, the sum of net revenue generated from Sports and Other Betting at the Location, if any, calculated in accordance with International Financial reporting Standards or such other Canadian generally accepted accounting principles as OLG adopts from time to time in its sole discretion. For greater certainty, the Sportsbook Revenue will only include the net revenue generated from Sports and Other Betting at the Location and will not include any revenue whatsoever from other products or services provided by OLG at the Location;”

2. **Amendments to Section 3 (*Payments*)**

From and after the Effective Date, Section 3(a) of the Contribution Agreement is amended by deleting the provisions thereof in their entirety and replacing them with the following:

“3 Payments

(a) During the Term and subject to the terms and conditions of this Agreement, the Municipality shall be entitled to receive from OLG in respect of each Operating Year the amount (the “**Annual Contribution**”) equal to the sum of (A) + (B) + (C), where:

(A) is the aggregate (without duplication) of:

(i) 5.25% of the Electronic Games Revenue, if any, generated in such Operating Year that is less than or equal to \$65 million; plus

(ii) 3.00% of the Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$65 million and less than or equal to \$200 million; plus

(iii) 2.50% of Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$200 million and less than or equal to \$500 million; plus

(iv) 0.50% of Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$500 million;

(B) is 4.00% of Live Table Games Revenue, if any, generated during such Operating Year; and

(C) is 4.00% of Sportsbook Revenue, if any, generated during such Operating Year.”

3. **Amendment to Exhibit A (*Calculation of Annual Contribution*)**

From and after the Effective Date, Exhibit A of the Agreement is amended by deleting the provisions thereof in their entirety and replacing them with Exhibit A attached to this Amendment.

4. **Effect of Amendment on Contribution Agreement**

Except as modified by this Amendment, the Contribution Agreement remains unchanged and in full force and effect.

5. **Electronic Execution**

Delivery of an executed signature page to this Amendment by either Party by electronic transmission will be as effective as delivery of a manually executed copy of this Amendment by such Party.

[The next page is the signature page.]

IN WITNESS WHEREOF the Parties have executed this Amendment as of the Effective Date.

ONTARIO LOTTERY AND GAMING CORPORATION

CORPORATION OF THE CITY OF PETERBOROUGH

by _____

Name:

Title:

Date:

("I have the authority to bind OLG.")

Name:

Title:

Date:

Name:

Title:

Date:

("I/We have the authority to bind the Municipality.")

EXHIBIT A

Calculation of Annual Contribution

For example and by way of illustration only: if the Electronic Games Revenue, the Live Table Games Revenue and the Sportsbook Revenue for an Operating Year is \$650 million, \$100 million and \$10 million respectively and as further described in Table A below, then the applicable Annual Contribution for such Operating Year would be \$20,112,500.

TABLE A

	Electronic Games Revenue (in millions)	Live Table Games Revenue (in millions)	Sportsbook Revenue (in millions)	Annual Contribution Quarterly Payment (in millions)
Operating Year Quarter No. 1 (March 1 – June 30)	\$100	\$25	\$2.5	$[(0.0525 \times \$65) + (0.03 \times \$35)] + [0.04 \times \$25] + [0.04 \times \$2.5] = \$5.5625$
Operating Year Quarter No. 2 (July 1 – September 30)	\$175	\$22	\$2.2	$[(0.03 \times \$100) + (0.025 \times \$75)] + [0.04 \times \$22] + [0.04 \times \$2.2] = \$5.843$
Operating Year Quarter No. 3 (October 1 – December 31)	\$170	\$23	\$2.3	$[0.025 \times \$170] + [0.04 \times \$23] + [0.04 \times \$2.3] = \5.262
Operating Year Quarter No. 4 (January 1 – March 31)	\$205	\$30	\$3.0	$[(0.025 \times \$55) + (0.005 \times \$150)] + [0.04 \times \$30] + [0.04 \times \$3.0] = \$3.445$
Total	\$650	\$100	\$10	\$20.1125