



City of
Peterborough

TO: Members of the Committee of the Whole

FROM: Sandra Clancy, Director of Corporate Services

MEETING DATE: February 19, 2013

SUBJECT: Report CPFS13-012
Financial Considerations of a Proposed Casino

PURPOSE

An information report on the financial considerations of a proposed casino within the City of Peterborough.

RECOMMENDATION

That Council approve the recommendation outlined in Report CPFS13-012 dated February 19, 2013, of the Director of Corporate Services, as follows:

That the financial considerations of a proposed casino as outlined in Report CPFS13-012, dated February 19, 2013 of the Director of Corporate Services, be received for information.

BUDGET AND FINANCIAL IMPLICATIONS

Becoming a host site for a casino has the potential of bringing a significant stream of non-tax based revenues to the City of Peterborough.

Using the experience of the slots at Kawartha Downs as the primary comparator, initial estimates would suggest that the amount of revenues would be between \$3 to \$4 million annually.

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Although any potential revenues may be utilized at the discretion of Council, staff will recommend, at the appropriate time, that the revenues be directed towards the City's Capital program in one or a combination of ways. It might be to enhance the City's capital program in much the same way the interest and dividends from the COPHI group of companies does, the funds are budgeted as part of the Corporate Revenues in the Operating Budget, but are subsequently used to increase the provision of Capital Levy.

Or the additional revenue might be used to make strategic investments of a capital nature that will specifically enhance or reinvent the local economy that will in turn stimulate further growth and development. The funds would be flowed through the Capital Levy calculation, but the focus would be on expanding capital infrastructure only to the extent that it enables further investment in the community to occur.

BACKGROUND

At its meeting of February 11, 2013, Members of the Planning Committee considered Report PLPD13-013 Land Use Planning Options for a Proposed Casino.

The report indicated that staff would report separately on the financial benefits of hosting a casino and the potential costs in other areas of municipal interest.

This report is the initial response. As there are a number of financial impacts related to a casino that will require further consideration should Council wish to continue to move forward with the Ontario Lottery and Gaming Corporation (OLG) process, subsequent reports may be necessary. Further considerations that cannot be dealt with in detail at this time include:

- Employment opportunities (both direct and indirect) created by the new operating model;
- Construction of complementary businesses (e.g. hotels, restaurants, other);
- Expenditures at surrounding businesses;
- Depending upon location, consequential impacts to infrastructure networks that may require both immediate and long term investment, and
- New or enhanced public services that could be funded from revenues received and the ability for these services to offset negative impacts.

Benefits to Municipalities for Hosting a Gaming Site

Municipalities that are hosts to gaming facilities benefit from a number of factors related to their location. Operations of the facilities attract tourism investment, create employment and result in the indirect economic benefits from the use of local suppliers. A new gaming location may also initiate an expansion of other community businesses and development.

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Municipalities with gaming facilities within their boundaries will receive financial support from the gaming operations for the benefit of the local community. Funding levels to the municipalities will be determined by a share of net revenues. Under their fee structure OLG allows municipalities to use the revenues in any way they choose with no restrictions.

Contributions to the Host Municipality

OLG cannot state what the actual allocation of revenue to the City would be, however the formula that would be applied is as follows:

- a) 5.25% for the 1st \$65 million of net Slot Revenue; plus
- b) 3.00% on the next \$135 million of net Slot Revenue; plus
- c) 2.50% on the next \$300 million of net Slot Revenue; plus
- d) 0.50% on the remainder of net Slot Revenue.

Although the precise number of slot machines and table games will be the subject of ongoing discussions with the provider, using the slots at Kawartha Downs as the primary comparator, initial estimates would suggest an annual revenue stream of between \$3 to \$4 million. The municipal share contributed to Cavan Monaghan for the years ending March 2012 and March 2011 was \$3.3 annually, based on 5% of revenues from the 450 slot machines on site and total gaming revenues of approximately \$65 million annually.

At this time, it is unclear whether or not the City would realize any contributions directly from table games. OLG has indicated the following:

- The contribution agreement is a standard based agreement across all host gaming communities;
- Not all sites will be allocated table games as a part of this modernization process, so it is difficult for OLG to incorporate that component into the agreement;
- Municipalities receive funding from what OLG calls - the most stable component of their business(slot machines) - in certain circumstances around the province, table games are a revenue neutral proposition, and
- If table games are a component of the business case in Peterborough, they will bring many new incremental jobs as the table format is very labour intensive, as well as "accompany play" which means added slots business.

Payments to the host municipality are made within 21 days of the end of each calendar quarter during the term of the agreement.

Property Taxes

The development of a gaming facility, whether stand-alone or part of a larger inclusive development, would be subject to property taxes at the commercial tax rate and would be assessed on the basis of square footage, occupancy of the building and revenue or income of the property.

Using Casino Thunder Bay Casino as a comparator, it is reasonable to expect that property taxes would generate an additional \$0.7 to \$0.8 million in revenues annually. School Board taxes would not apply.

How would the Municipal Contributions be used?

The municipal contributions resulting from being a host community do not come with any imposed restrictions. The funds are non-tax based and may be utilized at the discretion of Council.

The intent of staff, at this time, is not to identify specific uses for funds which the City may or may not receive in the future. Staff will recommend, at the appropriate time, that the funding be directed towards the City's Capital program in one or a combination of ways. It might be to enhance the City's capital program in much the same way the interest and dividends from the COPHI group of companies does, the funds are budgeted as part of the Corporate Revenues in the Operating Budget, but are subsequently used to increase the provision of Capital Levy.

Or the additional revenue might be used to make strategic investments of a capital nature that will specifically enhance or reinvent the local economy that will in turn stimulate further growth and development. The funds would be flowed through the Capital Levy calculation, but the focus would be on expanding capital infrastructure only to the extent that it enables further investment in the community to occur.

Community Considerations –Social, Health, and Cultural

As Council considers the opportunities of becoming a host site for a casino, they should also begin to assess some of the potential social, health and cultural challenges that could accompany such a development. A recent City of Toronto report, on the potential health impacts of gambling expansion in Toronto, states that increased access to gambling is associated with a corresponding increase in problem gambling rates. Specifically, gambling addiction may increase with closer proximity to gambling venues and with 24/7 operations. On the cultural side, the provision of regular high profile entertainment offerings associated with a full service casino may have an impact on existing entertainment/cultural venues and events like: Showplace, Market Hall, The Venue, the Peterborough Memorial Centre, and the Little Lake Music Fest. If the proposed development proceeds, mitigation strategies should be developed accordingly.

While there is no methodology that would enable the City to determine the assumptions related to municipal service costs associated with the introduction of a gaming facility, any adverse impacts and costs associated with those could be paid from the revenues generated. If any such operating expenses are required, funding could be utilized from the net gaming revenues to the extent that these are necessary to support additional services required.

Other Financial Considerations

Construction of the Casino would be subject to the City's development and related fees including development charges and building permit fees. Any consequential infrastructure works would be typically at the cost of the proponent.

Submitted by,

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