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**Date** December 14, 2022 **Report No.** 2022-566

**To** Chair and Members  
Finance Committee

**From** Joelle Daniels  
Director of Finance/City Treasurer

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## 1.0 Type of Report

Consent Item ☒ [x]  
Item For Consideration ☐ [ ]

## 2.0 Topic **Quarterly Casino Update and Amended Contribution Agreement [Financial Impact - \$1,379,728 quarterly revenue]**

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## 3.0 Recommendation

- A. THAT Report 2022-566 titled Quarterly Casino Update BE RECEIVED; and
- B. THAT the agreement amending the Municipality Contribution Agreement with the Ontario Lottery and Gaming Corporation to provide for a share of Sportsbook revenue BE PLACED on a Signing By-law for execution by the Mayor and City Clerk.

## 4.0 Executive Summary

This report provides an update to the Finance Committee on the status of casino revenues, and the reserves held by the City that are funded from those revenues. The quarter ending September 30, 2022 was only the second post-pandemic period in which the casino was not subject to any provincially mandated capacity restrictions or closures related to the COVID-19 pandemic. Revenues for this quarter were \$1,379,728, and are in line with normal budgeted

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amounts. This report provides an updated casino funds forecast, inclusive of revenues and related commitments, through to the end of 2023. Also included in this report is direction for the Mayor and Clerk to execute an agreement to amend the Municipal Contribution Agreement (MCA) that will provide additional contributions to the City from a new Sportsbook lounge, offering sports and other betting, at Elements Casino Brantford.

## **5.0 Purpose and Overview**

The purpose of this report is to update the Finance Committee on contributions received from the casino on October 19, 2022, representing the City's share of gaming revenues for the quarter ending September 30, 2022. The report also provides an updated status of casino funded reserves, and seeks approval to enter into an amending agreement with the Ontario Lottery and Gaming Corporation (OLG) to provide the City with a share of new Sportsbook revenues.

## **6.0 Background**

Under the MCA signed in 2013, the City receives quarterly contributions from the Ontario Lottery and Gaming Corporation (OLG) for a portion of both electronic gaming and table game revenues received by Elements Casino Brantford.

The current MCA provides for the following revenue sharing model:

1. Electronic Games – 5.25% on the first \$65 million of net revenues plus 3% of net revenues beyond that
2. Live Table Games – 4% of net revenues

The addition of a Sportsbook lounge at the casino introduces an additional revenue stream which will be discussed further in Section 8.0.

The City normally budgets \$5 million in casino contributions annually, which are allocated to a number of casino funded reserves. Finance Policy 010 – Use of Casino Funds, was adopted by Council in 2015, and provides for allocation of casino revenues in accordance with Table-1 below:

**Table 1 - Allocation of Casino Revenues**

<b>Category</b>	<b>Allocation</b>
Legacy Component	35%
Community Groups	25%
Capital Contribution	20%
Council Priorities	10%
Disaster Mitigation	5%
Cultural and Built Heritage	5%
	100%

The cumulative amount of contributions the City has received since the casino opened in 1999 total \$93.8 million.

The COVID-19 pandemic significantly impacted the operations of the casino from March 2020 through to March 2022, resulting in considerably reduced revenues to the City in 2020 and 2021 of approximately \$6.8 million. As a result of the mitigation measures implemented by staff to offset general operating revenue losses during the pandemic, provincial relief funding totaling \$5.3 million has been redirected to partially offset lost casino revenues.

## **7.0 Corporate Policy Context**

Finance Policy 010 - Use of Casino Funds provides a Council approved approach to the allocation of casino revenues. Due to restrictions that were imposed on the casino during the COVID-19 pandemic, Council previously approved mitigation measures that have essentially put a temporary pause on the approved allocation approach until a full review of the policy has been completed. As per the policy, a review is required in the first year of the new term of Council.

## 8.0 Input From Other Sources

Legal Services reviewed the necessary agreement to amend the MCA so that the City can share in Sportsbook revenues.

## 9.0 Analysis

The City's share of gaming revenues for the quarter ending September 30, 2022 is \$1,379,728. The third quarter activity follows a positive second quarter contribution of \$1,308,042, which was the first time period in over two years in which the casino was not hampered by any provincially mandated closures and capacity restrictions.

A summary forecast of casino funded reserves is provided in Table-2 below:

**Table 2 - Summary Casino Funded Reserves Forecast**

	2022	2023
Uncommitted Opening Balance	\$ 8,919,377	\$ 7,419,824
Anticipated Receipts	4,600,000	5,000,000
Payments/Commitments	(6,099,553)	(4,304,397)
Forecasted Closing Balance	\$ 7,419,824	\$ 8,115,427

Details of the anticipated payments and commitments is provided in Appendix A.

The City was also advised by way of letter from the OLG on October 28, 2022 that Great Canadian Entertainment, operators of Elements Casino Brantford, would be introducing a Sportsbook venue at its casino. Sportsbooks are being rolled out using a phased approach over a number of months and will provide a venue for sports and other event betting. Staff has confirmed the Sportsbook at the Brantford Casino has opened. For impacted municipalities, OLG has provided an amending agreement to the MCA signed in 2013 which will provide a 4% share of the new Sportsbook revenues (same formula as live table games). Staff is recommending that the agreement be executed, and OLG has confirmed that sharing of Sportsbook revenues would be retroactive back to the date Sportsbook betting was introduced at the casino.

## 10.0 Financial Implications

The City's share of gaming revenues for the most recent quarter ending September 30<sup>th</sup> totaled \$1,379,728, exceeding the normally budgeted quarterly amount of \$1.25 million for just the second time in over two years. In accordance with direction received in 2020, no transfers will be made to the Disaster Mitigation, Council Priorities or Cultural & Built Heritage reserves until such time as there is a full review of the Use of Casino Funds Policy. As per the policy, this review is required to occur during the first year of this new term of Council.

It is not known at this time what the estimated annual contribution from OLG will be resulting from the introduction of Sportsbook at the casino.

## 11.0 Climate and Environmental Implications

There are no climate or environmental impacts associated with this report.

## 12.0 Conclusion

This report provides an update on year to date revenues received from OLG for Elements Casino and the City's casino funded reserve balances. Another report to provide results of fourth quarter 2022 revenues along with updated casino reserve forecasts will be provided in early 2023.



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Joelle Daniels  
Director of Finance/City Treasurer

Attachments (if applicable)

### Appendix A – Summary Casino Funded Reserves Forecast

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Agreement(s) or other documents to be signed by Mayor and/or City Clerk	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Is the necessary by-law or agreement being sent concurrently to Council?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no