Information:

Further to the Information Update provided to the members of the General Issues Committee on June 28, 2012, Planning and Economic Development Department staff continue to monitor the progress of the Ontario Lottery and Gaming Corporation (OLG) and their plans to modernize lottery and gaming in the Province of Ontario.

Background and Overview

Under the Province’s and OLG’s new modernization plan, gaming (and lottery) facilities will be transferred and operated by the private sector and regulated by the Province of Ontario through the OLG and the Alcohol and Gaming Commission of Ontario (AGCO).

Lottery and gaming are popular forms of entertainment in Ontario, however, gaming revenues are flattening due to new competition from U.S. border states that now offer casinos, as well as increasing competition from other forms of entertainment for customers’ discretionary recreational spending.
To counter the trends, the Province and OLG are expanding and enhancing gaming and lottery opportunities in Ontario to increase the net revenue contribution to the Province and providing more gaming choices to customers.

OLG’s modernization plan is highlighted by three specific recommendations:

- Become more customer focused. Gaming across the Province needs to better reflect what customers want and should be closer to them;
- Expand regulated private sector delivery of lottery and gaming. Engage the private sector to build a new model for gaming in Ontario – while OLG maintains control and accountability; and,
- Renew OLG’s role in oversight of lottery and gaming. OLG should improve its business and infrastructure systems to appropriately manage all customer interaction from lottery to internet to casinos.

The goal of the new plan is to provide an additional $1.3 billion in annual net profit by 2017 to the Province and to create approximately 2,300 net new industry jobs, as well as an estimated 4,000 jobs in hotels, restaurants, entertainment centres and retail.

To manage the gaming market, OLG has identified 29 gaming zones throughout Ontario where existing or new gaming facilities will be permitted, following municipal and other approvals.

Inside gaming zones, each private sector gaming operator will be permitted to establish a new facility (for new zones), operate the current facility, or relocate an existing facility within the boundaries of the zone, subject to approvals including OLG’s approval of the business case, and municipal approval for the establishment and operation of a gaming facility. Within the procurement process, once OLG approves a gaming operator’s business plan for a gaming zone, it is forwarded to the Ministry of Finance for approval.

Under the Province’s and OLG’s new lottery and gaming plan, municipalities that are located within a current or future gaming zone are being asked to provide a clear expression of interest, either way, about hosting a gaming facility in the community before OLG issues the Request For Proposal in the early Fall of 2012.

The first step in the procurement process was the Request For Information (RFI) which closed on July 4, 2012. The purpose of the RFI was to determine the range of private sector interest, assess a range of products and solutions available in the market, identify and assess project risks and clarify business requirements.

The next stage in the procurement process is the Request For Pre-Qualification (RFPQ). The purpose of this step is to determine the abilities of potential respondents. Interested vendors will submit financial and technical capabilities, including proof of...
experience with similar projects. The RFPQ will allow OLG to create a list of companies eligible to receive the Request For Proposal (RFP) documents.

During the RFPQ process, OLG advised municipalities which may be interested in being hosts for a future gaming facility to undertake the following:

- Create conditions to make the municipality attractive to potential operators;
- Receive enquiries from potential operators – advising them of the openness of the municipality to a site and referring other questions to the OLG;
- Discussions around the base funding model for host municipalities;
- Confirm interest in hosting a gaming facility before the RFP is released; and,
- Conduct public consultations as required.

OLG has indicated the RFP for private sector gaming operators will be issued in the early Fall of 2012. The RFP will evaluate potential operators – selecting those with the greatest technical skills and that will provide the greatest return to the Province.

Potential Implications for Hamilton

1) Municipal Support for a Gaming Facility

OLG has indicated that municipalities need to provide a clear expression of interest (either way) about having a gaming facility in the community, likely before the RFP is issued in the Fall of 2012. We have confirmed with OLG staff that, since the City of Hamilton is already the host community for Flamboro Downs, it is not necessary to submit an expression of interest. However, many municipalities have passed resolutions stating that they want to remain a host gaming community.

On April 11, 2012, City Council passed the following resolution regarding a gaming facility in Hamilton:

"notwithstanding discussions about any other gambling facilities in Hamilton, the existing Flamboro Downs facility remains Council's number one priority."

2) Gaming Zone Boundaries and Potential Financial Implications

The City of Hamilton falls within Zone SW9 (see map attached as Appendix “A” to Report PED12157) which currently includes all of the City of Hamilton and a small part of the City of Burlington (primarily Aldershot).

The City of Burlington has a Council resolution stating that they do not want to be a host for a gaming facility. However, gaming zone boundaries have not yet been officially finalized and could still be potentially expanded based on feedback received from the RFI Process.
Given that OLG will only grant one gaming facility per zone, there is still a possibility that a gaming facility could be established outside the municipal borders of Hamilton, but still within the gaming zone.

If, in fact, a private operator chose to put a case together to establish the gaming facility in another municipality within the zone and the OLG and Ministry both approve this, then Hamilton is no longer the host community and would lose the privilege of being the host community.

The revenue allocation in its entirety would switch to the new host municipality and Hamilton would no longer receive those funds. This scenario would have a significant revenue impact for the City of Hamilton.

For 2012, Finance staff expects and have budgeted $4.4 million in revenue from Flamboro slots. Currently, these funds are used to reduce the amount of property taxes the City requires. If we were to lose this revenue, property taxes would increase about 0.7%. From 2000 - 2011, the City has received approximately $49 million in revenue. It has also been used to fund some significant Flamborough projects, such as Borer's Creek ($15 million), as well as ease the property tax impact for Flamborough residents during the first few years of amalgamation ($13 million).

Finally, there will be a new revenue model for municipalities that will be established by OLG in the Fall of 2012.

APPENDICES / SCHEDULES

Appendix “A” to Report PED12157 – Location Map

NS/dkm