

## **Appendix B – Financial Considerations**

### ***Municipal Contribution Agreement***

The current OLG Municipal Contribution Agreement (MCA) provides the City with a share of gaming revenues (hosting funds) equal to A+B, where:

- A is the sum of:
  - 5.25% of the annual Electronic Games Revenue that is less than or equal to \$65 million, plus
  - 3.00% of the annual Electronic Games Revenue that is more than \$65 million and less than or equal to \$200 million, plus
  - 2.50% of the annual Electronic Games Revenue that is more than \$200 million and less than or equal to \$500 million, plus
  - 0.50% on the remainder of annual Electronic Games Revenue exceeding \$500 million
- And B is 4.00% of the annual Live Table Games Revenue, if any.

Table 1 summarizes annual revenues to date.

**Table 1 – Woodbine Gaming Revenue & Hosting Funds (2000-2015)**

<b>Year</b>	<b>Slots at year-end</b>	<b>Gross gaming revenue (\$ million)</b>	<b>City's Share (hosting funds) (\$ million)</b>	<b>City's Share (%)</b>
<b>2000<sup>(1)</sup></b>	1,700	279.2	7.9	2.84%
<b>2001</b>	1,700	432.1	12.1	2.79%
<b>2002</b>	1,700	512.4	14.3	2.79%
<b>2003</b>	1,700	563.3	15.7	2.79%
<b>2004</b>	1,709	562.8	15.7	2.79%
<b>2005</b>	1,945	524.3	14.5	2.77%
<b>2006</b>	1,947	549.8	14.8	2.69%
<b>2007</b>	2,009	593.7	15.9	2.68%
<b>2008</b>	2,009	626.9	16.8	2.67%
<b>2009</b>	2,061	602.8	16.1	2.67%
<b>2010</b>	2,235	589.6	15.4	2.62%
<b>2011<sup>(2)</sup></b>	2,711	590.3	15.2	2.57%
<b>2012</b>	3,001	577.5	15.1	2.62%
<b>2013<sup>(3)</sup></b>	3,005	599.2	17.5	2.91%
<b>2014</b>	3,008	621.5	15.9	2.57%
<b>Total</b>		<b>8,225.3</b>	<b>222.8</b>	<b>2.71%</b>

(1) Opening Date = March 27, 2000

(2) Effective April 1, 2011 the OLG changed reporting standards from Canadian Generally Accepted Accounting Principles (CGAAP) to International Financial Reporting Standards (IFRS). Revenues may not be comparable.

(3) New municipal contribution agreement & new funding formula effective April 1, 2013 resulted in a one-time increase in the annual revenue for the City.

The City has received more than \$222 million in revenues (hosting funds) since the introduction of Slots at Woodbine in 2000. This is approximately \$15 million per year, which is equivalent to approximately 2.7% of the gross gaming revenue generated at the facility. The revenues the City receives from the OLG's Woodbine slots facility contribute towards the City's general revenues which are allocated to various City programs and services through the Budget process.

Since 2000, the number of slots has increased from 1,700 to 3,000 while gaming revenues grew rapidly at first, and have been relatively stable at approximately \$600 million since. The City's percentage and absolute shares have been very stable due to the MCA. The initial agreement (ended in March 2013), provided the City with diminishing returns on gaming revenues as the number of slots increased. The current agreement (effective April 2013) provides a marginal return of 0.5% for each dollar in Electronic Games Revenue over \$500 million.

### ***City Share of Gaming Revenue - Hosting Funds***

Should City Council consent to expanded gaming at Woodbine, the additional hosting funds the City is expected to receive would be subject to the same standard MCA, which is dependent on gaming revenues, which in turn are dependent on the number of electronic games and live dealer tables and their productivities (revenues per game, per year).

While the size of expanded gaming will be determined by the OLG's selected service provider, the OLG has identified in its RFPQ that Zone C2 (Woodbine) may have a maximum of 5,000 electronic gaming positions, and up to 2,400 live table gaming positions (approximately 300 live dealer tables with 8 gaming positions each). The OLG estimates that should expanded gaming occur at Woodbine, total gaming revenues will range between \$900 million and \$1.1 billion (including current gaming revenues of approximately \$600 million). In addition, the OLG estimates that this could mean an additional \$7 million to \$11 million in revenues for the City through increased hosting funds (for a total of approximately \$22.5 million to \$26.5 million). This is equivalent to approximately 2.4% of gaming revenues.

The OLG has advised that its projections are conservative and do not assume that the upper limits of expanded gaming, as outlined in the RFPQ, are implemented. In addition to the size and scale of expanded gaming, the OLG also advised that gaming revenue is dependent on the mix and scale of amenities and the total capital spend (in facilities) by the service provider, and that actual gaming revenues could also be higher than projected.

The methodology underlying the OLG's projections (revenue estimates, revenue splits between electronic and live dealer tables, and potential impacts from planned neighbouring gaming facilities), was not available to City staff as they were deemed by the OLG to be commercially sensitive given the ongoing procurement process.

City staff conducted analysis to identify a 'best-case' scenario, which assumes implementation of the upper limits of expanded gaming as outlined in the RFPQ. Should City Council consent and this occur, City staff estimate that this may provide an additional \$14.0 million in hosting funds each year through the MCA (a total of \$29.5 million annually), once expanded gaming has achieved productivities comparable to Woodbine (electronic games) and at other OLG facilities

(live dealer tables). This is equivalent to 2.3% of total gaming revenues, which is projected at \$1.3 billion. Due to the standard MCA, almost all incremental revenue received by the City would be generated through the introduction of live dealer table games.

If Council does not approve expanded gaming at Woodbine, there will be no additional revenues. The MCA will continue to provide the City with approximately \$15.5 million, assuming factors such as patron visits, the number of electronic games, and spending stay the same.

### ***Property Taxes and Other City Revenues***

City staff estimate incremental municipal property taxes derived from expanded gaming, to be paid by the service provider and/or related property owners, on the assessment value of the development. Expanded gaming may also result in the development of non-gaming facilities which would result in additional development charge and property tax revenues.

At the current time, there is no detailed proposal for the Woodbine site and it is uncertain if expanded gaming will result in non-gaming facilities. However, based on the construction costs of an illustrative development, including hotel, restaurant, retail and convention space, City staff estimate incremental annual municipal property taxes of approximately \$5.5 million.

If Council does not approve expanded gaming at Woodbine, the City will continue to receive property taxes related to Woodbine, which is currently approximately \$1.7 million per year.

### ***Incremental Costs***

Expanded gaming is not expected to result in net incremental costs to the City including police, fire and emergency medical services. The development of non-gaming facilities may result in additional costs, however property taxes will help defray municipal costs, including those associated with municipal services provided to the site.

As per any development in the City, the proponent would be responsible for all infrastructure costs that are typically a direct developer responsibility. More details are found in Appendix D.

### ***Other Governments***

The federal and provincial governments will benefit from additional sales tax and income tax arising from the economic activities and employment associated with expanded gaming and potentially, non-gaming related development.