




PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

4.

Halifax Regional Council
June 21, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


S. Dale MacLennan, Director, Financial Services

DATE: June 16, 2005

SUBJECT: Revenues from Casinos and Racetracks

INFORMATION REPORT

ORIGIN

At the October 26, 2004 meeting of Regional Council, Councillor Warshick requested a staff report regarding the arrangement in Ontario relative to a payment structure for communities hosting commercial casinos, charity casinos and racetracks with slot machines.

BACKGROUND

Staff was requested to respond to an inquiry as to why HRM does not receive any direct financial benefit from the revenues of the casino located within the municipality. It was identified that the host cities/municipalities in Ontario receive a financial benefit from the revenues of casinos and racetracks.

DISCUSSION

The Ontario Lottery and Gaming Corporation (OLGC), a Crown Agency, was created by the Government of Ontario on April 1, 2000 by merging the Ontario Casino Corporation (OCC), established in 1994, and the Ontario Lottery Corporation (OLC), established in 1975.

The OLGC owns and maintains authority over four commercial casinos in the province which are operated by private operators. In 1996, the province of Ontario negotiated an agreement to provide the three host cities with a fixed payment amount over and above the property taxes paid by the casinos. The amount is determined based on the casino's operating revenues. The agreement pays each city \$2.6 million per year for the first 10 years, followed by \$3.0 million per year, effective in 2006, for an indefinite period. The annual amount is paid in quarterly installments. It was determined that \$2.0 million of the annual payment was committed to help cover policing costs associated with the operation of the casinos. For the 2003/03 fiscal year, the commercial casinos generated \$421 million in revenue for the province.

In addition, the OLGC also operates 5 charity casinos and operates slot machines at 16 racetracks. The communities that host charity casinos receive 5% of the gross slot machine revenues and the communities that host racetracks receive 5% of gross slot machine revenue for the first 450 machines and 2% of gross revenue for additional machines. To date, the municipalities hosting these gaming facilities have received \$297 million in non-tax related revenues. These funds may be used at the discretion of the municipality.

The OLGC directs profits from charity casinos, slot facilities at racetracks, and lotteries to the operation of hospitals, including programs to address problem gambling, physical fitness, sport, recreational and cultural activities, and through the Ontario Trillium Foundation to charitable and non-profit organizations. The revenues from the four commercial casinos are used for provincial priorities including health care and education.

The Nova Scotia Gaming Corporation (NSGC) was established in 1995 under the Gaming Control Act to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province or on behalf of the Province and another Province of Canada. The NSGC works in concert with the Atlantic Lottery Corporation Inc. (ALC) and Casino Nova Scotia. Casino Nova Scotia is the operator of the province's two casinos in Halifax and Sydney.

Within its mandate, the NSGC is to increase the level of sustainable economic activity within the Province and increase the net revenue of the Province. The revenue is used to fund government programs and services such as healthcare, education and infrastructure. Currently, there are no provisions in the Gaming Control Act to direct revenues from gaming activities to other than the Province.

When comparing the casino operations in Ontario to the HRM, the only similarity is the commercial casinos. The direct non-property tax related revenues received by the host cities is the fixed amount of \$2.6 million annually. The fixed amount paid equates to 1.85% of the total revenues provided to the province of Ontario from the commercial casinos. In 2003/04, the payment from the Halifax casino to the province of Nova Scotia was \$16.5 million as compared to the \$421 million received in Ontario. Therefore, if the HRM were to receive a financial benefit based on a similar percentage, the amount would be approximately \$300 thousand per year.

If Council determines that the province should be approached to seek a similar arrangement, then staff will initiate the request as directed.

BUDGET IMPLICATIONS

An arrangement similar to the financial benefit received by cities in Ontario would generate approximately \$300,000 in annual revenue for the HRM.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

None

ATTACHMENTS

None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Dave Cormier, Acting Manager of Revenue 490-6470