



Report to: General Committee

Date Report Authored: June 22, 2012

SUBJECT: Modernizing Lottery and Gaming in Ontario
PREPARED BY: Andy Taylor
4705

RECOMMENDATION:

- 1) That the report titled "Modernizing Lottery and Gaming in Ontario" be received;
- 2) That Council advise the Ontario Lottery and Gaming Corporation (OLG) that, subject to the provision of additional information, it may be interested in hosting a gaming facility;
- 3) That staff be authorized to seek further information on this opportunity and report back to General Committee in the Fall, 2012, on the following:
 - a) The potential location for a Gaming Facility within Markham;
 - b) The approximate number and types of jobs that could be created by hosting a Gaming Facility within Markham;
 - c) The approximate amount of revenue Markham could receive as a result of having a Gaming Facility through Provincial Hosting fees, property taxes, rent of lease or income from municipally-owned land if used for a Gaming Facility;
 - d) The incremental costs associated with a Gaming Facility in Markham, including police, fire and emergency medical services costs, etc.;
 - e) The impact of a Gaming Facility as a regional/international attraction
 - f) The experiences other municipalities have had when introducing a Gaming facility in terms of pre-existing businesses, neighbourhoods, social services and crime rates; and,
 - g) Land use, physical planning, infrastructure (including transportation) and other matters associated with the development of a Gaming Facility with Markham.
- 4) And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to seek Council's approval to advise the Ontario Lottery and Gaming Corporation (OLG) that, subject to further investigation, it may be interested in hosting a gaming facility and to authorize staff to further investigate this opportunity and report back to General Committee in the Fall, 2012.

BACKGROUND:

In a report delivered to the Minister of Finance on March 12, 2012, the Ontario Lottery and Gaming Corporation (OLG) outlined a proposal to modernize lottery and gaming in Ontario.

In its report to the Minister, OLG noted that, while gaming and lottery playing have been well accepted entertainment options for decades, the current OLG business model is not sustainable over the long term. Advances in technology, changes to shopping patterns, aging demographics, and declining visits from the United States have combined to threaten the industry and the contribution to the Province. The lottery and casino games available in Ontario were designed in the 1970s and in the 1990s for the core gaming demographic of the time. Ontario is different now—people's interests in various recreation options have evolved. People shop differently and they play differently.

Staff attended an OLG Lottery and Gaming Modernization Regional Information Session that was held on June 7, 2012. Existing and potential host communities identified in the OLG gaming zones were invited by OLG to the information session.

Markham is in OLG Zone C1, along with Richmond Hill, south Mississauga/Etobicoke, Toronto waterfront (Toronto Islands & CNE grounds). See Map attached.

Municipalities have been requested to provide a clear expression of interest as to whether or not they are interesting in having a gaming facility in their community, before the RFP is issued in the Fall of 2012.

OLG explicitly stated that it would not bring a gaming facility to a municipality that does not want one.

DISCUSSION:

In a report delivered to the Minister of Finance on March 12, 2012, the Ontario Lottery and Gaming Corporation (OLG) outlined a proposal to modernize lottery and gaming in Ontario. OLG recommended reforms to Ontario's gaming industry. "Modernizing Lottery and Gaming in Ontario" included three key recommendations:

- Become more customer-focused;
- Expand regulated private sector delivery of lottery and gaming; and
- Renew OLG's role in oversight of lottery and gaming.

By modernizing lottery and gaming (including initiatives already underway) in 2017 OLG will contribute:

- Additional \$1.3 billion annually to key public priorities;
- Launch \$3 billion in new private sector capital investment in the province;
- Help to create some 2,300 net new jobs across Ontario; and an estimated 4,000 service sector jobs in the hospitality, hotel, restaurant, entertainment and retail sectors.

At the Regional Information Session on June 7th, OLG officials reported that there will only be one new gaming facility in Zone C1. A key "green" driven objective is to have gaming facilities in communities where people live, rather than forcing them to drive/bus from the GTA to, for example, Rama and Niagara Falls.

Responsible gambling:

OLG is sensitive to the problem gambler issue. OLG claims that its “gold standard” Responsible Gambling (RG) program is one of the best funded responsible gambling programs in the world. OLG does not anticipate a dramatic increase in problem gambling cases as a result of adding a new gaming facility in the GTA. It points out that no new forms of gambling are being introduced, and Ontario’s population is experienced with lottery and slots/casino gambling.

Role:

Ontario Lottery and Gaming:

- Select the most capable and qualified Operator for a zone – based on evaluation criteria that emphasize technical skills, experience and vision for the market.
- Define incentive structures that will maximize Operator performance within zones – thereby increasing the return to both municipalities and the Province.
- Manage the overall market setting the conditions/policies that will ensure the health of all zones across the Province

Municipalities:

- Take steps to make a municipality more attractive to all bidders (i.e. passing resolutions to confirm interest, identify land for potential sites, zone accordingly through public process, articulate vision for gaming in community etc.)
- Manage the process of public consultation – building the case for a gaming site with citizens and key local stakeholders.

Timetable:

It is anticipated that the procurement process will be made up of various stages that may include the following:

- Request for Information (RFI) - published May 17, 2012, closes July 4, 2012
- Request for Pre-Qualification (RFPQ) - release Early Summer 2012
- Request for Proposal (RFP) - release Fall 2012 and closes just before the end of the year.
- Vendors selected and transition to new OLG in 2013

Responsibilities and activities at each step of the procurement process

	Pre- RFI	RFI	RFP	Post-RFP
OLG	<ul style="list-style-type: none"> • Define zones based on financial modeling • Define procurement process and materials to support RFI • Provide municipalities with overview of procurement process 	<ul style="list-style-type: none"> • Interact with potential Operators – refine operating model and roles/responsibilities • Provide additional info. to municipalities on benefit of hosting a gaming facility 	<ul style="list-style-type: none"> • Evaluate potential Operator – select those with greatest skill and that will provide greatest return to Province 	<ul style="list-style-type: none"> • Finalize contracts and incentive structure through negotiation • Manage process of transition to future state operating model
Municipality	Begin process to confirm interest in hosting a gaming site	<ul style="list-style-type: none"> • Create conditions to make municipality attractive to potential Operators • Receive inquiries from potential Operators – advising them of the openness of the municipality to a site and referring other questions to OLG 	<ul style="list-style-type: none"> • Confirm interest in hosting a gaming facility before RFP is released • Conduct public consultation as required 	Work with successful proponent to finalize site, approvals, etc.

FINANCIAL CONSIDERATIONS:

OLG has advised that current municipal revenue share from OLG is 5% from the 1st 450 slot machines; and 2% from machines 451+.

Grand River's Raceway, located in Elora reported 2009/2010 municipal revenue of \$2.2M from 300 slot machines. Woodbine Racetrack generates for Toronto \$16.0M from 3,000 slot machines.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable.

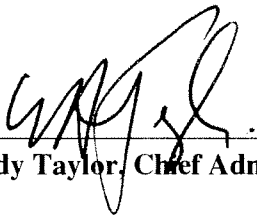
ALIGNMENT WITH STRATEGIC PRIORITIES:

This project aligns with the following Building Markham's Future Together strategic areas of focus - Parks, Recreation, Culture and Library Master Plan/Public Safety; and Environment.

BUSINESS UNITS CONSULTED AND AFFECTED:

Legislative Services was consulted.

RECOMMENDED



Andy Taylor, Chief Administrative Officer

ATTACHMENTS:

Map of OLG Central Ontario Zones

Central Ontario Zones

