

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Ontario Lottery and Gaming Corporation - Amendment to the Municipality Contribution Agreement

Date: January 9, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting on January 24, 2023 to:

- a) approve the Amendment to the Municipality Contribution Agreement (Appendix A, Schedule 1) between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London ("Amending Agreement");
- b) authorize the Mayor and the City Clerk to execute the Amending Agreement;
- c) delegate authority to the City Treasurer, or written delegate, to approve further amending agreements to the Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London ("Agreement"); and to the Mayor and Clerk to execute future amending agreements; and
- d) authorize the City Treasurer, or written delegate, to execute any reports or documents required under the Agreement.

Executive Summary

This report recommends approval of the Amendment to the Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London ("Amending Agreement") and authorize the Mayor and the City Clerk to execute the Amending Agreement and any future amending agreements. The Amending Agreement will allow OLG to share a percentage of revenue from Sportsbooks if they are introduced at Gateway Casinos London in the future.

Linkage to the Corporate Strategic Plan

The proposed Amending Agreement to the Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation (OLG) and the City of London advances the Growing our Economy area of focus of Council's Strategic Plan to create strategic and collaborative partnerships, in this case with Western Fair and the OLG casino.

Analysis

1.0 Discussion and Considerations

1.1 Background and Purpose

The City of London has a Municipality Contribution Agreement with the Ontario Lottery and Gaming Corporation (OLG) for the slot premises located at the Western Fair managed by Gateway Casinos. Under the Municipality Contribution Agreement, the City receives approximately \$4.8 million in revenue annually from the OLG for its operations at the Western Fair.

This fall, OLG contacted the City of London to advise that OLG and casino service providers are beginning to add Sportsbooks at Ontario casinos. Sportsbooks offer sports and other betting (see Appendix A, Schedule 1, section 1 for further definition).

Sportsbooks are being rolled out by casino service providers using a phased approach. The decision about whether to offer Sportsbooks at Gateway Casinos London and when it would be introduced is ultimately up to Gateway Casinos and Entertainment Limited.

At this time, OLG is asking all host municipalities to review and sign an Amendment to the Municipality Contribution Agreement so that OLG can share a percentage of revenue from a Sportsbook, if one is introduced in their municipality. Revenue generated from the introduction of Sportsbooks will be shared with the City of London.

2.0 Financial Impact/Considerations

If Sportsbooks are introduced at Gateway Casinos London, the City of London will receive 4% of Sportsbooks revenue, in addition to the revenue received annually through the existing Municipality Contribution Agreement. If the City does not enter into this Amending Agreement, the City will not receive a share of these revenues if Sportsbooks are introduced. Until Sportsbooks are introduced, it is unclear how much incremental revenue this may generate for the City of London.

Conclusion

This report introduces a by-law to seek approval of the Amendment to the Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London ("Amending Agreement") and authorizes the Mayor and the City Clerk to execute the Amending Agreement and any future amending agreements.

Recommended by: **Anna Lisa Barbon, CPA, CGA, Deputy City Manager,
Finance Supports**

Appendix “A”

Bill No.

2023

A by-law to approve the Amendment to the Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London (“Amending Agreement”); and to authorize the Mayor and City Clerk to execute the Amending Agreement

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001*, as amended, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 10(1) of the *Municipal Act, 2001* provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the *Municipal Act, 2001* provides that a municipality may pass by-laws respecting, among other things, economic, social, and environmental well-being of the municipality;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Amendment to Municipality Contribution Agreement between the Ontario Lottery and Gaming Corporation and The Corporation of the City of London (“Amending Agreement”), substantially in the form attached as Schedule 1, is hereby authorized and approved.
2. The Mayor and City Clerk are authorized to execute the Amending Agreement approved under section 1 of this by-law.
3. The City Treasurer, or their written designate, is authorized to approve further amending agreements to the Municipality Contribution Agreement between the Ontario Lottery Gaming Corporation and The Corporation of the City of London approved by By-law A.-7011-282
4. The Mayor and Clerk are authorized to execute amending agreements approved by the City Treasurer under the authority delegated under section 3 of this bylaw.
5. The City Treasurer, or their written designate, is delegated the authority to execute any reports or documents required under the Municipality Contribution Agreement between the Ontario Lottery Gaming Corporation and The Corporation of the City of London approved by By-law A.-7011-282.

This by-law shall come into force and effect on the day it is passed.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading –
Second Reading –
Third Reading –

Schedule "1"

Amendment to the Municipality Contribution Agreement

AMENDMENT TO MUNICIPALITY CONTRIBUTION AGREEMENT

THIS AMENDMENT TO MUNICIPALITY CONTRIBUTION AGREEMENT (this “**Amendment**”) made as of the ____ day of _____, 2022 (the “**Effective Date**”),

BETWEEN:

ONTARIO LOTTERY AND GAMING CORPORATION

(hereinafter referred to as “**OLG**”)

- and -

THE CORPORATION OF THE CITY OF LONDON,
The City Clerk c/o City Clerk’s Office, with its
administrative office located 300 Dufferin Avenue,
Room 308, London, ON N6A 4L9

(hereinafter referred to as the “**Municipality**”).

WHEREAS OLG and the Municipality (the “**Parties**” and each a “**Party**”) are parties to that certain Municipality Contribution Agreement dated as of August 29, 2013 (the “**Contribution Agreement**”);

AND WHEREAS capitalized terms that are used but not defined in this Amendment, including in the recitals hereto, have the respective meanings specified in the Contribution Agreement;

AND WHEREAS pursuant to the Contribution Agreement, the Municipality is entitled to receive from OLG in respect of each Operating Year an Annual Contribution, which is defined and calculated by reference to a percentage of Electronic Games Revenue and Live Table Games Revenue, subject to the terms and conditions of the Contribution Agreement;

AND WHEREAS OLG is willing to conduct and manage Sports and Other Betting (as defined below) at the Location, if OLG’s service provider wishes to offer Sports and Other Betting at the Location;

AND WHEREAS the Parties are entering into this Amendment in accordance with Section 19 of the Contribution Agreement for the purpose of amending the manner in which the Annual Contribution will be calculated if and when Sports and Other Betting is operated at the Location;

NOW THEREFORE THIS AMENDMENT WITNESSES THAT in consideration of the respective covenants and agreements of the Parties herein contained and for other good

and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties agree as follows:

1. **Amendment to Section 1 (*Definitions*)**

From and after the Effective Date, Section 1 of the Contribution Agreement is hereby amended by inserting the following definitions in such Section in alphabetical order:

“**Sports and Other Betting**” means, (a) with respect to sports betting, the making of a bet or placing of a wager on any actual sport event or any other athletic contest, race or fight, and (b) with respect to other betting, the making of a bet or placing of a wager on (i) video games that are played competitively, (ii) any non-sporting event (for greater certainty, other than Electronic Games and Live Table Games) where real-world factual occurrences are the contingency on which an outcome is determined (“Novelty Events”), and (iii) any pay-to-play sport betting product that allows participants to assemble a virtual team composed of real players in a given sport and compete against other virtual teams based on the performance of those players in real matches. The making of a bet or placing of a wager on horse racing or on a computer-generated presentation of a random number draw that provides sport-like visual presentation for entertainment purposes only, so that the outcome of the “event” is determined by a random number generator rather actual sports, players or Novelty Events, does not constitute Sports and Other Betting;”

“**Sportsbook Revenue**” means, for any period, the sum of net revenue generated from Sports and Other Betting at the Location, if any, calculated in accordance with International Financial reporting Standards or such other Canadian generally accepted accounting principles as OLG adopts from time to time in its sole discretion. For greater certainty, the Sportsbook Revenue will only include the net revenue generated from Sports and Other Betting at the Location and will not include any revenue whatsoever from other products or services provided by OLG at the Location;”

2. **Amendments to Section 3 (*Payments*)**

From and after the Effective Date, Section 3(a) of the Contribution Agreement is amended by deleting the provisions thereof in their entirety and replacing them with the following:

3 Payments

(a) During the Term and subject to the terms and conditions of this Agreement, the Municipality shall be entitled to receive from OLG in respect of each Operating Year the amount (the “**Annual Contribution**”) equal to the sum of (A) + (B) + (C), where:

(A) is the aggregate (without duplication) of:

(i) 5.25% of the Electronic Games Revenue, if any, generated in such Operating Year that is less than or equal to \$65 million; plus

(ii) 3.00% of the Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$65 million and less than or equal to \$200 million; plus

(iii) 2.50% of Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$200 million and less than or equal to \$500 million; plus

(iv) 0.50% of Electronic Games Revenue, if any, generated in such Operating Year, that is more than \$500 million;

(B) is 4.00% of Live Table Games Revenue, if any, generated during such Operating Year; and

(C) is 4.00% of Sportsbook Revenue, if any, generated during such Operating Year.”

3. **Amendment to Exhibit A (*Calculation of Annual Contribution*)**

From and after the Effective Date, Exhibit A of the Agreement is amended by deleting the provisions thereof in their entirety and replacing them with Exhibit A attached to this Amendment.

4. **Effect of Amendment on Contribution Agreement**

Except as modified by this Amendment, the Contribution Agreement remains unchanged and in full force and effect.

5. **Electronic Execution**

Delivery of an executed signature page to this Amendment by either Party by electronic transmission will be as effective as delivery of a manually executed copy of this Amendment by such Party.

[The next page is the signature page.]

IN WITNESS WHEREOF the Parties have executed this Amendment as of the Effective Date.

ONTARIO LOTTERY AND GAMING CORPORATION

THE CORPORATION OF THE CITY OF LONDON

by _____

Name:

Title:

Date:

("I have the authority to bind OLG.")

Name:

Title:

Date:

Name:

Title:

Date:

("I/We have the authority to bind the Municipality.")

EXHIBIT A

Calculation of Annual Contribution

For example and by way of illustration only: if the Electronic Games Revenue, the Live Table Games Revenue and the Sportsbook Revenue for an Operating Year is \$650 million, \$100 million and \$10 million respectively and as further described in Table A below, then the applicable Annual Contribution for such Operating Year would be \$20,112,500.

TABLE A

	Electronic Games Revenue (in millions)	Live Table Games Revenue (in millions)	Sportsbook Revenue (in millions)	Annual Contribution Quarterly Payment (in millions)
Operating Year Quarter No. 1 (March 1 – June 30)	\$100	\$25	\$2.5	$[(0.0525 \times \$65) + (0.03 \times \$35)] + [0.04 \times \$25] + [0.04 \times \$2.5] = \$5.5625$
Operating Year Quarter No. 2 (July 1 – September 30)	\$175	\$22	\$2.2	$[(0.03 \times \$100) + (0.025 \times \$75)] + [0.04 \times \$22] + [0.04 \times \$2.2] = \$5.843$
Operating Year Quarter No. 3 (October 1 – December 31)	\$170	\$23	\$2.3	$[0.025 \times \$170] + [0.04 \times \$23] + [0.04 \times \$2.3] = \5.262
Operating Year Quarter No. 4 (January 1 – March 31)	\$205	\$30	\$3.0	$[(0.025 \times \$55) + (0.005 \times \$150)] + [0.04 \times \$30] + [0.04 \times \$3.0] = \$3.445$
Total	\$650	\$100	\$10	\$20.1125