

**OLG Modernization Update
Municipality Contribution
Agreement**

City of London

August 26, 2013



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Background

- In March 2013, at the request of the Premier of Ontario, OLG took a fresh look at its funding formula for host municipalities
- OLG sought feedback and suggestions from existing host municipalities during the review of the formula and Municipality Contribution Agreement
- The principles of fairness and equal treatment guided OLG's review of the formula and the determination of the new formula
- OLG then presented government the results of its review
- Based on the new formula and OLG's modernization, OLG would expect to provide over \$50 million more annually to host municipalities by 2017-18

Municipality Contribution Agreement (MCA) Terms

- **“Electronic Games”** means all electronic gaming devices, including but not limited to reel-type and video-type slot machines, electronic table games and dealer assisted electronic games, in each case, whether or not a live dealer is present to enable or control game play
- **“Electronic Games Revenue”** means, for any period, the sum of net revenue generated from Electronic Games at the Location, 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 Electronic Games Revenue will only include net revenue generated from the Electronic Games at the Location and will not include any revenue whatsoever from other products or services provided by OLG at the Location in the Municipality

Municipality Contribution Agreement (MCA) Terms

- **“Live Table Games”** means games operated by a live dealer at a single gaming table, but excluding Electronic Games
- **“Live Table Games Revenue”** means, for any period, the sum of net revenue generated from Live Table Games 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 Live Table Games Revenue will only include net revenue generated from the Live Table Games at the Location and will not include any revenue whatsoever from other products or services provided by OLG at the Location in the Municipality

New Funding Formula

- Under the new host funding formula in the Municipality Contribution Agreement (MCA), host municipalities will receive:
 - 5.25% on the first \$65 million of Electronic Games revenue; plus
 - 3.0% on the next \$135 million of Electronic Games revenue; plus
 - 2.5% on the next \$300 million of Electronic Games revenue; plus
 - 0.5% on Electronic Games revenue above \$500 million; and
 - 4.0% on Live Table Games revenue.

Municipality Impacts

- The new formula will be applied:
 - to hosting fees retroactive to April 1, 2013
 - to the total Electronic Games revenue at gaming facilities within the municipality
 - to the total Live Table Games revenue at gaming facilities where live table games currently exist
 - utilizing the International Financial Reporting Standards (IFRS) accounting principles

Municipality Impacts

- Existing host municipalities with no live table games:
 - No immediate impact
 - Approval of future live table games will increase hosting funds
 - Live table games, if any, will be proposed by private sector service provider
- Existing host municipalities with live table games:
 - Immediate positive impact
 - Additional hosting funds on live table game revenue retroactive to April 1, 2013
 - Q1 payment made in July. Reminder: send signed agreements to OLG by September 30, 2013
- Resort properties Niagara Falls & Windsor
 - Immediate positive impact
 - Hosting funds based on new formula retroactive to April 1, 2013, replacing their flat hosting fee and payments for police services
 - Q1 payment made in July. Note: Q1 payment made in July, including reconciliation of payments already made by OLG. Reminder: send signed agreements to OLG by September 30, 2013

Municipality Impacts

| OLG Municipality & Facility | Hosting Fee Fiscal 2013 (5% or 5% & 2% on # of slot games) | Estimated Hosting Fee for Fiscal 2014 Using New MCA* (including 4% of live table game revenue, where live table games currently exist) |
|---|--|--|
| City of London OLG Slots at Western Fair | \$3,992,386 | \$4.6 million |

FY 14 Q1 Payment of \$1,339,553 to the City of London made in July.

Notes:

* The estimated hosting fee is calculated using revenue projections for 2013-14, and is meant for illustrative purposes only

* Live table games, if any, will be proposed by private sector service providers for facilities where live table games currently do not exist

Community Recognition Program (CRP)

Overview:

- OLG is capturing the CRP within the new MCA, to ensure its success and continued support
- The CRP is a joint initiative whereby together, we can build public awareness around how MCA proceeds are put to use in your community.
- The CRP will provide an opportunity for the host municipality, OLG and the Government of Ontario to publicly display and communicate how hosting fees are being utilized at the local level through the use of municipal tools and decision making to better the community and the province as a whole

Community Recognition Program (CRP)

Objective:

For OLG & the municipality to jointly recognize how the host municipality has, or plans to, dedicate its Municipality Contribution Agreement (MCA) proceeds to enriching benefits for its community citizens.

Benefits of the Program:

- Enhance the communication and branding of the host municipality's utilization of host gaming revenue within the community
- Jointly implement in conjunction and consultation with each host gaming community and OLG to align to key milestones and communication opportunities
- Showcase to the citizens of the host municipalities the local benefits of being a host gaming community through infrastructure and community project investment

The revenues that are allocated through the MCA to each community will continue to be utilized at the local level and at the full discretion of Mavor and Council.

Community Recognition Program (CRP)

Potential CRP Media Opportunities:

- Ribbon cutting
- Opening ceremony
- Public event
- Local advertisement
- Branded plaques/signage
- Joint press release
- Other community activities, as they arise

OLG Participation:

- OLG will prioritize opportunities within the Province
- OLG will allocate a minimum budget every fiscal year to each host municipality to support the CRP
- Additional funds may be allocated to develop communications, as deemed necessary by OLG, as a base for future OLG communications content

Community Recognition Program (CRP)

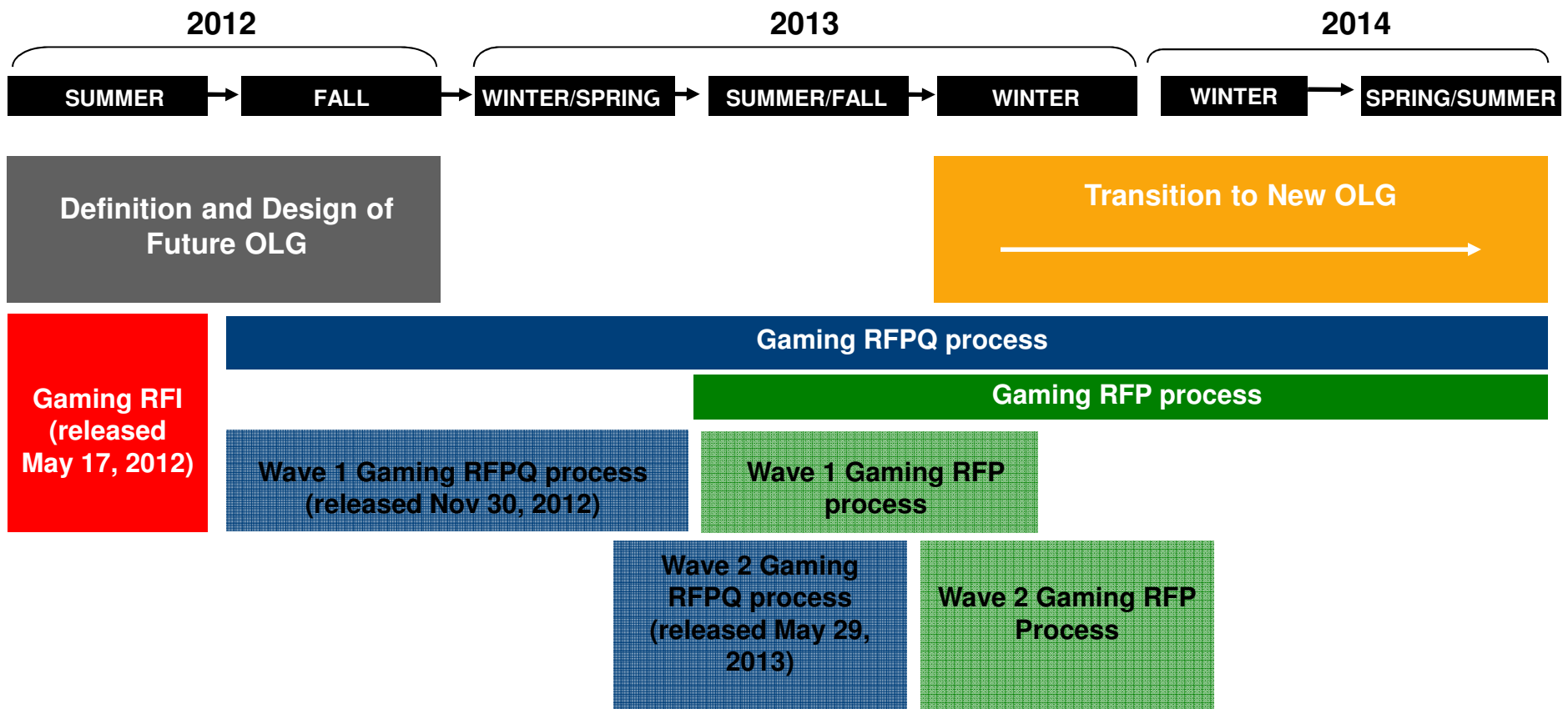
Requirements of the CRP include:

- Collaborate in good faith to design and jointly implement the CRP to promote the positive impact of the host funding
- An annual recognition event/communication by the municipality, at a minimum, such as those noted on the previous slide
- An annual letter/report from the CAO of the municipality indicating how the host funding has been allocated/distributed within the community
- Joint OLG & municipality branding on media opportunities, public acknowledgements, etc.
- OLG plans to use examples of local community initiatives and benefits realized from receiving OLG host funds in future communications such as in content for advertising, examples in speeches, etc.

Additional Amendments to MCA

- Calendar year changed to OLG operating year throughout agreement
- Clarity regarding timing and calculation of quarterly payments
- Example in Exhibit A to illustrate quarterly payment calculation under new formula

Procurement Milestones for Gaming



Wave 1 includes the North Bundle, East Bundle and Ottawa Area

Wave 2 includes select gaming zones bundled in the Southwest



Next Steps

| Timing | Activity |
|----------------|---|
| Jul – Sep 2013 | <ul style="list-style-type: none"> ○ Meetings with host municipalities for review/approval of new MCA |
| Jul – Sep 2013 | <ul style="list-style-type: none"> ○ Any questions re: MCA terms, clarity, next steps, etc. can be directed to Jake at jpastore@olg.ca or Diana at dpasqua@olg.ca |
| Sep 2013 | <ul style="list-style-type: none"> ○ Signed MCAs returned to OLG by September 30, 2013 ○ Send 3 signed copies to Attn: Jake Pastore, 4120 Yonge Street, Suite 500, Toronto, ON M2P 2B8 ○ Internal OLG staff communication |
| Oct – Dec 2013 | <ul style="list-style-type: none"> ○ Development of CRP guidelines document for municipalities and MPPs ○ Introductory meeting with host communities to discuss framework of CRP ○ Joint planning and rollout of media opportunities |
| Jan – Mar 2014 | <ul style="list-style-type: none"> ○ Full implementation of CRP ○ First media opportunity for many municipalities ○ Discussion of upcoming fiscal year opportunities to facilitate planning |
| 2014 | <ul style="list-style-type: none"> ○ MCA signed by new host municipalities in gaming zones where applicable, where private sector service providers are selected |