

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: GAMING RESERVE & OPERATING GAMING RESERVE

RECOMMENDATIONS:

1. THAT Council receive this report for information.
2. THAT Council update the eligibility criteria for the Gaming Reserve Policy to include “or other projects or programs at the discretion of Council”.

REPORT

The Financial Management Committee, at its meeting held on 2019 October 22, received and adopted the attached report providing information on the status of the City's Gaming Reserve and Operating Gaming Reserve.

Respectfully submitted,

Mayor M. Hurley
Chair

Councillor S. Dhaliwal
Vice Chair

Copied to: City Manager Director Finance

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2019 Oct 16

FROM: DIRECTOR FINANCE

FILE: 7300-20

SUBJECT: GAMING RESERVE & OPERATING GAMING RESERVE

PURPOSE: To provide information on the status of the City's Gaming Reserve and Operating Gaming Reserve.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council receive this report for information.

REPORT**1.0 INTRODUCTION**

Through the Host Financial Assistance Agreement with the Province of BC, the City receives 10% of the net Provincial proceeds from the Grand Villa (Gateway Casino).

2.0 POLICY SECTION**Goal**

- A Thriving Organization
 - Financial viability –
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 GAMING RESERVE

The agreement with the Province does not specify how funds are to be used by a local government; just that they are to be used for public benefit within the host community. As a result, City Council has developed a Gaming Reserve Policy that guides the use of these funds. The eligibility criteria for use of casino gaming grants include operating expenditures and/or capital projects that serve to protect or improve Burnaby's environment, including beautification, heritage, public safety, international relations, or arts and culture.

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In addition, operating expenditures and/or capital project initiatives should satisfy the following criteria:

- a) Ad hoc pilot projects which extend over a specific period of time.
- b) Discrete capital projects that do not require ongoing capital funding requirements.
- c) Gaming funds on hand shall be sufficient to complete the proposed project.
- d) The activity and/or project shall have little or no ongoing impact on the operating budget or result in a reliance on the property tax levy.

Should the Financial Management Committee wish to review and/or revise the established criteria, a recommendation on the revised criteria would need to be made and approved by Council.

Council reviews and approves all operating expenditures and capital project initiatives funded by the Gaming Reserve annually prior to inclusion in the Financial Plan.

Under the Host Financial Assistance Agreement with the Province of BC, the City is obligated to record and report the use of Gaming Funds annually by March 15th to the Province of BC.

The 2018 gaming grant from the Province totaled \$12,558,049. At the end of 2018, the City's Gaming Reserve was \$90,282,232. Annually for the next five years, the City has budgeted to receive approximately \$11,500,000 for the gaming grant from the Province, bringing the reserve revenues to approximately \$147,782,000 at the end of 2023.

Within the 2019 – 2023 Financial Plan, \$111,404,500 has been earmarked from the Gaming Reserve to fund initiatives. Table 1 below provides an annual breakdown of budgeted expenditures to be funded from the Gaming Reserve.

Table 1 – 2019 – 2023 Gaming Reserve Budgeted Expenditures by Year

Gaming Reserve	2019	2020	2021	2022	2023	Total
Operating	2,474,500	1,481,000	1,510,600	1,540,800	1,571,600	8,578,500
Capital	44,826,000	35,450,000	7,125,000	8,640,000	6,785,000	102,826,000
Total	\$47,300,500	\$36,931,000	\$8,635,600	\$10,180,800	\$8,356,600	\$111,404,500

4.0 OPERATING GAMING RESERVE

In 2013, Council adopted a recommendation to amend the Gaming Reserve Policy and to establish a separate Operating Gaming Reserve. As there is no legal requirement specified within the Host Financial Assistance Agreement with the Province of BC to return the interest earned to the Gaming Reserve, Council directed staff to set up an Operating Gaming Reserve. At the end of a given year the total annual interest income earned on the balance of the Gaming Reserve is transferred to the Operating Gaming Reserve with the intent to use the proceeds to fund priority one-time operating initiatives as determined by Council.

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Council reviews and approves operating initiatives funded by the Operating Gaming Reserve annually prior to inclusion in the Financial Plan.

In 2018, interest earned on the Gaming Reserve totaled \$2,954,246 and was transferred to the Operating Gaming Reserve at the end of the year. The balance of the Operating Gaming Reserve is \$5,907,333 at the end of 2018. The interest transferred to the Operating Gaming Reserve will be dependent on the balance within the Gaming Reserve.

Within the 2019 – 2023 Financial Plan, \$10,026,600 has been earmarked from the Operating Gaming Reserve to fund initiatives. Table 2 below provides an annual breakdown of budgeted expenditures which will be funded from the Operating Gaming Reserve. Based on projected annual Gaming Reserve balances, it is projected that sufficient interest will be earned to accommodate this projected expenditure.

Table 2 – 2019 – 2023 Operating Gaming Reserve Budgeted Expenditures by Year

Gaming Reserve	2019	2020	2021	2022	2023	Total
Operating	\$2,606,500	\$1,800,300	\$1,836,300	\$1,873,000	\$1,910,500	\$10,026,600

5.0 RECOMMENDATION

The Gaming Reserve and Operating Gaming Reserve continue to be viable funding sources for capital, operating and one-time requests as per the criteria outlined and approved by Council through the annual budget process.

It is recommended that the Financial Management Committee recommend Council receive this report for information.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RG:WK / md

Copied to: City Manager