

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 November 09

FROM: DEPUTY CHIEF ADMINISTRATIVE
OFFICER & CHIEF FINANCIAL OFFICER

FILE: 7300-20

SUBJECT: GAMING REVENUE UPDATE

PURPOSE: To provide an update on the status of gaming revenue.

RECOMMENDATION:

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

REPORT

1.0 INTRODUCTION

The City of Burnaby is eligible to receive 10% of net gaming income from the Grand Villa (Gateway) Casino as per the Host Financial Assistance Agreement between the City of Burnaby and the Province of British Columbia. Gaming revenue is typically distributed quarterly to the City. Due to the temporary closure of the Grand Villa Casino in compliance with COVID-19 health orders, the City has not received gaming revenue since 2020 April 30. Recently, the City was notified that revenue distribution would resume in October 2021. The purpose of this report is to inform Council on the communications received from the Province regarding the recommencement of gaming revenue distribution to the City.

2.0 POLICY SECTION

The funds received through this program and changes to its eligibility guidelines support the following goal and sub goal of the Corporate Strategic Plan:

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

3.0 BACKGROUND

As per City policy, the eligibility criteria for use of casino gaming revenue include operating expenditures and/or capital projects that serve to protect or improve Burnaby's environment, including beautification, heritage, public safety, international relations, arts and culture or other projects or programs at the discretion of Council.

In addition, operating expenditures and/or capital project initiatives would 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.

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

Following the onset of the COVID-19 pandemic and under the guidance of the Provincial Health Officer, the Grand Villa Casino in Burnaby was temporarily closed on 2020 March 16. On 2020 April 30, Burnaby received revenue from the Province representing its share of net gaming income for the first quarter of the year. However, no subsequent revenue was received by the City as the casino was closed and unable to generate any income.

On 2021 July 01, in alignment with Step 3 of the Province's Restart Plan, the Grand Villa Casino reopened. According to a letter received from the Province on 2021 October 13, the reopening has thus far been successful and the Province is in a position to recommence revenue sharing with the City.

Despite the success of the re-opening, prior to 2021 July 01, the BC Lottery Corporation (BCLC) continued to incur administrative costs attributable to each BC Casino. As such, a net loss of \$2,440,201 attributable to the Grand Villa Casino was recorded by the Province for the first quarter of its fiscal year (April 1 – March 31, 2021). Burnaby's share of this loss is 10% and will be applied equally over the next three revenue distribution payments, reducing each payment received by \$81,340 ($\$2,440,200/3 * 10\%$).

On 2021 October 20, the Province informed Burnaby that it would be receiving \$3,273,221 for the period of 2021 July 1, to 2021 September 30. Although these revenues have been reduced by the \$81,340 cost share, the overall revenue payment received is an increase over the average quarterly revenue of approximately \$2.9 million seen prior to the COVID-19 pandemic in 2017 to early 2020.

To: Financial Management Committee
 From: Deputy Chief Administrative Officer & Chief Financial Officer
 Re: Gaming Revenue Update
 2021 November 17..... Page 3

The following table provides the actual gaming revenue received by the City for the past 5 years, along with the forecasted amount expected for 2021 and the 2022 budget, which has been re-established to pre-COVID levels:

Year	Budget (\$)	Actual (\$)
2016	9,500,000	10,715,090
2017	9,500,000	11,015,359
2018	9,500,000	12,558,049
2019	11,500,000	11,892,514
2020	11,500,000	5,342,091
2021*	3,250,000	6,546,443
2022	11,500,000	

*Actual column represents a forecast consisting of payments for two quarters in 2021.

At the end of each fiscal year, the total annual interest income earned on the balance of the Gaming Reserve is transferred to the Gaming Interest Reserve with the intent to use the proceeds to fund priority one-time operating projects, as determined by Council.

The table below provides the balance in the Gaming Reserve and Gaming Interest Reserve as of 2020 December 31.

Reserve	Gaming Reserve	Gaming Interest Reserve
Balance (\$)	82,396,196	10,692,978

The Gaming Reserve and the Gaming Interest Reserve have sufficient funding available for capital and operating initiatives outlined in the proposed 2022 – 2026 Financial Plan. These funding sources continue to allow the City to provide for programs and resources that would otherwise have to be funded from taxation increases.

4.0 RECOMMENDATION

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



Noreen Kassam, CPA, CGA
 DEPUTY CHIEF ADMINISTRATIVE OFFICER
 & CHIEF FINANCIAL OFFICER

NK:RG:gm / md

Copied to: Chief Administrative Officer