



Report to Council

From the Office of Councillor Samantha Agtarap

Date: February 15, 2023

Subject: LMLGA Resolution: Casino Revenue Sharing in Metro Vancouver

Purpose

To provide information on casino revenue from Metro Vancouver casinos and gaming centres and propose revenue sharing amongst Metro Vancouver municipalities to use as a basis for a resolution at the Union of BC Municipalities.

Recommendation

THAT the report dated February 15, 2023 from the office of Councillor Samantha Agtarap regarding Casino Revenue Sharing in Metro Vancouver be received for information;

AND THAT Council advance the following resolution to LMLGA for the 2023 convention;

WHEREAS the original intent of solely sharing casino revenue with host communities was to offset the perceived and projected negative impacts of hosting a casino, and according to the Province, most communities have experienced minimal, if any, negative financial consequences as a result of hosting such a facility and are using the revenue they receive for other, locally determined priorities, and;

WHEREAS there has been a precedent set with the Town of View Royal for partial regional casino revenue sharing, and residents from all communities throughout a region contribute to the revenue of a casino but do not receive the benefits, and therefore this creates an inequitable distribution of funds which could and should benefit residents of the entire Regional District;

THEREFORE BE IT RESOLVED THAT the Province make the necessary legislative changes to ensure equitable distribution of casino revenue within Regional Districts.

Background

The Province of British Columbia uses net gaming revenue to support a variety of social and other programs, including health care services and programs. Communities that host casinos or community gaming centres are eligible for a share of the net gaming income.¹ Currently, 10% of net revenue is distributed to the host community. In the fiscal year ending March 31, 2022, host communities have received over \$1.5 billion since 1999. In the 2021/22 fiscal year, host communities across the province collected over \$66 million.² Prior to the pandemic, total revenue for the BC Lottery Corporation (BCLC) was approximately \$2.5 billion, representing a net income of \$1.3 billion (FY2019/20), and included both in-person gaming and electronic gaming revenue.³

Within Metro Vancouver Regional District, seven communities host casinos. These are:

- Grand Villa Casino, Burnaby;
- Hard Rock Casino, Coquitlam;
- Cascades Casino, Langley;
- Starlight Casino, New Westminster;
- Elements Casino, Surrey;
- River Rock Casino, Richmond; and
- Parq Casino and Hastings Racetrack⁴, Vancouver.

In a highly integrated region such as Metro Vancouver, residents of all cities access services and amenities across the region, including, but not limited to, parks, libraries, sports fields, recreation centres, hospitals, urgent and primary care centres and casinos (or community gaming centres). For this reason, net gaming revenue from casinos within the Metro Vancouver Regional District should be shared equitably amongst all member municipalities.⁵

Note: Cascades Casino Delta is excluded from this analysis as it opened in 2022 and therefore was not included in BC Lottery Corporation's latest annual report for the fiscal year ending March 31, 2022.

¹ Net gaming income is defined as gaming revenue (revenue after prizes) from casino games less site-specific costs, including fees payable by BCLC to the service provider and an allocation of BCLC's administrative and operating costs as determined. Service provider fees are attributed to the specific facility and vary by community. BCLC administrative and operating costs are attributed to each facility based on gaming revenue from the facility and therefore vary by community.

² In 2018/19, BC communities hosting casinos received approximately \$80 million.

³ In FY2021/22, BCLC collected \$421.4 million in eGaming revenue. This revenue is not included in the 10% shared revenue to host communities (BCLC 2020/21 Annual Service Report, page 18).

⁴ For the purposes of this discussion, Hastings Racetrack has been excluded from the discussion and subsequent calculations. In 2022, the Hastings Racetrack provided the City of Vancouver with \$690,000 in revenue.

⁵ Note: Cascades Casino Delta is excluded from this analysis as it opened in 2022 and therefore was not included in BC Lottery Corporation's latest annual report for the fiscal year ending March 31, 2022.

Discussion

In Metro Vancouver Regional District (MVRD), casino revenue is not shared amongst neighbouring governments but rather retained by the seven host communities (Burnaby, Coquitlam, Langley, New Westminster, Richmond, Surrey and Vancouver). Collectively, these communities received over \$40 million in the fiscal year ending March 31, 2022, while representing 70% of the regional population. Additionally, the revenue received by each host community from the gaming income is not proportionate to population (see Table 1), where Richmond receives 27% of the regional gaming revenue but is home to only 8% of the regional population.

Table 1: Population and revenue share

	Population (2021)	Revenue Share (F21/22)
Langley	1%	11%
Burnaby	9%	21%
Coquitlam	5%	15%
New Westminster	3%	9%
Vancouver	24%	11%
Richmond	8%	27%
Surrey	20%	6%
Port Moody	1%	0%

Originally, host gaming revenue was provided to offset the impacts of hosting a casino. However, the impacts are not limited to the host community, especially in highly integrated regions such as Metro Vancouver. Since 1999, nearly \$1 billion has been transferred to these seven municipalities while the remaining communities do not receive any direct revenue from regional casinos.

In 2001, a new casino opened in the Town of View Royal in Greater Victoria, population 7,200. This casino was intended to act as a regional casino and serve the communities of View Royal, Langford, Metchosin, Colwood, Esquimalt, Sooke and Highlands. As part of the agreement, View Royal agreed to pay a portion of the funds received from the Province to other local governments impacted by the casino. In 2020, View Royal disbursed 55% (\$482,000) of the revenue received from the Province to neighbouring governments named in the revenue sharing agreement, retaining the remaining 45% (\$394,000).⁶ Neighbouring governments receive their share of the revenue on a per capita basis. The District of Langford is responsible for the disbursement of these funds.

The BC Lottery Corporation disburses the remaining net income various accounts including \$139.8 million for community gaming grants which are intended to support non-profit

⁶ In 2020, casino revenues declined due to the pandemic and related closures. Prior to the pandemic, in the fiscal year 2018/19, 10% of casino revenues totalled \$4.6 million. View Royal's share was approximately \$2 million.

organizations for the delivery of on-going community programs and services.⁷ However, this does not guarantee that a share of gaming revenue will be used for non-host communities' benefit.

In 2008, Port Coquitlam brought resolution B119 to the UBCM to request the Province establish an equitable formula to share casino revenues with all BC local governments, without affecting the currently allocated revenue to host communities.⁸ However, the Province responded that nearly 100% of net gaming revenue was distributed to, or used to support citizens of BC. Furthermore, the Province's response states:

*"The current revenue sharing being undertaken with local governments hosting casino gaming was originally established to help those communities offset the infrastructure, social service and other costs related to hosting a gaming venue. By all accounts, **most communities have experienced minimal, if any, negative financial consequences** as a result of hosting such a facility and are using the revenue they receive for other, locally determined priorities."*

It should be noted that host communities not only receive a share of net gaming revenue, but also property tax income from casinos. While the revenue sharing was intended to offset infrastructure costs and other costs related to hosting a casino, the ability to receive property tax revenue assists host communities in covering infrastructure costs, while social costs are borne by the entire region, rather than only the host community. Additionally, the province notes that host communities have not experienced negative financial impacts related to hosting a gaming facility and are able to use the gaming revenue for other community determined purposes.

This arrangement appears inherently unfair to communities that do not host gaming facilities. While some gaming revenue may return to communities through community gaming grants, this is not guaranteed, relying on local non-profit organizations to apply for, and be successful in their grant applications.

In highly integrated regions, such as Metro Vancouver or the Capital Regional District, equitable revenue sharing amongst all communities creates a level playing field. Residents from all communities' access and use amenities across the region, from hospitals to casinos to parks and revenue should be shared in an equitable manner that recognizes this.

As an example, some communities such as Port Moody, host health care facilities like Eagle Ridge Hospital which serves the Tri-Cities yet receives no other benefit from the facility other than access to it for all residents. While hospitals pay for their utilities (water and sewer), they do not pay property tax nor share parking revenues, and therefore do not pay for the full infrastructure costs associated with hosting health care facilities.

⁷ BCLC, Net Income from gaming, [Where The Money Goes | BCLC](#), accessed 2023-01-01.

⁸ UBCM, [Lottery Corporation Revenue Sharing | Union of BC Municipalities \(ubcm.ca\)](#)

Moving forward

The next step is to bring a motion forward at the 2023 UBCM Conference to advocate for an equitable revenue sharing that recognizes the integrated nature of BC's most populous regions. Modelling the existing agreement of View Royal and its neighbours, there are multiple options for revenue sharing:

- Regionally pooled revenue with per capita distribution.
- Percentage retained by host, remainder pooled and distributed per capita.
- Provincially pooled revenue with per capita distribution.

The third option outlined above is the most equitable to all British Columbians and will eliminate situations where a host community with a smaller share of a regional population receives a significant portion of revenue. It is recognized that not every community will receive the same benefit under this model if they are currently host a casino or community gaming centre.

The figure below (Figure 1) shows the comparison of three scenarios as a percentage of revenue for MVRD, compared to the percentage of population (2021 census):

- Status quo
- Model A: Per capita distribution (revenue from seven casinos pooled then distributed)
- Model B: Host retention of 45% of revenues, per capita distribution amongst remaining communities

Under the status quo model (orange bar), five communities receive a greater proportion of revenue than their share of the population. Richmond is the most notable example, with 8% of the population and 27% of the revenue. Surrey and Vancouver are most disadvantaged in the status quo scenario, along with the other communities in the region that do not receive any direct gaming revenue.

Model A (grey bar) distributes the casino revenue on a per capita basis, with approximately \$14 allocated per resident (based on 2021/22 revenue, and 2021 census population). This results in significant decrease in funding for the five host communities that significantly benefited from the existing arrangements. For example, per capita revenue sharing would result in Langley losing \$5.6 million in funding while Surrey and Vancouver would gain over \$5 million each, annually. In this scenario, Port Moody would receive approximately \$490,000 annually.

Model B (yellow bar) is the middle ground where 45% of the casino revenue is retained by the host, with the remaining 55% pooled and distributed on a per capita basis amongst non-host communities in MVRD. This scenario is less desirable for Surrey and Vancouver as their casino revenues are a smaller share of the regional revenues, 6% and 11% respectively. In this scenario, Port Moody receives approximately \$270,000 annually.

For comparison, revenue sharing for all Metro Vancouver is included in Figure 2.

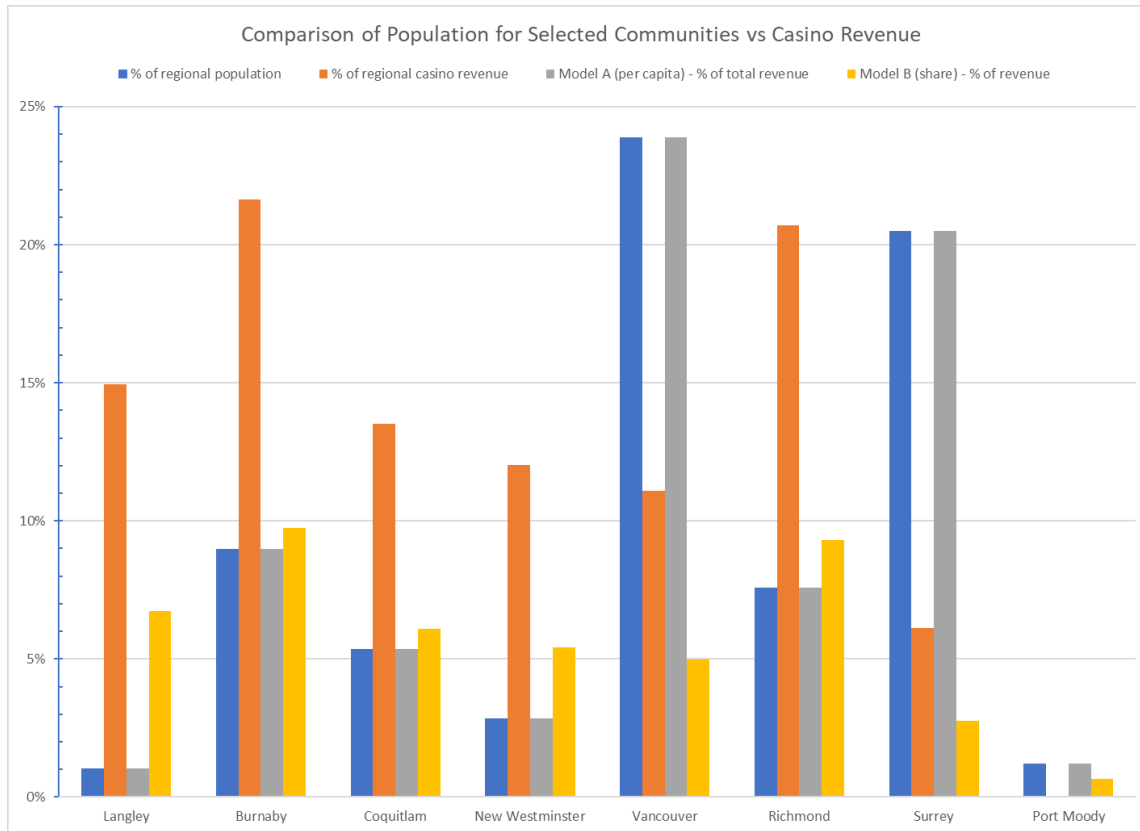


Figure 1: Comparison of Population for Selected Communities and Casino Revenue for Three Scenarios

Summary

It is time to revisit the revenue sharing model for BC communities to ensure equitable distribution of resources. By the Province's own admission, there have been minimal, if any, negative consequences, associated with hosting a casino or community gaming centre. The benefits far exceed any negative impacts and go beyond receiving a share of net gaming proceeds, including property taxes and the economic benefits associated with large employers (local employment, tourism, etc.). These benefits must be extended to all local governments, and by extension, their residents and fellow British Columbians.

As the federal and provincial governments continue to download responsibilities to local governments, municipalities continue to look for solutions to diversify their revenue sources beyond property taxes to ensure service level and infrastructure are maintained. Gaming revenue sharing is one revenue source the provincial government can easily provide without impacting provincial budgets.

Other Option(s)

THAT the report dated February 15, 2023 from Councillor Samantha Agtarap titled Casino Revenue Sharing in Metro Vancouver be received for information.

Reference

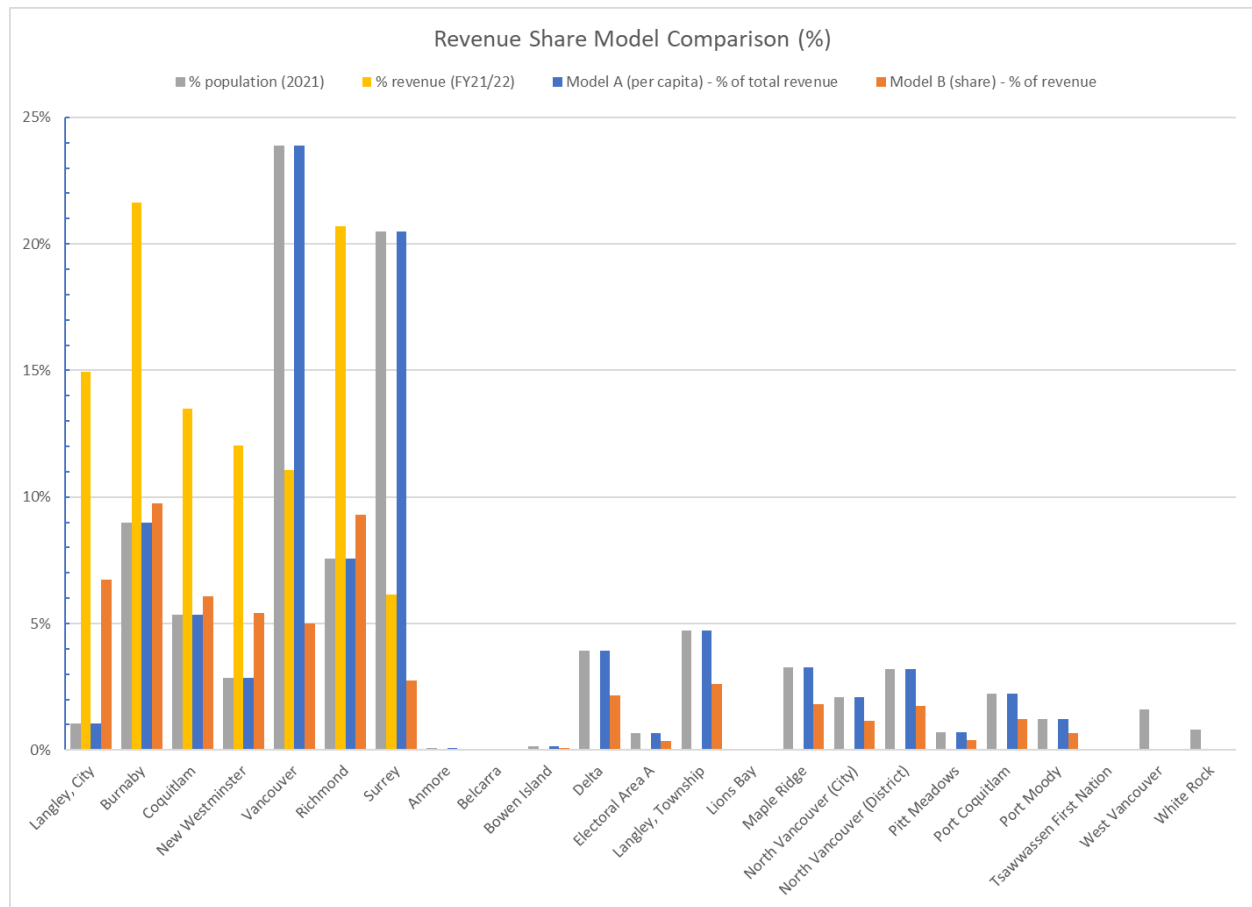


Figure 2: Revenue Sharing for all Metro Vancouver Municipalities