



CITY OF  
ST. CATHARINES

## Corporate Report

---

**Report from** Economic Development and Customer Service, Office of the City Clerk

**Date of Report:** February 12, 2013      **Date of Meeting:** February 25, 2013

**Report Number:** EDCS-054-2013      **File:** 56.12.102

**Subject:** Charitable Bingo and Gaming Revitalization Initiative

### Recommendation

That Council approve the e-gaming model proposed by the Ontario Lottery and Gaming Corporation (OLG) and the related agreement; and

That the City Solicitor be directed to prepare the necessary by-law. FORTHWITH

### Summary

This report relates to the OLG's request to the City of St. Catharines, Delta Bingo and the Charities Association to enter into a standard agreement that would see Delta Bingo renovate and update their facility to be able to support a modernized e-gaming model as proposed by the OLG.

### Background

In 2009, the Ontario Bingo Development Fund commissioned Pollara Research to conduct an in depth study into the bingo industry.

One of their major findings showed that people have stopped playing bingo due to a simple lack of interest. The industry has been stale with lack of variety in games to play, therefore, causing a loss in attendance.

In 2010, OLG was directed by the Ontario government to launch a new focused charitable gaming program to modernize the industry in an effort to sustain and grow revenue in support of local fundraising. The reason for this initiative was the decline in the past decade of the old, traditional model of the bingo game.

The industry has been in decline for the past decade with an average provincial contraction of 8% to 10% yearly. A decade ago there were more than 6,000 charities raising funds at 200 (+) halls; today there are just under 3,000 charities fundraising in approximately 65 halls.

The same study revealed that bingo players in the province of Ontario reacted very positively to a changed environment that included renovated facilities to update décor,

ability to play bingo using a touch screen and expanding facilities to include a restaurant or pub.

## **Report**

In the height of bingo operations, the City of St. Catharines had (3) three successful bingo halls. Today, only Delta Bingo survived the decline in this industry. In addition, the bingo hall experience has remained largely unchanged over time with paper products, old facilities and minimal promotion.

The OLG's modernization of the charitable gaming industry will see new electronic delivery methods for games. Touch screens and video display terminals will allow for a more entertaining environment for the players of the future. The OLG's perspective is that the modernization of the charitable gaming industry by creating an exciting entertainment experience will assist in preserving, maintaining and growing the game of bingo, especially in the year of introduction. The OLG is committed to being strategic in its approach by monitoring trends and continually improving the product and removing stale product to keep the customers engaged.

The responsibilities of each stakeholder under the new e-bingo model will be as follows:

### **Ontario Lottery and Gaming Corporation**

- Will fulfill its "conduct and manage" responsibility through service contracts with commercial operators, charities and municipalities

### **Municipality**

- Will continue to determine eligibility of the charities
- Will continue to approve use of proceeds through the monthly approval process
- Will issue permits, instead of licences, to eligible charities
- Review individual charity bank statements to ensure the depositing and spending of bingo revenue in accordance with their charitable mandate

### **Bingo Hall Operator**

- Manage all day-to-day operations, providing facilities and renovation investment, staffing, site advertising, promotion, and customer care management
- Commercial operators must agree to invest in upgrading of the present facilities, staff training, and implementation of the OLG's Responsible Gambling Program

### **Charities**

- In exchange for a share of the proceeds, charities will have a support role in the charitable gaming centre and will promote public awareness of how funds raised will benefit local charities and the community
- The responsibilities for charities and their volunteer members will become far more manageable (ie: staffing bingos, etc.)
- Charities will no longer be responsible for any cash management for bingo events
- Charities will require fewer members to attend their allotted bingo time slot

Presently, bingos are legislated through the *Criminal Code of Canada 207 (1)(b)* (a lottery scheme conducted by a religious or charitable group) the new model requires a transition to 207 (1) (a) (a lottery scheme conducted by the provincial government).

In order for e-bingo to occur, there must be an agreement of all of the pertinent stakeholders, those being the OLG, the bingo hall, the local charitable association and the municipality. There is no opportunity to vary the terms of the standard contract presented by the OLG.

Staff has met with the hall operator and the owner and has spoken to many of the local charities currently operating at Delta Bingo (letters of support attached as Appendix "1"). They are all in favour of the changes; therefore, staff would recommend the execution of the standard agreement. Failing to modernize could see a further decrease to gaming revenues for local charitable organizations, which, in turn, could see such groups disbanding or seeking funding directly from the municipality.

### **Financial Analysis**

The OLG performed a five-year financial forecast on Delta Bingo which is based on projections and reasonable assumptions made by the OLG. The projections have been based on experience gained from other Charitable Gaming jurisdictions in Canada, the US, as well as current data from Delta Bingo operating in St. Catharines.

The five-year forecast was developed and then compared to the status quo to determine what net benefits, if any, are bestowed upon the charity association and the host municipality.

Net profit at Delta Bingo has been declining since 2009. The reduction in net revenue and attendance has resulted in decreased funding to charities and less cash flow to the operator in order to run the business. The net win decline, moving from 2008 to 2012, has been almost 57%. Since earnings for the operator and funding for the Charity Association are directly related to site revenues, both stakeholders have seen significant reductions in recent times.

The Charitable Bingo and Gaming Revitalization Initiative is premised on the assumption that modernization will lead to increased attendance and revenues; therefore, the charities will benefit from this change. The pilot study of other municipalities showed a 20% increase in the first year of e-bingo. If such an increase is attained in St. Catharines, the charities stand to realize an average of an additional \$500,000 per year.

The City of St. Catharines stands to benefit on a number of fronts:

- A sustainable long-term revenue stream in permit fees
- Allows charities to be self-sufficient through local fundraising efforts vs. applying to the City for funding
- Generates annual municipal taxes from Delta Bingo

- Maintains annual payroll at Delta Bingo (with potential growth) resulting in spinoff benefits in the community.

### **Financial Implications**

Based on the OLG's five-year projections, the City of St. Catharines would start to see an increase of licensing revenue by year four of approximately 1% -2% per year.

### **Conclusion**

Staff conclude that the Corporation of the City of St. Catharines should enter into a standard agreement with the OLG.

### **Notification**

It is in order to notify Ontario Lottery and Gaming Corporation, Delta Bingo, and Delta Bingo Sponsors Association.

### **Prepared by:**

Bonnie Nistico-Dunk, City Clerk

### **Approved by:**

Dave Oakes, Director Economic Development and Customer Service



February 14, 2013

Leah LaPlante

Lottery Licensing Officer

City of St. Catharines

**Re: E-gaming Modernization**

Dear Leah,

Please accept this letter as confirmation that Bee Eye & Gee Oh Inc. (O/a Delta Bingo St. Catharines) is in agreement with the intention to convert Delta Bingo St. Catharines over to the E-gaming model.

Given the challenges in the bingo industry for both commercial operators and charities alike, we would support being given consideration for this conversion to be done in the early part of 2013. We are confident that moving to the new model will allow us to continue to be a viable source of income for the 79 charities that depend on us for their fundraising initiatives.

As always, we will continue to work with the City of St. Catharines and our charities to ensure that the conversion will be completed with the least amount of impact on our charities and customers.

Sincerely,

Andrea Bellenie

Secretary & Treasurer

Bee Eye & Gee Oh Inc.

45 King Street East  
Hamilton, Ontario L8N 1R5

(905) 549-4204

Fax: (905) 523-1850



February 12, 2013

Leah LaPlante  
Lottery Licensing Officer  
City of St. Catharines  
50 Church Street  
St. Catharines, Ontario  
L2R 7C2

Re: E-Gaming Modernization

Dear Leah,

Please accept this letter as confirmation that the Delta Bingo Sponsors Association is in agreement with the intention to convert Delta Bingo, over to the E-Gaming model.

Given the challenges facing charities with the current bingo market, we are willing to participate in whatever changes are necessary, in order to continue to be able to raise funds through bingo events.

As well, the change in roles & responsibilities will also be a benefit to our charity groups, as less volunteers will be required and those that do volunteer, will not have to have so much involvement in the event administration.

Sincerely,  
Delta Bingo Sponsors Association

A handwritten signature in cursive script, reading "Nancy Jo Gamanche".

Nancy-Jo Gamanche  
President