



# TOWN OF INNISFIL

## CORPORATE POLICY

<b>POLICY:</b> <i>OLG Slot Revenue - Allocation and Utilization Policy</i>	<b>COUNCIL APPROVAL</b> <b>DATE: December 14, 2011</b> <b>RES. NO.: CR-269-14.11</b>
<b>POLICY NO.:</b> <b>CP.07-11-05</b>	<b>REVISED DATE:</b> <b>RES. NO.:</b>

### **Purpose:**

The purpose of this policy is to set out a fiscal strategy for the allocation and utilization of revenues received from the Ontario Lottery & Gaming Corporation (OLG) relating to the Town's share of slot machine revenues generated from Georgian Downs. This policy will ensure that slot revenues are used in manner that benefits the Town while gradually transferring greater financial responsibility to property taxpayers for future contributions for the eventual major repair and replacement of existing Town assets and infrastructure. The ultimate goal is to provide for the long term financial sustainability of the community through stable and continuous funding sources.

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### **Application:**

This policy provides guidance to all departments/service areas of the Town when preparing capital or operating budgets. Administration will be able to determine when funds derived through slot revenues can be used as a funding source for specific projects or capital acquisitions. It will also be used for all in-year special circumstances or additional expenditure requirements for projects identified for funding through this source rather than re-opening the approved budget. The same principals will be applied regardless of the origin or timing of the request.

### **Background:**

Annual funds received from the OLG have been recorded as in year revenue in the Town's operating accounts with a corresponding transfer to the Alternative Revenue Source (ARS) Reserve Fund resulting in a net zero impact on operations. On an annual basis a portion of the funds from the ARS are applied to offset the debt servicing costs of approximately \$2,000,000 principal and interest attributable to the Town Hall and Innisfil Recreation Complex facilities until the debt is fully repaid in the year 2030.

The Town policy also commits \$100,000 annually to the Community Reinvestment Fund and a further \$100,000 for Council Discretionary purposes. The remaining amount has been used to fund capital projects for the replacement or major life cycle repair of existing assets and infrastructure. There are also special circumstances that arise during the course of the year where ARS is used as a funding source. Using the ARS funds for unforeseen special circumstances allows Council the flexibility to consider these circumstances without the requirement to re-open the adopted budget as required if the funding source was a tax based (Municipal Act)

Predictable revenue streams for capital budget funding are those that the Town has direct control over such as contributions to reserves from tax rate operating budget and to a lesser degree contributions from water & wastewater user fees. Ontario Lottery Gaming revenues have less certainty and greater volatility due to the economic fluctuations, regulatory changes and political (Provincial) uncertainty. This has the potential to create financial vulnerability when the projected revenues do not materialize and requires a more stable and sustainable approach to be used for capital budget formulation as it pertains to the ongoing replacement of assets already owned and operated by the Town.

### **Policy Parameters:**

1. All Slot revenues received by the Town will be allocated first to offset annual debt servicing costs pertaining to the Town Hall & Innisfil Recreation Complex facilities until the debt is fully retired in 2030.
2. An annual amount of \$100,000 will be allocated to support community based initiatives and will be disbursed in accordance with the grant guidelines in effect under the Community Reinvestment Fund (CRF). Unexpended funds at the end of the fiscal year will be transferred into the ARS reserve fund. The amount will be reduced by the same % decrease that may occur as a result of any future changes to the funding agreement with the OLG.
3. An annual amount of \$100,000 will be allocated for Council discretionary purposes and disbursed in accordance with the policy or guidelines established for the use of those funds by Council. Unexpended funds at the end of the fiscal year will be transferred into the ARS reserve fund. The amount will be reduced by the same % decrease that may occur as a result of any future changes to the funding agreement with the OLG.
4. Remaining revenues will be allocated to the ARS reserve fund and interest earned on any balances will be credited at the bank rate or applicable investment rate that the Town receives.
5. The subsequent utilization of the ARS reserve fund is intended for the “benefit to existing taxpayers” (non-growth) portion of related capital projects. In order to maximize the benefits to all residents this will exclude water and wastewater projects as these services are currently not available to all property owners. This funding methodology will ensure that current taxpayers are not financially impacted by the pressures of growth related projects. In the event that a decline in the slot revenues occurs, the Town will be better positioned to manage the pressures of growth related projects unless other revenue sources are identified which would be sufficient to fund the projects/infrastructure.
6. ARS reserve funds will also be used as the revenue source to advance Inspiring Innisfil 2020 strategic priority items that are for one-time, non-recurring expenditures. These initiatives could be capital or operating in nature and would be identified as one of the key requirements to advance the Town’s strategic goals.
7. Staff will review the policy during the first year of each new Council term for the purpose of ensuring the policy aligns with Council’s priorities. Staff will present the findings of that review and make further recommendations, if required, for Council consideration.

8. The Director of Finance will provide annual reports on the financial position of the ARS reserve fund and any % changes relating to the items identified in items # 2 & 3 of this policy.