

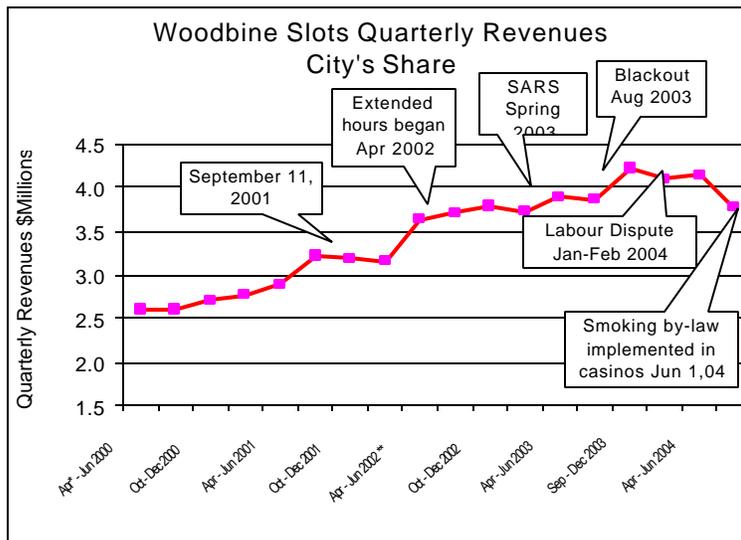
2005 BUDGET BRIEFING NOTE: Woodbine Racetrack Slots Revenue

Issue/Background:

The 2004 revenue for the Woodbine Racetrack Slots is projected to be on budget i.e. \$15.7M. The same amount is recommended to be provided for in the 2005 Operating Budget in Non-Programs.

Key Point(s):

- Under the Racetrack Municipality Contribution Agreement between the City and the Ontario Lottery and Gaming Corporation (OLGC), the City is entitled to receive a portion of the gaming revenues at Woodbine Racetrack Slots on a quarterly basis. The City's share is calculated at 5% of the gross gaming revenue on the first 450 slot machines and 2% on the balance in excess of 450 machines. With a total of 1,700 slot machines at Woodbine, the combined rate for the City's share is 2.79%.
- The following chart shows the City's quarterly revenues:



	Quarterly Revenues (\$M)	Q to Q change
2003 Q4	4.219	
2004 Q1	4.095	-3%
2004 Q2	4.150	1%
2004 Q3	3.766	-9%
2004 Year-to-date	12.011	
Required Q4 revenue to balance 2004 budget of \$15.7M	3.689	

2004 Projected Revenues:

A number of extraneous events occurred in 2004 which impacted the City's revenue negatively:

- A labour dispute between union groups and Woodbine Entertainment Corp. (facility owner) took place in January 2004 and lasted almost three weeks. Casino patrons were required to cross the picket line and attendance were impacted. City's Q1 revenues were down by 3% compared with the previous quarter.

2. No-Smoking By-Law

Q3 revenues were down by 9%, the biggest quarterly drop since the slots' inception. The main reason is that the City's No-smoking By-Law came into full force on June 1, 2004, impacting all bars, billiards & bingo halls, casinos and the racetrack. This is the third phase of the City's No-Smoking By-Law. (The first phase required all workplaces to be smoke-free. The second phase required restaurants, dinner theatres and bowling centres to be smoke-free, except in approved designated smoking rooms.) Across the Province, various municipalities have been implementing similar measures at varying extents and levels of exemption. For example:

- a. The charity casino in Port Perry (Great Blue Heron) allows 100% smoking.
- b. The charity casino in Brantford implemented the No-Smoking By-law in September 2002, experienced a drop in revenue, but has rebounded. Ottawa is in a similar situation and has seen a rebound.
- c. The Niagara commercial casinos are exempted from the local Smoking By-law.
- d. The Windsor commercial casinos have less stringent by-laws.

Given the close proximity of these facilities to Toronto, Woodbine's patrons may find it worthwhile to drive to other gaming facilities outside of Toronto allowing smoking. Woodbine has recently installed designated smoking rooms within the facility.

3. 24/7 Operation

The slot facility hours have been extended to 24/7 effective October 31, 2004. (Previously they were 9:00am to 3:00am Monday to Thursday, and 24 hours on weekends). This would have a positive, albeit small, impact on revenues.

For Q4, OLG will make its payment to the City on or before January 20, 2005. Non-Program Revenues needs \$3.69M in the quarter to balance the 2004 budget of \$15.7M. Provided Q4 revenues do not fall by more than 2% of the Q3 revenues, we should be on target.

2005 Budget — Non-Program Revenues

- Certain imminent events may impact Toronto's future revenues from Woodbine:
 1. Provincial Review of the Gaming Industry — The Ministry of Economic Development & Trade has conducted a market assessment of the gaming industry, including supply and demand. The results will likely be announced in January 2005. It is unclear how this may affect Toronto's market share or provide opportunities for growth.
 2. The No-Smoking By-Law and around-the-clock operation at Woodbine have offsetting impacts on the revenue. Both were introduced in-year in 2004. The longer-term impacts on slots attendance are yet to be determined as patrons get accustomed to the new environment and hours. The Ontario Government introduced anti-tobacco legislation on December 15, 2004 that will impose a province-wide ban within two years "to fix a 'patchwork quilt'" of municipal non-smoking laws. Not expected to be passed until the Spring 2005, the law will be one of the strictest in Canada. The economic impacts are unknown at this time.
- The 2005 operating budget for Woodbine revenues is recommended to be \$15.7M, the same as in 2004, in the Corporate Non-Program Revenues A/C (NP8066).

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