



Hamilton

INFORMATION REPORT

**CITY WIDE
IMPLICATIONS**

To:	Chair and Members Planning & Economic Development Committee Outstanding Business Item No. 1 and Issue: Lottery Licence Proceeds Policy – Status of Reporting Procedures Service Clubs and Legions PED06184		
From:	Lee Ann Coveyduck General Manager Planning and Economic Development Department	Telephone: Facsimile: E-mail:	905 546-4339 905 546-4364 lcoveydu@hamilton.ca
Date:	May 19, 2006		
Re:	Lottery Licence Proceeds Policy – Status of Reporting Procedures Service Clubs and Legions (City Wide)		

Council Direction:

At their meeting of January 25, 2005, Council directed staff to report back in one year on the status of the reporting procedures outlined in Report FCS05011 that the Service Clubs and Legions are required to follow.

Information:

Report FCS5011 was presented to the Corporate Administrative Committee on December 24, 2004, and was before Council in January 2005. The information provided in the report related to the policies for use of lottery licence proceeds for branches of the Royal Canadian Legion and Service Clubs. The information contained in the report was based on the Alcohol and Gaming Policy Manual (LLPM) in force and effect at that time. Council approved the policies and requested that staff report back in one year advising of the status of the reporting procedures for Service Clubs and the Royal Canadian Legion.

Following the submission of Report FCS05011 the Lottery Licensing function was transferred to the Planning and Economic Development Department and this report item was transferred from the Corporate Administrative Committee.

The Alcohol and Gaming Commission issued a new amended Lottery Licensing Policy Manual in the Spring of 2005, and the new regulations address the use of lottery

**SUBJECT: Lottery Licence Proceeds Policy – Status of Reporting Procedures
Service Clubs and Legions (PED06184) (City Wide) - Page 2 of 5**

proceeds for those service clubs and Royal Canadian Legion branches that own their buildings.

Eligible Use of Lottery Proceeds for Service Clubs and the Royal Canadian Legion:

Section 2.7.4 requires that the service club must give the licensing authority detailed lists of how it proposes to use the lottery proceeds. The service club may only donate lottery proceeds to an organization that is itself eligible to receive a lottery licence and has been approved by the licensing authority. The service club must ensure that donated lottery proceeds are used for purposes consistent with the receiving organization's mandate and approved uses of funds.

The licensing authority may approve service clubs to use lottery proceeds for the following purposes:

- projects that are consistent with the organization's charitable purposes or objects and provide a direct charitable benefit to the community;
- donations to other organizations for their own charitable purposes, which may include the relief of poverty, the advancement of education, the advancement of religion and other purposes beneficial to the community; and,
- the general maintenance of their own club premises, if the premises are used for the benefit of the community, up to an amount of 2% of net lottery proceeds. This percentage may be increased if the facility is used free of charge by the community more than 2% of the time.

In addition to their charitable objects and purposes, service clubs have a mandate to provide membership-oriented activities. These activities provide a private, not a public, benefit to the members of the service club. Membership-oriented activities do not qualify as charitable and service clubs may not use lottery proceeds for these purposes. The following types of costs do not qualify as eligible uses of proceeds for service clubs:

- expenses related to the members' lounge;
- any program that is membership-oriented, including trips to conferences for members; and,
- any program restricted to members and their families.

If a service club owns a building that it allows charitable organizations to use free of charge, it may use lottery proceeds for a building fund. The building fund may be used to renovate the sections of the building made available to charitable organizations in accordance with the policies for building funds outlined in Chapter 2 of the LLPM. The service club must demonstrate that the public benefit goes beyond the occasional usage by outside charitable groups.

**SUBJECT: Lottery Licence Proceeds Policy – Status of Reporting Procedures
Service Clubs and Legions (PED06184) (City Wide) - Page 3 of 5**

The service club may also use up to 2% of the net lottery proceeds to pay the general operating expenses of these premises. The licensing authority may increase the maximum allowable expenses for maintenance if the organization can prove the need for the funds and show that the facility is offered free of charge to charitable organizations more than 2% of the time. The licensing authority should increase the maximum allowable amount to a percentage proportional to the time the facility is used free of charge for eligible charitable purposes. The maintenance costs may include:

- municipal taxes;
- utilities;
- liability insurance on the building; and,
- cleaning and general maintenance.

The LLPM provides the following example to assist Service Clubs and Royal Canadian Legion Branches to determine the percentage amount allowable for maintenance costs on the owned building:

If the Building Maintenance Cost per Year is	\$10,000
And if the % of Building Available for Public Use (excluding Offices & Members Lounge) is 50%	(\$5,000)
Then the Cost of Maintaining Public Portion of Hall is	\$5,000
Calculate by the Number of Days of the Year used By Charitable Groups (i.e. Assume 91 days of free rentals out of 365 days = 25%) then \$5,000 x 25% = \$1,250	

Therefore, the
Amount Allowed for Building Maintenance per Year is: \$1,250

This is a new method of calculating the percentage. Previously percentage was based on the net lottery proceeds and is now based on the building maintenance costs for each organization's building. This percentage replaces the previously permitted 2% of net lottery proceeds.

Many of the purposes and objects of the Royal Canadian Legion are similar to those of general service clubs. Therefore, for lottery licensing purposes, the branches and commands of the Royal Canadian Legion are treated in the same manner as general service clubs, and the accepted uses of proceeds for service clubs also apply.

The Royal Canadian Legion and its branches may use lottery proceeds for:

- donations to a broad base of eligible charitable organizations;
- the Royal Canadian Legion bursary fund;

**SUBJECT: Lottery Licence Proceeds Policy – Status of Reporting Procedures
Service Clubs and Legions (PED06184) (City Wide) - Page 4 of 5**

- building maintenance; and,
- building funds.

It is important to note the above-mentioned calculation is for service clubs and the Royal Canadian Legion for the calculation of the percentage of lottery proceeds to be directed to building maintenance. Lottery proceeds directed to a building fund either by a service club or the Royal Canadian Legion must comply with all of the respective regulations set out in the LLPM for that purpose and is separate and apart from the issue at hand respecting building maintenance.

Required Documents / Submissions from Service Clubs and Royal Canadian Legion Branches:

- In order to extend this increased percentage of lottery proceeds directed toward building maintenance, Service Clubs and the Royal Canadian Legion Branches owning their own buildings must submit documentation identifying the building/hall rentals and submit their building maintenance costs for each previous year.
- The rental list will include all dates and times of rentals indicating the organization renting the hall; the purpose / use of the rental; and indicate the fee paid or that the rental was free. Only eligible charitable organizations may be included in the free rental percentage calculation. Organizations that receive monetary donations from a service club or Legion may not in turn use this money toward a rental payment for the use of the service club or Legion's hall.

Staff will review each rental list provided and determine the percentage of the respective building available for public use based on the total number of rentals, which will be comprised of the number of charitable organizations given free rentals plus the number of ineligible organizations / individuals paying for the rental. The service clubs and Royal Canadian Legions will be required to make these submissions each January on an annual basis and staff will review all documents upon their submission to ensure compliance with the regulations outlined in the LLPM.

Staff polled nine municipalities, which included municipalities bordering the City of Hamilton and others located throughout the Province. Five of the municipalities do not offer the increased percentage and four use the aforementioned calculation outlined in the LLPM.

Municipalities do have the option to adopt more complicated scenarios to determine the percentage of lottery proceeds to be directed to building maintenance. These calculations involve determining the actual square footage used for public versus the actual square footage of private usage and factoring the frequency of free and paid rentals. Staff has chosen the least cumbersome method of calculating the percentage of public use of the hall so that this is not an onerous exercise for the service clubs and Royal Canadian Legion Branches that are eligible to receive this increase. The

**SUBJECT: Lottery Licence Proceeds Policy – Status of Reporting Procedures
Service Clubs and Legions (PED06184) (City Wide) - Page 5 of 5**

increase does not apply to those clubs and legion branches that do not offer free rentals to eligible charitable groups.

Staff will notify the service clubs and Royal Canadian Legion Branches in writing of the aforementioned process respecting the direction of lottery proceeds for building maintenance. Staff will provide assistance to the groups to help them through this exercise so that they may benefit from this increase.

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department