

# Alberta Gaming and Liquor Commission

**Annual Report**  
2000 – 2001

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## Message from the Chairman and CEO

The last year was a busy and active time for the Commission. A number of key initiatives and activities were started or continued from the previous fiscal year. These initiatives will benefit Alberta's gaming and liquor industries in the years ahead. Many stakeholders participated in the discussions related to these issues. Their involvement and cooperation is integral to the success of these initiatives.

I want to express my deep gratitude to the Board and staff of the Commission who have worked hard to meet the challenges facing this organization and its work in the gaming and liquor industries in fiscal 2001. I am proud of their achievements and will rely upon their continued support and expertise in the coming fiscal year.

### *Activities of the Board*

The Board of the Commission establishes policies for the Commission, oversees the operation of the Commission, and makes decisions and conducts hearings into matters respecting gaming and liquor licences and registrations. The Board meets biweekly throughout the year.

During the year the Board was involved in a number of key initiatives and activities.

The Board initiated a review of the *Gaming and Liquor Act*, the province's legislation that deals specifically with gaming and liquor activities and regulatory matters. This legislation was originally enacted in July 1996. The review will help to ensure that legislative provisions are consistent with the regulatory and enforcement requirements and expectations of the Government of Alberta. The *Gaming and Liquor Regulation* is also being reviewed to ensure the provisions contained within it continue to be relevant and necessary to the regulatory framework of gaming and liquor activities and operations.

A First Nations gaming policy regarding on-reserve casinos was approved by the government in January 2001. The Board will administer the policy, according to guidelines established and consistent with existing policies for charitable casino gaming.

The majority of 74 recommendations made by the Bingo Review Committee in its report of September 1999 were accepted by the Board of the Commission. These recommendations addressed various regulatory and policy issues associated with the bingo industry in Alberta. During the year the Commission began to implement the accepted recommendations aimed at benefiting charities, players and

bingo halls throughout the province. A number of recommendations that are broader in scope were deferred, and form part of the gaming licensing policy review being conducted by the Commission.

The Board also spent considerable time reviewing and updating charitable gaming policies, especially as they relate to eligibility for gaming licences and the use of proceeds from gaming activities. Consultation with stakeholders on the draft policy revisions will occur in 2001.

Numerous buy-sell agreements were approved under new liquor policies that were adopted last year. These agreements allow suppliers to undertake promotional activities to benefit the customers of liquor licensees. In return the supplier obtains the licensee's consent to reciprocate by purchasing the supplier's product.

During the fiscal year the provinces that participate in the Western Canada Lottery Corporation (WCLC) — Alberta, Saskatchewan and Manitoba — signed a new five-year agreement that will save the Commission a total of approximately \$10 million over the five year term of the agreement. Dr. Bob Westbury, a member of the Commission board, was appointed chair of the Western Canada Lottery Corporation WCLC board for the 2000 – 01 fiscal year.

An audit committee comprised of Board members met regularly to review quarterly projections and year-end financial statements. The committee also held pre-audit and post-audit meetings with the province's Auditor General.

The Board held 65 hearings in 2000 – 01. All of these hearings dealt with alleged violations of the *Gaming and Liquor Act*, Regulation or Board policy. These hearings related to liquor service to minors, after hours service, the sale or possession of illegal liquor, infractions related to registered gaming workers, the eligibility of organizations to hold charitable gaming licences, and other matters or contraventions of the *Act*, Regulation, or Board policy. The Board also imposed over 753 specified penalties to licenses for infractions of the *Gaming and Liquor Act*, Regulation, or Board policy. All Board disciplinary decisions are posted on the Commission's website, [www.aglc.gov.ab.ca](http://www.aglc.gov.ab.ca).

### *Corporate Activities*

The Corporation conducts and manages provincial lotteries including electronic gaming and ticket lotteries, oversees all charitable gaming activities, collects revenue for the Alberta Lottery Fund, collects the mark-up on liquor products and regulates gaming and liquor activities in the province.

Revenues from charitable gaming activities and provincial lotteries support charitable, not-for-profit, public and community-based initiatives in the province.

Charitable organizations in the province earned approximately \$171 million from charitable gaming activities during the year compared to \$163 million in the previous fiscal year. Charitable gaming activities include bingos, casinos, pull ticket sales and raffles.

The government's share of revenue from provincial lotteries is placed directly into the Alberta Lottery Fund. The Alberta Lottery Fund includes revenue from ticket lotteries, slot machines and video lottery terminals (VLTs). In fiscal 2001, \$988 million was deposited to the Alberta Lottery Fund. Approximately 8,000 community-based and not-for-profit initiatives benefit from the Alberta Lottery Fund each year.

A major review of gaming licensing policies was conducted during the fiscal year, and is expected to be completed in the fall of 2001. The purpose of the review is to arrive at comprehensive, up to date and specific gaming licensing policies to guide the Commission in administering gaming activities in the future.

During the Gaming Licensing Policy Review the views of Albertans were obtained through public opinion research. The Commission also undertook extensive consultations with stakeholders, including charitable organizations, First Nations, municipalities, police services and members of the gaming industry. The views and perspectives of Albertans and stakeholders are a key element of the review process to address gaming policies and issues related to the growth and future of gaming in the province. Pending the completion of the review, requests to license or approve new casinos, casino expansion, casino relocations, new games and gaming environments have been suspended.

The Commission worked closely with First Nations to develop the First Nations gaming policy that was announced by the government in January 2001. The more specific policies for First Nations on-reserve casinos will be developed through the Gaming Licensing Policy Review. These policies will be consistent with policies in place for existing charitable casinos.

The Commission is committed to resolving the legal challenge launched by VLT retailers to prevent the removal of VLTs in communities that voted by plebiscite in favour of their removal. The Alberta Court of Queen's Bench granted an injunction in May 1999 to prohibit the Commission from disabling or removing VLTs pending the hearing of a constitutional challenge. A trial on the matter is expected to be heard in the spring of 2002.

In order to comply with the *Gaming and Liquor Act*, the commission structure related to racing entertainment centres (RECs) at Edmonton Northlands and Lethbridge Whoop-Up Downs was changed. The RECs were established as part of the Racing Industry Renewal Initiative, to assist the horse racing industry to maintain and enhance live horse racing in the province. These RECs offer slot machines in addition to live and simulcast racing. The racetrack operators are now receiving a commission of 15% of the revenue from slot machines and the balance of the revenue is placed in the Alberta Lottery Fund. Previously, the racetrack operator, the Alberta Racing Corporation and the Alberta Lottery Fund each received one-third of the revenue. Payments to assist with racetrack operating and capital costs are now being made from the Alberta Lottery Fund through approved appropriations of the provincial legislature.

Alberta's privatized liquor industry continues to offer increased product selection, improved service and some of the lowest prices for liquor products in Canada. The retail network has continued to grow since the privatization of liquor activities was announced in 1993. In fiscal 2001, the Corporation collected more than \$468 million in liquor mark-up. The mark-up rate currently in effect for beer products sold in Alberta has remained unchanged since this mark-up was reduced in May 1999.

The Commission is continuously examining ways to improve its services and programs to stakeholders and Albertans in general. This process will continue in the new fiscal year as the corporation meets the challenges that lie ahead.

### *Future Challenges*

The Commission will work diligently to bring about positive results from the initiatives that were launched or continued in fiscal 2001. A common theme among all initiatives is the requirement for integrity of gaming and liquor activities and the need that these activities be delivered in a socially responsible manner to the communities of our province. We will continue to maintain our strong relationships with the public and other stakeholders, whose participation and cooperation are essential to the success of the gaming and liquor industries of the province.

*Original Signed*  
*by Norman C. Peterson*

Norman C. Peterson  
Chairman and Chief Executive Officer



## Organizational Profile

The Alberta Gaming and Liquor Commission is an agent of the Government of Alberta and consists of a Board and a Corporation. The Board is responsible for policy and regulatory matters. The Corporation consists of administrative and operational divisions responsible for the day-to-day functioning of the Corporation.

*The AGLC's mission is to "ensure the integrity of gaming and liquor activities in Alberta and collect revenues for the province."*

The responsibilities of the Board are set out in section 12 of the *Gaming and Liquor Act* and include:

- ensuring that the powers and duties of the Corporation are appropriately carried out;
- establishing the policies of the Corporation;
- conducting hearings and making decisions respecting licences and registrations; and
- any functions assigned to it under any enactment.

Current members of the Board are:

- Mr. Norman C. Peterson, Chairman
- Mr. Douglas Fulford, Board Member and Deputy Chairman
- Mr. Edward Gaudet, Board Member
- Dr. Robert C. P. Westbury, Board Member
- Mrs. Patricia Whiting, Board Member

The mission of the Commission is to ensure the integrity of gaming and liquor activities in Alberta and collect revenues for the province.

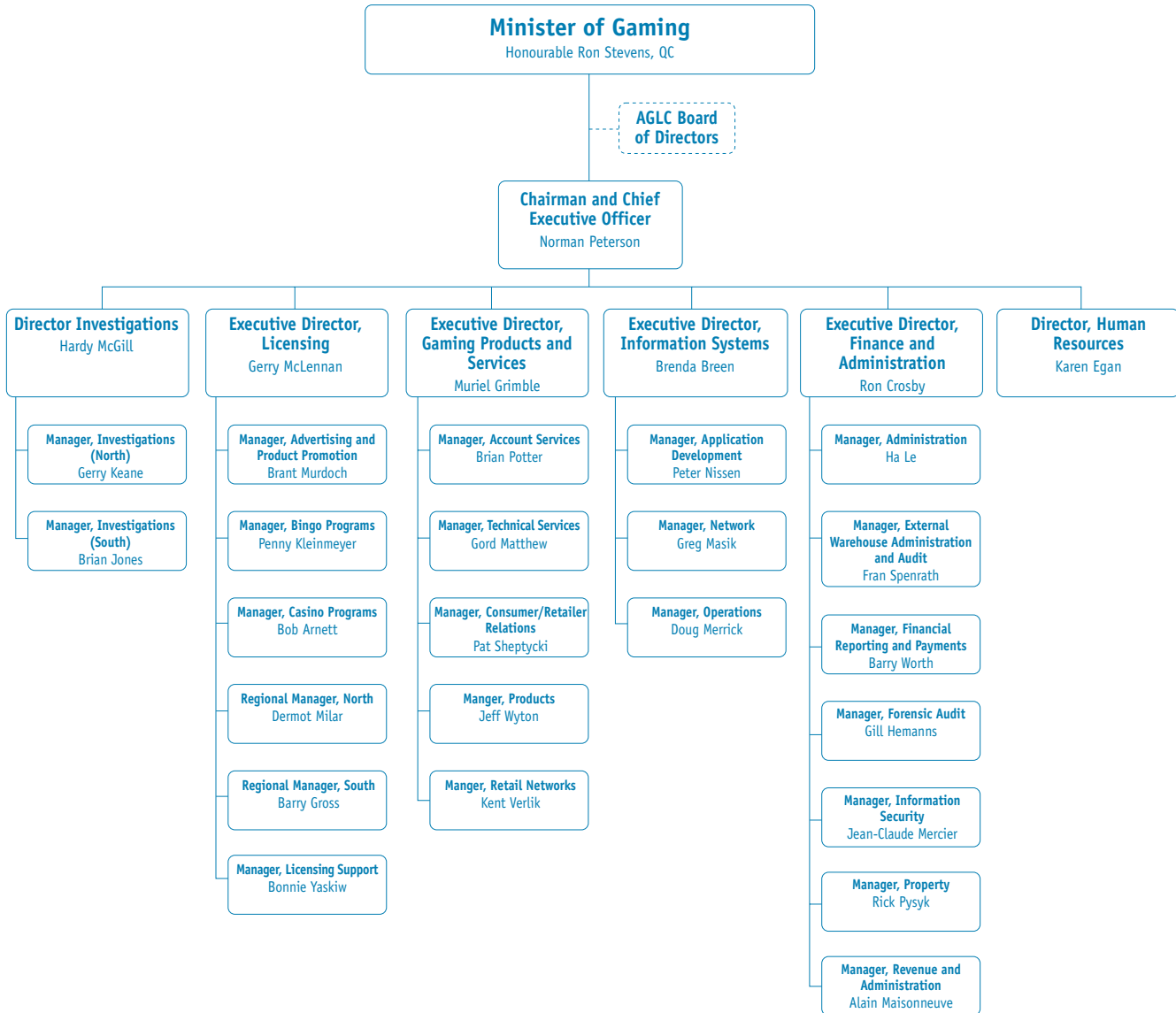
The core businesses of the Commission, established in accordance with the *Gaming and Liquor Act* (Alberta), *Criminal Code* (Canada) and within the policy framework established by the provincial government, are as follows:

1. License, regulate and monitor liquor activities.
2. License, regulate and monitor charitable gaming activities.
3. Conduct and manage provincial lotteries, and regulate electronic gaming.
4. Administer the Alberta Lottery Fund.
5. Monitor and enforce those sections of the *Tobacco Tax Act* related to illegal sale and smuggling.

The Commission is committed to the following values. It will:

- strive to balance social and economic responsibilities to the people of Alberta;
- act with integrity and in a fair and impartial manner;
- foster clear, open and courteous communications and consult with stakeholders;
- achieve excellence in customer service;
- nurture a working environment that is characterized by teamwork, collaboration, and open communication;
- be an innovative and adaptable organization that focuses on continuous improvement in the effectiveness and efficiency of our services and business processes; and
- be responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

# Organization Chart



## Operational Overview

### Chairman and Chief Executive Officer

Responsible for the overall operations of the Alberta Gaming and Liquor Commission and also serves as Chairman of the Board.

Contact: Norman Peterson  
 Phone: (780) 447-8601  
 Fax: (780) 447-8950  
 E-mail: norm.peterson@aglc.gov.ab.ca

### Licensing

Administers the licensing of liquor premises and gaming facilities, charitable gaming and the registration of liquor agencies, liquor representatives, and gaming workers. Inspects licensee premises and facilities in the province and submits incident reports to the Commission Board when violations of legislation or Board policy are alleged to have occurred.

Contact: Gerry McLennan  
 Phone: (780) 447-8821  
 Fax: (780) 447-8913  
 E-mail: gerry.mclennan@aglc.gov.ab.ca

### Gaming Products and Services

Provides retailer and consumer services, hotline, account services, retail network planning, product information and maintenance services for all video lottery terminals, slot machines and ticket lottery terminals.

Contact: Muriel Grimble  
 Phone: (780) 447-8783  
 Fax: (780) 447-8929  
 E-mail: muriel.grimble@aglc.gov.ab.ca

### Investigations

Provides specialized enforcement in areas of liquor, gaming and tobacco. Performs and coordinates criminal investigations, and confirms eligibility for facility licence applicants and gaming suppliers.

Contact: Hardy McGill  
 Phone: (780) 447-8734  
 Fax: (780) 447-8914  
 E-mail: hardy.mcgill@aglc.gov.ab.ca

### **Finance and Administration**

Provides services related to business planning, financial and business administration, warehouse administration, forensic audit, and freedom of information and privacy.

Contact: Ron Crosby  
Phone: (780) 447-8659  
Fax: (780) 447-8919  
E-mail: [ron.crosby@aglc.gov.ab.ca](mailto:ron.crosby@aglc.gov.ab.ca)

### **Information Systems**

Provides all information technology services to the Commission and Ministry of Gaming, including operation and support of the video and slot central systems, application development and support, local and wide area networks, telecommunications and data centre operations.

Contact: Brenda Breen  
Phone: (780) 447-8615  
Fax: (780) 447-8920  
E-mail: [brenda.breen@aglc.gov.ab.ca](mailto:brenda.breen@aglc.gov.ab.ca)

### **Human Resources**

Provides human resource programs and services to the Commission, including recruitment, performance management, benefit administration, continuous learning and employee recognition.

Contact: Karen Egan  
Phone: (780) 447-8717  
Fax: (780) 447-8918  
E-mail: [karen.egan@aglc.gov.ab.ca](mailto:karen.egan@aglc.gov.ab.ca)

## Five-Year Financial Summary

Over the past five years the net income of the Commission has grown to \$1.4 billion from less than \$1.0 billion. The Commission exceeded expectations in all its financial measures during the fiscal year. Its operating expenses were less than budget, gross revenues exceeded budget, and the return to charities from charitable gaming activities exceeded last year's level.

**Did you know:** Returns to charities holding casinos have more than tripled since 1996 – 97, from \$28 million to an estimated \$87 million in 2000 – 01.

A summary of gross sales and profits from operations is as follows:

	2001	2000	1999	1998	1997
	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Gross Sales	14,913	12,825	11,179	10,015	8,335
Gross Profit					
Liquor	468	456	467	449	428
VLTs	575	525	507	518	460
Slot Machines	252	174	112	47	17
Tickets	161	156	151	140	147
Other	13	15	18	15	12
Operating Expenses	(70)	(69)	(63)	(61)	(67)
<b>Net Income</b>	<b>1,399</b>	<b>1,257</b>	<b>1,192</b>	<b>1,108</b>	<b>997</b>

The Commission is responsible for administering the charitable gaming model in Alberta. Other than a licensing fee to cover the Commission's cost of regulating the industry, all proceeds from charitable gaming activities pass directly to the charity to be used for charitable or religious purposes, in accordance with the provisions of the *Criminal Code* (Canada). A summary of the estimated returns to charities under this model is as follows:

	2001	2000	1999	1998	1997
	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Bingo	51	55	59	58	55
Casinos	87	77	58	44	28
Raffle	25	22	22	19	18
Pull Tickets	8	9	9	9	8
	<b>171</b>	<b>163</b>	<b>148</b>	<b>130</b>	<b>109</b>

## Liquor Operations

The Commission regulates the liquor industry, issues liquor licences, and collects revenues from the sale of liquor. The private sector is responsible for the commercial operations relating to the retailing, warehousing and distribution of liquor products.

### Liquor Licensing Highlights

(\$ in thousands)

Licence Class	Licences in Effect March 31, 2001	Sales 2001					Sales 2000	
		Spirits	Wine	Coolers & Cider	Beer	Total	Licences in Effect March 31, 2000	Total
A	5,116	\$ 72,497	\$ 21,168	\$ 9,615	\$ 201,219	\$ 304,499	5,061	\$ 308,132
B	511	1,168	306	235	6,048	7,757	517	7,724
C	759	934	1,180	145	7,592	9,851	757	10,427
D	1,531	342,240	155,012	41,095	406,901	945,248	1,517	885,590
E	19	—	—	—	—	—	20	—
*	—	3,558	515	42	188	4,303	—	3,985
	<u>7,936</u>	<u>\$ 420,397</u>	<u>\$ 178,181</u>	<u>\$ 51,132</u>	<u>\$ 621,948</u>	<u>\$1,271,658</u>	<u>7,872</u>	<u>\$1,215,858</u>

\*Includes duty free, diplomat, NATO, sales to other Boards and liquor agencies.

*“Alberta is a leader in industry privatization.”*

— Comment from Alberta liquor industry stakeholder survey, April 2001

Class A licences are issued to hotels and other premises open to the public for the sale and consumption of liquor. Class B licences are issued for the sale and consumption of liquor in premises open to those who have paid an entrance fee, purchased a ticket, or otherwise are entitled to use the facility. Examples include convention centres, race tracks, theatres, and recreational facilities. Class C licences are issued for the sale and consumption of liquor in premises restricted to members or other specific individuals such as private clubs. Class D licences are issued primarily to retail outlets and hotels for the sale of liquor to be consumed off the premises. Class E licences are issued for the manufacture of liquor in Alberta and include licences for brew pubs.

### *Liquor Products, Retail Network and Mark-up*

There are currently more than 8,400 liquor products available to consumers in Alberta compared to approximately 3,300 liquor products sold in the province prior to privatization in 1993. The retail network continued to expand throughout the year. Fifty-two new retail liquor stores were licensed during fiscal 2001 while 33 retail liquor stores were closed during the same period. The total number of retail liquor stores reached 826 compared to 807 as at March 31, 2000. In addition to these retail liquor stores, there were 81 general merchandise liquor store premises licensed in the province and more than 500 licences were issued for the general off-sales of liquor products.

Alberta continues to have some of the lowest liquor prices in Canada.

Overall liquor sales volumes have increased by two percent over the previous year. The product mix has also continued to change with more emphasis on the consumption of lower-alcohol products.

The wholesale price of liquor in Alberta comprises the manufacturer's cost, all applicable federal customs and excise duties, beverage container recycling costs, and the Commission mark-up. The Commission collects all revenue from the mark-up and remits these revenues to the province. Liquor revenues totalled more than \$468 million in the fiscal year.

The mark-up rate for liquor products were unchanged for the second consecutive year.

	<u>\$ Per Litre</u>
Spirits (alcohol content greater than or equal to 22.1%)	\$12.50
Spirits (alcohol content less than or equal to 22%)	\$ 9.50
Wine (alcohol content greater than or equal to 16.1%)	\$ 5.50
Wine (alcohol content less than or equal to 16%)	\$ 3.05
Coolers/Ciders	\$ 1.25
<b>Beer</b>	
First 50,000 hectolitres	\$ 0.50
Next 20,000 hectolitres	\$ 0.60
Next 30,000 hectolitres	\$ 0.75
Over 100,000 hectolitres	\$ 0.88



*Liquor Sales by Product Type*

	2001						2000	
	Sales		Volumes		Gross Profit			Gross Profit
	Domestic	Import	Domestic	Import	Domestic	Import	Total	Total
	(\$000)	(\$000)	hectolitres		(\$000)	(\$000)	(\$000)	(\$000)
<b>Spirits</b>								
Whiskey	116,751	30,357	54,582	10,895	68,026	13,409	81,435	80,550
Vodka	84,490	9,557	41,711	4,354	52,007	5,334	57,341	54,730
Rum	62,997	9,817	29,467	4,227	36,635	5,233	41,868	41,547
Liqueurs	8,639	50,536	4,117	20,301	4,334	22,422	26,756	28,163
Gin	4,545	5,089	2,147	2,239	2,644	2,719	5,363	5,155
Others	10,285	27,334	4,796	12,212	4,712	8,889	13,601	11,930
	<u>287,707</u>	<u>132,690</u>	<u>136,820</u>	<u>54,228</u>	<u>168,358</u>	<u>58,006</u>	<u>226,364</u>	<u>222,075</u>
<b>Wine</b>	<u>39,918</u>	<u>138,263</u>	<u>52,444</u>	<u>130,399</u>	<u>16,822</u>	<u>40,288</u>	<u>57,110</u>	<u>56,121</u>
<b>Coolers/Ciders</b>	<u>44,754</u>	<u>6,378</u>	<u>110,415</u>	<u>14,113</u>	<u>13,801</u>	<u>1,770</u>	<u>15,571</u>	<u>12,575</u>
<b>Beer</b>								
Packaged*	490,704	58,630	1,567,020	215,757	130,638	12,838	143,476	141,410
Draft	67,110	5,504	308,311	14,367	25,476	604	26,080	26,938
	<u>557,814</u>	<u>64,134</u>	<u>1,875,331</u>	<u>230,124</u>	<u>156,114</u>	<u>13,442</u>	<u>169,556</u>	<u>168,348</u>
	<u>930,193</u>	<u>341,465</u>	<u>2,175,010</u>	<u>428,864</u>	<u>355,095</u>	<u>113,506</u>	<u>468,601</u>	<u>459,119</u>
<b>Beverage container and recycling costs</b>							213	3,249
							<u>468,388</u>	<u>455,870</u>

\*Includes deposit

*Did you know: Competitive prices, a high level of customer service and a vast selection of products keeps Alberta among the most progressive liquor industries in Canada.*

**Warehousing and Distribution**

The Board authorizes operators to warehouse and distribute liquor products in the province. The Board is also responsible for establishing policies for the warehousing and distribution of these liquor products. The Commission has a warehouse administration office at each of the warehouse locations in the province to ensure that the mark-up is collected on all products sold in the province.

The Board has authorized four operators, as agents of the Commission, to warehouse and distribute liquor products in Alberta. The warehouse operators are:

- Connect Logistics — operates a bonded warehouse in St. Albert to warehouse and distribute spirits, wines, coolers, ciders and beer;
- Brewers Distributor Ltd. — warehouses and distributes beer products for Molson and Labatt breweries from its Edmonton and Calgary warehouses;
- Big Rock Brewery — manufactures and distributes beer from its plant/warehouse in Calgary; and
- Sleeman Breweries Ltd. — warehouses and distributes its products from a Calgary warehouse.



### *Container Return Expenses*

Under the *Beverage Container Recycling Regulation*, empty beverage containers in Alberta are recovered and recycled rather than landfilled. Beverage manufacturers operate the Alberta Beverage Container Recycling Corporation, which provides a common collection system to recover empty containers from the more than 200 bottle depots located throughout the province.

The entire return and recycling system is coordinated by the Beverage Container Management Board. The Commission participates on the management board and in the common collection system that deals with the recycling of all spirits, wine, cider, cooler and imported beer containers. Beer made in the province is exempted from the *Beverage Container Recycling Regulation* as domestic brewers operate their own container return and recycling system.

Beverage manufacturers pay to operate the return and recycling system based on sales. Recycling costs vary based on the type of container being handled, for example, aluminium, glass, plastic and polycoat.

The Commission ceased to subsidize the recycling costs of spirits, wine, cider and cooler containers in the province effective June 30, 2000. As of that date recycling costs were included in the wholesale price of the liquor products. This initiative will result in annual savings to the Commission of approximately \$3 million.

*“Over 87% of Albertans have participated in some form of gambling in the last year, and nearly 50% of Canadians have bought a lottery ticket.”*

— AADAC, “Adult Gambling and Problem Gambling in Alberta,” 1998, and Canada West Foundation, “Canadian Gambling Behavior and Attitudes,” 2000

## Gaming Operations

The integrity of gaming in Alberta is paramount to the Commission and all its stakeholders, including beneficiaries of gaming, players and the gaming industry. The Commission’s policies and compliance activities are aimed at ensuring the integrity and security of gaming operations (see also page 32). The Commission works with stakeholders to ensure games are operated fairly and in accordance with consistently applied rules and procedures.

The Commission also aims to ensure that gaming activities are conducted in a socially responsible manner while providing financial returns to benefit charitable, non-profit and public projects and initiatives throughout Alberta.

Among its other activities, the Commission:

- licenses eligible charitable organizations to hold gaming events;
- operates central computerized systems for all electronic gaming conducted in the province;
- collects gaming revenue from provincial lotteries, which include ticket lotteries and electronic gaming activities;
- works closely with private retailers in maintaining an efficient and effective lotteries distribution network;
- establishes terms and conditions for gaming activities consistent with legislation and policy requirements;
- regulates gaming activities to ensure compliance; and
- regularly reviews and updates the policies and guidelines for gaming activities in consultation with the stakeholders who are affected by them.

### *Lotteries Highlights*

At March 31, 2001, there were 5,965 video lottery terminals (VLTs) operating in 1,266 age-controlled licensed premises across Alberta. There were also 4,352 slot machines in 16 charitable casinos and two racing entertainment centres, and 2,007 retail sites that marketed lottery tickets.

A summary of the number of electronic gaming devices, retailers and their locations is as follows:

	Number of Video Lottery Terminals	Number of Video Lottery Terminal Locations	Number of Slots	Number of Charitable Casinos and Racing Entertainment Centres	Number of Ticket Lottery Terminals	Number of Ticket Lottery Locations
Calgary	1,258	264	1,358	5	544	537
Edmonton	1,184	242	1,833	5	482	475
Other Cities	1,152	224	1,111	7	204	202
Towns	1,632	349	—	—	469	469
Other Communities	739	187	50	1	327	324
	<b>5,965</b>	<b>1,266</b>	<b>4,352</b>	<b>18</b>	<b>2,026</b>	<b>2,007</b>

### *Video Lottery Operations*

In fiscal 2001 the government's share of revenues from VLTs was \$575 million, an increase of \$50 million or 9.5% from the previous fiscal year. The government's share of the revenue is directed to the Alberta Lottery Fund and used for specified charitable, non-profit, public and community-based initiatives and projects. During the fiscal year, operators of premises with VLTs earned commissions of \$103 million, compared to \$94 million in the previous year.

The number of VLTs in Alberta are set at a maximum of 6,000.

In 1995 the Government adopted the Lotteries Review Committee recommendation which required that the Commission phase out VLTs in facilities that have more than one liquor-licensed premise that operate VLTs. At the end of the fiscal year there were 65 such locations holding 148 liquor licences and operating 907 VLTs. That compares with 101 locations which held 225 liquor licences and operated 1,515 VLTs as of October 1995. Such 'multiple room facilities' were to be phased out by December 31, 2000. The final implementation of the policy has been deferred pending the completion of the Gaming Licensing Policy Review.

### *Casinos and Slot Machines*

There were 16 casinos and two racing entertainment centres in Alberta, with a total of 4,352 slot machines as at March 31, 2001. The Commission remitted \$252 million in revenue from slot machines to the Alberta Lottery Fund compared to \$174 million in the previous fiscal year. In this fiscal year, charities received an estimated total of \$87 million from slot machines and table games under their charitable gaming licences, compared to \$77 million last year. Casino facility operators earned approximately \$63 million in commissions on slot machine revenues, compared to \$43 million earned in the previous year.

In response to increased player demand and player preference for quality gaming environments, casino facility licensees continued to upgrade their facilities through renovations and expansion. All of these renovations and expansions were approved prior to the Commission suspending consideration for such changes during the Gaming Licensing Policy Review. The major renovations and expansions completed or initiated during the fiscal year include the following:

- In Edmonton, ABS Casino closed its downtown casino and opened the newly-built Casino Yellowhead;
- The Boomtown Casino in Fort McMurray was relocated to a more spacious facility;
- The Silver Dollar Casino in Calgary renovated its interior gaming environment;
- Edmonton's Palace Casino began to renovate and expand its facility, and plans to open the improved facility in the summer of 2001; and
- Casino Calgary expanded its gaming floor.

Twenty-eight leased slot games with copyrighted themes were introduced as a test in seven permanent casino facilities during the fiscal year. They included Monopoly with Chairman of the Board and Once Around themes, and Wheel of Fortune with Double Diamond and Five Times Pay themes. The introduction of leased slots reflect both a significant change in the distribution of slots by manufacturers or suppliers and a more competitive industry. The highest performing slots are now only available by lease rather than unit sales.

Local and wide area progressives continued to become more popular with the slot player. Progressives pool a portion of each wager from several slot machines into a cumulative jackpot fund. The largest single slot prize was more than \$713,000 generated by the "Diamond Dollar" progressive jackpot, and was won at the Casino Vanshaw in Medicine Hat.

Merchandise prizes were introduced to casinos. The first casino merchandise prize, a new vehicle, was won at Casino Yellowhead in Edmonton.

The province's two racing entertainment centres are located in Edmonton (Northlands) and Lethbridge (Whoop-Up Downs). The horse racing industry earned \$8 million from electronic games in those centres in fiscal 2001, compared to \$12 million in fiscal 2000. Racing entertainment centres (REC's) were established as part of the

Racing Industry Renewal Initiative to assist the horse racing industry to maintain and enhance live horse racing in the province. REC's offer slot machines in addition to live and simulcast racing.

### *Ticket Lottery Operations*

Gross revenue from ticket lottery sales increased to \$394 million in fiscal 2001 from \$379 million in fiscal 2000. Retailers earned commissions of \$27 million, compared to \$26 million in the previous year. Albertans won ticket lottery prizes amounting to about \$198 million, compared to \$189 million in the previous year. Twelve Albertans have each won more than \$1 million; the largest prize during the fiscal year was more than \$5 million.

The Commission received net revenue of \$161 million from ticket lotteries, an increase of \$5 million over 1999 – 2000. These revenues are placed in the Alberta Lottery Fund.

The ticket lottery network, operated in partnership with the Western Canada Lottery Corporation (WCLC), markets lottery tickets such as Lotto 6/49, Western 6/49, Super 7, Sport Select and instant tickets. The network includes 2,007 retail sites across the province. Among the retailers in the network are national corporate chains as well as independently operated retail outlets.

### *Sales by Ticket Lottery Product, Fiscal 2001*

	<u>2001</u>	<u>2000</u>
Lotto 6/49	\$ 137,427	\$ 135,448
Instant	97,304	98,355
Super 7	43,118	31,915
The Plus	42,009	42,389
Sport Select	34,849	32,723
Western 6/49	20,070	22,739
Extra	10,886	8,115
Pick 3	8,242	7,356
	<u>\$ 393,905</u>	<u>\$ 379,040</u>

During fiscal 2001, the Commission provided 78 in-house training classes for 180 ticket retailers. On-site training was held at 144 locations. The Commission was also involved in the training of 202 corporate operators such as Mac's, IGA, Shell and 7-Eleven.

The WCLC operates a central on-line computer lottery system on behalf of Alberta, Saskatchewan and Manitoba, its member provinces. A request for proposals was issued early in 1998 to replace that computer system because it was technically obsolete, inflexible to change, and was experiencing increasing maintenance costs. The successful bidder was Scientific Games International (SGI). The SGI-NET lottery system, one of the most technologically advanced

systems available, was activated on November 12, 2000. The installation was the most rapid lottery system conversion project ever completed in Canada.

In September 2000 WCLC's partner provinces signed a new five-year agreement with the WCLC. The agreement will result in cost savings to the Commission of approximately \$2.2 million per year.

### *Major Exhibitions and Summer Fairs*

In fiscal 2001, summer fairs and exhibitions earned \$1.1 million in commissions from slot machines and the same amount from table games. Summer fairs provide entertainment to Albertans and are a revenue source for agricultural societies in the province. Each year the Commission approves temporary casinos at summer fairs that include both table games and slot machines. Those fairs that featured temporary licensed casinos included the Calgary Stampede and Edmonton Klondike Days, each of which operated more than 350 slot machines at the casinos on their exhibition grounds. Other major exhibitions which operated temporary casinos included those in Lethbridge (62 slots), Medicine Hat (50 slots), Red Deer (75 slots) and Camrose (100 slots). Grande Prairie operated 50 slots only during live racing and the T'suu Tina First Nation operated 100 slots during its PowWow Days.

*Did you know: Bingo was first played in Alberta in the 1920s, in community halls and church basements.*

### *Alberta Bingo Industry Review*

In July 2000, the Minister of Gaming announced that 65 recommendations of the 1999 bingo industry review were accepted, or accepted in principle. Five recommendations of the Bingo Review Committee were not accepted, three were deferred and one required no action. The deferred recommendations were considered to be issues facing the gaming industry as a whole and are being considered as part of the overall Gaming Licensing Policy Review.

The bingo industry review was led by a 14-member committee chaired by the Honourable Samuel Lieberman, C.D., Q.C., L.L.D., a retired justice of the Court of Appeal of Alberta. Other members included Richard Magnus, MLA – Calgary North Hill, and a cross section of members from the bingo industry. The committee received stakeholder submissions prior to arriving at their recommendations.

The recommendations from the Bingo Review Committee included new licensing criteria, revenue pooling for bingo associations, and a credit system to help offset costs and fees paid by members of charitable organizations.

### *First Nations Gaming Policy*

The government announced the First Nations Gaming Policy on January 19, 2001. The policy is consistent with the province's Aboriginal Policy Framework and its aim to develop sustainable economies and self-reliant First Nations people and communities. The First Nations Gaming Policy was developed as part of the Gaming Licensing Policy Review and will not become effective until the review is completed and its recommendations approved.

Under the policy, First Nations casinos must be located on reserve land, operate under the same terms and conditions as off-reserve casinos, and will be regulated by the Commission. The province's proceeds from the on-reserve casinos will be deposited in the Alberta Lottery Fund and used for traditional lottery programs and a new First Nations Development Fund.

### *Gaming Licensing Policy Review*

In December 1999, the Commission initiated a major review of gaming licensing policies, processes and procedures. The review, which continued during this fiscal year will address the direction and extent of gaming activities in the province.

The objective of the review is to develop comprehensive and effective gaming licensing policies that will not only assist with the regulation and administration of gaming activities in the province, but will provide a framework within which gaming will operate in the province in the years to come. During the time the review is being carried out, requests to license or approve new casinos, casino expansions, casino relocation, new games and new gaming environments are suspended.

The views and perspectives of the public and stakeholders were obtained regarding gaming and gaming policy through public opinion research and consultation. Public opinion research was to determine current attitudes, perceptions, and behaviours related to gaming among adult Albertans. Stakeholder consultations were also held with more than 35 stakeholder groups who represent a wide range of community and industry perspectives. The groups included charitable organizations, First Nations, municipalities, police services, other government agencies, gaming workers and other members of the gaming industry, social service agencies and advocacy groups. Consultations included executive interviews, facilitated group discussions and telephone interviews.

*“Alberta’s native gaming policy is on the right track. The provincial government and native leaders should be commended for their hard work, innovation and compromise in reaching the deal.”*

— Edmonton Journal, December 22, 2000

**Did you know:** *The Gaming Licensing Policy Review has involved the participation of many stakeholders, including the public, the gaming industry, municipalities, First Nations and charitable organizations.*

*“This is a long overdue pause in casino expansion...”*

— Calgary Herald, January 11, 2000



Prior consultations that dealt with gaming are also being taken into account as part of the Gaming Licensing Policy Review. These consultations include the reports of the Bingo Industry Review (September 1999), Lotteries and Gaming Summit '98 (July 1998), the Native Gaming Committee Review (April 1996), and the Lotteries Review Committee (August 1995), as well as other significant studies and reports relating to gaming.

Key findings from the public opinion research, stakeholder consultation, and literature search are being reviewed and analyzed to guide the development of gaming licensing policy recommendations to be included in the final report. The review is expected to conclude in the fall of 2001.

## Beneficiaries of Gaming Revenue

Thousands of not-for-profit community organizations, projects and initiatives in the province benefit from gaming revenue each year. That revenue is obtained either from licensed charitable gaming activities conducted by eligible charities or through disbursements from the Alberta Lottery Fund.

*“The myriad of charity and not-for-profit community services in Alberta provided by gaming funds is second to none.”*

— Edmonton Journal, December 20, 2000

### Charitable Gaming

Under the *Criminal Code* (Canada), gaming activities may be conducted and managed by charitable, not-for-profit or religious groups that obtain the appropriate licence from the provincial gaming authority. The code also provides that the proceeds from such gaming activities must be used for charitable or religious purposes.

Alberta has adopted the charitable model for operating casinos, bingos, raffles and pull-tickets. Under the province’s charitable model, eligible charitable, not-for-profit or religious groups may apply to the Commission for a licence to conduct these gaming activities. To be eligible for a licence, the group must deliver a program or service providing benefit to a significant segment of the community. The proceeds from the gaming activities are to be used for allowable charitable or religious purposes. Such purposes include providing relief to the aged or disadvantaged, to advance education and learning, and to provide help to the community.

The charities that are licensed to conduct gaming activities directly benefit from the proceeds raised from the gaming activities that they conduct.

Charitable gaming proceeds are used to support competitive amateur sport, such as minor hockey and swimming, which keep young athletes active and involved in their communities (organizations that exclusively support adult sport activities are not considered charitable activities and are therefore ineligible for gaming licences). Proceeds from gaming are earned by service clubs to provide donations to worthwhile initiatives in their respective communities. Agricultural societies raise proceeds for youth education programs and clubs. Community leagues and organizations earn gaming proceeds to support community facilities used by youth and adults. Funds are raised to enhance educational services through the purchase of special learning or athletic equipment. They may be used to support medical research or assist with medical treatment programs. Proceeds are used to contribute to places for worship and religious programs.

The Licensing Division issued over 7,000 gaming licences to eligible charitable, not-for-profit and religious organizations in fiscal 2001. About half of those licences were issued to charitable organizations holding bingo events in bingo association halls across the province. Approximately 2,700 licences were issued to organizations holding casino events in the 16 charitable casino facilities in the province. The remaining licences were issued for raffles with total ticket sales of over \$10,000 and pull ticket sales.

A summary of the number of licences, revenues and net profits to charities and not-for-profit organizations is as follows:

	Fiscal 2001 (Estimated)					Fiscal 2000	
	Licences	Total Gross	Prizes/ Winnings	Expenses	Slot Machines	Net Profit to Charity	Net Profit for Charity
	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Bingos	3,351	288.2	184.2	52.9	—	51.1	54.8
Casinos	2,695	610.4	499.0	77.0	52.4	86.8	76.6
Pull Tickets	677	41.4	31.0	2.0	—	8.4	8.4
Raffles	328	58.3	22.7	10.8	—	24.8	24.9
	<u>7,051</u>	<u>998.3</u>	<u>736.9</u>	<u>142.7</u>	<u>52.4</u>	<u>171.1</u>	<u>164.7</u>

None of the proceeds from casino table games, bingo, raffles and pull-ticket activities accrue to the Commission. The Commission collects only licence fees from those activities.

The Commission is currently reviewing the eligibility and use of proceeds requirements for charitable gaming. The aim of the review is to ensure that current policies are fair, equitable and applied consistently to all charitable organizations.

### *Alberta Lottery Fund*

The Commission administers the Alberta Lottery Fund under the provisions of the *Gaming and Liquor Act*. The fund consists of the government’s share of revenue generated from ticket lotteries, slot machines and video lottery terminals (VLTs). Alberta’s lottery profits are collected by the Commission and deposited into the Alberta Lottery Fund. In fiscal 2001, lotteries generated over \$987 million for the Alberta Lottery Fund, as compared to \$855 million in the previous year.

Alberta Lottery Fund revenues are allocated to public initiatives, programs and foundations that are identified in the government’s business planning process and approved by the provincial legislature. Lottery funds are disbursed to projects and initiatives

through programs and foundations, according to their respective mandates. This process allows for the lottery dollars to be directed back to Alberta communities.

The Alberta Lottery Fund supports more than 8,000 charitable, not-for-profit, public and community based initiatives. These include community facilities, libraries, museums, sports and athletic events, agricultural societies, major exhibitions, arts and cultural groups, wildlife and conservation projects, public athletic facilities, seniors' groups, recreation, tourism and historical resources.

Key foundations and grant programs also receive lottery funding. These include the Alberta Foundation for the Arts; the Alberta Sport, Recreation, Parks and Wildlife Foundation; the Wild Rose Foundation; the Alberta Historical Resources Foundation; and the Alberta Human Rights, Citizenship and Multiculturalism Education Fund. These foundations, administered through Alberta Community Development, reinvest lottery revenues to support Alberta's volunteers and communities.

Alberta Gaming also administers two grant programs funded by the Alberta Lottery Fund. They are the Community Facility Enhancement Program (CFEP) and the Community Lottery Board (CLB) Grant Program.

The Alberta Lottery Fund supports special projects and initiatives administered by various government ministries. This funding is over and above annual ministry budgets and is used for things such as state of the art medical equipment, infrastructure projects, school renewal and construction, community facility upgrades, and health facility construction and strategic research.

Alberta Lottery Fund Commitments for fiscal 2002 appear on page 61 of this report. For a listing of lottery-funded organizations, please visit the Commission website [www.aglc.gov.ab.ca](http://www.aglc.gov.ab.ca).

### *First Nations Development Fund*

The government announced a First Nations Gaming Policy in January 2001. The policy allows for Commission licensed on-reserve casinos. Net revenue, after commissions, generated from slot machines in on-reserve casinos will be placed in the Alberta Lottery Fund. A portion of the net revenue will be allocated to a new First Nations Development Fund. The new fund will be available to all First Nations in the province to support economic, social and community development projects, including addictions programs, and those related to education, health and infrastructure.

**Did you know:** Foundations and grant programs received \$127.9 million from the Alberta Lottery Fund in 2000 – 2001.

**Did you know:** Each year the Alberta Lottery Fund supports more than 8,000 charitable, not-for-profit, public and community-based initiatives.

The net sales from slot machines in First Nations casinos will be divided as follows:

- 15% to the licensed charity;
- 15% commission to the facility operator;
- 30% to Alberta Lottery Fund for traditional initiatives, and
- 40% to Alberta Lottery Fund and specifically allocated to a First Nations Development Fund. Of this total amount, 75% will be allocated to the host First Nation and 25% to non-host First Nations in the province.

## Stakeholders

Each year the Commission works and consults with gaming and liquor stakeholders on a variety of common issues and policy matters. Among its activities in this regard, the Commission consulted with numerous stakeholders during its major review of gaming licensing policies in fiscal 2001.

### *Public at Large*

The Commission is committed to ensuring that it is accountable to Albertans, its activities transparent, and that the needs of Albertans are considered in the development of gaming and liquor policies.

The Commission actively disseminates information and responds to questions from the public related to gaming or liquor revenue, policy, and the process to become involved in the gaming and liquor industries.

The Commission continues to improve its website, [www.aglc.gov.ab.ca](http://www.aglc.gov.ab.ca), to ensure that it provides useful and up-to-date information regarding gaming and liquor matters. Its content includes various reports, the Commission's quarterly updates, and frequently asked questions (FAQs). The website contains information for retailers and service providers such as how to obtain a liquor licence, or apply for a gaming licence, and downloading or obtaining the necessary forms for that purpose. Most material is provided in formats that may be easily downloaded. The site also allows users to search specific disciplinary decisions of the Commission's Board.

### *Liquor Stakeholders*

Liquor industry stakeholders include liquor retailers, suppliers and warehouse operators.

Representative organizations in the liquor industry include the Alberta Liquor Store Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant & Food Services Association, the Beverage Alcohol Importers Advisory Council of Alberta, the Association of Canadian Distillers, the Canadian Wine Institute, and the Western Brewers Association.

The Alberta Liquor Industry Roundtable (ALIRT) is a forum for industry members to discuss issues facing the beverage alcohol industry in Alberta. Members of the roundtable include the representative organizations identified above, as well as Connect Logistics and the Canadian Council of Regional Brewers. The Commission regularly attended and participated in meetings of ALIRT in fiscal 2001.

*“Despite the numerous competing agendas among stakeholders in the province, almost all of them agree that the AGLC has done a fairly good job in managing growth responsibly.”*

— Comment from Cameron Strategy industry survey, November 2000

*“The AGLC provides generally an excellent service.”*

— Comment from Alberta liquor industry stakeholder survey, April 2001

### *Gaming Stakeholders*

The number of stakeholders in gaming reflects the breadth and scope of the gaming industry in the province, and the diversity of interests that are involved in this industry.

These stakeholders include the thousands of charitable and not-for-profit organizations across Alberta that obtain gaming licences from the Commission to raise funds for their charitable and community-based projects.

Stakeholders directly involved in the gaming industry include operators and retailers of gaming activities. Many of them are represented by industry associations such as the Federation of Alberta Bingo Associations, the Bingo Hall Managers Association of Alberta, the Registered Casino Advisors Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant and Food Services Association, and the Alberta Gaming Industry Association.

Members of the horse racing industry, including racing entertainment centre operators and the Alberta Racing Corporation, are also important gaming industry stakeholders.

### *Municipal*

Municipalities and police agencies are key stakeholders in the gaming and liquor industries. Commission staff worked extensively with the RCMP and municipal police services in Alberta on enforcement matters related to criminal activities and liquor, gaming, tobacco tax and fuel tax violations. Strong, sustainable working relationships have been established creating an environment of cooperation which, in many instances, has resulted in the successful conclusion of investigations into matters of mutual concern. Commission staff intend to build on this success in the future.

Commission staff are also in regular contact with municipal officials who grant permits or licences to businesses that intend to operate liquor or gaming facilities.

### *AADAC*

The Commission continues to work with the Alberta Alcohol and Drug Abuse Commission (AADAC) and industry stakeholders to address issues of social responsibility related to gaming and liquor activities. Some examples of the initiatives involving the Commission and AADAC are described on pages 30 and 31.

### *Freedom of Information and Protection of Privacy*

In fiscal 2001, the Commission received and processed 18 requests for access to information under the Freedom of Information and Protection of Privacy Act (FOIP Act). Five requests were received from media outlets, seven from the general public and three each from elected officials and business/commercial interests. The Commission responds informally to many requests for access to information outside this legislation.



*"The vast majority (more than 90%) of Canadians are not problem or pathological gamblers, but rather individuals who freely choose to consume gambling services or not."*

— Canadian Tax Foundation study, "Gambling and Governments of Canada, 1969 – 1998: How Much? Who Plays? What Payoff?"

*"I think it's an excellent tool to help the problem gambler. Rather than being reactive, it's a proactive type of program."*

— Calgary Herald, referring to the problem gambling awareness program for video lottery retailer and casino staff, August 30, 2000

## Social Responsibility

Regulating gaming and liquor services helps not only to preserve the integrity of those activities, but allows the Commission to ensure that various social responsibility requirements are being met as set out in legislation, regulation or policy. The Commission demonstrates its commitment to social responsibility through its continued involvement in programs and activities related to responsible gaming and the responsible use of alcohol products.

In cooperation with the Commission, the Alberta Alcohol and Drug Abuse Commission (AADAC) provided problem gambling awareness training to 120 VLT retailers during the fiscal year. Similar training was provided to 400 staff at a casino facility in Edmonton. The Commission continues to work with AADAC in increasing the visibility of problem gambling prevention and education programs.

During the fiscal year AADAC, Commission staff and industry representatives discussed more effective ways of delivering staff awareness sessions. A new program was developed for casino operators and VLT retailers that incorporates the awareness sessions, server intervention products and signs. The program asks for a commitment from its participants to responsible gaming. Participating members are expected to meet responsible gaming criteria under the program, and they will receive annual recognition from both AADAC and the Commission for their participation in the program. The program is expected to begin in the summer of 2001.

Gaming policies require that licensed gaming facilities or gaming venues display posters and provide other information about prevention and treatment programs for problem gambling. Information about AADAC's 24-hour problem gambling help-line is displayed or made available in casinos, bingo halls, and VLT retailer locations throughout the province.

The Commission continued to assist AADAC in producing booklets, pamphlets and periodicals on a variety of other topics including quick facts about alcohol, drugs and gambling, and addictions awareness. The Commission also assisted AADAC with the development and implementation of treatment programs for problem gamblers.

The Commission assists the Alberta Partnership on Fetal Alcohol Syndrome with certain public awareness and communications initiatives. The partnership on fetal alcohol syndrome is a provincial group comprising stakeholders that are examining ways to reduce the incidence of fetal alcohol syndrome in children. The Commission

actively encourages liquor licensees and manufacturers to promote the responsible use of alcohol in their promotions or advertising of liquor products and services.

The Commission worked with AADAC and casino facility licensees to launch the Casino Voluntary Self-Exclusion Program in September 2000. Under this program individuals voluntarily request that they sign a consent form to be denied entry to any casino in Alberta. During the fiscal year 166 people registered in the program.

Liquor licensees who serve liquor to minors, those under 18 years of age, face penalties up to and including licence suspension or cancellation. The Commission's inspectors work closely with police services to detect and report violations in liquor licensed premises, including over service of liquor and liquor service to minors, among other violations.

*"It's (the Casino Voluntary Self-Exclusion Program) viewed as a positive step in fighting gambling addiction, particularly if it's accompanied by counseling or treatment."*

— Edmonton Journal, December 30, 2000

## Compliance

The Commission's compliance activities are aimed at maintaining the integrity and security of the gaming and liquor industries within the province.

The Licensing and Investigations divisions are primarily responsible for enforcing the regulations and policies related to liquor and gaming activities. Their activities include keeping clients and stakeholders informed about regulatory requirements in the liquor and gaming industries. For that purpose, the Commission regularly publishes and updates policy and guideline manuals for liquor retailers and gaming service providers.

In fiscal 2001, Commission staff met with numerous charities applying for charitable gaming event licences and with those interested in becoming part of the gaming or liquor industries. These meetings are part of a regular series of meetings with operators and retailers to address issues or concerns or to explain new or revised gaming policies.

### *Initiatives*

#### **Legislation Review**

The Commission initiated a review of the *Gaming and Liquor Act*, and the *Gaming and Liquor Regulation* in September 2000. The purpose of the review is to determine what improvements are required in the legislation enacted in July 1996, and whether provisions in the regulation continue to be relevant, necessary and sufficient for the Commission to effectively carry out its mandate.

The *Gaming and Liquor Act* is the province's first legislation to deal specifically with gaming activities in addition to liquor. A legislative review committee was formed involving all areas of the Commission and legal counsel from Alberta Justice to conduct the review. Areas being examined include those related to Commission authority and jurisdiction and the ability and authority of the Commission to effectively deal with compliance matters related to gaming activities.

#### **Eligibility and Use of Proceeds Policies**

New policies are being drafted regarding eligibility of groups for charitable gaming licences and the use of the proceeds from gaming activities. The aim is to enhance consistency, fairness, clarity and transparency in processing charitable gaming licence applications and the proposed use of proceeds.

Under the *Criminal Code* (Canada) only charitable or religious organizations that use gaming proceeds for charitable or religious purposes may be licensed by the provincial gaming authorities to

conduct gaming events. The code does not define “charitable.” For that purpose, gaming authorities rely on the common law definition. The *Criminal Code* (Canada) permits each province to establish eligibility policy to qualify groups for a gaming licence, and to establish policy on how eligible groups may use gaming proceeds to advance their charitable purposes. In establishing such policy, each province may use a definition of charitable that is more restrictive than the common law definition, but cannot legally use a definition that goes beyond the common law definition.

In Alberta a body of policy regarding eligibility and use of proceeds has evolved and requires updating. Stakeholders will be consulted about the revised draft policies prior to implementation. Consultation is expected to occur later in 2001.

### **Policy Handbook for Liquor Industry**

During the fiscal year the Commission developed a policy handbook for liquor suppliers, agencies and their representatives. The handbook is a convenient document with information about the liquor laws and policies affecting these members of the liquor industry.

### **Buy-Sell Agreements**

The policy guidelines related to liquor advertising and product promotions were revised to allow for buy-sell agreements between liquor suppliers or agencies and liquor licensees. Such agreements allow a supplier, in return for a licensee consenting to purchase an agreed amount of the supplier’s product, to undertake promotional activity to benefit the licensee’s customers.

### *Inspection Activities*

Commission staff visit liquor and gaming establishments to ensure they are meeting the requirements of the *Gaming and Liquor Act*, *Gaming and Liquor Regulation* and Board policy.

In fiscal 2001, the Commission conducted 3,246 investigations into complaints received from the general public and industry stakeholders. There were also more than 18,000 inspections of licensed premises conducted by Commission staff during the fiscal year.

The Commission conducted security reviews of all individuals applying to be registered as gaming workers. No fee is required of registered gaming workers. In the fiscal year 4,897 gaming workers were registered, compared to 2,514 the previous year.

### *Investigations*

The Commission continued to maintain a close liaison with law enforcement and regulatory agencies. A number of major criminal investigations related to gaming, liquor and tobacco were conducted in cooperation with these agencies.

In fiscal 2001, the Commission handled 703 investigation files in the area of gaming, including 373 that dealt with criminal investigations. This compares to 507 files opened in the previous year. The investigations resulted in 64 criminal charges for theft, fraud, forgery and cheating at play. In numerous cases, the Commission was able to help charitable organizations recover gaming funds that had gone missing from their bank account through theft or fraud.

Under the *Tobacco Tax Act*, 54 new investigation files were opened, compared to 133 in fiscal 2000. The decrease is attributed to the introduction of specially marked “black stock” cigarette packages authorized under new provincial legislation. The legislation was introduced to identify provincial tax-free cigarettes sold in First Nations retail outlets; specifically the cigarette packaging allowing for easier detection of violations. The investigations resulted in one charge being laid under the *Tobacco Tax Act*. The Commission also carried out 484 compliance checks with tobacco retailers to ensure that tobacco being sold was legally purchased and sold. Enforcement activities are undertaken to reduce the province’s lost tax revenue from cigarette sales.

### *Gaming Information Network*

Development of the Gaming Information Network, for use by Commission staff, law enforcement agencies and casino facility licensees in the province, continued in fiscal 2001. The network provides information on casino security matters and includes information related to crime prevention.

### *Liquor Related Infractions*

Inspectors and members of police services conduct inspections of licensed premises to ensure licensees comply with the *Gaming and Liquor Act*, *Gaming and Liquor Regulation*, and Board policies. In fiscal 2001, 257 incident reports were prepared. These incident reports dealt with contraventions in five main areas.

- *Illegal liquor* — the sale of liquor imported directly from out of the province, or the sale of homemade wine, beer or ciders;
- *Liquor service to minors* — sale of liquor to minors or allowing minors in a minors prohibited premises;
- *Over service* — sale or providing of liquor to intoxicated persons;

*“Alberta leads the nation with practical, enforceable clear policies with regards to onsite consumption.”*

— Comment from Alberta liquor industry stakeholder survey, April 2001



- *After hours service* — sale or providing of liquor to patrons after 2 a.m.;
- *Prohibited relationships between liquor suppliers and licensees* — legislation and policies state the business practices that are allowed between these two parties.

### *Forensic Audit*

Random audits were conducted on gaming operations to ensure compliance with the *Criminal Code* (Canada), the *Gaming and Liquor Act* and Commission policies. Forensic Audit provides assistance in financial analysis, theft investigations and policy reviews and by responding to third-party complaints and stakeholder requests.

During the fiscal year 128 audits were undertaken, 32 more than in the previous year. Ninety-six audits were concluded. Fifty-two of the audits resulted from public complaints and referrals from other divisions of the Commission. Seventy-six random audits were conducted. The random audits involved the following:

	<u>Number of Audits</u>
Bingo associations	13
Community bingo	3
Casinos	4
Charities	53
Community Facility Enhancement Program	2
Liquor	1

### *Charitable Use of Proceeds*

In the interest of accountability and transparency, charities that apply for a gaming licence must state in their application how they propose to use the funds from charitable gaming. The Commission approves applications of eligible charities and not-for-profit organizations if the proposed use of gaming proceeds are for charitable or religious purposes, as required by legislation, regulation and Commission policies.

Licensed charitable or not-for-profit organizations must report to the Commission how their gaming proceeds have in fact been used. If they were used for purposes other than those approved, the Commission will contact the charitable organization to determine the reasons. Depending on the response, the matter may be referred to the Licensing Division or the organization may be scheduled for an audit.

In addition, each year the Commission conducts random and selected audits of licensed groups that have held charitable gaming activities, to determine whether they have used the proceeds for the purposes set out in their licence application.

**Did you know:** *Over the last two years more than 8,000 charitable and religious organizations have received a charitable gaming licence, or have conducted a gaming activity to generate funds to directly support their organization.*

## Performance Measures

As an agent of the Government of Alberta, the Alberta Gaming and Liquor Commission works to achieve the vision of the Ministry, namely:

*“A province that supports the responsible use and enjoyment of gaming and liquor products, uses revenues derived from these activities for the benefit of all Albertans, and encourages service and competition in its liquor and gaming industries.”*

The mission of the Alberta Gaming and Liquor Commission is:

*“To ensure the integrity of gaming and liquor activities in Alberta and collect revenues for the province.”*

## Results Achieved

### April 1, 2000 – March 31, 2001

The AGLC is committed to providing superior service to its stakeholders and partners and to the public, and carrying out its responsibilities transparently and efficiently. This commitment is evident in the results achieved for the performance measures, the majority of which exceed stated targets.

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### Core Business #1

#### License, regulate and monitor liquor activities

The Alberta Gaming and Liquor Commission (AGLC) licenses, regulates and monitors all liquor and gaming in the province according to the *Gaming and Liquor Act* and Regulation, and AGLC policies.

#### Goal

To ensure that the distribution, sale and consumption of liquor products are conducted in accordance with legislation and Board policies.

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#### Performance Measure

Liquor activities are conducted in accordance with legislation and policies. Compliance will be monitored by inspection of liquor activities.

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#### Target

The compliance rate for first liquor inspections after initial licensing will be 80%. Follow-up inspections are targeted at 100% compliance.

	Target	Result
First Liquor Inspection after Licensing	80%	99.9%
Follow-up Inspections	100%	98.8%

## About the Results

The Alberta Gaming and Liquor Commission (AGLC) conducted 15,384 liquor inspections in 2000 – 2001.

Inspections determine whether the licensee adheres to legislation and policies relative to the specific licence. Inspectors complete an Inspection Report for each inspection. If, as a result of an inspection, there is a violation under the Act, Regulation, or Board Policy, an Incident Report is generated. Compliance is not met if there is an incident report.

### Compliance Based on First Inspection After Initial Licensing

Reports generated from the Liquor Management System identify the number of “first” inspections after initial licensing and the number of incident reports. In 2000 – 2001, one incident report was generated from 698 first inspections, resulting in 99.9% compliance.

The AGLC works closely with its industry partners, providing clear operational guidelines, and this contributes to high rates of compliance.

### Compliance Based on Follow-up Inspections

Reports generated from the Liquor Management System are used to determine the number of follow-up inspections and the number of incident reports generated from these inspections. In 2000 – 2001, 17 incident reports were generated from 1,463 follow-up inspections, for 98.8 % compliance.

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## Performance Measure

Services provided to liquor retailers and licensed facilities are effective.

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### Target

Response time targets for services to customers are:

- New licences                      21 days
- Licensing special events      14 days
- Liquor registrations            7 days

### Result

- 100% of licences issued in less than 21 days
  - 93% of special events licensed in 14 days
  - 100% of liquor registrations issued in 7 days
-



### **About the Results**

Effective service is measured by means of meeting response time targets to customers. Response times are calculated from the date of receipt of complete documentation to issuance of a licence or registration.

In 2000 – 2001, 1,104 new licences were issued in an average of 4.5 days each, 701 special events licences were issued in an average of 10 days each, and 23 liquor registrations were issued in an average of 4 days each.

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### *Core Business #2*

#### **License, regulate and monitor charitable gaming activities**

Alberta has adopted the charitable gaming model for casinos, pull tickets, raffles and bingos. These gaming activities only occur when eligible non-profit and charitable organizations apply for and receive licences to conduct gaming activities. Alberta's charitable gaming model requires that proceeds from gaming activities provide a benefit to the community.

#### **Goal**

To ensure gaming activities are conducted in accordance with legislation and the charitable gaming model.

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#### *Performance Measure*

Gaming activities are conducted in accordance with legislation and policy. Compliance will be monitored by inspection of gaming activities.

The targeted compliance rates relate to the first inspections after initial licensing. Following these first inspections, the compliance rate is expected to be 100% in follow-up inspections.

### Number of Inspections of Liquor and Gaming Activities Completed April 1, 2000 – March 31, 2001

Type of Inspection	Number to be completed	Number completed
Bingos	1,000	1,166
Casinos	1,000	1,668
Pull Tickets	100	244
Raffles	100	213

### Compliance Based on First Inspection After Licensing April 1, 2000 – March 31, 2001

Type of Inspection	Target	Result
Bingos	90%	99.9%
Casinos	90%	99.9%
Pull Tickets	80%	100%
Raffles	80%	100%

### Compliance Based on Follow-up Inspections April 1, 2000 – March 31, 2001

Type of Inspection	Target	Result
Bingos	100%	**
Casinos	100%	**
Pull Tickets	100%	100%
Raffles	100%	99.3%

\*\* Each bingo and casino event requires a separate licence, and therefore, each inspection is considered a "first" inspection and no follow-up inspections are required.

## About the Results

### Number of Inspections Completed

The number of gaming inspections exceeded expectations in all categories. Inspections determine whether the licensee adheres to legislation and policies relative to the specific licence. Inspectors complete an Inspection Report for each inspection. If, as a result of an inspection, there is a violation under the Act, Regulation, or Board Policy, an Incident Report is generated. Compliance is not met if there is an incident report.

### Compliance Based on First Inspection After Initial Licensing

Reports generated from the Gaming Licensing System identify the number of incident reports resulting from licence inspections. In 2000 – 2001, one incident report was generated from 1,166 "first" inspections of bingo events (99.9% compliance). For casino events, there was one incident report from 1,668 "first" inspections (99.9% compliance). There were no incident reports from 68 "first" inspections of pull-ticket operations (100% compliance), and similarly, there were no incident reports for 62 "first" inspections of raffles (100% compliance).

All compliance targets for first inspections in 2000-2001 were exceeded. The AGLC works closely with its industry partners, providing clear operational guidelines, and this contributes to high rates of compliance.

**Compliance Based on Follow-up Inspections**

The number of follow-up inspections of pull ticket and raffle licensees is determined from a report of the Gaming Licensing System. For 2000 – 2001, no incident reports were generated in 68 follow-up inspections of pull ticket licensees for 100% compliance. One incident report was generated in 137 follow-up inspections of raffle licensees, resulting in 99.3% compliance.

*Core Business #3*

**Conduct and Manage Provincial Lotteries, and Regulate Electronic Gaming**

The AGLC conducts all provincial lottery activities and collects revenue generated by VLTs, slot machines and lottery ticket operations.

**Goal**

Ensure that VLTs, slot machines and ticket lotteries are managed and regulated in accordance with legislation and Board policies.

*Performance Measure*

Retailer satisfaction with AGLC services related to VLTs, ticket lottery terminals and slot machines as reported through surveys.

Target	Result
Retailer Satisfaction rating of 80%	Retailer Satisfaction rating of 96%

**About the Results**

For the purpose of this measure, service is defined as hotline and field services related to VLTs and ticket lottery terminals, and field services for slot machines. Telephone interviews were conducted with VLT operators, lottery ticket retailers and slot machine operators. Satisfaction ratings represent the total per cent of respondents indicating they were very satisfied or somewhat satisfied with the service. The margin of error for satisfaction ratings determined by the survey results is +/- 3.5%, 19 times out of 20.

A stratified, random sample of 297 of Alberta’s 1,176 VLT operators were asked questions regarding their level of satisfaction with the courtesy and knowledge of hotline operators (100% and 99% were



satisfied, respectively), instructions or information received (98% were satisfied) and the speed at which calls were answered (95% were satisfied).

Three hundred and twenty-four of 2,010 lottery ticket retailers were asked to rate their level of satisfaction with various aspects of the hotline services they received from the Western Canada Lottery Corporation. Regarding the courtesy of the hotline operator, 96% were satisfied. Ninety-seven per cent of respondents were satisfied with knowledge of hotline operator and the quality of the instructions or information received. Ninety-three per cent were satisfied with the speed at which calls were answered.

Lottery ticket retailers were also asked to rate their level of satisfaction with the service provided by AGLC field technicians: 96% were satisfied with courtesy of technicians, 93% were satisfied with quality of repairs, and 91% were satisfied with technicians' response time.

All 18 slot machine operators in Alberta were interviewed and rated their level of satisfaction with AGLC field repair technicians (100% were satisfied) and with the quality of the technicians' repairs (84% were satisfied). Operators' satisfaction with field repair services was 78%. The most frequent suggestions cited by slot machine operators for increasing their satisfaction were to add an evening shift, or to have full-time, on-site technicians.

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### *Core Business #4*

#### **Administer the Alberta Lottery Fund**

The 1998 Lotteries and Gaming summit recommended, "that gaming and lottery profits not be directed to the province's General Revenue Fund." All provincial gaming revenue continues to be directed to the Alberta Lottery Fund and identified for use in specific charitable, non-profit, public and community-based initiatives. Alberta Lottery Fund disbursements are voted by the Legislature and the programs and projects are administered by the appropriate ministries.

The AGLC administers the Alberta Lottery Fund, including the transfer of lottery fund disbursements to other government departments.

#### **Goal**

Effective administration of the Alberta Lottery Fund, with full public disclosure of all activities.

Performance Measure

Alberta Lottery Fund disbursements\* are committed to supporting charitable, non-profit, public and community-based initiatives and projects.

Target	Result
100% of Lottery Fund disbursements* will support charitable, non-profit, public and community-based initiatives and projects.	100% of Lottery Fund disbursements* in the 2000 – 2001 fiscal year, supported charitable, non-profit, public and community-based initiatives and projects.

\*Does not include funds raised by charitable organizations through gaming events.

About the Results

The Alberta Lottery Fund is made up of the government portion of revenues from video lottery terminals, slot machines and ticket lotteries. In accordance with government policy, these funds are used to support foundations and grant programs, and community and non-profit initiatives, including identifiable broad-based government initiatives that benefit Alberta communities.

During the annual business planning and budget process, government ministries identify projects that support charitable, public or community-based initiatives. Funding for these initiatives is debated in the Legislature to ensure full public disclosure and to ensure lottery fund disbursements support charitable, non-profit, public and community-based initiatives. Each ministry receiving lottery fund allocations is responsible for ensuring the funding is properly allocated; ministries can not reallocate lottery funds to other initiatives.

Examples of broad-based government initiatives that were allocated funding from the Alberta Lottery Fund in 2000 – 2001 include:

- Infrastructure projects
- School renewal and construction
- Senior’s facility upgrades
- Health facility construction, and
- Strategic research



In Addition, about 8,000 lottery grants are approved each year through the foundations, agencies and programs. Recipients of these grants include:

- Culture and arts groups
- Libraries and museums
- Sports and athletic events
- Wildlife and conservation projects
- Health and wellness initiatives
- Seniors programs
- Recreation and tourism
- Agricultural fairs and exhibitions

Additional information about lottery fund commitments and grant recipients is available on the Alberta Gaming Website at [www.gaming.gov.ab.ca](http://www.gaming.gov.ab.ca).

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### *Core Business #5*

#### **Monitor and enforce those sections of the Tobacco Tax Act related to illegal sale and smuggling**

The Alberta Gaming and Liquor Commission has a Memorandum of Understanding with Alberta Treasury (now Alberta Finance and Alberta Revenue) to enforce certain aspects of the *Tobacco Tax Act*, particularly relating to the illegal sale and smuggling of tobacco products. The AGLC acts as an agent of Alberta Revenue.

#### **Goal**

To investigate for Alberta Revenue the illegal sale and smuggling of tobacco products into the province.

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#### **Performance Measure**

Tobacco sales will be in accordance with legislation and policies. Compliance will be monitored through inspections of tobacco sales activities (180/yr.)

<b>Target</b>	<b>Result</b>
180 inspections of tobacco sales will be completed. Compliance will be 80%.	479 tobacco sale inspections were completed. Compliance was 96.7%.

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#### **About the Results**

Inspections of retail outlets not authorized to sell black stock tobacco product include a review of inventory to ensure the only product on hand is identified as for sale in Alberta. Inspections of retail outlets authorized to sell black stock tobacco include a review of tobacco inventory, sales records and books of account to ensure tax exempt-sale refund claims to the province is in accordance with the legislation.

The number of inspections conducted in 2000 – 2001 is more than double the number targeted, and the compliance rate of 96.7% well exceeds the target of 80%. This excellent compliance rate is mainly attributable to new legislation introduced this year, which included packaging guidelines that readily identified black stock tobacco product. This had the effect of discouraging diversion of black stock tobacco product and consequently reduced the amount of exempt-sale refund claims. As a result the focus switched from time-consuming investigations to more efficient compliance inspections, which allowed more inspections to be completed in the same timeframe.

*Performance Measure Cost Segmentation*

The Commission has allocated its operating cost for fiscal 2001 to its three major core business functions. That allocation is as follows:

(\$ in thousands)

	Core Business Function			Total
	License & Regulate Liquor Activities	License & Regulate Gaming Activities	Conduct & Manage Lotteries & Gaming	
Gaming Product & Services	—	211	11,799	12,010
Information Systems	1,202	1,150	5,713	8,065
Finance & Administration	2,733	2,633	2,561	7,927
Licensing	2,359	2,359	—	4,718
Commission Office	468	468	469	1,405
Investigations	583	583	—	1,166
Human Resources	158	151	333	642
AGLC Operations	7,503	7,555	20,875	35,933
WCLC	—	—	17,599	17,599
Amortization	522	499	15,325	16,346
	<b>8,025</b>	<b>8,054</b>	<b>53,799</b>	<b>69,878</b>

(The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.)

## Auditor's Report

To the Members of the  
Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2001 and the statements of net income and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that, as described in Note 18, the Commission made certain payments that did not comply with section 26 of the *Gaming and Liquor Act* and the *Appropriation Act, 2000*.

*Original Signed*  
by Peter Valentine FCA  
Auditor General

Edmonton, Alberta  
May 23, 2001



# Alberta Gaming and Liquor Commission Balance Sheet

(in thousands)

As at March 31, 2001

	March 31, 2001	March 31, 2000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 3)	\$ 74,570	\$ 116,924
Accounts receivable	25,084	17,687
Prepaid expenses and inventories (Note 4)	5,618	5,056
	<u>105,272</u>	<u>139,667</u>
<b>Capital Assets (Note 5)</b>	79,032	67,984
	<u>\$ 184,304</u>	<u>\$ 207,651</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 56,935	\$ 59,964
Due to the Alberta Lottery Fund (Note 7)	26,008	21,000
	<u>82,943</u>	<u>80,964</u>
<b>Due to General Revenues (Note 8)</b>	95,462	120,463
<b>Provision for Loss on Leased Properties</b>	5,899	6,224
	<u>\$ 184,304</u>	<u>\$ 207,651</u>

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

*Original Signed*  
by Norman C. Peterson  
Norman C. Peterson  
Chairman and Chief Executive Officer

*Original Signed*  
by H. Ronald Crosby  
H. Ronald Crosby, CA  
Executive Director, Finance and Administration



# Alberta Gaming and Liquor Commission

## Statement of Net Income

(in thousands)

For the year ended March 31, 2001

	Budget 2001 <hr/> (Note 9)	Actual 2001 <hr/>	Actual 2000 <hr/>
<b>SALES</b>			
Video lottery terminals	\$	\$ 8,405,672	\$ 7,684,172
Casino gaming and electronic racing terminals		4,842,020	3,545,566
Liquor		1,271,658	1,215,858
Ticket lottery		393,905	379,040
		<hr/> 14,913,255	<hr/> 12,824,636
<b>PRIZES AND COST OF PRODUCT</b>			
Video lottery terminals		7,717,566	7,056,515
Casino gaming and electronic racing terminals		4,467,319	3,275,393
Liquor		803,270	759,988
Ticket lottery		197,554	188,552
		<hr/> 13,185,709	<hr/> 11,280,448
Gross Profit	1,275,900	1,727,546	1,544,188
Commission and Federal Payments (Note 10)	-	(271,611)	(232,539)
Other Income (Note 11)	13,114	12,881	13,242
Operating Grants	72,442	69,878	69,248
Operating Expenses (Note 12)	(72,442)	(69,878)	(69,248)
	<hr/> \$ 1,289,014	<hr/> \$ 1,468,816	<hr/> \$ 1,324,891

# Alberta Gaming and Liquor Commission Statement of Cash Flow

(in thousands)

For the year ended March 31, 2001

	Actual 2001	Actual 2000
<b>CASH FROM OPERATIONS</b>		
Net income for the year	\$ 1,468,816	\$ 1,324,891
Decrease in provision for loss on leased properties	(325)	(1,059)
Amortization	15,581	17,624
Loss (Gain) on disposal of capital assets	149	(23)
(Decrease) Increase in amount due to General Revenues	1,330	(5,667)
Decrease in pension liability	-	(771)
Net change in non-cash working capital balances	<u>(10,988)</u>	<u>(8,625)</u>
	1,474,563	1,326,370
<b>REMITTANCES TO THE ALBERTA LOTTERY FUND</b>	(982,539)	(845,872)
<b>REMITTANCES TO GENERAL REVENUES</b>	<u>(507,600)</u>	<u>(462,000)</u>
	<u>(15,576)</u>	<u>18,498</u>
<b>CASH USED FOR INVESTMENT</b>		
Purchase of capital assets	(27,379)	(23,740)
Proceeds on disposal of capital assets	<u>601</u>	<u>33</u>
	<u>(26,778)</u>	<u>(23,707)</u>
<b>DECREASE IN CASH</b>	(42,354)	(5,209)
<b>CASH, beginning of year</b>	<u>116,924</u>	<u>122,133</u>
<b>CASH, end of year</b>	<u>\$ 74,570</u>	<u>\$ 116,924</u>

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-0.5, Statutes of Alberta 1996.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code of Canada*, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

The net proceeds arising from the conduct of authorized ticket lottery, video lottery and casino gaming terminal operations in Alberta are remittable to the Alberta Lottery Fund. The net proceeds of liquor operations and other income are remittable to General Revenues.

The Commission is a Crown agent of the Government of Alberta and as such has a tax-exempt status.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

#### Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

#### Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

#### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	20% or 33 1/3%
Video lottery and casino gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

**NOTE 2** Capital assets held for sale are stated at estimated net realizable value.  
**(Con't)**

Write-downs of capital assets to estimated net recoverable amount or to net realizable value are included in accumulated amortization.

### Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

### Revenue Recognition

Revenues are recognized on an accrual basis. On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date of sale to retail.

### Measurement Uncertainty

Estimates are used when accounting for items and matters such as amortization, allowance for uncollectable accounts receivable, inventory valuation and commitments. Actual results could differ from those estimates.

### NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities. The Fund earns interest on its daily cash balance at the average rate of interest earned by the CCITF, which varies depending on prevailing market interest rates. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

### NOTE 4 PREPAID EXPENSES AND INVENTORIES

	March 31, 2001	March 31, 2000
Gaming parts	\$ 3,559	\$ 2,878
Prepaid expenses	1,412	1,859
Supplies	647	319
	<u>\$ 5,618</u>	<u>\$ 5,056</u>

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 5 CAPITAL ASSETS

	March 31, 2001			March 31, 2000
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	\$ 4,113	\$ -	\$ 4,113	\$ 4,113
Buildings and leasehold improvements	50,262	37,783	12,479	12,714
Gaming systems and equipment	46,803	34,274	12,529	8,978
Casino gaming terminals	62,367	20,572	41,795	29,453
Video lottery terminals	46,358	40,447	5,911	8,976
Furniture and equipment	25,618	24,773	845	1,369
Retailer fixtures and signage	7,176	6,462	714	937
Computer software	4,757	4,643	114	200
Vehicles	1,610	1,096	514	485
Other	72	54	18	759
	<u>\$ 249,136</u>	<u>\$ 170,104</u>	<u>\$ 79,032</u>	<u>\$ 67,984</u>

### NOTE 6 PENSIONS

The Commission participates in the following multi-employer pension plans: the Public Service Pension Plan, the Management Employees Pension Plan, and the Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,113,083 for the year ended March 31, 2001 (2000 - \$996,836).

At December 31, 2000, the Management Employees Pension Plan reported an actuarial surplus of \$104,658,000 (1999 - \$46,019,000) and the Public Service Pension Plan reported an actuarial surplus of \$635,290,624 (1999 - \$518,047,271). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$180,000 (1999 - \$33,000).

### NOTE 7 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

	Actual 2001	Actual 2000
<b>DUE TO THE ALBERTA LOTTERY FUND</b> , beginning of year	\$ 21,000	\$ 11,093
<b>REMITTABLE TO THE ALBERTA LOTTERY FUND</b>	987,547	855,779
<b>REMITTANCES TO THE ALBERTA LOTTERY FUND</b>	(982,539)	(845,872)
<b>DUE TO THE ALBERTA LOTTERY FUND</b> , end of year	<u>\$ 26,008</u>	<u>\$ 21,000</u>

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 8 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

	2001	2000
Due to General Revenues, beginning of year	\$ 120,463	\$ 119,018
Operating grant returned to General Revenues	<u>(1,234)</u>	<u>(7,672)</u>
	119,229	111,346
Net income for the year	1,468,816	1,324,891
Remittable to the Alberta Lottery Fund	(987,547)	(855,779)
Remittances to General Revenues	<u>(507,600)</u>	<u>(462,000)</u>
	(26,331)	7,112
Adjustment for pension liability	-	771
Due to Gaming	-	961
Due to General Revenues from operating grant funds, end of year	<u>2,564</u>	<u>273</u>
	2,564	2,005
Due to General Revenues, end of year	<u>\$ 95,462</u>	<u>\$ 120,463</u>

### NOTE 9 BUDGET

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 10 COMMISSIONS AND FEDERAL PAYMENTS

	Actual 2001	Actual 2000
<b>Commissions</b>		
Video lottery terminals	\$ 103,184	\$ 94,121
Casino gaming and electronic racing terminals	118,985	92,691
Ticket lottery	<u>26,856</u>	<u>25,995</u>
	<u>249,025</u>	<u>212,807</u>
<b>Federal Tax Expenses (a)</b>		
Video lottery terminals	9,791	8,206
Casino gaming and electronic racing terminals	4,049	3,051
Ticket lottery	<u>3,262</u>	<u>3,199</u>
	<u>17,102</u>	<u>14,456</u>
<b>Payment to Federal Government (b)</b>	<u>5,484</u>	<u>5,276</u>
	<u>\$ 271,611</u>	<u>\$ 232,539</u>

- (a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery and casino gaming terminal sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.
- (b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

### NOTE 11 OTHER INCOME

	Actual 2001	Actual 2000
Licences and permits	\$ 5,945	\$ 5,604
Interest revenue	3,181	3,983
Liquor levies	1,211	1,195
Miscellaneous	786	(37)
Fines and violations	766	1,387
Premises rental revenue	618	566
Retailer service fees	523	521
Gain on disposal of capital assets	<u>(149)</u>	<u>23</u>
	<u>\$ 12,881</u>	<u>\$ 13,242</u>



## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 12 OPERATING EXPENSES

	Actual 2001	Actual 2000
Salaries and benefits	\$ 21,894	\$ 19,984
Amortization	15,581	17,624
Data communications	6,580	6,339
Media and media production	5,584	6,492
Equipment and vehicles	5,409	5,415
Ticket printing	5,333	5,251
Property	2,280	1,824
Fees and services	1,769	1,389
Travel and training	1,152	1,136
Stationery and supplies	1,011	994
Freight and product delivery	901	766
Insurance and bank charges	811	733
Leased Gaming Terminals	765	-
Data processing	333	553
Miscellaneous	253	490
Retailer relations	103	89
Product expense	81	72
Presentations and publications	55	122
Overhead and other	(17)	(25)
	<u>\$ 69,878</u>	<u>\$ 69,248</u>

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 13 COMMITMENTS

The Commission has a number of properties, primarily former retail liquor stores, that operate under lease arrangements with terms ranging from one to thirty-one years. Most of these properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments under these arrangements, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

Fiscal 2001-02	\$ 1,775
2002-03	1,595
2003-04	1,147
2004-05	1,062
2005-06	1,013
Balance to expiry	<u>7,459</u>
	<u>\$ 14,051</u>

Estimated future revenues to be derived from subleases amount to \$7.6 million at March 31, 2001. Provision for loss has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

### NOTE 14 CONTINGENCIES

At March 31, 2001 the AGLC is a defendant in twelve legal claims (2000 – twelve legal claims). Nine of these claims have specified amounts, and the remaining three have not specified any amount (2000 – ten claims with specified and two with no specified amount). Included in the total claims are two claims in which the AGLC has been jointly named with other entities.

The resulting loss, if any from these claims cannot be determined.

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 15 SALARIES AND BENEFITS

	2001			2000
	Salary (a)	Benefits (b)	Total	Total
<b>Senior Officers</b>				
Chairman and CEO (c)	\$ 80	\$ -	\$ 80	\$ 55
Deputy Chairman and CFO	143	8	151	134
Chief Operating Officer(d)	-	-	-	114
Board Members	56	-	56	60
<b>Executives</b>				
Executive Director, Licensing	105	18	123	94
Executive Director, Lottery Services	104	18	122	114
Executive Director, Information Systems	98	15	113	95
Executive Director, Finance and Administration	90	14	104	95

- a) Salary includes regular base pay, achievement bonuses for fiscal year 1999/2000 and fiscal year 2000/2001, and lump sum payments.
- b) Benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, tuition and automobile benefits.
- c) The Deputy Minister for Gaming also serves as the Chairman and CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business.
- d) The Chief Operating Officer was transferred to Government Services effective January 1, 2000. The position has not been filled.

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 16 JOINT VENTURE - TICKET LOTTERY OPERATIONS

The joint venture conducted by Western Canada Lottery Corporation was accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

	As at March 31,	
	2001	2000
<b>Balance Sheet</b>		
Current assets	\$ 31,899	\$ 31,746
Capital assets	7,767	5,659
	<u>\$ 39,666</u>	<u>\$ 37,405</u>
Current liabilities	\$ 18,041	\$ 16,926
Investment in joint venture	21,625	20,479
	<u>\$ 39,666</u>	<u>\$ 37,405</u>
	Year ended March 31,	
	2001	2000
<b>Statement of Net Income</b>		
Gross income	\$ 160,749	\$ 156,018
Expenses	(19,170)	(19,864)
Net income	<u>\$ 141,579</u>	<u>\$ 136,154</u>
<b>Statement of Cash Flow</b>		
Cash generated from operating activities	<u>\$ 142,019</u>	<u>\$ 136,994</u>
Cash used by investing activities	<u>\$ 3,679</u>	<u>\$ 4,346</u>

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### NOTE 17 SCHEDULE OF ALLOCATED COSTS

The Commission has the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

Division	2001			2000
	Expenses - Incurred by Others (a)			Total
	Accommodation Costs (b)	Legal Services (c)	Total Expenses	Expenses
Commission Office	\$ -	\$ 7.4	\$ 7.4	\$ 0.3
Corporate Services	8.0	26.1	34.1	21.0
Gaming Products and Services	-	8.0	8.0	9.9
Licensing	-	24.1	24.1	66.6
Investigations	-	0.3	0.3	0.3
	<u>\$ 8.0</u>	<u>\$ 65.9</u>	<u>\$ 73.9</u>	<u>\$ 98.1</u>

- (a) Costs incurred by Alberta Justice and Alberta Infrastructure on behalf of the Alberta Gaming and Liquor Commission.
- (b) Net costs for Accommodation (includes grants in lieu of taxes) in Fort McMurray, Grande Prairie and St. Albert.
- (c) Costs for Legal Services allocated on hours of service provided.

### NOTE 18 RACING INDUSTRY RENEWAL INITIATIVE

- a) In May 1996, the Government approved a Racing Industry Renewal Initiative. Under this Racing Industry Renewal Initiative, the Government, through the Alberta Gaming and Liquor Commission, committed to assisting in the development of the horse racing industry by allowing electronic gaming activities at racing entertainment centres located at racetracks. The racetrack operators and the Alberta Racing Corporation would each receive, through the Alberta Gaming and Liquor Commission, 33 1/3 percent of the gaming revenues earned at these racing entertainment centres.

Racing entertainment centres have been approved at Northlands Park in Edmonton and Whoop-Up Downs in Lethbridge.

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

**NOTE 18**  
(Con't)

The first 33 1/3 percent of gaming revenues are to be used to offset the costs of operating electronic gaming at the racing entertainment centres, the operating costs associated with live horse racing and the capital costs associated with live horse racing. These funds are administered by the racetrack operators. The second 33 1/3 percent of gaming revenues are to be used for the enhancement of race purses. These funds are administered by the Alberta Racing Corporation

- b) On January 1, 1999 the Alberta Gaming and Liquor Commission entered into an agreement with the Calgary Exhibition and Stampede to provide them with up to 33 1/3 percent of revenue from the electronic gaming activities conducted at the Stampede charitable casino. These funds were paid to the Calgary Exhibition and Stampede in return for their commitment to continue live horse racing at Stampede Park to December 31, 2000.

As identified in the Auditor's Report for the Alberta Gaming and Liquor Commission financial statements for the year ended March 31, 2000, the payments to the Racing Entertainment Centres and the Alberta Racing Corporation did not comply with section 26 of the Gaming and Liquor Act; nor with the Appropriation Act, 1999. In response to this finding, on September 12, 2000 new agreements with the Racing Entertainment Centres and the Calgary Exhibition and Stampede were established.

Under the new agreement, the commission paid to the racetrack operators and the Calgary Exhibition and Stampede is set at 15 percent, the same as casino operator commissions. The remainder of the proceeds are deposited to the Alberta Lottery Fund. Any additional payments will be paid from the Alberta Lottery Fund.

Gaming proceeds paid to the racetrack operators, the Calgary Exhibition and Stampede, and the Alberta Racing Corporation under the Racing Industry Renewal Initiative, included in casino gaming and electronic racing terminal commissions in Note 10 are as follows:

	Actual 2001*	Actual 2000
<b>Northlands Racing Entertainment Centre</b>		
Northlands Park	\$ 2,667	\$ 4,765
Alberta Racing Corporation	<u>2,667</u>	<u>4,765</u>
	<u>5,334</u>	<u>9,530</u>
<b>Whoop-Up Downs</b>		
Rocky Mountain Turf Club Inc.	597	1,126
Alberta Racing Corporation	<u>590</u>	<u>1,126</u>
	<u>1,187</u>	<u>2,252</u>
<b>Calgary Exhibition and Stampede</b>	<u>1,359</u>	<u>2,825</u>
	<u>\$ 7,880</u>	<u>\$ 14,607</u>

\*Payments shown for current year are for period April 1 to September 11, 2000.

## Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

### **NOTE 19      COMPARATIVE FIGURES**

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

## Alberta Lottery Fund Commitments 2001 – 02

Alberta's lottery profits are deposited into the Alberta Lottery Fund. Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature.

This fund is used to support over 8,000 worthwhile community initiatives. Hospital equipment purchases, health and wellness programs, education, recreation and cultural initiatives are just some of the ways lottery proceeds are used.

The following is the list of Alberta Lottery Fund estimates for the fiscal year 2001-02.

<b>Agriculture, Food and Rural Development</b>	
Agricultural Initiatives	\$ 11,620,000
<b>Children's Services</b>	
Fetal Alcohol Initiative	1,000,000
Permanency Planning for Children in Care	200,000
<b>Community Development</b>	
2001 World Championships in Athletics	10,000,000
Hosting Arctic Winter Games	400,000
Centennial Initiatives	40,600,000
Alberta Foundation for the Arts	21,104,000
Alberta Historical Resources Foundation	5,913,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	15,035,000
Human Rights, Citizenship and Multiculturalism Education Fund	1,062,000
Wild Rose Foundation	6,600,000
First Nations Development Fund	7,830,000
<b>Gaming</b>	
Community Lottery Board Grants	53,300,000
Major Fairs and Exhibitions	2,660,000
Calgary Exhibition and Stampede	7,100,000
Edmonton Northlands	7,100,000
Community Facility Enhancement Program	25,000,000
Alberta Gaming Research Institute	1,500,000
Alberta Gaming Research Council	100,000
Alberta Gaming and Liquor Commission - Lottery Operations	70,689,000
Racing Industry Renewal Initiative	17,900,000
Other Initiatives	11,102,000
<b>Health and Wellness</b>	
Alberta Wellnet	13,506,000
Health Innovation Fund	5,000,000
Alberta Alcohol and Drug Abuse Commission	45,699,000
Aboriginal Health Strategies	3,000,000
Alberta Wellness Initiative	1,850,000
Practitioner Services - Alternate Compensation Strategies	12,350,000
Federal Nursing Stations	2,660,000



<b>Infrastructure</b>	
Health Care Facilities	120,000,000
School Facilities	150,000,000
Seniors' Lodges	10,000,000
Post-Secondary Facilities	60,000,000
Centennial Projects	5,000,000
<b>Innovation and Science</b>	
Research Investments Program	23,180,000
Strategic Research Initiatives	9,070,000
Alberta Agricultural Research Institute	8,588,000
Alberta Supernet	50,000,000
<b>Learning</b>	
Achievement Scholarships	3,100,000
Learning Television	8,100,000
School Support - Transportation Subsidies	40,000,000
School Support - High Speed Networking	1,000,000
<b>Municipal Affairs</b>	
Municipal Sponsorship	12,000,000
<b>Transportation</b>	
Water Management Infrastructure	20,000,000
Canada / Alberta Infrastructure Program	50,000,000
<b>Finance</b>	
Transfer for Debt Repayment / Contingency Reserve	<u>44,031,000</u>
	<u>\$1,015,949,000</u>




*Additional copies of this annual report  
may be obtained from:*

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