

Second Year Evaluation of Riverboat Licensee for Harrison County, Indiana: Caesars Indiana January-December 2000

March 2001

Introduction.....	1
Project Development and Investment.....	1
Development Activities	1
Other Commitments	2
Community Activity	5
Minority/Women Business Enterprise.....	5
Economic and Fiscal Impacts.....	5
Employment and Earnings Impacts	5
Local Economic Impact.....	9
Impact on Tourism	9
Legal Issues	9
Other Impacts	9
Summary of Findings	10

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Introduction

The Riverboat Gambling Act, effective July 1, 1993, authorized the Indiana Gaming Commission to issue licenses for the express purpose of riverboat gambling in the state of Indiana. One of the statutory criteria for issuance of these licenses is the applicant's ability to promote economic development in the home dock area while best serving the interest of the citizens of Indiana. As an aid to fulfilling its legislative requirements, the Indiana Gaming Commission (Commission) contracted with the Center for Urban Policy and the Environment (Center) of Indiana University's School of Public and Environmental Affairs to perform the economic impact, fiscal impact, financial, management, and other analyses required to assist the Commission in awarding licenses. As part of that contract, the Center has committed to monitor over time the economic impacts and fiscal returns from each riverboat operation.

On May 20, 1996, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Harrison County, Indiana. Caesars Indiana (Caesars) formerly known as RDI/Caesars Riverboat Casino, LLC opened on November 20, 1998. This report is an evaluation of its second year of operation.

Project Development and Investment

Development Activities

In the Certificate of Suitability (referred to throughout as Certificate), Caesars committed to spend approximately \$228.2 million on project development, in addition to pledging to Harrison County other incentives totaling several million dollars. As Table 1 illustrates, through 1999, it had spent \$301 million and in 2000 spent \$48.8 million, \$122 million more than projected, before completion of the hotel and golf course.

The 5,000-passenger riverboat opened with 93,000 square-feet of gaming space. A 170,000 square-foot permanent pavilion and a 1,650-space parking garage have been completed. The people mover and buffet opened in December 1999. The gift shop and coffee shop opened in January and April 2000, respectively. The porte cochere (front entrance) opened in February. A high-end restaurant opened in July and a dining and entertainment venue opened in September 2000. Caesars has spent over \$11 million on an archaeological dig on its property. The presence of the dig has delayed construction on the 500-room hotel. It was scheduled to begin immediately after substantial completion of the guest pavilion but is now scheduled to open September 2001. Construction on the golf course is scheduled to be completed by the fall of 2002.

Table 1: Actual Versus Predicted Development Costs (\$ 000s)

Development	Certificate of Suitability	Actual thru 12/99	Actual 2000	Difference
Land	\$20,000,000	\$20,697,056	\$23,125	\$720,181
Site Improvement	\$9,284,000	\$19,512,024	\$2,197,620	\$12,425,644
Temporary Facilities, Parking, Transportation	\$23,680,000	\$19,319,746	\$33,064	(\$4,327,190)
Construction: Support Facilities	\$40,425,000	\$45,137,215 ¹	\$19,254,115	\$23,966,330
Construction: Boat and Marine Facilities	\$49,416,000	\$87,753,558	\$4,597,714	\$42,935,272
Furniture, Fixtures, and Equipment	\$31,100,000	\$43,811,047	\$0	\$12,587,780
Hotel, Furniture and Fixtures	\$35,950,000	\$1,325,825	\$15,936,390	(\$18,687,785)
Tennis and Golf Complex	\$7,000,000	\$4,451	\$0	(\$6,955,549)
Pre-Opening Expenses	\$5,000,000	\$21,085,275	\$424,344	\$16,509,619
Working Capital	\$2,000,000	\$0	\$0	(\$2,000,000)
Financing and related expenses	\$4,303,000	\$42,676,168	\$6,378,405	\$44,751,875
Total Development	\$228,158,000	\$301,322,365	\$48,846,777	\$122,011,142

¹Includes \$5 million to Harrison County Foundation

Other Commitments

As Table 2 illustrates, Caesars is current with regard to all of its additional commitments.

Table 2: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Through 12/99	Amount Paid Through 12/00	Status
A) Contribution	\$5,000,000	Harrison County Community Fdtn.	\$5,000,000		Completed Year 1
B) Contribution	1.5% \$0-100,000,000 AGR 2.25% \$100,000,001-\$150,00,00 AGR 3.75% \$150,001-\$200,000,000 AGR 7.5% Annual AGR over \$200,000,001	Harrison County Foundation	\$1,660,441	\$3,921,655	Ongoing
C) Contribution	.5% \$0-100,000,000 AGR .75% \$100,000,001-\$150,00,00 AGR 1.25% \$150,001-\$200,000,000 AGR 2.5% Annual AGR over \$200,000,001	Floyd County Foundation (now Caesars Riverboat Casino Fdtn.)	\$553,480	\$1,307,218	Ongoing
D) Advance to the County	\$1,750,000	Harrison County	\$1,750,000 ²		
E) Road Improvements	Not specified	NA	\$6,403,365		Completed Year 1
F) Contributions to utilities	\$2,640,000	Elizabeth Water Co.	\$0	\$1,050,276	Ongoing
G) Emergency Response Requirements	Not specified	Fire, Police, Ambulance	\$540,588		Completed Year 1
H) County Legal Fees	\$250,000	Harrison County	\$211,228		Compet

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²This advance was taken against the first funds due to the Harrison County Foundation.

The Certificate called for Caesars to make contingent contributions to the Harrison and Floyd County Foundations in the amounts described above. The Floyd County Foundation has been established and is known as Caesars Riverboat Casino Foundation, Inc. The county and Caesars have finalized a development agreement that would allow the portion that was allocated to a separate Harrison County Foundation to be given to the previously established Harrison County Community Foundation.

As listed above, Caesars provided a \$5 million incentive to the Harrison County Community Foundation as well as continuing funding. Table 3 lists the \$268,155 in grants that were awarded by the foundation from those funds in 2000. Table 4 lists the \$486,095 in grants that were awarded by the Caesars Riverboat Casino Foundation, Inc.

Table 3: Harrison County Community Foundation 2000 Grants

Organization	Project	Award
LHS Music Department, Lanesville	Swing Band Equipment	\$2,800
Lanesville Dollars 4 School, Lanesville	Scholarships	\$7,568
Corydon Dollars 4 School, Corydon	Scholarships	\$27,027
North Harrison HS, Ramsey	Scholarships	\$33,333
South Central HS, Elizabeth	Scholarships	\$12,072
South Central HS, Elizabeth	Hall of Stars	\$2,000
N Harrison Elementary, Ramsey	Special Ed Trip	\$3,500
SC Junior High School, Elizabeth	Athletic Uniforms	\$3,594
Big Brothers/Big Sisters, Corydon	Office Support	\$5,000
Junior Achievement, Corydon	Staff Support	\$3,382
Community Service, Corydon	CSR Juvenile Diversion	\$5,000
Unity Chapel, Ramsey	Basketball Equipment	\$2,976
Historic Hoosier Hills, Corydon	JH Morgan Trail Sign	\$11,360
The Next Step, Corydon	Water Damage Repair	\$4,500
Community Service, Corydon	Office Equipment	\$14,500
Blue River Services, Corydon	Transportation Match	\$16,188
Lifespan Resources, Corydon	Office Furniture	\$3,200
HELP, Corydon	Program Coordinator	\$10,000
St. Joe School, Corydon	Art/History Appreciation	\$16,823
Lanesville HS Music, Lanesville	Baritone Saxophone	\$2,895
Town of Palmyra, Palmyra	Water Survey	\$30,000
South Central Jr-Sr HS, Elizabeth	(2) Sewing machines	\$6,650
St. Joe School, Corydon	Reading Program	\$10,000
Lanesville Schools, Lanesville	Distance Learning Program	\$37,500
HC Renaissance, All	Renaissance Program	\$25,000
HC Community Services, Corydon	NH Elementary Case Manager	\$20,000
Furthering Youth Inc. Corydon	Parking Lot Completion	\$5,000
Blue River Services Corydon	(2) 10-ton air conditions	\$14,000
The Next Step Corydon	Facility Repairs/Improvements	\$5,000
Center for Women & Families Louisville	HC Caseworker & Support	\$5,000
BRS-Youth Special Olympics Corydon	Expand YSO program	\$4,387
Lanesville UM Church Lanesville	Help Repair Bell Tower	\$2,086
Community Unity Corydon	Diversity Fair & Ed Material	\$3,000
NH Babe Ruth New Salisbury	Bleachers & Slabs	\$31,350
Leora Brown School Corydon	Bldg Paint & Maintenance	\$7,000
Hayswood Nature Reserve Corydon	Playground Equipment	\$11,614
HC Youth Soccer Association Corydon	Purchase Soccer Equipment	\$5,000
SH Park Advisory Board Elizabeth	Playground Equipment	\$25,849
Total Grants Awarded		\$268,155

Table 4: Caesars Riverboat Casino Foundation, Inc. 2000 Grants

Organization	Purpose	Amount Awarded
New Albany Deanery Catholic Youth Ministries	Svc Week for Youth to serve Floyd Co.	\$4,950
St. Mary's Catholic School	Computer Lab	\$25,000
Floyd Co. Community Action Agency	Computers for Head Start Program	\$25,000
Guerin, Inc	Training Center Construction & Equipment	\$45,000
Indiana University Southeast	Regional Gospel Choirs	\$7,950
St. Elizabeth's Regional Maternity Center	Repair & Renovate Center House & Offices	\$15,720
Providence Retirement Home	Purchase Wheelchair Accessible Van	\$20,000

Floyd Central High School Choral Dept.	Renovation of Historic Steinway Piano	\$3,000
Mary Anderson Center for the Arts	Community Connections Project	\$5,000
Our Lady of Perpetual Help School	Technology Equipment	\$25,000
Floyd County Youth Services Bureau	Purchase Vans	\$25,000
Georgetown Elementary School	Three Proposals for Computer & Educational Materials	\$5,000
Personal Counseling Service Inc	Attention Deficit Disorder Program	\$1,667
Jr. Achievement of Kentuckiana	Economic Education Program	\$10,000
Floyd Co. Youth SANE/SART	Training for Staff Regarding Pediatric Sexual Assault	\$15,224
New Albany Floyd Co. School Corp.	Wheelchair Accessible School Bus	\$29,307
Center for Women & Families	Develop Play Spaces at Residential Facility	\$11,378
Floyd Co. Community Corrections	Purchase Computer Equipment	\$5,000
New Albany Fire Dept.	Smoke Detector Program	\$16,190
Center for Accessible Living	Wheelchair Ramps for Individuals with Disabilities	\$10,000
New Directions Housing Corp.	Construct St. Edward Court Project	\$25,000
Jones Memorial African Methodist Church	Computer Systems for Jones Memorial	\$5,000
Mount Taylor Elementary School	Handicapped Accessible Fitness Trail	\$10,000
Floyd Co. Animal Rescue League	Equip Clinic Room	\$17,209
Hospice & Palliative Care SI	Bridges Safety Net Project	\$25,000
New Albany High School	Dropout Intervention Program	\$30,000
Floyd Co. Child Protection Service	Equipment for Child Interview Room	\$2,500
Family Health Care Center of Floyd Co.	Provide Subsidized Medications to Low-Income Residents	\$35,000
Floyd Co. Community Corrections	Teen Court Program	\$6,500
Carnegie Center for Art & History	Produce Exhibition	\$10,000
Hoosier Hills Aids Coalition	Emergency Assistance Funds for Aids Clients	\$4,500
Mount Tabor Elementary School	Handicapped Accessible Fitness Trail	\$10,000
Total		\$486,095

Community Activity

Caesars senior management is represented on many boards in the area, including Junior Achievement of Kentuckiana, Inc, Harrison County Chamber of Commerce, Spirit of Louisville, Louisville Ballet, Kentucky Derby Festival, Harrison County Metro United Way, and Leadership Harrison County. Caesars has contributed in-kind donations and monetary contributions to over 30 organizations including, Boys and Girls Club, Harrison County Agricultural Society, Junior Achievement, Louisville Urban League, Indiana University Southeast, and Floyd Memorial Hospital Foundation. Caesars also sponsored several events including New Albany's Bluegrass Festival, Kosair Children's Hospital Festival of Trees and Lights, Louisville AIDS Walk, and Thunder over Louisville.

Minority/Women Business Enterprise

The Office of Minority Business Development and the Indiana Gaming Commission currently are reviewing the information provided by Caesars to determine compliance.

Economic and Fiscal Impacts

Employment and Earnings Impacts

Caesars began hiring and training the majority of its employees in May 1997. Caesars leased a building in Corydon and contracted with IVY Tech and Indiana University Southeast to provide space for training. Caesars conducted its own training for all riverboat-related positions, including dealers, cashiers, slot representatives and technicians, and surveillance personnel.

Caesars estimated in its application employment of 2,440 persons in the casino and hotel for annual wages totaling approximately \$51.7 million. (Table 5) As of December 2000, Caesars had 2,147 employees, not including the hotel. The opening of the hotel has been delayed but is planned for the fall of 2002. For 2000, salaries and wages were \$63.3 million, including tips to dealers (but not to bar and wait staff). Full- and part-time employees receive benefits including medical, dental, vision, life insurance, short-term disability, and tuition reimbursement and matching contributions to a 401k program.

As Table 5 illustrates, in 2000, Caesars had gross gaming receipts of \$184.4 million, which is \$36.2 million or 20 percent less than its application estimate. Though attendance was slightly greater than expected, Caesars overestimated the receipts per passenger per trip by \$12 per patron. Total local taxes (city and county admission taxes plus local gaming tax) were \$18.3 million, or \$1.3 million less than projected in Caesars' application.

Table 5: Comparison of Forecast to Actual Caesars Operation, Year 2

Category	Application Forecast Year 2	Actual 2000	Difference
Employment as of 12/31/00	2,440	2,147	(293)
Total Wages, Tips, & Benefits	\$51,677,000	\$63,336,186	\$11,659,186
Attendance	4,284,000	4,553,679	269,679
Gross Gaming Receipts	\$220,626,000	\$184,404,968	(\$36,221,032)
\$ per Patron per Cruise	\$52	\$40	(\$12)
Gaming Tax (State)	\$33,093,900	\$27,686,617	(\$5,407,283)
Gaming Tax (Local)	\$11,031,300	\$9,228,872	(\$1,802,428)
Admission Tax (State)	\$4,284,000	\$4,553,679	\$269,679
Admission Tax (County) ³	\$8,568,000	\$9,107,358	\$539,358

³No incorporated city

Table 6 compares actual to forecast for Year 1, while Table 7 compares Year 1 to Year 2. As Table 7 illustrates, Caesars has increased in every category from Year 1 to Year 2.

Table 6: Comparison of Forecast to Actual Caesars Operation, Year 1

Category	Application Forecast Year 1	Actual 1999	Difference
Employment as of	2,440	2,065	(375)
Total Wages, Tips, & Benefits	\$50,148,000	\$49,565,741	(\$582,259)
Attendance	4,200,000	4,250,267	50,267
Gross Gaming Receipts	\$210,000,00	\$157,349,624	(\$52,650,376)
\$ per Patron per Cruise	\$50	\$37	(\$13)
Gaming Tax (State)	\$31,500,000	\$23,605,196	(\$7,894,804)
Gaming Tax (Local)	\$10,500,00	\$7,868,398	(\$2,631,602)
Admission Tax (State)	\$4,200,000	\$4,250,267	\$50,267
Admission Tax (County)	\$8,400,000	\$8,500,534	\$100,534

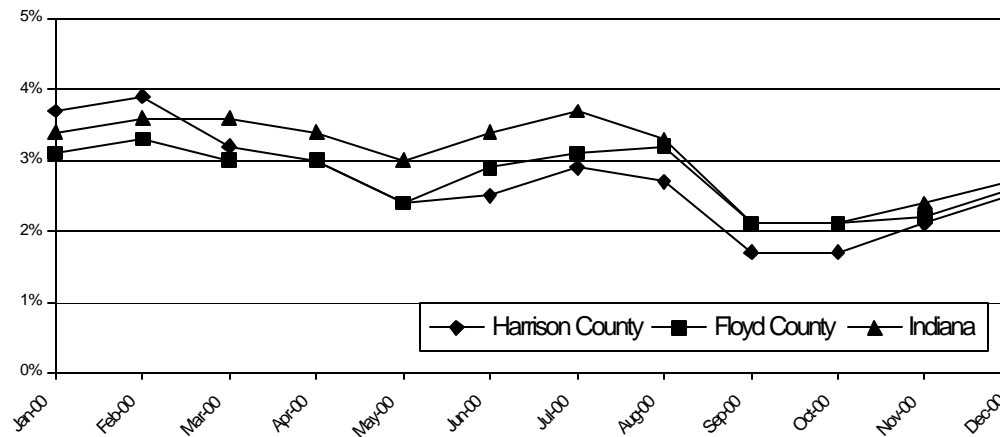
Table 7: Comparison of Year 1 to Year 2

Category	Actual 1999	Actual 2000	Difference
Employment as of	2,065	2,147	82
Total Wages, Tips, & Benefits	\$49,565,741	\$63,336,186	\$13,770,445
Attendance	4,250,267	4,553,679	303,412

Gross Gaming Receipts	\$157,349,624	\$184,404,968	\$27,055,344
\$ per Patron per Cruise	\$37	\$40	\$3
Gaming Tax (State)	\$23,605,196	\$27,686,617	\$4,081,421
Gaming Tax (Local)	\$7,868,398	\$9,228,872	\$1,360,474
Admission Tax (State)	\$4,250,267	\$4,553,679	\$303,412
Admission Tax (County)	\$8,500,534	\$9,107,358	\$606,824

As Figure 1 illustrates, both Harrison and Floyd County's unemployment rates were below the state average in 2000. In December of 2000, Harrison County had an unemployment rate of 2.5 percent; Floyd County had an unemployment rate of 2.6 percent while the state average was 2.7 percent.

Figure 1: Unemployment Rates:
Harrison and Floyd Counties and the State of Indiana



As of December 2000, 51.4 percent of Caesars employees were women, 12.9 percent were minorities, 18.5 percent were from Harrison County, and 42.3 percent of employees came from outside of the local area (Clark, Floyd, and Harrison Counties). In its application, in addition to making an overall commitment to hiring women and minorities, Caesars made commitments to hiring women and minorities at different levels for different types of positions. As Table 8 illustrates, it has come close to, met, or exceeded almost all of its commitments. While it did not make a commitment for administrative employees, they are included for illustrative purposes.

Table 8: Caesars Indiana Hiring Commitments, December 2000

	Minority			Female		
	Commitment	Actual	Difference	Commitment	Actual	Difference
Managers	5.0%	15.3%	10.3%	20.0%	43.5%	23.5%
Gaming Employees	10.0%	13.4%	3.4%	45.0%	47.3%	2.3%
Hospitality	10.0%	7.9%	(2.1%)	45.0%	63.7%	18.7%
Custodial Maintenance	10.0%	6.7%	(3.3%)	20.0%	59.3%	39.3%
Service Workers	10.0%	9.0%	(1.0%)	45.0%	80.2%	35.2%
Administrative	0.0%	11.3%	11.3%	0.0%	9.6%	9.6%
Total	9.4%	12.9%	3.5%	40.2%	51.4%	11.2%

Local Economic Impact

In addition to the gaming taxes paid to the city and state in 2000, Caesars paid \$735,196 in sales and use taxes and \$818,004 in property taxes. Payroll of \$63.3 million and local purchases of \$45.3 million (the majority in construction) also contributed to the local economy. County officials indicated that growth in the number of the county's restaurants and hotels in the Corydon area is not attributable to the riverboat, which is located in a different part of the county.

Impact on Tourism

In 2000, Indiana residents made less than 30 percent of the trips to Caesars, with most of those trips local. In 2000, Caesars had 4.5 million admissions. This attendance was slightly greater than Caesars attendance projection of 4.2 million in its application.

According to the Harrison County Convention and Visitors Bureau, hotel occupancy in Harrison County has increased since the boat opened. The Convention and Visitors Bureau partially attributes this to the visitation to the riverboat. Caesars began construction of its own hotel in 2000.

Legal Issues

Caesars had 5 lawsuits filed in 2000. Two are employment related and three were guest related. There were a total of 68 arrests for incidents on Caesars property in 2000. The largest category was public intoxication. Less than .002 percent of visits in 2000 resulted in an arrest. Caesars checked the identification of 57,670 guests and 661 were turned away for no identification or for being under 21. Sixty-one of the 661 were under 21 trying to gain entry of which ten were referred for prosecution.

According to the Harrison County Sheriff's office, the area surrounding the riverboat has not experienced additional criminal activity that can be attributed to Caesars presence.

Other Impacts

There are other possible impacts that can result from the location of a riverboat in a community. For example, compulsive gambling might become a problem. There also might be decreases in patronage for existing businesses, higher rates of bankruptcy, and a greater need for social services. Last year two calls for help with gambling problems were made by Harrison County residents to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. There were six calls from Floyd County, nine from Clark County, and four calls from Jefferson County but there were 37 calls from Kentucky. The calls are not broken out by location in Kentucky.

Caesars has made efforts to minimize the negative impacts of gambling. It has provided a one-hour training course to all of its employees on how to recognize and refer problem gamblers. This training will assist employees in identifying possible compulsive gamblers among patrons and employees. It also has a self-ejection program in which, upon request by a patron, they are removed from personal check cashing privileges, credit privileges, direct mail marketing materials, and promotional mail at Caesars. The minimum amount of time this can last is six months and after that time the patron must request, in writing, that it be rescinded.

Summary of Findings

Caesars has met or exceeded the requirements of its Certificate in the following areas:

- Caesars has spent a total of \$301.3 million on the development of the project, \$122 million more than estimated. It projects that it will spend an additional \$75 million to complete the project.
- Caesars is on schedule with all of its incentive payments.
- Caesars has sponsored many community events; its senior management is represented on many boards.
- In 2000 wages were \$63.3 million, \$11.7 million more than projected.
- Caesars has come close to, met, or exceeded almost all of its minority and female hiring goals.
- Caesars paid \$735,196 in sales and use taxes and \$818,004 in property taxes.
- Caesars has been proactive in developing programs for compulsive gambling.

Caesars has not met its projections in the following areas:

- Employment totaled 2,147 employees, 293 less than projected, but the hotel is not complete.
- Gross gaming receipts were \$184.4 million, \$36.2 million less than the \$220.6 million projected.
- State and local gaming taxes were \$50.6 million, \$6.4 million less than projected.