

Evaluation of Riverboat Licensee for Lawrenceburg, Indiana: Argosy Casino

April 1998

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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 June 30, 1995, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Lawrenceburg, Indiana. Argosy Casino (Argosy) opened on December 13, 1996. This report is an evaluation of its first year of operation.

Project Development and Investment

Development Activities

In the Certificate of Suitability (referred to throughout as certificate), Argosy committed to spend approximately \$166 million on project development, in addition to pledging to the city of Lawrenceburg other incentives totaling several million dollars.

Argosy's permanent riverboat, the largest in the world, is approximately 75,000 square feet and accommodates 4,400 passengers and crew. Argosy's permanent facilities include a 187,000-square foot pavilion, and construction on a 300-room hotel is almost complete. The hotel is scheduled to open in May 1998. Through September 23, 1997, Argosy operated the Casino St. Charles, a 25,000 square foot temporary riverboat that accommodated 2,250 passengers.

As Table 1 illustrates, Argosy spent \$198.2 million in Year 1 in contrast to the \$166 million promised in the certificate for the development of the project. As shown by Table 1, Argosy spent \$11 million less than projected on their vessel, whereas they spent \$31.7 million (33 percent) more than projected for the entertainment complex and \$12.5 million (400 percent) more for soft costs.¹

Table 1: Actual Versus Predicted Development Costs (\$ 000's) Through 12/31/97

Development	Certificate of Suitability	Actual	Difference
Vessel	\$48,000	\$36,900	(\$11,100)
Gaming equipment/FF&E	19,000	17,900	(1,100)
Entertainment complex (300-room hotel, parking garage, land, restaurants, terminal buildings and temporary facilities)	96,000	127,700	31,700
Soft costs	3,152	15,700	12,548
Total Development	\$166,152	\$198,200	\$32,048

Other Commitments

As Table 2 illustrates, Argosy is on schedule with all of their incentive payments. The \$3.8 million payment in the other incentives section represents a payment by Argosy to the Indiana Department of Transportation and Greendale Utilities for road improvements to U.S. 50. This payment, which was made by Argosy prior to December 1996, was not included in the certificate or the development agreement between Argosy and the city of Lawrenceburg.

Table 2: Schedule and Description of Incentive Payments (\$ 000's)

Incentive	Promised Amount	Recipient	Amount Paid through 12/31/97	Status
Fixed Incentives				

¹ Soft-costs represent Argosy's expenditures on payroll and operating supplies prior to the casino's opening on December 10, 1996.

Infrastructure Improvements		City of Lawrenceburg		
Utilities-Riverboat Specific				
1. Water System	\$25		\$25	Complete
2. Wastewater System	\$200		\$200	Complete
3. Electrical	\$1,000		\$1,000	Complete
Utilities-City System				
4. Water System	\$1,475		\$1,475	Complete
5. Wastewater System	\$10,309		\$3,309	Ongoing
6. Electrical	\$750		\$750	Complete
7. Fire and Emergency Vehicles	\$1,015		\$1,105	Complete
8. Improvements to U.S. 50/I-275	\$7,024		² \$500	Complete
9. Environmental Studies	\$50		\$500	Complete
Infrastructure Improvements	\$5,000	City of Lawrenceburg	To be paid in Year 2	
Infrastructure Improvements	\$2,000	City of Lawrenceburg	To be paid in Year 3	
Unrestricted Grants	\$12,000	City of Lawrenceburg	\$11,600	Ongoing
Contingent Incentives				
Greater of \$6 million or a percentage of AGR reduced by \$60,000/yr.	0 to 150 = 5% 150 to 200 = 6% 200 to 250 = 9% 250 to 300 = 12% 300+ = 14%	City of Lawrenceburg	³ \$5,363	Ongoing
Other Incentives				
U.S. 50 Improvements	Not in certificate.	Indiana Department of Transportation, Greendale Utilities	\$3,859	Complete

The city of Lawrenceburg shares one-half of the admission and wagering tax revenue generated by Argosy. Each month, Dearborn County, six municipalities, and several local nonprofit organizations receive a portion of the proceeds from Argosy. The revenue sharing plan, which started in July 1997, distributed one-half of the \$5,164,159 of the admission and wagering tax revenue that was received by the city of Lawrenceburg during the period July 1997 through December 1997. Table 3 shows revenue sharing distributions for this period.

Table 3: Lawrenceburg Revenue Sharing Distributions, 7/97 – 12/97

Recipient	Percentage	Total-1997
St. Leon	1.43	\$36,923.74

² Argosy received a credit from the city of Lawrenceburg equal to the lesser of \$6,724,000 or the amount paid to: acquire any rights of way from the Central Railroad Company of Indiana for the purpose of constructing or operating the project; and 2) construct a railway from U.S. 50 to the site. Argosy paid \$6,524,000 for these rights and received a credit of \$6,724,000 from the city of Lawrenceburg to be applied against future infrastructure payments.

³ Argosy received the following credits from the city of Lawrenceburg against the first year contingent annual fee payment: \$500,000 advance to city offset; \$20,500 for Arch Street Park demolition; and \$56,630 for levee rip rap.

Moores Hill	1.88	48,543.08
Greendale	11.60	299,521.21
Dillsboro	3.49	90,114.59
Aurora	11.42	294,873.47
West Harrison	0.91	23,496.92
Aurora Library Foundation, Inc.	1.00	25,820.79
Sunman-Dearborn Education Foundation, Inc.	3.00	77,462.37
Dearborn County	50.00	1,291,039.78
Lawrenceburg Schools Education Foundation, Inc.	3.00	77,462.37
South Dearborn Schools Education Foundation, Inc.	3.00	77,462.37
Ivy Tech State College	2.86	73,776.49
Area 12 Council on Aging and Community Services	1.80	46,587.18
Dearborn Adults	1.80	46,587.18
Dearborn County Youth	1.80	46,587.17
Lawrenceburg Library Foundation, Inc.	1.00	25,820.79
TOTAL		\$2,582,079.50

Community Activity

In 1996 and 1997 Argosy made donations to numerous community groups including the American Red Cross, American Cancer Society, United Way, Lawrenceburg High School, Lawrenceburg Fire Department, Aurora Fire Department, Dearborn County Chamber of Commerce, Greendale Fire Department, McAuley High School, Oakley Senior Citizens Center, South Dearborn High School, Sunman Dearborn Youth Athletic Association, and Utica Elementary PTO.

Minority/Women Business Enterprise

In the Indiana riverboat legislation, the Indiana General Assembly stated that the opportunity for full enterprise participation in the riverboat industry for minorities and women is essential if social and economic parity for all citizens is to be obtained and if the economies of the riverboat cities are to be stimulated as contemplated by this legislation. Argosy committed to meeting the goals of the legislation in their first year. According to their goals, Argosy indicated that they would expend 10 percent of the dollar value of their contracts for goods and services from minority-owned businesses and 5 percent from women-owned businesses. The Commission, through the Indiana Department of Administration's Office of Minority Business Development (OMBD), has established and administers a unified certification procedure for minority and women's enterprises that conduct business with riverboat operations.

OMBD currently is reviewing the information provided by Argosy to determine compliance.

Economic and Fiscal Impacts

Employment and Earnings Impacts

Argosy began hiring and training the majority of their employees in September 1996. Argosy provided training for all riverboat-related positions.

As Table 4 indicates, Argosy estimated in their application that they would employ 900 persons in the casino and hotel for annual wages totaling approximately \$27.9 million. As of December 31, 1997, Argosy had 1,602 employees in the casino only.⁴ For 1996-1997, salaries and wages were approximately \$35.8 million, including tips to dealers (but not to bar and wait staff). Only full-time employees receive benefits, which include health care coverage and life insurance. Part-time employees comprise less than 4 percent of all employees, and Argosy is making an effort to convert those part-time employees who desire it to full-time status.

Table 4: Comparison of Forecast to Actual Argosy Operation, December 1996 – December 1997

⁴ Argosy's hotel is scheduled to open in May 1998.

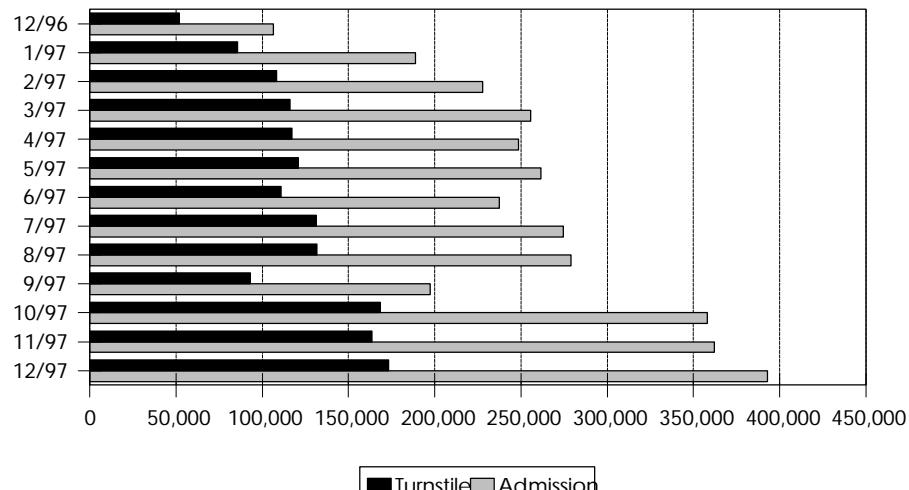
Category	Application Forecast Year 1	Actual 1996-1997	Difference
Employment as of 12/97	900	1,602	702
Total Wages, Tips, & Benefits	\$27,934,065	\$35,825,259	\$7,891,194
Attendance	1,770,228	3,282,229	1,512,001
Gross Gaming Receipts	\$108,000,000	\$129,273,550	21,273,550
\$ per Patron per Cruise	\$61*	\$39	(\$22)
Gaming Tax (State)	\$16,200,000	\$19,391,033	\$3,191,033
Gaming Tax (Local)	\$5,400,000	\$6,463,678	\$1,063,678
Admission Tax (State)	\$1,770,228	\$3,282,229	\$1,512,001
Admission Tax (County)	\$1,770,228	\$3,282,229	\$1,512,001
Admission Tax (City)	\$1,770,228	\$3,282,229	\$1,512,001

*Applicant average for Lawrenceburg was \$56.

As Table 4 illustrates, in 1997, Argosy had adjusted gross gaming receipts of \$129.3 million, or 20 percent more than their application estimate. Total local taxes were \$13 million, or \$4.1 million more than the projection of \$8.9 million in Argosy's application.

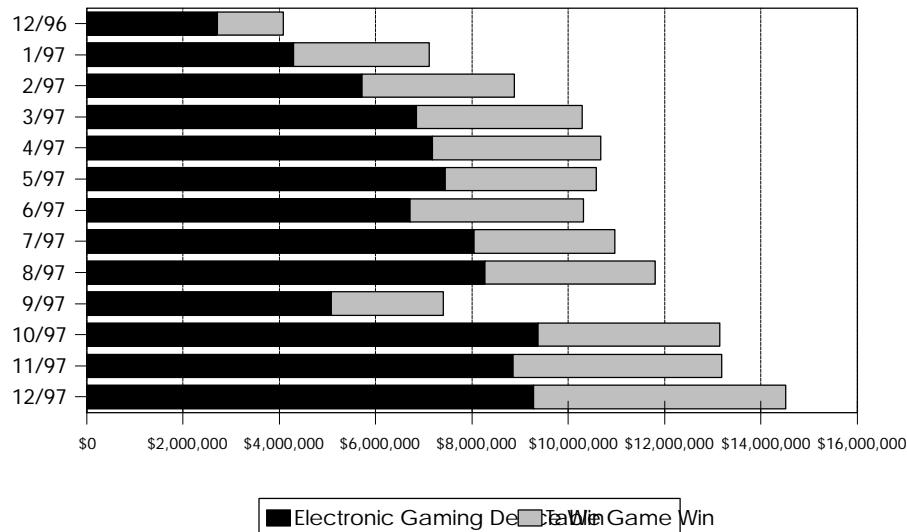
In September, Argosy tripled the square feet available for gaming and almost doubled passenger capacity when it opened its permanent riverboat.⁵ As Figure 1 illustrates, admissions have not doubled since the permanent boat opened though they have been increasing each month. Since August 1997, Argosy's admissions have increased 41 percent. December continued the upward trend even though it usually is a slow month for casinos. As Figure 2 illustrates, adjusted gross gaming receipts have increased at a slower rate than admissions (26 percent increase since August), although adjusted gross gaming receipts are still increasing.

Figure 1: First Year Admissions and Turnstile Counts
Argosy Casino Lawrenceburg



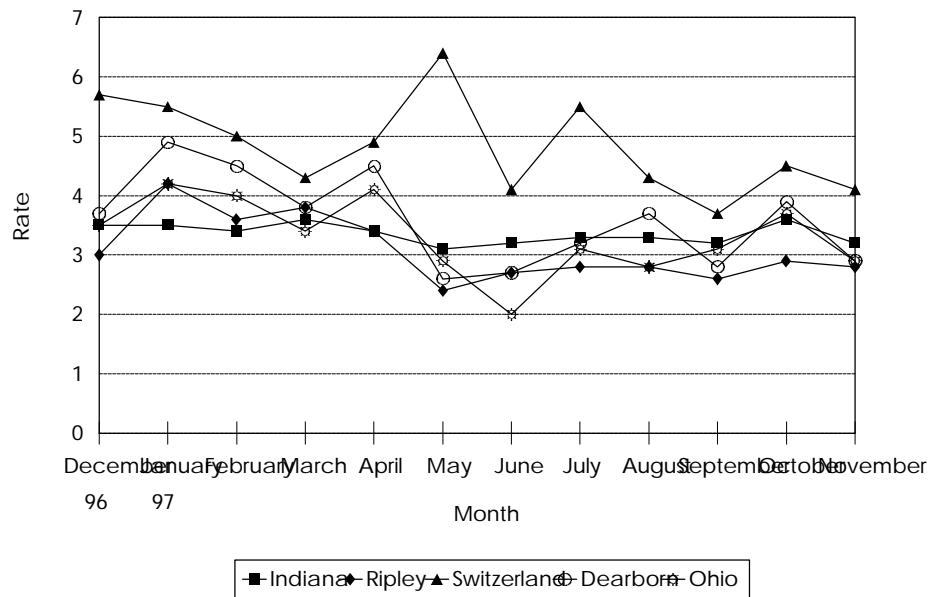
⁵ Argosy's turnstile and admission counts declined in September 1997 and October 1997 because the casino was not operating from September 24-30 and October 2-3.

Figure 2: First Year Gaming Receipts for Argosy Casino L



As Figure 3 illustrates, unemployment rates for Dearborn, Ohio, Ripley, and Switzerland counties have decreased since 1996, as has the state unemployment rate. Obviously, the opening of riverboats in the area had an effect on unemployment as did the growing economy in the region. However, as of November 1997, the unemployment rate for Switzerland County (4.1 percent, or 149 people) still was above the state unemployment rate (3.2 percent). In contrast, the unemployment rates for Dearborn, Ohio, and Ripley counties fell below Indiana's rate.

Figure 3
Unemployment Rate: Ohio, Dearborn, Ripley, and Switzer



As of December 1997, 56 percent of Argosy employees were women, 7 percent were minorities, and 50 percent were Indiana residents. Argosy did not identify specific hiring goals for women, minorities, or Indiana residents in their application. As of December 1997, 49 percent of Argosy's employees were from out-of-state, with the majority from Ohio.

Local Economic Impact

In addition to the gaming taxes paid to the city and state, Argosy paid \$314,300 in sales and use taxes. Argosy accrued \$1,802,965 in estimated property taxes in 1997.⁶ Payroll of \$35.8 million and purchases of \$21.5 million from Indiana vendors also contributed to the local economy. Even though this spending has assisted many local merchants, there has not been a great deal of additional development in the downtown area as a result of the riverboat.

Impact on Tourism

Through December 1997, approximately 18 percent of the total trips to Argosy were made by Indiana residents, and approximately 4.2 percent of the total number of trips were from the local area. In 1997, Argosy had approximately 3.3 million paid admissions. This attendance is approximately 1.5 million greater than Argosy's attendance projection in their application.

According to the Dearborn County Convention and Visitors Bureau, hotel occupancy increased from 1996 to 1997. For example, the local innkeeper's tax totaled \$129,000 in 1997 compared to \$78,000 in 1996, a 60 percent increase. The bureau attributes this to increased visitation to Argosy Casino and Grand Victoria Casino and Resort in Rising Sun (Ohio County). It is impossible at this time to determine which of the southwestern Indiana riverboats these visitors attended. Grand Victoria opened their hotel in September 1997 and Argosy plans to open their hotel in May 1998.

Legal Issues

According to Argosy, the operation was not sued in 1997. A total of 25 arrests were made for incidences on Argosy property during this period. Approximately one-third of the arrests were for offenses related to minors (false identification or illegal presence in a tavern) whereas the other arrests were more varied. The largest arrest category was theft. Less than .0001 percent of total visits resulted in a citation or arrest.

Whereas the Lawrenceburg Police Department only saw an increase in public intoxication and DWI arrests after Argosy opened in December 1996, the Greendale Police Department experienced large increases in several arrest categories between 1996 and 1997. According to Greendale's police chief, from 1996 to 1997, DWI's increased from 25 to 46, traffic accidents increased from 192 to 231, criminal arrests increased from 113 to 200, and public intoxication arrests increased from 2 to 13. He attributes these increases to the fact that Argosy's temporary office building, training facility, and parking areas were located in Greendale from December 1996 through September 1997, creating a large influx of patrons and employees into Greendale.

Other Impacts

There are other impacts that can result from the location of a riverboat in a community. For example, compulsive gambling might become a problem, and as a result, lead to higher rates of bankruptcy and/or greater need for social services. From December 1996 through December 1997, 11 calls for help with gambling problems were made by Dearborn County residents to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. In addition, one call was made by a Ripley County resident and one call was made by an Ohio County resident during this period. In the previous year, no calls were made by residents of Dearborn, Ohio, or Ripley counties. The Commission for a Drug Free Indiana did not receive any calls from Switzerland County residents in 1996 or 1997. It should be noted that Grand Victoria Casino and Resort in Rising Sun (Ohio County) also serves this area.

In some smaller communities, we expect an impact on housing starts, school enrollment, and other factors from the new employees moving into the area. We examined school enrollments and found that they experienced little increase in Dearborn County (.54 percent) and Ohio County (.10 percent) and increased slightly in Ripley (1.61 percent) and Switzerland (1.34 percent) counties.

Argosy has made efforts to minimize negative impacts. Argosy employees receive a one-hour training session on compulsive gambling developed by Harrah's during their orientation program. Argosy also distributes a brochure on compulsive gambling as well as a card for the 1-800-9-WITH-IT help line that is sponsored by the Indiana State Department of Health.

⁶ This is Argosy's estimate of the property taxes that the operation accrued during December 1996 through December 1997. Although these taxes were assessed in 1997, Argosy is not required to pay property taxes to the city of Lawrenceburg until Spring 1998.

Summary of Findings

Argosy has met or exceeded the requirements of their certificate of suitability in the following areas:

- Argosy spent a total of \$198.2 million on development, \$32 million more than estimated for Year 1 in their agreement with the city of Lawrenceburg.
- Argosy is on schedule with all of their incentive payments.
- Argosy has sponsored several community events and the company has made numerous donations to community groups.
- Employment totaled 1,602 employees, significantly more than projected, and wages, benefits, and tips were \$35.8 million, also greater than projected.
- State and local gaming taxes were significantly greater (\$8.8 million) than projected.
- Argosy paid \$314,300 in sales and use taxes.
- Argosy has been proactive in developing programs for compulsive gambling.

Argosy has not met its projections in the following areas:

- Receipts per passenger per trip averaged \$39, less than Argosy's estimate of \$61 in their application.

We are not able to determine compliance in the following area:

- OMBD currently is reviewing the information provided by Argosy to determine compliance with MBE/WBE requirements.