

Second Year Evaluation of Riverboat Licensee for Lawrenceburg, Indiana: Argosy Casino

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Introduction.....	0
Project Development and Investment.....	1
Development Activities.....	1
Other Commitments.....	1
Community Activity.....	3
Minority/Women Business Enterprise.....	3
Economic and Fiscal Impacts.....	3
Employment and Earnings Impacts.....	3
Local Economic Impact.....	6
Impact on Tourism.....	6
Legal Issues.....	7
Other Impacts.....	7
Summary of Findings.....	8

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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 second 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 is approximately 75,000 square feet and accommodates 4,400 passengers and crew. Argosy's permanent facilities include an 187,000-square-foot pavilion and a 300-room hotel that opened in May 1998. In 1998, Argosy completed its "Party Room"; a 5,000-square-foot banquet facility on the third floor of the pavilion, and the company added 250 slot machines to the casino.

As Table 1 illustrates, Argosy spent \$230.6 million through Year 2 in contrast to the \$166 million promised in the certificate for the development of the project. As shown by Table 1, Argosy spent more than projected in all categories but one, the vessel.

Table 1: Actual Versus Predicted Development Costs Through 12/31/98

Development	Certificate of Suitability	1997 Actual	1998 Actual	Difference
Vessel	\$48,000	\$36,900	\$3,291	(\$7,809)
Gaming equipment/FF&E	19,000	17,900	13,235	12,135
Entertainment complex (300-room hotel, parking garage, land, restaurants, terminal buildings, and temporary facilities)	96,000	127,700	15,949	47,649
Soft costs	3,152	15,700		12,548
Total Development	\$166,152	\$198,200	\$34,473	\$64,523

Other Commitments

As Table 2 illustrates, Argosy is on or ahead of 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

Incentive	Promised Amount	Recipient	Amount Paid Through 12/31/97	Amount Paid through 12/31/98	Status
Fixed Incentives					
Infrastructure Improvements		City of Lawrenceburg			
Utilities-Riverboat Specific					
1. Water System	\$25		\$25		Completed

					Year 1
2. Wastewater System	\$200		\$200		Completed Year 1
3. Electrical	\$1,000		\$1,000		Completed Year 1
Utilities-City System					
4. Water System	\$1,475		\$1,475		Completed Year 1
5. Wastewater System	\$10,309		\$3,309		Ongoing
6. Electrical	\$750		\$750		Completed Year 1
7. Fire and Emergency Vehicles	\$1,015		\$1,105		Completed Year 1
8. Improvements to U.S. 50/I-275	\$7,024		¹ \$500		Completed Year 1
9. Environmental Studies	\$50		\$500		Completed Year 1
Infrastructure Improvements	\$5,000	City of Lawrenceburg	To be paid in Year 2	\$5,000	Completed Year 2
Infrastructure Improvements	\$2,000	City of Lawrenceburg	To be paid in Year 3	\$1,950*	Completed Year 2
Unrestricted Grants	\$12,000	City of Lawrenceburg	\$11,600		Completed Year 1
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	² \$5,363	\$16,671	Ongoing
Other Incentives					
U.S. 50 Improvements	Not in certificate.	Indiana Department of Transportation, Greendale Utilities	\$3,859		Completed Year 1

*Argosy paid the third year \$2 million payment in December of 1998. In return for the early payment, Argosy received a \$49,439 credit.

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 admission and wagering tax revenue that was received by the city of Lawrenceburg during the period July 1997 through December 1997 and one-half of the revenue that was received in 1998. Table 3 shows revenue-sharing distributions for these periods.

Table 3: Lawrenceburg Revenue Sharing Distributions,

Recipient	Total-1997, 7/97 – 12/97	Total 1998 1/98-12/98
St. Leon	\$36,923.74	\$163,315.89

¹ 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.

² 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 riprap.

Moore Hill	48,543.08	214,708.99
Greendale	299,521.21	1,324,800.11
Dillsboro	90,114.59	398,582.11
Aurora	294,873.47	1,304,242.88
West Harrison	23,496.92	103,928.30
Aurora Library Foundation, Inc.	25,820.79	114,206.95
Lawrenceburg Library Foundation, Inc.	25,820.79	114,206.94
Sunman-Dearborn Education Foundation, Inc.	77,462.37	342,620.73
Dearborn County	1,291,039.78	5,710,345.42
Lawrenceburg Schools Education Foundation, Inc.	77,462.37	342,620.73
South Dearborn Schools Education Foundation, Inc.	77,462.37	342,620.73
Ivy Tech State College	73,776.49	326,317.67
Area 12 Council on Aging and Community Services	46,587.18	206,057.81
Dearborn Adults	46,587.18	206,057.81
Dearborn County Youth	46,587.17	206,057.81
TOTAL	\$2,582,079.50	\$11,420,690.88

Community Activity

In 1998 Argosy made donations to more than 400 community groups including the American Red Cross, American Cancer Society, American Heart Association, Boys and Girls Club, United Way, Lawrenceburg High School, Lawrenceburg Fire Department, Dearborn County Chamber of Commerce, 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 recently has submitted the 1996 and 1997 expenditure reports for Argosy. The Commission has not yet audited these reports.

According to the OMBD, in 1996, 3.47 percent of Argosy's purchases were from minority-owned businesses and 1.35 percent were from women-owned businesses. In 1997, 4.37 percent of purchases were from minority-owned businesses and 4.31 percent of purchases were from women-owned businesses. According to Argosy, in 1998, 3.5 percent of their purchases were from minority-owned businesses and 10.06 percent were from women-owned businesses.

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 \$33.29 million. As of December 31, 1998, Argosy had 2,155 employees. For 1998, salaries and wages were approximately \$60.2 million, including tips to dealers (but not to bar and wait staff). Full-time employees receive benefits, which include health care coverage and life insurance.

As Table 4 illustrates, in 1998, Argosy had adjusted gross gaming receipts of \$264.4 million, or \$115 million more than their application estimate. Total state taxes were \$46.3 million, \$21.2 million more than projected. Total local taxes were \$26.5 million, \$13.5 million more than projected.

As Tables 4 and 5 indicate, Argosy exceeded forecasts in Years 1 and 2 in all areas except win-per-patron per cruise

Table 4: Comparison of Forecast to Actual Argosy Operation, Year 2

Category	Application Forecast Year 2	Actual 1998	Difference
Employment as of 12/98	900	2,155	1,255
Total Wages, Tips, & Benefits	\$33,427,764	\$60,248,756	\$26,820,992
Attendance	\$2,706,291	\$6,637,425	\$3,931,134
Gross Gaming Receipts	\$149,000,000	\$264,422,795	\$115,422,795
\$ per Patron per Cruise	\$55*	\$40	(\$15)
Gaming Tax (State)	\$22,350,000	\$39,663,419	\$17,313,419
Gaming Tax (Local)	\$7,450,000	\$13,211,140	\$5,761,140
Admission Tax (State)	\$2,706,291	\$6,637,425	\$3,931,134
Admission Tax (County)	\$2,706,291	\$6,637,425	\$3,931,134
Admission Tax (City)	\$2,706,291	\$6,637,425	\$3,931,134

*Applicant average for Lawrenceburg was \$56.

Table 5: Comparison of Forecast to Actual Argosy Operation, Year 1

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 6 indicates, Argosy's actual performance increased substantially from Year 1 to Year 2 in every category, except for dollars per patron per cruise, which increased slightly. In most of 1997 Argosy operated a vessel that accommodated 2,250 passengers and crew while in 1998 the vessel could accommodate 4,400 passengers and crew and had three times the square feet.

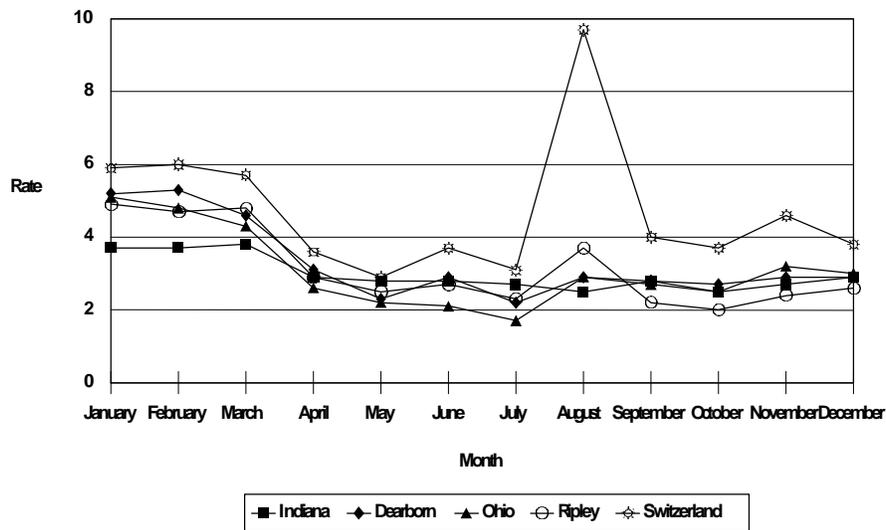
Table 6: Comparison of Year 1 to Year 2

Category	Actual 1997	Actual 1998	Difference
Employment as of 12/31/97	1,602	2,155	553
Total Wages, Tips & Benefits	\$35,825,259	\$60,248,756	\$24,423,497
Attendance	3,282,229	6,637,425	3,355,196
Gross Gaming Receipts	\$129,273,550	\$264,422,795	\$135,149,245
\$ per Patron per Cruise	\$39	\$40	\$1
Gaming Tax (State)	\$19,391,033	\$39,663,419	\$20,272,386
Gaming Tax (Local)	\$6,463,678	\$13,211,140	\$6,747,462
Admission Tax (State)	\$3,282,229	\$6,637,425	\$3,355,196
Admission Tax (County)	\$3,282,229	\$6,637,425	\$3,355,196
Admission Tax (City)	\$3,282,229	\$6,637,425	\$3,355,196

As Figure 1 illustrates, unemployment rates for Dearborn, Ohio, Ripley, and Switzerland counties have decreased in 1998, as has the state unemployment rate. Obviously, the riverboats in the area have had an effect on unemployment, as did the growing economy in the region. However, as of December 1998, the unemployment rate for Switzerland County (3.8 percent, or 135 people) still was above the state unemployment rate (2.9 percent). In contrast, the unemployment rates for Dearborn, Ohio, and Ripley counties were close to or below Indiana's rate.

Figure 1

1998 Unemployment Rates: Ohio, Dearborn, Ripley, and Switzerland Counties



As of December 1998, 53 percent of Argosy employees were women, 8 percent were minorities, and 48 percent were local residents. Argosy did not identify specific hiring goals for women, minorities, or Indiana residents in their application.

Local Economic Impact

In addition to the gaming taxes paid to the city and state, Argosy paid \$974,506 in sales and use taxes and \$902,747 in property taxes in 1998. Payroll of \$60.28 million and purchases of \$2.6 million from local 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. Two new daycare centers were built and have begun operations less than a mile from Argosy on U.S. 50 in Greendale and a 96-unit apartment complex is under construction on U.S. 50 in Lawrenceburg.

In addition, the city has contributed to the impact with several projects funded with gaming revenue:

- Construction of \$5 million Ivy Tech State College campus
- Purchase of the three Golden Nugget owned blocks in the downtown riverfront business section using \$3.5 million
- Donation of \$800,000 to YMCA to build a family swim center on city donated property
- Renovations to Arch Street Park and the Center Street pedestrian park
- Construction of Riverside Park and a serpentine wall with a platform for outdoor entertainment. The Levee Walk recreational and historical path was completed over the winter.

Impact on Tourism

Through December 1998, Indiana residents made approximately 20 percent of the total trips to Argosy, and approximately 3 percent of the total number of trips were from the local area. In 1998, Argosy had approximately 6.6 million paid admissions. This attendance is approximately 3.4 million greater than Argosy's attendance projection in their application.

According to the Dearborn County Convention and Visitors Bureau, hotel occupancy increased from 1997 to 1998. For example, the local innkeeper's tax totaled \$276,412 in 1998 compared to \$129,000 in 1997 and \$78,000 in 1996. The bureau attributes this to increased visitation to Argosy Casino and Grand Victoria Casino and Resort in Rising Sun (Ohio County). Argosy provides brochure rack space to the tourism bureau on their property in an effort to promote Southeastern Indiana attractions. They also work closely with the Tourism Bureau and Chamber of Commerce to help promote/market the region.

Legal Issues

According to Argosy, ten lawsuits were filed against them in 1998: one contract claim, one patron injury claim and eight employee injury claims. The State Police made a total of 69 arrests for incidents on Argosy property during this period. The largest categories were public intoxication and theft. Less than .0001 percent of total visits resulted in a citation or arrest.

According to the Lawrenceburg Police Department overall case reports increased 21 percent from 1997 to 1998 and Argosy-related arrests for public intoxication, DWI, theft, and property damage increased from 1997 to 1998.

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 1997 through November 1998, eight 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. No calls were made by a Ripley County resident or an Ohio County resident during this period. In the previous year, 11 calls were made by residents of Dearborn county and one call was received from Ohio county and one from Ripley county. The Commission for a Drug Free Indiana did not receive any calls from Switzerland County residents in 1996, 1997, or 1998. It should be noted that Grand Victoria Casino and Resort in Rising Sun (Ohio County) also serves this area.

Argosy has made efforts to minimize negative impacts. Argosy employees receive a one-hour training session on compulsive gambling 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 Mental Health. They have voluntarily extended the help line number to all print ads and other marketing materials.

Summary of Findings

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

- Argosy spent a total of \$230.7 million on development, \$64.6 million more than estimated in their certificate.
- Argosy is on or ahead of 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 2,155 employees, significantly more than projected, and wages, benefits, and tips were \$60.2 million, also greater than projected.
- State and local gaming taxes were significantly greater (\$34.7 million) than projected.
- Argosy paid \$974,506 in sales and use taxes and \$902,747 in property 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 \$40, less than Argosy's estimate of \$55 in their application.

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

- The Commission is currently reviewing the information provided by OMBD and Argosy to determine Argosy's compliance with MBE/WBE requirements.