

Third Year Evaluation of Riverboat Licensee for Lawrenceburg, Indiana: Argosy Casino January-December 1999

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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.....	6
Local Economic Impact.....	11
Impact on Tourism.....	11
Legal Issues.....	11
Other Impacts.....	12
Summary of Findings	13

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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 third 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. In the spring of 1999, Argosy completed the \$1.4 million construction of a 7,500-square-foot high-limit area for slots and Blackjack.

Argosy spent \$234.8 million through Year 3 in contrast to the \$166 million promised in the Certificate for the development of the

project. Argosy spent more than projected in all categories but one, the vessel.

Other Commitments

As Table 1 illustrates, Argosy is on or ahead of schedule with all of its 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. All fixed incentives have been paid. The only ongoing incentive is the contingent incentive to the city of Lawrenceburg but in 1999 that totaled more than \$22 million.

Table 1: Schedule and Description of Incentive Payments (\$000)

Incentive	Promised Amount	Recipient	Amt. Paid Through 12/31/97	Amt. Paid in 1998	Amt. Paid in 1999	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		\$500 ¹			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 ²		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%	City of Lawrenceburg	\$5,363 ³	\$16,671	\$22,083	Ongoing
	150 to 200 = 6%					
	200 to 250 = 9%					
	250 to 300 = 12%					
	300+ = 14%					
Other Incentives						
U.S. 50 Improvements	Not in Certificate	IN Dept. of Transportation, Greendale Utilities	\$3,859			Completed Year 1

¹Argosy 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 to 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.

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

³Argosy 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.

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 2 shows revenue sharing distributions for these periods.

The city has completed more than \$30 million of infrastructure improvements including an \$11 million regional sewer plant expansion and more than \$5 million in street, sidewalk and lighting improvements. A new \$5 million Ivy Tech State college campus, financed by the city, opened in spring of 1999 on 15 acres of city-donated land. In 1998 the City Council approved an \$800,000 donation to the YMCA to help build a family swim center to serve county residents. Construction is scheduled to begin in 2000. Finally, Dearborn County was able to complete \$6 million worth of roadwork in 1999 compared to \$1 million before the riverboat.

Table 2: Lawrenceburg Revenue Sharing Distributions

Recipient	Total 1999
St. Leon	\$152,341
Moore's Hill	\$200,281
Greendale	\$1,235,775
Dillsboro	\$371,798
Aurora	\$1,216,600
West Harrison	\$96,944
Aurora Library Foundation, Inc.	\$106,532
Lawrenceburg Library Foundation, Inc.	\$106,532
Sunman-Dearborn Education Foundation, Inc.	\$319,597
Dearborn County	\$5,326,619
Lawrenceburg Schools Education Foundation, Inc.	\$319,597
South Dearborn Schools Education Foundation, Inc.	\$319,597
Ivy Tech State College	\$304,683
Area 12 Council on Aging and Community Services	\$191,758
Dearborn Adults	\$191,758
Dearborn County Youth	\$191,758
TOTAL	\$10,652,172

Community Activity

Argosy's senior management is represented on many boards in the Lawrenceburg area, including the Dearborn County Chamber of Commerce Board, Dearborn County Convention Board, Visitor & Tourism Board, Lawrenceburg Main Street Board, and the Kentucky Council on Compulsive Gambling.

In 1999, Argosy made sponsorships or donations to more than 600 community groups including the American Diabetes Association, American Heart Association, the American Legion, Boys and Girls Club, United Way, Lawrenceburg High School, Lawrenceburg Fire Department, Dearborn County Hospital, Salvation Army, Special Olympics, and Mothers Against Drunk Drivers.

In 1999, Argosy employees participated in several community events including Warm the Children, Shop with a Cop, United Way fund drive, and Lawrenceburg Spring Clean-Up.

Minority/Women Business Enterprise

The Office of Minority Business Development and the Indiana Gaming Commission are currently 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 its employees in September 1996. Argosy provided training for all riverboat-related positions.

As Table 3 indicates, Argosy estimated in its application that it would employ 900 persons in the casino and hotel for annual wages totaling approximately \$33.29 million. As of December 31, 1999, Argosy had 2,261 employees, more than twice its estimate. For 1999, salaries and wages were approximately \$70.9 million, including tips to dealers (but not to bar and wait staff), 81 percent more than estimated. Full-time employees receive benefits, which include health-care coverage and life insurance.

As Table 3 illustrates, in 1999, Argosy had adjusted gross gaming receipts of \$308.2 million, or \$128.1 million more than its application estimate. Total state taxes were \$53.6 million, \$23.2 million more than projected. Total local taxes were \$30 million, \$14.4 million more than projected.

As Tables 3, 4 and 5 indicate, Argosy has exceeded forecasts in each year in all areas except win-per-patron per cruise.

Table 3: Comparison of Forecast to Actual Argosy Operation, Year 3

Category	Application Forecast Year 3	Actual 1999	Difference
Employment as of 12/99	900	2,261	1,361
Total Wages, Tips, & Benefits	\$39,205,952	\$70,888,301	\$31,682,349
Attendance	3,281,715	7,308,973	4,028,258
Gross Gaming Receipts	\$180,000,000	\$308,166,115	\$128,166,115
\$ per Patron per Cruise	\$55 ^a	\$42	(\$13)
Gaming Tax (State)	\$27,000,000	\$46,227,670	\$19,227,670
Gaming Tax (Local)	\$9,000,000	\$15,409,223	\$6,409,223
Admission Tax (State)	\$3,281,715	\$7,308,973	\$4,028,258

Admission (County)	Tax	\$3,281,715	\$7,308,973	\$4,028,258
Admission (City)	Tax	\$3,281,715	\$7,308,973	\$4,028,258

⁴Applicant average for Lawrenceburg was \$56.

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

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 ⁴	\$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	\$1,770,228	\$3,282,229	\$1,512,001

(State)				
Admission (County)	Tax	\$1,770,228	\$3,282,229	\$1,512,001
Admission (City)	Tax	\$1,770,228	\$3,282,229	\$1,512,001

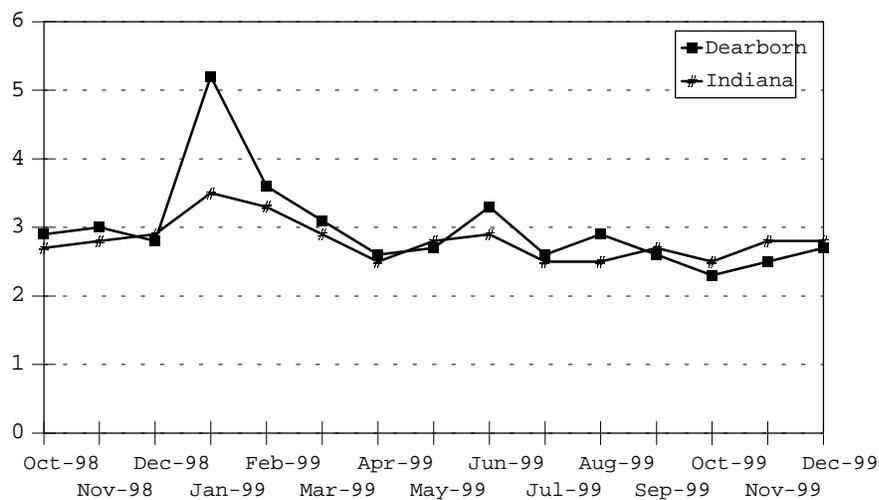
As Table 6 indicates, Argosy's actual performance increased substantially from Year 1 to Year 2 to Year 3 in every category, except for dollars per patron per cruise, which increased slightly. In most of 1997, Argosy operated a vessel that accommodated 2,250 passengers and crew. In 1998 the vessel could accommodate 4,400 passengers and crew and had three times more gaming space.

Table 6: Comparison of Year 1 to Year 2 to Year 3

Category	Actual 1997	Actual 1998	Actual 1999	Difference 1998-99
Employment as of 12/31	1,602	2,155	2,261	106
Total Wages, Tips & Benefits	\$35,825,259	\$60,248,756	\$70,888,301	\$10,639,545
Attendance	3,282,229	6,637,425	7,308,973	671,548
Gross Gaming Receipts	\$129,273,550	\$264,422,795	\$308,166,115	\$43,743,320
\$ per Patron per Cruise	\$39	\$40	\$42	\$2
Gaming Tax (State)	\$19,391,033	\$39,663,419	\$46,227,670	\$6,564,251
Gaming Tax (Local)	\$6,463,678	\$13,211,140	\$15,409,223	\$2,198,083
Admission Tax (State)	\$3,282,229	\$6,637,425	\$7,308,973	\$671,548
Admission Tax (County)	\$3,282,229	\$6,637,425	\$7,308,973	\$671,548
Admission Tax (City)	\$3,282,229	\$6,637,425	\$7,308,973	\$671,548

Dearborn County's unemployment rate has stayed low in 1999, as has the state unemployment rate. In December of 1999 Dearborn County's unemployment rate was 2.7 percent while the state of Indiana's unemployment rate was 2.8 percent.

Figure 1: 1999 Unemployment Rates in Indiana and Dearborn County



Source: Center for Urban Policy and the Environment

As of December 1999, 54 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 its application.

Local Economic Impact

In addition to the gaming taxes paid to the city and state, Argosy paid \$1,070,848 in sales and use taxes and \$1,438,553 in property taxes in 1999. Payroll of \$70.9 million and purchases of \$3.0 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. The city has reached agreement with Historic Landmarks and is in the Master Plan phase of developing the downtown buildings that they acquired from Golden Nugget.

Impact on Tourism

Through December 1998, Indiana residents made approximately 20 percent of the total trips to Argosy, and approximately three percent of the total number of trips were from the local area. In 1998, Argosy had approximately 7.3 million paid admissions. According to Argosy, its hotel occupancy rate was approximately 83 percent in 1999.

According to the Dearborn County Convention and Visitors Bureau, hotel occupancy increased from 1998 to 1999. For example, the local innkeeper's tax totaled \$361,021; a 31-percent increase from the \$276,412 in 1998 and 180-percent increase over 1997. 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 its property in an effort to promote Southeastern Indiana attractions. It also works closely with the Tourism Bureau and Chamber of Commerce to help promote/market the region.

Legal Issues

According to Argosy, nine lawsuits were filed against them in 1999: one property damage claim, six patron injury claims, and two employee injury claims. The State Police made a total of 62 arrests for incidents on Argosy property during this period. The largest categories were public intoxication and disorderly conduct. Less than .0001 percent of total visits resulted in a citation or arrest.

According to the Lawrenceburg Police Department while Argosy-related arrests for public intoxication, DWI, theft, and property damage increased from 1997 to 1998. From 1998 to 1999, there was little change.

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. In 1999, Dearborn County residents made two calls for help with gambling problems to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. One call was made by a Ripley County resident and one call was made by an Ohio County resident during this period. 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 its 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. In addition to posting gambling awareness signs at casino entrances, ATM machines, and ticketing windows, it has extended the help-line number to all print ads and other marketing materials. Argosy has a self-banning program that permanently bans the patron from Argosy property. They are removed from all mailings and are subject to arrest for trespass if they return.

Summary of Findings

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

- Argosy spent a total of \$234.8 million on development, \$68.8 million more than estimated in its Certificate.
- Argosy is on schedule with all of its incentive payments.
- Argosy has sponsored or made donations to over 600 community groups.
- Employment totaled 2,261 employees, significantly more than projected, and wages, benefits, and tips were \$70.9 million, also greater than projected.
- State and local gaming taxes were significantly greater (\$37.6 million) than projected.
- Argosy paid \$1,070,848 in sales and use taxes and \$1,438,553 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 \$42, less than Argosy's estimate of \$55 in its application.