

Third Year Evaluation of Riverboat Licensee for Evansville, Indiana: Aztar Indiana Gaming Corporation

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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 February 10, 1995, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Evansville, Indiana. Although it was the third operation to receive a Certificate of Suitability, Aztar Indiana Gaming Corporation (Aztar) opened on December 7, 1995. Thus, Evansville was the site of the first Indiana riverboat. This report is an evaluation of Aztar's third year of operation, January 1998 through December 1998.

Project Development and Investment

Development Activities

In the Certificate of Suitability (referred to throughout as certificate), Aztar committed to spend approximately \$100 million on project development, in addition to pledging to the city of Evansville other incentives totaling several million dollars. As of December 1996, Aztar had spent approximately \$121 million, \$21 million more than agreed to in the certificate for the development of the project. In 1997, Aztar spent an additional \$108,000 on operating equipment and supplies for the project. Aztar spent an additional \$1.4 million in capital expenditures in 1998.

As Table 1 illustrates, Aztar is on or ahead of schedule with their incentive payments. Although the city of Evansville received many of these payments in 1996, the city postponed many expenditures until 1997. Table 2 details city expenditures from the gaming revenue and incentives to date.

The city has committed much more than Aztar's contribution to the Victory Theater and Downtown Learning Center projects. The Downtown Learning Center project is converting the old Sonntag Hotel into a center that will link the city's two universities and public and Catholic secondary school systems. The city also restored Victory Theater to its original grandeur. This project was completed in summer 1998 and the theater reopened on September 13, 1998. The Vanderburgh Auditorium contribution (\$750,000 over three years) also is part of a larger project. The county facility currently is undergoing a \$30 million renovation and expansion, making it a full-service facility with 40,000 square feet of convention space. It is scheduled to open by the fall of 1999.

To promote new development and renovation of existing buildings downtown, the city of Evansville developed a Downtown Revitalization Loan Program. The fund provides low-interest loans up to \$100,000 that must be matched with cash from the borrower or financing source. The fund is targeting revitalization of the area bounded by Walnut Street, Sycamore Street, Martin Luther King Jr. Boulevard, and Riverside Drive. To date, more than \$133,000 in loans have been granted to local businesses (see Table 2).

Table 1: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Through 12/31/96	Amount Paid 1/97 through 12/97	Amount Paid 1/98 through 12/98	Status
A) Riverfront Park Lease	First 5 years: 2% of AGR to \$50 million, then 3% of AGR above \$50 million, minimum of \$1 million. Percents increase in later years.	City of Evansville	\$2,900	\$2,710	\$2,778	Ongoing
B) Downtown Revitalization	Greater of \$1 million or 2% of AGR per year for	City of Evansville	\$2,300	\$2,135	\$2,210	Ongoing

	the first 5 years.					
C) Economic Development	\$1,000 (\$200/yr over 5 yrs)	City of Evansville	\$217	\$200	\$200	Ahead of schedule
D) Pigeon Creek Greenway	\$250 (\$50/yr over 5 yrs)	City of Evansville	\$54	\$50	\$50	Ahead of schedule
E) Vanderburgh Auditorium	\$750 (\$250/yr over 3 yrs)	Vanderburgh County	\$500	\$250		Completed Year 2
F) Evansville ONE	\$1,250 (\$250/yr over 5 yrs)	City of Evansville	\$250	\$250	\$250	On schedule
G) Downtown Learning Center	\$1,000	City of Evansville	\$1,000	--		Completed Year 1
H) Victory Theater	\$1,000	City of Evansville	\$1,000	--		Completed Year 1
I) United Way	\$200	United Way of Southwestern Indiana	\$200	--		Completed Year 1
J) Dress Plaza	\$3,000	City of Evansville	\$1,000 cash plus riverfront property to be converted into a park by the city in lieu of \$2 million cash.	\$2,000 (property transferred to the city on 2/5/97)		Completed Year 2
K) Disaster Plan	up to \$50	City of Evansville	Developed by Aztar	--		Completed Year 1
L) Park Replacement	up to \$3,000	City of Evansville	\$1,900 for the acquisition and transfer of land to the city.	--		Completed Year 1
M) Burdette Park	\$100	Vanderburgh County	\$100	--		Completed Year 1

Table 2: City of Evansville Authorized Budgeted Expenditures

Expenditure	1996	1997	1998
Park Conversions/Expansions	\$3,256	\$164,451	\$1,698,184
Mesker Zoo Improvements	109,018	258,880	484,918
Storm Sewer Improvements	1,050,000	1,050,000	2,170,000
Street Repair	500,000	1,000,000	975,000
Learning Center Transfer	1,000,000	--	0
Victory Theater Transfer	1,000,000	--	0
Downtown Revitalization Improvements	77,709	34,781	28,355
Downtown Revitalization Loans	33,650	--	100,000
Economic Development Loans Transfer	200,000	200,000	200,000
Pigeon Creek Greenway Transfer	50,000	50,000	50,000
Victory Theatre Debt Service	--	1,500,000	1,353,000
Pigeon Creek Greenway	--	750,000	0
Fire Improvements	--	280,000	0
Police Equipment/Improvements	--	52,636	809
Development Corp. Grant	--	5,000	75,000
Sycamore Street Parking Garage	--	13,155	1,603,857
Parking Expenses	--	226	699
Geographic information system			17,500
Project Riverfront			382,272
Misc. Equipment (METS, Highway, Dispatch)			243,635
Underground tanks			503,853
Stadium Equipment/improvement			94,114
Cemetery improvements			177,699
Unsafe bldg. Structure			65,000
Golf course improvements			1,425,000
Total Budgeted Expenditures	\$4,023,633	\$8,047,266	\$11,650,890

Community Activity

Aztar's senior management is represented on many boards of directors in the Evansville area, including Metropolitan Evansville Chamber of Commerce, Evansville Philharmonic, Deaconess Hospital Foundation, Tri-State Minority Supplier Development Council, and Arts Council of Southwest Indiana.

In 1998, Aztar sponsored several community events, including the Arts Festival River Run, Ohio River Arts Festival, Big Brothers Big Sisters Golf Tournament and Auction, Downtown after Sundown, Easter Seal Society Senior Golf Series, Evansville Freedom Festival including Evansville's 4th of July fireworks celebration, Leadership Evansville Celebration of Leadership, and Riverfest'98. Aztar also made contributions to many community groups and service organizations, including the Evansville Catholic High School Capital Campaign, Henderson Economic Development Council, ECHO Housing Corp., Salvation Army Toy Town, Evansville Philharmonic Orchestra, and United Way of SW Indiana.

Minority/Women Business Enterprise

In the Indiana riverboat legislation, the Indiana General Assembly stated that the opportunity for full minority and women's business enterprise participation in the riverboat industry is essential if social and economic parity is to be obtained by minority and women business persons and if the economies of the riverboat cities are to be stimulated as contemplated by this legislation. Aztar committed to meet the goals of the legislation in their first and second years. According to their goals, Aztar said 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 in Year 2. 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 has recently submitted the 1996 and 1997 expenditure reports for Aztar. The Commission has not yet audited these reports.

According to the OMBD, in 1996, 4.45 percent of Aztar's purchases were from minority-owned businesses and 3.57 percent were from women-owned businesses. In 1997, 2.34 percent of purchases were from minority-owned businesses and 11.93 percent of purchases were from women-owned businesses. In addition, Aztar reports that in 1998, 6.53 percent of Aztar's purchases were from minority-owned businesses and 15.94 percent from women-owned businesses.

Economic and Fiscal Impacts

Employment and Earnings Impacts

As Table 3 indicates, in Year 2, Aztar estimated employment of 1,400 persons in both the casino and hotel for annual wages totaling approximately \$27 million. As of December 31, 1998, Aztar had 1,187 employees, 213 fewer than estimated in their application and 77 fewer employees than in 1997 (see Table 4). For 1998, salaries and wages were \$33 million, including tips to dealers (but not to bar and wait staff), approximately \$5.8 million more than Aztar's application estimate. Full- and part-time employees receive benefits that include health care coverage and vacation time.

As Table 3 illustrates, in 1998, Aztar had adjusted gross gaming receipts of \$110.5 million, or 20 percent more than their application estimate. Additionally, Aztar's attendance was higher than their 1998 estimate by 30 percent. Aztar slightly overestimated the receipts per passenger per trip. Total local taxes were \$9.7 million, \$1.9 million more than Aztar's estimate, and total state taxes were \$18.7 million, \$3.4 million more than their estimate for 1998.

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

Category	Application Forecast Year 3	Actual 1998	Difference
Employment as of 12/31/98	1,400	1,187	(213)
Total Wages, Tips & Benefits	\$27,214,000	\$33,043,980	\$5,829,980
Attendance	1,608,117	2,090,804	482,687
Gross Gaming Receipts	\$92,414,000	\$110,487,677	\$18,073,677
\$ per Patron per Cruise	\$57	\$53	(\$4)
Gaming Tax (State)	\$13,682,100	\$16,573,152	\$2,892,052
Gaming Tax (Local)	\$4,620,700	\$5,524,383	\$903,683
Admission Tax (State)	\$1,608,117	\$2,090,804	\$482,687
Admission Tax (County)	\$1,608,117	\$2,090,804	\$482,687
Admission Tax (City)	\$1,608,117	\$2,090,804	\$482,687

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

Category	Application Forecast Year 2	Actual 1997	Difference
Employment as of 12/31/97	1,400	1,264	(136)
Total Wages, Tips & Benefits	\$27,214,000	\$33,236,416	\$6,022,416
Attendance	2,341,135	2,086,712	(254,423)
Gross Gaming Receipts	\$145,455,000	\$107,023,831	(\$38,431,169)
\$ per Patron per Cruise	\$62	\$51	(\$11)
Gaming Tax (State)	\$21,818,250	\$16,053,575	(\$5,764,675)
Gaming Tax (Local)	\$7,272,750	\$5,351,192	(\$1,921,558)
Admission Tax (State)	\$2,341,135	\$2,086,712	(\$254,423)
Admission Tax (County)	\$2,341,135	\$2,086,712	(\$254,423)
Admission Tax (City)	\$2,341,135	\$2,086,712	(\$254,423)

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

Category	Application Forecast Year 1	Actual 1996	Difference
Employment as of 12/31/96	1,400	1,308	(92)
Total Wages, Tips & Benefits	\$27,214,000	\$29,722,000	\$2,508,000
Attendance	2,295,230	2,311,476	16,246
Gross Gaming Receipts	\$138,440,000	\$106,134,093	\$(32,305,907)
\$ per Patron per Cruise	\$60	\$46	\$(14)
Gaming Tax (State)	\$20,766,000	\$15,941,238	\$(4,824,762)
Gaming Tax (Local)	\$6,922,000	\$5,313,746	\$(1,608,254)
Admission Tax (State)	\$2,295,230	\$2,311,480	\$16,250
Admission Tax (County)	\$2,295,230	\$2,311,480	\$16,250
Admission Tax (City)	\$2,295,230	\$2,311,480	\$16,250

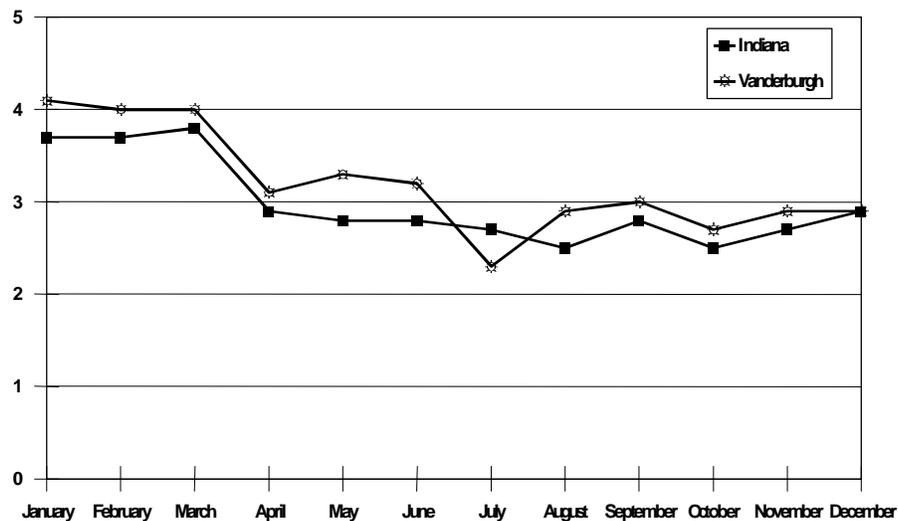
Table 6 shows that Aztar's attendance increased by approximately 4,000 admissions between Year 1 and Year 2, causing a slight increase in admission taxes for state and local government. Aztar employed 77 fewer workers in Year 2 than in Year 1. Aztar's gross gaming receipts and resulting state and local gaming taxes increased between Year 1 and Year 2, as did receipts per passenger per trip (see Table 5).

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

Category	Actual 1996	Actual 1997	Actual 1998	Difference 97-98
Employment as of 12/31	1,308	1,264	1187	(77)
Total Wages, Tips & Benefits	\$29,722,000	\$33,236,416	\$33,043,980	(\$192,436)
Attendance	2,311,476	2,086,712	2,090,804	4,092
Gross Gaming Receipts	\$106,134,093	\$107,023,831	\$110,487,677	\$3,463,846
\$ per Patron per Cruise	\$46	\$51	\$53	\$2
Gaming Tax (State)	\$15,941,238	\$16,053,575	\$16,573,152	\$519,577
Gaming Tax (Local)	\$5,313,746	\$5,351,192	\$5,524,383	\$173,191
Admission Tax (State)	\$2,311,480	\$2,086,712	\$2,090,804	\$4,092
Admission Tax (County)	\$2,311,480	\$2,086,712	\$2,090,804	\$4,092
Admission Tax (City)	\$2,311,480	\$2,086,712	\$2,090,804	\$4,092

As of December 31, 1998, 53 percent of Aztar employees were women, 20 percent were minorities, 51 percent were from the 4th and 6th wards of Evansville (pursuant to a request by the city). In addition 75 percent were residents of Vanderburgh County, compared to their goal of hiring 90 percent of their employees from Vanderburgh County. In their application, Aztar's goal for their third year was to have 10 percent of director/vice presidents consist of minorities and 45 to 55 percent of directors/vice presidents consist of women. During Year 2, minorities comprised 15 percent of management and women comprised 42 percent of management, compared to Year 3 with minorities 13 percent of management and women 39 percent of management. In Year 3, minorities were 6.3 percent and women were 37.5 percent of directors/vice presidents.

As Figure 1 illustrates, Vanderburgh County's unemployment rate has decreased through 1998, as has the state unemployment rate. However, Vanderburgh County's unemployment rate decreased slightly faster, resulting in a similar unemployment rate for both Indiana and Vanderburgh County in 1998.

Figure 1: 1998 Unemployment Rate:

Local Economic Impacts

In addition to the gaming taxes paid to the city and state, in 1997, Aztar paid \$647,447 in sales and use taxes, \$66,524 in food and beverage taxes, and \$155,210 in innkeeper's tax. Aztar also paid \$1,992,654 in property taxes in 1998. Payroll of \$33 million and local purchases of \$7.7 million also contributed to the local economy.

Several restaurants and bars have opened in the vicinity of riverboat since it opened in 1995. Fast Eddie's Restaurant, and the Jungle Restaurant, and Fat Cat Cigar Lounge were new downtown developments in 1996 that the city and Aztar could identify as resulting from the riverboat. In 1997, several other restaurants and bars opened downtown, including The Alley Bar, Chili Peppers Tex-Mex Cantina, and Java Beans Restaurant. One factor that has encouraged this development is the city's classification of the area near Aztar as a Riverboat Development Area. Within this boundary, new bars and restaurants can pay the retail value instead of the market price for a liquor license. Another possible impact has been the purchase and \$10 million renovation of the Executive Inn, now a 400-room Radisson Hotel. In 1998 several new businesses opened downtown: Fran's Hope Chest, Maxines Antiques, Venue on 6th, Renaissance Body Works, and Starkey Inn Bed and Breakfast. In addition, Painted Bird, Oaks Printing, and Dunn's Hospitality have moved downtown and Stratman's Pharmacy and Riverview Antiques have expanded.

Besides spending with downtown merchants, Aztar has made numerous efforts to aid downtown development.

- Aztar offered free downtown trolley service to all of its customers. This program commenced in January 1996 and continues today.
- Aztar allowed regular customers who collect Fun Card points when they visit the casino to redeem them with participating downtown merchants.
- Aztar developed a four-color downtown retail/restaurant map showing the trolley route and historic points of interest that is distributed in the pavilion, hotel, and across downtown.
- For a second year, Aztar hosted, implemented and coordinated the "Upside Downtown" program, a cross-promotion with seven downtown restaurants targeting out-of-town visitors.
- Aztar features downtown businesses and events in their Premium Passenger Club newsletter, which is circulated to over 200,000 club members on a bi-monthly basis throughout the year.
- Aztar includes downtown Evansville Dining and Entertainment page in their hotel director, which is available to all hotel guests and they provide space for downtown retailers and restaurants to display their brochures.

Impact on Tourism

From January 1, 1998, through December 31, 1998, Indiana residents made approximately two-third of the trips to Aztar with the majority of the Indiana trips from the local market. In 1998, Aztar had approximately 2 million paid admissions. This attendance is 23 percent more than the Year 3 attendance projection in Aztar's application.

The local innkeeper's tax is a measure of the number of people staying in Evansville hotels. In 1998, innkeeper's tax revenue increased 8.7 percent from 1997, compared to a 5 percent increase from 1996-1997. In contrast, between 1995 and 1996, the innkeeper's tax increased by 20 percent, though it averaged annual growth of about 5 percent prior to 1995.

Legal Issues

Aztar was sued eight times during 1998. There were 61 persons arrested by the State Police during 1997. The largest categories were for outstanding warrants, narcotic violations, and public intoxication. In addition there were 12 citations issued, primarily for minor in a tavern or minor consumption. Less than .0001 percent of the total visits in 1998 resulted in a citation or arrest.

According to the Evansville Police Department, crime reports and arrests in the area around the boat did not increase from Year 2 to Year 3.

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 1998, 20 calls for help with gambling problems were made by Vanderburgh County residents to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. This is the same level of calls that were made in 1997.

Aztar has made efforts to minimize negative impacts. Aztar posts problem gambling awareness signs at casino entrances, ATM machines, and ticketing windows, as well as prints information about problem gambling on all tickets and collateral materials. Aztar has taken an active role in collaborating with the Indiana Division of Mental Health to develop programs for compulsive gamblers. In the meantime, Aztar is developing a program to utilize the services of the Kentucky Council on Problem Gambling for referrals of patrons and employees in southern Indiana who request assistance. In 1997, Aztar had a consultant give a seminar for employees concerning compulsive gambling. In 1997, Aztar signed a contract with Harrah's to implement Project 21, which stresses to high school students that gaming is adult entertainment. Project 21 also provides funding for college scholarships. Aztar continued to provide this program throughout 1997.

Summary of Findings

Aztar has met or exceeded the requirements of their certificate of suitability in most areas for its third year of operation.

- As reported in 1996, Aztar has spent a total of \$121 million on project development, \$21 million more than estimated. In 1998 they had an additional \$1.4 in capital expenditures.
- Aztar is on or ahead of schedule with its incentive payments.
- Aztar has sponsored several community events and senior management is represented on many local boards of directors.
- Wages, benefits, and tips were \$33.0 million, \$5.8 million greater than projected.
- Aztar has met or exceeded its employment goals of overall hiring of women and minorities and hiring from the 4th and 6th wards.
- Total state and local gambling taxes were \$5.3 million more than projected.
- Attendance was 23 percent more than projected
- Aztar paid \$647,447 in sales and use taxes and \$2.0 million in property taxes.
- Aztar has been proactive in developing programs for compulsive gambling.

Aztar has not met its projections in a these areas:

- Hiring of employees from Vanderburgh County fell short of Aztar's 90 percent goal (actual employment was 75 percent local) while total hiring of Indiana residents was 91 percent. They also had lower than promised percents of women and minorities as Directors/Vice Presidents.
- Employment totaled 1,187 employees, 92 fewer than projected
- Receipts per passenger per trip were 7 percent less than projected.

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

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