

Third Year Evaluation of
Riverboat Licensee for
Switzerland County,
Indiana: Belterra
Resort, LLC

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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 September 14, 1998, the Commission issued a Certificate of Suitability for a Riverboat Owner's License for a riverboat to be docked in Switzerland County, Indiana. Belterra Resort, LLC (Belterra), formerly know as Pinnacle Gaming Development Corporation, opened on October 27, 2000. This report covers its third year of operation.

Project Development and Investment

Development Activities

In the Certificate of Suitability (Certificate), Belterra committed to spend \$148 million on project development, in addition to pledging to Switzerland County other incentives totaling several million dollars. As Table 1 illustrates, through 2003, it had spent \$275.9 million, \$127.9 million more than projected.

The 3,000-passenger riverboat opened with 38,000 square feet of gaming space. The facility has a 15-story hotel with 308 rooms, three-level garage for approximately 2,200 cars plus additional surface parking, seven restaurants, an 18-hole Tom Fazio Golf Course, a spa and health club, a 1,750-seat showroom, retail shops, and banquet facilities. The additional construction shown under support facilities in 2003 reflects Belterra's addition of another tower to their hotel which will result in an additional 300 hotel rooms and a convention center with more meeting rooms. The contract they signed for the construction of the new tower provides for 50 percent participation by minority or women owned businesses. They are on target to have approximately 54 percent of the construction contract performed by certified MBE/WBE vendors. The Convention area is open as of this report and the hotel rooms will open in May 2004.

Table 1: Actual Versus Predicted Development Costs

Development	Certificate of Suitability	Actual thru 2002	Actual 2003	Difference
Pinnacle Acquisition	\$4,300,000	\$5,919,700		\$1,619,700
Land	\$1,000,000	\$7,795,131	\$42,545	\$6,837,676
Construction: Support Facilities	\$21,270,000	\$23,894,435	\$22,187,325	\$24,811,760
Construction: Boat and Marine Facilities	\$43,000,000	\$49,089,296	\$221,071	\$6,310,367
Gaming Equipment	\$12,250,000	\$15,704,937	\$2,528,118	\$5,983,055
Hotel, Furniture, and Fixtures	\$44,450,000	\$117,610,541	\$185,126	\$73,345,667
Golf Complex	\$10,000,000	\$12,021,458	\$9,778	\$2,031,236
Pre-Opening Expenses	\$4,500,000	\$15,911,107	\$0	\$11,411,107
Working Capital	\$7,230,000	\$2,792,925	\$0	(\$4,437,075)
Total Development	\$148,000,000	\$250,739,529	\$25,173,963	\$127,913,492

Other Commitments

As Table 2 illustrates, Belterra is current with regard to all of the additional commitments and has made several commitments that were not part of the Certificate. The \$1.2 million contribution to an emergency service facility was used to build the Switzerland County Medical Center, which houses doctors from the King's Daughter's Hospital, the Switzerland County Health Department, the Nurse-Managed Clinic, and a dentist.

Table 2: Schedule and Description of Incentive Payments

Incentive	Promised Amount	Recipient	Amount Paid Through 12/01	Amount Paid Through 2002	Amount Paid 2003	Status
Traffic Control & Infrastructure	\$1,120,000	Switzerland County	\$1,750,000			Completed Year 1
Emergency Services Facility	\$1,200,000	Switzerland County	\$1,200,000			Completed Year 1
EMS Ambulance	\$125,000	Switzerland County	\$125,000			Completed Year 1
Firefighting equipment	\$300,000	Florence	\$300,000			Completed Year 1
Firefighting equipment	\$45,000	Moorefield	\$45,000			Completed Year 1
Firefighting equipment	\$45,000	Posey	\$45,000			Completed Year 1
Firefighting equipment	\$45,000	Patriot	\$45,000			Completed Year 1
Firefighting equipment	\$45,000	Vevay-Jefferson-Craig	\$45,000			Completed Year 1
Firefighting equipment	\$45,000	East Enterprise	\$45,000			Completed Year 1
Sheriff's Department	\$150,000	Switzerland County	\$150,000			Completed Year 1
County Infrastructure	\$750,000	Switzerland County	\$750,000			Completed Year 1
4-H Fairgrounds	\$400,000	Switzerland County	\$400,000			Completed Year 1
Riverfront Park	\$25,000	Switzerland County	\$25,000			Completed Year 1
General Fund	\$5,000	Switzerland County	\$5,000			Completed Year 1
Contribution	.298% \$0-40,000,000 AGR .390% \$40,000,001-\$80,00,00 AGR .528% over \$80,000,001 AGR	Switzerland County Public Endowment	\$343,119	\$366,536	\$548,573	Ongoing
Contribution	.150% \$0-40,000,000 AGR .196% \$40,000,001-\$80,00,00 AGR .265% over \$80,000,001 AGR	Vevay Switzerland County Foundation	\$172,752	\$184,073	\$275,629	Ongoing
Contribution	.150% \$0-40,000,000 AGR .196% \$40,000,001-\$80,00,00 AGR .265% over \$80,000,001 AGR	Vevay Town Board	\$172,752	\$184,073	\$275,629	Ongoing
Contribution	.052% \$0-40,000,000 AGR .068% \$40,000,001-\$80,00,00 AGR .092% over \$80,000,001 AGR	Patriot Town Board	\$59,880	\$63,885	\$95,637	Ongoing

Table 2: Schedule and Description of Incentive Payments (continued)

Incentive	Promised Amount	Recipient	Amount Paid Through 12/01	Amount Paid Through 2002	Amount Paid 2003	Status
Contribution	If AGR reaches \$127,202,817, .425% AGR If AGR reaches \$146,283,240m .85% AGR	Switzerland County	\$0	\$980,495	\$658,899	Ongoing
Contribution	Not in certificate of suitability	Crawford County Development	\$6,550	\$157,366	\$98,516	Ongoing
Contribution	Not in certificate of suitability	Regional revenue sharing	\$546,269	\$546,269		Ongoing
Infrastructure	Not in certificate of suitability	Florence regional sewer	\$145,075			Completed Year 1
Infrastructure	Not in certificate of suitability	Switzco Gas	\$1,156,664			Completed Year 1
Total			\$7,533,061	\$2,482,697	\$1,952,883	\$11,968,641

Table 3 below lists the distributions from the Casino Revenue Fund in Switzerland County, which totaled almost \$10 million in 2003. Belterra's payments of the statutorily required admission tax and gaming tax to the county are deposited into this fund.

Table 3: Distributions from the Casino Revenue Fund in Switzerland County

Entity	Distribution 2001	Distribution 2002	Distribution 2003
Switzerland County Council	\$2,051,497	\$4,960,290	\$2,415,173
Switzerland County Public School Endowment	\$1,184,369	\$2,856,967	\$1,394,326
Switzerland County Fund	\$845,978	\$2,040,691	\$995,948
911/Public Safety/Law Enforcement	\$401,840	\$969,328	\$473,075
Emergency Services	\$359,541	\$867,294	\$423,278
Infrastructure	\$613,334	\$1,479,501	\$722,062
Economic Development	\$63,448	\$153,052	\$74,696
Regional Revenue Sharing-Jefferson County	\$422,989	\$1,020,345	\$497,974
Regional Revenue Sharing-Ripley County	\$211,494	\$510,172	\$248,987
Regional Revenue Sharing-Crawford County	\$211,494	\$510,172	\$248,987
Crawford County	\$296,092	\$714,242	\$348,582
Switzerland County YMCA	\$105,747	\$255,086	\$124,493
Town of Vevay	\$592,184	\$1,428,483	\$697,163
Town of Patriot	\$253,793	\$612,207	\$298,784
Cotton Township	\$33,332	\$80,403	\$39,240
Craig Township	\$19,119	\$46,120	\$22,508
Jefferson Township	\$34,685	\$83,668	\$40,861
Pleasant Township	\$29,609	\$71,424	\$34,858
Posey Township	\$31,132	\$75,097	\$36,651
York Township	\$21,319	\$51,425	\$25,098
Switzerland County Fire Chiefs Corp	\$676,783	\$1,632,550	\$796,731
Total	\$8,459,779	\$20,418,517	\$9,959,475

Community Activity

Belterra has contributed in-kind donations and monetary contributions to almost 30 organizations including the United Way, Summer Reading Program, 4-H Livestock Auction, Silver Creek Middle School library. Belterra also sponsored several events including the United Way Golf Tournament and a Big Brothers/Big Sisters of Cincinnati's Roast and Golf Outing. Belterra's senior management is represented on several boards in the area: United Fund, Switzerland County Tourism Board, Switzerland County and Jefferson County Chamber of Commerce, Switzerland County 4-H and Switzerland County Child and Protective Services.

Minority/Women Business Enterprise

In the Indiana riverboat legislation, the Indiana General Assembly stated that the opportunity for full minority and women 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. The goals of the legislation are for the companies to 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. According to unaudited information provided to the Indiana Gaming Commission, for the year ending December 31, 2003, 30.3 percent of Belterra's expenditures were to minority-owned businesses and 9.2 percent were to women-owned businesses.

Economic and Fiscal Impacts

Employment and Earnings Impacts

Belterra leased a building in Vevay and, for those employees not already experienced, conducted its own training for all riverboat-related positions, including dealers, cashiers, slot representatives and technicians, and surveillance personnel.

As Table 4 indicates, Belterra estimated in its application employment of 1,394 persons in the casino and hotel for annual wages totaling approximately \$26.7 million. As of December 2003, Belterra had 1,126 employees including the hotel staff. For 2003, salaries and wages were \$33.6 million, including tips to dealers (but not to bar and wait staff). Full-time employees receive benefits including medical, dental, vision, life insurance, short-term disability, and matching contributions to a 401k program.

As Table 4 illustrates, in 2003, Belterra had adjusted gross gaming receipts of \$131.8 million, \$6.2 million less than its application estimate. Belterra began flexible boarding in August 2002. This means that while previously a patron who was on the riverboat for two two-hour cruises was counted as two admissions, with flexible boarding, each patron is counted only when they go through the turnstile. Therefore, the attendance numbers are not directly comparable to past years or projections. Total state and local taxes (admission taxes plus gaming taxes) were \$36.4 million in 2003, almost identical to the application forecast. While flexible boarding led to a decrease in admission taxes, it also led to an increase in gaming taxes.

Table 4: Comparison of Forecast to Actual Belterra Operation

Category	Application Forecast Year 3	Actual 2003	Difference
Employment as of 12/31/03	1,394	1,126	(268)
Total Wages, Tips, & Benefits	\$26,651,723	\$33,642,910	\$6,991,187
Attendance	2,947,010	1,726,935 ²	(1,220,075)
Gross Gaming Receipts	\$137,973,000	\$131,808,473	(\$6,164,527)
Gaming Tax (State and county ¹)	\$27,594,600	\$31,220,259	\$3,625,659
Admission Tax (State and county ¹)	\$8,841,030	\$5,180,805	(\$3,660,225)

¹No incorporated city

Table 5: Comparison of Forecast to Actual Belterra Operation

Category	Application Forecast Year 2	Actual 2002	Difference
Employment as of 12/31/02	1,394	1,232	(162)
Total Wages, Tips, & Benefits	\$25,875,460	\$34,377,729	\$8,502,269
Attendance	2,917,810	2,259,698 ²	(658,112)
Gross Gaming Receipts	\$133,929,000	\$117,279,766	(\$16,649,234)
Gaming Tax (State)	\$20,089,350	\$16,932,834	(\$3,156,516)
Gaming Tax (Local)	\$6,696,450	\$5,644,278	(\$1,052,172)
Admission Tax (State)	\$2,917,810	\$2,259,698 ²	(\$658,112)
Admission Tax (County) ¹	\$5,835,620	\$4,519,396 ²	(\$1,316,240)

¹No incorporated city

²Reflects flexible boarding attendance since August 2002.

Table 6: Comparison of Forecast to Actual Belterra Operation

Category	Application Forecast Year 1	Actual 2001	Difference
Employment as of 12/31/01	1,394	1,336	(58)
Total Wages, Tips, & Benefits	\$25,121,805	\$39,078,835	\$13,957,030
Attendance	2,888,975	2,310,951	(578,024)
Gross Gaming Receipts	\$130,004,000	\$96,024,050	(\$33,979,950)
Gaming Tax (State)	\$19,500,600	\$14,402,933	(\$5,097,667)
Gaming Tax (Local)	\$6,500,200	\$4,800,978	(\$1,699,222)
Admission Tax (State)	\$2,888,975	\$2,310,951	(\$578,024)
Admission Tax (County)	\$5,777,950	\$4,621,902	(\$1,156,048)

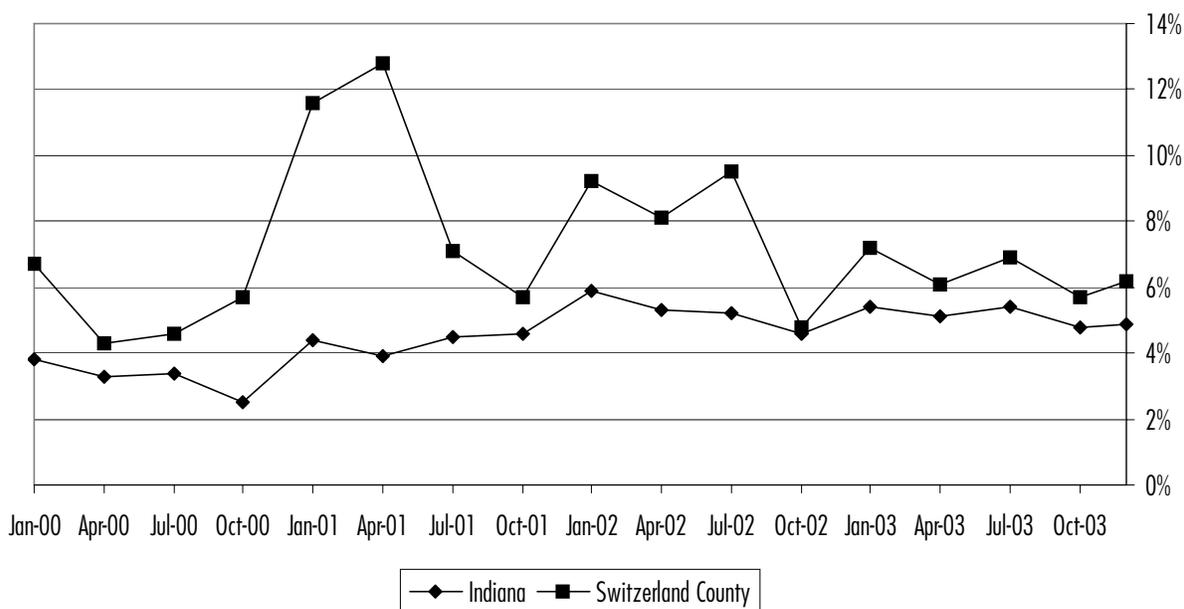
Table 7 compares Year 1 to Year 2 to Year 3. As Table 7 illustrates, Belterra had slightly fewer employees and lower wages than in 2001 and 2002. Belterra significantly increased in gross gaming receipts and gaming taxes from Year 1 to Year 2 to Year 3, but had decreased attendance and admission taxes, which can be explained by the adoption of flexible boarding in August 2002.

Table 7: Comparison of Forecast to Actual Belterra Operation

Category	Actual 2001	Actual 2002	Actual 2003	Difference between '02 and '03
Employment	1,336	1,232	1,126	(106)
Total Wages, Tips, & Benefits	\$39,078,835	\$34,377,729	\$33,642,910	(\$734,819)
Attendance	2,310,951	2,259,698	1,726,935	(532,736)
Gross Gaming Receipts	\$96,024,050	\$117,279,766	\$131,808,473	\$14,528,707
Gaming Tax (State and County)	\$19,203,911	\$22,577,112	\$31,220,259	\$8,643,147
Admission Tax (State and County)	\$6,932,853	\$6,779,094	\$5,180,805	(\$1,598,589)

As Figure 1 illustrates, Switzerland County's unemployment rate was higher than the state average in early 2003, but decreased throughout the year. In December 2003, Switzerland County had an unemployment rate of 6.2 percent while the state average was 4.9 percent.

Figure 1: Unemployment Rates in Switzerland County and Indiana 2000-2003



As of December 2003, 60 percent of Belterra's employees were women, 6 percent were minorities, 66 percent were from Switzerland, Jefferson, Ohio, Dearborn, or Ripley counties, and 33 percent came from out-of-state, primarily Kentucky. In its application, Belterra did not make hiring commitments.

Local Economic Impact

In addition to the gaming taxes paid to the county and state, Belterra paid \$977,732 in sales and use taxes and \$1,127,011 in property taxes. Payroll of \$33.6 million and local purchases of \$3.4 million in local expenditures (Switzerland, Ohio, Dearborn, and Jefferson County) also contributed to the local economy.

Impact on Tourism

In 2003, according to Belterra player card records, Indiana residents made approximately 28 percent of the trips to Belterra. In 2003, Belterra had 1.7 million admissions. The hotel occupancy rate for 2003 was 97 percent. Belterra has reopened the Ogle Haus Inn (54 rooms) and its occupancy rate was 56 percent. Fairway Inn, a new motel with 45 rooms, opened across the road from Belterra in 2002. Belterra has a joint marketing initiative with the Switzerland County Tourism Board, including an advertisement in the Indiana Travel Guide.

Legal Issues

Belterra had seven lawsuits in 2003, two were employees' lawsuits for wrongful termination, two for personal injury claims by patrons, one was for breach of contract, one was under the Jones Act, and one was for unauthorized withdrawal from a checking account. There were 69 arrests for incidents on Belterra property in 2003, with the majority for public intoxication and theft. Less than .0001 percent of visits in 2003 resulted in an arrest. Belterra's security department is using a card verifier that is programmed to read government-issued driver licenses issued in North America. It displays the age and date of birth and can also detect altered, fraudulent, or expired identification. Even with this system, which screened 67,395 identifications, 45 people were turned away for being under 21. According to the Switzerland County Sheriff's office, while the area surrounding the riverboat has not experienced additional criminal activity that can be attributed to Belterra presence, there has been a noticeable increase in traffic. One cited problem of the increased traffic on the two-lane roads that lead to the riverboat is that traffic often does not yield to emergency vehicles.

Other Impacts

Belterra has made efforts to minimize the negative impacts of gambling. All employees receive training about compulsive gambling as part of their orientation. Belterra is a member of the Indiana Council on Problem Gambling and the National Council on Problem Gambling. In 2003, Belterra developed a Problem Gambling Brochure for the property and it is given to every customer that identified himself/herself as having a problem with gambling. It also has a self-exclusion program in which, upon request by a patron, he or she is removed from personal check cashing privileges, credit privileges, direct mail marketing materials, and promotional mail at Belterra. If they return they are subject to arrest for trespassing. This self-exclusion is permanent and cannot be rescinded. In 2003, 77 patrons opted to self-exclude. All printed materials and billboards list the number to call for help with gambling problems.

Summary of Findings

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

- Belterra has spent a total of \$275.9 million on the development of the project, \$127.9 million more than estimated.
- Belterra is on schedule with all of its incentive payments and has provided several additional payments that were not included in the certificate of suitability for a total of \$12 million since opening.
- Belterra has sponsored many community events and it has made in-kind and monetary contributions to almost 30 organizations.
- According to unaudited information provided to the Indiana Gaming Commission, 30.3 percent of Belterra's expenditures were to minority-owned businesses and 9.2 percent were to women-owned businesses, higher than the 10 percent and 5 percent recommended in the legislation.
- Wages, benefits, and tips in 2003 were \$33.6 million, \$7 million higher than projected.
- State and local gaming taxes were \$36.4 million, almost identical to projections.
- Belterra paid \$977,732 in sales and use taxes and \$1,127,011 in property taxes.
- Belterra has been proactive in developing programs for compulsive gambling, with 77 patrons opting for self-exclusion in 2003.

Belterra has not met its 2003 projections in the following areas:

- Employment totaled 1,126 employees, 268 less than projected and 106 less than 2002.
- Gross gaming receipts were \$131.8 million, \$6.2 million less than the \$138 million projected.
- Attendance was lower than projected, but because of flexible boarding, 2003 attendance is not comparable to projections.