

Fourth Year Evaluation of  
Riverboat Licensee for  
Evansville, Indiana:  
Aztar Indiana Gaming  
Corporation  
January-December 1999

June 2000

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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 fourth year of operation, January 1999 through December 1999.

## 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. Aztar spent an additional \$3.9 million in capital expenditures in 1999.

As Table 1 illustrates, Aztar is on or ahead of schedule with its incentive payments. As Table 1 also illustrates, several of the incentive payments are complete and several more (Downtown

Revitalization, Economic Development, Pigeon Creek Greenway, and Evansville ONE) were five-year commitments so payments will only be received for one more year. After the five-year period the Riverfront Park Lease is the only incentive that will continue.

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

Incentive	Promised Amount	Recipient	Amt. Paid Through 12/31/96	Amt. Paid 1/97 through 12/97	Amt. Paid 1/98 through 12/98	Amt. Paid 1/99 through 12/99	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	\$2,345	Ongoing
B) Downtown Revitalization	Greater of \$1 million or 2% of AGR per year for the first 5 years.	City of Evansville	\$2,300	\$2,135	\$2,210	\$1,875	Ongoing
C) Economic Development	\$1,000 (\$200/yr over 5 yrs)	City of Evansville	\$217	\$200	\$200	\$200	Ahead of schedule
D) Pigeon Creek Greenway	\$250 (\$50/yr over 5 yrs)	City of Evansville	\$54	\$50	\$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) V	\$1,000	City of	\$1,000	--			Complete

ictory Theater		Evansville					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 details city expenditures from the gaming revenue and incentives in 1999. The city has committed much more than Aztar's contribution to the Victory Theater and Downtown Learning Center projects. The Downtown Learning Center project converted the old Sonntag Hotel into a center that links 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 and Convention Centre contribution (\$750,000 over three years) also is part of a larger project. The county facility recently underwent a \$35 million renovation and expansion, making it a full-service facility with 40,000 square feet of convention space. It opened in the fall of 1999.

Table 2: Evansville Major Expenditures  
from Riverboat Tax Revenue 1999

Finance (phone equipment, etc.)	\$271,778
Public Works (GIS, Underground tank reg.)	\$115,711
Central Dispatch (consoles, switching, etc)	\$867,484
Roberts Stadium	\$41,747
Police (office remodeling, computers)	\$24,117
Fire (facility, vehicles, etc.)	\$1,424,133
METS (vehicles)	\$54,406
Park Admin. (park improvements, tennis courts, etc.)	\$948,737
Mesker Park Zoo (improvements)	\$725,955
Locust Hill Cemetery	\$24,035
Oakhill Cemetery	\$196,512
Metro. Dev. (Signature Learning Center)	\$363,000
Redev. Authority Debt	\$1,566,566
Riverboat Trust Fund	\$4,000,000
Paving	\$1,345,000
Greenway	\$100,000
Golf Courses	\$675,000
Drainage	\$865,000

## 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 1999, Aztar sponsored over 100 community events, including the Arts Festival River Run, Ohio River Arts Festival, Big Brothers Big Sisters Golf Tournament and Auction, Ohio Ribber Barbecue Festival, Easter Seal Society Senior Golf Series, Evansville Freedom Festival including Evansville's 4<sup>th</sup> of July fireworks celebration, Leadership Evansville Celebration of Leadership, and Riverfest '99. Aztar also made both monetary and non-monetary contributions to hundreds of community groups and service organizations, including the Evansville Catholic High School Capital Campaign, Evansville Black Coalition, Henderson County CASA, Kentucky Council on Compulsive Gambling, Project 21 Scholarships, Salvation Army Toy Town, St. Mary's Foundation, Visiting Nurse Association, and Zion Community Development.

### Minority/Women Business Enterprise

The Office of Minority Business Development and the Indiana Gaming Commission are currently reviewing the information provided by Aztar to determine compliance.

## Economic and Fiscal Impacts

### Employment and Earnings Impacts

As Table 3 indicates, in Year 4, Aztar estimated employment of 1,400 persons in both the casino and hotel for annual wages totaling approximately \$27 million. As of December 31, 1999, Aztar had 1,089 employees, 311 fewer than estimated in its application. For 1999, salaries and wages were \$30.6 million, including tips to dealers (but not to bar and wait staff), approximately \$3.4 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 1999, Aztar had adjusted gross gaming receipts of \$94.5 million, or three percent less than its application estimate. Aztar's attendance was higher than its 1999 estimate by 21 percent. Aztar slightly overestimated the receipts per passenger per trip. Total local taxes were \$8.7 million, \$0.6 million more than Aztar's estimate, and total state taxes were \$16.2 million, approximately the same as its estimate for 1999. Total revenues in 1999 were \$113.6 million, compared to an estimate of \$128.8 for year 4.

Table 3: Comparison of Forecast to Actual Aztar Operation, Year 4

Category	Application Forecast Year 4	Actual 1999	Difference
Employment as of 12/31/99	1,400	1089	(311)
Total Wages, Tips & Benefits	\$27,214,000	\$30,617,807	\$3,403,807

Attendance	1,640,279	1,987,971	347,692
Gross Gaming Receipts	\$97,088,000	\$94,498,070	(\$2,589,930)
\$ per Patron per Cruise	\$59	\$48	(\$11)
Gaming Tax (State)	\$14,563,200	\$14,174,710	(\$388,490)
Gaming Tax (Local)	\$4,854,400	\$4,724,903	(\$129,497)
Admission Tax (State)	\$1,640,279	\$1,987,971	\$347,692
Admission Tax (County)	\$1,640,279	\$1,987,971	\$347,692
Admission Tax (City)	\$1,640,279	\$1,987,971	\$347,692

Tables 4, 5, and 6 compare actual to forecast for Years 1, 2, and 3.

Table 4: 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	1187	(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 5: 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 6: 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 7 compares the four years of Aztar's operation.

Table 7: Comparison of Year 1 to Year 2 to Year 3 to Year 4

Category	Year 1	Year 2	Year 3	Year 4
Employment as of 12/31/96	1,400	1,264	1,308	1,308
Total Wages, Tips & Benefits	\$27,214,000	\$33,236,416	\$29,722,000	\$29,722,000
Attendance	2,295,230	2,086,712	2,311,476	2,311,476
Gross Gaming Receipts	\$138,440,000	\$107,023,831	\$106,134,093	\$106,134,093
\$ Per Patron per Cruise	\$60	\$51	\$46	\$46
Gaming Tax (State)	\$20,766,000	\$16,053,575	\$15,941,238	\$15,941,238
Gaming Tax (Local)	\$6,922,000	\$5,351,192	\$5,313,746	\$5,313,746
Admission Tax (State)	\$2,295,230	\$2,086,712	\$2,311,480	\$2,311,480
Admission Tax (County)	\$2,295,230	\$2,086,712	\$2,311,480	\$2,311,480
Admission Tax (City)	\$2,295,230	\$2,086,712	\$2,311,480	\$2,311,480

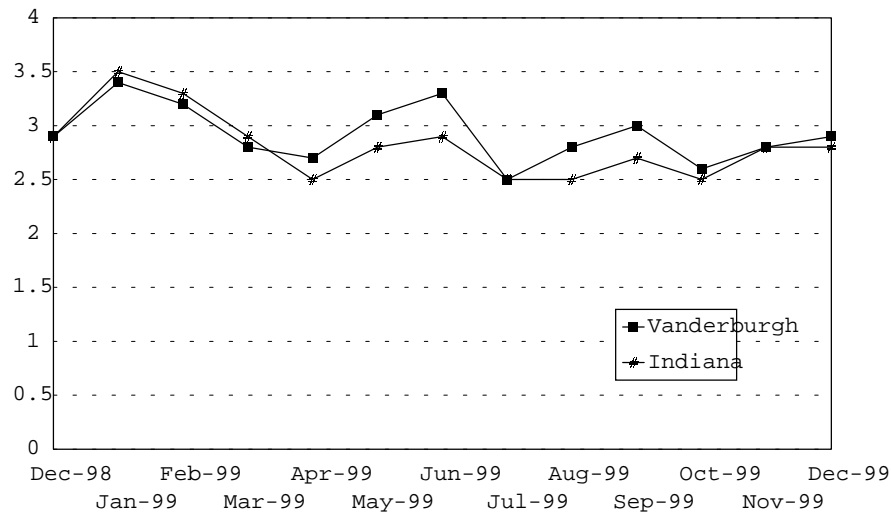
Category	Actual 1996	Actual 1997	Actual 1998	Actual 1999	Differenc e 98-99 <sup>1</sup>
Employment as of 12/31	1,308	1,264	1187	1089	(98)
Total Wages, Tips & Benefits	\$29,722,00 0	\$33,236,41 6	\$33,043,98 0	\$30,617,80 7	(\$2,426,17 3)
Attendance	2,311,476	2,086,712	2,090,804	1,987,971	(102,833)
Gross Gaming Receipts	\$106,134,0 93	\$107,023,8 31	\$110,487,6 77	\$94,498,07 0	(\$15,989,6 07)
\$ Per Patron per Cruise	\$46	\$51	\$53	\$48	(\$5)
Gaming Tax (State)	\$15,941,23 8	\$16,053,57 5	\$16,573,15 2	\$14,174,71 0	(\$2,398,44 2)
Gaming Tax (Local)	\$5,313,746	\$5,351,192	\$5,524,383	\$4,724,903	(\$796,470)
Admission Tax (State)	\$2,311,480	\$2,086,712	\$2,090,804	\$1,987,971	(\$102,833)
Admission Tax (County)	\$2,311,480	\$2,086,712	\$2,090,804	\$1,987,971	(\$102,833)
Admission Tax (City)	\$2,311,480	\$2,086,712	\$2,090,804	\$1,987,971	(\$102,833)

<sup>1</sup> The opening of Caesars and the commencement of dockside gaming in Illinois are two factors in these decreases.

As of December 31, 1999, 52 percent of Aztar employees were women, 19 percent were minorities, and 50 percent were from the 4th and 6th wards of Evansville (pursuant to a request by the city). In addition 76 percent were residents of Vanderburgh County, compared to its goal of hiring 90 percent of its employees from Vanderburgh County. In its application, Aztar's goal for its third year was to have ten percent of director/vice presidents consist of minorities and 45 to 55 percent of directors/vice presidents consist of women. During Year 4, minorities comprised 11 percent of directors/vice presidents and women comprised 39 percent of directors/vice presidents. In Year 4, women comprised 26 percent of management and minorities comprised 11 percent, again compared to goals of 45-55 percent and 10 percent.

As Figure 1 illustrates, Vanderburgh County's unemployment rate has stayed low through 1999, as has the state unemployment rate. As of December of 1999, the unemployment rate was 2.9 percent, slightly higher than the state rate of 2.8 percent.

Figure 1: Unemployment Rate: Indiana and Vanderbur



Source: Center for Urban Policy and the Environment

## Local Economic Impacts

In addition to the gaming taxes paid to the city and state, in 1999, Aztar paid \$795,380 in sales and use taxes, \$59,659 in food and beverage taxes, and \$165,903 in innkeeper's tax. Aztar also paid \$1,947,998 in property taxes in 1999. Payroll of \$30.6 million and local purchases of \$9.4 million (49 percent of qualified purchases) also contributed to the local economy.

Several restaurants and bars have opened in the vicinity of riverboat since it opened in 1995. 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. In 1999 several new businesses opened downtown: White Light Photo, Anne Howerton Muscle Therapy, Renaissance Body Works, Market Realty and Cinda Vote & Betty Buck Interiors. In addition, several businesses have expanded and/or renovated, including Angelo's Italian Restaurant and Quality Hotel and Suites.

In a recent market survey conducted by Urban & Associates for the Evansville Courier/Press, 17 percent of respondents indicated that they had shopped downtown within the past 30 days, more than twice the 7 percent who indicated that they had shopped downtown in 1995. Besides spending with downtown merchants, Aztar has made numerous efforts to aid downtown development.

- Aztar allowed regular customers who collect Fun Card points when they visit the casino to redeem them with participating downtown merchants. Aztar customers have redeemed over \$100,000 in Downtown gift certificates since the inception of this program.

- 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.
- Aztar features downtown businesses and events in its Premium Passenger Club newsletter, which is circulated to over 200,000 club members on a bi-monthly basis throughout the year.
- Aztar includes the downtown Evansville Dining and Entertainment page in its hotel directory, which is available to all hotel guests and it provides space for downtown retailers and restaurants to display their brochures.

## Impact on Tourism

From January 1, 1999, through December 31, 1999, Indiana residents made approximately two-thirds of the trips to Aztar with the majority of the Indiana trips from the local market. In 1999, Aztar had approximately two million paid admissions.

According to Aztar, their hotel occupancy rate in 1999 was approximately 77 percent.

## Legal Issues

There was one suit filed by Aztar in 1999 against a patron over a dispute in payout by a cashier. Several cases from 1998 were still pending in 1999. There were 68 persons arrested by the State Police during 1999. The largest categories were for outstanding warrants, minor in a tavern, and theft. Aztar security checked 48,807 identifications and turned away 553 patrons who either were under 21 or had no identification. Less than .0001 percent of the total visits in 1999 resulted in an arrest.

According to the Evansville Police Department, crime reports and arrests in the area around the boat decreased 26 percent from Year 3 to Year 4.

## 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, Vanderburgh County residents made 26 calls for help with gambling problems to the "Deal With It" line that is contracted through the Commission for a Drug Free Indiana. This is slightly higher than the 20 calls that were made in 1998.

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 sponsored 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 1999. Aztar also has a self-eviction program for individuals who wish to be banned from the facility. Any attempts by these individuals to enter the casino can result in their arrest for trespassing.

## Summary of Findings

Aztar has met or exceeded the requirements of its Certificate in most areas for its fourth year of operation.

- As reported in 1996, Aztar has spent a total of \$121 million on project development, \$21 million more than estimated. In 1999 it had an additional \$3.9 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 \$30.6 million, \$3.4 million greater than projected.
- Aztar has met or exceeded its employment goals of overall hiring of women and minorities, minorities in management, minorities as directors/vice presidents and hiring from the 4<sup>th</sup> and 6<sup>th</sup> wards.
- Total state and local gambling taxes were slightly more than projected.
- Attendance was 2.0 million, 21 percent more than projected.
- Aztar paid \$795,380 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 these areas:

- Hiring of employees from Vanderburgh County fell short of Aztar's 90 percent goal (actual employment was 76 percent local) while total hiring of Indiana residents was 91

percent. It also had lower than promised proportions of women as Managers and Directors/Vice Presidents.

- Employment totaled 1,089 employees, 311 fewer than projected and 98 less than last year.
- Gross gaming receipts were three percent less than estimated and 14 percent less than last year.
- Gaming receipts were \$48 per patron, 19 percent less than the \$59 per patron it estimated.