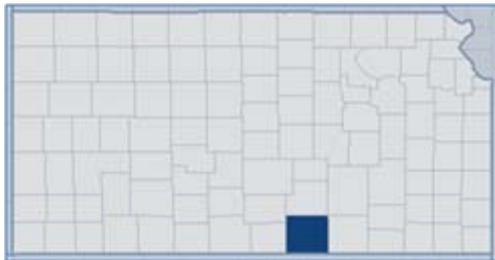

ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES

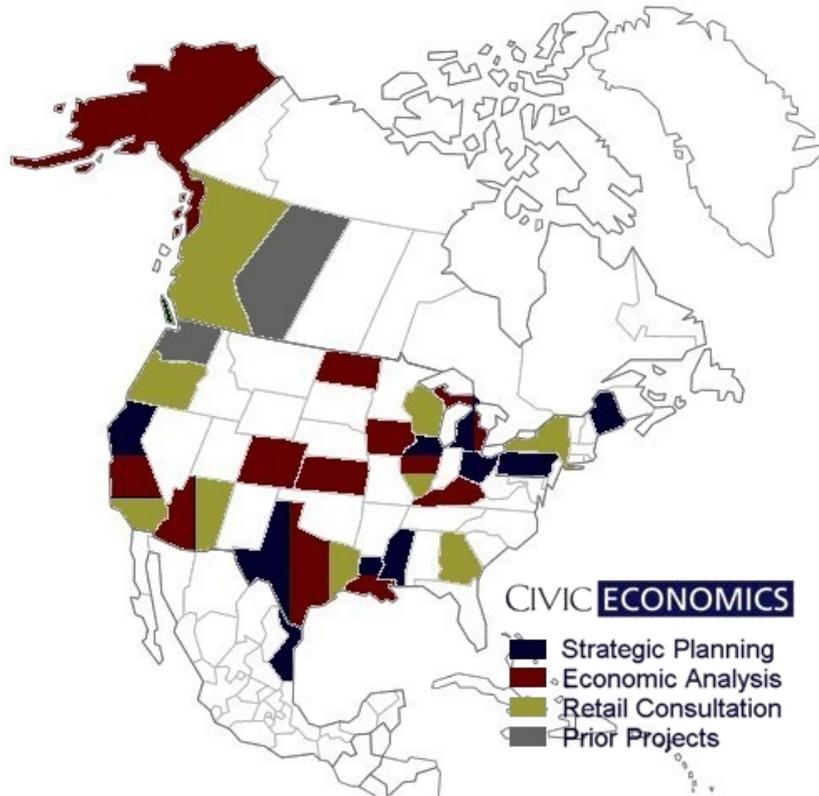


**SOUTH CENTRAL ZONE
(SUMNER COUNTY)**

BRIEF AGENDA

- About Civic Economics
- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

About Civic Economics



***Economic Analysis & Strategic
Planning for Sustainable Prosperity***

- Established in 2002
- Matt Cunningham in Chicago, Dan Houston in Austin
- Diverse practice in scope and geography
- Not a gaming/tourism practice

Scope of Work

Scope of Work

- Something of a moving target
- Economic impact of construction and operations of proposed facilities
 - Inconsistent submissions required one model applied to all applicants
- Review of “cannibalization” and competition for non-gaming activities

Economic Impact Approach

Economic Impact Approach

- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
 - Developed a single model for all applicants
 - Can be modified in SW, NE zones

Economic Impact Approach

- Used data supplied by applicants where possible
 - Inconsistent entries in templates required substantial adjustments
 - Any adjustments made for all applicants
- Bottom line impacts less important here than comparative impacts

NET Economic Impacts

- The most important thing to learn today:
 - Economic impact analysis must focus on activity that is new to the study area
 - Activity that simply moves from one location or firm to another is not new to the area
- Applied to Kansas gaming proposals using Cummings and Wells models

NET Economic Impacts

- *Export Revenue:*
 - This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas.
- *Import Substitution Revenue:*
 - This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas.

Economic Impact Reporting

- Economic impacts are comprised of three separate categories.
 - *Economic Output* is the total production or sales derived from the project.
 - *Employment* is the total number of Kansans employed both on a full and part time basis in a given industry.
 - *Wages* is the amount of salaries and benefits paid to Kansas employees.

Economic Impact Reporting

- For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.
 - *Direct* effects capture the initial impact created.
 - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
 - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

Construction Impacts

Construction Impacts

- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Cost inputs provided by applicants
- Assumed all activity in 2010
- Simply put, relative cost of proposed facilities drives relative outcomes

Chart 2, Page 7

CONSTRUCTION IMPACTS SUMMARY SOUTH CENTRAL GAMING ZONE

	Direct	Indirect	Induced	Total	Relative Impacts
ECONOMIC OUTPUT					
Total revenues associated with construction (\$ Millions, 2007 Dollars)					
Marvel Gaming	\$ 199.4	\$ 63.7	\$ 87.1	\$ 350.2	
Penn Sumner LLC	\$ 152.9	\$ 49.6	\$ 66.8	\$ 269.3	
Sumner Resorts/Harrah's	\$ 261.6	\$ 84.5	\$ 112.7	\$ 458.9	
EMPLOYMENT					
Total workers, including full-time and part-time					
Marvel Gaming	2,064	500	811	3,375	
Penn Sumner LLC	1,554	385	622	2,561	
Sumner Resorts/Harrah's	2,674	657	1,050	4,380	
WAGES					
Total wages paid to workers identified above (\$ Millions, 2007 Dollars)					
Marvel Gaming	\$ 90.7	\$ 21.7	\$ 26.1	\$ 138.5	
Penn Sumner LLC	\$ 69.3	\$ 16.8	\$ 20.0	\$ 106.1	
Sumner Resorts/Harrah's	\$ 116.8	\$ 28.6	\$ 33.7	\$ 179.1	

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2011 for first full year of operations
 - Variations in projected growth in out years
- Steps to determine inputs:
 - Gaming revenue and operational scale
 - Calculation of net impacts from Cummings and Wells analyses
 - Final model adaptation for labor costs

Operational Scale

- Applicants projected both non-gaming and gaming revenues
 - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted downward proportionately
 - Hotel revenue separately forecast based on Probe analysis

Chart 12, Page 18

REVENUE FORECASTS, 2011			
SOUTH CENTRAL GAMING ZONE (IN 2007 Dollars)			
GAMING REVENUE PROJECTIONS			
	Marvel	Penn Sumner	Sumner Resorts/Harrah's
Estimated gaming revenue: Applicant	\$ 236,895,000	\$ 158,044,873	\$ 252,359,000
Estimated gaming revenue: Wells	\$ 134,991,402	\$ 122,612,240	\$ 198,835,894
Estimated gaming revenue: Cummings	\$ 130,200,000	\$ 123,500,000	\$ 174,200,000
Average of Wells & Cummings	\$ 132,595,701	\$ 123,056,120	\$ 186,517,947
Ratio of Wells/Cummings to Applicant	0.5597	0.7786	0.7391
ADJUSTED NON-GAMING REVENUE PROJECTIONS			
	Marvel	Penn Sumner	Sumner Resorts/Harrah's
Hotel Revenue	\$ 11,880,820	\$ 13,678,576	\$ 11,711,541
Food Revenue	\$ 7,919,528	\$ 5,906,574	\$ 22,398,355
Retail Revenue	\$ 1,049,370	\$ 2,681,550	n/a
Other Revenue	\$ 3,368,416	\$ 3,997,593	\$ 2,527,714

Net Gaming Revenue Adjustment

- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
 - Import Substitution
 - Export

Chart 13, Page 20

EXPORT AND IMPORT SUBSTITUTION IN KANSAS CASINOS, 2011				
SOUTH CENTRAL ZONE				
	Marvel Gaming	Penn Sumner	Sumner Resorts/Harrah's	
Wells				
Estimated Gaming Revenue	\$ 134,991,402	\$ 122,612,240	\$ 198,835,894	
Estimated Gaming Export	<i>Wells methodology did not allow a breakdown of these values</i>			
Estimated Gaming Import Substitution				
Net or New Revenue	\$ 75,199,538	\$ 64,439,443	\$ 109,229,495	
Cummings				
Estimated Gaming Revenue	\$ 130,200,000	\$ 123,500,000	\$ 174,200,000	
Estimated Gaming Export	\$ 14,900,000	\$ 12,400,000	\$ 8,200,000	
Estimated Gaming Import Substitution	\$ 47,600,000	\$ 42,800,000	\$ 50,700,000	
Net or New Revenue	\$ 62,500,000	\$ 55,200,000	\$ 58,900,000	
Average Net Revenue	\$ 68,849,769	\$ 59,819,722	\$ 84,064,748	
Net as a % of Gaming Revenue	51.0%	48.8%	42.3%	

SOURCE: Wells, Cummings, Civic Economics

Adjustment for Labor Cost

- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
 - Applicants made case for varying labor cost
- Unable to use submissions due to inconsistent productivity values

APPLICANT SUBMISSION MODIFICATIONS		
OPERATION ECONOMIC IMPACT ANALYSIS		
Category	Harmonized Value	Notes
Revenue per employee	\$ 146,960	Using an average of all casino applications
Wages per employee	\$ 33,540	Using an average of all casino applications

Finally, on to the numbers ...

Chart 15, Page 24

OPERATING IMPACTS SUMMARY, 2011 SOUTH CENTRAL GAMING ZONE

	Direct	Indirect	Induced	Total	Relative Impacts
ECONOMIC OUTPUT					
Total revenues associated with construction (\$ Millions, 2007 Dollars)					
Marvel Gaming	\$ 72.8	\$ 33.4	\$ 22.8	\$ 129.0	
Penn Sumner LLC	\$ 66.6	\$ 29.6	\$ 21.3	\$ 117.5	
Sumner Resorts/Harrah's	\$ 95.7	\$ 44.2	\$ 29.8	\$ 169.7	
EMPLOYMENT					
Total workers, including full-time and part-time					
Marvel Gaming	762	292	217	1,271	
Penn Sumner LLC	764	259	203	1,225	
Sumner Resorts/Harrah's	1,042	379	283	1,704	
WAGES					
Total wages paid to workers identified above (\$ Millions, 2007 Dollars)					
Marvel Gaming	\$ 19.3	\$ 10.2	\$ 6.8	\$ 36.4	
Penn Sumner LLC	\$ 18.5	\$ 9.1	\$ 6.4	\$ 33.9	
Sumner Resorts/Harrah's	\$ 25.2	\$ 13.3	\$ 8.9	\$ 47.4	

Source: Applicant Submissions, IMPLAN, Civic Economics

Non-Gaming Competitive Impacts

Competitive Impacts

- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Key Local Variations:
 - SC sites at substantial remove from primary population center
 - Convenience competition in Wellington/Mulvane

Gaming Spend Issue

- Remaining projected revenue after NET is new gaming spending by Kansans
- This is money that previously went to other discretionary activity
- Beyond scope here to evaluate sources of that money, but totals are as follows:

NEW GAMING SPENDING BY KANSANS SOUTH CENTRAL REGION (2007 Dollars)		
Marvel Gaming	\$	63,745,932
Penn Sumner	\$	63,236,399
Sumner Resorts/Harrah's	\$	102,453,200

Source: Wells, Cummings, Civic Economics

Chart 26, Page 37

RETAIL SUPPLY AND DEMAND SOUTH CENTRAL REGION, WICHITA MSA (2007)

	Demand	Supply	Available Market
Foodservice and Drinking Places-722	\$ 777,904,314	\$ 821,671,023	(43,766,709)
Full-Service Restaurants-7221	\$ 350,851,276	\$ 346,757,000	4,094,276
Limited-Service Eating Places-7222	\$ 332,573,085	\$ 412,086,010	(79,512,925)
Special Foodservices-7223	\$ 64,248,591	\$ 40,352,010	23,896,581
Drinking Places -Alcoholic Beverages-7224	\$ 30,231,362	\$ 22,476,003	7,755,359
Clothing and Clothing Accessories Stores-448	\$ 423,209,607	\$ 339,010,944	84,198,663
Jewelry, Luggage, Leather Goods Stores-4483	\$ 59,124,053	\$ 55,572,013	3,552,040
Book Stores and News Dealers-45121	\$ 37,153,790	\$ 44,308,001	(7,154,211)
Florists-4531	\$ 18,305,757	\$ 11,811,983	6,493,774
Gift, Novelty and Souvenir Stores-45322	\$ 44,338,179	\$ 31,690,966	12,647,213

Source: Claritas

Chart 27, Page 38

COUNTY BUSINESS PATTERNS FOR COMPETITIVE SECTORS WICHITA MSA, 2005 DATA

	Estab- lishments	Wichita MSA Approximate Employees	Regional Concentration
7224 Drinking places (alcoholic beverages)	121	1750	2.51 
7222 Limited-service eating places	563	17500	2.25 
71391 Golf courses & country clubs	23	750	1.24 
722110 Full-service restaurants	398	9336	1.09 
7112 Spectator sports	10	219	0.96 
7212 RV (recreational vehicle) parks & recreational camps	6	60	0.81 
713 Amusement, gambling, & recreation industries	132	1750	0.63 
72111 Hotels (except casino hotels) & motels	94	1750	0.63 

Source: US Census Bureau, County Business Patterns

Chart 28, Page 39

WICHITA AREA DAILY-FEE GOLF COURSES				
Course Name	Holes	Type	Fee	Location
Auburn Hills	18	Municipal	\$ 36	443 S 135th St W, 67235
Braeburn GC	18	Daily Fee	\$ 30	4201 E 21st St N 67208
Echo Hills	18	Daily Fee	\$ 32	800 E 53rd St N 67219
Hidden Lakes	18	Daily Fee	\$ 36	6020 S Greenwich Rd 67037
LW Clapp Memorial	18	Municipal	\$ 30	4611 E Harry St 67218
Macdonald	18	Municipal	\$ 40	840 N Yale Ave 67208
Pine Bay	9	Daily Fee	\$ 22	6615 S Grove St 67216
Sierra Hills	18	Daily Fee	\$ 27	13420 E Pawnee St 67230
Sim Park	18	Municipal	\$ 28	2020 W. Murdock 67203
Tex Colsolver	18	Municipal	\$ 40	1931 S. Tyler 67209
Wellington GC	18	Municipal	\$ 27	1500 W. Harvey Ave., 67152

Source: Golfink.com and individual course websites

Thank you.

CivicEconomics.com
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