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Rivers Casino Revenues Up But Far Below Expectations

There is some moderately good news from the Rivers Casino—at least from the casino's perspective. Gross terminal revenue has picked up 20 percent thus far in 2010 compared to the opening five months of August through December 2009. Moreover, revenues this spring have been running at their best levels since the facility opened. If the historical pattern established by other casinos holds at Rivers, revenues will continue at current levels or improve somewhat through August, after which they will enter a much weaker fall season lasting until Christmas.

But not all of the news is positive. The Rivers Casino is one of the state's lowest performers. Over the January through May period, the Rivers Casino's weekly average gross revenue lagged behind all casinos except Presque Isle, Mohegan Sun, and Mount Airy and all of these have one-third fewer (600-800) slot machines than Rivers. The Rivers Casino trails behind five other casinos including Penn National which also has 600 fewer machines. Furthermore, the Rivers Casino's average weekly revenues has not been able to surpass the nearby Meadows Casino's revenue despite the nice uptick this spring because the Meadows' has also enjoyed the same growth in play.

While the overall picture for the Rivers Casino is not as glum as it was in the early months following the grand opening, there are still very serious concerns. Even if the casino can maintain the recent pace of revenue for the remainder of 2010, the take for the year will be only \$247 million, a far cry from the Casino's projected pace of \$427.8 million and the Gaming Board's projection of \$362 million. And in if the \$247 million number turns out to be close to the actual 2010 revenue, the rivers Casino will be in serious difficulty.

Bear in mind that at that level of revenue, the casino will owe \$140.91 million in gaming related taxes, including \$10 million to the City of Pittsburgh. That amounts to 57 percent of their gross profits and would leave \$106 million with which to pay all their other bills including debt service, employee compensation, marketing, maintenance, insurance, security, property taxes (about \$6 million), payroll preparation taxes, \$7.5 million to the SEA to pay for the new Penguins' arena along with any other state and federal taxes that might be owed. Assuming the Casino was financed and built on the basis of at least \$360 million in annual gross profits—the estimate of the Gaming Board—the current revenue pace and outlook bodes ill for the Rivers Casino.

Indeed, the Casino's debt ratings have already been lowered. Ongoing and further evidence of an inability to increase gross terminal revenues toward the predicted \$8 million per week figure, almost double the recent \$4.5 million pace, could lead to concern about the ability to hold the B minus rating now in place. This is especially true in light of the projected rise in debt service payments in 2011.

This far into the casino's existence, the failure to get close to projected gross terminal revenues is very worrisome. Granted, the recession has been a problem. But consider that the Philly Park casino in Bucks County has been running at \$8 million per week most of this year while Harrah's in Delaware County, with roughly the same number of machines as the Rivers, is collecting well over \$6 million per week.

In short, it appears the presence of a close by effective competitor and possibly the location of its facility are proving to be serious problems for the Rivers Casino in terms of reaching its pre-opening projections.

With local and state governments as well as school districts depending on the tax revenue provided by the casino, the far below projected gross profits for the first 10 months of operation should sound a cautionary note.

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