

Kenosha County IGA with Menominee Indian Tribe of Wisconsin/Menominee Kenosha Gaming Authority

Summary of past activities by Finance Director Patricia Merrill

For more than 25 years, there have been discussions of a casino in Kenosha. This concept was proposed in 1998 and revisited in 2004. These proposals included a large project on the Dairyland Greyhound Park site. The final proposal was rejected by Governor Scott Walker in 2015.

Once again, the Menominee Tribe is proposing constructing a casino in Kenosha County. The location of the proposed casino is on approximately 60 acres of land on the Southwest corner of 60th Street (Highway K) and the West Frontage Road. The Tribe has had an option to purchase this land since last year. The footprint of the casino will be about half the size of the original plans. There will be a smaller number of employees and a lesser impact on County services.

The County Team has put quite a bit of time into making sure the IGA that you have before you protects Kenosha County fiscally and provides for what we have determined to be the needs of the community going forward. The Team had our work cut out for us, as most (not all, but most) of us were not part of the discussions on prior casino projects. Step one was to read a lot of documents. Reviewing the old casino files, workpapers, IGA's and environmental impact studies gave us a framework for this IGA, but it soon became apparent that those were a good guide but did not provide all we needed this time around.

There were several differences between the prior proposals and this one. First, the size of the casino project is smaller, the location is different, and the number of patrons expected is lower than prior proposals, making the impact on the County smaller than previous proposals. Second, prior negotiations and IGA's were conducted jointly between the City, the County, and the Tribe. This time, the City and the County negotiated separately, at the request of the City.

The past was a good guide, a helpful tutorial, but we needed to determine the County's current needs, and the impact of the current casino proposal.

We started with the basics. The 59.19 acres would be placed into Trust, meaning that the County would not receive property taxes from these parcels. The impact of this was a little difficult to calculate, as the parcels are currently held by the Village of Bristol Community Development Authority, meaning they are currently exempt from property taxes. We then calculated a series "what-ifs," based on neighboring parcel valuations, to determine the estimated value of the 59.19 acres. These scenarios included:

- **The property remains undeveloped:** Using the parcel to the south of the main site as a baseline and applying the mill rate by taxing jurisdiction, projected property taxes would be approximately \$59,000.
- **The property is developed into a hotel:** Using the nearby Hampton Inn as the basis for calculation, projected property taxes would be just under \$620,000.

- **The land is developed into a commercial/manufacturing facility:** Using the Haribo site as the basis for calculation, property taxes would be just under \$820,000. (Note: This type of development is unlikely based on the size of the property, but we ran the calculation as a means of comparison.)

This “what-if” analysis helped us to understand potentially what we would be losing in property tax revenue, both baseline and other potential uses.

We then had meetings with the various departments to determine the casino’s impact across the County’s operations. These included:

- **The Sheriff’s Department:** The department did its research, calling the Sheriff’s Department in Sacramento and discussing with them the additional workload and types of work they experienced when the Hard Rock Casino opened there. They then put together their estimates of additional staffing that would be needed if this facility was to come to Kenosha County. Keep in mind, the proposed location is in the City of Kenosha. The Kenosha Police Department would be the first responders, with the Sheriff’s Department providing backup and assistance as needed. However, traffic patrol on the Interstate is under the purview of the Sheriff’s Department, so increased patrols and traffic stops are anticipated there.
- **Human Services:** We discussed problem gambling, increased crisis calls, and impacts on the Division of Health in restaurant inspections and testing pool water at a hotel. They then put together their estimates of additional needs they would have if the casino was to locate here. We found that with a casino development, most of the burden to the County would be in the Human Services Department.
- **Public Works:** The frontage road is owned by the State of Wisconsin. The cost of improvements to the road will be borne by the State. The County services the frontage road with snow plowing and repairs. We are reimbursed by the State for the time and materials, but additional staffing would be needed if the footprint were to expand. Any improvements to Highway K and maintenance of the highway are the responsibility of the County. Widening Highway K is a project we already have in our Capital Improvement Plan, so we were able to assess the timeline and projected expenses for that project.

We compiled all these potential costs, which gave us our baseline as we evaluated proposals to ensure that the County would be made whole. Keep in mind that this is not the usual process when a business comes to Kenosha. The expectation is that the property taxes that are assessed on that business are the offset for the additional services the County will need to perform. Because this project is a casino and the land will be placed in trust, a deeper dive was warranted to protect the interests of Kenosha County and ensure that we could provide the necessary services without any additional burden to the taxpayers.

There are several components to the IGA. As we discuss each component, keep in mind that reference to years (Year 1, Year 2, etc.) are after the land is placed in trust. It is not from such date that the IGA is approved by the board. Another thing to keep in mind is that construction of the casino is expected to take 18 to 24 months. It is not anticipated that any gaming will take place

during this period. This is important as you review the IGA as you will see some things do not begin until year three or later. This is due to the timing of the construction and when operations will begin.

This section summarizes the financial components of the IGA. These items may not be in the order of the IGA, but the pages of the IGA are referenced in the explanation.

- 1) Net Win Payment. This section can be found on Page 6 of the IGA. Net Win is the total amount wagered on gaming less the amounts paid out as prizes. Commencing with the establishment of the Federal Trust Land through calendar Year 8, the County will receive 1% of the Net Win. Commencing with Calendar Year 9, the County will receive 1.33% of Net Win. This percentage is to be discussed every 10 years beginning with Calendar Year 20. If the County's allocation of Net Win does not exceed the minimum payment, the County will receive the minimum payment. This is discussed in the next section.
- 2) Minimum payment. This is an amount that the County will receive regardless of the County's portion of net win. It is not in addition to net win allocation. It is the base if the net win allocation does not reach this level. You'll notice that the first two years are very low, and the first year will be prorated based on when the land is placed in trust. These years are low because this is the anticipated construction period. The casino will not be operational, and the County will not be providing additional services during this time. You'll note that the minimum payment is \$50,000 per year (prorated in Year 1), which is very close to the calculated amount of property tax the County would be receiving on these vacant parcels. The minimum payment ramps up to \$500,000 in Years 3-8. In Year 9 and going forward, it increases to \$1,000,000 adjusted for inflation using the consumer price index (CPI-U). Minimum payment is discussed on Pages 6-9 of the IGA.
- 3) Tribal Sales Tax. Sales tax is discussed in Exhibit F of the IGA. Because the Facility will be on Federal Trust Land, sales on the premises are exempt from both Wisconsin State and Kenosha County sales tax. Through this agreement, the Tribe will enact a Tribal sales tax at a rate equal to the State of Wisconsin sales tax and applicable County sales tax (currently a total of 5.5%). From the time the property is accepted into Federal Trust through calendar Year 8, the County will receive 75% of this tax. Beginning in Year 9, this will decrease to 25% of this tax. At the time that this percentage decreases, the Net Win percentage increases. This is beneficial to the County as the Net Win payments have no restrictions on their use, where sales tax payments are restricted to use on infrastructure. The County must use these funds for general infrastructure as described on Page 32 of the IGA.
- 4) Responsible Gaming. Responsible gaming is discussed on Pages 9 and 10 of the IGA. The Tribe will match an amount equal to the County's appropriation, up to \$75,000 per year, toward the treatment of problem gamblers.
- 5) Payment for Specific Purposes. This is discussed on Page 9 of the IGA. In Calendar Years 9 through 12, the Authority shall pay the County \$650,000 annually. The County will use these funds for debt service related to the purchase of the new Human Services building.
- 6) Charitable Contributions. This is discussed on Pages 10 and 11 of the IGA. Within the first 12 Calendar Years, the Authority will pay a minimum of \$850,000 to charitable organizations

within the County. These funds will not be paid to the County; rather the Authority will make these donations on the County's behalf.

The County has done projections of revenues that will be received as a result of this IGA. Please keep in mind that these are only projections and actual amounts may vary.

In Calendar Years 1 and 2, the County expects to receive the minimum payments (prorated in year one) of \$50,000.

In Calendar Years 3-8, the County expects to receive:

- 1) Net Win payments ranging from \$2.3m to \$2.7m per year.
- 2) Tribal Sales Tax payments ranging from \$1.2m to \$1.3m per year.
- 3) Responsible gaming payments of \$75k match per year.

In Calendar Years 9-12, the County expects to receive:

- 1) Net Win payments ranging from \$3.6m to \$3.9m per year.
- 2) Tribal Sales Tax payments ranging from \$450k to \$475k per year.
- 3) Responsible gaming payments of \$75k match per year.
- 4) Payments to be used for debt service on the Human Services Building of \$650k per year.

From Calendar Year 13 forward, the County expects to receive:

- 1) Net Win payments of \$3.95m per year, increasing by approximately 2% per year.
- 2) Tribal Sales Tax payments of \$480k per year, increasing by approximately 2% per year.
- 3) Responsible gaming payments of \$75k, remaining at that level each year.

In addition to these amounts, the Authority will make charitable contributions totaling \$850,000 to the community over the first 12 years, and the schools will receive funds up to \$750,000 per year under the City's IGA.

We hope this document helps to answer some of your questions prior to the Committee of the Whole meeting on Tuesday, November 14. Representatives of the Menominee Tribe, representatives of Hard Rock, and our outside counsel will be available to answer questions.

If you have questions that are not answered by this document, please send them to us so we can get those answers to you as soon as possible.