

LANCASTER BINGO



**ALLEGANY
COUNTY
GAMING
OFFICE**



G & P DISTRIBUTORS



K & M SALES



**FISCAL YEAR 2009
SUMMARY**

September 24, 2009

Gerald J. Joy
Gaming Administrator

ATLANTIC BINGO



***FRANK MORAN
AND SONS***

Executive summary for Allegany County Paper Gaming Office Revenues for the Fiscal Year 2009.

History

Allegany County Gaming Office was created in the fall of 2003. In order to condense this report we will only show trends based on the last three years of information.

Significant events of the FY 2009

The existence of the electronic gaming machines was introduced into Allegany County on July 07, 2007. This introduction resulted in an unprecedented growth in the paper gaming revenues and was the largest amount of revenue ever collected since the inception of the gaming office. After less than only one year of play however, effective July 01, 2008, Senate Bill 959 provided for the prohibition of those same electronic gaming machines. The subsequent loss of those machines and the overall decline in the general state of the economy significantly undermined projected budget projections for fiscal year 2009. An important point to remember is that Budget projections were already approved months in advance of the announcement that Senate Bill 959 would be enacted and become law. During the presentation at the Commissioners public meeting last October, the negative economic impact of the loss of these machines was strongly emphasized.

Fiscal Records

- Overall revenues for fiscal year 2009 were \$492,148 dollars or \$155,052 less than projected revenues of \$647,200 dollars. This is a 24 % short fall of projected revenues and a 33% decrease in revenues when compared to fiscal year 2008 when we collected \$729, 316 dollars. Fiscal year 2008 was the highest revenue totals in the history of the Gaming Department.

- The Cumberland area tax revenues for fiscal year 2009 were \$156,369 less than fiscal year 2008. This was a direct result of the concentration of the electronic gaming machines and subsequent loss in the Cumberland area. The largest concentration of the electronic gaming machines were located in Lucky Sevens later known as Rivers Edge.
- The wholesaler license sales were down \$1500 from the previous fiscal year 2008. One Wholesaler, whose concentration was selling paper games for the electronic gaming machines, chose not to renew his license because of the enacted prohibition of those gaming machines.
- Sticker revenues were down 18% for a total of \$8,100 dollars. Sticker revenue reflects the loss of games sold for the electronic tip jars and some overall loss due to the total of games played.
- Convenience Store Revenues were down 35% for a total of \$23,631 dollars.
- Club Revenues were down 17 % for a total of \$41,993 dollars.
- Liquor Store Revenues were down 7% for a total of \$7,120 dollars.
- Interesting although the liquor stores revenues were down, their overall revenue points increased by 6%.
- Tavern Revenues were down 57 % or \$158, 125 dollars.
- Temporary Operator Revenues were down 13% for a total of \$1,136 dollars.

Gaming Office

- Overall expenses for the operation of the Gaming Office decreased 7% or \$10,163 less than the Fiscal Year 2008. Total operating expenses was \$128,732 dollars.
- Fringe Benefits decreased by \$2,671 for a total of \$13,855.35 dollars.
- Inspector mileage decreased \$388.26 for a total of \$7,161.74
- Other cost (office supplies, gas, telephones, auto repair, etc) decreased \$6,018.13 or 27 % for a total of \$16,512.87.

Allocation of Funds

Allegany County Government allocates funds to only two institutions; Fire and Rescue Units and Education.

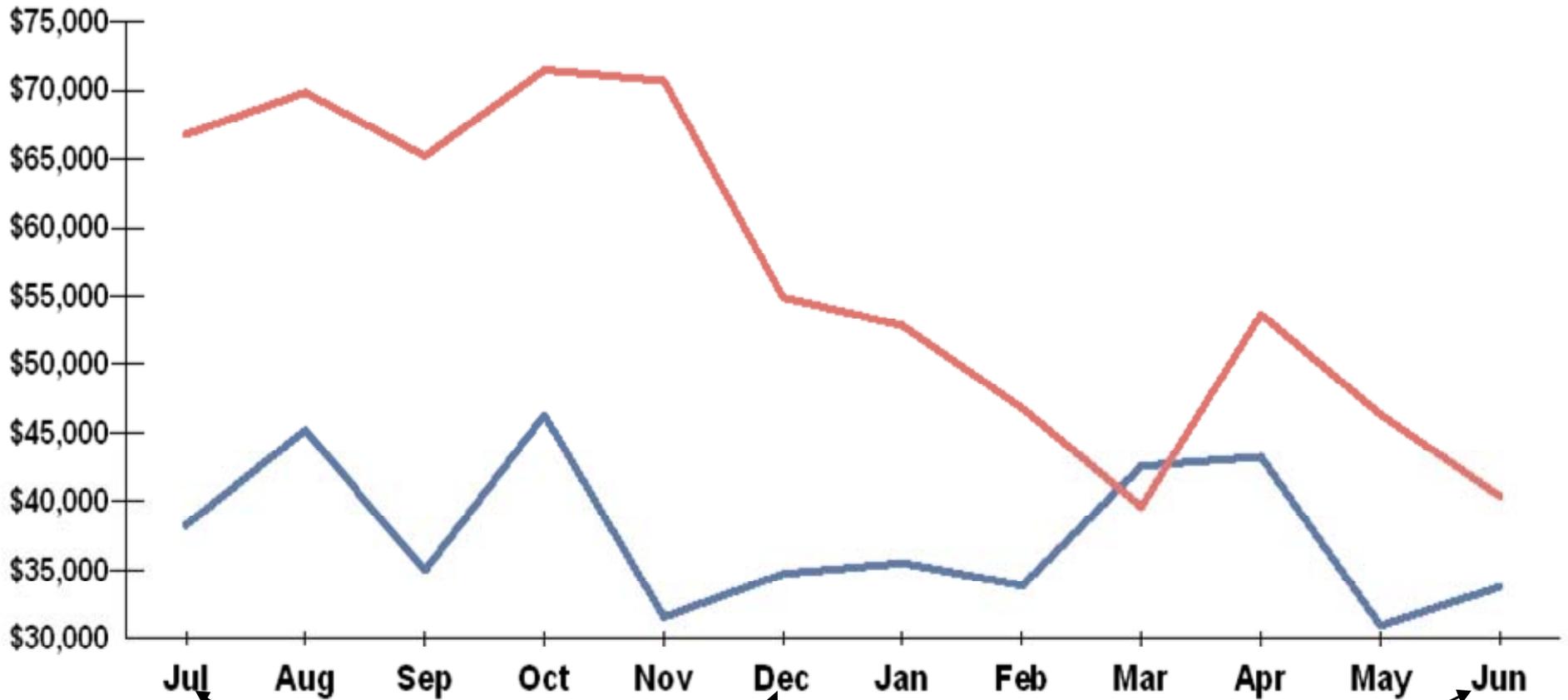
- Fire and Rescue
 - After deduction of operating expenses for the gaming office \$90,854 will be allocated to the Fire & Rescue Units. The amount would be a decrease of \$56,751 dollars or a 38% decrease from last year. Allegany County has 28 Volunteer Departments eligible to share this amount.
- Education
 - After deduction of operating expenses, \$272,562 will be allocated to Education for a decrease of \$170,254 or 38% less than last year.

What impact did Senate Bill 959 have on the Allegany County Government Paper Gaming Revenues?

The electronic gaming machines were played in Allegany County during the period of July 2007 through June 2008. Revenues for the year were the highest ever in the history of the Gaming Office. One wholesaler did not renew his license this year because of the prohibition of the machines. In order to quantify the loss of revenues this year we calculated the average loss of all the operators. We discovered that the operators that did not have the electronic machines only had a 7 percent loss of net revenues this year. Operators that did have the electronic machines experienced a decline of 42 percent. Averaging those two factions revealed an average loss of 24.5 percent that mirrors the overall loss of revenues this year.

Allegany County Paper Gaming Fund Tax Revenues By Month - FY 09 Versus FY 08

FY 08 **FY 09**



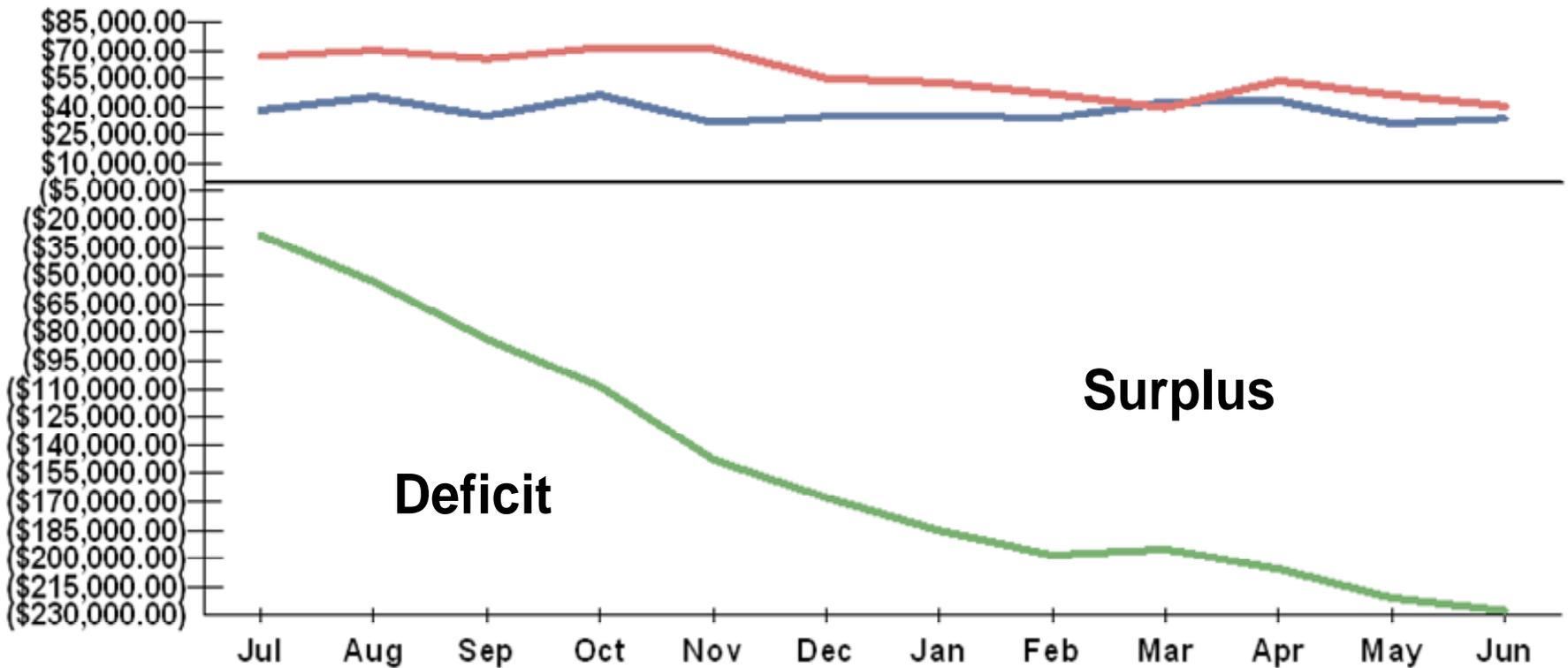
Gaming machines legal to play

Recession began and legislation proposed

Legislation prohibited electronic machines

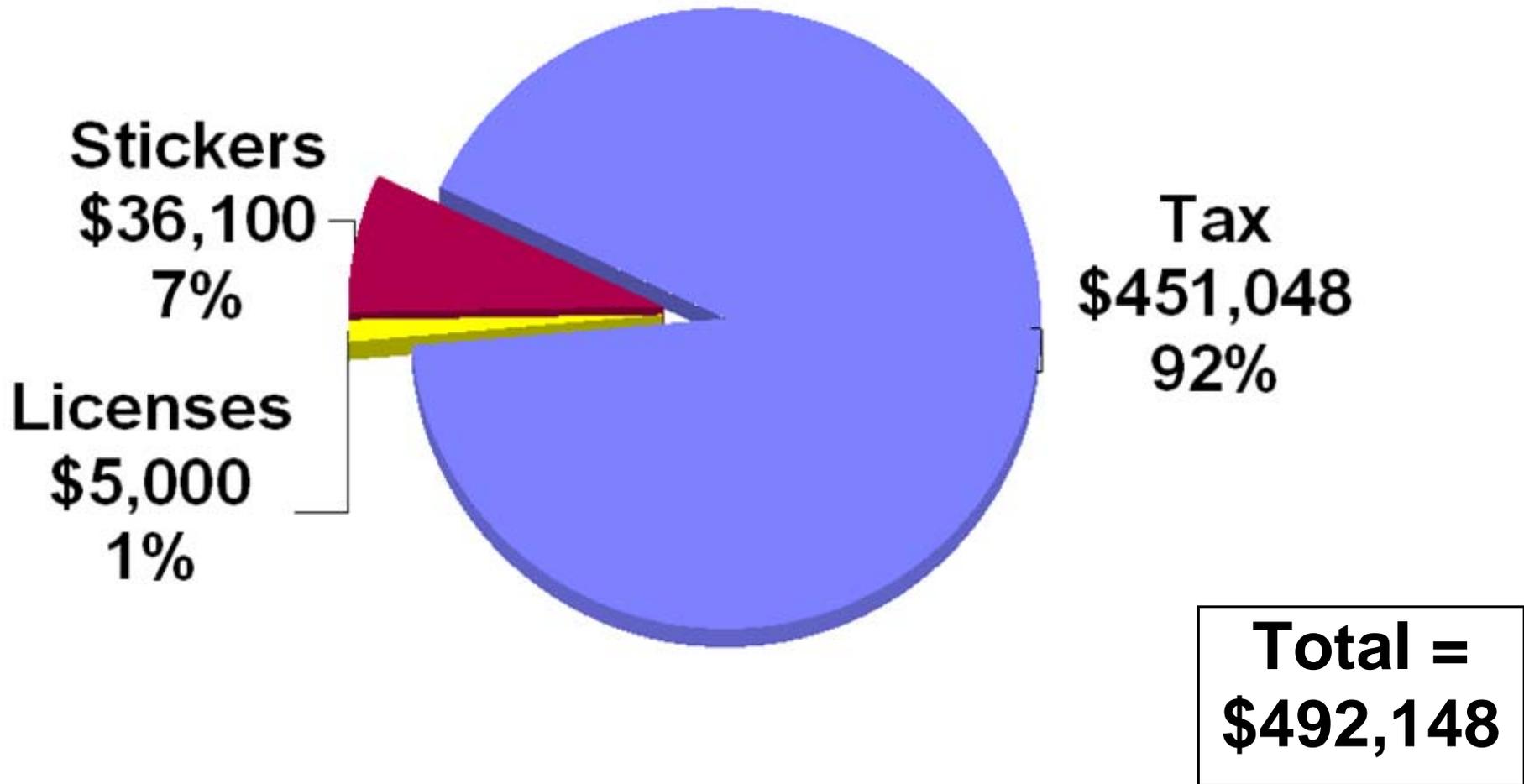
Allegany County Paper Gaming Fund Tax Revenues By Month - FY 09 Versus FY 08

— FY 08 — FY 09 — Cumulative Difference

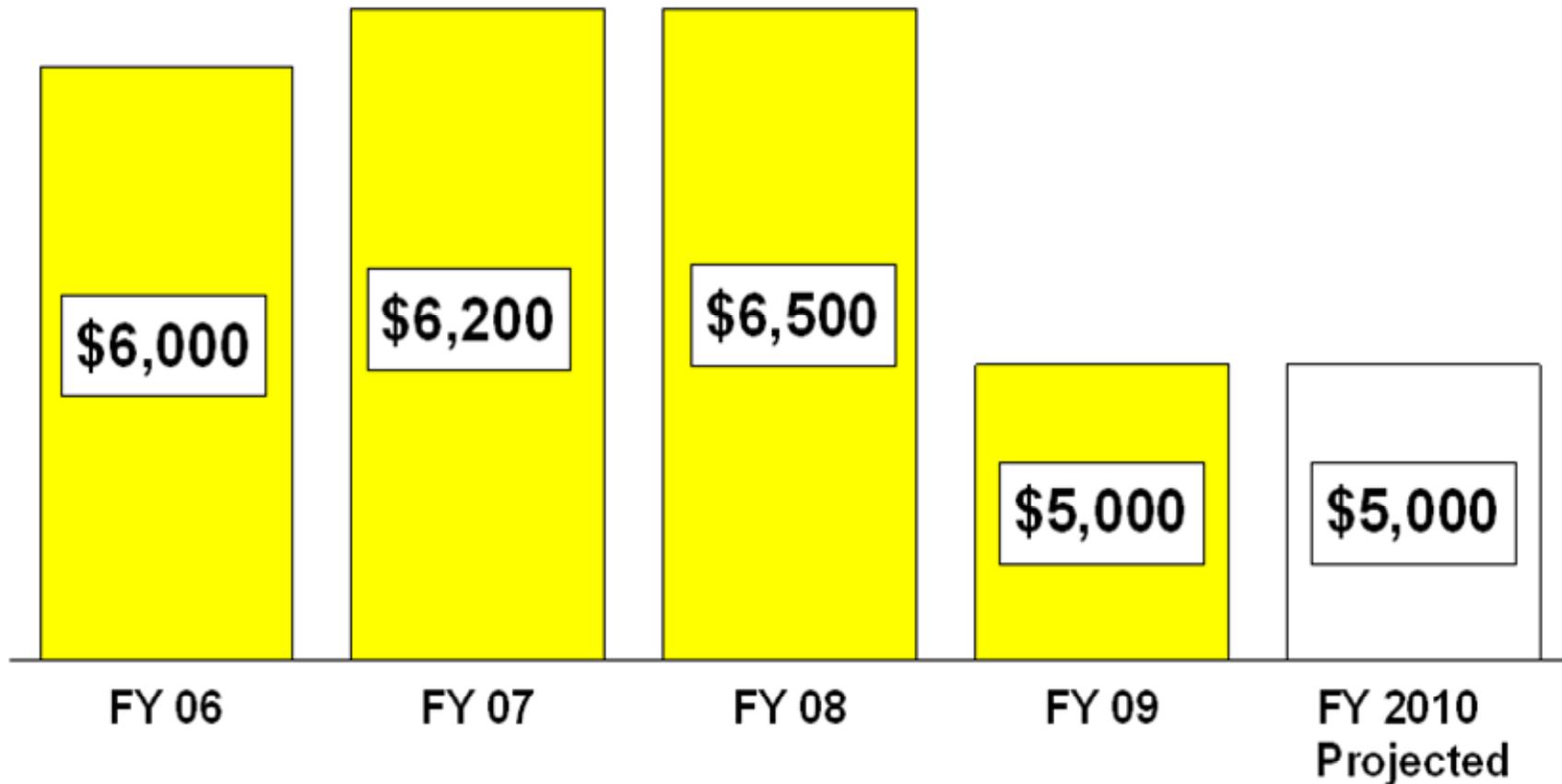


Every month except April was below FY 08 levels.

Allegany County Paper Gaming Fund Revenues By Type Fiscal Year 2009

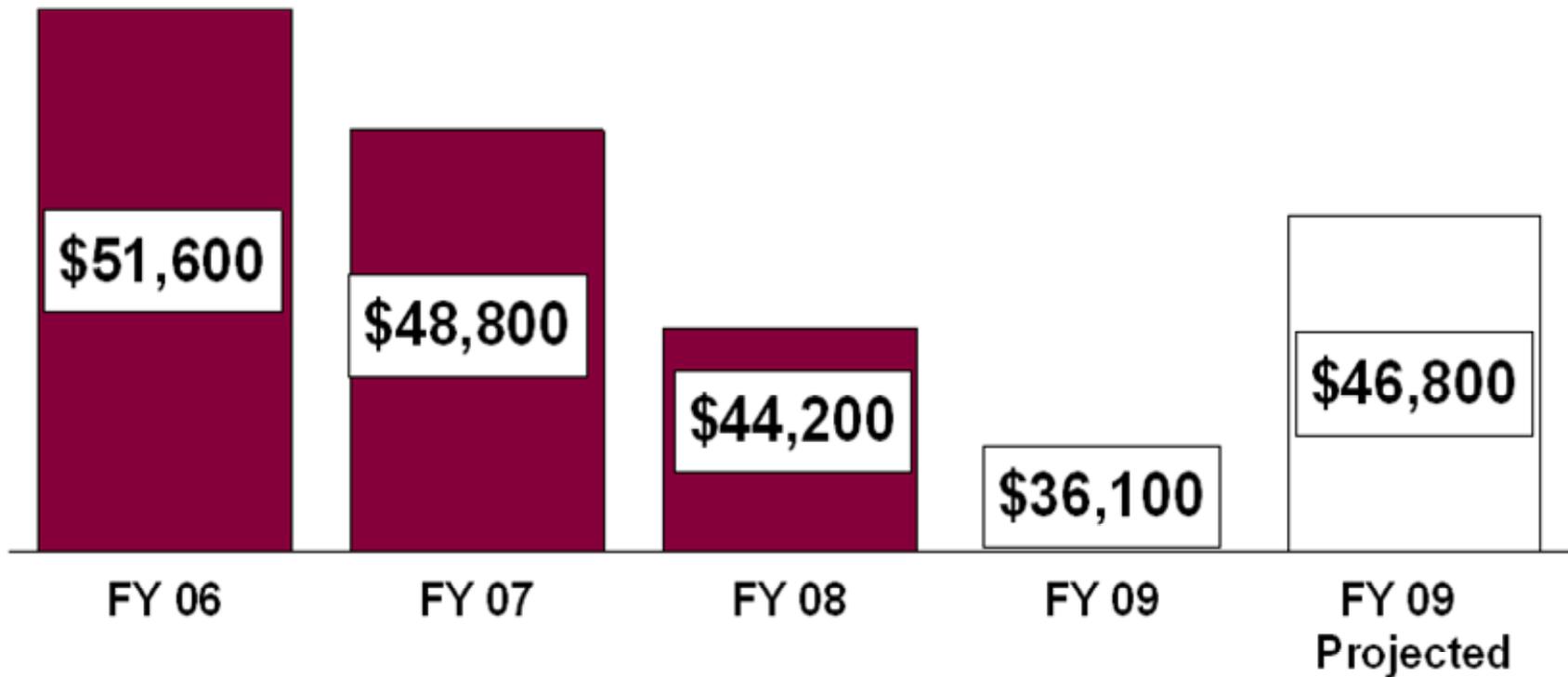


Allegany County Paper Gaming Fund Wholesaler License Fee Revenues Fiscal Years 2006 - 2009



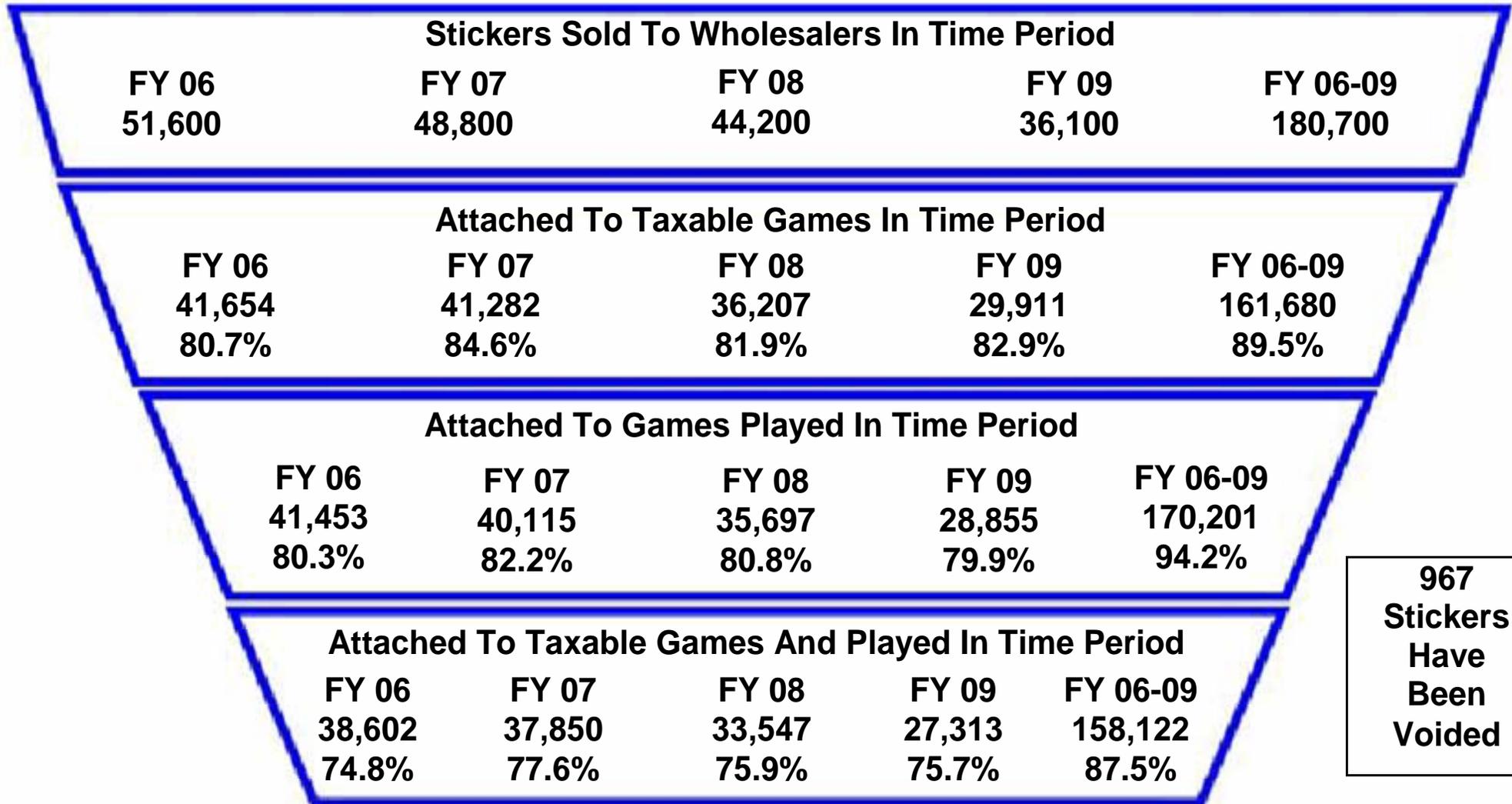
Platinum elected not to renew his wholesalers' license due to the enacting of Senate Bill 959 prohibiting electronic video gaming machines.

Allegany County Paper Gaming Fund Sticker Revenues Fiscal Years 2006 - 2009

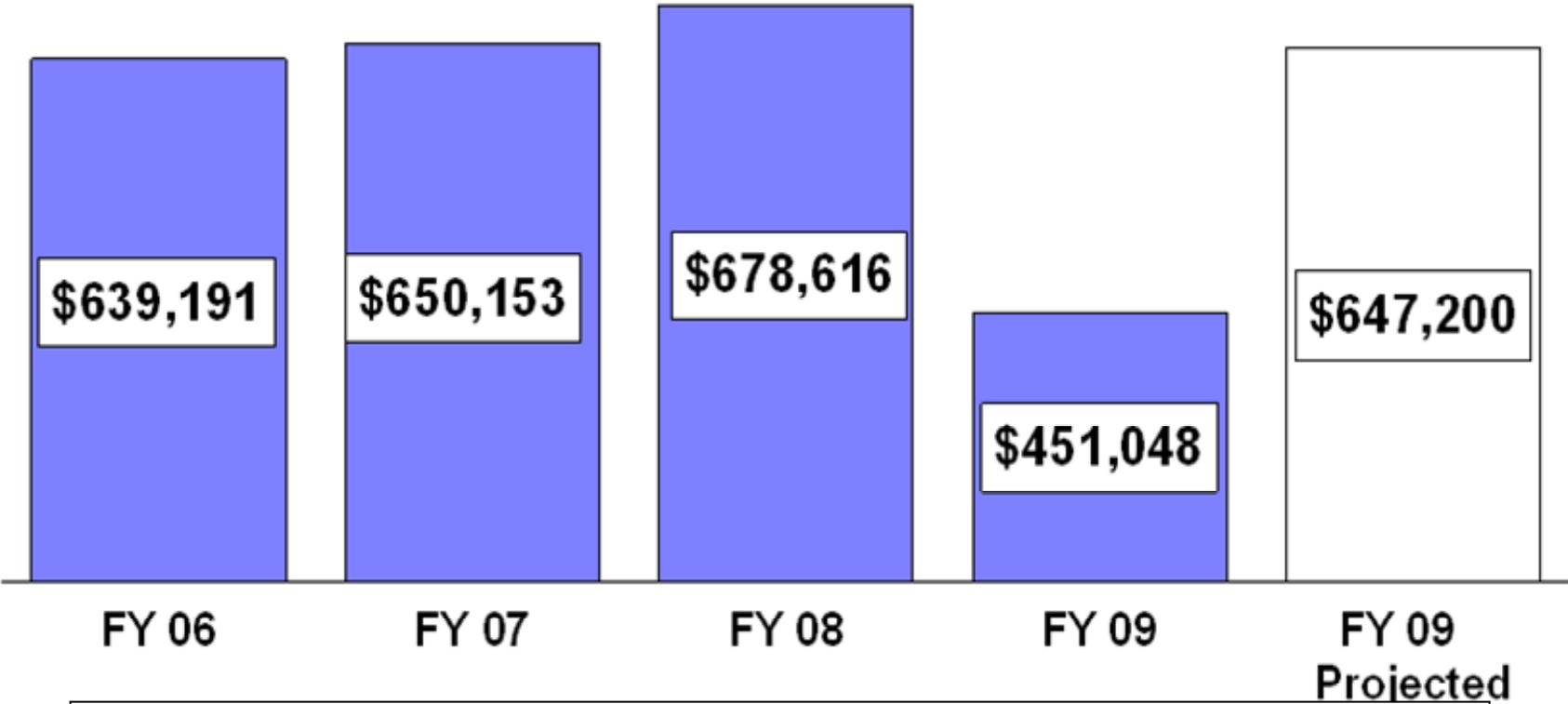


The decline in sales of tax stickers is a direct loss of the electronic gaming machines and the decline in the overall state of economy.

Allegany County Paper Games Distribution of Gaming Stickers - Fiscal Years 2006 - 2009



Allegany County Paper Gaming Fund Tax Revenues Fiscal Years 2006 - 2009

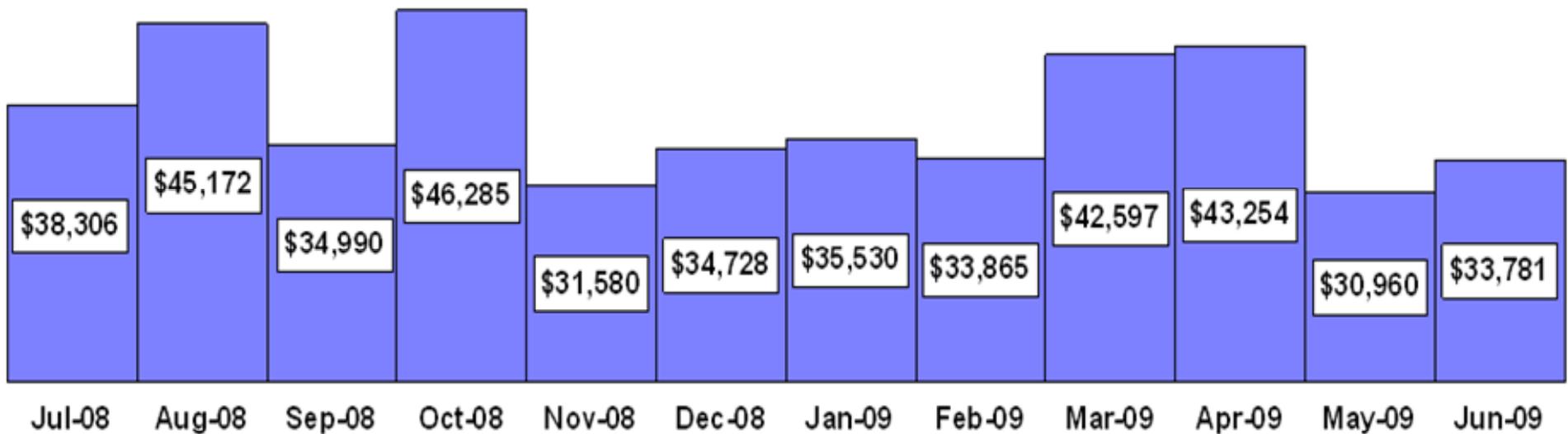


Tax revenues were \$227, 568 dollars or 44% less than FY 2008. This was due to the loss of the electronic gaming machines combined with the current economic conditions across the country.

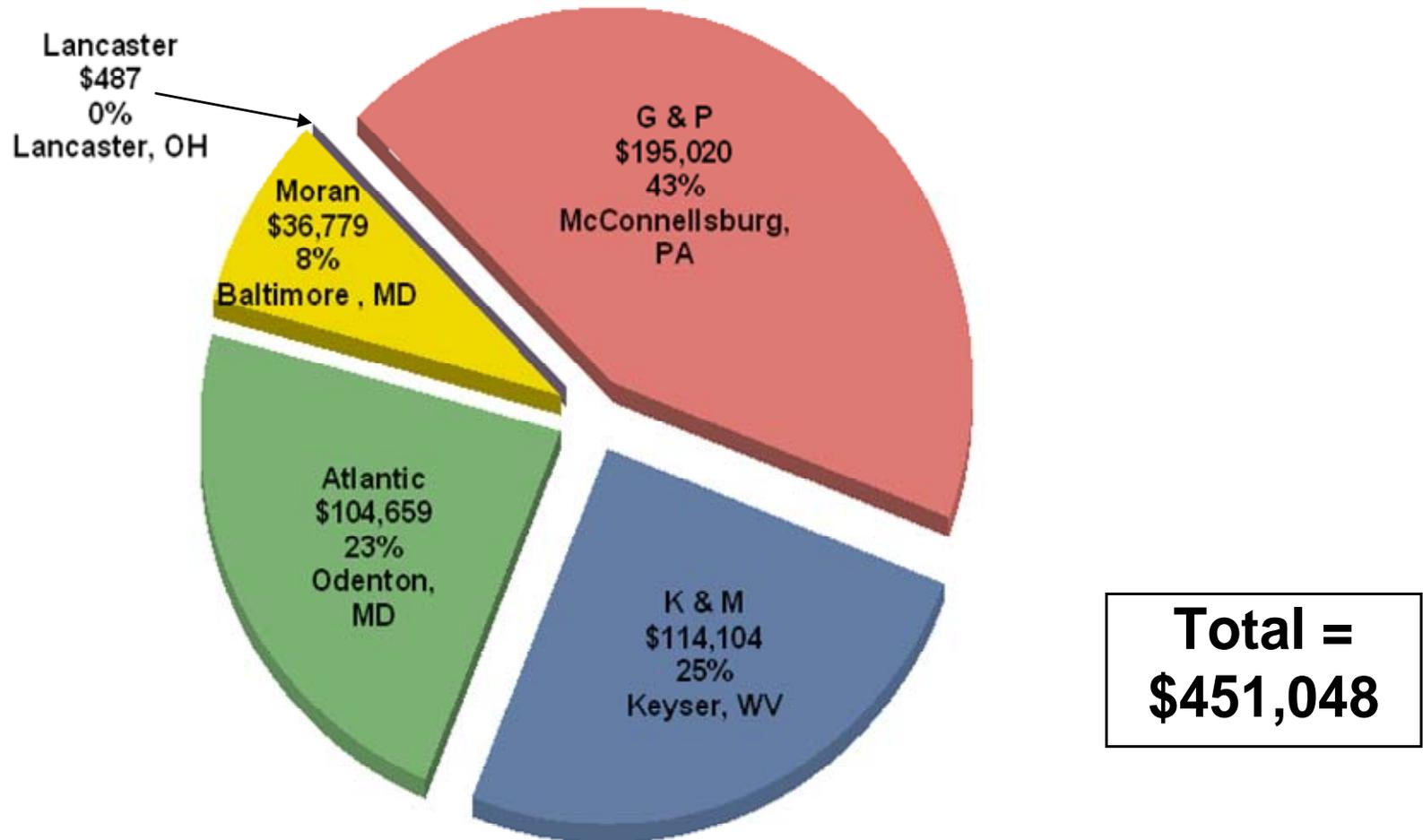
Paper Gaming Fund Tax Revenues By Month Fiscal Year 2009

\$37,587
Monthly
Average

Total = \$451,048

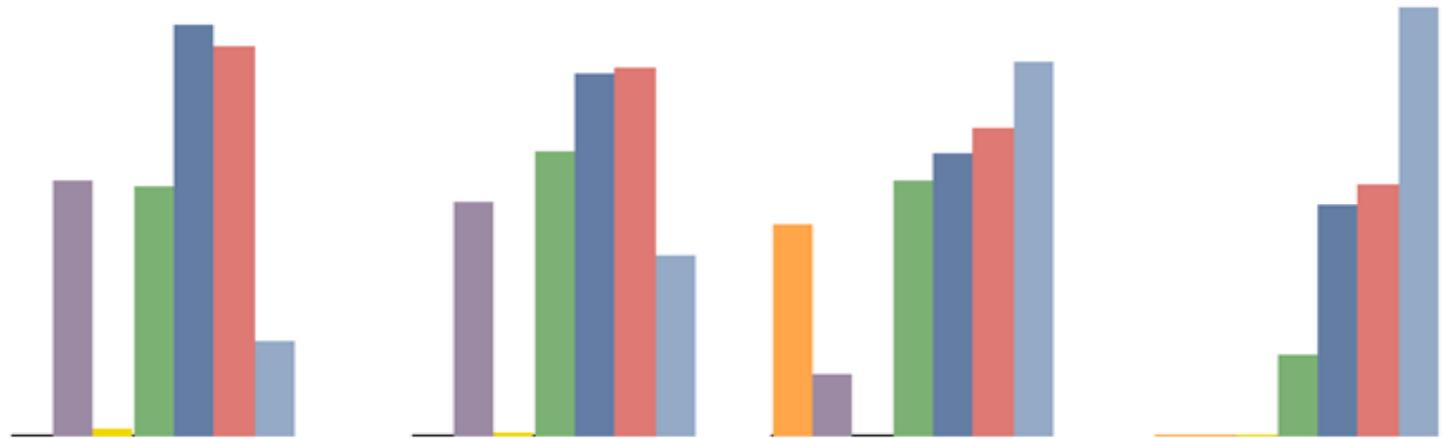


Allegany County Paper Gaming Wholesaler Fiscal Year 2009



Platinum of McAlester, OK chose not to renew his wholesalers' license with the enacting of Senate Bill 959 prohibiting electronic gaming machines.

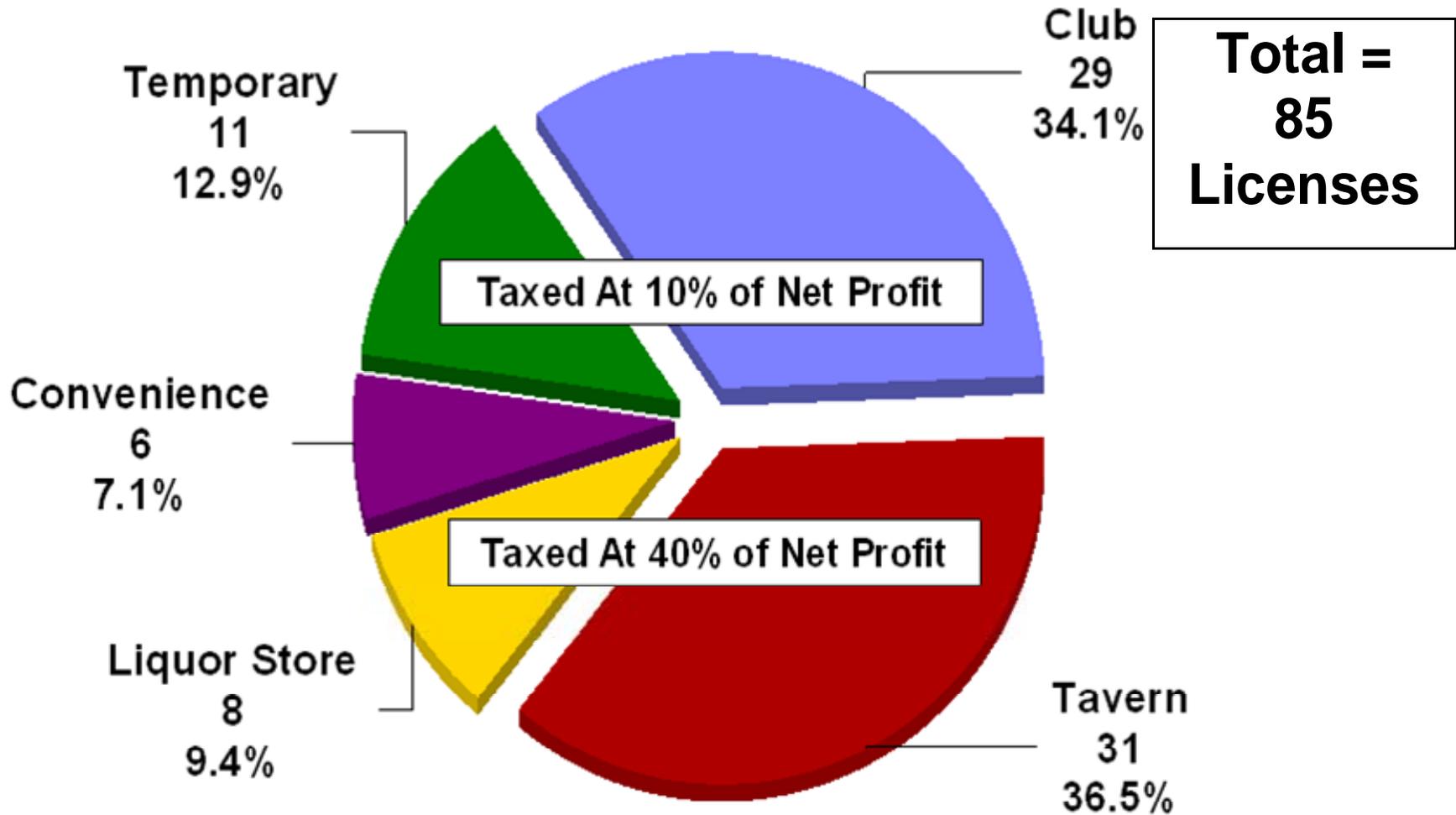
Tax Revenues By Allegany County Paper Gaming Wholesaler Fiscal Years 2006 - 2009



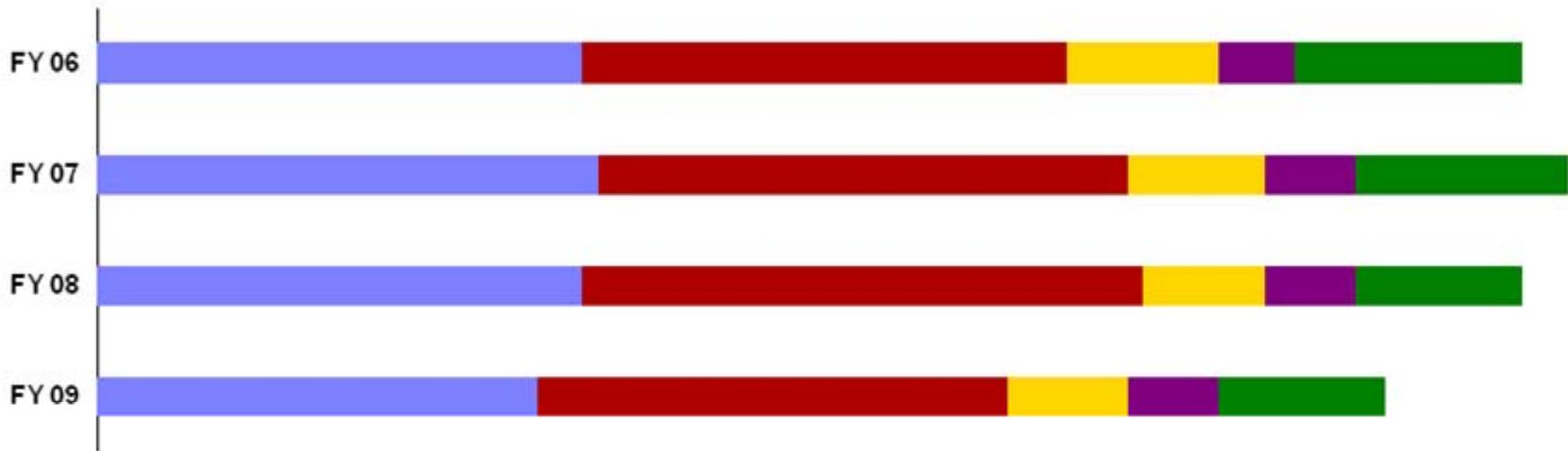
	FY 06	FY 07	FY 08	FY 09
Platinum	\$0	\$0	\$95,599	\$0
JR	\$115,923	\$106,055	\$27,914	\$0
Lancaster	\$3,099	\$1,335	\$225	\$487
Moran	\$113,123	\$129,487	\$116,320	\$36,779
Atlantic	\$186,683	\$164,617	\$128,493	\$104,659
K & M	\$177,325	\$167,231	\$140,189	\$114,104
G & P	\$43,039	\$81,428	\$169,875	\$195,020
Total	\$639,191	\$650,153	\$678,616	\$451,048

In FY 07 JR sold their business to G & P. In FY 08 Frank Moran & Sons reduced field staff and has reduced service to their accounts. G & P, however, has been actively recruiting

Allegany County Paper Gaming Operator Licenses By Type Fiscal Year 2009



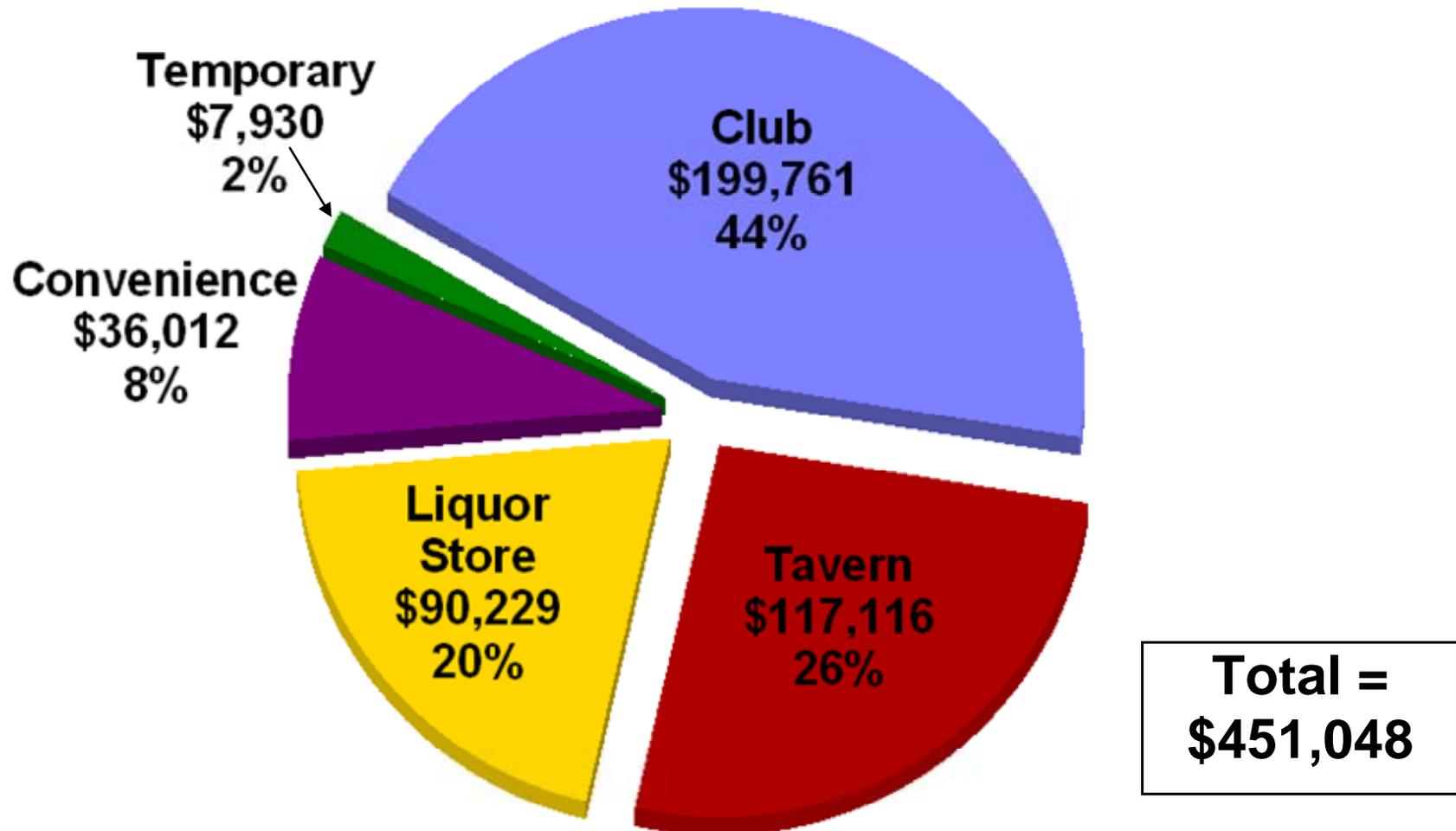
Allegany County Paper Gaming Operator Licenses By Type Fiscal Years 2006 - 2009



	FY 06	FY 07	FY 08	FY 09
Club	32	33	32	29
Tavern	32	35	37	31
Liquor Store	10	9	8	8
Convenience	5	6	6	6
Temporary	15	14	11	11
Totals	94	97	94	85

The Allegany County Gaming Office has nine less operators than during the FY 08. There was a loss of three clubs and six taverns. Temporaries, convenience stores and liquor stores remained constant.

Tax Revenues By Allegany County Paper Gaming Operator Type Fiscal Year 2009



70 percent of the tax revenues are generated by the taverns and clubs combined. Liquor stores went from 14% to 20% for shared points.

Allegany County Paper Gaming Fund Tax Revenues By Operator Type Fiscal Years 2007 - 2009

Difference
-\$41,993

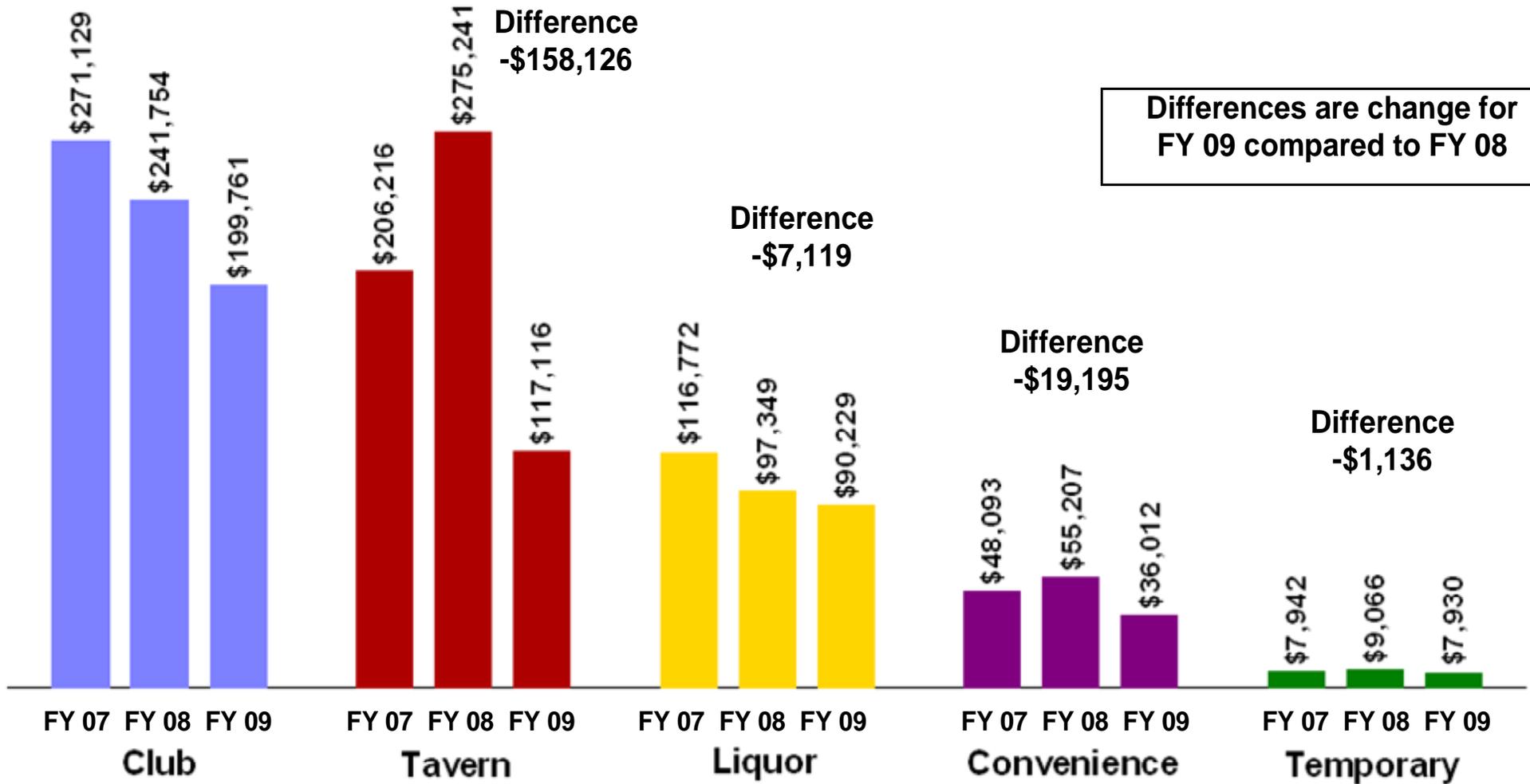
Difference
-\$158,126

Difference
-\$7,119

Difference
-\$19,195

Difference
-\$1,136

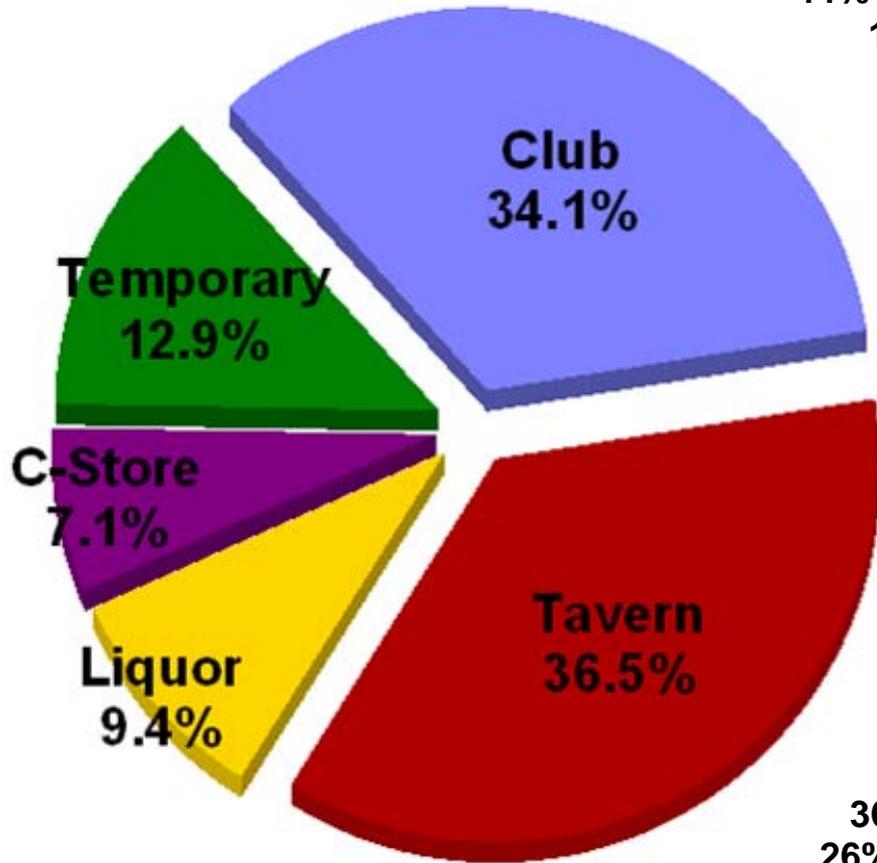
Differences are change for
FY 09 compared to FY 08



The vast decline in the tavern revenues can be directly linked to the loss of the electronic gaming machines. The electronic gaming machines were heavily concentrated in the taverns.

Allegany County Paper Gaming Operator Type License % Versus Revenue % Fiscal Year 2009

Licenses

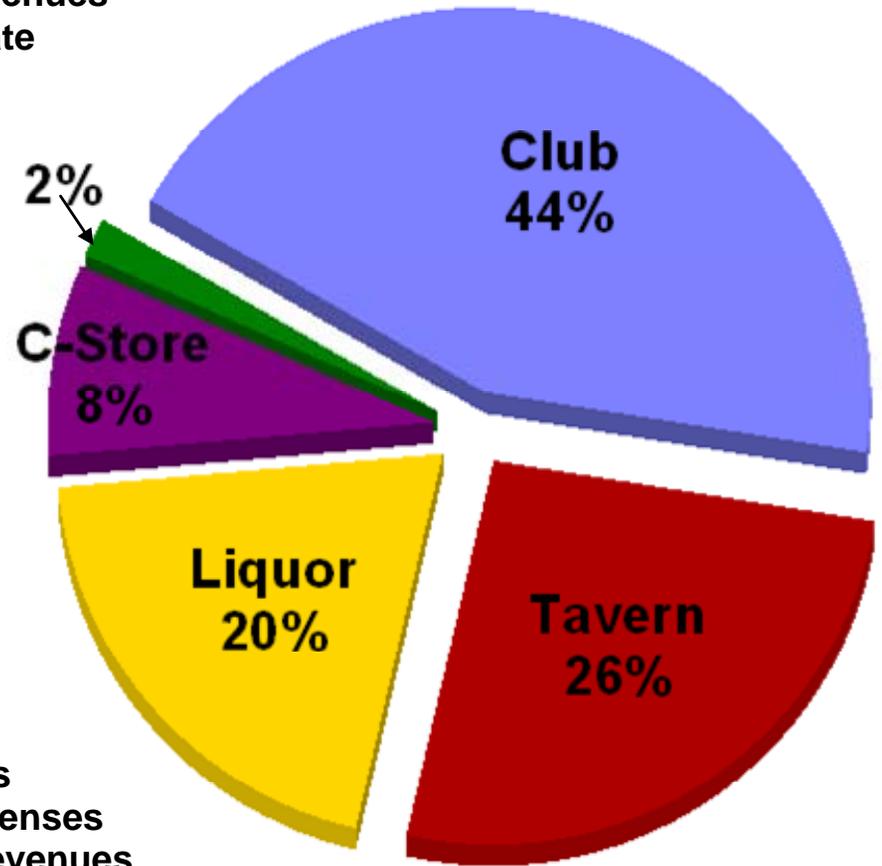


Liquor Stores
9.4% Of Licenses
20% Of Tax Revenues
40% Tax Rate

Clubs
34.1% Of Licenses
44% Of Tax Revenues
10% Tax Rate

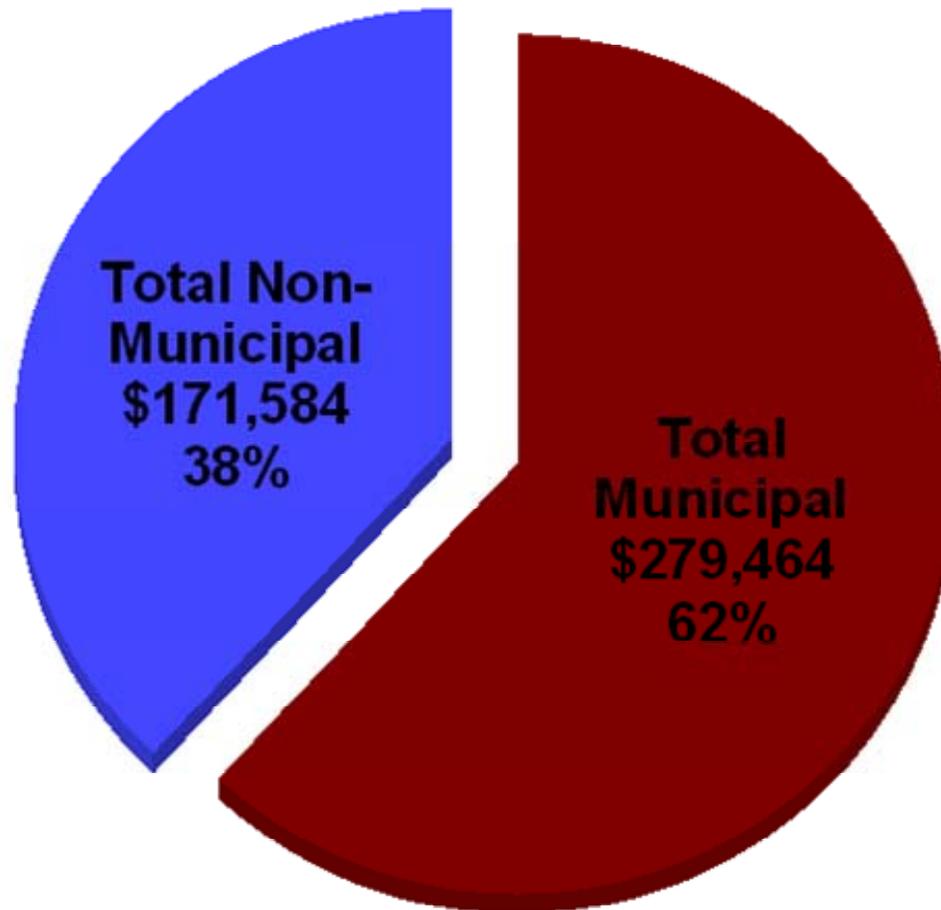
Taverns
36.5% Of Licenses
26% Of Tax Revenues
40% Tax Rate

Tax Revenues



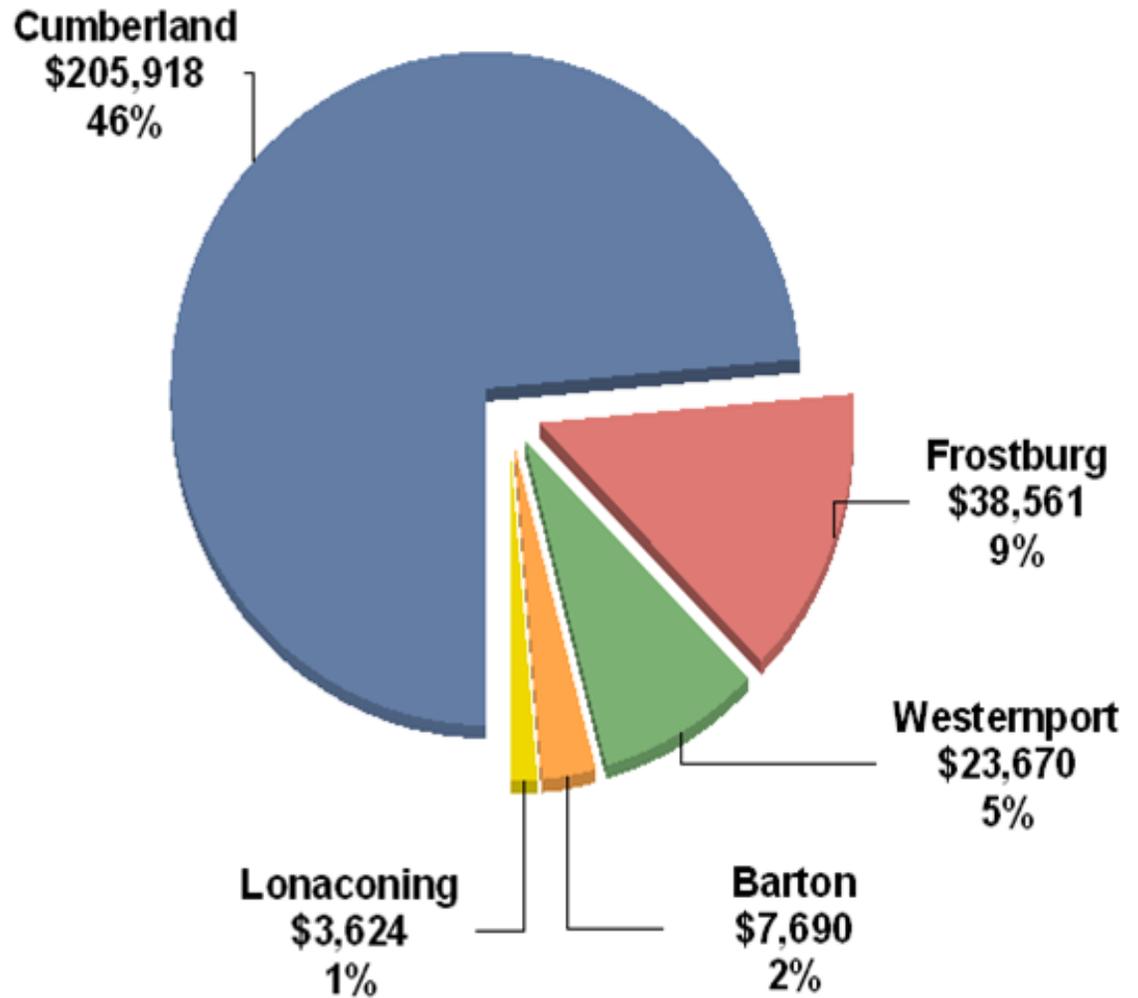
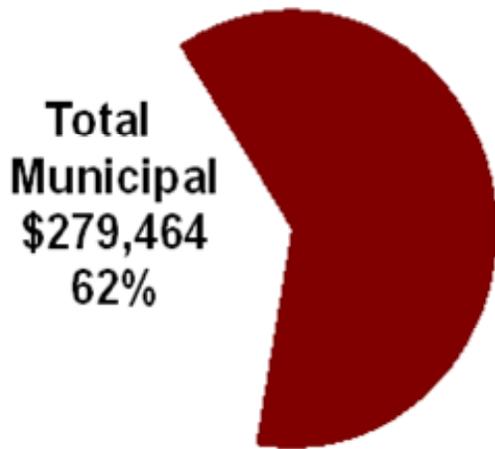
Liquor Stores had an increase of 6 share points for revenue this year. Taverns decreased by 15 share points and Clubs decreased 8. C-Stores and temporaries remained static.

**Allegheny County Paper Gaming Operator Tax
Revenues Municipal Versus Non-Municipal
Fiscal Year 2009**



**Total =
\$451,048**

Allegany County Paper Gaming Operator Tax Revenues By Municipal Areas Fiscal Year 2009

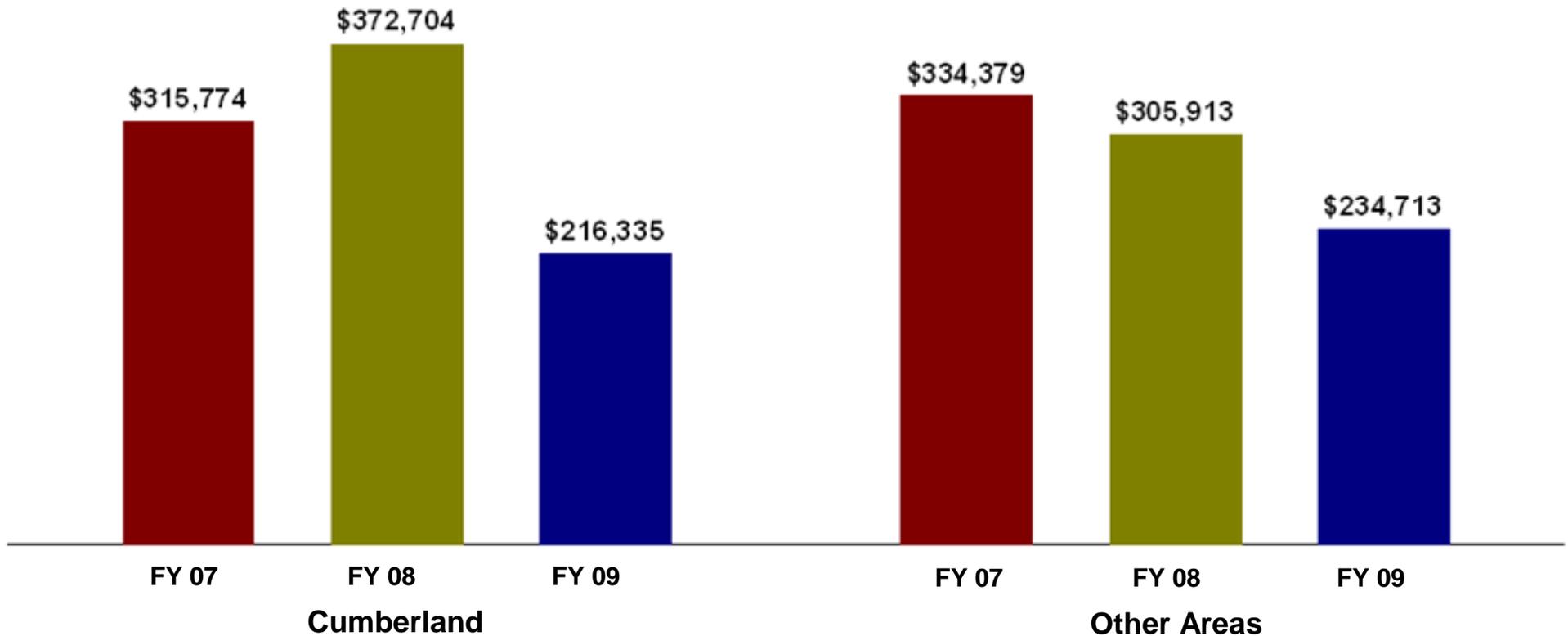


Total Tax Revenues = \$451,048

Allegany County Paper Gaming Operator Tax Revenues Cumberland Area Versus Other Areas Fiscal Years 2007 - 2009

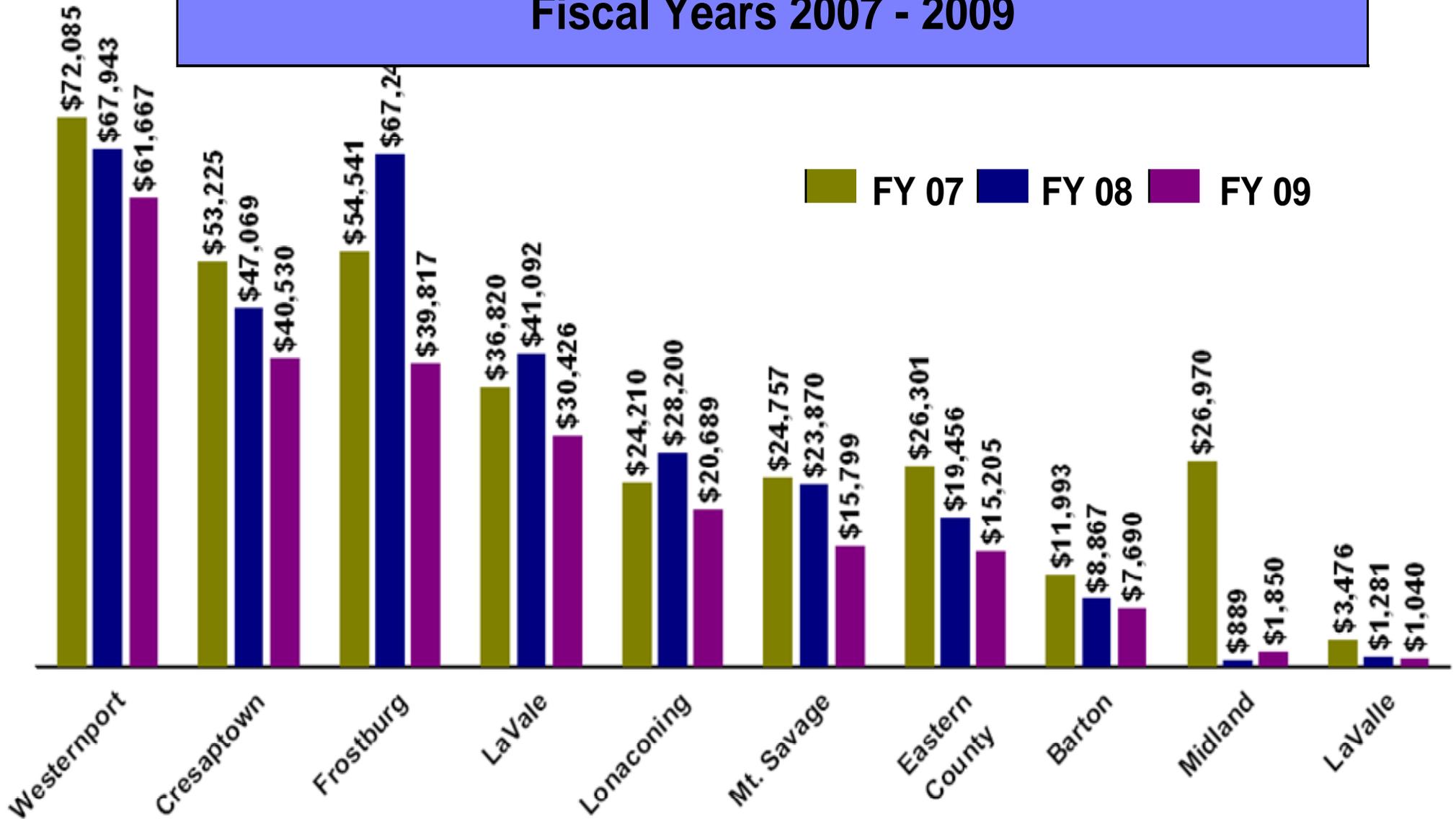
Difference Between
FY 09 and FY 08
-\$156,369

Difference Between
FY 09 and FY 08
-\$71,200

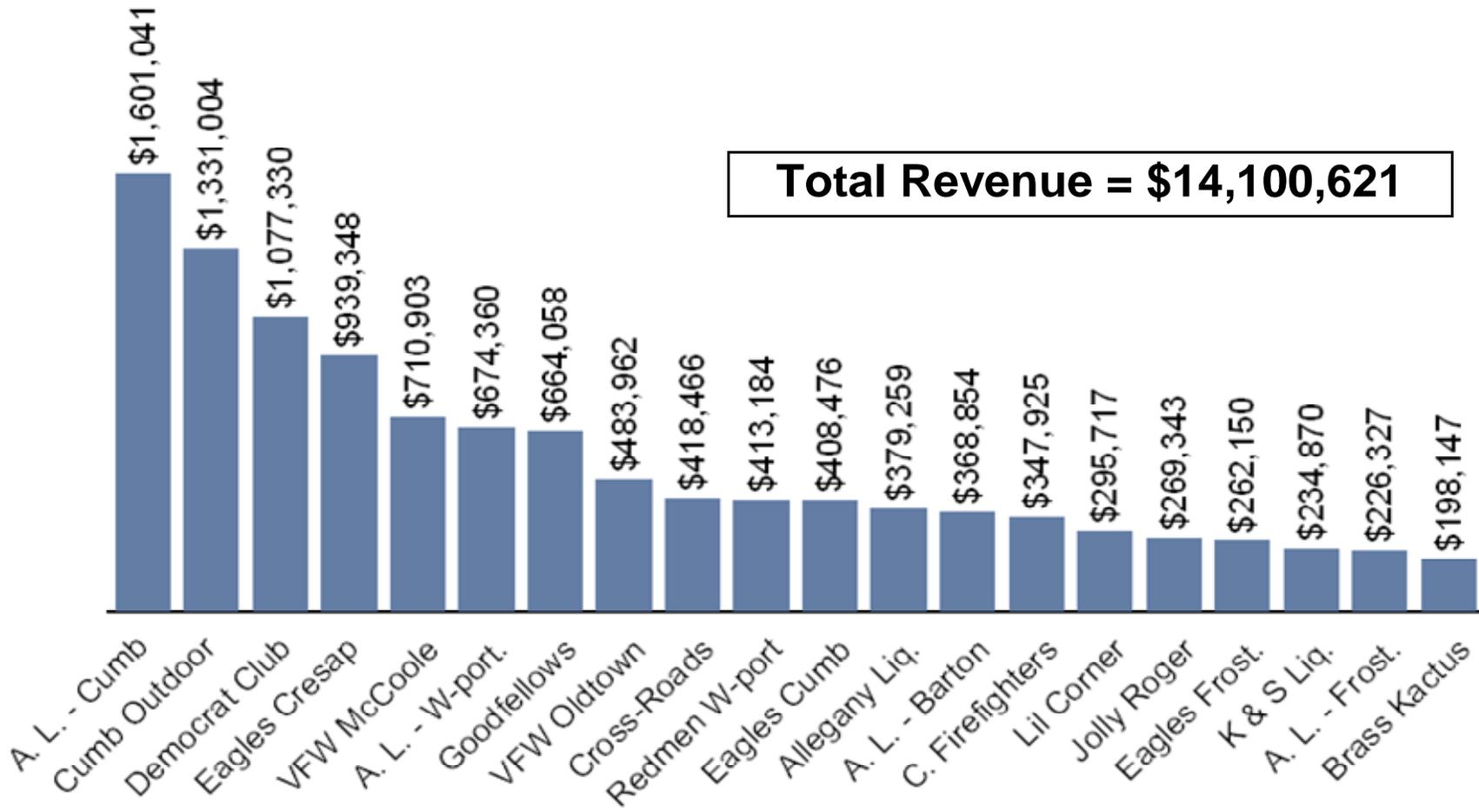


The loss of gaming taxes was greater in Cumberland this year compared to last year. This was also due in a large part to the loss of the electronic gaming machines primarily at River's Edge.

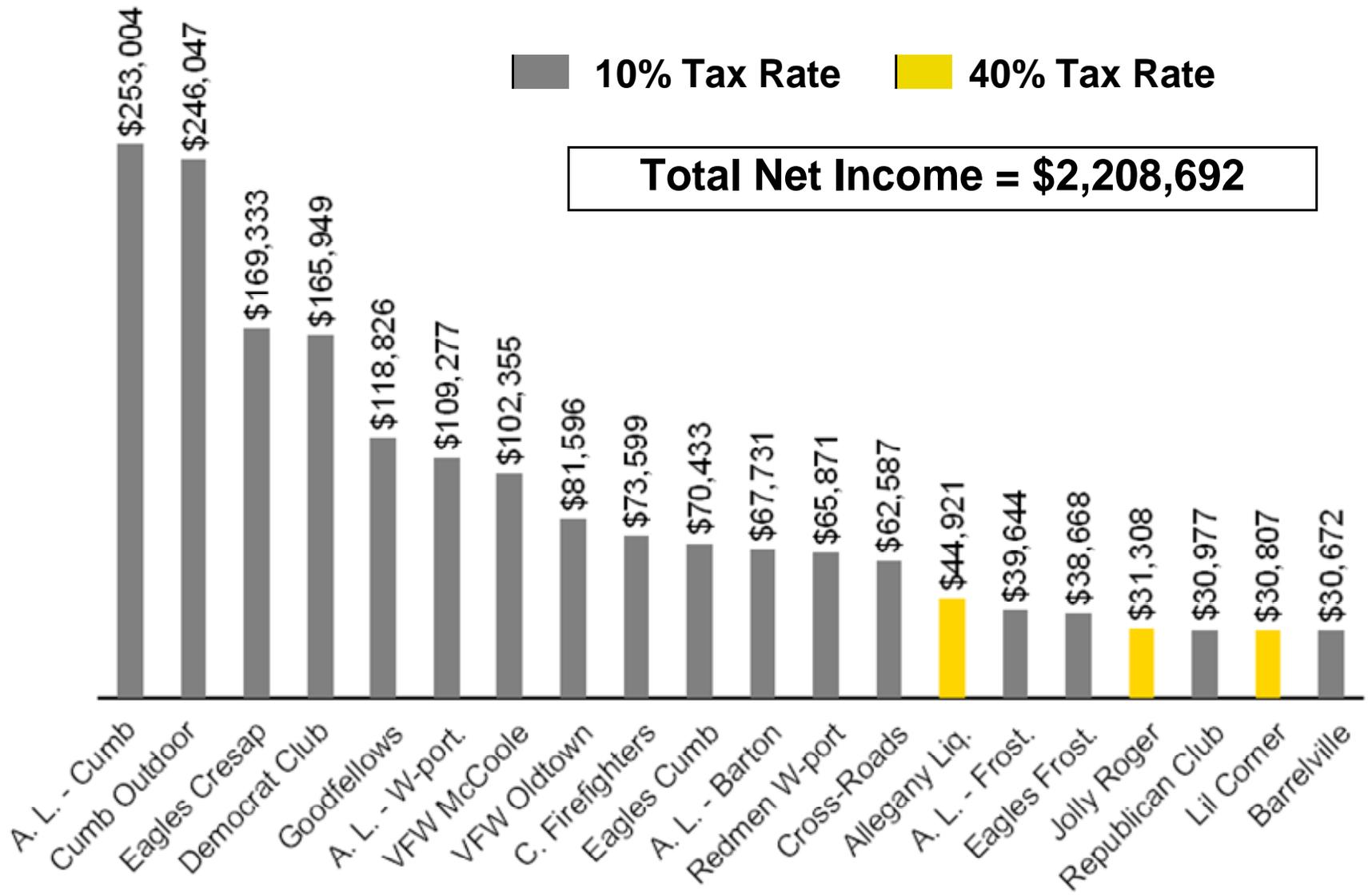
Allegany County Paper Gaming Operator Tax Revenues Other Areas (Excludes Cumberland) Fiscal Years 2007 - 2009



Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2009



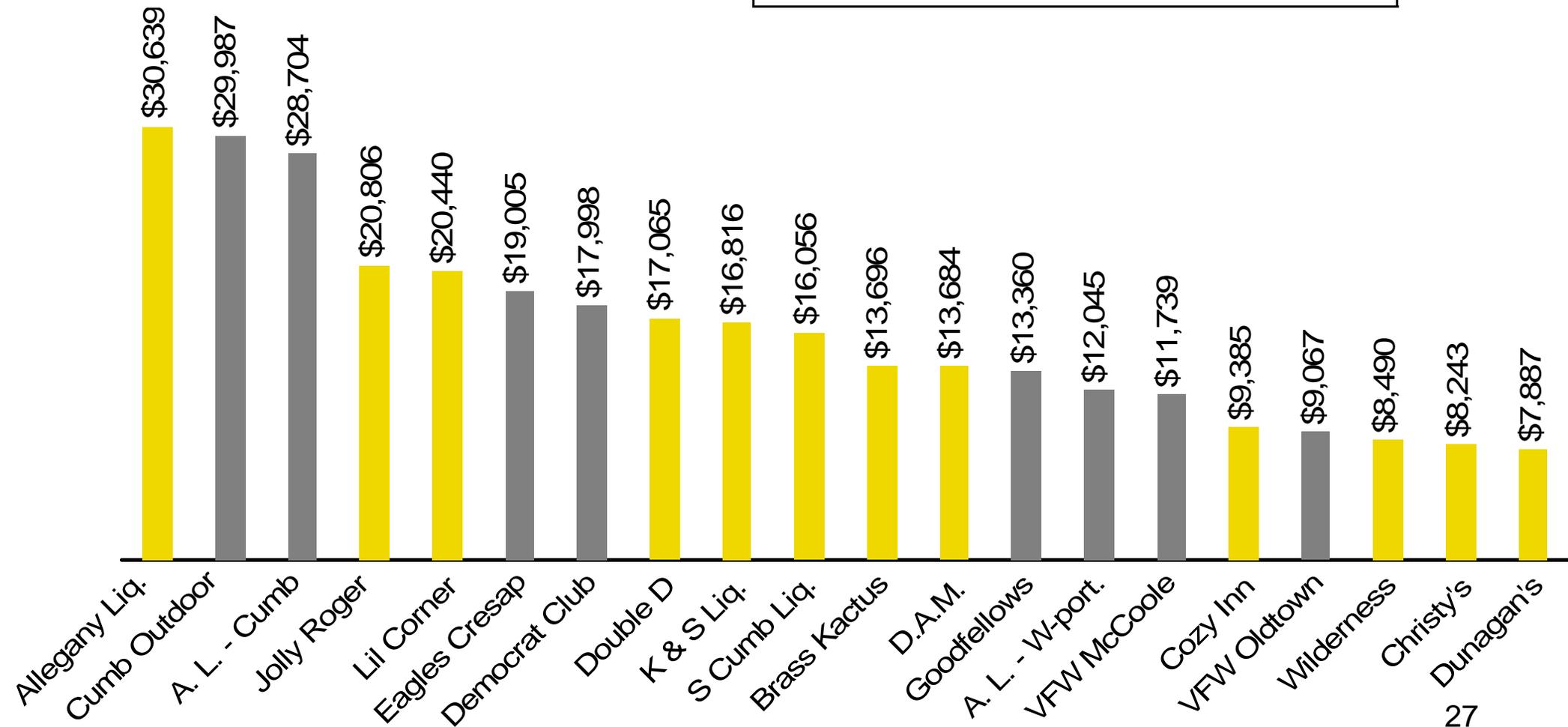
Net Income By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2009



Tax Revenues By Allegany County Paper Gaming Operator Top 20 For Fiscal Year 2009

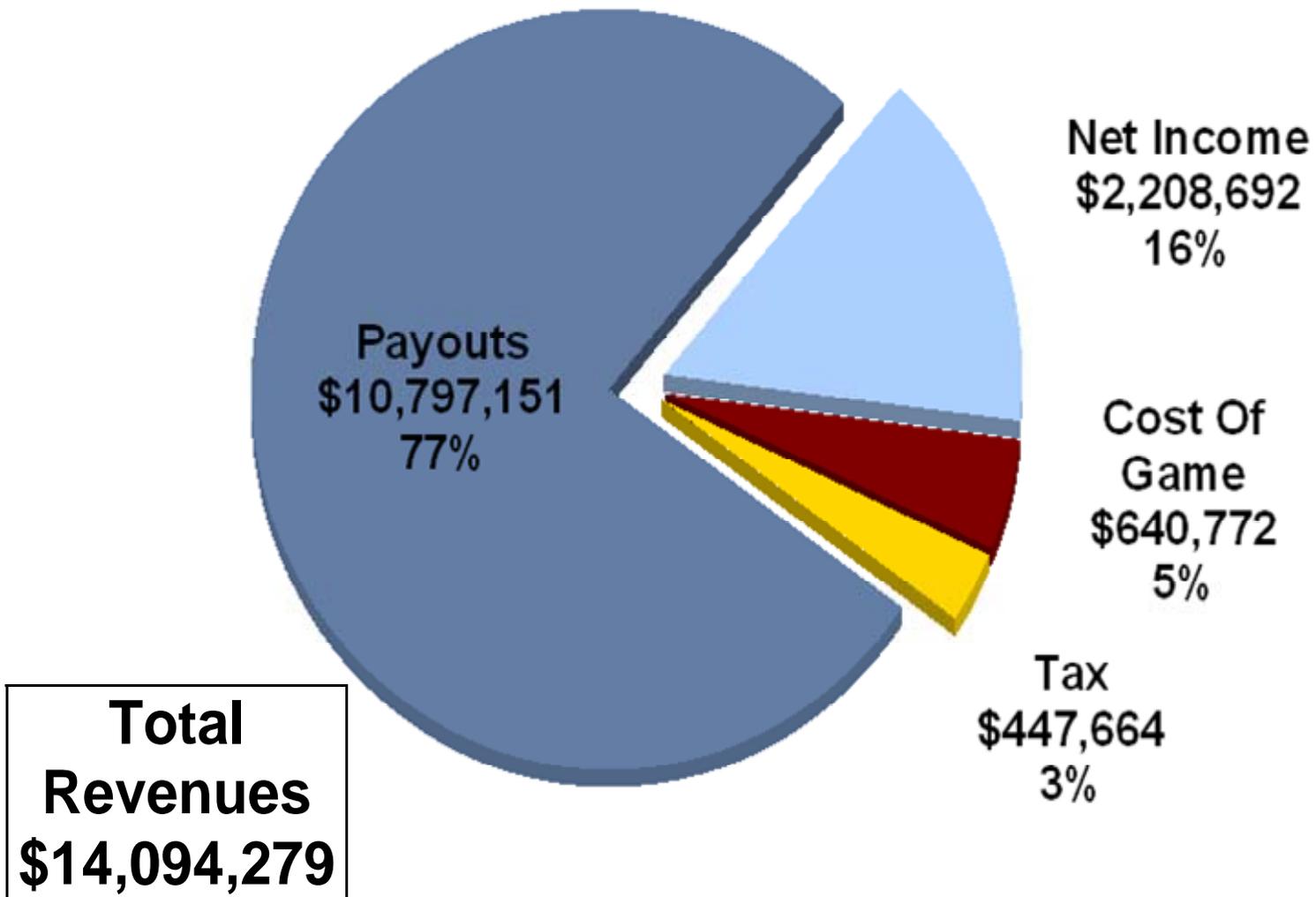
■ 10% Tax Rate ■ 40% Tax Rate

Total Tax Revenue = \$451,048



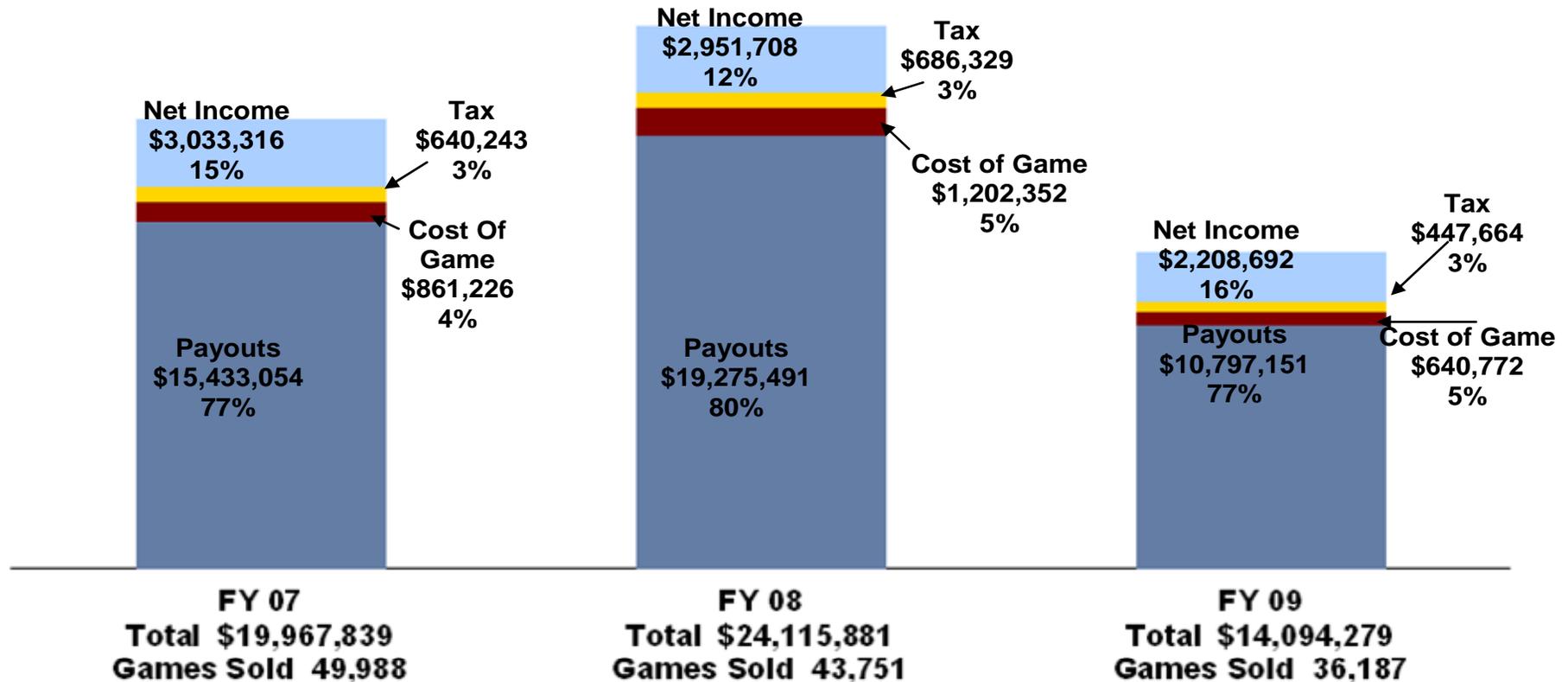
Distribution of Operator Gaming Revenues* Fiscal Year 2009

*Based on games started during fiscal year.



Distribution of Operator Gaming Revenues* Fiscal Years 2007 - 2009

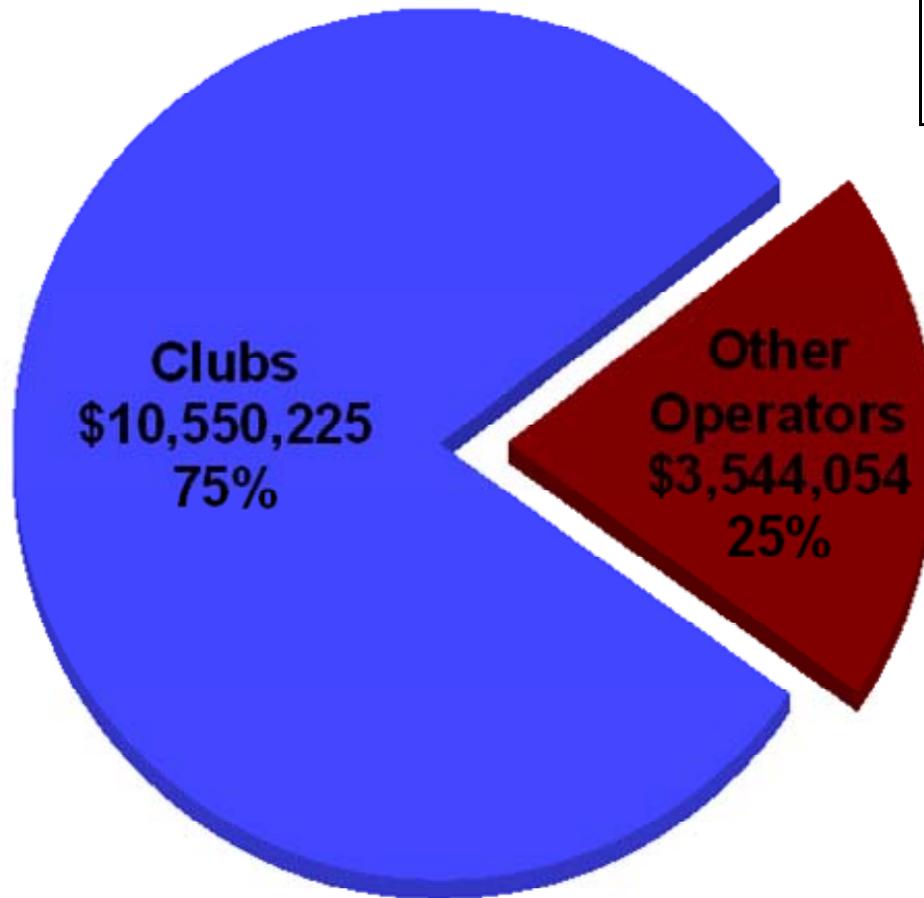
*Based on games started during fiscal year.



Payouts in FY 08 were contributed to the higher payouts of the electronic gaming machines. Without the influence of the electronic gaming machines payouts for FY 07 and 09 were equal in percent.

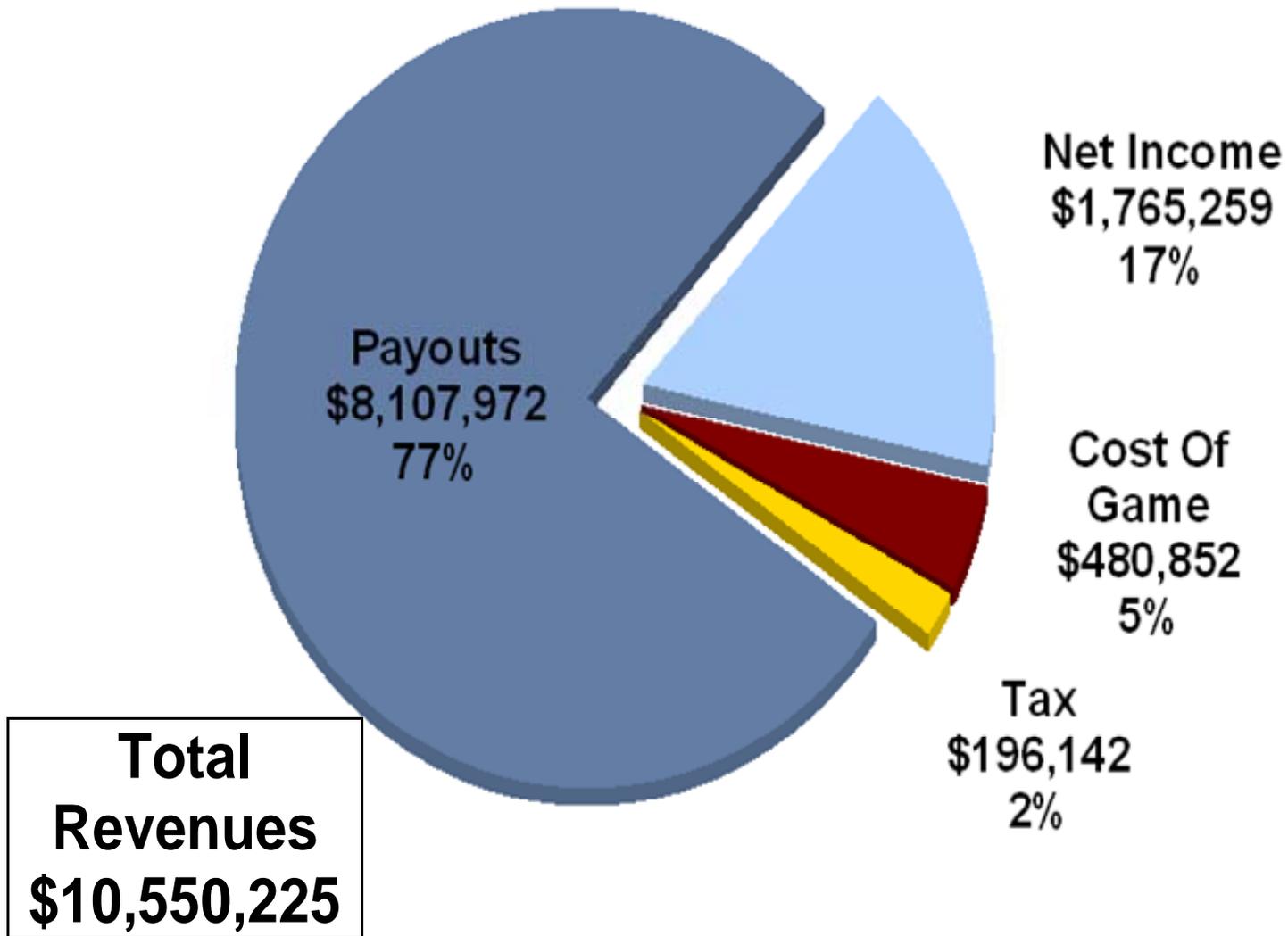
**Allegheny County Paper Gaming Operator Revenues
Clubs Versus Other Operators
Fiscal Year 2009**

**Total =
\$14,094,279**



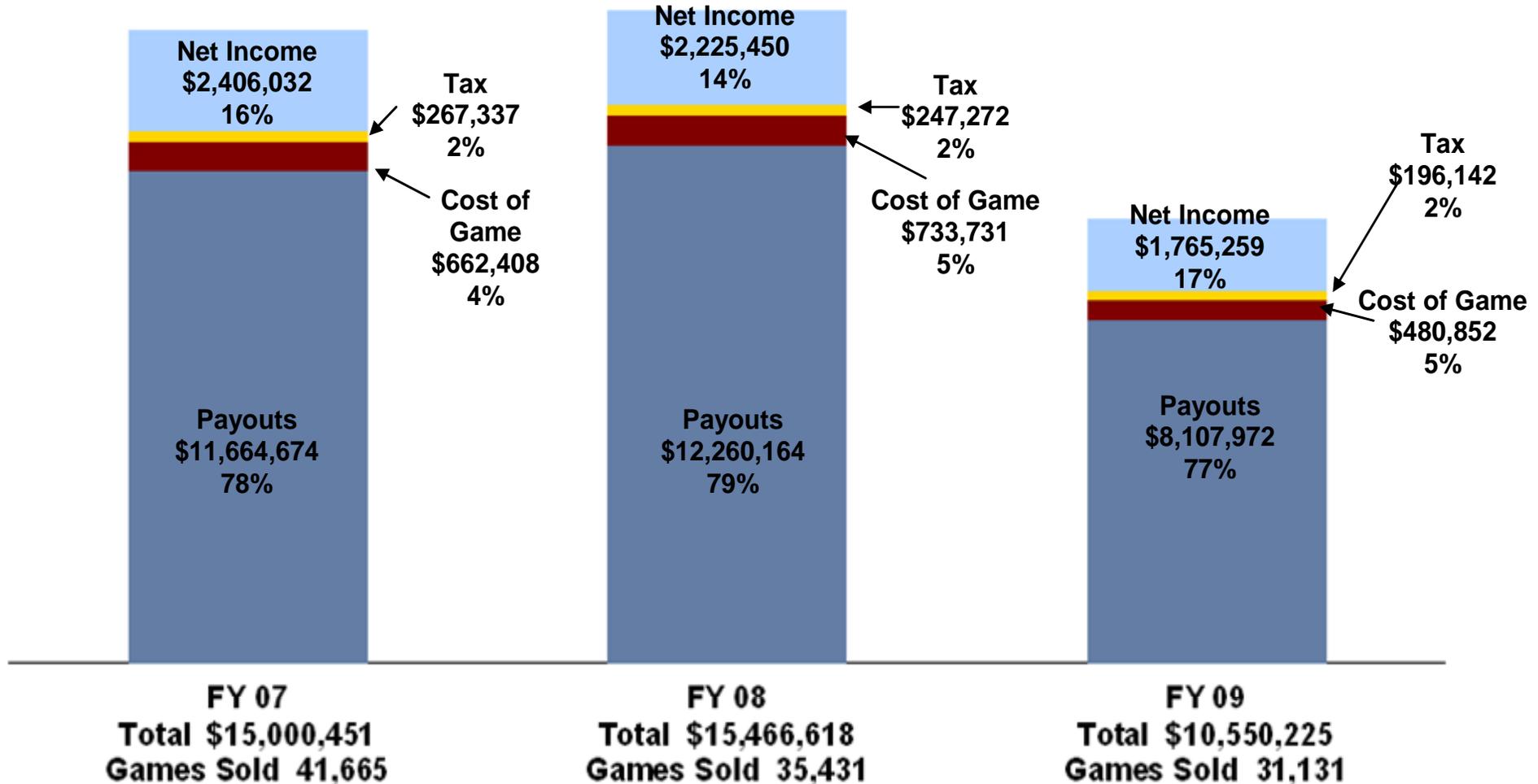
Distribution of Club Revenues* Fiscal Year 2009

*Based on games started during fiscal year.



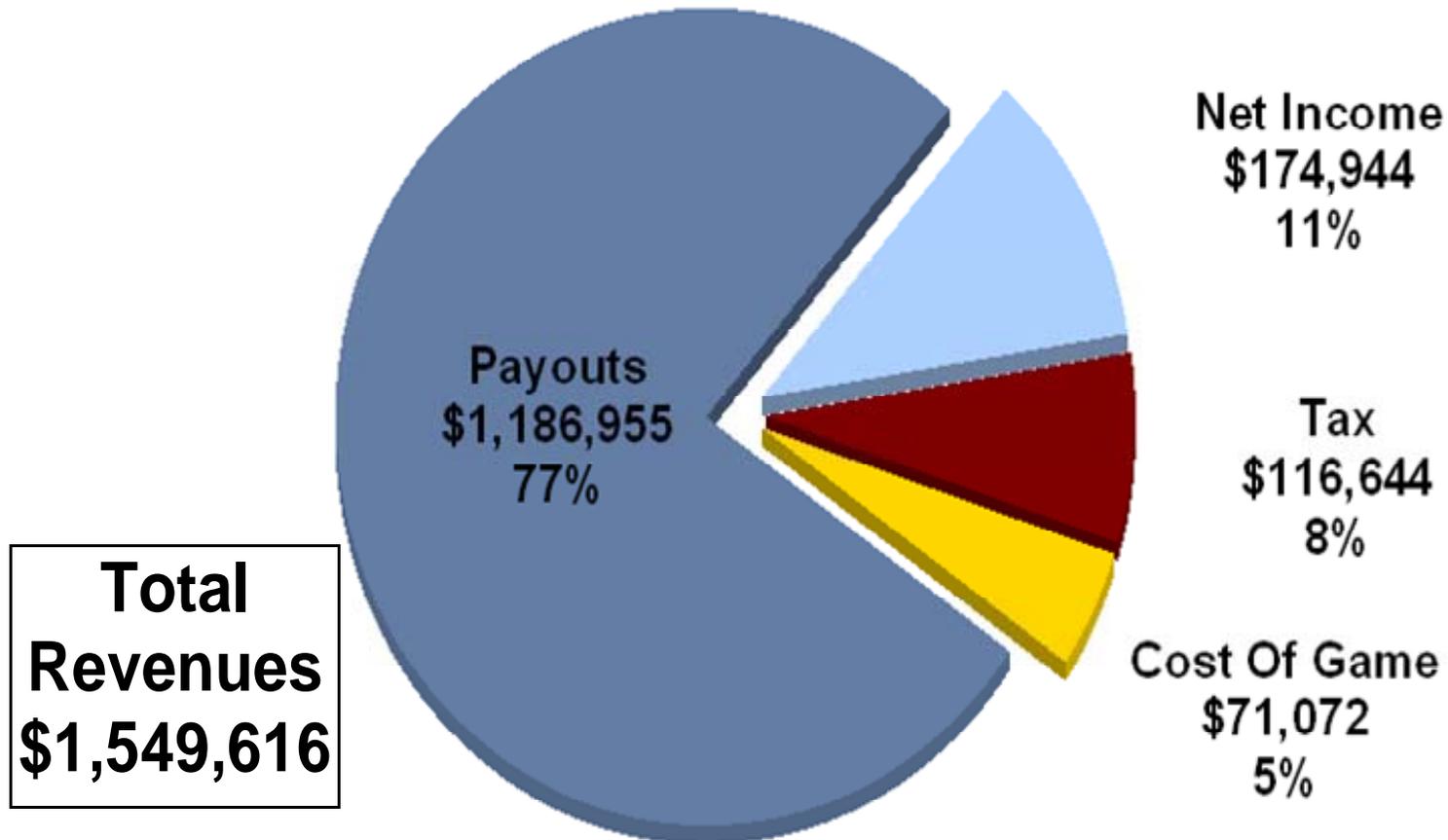
Distribution of Club Gaming Revenues* Fiscal Years 2007 - 2009

*Based on games started during fiscal year.



Distribution of Tavern Revenues* Fiscal Year 2009

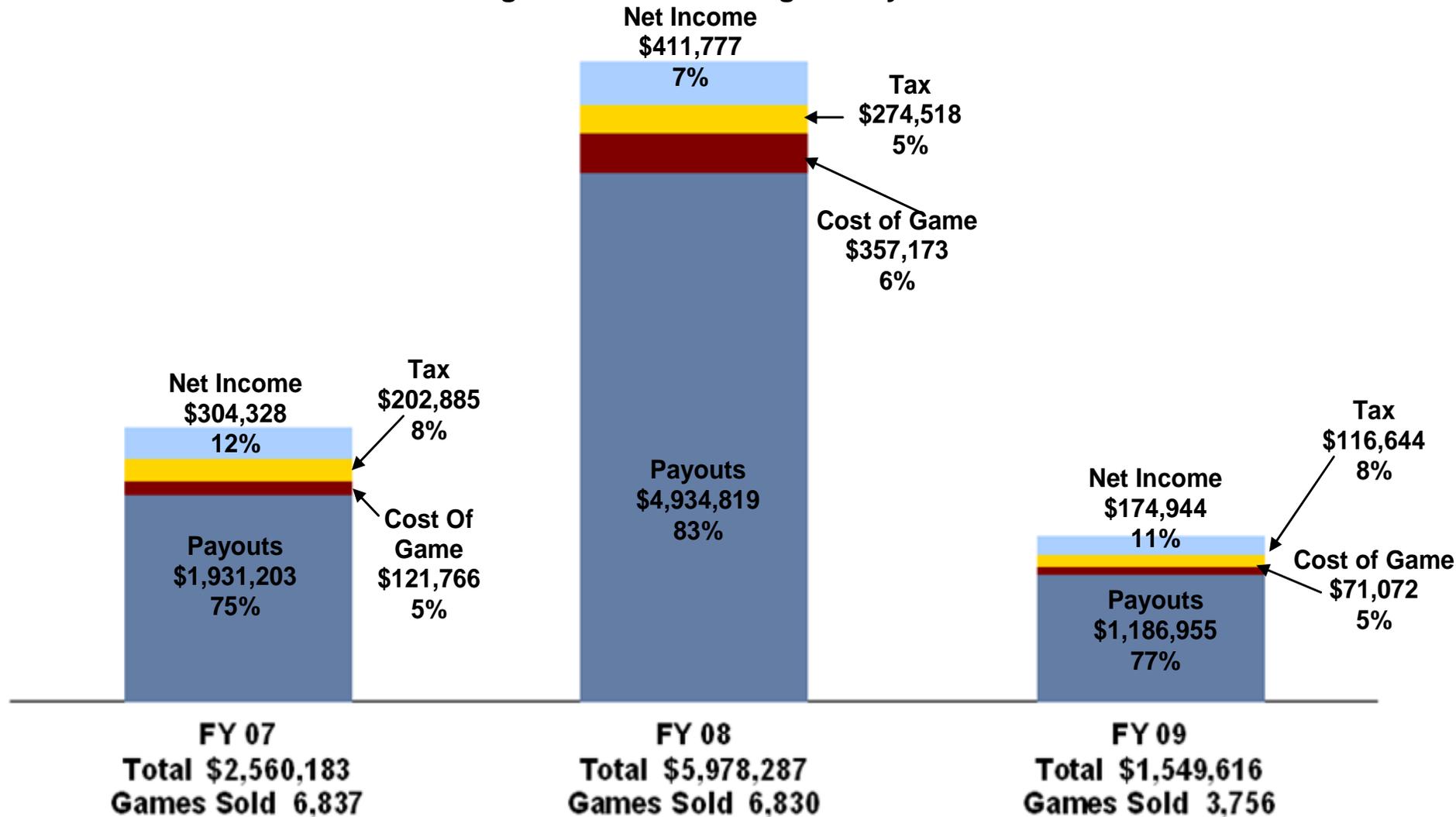
*Based on games started during fiscal year.



Total revenues for the taverns decrease \$4,411,303 from last year and the payouts decreased from 83% to 77%.

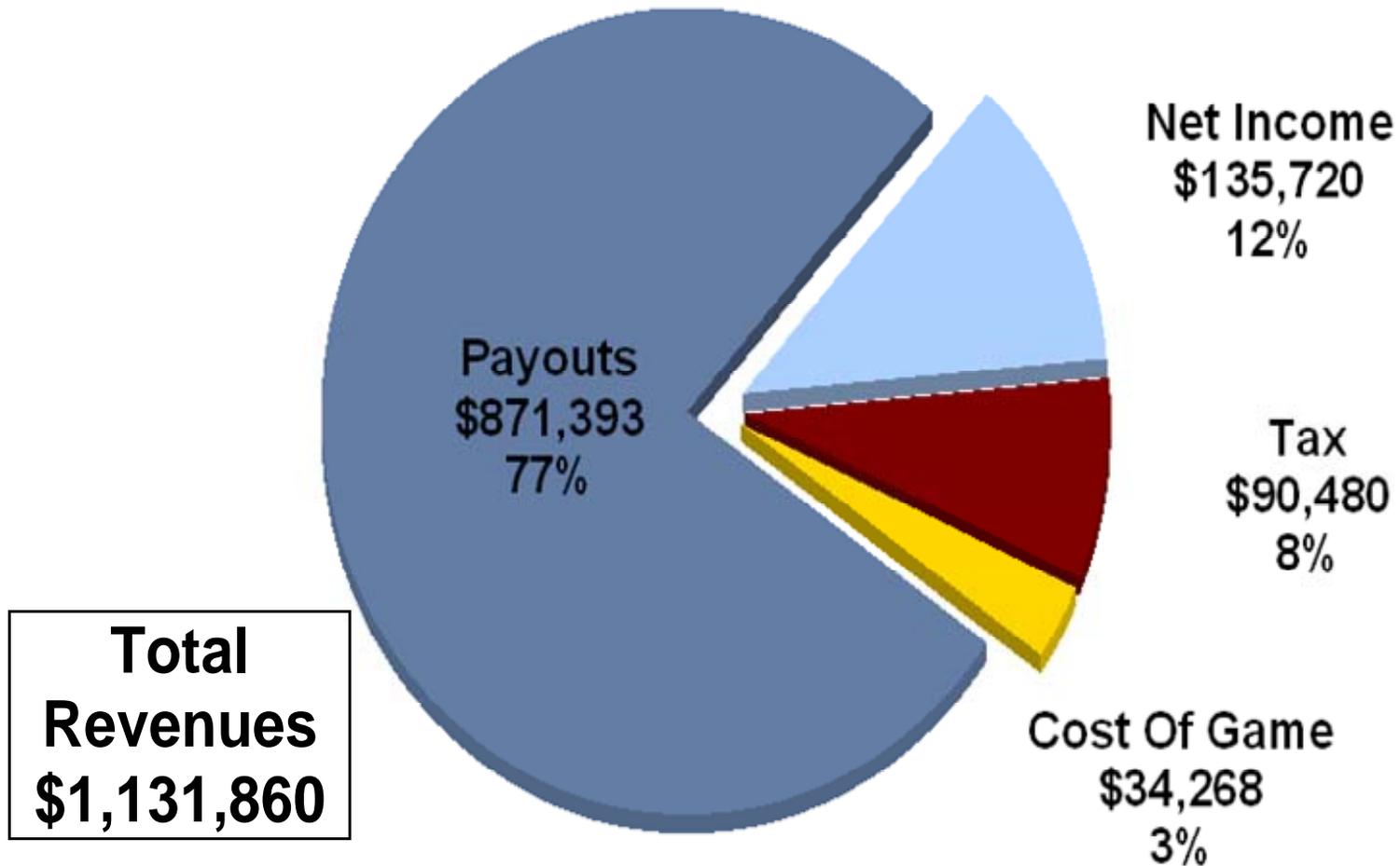
Distribution of Tavern Gaming Revenues* Fiscal Years 2007 - 2009

*Based on games started during fiscal year.



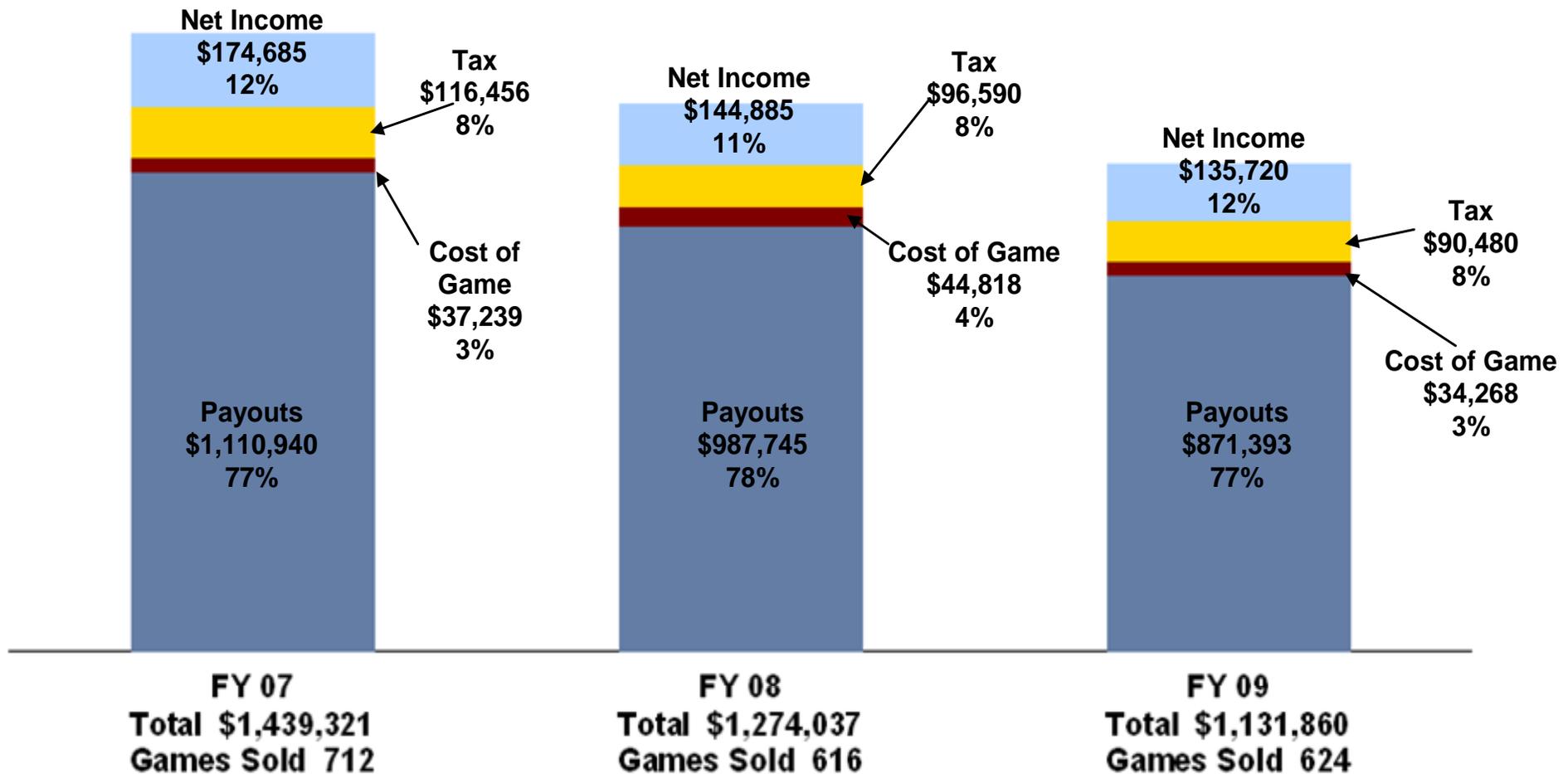
Distribution of Liquor Store Revenues* Fiscal Year 2009

*Based on games started during fiscal year.



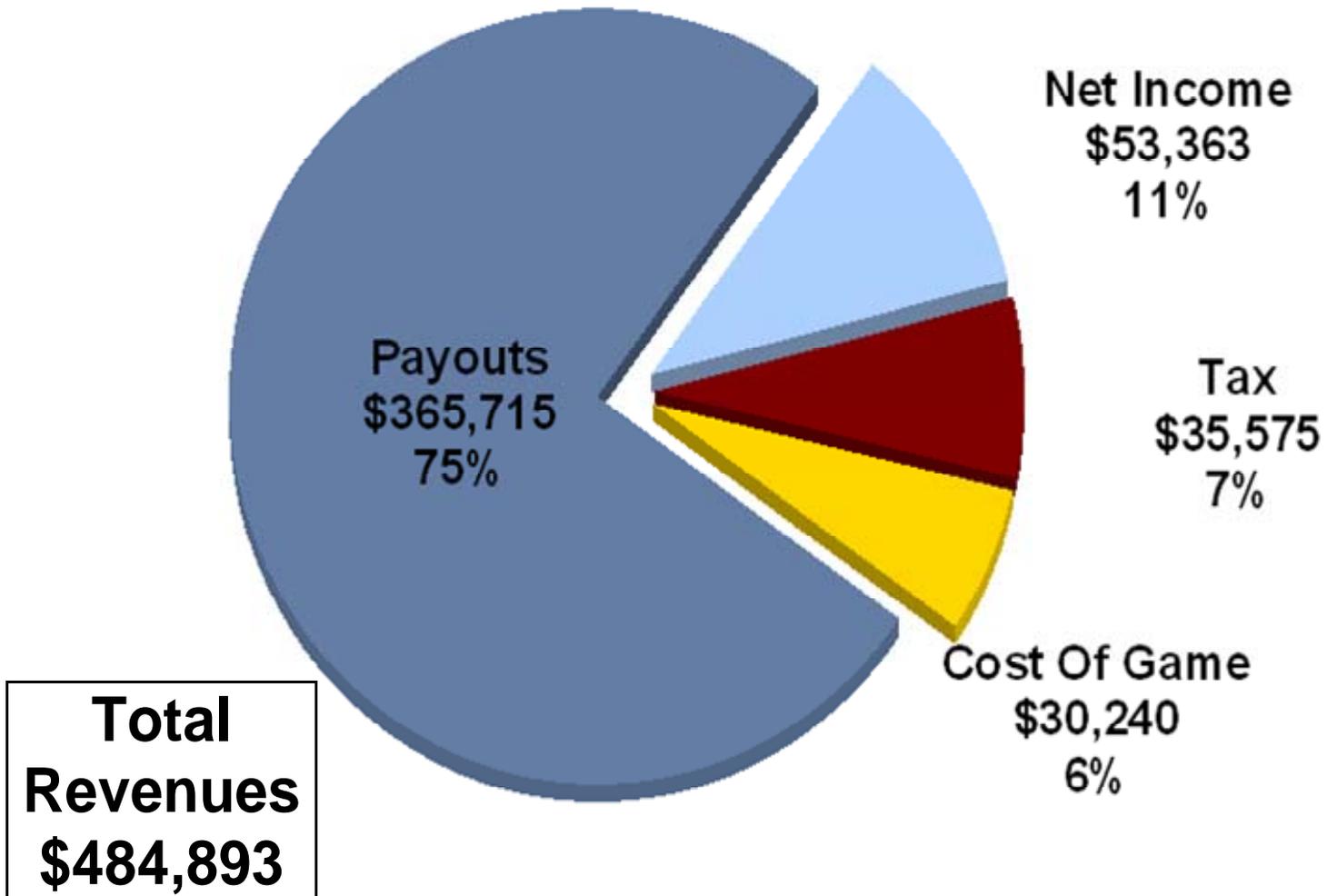
Distribution of Liquor Store Revenues* Fiscal Years 2007 - 2009

*Based on games started during fiscal year.



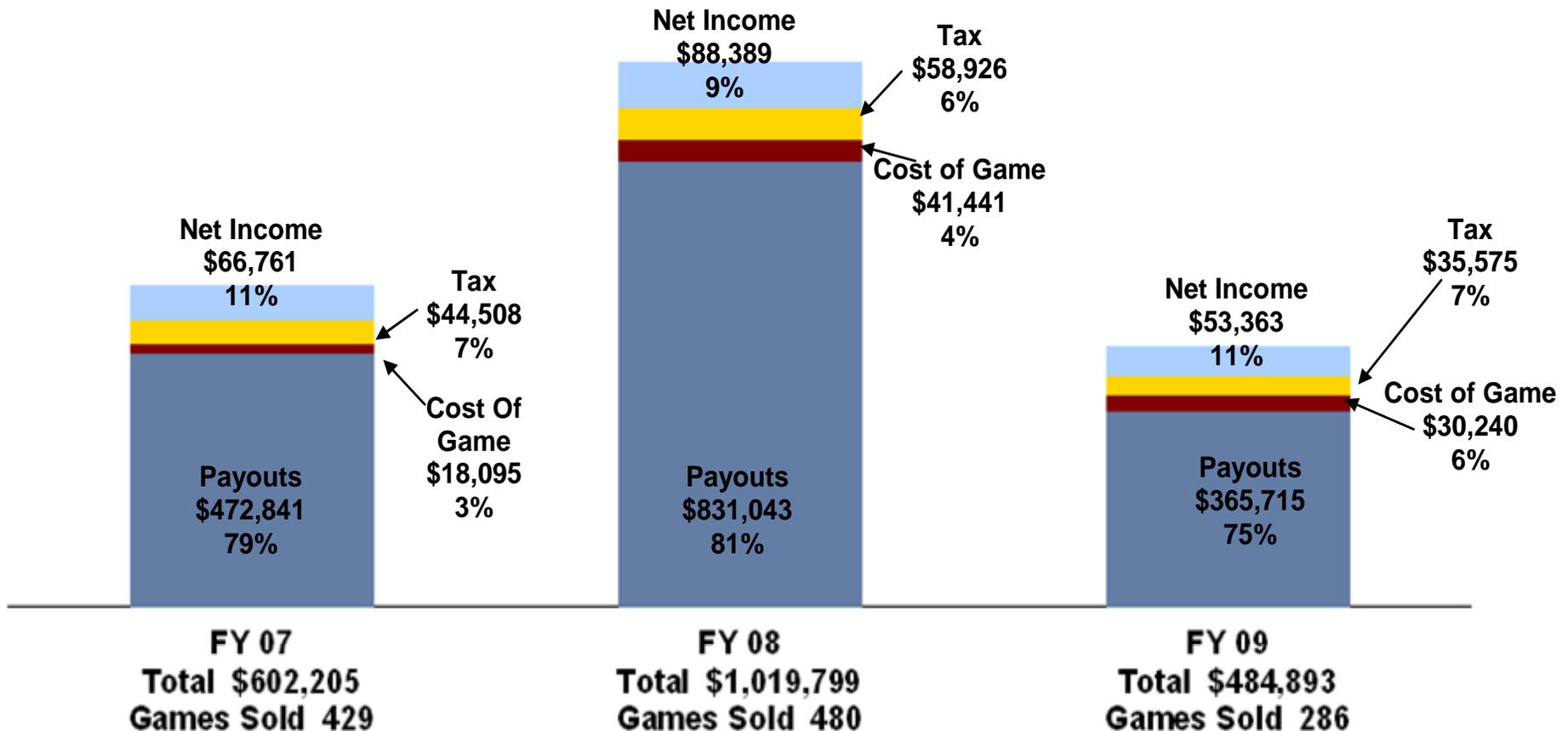
Distribution of Convenience Store Revenues* Fiscal Year 2009

*Based on games started during fiscal year.



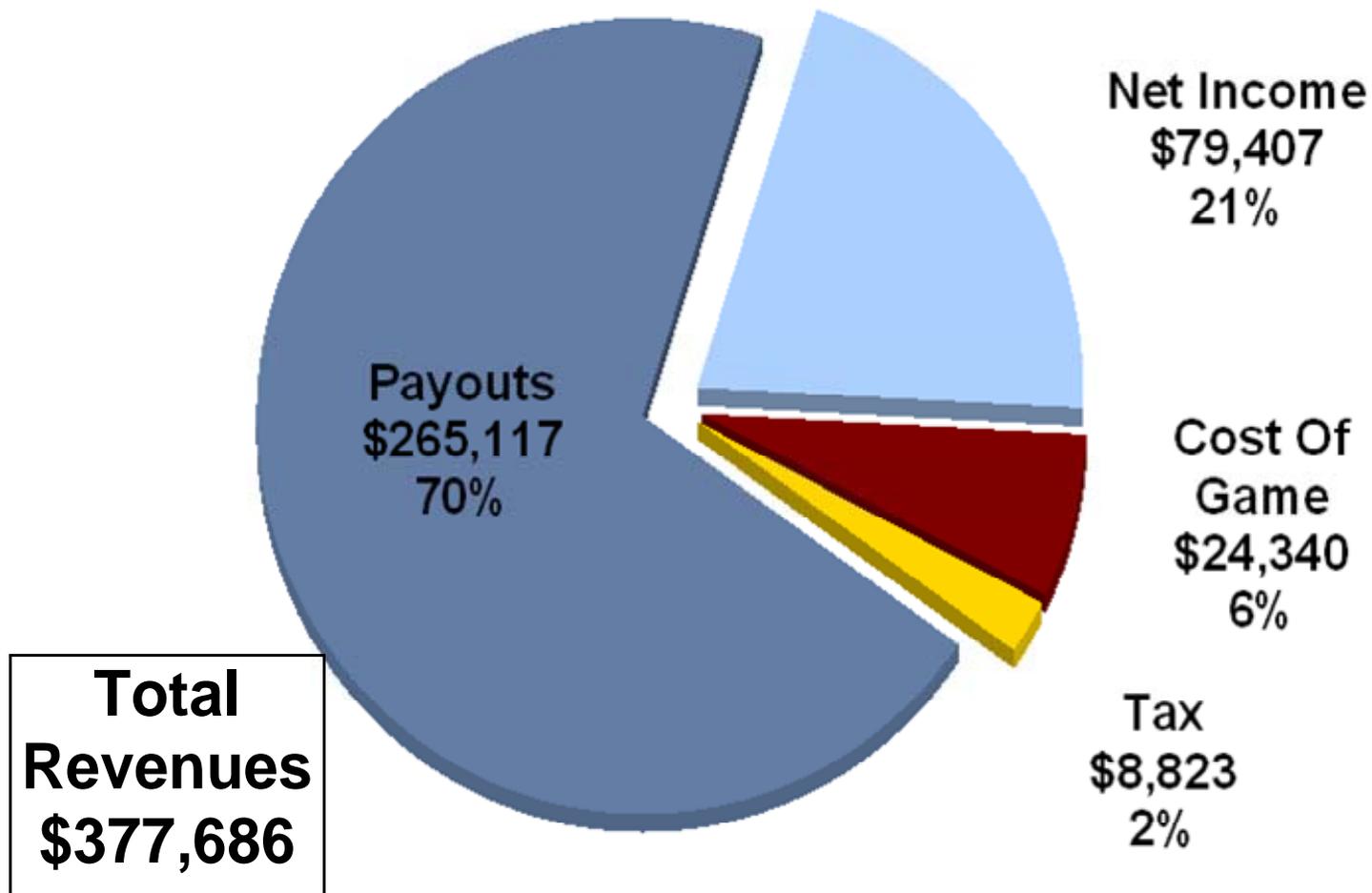
Distribution of Convenience Store Revenues* Fiscal Years 2007 - 2009

*Based on games started during fiscal year.



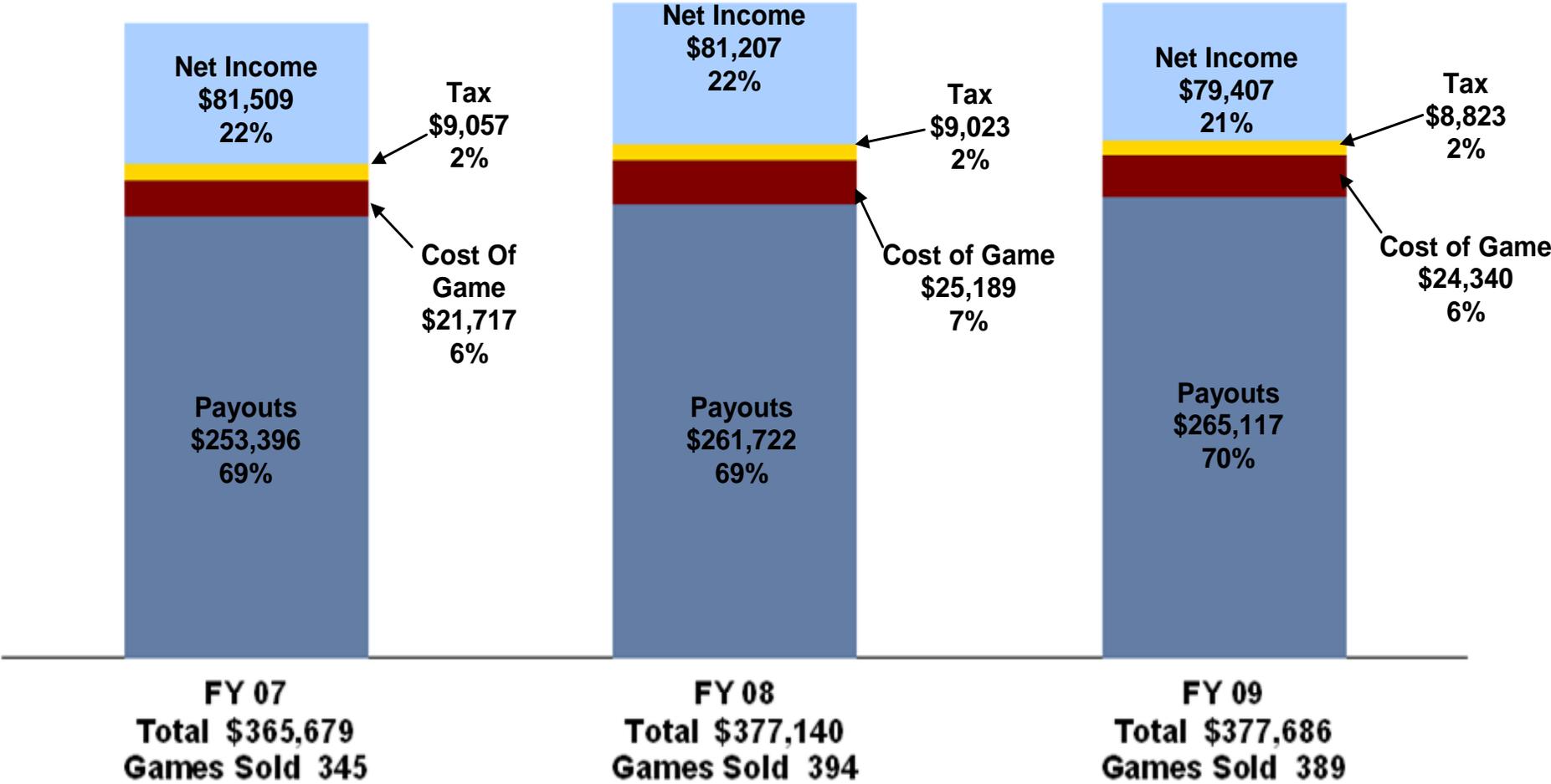
Distribution of Temporary Operator Revenues* Fiscal Year 2009

*Based on games started during fiscal year.



Distribution of Temporary Operator Revenues* Fiscal Years 2007 - 2009

*Based on games started during fiscal year.



Allegany County Inspections of Paper Game Operators Fiscal Years 2006 - 2009

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Inspections	966	973	921
Number of Operators	83	83	74
Each Operator Inspected	11.6	11.7	12.4
Each Operator Inspected Monthly	1.0	1.0	1.0

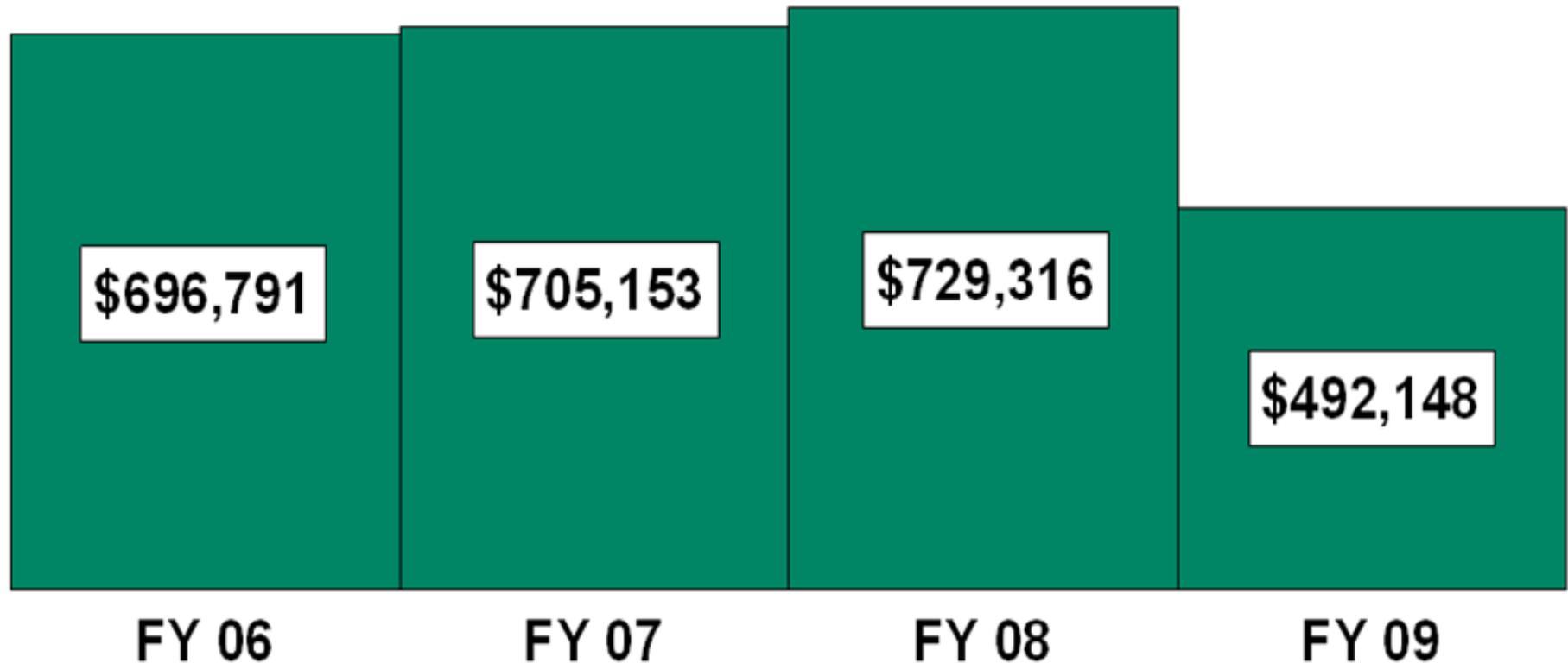
Inspections are random and unannounced

No more than two inspections are conducted in the same area in the same day except occasionally in Cumberland. Cumberland has the concentration of operators, roughly 42 percent.

Inspections are conducted randomly everyday of the week. No more than 20 percent of the inspections occurred on a particular day of the week.

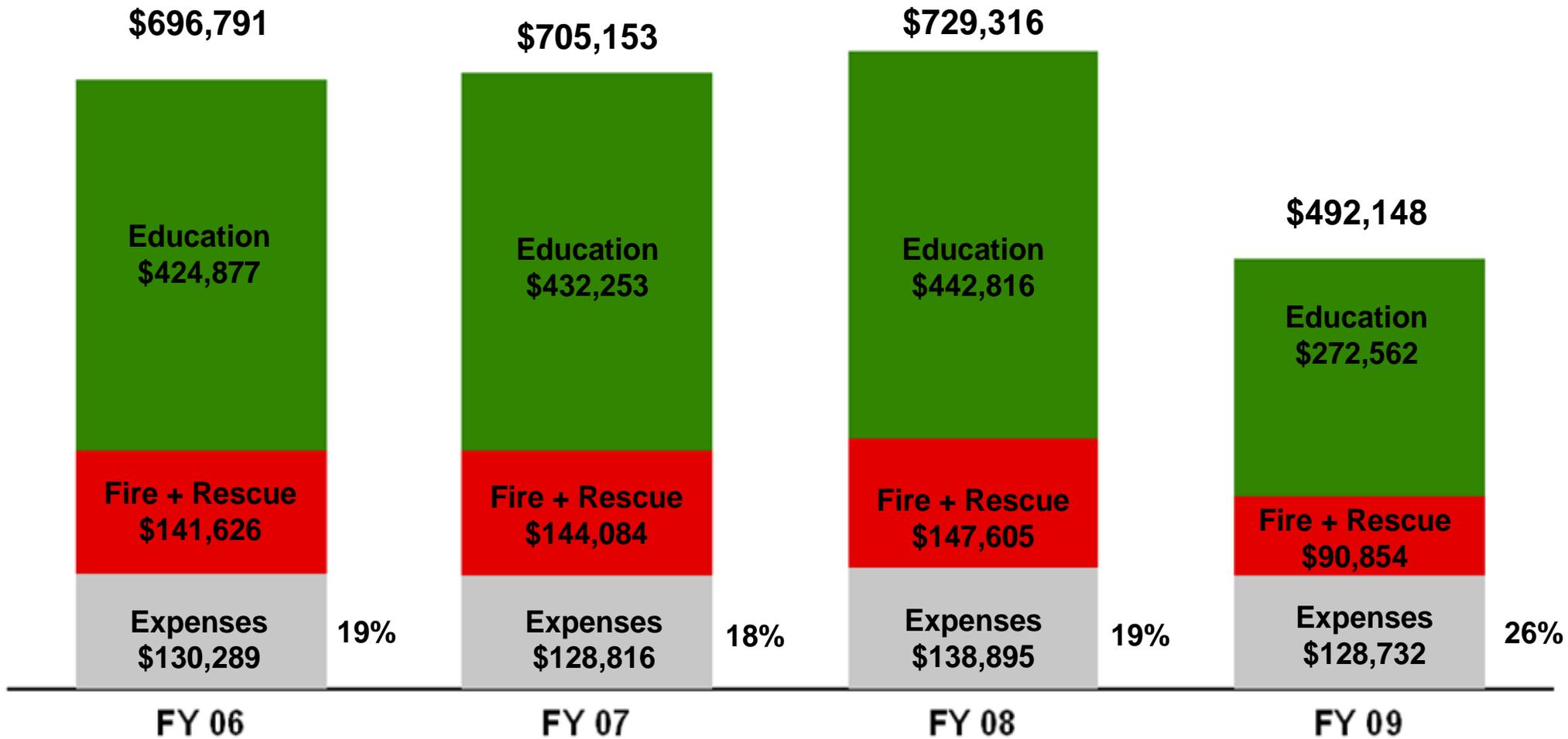
No patterns are allowed to develop for any specific operator while conducting inspections. Random check of the history of inspections is randomly reviewed to ensure no pattern exists.

Allegany County Paper Gaming Fund Revenues Fiscal Years 2006 - 2009

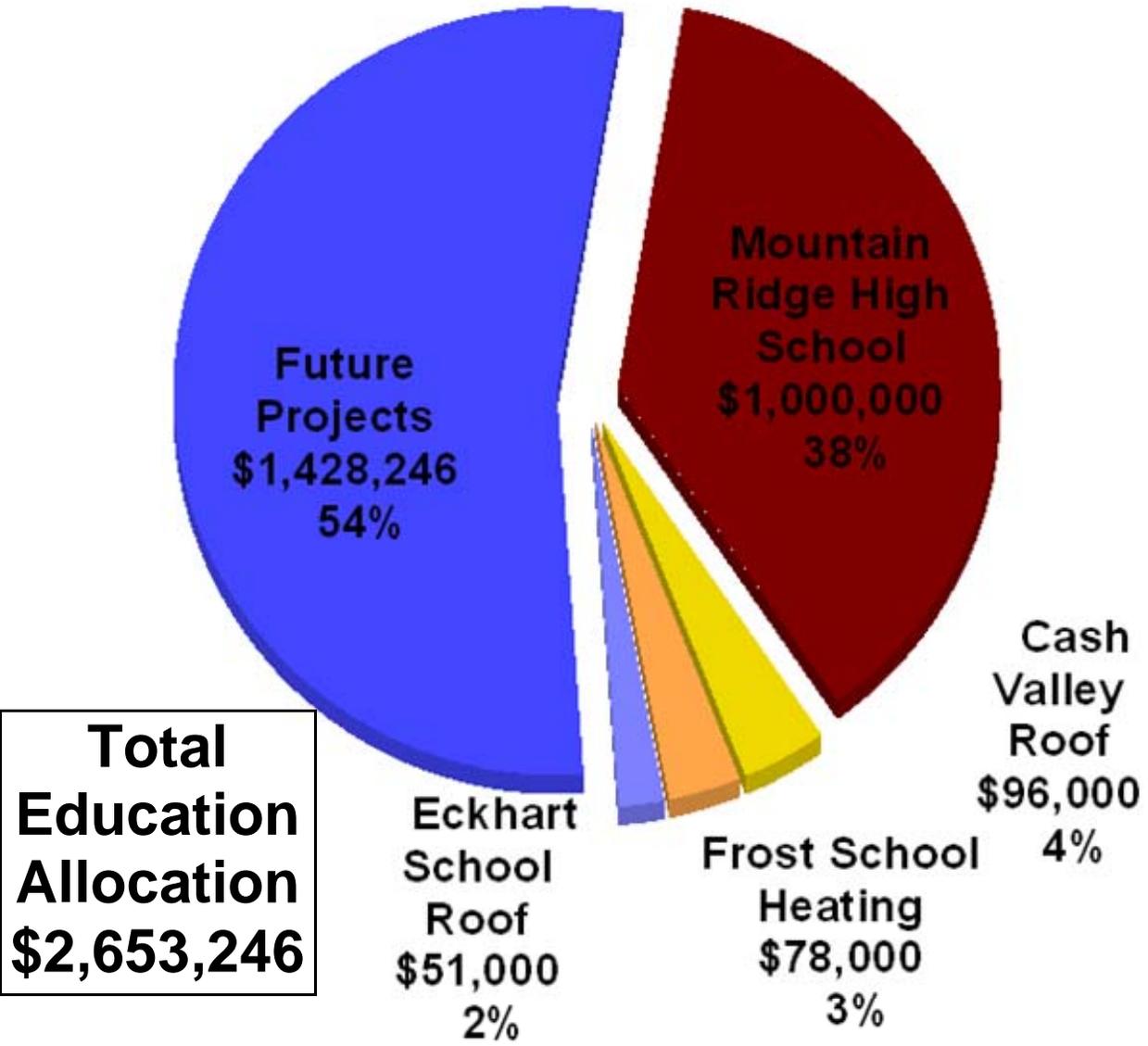


The overall gaming revenue for FY 09 is \$163,704 dollars less or 25 percent less than the combined overall average of FY06 - FY09

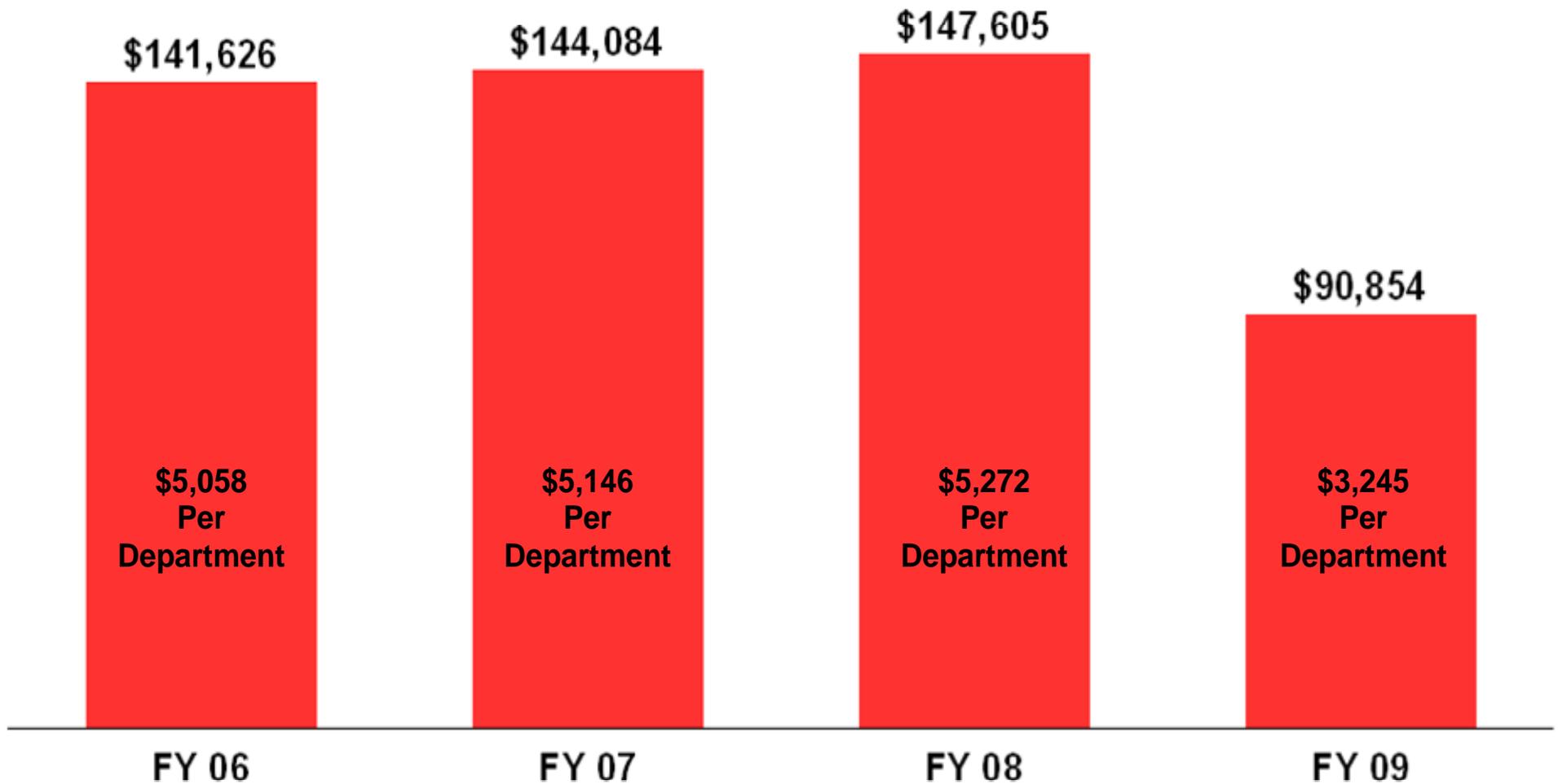
Allegany County Paper Gaming Fund Distribution Fiscal Years 2006 - 2009



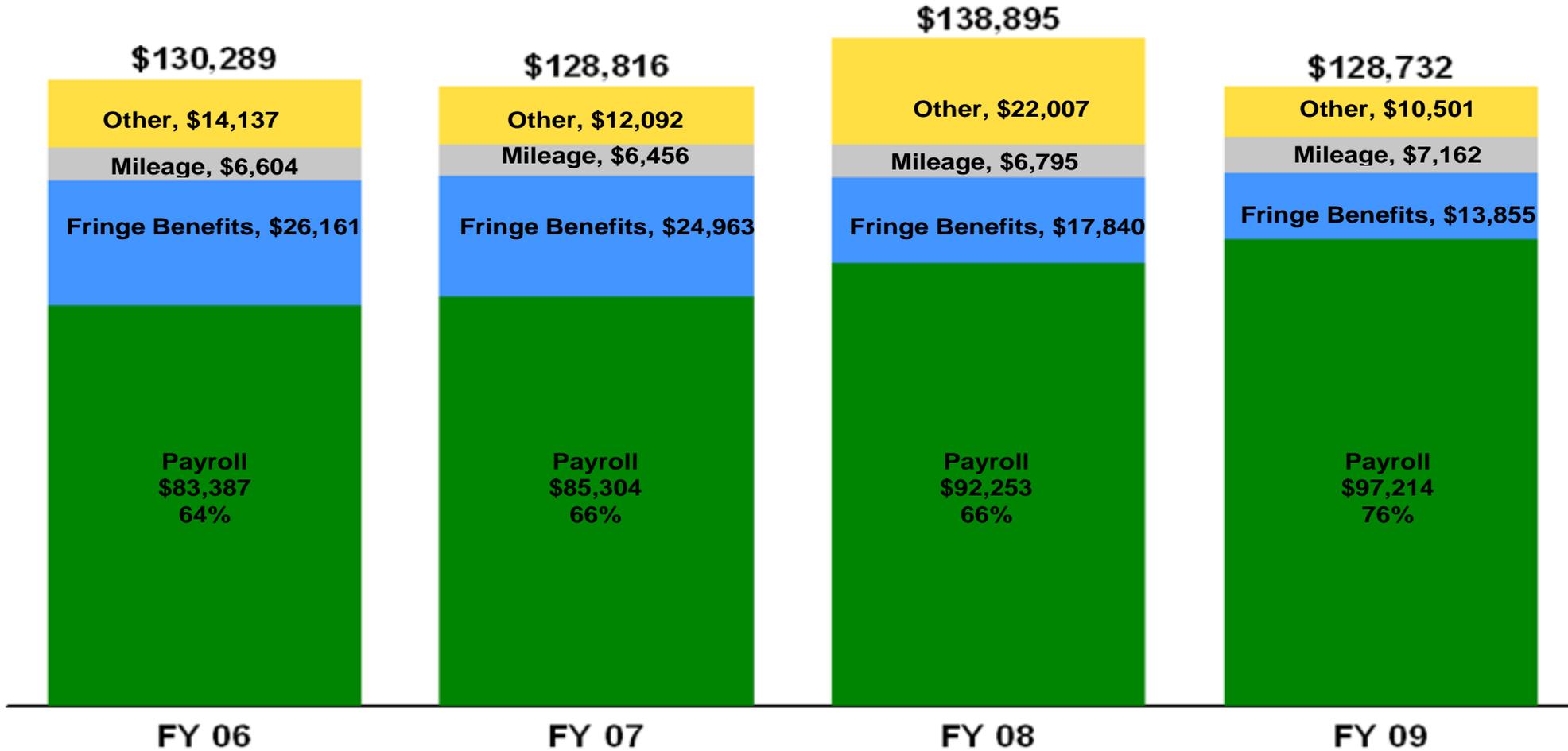
Education Allocations From The Paper Gaming Fund Fiscal Years 2004 - 2009



Fire Allocations From The Paper Gaming Fund Fiscal Years 2006 - 2009

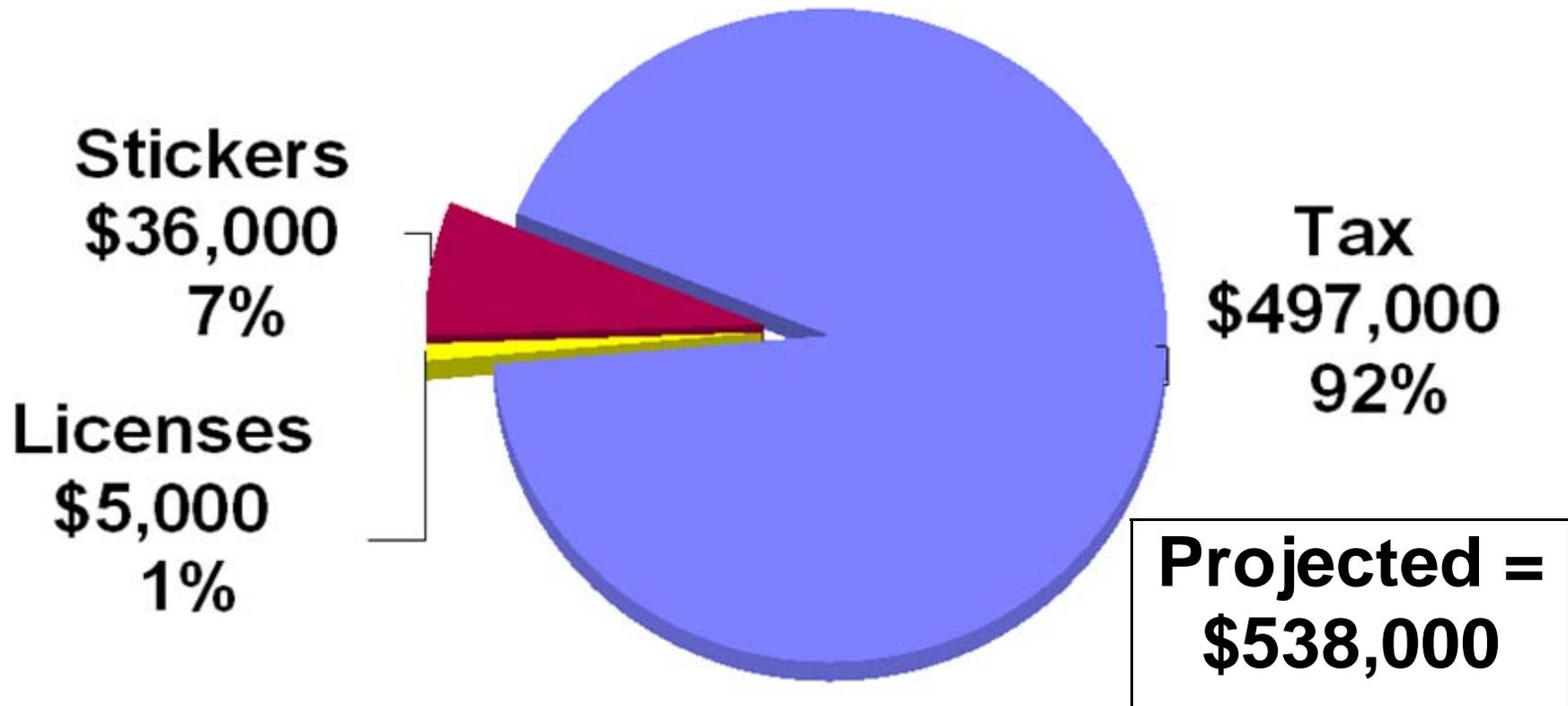


Expenses For Allegany County Gaming Office Fiscal Years 2006 - 2009



Overall operating expenses was reduced by \$10, 163 dollars by reducing staff hours and fringe benefits.

Projected Allegany County Gaming Fund Revenues Fiscal Year 2010



Projected Expenses For Allegany County Gaming Office Fiscal Year 2010

\$132,730

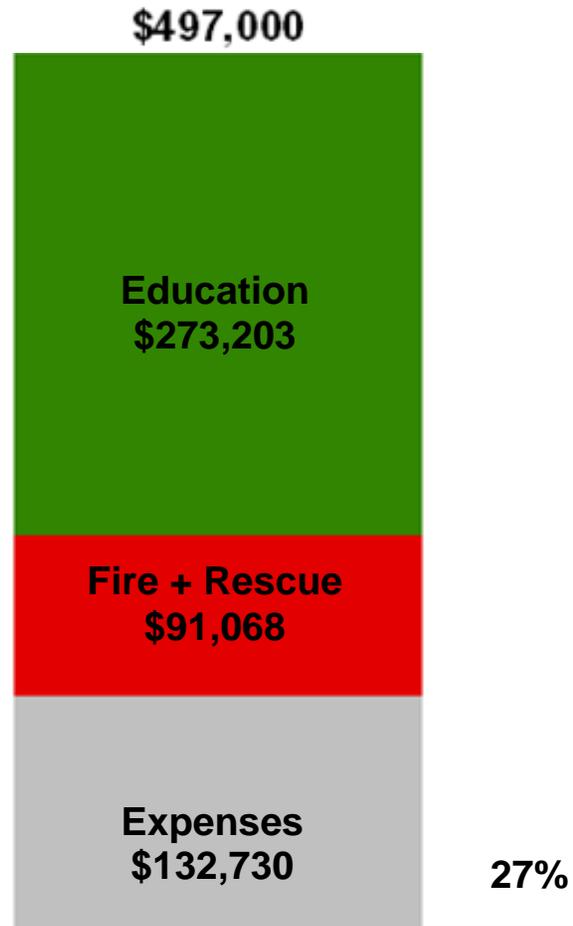
Other, \$15,531 12%

Mileage, \$7,500 6%

**Fringe Benefits,
\$13,618
10%**

**Payroll
\$96,081
72%**

Projected Allegany County Gaming Fund Distribution - Fiscal Year 2010



Conclusion

This presentation and prior years are available on line at www.gov.allconet.org/gaming/presentations.

The public is invited to email the Gaming Office at gaming@allconet.org