

LOCAL IMPACTS AND COSTS

Exhibit IX. A.2.a

As required pursuant to **Exhibit IX. A.2.a**, the company engaged an independent expert, Louis Berger Group, to perform a study that analyzes “cost to each Host Municipality, nearby municipalities and the State for the proposed Gaming Facility including, without limitation, the incremental effect on local government services (police, fire, EMS, health and building inspection, schools, public health and addiction services, and general government services).” Accordingly, please see attached Appendix IX. A.2.a-1.

LOCAL IMPACTS AND COSTS

APPENDIX IX. A.2.a-1. Cost to Host Municipalities and State

COST TO HOST MUNICIPALITIES AND STATE

1 Introduction

RW Orange County LLC commissioned The Louis Berger Group to prepare estimates of the facility's cost to each Host Municipality, nearby municipalities and the State for the proposed Gaming Facility including, without limitation, the incremental effect on local government services (police, fire, EMS, health and building inspection, schools, public health and addiction services and general government services). The report serves as Exhibit IX. A.2. of the Application for Sterling Forest Resort following the Request for Application (RFA) to Develop and Operate a Gaming Facility in New York State.

1.1 Project Description

The proposed Sterling Forest Resort is a luxury gaming and resort facility in Tuxedo, New York that will consist of 775,403 square feet of lodging area, 146,189 square feet of gaming area, 68,913 square feet of restaurant space, 11,167 square feet of bar space, 37,823 square feet of meeting space and 3,731 square feet of retail. The resort will include outdoor activities, including more than 90 acres of ski slopes, Sterling Forest Gardens (24 acres) and fairgrounds (18 acres).

The Proposed Project will be a year-round tourist attraction, operating seven days per week. Transient lodging-related development includes the Resorts World Grand Hotel building with 1,000 rooms, gaming facility (casino) and ancillary hotel uses (dining and lodging-related commercial). Recreational development includes world fairgrounds and seasonal fairgrounds in the current location of the NY Renaissance Faire, a Ski Village in the current location of the Tuxedo Ridge Ski Center and the rebirth of the Sterling Forest Gardens, as well as stables, an arboretum, amphitheater, mountain biking and hiking trails, a funicular incline railway, zip lines, toboggan run, snowboard pipes and rails, and a riverfront walk along the Indian Kill Creek.

1.2 Methodology

The method for cost estimation of Sterling Forest's effect on fiscal expenditures for local governments involved the following steps:

1. Revenue and expenditure data were collected from the New York State, Office of the State Comptroller for FY2012 budget, the most recent year for which uniformly reported data was available.

2. Revenues by source were benchmarked to identify that portion of local government spending that was raised from local sources as opposed to other State or Federal sources.

3. Expenditures by function were then examined for county and local government services and include the following major functional categories:

- **General Government:** Total amount of expenditures for services provided by the governmental entity for the benefit of the public or governmental body as a whole. This subcategory may include the following subcategories: administration, zoning and planning, operations, judgments, county distribution of sales tax, and miscellaneous general government.

- Education: For counties only, County's contribution to the community college, tuition payments to community colleges, education of disabled students and miscellaneous educational expenditures.
- Public Safety: Expenditures for public safety include law enforcement, traffic control, fire protection and control, animal control, examination boards, safety inspection, civil defense, and demolition of unsafe buildings, among others.
- Public Health: Expenditures for public health administration, ambulance service, registrar of vital statistics, addiction control and mental health services, and all other health services provided by the county.
- Transportation: Expenditures for services provided for the safe and adequate flow of vehicles and pedestrians. Services include administration, construction, repairs, and maintenance of highways and walkways, snow removal, street lighting, sidewalk maintenance, public transportation, and off-street parking, among others.
- Economic Assistance: Expenditures to promote the economic welfare of the locality and its residents. This includes expenditures for infirmaries and social services administration and programs, including Medicaid, aid to dependent children, child care, and home relief.
- Culture and Recreation: Expenditures for all cultural and recreational activities for the benefit of residents and visitors. This includes general administration of cultural and recreational activities, parks, playgrounds, youth and adult recreation programs, libraries, museums, historical properties, and other cultural and recreational activities.
- Community Services: Expenditures for services provided to the community at large including environmental, sanitation, water, sewage, housing and community development, protection of natural resources, and activities intended to improve the general environment.

4. An appropriate cost allocation method and metric was applied to each functional expenditure category. Expenditures by function typically involve services to support residential and non-residential activities undertaken in their respective jurisdictions. Depending on the functional expenditure category and the nexus between the proposed development and the governmental service, the appropriate allocation metric for costs may reflect a principally residential beneficiary (i.e., per capita), both residents and non-residential employees, or day time population including residents, non-resident employees and visitors. The allocation metric applied to each functional expenditure category is as follows:

- General Government: Residents and non-resident employees
- Education: school-age residents
- Public Safety: Residential and non-residential beneficiaries (i.e., daytime population including residents, non-resident employees and visitors)
- Public Health: Residents and non-resident employees
- Transportation: Residents and non-resident employees

- Economic Assistance: Residents
- Culture and Recreation: Residents
- Community Services: Residents and non-resident employees

5. For each expenditure category the metric was applied to the increment (e.g., population change, daytime population change) directly or indirectly created by Sterling Forest Resort in each of three gaming revenue scenarios as described in Exhibit VIII.A3.

As an example, the fiscal impact of the casino in terms of public safety is calculated as follows:

- Fiscal Multiplier = Town's FY2012 Expenditure for Public Safety/2012 Daytime Population
- 2012 Daytime Population = Population + Non-resident Employees + Out-of-Town Visitors
- Impact = Incremental Effect of Sterling Forest Resort on Daytime Population * Fiscal Multiplier

All numbers are in 2012 dollars.

1.3 Report Overview

The report first presents the cost to the Town of Tuxedo and neighboring towns and municipalities that are expected to have a population impact. The report continues with providing the impact on the Tuxedo and Monroe Woodbury school districts, the Tuxedo Joint Fire District, Orange County and New York State. The impacts are presented for each of the three gaming revenue scenarios presented in Exhibit VIII.A3. Finally, observed data from build casino projects is presented.

2 State and Local Governments

2.1 Towns and Cities

2.1.1 Town of Tuxedo

Based on the New York State Comptroller, the Town of Tuxedo's spent \$5.6 million in FY2012 on services to run the town including police, roads, etc. During that same time period the Town had a population of 3,624. According the U.S. Census LEHD data, most of the 1,049 persons employed, approximately 93.4 percent, in Tuxedo live outside the town. According to Orange County Tourism Renaissance Faire, located in Tuxedo, attracts 100,000 visitors every year. Examples of other attractions are Tuxedo Ridge Ski Center and the Spartan Race at Sterling Forest. The average number of visitors per day was estimated as 315.

Table 1- Population, Employment, Visitors, 2012

	Population	Employment	Estimated Visitors	Total Daytime Population	Total FY 2012 Expenditures
Town of Tuxedo	3,624	905	315	4,844	\$7,599,474
City of Newburgh	28,866	8,800	10	37,676	\$46,313,379
City of Middletown	28,086	8,173	4	36,263	\$56,328,367
Town of Warwick	32,605	8,307	26	40,938	\$21,886,483
Town of Wallkill	27,426	14,370	74	41,870	\$24,159,718

Source: New York State Comptroller, ESRI.

Based on the fiscal multiplier approach outlined above, the opening of Sterling Forest Resort will add an additional \$13.5 million to the Town’s annual spending in the base case. This estimate is based on average daily visitation of 19,000 and approximately 4,840 full-time jobs and part-time Sterling Forest jobs, which is 4,080 FTE.

The combination of workers and visitors increase the daily population of Tuxedo exponentially and thereby causing the town to incur costs such as additional police and emergency responders, road repairs, and other services required by a larger population. The fiscal impacts of the high, base, and low scenarios are presented in in the table below.

Table 2 - Impact of Sterling Forest on Local Government Expenditures

	Low	Base	High
Town of Tuxedo	\$12,778,035	\$13,387,945	\$14,015,572
City of Newburgh	\$16,681	\$18,178	\$19,675
City of Middletown	\$30,119	\$32,822	\$35,525
Town of Warwick	\$8,563	\$9,332	\$10,100
Town of Wallkill	\$8,299	\$9,044	\$9,789

Source: The Louis Berger Group

2.1.2 Other Towns and Cities

Employees at Sterling Forest resort are expected to be mostly local residents, living in the areas surrounding Tuxedo where there is high unemployment such as the City of Newburgh (Exhibit VIII B4b). It is anticipated that a small portion of employees will be new residents moving into the region to work at Sterling Forest. These new residents are expected to move into areas where housing is generally more affordable, which are City of Newburgh, the City of Middletown, the Town of Wallkill and the Town of Warwick (Table 1). An estimated 79 percent of the population growth is expected to take place in these four municipalities (Exhibit VIII B4b). Table 2 presents the impact on these municipalities assuming that 10 percent of Sterling Forest employees will be new residents. These estimates assume that the new employees are single person households.

2.2 School Districts

There are two school districts within the Town of Tuxedo: Tuxedo School District and the Monroe-Woodbury Central School District.

2.2.1 Tuxedo School District

The Tuxedo School District spent a total of \$16 million in FY2012, 93 percent of which was funded from local sources. Enrollment was 591 students. Based on our assumptions about the place of residence of employees who are new residents to the region from Exhibit VIII B4b, Tuxedo School District enrollment would be minimally affected (an addition of 0.99 students in the base case). The opening of Sterling Forest Resort would increase the school district's annual spending by \$25,433 in the base case. Due to the limited amount of current housing in Tuxedo, and the constraints on land development, there are no significant changes in the numbers in students projected in either the high or low cases.

Table 3 - Impact of Sterling Forest on Local School Districts Expenditures

	Total Impact
Tuxedo School District	\$25,433
Monroe-Woodbury Central School District	\$25,957

Source: The Louis Berger Group

2.2.2 Monroe-Woodbury School District

FY2012 Expenditures by the Monroe-Woodbury Central School District totaled \$160 million, 69 percent of which was funded from local sources. Based on our assumptions about the place of residence of employees who are new residents to the region, Monroe-Woodbury Central School District enrollment would be minimally affected (an addition of 1.68 students in the base case). The opening of Sterling Forest Resort would increase the school district's annual spending by \$25,957 in the base case.

2.3 Tuxedo Joint Fire District

In FY 2012, expenditures by the Tuxedo Joint Fire District totaled \$0.7 million. Based on the fiscal multiplier approach outlined above, the opening of Sterling Forest Resort will add an additional \$0.4 million to the Town's annual spending in the base case.

Table 4 - Impact of Sterling Forest on Local Government Expenditures (Fire Districts)

	Low	Base	High
Tuxedo Joint Fire District	\$342,278	\$378,481	\$402,792

Source: The Louis Berger Group

2.4 Orange County

In FY 2012 Orange County spent a total of \$825.7 million. Based on the fiscal multiplier approach outlined above, the opening of Sterling Forest Resort will add an additional \$2.3 million to the Town's annual spending in the base case.

Table 5 - Impact of Sterling Forest on County Government Expenditures

	Low	Base	High
Orange County	\$2,038,757	2,225,467	\$2,398,661

Source: The Louis Berger Group

2.5 State

A new, full movement interchange will be designed and constructed allowing direct access to Route 17A for patrons travelling to the Sterling Forest Resort site via the New York State Thruway (I-87). This interchange will decrease traffic along Route 17 which parallels the Thruway and would be the primary access route without construction of the proposed interchange. The cost of these improvements will be borne by the developer.

Upon completion of Sterling Forest Resort, traffic along I-87 will increase which could increase repair and maintenance costs. However, because of the proposed interchange that will be constructed for the development, not only new but also existing traffic will be likely to use I-87, which as an interstate is designed for high volumes. Route 17A will therefore likely experience a decrease in traffic compared to current volumes and a reduction in maintenance cost.

3 Comparison with Other Casinos

A report¹ produced by two economists in Massachusetts concerning local casino impacts on local government spending used a unique dataset of municipal finance data from across the country to examine the combined municipal and county government area revenues and expenditures also the combined expenditures on policing, roads, and education before and after the creation of a casino in a local area.

The conclusion of their study showed that the statistical analysis did not show any significant relationship between the introduction of a casino and revenues or spending at the combined county-local level. This was true regardless of whether the counties were held constant and compared outcomes before and after casinos, or whether it was compared 1987-1997 revenue and spending levels between casino counties and non-casino counties.

¹ The Casino Gamble in Massachusetts!, Phineas Baxandall and Bruce Sacerdote, January 2005, Rappaport Institute for Greater Boston <http://www.ksg.harvard.edu/rappaport/research/gambling.htm>

In their analysis of 16 largest recent casino counties, the data showed that the total revenues and spending increased, but the rate of increase was slightly less than state averages. Specifically, real level government revenues grew 75 percent during this period, but in nine of the 16 counties the growth was slower than the state average. Total-area spending increased two percent slower than state averages, lagging in half of the counties. Mega-casino counties meanwhile saw revenues grow slower than their state averages in two out of three cases, and spending increase faster in two out of three cases.

The study noted that casinos are often associated with significant increases in population without increases in total revenues or spending means that per-capita spending and revenues grew more slowly for counties that introduced casinos than those without casinos. When analyzed the county fiscal data on a per-capita basis, this is exactly what the study found. In conclusion, the spending and revenue results should not be construed to mean that casinos retard growth; but they do not support the notion that casinos foster growth or enable local governments to spend more on services.

Some anecdotal information shows that the demand for police services rises due to a casino's operation begins. For instance, after Foxwoods casino opened nearby the town of Preston reported receiving almost 1,000 annual calls for emergency services, up from 200 yearly before the casino. The adjoining town of Ledyard's Planning Director cited casino-related traffic problems as prompting the town to increase its full-time police force from 14 to 19 officers.

The study's analysis of local and county spending did not show police spending in counties with casinos outpacing non-casino counties. None of the broader samples of counties showed any statistically significant effects of casinos on area spending for police. This was true even when the study looked only at casino counties with more than 1,760 slot machines. In contrast, largest casino counties increased police spending 13.6 percent faster than state averages. However this pattern is not consistent. However, police spending increased faster than the state average in 8 of the counties, and slower in the other 7 counties.