City of Detroit

CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Fiscal Analysis Director
Anne Marie Langan, Deputy Director

DATE: January 18, 2007

RE: Additional 1%-2% of Gaming Revenue due to revised Casino Development Agreement in August 2002

Councilmember Sheila Cockrel asked for some additional information regarding gaming revenue detail during Council session on January 4, 2006.

The 1% that began to be collected monthly from all three casinos in January 2006, has so far totaled $6.56 million this fiscal year and we project that the total will be $13.5 million through June 30.

The next 1% that was collected in this fiscal year from the casinos once they reached $400 million in gross receipts in a calendar year was a total of $9.58 million, which came from MGM and Motor City.

If further clarification is needed please contact our office.

cc: Council Divisions
Auditor General
Pamela Scales, Budget Director
Roger Short, Finance Director
Renee Short, Budget Department
Kandia Milton, Mayor's Office

City of Detroit

CITY COUNCIL

Kenneth V. Cockrel, Jr.
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Martha Reeves
Alberta Tinsley-Talabi
JoAnn Watson

January 12, 2007

Mr. Irvin Corley
City Council Fiscal Analyst

RE: GAMING TAX REVENUE THROUGH OCTOBER 2006

Dear Mr. Corley:

During the Thursday, January 4, 2007 Committee of the Whole Meeting, City Council requested a response to the concerns contained in the attached notes taken by the Clerk relative to the above-captioned matter.

Your prompt attention will be greatly appreciated.

Very truly yours,

Janice M. Winfrey
City Clerk

JMW:lj

Attachment

cc: Mr. Kandia Milton, Legislative Liaison, Mayor's Office

Janice M. Winfrey, City Clerk
200 Coleman A. Young Municipal Center • Detroit, Michigan 48226
(313) 224-3266

THURSDAY, JANUARY 4, 2007 – LINE ITEM NO. 11

CITY COUNCIL FISCAL ANALYSIS DIVISION

LJ___ Submitting report on Gaming Tax Revenue through October 2006 (Copy given Council) **RECEIVE REPORT; REFER TO FISCAL (S. COCKREL WILL PUT HER QUESTIONS IN WRITING) (NOTES)**

Mr. Irvin Corley, Director, City Council Fiscal Analysis Division: I think the key issue with this report is although the first four months is showing a $7 million dollar or 13.5% increase in collections of the Gaming Tax Revenue, however it appears that the demolition of the garage, that was, you know, pretty close to the Greektown Casino, is having an adverse impact on their revenue stream so given that and the fact that it looks like we're not realizing the significant increase in overall casino Gaming Tax Revenue because of the smoking ban over in Windsor, right now we are looking at a $4 million dollar deficit in this revenue item. Again, it's only four months so there's an opportunity to capture that but right now that's what we see. Again, the demolition of the garage is kind of having an adverse effect on the revenue.

S. Cockrel: I'M GOING TO PUT THIS IN A MEMO FORM, MR. CORLEY BUT COULD YOU PROVIDE US WITH WHAT THE ONE PERCENT IS BECAUSE I'D LIKE TO SEND A MEMO TO MR. SHORT ASKING HOW THAT ONE PERCENT WHICH IS SUPPOSED TO BE SET ASIDE FOR RECREATION ACTIVITIES, HOW WE'RE HANDING ON TO THAT SO THAT IT DOESN'T DISAPPEAR. That will be going forward in July. At this point, it's still built into this year's budget but as of July 1…**I WANT TO MAKE SURE WE HAVE A PROCEDURE IN PLACE SO THAT WHEN IT GETS THE SPECIAL COST CENTER OR APPROPRIATION, WHATEVER, SO THAT IT'S THERE FOR THE PURPOSE FOR WHICH IT WAS NEGOTIATED. I'LL PUT THAT IN WRITING**.

Jones: Through you, to Mr. Corley. Mr. Corley, can you just tell me, as far as the adjusted revenue, do the casinos give up their adjusted revenue and we just comply with what they say their adjusted revenue was?

Corley: Yes, Mr. Chair, they remit their Gaming Tax amount daily. Does that answer your question? They give it to us daily and then it's audited by the Finance Department and as well they report that information to the state so there are checks and balances.

Jones: Thank you.

Kenyatta: Any other questions on this issue?

Watson: Mr. Corley, was there anything in that casino agreement that would open the door for renegotiation of the shared receipts, given the economic crisis that has hit the City of Detroit since the time of this deal?

Corley: To my limited knowledge, and that was a very, as you know, very complicated deal, but to my knowledge, I don't there's room for renegotiations unless the casinos come, you know, to the City.

Watson: Unless they come to us? I'm saying why can the City of Detroiter are in a completely different economic situation then we were at the time of those, Lord have mercy, agreements. Every year, since the casinos have been here, the City has had a major deficit. The whole point of the casinos by those persons who were advocating the

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casinos thought it would approve the fiscal picture of the City. Since that has not happened, the assumptions that were in place that were argued, especially by a whole lot of the black folks, who at that time has a little piece of the rock of these casinos, many of them have now been brought off. What does the City have to say we're going into a hole and we don't see a light at the end of the tunnel so we need to renegotiate the agreement? What would stop the City from doing that?

Corley: Mr. Chair, you know, the Mayor and maybe in conjunction with the Council could have a meeting with the casinos and sit down and talk with them. We can share with them, of course, I'm sure they...from the papers you have you have a glimpse of what problems that we're facing but it may be prudent to have a discussion with them and lay it on the table and see what happen but to my knowledge, the casinos would have to agree to any changes.

Watson: They would have to agree to what, if the economic conditions are dire? It's a matter of public record, foreclosures, lay offs, job losses, and lack of commerce. Every indicator in the world, the decline of the auto industry. We meet every test. How about the Wall Street Journal and the New York Times? That's not something we're just talking about around here. The City's in a dismal economic climate. We can not continue to allow the casinos to just rake it in every month and not seek an opportunity, not demand, renegotiations because they're still coming to us every month for approvals of garages, ramps, parking, and most of the Council Members just say yes and unfortunately most of our citizens are saying yes. Going down there now to where the house always win. That why we have a 3% foreclosure rate. I'm going to write a resolution demanding that we work with the Mayor to renegotiate the casino agreements. They are terrible and the City is only going into a fiscal hole since the casino deals were struck. You money people should be help leading the way to help us do that. Thank you, Mr. Chair.

Collins: To my honored colleague, Ms. Watson, when the Council voted to accept the thirty year contract, that removed any obligations of the casinos to meet with us again. That removed any chance we had to renegotiate again and the argument was for a five year contract. The Mayor assisted on thirty years. This Council voted for thirty years and what Mr. Corley is telling us is that we can not force the casinos back to the table. We can request them back to the table but I've never seen casinos give people money back when they take all their money at the slots or crap tables or anything. It's would not be in their best interest to come back to the table. It would be humane and considerate but we can't make them come back. Now, I think if Member Watson wants to throw the gauntlet down, perhaps we ought to do an ordinance just raising the fees, period, to see where it goes.

Watson: Raising the fees, Mr. Chair, they're in the agreement.

Collins: I'm saying without negotiations, just say these are the new fees that the City is enacting upon the casino. We can vote and if it pass and then override the Mayor's Veto, you know, then we can fight it out in court. That's throwing the gauntlet down.

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Watson: That's a brilliant proposal.

Collins: Thank you.

Kenyatta: Any other discussion or comments? Let me just said that I too believe that we have too…the condition, I think I heard it this morning, I don't know if it's $400 a day or $400 a month, in terms of homes that go into foreclosure here and the casinos that hold the mortgages on some of the homes that people are gaming off of, here in the City of Detroit trying to reach the dream, we seriously have some economic problems and difficulties and as the City tried to straighten the ship, we're landing the ship on the backs of the citizens, here in the City of Detroit, and corporate structure, which some are having problems as well but if your making almost $30 million a month, that clearly that is an option to take a look at and it seems like some folks are just unwilling to even look in that direction. It's shameful to even look in that direction. I think clearly you have to look at every direction imaginable and some that you can't imagine to try to survive and to move this City forward so I concur. I think as it relates to sitting down. It's nothing wrong with sitting down. If they disagree, then they disagree and it would be let known to folks who are losing their shirt that they disagree. I concur that something needs to be done. Any other comments on this issue?

Corley: No.

Kenyatta: Okay. Moving forward.

Millicent Winfrey