




PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

**Pennsylvania Gaming Market Assessment and
Competitive Analysis**

Robert M. McCord, State Treasurer
www.patreasury.org

Treasurer's Role in Gaming Is Unique 

The Treasurer is:

- *Ex officio* member
 - independent comment, counsel
- Legal custodian of public funds from gaming
 - safeguard future viability of each fund

2

Rob McCord, State Treasurer | www.patreasury.org

Gaming Revenues

PENNSYLVANIA
TREASURY
Earn. Learn. Invest.


NAME	BALANCE AS OF 08/31/11	REVENUE RECEIVED (FY2010-11)
State Gaming Fund	\$ 182,553,293.50	\$ 1,032,277,750.15
Compulsive and Problem Gambling Treatment	\$ 9,672,374.45	\$ 8,756,376.00*
Property Tax Relief Fund	\$ 182,502,538.30	\$ 707,867,043.46*
PA Gaming Econ Development & Tour Fund	\$ 84,159,424.28	\$ 126,729,918.55
Pennsylvania Race Horse Development Fund	\$ 8,701,575.79	\$ 274,763,044.32

*Transfers from State Gaming Fund

3

PA Gaming Revenues - 08/31/11

3 Parts of Study

PENNSYLVANIA
TREASURY
Earn. Learn. Invest.


1. Evaluate PA Gaming Market Development

- Each venue/region historical performance
- Actual performance vs. forecast

2. Assess Emerging Competitive Challenges

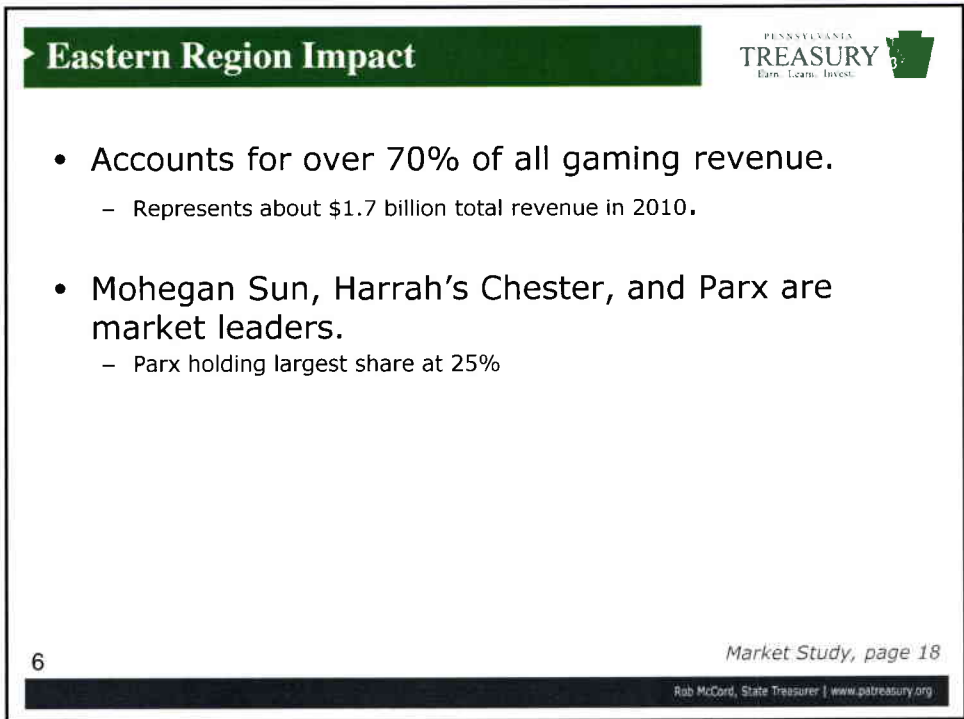
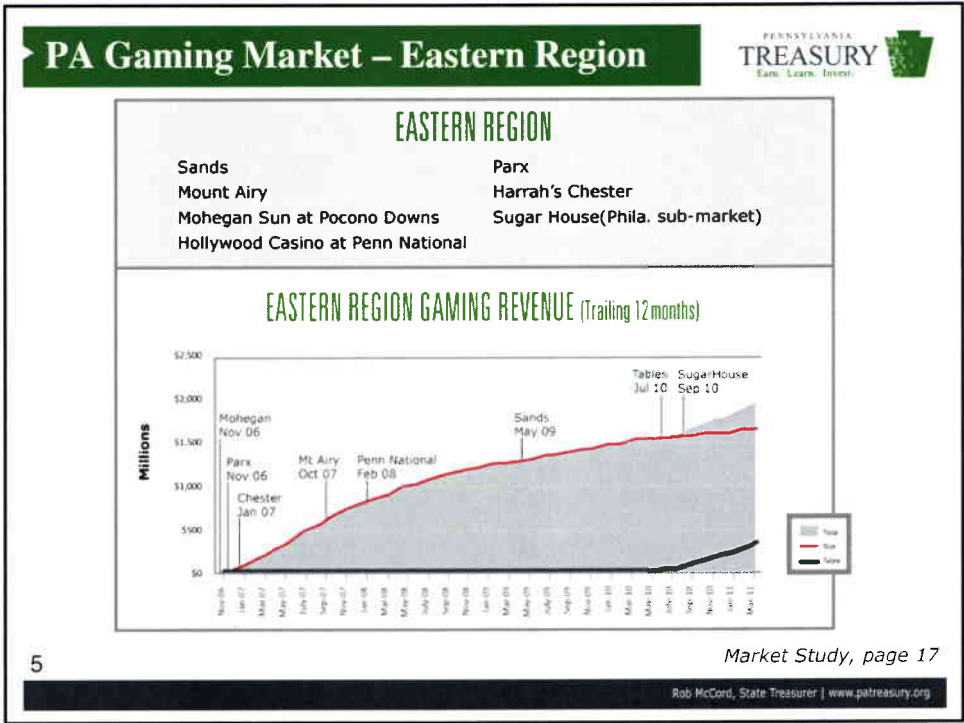
- Impact of other casino development

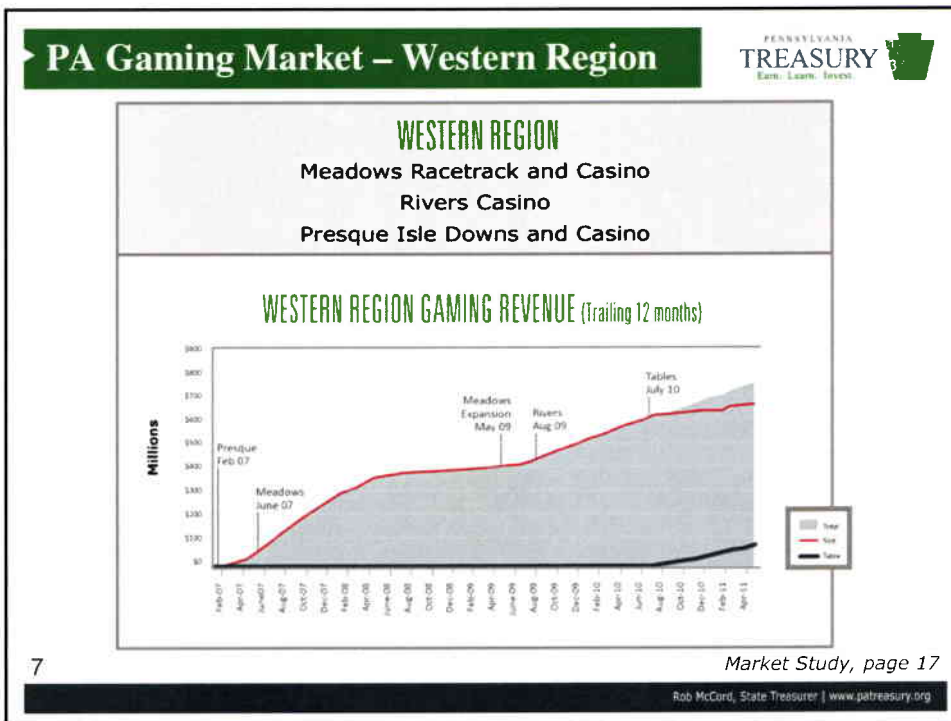
3. Identify New PA Gaming Markets

- Focus on net revenue
- Mitigate "cannibalization"

4

PA Gaming Revenues - 08/31/11





Western Region Impact

PENNSYLVANIA
TREASURY
 Earn. Learn. Invest.

- Pittsburgh sub-market (Rivers, Meadows) consists of 75% of Western PA market.
 - Represents about \$712 million in total revenue in 2010.

- Meadows and Rivers are market leaders.

8 Market Study, page 19

Rob McCord, State Treasurer | www.patreasury.org

2003 Projections vs. Actual

Generally: Forecasts were accurate

- 27,500 slot machines projected operating in 2010
 - Actual: 26,662 (Philadelphia largest difference - 6,000 projected vs. 1,600 actual)
- \$2.44 billion in projected 2010 revenue
 - Actual: \$2.41 billion (annualized returns) - 1.2% difference

Where revenue performance varied from forecast, there were clear and unforeseeable developments

- Only one casino in Philadelphia
- Late development of Rivers in Pittsburgh
- Economic recession

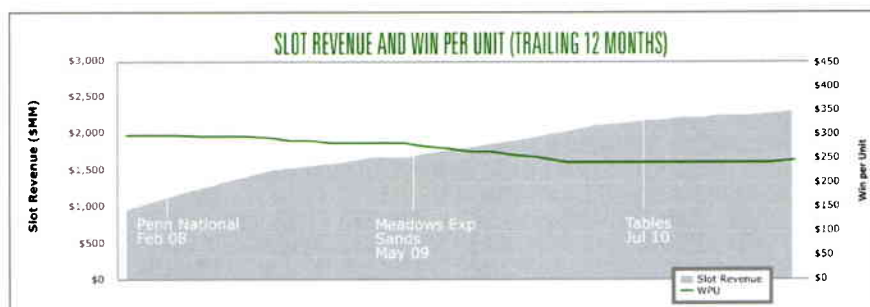
9

Market Study, page 46-53

Rob McCord, State Treasurer | www.patreasury.org

Pennsylvania Slot Market is Maturing

- Revenue growth curve between 2007-2010 represents new market entries
- Win-Per-Unit peaked at \$300 in 2007 and declined annually through March 2010.
- Win-Per-Unit has stabilized at \$250 in Sept 2010.



10

Market Study, page 32

Rob McCord, State Treasurer | www.patreasury.org

Eastern Pennsylvania Slot Market



- Eastern PA slots account for 68% of statewide supply.
- Slight increase in supply between September 2010 through April 2011 is attributed to opening of Sugar House.
- Demand and supply may have equalized, indicating market maturation.

11

Market Study, page 34-35

© 2011 Pennsylvania Treasury. All rights reserved.

Western Pennsylvania Slot Market

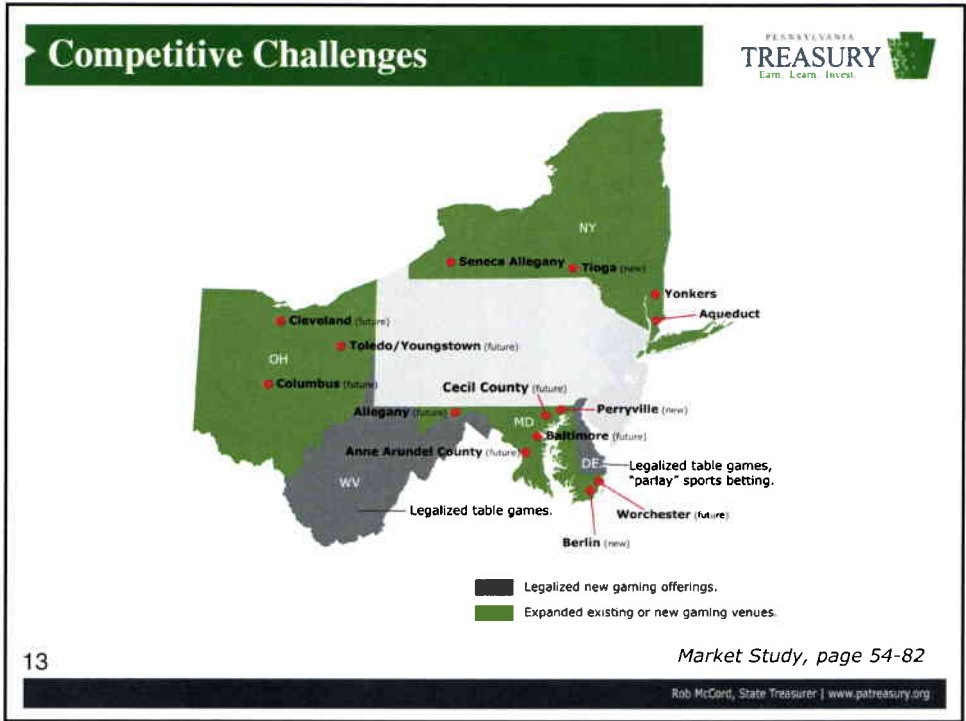


- Greater gap between supply and demand.
- Market begins to show signs of saturation.
- Since 2009, demand has not absorbed existing supply.
- Western PA has greater supply relative to population.

12

Market Study, page 41-43

© 2011 Pennsylvania Treasury. All rights reserved.



Competitive Challenges

PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

Impact PA Casino performance by 2014.

Ohio


- Youngstown casino could reduce future Valley View performance by as much as 33%.
- Cleveland casino could reduce Presque Isle performance by as much as 30%.

Maryland

- Maryland casinos could reduce Penn National performance by as much as 13%.

14 Rob McCord, State Treasurer | www.patreasury.org

Potential New PA Markets



PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

- Two licenses not "issued" by Board as a result of development challenges. (Valley View and Foxwoods)

ALTERNATIVES: NET GAIN TO PA GAMING REVENUES (MMs)


South York	\$153.99
Reading	\$124.75
Valley View	\$122.65
Chambersburg	\$106.59
W. Philly/City Line	\$98.43
Beaver Valley	\$98.27
Altoona	\$96.11
Port Jervis/Matamoras	\$95.56
Foxwoods Site	\$89.96
Valley View w/ Youngstown Impact	\$83.39
Johnstown	\$76.85
Williamsport	\$54.82

15

Market Study, page 81-83

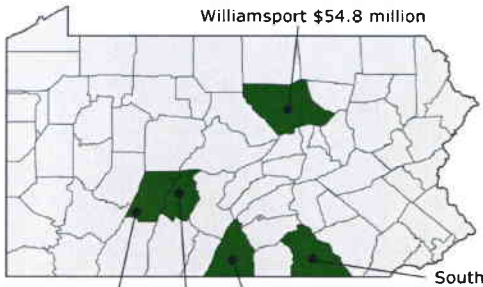
Rob McCord, State Treasurer | www.patresury.org

Potential New PA Markets



PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

Central PA Region



Net Revenues

South York	\$153.9 million
Chambersburg	\$106.5 million
Altoona	\$96.2 million
Johnstown	\$76.8 million
Williamsport	\$54.8 million

16

Market Study, page 81-83

Rob McCord, State Treasurer | www.patresury.org

Potential New PA Markets

PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

Western PA Region

	Net Revenues
ValleyView	\$122.7 million
Valley View with Youngstown Competition	\$83.4 million

Valley View \$122.7 million

Valley View with Youngstown Competition \$83.4 million

17
Market Study, page 82

Rob McCord, State Treasurer | www.patreaury.org

Potential New PA Markets

PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

Eastern PA Region

	Net Revenues
Reading	\$124.7 million
Philadelphia City Line Ave.	\$98.4 million
Port Jervis/Matamoras (Pike County)	\$95.5 million
Existing Foxwoods site	\$89.9 million

Reading \$124.7 million

Philadelphia City Line Ave. \$98.4 million

Existing Foxwoods site \$89.9 million

Port Jervis/Matamoras \$95.5 million

18
Market Study, page 81

Rob McCord, State Treasurer | www.patreaury.org

Disclaimers



Nothing contained in this presentation or referenced materials shall be construed to be an endorsement or statement of support by Treasury for any future expansion, placement, site or relocation of any existing or future gaming venue.

The information contained herein is presented to policy makers, industry participants, and the public with the **sole objective of providing a tool to assist** in understanding the financial status and future revenue potential of the Pennsylvania gaming market. Non-financial considerations, such as **compatibility with local communities** and **business experience of potential operators**, are appropriately considered by policy makers in determining the suitability of future gaming venues.

Furthermore, information contained in this presentation and referenced materials include forward-looking estimates, projections, and forecasts. While these estimates, projections, and forecasts are based on reasonable assumptions and existing information concerning the current economic market conditions and competitive environment, as in the past, these assumptions are subject to unknown **risks, uncertainties and unanticipated events and circumstances** which may significantly impact the accuracy of these estimates, projections, and forecasts.

19

For More Information: www.pmtreasury.org

Closing Thought



**One tool for analysis,
not a conclusion.**

20

For More Information: www.pmtreasury.org