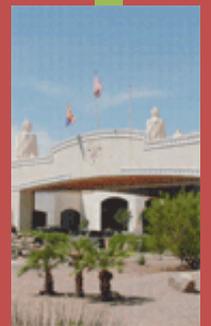


Ak-Chin Indian Community Economic Impact Analysis



Ak-Chin Indian Community Economic Impact Analysis

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The contents of this report reflect the views of ESI Corporation, which is responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official views or policies of the Ak-Chin Indian Community and have not been approved or endorsed by the Ak-Chin Indian Community.

The initial data that was entered into the impact model to calculate the economic impact was provided by the Ak-Chin Community and was assumed to be accurate.

1. BACKGROUND

The economic impacts of the Ak-Chin Indian Community's economic activity in Pinal County and its ancillary effects on Maricopa County are believed to be sizable, but have never been documented through a formal economic impact analysis. The Ak-Chin Indian Community (Community) Tribal leaders determined that it would be vital to understand the direct and multiplier effects that their government and business operations, construction and public funding have on the local economy. The findings of this report can be used in a variety of ways by the Tribal Council and staff, including promoting the economic value of the Ak-Chin operations, identifying supply chain gaps that can be filled through local entrepreneurship or business attraction, and creating policies to further the Community's economic agenda.

ESI Corp was retained to conduct a comprehensive economic impact analysis for the Ak-Chin Indian Community. The Community owns several enterprises including Harrah's Ak-Chin Casino and Resort, an industrial park, the Ak-Chin Farms and their most recent acquisition, the Ak-Chin Southern Dunes Golf Club. Various construction projects are underway or have been completed that also create direct jobs and contribute to the economic base of the region. Under the Indian Gaming Preservation and Self Reliance Act, the Community donates money to school districts and other charitable organizations. The Community additionally donates to Native American charities and supports other charitable groups.

These Ak-Chin economic activities were "modeled" to understand the direct and multiplier effects on Pinal County. The economic impact modeling included direct jobs and the associated payroll, revenues of business enterprises, and value of construction and charitable donations. In addition, a multi-regional analysis was conducted to understand the indirect economic impacts of Community government operations and all business enterprises on Maricopa County.

ECONOMIC IMPACT ANALYSIS

The economic impact analysis takes the direct inputs (jobs, payroll, revenue, construction value) and measures the indirect and induced impacts that would likely accrue to an area. ESI Corp utilized the IMPLAN econometric model¹ to effectively estimate the economic impact of the Community government and business activities. The IMPLAN model is a computerized input-output model which analyzes regions by county, state, or ZIP code. Regional information gathered from federal data sets is used to develop custom models for each individual study region. Study regions typically include single county, multi-county regions, one or more states, or the entire national economy.

The input-output model has been constructed for Pinal County and represents the economic linkages between industries, households, and governments in terms of purchases and expenditures. An area's economy is driven by consumption or final demand, including exports, and local purchases.

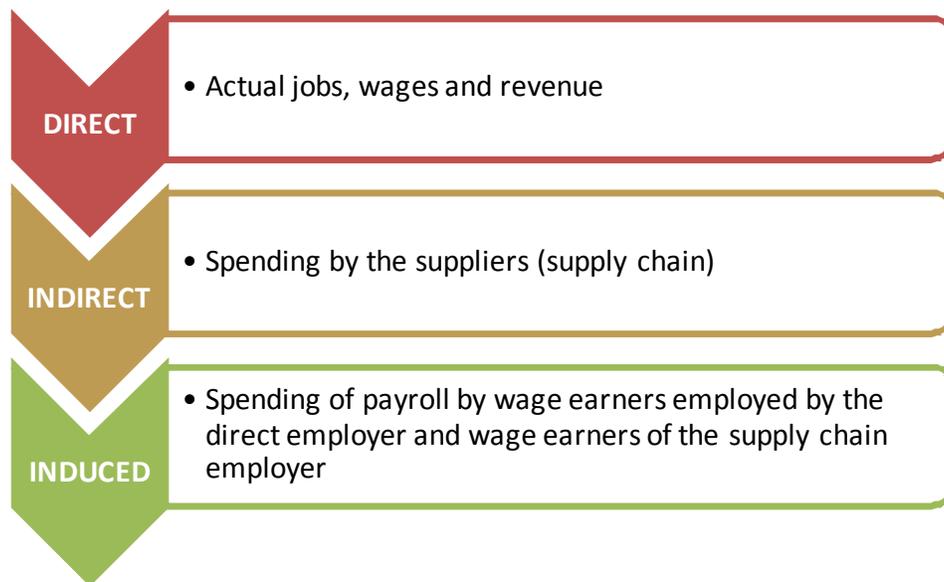
The IMPLAN model operates by estimating the direct impacts, indirect impacts, and induced impacts (multiplier effects) of specific economic activity:

- **Direct** economic impacts are those attributable to the initial economic activity. For example, an operation with ten full-time employees creates ten direct jobs.

¹ IMPLAN stands for Impact Analysis for Planning. The software was created and is distributed by the Minnesota IMPLAN Group (MIG).

- **Indirect** economic impacts are those economic activities undertaken by vendors and suppliers within the supply chain of the direct activity as a result of the initial economic activity. For example, suppliers of goods, materials, and services used in the direct activities produce indirect economic impacts.
- **Induced** economic impacts result from the spending of wages paid to employees in local industries involved in direct and indirect activities. These wages, which are analogous to household spending, support additional local activities, such as the purchase of goods and services within the region. In turn, that portion of spending that accrues to local businesses and employees is once again re-circulated within the local economy, producing additional activity.

The following chart is a depiction of the modeling process and the subsequent analysis.



The categories of impacts which were analyzed in the modeling process include:

Employment impact – this represents the full and part time jobs, including self employed.

Earnings impact – wages paid to personnel associated with the economic activity. Includes total wage and salary including benefits of the direct, indirect and induced employees

Economic Output – this represents the spending or gross receipts for goods or services generated by the facilities operations.

The model measures the amount of economic activity in each round of spending until all of the spending within the local region has been leaked outside Pinal County, the study area.

STUDY ASSUMPTIONS

Actual expenditure and revenue data for Community government, business enterprises, construction and charitable donations is for the year 2010 and was provided by the Community staff with the approval from the Tribal Council. With the recent acquisition of the Southern Dunes Golf Club, the data was based on the 2011 budget. Table 1 provides a list of the data utilized in the model; however, the revenue data has not been included within this list due to sensitivity of disclosure. In addition, if the

Community did not provide the number of jobs or payroll for an economic activity, the IMPLAN model computes that information. This computation was done for the Community's various construction projects and management of the industrial park. The Impacts, as reported by the IMPLAN model, are measured in terms of direct and indirect/induced jobs created, earnings/wages paid, and gross regional product called output.

Trade leakage was considered during the modeling process and a local purchasing percentage was applied to everything but farm operations, industrial park and charitable contributions. These percentages are generated by the IMPLAN model based on the social accounting matrix and trade flows for Pinal County. Consequently, the economic impact results are considered conservative.

Table 1 – 2010 Economic Impact Analysis Data Assumptions and Inputs	
Ak-Chin Casino Operation	
Payroll	\$15,278,000
Jobs	430
Ak-Chin Casino Hotel	
Payroll	\$2,335,000
Jobs	88
Ak-Chin Casino Restaurants	
Payroll	\$5,008,000
Jobs	202
Ak-Chin Industrial Park	
Leases	\$1,427,000
Ak-Chin Farms	
Payroll	\$3,772,000
Jobs	101
Ak-Chin Government	
Payroll	\$17,225,000
Jobs	337
Ak-Chin Southern Dunes Golf Club	
(Golf Operations, Pro Shop and Food and Beverage; 2011 Budget)	
Payroll	\$1,366,000
Jobs	45
Ak-Chin Charitable Contributions	
Education, Native American & Other Charitable Organizations	\$885,000
Ak-Chin Construction Projects (by type)	
Residential	\$1,500,000
Commercial	\$32,500,000
Community Infrastructure	\$47,800,000

¹This reflects one year of a multi-year commitment.

Source: The Community, April 2011

2. STUDY FINDINGS

SUMMARY OF FINDINGS

The Community directly employs 1,203 people within their combined activities for a collective annual payroll of nearly \$45 million, as noted in Table 2. In 2010 the Community contributed \$885,000 to education, Native American and other charitable organizations. The total value of construction activities supporting Tribal plans exceeded \$81 million and was focused in the areas of residential, commercial and community infrastructure.

Table 2 – Community Summary Model Inputs, 2010

Total Jobs	1,203
Total Payroll	\$44,984,000
Charitable Contributions	\$885,000
Construction Value	\$81,800,000

Utilizing the data provided by the Community, an economic impact model was created for the Community activities in Pinal County. As noted in the assumptions, if the Community was not able to provide the number of jobs or payroll for an economic activity, the IMPLAN model generates an estimate of direct jobs and payroll. This was done for the Community's various construction projects as well as management of the industrial park. Table 3 provides a high level summary of all Community economic activity in Pinal County. The results demonstrate that the Community is a significant contributor to the Pinal County economy, supporting 3,368 jobs with an annual payroll of nearly \$140 million. The grand total of economic output associated with these economic activities in 2010 is a substantial \$436.9 million.

Table 3 – Grand Total All Ak-Chin Economic Impacts, 2010

	Jobs	Payroll	Output
Direct	1,898	\$79,673,596	\$305,205,033
Indirect and Induced	1,470	\$60,218,762	\$131,792,470
Total Effect	3,368	\$139,892,358	\$436,997,503

Source: IMPLAN

By comparison the Arizona Super Bowl impact in 2008 contributed \$500.6 million² in direct and indirect spending by visiting fans and organizations. The Community's economic impact represents 87 percent of one Super Bowl impact, yet the Community's economic activities are repeated year after year.

² W. P. Carey MBA Sports Business program, April 2008.

IMPACTS BY ECONOMIC ACTIVITY

The following information is a snapshot of the economic impact for each activity studied under this impact analysis. The accompanying Table 4 on the following page provides a summary of the direct, indirect/induced and total effects on jobs, payroll and output for each Community activity.

Harrah's Ak-Chin Casino and Resort

The Harrah's Ak-Chin Casino and Resort had a significant economic impact on Pinal County in 2010. With total payroll of \$22.6 million and employing 720 people, the casino, hotel and restaurant operations generated over \$191.4 million in direct economic activity (or output) throughout Pinal County, as noted in Table 4. In addition to the 720 jobs, the casino operations affected an additional 374 indirect and induced jobs in Pinal County. These indirect and induced jobs include those jobs that supply goods and services to the casino, hotel and restaurant operations, as well as those jobs supported by the spending of the wages of the direct and indirect jobs. This means that for every 100 casino industry jobs in Pinal County, another 52 jobs exist to service and support the casino industry. Overall, approximately 1,094 total direct and indirect jobs in Pinal County were supported by the Harrah's Ak-Chin Casino, resort and restaurant during 2010. These generated \$36.7 million in total direct and indirect wages and total direct and indirect economic activity of \$205.3 million. Of all of the Community's economic activity, the Harrah's Ak-Chin Casino and Resort is the largest contributor to the Pinal County economy and comprises nearly one-half of the total Ak-Chin direct and indirect economic output of \$437 million.

The impact of the casino operations is likely to increase with the hotel expansion of 152 rooms, whose anticipated opening is July 2011.

Government Operations

The Community government employs 337 people with an annual payroll of \$17.2 million, as show in Table 4. The average wage earned by a Community employee is \$51,112, which is substantially higher than the County's average of \$40,300.³ When combining the indirect and induced jobs, the Community supports another 271 jobs. Overall, there are 608 jobs directly and indirectly supported by the Community government operations generating \$28.4 million in payroll with total economic output of \$28.5 million.

Industrial Park

The industrial park completed infrastructure improvements in 2007 and has a few tenants occupying space under lease agreements, including Hickman's Egg Farm. Leasing and management of the industrial park was modeled based on the lease revenue paid by the various tenants. This management activity generated 2 indirect and induced jobs and \$1.5 million in economic output in 2010, as referenced in Table 4. The economic impact of the tenants was not modeled; however their presence in the Community's industrial park is important to Pinal County's economy since the tenants provide jobs for area residents and procure goods and services from local businesses.

Ak-Chin Farms

As can be seen in Table 4, the Ak-Chin Farms employs 101 people with an annual payroll of \$3.7 million. When looking at the combined direct and indirect jobs, the Ak-Chin farms supports a total of 148 jobs generating total output of \$22 million.

³ IMPLAN

Table 4 – 2010 Economic Impact Results Summary Table

	Direct	Indirect & Induced	Total Effect
Ak-Chin Casino Operations, Resort and Restaurant Impacts			
Jobs	720	374	1,094
Payroll	\$22,621,000	\$14,092,700	\$36,713,700
Output	\$191,416,369 ¹	\$13,905,986	\$205,322,355
Ak-Chin Government Operations and Payroll Impacts			
Jobs	337	271	608
Payroll	\$17,225,000	\$11,266,610	\$28,491,610
Output	\$10,666,664	\$17,881,424	\$28,548,088
Ak-Chin Industrial Park Impacts			
Jobs	0	2	2
Payroll	\$0	\$46,148	\$46,148
Output	\$1,427,000	\$163,661	\$1,590,661
Ak-Chin Farms Impacts			
Jobs	101	47	148
Payroll	\$3,772,000	\$1,544,796	\$5,316,796
Output	\$16,596,000	\$5,416,566	\$22,012,566
Ak-Chin Southern Dunes Golf Club Impacts			
Jobs	45	50	95
Payroll	\$1,366,000	\$1,622,913	\$2,988,913
Output	\$2,414,000	\$3,155,260	\$5,569,260
Ak-Chin Construction Impacts			
Jobs	680	722	1,401
Payroll	\$34,102,030	\$31,482,067	\$65,584,097
Output	\$81,800,000	\$90,714,948	\$172,514,948
Ak-Chin Charitable Contributions Impacts			
Jobs	15	5	20
Payroll	\$587,566	\$163,528	\$751,094
Output	\$885,000	\$554,625	\$1,439,625
Total Jobs	1,898	1,470	3,368
Total Payroll	\$79,673,596	\$60,218,762	\$139,892,358
Total Output	\$305,205,033	\$131,792,470	\$436,997,503

¹ Includes actual revenue and first round of direct output

Source: IMPLAN

Ak-Chin Southern Dunes Golf Club

In 2011 the Community purchased the Southern Dunes Golf Club to add to its portfolio of business enterprises. The analysis for the golf club is based on the 2011 budget and shows 45 direct jobs supporting the golf operations, pro shop and restaurant. Total direct payroll for these activities is \$1.3 million. When combining the indirect/induced impacts, the total jobs supported in the region are 95 with total economic output of \$5.5 million.

Construction

Construction generates the second highest economic impact behind the casino operations. In 2010 the total value for the construction of residential, commercial/healthcare and infrastructure was \$81.8 million resulting in 680 direct jobs for an annual payroll of \$34.1 million. The multiplier effect of construction is substantial not only in Pinal County, but the State of Arizona as a whole. The economic impacts of construction, including indirect and induced effects, are the creation of 1,401 jobs, \$65.5 million in additional wages paid, and over \$172 million in local industry output.

Charitable Contributions

The Community has been a generous benefactor donating money to charitable organizations, even prior to the opening of the Ak-Chin Casino. In 2010 the Community donated money to education, Native American organizations and other charitable organizations. As noted in Table 4, the total value of 2010 donations was \$885,000, which helped support 20 direct, indirect and induced jobs.

MULTI-REGIONAL IMPACTS

Given Pinal County's proximity to Maricopa County, the largest and most economically diverse county in Arizona, an analysis of the indirect and induced economic impacts of the Community's government and business enterprises in Maricopa County were also quantified. The economic activities modeled in the multi-regional analysis included casino operations, government, farming operations, construction and golf. There are 634 total indirect and induced jobs supported from these Community activities in Maricopa County with payroll of \$30.1 million and total economic output of \$90.2 million.

Table 5 – Ak-Chin Economic Activities Impact on Maricopa County, 2010

Impact Type	Employment	Labor Income	Output
Indirect Effect	230	\$12,222,206	\$35,166,095
Induced Effect	404	\$17,953,010	\$55,083,009
Total Effect	634	\$30,175,216	\$90,249,104

Source: IMPLAN

The economic reach of the Community is fairly significant, but it also demonstrates the trade leakage occurring. Based on the economic model, the casino operation (including the hotel and restaurant) alone imports \$100.5 million of goods and services from outside Pinal County, with some of this being sourced in Maricopa County. Also based on the model results, Community government is spending \$3.3 million on the procurement of goods and services outside of Pinal County.

3. FINDINGS AND CONCLUSIONS

The Community is a substantial contributor to the Pinal County economy, supporting direct, indirect and induced jobs totaling 3,368 and contributing a total economic output of nearly \$437 million. By comparison, the Arizona Super Bowl impact in 2008 contributed \$500.6 million⁴ in direct and indirect spending by visiting fans and organizations. The Community's economic impact represents 87 percent of one Super Bowl impact, yet the Community's economic activities are repeated year after year.

Of all of the Community's economic activities, the largest contributor to the Pinal County economy is the Harrah's Ak-Chin Casino and Resort. At nearly one-half of the total Community output at \$205 million, the casino operation is an important provider of jobs, wages and taxes to the local economy. When comparing the average wage in Pinal county of \$40,300 to the average casino wage of \$41,466 or government wage of \$51,112, one can see that the casino and government jobs are indeed well paying and in fact exceed the Pinal County average wage.

AK-CHIN OVERALL RANKING

When you compare the Direct Output of all of the Community's economic activity to that of all industry sectors within Pinal County,⁵ it would rank 6th out of 440 industries within the IMPLAN sectoring scheme. Table 6 showcases the top 10 industries by economic output. The Community's combined economic activities leads education, cattle ranching, real estate establishments and snack food manufacturing and follows state and local government, mining, dairy manufacturing and correctional facility operation.

Table 6 – Top 10 Industries by Economic Output and Ak-Chin Rank, 2010

Description	Employment	Output
Employment and payroll only (state & local govt, non-education)	13,399	\$782,644,608
Imputed rental activity for owner-occupied dwellings	0	\$730,218,688
Mining copper, nickel, lead, and zinc	1,315	\$660,430,656
Dry, condensed, and evaporated dairy product manufacturing	544	\$625,900,736
Facilities support services	2,775	\$309,269,120
AK-CHIN DIRECT OUPUT	1,898	\$305,205,033
Employment and payroll only (state & local govt, education)	4,979	\$279,768,160
Cattle ranching and farming	961	\$250,376,608
Real estate establishments	1,847	\$213,675,984
Other state and local government enterprises	846	\$213,480,208
Snack food manufacturing	299	\$208,356,368

Source: IMPLAN

⁴ W. P. Carey MBA Sports Business program, April 2008.

⁵ "Industries" refers to both public and private sector activities.

Likewise, when ranking the Community by Direct Employment, it also ranks 6th out of 440 IMPLAN industry sectors. In this case, the Community ranks directly behind general merchandise and ahead of truck transportation, food and beverage and mining.

Table 7 – Top 10 Industries by Employment and Ak-Chin Rank, 2010

Description	Employment	Output
Employment and payroll only (state & local govt, non-education)	13,399	\$782,644,608
Employment and payroll only (state & local govt, education)	4,979	\$279,768,160
Food services and drinking places	3,485	\$198,089,536
Facilities support services	2,775	\$309,269,120
Retail Stores - General merchandise	2,278	\$142,470,128
AK-CHIN DIRECT EMPLOYMENT	1,898	\$305,205,033
Real estate establishments	1,847	\$213,675,984
Employment and payroll only (federal govt, non-military)	1,463	\$181,424,320
Transport by truck	1,404	\$177,612,352
Retail Stores - Food and beverage	1,386	\$83,969,192
Mining copper, nickel, lead, and zinc	1,315	\$660,430,656

Source: IMPLAN

IMPACTED INDUSTRIES

There are many industries in Pinal County that are affected by the various Ak-Chin economic activities. When looking at the top 10 industries based on job creation, construction leads followed by food services and drinking places.

Table 8 – Top 10 Industries Impacted by Ak-Chin Economic Activities. 2010

Description

Construction
 Food services and drinking places
 Real estate establishments
 Retail Stores - General merchandise
 Retail Stores - Food and beverage
 Civic, social, professional, and similar organizations
 Offices of physicians, dentists, and other health practitioners
 Other amusement and recreation industries
 Private hospitals
 Architectural, engineering, and related services

Source: IMPLAN

Also interesting to note is the impact of the trade leakage that is occurring. As mentioned earlier in the report, the casino is spending \$100.5 million on goods and services outside of Pinal County, resulting in trade leakage. When combining the spending of the casino with government operations and business enterprises of golf and farming, the total leakage amounts to \$104.2 million annually. When examining the impact on Maricopa County some of the businesses that are the beneficiaries of this spending include restaurants, retail stores, hospitals and doctors, telecommunications, and automotive industries.

The findings of the economic impact analysis are considered conservative. Actual spending of operating budgets may differ from the model imposed local purchasing percentages. With that said, however, there is a substantial amount of trade leakage occurring out of Pinal County to Maricopa County and other markets. Pinal County does not yet possess the full complement of goods and services that are procured by the casino, government operations and other business activities conducted by the Community. The opportunity exists to help foster local economic development through entrepreneurship of Community members and business establishments in general. Creating a greater critical mass of business in Pinal County will help stem the outflow of dollars and serve to generate more jobs and greater economic impact in Pinal County.

