

Casino Funding Policy

Adopted
October 1, 2012



City of Cape Girardeau, Missouri Casino Funding Policy

Purpose:

The purpose of this policy is to define the proper use of the new casino revenue the City will receive. The City Council appointed a Sub-Committee comprised of two council members, Kathy Swan and John Voss, and City Manager Scott Meyer, to create a Casino Funding Policy. The Sub-Committee felt the City would benefit from a contemplative process that drew from the experiences of other casino cities, non-profit organizations, and successful business models to establish the direction and use of the new revenue source. The Sub-Committee spent over one year drafting a proposal, and the full City Council endorsed the policy with a few minor changes.

Transparency and Accountability:

As with any fiduciary responsibility of the City, the importance of transparency and accountability is vital to the confidence of the citizens in the use of these funds.

A new Casino Fund shall be established, similar to other special revenue funds of the City and reported on semi-annually to the City Council . As with all special revenue funds, staff will estimate revenues available for each upcoming year and will track revenues and expenditures to stay within that budget. All revenues do not have to be spent within each fiscal year and can be carried over for the next year's budgeting process. Fund balances can be accrued to pay for specific larger projects. The Casino Fund shall be split into four funding categories:

- Casino Obligation
- Legacy/Endowment
- Capital Improvement
- Innovation

Separate accounts shall be maintained for each category. Unspent revenues in each category will be carried forward as available revenues for that category in the following year.

Process:

The planning for expenditure of the casino funds shall be through the normal CIP and Operating Budget process. Input for the use of Casino revenues will thus be taken during the normal hearings for these processes and those priorities measured against other priorities in the City.

Funding Categories:

<u>Casino Obligation</u> - "as promised"		10 -15%
Regional Economic Development (Adjacent Community Fund)	3%	
Riverfront 70% of total revenues to be used For capital improvements in the downtown area	8% approx.	
<u>Legacy/Endowment</u>		10-20%
Revenues to be set aside by the City to build an endowment; it is the intent that the endowment only use the interest many years in the future.		
<u>Capital Improvement</u>		40-60%
Revenues to be used for projects selected by the City Council from the City's CIP budget; will include the funding for design and construction.		
<u>Innovation</u>		20-30%
Revenues to be used to support one-time costs for innovation purchases that will save operating budget into the future.		

Funding Category Descriptions:

- Casino Obligation:
 - Regional Economic Development: (adjacent Community): This is money off the top, three percent, that would be used for regional projects (such as an industrial park) that would benefit surrounding communities. The City Council would decide on the projects that could be submitted by the surrounding communities or organizations. It is not required that the full amount be spent each year, but if not, it will be carried over in anticipation of a larger or more desirable project.
 - Riverfront Fund: This fund will account for revenues allocated to the Riverfront category. Available revenues are comprised of the extra revenues given to the City by the casino and the matching funds provided to the fund out of the City's Casino Fund. This fund is restricted to projects and operations in the downtown river front area, essentially in the Old Town Cape area, or as may be designated by the City. The fund is restricted in that no more than 30 percent of the funds each year can be spent for operations in the downtown area, i.e. Old Town Cape operations.
- Legacy/Endowment: Revenues allocated to this category would be invested to gain the most interest to accumulate balances to be used in future years when the City could use the interest. Ideally, it would be difficult to use or remove accumulated revenues (principle) or interest until a principle amount goal is reached. After that, an amount would be removed each year from the interest to the benefit of the City, but the principle would never be touched, and may be further enhanced.
- Capital Improvement: Revenues allocated to this category would be used to do projects in the City's Capital Improvements Program (CIP). The City would use the existing CIP process to prioritize and identify which projects are funded.
- Innovation: Revenues allocated to this category would be used to support one-time costs that result in reduction of ongoing operational costs. One-time expenses shall be evaluated on a cost-benefit ratio by staff and recommended to the City Council for approval. The allocated revenues could also be used as one-time "pay for performance" to departments or employees exceeding performance and/or customer service goals.

Why Not Spend on Re-Occurring Expenses:

The Sub-Committee and City Council received much advice regarding the use of these revenues. The one unanimous piece of advice received from leaders of existing casino cities was to not use casino revenues to fund re-occurring expenses. This advice was received even from cities who are currently using funds in this manner. Keeping this new source of revenue free from becoming a part of general operating expenses keeps the City from becoming dependent on the revenues and free from worry should anything happen to the revenues by situations beyond the City's control, such as weather, a new casino, or losing a casino license. If the City would use these revenues for re-occurring expenses and a situation such as this occurred, the affect could be catastrophic, depending on that level of dependence.