

June 6, 2018

Dear Mayor Litman and City Council,

Discussions about health and well-being are always worthwhile. Two of the core values of our employee-owned family business are Care and Compassion. It is for this reason that as a company, we prioritize wellness through many initiatives. Further, it is one of the reasons we have invested heavily in air filtration technology designed specifically to improve air quality and why we continue to invest and reinvest in our property to keep things new and fresh for both our guest and our employee-owners.

It is difficult to know for certain what would happen to casinos in Mesquite if the ban on smoking were to be put in place. We do have data from other states where bans were enacted to use as a guide.

## Gaming Revenue Impact of States Who Enacted Smoking Bans

### IN COLORADO

gaming revenues dropped by 12% the year after a smoking ban. The total gaming revenue statewide has yet to return to pre-smoking ban rates.

### IN ILLINOIS

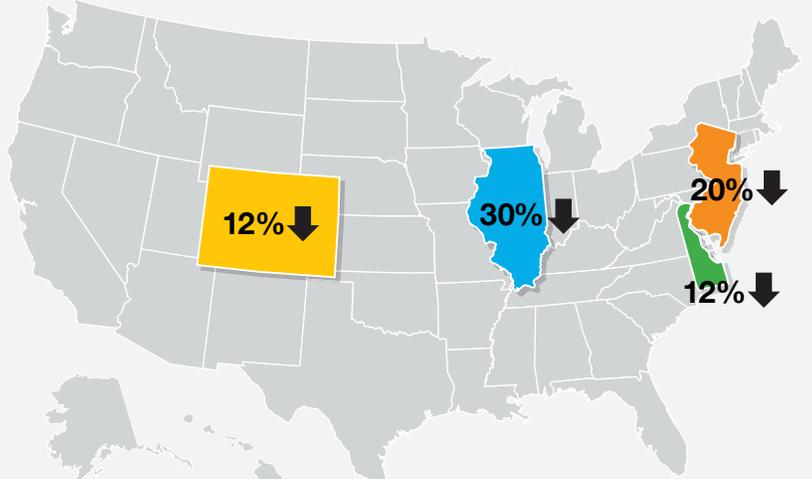
gaming revenues dropped by 20% the year the ban was enacted and was 30% down three years after the ban was enacted.

### IN NEW JERSEY

gaming revenues drop 20% before the State stopped the ban.

### IN DELAWARE

statewide gaming revenue declined by 12% for three racinos.



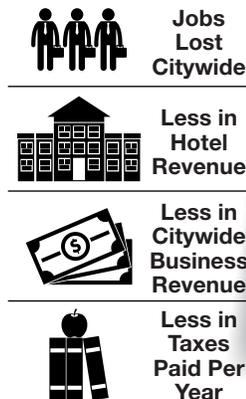
There have been no instances we can find where implementing a smoking ban generated more revenues for the casinos and or generally improved the economic conditions of the marketplace.

It is important to note that these state examples saw their revenues decrease while neighboring states saw their revenues grow.

### So what could happen in Mesquite?

We ran an analysis to better understand what the direct impact might be. Please see the results on table to the right. →

The research firm Applied Analysis also conducted a study. They believe that every 1 % drop in Mesquite's combined gaming and lodging revenue equates to a total impact (direct,



## Impact on Mesquite



indirect and induced) of 32 fewer jobs, \$952,000 less in labor income and a \$2.6 million decline in total economic output.

Applied Analysis examined the Illinois marketplace because of the similarity that East Peoria's Par-A-Dice casino had with the Mesquite marketplace, with the nearest competitor being 90 miles away. East Peoria saw a 9.4% decline in casino revenues according to a 2009 study by Thomas Garrett and Michael Pakko at the Federal Reserve Bank of St. Louis. Applied Analysis believes that if Mesquite sees a similar decline to East Peoria at 9.4%, that direct employment would decline by 190 and salaries and wages would decrease by \$14.7 million. Considering indirect and induced impacts, those totals rise to 300 fewer jobs, \$8.9 million less in wages and salaries, and a \$24.7 million decline in economic activity.

Applied Analysis also looked at what might happen in Mesquite if our experience is more similar to what happened statewide, with a decline of 22% in the first year. They found the result would be 440 lost jobs at hotels and casinos, \$13.7 million in lost direct salaries and wages, and a \$34.5 million decline in total direct economic output.

Applied Analysis cited a 2005 study by Michael Pakko at the Federal Reserve Bank of St. Louis, who examined the impact of a smoking ban at three racinos in Delaware. The study found that the racinos experienced average monthly revenue declines ranging from 8.6 percent to 15.8 percent, with average statewide losses of 12 percent. Pakko wrote, "The evidence clearly indicates that the Delaware Smoke Free Air Act resulted in statistically significant revenue losses at each of the three Delaware racinos. The patterns of losses suggest customer diversion to competing gaming venues."

Applied Analysis' results makes us believe that perhaps Mesquite could share a similar fate if the ban was localized just to Mesquite, potential guests would stop early or continue on to Las Vegas where the freedom to smoke exists.

Having been to Illinois post smoking ban, we can attest that the casinos were severely impacted by it.

### **Impact on Property Values & Retirements**

The types of losses would lead to a substantial decline in the value of the local casino resorts and thus a further loss in tax base due to the reduction of property tax values. Further as a 100% employee-owned company, this loss in value of our company would correlate into a likely loss in the long term retirement values of our more than 500 employee-owners.

Again, though no one can be sure of the exact impact of the smoking ban there is convincing data to support that the immediate economic impact will be substantial and potentially devastating to our local economy. There are far more reasons to believe that Mesquite's experience will be more like Colorado, Delaware, Illinois, and New Jersey than different from it, especially since the ban would be unique to Mesquite and thus potential visitors who are opposed to the ban could simply choose any of the Las Vegas casino resorts.

We have chosen to keep our analysis focused on our industry (casino resorts) but there would clearly be a compounding effect across all business related to the job loss and income loss of the displaced workers from the casino resorts. Our analysis shows that the results to the local casino economy could be severely impacted by the smoking ban and Applied Analysis' review shows even more of a dramatic negative impact.

With our central core values of Care and Compassion in mind, we would ask that the citizens of Mesquite show care and compassion for the economic engine of Mesquite and do not support this smoking ban as the risks to the job security and household income of our employee owners and their Mesquite neighbors is too great.

Sincerely,



Andre Carrier, COO



Greg Lee, CEO