

**Revised April 3, 2017



Rushern L. Baker, III
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MGM NATIONAL HARBOR

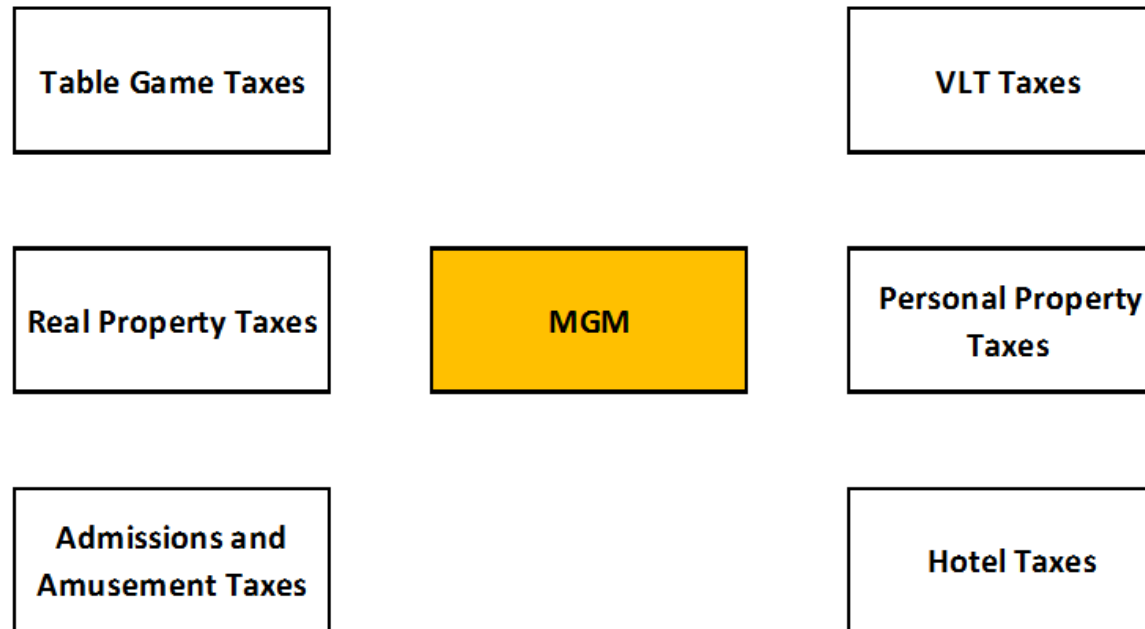
Projected County Revenues
Presentation to the Committee of the Whole
March 28, 2017



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County Executive

TYPES OF COUNTY REVENUES

Types of County Revenues



*County will also receive income taxes, energy taxes, telecommunications taxes , etc.

**Regardless of a gaming facility in the County, the County also receives \$1 million annually from VLT Taxes (e.g. Rosecroft grant)

Types of County Revenues, cont.

- Video Lottery Terminal (VLT) (e.g. "Slots") Taxes – 5.5% of Gross VLT Revenues
- Table Games (TG) Taxes – 5.0% of Gross TG Revenues
- Real Property Taxes - \$1.00/\$100 of Assessed Value
- Personal Property Taxes - \$2.50/\$100 of Assessed Value
- Admissions and Amusement Taxes – 10% of Gross Sales
- Hotel Taxes – 7% of Gross Sales

Collection Agent for County Revenues

Revenue	State	County
Video Lottery Terminal Taxes	X	
Table Game Taxes	X	
Real Property Taxes		X
Personal Property Taxes		X
Admissions and Amusement Taxes	X	
Hotel Taxes		X



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STATE GAMING TAXES

Video Lottery Terminal (VLT) Taxes (e.g. "local impact grants")

Video Lottery Terminal (VLT) Taxes

- 5.5% of Gross VLT Revenues for each State gaming facility
- Actual distribution subject to:
 - Small County/Municipality VLT Tax Deduction annually
 - Allegany County - \$200,000
 - Worcester County - \$200,000
 - Cecil County - \$130,000 and Town of Perryville - \$70,000
 - 18% Deduction monthly for Baltimore City
 - Prince George's County receives \$1.0 million annually from this portion ("Rosecroft") regardless of a gaming facility being located in Prince George's County
 - Big 3 VLT taxes Split Evenly
 - Anne Arundel County, Baltimore City, and Prince George's County
 - "Hold-Harmless" provision
 - Anne Arundel County and Baltimore City

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 1 – determine VLT Local Tax Allocation for the Big 3 facilities
 - Maryland Live
 - Horseshoe Baltimore
 - MGM National Harbor

Big 3 Gross VLT Revenues** X 5.5%. = Big 3 VLT Local Taxes Before Deductions

$$\$59,756,284 \times 5.5\% = \$3,286,596$$

** From December 8, 2016 to December 31, 2016

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 2 – Annual distribution to Allegany County, Cecil County (and Town of Perryville), and Worcester County – Total Distribution of \$600,000 as shown below:
 - \$200,000 – Allegany County
 - \$130,000 – Cecil County
 - \$70,000 – Town of Perryville
 - \$200,000 – Worcester County

Big 3 Gross VLT Local Taxes - \$600,000 = Big 3 VLT Local Taxes Before 18% Distribution

$$\$3,286,596 \quad - \quad \$600,000 \quad = \quad \$2,686,596$$

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 3 – 18% distribution to Baltimore City
 - Prince George's County receives a \$1.0 million grant annually from this allocation (e.g. Rosecroft grant)
- 18% provision goes through FY 2032 under existing State Law

Big 3 Gross VLT Revenues After Small Jurisdiction X 82% = Big 3 Net VLT Taxes
Before Split

$$\$2,686,596 \quad X \quad 82\% \quad = \quad \$2,203,009$$

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 4 – Big 3 Net VLT Taxes split evenly

Big 3 Net VLT Taxes Before Split / 3 = Big 3 Final VLT Taxes Allocation Before
Hold Harmless

$$\$2,203,009 / 3 = \$734,336$$

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 5 – Evaluate "hold harmless" provision for Baltimore City and Anne Arundel County (AA)
 - FY 2016 Final VLT Taxes for Baltimore City (\$7.6 million) and Anne Arundel County (\$18.4 million) are the baseline

FY 2017 AA County Final VLT Taxes Allocation - \$18,436,609 = A

FY 2017 Baltimore City Final VLT Taxes Allocation - \$7,590,460 = B

If A and/or B < \$0, then the State withholds funding from Prince George's County VLT Final Taxes Allocation to make A and/or B whole

Video Lottery Terminal (VLT) Taxes – December 2016

- State of Maryland did not withhold any Final VLT Taxes from Prince George's County for December 2016
- However, the State did start withholding Final VLT Taxes from Prince George's County in the February 2017 distribution, and will likely do so for the next 3-4 months (March – June)

Video Lottery Terminal (VLT) Taxes – December 2016

- The table below shows the State's multi-step process for VLT Local Tax distribution for December 2016:

	Dec-16
Step 1 - VLT Local Tax Allocation - Big 3 Facilities (Maryland Live, Horseshoe, MGM National Harbor)	
Big 3 Gross VLT Revenues	\$59,756,284
VLT Local Tax (5.5%)	5.5%
VLT Local Tax Allocation - Big 3 Facilities Before Deductions	\$3,286,596
Step 2 - Annual Distribution to Allegany County, Cecil County (and Town of Perryville), and Worcester County	(\$600,000)
Net VLT Local Tax Allocation After Step 2	\$2,686,596
Step 3 - 18% Distribution to Baltimore City	(\$483,587)
Net VLT Local Tax Allocation After Step 3	\$2,203,008
Step 4 - Big 3 Net VLT Local Tax Allocation - "Even Split" Provision (e.g. Divide by 3)	\$734,336
Step 5 - "Hold-Harmless" Provision	\$0
VLT Local Tax Allocation Paid by the State (e.g. "local impact grants")	\$734,336

"Hold-Harmless" – Estimated Impact – FY 2017-FY 2018

Fiscal Year	Anne Arundel County	Baltimore City
FY 2017	\$3.7 million	\$0
FY 2018	\$5.2 million	\$0

*"Hold-harmless" depends upon the Gross VLT Revenues at the Big 3 VLT gaming facilities – individually and relative to the other facilities

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 6 – 40% of Final VLT Taxes paid to Prince George's County are restricted by State Law for MD 210 improvements

Video Lottery Terminal (VLT) Taxes – December 2016

- Step 7 – Per State Law, remaining 60% of Final VLT Taxes (e.g. "Local impact grants") are restricted for improvements primarily in the communities in **immediate proximity** to the video lottery facilities and may be used for the following purposes:
 - infrastructure improvements;
 - facilities;
 - public safety;
 - sanitation;
 - economic and community development, including housing; and
 - other public services and improvements.

Prince George's County VLT Taxes – Distributed – YTD

Month	Gross VLT Revenues	VLT Taxes Allocation (5.5%)	VLT Taxes Split Evenly	VLT Taxes Paid by the State
December 2016	\$24,362,464	\$1,339,939	\$734,336	\$734,336
January 2017	\$24,271,560	\$1,334,936	\$971,043	\$971,043
February 2017	\$23,677,783	\$1,302,278	\$990,631	\$0

*State withheld \$990,631 in February 2017 due to the "hold-harmless" provision

**40% of the VLT amounts paid by the State are restricted to MD 210 improvements

Big 3 - VLT Taxes – Distributed – YTD*

Month	VLT Gross Revenues	VLT Tax - Allocation	VLT Taxes - Paid	VLT Gross Revenues	VLT Tax - Allocation	VLT Taxes - Paid	VLT Gross Revenues	VLT Tax - Allocation	VLT Taxes - Paid
Dec-16	\$30,990,884	\$1,704,499	\$734,336	\$16,092,381	\$885,081	\$734,336	\$24,362,464	\$1,339,936	\$734,336
Jan-17	\$28,016,959	\$1,540,933	\$971,043	\$12,304,149	\$676,728	\$971,043	\$24,271,560	\$1,334,936	\$971,043
Feb-17	\$29,195,030	\$1,605,727	\$990,631	\$13,022,788	\$716,253	\$990,631	\$23,677,783	\$1,302,278	\$0

*Since MGM National Harbor opened on December 8, 2016

Does not include Baltimore City 18% distribution



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STATE GAMING TAXES

Table Game (TG) Taxes

Table Game (TG) Taxes

- 5.0% of Gross TG Revenues for each facility
- No deductions by the State to any other jurisdiction
 - no 18% to Baltimore City
 - no "hold harmless" provision
 - no small County/municipality distribution
 - no "split evenly" provision
- Not subject to "proximity clause" under State law (e.g. not "local impact grants") and Local Development Council (LDC) process

Table Game (TG) Taxes – December 2016

- Step 1 – determine TG Local Tax Allocation

MGM National Harbor Gross TG Revenues X 5.0%. = TG Local Taxes

$$\text{\$17,571,565} \times 5.0\% = \text{\$878,578}$$

Prince George's County TG Taxes – Distributed – YTD

Month	Gross TG Revenues	TG Taxes Allocation (5.0%)	TG Taxes Paid by the State
December 2016	\$17,571,565	\$878,578	\$878,578
January 2017	\$24,556,575	\$1,227,829	\$1,227,829
February 2017	\$22,091,287	\$1,104,564	\$1,104,564



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OTHER MGM NATIONAL HARBOR REVENUES

Real and Personal Property Taxes

Admissions and Amusement Taxes

Hotel Taxes

Other MGM National Harbor Revenues

- Real Property Taxes - \$1.00/\$100 of Assessed Value
 - \$916.7 million AV in FY 2017
 - \$993.4 million AV in FY 2018
 - \$1,070.0 million AV in FY 2019
- Personal Property Taxes - \$2.50/\$100 of Assessed Value
 - \$70.0 million AV (est.) in FY 2018
- Admissions and Amusement Taxes – 10% of Gross Sales
 - 39 events (est.) in FY 2018 - \$14.3 million in estimated event proceeds
- Hotel Taxes – 7% of Gross Sales
 - \$7.5 million in estimated room rental income in FY 2017
 - \$13.4 million in estimated room rental income in FY 2018



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MGM NATIONAL HARBOR REVENUES

Projected FY 2018 Revenues

Projected Revenues – FY 2018

Source	FY 2017 Approved	FY 2017 Estimated	FY 2017 Variance	FY 2018 Proposed
Proposed Sources				
Real Property Tax - Non-Education (\$0.96 per \$100)	\$1,953,500	\$2,463,300	\$509,800	\$6,324,900
Real Property Tax - Education (\$0.04 per \$100)	\$151,200	\$183,300	\$32,100	\$397,300
Personal Property Tax - Non-Education (\$2.40 per \$100)	\$840,000	\$0	(\$840,000)	\$1,260,000
Personal Property Tax - Education (\$0.10 per \$100)	\$35,000	\$0	(\$35,000)	\$52,500
Admissions and Amusement Taxes (10%)	\$4,050,000	\$1,234,200	(\$2,815,800)	\$1,433,500
Hotel Taxes (7%)	\$282,100	\$293,300	\$11,200	\$616,000
Video Lottery Terminal (VLT) Taxes (5.5%) (e.g. "local impact grants)	\$7,503,500	\$3,606,000	(\$3,897,500)	\$8,128,700
Table Games Taxes (5%)	\$4,096,900	\$8,595,800	\$4,498,900	\$15,977,900
Total Proposed Sources	\$18,912,200	\$16,375,900	(\$2,536,300)	\$34,190,800



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SUMMARY

Summary

- MGM National Harbor revenue projections will be fluid until the facility has been operational for at least 24 months
- Final County VLT Taxes primarily depend upon VLT revenues at the Big 3 facilities due to the “split evenly” and “hold-harmless” provisions under State Law
- The Baker Administration will be providing monthly reports on VLT and TG performance starting with the February 2017 reporting period
- After the fiscal year-end close, the Administration will provide both revenue and expenditure reports for all MGM-related revenues