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Media Release

**City Buyout of Rhythm City Casino (Davenport) Placed on
October 17 Finance Committee Agenda
Monday, October 15, 2012**

A City negotiating team and representatives of Isle of Capri Casinos, Inc. (IOC), the owner of the Rhythm City Casino, have arrived at a non-binding term sheet for the City's possible purchase of the Rhythm City Casino, as the first step to opening a land-based casino in Davenport, and removing the casino from the riverfront. The term sheet will be placed on the October 17 Finance Committee agenda, with a final City Council vote expected on October 24. The proposed terms are subject to the approval of the City Council and the negotiation and execution of a final purchase agreement and will be subject to customary conditions to closing, including IOC Board approval and regulatory approval. Should the City Council approve the term sheet, IOC will give the City permission to present the proposed terms to the Riverboat Development Authority (RDA) for approval. The proposed buyout is subject to the approval of the Iowa Racing and Gaming Commission (IRGC). If the proposed buyout is completed, the transaction could close as early as mid-2013, with a land-based casino expected to open by 2015.

The term sheet includes a \$46 million acquisition cost (subject to adjustment) of the Rhythm City Casino, and the City expects the cost to be paid for with future gaming revenue. Property taxes will not be used to buy out the casino. With the City's excellent credit rating, the acquisition cost is expected to be repaid at \$3.5 million a year, for 20 years. After paying all taxes and operating expenses, the current Rhythm City Casino posted \$8.26 million in operating income and \$10.48 million in adjusted earnings in FY12.

Negotiations with IOC began in late September, after negotiations with a national gaming company brought to the City by MSEG concluded. As the final projections for a potential private / public partnership with this company were reviewed, it became clear the City could minimize risk and retain gaming profits in the community by buying Rhythm City Casino itself. In reviewing potential options, three consulting firms with national reputations in gaming and public finance were utilized to independently test the viability of the City proposed buyout plan. Cummings Associates and the Spectrum Gaming Group supported Public Financial Management in the review of multiple options leading to the proposal. The Isle of Capri is being represented by Innovation Capital LLC as financial advisor on the proposed transaction.

The City of Dubuque and Polk County have owned casinos for years. The Mystique casino in Dubuque is owned by the City of Dubuque, while Prairie Meadows casino in Altoona is owned by Polk County. Both are operated as non-profits, with all gaming profits being retained in the community. The buyout proposal would allow a similar arrangement to occur in Davenport. The

City of Dubuque budgeted \$10.8 million in revenue from the casino they own in FY12, which substantially assists Dubuque in posting a lower City tax rate (\$10.78) than Davenport (\$16.78). Over the past ten years, the City of Dubuque has received an average of \$7.6 million annually, solely from renting the Mystique casino to the non-profit Dubuque Racing Association.

Mayor Bill Gluba, a member of the negotiating team, said, “We have the opportunity to control our own gaming destiny, increase jobs and retain millions of dollars in the community each year. Gaming profits will no longer be going to New York, Chicago, or Las Vegas. Gaming profits will be staying in our community. This is a game changer for Davenport.”

Alderman Nathan Brown said, “The decision to pursue this opportunity has not been easy or come lightly. This option keeps gaming revenue in the region and establishes Davenport as the main focus of Davenport's casino.” Alderman Jason Gordon also reflected on the lengthy process to arrive at the buyout decision, noting “The development agreement with MSEG was successful in that, as public-private development models were analyzed, the model that is moving forward results in the most revenue being retained in Davenport.”

Alderman Bill Boom said, “During this time of budget challenges, the City Council continues to look for ways to reduce the tax burden on the citizens of Davenport while still providing the exceptional services our citizens have come to expect. Taking over gaming operations in Davenport would provide an opportunity to not only halt tax increases, but should actually allow us to reduce the tax burden. I am also excited by the opportunity to provide a destination opportunity in our downtown that should be second to none in the region. ”

If the term sheet is approved by the City Council, the City will issue a request for proposals for potential private development partners for a land-based casino. Pending review of proposals, a development plan for a land-based casino will be presented to the IRGC. The City will also issue a request for proposals for operational management of the casino. If the transaction is completed, casino employees would not become employees of the City; they would become employees of a non-profit formed for the purpose of operating the casino. The proposed term sheet includes a provision that Rhythm City employees would be transferred to positions with the non-profit which would operate the casino. Thus, current Rhythm City employees would keep their jobs. Through a new agreement with the Riverboat Development Authority and by moving the casino onto land, the City intends to increase the amount of revenue to the RDA and our local non-profits.

The final location of the land based casino, casino brand and use of gaming profits by the City are all future decisions.

Contact: City Negotiating Team Members - Mayor Bill Gluba, Alderman Gene Meeker, Alderman Jeff Justin & Alderman Bill Boom, supported by Corporate Counsel Tom Warner & City Administrator Craig Malin 563 326-6139