

# THE BUFFALO NEWS

## Casino's 9-month profit: \$50 million

By JERRY ZREMSKI  
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"We're happy that we have an enormously successful casino." Seneca Nation President Ricky L. Armstrong



"Fifty million dollars? Where did it go? It certainly didn't go to the Seneca people." Anti-casino activist Susan Abrams

Seneca Niagara Casino turned a profit of nearly \$50 million in its first nine months of operation, according to confidential financial documents obtained by The Buffalo News.

By way of comparison, that's about \$14 million more than First Niagara Financial Group earned last year with 47 bank branches statewide. But it's only \$12 million more than what New York State earned in shared revenue from the casino in its first full year of business.

And if the profits from Western New York's first casino were divided among the 7,300 members of the Seneca Nation of Indians, they would amount to \$6,844 per person.

Individual Senecas won't get that kind of money, though. Seneca Nation President Rickey L. Armstrong said the tribe may provide a cash payment to its members this summer but has reinvested most of its casino profits in the Niagara Falls facility and a new casino being built in Salamanca.

"We're disappointed that our proprietary information has been publicly distributed, but we're happy that we have an enormously successful casino, and we're looking forward to a lot of long-term benefits," Armstrong said.

Armstrong said the figures show that the casino is exceeding the tribe's expectations.

The \$50 million profit was what was leftover for the fiscal year ending Sept. 30 - after the casino paid \$14.6 million in interest costs on its loans and after it budgeted for tens of millions of dollars in payments due to New York State, including \$2.6 million for police services.

The News obtained the audited fiscal 2003 financial report, along with separate figures on the casino's finances in December.

The Seneca Niagara Falls Gaming Corp., the company the nation formed to run the casino, had closely guarded the financial data, prompting some Senecas to complain to tribal officials that they had no idea how their casino performed.

By most measures, though, the documents obtained by The News show the casino doing very well - though relatively little casino money is filtering to the tribe.

In December, the casino earned \$4.6 million, 31/2 times what management projected.

The casino's profit margin of nearly 21 percent was higher than the industry average.

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"If you clear 18 percent, you're very happy," said Peter F. LaMacchia, the first manager of the Oneida Nation's Turning Stone Casino in Central New York.

And for the fiscal year ending Sept. 30 - which encompasses the first nine months of the casino's operation - the facility reported gambling revenues of \$184.3 million. Once all the bills were paid, Seneca Niagara Falls Gaming Corp. was left with \$49.96 million.

Most of the profits from the casino were kept in Niagara Falls, where they were used to finance the casino's new parking garage and other improvements, Armstrong said.

But \$15 million was turned over to the Seneca Gaming Corp., the Seneca-run company that oversees all of the tribe's current and planned casino operations. Most of that money was invested in the Seneca Allegany Casino in Salamanca, which is set to open in the spring.

The tribe's philosophy is to reinvest most of the casino's profits in expanding its gambling operations, Armstrong said. That way, he said, the tribe can avoid having to borrow money for expansion.

"It's a prudent approach," Armstrong said. "It's better for us in the long term to develop stable revenues as well as a stable economic development plan."

### Move to reinvest questioned

However, a portion of the casino profits was turned over to the tribe, which used it to build a kidney dialysis center, to fund college scholarships and to increase burial benefits.

In addition, Armstrong said the tribe would use some of the money to fund a new low-interest mortgage program for Senecas, and it is considering a cash payment to individual Senecas over the summer.

Senecas got \$500 per person from the tribe's bingo halls last fall, but they have not received any money from the Niagara Falls casino.

That's one of the central complaints of casino critics within the Seneca Nation.

"Fifty million dollars? Where did it go? It certainly didn't go to the Seneca people," said longtime anti-casino activist Susan Abrams.

Abrams questioned the decision of the Seneca-run gambling corporations to reinvest most of the casino profits.

She noted that the tribe had drawn down only \$57.3 million of the \$80 million it borrowed to build the Niagara Falls casino, but it is required, under the loan agreement, to use the rest. She said that money, rather than the casino profits, could have been used for reinvestment.

That loan - which carries an adjustable interest rate starting at 29 percent - has been the target of much criticism within the Seneca Nation.

As for the use of the casino profits, Abrams said the decisions made so far show that too much power lies with the corporation boards that oversee the Seneca casinos.

"Decisions about how the profits are used shouldn't be left to a board of appointed officials when we have tribal elected officials who are personally accountable to the Seneca Nation," she said.

### Payment to state criticized

Abrams and other dissident Senecas have criticized G. Michael "Mickey" Brown, the veteran casino manager hired to run the facility, saying he has far too much control.

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That criticism skyrocketed in January after the nation, without Tribal Council approval, wired \$38 million in slot machine revenues to New York State. The tribe owed that money under its casino agreement with the state, but some Senecas wanted to withhold payment to pressure the state, which wants to collect taxes on sales Indian merchants make to non-Indians.

The dispute over the \$38 million went to tribal court, where Brown was charged with contempt for forwarding the payment even though the court had issued a stay delaying it. Brown is appealing that ruling.

The normally outspoken Brown refused to comment publicly on the casino's earnings, except to say that he transferred the slot money to the tribe's general account on Armstrong's written instructions.

Armstrong, meanwhile, credited Brown, the rest of the casino management team and other employees for the casino's success.

LaMacchia, who now teaches courses in casino management at Morrisville State College, also said the casino's experienced management deserves credit for the facility's strong performance.

"But location, location, location is the No. 1 reason," LaMacchia said. "Can you imagine how much of this money was going across the border (to Casino Niagara) before this place opened?"

News reporter Andrew Z. Galarneau contributed to this report.

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