

EXHIBIT (for identification only)

#3
Filed 5/16/19
By [Signature]
Deputy

South Tahoe Event Center

Lost Revenue as a Result of Not Developing the South Lake Tahoe Events
Center

Douglas County, NV

Preliminary Findings

May 16, 2019



About SMG Consulting

- Tourism and recreation consulting firm located in South Lake Tahoe
 - Market Research, Economic Analysis and Competitive Strategy
- Carl Ribaud (President) B.S., MBA, San Francisco State University
- Jeff Moffett (Associate) M.S. in Econometrics and Ph.D. in Applied Statistics at the University of Washington, Seattle.

Objectives of our Analysis

- Identify the 20-year trend of key Douglas County tax revenue sources, including Sales Tax, Transient Occupancy Tax, and Property Taxes. (Nine different tax and revenue data sets.)
- Forecast the revenue resulting from developing the Events Center as compared to the revenue forecast from not developing the Events Center. (The opportunity cost.)
- Identify the potential lost tax revenue impacts of not developing the Events Center at Lake Tahoe on current TOT/LLF revenues, Sales Tax, Property Tax, and Gaming Revenue, Non-Gaming Revenue, Visitor Spending, Visitation.

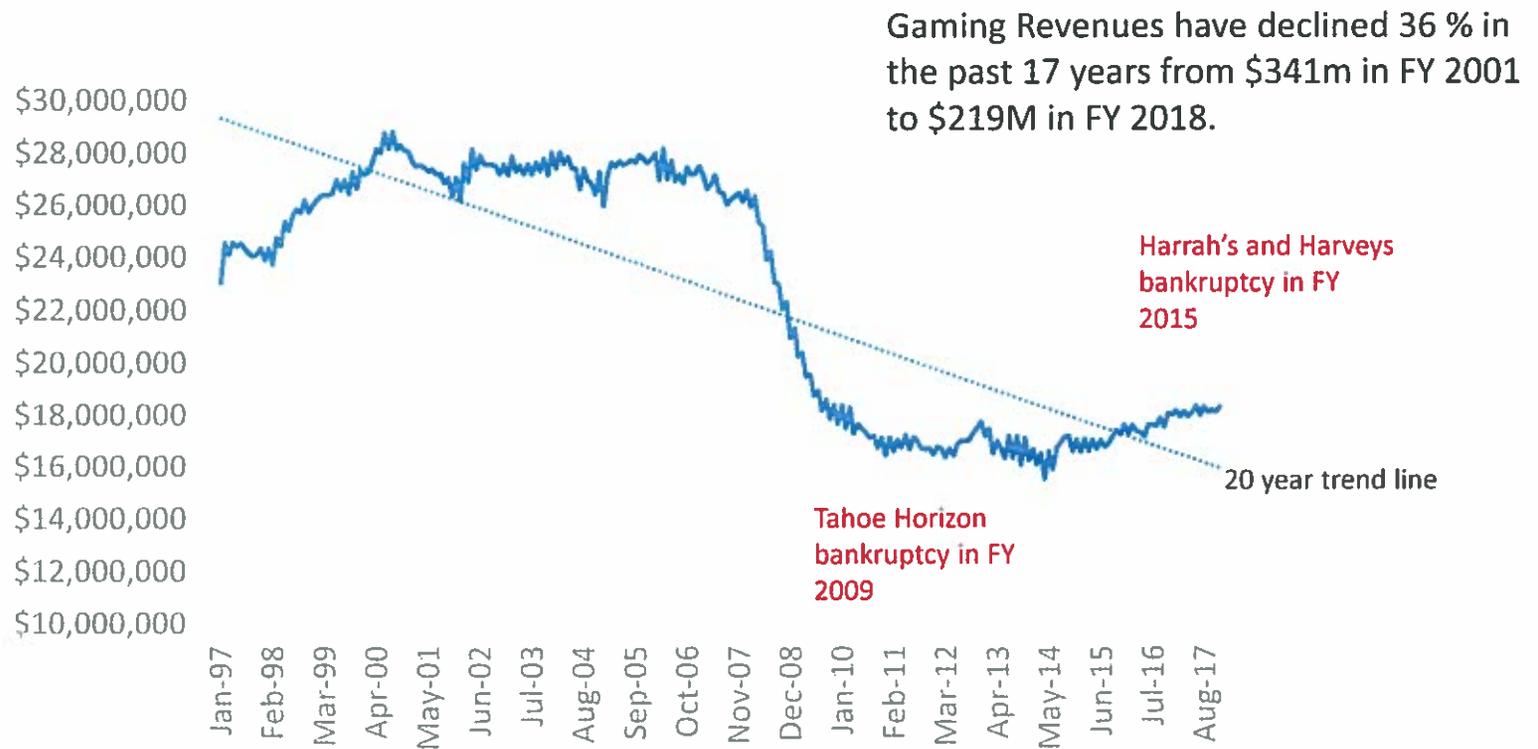
Situation Overview

- The Lake Tahoe resorts in Douglas County have declined significantly over the past 20 years. While the basic building structures have remained the same, giving the impression of stability, the economics have changed drastically and will continue to decline moving forward.
- The cost of the declining gaming industry is borne by a variety of stakeholders including Douglas County, its residents, the Lake Tahoe resorts, and the broader local community.
- Without additional competitive improvements, all of these stakeholders should anticipate further declines in sales revenues, tax revenues and employment for years to come.

About the Events Center

- The Events Center is designed to increase the competitiveness of the destination and attract conferences, concerts and events that will bring visitors to town through the seasons and throughout the week.
- It creates more flexibility to attract different segments during slow times of the year and the week.
- It allows the destination to better compete for groups that currently need more space.

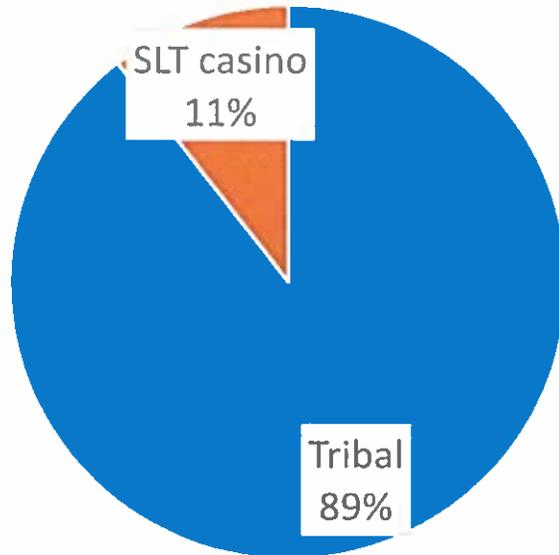
Gaming Trend for South Lake Tahoe Monthly from Jan 1997 to Dec 2017, Nominal Dollars



Source: Nevada Gaming Abstracts (State of Nevada Gaming Control Board)

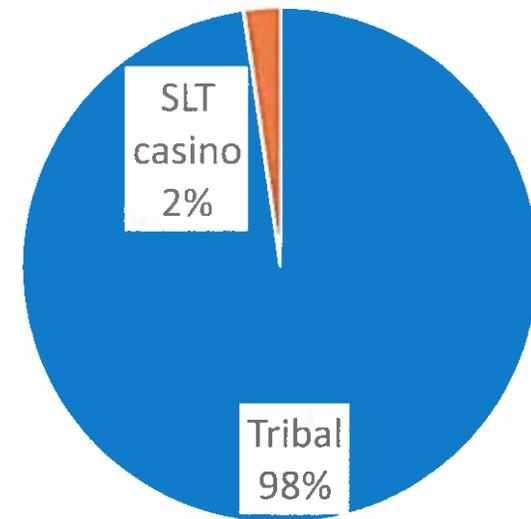
The Impact of Tribal Gaming

Market Shares by Gaming Revenue 2001
CA/Northern NV Tribal and SLT Casino



■ Tribal ■ SLT casino

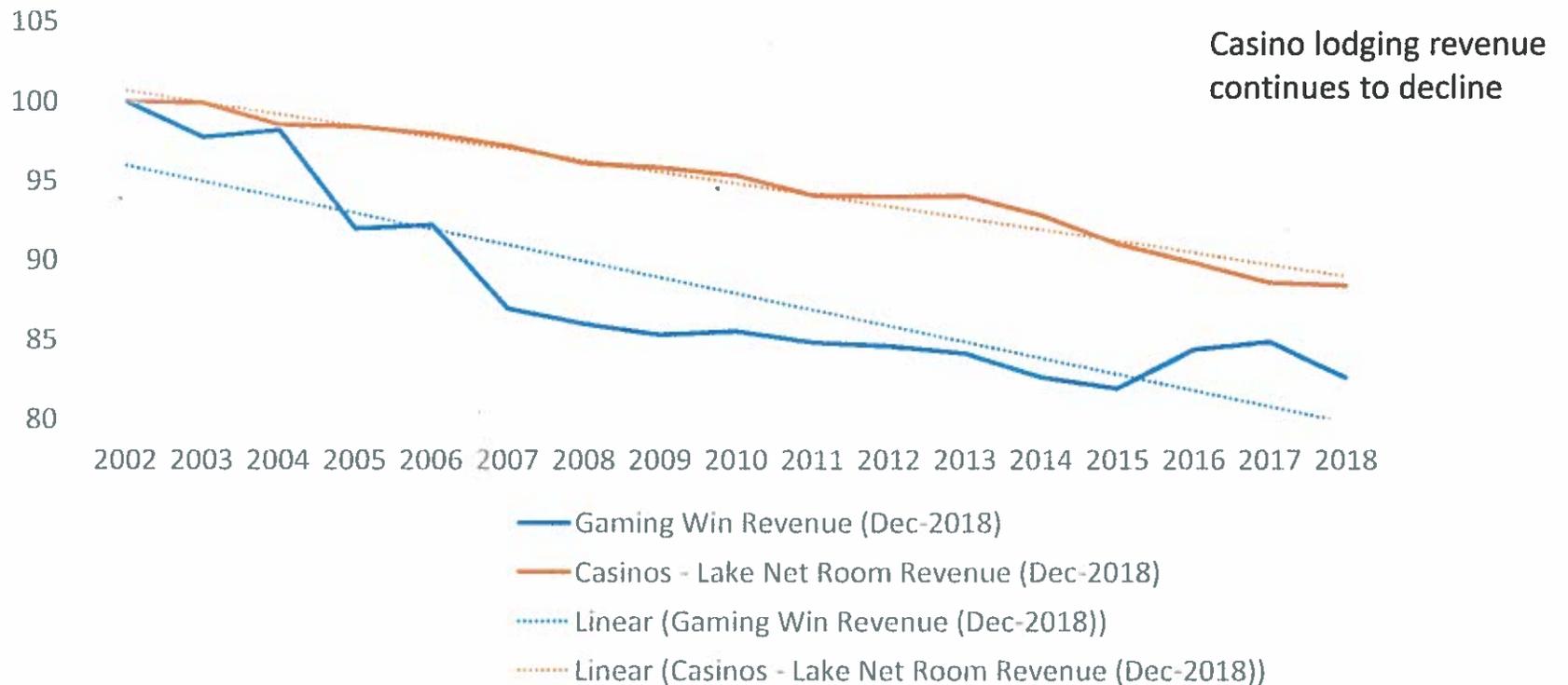
Market Shares by Gaming Revenue 2018
CA/Northern NV Tribal and SLT Casino



■ Tribal ■ SLT casino

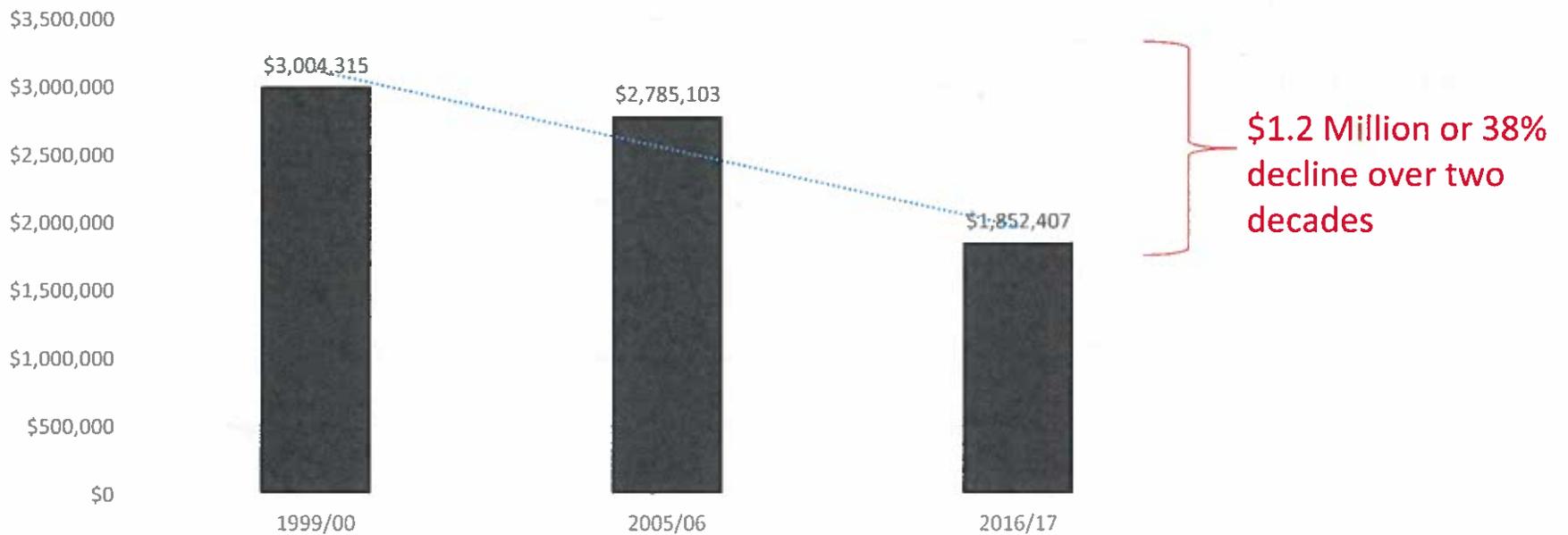
Tribal gaming has reduced the market share of Tahoe gaming by 80% over the last 17 years. **There are 45 Tribal casinos now. Six additional casinos will be built in Northern California in the next two years.**

Douglas County Lake Casinos Gaming and Room Revenues Indices FY2002 to FY2018, Dec 2018 Dollars



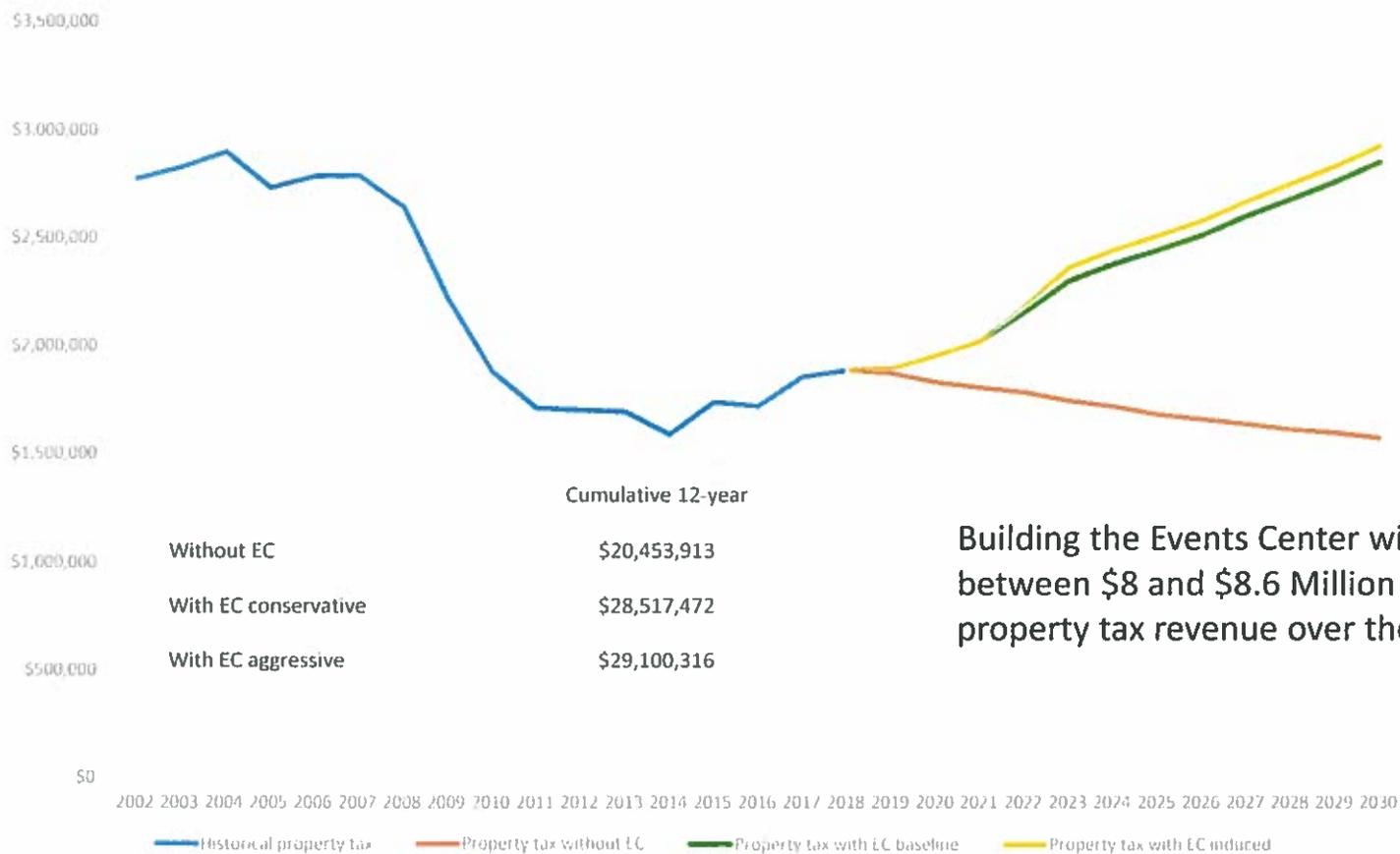
Source: Nevada Gaming Abstracts (State of Nevada Gaming Control Board)

Annual Casino Property Tax Revenues



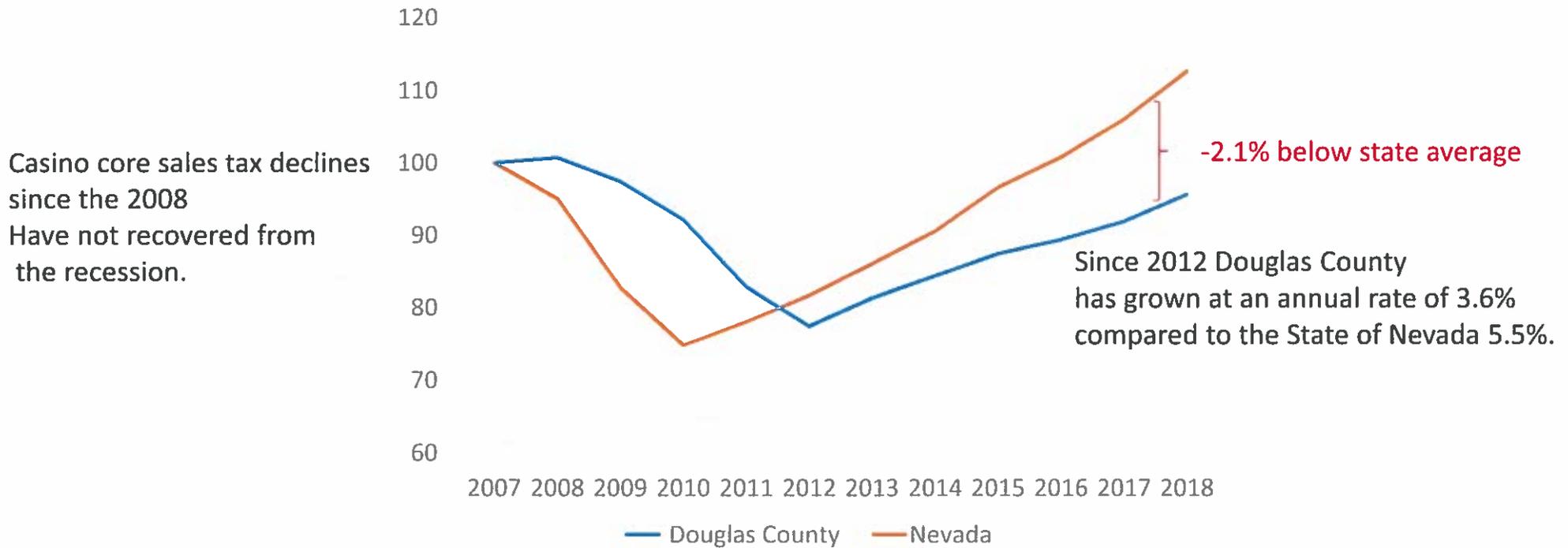
Source: Douglas County Treasurer

Douglas County Lake Tahoe Casino Property Tax
 Approximate FY02 to FY18, Nominal Dollars
 Forecast FY19 to FY30 with and without Event Center



Building the Events Center will generate between \$8 and \$8.6 Million incremental property tax revenue over the next 12 years

Sales Tax Trends for State of Nevada and Douglas County Consolidated Tax Distribution (CTX) Index, 2007 = 100



Source: State of Nevada, Department of Taxation

Douglas County Population and Casino Employment to 2018
Total Douglas County Employment to 2016
Index Values from 2003 = 100



Source: Nevada Gaming Abstracts (State of Nevada Gaming Control Board) and US Census.

A summary of the adverse impacts of Indian gaming and the recession on the Resorts

- Gaming revenues have **declined \$120 million** since 2001
- South Lake Tahoe's market share of combined California/Northern Nevada gaming revenue has **declined 82%** since 2001
- Room revenues have **declined 15%** since 2001
- Property tax revenues have **declined 38%** since FY 2000
- Douglas County sales tax revenue has not regained pre-recession levels
- Casino employment has **declined 54%** since 2003

Forecasting to 2030

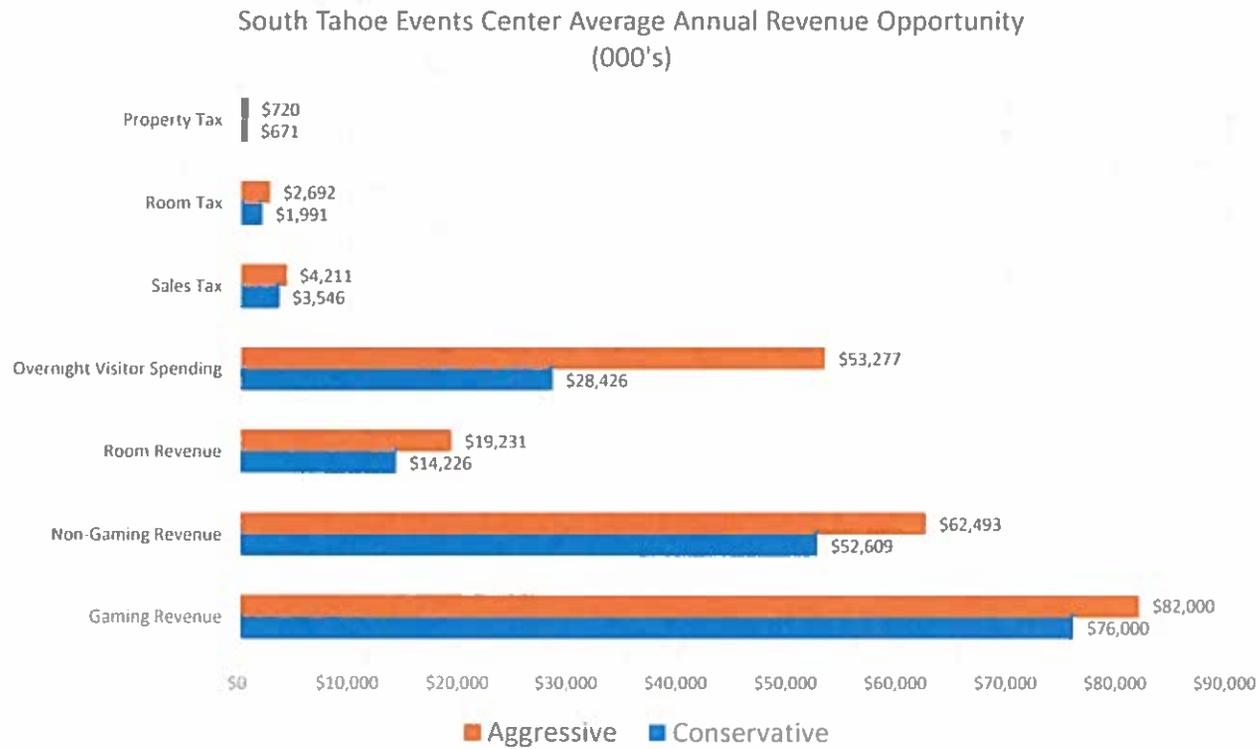
Using 20 year data sets and Bayesian statistical techniques we have forecast a variety of revenue streams and employment under three scenarios:

What happens if the Events Center is not developed

What happens if you do develop the Events Center – conservative estimate

What happens if you do develop the Events Center – aggressive estimate

South Tahoe Events Center Average Annual Revenue Opportunity Forecasts (000's)



Source: SMG Consulting

Overall Project Revenue Opportunity over 12 years (000s) by Tax Category



Source: SMG Consulting

12 Year Revenue Impacts

Total Resort Revenue	Cumulative 12-year
Without EC	\$4,540,357,769
With EC conservative	\$6,087,984,303
With EC aggressive	\$6,272,819,619

The potential lost revenue over the 12 years is between \$1.5 and \$1.7B

Room Tax (T.O.T.)	Cumulative 12-year
Without EC	\$89,055,335
With EC conservative	\$112,955,050
With EC aggressive	\$121,363,700

The potential lost Room Tax over the 12 years is between \$23M and \$32M

Tax Uses

T.O.T. Tax

Douglas County Administration
LTVA
Recreation and Libraries
NV Tourism
LTVA and Chamber of Commerce
Tahoe Transportation District
Economic Vitality
Economic Health
Redevelopment

Property Tax

Douglas County General Fund
Cooperative Extension
State Motor Vehicle Accident Indigent
State Medical Assistance to Indigents
Social Services
China Spring Youth Camp
911
Self Insurance Reserve
Ad Valorem Capital Projects
Western Nevada Regional Youth Center
Preventive Road Maintenance
Tahoe Douglas Fire Protection District
Douglas Unified School District
Regional Transportation

Sales Tax

Douglas County General Fund
Douglas County Unified School District
Douglas County Fire Protection District

Summary

- The Lake Tahoe Resort Industry has lost its competitiveness and needs to consider alternative strategies. Development of the Events Center will increase the competitiveness of the destination, create significant opportunities for the industry, its employees, residents and all of Douglas County.
- Developing the South Lake Tahoe Event Center will generate an estimated incremental \$75 to \$92 million of total tax revenues (T.O.T, Sales, and Property) over the next 12 years.
- By not building the Events Center, we anticipate the Lake Tahoe Resort Industry will continue to decline, with a significant loss of tax revenue to Douglas County.

Filed # 5
 By SHY/LL
 Deputy

Redevelopment break-down

2016-17

Area
 Money diverted
 From Needs

EFSwimming Pool	\$95,740.62
Mosquito Abatement	\$24,581.43
calrson Water Subconservancey	\$22,595.44
Duglas County School District	\$564,883.84
Genoa	\$13,800.01
Inian Hills GID	\$57,514.86
DC - WNRYS	\$6,025.11
DC - St Med Assistance	\$44,438.62
DC - Risk Management	\$5,649.36
DC - Road Maintenance	\$38,632.81
DG - E911	\$35,776.21
DC - Capital Improvement	\$38,030.80
EFFire	\$361,083.66
State	\$116,365.65
DC - Social Services	\$24,930.04
DCI - China Springs	\$2,908.01
DC) - St MV Accident	\$11,297.37
DG - County Genral	\$641,248.22
DCI - Ag Extension	\$7,531.73
Total	\$2,113,033.79

Diverted to RDA #1

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 Deputy

NEVADA DEPARTMENT OF TAXATION
 CONSOLIDATED TAX DISTRIBUTION
 FISCAL YEAR 2015/16

2018-19

ENTITY	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	YEAR TO DATE TOTAL
THE COUNTY OF DOUGLAS													
ENTERPRISE DISTRICTS													
DOUGLAS COUNTY SEWER IMPROVEMENT GID	11,498.70	11,498.70	11,498.70	11,498.70	11,498.70	11,498.70	11,498.70	11,498.70	11,498.70				91,989.60
ELK POINT SANITATION GID	609.25	609.25	609.25	609.25	609.25	609.25	609.25	609.25	609.25				4,874.00
MINDEN/GARDNERVILLE SANITATION GID	11,221.62	11,221.62	11,221.62	11,221.62	11,221.62	11,221.62	11,221.62	11,221.62	11,221.62				89,772.96
TAHOE DOUGLAS SEWER IMPROVEMENT GID	36,472.53	36,472.53	36,472.53	36,472.53	36,472.53	36,472.53	36,472.53	36,472.53	36,472.53				291,780.24
LOCAL GOVERNMENTS													
DOUGLAS COUNTY													
GARDNERVILLE	22,370.36	23,654.91	28,438.97	23,823.23	23,329.82	31,119.79	23,047.74	22,005.83					197,790.65
GENOA	914.65	967.17	1,161.50	974.05	953.88	1,265.70	942.35	899.75					8,079.05
MINDEN	29,555.28	31,252.40	37,576.02	31,474.78	30,822.90	41,130.56	30,450.22	29,073.66					261,335.82
SPECIAL DISTRICTS													
CARSON-TRUCKEE WATER CONSERVANCY	2,026.48	2,142.82	2,574.40	2,158.07	2,113.37	2,809.67	2,087.82	1,993.43					17,906.04
CAVE ROCK GID	1,532.18	1,620.18	1,944.76	1,631.69	1,597.90	2,115.44	1,578.58	1,507.21					13,527.92
DOUGLAS MOSQUITO PROTECTION GID	11,160.94	11,801.82	14,182.04	11,885.80	11,639.63	15,491.57	11,498.89	10,979.06					98,639.75
EAST FORK FIRE PROTECTION	141,444.80	149,566.79	179,728.17	150,631.07	147,511.30	198,308.97	145,727.75	139,139.87					1,250,058.72
GARDNERVILLE RANCHOS GID	65,326.33	69,077.47	83,058.67	69,569.01	68,128.14	90,932.36	67,304.41	64,261.80					577,658.19
INDIAN HILLS GID	22,411.79	23,698.71	28,471.60	23,867.34	23,373.02	31,072.84	23,090.42	22,046.58					198,032.30
KINGSBURY GID	44,944.05	47,524.81	57,078.83	47,862.98	46,871.68	62,221.88	46,304.95	44,211.66					397,020.64
LAKERIDGE GID	1,448.54	1,531.72	1,838.97	1,542.62	1,510.67	2,001.88	1,492.40	1,424.94					12,791.74
LOGAN CREEK GID	822.96	658.73	790.59	663.42	649.68	859.49	641.82	612.81					5,499.50
MARLA BAY GID	4,490.90	4,748.78	5,703.46	4,782.57	4,683.52	6,217.47	4,626.89	4,417.72					39,671.31
OLIVER PARK GID	1,839.03	1,733.15	2,081.25	1,745.48	1,709.33	2,267.47	1,688.66	1,612.32					14,478.69
ROUND HILL GID	33,284.69	35,195.95	42,257.48	35,446.40	34,712.26	46,007.23	34,292.55	32,742.30					293,938.86
SIERRA FOREST FIRE PROTECTION	-	-	-	-	-	-	-	-					-
SKYLAND GID	6,350.70	6,715.37	8,065.66	6,763.15	6,623.08	8,793.57	6,543.00	6,247.21					56,101.74
TAHOE DOUGLAS FIRE PROTECTION	346,363.81	366,252.37	439,866.45	368,858.51	361,218.97	479,440.42	358,851.40	340,719.40					3,059,571.22
TOPAZ RANCH GID	5,548.68	5,867.29	7,060.77	5,909.04	5,786.66	7,754.65	5,716.69	5,458.26					49,102.04
ZEPHYR COVE GID	2,361.79	2,497.41	3,001.44	2,515.18	2,463.09	3,280.00	2,433.31	2,323.31					20,875.53
ZEPHYR HEIGHTS GID	7,420.63	7,846.74	9,421.62	7,902.57	7,738.90	10,259.94	7,645.33	7,299.71					65,535.44
ZEPHYR KNOLLS GID	272.22	287.85	345.57	289.90	283.90	376.09	280.46	267.78					2,403.77
TOTAL DOUGLAS COUNTY	1,740,653.40	1,837,170.59	2,195,125.46	1,849,817.82	1,812,744.28	2,390,195.73	1,791,549.53	1,713,262.87					15,330,519.68