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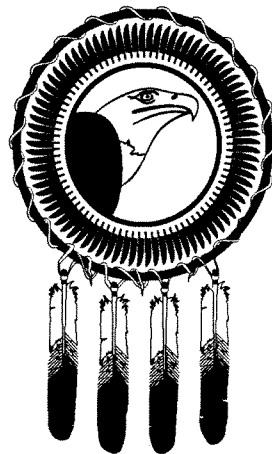
*One Tribe Beats the Odds:  
The Experience of the Fort McDowell Indian Gaming Center*

by

Manley A. Begay Jr. and Wai-Shan Leung

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ONE TRIBE BEATS THE ODDS:  
THE EXPERIENCE OF THE FORT McDOWELL INDIAN GAMING CENTER

Manley A. Begay, Jr.  
Harvard University  
John F. Kennedy School of Government  
Harvard Project on American Indian Economic Development  
Cambridge, MA

Wai-Shan Leung\*  
Price Waterhouse LLP  
Washington, DC

THE FIGHT FOR TRIBAL SOVEREIGNTY

On May 12, 1992, one day after new Federal Indian gaming regulations took effect, Federal Bureau of Investigation (FBI) agents and Federal Marshals raided the Fort McDowell Gaming Center to confiscate tribal slot machines. Before they could leave with the seized machines, however, the Fort McDowell Mohave-Apache Tribal Council enlisted tribal members to blockade the only road out. Soon, cars, pick-up trucks and the Tribe's heavy equipment hemmed in the federal agents. A dangerous and alarming stand-off had begun.

One tension-filled hour later, Tribal President Clinton Pattea received a phone call from Arizona Governor Fife Symington requesting a meeting with the Tribal Council. It was a call for which President Pattea had waited three years. Although the Indian Gaming Regulatory Act (IGRA) was passed in 1988, the State had been reluctant to negotiate a compact which would determine how the Tribe would regulate its Class III gaming activities -- the very activities that had brought so many changes to the Fort McDowell Indian Community.

President Pattea (1994b) was glad that the time for the negotiations had finally come, yet he would have preferred that they would have occurred under less strained circumstances. As he climbed into his car he looked at the trailers full of slot machines, then at the assembled blockade, and silently wondered, "Why did the FBI and U.S. Marshals raid *our* casino?" "What shall we do now? How can I help the people?" Driving toward a nearby library, the chosen venue for the meeting, President Pattea became convinced of his position. Neither he, the Tribal Council, nor the people wanted anyone injured at this stand-off; however, they did believe that sovereignty and the well-being of the Fort McDowell Indian Community were worth fighting for.

\* The opinions expressed are those of the author and not necessarily those of the organization.

## FORT McDOWELL INDIAN COMMUNITY

Located 23 miles northeast of the Phoenix metropolitan area, the Fort McDowell Yavapai Reservation consists of 24,680 acres. Like many other tribes, the Yavapai, Mohave-Apache, and Apache of the Fort McDowell Indian Community had long faced many of the common obstacles to successful economic development in Indian Country -- low educational attainment, limited natural resources, lack of institutional development, and historic racism.

Fort McDowell, however, has changed substantially in recent years. Population rosed by 7 percent in one year alone, from 640 in 1990 to 685 in 1991 (Arizona Department of Commerce 1992), and tribal enrollment increased to 850 in 1994. While unemployment was at 28 percent in 1989, there is virtually no unemployment today. From meager beginnings the tribal government has grown into an extensive bureaucracy. It is now more capable of addressing tribal concerns; twenty-one departments cover areas as diverse as Planning, Public Works, and Behavioral Health.

Much of this change has been attributed to the Tribe's aggressive economic development program using gaming revenue. Before gaming, natural resources sales (mainly of sand and gravel) served as the main source of revenue for the Tribe. The Baja Gas Station, a tribally-owned and operated gas station and convenience store, was a second major income source. Although the Tribe had implemented several small-scale economic development projects to augment the revenues from these two ventures, it was gaming that finally changed the economic vitality of the community. President Pattea (1994a) sums up this transition well: "We've been struggling economically for a long, long time, and gaming has brought us success. Not only success, but being able to be self-sufficient, and that has been what we have been striving for...."

How did a small bingo hall turn into a thriving gaming center? What were the challenges the Tribe had to overcome? What are some of the lessons to be learned from this enterprise?

### GAMING AT FORT MCDOWELL

"You don't have to go to Las Vegas or Laughlin when you can experience a similar ambience at The Fort," Duane Brady, Manager of Marketing (1994a), proudly declared. "We are one of the top four attractions in the Phoenix area." The Fort McDowell Gaming Center is only 45 minutes from downtown Phoenix and provides Las Vegas glitz and Laughlin excitement to local residents and tourists, eager to avoid the expense (in time and money) of a flight or four-hour drive. Fort McDowell draws its customers largely from the middle-income group between the ages of 35-65. Close to 2,000 customers arrive daily at the 90,000 sq. ft. facility to try their luck at poker, bingo, Keno or the slot machines. Of course, Fort McDowell offers an attraction beyond convenience too. Tour buses arrive regularly, some after midnight, to deposit customers who want to gamble or just see what an "Indian casino" is like.

The casino features separate playing areas for each its three gaming activities: bingo, poker and slot machines. The bingo game at Fort McDowell is unlike those at schools or churches. It is a fast-playing, high-stakes bingo, where up to \$50,000 can be won nightly. Currently there are 931 bingo seats, soon to expand to 1,600. Matinee bingo is offered Tuesday through Sunday to attract additional customers during the off-peak playing hours.

Near the bingo playing area, poker, a game of choice is played. Trained dealers facilitate the game in a room with more than 300 poker seats, with at least 100 more seats soon to be added. Featuring a one-time payout of \$125,000 last year led Fort McDowell to call its casino "the Jackpot Capital of the World."

While poker is a game of quiet concentration, a variety of slot machines are packed into an adjacent soundproof room that captures and amplifies the sounds of clanking tokens, spinning wheels, and bleating electronic machines. There are 475 slot machines (an amount allowed by the compact) representing over 70 different games. Estimates place the electronic and live Keno payout as high as \$10,000 nightly.

### THREE KEYS TO SUCCESS: POLITICS, MANAGEMENT, AND POLICY

A lot has changed since the beginning of the bingo hall, but the mission of the Gaming Center is still, "to provide steady employment, security, housing, and to develop the community for the people (Pattea 1994a)." Because the Gaming Center has become the main source of revenue for the Tribe, the goal of "providing a solid economic base for the Tribe" (Fort McDowell Indian Community 1993) has been added to the mission statement. With clear and concise direction from sound management and policy, the Tribe is fast becoming a political and economic power in the greater Phoenix area.

The present day gaming center began as a small bingo hall. In October 1983, the Tribe entered into a joint venture with a management company to build a 17,000 sq. ft. facility worth more than \$1.2 million. The original facility enabled the Tribe to operate electronic bingo machines, which created 50-60 permanent jobs. According to the terms of the joint venture the Tribe provided land and essential utilities for the project and the management company offered all necessary expertise and financial capital. Further, the contract established a 60/40 profit-sharing arrangement in favor of the Tribe with a renewal option after five years. To minimize its financial risk, the management company successfully negotiated the exclusive right to manage the casino. This provision, according to President Pattea (1994a), "was the first mistake we made." The exclusive right clause prevented the Tribe from contributing to short-term and long-term policy and management decisions, and substantially reduced profits.

At the end of the five year contract, the Tribe bought out its joint venture partner. Then the Tribe hired its own manager to oversee the casino. This association lasted for five years. This new management system enabled the Tribe to have more control over the operation of the casino, but not without some problems. The Tribe took several measures to ensure that the casino would

be properly managed. First, the Tribal Council, after a number of management problems in 1991, made a clear and unequivocal decision to separate politics from day-to-day business operations. This led to diminished interference by tribal leadership in what are essentially business decisions. With this change the Tribal Council refocused its roles and responsibilities to policy-making and strategic planning, rather than day-to-day business management.

Second, as required by its compact with the state of Arizona, the Tribe created a five-member Gaming Commission (made up of three tribal members and two non-Indians) to oversee the day-to-day operations of the casino. This Commission serves as the liaison between the Tribal Council and the casino management, separating as well as bridging political priorities and business decisions.

Third, in contrast to allowing a management company to make key decisions, the Tribe in November 1993 hired professionals with specific expertise in the gaming industry. These professionals run the casino on a day-to-day basis, reporting directly to the Tribe, rather than to a separate management company. In this way, the Tribe retains overall control of how the casino is managed and operated.

Retaining control of overall policy decisions, keeping internal tribal politics out of business operations, and hiring professionals who report to the Tribe has greatly improved both business operations and the Tribe's ability to plan strategically for the future.

## TWO MORE KEYS TO SUCCESS: ECONOMIC NICHE AND BUSINESS SKILLS

While these changes in management, governmental structure and policy have been crucial to the Tribe's success, economic and business factors also have played key roles. First, because of their unique political and legal status Indian nations are not subject to most gaming regulations imposed by states; Indian nations have a protected niche in the market that has led to gainful economies for some tribes. Fort McDowell's success in gaming can be attributed to some extent to this special status and reserved economic opportunity. Yet for the most part, other factors were vital to this success: location, marketing and a specific strategy to diversify types of games and improve customer service/relations.

The location of the reservation has enabled the casino to capture a significant portion of the entertainment market in the region, according to Brady (1994a), "especially when only 15 percent of the population of Phoenix have been to Las Vegas." Ideal location refers to proximity to a large population and attractiveness -- accessibility, limited competition, propensity of the population to gamble, nearby attractions, climate and atmosphere. Easy accessibility from the largest metropolitan area in the state of Arizona (Phoenix has a population of approximately 2.7 million) and limited competition (the only competition comes from the south of Phoenix -- the Ak Chin reservation have a small casino, and the Gila River Indian Community are developing a casino) have contributed to the success of the Fort McDowell. Also, the propensity of the population to gamble (the State allows lottery play, pari-mutuel betting on horses and dogs, and

charitable bingo) has contributed to Fort McDowell's success (See Cordeiro 1992). In addition to these advantages, the casino is located near a major highway, and this captures some of the traffic to Payson and to other attractions such as Saguaro Lake (a recreation area), Fountain Hills (home of the highest water fountain in the country), and Four Peaks (a scenic area). The climate and atmosphere are other aspects of Fort McDowell's appeal: it is 6-7 degrees cooler, has cleaner air and is less congested than downtown Phoenix.

Marketing is selective, with separate strategies focusing on local residents in the year-round, leisure time and on tourists in the seasonal market. Advertisements on television, radio, and in key publications, as well as public contact, all play an important role. Local residents are specifically targeted in the spring and summer through an outdoor advertising campaign (mostly radio spots and billboards). In the fall and winter, the marketing spotlight is on "snow birds" -- tourists who come to the Phoenix area to escape severe winter weather -- and more of the advertising occurs indoors (on television and resort industry publications).

Listening to customers has prompted management to diversify its casino games. More than 70 electronic games are now available and additional games such as Pai-Gow are planned for the future. Customer needs and wants have persuaded management to expand the facility from 90,000 to 120,000 sq. ft. and include a restaurant to serve 150 people. A live entertainment area (top-billed shows, boxing, and other types of entertainment are being considered) and special teaching sessions are planned for those who do not know how to play poker. This expansion is expected to increase employment to 1,600. The Tribe is studying a theme park, golf course, hotel and RV park as future developments, possibly leading to a destination resort.

Although the existence of a market is not enough to ensure the development of a viable business, a market coupled with effective management certainly will increase the chances of success. Fort McDowell has been able to do both: capitalize on the market and benefit from the involvement of top-notch management personnel. To ensure success, the Tribal Council requires the following: experienced management personnel who thoroughly understand the gaming market; strict compliance with all laws, codes, rules, and regulations; regular annual as well as spot financial audits; implementation of a continuous improvement approach to operations that results in an intensive on-going customer relations/service program; and recognition of the underlying goal of casino operation -- the promotion and maintenance of tribal sovereignty.

The Tribal Council has had to recognize the importance of a close but professional working relationship with casino management. At the same time, it has had to plan carefully and strategically for growth. Fort McDowell's strategic plan has involved a modest start, careful reinvestment, steady growth and Tribal Council control of strategic direction. Duane Brady (1994a) states, "you could say that the Tribal Council and the leadership recognized a window of opportunity and ... went at it cautiously, added onto it when that opportunity widened from a bingo hall to a poker room and then to slot machines. Then, recognizing the need to keep pace because of steady, organized growth, they had the opportunity and the financial resources to go ahead and put together this facility to keep their market share."

## CHALLENGES TO CONTINUED GROWTH

Operating a casino is no small task. The Fort McDowell Indian Community has faced a number of problems unique to a rapid growth industry managed by a nation within a nation. These circumstances have offered uncommon political, business and social challenges for the tribal government, casino management, and the people of the reservation.

### POLITICAL TESTS

Fort McDowell, like other gaming tribes, faces a difficult and changing political environment populated by anti-Indian and anti-gaming groups. Protecting tribal interests -- which include gaming, land and water rights, and other matters -- will require Fort McDowell and all tribes to become more politically active and astute. Tribes will need to develop their institutional capabilities to monitor and shape legislative and political outcomes through voting, lobbying, and supporting/opposing key politicians at the national, state, and local levels.

To establish a more viable unified political front, state-wide, regionally and nationally, Fort McDowell will have to do two things: be a force in unifying the 21 Arizona tribes (especially the gaming tribes), and become more active in national, regional, and state Indian organizations. These include, the National Congress of American Indians, National Indian Gaming Association, and the Inter-Tribal Council of Arizona, Inc. Such activism aims to forge and present a consensus of opinion and support among gaming and non-gaming tribes in Indian Country.

### TRIALS OF BUSINESS

A rapid growth economy presents the Tribe with many challenges, putting pressure on tribal government to reassess its roles and responsibilities. The Tribe has had to confront new issues: investment decisions, the development of reservation infrastructure and policy-making.

Casino management also has confronted a host of managerial issues. Because a casino is an entertainment enterprise, customer service and outreach are critical. Among the key tasks are: effective marketing, first-class food service, compliance with fire and safety codes, public relations and accommodating a massive influx of people.

### SOCIAL ISSUES

Per capita payments to tribal members and the influx of mostly non-Indians onto the reservation have produced at least three social challenges for tribal members and tribal government. Big profits have led to large quarterly per capita payments that have the potential to reduce tribal members' motivation and commitment to maintain jobs. The challenge for tribal government has been to educate tribal members in the value of work. This new-found wealth also raises issues regarding proper investment strategies and money management strategies. The Tribe has had to find ways to encourage tribal members with guaranteed incomes to complete their

educations. Additionally, the large influx of non-Indians onto the reservation has raised cultural concerns for some tribal members related to their receptivity to interactions with non-members, commercialization and worker/boss hierarchies in enterprises. (For some discussion of these issues see, Cornell and Kalt 1992).

## ECONOMIC, SOCIAL, AND POLITICAL BENEFITS

The impact of the Gaming Center can be measured in at least three realms: economic, social, and political. Economically, the casino has influenced the Tribe both directly, (per capita payments, job creation and immediate increase in Tribal revenues) and indirectly (creation of ancillary businesses). The social effects of the casino have been felt in contributions to charitable organizations, improved relations between tribal members and non-members, increased educational opportunities, and elevated cultural pride. Political benefits include increased leverage in Arizona politics and the more effective exercise of tribal sovereignty.

### ECONOMIC BENEFITS

Per capita payments to tribal members, in accordance with IGRA provisions are one direct and obvious benefit of gaming. 34 percent of the casino's revenue is distributed quarterly to tribal members. Given the profitability of the casino, tribal members receive approximately \$40,000 each year. Members 18 years and over receive the payments directly, but payments to those under age 18 are deposited into a savings account. To have access to these funds at age 18, an individual must have successfully completed high school or have earned a GED. Those not meeting this educational requirement must wait until age 21 to withdraw their accumulated allocations.

Furthermore, the Tribe has applied another 30 percent of the casino's revenue to stabilizing tribal government through reliable base funding. In addition to this amount, 30 percent is earmarked for the Tribe's economic development programs. Clearly both of these funds signifies the ability of the tribal government to effectively serve the community.

Besides generating wealth, the Gaming Center has created a tremendous number of jobs: the Fort McDowell Indian Community is one of the largest employers in the greater Phoenix area. Federal Native American preference guidelines are followed in hiring of potential employees, and of the 1,000 individuals currently employed at the casino, 24 percent are tribal members and 30 percent non-member Native peoples. The remaining 46 percent of the jobs created by the casino are held by non-Indians (Brady and Kingsley 1994). The job turnover rate is under 15 percent for tribal members and under 10 percent for all the others. It appears that at least a 100 percent increase in non-casino tribal jobs has occurred in new programs funded by Gaming Center revenues.

Job skill development maybe just as important as jobs themselves, and the Gaming Center provides this as well. Major employment opportunites are in food service, cash handling, card dealing, maintenance, and administration, and in each one of these areas physical, accounting,

and "people" skills are required by most employees. New employees go through classroom, on-the-job, and customer service training. As part of a commitment to developing Native American management skills, 20 Indian managers are expected to be trained in the next 10 years, making the casino, as much a training center as it is an entertainment center (Brady 1994b).

The Gaming Center has also created additional businesses on and near the reservation. While the total number of jobs created as the indirect result of the casino's activities is difficult to estimate, the number of restaurants, hotels, and other tourism industry businesses that have emerged can be more easily summarized. Four fast-food restaurants are already being built and three hotels (in Fountain Hills near the reservation), expansion of a nearby gas station, to include 36 fueling positions and a 3,500 sq. ft. convenience store are all planned for the future. Lastly, it is certain that pre-existing food enterprises, as well as local contracting, advertising, marketing, and construction companies, have benefited from the Fort McDowell Gaming Center.

## SOCIAL BENEFITS

The remaining 6 percent of the casino revenues go towards miscellaneous purposes. Perhaps the most significant "miscellaneous" expenditures are on the improvement of public infrastructure. The Tribe has begun to install new telephone, sewer and water systems. The main highway to the casino is currently under construction and other road improvements are planned. A new elderly center and health clinic have been established. Additionally, the Tribe has built 20 homes, with 20 more new units in the planning stage, and has purchased 41 homes from the U.S. Department of Housing and Urban Development.

Of course miscellaneous expenditures touch a much broader range of activities, too. Last year the Tribe sponsored the Muscular Dystrophy Association Telethon and contributed substantially to Special Olympics. Funds are provided on an on-going basis to the Fountain Hills police and fire departments. Tribal members also benefit from new health and education programs developed from these revenues.

The intangible benefits of these activities have been tremendous. Due to its economic success the Tribe has achieved a new level of cultural pride. Tribal members have reported that they are treated with more respect by non-Indians in the area, which has led to improved inter-community rapport. Representatives of the Tribe and casino management are frequently asked to address local non-Indian groups and organizations, which furthers promotes understanding of the Tribe and its casino. Moreover, local and national recognition has led to greatly enhanced individual members' self-esteem.

## POLITICAL BENEFITS

Not only have casino revenues created wealth and comfort for the Fort McDowell Indian Community, but they have also generated political strength. The confrontation with law enforcement and State officials in May 1992 prompted a solidified focus on the issue of tribal sovereignty that brought national attention to Indian gaming and the state of Arizona, and

eventually forced the state to negotiate a gaming compact with the Tribe.

In 1992 Fort McDowell became a key actor in the defeat of Senate Bill 1001 a posturing initiative by tribal gaming opponents that would have outlawed all charity gaming, and therefore, all gaming. Despite historical animosity among some Arizona tribes, Fort McDowell's success economically and in negotiations with the State has enabled the Tribe to be a catalyst for greater unity -- uniting the Arizona tribes against those who want to undermine tribal sovereignty by abolishing tribal gaming. The State now recognizes Fort McDowell as a major political player and an economic force.

In February 1994 Fort McDowell hosted the *Conference on Tribal Sovereignty and Political Coalition*. Soon an organization of Arizona gaming tribes -- the Arizona Inter-Tribal Association on Gaming -- will be formed. However, whether Fort McDowell remains in the vanguard of tribal coalition-building in an active legislative environment remains to be seen.

Perhaps Clinton Pattea (1994a) summed it up best by stating, "we are going first-class now." Going first-class means having the best -- education, health, and jobs -- for the people, but also means continuing to maintain and promote political sovereignty for the future. This is what one American Indian tribe has done to beat the odds.

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