

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 24, 2018

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner
Commissioner F. Vernon Boozer
Commissioner George L. Doestch, Jr.
Commissioner Michelle Fager
Commissioner Bert Hash, Jr.
Commissioner James Stakem

Gordon Medenica, Director
Gina Smith, Deputy Director, Chief Financial Officer
James Nielsen, Assistant Deputy Director, Chief Operating Officer
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy Counsel
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
John Gorman, Managing Director, Chief Marketing Officer
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Kathy Lingo, Executive Assistant

OTHERS: Representative from Hollywood Casino Perryville
Representative from Ocean Downs Casino
Representative from Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Representative from Scientific Games
Members of the Public and MLGCA Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, George L. Doetsch, Jr., Michelle R. Fager, Bert J. Hash, Jr., James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:02 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Michelle Fager, Bert Hash, and James Stakem.

APPROVAL OF THE AGENDA

Chair Marriner reported that the Commissioners were provided a copy of the agenda. Chair Marriner asked for a motion to approve the agenda. Commissioner Fager motioned to approve, Commissioner Hash seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner said the April 26, 2018, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash moved to approve, Commissioner Fager seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains three new instant ticket games for the Commission's approval: #388 (\$5) *Deluxe Crossword*, #389 (\$2) *Heads or Tails*, #391 (\$10) *Win \$50 or \$100*. He said the Consent Agenda also includes Electronic Gaming Device Games and Component Testing approvals for certified lab software, hardware and game certifications, VLTs, table game components and instant bingo machines for the period covering April 12, 2018 – May 10, 2018; Consent Agreements for Regulatory Violation at MGM National Harbor – December 2017; Consent Decrees for Underage Violations at MGM National Harbor – Case Nos. 2018-06-018; and 2018-06-029; Gaming License Application Denials and Revocations; Lottery Retailer License Revocations; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; James Logue, Managing Director, Gaming; John Mooney, Managing Director, Regulatory Oversight; John Gorman, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; Robert Fontaine, OAG Principal Counsel.

Chair Marriner asked if any Commissioners wished to remove any items from the Consent Agenda. There were no requests for removal. Chair Marriner asked for a motion to approve the consent agenda as noted above. Motion to approve was made by Commissioner Doetsch seconded by Commissioner Stakem, and carried by a unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that April was a very strong month, with gaming revenues up over 7% year over year. Slot machine revenues were up 6%, and table games were up 16%, with strong volumes and holds. Mr. Heiskell added that May revenues were also looking strong. Hollywood Casino hosted a Women in Business event on May 9 in connection with the Governor's Office of Small, Minority & Women Business Affairs. The casino also hosted a joint event with the Harford and Cecil Counties Chambers of Commerce. Hollywood Casino held an outdoor music festival the weekend of May 19-20 that was well-attended, featuring performances by the Aberdeen-based band Ballyhoo! and the Amish Outlaws. The casino plans to do additional concerts soon.

There were no questions from the Commission.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that April gaming revenues were up year over year with slot machines up 4.4%, and the addition of the table games, which were installed in December 2017, continuing to significantly boost year-over-year gaming revenues. Ocean Downs is doing very well and is now better positioned for summer. Ms. Sample reported that the casino held a Kentucky Derby viewing party, as the Derby is important to the casino now that Churchill Downs owns the casino. The casino also had events around the Preakness weekend, which coincided with the Cruisin' Ocean City Car Show. A Friday night event drew good attendance despite having to be moved indoors due to rain.

Ms. Sample reported that the casino completed the conversion this week to its new Oasis player accounting system. The casino will soon be adding side bet options at its Blackjack tables. Ocean Downs' horse racing meet runs from June 3 through September 3, which will bring an influx of visitors to the casino. The schedule includes ostrich and camel races on June 11. Ocean Downs is a title sponsor for the Ocean City Air Show scheduled for June 16 and 17. The casino is partnering with iHeart Radio to auction off 10 cars with proceeds going to the American Cancer Society. The casino held a Drop Zone Ticket Giveaway on the floor the last two weeks. Ms. Sample reported that the casino will host the event with an American Legion motorcade, flag presentation, VIP tent, with the racetrack open for public. In June the casino will be hosting the Real Men Wear Pink Event.

Commissioner Stakem asked for the date of the Ostrich races. Ms. Sample responded June 11th. There were no further questions from the Commission.

Live! Casino

Mr. Travis Lamb, General Manager, reported that April gaming revenues were up 3.5%, this was the third month in a row of growth. Slot machine revenues were up 10% year over year, with table games down slightly from the previous year. Growth has continued into May. Live! Casino will present En Vogue on May 25. In the community, the casino has sponsored several events. The casino is a top sponsor for the SPCA dog walk in Annapolis. Other events include the Maryland Washington Minority Companies spring breakfast and the Blue Angels Foundation Air Show in Annapolis. The casino has opened its Orchid outdoor gaming patio, and has had positive feedback from customers. The new hotel and spa are nearing their opening date, with several more test dates scheduled before reservations open to the public on June 6. Live! is planning a grand opening event for the hotel and events center in July.

There were no questions from the Commission.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, reported that April slot machines revenue was up 2.8%, however, table games were flat. May is trending in the right direction. The first phase of upgrades to the hotel was completed marking the first such renovation to the guest rooms in 12 years. In the community the casino participated in the Yearly Day of Caring and Sharing in Cumberland. In the beginning of May, Rocky Gap participated in a minority business enterprise event in Hagerstown to make connections with new partners. Mr. Dice reported that the casino hosted more than 3,000 visitors, a 76% increase in ticket sales, on its golf course driving range on May 19 for a concert by Kix and Slaughter, and added that Rocky Gap anticipates holding more outdoor concerts. Rocky Gap casino will hold a team member barbeque for its employees and their families in June.

There were no questions from the Commission.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that April was a disappointing month, due to a weak hold, but results for May are trending better. Ms. Chamberlain reported that the casino has a good working relationship with Topgolf, which announced in early May that it plans to open its first urban location on Warner Street, adjacent to the casino. Caesars has acquired all of the properties along Warner Street between the casino and M&T Bank stadium, with the exception of the Public Storage facility. The moves are part of an effort to develop an entertainment district in Baltimore's Southern Gateway area, which fulfills the promise Caesars made when it came to the city. The new GDL Italian restaurant by celebrity chef Giada De Laurentiis had a grand opening party which was held last week, joining restaurants by fellow celebrity chefs Gordon Ramsey and Guy Fieri. The casino was active during Preakness weekend, using its reward program to attract visitors from out of town.

In the community, the Project 100 program connects Horseshoe Casino with a group of principals from Baltimore City Schools. Casino employees spent time painting and gardening to spruce up James McHenry elementary school. Giada De Laurentiis was in town for the opening of her restaurant, and visited the elementary school students to talk about healthy eating and how to build a garden.

There were no questions from the Commission.

MGM National Harbor

Max Fisher, Chief Financial Officer, reported that April gaming revenue increased 16% year over year, with growth in both slot machines and table games. Scratch It Rich is the promotion for May, and the casino is gearing up for the finale. Recent events at MGM's theater included the Temptations and Four Tops, Tom Jones, Boyz II Men, George Lopez, and the fourth Showtime Boxing event. Entertainment for the next few months includes concerts by The Steve Miller Band, Luis Miguel, Britney Spears, Stevie Wonder, and Sting. In the community, the casino assisted Habitat for Humanity, building two homes dedicated to families in Landover and Upper Marlboro. Mr. Fisher reported that the casino partnered with the American Red Cross to install new smoke detectors in homes in the Oxon Hill area, and partnered with the Alice Ferguson Foundation volunteering on a watershed clean-up effort along the Potomac River.

There were no questions from the Commission.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that the numbers are strong with five weeks to go until the end of the fiscal year. In April, Lottery sales were up 1.9%, casino gaming revenue was up 5.7%, Lottery profit was up 20%, and casino gaming contributions were up 5.7%. The fiscal-year-to-date numbers show Lottery sales up 6.5%, casino gaming revenues up 19.1%, Lottery profit up 9.5% and casino contributions up 13.8%. The total contribution to the State from both Lottery games and casino gaming is up 11.8%.

Director Medenica reported that the Lottery flipped the switch on its new central monitoring and control system on April 30, and the agency has been working to align the new equipment and the new communications system. The next step in the process will be the rollout of new touchscreen self-service vending machines, business intelligence systems and analytical tools that will allow the Lottery to tap into the system's marketing and retail recruitment benefits. New equipment in the scratch-off ticket warehouse will lead to smoother operations. Director Medenica said the Lottery is pleased to have completed the bulk of the conversion and is anticipating that the system will drive revenues.

Director Medenica reported that the Legislature adjourned without passing the sports betting bill. The U.S. Supreme Court's May 14 ruling paved the way for states to legalize and regulate sports betting. There had been talk about a special session to reconsider the bill, however, public reports have indicated that the Governor is not inclined, at this time, to call a special session. By not passing the bill, the General Assembly has missed the opportunity to put a question on the November 2018 ballot. That means it will be 2020 before voters could approve a sports betting referendum, which the State's Constitution requires for any new form of commercial gambling. In that case, it would likely be early 2021 before sports betting would be available in Maryland. New Jersey, Delaware and several other states have indicated that they plan to implement sports betting immediately. Mr. Medenica said the MLGCA would be watching how each state's approach works. The debate in Maryland centered over whether sports betting would be available at the state's casinos, or at the casinos and horse racing tracks. He noted that in some jurisdictions, lotteries might be involved in providing the betting system.

Administration, Finance & Information Technology – Gina Smith, Deputy Director, Chief Financial Officer

Ms. Smith reported that the conversion to the new central monitoring and control system also included new back-office equipment and procedures. The claims processing system in the Customer Resource Center is now faster. One of the efficiencies of the new system is that staff no longer need to manually type in information from Expanded Cashing Authority Retailers in order to produce W2G forms. That can now be done at the touch of a button. The new subscription system, run through the My Lottery Rewards web portal, is user friendly. Customers create their subscription using the MLR website and then mail their payment and an order form that includes a bar code. This allows staff to enter subscription orders by scanning the order forms rather than typing in the information from the form, which reduces keying errors. Staff have processed 1,600 subscription orders since the beginning of May, and there are another 1,600 orders that have been placed and are waiting to be entered, pending the arrival of the subscribers' forms and payments. Ms. Smith said that with the end of the fiscal year approaching, she is preparing to close the books and reconcile year-end activity.

Commissioner Hash asked if the claim centers are working well. Ms. Smith responded that the Lanham Customer Resource Center has closed, and that Lottery winners of up to \$25,000 can now claim prizes at Live! Casino and MGM National Harbor. She also noted that as word gets out to the public that we are doing this, activity will pick up.

PUBLIC COMMENTS

Chair Marriner introduced former Lottery Director and Commission Chair Stanley Fine, who spoke in commemoration of the 45th Anniversary of the Lottery. Mr. Fine became the Director of the Lottery at the age of 30, serving from January 1973 – 1978, noting that on May 15, 1973, the first drawing was held live at Hopkins Plaza attracting 10,000 people to watch the spinning wheel. The winner received \$50,000/year for 20 years. In its first year, the Lottery grossed \$25 million and provided \$10 million to the state. By his final year with the Lottery, Mr. Fine noted that Pick 3 drawings had been added and the Lottery grossed \$300 million while providing \$120 million to the state. He added that it was a terrific achievement for the Lottery and casinos to contribute more than \$1 billion to the state in Fiscal Year 2017. Mr. Fine congratulated Director Medenica, the Commissioners and the MLGCA staff and commended them on this accomplishment and for their professionalism and integrity.

CLOSED SESSION

Chair Marriner said no closed session was necessary.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, June 28, 2018. Vendor Reports will be given at the June Meeting.

ANNOUNCEMENTS

Chair Marriner announced that there will be no Commission meeting in July, and the September meeting has been rescheduled to September 20 due to scheduling conflicts.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:37 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "G. Medenica", is written over the typed name.

Gordon Medenica