

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION JUNE MINUTES

DATE: June 27, 2019

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner
Vice Chair Bert J. Hash, Jr.
Commissioner F. Vernon Boozer
Commissioner Michelle Fager
Commissioner George L. Doetsch, 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 Mooney, Managing Director, Regulatory Oversight
Leo Mamorsky, 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 International Game Technology
Representative from Pollard Banknote
Representative from Scientific Games
Members of the Public and Agency 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 10:00 a.m. Also present were: Vice Chair Bert Hash, and Commissioners Vernon Boozer, Michelle Fager, George Doetsch, and James Stakem.

APPROVAL OF THE AMENDED AGENDA

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

APPROVAL OF THE MINUTES

Chair Marriner said the May 23, 2019, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Doetsch moved to approve, Commissioner Fager seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains nine new instant ticket games for the Commission's approval: #435 (\$5) *88 Fortunes*; #446 (\$20) *\$500,000 Crossword*; #449 (\$5) *Deal or No Deal*; #472 (\$10) *\$100,000 Crossword*; and Holiday Suite of Games: #458 (\$1) "*Oh What Fun*"; #459 (\$2) *Stocking Stuffer*; #460 (\$3) *Peppermint Payout Multiplier*; #461 (\$5) *Holiday Gold*; #462 (\$10) *Winter Cash Tripler*. He said the Consent Agenda also includes EGD 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 May 9, 2019 to June 13, 2019; Consent Agreements for Regulatory Violations – MGM National Harbor - January 2019; and Rocky Gap Casino - February 2019; Consent Agreements for Underage Violations – Maryland Live! Casino, Case Nos. 2019-03-001 to 007; and Ocean Downs Casino, Case No. 2019-02-001; Gaming License Application Denials/Revocations; Gaming License Revocation Reversal; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; John Mooney, Managing Director, Regulatory Oversight; Leo Mamorsky, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; Robert Fontaine, Principal Counsel, Office of the Attorney General.

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 May gaming revenue was up 2% year over year, with slot machine and table game volumes down slightly; table game hold was strong, with revenues up 13%, and volumes have been similar in June. Last weekend was strong with the Match to Win and Harley giveaways both doing well. The second annual outdoor concert was held on June 1 and was very successful. There will be an employee event tomorrow benefiting the casino's Sunshine Fund, which helps employees with difficult life events.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that May gaming revenue was up 12.5% year over year. Slot machines were up 10%, and table games were up 39.2%, driven by both volume and hold. June has been difficult due to the nice weather so not as much traffic in the casino. The ostrich and camel races held at the Ocean Downs racetrack were very popular again this year, taking place on Wednesday; it doubled slot machine revenue year over year for that Wednesday.

Ocean Downs was a major sponsor for the Ocean City Air show events on June 15 and 16. This year commandos parachuted onto the track with an American flag, which was then presented to a World War II veteran. The close out of the RAV4 drawing will be the end of June. In July there are several promotions including the Stars and Stripes Kiosks, Saturday cash prizes, and on July 15, the Clydesdales will be on the racetrack. Employee satisfaction surveys are coming up and the casino executive staff just completed a Walk in My Shoes event at the end of May, stepping into various positions at the casino. Ocean Downs is featuring patriotic table game layouts through July, after which framed layouts will be sold to raise money for veterans' charities.

Live! Casino

Mr. Anthony Faranca, Executive Vice President and General Manager, reported that he has spent the first six weeks meeting with team members on the job. May gaming revenue was up 2.8% year over year, showing that the addition of the hotel, event center and restaurants have been beneficial. There was modest revenue growth in May, and June has had a good start with the sold out show by Tom Segura. Completion of Phase II of the event center, expanding the seating to 4,000, is on schedule to be completed by the first quarter of 2020, and available for use by December of this year. Mr. Faranca said Live! is preparing a proposal to make modest changes to optimize its gaming floor. In the community, Live! sponsored the Capital Pride Festival raising \$65,000. Live! also provided meeting space to the Susan G. Komen Foundation. Mr. Faranca introduced Bob Tedesco, Senior Vice President of Operations and Assistant General Manager.

Rocky Gap Casino Resort

Skyler Dice, Vice President and General Manager, reported that May gaming revenue was up slightly year over year. Slot machine revenues were up slightly, while table game revenues were down, although volume was good. Two big jackpots were hit at the casino in May. May was the start of the summer concert series featuring the Kix and Great White show. Upcoming shows will include Amish Outlaws, Coolio, Vanilla Ice and Skid Row. Casino employees volunteered at the May Day of Caring and Sharing in Cumberland to beautify the area. The next big event will be the Stuff the Bus for United Way. Last year no child had to buy school supplies as a result of this event. The casino hosted a team member picnic for casino staff, which went very well. There will be a July 4th Extravaganza at Rocky Gap with a Scooter Giveaway.

Horseshoe Casino

Ms. Erin Chamberlin, Senior Vice President and General Manager, reported that May was a tough month, with gaming revenue at \$20.5 million, down 14.5% year over year. Both slot machines and table game volumes were decent, but holds were down, which is unusual for slot machines. June appears to be trending the same. Ms. Chamberlin added that Horseshoe is working on additional promotional efforts for July to help drive better results, including a series of outdoor movie nights. Ms. Chamberlain said the casino is working with other organizations on Project 100. Also, a talent show at the casino raised \$5,000 for local schools. Ms. Chamberlain spoke about the news on Monday regarding the Eldorado-Caesars merger. Executives are strictly restricted regarding what they can say publicly at this point. The regulatory team has been reaching out to start the licensing process for Eldorado. The deal will close within 9 to 12 months, and the regulatory team will be in contact with the MLGCA's Licensing staff.

MGM National Harbor

Mr. Malik Husser, Director of Communications, reported that May gaming revenue was \$59.1 million, a 5.1% decrease overall. Slot machine revenue was up 9.0%, while table games were down 21.2%. May 26 marked the end of MGM's Scratch It Rich promotion, which attracted 54,000 participants. The Choose Your Ride promotion started June 1 and continues through August. Recent gaming floor activities included a \$100,000 poker tournament, a \$100,000 blackjack tournament and a \$20,000 baccarat tournament. Upcoming events in the MGM theater include a boxing card on July 19 and an appearance by comedian Chris Tucker. Casino employees performed 200 hours of volunteer work during May, assisting a number of community groups, including Thrive DC and the Capital Area Food Bank.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith, General Manager, reported that installation of 1,450 self-service terminals continue, and that the Lottery has ordered another 200. He added that sales through the self-service terminals have doubled. Mr. Smith said Maryland's sales of Racetrax have been better than in any other jurisdiction that offers a second monitor game. Maryland's Racetrax sales are three times better than those in Washington, D.C. Keno sales have been up for eight consecutive weeks. Scientific Games recently installed new Keno monitors and introduced new graphics.

Pollard Banknote

Mr. Matt Isaac, Director of Retail Development, reported that Pollard has executed a 1-year extension to its contract. He thanked the Lottery for another good year. Mr. Isaac said instant ticket sales in Maryland for Fiscal Year 2019 are up 8.7%, which is well ahead of sales in nearby jurisdictions, including Washington, DC, up 3.8%, New Jersey up 1%, New York up 1.2%, North Carolina up 6.7% and Virginia up 6%. The U.S. in general is up 6.1%, so Maryland is 40% ahead of the national trend. From a game perspective, Pollard is introducing a \$10 Ravens[®] ticket with a holographic effect. Maryland is the first State to do these tickets.

International Game Technology (IGT)

Ms. Carmen Vegas reported that IGT successfully completed a 24-hour disaster recovery test of the VLT monitoring system, during which it transferred data center operations to a backup data center in Austin, Texas, and then moved it back to Baltimore. An annual external audit was also recently completed, with no issues, recommendations or findings. IGT will receive the final report on the audit in August. She had no operational issues to report.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that the Lottery is approaching the end of the Fiscal Year. The Maryland Lottery is expecting to set an all-time sales record for the second year in a row. Sales were up 7.3%, and profits are up by about \$10 million. A number of significant jackpot rolls contributed to a strong fiscal year for the Lottery, and Director Medenica said that could create difficult year-over-year comparisons heading into Fiscal Year 2020.

A recent court ruling on the Department of Justice's 2018 re-interpretation of the Wire Act was favorable for the lottery industry. The New Hampshire Lottery and industry vendor NeoPollard brought the suit, and the court ruled in their favor on all counts. The ruling allows the lottery industry to continue to conduct transactions using satellite transmissions that cross state boundaries without threat of

prosecution under the Wire Act. Director Medenica congratulated New Hampshire Lottery Director Charlie McIntyre for his leadership in pursuing the case.

Director Medenica said MLGCA licensing and compliance personnel would be closely following developments in the transaction between Caesars and Eldorado.

Maryland's casinos are poised for an all-time record year, with gaming revenues up 3.4% and contributions to the State up 4.4%.

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

Ms. Smith reported that we are in the last week of Fiscal Year 2019, and are preparing year-end numbers and converting to GAAP. The April and May Financial Statements are now all caught up. The Agency's Fiscal Year 2020 budget has been allocated and includes a \$3 million increase in the amount allocated for advertising. Subscribers to Cash4Life will be receiving checks for their winnings and refunds on the remaining portion of their subscriptions as the game converts from twice a week to seven nights a week. Customers will need to go onto the website to purchase new subscriptions.

There were no questions from the Commission on her report. Ms. Smith proceeded with her Commission Action Item.

Commission Action Item – **New Contract – 2019 Maryland State Fair with the Maryland State Fair and Agricultural Society, Inc. (#2019-07)**

Ms. Smith said this sole source contract in the amount of \$51,500 for the term August 23, 2019 – September 2, 2019, covers MLGCA's rental of space and other sponsorship amenities for the 2019 Maryland State Fair. Lottery recommends approval of the contract.

Chair Marriner asked for a motion to approve the new contract. Commissioner Doetsch motioned to approve, Vice Chair Hash seconded, and the motion was unanimously approved. Ms. Smith said the contract would be submitted to the Department of Budget and Management only and due to low amount, it does not require BPW approval.

Managing Director of Gaming – **James Logue**

There were no questions from the Commission on Mr. Logue's monthly report. He proceeded to his Commission Action Items.

Commission Action Item – **Amended Casino Regulations**

Mr. Logue said that there are ten amended regulations proposed in a continuing effort to achieve industry best practices. Mr. Logue read the Staff Agenda Memorandum that summarized the changes. Lottery staff recommend approval of these amended regulations.

Chair Marriner asked for a motion for approval of the 10 proposed amended regulations reviewed by the Commissioners. There was no discussion. Motion to approve the changes was made by Vice Chair Hash, and a second was made by Commissioner Stakem. The motion passed unanimously.

Chair Marriner then asked for a motion to delegate Agency staff the authority to make non-substantive changes necessary in order to prepare the regulations for publication in the Maryland Register. Motion to delegate authority was made by Vice Chair Hash, and a second was made by Commissioner Fager. The motion passed unanimously.

Commission Action Item – Amended Online Fantasy Competition Regulations

Mr. Logue said that there are five amended regulations proposed to online fantasy competition regulations, based on input from the industry, and he read the Staff Agenda Memorandum that summarized the changes. He added that there is an additional amendment to 36.09.01.09, which prohibits online fantasy competitions based on amateur sports events. The original amended regulation defines amateur sports events as those that involve amateur athletes who are under the age of 19. The additional amendment would change the stated age to 18. Lottery staff recommend approval of these amended regulations.

Chair Marriner asked for a motion for approval of the 5 proposed amended regulations reviewed by the Commissioners. There was no discussion. Motion to approve the changes was made by Commissioner Doetsch, and a second was made by Commissioner Fager. The motion passed unanimously.

Chair Marriner then asked for a motion to delegate Agency staff the authority to make non-substantive changes necessary in order to prepare the regulations for publication in the Maryland Register. Motion to delegate authority was made by Commissioner Doetsch, and a second was made by Commissioner Fager. The motion passed unanimously.

PUBLIC COMMENTS

There were no public comments.

CLOSED SESSION

There was no need for the Commission to go into a closed session.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, August 22, 2019. There is no July meeting.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:40 a.m.

Respectfully submitted,



Gordon Medenica