

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION NOVEMBER MINUTES

DATE: November 21, 2019

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner
Commissioner F. Vernon Boozer
Commissioner Michelle Fager
Commissioner James Stakem
Commissioner Jerry E. Williams

Gordon Medenica, Director
Gina Smith, Deputy Director, Chief Financial Officer
Robert Fontaine, OAG Principal Counsel
Holly Citko, OAG Deputy Counsel
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
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, Jerry E. Williams

CALL TO ORDER

There being a quorum present, Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:01 a.m. Also present were: Commissioners Vernon Boozer, Michelle Fager, James Stakem, and Jerry Williams. Vice Chair Bert Hash and Commissioner George Doetsch were absent.

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES

Chair Marriner stated that the October 24, 2019, open session minutes were provided to the Commissioners for review, and asked if there were any changes. There were no changes. Commissioner Stakem moved to approve, Commissioner Williams seconded, and the motion carried unanimously.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains four new instant ticket games for the Commission's approval: #451 (\$5) *Strike it Rich*; #470 (\$2) *Ca\$h Money*; #452 (\$10) *Rose Gold*; and #453 (\$30) *Rose Gold Black*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications VLTs, Table Game Components, and Instant Bingo Machines (10/10/19 – 11/7/19); Consent Agreements for Regulatory Violations - Live! Casino – June 2019; MGM National Harbor – April and May 2019; Ocean Downs Casino – July and August 2019; and Rocky Gap Casino – June and July 2019; Consent Agreements for Underage Violations - Horseshoe Casino – Case No. 2019-05-012; and MGM National Harbor – Case Nos. 2019-06-010 through -019; Gaming License Application Denials/Revocations; Lottery Retailer License Revocations; and Staff Reports from James Nielsen, Assistant Deputy Director, Chief Operating Officer; John Mooney, Managing Director, Regulatory Oversight; Leo Mamorsky, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; and 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 Stakem, seconded by Commissioner Fager, and the motion carried unanimously.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that October gaming revenue was flat year-over-year. Slot volumes were up 7%, affected by a \$180,000 jackpot, and table game volumes were strong, although revenue was down 9%. For the start of November slot machines are up, while hold is down, with table games up slightly. The Have a Ball Lotto promotion this weekend is expected to draw in customers. December features several kiosk promotions. The casino is having an Ugly Sweater Slot Tournament. On New Year's Eve, The Kelly Bell Band is expected to bring in a large crowd to the casino. Looking ahead to 2020, planning continues for the 10th anniversary celebration. Mr. Heiskell said Hollywood is also monitoring developments in Pennsylvania, where casinos are planned in York and Morgantown.

Ocean Downs Casino

John Derby, Director of Finance, reported that October was a great month, with the first win-per-unit over \$200. The lane closures on the bay bridge did not seem to affect business. Table games held at 30%, with \$1,500/win per table. November started flat with the biggest casino slot loss yesterday of over \$100,000, due to two \$75,000 jackpots. Mr. Derby said the casino had over 65,000 guests in October. Ocean Downs held an employee recognition event in October. The dice necklaces for breast cancer awareness raised almost \$1,000. Ocean Downs is implementing a purchasing system, Stratton Warren, an A/P automation system, Concur, and are about to implement a new POS system, Symphony. The casino hired a new compliance officer who begins December 2, to give enhanced attention to all responsible gaming, AML and COMAR compliance matters.

Live! Casino

Mr. Anthony Faranca, Executive Vice President, General Manager, reported that October gaming revenue was up 1.3% year over year, with table games down 8% in drop and hold. Slot machines were up 5% and poker table revenue was up 3%, due in part to a World Poker Tour Series event that overlapped late September into early October. Recent events at the Live! events center included a sold out show by Grand Funk Railroad and an evening of professional boxing. Mr. Faranca noted that the casino has developed a relationship with a local boxing promoter and hopes to host additional boxing matches in the future. Construction of the event center is expected to be completed by the end of December. Mr. Faranca said that the casino provided a sneak peak of the facility, dubbed The Hall, yesterday to local press and media, noting that it will be the largest theater of any casino in Maryland. Upcoming performances will include Josh Grobin, Air Supply, and Jill Scott.

In the community, the casino hosted the USO Stars and Stripes casino night that included a salute to Military Chefs. The casino is also a sponsor for Baltimore Washington Medical Center. Mr. Faranca said the company is working on its expansion in Pennsylvania, including new casinos in South Philadelphia and suburban Pittsburgh. Some staff have expressed interest in opportunities at those two properties, which will create the need to backfill their positions at Live! Casino. Upcoming focus at Live! is the New Year's Eve celebration.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President, General Manager, reported that October gaming revenue was up 6.4% overall, primarily due to slot machines. October ended strong with over 800,000 entries in the Ford Raptor Giveaway. The casino has had a near record year in attendance. November has been trending well, with the weather being a factor. Rocky Gap hosted the annual Maryland Tourism retreat last week that included a video highlighting Allegany County and prominently showing the casino. Next week the leadership team will be giving out turkeys to employees, and donating 100-150 turkeys to local shelters. The casino is gearing up for the team member family party and for New Year's Eve festivities.

Horseshoe Casino

Mr. Randy Conroy, General Manager, reported that October gaming revenue was down 9%, with total gaming revenues at \$19.1 million. Slot machines were flat at \$11.1 million, and table games were down 18%. The Ravens home games continue to be strong dates for Horseshoe, allowing for cross-market promotions with other Caesars properties. The Battle of the Bras fundraiser was a success, raising \$5,000 for the Red Devils, a cancer awareness and support organization. Maryland House Speaker Adrienne Jones was the keynote speaker this week for the economic equity event with Caesars entertainment, which focused on diversity and inclusion. Horseshoe has had ongoing construction projects, and the outdoor gaming terrace is expected to open at the end of next week. Mr. Conroy thanked Director Medenica and Jim Logue and their staff for helping to work through some of the construction issues. Construction in all areas is expected to be completed by the end of the year.

MGM National Harbor

Ms. Melonie Johnson, President and Chief Operating Officer, reported that October gaming revenue was down 18.5%, with a decrease of 37.5% in table game play. She added that in October of 2018, the casino hosted VIP baccarat players, resulting in MGM National Harbor's best-ever month of revenue. Slot machine revenues in October were up 6.2% year over year. Numerous promotional giveaways are ongoing, and the casino is planning to host a \$100,000 blackjack tournament and a \$30,000 baccarat tournament. The 120-event program for 2019 is a record for the casino. December entertainment at the casino includes Patti LaBelle, Theresa Caputo, the Mariah Carey Christmas Show, Motor City Live, and Fantasia. In the community, 74 employees volunteered a combined 259 hours of volunteer work in October, with a number of local organizations, including A Wider Circle and Best Buddies.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that year-over-year comparisons to October 2018 are impacted significantly by last year's \$1.5 billion Mega Millions jackpot, but the fiscal indicators are recovering. Through October, fiscal year-to-date profits were down \$24 million, completely attributable to Mega Millions and Powerball, which were down \$30 million by themselves. Since the end of October, profits have made up another \$4 million, and are now down only \$20 million year-to-date, indicating that the core business is sound. Other games – notably Pick 3 and Racetrax – are having strong performances. Director Medenica said that the casinos have seen their share of volatility as well. October 2018 set a record for single-month revenue, driven by MGM's best-ever month. By comparison, October 2019 revenues were down, and year-to-date results are modest. Slot machine revenues are up 2.6% compared to FY2019, table game revenues are down 7.4%, and casino contributions to the State are up 0.8%.

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

Ms. Smith reported that the Agency's FY2021 budget was submitted to the Department of Budget and Management. She said that the Agency has received preliminary questions from the legislature. Ms. Smith added that there are new analysts working on the Agency's budget at both DBM and at the General Assembly, and they are in the process of learning about the MLGCA. Ms. Smith said that the Agency's request for proposals for instant ticket printing and related services has been provided to the Department of General Services. Pending DGS review, the RFP will be published.

Sales - John Martin, Managing Director, Chief Revenue Officer

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

Commission Action Item - Proposed Amendments to Lottery Regulation - COMAR 36.02.03.11

Mr. Martin said the proposed amendments deal with prohibitions placed upon Maryland Lottery retailers. The amended language adds a prohibition against lottery retailers operating or having illegal gaming devices or slot machines on the premises where they have Lottery products. The amendment pertains to machines that are already illegal under existing law, and also clarifies that lottery retailers, except for the casinos and other enumerated establishments, are not permitted to offer any gaming on their premises other than Maryland Lottery games.

Chair Marriner asked for a motion to approve the proposed amendments to the Lottery regulation COMAR 36.02.03.11. Motion was made by Commissioner Fager, and a second was made by Commissioner Stakem. The motion passed unanimously.

Gaming - James Logue, Managing Director

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

Commission Action Item - Horseshoe Permanent VLT Allocation Decrease

Mr. Logue said the Agency has received a request from Horseshoe for a permanent decrease in the number of slot machines it is authorized to have on the floor. At the April 2019 meeting, the Commission approved Horseshoe's request for the addition of an outdoor gaming patio and a permanent increase of 48 machines, taking its total to 2,250. The casino is now requesting to permanently decrease its slot machine count by 150 for a total of 2,100 by December 31, 2019. Mr. Logue said Horseshoe believes the change will create a more comfortable and spacious gaming environment and will have a positive impact on overall revenue. MLGCA staff recommends approval of the request.

Chair Marriner asked for a motion to approve the request of Horseshoe Casino for a permanent decrease of 150 VLTs on their gaming floor. Motion was made by Commissioner Stakem, and a second was made by Commissioner Williams. The motion passed unanimously.

Commission Action Item - MGM National Harbor Request to Continue the Temporary Reduction of VLT Allocation and Request for Waiver of COMAR 36.04.02.02(E)(2)

Mr. Logue said MGM National Harbor has requested that it be permitted to continue its temporary reduction in the minimum number of slot machines it is authorized to have on the gaming floor. To do so, the casino has also asked for a waiver of COMAR 36.04.02.02(E)(2) for an additional one year period, ending December 8, 2020. In November 2018, the Commission approved a one-year temporary reduction of MGM's minimum number of slot machines to 3,130, while also preserving its maximum authorized number at 3,600. That one-year period is due to expire on December 8, 2019, and MGM has asked for the reduction and waiver to be extended for an additional one-year period. MGM has told MLGCA staff that the extensions will allow the casino to explore potential opportunities for further expansion of its gaming floor. MGM believes that continuing the temporary reduction for an additional year should be revenue neutral to positive for the State.

Commissioner Williams asked to clarify that MGM is asking to maintain its full complement of machines, but seeking a reduction in the short term. Mr. Logue said that the temporary reduction approved last year becomes permanent if there is no further action, adding that MGM is asking to extend the waiver by one year and still be able to maintain a maximum machine count of 3,600.

Chair Marriner asked for a motion to approve the request to continue the temporary reduction of its VLT allocation and to waive COMAR 36.04.02.02(E)(2) to preserve MGM's full 3,600 VLT allocation until December 8, 2020. Motion was made by Commissioner Williams, 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.

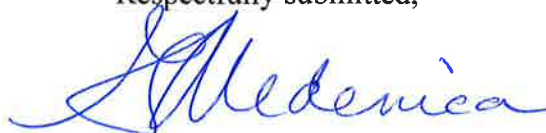
DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, December 19, 2019, one week earlier due to the holiday.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:31 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "G. Medenica", is written in a cursive style.

Gordon Medenica