

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION DECEMBER MINUTES

DATE: December 19, 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 George L. Doestch, Jr.
Commissioner Michelle Fager
Commissioner James Stakem
Commissioner Jerry E. Williams

Gordon Medenica, Director
Gina Smith, Deputy Director, Chief Financial Officer
Jim Nielsen, Assistant Deputy Director, Chief Operating 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
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, 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 10:00 a.m. Also present were: Vice Chair Bert Hash, Commissioners Vernon Boozer, George Doetsch, Michelle Fager, James Stakem, and Jerry Williams.

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 Hash moved, Commissioner Stakem seconded, and the motion carried unanimously.

APPROVAL OF THE MINUTES

Chair Marriner stated that the November 21, 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 five new instant ticket games for the Commission's approval: #463 \$1 *Triple It*; #471 \$3 *Super Tic Tac Toe*; #474 \$10 *Red Hot Riches*; #476 \$1 *Summer Fun*; and #489 \$5 *James Bond 007™*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications VLTs, Table Game Components, and Instant Bingo Machines (11/7/19 – 12/5/19); Consent Agreements for Regulatory Violations – Hollywood Casino – July and September 2019; Gaming License Application Denials/Revocations; Lottery Retailer License Revocations; and Staff Reports from James Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; James Logue, Managing Director, Gaming; Leo Mamorsky, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; and Robert Fontaine, Principal Counsel, Office of the Attorney General.

After the consent agenda was reviewed, Commissioner Fager pointed out that the instant ticket game #463 *Triple It* should be \$1 and not \$2. Mr. Robert Fontaine then noted that *James Bond* instant ticket needed to be corrected to *James Bond 007™*.

Chair Marriner then 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 with the corrections. Motion to approve was made by Commissioner Doetsch, seconded by Commissioner Fager, and the motion carried unanimously.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that November was a solid month with gaming revenue up over 6% year-over-year. Driven by volumes, slot machine revenue was up 13%, but did not hold versus last year. Table games were up 5%, with a strong hold, leading to a 22% increase. December has been sluggish, with one table game player registering a \$75,000 win and a Bad Beat jackpot leading to \$117,000 in total payouts on poker. Mr. Heiskell said reservations for New Year's Eve have been strong. In the community, team members have been volunteering with Angel Purses, accepting donations of slightly used purses, and filling them with items for women in need.

Ocean Downs Casino

Mr. John Derby, Director of Finance, reported the offseason has started, which has slowed the number of visitors, but in November Ocean Downs' win per unit on slot machines was \$179, which was up from \$174 in November 2018. Win per unit on table games was \$1,150 per table per day in November, up from \$1,020 in November 2018. December promotions include a Mercedes giveaway. Casino employees helped at a local food bank during November. On New Year's Day team members from the casino will be participating in the Polar Bear Plunge at the Princess Hotel.

Live! Casino

Mr. Robert Tedesco, Assistant General Manager, reported that November gaming revenue was strong, up 8.7% year-over-year, with slot machines, table games and poker all seeing increases, driven by a strong marketing calendar and entertainment calendar, including recent shows by Gladys Knight and Boz Scaggs. Construction has been completed on Live! Hall, and approximately 5,000 visitors are expected to attend a New Year's Eve celebration at the newly opened facility. In November, 50 team members volunteered to deliver 500 turkeys to a local food bank and made donations to Toys for Tots. Mr. Tedesco also reported that Live! Casino is the only property in the local area that has received the Four Diamond Award.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President, General Manager, reported that November gaming revenue was up 11.1% year-over-year. December had a good start but recent issues with power on the floor have affected revenue. As of today 40-50% of power has been restored. In November Rocky Gap gave away 200 turkeys. In December team members are volunteering for the Toys for Happiness initiative. New Year's Eve is expected to bring in a large crowd. There are now 120 booked hotel rooms outside of the casino. Mr. Dice stated that he would keep the Commissioners posted on the issue with the power and when it is expected to be fully restored. (N.B., it was restored later that day)

Horseshoe Casino

Mr. Randy Conroy, General Manager, reported that November slot machine revenue was down \$10.6 million, a 10% year-over-year decline, while table game revenue was flat at \$7.8 million. Horseshoe opened The Terrace, its outdoor gaming area, in November. The space has 10,000 square feet and includes 160 slot machines, 16 table games and a full-service bar. Mr. Conroy thanked MLGCA staff for their assistance on the project. Renovations to the casino's Marketplace food hall are nearly complete. A newly expanded Caesars player loyalty pilot program is now available at Horseshoe, and Mr. Conroy reported that if it is successful it will be replicated at other Caesars properties. In the community, Horseshoe has adopted 250 Baltimore families and has provided holiday gifts and food to those in need. The casino recently hosted events with the Maryland Department of Housing and the Governor's Office of Small, Minority & Women Business Affairs. The Baltimore Ravens' successful season has been a boost for Horseshoe, and Mr. Conroy said the casino is looking forward to the team hosting playoff games in January. There have been two grants given by Caesars Foundation to The Y of Central Maryland and Light Health & Wellness Comprehensive Services.

MGM National Harbor

Mr. Jeff Shrader, Vice President and General Counsel, reported that November gaming revenue was down 2.6% year-over-year, driven by a decrease of 11.4% in table games. Slot machine revenue was up 4.1%. Mr. Shrader said that MGM has a number of promotions ongoing, including Cold Hard Cash and the casino's regular Wednesday gift series. Upcoming events include a \$25,000 Holiday Cash drawing

and the \$100,000 Hangover Blackjack Tournament. The theater recently hosted the Urban One Honors, which was recorded for broadcast in January, bringing in many celebrities, including Anita Baker, Chance the Rapper, and Jamie Foxx. Recent shows at the theater included Patti LaBelle and Mariah Carey. In November, more than 60 MGM employees combined for 230 hours of volunteer work for charities including the Arc of Prince George's County, the Capital Food Bank, Nourish Now and the Washington Redskins Foundation.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith, General Manager, reported that there are no computer system issues that are impacting sales. Installation of self-service vending machines has continued, with 1,400 active units which account for \$9 million a week in sales, or nearly \$500 million a year. He added that the vending machines are well-suited for the upcoming rollout of Fast Play games. Keno sales have seen a small increase, and graphics on the Keno monitors are changed regularly to keep the game looking fresh. Racetrax sales are up by double-digits.

Pollard Banknote

Mr. Tim Sansone, Manager, Marketing & Sales, reported that scratch-off sales in Maryland are up 5.1%. Growth is slightly above that of Washington, D.C., where sales are up 5%. Scratch-off sales in Virginia are down 6.8%; New Jersey is up 1.9%; New York is down 0.1%; and the national average for scratch-off sales is up 4.2%. On the charitable front, Pollard Banknote contributed \$100,000 to the United Way.

International Game Technology (IGT)

Ms. Carmen Vegas, Data Center Manager, reported that earlier in the month a second failover test was conducted and no issues were encountered. Everything is running well.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that year-to-date revenue for casinos is down 0.8%, but casino contributions to the State are up 1%, and tracking with the all-time record that was established in Fiscal Year 2019. The Lottery's year-to-date sales are down 1.6%, with profit down 8.1% year-over-year, related to the strong sales that helped to propel the \$1.5 billion Mega Millions jackpot in October of 2018. There has been some volatility in Pick 3 and Pick 4 profits, but the numbers in those games normalize over time.

A special Ravens promotion was organized in connection with the team's qualification for the NFL playoffs. The Lottery is also preparing for the launch of Fast Play games in February. The *James Bond 007[™]* instant ticket launch in March coincides with the release of the latest movie in the James Bond franchise, and marketing connected with the film should increase the visibility of the instant ticket. Director Medenica said the State's Board of Revenue Estimates lowered the expected revenue for the Lottery from \$607 million to \$571 million.

The Agency is recruiting for candidates to fill the Deputy Director/Chief Financial Officer position, which is being vacated by Gina Smith, who is leaving at the end of December after 18 years with the MLGCA. Director Medenica said the Agency is working to ensure that Ms. Smith's responsibilities are delegated to appropriate staff until her successor is named.

The Agency is on the calendar of the Maryland House Ways and Means Committee for a hearing in January, where sports betting is likely to be one of the chief topics of discussion.

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

Ms. Smith reported that she has been working with Agency staff to ensure a smooth transition after her departure. Staff are working on year-end tasks, including W2-G and 1099 documentation. She added that she is finishing the Agency's CAFR, which should be available in January. There being no questions on Ms. Smith's monthly report, she moved on to her Commission Action Item.

Commission Action Item – **James Bond 007™ Contract Modification (#2015-01)**

Ms. Smith said the upcoming launch of the *James Bond 007™* instant ticket requires a modification of an existing contract with Scientific Games. The modification covers the period of February 1, 2020, through June 30, 2022, and includes licensing of *James Bond 007™* imagery, marks and logos related to the *James Bond 007™* ticket and second-chance promotion at a cost of \$579,250.

Chair Marriner asked for a motion to approve the submission of the Modification to DGS. Commissioner Doetsch moved, Commissioner Williams seconded, and the motion was unanimously approved.

With this being her last report to the Commission before leaving MLGCA, Ms. Smith ended her report by thanking everyone for all the years spent working together.

Regulatory Oversight - **John Mooney, Managing Director**

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

Commission Action Item – **Manufacturing License Hearing – Angel Playing Cards Manufacturing Kyoto Co., LTD.**

Chair Marriner swore in Mr. Mooney and representatives from Angel Playing Cards Manufacturing Kyoto Co., Ltd., and MLGCA staff, and then reviewed the procedures for the hearing.

Mr. Mooney stated that Commissioners were provided with an investigative report pertaining to Angel Playing Cards Manufacturing Kyoto Co. LTD.'s application for a manufacturer's license, and he read a summary of the findings of that report. Agency staff's financial and background investigations of Angel Playing Cards Manufacturing Kyoto Co. LTD. found that the company has sufficient financial resources and found no derogatory information regarding its qualifications. Based on the criteria in State gaming law, Mr. Mooney said MLGCA staff recommend the company be approved for a manufacturer license.

Chair Marriner asked if anyone from Angel Playing Cards Manufacturing Kyoto Co. LTD. wished to address the Commission. No one came forward.

Chair Marriner asked for a motion to approve Angel Playing Cards Manufacturing Kyoto Co. LTD. for a manufacturer's license. Commissioner Doetsch moved, Commissioner Stakem seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to delegate authority to MLGCA staff to prepare a decision statement on Angel Playing Cards Manufacturing Kyoto Co. LTD.'s manufacturer license hearing. Commissioner Hash moved, Commissioner Williams seconded, and the motion was unanimously approved.

Mr. Mooney concluded by saying that the licensing staff has been especially busy in recent months, working on eight renewal applications and the merger of Eldorado and Caesars, and will be presenting information to the Commission in coming months.

PUBLIC COMMENTS

Director Medenica acknowledged the contributions of Deputy Director Gina Smith to the Agency over the past 18 years. Ms. Smith was presented with a Governor's Citation in recognition of her 18 years of outstanding service with Maryland Lottery and Gaming. Ms. Smith also received a commemorative plaque from MLGCA. Commissioners and meeting attendees gave Ms. Smith a standing ovation.

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, January 23, 2020.

ADJOURNMENT

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

Respectfully submitted,


Gordon Medenica