

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION DECEMBER MINUTES

DATE: December 17, 2020

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters
(Meeting conducted via conference call audio link, livestreamed on website)

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

Gordon Medenica, Director
Jim Nielsen, Deputy Director, Chief Operating Officer
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
Leo Mamorsky, Managing Director, Marketing
John Mooney, Managing Director, Regulatory Oversight
Paula Yocum, Managing Director, Acting Chief Financial Officer
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Holly Citko, OAG Acting Principal Counsel
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
MLGCA 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

ROLL CALL

Chair Marriner asked for a roll call to establish that a quorum was present. Roll was called, and on the call were: Vice Chair Bert Hash, Commissioners Vernon Boozer, George Doetsch, James Stakem and Jerry Williams. Commissioner Michelle Fager joined the call at 10:10 a.m. Chair Marriner said that he would poll each Commissioner individually for each vote.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m.

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. Vice Chair Hash moved, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

APPROVAL OF THE MINUTES

Chair Marriner stated that the November 19, 2020, open session minutes were provided to the Commissioners for review, and asked if there were any changes. There were no changes. Vice Chair Hash moved to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains three new instant ticket games for the Commission's approval: #524 (\$1) *7-11-21 Tripler*; #525 (\$5) *Win Win Win*; and #526 (\$10) *Willy Wonka®*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (11/5/20 – 12/3/20); Consent Agreements for Regulatory Violations – Horseshoe Casino – August and September 2020; MGM National Harbor – August 2020; Ocean Downs Casino – August and September 2020; and Rocky Gap Casino – August 2020 (amended); Consent Agreements for Underage Violations – MGM Casino – Case No. 2020-06-001 to 004; Gaming License Applications Denials/ Revocations; Lottery Retailer License Revocations; and Staff Reports from James Nielsen, Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; Leo Mamorsky, Managing Director, Chief Marketing Officer; John Mooney, Managing Director, Regulatory Oversight; Paula Yocum, Managing Director, Acting Chief Financial Officer; Carole Gentry, Managing Director, Communications; James Butler, Managing Director, Organizational Compliance; and Holly Citko, Acting 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 the motion was unanimously approved by roll call.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, reported that November gaming revenue was up 1% year-over-year. Slot machine revenues were up while volumes were the same as last year. Table game revenue was down 7%, with the drop down 10%. Mr. Heiskell said revenues were up in early November before COVID-19 restrictions were tightened and volumes tailed off as more people were staying home. Foot traffic has decreased in December, and the casino is making plans for a scaled-down New Year's Eve. Mr. Heiskell said that New Year's Eve is typically Hollywood's biggest night of the year in terms of volume, but the casino will not be offering its typical dinner and entertainment or drink service. He added that the circumstances provide the opportunity for Hollywood to learn about what customers will respond to aside from the casino's typical offerings. Mr. Heiskell also noted that the Hollywood property has been purchased by Penn National Gaming, which will provide cross-marketing opportunities for sports betting with the Barstool brand, which is owned by Penn National. Penn National will be going through the licensing process again in 2021.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that November gaming revenue was down 6.1%, with slot machines down 6.9% based on lower volume. Table game volumes were up, and while hold was down, revenues were up 0.7%. Business has been impacted by COVID-19 restrictions, but Ms. Sample noted that November and December are typically a slower time of the year for Ocean Downs, and table game customers have had good luck during December, so those numbers are expected to be down for the month. Ocean Downs will not be holding its usual New Year's Eve parties and dinners, but will be giving customers incentives to visit the casino earlier in the day on December 31. On January 4, Ocean Downs will celebrate its 10th anniversary with various socially distanced promotions, including a prize drawing that will be done via Facebook Live rather than on the casino floor. The casino conducted a food drive for a local food pantry and homeless shelter and donated more than 3,000 pounds of food. Casino staff usually serves a Thanksgiving meal to shelter residents, but this year prepared boxed meals. Ocean Downs has also partnered with WMDT-TV in Salisbury on a holiday wishes promotion. Ten wishes will be granted and posted on WMDT's Facebook page.

Commissioner Fager joined the call at 10:10 a.m.

Live! Casino

Mr. Anthony Faranca, Executive Vice President and General Manager, reported that November was a challenging month, with total revenue for the property down 19%. Live! had an exceptional revenue performance in November 2019, which made for a difficult year-over-year comparison. Gaming revenue was down 15%, and non-gaming revenue was down 48%. Fewer customers are visiting the casino due to COVID-19, and restrictions on food and beverage service and a lack of large-scale promotions have also had an impact. As of December 16, the casino is limited to 25% of its capacity, down from the prior limitation of 50%, and is adjusting accordingly. Mr. Faranca said the casino's New Year's Eve events will be muted, pending State and county guidelines. Live! donated 1,000 turkeys to the Anne Arundel County Food Bank and Maryland Food Bank and gave out 3,000 turkeys to staff. Casino representatives joined Delegate Mike Rogers to sort and package food at the Anne Arundel County Food Bank.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, reported that November gaming revenues were down 14%, driven by slot volumes. Table game results were flat. Non-gaming revenue was also down after a solid start to the month. The casino provided Thanksgiving turkeys to its team members and donated turkeys to a food bank in Allegany County. Mr. Dice said December has been challenging, with fewer people traveling to Western Maryland and COVID-19 restrictions. Rocky Gap is working on its plans for a scaled-down New Year's Eve celebration and is emphasizing safety and sanitation efforts.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that November slot machine revenues were \$10 million, down 5.5% year-over-year. while table game revenues were \$5.3 million, down 32%. Horseshoe has been limited to 25% capacity since early November with no indoor food or beverage service and no smoking in The Terrace outdoor patio area, so customers are gambling and then leaving the property. Horseshoe has increased its community relation efforts, giving away turkeys for Thanksgiving to four elementary schools, a middle school and a high school, as well as a shelter. The casino also gave \$5,000 grants to two mental health organizations. When additional COVID-19 restrictions were enacted in December, impacting indoor dining, Horseshoe made a large food donation to the Maryland Food Bank. The casino distributed holiday gift cards to team members, and Mr. Conroy said he was proud of the staff for its flexibility. He added that he appreciated the help and collaboration Horseshoe has received from MLGCA staff.

MGM National Harbor

Mr. Jorge Perez, Chief Operating Officer, reported that the casino had a relatively good November, with gaming revenue up 2.6% year-over-year. Slot machine revenues were down 7.6%, but table game revenue increased 22.2%, despite a 27% decrease on poker tables. MGM National Harbor's non-gaming revenue was down 50% year-over-year. Mr. Perez said the casino has seen positive trends regarding its health and safety protocols, and the number of enforcement incidents involving mask-wearing and social-distancing requirements has declined. New restrictions went into effect on December 16, limiting MGM National Harbor to 25% capacity, down from 50%, with no indoor food or beverage service. The casino has furloughed or reduced the hours of about 500 employees. The COVID-19 restrictions are expected to have an impact on the casino's December results. Promotional efforts have been scaled back. New Year's Eve will include only small private gatherings. Access to the casino from noon on Fridays through Sunday nights is limited to M Life Rewards members. The casino is planning for an outdoor gaming and smoking patio with about 40 gaming units and is hoping to launch the space in March. The theater is closed, but has hosted a number of concerts that are streamed online. Forty MGM employees volunteered more than 80 hours of community service during November with Community Advocates for Families and Youth; Food & Friends; Friendship Place; and the Washington Football Team's annual Harvest Fest event donating 90,000 pounds of food to 2,500 low income families.

Chair Marriner said the commission appreciates all of the casinos' work.

VENDOR REPORTS

Scientific Games

Mr. Smith reported that the first quarter of 2021 will be busy. A pilot program is scheduled to begin on January 20 that will launch Lottery sales at 50 Walmart stores in Maryland. Scientific Games is also in the process of enabling debit-card payments on all self-service vending machines. The debit option is

scheduled to become available in late January. The Lottery has more than 1,600 self-service machines currently operating, and Mr. Smith said that the most advanced type of these machines, the PHD, is averaging three times the sales of the older machines that the PHDs replaced. The total number of Lottery terminals in the field reached a new record of 6,525.

Pollard Banknote

Mr. Isaac reported that the Lottery's scratch-off sales are up 14.7%. Nationally, scratch-off sales are up 17.8%. He listed scratch-off sales data from other states for comparison: New York is down 3.5%; D.C. is down 21%; New Jersey is up 7.8%; Virginia is up 7.9%; Connecticut is up 10.7%. Pollard Banknote worked on 21 games during the most recent quarter.

International Game Technology (IGT)

Mr. Cherwinski reported IGT's operations are going well. Staff hours have been staggered to maintain social distancing in the data center. IGT is responding to questions and providing information as part of the regular audit underway by the Office of Legislative Audits.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica said that in spite of the challenges the casinos have faced, they are exceeding expectations and performing remarkably well in a tough environment. Year-to-date casino gaming revenue is down 5.1%, and casino contributions to the State are down 4.8%. Capacity is currently limited to 25% at MGM National Harbor and Horseshoe with no food or beverage service. Live!, Hollywood, Ocean Downs and Rocky Gap are limited to 50% capacity, with no food or beverage service after 10 p.m.

Director Medenica reported that the Lottery business is strong, and while the growth rate is softening slightly, it is still above last year. Year-to-date sales are up 14.1%, and profits are up 14.4%. The Bureau of Revenue Estimates (BRE) recently raised their forecast of the Lottery's performance for Fiscal Year 2021. The BRE's estimated profit figure, was raised to \$642 million, up from \$607 million. Lottery profits in FY20 totaled \$589 million, just shy of the all-time record of \$593 million in FY19. Thus, the BRE's estimate is nearly \$50 million more than the Lottery's all-time record. The Lottery's performance so far in FY21 is \$36 million ahead of its FY20 total, and it will need to produce another \$17 million in higher profits to meet the BRE's revised figure.

Gaming – James Logue, Managing Director

There being no questions from the Commission on Mr. Logue's monthly report, he proceeded to his Commission Action Item.

Commission Action Item – Waiver of COMAR 36.03.10.36.F.(2)

Mr. Logue reported that Horseshoe Casino, on behalf of itself, MGM National Harbor, Ocean Downs, Rocky Gap and Hollywood, has submitted a request to waive COMAR 36.03.10.36.F.(2), Limitation on Free Promotional Play.

COMAR 36.03.10.36.F.(2) states that the amount of money given away as free promotional play in a fiscal year may not exceed 20% of the facility's total slot machine and table game proceeds generated in the "prior fiscal year." As a result of the COVID-19 pandemic and subsequent state of emergency during Fiscal Year 2020, Maryland's casinos were required to close for three months and have operated under restricted occupancy capacity and other restrictions for more than ___ months. These closures and restrictions adversely impacted FY20 proceeds, so the free promotional play amount would be greatly reduced.

The five aforementioned casinos have requested a one-time waiver of COMAR 36.03.10.36.F.(2) for FY21, so that the 20% of total slot machine and table game proceeds that they are permitted to award as free promotional play will be based on the proceeds of FY19, rather than the "prior fiscal year" of FY20.

Chair Marriner asked for a motion to approve the waiver of COMAR 36.03.10.36.F.(2). Commissioner Doestch motioned to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

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 28, 2021, conducted by audio conference. Chair Marriner wished everyone a happy holiday.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:36 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gordon Medenica".

Gordon Medenica
Director