

STAFF AGENDA MEMORANDUM

DATE OF MEETING: December 16, 2014

AGENDA ITEM: **VLT Reduction Request – Hollywood Casino at Perryville**

PRESENTER: Charles LaBoy, Assistant Director for Gaming
Will Cummings, Consultant

ISSUE SUMMARY: The Hollywood Casino (HWC) has submitted a request to remove no more than 308 VLTs in an attempt to accomplish a “right-sizing” of their floor.

In order to analyze a potential VLT reduction at the HWC the MLGCA engaged Will Cummings to conduct a study to determine the optimum number of gaming machines at HWC to maximize revenues for the state. Mr. Cummings’ report indicates that the optimal number of VLTs at HWC is somewhere between 658 and 1,058 depending on the VLTs cost with the long term number gravitating towards 658 if every machine was eventually replaced with a new machine. In the model any reduction of VLTs results in a short term negative effect on state proceeds but may be offset to some extent by improved economic efficiency and better adaptability to market conditions. The short term negative effect on state proceeds for a 308 VLT reduction is estimated to be \$1.2 million.

Staff believes that the best interests of the State lie in maximizing sustainable revenues over the long term by maintaining the financial viability of HWC and to provide appropriate incentives for reinvestment in their facility and promotion of their gaming products to enhance overall revenue performance. Staff has negotiated a reinvestment strategy with HWC to allow for an annual reinvestment of \$2,000 per VLT reduced in capital, marketing and promotions subject to a review in 2016 pending changing market conditions with the introduction of the MGM facility in Prince George’s County.

COMMISSION ACTION REQUIRED/REQUESTED: Approval of the VLT reduction request and negotiated reinvestment strategy.

STAFF RECOMMENDATIONS: Staff recommends approval.