

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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STAFF AGENDA MEMORANDUM

DATE OF MEETING: January 22, 2015

AGENDA ITEM: **VLT Reduction Request – Horseshoe Casino**

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

ISSUE SUMMARY: The Horseshoe Casino (HSC) has submitted a request to remove 300 VLTs and add 30 Table Games in an attempt “provide incremental revenues from the additional Table Games”.

In order to analyze a potential VLT reduction at the HSC the MLGCA engaged Will Cummings to conduct a study to determine the optimum number of gaming machines at HSC to maximize revenues for the state. Mr. Cummings’ report indicates that the optimal number of VLTs at HSC is somewhere between 2033 and 1,499 depending on the VLTs cost with the long term number gravitating towards 1,499 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 is offset by the additional table games and to some extent by improved economic efficiency and better adaptability to market conditions. The short term effect on state proceeds for a 300 VLT reduction coupled with the addition of 30 Table Games is estimated to be a net positive of \$260,000.

Staff believes that the best interests of the State lie in maximizing sustainable revenues over the long term by maintaining the financial viability of HSC and to provide appropriate incentives for reinvestment in their facility and promotion of their gaming products to enhance overall revenue performance. The reduction of 300 VLTs will be temporary to allow the property one year to fine tune the reduction at which point the total number that have been removed from the floor shall become a permanent reduction. HSC shall be responsible for any and all costs associated with the removal of VLTs in accordance with approved regulations.

COMMISSION ACTION REQUIRED/REQUESTED: Approval of the VLT reduction request.

STAFF RECOMMENDATIONS: Staff recommends approval.