

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 – Maryland Live! Casino**

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

ISSUE SUMMARY: The Maryland Live! Casino (MDL) has submitted a request to remove 300 VLTs and add in excess of 13 Table Games in an attempt “to rebalance its video lottery terminal offerings ...to allow for the expansion of its table game offerings and other amenities”.

In order to analyze a potential VLT reduction at the MDL the MLGCA engaged Will Cummings to conduct a study to determine the optimum number of gaming machines at MDL to maximize revenues for the state. Mr. Cummings’ report indicates that the optimal number of VLTs at MDL is somewhere between 3,984 and 4,222 depending on the VLTs cost with the long term number gravitating towards 3,984 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 to some extent by the additional table games and improved economic efficiency and better adaptability to market conditions. The short term effect on state proceeds for a 300 VLT reduction is estimated to be a net negative of \$498,000.

Staff believes that the best interests of the State lie in maximizing sustainable revenues over the long term by maintaining the financial viability of MDL 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 MDL to allow for an annual reinvestment of \$498,000 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. 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. MDL 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 and negotiated reinvestment strategy.

STAFF RECOMMENDATIONS: Staff recommends approval.