

# Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

DATE: March 22, 2018

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair E. Randolph Marriner  
Commissioner F. Vernon Boozer  
Commissioner Michelle Fager  
Commissioner Bert Hash, Jr.  
Commissioner Kimberly Robertson  
Commissioner James Stakem – via teleconference

Gordon Medenica, Director  
Gina M. Smith, Deputy Director, Chief Financial Officer  
James Nielsen, Assistant Deputy Director, Chief Operating Officer  
Robert Fontaine, OAG Principal Counsel  
Holly Citko, OAG Deputy Counsel  
John Martin, Managing Director, Chief Revenue Officer  
James Logue, Managing Director, Gaming  
John Gorman, Managing Director, Chief Marketing Officer  
John Mooney, Managing Director, Regulatory Oversight  
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  
Representative from Cordish Gaming  
Members of the Public and MLGCA Staff

## **CALL TO ORDER**

There being a quorum present, Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:01 a.m. Commissioners present were F. Vernon Boozer, Michelle Fager, Bert Hash, Kimberly Robertson, and James Stakem via teleconference. Commissioner George Doestch was absent.

## **APPROVAL OF THE AGENDA**

Chair Marriner reported that the Commissioners were provided a copy of the agenda. Chair Marriner asked for a motion to approve the agenda. Commissioner Robertson motioned to approve, Commissioner Boozer seconded, and the motion carried unanimously.

## **APPROVAL OF THE MINUTES**

Chair Marriner said the February 22, 2018, open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash 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: #367 (\$2) *Old Bay*; #377 (\$3) *Dominoes*; #378 (\$5) *Hot Riches*; #379 (\$10) *Diamond 10s*; #380 (\$20) *\$1,000,000 Blowout*. He said the Consent Agenda also includes Electronic Gaming Device Games and Component Testing approvals for certified lab software, hardware and game certifications, VLTs, table game components and instant bingo machines for the period covering February 9, 2018 – March 9, 2018; Consent Agreements for Regulatory Violations at Hollywood Casino – November 2017, Horseshoe Casino – November 2017; MGM National Harbor Casino – October 2017 and November 2017; and Ocean Downs Casino – November 2017; Consent Agreements for Underage Violations at MGM National Harbor – Case Nos. 2017-06-031; 2017-06-235; 2017-06-236; 2017-06-239; 2017-06-241; and 2017-06-266; Gaming License Application Denials and Revocations; Lottery Retailer License Revocations; and Staff Reports from Jim Nielsen, Assistant Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; John Mooney, Managing Director, Regulatory Oversight; John Gorman, Managing Director, Chief Marketing Officer; Carole Gentry, Managing Director, Communications; Robert Fontaine, OAG Principal Counsel; and James Butler, Managing Director, Organizational Compliance, whose report was provided to the Commissioners at the meeting in order to include the latest updates on legislative matters involving the MLGCA.

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 Robertson seconded by Commissioner Fager, and carried by a unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Matthew Heiskell, General Manager, reported that February gaming revenue was down 5% year over year, driven by table game volumes and cold weather. Results in March were strong prior to a midweek snowstorm that slowed attendance on March 20 and 21. The casino's weekends have been strong in recent weeks, which should help make up for slower business during the days that were impacted by the weather.

Hollywood Casino will be holding a cruise event this month. Casino staff will participate in an annual clean-up event at Elk Neck State Park. Mr. Heiskell reported that Hollywood Casino is excited about the May Music Festival on May 20, which is the day after the Preakness. The festival will feature several locally and regionally popular bands in this first-time event for Hollywood Casino.

There were no questions from Commission.

### **Ocean Downs Casino**

Ms. Bobbi Sample, General Manager, reported that February was a good month, with the recent addition of table games accounting for half of the property's 22% increase in revenue year over year. Ms. Sample reported that the win per unit per day on the table games has been normalizing since their launch in late December. While the numbers aren't quite as high as they were in the first weeks after the launch, they are still slightly exceeding projections. The casino's promotional schedule for March was lighter than usual to accommodate Ocean Downs' transition of its slot accounting and player tracking system from Bally's to Aristocrat. The first day using the new Aristocrat system was March 21, and while the inclement weather that day was not beneficial for business, the smaller-than-usual crowds eased the transition for casino staff. Issues involving the new system were minimal, and Ms. Sample thanked MLGCA staff for their assistance. Rollout of the new system required a brief reduction in the number of slot machines that were operational. Ms. Sample reported that there were 530 machines operating on March 21, adding that she anticipated nearly all of the remaining machines would be operating by the end of the day on March 22, and that the floor would be back to its full complement of machines by the weekend of March 23-25.

Ms. Sample reported that Ocean Downs is preparing for its "Spruce Up For Spring" promotional drawing in April and the Wheels and Waves Car Show on April 28. The casino is a Diamond Sponsor of Atlantic General Hospital's 25<sup>th</sup> anniversary celebration, scheduled for May. Ocean Downs is also collecting non-perishable donations for a local homeless shelter and food pantry.

There were no questions from the Commission.

### **Live! Casino**

Mr. Travis Lamb, General Manager, reported that the casino's gaming revenue grew in February for the first time since the opening of MGM National Harbor. Revenue was up 1.5%, compared to February 2017, with slot machine revenue up 4% and table game revenue down slightly. He added that March has produced similar results, aside from March 21 and 22, when there was inclement weather. Mr. Lamb reported that a Live! customer recently won a Super 4 Blackjack progressive jackpot worth \$1 million after placing a \$5 bet. Promotions in March include a cash drawing and the DeepStack poker tournament.

The casino has continued to offer Hero Appreciation Days on Wednesdays, a promotion aimed at military, police and fire personnel. Live! recently hosted the Black History Heroes Awards and has continued its association with the Maryland Washington Minority Companies Association, recently recognizing 10 regional community and business leaders, including Lt. Gov. Boyd Rutherford. Mr. Lamb said Live! Casino continues to encourage its employees to participate in local charity events, adding that one of the casino's pastry chefs recently participated in the annual Chocolate Ball, a benefit for The Arc of Howard County.

Mr. Lamb concluded his report and then moved on to a special presentation of the construction of Live! Casino's hotel and events center, including a power point slideshow containing artists' renderings. Mr. Lamb started by introducing Rob Norton, President of Cordish Gaming, who was also in attendance at the Commission meeting.

### **Special Presentation for the Hotel and Event Center Project at Live! Casino:**

Mr. Lamb reported that preparations are underway for a May opening of the hotel, which is connected to the casino. At 17 stories, it will be the tallest building in Anne Arundel County, and will have 310 luxury guest rooms and an all-purpose events center able to host shows, meetings, conventions and other events for both customers and VIP guests. The events center will start out with 1,500 seats and will open in late June. By early next year, the seating capacity will increase to 4,000, and Anne Arundel County's high schools will hold graduation ceremonies there starting in 2019. The hotel also has an additional restaurant, Lucky's Gelato and a spa, as well as suites that are spa themed, a retail store, and parking to house customers attending events.

Mr. Lamb reported that Director Medenica and MLGCA staff were given a hard hat tour of the 17<sup>th</sup> floor.

Chair Marriner remarked that the hotel would be taking business from the other hotels in the airport area. Mr. Lamb replied that the hotel will be working with hotels in the airport area, and that they will co-exist nicely, as there are not enough rooms for all people coming for shows, so surrounding hotels will still get business too.

Commissioner Boozer inquired about the rental amount for rooms at Live! Hotel. Mr. Lamb responded that the rooms will be complimentary for casino guests, and he is uncertain of the pricing until Live! can gauge the demand. Reservations will be taken via phone starting in early April.

The last part of the presentation focused on another new addition to Live! Casino, the outdoor gaming area called the Orchid Room, located on the south side of the casino that formerly housed a buffet, and which has been converted into an outdoor gaming patio that will open in late April. The Orchid Room will have water features, plants, greenery, 140 slot machines and 12 table games for customers. As it is an outdoor gaming area, the Orchid Room will allow patrons to smoke while offering the latest in air moving technology to keep air fresh with a special ventilation system. It will have a large bar at one end of room, and offer humidors to cater to cigar aficionados.

This concluded Mr. Lamb's presentation and there were no further questions from the Commission.

### **Rocky Gap Casino Resort**

Mr. Skyler Dice, Vice President and General Manager, reported that February was a challenge because of snow-related events, and a renovation of the resort's hotel in March has led to about a third of the rooms being unavailable, which has affected the casino's business. Mr. Dice said March was on a very good trajectory, adding that he is optimistic about the benefits of the newly renovated hotel rooms. Recent entertainment events included a performance by Leather & Lace, a Fleetwood Mac cover band. The casino is working with the Allegany County Commissioners on problem gambling initiatives in recognition of March being National Problem Gambling Awareness Month. Rocky Gap has moved its table games into the area that originally was its poker room. Mr. Dice said the energy and excitement in the casino has improved as a result of the move.

The casino was a lead sponsor of the Hooley Plunge, an annual event that has raised more than \$1 million for the Special Olympics in the past 12 years. St. Patrick's Day Weekend featured an 80's cover band. Rocky Gap is nearing its five-year anniversary and will celebrate with "Rock on the Range," a concert featuring the bands Kix and Slaughter on the Rocky Gap Golf Course driving range. Employees are supporting the local YMCA and the Gilchrist Center, a Cumberland homeless shelter. Employees will also be assisting in clean-up efforts at local parks.

There were no questions from the Commission.

## **Horseshoe Casino**

Thomas Cassella, Director of Security, reported that gaming revenue for February was down 1.7% year over year due to recent weather events. Horseshoe Casino hosted Lunar New Year events and the Suitcase Man promotion in February, and is holding a March Madness promotion. Employees participated in customer service training in January and February. Horseshoe Casino is looking forward to the Baltimore Orioles' 2018 home opener on March 29, and the opening of their latest restaurant, GDL Italian by Giada, on May 1.

There were no questions from the Commission.

## **MGM National Harbor**

Max Fisher, Chief Financial Officer, reported that February attendance averaged 15,000 per day during the week and over 20,000 on weekends. February revenue was strong, up 16% year over year, and slots were up 20%.

MGM National Harbor completed the Cold Hard Cash promotion in February, which attracted 400,000 entries. A Scratch It Rich promotion was held in March, along with a \$75,000 Blackjack tournament and a \$50,000 Mardi Gras Madness slots tournament. On Wednesdays this month MGM will be doing gift giveaways of kitchen eclectics. In the theatre, Cher just ended her third run of shows. For March MGM had entertainment by Impractical Jokers and Jim Gaffigan, who had two sold-out double shows. Upcoming performances at the theater include Air Supply, Tom Jones, Luis Miguel, and George Lopez.

MGM National Harbor employees recently volunteered at DC Central Kitchen, Carpenter Shelter, and participated in the MGM Resorts Foundation employee basketball tournament.

There were no questions from the Commission.

## **VENDOR REPORTS**

### **Scientific Games**

Mr. Stephen Smith, General Manager, reported the conversion to the new lottery central monitoring and control system is approaching 80% on retail completion. Installation of new equipment at all retailers is expected to be complete by the first week of April. Scientific Games will then spend the next three weeks optimizing the system and clearing up any issues that arise. Three different cellular carriers can be used to connect retail terminals to the central system, and the testing will ensure that each retail location is using the carrier that allows for the best communication with the system. Mr. Smith added that there is a significant amount of new software and equipment that will be tested.

Chair Marriner asked for the target completion date of the conversion. Mr. Smith replied the target is the end of April. Chair Marriner then asked how it was being received in the field. Mr. Smith replied that there has been positive feedback on the installation process, but there are some retailers that are reluctant to give up the old equipment because they are accustomed to it. Mr. Smith emphasized that the new equipment is faster and that there are six different types of terminals, with different shapes and sizes, allowing retailers to have one that best fits their needs and their space.

### **Pollard Banknote**

Mr. Matt Isaac, Director of Sales and Retail Development, reported that Maryland's instant ticket sales are up 13.3% year over year making Maryland second only to South Dakota, which beat Maryland by just 1%. The industry average was an increase of 5.7%, so Maryland is well above the average, which is

a testament to the work of Mr. John Martin, Managing Director, Chief Revenue Officer, and Mr. John Gorman, Managing Director, Chief Marketing Officer. Mr. Isaac reported that DC Lottery's sales of instant tickets were down 7.6%, adding that the decline is partly due to Maryland Lottery's work and the presence of MGM National Harbor. New York's instant ticket sales were up 5.2%, New Jersey was down 0.2%, Virginia was up 5.5%, and West Virginia was up 1.5% for the first time after declines in the last several years.

Pollard will have printed seven new games for Maryland by the end of the quarter, and there are 18 games that have been in development during the quarter.

Chair Marriner asked why Maryland has seen substantial increases in instant ticket sales. Mr. Isaac responded that last year's \$30 launch in February 2017 led to substantial increases in sales for 2017 compared to 2016, when the Lottery did not offer a \$30 ticket. A second \$30 ticket was launched in February 2018, which should lead to some parity between 2017 and 2018 sales. Year over year sales are expected to increase by about 10%.

Commissioner Robertson asked whether fewer people are playing \$20 instant tickets in favor of the \$30 tickets. Mr. Isaac said that trend has been observed, however the \$30 tickets have not cannibalized sales of the \$20 tickets as much as expected. Much of the growth is seen in sales of \$10 and \$30 tickets, Mr. Isaac said, adding that the \$30 tickets are performing much better than expected, but are pulling less sales from the \$20 price point than expected.

Commissioner Robertson asked if there were going to be new games offered in the \$30 price-point. Mr. Isaac responded yes, general strategy is to launch one or two \$30 ticket games per year. Having too many of them on top of each other would impact the prize structures of lower-priced tickets, and make it harder to keep players engaged. The strategy is to offer a game with a large top prize and many additional prizes that players are eager to win. Having too many \$30 ticket games in the market at one time would likely lead to excess inventory.

Chair Marriner remarked that at one time there was concern that \$20 was a lot to pay for a lottery ticket, and now we have \$30 tickets doing well. He asked if there is going to be a \$40 or \$50 ticket? Director Medenica responded that Texas has launched \$50 tickets for years now, but Maryland is not there yet.

There were no more questions from the Commission.

### **International Game Technology (IGT)**

Mr. Gary Cherwinski, Director of Data Center & Operations, reported that operations are going well. Staff participated in refresher training in preparation for expansions and new equipment at MGM National Harbor and Live! Casino. He added that staff are also working on moving equipment and adding new locations in the Instant Ticket Lottery Machine (ITLM) program.

There were no questions from the Commission.

### **STAFF REPORTS**

#### ***Director's Report – Gordon Medenica***

Director Medenica reported that February was another good month. It marked the second month in which it was possible to do year-over-year comparisons of all six casinos, and the State's casino business saw a 6% increase in revenue and a 5.3% increase in contributions to the State. Lottery sales were a little flat in February, but profits were up 1.2%. The launch of the State's second \$30 ticket in February has been successful, and a Powerball jackpot run that culminated with a \$456 million win in Pennsylvania on

March 17 gave a boost to sales. The Mega Millions jackpot has also been rising, reaching \$421 million for the drawing on March 23.

Director Medenica noted the Legislature is at day 72 of the 90 days in this year's Maryland General Assembly session, adding that an up-to-date report on legislative action by James Butler, Managing Director, Organizational Compliance was provided to Commissioners on the day of the meeting.

Director Medenica highlighted bills from Mr. Butler's report that are currently being tracked:

*HB1014/SB836 – Expansion of Commercial Gaming – Referendum – Sports Wagering:* Director Medenica reported that sports betting bills have been moving through both the House and the Senate. The house bill, which seems to have momentum, would make sports betting available at Maryland's casinos and horse tracks, while the senate bill is not as specific. Either bill would trigger a statewide referendum on whether to allow sports betting in Maryland, pending an upcoming decision from the U.S. Supreme Court. It is widely expected that the Court will issue a positive ruling on the sports betting case it heard in December, paving the way for states to offer sports wagering. If the Court rules as expected and a referendum passes in Maryland, the issue would go back to the General Assembly during next year's session for enabling legislation, which would likely lead to a new facet of gaming.

*SB1015 – Gaming – Fantasy Competitions – Operators and Video Lottery Facilities:* Director Medenica said that the bill moving through the General Assembly would transfer jurisdiction from the Comptroller's Office to the MLGCA, where fantasy sports would become an ancillary form of gaming that the Agency regulates, as it does with skills-based amusement devices and bingo halls.

*HB1171 – Gaming – State Lottery and Gaming Control Commission – Regulation of Reconciliation of Proceeds:* Director Medenica reported that the MLGCA is pleased that this bill is advancing through the General Assembly because it corrects what the Agency viewed as an accounting mistake that dated back to 2012, when the State first legalized table games. Director Medenica explained that State law required the casinos to calculate their proceeds on a daily basis, but this was changed last year to require the Commission to establish a revised limit, currently not to exceed two consecutive business days. The current bill under consideration would change the timeframe to seven consecutive days that the casinos can carry forward losses, which will allow the casinos to bring in more high net-worth gamblers.

Director Medenica also mentioned two other bills that the MLGCA has been tracking that do not appear to be moving forward:

*HB10 – State Lottery – Unclaimed Prizes – Public Prekindergarten Programs:* This bill would take the money in the Lottery's promotion fund (approximately \$20 million to \$24 million per year) and place it into an educational fund.

*SB260/HB317 – State Lottery – Instant Ticket Lottery Machines – Fraternal Organizations (“Slots” for Homeless Veterans Act):* This bill would expand the Instant Ticket Lottery Machine program to fraternal organizations.

Commissioner Robertson asked how the year-to-year results of the casinos are progressing. Director Medenica said that February was the second full month in which it was possible to make year-to-year comparisons that included all six of the State's casinos. Revenue was up 6% and contributions to the State were up by 5%. He added that it would not be a surprise to see a month in which year-to-year revenue went down, but the fiscal year-to-date numbers are very positive.

There were no further questions from the Commission.

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

Ms. Smith reported that the MLGCA received a favorable response to its Fiscal Year 2019 proposed budget, which included an increase in advertising funds. The conversion to the new lottery central monitoring and control system is well into the testing phase, and the Agency is working with Gaming Laboratories International and Scientific Games to test the terminals and back-office functions of the system. Training for MLGCA staff in the Customer Resource Center will begin soon, and Ms. Smith noted that their jobs would change tremendously over the next few months.

There were no questions from the Commission. Ms. Smith then moved on to her Commission Action Item.

Commission Action Item

**Contract Renewal – Auditing and Accounting Services with Stout, Causey & Horning, P.A. (#2015-04)**

Ms. Smith reported that under the contract, Stout, Causey & Horning provides accounting and auditing services and advice and assistance on lottery operations and the video lottery program. The contract includes the option for three one-year renewals and that the MLGCA wishes to exercise the first of those renewals, which will cover the period of July 1, 2018 through June 30, 2019, at a cost of \$243,925. There were no questions from the Commission regarding the Action Item.

Chair Marriner asked for a motion to approve the contract renewal. Commissioner Robertson motioned to approve, Commissioner Fager seconded, and the motion carried unanimously. Ms. Smith reported that the contract renewal would be added to the agenda for the April meeting of the Maryland Board of Public Works.

**Gaming - James Logue, Managing Director**

Mr. Logue began by thanking Mr. Lamb for the presentation on the hotel. There were no questions from the Commission on Mr. Logue's report, and he moved on to his Commission Action Item.

Commission Action Item

**Private Gaming Area in the Live! Hotel adjacent to the Live! Casino**

Mr. Logue reported that as part of the expansion to Live! Casino, there is a proposal to create a private gaming area on the 17<sup>th</sup> floor of the new hotel. He added that a summary of the request was provided to Commissioners. Mr. Logue then introduced Rob Norton, President of Cordish Gaming, to present information on the private gaming area on the 17<sup>th</sup> Floor at Live! Casino.

Mr. Norton said that when the casino first opened it was the first to add a private gaming space, which was adjacent to the high-limit table room and was successful, but with limited space. Mr. Norton reported that Live! was one-upped by competitors that added larger private gaming areas, and now Live! is going to add a private gaming space to the top floor of its new hotel. Photos and renderings are available to the Commission on its confidential shared drive and Live! staff have given a hard-hat tour of the space to Director Medenica and other MLGCA staff.

Chair Marriner wished the casino great success. Commissioner Hash asked what the capacity would be for the private gaming area. Mr. Norton responded that the area will be 3,000 to 4,000 square feet, but



that it is intended for individuals rather than groups. There were no further questions from the Commission.

Mr. Logue then read a brief summary of the Commission Action Item, requesting approval for Live! Casino to expand its gaming floor to include a private gaming area on the 17<sup>th</sup> floor of the adjacent hotel that will include four gaming tables and four slot machines that will be reserved for future use. Mr. Logue said the private gaming area meets all requirements and MLGCA staff are recommending Commission approval. Chair Marriner asked for a motion to approve Live! Casino's request for a private gaming space. A motion was made by Commissioner Robertson to approve the private gaming room, and seconded by Commissioner Hash. The Commission voted unanimously to approve the Commission Action Item.

### **PUBLIC COMMENTS**

There were no public comments.

### **DATE AND TIME OF NEXT MEETING**

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, April 26.

### **PRESENTATION TO KIMBERLY ROBERTSON**

Chair Marriner announced that Commissioner Robertson's term on the Commission has ended, and he presented her with a ceremonial gavel, in recognition of her five years as Commission Chair and thanking her for her service. Director Medenica presented Commissioner Robertson with a plaque and noted that Commissioner Robertson presided over the Commission during a period of spectacular growth and success, and that her leadership was instrumental in that achievement. He said that Commissioner Robertson served the State of Maryland extremely well and that the Commission and the State owe her a debt of gratitude.

After receiving a standing ovation, Commissioner Robertson said she was humbled by the opportunity to serve on the Commission, and that it was a great opportunity to see all the casinos open, including the last one in Prince George's County, where she resides. She also noted that while lottery sales slowed at one time, they have rebounded nicely in the last several years. Commissioner Robertson also thanked the Audit Committee, Gina Smith and the Finance Unit for all of their efforts and for allowing her the opportunity to serve with them.

### **ADJOURNMENT**

There being no further business for discussion, Chair Marriner adjourned the meeting at 11:01 a.m.

Respectfully submitted,



Gordon Medenica