

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MINUTES OF SPECIAL COMMISSION MEETING

DATE: January 29, 2015

TIME: 9 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner Bert J. Hash, Jr.
Commissioner E. Randolph Marriner
Commission John Morton (via phone)
Commissioner James Stakem

Stephen Martino, Director
Gina M. Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Mooney, Assistant Director for Enforcement
Holly Citko, OAG Deputy Counsel
Jaclyn Vincent, Assistant Director for Policy and Planning
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino Perryville
Representative from Maryland Live! Casino
Representative from Horseshoe Casino Baltimore
Will Cummings, Cummings and Associates
Members of the Public

Kimberly Robertson Pannell, Chairman

Diane L. McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, John Morton, III, James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Robertson Pannell called the meeting of the Maryland Lottery and Gaming Control Commission to order at 9:04 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, Bert J. Hash, Jr., E. Randolph Marriner, and James Stakem. Commissioner John Morton participated by phone.

APPROVAL OF THE AGENDA

Chair Robertson Pannellsaid she would entertain a motion to approve the Agenda. Motion to approve the Agenda was made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

COMMISSION ACTION ITEMS

Mr. LaBoy said he is presenting two VLT reduction requests today. Horseshoe Casino-Baltimore is requesting the reduction of 300 VLTs in order to add 30 table games. Maryland Live! Casino is requesting the reduction of 300 VLTs in order to add 13 table games. MLGCA engaged Mr. Cummings of Cummings Associates to perform research regarding both requests.

Commissioner Marriner said the Commission tabled these requests at its January 22 meeting due to a letter received from Senator Edward Kasemeyer, Chairman of the Senate Budget and Taxation Committee. Mr. Martino said on January 23, the MLGCA attended a briefing before the Senate Budget and Taxation Committee. Present from the Lottery were Mr. Martino and Ms. Vincent as well as Mr. Cummings, Mr. Weinberg and Mr. Norton from Maryland Live! Casino, and Mr. Barnhill from Horseshoe Casino-Baltimore. The Committee wanted a further explanation concerning these VLT reduction requests. The casinos provided their perspective, and Mr. Cummings gave a presentation summary. The Committee made no further recommendations or requests to not take action.

VLT Reduction Request – Horseshoe Casino-Baltimore

Mr. Cummings showed the PowerPoint presentation regarding the Optimum Number of Gaming Machines at Horseshoe Casino-Baltimore. His overview included: top-down approach, limitations and caveats, gravity-model projections, marginal revenues versus marginal costs, and long term versus short term results.

The optimal number of VLTs at Horseshoe is between 2,033 and 1,499 depending on the VLTs costs 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.

Mr. LaBoy said staff believes that the best interests of the State lie in maximizing sustainable revenues over the long-term by maintaining the financial viability of Horseshoe Casino-Baltimore 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. Horseshoe Casino-Baltimore shall be responsible for any and all costs associated with the removal of VLTs in accordance with Commission regulations.

Mr. Barnhill, Senior Vice President/General Manager was given an opportunity to present his comments regarding the reduction request for Horseshoe Casino-Baltimore.

After further Commission discussion, Chair Robertson Pannell said MLGCA staff is recommending a temporary reduction of 300 VLTs for Horseshoe Casino-Baltimore as discussed 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. She asked if there was a motion. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

VLT Reduction Request – Maryland Live! Casino

Mr. Cummings continued with the PowerPoint presentation regarding the Optimum Number of Gaming Machines at the Maryland Live! Casino at Arundel Mills. His overview included: top-down approach, limitations and caveats, gravity-model projections, marginal revenues versus marginal costs, and long term versus short term results.

The optimal number of VLTs at Maryland Live! Casino is between 3,984 and 4,222 depending on the VLTs costs 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.

Mr. LaBoy said MLGCA staff believes that the best interests of the State lie in maximizing sustainable revenues over the long-term by maintaining the financial viability of Maryland Live! Casino and to provide appropriate incentives for reinvestment in their facility and promotion of their gaming products to enhance overall revenue performance. MLGCA staff has negotiated a reinvestment strategy with Maryland Live! Casino 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. Maryland Live! Casino shall be responsible for any and all costs associated with the removal of VLTs in accordance with commission regulations.

Mr. Norton, General Manager, was given an opportunity to present his comments regarding the reduction request at Maryland Live! Casino.

After further Commission discussion, Chair Robertson Pannell said MLGCA staff is recommending a temporary reduction of 300 VLTs for Maryland Live! Casino as discussed 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. She asked if there was a motion. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

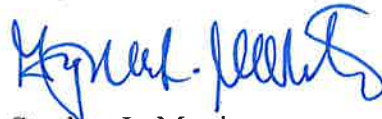
PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell adjourned the meeting at 10:03 a.m.

Respectfully submitted,



Stephen L. Martino