

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION FEBRUARY MINUTES

DATE: February 23, 2017

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Bert Hash, Jr.
Commissioner John Morton
Commissioner James Stakem

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
Charles LaBoy, Managing Director, Gaming
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
James Butler, Director, Legislative and Policy Affairs
Carole Gentry, Director, Communications
Marie Torosino, Executive Assistant

OTHERS: Representative from Hollywood Casino Perryville
Representative from The Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Members of the Public

Kimberly Robertson Pannell, Chair

Diane L. McGraw, F. Vernon Boozer, George L. Doetsch, Jr., Bert J. Hash, Jr., 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 10:02 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Bert Hash, Diane McGraw, John Morton, and James Stakem.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Amended Agenda. Motion to approve the Amended Agenda made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

APPROVAL OF THE MINUTES

Chair Robertson Pannell said the January 26, 2017 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Motion made by Commissioner Stakem that the January 26, 2017 open session minutes be approved, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains three instant games for the Commission's approval: Game #323 *\$50 Frenzy (\$1)*, Game #324 *\$100 Frenzy (\$2)*, and Game #325 *\$1,000 Frenzy (\$10)*. She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (1/12/17 – 2/9/17); Consent Agreements-Regulatory Violations for Maryland Live! Casino-September 2016 and Horseshoe Casino-Baltimore-October 2016; Consent Agreements-Underage Violations for Maryland Live! Casino and Horseshoe Casino-Baltimore; Gaming License Application Denials; and Revocation of Lottery Retailer License. She asked if the Commission wished to remove any items for discussion.

Commissioner Morton thanked Mr. Mooney for the summary provided to the Commission on the regulatory and underage violations.

Chair Robertson Pannell said she would entertain a motion to approve the three instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (1/12/17 – 2/9/17); Consent Agreements-Regulatory Violations for Maryland Live! Casino-September 2016 and Horseshoe Casino-Baltimore-October 2016; Consent Agreements-Underage Violations for Maryland Live! Casino and Horseshoe Casino-Baltimore; Gaming License Application Denials; and Revocation of Lottery Retailer License. Motion to approve made by Commissioner Hash, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said that the Consent Agenda also contains Staff Reports for James Nielsen, Leo Mamorsky, John Martin, Carole Gentry, and Robert Fontaine. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell said she would entertain a motion to approve the Staff Reports. Motion to approve made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for January was \$5.8 million, up 4.5% year over year. Slots revenue was a big part of that, up 25% year over year. Table games are comparable for year over year. This comparison was against the January snowstorm last year. They are pleased with the results.

The Greene Turtle Restaurant is ready to open. They are currently conducting employee training and corporate inspection. March 4 will be a test run with the Beatlemania show that usually packs the house. The week of March 6, they will hold a VIP event. The restaurant officially opens on March 13.

In March, the outdoor patio and smoking section will be available to players.

The Casino at Ocean Downs

Ms. Bobbie Sample, Assistant General Manager, said total gaming revenue for January was \$3.7 million, down 1.2% year over year. This was going against the first weekend of snow last year.

Player promotions are continuing. Yearly awards were presented to casino employees for their length of service. Transitioning of services continues from Delaware Park.

As far as the construction of the facility expansion, work is still being performed on the roof panels. The recent windy weather held up the construction. She will have more information next month.

Chair Robertson Pannell asked if there has been any discussion with the new owners regarding the addition of table games at the facility. Ms. Sample responded that they are currently in discussion with the new owners.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said total revenue for January was \$44 million, down 15% year over year. This is in line with what was expected with new competition in the marketplace. Year over year, slots are down 10% and table games are down 23%. February is doing better than January, but still shows a decline year over year. Volume is starting to pick up.

In January, the casino was a sponsor of the Northern Anne Arundel County Chamber of Commerce Annual Gala and the Capital Pride Festival in Washington, DC. The casino was also a sponsor of the Mardi Gras hosted by Opportunity Builders, Inc. where casino employee took part in that sponsorship. A Black History month celebration was held at the casino.

In January, the “Play \$10 give \$10” fundraiser promotion was held. The target is to raise money for regional charities. For every \$10 that a player wagers on slots or table games using their rewards card, the casino then donates to charity. Last year, approximately \$700,000 was donated to various charities.

Mr. Lamb said the hotel construction is moving along and they are on track to open the hotel in the first quarter of 2018.

Rocky Gap Casino Resort

Mr. Jason Bittinger, Director of Security, said total revenue for January was \$3.7 million, up 11% for year over year. In January, they held their cruise giveaway promotion. The Hooley Plunge for Special Olympics at Rocky Gap State Park is scheduled for March 4 and over \$100,000 was raised last year.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, Sr. Vice President and General Manager, said total revenue for January was \$20.2 million, down 14.5% year over year. This is fairly in line with what they were expecting. They have had some lucky players at the table games. February has been off to a strong start. A Lunar New Year event celebration was held. An event was also held at the property for Black History Month.

Alex Dixon, Vice President and Assistant General Manager will be leaving Horseshoe Casino-Baltimore and joining an MGM property in Springfield, Massachusetts. His replacement is Jacqueline Pope, who will be starting on March 6. She is currently Vice President at Harrah’s Philadelphia and was previously the head of Human Resources at Horseshoe Casino-Baltimore.

MGM National Harbor

Mr. William Boasberg, General Manager, said the casino has been open just under 80 days. Operations continue to stabilize. Employees are becoming more efficient in their jobs. They are happy with the number of players signing up for the Rewards Programs. A significant amount of casino marketing promotions are running. On the weekends, the restaurants are in demand.

In addition to the weekends, the theater will be adding more weeknight shows. Upcoming entertainment includes ZZ Top, Cher, and Sting.

Mr. Boasberg said not there have been no significant issues regarding the traffic.

There was a discussion on money laundering and junket operations from overseas and the possibility of increased oversight by MGM National Harbor.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said we are seeing on the lottery side what we have been expecting for the last few months. The recent \$403 million Powerball jackpot was hit in Indiana. We were hoping for a few more rolls. Instant ticket sales continue to be up. Next week, the \$30 instant ticket will launch. This is a new price point for Maryland, but not the lottery industry. Waiting to see how well that does.

Powerball and Pick 4 revenues are down. Last week in the Pick 4 game, the number 7777 was drawn costing the Lottery \$5 million. This means good luck for players but does not help our bottom line.

The casino side is doing well. Casinos are still seeing an influx of players visiting their locations. The casinos will continue to attract customers, and he expects the casino business to be a larger part of our business moving forward.

Mr. Butler has been added to the agenda and will be presenting his report on legislative activity.

Mr. Mamorsky, Chief Marketing Officer, is leaving the Lottery and returning to New York. He has made a tremendous contribution to the Lottery over the past 14 months, and has done a great job for our agency. His professional experience and creative knowledge of the business has helped to elevate our marketing. We will begin the search for a new Chief Marketing Officer.

Chair Robertson Pannell thanked Mr. Mamorsky on behalf of the Commission and wished him the best of luck in the future.

Legislative and Policy Affairs – James Butler, Director

Mr. Butler said tomorrow marks the 45th day of the legislative session. The four Agency departmental bills are moving ahead. Other bills of interest are also moving forward. A copy of his written report was provided to the Commission.

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

Ms. Smith said a copy of the November financial statement was provided to the Commission. The W2Gs were completed and mailed to lottery winners. The 1099s were mailed to the lottery retailers. All this information was then sent to the IRS. The Agency continues to fill vacant positions. A new VLT accountant has been hired.

The Agency continues to follow its budget through the Legislature. No recommendations have been made to cut any parts of the budget.

The IT Division is aggressively moving to migrate the Agency's fixed asset/inventory system from the mainframe to the existing MS Dynamics System. This will provide a more efficient inventory process and the ability to generate user-friendly reports.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said his staff continues to work on the registration application and database for the skills-based amusement devices. The plan is to have this project ready to launch during the first quarter.

Question was asked how it is determined what devices are legal or illegal. The Agency is in discussion with Baltimore County law enforcement and is providing technical guidelines to help law enforcement conduct investigations and collect information.

VLT Audit Department is up to date with their audit schedule. A request for suggestions for the 2017 Regulatory Review Process was sent to the casinos. Requests must be submitted to the Agency by March 13 in order to start the long review process.

Fourth quarter benchmarking analysis was done for Ocean Downs and Rocky Gap. Ocean Downs 106 had conversions and Rocky Gap 127 conversions.

March is National Problem Gambling Awareness Month. Mary Drexler, Responsible Gaming Program Coordinator, and staff are working to develop informational segments for radio, television and retailers to generate awareness. Staff is working with the Legislature on proclamations acknowledging March as Program Gambling Awareness Month.

There was discussion of the impact of MGM National Harbor on Maryland Live! Casino and Horseshoe Casino-Baltimore. Mr. LaBoy said in Calendar Year 2019, an analysis will be prepared and submitted to the Commission for their review. The Commission asked that they be kept informed periodically prior to 2019.

There was additional discussion concerning junket operators from overseas bringing players to the casinos, licensing of the operators, if regulations need to be established and oversight. Mr. LaBoy said he has not seen any activity of this type yet and will keep the Commission informed.

Commission Action Item

Maryland Live! Casino Request for Temporary Change to Gaming Floor

A request was received from Maryland Live! Casino to make a temporary change to their gaming floor to accommodate a temporary increase of 278 VLTs to meet player demand and a temporary decrease of 300 VLTs from their currently authorized count of 3,922 to provide flexibility during the construction process of the hotel addition. The property will also be decreasing their table

game count by 28. Mr. LaBoy's report included a chart showing various VLT changes that have been authorized over the years.

Mr. Robert Norton, President, provided further comments on the reasons for the request.

Chair Robertson Pannell said the Commission heard Mr. LaBoy's report as well as comments by Mr. Norton, and asked if there were any further questions. Hearing none, she said she would entertain a motion to approve the request from Maryland Live! Casino for a temporary increase of 278 VLTs and a temporary decrease of 300 VLTs from their currently authorized VLT count of 3,922 as well as decreasing the table game count by 28. Commissioner Stakem made the motion, it was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said that there are currently 11,000 gaming and non-gaming employees licensed. Licensing has handled over 26,000 licenses since the beginning of the casinos opening. Licensing is still receiving approximately 50 applications a day from MGM National Harbor. He commended the casinos for the quality of the applications that have been sent to the Agency for processing, and the excellent job of the casino human resources personnel in the screening of these applications prior to submission.

Licensing and Compliance Divisions are currently fully staffed.

Joshua Serrano, one of the Agency's Compliance Officers employed at Horseshoe Casino-Baltimore, had been deployed overseas for 400 days and he recently returned home safely. He will be back to work at Horseshoe at the end of March.

PUBLIC COMMENTS

There were no public comments.

COMMISSION ITEM

Waiver Request

Chair Robertson Pannell said a waiver request has been received from MLGCA employee Charlotte Holmes. Ms. Holmes has been employed by the MLGCA for less than a year as a casino compliance representative at MGM National Harbor. She is requesting that she be granted a waiver of the one-year separation of service requirement in the Code of Conduct so that she may accept employment to work for MGM National Harbor as a Security Manager.

Ms. Holmes presented her reasons for this waiver request and answered questions from the Commission.

Chair Robertson asked if there were any other comments or questions. Hearing none, she said she would entertain a motion to grant Ms. Charlotte Holmes' request for the waiver. Motion made by Commissioner Morton, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, March 16.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission. The meeting adjourned at 11:06 a.m.

Respectfully submitted,



Gordon Medenica