

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING COMMISSION FEBRUARY MINUTES

DATE: February 25, 2016

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Agency Headquarters

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

Gordon Medenica, Director
Gina 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
Jaelyn Vincent, Managing Director, Policy and Planning
Carole Everett, 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 Resorts International - National Harbor
Representative from Scientific Games International
Representative from Pollard Banknote
Representative from GTECH
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 Commission to order at 10:01 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, Bert Hash, and James Stakem. George Doetsch and John Morton were absent.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES

Chair Robertson Pannell said the January 28, 2016 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Hash made a motion that the January 28, 2016 open session minutes be approved, it was seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains the following items for the Commission's approval: three new instant tickets--Game #251 *Blazing 777*, Game #260 *Loteria*, and Game #263 *Green Doubler*; VLT Games and Component Testing Approvals for VLT and Table Games (1/16/16 – 2/10/16); and Gaming License Application Denials. 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 three new instant ticket games noted above; VLT Games and Component Testing Approvals for VLT and Table Games (1/16/16 – 2/10/16); and Gaming License Application Denials. Motion to approve was made by Commission Stakem, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, stated January revenue was \$5.5 million, down 8% for year over year. The casino lost a weekend of revenue due to the weather conditions. February is turning out to be a better month.

The Carnival Cruise giveaway promotion that is usually held in February is being moved to March this year. The cruise giveaway is the biggest night of year for the casino. A VIP event will be held for the third anniversary of table games.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said January revenue was \$52.1 million, up 5% for year over year. Slots were flat at 17.1%.

In February, Maryland Live! was a sponsor of Opportunity Builders, Inc. (OPI) Annual Mardi Gras fundraising event. OPI provides work for adults with developmental disabilities.

Maryland Live! is now a member of the Board of Directors of Susan G. Komen. As a sponsor of the Black History Heroes, Maryland Live! is holding an event today at the casino with several of the Tuskegee airmen in attendance.

At Rams Head Live, Kool and the Gang performed in January and in March, Boyz II Men will be performing.

A promotion is being held in March to give players a chance to win a trip to outer space plus other prizes including zero gravity flights and trips to Kennedy Space Center in Florida. Buzz Aldrin will make a special appearance at the casino to launch the promotion.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, said January started well, then the snow storm hit. January revenue was \$3.3 million, up 12% for year over year. February is starting strong.

The Department of Natural Resources approved the parking lot project and construction is underway. There will be 168 additional parking spots and it should be completed by late spring or early summer.

In March, Rocky Gap Casino will be a sponsor at the 12th Annual Hooley Plunge which will be held at the lake at Rocky Gap State Park. This fundraiser benefits local charities and the Special Olympics of Allegany County. This event will raise over \$100,000 and to date, has contributed over \$1 million to these charities.

Rocky Gap Casino employee volunteers are working with the local Habitat for Humanity organization.

Horseshoe Casino

Ms. Erin Chamberlin, Vice President and General Manager, said January started strong and they were anticipating revenue growth then the blizzard came. Horseshoe was the only casino that closed during the blizzard, from Friday night until Sunday afternoon. January revenue was \$23.6 million, up 2% for year over year. During February, a minimum number of promotional events

are being held, one of which will be a Leap Year drawing promotion. This weekend the \$180,000 Suitcase Man promotion grand finale will take place and they are anticipating a strong weekend of revenue.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said January revenue was \$3.7 million, up 10% for year over year. While there was snow on the western shore, the eastern shore was dealing with tornado warnings last Sunday. The casino's fifth anniversary was in January; however, they will wait until later in the year to hold the celebration. Revenue for February is off to a strong start.

List night an employee event was held to celebrate their opening in 2011. There were 60 employees and their guests in attendance. The racetrack is finalizing the racing schedule for this year and will be open for racing from June and through September. There will be \$3 million in purses this year.

Chair Robertson Pannell asked about the status of the construction of the new building. Mr. Cavilla said the foundation was poured and once the beams are in place, it should go up fairly quickly.

MGM Resorts International – National Harbor

Mr. John Rooney, Director of Construction, presented a PowerPoint on the progress of the construction of MGM National Harbor. He showed recent views of various areas of the casino, hotel, theater, parking garage and main floor, and reviewed upcoming activities for those areas. There have been over 1,400 workers on site.

MGM National Harbor acquired the vacant Addison School building in Prince George's County that was built in 1958. It was in a state of disrepair and was renovated. It is now the MGM National Harbor Training Center. It will be staffed and open shortly.

Mr. Rooney said their plan is to open the casino by the fourth quarter of 2016. They are doing their best to make up for lost time because of the winter weather. They have two shifts working during the day and on weekends to get to the project completed.

Vice Chair McGraw asked what is the status of surveillance and security controls. Mr. Rooney responded the data rooms should be completed in March. They are working with MLGCA staff to establish a timeline.

Mr. Creighton said \$5.2 million was spent on the Addison School Project to convert the property to a recruitment and training center. They will be hiring 3,600 employees. In January, a career showcase was scheduled and advertised on radio and social media. Approximately 8,500 potential employees signed up, and 4,000 attended because of the inclement weather conditions. Training sessions were held on resume writing, professional etiquette, and how to be successful in applying for positions. Potential employees can receive alerts about new job opportunities. He introduced Danielle White, Vice President of Community Engagement.

Mr. Creighton spoke about the various programs they have contributed to such as, Bowie State, Prince George's County Community College, Arts, Fame, and parks and recreation.

Mr. Creighton said in April and May they will begin the hiring process of employees at all levels. Approximately 50% of the employees will be from the Prince George's County area and Veterans groups.

VENDOR REPORTS

Scientific Games

Mr. Stephen Smith, General Manager, said during the recent \$1 billion Powerball jackpot, SGI provided service to 4,600 retailer locations throughout the State, mostly in downtown Baltimore, with such things as additional ticket paper stock for their machines. There were no issues.

Cash4Life® launched and the game has been doing very well. The Monopoly™ instant ticket will launch on Monday.

Chair Robertson Pannell asked if the snow caused any retailer outages. Mr. Smith responded everything went well and there were no problems during the blizzard.

Pollard Bank Note

Ms. Julin Shaw, Manager, Interactive Sales and Marketing, said the quarter closed at \$18 million in sales, ahead 14%. A large contributor was the holiday instant tickets.

Maryland continues to be number six in the industry for instants ticket sales performance for year to date. For year over year, sales are \$34 million or 14% ahead.

GTECH

Mr. Gary Cherwinski, Account Development Manager, said operations are going well. They continue to work with MGM National Harbor on the central system installation.

In response to a question from Vice Chair McGraw, Mr. Cherwinski said during the recent system failure, the central system operations were run out of the backup center without issue.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said Powerball had quite an impact last month. For the entire Fiscal Year 2015, total Powerball sales were \$89 million, and for the recent jackpot run, Powerball sales were \$78 million. The Lottery had almost a year's worth of sales in one-third of the year. Current Powerball jackpot is \$256 million.

Cash4Life® game launched and advertising is airing. Sales were \$2.4 million in less than a month. The Lottery expects to generate \$18 million to \$20 million a year in sales.

Total lottery sales are 8.6% ahead for year over year and profit is 6.3% ahead for year over year.

The Legislature is in session. The Agency had a briefing with the House Ways and Means Committee. The Agency also spoke at budget meetings with the House and Senate.

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

Ms. Smith said in February, the Agency attended budget hearings with both the House and the Senate. Our Legislative Analyst did not recommend any cuts. She is finishing the year-end files to submit to the IRS.

The on-line training for the employee automated timekeeping system will roll out this week. This timekeeping process will be more efficient. The Department of Budget and Management (DBM) is handling this process and it will be statewide. There are built in audit controls.

The Commission was provided with the December financial statement.

Gaming – **Charles LaBoy, Managing Director**

Mr. LaBoy said MGM National Harbor presented their update and they are making progress on the project. Staff is meeting with them every two weeks to ensure all regulatory requirements are fulfilled.

Mr. LaBoy said staff is working to identify sufficient details to get the central system perfectly aligned. MGM is using a fiber optic network for the infrastructure. This is different than the other casinos, and will give some additional flexibility on the network. IGT is working with the MGM engineer to change their backend systems.

Staff is working on the revisions to the table game regulations to allow more efficient modifications to existing rules for certain control elements. He will keep the Commission informed on the progress.

Staff is beginning the 2016 regulatory review process and submissions from the casinos are due in March. Staff will then begin their review. This process will begin in March and go on for several months.

Lottery – John Martin, Managing Director, Chief Revenue Officer

Mr. Martin said Powerball sales were up 549% over January 2015. Sales is beginning their bi-annual XCAP audit of 300 plus retailers who cash winning tickets up to \$5,000. This audit process is done every two years to ensure the retailers are compliant and it should be completed in April.

Corporate sales will conduct an annual business review of approximately 15 top retail chain accounts. This review will take 30 to 60 days to complete.

Work continues to develop a system for retail recruitment efforts and it is showing some results of the processing and approval of applications.

Chair Robertson Pannell asked for information on the Unclaimed Prize Fund amount. Mr. Martin responded that fund is managed on an annual basis and is monitored by Ms. Smith. Ms. Smith said she will include the fund information in her report next month.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said since 2010, Licensing has received and processed approximately 19,400 gaming applications.

Proposed Amendment to Regulation – Gaming Provisions

COMAR 36.03.02.17 – Investigation and Licensing—Vendor Registration and Certification. This proposed amendment to the threshold and fee structure for vendor certification, registration, and renewal should allow more small businesses to become financially eligible for registration. Proposed new § C-1 would clarify that if a video lottery operator purchases goods or services from a vendor solely so those goods or services may be given to a player, that vendor is exempt from vendor registration or certification requirements. Operators are already subject to certain limits and reporting requirements under COMAR 36.03.10.09 – *Complimentary Services*. New § C-1 would require that an operator purchasing goods or services from an exempted vendor include in its report under COMAR 36.03.10.09 the name of each exempted vendor it uses.

Chair Robertson Pannell said she would entertain a motion to approve proposed amended COMAR 36.03.02.17. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

Manufacturer’s License Hearing – Tictabs, LLC

Mr. Mooney said MLGCA staff conducted a suitability background licensing investigation of Tictabs, LLC in connection with its application for a manufacturer’s license. The Commission was provided with an executive summary. Members from the MLGCA Licensing Division were present to answer any questions. There was also a representative from the manufacturing company present.

Mr. Mooney read the Executive Summary into the record, which included an introduction, financial suitability review, findings, applicant and principal entities, principal qualifiers, and conclusions and opinion. He stated that it is the opinion of MLGCA staff that the applicant and its principal have established by clear and convincing evidence their qualifications for a Manufacturer's License.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney or the Tictabs representative.

In response to the question raised by Vice Chair McGraw, Mr. Mooney said financial records were not available when the Commission met in October when this request was first presented. Tictabs submitted the requested financial statements for review.

Chair Robertson Pannell said she would entertain a motion to find that Tictabs, LLC, and principal Marcus de Mello Costa, have established their compliance with applicable instant bingo manufacturer license requirements in COMAR 36.03.02 and 36.07.02, and the relevant provisions of the Gaming Law. Motion to approve was made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to Chair the authority to draft a Decision Statement on behalf of the Commission that reflects the Commission's decision, and to transmit the Decision Statement to Tictabs, LLC. Motion was made by Vice Chair McGraw, seconded by Commissioner Stakem, and the motion carried by unanimous vote of Commission.

Policy and Planning, Jaclyn Vincent, Managing Director

Ms. Vincent said James Butler, Director, Legislative and Policy Affairs, would be presenting the legislative update. Mr. Butler gave a brief overview of the following two departmental bills that the Agency submitted to the Legislature for consideration. The Commission was provided with a copy of the legislative update.

SB78 State Lottery and Video Lottery Facility Payouts – Remittance of Intercepted Prizes would repeal a requirement that the Lottery or casinos wait 15 days before transferring the intercepted prize of an obligor to Central Collections Unit or Department of Human Resources.

SB111 Lottery - Licensed Agents - Prize Payouts would authorize the Lottery Director to establish by regulation the amount specified that licensed agents may pay in cash game prizes.

Both of these bills were introduced in the Senate Chamber and received favorable reports from their respective committees. The bills passed third reader in the Senate with a vote of 47 – 0. These bills will now move to the House Ways and Means Committee. We are awaiting hearing dates.

There are other bills of interest that Mr. Butler is following during the session, and he will keep the Commission updated.

Vice Chair McGraw asked what is the status of SB941 Worcester County – Family Entertainment Centers – Amusement Gaming Licenses. Mr. Butler responded he is watching this bill as it goes through Committee. There is nothing to report as yet.

PUBLIC COMMENTS

There were no public comments.

DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 10 a.m. on Thursday, March 24.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion was made, seconded, and carried by unanimous vote of the Commission. The meeting adjourned at 11:17 a.m.

Respectfully submitted,



Gordon Medenica