

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION FEBRUARY MINUTES

- DATE: February 26, 2015
- TIME: 10 a.m.
- PLACE: Maryland Lottery and Gaming Control Agency Headquarters
- PRESENT: Chair Kimberly Robertson Pannell
Commissioner F. Vernon Boozer
Commissioner E. Randolph Marriner
Commission John Morton
Commissioner James Stakem
- Stephen Martino, Director
Gina M. Smith, Deputy Director/CFO
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
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 Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representatives from MGM Resorts International – National Harbor
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 10:01 a.m. Commissioners present were: F. Vernon Boozer, E. Randolph Marriner, John Morton, and James Stakem. Commissioners Diane McGraw and Bert Hash 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 Boozer, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the January 22, 2015 and January 29, 2015 open session minutes were provided to the Commissioners for review and she asked if there were any changes. There were no changes. Commissioner Marriner made a motion that the January 22, 2015 and January 29, 2015 open session minutes be approved, it was seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains five new instant ticket games for the Commission's approval: Game #203 *2X The Money*, Game #204 *5X The Money*, Game #205 *10X The Money*, Game #206 *20X The Money*, and Game #227 *Bingo*. The Consent Agenda also contains VLT Games and Component Testing (1/5/15 – 2/9/15), Bingo Hall Games and Component Testing (1/1/15 – 2/9/15), and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Hearing none, Chair Robertson Pannell requested a motion to approve the five new instant ticket games noted above as well as the VLT Games and Component Testing (1/5/15 – 2/9/15), Bingo Hall Games and Component Testing (1/1/15 – 2/9/15), and Gaming License Application Denials. Motion made by Commissioner Stakem, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gross revenue for January was down less than 1%, compared to December and down 4% for year over year. Table games show some decrease. The weather has not been kind, particularly last Saturday's snowstorm. The property

cancelled their promotion and entertainment scheduled for that day. The cruise giveaway is next Saturday and it is one of their biggest promotional days. They anticipate a large customer attendance. The property continues to work with Mr. LaBoy and his staff on the casino floor transition. The new meeting space is in the design process. The area has been cleared of machines, and they are ready to begin work.

Casino at Ocean Downs

Due to the weather conditions, Mr. Joseph Cavilla, General Manager, was unable to attend today's meeting.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said gross revenue for January showed a 7% decline for year over year. February is not looking to be a great month with the recent snows storms. Revenue was running ahead for year over year until the snow started. The facility is beginning the process of taking over the slot machines and the process will run until June or July.

A Lunar New Year celebration event was held at the casino on February 20. On February 24, Maryland Live! hosted the Black History Heroes event honoring 16 current community leaders for their contributions. They hope to continue hosting that event in the future. In April, Maryland Live! will be part of the Charity Celebrity Poker Tournament with WPOC radio to benefit Dress for Success Baltimore. Maryland Live! will be one of the participating speakers at the National Council on Problem Gambling Conference being held in Baltimore in July.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said winter is not the best time of the year for the casino. Renovation work on the air conditioning and heating system is on hold through February due to the extremely cold weather.

Mr. Martino asked if play volume has declined. Mr. Just responded yes, particularly with all the ice and snow they have been experiencing. However, they are taking advantage of the winter downtime for renovations at the hotel. The renovation of the spa is continuing.

Horseshoe Casino Baltimore

Mr. Alex Dixon, Vice President and Assistant General Manager, said revenue for January shows a slight growth over December.

The \$100,000 Suitcase Man promotion event was held last Saturday. World Series of Poker Tournament starts at noon today. This is the first of its kind in Maryland and should bring new customers into the casino.

The casino is working on the removal of 300 slots to bring in new table games.

Casino volunteers went to the Loch Raven Veterans Community Living and Rehabilitation Center providing lunches and playing cards with the Veterans.

Commissioner Morton asked what steps have been taken by the casino to improve security for the customers. Mr. Dixon responded the property has their own internal security firm. During any given day of the week 20 to 30 security personnel are present throughout the facility. However, the property recently engaged the help of a third party security firm for additional assistance inside the building. They are supplementing their regular security during their peak times on Friday and Saturday nights with the third party security firm. They have lowered the volume of music played for the benefit of the customers, and have recently instituted closing bars down at different times so that it always keeps patrons moving throughout the property and not loitering in one place at one time. The security and safety of the facility is in line with the competition within the region and nationwide. The facility has a great partnership with the Baltimore City Police Department (BCPD) and usually 18 BCPD patrol the outside of the building. The parking garage is outside the footprint of the casino, but BCPD members will patrol inside the garage at different times of the day.

Commissioner Marriner asked about the recent closing of the Mallow Bar located at the facility. Mr. Dixon responded it is a challenge for any small business. The business found it just wasn't the right fit for the patrons. This business was more of a dessert café and the guests were looking for a more substantial meal. The owner left on good terms. Horseshoe has not found a replacement as yet.

STAFF REPORTS

Director's Report - Stephen Martino

Mr. Martino introduced Mr. Michael Richards, the Governor's Deputy Chief of Staff who was present at today's meeting. The MLGCA is assigned to Mr. Richards.

Mr. Martino said the Commission was provided with copies of the last two weeks' sales and revenue sheets. For the week ending February 15, sales were ahead \$47.9 million or 4.5% over last year. This was the week in which the \$565 Powerball jackpot was hit. This whittles the decline in Powerball down to 4.5%. Another large Mega Millions or Powerball jackpot at the end of the year could whittle this difference down even more. These two games have a significant impact on revenue. For the week ending February 22, sales were ahead \$39.7 million or 3.6% over last year. The weather has had an impact on sales this week.

This week, the MLGCA is \$1 million below its BRE estimate goal. Hopefully, the weather will begin to improve soon and help sales.

There was further discussion by the Commission regarding sales and revenues of the Pick 3, Pick 4, Keno and instant ticket games.

On Wednesday, the MLGCA had a budget hearing before the House Appropriations--Transportation and the Environment Subcommittee, and there were no issues. The MLGCA has a hearing with the Senate Budget and Taxation--Public Safety, Transportation & Environment Subcommittee on Friday.

The Department of Legislative Services (DLS) has not yet made any recommendations to reduce the MLGCA's budget. DLS is looking at the possibility of increasing the tax rate on table games from 20% to 30%. Until the MLGCA receives some direction to provide data, it will not take a position.

The National Council on Problem Gambling will be holding its conference in Baltimore on July 10 and 11. The Lottery as well as the casinos will be sponsors at various levels. He expects a large number of people to attend.

MGM National Harbor's Request for a Six-Month Extension to the Opening Date as Contained in the License Award Issued by the Video Lottery Facility Location Commission

In December 2014, the Video Lottery Facility Location Commission amended its license award date to MGM National Harbor to August 14, 2014. Per the requirements of the license award, the casino must open within 18 months of the award date, which would be February 14, 2016. However, State gaming law provides that the Prince George's County casino is not permitted to operate before the earlier of July 1, 2016 or 30 months after the Baltimore City casino opens. July 1, 2016 is the earlier date. Under State gaming law, the Lottery and Gaming Control Commission is permitted to issue a six-month extension upon their determination that extenuating circumstances exist that are beyond the control of the awardee and prevent the awardee from complying with the 18-month opening requirement. MGM National Harbor has submitted a request for this Commission to grant an extension in order to resolve this incongruity. Representatives from MGM National Harbor were present to answer any questions.

Mr. Nicholas Casiello, attorney from Fox and Rothschild representing MGM National Harbor said the intent is to open casino in the second half of 2016.

After discussion, Chair Robertson Pannell said she would entertain a motion to grant MGM National Harbor, LLC's request for one six-month extension of the February 14, 2016 opening date of the Prince George's County video lottery facility. Motion made by Commissioner Morton, seconded by Commissioner Stakem and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft an appropriate order reflecting the Commission's decision, and to transmit the order to MGM National Harbor, LLC. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Administration, Finance & Operations – Gina Smith, Deputy Director/CFO

Ms. Smith said 1099s were issued to lottery retailers, W2Gs were issued to lottery winners, and the files were transmitted to the IRS. The December financial statement as well as the Agreed-Upon Procedures for Power Ball, Power Play, Mega Millions and Megaplier were provided to the Commission.

As Mr. Martino previously mentioned, the MLGCA had a budget hearing with the House yesterday and will have a budget hearing with the Senate on Friday.

Ms. Smith's Division is starting work on the close-out for the current year, and is finishing the liquidation of the encumbrances from the prior year. She is working on the budget projections. At the April meeting, the Commission will receive a copy of the budget report.

The Procurement Department is working on the procurement aspects for the transition of the ownership of the VLTs. MLGCA continues to work with the Department of Information Technology ("DoIT") on its on-line lottery request for proposal (RFP). A meeting was held with DoIT last week, and there is a special format the MLGCA needs to follow. After the RFP draft is carried over to that format, it will go back to DoIT for review. The MLGCA should then receive the authorization to issue the procurement. Mr. John Gallagher and Mr. Robert Howells are working on this project, and will establish a timeline.

Request for Proposal – Auditing and Accounting Services (#2015-04)

The current auditing contract is in its third and final renewal option period which will expire on June 30, 2015. Ms. Smith is requesting the Commission's approval to issue a new replacement Auditing and Accounting Services RFP. A draft copy was provided to the Commission. Chair Robertson Pannell asked if there were any questions. Hearing none, the Chair said she would entertain a motion to approve the Auditing and Accounting Services RFP (#2015-04). Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the VLT Audit Department has completed its audits for 2014. They are now working on the audits for 2015. On February 11, the Audit Committee and staff members met with representatives from Caesars for an update on the bankruptcy proceedings. The MLGCA will continue to monitor this situation.

The Electronic Gaming Device Operations Division continues to work on the transition for the slots turnover to Maryland Live! and Hollywood Casino. There was further Commission discussion regarding the sale of the slots equipment and bond payments. The Commission extended its thanks to Ms. Smith and Mr. LaBoy and his team for their efforts during this transition process.

The Responsible Gambling Voluntary Exclusion Program (VEP) added 34 participants for the casino side for a total of 721. Nine participants for the lottery side were added for a total of 94. Staff is involved in the planning of the National Council on Problem Gambling conference scheduled in Baltimore in July.

Lottery – John A. Martin, Assistant Director

Mr. Martin said five new instant products launched in February. They are \$1 *Mustache Cash*, \$2 *Pinball*, \$3 *Loteria*, \$5 *Diamonds & Dollars* and \$20 *Instant Millionaire*. The *Mustache Cash* ticket will utilize a new strategy of social media to attract younger demographics and non-players. The *Loteria* ticket is a popular Mexican game of chance similar to bingo. It will be available all retailer locations. Select retailers will feature bilingual POS merchandising. The ticket will be advertised for six weeks with a 30-second radio spot on WLZL radio.

Looking forward to spring training and the MLGCA's relationship with the Orioles, MASN, and the new Orioles broadcast radio station WJZ-FM. The 2015 sponsorship with the Orioles and MASN has been finalized.

The Sales Division is working on support of the relaunch of the \$3 *Bonus Crossword* instant game featuring a mobile app component.

The Communications Division will be on site at the Timonium fairgrounds on February 28 and March 1 at the Maryland Home and Garden Show, in Baltimore on March 5 for the City Paper's Cosmic Cocktail Party, and on March 14 and 15 at the Beer, Bourbon and BBQ event at the Timonium fairgrounds.

At the request of a Commission member, Mr. Martin talked about the closed instant games, particularly, allocation of funds for advertising instant ticket game, how the estimates are made, why some tickets are advertised and others are not, and why sometimes sales projections are not met. The MLGCA launches four new instant ticket games per month.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said the Licensing Division is working on the background investigations of license renewals. In the next few months he will be providing the renewal applications to the Commission for their review and approval.

Commissioner Morton noted there are numerous vacancies in the Compliance Divisions at the casinos and asked how long it takes to train new compliance officers to where they are productive. Mr. Mooney responded they do receive extensive on the job training. There are compliance officers present at the casinos 24/7. Interviews will take place over the next several weeks to fill the compliance officer vacancies.

A question was asked as to what happens when an intoxicated patron is asked to leave the casino. Mr. Mooney responded they are urged to leave with a friend or by taxi. Mr. Heiskell of Hollywood Casino said they would also notify the police if the intoxicated patrons tried to drive themselves. Mr. Dixon of Horseshoe Casino said they also make sure patrons who are intoxicated get home safely by taxi or with a friend.

Policy and Planning – Jaelyn Vincent, Assistant Director

Ms. Vincent said a legislative update was provided to the Commission. She thanked Mr. Butler for preparing this update. She gave a brief overview of the following departmental legislative bills the MLGCA submitted as well as other bills of interest and concern. She answered any questions the Commissioners had. Bills have been introduced and are scheduled for hearings on March 17.

- HB 1111 -- Video Lottery Facility-Areas Prohibited to Individuals under the Age of 21 Years-Employee Exception
- HB 1112 -- State Lottery and Gaming Control Commission-Hearing Committee

- HB 1113 -- Video Lottery Facility-Operation and Employee Licenses-Crimes or Acts of Moral Turpitude or Gambling
- HB 1114 -- State Lottery and Gaming Control Agency-Raffles-Authorized
- HB 1115 -- Gaming-Video Lottery Employee-Temporary License
- SB495 -- Video Lottery Facilities-Table Games-Distribution of Proceeds
- SB561 -- Video Lottery Facility Payouts-Intercept for Restitution Payments
- SB764 -- Video Lottery Terminals-Changes Affecting Proceeds-Legislative Approval.

Commissioners Marriner and Morton said they would be happy to testify at the bill hearing for SB764, if necessary. She said will keep the Commission updated.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said he had nothing to add to his report.

PUBLIC COMMENTS

There were no public comments.

CLOSED SESSION

Chair Robertson Pannell said that pursuant to General Provisions Article §3-305(b)(14), she would entertain a motion to move to a closed session to discuss, before a contract is awarded or bids are opened, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process pertaining to the status of proposed VLT sales transactions. Motion was made by Commissioner Marriner, seconded by Commissioner Morton, and motion passed by unanimous vote of the Commission. See attached Statement for Meeting in Closed Session. The meeting moved to a closed session at 11:20 a.m.

In addition to the five Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, Charles LaBoy, John Martin, John Mooney, Jaclyn Vincent, Robert Fontaine, Holly Citko, Wayne Jones, and Marie Torosino. The meeting returned to open session at 11:30 a.m.

Chair Robertson Pannell announced that during the closed session, the Commission discussed the status of proposed VLT sales transactions. There were no actions taken in closed session.

Chair Robertson Pannell said she would entertain a motion to approve the proposed VLT sales transactions as discussed during the closed session. Motion made by Commissioner Marriner, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

(Recorder's note: The closed session statement is attached to these minutes.)

DATE AND TIME OF NEXT MEETING

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

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Commissioner Boozer, seconded by Commissioner Marriner and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:38 a.m.

Respectfully submitted,



Stephen L. Martino

Maryland Lottery & Gaming Control Commission

STATEMENT FOR MEETING IN CLOSED SESSION

Location: Maryland Lottery & Gaming Control Agency
1800 Washington Boulevard, Suite 330
Baltimore, MD 21230

Date: 2/26/15
Time: 11:20 AM

Motion By: Marriner
Vote to Close Session:

Seconded By: Morton

Table with 5 columns: Name, AYE, NAY, ABSTAIN, ABSENT. Rows include Chair Kimberly Robertson Pannell, Commissioner F. Vernon Boozer, Commissioner Bert J. Hash, Jr., Commissioner E. Randolph Marriner, Commissioner Diane L. McGraw, Commissioner John Morton, III, and Commissioner James J. Stakem.

REASON(S) FOR MEETING IN CLOSED SESSION

Pursuant to General Provisions Article §3-305(b), the Commission voted to meet in closed session or adjourn an open session to a closed session in order to:

- (1) [] Discuss: (i) The appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction; or (ii) Any other personnel matter that affects one or more specific individuals.
(2) [] Protect the privacy or reputation of an individual with respect to a matter that is not related to public business;
(3) [] Consider the acquisition of real property for a public purpose and matters directly related to the acquisition;
(4) [] Consider a matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State;
(5) [] Consider the investment of public funds;
(6) [] Consider the marketing of public securities;
(7) [] Consult with counsel to obtain legal advice;
(8) [] Consult with staff, consultants, or other individuals about pending or potential litigation;

- (9) [] Conduct collective bargaining negotiations or consider matters that relate to the negotiations;
- (10) [] Discuss public security, if the public body determines that public discussion would constitute a risk to the public or to public security, including:
 - (i) The deployment of fire and police services and staff; and
 - (ii) The development and implementation of emergency plans;
- (11) [] Prepare, administer or grade a scholastic, licensing, or qualifying examination;
- (12) [] Conduct or discuss an investigative proceeding on actual or possible criminal conduct;
- (13) [] Comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter; or
- (14) [X] Discuss, before a contract is awarded or bids are opened, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

TOPICS TO BE DISCUSSED: status of proposed VLT sales transactions

Time closed session began: 11:20 AM **Time closed session ended:** 11:30 AM

PERSONS PRESENT DURING CLOSED SESSION: Five Commissioners, S. Martina, H. Smith, C. Laboy, J. Martini, J. Mooney, Jo Vincent, M. Tarascio, and W. Jones, B. Fontana & H. Cella

UPON RETURN TO OPEN SESSION, ANNOUNCE OUTCOME OF CLOSED SESSION (e.g., specific action taken, results of vote, no action taken):

Discussed the status of proposed VLT sales transactions



 Signature of Presiding Officer