

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING COMMISSION MARCH MINUTES

DATE: March 24, 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 George L. Doetsch, Jr.
Commissioner Bert Hash, Jr.
Commissioner John Morton
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
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
Jaclyn Vincent, Managing Director, Policy and Planning
Carole Everett, Director, Communications
James Butler, Director, Legislative and Policy Affairs
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
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 10:03 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, John Morton and James Stakem.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Agenda. Vice Chair McGraw requested that Mr. Fontaine be added to the Agenda to discuss an item on his report. Motion to approve the Agenda with the addition of comments by Mr. Fontaine was made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

APPROVAL OF MINUTES

Chair Robertson Pannell said the February 25, 2016 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Commissioner Stakem made a motion that the February 25, 2016 open session minutes be approved, it was seconded by Vice Chair McGraw, 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: nine new instant tickets--Game #257 *Monopoly*[™] (\$2), Game #258 *Monopoly*[™] (\$5), Game #259 *Monopoly*[™] (\$10), Game #264 *Monopoly*[™] (\$1), Game #268 *Cash Craze Crossword* (\$3), Game #273 *Maximum Jackpot* (\$10), Game #274 *Diamond Spectacular* (\$20), Game #281 *Blingo Bingo* (\$10) and Games #291 *Match & Win* (\$3); VLT Games and Component Testing Approvals for VLT and Table Games (2/10/16 – 3/9/16) and a Mandatory Revocation; 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 nine new instant tickets noted above; VLT Games and Component Testing Approvals for VLT and Table Games (2/10/16 – 3/9/16) and a Mandatory Revocation; and Gaming License Application Denials. Motion to approve was 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, stated total revenue for February was \$4.5 million, up 8% for year over year. Slots were ahead 10% slots and tables games were only slightly ahead for year over year. March revenue is looking good.

Last weekend, the Carnival Cruise giveaway promotion drawing was held. In April, a car giveaway promotion will be held with the giveaway of a Jeep.

Yesterday he spent time with his colleagues at Rocky Gap for the Maryland Alliance for Responsible Gaming (MARG) meeting.

In a few weeks, the annual cleanup at Elk Neck State Park will take place. Volunteers from the casino will help with the cleanup of the park.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said total revenue for February was \$3.9 million, a 17% increase for year over year.

The annual Easter holiday food drive to benefit the local food bank runs from March 7 to 25, and this is usually quite successful.

Recently, the Worcester County Health Drug and Addiction did an undercover underage check of businesses. The casino passed the check, and the County used the casino as an example of what other businesses can do to prevent underage violations. It is a challenge all the casinos have.

There was employee picketing activity on the casino property concerning wages and working conditions. It did not affect the casino operation, revenue or service to the customers. Mr. Cavilla said the last negotiation session was on March 11 with Unite Here. An offer is on the table and workers will take a vote. He does not know the result as yet.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said total revenue for February was \$54 million, up 15% for year over year, which he attributed to the extra day of the month and casino promotions.

During February, they are doing a promotional giveaway of fifty 65-inch televisions. They are also continuing the Wipe Out the Holiday Credit Card promotion during February.

The Trip to Outer Space promotion is doing well. Each Saturday night during March, eight individuals are chosen and then one winner is picked. The winners are usually taking the cash or free play.

At Rams Head Live, Taylor Dane appeared in February at a sold out concert and in March, Boys II Men will be appearing.

At the request of Chair Robertson Pannell, Mr. Shipley gave an explanation of the Maryland Live! social media app and how it works. It is separate from gaming regulations and is no different than any other type of game app on a cell phone. A person buys credits and gets rewarded in credits.

Rocky Gap Casino Resort

Mr. Jason Bittinger, Director of Security, said total revenue for February was \$3.8 million, up 10.3% for year over year. March is trending well. They are preparing for the spring and summer time at Rocky Gap, which is their busy time. Golden Entertainment is working on some projects on the property, such as changes to the restaurant and updating the resort rooms. The parking lot project should be completed by the end of May.

Mr. Bittinger said there are no major promotions coming up.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, Vice President and General Manager, said total revenue for February was \$25 million, up 20% for year over year.

There were a few big promotions running in February. The \$180,000 Suitcase Man promotion grand finale took place. March was a good month for table game players who were pleased with their winnings. The casino is happy to have them play.

The World Series of Poker started on March 28 and runs through April 4. The casino is placing additional poker tables in the ballroom in addition to the tables in the poker room. They are expecting a lot of foot traffic. April promotions include a giveaway of a Porsche. The casino will be a sponsor of Light City Baltimore this year.

MGM Resorts International – National Harbor

Mr. Max Fisher, Chief Financial Officer, said 49 Prince George's hospitality Fresh Start Program attendees graduated. The renovated Addison School will open in early May as the MGM National Harbor Training Center.

They have exceeded their MBE and CBMBE participation goals. They continue their volunteer activities as a sponsor of the Christmas in April, an event that a number of team members will participate in, and partnering with the Prince George's Community food bank. They launched an event in March to recognize women that took part in construction of the facility.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said we have reached the fourth quarter of the fiscal year. Year to date total lottery sales are 8.4% ahead for year over year and total lottery profit is 6.5% ahead for year over year. We have had a strong quarter on the instant ticket side. Total casino revenue is up 10.6% for year over year with total casino contributions up 2.4% for year over year. Combined lottery sales and casino revenue is 9.2% and combined lottery profit and casino contributions are 4.5%, both ahead for year over year.

Mr. Medenica said we have been doing very active marketing of the Cash4Life® game. With two months into the game, sales are \$5 million with \$1.7 million in profit. Advertising has done its job and we will see how it continues to do going forward without the advertising support it has had to date.

Commissioner Morton asked how we account for the liability of that annuity with winners being at different age levels. Mr. Medenica responded it averages out over time. There are now six states as part of the Cash4Life® game and it has a bigger pool with more randomness. More people are choosing the cash option of a fixed amount instead of the annuity.

Chair Robertson Pannell asked which states participate in Cash4Life®. Mr. Medenica said in addition to Maryland, it is New York, New Jersey, Pennsylvania, Virginia and Tennessee. In July, Georgia will be coming on board.

Mr. Medenica said there are a record number of bills in the Legislature we are tracking. Mr. Butler will provide an update to the Commission.

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

Ms. Smith said we are tracking our budget as it moves through the Legislature. Thus far, it is still intact. We will be moving into the last quarter of the fiscal year. Agency spending and procurement are in line for this fiscal year. The Commission will be provided a budget report at the April meeting.

The statewide automated timekeeping system will be delayed another month. There are two State agencies that will be going live as test agencies. This will give the Lottery additional time to do testing at the Agency. The Lottery's Human Resources Division will continue to train all employees on the use of the timekeeping system. We look forward to it going live in April.

Ms. Smith said she is working on recruitment for existing vacancies, and will start filling positions needed at MGM National Harbor to bring them on board for training prior to the opening of the casino.

Chair Robertson Pannell asked for further explanation of moving a majority of encumbrances back to the FY2015 budget. Ms. Smith responded when the Agency accrues or encumbers an expense at the end of a fiscal, and when those invoices are received during the next fiscal year, it is charged to the current fiscal year then moved back to the prior fiscal year. For example, on the advertising side, we encumber one-year results of activities, but do not move the funds back until the invoices are received.

Chair Robertson Pannell asked if there any changes to the FY2017 budget as compared to the FY2016 budget. Ms. Smith responded the General Fund will decrease because of the ownership of slots by some of the properties. Another minor change is for cost of living She will put the allocation in her budget report next month.

The Commission was provided with the January financial statement.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said his Division is in the process of working on the 2016 regulatory review. They received 34 suggested items for regulatory revision from the industry.

The Maryland Alliance for Responsible Gambling (MARG) meeting was held on March 23 at Rocky Gap Casino Resort. At the meeting an overview was provided regarding Maryland Live!'s social casino app.

Mr. LaBoy then provided information to the Commission on the app and answered any questions. Mr. Mario Maesano, Marketing Executive from Maryland Live! also provided an explanation of the social casino that launched. It is only accessible to anyone 21 years or older.

Mr. LaBoy said March is Problem Gambling Awareness month. A proclamation ceremony was held in the Maryland Senate to recognize this, and MLGCA staff as well as representatives from the MARG group were present to receive that proclamation.

Chair Robertson Pannell asked for an explanation of the World Lottery Association's responsible gambling practice certification levels. Mr. LaBoy said Level 1 is a commitment to the responsible gambling principles. Level 2 is an outline of how the agency is going to move forward with their responsible gambling program. For Level 3, the agency has to develop a plan to implement specific programs and this could take up to two years to implement. Level 4 involves implementing specific programs and continuously improving the programs.

Chair Robertson Pannell asked for an update of open positions at Ocean Downs and Rocky Gap. Mr. LaBoy responded the Gaming Auditor positions at Ocean Downs, Rocky Gap and Maryland Live! are vacancies that we have had for a while. These vacancies were caught up in the State freeze. They have since been freed, and recently the positions at Ocean Downs and Rocky Gap were posted. The Gaming Auditor at Horseshoe Casino Baltimore is an individual who recently resigned from the position.

VLT Increase

Mr. LaBoy said Rocky Gap Casino Resort's amended license agreement approved by the Location Commission in January 2013, states "the revised award will be for a total of 558 machines with the right to draw upon the total 850 VLTs, provided that the additional machines requested are put in to operation within five years of the issuance of the operation license." Rocky Gap has submitted a request to increase their VLT count by three machines, which would bring their total to 634 VLTs. Staff is requesting the Commission's approval.

Mr. LaBoy also discussed the possibility of delegating to staff the ability to approve an increase of up to 10 VLTs, up to the number for which the operator is licensed, and then have staff report to the Commission at the monthly meetings.

Chair Robertson Pannell said she would entertain a motion to approve Rocky Gap Casino Resort's request to increase their VLT count by three machines for a total of 634 VLTs. Motion made by Commissioner Stakem, seconded by Commissioner Doetsch, and motion passed by unanimous vote of the Commission.

The Chair said staff has also requested that the Commission consider delegating to staff the ability to approve an increase of up to 10 VLTs at each facility, up to the number for which the operator is licensed. She asked for any comments from the Commissioners.

Following discussion, Chair Robertson Pannell said the Commission has heard the recommendation of a request to delegate to staff the ability to approve requests from a casino for up to 10 VLTs. It is the consensus of the Commission that Mr. LaBoy provide that request in writing to include a timeframe and any impact on the Agency, so that they Commission could have an opportunity for review. Mr. LaBoy said he will submit the request at next month's Commission meeting.

Lottery – John Martin, Managing Director, Chief Revenue Officer

Mr. Martin said Cash4Life® is exceeding expectations, instants are showing double digits, and the Numbers game are showing strong growth. We are hoping for one more big Powerball jackpot before the end of the fiscal year. Total sales target for this fiscal year was to reach \$1.9 billion.

Corporate Sales annual business reviews are scheduled with Carroll Fuel and Dash-In on March 25.

Retail Recruitment has over 100 applications in the process stage, and he will keep the Commission updated on the recruitment efforts throughout the State.

Mr. Martin said the Commission was provided with the financials for the closed instant games. However, on the summary sheet the advertising cost for the Ravens Game should be corrected to show advertising costs of \$1,872,371.59. The figure on the closed financial sheet is correct.

In response to a question from Vice Chair McGraw, Ms. Everett said the Lottery has not had a booth at Spring Fest in Ocean City, but she will look into it.

Vice Chair McGraw noted that there was down time of the lottery system for 90 minutes and asked if that was at Lottery headquarters. Mr. Nielsen responded it was at headquarters and the system was switched over to the backup site.

Legislative & Policy Affairs – James Butler, Director

Mr. Butler said a copy of the legislative update was provided to the Commission. The two Departmental bills (SB78 and SB111) that the Lottery submitted for consideration passed third reader in the Senate. They are now scheduled for hearings in the House Ways and Means Committee on March 29. We are tracking 55 bills that have some type of Agency impact as well as 16 bills of interest. Mr. Butler will keep the Commission updated.

HB202/SB1004 Gaming Payouts – Donation of Coins – Maryland Veterans Trust Fund (MVTF). This cross-filed bill was amended to have the Commission issue a report to the Legislature in 2017 on the implementation of a pilot program to allow players to donate to the MVTF.

SB864/HB1490 – Public Safety – Internet Crimes Against Children Task Force Fund – Establishment (Alicia’s Law). This bill was amended so that other appropriated funds, rather than Lottery operating funds, will be used to fund the Task Force. The Senate passed the bill and it will now be heard by the House Appropriations Committee.

In response to Chair Robertson Pannell’s request for an update on SB941 Worcester County – Family Entertainment Centers – Amusement Gaming Licenses, Mr. Butler said the bill passed the Senate, and a hearing is scheduled for March 29 with the House Ways and Means Committee.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine asked Ms. Laura Davis Tilley to respond to Vice Chair McGraw’s question regarding an action with the World Intellectual Property Organization (WIPO) for the transfer of the domain name “marylandlottery.com” to the Lottery as referenced in his report. Ms. Tilley said the Agency owns the domain name “mdlottery.com”. “MarylandLottery.com” was filed by an entity other than the Lottery, originally by a person in New York. The OAG sent a cease and desist letter to the owner. The owner promptly sold the name to a new owner. Vice Chair McGraw asked whether the filer would sell the name. Ms. Tilley responded they would sell for a large sum of money. Instead, WIPO ordered the owner to transfer the name to the Lottery.

COMMISSION COMMENTS

Chair Robertson Pannell said in the future, unless the reports from Mr. Mamorsky, Mr. Nielsen, Mr. Mooney, and Ms. Everett are being presented at the meeting, those reports will be placed on the Consent Agenda each month for acceptance by the Commission.

Chair Robertson Pannell said she would entertain a motion to approve the reports submitted by Mr. Mamorsky, Mr. Nielsen, Mr. Mooney, and Ms. Everett. Motion made by Vice Chair McGraw, seconded by Commissioner Stakem, and motion passed by unanimous vote of the Commission.

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 Wednesday, April 20.

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 11:10 a.m.

Respectfully submitted,


Gordon Medenica