

Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

DATE: March 27, 2014

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

Stephen Martino, Director
Gina 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
Jaclyn Vincent, Director of Gaming Research
Holly Citko, OAG Deputy Counsel
Marie Torosino, Executive Associate

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

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, Bert J. Hash, Jr., E. Randolph Marriner, Diane L. 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 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 stated the February 27, 2014 minutes were previously provided to the Commissioners for review and asked if there were any changes. Hearing none, Commissioner Hash made a motion that the 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 two new instant ticket games for the Commission's approval: Game #141 "21" and Game #149 *White Ice 7s*. The Consent Agenda also contains VLT Games and Component Testing, Gaming License Application Denials, and Lottery Retailer License Application Denials for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion. No items were removed for discussion.

The Chair requested a motion to approve the two new instant ticket games noted above as well as the VLT Games and Component Testing, Gaming License Application Denials, and Lottery Retailer License Application Denials. Motion made by Vice Chair McGraw, seconded by Commissioner Boozer and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell said he is the new General Manager at the facility. He said February has been a strong month with \$7.1 million in revenue which is up 18% year over year. Slots are down 3% and table games are \$1 million ahead. It was one year in March that the facility expanded to table games.

On behalf of the Commission, Chair Robertson Pannell welcomed Mr. Heiskell.

Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said the facility is still struggling with the snowy weather but it has not been affecting performance. Revenue for February is \$3.5 million, which is 10% ahead of last month and 1.3% ahead of February 2013. March revenue is currently running 4% to 5% over last year. They are anxiously waiting for the summer season to kick in.

This past weekend, a Motor Sport event was held on the property. The club that runs these events had over 100 cars on display. It helped to boost onsite visits to the casino.

Oceans Downs is located in Berlin. Recently, the Town of Berlin was voted the Coolest Town in America, and there is a celebration scheduled for March 29. The casino will be providing shuttle service between the casino and the town for this celebration.

Ocean Downs will be involved with the Diakonia Shelter and Food Pantry Spring Food Drive by collecting can goods this Easter season. During the last holiday, 100,000 pounds of food was distributed by the food bank, and 30% came from the collections held at Ocean Downs.

There was a discussion of the liquor license upgrade as a result of the expansion of entertainment at the facility.

Maryland Live! Casino

Mr. Tom Coppinger, Director of Surveillance, said February revenues were \$52 million, which is up 37% over last year. Slot revenue was under last year. Revenue for table games and poker combined was \$18.4 million.

The facility recently hosted some events. The \$1 million Live! Poker Classic has finished and it attracted poker players from the East coast. In April, the Grand Slam giveaway promotion associated with baseball will begin. The Live! Stars competition with over 100 contestants will take place. The grand prize winner will receive 16 free hours in a recording studio and \$10,000 in cash. The facility is partnering with Susan G. Komen as a sponsor for the Race for the Cure.

Employee training and education programs will take place regarding the enforcement of the underage casino policy and the voluntary exclusion program.

Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said February revenue was \$43.1 million and was slightly higher than January. Construction of the golf pro shop and restaurant area has begun. Construction of additional parking spaces should begin by next week, and they are attempting to complete it by Memorial Day.

Commissioner Morton asked if there is any data available on the impact of the golf course on the casino. Mr. Just responded such data is not available as yet, but later on in the year he will be able to discuss that further.

Horseshoe Casino Baltimore

Mr. Brian Carr, Vice President of Finance, updated the Commission on the construction progress of the interior and exterior of the property. Construction is moving along well. The facility is on schedule to open later this year.

MGM Resorts International – National Harbor

Mr. Lorenzo Creighton, President, addressed the Commission regarding the project. They have a very aggressive timeline. He said he appreciates the guidance that has been received from the Agency and the Commission. There are a final few steps to be taken before construction can begin, and they are hoping to break ground possibly by the end of April. Their goal is to meet the July 2016 timeline. He then introduced Mr. John Rooney, Director of Construction.

Mr. Rooney said numerous architectural engineers and interior designers are working on the project. A fence is being installed around the site this week. In one year, if everything is on schedule, all the concrete be in place for the parking garage. This will be followed by construction of the casino and hotel on top of garage to be completed by Fall 2015. He further reviewed the timeline.

Commissioner Marriner asked if a construction manager had been selected as yet. Mr. Rooney responded they will make a selection in six to eight weeks. They are currently performing the pre-qualification process. In the future, he will have more details regarding the facility amenities, restaurants, etc.

Commissioner Morton asked how many employees the casino will be hiring. Mr. Creighton responded there will be 3,600 employees with a payroll of \$160 million.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino said he has sent the Commission emails on a number of topics. Traditional lottery sales and revenue continue to be challenging. He provided some information on the steps that are being taken to increase lottery sales.

Through March 23, lottery revenue was down \$18.2 million and sales were down \$24.6 million as compared to last year. Weather has had an impact on sales as well this winter. SGI estimates lottery sales are down between \$12 and \$15 million because of the weather. There has been some improvement in instant ticket sales as a result of the change in the prize structure, but it will take some time to turn this around. Last night the Pick 3 number 999 was drawn. It brought in \$418,000 in sales but paid out \$1.469 million, a 351% payout. When that happens, it heavily impacts revenue.

One positive impact on sales and revenue was the recent \$414 million Mega Millions jackpot that was won last week. One winning ticket was purchased in Maryland and the other was purchased in Florida. Maryland's ticket was sold at a liquor store in Charles County. Lottery

staff and media were present at the agent location the day after the drawing. As of today, Maryland's ticket has not been claimed.

Ms. Vincent will provide an update on the legislative bills being monitored during this session.

Commissioner Morton commented that the casinos are beginning to have an impact on lottery sales and revenue. He asked if there is any interest by the legislature in the possibility of internet lottery. Mr. Martino responded there had been some discussion. He said he may be meeting with the Joint Gaming Committee during the summer to talk about the impact internet gaming might have. More states are moving ahead with internet gaming.

Maryland Lottery and Gaming Control Commission Code of Conduct Staff Acknowledge Form (Revised)

This is a follow up to the Code of Conduct the Commission approved last month. After the meeting it was determined that, as written, employees would be held accountable for future revisions by signing a new acknowledgement each time a change is made. As the Agency is given more responsibilities, it will need to continue to revise the Code of Conduct. Given that the Agency has grown to 300 employees, it would be an administrative burden to have new acknowledgements signed each time the Code is revised. So the acknowledgement form has been revised to specifically incorporate future changes to the Code, and to notify employees that any future changes will be placed on the Agency employee intranet. This will avoid having all employees sign a new acknowledgement every time a change is made.

Chair Robertson Pannell asked if there were any further questions on the revised Code of Conduct for the staff. Hearing none, Commissioner Marriner made a motion to approve, it was seconded by Commissioner Stakem, and motioned passed by unanimous vote of the Commission.

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

Ms. Smith said she continues to monitor the FY2015 budget and is gearing up for additional hirings. These additional PINs will be received in this fiscal year and next fiscal year. She is currently recruiting for the position of Director of Human Resources.

The Agency is in the process of refining the technical specifications for the instant ticket lottery machines and working with the vendor on the implementation of that program.

The November and December financial statements were provided to the Commission today.

Modification – Investigative Services for Video Lottery Terminal Licensing Contract (#2009-07S)

This Contract Modification with Manuel, Daniels, Burke International, LLC (MDBI) and Spectrum Gaming Group, LLC (Spectrum) will extend the term of each contract for one additional year and will increase the not to exceed amount by \$1 million. We have received the signed contract from MDBI. We are waiting for the signed contract from Spectrum and anticipate receiving it shortly. The Contract Modification will be presented to the Board of Public Works at its April meeting.

Chair Robertson Pennell said she would entertain a motion to approve the Modification to the Investigative Services for Video Lottery Terminal Licensing Contract (#2009-07S) with Manuel, Daniels, Burke International, LLC and Spectrum Gaming Group, LLC which will extend the term of each contract for one additional year and will increase the not to exceed amount by \$1 million. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said staff continues to work with the instant bingo halls reviewing regulatory plans and receiving slot files and floor plans. Implementation should be in July or August.

Staff continues to meet regularly with Horseshoe Casino Baltimore staff on the development of the property. A site visit took place earlier this week.

Various audits have been completed or are in process. The Commission Audit Committee was updated on the progress of the audits.

Lottery – John A. Martin, Assistant Director

Mr. Martin said the display from the Museum of Industry of the Lottery's 40th Anniversary is in the corridor outside of the studio. This was a great event held last year and we were able to bring the display back to the Lottery.

The Commission received the closed instant ticket games from the current month, and we were within the guidelines of the revenue estimate.

The Orioles baseball season starts on March 31. We have a great campaign with the Baltimore Orioles this season. The program includes stadium sponsorship elements and seven drawings throughout the season for second chance prizes including: contestants of the game, trips to Chicago to see the Orioles and the Cubs, and one grand prize winner to see game four of the 2014 World Series. Slugger Show Down will be featured on the main scoreboard during the games. We will be on site in and around the ballpark during the season promoting the Oriole instant ticket that launched on March 24. Advertising will appear on the light rail cars both on the interior and exterior. A four spot advertising campaign featuring custom built bobble heads will air with each one highlighting one of four prizes— instant cash, Contestant of the Game, trip to Wrigley Field and trip to the World Series. A retailer incentive promotion will run to help drive sales.

The Monopoly instant ticket continues to perform well. The ticket launched in January and it is 40% sold.

On March 24, the Lottery's website underwent some changes and improvements. The marketing segmentation study by the Key Group will begin shortly. It will be two months before the results will be available.

Sales will roll out the One Place project to the sales staff. The pilot sales group who tested the app gave it great reviews.

Enforcement – Capt. John Mooney, Assistant Director for Enforcement

Capt. Mooney said his report was provided to the Commission. The Licensing Division is currently fully staffed, and will be able to handle the license applications that are being received for Horseshoe Casino Baltimore. He anticipates receiving PINs from the Legislature once the session is over for additional positions. Once these positions are received and filled, we will get the employees on board to handle the license applications.

There are four vacancies in Security and those positions will assist with the Bingo Halls and VFW projects.

Gaming Research – Jaclyn Vincent, Director

Ms. Vincent said Mr. Butler is in Annapolis today monitoring the legislative bills. She provided a detailed review of the status of the bills currently being monitored. The underage bill passed both the House and Senate with an effective date of October.

Mr. Martino said at next month's Commission meeting, a full legislative report, including the budget, will be presented.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said the OAG's report was provided to the Commission, and that he had no information to add.

PUBLIC COMMENTS

There were no public comments.


DATE AND TIME OF NEXT MEETING

The next regular monthly Commission meeting is scheduled for 1 p.m. on Monday, April 21.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. Meeting adjourned at 10:55 a.m.

Respectfully submitted,



Stephen L. Martino