

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 25, 2017

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Control Agency Headquarters

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

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
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
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 National Harbor
Members of the Public

Kimberly Robertson, 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, Vice Chair McGraw called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:09 a.m. Commissioners present were F. Vernon Boozer, George Doetsch, Bert Hash, John Morton, and James Stakem. Chair Robertson arrived after the meeting was called to order.

APPROVAL OF THE AGENDA

Vice Chair McGraw said the Commissioners were provided with a copy of the Amended Agenda. The Amended Agenda was approved and accepted by the Commission.

APPROVAL OF THE MINUTES

Vice Chair McGraw said the April 20, 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 April 20, 2017 open session minutes be approved. Motion was seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Vice Chair McGraw said that the Consent Agenda contains four instant tickets for the Commission's approval: Game #334 *Big Money Bingo* (\$10), Game #337 *Ruby Riches* (\$3), Game #339 *Cash Explosion* (\$20), and Game #349 *Yahtzee*[™] (\$5). She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the four new instant tickets noted above. Motion to approve was made by Commissioner Hash, seconded by Commissioner Morton, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (4/8/17 to 5/12/17). She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (4/8/17 to 5/12/17). Motion to approve was made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Consent Agreements for Regulatory Violations for Maryland Live! Casino for December 2016, January 2017, and February 2017. She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Consent Agreements for Regulatory Violations for Maryland Live! Casino for December 2016, January 2017, and February 2017. Motion to approve was made

by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains a Consent Agreement for Underage Violations for Maryland Live! Casino for Case #2017-03-007, 009, 011, and 017. She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Consent Agreement for Underage Violations for Maryland Live! Casino for Case #2017-03-007, 009, 011, and 017. Motion to approve was made by Commissioner Morton, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Gaming License Application Denials. She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Gaming License Application Denials. Motion to approve was made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains a Gaming License Revocation. She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Gaming License Revocation. Motion to approve was made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Lottery Retailer License Revocations. She asked if the Commissioners had any questions. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Lottery Retailer License Revocations. Motion to approve was made by Commissioner Hash, seconded by Commissioner Boozer, and the motion carried by unanimous vote of the Commission.

Vice Chair McGraw said that the Consent Agenda contains Staff Reports for James Nielsen, Carole Gentry, Robert Fontaine, and the Marketing Staff. She asked if the Commissioners wished to remove any reports for discussion. Hearing none, Vice Chair McGraw said she would entertain a motion to approve the Staff Reports. Motion to approve was made by Commissioner Hash, seconded by Commissioner Stakem, and the motion carried by unanimous vote of the Commission.

Chair Robertson arrived and continued the meeting.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for April was \$6.4 million, down 8% year over year. Slots revenue was down 5% and table game revenue was down 10%, year over year. They had many lucky customers this month.

The outdoor patio area has been completed and is open. Renovation of the Quick Serve change over to the Greene Turtle Express will begin next week.

This weekend a Prince Tribute Band will perform at the property, and tickets to the show were sold out.

The property held its first outdoor festival in September last year and it ended up being a cold and rainy day. They are planning a second outdoor festival for this September and are hoping for better weather.

Mr. Heiskell said the casino faces competition both outside and inside the state. They do marketing mailings and have VIP events to reach out to table game customers. Since the opening of The Greene Turtle Restaurant, more customers have been coming in who would not necessarily visit the casino.

The Casino at Ocean Downs

Ms. Bobbi Sample, General Manager, said total revenue for April was \$4.8 million, up 3.3% year over year. Things are starting to ramp up around Ocean City. It was busy at the racetrack during Preakness weekend. A vintage car show was also held on the property that weekend.

The property will be giving away tickets to the upcoming Ocean City air show. The casino will have a tent on the beach that weekend.

She did not have any additional information regarding the expansion. The smoking patio will open at some point on the Memorial Day weekend.

Ms. Sample said the trolley would run again this year as it did last year (through Berlin, Ocean City, and Ocean Downs). There is also a shuttle bus that will run between Ocean Downs and the various Ocean City hotels with whom they have a partnership.

Maryland Live! Casino

Mr. Travis Lamb, CFO and Sr. Vice President, said total revenue for April was \$45.3 million, down 21% year over year. Slots were down 18% and tables games were down 27%, year over year. The casino will be holding a car giveaway in May. During June, the casino will celebrate its fifth anniversary by giving away five Teslas.

The property held a food bank drive and it was quite successful. Employees participated in the SPCA's March for the Animals event held a few weeks ago. In June, a minority vendor event will be held at the property.

Construction of the hotel is progressing. The expected opening is the end of March or beginning of April 2018. The hotel will have 310 rooms, a spa, a restaurant, and an event center. They will be holding employee job recruitment events in late November.

Rocky Gap Casino Resort

Mr. Skyler Dice, Vice President and General Manager, said total revenue for April was \$4.6 million, up 10% year over year. The area has had some rainy weekends, which is bad for the golf course, but good for the casino. The band Kix performed and they had an attendance of 2,000 people on the driving range.

On the Memorial Day weekend, they will be giving away an ATV. The hotel is booked up for the Memorial Day weekend.

Progress continues on the upgrade to the landscape in the back area of the building to take advantage of the lake view and to tie in the backyard area for more outdoor events and dining.

There was a recent mention in the Cumberland newspaper for the Day of Caring and Sharing event involving the cleanup of a Cumberland city park in which the employees participated.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, General Manager, said total revenue for April was \$24.6 million, down 19% year over year. The opening of the sixth casino continues to have an impact on revenues.

Another World Series of Poker event will be held at the property.

Community efforts with Baltimore City organizations continue.

Last night they held the just first Horseshoe Employee's Got Talent show. There were 22 acts that performed. It was a great team event. The money raised will go to underprivileged youths in Baltimore City.

MGM National Harbor

Mr. William Boasberg, General Manager, said total revenue for April was \$50 million. Business continues to grow each month.

The property continues to sign up customers in the M Life Rewards Club.

Mr. Boasberg introduced Mr. Pete Brascia, Senior Vice President of Marketing and Operations. Mr. Brascia said he has 30 years of experience in gaming. He has been with MGM since 2005, and spent 10 years at the casino in Mississippi.

Mr. Boasberg said MGM National Harbor is planning an expansion to the casino. They will be presenting their plan to the Commission next month. This will bring additional jobs and more gaming revenue to the State.

STAFF REPORTS

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

Ms. Smith said the Commission heard the reports presented by the casino operators regarding their revenue. On the lottery side, it has been a successful year thus far with sales \$21 million ahead of last year. The big performer has been the instant ticket games and the increase in the Racetrax game. The Lottery has not been as lucky on the profit side, which is down \$33.5 million. There have been some big hits in the Pick 4 game. The Lottery believes it will set another sales record when the fiscal year ends in June, and is on target to meet its BRE goal.

On May 10, the Board of Public Works approved the Lottery Central Monitor and Control System contract with SGI. Meetings are being held with SGI personnel to begin the transition. Updates will continue to be provided to the Commission.

Commission Action Items

Request for Proposal (RFP) – Televised Drawings of Lottery Draw Games and Related Services (#2017-02)

This RFP will provide for (1) the production and live television broadcast of the drawings of the MLGCA's Draw Games and related services in the Baltimore area and beyond; (2) promote the televised drawings, winning numbers, upcoming jackpots, recent lottery winners, and other related MLGCA products and promotions; and (3) perform all other promotion and transmission activities.

The existing contract with WBAL-TV 11 expires on June 30, 2017. Last month, the Commission approved the final six-month renewal option on that existing contract.

There was discussion on the MBE goals and the evaluation committee for this RFP.

Chair Robertson asked if there was any further discussion. Hearing none, the Chair said she would entertain a motion to approve the Request for Proposal for Televised Drawings of Lottery Draw Games and Related Services (#2017-02). Motion made by Vice Chair McGraw, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

This RFP will be issued next week and will be posted on the eMaryland Marketplace website as well as the Lottery's website.

Contract Modification – Instant Ticket Games and Related Services Contract (#2013-01)

The current Contract with Pollard Banknote Limited (Primary Contract) and Scientific Games International, Inc. and GTECH Corporation/IGT (both Secondary Contracts) expire on August 31, 2017, with one three-year renewal option available. The Modification will (1) revise the Contract to authorize the unilateral right of the MLGCA to extend the Contract for three additional one-year renewal periods, rather than one additional three-year renewal period as originally stated in the

Contract; (2) exercise the first of the three one-year renewal options, extending the term until August 31, 2018; and (3) retain the unilateral right to exercise the two remaining one-year renewal options.

Chair Robertson asked if the Commission had any questions. Hearing none, the Chair said she would entertain a motion to approve the Contract Modification for the Instant Ticket Games and Related Services Contract (#2013-01). Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

This Modification will be submitted to the Department of Budget and Management for inclusion on the Board of Public Works Agenda for June.

Contract Renewal/Modification – Advertising, Digital, Web & Social Media, and Research Services Contract (#2013-02)

This Contract is for three Functional Areas (FA): GKV Communications, Inc. (FA #I – Creative and FA #III - Digital/Web) and Media Works, Ltd. (FA #II – Media). The original contract term was August 1, 2013 to July 31, 2016, with two one-year renewal options. Renewal Option #1 was previously exercised and expires on July 31, 2017. For each of the Functional Areas I, II and III, the MLGCA intends to: (1) continue existing services by exercising the second one-year renewal option for each Contractor; and (2) increase the Not to Exceed amount for the renewal option period to correspond to the MLGCA's increased advertising budget for FY2017, which is projected to continue in FY2018. The term of the renewal option is August 1, 2017 to July 31, 2018, in the total Not to Exceed amount of \$18,988,592. The MLGCA anticipates that it will have a continuing need for these services and will therefore initiate the development of an RFP for a new replacement contract during this renewal option period.

Chair Robertson asked if the Commission had any questions. Hearing none, the Chair said she would entertain a motion to approve Contract Renewal/Modification for Advertising, Digital, Web & Social Media, and Research Services Contract (2013-02). Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

This Contract will be submitted to the Department of Budget and Management for inclusion on the June 21, 2017 Board of Public Works Agenda.

Regulation – Collection of Taxes, Fees and Penalties – COMAR 36.03.08

This proposed amendment would implement new legislation that takes effect July 1, 2017. The regulation allows a casino that returns to successful players more than the amount of money bet through VLTs or table games on a given day to subtract the difference between the amount bet and the amount returned to players from its proceeds of the next consecutive gaming day. Losses may not be subtracted for more than two consecutive gaming days.

After discussion, Chair Robertson said she would entertain a motion to approve proposed amended regulation 36.03.08. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Chair Robertson said she would entertain a motion to approve on an emergency basis COMAR 36.03.08 approved today by the Commission. Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

Lottery – John Martin, Managing Director and Chief Revenue Officer

Mr. Martin said the Lottery continues to have strong instant game sales with a 22% increase for April.

Open positions in Sales have been filled and there is now a full complement of personnel working in the territories.

Corporate Sales has had successful efforts working with the corporate stores. In the last several months, a number of promotions have been held, particularly with the Wawa stores, and other promotions held with other corporate accounts. This is a new format for the Lottery involving the corporate partners in special promotions.

There was an all-time Pick 4 sales record set the first week of May of \$6.1 million. Last week two players hit big on Racetrax. A new family of instant games will be launched this week.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said he contacted the six casino general managers to see what efforts are being made to prevent underage individual from entering their casinos. Provided in his report was a summary of the preventive measures that the casinos use, such as holding initial and refresher training for all security guards; training of all staff members to deal with underage ID; electronic scanning to detect false, underage, or expired IDs; and having additional signage posted at the entrances. Security guards who allow underage individuals into the casino are subject to progressive disciplinary action, up to and including termination.

During the 2014 legislative session, a bill was passed where an underage individual gaining entrance to a casino may be issued a civil citation specific for underage violation. This is another tool law enforcement can use.

There are approximately 1.1 million people coming through the casinos every month. Overall, the casinos are doing an excellent in trying to stop underage individuals from coming through their doors. Underage data for 2017 is slightly higher due to the sixth casino opening, and he will continue to also include with his report the data for 2016.

Commissioner Morton thanked Mr. Mooney for the report and noted that the casinos are doing a good job.

PUBLIC COMMENTS

There were no public comments.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, June 29.

ADJOURNMENT

There being no further business for discussion, Chair Robertson adjourned the meeting at 11:02 a.m.

Respectfully submitted,



Gina Smith