

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION SEPTEMBER MINUTES

DATE: September 14, 2016

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

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

Gordon Medenica, Director
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
Charles LaBoy, Managing Director, Gaming
John Martin, Managing Director, Chief Revenue Officer
John Mooney, Managing Director, Regulatory Oversight
James Butler, Director, Legislative and Policy Affairs
Carole Gentry, 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 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 Control Commission to order at 10:05 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, and James Stakem. Commissioner John Morton participated by phone.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES

Chair Robertson Pannell said the August 17, 2016 open session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Vice Chair McGraw made a motion that the August 17, 2016 open session minutes be approved, it was seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said the August 17, 2016 closed session minutes were provided to the Commissioners for review and asked if there were any changes. There were no changes. Vice Chair McGraw made a motion that the August 17, 2016 closed session minutes be approved, it was seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said that the Consent Agenda contains five instant games for the Commission's approval: Game #284 *BONUS 7-11-21* (\$2), Game #302 *Refund Check* (\$1), Game #303 *Treasure Hunt* (\$3), Game #304 *All Cash No Taxes!* (\$5), and Game #309 *Super Crossword* (\$10). She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (8/5/16 – 9/1/16); Consent Agreement-Regulatory Violations for Horseshoe Casino-Baltimore for February and April 2016; Gaming License Application Denials/Denial Reversal; Revocation of Lottery Retailer Licenses; and Staff Reports for James Nielsen, Leo Mamorsky, and Carole Gentry. 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 five instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (8/5/16 – 9/1/16); Consent Agreement-Regulatory Violations for Horseshoe Casino-Baltimore for February and April 2016;

Gaming License Application Denials/Denial Reversal; Revocation of Lottery Retailer Licenses; and the Staff Reports. Motion to approve 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, said August revenue was \$5.9 million, down 9% for year over year. The facility had a strong Labor Day weekend as well as the prior weekend.

Progress continues in developing the outdoor smoking area. The facility received approval from the Town of Perryville for the smoking permit and should be receiving approval from Cecil County next month. They will then present the request to the Commission for approval.

The facility hopes to have the off-track betting simulcast up and running in October. On October 1, the Hops and Hot Rod Craft Brew Outdoor Festival will take place.

Employee team members continue to volunteer with Habitat for Humanity. One of the employees was presented with the house that the team built.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said revenue for August was \$6.2 million, an increase of 2% for year over year. The casino has seen steady growth throughout the summer. In September, news of the strong winds and flooding caused the beaches to close; however, it helped bring people to the facility that weekend. Revenue for September is starting out strong. On September 5, the 2016 horseracing season ended and \$3 million in purses was awarded.

This past weekend, the 4th Annual Double Down Wine and Beer Festival was held, featuring food, entertainment, breweries and wineries. This festival benefited the local homeless shelters. The Bike Fest will be held this weekend in Ocean City.

Vice Chair McGraw asked for an update on the construction. Mr. Cavilla said the foundation is completed and framing will be onsite in October.

Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said August revenue was \$56 million, up 7% for year over year. Rams Head Live entertainment in August included LeAnn Rimes. The facility was a sponsor of the Latino Festival held at Timonium Fairgrounds. He introduced Mr. Mario Maesano, Senior Vice President of Marketing, who showed the PowerPoint update on the hotel construction. It included renderings of the 17 story hotel, lobby area, rooms and suites, event center, full service day spa/salon, and additional restaurants. The facility broke ground on September 13 and completion is expected by the first quarter of 2018.

Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, said August revenue was \$4.5 million, a 3.4% increase for year over year.

The expanded parking lot was completed and opened in May. It was great for summer business, especially the Labor Day weekend.

The footers will be poured shortly for the facility expansion. He will update the Commission next month on the progress.

The Fireball Run will take place at the end of September in Allegany County. Participants race from one location to another. The October Fest at Rocky Gap will showcase eight breweries and different events.

Facility employees collected school supplies for the “Stuff the Bus” Campaign sponsored by United Way of Allegany County.

Horseshoe Casino Baltimore

Ms. Erin Chamberlin, General Manager, said August revenue showed a slight increase for year over year. Revenue for September started strong. The anniversary celebration began at the end of August and ended over the Labor Day weekend and it went well. Ray Lewis participated as part of the celebration.

In August, a press conference was held with Baltimore City Mayor Stephanie Rawlings-Blake and the Greater Development Center regarding what Horseshoe Casino has added to the City. The facility is pleased to continue to hire and promote people from Baltimore City, and approximately 60% of the facility’s employees are from Baltimore. The anniversary gave the facility a chance to look back at the promotions of more than 600 individuals since its opening. The casino has approximately 3,600 employees and currently there are a number of job openings.

COMMISSION ITEM

Update – MGM National Harbor

Mr. Max Fisher, Chief Financial Officer, gave an update on the of the casino opening. There have been a number of changes to the casino floor. At this time, 185 employees will move into the space in the back of the house. They are connecting with various local suppliers. They have hired 275 active employees. All available positions are listed on their website. In early September, they made offers for over 300 positions and in mid-September, approximately 800 offers were made over the course of a two-day span. A total of 3,600 employees will be hired.

STAFF REPORTS

Director's Report – Gordon Medenica

Mr. Medenica said sales and profits are still ahead of last year. Total Lottery sales are up 6.2% with profit up 0.3% year over year. Instant ticket sales are up 3.5% and profit up 2.2% for year to date.

The \$2 and \$5 Ravens instant tickets as well as the \$2 Maryland instant ticket that is based on the graphic of the State flag, are being advertised on television.

Mr. Medenica said MLGCA has received formal approval from MUSL and Mega Millions on its intended switch from Powerball to Mega Millions. The only remaining item is a response from the Legislative Policy Committee and we hope to receive that approval in time for the intended switch in October.

At this time the Agency's primary focus, especially in the Licensing Division, is on the MGM National Harbor opening.

In August, the Commission approved the recommended contract award for the Lottery Central Monitoring and Control System RFP. This now goes to the Department of Information Technology (DoIT) and then to the Board of Public Works (BPW) for final approval.

In response to Commissioner Morton's request for an update on the studies and regulations concerning fantasy sports betting, Mr. Medenica said the authority for regulations for fantasy sports betting lies with the Comptroller's Office. During the last legislative session, three bills were submitted and each bill would have designated the Lottery as the regulatory agency. None of those bills passed. After the Legislative session, the Comptroller issued a set of regulations through the State regulatory process for approval. Those regulations focused primarily on consumer protection issues and did not necessarily deal with the economic issues or taxes. There was further discussion on the status of fantasy sports betting.

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

Ms. Smith said she is working with Stout Causey and Horning (SCH) on the conversion of the financial statements to GAAP. In a few weeks, the Audit Committee will have an opportunity to review the GAAP.

Commissioner Morton asked if the Agency is expecting SCH to meet the October deadline. Ms. Smith said yes, there is no reason to expect otherwise. SCH is at the Lottery every month auditing statements and performing internal control reviews of various areas.

The FY2018 budget is due to the Department of Budget and Management (DBM) at the end of September.

Human Resources is working to fill Compliance Officer positions at MGM National Harbor. Interviews are scheduled for this week.

Gaming – Charles LaBoy, Managing Director

Mr. LaBoy said staff is focused on the testing of MGM slot floor. The first quadrant is scheduled for testing in the beginning of October. The full floor test is scheduled for November.

On August 31, a public meeting was held to receive public comments on the skill-based amusement and electronic gaming device regulations approved by the Commission in June 2016. Public comment remains open for another week. Once it closes, the Commission will be sent a packet of materials along with the transcript of the meeting for their review.

The Audit Committee met on September 9 and covered activities of all of the casino properties and received an update on the casino bankruptcy case.

Lottery – John Martin, Managing Director, Chief Revenue Officer

Mr. Martin said his report includes information regarding the holiday retailer bonus programs. These programs involve the entire retailer network as well as a pilot program with corporate chains only. He gave an explanation of the two bonus programs and how they work. Five holiday instant tickets will launch as part of the bonus program.

Regulatory Oversight – John Mooney, Managing Director

Mr. Mooney said a total of 8,200 licensed gaming and non-gaming employee applications have been processed. Compliance and Licensing Divisions have been working with MGM National Harbor staff towards the opening of the casino.

Licensing continues to work with Ocean Downs on the change of ownership process and it will be presented to the Commission by the end of the year.

Commission Action Item

Proposed Amended Regulation

Mr. Mooney said COMAR 36.03.10.11 Surveillance System Design Standards allows only for surveillance to use a standard-definition camera that records at 30 frames per second. The proposed amendment would allow a casino to use a higher-definition camera, which has superior live coverage, playback, and video retention to a standard-definition camera. Staff recommends approval.

Chair Robertson Pannell said she would entertain a motion to approve the proposed amendment to COMAR 36.03.10.11. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said he had no further updates to his report.

Commission Action Item

Contested Case Hearing Agreement with Office of Administrative Hearings

Mr. Fontaine said under the Administrative Procedure Act agencies are permitted to delegate authority to conduct a contested case hearing to the Office of Administrative Hearings (OAH). The Commission and Director of MLGCA are authorized to issue various lottery and gaming related licenses. The Commission is authorized to conduct hearings under the Administrative Procedure Act to decide the appeal of a denial of a license, the suspension or revocation of a license or any enforcement action taken against a licensee. The Chief Administrative Law Judge of the OAH may enter into an agreement with a public agency to provide an Administrative Law Judge (ALJ) to conduct contested case evidentiary hearings under the Administrative Procedure Act.

The Contested Case Hearing Agreement between the OAH and Maryland Lottery and Gaming Control Commission would permit the Commission to delegate certain contested cases to the OAH to conduct pre-hearing conferences, any required motions hearings and a contested case evidentiary hearing. The ALJ assigned would issue a written final decision consisting of final findings of fact and/or conclusions of law.

Chair Robertson Pannell said she would entertain a motion to approve the Contested Case Hearing Agreement Memorandum between the Office of Administrative Hearings and the Maryland Lottery and Gaming Control Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Chair Robertson panel said she would entertain a motion to delegate to the Director, in consultation with the Office of the Attorney General, the authority to determine which matters should be delegated to the Office of Administrative Hearings to be assigned to an Administrative Law Judge. Motion made by Commissioner Hash, seconded by Commissioner Stakem, and motion carried by unanimous vote of the Commission.

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, October 27.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell called for adjournment of the meeting. The meeting adjourned at 10:57 a.m.

Respectfully submitted,



Gordon Medenica