

# Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION OCTOBER MINUTES

DATE: October 24, 2013

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  
Commissioner E. Randolph Marriner  
Commissioner James Stakem

Stephen Martino, Director  
Gina Smith, Deputy Director & CFO  
Robert Fontaine, Principal Counsel  
Charles LaBoy, Assistant Director for Gaming  
John Martin, Assistant Director for Lottery  
Phil Metz, VLT Licensing Manager  
Jaclyn Vincent, Director of Gaming Research  
Holly Citko, 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 Scientific Games  
Representative from Pollard Banknote  
Representative from GTECH  
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 10:00 a.m. Commissioners present were: Diane L. McGraw, F. Vernon Boozer, Jr., Bert J. Hash, E. Randolph Marriner, and James Stakem. Commissioner John Morton was 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 Hash, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Chair Robertson Pannell stated the September 19, 2013 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 Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

## **CONSENT AGENDA**

Chair Robertson Pannell said the Consent Agenda contains four new instant ticket games for the Commission's approval: Game #132 *Lucky Roll*, Game #133 *Classic Cash*, Game #134 *Sweethearts*<sup>®</sup>, and Game #135 *Monopoly*<sup>™</sup>. The Consent Agenda also contains VLT Games and Component Testing, Consent Agreement - Hollywood Casino Perryville, and Gaming License - Robert Mitchell for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion.

Vice Chair McGraw said she would like to withdraw for discussion the VLT Game and Component Testing and the Hollywood Casino Perryville Consent Agreement items.

She said in the Consent Agreement under violations, it references both security officers and guest security officers and asked if there is a difference. Mr. LaBoy replied that both are part of the security staff.

She said that pages 1 and 2 were duplicative of pages 3 and 4; therefore, we would be approving the VLT Game and Component Testing sheet based on information provided on pages 1 and 2. Mr. LaBoy responded this is true.

Chair Robertson Pannell asked if there was any further discussion. Hearing none, the Chair requested a motion to approve the four new instant ticket games noted above as well as the VLT Games and Component Testing, Consent Agreement - Hollywood Casino Perryville, and Gaming License – Robert Mitchell. Motion made by Commissioner Marriner, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Steve Lambert, General Manager, was not present. However, Ms. Tamala Lain, PS/Cage/Compliance Manager, arrived at a later time. During the Enforcement Division's report, she was involved in the discussion regarding counterfeit money being discovered at the casino.

### **Casino at Ocean Downs**

Mr. Joseph Cavilla, General Manager, said as expected in the off season, it is the start of the quiet time on the Eastern Shore. September revenue was 15% down compared to August and 4% above the previous year. Revenue for October is looking positive. This time last year, the casino lost two days of revenue because of storm Sandy.

Mr. Cavilla discussed the facility's long term plans to connect to the Ocean Pines water treatment system and the work that will need to be done.

Mr. Cavilla noted that the off season hours for the facility are Monday through Thursday from 8 a.m. to 4 a.m. and 24 hours on the weekends.

### **Maryland Live! Casino**

Mr. Robert Norton, General Manager, said September revenue was \$32.2 million in slots and \$18.2 million in table games. First full month of poker room revenue was \$2.7 million. Slots performance year over year is up 8.8%. He expects October to be a strong month.

The facility remains active in the community. They were selected to receive an Office of Tourism Economic award. With the holiday season coming, the facility will again partner with Arundel Mills for the "Shop, Stop and Play" promotion.

### **Rocky Gap Casino Resort**

Mr. Scott Just, General Manager, said September revenue was below expectations. In early October, three poker tables opened to the public. The facility is working to get the conference space expansion completed for opening in mid-November. In October a local

band held a small concert at the facility to benefit breast cancer awareness. A special permit was granted by the County to open the new conference space for that one night to give the community an opportunity to see the space.

Mr. Martino asked what has been the hotel occupancy rate. Mr. Just responded it has been trending downward since Labor Day. However, the hotel has been selling out on weekends.

Chair Robertson Pannell asked if hotel occupancy is consistent with what it was before the casino opened. Mr. Just responded that, before opening, occupancy was 40% year round and it now is averaging 85%.

#### Horseshoe Casino Baltimore

Mr. Alex Dixon, Assistant General Manager, introduced the newly hired Vice President of Human Resources, Ms. Joan Wilmer-Stewart. The casino also filled the position of Vice President of Marketing and the Table and Slots Leaders.

Construction of the facility is moving along and they are pleased with the pace.

A supplier diversity and outreach effort will be held on November 5. This will be followed by a supplier and vendor information session on November 12.

Chair Robertson Pannell asked how many employees will be hired. Ms. Wilmer-Stewart responded approximately 1,700 employees will be hired.

### **VENDOR REPORTS**

#### Scientific Games International

Mr. Steve Smith said the on-line system is running smoothly. The major software changes to the Mega Millions Game went well and there were no problems. The matrix was changed and some other adjustments were made on the payouts.

#### Pollard Banknote Limited

Ms. Julin Shaw said instant ticket sales for the first quarter of FY2014 are down 6% compared to the first quarter of last fiscal year.

The price point of this year's Ravens instant ticket was lowered from \$5 to \$2. However, compared to the average instant ticket sales in the first nine weeks of FY2013 \$2 games, *Champion Baltimore Ravens* exceeds the average by 87%.

Next week the *Tech the Halls* instant ticket promotion launches for the holiday season. There are five different price points and will offer players a variety of Sony branded tech products as second chance prizes. The promotion will run until the end of January.

## GTECH

Mr. Gary Cherwinski said everything is going well operationally and there have been no significant issues. GTECH successfully installed new software for the electronic table games. Preliminary meeting will be held with Horseshoe Casino for the communications link-up.

## STAFF REPORTS

### *Director's Report – Stephen Martino*

Mr. Martino said since the last regular Commission meeting, the Mega Millions jackpot prize of \$189 million that was sold in Maryland was claimed.

The matrix change to the Mega Millions Game successfully launched on Saturday. The price point remains the same at \$1. It is hoped that this change helps increase Mega Millions sales.

Lottery sales are down \$13.4 million or 2.6% as compared to last year. Revenue is \$2.2 million or 1.5% above as compared to last year.

At the November meeting, a presentation on casino revenue will be made. Lottery games research has been done and staff will make a presentation at the December meeting. In January, a presentation on responsible gambling will be made.

Commissioner McGraw brought to his attention an error on the casino revenue sheet. A revised version was provided to the Commission.

This week the Location Commission has been holding public hearings for the three Prince George's County casino proposals that were submitted. Hearings for Penn National Gaming (Rosecroft) were held on Monday, hearings for Greenwood Racing (Parx) were held on Wednesday and hearings for MGM will be held on Friday. Everything has gone well thus far. Ms. Vincent, Ms. Palmisano, and a number of other staff people have been involved in bringing this together.

Chair Robertson Pannell asked if the cumulative monthly casino report will continue to be provided to the Commission. Mr. Martino responded it will continue to be provided to the Commission and this month's information will be sent.

A question was asked about the use of the unclaimed prize fund. Mr. Martino responded the unclaimed prize fund underwrites the "My Lottery Rewards" program and other lottery game promotions. Product Development Division looks at what promotions are coming up for usage of the unclaimed prize fund to support the games. Pick 3, Pick 4, and Keno are promotion driven. Mr. Martin will talk further on this subject

A copy of the recent dashboard sheet was distributed to the Commission.

Commissioner Marriner said he had an opportunity to attend the Annual NASPL Conference in Providence, Rhode Island this year. NASPL reappointed Mr. Martino to continue to serve as Chairman of the Responsible Gambling Committee. The Lottery industry has made a commitment to promote responsible gambling. Mr. Martino said he appreciates Commissioner Marriner's comments. The Orioles Promotion featuring Five Card Cash won an award for Best in Category.

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

Ms. Smith said the June Special Purpose Financial and the GAAP statements were provided to the Commission. The independent auditor will begin auditing for this fiscal year and statements will begin to be received in December. Work has begun on the year-end CAFR that is due to GFOA in December.

With the change to the Mega Millions game, subscribers were given the opportunity to continue their subscription or to opt out. In her report next month, statistical data on Mega Millions subscriptions will again be listed.

A copy of the floor plan of the additional space for the Licensing Division was provided to the Commission. Montgomery Park is waiting for permits from Baltimore City. There has been no construction activity as yet.

Chair Robertson Pannell asked if it would be possible for the Commission to receive the MBE Participation report in advance of the monthly meetings. Ms. Smith said she will talk to Mr. Howells regarding the MBE report being sent the week prior to the meeting as well as information on the companies meeting their MBE goals.

Ms. Smith said that Mr. Jeff Patchen has been serving as Acting CIO and has now been permanently appointed to that position.

Commissioner Marriner expressed his congratulations on the completion of the GAAP report.

*Gaming – Charles LaBoy, Assistant Director*

Mr. LaBoy said Rocky Gap successfully completed the controlled demonstration of their poker room expansion on October 3 and it opened to the public on October 4.

Regarding Instant Bingo Operations in Anne Arundel and Calvert Counties, meetings will be held with the Instant Bingo Hall representatives to discuss the licensing application and various regulatory plans that are required to be submitted for the instant bingo machines. The same items will be discussed with the manufacturers at a separate meeting. The goal is to have the applications completed by the end of the year.

Due to the numerous questions received in response to the Veterans' Organization Instant Ticket Lottery Machines RFP, the due date for proposals has been extended to October 30.

The Commission VLT Audit Committee met on October 18 to review the Audit Plan and staff update items.

An internal candidate, Sonia Portillo, was selected to fill the Audit Supervisor position. She has an extensive background in auditing. Recruitment for an Audit Manager position will begin in the next few months.

Now that Mr. Patchen has been appointed as the CIO, his prior position of VLT Operations Director is vacant. Recruitment will be conducted to fill this vacancy.

The Casino Voluntary Exclusion Program (VEP) added 29 new participants, bringing the total to 318. The Lottery VEP added five new participants, bringing the total to 22.

#### Maryland Live! Casino VLT Reduction Request

Maryland Live! Casino is requesting a temporary VLT reduction for 71 devices to accommodate relocation of one of the restaurants currently in the food court area. The facility has identified this restaurant as the dining option of choice for the higher end patrons and it is not currently meeting the patrons' expectations. The facility proposes temporary removal of these 71 VLTs that are performing 35% below the floor average. Some of these VLTs will be able to go back on floor after the reconfiguration. The Commission was provided with detailed information for this reduction request.

After discussion, Chair Robertson Pannell said she would entertain a motion to approve the temporary VLT reduction of 71 VLTs as noted in Maryland Live! Casino's request. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

#### *Lottery – John A. Martin, Assistant Director*

Mr. Martin said the Product Development Division works with Ms. Smith to evaluate opportunities each year for use of the unclaimed prize fund to support various game promotions. Currently, monies from the unclaimed prize fund are being used for two promotions--Bonus Match 5 Doubler-Taxes Paid and Pick 3 Double Pay on Box Play. Both promotions are doing well and will run until November 10.

The change to the Mega Millions Game went smoothly and we are waiting to see how it affects future jackpots.

*Tech the Halls* instant tickets will launch on October 28 with five price points. Players can enter their non-winning instant tickets on-line at the “My Lottery Rewards” website for a chance to win a variety of tech themed prizes. Media campaign will launch on November 18.

The Lottery’s “core” mobile app for Android and iOS handheld devices will launch on November 11. This core application has seven key functions: winning numbers, current jackpot amounts, winning number and jackpot alerts, scratch-off details, a find my game, number generator and cross sell marketing graphics.

Commissioner Marriner asked if the retailer who sold the winning first tier Mega Millions ticket received a bonus. Mr. Martin responded that the selling location received a bonus of \$100,000.

***Enforcement – Philip Metz, VLT Licensing Manager***

Mr. Metz said had no further information to add to Capt. Mooney’s report.

There was discussion regarding the incidents of counterfeit money that appeared at the casinos.

***Gaming Research – Jaclyn Vincent, Director***

Ms. Vincent expressed her thanks to the staff for their assistance at the Prince George’s County public hearings. Two public hearings were already held and the third hearing will be held on Friday. Hearings were live streamed on the website.

Commissioner Marriner asked what the general tone was of those present at the hearings. Ms. Vincent responded there was a mix of opinions for and against the three proposals submitted.

***Office of the Attorney General – Robert Fontaine Principal Counsel***

Mr. Fontaine said the OAG’s report was provided to the Commission. He has no additional information.

**PUBLIC COMMENTS**

No public comments were made.

**CLOSED SESSION**

Chair Robertson Pannell said that pursuant to State Government Article §10-508(a)(7) and (8), she would entertain a motion to move to a closed session to consult with counsel to obtain legal advice and to consult with staff, consultants, or other individuals about pending or potential litigation. Motion was made by Commissioner Marriner, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. See attached Statement for Closed Meeting, pursuant to State Government Article §10-508(a)(7) and (8). The meeting moved to a closed session at 11:08 a.m.

In addition to the six Commission members present, the following were also present during the closed session: Stephen Martino, Gina Smith, Charles LaBoy, John Martin, Phil Metz, Jaclyn Vincent, Robert Fontaine, Holly Citko, James Butler, Jennifer Wetherell, Michael Eaton and Marie Torosino. The meeting returned to open session at 11:37 p.m.

Chair Robertson Pannell announced that during the closed session, the Commission discussed procedures after receipt of a notice of a violation of COMAR 36.03.03. There was no outcome.

**DATE AND TIME OF NEXT MEETING**

The next regular monthly Commission meeting is scheduled for 10 a.m. on Wednesday, November 20.

**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 11:39 a.m.

Respectfully submitted,



Stephen L. Martino