

# Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION NOVEMBER MINUTES

DATE: November 17, 2016

TIME: 10 a.m.

PLACE Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell  
Vice Chair Diane McGraw – via phone  
Commissioner F. Vernon Boozer  
Commissioner George L. Doetsch, Jr.  
Commissioner Bert J. Hash, Jr.  
Commissioner John Morton  
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  
Leo Mamorsky, Managing Director, Chief Marketing Officer  
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 10:08 a.m. Commissioners present were: F. Vernon Boozer, George Doetsch, Bert Hash, John Morton, and James Stakem. Diane McGraw 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 Stakem, seconded by Commissioner Doetsch, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF THE MINUTES**

Chair Robertson Pannell said the October 27, 2016 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 Hash that the October 27, 2016 open session minutes be approved, 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 four instant games for the Commission's approval: Game #310 *Big Money Spectacular* (\$2), Game #311 *\$250,000 Jackpot* (\$10), Game #312 *\$2,000,000 Fortune* (\$30), and Game #313 *Diamonds & Gold Doubler* (\$5). She said the Consent Agenda also contains Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (10/13/16 – 11/4/16); Consent Agreement-Underage Violations for Horseshoe Casino-Baltimore; and Staff Reports for James Nielsen, Leo Mamorsky, John Martin, Carole Gentry, and Robert Fontaine. She asked if the Commissioners wished to remove any items for discussion.

Commissioner Morton thanked Mr. Mooney for including a summary of the underage violations with the consent agreement. He asked if anything happens to the underage person who is caught using a false ID or getting passed security. Mr. Mooney said the casinos take away the false IDs but is unsure if any other action is taken.

Chair Robertson Pannell said she would entertain a motion to approve the four instant games noted above, Electronic Gaming Device Games and Component Testing Approvals for VLTs, Table Game Components, and Instant Bingo Machines (10/13/16 – 11/4/16); Consent Agreement-Underage Violations for Horseshoe Casino-Baltimore; and the Staff Reports. Motion to approve made by Commissioner Hash, seconded by Vice Chair McGraw, and the motion carried by unanimous vote of the Commission.

## OPERATOR REPORTS

### Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said total gaming revenue for October was \$5.9 million, down 4% for year over year. November has been a typical month thus far. There has been some lack of volume in business with five days of negative table games. It seems the players are winning at the tables.

On Saturday, they are holding a Thanksgiving turkey giveaway. They are capitalizing on the newly expanded outdoor slot area.

### The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said total gaming revenue for October was \$4.9 million, 6% ahead for year over year. An upward trend continues in November.

A joint responsible gambling event will be held between Ocean Downs and the Worcester County Health Department to talk about local resources to offer assistance for problem gambling. Annual responsible gambling refresher training was held with Ocean Downs employees.

The City of Berlin broke ground recently to build a new police department headquarters. This was made possible when the town received a local impact grant provided by casino revenue from Ocean Downs.

The casino held their annual food drive again this year. Some staff members will be serving Thanksgiving dinner at local shelters.

Mr. Cavilla said that at its October meeting, the Maryland Racing Commission approved the transfer of Ocean Downs' racing license to Old Bay Gaming and Racing, LLC. The request for the liquor license transfer was approved by Worcester County. He presented two photos of the new casino expansion. The interior design is still being decided on. He said a projected completion date is not available.

### Maryland Live! Casino

Mr. Doug Shipley, Vice President and General Manager, said total gaming revenue for October was \$53.2 million, down 3% for year over year. The players have been very lucky.

A promotional event was held every Friday during October where 300 VIPs were invited to dinner with celebrity chefs Bobby Flay, Buddy Valastro, Todd English, and Padma Lakshmi.

In October, the casino made a donation to the U.S. Stars and Stripes in D.C. to benefit the troops. Today, 500 turkeys will be delivered to the Anne Arundel Food Bank by casino employee volunteers.

### Rocky Gap Casino Resort

Mr. Skylar Dice, Vice President and General Manager, said total gaming revenue for October was \$4.7 million, 12% ahead for year over year. It was a great month for table games. Thus far, the Rocky Gap area has been experiencing good weather for this time of year.

The facility expansion is progressing with the final touches for delivery of machines. Renovation of the hotel rooms will begin on the sixth floor and move downward to other floors.

The casino is collecting for Toys for Tots during December.

### Horseshoe Casino Baltimore

Ms. Erin Chamberlin, General Manager, said total gaming revenue for October was \$26.6 million, 8% ahead for year over year.

The casino celebrated "Pinktober" in connection with breast cancer awareness. They held a decorated bra fashion show in which Mr. Dixon took part. It was a great show and donations were sent to the Susan G. Komen Foundation.

During November, the casino is focusing on an employee survey. This is a significant undertaking and their goal is to reach 100% employee participation. The results will be available in a few weeks.

The casino continues its efforts in the community to see how they can give back. This past weekend, several employee volunteers went to an elementary school to paint and clean-up. Food drives will also be held.

## **COMMISSION ITEM**

### Update – MGM National Harbor

Mr. Max Fisher, Chief Financial Officer, said in two weeks they will hold the grand opening of the casino. Everything is coming together. Entertainment at the theater will include Lionel Richie, Bruno Mars and Cher. As of November 17, approximately 3,800 applicants were offered jobs and 1,100 will come on board next week. All employees will be on board by November 21. In reviewing the construction wrap up, 5,500 employees were involved in this project. The statue of the MGM lion arrived. This week changes will occur with regards to the roads and highways. Signage will be going in place and the liquor license has been approved.

## **STAFF REPORTS**

### *Director's Report – Gordon Medenica*

Mr. Medenica said we are seeing some continuing softness on the lottery profit side. Lottery sales are up by 3% for year over year.

We are approaching the year over year comparison to last year's big jackpots. Powerball jackpot is currently at \$320 million and is higher than a year ago in November. Mega Millions and Powerball sales are ahead over last year. Instant ticket sales are going strong and Racetrax continues to do well.

Today the Commission approved a \$30 instant ticket. This is a new price point for the Lottery and it will launch in the first quarter of next year. Currently 17 states have a \$30 instant ticket and Texas has a \$50 instant ticket. Pennsylvania will be launching their fourth \$30 instant ticket. This is becoming the trend in the industry and is showing positive results.

Our efforts have been focused on the opening of MGM National Harbor. He extended his thanks to Mr. Mooney and Mr. LaBoy for all the work of their staff to meet this goal.

By the end of the fiscal year, casino contributions will overtake lottery profits.

He wished everyone a Happy Thanksgiving.

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

Ms. Smith said a draft of the July and August financial statements were provided to the Commission. The September financial statement is currently under review and will be available at the December meeting.

On November 9, we attended our budget hearing with the Department of Budget and Management (DBM) to discuss our fiscal year 2018 budget request.

Ms. Smith advised that DBM requested the Lottery to reduce its fiscal year 2017 budget by \$982,000 as part of the State-wide cost containment. This cut, along with other State-wide cuts, was approved by the Board of Public Works (BPW) on November 2, 2016.

Chair Robertson Pannell asked where will the budget cuts come from. Ms. Smith said they will be taken out of vendor fees from Diamond Games where we over appropriated vendor fees.

### *Gaming – Charles LaBoy, Managing Director*

Mr. LaBoy said VLT Audit Department continues to keep up with their audit schedule. The next Audit Committee meeting is December 19.

## Commission Action Items

### Request for Issuance of Video Lottery Operation License to MGM National Harbor, LLC

Mr. LaBoy prepared a binder with samples of the chips, dice and cards and passed it around to the Commissioners for review. He said MGM National Harbor is seeking issuance of its license to commence gaming operations for VLT and table games upon completion of its controlled demonstrations and other items as required by the Commission. Controlled demonstrations are scheduled for December 1 from 12 p.m. to 8 p.m. and December 5 from 2 p.m. to 10 p.m. Pending final approval, the facility plans to open to the public on December 8. He reviewed MGM's compliance with each item required in the statute and regulations for issuance of the license, along with the attachments he provided to the Commission. Mr. LaBoy also answered questions posed by the Commission.

Mr. LaBoy stated that staff recommends the Commission's issuance of the license for MGM National Harbor to commence video lottery operations contingent on the successful completion of the controlled demonstrations and any other items required by the Commission staff, and to defer authority to the Director to sign the license.

After Commission review and discussion, Chair Robertson Pannell said the Commission has heard the recommendation from staff and she would entertain a motion to approve MGM National Harbor's request for issuance of its video lottery operation license to commence gaming operations, contingent upon successful completion of its controlled demonstrations on December 1 and December 5 and any other items required by Commission staff, and to defer to the Director the authority to sign the license upon MGM's satisfactory completion of all requirements for video lottery operations. Motion made by Commissioner Stakem, seconded by Commissioner Doetsch, and motion carried by unanimous vote of the Commission.

The Commission extended its congratulations to MGM National Harbor and MLGCA staff for all of the hard work that was done to get us to where we are today.

### Proposed New Regulation and Amended Regulations – Gaming Provisions

Proposed new COMAR 36.03.10.50 – Offsite Customer Service Location and amended COMAR 36.03.10.23 – Customer Deposits and 36.03.10.28 – Counter Check Substitution, Consolidation, and Redemption would authorize a facility to offer enhanced customer service to players by allowing offsite access to services for establishing and paying a customer deposit account and paying a counter check. Staff is requesting the Commission's approval of the proposed new and amended regulations.

There was further discussion that included where the offsite services will be located and auditing of those locations for compliance

Upon conclusion of the discussion, Chair Robertson Pannell said she would entertain a motion to approve new COMAR 36.03.10.50 and amended COMAR 36.03.10.23 and 36.03.10.28 approved

today by the Commission. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

*Regulatory Oversight – John Mooney, Managing Director*

Mr. Mooney said to follow up on the underage violations, there are not that many underage individuals gaining admittance to the casino. There are over 20,000 patrons that enter the casinos each day and there may be one or two each month who are underage. When individuals attempt to get in, the Security person will confiscate the false IDs and dispose of them.

Mr. Mooney gave an update of the work Licensing and Compliance have done over the last three and one-half years toward the opening of MGM National Harbor. This included the background investigations of the principals and processing licensing applications for the employees and vendors.

Commission Action Items

Principal Entity – Radio One, Inc.

Mr. Mooney said Radio One, Inc. has submitted a Principal Entity application for MGM National Harbor. Licensing staff conducted an extensive background investigation. Mr. Mooney provided the Commissioners with a copy of the Executive Summary of the investigation. Mr. Mooney then read the Executive Summary into the record that included an introduction, background, conclusion, findings, and opinion. It is the opinion of MLGCA staff that Radio One, Inc. and its principals are qualified as a Principal Entity for MGM National Harbor.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney. There were none. The Chair asked if there was any further discussion by the Commission with respect to the information presented. There was none.

Chair Robertson Pannell said she would entertain a motion to approve Radio One, Inc. as a principal entity for MGM National Harbor. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Video Lottery Operation License Application Hearing - Old Bay Gaming and Racing, LLC

Mr. Mooney said Old Bay Gaming and Racing, LLC has submitted a video lottery operation license application for The Casino at Ocean Downs. The Commission was provided with an Executive Summary. Members from the MLGCA Licensing Division were present to answer any questions. Mr. William Rickman, CEO of license holder Ocean Enterprises 589 (operating as The Casino at Ocean Downs), introduced representatives present from Churchill Downs, Inc. and Saratoga Harness Racing, Inc.

Mr. Mooney read the Executive Summary into the record, which included an introduction, background, findings, applicant and principal entities, principal qualifiers, and conclusions and opinion. He stated that it is the opinion of MLGCA staff that the applicant and its principals and

principal entities, have established by clear and convincing evidence their qualifications to be issued a video lottery operation license for The Casino at Ocean Downs.

Chair Robertson Pannell asked if there were any other questions for Mr. Mooney. There were none. The Chair asked if there was any discussion by the Commission with respect to the information presented.

Commissioner Morton asked if there was any major litigation or regulatory issues pending. Mr. Mooney said he does not believe any were found.

Commissioner Morton asked, five years down the road, what the owners envision for the property, i.e., additional expansion or a hotel. The response was to first complete and open the current expansion. State law does not permit the building of a hotel on the property.

A Commissioner asked when the license transfer will occur; the response was that December 1 is the target date.

Upon conclusion of further discussion, Chair Robertson Pannell said she would entertain a motion to find that the following meet applicable qualifications for licensure under Maryland's Gaming Law:

- Video Lottery Operation License Applicant:  
Old Bay Gaming and Racing, LLC
  
- Individual Principal License Applicants:  
Vera Belger  
Daniel Gerrity  
George Featherstonhaugh  
James Featherstonhaugh  
Gary Keehfus  
Marcia Dall  
Duncan McConnell  
Austin Miller  
William Mudd  
Richard Duchossois  
Craig Duchossois
  
- Principal Entities:  
Churchill Downs, Inc.  
HCRH, LLC  
Saratoga Harness Racing, Inc.  
Saratoga Casino Holdings, LLC

Motion to approve was made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.



Chair Robertson Pannell said she would entertain a motion to transfer the video lottery operation license of Ocean Enterprise 589, LLC to Old Bay Gaming and Racing, LLC. Motion was made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to delegate to the Chair the authority to draft a Decision Statement on behalf of the Commission that reflects the Commission's decision, and to transmit the Decision Statement to the Applicant. Motion was made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said on behalf of the Commission she wanted to thank the staff for all the work that was done and that they continue to do.

### **PUBLIC COMMENTS**

Mr. Fisher from MGM National Harbor said on behalf of MGM he wanted to express his thanks to Mr. Medenica, Mr. Mooney, Mr. LaBoy and the MLGCA staff with their assistance each step of the way. It has been and will be a great partnership.

### **DATE AND TIME OF NEXT MEETING**

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, December 15.

### **ADJOURNMENT**

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Commissioner Stakem, motion seconded and carried by unanimous vote of Commission. The meeting adjourned at 11:36 a.m.

Respectfully submitted,

  
Gordon Medenica