

# Maryland Lottery and Gaming Control Commission

Martin O'Malley, Governor



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## MARYLAND LOTTERY AND GAMING CONTROL COMMISSION NOVEMBER MINUTES

- DATE:** November 20, 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 John Morton  
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  
John Mooney, Assistant Director for Enforcement  
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  
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: Diane L. McGraw, F. Vernon Boozer, Jr., Bert J. Hash, E. Randolph Marriner, John Morton, and James Stakem.

## **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 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 October 10, 2013 and October 24, 2013 minutes were previously provided to the Commissioners for review and asked if there were any changes. The last paragraph on page 2 of the October 24 minutes was restructured for clarity. Vice Chair McGraw made a motion that the October 10 minutes and amended October 24 minutes be approved, it was seconded by Commissioner Boozer, 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 #137 *Bonus Crossword*, Game #138 *Lucky Millionaire*, Game #141 *Blast of Cash*, and Game #143 *Red Hot Riches*. The Consent Agenda also contains VLT Games and Component Testing, Table Games and Component Testing, and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wanted to remove any items for discussion. None of the items were removed for discussion.

Chair Robertson Pannell requested a motion to approve the four new instant ticket games noted above as well as the VLT Games and Component Testing, Table Games and Component Testing, and Gaming License Application Denials. Motion made by Commissioner Stakem, seconded by Commissioner Hash and motion carried by unanimous vote of the Commission.

## OPERATOR REPORTS

### Hollywood Casino Perryville

Mr. Steve Lambert, General Manager, said October revenue was \$6.9 million versus \$6.6 million in September. Year over year revenue showed an increase of \$1.4 million. Table game revenue remains strong.

### Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said it is now the quiet time on the Eastern Shore. October revenues were \$4.2 million, a year over year increase of 20%. At this point, November revenues are running ahead of last year, but there may be some off-season decline in revenue. The facility held a holiday food drive and was involved in a wine and beer festival fundraiser that raised \$4,000. He said work continues on the casino expansion and parking lot. He does not have a ground breaking or completion date as yet.

### Maryland Live! Casino

Mr. Robert Norton, General Manager, said revenue for October was \$51.8 million and revenue was up 70% year over year. Slots have shown a 10% growth over last year. Table games and the poker room are showing growth.

Upcoming events at Ram's Head Live include the Ronnie Spector Holiday concert and Wilson Phillips concert. The facility received the Economic Engine Award from the Maryland Office of Tourism and was voted first place by Casino Players magazine readers for its night life and restaurants. The facility will be sponsoring an early Thanksgiving celebration tomorrow with the USO at Ft. Meade. The facility will also be donating a number of turkeys to the Food Bank, will be involved with the Marines Toys for Tots campaign and the Red Cross blood drive.

### Rocky Gap Casino Resort

Mr. Scott Just, General Manager, said the new conference space area was officially opened this week. A New Year's Eve party will be held in the new space. Revenue for October was \$3.4 million which was a slight increase compared to September.

### Horseshoe Casino Baltimore

Mr. Alex Dixon, Assistant General Manager, said construction is moving along at a good pace. He said the casino is still on track to open in the third quarter of 2014. Facility remains active in the Baltimore City community. He introduced two new team members – Robert Westerfield, Director of Table Games, and Michael Forster, Director of Slots.

## **STAFF REPORTS**

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

Mr. Martino said sales through November 17 are down \$13.9 million compared to last year. However, revenues are \$2.2 million ahead of last year.

The BRE recently adjusted the Agency's BRE number to \$528 million. The Agency is usually not notified when this is done. The BRE will look at revenues again in December and look at various factors when making any adjustments. Commissioner Morton asked what the BRE was before the adjustment. Mr. Martino responded it was approximately \$548 million. There was continued discussion concerning the BRE and how the amount is determined for the Agency.

Since the changes to the Mega Millions Game, the jackpot has not been hit and it continues to climb.

Mr. Martino said there has been staff discussion regarding the possibility of joining MUSL. If this is acted upon, he will come to the Commission with a proposal for membership to MUSL. Joining would give the Agency an opportunity to participate in more lottery games that other MUSL states have.

Mr. Martino said staff attended a budget meeting last week with the Department of Budget and Management (DBM). He feels that DBM understands the value of the Lottery and the revenue it brings to the State.

Mr. Martino said the Commission was provided with the cumulative monthly casino report and dashboard sheet. Ms. Vincent will be working with Mr. LaBoy and Capt. Mooney to obtain information each month for the dashboard sheet. Please provide any feedback to Ms. Vincent.

Last month, the Location Commission held public hearings for the three Prince George's County casino proposals regarding the final casino license.

He said responses to the Veterans' Organization Instant Ticket Lottery Machines RFP were due last week. Mr. LaBoy will be working on that.

At the end of this meeting, there will be two PowerPoint presentations by two gaming revenue consultants – Cummings Associates and Custom Consulting LLC. A copy was included your packet. Mr. Martino said he had an opportunity to be present in Annapolis when the consultants presented the findings to the BRE.

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

Ms. Smith said at last month's meeting the Commission requested that the MBE Participation reports be included with the packet of information sent out prior to the meeting. Starting next month, the MBE Participation reports will be included in the packet of information.

At the September meeting, the Commission approved Emergency RFP #2014-06 Consulting Services Related to a VLT Facility Operation in Prince George's County. The Emergency RFP was then issued, bids were received and evaluated, and the contract was awarded. At the October Commission meeting, the Chair signed the contract. At this month's meeting, a copy of the contract was being provided to the Commission.

Commissioner Morton said the VLT general fund second quarter expenses for equipment shows an allocation of \$15.9 million and \$5.7 million actual. Why is there a large difference? Ms. Smith responded this is for the machine costs. It is a function of timing when the invoices are received and processed.

Commissioner Morton asked what caused the large difference in amounts between the second quarter allocation and the second quarter actual in the Lottery Special Fund report for equipment. Ms. Smith responded this is also a function of timing when invoices are received from the vendors and the payments processed through FMIS. It depends on the number of periods in each quarter.

#### Licensing, Related Merchandise, Services, and Fulfillment Contract (#2005-11)

This blanket contract will be utilized for licensing agreements executed under the MDI Entertainment modification to the SGI Contract that was approved by the Commission in February 2013. Staff is recommending approval of the contract.

Chair Robertson Pannell asked if there were any questions. Hearing none, she said she would entertain a motion to approve Contract #2005-11. Motion made by Commissioner Marriner, seconded by Commissioner Boozer, and motion carried by unanimous vote of the Commission.

Chair Robertson Pannell said she would entertain a motion to delegate authority to the Director to approve future licensed games associated with this contract modification. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

Mr. Martino said the consultant contract in your packet this morning is similar to the above. Mr. Martino said the Consultant RFP was issued by the Lottery Commission on behalf of the Location Commission and the Lottery Commission approved the contract. Work has been started by the consultant. Chair Robertson Pannell said she would entertain a motion to approve Contract #2012-06 Consultant Services Operations. Motion made by Vice Chair McGraw, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

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

Mr. LaBoy said on October 29 and 30, staff met with the Bingo Hall operators and manufacturers to discuss licensing and regulatory plans. There were 13 bingos represented and it was a productive meeting. All licensing and regulatory plans are due by the end of the year.

One bid was received in response to the Veterans' Organization Instant Ticket Lottery Machines RFP. He is currently working through the evaluation process.

Staff continues to meet with Horseshoe Casino on the facility development. At the next meeting with the facility, staff will discuss the timeline.

The VLT Audit Department continues to work on various audits. The Commission Audit Committee will meet on December 6.

He said he is seeking approval from the Department of Budget and Management to recruit for various audit positions both at MLGCA and Maryland Live! Casino.

Commissioner Morton asked if the State's compensation guidelines allow the Agency to hire the people needed. Mr. LaBoy responded it does present somewhat of a challenge in finding applicants. Commissioner Morton said if there is anything the Commission can do to assist, to please let them know. Mr. Martino said the Agency is proposing legislation for the upcoming legislative session and one request will address this subject. Any Commissioner is welcome to testify at the hearings in Annapolis when they are scheduled.

Mr. LaBoy said with Mr. Patchen being appointed CIO, Ms. Wetherell, the Responsible Gambling Program Coordinator, has been appointed as Acting Director for Electronic Gaming Operations. Division staff is working with various manufacturers to get new game content in Hollywood Casino at Perryville and Casino at Ocean Downs to refresh their gaming floors. This is the first content update to the properties since opening.

Staff is working with Maryland Live! Casino to revise the VLT performance incentive plan for VLT manufacturers. The revised plan will take into consideration ownership turnover at the end of the first quarter in 2015. The lease expires on March 31, 2015.

Mr. LaBoy said the Casino Voluntary Exclusion Program (VEP) added 28 new applicants, bringing the total to 344. The Lottery VEP added 4 new applicants, bring the total to 27. Both programs have shown some growth.

Vice Chair McGraw asked if Ms. Wetherell will be handling the responsibilities for both positions. Mr. LaBoy said she will continue to handle the duties for both positions until additional administrative staff is hired.

#### Maryland Live! Casino VLT Reduction Request

Mr. LaBoy presented a request from Maryland Live Casino for permanent VLT reduction for 57 Interblock devices (electronic table games) located at the bar. The facility is seeking to convert these VLTs to table games in accordance with regulations adopted by the Commission at their September 2013 meeting. The request for reduction regulation allows the Commission to approve of a reduction request if it is determined to be in the best interest of the State. A staff agenda memorandum and comments from Maryland Live! Casino was provided to the Commission. Mr. LaBoy then presented a detailed explanation of the request.

Mr. LaBoy said staff recommends that this item be tabled until the first quarter of 2014 to allow for continued analysis of the actual performance and sufficient time for a reconfiguration prior to the introduction of additional competition in the region.

Mr. David Cordish, Chairman of the Cordish Company, then expressed his reasoning as to why the Commission should approve this reduction request today for Maryland Live! Casino. Some of his comments included that if table games had been authorized in the State prior to opening, they would not have included electronic table games in their initial game mix. Maryland Live! Casino should have the same right as the new facilities in Baltimore and Prince George's County to design a VLT and table game mix and should not be at a disadvantage because it opened prior to table games being authorized. Mr. Cordish stated that the request is in the best interest of the State.

After extensive discussion by the Commission, a motion was made to table this request for 30 days during which time the Agency will have an opportunity to look at the performance of the facility and the November revenue numbers. Motion made by Commission Stakem, seconded by Commissioner Boozer and motion carried by unanimous vote of the Commission.

#### Request for Approval of the Hours of Operations for the Casino at Ocean Downs

Mr. LaBoy said the Casino at Ocean Downs is requesting a modification to their hours of operations: 24 hour operation from December 27, 2013 at 8 a.m. through January 2, 2014 at 4 a.m., and 24 hour operation from May 19, 2014 at 8 a.m. through September 29, 2014 at 4 a.m. Staff recommends approval.

Chair Robertson said she would entertain a motion to approve the request from the Casino at Ocean Downs for a modification to their hours of operations as noted above. Motion made by Commissioner Stakem, seconded by Commissioner Hash and motion carried by unanimous vote of the Commission.

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

Mr. Martin said his report was provided to the Commission.

Commissioner McGraw said she noticed the marking "extended play" on the new instant game #137 *Bonus Crossword*, and asked if this is the first time it has been on the tickets or have there been others tickets. Mr. Martin responded "extended play" has been marked on some of the instant games for some time. Unique to this game is the fact that it is the first time an instant game ticket contains a mobile phone app. This app is for information only and cannot be used to purchase tickets. Vice Chair McGraw said the new app was well done. Mr. Martin responded he will pass that comment onto staff.

Vice Chair McGraw asked where the funds were coming from for the *Tech the Halls* instant ticket win tech prizes. Mr. Martin responded the costs will come from the unclaimed prize fund.

*Enforcement – Capt. John Mooney, Assistant Director for Enforcement*

Capt. Mooney said the Commission was provided with a copy of his report. He added that the Compliance Division has finally filled all its vacancies. Three positions in the Licensing Division were advertised and he hopes to have these positions filled in early December.

Commissioner Stakem commented it looks like the underage incidents at the casinos have decreased. Capt. Mooney responded the incidents have dropped off considerably.

*Gaming Research – Jaclyn Vincent, Director*

Ms. Vincent said on October 21, 23 and 25 the Video Lottery Facility Location Commission held the Prince George's County Casino Applications presentations and public hearings. The Location Commission still continues to receive public comments. The presentations were live-streamed and are posted on the MLGCA's website.

On December 6, in the Joint Legislative Hearing Room in Annapolis, the Location Commission will hear presentations from the consultants on their analysis of the three bidders. On December 12, a public conference call with the Location Commission, consultants, and proposal applicants will take place. On December 20, in the Montgomery Park auditorium, the Location Commission will hold its decision meeting. A media advisory was issued.

*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.

At 12:05 p.m., the Commission took a short break before the consultants made their presentations. The meeting resumed at 12:15 p.m.

**PRESENTATION OF GAMING REVENUE PROJECTION STUDIES**

Mr. Martino said the Commissioners were provided with copies of both presentations prior to the meeting. He said both PowerPoint presentations will be posted on the MLGCA's website today.

Cummings Associates

Mr. Will Cummings presented a PowerPoint presentation regarding Projected Gaming Revenues and Impacts of the New Horseshoe Casino in Downtown Baltimore. The presentation included an executive summary, introduction, lay of the land, methodology, assumptions, projections and various exhibits.

Custom Consulting LLC

Mr. Jim Oberkirsch presented a PowerPoint presentation regarding Baltimore Gaming Market Assessment for Horseshoe Baltimore (Casino). The presentation included an introduction, market definition and segmentation, demographic data by market segment, define competitive saturation, gaming market assessment, impact analysis (FY2016), five year summary and information about the firm.

Vice Chair McGraw asked if the Commissioners had any questions for Mr. Cummings or Mr. Oberkirsch. There were none.

**PUBLIC COMMENTS**

No public comments were made.

**DATE AND TIME OF NEXT MEETING**

The next regular monthly Commission meeting is scheduled for 10 a.m. on Wednesday, December 18.

**ADJOURNMENT**

There being no further business for discussion, Vice Chair McGraw said she would entertain a motion to adjourn. Motion made by Commissioner Boozer, seconded by Commissioner Hash, and motion passed by unanimous vote of the Commission. Meeting adjourned at 1:02 p.m.

Respectfully submitted,



Stephen L. Martino