

**MARYLAND STATE LOTTERY COMMISSION  
NOVEMBER MINUTES**

DATE: November 18, 2010

TIME: 10:00 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman J. Kirby Fowler, Jr.  
Vice Chairman Matthew Thomas  
Commissioner F. Vernon Boozer  
Commissioner Diane L. McGraw  
Commissioner W. Ray Presley  
Commissioner Bruce L. Reeder  
Commissioner Kimberly D. Robertson  
Commissioner George M. Wagner

Gina Smith, Assistant Director/CFO  
Robert Fontaine, Principal Counsel  
John Gallagher, Chief Information Officer, Information Technology  
Jill Baer, Director, Creative Services  
Paul Dorsey, Director, Policy and Development  
Robert Howells, Director, Procurement  
John Mooney, Director, Enforcement  
Holly Knepper, Deputy Counsel  
Michael Eaton, Director, Internal Audit  
Jennifer Kelley, Responsible Gambling Program Coordinator  
Marie Torosino, Executive Associate

OTHERS: Representatives from Penn National Gaming/Penn Cecil Maryland  
Members of the Public

## **CALL TO ORDER**

There being a quorum present, Chairman Fowler called the meeting of the Maryland Lottery Commission to order at 10:08 a.m. Commissioners present were Matthew Thomas, F. Vernon Boozer, Diane L. McGraw, W. Ray Presley, Bruce Reeder, Kimberly D. Robertson, and George M. Wagner.

## **APPROVAL OF MINUTES**

Chairman Fowler stated the October 22, 2010, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner Wagner motioned that the minutes be approved, and it was seconded by Commissioner Presley. The October 22, 2010, Commission minutes were approved by unanimous vote of the Commission.

## **CONSENT AGENDA**

Chairman Fowler said the Consent Agenda contains new instant ticket games (Exhibit #1) and the GLI and BMM Games, Hardware and Software Certification (Exhibit #2) for the Commission's approval.

For the record, the new instant ticket games were: Game #859 *2 for the Money*, Game #861 *Money Mania*, Game #863 *Gimme 5*, and Game #866 *Instant 3 4 5*.

Chairman Fowler requested a motion to approve the Consent Agenda items. Motion was made by Commissioner Robertson, seconded by Commissioner Wagner and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORT**

### **Hollywood Casino, Perryville**

Mr. Himbert Sinopoli, General Manager, gave a brief update on the Perryville slots facility. Revenue for October was \$11.5 million with \$7.7 million paid in gaming taxes. Total gaming taxes paid to date is \$9.1 million as well as \$65,000 in slot maintenance fees. The facility is working closely with Lottery staff to offer the best and most popular games to the patrons. He said many of the employees that have been hired are from the Cecil and Harford Counties areas and that over 80% of the staff lives within 20 miles of the facility. Payroll is in excess of \$2 million of which 40% is for employee benefits. He discussed the high satisfaction rating the customer relations group received and the diversity of staff. Over \$30,000 in charitable donations were made to the Boys and Girls Club of Cecil County and the Perryville Volunteer Fire Department. They are also encouraging employees to volunteer with local charities to give back to the community. Mr. Sinopoli thanked the Commissioners, the Director, and staff members for their work to get the facility open.

Chairman Fowler said is pleased the facility is doing well and asked what amount of the October proceeds went to Cecil County. Mr. Sinopoli responded 5.5% went to Cecil County to be divided between Cecil County and Perryville.

Vice Chairman Thomas also offered his congratulations and said he is pleased with how they proceeded with the opening of the facility.

Commissioner Wagner asked who disburses the Purse Dedication, Racetracks Facility Renewal Account, and Local Impact Grants monies and how the money is spent. Ms. Smith responded the Lottery serves as the collection agency and transfers the monies to the Racing Commission, who is responsible for further distribution of the funds. The law specifies how the money is spent and a plan has to be submitted.

### **DIRECTOR'S REPORT**

Mr. Martino was out of town attending the G2E and Public Gaming conferences. Ms. Smith presented the report in his absence. She said total lottery sales are \$10.3 million behind last year. This is attributable to Mega Millions and Powerball which have not produced many large jackpots this fiscal year. Mega Millions sales are behind \$27 million as compared to last year.

Chairman Fowler asked if slots are having an effect on lottery sales. Ms. Smith responded she believes there is no cannibalization of lottery sales. There is a lottery retailer located at the Perryville slots facility and they are generating \$4,000 a week in lottery sales. It will continued to be monitored.

Commissioner Presley asked if the advertising budget reduction is starting to have an effect on sales. Ms. Smith responded she believes the Lottery is starting to feel the effects of the advertising reduction. Advertisement of the Lottery is not in the media as much as it was previously. At a recent meeting with the Department of Budget and Management (DBM) regarding the FY2010 budget submission, a presentation was made requesting additional advertising funds. A copy of the PowerPoint presentation was provided to the Commissioners.

Ms. Smith said Pick 4 sales are approximately \$3 million ahead of last year while Pick 3 sales are \$2.1 million behind. Instants sales are \$1.1 million behind last year. The Ravens Cash Fantasy scratch-off continues to be successful and looking to sell out the ticket by January. This weekend the winners of the away game will travel to North Carolina on the team plane to see the Ravens play the Carolina Panthers.

Ms. Smith said revenues are down \$8.6 million as compared to last year, mostly in the Mega Millions and Pick 3 games. She said they are working on ways to increase revenues and met with SGI and asked them to present some suggestions to increase revenues. Their presentation included several game concepts, and after the Lottery's review, they will regroup with SGI for further discussion. In May 2011, the Lottery in Motion (LIM) flat screen displays will be installed at lottery retailer locations to assist with advertising. Tomorrow, SGI will give the Lottery a demonstration of the LIMs.

Ms. Smith said the Lottery requested four additional VLT positions to be housed at the VLT facilities in Perryville and Ocean Downs. A total of eight people are needed at each facility to provide coverage 24/7.

Each month the Commission will receive VLT revenue reports that will show calendar year-to-date as well as fiscal year-to-date information. Also, monthly press releases will be issued and the information will be posted on the Lottery's website.

Commissioner Reeder said disbursement to the Maryland Stadium Authority is over \$10 million short and asked what happens at the end of the fiscal year if the commitment is not met. Ms. Smith responded 100% of Mega Millions revenue goes to the Stadium Authority until the commitment of \$19 million is met and the Lottery will meet that commitment by the end of the fiscal year. Once the commitment is met, Mega Millions revenue will revert to the General Fund, and the Stadium Authority message on the Mega Millions ticket will be removed.

## **STAFF REPORTS AND COMMISSION ACTION ITEMS**

### *Creative Services – Jill Baer, Director*

Ms Baer said the four holiday scratch-offs launched in early October. Advertising has been placed at 275 gas stations with gas topper and pump handle point-of-sale signs. The Cruise for Cash scratch-off ticket will launch in January 2011.

Ms. Baer said Keno Sprinkler and Pick 3 promotions will begin in November. A Bonus Match 5 Doubler promotion ended in November and showed positive sales.

Ms. Baer said the Lottery is working on a redesign of the Lottery's website that will re-launch in December with a new face and fresh new features. Another website will also be launched with VLT information. The Commission will be provided with the link to both development sites. She will make a presentation at next month's meeting on both websites.

### *Information Technology – John Gallagher, Chief Information Officer*

Mr. Gallagher said VLT machine delivery to Ocean Downs is scheduled for next week.

### *Procurement – Robert Howells, Director*

Mr. Howells said there were no proposals received in response to the RFP for the Rocky Gap site by the November due date. However, two parties submitted letters of interest. One of the RFP requirements was that potential applicants meet with the Department of Natural Resources (DNR) and MEDCO to work out the details about the site location. There were five parties that met and expressed a degree of interest. Location Commission Chairman Fry requested staff to meet with interested parties for further discussions as to

what they feel would be necessary to make Rocky Gap a viable proposal. These meetings will take place over the next few weeks. Chairman Fry will then submit the recommendations to the Legislature.

Chairman Fowler asked if the identity of the two interested parties is public information. Mr. Howells responded it is not full public record at this time. However, he can provide the Commission with copies of the two letters. Chairman Fowler said in addition to those two parties, were there any other viable parties. Mr. Howells responded there were one or two others who were reasonably valid prospects. The discussion continued regarding the Rocky Gap site with regards to changing the site or putting machines in bars as has been done in West Virginia. Any change to the site location would have to go back to referendum while changes to the tax rate could be done by the Legislature. The next meeting of the Location Commission is December 13 at 3 p.m. in the Joint Hearing Room in Annapolis. Cordish will be presenting their plans for a temporary facility at Arundel Mills.

*Internal Audit – Michael Eaton, Internal Auditor*

Mr. Eaton said the Internal Audit Division has been busy on both the Lottery and VLT side. The promotional drawings internal audit has been completed. The audit rating was adequate and there were no findings. Audit of the advertising contract has begun. Audit staff has been conducting process reviews of revenue audit, security, and key management areas at Hollywood Casino. Hollywood Casino has been helpful in responding to requests from the Lottery for additional information. Audit staff will also be looking at surveillance, slot operations and other areas previously reviewed. Risk Assessment for the VLT program is being developed. Chairman Fowler asked if the audit positions have been filled. Mr. Eaton responded two internal auditors have been hired.

Commissioner Robertson requested Mr. Eaton to schedule a meeting in December to discuss the 2011 Audit Plan.

*Legal Unit – Robert Fontaine, Principal Counsel*

Mr. Fontaine said an evidentiary hearing regarding River Market's license revocation needs to be scheduled before the Commission. After discussion, it was agreed to schedule the hearing to occur at the January meeting.

Mr. Fontaine updated the Commission on Laurel Racing's appeal before the Maryland State Board of Contract Appeals.

*Policy and Development – Paul Dorsey, Director*

Mr. Dorsey said delivery of slot machine at Ocean Downs will occur November 22 and 23 with installation on November 24. There will be 750 machines delivered and installed. Commissioner McGraw asked if the surveillance equipment is in place. Mr. Dorsey

responded surveillance and security will be in place when the machines are delivered. Tentative date for the controlled demonstration is December 29.

Chairman Fowler asked for an update on the Baltimore City site. Mr. Fontaine said he is waiting for a decision from the Maryland Board of Contract Appeals.

Mr. Dorsey said the legislative session is approaching. The Commission's legislative subcommittee is comprised of the Chairman and two or three other Commission members. A few Commissioners expressed interest in serving on the subcommittee. Mr. Dorsey will be in contact with them to discuss this year's legislation.

### **PUBLIC COMMENTS**

There were no public comments made.

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

The next Commission meeting will be held on Tuesday, December 14, at 1 p.m.

### **COMMISSION BUSINESS**

Vice Chairman Thomas asked for the status of the vacant Commission member seat. This will be brought up with Mr. Martino upon his return.

### **ADJOURNMENT**

There being no further business for discussion, Chairman Fowler said he would entertain a motion to adjourn. Motion was made by Vice Chairman Thomas, seconded by Commissioner Robertson, and motion carried by unanimous vote of the Commission. The meeting adjourned at 11:16 a.m.

Respectfully submitted,

Gina M. Smith