

**MARYLAND STATE LOTTERY COMMISSION  
JANUARY MINUTES**

DATE: January 19, 2011

TIME: 11:30 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

Stephen Martino, Director  
Gina Smith, Assistant Director/CFO  
Robert Fontaine, Principal Counsel  
John Gallagher, Chief Information Officer, Information Technology  
Jill Baer, Director, Creative Services  
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: Representative from Hollywood Casino/Perryville  
Representative from Ocean Downs Casino  
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 11:38 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 THE AGENDA**

Chairman Fowler said he would entertain a motion to approve the Agenda. Motion was made by Vice Chairman Thomas, seconded by Commissioner Presley, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Chairman Fowler stated the December 14, 2010, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner McGraw motioned that the minutes be approved, and it was seconded by Commissioner Robertson. The 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 VLT Games and Component Testing—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 #865 *Cash Fiesta*, Game #868 *10X Cash*, Game #874 *Roulette*, and Game #875 *Lucky Numbers*.

Ms. Baer noted that there was a typographical error on the financial sheet for Game #874 *Roulette*. Under Instant Ticket Printing, it should read \$57,102 not \$571,023. A revised financial sheet was provided to the Commission.

Chairman Fowler requested a motion to approve the new instant games. Motion was made by Commissioner Wagner, seconded by Commissioner Reeder, and motion carried by unanimous vote of the Commission.

Following Commission discussion, Chairman Fowler requested a motion to approve the VLT Games and Component Testing. Motion was made by Commissioner McGraw, seconded by Commissioner Reeder, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Himbert Sinopoli, General Manager, said since the facility opened in September, gross terminal revenue was \$27.6 million, generating taxes of \$8.5 million.

Currently Maryland casinos are permitted to be open from 8 a.m. to 2 a.m. During a recent weekend between the 1 and 2 a.m. time period, there were 356 customers at the facility. The State is losing revenue when people have to leave at 2 a.m. Delaware and Pennsylvania casino facilities are open 24 hours. He has spoken with the State Senators and Delegates and is preparing information to provide to them addressing this issue.

Another difficulty Hollywood Casino has encountered is the limitation of signage on Interstate 95. They are allowed one sign on I-95 on the North and South side, and requests for additional signs have been denied. Additional signage is need along I-95 to capture potential out of state customers because advertising on radio and television as well as mailings are not reaching these potential customers. Currently, there also are signs located on Routes 1, 40, and 222. Hollywood Casino has a meeting scheduled with local authorities in January to request approval to erect a 175 foot high pylon sign on the casino property that would be seen from Interstate 95.

He noted that legislation has been introduced for table games in Maryland. They are preparing information to send to the legislature regarding table games.

Question asked what the casino is doing as far as advertising in Maryland. Mr. Sinopoli responded their advertising budget was increased for the first quarter of this year and more advertising will be seen.

Chairman Fowler asked for the status of the voluntary exclusions. Ms. Kelley responded that applications have been received and would apply to all the Maryland VLT facilities.

### **Ocean Downs Casino**

Mr. Joseph Cavilla, General Manager, said Ocean Downs has been open for two weeks, and to date gross terminal revenue was \$1.8 million. He extended his thanks to the Lottery staff for their work in assisting in the opening of the casino. They have received positive feedback from customers and the community. They are building a customer database for their marketing plan. A few issues have been addressed such as parking.

As far as signage is concerned, there is a 75 square foot sign in front of the property as well as signs on Routes 113, 50, and 90. Worcester County has strict rules on the size and quantity of signs, and they will be working with the local zoning board on adding additional signage.

Question asked if the casino is pursuing partnerships with bus companies to bring groups in from outlying areas. Mr. Cavilla responded they have not initiated any contacts as yet with the companies. Question asked if any partnerships have been pursued with the hotels in Ocean City. Mr. Cavilla responded they have received positive feedback about Ocean Downs from the business community. Hotels, restaurants, and golf courses have been reaching out to them regarding possible partnerships. He will keep the Commission updated.

Chairman Fowler offered the Commission's congratulations on the opening of the casino.

## **COMMISSION ITEMS**

### **Election of Commission Chairman and Vice Chairman**

A Commission Chairman and Vice Chairman are elected on an annual basis. The Commission needs to elect a Chairman and Vice Chairman for the 2011 calendar year. Commissioner Wagner made a motion to elect Kirby Fowler for the position of Chairman and Matthew Thomas for the position of Vice Chairman. Commissioner Presley seconded the motion, and the motion passed by unanimous vote of the Commission.

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

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

An updated sales and revenue sheet was provided to the Commission. Mr. Martino said as of January 16, total games sales were \$918 million, which is \$7 million or 1 percent ahead of last year. Mega Millions revenue and sales are both behind by 30 percent as compared to last year. The jackpot was hit on January 4 at \$380 million. Compared to last year, Pick 4 sales are ahead by \$5.1 million; however, revenue is behind by \$5.2 million. Total game revenue is behind by \$3.9 million or 1.4 percent.

The Ravens Cash Fantasy scratch-off ticket is 97.5% sold. The final drawing to award the remaining prizes will take place on February 9. The ticket has been very successful and we look forward to partnering with the Ravens again next year.

Regarding VLT gaming revenue, the Education Trust Fund received \$3.2 million in December, and calendar year-to-date the Fund has received \$13.4 million. He reviewed the other VLT gross terminal revenue breakdowns contained in the report. The VLT game revenue report will be released the fifth of each month and provided to the Commission by e-mail and with each monthly meeting packet of information. Next month's report will contain the revenue results for both Hollywood Casino/Perryville and the Casino at Ocean Downs. Chairman Fowler requested that the Commission be provided with a VLT report showing the revenue on a month to month basis since their opening.

A lottery retailer revocation hearing for River Market was scheduled for today's meeting. However, the retailer's attorney requested a postponement. Upon advice of Lottery counsel, the Lottery agreed to the postponement. The hearing will be rescheduled at a later date.

A report on the MBE performance for Hollywood Casino/Perryville and Ocean Downs Casino was received from the Governor's Office of Minority Affairs (GOMA). A copy will also be sent to the Commission as well as being added as an agenda item for February's meeting.

On February 3, Mr. Martino will be speaking to the House Ways and Means Committee on lottery games and legislation.

The Lottery's legislative budget hearing with the House is scheduled for February 24 at 1 p.m. He requested the Commission to consider changing the meeting time of that day's meeting to 9 a.m. The Commission agreed to move the time of the Commission meeting on February 24 to 9 a.m. The budget hearing with the Senate will be February 28 at 1 p.m.

*Administration Finance & Operations and Sales – Gina Smith, Assistant Director/CFO*

Ms. Smith said as previously mentioned, the budget hearings are scheduled before the House on February 24 and the Senate on February 28. At the February meeting, she will present a budget update prior to the hearings. Last month a question was raised concerning the Lottery's advertising budget. The Department of Budget and Management did not provide additional advertising funds to the Lottery's budget.

The slot machines at Hollywood Casino/Perryville were inventoried and accounted for. The Lottery, along with the State Treasurer, is currently working on the financing of the slot machines, and a meeting is scheduled to discuss the five year financing period.

*Creative Services – Jill Baer, Director*

Ms Baer said that the Cruise for Cash scratch-off ticket launched last week and one cruise as well as two \$50,000 prizes have been claimed. Approximately 1.25 million tickets have been activated and positive feedback has been received from the players.

She is working with the Orioles on sponsorship options and elements for this season. A second chance contest linked to the Double Play scratch-off ticket would be promoted using the sponsorship elements.

Mega Millions jackpot supported from an advertising perspective until it was hit at \$380 million. Power Ball advertising began yesterday with radio as well as Clear Channel digital billboards in the Baltimore area. She is looking into advertising options to support on-line games awareness in the DC market.

She is reviewing potential new game concepts or product enhancements being considered for FY2012. She will keep the Commission updated. Elements being finalized for the upcoming all games promotion that will begin on February 7.

Communications Division continues to do a terrific job promoting lottery winners. They promoted the Mega Millions jackpot and the Ocean Downs casino opening on various media. Communications will be present at the Polar Bear Plunge on January 29 at Sandy Point State Park and the Cruise for Cash promotion on January 30 at Martin's West.

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

Mr. Gallagher said he does not have any additional information to add to his written report. He said an intentional failure of the system was conducted to test the back-up system to ensure a smooth switch over. There were no issues.

*Internal Audit* – **Michael Eaton, Internal Auditor**

Mr. Eaton said the Lottery and VLT Audit Plan and Risks Assessment report was completed and approved by the Commission Audit Committee. A copy of the report was provided to the Commission. The Internal Audit Follow-Up report for FY2010 as well as the VLT Licensing Division Audit report were completed and copies were provided to the Commission. Chairman Fowler said he and Commissioner Robertson held a conference call with Mr. Eaton to review the audit plans as well as the risks assessment.

Chairman Fowler said he would entertain a motion to approve the Lottery and VLT Audit Plan and Risks Assessment for 2011. Motion made by Vice Chairman Thomas, seconded by Commissioner Presley, and motion carried by unanimous vote of Commission.

Mr. Eaton said on page three of the Internal Audit Follow-Up Report, under "Observations", it should read, "Eight of ten outstanding audit findings have been fully remediated."

*Legal Unit* – **Robert Fontaine, Principal Counsel**

Mr. Fontaine said he has no additional information to add to his written report. Chairman Fowler asked for an update on the appeal by Baltimore City Entertainment Group (BCEG). Mr. Fontaine said BCEG appealed the Maryland State Board of Contract Appeals' (MSBCA) decision to the Circuit Court. It will be sometime in May before the record is ready and the case is scheduled for the hearing before the court. Also, Baltimore City has sued BCEG and BCEG countersued Baltimore City with respect to the rights to develop the Russell Street parcel. This is a separate issue in Circuit Court that will be heard by same judge. The Location Commission is waiting for the litigation between Baltimore City and BCEG to be resolved before possibly issuing an RFP.

He is working with Laurel Racetrack's legal counsel to finalize the process for Laurel's appeal before the MSBCA.

The lottery license revocation hearing for River Market has been postponed at the request of their attorney. The Lottery has also received a request for an appeal of a denial of a new lottery license that will be heard by the Commission. He suggested scheduling both hearings for the March 24 Commission meeting. The Commission agreed.

Chairman Fowler requested a status on Maryland Live! Casino in Anne Arundel County. Mr. Martino said Lottery staff held meeting with them regarding the plans for a temporary facility. They intend to open Phase One with 2,000 slot machines by the end of 2011. A ground breaking ceremony will take place shortly and the Commission will receive an invitation. He will request that a representative from Maryland Live! Casino attend upcoming meetings to update the Commission.

### **PUBLIC COMMENTS**

There were no public comments made.

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

The next Commission meeting will be at 9:00 a.m., Thursday, February 24.

### **ADJOURNMENT**

There being no further business for discussion, Chairman Fowler said he would entertain a motion to adjourn. Motion was made by Commissioner Robertson, seconded by Commissioner Wagner, and motion carried by unanimous vote of the Commission. The meeting adjourned at 1:02 p.m.

Respectfully submitted,

Stephen L. Martino