

**MARYLAND STATE LOTTERY COMMISSION  
APRIL MINUTES**

DATE: April 28, 2011

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 Kimberly D. Robertson  
Commissioner George M. Wagner

Stephen Martino, Director  
Gina Smith, Assistant Director/CFO  
Robert Fontaine, Principal Counsel  
John Gallagher, Chief Information Officer  
Jill Baer, Director, Creative Services  
Robert Howells, Director, Procurement  
John Mooney, Director, Enforcement  
Michael Eaton, Director, Internal Audit  
Jennifer Kelley, Responsible Gambling Program Coordinator  
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville  
Representatives from Casino Ocean Downs  
Representatives from Maryland Live! 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 10:09 a.m. Commissioners present were Matthew Thomas, F. Vernon Boozer, Diane L. McGraw, W. Ray Presley, Kimberly D. Robertson and George M. Wagner. Bruce Reeder was absent.

## **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 Robertson, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Chairman Fowler stated the March 24, 2011, 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), VLT Games and Component Testing—GLI and BMM Games, Hardware and Software Certification (Exhibit #2), and Video Lottery Employee License Applications – Recommended Denials (Exhibit #3) for the Commission’s approval.

Chairman Fowler requested a motion to approve the following new instant games: Game #884 *Instant Cashout*, Game #888 *Piggy Bank Bucks*, Game #890 *Big Money Bingo*, Game #891 *Triple Payout*, Game #896 *Wheelin’ & Dealin’*, and Game #902 *Prize Line Bingo*. Motion was made by Commissioner McGraw, seconded by Commissioner Robertson, and motion carried by unanimous vote of the Commission.

Chairman Fowler requested a motion to approve the VLT Games and Component Testing. Motion was made by Vice Chairman Thomas, seconded by Commissioner Robertson, and motion carried by unanimous vote of the Commission.

After a brief explanation of the employee license application process, Chairman Fowler requested a motion to approve the Video Lottery Employee License Applications – Recommended Denials for the following: Mitchell Briddell, Joseph Burchett, Michael Gavitt, Sheila Murray, Steven Wheeler and Ulonda Williams. Motion was made by

Commissioner Wagner, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### Hollywood Casino Perryville

Mr. Martino said Perryville Mayor James Eberhardt was invited to today's Commission meeting and will speak after Hollywood Casino's update.

Mr. Marc DeLeo, Director of Marketing, said the current gross terminal revenue for March was \$9.8 million. They are awaiting the Governor's signature of the legislative bill to extend the hours of operation for Fridays and Saturdays. He has nothing new to report on the pylon sign request. The Hollywood Casino logo was added to two State highway food signs on I-95, and this should help drive business to the casino. They have numerous marketing promotions scheduled for May.

Mr. Martino introduced Mayor Eberhardt. Mayor Eberhardt said he received a letter from Mr. Martino inviting him to the meeting to discuss Penn National's sign request. When the zoning for the casino in Perryville was approved it included a master signage plan that included a pylon sign. The casino occupies a small portion of the 40 acre development that was also to include retail stores and a hotel. Like many developments seen in and around Maryland, they will have a pylon sign that lists all the retailers that occupy the development. Due to the economy, the rest of the development has not progressed and the owners of the development have not moved to erect the pylon sign. Penn National is requesting to erect their own sign, which was denied since the pylon sign is included in the master plan. He has met with Penn National a number of times. There are some issues that they we are looking into and have submitted questions to the county attorney. He also commented that the casino has been opened for seven months and the town of Perryville has not yet received any local impact fund disbursements. In October and November, he wrote to Mr. Martino asking for his assistance with this issue and was informed that according to the Code of Maryland Regulations, the Department of Labor, Licensing and Regulation is charged with disbursing the local impact funds to Cecil County every month and they in turn would make the transfer to Perryville. Cecil County does not believe they can transfer money to Perryville until a plan approved. This matter was discussed in further detail with the Commission.

### Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said they are starting to see the beginnings of the summer crowd since Ocean City businesses opening for the summer. Weekend business has been strong with the weekday business being soft. They are maintaining a presence at the Ocean City convention center events to encourage people to visit the facility.

Regarding the parking issue, construction was completed on one lot within the last week adding 150 additional spaces. Three additional lots are under construction. They are

preparing the facility for the return of horseracing on June 19. They are utilizing their marketing plan to reach out to customers and are advertising in the Baltimore markets and Virginia area with print and on billboards. They are eagerly waiting to see what is in store for the first summer the facility is in operation.

Chairman Fowler asked for an update regarding their MBE report. Mr. Cavilla responded Ocean downs submitted two reports to the Governor's Office of Minority Affairs (GOMA). There was an issue with one of the MBEs, who is one of their significant contractors, and the issue is being resolved with GOMA. They are waiting for GOMA's report.

Mr. Martino said at the time the license was issued, surveillance cameras were not present in the parking lot and asked for a status update. Mr. Cavilla said there was a drainage issue that needed to be addressed prior to locating the cameras on the light poles. It should be completed by early June. Mr. Martino asked if any surveillance cameras currently exist. Mr. Cavilla responded not in the lot, but on the building facing the lot and it covers multiple areas.

#### Maryland Live! Casino

Mr. Joseph Weinberg, principal with Cordish Company and Power Plan Enterprises, said the casino facility is under construction at Arundel Mills. According to the timeline, the plan is to open the partial facility with 2,750 VLTs by June 15, 2012. The remainder of the casino will open by with the remaining VLTs on October 1, 2012. When Phase I opens, it will include at least two restaurants and a center bar. They are extending an outreach program to women-owned and minority businesses in the Maryland construction community to ensure that everyone has an opportunity to participate in project. He introduced Mr. Rob Norton, who will be the President and General Manager of the Maryland Live! Casino. Mr. Norton has strong background experience in casinos.

Vice Chairman Thomas asked if they will be utilizing the existing hotels in the area or build their own. Mr. Weinberg responded in their master plan project, they could add a hotel attached to the casino in the future. There are currently 1,400 hotel rooms within a mile of Arundel Mills and 640 hotel rooms within the property of the Mall. Most of these hotels are getting a steady weekly business with more on the weekends. If these hotels reach their capacity, they may consider constructing a hotel on the property.

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

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

Mr. Martino said he appreciated the facility operators attending the meetings to update the Commission as well as the Perryville Mayor attending and speaking on the signage issue.

An updated lottery sales and revenue sheet was provided to the Commission. Mr. Martino said sales are \$13.4 million, 1%, ahead of last year. Revenue is over \$16 million, 3.4%, ahead of last year.

The Hollywood Casino and Ocean Downs facility operators spoke on the VLT gross terminal revenues in their updates. The total VLT gross terminal revenue for both facilities for March was \$13 million, with a \$63.6 million fiscal year-to-date total. Fiscal year-to-date funds to the Education Trust Fund were \$30.8 million with other revenues divided as indicated on the report.

The Lottery's advertising budget was reduced from \$800,000 to \$400,000. The VLT table game legislation was deferred until next year's legislative session.

Legislation was passed to lower the tax rate from 67% to 50% for the first 10 years of operation at the Rocky Gap location and to waive the \$3 million principal payment per 500 VLTs. The number of VLTs at Rocky Gap was reduced from 1,500 to 1,000 machines. The operator would also be allowed to put slots in the lodge while building the separate facility. The Rocky Gap legislation has not yet been signed by the Governor, and the next scheduled bill signing is May 10.

The Video Lottery Facility Location Commission meeting was held on April 26. The Location Commission approved the issuance of the RFP for Baltimore City contingent upon receiving the Baltimore City Board of Estimates approved Memorandum of Understanding.

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

Ms. Smith said her report was provided to the Commission. The vacancies for the VLT Accountant Supervisor and the Controller were filled with in-house personnel. They are now recruiting to fill those vacant in-house positions. Recruitment has begun to fill the Director of Personnel vacancy.

As of April 1, all VLTs at Ocean Downs casino were accounted for. She is working with the Treasurer's Office to make disbursements to the vendors. She is also working with Maryland Live! Casino on their project.

Commissioner Wagner asked if the Lottery is recruiting to fill the Director of Policy and Development vacancy. Ms. Smith responded she has had discussions with the Director concerning this vacancy. Mr. Martino said this position filled two unique roles, one as VLT administrator and the other as the legislative liaison.

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

Ms. Baer said her report was provided to the Commission. There are currently four second chance scratch-off bonus games open and active. The Double Play scratch-off game is doing quite well and over several thousand entries have been received. The Cruise for

Cash scratch promotion continues. Cruise prizes are being given away as part of the game as well as second chance component. Livin' Lucky and Cinema Cash scratch-off second chance components also continue to be promoted. The Play Keno, Get Free Racetrax promotion will run from April 18 to May 22.

She is pursuing several additional billboard locations to advertise the Mega Millions and Powerball jackpots. There is a plan in place to change the existing Mega Millions billboards to duel jackpot billboards. She is looking into erecting dual jackpot signage at several metro stations in Maryland.

The Communications Division has been busy with a variety of activities. The Lottery will be on-site at Preakness, Hon Fest, and Orioles games.

A comment was made that the billboards advertising the *Black* scratch-off game visibly standout. Ms. Baer said the game is doing well and the *Black* ticket will be promoted at the Preakness.

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

Mr. Gallagher said his report was provided to the Commission. Work continues with SGI on the Lottery in Motion (LIMs) project. LIMs were installed at 147 pilot locations, and the locations will be closely monitored for the next three weeks. After the data reports are received, a decision will be made whether to move forward with the rest of the project. They are making progress.

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

Mr. Eaton said his report was provided to the Commission. He is on target to complete the audits. He met with the Commission Audit Subcommittee to review the first quarter audit results.

*Enforcement* – **John Mooney, Director**

Mr. Mooney said his report was provided to the Commission. The Manager of the VLT Licensing Division has resigned and he is currently recruiting to fill that vacancy.

*Responsible Gambling Program* – **Jennifer Kelley, Coordinator**

Ms. Kelley said her report was provided to the Commission. The Maryland Alliance for Responsible Gambling press conference was postponed and has been rescheduled for May 5.

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

Mr. Fontaine presented proposed amendment COMAR 14.01.13.02 Facility Standards—Hours of Operation. This amendment would extend the allowable hours of operation of a

video lottery facility from 8 a.m. to 2 a.m., to the hours permitted by State law. During the 2011 Legislative session, the Legislature authorized facilities to be open until 4 a.m. on Saturdays and Sundays. This amendment adjusts the Commission's regulations to incorporate the new legislation, as well as any other changes the Legislature may make on this subject in the future.

After discussion, Chairman Fowler entertained a motion to approve amended regulation 14.01.13.02. as well as to permit Lottery staff to submit amended regulation 14.01.13.02 on both an emergency and regular basis. Motion was made by Commissioner Boozer, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

The RFP for a Video Lottery Operation License in Baltimore City was approved by the Video Lottery Facility Location Commission on the condition that the Location Commission receives from Baltimore City an executed copy of the Memorandum of Understanding (MOU) approved by the Board of Estimates. Once the executed document is received by the Location Commission the RFP will be issued.

The Baltimore City Entertainment Group (BCEG) filed a motion in Circuit Court for a restraining order and injunction to delay the issuance of the Baltimore City RFP. A few months ago, BCEG filed an interpleader action with respect to the return of their initial licensing fee and a hearing is scheduled for May 25.

Chairman Fowler noted that he received a draft opinion reflecting the Commission's decision concerning the recent appeal hearing of the Eastover Texaco denial. He will sign the opinion today.

### **PUBLIC COMMENTS**

There were no public comments made.

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

The next Commission meeting will be at 1:00 p.m., Thursday, May 19.

### **COMMISSION BUSINESS**

Chairman Fowler informed those present that Vice Chairman Thomas was stepping down from the Commission. Vice Chairman Thomas made a few comments. Chairman Fowler said on behalf of the Commission it was an honor and a pleasure to serve with you.

**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 11:31 a.m.

Respectfully submitted,

Stephen L. Martino