

**MARYLAND STATE LOTTERY COMMISSION  
JUNE MINUTES**

DATE: June 23, 2011

TIME: 10:00 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman J. Kirby Fowler, Jr.  
Vice Chair Kimberly D. Robertson  
Commissioner F. Vernon Boozer  
Commissioner Diane L. McGraw  
Commissioner W. Ray Presley  
Commissioner Bruce L. Reeder  
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  
Jennifer Kelley, Responsible Gambling Program Coordinator  
Marie Torosino, Executive Associate

OTHERS: Representatives from Hollywood Casino/Perryville  
Representatives from Casino Ocean Downs  
Representatives from Maryland Live! Casino  
Representative from GTECH  
Representative from Scientific Games International  
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 10:12 a.m. Commissioners present were F. Vernon Boozer, Diane L. McGraw, W. Ray Presley, Bruce L. 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 Chair Robertson, seconded by Commissioner Reeder, and the motion carried by unanimous vote of the Commission.

## **APPROVAL OF MINUTES**

Chairman Fowler stated the May 19, 2011, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Vice Chair Robertson motioned that the minutes be approved, and it was seconded by Commissioner Presley. 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) for the Commission's approval.

Chairman Fowler requested a motion to approve the following new instant games: Game #899 *Ravens Cash Fantasy*, Game #900 *Crack the Code*, Game #909 *Platinum Cash*. Motion made by Vice Chair Robertson, seconded by Commissioner Reeder, and motion carried by unanimous vote of the Commission.

## **OPERATOR REPORTS**

### **Hollywood Casino Perryville**

Mr. Bill Hayles, the new General Manager at Hollywood Casino, said he has been with Penn National for four years as General Manager at the New Mexico facility, and Assistant General Manager at the Charlestown, West Virginia facility. Prior to joining Penn National, he worked in Atlantic City at Caesars and Harrahs, and in the hospitality industry in Toronto.

Hollywood Casino's revenue numbers for May are slightly behind compared to April. The casino has done some mid-week marketing efforts and saw an increase in business. This

weekend they will hold an outdoor concert featuring a country band, Eden's Edge. The event is open to the public. They are looking forward to a good turn out.

Chairman Fowler asked what is the status of the signage issue. Mr. Hayles responded they had conversations with the City Commissioners. The request is with the Perryville Planning Committee. Penn National is attempting to get on the July agenda. They have also had conversations with the Mayor of Perryville.

### Ocean Downs Casino

Mr. Joseph Cavilla, General Manager, said the month of May showed a slight increase in revenue. They are looking forward to the summer season. Horse racing began last Sunday with racing four days a week on Sundays, Mondays, Wednesdays and Thursdays. On Sunday there were approximately 1,600 people at the track and during that period of time, they noted a significant increase of players at the casino. This trend continued on Monday as well.

Ocean Downs is working with the Lottery on the 50 additional slot machines that will be installed by the July 4<sup>th</sup> weekend. The 150 additional parking lot spaces were completed. The extension to a 4 a.m. closing time on the weekends is showing to be profitable. He noted players are visiting the casino from Maryland, Delaware and Virginia. There was discussion regarding bus service to the facility from surrounding areas and out of state.

### Maryland Live! Casino

Mr. Joseph Weinberg said construction of the facility is progressing. They are in the process of pouring footings for the foundation and utilities are being located on site. They are working with Lottery staff on the slot machine mix for the facility and intend to have it finalized by the end of the month. Maryland Live! Casino is on target for opening in June 2012.

## **VENDOR REPORTS**

### GTECH

Mr. Jeff Patchen said GTECH successfully completed the disaster recovering testing on May 24 and 25. The system ran for 24 hours out of the back-up facility in Austin, Texas. He has been working with Mr. Gallagher on acceptance testing performance as well. He is working with Ocean Downs Casino on the addition of 50 slot machines and with Maryland Live! Casino. The total number of slot machines running on the system by the end of next week will be 2,362. Operations continue to be successful and there have been no security breaches.

## Scientific Games International

Mr. Steve Smith said over 2,500 Lottery in Motion (LIMs) monitors have been installed. They have received positive feedback from the retailers who are especially pleased about the jackpot information on the monitor. SGI looks forward to a positive impact on sales as a result of the LIMs. There have been no other operational issues or security breaches.

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

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

An updated sales and revenue sheet was provided to the Commission. Sales are \$6.7 million ahead and \$8.2 million ahead in revenue as compared to last year. The Lottery is nearing the close of the fiscal year and is on track to set its 14th consecutive year of record sales. Among lotteries in the U.S., Maryland is second behind Rhode Island to claim this spot of record sales. He will inform the Commission when the numbers are finalized.

Chairman Fowler asked if any particular game is not doing as well as other games. Mr. Martino responded Mega Millions is showing some erosion as a result of Powerball. Multi-Match is continuing to perform at an adequate level and has suffered as well from Powerball. Pick 4 sales are up \$7.9 million, while Pick 3 sales are down \$5.9 million. Keno sales are down while Racetrax sales are significantly up. Total sales of monitor games are over \$3 million. Scratch-off sales are \$3 million ahead. Sales are a function of the economy and the \$4 per gallon gas prices have had an impact as well.

Chairman Fowler asked if slots cuts into lottery sales or are they different type players. Mr. Martino responded they are different players. Currently there are two casino facilities in operation. We will wait and see what happens when Maryland Live! comes on board. Some erosion in lottery sales may already have occurred.

Revenue at Perryville was down slightly in May. Ocean Downs revenue is slightly up and looking strong. They are adding 50 more slot machines. Total gross terminal revenue in May for both facilities combined was \$13.3 million.

For the July Commission meeting, several staff members will be attending the NASPL subcommittee meetings in Louisiana. He suggested a short agenda with the Commissioners calling in via conference call. Casino reports would be deferred until the August meeting. The Commission agreed to either be present at the meeting or to call in via conference call.

The Lottery issued a Request for Information (RFI) on the issue of internet lottery. Fifteen responses were received from companies in the U.S. and Europe. They are beginning the review process.

Last week he attended the NASPL Directors meeting. As a result of that meeting, a change will occur in the product mix to assist in future sales for the jackpot games.

He had previously provided the Commission with a copy of the Lottery's reorganization plan. The Governor recently approved the plan. Next week, the Lottery will issue position descriptions to hire two Assistant Directors--one for Lottery and one for Video Lottery.

There was lengthy discussion regarding the slot machine proceeds that go to the Horse Purse Dedication Account, Race Track Facility Renewal Account, Local Impact Grants and the Small, Minority, and Women-Owned Business Account. Specifically, how the monies were being spent and if they are being spent for the purposes intended. Mr. Martino said this information would be requested from the Department of Labor, License and Regulation as well as the Board of Public Works. Chairman Fowler commented that the Commission has no oversight or authority on how the proceeds are spent.

Chairman Fowler asked if there is any evidence at Perryville or Ocean Downs of an increase in crime. Mr. Mooney said there has been no significant evidence of increased crime at either location. Chairman Fowler asked if there has been an increase in crime in the surrounding community. Mr. Mooney responded a yearly report will be generated.

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

Ms. Smith said her report was provided to the Commission. She is working on the close out for FY 2011, and the Lottery should meet its BRE estimate.

The Lottery is currently accepting applications for an Internal Auditor position, and thus far 18 applications have been received. The closing date is July 1. She will be in touch with the Commission regarding interviews.

She is working with Mr. Mooney on the reorganization of the VLT Licensing Division. Additional positions were approved by the Department of Budget and Management for the VLT Division to assist with the application and licensing process for Maryland Live! and the employee turnover at the other facilities.

She is beginning preparation of the FY2013 budget. All state agencies are being asked to cut their budgets.

Vice Chair Robertson commented that monthly financial statements have not been received recently. Ms. Smith responded she is meeting with Stout, Causey and Horning to clarify some VLT accounting issues and then the statements will be issued.

*Creative Services – Jill Baer, Director*

Ms. Baer said her report was provided to the Commission. Keno promotions began a week earlier than planned and two scratch-offs will also launch on Monday to help give sales a boost at the end of the fiscal year.

Jackpots of both Powerball and Mega Millions are above \$50 million. Statewide advertising will air on radio starting Monday to promote both games.

The Double Play scratch is performing quite well. Inventory of Double Play will run out before the baseball season is over. A similar scratch-off ticket is being printed that will be used for entry into the Double Play second chance contest.

Work continues on the Ravens Cash Fantasy scratch-off ticket.

Communications will be onsite and also hold a remote drawing at Ironbirds Stadium in Aberdeen on June 24; onsite at the Summertime Blues Festival in Havre de Grace on June 25, onsite at Verono Zole in Gaithersburg on June 26, and onsite at Art Scape from July 15 to 17.

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

Mr. Gallagher said his report was provided to the Commission. He said work continues with SGI on the refurbishment of the terminals at agent locations. Meetings are scheduled with Maryland Live! Casino on a monthly basis discuss their IT requirements.

*Procurement* – **Robert Howells, Director**

Mr. Howells said a few months ago the Commission approved the two year renewal option for the Advertising, Research and Public Relations Services Contract (#2007-01). It was submitted to the Department of Budget and Management (DBM) for inclusion on the Board of Public Works (BPW) agenda in early June, but was moved to July 6 due to a budget issues raised by DBM.

Licensing Contract (2011-06) with Baltimore Ravens Limited Partnership: This contract is similar to the contracts for the previous two years. The contract is contingent upon the current labor issue being resolved. Total contract cost is \$775,000. When the ticket is printed, we will pay the Ravens licensing fee of \$85,000. If the season does not proceed on schedule, the Lottery will not pay for any prizes and hold the scratch-off ticket until next season. The contract is scheduled for the July 6 BPW meeting. It is being presented to the Commission today for their review and approval. Motion made by Commissioner Wagner to approve Licensing Contract (#2011-06) with the Baltimore Ravens Limited Partnership in the NTE amount of \$750,000, seconded by Commissioner Presley, and the motion passed by unanimous vote of the Commission.

On-line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: This contract modification is to acquire digital illuminated jackpot signs for Mega Millions and Powerball which will be paid to SGI in the form of a credit applied against liquidated damages in the amount of \$883,400, already accrued and presently owned by SGI. There is no net change in the amount of the total contract price. Modification will be submitted to DBM in June for inclusion on the mid-July BPW agenda. He is requesting the Commission's approval. Motion made by Commissioner Presley to approve the

Modification to the On-Line Gaming System Contract (#2005-11) with Scientific Games, Inc., seconded by Commissioner Reeder and the motion passed by unanimous vote of the Commission.

The Video Lottery Operation License in Baltimore City (#2012-0101) RFP was issued by the Video Lottery Facility Location Commission on April 28. A Pre-Proposal Conference was held on May 24. Site visits and meetings have been scheduled with Baltimore City for a number of interested parties. Proposals are due on July 28.

On June 13, the Video Lottery Facility Location Commission approved the RFP for the Video Lottery Operation License in Allegany County (#2012-012). The RFP will be issued by June 24 or shortly thereafter. Proposals will be due in mid-September.

Maryland Live! Casino's order for a total of 4,750 slot machines is due to the Lottery by July 1. The Request for Quotation (RFQ) for the slot machine order will then be issued to the machine manufacturers by the end of July.

*Internal Audit – Michael Eaton, Director*

Mr. Eaton was not present. However, his report was provided to the Commission.

*Enforcement – John Mooney, Director*

Mr. Mooney said his report was provided to the Commission. Random compliance checks of lottery agents continue to monitor the integrity and honesty of lottery agents. The checks are done randomly or as the result of customer complaints.

*Responsible Gambling Program – Jennifer Kelley, Coordinator*

Ms. Kelley said her report was provided to the Commission. The Voluntary Exclusion Program currently has 17 individuals signed up with two additional applications pending. The number of applications has increased each week. The public awareness/educational materials being developed for VLT facilities are in the final development stage. At next month's meeting she will present the materials to the Commission. Work continues with the Maryland Alliance for Responsible Gambling (MARG). A MARG meeting was recently held at Ocean Downs on June 21.

*Legal Unit – Robert Fontaine, Principal Counsel*

Mr. Fontaine said his report was provided to the Commission. The Interpleader Complaint filed in Baltimore City Circuit Court regarding the return of Baltimore City Entertainment Group's (BCEG) initial fee is being monitored.

Proposed amendment COMAR 14.01.10.13 Video Lottery Employee Licenses. This amendment would reduce from \$200 to \$150 the license fee that the Commission collects

for an application for a gaming employee license, and for renewal of a gaming employee license.

Chairman Fowler said he would entertain a motion to approve amended regulation 14.01.10.13. Motion was made by Vice Chair Robertson, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

Chairman Fowler said he would entertain a motion to permit Lottery staff to submit amended regulation 14.01.10.13 approved today on both an emergency and regular basis. Motion was made by Commissioner McGraw, seconded by Vice Chair Robertson, and the motion carried by unanimous vote of the Commission.

### **PUBLIC COMMENTS**

There were no public comments made.

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

The next Commission meeting will be at 10:00 a.m., Thursday, July 28.

### **ADJOURNMENT**

There being no further business for discussion, Chairman Fowler said he would entertain a motion to adjourn. Motion was made by Commissioner Reeder, seconded by Commissioner McGraw, and motion carried by unanimous vote of the Commission. The meeting adjourned at 11:30 a.m.

Respectfully submitted,

Stephen L. Martino