



Annual Report on Video Lottery Facilities – Calendar Year 2011  
In compliance with SG 9-1A-34(a)

**Background:**

In the 2008 general election, the voters of Maryland ratified a constitutional amendment authorizing up to 15,000 video lottery terminals (“VLTs” or “slot machines”) in five locations in the state (Anne Arundel County, Baltimore City, Cecil County, Allegany County, and Worcester County). Upon approval of this constitutional amendment, the law became effective (“VLT Law”). Among other things, the VLT Law added a new Title 9, Subtitle 1A to the State Government Article to provide a licensing and regulatory framework for VLT operators and associated persons and to specify the distribution of the proceeds from VLT operations.

As part of the licensing and regulatory framework, the VLT Law established the Video Lottery Facility Location Commission, whose task is to award up to five video lottery operation licenses. Consistent with the constitutional amendment, the VLT Law limits the Location Commission’s allocation of slot machines to five locations in the state with no more than one location in each of the jurisdictions. While the statute sets a cap on the number of machines at each location, it gives the Location Commission discretion to increase the cap at four of the locations, subject to a cap of 4,750 slot machines at any one location.

The VLT Law requires the Location Commission to award licenses through a “competitive process consistent with the process for competitive sealed proposals” under the state procurement law. The statute specifies some basic criteria for applications for video lottery operation licenses. The Location Commission is required to refer the name and all relevant information concerning each applicant to the State Lottery Commission, which then determines whether the applicant is qualified to hold a VLT operation license. An unsuccessful applicant for an operation license may seek review by the State Board of Contract Appeals.

The Location Commission issued a Request for Proposals (“RFP”) on December 19, 2008, with a return date of February 2, 2009. Preliminarily acceptable proposals were received for four of the five locations. The Location Commission reviewed these four proposals and ultimately awarded operation licenses in three of the jurisdictions: Anne Arundel, Cecil and Worcester counties. The fourth proposal, for the Baltimore City location, was rejected by the Location Commission. In 2010, the Location Commission again issued an RFP for the Allegany County location, but no proposals were received in response.

After the award of a VLT operation license, the State Lottery Commission (with assistance by the Maryland State Lottery) is responsible for all matters relating to regulation of the licensee. In this regulatory role, the Maryland Lottery oversees all internal controls, auditing, security, surveillance, background investigation, licensing and accounting procedures for the facilities.

VLT operations began in September 2010 at Cecil County’s Hollywood Casino Perryville (1,500 VLTs) and in January 2011 at Worcester County’s Casino at Ocean Downs (750 VLTs). The Anne Arundel County location is expected to open in June 2012.

**Status of Facilities:**

**Hollywood Casino Perryville (Cecil County) - Penn National Gaming Cecil County**

- First casino to open in Maryland; opened to the public September 27, 2010.
- In FY2011, the casino generated \$82,650,699.33 in gaming revenue.
- In the first half of FY2012 (July – December 2011), the casino has generated \$55,723,856.32.
- Current number of VLTs in facility: 1500
- Current number of personnel employed by the facility: 280

**Casino at Ocean Downs (Worcester County) - Ocean Enterprises 589, LLC**

- The facility opened January 4, 2011.
- In FY2011, the casino generated \$20,403,685.53.
- In the first half of FY2012 (July – December 2011), the casino has generated \$24,527,010.53.
- Current number of VLTs in facility: 800
- Current number of personnel employed by the facility: 199

**Finance:**

Individual casinos and the combined state total are as follows:

Gross Gaming Revenue	%	Total January 2012	Total 2012 Fiscal YTD	Hollywood Casino January 2012	Hollywood Casino 2012 FYTD	Ocean Downs January 2012	Ocean Downs 2012 FYTD
<b>TOTAL</b>	100	\$12,923,551.67	\$93,174,418.52	\$9,790,341.87	\$65,514,198.19	\$3,133,209.80	\$27,660,220.33
Education Trust Fund	48.5	\$6,267,922.56	\$45,189,592.98	\$4,748,315.81	\$31,774,386.13	\$1,519,606.75	\$13,415,206.85
Casino share	33	\$4,264,772.05	\$30,747,558.11	\$3,230,812.82	\$21,619,685.40	\$1,033,959.23	\$9,127,872.71
Horse racing purse account	7	\$904,648.62	\$6,522,209.30	\$685,323.93	\$4,585,993.88	\$219,324.69	\$1,936,215.42
Local impact grants	5.5	\$710,795.34	\$5,124,593.01	\$538,468.80	\$3,603,280.89	\$172,326.54	\$1,521,312.12
Race tracks facility renewal account	2.5	\$323,088.80	\$2,329,360.47	\$244,758.55	\$1,637,854.95	\$78,330.25	\$691,505.52
Maryland Lottery	2	\$258,471.02	\$1,863,488.36	\$195,806.83	\$1,310,283.97	\$62,664.19	\$553,204.39
Small, minority & women-owned business	1.5	\$193,853.28	\$1,397,616.29	\$146,855.13	\$982,712.97	\$46,998.15	\$414,903.32

**Crime:**

There were 102 police responses to Hollywood Casino by the Perryville Police Department and the Maryland State Police during 2011. There were 76 police responses to the Ocean Downs Casino by Worchester County Sheriff's Office and the Maryland State Police during 2011. The responses were for the following:

<b>Incidents</b>	<b>Hollywood</b>	<b>Ocean Downs</b>
Accidents	21	7
Animal Complaints		5
Check Welfare		5
Counterfeit	24	
Disabled unattended vehicle		5
Disorderly	25	25
Domestic Complaint		1
Drugs	3	6
DWI/intoxicated Driver	6	8
MDOP	5	
Sex offense		1
Suspicious Person/Vehicle		7
Theft	9	
Trespass	8	3
Warrants	1	3

**MBE Compliance:**

Governor's Office of Minority Affairs (GOMA) report attached.



GOVERNOR'S OFFICE OF  
MINORITY AFFAIRS

**Video Lottery Terminals (VLT) Facilities  
MBE Compliance Status Report**

**Prepared by the Governor's Office of Minority Affairs  
Luwanda W. Jenkins, Special Secretary**

**January 31, 2012**

Pursuant to State Government Title 9 and subtitle 1A, Annotated Code of Maryland, the Governor’s Office of Minority Affairs (GOMA) submits the following Video Lottery Terminals (VLT) MBE Compliance update for the three currently active VLT facilities. The previous report submitted by GOMA to the Commission dated January 14, 2011, included VLT MBE activity through December, 2010.

## Penn National Gaming– Hollywood Casino (PNG)

### **PNG Design/Development/Construction Phase MBE Closeout**

The Cecil County facility opened for business in September, 2010. GOMA closed out the MBE compliance monitoring for the development, design and construction phases as of February 28, 2011. The final MBE achievement for the design/construction phase for PNG through December 31, 2010, as detailed in the Office of Legislative Audits report issued in November, 2011 is as follows:

<b>Hollywood Casino Perryville (Cecil County) Activity through December 31, 2010</b>					
<b>Minority Classification</b>	<b>Target Goal <sup>1</sup></b>	<b>Reported to/by SLC</b>		<b>Adjusted Results</b>	
		<b>Total Payments to MBEs</b>	<b>MBE Goal Achievement</b>	<b>Total Payments to MBEs Based on Audit Test</b>	<b>MBE Goal Achievement</b>
<b>Overall</b>	25%	\$10,943,755	19.3%	\$11,719,819	20.7%
<b>Women</b>	10%	\$ 5,390,263	9.5%	\$ 5,912,818	10.5%
<b>African American</b>	10%	\$ 4,300,701	7.6%	\$ 4,312,976	7.6%
<b>Other</b>	None	\$ 1,252,791	2.2%	\$ 1,494,025	2.6%

### **PNG Ongoing Operations Update**

GOMA began monitoring MBE participation related to PNG’s ongoing operations beginning March 1, 2011. PNG has reported total expenditures of \$10,270,509.95 for the March through November operations period\*. Expenditure documentation was presented to GOMA in the form of accounting reports generated directly from PNG’s financial accounting system. PNG has engaged the services of thirteen (13) MBE firms during this reporting period. MBE goal achievement through November 30, 2011 is as follows:

Minority Classification	Target Goal %	Actual MBE Payments	MBE Goal Achieved
<b>Overall</b>	<b>25%</b>	<b>\$591,912.60</b>	<b>6.15%</b>
<b>African American</b>	10%	\$24,817.78	0.26%
<b>Women</b>	10%	\$128,051.45	1.33%
<b>Other MDOT certified</b>	0%	\$439,043.37	4.56%

\*GOMA adjusted the total expenditure figure reported by PNG to exclude payments to state/local governments, charitable contributions, and employee/human resource related expenditures such as garnishments, insurance/medical benefit payments, etc. The adjusted total expenditure figure used for purposes of calculating the above percentages is \$9,624,921.97. GOMA defers to the Commission with respect to the appropriateness of GOMA's allowed exclusions as well as any other exclusions requested by PNG (see attached exclusion request received from PNG).

## Ocean Enterprise 589 LLC – Ocean Downs Casino (OE589)

### Design/Development/Construction Phase MBE Closeout

The Worcester County facility opened for business in January, 2011. GOMA closed out the MBE compliance monitoring for the development, design and construction phases as of March 31, 2011. The final MBE achievement for the design/construction phase for OE589 through December 31, 2010, as detailed in the Office of Legislative Audits report issued in November, 2011 is as follows:

Casino at Ocean Downs (Worcester County) Activity through December 31, 2010					
Minority Classification	Target Goal <sup>2</sup>	Reported to/by SLC		Adjusted Results	
		Total Payments to MBEs	MBE Goal Achievement	Total Payments to MBEs Based on Audit Test	MBE Goal Achievement
<b>Overall</b>	25%	\$3,805,909	18.9%	\$3,969,470	19.8%
<b>Women</b>	10%	\$1,974,382	9.8%	\$2,102,435	10.5%
<b>African American</b>	10%	\$ 439,503	2.2%	\$ 475,011	2.4%
<b>Other</b>	None	\$1,392,024	6.9%	\$1,392,024	6.9%

## OE589 Ongoing Operations Update

GOMA began monitoring MBE participation related to OE589's ongoing operations beginning April 1, 2011. OE589 has reported total expenditures of \$7,057,116.18 for the April through November operations period\*. Expenditure documentation was presented to GOMA in the form of accounting reports generated directly from OE589's financial accounting system. OE589 has engaged the services of six (6) MBE firms during this reporting period. MBE goal achievement through November 30, 2011 is as follows:

Minority Classification	Target Goal %	Actual MBE Payments	Final MBE Goal Achieved
<b>Overall</b>	<b>25%</b>	<b>\$241,181.52</b>	<b>4.99%</b>
<b>African American</b>	10%	\$130,569.07	2.70%
<b>Women</b>	10%	\$110,612.45	2.29%
<b>Other MDOT certified</b>	0%	\$0.00	0.00%

\*GOMA adjusted the total expenditure figure reported by OE589 to exclude payments to state/local governments, charitable contributions, and employee/human resource related expenditures such as garnishments, insurance/medical benefit payments, etc. The adjusted total expenditure figure used for purposes of calculating the above percentages is \$4,832,508.38. GOMA defers to the Commission with respect to the appropriateness of GOMA's allowed exclusions as well as any other exclusions requested by OE589 (see attached list of exclusions requested by OE589).

## Maryland Live Casino – Power Plant Entertainment (PPE)

### General Project Update

On January 5, 2011, PPE informed GOMA that the construction management function for the Arundel County facility would be handled by a joint venture (JV) consisting of an agreement between Commercial Interiors, a minority owned firm (Hanover, MD) and TN Ward (Ardmore, PA). A dedicated liaison was assigned to manage the monthly MBE reporting requirement on behalf of the licensee.

As of January 5, 2012, the joint venture reports that the construction portion of the project is approximately one third complete.

### MBE Outreach

Since last January, the JV has participated in numerous MBE outreach events. In April, 2011, JV staff attended five outreach events, including hosting an event specific to the Core and Shell Construction project. For that event, there were 175 confirmed attendees, 50 of

which represented minority owned businesses. On a regular basis, the Joint Venture attends events where there is an opportunity to engage in discussion with MBEs regarding potential contracting/subcontracting opportunities. On a weekly basis, the JV holds small one-on-one meetings with M/WBE subcontractors, vendors and other interested individuals upon request.

### MBE Feedback

Twenty-five (25) MBEs were contacted via telephone to gain feedback on their participation on the Arundel Mills VLT project. There are currently approximately 60 MDOT-certified MBEs providing labor, supplies, goods and/or services in connection with the project. From the MBEs contacted, the general consensus is that they are pleased with the JV's outreach efforts. There have been no major issues reported regarding timeliness of payments.

### MBE Achievement through November, 2011

PPE has reported total expenditures of \$42,670,657.54 for the entire project from issuance of the license through November, 2011\*. This figure includes expenditures incurred by both the JV (construction) and the Cordish Company (design, development, FFE, etc). Expenditure documentation was presented to GOMA in the form of accounting reports generated directly from the respective financial accounting systems being used by the licensee to track project expenditures. MBE goal achievement through November 30, 2011 is as follows:

Minority Classification	Target Goal %	Actual MBE Payments	MBE Goal Achieved
<b>Overall</b>	<b>35%</b>	<b>\$9,077,901.87</b>	<b>24.34%</b>
<b>African American</b>	10%	\$3,060,773.50	8.21%
<b>Women</b>	10%	\$2,541,710.79	6.82%
<b>Other MDOT certified</b>	0%	\$3,475,417.58	9.32%

\*GOMA adjusted the total expenditure figure reported by PPE to exclude payments to state/local governments, charitable contributions, and employee/human resource related expenditures such as garnishments, insurance/medical benefit payments, etc. The adjusted total expenditure figure used for purposes of calculating the above percentages is \$37,293,605.54. GOMA defers to the Commission with respect to the appropriateness of GOMA's allowed exclusions as well as any other exclusions requested by PPE (see attached list of exclusions requested by PPE).