

Colorado Limited Gaming Control Commission

Minutes of Public Session
May 18, 2017

Public Session

I. Call to Order

The May 18, 2017 meeting of the Colorado Limited Gaming Control Commission was called to order by Chairman Roger Hutson at approximately 9:17 a.m. at the Division of Gaming office, 17301 W. Colfax Ave, Suite 135, Golden, Colorado. Commissioners Jannine Mohr, Cynthia Mares and Ryan Shirley were present and a quorum existed. Commissioner Don Wick joined the meeting at 9:40 am.

Officials & Administrators in Attendance

Roger Hutson, Chairman
Jannine Mohr, Vice Chairman
Don Wick, Commissioner
Ryan Shirley, Commissioner
Cynthia Mares, Commissioner
Ron Kammerzell, Senior Director, Enforcement
Flavio Quintana, Director
Kenya Collins, Director of Administration
Doug Darr, Chief of Investigations
John Lizza, First Assistant Attorney General
Ceri Williams, Senior Assistant Attorney General
Paul Hogan, Chief Auditor
Vickie Floyd, Controller
Ronni Hunter, Rules Manager
Amanda Karger, Budget Director, Department of Revenue
Phil Spencer, Supervisory Investigator, Cripple Creek
Lad Sullivan, Agent In Charge, Central City
Kirsten Gregg, Agent In Charge, Background Unit
Ramon Alvarado, Budget Manager, Enforcement Business Group, Department of Revenue
Katie Wagnon, Budget Analyst, Enforcement Business Group, Department of Revenue

Executive Session

The Commission voted unanimously to go into Executive Session pursuant to sections 24-6-402(3)(a)(III), 12-47.1-522(1)(a), and 12-47.1-527(1) of the Colorado Revised Statutes to review confidential reports from the Division of Gaming.

Public Session (reconvened)

II. Opportunity for the Public to Address the Commission

The Chairman extended an opportunity for the public in attendance to address the Commission on any topic not on the agenda. No one came forward.

III. Consideration of Licensing Actions

The Commission voted unanimously to approve the Change of Ownership for the Manufacturer/Distributor and Operator licenses for Incredible Technologies, Inc.

IV. Continuation of Hearing on Colorado Gaming Regulation 47.1-1401, Gaming Tax

The Commission voted unanimously to re-open the hearing on proposed amendments to Colorado Gaming Regulation 47.1-1401, Gaming Tax. Representatives of the cities and counties impacted by gaming provided the following information which was admitted into the rulemaking record:

Division of Gaming - Kenya Collins, Director of Administration, presented an overview of the implementation costs of the Colorado Gaming Association (CGA) proposal, regarding the tax rebate for promotional coupons and credits.

Cripple Creek – Kenya Collins, Director of Administration, Division of Gaming, submitted the annual report provided by the City of Cripple Creek into the record, as a representative from the city was unable to attend to present the information.

State Board for Community Colleges - Mark Superka, VP Finance and Administration presented the annual report and stated that the State Board supports maintaining the current tax structure to help keep stability within the industry.

Black Hawk – Kenya Collins, Director of Administration, Division of Gaming, submitted the annual report provided by the City of Black Hawk into the record, as a representative from the city was not in attendance to present the information.

Gilpin County – Kenya Collins, Director of Administration, Division of Gaming, submitted a letter provided by Gilpin County into the record, as a representative from the city was not in attendance to present the information.

Advanced Industries Accelerator Program – Kenya Collins, Director of Administration, Division of Gaming, submitted the presentation provided by the Colorado Office of Economic Development & International Trade into the record, as a representative from the program was not in attendance to make the presentation.

Central City – Daniel Miera, City Manager, was available for any questions the Commission may have regarding the report submitted by the City of Central into the rulemaking record. In its report, the city requested the tax rates remain unchanged for FY2018. Mr. Miera noted that he will reserve his comments regarding the CGA proposal until later in the proceedings.

Colorado Gaming Association - Lois A. Rice, CAE, Executive Director, stated that CGA's presentation would be made at the June 15, 2017 Commission meeting.

Department of Revenue – Ramon Alvarado, Budget Manager, Enforcement Business Group, Department of Revenue, presented the Division of Gaming's projected AGP tax, AGP proceeds as well as the tax projections. This fiscal year includes 35 casinos with a projected AGP of approximately \$806,000,000.00 and a projected tax of approximately \$115,000,000. The projection

for FY 17-18 with two fewer casinos AGP tax of approximately \$801,000,000.00 resulted in a projected tax of approximately \$118,000,000.00.

Anton Collins Mitchell LLP – Stacey Hekkert, Managing Partner and Megan Livesay, Audit Manager, presented an overview of the Colorado gaming industry performance, gaming industry trends and compared the net revenues of the six tax tiers. Information was also provided regarding other components by tax tier including, AGP by device, average EBITDA, operating, payroll and marketing expenses and device fees.

The Chairman extended an opportunity for anyone from the public to address the Commission on Colorado Gaming Regulation 47.1-1401, Gaming Tax.

Daniel Miera, City Manager for Central City, stated the City of Central City will provide its formal position statement to the Commission on or before the June 15, 2017 meeting. Mr. Miera's understanding is that the discussion has been ongoing for quite some time, for some more than others, and the proposed language is relatively new. The City would like to echo the comments of the Gaming staff stating that there are certain elements lacking within the language that would properly address how the mechanics would work, which is a concern. The more concerning of the proposal is the hold harmless provision. With the proposed Marketing language, Central City may experience decline in the revenue. Central City supports the implementation date of July 2018 if the proposal were to be approved. Central City would like to be more involved in discussions between now and June. Communication with CGA has only been very recent.

Roger Brown, Famous Bonanza and Easy Street Casino, testified that about 1/3 of the casinos in Colorado do not run electronic promotional credits. It is his standpoint that a tax credit that benefits only those using electronic promotional credits is unfair to all operators that do not have it. He asked the Commission to obtain feedback from the industry as a whole as to how the proposal could negatively affect their businesses. He stated that the CGA proposal gives a tax advantage to his competitors. There are costs factors of about 2 million dollars to implement an electronic system and his customers do not want this because the costs would more than likely be passed on to the customer. Mr. Brown stated that he was only made aware of the proposal about two weeks ago because his casinos are not a part of the CGA. He found out about it when the CGA made a presentation to the Central City Council.

The Commission voted unanimously to close the hearing on Colorado Gaming Regulation 47.1-1401, Gaming Tax, and continue the hearing until the June 15, 2017 meeting of the Commission.

V. Consideration of Disciplinary Actions

Ceri Williams, Senior Assistant Attorney General, presented the Order of Summary Suspension in Case No. DOG17000440, In the Matter of Jennifer Lynne Ortiz, Support License No. 46509.

The Commission voted unanimously to approve and authorize the Chairman to sign the disciplinary action.

VI. Division Financial Statement

Vickie Floyd, Controller, presented the Statement of Gaming Revenues, Gaming Taxes, and Expenditures (unaudited) for the nine (9) months ending March 31, 2017.

The Commission voted unanimously to approve the financial statement and authorize its distribution.

VII. Consideration of Organizational Matters

Approval of Minutes – Minutes of the April 20, 2017 Public Session of the Colorado Limited Gaming Control Commission were approved as presented.

Directors' Update:

Ron Kammerzell – Senior Director, Enforcement Business Group, the legislative session concluded last week. The Department of Revenue was concerned with certain Bills, but Senior Director Kammerzell was happy to report those bills died in committee.

Flavio Quintana – Director, Division of Gaming, no updates.

Chairman Hutson extended an opportunity for the public to address the Commission before it adjourned. No one came forward.

Adjournment – The meeting was adjourned at approximately 10:59 a.m.

Brenda Berens, Secretary to the Colorado Limited Gaming Control Commission