

Colorado Limited Gaming Control Commission

Minutes of Public Session
June 15, 2017

Public Session

I. Call to Order

The June 15, 2017 meeting of the Colorado Limited Gaming Control Commission was called to order by Chairman Roger Hutson at approximately 9:15 a.m. at the Division of Gaming office, 17301 W. Colfax Ave, Suite 135, Golden, Colorado. Commissioners Cynthia Mares, Don Wick and Ryan Shirley were present. Commissioner Jannine Mohr appeared via telephone and a quorum existed.

Officials & Administrators in Attendance

Roger Hutson, Chairman
Jannine Mohr, Vice Chairman (via telephone)
Don Wick, Commissioner
Ryan Shirley, Commissioner
Cynthia Mares, Commissioner
Barbara Brohl, Executive Director
Ron Kammerzell, Senior Director, Enforcement
Flavio Quintana, Director
Kenya Collins, Director of Administration
Kirsten Gregg, 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
Chris Moore, Agent In Charge, Cripple Creek
Jay Wolff, Supervisory Investigator, Central City
Ramon Alvarado, Budget Manager, Enforcement Business Group, Department of Revenue
Katie Wagon, 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)

Chairman Hutson congratulated and thanked Commissioner Wick for his time serving on the Commission.

II. Consideration of Licensing Actions

The Commission voted unanimously to approve the Renewal of the Retail Licenses for Casino Holdings, Inc. d/b/a Brass Ass Casino, Holland Ventures, Inc. d/b/a J.P. McGill's Hotel & Casino and the Renewal of the Retail and Manufacturer/Distributor Licenses for Midnight Rose Hotel & Casino, Inc. d/b/a Midnight Rose Hotel & Casino. The licenses shall expire two years from the dates of their current expirations.

III. 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.

Lawrence Hill of Casino Holdings, Inc. and Midnight Rose Hotel & Casino, Inc. thanked the Commission for the license approvals for another two years and thanked the Division Investigators who worked on the renewals.

IV. Consideration of Disciplinary Actions

The Commission voted unanimously to approve the Stipulation and Agreements in Case No. DOG17001271, In the Matter of Interblock USA L.C., Colorado Manufacturer/Distributor License No. 14-63989-0002, in Case No. DOG16004136B, In the Matter of Leslie K. Harris, Support License No. 27810 and in Case No. DOG16004136A, In the Matter of William K. Stankiewicz, Key License No. 27697.

The Commission voted unanimously to approve the Orders of Summary Suspension in Case No. DOG17001778, In the Matter of Richard Carl Emerson, Support License No. 45007 and in Case No. DOG17001579, In the Matter of Baolu Zou, Support License No. 37596.

The Commission voted unanimously to approve the Orders to Show Cause in Case No. DOG17000166, In the Matter of Trung Minh Tran, Support License No. 27458 and in Case No. DOG16004780, In the Matter of Richard Andrew Voisinet, Support License No. 45645.

V. Consideration of Amendments to Colorado Gaming Rule 3-Applications, Investigations, and Licensure

The Commission voted unanimously to open the hearing on Rule 3 – Applications, Investigations and Licensure.

Ramon Alvarado, Budget Manager, Enforcement Business Group, presented a rate analysis regarding Colorado Limited Gaming Regulation 47.1-305 for Fiscal Year 2018.

The Chairman extended an opportunity for the public in attendance to address the Commission on Rule 3. No one came forward.

The Commission voted unanimously to close the hearing on Colorado Gaming Regulations, Rule 3, and to decrease the hourly background investigation rate from \$70.00 to \$69.00, effective July 1, 2017, and to authorize the Chair to sign the Resolution Concerning Emergency Amendments to Colorado Limited Gaming Regulation 47.1-305, Investigative Fees.

VI. 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.

The Colorado Gaming Association (CGA) through Mark Grueskin, Counsel to the CGA and David Farahi, CGA President, Monarch Casino, made a PowerPoint presentation in support of CGA's proposal regarding a tax rebate for electronic promotional credits provided to patrons by casino operators.

Colorado Community College System, Dr. Nancy McCallin, President testified in support of the CGA's proposal.

Paul Harris, City of Cripple Creek, Finance Director and Raymond G. DuBois, City Administrator informed the Commission of their position to remain neutral regarding the CGA proposal. There was no visible support from the casinos at the City Council meeting and there was very little input from the casinos. There was also a lack of timely and adequate information from the CGA.

Kenya Collins, Director of Administration, submitted into the rulemaking record letters from City of Black Hawk, Gilpin County, and History Colorado. Ms. Collins also provided an update from the Gaming Division for consideration regarding costs of implementation of the CGA proposal.

Ann Dodson, President and owner of GF Gaming d/b/a Famous Bonanza and Easy Street Casinos along with Roger Brown, General Manager of GF Gaming, in Central City, stated their casinos do not have an electronic promotional credit system and are not members of the CGA. No one presented the proposal to them and they feel they are behind because they were made aware of the proposal in May 2017 at the Central City, City Council meeting. The cost to implement the system would cost GF Gaming over a million dollars. Ms. Dodson stated the tax rates that have been in place for years have been fair and the proposal fundamentally changes the tax structure and possibly creates an unlevel playing field and places GF Gaming at a competitive disadvantage.

Daniel Miera, City Manager for Central City, presented material on behalf of Central City and stated the City cannot give its full support to the CGA's proposal due to the "hold harmless" provision. He stated there were some potential flaws which may not work out as intended referring to page 4, Exhibit 1 of his material.

Steve Turner, History Colorado, stated the History Colorado Board felt quite comfortable and thanked the CGA for the bumper guard put in place over the next three years. Mr. Turner stated he believed the proposal will help History Colorado to remain financially stable.

Mark Grueskin, Attorney for the CGA, stated the proposal maintains taxation of the credits during the three year pilot program and beyond. He also stated that at no time does Free Play fall away from Gaming revenues generated in each town. Gaming revenues are a net analysis and there is an additional safety belt for the revenue jurisdictions that feel they may be impacted.

Daniel Miera, stated the math shows that if Free Play is not rebated as far as the tax goes then some, if not all will be held harmless; however, in this particular case even if the City of Central meets its

same generation rate or very near it, but yet has to give out rebates even though they didn't meet 3 ½ % or greater, then it will lose when it comes to its proportionate share. Mr. Miera just heard something very opposite to that and wanted to make it very clear that the numbers do not lie. In Central City, three casinos have the electronic promotional credit system and three do not.

The Chairman extended an opportunity for anyone from the public to address the Commission on Colorado Gaming Regulation 47.1-1401, Gaming Tax. No one came forward.

The Commission voted unanimously to go into Executive Session pursuant to sections 24-6-402(3)(a)(II) and (III) and 12-47.1-527(1)(a) of the Colorado Revised Statutes to discuss confidential data related to tax information of individual casinos, and to receive legal advice if necessary.

Public Session (reconvened)

The June 15, 2017 Public Session of the Colorado Limited Gaming Control Commission came back to order at 12:29 PM.

The Commission voted unanimously to certify that the following continuation budget requests for fiscal year 2018 were being considered by the Commission in setting the gaming tax rate beginning July 1, 2017: Department of Local Affairs: \$164,060; Colorado Bureau of Investigation: \$1,063,488; Colorado State Patrol: \$3,476,928; Colorado Division of Fire Prevention and Control: \$193,504, and Colorado Division of Gaming: \$12,027,569.

The Commission voted unanimously to close the hearing on Colorado Gaming Regulation 47.1-1401, Gaming Tax.

Commissioner Jannine Mohr thanked the CGA for the time put into the proposal. Commissioner Mohr also stated her primary concern was whether the Commission had the legal authority to implement the CGA proposal. Commissioner Mohr would support a future tax rate adjustment as a possible solution.

Commissioner Shirley reiterated Commissioner Mohr's comments. Commissioner Shirley also stated that he did not necessarily agree with all of the numbers and was not convinced the proposed rebate would change anything. Commissioner Shirley also stated he would like to see some case data of other markets.

Commissioner Mares stated she liked the idea of the proposal, but had concerns regarding the constitutionality and the authority of the Commission to adopt the proposed rule. Commissioner Mares also stated she was not convinced there would be less people visiting Las Vegas, but liked the idea of keeping the money in Colorado. Commissioner Mares stated she would like to see a proposal under the rate structure instead of the current proposal.

Commissioner Wick echoed the other Commissioners' concerns with the authority of the Commission. Commissioner Wick likewise wants to see a proposal of changing the tax rates instead of the definition of AGP. Commissioner Wick also thanked the CGA and suggested in the future the CGA work with the Stakeholders who have expressed their concerns.

Chairman Hutson summarized the Commissioners' concerns, stated the idea was a good one, and stated there may be some gray areas.

Based on the Commissions' comments, the Chairman called for a motion to make no change to Colorado Limited Gaming Regulation 47.1-1401 for Fiscal Year 2018. Four Commissioners voted to make no change to the regulation, and Chairman Hutson opposed the motion.

VII. Division Financial Statement

Vickie Floyd, Controller, presented the Statement of Gaming Revenues, Gaming Taxes, and Expenditures (unaudited) for the ten (10) months ending April 30, 2017.

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

VIII. Consideration of Organizational Matters

Approval of Minutes – Minutes of the May 18, 2017 Public Session of the Colorado Limited Gaming Control Commission were approved as presented.

Directors' Update:

Ron Kammerzell – *Senior Director, Enforcement Business Group*, informed the Commission of his retirement effective August 31, 2017. Senior Director Kammerzell has been with the Department of Revenue for 25 years and 20 of those with the Division of Gaming. Senior Director Kammerzell thanked the Commission for the amazing work it does on behalf of the people of the State of Colorado.

Flavio Quintana – *Director, Division of Gaming*, thanked Chief Wick for all of his time and contribution to the Commission. Director Quintana also thanked Senior Director Kammerzell for all the years of mentoring and wished him well. Chief Darr resigned in May and Director Quintana was proud to announce Kirsten Gregg as the new Chief of Investigations for the Division. Director Quintana also thanked the Commission for its commitment and hard work over last three months during the tax setting hearings.

Chairman Hutson extended an opportunity for the public to address the Commission before it adjourned.

Dr. Nancy McCallin, President of the Colorado Community College System wanted to thank the Commission for the thoughtful deliberation. Dr. McCallin stated that as a recipient of the tax revenues, the College System would have a very different view of a tax rate decrease. A tax rate decrease would significantly impact the amount of money incoming as opposed to the CGA's proposal. A tax decrease has a direct impact on the students and CCCS's ability to offer educational services. Dr. McCallin stated the Colorado Community College System is always willing to help out the industry, but cannot support a tax rate decrease.

Adjournment – The meeting was adjourned at approximately 12:53 p.m.

Brenda Berens, Secretary to the Colorado Limited Gaming Control Commission