

Colorado Limited Gaming Control Commission

Minutes of Public Session

May 15, 2014

Public Session

I. Call to Order

The May 15, 2014 meeting of the Colorado Limited Gaming Control Commission was called to order by Chairman Roger Hutson at approximately 9:30 a.m. at the Division of Gaming office, 17301 W. Colfax Ave, #135, Golden, Colorado. Commissioners Chuck Murphy, Doug Darr and Bill Hughes were present and a quorum existed. Commissioner Mohr was excused for good cause.

Officials & Administrators in Attendance

Roger Hutson, Chairman

Chuck Murphy, Commissioner

Doug Darr, Commissioner

Bill Hughes, Commissioner

Ron Kammerzell, Deputy Senior Director, Enforcement Business Group

Laura Manning, Director

Brenda Davis, Director of Administration

Flavio Quintana, Chief of Investigations

Ceri Williams, Senior Assistant Attorney General

Geri Clerkin, Chief Auditor

Eric Shannon, Accountant

Jill Vaughan, Budget Director

Steve Paine, Budget Analyst

Kirsten Gregg, Agent in Charge, Golden

Lad Sullivan, Agent in Charge, Central City

Chris Moore, Agent in Charge, Cripple Creek

Cameron Lewis, Communications Specialist

Allison Yunko, Secretary to the Commission

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. 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:

Cripple Creek – Paul Harris, Finance Director, presented the City of Cripple Creek’s annual report and stated that Cripple Creek supports maintaining the current tax structure to help keep stability within the industry and city.

Gilpin County – County Commissioner, Gail Watson, presented Gilpin County’s annual report and stated that Gilpin County supports maintaining the current tax structure to help keep stability within the industry and the county.

Black Hawk – Geri Clerkin, Chief Auditor, 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. In its report, the city did not provide a recommendation for FY2015 gaming taxes.

Central City – Geri Clerkin, Chief Auditor, Division of Gaming, submitted the report provided by the City of Central into the record as a representative from the city was not in attendance to present the information. In its report, the city requested the tax rates remain unchanged for FY2015.

Additional presentations were made by the following:

Department of Revenue – Jill Vaughan, Budget Director, and Steve Paine, Budget Analyst, presented the Division of Gaming’s FY 2013-14, FY 2014-15, and FY 2015-16 revenue projections. The estimated FY 2013-14 revenue projections are based on 9 months of actual data and 3 months of projected data for the balance of the year. Total AGP is estimated to be nearly \$752 million, with estimated total tax revenue of over \$99 million. The FY 2014-15 revenues are projected to be just over \$102 million, with AGP estimated to increase by \$7 million. The FY 2015-16 revenues are projected to be just over \$101 million, with AGP estimated just under \$758 million.

Anton Collins Mitchell LLP – Stacey Hekkert, Audit Partner, and Kristen Holthus, CPA, 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.

Colorado Gaming Association (CGA) – Steve Roark, President, presented the association’s position on the tax rate. Mr. Roark presented the CGA’s request to retain the current tax rate structure for Fiscal Year 2015.

Public Testimony

Members of the public were given the opportunity to testify regarding gaming taxes. Lauren Grimshaw, Deputy Director, Colorado Office of Film, Television & Media, and Courtney Potts, Program Manager, Colorado Office of Film, Television & Media, came forward to introduce themselves and educate the Commissioners on what their office does. A portion of the gaming tax proceeds are distributed to their agency, which allocates funds to the Colorado Office of Film, Television & Media’s operating budget.

Certifications

The Commission certified that the following continuation budget requests for Fiscal Year 2015 were being considered by the Commission in setting the gaming tax rate beginning July 1, 2014: Department of Local Affairs, Colorado Bureau of Investigation, Colorado State Patrol, Colorado Division of Fire Prevention and Safety and the Colorado Division of Gaming. The Commission certified that the state agency program impacts were being considered by the Commission in setting the gaming tax rate, starting July 1, 2014, and were deemed to be gaming-related.

Executive Session

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 receive confidential data related to tax information of individual casinos, including reports from Anton Collins Mitchell LLP and the Division of Gaming, and to receive legal advice, if necessary.

Public Session (reconvened)

The Public Session reconvened at approximately 10:35 a.m.

The Commission voted unanimously to close the hearing on proposed amendments to Colorado Gaming Regulation 47.1-1401, Gaming Tax. The Commission publicly deliberated on the information and testimony it had received in April and May from the various state and local agencies, the testimony presented by the Colorado Gaming Association, and information received from Anton Collins Mitchell LLP, regarding the current state of affairs in the Colorado gaming industry. Each Commissioner expressed his thoughts and considerations of the issue.

The Commission voted unanimously to retain the current gaming tax rates.

IV. Consideration of Disciplinary Actions

Ceri Williams, Senior Assistant Attorney General, presented the Order of Summary Suspension in Case No. OSS DOG14001687, In the Matter of Perry L. Eppenger, Support License No. 41590.

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

V. Consideration of Proposed Amendments to Rules 8, 10, 16, 22 and 23

The Commission voted unanimously to open the hearing on proposed amendments to Colorado Limited Gaming Rules 8, 10, 16, 22 and 23. Sean Ballain, Table Games Chairman, Division of Gaming, and Roger Pinson, Audit Manager, Division of Gaming, presented proposed changes to the following regulations:

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| <u>Rule 8</u> | 47.1-828 Irregularities 47.1-834.15 The Play – Dead Man’s Hand Blackjack 47.1-835 through 837, 47.1-841 through 842 |
| <u>Rule 10</u> | 47.1-1003 Types of Poker Authorized 47.1-1017.39 The Play – Texas Hold’Em Bonus Poker |

47.1-1017.44 The Play – Crazy 4 Poker
47.1-1017.47 The Play – Ultimate Texas Hold’Em Poker
47.1-1021 Dealing

Rule 16 47.1-1603

Rule 22 47.1-2206 Irregularities
47.1-2213 through 2214

Rule 23 47.1-2315 through 2316
47.1-2319 Irregularities

The public was given an opportunity to address the Commission on the proposed amendments; no one came forward.

The Commission voted unanimously to close the rulemaking hearing and to amend Colorado Limited Gaming Regulations, Rules 8, 10, 16, 22 and 23 as presented.

VI. Division Financial Statement

Eric Shannon, Accountant, presented the Statement of Gaming Revenues, Gaming Taxes, and Expenditures (unaudited) for the nine (9) months ending March 31, 2014.

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 17, 2014 Public Session of the Colorado Limited Gaming Control Commission were approved as presented.

Directors’ Update:

Ron Kammerzell – Deputy Senior Director, Enforcement Business Group, discussed HB 14-1392 that was introduced during General Assembly in the 2014 Legislative Session. The Bill was designed to clarify that Internet Sweepstakes Cafes are, in fact, illegal in Colorado. Although the Bill was supported and passed in the House of Representatives, it did not pass in the Senate. The Department of Revenue will continue to monitor this issue and determine how to move forward.

Laura Manning – Director, Division of Gaming, announced Chris Moore’s promotion to Agent in Charge, Cripple Creek. Additionally, Director Manning introduced Jon Sullivan as a new Criminal Investigator in the Golden office. We are very happy to have Jon on board and we congratulate Chris on his new position! Lastly, Ms. Manning was pleased to inform the Commission and audience that the Golden Division of Gaming office now has wireless internet access. Signage that includes the wireless logon information will be posted around the office soon.

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)

VIII. Consideration of Licensing Actions

The Commission voted unanimously to approve the renewal of the Retail License for G Investments, LLC d/b/a Colorado Grande Hotel and Casino. The license shall expire two years from the date of its current expiration.

Adjournment – The meeting was adjourned at approximately 11:12 a.m.



Allison Yunko, Secretary to the Colorado Limited Gaming Control Commission