

PENNSYLVANIA GAMING CONTROL BOARD

NORTH OFFICE BUILDING
NORTH STREET AND COMMONWEALTH AVENUE
PUBLIC UTILITY COMMISSION HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

TUESDAY, JANUARY 25, 2005, 10:08 A.M.

BEFORE:

THOMAS DECKER, CHAIRMAN
MARY DiGIACOMO COLINS
WILLIAM P. CONABOY
JEFFREY W. COY
KENNETH T. McCABE
JOSEPH W. MARSHALL, III
SANFORD RIVERS
GREGORY C. FAJT, SECRETARY OF REVENUE
DENNIS WOLFF, SECRETARY OF AGRICULTURE
ROBERT P. CASEY, JR., PA STATE TREASURER

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning, everyone.
2 I just want to remind you all that I had a better
3 idea for the site of the meeting, which was I think
4 in the Virgin Islands; and nobody agreed with me.

5 We're going to start with the Pledge of
6 Allegiance.

7 (Pledge of Allegiance.)

8 CHAIRMAN DECKER: I'm Tad Decker. I'm
9 Chairman of the Pennsylvania Gaming Control Board. I
10 would like to welcome the Board and all of you to
11 this meeting, which is our second meeting, as you
12 know.

13 We have a quorum present, and so I want to
14 officially call the meeting to order. I'm noting for
15 the record that all Board members are present,
16 including all of the ex-officio members.

17 I want to identify for the record the Board
18 Members who are present. Greg Fajt, Secretary of
19 Revenue; Treasurer Bob Casey; Jeff Coy; Ken McCabe;
20 Bill Conaboy; Chip Marshall -- I'm missing something.
21 San Rivers -- sorry it was out of order. I
22 apologize. Judge Mary Colins and Secretary Dennis
23 Wolff.

24 All right. So we're called to order. I'll
25 note that the minutes for the -- the minutes for the

1 last meeting are available on our website and that
2 this meeting is also being recorded by a
3 stenographer.

4 The first order of business, I'm happy to
5 announce, is the swearing in of Treasurer Robert
6 Casey as an ex-officio member of the Board.

7 I would like to start now by introducing
8 Secretary Pedro Cortes. Secretary?

9 SECRETARY CORTES: Good morning, Chairman
10 Decker. Good morning, everyone.

11 At this point in time, it's my distinct
12 honor to administer the oath of office to Treasurer
13 Casey as an ex-officio member of the Gaming Control
14 Board.

15 Treasurer Casey, if you would please raise
16 your right hand and repeat after me. I, Robert P.
17 Casey, Jr. --

18 TREASURER CASEY: I, Robert P. Casey, Jr.

19 --

20 SECRETARY CORTES: -- do solemnly swear --

21 TREASURER CASEY: -- do solemnly swear --

22 SECRETARY CORTES: -- that I will support,
23 obey, and defend --

24 TREASURER CASEY: -- that I will support,
25 obey, and defend --

1 SECRETARY CORTES: -- the Constitution of
2 the United States --

3 TREASURER CASEY: -- the Constitution of
4 the United States --

5 SECRETARY CORTES: -- and the Constitution
6 of the Commonwealth of Pennsylvania --

7 TREASURER CASEY: -- and the Constitution
8 of the Commonwealth of Pennsylvania --

9 SECRETARY CORTES: -- and that I will
10 discharge the duties of my office --

11 TREASURER CASEY: -- and that I will
12 discharge the duties of my office --

13 SECRETARY CORTES: -- with fidelity.

14 TREASURER CASEY: -- with fidelity.

15 SECRETARY CORTES: Congratulations. You're
16 sworn in.

17 CHAIRMAN DECKER: It's my understanding --
18 Nick, we're going to do it now? Do the photo now?
19 Okay. So we're going to have an official photo. So
20 I guess the four of us will stay put and the other
21 four or six will stand behind us.

22 Thank you, Secretary Cortez, and welcome to
23 the Board Members.

24 Although I know it's been over a month
25 since our last meeting, I want to assure the public

1 that we've been working in our own way in order to
2 advance the establishment of the slot gaming in
3 Pennsylvania.

4 We understand that the timing start-up --
5 excuse me. We understand how important it is to have
6 a timely start-up of the slot machines and with
7 respect particularly to the goal of providing tax
8 relief and economic development.

9 At the same time, we recognize that this
10 desire for a timely start must be balanced with the
11 absolute necessity and integrity in all aspects of
12 the work that we do.

13 I know I speak for each of the Board
14 Members when I say that we are ever mindful of these
15 dual responsibilities and that we take them both very
16 seriously.

17 At our first meeting in December, we heard
18 from agency's task force of laying the foundation for
19 the gaming laws and communication. These
20 presentations were both informative and appreciated,
21 much appreciated.

22 It is our goal to work in partnership with
23 those in the state who have responsibilities under
24 the law.

25 It is, however, the Board's job to pick up

1 where those other agencies left off and provided us
2 with a great start and to shape the way slots -- slot
3 gaming will be -- will operate in Pennsylvania.

4 We will continue moving forward with that
5 effort at today's meeting as we focus on Board
6 organization. We will report on some of the -- as we
7 report on some of what we have learned since our last
8 meeting and establish a plan for identifying best
9 practices for administrative processes and discuss
10 the need for regulations.

11 We will also hear from the Department of
12 Revenue and the features of the central control
13 computer system.

14 With that, let us turn our attention to the
15 business of today's meeting. Our first order of
16 business this morning was to provide a brief update
17 on the status of some of the actions we have taken
18 since our last meeting -- excuse me -- actions
19 undertaken at our meeting.

20 I would first like to report that we have
21 received approval for the emergency procurements
22 requested to do business, the executive search firm
23 of Diversified Search, the legal search firm of
24 Coleman Legal, gaming consultants -- our gaming
25 consultants, Pricewaterhouse Coopers and our outside

1 law firm with respect to the three pieces of
2 litigation that are currently outstanding. We are
3 now in the process of finalizing each of those
4 agreements.

5 I am pleased to announce that the Board now
6 is at home. We have entered into a lease on the
7 fifth floor, approximately 20,000 square feet, of the
8 Verizon Building here in Harrisburg at a cost of
9 \$13.87 a square foot.

10 The term is for five years but with a six
11 year renewable option. We also have an option for a
12 portion of the fourth floor should we need it.

13 The lease price includes all taxes,
14 utilities, janitorial services billed out and seven
15 parking spaces. We plan to begin working out of the
16 space in the very near future.

17 With respect to the future meeting
18 schedule, let me just say that we are working in
19 trying to complete that. I think it will be finished
20 in the near term.

21 You can imagine, there are some
22 complexities of doing that, but I think we can get it
23 announced in the next week or so.

24 We are also considering -- we're going to
25 talk more about that a little later -- of creating

1 committees to function within the Board, such as
2 perhaps a Bureau of Investigation and Enforcement
3 Committee, legal, Board governance, Hiring Committee
4 and probably Administrative Committee.

5 I would like to hear any thoughts that the
6 Board Members might have on that topic. We can do it
7 now or wait a little bit until Mike talks about
8 organization.

9 What do we prefer? Why don't we wait until
10 Michael Walsh makes his presentation.

11 Okay. So we'll publish that in the
12 interest of giving you all due notice of the meeting
13 schedule in the near future.

14 Let me talk a little bit about our trip to
15 New Jersey. Recently, the Board Members Colins and
16 McCabe and I had the opportunity to meet informally
17 with representatives from the New Jersey Division of
18 Gaming Enforcement.

19 Our purpose in meeting with them was to
20 learn as much as we could about the way that division
21 operates and in light of their experience that they
22 have working, I guess, in close to 25 years.

23 I wanted to share with the rest of the
24 Board some of the observations from that meeting, and
25 I invite Mary Colins and Ken McCabe to jump in

1 whenever you would like.

2 One of the important things that I believe
3 New Jersey has done is evolved over the years. They
4 started in one direction and they moved as they
5 learned over a period of time.

6 As a result of that, that's one of the
7 reasons that we want Pricewaterhouse Coopers to take
8 a look at what the best practices are, not only in
9 the enforcement investigative areas but in other
10 parts of gaming and gaming regulation.

11 We're going to hear from Mike French from
12 PWC in a little while about that subject.

13 Again, the important thing to note is New
14 Jersey actually amended their statutes. But for us,
15 we're going to have the advantage of passing
16 regulations and protocols as a Board, which will
17 allow us to operate, we think, in the most efficient
18 manner, again, with the idea of having the best
19 practices.

20 We also, as I said, we're going to look at
21 some other states as models, although they may not be
22 exactly what we want. We're going to look at
23 Delaware and visit some people in Nevada, both in the
24 commission level and also in the enforcement level.

25 We're going to clearly talk to people in

1 Michigan and have some conversations with people in
2 Ontario. Again, Mike French from Pricewaterhouse
3 Coopers will give us the details on that.

4 We spent a great deal of time talking about
5 background investigations with New Jersey and
6 investigations, surveillance, a whole series of
7 topics.

8 They were quite impressive. They have
9 great people, and we think they're a good model for
10 us not only in that area but in other areas.

11 We're also going to be visiting, I will
12 note, the Commission side. New Jersey does this in a
13 bifurcated way. They have their enforcement under
14 the Attorney General but a separate division. They
15 have their control Board in Atlantic City as a
16 separate group, obviously, working together. That's
17 not our model, but these pieces we're going to take a
18 very close look at along with others.

19 Again, our purpose is to do this as quickly
20 and as reasonably as possible. By adopting the best
21 practices, we think that's going to allow us to move
22 forward in a more expedited way.

23 Mary or Ken, would you like to comment on
24 the trip?

25 BOARD MEMBER McCABE: I would just like to

1 emphasize what you're saying here about the trips,
2 the hearings that we had last and now.

3 What we're trying to do is gather as much
4 facts and information as we can on how everybody else
5 has been doing this and then implement it and see
6 what is best for the state of Pennsylvania.

7 We are learning a lot. The presentation
8 the people are giving us, they're not telling us how
9 it's going to be done. This is their recommendations
10 to us.

11 What we're going to be doing is after these
12 fact-finding trips, all of the presentations, we, as
13 a Commission, are going to decide how we want to set
14 this up for the best possible measures and best
15 practices for the state of Pennsylvania.

16 One of the things I noticed in Atlantic
17 City is they have 12 casinos, they say, all located
18 along the boardwalk there. We're a little bit
19 different. We're going to have 14 casinos located
20 throughout the state.

21 We have to come up with a way, especially
22 from the law enforcement side, how we're going to
23 handle that for background investigations, how are we
24 going to best be able to handle that.

25 One of the things I took away from that

1 meeting was how they did evolve that they did the
2 same thing, learned how other states did it, relied
3 on Las Vegas quite a bit. Then through the years,
4 they've been doing this for 20-some-odd years at
5 least, how they have changed, how they have learned
6 by their mistakes and found better ways to do it.

7 Then they have the flexibility to change,
8 and I think that's something we need to remember is
9 when we set something in motion here, it shouldn't be
10 in stone.

11 If we do something, it shouldn't be in
12 stone, that we have the ability to recognize that
13 maybe we didn't do it right or maybe we need to
14 modify it. After a year, go back and review what we
15 have done to be able to change it to make it better,
16 not just be stuck with something because we said we
17 pass this rule or regulation and now we're stuck with
18 it for the rest of the time.

19 The other thing I found at the meeting and
20 I'm seeing through my conversations with other states
21 is they're all more than very welcome and anxious to
22 talk to us and to give us their lessons learned. So
23 that's about it.

24 CHAIRMAN DECKER: Thanks, Ken.

25 BOARD MEMBER COLINS: Mr. Chairman, I just

1 want to underscore that there are significant major
2 differences between the New Jersey statute, our
3 statute, the system they have in place now, and what
4 will serve our system; but I think it's very
5 significant that we learn not just from what they do
6 but from the differences.

7 For example, our licenses will be spread
8 out throughout the entire state. New Jersey is very
9 concentrated, focus group of licenses. That is very
10 significant.

11 So I guess what I'm trying to explain is
12 that while the New Jersey system is in place, has
13 been built up over 30 years, it's not just simply
14 copying what they're doing but learning from what
15 they're doing and trying to apply it to the different
16 situation that we have in Pennsylvania.

17 They have been very helpful and continue to
18 be very helpful. We reviewed their regulatory system
19 that is very comprehensive. We'll learn a lot from
20 that.

21 The people at their Gaming Enforcement
22 Division, the Attorney General's Office, is extremely
23 experienced. We required a lot of information from
24 them. We will continue, I think, to get their
25 assistance; but I do want to just underscore that

1 there are significant differences. It's not a
2 question of taking Pennsylvania and just mimicking
3 New Jersey.

4 CHAIRMAN DECKER: And they do not have a
5 Central Control System, which is of help. I think if
6 you look at -- we're going to be talking about this
7 more and more. I know Catherine Batack and others
8 from the State Police have talked to us about it.

9 Our situation is very different. When you
10 look at some of the others from our perspective, at
11 one end you have -- I mean, it's not fair to label
12 that, but Delaware has a different model than New
13 Jersey does. We're looking at both. We're looking
14 at other states that are the middle as well.

15 I think at the end of the day, we're going
16 to have the top notch best practices at all levels in
17 licensing and BIE and compliance. That's our goal.

18 Ken?

19 BOARD MEMBER McCABE: Another issue that I
20 saw and -- not issue but that we discussed with them
21 that might be of some interest to people is the
22 application process for not only suppliers,
23 manufacturers, and the licensees is we're looking and
24 talking to them, it is their standard type of
25 application throughout the industry.

1 If there is, if there's not, why not and
2 they have some ideas. A couple of states are now
3 starting to mirror each other and have the same type
4 of requirements on their applications to make it
5 easier for the industry to apply. All they have to
6 do is update it.

7 We also talked to them about applying
8 through computers, on-line. Do we need a paper
9 system? So that was something else that would be of
10 interest.

11 CHAIRMAN DECKER: Do the Board Members have
12 any questions about the trip?

13 BOARD MEMBER MARSHALL: Does New Jersey use
14 information from other jurisdictions in their
15 applications and their processing?

16 CHAIRMAN DECKER: They take notice, if you
17 will, Chip, of what is happening in other
18 jurisdictions.

19 BOARD MEMBER MARSHALL: But I mean in terms
20 of accessing data, will that be something we'll be
21 able to do?

22 CHAIRMAN DECKER: Yes. Right.

23 BOARD MEMBER McCABE: I walked away --

24 CHAIRMAN DECKER: Is there something you
25 wanted to say, Ken?

1 BOARD MEMBER McCABE: I walked away with a
2 good impression that within the regulatory industry,
3 everybody is cooperating with everybody else and
4 willing to share information, willing to share
5 lessons learned, and try -- I think I got the
6 impression too, New Jersey is trying to set some
7 standards because of the way gambling is spread
8 throughout the United States that we could all live
9 with to make the job a little easier.

10 BOARD MEMBER MARSHALL: In our meeting in
11 December, I think it was described by a couple of
12 people about the kind of information and data that is
13 out there. We're the 26th state to engage in gaming,
14 and I know we have some of the information, but maybe
15 one of the things we might want to do is direct staff
16 to go in and start the inventory with what kind of
17 information is out there as we begin to put together
18 an application and process. We may save ourselves
19 several steps.

20 CHAIRMAN DECKER: We've been very
21 fortunate, Mr. Marshall, that people that have helped
22 us and DOR and others since we don't have staff right
23 now. We're looking forward to giving staff some
24 assignments. And also the State Police have done a
25 very fine job of going out and studying other

1 organizations and providing the application is pretty
2 far along thanks to Susan Hensel and some others.

3 We're pretty close to being able to vote on
4 something. It's not there yet but it will be
5 shortly. I think people have done that.

6 I think Commissioner Marshall is 100
7 percent correct. It's going to be easy to pick the
8 best practices and adopt those for the way we want to
9 operate.

10 It's not going to be exact in every
11 instance. There will be some modifications in best
12 practices, but I think the idea is not to try to
13 reinvent the wheel that is already in existence.

14 BOARD MEMBER MARSHALL: I think the other
15 thing is it may allow us to expedite the process.

16 CHAIRMAN DECKER: Absolutely.

17 BOARD MEMBER MARSHALL: Information is
18 already filed. I don't think we necessarily gain
19 anything by being redundant.

20 CHAIRMAN DECKER: Other comments on that?

21 BOARD MEMBER McCABE: I just want to say,
22 Chip, that what the guidance we're getting from them
23 is a lot of this information, the application
24 process, what is required is on these different
25 states' websites on the computer that I know I have

1 access, I've looked at, looked at the application
2 process, what the information they needed. That's
3 open to everybody.

4 I think that can make the job a lot easier
5 of cutting and pasting and putting together our
6 application. There's already applications out there
7 that I know --

8 CHAIRMAN DECKER: I think there's a
9 standard form, isn't there, Mary?

10 BOARD MEMBER COLINS: There's a multi-state
11 personal background form, but I think we're talking
12 about sharing information regarding application. I
13 think there's another level to that, too. I think we
14 have to look into how the sharing takes place,
15 because there are confidentiality prescriptions in
16 the statute that are very strict and precise and that
17 are very important that we listen to and obey.

18 So we need to talk about exchanging this
19 application information, we've got to thoroughly get
20 our ducks in order on what is confidential, who gets,
21 who doesn't get it so we can hold all of our
22 employees' toes to the fire. I think that's
23 important.

24 BOARD MEMBER MARSHALL: I agree. I just --
25 I guess where I was sort of focused, everything I

1 read and what has been presented is that these
2 applications aren't three pages. There's a lot of
3 stuff. It seems to me if there's an organization
4 that has already produced this in one form, maybe we
5 can get guidance from the State Police and to cut and
6 paste.

7 BOARD MEMBER COLINS: I was just calling
8 that issue out.

9 CHAIRMAN DECKER: I don't think you're
10 disagreeing. You're just stating it.

11 BOARD MEMBER MARSHALL: Just differently.

12 CHAIRMAN DECKER: Right. Any other
13 questions or comments about the New Jersey visit or
14 what we're doing on that subject?

15 Thank you. Along the lines we were just
16 discussing, during our last meeting, as you know, we
17 voted to retain Pricewaterhouse Coopers to assist us
18 with a number of issues.

19 It has become very clear to us that there
20 are several critical issues of which PWC could be of
21 immediate assistance.

22 These areas of concern are the role of the
23 Bureau of Investigation and Enforcement and licensing
24 process and administrative procedures for
25 application, processing, and licensing, manufacturer

1 and supplier application forms, surveillance and
2 security background investigations. There's a whole
3 series of them.

4 We need to have some immediate advice on
5 that and some actions taken because -- at least
6 presented to us for action because we're trying to
7 get this thing moving as fast as possible.

8 So in light of that, we've requested that
9 PWC research the best practices I mentioned before in
10 each of these areas and make recommendations to the
11 Board for one of our next meetings. I don't think
12 all of them at the same time but over the series of
13 the next few meetings.

14 With respect to the manufacturer and
15 supplier application forms, I want to acknowledge
16 that representatives from the State Police and the
17 Department of Revenue have provided PWC with a
18 starting point for these forms.

19 I'm asking that PWC will ensure that the
20 form it recommends to us reflects the best practices
21 of other jurisdictions while simultaneously ensuring
22 that the forms purport with the statutory
23 requirements of Pennsylvania law.

24 With that said, I would like to invite
25 Michael French from PWC, Pricewaterhouse Coopers, to

1 speak with us today on and the company's plans to
2 conduct this research and make the recommendations.

3 Mike, I'm sure that -- I'm sure Mike will
4 be happy after his presentation to answer any
5 questions that the Board Members might have.

6 Thanks, Mike.

7 MR. FRENCH: Thank you. Okay. Just by way
8 of background, I'm Michael French. I'm a partner of
9 Pricewaterhouse Coopers and I oversee our
10 hospitality --

11 CHAIRMAN DECKER: Is that microphone on?

12 MR. FRENCH: Sorry. I apologize. The
13 green light is on. By way of background, my name is
14 Michael French. I'm a partner of Pricewaterhouse
15 Coopers. I oversee our hospitality and leisure
16 consulting practice for the United States.

17 Within that group, we have a group of
18 dedicated professionals that have focused on gaming
19 and a whole lot of other issues for a number of
20 states, provinces, and countries. So we have some
21 pretty solid background.

22 We worked with many other jurisdictions in
23 the United States so we have a starting point for
24 data and information.

25 So part of our process as we envision it in

1 assisting the Gaming Board is, first of all,
2 assimilating information that we already have but by
3 no means reinventing the wheel.

4 The Pennsylvania State Police and many
5 other -- Department of Revenue and many other
6 advisors and consultants have put together a lot of
7 information.

8 We are in the process of going through that
9 information currently, assimilating that, and we will
10 develop, as part of our best practices, processes, a
11 program, which will include a questionnaire, which
12 will be bedded with various groups including the
13 Pennsylvania State Police, which we will then roll
14 out to various individuals like the DGE in New Jersey
15 and other folks who we have dealt with over the years
16 in other jurisdictions and those jurisdictions that
17 have environments that are not similar to
18 Pennsylvania but they may have some, you know,
19 consistencies.

20 We've been advised that Missouri, Iowa --
21 we've worked in Michigan. We've worked in Ontario,
22 Indiana, and Illinois. We've worked in so many other
23 limits, licensure, in states.

24 We will call upon the people in those
25 states, the Bureau of Investigation and Enforcement,

1 the governing bodies of those states to meet with
2 where we can or contact to supplement information
3 that has already been collected to come up with what
4 we think are the best practices independently for the
5 areas of enforcement investigation, security,
6 surveillance and others.

7 Clearly, there's been a lot of work that
8 has been done. We think there's absolutely no reason
9 for us not to take that work and synthesize it with
10 the additional market research that we will conduct.

11 CHAIRMAN DECKER: Ken?

12 BOARD MEMBER McCABE: I have a question on
13 the questionnaire, Mike. Are we going to get to see
14 that before you send it out and approve it? I think
15 you've got to let everybody know that, the Board, we
16 need to be approving anything that is going to be
17 going out representing us in some sort of fashion.
18 Maybe that's what we will talk about later, either
19 the committee or empowering another Chairman to speak
20 for us to say, yes, I took a look at the
21 questionnaire; but anything that has to do with us, I
22 think we -- we need to have a chop on it --

23 CHAIRMAN DECKER: I'll definitely take a
24 look at it and share it with as many people that are
25 interested as necessary.

1 At the same time, I think this is going to
2 be pretty standard. It's going to push forward. I
3 want to move the ball forward as fast as possible as
4 we can. So we'll take a look at it and circulate it.

5 This is something that PWC has done, you
6 know, many times before. So I don't think there will
7 be any changes to it.

8 Chip?

9 BOARD MEMBER RIVERS: Mr. Chairman --

10 CHAIRMAN DECKER: I'm sorry. Sanford.

11 BOARD MEMBER RIVERS: -- I'd like to add
12 the fact that we hire consultants because of their
13 expertise.

14 I think that one of the things we should
15 not get bogged down with is trying to oversee and
16 dictate what their responsibilities are.

17 I would be -- I'll be more concerned and
18 more supportive with the fact that they know what
19 they're doing and what our expectations are; and that
20 to approve and review everything they put out, I
21 think is a waste of the consultants' time.

22 CHAIRMAN DECKER: Chip?

23 BOARD MEMBER MARSHALL: Maybe a middle
24 ground is if Mike and his people can keep us in the
25 loop, not necessarily for approval, and then if we

1 have some idea, Ken saw something or a member of the
2 Board saw something, and just give Mike a call.

3 BOARD MEMBER McCABE: With the diverse
4 background of the Commissioners that we have here, we
5 look at things in a different angle.

6 I know I look through at a law enforcement
7 angle. I may have concerns that I would like Mike
8 and the company to flush out for us in the law
9 enforcement surveillance with the lead member of the
10 police officers.

11 CHAIRMAN DECKER: Maybe the better path
12 would be if you have some issues to bring them to me.
13 If it's something you want specifically asked, you
14 can call Mike and go from there, okay, if you have
15 some issues on that, but I would like to move this
16 forward as quickly as possible. We have people
17 waiting to do certain things and get this report done
18 as soon as possible.

19 Mike, when you have this, send it to me and
20 I will share it around. If you have issues, things
21 that you want to specifically address, please contact
22 Mike or me. I'm sure it's on the list.

23 Anything else on that? Any other questions
24 for Mike and what we're asking him to do?

25 BOARD MEMBER CONABOY: I just have one.

1 CHAIRMAN DECKER: Please.

2 BOARD MEMBER CONABOY: Just follow-up on
3 Chairman Decker's last comment. Mike, just a quick
4 question for you. What is your time frame for
5 getting back to the Board?

6 MR. FRENCH: Well, we understand the
7 emergency here and we'll -- somewhat subject to our
8 ability to be able to conduct these interviews, it's
9 not a questionnaire that is going to be sent out.
10 It's going to be a discussion document that we would
11 put together.

12 Quite frankly, we would like to get this so
13 we get the experience of, you know, Commissioner
14 McCabe and other people, including Pennsylvania State
15 Police, to make sure we don't miss anything.

16 Our hope is that this is something we're
17 going to kick off tomorrow with our literature
18 searches, with our reading the documents that have
19 been prepared to date, and go through them in their
20 entirety. We have to vamp up in that area.

21 Once we have that done, which I think will
22 be about a week, we're going to start the points. My
23 hope would be that this would be a process where we
24 can get our summary conclusions, you know, probably
25 within four weeks. That's my guess. You know,

1 consultants technically give a range. It would
2 probably be three to nine weeks but we say four.

3 CHAIRMAN DECKER: Chip?

4 BOARD MEMBER MARSHAL: Mike, just two
5 things. Will you give some thought or maybe give us
6 some guidance as to how far down the food chain we
7 go?

8 I noticed one of the things we're talking
9 about is the manufacturer and supplier applications.
10 At some point, we're going to have to decide how far
11 we go or otherwise -- I read the statute maybe
12 incorrectly, that we can go as sort of far and wide
13 as we want to.

14 It would be very helpful if you can give us
15 some benefit of what you see in other jurisdictions
16 and how far and what level. I think the State Police
17 last time -- you know, everybody who works in one of
18 these casinos will at least get a fingerprint, I
19 suppose.

20 CHAIRMAN DECKER: And a criminal background
21 investigation and looking at some things --

22 BOARD MEMBER MARSHALL: But there's a
23 difference in how far and how extensive that --

24 CHAIRMAN DECKER: Right. And then there's
25 other types --

1 BOARD MEMBER MARSHALL: I think those are
2 the kind of issues we're going to have to wrestle
3 with. Unfortunately, we can't decide a year from
4 now, oh, gee, we wish we would have gotten.

5 The other thing, Mr. Chairman, that I think
6 would be helpful in this process, we need to start
7 working on the process once an application or a
8 license or some kind of designation or approval takes
9 place.

10 I know, having been a veteran in the old
11 CON days, there's a lot of administrative process
12 that Pennsylvania and other states regarding who can
13 contact whom, what kind of levels of information,
14 where do we start, and where do we begin.

15 You know, Mr. Chairman, I think -- I think
16 both asking Mike and the State Police and other
17 people that -- but also maybe a couple of us could
18 begin to look at that issue, and not that I like to
19 volunteer for things but it's something I have a
20 little bit of experience in.

21 CHAIRMAN DECKER: I think Commissioner
22 Colins has been spending some time with Susan Hensel
23 in looking at regulations, proposed regulations in
24 New Jersey and some other jurisdictions -- is that
25 fair, Mary -- to kind of use as a benchmark for that.

1 We have also asked Mike to take a look at
2 some things as well to come up with, you know, a
3 process you can put in place before these
4 applications go out. I think your point is
5 well-taken.

6 Any other questions for Mike? Thank you.
7 I appreciate it very much.

8 MR. FRENCH: Thank you.

9 CHAIRMAN DECKER: With that lead in from
10 Commissioner Marshall, as we develop and adopt forms
11 and processes, it's going to be extremely important
12 that we keep in mind the need for regulations and
13 protocols to establish and explain Board policy and
14 procedures.

15 I have asked Commissioner Colins to discuss
16 with us the need for regulations and possible
17 approaches we can take to their drafting and
18 adoption.

19 BOARD MEMBER COLINS: Thank you,
20 Mr. Chairman.

21 I drafted a presentation, which is
22 basically a general type of approach, to how the
23 Board should accomplish the mission of developing
24 regulations in the furtherance of the Board policies.

25 This is my general framework that I want to

1 present and open up to the Board the opportunity to
2 have some discussion about the creation of
3 regulations.

4 This will have a little bit of legal
5 background to it just to show the support there is
6 for agency regulatory body and then a general scheme.

7 It's the duty of every administrative
8 agency to promulgate rules and regulations pursuant
9 to its granted statutory authority.

10 As a general rule, there are two distinct
11 functions that agency rule making fulfills, policy
12 development and the creation of law.

13 First, an agency uses its power to
14 promulgate rules and regulations as a means by which
15 it may devise and shape the policies.

16 Second, once passed by the Board, these
17 regulations and rules have to enforce an effective
18 law.

19 The Pennsylvania Supreme Court has held
20 where an administrative agency specifically
21 authorized to adopt rules under a statute, the rules
22 adopted by an agency are binding on a given court as
23 part of the statute as long as they are within the
24 granted power issued pursuant to proper procedure and
25 reasonable.

1 Accordingly, the careful creation of these
2 regulations will later serve the Board and reviewing
3 courts and adjudicate proceedings under these
4 regulations.

5 Also, the conventional wisdom is that
6 regulations are essential to the success of the
7 gaming industry. I believe that precise and
8 effective regulations is essential to the successful
9 gaming in Pennsylvania.

10 The Board will have to find the proper
11 regulatory path and avoid overregulation while still
12 ensuring the honesty and fairness of gaming, and also
13 sending out a message that Pennsylvania has a zero
14 tolerance for criminal activity or for violations of
15 the spirit of Act 71.

16 Now, the method of developing regulations,
17 Pennsylvania courts have acknowledged that the
18 properly substantive rule from an administrative
19 agency establishes a standard of conduct which has
20 the force of law.

21 The statute gives the Board broad and
22 specific powers to enact regulations. Because these
23 regulations will significantly affect the development
24 of gaming industry in Pennsylvania, it's encouraged
25 that we follow an orderly method for the creation of

1 these regulations.

2 Under Section 1306 of the statute, the
3 Board is empowered to adopt a schedule by which
4 license applications will be submitted and approved.

5 Further, the statute requires that
6 manufacturer and suppliers' licenses must be approved
7 three months prior to any slot machine licenses being
8 awarded.

9 Based on this time line, the Board should
10 follow specific format in developing regulations
11 which will accompany the approval and issuance of an
12 application for these licenses by the Board.

13 We'll proceed in an orderly and stage
14 fashion; and as a general matter, the issues to be
15 handled by the Board will be general regulations,
16 applications, licensing, investigation and
17 enforcement, hearings, and appeals.

18 Stage 1, general regulations and
19 manufacturer and supplier application and other
20 licensing-related regulations. That's one category
21 in our four-stage process that I'm thinking of.

22 The first stage of the process will be to
23 create and pass general regulations on regulations
24 governing the manufacturer and supplier application
25 and licensing process.

1 General regulations may include a variety
2 of topics that are applicable to the entire body of
3 regulations to be passed by the Board.

4 General regulations can include the
5 following types of items, defined terms, the
6 discussion of the powers of the Board, information
7 about confidentiality, the issues of segregability of
8 the regulations and preemption.

9 These regulations will serve to define the
10 scope of the Board's power and the context in which
11 the regulations will be passed.

12 Next, the Board must promulgate regulations
13 governing the application and licensing process for
14 manufacturers and suppliers.

15 As a general guideline, the regulation
16 should address all of the information required to be
17 submitted in the application; and in conjunction with
18 this, the Board can create regulations covering the
19 application procedure or process.

20 These regulations can cover such topics as
21 application and licensing fees, where to obtain an
22 application, where to file an application, amending
23 an application, deadlines, penalties, restrictions on
24 reapplications.

25 Then the Board must develop its procedural

1 process and time lines for reviewing the applications
2 and issuing or declining to issue licenses.

3 A critical element to the application
4 process is the creation and function of the Bureau of
5 Investigation and Enforcement.

6 The Board must define the investigative
7 rules of the Bureau and that of the Pennsylvania
8 State Police in terms of the licensing and
9 application process.

10 The application process will deal with
11 information, whose confidentiality is protected by
12 Sections 1206(a) and (f) of Act 71.

13 Because of the sensitive nature of this
14 information, the Board must create regulations
15 regarding the handling and protection of confidential
16 application information.

17 The next stage, development and approval of
18 manufacturer and suppliers' application. Once the
19 regulations are in place for the manufacturer and
20 supplier application, the Board will have to approve
21 an application.

22 The application, as well as the regulations
23 relating to it, should be developed and reviewed in
24 conjunction with Act 71 to ensure that the provisions
25 of the applications comport with the statutory

1 requirements.

2 Thus, the application, the regulations, and
3 the existing statute will conform to a unified policy
4 presented by the Board.

5 Next stage, the other categories of the
6 licenses. Following the issuance of the manufacturer
7 and suppliers' applications, the next stage for the
8 Board will be to create regulations and applications
9 for the other categories of licenses.

10 This process will follow the formula set in
11 place already and used for the manufacturer and
12 supplier regulations and applications.

13 This same predictable approach should be
14 used or can be used by the Board as much as practical
15 for all categories of licenses.

16 Finally, hearings and appeals. In
17 addition, pursuant to Section 1205 in Act 71, the
18 Board must develop a specific set of regulations for
19 hearing procedures and adjudications by the Board.

20 Pennsylvania courts have noted that one of
21 the methods by which an agency establishes policy is
22 through its adjudications.

23 Accordingly, the regulations must set forth
24 standards of review for decisions. Likewise,
25 regulations can specify which hearings should be held

1 before Hearing Officers and/or which hearings should
2 be heard from the Board.

3 The procedures to be followed requesting
4 and conducting deadlines, cost associated with the
5 hearing process, under what circumstances an
6 opportunity for a hearing is afforded and other
7 issues which may relate to this quasi judicial
8 function and process of the Board.

9 In conclusion, the task of developing
10 regulations is far reaching and important. It's sort
11 of like creating an engine that's going to fire the
12 Board and empower the Board and it will -- in doing
13 and creating these regulations, we will look to the
14 laws of Pennsylvania, the best practices of other
15 gaming jurisdictions, to the input of all of those
16 who have passed and ongoing experience in gaming
17 regulation, and who will research and will try to
18 create the best regulatory framework possible for
19 gaming in Pennsylvania.

20 So I open this up to the Board for comments
21 and concerns.

22 BOARD MEMBER MARSHALL: Mary, I'm a little
23 unclear. The Act exempts us from process -- certain
24 processes, the regulatory process, but doesn't exempt
25 us from the need to act on these regulations; is that

1 right?

2 BOARD MEMBER COLINS: I believe the Act
3 gives the Board the power to create temporary rules
4 and regulations in its first two years of operation,
5 and those temporary regulations, I believe, cannot
6 exceed the duration of three years.

7 So it basically gives the Board the power
8 to streamline this process to get going. Then once
9 the temporary regulations expire, then they must be
10 subjected to the traditional regulatory process
11 governed by the various statutes in Pennsylvania.

12 BOARD MEMBER MARSHALL: But that doesn't
13 relieve us of the obligation to act on these
14 regulations?

15 BOARD MEMBER COLINS: Not at all.

16 BOARD MEMBER MARSHALL: It's something
17 we're going to have to get some help on just to --
18 just the actual process of the promulgation even in a
19 temporary basis.

20 CHAIRMAN DECKER: That's why we're
21 addressing right now the regulations in a limited
22 way, the regulations that will support the
23 applications for the manufacturers and suppliers, the
24 first act, if you will, on the path of getting slots
25 licensed and up and running.

1 BOARD MEMBER MARSHALL: So we have to
2 approve -- just so I have this straight. We have to
3 approve the substance of the application. Then we
4 have to promulgate a regulation in order to make it
5 effective.

6 CHAIRMAN DECKER: We think the regulations
7 would support --

8 BOARD MEMBER COLINS: I think they go hand
9 in hand.

10 CHAIRMAN DECKER: Would support the
11 activities and put people on notice of what they have
12 to do to comply with the filing of an application to
13 meet the standards and the regulations.

14 BOARD MEMBER COLINS: I also think that
15 even though, you know, the term is temporary
16 regulations to start off with, we still have to be
17 very sure that they're -- you know, that they're the
18 best regulations we can come up with in the situation
19 at hand so that they can proceed to be permanent
20 regulations; or we know situations change and if
21 temporary regulations don't suit our needs, then we
22 go into the permanent regulation process. Even
23 though they're temporary, they have to be the best we
24 can produce.

25 BOARD MEMBER MARSHALL: Are you familiar

1 with the process in Pennsylvania of promulgating
2 temporary regulations?

3 BOARD MEMBER COLINS: Just barely from
4 having done some research. It's pretty detailed.

5 CHAIRMAN DECKER: He's talking about the
6 temporary --

7 BOARD MEMBER MARSHALL: I know I'm very
8 familiar with the permanent.

9 CHAIRMAN DECKER: I think what we --

10 BOARD MEMBER COLINS: I'm not quite sure of
11 it yet.

12 CHAIRMAN DECKER: I don't know. We'll have
13 to check and see if there's any formal ones. We're
14 going to have drafts and review them and vote on
15 them. That's the hope.

16 Any other questions on this topic?

17 BOARD MEMBER MARSHALL: Do we know whether
18 there's a comment on promulgating a temporary
19 regulation?

20 CHAIRMAN DECKER: As I said, Chip, we're
21 going to have to look at that.

22 BOARD MEMBER COLINS: We've just done a
23 little bit of research on it, not comprehensive
24 enough.

25 CHAIRMAN DECKER: It will be helpful when

1 we have staff to take on these various assignments,
2 which is why I'm pushing hard with that.

3 BOARD MEMBER McCABE: Mr. Chairman --

4 CHAIRMAN DECKER: Yes. Please. Go ahead.

5 BOARD MEMBER McCABE: -- I have a question
6 based on that. We do need the staff. We do need
7 people advising us.

8 Do we know anything -- and because I'm not
9 an attorney or lawyer -- do we know what type of time
10 frame Coleman Legal is looking at before --

11 CHAIRMAN DECKER: I'm going to cover that.
12 They're actively -- each of the two recruiters are
13 looking at that moreover and going out and
14 advertising for those three positions, the positions
15 being the Executive Director, the general counsel,
16 and the Director of the Bureau of Investigations and
17 Enforcement.

18 In the next couple of levels down, we have
19 to go out and advertise for that position. I'm going
20 to cover this. We've got quite a few resumes, and
21 Coleman Legal and Judy are actively looking.

22 All right. Moving on to the next topic.
23 Once slots and gaming is in place in Pennsylvania,
24 one of the key tools that will exist to monitor
25 machine operation will be the central control

1 computer system.

2 As you know, procuring the system is solely
3 the responsibility of the Department of Revenue.
4 However, the Department has informed us that they
5 want to make sure that when the Department purchases
6 its central computer system, the system will meet our
7 needs.

8 I have invited Curt Haines, Deputy
9 Secretary from Information Technology in the
10 Department, to speak with us today about the general
11 functionality of the state-of-the-art central
12 computer systems, such as the one that we are
13 essentially going to purchase.

14 Curt, could you come up? Thanks for being
15 with us today.

16 MR. HAINES: Good morning. I suppose I
17 have two objectives in the time allotted today. The
18 first is to give the Board what I would call a public
19 update as to where we are in the procurement process
20 in the Department of Revenue, because there have been
21 some updates since your last meeting in December.

22 When I say public update, because it is
23 still a very competitive procurement and I can't get
24 into some of the specifics or any of the specifics,
25 quite frankly, of each proposal.

1 The second objective I've got is to convey
2 -- hopefully convey to the Board the growing
3 confidence that we, in the evaluation team at the
4 Department of Revenue, have that no matter what
5 system we select, it will position the Board to
6 deploy what I would call state-of-the-art slots
7 operations in Pennsylvania.

8 The second part of my presentation here, I
9 would like to go step by step in those mandates that
10 the Act puts on this system and hopefully assure you
11 at this point in time that this system will indeed
12 achieve those objectives.

13 Back in December, I indicated we started
14 this process in August. We posted it on our website
15 and sent out notices to over 60 vendors and basically
16 said, hey, if you can help us implement a central
17 control system, we want to hear from you. That
18 response was pretty good.

19 We received a total of ten proposals from
20 companies that had done this or want to do this.
21 Only one of those was, we thought, unresponsive. We
22 were trying to acquire an apple and they were selling
23 pineapples. It didn't quite match. We basically
24 told them that early on and there was no problem with
25 that. They realized that was a stretch.

1 We moved the nine remaining vendors into
2 that initial evaluation. We had an exchange of
3 question and answers with them. It became apparent
4 to us that we got some pretty good proposals.

5 All nine of those proposals were such or
6 those proposals were such that we did not want to at
7 that point in time remove any of those from
8 consideration.

9 We drafted a second set of questions, a lot
10 more detail. We asked to -- for these companies to
11 identify the project managers, propose the initial
12 cost structure to us; and as I said to you in your
13 December meeting, those were due back on December
14 13th. The Evaluation Committee has spent the last
15 month evaluating those, reading those in depth; and
16 just last week, we decided to notify the companies
17 involved that we were establishing a short list of
18 vendors and vendors who weren't on that short list.

19 We have notified all of the vendors as to
20 what their status is. The vendors that did not, for
21 lack of a better term, make our short list at this
22 point, we emphasized that we would not necessarily
23 expect but we certainly reserve the right to go back
24 and reengage them.

25 If we move forward with the short list

1 vendors and do not get a comfort level, we can go
2 back and talk. At this point in time, the reality is
3 that none of the vendors except that first one have
4 been formally, for lack of a better term, rejected.

5 We are definitely narrowing the field. We
6 are going to be conducting site visits, interviewing
7 project managers. We hope in the month of February
8 to have a recommendation to the Secretary of Revenue
9 as to what the Committee recommends moving forward.
10 So that is a quick update.

11 BOARD MEMBER McCABE: I just have a curious
12 question. Out of the ten identified, how many of
13 them were located here in Pennsylvania or doing
14 business here in Pennsylvania?

15 MR. HAINES: They all are proposing to host
16 the site in the Commonwealth. In our initial
17 procurement documents, we said it was the
18 Commonwealth's preference to have the computer system
19 hosted in the Commonwealth. That was for a number of
20 reasons, one of which the jurisdiction for State
21 Police in case there was any criminality involved.

22 So we said it wasn't a requirement but it
23 certainly was a preference. I think all of the
24 vendors read between the line to at least have the
25 primary site in Pennsylvania.

1 BOARD MEMBER COY: Mr. Chairman?

2 CHAIRMAN DECKER: Please.

3 BOARD MEMBER COY: A couple of questions.

4 I want to make sure I understand, you first indicated
5 there was a short list. Then in the other
6 statements, you seem to say that everyone is still on
7 the short list. I want to make sure I understand.

8 MR. HAINES: No. We have notified these
9 companies who we feel are on the short list. It's
10 certainly less than nine, but those that we have
11 notified that we're not going to continue to engage
12 in dialogue or detail unless we become uncomfortable
13 with those folks we are talking to.

14 So, you know, we did that so companies, for
15 lack of a better term, wouldn't continue to develop
16 resources to planning for this contract in
17 Pennsylvania.

18 So it's basically, we notified those
19 companies, put the pens down; but in the event that
20 we don't come to a satisfactory contract, you know,
21 we could come back and say, let's talk some more.

22 BOARD MEMBER COY: Of the nine you found
23 acceptable, I guess that's the way to put it, or were
24 responsive, do they each have experience in this
25 regard with, for example, this many machines that

1 we're talking about in Pennsylvania, 60,000 or so?

2 MR. HAINES: They all had experience in
3 this. What we had to do was weigh that experience.
4 Some was -- some had a lot of experience. Some had
5 very little experience. Of course, that was one of
6 the factors in our evaluation criteria.

7 Nobody is, you know, as we said last
8 December, has a system with 61,000 machines. We will
9 -- long before Pennsylvania would max out the number
10 of machines under law, it would be the largest
11 control system in the world for slot machines.

12 That's one of the details I would like to
13 get into as my second objective to try to give you
14 folks the comfort level that even though 61,000 is
15 going to be a large number or even half of that is a
16 very large number, the systems we're looking at are
17 scalable enough to be able to react to that.

18 BOARD MEMBER COY: But the amount of
19 experience is an important factor to you?

20 MR. HAINES: Definitely.

21 BOARD MEMBER COY: You mentioned something
22 and I want to make sure I understand that also, the
23 criminal background. Have you worked with the State
24 Police there or who regarding the criminal background
25 checks of these potential bidders or hasn't that

1 happened yet?

2 MR. HAINES: It hasn't happened yet, and it
3 won't until we get down to one. Obviously, it's time
4 consuming on the part of the State Police and the
5 companies involved.

6 Clearly, the company and the people
7 involved in managing this project for that company
8 will go through standard criminal background checks.
9 We have also asked in our proposal what types of
10 checks the company puts their employees through. Do
11 they do criminal background checks, drug screens,
12 random --

13 BOARD MEMBER COY: So will you do this when
14 you get down to, like, the last three or will you do
15 this with the last two or just the last one?

16 MR. HAINES: I envisioned that we do this
17 for the last one. If it comes back to anything other
18 than satisfactory, then we go to the second vendor.

19 BOARD MEMBER McCABE: I agree. I think
20 where Jeff is going with this is, don't put all of
21 your eggs in one basket. I think you have to have a
22 No. 2 choice. If something comes up in the No. 1
23 company that we're not going to allow them to operate
24 in Pennsylvania, we have to have a fall back. You
25 don't want to have to wait for a long time.

1 Also, if -- because I know sometimes they
2 have this escape clause where if we find that maybe
3 one person in the company or a couple people on the
4 board are not acceptable because of the check, is
5 there a way for them to then get rid of those people
6 and then we still have that, go into an agreement
7 with that company?

8 MR. HAINES: From my perspective, yes. I
9 would think if there's an offending employee that
10 would stand in the way from the company getting this
11 contract, that offending employee would not be part
12 of this project.

13 CHAIRMAN DECKER: Can I interrupt? I
14 presume the companies you are looking at are national
15 in scope, correct?

16 MR. HAINES: Yes.

17 CHAIRMAN DECKER: Isn't it also true that
18 they have been investigated by virtually every other
19 state, correct?

20 MR. HAINES: Yes.

21 CHAIRMAN DECKER: We're going to do an
22 investigation also?

23 MR. HAINES: Correct.

24 CHAIRMAN DECKER: But there's a presumption
25 that these guys aren't crooks?

1 MR. HAINES: Right.

2 CHAIRMAN DECKER: So that the odds,
3 hopefully, would be in favor of one of the two or
4 three are going to be going forward.

5 MR. HAINES: Very much so.

6 CHAIRMAN DECKER: I also want to remind
7 everyone, we're here to help in any way that we can.
8 We want it to be compatible with the desires of the
9 Commission, you know, in terms of helping us on some
10 areas of surveillance and auditing and some other
11 things we want to get done in terms of operational,
12 etc.

13 So we know you're keeping us in mind but at
14 the end of the day it's your decision, correct?

15 MR. HAINES: Correct.

16 CHAIRMAN DECKER: You know, any way we can
17 help, you'll let us know.

18 BOARD MEMBER COY: Mr. Chairman, I have
19 some more questions.

20 CHAIRMAN DECKER: Go ahead.

21 BOARD MEMBER COY: I understand that the
22 statute clearly gives this authority to the
23 Department of Revenue; but the Board, I think, is
24 going to have to live with in future years the
25 decisions that are made in this regard.

1 So I think the Board needs to have input
2 here and understand the process that has been going
3 on and will continue to go on.

4 CHAIRMAN DECKER: No. Please go ahead.

5 BOARD MEMBER COY: Thank you. So
6 experience has been a big factor in your decisions as
7 far as the experience that the firm had.

8 How about the size of the firm? Is that an
9 important thing as far as you're concerned?

10 MR. HAINES: Yeah. When you're looking at
11 the potential of 14 different sites in that roll out
12 schedule which is still to be determined, you've got
13 to be able to bring resources to that kind of project
14 to get four, six, whatever sites up in a relatively
15 short period of time.

16 Clearly, you know, the resource commitment
17 is something we ask them to comment on and to give us
18 project charts as to how they would meet an unknown
19 but aggressive roll out of slots, for instance, in
20 the Commonwealth.

21 BOARD MEMBER COY: How about price? To
22 what degree is the cost and the price that they are
23 fixing to do the job, how much of a factor is that?

24 MR. HAINES: It's definitely a factor but
25 it's not the overwhelming factor. We want to make

1 certain that this system is -- I keep saying --
2 state-of-the-art and will support what the Board
3 needs to do and wants to do relative to the roll out
4 of slots.

5 We have not -- I assure you, it's not going
6 to be low bid; but clearly, price is a factor in that
7 and the pricing on this was all over the board. Some
8 of those folks who didn't make the short list didn't
9 so because of pricing.

10 We had to sit and look at the differences
11 between these, and clearly some of them were -- did
12 not make that short list because they were
13 significantly more expensive than some of the others.

14 BOARD MEMBER COY: One of the things the
15 Legislature did in writing the Act was include
16 terminology that minority participation shall be
17 examined at every point of this Act.

18 To what degree have you, in this process,
19 made sure that the minority representation has
20 occurred?

21 MR. HAINES: That's a good question and I'm
22 glad you raised it. Early on in the process, we
23 realized that that was a very important part of this.

24 We have engaged the Department of General
25 Services, their disadvantaged business programs. As

1 part of that second set of questions and answers, we
2 asked for separately sealed bound commitments on the
3 part of these companies as to what part of this
4 contract they would subcontract to officially
5 disadvantaged businesses in Pennsylvania as
6 determined by the Department of General Services.

7 We handed those proposals sealed to the
8 Department of General Services. They did an
9 independent evaluation, came back to us, and ranked
10 the commitments of those companies from one to nine
11 as far as their commitment to the Disadvantaged
12 Business Program in Pennsylvania.

13 We are using that as far as the short list
14 vendors basically saying, you've got to do better
15 than this, because a number of them were pretty weak
16 in that regard.

17 We very definitely pointed out to them all
18 along that this was very important to the Revenue
19 Department, to the Gaming Board, and all parties
20 involved. So it's very definitely a factor.

21 BOARD MEMBER COY: I don't think there's
22 any question about the fact that this Board and, in
23 this case, the Department will continue to be
24 reminded the need to be aware of minority
25 representation and participation.

1 I think the more we take affirmatively on
2 our own, the less it will be a problem later. So I
3 encourage you in that regard.

4 I do want to react to -- and I understand,
5 Mr. Chairman, the fact that these firms will have
6 done business nationally and have been nationally
7 known but I --

8 CHAIRMAN DECKER: I didn't mean from a
9 capability standpoint. I was addressing the issue
10 that they had vendor background, not to say we're not
11 going to look at it or they're going to look at it,
12 not us.

13 BOARD MEMBER COY: I, for one, would feel
14 much more comfortable -- I don't really care if they
15 passed the background check in any other state. I
16 want to make sure they passed one here in
17 Pennsylvania.

18 I think the integrity of the process is
19 very, very important; and I appreciate the responses
20 to the questions. Thank you.

21 BOARD MEMBER MARSHALL: Mr. Chairman?

22 CHAIRMAN DECKER: Yes.

23 BOARD MEMBER MARSHALL: Curt, if you would
24 do me a favor?

25 MR. HAINES: Sure.

1 BOARD MEMBER MARSHALL: Who will make the
2 decision on this?

3 MR. HAINES: The evaluation team will make
4 a recommendation to the Secretary of Revenue, and
5 that could very well be two or three companies to do
6 this; or if we feel that confident that one is
7 clearly the best, that recommendation would be we
8 recommend this to the Secretary of Revenue, he's an
9 ex-officio member, and would make that decision.

10 BOARD MEMBER MARSHALL: But the Secretary
11 will make the decision?

12 MR. HAINES: Yes.

13 BOARD MEMBER MARSHALL: And I'm correct,
14 aren't I, the Board will take no vote to the
15 selection of this?

16 MR. HAINES: To my thinking, no.

17 BOARD MEMBER MARSHALL: This Board?

18 MR. HAINES: But I mean, by the statute,
19 there's no mandate for you to vote; but as I said
20 back in December, as we learn more and more about
21 this, it was very evident to us that this can't be a
22 decision in a vacuum.

23 The best example I think I used back then
24 was we had a system that was completely cashless and
25 is that the direction of the Board as opposed to a

1 hybrid system that can take cash, smart cards,
2 whatever?

3 So ultimately, if we come up with a
4 recommendation that narrowly confines the Board to
5 any of those policies, it just can't be done in a
6 vacuum.

7 CHAIRMAN DECKER: One other question. When
8 you are looking at price, were there any -- were
9 there any systems that were turned down even though
10 they were far and away better than the others?

11 MR. HAINES: No, no. The people that were
12 high priced generally scored fairly low in technical
13 and the experience.

14 TREASURER CASEY: I have one question with
15 regard to conflict of interest. Throughout this
16 process in your -- I know it's underway already but
17 at the outset and throughout this process, the work
18 of the Committee, what steps have you taken or will
19 you take to ensure that there aren't conflicts of
20 interest either between or among, I guess, the
21 vendors that are on that list and the original list
22 or the one, the ultimate firm that is identified or
23 selected between those firms or that firm, and the
24 members of the Committee also between those firms and
25 a member of this body as well?

1 I mean, I would like to hear how that works
2 and what safeguards are in place.

3 MR. HAINES: As far as the internal
4 procedures, you know, as I said, we had established
5 the Evaluation Committee. They have all signed the
6 boiler plate state confidentiality statements that
7 they will not divulge to any vendor and will not have
8 an interest.

9 That is pretty much the boiler plate that
10 the Commonwealth uses for all major acquisitions.
11 That's all signed, sealed, and in our files.

12 Also, for instance, when we would have to
13 reach out to somebody for advice, like our internal
14 counsel, we make our internal counsel sign that same
15 statement.

16 So we -- even though it's not subject to
17 the formal procurement laws of the Commonwealth, we
18 realize that a lot of those processes are in there to
19 protect the Commonwealth and protect the vendor. So
20 we did follow an awful lot of those processes.

21 Relative to conflict of interest, none of
22 these proposals have overlapping -- what is the word
23 I'm looking for -- duties, meaning they're totally
24 separate. One proposing company isn't a
25 subcontractor with another one or anything like that.

1 Of course, we would monitor that to make sure that
2 doesn't occur.

3 BOARD MEMBER MARSHALL: Mr. Chairman? If
4 you would do me the courtesy, if at any time you
5 elect to get an opinion from the Board, I realize the
6 Board doesn't make the decision but you look for
7 input, would you advise all of the Board Members if
8 you're going to do that?

9 MR. HAINES: Surely. Yeah.

10 BOARD MEMBER MARSHALL: You can't tell us
11 who the applicants are, can you?

12 MR. HAINES: No. That's part of the
13 process that -- I've been doing this 20 years on
14 major acquisitions. It's really -- the
15 confidentiality of this bodes everyone well until the
16 end of the process.

17 At the end of the process, a lot of this,
18 if not all of it, becomes public; but it is something
19 that really helps the cause and helps to keep the
20 process from derailing as far as more challenges or
21 whatever.

22 BOARD MEMBER MARSHALL: I was going to say,
23 you'll let us know --

24 MR. HAINES: Yes.

25 BOARD MEMBER MARSHALL: -- if you elect to

1 get any input from the Board?

2 MR. HAINES: Absolutely.

3 BOARD MEMBER COLINS: If I could just
4 clarify that, when you're talking about input from
5 the Board, you're talking about input as to issues,
6 not as to specific information about specific
7 contractors?

8 MR. HAINES: Correct, policy issues.

9 BOARD MEMBER COLINS: You're talking about
10 not disclosing the names of the contractors?

11 MR. HAINES: Exactly. It's something that
12 we really haven't discussed, you know. Since this is
13 such a confidential issue, perhaps if you have
14 questions like that, you know, and you're still
15 trying to protect the confidentiality of this
16 process, perhaps in executive session or an issue in
17 executive session, much like you would address a
18 personnel issue. I would defer to counsel that that
19 would be an appropriate thing.

20 CHAIRMAN DECKER: I would think the time
21 you might want to bring something to our attention is
22 if you reach a fork in the road -- I think we're
23 probably already past this -- in our ability to do
24 something. If you have that, I would like to know
25 about it. The Board is all of us.

1 I don't think any one of us knows enough at
2 this point to make a decision anyway. So if you
3 could share that with us. I think you're pretty far
4 down the road on this decision-making process.

5 MR. HAINES: Yes.

6 CHAIRMAN DECKER: We're available, as I
7 said before.

8 MR. HAINES: I appreciate that. I think --
9 unless there's some additional questions on the
10 process, I think my second objective here would go a
11 long way in getting you folks an additional comfort
12 level, as I said, of where we're at.

13 The Act 71 mandates this system to do
14 basically seven things. That is to control and
15 monitor up to 61,000 slot machines. As I said
16 earlier, long before Pennsylvania would get that,
17 this would be the largest central control system in
18 the world.

19 All of these systems are what in IT is
20 called scalable. If you authorize from 20 to 30,000
21 slot machines, an additional server might have to be
22 added or additional data storage device, clearly,
23 additional communication devices at each venue as the
24 number exceed and expands.

25 None of the vendors were concerned with

1 that number because of the scalability of these
2 central control systems. They gave us that comfort
3 level as well.

4 The biggest issue, as you're aware, is the
5 protocol, what language the individual slot machine
6 is going to use to communicate with the central
7 control system.

8 As I said last December, there's a whole
9 lot of -- shall I say -- turmoil in the gaming
10 industry right now in efforts to try to find a
11 standard communication language.

12 We will deploy the most widely-accepted
13 protocol in the gaming industry, and that protocol
14 permits and records well over 100 different events in
15 that individual slot machine level, coin in, coin
16 out, authorized opening, unauthorized opening.

17 It records virtually everything that is
18 occurring on that machine. It can also every day
19 confirm that the software of that machine has not
20 been tampered with.

21 That protocol would permit at least 95
22 percent of all slot manufacturers in the market to
23 compete in Pennsylvania. We know that was something
24 that the Board was very interested in, and the Act
25 specifically mandates that a protocol was chosen that

1 would support the widest number of slot machines in
2 Pennsylvania.

3 We will also continue to monitor the move
4 toward the standard protocol. We have been advised
5 that the industry isn't quite there yet.

6 The system must have the capability to
7 support and house a wide area of progressive slot
8 games. All of these systems did that. That is an
9 interface to an outside system that will not impinge
10 the integrity of the system.

11 Like every other jurisdiction that has
12 these progressives and a wide area to pose no
13 technological challenges, we must also be -- permit
14 the slot machine licensee to implement independent
15 player tracking systems and basically slot management
16 system.

17 The Act specifically prohibits the state's
18 central computer system to have individual player
19 data on it, but that's obviously very important to
20 the casino operators so this system -- whatever
21 system we choose will very definitely allow
22 independent systems on the part of that operator to
23 basically run their business even though the state is
24 getting all of the data. Once again, all of the
25 proposals were able to satisfy that requirement.

1 The central control system cannot alter the
2 statistical awards of each game. Once the Board
3 certifies a particular gaming device and gets it
4 certified by your independent lab or whoever, the
5 central control system cannot alter -- none of these
6 systems can or will alter the individual randomness
7 of the individual game, the payout percentage of that
8 game. It just basically is monitoring what that
9 machine is doing and can't alter it.

10 Probably the most important part of these
11 systems are redundancy. We will engineer redundancy
12 all through this system, hot site capabilities, dual
13 communication paths.

14 We never say never. Eventually, something
15 will happen and the central control system will be
16 down. We can't bring 14 operators out of business
17 while we are addressing that.

18 This system will be engineered so that
19 there will be data capture -- secure data capture on
20 each site so in the unlikely event the central system
21 cannot be communicated with, the data will still be
22 captured and secured.

23 The operator can still remain in business
24 and once the central system is secured, the data will
25 then flow back to the central system so that we do

1 not negatively impact the operator's businesses.
2 Once again, this is -- all of the proposals have this
3 capability.

4 And lastly, meet all of the reporting and
5 control requirements of revenue and the Board and the
6 State Police.

7 As I said, there's 100 different events
8 captured at every individual slot machine. We will
9 have more than enough data. Most of these systems
10 come with very canned reports to determine net
11 revenue, alerts, etc.

12 Then in summary, these systems perform
13 three things. They're all around the integrity of
14 the slots operations, financial, operational, and
15 security.

16 Financial, every single dime or penny that
17 is wagered in this system, it will be recorded so
18 that at the end of every business day or any other
19 time, the state will know what the revenues in the
20 Commonwealth are.

21 Once a week, we will sweep those revenues
22 or whatever the schedule is, we will sweep those
23 revenues from the operator's account and accurately
24 account for them and, working with the Treasury
25 Department, distribute those funds according to the

1 Act.

2 On the security side and also since all of
3 the data is captured, the audit trails are there.
4 It's just, you know, any dispute with operators or
5 any concern that revenues weren't being properly
6 accounted for, all of the raw data is there and can
7 easily be gone back to and verified.

8 On the operational side, as I said, we're
9 engineering this, no matter who the vendor will be,
10 for maximum redundancy in the unlikely event we are
11 down, the operator will not be out of business and
12 there will be no loss of the integrity of the overall
13 system.

14 Lastly in security, these systems issue
15 data. The best example is an unauthorized opening of
16 a slot machine. If that occurs, the Central Control
17 System immediately knows it and shuts down that
18 machine, and it can issue an automatic alert to the
19 surveillance system and operator or the State Police
20 or whoever is in charge of it. It will say, for
21 example, if slot machine 133 has been opened, an
22 unauthorized attempt, then this system will
23 immediately alert the surveillance system that can
24 take that automatic alert and train the cameras on
25 slot No. 133.

1 So the industry has come a long way. The
2 systems we're looking at are all capable of this, are
3 all doing this, and we are getting more and more
4 comfortable.

5 BOARD MEMBER McCABE: I have a question.
6 Can you capture illegal entry or unauthorized entry
7 opening of the slot machine? Will it capture any
8 time it is open if it's a legitimate --

9 MR. HAINES: Absolutely. If the technician
10 needs to open it for some reason, they have a swipe
11 card with their credentials, it's logged an
12 authorized entry with that person's credentials.
13 Anything that happens at that machine is recorded.
14 Any questions?

15 CHAIRMAN DECKER: Any questions?

16 MR. HAINES: Okay.

17 CHAIRMAN DECKER: Thank you.

18 A top priority for the Board as we
19 discussed is the need to quickly identify and hire
20 qualified candidates.

21 To this end, the Gaming Board, as I
22 mentioned previously, had begun advertising in major
23 newspapers around the state for multiple positions,
24 including the positions our recruiters are working on
25 and others.

1 We also have instructions for submitting
2 resumes on the Gaming Board's website. In case
3 anybody doesn't know what that is, it's
4 www.pgcb.state.pa.us, in case anybody's looking for
5 employment opportunities.

6 I should point out that we have already
7 received a number of resumes. I think it's over 200,
8 am I right, Susan? It's over 300 at this point. All
9 of these resumes are under review and consideration.

10 If you know someone or if you already
11 submitted a resume, you do not need to send another
12 copy. We are interested in getting all of the
13 qualified candidates we can find.

14 In addition to the resumes and the staff,
15 there are a number of other administrative issues
16 that the Board will need to address in the near
17 future.

18 At our last meeting, we began talking about
19 some of those issues. And to continue the
20 conversation, I invited Michael Walsh who spoke with
21 us in December to provide us with a bit of an update.

22 Mike?

23 MR. WALSH: Thank you, Mr. Chairman. Can
24 you hear me?

25 CHAIRMAN DECKER: Yes.

1 MR. WALSH: Before I begin with a couple of
2 the items, I want to --

3 CHAIRMAN DECKER: Mike, is that on?

4 MR. WALSH: How is that? Before I begin
5 with some of the items that I want to discuss today,
6 I mentioned at the last Board meeting that I would
7 report back with some information I didn't have at
8 that time.

9 Mr. Marshall asked last time what the
10 employer contribution rate is for the State
11 Employees' Retirement System and I let him know
12 afterwards, but I wanted to put on the record that
13 the employer contributes 1.43 percent to SERS. So
14 the employee contributes 6.25 percent and the
15 employer 1.43 percent. All Pennsylvania Gaming
16 Control Board employees will be part of the State
17 Employees' Retirement System.

18 As you will recall at the December meeting,
19 I discussed a number of items that need to be
20 considered by the Board during the initial start-up
21 period.

22 I'm happy to report in the last five weeks
23 we have made significant progress on a number of
24 these issues.

25 As mentioned earlier, the office space has

1 been acquired and a phased move-in plan is in place;
2 and if I could, I would like to thank the Department
3 of General Services and the Bureau of Real Estate for
4 all of their help and assistance in getting into that
5 space.

6 You will see in your handout the
7 Pennsylvania Game Control Board also signed a
8 reciprocal agreement with the Office of
9 Administration.

10 This ensures that both the Gaming Control
11 Board and the Commonwealth will recognize the leave
12 accrued for employees who move between these two
13 entities. So similar agreements will need to be put
14 in place with the Legislative and Judicial Branches.

15 We also discussed last time the
16 Pennsylvania Employees' Benefit Trust Fund or PEBTF.
17 This is the agency that administers healthcare
18 insurance for more than 80,000 employees. You
19 expressed an interest in being a part of the PEBTF at
20 least during the start-up phase, and the PEBTF has
21 agreed to bring on all employees of the Gaming
22 Control Board.

23 A final note on issues from last time. In
24 regards to SAP, which is the enterprise resource
25 planning tool which administers payroll and leave and

1 employee self service, it stands for Systems
2 Applications and Programs, the Board will utilize the
3 system in the near term and continue to work through
4 any --

5 CHAIRMAN DECKER: We've been wondering
6 since the last meeting, Mike, what that stood for.

7 MR. WALSH: We continue to work through any
8 issues that might arise related to putting the PGCB
9 in SAP. We received great cooperation so far. I
10 appreciate all of the help that the Office of
11 Administration and the folks that do SAP have given
12 us. There are no roadblocks at this point to
13 ensuring a smooth start-up.

14 We'll talk right now about a few items
15 regarding the start-up. The development of an
16 administrative framework is an essential first step
17 in creating any new organization.

18 This framework should include drafting an
19 organizational plan and a complement structure that
20 outlines the core business functions and
21 responsibilities that have helped the agency fulfill
22 its mission.

23 You have before you in your packets a draft
24 org chart that has been in the development stages
25 during the past few months. It gives a bird's eye

1 view, I think, of the agency and the types of work
2 that will be performed by future employees of the
3 Board.

4 I think it goes without saying that this is
5 a draft. It's a work in progress. It's not a final
6 document by any means; but you mentioned at the last
7 meeting that you wanted us to go out to other
8 agencies and find out how they are organized and
9 we've done that.

10 We have benchmarked the request that you
11 made. The agencies that we looked at were similar in
12 size, scope, and sort of independence as the Gaming
13 Control Board will be set up.

14 For similar size agencies, we looked at
15 PEMA, for example, which is about 149 employees. We
16 looked at the Department of Aging, which is just
17 slightly smaller.

18 We met with the Liquor Control Board, which
19 obviously operates the statewide licensing system,
20 and we also met with the PUC and Turnpike as examples
21 of more independent agencies.

22 We also met with PSERS, Pennsylvania Public
23 School Employees' Retirement System, which is the
24 retirement system for all of the teachers in
25 Pennsylvania.

1 We wanted to look at an agency that
2 operates with a Board, Executive Director, Deputy
3 Executive Director, etc.

4 And finally, in regards to specific scope,
5 we reviewed the operating and classification plans of
6 the New Jersey Gaming Commission to see how a
7 neighbor does this process.

8 And just taking a quick look at the org
9 chart, if we could, you'll notice that there are two
10 direct reports to the Board in this option that is
11 before you. That is the Executive Director and the
12 Chief Counsel.

13 Reporting to the Executive Director are
14 four bureau directors, offices of hearing and appeals
15 as well as Board secretary, communications office,
16 and legislative liaison.

17 The Chief Counsel is assisted by four
18 deputy counsels who each focuses on a specific
19 bureau.

20 During the start-up period, the Board may
21 consider adopting an organizational chart with a
22 supporting complement plan. This important step will
23 allow for the development of position descriptions
24 and minimum qualifications so the work attracting
25 talent for specific positions can get underway.

1 Given that most models show this
2 organization to grow around 150 employees and given
3 that there's a finite amount of resources in the
4 start-up period, the challenge is to ensure that from
5 the beginning, each position created has a specific
6 responsibility and measurement of performance that
7 can be accounted for.

8 As we discussed in December, the
9 administrative functions that will help launch this
10 agency can be developed and implemented by the Bureau
11 of Administration, which is on the right side of the
12 org chart.

13 You will see on the packet, there's also an
14 org chart for a break out of the Bureau of
15 Administration. Again, this was modeled after our
16 discussions with numerous other agencies.

17 The Bureau of Administration will be
18 responsible for the full array of technical
19 administrative tasks that support the operation of
20 the agency. This includes human resources, budget
21 and financial management, information technology,
22 procurement, and office services.

23 The bureau org chart shows there will be a
24 key person for each of the main areas, HR, finance,
25 and IT.

1 Because we are starting an agency from
2 scratch, there's a front load of work and
3 responsibility that will face those in these
4 positions. Their work on this front end will allow
5 for smooth operations in an ongoing basis.

6 As indicated on your next slide, there are
7 key tasks that the Bureau of Administration will need
8 to perform in the near future.

9 These include a review and justification of
10 the agency's proposed complement, drafting position
11 descriptions for each slot on the complement,
12 developing a classification and compensation
13 structure, and implementing a hiring plan for the
14 organization.

15 Similarly, for finance and IT, you'll see
16 there's a number of start-up issues that need to
17 occur during the development stages of the agency.
18 Those are -- there are just a few of those items
19 listed on those two pages.

20 In addition to the tasks mentioned in each
21 area, there are a large number of tasks that we have
22 been adding to that list every day. It's clear that
23 those people will have their work cut out for them.

24 Like I said, there's a lot of work that
25 needs to happen relatively soon. As we discussed at

1 the December meeting, the Gaming Control Board is not
2 subject to following the classification compensation
3 plan that is in place for those agencies under the
4 Governor's jurisdiction; so that front end work of
5 creating your own plan -- which could be modeled
6 after either the Commonwealth or the Turnpike or
7 we've looked at New Jersey, like I said, you could do
8 a hybrid of all three -- it's going to take some
9 doing at the beginning to develop a plan.

10 In regards to attracting talent, as
11 mentioned earlier, advertisements have been placed in
12 newspapers throughout the state. This calls for
13 qualified applicants. I think it's a good first step
14 in creating a talent pool from which to choose
15 capable staff.

16 Now that the resumes are coming in, more
17 than 300, as mentioned, we need to get these into a
18 system. An imaging and document management system
19 needs to be put in place. Whether we work with the
20 Department of Revenue on that or we create something
21 of your own choosing, we need to do that sooner
22 rather than later so that those resumes can be sorted
23 by area of interest and expertise, and can be
24 searchable so that a name equals a possible position;
25 and then the process of hiring and interviewing can

1 be managed better, I think, by employees.

2 Once the Board has considered this
3 organizational framework and administrative
4 structure, the process for how to go about actually
5 hiring employees needs to be addressed.

6 The Board is not bound by any civil service
7 or union rules at this point, so the process of how
8 to proceed is entirely up to you.

9 We have looked at how other organizations
10 hire employees and how they delegate the process for
11 certain categories of employees.

12 Some organizations start by creating two
13 general classifications for all employees. For
14 example, they would classify those that require Board
15 approval as senior management positions, the most
16 obvious of which are Executive Director, the chief
17 counsel, deputies, etc.

18 The staff positions underneath those that
19 are not senior management could be filled by the
20 senior management in accordance with approval of a
21 Personnel Committee that you could establish.

22 Many Boards have a hiring policy in place
23 for every position on down to a clerk or clerk
24 typist. The Personnel Committee could establish a
25 classification, say we're going to approve those.

1 CHAIRMAN DECKER: Mike, but subject to the
2 background checks?

3 MR. WALSH: Subject to the background
4 checks, yeah.

5 One thing about policies, we're talking
6 about hiring policies, one of the first items for the
7 employees in the Administrative Bureau to focus on is
8 drafting a number of policies that relate to the
9 operation of your organization.

10 Because the Board is not an agency under
11 the Governor's jurisdiction, we are not subject to
12 the more than 300 management directives on the books
13 or the many other management manuals and
14 administrative circulars. They all provide guidance
15 to the secretaries, deputy secretaries and the staff
16 in the agencies under the Governor.

17 Again, you're not bound by those; but you
18 might feel that in the future you want to adopt some
19 of these. There are some that are HR, for example,
20 sexual harassment in the workplace, AIDs policy in
21 the workplace, some of those are uniform policies
22 that might quickly be adopted by the Board, but there
23 are others that you might feel you want to adopt on
24 your own after reviewing them and drafting them and
25 having some discussions amongst yourself.

1 This will take some considerable staff time
2 to review all of the existing policies and figuring
3 out which ones you want to adopt.

4 While we are on policies, there's another
5 policy the Board might consider adopting today and
6 that has to do with travel and automobile
7 reimbursement.

8 Obviously, you've been coming up here for
9 meetings. We need to have a system to reimburse the
10 Board Members.

11 The options before the Board are those
12 found in the Executive, Legislative and Judicial
13 Branches of Government. Specifically for travel
14 policy, the Board may look at management directive
15 230.10 and for automobile policy may consider a
16 program that is more reflective by the one in place
17 by the Legislative Branch of Government. This will
18 allow framework to be in place for the ongoing months
19 before maybe a more permanent policy might be adopted
20 at some point in the future.

21 I think those travel and automobile
22 reimbursement policies might be considered by the
23 Board today.

24 Any questions?

25 CHAIRMAN DECKER: Any questions of Mike?

1 MR. WALSH: I'm just going to go to Board
2 Committees. You indicated you wanted to discuss that
3 at this end.

4 CHAIRMAN DECKER: Do we need to do
5 something to adopt these policies and procedures you
6 just referenced?

7 MR. WALSH: You could make a motion, yeah,
8 to adopt management.

9 CHAIRMAN DECKER: We would need to do that
10 in order to put it under our --

11 BOARD MEMBER MARSHALL: So travel you're
12 saying mirrors the Executive Branch and automobile is
13 the Legislative Branch?

14 MR. WALSH: That's for your consideration.

15 BOARD MEMBER MARSHALL: I mean, these are
16 in place? They're all of the guidelines and stuff?

17 MR. WALSH: Yes.

18 CHAIRMAN DECKER: Do you have any
19 questions? Commissioner Colins, were you starting to
20 turn your microphone on?

21 BOARD MEMBER COLINS: No.

22 CHAIRMAN DECKER: Any questions?

23 BOARD MEMBER MARSHALL: I would move it.

24 CHAIRMAN DECKER: Can I have a second?

25 BOARD MEMBER RIVERS: Second.

1 CHAIRMAN DECKER: Are there any questions
2 about -- one last time, any questions?

3 BOARD MEMBER McCABE: I reviewed them.

4 CHAIRMAN DECKER: I think some of us did
5 look at them.

6 BOARD MEMBER MARSHALL: And can we -- do
7 you want to vote?

8 CHAIRMAN DECKER: Please. I was going to
9 say, do we have anymore questions? All of those in
10 favor of adopting-- let me read the motion.

11 Commissioner Marshall has proposed a motion
12 to adopt on the interim -- as an interim a travel
13 policy for the Board that mirrors the Commonwealth
14 Directive of 230.10?

15 MR. WALSH: Yes.

16 CHAIRMAN DECKER: And an automobile
17 reimbursement policy that mirrors the reimbursement
18 program used by State Legislators.

19 BOARD MEMBER MARSHALL: And I would add to
20 that all of the guidance that comes with it.

21 CHAIRMAN DECKER: If there's anything else
22 attached --

23 BOARD MEMBER MARSHALL: Forms.

24 CHAIRMAN DECKER: Procedures, etc. All
25 those in favor, indicate by saying aye.

1 BOARD MEMBERS: Aye.

2 CHAIRMAN DECKER: Opposed, no.

3 Motion passes.

4 The next topic is committees for our
5 review.

6 MR. WALSH: The Board might consider
7 creating certain committees to focus on particular
8 areas of the agency's work.

9 Listed in the packet are some examples. We
10 notice, first, there's the Board Governance Committee
11 that is there for your consideration. This would
12 help establish the guidelines for future meetings and
13 agendas of the Board.

14 The Board Secretary position, which is on
15 the draft organization chart, could well be the
16 person who assists the Board with the drafting of
17 operating bylaws and general oversight of all the
18 Committees of the Board.

19 CHAIRMAN DECKER: When you say Board
20 Governance, you're not thinking about Board
21 Governance in the sense of a company?

22 MR. WALSH: No. This is in terms of a --
23 no, as a public entity with -- I know that one of the
24 items on the agenda will be the scheduling of future
25 meetings, for example, and putting in place the

1 bylaws that will govern those future meetings and the
2 announcements that will need to be put in place so
3 the public is aware of those meetings and setting an
4 agenda for those future meetings. It's that type of
5 work.

6 The Committees, in addition to Board
7 Governance, one of the other Committees could be set
8 up to mirror the organizational chart draft that we
9 put before you. So there could be one for
10 investigations and enforcement, one for licensing,
11 one for regulatory and fiscal compliance, one for
12 administration, and so on.

13 Like any other Board, the Committees could
14 be chaired by a Board member and include several
15 members of the whole Board.

16 Please note that the official business of
17 these Committees are subject to the same Sunshine
18 Laws as the Board and, therefore, Committee meetings
19 would have to be advertised and held in public.

20 So to recap the issues and the decision
21 points that I wanted to put before you, one would be
22 an adoption of an organizational structure, which
23 would allow for the development of positions and
24 begin the process of finding the right people for the
25 job;

1 The creation of an Administration Bureau
2 that would focus on the many tasks that are inherent
3 to starting this new agency;

4 Affirm a high level classification process
5 to separate the hiring into those positions that
6 require Board approval and those that can be filled
7 at the staff level;

8 And consider the creation of these Board
9 Committees who will work with the staff on the
10 development of various bureaus and business functions
11 of the agency.

12 I thank the Board.

13 CHAIRMAN DECKER: Any questions for Mike
14 from the Board?

15 BOARD MEMBER MARSHALL: Yes. When you lay
16 out the Committees, a lot of this we're sort of
17 taking on in anticipation of an Executive Director,
18 Chief Counsel, and a lot of that stuff.

19 MR. WALSH: Sure.

20 BOARD MEMBER MARSHALL: Is it anymore
21 complicated than just all of us decide to pick up and
22 bring it to the Board for recommendation, or do you
23 think you need to go through the act of delegating to
24 these Committees authorities that shouldn't really
25 come back to the Board for those decisions?

1 MR. WALSH: You means in terms of which
2 classification of employees at this point?

3 BOARD MEMBER MARSHALL: You're talking
4 about Committees. I guess if we really presume that
5 we delegate then to Committees certain functions, I'm
6 not sure we can do that under the statute of the
7 voting rules in place. All I'm saying is could we do
8 it less formally and come back to the full Board --

9 MR. WALSH: Absolutely.

10 BOARD MEMBER MARSHALL: -- for making these
11 decisions?

12 MR. WALSH: Yes. I mean, the outfit of the
13 Executive Director, you can certainly do that. For
14 personnel, just for example, many agencies and boards
15 have Agency Personnel Committees.

16 So assuming you're going to bring on some
17 administrative staff at the outset, you say, here
18 are, you know, ten support staff we need. We need
19 some clerk typists. Here is 50 resumes. Go
20 interview these people and get them.

21 The Personnel Agency Committee can make a
22 recommendation back to the Board and do that at the
23 absence of a Personnel Committee that might not yet
24 be established.

25 So there are ways to work to get the

1 support structure in place without having to be
2 formal.

3 BOARD MEMBER MARSHALL: Well, I'm thinking
4 Member Colins said rely more on the regulation
5 discussion and came back to the Committee and the
6 Board.

7 MR. WALSH: Sure.

8 CHAIRMAN DECKER: I think all of the major
9 issues, I think the Board would agree, we're going to
10 have to decide on whether it constitutes a
11 recommendation or creates a minor issue yet to be
12 defined. We haven't dealt with that yet. I
13 shouldn't say minor. In any hiring, a less important
14 issue, we could be advised as opposed to if we
15 delegate it to something that is formal or informal.

16 MR. WALSH: The establishment doesn't have
17 to --

18 CHAIRMAN DECKER: We could have one Board
19 member, for example, work with the HR department --

20 MR. WALSH: Absolutely.

21 CHAIRMAN DECKER: -- and use them as your
22 advisor and then report to the Board if we decide
23 we're not going to be involved in a certain level of
24 hiring.

25 BOARD MEMBER RIVERS: Mr. Chairman, having

1 had the opportunity to sit down with Mike and discuss
2 a lot of what we're talking about right now, I think
3 that is, in fact, what he has on plan is the fact
4 that there are Board Member or Board Members on these
5 Committees in agreeing with the recommendation back
6 to the Board, so that there needs to be Board input
7 in the decision-making process at that particular
8 level but the Board will have final say so.

9 CHAIRMAN DECKER: That's right.

10 BOARD MEMBER RIVERS: I think what we're
11 asking is the same thing that Mike is proposing.

12 BOARD MEMBER McCABE: I'm confused between
13 the Sunshine Laws of the Committee. If we call it a
14 Committee and the three of us are on this Committee
15 and we want to meet with the State Police about
16 something, we have to have an open hearing; but if we
17 -- if we are given an assignment for me to meet with
18 State Police, law enforcement, that wouldn't have to
19 be an opening hearing. If we call it a Committee, is
20 it subject to the Sunshine Laws?

21 MR. WALSH: If the Committee is going to
22 consider actions and make decisions, then the
23 Committee would be subject to the Sunshine Law.

24 BOARD MEMBER McCABE: If it's fact
25 finding --

1 MR. WALSH: If the Committee is going to
2 consider actions and make decisions, the Committee
3 would be subject to the Sunshine Law. If the
4 Committee is going to have an informational session
5 with the Pennsylvania State Police, you are not
6 subject to the Sunshine Law because you have
7 information sessions where you're not discussing
8 agenda items and making decisions.

9 CHAIRMAN DECKER: You're not deliberating
10 to make a decision, in other words?

11 MR. WALSH: Right.

12 BOARD MEMBER MARSHALL: Sandy and I met
13 with you a couple of times to talk about -- for the
14 purpose of bringing recommendations to the Board,
15 that's okay?

16 MR. WALSH: That's fine. That's my
17 interpretation of it.

18 BOARD MEMBER RIVERS: Besides what you and
19 I went through in talking about a lot of these key
20 issues, it was for information and information
21 purposes only.

22 MR. WALSH: Sure.

23 BOARD MEMBER RIVERS: It was not to be
24 specific and you were not presenting to the Board for
25 action.

1 MR. WALSH: Absolutely.

2 BOARD MEMBER RIVERS: We fall within the
3 guidelines, as I understand the Sunshine Law. My
4 second part of the issue regarding Sunshine, given
5 the way the voting structure is in terms of passing
6 legislation on this Board, there are certain
7 situations where you may have two or three Board
8 Members at a meeting and not be able to pass a
9 particular motion or anything, so how does that
10 impact the Sunshine Law? For my own personal
11 edification, I would like someone to at some point in
12 time explain that to me.

13 SECRETARY FAJT: Let me just weigh in
14 there. I think these questions bear the need to move
15 to get a Chief Counsel for the Gaming Board.

16 CHAIRMAN DECKER: Absolutely.

17 SECRETARY FAJT: I know that you are moving
18 in that direction with due speed and have hired a
19 headhunter to help in that process. But those are
20 the types of issues that are really best put for a
21 Chief Counsel.

22 Again, I mean, I will weigh in and my
23 perception of the Sunshine Law is that if more than a
24 majority of the Board, one more than a majority of
25 the Commission are meeting to take action, it needs

1 to be Sunshined.

2 So if there is a Committee and it's a
3 three-member Committee and two of the three members
4 are there and there is going to be action taken, that
5 that also needs to be Sunshined.

6 If it is informational only, you're meeting
7 with, you know, the New Jersey Gaming Enforcement
8 Board or somebody of that ilk, that does not need to
9 be Sunshined because you are not taking action. But
10 again, I'm not the Chief Counsel for the Gaming Board
11 but we had --

12 CHAIRMAN DECKER: We were relying on your
13 expertise.

14 SECRETARY FAJT: Again, I think the point
15 being that we do need to move to a higher up.

16 CHAIRMAN DECKER: Let me say this along the
17 lines of what Board Members say on other topics, we
18 intend to abide by the Sunshine Act and whatever that
19 takes.

20 At the same time, if two people or somebody
21 is assigned to a fact-finding mission and that's not
22 a formal Committee but if we form Committees, then
23 we're going to go with the Sunshine Act.

24 MR. WALSH: Sure.

25 CHAIRMAN DECKER: It's not a problem.

1 BOARD MEMBER McCABE: I understand the key
2 word is take action, as long as we don't take action.

3 CHAIRMAN DECKER: Deliberate to take
4 action.

5 BOARD MEMBER COLINS: Mr. Chairman, I think
6 this does underscore the need for a general counsel
7 and the need for the Board to articulate just what
8 the policy for the Board based on the advise of
9 counsel to the Sunshine Act.

10 CHAIRMAN DECKER: I think that is true for
11 a lot of the other positions as well.

12 MR. WALSH: Just to put this in perspective
13 that keeps coming up is the hiring process and what
14 should be done by Board vote and what can be done by
15 Committee or just by personnel action.

16 The PSERS, which I mentioned are the
17 Pennsylvania State Employers Retirement System, I
18 happen to sit on representing the Administration, the
19 Treasurer sits on it. We don't vote every time a
20 staff member is hired; but when the Executive
21 Director position was vacant, the Board voted on
22 that.

23 A policy was established that X number of
24 positions are going to be filled in accordance with a
25 hiring policy that set director of human resources,

1 director of administration, and the office where that
2 employee will be housed, they all agree on the
3 employee, they can move forward.

4 It just helps expedite the process and
5 creates an official manner. In the absence of the
6 Executive Director, you might have a policy now that
7 all positions go before the Board or just the senior
8 management does. It is a discussion item and it's a
9 decision point.

10 CHAIRMAN DECKER: It's something we will
11 talk about and discuss at a subsequent meeting.

12 MR. WALSH: Yeah.

13 CHAIRMAN DECKER: Any other questions of
14 Mike?

15 MR. WALSH: Thank you.

16 CHAIRMAN DECKER: Thank you for your hard
17 work on that lease.

18 BOARD MEMBER MARSHALL: Just so we're
19 clear --

20 CHAIRMAN DECKER: Sure.

21 BOARD MEMBER MARSHALL: -- we did not
22 approve an organizational chart?

23 CHAIRMAN DECKER: Absolutely not. It's
24 still being worked on.

25 BOARD MEMBER MARSHALL: Because one of the

1 things I think I certainly would be interested in
2 what the Executive Director had to say about that.

3 CHAIRMAN DECKER: Again, I understand your
4 point on the position titles; but we don't know when
5 we're going to get one. We need some help now in
6 getting things moving.

7 BOARD MEMBER MARSHALL: Again, I don't have
8 a problem; but at the end of the day, our three most
9 important decisions are going to be Executive
10 Director and the counsel and Director of the BIE. I
11 think it's important as we go to recruit the very
12 best person, that we at least be allowed to have that
13 conversation.

14 CHAIRMAN DECKER: Seeing the hour, the
15 Board will now break for executive session for the
16 purpose of discussing certain personnel matters
17 concerning potential candidates.

18 The executive session will be in a meeting
19 room in the Capitol. The time for the record is
20 11:54. We're going to reconvene after lunch.

21 Anybody on the Board have a suggestion when
22 that will be? An hour? Hour and 15 minutes? Let's
23 make it 1:30. We'll try to get back at 1:30.

24 (Executive session.)

25 (Lunch.)

1 CHAIRMAN DECKER: I apologize. We spent a
2 lot of time talking about personnel matters and
3 resumes and other things. We have a couple of things
4 to announce.

5 Again, I apologize. I'm always late. I
6 didn't gauge it properly. I'm sorry to keep you
7 waiting all of this time.

8 In the executive session, we looked at the
9 organizational chart. We talked about the resumes
10 we're getting in and the process we're going to use
11 to review the applicants.

12 We discussed a little bit the questions of
13 where our recruiters are in the process. For your
14 information, they've gathered a number of what we
15 think are pretty good resumes and some pretty good
16 applicants.

17 So we will be whittling those down to a few
18 and interviewing them and we'll see where we go. All
19 of the other resumes we're gotten, we're
20 characterizing them by position, etc., what we think
21 they might be best suited and some of them might be
22 able to do two or three things.

23 We also today in executive session agreed
24 unanimously to make an offer, which we hope will be
25 accepted, by Susan Hensel for the position of Special

1 Assistant to the Board at a salary of \$90,000.

2 Secondly -- excuse me one minute while I
3 pull the name out.

4 BOARD MEMBER MARSHALL: Do you want a
5 motion?

6 CHAIRMAN DECKER: Yes.

7 BOARD MEMBER MARSHALL: I move.

8 BOARD MEMBER COLINS: Second.

9 CHAIRMAN DECKER: Secondly, I would also
10 like a motion to hire Michelle Afragola -- am I
11 pronouncing that right? I apologize if I'm not -- as
12 a staff attorney to serve on the Board at a starting
13 salary of \$63,843 effective January 12th.

14 BOARD MEMBER CONABOY: I make that motion.

15 BOARD MEMBER COY: Second.

16 CHAIRMAN DECKER: Are there any questions
17 about either of these two individuals?

18 BOARD MEMBER McCABE: Can I make a quick
19 conditional upon them passing?

20 CHAIRMAN DECKER: Yes. I apologize.
21 That's a proper amendment. It's conditional upon
22 them -- the permanent status will be conditioned upon
23 them passing the same kind of background check --
24 appropriate background check. Susan's will be at our
25 level and Michelle's at the next level down.

1 With that said, any other questions or
2 comments?

3 BOARD MEMBER RIVERS: Yes, Mr. Chairman. I
4 would like to make a comment regarding Susan. I
5 think it should be noted that she has spent a great
6 deal of time and gave us a lot of assistance in terms
7 of the preparation of a lot of the work we have done.

8 I think it's a great opportunity for her,
9 and I feel pleased we're in a position to offer her a
10 position to work with us.

11 CHAIRMAN DECKER: Right. We think -- I was
12 going to say, I think we will be very fortunate to
13 have someone of Susan's capabilities with us. We
14 have been able to work with her over the past couple
15 of months. She's terrific. We will be very happy if
16 she takes the position.

17 Any other comments?

18 Hearing none, all of those in favor of the
19 two motions, please indicate by saying aye.

20 BOARD MEMBERS: Aye.

21 CHAIRMAN DECKER: Any opposed?

22 Passes unanimously.

23 We're in the status now of looking at --
24 again, let me rehash something for you. We hope to
25 have -- to move fairly quickly on these job

1 assignments and filling the various spots on the
2 organizational chart.

3 If we don't, we're not going to be able to
4 expedite or even move the process along to any great
5 degree.

6 We spent a great deal of time in the
7 meeting discussing that. We will be making some more
8 offers in the near future.

9 I also want to tell you that our next
10 meeting is on February 9th at 3:00.

11 BOARD MEMBER MARSHALL: Here in Harrisburg?

12 CHAIRMAN DECKER: Here in Harrisburg. It's
13 going to be a sunny day, 60 degrees.

14 Moving on to new business, I have one piece
15 of new business I would like to discuss. I'm
16 appointing a Committee of Commissioners McCabe, Coy,
17 and Marshall to make a recommendation to the Board on
18 the manner in which the Board will handle contacts
19 with outsiders during the licensing process.

20 All right. So we're going to -- they're
21 going to come back to us with a recommendation. I
22 don't know if it will be by February 9th. I doubt
23 it, but it will be sometime soon on the subject.

24 We're asking to check what other
25 jurisdictions do and what other appropriate agencies

1 do. And again, we'll get a recommendation from them
2 hopefully at our next meeting.

3 BOARD MEMBER MARSHALL: Do you want to,
4 Mr. Chairman, have that as a Committee or do you want
5 the three of us to kick around some recommendations?

6 CHAIRMAN DECKER: I would like to kick it
7 around. I would like to get an opinion from counsel
8 on that. I don't know whether that constitutes a
9 Committee.

10 I would like you to do some fact finding
11 and then come back to us. You may not agree. You
12 may have different opinions. We'll have to see.

13 Any questions on that from the Board?

14 I don't think -- we don't need a motion for
15 that. We're not establishing anything.

16 All right. Is there any other old business
17 you want to raise? I should have asked that first.

18 Is there any new business, any other new
19 business the Board wants to talk about?

20 Great. Hearing none, all right, if there's
21 no further new business and there's no objection, may
22 I have a motion to adjourn the meeting?

23 BOARD MEMBER COLINS: So moved.

24 CHAIRMAN DECKER: Second?

25 BOARD MEMBER CONABOY: Second.

1 CHAIRMAN DECKER: All in favor?

2 BOARD MEMBERS: Aye.

3 CHAIRMAN DECKER: The meeting is adjourned.

4 Thank you.

5 (The meeting concluded at 2:33 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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