

PENNSYLVANIA GAMING CONTROL BOARD

MAIN CAPITOL COMPLEX
ROOM 8E
HARRISBURG, PENNSYLVANIA

THURSDAY, MARCH 3, 2005, 9:05 A.M.

BEFORE:

THOMAS DECKER, CHAIRMAN
MARY DiGIACOMO COLINS
WILLIAM P. CONABOY
JEFFREY W. COY
KENNETH T. McCABE
JOSEPH W. MARSHALL, III, via telephone
SANFORD RIVERS
GREGORY C. FAJT, SECRETARY OF REVENUE
DENNIS WOLFF, SECRETARY OF AGRICULTURE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DECKER: Good morning, everyone.
2 Welcome to our meeting. We'll start with the Pledge
3 of Allegiance.

4 (Pledge of Allegiance.)

5 CHAIRMAN DECKER: I'm Tad Decker. I'm
6 Chairman of the Pennsylvania Gaming Control Board. I
7 would like to welcome the Board and all of you to
8 this meeting. Commissioner Marshall is participating
9 in this meeting via telephone.

10 Chip, are you on?

11 BOARD MEMBER MARSHALL: Yes, I am, Tad.

12 CHAIRMAN DECKER: Great. Thanks.

13 I want to announce that we have a quorum
14 being present at this meeting and call it to order.
15 Treasurer Casey called me and said that he had
16 something come up at the last minute and he would not
17 be able to attend. All of the other members and all
18 of the other ex-officio members are present.

19 The minutes for the last meeting are
20 available. They're on our website. This meeting,
21 for the record, is also being recorded by a
22 stenographer.

23 The focus of today's meeting will be on
24 personnel requirements and organizational matters for

25 the Board.

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1 Frankly, we are presenting and reviewing
2 the bare minimum to move this organization forward in
3 a reasonably timely manner.

4 There being no old business from our last
5 meeting, we will move to new business. Since our
6 last meeting, I think everyone is aware of this, we
7 asked Commissioner Colins and our staff to take on
8 this assignment.

9 They have been hard at work developing an
10 initial draft of regulations that relate primarily to
11 manufacturer and supplier licensing and the
12 applications that go with it, as well as some general
13 regulations, primarily around that topic.

14 We have been working on a road map for
15 moving forward with the many tasks that we must
16 accomplish in order to bring gaming to the state.
17 I've asked Commissioner Colins to bring us up to date
18 on the progress that has been made.

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

21 CHAIRMAN DECKER: You're welcome.

22 BOARD MEMBER DiGIACOMO COLINS: All right.

23 I want to start off also by acknowledging and

24 thanking the skeleton crew, the members of our staff,
25 who have been so helpful and worked above and beyond

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1 the call of duty in getting ready for this initial
2 draft. I emphasize that this is a draft and a work
3 in progress of the regulations.

4 Michelle Afragola, Susan Hensel, Lynn
5 Stelle, Mike Walsh have been amazingly helpful in
6 this process.

7 We have also received assistance from
8 numerous lawyers from the Department of Revenue, from
9 the Legislative Reference Bureau; and there will be
10 more help along the way, I assure you.

11 So getting that -- those threshold issues
12 done, let me talk a bit about the regulations that we
13 have been working on and put them in the context of a
14 plan, because without a plan to move forward, the
15 regulatory process really doesn't have much meaning.

16 What we have chosen to do is take that
17 regulatory process and use it as a driving force to
18 move the Commission toward the ultimate goal, which
19 is licensure, to get licenses out.

20 So with that in mind, we've taken into
21 consideration the time frame and the time constraints
22 that are imposed by the Statute itself, Act 71, and

23 also certain time frames that the Board is paying
24 attention to as imposed by other Acts.

25 For example, an example is that the

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1 obligation to submit our temporary regulations to the
2 Attorney General. Once the Attorney General gets
3 those regulations, there's a 30-day period that the
4 Attorney General has to review them and to comment
5 concerning the legality and the form of those
6 regulations. So it's time frames like that that
7 we've placed into a progress plan.

8 Now, this plan starts us off today with the
9 submission of the draft that we've been working on of
10 the regulations for manufacturers and suppliers to
11 the Board Members themselves and also to the
12 interested legislative leadership and legislative
13 caucuses and bodies who have had an interest and have
14 had experience in the creation of this Statute,
15 obviously, and in the formation of the Board.

16 So we will await comment from interested
17 and experienced people from that realm, and we will
18 also be submitting these regulations at a future
19 date, at the next meeting, actually, on March the
20 15th for publication onto our website for a public
21 comment period of an additional ten days.

22 Then after that ten days of public -- no,
23 really during that ten days of public comment, the
24 Board will also on the next meeting, March 15th, be
25 submitting this draft, which, hopefully, will

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1 incorporate some changes, if appropriate, to the
2 Attorney General for their review and their comment.

3 Then after that submission after the 30-day
4 review period has expired, we will incorporate any
5 changes necessary as required by the Attorney General
6 into these regulations and that will bring us to our
7 next meeting, which will be approximately May the
8 5th.

9 On May the 5th, hopefully, these
10 regulations will be in a temporary, yet, final form;
11 and they will be approved by the Board along with
12 applications.

13 By the way, the applications are an exhibit
14 or an attachment to those draft regulations; and they
15 are going along these lines to all of the individuals
16 and the interested parties with them.

17 So on May the 5th, the applications, as
18 well as the draft regulations, hopefully, will be
19 approved by the Board.

20 The application process for manufacturers

21 and suppliers will be opened at that time; and then
22 the deadline will be a month from that time, June the
23 5th; and then, hopefully, the investigation and the
24 licensing process can begin throughout the summer
25 ambitiously, and hopefully culminating in the award

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1 of manufacturer and supplier licenses perhaps in
2 mid-September; but I want to emphasize that as I talk
3 about these regulations and I talk about this
4 progress plan, which brings us forward through these
5 regulations that this does not take into
6 consideration many, many factors that the Board has
7 to -- that the Board has to develop along with this.

8 Regulations are just one of the aspects.
9 Hand in hand and simultaneously with that, the Board
10 has to address numerous issues that we know of now
11 and probably more issues that we don't know exist.
12 So this is just our initial game plan.

13 Now, running simultaneously with this
14 process -- well, let me talk a little bit about the
15 manufacturers and suppliers regulations and the draft
16 regulations as a whole that we are going to be
17 publishing on our website in mid-March.

18 They're comprised of general regulations,
19 which include definitions that come from the Act,

20 which include the structure of the Board, the duties
21 of the Board.

22 Then they also get into the categories of
23 manufacturer and supplier licensing, specifically,
24 what types of employees have to be licensed, the
25 concept of the key employee, the gaming employee, the

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1 gaming key employee. The Board has also developed a
2 regulation having to do with the non-gaming employee
3 registrant.

4 In terms of these specifics in the
5 regulations, the Board has used -- has not been
6 creative -- this is not creative writing. The Board
7 has used the Statute as a guideline, the regulations
8 from New Jersey, from Nevada, from New Mexico, from
9 other jurisdictions to help us define and move along
10 the same lines as our statute moves us along.

11 In other words, we're using other
12 regulations to help us frame our own but the overall
13 umbrella is Act 71.

14 So again, we -- our goal is to not exceed
15 the scope of the Statute but also to incorporate the
16 regulations of other jurisdictions to who are
17 functioning very well and very efficiently.

18 So after we have gone through the

19 manufacturers and suppliers, that area, which as you
20 know the statute requires us to do first, the Board
21 then, hopefully, in mid-May will address the issue of
22 vendors. That is an issue that the Board first has
23 to tackle with respect to policy.

24 Do we or do we not license vendors? That
25 is something that, hopefully, we'll be addressing in

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1 mid-April; and to be prepared for that one way or the
2 other, we will also be developing regulations dealing
3 with vendors, using as a pattern, primarily the New
4 Jersey program and also information that we've gained
5 -- invaluable information we've gained from Nevada.

6 And those regulations, again, will go
7 through the same process. We will have actual
8 meetings with people and sit down and exchange our
9 views in the drafting process and, hopefully, have
10 more people on board so that we can effectively
11 handle this drafting process and move along the
12 progress plan as smoothly and with as much notice to
13 the appropriate parties as possible.

14 So in mid-April, we move into the -- into
15 the vendor category with the regulations. Then they
16 will go through the same process, submitted to the
17 interested parties, open to the public for a 10-day

18 period, submitted then to the Attorney General for an
19 additional 30 days.

20 Bringing us then into July -- the beginning
21 of July, I believe, there will be a meeting probably
22 around July 7th, assuming, again, these dates are
23 just assumptions based on the best possible scenario.

24 Assuming that we get to July 7th smoothly,
25 then at that point, the Board will vote on the vendor

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1 issue on submitting these applications. This is
2 assuming we vote to license vendors. Those
3 applications once sent into the public will be
4 ongoing without a lemon.

5 Okay. Then there's one other category of
6 licensing, which I want to talk about with respect to
7 the regulatory process and this progress plan. That
8 is the Category 1s because, again, it fits into this
9 scheme that we are trying to develop.

10 This scheme puts us, again, in the middle
11 of April because we must be developing regulations
12 and applications and a process for the Category 1s.
13 Those licenses, as you know from the Statute, from
14 Act 71, cannot be awarded for a 90-day period from
15 the time that the manufacturer/supplier licenses are
16 awarded.

17 But the process of drafting and reviewing
18 regulations can begin, hopefully, mid-April, getting
19 us into May for submission to the Attorney General,
20 and, again, the same process will be followed for
21 every category.

22 Then after the Attorney General's comments
23 are reviewed and incorporated, there will be -- that,
24 too, will bring us to mid-July. In mid-July, we can
25 set a deadline, hopefully, for mid-August for the

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1 submission of these applications.

2 So mid-July assuming things run smoothly,
3 we could open up the application process for the
4 Category 1s, closing it in mid-August, bringing us
5 then for the Category 1s into a 60-day public comment
6 period, which the Statute requires.

7 During that public comment period, there's
8 the anticipation of the potentiality of public
9 meetings being conducted by the Board in different
10 locations throughout the Commonwealth where these
11 Category 1 licenses will be located.

12 As you know from Act 71, the public
13 meetings will take comments from the political
14 subdivisions that the Board will consider and will be
15 very relevant to the issues involving the awarding of

16 the licenses.

17 And finally, the 90-day period from the
18 awarding of the manufacturer/supplier licenses brings
19 us to December 15th.

20 Now, let me go back to this progress plan
21 and reiterate, once again, it does not take into
22 consideration all of the simultaneous things which
23 have to happen as this regulatory framework ensues.

24 It does not take into consideration the
25 development and training of staff that we have to

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1 bring in simultaneously to perform all of these
2 functions, nor does it consider the implementation,
3 which has to be done in a simultaneous fashion of an
4 IT system, an internal document, electronic document
5 system. Those are just a couple of the other issues
6 that the Board has to track and implement in order to
7 get all of this progress running along the continuum
8 that I've outlined to everyone.

9 Again, it's a work in progress. It's
10 nothing etched or fixed. It's our beginning and our
11 ambition. Those are my comments.

12 CHAIRMAN DECKER: Thanks, Mary.

13 Do we have any questions from the Board on
14 this?

15 Ken?

16 BOARD MEMBER McCABE: Yes, Mr. Chairman.

17 Commissioner Colins, will we take any
18 comments after that ten-day period or is that ten-day
19 period closed for public comments?

20 CHAIRMAN DECKER: Can I address that?

21 BOARD MEMBER COLINS: Yes.

22 CHAIRMAN DECKER: We will take comments
23 after the ten-day period. There's two things about
24 this.

25 First of all, we're not experts in drafting

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1 regulations, right? I mean, Mary -- Commissioner
2 Colins and Susan Hensel, Lynn Stelle and Michelle
3 have been a great help in doing this. I think
4 they're becoming experts but they're not there yet.

5 We're reaching out to other people in
6 government to make sure these things work well. Not
7 necessarily the substance of them or the policy
8 decisions behind them but how does all of this flow?
9 Does it work well within the context of the
10 Pennsylvania government? That will be ongoing during
11 this period.

12 We hope to get a final -- we want comments
13 from the public. We want comments from the industry

14 because, you know, in many ways, the things we've
15 learned a lot from Las Vegas and New Jersey is the
16 industry clearly has a great knowledge of what is
17 going on. So we want comments from them.

18 Then at some point in time, pretty close to
19 the time period we're talking about, we're going to
20 cut it off and, hopefully, have a finished product
21 and make sure the Attorney General's Office gets
22 another crack at that and get his approval and move
23 on.

24 BOARD MEMBER COY: Mr. Chairman?

25 CHAIRMAN DECKER: Go ahead.

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1 BOARD MEMBER COY: I appreciate the work
2 that Judge Colins and the staff that we've assembled
3 have done so far.

4 CHAIRMAN DECKER: You mean, the massive
5 staff we've assembled so far.

6 BOARD MEMBER COY: I would have been
7 disappointed had you not made that adjective comment.
8 However, let me simply say that we -- we're off to a
9 good start, I think.

10 These rules and regulations and so on are a
11 good starting point and probably the most difficult
12 process is what you engaged in, Mary, and your -- and

13 the staff and that is to get a starting point.

14 I appreciate, Mr. Chairman, your comments
15 about seeking other input. Let me simply indicate
16 that there is a wealth of information in this
17 building.

18 There are legislative staff who worked hard
19 on the enactment and the passage of this legislation,
20 who basically assisted tremendously in writing the
21 legislation.

22 Those legislative staff, I think, can
23 improve our regulations. I think the more we seek
24 their input and the input of the legislative
25 leadership, who also helped and were very involved

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1 with the passage of the legislation, the better off
2 we'll be.

3 The more open the process this is for
4 public comment, for legislative comment, for
5 legislative staff comment, in my opinion, the better.

6 I think it is important to set timetables
7 because there are goals we can strive to reach, but I
8 think we all might do well to live by the watch word,
9 let's keep trying to do it right rather than quickly.

10 Goals are important. We need to try to
11 reach them. The more input we have from folks, the

12 better.

13 I do want to comment also on the one
14 comment by Judge Colins in regard to when we begin
15 considering locations for licensees and seeking local
16 input, it's obvious that there has been discussion
17 about the Statute and the fact that it does not
18 provide for local vetoes and local municipalities.

19 Municipal governments in Pennsylvania are
20 accustomed to approving land development plans and
21 commercial development plans and so on.

22 As long as the law remains as it is, I
23 think the Board would serve the public well by trying
24 to get local input to make sure that there is -- that
25 local governments are involved in a local hearing at

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1 the time and have plenty of comment about it and
2 plenty of opportunity to comment. I think the more
3 we do in that regard, the better.

4 Those are just a few thoughts I had, Mr.
5 Chairman. I appreciate the opportunity.

6 CHAIRMAN DECKER: Thank you, Commissioner
7 Coy. Jeff, you're exactly right. We are going to
8 have hearings in all of the locations where there's
9 going to be licenses. I don't know if they're going
10 to be formal hearings of the entire Board, but we are

11 going to take hearings and take input even on the --
12 I would even say on the first seven. That's an
13 important part of what we're doing.

14 We are going to listen. The Statute says
15 one thing but we are going to listen. It's going to
16 be an important component of -- I think we've all
17 talked about that -- our decision making.

18 What are these casinos going to look like?
19 What kind of problems are they going to present?
20 Thank you.

21 Just generally, we want to have comments.
22 We're going to get some comments that aren't going to
23 make any sense, but we're going to get some great
24 comments as well. We would be foolish not to take
25 those into account.

18

1 Any other comments on Commissioner Colins'
2 presentation?

3 Again, I want to thank her and the staff --
4 I won't use the adjective again -- but the staff who
5 have been pulled in more ways than one.

6 Susan Hensel is acting as secretary of the
7 Board, traveling around with us, doing benchmarking
8 with other agencies, and also helping to draft this
9 stuff. Thanks for everyone that got involved with

10 this.

11 Well, let me just say we talked about this
12 a bit. I don't want to repeat the comments, but
13 we're going to announce today -- let me announce
14 today officially that we're going to get the final
15 touches on these draft regulations that Commissioner
16 Colins was talking about.

17 We're going to post those on the Gaming
18 Control website, which can be found at
19 www.pgcb.state.pa.us.

20 I think Judge Colins talked about the time
21 period on or about March 13th that they'll be there,
22 maybe they'll be there before then. We'll be
23 accepting public comments at least through March
24 23rd.

25 I would hope that people that have interest

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1 in this will read those very rapidly and get those to
2 us so that we then can assimilate all of these
3 comments and have the finishing touches with other
4 experts in our state government to help us finalize
5 these things.

6 BOARD MEMBER DiGIACOMO COLINS: Can I just
7 make --

8 CHAIRMAN DECKER: Please.

9 BOARD MEMBER DiGIACOMO COLINS: -- one
10 comment. I'm sorry to interrupt.

11 CHAIRMAN DECKER: No, please. Go ahead.
12 I'm done.

13 BOARD MEMBER DiGIACOMO COLINS: Regarding
14 the public comment period, the only reason for the
15 delineation of the time frame as you can all imagine
16 is just an effort to rein in and make manageable
17 comments coming from the general public, so that it's
18 something that we can manage and move forward with at
19 the same time.

20 So while it's certainly not something
21 that's etched in stone, we won't consider things up
22 until the time that we finally finalize things, it is
23 just an effort to make it control for us. That's
24 all.

25 CHAIRMAN DECKER: Please.

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1 BOARD MEMBER McCABE: I just have a
2 question. How are we accepting the public comment?
3 Are they going to mail it in? Are they going to mail
4 it? Is it e-mails?

5 CHAIRMAN DECKER: That's a good question.

6 BOARD MEMBER DiGIACOMO COLINS: Okay.
7 Specifically, that is addressed in the regulations.

8 So once they're published, what they say is that you
9 may contact us through the address, the post office
10 box address and the contact person is Nick Hays.
11 He's going to draw all comments together for us, and
12 then also through the website there's going to be a
13 special block that you click on that reveals the
14 draft regulations and the applications for review,
15 and then a contact us button and a special e-mail
16 account which will accept these comments; and again,
17 the very fortunate Mr. Nick Hays will accept those.

18 BOARD MEMBER COY: Mr. Chairman, for those
19 who may be web challenged, if that's the right word,
20 I guess, we can also indicate that the Board would be
21 prepared to send these out if people requested them
22 in hard copy or something like that, right?

23 BOARD MEMBER DiGIACOMO COLINS: I believe
24 that we address in the general regulations how to
25 obtain documents from the Board. If not, that's a

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1 very good point, which we will include. Thank you.

2 CHAIRMAN DECKER: Mary, you don't have any
3 problem somebody marking up and sending it back,
4 right?

5 BOARD MEMBER DiGIACOMO COLINS: No.
6 Anything, any way you can get it to us, as long as we

7 can decipher it.

8 CHAIRMAN DECKER: Right. As long as we can
9 read your handwriting.

10 Let me emphasize something else that
11 Commissioner Colins talked about. These dates go out
12 a ways, right, are a -- they're outlining a series of
13 very ambitious goals for the Board in the coming
14 months.

15 The further out into the future you go, the
16 harder it is to predict, of course, when each goal
17 will be met.

18 With that said, my fellow Commissioners and
19 I are optimistic and hopeful that if everything falls
20 into place and we remain focused on this task, we
21 stand a decent chance of completing the road map in
22 the manner that Commissioner Colins described.

23 There are a number of hurdles to this
24 schedule, particularly with respect to hiring the
25 necessary staff to support these tasks.

22

1 Our next discussion will be led by
2 Commissioner Rivers. We are going to focus on
3 various administrative issues. Now that we're making
4 progress on a set of draft regulations, now that our
5 consultant, Price Waterhouse Cooper, is nearing

6 completion of the recommended set of application
7 forms for manufacturers and suppliers, we are going
8 to need staff to implement the regulations and
9 process these applications.

10 I've asked Commissioner Rivers, who has
11 been working on agency operational matters and
12 administrative matters, to give us a report on his
13 progress, especially with respect to the next steps
14 for staffing.

15 Sandy.

16 BOARD MEMBER RIVERS: Mr. Commissioner and
17 fellow Commissioners, thank you, and members of the
18 audience.

19 You've heard Commissioner Colins talk about
20 a draft of the doable time line. In order to meet
21 the established dates that she described, we require
22 that we ramp up the hiring process.

23 In order to facilitate the hiring process,
24 Mike Walsh and I have met on several occasions to
25 look at positions, salaries, and also gain some

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1 understanding as to market conditions regarding the
2 scope of jobs, and what the starting salaries should,
3 in fact, be.

4 We looked at where the jobs fell in our

5 proposed organizational chart. We looked at the
6 individual skill sets needed in specific jobs; i.e.,
7 a legal background, a law enforcement background, or
8 an accounting background.

9 We've also looked at the reporting
10 structure in terms of who does it report to and how
11 does it report to that particular area. Another
12 variable that we looked at was how does this position
13 fit into the overall scheme.

14 To get to where we are today, we did
15 benchmarking. We looked at the New Jersey Gaming
16 Board. We looked at the Pennsylvania Turnpike
17 Commission. We looked at the State Liquor Control
18 Board and the Commonwealth's pay schedules and salary
19 range to attach some dollar figures to the jobs that
20 we were interested in, as well as what the marketing
21 conditions are.

22 Going forward, we have established that
23 there are potentially 42 positions that we would like
24 to have in place by the end of this fiscal year.
25 Eighteen of those positions, however, need to be

24

1 filled as soon as possible and/or at least within the
2 next 45 days.

3 We've identified those 18 for you. Six of

4 them are very highly selective managerial positions,
5 such as executive director, chief legal counsel,
6 deputy executive director of the BIE, deputy
7 executive director of licensing, deputy executive
8 director of hearing and appeals, and deputy executive
9 director of administration.

10 Under those areas, there's also managers
11 necessary and needed to get us to where we want to
12 be.

13 As I've outlined those six major
14 components, I can also add that in the last three
15 days, the staff -- excuse me. The Board Members have
16 been interviewing prospective candidates for some of
17 these positions. We will continue to interview
18 people tomorrow, next week, the week after, and
19 probably the week after that until we are in a
20 position to make specific recommendations as to who
21 we should be hiring in these positions.

22 In addition to what I have named, there are
23 also clerical positions that we're looking at and
24 administrative assistant positions.

25 We have a hard task ahead of us. I ask for

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1 your indulgence in terms of if there are individuals
2 that Board Members know who are interested and any

3 other individual, they can go to the website, all of
4 our jobs are posted. I can assure you that the
5 process that we use will allow anyone and everyone
6 equal access to the positions that we have.

7 One of the -- in addition, one of the
8 things that Commissioner Decker has asked us as Board
9 Members, and that is to be responsible for a
10 particular area, to assist Mike and myself in setting
11 up the interviews and doing the interviewing so that
12 each Board member will have input in terms of where
13 we are and what we're doing.

14 I think if we continue to forge ahead at
15 the pace that we're moving, I can say to Commissioner
16 Colins that we should be in a fairly good position to
17 be able to meet the time lines that she has
18 prescribed.

19 However, if we falter in our hiring
20 process, then what she laid out previously, those
21 objectives will not and cannot be met.

22 CHAIRMAN DECKER: Thanks, Sandy. I
23 appreciate your help. I appreciate all of the hard
24 work you and Mike have done in kind of teeing us up.

25 With a road map and staffing priorities now

1 laid out, it's important that we turn our attention

2 to putting in place a budget to assist us in carrying
3 out our duties and meeting our stated goals.

4 Lynn Stelle, who has done some great work
5 for this Board, is going to discuss with us a budget
6 plan to close out the 2004-2005 fiscal year. He will
7 be discussing a proposed budget for 2005 and 2006 at
8 a future meeting.

9 Lynn?

10 MR. STELLE: One moment, please.

11 CHAIRMAN DECKER: Pardon?

12 MR. STELLE: One moment.

13 CHAIRMAN DECKER: Sure. Let me just
14 comment. We're going to get into this -- while Lynn
15 is getting ready, we're going to get into this when
16 we talk about our Nevada trip, which was extremely
17 interesting.

18 In this process -- I want to emphasize
19 something that Sandy and Mary and others have been
20 talking about, and that is there are going to be a
21 number of manufacturers who are out there. We have
22 discussed this with the State Police who are going to
23 do a lion's share of these background investigations.

24 The manufacturers have been licensed in a
25 lot of states. All right. There aren't very many

1 new manufacturers, to our knowledge, that are going
2 to be coming in.

3 In theory, at least, it will be easier to
4 go through that licensing process with manufacturers.
5 Certainly, we're going to check. I know I can count
6 on the people that are going to be doing those
7 background checks both in the State Police and BIE,
8 when we get a BIE, Bureau of Investigations and
9 Enforcement, and also our licensing people when we
10 get licensing people.

11 Then we're going to move on with the
12 suppliers/distributors. To my knowledge, most of
13 those have never been licensed anywhere. That's
14 going to require a great deal of work.

15 I just want to emphasize that one of the
16 sticking points in Mary's review and her timetable,
17 which we've all adopted as our goals, will be the
18 issue of reviewing suppliers, particularly if we have
19 no or very few licensing people to deal with those
20 applications.

21 So that could be -- I just want to alert
22 that that could be a major log jam, at least in terms
23 of my perspective on it and particularly with my vote
24 on those suppliers if there hasn't been enough time
25 and enough staff to adequately review the process.

1 Lynn, are you okay and ready to go?

2 MR. STELLE: I'm ready.

3 BOARD MEMBER RIVERS: Lynn, before you
4 begin, I would like to address a comment Chairman
5 Decker made regarding licensing. That is one of the
6 key areas that we're looking at and trying to fulfill
7 within the next 45 days.

8 I, too, agree with you that we must have
9 certain people in place in order to be able to forge
10 ahead so that licensing and HR and a financial
11 analyst are some of the key positions that we're
12 going to try to attempt and fill in the next 45
13 years.

14 CHAIRMAN DECKER: Thank you, commissioner
15 -- please, go ahead.

16 BOARD MEMBER McCABE: Those people we're
17 trying to bring on are also going to have to go
18 through a background check --

19 CHAIRMAN DECKER: Absolutely.

20 BOARD MEMBER McCABE: -- that is conducted
21 by the State Police before they can start doing
22 things.

23 CHAIRMAN DECKER: Thank you for reminding
24 everyone that.

25 BOARD MEMBER RIVERS: And they will be

1 treated just like everyone else. They will be
2 allowed to assume the position with the assumption
3 that they're going to pass the background check.

4 BOARD MEMBER DIGIACOMO COLINS: And let me
5 add another factor, a time consuming factor to all of
6 this, which is training. Once people are taken on
7 Board, they have to be trained and that will be an
8 intense process.

9 CHAIRMAN DECKER: Particularly in the
10 licensing area. We'll talk about it when we get to
11 the Las Vegas trip, about the complexity of this
12 business.

13 Lynn?

14 MR. STELLE: Thank you. I would like to
15 summarize the requested budget or the budget for the
16 remainder of fiscal 2004-2005 year.

17 The budget is based on the work we are
18 currently doing, as well as on the assumptions of the
19 framework outlined by Commissioner Colins and the
20 staffing plan outlined by Commissioner Rivers.

21 I'll go through the budget on a line by
22 line basis based on the summary document that you
23 have in front of you. We currently have 14 staff on
24 payroll, including the Commissioners.

25 Based on the projections that we have put

1 together and to reach our goals, we will need
2 approximately a total staff of 56 personnel by the
3 end of the fiscal year.

4 Commissioner Rivers has identified 18
5 positions that we need to move on as quickly as
6 possible and then an additional 24 that we want to
7 hire by the last quarter of the fiscal year.

8 Office space, as has been discussed in
9 prior meetings, we currently have a lease on 20,600
10 square feet for the Board. In addition, we requested
11 28 parking spaces for staff and the additional space
12 may be required as is needed.

13 Consultants, we've set up a budget in two
14 separate categories. I'll talk about non-recurrent
15 expenses in a moment; but recurrent expenses, a
16 consultant is going to be required to help us with
17 the technical regulations and the issues having to do
18 with the central system and communications with the
19 central system testing, etc. So that's contained
20 within our short-term budget through the end of the
21 fiscal year.

22 We set up a small budget for printing,
23 based on the comments of having to distribute
24 documents out to individuals, to look at regulations,
25 etc. We have a small budget for printing, postage,

1 likewise, to be able to send out our information and
2 our initial license applications to candidates.

3 A telephone expense, this budget is based
4 on the staffing levels we've established in our
5 estimates and it, hopefully, will be subject to
6 changes in that staffing level.

7 Travel expense, as you know, the Board is
8 doing a significant amount of due diligence on other
9 state activities, policies, and practices. We are
10 having to spend quite a bit right now on travel
11 expenses to do that research.

12 Subscriptions and memberships, we have a
13 small budget has been set aside for this. We don't
14 really know what those disbursements will be and
15 we're going to wait to see. As of yet, they are
16 undetermined.

17 Fleet equipment expenses, this covers the
18 auto expenses for the Board Members and the budget
19 for expenses and five automobiles to be placed in a
20 pool for staff members.

21 What that gives us for a recurrent expense
22 structure is about \$2.5 million to the end of the
23 fiscal year.

24 On a non-recurrent basis, we're doing quite
25 a bit of research now. We have consulting services

1 to launch the Board. This includes IT development
2 work, the work of Price Waterhouse, advisory work to
3 the Board focusing specifically on BIE, general
4 management consulting, additional executive search
5 activities. This includes the search for the
6 executive director, the director of BIE, and the
7 chief counsel.

8 Until the chief counsel is hired, we also
9 have expenses set aside for the Board to handle legal
10 expenses of suits brought against the Board.

11 Office equipment, we've established and
12 determined the initial equipment needs of the Board
13 including computers, printers, copiers, fax machines,
14 etc. This will provide most, if not all, of the
15 equipment for the months and coming years.

16 Office furniture, a plan has been put into
17 place to furnish the new offices over the next few
18 months. It should be noted that all of the furniture
19 has been purchased under the state contract at a
20 substantial discount.

21 Telephone equipment and installation of the
22 Board's installed equipment to handle its telephone
23 requirements to support the estimated complement and
24 all of -- this includes all of the equipment

25 purchases and the wiring of that equipment.

33

1 We've also set aside in our non-recurrent
2 budget a sum of monies to cover the researching of a
3 licensing system and the purchase of that system, at
4 least, in the initial phases.

5 These monies are to cover the initial
6 research and selection requirements. We should
7 anticipate additional funds are going to be needed
8 once we get into the establishment of the licensing
9 system.

10 Additionally, we have set aside a small sum
11 of monies to handle the acquisition of a document
12 management system internally for the Board, as well
13 as to pay any software license fees that may be
14 required for Microsoft Office or other software that
15 may be needed.

16 The total effect of this is through the end
17 of this fiscal year, we anticipate a total budget of
18 \$3.9 million, 2.5 million in recurrent charges, and
19 1.3, a little closer to 1.4 million, in non-recurrent
20 charges. Thank you.

21 CHAIRMAN DECKER: Thanks very much. Prior
22 to this meeting, Lynn provided each of us with a
23 proposed -- I apologize.

24 BOARD MEMBER MARSHALL: Are we open for
25 questions?

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1 CHAIRMAN DECKER: Yes, please, Chip.

2 BOARD MEMBER MARSHALL: Thanks. Hey,
3 Lynn --

4 MR. STELLE: Yes, sir.

5 BOARD MEMBER MARSHALL: -- can you square
6 on the non-recurring expense side? I'm having
7 trouble understanding your note -- squaring up your
8 Note 6 with the total of 601,000 for consultant fees.

9 CHAIRMAN DECKER: There's two sets on
10 there, Chip.

11 BOARD MEMBER MARSHALL: Yeah, I'm just
12 taking Note 6.

13 CHAIRMAN DECKER: I understand. There's
14 two sets of that.

15 BOARD MEMBER MARSHALL: I'm sorry. What --

16 MR. STELLE: I think what you're missing is
17 the first quarter charge of 45,000. I believe if you
18 add that -- excuse me. Yes, the 45, the 139, and the
19 417, you come up to 601.

20 BOARD MEMBER MARSHALL: No. I understand
21 that math. If you go to Note 6 --

22 MR. STELLE: Yes.

23 BOARD MEMBER MARSHALL: -- it just looks
24 like -- you have 500,000, 100,000, 104,000, 40, all
25 of which are expensed over six months, wouldn't we

35

1 stay in the --

2 MR. STELLE: They have to do with the time
3 of their actual incurrence. Some of these will flow
4 into next year. What we have tried to do is give you
5 an idea of what the total expense would be.

6 BOARD MEMBER MARSHALL: Okay. I see what
7 you're saying.

8 MR. STELLE: It's not necessarily in this
9 fiscal year. We are working on a cash basis.

10 BOARD MEMBER MARSHALL: Okay. All right.

11 CHAIRMAN DECKER: Clearly, we won't be
12 getting to that 500 on that one consultant.

13 BOARD MEMBER MARSHALL: Right.

14 MR. STELLE: Exactly. Right.

15 BOARD MEMBER MARSHALL: So what this says
16 to me is you figure of all of our consultants in this
17 fiscal year, June 1 to June -- July 1 to July 30,
18 we'll spend 601,000?

19 MR. STELLE: That's correct.

20 BOARD MEMBER MARSHALL: Okay. I understand
21 now. Thanks.

21 resolution approving the budget through the end of
22 this current fiscal year, the 2004-2005 fiscal year.

23 BOARD MEMBER MARSHALL: I would make that
24 motion.

25 CHAIRMAN DECKER: Thank you, Chip.

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1 Second?

2 BOARD MEMBER McCABE: Second.

3 CHAIRMAN DECKER: Any questions about it?

4 BOARD MEMBER MARSHALL: Well, just a
5 comment, I guess.

6 CHAIRMAN DECKER: Sure. Please.

7 BOARD MEMBER MARSHALL: The motion is I
8 think when we take what Sandy did and what Mary did
9 and now what Lynn has laid out and I presume what
10 we're about to expense, we're taking a big chunk out
11 of our working capital. So, you know, we're going to
12 have to move, I think, as aggressively as Mary laid
13 out in the regulations to start to renew. We don't
14 stop spending money on July 2nd.

15 CHAIRMAN DECKER: That's correct.

16 Any other comments?

17 BOARD MEMBER COY: Thank you, Mr. Chairman.

18 Let me point out how I understand what
19 we're doing is that this is a budget and not

20 necessarily an appropriation.

21 CHAIRMAN DECKER: No.

22 BOARD MEMBER COY: In other words, it's not
23 necessarily an authorization to expend as it is a
24 framework in which to work.

25 CHAIRMAN DECKER: Thank you.

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1 BOARD MEMBER COY: This is our best
2 estimate at this point about the cost that we will
3 incur if things go the way we anticipate them going.

4 CHAIRMAN DECKER: Right.

5 BOARD MEMBER COY: It is not an absolute
6 authorization to expend these dollars without further
7 Board approval and input.

8 BOARD MEMBER MARSHALL: I would -- Tad, I
9 would amend my motion to reflect Jeff's comment in
10 that regard.

11 CHAIRMAN DECKER: We have an appropriation
12 now of 7 and a half million. It's a -- it's
13 technically a loan, I believe, from the government,
14 correct, Lynn? Everybody is shaking their head in
15 the audience.

16 MR. STELLE: That's exactly right. Yes, it
17 is.

18 CHAIRMAN DECKER: And this budget is an

19 attempt to characterize and encapsulate the money
20 that we have spent and the money that we will spend
21 going forward.

22 So I don't know in a sense what you and
23 Commissioner Coy and Commissioner Marshall have in
24 mind with respect to coming back to the Board. We
25 haven't had any parameters on that. We're about to

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1 spend a bunch of money on furniture. I'm sure we
2 could sit on boxes. That would be fine by me.

3 On the other hand, I don't understand
4 exactly what we would be coming back to the Board
5 expending. There are no large sums of money in that
6 budget. I mean, the hiring is going -- the
7 projections on the hiring, obviously, the hirings are
8 subject to approval by the Board.

9 BOARD MEMBER COY: Mr. Chairman, since you
10 asked for a delineation, let me try. What you just
11 said, I think, is what I know I had in mind and I
12 can't speak for Commissioner Marshall, but obviously
13 hirings need to be approved by the Board. That's an
14 expenditure.

15 CHAIRMAN DECKER: This is not a --

16 BOARD MEMBER COY: Any contract -- the
17 Board needs to approve contracts like the one upon

18 which Mr. Stelle is operating now, they need to be
19 approved by the Board.

20 The Board has been kept appraised of
21 expenditures and needs to be in the future. So what
22 we're passing, what I vote for today, if I vote for
23 this, is simply a framework under which we hope to
24 live within this fiscal year.

25 If things go the way we do, we expect to

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1 expend these types of dollars; but certain things,
2 personnel, and other contractual issues and other
3 items, if we contract with whoever to do whatever --

4 CHAIRMAN DECKER: This isn't met to cover
5 --

6 BOARD MEMBER COY: -- it needs to be -- I
7 understand but there are contractual fees in the
8 budget. So I don't want --

9 CHAIRMAN DECKER: Some of which -- the
10 overwhelming majority of which we already approved.

11 BOARD MEMBER COY: Correct. That's what I
12 want to see continue. Yet, to delineate as a matter
13 of fact on the Statute, the Statute was very clear.
14 The amount appropriated to the Board to operate is
15 indeed to be repaid once games are on board and will
16 be repaid to the General Fund from which it came.

17 BOARD MEMBER MARSHALL: And Tad, at the
18 risk of confusing anymore, what I understand Jeff to
19 say and what I agreed with is that there was no
20 implicit -- there were no actions implicitly approved
21 here that we would stay on the regular course of how
22 we have been operating that by approving the budget,
23 we weren't, in fact, making any -- taking any
24 inadvertent actions.

25 CHAIRMAN DECKER: Well, then let me be

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1 specific. I would like a resolution to buy the
2 furniture since we haven't done that yet. Okay. I
3 don't mean to be a wise ass, but I would like -- if
4 we're not approving the budget for purposes of
5 spending the money, then I would like a resolution, I
6 would hope, from you all authorizing staff and others
7 to buy the furniture as discussed.

8 BOARD MEMBER DiGIACOMO COLINS: Mr. Chair,
9 could I interrupt for a moment? Perhaps we could
10 resolve this by looking at it in terms of the Board
11 approving extraordinary, unusual, one-time
12 expenditures but expenditures in the ordinary course
13 of operating costs can be -- the budget can just be
14 used or drawn down by the Chair.

15 CHAIRMAN DECKER: Any comments?

16 BOARD MEMBER DIGIACOMO COLINS: And someone
17 can help me with my language.

18 CHAIRMAN DECKER: Chip, it's your motion.
19 Do you want to take a shot at it?

20 BOARD MEMBER MARSHALL: Well, see, I'm not
21 sure why you need -- we've authorized Michael to go
22 ahead and appropriately -- acquire furniture. I
23 mean, I don't -- I don't sense that this is -- I'm
24 not trying to split hairs or anything. I just think
25 that if we were to buy a complicated piece of IT, for

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1 example --

2 CHAIRMAN DECKER: Right. Let me say this.
3 The budget spells out certain things. We're not
4 going to do any -- to make this clear, this budget
5 does not authorize us to hire people, to enter into
6 contracts to hire additional consultants, do anything
7 that is out of the ordinary course of business that
8 -- with the exception, I want to make clear that
9 we're buying the furniture. Okay?

10 Anything else?

11 BOARD MEMBER COY: I won't ask you for an
12 invoice, Mr. Chairman.

13 CHAIRMAN DECKER: Thank you.

14 Can I get a second with that amendment to

15 the motion?

16 BOARD MEMBER CONABOY: Second?

17 CHAIRMAN DECKER: All in favor? Any other
18 discussion?

19 Hearing none, all in favor.

20 BOARD MEMBERS: Aye.

21 CHAIRMAN DECKER: Anyone opposed?

22 Okay. It passes.

23 Mike, you can now get the furniture. SAP
24 is not the supplier, is it?

25 Okay. Thank you, Lynn. That was great.

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1 We appreciate all of the hard work you have done for
2 us.

3 BOARD MEMBER COY: Thank you, Commissioner
4 Marshall.

5 CHAIRMAN DECKER: Thank you.

6 Okay. The Board will now break for
7 Executive Session for the purpose of discussing
8 personnel vacancies and potential candidates. For
9 the record, we're a few minutes before 10:00, 9:58,
10 and we will reconvene at 11:00.

11 SECRETARY FAJT: Mr. Chairman?

12 CHAIRMAN DECKER: Yes, please.

13 SECRETARY FAJT: Can I make one

14 announcement?

15 CHAIRMAN DECKER: Please.

16 SECRETARY FAJT: Yesterday, the Department
17 of Revenue notified a successful bidder, GTECH
18 Corporation from West Greenwich, Rhode Island, that
19 they would be the winner of the central computer
20 system. We will now begin contract negotiations with
21 GTECH.

22 We also notified all other parties who were
23 bidders in that system. I just wanted to formally
24 notify the Board and also state it on the public
25 record, as we said to the Board for Curt Haines, our

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1 deputy secretary for IT in Revenue, has appeared
2 before the Board and gone through a detailed
3 analysis of our process.

4 We will continue to work with the Board and
5 keep you informed of those ongoing contract
6 negotiations. I wanted to assure the Board that
7 GTECH is a preeminent player in the world in central
8 computer systems.

9 Based on their experience, their technical
10 expertise, and their cost, the Internal Committee in
11 the Department of Revenue was unanimous in selecting
12 GTECH as the potential provider of the Central

13 Computer System. Again, we will begin the
14 negotiation phase with them.

15 CHAIRMAN DECKER: Thank you, Greg. We look
16 forward to working with you and being educated, I
17 guess, as to what the central computer can do for our
18 regulatory scheme.

19 Also, we're going to be working very
20 closely on auditing and compliance activities going
21 forward. Although, that's not necessary in the next
22 month or so, but we are going to work very closely
23 with the Department of Revenue to accomplish those
24 tasks. Thank you. I appreciate it.

25 We're now going to go into Executive

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1 Session. Do we have a way to get Chip on this thing?

2 We do? Chip, we're going to call you back.

3 BOARD MEMBER MARSHALL: Right. Thank you.

4 (Executive Session.)

5 CHAIRMAN DECKER: I think we're going to
6 start. We were pretty close this time. It's 11:10,
7 right? I'm only a little bit later -- actually, I
8 think I'm less late than Chris Brown coming in the
9 room.

10 Let's see. In the Executive Session, we
11 talked about -- officially, we're starting 11:10.

12 We're now back in regular session. As
13 noted prior to the break, we went in to discuss
14 personnel issues, including the current vacancies.

15 I wanted to let you know, we've interviewed
16 and we will continue to interview over the next
17 couple of days and also two weeks from now candidates
18 for the executive director's position, the Bureau of
19 Investigation and Enforcement and chief counsel.

20 We've seen some very, very impressive
21 candidates. We're going to finish this first round.
22 Then we'll probably narrow it a bit and then invite
23 selected people back for final decisions.

24 We hope to get this done at least, you
25 know, by the end of April, maybe the middle of April.

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1 We're not quite sure.

2 Secondly, in our discussions today, it's
3 obvious, we need to add some staff people. I'm going
4 to turn that over for a second to Sandy.

5 BOARD MEMBER RIVERS: Mr. Chairman, thank
6 you.

7 In lieu of the presentation that I made
8 earlier, I would like to make you aware of the fact
9 that each Board Member will be hiring an
10 administrative assistant starting as of today.

11 Given that fact and given the fact that it
12 falls within the guidelines, I would like to make you
13 aware of that fact. We would like to forge ahead
14 with additional personnel.

15 CHAIRMAN DECKER: Along those lines, I'm
16 going to announce that I'm going to hire a staff
17 person. I'm going to share that staff person with
18 Susan Hensel. It's somebody that I've met, but I
19 can't find my notes now. I'm sorry. I apologize.

20 It's April Fagley, and she will be working
21 with me and also helping Susan when I'm not there.
22 Great background. She's now in the Office of General
23 Counsel. She has been in a private law firm for a
24 while, Kirkpatrick and Lockhart. She's been with the
25 Commonwealth since 1994.

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1 Any discussion on that?

2 Ken?

3 BOARD MEMBER McCABE: I have no discussion
4 except just to also reiterate that all of these hires
5 will be going through subject to a background
6 check --

7 CHAIRMAN DECKER: Absolutely. Absolutely.

8 BOARD MEMBER McCABE: -- with the State
9 Police.

9 insights with us -- their Board Members sharing
10 insights with us, they made available the various
11 division heads who discussed auditing, laboratory
12 testing of gaming machines, slot machines, and
13 certification standards, licensing, investigations
14 and enforcement.

15 It was a wonderful opportunity to share
16 some information with us. My conclusion was, I
17 believe, I was naive to a great extent about the
18 complexity of the gaming industry, let alone the
19 complexity of regulating this industry.

20 It's very clear to me that we need to get
21 some people who are going to help us in this process
22 who are experienced and can fill in some of the gaps.

23 One thing I don't think the State of
24 Pennsylvania wants to have is for the seven of us to
25 be the most knowledgeable people in the state about

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1 gaming.

2 It was a real eye opener, and I think
3 others share that experience. On the other hand, we
4 also got a lot of terrific information.

5 With the visits we've had in New Jersey,
6 the visit in Nevada, and the visit we're going to
7 have with New Jersey in two weeks, we've moved our

8 knowledge base way up.

9 I open it up to other Commissioners to
10 offer you their perspective of what happened in Las
11 Vegas other than the things that should stay in Las
12 Vegas.

13 BOARD MEMBER RIVERS: Mr. Chairman, I would
14 like to thank Commissioner McCabe for basically
15 opening that door for us because of his contacts in
16 Las Vegas.

17 I agree with you. We gained a lot of
18 information. The thing I liked most about the trip
19 was the fact that we received a directive from the
20 State of Pennsylvania stating that we could not
21 gamble. So the money I took out there, I was able to
22 bring back with me. My family appreciated that.

23 I can only echo your comments that there
24 was a lot of learning and a lot of knowledge that we
25 were able to absorb and the people were outstanding.

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1 Any question that we had, they answered.

2 They gave us a lot of good ideas in terms
3 of where we should go, how we should get there, the
4 things that we should be concerned about.

5 They showed us the individual instruments
6 that, quote, cheats use to take advantage and to try

7 to take our money.

8 I just felt that it was the kind of
9 association that you felt positive -- very positive
10 about and glad that you're a part of that type of an
11 organization.

12 CHAIRMAN DECKER: Mary, please.

13 BOARD MEMBER DiGIACOMO COLINS: Okay.
14 Mr. Chairman, if I could just give a brief overview
15 of what the schedule was like and that might give
16 some insight into what we learned.

17 We started out with Tuesday morning being
18 present at the Commission hearing which was
19 conducted, and those Commissioners heard testimony
20 involving the biggest merger that they've had in Las
21 Vegas so far. It was the merger of MGM Mirage
22 Corporation with Mandalay Bay.

23 It was a fascinating hearing, very
24 technical, high-level testimony taken from experts in
25 anti-trust, as well as gaming.

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1 The executives from MGM Mirage testified,
2 and it was very complex and sophisticated in its
3 issues and its substance.

4 After that, we met with the Commission, the
5 three members of the Commission, who were very

6 gracious. One of them actually is a friend of
7 Commissioner McCabe.

8 They sat with us and conducted a question
9 and answer session. Any questions, they would
10 address. Then the next day, we had a series of
11 meetings all day long from nine until five with the
12 different department heads in the Commission. We
13 learned a lot.

14 Just one thing I want to underscore and
15 that I was intrigued by was the level of training and
16 education that they require from their employees,
17 their analysts.

18 In the audit section of the Nevada
19 Commission, they have a CPA, who is the director of
20 the audit and compliance section.

21 Their analysts are accountants. They
22 actually go so far as to have cooperative agreements
23 with CPA firms and with authorizing and certifying
24 bodies so that accountants who work with that
25 Commission can receive their CPAs or receive

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1 qualifying credits toward their CPA.

2 That's just some insight into how
3 sophisticated and high level that operation is; and
4 hopefully, we'll get there.

5 CHAIRMAN DECKER: Ken, thanks for setting
6 -- Commissioner McCabe is responsible for setting
7 this trip up. Thanks again for that.

8 BOARD MEMBER McCABE: You're welcome. The
9 reason I was able to set that up is Las Vegas has a
10 number of retired senior executives in the FBI
11 working out there now.

12 The individual who help set this up for me
13 was Bobby Siller, who was the special agent in charge
14 of the Las Vegas division. When he retired, he, like
15 me, was appointed to their Commission, their Gaming
16 Board.

17 I want to echo what I've heard from the
18 others about we learned that we have a lot to learn
19 in the gaming industry. I saw that.

20 I want to just report on two projects that
21 I did while I was out there. One was Bobby Siller,
22 the Gaming Board there, took me to a neighborhood
23 casino.

24 The neighborhood casino, he walked me
25 through that because he believes that is what we're

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1 going to have here.

2 I've been learning about the difference
3 between a destination casino and a casino of

4 convenience, a neighborhood casino is what they have
5 out there.

6 This casino was away from the strip, away
7 from downtown. It was actually in a neighborhood. I
8 wanted to see how does this affect the neighborhood.
9 I'll go into a little bit about the crime and
10 response of emergency vehicles; and that, too, I was
11 interested and they showed me some of the graphs and
12 the studies and how they follow that.

13 This neighborhood casino was very
14 attractive, as you can imagine. It's Las Vegas. Big
15 parking lot, large building.

16 The clientele in there is going to be much
17 like, I think, we're going to see in Pennsylvania
18 here. It wasn't the vacationers. It wasn't the
19 people who were going to the strips. It was people
20 they were drawing from those neighborhoods.

21 In this casino, they then also had
22 restaurants, nice restaurants that we went there
23 after we had spent all day in meetings and people
24 were there. They had four or five restaurants in
25 there.

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1 In addition to in this casino, they had a
2 movie theater. While we were there, it was getting

3 close to 7:00 and families were going to the movies.
4 They had a wall and a guard, because I was concerned
5 about that, how you keep the children out of here.
6 If you have something like that, how do you keep the
7 kids from coming in and putting the quarters in?

8 They had a wall there separating the casino
9 from where the movie theater line was to go in there.
10 They had one of their uniform guards there to keep
11 the kids out.

12 Not only did they have that, they also had
13 a bowling alley upstairs. When we went up there,
14 there were leagues bowling. Families were there.
15 Leagues were bowling. To be honest, I never expected
16 to see this all in a casino.

17 In addition, we met with the -- a lot of
18 the heads of the security, senior vice president,
19 former FBI executives. The No. 2 man, the deputy
20 director in the FBI, Bruce Kepthart went to work for
21 MGM as a senior vice president. No. 3 man in the FBI
22 in charge of our counterintelligence and
23 counterterrorism works for Steve Wynn. There was a
24 number of other former executives that are now
25 executives with the gaming industry, and we met

1 there. Also, the head of the FBI from Las Vegas came

2 with the head of the Federal Air Marshals.

3 Also at this neighborhood complex -- why I
4 painted that picture was also at this neighborhood
5 casino was a childcare center. The head of the FBI
6 drops her -- when her daughter gets out of school,
7 that's where her child goes to until they get home.
8 I was shocked about that.

9 She was talking with the head of security
10 there, who was a retired FBI guy, about how her
11 daughter had fun at the magic show that they had for
12 the kids the week before.

13 So that is the one thing I wanted to
14 describe about this neighborhood casino. I had never
15 seen anything like that.

16 CHAIRMAN DECKER: Ken, were there any slot
17 machines in this place?

18 BOARD MEMBER McCABE: Oh, there were plenty
19 of slot machines. So that's pretty much what I want
20 to talk about, first, seeing this neighborhood
21 casino.

22 The crime impact, the emergency response,
23 really wasn't anything abnormal according to them;
24 the head of the FBI, the head of the gaming control.

25 Downtown there is -- they are tracking some

1 other instances of maybe drug overdoses and that sort
2 of thing and passing out, people unconscious but
3 that's along the strip.

4 CHAIRMAN DECKER: The old strip.

5 BOARD MEMBER McCABE: Yes. And they joked
6 it was -- some of it was after they saw their bill
7 and they said, oh, my God. I did what here? That's
8 why some of these people passed out and had to
9 respond.

10 My meeting with the security director was
11 also interesting. I learned the extent that they go
12 through to protect the integrity of the industry,
13 integrity of gaming that they do extensive background
14 checks before they even submit the applications to
15 the Gaming Control Board.

16 One of the head of security described how
17 they had recently found three child molesters that
18 California had lost control of. They were telling
19 me, California can't keep track of the hundreds of
20 child molesters that they have there that was in Las
21 Vegas and that was trying to work for one of the
22 casinos.

23 Because of the checks that the casino did
24 beforehand, they were able to first alert the police
25 that, hey, he's here. They have an outstanding

1 relationship with the police.

2 One of the reasons they have an outstanding
3 relationship with the head of the Department of
4 Public Safety is that he's a retired FBI agent also.

5 There's a great sharing of information
6 between the Gaming Control Board, the public safety,
7 the police, and the casinos.

8 We didn't have a good time. I just want to
9 make sure -- we were out there for business. That's
10 pretty much -- I walked away looking at things a
11 little bit differently.

12 The reason that all of these FBI agents are
13 in the business out there is they were able to
14 convince me not just because of the money but because
15 the industry is adamant about keeping it clean.

16 They, the FBI and the Gaming Board, all
17 agree that they have been able to pretty much keep
18 organized crime out of the industry and it's because
19 of three reasons.

20 It's because of the Gaming Control Board
21 and the regulations, because of the FBI and the
22 investigations. It's because this is a business now
23 and the corporations don't want them in there.

24 Even though they have times that the
25 security guys and the money guys in the business

1 don't agree with -- you know, we need to spend more
2 money to do more background checks. They do checks
3 of all states, criminal checks. They do credit
4 checks on their janitors, custodians, waitresses,
5 waiters before they get them.

6 They say it's worth it for us to do that.
7 They have to sometimes go talk to the chief CFO and
8 say, we have got to pay for this because you're going
9 to be paying in civil liability a lot more if we let
10 this person work at this facility. We ask them and
11 they give them the money.

12 It's a corporation. So the FBI, Gaming
13 Control Board, and the corporations are doing the
14 best to try to keep organized crime out of this. I
15 learned a lot, learned we didn't know -- there's a
16 lot to learn. That's about all.

17 CHAIRMAN DECKER: Bill, any comments?

18 BOARD MEMBER CONABOY: Yeah, I guess if I
19 could just summarize. I had never been to Las Vegas
20 before. As Judge Colins said, the presentation that
21 we saw the first day we were there by MGM Mirage was
22 the most impressive presentation I've ever seen.

23 Of course, you couldn't help but be struck
24 by why was it so impressive. It was so impressive
25 because they literally, when they're talking about

1 billions of dollars, they literally hired the best
2 talent that money can buy to make these type
3 presentations. So that you expected.

4 What was more impressive to me and I think
5 to the other Commissioners was the level of talent at
6 the Nevada State Gaming Board.

7 The people that work for the Board itself,
8 you couldn't help but think, this is what we need to
9 do and this is what we're doing here with the people
10 that we're hiring.

11 They were extremely impressive. They had
12 people at all different type backgrounds, too, that
13 they brought to the Board from financial people, to
14 legal people, to auditing, to enforcement people.

15 They really had top level people that they
16 had hired by the Board. That's the responsibility
17 that we feel we need to bring back here to the
18 Commonwealth of Pennsylvania and we're doing that.
19 We want to ensure the public that that's our intent.

20 You also were struck by the difference of
21 what we're going to be doing here in Pennsylvania as
22 opposed to what they do in Las Vegas.

23 They told us out there and we observed
24 that. Vegas has become all about entertainment and
25 fine dining and shopping, third, and I guess, fourth,

1 gambling. Of course, they have table games and every
2 other form of gambling you can imagine. Here, we're
3 just going to be in the slots business. It's going
4 to be very different here in Pennsylvania; and, of
5 course, the 14 locations that we're going to have are
6 all going to be different venues so we need to be
7 cognizant of that.

8 We had the most opportunity, the most
9 impressive part for me was to visit their vending or
10 slot machine gaming lab, testing lab. I think Nevada
11 said they're one of only three or four in the country
12 that has their own lab. The primary reason being
13 getting the people to do the testing, these people
14 just aren't available.

15 The individual that runs their lab is a
16 former NASA electrical engineer. I think he said his
17 last assignment was in counterterrorism. I'm not
18 sure if it was with the FBI or who it was.

19 Here is this guy showing us how people try
20 to trick slot machines. That's his background that
21 he brings to the table. He had about six or eight
22 individuals that worked for him.

23 They've really done it right. For me, that
24 was the most impressive part to come back here as a

25 Commissioner to say this is what we do here in

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1 Pennsylvania is make sure it's done right.

2 We need to get the right talent working for
3 the Commonwealth. So just like the casinos in the
4 gaming industry does, they go out and get the best
5 people. That's what we need to do, to make sure it's
6 done right.

7 It was certainly a very worthwhile trip.
8 We learned a lot. We're going to be going to New
9 Jersey next month and I'm sure we'll be doing some of
10 the same things there.

11 Again, I thank Commissioner McCabe very
12 much for setting up the trip. I always wondered
13 where former FBI agents go when they retire and I
14 realize the majority of them are in Las Vegas.

15 They do bring credibility just like
16 Commissioner McCabe does. They bring a world of
17 experience to the table. That's why -- this is just
18 the point I was making, that's why the people, the
19 industry out there hires the best and that's why
20 there are a lot of former FBI agents involved in the
21 industry out there. So definitely a worthwhile trip.

22 CHAIRMAN DECKER: Bill, that was a great
23 summary.

24 To just tag along on what Bill said,
25 apparently, 55 percent of the revenue in the major

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1 casinos and hotels in Las Vegas come from
2 non-gambling sources. So it's pretty amazing.
3 That's a great summary of the trip.

4 There's some rumors about the dinner -- Ken
5 McCabe's dinner with the FBI agents and the State
6 Police had a visit to calm them down. We don't know
7 that the rumors are actually true.

8 In any event, I would like to ask, as we
9 mentioned, the trip was great. We had -- some of us
10 have visited the Bureau of Investigation and
11 Enforcement and some of the legal things that go on
12 in New Jersey.

13 Again, they're bifurcated. We're going to
14 visit the Commission next week in mass with all
15 seven Commissioners.

16 In the interim, Commissioner Colins and
17 some of our staff had the opportunity to spend
18 several hours with the head of New Jersey's licensing
19 division.

20 I would like to ask Susan Hensel to give us
21 a brief report on some of the highlights of that
22 benchmarking session. Thank you.

23 MS. HENSEL: Thank you, Chairman Decker and
24 good morning, Commissioners.

25 Two weeks ago, Commissioner Colins and I

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1 some other members of the staff had the opportunity
2 to meet with Christopher Stercella, who is the
3 director of licensing in New Jersey.

4 We wanted to meet with New Jersey in
5 particular because some of the application forms,
6 particularly for the manufacturer and suppliers, that
7 we are developing are being patterned after New
8 Jersey forms. As Commissioner Colins mentioned
9 earlier, we are looking to New Jersey at least in
10 part for guidance on our regulations.

11 We thought it was important to go to New
12 Jersey and see what exactly does the licensing
13 division do once one of these applications is
14 submitted.

15 We spent several hours with the director of
16 licensing, delving very much into the details of
17 their processes. We came away with a greater
18 appreciation of the work that will lie ahead for the
19 Board in terms of getting its licensing operation up
20 and running.

21 As I said, we spend a lot of time going

22 through the nitty gritty of the processes that they
23 use in New Jersey. I don't want to dwell on those
24 minutiae details, but I just wanted to talk with you
25 briefly this morning about three areas of focus that

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1 we really took away from our meeting; those being
2 vendor licensing, the requisite background for
3 licensing employee, and the need to leverage
4 technology.

5 First, we discussed how New Jersey deals
6 with its vendors, those who do business with the
7 various casinos.

8 As Commissioner Colins mentioned earlier,
9 you, as a Board, do have discretion under the Gaming
10 Law to license vendors.

11 In New Jersey, what they do, any company
12 that does more than \$500 worth of business with a
13 casino is required to at least register with the
14 state.

15 Depending on the level of business, the
16 dollar amount of business, that the various vendors
17 do with the casinos, they are submitted or subjected
18 to higher levels of scrutiny and may actually be able
19 to require to obtain a license from the state.

20 To monitor the dollar amounts of business

21 that are done with the various casinos, the New
22 Jersey Casino Control Commission actually gets
23 monthly reports of check disbursements from each
24 casino to the various vendors.

25 If these dollar amounts exceed \$75,000 or

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1 if an initial contract shows that the dollar amount
2 will exceed \$75,000, those contracts are immediately
3 reviewed by the Casino Control System and the vendor
4 is required to get a license.

5 I should point out that New Jersey is
6 getting ready to increase that threshold dollar
7 amount to \$150,000 up from 75,000 based on their
8 experience.

9 New Jersey also maintains a list of
10 prohibited vendors. If someone is on that prohibited
11 vendors' list, none of the casinos are allowed to do
12 any kind of business with them.

13 In addition to vendors doing ongoing
14 business with the casinos, New Jersey strongly
15 recommends that our Board monitor and regulate all
16 construction contracts that potential licensees
17 enter into.

18 New Jersey recommends that the
19 investigation of these contracts go as deep as

20 possible, including all subcontractors.

21 The second issue that we discussed was the
22 licensing background or the background of licensing
23 employees who will staff the licensing division, in
24 particular the licensing analyst.

25 New Jersey suggests that we build a

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1 licensing organization that is made up of people that
2 have at least some level of business or accounting
3 background.

4 According to Mr. Stercella, an
5 understanding of accounting methodology, audit
6 trails, and work papers are very much an asset in the
7 licensing division.

8 The way New Jersey has its licensing system
9 set up, the first task when an application comes in
10 the door is to undergo a very thorough completeness
11 review.

12 One person performs this function and then
13 that person is responsible for the coordination of
14 the entire licensing process from completeness review
15 right through the licensure decision.

16 New Jersey has found that individuals that
17 do have an accounting background are particularly
18 suited to perform both the completeness review and

19 that project coordination aspect of the job.

20 Then the final point that we took away from
21 New Jersey was the importance of leveraging
22 technology and to leverage technology in the
23 licensing division to as great of an extent as
24 possible as soon as possible.

25 New Jersey began their system very much as

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1 a paper-based system about 25 years ago. It remains
2 very much a paper-based system today.

3 Mr. Stercella recommended that we look at
4 acquiring document imaging capability for the
5 applications that will come in the door and also try
6 to acquire a licensing tracking system.

7 I can tell you we have done some
8 preliminary work on looking into those areas, and I
9 hope to report back to the Board later on our
10 progress in obtaining that kind of technology.

11 CHAIRMAN DECKER: Susan, one question. Did
12 you get -- after the visit to Las Vegas, did you
13 and/or Commissioner Colins get a different
14 perspective on how Nevada does it on licensing versus
15 New Jersey or are they similar? I know they're both
16 tough. That's one thing that Las Vegas is, is tough
17 on licensing.

18 CHAIRMAN DECKER: Nevada's licensing
19 division very much combines their investigation
20 piece. That's all housed under licensing. Whereas
21 Nevada, that's a separate division. That would be
22 one distinction between the two. Nevada also has
23 very much a paper-based system like New Jersey,
24 again, an older jurisdiction.

25 CHAIRMAN DECKER: Okay. Thank you.

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1 Any questions from the Commissioners?

2 It sounds like a worthwhile visit.

3 MS. HENSEL: Yes, definitely. Thank you.

4 CHAIRMAN DECKER: Thank you.

5 All right. Is there any other business to
6 come before the Board today?

7 Okay. I have one final announcement before
8 we adjourn for the day. The Board will be holding an
9 Executive Session for the purposes of discussing
10 personnel matters at 3:00 p.m. this afternoon in
11 Strawberry Square, much like the ones we had
12 yesterday.

13 No business will be conducted during the
14 Executive Session, which will be closed to the media
15 and to the public.

16 The Board's next public meeting is

17 scheduled for March 15th in Philadelphia. I don't
18 think we've locked in a location yet.

19 Is there a time? Do we have a time yet?

20 MS. HENSEL: 3:00.

21 CHAIRMAN DECKER: 3:00.

22 If there is no further business, may I have
23 a motion to adjourn?

24 BOARD MEMBER RIVERS: So moved.

25 CHAIRMAN DECKER: Second.

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1 BOARD MEMBER CONABOY: Second.

2 CHAIRMAN DECKER: All in favor?

3 BOARD MEMBERS: Aye.

4 CHAIRMAN DECKER: The meeting is adjourned.

5 Thank you very much.

6 (The hearing concluded 11:36 a.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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