

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 11-12, 2017**

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday and Thursday, October 11-12, 2017 at Wild Rose Emmetsburg. Commission members present were Richard Arnold, Chair; Kris Kramer, Vice Chair; and members Carl Heinrich, Jeff Lamberti and Dolores Mertz.

APPROVE AGENDA: Chair Arnold called the meeting to order at 4:30 PM, and requested a motion to approve the agenda. Brian Ohorilko, Administrator of IRGC, advised Agenda Item 8 has been withdrawn. Commissioner Lamberti moved to approve the agenda as amended. Commissioner Mertz seconded the motion, which carried unanimously.

EXECUTIVE SESSION: Chair Arnold moved to Executive Session. Commissioner Lamberti moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)a, d, and g for the purpose of receiving Division of Criminal Investigation background reports on Linn County Gaming Association, Inc./Cedar Rapids Development Group, LLC and Cedar River Alliance for Gaming/Wild Rose Cedar Rapids, L.L.C. The motion carried unanimously on a roll call vote.

Following the conclusion of Executive Session, Commissioner Lamberti moved to leave Executive Session. Commissioner Kramer seconded the motion, which carried unanimously. Chair Arnold recessed the meeting until 8:30 AM on October 12th.

Chair Arnold called the meeting back to order at 8:30 AM, and noted the agenda had been approved with the withdrawal of Agenda Item No. 8.

APPROVE MINUTES: Chair Arnold moved to the approval of the minutes from the August 24, 2017 meeting. Commissioner Mertz moved to approve the minutes as submitted. Commissioner Lamberti seconded the motion, which carried unanimously.

WELCOME: Chair Arnold moved to the Welcome. Steve Cody, General Manager, welcomed everyone to the facility on behalf the owners, corporate staff and employees. He introduced Renee Jedlicka, President of Palo Alto County Gaming Development Corporation (PACGDC). Ms. Jedlicka noted the county voted overwhelmingly to approve gaming and feels privileged to have the license. She advised the Board works closely with the other non-profit licensees to learn how they operate and have adopted some of their policies and practices. They just hosted a class to help organizations learn how to write a grant and learn about their new paperless process. Ms. Jedlicka stated they have learned the importance of having a good relationship with the owner/operator of the casino, and meet with them regularly. She expressed appreciation for Mr. Cody and Tom Timmons.

Ms. Jedlicka introduced Mayor Myrna Hedding. Mayor Hedding stated the casino has had a positive effect on the community; good things have occurred within the community and surrounding area that would not have been possible without the funds received through PACGDC. She thanked the Commission for granting a license to Emmetsburg.

ANNOUNCEMENTS: Chair Arnold called on Mr. Ohorilko for announcements. Mr. Ohorilko advised the final meeting of the year would be on November 16th at the Diamond Jo in Dubuque. Submissions for that meeting are due by November 2nd. There will not be a meeting in December. The first two meetings of 2018 will be on January 4th and March 6th; both will be held at Prairie Meadows Racetrack and Casino (PMR&C) in Altoona.

Mr. Ohorilko recognized Tammy Hoffman, the Commission's Gaming Representative assigned to Wild Rose Emmetsburg.

STATEWIDE MARKET ANALYSIS: Chair Arnold moved to the Statewide Market Analysis presentations and called on Marquette Advisors, Inc. Louis Frillman and Brent Wittenberg, President and Vice President respectively, were present. Mr. Frillman thanked the Commission for placing their trust and confidence in the company.

Mr. Wittenberg provided a brief summary of the scope of the project and the information reviewed and provided in their report. He stated Iowa has high quality facilities; professional management; facilities are well-built and maintained; and reinvestment to keep them fresh and attractive. Mr. Wittenberg indicated the facilities are right-sized for their respective markets based on their analysis and conversations with the operators. While the industry had revenue of \$1.453 billion in Fiscal Year 2017, Marquette noted a slow growth trend even with expansion and new facilities. Since 2010, revenue growth has been under one-half percent per year with relatively flat admissions. Gaming participations rates across the state are showing a slight decline. Iowa has seen a mixed casino performance; last fiscal year 12 out of 19 facilities had a downward trend in revenue.

With regard to the slow growth trend, Mr. Wittenberg indicated it is due to less population growth with a focus on an adult population that is 21+ years old; and a market that is seeing less than 1% growth per year. He advised that participation rates have peaked in most areas except in local markets with a new or expanded facility. He stated that the market as a whole, and for most individual facilities, is approaching maximum market penetration. Most Iowans have multiple facilities within an hour drive, which is also the case for Cedar Rapids. There are three facilities within one hour. Mr. Wittenberg stated the drawing power of Iowa's casinos is increasingly local; the trend is more apparent than three years ago. He stated resort amenities are becoming less relevant as the draw area has decreased.

Mr. Wittenberg stated Iowa and the majority of the individual submarkets are not under-served, nor did they find any under-performing facilities relative to their respective markets. He stated Marquette had done a comprehensive analysis of the state as a whole in comparison to a variety of other states and markets; and compared the sub-markets in Iowa with each other based on a variety of ratios; talking with a number of casinos; number of gaming positions per adult and how that matches with personal income growth throughout the state by sub-market. They looked at the Des Moines market as a possible exception. Mr. Wittenberg noted that while gaming may not be as convenient for some in the Des Moines-area market population base with only two casinos within an hour; there are four within a ninety minute drive, including the Meskwaki Casino. He noted that added gaming in Des Moines would likely grow revenues, but have a

significant negative impact on PMR&C and on smaller peripheral facilities such as Osceola, Meskwaki and others depending on the size of the facility.

Mr. Wittenberg asked what this all means. He stated there is a slow or low growth pattern in the Iowa market; increasingly local casinos; and a battle for market share with casinos forced to invest in their facility, keep things fresh, bring in entertainment, and ensure quality food and beverage service. Fiscal year 2017 saw mixed results. In developing the revenue forecast, Mr. Wittenberg stated they started with a baseline model, which effectively predicts the 2017 market situation. The baseline model was built on actual visitation information, admissions data and player revenue data sorted by point of origin – zip code and county – throughout the state. The player tracking information provided by the operators facilitates the buildup of the model. Mr. Wittenberg stated the model is very accurate in predicting the current market situation. The next step in Marquette's process is to develop an adjusted model, or a baseline forecast, looking out five years to 2022. The adjustments to that model include adjustments to population; they predicted low to moderate growth in the population base. Additional adjustments include gaming participation rates with most markets averaging a 1% decline per year throughout the market; and adjustments tied to inflation with respect to average spend per visit, less than 1% per year. The last step in their process is to provide alternative forecasts, which account for a license in Linn County, noting there were three different scenarios. The first part of the process is to again adjust the participation rates; and the redistribution of market share – where are the casino trips going/coming from, primarily based on convenience.

Mr. Wittenberg stated their baseline scenario looking up to 2022 shows growth to \$1.473 billion, which is tied to a growth rate of 0.3% annualized, down slightly from what the market has experienced from 2010 to date. These numbers are for known facility development. The 0.4% growth since 2010 factors in some new facilities and considerable expansion; this model does not factor in any expansion at facilities. The impact of the change on revenue coming from outside of Iowa is approximately \$648 million to \$662 million, some of which is attributable to recapture of revenue from Illinois based on what is happening in the Quad Cities.

Looking at the impact of the various Linn County proposals, convenience is the primary factor with respect to consumer choice and where they want to gamble. Mr. Wittenberg stated it is a fact that the majority of the casinos in Iowa generate between 80-85% of their revenues from within a 30-60 minute drive. They expect a Linn County casino would be the dominate casino respective to the local population base; Cedar Rapids and Linn County would be the primary gaming venue for the facility. Primary competitors would be Riverside, Isle of Waterloo, as well as the Meskwaki Casino; secondary competition would be Clinton, the Quad Cities and Dubuque. Mr. Wittenberg stated they expect a significant redistribution of market share, particularly with respect to the local market. The impact on Riverside would be the most pronounced.

When reviewing participation rates in connection with new casinos or expanding existing facilities significantly, Marquette has the benefit of understanding what has occurred in this or other markets within Iowa. Mr. Wittenberg stated the participation rate for Cedar Rapids, based on player tracking information they examined from the various operators, is about 3.5 visits to a

casino per adult per year. In order to determine what would be reasonable for a new casino in the middle of the market, they examined a variety of comparable markets in Iowa – Waterloo, Dubuque, Davenport/Bettendorf, Des Moines and Omaha/Council Bluffs. Their adjusted model reflects a participation rate of 6 for the larger casino; and about 5 for the smaller casino proposals. Adjustments were made to the surrounding markets within 30-60 minutes from the facility of 5-10% going forward.

Mr. Wittenberg stated a new casino in Cedar Rapids would capture approximately 80% of the local market. The larger facility would generate revenue of \$85 million per year by 2022. The smaller proposals would generate \$52-\$57 million in gross gaming revenue per year; with 45-56% representing new gaming revenue to the State and the rest would be from cannibalization. The cannibalization impact is most pronounced with respect to Riverside, as previously concluded. Under the current scenarios, Mr. Wittenberg stated the impact would be between \$18 and \$22 million based on the different proposals, or 21-25% of the otherwise projected revenues for Riverside in 2022. He indicated it is hard to gage the exact response by Riverside or any other casino that has been cannibalized in that fashion, but it is almost certain it would result in a reduction of gaming devices in the facility and the number of employees.

With regard to economic impact attributable to the new proposals in the Cedar Rapids market, Mr. Wittenberg stated the proposals do document the employment impact on-site, ranging from 225–355 direct jobs per facility, varying by proposal. Marquette estimates there will be between 71–115 indirect jobs created, again varying by proposal.

Mr. Wittenberg showed a matrix which laid out some of the various attributes of the different proposals in terms of size, estimated construction costs, projected annual admissions ranging from about 750,000 to 1.2 million per year; the projected 2022 stabilized net win on a per position basis. It also reflects the projected impact on gaming from out-of-state customers, which is relatively low – ranging from \$2 - \$5 million per proposal; and the impact on new state money from gaming tax revenue.

Mr. Frillman stated they were not asked to evaluate this, but when they are talking about new money in the proposals outside of cannibalization, the Commission needs to remember that most of that money is currently being spent elsewhere in the market today. While it is effectively new money to gaming, it more than likely comes out of other entertainment options. He also pointed out there is no offset to job creation. He stated a facility can't lose \$10-\$20 million in revenue and maintain the same job force. Mr. Frillman stated the Commission should consider there will be job losses in the immediately competing casinos if one of the Cedar Rapids proposals is approved.

Mr. Wittenberg stated that if there is a reduction in the number of gaming devices and to the food and beverage service at a facility, it will reduce the attractiveness of that facility. He noted the cannibalization of approximately \$22 million by 2022 is substantial, it could become even more over the long term given the potential reduction in the number of gaming devices and food and beverage service.

Mr. Wittenberg noted their forecast varies somewhat, not so much in terms of the gross revenue basis, from their previous analysis in 2014. They had projected \$81 million in their analysis from 2013-2014 with a 73% cannibalization rate for the larger proposal. Their current analysis is 45%. The short answer for the difference is they have the benefit of contemporary data analysis and current trends. It has been demonstrated in the market what happens when a casino is built; markets are much more localized, and have been able to see what happens to local participation rates, which is substantial, and considerably less so with respect to distant markets. Mr. Wittenberg stated they anticipate a Cedar Rapids casino would have a much more localized customer base compared to where they were three years ago based on the current trend in Iowa. They expect far fewer customers from 45 minutes and beyond therefore reducing somewhat the impact as it relates to the peripheral markets and casinos relative to Cedar Rapids.

Mr. Wittenberg called for any questions concerning the report. Commissioner Lamberti stated Mr. Wittenberg had hit on the primary question regarding the difference in the cannibalization rate between 2014 and today. He asked if that was primarily a factor of the participation rate locally when it was adjusted.

Mr. Wittenberg stated they do see an upside to the participation rates in Cedar Rapids. From their analysis, it appears that Cedar Rapids participation rates are somewhat reduced compared to when they looked at the market in 2013. They feel there is some potential for a new facility in this market; he feels the other comparable markets demonstrate that fact as well. He noted the projected participation rate in Cedar Rapids is 6; Waterloo is at 7.5 and the Quad Cities is just over 7 at the three facilities.

Commissioner Lamberti reiterated the presentation answered the majority of his questions. He asked if all of the facilities cooperated with them in terms of providing access to information. Mr. Frillman stated there was almost 100% participation in terms of interviews, which have been ongoing over the last few months. Mr. Frillman noted they have seen everything in the Iowa markets 2-3 times, and have been in some of the facilities 4 or 5 times.

Commissioner Lamberti noted the report covered where Marquette was at in their revenue projections for a Cedar Rapids facility. They previously projected \$81 million; now it is approximately \$85 million. He noted that in reviewing the numbers presented by the different proposals, Marquette's projection is not too much different from the proposals. Commissioner Lamberti asked if that would be an accurate statement. Mr. Frillman stated they are relatively close, but they developed their revenue projections from the model they developed.

Commissioner Mertz asked if Marquette took the agricultural economy into account when preparing their report. Mr. Frillman answered in the affirmative.

Commissioner Lamberti noted Cedar Rapids is the second largest city; and their report covered how gaming has become very localized in Iowa. He stated Cedar Rapids has the benefit of having more people coming in, whether for conventions, business, medical appointments, etc. He asked how that is factored into the numbers.

Mr. Wittenberg stated the number is not inconsequential but is less than 10% of the gross. He noted there are other similar markets in Iowa, namely Altoona and Bettendorf.

Commissioner Lamberti noted Mr. Wittenberg had talked about how well the current facilities do in reinvesting in their facilities and providing amenities. He noted there is a large proposal with several amenities, and then two scaled down proposals. He pointed out the cannibalization rate was lower for the smaller proposals than it was for the larger proposal, which seemed counter-intuitive.

Mr. Frillman stated it is actually the reverse. Mr. Wittenberg stated that on a dollar-basis, the cannibalization is greater with respect to the larger facility, but not on a percentage basis.

Commissioner Lamberti asked if that was due to the fact that it was a larger market and attracted more new revenue. Mr. Wittenberg answered in the affirmative; there is a little bit larger impact on local participation.

Mr. Ohorilko asked them to talk about participation rates. He wondered how a variance of one point up or down would correlate to the revenue for Linn County and the market impact at the other properties.

Mr. Wittenberg stated they anticipate there would be some increase in the local participation rate since they are not talking about a facility with a hotel or comprehensive resort amenities that would draw from a more distant market. Any increase would be primarily local and result in somewhat increased revenues locally.

Hearing no further questions for Messrs. Frillman or Wittenberg, Chair Arnold called on WhiteSand Gaming. James Nickerson, Vice President, stated his report might sound like a broken record as they agree with Marquette Advisers as to the current status of gaming in Iowa. Adjusted gross revenue has not returned to its peak level of 2012. Total admissions will continue to grow at approximately 1% going forward. He advised there is no part of Iowa that is not being served; Iowa has a mature and stable gaming market. Mr. Nickerson stated they also feel Iowa's market is local, and well distributed across the state. He concurred with Marquette that the market would continue to grow with growth in income and population. He indicated they found the properties to be well-maintained, and provide a Las Vegas-style experience. The challenge is to continue to reinvest capital to maintain the attractiveness of the facilities and their amenities. Mr. Nickerson stated the trend in markets across the country is for more money to be spent on non-gaming amenities. The other challenge is building and maintaining their base; the traditional casino patron is getting older. The challenge is figuring out how to draw millennials to the facilities to experience the gaming environment. Mr. Nickerson stated they believe admissions will be flat or decrease approximately 1% per year, but do see a slight increase in revenue, about 1.1%.

Mr. Nickerson stated they project revenue of \$50 million for a license in Cedar Rapids versus \$80 million. He stated they did account for visitors to the Cedar Rapids area. He noted any revenue coming from the Meskwaki Casino to a Cedar Rapids facility would be taxed. They

estimate cannibalization of the following facilities: Riverside would lose approximately 20%; Waterloo between 5-8%; Dubuque between 3-5% and Meskwaki between 4-8%.

Mr. Nickerson stated they looked at a forecast of 10%, 25% and 50% increase in gaming positions from the applications that were submitted, and did see some increased revenue as a result of that; but also feel the additional costs of staff, facility, security, and technology will take up the difference. WhiteSand does not feel any of the proposals will be more profitable than presented. They also forecast the increased cannibalization should a Cedar Rapids facility expand if a license were granted.

Mr. Nickerson noted the properties located closer to the population base have a higher revenue, but they also see a higher participation rate or propensity to game at some of the more rural areas. Individuals in Des Moines or Cedar Rapids have more opportunities to spend their discretionary income; in the rural areas, the local casino may be the main destination for entertainment. Some of the facilities in a lower population area actually have a higher win per unit.

Mr. Nickerson stated they looked at the most recent statewide projects. He noted Marquette did a very good job with their projections for Greene County; they are close to the \$28 million in forecasted revenue. He feels the most recent projections were off overall where the two studies had between 8-11% growth overall whereas state revenue increased approximately 1% per year over the 5-year period. That has affected their projections regarding the possibility of gaming in Cedar Rapids; they just don't see where the money is coming from. While they feel a facility in Cedar Rapids would be successful, it would not reach the revenues projected by Marquette. He showed a slide summarizing the growth in each of the properties; there was an overall negative growth for the most part. He noted their projected revenues are approximately \$50 million for a Cedar Rapids facility, which is a bit lower than the proposals. He noted many recently opened casinos have failed to meet their projected revenues; one example was Kansas Crossing had forecast \$3 million per month, and is generating about \$2 million. Mr. Nickerson stated markets are hitting the saturation mark; and Iowa is at market penetration. He stated the revenues are not going to grow as some have predicted.

Mr. Nickerson advised they had looked at discretionary income across the state; Cedar Rapids would be in the middle range with about \$25,000. Markets with a lower population and more rural areas tend to have less discretionary income but also have fewer options of where to spend that money. He stated discretionary income was not a factor in Cedar Rapids or other areas of the state.

Mr. Nickerson stated WhiteSand did not have any issues with the employment predictions. He indicated the applicants are currently involved in the industry so are aware of what it would take to operate these facilities; they just disagreed on the amount of projected revenue.

Commissioner Lamberti asked if WhiteSand received good cooperation from the facilities in gathering data for their study. Mr. Nickerson answered in the affirmative.

Commissioner Lamberti noted Mr. Nickerson had discussed the obvious differences in revenue between their study, Marquette's and the applicants. In their analysis of the Iowa market and where it has been the past few years, everyone agrees on the market saturation, but WhiteSand arrived at significantly different results for the size of the Cedar Rapids market with regard to how much new revenue could be generated, which also drives the cannibalization rate. He asked what two or three primary factors drove their pessimistic view compared to the others about where the revenue would be which then drives the new revenue and the cannibalization rate.

Mr. Nickerson advised the markets are becoming saturated; when he started in the gaming industry, a casino just had to open their doors to be successful. As more states added gaming, the operators had to be creative, compete and market their property. He noted that individuals living in Cedar Rapids would go to the casino more often if there was one in their community; however, there is no hotel involved to draw overnight visitors. People have a fixed budget, and there is a certain amount of money people will spend on entertainment. They don't foresee that expanding. Revenue will increase, just not that much; the novelty factor is gone.

Commissioner Mertz asked if WhiteSand took the agricultural economy into consideration in their analysis. Mr. Nickerson answered in the affirmative. He noted one of the largest corn fructose plants and Quaker Oats are located in Cedar Rapids, drawing in a lot of business travel. He stated they did visit the local tourism office to look at the numbers relating to tourism and business travel.

Mr. Ohorilko noted their cannibalization rate is significantly higher than some of the other studies previously commissioned. He asked if that was primarily a result of the belief that it is more of a local market and not necessarily a destination market. Mr. Nickerson answered in the affirmative; they looked at population, age, income, propensity to gamble and distance. He indicated the properties that are affected have a loyal base, but convenience is a factor. A Cedar Rapids licensee would be a benefactor of the fact that it is closer than some of the other facilities in the state.

ADMINISTRATIVE RULES – NOTICE OF INTENDED ACTION: Chair Arnold moved to Administrative Rules and called on Mr. Ohorilko. Mr. Ohorilko noted there are two sets of rules before the Commission. The first set is a Notice of Intended Action, and is a collection of rules from the staff's annual review and the Racing Task Force meetings. Mr. Ohorilko provided a brief synopsis of the proposed changes to the various rules. He noted there would be a public hearing regarding these proposed changes on November 28th. The proposed changes have been submitted to the industry; staff has received some questions and will be working through those with the industry. He requested approval of the rules submitted under Notice of Intended Action.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the rules submitted under Notice of Intended Action. Commissioner Mertz seconded the motion, which carried unanimously.

ADMINISTRATIVE RULES – FINAL ADOPTION: Mr. Ohorilko proceeded to the rules submitted for Final Adoption, noting they were before the Commission at the August meeting.

There are two items necessary to implement legislation passed in the most recent legislative session. The rules have been discussed during a public hearing and in front of the Administrative Rules Review Committee; no comments were received at either hearing. He requested approval of the rules.

Commissioner Mertz moved to approve the rules as submitted for Final Adoption. Commissioner Heinrich seconded the motion, which carried unanimously.

REQUEST FOR FINANCING: Chair Arnold moved to the request for approval of financing pursuant to Iowa Administrative Code 491-5.4(8)(a)(2) submitted by Affinity Gaming. Lorraine May, legal counsel, was present to address any questions.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the request for financing. Commissioner Kramer seconded the motion, which carried unanimously.

CONTRACT APPROVALS: Chair Arnold moved to contract approvals, and called on Casino Queen Marquette, Inc. Don Ostert, General Manager, presented a contract with VGM Group, Inc. d/b/a Strategic Imaging for direct mail and marketing.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contract as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on IOC Bettendorf, L.C. Nancy Ballenger, General Manager, presented the following contracts for approval:

- Bertch Cabinet Mfg., Inc. – Capital Purchase for Hotel Room Appliance Center Cabinets
- Treiber Construction – Capital Project to Build Public Park at Site of the former Riverboat Mooring

Ms. Ballenger stated the contract with Treiber is to remove the skywalk structure at the old mooring. A park will be created in that space, which the city will take over.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on IOC Black Hawk County, Inc. Todd Connelly, General Manager, presented the following contracts for approval:

- Foundry, LLC – Advertising Production Company (OSV)
- WPP Group, USA, Inc. – Maxus Communications – Advertising Production Company (OSV)

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Arnold called on Dubuque Racing Association, Ltd. Brian Rakestraw, General Manager, presented the following contracts for Commission approval:

- Commercial Flooring – New Flooring Purchase and Installation
- Donovan Construction & Remodeling, LLC – New Wall Construction
- Dubuque Painting & Decorating Service – New Wallcoverings
- The Buzz Creative Group – Marketing Agency Professional Services
- The Printer, Inc. – Direct Mail and Printing Services

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Wild Rose Emmetsburg, LLC. Steve Cody, General Manager, presented a contract with Buhrow Construction, Inc. for a facility upgrade and renovation of the shipping/receiving area for approval.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contract as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Wild Rose Clinton, LLC. Steve Nauman, General Manager, presented a contract with Aramark for the rental of linens for approval.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contract as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Grand Falls Casino & Golf Resort, LLC. Sharon Haselhoff, General Manager, presented a related party contract with Riverside Casino & Golf Resort, LLC for Shared Services: Internal Audit, Regulatory Compliance, and Information Technology Services for approval.

Chair Lamberti inquired if this contract included anything different than in previous years. Ms. Haselhoff advised it did not, they just added more staff.

Hearing no further comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contract as submitted. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Arnold called on SCE Partners, LLC. Kevin Sweet, Interim General Manager, presented a contract with American Trust Retirement for employee benefits for approval.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contract as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Harvey's Iowa Management Co., Inc. Janae Sternberg, Director of Finance, presented the following contracts for approval:

- Johnson Controls – HVAC Vendor
- Heeter Printing Company – Printing Company (OSV)
- Power Promotions – Promotional Products Supplier (OSV)

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Iowa West Racing Association (IWRA). Ms. Sternberg presented the following contracts for approval:

- Arrow Stage Lines d/b/a Busco – Charter Service
- J & R Liquors – Liquor Supplier
- Wojo Tours & Travel – Tour Operator (OSV)
- Power Promotions – Promotional Products Supplier (OSV)

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Prairie Meadows Racetrack & Casino, Inc. Gary Palmer, General Manager, presented the following contracts for approval:

- Horsemen's Track and Equipment, Inc. – Horse Track Outside Rail Repairs (OSV)
- Shye West d/b/a Imagine This – Promotional Items (OSV)
- Swanson Gentleman Hart – Replace Skylight in Porte Cochere
- Waste Management – Waste Removal Services

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

RACETRACK RENEWALS: Chair Arnold called on IWRA d/b/a Horseshoe Casino-Bluffs Run Greyhound Park regarding their application for a Pari-Mutuel License and Racetrack

Enclosure Gambling License for January 1, 2018 through December 31, 2018, and to offer simulcasting.

Pete Tulipana, Executive Director of IWRA, advised they continue to have an excellent relationship with Horseshoe leadership. The Bluffs Run Advisory Committee has quarterly meetings with the leadership regarding gaming trends, future capital development, financial results and policies that could affect the casino industry at the state and local level. He stated the gaming industry brings thousands of people to the community, but IWRA has the ability to draw even more with some of the projects they are supporting. One of these is the MidAmerican Center, which includes the Iowa West Field House. The field house was developed as an economic development draw; for 2018, 44 weekends have been booked for basketball and volleyball tournaments. IWRA is also partnering with Marriott for a hotel to be adjacent to the Field House, which will enhance the arena and convention center. Another area of support from the casino industry is LINK, a free public Wi-Fi service that IWRA is working on with the school district and the city. It is accessible in the MidAmerican Center area. When it is fully implemented, LINK will reach more than 20 square miles, providing free Wi-Fi to more than 40,000 individuals. IWRA is marking 20 years as a foundation; they have distributed \$400 million in grants and initiatives to Council Bluffs, Pottawattamie County and other southwest Iowa counties. Mr. Tulipana stated most grants are matched 1-1 meaning that approximately \$1 billion has been invested in the community as a result of gaming. Mr. Tulipana requested approval of the license renewal.

Bo Guidry, General Manager, stated it is a treat to work with the IWRA; they are doing an amazing job in the Council Bluffs area. He requested approval of the license renewal.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the application for a Pari-Mutuel License and Racetrack Enclosure Gambling License for January 1, 2018 through December 31, 2018; simulcast dates and a revised security plan conditioned upon having the import contracts available for IRGC staff upon request to insure regulatory compliance. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on the Iowa Greyhound Association. Brian Carpenter, Director of Racing/General Manager for Iowa Greyhound Park (IGP), requested approval of the 2018 racing license. He indicated IGP will have the same simulcast and live racing schedule for 2018. This will be the fourth year of racing under the Iowa Greyhound Association.

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the application for Pari-Mutuel License for January 1, 2018 through December 31, 2018, the live race and simulcast dates, and the revised security plan conditioned upon having the export contracts approved and import contracts available for review by staff to insure regulatory compliance. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Arnold called on PMR&C. Derron Heldt, Director of Racing, requested approval of the renewal application for the Pari-Mutuel License and Racetrack Enclosure License for 2018. He stated the calendars submitted mirror the 2017 race calendar.

Jon Moss, President of the Iowa Horseman's Benevolent and Protective Association, stated there is some work to do with regard to post times; they greatly appreciated the original calendar submitted and wished the parties could have worked with that.

Hearing no further comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve the application for Pari-Mutuel License and Racetrack Enclosure Gambling License for January 1, 2018 through December 31, 2018, the live race dates of April 26, 2018 through August 11, 2018 for the thoroughbred meet and live race dates of August 18, 2018 through October 13, 2018 for the quarter horse meet, and the simulcast dates contained within the application subject to the following conditions:

- Having the export contracts reviewed and approved and having the import contracts available for IRGC staff upon request to insure regulatory compliance; and
- Having all marketing promotions that may affect live racing, particularly the racing schedule and post times, to receive **prior approval** from the IRGC.

Commissioner Mertz seconded the motion, which carried unanimously.

HEARINGS: Chair Arnold moved to the hearings before the Commission, and called on Mr. Ohorilko. Mr. Ohorilko advised Commission staff and PMR&C have entered into a Stipulated Agreement for a violation of Iowa Code 99F.4(22). On or about March 28, 2017, PMR&C conducted a promotional e-mail campaign inviting patrons to visit the casino. That same day a patron that received the e-mail contacted IRGC staff indicating he had signed up to participate in the state-wide self-exclusion program. PMR&C's marketing staff researched the matter and discovered 15 self-excluded patrons had received the e-mail as a result of an error in the filters to remove those individuals from the list. Mr. Ohorilko stated PMR&C acknowledges the facts constitute a violation of Iowa Code Section 99F.4(22) and have agreed to a fine in an amount between \$3,000 and \$20,000. PMR&C has also agreed to come up with additional policies and procedures to perform regular audits of all facility guest account systems to check for self-excluded patrons, which is to be submitted to the Commission gaming representatives at PMR&C by November 1, 2017. This is the first offense of this type for PMR&C within the past 365 days.

Mr. Palmer stated they will try to prevent this situation from occurring in the future. This situation occurred due to a mistake by a new employee. There was a one-step process on the filter; it is now a 3-step process. He indicated they will have their updated policies and procedures to IRGC staff by November 1.

Commissioner Lamberti noted the Stipulated Agreement indicated the mailing was for discounted hotel stays and a credit toward food and beverage. He asked if the mailing was limited to those items. Mr. Ohorilko indicated that was correct for this particular mailing.

PMR&C used the players' club system that is generated from gaming data, but the offer was not for gaming.

Commissioner Lamberti moved to approve the Stipulated Agreement with an administrative penalty of \$3,000.00. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to the hearing for HGI-Lakeside. Mr. Ohorilko advised that Commission staff and Lakeside have entered into a Stipulated Agreement for a violation of Iowa Code Section 99F.4(22). On or about June 2017, a mailing was conducted to reward patrons for gambling at Affinity's casinos in Missouri. The mailing, which offered three complimentary nights at Lakeside's hotel, up to \$150 in food comps at Lakeside's buffet, and two concert tickets for one of two events at the Lakeside property, was sent to individuals on Iowa's self-exclusion list. The return address on the mailing was Lakeside Casino. On June 20th, a Lakeside marketing employee took calls from patrons who had received the mailing, and in accordance with policy, checked the callers' names against the self-exclusion list and found at least one name was marked as a self-exclusion. Further investigation revealed there were 17 individuals that received this mailing. Lakeside did self-report the violation. None of the patrons were allowed to redeem the offers. Lakeside has agreed to pay an administrative penalty in an amount between \$3,000 and \$20,000. Mr. Ohorilko advised Lakeside has agreed to implement new policies and procedures and will work with staff to get them in place. This is the first offense of this nature in the past 365 days.

David Monroe, General Manager, accepted responsibility for the errors made, and assured the Commission Lakeside will continue to strengthen their controls.

Hearing no further comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve Stipulated Agreement with an administrative penalty of \$3,000.00. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold moved to the hearing for Riverside Casino & Golf Resort (RCGR). Mr. Ohorilko advised Commission staff and RCGR have entered into a Stipulated Agreement for a violation of Iowa Code Section 99F.4(22). An individual had signed up to participate in the statewide self-exclusion program at IOC Bettendorf in 2005. That individual entered RCGR in February 2016 and was issued a players' club account, which would trigger the violation per the Commission's resolution. A typo was made when the individual's name was entered into the system, which created the situation allowing the individual to receive the players' club card and promotional mailings. The individual received 17 promotional mailings. Mr. Ohorilko stated the individual was caught by RCGR staff in an attempt to receive a new players' club card; RCGR self-reported the violation. As a result of the violation, RCGR has agreed to pay an administrative penalty in an amount between \$3,000 and \$20,000. He advised this is a pre-resolution violation; it occurred prior to the Resolution being amended in July. This is the third offense of this nature for RCGR in the past 365 days.

Dan Franz, General Manager, noted he has been before the Commission a couple of times recently and talked about training and catching this type of situation. In 2016, the Players Club

representative made a mistake when they keyed in the name which allowed the players' club account to be generated. Had the representative gone through the preferred procedures, a box would have come up indicating a potential match to a self-excluded individual. Mr. Franz stated all personnel in the resort club and cage area have received additional training. He feels their process is working since they caught the error when the individual sought a duplicate card.

Commissioner Lamberti noted that all of the facilities do additional training in these types of situations, but questioned if there is something missing in the procedures, or a failure as the database is being created. He noted the recent situations coming before the Commission are for very small errors - a single typo in this particular situation. He stated it would be difficult to eliminate human error. He wondered if there is something else that can be added to the process to help eliminate the human error aspect. He asked everyone to give it some thought; the Commission is open to suggestions. Hopefully it would prevent violations and save the facilities some money.

Hearing no further comments, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the Stipulated Agreement with an administrative penalty of \$10,000. Commissioner Mertz seconded the motion, which carried unanimously.

PUBLIC COMMENT/ADMINISTRATIVE BUSINESS: As there was no Public Comment, Chair Arnold moved to Administrative Business. Mr. Ohorilko provided a summary of the reversion for regulatory fees for the previous year. In accordance with Commission rules and Iowa statute, the reversion will occur at the end of the current fiscal year in the form of a credit toward fees owed. He advised staff would be providing the information to the operators so they could plan accordingly.

ADJOURN: Hearing no further business to come before the Commission, Chair Arnold requested a motion to adjourn. Commissioner Lamberti so moved; Commissioner Heinrich seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK