

KANSAS RACING AND GAMING COMMISSION

MINUTES – OCTOBER 14, 2011

CALL TO ORDER:
(A.)

Chair Falstad called the October 14, 2011, meeting to order at 10:00 am at 700 SW Harrison, Auditorium A, Suite 450, Topeka, Kansas. Commissioners Falstad, Braun, Shultz, Shadwick, and McKinney were present at the meeting. Others present included Executive Director Richard Petersen-Klein; Assistant Attorney General Patrick Martin; Director of Security Don Brownlee; Director of Administration/Finance Kathy Lewis; Recording Secretary Linda Pendarvis and other staff.

MOTION, APPROVE
AGENDA:
(B.)

Chair Falstad suggested adding an additional executive session as Item J.2. for the purpose of discussing personnel issues. The existing J.2. will become J.3. Commissioner Shultz (Braun) moved to approve the agenda as amended. Motion passed unanimously.

MOTION, APPROVE
SEPTEMBER 14, 2011,
MEETING MINUTES:
(C.)

Commissioner Braun (Shultz) moved to approve the minutes of the September 14, 2011, commission meeting as presented. Motion passed unanimously.

MOTION, APPROVE
CONSENT AGENDA:
(D.)

Commissioner Shadwick (Shultz) moved to approve the consent agenda as submitted. Motion passed unanimously.

LOTTERY GAMING
FACILITY REPORTS/ITEMS:
(E.1.)

Sharon Stroburg, general manager of the Boot Hill Casino and Resort, reported that:

- September 2011 was the third highest gaming revenue month since the casino's opening.
- It is anticipated that the hotel will open in late February or early March 2012.

LOTTERY GAMING
FACILITY REPORTS/ITEMS:
(E.2.)

Bob Sheldon, general manager for the Hollywood Casino at the Kansas Speedway, reported that:

- They are in the process of finalizing liquor licenses.
- Staffing continues on schedule.
- Dealers' School began on Monday, October 10. Approximately 170 dealer candidates are participating.
- The casino will hold another job fair on October 15.
- Construction continues to go well with the exterior work and landscaping currently underway.
- 85% of the slot machines have been delivered to the warehouse and are currently undergoing examination by staff of both the KRGC and the Kansas Lottery.

Jeff Boerger, president of Kansas Speedway Development Corporation, recapped the recent Hollywood Casino 400 race weekend at the Speedway and its impact on the casino.

LOTTERY GAMING
FACILITY REPORTS/ITEMS:

Wendy Runde, assistant general manager for the Kansas Star Casino, reported that:

- Construction is proceeding at a rapid pace. Interior walls are painted, carpet is on the casino floor, slot bases were installed last week, and slot machine installation begins on Monday, October 17.
- Forty-three contracts have been awarded in excess of \$59 million. Ninety-four percent of those have been with Kansas companies.
- The casino has received 8,700 employment applications online, 92% of which are from Kansas.
- Dealers' school is underway with approximately 60 students enrolled.
- 539 vendors have registered online, 84% of which are from Kansas.
- Steel is being erected for the permanent facility.

KANSAS LOTTERY
COMMISSION REPORT:

(F.)

The commission heard Keith Kocher, director of gaming facilities for the Kansas Lottery, report on the current status of casinos:

- By September of 2012, most of the unfinished space at the Boot Hill Casino and Resort will be completed, which will accommodate an additional 184 slot machines, a tournament bank of machines, a dedicated poker room, additional table games, and a lounge area featuring keno.
- He echoed the Kansas Star's excitement regarding the steel beginning to go up for their permanent facility.

PROBLEM GAMBLING AND
ADDICTIONS GRANT FUND
REPORT:

(G.1.)

George Williams, director of addiction and prevention services, and Paul Hahn, problem gambling services coordinator, both with SRS, provided a four-page handout that reported actual FY 2011 figures and FY 2012 budget figures for the Problem Gambling and Addictions Grant Fund. Mr. Hahn reported that actual FY 2011 figures were \$737,000 related specifically to the problem gambling fund and the FY 2012 budget figure is \$717,000. The commission expressed concern that the budgeted funds declined in FY 2012 from the actual FY 2011 figures when new casinos are opening and problem gambling revenue is increasing. Mr. Williams explained that of the \$3.19 million projected problem gambling revenue for FY 2012 the legislature will sweep \$900,000 to the State's General Fund and \$1.45 million is budgeted for Medicaid, in addition to the \$717,000 specifically budgeted for the problem gambling and addictions fund. He could not confirm that the portion budgeted for Medicaid was for "other addictions" because the non-problem gambling fund portion of the budget was determined by others, but he will attempt to verify that the Medicaid portion was for "other addictions" and how the FY 2012 budget was determined. The commission expressed a desire to see more funds budgeted specifically for problem gambling, including gaming zone specific research, and continue to see the SRS problem gambling program work closely with the casinos.

DISCUSSION, KHA
REIMBURSEMENT FROM
KANSAS BRED PROGRAM:
(G.2.)

The commission heard Rick Petersen-Klein discuss the Kansas Horsemen's Association (KHA) request for reimbursement from the Kansas Bred Program for expenses for March 2010 in the amount of \$1,041.21, subject to the ability of funds.

MOTION, APPROVE KHA
REQUEST FOR
REIMBURSEMENT OF
EXPENSES:
(G.2.)

Commissioner Shadwick (McKinney) moved to approve the KHA request for reimbursement from the Kansas Bred Program for March 2010 in the amount of \$1,041.21, subject to the availability of funds. Motion passed unanimously.

DISCUSSION, QUARTERLY
REPORTS ON STAFF OUT-
OF-STATE TRAVEL,
LICENSING, AND ILLEGAL
GAMBLING:
(G.3.)

Mr. Petersen-Klein presented the quarterly reports on licensing, and staff out-of-state travel. Patrick Martin addressed quarterly illegal gambling issues.

DISCUSSION, FINAL
APPROVAL OF GAMING
REGULATIONS:
(G.4.)

The commission heard Mr. Martin discuss the following regulations being presented for final approval:

- K.A.R. 112-100-2. Duty to disclose material and complete information.
- K.A.R. 112-101-8. [Facility Manager] Certificate renewal.
- K.A.R. 112-102-2. Gaming supplier and non-gaming supplier defined.
- K.A.R. 112-102-10. [Supplier] Certificate renewal application.
- K.A.R. 112-103-11. [Employee] License renewal.
- K.A.R. 112-104-5. Standard financial reports.
- K.A.R. 112-104-6. Annual audit; other reports; currency transaction reporting; suspicious transaction reporting.
- K.A.R. 112-104-42. Purchasing. (new)
- K.A.R. 112-108-23. Dice; receipt, storage, inspections, and removal from use.
- K.A.R. 112-110-1. Adoptions by reference for technical standards.
- K.A.R. 112-110-14. Constant communication (new).

MOTION, APPROVE
GAMING REGULATIONS:
(G.4.)

Commissioner Shultz (Braun) moved to accept the gaming regulations as presented. On a roll call vote, the motion passed unanimously.

PUBLIC COMMENTS:
(H.)

Chair Falstad called for public comments. Comments were heard from the following:

- Jerold F. Johnson

STAFF REPORT,
EXECUTIVE DIRECTOR:
(I.1.)

Mr. Petersen-Klein provided the commissioners an overview of the items coming before the commission at the upcoming November, December and January commission meetings related to the planned openings of both the Kansas Star and Hollywood Casinos. Before either casino is authorized to open, the KRGC must approve each casino's internal control plans and issue a conditional certification order. The conditional certification order allows each casino to conduct controlled

demonstrations. KRGC staff observes casino operations during the controlled demonstration process to determine whether operations are sufficiently compliant with established laws, rules and regulations to certify each casino fit to open to the public.

The Kansas Star Casino has a planned opening date of December 23, 2011, and the Hollywood Casino's planned opening date is February 1, 2012. The first controlled demonstration is expected to occur December 16, 2011, at the Kansas Star Casino. The December commission meeting was scheduled for December 16 in Mulvane, Kansas, the site of the Kansas Star Casino. The KRGC staff recommended the December commission meeting date be changed to allow sufficient time between the commission meeting and the anticipated controlled demonstration to remedy any outstanding issues or issues arising due to unforeseen events. The Commission decided the December commission meeting date would be Monday, December 12, 2011, in Mulvane.

STAFF REPORT,
RESPONSIBLE GAMBLING
COORDINATOR:
(I.2.)

The commission heard from Carol Spiker, responsible gambling coordinator, who reviewed the voluntary exclusion report.

MOTION, EXECUTIVE
SESSION:
(J.1.)

Commissioner Shultz (Braun) moved that the commission take a 10-minute break followed by a 20-minute executive session, from 12:10 am until 12:30 pm, for the purpose of discussing Kansas Star's responsible gambling internal controls. Those included in the executive session were the five commissioners, Mr. Petersen-Klein, Patrick Martin, Carol Spiker. A representative from the Kansas Star will be available to participate if needed. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 12:30 pm with all members present as previously noted.

MOTION, APPROVAL OF
KANSAS STAR CASINO'S
RESPONSIBLE GAMBLING
PLAN:
(J.1.)

Commissioner Shultz (Braun) moved for approval of the Kansas Star Casino's responsible gambling plan as presented.

MOTION, EXECUTIVE
SESSION:
(J.2.)

Commissioner Shultz (Braun) moved that the commission go into a 20-minute executive session from 12:35 pm to 12:55 pm for the purpose of discussing personnel matters to protect the privacy of those concerned. Those included in the executive session were the five commissioners. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing

and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

MOTION, EXECUTIVE
SESSION:
(J.3.)

Commissioner Braun (Shultz) moved that the commission go into executive session for a period of one hour from 1:00 pm until 2:00 pm for the purpose of reviewing confidential background reports. Those included in the executive session were the commission, Mr. Petersen-Klein, Mr. Martin, Mr. Brownlee, and security staff. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 2:00 pm with all members present as previously noted.

MOTION, APPROVE
LICENSES:
(K.1-2.)

Commissioner Braun (Shadwick) moved to approve the following items:

1. Consideration of proposed internal controls regarding Responsible Gambling Plan at Kansas Star Casino
2. Consideration of proposed gaming licenses, renewals and KRGC employee backgrounds, including:
 - a. KRGC New Employee Applications:
 - i. Cedrick Daniels Enforcement Agent
 - ii. Brandon Edwards Enforcement Agent
 - iii. Douglas Forest Enforcement Agent
 - iv. John Good Enforcement Agent
 - v. Aurby Herridge Special Investigator
 - vi. Tyler Lewellen Enforcement Agent
 - vii. Craig Pentecost Enforcement Agent
 - viii. Harry Spencer Enforcement Agent
 - ix. Shaun Stapleton Enforcement Agent
 - b. Midwest Card and ID, LLC *license renewal*
 - c. Shuffle Master employee *license renewal*:
 - i. Brian Finton Level 3
 - d. Bally Gaming employee *licenses*:
 - i. Brian Moore Level 2
 - ii. Araminta Carney Level 3
 - iii. Andrew Courtney Level 3
 - iv. Thomas Courtney Level 3
 - v. Trevor Divenuto Level 3
 - vi. Kevin Duvall Level 3
 - vii. Roy Franklin Level 3

- viii. Donald Franz Level 3
- ix. Keyla Garcia Level 3
- x. Andrew Gavitt Level 3
- xi. Erik Hill Level 3
- xii. Patrick Kuk Level 3
- xiii. Anthony Kurilla Level 3
- xiv. Corey Larsen Level 3
- xv. Jacqueline Salazar Level 3
- xvi. Tommy Woods Level 3
- e. Boot Hill Casino and Resort employee *license renewal*:
 - i. Souk Luangchia Level 2
- f. Boot Hill Casino and Resort employee *licenses*:
 - i. Dora Aguilar Level 2
 - ii. Adriana Armenta Level 2
 - iii. Cat Bui Level 2
 - iv. Tram Bui Level 2
 - v. Michael Cain Level 2
 - vi. Manuel Falcon Level 2
 - vii. Gary Gifford Level 2
 - viii. Russell Sahagian Level 2
 - ix. Jose Salazar Level 2
 - x. Andrea Stegman Level 2
 - xi. Patrick Williams Level 2
 - xii. Devin Zeyen Level 2
 - xiii. Carla Adams Level 3
 - xiv. Felipa Baca de Jaramillo Level 3
 - xv. Candida Castro Level 3
 - xvi. Luvia Cervantes Level 3
 - xvii. Katie Granlund Level 3
 - xviii. Josue Hernandez Level 3
 - xix. Jessica Hertel Level 3
 - xx. Kandice Hilmes Level 3
 - xxi. Maria Ibarra-Amaya Level 3
 - xxii. MarRheesha Killings Level 3
 - xxiii. Miguel Madrigal Level 3
 - xxiv. Segundo Martinez Level 3
 - xxv. Alma Monarca Level 3
 - xxvi. Maria Partida Level 3
 - xxvii. Jake Puntillo Level 3
 - xxviii. Mark Sanchez Level 3
 - xxix. Maria Valdivia Level 3
- g. GTech employee *license renewal*:

- i. Troy Baird Level 2
- h. GTech employee license:
 - i. Peter Jack Level 3
- i. Hollywood Casino at Kansas Speedway employee licenses:
 - i. Timothy Reeves Level 1
 - ii. Alan Thompson Level 1
 - iii. Mark Wong Level 1
 - iv. Michell Carmitchel Level 2
 - v. Shari Grampsas Level 2
 - vi. David Jadwin Level 2
 - vii. Dustin Knudson Level 2
 - viii. Alisha Gillihan Level 3
 - ix. Elizabeth Rodas Level 3
- j. Kansas Star Casino employee licenses:
 - i. Rex Dempewolf Level 1
 - ii. Douglas Fisher Level 1
 - iii. John Gratz Level 1
 - iv. Kari Duerfeldt Level 2
 - v. Brian Adkins Level 3
 - vi. Jennifer Degenhardt Level 3
 - vii. Curtis Ehlinger Level 3
 - viii. Royden Heimdal Level 3
 - ix. James Hoppman Level 3
 - x. Nicole Johnson Level 3
 - xi. Lynn Kruser Level 3
 - xii. Lisa Manderscheid Level 3
 - xiii. Janice Newman Level 3
 - xiv. Charles Oswald Level 3
 - xv. Bruce Peterson Level 3
 - xvi. Aaron Saeugling Level 3
 - xvii. Judy Schraad Level 3
 - xviii. Amanda Sengvilay Level 3
 - xix. Brian Shannon Level 3
 - xx. Kristopher Simon Level 3
 - xxi. Mikki Smigielski Level 3
 - xxii. Erin Tompkins Level 3
 - xxiii. Peggy Tully Level 3

Motion passed unanimously.

MOTION, APPROVE
LICENSE:
(K.2.)

Commissioner Braun (Shultz) moved to approve the license of Midwest Game Supply Company.

MOTION, TABLE
APPROVAL OF LICENSE:
(K.2.)

Commissioner McKinney made a substitute motion that approval of the license of Midwest Game Supply Company be tabled pending the outcome of the action in Missouri. Motion failed for lack of a second.

MOTION, APPROVE
LICENSE:
(K.2.)

Upon failure of the substitute motion by Commissioner McKinney, a vote was taken on the original motion by Commissioner Braun (Shultz). Motion passed on a vote of 4-1 with Commissioner McKinney dissenting.

MOTION, DENY LICENSE:
(K.2.)

Commissioner Shultz moved to deny the license application of Rafael Martinez. Motion failed for lack of a second.

MOTION, TABLE LICENSE
APPLICATION:
(K.2.)

Commissioner Braun (Shadwick) moved to table the license application of Rafael Martinez. Motion passed on a vote of 4-1 with Commissioner Shultz dissenting.

ADJOURN:
(L.)

Commissioner Shultz (Braun) moved to adjourn at 2:04 pm. Motion passed unanimously.

SUBMITTED BY:

(Signature on File)

Timothy A. Shultz
Secretary

APPROVED BY:

(Signature on File)

William Falstad
Chair