



Senate Community, Economic & Recreational Development Committee

Meadows Racetrack & Casino

Sean Sullivan, Vice President & General Manager

Wednesday, June 10, 2015

Good afternoon. My name is Sean Sullivan; I am the Vice President and General Manager at the Meadows Racetrack and Casino. On behalf of the 1,300 employees at The Meadows Racetrack and Casino, I would like to thank Chairwoman Ward, Chairman Wiley and members of the committee for this chance to testify in front of you today regarding both the opportunities and challenges facing Pennsylvania's gaming industry.

Separately, I have respectively submitted a brief summary of the many contributions associated with the Meadows Racetrack & Casino, in summary, they are as follows:

- \$700 Million Investment
- \$100 Million (\$50m – Meadows, \$50m --Hyatt Hotel & The Street) Added Investment (2011 to 2015)
- \$1.1 Billion Slot Taxes & Fees
- \$40.6 Million Table Games Taxes & Fees
- \$1.6 Million Charitable Contributions
- \$4.5 Million Neighborhood Partnerships
- 1,300 Employees – Family Sustaining Jobs
- Committed to Training and Compulsive & Problem Gaming

However, today I would like to focus my comments on the industry changes that are being deliberated and the solutions that best serve our industry and, our partner, the Commonwealth of Pennsylvania.

Before I start, I would like to mention a driving principle that is at the root of every decision we make at the Meadows: “Promises Made, Promises Kept.” Mr. Bill Paulos and Mr. Bill Wortman (CCR Principles) often remind me of the importance of the Promises that we made to the Commonwealth and of the Promises that we were given. I believe this principle is applicable to our discussion today.

As you know, earlier this year, the gaming industry prepared a letter for the Pennsylvania General Assembly addressing issues facing the industry and how we could become even better partners with legislative action or no action at all on certain items. In addition, in support of our testimony today, I have prepared a detailed presentation that will provide helpful information on the top 10 most important challenges and/or opportunities facing our industry today. In a brief and concise way, I would like to address some of those items and the Meadows position on each.

1. **Online Gaming:** We are in favor of an affordable and reasonable approach, yet thus far not as successful as promised in other jurisdictions.
2. **Video Gaming Terminals:** We are opposed to VGTs at any establishment in Pennsylvania, VGTs will not provide additional jobs and are problematic to regulate.
3. **Out-of-State Gaming Revenues:** We are in favor of tax incentives for attracting out-of-state gaming patrons, providing new revenue for the Commonwealth.
4. **Games Faster to market:** We are in favor of working with the PGCB to get games to the market faster; new games provided incremental revenue for properties and the Commonwealth.
5. **Category 3 Casinos:** We are opposed to additional Category 3 license and or relaxation of Category 3 entrance conditions; our industry is showing serious signs of saturation.

6. **Liquor Serving Hours:** We are in favor of 24-Hour or more flexible liquor service hours to accommodate market changes and competitive pressures.
7. **Smoking:** We are opposed to any changes to the smoking regulations, given the proven decline in other jurisdictions.
8. **Harness Racing Days:** We are in favor of reducing the 208 days a year requirement, which the highest total in Pennsylvania and one of the highest in the nation. If no changes are made the future of the race industry in the Commonwealth is uncertain.
9. **Streamline Regulatory Process:** We are in favor of greater regulatory efficiencies and in streamlining of regulatory operations (vendor approval & employee licensing).
10. **Slot Machines at Off-Track Betting locations:** We believe this idea to be the Best Bet for immediate, sustainable and incremental revenues for the Commonwealth. We are in favor of Slot Machines at Off-Track Betting locations. The Commonwealth is best served by placing slot machines in facilities that will have the same high regulatory principles that existing casinos provide (G-Tech System, Problem & Compulsive Gambling Plans, PGCB Supervision, 24/7 Surveillance, etc.). Having slot machines at OTBs will increase jobs and provide economic benefits to host locations currently underserved by our industry. The Casino industry already has well trained employees and the infrastructure to hire more. Reintroducing OTBs to the Commonwealth is a benefit for the racing industry by providing easier access for more customers to place wagers. We believe that Category 1 Casinos are the only operators licensed to have OTBs and therefore should be the only properties to have slot machines.

In support:

- In 2006 the Meadows was purchased for **\$200 Million**, a premium price for a race track and the associated land.
- The Meadows paid **\$50 Million** for a Slot License to operate **5,000 Slot Machines**; currently we use only 3,200 machines.

- Since owning and operating the racetrack (Sep. 2009), the Meadows has spent nearly **\$150 Million**:
 - **\$13m** capital expenses - **\$62m** OTB operations - **\$77m** track operations
- The Meadows has **6 OTB licenses** that could house up to 1,800 slot machines (average of 300 units per location)
- The Meadows has the license to conduct pari-mutuel wagering as provided by the PA Harness Racing Commission.
- The tax rate for GTR generated at the OTB's should be **35%**; the same as paid in Ohio and West Virginia
- The revenue potential at OTBs is limited; peak business periods are constrained due to a relatively small number of slot machines, additional capacity is not available, yet overhead costs are fixed.
- The capital cost to build an OTB, that attracts and retains new clientele, is expensive (land costs, 15,000 square-foot facility, 250 slot machines, restaurant, bar, race-book, surveillance, count room, restrooms, back of house services, etc.).
- To be successful, it will be necessary to streamline regulatory conditions

In summary, The Meadows Racetrack & Casino has been and continues to be a great success story for southwest Pennsylvania. We are proud of our contributions and the partnership that we have with the Commonwealth. We start every conversation with one simple principle..."Promises Made, Promises Kept". We ask our partner, the Commonwealth of Pennsylvania, to do the same. Thank you for your time this morning and I will be happy to take any questions.