

MASSACHUSETTS GAMING COMMISSION

MEMORANDUM

To: Chairman Crosby and Commissioners Cameron, Macdonald, Stebbins and Zuniga
From: Derek Lennon, CFAO
Date: 11/21/17
Re: Fiscal Year 2018 (FY18) Operational Costs for MGM Opening

Summary:

The Massachusetts Gaming Commission approved a FY18 budget for the Gaming Control Fund of \$29.15M that required an assessment of \$24.45M on licensees. Balance forward of FY17 revenue and first quarter activity has resulted in the anticipated FY18 budget decreasing by \$24.6K, and the assessment on licensees decreasing by \$872.49K from \$24.45M to \$23.58M

The FY18 approved budget does not include MGC's additional operational costs or public safety training costs associated with the opening of MGM Springfield site. This communication is only focused on the operational costs anticipated prior to June 30, 2018. Staff is recommending that \$570.4K in additional costs be added to the FY18 approved budget, which would result in a revised budget of \$29.72M for the Gaming Control Fund and an increase on the assessment on licensees as outlined in this memorandum.

Operational Cost Details:

When the Commission approved the FY18 initial budget it was with the knowledge that MGC operational costs associated with the start-up of MGM Springfield were not included. Staff explained in the June 2017 public meetings the reason for not including the start-up costs was due to the fact that it was still at least 16 months from the opening of the facility, and the time table was approximate and delays could result in MGC budgeting and assessing for costs not associated with FY18. At this point, MGM continues to believe they will meet its opening date. Therefore, as promised in June, we are presenting to you our additional anticipated needs in FY18 to be ready to open the MGM facility in September of 2018. This same information was presented to our licensees and discussed at a meeting on November 15th.

The additional costs are composed of new full-time positions (14 FTEs, \$270.8K), contract employees (\$43.2K), fringe benefits and payroll taxes on FTEs and contractors (\$99.37K), temporary help (\$25K), indirect on payroll and temporary help (\$33.9K), information technology circuits to the MGC offices in the MGM facility (\$15K), and GameSense program start-up (\$64K). The following chart lists the costs by spending category:

Object Class	Object Code	Item Short Name	Amount
AA	A01	Full-time equivalent salaries	270,796.63
AA	A07	Shift Differential	18,750.00
CC	C23	Contracted Investigators and Professionals	43,250.00
DD	D09	Fringe and Payroll taxes	99,370.04
EE	E16	Indirect	33,904.66
HH	H19	GameSense/Mass Council	64,351.50
JJ	J46	Temporary Help Licensing	25,000.00
UU	U01	Data Circuits	15,000.00
Total:			570,422.83

Below is additional detail of the anticipated needs of each division:

Finance, Administration and Human Resources: (2 New FTEs)

One [1] additional HR coordinator and one [1] additional member of the revenue unit. Both positions are anticipated to start in March of Calendar Year 2018. These positions are essential to be able to hire, on-board, and provide continued professional development and training to the MGC growing workforce, as well as be ready to review the additional tax revenue the Commonwealth will be receiving with the opening of the Category 1 licensees.

Office of Information Technology: (New Circuits for Springfield)

\$15K for installation and monthly fees for circuits for CMS, Mass IT infrastructure and surveillance at MGM Springfield.

Investigations and Enforcement Bureau: (11 New FTEs and 3 Civilian Contracted Investigators)

One [1] promotion of an existing staff member into a Field Manager of the three licensee sites (January 2018 start), one [1] senior supervising gaming agent for the MGM Springfield site (January 2018 start), four [4] experienced agents (February 2018 start), seven [7] supervisors/gaming agents (5/18 start) and the potential to use \$27K in contract employees as civilian investigators for background checks to augment the Mass State Police troopers assigned to the unit.

Licensing Division: (1 New FTE, 1 Contracted Employee, and Temporary Help)

One [1] additional FTE licensing specialist in the Boston Office (April 2018 start), one [1] contract employee as a Licensing Representative in Springfield (March 2017 start) and a pool of \$25K in temporary help to be used beginning in May of 2018.

Office of Research and Responsible Gaming: (Mass Council on Compulsive Gambling—GameSense Start-up Costs)

\$64K for one [1] GameSense supervisor in MGM (January 2018 start), printed materials and fringe associated costs for employee. This is intended to begin the VSE registration process and awareness prior to the opening of the facility.

Assessment on Licensees:

205 CMR 121.00 describes how the Commission shall assess its operational costs on casino licensees including any increases or decreases that are the result of over or under spending. CMR 121.04(3) states “If at any time during the fiscal year the commission determines that actual costs will exceed the projected costs and projected revenue in the budget the Commission will revise the Annual Assessment assessed to each gaming establishment and invoice each gaming establishment for its proportional share of such costs.”

The result of the balance forward of \$872.49K in unrestricted revenue from FY17 decreased the FY18 assessment from \$24.45M to \$23.58M. If the Commission agrees to the amount proposed by staff, the chart below demonstrates how the additional \$570.4K in operational costs, to prepare for the opening of MGM, would impact the licensees’ FY18 assessments by bringing the revised estimate from \$23.58M to \$24.15M.

Licensee	Slots	Table Games	Table Gaming Positions*	Total Gaming Positions*	Percentage of Gaming Positions	Current Assessment	Assessment After MGM Operational Costs
MGM	3,000	100	600	3,600	38.99%	9,195,873.40	9,418,284.55
Wynn	3,242	168	1,008	4,250	46.03%	10,856,239.43	11,118,808.15
Penn	1,250	-	-	1,383	14.98%	3,532,748.03	3,618,190.98
TOTAL	7,492	268	1,608	9,233	100.00%	23,584,860.85	24,155,283.68

Conclusion:

Staff is requesting to seek public comment on the proposal to add \$570.4K in operational costs to the MGC’s FY18 budget. The anticipated additional spending is for the FY18 portion for the opening of MGM Springfield in September of 2018.