

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: CHESTER DOWNS AND MARINA, LLC -

DOCKET NUMBER 9735-2021

* * * * *

HEARING

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Obra S. Kernodle, IV

Sean Logan

T. Mark Mustio

Frances J. Regan

Denise J. Smyler

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Esquire, Designee,

Department of Treasury

Fred Strathmeyer, Designee, Secretary of

Agriculture

Christin Heidingsfelder, Designee,

Department of Revenue

Reporter: Brian D. O'Hare

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

HEARING: Wednesday, June 16, 2021, 10:01 a.m.

LOCATION: Via Videoconference

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CYRUS PITRE, ESQUIRE

Chief Enforcement Counsel

THOMAS MONAGHAN, ESQUIRE

Assistant Enforcement Counsel

P.O. Box, 69060

Harrisburg, PA 17106

Counsels for Office of Enforcement Counsel

HOLLY L. EICHER, ESQUIRE

Blank Rome, LLP

One Logan Square

130 North 18th Street

Philadelphia, PA 19103

Counsel for Chester Down and Marina, LLC

ALSO PRESENT:

Chris Albrecht, Senior Vice President and General
Manager, Harrah's Philadelphia

Nicholas Capriotti, Vice President of Finance,
Harrah's Philadelphia

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DISCUSSION AMONG PARTIES	6 - 7
PRESENTATION	
By Attorney Eicher	7 - 8
By Mr. Albrecht	8 - 15
QUESTIONS BY OFFICE OF ENFORCEMENT COUNSEL	
By Attorney Monaghan	16 - 17
STATEMENT	
By Attorney Monaghan	18
DISCUSSION AMONG PARTIES	18 - 19

E X H I B I T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

<u>Number</u>	<u>Description</u>	<u>Page</u> <u>Offered</u>	<u>Page</u> <u>Admitted</u>
---------------	--------------------	-------------------------------	--------------------------------

NONE OFFERED

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN: Our first order of business today is a public hearing involving Chester Downs and Marina, LLC, to Modify the Gaming Floor of their casino, of their Harrah's Casino.

Before we begin, I would ask that all non-attorneys who will be presenting evidence today, to please be sworn at this time by the Court Reporter and for sake of expediency, I believe we can swear in all fact witnesses at once.

Is the Court Reporter present?

COURT REPORTER: Yes, Your Honor - yes, sir, sorry.

CHAIRMAN: Okay. Why don't you go ahead and swear them in.

COURT REPORTER: Okay.

Everybody who is going to be testifying today, please raise your right hand.

WITNESSES SWORN EN MASSE

COURT REPORTER: Thank you very much.
All parties have been duly sworn.

CHAIRMAN: Thank you, sir.

1 Okay.

2 Petitioners, you may begin your
3 presentation at this time. Please make sure to
4 identify yourself and those who are going to be
5 speaking on your behalf.

6 ATTORNEY EICHER: Thank you much.
7 Good morning, Chairman Barasch and Members of the
8 Board. I'm Attorney Holly Eicher from the Law Firm
9 of Blank Rome, LLP. We represent Chester Downs and
10 Marina, LLC, doing business as Harrah's Philadelphia
11 Casino and Racetrack in the Instant Petition for
12 Approval to Modify the Gaming Floor, pursuant to 58
13 PA Code Section 467(a).1(c) and the Motion to
14 Protect Confidential Information. Docket Number
15 9735-2021.

16 With me today is Chris Albrecht,
17 Senior Vice President and General Manager of
18 Harrah's Philadelphia, who will be making the
19 primary presentation today, as well as Nick
20 Capriotti, Vice President of Finance, both of whom
21 will be available for questioning if you have any
22 questions.

23 In addition, we'd like to take this
24 time to thank the Board Staff for their assistance
25 with this Petition. And with that, I'll turn the

1 presentation over to Chris Albrecht.

2 CHAIRMAN: Thank you.

3 MR. ALBRECHT: Thank you, Mr.
4 Chairman, Members of the Board. We appreciate the
5 opportunity to present to you today, on a plan to
6 improve the customer experience here at Harrah's
7 Philadelphia. We have a presentation we'd like to
8 go through to show you why we think this is
9 important for our property and we'll pull it up on
10 the screen to follow along to.

11 So we are seeking your approval today
12 for a reduction in the slot machine count here at
13 Harrah's Philadelphia. We believe, again, this
14 reconfiguration will be a great improvement to the
15 customer experience here at our property. The
16 information we're going to share with you today is
17 really over a couple of time periods.

18 We believe that this reduction was
19 something that was already important to us, pre-
20 closure period, so we'll look at the period prior to
21 that, from 2019 through the start of 2020. And then
22 really what we were able to learn over the last
23 several months is running our facility with a
24 significant reduced count, where our occupancy
25 levels were during that period, compared to that

1 pre-period and why we believe that this new number
2 is truly reflective of what we need to have here to
3 run an efficient operation here in Harrah's
4 Philadelphia.

5 So you'll see in our Petition today,
6 we are seeking that reduction of 563 units from
7 2263, which was what we were running pre-closure
8 period to a new number that we'd like to run at
9 1700. The overall gaming square footage in our
10 facility is not going to change in this reduction.
11 We're not seeking any additional changes to the
12 gaming floor. Our table games, in fact, we've
13 already reduced some of that footprint. We're not
14 looking for any new amenities for this. Again, this
15 truly is about improving our customer experiences,
16 things we knew pre-COVID and things we've learned
17 throughout that time about greater comfort and
18 greater safety feelings for our customers on our
19 gaming floor.

20 We also think there's going to be a
21 secondary benefit for our operation. This will
22 certainly reduce the amount of work our slot team
23 will have to do, our account team, our security team
24 in trying to maintain games that, quite honestly,
25 are not being utilized currently on our gaming

1 floor.

2 So while we are asking for this 563-
3 unit reduction from our normal count, we actually
4 view this as an increase, quite honestly, of what
5 we've been running during the COVID period. We were
6 running a closer in the 1300's for the past nine
7 months, and getting back to 1700 will be an increase
8 from that number. And again, we weren't seeing any
9 real challenges to our occupancy during that period
10 of time.

11 The majority of these games that are
12 going to be coming off our floor are some of the
13 oldest and least profitable in our building. You
14 can see the average age here is over ten-years old
15 for a lot of this product for games that have been
16 on the floor with us for a very long time. Their
17 win-per-unit was well below a hundred dollars per
18 day, and we've been more than able to take that -
19 that gaming customer and utilize them on the slots
20 that have remained again during our - our pre or
21 post-reopening period now.

22 You'll also see there's a small change
23 in the amount of smoking units that we have on the
24 floor. Again, obviously it doesn't apply today, but
25 in the math in the long term, you'll see that the

1 number of smoking units has a slight reduction from
2 just under 54 percent to just under 52 percent.
3 Again, our benefits for us, we believe again, this
4 is going to create a much better customer experience
5 for us here at Harrah's Philadelphia. We're not
6 changing our staffing levels to adjust for that.
7 And again, despite this reduction in units, we do
8 not anticipate any gaming revenue loss from this
9 change for us and any reduction in the tax revenues
10 to the Commonwealth from this reduction at our
11 facility.

12 Looking a little detailed, more at the
13 month-by-month during our reopening period, you can
14 see our occupancies spiked early July and into
15 August. That's when there was a lot of pent up
16 demand certainly coming back. We had some
17 advantages from a competitive standpoint in those
18 first few weeks, both locally and against New
19 Jersey. And once we settled into that September
20 through March timeframes, we did - we really kind of
21 settled into a 15 to 20 percent occupancy window
22 here. And again, that's with a 50 percent reduction
23 in our unit counts.

24 So we were significantly reduced in
25 our supply, but our occupancy didn't really

1 dramatically increase. We had seen increase -
2 sorry, occupancy in the 15.7 percent range in our
3 period prior to closing. And we came back, we
4 averaged in this period that you're seeing on the
5 chart ,about 19.3 percent. So a bit of an increase
6 in occupancy, but that's with half the units in our
7 building. More than enough, again, supply to handle
8 the customer rates we've seen both pre-COVID when we
9 were very busy with one less casino on the market
10 and then during our reopening period.

11 So as I've said a few times now, the
12 1700, we believe will adequately and comfortably
13 handle even our peak times. In that pre-COVID
14 period when we didn't have a fifth casino in the
15 Philadelphia market, if you look at the busiest day
16 at the busiest hour, our occupancy was 62 and-a-half
17 percent at that time. We had about 850 available
18 units at that 2263. So that would still leave 287
19 units available to us at this new 1700 count, again,
20 at our busiest hour and our busiest day, when this
21 casino market didn't have five casinos in it. So
22 this is why we believe we can definitely reduce our
23 supply without any impact the operation here, and
24 again, improving that customer experience for us at
25 Harrah's Philadelphia.

1 These are just some shots of how we -
2 our facility kind of ran during some of the COVID
3 period. We'd created some gaps in our spacing to
4 account for the every other slot machine. And we
5 believe this is the footprint we're going to move
6 to, you know, in the future, more round banks, less
7 long banks and you'll see that on our map here in a
8 couple of slides. Wherever possible, we're going to
9 try and create that comfort for our - for our gaming
10 customer on the casino floor.

11 So this is our terminal - our GTR,
12 Gross Terminal Revenue over time at Harrah's
13 Philadelphia. If you go back in the history of the
14 Philadelphia market, obviously, there's a lot of
15 different points of competitive changes and
16 challenges for us here at Harrah's. At the
17 beginning, it was just us and parks in the region.
18 There's now been three new casinos added to the
19 market over that time with different changes over
20 that time as well.

21 I think one of the interesting points
22 on here is the last time we were in front of you
23 seeking a reduction was back in 2018. We did remove
24 those slot machines at the time. And between, you
25 know, that 2018 to early 2020 period, there really

1 wasn't much of a reduction in our revenue. So as we
2 had said at the time, we didn't feel that that
3 reduction would impact the business and it really
4 didn't. Really, our independent things are - are
5 revenue changes and --- and again, removing these
6 slot machines.

7 And while that's been happening, we do
8 continue to invest in our product here. We did re-
9 carpet the floor about four years ago. We did add
10 brand new slot machines to our floor about three
11 years ago. We continue to buy new product, lease
12 new product from our vendors to invest in our slot
13 customer here. And we do continue to spend a
14 significant amount in marketing promotions to
15 attract customers to here at Harrah's Philadelphia.
16 So we believe, again, that this new footprint will
17 allow us to do even more of that for our guests.

18 So this may be hard to see on the
19 Zoom, on the screen here, but this is our current
20 floor map, and as you can see, hopefully through
21 some of this, you know, a lot of just congested
22 rows, long banks continue to be on our gaming floor
23 here at Harrah's Philadelphia, even with some of the
24 changes we've made over time. And if we can show
25 the new map. Again, probably hard to see, but in

1 this new footprint, we do create a lot more spacing
2 on the floor for customer comfort, to be able to get
3 through, smaller banks, more round banks on the
4 floor. Again, more safety where there will be
5 greater visibility to our customers wherever they're
6 at in our facility. So we intend to take advantage
7 of this new space and again, create a better
8 environment for our customers.

9 I'll turn it back over to Holly to -
10 to wrap up.

11 ATTORNEY EICHER: Are there any
12 questions from the Members of the Board?

13 CHAIRMAN: No, I'll take care of that.
14 Do you have anything else you want to
15 say? And then if -?

16 ATTORNEY EICHER: Just thank you for
17 your time and we respectfully request that the Board
18 issue an order granting both the Petition for
19 Approval to Modify the Gaming Floor, pursuant to
20 58 PA Code Section 467(a).1(c), and the Motion
21 Protect Confidential Information.

22 CHAIRMAN: Okay.

23 We'll proceed. Stay there. At this
24 point, we move ahead and are there any questions for
25 Enforcement Counsel - from - from Enforcement

1 Counsel at this time?

2 ATTORNEY MONAGHAN: Good morning,
3 Thomas Monaghan with the Office of Enforcement (OEC)
4 Counsel. I just have a few questions.

5 CHAIRMAN: Tom, Tom? Tom?

6 ATTORNEY MONAGHAN: Would there be any
7 effect on this -.

8 Yes? Sorry.

9 CHAIRMAN: One second before you
10 proceed. Could Counsel close out the - the - what
11 was showing up there, your presentation?

12 Thank you very much.

13 Okay.

14 Mr. Monaghan, please proceed.

15 ATTORNEY MONAGHAN: Sure.

16 Will there be any effect on the
17 staffing numbers as a result of this slot reduction?

18 MR. ALBRECHT: No. There'll be no
19 impact to our staffing based on our slot reduction.

20 ATTORNEY MONAGHAN: You mentioned that
21 the overall square footage of the gaming floor won't
22 will be unchanged, but would there be any changes to
23 the square footage of the smoking and non-smoking
24 areas of the floor?

25 MR. ALBRECHT: There's no change to

1 our - our current-approved OP smoking section at
2 this time.

3 ATTORNEY MONAGHAN: And if the Board
4 grants your Petition today, what - what's the
5 anticipated timeframe for this project to be
6 completed?

7 MR. ALBRECHT: Yeah. So in our
8 current plan, we did, base it out over, I believe, I
9 want to say a couple months to get through all 563
10 units in three months.

11 ATTORNEY MONAGHAN: That's all the
12 questions I'll have. I'll - I'll turn it over to
13 Cyrus if he has anything, any questions he wants to
14 ask.

15 MR. ALBRECHT: Thank you.

16 ATTORNEY PITRE: I don't have - I
17 don't have any follow-up questions. That's fine.

18 MR. ALBRECHT: Thank you.

19 CHAIRMAN: Thank you.

20 Are there any questions or comments
21 from Members of the Gaming Control Board at this
22 time?

23 Hearing none, let's proceed.

24 Does Enforcement Counsel have any
25 presentation other than the questioning?

1 ATTORNEY MONAGHAN: No. OEC does not
2 have a formal presentation. However, we are
3 requesting that if the Board does approve this
4 Chester Downs Petition, that the approval be made
5 subject to the 11 conditions that were set forth in
6 OEC's filed Answer.

7 CHAIRMAN: Okay.

8 And what about your position about the
9 Request for Confidentiality?

10 ATTORNEY MONAGHAN: We have no
11 objection to that, that I'm aware of.

12 CHAIRMAN: Thank you.

13 Okay.

14 Are there any other, at this point,
15 questions from the Board?

16 Hearing none -. Okay.

17 We're - that's going to conclude this
18 hearing. The Board will take this matter up during
19 - for a vote during the - during the Office of Chief
20 Counsel's (OCC) portion of the Agenda. Thank you
21 very much for coming in and participating.

22 MR. ALBRECHT: Thank you.

23 ATTORNEY EICHER: Thank you very much.

24 * * * * *

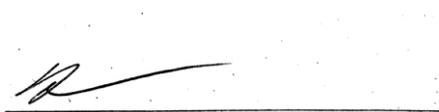
25 HEARING CONCLUDED AT 10:17 A.M.

CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I hereby certify that the foregoing proceedings, hearing held before Chairman Barasch was reported by me on 6/16/2021 and that I, Brian D. O'Hare, read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

Dated the 23 day of August, 2021



Brian D. O'Hare
Court Reporter