

Finance Committee Meeting
Friday, September 3, 2021 – 10:00 a.m. CDT
Microsoft Teams Meeting ([Link](#))
Phone Audio (651) 395-7448, Conference ID 569 908 526

AGENDA

- 1) Call to Order
- 2) Roll Call
- 3) Adoption of Agenda

New Business – Action Items

- 4) Request from Canterbury Park to Amend Plan of Operations Language Related to Poker Rake Changes
- 5) Request from Executive Director to Procure Wagering Data Provider
- 6) Adjourn

Item 4

**Request from
Canterbury Park to
Amend Plan of
Operations
Language Related
to Poker Rake
Changes**



August 27, 2021

To: Steve May, Executive Director, MRC
Bob Schiewe, Deputy Director, MRC

Canterbury Park's Plan of Operation allows for a take-out of each poker pot up to \$6 in rake as well as up to an additional \$2 for jackpot/promo fund collection. We currently take out a maximum of \$4 in rake and a maximum of \$2 in Jackpot/promo fund collection. From that jackpot/promo fund we can realize up to 25% as revenue.

We propose to take out the same maximum of \$6.00 (\$4 rake and \$2 jackpot/promo), but instead of dedicating a fixed amount to the jackpot/promo fund and another fixed amount to revenue, we propose dynamic amount dedicated to the jackpot/promo fund, not to exceed 25%. The actual take-out of the poker games would not change at all, only the accounting would change.

In March of 2018 we changed from a \$5 rake with \$1 jackpot/promo to a \$4 rake and a \$2 jackpot/promo. That change was to dedicate more money to our Jackpot/Promo fund which was actually negative at the time.

Currently our Jackpot/Promo fund is positive, but with our current business levels and the size of our room, we don't need to spend as much on poker promotions as we did in 2018. Rather than changing the rake structure back to \$5 and \$1 and having to re-train our dealers and players, we propose this so that we don't need to go back and forth between rake structures and future-proof our revenue structure.

This change would give us the flexibility to even out the volatility of the Jackpot/Promo pool, to allow us to recognize more revenue in times when our promotional offerings are fully funded, and to greatly simplify our accounting by aligning the recognition of our Table Games revenue and our Poker revenue in a similar fashion.

This proposal would not require any changes in Canterbury Park's plan of operation.

Please let me know if you have any questions or concerns,

A handwritten signature in black ink, appearing to be 'MH' or similar initials, written in a cursive style.

Michael Hochman
VP Card Casino Operations
Canterbury Park

Item 5
Request from
Executive Director
to Procure
Wagering Data
Provider

Memorandum

To: Minnesota Racing Commission Finance Committee

From: Steve May, Executive Director, Minnesota Racing Commission

cc: Camille McArdle, DVM, Chair, Minnesota Racing Commission
Bob Schiewe, Deputy Executive Director, Minnesota Racing Commission
Kevin Hoese, Pari-Mutuel Auditor, Minnesota Racing Commission

Date: August 29, 2021

RE: Request to Approve Funds for Wagering Data Services Provider

The Minnesota Racing Commission (“Commission”) currently regulates two pari-mutuel racetracks, eight Advance Deposit Wagering (“ADW”) licensees, and three totalizator operators that conduct pari-mutuel wagering in Minnesota. This wagering results in \$11,652,43 of live wagering and \$33,864,988 in simulcast wagering at Canterbury Park and Running Aces Casino, Hotel, and Racetrack (“Running Aces”)¹, \$41,494,418 in ADW wagering by Minnesota residents², as well as \$49,351,822 of all-source wagering at Canterbury Park and Running Aces.

To properly regulate this amount of wagering, Commission team members need to process dozens of wagering reports on a daily, monthly, quarterly, and annual basis. The Commission had utilized an independent, third-party data services vendor in the past to assist in this oversight. That vendor provided reconciliation of pari-mutuel wagering reports, real-time wagering integrity services, and investigatory assistance when irregularities were discovered. At some point, though, the contract with the vendor was terminated.

It is my belief that a data services and wagering integrity provider is essential in the proper oversight and auditing of pari-mutuel wagering activities in Minnesota. While the Pari-Mutuel Auditor, Kevin Hoese, does an excellent job for the Commission, he needs the

¹ Wagering data for Calendar Year 2019 used for this as Calendar Year 2020 was impacted significantly by the COVID-19 pandemic.

² Wagering data for Calendar Year 2020

proper tools to perform and improve his job functions to ensure that wagering is conducted with the highest levels of integrity.

I would like to begin the process of obtaining the services of a data services provider for this work. Based on my knowledge, there are more than one vendors that could perform all or part of this work. Therefore, I do not believe that the Commission could authorize a sole-source contract for the work.

Therefore, I am seeking approval from Finance Committee and Commission to do the following:

- (1) Approve up to \$48,000 per fiscal year to be used solely for the services of a data services and wagering integrity provider for the Commission, to be paid from the ADW Regulatory Fee account of monies collected by ADW providers licensed by the Commission;
- (2) Publish a Request for Proposals to procure a new contract for a data services and wagering integrity provider for the Commission through the normal procurement process; and
- (3) Authorize the Finance Committee to review and approve the contract for the data services provider after the normal state procurement process has been conducted.

I always strive to be a good steward of Commission funds, and I believe this is a very wise proposed expenditure of fees collected and Commission funds.