



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands
P.O. Box 500237
Saipan, MP 96950



MINUTES

October 29, 2015

I. PRELIMINARIES:

- A. **Call To Order.** Chairman Juan M. Sablan called the meeting to order at 10:14 a.m. on October 29, 2015 at the Commonwealth Casino Commission Conference Room at the Springs Plaza in Gualo Rai.
- B. **Roll Call.** Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Justin S. Manglona (Secretary), Alvaro A. Santos (Treasurer), and Martin DLG. San Nicolas (PA & MR Officer). Also present were the Executive Director ("Director"), Edward C. Deleon Guerrero, the Executive Assistant to the Commission, Ruth Ann P. Sakisat and the Legal Counsel, Michael L. Ernest.
- C. **Adoption of Agenda.** Vice Chairman Reyes moved for the adoption of the agenda but before it was seconded, Commissioner Santos requested to move under executive session discussions of item C. Review and Adoption of the Minimum Internal Control Standards under part IV. Old Business as well as discussions on the drop summary report, the Commission's accounting program and its internal and external fiscal reports. The Director asked the Legal Counsel Ernest if discussions on these items are appropriate under executive session in which he responded yes. He then inquired if discussions on BSI/NMC Internship Program, the DPAC request for proposal and the OPA Ethics wall can also be included on the agenda under miscellaneous. Therefore, Commissioner Santos amended the first motion to move discussions on the MICS and financial reports under executive session and discussions on the BSI/NMC Internship Program, the DPAC RFP and the OPA Ethics Law under miscellaneous. Commissioner Manglona seconded the motion which was put to a vote and unanimously approved.
- D. **Adoption of Minutes.** September 11, 2015, Vice Chairman Reyes moved to adopt the minutes of September 11, 2015 meeting, seconded by Commissioner Santos.

Discussion: Commissioner Santos pointed out to page 3 under public comments in which discussions on the smoking issue was raised during the September 11, 2015 meeting and again during the October 28, 2015 Senate session on HB 19-95. He asked for an update status of the situation. Legal Counsel Ernest responded that he is not aware of any follow up meetings

between AAG David Lochaby, Public Health and BSI. The latest he's heard of on the issue is during the Senate session in which Public Health made a statement. The Director shared that an anti-smoking group appeared in very large numbers at the Senate session to voice their strong opposition to H.B. 19-95 which would address the issue of removing the word "enclosed". He added that there's a big battle from the Public Health Community against making any accommodation to Best Sunshine. To his knowledge, there are no follow up meetings since what Ms. Alepuyo reported during the September 11, 2015 Commission meeting. Mr. Don Browne notified the Commission that he too is not aware of any subsequent meeting but offered information that BSI, at its own expense has taken some measures to mitigate any smoke that may drift away by putting up air walls. He anticipates a month for the installation of the air walls to be completed. The Chairman emphasized the importance and urgency in addressing this issue as it is a big public concern and a violation of the law. He elaborated that the Commission's regulations states that the licensee must follow all CNMI laws or be subjected to penalties. The Director brought up that the only remedy that would satisfy the requirement of the law is for the casino facility to be completely enclosed. Although a ventilation system will help, it will not suffice as compliance with the Smoke Free Air Act. Mr. Browne divulged on record that BSI's Legal Counsel has advised the Commission that their company will challenge that particular interpretation of the law. Chairman Sablan sought Mr. Browne's assistance in keeping the Commission informed of BSI's plans in relation to this issue.

Chairman Sablan directed everyone to page 6 item 2 in which he requested Legal Counsel Ernest to reflect in the final regulations the new master vendor list submission deadline of the 10th of each month; the same with the newly approved duplicate identification badge fee of \$20 as stated on page 7 of the September 11, 2015 minutes of meeting. He also requested that Legal Counsel begin coming up with language on the regulations that would address the BSI/NMC Internship Program. Legal Counsel Ernest advised against the Commission taking any action on this matter until the licensee provides concrete plans for the Commission's review and approval. Mr. Browne shared that he will look into this further.

The motion to adopt the September 11, 2015 minutes was put to a vote and unanimously approved.

II. REPORTS

A. Report by the Chairman

The Chairman congratulated the Director and the Commission staff on the installation of the new cubicles. He added that now the office looks presentable and the employees each have their private working space to work effectively and efficiently with no distractions. He continued his report by reiterating on the months of work with the amendments to PL 18-56 beginning with the big hurdle in the house on HB 19-95 which is now in the senate with a scheduled session at 2pm as of this meeting date. He asserted the urgency of the passage of the bill as the

Commission's resources is nearing depletion. Without appropriate funding, he stated, the Commission will be forced to shut its doors and the industry will also suffer as the casino will not be able to operate without being regulated. He advised the Commissioners that the house will hold its next session on Rota on November 6, 2015 and if HB 19-95 makes it on the agenda, he recommends that due to budgetary constraints, only he and the Director fly to Rota to attend the session on behalf of the Commission. The Chairman underlined the importance for both parties, Commission and Licensee, to work together. He explained that although the industry is a new and different environment to the Commissioners, they are dedicating a lot of time into reading and learning more about the industry. He stated that he hopes the Licensee will continue doing its part by cooperating with the Commission and being involved by means of submitting comments and inputs on the regulations and MICS or any documents being requested as part of the Commission's regulatory duties. To add, the Chairman informed everyone that he and several Commission staff have been meeting with BSI, particularly Ms. Angela Hardesty and her staff, to discuss accounting issues raised by the Commission.

B. Report by the Executive Director

The Director recognized the presence of the Commission's Special Assistant Ruth Ann, Admin Manager Velma A. Lore, Enforcement Manager Edward Cabrera, and Andrew Yeom, Technology Auditor who will answer questions on the drop summary report under executive session.

- He announced the installation of the Commission's Office signage. The only pending issue now is for the Commission to secure the second phone number already indicated on the new sign. He noted that the office partition is about ninety-six percent complete.
- He shared that the issue of electrical outlets is still being addressed as there's a need for access to the outlets without cables running on the floor or all over the place.
- He congratulated the Commissioners on their new cubicles as well. He explained that electrical outlets is also an issue in two of the Commissioners cubicles as the partition panel covered the outlet. The Director shared that this issue will also be resolved and that there may be a need to temporarily move the cubicle in order to re-wire the electrical outlet.
- Phone system was already installed. Training on the phone system is scheduled for Friday, October 30, 2015. He explained that if necessary, more phone units will be procured.
- He announced that Ian, System Administrator and Website Manager, has been working very diligently with staff in preparing the Commission Website. He announced that the website is complete and will be launched on November 12, 2015. The website will separately contain a message from the Chairman and Executive Director. He extended an invitation to the Commissioners if they would like to review the website prior to launching.
- The Commission annual report will be released in the month of December. The plan is also to have the office blessed, he said. Depending on the budget, the University of Nevada Las Vegas ("UNLV") International Gaming Institute ("IGI") Training will also be scheduled in December along with the office Christmas party.

- On personnel, the Director reported that several of the staff contracts have already expired and that another ninety days contract has been initiated for all employees and the process has already begun. He stressed that this is the max that the Commission can go based on the remaining funds it has. He went on to discuss options should the bill fail to pass. Public Law 18-56 clearly stated that the Commission on its second year should be funded by local appropriation. With this in mind, the Governor in its FY2016 Budget established the Commission as a legal entity within the local appropriation's budget item. In the same budget act, the Legislature gave the Governor a hundred percent (100%) reprogramming authority. The Governor can use this authority to reprogram available funds for the Commission. He explained that if everything falls apart, he will seek Acting Governor Torres' assistance to allow the Commission to have access to all the fees it has collected to date by reprogramming those funds for the Commission's use to maintain all staff and to continue operations.

Commissioner Santos inquired if the funding act included FTE's for the Commission? The Director informed the Commissioners that the Commission is without any FTE's at this time because it has never been under local appropriations before. He explained that because the Commission's funding source is not from the general appropriation, it is not subject to the planning and budget oversight, therefore FTE should not be an issue. In addition, there is language in the act in which the Executive Director is granted full authority to hire the personnel it needs to run the Commission. As a safety mechanism, should this be an issue, the Commission plans to ask the Governor for 30 FTE out of the 50 unfunded FTE allocated to their office under the FY2016 Budget Act.

Commissioner Santos asked if the Secretary of Finance is applying the collected fees to the existing account being used by the Commission. The Director disclosed that the existing account is still being used but the Secretary of Finance created sub accounts for the different fees being collected for tracking purposes within the larger account. He apprised the Commission that the Accountant and Finance are presently analyzing the different accounts to determine the total amount of fees collected which he estimates to be a little over \$300,000.00. The Commission has sent a request to Department of Finance to get access to the JD Edwards system where we can electronically monitor the fees being collected and the fund balances. Manager Lore informed the Commission that she received an email from Finance that their Electronic Data Processing team is preparing to assist the Commission with its request. Commissioner Santos encouraged Ms. Lore to do constant follow ups with them because from his experience in the past at Commonwealth Healthcare Corporation ("CCHC"), it was a long and frustrating process to get access to the JD Edwards reports which at the end never occurred.

- The Director mentioned that when HB 19-95 is passed and the Commission has access to the regulatory fee, he has asked the division managers to re-examine the organizational chart to see the last 3 months experience and whether or not positions need to be realigned or position descriptions need to be re-examined. He has also asked the Admin Manager to continue looking into other training the Commission can avail of from NMC, OPM and other areas.

- The Director reported that the purchase requisition for the ID equipment system was rejected by Procurement & Supply. He will submit an emergency and expedited request to the Director of Procurement and Supply. He also plans to include the fingerprinting machine in the request.
- Efforts to put together the Commission's Handbook is ongoing. It will not be launched until the Commission approves it. He does not have an estimated date of completion but feels the handbook shouldn't be rushed. In the meantime, the Commission is abiding by OPM's Personnel Rules and Regulations for Government employees and DOF Procurement Rules and Regulations for procurement matters.
- Dr. Bo Bernhart, UNLV IGI and Mr. Dennis Amerine are presently collaborating and are working together with the training course. He shared that it will be easier for the Commission to deal with UNLV with regards to a contract.
- The Director informed the Commissioners that he will be writing to Department of Finance to inform them that effective October 23, 2015, Commissioners compensation will be \$20.00 an hour for official meetings after the minutes of meeting have been approved. He clarified that it will apply to all 5 Commissioners.

At the conclusion of the Executive Director's report, the Chairman again emphasized the importance and urgency for the licensee to address the smoking issue in the casino. The public's concerns cannot be ignored and he'd like for the plans to address this issue to be put in writing for the Commission's record, he stated. He instructed the Director to follow up on this matter with the licensee.

III. PUBLIC COMMENTS. Mr. Don Browne announced that another training class is in session in anticipation of opening more table games at the casino. Extensive and repetitive training will be provided to the US and local hires which could take some time. For the interim, they have brought in 41 CW workers who arrived on October 23, 2015 and about 25 more CW workers will be arriving within the week. It will be an ongoing process as visas are approved. Once the US and local trainees are ready, they will be integrated into the casino floor as well. The projected number of casino employees in a year and a half from now will be around 1,300, he disclosed.

Commissioner Santos asked Mr. Browne if the intention of the licensee is to replace US and CW workers that were brought in once the US local trainees are ready. Mr. Browne responded that they do not anticipate replacing any workers.

Vice Chairman Reyes asked what the turnover rates of employees has been for the licensee especially the US and non US off island hires. He mentioned that bringing in workers can be very expensive especially if they only end up on the island for a few days and decide they want to leave. Are they held accountable based on their employment contract, he further asked. Mr. Browne announced that they've had a high level of turnovers among US hires; majority at their own undertaking and some

for cause. He explained that the licensee really can't control how these workers feel about living on Saipan and what their expectations are when they get on island. They are, however, provided a good working environment. On the contrary, he commented that he does not anticipate a high number of turnovers of workers from the Philippines as it has taken a lot of effort for them to get here.

The Director asked Mr. Browne how often management meets with regards to the Grand Mariana project? Mr. Browne replied that before the typhoon, weekly meetings were held but have recently begun the weekly conference calls. The Director informed Mr. Browne that he will be preparing a letter to Mr. Mark Brown expressing the Commission's concerns that there is a need to provide better collaboration in regards to the Grand Mariana project. In addition, the Director asked if the timeline for the project completion is still within the 18 month period. According to Mr. Browne, that timeline is still the same.

The Director informed Mr. Browne that it's important for the Commission to be kept updated when new events are taking place on the floor such as the person counter being installed by Duty Free. Mr. Browne notified the Commission that Duty Free is replacing an old unit that has always been there. The information collected from the counter is for Duty Free's use only and that the licensee is not privy to the information they gather. The Director explained that the Commission has the authority to license the landlord as a service provider but it was decided that it did not have to because it was purely a landlord and tenant agreement between them. However, he stressed that if the counting of the people moving back and forth may affect the terms and conditions of the lease agreement, then the Commission would have to request for a copy of the agreement and any amendments to it. This poses a possibility of the landlord needing to be licensed as a service provider. The Director asked for better communication when it comes to matters like this.

IV. OLD BUSINESS

A. GLI Final Audit & Certification of Casino Gaming Equipment & GLI Training

The Director announced the GLI team returned to Saipan last week and conducted the final audit of the remaining machines they did not have a chance to when they were here a few months ago. He disclosed that all 106 machines are now properly certified and audited by GLI as meeting the required standards. The actual certifications will be mailed to us within the next few days. In addition to the final audit project, GLI was also able to provide training to the Commission and BSL staff. He thanked Mr. Browne and Ms. Angela and the rest of the BSI Management for their help in conducting the training. He commended the Commissioners, both Saipan and Rota, the staff and the attendees from the Department of Finance for their presence in the training which included informational presentations from the Public Auditor's Office on the code of ethics and conflict of interest and training on CCC Regulations conducted by Legal Counsel Ernest.

The Director notified the Commissioners that he has asked Legal Counsel Ernest to

prepare a one hour power point presentation each on the Commission's regulations and MICS to use in training the BSL staff possibly in the weeks and months ahead. The Commission can conduct group sessions by sections starting from the licensee's procurement division. He shared that it's best to have regulations in place that everyone understands and complies with rather than coming from behind with sanctions due to unawareness of the regulations. Commissioner Santos commended the Director for a job well done in the planning of the well-organized training.

Commissioner Manglona announced that the Rota Commissioners have expressed appreciation at the opportunity they were given to join the training. They are excited and looking forward to the next training. However, they are requesting if they could be notified in advance of the date of the upcoming training so they can have ample time to find the necessary funding for their trip to Saipan.

B. Status of House Bill# 19-95

The Director announced that the Senate has scheduled a 2pm session as of this meeting date. It is his understanding that the Senate will entertain and pass HB 19-95 with some changes. It will be transmitted to the house thereafter and may make it on the agenda for the house session on Rota on November 6, 2015. The Commissioners agreed that it will be the Chairman, the Director and Commissioner Manglona, who will already be in Rota, attend the session should HB 19-95 make it on the house calendar.

C. Review and Adoption of Casino Minimum Internal Control Standards (A-H)

This item was discussed under executive session and upon resuming into regular session, Vice Chairman Reyes moved to adopt the Casino Minimum Internal Control Standard from section A through H with changes made during executive session. The motion was seconded by Commissioner Manglona. The adoption will allow the Commission to continue its review of the remaining section of the MICS but not to approve the MICS yet until final adoption of all sections. It was put to a vote and unanimously approved.

V. NEW BUSINESS.

A. Adoption of Casino Key Employee Application Form

The Director explained that the Part I of the Casino Key Employee Application should be completed by key employee applicants who currently have a US key employee licenses or who are currently licensed as key employees. Part I is similar to provisional key employee license. He added that in addition to the application, seven other documentations need to be provided: complete resume, color copy of US Key Employee ID card, update police clearance or criminal history record, color copy of passport, color copy of valid driver's license (if applicable), certified copy of birth certificate, and fingerprint at DPS. The Commissioners felt there's no need to request for a certified copy of the birth certificate which could be a tedious and lengthily process. The Director will make

the necessary changes on page 5 of the application. He noted that he will immediately begin dissemination of the application once approved which will be distributed on or before November 15, 2015.

The Director went on to explain that Part II of the Casino Key Employee Application is the regular application for all key employees. However, the due date for the Part 2 application is within sixty days after issuance of the provision license as it is a more lengthy and detailed application which includes the disclosure of financial information.

Vice Chairman Reyes moved to adopt the Part 1 and Part 2 of the Casino Key Employee Application Form granting the Director the authority to make changes as deemed necessary. The motion was seconded by Commissioner San Nicolas and was put to a vote and unanimously approved.

B. Adoption of Casino Junket Operator License Form
This item was deferred.

C. Adoption of Commission Confidentiality Agreement and Policy
A correction was made to the draft provided specifically on the third paragraph in which Commissioner Manglona requested to add the word "disclose". That line, he recommended, should read "In addition, I understand that I am never to review, reveal or disclose for any personal reason, any information maintained by the Commission".

Commissioner Manglona moved for the adoption of the Confidentiality Agreement and Policy for Commissioners and employees as amended which should be implemented immediately. Commissioner Santos seconded and the motion was put to a vote and unanimously approved.

D. Approval of Casino Vendor Licenses
The Director requested for the Commissioners to refer to the listing provided to them. He explained that 10 of the casino vendor applicants that were previously issued provisional licenses have met and satisfied the requirements for the two year license. The licenses have been prepared for his signature as well as the Chairman's. However, it requires a motion and an approval from the Commissioners. He announced that there are two more pending applications for the two year license and two more pending applications for the provisional license.

Commissioner San Nicolas commented that more supporting documents other than the listing should be provided to the Commissioners when requesting approval for licenses. He felt it is more appropriate to accompany the request with more detailed information. The Director explained that these applications came with a large files inclusive of the applicants supporting documents. They are reviewed by the Enforcement Manager and his investigators. Some applications arrived in boxes containing voluminous documents. After the files are reviewed, the Enforcement Manager issues a memo to the Director summarizing the applicant's

information such as the company's trade name, contact persons, the state of which they are licensed, their service product and any discrepancies found. The decision to grant the license is based on complete review of these documents. All discrepancies have to be addressed before a two year license can be forwarded to the Commissioners for approval. The Director divulged that he understands Commissioner San Nicolas concern and offered to make the files available for Commissioners to review in the office as the files are too large for copies to be provided. Commissioner San Nicolas added that their review is not necessary but recommended at least a checklist or a summary report be provided for future requests. The Director listed the casino vendors being presented for approval: Alfastreet, Aristocrat Technology, BMM Australia, DEQ Systems, Everi Payments, Gaming Partners, Konami Gaming, Central Credit, GLI, and United States Playing Cards.

Commissioner Manglona moved to approve all two year licenses for the ten applicants seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

Commissioner Santos moved to recess seconded by Vice Chairman Reyes, subject to the call of the Chairman. The motion was put to a vote and unanimously approved.

The meeting was recessed at 12:28 pm on October 29, 2015. The Chairman announced that the meeting will resume at 10:00 am on Friday, October 30, 2015.

Chairman Sablan called the meeting back to order on October 30, 2015 at 10:12 am. All five Commissioners were present.

VI. EXECUTIVE SESSION

Commissioner Santos moved to rise into executive session to consult with the Legal Counsel and to review and address some financial matters. The motion was seconded by Commissioner San Nicolas. It was put to a vote: Chairman Juan M. Sablan-yes, Vice Chairman Joseph C. Reyes-yes, Secretary Justin S. Manglona-yes, Treasurer Alvaro A. Santos-yes and Commissioner Martin DLG. San Nicolas-yes. Executive session began at 10:14 am.

Commissioner Santos moved to move out of executive session and go into regular session, seconded by Commissioner Manglona. It was put to a vote: Chairman Juan M. Sablan-yes, Vice Chairman Joseph C. Reyes-yes, Secretary Justin S. Manglona-yes, Treasurer Alvaro A. Santos-yes and Commissioner Martin DLG. San Nicolas was not present and excused.

VII. MISCELLANEOUS MATTERS


Chairman Sablan asked the Commissioners to review the copy of the RFP for the DPAC which was already published on the paper. Director commented that this is a long awaited requirement. After a lengthy discussion, he shared that he will monitor the progress of this process and he will report to the Commissioners.

The Chairman brought up the letter from the Attorney General regarding the suspension of regulations on junkets. He asked the Legal Counsel to elaborate further on the letter. Legal Counsel Ernest stated that he is not in the position to dispute the AG's comments. He noted that emergency regulations are valid when promulgated by the Commission and signed by the Governor. He added that he has been trying to give the Commission as much authority and power to effectively and efficiently regulate and enforce PL 18-56 and as requested requested by the Executive Director. However, it is possible that he has overstepped that line, he commented. The AG's opinion is that the Commission cannot just suspend its regulations. He added that if the law changes, the Commission will have more power because meetings can be conducted without notice and in a quicker process. His plan to address this problem is to delete the last sentence on the junket regulations. The Director suggested including this on the next meeting agenda for official action by the Commission. Additionally, he also recommended that since the emergency regulations will expire on November 25, 2015, the new one should include a provision that the licensee should provide the monitors and other accompanying equipment and office furniture contrary to the Public Auditor's opinion that it will be in violation of the code of ethics. He would like to use the comments from Nevada, Amerine and GLI as public comments.

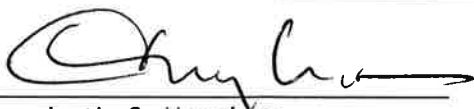
Under miscellaneous, the Commissioners decided that casino vendors who do more than \$100,000 business with the licensee should apply for a license as casino vendors. The fee shall be \$2,000 for a two year license. Legal Counsel Ernest will prepare the language to be reflected on the regulations.

VII. **ADJOURNMENT.** Vice Chairman Reyes moved to adjourn the meeting the meeting. Commissioner Manglona seconded the motion. It was put to a vote and unanimously approved. The meeting was adjourned at 4:32 pm.

Prepared by:  Date: 11/23/15
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by:  Date: 11/25/15
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 25th day of November, 2015.

 Date: 11/25/15
Justin S. Manglona
Commission Secretary