

KANSAS RACING AND GAMING COMMISSION

MINUTES – JULY 11, 2023

CALL TO ORDER (A.)

Chairman David Moses called the July 11, 2023, meeting to order at 9:00 a.m. The meeting was held at the Drury Inn Broadview Conference Center in Wichita, Kansas. Notice of this meeting was given to the public via the KRGC and Public Square websites. Commissioners Brandon Jones, Larry Turnquist, and Sheryl Spalding were also present. Others present included Executive Director Don Brownlee, General Counsel Judith Taylor, Director of Administration, Audit, and Finance Brandi White, Director of Sports Wagering and Licensing DJ Lopez, and other staff.

MOTION, EXECUTIVE SESSION; ATTORNEY- CLIENT PRIVILEGE (B.1)

Commissioner Turnquist (Spalding) moved that the Commission go into executive session for the purpose of consulting with the agency's attorney on attorney-client privileged communications. In addition to the commissioners, the attorney-client privileged communications will include the executive director and general counsel. After discussion, the total time for the executive session was anticipated to be seventy-five (75) minutes until 10:18 a.m. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. The motion carried 4-0, and the meeting was adjourned to executive session at 9:03 a.m.

RECONVENE (B.2.)

The commission meeting returned to open session at 10:18 a.m. with Chairman Moses, Commissioner Jones, Commissioner Turnquist, and Commissioner Spalding present.

MOTION, ADOPTION OF POLICY; SINGLE ENTITY MANAGEMENT OF MULTIPLE FACILITIES (C.)

Executive Director Brownlee explained that the Kansas Expanded Lottery Act (KELA) prohibits a single facility manager from operating a lottery gaming facility and a racetrack gaming facility in the same gaming zone. Specifically, K.S.A. 74-8734 states that "A person who is the manager of the racetrack gaming facility in a gaming zone shall not be eligible to be the manager of the lottery gaming facility in the same zone." Executive Director Brownlee stated that even though Historical Horse Racing does not fall under KELA, KRGC believes there was legislative intent to include HHR. The rationale at the time of the passage of KELA was to ensure that no one entity would have exclusive control over all the state authorized facilities in the same gaming zone. Executive Director Brownlee stated KRGC confirmed with both the Governor's Office and Legislative Leadership that this interpretation of gambling laws in Kansas was the intent of the legislature. Executive Director Brownlee recommended to the commissioners that the Kansas Racing and Gaming Commission adopt a policy to prohibit a gaming

facility manager from operating more than one gambling facility in a gaming zone.

Commissioner Turnquist (Spalding) moved to adopt the Single Entity Management of Multiple Facilities policy presented to the commission for action.

Chairman Moses requested a summary of the policy before taking the vote. Commissioner Turnquist summarized the proposed policy stating an individual or entity is prohibited from holding a license to manage or operate a historical horse racing facility within a gaming zone where the individual or entity is also a lottery gaming facility manager or racetrack gaming facility manager.

Chairman Moses commented that the effect of this policy would be to disqualify Diamond Jo from competing for an HHR license because Boyd Gaming Inc. is the facility manager for Kansas Star LLC in Mulvane. Chairman Moses expressed his appreciation for the applicant's efforts and partnership.

Commissioner Jones (Moses) moved to call the question. Chairman Moses clarified that Commissioner Jones was asking to close discussion and vote on the original motion. Motion to call the questions carried 4-0.

A roll-call vote was taken. Motion to adopt the policy carried 4-0

Chairman Moses noted that even though only one applicant remains, the presentation process must take place so that the commissioners can determine if the applicant is the best possible applicant.

MOTION, APPROVE
AMENDED AGENDA
(D.1)

Executive Director Brownlee requested that the agenda be amended to reflect that there is only one remaining applicant. Chairman Moses clarified that this would result in a recess until 1:45p.m. and that the agenda for day three of the meeting would also be amended to reflect that only a single applicant remains.

Commissioner Spalding (Turnquist) moved to approve the amended agenda. Motion carried 4-0, and the meeting was recessed at 10:31 a.m.

RECONVENE
(D.2.)

The commission meeting returned to open session at 1:45 p.m. with Chairman Moses, Commissioner Jones, Commissioner Turnquist, and Commissioner Spalding present.

MOTION, AMENDED
AGENDA
(E)

HHR ORGANIZATION
LICENSE APPLICANT
PRESENTATION AND
QUESTIONS FROM
COMMISSIONERS;
GOLDEN CIRCLE (F.)

Commissioner Jones (Turnquist) moved to modify the agenda to skip the summary of applications received, making the next agenda item the applicant presentation. Motion carried 4-0.

Chairman Moses noted that statute requires that when there are two or more candidates for an organization license that certain criteria be used by the commission to determine which applicant to award the license. Chairman Moses declared that same criteria would be applied even though there is only a single applicant. Those criteria are:

- The character, reputation, experience, and financial stability of those persons within the applicant organizations who will be supervising the conduct of the races and parimutuel wagering for the organization;
- The quality of the racing facilities and adjoining accommodations;
- The amount of revenue that can reasonably be expected to be generated from state and local taxes;
- The economic impact for the respective horse breeding industries in Kansas;
- The indirect economic benefit to the surrounding area;
- The location of the race meetings in relation to the principal centers of population and the effect of such centers on the ability of the organizations to sustain a financially sound racing operation; and
- Testimony from interested parties at public hearings to be conducted in the geographic areas where the applicants would be conducting their race meetings.

Chairman Moses instructed presenters that there is only a single applicant and that comments should not refer to former applicants.

On behalf the applicant, Wichita GC Charities Inc., R. Scott Beeler presented the proposed project, Golden Circle. Along with Mr. Beeler, Phil Ruffin Jr., Jason Watkins, Terry Newman, and Jeff Longwell were available to answer commissioners' questions.

Mr. Beeler presented the following:

- The architect for the project is the SPT firm, and Gina Loomis is the partner in charge of the firm.
- The construction general contractor is the Law Company from Wichita, Dennis Kerschen is the company's president.
- Wichita GC Charities Inc. was organized to apply for the HHR organization license and is a wholly independent group and not associated with Ruffin Holdings or Golden Circle. Former City of

Wichita Mayor, Jeff Longwell, serves as the chair of the Wichita GC Charities Inc.

- An overview of Phil Ruffin Sr.'s financial endeavors was provided, focusing on his involvement in the racing industry within the state of Kansas and throughout the nation, as well as his local real estate holdings.
- A review of the vote that took place in Sedgwick County that prohibits slot machines was given, noting the distinction between HHR machines and slot machines.
- As much as \$128 million could be invested in terms of renovation and new construction by Phil Ruffin Sr.
 - Renovation costs total \$36,706,782.00 for the existing 121,435 square foot facility.
 - The electronics alone are anticipated to cost almost \$27 million.
 - Gilley's Dance Hall is nearly an additional 12,000 square feet and will cost nearly \$7 million to construct. It is anticipated to open at the same time as the Golden Circle.
 - Chairman Moses asked General Counsel if he could question the applicant regarding the project's ability to maintain funding in the event the individual self-funding this venture were to pass. General Counsel advised it was a fair question. Chairman Moses directed the question to Mr. Beeler. Mr. Beeler answered that Phil Ruffin Sr. has several children and they run the Kansas based businesses today. Mr. Ruffin also has a number of revocable trusts containing generational money in them and his children are the beneficiaries to those trusts. So, the very children that would take over the operation of the companies are the ones that would have the benefit of the monies should the described event occur. Chairman Moses asked what events can trigger the revocation of the trust? Mr. Beeler said that the trusts are Mr. Ruffin Sr.'s and he does not want to speak for him or his wealth strategy attorneys. Mr. Beeler expounded that KRGC staff expressed concern that the trusts might be irrevocable, and the money could not be reached if needed.
 - Chairman Moses asked if any investors or partner involvement has been disclosed to KRGC staff. Mr. Beeler confirmed that it was and elaborated that there was none to disclose.
- The Wichita Greyhound Park is nearly 75 acres and has an enormous amount of parking that will be able to serve the needs of Golden

Circle, Gilley's Dance Hall and Saloon, hotel, and if market research shows it is viable, an amphitheater.

- This site will have 2,640 parking stalls, 22 RV and bus stalls, and 10 EV charging stations.
- The hotel will have 110 rooms. Once the Golden Circle is open, construction of the hotel will begin. It is anticipated to cost \$25 million to construct.
- The existing structure will not need to be completely torn down, but there will be a complete overhaul of the existing structure.
- This proposal is projected to create 300 construction jobs to build the facility. Once constructed, the operation of Golden Circle will create 300 permanent jobs and several temporary ones.
 - These construction jobs average to almost \$60,000/year in terms of projections based on similarly constructed projects throughout the Midwest.
 - Commissioner Turnquist asked what the pay of the 300 permanent jobs would be. Mr. Beeler said that the reason the pay was not presented as an average was due to the pay range between the positions. Entry level positions will be hourly positions paid at the standard rate, and managerial positions will be industry based.
- The project is anticipated to be completed in roughly fourteen months. The current projection shows the project to be completed sometime near the end of 2024 or early 2025.
- Chairman Moses asked if the exterior of the building shown in the presentation is the current exterior of the facility or if any modifications have been made. Mr. Beeler explained that the exterior is going to be remodeled but that the footprint will remain largely the same.
- Chairman Moses noted that the amphitheater is not a part of phase one and asked why that was, how realistic the amphitheater is, when it would be built, and the kinds of events it would have. Mr. Beeler responded that the demand for additional convention space would need to be evaluated after the hotel is built. Mr. Beeler stated that there is not a time set to decide on the amphitheater. Chairman Moses encouraged the applicant to give the construction of an amphitheater more thought and analysis.

- Chairman Moses asked if there was already a flag identified for the hotel. Mr. Beeler responded that there was not. Chairman Moses followed-up by asking if Mr. Ruffin has a particular flag he typically uses. Mr. Beeler said that he has a history of using Marriott flags and owns the local Hyatt and flag.
- Golden Circle's first floor will house all the HHR machines. This floor will have 1,000 HHR machines and multiple kiosks. There will be a connection on the first floor to the Gilley's Dance Hall and Saloon. The second floor is equipped with personal monitors, a second access to the Gilley's, a VIP room, office space for KRGC staff, office space for Wichita GC Charities non-profit, and the teller windows for simulcast parimutuel wagering. The third floor will have a restaurant, video walls, banquet and lounge spaces, and is a higher-end version of the second floor. Each floor is connected by stairs, but also escalators and elevators.
 - Commissioner Jones noted that the HHR facility is not able to operate a sportsbook, but it appears that the second floor will be an area for patrons to watch sporting events and use their phones to place wagers via the licensed operators. Mr. Beeler confirmed that was correct.
 - Commissioner Jones inquired if there would be any connection with Hartman Arena such as transportation services for concerts. Mr. Beeler affirmed there would be and stated that the applicant is very happy to do what they can to increase the entertainment value of the entire area.
- When designing Golden Circle, security was a main concern. Security cameras cover the first-floor gaming area. Staff in the surveillance room can in real-time monitor gaming activities. The surveillance room is secure with only the Security Director and Facility Manager having access.
- Phil Ruffin Jr. will be the on-site general manager.
 - Chairman Moses asked General Counsel Judith Taylor if it would be appropriate for him to question Phil Ruffin Jr. General Counsel Taylor advised that she did not see any problem with that, and that the Chairman can question Phil Ruffin Jr.
 - Chairman Moses requested more background information on Phil Ruffin Jr. Mr. Beeler responded that Mr. Ruffin Jr. started as a Simulcast Director at Wichita Greyhound Park and ended up being the Executive Vice President. He has appeared before the commission as the representative for

Wichita Greyhound Park. In addition, he has been a primary contact for the Ruffin Group. Chairman Moses followed-up by asking how long Mr. Ruffin Jr. had been in a leadership position before the Wichita Greyhound Park closed. Mr. Beeler stated he was in a leadership position for nine years.

- Based on previous experience in the Kansas gaming market and research where HHR is already operating; Kentucky and Virginia, once up to scale the projected gross annual revenue is \$139 million.
 - Commissioner Spalding asked what amount of annual revenue Wichita GC Charities will be responsible for dispersing. Mr. Beeler responded that the amount of revenue required for donation is not yet determined and would be determined during contract negotiations.
 - Chairman Moses asked what other forms of gaming were available in Kentucky and Virginia at the time this revenue data was collected. Mr. Beeler said that he would not be able to answer that question in full as he is not versed in gaming in those states. Mr. Beeler recalled that Kentucky has some slot availability and Virginia as well, but they do not have the full slate that Kansas does.
 - Chairman Moses asked what the year span was on the chart presented. Mr. Beeler said he believed it to be 2018 to 2022 in Kentucky and only one year of Virginia's data was available.
 - Chairman Moses asked if Kentucky had recently passed sports wagering. Mr. Beeler confirmed that it has passed the legislature, but it is not yet available. Chairman Moses asked what influence sports wagering will have on projected revenue. Mr. Beeler responded by pointing out that in Kansas within the last fiscal year sports wagering was 3.5 times more successful than projected and in that same year casino revenue also rose. Chairman Moses summarized that Mr. Beeler does not anticipate that adding another gaming option will have a negative impact on the revenue of other forms of gaming. Mr. Beeler said that was correct.
 - Chairman Moses noted that he saw the word sportsbook on one of the presentation materials and asked for elaboration. Mr. Beeler explained that was to denote where sporting events could be viewed, and patrons could use their phones to make wagers.
 - Commissioner Turnquist asked Mr. Beeler if he is confident that upon receiving the license that this venture will be

successful. Mr. Beeler answered by noting the amount of money put at risk for the application shows how confident the applicant is.

- The number of public endorsements Golden Circle received and the diversity of who submitted those endorsements: business owners, retired law enforcement, individual members of the public, and local governments.
- Referencing the “economic cluster” concept from the Rules of Public Finance Review, the applicant believes that the presence of a nearby competitor will create a draw for entertainment, business, and redevelopment.
 - Chairman Moses asked how large is the applicant’s economic cluster. Mr. Beeler responded that the immediate gaming economic cluster is two, however those facilities do not have HHR and Golden Circle will not have slot machine or table games.
 - Chairman Moses asked if there was a larger economic cluster or analysis done that extended as far as the county line and the Kansas Star Casino. Mr. Beeler said there was not. Mr. Beeler said that from experience he knows patrons who are unsuccessful at one location and there is another option nearby they almost always try it. He then said that this will likely not occur in instances where a patron has to drive from Sumner County.
- The IMPLAN model published data showing traffic counts of Interstate 135 range from 65,000 to 85,000 vehicles per day. There is an exit off that highway immediately adjacent to the facility.
 - Commissioner Jones asked if his understanding was correct; that upon receiving the license the facility would be annexed from Valley Center and become a part of Park City. Mr. Beeler confirmed the understanding was accurate and that the applicant has advised Park City and the city council that they agree to be annexed into Park City for the purposes of the project.
 - Commissioner Jones stated he was not familiar with Gilley’s and requested elaboration. Mr. Beeler explained that Gilley’s gained its initial fame from the movie Urban Cowboy which contains a popular scene featuring a mechanical bull. For all intents and purposes, it is a cowboy bar.
 - Mr. Jones asked if the bar would open at the same time as the HHR facility. Mr. Beeler confirmed it would, with both projects being constructed

simultaneously. Mr. Beeler noted that the employment figures previously given do not include jobs at Gilley's or the hotel.

- Chairman Moses asked how old the data being presented was. Mr. Beeler said that he would need to go back and pull that information, however it should be noted as a footnote in the submitted materials.

Jeff Longwell, Board Chair of the Wichita GC Charities, Inc. presented the following:

- The Wichita GC Charities board currently contains three members, Jeff Longwell, Terry Newman, and Bill Shea.
 - Terry Newman is a local entrepreneur and restaurateur.
 - Bill Shea is the former executive vice president of the Ruffin Group, a current hotelier, and a current owner of Stroud's restaurant in Wichita.
 - Jeff Longwell has served for 25 years in local politics in positions ranging from school board member to Mayor of Wichita. Currently, Board Chair Longwell serves as the chair of Workforce Alliance Executive board, a member of the Crime Commission board, and a member of the Wichita Independent Associations board, along with other clubs.
 - Chairman Moses stated for the record that he may have contributed to a past political campaign of Board Chair Longwell's but that any past personal or professional relationships will not impede his ability to make the best decision possible for the State of Kansas and Sedgwick County.
 - Commissioner Spalding asked if the board members are paid for their positions. Board Chair Longwell responded that he is currently volunteering his time and that board member pay could change during contract negotiations.
 - Commissioner Turnquist asked if there was any intention of adding more members to the board. Board Chair Longwell responded that it is possible that they will add more members and that will be decided as a body.
- It is Wichita GC Charities' intent that, upon receiving the organization license, to meet and setup the basic criteria to be followed to allocate the funds raised from historical horse racing. So far, the criteria are that the entity be a registered 501(c)3 serving the local area. Additional criteria will be established by the current board.

- Chairman Moses noted that private schools typically have an embedded 501(c)3 and asked if there is a mechanism that allows the public school system to also benefit from these funds. Board Chair Longwell stated that he is aware of several entities that are 501(c)3s that give to both parochial and public-school districts, giving money directly to the schoolteachers. One of these entities is Adopt a School. Board Chair Longwell explained that the board is choosing 501(c)3s because of the lower administrative overhead and because 501(c)3s are required to submit financial reports.
- Chairman Moses asked if social and economic issues will influence the donation decisions of the board. Board Chair Longwell confirmed those issues would impact their decision making and noted they are considering organizations that are focusing on issues like poverty, education, and local development.
 - Chairman Moses asked if Board Chair Longwell envisioned the board establishing criteria based upon certain political positions. Board Chair Longwell stated that the board will not be political in any way and that the board's intent is to focus on local entities where a difference can be made, and the money will immediately get to the community. Board Chair Longwell said that a political litmus test would not be used to determine if an organization was right, center, or left. Mr. Beeler added that the intent of this applicant was not to take away from national or statewide charities but to do what they could locally.

PRESENTATIONS
FROM LOCAL
GOVERNMENTS &
BUSINESSES;
CHAIRMAN OF THE
SEDGWICK COUNTY
COMMISSION
(H.)

Chairman of the Sedgwick County Commission, Pete Meitzner, presented the following:

- He has known Phil Ruffin Sr. for several years.
- Regarding what happens upon his passing, Mr. Ruffin Sr. has a great team around him of individuals who know the gaming, hotel, and restaurant industries. Mr. Meitzner stated he was confident that if Phil Ruffin Jr. faces any difficulties, he will have the necessary resources and support.
- Phil Ruffin owns Treasure Island and Circus Circus and is the only individual owner of a casino and property on the Las Vegas strip.
- While Mr. Meitzner was a member of the Wichita City Council, the city determined to sell its hotel. The city valued the hotel at \$15-\$16 million. Mr. Ruffin offered to purchase the property for \$20 million.

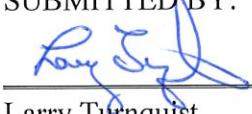
- Phil Ruffin Sr. has never asked for an incentive, not even an IRB; some of the simplest incentives. He always pays retail or more. His word is good, and his payment is good.
- In Sedgwick County, Phil Ruffin Sr. as an individual is the largest taxpayer.
- Commissioner Turnquist asked if Mr. Meitzner was appearing today on behalf of the Sedgwick County commission, as an individual member, or a member of the public. Mr. Meitzner said that he was appearing as an individual member. Commissioner Turnquist followed up asking if making a public comment came before the county commission. Mr. Meitzner said that it had not come before the county commission.
- Chairman Moses asked if there would be any negative impacts to Sedgwick County because of Park City annexing what is currently the Wichita Greyhound Park. Mr. Meitzner responded that traditionally whenever a city has tried to annex and grow it has never been rejected. Mr. Meitzner continued saying that the annexation has been brought up before, and it will not be rejected.

ADJOURNMENT
(L.)

Chairman Moses stated that the next HHR organization license meeting will be held tomorrow, July 12, 2023, at 9:00a.m. at the Drury Inn Broadview Conference Center, 400 W Douglas Ave, Wichita, KS.

Commissioner Spalding asked if the applicant would be returning for the third meeting day. Chairman Moses confirmed that the remaining applicant would return on the third day to present its closing statement on its application.

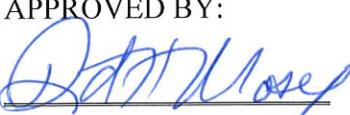
SUBMITTED BY:



Larry Turnquist
Secretary

Chairman Moses announced the meeting was adjourned at 3:49 p.m.

APPROVED BY:



David Moses
Chairman

