

MARYLAND STATE LOTTERY AND GAMING CONTROL AGENCY

PRE-PROPOSAL CONFERENCE

REQUEST FOR PROPOSALS
LOTTERY CENTRAL MONITORING AND CONTROL SYSTEM (LCMCS)
(#2015-01)
SOLICITATION NO. E75R5400007

1800 Washington Boulevard, Suite 330
Baltimore, Maryland 21230
Thursday, January 7, 2016
10:00 a.m. - 11:10 a.m.

PRESENT from MARYLAND STATE LOTTERY:

ROBERT W. HOWELLS, Procurement Director

JOHN GALLAGHER, Contract Manager

GORDON MEDENICA, Director, Maryland Lottery

MARIE TOROSINO, Executive Assistant

DIANE MCGRAW, Commissioner

JIM NIELSEN

ROBERT FONTAINE

JOHN MARTIN

LEO MAMORSKY

JEFF PATCHEN

JULIANNE GRIM

REPORTED BY: DEBORAH B. GAUTHIER, Notary Public

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P R O C E E D I N G S

MR. HOWELLS: Good morning. Thank you all for coming out this morning. This is the pre-proposal conference being conducted by the Maryland State Lottery and Gaming Control Agency for the Lottery Central Monitoring and Control System. Hopefully, we're all in the right room. Nobody's here to claim their Powerball ticket? If you are, it's the wrong room, and we have no cash here.

My name is Robert Howells. I'm the Procurement Director here for the Lottery. I am responsible for this procurement from the day the RFP is issued until the day the contract is awarded, so you will be hearing a lot from me during this process, and hopefully I'll be hearing a lot from you. The other people up here at the front table are part of our team. Down at the far end is Robert Fontaine. He's with the Office of the Attorney General. Mr. Jim Nielsen is our Chief Operating Officer. Diane McGraw is -- that's Commissioner Diane McGraw -- excuse me -- sits on the State Lottery and Gaming Control Commission.

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1 John Gallagher, to my left, is the Project
2 Contract Manager on this contract, so once the contract
3 is in place and the operational phase begins, I will
4 pass the baton over to John and it will be all his from
5 there on, and I can sit back and put my feet up and be
6 done with it, so -- to my right is Marie Torosino.
7 Marie is the Executive Assistant to our Director,
8 Gordon Medenica, and Marie basically holds the entire
9 Lottery together, so anything that needs to be done,
10 any crisis or whatever, Marie's the go-to person.

11 And on my far right is our court reporter,
12 who will be transcribing and taping the meeting today
13 so we get an accurate account of any questions,
14 responses, that sort of thing. I think most of you
15 already probably signed in, but just a couple
16 administrative things. If you would make sure before
17 you go that you either sign in or just clip your
18 business card to the sign-in sheets. If any of you
19 here are minority businesses or veteran businesses,
20 please note on that sign-in sheet that you are.
21 There's a place there to indicate that.

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1 After the conference, as quickly as we can
2 get it all done, we will be sending out a copy of that
3 sign-in sheet. It's a good tool for both the prime
4 contractors and the subcontractors -- MBE
5 subcontractors to network, to see who was here and to
6 match up, to meet the MBE and the veterans' goals that
7 are required in this contract. So we'll also be
8 sending along with that a summary of the conference
9 today. If we have any amendments that are required to
10 the RFP based on anything said here today, any
11 questions and answers, all of that will be distributed
12 after the conference, not only to all of you, but to
13 anyone else that we have on our mailing list that has
14 expressed an interest, has gotten a copy of the RFP,
15 and so forth. We will also be posting that out on
16 eMaryland Marketplace, which is the State's electronic
17 procurement system. I'll touch on that a little bit
18 later, but that's another source where you can get the
19 information. And we also put it up on the Lottery
20 website, which is mdlottery.com. There's a section on
21 there for Procurements and Contracts, and we post

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1 everything up there. So you've got a couple places you
2 can go. If you're not sure if an amendment was issued
3 or something, you can check those various places to see
4 if it's up there or you can always just e-mail me and
5 ask me if they -- if you've missed anything.

6 As far as the meeting today, this is really
7 an opportunity for us to tell you some things about,
8 you know, what our thinking is on this procurement,
9 some of the things we're looking for, but it's also an
10 opportunity for those of you that are here to ask
11 questions, voice any concerns you may have. We truly
12 do ask for and want your feedback on this RFP. We
13 don't take points off because you ask a lot of
14 questions. Quite the opposite; we want that feedback.
15 And we do and we have in the past made revisions to an
16 RFP based on questions that have come up. You all are
17 the experts in the field. Sometimes you ask a question
18 that we all sit here and say, "Wow, why didn't we think
19 of that?", you know. And so we can issue amendments
20 based on things you ask us, and we certainly will
21 answer questions to anything that you pose to us today.

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1 We may not answer in detail every question that you
2 might ask today.

3 I'll try to cover things that are of a
4 general procurement nature and State law and that sort
5 of thing. Questions of a technical nature about the
6 technical specs and requirements, we may defer on those
7 because we want to make sure we give you a written,
8 precise, accurate answer, not something we just, you
9 know, off the cuff fire back at you and then after the
10 meeting decide that, well, that wasn't quite right
11 after all, so -- but we will be sending out the
12 questions and answers.

13 We got some questions prior to today's
14 meeting. Obviously, some of you have given this RFP an
15 extremely thorough reading. I appreciate that -- your
16 proofreading. I will acknowledge that we have a few
17 references that are incorrect, we have a few
18 punctuations that are improper, but it's good to know
19 that you've all read it that carefully, and we will
20 respond to that. We will amend those sections where
21 we've got some incorrect references and so forth, and

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1 there certainly may be other things that come up during
2 the conversation today. But keep in mind that what we
3 tell you today is our best answer we can give you on
4 the spot, but until you get the written question and
5 answer or the written amendment, if it's something of
6 that nature, that is what prevails and that is what
7 controls the process, so --

8 The -- just a couple things in general before
9 I start going through the actual document. For those
10 of you that have contracts currently with the Lottery
11 or have in the past or for any of those of you that may
12 have gotten copies of other contracts through PIA or
13 something like that, you've probably noticed already
14 that the format of this document is totally different
15 than anything you've seen before. I won't bore you
16 with all the internal State hierarchy, but we, as a
17 State agency, operate under the oversight of what's
18 called a control agency. In the past, this contract
19 went under the Department of Budget and Management.
20 This time around, it's under the oversight of the
21 Department of Information Technology, and they have

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1 different forms, different RFP templates, so that's why
2 it looks so different. Some of the items that you've
3 brought to our attention with some conflicting time
4 frames and so forth have to do with the fact that we
5 put our stuff into some other agency's template and
6 there were some conflicts between that, so we'll
7 straighten that up.

8 Also, the format of the RFP template is kind
9 of a one-size-fits-all. You will see references in
10 there to things like federal funding, HIPPA forms,
11 which, clearly, have nothing to do with anything we're
12 doing here. I think we went through and said "not
13 applicable" in most places, but if you see things like
14 that in there that we've missed, please bring it to my
15 attention, but, obviously, we're not dealing with
16 HIPPA, we're not dealing with federal funding, and
17 several other things that are in there that don't
18 really apply. Also, a little different than what we
19 did the last time, last time we really defined
20 specifications for the system and so forth very much in
21 detail. We kind of told you exactly what we wanted as

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1 far as how to build the system. This time around,
2 we've tried to be more performance-driven with the RFP.
3 We've tried to tell you the results that we want, the
4 performance that we want. We want certain up time, we
5 want certain ticket-printing speeds, that sort of
6 thing. We tried to leave it much more open to you all
7 to tell us how you think it best should be done rather
8 than us dictating that. As I said, you all are the
9 experts in these systems and, you know, we really need
10 to rely upon your expertise to tell us the best way to
11 do it, so hopefully you think that's a good thing.

12 Also, we're looking for -- not that we
13 weren't before, but more emphasis this time around. We
14 understand that pretty much anybody that's going to
15 submit a proposal on this magnitude of a contract can
16 operate a system to some degree, a system that'll sell
17 tickets, a system that'll print tickets, that sort of
18 thing. We're really looking for someone that takes the
19 next step, takes it to the next level, and can propose
20 to us some really innovative concepts and solutions,
21 things that will really drive sales, drive revenue, and

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1 we're really looking for, like I said, that next level
2 of what's really on the cutting edge and what can you
3 really do for us that nobody else can. That's what,
4 you know, we're trying to focus on here.

5 So part of that goes to the fact that we're
6 doing this more on a performance-level basis. When we
7 get back to the technical requirements, we've got this
8 Task Number Six, which is called "Additional Business
9 Enhancements." It's kind of a catch-all, and what
10 we're saying in that area is, everything we had in the
11 RFP that you've already told us about that we want you
12 to do, that are requirements, now we want you to tell
13 us -- we want you to brainstorm here. We want you to
14 tell us all the other stuff over and above our
15 mandatory requirements that you can do for us. So
16 we've tried to open it up to that aspect. The price
17 sheet reflects that. It may not be perfect, but,
18 again, we are a State agency and we have to operate
19 under State procurement regulations, and we constantly
20 struggle with the dilemma that the Lottery is basically
21 a private business enterprise and we are trying to

1 shove that square peg into the round hole of State
2 procurement, and in many cases that's not easy to do.
3 It's not a good fit. And so if you see some things
4 that look a little odd and you can't figure out why we
5 did them that way, there's probably a reason for it.
6 It might not make a lot of sense to you why, but there
7 was a reason behind it, so --

8 So with all that preliminary stuff said, I'd
9 like to go through the RFP, all 289 pages of it.

10 (Laughter.)

11 MR. HOWELLS: Those of you that have been
12 here before know that that's not going to happen. I do
13 want to highlight some of the things that may be
14 different from -- when I say "before," I don't mean
15 only from the current contract, but from everything
16 we've done in the past. So some of you may have
17 contracts for, you know, other services you provide to
18 us that have basically what I'll call the old lottery
19 contract format, which is a little different than what
20 we have here.

21 So section one is just -- it's a lot of

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1 general information that deals with a lot of the
2 procurement information. The first thing I would like
3 to point out, which I'm sure you all honed in on the
4 minute you opened this thing up, on page page ten,
5 1.1.6, that the contractor may be entitled to receive
6 incentive payments for exceeding performance targets,
7 and this is outlined in the Attachment A, which is the
8 contract, and we'll touch on that when we get back
9 there, but there is an incentive provision in this
10 contract.

11 And I apologize in advance. This Section
12 1.1.6 -- well, some of the section numbers get drug out
13 to like five and six digits. It gets kind of annoying
14 to have to be reading all of these long numbers, but
15 that has to do with the template formatting that we had
16 to put this into, so we didn't do that on purpose just
17 to be irritating.

18 The Contract Duration, back on 1.4, which is
19 page 27 -- and we had someone ask us a question about
20 this, so I'll touch on that now. Our current contract
21 expires a year from June, June in 2017, so this

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1 contract will be generated from this RFP -- we are
2 looking to commence July of this year, July of '16, to
3 give us a one-year transition period for a go-live of
4 July of '17, when the current contract expires.

5 The contract will be for an eight-year
6 period. The first year of that is the transition
7 period, so it's an actual seven-year operational
8 period. The seven-year operational period is what you
9 get paid for. The one-year conversion period is free.

10 So we then have one three-year renewal
11 option, which you get paid for, of course, and then
12 there is an additional one-year renewal option at the
13 end of that, and that is in there to cover things like,
14 in the transition period, going to a new contract 12
15 years from now; if we have a problem getting that
16 procurement done, if we need more time, if we need to
17 extend the current contract. A whole bunch of things
18 could happen why we'd need a little bit more time at
19 the end. So you've got eight years plus three years
20 plus one year for a total of 12 years potential
21 contract term. Out of those 12, 11 would be paid. The

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1 first conversion period year is not paid.

2 1.5 is the Procurement Officer. That's me.
3 It says here that I'm the sole point of contact -- I
4 sort of alluded to that already -- for this RFP. Up
5 until the time it is done, I am the only one in the
6 State of Maryland and in the Lottery that any
7 contractor -- potential contractor should be
8 communicating with regarding this RFP, be that
9 questions and answers, you know, anything that has to
10 do with scheduling, you know, oral presentations where
11 you may be coming in to meet with us. Anything that
12 goes on with this should all be directed to me.

13 A lot of reasons for that; one for like
14 questions and answers. They all come to me. They all
15 go into the same funnel. They all get answered. They
16 all get answered the same. They don't get scattered
17 all over the agency with different people looking at
18 them. Also very important is that we do not give
19 anyone the impression, be it true or false, but the
20 impression is all that counts, that anyone has any sort
21 of direct contact with anyone here, anyone is getting

1 any favored treatment, that there's any behind-the-
2 scene discussions going on. We wanted everything above
3 board, everybody on a level playing field. All
4 communications are through me.

5 You will certainly have opportunities to talk
6 to other people in the Lottery; when you come in for
7 presentations, when we do site visits to your location
8 we will have a team there. There will be plenty of
9 time to talk. But on a routine-day basis, just keep
10 everything to me and we'll be fine.

11 As I mentioned earlier, once I'm done with
12 this and turn the contract over, John's the Contract
13 Manager and he will take it from there. The one thing
14 I will say about the contract issue with me and so
15 forth, those of you that have current contracts with
16 the Lottery, obviously, you have to continue to conduct
17 your current business, so if you've got an Instant
18 Ticket contract or if you've got an ITBM contract or
19 something like that, clearly, you need to still deal
20 with your Contract Manager and so forth. However, just
21 be mindful of, and the Lottery people will be mindful

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1 of also, that when you're meeting with those people
2 about your legitimate business, that the conversation
3 doesn't drift off to this procurement. We just don't
4 want any issues with anybody thinking there's anything
5 going on behind the scenes.

6 1.8 is eMaryland Marketplace. This is -- is
7 that a question? I'm sorry. Do you -- oh, excuse me
8 -- the State's electronic commerce system. I know a
9 lot of you are already signed up for it. It's not a
10 big deal. You go on their website, you log in, you
11 sign up. It doesn't cost anything. You get an
12 eMaryland Marketplace number. You will get, as a -- as
13 being signed up, you will get from anybody in the State
14 that has anything that sounds like something you would
15 be interested in, you will get information about that.
16 It's based on, you know, (indiscernible) codes and that
17 sort of thing. But also, as I said, we will post all
18 the documents out there so you can look at them, and,
19 also, in order for me to make a contract award, one of
20 the things I have to submit down to Annapolis is your
21 eMaryland Marketplace number. So it's not a big deal,

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1 but, you know, it's on the checklist that has to go
2 down, and if you don't have an eMaryland Marketplace
3 number, then we have an issue, so please just get it
4 done -- get it done ahead of time so that we don't have
5 any last minute issues with something relatively minor,
6 but that can cause problems.

7 Number 1.9, Questions. All questions about the
8 technical aspects of this RFP should be submitted in e-
9 mail, by e-mail, and to me, as I said. We will answer
10 all those questions and we will send them back out to
11 everybody so that everybody has an even footing on
12 questions that have been answered.

13 I will take questions at any time. We do not
14 have any arbitrary cutoff date on questions. The only
15 guideline is that I have to have time to prepare an
16 answer and send it back out, so if you send me a
17 question the day before proposals are due, you're
18 probably not going to get an answer at that point. If
19 it's something of a very generic nature, for instance,
20 some of the MBE issues and forms, which I'll touch on
21 in a little bit, you can call me with that sort of

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1 thing, or if it's something about -- at the last minute
2 about actually how to put a form in your RFP proposal
3 package or something, you know, if it's something I
4 can't answer verbally, I will just tell you to submit
5 it in writing, but generally speaking, all questions of
6 a technical nature need to go through e-mail to me.

7 The 1.10, the Procurement Method, again, not
8 to bog down in State procurement stuff, but there is an
9 important distinction and some important features. We
10 basically have two different ways of doing procurements
11 here. One is called "competitive sealed bidding."
12 That is a strictly price-driven process. We send out a
13 proposal -- a request for proposals. We give you
14 specifications. You give us back a price. That's it.
15 The low bid wins, no discussion, no nothing. It's --
16 your best price wins; cheapest price wins. Typically,
17 you find that a lot with commodities and that sort of
18 thing, although we do do bidding for some items. This
19 is being conducted under what's called "competitive
20 sealed proposals." It's a much more flexible process.
21 It gives us the opportunity for discussions with you

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1 all. It gives us the opportunity to ask you to revise
2 your proposals, if that's necessary; to cure defects in
3 the proposals; to do best and final offers, which can
4 be for price, but they can also be for technical; and
5 it's much more flexible and it gives us a lot of
6 options going forward.

7 There are three things in that process that
8 are drop-dead items, that are pass/fail, that I cannot
9 cure, and I will harp on them today so that nobody
10 doesn't know what they are, 'cause the last thing we
11 want somebody to do is be thrown out on a technicality
12 basically. And when we get back to Section Five for
13 Evaluation, I'll talk more about the process, itself,
14 but the next section is 1.11, which is the proposal's
15 due date, and this is number one of three that I am
16 inflexible on and have no latitude on. They're due
17 March the 3rd of this year at two p.m. here, not 2:01.
18 I know it sounds stupid, because we're all
19 professionals and know how to get things done on time,
20 but things happen, you know. Cars break down. The
21 train parks out here, if you haven't seen our train

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1 that sits on the track for two hours sometimes.

2 Give yourself plenty of time to get it into
3 us. No points are taken off if you're a day early.
4 Okay? That's perfectly okay. But it is a rigid State
5 requirement that it must be here on time, and I have no
6 latitude in that, and it has happened, and it's not a
7 pleasant situation to send somebody back with their
8 proposal and not be able to take it, so that's one.

9 1.14 is the Public Information Act. Under
10 the State of Maryland PIA, once the contract is
11 awarded, we are obligated to provide copies of
12 documents related to this proposal, under certain
13 conditions, to people that ask for those documents
14 under the Public Information Act. They become public
15 documents and we are -- we provide them under certain
16 conditions. We redact them based on confidential
17 information, information that you all deem to be trade
18 secrets and so forth, but we will send out those
19 documents if we receive a PIA. It's just a question of
20 what redaction is done.

21 So there's a section in the RFP, and we'll

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1 get to that, where we ask you to identify what you
2 think is confidential information, and we will look at
3 that at the time we get a PIA request, and we will make
4 a determination as to what should be redacted and what
5 should not be redacted. So it certainly is to your
6 best interest to pay attention to this, and when you
7 submit your proposal make sure you indicate to us what
8 you consider to be confidential information.

9 Section 1.16 is Oral Presentations.

10 Actually, it covers a lot of things; oral
11 presentations, site visits, that sort of thing. We
12 will for sure, if you submit a proposal, unless it's a
13 proposal that is rejected for one of the big three
14 reasons that I mentioned, have you in for oral
15 presentations and discussions. We have that
16 tentatively scheduled -- that's assuming everything
17 goes according to the current time table -- for the
18 week of March the 21st through the 25th, so if you want
19 to sort of start thinking about that on your calendar.

20 We have a statement in here about you all
21 supplying us terminals that we can play with,

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1 essentially, for the types of terminals you're going to
2 propose. And someone asked how much notice will you be
3 given on -- to provide those terminals. Good question.
4 I don't have an answer for that yet. We will try and
5 give you as much notice as possible, but I will respond
6 to that in a written question. Site visits or
7 demonstrations. Very likely we will be doing site
8 visits probably to your place of business, to your
9 corporate headquarters, probably also to another
10 location, possibly another lottery where you have a
11 system in operation, something like that, and we will
12 be doing those site visits tentatively somewhere around
13 the week of March the 28th through April the 1st.

14 And while we're talking about dates, we're
15 looking at the award of this contract somewhere in mid
16 to late April for us to make a decision and to send it
17 to the Board of Public Works for final approval
18 somewhere in the May to June time frame. So if you all
19 have been to the Board of Public Works, you all know
20 what I'm talking about. We all go to Annapolis and we
21 do a big show down there in front of the Governor, and

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1 hopefully they approve it.

2 1.17, Duration of Proposal. We ask you when
3 you submit your proposal that it will be open and valid
4 for a period of 180 days. We certainly don't
5 anticipate it taking that long for us to make a
6 decision; however, things can happen, so we expect you
7 to hold your price and all your terms and conditions
8 for a period of 180 days.

9 1.18, Revisions to the RFP. We sort of
10 touched on that. They have to be done in the form of a
11 written amendment. That is the only thing that can
12 change the terms and conditions in the RFP, so --

13 1.21, this is always an interesting one.
14 This is Protest and Disputes. There is a provision in
15 State procurement law for any contractor offeror to
16 file a protest if they think they've been aggrieved or
17 if there's something in the procurement process that
18 they don't think is right. It's in COMAR 21.10, which
19 I'm sure you're all familiar with or your legal people
20 are. And I would just point out a couple. One --
21 there's two distinctions there. There are things that

1 can be protested prior to the time that you submit your
2 proposal. That would be things like specifications in
3 the RFP.

4 Now, typically what happens is, if you have a
5 question or an issue with something in the RFP, that's
6 the kind of things we get in a question-and-answer
7 session, and nine times out of ten or maybe 99 out of a
8 hundred they would be clarified and worked out as the
9 process goes forward. But if there's something in the
10 RFP, itself, that is just absolutely something you
11 think is incorrect, that can be protested only up until
12 the time proposals are due. Once you submit your
13 proposal, it closes the door on that aspect.

14 After an award is made, then that's what a
15 lot of people think of as a protest. If you don't
16 think the process was done correct, if you think you
17 were aggrieved in some fashion in the evaluation
18 process, then you have the right to protest the award
19 process. So there's two different aspects there. We
20 think that when we do a procurement, that we do it to
21 perfection and there would be no reason for anybody to

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1 protest anything; however, your opinion may not be the
2 same, so I thought I'd point that out.

3 1.24 talks about Mandatory Contractual Terms.
4 When you submit your proposal, and there's a section
5 back in Section Four that talks about this, you are
6 agreeing to all of our terms and conditions; not only
7 the technical specifications, but all the terms and
8 conditions that are in our contract and in all the
9 various other documents that are included here. So I
10 always recommend that things like the contract,
11 Attachment A -- Attachment A is a sample contract, but
12 it is the actual contract that you will be sent if you
13 are selected for award. I mean, obviously, the names
14 will be filled in and the amounts and that sort of
15 thing and the dates, but that is the document that you
16 will be sent to sign, so I would suggest that you make
17 sure, if you haven't already, that you send at least
18 that contract to your legal people and have them go
19 through it, so that if there's any issues, any
20 problems, we can discuss that now, we can try and
21 clarify whatever those issues may be, put you in touch

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1 with our Attorney General's Office, and work through
2 those details, because if I send you a contract and
3 say, "Good news, we're awarding this contract to you
4 all," and you, at that point, come back to me and say,
5 "Well, that's really great, but we don't like your
6 contract," we have a problem, and we may, at that
7 point, just move on to offeror number two and award it
8 to them. So it's very important that you do that legal
9 review ahead of time so that we all have time to do
10 Q&As, do whatever, and get it worked out in advance.

11 There is a provision where you can submit
12 your proposal with an exception. However, exceptions
13 are not looked upon particularly favorably and they are
14 things that will have to be resolved before any
15 contract is awarded, so, again, we'll talk about that a
16 little further back, but in some fashion an exception
17 will have to be removed prior to a contract award.

18 1.27 and 1.28, this is Compliance with Laws/
19 Arrearages and Verification of Registration. You need
20 to be registered to do business in the State of
21 Maryland with the Department of Assessments and

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1 Taxation; another good thing to check well ahead of
2 time, if you're going to submit a proposal. Make sure
3 -- call Assessments and Taxation, get ahold of the
4 Comptroller's Office, make sure that you're properly
5 registered, you don't owe any money to the State of
6 Maryland, and everything's good there. Okay? Because,
7 again, before I award a contract, I have to check with
8 these agencies to make sure that you're clean. And,
9 you know, a lot of times it can be something as simple
10 as a mistake with the Comptroller's Office where, you
11 know, taxes or payments or something haven't been
12 posted or they've been late or there's something. It
13 can take awhile to get these things worked out. I
14 don't have to tell you dealing with a State agency may
15 take some time. So when we're in that panic mode of
16 getting the contract awarded, that's the last thing we
17 need is a delay over somebody's, you know, problem with
18 the Comptroller's Office or something along those
19 lines, so please make sure all that stuff is worked out
20 ahead of time.

21 1.32, not a big deal, but I think --

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1 Electronic Procurements Authorized is the title of
2 this. We do do almost everything electronically
3 regarding the procurement, but we do not authorize
4 proposals to be submitted electronically. They must be
5 submitted to us hard copy, so just -- you know, it does
6 say that here towards the end, but if you just kind of
7 glance over this, it's very easy to miss and you might
8 think, oh, it's okay to send that in electronically.
9 And that 1.32.5, it says it is not authorized for the
10 submission of initial proposals, so every -- pretty
11 much everything else that we'll be doing, you know,
12 questions and answers and setting up meetings and all
13 that, will be done electronically, obviously, but not
14 the submission of your proposal.

15 1.33, Minority Business Enterprise
16 Participation Goal. Between what's in the RFP right
17 here in this section and what is in the appendix, I
18 think we have like almost 30 pages of MBE forms. It's
19 really not all that bad, if you look at it and break it
20 down. We have a 15 percent MBE goal on this contract.
21 That has to be met with Maryland certified MBEs. It

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1 can't be AA, federally certified; it can't be
2 Washington, D.C. or some other city certified. It must
3 be Maryland Department of Transportation certified
4 MBEs.

5 I have back here on page 43, Ms. Roslyn
6 Fuller is our MBE Coordinator. She is a wealth of
7 knowledge and she can point you towards the MBE
8 directory and show you where all the MBEs are listed
9 and how to find MBEs and how to contact them and so
10 forth and so on, but it must be Maryland certified.

11 The -- a lot of the forms and a lot of what's
12 in here, again, it's sort of a one-size-fits-all.
13 There's forms in here about if you're an MBE Prime
14 Contractor. I don't envision, with a contract of this
15 size, that we will have an MBE Prime Contractor, so
16 none of that will apply. There's a lot of forms in
17 here that have to do with applying for a waiver from
18 our MBE goal. I can tell you that our current
19 contractor also has a 15 percent MBE goal. They have
20 met it consistently for the past 11 years. I certainly
21 don't see any reason or anticipate any problem going

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1 forward with continuing to meet that same level of MBE
2 participation, so I would not suspect that we will be
3 involved with any type of a waiver. However, it is
4 your right. I mean, you certainly can do that, but a
5 lot of forms have to do with that, so they kind of go
6 away if you're not looking for a waiver.

7 Number two of the three big things that can
8 get you disqualified is the MBE form. It's in Section
9 1.33.3. It's called the Attachment D-1A, and it is
10 where you identify who the MBEs are that you will be
11 using to fulfill the goal in this contract. That form
12 must be included with your proposal package.

13 We could argue the merits of whether it's a
14 good thing or not to have it disqualify you if it's not
15 there, but that is the State rule and that is what I
16 must do, so please make sure it's in the package, it's
17 filled out correctly. If there's any doubt in your
18 mind how to fill it out, please question it, call me.
19 I'll probably put you in touch with Ms. Fuller, but you
20 need to make sure that form is done correctly and it's
21 in the package.

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1 And we also have, which is very new to the
2 State -- in Section 1.41, we have a Veteran-Owned Small
3 Business Enterprise goal. This is a very small goal.
4 It's 0.5 percent. I would suspect that in the future
5 that will increase, but right now, trying to get this
6 program up and running, that's all it is. Same thing
7 again, questions with this, access to a directory of
8 Veteran businesses, we'll be happy to help you with
9 that. Roslyn Fuller can do that for you. You know,
10 when you get to that point, you can give us a call on
11 that. That doesn't need a formal, you know, written
12 question. We can get you hooked up with the proper
13 directories and so forth so you can find that
14 information so you can fill that form out correctly.
15 The only other couple of things in this Section One are
16 the bonding requirements. Again, there are bid
17 proposal bonds, litigation/protest bonds that have to
18 come in with your proposal. We have performance bonds
19 and fidelity bonds that come into play, you know, later
20 on, once the contract is awarded, but the
21 litigation/protest and proposal bonds have to come in

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1 with your proposal. And then the last -- yes, sir.

2 MR. BAILEY: Mr. Howells, just as a
3 hypothetical --

4 MR. HOWELLS: Could you just identify
5 yourself please for the --

6 MR. BAILEY: Hi. My name is Emmanuel Bailey,
7 VSC.

8 MR. HOWELLS: Okay. Yes, sir. Thank you.

9 MR. BAILEY: Could you go back and talk about
10 the MBE as a Prime?

11 MR. HOWELLS: Yeah, sure.

12 MR. BAILEY: Could you explain? You didn't
13 talk about it.

14 MR. HOWELLS: Oh, well, in the past, if you
15 were an MBE Prime Contractor, that really didn't count
16 for much. You still had to subcontract to another
17 independent MBE in order to meet the MBE goal. So you
18 would still, in this case, if you were an MBE Prime,
19 going back, you would have to subcontract 15 percent to
20 other MBES to meet the goal, which, you know, doesn't
21 seem to make a lot of sense, does it, that if you're an

1 MBE that you would have to -- so that has been changed.
2 Now if you are an MBE Prime, you can count up to 50
3 percent of the goal yourself on your own MBE
4 certification, so it does count for something now.

5 MR. BAILEY: Would that also be applicable in
6 the structure of a joint venture?

7 MR. HOWELLS: Probably. That's a good
8 question. Send me that one in writing, and I will
9 verify that through GOMA and make sure.

10 MR. BAILEY: I did.

11 MR. HOWELLS: Okay. You did send me that
12 question. Okay. Good. All right. Thank you. Thank
13 you. Yeah, that's -- okay.

14 1.55, not to belabor this point, but Proposal
15 Disclosure Prohibition. This just goes back to what I
16 said earlier about not talking to anybody but me. This
17 just expounds on that, not to talk to anybody else in
18 the State, not to be showing anyone else your proposal,
19 which I can't imagine why you'd want to, since it's a
20 competitive document and you wouldn't want your
21 competitors to see it, but it just indicates that once

1 proposals -- you know, once this process starts, it's a
2 confidential process, and it has to go through me, and
3 you have to basically be silent with all other State
4 employees, agencies, whatever.

5 Section Two, Minimum Qualifications, a very
6 short section, but a very important section. This is
7 number three of three that can be a disqualifier and
8 that I have no ability to cure. So we have the due
9 date and time, we have the MBE form, and we have the
10 minimum qualifications. They are the three that are
11 drop-dead, pass/fail type items that I cannot cure or
12 work with you on. Pretty much anything else, if you
13 forget a form, if you forget to fill something out, as
14 long as it's not the MBE form, we can work through
15 that. We have a qualification -- minimum qualification
16 for the offeror, the company, and we have a minimum
17 qualification for some personnel. Minimum
18 qualification means minimum qualification. Must have;
19 not almost; not well, not quite; got to be what it
20 says. Must meet these requirements 100 percent
21 verbatim to qualify. It's not an evaluation criteria

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1 that's kind of squishy, that we can, you know, say
2 well, it's pretty good, but it could be better. It is
3 a drop-dead, pass/fail requirement.

4 I'm going to skip Section Three. That's all
5 the technical specs. We'll come back to that at the
6 end, 'cause that's probably what you all have most of
7 the questions about. I'm going to go to Section Four,
8 which is the Proposal Format, and probably the biggest
9 thing I can say about this section is follow the
10 instructions. Do not reinvent the wheel. We are not
11 looking for creative formatting here. Follow the
12 outline we've given you. Give us the stuff in the
13 order and the sequence we've asked for it. So, first
14 of all, it makes our job easier -- I know that you
15 don't really care about, but we do -- but, second of
16 all, we don't miss anything, we know where it is in the
17 document. If we go to someplace and it's not there and
18 we can't find it, then we can get back to you and say,
19 "Hey, you forgot something." It keeps everything on an
20 even keel, so please follow the format as it's
21 outlined.

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1 A couple of things here that I do want to
2 highlight. This 4.2.2.2, this is this confidentiality
3 thing we talked about earlier which has to do with the
4 public information request and so forth. This is where
5 you identify confidential information. And what we ask
6 you to do -- and I'm going to clarify this, 'cause we
7 had a question on this -- the way this was written
8 also. I will send out something clarifying this, but
9 give us a list right -- after the Table of Contents,
10 give us a list of all the areas that are -- you deem to
11 be confidential, and then in the document, itself, in
12 the text, do the "Confidential information starts
13 here", "Confidential information ends here" in the
14 text, so we know. We've got two places, so we can
15 cross-check that.

16 The transmittal letter, 4.2.2.3, there's a
17 whole bunch of stuff that has to be in that transmittal
18 letter. Here we go again here with the eMaryland
19 Marketplace number has to be in there. If you happen
20 to be an MBE, or going to the gentleman's question
21 about a joint venture and MBE Prime, just your MBE

1 certification number; a statement in here that you're
2 accepting the terms and conditions in this RFP and you
3 are complying with them. If there is any exception,
4 right down below in the next section we ask you to
5 outline that. And then "I" is an acknowledgment of any
6 amendments that have been sent out on the RFP, so that
7 we know that you've gotten all the amendments that
8 we've issued on it and that you're not proposing, you
9 know, without having knowledge of an amendment that was
10 sent.

11 4.2.2.4, the Executive Summary, here's where
12 we talk about the exceptions. If you are taking an
13 exception to anything, this is where you need to
14 identify it, explain it, tell us why, tell us what
15 would make it not an exception in your mind, a proposed
16 cure for that, and we will review it and go from there.
17 You know, as I said, exceptions have to be removed
18 before an award, so how we resolve it is a case-by-case
19 basis, but -- minimum qualifications we talked about.

20 And then going forward, starting in 4.2.2.6,
21 that is the actual response to all technical

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1 requirements in the RFP up in Section Three. We want
2 you to address everything in Section Three. Whatever
3 we've asked for, whatever the requirements are, we want
4 you to address that; tell us that you agree with it;
5 how you're going to do it; you know, wow us with
6 whatever information you want to give us about it.

7 What we've given you here, an outline by
8 section, is kind of just to jog your memory a little
9 bit. These are the really absolute things we want you
10 to address in those sections. Anything else is great
11 on top of this, but we absolutely want you to make sure
12 you address the things that we've enumerated, but just
13 so you cover everything. Follow that format. That's
14 basically what that whole section is, just telling you
15 how to prepare your proposal.

16 And then at the end of that section, in
17 4.2.3, again, a little checklist of the forms that you
18 need to submit; Bid/Proposal affidavit, there's the MBE
19 D-1A form again, and all the other bonds and so forth.
20 Again, just a little jog -- jog your memory a little
21 bit as to what has to be sent in.

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1 4.3 is the Financial Proposal, and, you know,
2 remember when you're going to be submitting these,
3 you'll be submitting your technical and your financial
4 proposals separately. The financial proposal is --
5 generally, it's nothing more than the price sheet,
6 which is back in the appendix, Attachment F; that is
7 the financial proposal. Sometimes people get confused
8 and they think, like we ask you for -- under
9 qualifications of your company, we ask you for some
10 financial information, about references, and about
11 financial statements and that sort of thing. Sometimes
12 people get confused and think that should go in the
13 financial proposal. No. The only thing in the
14 financial proposal is your price proposal. All that
15 other stuff is in the technical proposal. It's about
16 your company. It's your company's background,
17 qualifications, that sort of thing.

18 4.4 is the Proposal Packaging. We go into
19 some length here explaining, you know, how we want the
20 proposals to come in. Again, technical in a separate
21 package, financial in a separate package, separate

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1 envelope, depending how big things are, you know, but
2 they should be separately sealed and sent to us that
3 way. When we do the evaluation, we do the technical
4 evaluation first, and then at the end we get to the
5 financial proposals. We don't show the financial
6 proposals to the evaluators when they're doing the
7 technical, so I have to be able to separate -- take the
8 financial envelopes -- we take those and put them in
9 the safe someplace, lock them up. Nobody sees them
10 until the appropriate time in the process, so they need
11 to be easily distinguished from the technical. But,
12 again, follow what we tell you here. It's just -- it's
13 a checklist as to how you should be submitting the
14 proposals and what format, and just follow what's there
15 and we'll be fine.

16 And then 4.5, Proposal Delivery, just to
17 reiterate one more time, it's got to be on time, we've
18 got to have those minimum qualifications, and the MBE
19 form. They are my drop-dead requirements. Anything
20 else we can usually work through.

21 Section 5 is the Evaluation Criteria,

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1 evaluation process. The proposals will be evaluated by
2 an Evaluation Committee that has been appointed by
3 Director Medenica. The Committee will then make their
4 recommendation to me, and I will review that and then,
5 in turn, take that recommendation to the Director for
6 final sign-off on that.

7 The evaluators -- and I'm going to tell you
8 who the evaluators are, and I'd like you to be
9 particularly cognizant of them and what I said earlier
10 about, you know, being careful about conversations and
11 so forth so that, in particular, we don't have anybody
12 talking to evaluators about things that they shouldn't.
13 Gina Smith; she's not here today. Jim Nielsen. I'm
14 not going to point everybody out. I'll just read the
15 names. I already told them who you are, so they know.
16 Leo Mamorsky; Mr. John Martin; John Gallagher; Jeff
17 Patchen, and Commissioner McGraw. And I already told
18 them who you are. So they will be the evaluators, and
19 you will get to know them very well during the
20 discussion phase and evaluation phase and the site
21 visit phase and all those times when we'll all be

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1 hanging out together for some period of time probably.

2 The criteria that are listed here in Section
3 5.2, and they're listed in different levels, they are
4 in declining order of what we consider to be
5 importance. Level one is the most important down
6 through level five. The sub-items within each section
7 -- yes, sir.

8 MR. KIERNAN: Yes. The items listed under
9 each level are the sub-items that you just referred to?

10 MR. HOWELLS: Right. Correct. Yes.

11 MR. KIERNAN: And can you -- I know you said
12 and it says here that they're in descending order of
13 importance -- the criteria.

14 MR. HOWELLS: Right.

15 MR. KIERNAN: Can you say what the relative
16 weight of the criteria would be?

17 MR. HOWELLS: Okay. The major criteria,
18 level one through five, are in descending order of
19 importance, correct.

20 MR. KIERNAN: Right.

21 MR. HOWELLS: The sub-criteria within each

1 major level are all equal.

2 MR. KIERNAN: Right.

3 MR. HOWELLS: Okay. There's no distinction
4 between them. They're all equal criteria. There's no
5 numerical grading score applied to the process. It is
6 a subjective ranking process. So when we do our
7 ranking of -- let's say we got ten proposals that came
8 in. We would not assign to proposal number one a 95
9 percent score. Okay? We would only be ranking them
10 one through ten. Okay? One's better than two, two's
11 better than three, right down the line. Okay? It's a
12 subjective ranking. There is no numerical score
13 assigned.

14 MR. KIERNAN: You may want to check on this.
15 I could be wrong, but I don't think that meets the
16 requirements of the COMAR 21.05.03.02, which requires
17 that the RFP indicate the relative importance of each
18 criteria. I don't think saying this is -- this is in
19 descending order, I don't think it meets that
20 requirement. I may be wrong.

21 MR. HOWELLS: I will address that. I will

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1 address that. However, I would say that the State has
2 a huge problem then, because just about every proposal
3 that's been done is -- and the same way with the
4 comparison between price and technical. And I believe
5 that section you're referring to, that's what that
6 refers to, but I'd have to pull it out and reread it.

7 MR. KIERNAN: Yeah. The exact quote is "the
8 evaluation factors and an indication of the relative
9 importance of each evaluation factor, including price."
10 So an indication of the relative importance of price
11 seems to be required as well.

12 MR. HOWELLS: Well, that is. Okay. We've
13 covered that, okay, and I'll get to that.

14 MR. KIERNAN: Right.

15 MR. HOWELLS: But it is not a numerical or a
16 percentage; it is strictly a comparative type relative
17 ranking. Okay? But I'll be happy to elaborate on
18 that. Okay?

19 MR. KIERNAN: Okay. Maybe I can send you
20 something in writing.

21 MR. HOWELLS: Yeah, please do. Yeah. Yeah.

1 MR. KIERNAN: Sure.

2 VOICE: Excuse me.

3 MR. HOWELLS: Yes, sir.

4 VOICE: I'm sorry. I did not get the
5 gentleman's name.

6 MR. KIERNAN: Oh, Dan Kiernan.

7 VOICE: I'm sorry?

8 MR. KIERNAN: Dan Kiernan.

9 VOICE: Thank you.

10 MR. HOWELLS: Thanks. That was my fault. I
11 should've made --

12 VOICE: What was the company?

13 MR. KIERNAN: Hunterdon.

14 MR. HOWELLS: So we -- once we do the
15 technical ranking, as we were going back and forth
16 here, it is a comparative ranking. So let's say we've
17 got one through ten. All right? Then we open the
18 financial proposals and we rank them one through ten.
19 That's fairly easy, highest to lowest. It's pretty
20 easy to rank them.

21 Then we have to come up with a blended

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1 ranking to select what is the best value to the State,
2 what's the most advantageous offer overall, because in
3 the competitive sealed proposals process, we are not
4 limited to strictly low price. We're -- we are able to
5 award to a higher-priced offeror if you have justified
6 technically that higher price, so it's best value to
7 the State; who's giving us the most bang for the buck,
8 essentially. That's where it can get very tricky.

9 Life is good if we have the highest-ranked
10 technical offer and that happens to be the cheapest
11 also -- least expensive, most economical. I hate to
12 say "cheapest." Slam dunk. Okay? Best technical,
13 best financial, we're in good shape. That rarely
14 happens. Usually, we get some combination of things.
15 Number one technical maybe is like third most expensive
16 or something like that. Number two technical is the
17 lowest price, so we've got all these different factors
18 we have to weigh to come up with a blended best value
19 type ranking, and that is what -- one of the tasks that
20 the Evaluation Committee will be charged with, is
21 coming up with that overall best value ranking. And in

1 doing that, technical factors will be weighted more
2 than financial factors. So, as I said, if you're
3 better technically, but somewhat more expensive, and if
4 we can justify that higher price based on your
5 technical merit, we can award to a higher-priced
6 offeror. We'd have to justify it.

7 Now, that's not to say that price isn't
8 important. Price is always important, and especially
9 with the new Governor it is even more important than it
10 was before, so we look at price very carefully, but it
11 is not strictly price-driven. It is very much driven
12 by technical merit also. So when we finally get to
13 that point in the process and we award the contract or
14 announce the award, then anyone that had submitted a
15 proposal that was not successful is certainly entitled
16 to a debriefing, which means you can come in and talk
17 to me and a few of the evaluators and we will go over
18 your proposal and we will explain to you what our
19 rationale was and why someone else was selected and you
20 were not.

21 Attachment A is the contract that I mentioned

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1 earlier that it's a good thing to have your legal staff
2 check. 4.6 in the contract is the Contractor Incentive
3 Program. I'm sure you've already read that, as I said,
4 but, basically, it's the average of the three prior
5 years and the increment over that for the current year,
6 and then there's a one percent CIP -- Contractor
7 Incentive that can be paid based on that.

8 Attachment F is the Financial Proposal Sheet.
9 There's some instructions prior to that, and then we
10 get into the sheet itself. We've got the basic system
11 and the things that we are anticipating being included
12 in the basis system, and then we have a whole bunch of
13 other things -- optional items that we can pick and
14 choose going forward, additional equipment. We have a
15 number of additional tasks that we may or may not want
16 the contractor to do. And then we get back into that
17 Task Number Six, which is our additional business
18 enhancements, and that's where you all have the
19 opportunity to basically tell us anything you want. So
20 we're looking forward to being dazzled with wonderful
21 things in Task Number Six, not that everything else

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1 won't be wonderful also, but especially --

2 So that leaves Section Three, and to your
3 great relief, I'm sure, I am not going to go through
4 and read Section Three. Are there any questions that
5 you would like to ask us on Section Three, on the
6 technical aspects? As I said, we've got some questions
7 already. If you've already asked it, you can ask it
8 again if you just want to, you know, hear us try and
9 answer it, but we will certainly respond in writing to
10 those questions that we already have. If you have
11 anything new that's popped into your head while we've
12 been sitting here today, feel free. Yes, sir.

13 MR. BAILEY: Mr. Howells, again, Emmanuel
14 Bailey, VSC.

15 MR. HOWELLS: Mr. Emmanuel.

16 MR. BAILEY: Could you go to page 148,
17 Section 3.30.17.1, where it talks about the Send-to-Cut
18 time to the Retailer Terminal, that was a bit confusing
19 in terms of at first you ask for three seconds, then it
20 goes to total time for round-trip communications, and
21 then it talks about the Send-to-Cut time shall be under

1 two seconds 99 percent of the time. I don't know if
2 you can clarify that now. Via e-mail would be fine,
3 but it just wasn't that clear.

4 MR. HOWELLS: Okay. Is there anything, well,
5 to clarify that or would you rather do that in writing?

6 MR. GALLAGHER: No, we'll do it in writing.

7 MR. HOWELLS: Okay. Yeah, let's respond to
8 that in writing. Thank you. Did you send that in
9 already or is that --

10 MR. BAILEY: That one I did not.

11 MR. HOWELLS: Okay. All right.

12 MR. BAILEY: I just noticed it.

13 MR. HOWELLS: You can if you like, but we got
14 it, so yeah.

15 MR. BAILEY: If you have it, I don't need to
16 send you more paper.

17 MR. HOWELLS: Thank you. Anybody else? Yes,
18 sir.

19 MR. KIERNAN: Just a question about the
20 schedule that you --

21 MR. HOWELLS: Mr. Kiernan again.

1 MR. KIERNAN: Yes, Dan Kiernan. You
2 mentioned that your expectation was to make a selection
3 by mid to end of April with these proposals due March
4 3rd. Such a tight schedule, does that imply that you
5 are not expecting to have discussions leading to best
6 and final submissions?

7 MR. HOWELLS: It does not imply that at all.
8 It implies that everybody here at the Lottery that has
9 been charged with this task has cleared their schedules
10 and will be doing virtually nothing but what has to be
11 done to get this accomplished.

12 MR. KIERNAN: You must be the best
13 procurement team in the country. That's a terrific
14 schedule.

15 MR. HOWELLS: Thank you. I'll take that as a
16 compliment.

17 VOICE: That remains to be seen.

18 MR. KIERNAN: Speaking as someone who has
19 waited for more than a year for governments to respond
20 to proposals, that's a terrific schedule.

21 MR. HOWELLS: Understood. Understood. And I

1 think if you go back and look at past Lottery
2 procurements and talk to some of the existing
3 contractors, I think you will find that they may not
4 have all good things to say about us, but I think they
5 will say that we are relatively quick in getting these
6 things done and processed and through, so -- but --
7 and, again, if things develop during the process that
8 require, you know, additional time for whatever reason
9 -- I mean, you don't know what you don't know, so --
10 but that is the schedule -- that is the proposed
11 schedule at this time, and we think that it's something
12 that is reasonable. So I ask everybody to kind of make
13 a mental note of that time frame so when I call you and
14 say, "We'd like to come visit," you don't panic. Okay?
15 It's like we told you, so we'll see, we'll see.
16 Anybody else? Going once, twice.

17 Okay. We will be sending out, as I indicated
18 before, a summary of the meeting today. We obviously
19 have some questions that we need to answer. We
20 definitely have an amendment that we will be doing,
21 because, as I said, we have some dates and things that

1 require that, and we will take any additional questions
2 from you all. On your ride home tonight or your flight
3 home, if you're just dwelling on good questions you're
4 just burning to ask us, feel free to fire them off.

5 MR. PERRONE: Rick Perrone, Tournament One.

6 MR. HOWELLS: Yes, sir.

7 MR. PERRONE: You mentioned you were going to
8 get into the technical category at the last -- at the
9 end.

10 MR. HOWELLS: Well, that's Section Three.
11 That's what I just mentioned, if anybody had any
12 questions on Section Three. If you have anything in
13 there, we'd be happy to talk about it. Okay? Did you
14 have a question on that section?

15 MR. PERRONE: No, we'll do it through the e-
16 mail.


17 MR. HOWELLS: Oh, okay. Yeah, that's fine.
18 Sure. Sure. Okay. All right. Thank you all for
19 coming. I appreciate it very much.

20 (Whereupon, at 11:10 a.m., the meeting was
21 concluded.)

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I, DEBORAH B. GAUTHIER, the officer before whom the foregoing testimony was taken, do hereby certify that the witness whose testimony appears in the foregoing transcript was duly sworn by me; that the testimony of said witness was taken by me by digital means and thereafter reduced to typewriting by me or under my direction; that said testimony is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this testimony is taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

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