

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: December 6, 2018

SUBJECT: Report for the December Commission Meeting

I. CUSTOMER RESOURCE CENTER

This is a status update of ongoing and special projects in Administration, Finance and Operations.

The Customer Resource Center is responsible for processing winner claims. Prior to April 27, 2018 the Lottery had two claim centers, one in Baltimore at the headquarters location and one in Lanham. See the data below. At close of business on April 27, 2018, Lanham closed in anticipation of our casino partners becoming lottery claim centers. In May, MGM National Harbor and Live! Casino and Hotel were provided with the ability to cash winning tickets from \$5,001 to \$25,000 like our Baltimore claim center. In the near future, our remaining casinos will be provided with the same ability.

The Lottery has approximately **350** Expanded Cashing Authority Program (XCAP) locations that are authorized to cash up to \$5,000 in winnings. In our new system, all claims are processed in the field and the Customer Resource Center no longer has to key in claim forms. These locations, in turn, submit completed claim forms to the Lottery so that the related W-2G can be processed. Data concerning the number and amount of winners' claims processed by the Lottery and the casinos are noted below:

Location	November 2018 Count	November 2018 Amount	YTD 07/01/18 to 11/30/18 Count	YTD 07/01/18 to 11/30/18 Amount
Baltimore	1,860	\$5,773,324.70	7,091	\$25,465,863.23
Casinos	15	\$144,601.70	93	\$957,020.90

SUBSCRIPTIONS PROCESSED:

The Lottery's Customer Resource Center is also responsible for processing subscriptions. Multi-Match, Mega Millions, Powerball and Cash4Life subscriptions can be purchased for 26, 52 or 104 draws. Data concerning subscriptions processed is noted below:

Total Subscriptions as of November 30, 2018:

Multi Match	2,784
Mega Millions	3,811
Powerball	1,986 (added after conversion)
Cash4Life	<u>712 (added after conversion)</u>
Total	9,293

Total Subscriptions Processed During November, 2018

Multi Match	453
Mega Millions	693
Powerball	416
Cash4Life	<u>150</u>
Total	1,712

Withholdings

	YTD October 2018 Amount	November 2018 Amount	YTD 07/1/18 to 11/30/18 Amount
Child Support	\$59,383.93	\$18,682.49	\$78,066.42
CCU Debts	\$404,465.64	\$97,987.03	\$502,452.67

II. BUDGET

- **FISCAL YEAR 2018**

- Lottery: \$71,448,486
- VLT Special Fund: \$10,110,308
- VLT General Fund: \$9,350,813

- **FISCAL YEAR 2019**

Budget

- Lottery: \$82,241,700
- VLT Special Fund: \$10,270,545
- VLT General Fund: \$ 6,930,921

- **FISCAL YEAR 2020**

- Budget was submitted to DBM on September 28, 2018. We are waiting to hear from DBM as to the final recommended budget.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of October, 2018 \$ 8,656,447
- Estimated increase in November, 2018 \$ 2,200,000
- Estimated usage in November, 2018 \$ (1,330,000)
- Estimated balance as of November, 2018 \$ 9,526,447

III. ACCOUNTING/FINANCE

- The September financial statements will be distributed at the December 13, 2018 meeting.

IV. PROCUREMENT

- Procurement works closely with all Divisions to support the MLGCA's daily operations to include, but not limited to, procurement of printing of POS materials and various information sheets/brochures to support all games; promotional items, sponsorship agreements for events; and supplies/equipment for the Lottery's internal use, as well as the processing of all payments under \$5,000.00 using the State P-Card and monthly reconciliation of bank statement.
- RFP for Advertising, Marketing, Media and Related Services (#2018-07): This RFP for a new advertising contract contains two Functional Areas – Creative Development and Production Services, and Media Planning and Buying Services. Proposals were received by October 10, 2018 and significantly, better competition has been achieved for this RFP than for the prior RFP #2018-01, which was cancelled due to insufficient competition. Proposals are presently undergoing the evaluation process.
- Advertising, Digital, Web & Social Media, and Research Services Contract (#2013-02) for three Functional Areas ("FA") with GKV Communications, Inc. (FA #I – Creative and FA #III - Digital/Web) and Media Works, Ltd. (FA #II – Media) which expires 1/31/2019. In consideration of the cancellation of RFP #2018-01 for a replacement contract and the re-issue of a revised RFP #2018-07, the MLGCA intends to extend the existing services by modifying the contracts for an additional 90-days for the term

2/1/2019 – 4/30/2019 for each Contractor in FAs I, II and III for a total NTE amount of \$4,747,148. Due to the number and nature of Proposals received, the time available before the expiration of the current contract is insufficient to allow for the time anticipated to be required for completion of the evaluation process, award of a new contract, and transition to a follow-on advertising contractor. Therefore, this 90-day extension is necessary. This renewal, approved by the Commission at its November meeting, will be presented to the BPW at the December 19, 2018 meeting.

- Instant Ticket Vending Machines (“ITVMs”) and Related Services Contract (#2008-26) with IGT (formerly GTECH): Contract to provide, distribute, install, maintain and relocate up to 1,000 new ITVMs to be located at Retailer locations throughout the State. Exercise the final available 6-month renewal option with term 3/1/2019 – 8/31/2019 for \$842,500. All 1,000 ITVMs have already been purchased so this renewal option is for the continuing maintenance and repair of those ITVMs only. These ITVMs will be at least partially phased out during this renewal option and replacement equipment provided under the MLGCA’s new Lottery Central Monitoring and Control System Contract #2015-01. This option will allow additional time to make a final decision on whether or not these ITVMs will continue to be used on a longer-term basis. This renewal, approved by the Commission at its November meeting, will be presented to the BPW at the December 19, 2018 meeting.
- Veterans’ Organization Instant Ticket Lottery Machines and Related Services Contract (#2014-02) with Diamond Game Enterprises: Contract to provide Veterans’ Organization (VO) Instant Ticket Lottery Machines (ITLMs) and Related Services, to include: the design, development, installation, implementation, operation and maintenance of a central monitor and control system; ITLM design, development, installation, implementation, support, supplies and maintenance at VOs specified in the Law; instant ticket design, planning, production, security and storage in the contractor’s warehouse; and delivery of instant tickets to the VOs. Exercise the single 5-year renewal option with term 3/1/2019 – 2/28/2024. This Contract established a firm-fixed percentage of 41.74% of ITLM proceeds to be paid to the contractor. This amount has been renegotiated to be 30.00% of ITVM proceeds effective July 1, 2019 for the remainder of the renewal option period. This renewal, approved by the Commission at its November meeting, will be presented to the BPW at the December 19, 2018 meeting.
- MBE/VSBE/SBR Activities:
 - I. A summary of the MLGCA's MBE/VSBE participation is attached.

V. HUMAN RESOURCES

- HR assisted all employees during the health benefits open enrollment, which ran from October 15, 2018 through November 28, 2018.

- HR is working with the agency's Communications department to meet the agency's goal for the 2018 Maryland Charity Campaign.
- HR is working with union representatives from ASFCME and MPEC to coordinate developing our Labor Management Committee to establish new goals for the upcoming calendar year.

VI. INFORMATION TECHNOLOGY

- The core network switch upgrade was successfully completed.
- Implemented additional security controls for the Agency's elicensing system. The web server is also scheduled to be upgrade over the next couple of months.
- Telephone system replacement PORFP in final review by DoIT.