

# 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: January 17, 2019

SUBJECT: Report for the January Commission Meeting

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## **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 **344** 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  | December 2018 Count | December 2018 Amount | YTD 07/01/18 to 12/31/18 Count | YTD 07/01/18 to 12/31/18 Amount |
|-----------|---------------------|----------------------|--------------------------------|---------------------------------|
| Baltimore | 1,279               | \$2,693,428.80       | 8,370                          | \$28,159,292.03                 |
| Casinos   | 28                  | \$243,053.60         | 121                            | \$1,200,074.50                  |

**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 December 31, 2018:

|               |                                     |
|---------------|-------------------------------------|
| Multi Match   | 2,707                               |
| Mega Millions | 3,740                               |
| Powerball     | 2,071 (added after conversion)      |
| Cash4Life     | <u>743 (added after conversion)</u> |
| Total         | 9,261                               |

Total Subscriptions Processed During December, 2018

|               |            |
|---------------|------------|
| Multi Match   | 395        |
| Mega Millions | 532        |
| Powerball     | 322        |
| Cash4Life     | <u>140</u> |
| Total         | 1,389      |

Withholdings

|               | YTD<br>November<br>2018<br>Amount | December<br>2018<br>Amount | YTD<br>07/1/18 to 12/31/18<br>Amount |
|---------------|-----------------------------------|----------------------------|--------------------------------------|
| Child Support | \$78,066.42                       | \$16,841.35                | \$94,907.77                          |
| CCU Debts     | \$502,452.67                      | \$89,565.64                | \$592,018.31                         |

**II. BUDGET**

- **FISCAL YEAR 2018**
  - Lottery: \$71,448,486
  - VLT Special Fund: \$10,110,308
  - VLT General Fund: \$9,350,813

- **FISCAL YEAR 2019**

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

- **FISCAL YEAR 2020**

- Legislative budget hearings are scheduled for February 1, 2019 in the Senate and February 11, 2019 in the House.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of November, 2018 \$ 9,480,274
- Estimated increase in December, 2018 \$ 2,091,000
- Estimated usage in December, 2018 \$ (4,725,000)
- Estimated balance as of December, 2018 \$ 6,846,274

### **III. ACCOUNTING/FINANCE**

- The October financial statements will be distributed at the January 24, 2019 meeting. Draft copies of the September financial statements were distributed at the last meeting but included in your package is the final copy. Also included are copies of the required Agreed Upon Procedures for our Multi-State games.

### **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. Commissioners will be receiving our award recommendation for approval at the January meeting.
- 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. Extend the existing services 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. This renewal, approved by the Commission at its November meeting, was approved by the BPW on its December 19, 2018 Agenda.

- 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 located at Retailer locations throughout the State. Exercise the final available 6-month renewal option with term 3/1/2019 – 8/31/2019 in the amount of \$842,500. These ITVMs will be at least partially phased out during this renewal option and replacement equipment provided under the new Lottery Central Monitoring and Control System Contract #2015-01. This renewal, approved by the Commission at its November meeting, was approved by the BPW on its December 19, 2018 Agenda.
- 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. 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, which 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, was approved by the BPW on its December 19, 2018 Agenda.
- MBE/VSBE/SBR Activities:
  - I. A summary of the MLGCA's MBE/VSBE participation is attached.

## **V. HUMAN RESOURCES**

- HR is working with employees and retirees regarding managing State offered healthcare benefits electronically within the Workday personnel system. The change became effective January 1, 2019.

## **VI. INFORMATION TECHNOLOGY**

- Successfully moved the Agency’s consumer and business websites to a new hosting environment in coordination with Creative Services and SGI.
- Working with DoIT to implement annual employee security training to meet state requirements.
- The telephone system replacement PORFPs are still under review by DoIT.

- Procuring PCs and laptops to continue refreshing hardware, and to complete the Windows 10 upgrade on all PCs.
- Working with HR to fill several open positions within the department.