

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: November 5, 2018

SUBJECT: Report for the November 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 **356** 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	October 2018 Count	October 2018 Amount	YTD 07/01/18 to 10/31/18 Count	YTD 07/01/18 to 10/31/18 Amount
Baltimore	1,591	\$6,220,248.10	5,231	\$19,692,538.53
Casinos	24	\$252,051.10	78	\$812,419.20

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 October 31, 2018:

Multi Match	2,826
Mega Millions	4,382
Powerball	1,891 (added after conversion)
Cash4Life	<u>707 (added after conversion)</u>
Total	9,806

Total Subscriptions Processed During October 2018

Multi Match	587
Mega Millions	1,375
Powerball	771
Cash4Life	<u>212</u>
Total	2,945

Withholdings

	YTD September 2018 Amount	October 2018 Amount	YTD 07/1/18 to 10/31/18 Amount
Child Support	\$48,418.23	\$10,965.70	\$59,383.93
CCU Debts	\$305,546.44	\$98,919.20	\$404,465.64

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: \$82,120,306
 - VLT Special Fund: \$10,187,001
 - VLT General Fund: \$ 6,917,562

- **FISCAL YEAR 2020**

- Budget was submitted to DBM on September 28, 2018. We have requested a meeting with DBM.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of September, 2018 \$ 5,970,953
 - Estimated increase in October, 2018 \$ 1,700,000
 - Estimated usage in October, 2018 \$ (1,500,000)
 - Estimated balance as of September, 2018 \$ 6,170,953

III. ACCOUNTING/FINANCE

- The July and August financial statements are included with your package.

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 will be presented to the Commission at its November meeting and, subject to Commission approval, submitted to DBM for inclusion on the December 5, 2018 BPW 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 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 in the amount of \$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 will be presented to the Commission at its November meeting and, subject to Commission approval, submitted to DBM for inclusion on the December 5, 2018 BPW 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, 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 will be presented to the Commission at its November meeting and, subject to Commission approval, submitted to DBM for inclusion on the December 5, 2018 BPW Agenda.
- Lottery Central Monitoring and Control System (#2015-01) with Scientific Games International (“SGI”) – Amendment A: Under the Central System Contract, SGI agreed to provide through its wholly-owned subsidiary MDI Entertainment, LLC, access to its portfolio of licensed, trademarked and copyrighted properties to use. This amendment will allow the Agency to enter into agreements with MDI to use their licensed products. The Agency is also requesting the Commission delegate to the Director the authority to enter into these agreements.

- MBE/VSBE/SBR Activities:

I. A summary of the MLGCA's MBE/VSBE participation is attached.

V. **HUMAN RESOURCES**

- HR is currently assisting all employees during the health benefits open enrollment, which runs from October 15, 2018 through November 28, 2018.
- HR will be 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**

- PORFPs for the new telephone system are currently under review by the State's Department of Information Technology. PORFPs will be issued for two different telephone manufactures to ensure the Agency receives the best solution at a competitive price.
- Working with SGI and creative services on the go-live plan for the Lottery's new website scheduled to launch the second week of November.
- Final planning for the core switch upgrade is underway. The upgrade will occur at the end of the month.