

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: February 21, 2019

SUBJECT: Report for the February 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 **348** 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	January 2019 Count	January 2019 Amount	YTD 07/01/18 to 01/31/19 Count	YTD 07/01/18 to 01/31/19 Amount
Baltimore	1,930	\$5,875,604.85	10,300	\$34,034,896.88
Casinos	21	\$213,294.30	142	\$1,413,368.80

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 January 31, 2019:

Multi Match	2,716
Mega Millions	3,713
Powerball	2,080 (added after conversion)
Cash4Life	<u>750 (added after conversion)</u>
Total	9,259

Total Subscriptions Processed During January, 2019

Multi Match	668
Mega Millions	790
Powerball	538
Cash4Life	<u>188</u>
Total	2,184

Withholdings

	YTD December 2018 Amount	January 2019 Amount	YTD 07/1/18 to 1/31/19 Amount
Child Support	\$94,907.77	\$23,923.23	\$118,831.00
CCU Debts	\$592,018.31	\$98,745.45	\$690,763.76

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 were held on February 1, 2019 in the Senate and February 11, 2019 in the House.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of December, 2018 \$ 6,826,107
- Estimated increase in January, 2019 \$ 1,484,000
- Estimated usage in January, 2019 \$ (621,000)
- Estimated balance as of January, 2019 \$ 7,689,107

III. **ACCOUNTING/FINANCE**

- The November financial statements will be distributed at the February 28, 2019 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. Contracts for both FAs, approved by the Commission at its January 2019 meeting, have been submitted to DBM for inclusion on the BPW Agenda for its March 6, 2019 meeting:

- 1) FA I – Gray, Kirk/VanSant Advertising, Inc.: \$15,624,000;
- 2) FA II - MARC USA, LLC: \$47,364,000

The amounts shown are for the 3 year base contract term and contracts contain renewal options for a total of 2.5 additional years.

The contract amounts are composed of two components:

- 1) Contractor's Fee: This component is the fixed monthly fee, based on the Financial Offers, to be paid to the Contractors for the services they provide in each FA.
 - 2) MLGCA's Budget: This component is the portion of the MLGCA's marketing budget as estimated in the RFP for each FA and is the same regardless of the Contractor selected. The Contractors will be placing and paying for various productions, media buys, and other projects with third-parties. These costs shall be pre-approved by the MLGCA and reimbursed at the Contractor's actual cost with no markup allowed.
- New sole source contract, Skee-Ball® Licensing Contract (#2019-03) with Alchemy3, LLC in the NTE amount of \$95,100 for the term 3/15/2019 – 3/14/2021 (subject to final claiming date) to provide a license to use the Skee-Ball® as well as the Skee-ball game playstyle imagery, marks and logos for an Instant Ticket Lottery Game and accompanying second-chance contest, supporting marketing materials at Retailer locations selling the Tickets and various advertising materials to support the promotional campaign for the Ticket. This Licensing Contract is necessary in order to obtain the rights to use these marks and logos, marketing, advertising and digital materials, as well as to purchase the exclusive prizes.
 - MBE/VSBE/SBR Activities:
 - I. A summary of the MLGCA's MBE/VSBE participation is attached.

V. HUMAN RESOURCES

- HR is working with Maryland Commission on Civil Rights to conduct sexual harassment prevention training for all agency employees.

VI. INFORMATION TECHNOLOGY

- Procured an online security training service to satisfy the state's employee training requirements. In the process of developing training campaigns to begin within the next few weeks.
- Working with sales staff and SGI to define requirements for the new sales mobile tablets. The existing iPads will be upgraded to Microsoft Surface Go tablets.
- Set up GovDelivery, a web based marketing and communication service. The service will allow the Agency to improve the administration of retailer communication.
- New telephone system PORFPs in *final* review by DoIT. Once approved, the PORFPs will be released for bid solicitation.