

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: April 18, 2019

SUBJECT: Report for the April 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. In addition, MGM National Harbor and Live! Casino and Hotel have 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 362 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	March 2019 Count	March 2019 Amount	YTD 07/01/18 to 03/31/19 Count	YTD 07/01/18 to 03/31/19 Amount
Baltimore	1,002	\$8,132,514.40	12,886	\$46,020,806.88
Casinos	20	\$209,798.85	174	\$1,734,459.15

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 March 31, 2019:

Multi Match	2,311
Mega Millions	3,579
Powerball	2,377(added after conversion)
Cash4Life	<u>882 (added after conversion)</u>
Total	9,149

Total Subscriptions Processed During March, 2019

Multi Match	386
Mega Millions	497
Powerball	432
Cash4Life	<u>159</u>
Total	1,474

Beginning July 1, 2019, Cash4Life will be drawn 7 days a week. In anticipation of this change, Cash4Life subscriptions will be “stepped down”. May 9, 2019 will be the last day a Cash4Life subscription can be purchased and/or extended. Players with active subscriptions will continue to be entered into drawings until June 26, 2019. After June 26, 2019, players will receive a refund for any remaining draws and will receive any accumulated winnings.

New Cash4Life subscriptions will be available for purchase beginning June 28, 2019.

Withholdings

	YTD February 2019 Amount	March 2019 Amount	YTD 07/1/18 to 3/31/19 Amount
Child Support	\$133,556.19	\$23,772.13	\$157,328.32
CCU Debts	\$788,674.36	\$134,355.90	\$923,030.26

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**

- Waiting for the final approved budget. Final amounts will include additional advertising funds and other statewide adjustments. DBM expects the final budget to be available by mid-May.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of February, 2019 \$ 8,773,911
- Estimated increase in March, 2019 \$ 1,000,000
- Estimated usage in March, 2019 \$ (2,500,000)
- Estimated balance as of March, 2019 \$ 7,273,911

III. ACCOUNTING/FINANCE

- The January financial statements will be distributed at the April 25, 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.
- Auditing and Accounting Services (#2015-04) with Stout, Causey & Horning, P.A.: Contract with a Certified Public Accounting firm to provide auditing, accounting, and management services to include technical advice and assistance on various aspects of operations for both Lottery games and the VLT program. The Contract included three

1-year renewal options and the first option was previously exercised. The MLGCA desires to exercise the second Renewal Option with term 7/1/2019 – 6/30/2020 in the amount of \$263,925 to continue these services. The NTE amount of this renewal option was specified in the original Contract as \$258,150 but was increased by Modification #1 during the base contract term to add the annual audit of Cash4Life® Agreed Upon Procedures. It is anticipated that this renewal option will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for inclusion on the May 8, 2019 BPW Agenda.

- RFP for Lottery Drawing Machines and Related Maintenance Services (#2018-06): This RFP covers the purchase of six new Drawing Machines to be used for the live Televised Drawings and also provides maintenance and repair services for these new machines and the MLGCA's existing inventory of machines. This RFP was issued 2/21/2019; a Pre-Proposal Conference was held on 3/8/2019, which was attended by both of the vendors providing these style drawing machines in North America. Proposals were received on 3/20/2019 and are presently undergoing evaluation.
- SKEE-BALL® Licensing Contract (#2019-03) with Alchemy3, LLC: New sole source contract in the NTE amount of \$95,100 for the term 4/1/2019 – 10/1/2021 provides a license to use the SKEE-BALL® marks, logos, and the image/likeness of the arcade game as well as a lottery play style which is modeled after the arcade game. This contract was approved by DBM on 3/19/2019.
- Licensing Contract (#2019-06) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of \$313,600 for the 2.5 year term May 9, 2019 – November 30, 2021 to provide 1) a license to use the Ravens NFL team marks and logos for two Instant Ticket Lottery Games and 2) Ravens and NFL football related prizes. This Contract is similar to the Raven's Contracts done for the past ten years. It is anticipated that this contract will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for inclusion on the May 8, 2019 BPW Agenda.
- Instant Ticket Games and Related Services Contract (#2013-01) with Pollard Banknote Limited (Primary Contract) and Scientific Games International, Inc. and GTECH Corporation/IGT (both Secondary Contracts). Contracts expire August 31, 2019 with one 1-year renewal option available. The MLGCA intends to continue existing services by exercising the third of the three one-year renewal option periods to extend the term 9/1/2019 – 8/31/2020 in the total NTE amount of \$6,466,666. It is anticipated that this renewal option will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for inclusion on the May 22, 2019 BPW Agenda.
- MBE/VSBE/SBR Activities:
 - I. A summary of the MLGCA's MBE/VSBE participation is attached.

V. HUMAN RESOURCES

- HR is working with the Equal Employment Opportunity Office and Maryland Commission on Civil Rights to prepare to provide mandatory sexual harassment prevention training to all agency employees by October of 2019. Every agency employee will receive in-person interactive sexual harassment prevention refresher training every two years and new employees will receive this training within six months of being hired as part of their new employee orientation.

VI. INFORMATION TECHNOLOGY

- Finalizing the Agency's Microsoft enterprise agreement. The agreement covers a 3-year term.
- Evaluating the telephone system PORFP responses, to submit a recommendation for award to DoIT.
- Issued procurement to add our data closet network switches to the uninterruptable power supply, and generator for backup power.

