

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Commission
Gordon Medenica, Director

FROM: James Nielsen, Deputy Director/COO

DATE: April 13, 2021

SUBJECT: Report for the April 2021 Commission Meeting

GAMING

See separate report from James Logue, Managing Director

REGULATORY OVERSIGHT

See separate report from John Mooney, Managing Director

AGENT ADMINISTRATION

The following table presents retailer and terminal counts according to the Lottery's Agent Administration database.

| Total Retailers | | | | Total Retailer Terminals | | | | XCAP Retailers (1) | | | |
|------------------------------|-------|----------|-------|------------------------------|-------|----------|-------|------------------------------|-------|----------|-------|
| Date | Count | Date | Count | Date | Count | Date | Count | Date | Count | Date | Count |
| Current | | | | Current | | | | Current | | | |
| 03/31/20 | 4,364 | 03/31/21 | 4,410 | 03/31/20 | 6,453 | 03/31/21 | 6,841 | 03/31/20 | 373 | 03/31/21 | 405 |
| Quarterly Comparisons | | | | Quarterly Comparisons | | | | Quarterly Comparisons | | | |
| 06/30/19 | 4,385 | 06/30/20 | 4,349 | 06/30/19 | 6,131 | 06/30/20 | 6,446 | 06/30/19 | 362 | 06/30/20 | 378 |
| 9/30/19 | 4,379 | 9/30/20 | 4,341 | 9/30/19 | 6,347 | 9/30/20 | 6,492 | 9/30/19 | 377 | 9/30/20 | 397 |
| 12/31/19 | 4,375 | 12/31/20 | 4,355 | 12/31/19 | 6,453 | 12/31/20 | 6,636 | 12/31/19 | 379 | 12/31/20 | 402 |
| 03/31/20 | 4,364 | 03/31/21 | 4,410 | 03/31/20 | 6,453 | 03/31/21 | 6,841 | 03/31/20 | 373 | 03/31/21 | 405 |

(1) Expanded Cashing Authority Program (XCAP) locations are authorized to cash prizes of up to \$5,000. W2Gs for these winners are subsequently printed and mailed by CRC staff.

CONTRACT MANAGEMENT

- There are 1,555 full-service (PHD and PHDL) and 194 draw game-only (PEX) self-service terminals installed as of March 31.
- Debit card reader installations have been progressing well with 1,240 completed as of March 31. Transaction volumes are growing significantly each week, reaching 19,157 valued at \$526,009 for the week ending April 4.
- New Fast Play progressive jackpot game launched March 8.

- Terminal software enhancement Release 7.1 was deployed March 25.
- Powerball 3 times a week and Double Play SRS were approved. Changes scheduled to launch August 23.
- Contract Management staff continue to telework. Lottery system testing staff continue to test via video conferencing with the assistance of Scientific Games staff.
- **eLicensing system updates:**
 - IRS Form 4506-T has been changed in the eLicensing system to 4506-C due to the IRS changing forms.
 - MST has been asked to change the instructions in all the online applications for wire transfers to MLGCA to reflect our move to Wells Fargo.
 - MST has been asked to add the updated FBI Privacy Notice and Acknowledgement form to the system, for casinos and MLGCA staff.
 - MST has been asked to add a checklist item and upload link for the Acknowledgement of Temporary License form.
 - We provided MST with required corrections to recently converted data.
 - MST has continued to handle day-to-day issues that arise.
 - We continued conversations about modifying the eLicensing system for use with Sports Wagering applications.

FACILITIES

- Facilities staff continue to limit time on-site while performing necessary duties.
- Replenishment of PPE continues for staff in the Customer Service Center, Sales, the Warehouse and Casino Compliance. We continue using the sanitizing “foggers” in our office and warehouse space twice each week.

INFORMATION TECHNOLOGY

- Upgrades to the Agency’s virtual server environment to increase performance and stability has been completed.
- Procurement for replacement fingerprint machines is pending review by DoIT/DGS.
- Security scans of the Agency’s consumer websites completed. No significant issues were identified.

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. using the State P-Card and monthly reconciliation of the card statement.
- Central Monitor and Control System for a Video Lottery Terminal Program RFP (#2021-06): RFP for a new replacement contract to provide the customization, development, implementation, operation, and maintenance of a complete turnkey Central Monitor and Control System. This new Contract with IGT Global Solutions Corporation for the term 4/30/2021 – 10/1/2028 with two 2-year renewal options and potential 11-year total NTE amount of \$42,320,180 was approved by the BPW at its April 7, 2021 meeting.
- Instant Ticket Games and Related Services RFP (#2019-05): RFP for a new replacement contract to provide Instant Ticket Games and related services to include: ticket design,

production, security and delivery to the MLGCA's warehouse; delivery of tickets to Retailers; and marketing and sales support for Instant Ticket Games. A Recommendation for Award of a Primary Contract and two Alternate Contracts was made to the Director on April 2, 2021. This new Contract(s) will be presented to the Commission for review/approval at its April 2021 meeting and then, subject to Commission approval, will be submitted to the Department of General Services for inclusion (tentatively) on the 6/16/2021 BPW Agenda.

- Licensing Contract (#2021-11) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of \$288,030 for the 2.5 year term 6/17/2021 – 12/31/2023 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 twelve years. It is anticipated that this contract will be submitted to the Commission for review/approval at its April 2021 meeting and then, subject to Commission approval, will be submitted to the Department of General Services for inclusion (tentatively) on the 6/16/2021 BPW Agenda.
- Lottery Drawing Machines and Related Maintenance Services Contract (#2018-06) with Garron Lottery Products, Inc.: Contract for the purchase of six Drawing Machines to be used for live Televised Drawings and to provide maintenance and repair services for the new machines and the MLGCA's existing inventory of machines; approved by BPW 6/19/2019 in NTE amount of \$182,244 for term 8/1/2019 – 7/31/2024. Modification #1 to provide two additional Drawing Machines (a Multi-Match and a Bonus Match 5) in the amount of \$46,700 was within the MLGCA's delegated authority of \$50,000 and was approved in-house on March 25, 2021.
- Auditing and Accounting Services Contract (#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, all of which have been previously exercised, and the Contract now expires 6/30/2021. Although the preparation of an RFP for a new replacement contract is in progress, additional time will be required for completion of the procurement process and transition to a new auditing contract. Therefore, Modification #3 to extend the Contract for a period of 1-year until 6/30/2022 has been initiated which is anticipated to be presented to the Commission at its April or May meeting.
- Procurement staff are working with other departments to discuss options and tools available to modernize our procurement processes with a goal of reducing paper handling and allowing users more visibility into the status of requests. We hope to also integrate an inventory system for consumables and fixed assets.
- MBE/VSBE/SBR Activities: A summary of the MLGCA's MBE/VSBE participation is attached.

WAREHOUSE

The instant ticket warehouse is responsible for packing all of the instant tickets shipped to lottery retailers. Orders are placed through the Tel Sell operation, which is operated by our central system vendor. Once an order is placed, it is sent to the warehouse for fulfillment. Additionally, as each new instant game is launched, the majority of retailers receive an initial allocation of the new games to assure the tickets are available across the State. Fulfilled orders are shipped via UPS for next day delivery to retailer locations. In addition to filling the orders, the warehouse is responsible for monitoring UPS to ensure proper billing and

timely delivery. During the pandemic, UPS has often been struggling to make timely deliveries. This appears to be an issue for shippers across the country.

| # of Orders | # of Packs | YTD Orders | YTD Packs |
|--------------------|-------------------|--------------------------|------------------|
| March 2021 | | 7/1/20 – 03/31/21 | |
| 21,003 | 263,531 | 161,694 | 1,881,242 |

March saw a new record in packs shipped since the sorter began operation in 2018.

YTD represents a 8.9% increase in packs shipped year over year.