

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: June 21, 2018

SUBJECT: Report for the June 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 352 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	May 2018 Count	May 2018 Amount	YTD 07/01/17 to 05/31/18 Count	YTD 07/01/17 to 05/31/18 Amount
Baltimore	1242	\$9,568,468.75	6,563	18,825,235.16
Lanham	N/A	N/A	1,522	\$6,365,576.28
Casinos	13	\$119,134.89	13	\$119,134.89

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 May 31, 2018:

Multi Match	3,332
Mega Millions	5,069
Powerball	716 (added after conversion)
Cash4Life	<u>309 (added after conversion)</u>
Total	9,426

Total Subscriptions Processed During May 2018

Multi Match	491
Mega Millions	670
Powerball	623
Cash4Life	<u>269</u>
Total	2,053

Withholdings

	YTD April 2018 Amount	May 2018 Amount	YTD 07/1/17 to 05/31/18 Amount
Child Support	\$124,157.18	\$15,379.86	\$139,537.04
CCU Debts	\$768,696.08	\$75,252.30	\$843,948.38

II. BUDGET

- **FISCAL YEAR 2018**

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

- We are starting to prepare for year-end close out. State closing deadlines are in early August.

- **FISCAL YEAR 2019**

Budget

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

- **FISCAL YEAR 2020**

- We are in the process of reconciling all of our personnel data to ensure the proper salaries are entered into the state's new budget system. This is the first step in preparing the 2020 budget which is due in September.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of April, 2018 \$ 4,174,269
- Estimated increase in May, 2018 \$ 2,100,000
- Estimated usage in May, 2018 \$ 2,300,000
- Estimated balance as of May, 2018 \$ 3,974,269

III. ACCOUNTING/FINANCE

- The March financial statements will be distributed at the June 28, 2018 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 (#2018-01): This RFP for a new advertising contract contains two Functional Areas – Creative Development and Production Services, and Media Planning and Buying Services. The RFP was issued on March 8, 2018; a Pre-Proposal Conference was held on March 26, 2018; and Proposals were received on time on April 25, 2018.

However, due to a very limited number of bids received, we were asked by the Board of Public Works staff to consider cancelling the RFP and modifying and re-issuing a replacement. Upon further review with the Department of Budget and Management and the BPW staff, it was determined that it is fiscally advantageous and otherwise in the State's best interest to reject all proposals and to cancel this RFP.

The MLGCA is reviewing the RFP to determine 1) areas which may be too restrictive or may dissuade a potential offeror from submitting a proposal, and 2) revisions that may be made to possibly attract additional offerors to submit a proposal. A revised RFP will then be issued for these services, after approval by DBM, the BPW, and the Commission.

- 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 7/31/2018. In consideration of the cancellation of the RFP for a replacement contract (see item above) the MLGCA intends to continue existing services by exercising the final available six-month renewal option for the term 8/1/2018 – 1/31/2019 for each Contractor in FAs I, II and III for a total NTE amount of \$9,494,296. This renewal period should provide sufficient time to re-issue the revised RFP for a replacement contract and to complete the procurement process. This renewal was submitted and approved at the June 20, 2018, BPW meeting.
- 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, 2018, with two 1-year renewal options available. The MLGCA intends to continue existing services by exercising the second of the three one-year renewal option periods to extend the term 9/1/2018 – 8/31/2019 in the total NTE amount of \$6,466,666. This renewal was submitted and approved at the June 20, 2018, BPW meeting.
- MBE/VSBE/SBR Activities:
 - I. Procurement/MBE staff attended the following events:
 - 1) 5th Annual Maryland Military and Veteran Women Business Conference held on April 7, 2018, at the War Memorial Plaza, Baltimore;
 - 2) MBE/SBR Liaison Training Session, presented by the Governor's Office of Small, Minority & Women Business Affairs on April 20, 2108;
 - 3) 15th Annual Spring Business Showcase Expo, sponsored by the Maryland Washington Minority Companies Association, held at Martin's West on May 11, 2018; and
 - 4) Pathway to Growth Procurement Conference, sponsored by Montgomery County Chamber of Commerce, held at the Universities at Shady Grove on May 18, 2018.
 - II. A summary of the MLGCA's MBE/VSBE participation is attached.

V. HUMAN RESOURCES

- The Human Resources (HR) department will continue to work with the Department of Budget and Management to complete system testing and employee awareness in preparation for implementing electronic enrollment of employees' health benefits this fall.

VI. INFORMATION TECHNOLOGY

- Planning for and finalizing work associated with the move of the Lottery's websites to a new hosting environment. The work is being performed in coordination with SGI and our Creative Services department.
- Approximately 60 PCs have been upgraded, which also includes moving to Windows 10 operating system. Upgrades will continue over the next several months.
- Scheduling the Agency's annual IT vulnerability and risk assessments to occur during the next six to eight weeks.