

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: May 18, 2017

SUBJECT: Report for the May 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. The Lottery has two claim centers, one in Baltimore at the headquarters location and one in Lanham. In addition to processing winner claims, the claim centers are responsible for processing the W-2G paperwork for claims that were cashed by the agent plus locations. The Lottery has approximately 342 Expanded Cashing Authority Program (XCAP) locations that are authorized to cash up to \$5,000 in winnings. These locations, in turn submit completed claim forms to the Lottery so that the related W-2G can be processed. Data concerning the number of winners claims processed by the Lottery and the number of agent plus claim forms processed by the Lottery is noted below:

Location	YTD 07/1/16 to 03/31/2017 Count	YTD 07/1/16 to 03/31/2017 Amount	April 2017 Count	April 2017 Amount	YTD 07/01/16 to 04/30/17 Count	YTD 07/01/16 to 4/30/17 Amount
Baltimore	4,848	\$9,156,391.35	464	\$825,406.40	5,312	\$9,981,797.75
Lanham	1,829	\$7,736,689.70	162	\$627,592.90	1,991	\$8,364,282.60
XCAP	38,016	\$81,932,225.75	4,915	\$10,553,193.90	42,931	\$92,485,419.65

SUBSCRIPTIONS PROCESSED:

The Lottery's Customer Resource Center is also responsible for processing subscriptions for Multi-Match and Mega Millions. Multi-Match subscriptions can be purchased for 26, 52 or 104 weeks for one to 3 games. Mega Millions subscriptions can be purchased for 26, 52 or 104 weeks for \$1 or \$2 per game. Data concerning subscriptions processed is noted below:

Multi-Match As of 07/4/16 – 7,657 As of 04/24/2017 – 7,319

	YTD March 2017 Count	April 2017 Count	YTD 07/1/16 to 04/30/17 Count
New Applications	783	81	864
Internet	667	66	733
Renewal	6,195	706	6,901

Mega Millions As of 07/01/16- 16,438 As of 04/28/2017 – 14,911

	YTD March 2017 Count	April 2017 Count	YTD 07/1/16 to 04/30/17 Count
New Applications	1,984	141	2,125
Internet	1,076	83	1,159
Renewal	9,319	1,061	10,380

Withholdings

	YTD March 2017 Amount	April 2017 Amount	YTD 07/1/16 to 4/30/17 Amount
Child Support	\$127,286.48	\$12,836.13	\$140,122.61
CCU Debts	\$774,052.87	\$69,480.95	\$843,533.82

II. BUDGET

- **FISCAL YEAR 2016** – We continue to reverse encumbrances and accruals.
- **FISCAL YEAR 2017**
 - Lottery: \$68,320,140
 - VLT Special Fund: \$9,132,860
 - VLT General Fund: \$21,770,000

 - We are starting to prepare for year-end close out.
- **FISCAL YEAR 2018**
 - Lottery: \$68,948,798
 - VLT Special Fund: \$11,857,000
 - VLT General Fund: \$20,083,420
- **Promotion Fund (Unclaimed Prizes)**

○ Balance as of March, 2017	\$ 6,980,947
○ Estimated increase in April, 2017	\$ 2,528,100
○ Estimated usage in April, 2017	<u>\$ 2,338,454</u>
○ Estimated balance as of April, 2017	\$ 7,170,593

III. ACCOUNTING/FINANCE

- The February financial statements will be distributed at the May 25, 2017 meeting.

IV. PROCUREMENT

- Procurement works closely with all Divisions to support the Lottery'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.
- Televised Drawings of the Lottery's On-Line Games and Related Services (#2010-07)" with Hearst Television, Inc. dba WBAL-TV 11 expires on June 30, 2017. Renewal Option for up to six months July 1, 2017 – December 31, 2017 in the amount of \$826,500 in order to facilitate the procurement and transition process for a new replacement contract. This Renewal was approved by the BPW at its April 26, 2017 meeting. An RFP for a new replacement contract has been completed and will be presented to the Commission at the May meeting.

- Licensing Contract (#2017-01) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of \$353,600 for the 2.5 year term May 26, 2017 – November 30, 2019 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 was approved by the BPW at its April 26, 2017 meeting.
- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Contract presently expires June 26, 2017. Modification in the amount of \$18,500,000 to extend the Contract term for an additional period of up to nine months until April 4, 2018 in order to facilitate the conversion process for a new Lottery Central Monitoring and Control System. This Modification was approved by the BPW at its April 26, 2017 meeting.
- Lottery Central Monitoring and Control System/#2015-01; award recommendation to Scientific Games International, Inc. Contract to provide the MLGCA with a Lottery Central Monitoring and Control System (“LCMCS”) and additional lottery services to include system implementation, operation and maintenance of the LCMCS and related systems, sales, marketing, instant ticket inventory and distribution, accounting, Terminals, Software, and Telecommunications Network that shall connect the Retailers to the Primary and Back-up Data Centers and all other locations required for the operation of the LCMCS. Base contract term 5/25/2017 – 4/4/2025; one 3-year renewal option and one 12-month option for transition for total potential eleven year potential. This Contract was approved by the BPW at its May 10, 2017 meeting.
- 2017 Maryland State Fair - Sponsorship Agreement (#2017-04) with the Maryland State Fair & Agricultural Society, Inc.: New sole source contract in the amount of \$46,500 for the term August 24, 2017 – September 4, 2017 for the MLGCA’s rental of space and other sponsorship amenities for the 2017 Maryland State Fair. Also contains a renewal option for the 2018 State Fair August 23, 2018 – September 3, 2018 in amount of \$46,500. This contract is very similar to the contracts done over the past several years for prior State Fair events, except it is with the Maryland State Fair & Agricultural Society directly and not through Sponsorsource, Inc. as in prior years. This Contract, approved by the Commission at its April meeting, has also been approved by DBM.
- 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, 2017 with one 3-year renewal option available. Modification in progress to 1) Revise Contract to authorize the unilateral right of the MLGCA to extend the Contract for three additional 1-year renewal periods, rather than one additional 3-year renewal period as originally stated in the Contract; 2), exercise the first of the three one-year renewal option periods, extending the term until August 31, 2018; and, 3) retains the unilateral right to exercise the two remaining one-year renewal options. It is anticipated that this Modification will be presented to the Commission at its May

meeting and, subject to Commission approval, submitted to DBM for inclusion on the BPW Agenda in June.

- MBE/SBR Activities:

- I. A summary of the Lottery's MBE participation including both Lottery and VLT operations is attached.

V. HUMAN RESOURCES

- HR will be working with agency trainers on the Governor's Customer Service initiative to elevate the level of professionalism and courtesy provided by State employees.
- HR staff members are completing training to prepare for the implementation of health benefits enrollment through the Workday system during this fall's open enrollment period. This implementation will allow active State employees and retirees to enroll and make benefit changes electronically within this system.

VI. INFORMATION TECHNOLOGY

- A new server was installed and configured to expand the existing production server cluster. The new server provides additional resources for system/application processing.
- The IT annual risk and vulnerability assessment is in progress; the external penetration test is complete, and the next assessment is schedule to occur the week of 5/15.
- The new fixed asset system was installed in a test environment for configuration and end user testing. The configuration has to be approved by DGS prior to production use. This is a collaborative effort between the IT, Facilities, and DGS.
- A Mega Millions work group was established to review and standardize drawing procedures. The IT department is currently reviewing and modifying our drawing processes per the direction of the group.
- Actively procuring additional network equipment to better support our backup systems when they relocate as part of the new central system contract.

