

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 22, 2017

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. 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 04/30/2017 Count | YTD 07/1/16 to 04/30/2017 Amount | May 2017 Count | May 2017 Amount | YTD 07/01/16 to 05/31/17 Count | YTD 07/01/16 to 5/31/17 Amount |
|-----------------|--|---|-------------------------------|--------------------------------|---|---|
| Baltimore | 5,312 | \$9,981,797.75 | 488 | \$1,238,049.00 | 5,800 | \$11,219,846.75 |
| Lanham | 1,991 | \$8,364,282.60 | 261 | \$1,070,744.40 | 2,252 | \$9,435,027.00 |
| XCAP | 42,931 | \$92,485,419.65 | 5,890 | \$13,833,510.95 | 48,821 | \$106,318,930.60 |

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 05/29/2017 – 6,341

| | YTD April 2017 Count | May 2017 Count | YTD 07/1/16 to 05/31/17 Count |
|------------------|---|-------------------------------|--|
| New Applications | 864 | 75 | 939 |
| Internet | 733 | 42 | 775 |
| Renewal | 6,901 | 443 | 7,344 |

Mega Millions As of 07/01/16- 16,438 As of 05/26/2017 – 14,543

| | YTD April 2017 Count | May 2017 Count | YTD 07/1/16 to 05/31/17 Count |
|------------------|---|-------------------------------|--|
| New Applications | 2,125 | 149 | 2,274 |
| Internet | 1,159 | 68 | 1,227 |
| Renewal | 10,380 | 1,206 | 11,586 |

Withholdings

| | YTD April 2017 Amount | May 2017 Amount | YTD 07/1/16 to 5/31/17 Amount |
|---------------|--|--------------------------------|--|
| Child Support | \$140,122.61 | \$19,487.31 | \$159,609.92 |
| CCU Debts | \$843,533.82 | \$108,281.57 | \$951,815.39 |

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 April, 2017 \$ 6,726,441
 - Estimated increase in May, 2017 \$ 2,228,100
 - Estimated usage in May, 2017 \$ 830,000
 - Estimated balance as of May, 2017 \$ 8,124,541

III. ACCOUNTING/FINANCE

- The April financial statements will be distributed at the June 29, 2017 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.
- The MLGCA's existing Contract for "Televised Drawings of the Lottery's On-Line Games and Related Services (#2010-07)" with Hearst Television, Inc. dba WBAL-TV 11 expires December 31, 2017. This contract provides for 1) The production and live television broadcast of the Drawings of the MLGCA's Draw Games and related services in the Baltimore area and beyond; 2) Promotes the televised Drawings, winning numbers, upcoming jackpots, recent Lottery winners, and other related MLGCA products and promotions; and 3) performs all other promotion and

transmission activities. The RFP for a new replacement contract was issued June 1, 2017; a Pre-Proposal Conference was held June 13, 2017 which was attended by 17 individuals representing 7 organizations; and Proposals are Due July 12, 2107.

- 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. This Contract was approved by DBM May 16, 2017.
- 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 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) retain the unilateral right to exercise the two remaining one-year renewal options. This Modification was presented and approved by the Commission at its May meeting and has been submitted to DBM for inclusion on the BPW Agenda in July.
- 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) for the term 8/1/2013 – 7/31/2016 with 2 one-year renewal options. The first renewal option was previously exercised for the term 8/1/2016 – 7/31/2017. The MLGCA intends to: (1) continue existing services by exercising the second one-year renewal option for the term 8/1/2017 – 7/31/2018 for each Contractor in FAs I, II and III; and (2) increase the Not to Exceed amount for the renewal option period for FA I, II and III to correspond to the MLGCA's increased advertising budget for FY 2017 which is projected to continue in FY 2018. This Renewal/Modification, approved by the Commission at its May meeting, has been submitted to DBM for inclusion on the June 21, 2017 BPW Agenda.
- MBE/SBR Activities:
 - I. A summary of the MLGCA'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 working with managers throughout the agency to complete additional training on the statewide employee performance evaluations coming due July 1st.
- HR will be working with SECU and MSRP to provide resources to agency members on financial literacy and supplemental retirement planning.

VI. INFORMATION TECHNOLOGY

- The IT annual risk and vulnerability assessment is complete; the scope of the assessment included an external and internal penetration test, and a firewall and IPS/IDS review.
- The fixed asset system project is still in the development phase. The next steps are to test the wireless scanner, and user testing.
- Working on a plan to upgrade several end user applications (e.g., FogBugz) to the latest available version. The first upgrade will occur the week of 6/19/17.

VII. CONVERSION

- The Accounting and Customer Resources Divisions are working with SGI to define technical requirements as it relates to the back office conversion.
- IT is actively working with SGI's technical team to define infrastructure changes for the new LCMCS; this includes the Lottery's network connectivity to the LCMCS and associated systems, the connectivity to our backup systems and ICS traffic, and Lottery backup system hosting requirements.