

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: October 18, 2016

SUBJECT: Report for the October 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 **322** 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 07/1/15 to 08/31/2016 Count	YTD 07/1/15 to 08/31/2016 Amount	September 2016 Count	September 2016 Amount	YTD 07/01/16 to 09/30/16 Count	YTD 07/01/16 to 09/30/16 Amount
Baltimore	1,175	\$ 2,301,610.65	539	\$1,258,708.40	1,714	\$3,560,319.05
Lanham	487	\$1,976,770.70	307	\$1,446,049.10	794	\$3,422,819.80
XCAP	9,819	\$22,754,617.90	3,156	\$5,539,945.35	12,975	\$28,294,563.25

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 09/26/2016 – 6,844

	YTD Aug 2016 Count	September 2016 Count	YTD 07/1/16 to 09/30/16 Count
New Applications	117	54	171
Internet	102	38	140
Renewal	1,571	614	2,185

Mega Millions As of 07/01/16- 16,438 As of 09/30/2016 – 14,266

	YTD August 2016 Count	September 2016 Count	YTD 07/1/16 to 09/30/16 Count
New Applications	325	117	442
Internet	195	57	252
Renewal	1,697	777	2,474

Withholdings

	YTD August 2016 Amount	September 2016 Amount	YTD 07/1/16 to 09/30/16 Amount
Child Support	\$40,162.30	\$16,457.30	\$56,619.60
CCU Debts	\$189,025.04	\$102,900.03	\$291,925.07

II. BUDGET

- **FISCAL YEAR 2016** – We have started the reversal of encumbrances and accruals.
- **FISCAL YEAR 2017**
 - Lottery: \$68,320,140
 - VLT Special Fund: \$9,132,860
 - VLT General Fund: \$21,770,000
- **FISCAL YEAR 2018**
 - The Budget was submitted to DBM and our budget hearing is scheduled for November 9th.
- **Promotion Fund (Unclaimed Prizes)**
 - Balance as of August, 2016 \$ 9,431,880
 - Estimated increase in September, 2016 \$ 2,003,100
 - Estimated usage in September, 2016 \$ 667,301
 - Estimated balance as of September, 2016 \$10,757,679

III. ACCOUNTING/FINANCE

- The June 2016 financial statements as well as the GAAP financial statements are included in the package. Also included in your package is the SC&H engagement letter for fiscal year 2017.

IV. PROCUREMENT

- During September a total of 52 new small procurements (up to \$25k) were initiated. 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.
- Lottery Central Monitoring and Control System (#2015-01): RFP to obtain a Lottery Central Monitoring and Control System, and its implementation, operation and maintenance. Submission of the recommendation for contract award to Scientific Games International, Inc. to DoIT and subsequently to the BPW for review/approval has been delayed due to the receipt of two protests of the award from IGT Global Solutions Corporation and Gaming Innovations, LLC. Preparation of responses to the protests is in progress.

- Powerball Power Cruise Licensing Contract (#2016-04) with Alchemy3, LLC: New sole source contract in the NTE amount of \$115,975 for the term September 23, 2016 – January 31, 2018 to provide (1) a license to use the Royal Caribbean International® cruise line marks and logos as part of a Powerball promotion; and, (2) twenty-five exclusive Royal Caribbean cruise packages to be used as player prizes in conjunction with the promotional campaign. This contract was approved by the BPW at its 9/7/2016 meeting.
- Instant Ticket Vending Machines (“ITVMs”) and Related Services Contract (#2008-26) with GTECH Corporation: Contract to provide, distribute, install, maintain and relocate up to 1,000 new ITVMs to be located at Retailer locations throughout the State. The Contract included five 1-year Renewal Options for maintenance and repair services. Renewal Options #1, 2 and 3 were previously exercised with expiration February 28, 2017. The MLGCA desires to exercise the 1-year Renewal Option #4 with the term 3/1/2017 – 2/28/2018 in the amount of \$1,637,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at Retailer locations. This renewal will be presented to the Commission at its October, 2016 meeting and, subject to Commission approval, submitted to DBM for inclusion on the November 2, 2016 BPW Agenda.
- MBE/SBR Activities:
 - I. Procurement/MBE staff attended/are scheduled to attend the following event:
 - 1) 2016 Supplier Diversity and Inclusion/Minority Enterprise Development Week City of Baltimore Procurement Fair, to be held 10/20/2016 at the War Memorial Building, Baltimore, MD.
 - II. A summary of the Lottery's MBE participation including both Lottery and VLT Operations is attached.

V. HUMAN RESOURCES

- HR is working with DBM to get employees ready for open enrollment for health benefits and the statewide wellness awareness.
- HR is assisting with efforts to meet the Agency’s donation goals for the Maryland Charity Campaign which kicked off October 11, 2016.
- HR is in the final phases of filling job openings for the upcoming MGM casino compliance positions.

VI. INFORMATION TECHNOLOGY

- The Splunk (Operational Intelligence System) project is going as expected and will be completed by October 28th.
- Working with Support Services on the replacement of the Agency's photocopiers. The work is scheduled to start the week of October 24th.
- The network switch that supports the Gaming Division had a critical hardware failure and the entire switch was replaced.
- Continue to work with the Department of Human Resources, Child Support Enforcement Division, and MS Technologies for the exchange of gaming licensee data.