

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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TO: Maryland Lottery and Gaming Control Commission
Stephen Martino, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: March 21, 2013

SUBJECT: Report for the March 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 **200** agent plus 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 07/01/12 to 1/31/13 | YTD 07/01/12 to 1/31/13 | FEBRUARY 2013 | FEBRUARY 2013 | YTD 07/1/12 to 2/28/13 | YTD 07/1/12 to 2/28/13 |
|------------|-------------------------------|-------------------------------|------------------|------------------|------------------------------|------------------------------|
| | Count | Amount | Count | Amount | Count | Amount |
| Baltimore | 3,965 | \$5,893,541.64 | 410 | \$748,563.50 | 4,375 | \$6,642,105.14 |
| Lanham | 983 | \$4,388,056.85 | 114 | \$549,279.00 | 1,097 | \$4,937,335.85 |
| Agent Plus | 23,171 | \$46,690,467.75 | 3,144 | \$6,119,754.25 | 26,315 | \$52,810,222.00 |

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 07/1/12 – 9,860 As of 2/28/2013 – 9,739

| | YTD JANUARY 2013 Count | FEBRUARY 2013 Count | YTD 07/1/12 to 2/28/13 Count |
|------------------|---|------------------------------------|---|
| New Applications | 848 | 93 | 941 |
| Internet | 474 | 103 | 577 |
| Renewal | 7,785 | 1,1449 | 9,234 |

Mega Millions As of 07/1/12 –24,937 As of 2/28/2013 – 23,395

| | YTD JANUARY 2013 Count | FEBRUARY 2013 Count | YTD 07/1/12 to 2/28/13 Count |
|------------------|---|------------------------------------|---|
| New Applications | 2,477 | 267 | 2,744 |
| Internet | 1,179 | 214 | 1,393 |
| Renewal | 12,025 | 1,449 | 13,474 |

| | YTD JANUARY 2013 Amount | FEBRUARY 2013 Amount | YTD 07/1/12 to 2/28/13 Amount |
|---------------|--|-------------------------------------|--|
| Child Support | \$322,040.84 | \$24,830.28 | \$346,871.12 |
| CCU Debts | \$1,426,278.16 | \$87,900.65 | \$1,514,178.81 |

Agent Resource

| | 07/01/2012 | 2/28/2013 |
|------------------------|-------------------|------------------|
| # OF AGENTS | 4,260 | 4,391 |
| # OF AGENT TERMINALS | 5,040 | 5,136 |
| # AGENT PLUS LOCATIONS | 193 | 200 |

II. BUDGET

- **FISCAL YEAR 2014**

Budget meetings were held with the Legislature on February 8 and 11. The only recommended reduction was for the \$366,000 i-gaming funds that were inadvertently left in the budget by the Department of Budget and Management

Our submission was as follows:

Lottery Program: \$ 56,724,000

VLT Program:

Special Funds \$ 13,405,240

General Funds \$ 84,794,000

Total Budget \$154,923,240

FY2013 deficiency requests were also included in the budget to provide funding for all of the additional positions.

- **FISCAL YEAR 2013**

The budget allowance is as follows:

Lottery Program: \$ 54,444,985

VLT Program:

Special Funds \$184,745,750

General Funds \$ 72,874,387

Total Budget \$312,065,122

Two deficiency requests were submitted with the FY2014 budget to provide funding for all of the additional positions that were received or will be received.

Refer to the last page of this report for the quarterly spending report.

- **FISCAL YEAR 2012**

Beginning the monitoring of the liquidation of encumbrances and accruals.

- **FISCAL YEAR 2011**

All encumbrances were liquidated with the exception of one totaling \$50,000. This encumbrance was carried forward into Fiscal Year 2013.

III. ACCOUNTING/FINANCE

The December 2012 financial statement is included in your package.

The Mega Millions and Powerball Agreed Upon Procedures Audit is included in your package.

IV. PROCUREMENT

- During February a total of 60 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.
- Instant Ticket Games and Related Services Contract (#2006-01) with Pollard Banknote Limited Partnership (Primary Contractor) and Scientific Games International, Inc. (Secondary Contractor): RFP (#2013-01) for a new replacement contract was issued on January 29th, a Pre-Proposal Conference was held on February 12th and proposals are due by March 29, 2013 (originally proposals were due on Mar 15th but needed to be extended due to large volume of questions submitted by potential offerors).
- Advertising, Research & Public Relations Services Contract (#2007-01) for four Functional Areas ("FA") with GKV Communications, Inc. (FA#1 - Creative); Trahan, Burden & Charles, Inc. (FA#2 – Media and FA#3 - PR/Communications); and Crestwood Associates (FA#4 – Research): This Contract expires July 31, 2013 and no further renewal options are available. An RFP (#2013-02) for a new replacement contract, previously approved by the Commission at its February 26th meeting, was issued on February 28th. A Pre-Proposal Conference will be held on March 19th and proposals are due by April 26, 2013.
- Mailing Services Contract (#2012-02) with preferred provider VSP/Maryland Works, Inc. for bulk mailing services for subscriptions and renewals for Mega Millions and Multi-Match. Contract expires June 30, 2013. A renewal contract in the amount of \$25,000 (NTE) for the period July 1, 2012 to June 30, 2013 has been submitted to DGS/MD Works for processing and review/approval.

- Regulations: Status of Regulations approved by the Commission at its meeting on:
 - 1) December 13, 2012:
 36.03 Gaming Provisions; 36.04 Video Lottery Terminals; 36.05 (.01 - .05) Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on January 7, 2013. 36.01 General Provisions; 36.02 Lottery Provisions; 36.06 Electronic Gaming Devices; 36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: All new Regulations submitted to AELR as permanent regulations on January 10, 2013.

 Permanent regulations for 36.04, 36.01 and 36.06 published in Register on February 22 and anticipate submission for Final Action on April 8 upon expiration of 45 day approval period.

 Permanent regulations for 36.02 and 36.07 published in Register on March 8 and anticipate submission for Final Action on April 23 upon expiration of 45 day approval period.

 Emergency regulations for 36.03, 36.04 and 36.05 (.01 - .05) approved by AELR on March 1, 2013.
 - 2) January 24, 2013:
 36.05 (.06 - .14) Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on February 5, 2013. Permanent regulations approved by AELR and submitted to DSD on February 21 with anticipated publication in Register in late March.

 Emergency regulations for 36.05 (.06 - .14) approved by AELR on March 1, 2013.
 - 3) February 26, 2013: 36.05.15 Pai Gow Tiles Rules: All new Regulations pending submission to AELR as both emergency and permanent regulations.
- VLT Program:
 - 1) Investigative Services for Video Lottery Terminal Licensing Contract (#2009-07) with Spectrum Gaming Group (Primary Contract) and MDB International (Secondary Contract) for the term 5/7/2009 – 5/6/2011 in the total amount of \$5million. Three 1-year renewal options were available on the Contracts. The first renewal option was previously exercised for both Contracts in the total amount of \$1 million for the term 5/7/2011 – 5/6/2012. The second renewal option was previously exercised for both Contracts in the total amount of \$1 million for the term 5/7/2012 – 5/6/2013. Staff will present a recommendation to the Commission at its March 28 meeting that the third and final renewal option in the total amount of \$1 million for the term 5/7/2013 – 5/6/2014 be exercised for both of these Contracts.
 - 2) RFP for "Video Lottery Operation License in Prince George's County #2013-0101": RFP to seek applications for this VLT Facility and Operation License was approved by the Video Lottery Facility Location Commission at its January 31

meeting. RFP (#2013-0101) was issued on February 6, 2013. A Pre-Proposal Conference was held on February 27th and proposals are due by May 10, 2013.

- MBE/SBR Activities:
 - 1) A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on March 28.

V. **HUMAN RESOURCES - Recruitment Report**

The following activity occurred regarding Personnel:

- Accountant Advanced – Closed. Candidate started on March 6
- Executive Assistant- Administrator II. Recruitment underway. Closed on March 15.
- Supply Officer III – Contractual. Recruitment underway. Closing date is March 22.
- VLT Compliance Officers – New PINS. Open and continuous until March 11. Hired three recent candidates. Start dates are March 20 and April 15. (1- Perryville, 1- MD Live, 1- Rocky Gap).
- Internal Auditor II- (Perryville) Recruitment Closed. Candidate started on March 6.
- Internal Auditor II- (MD Live) Recruitment closed on March 11. Applications are being reviewed.
- Internal Auditor Supervisor. Closed. Interviews are scheduled for March 15, 19, 20.
- Sr. Merchandising Coordinator. Internal posting. Closed. Interviews are scheduled for March 18.
- VLT Licensing Specialist- Financial. Closed. Applications are being reviewed.
- VLT Assistant Manager. Internal Posting. Closed. Interviews are scheduled for the week of March 18.
- Computer Network Specialist. Recruitment underway. Closes on March 25.

VI. **WAREHOUSE**

The instant ticket warehouse is responsible for packing all of the instant tickets that are shipped to lottery retailers. Orders are placed through our Tel Sell operation which is run by our on-line vendor. Once the order is placed, it is sent to the warehouse for fulfillment. Once fulfilled, the orders are shipped out through UPS for overnight delivery to the agent locations. In addition to fulfilling the orders, the warehouse is responsible for monitoring UPS to ensure proper billing and delivery. Instant ticket shipping activity is as follows:

| # of orders February 2013 | # of packs February 2013 | YTD orders 7/1/12– 2/28/13 | YTD packs 7/1/12 – 2/28/13 |
|--|---|---------------------------------------|---------------------------------------|
| 1,323 | 122,954 | 94,245 | 1,004,053 |

VII. FACILITIES

- NEC phone cards for MDE phone switch have been installed.
- Received twenty five (25) new DT-300 Series upgraded phone instruments.
- Delivered eighteen (18) new 2 drawer lateral files to VLT 7th floor staff.
- Daily departmental support.

VIII. CONTRACT MANAGEMENT

- The Lottery and SGI/MDI continue to meet to define requirements for Properties Plus. The current launch date for the Properties Plus website is June 3, 3013. Lottery testing will begin in mid-May.
- Meetings were held with the Sales Team to discuss current issue with SGI. The majority of the issues and concerns were centered around processes and communication. A list of issues has been developed and will be reviewed with Sales management.
- TCC continues work on the Dunning Letter, programming and the development of a Cash Receipts module and development of a time keeping application for the VLT Licensing group.

IX. INFORMATION TECHNOLOGY

- Currently working on filling some vacant network positions. As noted in the HR section of the report, we are recruiting for a Network Specialist position. In addition, we are reclassifying a vacant position into a Network Specialist Supervisor.
- We are currently researching new help desk software. A new ticketing system will allow us to better identify and manage the user support workload.
- All of the equipment has been ordered for the connectivity at Rocky Gap.