

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: January 15, 2014

SUBJECT: Report for the January 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 205 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 07/1/13 to 11/30/2013	YTD 07/1/13 to 11/30/2013	Dec. 2013	Dec. 2013	YTD 07/01/13 to 12/31/13	YTD 07/01/13 to 12/31/13
	Count	Amount	Count	Amount	Count	Amount
Baltimore	2,838	\$4,421,334.25	497	\$809,176.00	3,335	\$5,230,510.25
Lanham	712	\$3,261,950.98	119	\$558,056.00	831	\$3,820,006.98
Agent Plus	18,311	\$38,283,646.75	3,021	\$5,833,759.25	21,332	\$44,117,406.00

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 07/1/13 – 8,736 As of 12/31/2013 – 7,921

	YTD November 2013 Count	December 2013 Count	YTD 07/1/13 to 12/31/13 Count
New Applications	463	158	621
Internet	218	134	352
Renewal	4,049	430	4,479

Mega Millions As of 07/01/12 24,937 As of 12/31/2013 16,258

	YTD November 2013 Count	December 2013 Count	YTD 07/1/13 to 12/31/13 Count
New Applications	3,322	832	4,154
Internet	271	444	715
Renewal	866	955	1,821

	YTD November 2013 Amount	December 2013 Amount	YTD 07/1/13 to 12/31/13 Amount
Child Support	\$73,929.25	\$6,661.90	\$80,591.15
CCU Debts	\$496,151.28	\$105,945.61	\$602,096.89

Agent Resource

	07/01/2013	12/31/13
# OF AGENTS	4,422	4,460
# OF AGENT TERMINALS	5,170	5,179
# AGENT PLUS LOCATIONS	203	205

II. BUDGET

- **FISCAL YEAR 2015**

The Fiscal Year 2015 Budget Hearings are as followings:

January 29, 2014 – 1:00 pm House

February 3, 2014 – 1:00 pm Senate

- **FISCAL YEAR 2014**

The final approved budget was as follows:

Lottery Program: \$ 55,948,446

VLT Program:

Special Funds \$ 13,462,265

General Funds \$ 86,476,648

Total Budget \$155,887,359

See the attachment for year to date spending.

- **FISCAL YEAR 2013**

We will begin work on the liquidation of encumbrances and accruals.

III. ACCOUNTING/FINANCE

The September Financial Statements are included in your package. The Fiscal Year end 2013 CAFR is also included.

IV. PROCUREMENT

- During December a total of 41 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.
- Veterans' Organization Instant Ticket Lottery Machines and Related Services (#2014-02): RFP to provide Instant Ticket Lottery Machines ("ITLM"), an ITLM central

monitor and control system ("ITLM Central System"), and other related services for Veterans' Organizations specified in the Lottery Law. Only one proposal was received from Diamond Game. Oral presentation/system demonstration was conducted on December 17. The Proposal continues to be under evaluation. A request for Best and Final Offer is anticipated to be issued by mid-January and a recommendation for award to be made by the end of January.

- Consulting Services Related to a VLT Facility Operation License in Prince George's County (#2014-06): Provide consulting services to assist the Video Lottery Facility Location Commission with its evaluation of Proposals for the Prince George's County VLT Operation License. The report of Emergency Procurement and contract award to Civic Economics in the amount of \$325,550 was approved by the BPW at its January 8, 2014 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. Modification to exercise the 1-year Renewal Option #1 in the amount of \$1,500,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at Retailer locations and also to modify the Contract to allow the purchase of the balance of 150 ITVMs during the term of Renewal Option #1 or any subsequent renewal option, if exercised, was approved by the BPW at its January 8, 2014 meeting.
- Instant Ticket Games and Related Services Primary Contract (#2013-01P) with Pollard Banknote Limited: Contract to provide Instant Ticket Games and Related Services to include: ticket design, production, security and delivery to the Lottery's warehouse; delivery of tickets to the Retailers; and marketing and sales support. Modification to (1) add a technical enhancement to the contract by incorporating the "WebPlayTM" proprietary game and play style; and (2) increase the Not to Exceed amount for the contract by \$3,270,679 was approved by the BPW at its January 8, 2014 meeting.
- On-Line Gaming System (#2005-11) with Scientific Games International, Inc.: Contract to design, develop, implement, lease, operate and maintain a Lottery On-Line Gaming System, including a Central Site System, Retailer Terminals, Software, and a satellite based Telecommunications Network to connect the Retailer Terminals to the Central Site System. Modification in the amount of \$468,160 to provide the Lottery with (1) a license to use the Major League Baseball® and the Baltimore Orioles® baseball team marks and logos for an Instant Ticket Lottery Game, supporting marketing materials at Retailer locations selling the tickets and advertising for the tickets, and (2) Orioles and Major League Baseball related prizes to be awarded to winners of the Instant Ticket game and related second chance promotion. This modification was approved by the Commission at its December 18 meeting and will be submitted to the BPW at its January 22 meeting.
- Regulations: Status of Regulations approved by the Commission at its meeting on:

1. December 13, 2012: 36.06 Electronic Gaming Devices: All new Regulations submitted to AELR as permanent regulations on January 10, 2013; published in Register on February 22; and now eligible for submission for Final Action but is on indefinite hold due to issues raised in public comments.
2. August 22, 2013: 36.01.03 Voluntary Exclusion (General); 36.03.06 Voluntary Exclusion (Casino): Amendments submitted to AELR as Permanent regulations on October 2; Published in Register on November 15; after expiration of 45 day public comment period regulations were submitted for Final Action on December 30. Regulations become effective 10 days after publication of Final Action in Register.

36.03.10.29 Deposit of Counter Checks; 36.05.04 Table Games Rules-Blackjack; 36.05.05 Table Game Rules-

Craps: Amendments submitted to AELR as both Emergency and Permanent regulations on October 2.

Permanent regulations Published in Register on November 15; after expiration of 45 day public comment period regulations were submitted for Final Action on December 30. Regulations become effective 10 days after publication of Final Action in Register.

Emergency regulations Published in Register on December 2, 2013, with effective date of November 7, 2013 and expiration date of April 4, 2014.

3. September 19, 2013: Regulations will no longer be processed by Procurement, effective with the September Commission meeting.

- VLT Program:

- RFP for "Video Lottery Operation License in Prince George's County #2013-0101": RFP (#2013-0101): At its meeting on December 20, 2013 the Location Commission awarded the Video Lottery Operation License in Prince George's County to MGM National Harbor, LLC. The Commission's Decision Statement has been issued, the period for an unsuccessful Applicant to file a protest of the License award has expired, and no protests have been received.

- MBE/SBR Activities:

- Procurement/MBE staff attended/are scheduled to attend the following events:
- MBE University event at the Reginald F. Lewis Museum being held December 10 – postponed until May 10, 2014.
- A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on January 23.

V. HUMAN RESOURCES - Recruitment Report

The following activities occurred regarding Personnel:

- Contractual Lottery Representative I- Closed. Interviews are rescheduled for the week of January 13.
- Lottery Training Manager. Closed. Interviews are rescheduled for the week of January 20.
- VLT- Licensing Specialist (2 contractual positions and 1 permanent). Closed. Interviews for the Contractual position have been conducted. Remaining interviews are scheduled for the week of January 13 and 20 respectively.
- Office Secretary II – Closed. Interviews are rescheduled for the week of January 20.
- Office Secretary I - Front Desk Receptionist. Closed. Reviewing and scoring applications.
- Internal Auditor II. New opening due to a promotion and termination. Job Posting closes on January 16.

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 December 2013	# of packs December 2013	YTD orders 7/1/13– 12/31/13	YTD packs 7/1/13 – 12/31/13
13,332	139,782	79,881	724,646

VII. FACILITIES

- The daily maintenance inspection reports were completed by staff for repairs and updates of MLGCA. Work orders for repairs were forwarded to building management. The corridor in the main hall way is to be painted as well as the hallway near the studio area.

- We are preparing for the FY 2015 Inventory and Audit. Documents are being reviewed by staff. To help assure MSLGA staff are aware of emergency exit locations, a floor diagram reflecting the actual floor arrangement, exit locations and room identifications be posted in the corridors of the Agency.
- Daily Operations – Order and replace broken phones and chair. Calendar orders received and distributed to departments. Daily runs to Annapolis, bank, Postal Services, Linthicum and State Office Building. Supply orders processed and delivered.

VIII. CONTRACT MANAGEMENT

- The meetings with all departments to gather ideas for the new On-Line Lottery RFP have been completed. All suggestions are now being collated and put in an easy to review format for management review.
- Lottery testing of the new software to support the PowerBall has been completed. Additional regression testing and testing of upcoming promotions will continue until the software is deployed on January 19, 2014
- The pilot testing of Hudson Alley's OnePlace software which runs on i-Pads and will replace the existing tablet PCs started on Wednesday January 8, 2014. Once we are satisfied with the status of the data and application, we will deploy to the remainder of the Sales force. Currently this is scheduled for late January, 2014.
- Scientific Games has reviewed the Lotteries software change requests and has advised that they will be able to deliver the Racetax changes, Keyless Validation of Instant Tickets and the required changes for the My Lottery Rewards phase II application by late April, 2014.
- The Lottery testing of Keyless Validation functionality on the Extrema terminal will begin on January 20, 2014. The format for the keyless barcode for Pollard tickets has been approved and tested. The keyless barcode for Scientific Games tickets is currently undergoing format testing and will begin Extrema testing in late January.
- The requirements gathering for the development of an RFP for Document Imaging of the paperwork in the Agent Administration and Customer Resource Centers is underway. We have identified each document and the volumes processed per month. Currently we are documenting the work flow for each of the identified documents.
- On Monday, January 6, 2014, new software was deployed to all of the Extrema terminals. This software addresses some of the issues players were experiencing while checking tickets on the Ticket Checkers.

IX. INFORMATION TECHNOLOGY

- Working with SGI and contract management to configure the OnePlace server, and iPads for user testing. Testing should be completed by the end of January.

- Update ***Overhead projectors and speakers have been installed in the Studio to better support meetings and presentations*** **Completed.**
- The two new Cisco network switches are installed and fully functional.
- Low voltage cabling in the expansion space will start to be installed the week of January 6th.