

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: September 12, 2013

SUBJECT: Report for the August 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 **204** 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 7/31/2013	YTD 07/1/13 to 7/31/13	August 2013	August 2013	YTD 07/01/13 to 8/31/13	YTD 07/01/13 to 8/31/13
	Count	Amount	Count	Amount	Count	Amount
Baltimore	608	\$853,557.00	524	\$892,448.50	1132	\$1,746,005.50
Lanham	169	\$779,950.73	136	\$603,055.00	305	\$1,383,005.73
Agent Plus	3,183	\$6,270,040.25	3,800	\$7,971,175.25	6,983	\$14,241,215.50

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 8/31/2013 – 9,007

	YTD JULY 2013 Count	AUGUST 2013 Count	YTD 07/1/13 to 8/31/13 Count
New Applications	89	124	213
Internet	37	50	87
Renewal	1,296	745	2,041

Mega Millions As of 07/01/12 24,937 As of 8/31/2013 17,884

	YTD JULY 2013 Count	AUGUST 2013 Count	YTD 07/1/13 to 8/31/13 Count
New Applications	0	0	0
Internet	0	0	0
Renewal	0	0	0

	YTD JULY 2013 Amount	AUGUST 2013 Amount	YTD 07/1/13 to 8/31/13 Amount
Child Support	\$25,550.65	\$12,285.87	\$37,836.52
CCU Debts	\$98,283.03	\$81,516.98	\$179,800.01

Due to the upcoming Mega Millions changes, we are no longer processing Mega Million subscriptions. All existing subscribers have been notified of the changes and have been asked if they want to continue their existing subscriptions or if they want a refund. Statistical data follows:

Initial Mailing	7692	Refund Request	41
Quick Pick	5065	Processed as of 8/31/2013	2586

Within the next couple of weeks we will finish processing the remaining non responses as quick picks and will begin sending out the new application to all previous subscribers that we could not renew.

Agent Resource

	07/01/2013	8/31/2013
# OF AGENTS	4,422	4,452
# OF AGENT TERMINALS	5,170	5,166
# AGENT PLUS LOCATIONS	203	204

II. BUDGET

• **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 are working on closing the books for FY 2013. Final spending is as follows:

Lottery Program: \$ 54,902,591 - reversion of \$231,295

VLT Program:

Special Funds \$58,664,559 - cancellation of \$128,377,611

General Funds \$ 73,474,750 - reversion of \$1,524,399.83

Notes: Significant cancellation of special funds is due to the change in law on October 1st that allowed the casino operators to keep their share of GTR.

All other numbers are subject to change upon closing.

III. ACCOUNTING/FINANCE

We are currently working on the year end GAAP statements.

IV. PROCUREMENT

- During August a total of 59 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 (#2013-01): Award to Pollard Banknote Limited (Primary Contractor), Scientific Games International, Inc. (Secondary Contractor), and GTECH Corporation (Secondary Contractor), previously approved by the Commission at its June 27 meeting, was approved by the BPW on its August 21, 2013 Agenda.
- Instant Ticket Games and Related Services Contract (#2006-01) with Pollard Banknote Limited Partnership (Primary Contractor) and Scientific Games International, Inc. (Secondary Contractor): A Modification to (1) increase the Not to Exceed amount by \$13,600,000 and (2) extend the contract for the Primary Contractor for a period of two years until August 31, 2015 for payment purposes only, previously approved by the Commission at its August 22 meeting, was approved by the BPW on its August 21, 2013 Agenda.
- Veterans Organization Instant Ticket Lottery Machines and Related Services (#2014-02): RFP to provide the design, development, installation, implementation, operation and maintenance of a central monitor and control system ("ITLM Central System"); Instant Ticket Lottery Machine ("ITLM") design, development, installation, implementation, support, supplies and maintenance at Veterans' Organizations specified in the Lottery Law; Instant Ticket design, Instant Ticket planning, production, security and storage in the Contractor's warehouse; and, delivery of Instant Tickets to the Facilities. This RFP which was preliminarily approved by the Commission at its June 27 meeting was issued on August 28, 2013; a Pre-Proposal Conference will be held on September 12, 2013; and Proposals are due on October 9, 2013.
- The Board of Revenue Estimates ("BRE") has taken on the role of estimating casino revenues. In order for the Lottery to support the BRE in this analysis it is necessary to engage experts to provide baseline revenue estimates before the BRE meets in October. The BRE will rely on the Lottery's experts and their proprietary gravity models to help formulate revenue estimates for the State. Therefore, the Lottery has entered into two small procurement contracts:

1) Consulting Services Related to Gaming Operations in Maryland Contract (#2014-04) with Cummings Associates: Contract in the amount of \$24,000 for the term September 10, 2013 – December 10, 2013 to assist and advise the Lottery on various aspects of Gaming operations in Maryland specifically to include a study of the likely gaming revenues of the existing four VLT Licensees over the next five years with and (hypothetically) without the new Facility in Baltimore. It is anticipated that this Contract will be submitted to the Commission for review at its September 19 meeting.

2) Consulting Services Related to Gaming Operations in Maryland Contract (#2014-05) with Custom Gaming Consulting: Contract in the amount of \$17,200 for the term September 10, 2013 – December 10, 2013 to assist and advise the Lottery on various aspects of Gaming operations in Maryland specifically to include a study to forecast the gaming revenue potential of the VLT Facility in Baltimore City that is scheduled to open in 2014 as well as the gaming revenue impact on the existing VLT Facilities using a comprehensive drive-time gravity model. It is anticipated that this Contract will be submitted to the Commission for review at its September 19 meeting.

- Consulting Services Related to a VLT Facility Operation License in Prince George's County (#2014-06): RFP to 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. It is anticipated that this Emergency RFP will be submitted to the Commission for review/approval at its September 19 meeting and will result in a contract in the approximate NTE amount of \$350,000.
- Regulations: Status of Regulations approved by the Commission at its meeting on:

1) December 13, 2012:

36.03 (.01 - .12) Gaming Provisions; 36.05 (.01 - .05) Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on January 7, 2013. 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 36.06 Electronic Gaming Devices 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. (verified 7/23/2013)

2) April 26, 2013:

36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: All new regulations (Revised 36.07.01 - .07) submitted to AELR as both Emergency and Permanent regulations on July 17. After required minimum 15 day approval period by AELR, permanent regulations were submitted to DSD on August 2, 2013 for publication in Register anticipated in late August. The previous version of this chapter approved by Commission on December 13, 2012 has been withdrawn (36.07.01 - .04) and replaced by this version due to required substantive changes.

36.03.02.12 - .14 Gaming Provisions/Investigation and Licensing: Amendments to these regulations submitted to AELR as Permanent regulations on August 23. After the required minimum 15 day approval period by AELR, permanent regulations were submitted to DSD on September 9 for publication in Register anticipated in late September.

3) May 23, 2013: 36.03.01.02 Definitions; 36.03.10.36 Promotional Play; and 36.03.10.49 Acceptance of Tips and Gratuities: Amendments to these regulations submitted to AELR as Permanent regulations on August 23. After the required minimum 15 day approval period by AELR, permanent regulations were submitted to DSD on September 9 for publication in Register anticipated in late September.

4) June 27, 2013: 36.05.03.15 Table Game Procedures/Taxes; 36.05.09.12 Four Card Poker/Payout Odds; and 36.05.11.12 Mississippi Stud/Payout Odds: Amendments to these regulations submitted to AELR as both Emergency and Permanent regulations on July 24. Permanent regulations were published in Register on September 6. After expiration of 45 day public comment period, it is anticipated that regulations will be submitted for Final Action on October 21. Regulations become effective 10 days after publication of Final Action in Register.

5) August 22, 2013: 36.01.03 Voluntary Exclusion (General); 36.03.06 Voluntary Exclusion (Casino); 36.03.10.29 Deposit of Counter Checks; 36.05.04 Table Games Rules-Blackjack; 36.05.05 Table Game Rules-Craps: Pending preparation and submission as both Emergency and Permanent regulations

- VLT Program:

RFP for "Video Lottery Operation License in Prince George's County #2013-0101": RFP (#2013-0101): The proposals received from the three Applicants continue to be under review. The Location Commission anticipates conducting site visits and public hearings for the three Applicants in October 2013.

- MBE/SBR Activities:

I. A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on September 19.

V. HUMAN RESOURCES - Recruitment Report

The following activities occurred regarding Personnel:

- Internal Auditor Supervisor. Closed September 9. Applications being reviewed
- Accountant Advance Specialized- 2 positions. Closes on September 18
- Sales Manager for Western Region- Closed. Interviews underway

- HR Officer II and HR Officer III- Candidates Selected. Start date October 16.
- Administrative Officer III- Digital Community Coordinator. Closed. Internal Candidate selected. Start date is October 9
- Administrative Officer I- Closed. Candidate selected. Start date is October 18
- Draw and Monitor Product Manager. Closed August 29. Interviews are underway
- Casino Compliance Officers 2 positions (Hollywood-Perryville and MD Live Locations). Closes Sept. 27th

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 August 2013	# of packs August 2013	YTD orders 7/1/13- 8/31/13	YTD packs 7/1/13 - 8/1/13
13,030	112,311	27,986	227,394

VII. FACILITIES

- The three new vans that were delivered this month have been titled and tagged via MVA. Assignment of new vehicles was pending receipt of fuel card and PHH service card; new cards now received and assignment scheduled for this week. New decals also received from MCE; to be placed on new vehicles by Sales.
- Two disposals, DGS #132344 and #132623 will be placed back on Gov Deals by DGS, due to buyers' failure to pick up items. The items listed on referenced disposals include the file cabinets and large printers in hallway near freight elevator.
- Support Staff will start conducting inventory of all departments by August 30, 2013 and will finish by mid-September. Once the inventory is completed asset reports will be generated and distributed to all accountable officers for verification and signature.
- Daily departmental support.
- Working to replace and upgrade all of the Agency's copiers.

VIII. CONTRACT MANAGEMENT

- Scientific Games International (SGI) has completed the high level emergency software release and major incident checklist. This document will be used going forward for all major incidents and emergency software releases. There will be reviews after each event to see if modifications or additions need to be made to the checklist.
- The Properties Plus program continues to grow. As of September 4, 2013 there were 21,763 people enrolled with a total of 9,291,074 points entered. A meeting was held on August 28th to discuss the requirements and timelines for Phase II of Properties Plus. A follow up meeting is scheduled for 9/18/13.
- The semi-annual meetings with the District Sales Managers (DSR) and SGI are scheduled for the week of 9/16/13. These meetings are held to solicit input from the DSRs on the performance of SGI and to discuss ways to improve on processes such as installations and repairs.
- The Lottery and SGI continue to work on the software development and release schedule. A detailed project plan for the next 12 months is scheduled to be completed by 9/20/13. This list will need to be somewhat flexible as business decisions are made by the Lottery that impact software development.
- Testing for the software changes for Mega Millions is underway. There have been no major issues found. Testing of this release will continue through the end of September. This software will be pre-loaded and be ready for implementation on 10/19/13.
- The Software Requirements Specification document of the upcoming Power Ball change has been developed by SGI and distributed to the Lottery for review. The Lottery will have all requested changes back to SGI by 9/20/13. This software changes will go into effect in January of 2014.
- Plans are underway to swap out the current tablet PCs used by the DSRs for i-Pads and a new version of the OrderPad software called OnePlace. The tentative schedule calls for full deployment of the i-Pads by October 28, 2013.

IX. INFORMATION TECHNOLOGY

- The Lottery's back office Unisys Libra 400 production system has been successfully migrated to a Libra 460. The new disaster recovery system is also in place and operational. Disaster recovery procedures are being reviewed and updated.
- Internal Control System software version 12.2 was installed on 8/19 for the Keno Sprinkler and RaceTrax Doubler promotions.

- Working with the Lottery's support services team to plan for and facilitate the replacement of the Ricoh photocopiers with Canon photocopiers. Anticipate project duration is 4-6 weeks.
- Working on system configuration and software changes in conjunction with Elsym (the ICS vendor) to better manage the internal control system. These changes are being implemented in conjunction with the Mega Millions software release.
- Ongoing planning for the installation and implementation of a network appliance, network switches, wireless network, and a help desk application.
- Continued roll out of new PCs to Lottery staff.
- The IT division is involved in the construction of the new office space. We are planning for the installation of the IT infrastructure and equipment.