

**MARYLAND STATE LOTTERY COMMISSION  
OCTOBER MINUTES**

DATE: October 20, 2004  
TIME: 9:00 a.m.  
PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Frank C. Bonaventure  
Vice Chairman E. Randolph Marriner  
Commissioner Osborne Payne

Buddy Roogow, Director  
Gina Smith, Assistant Director and CFO  
Andrea Johnson, Principal Counsel  
Sandra Johnson, Chief Information Officer, Information Technology  
Stephen Meehan, Deputy Director, Sales  
Jimmy White, Director, Communications  
Jill Baer, Director, Creative Services  
Tracey Cohen, Director, Product Development  
Paul Dorsey, Director of Policy and Development  
Deborah Sharpless, Controller, AFO  
Carole Everett, On-line Product Manager, Product Development  
Lori Nash, Product Analyst  
Stephanie Cannon-Jones, Research Analyst  
Daviedra Williams, MBE Liaison Officer  
Shirley Basse, Internal Auditor  
Suzanne Meltzer, Executive Assistant  
Marie Torosino, Executive Associate

**OTHERS**

PRESENT: Sean Athey, Scientific Games Online Entertainment Systems  
David Blum, Eisner Communications  
Paul Shifrin, Stout, Causey, Horning

Chairman Bonaventure stated that because there is not a quorum present, the Commission Meeting would not officially convene until a quorum is present.

### **DIRECTOR'S REPORT**

Mr. Buddy Roogow stated he and others recently attended the NASPL Conference in Quebec. Over 950 people attended the conference. At the trade show, vendors had various new technologies to exhibit. Ms. Tracey Cohen and Mr. Gary Smith gave a presentation on the Golden Ticket instant game. The Lottery also received a number of awards. The Big Ben Bucks radio spot received the Best Use of Humor in Radio award. The Lotto Super Draw television spot was selected as the Best TV Campaign Under \$10,000. The dancing scratch television spot won the award for the Best TV Campaign Under \$25,000. The Golden Ticket scratch-off game won the award for the Best New Instant Game. Ms. Gina Smith, the Lottery's Assistant Director/CFO, received the Powers Award that recognizes individuals for an exceptional job performance. The Commission offered their congratulations to the Lottery and Ms. Smith.

Mr. Roogow stated total sales are \$30 million ahead of last year. Pick 3 sales are approximately \$3.7 million ahead of last year. The addition of mid-day Sunday drawings as well as the Pick 3 Bonus program during summer contributed to this increase in sales. Pick 4 sales are approximately \$5 million ahead of last year. The Lottery continues to have record sales in Keno and Keno Bonus, with combined sales of approximately \$7 million ahead of last year. Instant sales are approximately \$7.8 million ahead of last year. Mega Millions sales are approximately \$7.5 million ahead of last year. Mr. Roogow stated game revenues are approximately \$3.4 million ahead of last year.

### **CALL TO ORDER**

Chairman Bonaventure stated there is now a quorum present and the Commission Meeting was officially called to order at 9:27 a.m.

### **APPROVAL OF MINUTES**

Chairman Bonaventure stated the approval of the September Minutes would be delayed until next month's Commission meeting. Vice Chairman Marriner was not present at the September meeting and there are only two other Commissioners present at today's meeting that were present at the September meeting. A quorum is needed to approve the Minutes.

### **EISNER COMMUNICATIONS**

Mr. David Blum stated this past Saturday another Scratch Squad commercial featuring Chip Franklin was filmed at the Baltimore Marathon. It should be on the air next month.

Mr. Blum stated Eisner is currently working on point of sale items for the Pick 3 promotion and Keno Tripler. He stated for the holidays the Hampden Lights spot would be run again this year.

### **SCIENTIFIC GAMES ONLINE ENTERTAINMENT SYSTEMS**

Ms. Sean Athey stated work continues on the monitor pilot program. A presentation would be made to the Commission today on the specifics of the monitor pilot program.

Ms. Sean Athey, Ms. Tracey Cohen, Ms. Carole Everett and Ms. Lori Nash presented a Power Point overview of the monitor pilot program. Ms. Everett stated the pilot program would evaluate the impact of a new monitor game through research to determine potential for a statewide rollout. Some of the game features include a computer-animated horseracing game with the probability and payout of a Keno numbers- type game. The test pilot will run off of a small central system, which is similar to, but independent of the Lottery's on-line system. There are five phases to research the pilot program. Phase 1 would start with five retailer test locations in November, and continue through Phase 5 with a total of 20 pilot test locations. The various test locations would be located at agent retailers in Baltimore, Prince Georges and Charles Counties and Baltimore City. Each retailer location would be trained by Lottery sales personnel and point-of-sale information would be supplied to explain the game. Ms. Nash stated four primary bet types would be offered for the test pilot program. There will be play slips for Win/Show wagers and Quinella/Trifecta wagers. Also, \$2 fast bet play slips would be available to players. The prize structure was also discussed. Ms. Cohen stated that Scientific Games had done research in Massachusetts and that Rhode Island has 40 locations to date. Ms. Andrea Johnson asked if the locations in the pilot program are Keno locations. Ms. Cohen responded that there are Keno as well as non-Keno locations. The test phase would run through July 2005.

Chairman Bonaventure asked is there are any cost to the Lottery retailer. The response was there is no cost to the retailer. Ms. Cohen stated the retailers involved are excited about this pilot program. Chairman Bonaventure asked Ms. Cohen if there are any problems or downsides. Ms. Cohen said no. Ms. Sandra Johnson stated it would run on a separate system. She stated if there is a communications problem, the system cannot switch to the backup system in Lanham.

Commission asked if the Lottery spoke to the Racing Commission as yet. Mr. Roogow responded he wanted to present the detailed program to the Lottery Commission prior to talking to the Racing Commission.

## **STOUT, CAUSEY & HORNING**

Mr. Paul Shifrin stated the year-end GAAP financial statement has been completed and copies were supplied to the Commission. Chairman Bonaventure asked if there is anything in the statement that the Commission should be made aware of. Mr. Shifrin responded there is nothing new the Commission should be aware of. The Lottery would be preparing a CAFR that is due December 1, 2004.

## **COMMISSION BUSINESS**

Chairman Bonaventure stated the Audit Committee of the Commission met. The Commission requested the Lottery Internal Auditor to perform a risk assessment of the Agent Plus Program.

Chairman Bonaventure stated that Mr. Clay Mitchell, former Speaker of the House, had given him a suggestion regarding scratch-off tickets. The Chairman put the suggestion on the table for discussion. Mr. Mitchell's suggestion was that the Lottery raise the price of the \$1.00 scratch-off ticket to \$1.50. Mr. Roogow stated eliminating \$1.00 scratch-off tickets or doing other than even denomination would result in some backlash from retailers. Some retailers are in areas where the \$1.00 scratch-off tickets are their primary ticket sales. Also, a \$1.50 scratch-off ticket would also cause problems with the ITVMs. Chairman Bonaventure will advise Mr. Mitchell that his suggestion was discussed.

Chairman Bonaventure stated the work group would be meeting after the Commission meeting to discuss the new accounting method for the Lottery. He requested that Stout, Causey and Horning be invited next month to obtain their input.

Chairman Bonaventure asked when the Legislative auditors were due to return to the Lottery. The response was possibly after the first of the year.

## **REPORTS**

### ***Research and Planning – Stephanie Cannon-Jones, Research Analyst***

In Dr. Tchicaya Ellis' absence, Ms. Stephanie Cannon-Jones presented the Research Division's report. She stated work on the Mega Millions Multi-State Research has been completed. They are now preparing to work on a follow-up research request that would allow the Mega Millions states to determine the number and value of three different types of player groups for future marketing, promotional and game development decision making.

Ms. Cannon-Jones stated the results of the Golden Ticket Scratch-off Promotion Research were presented to the Lottery staff. Lottery players liked the ticket and the Lottery is considering running a similar program in the future.

Ms. Cannon-Jones stated Research is preparing for the Lotto Game research testing five concepts.

Ms. Daviedra Williams, MBE Liaison, presented the MBE portion of the report. She stated they recently attended the Maryland Hispanic Business Conference in Annapolis on October 8, 2004 and the 13<sup>th</sup> Annual Baltimore/Washington Area Government Procurement Fair in Laurel on October 19, 2004.

Ms. Williams stated the MBE Division met with Lottery staff to discuss the recommendations concerning the MBE goal waiver request from OGT. The MBE Division has also had discussions with MDOT and GOMA on the issues. OGT will present their reasons for requesting a waiver of the MBE goal at the November Commission meeting.

#### *Legal Division – Andrea Johnson, Principal Counsel*

Ms. Andrea Johnson stated there are no new revocations of lottery licenses to present to the Commission this month. Ms. Johnson asked the Commission to consider a date for the revocation appeal hearing for Hobbit's Liquors. The hearing should take a minimum of three hours. The Commission decided that the hearing would be scheduled for Wednesday, December 22, 2004 at 1:00 p.m., after the monthly Commission meeting.

Ms. Johnson stated regarding the Maryland Human Commission Relations Matter concerning the ADA issue, the Lottery has a 90-day implementation period to begin implementing the terms and conditions of the agreement. A summary of the facts was contained in Ms. Johnson's report.

Ms. Johnson stated the Legal Division is working with Dr. Ellis on the OGT MBE goal waiver request.

Ms. Johnson stated a statutory change was made in the Lottery law that would allow Lottery agents to commingle lottery monies. Also, language was removed from the law that required Lottery agents to hold monies in trust for the Lottery. Any agent that decided to give up their separate bank account would be required to sign an Express Trust Agreement so that the Lottery can attempt to protect lottery monies as much as possible due to the statutory change. Any agent in the Agent Plus program is still required to maintain a separate bank account.

#### *Administration, Finance and Operations – Gina Smith, CFO*

Ms. Gina Smith stated the Commission received the year-end financial statements. By next month, all the audited financial statements to date would be received. There are no changes between the unaudited and audited statements.

Ms. Smith stated the Lottery's Unfunded Budget request was submitted. The Lottery requested additional positions and funding for ITVMs and advertising.

Ms. Smith stated she is working with the Legal Division on the Express Trust Agreement, as well as the terms of the ADA settlement agreement.

Ms. Smith stated Human Resources is currently working on the recruitment process for a Computer Services Technician position and an Administrative Specialist position in the IT Division, a fiscal clerk position in AFO's Customer Resource Center and a part-time drawing official for the Communications Division.

Ms. Smith stated work continues with the Comptroller's Office to collect taxes owned by Lottery agents. Meetings have been set up with some agents. The Lottery has been successful in the past with setting up payment plans with the agents.

Ms. Smith stated she is working with the Lottery's Procurement Officer on the SAS-70 project through the Department of Budget and Management. The Lottery intends to utilize a statewide audit contract for the SAS-70.

#### *Information Technology – Sandra Johnson, Chief Information Officer*

Ms. Sandra Johnson stated IT is working with representatives from various Lottery Divisions preparing the list of requirements for the upcoming on-line RFP. The first draft of the requirements list would be completed for the on-line consultant vendor.

Ms. Johnson stated software testing continues for cashing in the field bonus program and is scheduled for installation in October 2004. Changes to in-house programs are being done to recognize and process these transactions.

Ms. Johnson stated work continues on the monitor pilot program, including research and accounting reports, and communications. The projected cost of this project is \$25,000.

Ms. Johnson stated software to prevent the wrong State's logo from appearing on the Keno screen is currently being tested. This software would permanently eliminate the possibility of any further incidents.

Ms. Johnson stated the FY2006 Information Technology Master Plan was submitted to the Department of Budget and Management. Also, IT submitted an unfunded budget request for two additional IT positions.

Ms. Johnson stated work continues on the configuration of the hardware and software being purchased to replace the Unisys backup system. This system is also used for testing and development.

Ms. Johnson stated she participated in a conference call with the NASPL Standards Steering Committee that met at the NASPL Conference in Quebec. The group discussed what the Committee has achieved to date and the need to identify new or additional areas requiring standardization.

*Communications - Jimmy White, Director*

Mr. Jimmy White stated the Communications Division was involved in many events and promotions this past month including the Maryland Seafood Festival, Taste of Baltimore, Cruisin' Ocean City, Maryland Million, African-American Home Show, Baltimore Marathon, the Fells Point Festival, Merriweather concerts and the Ravens Radio Tailgate Patrol.

Mr. White stated there were 16 stories printed in various newspapers and Eisner valued these articles at \$3,263.25. Mr. White stated his report also contained the Winning Ways newsletter that is sent to community leaders and the Promotional Partners newsletter that is sent to radio, television and other media partners.

Mr. White stated the Lottery's Promotional Partners Program distributed \$3,050 in scratch-off tickets to radio stations and received a promotional value of \$46,825.

Mr. White stated the website has a new look. Ms. Paulina Nicolaides of the Communications Division was involved in making these changes.

Mr. White stated the Lottery's Annual Report would be going to printers in the next 30 days.

*Creative Services – Jill Baer, Director*

Ms. Jill Baer stated because of the size of the jackpot a Mega Millions jackpot spot aired during the Ravens game on October 4, 2004, on WMAR-TV. Also, WJZ would be airing Lottery spots during various Ravens games as part of the Lottery's football package. A new Scratch Squad was filmed during the Baltimore Marathon and should be airing in the beginning of November 2004. Ms. Baer stated the Lottery is working with a television partner, WBAL-TV, and a radio partner, WIYY 98 Rock, to promote the \$1.00 Hoola Moola scratch-off. Each station would be conducting a register to win contest and the grand prize is a trip to Hawaii.

Ms. Baer stated they are bringing back the Hampden Lights television spot for the holidays that would begin airing shortly. Ms. Baer stated they are developing an ad for the December issue of Baltimore Magazine that would highlight the benefit of giving scratch-off tickets as gifts to employees.

*Product Development – Tracey Cohen, Director*

Ms. Tracey Cohen stated as previously indicated, one of the awards the Lottery won was for best new instant product. This was a new NASPL award category this year.

Ms. Cohen stated she has information to present to the Commission on the instant tickets of which working papers have not yet been finalized. The following pending instant game financials were presented to the Commission for their review and approval.

Game #491 *Low Carb Cash* is a \$2.00 instant ticket with a prize payout of 63.07%. If 95% of the tickets are sold, the profit would be \$922,986. If 100% of the tickets are sold, the profit would be \$971,565.

Game #516 *Monte Carlo* is a \$5.00 instant ticket with a prize payout of 72.34%. If 95% of the tickets are sold, the profit would be \$1,750,365. If 100% of the tickets are sold, the profit would be \$1,842,490.

Game #518 *Pharaoh's Gold* is a \$5.00 instant ticket with a prize payout of 73.69%. If 95% of the tickets are sold, the profit would be \$1,585,242. If 100% of the tickets are sold, the profit would be \$1,668,676.

Game #519 *Lucky 3's Tripler* is a \$3.00 instant ticket with a prize payout of 67.34%. If 95% of the tickets are sold, the profit would be \$1,133,719. If 100% of the tickets are sold, the profit would be \$1,193,388.

Game #520 *Royal Riches* is a \$3.00 instant ticket with a prize payout of 67.92%. If 95% of the tickets are sold, the profit would be \$1,099,667. If 100% of the tickets are sold, the profit would be \$1,157,544.

Game #521 *Triple Cash* is a \$1.00 instant ticket with a prize payout of 58.07%. If 95% of the tickets are sold, the profit would be \$838,980. If 100% of the tickets are sold, the profit would be \$883,137.

Game #522 *Deuces Wild* is a \$1.00 instant ticket with a prize payout of 57.99%. If 95% of the tickets are sold, the profit would be \$841,329. If 100% of the tickets are sold, the profit would be \$885,609.

Game #523 *Triple 7's* is a \$1.00 instant ticket with a prize payout of 58.04%. If 95% of the tickets are sold, the profit would be \$839,861. If 100% of the tickets are sold, the profit would be \$884,064.

Vice Chairman Marriner made a motion to approve the above instant games and Commissioner Payne seconded the motion. The above instant games were approved by unanimous vote of the Commission.

Chairman Bonaventure stated this format of presenting the scratch-off tickets began approximately a year ago and asked if any data was available to see how the scratch-off tickets have performed. Ms. Cohen responded she would let the Commission know when actual information is available.

***Sales – Stephen Meehan, Deputy Director***

Mr. Stephen Meehan stated his report included the Sales Plan for FY 2005 and 2006 that was requested by the Commission. This plan contains projects and programs the Sales Division has planned each month for the fiscal year. For instance, in October the Sales Division would be developing a list of retailer locations for testing of the monitor pilot program, and providing point-of-sale materials and educating the retailers on the monitor game.

Mr. Meehan stated the Sales Division has set a goal to increase the number of Keno locations statewide by adding 100 additional Keno locations over the next six months. He stated there have been 41 installations of terminals, 25 terminations of lottery agents and 16 changes of ownership processed. He stated 82 applications were delivered to agent applicants and 31 completed applications were returned to the Lottery for processing.

**DATE AND TIME OF NEXT MEETING**

The next Commission meeting is scheduled for Wednesday, November 17, 2004 at 9:00 a.m. at Lottery Headquarters.

**ADJOURNMENT**

There being no further business, Chairman Bonaventure motioned that the meeting be adjourned and Vice Chairman Marriner seconded it. The meeting was adjourned at 10:45 a.m.

Respectfully submitted,



Buddy Roogow