

**MARYLAND STATE LOTTERY COMMISSION
DECEMBER MINUTES**

DATE: December 5, 2008

TIME: 9:00 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Chairman Stanley S. Fine
Vice Chairman Matthew Thomas
Commissioner Bruce Reeder
Commissioner George Wagner
Commissioner F. Vernon Boozer

Buddy Roogow, Director
Robert Fontaine, Principal Counsel
Gina Smith, Assistant Director/CFO
John Gallagher, Chief Information Officer, Information Technology
Tracey Cohen, Deputy Director, Creative Services and
Communications
Paul Dorsey, Director, Policy and Development
Robert Howells, Director, Procurement
Michael Eaton, Internal Auditor
Marie Torosino, Executive Associate

CALL TO ORDER

There being a quorum present, Chairman Fine called the meeting of the Maryland Lottery Commission to order at 9:02 a.m. Commissioners present were Stanley Fine, Matthew Thomas, Bruce Reeder, George Wagner, F. Vernon Boozer.

Chairman Fine introduced the new member of the Commission, Mr. F. Vernon Boozer, to all of those present.

APPROVAL OF MINUTES

Chairman Fine stated the October Minutes were previously sent to the Commissioners for review and a copy is contained in their folders with redline changes. Vice Chairman Thomas motioned that the Minutes as modified be approved and it was seconded by Commissioner Reeder. The October Commission Minutes as modified were approved by unanimous vote of the Commission.

DIRECTOR'S REPORT

Mr. Buddy Roogow stated the current economy is having an impact on Lottery sales and revenue. Higher than normal payouts in Pick 3 and Pick 4 and the lack of large Mega Millions jackpots has also had an impact on sales and revenues. Pick 3 sales are slightly ahead of last year. Pick 4 sales are approximately \$4 million ahead of last year and sales continue to grow. Keno sales continue to be behind last year. Apparently with the state of the economy, fewer people are patronizing restaurants and bars where Keno is available. Instant sales are slightly behind last year. Last fiscal year, the Maryland Lottery had the highest increase in instant sales in the country. Mega Millions sales are \$6.4 million behind compared to last year. There were several large Mega Millions jackpots last year as compared to this year. The current jackpot is \$146 million and it is the largest jackpot for this fiscal year. Bonus Match 5 sales are slightly ahead. Multi-Match sales are \$1.6 million ahead of last year. Racetrax sales are growing and are \$4.4 million ahead of last year. MD Hold'em sales are slightly behind last year. The Lottery plans to implement a new monitor game next calendar year. Total Lottery sales are \$5 million behind compared to last year.

Mr. Roogow stated Lottery revenue is \$27 million behind last year. Most of this is related to the high payouts in Pick 3 and Pick 4. Since July 1, 2008, eight triples and one quad have been drawn.

Mr. Roogow stated he is meeting with House Ways and Means on December 8, 2008 for the Lottery's annual briefing. He will present to the Committee an overview of the Lottery's current games and marketing activities.

REPORTS

Legal Division – **Robert Fontaine, Principal Counsel**

Mr. Robert Fontaine stated he has no additional information to report since the November meeting.

Administration, Finance & Operations and Sales – **Gina Smith, Assistant Director/CFO**

Ms. Gina Smith stated she has no additional information to report since the November meeting.

Mr. Roogow discussed with the Commission the Lottery's Unclaimed Prize Fund and how it is used for various game promotions. He stated the results of the recent promotions will be presented to the Commission at a later date.

Information Technology – **John Gallagher, Chief Information Officer**

Mr. John Gallagher stated he has no additional information to report on since the November meeting.

Procurement – **Robert Howells, Director**

Mr. Robert Howells stated work will begin on the Auditing and Accounting RFP in January 2009. Chairman Fine stated one of the new Commissioners being appointed will have a background in accounting and he would like that person to have an opportunity to see a copy of a draft of the RFP when it becomes available.

Creative Services and Communications – **Tracey Cohen, Deputy Director**

Ms. Tracey Cohen stated she has three new instant tickets to present to the Commission for approval. The approval of these games was tabled from the November meeting.

The three new instant tickets are: Game #750 *Emerald Green 7s*, Game #759 *Double Wild 7s*, and Game #753 *Bonus Blackjack*. (See attached Exhibit #1.)

Chairman Fine asked if there were any further questions. Hearing none, he entertained a motion to approve the above instant games. Commissioner Wagner made a motion to approve the instant games and it was seconded by Vice Chairman Thomas. The instant games were approved by unanimous vote of the Commission.

Internal Audit – Michael Eaton, Internal Auditor

Mr. Michael Eaton stated he had no additional information to report since the November meeting.

COMMISSION BUSINESS

Lottery

Chairman Fine requested that Mr. Roogow schedule orientation sessions for Commissioner Boozer and the other four additional Commissioners yet to be appointed to brief them on the Lottery rules and regulations, organization, etc. The current Commission members are also invited to attend one of the sessions. Only four members are allowed per session so as not to have it be considered an open meeting.

Video Lottery Program

Chairman Fine stated the Governor announced that Mr. Donald Fry of the Greater Baltimore Committee has been appointed as the Chairman of the Video Lottery Facilities Commission. Six additional appointments will also be made to this Commission.

Chairman Fine stated the Commission will need to promulgate VLT regulations. He would like the Commission to spend time reviewing the proposed VLT regulations at the December 17, 2008 meeting.

The Commission was given an overview of the Video Lottery Operation Licenses RFP that would be issued by the Video Lottery Facilities Commission. The Lottery and Department of Legislative Services have jointly developed the RFP. The Facilities Commission will receive and evaluate the proposals for VLT Facilities and the Lottery Commission will determine if the applicant is qualified to hold an Operation License. The proposals are due on February 1, 2009. The RFP will be published on e-Maryland Marketplace and copies would also be provided by e-mail by the Procurement Director to those who have been in contact with him.

Mr. Howells stated a meeting has been scheduled with the Governor's Office of Minority Affairs (GOMA). GOMA will be responsible for monitoring the MBE participation. Every six months, they will submit a report to the Commission regarding MBE participation.

Commissioner Wagner asked who will be performing the background checks of those applying for VLT licenses. Mr. Dorsey responded the Lottery will issue an RFP for a firm to do the background checks.

Ms. Smith stated as part of the FY2009 VLT budget needs, up to five licensing employees will be hired as well as one Assistant Attorney General and two Information Technology

employees. Funding is also being requested for a document imaging system and temporary space in the building to include space for the Attorney General's Office, licensing department and a large conference room.

Chairman Fine stated at the December 17, 2008 Commission meeting, he would like further explanation of the qualification process for the Video Lottery Operations Licenses.

Chairman Fine requested that a recent draft of the RFP, a copy of the draft VLT regulations and the slots law be sent to the Lottery Commissioners.

The Commission discussed possible alternatives for compensation of the Lottery Commission.

DATE AND TIME OF NEXT MEETING

The next Commission Meeting is scheduled for Wednesday, December 17, 2008 at 9:00 a.m.

ADJOURNMENT

There being no further business to discuss, Chairman Fine requested a motion to adjourn. Commissioner Wagner motioned that the meeting be adjourned and it was seconded by Commissioner Reeder. The meeting adjourned at 10:45 a.m.

Respectfully submitted,

Buddy Roogow