



REQUEST FOR INFORMATION NO. 02-2014

Video Lottery Terminal Central System Operation

Release Date: December 17, 2014
Written Responses Due: February 13, 2015

Written Responses shall be directed to the RFI Administrator:

New York State Gaming Commission
Contracts Office, 5th Floor
One Broadway Center
Schenectady, NY 12301-7500

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PART 1 - INTRODUCTION AND OVERVIEW

1.1 Introduction

The New York State Gaming Commission (the “Commission”) is issuing this Request for Information (“RFI”) to assist the Commission with the future development of a Request for Proposals (“RFP”) to provide a Video Lottery Central System as described further in this RFI.

This is an information gathering tool only and any response to this RFI must not include cost.

The purpose of this RFI is to invite interested vendors to submit information regarding the operation of a central system to support video lottery gaming at racetracks and other authorized locations throughout the State. The Commission seeks to receive information including, but not limited to: what types of video lottery central system are available; what level of detailed reporting is available; what types of games are supported; and what proprietary or non-proprietary protocols are used.

1.2 Background

The New York Lottery (the “Lottery”), now a division of the Commission, was enabled through an amendment to the New York State Constitution as a result of a referendum in 1966. On October 24, 2001, legislation was passed providing the Lottery with the authority to operate video lottery gaming at certain New York racetracks. Since then, the video gaming program has been an integral part of the State economy, raising funds for aid to education as well as supporting horse racing in New York. The program currently consists of nine video lottery facilities. The law also authorizes an additional facility to be operated in each of Nassau and Suffolk counties, at locations selected by the county operated Off-Track Betting Corporations (“OTBs”). Each OTB facility will be allowed to operate up to 1,000 Video Lottery Terminals (“VLTs”).

All VLTs are controlled by a central determination system which issues predetermined outcomes to each VLT; records all activity at each VLT; provides full financial reporting; and administers prize payments.

The Commission operates the video lottery program. While the Commission encourages cooperation between the vendors and facility staff to determine the optimum configuration of the gaming floor, the Commission has the final authority over what game themes, payout percentages, and denominations are installed in each facility.

Current contracts for the central system provided by MGAM Systems, Inc., as well as the VLTs provided by Bally Gaming Inc., IGT and Spielo International USA, LLC, expire on December 31, 2017. There are no extension options remaining under these contracts.

The video lottery program currently operates three facilities within the exclusivity zone of the Seneca Nation of Indians. The zone encompasses all of the State west of Route 14, from Sodus Point in Wayne County south to the Pennsylvania border. These facilities (Finger Lakes Gaming, Batavia Downs, and Hamburg Gaming) operate under several restrictions that do not apply to other VLT facilities. Specifically, mechanical reel VLTs, RNG games and electronic facsimiles of table games are prohibited. Additionally, the facilities may not identify themselves as “casinos” or use the term “slot machine”.

New York’s present gaming marketplace will be changing due to the amendment of the State Constitution to authorize casino gambling. The Commission anticipates it will begin the suitability review for issuance of Gaming Facility Licenses subsequent to receiving the recommendation of the Gaming Facility Location Board. Up to four facilities in three distinct regions throughout Upstate New York will be authorized as commercial casinos, offering slot machines and table games outside the video lottery program.

Per Racing, Pari-Mutuel Wagering and Breeding Law § 1311, seven years following the issuance of a Gaming Facility License, additional licenses may be awarded.

These new and future licenses may have a financial impact on the existing video lottery program.

Statistical data for the fiscal year ending March 31, 2014 is in the table below and a map identifying the location of each of the facilities is included as **Attachment 1**.

VIDEO LOTTERY GAMING STATISTICS, FISCAL YEAR ENDING MARCH 31, 2014					
Location	Opening Date	VLT Count	Net Win	Education	Racing¹
Resorts World Casino (Aqueduct)	10/28/11	5,005	\$792,578,989	\$348,734,755	\$126,812,638
Empire City Casino (Yonkers)	10/11/06	5,403	\$547,223,127	\$276,583,795	\$54,722,313
Saratoga Casino & Raceway	01/28/04	1,782	\$158,926,792	\$76,552,142	\$15,892,679
Finger Lakes Gaming & Racetrack	02/18/04	1,549	\$130,849,471	\$61,616,241	\$13,084,947
Hamburg Gaming	03/17/04	940	\$72,820,734	\$25,900,086	\$7,282,073
Monticello Casino & Raceway	06/30/04	1,110	\$61,317,976	\$23,914,010	\$6,131,798
Tioga Downs Casino	07/04/06	802	\$58,151,725	\$22,412,828	\$5,815,173
Vernon Downs Casino	10/26/06	767	\$43,370,912	\$15,179,820	\$4,337,091
Batavia Downs Gaming	05/18/05	788	\$47,080,080	\$19,302,833	\$4,708,008
Total		18,146	\$1,912,319,807	\$870,196,511	\$238,786,720

¹Racing represents the statutory 10% payments for enhancement of purses and breeder fund support, and in the case of Resorts World only, 9% payments for enhancement of purses and breeder fund support and an additional 7% in funding for NYRA.

Revenue distribution is based upon statute and varies by facility. Details of the current distribution are provided in **Attachment 2**. It should be noted that the facility operators are lottery agents and are paid a commission on the net win generated in their facilities. VLT vendors and the central system provider are also agents of the Commission and are paid a percentage of net win for the equipment and services they provide.

Under the existing contract, the central system vendor is not permitted to provide VLTs for the Video Lottery program for the duration of the contract including any extensions. This restriction does not apply to Destination Resort Casinos because the Commission will not provide a central system or gaming devices for those operations.

1.3 Scope

1.3.1 Goals

The Commission defines the central system to include all hardware, software and network components to link and support all VLTs with the central data center. The Commission will consider any type of central system that will operate in a manner that can be shown to be a lottery system. This may mean that the design of the VLTs currently installed in the State is no longer compatible with the system. As a result, replacement gaming devices will be procured after the central system design is finalized.

The following describes the current video lottery system in New York. This description is intended to provide one option for system design, but it is not the only option the Commission will consider.

The current system is based on a central determination / finite pool design. It essentially uses the same concept as instant (scratch-off) lottery tickets. An electronic instant lottery ticket series consists of all tickets (results) from a particular finite game pool. The tickets (results) are produced using mathematical designs developed by the Commission's game vendors and mimic the slot machines of the same themes in operation in casinos in terms of payouts, prize frequency, etc. Individual pools may be created for a theme or for each available wager (denomination, lines, etc.). Once created within the primary system at the data center, each finite pool is electronically intermixed to ensure random results are provided to players. Each pool is then divided into smaller subsets which are released to the systems at the video lottery facilities on a first-come, first-served basis. As the game results are played through at each facility, replacement subsets are automatically issued to the systems at the facilities assuring the games are always available to the patrons.

To play video lottery, a player inserts currency or a gaming voucher into a video lottery terminal. The player then makes one or more choices by touching the dedicated display, a panel of buttons designated for such purposes, or some other similar interface to determine the amount to be wagered and presses "spin" or "play" to initiate the wager. The next electronic instant lottery ticket result is transmitted from the local system to the VLT which then displays the outcome associated with that ticket. Upon completion of play at a VLT, the player presses the "cash out" button to receive an electronically encoded voucher which may be used for wagering at another VLT or presented for payment at the cashier or a self-validation terminal in the facility. Vouchers can be used in another VLT or cashed in the facility from which they were issued for up to 45 days. Vouchers expire after 365 days.

The current system provides an extremely detailed record of what occurs at each gaming facility. Transactions are recorded for the insertion of all currency and gaming vouchers; the wager amount for each game played; the prize awarded for each play, if any; the issuance of a voucher at the conclusion of play. Each transaction is identified within a “session” of play and can be associated with all subsequent sessions initiated with the voucher created at the end of the session. Additionally, the system provides the following features:

- Accounting at the game, bank, vendor, site, and state level.
- Reporting – A variety of financial and statistical reports including daily remittance reports for each site detailing net win and the distribution of funds for each gaming day.
- Progressive pools – Progressive jackpots, both local and wide-area, are monitored by the system not by vendor provided progressive controllers.
- Tax reporting and limited vouchers – New York follows lottery tax rules, not casino rules, for the video program. Prizes over \$600 and 300 times the wager are subject to reporting, and withholding if the winner is a non-resident alien. Prizes over \$5,000 are subject to withholding.
- Offsets – Prizes over \$600 may not be paid until it has been confirmed that the winner has no outstanding liabilities associated with delinquent child support, prior receipt of public assistance, or past due taxes. The system interfaces with a Lottery database to determine if such liabilities exist and if so, withholds all or part of the prize to settle the liability.
- Lottery System Interface - The central system connects to the Commission’s mainframe computer for transmission of all gaming data.
- Third party system interface – The central system interfaces with various third party systems including player tracking, count room systems, self-service voucher redemption devices, etc.
- A hot backup site is provided
- Free play – Promotional credits can be issued by the facilities as a marketing tool and are deducted from the value of credits played, within certain limits, in determining net win. The system provides the ability to identify how much free play from each promotion is redeemed so the facilities can evaluate the effectiveness of their marketing efforts.
- Operating hours – Video facilities may operate not more than 20 hours per day, between the hours of 8:00am and 6:00am. Some facilities open at 8:00am while others open at 10:00am and some close as early as 2:00am while others remain open until 6:00am. Hours may vary by day of the week, with longer hours on weekends, or by season.

In addition to the above described VLTs there are over 1,300 Electronic Table Games (ETGs) in operation in five of the nine video facilities. The games currently offered include Roulette, Craps, Sic Bo, and Baccarat. The primary difference between a VLT and an ETG is the method of producing results. While VLTs use the central determination system to provide the next result to a game, ETGs are more like traditional lottery drawing games. Players use individual terminals to place wagers on a drawing which may be a number and color on a roulette wheel, or results on playing cards or dice. The Commission uses both virtual results generators that contain a

random number generator and physical dice, roulette wheels, and cards. There is a game server connected to the ETG terminals that provides the result which is then displayed on the ETG screen. Results and individual transactions are recorded by the game server, and transaction roll-up summaries are also recorded on the local MGAM system. ETGs and game servers communicate with the central system using a modified SAS protocol.

It should be noted that the current central system provider owns all servers, switches, and the gaming network infrastructure in each of the video facilities.

1.3.2 Design Options

The Commission is prepared to consider a range of design options for a new central system. While the system need not be a finite pool design, at this time, an alternative to a central determination system has not been identified. The Commission is nonetheless open to discussing other types of system designs. The primary criterion for a new system is that it must operate as a lottery and must conform to the five components of the legal definition of a lottery:

1. Consideration: payment is required to play the game;
2. Chance: results must be primarily determined by chance, not skill;
3. Prizes: awarded to winning plays;
4. Tickets: electronic or physical;
5. Multiple participants: individuals playing the same theme.

PART 2 – VENDOR RESPONSE

2.1 Content

Interested vendors are invited to provide information addressing the following topics as well as any other information it may deem relevant and useful:

- System overview.
- If recommending an alternative to central determination / finite pools, provide a legal analysis explaining why the methodology should be considered a lottery.
- Information on other jurisdictions using the vendor's central system offering to include key features, number of locations, and number of installed VLTs.
- Hardware/Software configurations.
- Information on protocols in use and the number of VLT vendors providing games.
- Reporting capabilities and sample reports.
- Database management tools.
- Data retention and archiving.
- System monitoring and data maintenance.
- Ability to offer 24 x 7 gaming if approved.
- Ability to transmit transaction data to the Commission's system in real-time. The preferred protocol for this transmission is IP but the respondents may propose another protocol that will be compatible with an IBM OS/390 based system.
- Ability to increment credit balances on a VLT with promotional credits based upon data provided by a player tracking system.
- Security controls.
- Hot back-up site capabilities.
- The minimum contract term required for recovery of the initial capital investment in systems, network, and software.
- Discussion of any risks that would arise if the Commission were to allow the central system vendor to also provide VLTs, and identification of any steps that could be taken to mitigate the risk.

PART 3 - ADMINISTRATION OF THIS RFI

3.1 Issuance and Intent

Responses to this RFI should not anticipate award of a contract; this is an information gathering process only. A response does not bind or obligate the responder or the Commission to any agreement regarding provision or procurement of products or services referenced.

3.2 Pertinent Dates

The following timetable applies to this RFI:

Release of RFI: December 17, 2014
Written Responses Due: February 13, 2015 by 3:00 pm

These dates are established for informational and planning purposes. The Commission reserves the right to change any of the dates.

3.3 Response to the RFI

Written responses should be submitted by interested vendors as indicated below. Respondents should be creative when providing information related to this RFI. Respondents are invited to submit any existing material or material prepared specifically in response to this RFI that it believes may be of interest or use to the Commission. In the preparation of a written response, respondents should pay particular attention to Sections 1.3 and 2.1 of this RFI. In addition to addressing the questions in Section 2.1 respondents are encouraged to provide any other relevant information and ideas.

Responses must be submitted to:

Stacey Relation
New York State Gaming Commission
Contracts Office, 5th Floor
One Broadway Center
Schenectady, NY 12301-7500

Responses may be submitted by contract carrier, courier delivery, in person, or by U. S. Postal Service. If delivered by other than U.S. Postal Service, the respondent should contact the designated contacts under this RFI prior to delivery to assure proper receipt. Fax or email submissions are not acceptable.

3.4 Costs Associated with Preparation of Responses

Neither the Commission nor the State shall be liable for the costs incurred by a vendor in preparing or submitting a response to this RFI.

3.5 Disclosure of Responses to the RFI

The Freedom of Information Law provides for an exemption from disclosure for trade secrets or information the disclosure of which would cause substantial injury to the competitive position of a commercial enterprise. If you believe your company's response contains any trade secrets or other confidential or proprietary information, you must submit a redacted version of the response, as well as a letter explaining why such information should be exempt from disclosure, at the time of the full submission in response to this RFI. Requests for exemption of the entire response are discouraged. Please limit any requests for exemption of information from disclosure to bona fide trade secrets or specific information, the disclosure of which would cause a substantial injury to the competitive position of your company.