

# REQUEST FOR PROPOSALS (RFP)

## LOTTERY CENTRAL MONITORING AND CONTROL SYSTEM #2015-01

### RESPONSES TO WRITTEN QUESTIONS (Q&A #4) February 5, 2016

This list of questions and responses #4 (Q&A#4) is being issued to clarify certain information contained in the above named Request for Proposals (RFP). The statements and interpretations of Contract requirements, which are stated in the following responses are not binding on the State, unless the State expressly amends the RFP. Nothing in the State's responses to these questions is to be construed as agreement to or acceptance by the State of any statement or interpretation on the part of the entity asking the question as to what the Contract does or does not require. Some questions have been edited for brevity and clarity, and duplicate questions may have been combined or eliminated.

The following are questions submitted pursuant to the RFP and the State Lottery and Gaming Control Agency's ("MLGCA") responses to those questions:

**115. QUESTION:** Will the MLGCA provide the most recent annual machine sales by retailer for the 350 Player Self Service Terminals and the 1000 ITVM machines?

**ANSWER:** Information about the ten (10) week average sales for each Player Self-Service Vending Machine has been posted to the SFTP site. (The file name is: Player Self Service Terminals 10 Week Average 01-17-16)

**Additionally, sales by Terminal which includes Player Self Service Terminals, can be found on the SFTP site in the file titled Terminal Sales by Retailer July 2015 – January 2016**

**Sales information for ITVMs is not reported to the central system and is not available.**

**116. QUESTION:** Will the MLGCA provide the "Instant Game Penetration by Retailer" report for the week ending 1/23/16 or another recent week? This report would contain a list of all games that can be activated, and the amount of retailers with a book that is activated within the given week

**ANSWER:** Instant Game information has been loaded to the SFTP site. (File name: Instant Games Activated - 02-04-16)

**117. QUESTION:** Attachment F - Price Sheet, pages 245-256: In question no. 13 in the Q&A#1, the issue was identified that the Price Sheets in Attachment F require Offerors to provide pricing for all “Additional Tasks”; however, the MLGCA clarified that it can select these Additional Tasks “at any time” during the Term of the Contract. As this Offeror hopes the MLGCA can appreciate, the pricing provided by an Offeror for an Additional Task must take into consideration the duration for which such Contractor will receive compensation for such Additional Task (as this is expressly necessary for the Offeror to receive a return of its costs and profit, if any, related to such Additional Task). As such, without knowing when the MLGCA may elect such Additional Tasks (and the period for which the Contractor would receive compensation for such Additional Task), a responsible Offeror cannot provide accurate and beneficial pricing for these Additional Tasks, as a responsible Offeror may need to heavily burden its pricing for such Additional Tasks to protect against a situation whereby the MLGCA selects an Additional Task late in the Term (i.e., only allowing the Contractor a limited period to receive a return on its investment), which is not in the best interest of the MLGCA, the State and/or the Offerors. Using Additional Task IV (Player Loyalty Club) as an example, the “Fixed Monthly Fee” set forth on line B(4) of the Price Sheet would be significantly different if the MLGCA elected to implement this Additional Task on the “Start-Up Date” (which would provide the Contractor with 84 months (7 years of compensation x 12 months) of the Fixed Monthly Fee as compensation for its costs for the Player Loyalty Club) versus if the MLGCA elected to implement this Task in year five (5) of the Contract (which would only provide the Contractor with 36 months (3 years of compensation x 12 months) of the Fixed Monthly Fee). That is, the cost for this Additional Task to the MLGCA could be significantly lower on the “Start Up Date” versus later in the term (as the Contractor will have fewer months to receive the Fixed Monthly Fee). This Offeror again notes that it fully appreciates and accepts that the MLGCA needs (and will have the ability) to select the Additional Tasks “at any time during the Contract term”; however, this Offeror again requests that solely for purposes of providing the pricing on Attachment F (Price Sheets) for these Additional Tasks, that the MLGCA agree that such pricing would be based upon the assumption that these Additional Tasks would be selected by the MLGCA for deployment on the “Start Up Date” (i.e., theoretically allowing for remuneration to the Contractor for the entire Contract term) and, at the time that the MLGCA actually elects to select any Additional Task, the Contractor and the MLGCA will meet in good faith to discuss the payment terms therefor, taking into consideration, among other things, the pricing quoted in the Appendix F (Price Sheet) and the actual term of the Contract remaining (for which the Contractor would be paid for such Additional Task)?

**ANSWER:** The Price Sheet will be revised to address the issue identified in this question to allow price increases for options selected after the first year of the Contract. (See Amendment #3 to the RFP)

**118. QUESTION:** Section 3.3.16 Custom Source Code, page 71: Will the MLGCA confirm that any delivery or deposit of source code pursuant to this Section shall be subject to terms of a mutually agreeable escrow agreement stating that the MLGCA

shall only have access to Contractor's source code and proprietary materials in order to continue to operate the system where the Contractor has failed to maintain system operations due to either: (1) failure of Contractor to function as a going concern or operate in the ordinary course; or (2) Contractor is subject to voluntary or involuntary bankruptcy.

**ANSWER: Yes, correct.**

**119. QUESTION:** Section 3.4.1 Primary System Requirements, page 77: Regarding Item #29.h. under Hardware, will the MLGCA accept an alternative to a Keno Enunciator board – such as a large high resolution monitor – as long as it provides equivalent or better consumer visibility?

**ANSWER: Yes, subject to MLGCA approval.**

**120. QUESTION:** Section 3.9. Instant Game Support and Accounting, pages 88- 91:  
a) Regarding Section 3.9.1 #2, will the MLGCA confirm that at no point in the life cycle of any Instant Ticket Pack does the Contractor become the “owner” of such Instant Ticket Pack?

b) Will the MLGCA provide a copy of the “Pack Transition Matrix” referenced in Section 3.9.6(1)?

c) In view of Amendment #1 Item #4 to Section 3.9.16, will the MLGCA clarify this requirement? Are Offerors to interpret the requirement to mean the ability to use the Initial Instant Ticket Order Quantities from one game for another game?

**ANSWER: a) Under the current matrix the Instant Ticket Pack at no time becomes assigned to the Contractor as “owner”.**

**b) The Pack Transition Matrix will not be distributed.**

**c) Correct, the Initial Instant Ticket Order Quantities would apply to the appropriate price points in all future Instant Ticket launches.**

**121. QUESTION:** Section 3.16.1 Promotions, Second Chance Drawings and Bonuses, page 102: The requirement in Item #1 mentions “second chance drawings” as a requirement. It is also listed in section 3.26.4 under Task IV – Player Loyalty Club. Will the MLGCA explain the difference between the two requirements?

**ANSWER: Section 3.16.1, Item #1 refers the Contractor providing MLGCA access to the concept and development of new “second chance drawings” opportunities as they become available. Section 3.26.4 under Task IV – Player**

**Loyalty Club is a separate requirement for the Contractor to support “second chance drawings” as part of the Player Loyalty Club.**

**122. QUESTION:** Section 3.17.4 Ongoing Training, Research and Marketing Support, Pages 106-107: In connection with the research and marketing activities required, will the MLGCA provide any primary market research conducted among players and retailers for the past five years? This can include, but is not limited to, game research, tracking studies, attitude and usage studies, retailer studies and segmentation studies

**ANSWER: Tracking studies have been posted to the to the SFTP site. (The file names are: MLGCA Segmentation Tracker 2012, MLGCA Segmentation Tracker 2013, MLGCA Segmentation Tracker 2014, and MLGCA Segmentation Tracker 2015)**

**123. QUESTION:** Section 3.21.3 Hotline (Retailer Trouble Reporting System), page 116: Item #2 requires “Ninety-Nine percent (99%) of the calls to the Hotline to be answered within thirty (30) seconds”. Industry standard is that **85%** of calls must be answered within sixty (**60**) seconds. The requirement of “99%/30 seconds” will require additional staff resources and additional cost to meet this requirement. Will the MLGCA amend this requirement to conform to the industry standard of “**Eighty-Five percent (85%)** of the calls to the Hotline to be answered within **sixty (60)** seconds”?

**ANSWER: Yes, Eighty-Five percent (85%) of the calls to the Hotline to be answered within sixty (60) seconds is acceptable. This requirement will be revised. (See Amendment #3 to the RFP)**

**124. QUESTION:** Section 3.25.6 Acceptance Testing, page 125: Item #4 states that “the MLGCA intends to execute comprehensive acceptance testing prior to implementation of the LCMCS and for subsequent software releases.” The requirement goes on to say that “The MLGCA will approve the Contractor’s development and execution of acceptance testing.”

- a) Will the MLGCA confirm either: (i) whether its intention is to conduct acceptance testing utilizing solely MLGCA personnel, or (ii) if the Contractor will need to provide resources to fully conduct acceptance testing, or (iii) if the Contractor will need to provide resources to augment MLGCA personnel in the conduct of acceptance testing?
- b) Will the MLGCA also confirm if this applies to the initial implementation project and/or ongoing software services deliveries as well?

- c) Will the MLGCA clarify what deliverables are expected of the Contractor for the Acceptance Test; X-day Acceptance Test business cycle test, and Contractor Acceptance Test execution results?

**ANSWER:**

- a) **MLGCA will work with a third-party Certification/Testing vendor to develop scripts and perform acceptance testing during initial implementation. The Contractor shall have staff available to answer questions about features and functionality of their hardware and software. This staff shall also be responsible for capturing and logging any defects in a defect tracking system, and providing daily status on open defects.**
- b) **MLGCA staff will conduct acceptance testing for ongoing software service deliveries. MLGCA has the option of requesting assistance from a third-party Certification/Testing vendor if MLGCA deems the software release has sufficient complexity. The Contractor shall have staff available to answer questions about features and functionality of their hardware and software. This staff shall also be responsible for capturing and logging any defects in a defect tracking system, and providing daily status on open defects.**
- c) **The Contractor shall deliver their test scripts and test results from all testing.**

**125. QUESTION:** Section 3.27.12.1 Disaster Plan, pages 137-138: Item #4 states that “this test shall also demonstrate the ability to process and ship Instant Tickets from the Back-up Instant Ticket Warehouse.” However, Section 3.27.12.2. #4 states that an alternate Instant Ticket Warehouse shall be ready within 14 days of notification of the need for an alternate Instant Ticket Warehouse. This requirement was clarified in Q&A #2, question #66, with the MLGCA’s answer, “The MLGCA currently plans to provide and staff the primary Instant Ticket Warehouse, but it is open to discuss other solutions. The Contractor shall provide the secondary Warehouse, if required, as defined in Section 3.27.12.2 #4. Will the MLGCA amend 3.27.12 by striking the requirement to demonstrate the ability to process and ship Instant Tickets from the Back-up during failover testing?”

**ANSWER: Yes, Section 3.27.12 will be revised as proposed in the question. (See Amendment #3 to the RFP)**

**126. QUESTION:** Section 3.30.5 Retailer Installation – Conversion Period, page 145: The liquidated damage for failure to install Retailer Terminals, Monitors and associated Hardware, pursuant to Section 3.30.5.2 - Damage, increases from \$700 per Day for the first fifteen (15) Days, and then more than doubles (to \$1,500 per Day) after the fifteenth (15th) Day. Such an increase, without reasonable justification for such increase (i.e.,

being tied to actual damages), could be deemed penal and thus not enforceable. It is requested that the MLGCA eliminate this increase in the LD from \$700 to \$1,500 after 15 Days, or, in the alternative, explain why the LD would more than double after this 15 Day period?

**ANSWER: This Liquidated Damage refers to Retailer Installations not timely completed at the time of Conversion. MLGCA feels that these rates are appropriate for Retailers that the Contractor has not fully installed and made ready at the time of Conversion.**

**127. QUESTION:** Section 3.30.16 Retailer Websites Unavailability, page 148: Given that this retailer website will not be a revenue generating portal for the MLGCA, will the MLGCA modify the associated liquidated damage to a fixed amount of \$1,000 per day? This amount would be more consistent with liquidated damages that other US lotteries have stipulated for such unavailability, and a \$1,000 per hour (or portion thereof) liquidated damage for a non-revenue generating solution could be deemed penal in nature and thus unenforceable.

**ANSWER: Yes, the MLGCA will revise this Liquidated Damage to \$1,000 per day. (See Amendment #3 to the RFP)**

**128. QUESTION:** Section 4.2.2.6.24 Additional Tasks, page 165: As player registration would typically be included as part of the Player Loyalty Club program under Task IV, will the MLGCA please confirm that the “My Account/Registration/Log-in” functionality for the Player Loyalty Mobile Application required in Section 3.34.1.A (see Amendment #1) would only be required should the MLGCA elect to implement the Offeror’s Player Loyalty Club (Task IV) as described in Section 3.26.4 and the Offeror’s response to Section 4.2.2.6.24?

**ANSWER: Yes, that is correct.**

**129. QUESTION:** Attachment A – Contract Section 5.1, page 183: With respect to Section 5.1 of the draft Contract (Attachment A), will the MLGCA clarify that for any third-party design, device, material, process or other item requested by the MLGCA, that the State shall pay the applicable license fee?

**ANSWER: The cost of licenses for all games which are included in the Offerors Proposal, accepted by the MLGCA, and required to be operational or an available option at Contract Start-up shall be included in the proposed prices and be the sole responsibility of the Contractor. Responsibility for the cost of licenses, if any, for games subsequently added during the Contract term will be specified in a modification to the Contract which will be negotiated by the parties.**

**130. QUESTION:** Attachment F-Price Sheet, page 246: For the Additional Hardware (Standard Retailer Terminal) listed in A(2) of Attachment F, the description within the header states “Fully Supported by the Contractor.” Will the MLGCA please confirm that the “Fixed Monthly Fee Per Unit” for each Standard Retailer Terminal listed in A(2) should reflect the total costs associated with each such Terminal (i.e., Terminal, Terminal-specific peripherals (printer, etc.), install, communications, and ongoing support associated with the Terminal)?

**ANSWER:** Yes, correct. This cost should reflect the total cost associated with each Terminal to include Terminal-specific peripherals (printer, etc.), install, communications, and ongoing support associated with the Terminal

**131. QUESTION:** Attachment F- Price Sheet, page 246: For the Additional Hardware (Player Self Service Terminal with Twenty Four (24) Instant Ticket Bins) listed in A(3) of Attachment F, the description within the header states “Fully Supported by the Contractor.” Will the MLGCA please confirm that the “Fixed Monthly Fee Per Unit” for each Player Self Service Terminal with twenty Four (24) Instant Ticket Bins listed in A(3) should reflect the total costs associated with such Player Self Service Terminal (i.e., the Self Service Terminal, install, communications, and ongoing and ongoing support associated with the Self Service Terminal)?

**ANSWER:** Yes, correct. This cost should reflect the total cost associated with each Self Service Terminal to include Self Service Terminal, install, communications, and ongoing and ongoing support associated with the Self Service Terminal

**132. QUESTION:** Attachment F – Price Sheet, pages 246-248: Within the Fixed Fee requirements in Part A (A(2), A(3), A(4), A(5), A(6), and A(7)) portion of Attachment F, the third column lists the number of Units (Multiplied by Number of Units) as follows: “X 100 =”, “X 300 =” and “X 500 =”. In the first column (Unit Range), the corresponding amounts provided are: “1-100”, “101-300”, and “301-500”. If the MLGCA purchases 425 Units, will the MLGCA confirm whether the pricing that the MLGCA would pay to the Contractor: (i) would be cumulative (i.e., 100 @ \$x, 200 @ \$y, and 125 @ \$z, where \$x = the amount entered in the first row “1-100”, \$y = the amount entered in the second row “101- 300”, and \$z = the amount entered in the third row “301-500”); OR, alternatively, (ii) would the MLGCA pay the Contractor for the 425 Units at the \$z rate (i.e., being the \$ amount entered in the third row “301-500”)?

**ANSWER:** MLGCA would pay the Contractor for the 425 Units at the \$z rate (i.e., being the \$ amount entered in the third row “301-500”)?

**133. QUESTION:** Attachment F- Price Sheet, page 249: With respect to the pricing for “Part B Task I. – E-Commerce Subscriptions”, the Price Sheet for B(1) utilizes an estimated “E-Sales” (i.e., E-Commerce Subscription Sales) amount of \$100 million, and such amount is then multiplied by the “Fixed Percent” provided by the Offeror on line (B)(1) to determine the “Estimate Annual Price for Task I” (which is then used on the “Price Sheet Summary” to determine the “Total Estimated Base Contract Term Price”). However, based upon the information that has been made available by the MLGCA, the current annual “E-Commerce Subscription Sales” amount appears to be approximately \$5 million. As such, this Offeror believes that it is in the best interest of all parties that for purposes of setting this “Estimated Annual Price for Task I”, that an “estimated (EST)” E-Sales amount that is more in line with current sales levels (i.e., \$5 million) be used, in lieu of the \$100 million amount. Therefore, will MLGCA consider amending the E-Sales (EST) amount within B(1) from \$100 million to \$5 million (or another amount closer in line to the current subscription sales)? Alternatively, will the MLGCA explain why the \$100 million amount has been used so that the Offerors can model these future subscription sales (and provide pricing) appropriately?

**ANSWER:** Attachment F is referring to a true E-Commerce site selling subscriptions to the full suite of MLGCA games that the Contractor would develop. MLGCA’s current subscription program is not an “E-Commerce Subscription” solution as is described in Task I.

**134. QUESTION:** Attachment F – Price Sheet, pages 251-253: Within the Fixed Fee requirements in Part C (Additional Tasks) (CI(1), CI(2), CI(3), CI(4), and CI(5)) portion of Attachment F, the third column lists the number of Units (Multiplied by Number of Units) as follows: “X 100 =”, “X 300 =” and “X 500 =”. In the first column (Unit Range), the corresponding amounts provided are: “1-100”, “101-300”, and “301-500”. If the MLGCA purchases 425 Units, will the MLGCA confirm whether the pricing that the MLGCA would pay to the Contractor: (i) would be cumulative (i.e., 100 @ \$x, 200 @ \$y, and 125 @ \$z, where \$x = the amount entered in the first row “1-100”, \$y = the amount entered in the second row “101- 300”, and \$z = the amount entered in the third row “301-500”); OR, alternatively, (ii) would the MLGCA pay the Contractor for the 425 Units at the \$z rate (i.e., being the \$ amount entered in the third row “301-500”)?

**ANSWER:** MLGCA would pay the Contractor for the 425 Units at the \$z rate (i.e., being the \$ amount entered in the third row “301-500”)

**135. QUESTION:** Attachment F – Price Sheet, pages 252: Within the Pricing Sheet (Attachment F) for Part A (Lottery Central Monitoring and Control System), as amended by Amendment #1, the MLGCA clarified that “Price shall include the provision of necessary spare levels”. Will the MLGCA clarify the following:

a) What is the anticipated spare level amount that would be maintained by the Contractor? Would 2% of the base requirement be sufficient as a spare level?

b) Should Offeror's assume that the amount of equipment listed in A(1) would include those pieces of equipment necessary for training and quality assurance testing or, in the alternative, would those "training and testing" pieces of equipment be over and above the required amounts set forth in A(1)? For example, A(1) lists that the "Proposed Fixed Percent for All Services & Hardware Required by This RFP for the LCMCS (Based on Hardware Listed below for up to 5,000 Retail locations, provided by Contractor)" would include 4,700 Retailer Terminals with cash drawers. Should a responsible Offeror assume that all 4,700 of such Retailer Terminals would be deployed at Retailers, and that any incremental Terminals (i.e., training and testing) would be purchased by the MLGCA pursuant to pricing provided under A(2)? Or, alternatively, would the MLGCA use a portion of the 4,700 Retailer Terminals as "training and testing" terminals?

**ANSWER: a) The MLGCA does not dictate any specific number of spares required. The Contractor shall provide at no additional cost to the MLGCA sufficient spares to meet all requirements set forth in the RFP.**

**b) The Contractor shall be responsible to provide any equipment necessary to meet the RFP requirements for training and testing.**

**136. QUESTION:** Section 3.3.17 Source Code Escrow, page 71: Item #2.e) requires the Contractor to provide a "[d]escription of third party licensing arrangements and associated costs (emphasis added)".

a) Will the MLGCA confirm that the MLGCA intends for the Offerors to provide a "[d]escription of third party source code escrow arrangements and associated costs"?

b) Will the MLGCA allow Offerors to submit a copy of their "Master Escrow Agreement" or similar (with the escrow agent identified), which provides for the terms and conditions with respect to such source code escrow?

**ANSWER: a) Yes, correct.**

**b) Yes**