



TEXAS LOTTERY COMMISSION

REQUEST FOR PROPOSAL FOR
SCRATCH TICKET MANUFACTURING AND SERVICES

#362-2022-0005

RESPONSES TO PROPOSERS'
QUESTIONS
(Round 2)

February 16, 2022

**REQUEST FOR PROPOSALS
FOR
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Note to All Prospective Proposers:

In its answers to the following questions, the Texas Lottery Commission (Texas Lottery or TLC) has attempted to provide both accurate and thorough responses. Some answers may clarify or modify the RFP, and every Prospective Proposer is on notice of each answer's content. Answers that modify the RFP are so noted. Answers apply only to the facts as presented in each specific question.

Proposers shall review all sections of the RFP along with this document to ensure a complete understanding of the requirements. Any exceptions to the RFP shall be noted in the proposal, as required under Section 2.7 of the RFP.

It is recommended that Proposers review the pre-Proposal conference video located on the Texas Lottery's website at:

https://www.texaslottery.com/export/sites/lottery/About_Us/Doing_Business_with_TLC/Procurement/

Please note: Any questions regarding the HUB Subcontracting Plan (HSP) are in a separate document that will be updated throughout the procurement process.

WRITTEN QUESTIONS RECEIVED BY February 8, 2022 @ 4 P.M.

1. Section 2.5.8 Submission of Proposal, Page 21. Will the Lottery please confirm that submission of the HUB plan as hard copy only is acceptable?

RESPONSE: Yes, the HSP does not have to be included on the USB. Also, please refer to RFP Section 2.5.2.

2. Section 3.14.5 Term of Contract, Page 31. Given the competitive nature of our industry, would the Lottery please include a requirement that any such transition cooperation will be subject to appropriate nondisclosure obligations undertaken by all third parties prior to any such third party gaining access to the Successful Proposer's Confidential Information?

RESPONSE: The Texas Lottery declines to amend the RFP. While vendors may enter into any agreement they wish among themselves, a state agency is not the final arbiter of what is confidential information and cannot commit to making what is otherwise public information confidential. For more information, see the Office of the Attorney General's *Public Information Act Handbook 2022* at p. 70:

By providing that all information a governmental body collects, assembles, or maintains is public unless expressly excepted from disclosure, the Act prevents a governmental body from making an enforceable promise to keep information confidential unless the governmental body is authorized by law to do so. Thus, a governmental body may rely on its promise of confidentiality to withhold information from disclosure only if the governmental body has specific statutory authority to make such a promise. Unless a governmental body is explicitly authorized to make an enforceable promise to keep information confidential, it may not make such a promise in a confidentiality agreement such as a contract or a settlement agreement. In addition, a governmental body may not pass an ordinance or rule purporting to make certain information confidential unless the governmental body is statutorily authorized to do so. [Citations omitted]

3. Section 3.15 Termination at Will, Page 32. In the event of early termination of the contract, will the TLC compensate vendors on a prorated basis for costs incurred to implement an automated scratch ticket dispensing solution and/or credit offered in lieu of such solution?

RESPONSE: In the event of early termination of any contract, the Texas Lottery will pay for all products and services (or portion thereof) authorized prior to termination that the Successful Proposer has completed and the agency has accepted through the contract termination date, in accordance with RFP Section 3.8 (Payment).

4. Attachment B Financial Commitment and Responsibility, Page 117. Would the Lottery please allow Proposers the flexibility to use an authorized signatory other than the parent corporation chief financial officer to execute Attachment B?

RESPONSE: Yes, we would accept the use of an authorized signatory other than the parent corporation chief financial officer as long as the person signing is authorized to financially obligate the parent corporation.

5. **8.33 Specified Options Section 8.33.2. Internet Entry Promotional Second-Chance Drawings, page 109.** *RFP Text: The Texas Lottery may use internet entry promotional second-chance drawings. The Successful Proposer may be required to conduct drawings at Texas Lottery Headquarters or another location, as specified by the Texas Lottery in its sole discretion.*

- a. Question: Would the Lottery please provide more information as to the frequency and quantity of second-chance drawings they anticipate needing support for?

RESPONSE: During FY 2021, there were approximately 36 Internet Entry Promotional Second-Chance Drawings conducted. Please note that these services are currently provided by the Texas Lottery Operations and Services vendor and current plans are to continue this arrangement.

- b. Question: How would this responsibility be divided amongst multiple vendors?

RESPONSE: If this Specified Option was exercised, it would most likely be exercised with only one vendor who would have full responsibility for conducting all Internet Entry Promotional Second-Chance drawings for the Texas Lottery. Please note that these services are currently provided by the Texas Lottery Operations and Services vendor.

6. **Section 8.33.2. Internet Entry Promotional Second-Chance Drawings, page 110.** *RFP Text: The Successful Proposer a) shall develop, maintain and host web pages for internet second-chance entries; b) shall provide customized database management systems including player account management and entry management; c) shall provide real-time entry validation; d) shall provide files of drawing entry records for the Successful Proposer to conduct promotional second-chance drawings as approved by Texas Lottery security; and e) if requested by the Texas Lottery, shall provide geo-location services for in-state address verification of all entries submitted. The Successful Proposer must securely store all electronic internet entries for each drawing and securely transfer the appropriate drawing entry records for the appropriate drawings according to all agreed upon entry deadlines and drawing schedules. Currently, these services are provided by the Texas Lottery Operations and Services vendor.*

The Successful Proposer may also be required to provide a web page(s) that outlines the features of each game that offers internet entry promotional second-chance drawings. The web page will include the drawing rules and regulations and show available prizes and other features for the specific game, including information on claiming prizes and links to related information.

- a. Question: Would the Lottery please provide more information as to the frequency and quantity of internet entry promotional second-chance drawings they anticipate requiring this additional support (web page(s), database management, player account management, entry management, validation, geo-location services)?

RESPONSE: Please see the response to 5(a).

- b. Question: How would these responsibilities be divided amongst multiple vendors?

RESPONSE: Please see the response to 5(b).

- c. Question: Would the Lottery please provide more information on the player account management and entry management features required?

RESPONSE: Currently, these services are provided by the Texas Lottery Operations and Services vendor. Should this Specified Option be exercised and the services transitioned to a Successful Proposer, the current database would be provided to that Successful Proposer for development of the new player account and entry management system. The current system, Luck Zone, maintains the user profile information including name, address, phone number, date of birth, and email address. The system maintains the data for each entry including the user information, date/time of entry, and ticket barcode information.

- d. Question: Regarding geo-location services, does the Lottery require geo-location verification each time an entry is submitted, once upon account creation, or once per login session?

RESPONSE: Geolocation is verified each time the player signs into the system. If the geolocator provides an out-of-state location, then a pop-up certification is presented to the player to confirm they are in fact in the state of Texas.

- e. Question: Does the Lottery require for these internet entry promotional second-chance drawings to be integrated into a mobile app? If so, is the mobile app supported by another vendor or does the Lottery expect the successful proposer to

develop and support a mobile application for second-chance promotions specifically?

RESPONSE: Currently, Luck Zone does integrate with the Texas Lottery mobile app allowing the submission of an entry by scanning the unique barcode on the front of the ticket. The mobile app is currently provided by the Texas Lottery Operations and Services vendor. Development and support of a mobile application is not expected although integration with the current version of the mobile app would be expected.

7. **Section 8.33.3. Other Promotional Drawings, page 111.** *RFP Text: The Texas Lottery may require the Successful Proposer to sponsor a game promotion, or a promotion for a family of games, including a second-chance promotion, that includes drawings other than internet entry drawings that the Successful Proposer will conduct to award prizes. In those promotional drawings, the Successful Proposer shall provide and utilize an automated drawing solution/Random Number Generator (RNG) to select the winning entries. The Successful Proposer shall provide written certification from an independent third party, approved by the Texas Lottery, that the drawing solution/RNG has been tested and certified. The Successful Proposer thereafter shall have the drawing solution/RNG tested and recertified each time updates, if any, are made. Details about the Successful Proposer's promotion, including the prizes to be awarded and the number of drawings and winners, will be set forth in the working papers for the applicable game or family of games. The Successful Proposer shall provide all services for such drawings, including to set up, monitor and support the draw system, at no additional cost to the Texas Lottery.*

- a. Question: Can the Lottery please explain the difference between the Other Promotional Drawings referenced here in section 8.33.3 and the Internet Entry Promotional Second-Chance Drawings referenced in section 8.33.2?

RESPONSE: RFP Section 8.33.3 is referring to Promotional Drawings that the Successful Proposer would conduct, typically associated with a second-chance promotion that is tied to a family of scratch ticket games. The Internet Entry Promotional Drawing would be conducted, currently by the Texas Lottery Operations and Services vendor, and a list of winners would then be provided to the Successful Proposer who then conducts a secondary or Promotional Drawing to determine winners that will receive a specified prize. The Successful Proposer conducts these drawings only for promotions they recommend that are approved by the Texas Lottery and included in the Scratch Ticket Game Plan.

- b. Question: Would the Lottery please provide more information as to the frequency and quantity of other promotional drawings they anticipate needing support for?

RESPONSE: The Successful Proposer conducts these Promotional Drawings only for promotions they recommend that are approved by the Texas Lottery and included in the Scratch Ticket Game Plan.

- c. Question: Will the Lottery require support in the areas of web page(s), database management, player account management, entry management, validation and/or geo-location services for these other promotional drawings referenced in this section?

RESPONSE: The Texas Lottery may require a web page and/or microsite that provides information about the promotion such as prizes, drawing dates, etc.

Database management, player account management, entry management, validation and geo-location are only associated with the player account management and entry management system, Luck Zone. The requirements for the Internet Entry Promotional Second-Chance Drawings are detailed in RFP Section 8.33.2.

8. Section 8.33.6 Automated Scratch Sales Solution, pg. 112.

- a. Question: Please provide the number of bins expected per unit for an Automated Scratch Solution (where a bin holds 1 type of instant ticket).

RESPONSE: The number of bins would depend on the retailer, but 4 to 8 bins would be the expected number for most retailers.

- b. Question: Please provide the number of lanes per store expected to have an Automated Scratch Solution.

RESPONSE: The number of lanes per store depends on retailer trade style and retailer acceptance.

- c. Question: Please confirm that once 3,000 units are installed that the Lottery will maintain a minimum of 3,000 units in the field through the contract term (with the understanding that the vendor has incurred the cost for the units deployed). This commitment will allow vendors to provide the most optimal price for each unit.

RESPONSE: The Texas Lottery cannot confirm or commit to any deployment totals. Unit deployment will depend on retailer acceptance.

- d. Question: Due to the uniqueness of this RFP and the longevity of the future contract, would the Lottery allow for a vendor-specific meeting (similar to the draft HSP workshops call) to allow discussions on terms of the Automated Scratch Sales Solution?

RESPONSE: No. Any vendor-specific discussions may occur during negotiations.

9. **Attachment H, Cost Proposal Automated Scratch Sales Solution – Pricing per Unit, page 139. Question:** Since units installed after 2030 will have a shorter term to recover costs, would the Lottery accept modified pricing after 2030 or should the vendor build all costs into one price (i.e. from 2026 to 2034) regardless of when units are installed?

RESPONSE: Per unit pricing in excess of the units required by the option should be consistent regardless of when units are installed.

10. **Follow-up to Q&A #8, part c:**

- a. Question: Please confirm that the reimbursement accrual will begin with any uninstalled units by 9/1/2022, but that the Lottery's intention is to not begin paying for those units until 9/1/2024. Would the accrual credit be able to be applied to services beginning 9/1/2022 or only after 9/1/2024?

RESPONSE: Correct. The reimbursements may be used at any time over the length of the contract after the reimbursement is calculated.

- b. Question: Will delays on the part of the Lottery be considered in calculating the credit due for uninstalled units?

RESPONSE: Reimbursements will be calculated based on units actually installed regardless of actions by the Successful Proposer, the Texas Lottery or retailers.

- c. Question: Assuming the contract award is in June 2022, that only leaves 4 months to site, build and install 3,000 units. Given this aggressive schedule would the Lottery consider starting the credit for units not installed on 9/1/23 instead of 9/1/22?

RESPONSE: The Texas Lottery declines to amend the RFP.

11. **Follow-up to Q&A #9, part c:** Question: Is it the Lottery's intent to purchase units from multiple vendors? If yes, would each vendor potentially provide 3,000 units or would the Lottery purchase a total of 3,000 units potentially broken up between multiple vendors?

RESPONSE: Yes, each Successful Proposer could potentially provide 3,000 units (or more, based on the per unit pricing).

12. **Attachment H Cost Proposal (pg. 138):** As per **Automated Scratch Sales Solution – Short-term Pricing Option (pricing in effect for 9/1/2024 – 8/31/2026) (pg. 138)**, Effective September 1, 2026 pricing for all scratch ticket manufacturing and services will revert to the Base Price (Table 1)’. As of the transition date of September 1, 2026, is it the intention of the Lottery to own the Automated Scratch Sales Solution, including the machines themselves, and all costs associated with connectivity, maintenance, and servicing? If this is not the Lottery’s intent, can the Lottery please clarify who would be responsible for the machines and all costs associated with connectivity, maintenance, and servicing, effective September 1, 2026, and thereafter?

RESPONSE: It is not the intent for the Texas Lottery to own the Solution outright at any time. At the time of the transition date of September 1, 2026, the Texas Lottery would intend to either continue to pay for units in market on a per unit basis, take units out of market or transition that functionality to another contractual provider.

13. Separately, who owns the Automated Scratch Sales Solution machines after 8/31/2034 if the Long-term Pricing Option is chosen?

RESPONSE: It is not the intent for the Texas Lottery to own the Solution outright at any time. At the end of the contractual term, any units still in operation would either be taken out of market or transitioned to another contractual provider.

14. **Attachment H Cost Proposal (pg. 139):** Can the Lottery please confirm our understanding that the monthly price per unit for up to 3,000 units will be used to calculate the reimbursement per unit, as specified in **8.33.6., 9) (pg. 114)**, for any units that are not fully deployed starting September 1, 2022?

RESPONSE: Correct.

15. Or, rather than a hard date, is the reimbursement calculated based on the Lottery-approved schedule for Retailer rollout per **8.33.6., 5) (pg. 113)**, which could be significantly different than September 1, 2022?

RESPONSE: The reimbursement will be calculated based on units not deployed starting September 1, 2022.

16. Can the Lottery also confirm that the price for up to 3,000 units is applicable to both the **Automated Scratch Sales Solution – Long-term Pricing Option (pricing in effect for**

9/1/2024 – 8/31/2034) and the Automated Scratch Sales Solution – Short-term Pricing Option (pricing in effect for 9/1/2024 – 8/31/2026)?

RESPONSE: Correct.