

# Massachusetts State Lottery Commission Meeting

*Executive Director's Report*

Delivered by Paul R. Sternburg

June 9, 2011



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# New Initiatives

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- **Player Activated Terminals (P.A.T.s)**

- Latest technology in lottery vending machines which dispense instant tickets, as well as online draw games.
- With these machines, the Lottery can expand into new markets/reach new audiences.
- The cost for 350 P.A.T's would be \$5.3 million, with a return on investment over a 5-year period as high as \$40 million. We would pay for these machines over five years at \$1.06 million per year.



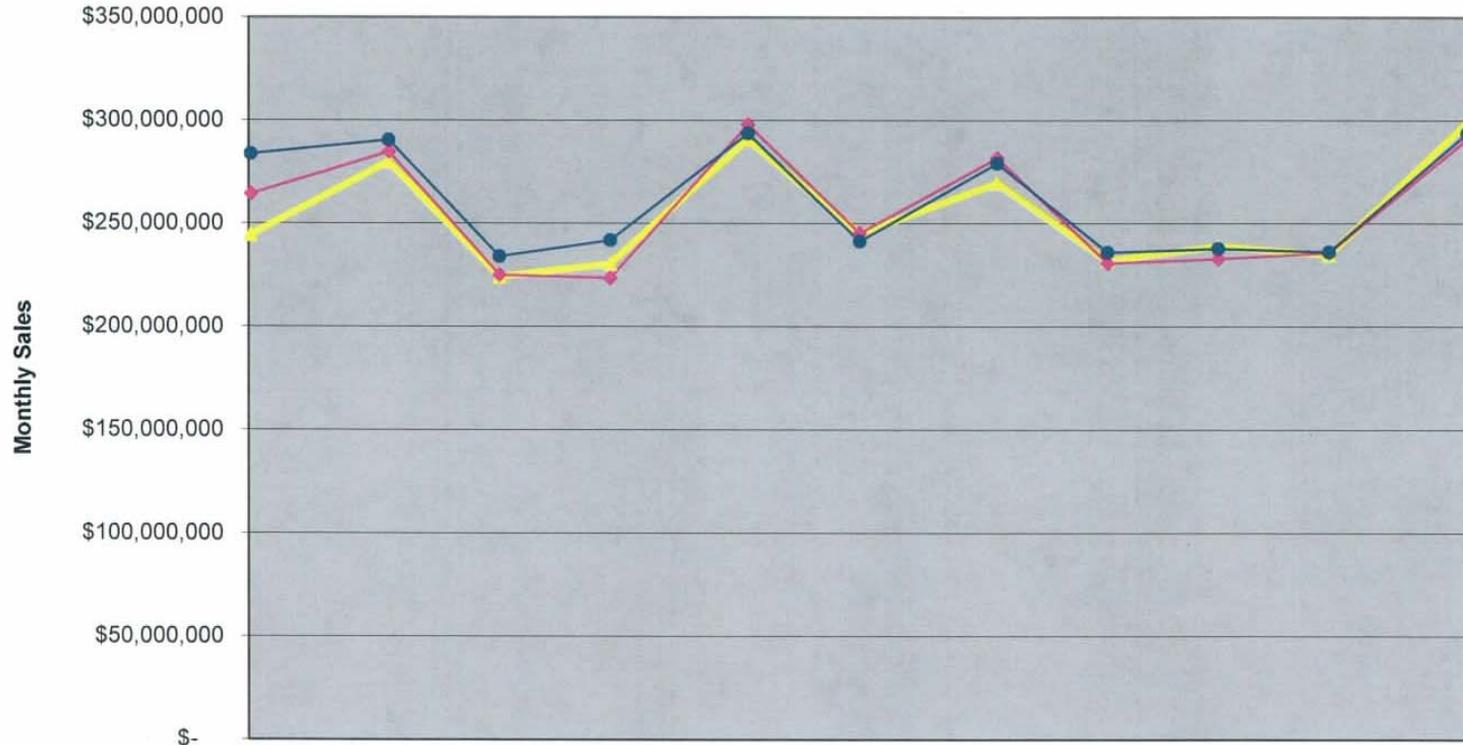
- **Raffle-Style Games**

- Net return on investment would be an estimated \$8,460,000 on a \$20.00 ticket (based on an assumption of 1 million tickets sold).
- Done twice a year, this would produce \$16,920,000 in additional profits.



# Sales Report & FY11 Revenue Projection

Instant Game Monthly Sales  
YTD 2009 thru 2011



	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$244,406,695	\$279,756,652	\$224,154,313	\$230,266,512	\$290,680,776	\$245,104,186	\$269,511,067	\$231,842,548	\$238,933,616	\$234,649,190	\$298,916,076
2010 Monthly Sales	\$264,236,663	\$284,599,739	\$225,028,588	\$223,532,159	\$297,786,355	\$245,199,925	\$281,620,024	\$230,670,567	\$232,736,741	\$235,776,651	\$290,738,599
2009 Monthly Sales	\$283,669,201	\$290,435,708	\$234,047,843	\$241,880,568	\$293,558,854	\$241,338,030	\$279,067,620	\$235,838,572	\$237,777,129	\$236,115,833	\$293,577,542

Month Ending



# Sales Report & FY11 Revenue Projection

- Key performers in recent game releases:

### Money Multiplier

Price Point: \$2

Weeks on Sale: 7

Total Sales: \$14.98 M



\$1,000,000

### Cashword

Price Point: \$10

Weeks on Sale: 4

Total Sales: \$11 M



### Mass. Lottery Black

Price Point: \$5

Weeks on Sale: 7

Total Sales: \$38.6 M



**INSTANT  
GAMES**

**THE LOTTERY**

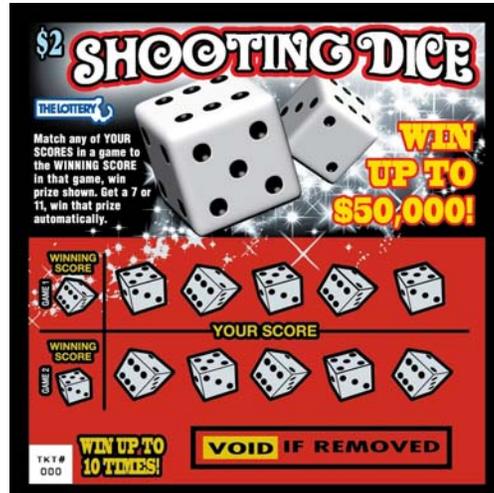
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# Sales Report & FY11 Revenue Projection

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- **June Instant Games releases (June 14) will include:**

***Shooting Dice***  
Price Point: \$2  
Top Prize: \$50,000

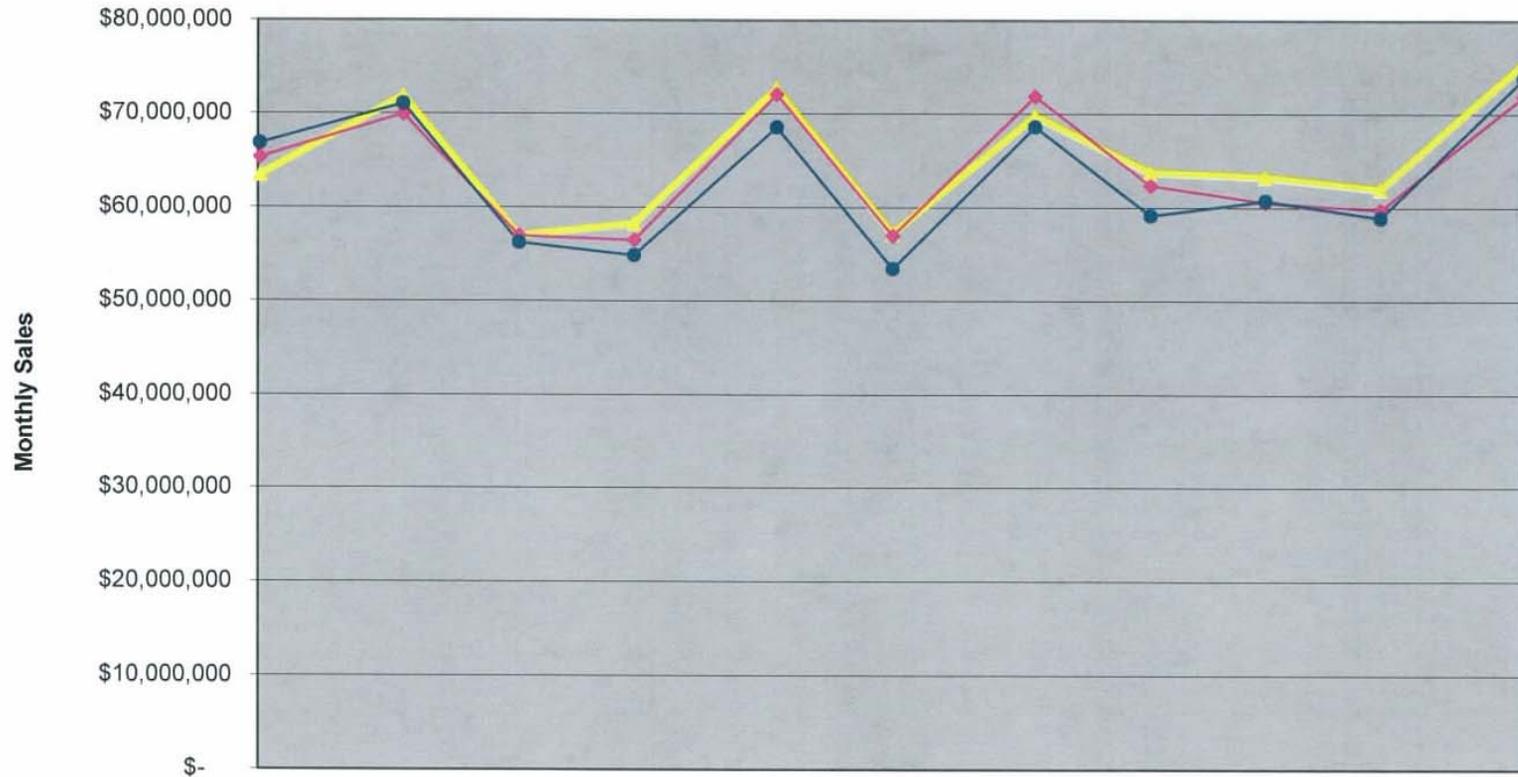


***Black Pearls***  
Price Point: \$5  
Top Prize: \$1 million



# Sales Report & FY11 Revenue Projection

Keno Game Monthly Sales  
YTD 2009 thru 2011

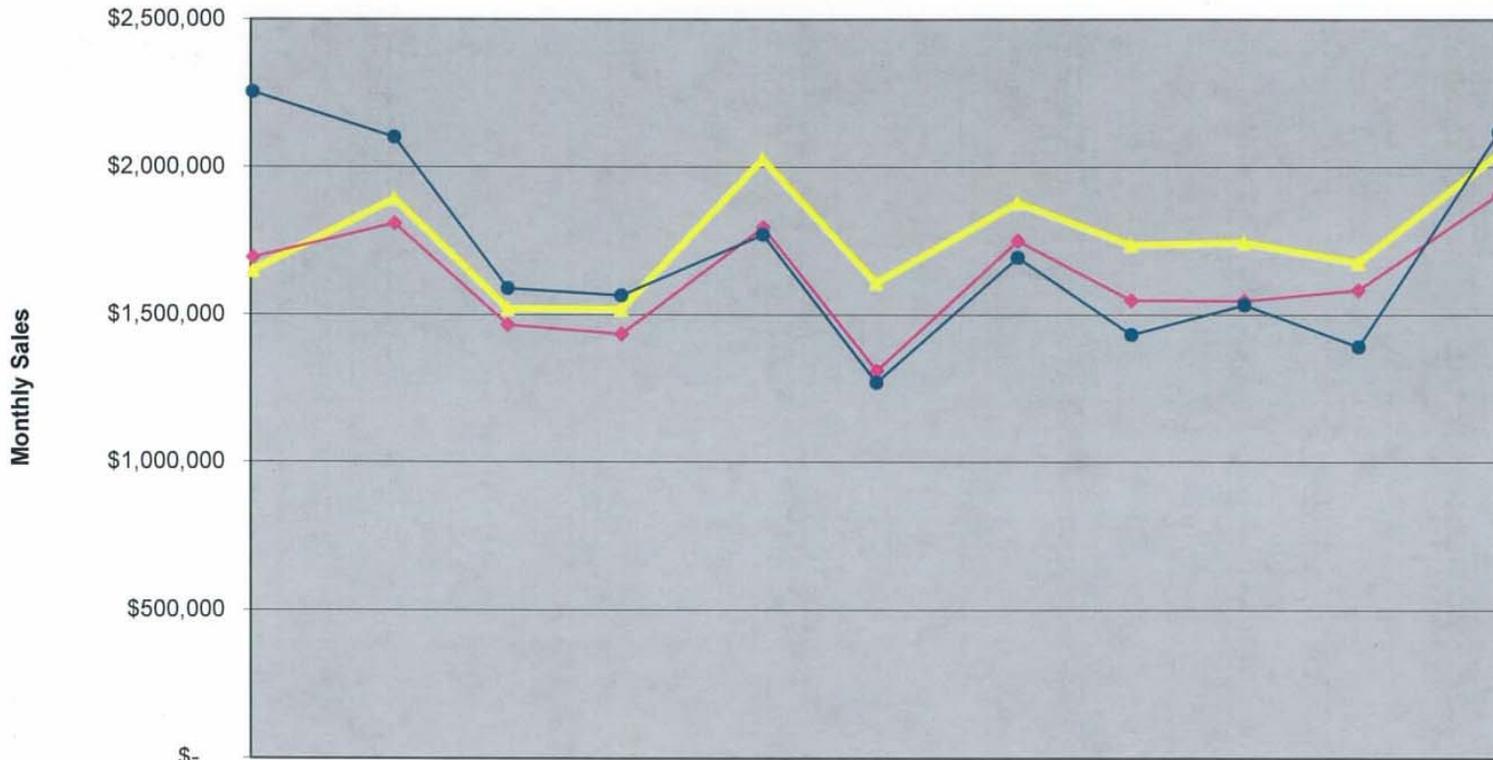


	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$63,424,715	\$71,819,357	\$56,939,601	\$58,222,815	\$72,659,946	\$57,173,914	\$69,753,994	\$63,723,343	\$63,268,022	\$61,946,220	\$75,374,599
2010 Monthly Sales	\$65,338,286	\$69,959,878	\$56,950,538	\$56,451,730	\$72,043,331	\$56,913,417	\$71,790,468	\$62,282,300	\$60,463,763	\$59,646,060	\$71,815,309
2009 Monthly Sales	\$66,844,546	\$71,062,951	\$56,225,039	\$54,850,975	\$68,523,720	\$53,414,371	\$68,585,055	\$59,110,106	\$60,677,223	\$58,833,449	\$73,727,679



# Sales Report & FY11 Revenue Projection

Race Game Monthly Sales  
YTD 2009 thru 2011



	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$1,648,541	\$1,890,989	\$1,520,639	\$1,517,425	\$2,026,063	\$1,608,235	\$1,878,607	\$1,736,019	\$1,744,067	\$1,676,092	\$2,045,327
2010 Monthly Sales	\$1,693,943	\$1,809,525	\$1,465,347	\$1,434,933	\$1,794,758	\$1,309,946	\$1,749,829	\$1,547,939	\$1,546,623	\$1,582,824	\$1,908,279
2009 Monthly Sales	\$2,254,441	\$2,100,959	\$1,589,213	\$1,565,578	\$1,771,129	\$1,270,322	\$1,693,505	\$1,432,243	\$1,533,212	\$1,391,564	\$2,117,116



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# Sales Report & FY11 Revenue Projection

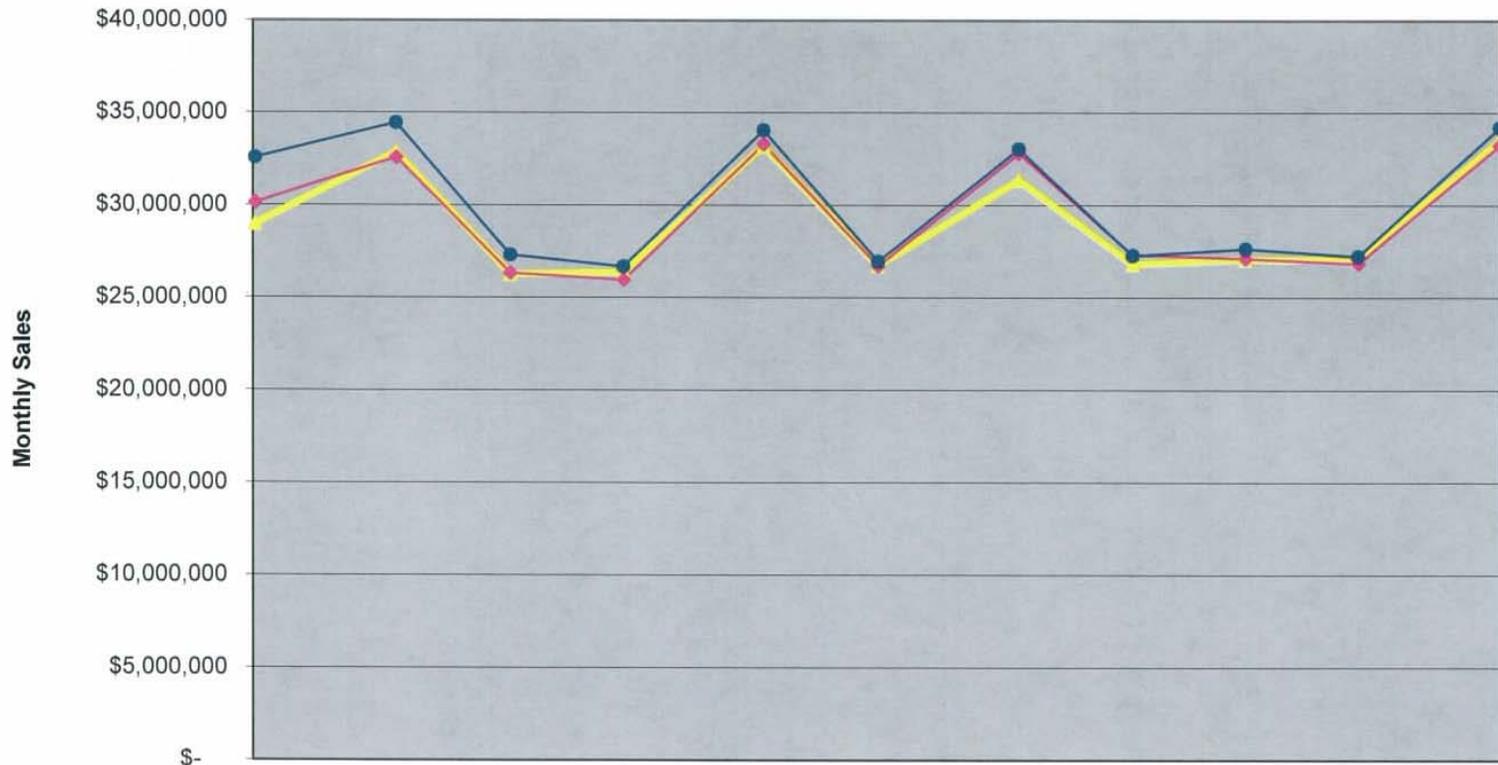
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- The Daily Race Game is the Lottery's 2<sup>nd</sup> monitor game introduced in FY08 to complement Keno.
- Original sales projection for this game was \$175 million annually; however, the game never clicked with players and sales have plateaued at approximately \$20 million.
- We are currently exploring enhancements to this underperforming 2<sup>nd</sup> monitor game, which could include improving existing platform or finding a graphic display that better resonates with existing and new audiences.



# Sales Report & FY11 Revenue Projection

Numbers Game Monthly Sales  
YTD 2009 thru 2011



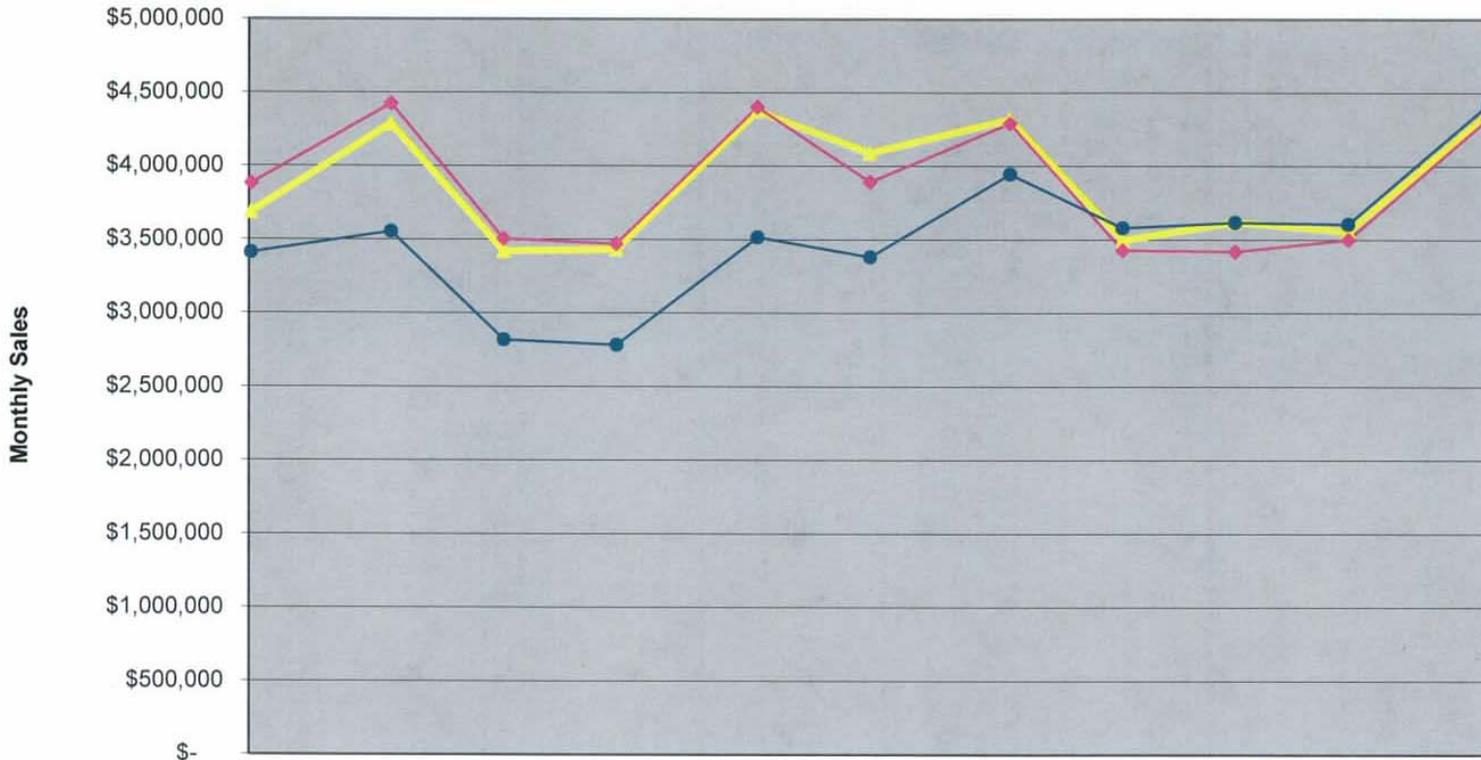
	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$28,959,725	\$32,843,654	\$26,268,575	\$26,342,732	\$33,189,633	\$26,725,004	\$31,355,851	\$26,812,928	\$27,063,003	\$27,070,774	\$33,498,382
2010 Monthly Sales	\$30,132,777	\$32,575,271	\$26,319,786	\$25,935,233	\$33,272,384	\$26,680,618	\$32,764,621	\$27,275,789	\$27,076,648	\$26,805,374	\$33,217,899
2009 Monthly Sales	\$32,570,151	\$34,449,441	\$27,305,363	\$26,664,412	\$34,043,712	\$26,945,955	\$33,020,733	\$27,253,312	\$27,613,957	\$27,198,470	\$34,166,855

Month Ending



# Sales Report & FY11 Revenue Projection

MassCash Game Monthly Sales  
YTD 2009 thru 2011



	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$3,686,104	\$4,285,392	\$3,420,098	\$3,431,267	\$4,373,524	\$4,089,223	\$4,317,543	\$3,495,779	\$3,618,711	\$3,555,492	\$4,356,495
2010 Monthly Sales	\$3,880,304	\$4,421,481	\$3,502,774	\$3,468,431	\$4,399,497	\$3,890,104	\$4,289,568	\$3,428,168	\$3,417,708	\$3,498,166	\$4,324,139
2009 Monthly Sales	\$3,411,227	\$3,552,493	\$2,817,362	\$2,781,356	\$3,515,348	\$3,380,258	\$3,943,904	\$3,580,302	\$3,616,052	\$3,605,188	\$4,417,349

Month Ending



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# Sales Report & FY11 Revenue Projection

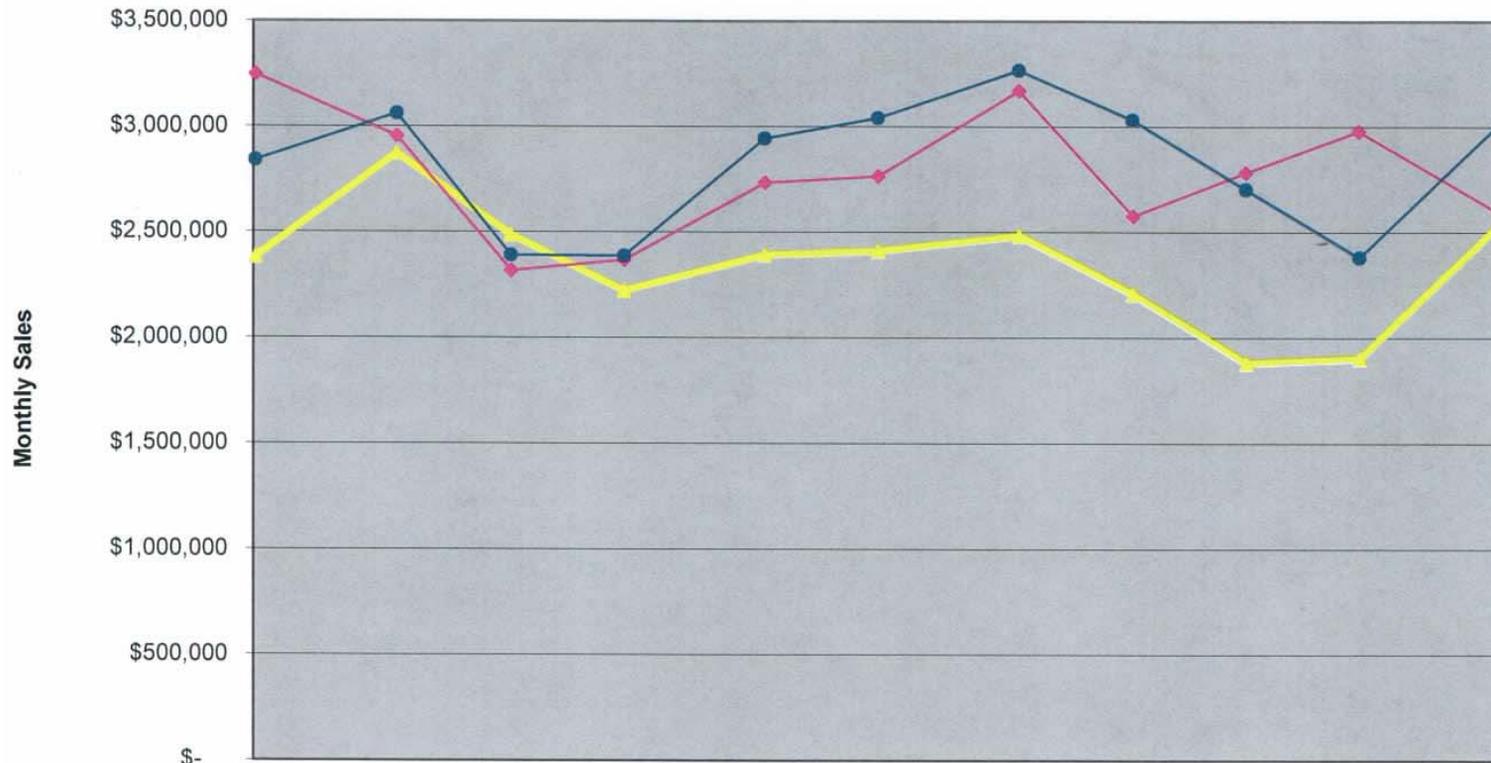
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- Mass Cash moving to 7-nights-a-week starting July 15.
- Mass Cash is a popular game, players recognize it provides best odds to win a jackpot prize (1:324,632). 149 players were awarded \$100,000 jackpots in 2010.
- Expanding to a nightly draw schedule should generate a \$15 million sales increase annually, resulting in an additional \$5.4 million return for cities and towns.



# Sales Report & FY11 Revenue Projection

Megabucks Game Monthly Sales  
YTD 2009 thru 2011



	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$2,380,716	\$2,871,261	\$2,485,109	\$2,220,819	\$2,389,826	\$2,409,018	\$2,481,937	\$2,205,105	\$1,878,503	\$1,900,644	\$2,538,472
2010 Monthly Sales	\$3,246,106	\$2,953,182	\$2,316,107	\$2,366,330	\$2,730,667	\$2,761,509	\$3,165,619	\$2,570,280	\$2,776,858	\$2,974,056	\$2,584,907
2009 Monthly Sales	\$2,840,731	\$3,061,313	\$2,390,334	\$2,385,569	\$2,941,798	\$3,038,872	\$3,264,579	\$3,028,577	\$2,699,039	\$2,376,529	\$3,012,415

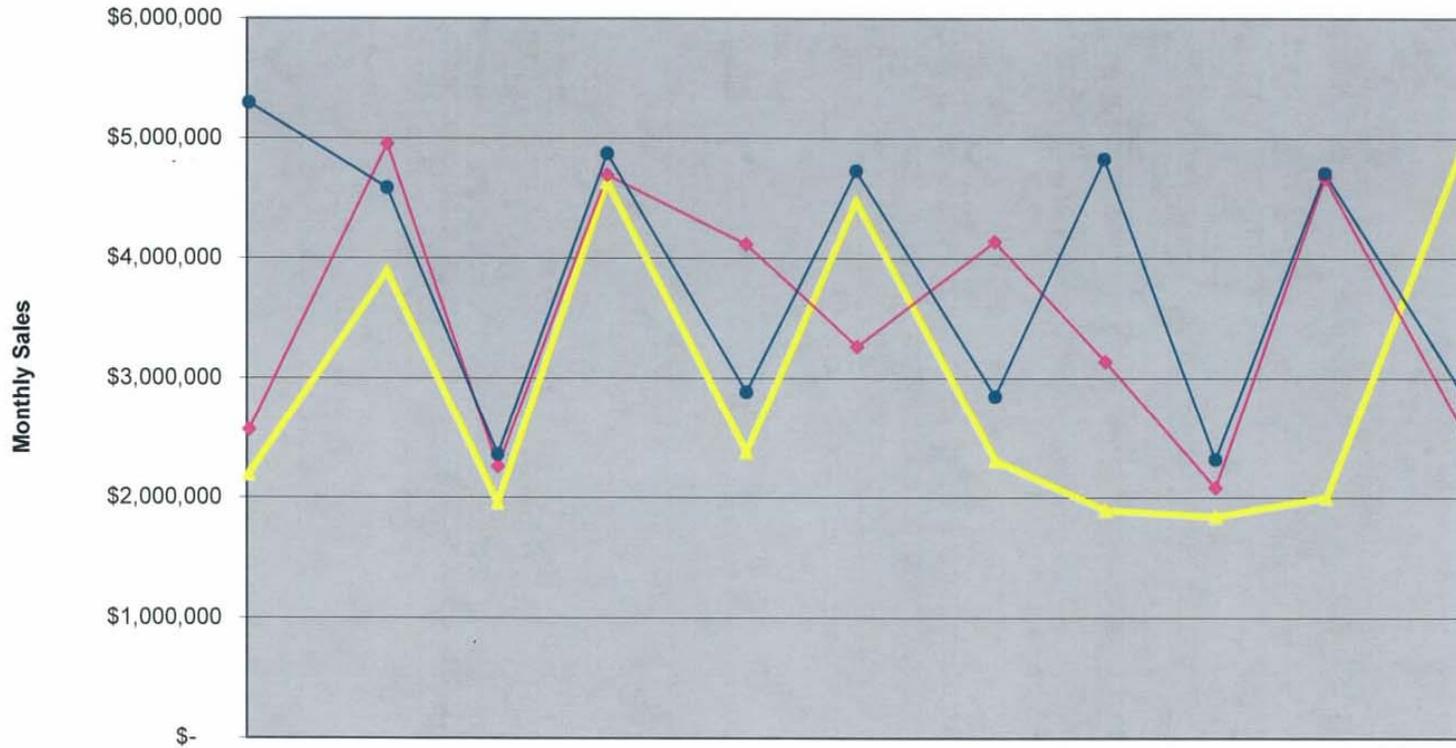
**MEGABUCKS  
DOUBLER**

Month Ending



# Sales Report & FY11 Revenue Projection

Cash WinFall Game Monthly Sales  
YTD 2009 thru 2011



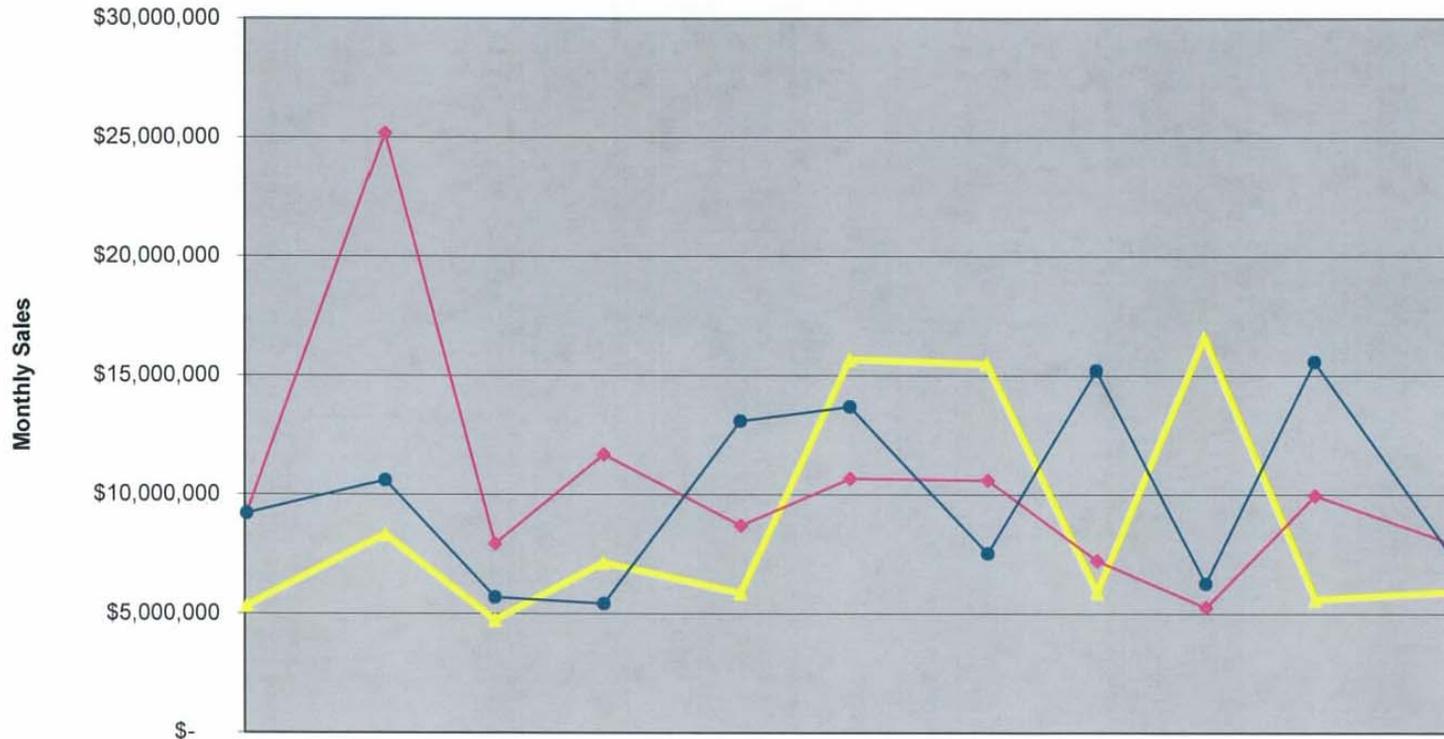
	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$2,192,620	\$3,889,326	\$1,954,272	\$4,633,496	\$2,379,763	\$4,470,730	\$2,306,710	\$1,894,620	\$1,841,414	\$1,999,702	\$4,927,088
2010 Monthly Sales	\$2,567,026	\$4,955,388	\$2,258,664	\$4,694,362	\$4,116,505	\$3,260,305	\$4,135,018	\$3,135,552	\$2,081,670	\$4,665,288	\$2,535,026
2009 Monthly Sales	\$5,296,570	\$4,589,694	\$2,362,970	\$4,875,738	\$2,886,505	\$4,729,228	\$2,846,776	\$4,825,048	\$2,317,548	\$4,707,430	\$2,847,214

Month Ending



# Sales Report & FY11 Revenue Projection

**Mega Millions Game Monthly Sales**  
YTD 2009 thru 2011



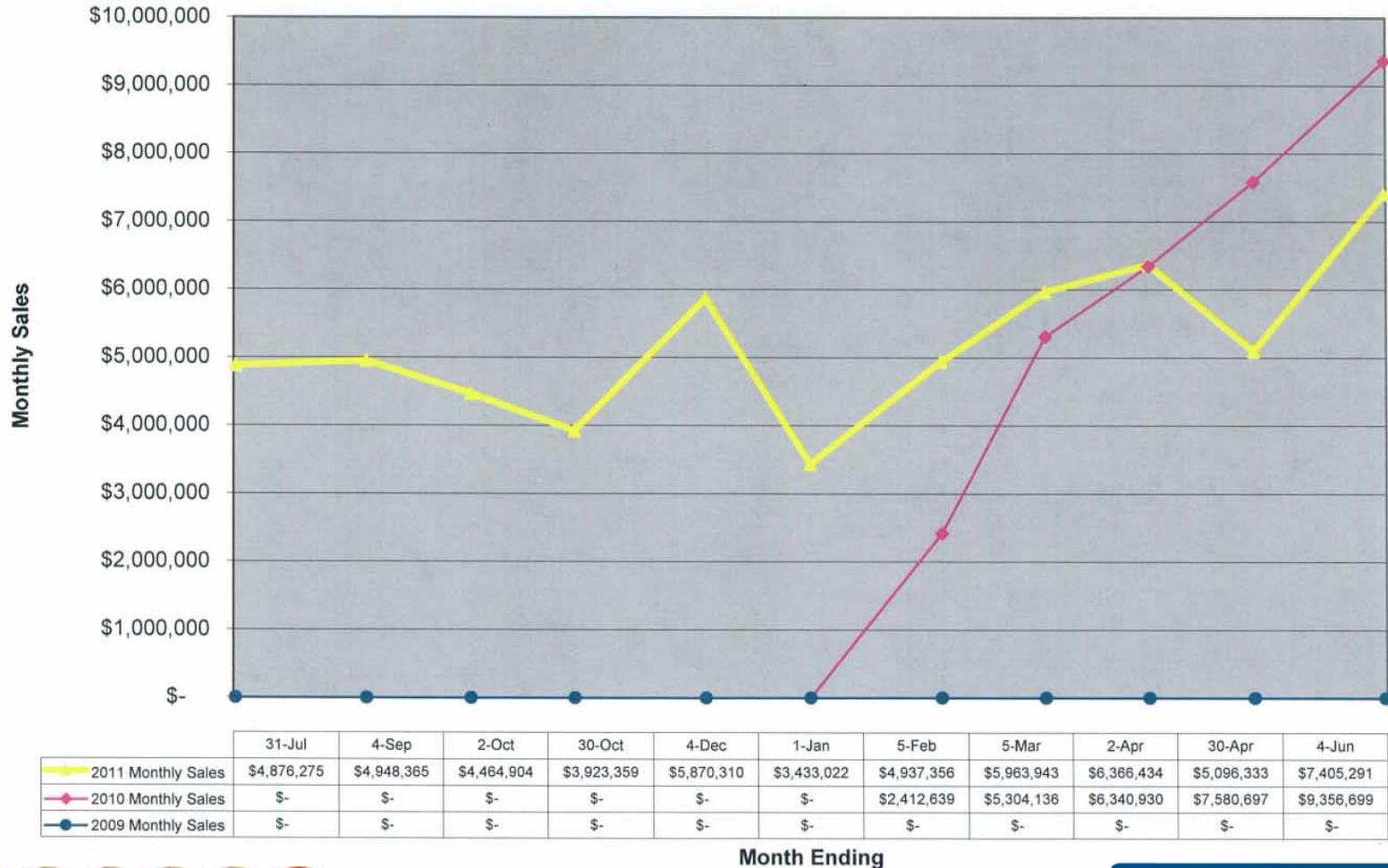
	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$5,322,762	\$8,310,970	\$4,721,634	\$7,127,421	\$5,863,271	\$15,659,859	\$15,471,338	\$5,890,784	\$16,576,585	\$5,595,416	\$5,916,940
2010 Monthly Sales	\$9,249,119	\$25,167,564	\$7,936,388	\$11,679,247	\$8,689,758	\$10,675,467	\$10,591,247	\$7,211,225	\$5,249,310	\$9,954,180	\$7,945,979
2009 Monthly Sales	\$9,213,350	\$10,602,886	\$5,689,249	\$5,424,321	\$13,087,663	\$13,690,410	\$7,520,331	\$15,202,368	\$6,257,260	\$15,577,338	\$7,382,147

Month Ending



# Sales Report & FY11 Revenue Projection

Powerball Game Monthly Sales  
YTD 2009 thru 2011



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# Sales Report & FY11 Revenue Projection

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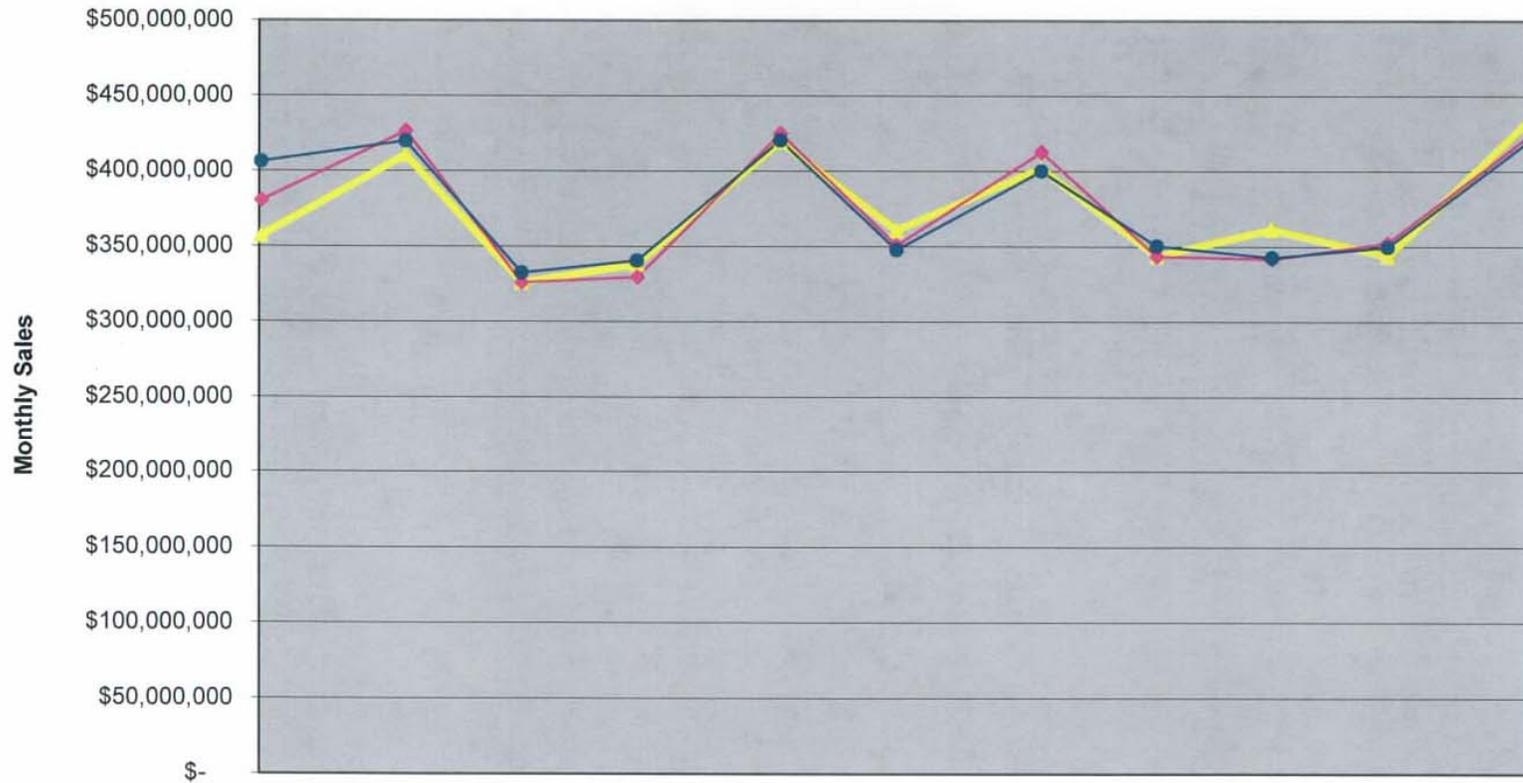


- Multi-State Game cross-sell not generating level of jackpots projected, which impacts sales & player excitement.
- Discussions underway with New England lottery directors on a regional game. While there are several options being tested with focus groups in each state, we hope to introduce a new offering into the marketplace in the third-quarter of FY12.



# Sales Report & FY11 Revenue Projection

All Game Monthly Sales  
YTD 2009 thru 2011



	31-Jul	4-Sep	2-Oct	30-Oct	4-Dec	1-Jan	5-Feb	5-Mar	2-Apr	30-Apr	4-Jun
2011 Monthly Sales	\$356,898,153	\$410,615,966	\$325,929,145	\$337,685,846	\$419,433,112	\$360,673,191	\$402,014,403	\$343,565,069	\$361,290,355	\$343,489,863	\$434,978,670
2010 Monthly Sales	\$380,344,224	\$426,442,028	\$325,778,192	\$329,562,425	\$424,833,255	\$350,691,291	\$412,519,033	\$343,425,956	\$341,690,251	\$352,483,296	\$424,426,836
2009 Monthly Sales	\$406,100,219	\$419,855,445	\$332,427,373	\$340,428,517	\$420,328,729	\$347,807,446	\$399,942,503	\$350,270,528	\$342,491,420	\$349,805,801	\$421,248,317

Month Ending



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# Personnel Update

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- Two new Executive Staff hires & search underway to hire Graphic Designer/Social Media Coordinator to work in Marketing Communications Department.
- Shanel Lindsay, Assistant Executive Director/Director of Human Resources and Employment Counsel & Cathy Judd-Stein, Assistant Executive Director/Director of Policy and Special Counsel joined the Lottery's Executive Staff last week.
- Cathy's immediate responsibilities will include reviewing and updating governance, hiring and procurement policies, and process to ensure current and best practices and reforms are implemented.



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# Lottery Reform Initiatives

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- Financial Transparency
  - Beginning in April, the Lottery began providing a monthly sales report & fiscal year revenue/return projection package to A&F, SWM, HWM, and the MSLC Members.
- Best Practices for Personnel Decisions
  - Re-writing hiring & internal promotional policies.
- Business Plan
  - Initial stage of developing a strategic business plan to support the Lottery's long-term viability and success.
- Procurement
  - Reviewing/re-writing policies to ensure efficiency.
- Governance
  - Developing by-laws.
  - Altering structure of Commission meetings.



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# Audit Advisory Board

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- In March 2007, the Commission voted to create an Audit Advisory Board to assist the MSLC in overseeing its activities by:
  - *Monitoring the Lottery's financial reporting process and Agency-wide internal control system;*
  - *Reviewing the audit efforts to the appointed independent and internal auditors; and,*
  - *Reporting findings to the MSLC.*
- This Board is to be comprised of the State Treasurer, the Secretary of Public Safety and the Comptroller.
- A charter was approved; however, the Board was never formalized.
- We would like to move forward in establishing a working Board.



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# Maximizing Lottery Investment Portfolio – *minimizing risk & preserving base capital*

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- The Lottery has a portfolio of investments it holds, timed to meet demand for prize payouts, currently valued at \$1.3B and invested in a portfolio of 0% interest bearing Treasury strip securities.
- Historically, Lottery prizes were tucked away in low-yield insurance policies, but recent national trends show that lotteries across the country are embracing asset maximization through efficient portfolios as part of their budget plans in order to get the funds necessary to keep investing in new technologies, operations or for contributions to state general funds.
- Restructuring the securities from one type of investment into a diversified portfolio of highly rated, equally safe investments will yield one time revenue enhancements of potentially millions of dollars for the Lottery.
- A new RFP would allow Treasury Cash Management and the Lottery fiscal team to consider ways to work together to maximize any Lottery investments, when deemed appropriate.



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# Maximizing Lottery Investment Portfolio – *minimizing risk & preserving base capital*

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- The Treasury and the Lottery have set initially the following principles:
  - *No risk to the base capital is ever tolerable.*
  - *Market conditions have to be ideal for the migration of any of the 0% Treasury strips to a higher yield investment.*
  - *Prize winner payout must remain seamless: a technology platform must exist immediately upon execution of any investment migration that guarantees seamless transition for any investment management.*
- Treasury and Lottery teams will work together to ensure that we maximize the professional asset management that Treasury can offer the Lottery while the Lottery continues to focus on core mission responsibilities, such as their successful methodology of prize payout management.



Thank you for this opportunity to share this information. We look forward to your feedback and to further discussion on these, as well as other initiatives.

