

Massachusetts State Lottery Commission

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STEVEN GROSSMAN

Treasurer and Receiver General

PAUL STERNBURG

Executive Director

DATE: June 28, 2011

TIME: 11:30 AM

PLACE: Office of the Treasurer and Receiver General
12th Floor
One Ashburton Place
Boston, MA

MEMBERS PRESENT: Steven Grossman, Treasurer and Receiver General
Martin J. Benison, Comptroller
Gregory Massing, General Counsel, Exec. Office of Public Safety
Tim McMahon, Deputy Commissioner of Administration
Beth I. Z. Boland, Partner at Bingham McCutchen

ALSO PRESENT: Paul Sternburg, Executive Director, Lottery
William Egan, General Counsel, Lottery
Jean Caron, Executive Assistant, Lottery
Beth Bresnahan, Director of Marketing & Communications
Cathy Judd-Stein, Assistant Executive Director of Policy
and Special Counsel
Jamey Tesler, General Counsel, Treasury
Katherine Craven, 1st Deputy Treasurer
John Carlisle, Director of Communication ~ Treasury

Robert Frasca,
Adebayo O. Onile-Ere – Malden-Devir Group

1.0 Opening of the Meeting

Treasurer Grossman opened the meeting at 11:41 AM ~ voting began at 12:09 PM

It was suggested that the Minutes of the Meeting be sent electronically to the Commissioners and that there be a standard monthly meeting. Jean Caron is to organize, contact the Treasurer's office and prepare the dates for the next year. It will be sent to the Commissioners by the Legal Department for their approval.

Treasurer Grossman asked that there be brief introductions.

Treasurer Grossman asked Director Sternburg to give a brief report regarding the Lottery. Director Sternburg reminded the Commission about the Lottery sending a Governor's Report given every month.

Payout drives profitability. Instant Game sales are up \$3 million dollars and overall sales are up \$4 million. Sales should come in ahead of last FY. Last two months Instant tickets are back to normal with the Black ticket and the Bruins ticket; payouts were at 71.5%. Solid revenue of 68% – 69%. Budget portfolio was originally \$898 million, previous Director reduced to \$870 million. Sales were down \$28 Million in December 2010, and in February 2011, Director Sternburg reduced the budget portfolio to \$865 million.

Director Sternburg explained there are three RFR's currently in the bid process:

PAT's ~ Player Activated Terminals. The hope is use in chain stores like CVS. Money is in House budget to purchase. Bid responses are due in August.

Raffles ~ \$400,000. investment ~ 1,000,000 tickets @ \$20 per ticket ~ \$8.5 million per raffle done twice a year will be a \$17 million profit for the year.

Consulting Contract ~ The Lottery needs to write Terminal bid to replace the outdated ISYS terminals which are needed for our On-line games. Money is in the capital budget. The Lottery must decide by late this summer if we are leasing or buying.

New Monitor Game A new monitor game is being looked at to possibly replace the Daily Race Game. Sales goals for the Daily Race Game was \$175 million but never got over \$20 million. Director Sternburg introduced a new Monitor Game concept in the Treasurer's office June 22nd at an Open House. This is a 52 card Keno Poker Game with a progressive jackpot aimed at a younger demographic. Director Sternburg stated that he will go out to bid for a more productive game.

Strategic Planning Group ~ for our product lines ~ would cause conflicts and have a huge negative impact on the cities and towns of Massachusetts

Audit Advisory Board ~ changing name to Audit Advisory Committee.

Treasurer Grossman motioned to approve name change.

This item will be placed on Agenda for the next meeting as a vote.

2.0 Acceptance of the Minutes of the Meeting of December 2, 2010

Treasurer Grossman asked the Commission to accept the minutes of June 9, 2011.

Greg Massing made a motion to correct the Commissioners' titles on last month's minutes. Section 2.0, page 3, last paragraph: Comptroller Heffernan should say Secretary Heffernan and Commissioner Benison should say Comptroller Benison. Changes have been noted.

Attorney Boland made a motion to approve the minutes of the meeting of June 9, 2011. The motion was seconded by Commissioner McMahon and the minutes were unanimously approved. (4-0)

3.0 Votes presented to the Commission ~ 12:09 PM

3.1 Sybase, Inc.

Counselor Egan asked the Commission to enter into a contract for one year for the licensing and software support with Sybase, Inc.

The maximum obligation under the contract with Sybase, Inc. shall not exceed eighty-seven thousand, three hundred thirty dollars (\$87,330.00).

Treasurer Grossman asked if there were any other vendors and Director Sternburg explained that this is already in the budget and we are locked in. This software is very important for reporting purposes and works extremely well.

Comptroller Benison made a motion to authorize the Director to enter into a one year contract with Sybase, Inc. Attorney Boland seconded the motion which was passed (4-0).

3.2 Hearst-Argyle Stations, Inc (WCVB)

Counselor Egan asked the Commission to enter into a contract for three months for television drawing services with Hearst-Argyle stations, Inc. (WCVB).

The maximum obligation under the contract with Hearst-Argyle Stations, Inc. shall not exceed one hundred twenty thousand dollars (\$120,000.00).

There were 2 responses to the bid and they both far exceeded the budget. The drawings will now be drawn in-house as of September of 2011 and televised via the MSLC website. This will be a great savings to the Lottery and the customers have been asking for access to live drawings for quite some time. The amount being requested was derived by Channel 5 and the breakdown is as follows: \$20,000.00 per month with an additional \$20,000.00 for public service ads explaining changes. \$40,000.00 for the 3 months is \$120,000.00. Counselor Egan is still negotiating trying to get the costs down. The result will be \$200,000.00 savings in the first year with greater savings in following years. The costs to make the necessary security and back-up sites will be approximately \$20,000.00 to \$40,000.00 but this would be a one time cost. Director Sternburg said the drawings will show from start to finish and it will take 10 seconds to a minute to get it on the MSLC website. He is confident that this is in the best interest of the Lottery.

Attorney Boland abstained from the voting process due to the fact that the Hearst Corporation is an occasional client of her firm.

Comptroller Benison made a motion to approve authorizing the Director to enter into a three month contract with Hearst-Argyle Stations, Inc (WCVB). Counselor Massing seconded the motion which was passed (4-0).

3.3 Valley Communications Systems, Inc

Counselor Egan asked the Commission to enter into a one (1) year contract extension with Valley Communications Systems, Inc for the installation and purchase of television monitors.

The maximum obligation under the contract with Valley Communications Systems, Inc shall not exceed one million dollars (\$1,000,000.00).

Director Sternburg explained that they no longer make the monitors in 26"; we now have to purchase 32".

Attorney Boland made a motion to approve the one (1) year contract extension with Valley Communications Systems, Inc. Counselor Massing seconded the motion which was passed (4-0).

3.4 Tournament One

Counselor Egan asked the Commission to enter into a contract extension for one (1) year for the purchase of the license for software and graphics with Tournament One.

This extension is for Keno & Daily Race Game software and graphics. If the Daily Race Game should be modified before the end of the contract the Lottery will receive a rebate. The Lottery will encourage bids for the Daily Race Game and will show no favoritism to the game concept proposed in the Treasurer's office June 22, 2011.

Commissioner McMahon made a motion to enter into a contract extension for one (1) year for the purchase of the license for software and graphics with Tournament One. Counselor Massing seconded the motion which was passed (4-0).

3.5 MHQ Municipal Vehicles

Counselor Egan asked the Commission to authorize the Executive Director to amend the existing contract for the purchase of motor vehicles in accordance with MHQ Municipal Vehicles.

The award was made pursuant to a competitive bid process (RFR LOT #1110), in which this firm submitted a proposal that received one of the highest scores.

The maximum obligation under the contract with MHQ Municipal Vehicles shall be increased by two hundred sixty-seven thousand, nine hundred ninety-five dollars shall not exceed seven hundred eighty-three thousand, three hundred and seventy dollars (\$783,370.00).

Executive Director Sternburg explained that there have not been any vehicles purchased in more than 2 years. The majority of the current fleet of cars have 150,000 – 200,000 miles on them and are in need of significant repairs. If people assigned to state vehicles were to use their own personal vehicles, the mileage expenses reimbursement at \$.45 a mile it would exceed \$500,000.00.

Commissioner McMahon thanked the Director for including the spreadsheet of current vehicles with mileage ~ he feels it was very helpful.

Attorney Boland made a motion to authorize the Executive Director to amend the existing contract for the purchase of motor vehicles in accordance with MHQ Municipal Vehicles. Commissioner McMahon seconded the motion which passed (4-0).

3.6 GTECH

Counselor Egan asked the Commission to authorize the Executive Director to enter into a one-year contract extension for the purchase of the Terminal Printer Ribbons with the following companies:

GTECH Corporation
55 Technology Way
West Greenwich, RI

Computer Supply of Virginia
1669 Will O Wisp Drive
Virginia Beach, VA

The original award was made pursuant to competitive bid process (RFR LOT #806), in which these firms submitted compliant responses.

The maximum obligation assumed hereunder shall not exceed five hundred sixty thousand, eight hundred-fifty nine dollars (\$560,859.00).

Counselor Egan expressed to the board that there were only two other vendors that could have bid and they elected not to. The Lottery will be analyzing our approach on contacting vendors for bids; more emphasis on encouraging competition. Counselor Tesler suggested considering a bidder's conference to encourage other vendors to bid

Comptroller Benison made a motion to authorize the Executive Director to enter into a contract for the purchase, installation and service of an On-Line Lottery Data Communication System in accordance with GTECH. Attorney Boland seconded the motion which was passed (3-0).

Treasurer Grossman thanked everyone for attending the Commission meeting. The meeting was adjourned at 11:46 AM.