

Massachusetts State Lottery Commission

60 Columbian Street

Braintree, Massachusetts 02184-1738

Tel: 781-849-5555

Fax: 781-849-5547

TTY: 781-849-5678

STEVEN GROSSMAN

Treasurer and Receiver General

PAUL STERNBURG

Executive Director

DATE: August 27, 2013

TIME: 10:00 a.m.

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

MEMBERS PRESENT: Steven Grossman, Treasurer and Receiver General, Chair
Martin Benison, Commissioner
Tim McMahon, Commissioner
Andrea Cabral, Commissioner
Beth Boland, Commissioner

ALSO PRESENT: Paul Sternburg, Executive Director, Lottery
William Egan, General Counsel, Lottery
Beth Bresnahan, Assistant Executive Director of Marketing and
Communications, Lottery
Jean Caron, Executive Assistant to the Director, Lottery
David Sweeney, Chief Financial Officer, Lottery
Cathy Judd-Stein, Assistant Executive Director of Policy
and Special Counsel, Lottery
Matthew DiFrancesco, Assistant Director, Operations
James Canavan, Assistant Executive Director, Human Resources
James MacDonald, First Deputy Treasurer
Al Gordon, Deputy Treasurer for Policy, Treasury
Jon Carlisle, Media Relations, Treasury
Colleen Quinn, State House News

Mark Steffan, Self-identified as Treasurer Grossman's
Tracker for the Republican Party

Robert Frasca

1.0 Opening of the Meeting

Treasurer Grossman opened the meeting at 10:03 a.m. He congratulated Commissioner Benison on his role in hosting a recent Auditor and Comptroller's conference. Treasurer Grossman is

reading evaluations from the event and said they were very positive. He also offered congratulations to Commissioner Boland on her new position.

2.0 Acceptance of the Minutes of the Meeting of July 30, 2013

Treasurer Grossman asked the Commission to accept the minutes of the meeting from July 30, 2013. Commissioner Cabral made a motion to accept the minutes of the meeting and Commissioner Benison seconded the motion. Commissioner Boland recused herself from the vote as she was not in attendance at the meeting. The minutes were approved 4-0-1 at 10:04 a.m.

3.0 EXECUTIVE DIRECTOR REPORT

Director Sternburg presented the Executive Director's report for August (please reference the handout).

Director Sternburg provided an update on Lottery sales noting that overall sales for July 2013 were down \$1 million as compared to July 2012. This was attributed to a decrease in customer traffic at retailers during the stretch of extremely hot weather. Although sales were slightly lower, the prize payout for July 2013 was 71%, which is lower as compared to July 2012 when the payout was 75.5%. The decrease in prize payout raised the Lottery's net profit by \$13 million. Treasurer Grossman reminded the Commission that the Lottery budgets the prize payout to be 72.3% each fiscal year. With a \$4.8 billion dollar business, every percentage point difference in the prize payout is worth approximately \$5 million in profit.

Director Sternburg introduced the September Instant Tickets to be released on September 17th which included the \$20 game Platinum Millions. He continued with an update on the recently-released Jackpot Poker, noting that sales for the game's first 10 weeks were \$2.2 million higher than the first 10 weeks of the game it replaced, the Daily Race Game. The Lottery plans to add 300 new Jackpot Poker agents in FY14.

Director Sternburg announced the multi-state Lucky for Life will undergo changes effective September 17th. The game's current second place prize of \$25,000 will increase to \$25,000 a year for life, making Lucky for Life the only game in the country to offer two lifetime prizes.

Director Sternburg continued with a review of sales for each of the Lottery games, revenue results comparing July 2012 to July 2013, and also year-to-date FY12 vs. FY13.

4.0 LOTTERY REFORM SCORECARD

Governance: The Lottery has nearly completed its meetings with the Casino and Slots license applicants as requested by the Massachusetts Gaming Commission. Each applicant will execute a Lottery Sales Agent Agreement in advance of the license application deadline that will become effective upon the MGC's awarding of a license.

The Human Resources Department has hired an outside expert to provide Anti-Discrimination and Harassment Training to all employees by November. Mr. Canavan explained that the training session is approximately 2 hours and will be held at the Regional Offices as well. The last training session was held in the summer of 2011.

Operations: The Executive Director executed this month Compliance Department Policies and Procedures entitled “Investigating Reported Agent Violations” and “Monitoring and Testing MSLC State Vehicle Policy – Driver Logs.”

Procurement: The Lottery has accessed the expertise of the Comptroller’s office and ITD to inform the structure of the RFR for the hardware components of the anticipated new on-line system. The Lottery will be issuing a Master Agreement by the end of September, a recommendation from Counselor Jenny Hedderman of the Comptroller’s Office. This is an approach commonly used by OSD for statewide contracts ensuring flexibility and best value for the Lottery as technology evolves over the next several years. Director Sternburg said that this will bring the Lottery into the 21st century and he wants to be sure to do it right to avoid any litigation. Commissioner Boland said she was very impressed with the procurement.

5.0 Votes presented to the Commission

- 5.1 For the reasons set forth in the attached memorandum dated August 21, 2013, the Executive Director is hereby authorized to enter into a five year extension of the current lease for the Lottery’s office in New Bedford, MA with

First Highland Management and Development Corp.
65 Sprague Street
Boston, MA 02136

The maximum obligation assumed hereunder shall not exceed one million, fifty-one thousand, one hundred and seventy-two dollars (\$1,051,172.00).

Counselor Egan explained that this is for an extension of the current lease of the New Bedford office. He then introduced Matt DiFrancesco, Assistant Director of Operations, to explain the terms of the extension to the Commission. Mr. DiFrancesco explained that the Lottery is ending its first 5-year term. He has been working with DCAM to better control the costs in the next term. It is a great office that is functional for all and it is located right off the highway. Mr. DiFrancesco feels this is a favorable agreement for the Lottery. Commissioner Boland agreed stating that with transition costs so high it makes perfect sense to stay where we are.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a five year extension of the current lease for the Lottery’s office in New Bedford, MA with **First Highland Management and Development Corp.**

Motion was made by Commissioner Benison and seconded by Commissioner Boland at 10:35 a.m. Motion approved 5-0.

- 5.2 For reasons set forth in the vote of the Commission at its meeting on August 22, 2012, the Executive Director is authorized to enter into an additional three-month extension with the following company for support, maintenance and additional software licenses:

Hudson Valley Software, Inc.
New York, NY

The maximum obligation for the three-month extension is fifty-one thousand dollars (\$51,000.00).

Counselor Egan explained that at the June 25, 2013 meeting, the Commission approved a 4-month extension which extended the term of the contract through September 30th, 2013. The Lottery issued an original RFR which produced no responses, but the vendors did offer suggestions to increase the number of responses. The Lottery issued a revised RFR that has closed approximately two weeks ago that resulted in two responses. A recommendation will hopefully be presented at the Commission meeting next month on September 18th, 2013. This three-month extension will extend the contract through January 31, 2014.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into an additional three-month extension with the following company for support, maintenance and additional software licenses with **Hudson Valley Software, Inc.**

Motion was made by Commissioner McMahon and seconded by Commissioner Benison at 10:39 a.m. Motion approved 5-0.

- 5.3 For reasons set forth in the attached memorandum dated August 20, 2013, the Executive Director is authorized to enter an amendment to the existing contract for the purchase of motor vehicles in accordance with the following company:

MHQ Municipal Vehicles
401 Elm Street
Marlboro, MA 01752

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 and forty-one thousand, nine hundred-twenty dollars (\$241,920.00) so that the maximum obligation under the contract shall not exceed one million, two hundred twenty-six thousand, and five hundred and forty-three dollars (\$1,226,543.00)

Counselor Egan explained that this would be for the purchase of twelve (12) vehicles. The first priority would be for the Sales Representatives and then the Field Service Technicians. The cars that they turn in would go to the "Pool Cars" and cars with higher mileage would be recycled.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter an amendment to the existing contract for the purchase of motor vehicles in accordance **MHQ Municipal Vehicles.**

Motion was made by Commissioner Cabral and seconded by Commissioner Boland at 10:41 a.m. Motion approved 5-0.

Treasurer Grossman asked for a motion to adjourn. Motion was made by Commissioner Benison and seconded by Commissioner Cabral. Motion approved 5-0.

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission August 2013 Commission meeting."
2. Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg on August 27, 2013."