

Massachusetts State Lottery Commission

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STEVEN GROSSMAN

Treasurer and Receiver General

PAUL STERNBURG

Executive Director

DATE: December 17, 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
Beth Boland, Commissioner
Tim McMahon, Commissioner
Jenny Hedderman, General Counsel and designee for Martin
Benison, Commissioner
Doug Levine, General Counsel and designee for Andrea Cabral,
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
Matt DiFrancesco, Assistant Director of Operations
James MacDonald, First Deputy Treasurer
Cathy Judd-Stein, General Counsel, Treasury
Jon Carlisle, Director of Communication, Treasury
Andy Metzger, State House News

Mr. Robert Frasca

1.0 Opening of the Meeting

Treasurer Grossman opened the meeting at 10:04 a.m.

2.0 Acceptance of the Minutes of the Meeting of November 21, 2013

Treasurer Grossman asked the Commission to accept the minutes of the meeting from November 21, 2013. Commissioner McMahon abstained from the vote as he wasn't present

at the November Commission meeting. Counselor Hedderman made a motion to accept the minutes of the meeting and Counselor Levine seconded the motion. The minutes were approved 4-0-1 at 10:05 a.m.

Treasurer Grossman updated the Commission on his recent testimony at the Consensus hearing on December 11, 2013 with regard to the Lottery revenue predictions. The Lottery increased its projection for FY14 from \$937 million to \$957 million due to the drop in the prize payout. The Treasurer said we need to be cautious as this trend may not continue through the year.

The Treasurer added that he discussed an increased advertising budget at the hearing as well and the correlation to increased profit. Beth Bresnahan prepared a report, which she will e-mail to the Commissioners, demonstrating that an increase in the advertising budget from \$5 million to \$8 million would increase profits due to the return on investment. Treasurer Grossman stated that the return on every \$1 in sales returns \$2 in profit.

3.0 Executive Director Report

Treasurer Grossman asked Director Sternburg to give the Commissioners an update of the Mega Millions drawing before his report. Director Sternburg was keeping a close eye on the sales on his laptop. The jackpot is currently at \$636 million; the second highest jackpot in history. Director Sternburg discussed anticipated sales and the potential coverage of number combinations. Treasurer Grossman added that there has never been a jackpot of this size during the holidays. He asked if the Lottery's other products would get a bump because of more foot traffic. Beth Bresnahan thinks that this week will demonstrate that when the players go to the stores to play Mega Millions, they will see the holiday P.O.S. and make additional purchases.

Director Sternburg presented the Executive Director's report for November (Please reference the handout).

Director Sternburg gave an update on Lottery sales noting that overall sales for November 2013 were down \$30 million. This can be attributed to a larger Powerball Jackpot in November 2012.

The prize payout for the month was 70.2% as compared to 72.3% in November 2012. The overall prize payout is 70.5% for the first 5 months of the year as opposed to 72.2% for the same time period last year. The Lottery's net profit is \$28.4 million ahead of last year because the prize payout is 1.7% lower this year. Director Sternburg said the expectation is that the prize payout percentage will increase over the balance of the fiscal year.

The games in the Lottery's portfolio that experienced sales increases were: Mega Millions, which was up \$2 million due to higher jackpots; KENO, which was up \$1 million and Jackpot Poker, which was up \$1 million.

The games that showed a decrease in sales were: Powerball which was down \$29 million due to a much lower jackpot than last year; Instant Tickets were down \$2 million; Lucky for Life was down \$1 million; and the Daily Race Game was down \$2 million since the game ended in June 2013.

Director Sternburg introduced the January Instant Ticket releases set to be released on January 7, 2014. Ms. Bresnahan reviewed the advertising POS for the new games, which

was produced in-house. Next, Director Sternburg updated Instant Ticket sales on the Bingo Star Tripler, which was a bingo themed game replacing Diamond Bingo.

Director Sternburg continued with a review of the Lottery games and revenue results comparing November FY14 to November FY13 and also year-to-date FY14 vs. FY13.

Also, the Powerball Jackpot Winner from December 11, 2013 has not come forward as of yet, but will be splitting the \$122.9 million jackpot with the another winner from Nebraska. The ticket was sold at Appletown Market in Sterling, MA. The agent will receive a \$50,000 commission.

Director Sternburg mentioned that the New England Regional Lucky for Life game is in talks to expand the game to other states and has heard from other interested states. He will update the Commission as needed.

4.0 Votes presented to the Commission

4.1 For the reasons set forth in the attached memorandum dated November 8, 2013, the Executive Director is hereby authorized to enter into a five year extension of the current lease for the Lottery's office in Woburn, MA with:

Cummings Property
200 West Cummings Park
Woburn, MA

The Original Award was made pursuant to a competitive bid process supervised by the Division of Capital Asset Management.

The maximum obligation assumed hereunder shall not exceed nine hundred forty-three thousand dollars (\$943,000.00).

Counselor Egan explained that DCAM negotiated a better deal for the next five years and recommended we extend the current lease. Director Sternburg said that Woburn is one of the busiest offices. Matt DiFrancesco, Assistant Executive Director of Operations agreed that this is a good time to take advantage of what the market is offering. Commissioner Boland asked if there were any special needs to consider when siting a Regional Office. Director Sternburg said that the Regional Offices have very low needs as all technology begins and ends in Braintree and the satellite back-up is located at an off sight location in Norwell. Counselor Egan noted that the Braintree office has different needs than a Regional Office and will update the Commission when the Braintree Office lease is up for renewal.

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 Woburn, MA with Cummings Property. Motion was made by Commissioner Boland and seconded by Commissioner McMahan at 10:39 a.m. Motion approved 5-0.

Treasurer Grossman requested a motion to adjourn. Motion was made by Counselor Levine at 10:41 a.m. and seconded by Counselor Hedderman. Motion approved 5-0

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission December 2013 Commission Meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg on December 17, 2013"
3. POS Materials for January, 2014 Instant Games as part of Executive Director's Report