# Massachusetts State Lottery Commission


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*STEVEN GROSSMAN*
Treasurer and Receiver General

*PAUL STERNBURG*
Executive Director


**DATE:** February 26, 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
Elizabeth Nadzo, General Counsel, EOPS
Designee of Andrea Cabral, Commissioner
Jenny Hedderman, General Counsel, Comptroller's Office,
Designee of Commissioner Martin Benison

**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
Cathy Judd-Stein, Assistant Executive Director of Policy and Special Counsel, Lottery
David Sweeney, Chief Financial Officer, Lottery
Jamey Tesler, General Counsel, Treasury
Jon Carlisle, Director of Communications, Treasury
James MacDonald, First Deputy Treasurer
Al Gordon, Deputy Treasurer of Policy
Eric Noar, Connelly Partners
Colleen Quinn, State House News Service
Robert Frasca

## 1.0 Opening of the Meeting

Treasurer Grossman opened the meeting at 10:07 a.m. and began by introducing Elizabeth Nadzo, General Counsel, attending as the designee of Secretary Andrea Cabral.

## 2.0 Acceptance of the Minutes of the Meeting of January 29, 2013

Treasurer Grossman asked the Commission to accept the minutes of January 29, 2013. Commissioner Benison requested a disclosure be added to the vote from the January 29th meeting. Counselor Hedderman then made a motion to accept the amended minutes of the meeting and Commissioner McMahon seconded the motion. The minutes were unanimously approved 5-0 at 10:09 a.m.

**Approval of Compensation Committee Minutes of January 29, 2013**
Treasurer Grossman asked the Commission to accept the minutes from the January 29th, 2013 Compensation Committee Meeting. Motion was made by Commissioner Boland and seconded by Counselor Hedderman. The minutes were unanimously approved 5-0 at 10:09 a.m. At this time, Treasurer Grossman asked the Commissioners for a motion to approve the salary increase for Executive Director Sternburg as recommended by the Compensation Committee. Motion was made by Commissioner Boland and seconded by Commissioner McMahon at 10:11 a.m. Motion was approved 5-0.

## 3.0 EXECUTIVE DIRECTOR REPORT

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

Director Sternburg gave an update on Lottery sales noting the sales were up $18 million for the month of January. He noted that the prize payout was 0.1% lower for the month, but the overall prize payout for the first seven months of the year was 0.3% higher than last year at 72.9%. Mr. Sweeney explains that the reason for the increase is the cost of fulfilling prizes with players electing to accept the cash option rather than annual prize payments. Currently, only 17% of the Lottery's games do not offer a cash option for the top prize in the game. A $10 million prize can cost almost $1 million more if the player elects to take the cash option. The increased cost of this prize option is reflected in the increased prize payout. The timing of annuity purchases, the design of the game and the current state of the financial markets are also contributing factors to increase of cost of prizes.

Director Sternburg reviewed January's Instant Ticket release as well as the release of five (5) new Instant Tickets scheduled for today. There is also the Celtics Instant Ticket Promotion and Lucky for Life Promotion available on Facebook.

## 4.0 LOTTERY REFORM SCORECARD

**Governance**: The Lottery continues to build out the governance page of the Lottery website to enhance transparency. The Lottery is midway through mandatory online ethics training and anticipates full compliance by March 8, 2013, well in advance of the Ethic's Commission's April deadline. The Lottery HR Director has been very attentive which has contributed to our being ahead of schedule. This is a big accomplishment for over 400 employees. The HR Department is also posting an advisory issued by the Ethics Commission on the Lottery website entitled "Public Employees Making and Receiving Job Recommendations." This will be a valuable resource, particularly to external applicants seeking advice on who may provide references.

**Operations:** Director Sternburg continues to execute newly revised Compliance Policies and Procedures. Development of an MIS security policy and related procedures recommended by the KPMG audit is underway with the assistance of Paul Mandeville. Counselor Hedderman commented that the Website looks "awesome" and Director Sternburg informed the Commissioners that Ms. Bresnahan is going to try to go out to bid for assistance in building a better website.

## 5.0 Votes presented to the Commission

**5.1** For the reasons set forth in the attached memorandum dated February 20, 2013, the Executive Director is authorized to enter into an amendment to the contract for janitorial services by increasing the maximum obligation by an amount of eleven thousand, twenty dollars and 86/100 ($11,020.86) with the following company:

SJ Services
20 Locust Street
Danvers, MA

The award was made pursuant to a competitive bid process (RFR LOT # 1203). There were seven responses received and this vendor received the highest score.

The amended maximum obligation assumed hereunder shall be three-hundred fifteen thousand, six hundred dollars and 90/100. ($315,600.90).

Counselor Egan informed the Commission that although the $11,020.86 is under the $150,000 cap which necessitates a vote from the Commission, this increase requires the Commission's approval because the Commission approved the initial contract. The increase is necessary because of increases to the prevailing wage which is allowed under the contract.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into an amendment with the contract for janitorial services by increasing the maximum obligation by eleven thousand, twenty dollars and 86/100 ($11,020.86) with SJ Services. Motion was made by Commissioner Boland and seconded by Commissioner McMahon. Motion approved 5-0.

**5.2** For the reasons set forth in the attached memorandum dated February 20, 2013, the Executive Director is authorized to enter into amend 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 will be increased by one hundred thousand, eight hundred dollars ($100,800.00). This amount will be added to the current maximum obligation which is nine hundred forty-eight thousand, two-hundred and ninety dollars ($948,290.00).

Director Sternburg stressed that there will be a great cost savings. The new fleet of cars will be replacing cars that have an excessive amount of mileage and require very costly repairs. Mr. Sweeney estimated that it will amount to a savings of $131,000 in mileage reimbursement costs this year as well as the savings of $80,000 last year.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into amend the existing contract for the purchase of motor vehicles with MHQ Municipal Vehicles by increasing the maximum obligation by one hundred thousand, eight hundred dollars ($100,800.00). Motion was made by Jenny Hedderman, designee for Commissioner Benison and seconded by Elizabeth Nadzo, designee for Commissioner Cabral at 10:47 a.m. The vote was approved 5-0.

Vending machines – Director Sternburg asked to update the Commission on the current status of the Vending machines. He wanted to assure them that the vending issues had all been taken care of and if the testing being performed this evening goes well, he will be purchasing another 250 vending machines. It takes approximately 4 months to manufacture. There are vending machines at agent locations that are 13 – 14 years old and need replacing. Mr. Sweeney said that in 4 months' time the machines pay for themselves.

Treasurer Grossman asked for a motion to convene in executive session to allow the Commission to discuss the litigation position of the Commission because an open meeting may have a detrimental effect on the future litigation position of the Commission. This exception to the open meeting law is found in Massachusetts General Laws c. 30A, §21(a)(3).

The motion was made by Jenny Hedderman, designee for Commissioner Benison and seconded by Commissioner Boland at 10:51 a.m. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Elizabeth Nadzo, designee for Commissioner Cabral: yes; Jenny Hedderman, designee for Commissioner Benison: yes and Treasurer Grossman: yes. Motion approved 5-0.

The Commission reconvened at 11:02 a.m. with a motion to adjourn being made by Commissioner Boland and seconded by Jenny Hedderman, designee for Commissioner Benison. Motion approved 5-0.