

# Massachusetts State Lottery Commission

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*STEVEN GROSSMAN*  
Treasurer and Receiver General

*PAUL STERNBURG*  
Executive Director

**DATE:** June 25, 2013

**TIME:** 10:00 a.m.

**PLACE:** Office of the Treasurer and Receiver General  
12<sup>th</sup> Floor  
One Ashburton Place  
Boston, MA

**MEMBERS PRESENT:** Steven Grossman, Treasurer and Receiver General, Chair  
Beth Boland, Commissioner  
Tim McMahon, Commissioner  
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  
David Sweeney, Chief Financial Officer, Lottery  
Cathy Judd-Stein, Assistant Executive Director of Policy  
and Special Counsel, Lottery  
Jamey Tesler, General Counsel, Treasury  
Al Gordon, Deputy Treasurer for Policy, Treasury  
James MacDonald, First Deputy Treasurer, Treasury  
Jon Carlisle, Director of Communications, Treasury  
  
Robert Frasca

## 1.0 Opening of the Meeting

Treasurer Grossman opened the meeting at 10:09 a.m.

## **2.0 Acceptance of the Minutes of the Meeting of May 28, 2013**

Treasurer Grossman asked the Commission to accept the minutes of May 28, 2013. Commissioner Boland requested an amendment to the minutes and then made a motion to accept the amended minutes of the meeting and Commissioner Cabral seconded the motion. The minutes were unanimously approved 5-0 at 10:10 a.m.

## **3.0 EXECUTIVE DIRECTOR REPORT**

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

Director Sternburg provided an update on Lottery sales, noting the sales for the month of May were \$36 million ahead of last year due to the record-breaking Powerball jackpot of \$590.5 million. The prize payout was 68.9% as compared to 71.2% for May 2012. The Lottery is now \$37 million behind last year's record-setting pace as compared to the first 10 months, when we were \$61.9 million behind.

Director Sternburg stated that sales are up \$123.5 million; however, he noted that there was a sizable sales loss during the winter storms and the shutdown of business during the post-Marathon related lockdown. Treasurer Grossman also noted that there was an additional \$14 million dollars paid out for the Hold'Em Poker Bonus Tournament prizes which had no game sales to offset this prize payout due to the related instant ticket's extended presence in the marketplace. Treasurer Grossman is comfortable with a projection of \$937 to \$942 million in profit returned this year. He also explained that the House had cut \$1.6 million from the Lottery FY14 budget, but that the Senate had restored it. A budget cut of \$1.6 million could result in a loss of \$10 million in profit. We are anticipating a profit of \$937 million next year contingent upon the approval of the \$1.6 million restoration.

Director Sternburg then reviewed the Jackpot Poker monitor game that is replacing the underperforming Daily Race Game at more than 1,200 Lottery retailers. The new game launched on June 17<sup>th</sup> and generated \$254,265 on its first day of sales. This was more than double the single-day sales record of The Daily Race Game.

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

## **4.0 LOTTERY REFORM SCORECARD**

**Governance:** The Lottery will submit its Performance Management and Innovation Report to the House and Senate Committees on Ways and Means, the House and Senate Committees on Post Audit and Oversight, and the Joint Committee on State Administration and Regulatory Oversight by July 1<sup>st</sup> pursuant to the newly adopted Section 26A of G.L.c.10.

In furtherance of the Lottery's mission to protect the well-being of our customers, the Human Resources Department partnered with the Massachusetts Council on Compulsive Gambling and provided training on problem gambling to all Lottery sales representatives. Human Resources is working with MCCG to create certificates for each of those participating in this important initiative.

Of note is the award that was issued to Director Sternburg in recognition of his commitment to MCCG. This was the first time that the Lottery has been recognized in this way. This award demonstrates the successful partnership with MCCG.

**Operations:** Human Resources trained approximately 50 members of the management staff on the revised performance evaluation process and procedure and it is expected that all reviews will be completed by July 1<sup>st</sup>. Human Resources also provided training on Jackpot Poker to all sales representatives so they can train their respective agents. On June 11<sup>th</sup>, the Lottery held Open Houses at all offices to introduce the game to agents and interested staff. Human Resources also offered several computer training courses to all Lottery Employees through an approved vendor.

Director Sternburg executed a policy and procedure this month for the Security Department regarding the review of CORI results in conjunction with reforms being made to our licensing process.

## **5.0 Votes presented to the Commission**

- 5.1** For the reasons set forth in the attached memorandum dated June 20, 2013, the Executive Director is authorized to enter in the final one-year contract extension for spare parts and for in-house repairs for the Lottery Terminals, ITVM's and their subassemblies and increase the maximum contract obligation with the following company:

**GTECH Corporation**  
10 Memorial Blvd.  
Providence, RI

The award was originally made pursuant to a competitive bid process (RFR Lot 908) in which GTECH was the only proposal.

The maximum obligation assumed hereunder shall be increased by one hundred-thousand dollars (\$100,000.00). The total maximum obligation for the entire contract period shall be increased to four million, three hundred-two thousand, eight hundred and six dollars (\$4,302,806.00).

Treasurer Grossman asked for a motion to enter in the final one-year contract extension for spare parts and for in-house repairs for the Lottery Terminals, ITVM's and their subassemblies and increase the maximum contract obligation with GTECH Corporation. Motion was made by Commissioner Boland and seconded by Counselor Hedderman at 10:35 a.m. Motion approved 5-0.

- 5.2** For the reasons set forth in the vote of the Commission at its meeting on August 22, 2011, the Executive Director is authorized to enter in a four-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 four-month extension is sixty-eight thousand dollars (\$68,000.00).

Director Sternburg noted that the extension will allow sufficient time for the Lottery to review the RFR and the transition to a new system.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a four-month extension with Hudson Valley Software, Inc. for support, maintenance and additional software licenses in the amount of sixty-eight thousand dollars (\$68,000.00). Motion was made by Commissioner McMahon and seconded by Counselor Hedderman at 10:38 a.m. Motion approved 5-0.

- 5.3 For the reasons set forth in the attached memorandum dated June 20, 2013, the Executive Director is authorized to enter into a contract amendment to increase the maximum contract obligation with the following company:

**Peripheral Development Corporation**

42 Ladd Street  
East Greenwich, RI

The award was originally made pursuant to a competitive bid process (RFR Lot 909) in which this company was one of two companies that submitted the lowest cost proposals.

The contracts with GTECH and Peripheral Development Corporation provide for outsourcing component repairs for the ISYS terminal, Instant Ticket Vending Machines and any of their respective sub-assemblies not repaired in the Lottery in-house repair center.

The maximum obligation for the contract with Peripheral Development Corporation assumed hereunder shall be increased by one hundred-eighty five thousand dollars (\$185,000.00). The total maximum obligation for the entire contract period shall be increased to seven hundred twenty-seven thousand, six hundred and thirty-two dollars (\$727,632.00).

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a contract amendment to increase the maximum contract obligation with Peripheral Development Corporation. Motion was made by Commissioner Cabral and seconded by Commissioner Boland at 10:39 a.m. Motion approved 5-0.

- 5.4 For the reasons set forth in the attached memorandum dated June 20, 2013, the Executive Director is authorized to enter into a contract amendment for Fiscal Year 2013 for the installation and purchase of television monitors with the following company:

**Valley Communications Systems, Inc.**

20 First Avenue  
Chicopee, MA

The maximum obligation assumed hereunder shall increase from the original amount of eighty thousand (\$80,000.00) to an amount not to exceed four hundred seventy-nine thousand dollars (\$479,000.00).

Director Sternburg said there is a high demand for monitors due to a possible expansion of 400 KENO agents. Valley Communications has been the installer of the monitors for many years. The \$80,000.00 comes out of the KENO budget and did not exceed the line item. This is very important to the Lottery and without it, it would lose revenue. Commissioner Boland appreciated the fact that the Director brought it to the attention of the Commissioners, and also said that she felt this was a good thing that the Lottery has agents looking for KENO.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a contract amendment for Fiscal Year 2013 for the installation and purchase of television monitors with Valley Communications. Motion was made by Commissioner Boland and seconded by Commissioner Cabral at 10:49 a.m. Motion approved 5-0.

- 5.5 For the reasons set forth in the attached memorandum dated June 20, 2013, the Executive Director is authorized to enter into a one-year contract for Fiscal Year 2014 for the installation and purchase of television monitors with the following company:

**Valley Communications Systems, Inc.**  
20 First Avenue  
Chicopee, MA

The contract is entered into off statewide contract (OFF33).

The maximum obligation assumed hereunder shall not exceed five hundred-thousand dollars (\$500,000.00).

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a one-year contract for Fiscal Year 2014 for the installation and purchase of television monitors with Valley Communications. Motion was made by Commissioner Cabral and seconded by Commissioner Boland at 10:50 a.m. Motion approved 5-0.

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 Commissioner Cabral and seconded by Counselor Hedderman at 10:51 a.m. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Commissioner Cabral: yes; Counselor Hedderman: yes and Treasurer Grossman: yes. Motion approved 5-0.

The Commission reconvened at 10:57 a.m. with a motion to adjourn being made by Commissioner Boland and seconded by Commissioner Cabral. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Commissioner Cabral: yes; Counselor Hedderman: yes and Treasurer Grossman: yes. Motion approved 5-0.

#### **DOCUMENTS LIST (Distributed to or referred to at meeting)**

1. Booklet entitled: "Massachusetts State Lottery Commission June 2013 Commission Meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg June 25, 2013"