

# Massachusetts State Lottery Commission

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*STEVEN GROSSMAN*

Treasurer and Receiver General

*PAUL STERNBURG*

Executive Director

**DATE:** March 26, 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  
Martin Benison, 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  
Cathy Judd-Stein, Assistant Executive Director of Policy  
and Special Counsel, Lottery  
David Sweeney, Chief Financial Officer, Lottery  
Jamey Tesler, General Counsel, Treasury  
James MacDonald, First Deputy Treasurer  
Al Gordon, Deputy Treasurer for Policy, Treasury  
Chandra Allard, Deputy Communications Director, Treasury

## **1.0 Opening of the Meeting**

Treasurer Grossman opened the meeting at 10:05 a.m.

## **2.0 Acceptance of the Minutes of the Meeting of February 26, 2013**

Treasurer Grossman asked the Commission to accept the minutes of February 26, 2013. Commissioner Boland made a motion to accept the minutes of the meeting and Commissioner McMahon seconded the motion. The minutes were unanimously approved 4-0 at 10:06 a.m.

### 3.0 EXECUTIVE DIRECTOR REPORT

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

Director Sternburg gave an update on Lottery sales noting the sales were down \$18 million for the month of February. He attributed this to the inclement weather which impacted sales of approximately \$30 million.

Director Sternburg announced the Super 50/50 Raffle. Tickets go on sale March 31, 2013 through July 1, 2013, with the drawing taking place on July 2, 2013. Radio and Television commercials were shown. April 9, 2013 is the release date for the \$5 Cadillac Riches instant ticket.

Director Sternburg also reviewed the \$10,000,000 Hold'em Poker Tournament taking place the evening of April 6, 2013 at TD Garden in Boston. At the event, 560 Lottery players will simulate an actual poker tournament. In the final Championship round consisting of the four final players, three players will win \$1 million and the grand prize winner will collect the \$10 million Grand Prize. Mr. Sweeney informed the Commission that the payment of these prizes, where the game was sold in a previous fiscal year, is a contributing reason to the increased prize payout. Mr. Sweeney stated that KPMG had previously advised that prize monies could not be accrued on a year-to-year basis to plan for the payment of large prizes in a game that sells over many years. Treasurer Grossman asked Commissioner Benison if he could advise him how to go about requesting that revenue be accrued from the start of a game when there is a large payout in a following year. Commissioner Benison explained that accruing monies year to year would affect financial structure of the Lottery that would ultimately affect revenue to the cities and towns which they count on. He suggested that the Treasurer should discuss a legislative solution to the House Ways and Means regarding the restrictions on the year to year accrual. Commissioner Benison suggested maybe the Lottery should look at modifying games that have large payout in a following year. Director Sternburg said there are two games currently from the previous administration that the Lottery will not be offering similar games in the future.

Director Sternburg then reviewed the monthly sales for each game and the revenue results for February FY13 vs. February FY12 and Year-to-Date FY13 vs. FY12.

### 4.0 LOTTERY REFORM SCORECARD

**Governance:** The Lottery completed its mandatory online ethics training well in advance of the State Ethics Commission's April deadline. All 405 employees completed the training, which was a great accomplishment by Jim Canavan, HR Director. Ethics training is required for every Lottery employee every other year.

The Lottery continues to work closely with the Comptroller's office and the Employee Service Center on the implementation of the Self-Service Time and Attendance program. Commissioner Benison added that this is a state-wide program and it opens up the communication between managers and employees. There will be refresher training for all time approvers.

**Operations:** Director Sternburg executed Compliance and Internal Audit's Policy and Procedure for Agent Monitoring and Testing – Sale to Minors. The Lottery has shared this policy with the Massachusetts Council on Compulsive Gambling at its Executive Director's request.

HR Director Jim Canavan created and developed a position approval process that requires approval from the Executive Director and CFO Dave Sweeney. Mr. Canavan felt this was an opportunity for managers to share their vision of the department's needs. Managers must provide substantial justification to fill vacant positions.

**Procurement:** The Finance Department is working on developing procedures to assist departments in making small purchases and large procurements. Ms. Judd-Stein is making a checklist to provide guidance to departments on small and large procurements.

Director Sternburg announced that he would be having a meeting with the State Auditors next Thursday, March 28, 2013. Director Sternburg will report on the March 28, 2013 meeting at the next Commission meeting.

## 5.0 Votes presented to the Commission

- 5.1 For the reasons set forth in the attached memorandum dated February 14, 2013, the Executive Director is hereby authorized to enter into a one-year contract extension for repair and reconditioning of ISYS and ITVM's with the following companies:

GTECH CORPORATION  
55 Technology Way  
West Greenwich, RI

PERIPHERAL DEVELOPMENT CORPORATION  
42 Ladd Street  
East Greenwich, RI

The original award was made pursuant to a competitive bid process in which the two companies submitted the lowest cost proposals.

The maximum obligation under the contract extension with GTECH does not require an increase during the one-year term. The maximum obligation assumed under the contract extension with Peripheral Development Corporation requires an increase in the maximum obligation by sixty thousand dollars (\$60,000.00), thus increasing the overall maximum obligation to five hundred forty-two thousand, six hundred and thirty-two dollars (\$542,632.00).

Director Sternburg explained that this vote is necessary to keep the machines running and Peripheral Development can obtain things that GTECH cannot.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a one-year contract extension for repair and reconditioning of ISYS and ITVM's with GTECH and PERIPHERAL DEVELOPMENT. Motion was made by Commissioner Benison and seconded by Commissioner Boland at 10:44 a.m. Motion approved 4-0.

- 5.2 The Executive Director is authorized to enter into an amendment to the contract for the current fiscal year to increase the maximum obligation to allow for the purchase of necessary parts for the Self Service Player Activated Terminals with the following company:

GTECH CORPORATION  
55 Technology Way  
West Greenwich, RI

This award is made pursuant to a competitive bid process (RFR LOT #1113), in which the three firms submitted compliant responses.

The maximum obligation assumed under the original three-year contract is five million, seven hundred thousand, four hundred and twenty-one dollars (\$5,700,421.00). The purchase of ESMM screens and bet slip holders requires an increase of one hundred twenty-four thousand, five hundred forty-five dollars (\$124,545.00). The amended maximum obligation after the increase will be five million, nine hundred five thousand, nine hundred sixty-six dollars (\$5,905,966.00).

Director Sternburg explained that this is necessary to be ADA compliant with the 250 PAT's.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into an amendment to the contract for the current fiscal year to increase the maximum obligation to allow for the purchase of necessary parts for the Self Service Player Activated Terminals with GTECH CORPORATION. Motion was made by Commissioner Benison and seconded by Commissioner McMahon at 10:47 a.m. Motion approved 4-0.

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 Boland and seconded by Commissioner Benison at 10:48 a.m. A roll call vote was taken: Commissioner Boland: yes; Commissioner McMahon: yes; Commissioner Benison: yes and Treasurer Grossman: yes. Motion approved 4-0.

The Commission reconvened at 10:53 a.m. with a motion to adjourn being made by Commissioner Boland and seconded by Commissioner Benison. Motion approved 4-0.

**Documents List (Distributed to or referred to at meeting)**

- 1.) Booklet entitled: "Massachusetts State Lottery Commission March 23, 2013 Commission Meeting".
- 2.) Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg March 26, 2013".
- 3.) Point of Sale materials Super 50/50 Raffle; Cadillac Riches.
- 4.) Radio and Television ads for upcoming games.