

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: November 21, 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
Jenny Hedderman, General Counsel and designee for Martin
Benison, Commissioner
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
Chandra Allen, Deputy Communications Director
Colleen Quinn, State House News

Mr. Robert Frasca

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 October 29, 2013

Treasurer Grossman asked the Commission to accept the minutes of the meeting from October 29, 2013. Commissioner Boland noted that there were some comments made by Treasurer Grossman that she feels should be added to the minutes. Treasurer Grossman asked for a motion to accept the minutes subject to the amending of the Treasurers

comments regarding the SDP program. Counselor Hedderman made a motion to accept the minutes of the meeting subject to the amendment and Counselor Boland seconded the motion. The minutes were approved 3-0 at 10:07 a.m.

3.0 EXECUTIVE DIRECTOR REPORT

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

Director Sternburg gave an update on Lottery sales noting that overall sales for October 2013 were \$8 million higher than October 2012. The prize payout percentage was 71.8% as compared to 70.3% in FY13. This 1.5% increase caused our overall prize payout percentage for the fiscal year to jump from 70.63% to 70.74%, which translates to a \$5.9 million decrease in the net profit from the previous month. However, the prize payout for the first four months of FY13 was 72.6%, so our net profit in FY14 to-date is now \$29.7 million higher than last year.

October's sales increase can be attributed to a \$6 million boost in the Instant Ticket portfolio. Across the nation there is a softening of Instant Ticket sales, yet Massachusetts is up. Powerball sales were \$3 million higher due to a larger jackpot this year. Mega Millions also saw a \$1 million increase due to a higher jackpot. KENO was up \$1 million.

Director Sternburg introduced the Holiday 2013 Advertising Campaign which starts on Friday, 11/29 – Tuesday 12/24. Ms. Bresnahan presented a complete and thorough breakdown of all advertising aspects on Television and Radio as well as advertising on buses, in theaters and digitally. Ms. Bresnahan noted that half way through the fiscal year we run out of awareness funds due to the budget. CFO Sweeney noted that Massachusetts has the lowest advertising budget of the 43 states. Treasurer Grossman said that the Lottery can justify where the money was spent and will present this justification at the Consensus hearing on December 11th. Ms. Bresnahan also noted that this is the first year we have had Powerball and Lucky for Life Season Tickets. The Holiday Instant Tickets are doing very well in the first three weeks of sales.

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

Treasurer Grossman noted that with regard to the IT Bond Bill \$65 million of the proceeds is earmarked for the Lottery. The Bill has been passed by the House but still needs approval by the Senate. A new system would be a major asset and it will require multiple procurements and many bids. Director Sternburg and Counselor Egan indicated that the two original bids will be forwarded to ITD over the next few weeks and will be posted after the first of the year; as ITD will need time to review both of the bids. We are anticipating an FY15 decision.

4.0 Votes presented to the Commission

- 5.1 For the reasons set forth in the attached supporting documents dated November 18, 2013, the Executive Director is hereby authorized to enter into negotiations to exercise the remaining two one-year extensions with the following firm for agent communications network services:

Verizon
Boston, MA

This authorization is made as a result of competitive bid RFR Lot #505 in which Verizon was awarded the original contract in December 2005.

The maximum obligation assumed under each one-year contract extension shall not exceed eleven million dollars (\$11,000,000.00).

Commissioner Boland had to recuse herself due to the fact that Verizon is a client of her law firm. Commissioner Cabral arrived at the meeting for this vote in order to maintain a quorum. Counselor Egan explained that our current contract ends December 2014. This is a private connection to the system. The contract is coming to an end and we must go out to bid for telecommunication services. A single vendor is preferred; to put into a statewide contract would be an 18 month process. When Commissioner Cabral joined the meeting, Treasurer Grossman gave her full recount of the vote to which she said she felt sympathetic to the process. Counselor Hedderman advised that with regard to the OSD we need to urge to insist that the process accommodate the Lottery's needs. If necessary, elevate to the highest level. Counselor Hedderman offered her support as the Lottery moves forward.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into negotiations to exercise the remaining two one-year extensions with Verizon for agent communications network services. Motion was made by Counselor Hedderman and seconded by Commissioner Cabral at 11:02 a.m. Motion approved 3-0.

Treasurer Grossman requested a motion to adjourn. Motion was made by Commissioner Cabral at 11:02 a.m. and seconded by Counselor Hedderman. Motion approved 4-0.

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission November 2013 Commission meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Executive Director's Report Delivered by Paul R. Sternburg on November 21, 2013"