

Massachusetts State Lottery Commission

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STEVEN GROSSMAN
Treasurer and Receiver General

PAUL STERNBURG
Executive Director

DATE: January 28, 2014

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: Beth Bresnahan, Assistant Executive Director of Marketing and
Communications, Lottery
William Egan, General Counsel, Lottery
Jean Caron, Executive Assistant to the Director, Lottery
David Sweeney, Chief Financial Officer, Lottery
James Canavan, Assistant Executive Director of Human
Resources, Lottery
James MacDonald, First Deputy Treasurer
Cathy Judd-Stein, General Counsel, Treasury
Al Gordon, Assistant Treasurer, Director of Policy
Jon Carlisle, Director of Communication, Treasury
Colleen Quinn, State House News

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 December 17, 2013

Treasurer Grossman asked the Commission to accept the minutes of the meeting from December 17, 2013. Commissioner Boland made a motion to accept the minutes of the

meeting and Counselor Hedderman seconded the motion. The minutes were approved 5-0 at 10:05 a.m.

Treasurer Grossman informed the Commission that Commissioner Cabral's father had passed away and that he, along with the Commissioners, offered their condolences to the family.

3.0 EXECUTIVE DIRECTOR REPORT

Assistant Executive Director Beth Bresnahan will be delivering the Executive Director Report for December as Director Sternburg is not in attendance (please reference the handout to provide the detailed sales data discussed).

Assistant Executive Director Bresnahan gave an update on Lottery sales noting that overall sales for December 2013 were down \$1 Million as compared to December 2012. This decrease can be attributed to the two (2) snowstorms that occurred in December. The December 17th snowstorm alone attributed to a \$6.5 million decrease in sales. The decline in sales for December would have been far greater if not for the \$648 million Mega Millions jackpot, which was the second highest ranking jackpot in history.

The prize payout for the month was 71.1% as compared to 74.4% in December 2012. The overall prize payout is 70.6% through the first six (6) months of the year, compared to 72.5% for the same time period last year. Our net profit is \$39.5 million ahead of last year, largely because the prize payout is nearly 2% lower this year.

Mega Millions saw an increase in sales of \$18 million attributed to the multi-state game's \$648 million jackpot. Even during the height of the snowstorm on December 18, the day of the near-record high drawing, Lottery retailers were selling as much as \$11,000 per minute in Mega Millions ticket sales.

Treasurer Grossman reminded the Commission that he had testified at the consensus revenue hearing on December 11, 2013 that Lottery profit projection for FY14 was \$957 million due to the drop in prize payout. However, we need to be cautious because this trend may not continue through the year. Treasurer Grossman said that the 3rd quarter of the fiscal year will tell if any modifications need to be made.

Assistant Executive Director Bresnahan introduced the February Instant Ticket release scheduled for February 25th, 2014. The January instant tickets have been selling great since their launch 3 weeks ago. Commissioner Boland asked why there were not any large price points with the last two releases. Assistant Executive Director Bresnahan explained that there is a schedule as to how the games are released so that there is the ability to have a year to year comparison. Assistant Executive Director Bresnahan continued with a review of the Lottery games and revenue results comparing December FY14 to December FY13 and also year-to-date FY14 vs. FY13.

Human Resources Training Update

Mr. Jim Canavan, Assistant Executive Director of Human Resources, gave an update on the many training sessions offered during 2013. A new training initiative called The Safe Driver Program will be introduced with Phase 1 starting in May, 2014 and ending in June of 2014. Phase 2 will start in July 2014 and end in June, 2015. The goal is to expose the workforce to safe driving techniques and to reduce motor vehicle risks. The training is not

being conducted due to a higher incidence of accidents, but because the Lottery has 130 employees driving on the road daily to service the 7,400 Lottery agents.

4.0 Votes presented to the Commission

- 4.1 For the reasons set forth in the attached memorandum dated January 24, 2014, the Executive Director is authorized to enter into a one-year contract extension for Charitable Gaming Tickets with the following companies:

International Gamco, Inc.
Omaha, Nebraska

American Games, Inc.
Council Bluffs, Iowa

Arrow International, Inc.
Cleveland, Ohio

This award was originally made pursuant to a competitive bid process (RFR Lot 1101) in which the three companies submitted the only proposals.

The maximum obligation assumed hereunder shall be increased to three hundred fifty-nine thousand dollars (\$359,000.00).

Counselor Egan explained PULL-TAB tickets and how the game works to the Commissioners. The return on the tickets was approximately \$700,000.00. The contract expires in April. The procurement team discussed an extension with the current vendors who agreed to hold their costs the same for the next year. It is the procurement team's recommendation that the Lottery exercise the one-year extension.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a one year contract extension for Charitable Gaming Tickets with the above companies for three hundred fifty-nine thousand dollars (\$359,000.00). Motion was made by Commissioner McMahan and seconded by Commissioner Boland at 10:30 a.m. Motion approved 5-0.

- 4.2 For the reasons set forth in the attached memorandum dated January 17, 2014, 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, one hundred fifty-nine dollars and 34/100 cents (\$11,159.34) with the following company:

SJ Services
20 Locust Street
Danvers, MA 01923

The original 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 twenty-six thousand, seven hundred sixty dollars and 24/100 (\$326,760.24).

Counselor Egan explained that this is a standard vote taken every year. It represents an increase in the prevailing wage that SJ Services is required to pay its workers for performing work for state agencies.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into an amendment to the contract for janitorial services by increasing the maximum obligation by an amount of eleven thousand, one hundred fifty-nine dollars and 34/100 cents (\$11,159.34) with SJ Services.

Motion was made by Commissioner Boland and seconded by Commissioner McMahon at 10:31 a.m. Motion approved 5-0.

- 4.3 For the reasons set forth in the attached memorandum dated January 22, 2014, the Executive Director is authorized to enter into a contract amendment for the contract for audit services by increasing the maximum obligation by four thousand, sixty-one dollars (\$4,061.00) with the following company:

KPMG LLP
Two Financial Center
60 South Street
Boston, MA

Commissioner Boland recused herself from this vote as KPMG is a client of her law firm.

The original award was made pursuant to a competitive bid process in which KPMG submitted the lowest cost proposal.

The maximum obligation assumed hereunder would increase to an amount not to exceed four hundred five thousand, seven hundred ninety-six dollars (\$405,796.00).

Counselor Egan explained the first bid was last year and the amount approved by the Commission factored in the prompt pay discount. This amount includes the prompt pay discount as part of the maximum obligation which should have been the amount of the original vote.

Treasurer Grossman asked for a motion to authorize the Executive Director to enter into a contract amendment increasing the maximum obligation by four thousand, sixty-one dollars (\$4,061.00) with KPMG, LLP. Motion was made by Counselor Levine and seconded by Commissioner McMahon at 10:33 a.m. Motion approved 4-0-1.

Treasurer Grossman requested a motion to adjourn. Motion was made by Counselor Levine at 10:35 a.m. and seconded by Commissioner Boland. Motion approved 5-0.

DOCUMENTS LIST (Distributed to or referred to at meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission January 2014 Commission Meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Monthly Sales & Marketing Report Presented on: January 28, 2014"