

*Massachusetts State Lottery Commission  
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**DATE:** May 27, 2014

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

**MEMBERS PRESENT:** Steven Grossman, Treasurer and Receiver General  
Beth Boland, Commissioner  
Tim McMahon, Commissioner  
Martin Benison, Commissioner  
Laura Weierman, Assistant General Counsel and  
designee for Andrea Cabral, Commissioner

**ALSO PRESENT:** Beth Bresnahan, Executive Director, Lottery  
William Egan, General Counsel, Lottery  
Cathy Judd-Stein, General Counsel, Treasury  
Christian Teja, Communications and Marketing, Lottery  
Kami-Lii Ward, Executive Assistant, Lottery  
Jon Carlisle, Director of Communications, Treasury

**I. Opening of meeting**

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

**II. Approval of Minutes from April 29, 2014**

Treasurer Grossman asked the Commission to accept the minutes of the meeting from April 29, 2014. Commissioner Benison made a motion to accept the minutes of the meeting and Commissioner Boland seconded the motion. The minutes were approved 5-0 at 10:12 a.m.

**III. Executive Director's Report**

- a. Sales update**
- b. Marketing update**

Executive Director Bresnahan provided an update on Lottery sales noting that overall sales for April 2014 were down \$2 million as compared to April 2013. She provided an overview of the reason for the decrease.

Treasurer Grossman stated that the Lottery would not be again increasing the net profit projection for FY14 and spoke to the importance of transparency, as well as keeping the Commission and Legislature fully informed on the Lottery's fiscal performance each month. He asked Executive Director Bresnahan to discuss the volatility of the prize payout and how its fluctuations from month to month impact the net profit levels.

Executive Director Bresnahan discussed how in FY12, the Lottery was confident in making two adjustments to the net profit projection because both sales and net profits were ahead of the previous years. She followed by noting how circumstances in FY14 are different because while net profits have been higher than the previous year, sales were still falling slightly behind. She indicated that it would be best to wait until the close of the fiscal year for any further announcements. Treasurer Grossman agreed. Executive Director Bresnahan then discussed the decrease in the prize payout for the month compared to the previous year (see handout for details), explaining that the year-to-date prize payout was lower than the budgeted amount. She informed the Commission that the Lottery's net profit is \$45.3 million ahead of last year's pace despite a sales decrease of \$19 million through the first 10 months of the fiscal year due to the prize payout percentage; however, she noted that net profit could easily drop if a few grand prizes were claimed in the coming weeks.

Executive Director Bresnahan provided a sales update for the April instant tickets and informed the Commission that the Lottery hit a single week record-high of \$80 million for total instant ticket sales. This was driven by the World Class Millions release and the strong supporting game portfolio.

Executive Director Bresnahan continued the instant ticket discussion by sharing information on the new games to be released on June 17th.

Executive Director Bresnahan's presentation continued with a review of other Lottery game sales for the month and year-to-date. All information is included in the Executive Director's Report provided to the Commissioners.

#### **IV. Matters Requiring Massachusetts State Lottery Commission Approval**

Commissioner Boland recused herself from Vote (1) and (2) based on the fact that Foley Law Firm represents GTECH.

##### **Vote (1) Authorize Executive Director to enter into a contract for the repair and reconditioning of Isys sub-assemblies.**

Counselor Egan introduced the vote which seeks to authorize the Executive Director to enter into two-year contracts for outsourcing component repairs for the Isys terminal, Instant Ticket Vending Machines and any of their respective sub-assemblies with the following companies:

**Peripheral Development Corporation**  
42 Ladd Street  
East Greenwich, RI

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

The two-year contract with each vendor with a total maximum obligation for this service shall be nine hundred thousand dollars (\$900,000.00) divided between each vendor.

Counselor Egan discussed the notice of intent process, since there is no other company willing or able to provide the services for these machines. He explained that a notice of intent was issued for this procurement and the next vote to solicit potential companies who may be able to service the Lottery's machines. These machines are outdated, so they are not very profitable for these businesses to service. No other companies submitted responses to either notice of intent. The Lottery must deal with its current vendors to continue this service and the purchase of spare parts in the next vote.

Treasurer Grossman asked for a motion to approve a two-year contract with the listed companies for a maximum obligation of nine hundred thousand dollars (\$900,000.00). Motion was made by Commissioner Benison and seconded by Commissioner McMahon. Motion approved 4-0-1.

**Vote (2) Authorize the Executive Director to enter into a contract for replacement parts**

Counselor Egan introduced the vote for spare parts. The vote seeks to authorize the Executive Director to enter into a two-year contract for spare parts 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 two-year contract will have a maximum obligation of one million, five hundred thousand dollars (\$1,500,000.00).

Counselor Egan in discussing the previous vote referenced the reason the notice of intent process is the same for this vote as well. No companies responded to this notice of intent and the Lottery must negotiate with the current company. He explained this vote is different than the first because this vote is for the purchase for part of in house repair and the previous vote is for outsourcing repairs for Lottery machines that cannot be performed in house.

Treasurer Grossman asked for a motion to approve a two-year contract with a total maximum obligation of one million, five hundred thousand dollars (\$1,500,000.00). Motion was made by

Commissioner Benison and seconded by Commissioner McMahon. Motion approved 4-0-1.

Commissioner Boland returned to the meeting.

**Vote (3) Set the maximum obligation for next fiscal year for advertising services with the following company:**

**Connelly Partners  
Boston, MA**

Executive Director Bresnahan requested setting the maximum obligation for FY15 at \$8 million for the third and final year of the contract with Connelly Partners. This appropriation is an increase from the previous year's appropriation of \$5 million dollars, as the preliminary state budgets indicate a \$3 million increase to the Lottery's Advertising line item.

Treasurer Grossman asked for a motion to set the maximum obligation for the third year of the contract with Connelly Partners shall not exceed eight million dollars (\$8,000,000.00). Motion was made by Commissioner Boland and seconded by Commissioner Benison. Motion approved 5-0.

**Vote (4) Authorize the Executive Director to enter into a contract extension for single ticket plastic dispensers with the following company:**

**LD Plastics & Displays  
Brockton, MA**

Counselor Egan introduced the vote to extend the contract which expired April 3<sup>rd</sup> for single unit instant ticket dispensers. The vote seeks to authorize the Executive Director to exercise the first one-year option and increase the maximum obligation for the contract with LD Plastics and Displays by six hundred forty-one thousand and sixty-seven dollars (\$641,067.00).

After the vote, the total maximum obligation of the contract would not exceed one million, six hundred twenty thousand, six hundred sixty-seven dollars (\$1,620,667.00). Counselor Egan further explained that a procurement management team has formed to issue a request for information on the latest technology and offerings in plastic dispensers. This information will be used to draft a new RFR to competitively bid the next contract. Executive Director Bresnahan and Counselor Egan reviewed the supplemental information distributed to the Commissioners that explains the initiatives that have increased this expenditure in these areas over the life of this contract. Executive Director Bresnahan reviewed how the Lottery is "resetting" the presentation of its products at retailer locations and the measurable benefit this project is having on sales at these locations.

Treasurer Grossman asked for a motion to approve the request to exercise the first one-year option of this contract and to increase the maximum obligation by six hundred forty-one thousand and sixty-seven dollars (\$641,067.00), not to exceed one million, six hundred twenty

thousand, six hundred sixty-seven dollars (\$1,620,667.00). Motion was made by Commissioner McMahon and seconded by Commissioner Benison. Motion approved 5-0.

Treasurer Grossman asked for a motion to adjourn. Motion was made by Commissioner Benison and seconded by Commissioner Boland. Motion approved 5-0 and the meeting adjourned at 11:06 a.m.

DOCUMENT LIST (Distributed to or referred to at the meeting)

1. Booklet entitled: "Massachusetts State Lottery Commission May 2014 Commission Meeting"
2. Booklet entitled: "Massachusetts State Lottery Commission Monthly Sales & Marketing Report Presented on: May 27, 2014"
3. Memorandum from Egan to Bresnahan re: "Single Unit Instant Ticket Dispensers"
4. Point of Sale Materials and Void Instant Tickets