

Massachusetts State Lottery Commission

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DATE: Monday, November 2, 2015

TIME: 10:30 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General
Shannon Hickey, Assistant General Counsel, Executive Office of Public Safety and Security, designee for Commissioner Daniel Bennett
Meghan Liddy, Commissioner
Anthony Salvidio, Commissioner
Thomas G. Shack III, Comptroller

ALSO PRESENT: Michael Sweeney, Executive Director, Lottery
Edward Farley, Chief Administrative Officer, Lottery
Christian Gonsalves, Deputy General Counsel
Christian Teja, Director of Communications, Lottery
Owen Doherty, Manager, Product and Promotional Development, Lottery
Judy Moore, Executive Assistant, Lottery

Dave Falcone, Chief of Staff, Treasury
James MacDonald, First Deputy Treasurer
Sarah Kim, General Counsel, Treasury
Shawn Collins, Legislative Director, Treasury
Chandra Allard, Deputy Communications Director, Treasury
Dan Truong, Assistant Communications Director, Treasury

Ashley McGilloway, Connelly Partners
Justin Vogt, Connelly Partners
Michael McCormack, Scientific Games

Michael Demakos, O'Neill and Associates
Samantha Kelly, Research Analyst on Consumer Protection
Michelle McGee, Lobbyist, New England Convenience Store Association
Tonja Mettlach, Counsel, Joint Committee on Consumer Protection
Steve Ryan, Executive Director, New England Convenience Store Association

Matthew DeFillippo, Photographer, Fox 25
Gin Dumcius, MassLive.com
Colin Young, State House News Service

Robert Frasca, Interested Member of the Public

I. Opening of Meeting:

Treasurer Goldberg opened the meeting at 10:37 a.m. by announcing Interim Executive Director, Michael Sweeney had been named the new Executive Director of the Massachusetts State Lottery. Treasurer Goldberg explained that since he came onboard, he has proven that he has the management skills, the experience and the savvy to run a large organization and think about it innovatively and how to move it forward. The Treasurer continued by saying that Executive Director Sweeney understands the mission of the Lottery, which is to get unrestricted general funds back to every city and town in the Commonwealth and that he realizes how much cities and towns are dependent upon these resources. Treasurer Goldberg went on to say that he brings enormous experience and proven leadership skills. After a round of applause, she congratulated Executive Director Sweeney and wished him success in his new role.

II. Approval of Minutes from September 22, 2015

Treasurer Goldberg asked the Commission to accept the minutes of the meeting from September 22, 2015. Commissioner Shack made a motion to accept the minutes of the meeting and Commissioner Salvidio seconded the motion. The motion passed unanimously. The minutes were approved at 10:43 a.m.

III. Executive Director Report

a. Sales Update

b. Marketing Update

After thanking the Commissioners and members of the public, Executive Director Sweeney began the meeting by reviewing Lottery sales for September announcing overall sales were up \$7.1 million over last year and net profit for the month was \$72.3 million compared to \$77.7 million in September of last year. He went on to say that the increase in prize payout contributed significantly to a \$5.4 million decrease in net profit as compared to last year.

Executive Director Sweeney proceeded with the discussion saying that KENO sales continued to be a strong earner, with an increase of \$3.5 million in sales over September of last year. He said the Instant Ticket portfolio reflects a \$2.6 million sales increase in September following the release of five new games with \$1, \$2, \$5, \$5 & \$20 price points in mid-September.

Executive Director Sweeney stated that Mega Millions, the Numbers Game, Megabucks Doubler, Powerball and Mass Cash all had slight increases in sales, versus September 2014. Sales for the final Powerball draw of the month took place on September 30th, featured a jackpot of \$301 million, and will be reflected in next month's figures. Jackpot Poker sales decreased by \$54,133 and Lucky for Life sales were down \$14,446 in sales as compared to last September. He mentioned that there has been a considerable effort with the Massachusetts State Lottery, the Connecticut Lottery and other state lotteries to generate new interest to the game and develop new marketing ideas. Executive Director Sweeney followed up by providing additional details on each game across the Lottery's portfolio, which included:

- September Instant Ticket sales were up marginally compared to this time last year.

- KENO, one of the Lottery's biggest engines for sales and profitability, experienced a good month in September.
- Jackpot Poker has been tracking around the \$200,000 mark all throughout the summer with September being one of the lower months.
- Numbers Game sales are fairly consistent with general sales running about 2% which is keeping with last year and is reflective of a trend that's been going on with lotteries across the country.
- Mass Cash Game was a good seller this past month with a slight increase compared to this same time a year ago.
- Megabucks Doubler showed a slight increase overall in sales for the month.
- Lucky for Life, a multi-state draw game, was behind a little bit but keeping pace with where it's been historically from the last couple of years.
- Mega Millions saw a good month in September and is tracking last year's performance.
- Powerball Game is mirroring last year's sales and showed a slight increase in September.

Executive Director Sweeney recapped by saying overall sales are closely tracking last year at just under 2% and monthly net profit is down slightly from 2014.

5 Year Comparison Chart

Executive Director Sweeney continued the discussion by introducing a new 5 Year Comparison chart which shows the highest payout as a percentage of the Lottery's sales from the last 5 years. He explained to the Commission that the Lottery is at 75.2% so far for the fiscal year and said that despite a decent increase in sales, Net Profit is down because the prize payout is higher.

Gross Sales Results

Referring to the Gross Sales Results chart, September FY16 vs. FY15, Executive Director Sweeney pointed out that the Instant Tickets were the biggest driver with a 1% increase, KENO was up at 5.6%, and Lucky for Life was down a little at -.7%. He stated that overall sales were up just about 2% month over month. Year to Date Sales were a little bit more robust and overall, were up about 3% from last year.

Instant Ticket Sales Update

Executive Director Sweeney moved on to update the Commission on the September Instant Tickets sales saying that there has been a good response by the market and the Lottery has engaged a number of its usual avenues in an effort to help our retail partners. He said the Lottery has engaged in social media, particularly around the Monster Cash ticket, noting that it has a natural appeal this time of year, and that it has been very well received.

Executive Director Sweeney then discussed the launch around the Holiday Instant Tickets noting a variety of tickets that generated a lot of enthusiasm during early testing, particularly Frosty Cashword. Working with our private partners, we have good indications that this theme around a Holiday Bonus, will help to capture the public's interest with a variety of price points from \$1 up to \$10. Expanding on the discussion around holiday tickets, Executive Director Sweeney introduced two members from Connelly Partners LLC, Ashley McGilloway, Brand Manager and Justin Vogt, Account Director, who are responsible for the marketing on these series of tickets.

Ashley McGilloway continued the meeting by sharing a presentation to the Commission and discussed some of the deliverables that they plan to launch during the holiday

campaign which will run from November 23rd through to Christmas Eve. She explained that similar to 2015, their objective is to relay the excitement of giving and receiving Lottery Tickets as a Holiday gift. At the conclusion of the presentation, Treasurer Goldberg took a moment to point out that when looking at the numbers that are spent on advertising, the historical data shows that the return is enormous. **(Please reference the handout to provide the details that were discussed)**. Executive Director Sweeney thanked Ashley and Justin for their presentation.

Responsible Gaming

Following the overview, Executive Director Sweeney continued the discussion by speaking about the Lottery's continuous involvement around Responsible Gaming. He said that in his new role, he has the privilege to serve on the Public Health Trust Committee with other members throughout the Commonwealth and with members of the Mass Council of Compulsive Gambling (MCCG). He said that he works very closely with MCCG's Executive Director, Marlene Warner, meeting with her each month and that they often attend other meetings together. The Lottery will be posting Point of Sales (POS) materials to be displayed at Lottery retailers during the holiday season to discourage underage play. The Executive Director said that the Lottery will also be providing the MCCG with a radio spot as part of the annual holiday advertising campaign. Executive Director Sweeney stated that this is a key piece of the Lottery's duty and that it is taken very seriously. Treasurer Goldberg was pleased to point out that in her meeting with the MCCG, Executive Director Warner indicated that the Lottery is very responsible around the issues of compulsive gambling and that we have a lot of the things in place that identify those who are struggling with gambling issues and ways in which to help them. Executive Director Sweeney agreed saying that it is a good relationship which brings a good balance and perspective to the table.

Social Media

Executive Director Sweeney continued the conversation by informing the Commission that the Lottery is doing more in terms of using social media to promote Lottery products and also thinking of creative ways to engage retail partners as well as the customers who purchase tickets. Lottery staff is looking at key points and activities that take place during the calendar year and their goal is to engage social media 365 days a year.

Daily Fantasy Sports

Executive Director Sweeney moved on to discuss Daily Fantasy Sports saying that there has been a lot of conversation around this topic throughout the country. Executive Director Sweeney provided the Commission with a brief view and some key information of what the Lottery feels it may need to do in order to become engaged with Fantasy Sports in a healthy manner. Starting with an overview of the Lottery, Executive Director Sweeney pointed out key facts such as that in FY15, the Lottery generated over \$5 billion in sales and over \$985 million in net profit to remain the single largest source of local aid for the 351 cities and towns in the Commonwealth. Executive Director Sweeney went on to say that the biggest current challenge facing the Lottery is the daily fantasy sports industry, and that the immediate protection and responsible growth of the Lottery is a must. Executive Director Sweeney continued the discussion by pointing out the benefits of introducing Fantasy Sports to the Massachusetts State Lottery and took the Commission through a Lottery timeline that outlined the introduction of key Lottery products and provided examples of mixed reviews at a time when the Lottery was considering introducing KENO and remarked that this same coverage would be relevant today. While acknowledging that there is risk involved, but much like a private business, in order to

move ahead and to be innovative, Executive Director Sweeney said there is never a one hundred percent guarantee, and added that you have to take a risk occasionally to move forward. With over 40 years of experience, the Lottery could provide a good vehicle for this new venue and operate on a comprehensive system of internal controls to protect the game's integrity. Executive Director Sweeney concluded this portion of the discussion by saying that the next step in the process is to absorb this on a deeper level and put together a request for information to engage the business world. He said it would be purely informational to see what is out there in the marketplace and what some of the controls are. **(Please reference the handout to provide the details that were discussed).**

IV. Votes Presented to the Commission

VOTE (1): Treasurer Goldberg asked for a motion to authorize the Executive Director to enter into a contract extension for the license associated with Jackpot Poker for the term of one (1) year with the following firm:

New Visions Gaming & Development, Inc.
5 Samuel Phelps Way
North Reading, MA 01864

The total maximum obligation assumed under the contract shall not exceed two hundred forty seven thousand dollars (\$247,000.00) commencing on December 15, 2015 and ending on December 14, 2016.

Commissioner Liddy made the motion to enter into the contract and Commissioner Salvidio seconded the motion.

Treasurer Goldberg began the conversation by saying that her immediate question regarding this vote was why would we extend a contract on a game that has not been successful and one that the Lottery intends to move out of? Executive Director Sweeney commented by saying that this contract ends in the middle of December of this year and presently, the Lottery is projecting that we will launch a new monitor game at the beginning of July. This brings up a couple of concerns. First, the game is not a money loser for the Lottery, it's just not a big revenue generator with sales decreasing over time. Executive Director Sweeney went on to say, within convenience stores and all of the restaurants and bars, we don't want to have these particular screens sit blank or get requests from the retailers to remove that second screen causing the Lottery to have to utilize personal resources to take them out and then have to re-install them later. The other concern is that the retailers will request that the Lottery switch KENO over to that second screen, potentially resulting in some conflicts of switching back over when we try to introduce the second game. Commissioner Salvidio agreed with Executive Director Sweeney saying that you need to have a placeholder.

Treasurer Goldberg recognizing there was no further discussion moved the motion to a vote. For the reasons stated above and in the meeting materials, the Commission voted unanimously to adopt the motion.

V. Other matters related to the purchase of goods and services by the Lottery

After asking if there was any other business to discuss, Treasurer Goldberg sought a motion to adjourn the meeting. Commissioner Shack made the motion to adjourn, Commissioner Salvidio seconded the motion. The motion passed unanimously. The meeting adjourned at 12:03 p.m.