

# *Massachusetts State Lottery Commission*

*60 Columbian Street*

*Braintree, Massachusetts 02184-1738*

*Tel: (781) 849-5555*

*Fax: (781) 849-5546*

*TTY: (781) 849-5678*

DATE: Tuesday, September 22, 2015

TIME: 10:30 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General  
Meghan Liddy, Commissioner  
Anthony Salvidio, Commissioner  
Thomas G. Shack III, Comptroller  
Daniel Bennett, Secretary of Public Safety  
Doug Levine, Special Counsel, Executive Office of Public Safety

ALSO PRESENT: Michael Sweeney, Interim Executive Director, Lottery  
Edward Farley, Chief Administrative Officer, Lottery  
Christian Gonsalves, Deputy General Counsel  
Christian Teja, Director of Communications, Lottery  
Judy Moore, Executive Assistant, Lottery

Dave Falcone, Chief of Staff, Treasury  
James MacDonald, First Deputy Treasurer  
Sarah Kim, General Counsel, Treasury  
Jon Ostrowsky, Policy Director, Treasury  
Shawn Collins, Legislative Director, Treasury  
Chandra Allard, Deputy Communications Director, Treasury  
Dan Truong, Assistant Communications Director, Treasury  
Colin Young, State House News Service  
Robert Frasca, Interested Member of the Public

## **I. Opening of Meeting:**

Treasurer Goldberg opened the meeting at 10:29 a.m.

## **II. Approval of Minutes from August 31<sup>st</sup>, 2015**

Treasurer Goldberg asked the Commission to accept the minutes of the meeting from August 31, 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 10:30 a.m.

### **III. Executive Director Report**

#### **a. Sales Update**

#### **b. Marketing Update**

Interim Executive Director Sweeney began the meeting by reviewing the Lottery's sales, announcing that August was a strong month. Sales were up \$8.1 million over last year and the prize payout percentage for the month was 72.20 percent, a decrease from August 2014 which was at 73.71 percent. He went on to say that the decrease in prize payout helped to contribute to an \$8.5 million increase in net profit from the previous year. The net profit from August 2015 was \$99.5 million compared to \$91.0 million in August 2014. As discussed in prior meetings, he restated that the prize payout percentage fluctuates based upon a number of factors including the schedule or rate at which players cash in their prizes.

Interim Executive Director Sweeney continued the discussion by saying that KENO sales remained strong, with an increase of \$5.4 million in sales over August of last year. He said the Instant Ticket portfolio saw a \$4.7 million sales increase in August following the release of four new games with \$1, \$2, \$5 & \$10 price points early in the month. There was continued upward traction in the marketplace around the \$30 Supreme Millions ticket that launched at the end of April. Powerball, Mass Cash, the Numbers Game, Lucky for Life and Megabucks Doubler all had slight increases in sales compared to last year at this time.

Interim Executive Director Sweeney proceeded to discuss that Mega Millions sales were over \$3 million below August of 2014 and said this is attributed to the larger jackpots in August of 2014 as compared to August of 2015. The second monitor game, Jackpot Poker, also experienced a sales decrease in August and was down just over \$68,000 in sales compared to August 2014. Interim Executive Director Sweeney noted that the Lottery is making progress in finding a new game to replace Jackpot Poker and is hoping for a launch potentially in late spring or late summer of next year.

Interim Executive Director Sweeney followed up by providing additional details on each game across the Lottery's portfolio, which included:

- August Instant Ticket sales continue to be up at a decent percent year over year.
- KENO continues to be a game that consumers are participating in very strongly. Interim Executive Director Sweeney added that in the last six months, the Lottery has continued to expand the number of locations which also contributes to the increase.
- Numbers Game sales are flat but up marginally compared to last year and the year before, however, the growth is essentially stagnant.
- Mass Cash Game continues to be a product that is well received. Interim Executive Director Sweeney added that although it is not tremendous growth, it continues to remain positive.
- Megabucks Doubler did have a good summer and was up overall.
- Lucky for Life is a multi-state draw game, and with Connecticut leading the effort, Interim Executive Director Sweeney informed the Commissioners that there have been a considerable amount of discussions and a series of meetings scheduled in the next two months to reengage this game.

- Mega Millions had a significant decrease from last August, however, this is one of the Lottery's games that is jackpot dependent.
- Powerball Game Monthly sales had a good month overall and there are some changes to the Powerball structure and matrix which will be formally voted on during today's meeting. Interim Executive Director Sweeney went on to say that this is being done by the consortium of states that are involved in Powerball with the expectation that it will lead to consistently higher jackpots.

Interim Executive Director Sweeney recapped overall sales saying sales did increase compared to last year, but added that although there is growth, it is not robust.

Referring to the Gross Sales Results chart, Interim Executive Director Sweeney pointed out that from August 2014 to August 2015, there was total growth across the board overall for products at approximately 1.8%. Mega Millions and Jackpot Poker were the exceptions however, most of the other games saw an increase between 1.5% and 2.7%. KENO continues to be a strong product for the Lottery, and Year to Date shows a 3.8 sales growth. Interim Executive Director Sweeney pointed out that these are sales and not Net Profit, and added that it was a fairly healthy number across the board.

#### September Instant Ticket Sales Update

Interim Executive Director Sweeney continued the discussion by introducing a new Instant Ticket Sales chart that was added to the report. (Please reference the handout to provide the detailed sales data discussed). The chart shows four fiscal years of a slight downward trend of the number of Instant Tickets that have been sold. He said that the chart mirrors what is going on in the rest of the country, and although the Lottery's overall numbers are strong, he wanted the Commission to be aware of the fact that Instant Tickets Game sales, which is by far the largest engine for profits, has had a steady decrease over the last four years. He went on to say that conversely, the higher price point tickets of \$10.00 and above are making up a larger percentage of those overall sales. He asked the Commission to keep in mind that higher price point tickets, have a higher payout rate which is one of the factors that is affecting the net profit amount negatively. Interim Executive Director Sweeney went on to say that this is something that the Lottery plans to monitor and take into consideration as we formulate both marketing and product strategy over the next year. As part of the discussion around Instant Tickets, Interim Executive Director Sweeney provided an update on September Instant Ticket sales noting that although there has only been one week of sales, they have been well received.

#### Agent Incentive for Bruins and Celtics Instant Tickets

Interim Executive Director Sweeney asked Lottery Chief Administrative Officer, Ed Farley, to provide details around the Agent and Player Incentives coming up this month. Chief Administrative Officer Farley explained that this incentive is centered on the Bruins and Celtics Instant Tickets. Agents who order a 2012 Boston Celtics book between September 15<sup>th</sup> through September 21<sup>st</sup>, or who have an activated book on September 21<sup>st</sup> will be eligible to win two passes to a Boston Celtics open practice event at TD Garden. Agents will also have the opportunity to win a visit to their business location from the Bruins Ice Girls and Bruin's mascot, Blades. In addition, all Agents with activated books of both of these Instant Games, will be entered into a drawing to win \$1,000 each. He went on to say that these types of promotions have been successful in the past. Interim Executive Director Sweeney added that in an effort to generate sales with all of the sports tickets, the Lottery will have a presence at the Big E event in West Springfield this year and will be highlighting all of the sports themed tickets as well as the Harley Davidson ticket, which is expected to be well received.

### Powerball “Lucky Ticket” Promotion

Interim Executive Director Sweeney then moved on to discuss the Powerball “Lucky Ticket” Promotion saying that from October 4<sup>th</sup> through October 17<sup>th</sup>, players who spend \$8 or more on a single Powerball ticket will receive a promotional ticket for a chance to win \$2,015. He went on to say that with the changes that are associated with Powerball, the Lottery is hoping that both here in Massachusetts, and within the other states, the combination of promotion and the matrix changes will continue to promote excitement and participation.

Concluding the report, Interim Executive Director Sweeney asked if there were any questions. Commissioner Liddy asked a question regarding the roll out schedule of lower price point tickets. She suggested that it could be an opportunity to generate spikes in sales. Interim Executive Director Sweeney responded by saying that there is a need for the smaller priced tickets and that they have been very well received, however, the Lottery has a sophisticated group of players and that they know what the percentages and the payouts are. He went on to say that there is a segment of the population that is looking for a higher priced engagement than a \$1.00, \$2.00 or \$5.00 ticket as long as the payout is fair. Chief Administrative Officer, Ed Farley mentioned that Loose Change, a \$1.00 Instant Ticket, did very well in focus group testing and sold out quickly, but it is all about what the customer wants. Commissioner Salvidio asked a question regarding the difference in payouts between states. Interim Executive Director Sweeney explained that the payouts vary greatly from state to state. He said the payouts are set by the individual lotteries and Massachusetts leans on the higher end. He concluded by saying that there isn’t another lottery across the country that comes close to comparing with the current success of the Massachusetts State Lottery.

Commissioner Shack asked if there were any metrics on the impact of sales surrounding the Plainville area. Interim Executive Director Sweeney began by saying that the Plainridge Casino itself has been a successful retail agent for the Lottery, and, after just two months, they may be in the top 25% of retail agents. He went on to say that from the beginning, Treasurer Goldberg has placed a significant focus on all of the retail agents within thirty minutes of the casino. He explained that Lottery service crews have been doubling up on visits to those areas to address concerns that agents may have and to assess what would be most productive for sales. He went on to say that overall, although sales are not necessarily as strong as in other areas, the Lottery is seeing numbers in the positive territory. Treasurer Goldberg commented that retailers in general, are a hardworking, middle class segment of our population who are creating jobs and are taxpaying people. She said it is very important, even from a non-lottery point of view, of how we work with them and that we have an extra responsibility.

## **IV. Votes Presented to the Commission**

**VOTE (1):** Treasurer Goldberg asked for a motion authorizing the Executive Director to exercise a second contract extension for one (1) year for the Delivery/Moving/Storage of MSLC equipment with the following firms:

**Sterling Corporation**

27 Sterling Road  
Billerica, MA 01862

**Tobin & Sons Moving and Storage, Inc.**

3A Summit Industrial Park  
Peabody, MA 01960

This original award was made pursuant to a competitive bid process (RFR LOT #1201), in which the firms submitted the proposal that received one of the highest scores. The first contract extension was funded at two-hundred thousand dollars (\$200,000.00). The costs are expected to be at two-hundred thousand dollars (\$200,000.00) for the second extension as well.

Commissioner Shack made the motion to enter into the contract, Commissioner Salvidio seconded the motion.

Interim Executive Director Sweeney began the discussion by saying that the Lottery has had success with both of these firms and they have been under contract for a while. He went on to say that the Lottery's Director of Operations, Matthew DiFrancesco, who runs all of the Lottery's facilities with his team, highly recommends that we go through this second option. He continued by saying that there is no price increase and that we will issue a new RFR around December or January.

The Commission voted unanimously to adopt the motion.

**VOTE (2):** Treasurer Goldberg asked for a motion authorizing the Executive Director to enter into a five (5) year extension of the current lease for the Worcester Regional Sales Office with:

**West Boylston Drive, LLC**

c/o Liberty Properties  
1 Liberty Square  
Boston, MA 02109

This original award was made pursuant to a competitive bid process supervised by the Division of Capital Asset Management.

The maximum obligation assumed hereunder for the five (5) year lease is one million, eight hundred seventy six thousand, five hundred ninety and 00/100 dollars (\$1,876,590.00).

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

Interim Executive Director Sweeney began the discussion by saying that this extension will continue our relationship within the same facility. As with all state leases, this was

also vetted by DCAM. He went on to say that included in the handout, is an email from DCAM breaking out a cost analysis and stating they are in agreement that this lease should be entered into. (Please reference the handout to provide the materials discussed). He continued by saying that there are a number of savings for the Lottery including some enhancements around the building. He said the Lottery believes this is a good value, considers it important to have a physical presence in the area and that he strongly recommends that the Commission votes to approve it. Commissioner Liddy asked a question around the amount of office space, and Treasurer Goldberg responded by saying that it is a full facility with a warehouse, a repair and customer service area. She said that the Lottery plans strengthen the regional offices by adding marketing and to go beyond just deliveries. She continued by saying that in preparing for interactions with retailers, regional offices are a key success factor in that strategy.

The Commission voted unanimously to adopt the motion.

**VOTE (3):** Pursuant to the provisions of Massachusetts General Laws, Chapter 30A, Section 3; and Chapter 10, Section 24, the Commission finds it in the public interest to adopt the attached regulations for the Powerball game and include the same in the official Rules and Regulations of the Massachusetts State Lottery Commission. (Please reference the handout to provide the materials discussed).

Commissioner Liddy made the motion to enter into the contract, Commissioner Shack seconded the motion.

Interim Executive Director Sweeney began the discussion by saying that some of the matrixes involved around Powerball are being changed by the states that control it. He went on to say that the relationships between the states have been successful, and changes come about from time to time. He said this is to make sure that the CMRs and the Lottery's internal rules and regulations are adjusted to reflect the new current language. Treasurer Goldberg asked if there is an anticipation that these changes will make the game more profitable. Interim Executive Director Sweeney responded by saying that there is a hope that this change will generate more engagement, excitement and more interest.

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

Commissioner Liddy asked a question regarding the process of agents who are lobbying for an increased commission rate. Interim Executive Director Sweeney said that he was unaware of a pending bill but that he would follow-up and update the Commission with any information. [Interim Executive Director Sweeney followed up after the meeting and informed the Commission that there is a bill pending that seeks to increase agent's commission, House Bill 170 which is currently pending before the Consumer Protection and Professional Licensure Committee.]

After asking if there was any other business to discuss, Treasurer Goldberg sought a motion to adjourn the meeting. Commissioner Liddy made the motion to adjourn, Commissioner Salvidio seconded the motion. The motion passed unanimously. The meeting adjourned at 11:03 a.m.