

Massachusetts State Lottery Commission

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DATE: Wednesday, January 13, 2016

TIME: 2:15 p.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
Jeffrey Shapiro, Esq, Deputy Comptroller, Chief Operating Officer

ALSO PRESENT: Michael Sweeney, Executive Director, Lottery
Edward Farley, Chief Administrative Officer, Lottery
Guy Calabrese, Manager, Quality Control, Lottery
Christian Gonsalves, Deputy General Counsel, Lottery
Paul Mandeville, Assistant Executive Director of MIS, Lottery
Erin Nally, Legal and Financial Analyst, Lottery
Deirdre Richardson, Chief Financial Officer, Lottery
Christian Teja, Director of Communications, Lottery
Paul Torchia, Consultant, Program Manager, Lottery
Judy Moore, Executive Assistant, Lottery

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

Michael Chambrello, CEO North America Lottery, IGT
Darcy DaCosta, Vice President, US Business Development, North America Lottery, IGT
Matthew J. Whalen, Senior Vice President & Chief Technology Officer, Lottery, IGT
John L. Wojichowski, Systems Engineer, IGT

Robert Frasca, Interested Member of the Public

I. Opening of Meeting:

Treasurer Goldberg opened the meeting at 2:15 p.m.

Since there were many new faces in the room, Treasurer Goldberg asked that all new attendees briefly introduce themselves (see above list of members and attendees present).

Following introductions, Executive Director Sweeney began the meeting by reviewing a presentation that captured the framework for the replacement project of MSLC's Gaming System Terminal Application and associated Software Applications with IGT Global Solutions Corporation. He described the vote as perhaps the most important vote of this current fiscal year. He went on to say that the RFR is seeking to replace a host system that was installed back in 1997. Executive Director Sweeney said it is an integrated system that requires a very specific language that transmits to Lottery terminals using very specific terminal hardware. He went on to say that the existing hardware had stopped being manufactured around fifteen years ago and replacement parts for the existing hardware have become nearly impossible to locate. Additionally, the existing hardware is not compatible with the newer technology, which didn't exist back in 1997. Executive Director Sweeney said that the system receives an enormous amount of traffic, operating at least 20 hours a day, 365 days a year and on average, 3,500 transactions per minute and supports an average of \$686,923 in sales every hour of operation. Assuring the Commission that a lot of work and effort has gone into this recommendation, Executive Director Sweeney said that prior to issuing the RFR, a consulting firm was chosen through a separate RFR process to assist in the development. He continued by saying that the previous RFR was issued to acquire more information from private industries for the development for this RFR. A group of nineteen specialists from within the Lottery, each possessing expertise in key areas was assembled to form the Procurement Management Team, (PMT). The PMT conducted over one hundred meetings internally as well as workshops to develop the detailed requirements of the RFR. The RFR was reviewed by the Legal department of the state's Information Technology Division, (ITD) to ensure compliance with the state procurement procedures. Executive Director Sweeney then reviewed the list of names and the departments of both the voting and non-voting PMT members to assure the Commission that no component in the Lottery was left out in terms of the capacity and flexibility of the infrastructure for this new system.

Executive Director Sweeney continued by outlining the scope of services, crediting the team that put the RFR together and defined the key business advantages that will come with the new system. Executive Director Sweeney then presented a slide that reviewed the current system architecture and compared it to the future system architecture. He pointed out that two of the key components will be the Lottery's ability to interact with retail agents and the types of systems that can be deployed as well as the capability to interact and communicate with those wanting to be a part of the Lottery's Special Player's Club, which he described as currently being extremely limited. He said the future system has a greater and much more expanded reach for the Lottery to be able to easily communicate with retail agents and have the ability to send messages and expand upon

player functionality. Executive Director Sweeney described the Lottery as being one of the worst positioned lotteries in the country for its ability to interact with and gather data around Lottery players. Edward Farley, Chief Administrative Officer, for the Lottery agreed saying this was unfortunately true. He said that currently, the V.I.P. Red Player Carpet Club is unable to market and segment players to identify their preferences, describing it as not a successful business model. Executive Director Sweeney said that the future system will expand the Lottery's ability to track and communicate with agents both internally and externally, to generate business reports and review transactional history. Paul Mandeville, Assistant Executive Director of MIS, for the Lottery expanded on this by saying that essentially, this new system will modernize vast amounts of data allowing the Lottery to channel it to where it should be to be able to respond effectively. Assistant Executive Director Mandeville described it as a transition from a wired framed relay connection to a wireless cellular network. Commissioner Salvidio asked if this is because the wire system is gone. Assistant Executive Director Mandeville said yes, and explained that the components have reached an end of life and said that in addition, the new system will be a lot more flexible and cost effective. Commissioner Shack inquired if from a technology standpoint, is the Lottery concerned about cellular network, versus data network, versus whatever the next technology will be. Commissioner Shack explained himself further by asking if this will be something that can be retrofitted to new technology or will the Lottery utilize this new particular technology until it's replaced sometime in the future. Assistant Executive Director Mandeville said that as of now, it is set so the Lottery can replace components, and aside from not knowing what the new technology will be, everything is component driven, and the Lottery will be able to respond and be more flexible.

Following this portion of the meeting, Executive Director Sweeney asked the members from IGT Global Solutions to continue by sharing a presentation to the Commission outlining the major components of what they are offering. Michael Chambrello, IGT CEO of the North America Lottery, began the discussion by thanking the Commission, saying he considered this a tremendous opportunity and an enormous responsibility. He said that GTECH, now IGT, has a long history in Massachusetts which positions them to understand the needs of this lottery, the relationship that the Lottery is looking for and the added benefit of a twenty year partnership. He then introduced Darcy DaCosta, IGT Vice President of US Business Development. Ms. DaCosta began the discussion by providing information about IGT's history and successes. She informed the Commission that IGT is the global leader in gaming technology and creating value by adhering to the highest standards of service, integrity and responsibility. Matthew Whalen, IGT Senior President & Chief Technology Officer continued the presentation by explaining the technology and the major components of IGT's offering. **(Please reference the handout to provide the detailed sales data discussed.)**

Concluding the presentation, Executive Director Sweeney asked if there were any further questions. Commissioner Liddy stated that she thought this was a great solution going forward and commented that this project seems to be very front end oriented. She then asked if this would require any additional work on the back end in terms of financial reporting. Executive Director Sweeney responded by saying that when the RFR was developed, the Lottery included members from each department including finance and sales and marketing to be able to integrate those types of operations to further enhance the system. Assistant Executive Director Mandeville added to the discussion by saying that

one of the functions of the business intelligence component is to consolidate all the data, and finance is a major part of that component.

II. Votes Presented to the Commission

VOTE (1): Treasurer Goldberg asked for a motion to authorize the Executive Director to enter into contract negotiations for the replacement of MSLC's Gaming System Terminal Application and associated Software Applications with the following firm:

IGT Global Solutions Corporation (f.k.a. GTECH CORPORATION)
10 Memorial Boulevard
Providence, RI 02093

The above-mentioned firm was selected pursuant to a competitive bid process (RFR LOT #1501 – Gaming System Software and Hardware), in which this firm submitted a proposal that received the highest score in both technical and cost categories.

The PMT has concluded that the above-mentioned firm's response provides the best overall value for MSLC and the Commonwealth of Massachusetts. Any proposed contract resulting from negotiations would then be submitted to the Commission for final vote and approval.

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

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.

III. 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 Salvidio made the motion to adjourn, Commissioner Shack seconded the motion. The motion passed unanimously. The meeting adjourned at 3:17 p.m.