

# *Massachusetts State Lottery Commission*

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DATE: Tuesday, May 31, 2016

TIME: 10:30 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General  
Doug Levine, General Counsel, Executive Office of Public Safety and Security, designee for Commissioner Daniel Bennett  
Meghan Liddy, Commissioner  
Anthony Salvidio, Commissioner  
Jeffrey Shapiro, Esq., Deputy Comptroller, Chief Operating Officer, designee for Thomas G. Shack III, Comptroller

ALSO PRESENT: Michael Sweeney, Executive Director, Lottery  
Edward Farley, Chief Administrative Officer, Lottery  
Carol-Ann Fraser, General Counsel, Lottery  
Christian Teja, Director of Communications, Lottery  
Judy Moore, Executive Assistant, Lottery

James MacDonald, First Deputy Treasurer, Treasury  
Sarah Kim, General Counsel, Treasury  
Shawn Collins, Legislative Director, Treasury  
Dan Truong, Assistant Communications Director, Treasury  
Rodline Louijeune, Legal Intern

Colin Young, State House News Service  
Antonio Caban, State House News Service

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

Treasurer Goldberg opened the meeting at 10:31 a.m.

## **II. Approval of Minutes from April 26, 2016**

Treasurer Goldberg asked the Commission to accept the minutes of the meeting of April 26, 2016. Commissioner Salvidio moved to accept the minutes of the meeting, and Commissioner Liddy seconded the motion. The minutes were approved at 10:32 a.m.

### **III. Executive Director's Report**

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

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

Executive Director Sweeney reviewed Lottery sales for April, announcing overall sales were down \$5.5 million compared to April 2015. Executive Director Sweeney explained that, due to a shift in the calendar that resulted in seven additional days being included in the net profit figure for April 2016, net profit for the month was \$90.9 million compared to \$87.5 million in April 2015. After subtracting a seven day average net profit figure of \$18.2 million, the adjusted change for April 2016 vs. April 2015 was a \$14.8 million decrease in net profit. Executive Director Sweeney continued to explain that, due primarily to a shift in the calendar, which resulted in six additional days being included in the Fiscal Year ("FY") 2016 year-to-date net profit for the first ten months of FY16, is \$841.5 million compared to \$820.9 million through the first ten months of FY15. After subtracting a six day average net profit figure of \$16.6 million, the adjusted year-over-year change for the first ten months of FY16 vs. the first ten months of FY15 is a \$4.0 million increase in net profit. The estimated prize payout for the month of April 2016 was at 74.41 percent, as compared to 70.70 percent in April 2015. The year-to-date prize payout for FY16 is 73.34 percent, as compared to 72.42 percent for the same ten month period of FY15.

Executive Director Sweeney reported that Power Ball experienced an increase of \$4.5 million over April of last year due to larger jackpots. KENO sales also experienced an increase of \$2.9 million, while Mass Cash sales were up \$431,034 over April of 2015.

Instant Ticket sales were down approximately \$12.5 million, as compared to April of 2015. Lucky for Life sales were down \$289,822, Mega Millions sales were down \$230,703, Numbers Game sales were down \$218,555, Jackpot Poker sales were down \$51,078 and Megabucks Doubler sales were down \$8,540.

Executive Director Sweeney followed up by providing additional details on each game across the Lottery's portfolio for the month of April, and as reported earlier, KENO was up at a little over \$2 million, as compared to 2015. He commented that the Lottery had done an expansion of KENO and the increase provided the results the Lottery sought. He commented that Jackpot Poker continues to decrease and the Numbers Game has remained on track. He told the Commission that Lucky for Life recently held a meeting with all of the New England Directors who are involved with Lucky for Life, to reenergize this game. Overall, for all games, combined sales were down just about \$4.5 million for the month and the monthly net profit sales unadjusted was at \$90 million during the month versus April 2015, which was about \$87.5 million.

#### **Five Year Comparison Chart**

Executive Director Sweeney went on to discuss the Five Year Comparison chart, which is a key chart showing the highest payout as a percentage of the Lottery's sales from the last five years. He reported that the Lottery had a significant number of cashes during the month of April, which caused a bump up from the 73% back in March, to 73.3% in April. He added that up to now, May has appeared to be relatively quiet for larger cash prizes and hopefully we will not rise above the 73.3% level next month.

### Gross Sales Results

Referring to the Gross Sales Results chart, April FY16 vs. FY15 Unadjusted Non-Fiscal Year, Executive Director Sweeney reported that Instant Ticket sales were down, 3.5% and mentioned that the \$30.00 World Class Millions ticket has been very popular and is reaching the end of life. This placed the Lottery to be in between the cycle of replacing the game and may have had an impact on the overall Instant Ticket sales. Treasurer Goldberg remarked that the \$30 tickets have a higher percentage payout and sales revenue increases if there is less profit, and that she would like to see both. Overall, for the month, sales were down 1.1%, or a decrease of \$5.5 million as compared to April 2015.

Referring to the Year-to-Date Gross Sales Results chart, Executive Director Sweeney reported that Instant Ticket sales are up 3.1%. Powerball sales are also up 82%, which was driven by the change in the Powerball matrix. This resulted in one very large Powerball jackpot, and was followed by another healthy size jackpot in April. KENO sales are up and over the last nine months, the Lottery has been expanding its presence. Overall, total revenue year-to-date for sales is up approximately 4.8% compared to last year with \$199.5 million in sales-to-date.

### Instant Tickets

Executive Director Sweeney continued the discussion by providing a sales update on Ultimate Millions Instant Ticket that was released in early April, and noted that sales have been strong and well received by the public. He reported seeing good traction with the \$2.00 ticket, Double Match, as well as the \$5.00 ticket, \$1,000,000 Gold Rush. Executive Director Sweeney also reported on the first week of sales of the May Cashword Instant Ticket, mentioning that this type of ticket has historically been popular among players and he is hopeful that it will provide a revenue boost.

As part of the discussion around Instant Tickets, Executive Director Sweeney presented a preview of the new, Hit Series Instant Tickets that go on sale June 21st. He handed out samples of the \$1.00, \$2.00, \$5.00 and \$10.00 tickets along with Point of Sale advertising pieces that support the launch. He mentioned that the marketing and sales staff has been busy with providing good sales material that has been distributed out to all retail agents and that these tickets tested successfully in focus groups. He pointed out the design features of the ticket and mentioned it was the only ticket this year that was done on a full foil.

### Numbers Game Promotion

Executive Director Sweeney informed the Commission that the Lottery will be offering a Numbers Game Promotion from June 5th through to June 25th. Players who place a \$1 four digit wager on the Midday or Evening Numbers Game, will have a chance to win a bonus \$2,016. He expects that this promotion will bring renewed life into the Numbers Game, which has always had a consistent player base. He mentioned that Chief Administrative Officer, Ed Farley, and the marketing team correctly identified that there hasn't been a lot of energy or dollars put in by the Lottery to promote this game, and they have begun to come up with some good ideas to further boost sales. Mr. Farley explained that this campaign will be vigorously promoted statewide on radio. Paid media has not been done for the Numbers Game in about twenty years.

### Social Media Messaging

The Lottery continues to be aggressive in utilizing social media. Executive Director Sweeney presented examples of recent strategies employed on Twitter, Facebook and Instagram. He spoke about the promotion done around the recent NBA draft, and Director of Communications, Christian Teja, explained a dynamic cross promotion that was done with the Bruins around the second chance drawing. Mr. Teja mentioned that it was another example of the communication and collaboration that the Lottery strives to do with each of the local sports teams. Executive Director Sweeney referred to an example of a status that posted on Facebook regarding the Massachusetts Council on Compulsive Gambling. He explained that at least once a month, the Lottery makes a conscience effort to share information regarding their work, along with the number for the Helpline, for any of the individuals who may be struggling with a gambling problem.

### Sales by District

Executive Director Sweeney ended the report with two quick slides that he has spoken about numerous times around sales by district. He described the Lottery as a mature lottery and explained that what he has been seeing in Massachusetts, as well as across the country, is that traditional lottery games have become stagnant, and showing slow growth of one to three percent. The Lottery has been constantly looking at ways to enhance sales around certain business sections within the Lottery, and he is trying to review as many elements as possible. Executive Director Sweeney examined the sales differential between the Springfield region and the Worcester region, stating that the Worcester region has more total sales agents and described the numbers as being interesting for annual sales. The chart was based on a calendar year displaying all sales for all Lottery games. Taking out the factor of the additional agents, and looking at it by the percentage of growth between 2011 and 2015, there is a much greater and dynamic growth within the Worcester area. Executive Director Sweeney believes that can change, or at least close the gap, and Springfield can meet the pace that Worcester is setting. He said that he would like to see more communication between the two regions, and he is looking for more opportunities to engage the Springfield office. Treasurer Goldberg mentioned that the MGM Casino would be coming into Springfield, and it would be fitting for us to put a real focus on Springfield and its retailers. She told the Commission that Springfield cannot afford to have small businesses negated by MGM. She believes very strongly that there is an opportunity for us to focus and develop a better marketing plan, do cooperative work between Worcester and Springfield, and as things begin to grow, capture our share of the market. Executive Director Sweeney agreed and added that the Lottery is hoping to have the same supportive and successful relationship with MGM as we have with Plainridge. He stated that we need a program that saturates the retail agents to make sure that they are getting the type of cooperation needed. It will be a keen focus which will include a review of new businesses from the last five years to examine where the Lottery has not been engaged. He plans to evaluate and do everything possible to keep sales at a good level.

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

**VOTE (1):** Pursuant to Massachusetts General Laws, Chapter 30A, §§2 and 3, Chapter 10, §24 and the By-Laws of the Massachusetts State Lottery Commission, the Commission finds it in the public interest to adopt the regulations for the game of ALL OR NOTHING and to include the regulations in the official codified regulations of the Massachusetts State Lottery Commission.

Commissioner Salvidio moved to enter into the contract as amended, and Deputy Comptroller Shapiro seconded the motion.

Treasurer Goldberg informed the Commission that this game, which replaces Jackpot Poker, has been long awaited. She mentioned that Jackpot Poker is scheduled to end at the end of June. KENO will continue to run, and she is hopeful to be ready to go live around July 18<sup>th</sup>. Executive Director Sweeney introduced the vote and asked that language be added to Section (3) Valid Bet, specifying that, we cannot engage the same number twice for one bet cycle. General Counsel Fraser informed the Commission that this proposed regulation is before the Secretary of State's office. They will review it and send it back to the Lottery for editing, and at that point the legal department can revise the language to include the amendment.

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.

**VOTE (2):** Treasurer Goldberg asked for a motion authorizing the Executive Director to enter into a three-year contract with two one-year extension options for charity game tickets and game designs with the following companies:

**International Gamco**  
9335 N. 48th Street  
Omaha, NE

**American Games (subsidiary of Pollard Banknote)**  
504 34th Avenue  
Council Bluffs, IA

**Arrow International**  
990 Clinton Road  
Cleveland, OH

This award is being made pursuant to a competitive bid process (RFR Lot# 1604) in which three companies submitted proposals, and the MSLC Procurement Management Team voted to recommend the proposals of all three companies.

The maximum obligation assumed under this contract shall not exceed one million two hundred thousand dollars (\$1,200,000.) over three (3) years.

Commissioner Liddy moved to enter into the contract, and General Counsel Levine seconded the motion.

Executive Director Sweeney did not have any additional information to add and 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.

**VOTE (3):** Treasurer Goldberg asked for a motion authorizing the Executive Director, under state contract VEH 98, to purchase ten (10) Dodge Caravan vehicles from the following Commonwealth approved vehicle dealer:

**Colonial Nissan of Medford**  
104 Mystic Avenue  
Medford, MA

MSLC shall purchase ten (10) Dodge Grand Caravan vehicles at a total price of two hundred and twenty-three thousand one hundred and forty-three dollars (\$223,143.00).

The maximum obligation assumed hereunder shall not exceed the amount of two hundred twenty-three thousand one hundred and forty-three dollars (\$223,143.00).

Commissioner Liddy moved to enter into the contract, and Deputy Comptroller Shapiro seconded the motion.

Executive Director Sweeney introduced the vote by informing the Commission that this vote is different from the vote that was introduced in March, which authorized the Executive Director to purchase seventeen vehicles from this same dealer. He clarified that functionally, this is a different vehicle with different spacing. He explained that these caravans would be used exclusively by Lottery field technicians, who have a different equipment transition need. The technicians are on the road at times, six days a week and the vehicles would replace 2007 and 2008 vehicles, all having more than 120,000 miles on them. The Lottery worked with the field technicians in choosing these vehicles to guarantee that operationally, the purchase was warranted to replace the older vehicles in the fleet. The average cost of the vehicles is between \$21,000 and \$23,000.

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.

**VOTE (4):** Treasurer Goldberg asked for a motion authorizing the Executive Director, under state contract OSD ITT046, to make payment to Verizon (DBA MCI) for services that provide data communications between MSLC's Braintree headquarters, Norwell backup host site and each of the regional offices.

The purpose of this vote is to provide funding in the amount of \$300,000.00 to pay for costs associated with network bandwidth services until MSLC converts to the new system of wireless technology, covered by RFR LOT# 1502.

The total maximum obligation assumed hereunder shall be three hundred thousand dollars (\$300,000.00).

Commissioner Salvidio moved to enter into the contract, and General Counsel Levine seconded the motion.

Executive Director Sweeney introduced the vote by informing the Commission that this vote is a standard business contract that is critical to the changeover involving the Lottery's network bandwidth services that is constantly in the process of being upgraded.

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.

**VOTE (5):** Treasurer Goldberg asked for a motion authorizing the Executive Director to set the maximum obligation for the second year of the three (3) year contract for advertising with the following company:

**Connelly Partners**  
Boston, MA 02118

This original procurement was made pursuant to a competitive bid process (RFR LOT#1508) which resulted in Connelly Partners being awarded the contract.

The maximum obligation with the above-mentioned vendor shall not exceed seven million dollars (\$7,000,000.00) in fiscal year 2017.

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

Treasurer Goldberg began the discussion by informing the Commission that when the contract was awarded, the Commission agreed to review it each year to authorize a maximum dollar amount to spend. She explained that it is being capped at \$7,000,000.00, even though the line item won't always follow that. She stated that if the line item is actually \$8,000,000.00, the practical solution would be to keep \$1,000,000.00 in-house for marketing services. Executive Director Sweeney added to the discussion, explaining that Connelly Partners is aware that the Lottery would come back each year to the Commission for the funding authorization, assuming successful funding in the final budget approval process. He is confident that currently, it should be around \$8,000,000.00. The \$7,000,000.00 funding would be contingent on a successful Commission meeting vote and a final budgetary approval at the State House.

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.

**VOTE (6):** Treasurer Goldberg asked for a motion authorizing the Executive Director to purchase two copiers: (1) a Xerox, model D125 from State Contract #OFF32; and (2) a Xerox, model DPS120MX, from State Contract #OFF27, from:

**XEROX Corporation**  
Chelsea, MA 02150

The maximum obligation assumed hereunder shall not exceed one hundred eighty-six thousand eight hundred and fifty-nine dollars (\$186,859.00).

Commissioner Liddy moved to enter into the contract and General Counsel Levine seconded the motion.

Executive Director Sweeney introduced the vote by informing the Commission that the Lottery currently has a lease with XEROX for older generation copiers that is scheduled to end in June of this year. A team was put together who reviewed four separate vendors and decided that this would be the best overall purchase for the Commonwealth and the Lottery. The team recommended a purchase instead of a lease, citing that the Lottery could possibly save approximately nine to ten thousand dollars over the course of the contract as opposed to the leasing. He explained that the leasing has a little bit higher total click through the life cost of the leasing, as well as training and service costs associated with it. One of the copiers will have a click which is essentially the cost of a copy, and some of that cost will be waived for the first year. The Treasurer's main concern is to save money and be confident that it is a better route to buy than to lease. Reviewing the information, she believed that we should try this option until we have a direct comparison on leasing versus buying. Deputy Comptroller Shapiro inquired about the life expectancy of the copiers and Executive Director Sweeney informed him that he expected them to last between five to six years, with an occasional technical attention for minor repairs. He explained these are current generations which are new and according to the reviews, have been performing well, and expected to be in existence for a good period of time. Deputy Comptroller Shapiro asked if the copier with the click is tied to the warranty. Executive Director Sweeney replied that it was tied to the servicing and warranty of the machine and that machine in particular, is for the higher volume work, able to handle heavier runs with more options and therefore, a little bit more complicated.

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.

**VOTE (7):** Treasurer Goldberg asked for a motion authorizing the Executive Director to enter into a contract and make payment to vendors providing standard services to the Lottery's regional offices and headquarters for services that include, but are not limited to, fuel charges for Lottery issued vehicles, electrical services and postage expenses.

These purchases are made from statewide contracts, with the exception of those for electrical service.

The Executive Director will make an annual report of these charges to the Commission.

Deputy Comptroller Shapiro moved to enter into the contract and Commissioner Salvidio seconded the motion.

Commissioner Liddy inquired about the electrical service that is not being included on the statewide contract. Executive Director Sweeney replied that it is his understanding that there are certain areas where the Lottery has to use specific providers, and gave Norwell as an example as having a particular provider that controls that particular region.

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.

**VOTE (8):** Treasurer Goldberg asked for a motion authorizing the Executive Director to enter into the second year of a two (2) year contract extension option for instant tickets, game designs and marketing services, with the following companies:

**IGT**  
10 Memorial Blvd.  
Providence, RI 02903

**Pollard Banknote, Ltd.**  
1499 Buffalo Place  
Winnipeg, Manitoba, CN R3T 1L7

**Scientific Games Lottery**  
1600 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

The aggregate maximum obligation assumed under the second year of the two year (2) contract extension shall not exceed seventeen million sixty-six thousand, six hundred and sixty-six dollars (\$17,066,666.00).

Commissioner Liddy moved to enter into the contract and Deputy Comptroller Shapiro seconded the motion.

Executive Director Sweeney introduced the vote by informing the Commission that General Counsel Fraser reached out to all three companies who agreed to keep their pricing levels at the original 2012 pricing. The Lottery has good experience with all three of these vendors who print our Instant Game Tickets, assist with game designs, as well as provide some level of marketing, research and support. Executive Director Sweeney added that the Lottery plans to issue an RFR in late fall in FY17 for FY18 and plans to have it in front of the Commission by next June.

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.

**VOTE (9):** Treasurer Goldberg asked for a motion authorizing the Executive Director, under state contract VEH 98, to purchase Nissan Rogue vehicles from the following dealer:

**Colonial Nissan of Medford**  
104 Mystic Avenue  
Medford, MA 02155

MSLC shall purchase one (1) Nissan Rogue S all-wheel drive vehicles at a price of twenty-one thousand two hundred twenty six dollars (\$21,226.00) for each vehicle.

The total maximum obligation assumed hereunder shall be forty-two thousand four hundred and fifty-two dollars (\$21,226.00).

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

Executive Director Sweeney introduced the vote by informing the Commission that unfortunately, one of the authorized vehicles that was recently purchased, was involved in a serious accident involving two other vehicles. He stated that this was through no fault of the Lottery employee. The Lottery vehicle involved was exiting a convenience store area, waiting to get on to a road and was hit on the driver's side, causing significant damage to the vehicle. All of the airbags were deployed and it is anticipated that the vehicle will be totaled. The Lottery is looking to replace the vehicle which had about 1,500 miles on it. Although the Lottery plans to go through the insurance process, it could take three to six months. The Treasurer's first concern was that the driver was not hurt and added that given the amount of vehicles that the Lottery has, and the amount of people that are required to be out on the road, we are very fortunate that something like this doesn't typically happen. She reiterated that the accident was absolutely no fault of our state employee. The Executive Director informed the Commission that as a result of the accident, the employee was a little uncomfortable, but was able to report back to work last week.

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 Salvidio moved to adjourn and Deputy Comptroller Shapiro seconded the motion. The motion carried unanimously. The meeting adjourned at 11:17 a.m.