

# *Massachusetts State Lottery Commission*

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DATE: Monday, September 25, 2017

TIME: 10:30 a.m.

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

ALSO PRESENT: Michael Sweeney, Executive Director, Lottery  
Edward Farley, Chief Administrative Officer, Lottery  
Carol-Ann Fraser, General Counsel, Lottery  
Matthew DiFrancesco, Assistant Executive Director, Operations, Lottery  
Paul Mandeville, Assistant Executive Director, IT, Lottery  
Christian Teja, Assistant Executive Director, Communications, Lottery  
Richard Reale, Manager of Facilities, Lottery  
Judy Moore, Executive Assistant, Lottery  
Joshua Fredette, Overture Partners, LLC, Senior Program Engagement Manager, under contract with Lottery  
  
James MacDonald, First Deputy Treasurer  
Sarah Kim, General Counsel, Treasury  
Dave Falcone, Chief of Staff, Treasury  
Chandra Allard, Communications Director, Treasury  
Robin Healey, Chief Information Officer, Treasury  
  
Martha Goldsmith, Director, Division of Capital Asset Management and Maintenance (DCAMM)  
Virginia Platt, Project Manager, Division of Capital Asset Management and Maintenance (DCAMM)  
  
Maggie Cohen, Kearney Donovan and McGee  
Colin Young, State House News Service  
Phil Wettengel, O'Neill and Associates  
Robert Frasca, Interested Member of the Public

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

Treasurer Goldberg opened the Massachusetts State Lottery Commission meeting at 10:36 a.m. Treasurer Goldberg stated, “Pursuant to the Commonwealth’s Open Meeting Law, Massachusetts General Laws, Chapter 30A, Section 20, as Chair of the Massachusetts State Lottery Commission, I would like to advise that any person may make a video or audio recording of this open meeting. However, I am obligated to inform attendees of any recording at the beginning of the meeting, so I ask that those who are making any recording identify themselves now as doing so.” Judy Moore, Executive Assistant, Lottery, announced that she would be recording to assist in the preparation of the meeting minutes. Colin Young of State House News Service, also indicated that he would be making such a recording.

## **II. Approval of the Minutes from August 29, 2017**

Treasurer Goldberg asked the Commission to accept the minutes of the Massachusetts State Lottery Commission meeting of August 29, 2017. Commissioner Salvidio made a motion to accept the minutes of the meeting and Special Counsel Levine seconded the motion. The motion passed unanimously. The minutes were approved at 10:37 a.m.

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

- a. Sales Update**
- b. Marketing Update**

Executive Director Sweeney began the report by reviewing the final statement of operations for Fiscal Year 2017. He reported a record setting net profit of \$1.039 billion which surpassed the previous high of \$989.4 million which was set in FY16. He reported that the sales of \$5.097 billion were second all-time to FY16’s \$5.233 billion. He stated that the Lottery had one of its best years in net profit and in sales in the history of the Massachusetts State Lottery.

Executive Director Sweeney provided the Commission with the Lottery sales update for August 2017, announcing that overall sales for August of 2017 were up more than \$44 million, as compared to August 2016. He reported that this year, the Lottery has an accrual that must be accounted for. He first reported on the figures that did not include the accrual for prizes that were won and not yet been paid. He announced that the net profit for August 2017 was \$108.4 million as compared to \$107.6 million in August 2016, an increase of \$0.8 million. Executive Director Sweeney reported that the prize payout for August 2017 was 71.91 percent, as compared to 70.34 percent in August 2016.

Executive Director Sweeney proceeded by reporting on the sales figures for fiscal year 2018, which included accruals. The year to date net profit and prize payout figures both include accruals associated with an end of game \$1 million a year for life prize in the Billion Dollar Blockbuster instant ticket game that is expected to be awarded in FY18. Year to date net profit for the first two months of FY18 is \$201.8 million compared to \$199.6 million for the first two months of FY17. After adding a one day average net profit figure of \$3.2 million due to a shift in the calendar that resulted in one less day being included in the net profit figure for the first two months of FY18, the adjusted year-over-year change for the first two months of FY18 vs. the first two months of FY17 is a \$5.4 million increase in net profit. The year-to-date prize payout for the first two months of FY18 is: 71.16 percent, the same percent for the first two months of FY17.

Executive Director Sweeney provided a breakdown of the August 2017 sales, stating that Powerball sales increased \$27.1 million in August of 2017, compared to August of 2016. Instant tickets, KENO, Mega Millions, Megabucks Doubler and Mass Cash also experienced sales increases in August of 2017 over August of last year. Instant ticket sales were up \$8.3 million, KENO sales were up \$6.9 million, Mega Millions sales were up \$5 million, Megabucks Doubler sales were up \$54,366, and Mass Cash sales were up \$49,795. Executive Director Sweeney stated that, compared to August of 2016, ALL OR NOTHING sales for August of 2017 were down \$3.2 million. Executive Director Sweeney communicated that the game launched in July of 2016 with a substantial paid advertising campaign and a drop off in sales was anticipated for this fiscal year. The Numbers Game sales were down \$146,157 and Lucky for Life sales were down \$5,084.

Executive Director Sweeney followed up by providing additional details on each game across the Lottery's portfolio for the month. He reported that instant ticket sales were up marginally and continue to track the previous year's performance. He stated that KENO has been a big winner for the Lottery with strong sales so far this fiscal year. ALL OR NOTHING continues to be an excellent performer and Executive Director Sweeney repeated that he has been pleased with sales numbers that have continued during July and August at about \$1 million dollars of gross revenues. The Numbers Game sales continue to remain around the \$30 million mark. Mass Cash sales have been very steady over the last couple of years between \$7.4 and \$7.6 million. Megabucks Doubler and Lucky for Life sales were down slightly. Mega Millions and Powerball, which are both jackpot dependent, helped each other during the month of August because of the various jackpots. Powerball sales experienced a good spike. Executive Director Sweeney reported that all games across the board did well for the month of August as well as the monthly net profit. Executive Director Sweeney concluded that the prize payout as a percentage of sales through August remained just above the 71 percent level.

#### Gross Sales Results

Executive Director Sweeney moved on to discuss both the Gross Sales Results chart, August FY18 versus FY17 Unadjusted Non-Fiscal Year, and the Year to Date FY18 versus FY17. When comparing August FY18 versus FY17, Executive Director Sweeney commented on the enormous impact created by the large Powerball jackpot, which was up over 366.9% and brought in an additional \$27.1 million. He pointed out the positive performance of instant tickets, which he predicted was impacted by the overflow from Powerball and Mega Millions and said he would know more when the September numbers were in. He stated that KENO sales continue to be strong and the additional expansion that was done for KENO continues to serve the Lottery well.

Reporting on the year to date numbers, Executive Director Sweeney reported that last year, Mega Millions experienced a substantial jackpot in July which explained why the numbers were down over 23% for FY18. Instant ticket sales were up 1.26% and Executive Director Sweeney remarked that it would be interesting to see what the results will be in September since both Powerball and Mega Millions have had low jackpots. He stated this will give a good indication of how those sales are tracking compared to last fiscal year. Executive Director Sweeney reported that, overall, year to date sales were up 2.8%.

#### Social Media Messaging

Executive Director Sweeney updated the Commission on a number of ways the Lottery has been using social media to promote daily active engagement, build customer relationships and generate feedback on Lottery products. Executive Director Sweeney highlighted the Massachusetts State Lottery employees' efforts in donating to those in Texas who were affected by Hurricane Harvey. The idea originally generated out of the New Bedford office and the results were made public on social media with a great response back. The Lottery raised approximately \$1,000.00 and plans to do something similar for the victims who were affected by the recent storms in Florida and in Puerto Rico.

Executive Director Sweeney concluded his presentation by complimenting Juan Di Prado, Assistant Director of Social Media, acknowledging his outstanding efforts. The Lottery is receiving a significant increase in social media responses and plans to continue to engage in this type of messaging.

#### **IV. MSLC Technology Modernization Program Update**

Treasurer Goldberg introduced Joshua Fredette, of Overture Partners, LLC, who is the Senior Program Engagement Manager, under contract with Lottery and she asked him to deliver an update on the MSLC Technology Modernization Project. Treasurer Goldberg explained that this project is a major strategy that she had spoken about even before she became State Treasurer. The Lottery is the leanest organization she has ever witnessed. Treasurer Goldberg expressed that she finds it amazing what the Lottery accomplishes in terms of volume and profit based upon the number of people that actually work in the areas throughout the Lottery. New technology is necessary in order to roll out the new machines and get them working and do the kinds of things they are meant to do.

Joshua Fredette provided a recap of where the Lottery has been in the past and where it is today. He explained that, in order to mitigate risks, the Lottery took a phase approach in rolling out the new system. The roll out of the terminals began slowly by working closely with the vendor and the system's integrator, IGT, formally known as GTech, to ensure that the software was working accordingly to its requirements. The Lottery then executed a "soft launch" approach to replace the twenty year old legacy terminals. The team used a controlled roll out of the new terminals to ensure that they worked correctly before being rolled out to selected agent locations. In doing this, the team was able to closely monitor the process to make sure there were no software glitches. To date, there are over seventy new terminals successfully running out in the field, which he viewed as an enormous accomplishment. Joshua Fredette complimented the Lottery team for their expertise in successfully rolling out the terminals. He stated that the Lottery has been working closely with the agents for any negative feedback and reported the efforts and responses have all been positive.

The next phase of the project is the conversion of the legacy host system and building an internal implementation team. The Lottery anticipates having lottery subject matter experts stretch across their day jobs which he explained is common with these types of projects. Joshua Fredette anticipated bringing in outside consultants to work closely with Lottery staff. Consultants will have expertise in infrastructure, software development, data conversion, and organizational change.

Joshua Fredette will report to the Commission monthly with updates on the project development and to discuss the overall risks to ensure that there is a smooth roll out as the next phase of the project is implemented. Executive Director Sweeney added that this is one of the larger IT projects currently being executed in the Commonwealth and it is absolutely critical to the Lottery's success. Executive Director Sweeney explained that the Lottery is rolling terminals out in even disbursements to each region, starting with the higher volume agents. The rollout will take a slight pause during the holiday season to focus all staff efforts on holiday sales and will regroup full force after the holiday season in January. Executive Director Sweeney expects implementation of eighty to one hundred percent installation by this time next year.

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

##### **Votes Presented to the Commission**

**VOTED (1):** For the reasons set forth in the attached memorandum dated September 14, 2017, the Executive Director is hereby authorized to exercise the second one (1) year contract extension option for all required services for a Lottery Retail Sales Management System with the following company:

Lapis Software Associates LLC  
601 Jefferson Road  
Parsippany, NJ 07054

This original award was made pursuant to a competitive bid process (RFR LOT # 1309). The maximum obligation for the second one (1) year contract extension option shall not exceed two hundred fifty three thousand dollars (\$253,000.00).

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

Executive Director Sweeney introduced the vote by explaining to the Commission that this is a straightforward vote and key to Lottery's operations. Lapis software is the main tool utilized by all of the Lottery's sales force. Lapis is always with them when they are out on the road to help with reorders. This is the last year option available under the current contract, which was originally executed in 2013 and will be going out to bid again shortly.

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.

## **VI. Executive Session**

Treasurer Goldberg explained that there was an issue before the Commission for which Executive Session is appropriate. Treasurer Goldberg stated, "Pursuant to Purpose 6 of Section 21 of Massachusetts General Laws, Chapter 30A, I seek a motion to enter into Executive Session, to consider leases by the Lottery of real property. To disclose and discuss that information, including the identity of the property publicly may have a detrimental impact on the negotiating position of the Lottery and DCAMM with respect to third parties."

Commissioner Salvidio made the motion to enter into an Executive Session and First Deputy Comptroller Shapiro seconded the motion.

Treasurer Goldberg moved the motion to a roll call vote.

Commissioner Liddy: yes; First Deputy Comptroller Shapiro: yes; Special Counsel Levine: yes; Commissioner Salvidio: yes; and, Treasurer Goldberg were all in favor. The Commission entered into Executive Session at 11:07 a.m.

Treasurer Goldberg then stated that the Commission would reconvene in open session at the end of the executive session.

At 11:58 a.m., the Commission reconvened in open session.

## **Votes Presented to the Commission**

**VOTED (1):** The Lottery is hereby authorized to enter into negotiations, together with the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM"), for the lease of property deemed to be a best value to be used for office, client service and warehouse space for the Lottery's South Shore Regional Office. The lease term shall be for not more than ten (10) years. Any final lease is subject to approval by the Commission.

Commissioner Salvidio moved to enter into negotiations and First Deputy Comptroller Shapiro seconded the motion. The motion carried unanimously.

**VOTED (2):** The Lottery is hereby authorized to enter into negotiations, together with the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM"), for the lease of property deemed to be a best value to be used for the Lottery's distribution center and warehouse space, 24/7 data center, electronics workshop, broadcast studio and ancillary administrative offices. The lease term shall be for not more than ten (10) years. Any final lease is subject to approval by the Commission.

Special Counsel Levine moved to enter into negotiations and Commissioner Salvidio seconded the motion. The motion carried unanimously.

**VOTED (3):** The Lottery is hereby authorized to enter into negotiations, together with the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM"), for the lease of property deemed to be a best value to be used for the Lottery's central administrative offices, Winner's Circle and other prize claims. The lease term shall be for not more than ten (10) years. Any final lease is subject to approval by the Commission.

Commissioner Liddy moved to enter into negotiations and First Deputy Comptroller Shapiro seconded the motion. The motion carried unanimously.

## **VII. 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 Liddy moved to adjourn and Commissioner Salvidio seconded the motion. The motion carried unanimously. The meeting adjourned at 12:01 p.m.