

# *Massachusetts State Lottery Commission*

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DATE: Tuesday, November 28, 2017

TIME: 10:30 a.m.

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

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  
Juan Di Prado, Assistant Director of Social Media, Lottery  
Judy Moore, Senior 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  
Greg Polin, Deputy General Counsel, Treasury  
Chandra Allard, Communications Director, Treasury  
Michael Bergquist, Policy Analyst, Treasury  
Karen Guida, Paralegal, Treasury  
Luis Velazquez, Helpdesk and Network Manager, Treasury

Nick Bontaite, Connelly Partners  
Ashley Campbell, Connelly Partners  
Christopher Corrado, Connelly Partners  
Anna Ruth Watts, Connelly Partners  
Hillary Williams, Connelly Partners

Maggie Cohen, Kearney Donovan and McGee  
Robert Frasca, Interested Member of the Public

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

Treasurer Deborah Goldberg opened the Massachusetts State Lottery Commission meeting at 10:35 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, Senior Executive Assistant, Lottery, announced that she would be recording to assist in the preparation of the meeting minutes.

During the opening of the Commission meeting, Treasurer Goldberg informed the Commission that she would be leaving the meeting at approximately 11:30 to attend a prior commitment. She told the Commission that Sarah Kim, General Counsel for the Treasury, would be presiding in her absence.

## **II. Approval of the Minutes from October 24, 2017**

Treasurer Goldberg asked the Commission to accept the minutes of the Massachusetts State Lottery Commission meeting of October 24, 2017. Commissioner Anthony Salvidio made a motion to accept the minutes of the meeting and Special Counsel Doug Levine seconded the motion. The motion passed unanimously. The minutes were approved at 10:37 a.m.

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

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

**VOTED (1):** For the reasons set forth in the attached memorandum dated November 20, 2017, the Executive Director is hereby authorized, under the state contract specifically identified as ITS63StaffAugCat2, to enter into a contract for the purpose of providing technology project management services, with the following provider:

**Overture Partners, LLC**  
57 Wells Avenue  
Newton, MA 02459

The maximum obligation assumed hereunder shall not exceed one hundred and seventy thousand dollars (\$170,000.00).

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

Executive Director Sweeney introduced the vote by explaining that this contract is for the services of Joshua Fredette, the senior program engagement manager who is under contract with the Lottery to provide senior program management to the Lottery for the current IT upgrade project. His current contract ends on December 31, 2017 and the approval of this vote will extend Engagement Manager Fredette's contract from January 1 through June 30, 2018. Executive Director Sweeney described Engagement Manager Fredette's presence during this project as critical in keeping the plan aligned with timelines and financial goals.

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 in favor of the motion. The motion carried.

**VOTED (2):** For reasons set forth in the attached memorandum dated November 20, 2017, the Executive Director is hereby authorized to purchase a total of five thousand (5,000) full service lottery terminals, in whole or in split order amounts, from either or both of the following vendors:

**IGT Global Solutions Corporation**

IGT Center  
10 Memorial Boulevard  
Providence, RI 02903

**Scientific Games, International, Inc.**

1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

The purchase arises out of MSLC Request for Qualifications Lot #1701 – Agent Location Hardware and the subsequent Request for Quote from Bidders Qualified under Agent Location Hardware, also Lot #1701.

The maximum aggregate obligation for this vote is: nine million seven hundred and twenty thousand (\$9,720,000.00) for the purchase of five thousand (5,000) full service lottery terminals.

First Deputy Comptroller Shapiro moved to make the purchase and Commissioner Salvidio seconded the motion.

Executive Director Sweeney introduced the vote by explaining that this is a continuation of the roll out of the new full service terminals to Lottery regional offices and select agent locations. Executive Director Sweeney expects this vote to be the last vote asking approval of such a large quantity. The Lottery anticipates returning to the Commission in the January or February timeline for one more vote on a smaller order.

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 in favor of the motion. The motion carried.

**VOTED (3):** For reasons set forth in the attached memorandum dated November 21, 2017, the Executive Director is hereby authorized to promulgate rules and regulations including, but not limited to, the Code of Massachusetts Regulations (C.M.R.) to address the circumstances of high-frequency cashers.

These regulations shall include, but not be limited to, rules and regulations to address frequency of cashing, threshold amounts, penalties, process of review and appeal.

Commissioner Liddy moved to authorize the promulgation of rules and regulations pertaining to high frequency cashers and Special Counsel Levine seconded the motion.

Treasurer Goldberg informed the Commission that Deputy General Counsel for the Treasury, Greg Polin, was in attendance at the meeting, and he had worked extensively with Executive Director Sweeney and the team at the Lottery on this issue.

Executive Director Sweeney introduced the vote by reminding the Commission that he presented a thorough review of this issue during the October Commission meeting and returned this month to present a vote on this matter. This vote is to establish rules and regulations so that the Lottery can

better address the issue of high-frequency cashers. He defined high-frequency cashers as anyone, during a 365 day period, that presents twenty or more cashes of Lottery products each valued at \$1000.00 or more. He reminded the Commission that the Lottery has been working closely under the Treasurer's leadership with state and federal authorities and the Lottery is seeking ownership to have better control of the problem moving forward. Executive Director Sweeney explained that when an individual meets the criteria, there will be an initial review process to make a determination as to whether or not the activity is beyond reason of the statistical odds of the game. If it meets that threshold, potentially, the individual will be suspended of any further cashes for a period of ninety days but will be granted the opportunity of a full appeal process. Subsequent violations will result in lengthier suspensions.

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 in favor of the motion. The motion carried.

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

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

Executive Director Michael Sweeney announced to the Commission that a new CFO has been appointed at the Lottery. Didier Bertola, began yesterday on November 27<sup>th</sup>.

Executive Director Sweeney provided the Commission with the Lottery sales update for October 2017 by announcing that overall sales for October 2017 were up \$5.3 million from October 2016.

He reported that this year, the Lottery has an accrual for which there must be an accounting. He first reported on the figures that did not include the accrual for prizes that were won and not yet been paid. Executive Director Sweeney announced that, due primarily to a high rate of cashing, including a large amount of instant grand prizes during October 2017, the net profit for October 2017 was \$72.3 million as compared to \$87.2 million in October 2016, a decrease of 14.9 million. He reported that the prize payout for October 2017 was 74.09 percent, as compared to 68.84 percent in October 2016.

Executive Director Sweeney reported 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 four months of FY18 is: \$348.3 million compared to \$344.3 million for the first four months of FY17. After adding a one day average net profit figure of \$2.9 million due to a shift in the calendar that resulted in one less day being included in the net profit figure for the first four months of FY18, the adjusted year-over-year change for the first four months of FY18 versus the first four months of FY17 is a \$6.9 million increase in net profit. The year-to-date prize payout for the first four months of FY18 is: 72.01 percent, as compared to 71.95 percent for the first four months of FY17.

Executive Director Sweeney provided a breakdown for the October 2017 sales, commenting that KENO, Mass Cash, instant tickets, THE NUMBERS GAME and Powerball all experienced sales increases in October of 2017, as compared to October 2016. KENO sales were up \$5.1 million, Mass Cash sales were up \$310,548, instant ticket sales were up slightly at \$266,024, THE NUMBERS GAME sales were up \$253,631 and Powerball sales were up \$223,934. Executive Director Sweeney noted that, compared to October of 2016, ALL OR NOTHING sales for October of 2017 were down \$629,386, Mega Millions sales were down \$190,504, Megabucks Doubler sales were down \$58,225 and Lucky for Life sales were down \$49,450.

Executive Director Sweeney reported that all games monthly sales for the month of October were relatively strong. Net profit was driven down by the frequency of cashes during the month of October and

drove the prize payout, as a percentage of sales, from 71.5 percent in September to 72 percent in October which he described as a, “significant jump during this period.”

### **Gross Sales Results**

Executive Director Sweeney discussed the Gross Sales Results chart, October FY18 versus FY17 Unadjusted Non-Fiscal Year, and also the Year-to-Date FY18 versus FY17. When comparing October FY18 versus FY17, Executive Director Sweeney commented that, overall, it was a good month with sales up 1.4%. He reported that instant ticket sales were slightly in the positive territory and KENO continues to show an outstanding performance.

Reporting on the year-to-date numbers, Executive Director Sweeney reported that at the end of October, the Lottery was up 2.2 percent on gross sales. He explained that number has pulled back during November but, overall, sales are up over 1 percent for the year. He reported that instant tickets are up 1.02 percent, Powerball is up 38.7 percent which is due to a high jackpot experienced during the beginning of the fiscal year. KENO has been doing well and was up 7.6 percent compared to last year at this time.

### **KENO and KENO To-Go**

Based on a request from the Commission, Executive Director Sweeney provided an overview of KENO and KENO To-Go by combining facts and figures from FY15 through FY18. He reported on agents offering KENO and KENO To-Go and explained that in FY15, the Lottery was just above 5,200 agents overall. That number has expanded to 5,528 agents for FY18. Executive Director Sweeney explained that this jump in agents has a direct correlation to KENO sales which is bringing in over an additional \$64 million compared to three years ago. Sales continue to do well and have been strong with targeted advertisements and promotions around KENO and KENO To-Go.

### **Lottery Offices**

Executive Director Sweeney presented a graphic summary with drive time distances of Lottery office locations. He explained that as a model, the business operation of the Lottery is many years old. He pointed out the locations of the Lottery headquarters in Braintree as well as the regional offices located throughout the state in New Bedford, Springfield, Woburn, Worcester, and a small “game room” in Boston. He pointed out that the Lottery doesn’t have a location for cashing purposes on the Cape and also does not have a location in Western Massachusetts past Springfield. He defined the vast amount of distance between Pittsfield and North Adams and stated it would be difficult if a consumer needed to drive to Springfield to cash a ticket. He described it as not customer focused. Executive Director Sweeney believes the Lottery needs to be more consumer focused and described the same situation in the North Shore area. He explained that there are a lot of players from Southern New Hampshire with the largest retail agent, Ted’s Mobil, situated on the border. The closest Lottery office to cash a ticket is located in Woburn, which can be difficult to get to during the week. He explained that, next year, the Lottery would like to consider a small presence in possibly three new locations with a consumer centric front facing, small business. He described an operation where Lottery products would be on sale simultaneously with a cashing location for consumers. Ideally, the three locations would be positioned with one towards the middle of the Cape, one in the Pittsfield and North Adams area, and one location up towards the Lawrence and Methuen area. The Lottery would like to work with DCAMM to explore options over the next year, commented Executive Director Sweeney, concluding that these locations would end up paying for themselves through customer interaction.

### **WCVB’s Chronicle**

Executive Director Sweeney updated the Commission on the successful engagement with WCVB’s “Chronicle” on November 15, from 7:30 p.m. – 8:00 p.m. Director of Communications for the Lottery, Christian Teja, was able to provide some facts and numbers from the segment. He reported that 136,000 households tuned in which is equal to ten percent of all households in the Boston market viewing television at that time. In addition, the Lottery was able to reach 6,817 people on the Lottery Facebook post with a link to the video.

### **The MBTA Globe Excerpt**

Executive Director Sweeney thought it was important to keep on the radar examples of the many major Commonwealth institutions that are modernizing their businesses by going cashless. He provided an excerpt from the Boston Globe, dated Monday, November 20, 2017, titled, “The MBTA has a \$723m plan to change the way you pay for rides.” Executive Director Sweeney reported that this major corporate retailer has announced that they will not be taking cash customers and will discourage people from interacting with cash. He mentioned this because the Lottery is a ninety seven percent cash driven business and that the reality of the world is that technology, efficiency and consumer habits are continuously moving away from cash. The Lottery needs to be in a business model prepared for a paradigm shift that is increasingly presenting itself. Treasurer Goldberg agreed, stating that Black Friday versus Cyber Monday resulted as the top Cyber Monday in the history since its inception and she was waiting for the final figures to compare it to Black Friday.

### **Instant Tickets and Lottery Promotions**

Executive Director Sweeney provided a sales update on the October instant ticket sales that were launched on October 24th. He reported that sales have started out very strong around the holiday sales and he provided information on the Season Ticket holiday promotion discount period. The Lottery will be offering a discount on all season ticket purchases now through January 6, 2018. Season tickets are available for Lucky for Life, Mega Millions, Megabucks Doubler and Powerball. As an extra incentive, every season ticket bought or renewed during this discount period and registered by January 16, 2018 will also be entered into a drawing to win \$1,000. Twenty \$1,000 prize winners will be selected. Winners’ names will be posted on the Lottery website on January 30, 2018.

Executive Director Sweeney reported on a promotion centered on KENO and ALL or NOTHING. Now through December 9, the Lottery has added an additional multiplier of 2X to KENO and ALL or NOTHING Bonus, resulting in more games having a bonus multiplier. Playing KENO and ALL or NOTHING Bonus doubles the price of a wager, while offering players the chance to multiply their prizes 2, 3, 4, 5 or 10 times.

### **Responsible Play**

Executive Director Sweeney continued the discussion by providing an update on playing responsibly. He stated that, during the holiday season, as people are out shopping for gifts, the Lottery is joining lotteries across North America in participating in the National Council on Problem Gambling and the International Centre for Youth Gambling Problems and High-Risk Behaviors at McGill University Lottery Holiday campaign. The Lottery will be promoting responsible play in a number of ways including producing and posting point of sale materials that discourage underage play and by including the “800” hotline number for the Massachusetts Council on Problem Gambling. The Lottery will provide the Mass. Council on Compulsive Gambling with radio inventory as part of the Lottery’s annual holiday advertising campaign. In conjunction with those efforts, the Lottery is participating in a holiday toy drive. Once again, the Lottery has teamed up with the Treasurer’s office to help get the word out that lottery tickets are not a responsible gift for those under the age of eighteen. To promote responsible gifting, the Lottery is supporting Toys for Tots, a program which has been in effect at the Lottery, with the generous help of Lottery employees, for many years. The Lottery will be conducting toy drives at the Braintree headquarters and at the regional offices.

### **NASPL Update**

Executive Director Sweeney took a moment to acknowledge the efforts of Assistant Executive Director, Ed Farley, and his marketing and sales team by presenting him with the 2017 Batchy award on behalf of the North American Association of State Lotteries. The award was given to the marketing and sales team at the Lottery for the use of humor in the Magic Miscommunication ads that ran during holiday season FY17. The Batchy Awards were created to recognize and promote the best in creative Lottery advertising throughout North America. The Award is named after Illinois’ first Lottery chief executive

Ralph Batch, who was a mentor to many in the lottery industry. Chief Administrative Officer Farley accepted the award on behalf of the marketing and sales team, as Commissioners offered their congratulations.

### **MSLC Technology Modernization Program Update**

Executive Director Sweeney asked Senior Program Engagement Manager Joshua Fredette, of Overture Partners, LLC, and under contract with Lottery, to deliver an update on the MSLC Technology Modernization Project. Engagement Manager Fredette provided a review 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 phased approach in rolling out the new terminal system. To date, there are approximately six hundred new terminals successfully running in the field. In parallel, the team is working on the back end system with the vendor and the system's integrator, IGT, formerly known as GTech. They are reviewing the job requirements to understand them and Engagement Manager Fredette described it as, "giving the architect the blue print to a house." He stated that the project is on track and the Lottery is making good progress. The vendor indicated that it has about a week delay but specified that there is no impact to the overall schedule and the Lottery team will continue to closely monitor the delay.

The entire team at the Lottery has a strong commitment to making this project successful and Engagement Manager Fredette is appreciative of all of the strong support from the Lottery staff as well as from the Commission. Fredette continued his update by explaining the key factors to gauge progress and mitigate overall risks.

Executive Director Sweeney noted that he, along with Joshua Fredette and Paul Mandeville, Assistant Executive Director of IT at the Lottery, met a couple of weeks ago at the Executive Office of Technology, Services and Security who are overseeing the project to give them a similar update. Executive Director Sweeney received a green light in terms of how the project is being managed and will continue this relationship to provide similar updates.

Sarah Kim, General Counsel for the Treasury, asked Engagement Manager Fredette to elaborate on the risk item. Engagement Manager Fredette explained that IGT has a different risk model which varies from state to state. He explained that other lotteries are different because there is not a lot of involvement from the state and they have their own methodology for managing their implementations. He explained that it is common practice for the Commonwealth to see a vendor's schedule and activities. In Engagement Manager Fredette's opinion, the vendor's project management doesn't follow all of the industry's best practices leading to a lack of visibility into the overall progress.

To mitigate that, bringing in Commission approved subject matter experts is extremely beneficial in addition to developing internal milestones with the vendor to make sure they are reaching milestones. Executive Director Sweeney stated that the Lottery is also working with IGT to change their model of operation and is asking them for a reasonable industry standard to give insight as to how the project is progressing.

At the conclusion of this presentation, Treasurer Goldberg excused herself to attend a prior commitment. Treasurer Goldberg asked Sarah Kim, General Counsel for the Treasury, to preside in her absence.

### **Social Media Messaging**

Executive Director Sweeney introduced Juan DiPrado, Assistant Director of Social Media, who presented facts and figures and the different strategies that have been rolled out on social media. Juan DiPrado provided an overview of past and present analytics by platform, stating that it's not about having more followers, it's about having them engaged and learning what types of activities are going on within the Lottery. Assistant Director DiPrado used a timeline prior from when he was hired on June 26, 2017 versus the present, with regard to, likes, followers, demographics and average engagement on all platforms. He provided a twenty-eight day social media summary and a chart outlining the spikes that

occur during the release of new tickets. He delivered a cross analysis of a typical month of engagement levels showing the difference between October 2016 versus October 2017. Assistant Director DiPrado also spoke about the new strategies being implemented such as; focus on content by platform, using the “fun factor” in posts, visually appealing images, incorporating people in posts, calls to action and emphasis on video.

Assistant Director DiPrado informed the Commission that he is giving special attention to Instagram to reach the younger demographic and the Lottery’s objective to attract more millennials. He explained when he first began his employment in June 2017, the Lottery had 3,252 followers and as of November 20, 2017, that number has increased to 4,132 or 26 percent and showed a younger age demographic. It is important to focus on incorporating a call to action in posts by asking the user to engage by answering a question, having them share or retweet the post. He then presented recent examples. Assistant Director DiPrado also provided the Commission with samples of posts using live in-house video on Facebook and Instagram.

Assistant Director DiPrado concluded his presentation by informing the Commission that the Massachusetts State Lottery has completed the process of verifying Facebook, Twitter and YouTube social media accounts to give users a safer interaction experience. He explained that, after the recent \$758 million Powerball jackpot winner came forward last August, multiple false social media accounts claiming to be the winner as well as Lottery employees were created. Currently, Instagram does not allow users to pursue verification and verification is granted on a random basis of the company.

Executive Director Sweeney thanked Assistant Director DiPrado for his presentation and announced the significant improvement in social media interactions and engagements since he came on board.

### **Connelly Partners**

Executive Director Sweeney introduced staff members from Connelly Partners, the advertising agency working with the Lottery. Connelly Partners, through Hillary Williams, Anna-Ruth Watts, Ashley Campbell, Christopher Corrado and Nick Bontaites, shared details outlining the initiatives being launched for the holiday advertising campaign. Ashley Campbell began the presentation by explaining the objectives for the holiday campaign which focused on: creating a buzz and awareness of the Lottery’s contribution to local cities and towns, generating Holiday Ticket awareness and driving Holiday Ticket purchases to surpass holiday sales totals from FY17.

Paid media will run from November 20 to December 24, 2017 and will focus on the major demographics. Using the same budget amount from last year, Ashley explained that Connelly Partners was able to produce more assets than last year. Christopher Corrado spoke about the media strategy and explained that the biggest difference year over year was the approach to reach a younger millennial audience by using different creative methods. Anna-Ruth Watson led the Commission through some of the Instant Ticket Holiday Creative sampling which this year, was concentrated on in-store, outdoor, on-line and transactional focus. Anna-Ruth explained that the team wanted the promotion to be fun and holiday driven with the excitement of giving or receiving a bonus. Anna-Ruth displayed miniature samples of the advertising billboards being used this season and she presented examples of interactive in-store point of sale material. Anna-Ruth also played the radio spot that was produced for instant tickets to drive sales.

Ashley Campbell expanded on the presentation by sharing the details of the creative strategy which she explained was a new concept being done this year at the Lottery. She stated that the strategy focused on taking the opportunity to rebrand the Lottery and to promote the Lottery’s mission of giving back to the cities and towns. The strategy focuses on the primary message that the Lottery has provided approximately one billion dollars this past year to help Massachusetts cities and towns with the things they need most. She stated that at a time where people are looking for good in the world, the campaign highlights the good that is right in their own community provided by the Massachusetts State Lottery. Nick Bontaites shared the work being done to show the social creative work to enhance positive perception and to generate awareness of how the Lottery gives back to the community with funding for things communities need. Nick thanked the team at the Lottery for working closely with Connelly to get the campaign to where it is. He explained the message as a celebration of the uniqueness of Massachusetts.

Connelly Partners concluded their presentation by playing the holiday themed spot which establishes the Lottery's commitment to Massachusetts.

Executive Director Sweeney thanked Connelly Partners and the marketing team at the Lottery for their efforts.

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

After asking if there was any other business to discuss, General Counsel Kim sought a motion to adjourn the meeting. Commissioner Salvidio moved to adjourn and First Deputy Comptroller Jeffrey Shapiro seconded the motion. The motion carried unanimously. The meeting adjourned at 11:46 a.m.