

Massachusetts State Lottery Commission

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DATE: Tuesday, March 27, 2018

TIME: 10:30 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General
Meghan Liddy, Commissioner
Anthony Salvidio, Commissioner
Thomas Shack, Commissioner
Douglas Levine, Special Counsel, Executive Office of Public Safety and Security, designee of Commissioner Daniel Bennett

ALSO PRESENT: Michael Sweeney, Executive Director, Lottery
Edward Farley, Chief Administrative Officer, Lottery
Carol-Ann Fraser, General Counsel, Lottery
Christian Gonsalves, Deputy General Counsel, Lottery
Paul Mandeville, IT Director, Lottery
Matthew DiFrancesco, Assistant Executive Director, Operations, Lottery
Christian Teja, Director of Communications, Lottery
Didier Bertola, Chief Financial Officer, Lottery
Richard Reale, Manager of Facilities, 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
Chandra Allard, Communications Director, Treasury
Kathi Reinstein, Director of Policy & Legislative Affairs, Treasury
Michael Bergquist, Policy Analyst, Treasury
Emily Kowtoniuk, Deputy Legislative Director, Treasury
Dan Truong, Assistant Communications Director, Treasury
Liz Zelnick, Senior Policy Analyst, Treasury

Frank Gervasio, Project Manager, Executive Office for Administration and Finance
Spencer Lord, Attorney, Executive Office of Public Safety and Security
Michael Kelly, Executive Board Member, SEIU 888
Tom McKeever, Secretary Treasurer-Elect, SEIU 888
Maureen Medeiros, Attorney, SEIU
Robert Ellard, Finance, Lottery

John Kallmerten, IT, Lottery
Bill Lapsley, Lottery Sales, Lottery

Keith McCown, Attorney, Outside Counsel for the Lottery, Morgan
Brown & Joy

Robert M. Schlein, Attorney, Outside Counsel for the Lottery, Prince
Lobel

Maggie Cohen, Kearney Donovan and McGee

Michelle McGee, Counselor at Law, Kearney Donovan and McGee

Andy Metzger, State House News Service

Jonathan Shaer, Executive Director, New England Convenience Store &
Energy Marketers Association (NECSEMA)

Matt Stout, Boston Globe

Phil Wettengel, O'Neill and Associates

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, identified herself as recording to assist in the preparation of the meeting minutes. Matt Stout from the Boston Globe and Andy Metzger from the State House News Service identified themselves as making a recording.

II. Approval of the Minutes from February 27, 2018

Treasurer Goldberg asked the Commission to accept the minutes from the Massachusetts State Lottery Commission meeting held on February 27, 2018. Commissioner Thomas Shack 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 Michael Sweeney provided the Commission with a snapshot of Lottery sales for February 2018. First, he announced that overall sales for February 2018 were up \$12.6 million from February 2017. Executive Director Sweeney reported that, this year, the Lottery has an accrual for which there must be an accounting. He first reported on figures that did not include the accrual for prizes that were won and not yet paid. Executive Director Sweeney reported that due to the Megabucks Doubler jackpot prize that was claimed in February 2018, the net profit for February 2018 was \$68.6 million, as compared to \$76.5 million in February 2017, a decrease of \$7.9 million. He reported that the prize payout for February 2018 was 75.85 percent, as compared to 73.32 percent in February 2017.

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 accruals that have been set aside, most particularly a \$1 million a year for life prize in the Billion Dollar Blockbuster instant ticket that is expected to be awarded in FY18. The year-to-date net profit for the first eight months of FY18 is: \$672.7 million, compared to \$723.7 million for the first eight months of FY17. After adding a one day average net profit figure of \$2.7 million due to a shift in the calendar that resulted in one less day being included in the net profit figure for the first eight months of FY18, the adjusted year-over-year change for the first eight months of FY18 versus the first eight months of FY17 is a \$48.3 million decrease in net profit. The year-to-date prize payout which drives the profit margin for the first eight months of FY18 is: 73.40 percent, as compared to 71.65 percent for the first eight months of FY17.

Executive Director Sweeney provided a sales breakdown for February 2018, and noted that instant tickets, KENO, Mega Millions, the Numbers Game, Mass Cash and Lucky for Life all experienced sales increases in February of 2018 as compared to February of 2017. Instant ticket sales were up \$10.5 million,

KENO sales were up \$7.2 million, Mega Millions sales were up \$2.8 million, Numbers Game sales were up \$489,351, Mass Cash sales were up \$360,677, and Lucky for Life sales were up \$25,186. Executive Director Sweeney stated that compared to February of 2017, Powerball sales were down \$7.6 million compared to \$435.3 million in February 2017, Megabucks Doubler sales were down \$908,373 compared to \$10.6 million in February 2017, and ALL OR NOTHING sales were down \$345,039. Executive Director Sweeney reminded the Commission of a robust discussion during the February meeting regarding the impact on sales from the inclement weather and stated that weather, although to a lesser effect, continued to be a factor that negatively affected sales.

Five Year Comparison Chart

Executive Director Sweeney reported on the prize payout as a percentage of sales, informing the Commission that the graph being shown is able to tell the entire story regarding the net profit. He reported that the prize payout is at a high of 73.4 percent, which impacts the net profit that will be returned to the Commonwealth. He related that he did not have an exact updated number but revealed that March has been a particularly heavy cashing month and the budget team at the Lottery would soon meet to examine the net profit projections to determine what the impact will be.

Gross Sales Results

Executive Director Sweeney presented the numbers on the Gross Sales Results chart, February FY18 versus FY17 Unadjusted Non-Fiscal Year, and also the Year-to-Date FY18 versus FY17. Executive Director Sweeney reported that instant tickets had a good month and were up 4.02 percent. Mega Millions proved to be a good push with an 85.7 percent increase. About a year and a half ago, the Lottery began focusing on KENO as a way to create a strong engine beyond instant tickets and reported that KENO continues to be a real driver for the Lottery, up 9.9 percent. ALL OR NOTHING, as predicted, continues to pull back from the higher sales that were experienced when the game was first introduced. Lucky for Life is breaking even. Draw games which are determined by the jackpot were slightly down and monitor games were up almost \$7 million as compared to last February.

On the year-to-date numbers, Executive Director Sweeney reported that overall, sales were good, despite the lost revenue from recent snowstorms and inclement weather. At the end of February, sales were up approximately 2.1 percent. Executive Director Sweeney characterized KENO as a huge win which was up 8.7 percent.

February \$50, \$100 and \$500 Blowout Instant Ticket

Executive Director Sweeney provided a sales update on the instant tickets that were released in February. Chief Administrative Officer Edward Farley reported on the \$10 Blowout instant ticket. CAO Farley described this as an incredible ticket. He stated that for the last couple of years, retail agents and players have been requesting a ticket that you can win a credible prize on. The Lottery tested this ticket over the past year with a couple of vendors and the results were okay. CAO Farley reasoned that as the Lottery moves forward with creativity, this type of ticket was something the Lottery decided to launch. The Lottery did a limited run of ten million tickets, and after four weeks, almost 50 percent of the tickets were sold out. He considered this to be a tremendous success. Players typically are not choosing this ticket over another \$10 ticket, but they are purchasing it along with other \$10 tickets. It is not cannibalizing the \$10 price point, it is helping it.

Executive Director Sweeney thanked the Commission for allowing the team at the Lottery to take some risks and be creative. He explained that if there is to be any kind of expansion, and greater interaction in the marketplace, we need to have the ability to go outside and test the market.

Commissioner Shack credited the leadership of Executive Director Sweeney and commented that bringing an entrepreneurial spirit to a relatively bureaucratic environment is not easy. He noted that the Commissioners, as well as a lot of the attendees at the table today, have entrepreneurial experience and recognize that type of leadership and the value of undertaking some risks. CAO Farley agreed with Commissioner Shack and added that there are a lot of professionals in the industry that warned that this ticket would be disruptive to the \$10 price point and that it would never work.

Cash Vault Instant Ticket Release

Executive Director Sweeney shared information on a new instant ticket to be released on April 3rd. The Cash Vault instant ticket has a price point of \$5. This game is played by scratching the player's coordinates on the ticket and then scratching the corresponding grid locations on the Cash Vault grid. Executive Director Sweeney related that he is interested to see how this ticket will do and whether or not there will be some confusion on how it is played. The team at the Lottery will have direct communication with retail partners regarding the play mechanism. This ticket tested well and is intended to be a complimentary ticket to the extended play games and the player who wants to spend a little more time scratching a ticket. There will be an instructional video, as well as an 8.5 x 11 poster, to better communicate the ticket dynamics to the consumers.

Problem Gambling Awareness Month

Executive Director Sweeney reminded the Commission that March was Problem Gambling Awareness month and the Lottery has been aggressive in getting the message out to the general public. He shared examples of the Lottery's participation which included: a display on KENO monitors and the draw game messaging center, and signage in the Lottery's customer service area in Braintree and the regional offices, and on the Lottery's website. The Lottery maintains a good partnership with the Mass. Council on Compulsive Gambling and a "GameSense" information table will be set up in the Braintree, New Bedford, Springfield and Worcester offices. Additionally, the Lottery also used social media to get the word out about problem gambling awareness.

MSLC Technology Modernization Program Update

Executive Director Sweeney asked Senior Program Engagement Manager Joshua Fredette, of Overture Partners, LLC, who is under contract with Lottery, to deliver an update on the MSLC Technology Modernization Project. Senior Program Engagement Manager Fredette noted a few items that he considered very important to a project of this size. He stated that terminals to the agents were rolled out systematically to give them time to become accustomed to the new hardware and software. Overall, that approach has helped to mitigate a lot of the risks. He reported that to date, the Lottery has successfully replaced 1,200 of the 8,000 terminals that need to be exchanged. He also reported that there has been due diligence in making sure the requirements are done correctly during each phase. He noted that the vendor and the system integrator, IGT, have begun the software development on time and have completed the first cycle. For a project of this size, IGT utilizes a waterfall project management style as opposed to rapid prototyping, which enables the Lottery to be involved with quality assurance testing. Senior Program Engagement Manager Fredette also mentioned that having end users involved in this process is imperative. He stated that the team partnered with Massachusetts Commission for the Blind to have licensed agents, with varying degrees of visual impairment, come in to give the team feedback. Senior Program Engagement Manager Fredette stated that this has been a robust and collaborative team effort and he thanked the Commission for their support.

IV. Matters Requiring Massachusetts State Lottery Commission Approval

Votes Presented to the Commission

VOTED (1): For the reasons set forth in the attached memorandum dated March 13, 2018, the Executive Director is hereby authorized to exercise the first of two, one (1) year contract extension options for acrylic dispensers and displays with the following firm:

LD Plastics and Displays
1130 Pearl Street
Brockton, MA 02301

The original award was made pursuant to competitive bid process (RFR LOT # 1505).

The maximum obligation for the first of two, one year (1) contract extension options shall not exceed seven hundred and fifty thousand dollars (\$750,000.00).

Executive Director Sweeney presented the vote by explaining to the Commission that this vote is the result of a former RFR process that went through a number of years ago. He explained that there were two companies that were awarded the contract which one of those companies has since acquired the other plastic company and this vote is specifically for the one that is still in existence, which is LD Plastics and Displays. This vote will support the merchandise that the Lottery distributes to the retail agents mainly over the next year. There have been conversations involving tests with different ticket sizes and in part, these new plastic containers will help the Lottery accommodate those tickets as well as replacements for equipment in the field that becomes broken or otherwise unusable. The Commissioners asked the Executive Director if the dispensers were made in the Commonwealth and how many dispensers would seven hundred and fifty thousand dollars buy. Executive Director Sweeney promised to get that information to them.

Treasurer Goldberg, recognizing there was no further discussion, moved the motion to a vote. For the reasons stated above and in the meeting materials, Commissioner Salvidio moved to enter into the contract and Special Counsel Levine seconded the motion. The Commission voted unanimously to adopt the motion.

VOTED (2): For the reasons set forth in the attached memorandum dated March 21, 2018, the Executive Director is hereby authorized to amend the contract with the following firm to purchase a double deep racking system:

A-Prime Handling, Inc.
210 Bodwell Street
Avon, MA 02322

The original contract, executed in July of 2015, is three years in length, and was made pursuant to Bid# 16-01.

The maximum obligation for the purchase shall not exceed three hundred and forty-five thousand (\$345,000.00) dollars.

Executive Director Sweeney introduced the vote by explaining to the Commission that Matthew DiFrancesco, Assistant Executive Director of Operations for the Lottery, as well as the team from the warehouse were in attendance and could answer questions. Executive Director Sweeney commended the team for doing a great job in tight quarters and he thanked the Commission for allowing the Lottery to expand the system in the warehouse about a year ago which helped with the day-to-day operations. This vote has to do with equipment storage for different items such as tickets, terminals, and parts for the terminals, as well as a variety of other space needs. Assistant Executive Director DiFrancesco and his team recommended expanding the number of skids that could be available in the warehouse through this system. Assistant Executive Director DiFrancesco added that the team's goal was to increase the amount of skids by three hundred and it was worth making this investment. The team interviewed A-Prime Handling, which the Lottery already had a contract with, and they offered the best price. The proposal would replace the existing rack with a double deep push back racking system. The double deep system will allow for an additional 336 skids to be stored in the same amount of space, which will significantly increase the storage space. The team was able to condense the space by placing one pallet directly behind another, which didn't allow access to the back pallet unless you pulled out the front pallet. The proposal efficiently utilizes the aisle space that now exists between each of the racks as well as the existing equipment. Assistant Executive Director DiFrancesco believes that this is a wise investment that will last for at least twenty years.

Treasurer Goldberg, recognizing there was no further discussion, moved the motion to a vote. For the reasons stated above and in the meeting materials, Special Counsel Levine moved to enter into the contract and Commissioner Liddy seconded the motion. The Commission voted unanimously to adopt the motion.

VOTED (3): For the reasons set forth in the attached memorandum dated March 20, 2018, the Executive Director is hereby authorized to execute a lease, together with the Commonwealth's Division of Capital Asset Management and Maintenance, for the Lottery's administrative offices and grand prize claim center, for a period of ten (10) years, with the following corporation:

Bayside Merchandise Mart SPE, LLC
c/o Corcoran Jennison Management Company
150 Mount Vernon Street
Boston, MA 02125

The total maximum obligation assumed hereunder shall not exceed fifteen million two hundred and fifty-six thousand four hundred and seventy-five dollars and sixteen cents (\$15,256,475.16).

Executive Director Sweeney introduced the vote by explaining the vote is seeking permission for the Lottery, through the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM"), to enter into a ten year lease with Bayside Merchandise Mart, also known as Corcoran Jennison Management located at 150 Mount Vernon Street with the total maximum obligation during the life of the lease to be for fifteen million two hundred and fifty-six thousand four hundred and seventy-five dollars and sixteen cents (\$15,256,475.16).

Executive Director Sweeney indicated that there were a number of team members in attendance to assist the Commission with this discussion. Executive Director Sweeney acknowledged the presence of Maureen Medeiros, legal counsel for SEIU 888, as well as

several Lottery union team members. Executive Director Sweeney introduced SEIU 888 Secretary Treasurer elect, Tom McKeever, and noted that he had a statement for the Commission. SEIU 888 Secretary Treasurer elect McKeever thanked Executive Director Sweeney and introduced the following members present at the Commission meeting: Maureen Medeiros; Field Service Director, Michael Kelly; and three Lottery Union Stewards- Bill Lapsley, John Kallmerten and Bob Ellard.

SEIU 888 Secretary Treasurer elect McKeever presented the following prepared statement on behalf of the membership of the Lottery:

“I come before you today on behalf of Union Lottery Employees who have made this Lottery the number one Lottery in the nation. Our concerns today are about; process, transparency, communication, inclusiveness, cost to the taxpayers, and most importantly, the impact of dividing the Lottery into parts, after achieving incredible success. The timing of this proposed office move is extremely concerning as the Lottery is currently in the initial stages of implementing the most extensive equipment and software improvements since it was established. The process, which began in 2012, is finally culminating in the first major equipment and software improvements and modernization in twenty years. In a Lottery Commission meeting in February 2017, the following statement was made by Executive Director Sweeney, ‘DCAMM, has provided much guidance to him regarding space options, and numerous internal meetings have taken place with all Lottery Assistant Directors and department managers to address anticipated needs.’ However, to date, Lottery managers have not been included in these discussions. At the February 2017 Commission meeting, Treasurer Goldberg explained, ‘the Lottery is a South Shore operation and many Lottery employees live south of the city and would be inconvenienced by a commute through Boston.’ Also, Commissioner Salvidio remarked, ‘The move should take into account the impact on employees of the Lottery.’ However, no voting members on the Lottery Procurement Management Team live south of Boston. It would be critical for any company that is considering such a major organizational change to consider the impact on their current workforce. The lack of involvement in the RFR process was evident, as one Department wasn’t even included in any of the three RFRs.

Why is this successful organization being broken apart? Where is DCAMM’s cost benefit analysis that supports their belief? Has the Lottery’s Human Resources Department been included in the discussion about dividing up Lottery operations?

The Union also has very serious concerns about the recent contract negotiations, and whether management failed to negotiate in good faith. Our negotiating team repeatedly raised questions about moving the Lottery headquarters, but it seems that this decision to move to Boston was made by Lottery management while contract negotiations were ongoing. In those negotiations, the Union was seeking simply protections against outsourcing. This move only amplifies their concerns.

Over the next year and a half, the Lottery will continue to upgrade and implement new software and equipment. This will require continued equipment delivery and software development by the Lottery staff. This important work must be done efficiently and effectively as to not incur substantial additional software programming costs. Even after the software is designed, the implementation process will require coordination across departmental lines. Training our agents and Lottery staff will require coordination and effective communication. We cannot afford another delay in a process that began almost six years ago. The Request for Response, (RFR) for the new equipment and software was an inclusive process that welcomed comment and thought and promoted departments working together so as to produce an RFR that would result in the best equipment and software possible to move the Lottery into the future. This process included all the departments that would possibly be impacted. The openness and transparency of the software and equipment process by the prior administration, stands in stark contrast to the RFR for the office move.

Part of your decision today should be a review of the impact to our current employees and their families, in additional travel, daycare, and time away from their families. We know that Treasurer Goldberg understands that management must work with parents as she has been a voice for working families. We know that the Lottery Commissioners are interested in making the best informed decision for the Massachusetts State Lottery.

In our opinion, that cannot occur at this time. The current proposal to approve 33,000 square feet of space at twice the square cost in Boston still raises too many questions and concerns.”

SEIU Secretary Treasurer McKeever concluded his statement by urging the Commission to table this discussion and invite the Union into the bargaining process. He also encouraged Executive Director Sweeney and Treasurer Goldberg to meet with the membership to allow them an opportunity to voice their concerns.

Commissioner Shack thanked the team members for their attendance and for sharing their thoughts. He added that it’s important for the Commissioners to have enough information to make an informed decision. He reminded the Commission that the Comptroller’s Office is a union shop and is strongly supported. He then asked for the number of employees who would be impacted by moving to the new office. Executive Director Sweeney revealed that approximately one hundred and forty-eight employees out of approximately three hundred would be affected by the move. Comptroller Shack then asked if there was representation from DCAMM in attendance. Executive Director Sweeney reported that there was no one in attendance from DCAMM who was authorized to speak. Commissioner Shack remarked that it would be helpful to find out from DCAMM, from a cost comparative market standpoint, how does this contract measure up to other rents in the area, is the proposed property accessible to the disabled community, and is there an operational need underlining this. Commissioner Shack mentioned that it appeared to him that some employees would be advantaged by virtue of having better access to public transportation and some may be at a disadvantage. SEIU Secretary Treasurer elect McKeever represented to the Commission that Braintree is accessible by the Braintree Transit Line and there is a partnership with the owner of the Braintree facility that provides shuttles to and from both locations. Executive Director Sweeney agreed, noting that it was one of the highlights of the current location. Commissioner Shack inquired about the cost comparison between the current Braintree site and the new proposed location.

Executive Director Sweeney informed the Commission that the cost of the 150 Mt. Vernon location was significantly higher. He explained that the existing lease in Braintree originated over twenty years ago and has been extended four or five times during that time period without going back out to bid. It was Executive Director Sweeney’s understanding that the Lottery is obligated, as a state agency, to go out and access costs and bids. DCAMM had initiated that the Lottery go out for bids on three separate lease proposals which was authorized by the Commission. Those responses were examined by DCAMM and members of the Lottery for the best overall value. The recommendation came back that the RFP was originally separated into three separate leases. This particular component was selected for the location property located at 150 Mt. Vernon Street. This was presented in Executive Session along with the other two lease proposals for permission to negotiate. DCAMM and the Lottery moved forward with those negotiations.

Executive Director Sweeney further stated that the situation created a quagmire to those involved as it was his understanding that the team was not supposed to publically discuss the bidders, proposals involved, dynamics of the cost, locations, and matters of that nature for negotiation purposes. Executive Director Sweeney related that he had

received a comment from DCAMM that the vote being done today, should perhaps be done in an Executive Session. Executive Director Sweeney disagreed with that and asked DCAMM if the lease negotiations were ready for a vote for the Commissioners. DCAMM confirmed that the lease negotiations were ready for a vote and therefore, under the law, Executive Director Sweeney did not feel that there was any justifiable reason to go into an Executive Session.

Executive Director Sweeney stated that he feels that the process puts the organization and management at a disadvantage in communicating information to the public, including our own Lottery team members. He explained that there is additional information that Lottery members may or may not be formally aware of concerning the other two leases that were discussed in Executive Session. That information, if made available, would help to mitigate some of the concerns. It was Executive Director Sweeney's understanding that because of the negotiation process, this is not something that is allowable.

Executive Director Sweeney commended SEIU Secretary Treasurer elect McKeever on raising excellent facts and statements on behalf of the union members. Prior to an RFP going out for more space, Executive Director Sweeney was under the impression that enough of a litmus test had been done through the Lottery to get feedback as to what new space should look like. Executive Director Sweeney conveyed that what he clearly heard today from SEUI Secretary Treasurer McKeever and the membership is that they do not feel that this is the case.

Executive Director Sweeney went on to acknowledge that the Commissioners and the attendees in the room know that the Lottery also has leases in other locations that are ending, and the Woburn and Springfield locations were mentioned. Executive Director Sweeney expressed that, one of the ways that management could do better going forward in the development of those RFPs, is to work with agencies like DCAMM and have a more robust presence of union members, from different departments, involved in the process. He clearly hears that this was not sufficiently done in the development phase of this RFP. He assured the union members, on behalf of the Treasurer and the Commission, that if the Commission takes a vote to move to any location now, or in the future, management will engage in impact bargaining with the union. Executive Director Sweeney explained that there is a process that has to be followed and a major piece of that process is authorization at certain points by the Commission culminating with a vote by the Commission to accept or not accept this lease. He added that the Commission has always had three options: they can vote to approve, vote not to approve or vote to table the matter for additional information.

Executive Director Sweeney stated that he has never been presumptuous that any aspect of the Lottery is entering into any other lease until it is presented to the Commission and it is approved. That is why management went through the steps of discussing what the RFR could potentially look like back in February of 2017, along with an Executive Session under the direction of DCAMM, to go out to bid and then enter into these negotiations.

Executive Director Sweeney emphasized that he does think the public experiences a disservice when state government does not rigorously follow a bid process. The Lottery has been in the Braintree location for more than twenty years without a legal bid put out on the street to test the marketplace. Executive Director Sweeney opined that that was not good business on behalf of the Commonwealth. He wanted to address the point that the last thing he wanted to do at this time is move a facility, no matter where it is located, because of the enormous amount of work that the Lottery has on hand. However, the law says that the Braintree lease is ending and the process should have begun sooner than it began under the direction of DCAMM and this Commission.

Treasurer Goldberg explained that, during her transition, and before she was sworn in as the Treasurer, she was informed by the prior administration that one of the major issues concerning the Lottery was going to be the DCAMM process. Treasurer Goldberg stated that this was the first time she heard of this and she was unsure why it didn't occur prior to her tenure. Executive Director Sweeney commented that was an important point and these are the tough processes and decision making that the Commissioners and the executives of the Lottery have to engage in. He stated that these are often tough conversations and tough decisions that are made on behalf of the taxpayers. Executive Director Sweeney also mentioned that some believe that the Lottery is going to outsource functions that are currently performed by Lottery employees, particularly those who are union members. Executive Director Sweeney stated that is simply not going to happen. He assured the attendees that he is happy to publically transmit that message at a union meeting, during negotiations, or any way that is necessary. He stated that the Commission values the team members at the Lottery. He also stated that everyone at the Lottery serves a greater purpose, which is to get 351 cities and towns the profit that they need to operate and to do so responsibly. He stated that it's a delicate balance that is achieved constantly by the men and women at the Lottery who are never known by the general public. Executive Director Sweeney repeated that there are no plans to outsource and that is not something that he would ever be comfortable engaging in. He noted that costs have continuously been a concern and the Lottery is always looking for ways to work tighter. He noted two central concerns: costs, and in this particular location, the concern around parking. He stated that these will always be concerns and intelligent decisions need to be made as to whether or not there is a desire to move forward in that direction.

Commission Salvidio asked SEIU Secretary Treasurer McKeever if the membership's feeling is that they don't want to move or is it that they are unhappy that they were not included in the process. SEIU Secretary Treasurer Elect McKeever responded that it is both. The members always wanted to be included in the process and there wasn't any communication whatsoever. The members never had an opportunity to voice or speak their concerns which is what led him to be in attendance today. SEIU Secretary Treasurer Elect McKeever stated that he believes there are 148 parking spots but they would be shared with the Bayside Expo, the Teacher's Union and the Double Tree Hotel which is next to the building.

Commission Salvidio asked SEIU Secretary Treasurer Elect McKeever, "do the employees not want to move out of Braintree or are they open to moving but just not this particular location?" SEIU Secretary Treasurer Elect McKeever answered that the membership did not wish to move. Commissioner Shack reminded the attendees that the Braintree location did have a terminal lease that was due to end and that it would be valuable to have someone from DCAMM at the meeting to ask if the lease could be extended. Executive Director Sweeney reported that he asked this question to DCAMM and they stated that if the Commission chooses to table the vote, this will not mean that the operations simply are to go back to Braintree for negotiations for a ten year lease. The matter would have to go back out again for an RFP. He continued that regarding cost, it is his hope, that in May, the Commission will have two other leases that are in negotiations with one landlord at locations that are more preferable to the union and the cost will be significantly higher than the existing cost per square foot. That is the dynamic of a shifting marketplace for commercial real estate, particularly in the Somerville, Quincy and Braintree areas, as opposed to the prices of commercial real estate in places, such as Worcester and North Adams. He stated that the Springfield location has begun the initial process and Woburn will soon follow. Neither the Executive Director of the Lottery, nor the Commissioners, have full authority to make independent decisions about purchasing property or simply going somewhere to lease property and negotiate a lease rates. It is the law that the Commission must go through DCAMM. DCAMM controls the process to the extent of issuing the RFP and advising the state agency in question. The ultimate decision rests with the Commission.

Commissioner Liddy expressed her appreciation to the union members in attendance and also the amount of respect that the Commissioners have for the employees of the Lottery as well as the efficiencies of the Lottery. She stated that the Commission has been supportive of a lot of big investments regarding the future of the Lottery since they began their tenures as Commissioners. This has been done with everyone's best interest in mind. She is interested in knowing what the future will look like in terms of the union demographics. She confessed that she was not a union expert when it came to negotiating contracts. As the union draws in new members, the Commissioners are seeing that the demographics of the future employee are very transportation driven. She stated that the Commission viewed the Mt. Vernon location as a superior location for public transportation and was key in accommodating the future of the Lottery in terms of what new employees will be looking for. Commissioner Liddy felt that it was unfortunate that the union felt they did not have a voice in the process and considered it a very strict and bureaucratic process. If this vote is tabled, her concern is the chance to lose an opportunity and explained, legally, the Commission would not be able to go back and offer a counter offer to the existing landlord. Being in the Commercial Real Estate business, Commissioner Liddy thought the market rate was very reasonable while getting a nice fit out of the space along with attractive transportation options. She stated that in good faith, the Commission believed this to be a good opportunity for the future of the Lottery. The Lottery is missioned based in getting the money back to all cities and towns and everything the Commission does, is with that spirit. She added that she did not want to lose an opportunity and return to square one.

Executive Director Sweeney clarified that the lease ends in January 2019, but under legal protections with general extensions tied in. He assured the union members that the management team at the Lottery will do their best to try to mitigate any concerns to come to the best solution. Executive Director Sweeney reminded the attendees that although there have been no discussions, UMass Boston is in the area with an incredibly diverse student population body. Executive Director Sweeney viewed this as a potential partnership for the Lottery as far as internships and recruitment for a diverse workforce. Overall, he believes that there's a lot of excitement and activity in that area.

Treasurer Goldberg commented that the term outsourcing is not supported by her in any way. There is a commitment within the Commission that there is no intention of any kind of outsourcing and she stressed that outsourcing is not in her vocabulary. Treasurer Goldberg also stated that she is a proponent of public transportation, and in her opinion, it is a critical factor. She stated that the Lottery is a South Shore operation and that is why this area of Dorchester is the furthest that she would consider. She believes that, in the long term, easily accessible public transportation is a factor for a younger population. In the next couple of years, the Lottery will be losing a lot of valuable employees through retirement. As the Lottery does begin to appeal to a younger demographic, many cannot afford cars and many rely on public transportation. Treasurer Goldberg explained that she has personally experienced speaking with individuals who would like to work at the Lottery who tell her they cannot commute there. The Commission is trying to balance that without losing the sense of the South Shore. In addition, the Commission is reliant on DCAMM and their process.

Treasurer Goldberg remarked that she was surprised at how long the Lottery remained in Braintree without that process taking place but those guidelines are being adhered to and it's important that the Commission follows the law. Treasurer Goldberg announced that she was absolutely supportive of impact bargaining. She was told by management that impact bargaining would legally not occur until there was a contract, and they could bargain with what is reality. She assured the attendees that she was a huge supporter of the union and believes strongly in what unions are about. She assured the

union that the Commission will be working with the union and will include their discussion in future negotiations. She related her concerns about tabling the vote and asked outside counsel to the Lottery, Robert Schlein, to clarify the landlord's position if there was a set date on when the Commission was expected to respond, and could delays harm the decision with respect to the potential lease. Outside counsel Schlein responded that the landlord has not transmitted the lease to his firm nor given them a date for signature. However, to wait another month will delay the construction period and as a legal matter, the landlord would not be bound until the lease is signed.

SEIU Secretary Treasurer Elect McKeever stated that the membership is confused with respect to the future of Braintree's first and second floor. He explained the plan regarding the division of departments and that the employees located on second floor are the majority of the employees to move. He explained the Lottery employees are having difficulty understanding that the Lottery will continue to rent space downstairs for field service and the warehouse and then acquire an additional lease in Dorchester at the Mt. Vernon site. The division of services with additional cost to the taxpayers did not make sense.

Treasurer Goldberg informed SEIU Secretary Treasurer Elect McKeever that there will be additional costs no matter where the Lottery is located. The Lottery will not have the old Braintree lease. DCAMM did the negotiating and had the total dollar amount in front of them. Executive Director Sweeney added that the other parts of this issue are under negotiation regarding how that lease space will be divided up and he believes it may look a little different than SEIU Secretary Treasurer Elect McKeever stated.

Matt DiFrancesco, Assistant Executive Director of Operations, explained that with the other two leases, the desire is to have a sense of independence among the data center, the distribution center, and the drawing room, which are the three big keys that are happening in the one lease. In addition, there will be a South Shore regional office and providing them their own space where they can operate in much the same way as Woburn or Worcester, was one of the items that was important to incorporate into the new lease. It is also the direction in which the Lottery is heading. The main concern with the operations center is to not disrupt the day-to-day activities that must happen. The tickets have to go out, three drawings a day have to happen, and the Lottery cannot shut down IT. In addition, the Lottery is experiencing major changes not only with new technology and the host situation, but they have just updated the network to a wireless network. We must also take into consideration that there will be many employees facing their career end, and there is a lot of institutional knowledge that needs to be protected and passed on. With all these challenges, setting up three separate leases appeared to be the best way to move forward. He repeated that the Lottery was not in control of ending the lease in Braintree which has come to the end in obtaining lease extensions. He stressed that the search area included the Town of Braintree but they did not receive any viable proposals.

Commissioner Shack noted that after hearing the comments and opinions from the Executive Director, the Treasurer and the Commissioners, he recognized a lot of good faith at the table with a great deal of consideration for the employees of the Lottery. He stated the Commission's willingness to sit down and work out a lot of the logistical and operational concerns, but cautioned that the Commission is not in the position to move the dialogue regarding the lease. The Commission needs to adhere to the rules set by DCAMM. He expressed the importance of being able to all work together to ensure it is good for everyone.

Commissioner Liddy asked for clarification on the process regarding impact negotiations. Keith McCown, outside counsel for the Lottery, explained that there are two kinds of bargaining – decision bargaining and impact bargaining. Decision bargaining is where unions have the right to bargain over the decision of something to make an entrepreneurial change. This is not that kind of decision. Today’s decision rests with the Commission. Impact bargaining is the effects of that decision and the type of things the union is interested in bargaining over with respect to a decision that has now been made. This could include things such as: terms for early retirement, parking arrangements, or flexible work hours. Impact bargaining would be any effect as a result of the decision that the union feels is important enough as a bargaining subject.

Treasurer Goldberg complimented the group on a robust conversation and repeated that outsourcing is not on the table. She stated that it was shocking to her when she first heard that this was a concern for some people. A lesson from today’s discussion is that inclusion from the beginning is better. There will be other issues that will be coming up concerning Woburn and Springfield. Treasurer Goldberg assured union members that inclusion into these discussions would take place.

Treasurer Goldberg, recognizing there was no further discussion, moved the motion to a vote. For the reasons stated above and in the meeting materials, Commissioner Shack moved to enter into the contract and Commissioner Salvidio seconded the motion. 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 Commissioner Liddy seconded the motion. The motion carried unanimously. The meeting adjourned at 12:31 p.m.