

Massachusetts State Lottery Commission

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DATE: Tuesday, June 27, 2017

TIME: 10:30 a.m.

MEMBERS PRESENT: Deborah Goldberg, Treasurer and Receiver General
Meghan Liddy, Commissioner
Anthony Salvidio, Commissioner
Thomas G. Shack, III, Comptroller
Jeffrey Shapiro, Esquire, Deputy Comptroller, Chief Operating Officer,
designee of Thomas G. Shack, III, Comptroller
Doug 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 Teja, Director of Communications, Lottery
Judy Moore, Executive Assistant, Lottery

James MacDonald, First Deputy Treasurer, Treasury
Sarah Kim, General Counsel, Treasury
Chandra Allard, Communications Director, Treasury
Shawn Collins, Legislative Director, Treasury
Zakia Matuber, Legal Intern, Treasury

Colin Young, State House News Service

I. Opening of the Meeting:

Treasurer Goldberg opened the meeting at 10:43 a.m. Treasurer Goldberg took a moment to inform the Commission of the passing of Mitchell Chester, Ed. D., Commissioner of Elementary and Secondary Education, and noted her deepest condolences.

Treasurer Goldberg stated, "Pursuant to the Commonwealth's Open Meetings 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, stated that she would be recording to assist in the preparation of the meeting minutes. Colin Young, State House News Service, also stated that he would be making such a recording today.

II. Approval of the Minutes from May 23, 2017

Treasurer Goldberg asked the Commission to accept the minutes of the meeting of May 23, 2017. Commissioner Shack moved to accept the minutes of the meeting, and Commissioner Salvadio seconded the motion. The minutes were approved at 10:44 a.m.

III. Executive Director's Report

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

Executive Director Sweeney provided the Commission with the Lottery sales update for May. He reported overall sales for May of 2017 were down \$4.1 million from May of 2016. A shift in the calendar resulted in seven more days being included in the net profit figure for May 2017. The figures are: \$112.0 million in May 2017, compared to \$86.6 million in May 2016. After subtracting a seven day average net profit figure of 22.4 million, the adjusted change for May 2017 versus May 2016 is a \$3.0 million increase in net profit. The prize payout for May 2017 was 71.14 percent, as compared to 71.73 percent in May 2016. The year-to-date prize payout for the first eleven months of FY17 is 72.01 percent, as compared to 73.16 percent for the first eleven months of FY16.

Executive Director Sweeney reported the year-to-date net profit for the first eleven months of FY17 is: \$978.3 million, compared to \$929.8 million for the first eleven months of FY16. After subtracting a five day average net profit figure of \$14.5 million, due to a shift in the calendar that resulted in five more days being included in the net profit figure for the first eleven months of FY17, the adjusted year-over-year change for the first eleven months of FY17 versus the first eleven months of FY16 is an estimated \$34.0 million increase in net profit over last year.

Executive Director Sweeney reported that KENO sales continue to be strong and are on the rise, experiencing an additional \$2.8 million increase in May 2017, compared to May 2016. Instant Ticket sales were down \$4.2 million in May of 2017, compared to sales in May of 2016. Compared to May of 2016, Mega Millions sales were down \$3.5 million (jackpots in May of 2017 ranged from \$15-\$65 million as compared to \$128-\$235 million in May of 2016). Numbers Game sales were down \$273,341, Lucky for

Life sales were down \$204,036, Megabucks Doubler sales were down \$142,487, and Mass Cash sales were down \$114,363 in May of 2017. ALL OR NOTHING game sales continue to perform strong, rebounding from last month and totaled \$938,981 for the month.

Five Year Comparison Chart

Executive Director Sweeney discussed the five year comparison chart, a significant historical chart, showing the highest payout as a percentage of the Lottery's sales from the last five years. He reported that the prize payout is currently at 72.1 percent, compared to 73.2 percent last year.

Gross Sales Results

Discussing the Gross Sales Results chart, May FY17 vs. FY16 Unadjusted Non-Fiscal Year, Executive Director Sweeney reported that sales were down just over \$4 million for the month. He stated that there was additional traction gained in Powerball, where the jackpot approached \$0.5 billion before it was hit. He continued that the real win was the performance of both KENO and ALL OR NOTHING, which remain strong and brought in an additional \$3.6 million in May, through those two monitor games and the strategies that were implemented last year helped to mitigate some of the other losses from instant tickets and the lack of real traction with Mega Millions.

Reporting on the year to date gross sales results, Executive Director Sweeney informed the Commission that Powerball sales were down just over \$53 million, which he attributed to the absence of the \$1.5 billion Powerball jackpot of FY16. Year to date, instant ticket sales continue to track a similar trend with sales down about 2.5 percent, which is where they have been over the last couple of years. The strong performers, which are similar to the monthly results, are KENO and ALL OR NOTHING, largely due to the expansion implemented by Treasurer Goldberg. They brought in an extra \$25 million, year-to-date, compared to last year. On a game that many thought historically was already saturated, Executive Director Sweeney described the additional revenues as a real win for the Lottery, particularly this year where Powerball had no large jackpot. Commissioner Salvidio remarked that, in his observation, video type games and the games that are more interactive to players seem to be growing in popularity, replacing the individual type of games, such as the scratch ticket. He explained that it's the interactive games that are appealing to players and the Lottery needs to become savvy with players to keep them. Executive Director Sweeney agreed and stated that every indicator points to that, whether it's a mobile app, or just information available through a mobile device, such as KENO TO GO. He continued that he and Chief Administrative Officer, Ed Farley, are hopeful that, by the middle of the upcoming fiscal year, the Lottery will be able to roll-out new concepts they hope will be successful. He described it as long process that still needs research and a procurement and is along the lines of having a more interactive nature. Commissioner Shack referred to his mobile device and stated that it's important for people to understand that paper transactions are going away and these devices are super computers and also the future.

Matter Requiring Massachusetts State Lottery Commission Approval

At 11:00 a.m. Commissioner Shack announced that he would need to excuse himself from the meeting and chose Deputy Comptroller Jeff Shapiro to serve as his designee. First Deputy Treasurer James MacDonald suggested that, prior to his departure, the last item on the agenda be taken for a vote.

Vote Presented to the Commission

VOTED (8): For the reasons discussed in the report of the Compensation Committee, compensation of the Executive Director, Michael R. Sweeney, is hereby increased to the annual gross salary of one hundred fifty thousand dollars (\$150,000.00), retroactive from July 1, 2016.

Commissioner Shack moved to allow the motion and Commissioner Shack seconded the motion.

Treasurer Goldberg, recognizing there was no further discussion, moved the motion to a vote. For the reasons stated in the Compensation Committee minutes and in the meeting materials, the Commission voted unanimously to adopt the motion.

KENO and KENO to-go Sales

Executive Director Sweeney presented a slide reviewing activity and sales for KENO and KENO to-go. He stated that the Lottery is on track to have a record year for KENO with total sales through the first eleven months of 2017 totaling \$838,380,780. Executive Director Sweeney described KENO as a mature game typically played by experienced players. By introducing the KENO to-go element the game was expanded and additional attention was brought to it. The percentage of players who are engaging in the overall sales revenue for KENO to-go is almost nine percent of the total of all KENO sales. This goes back to the point that, although they are not on-line sales, players, regardless of demographics and age, are engaging products through mobile devices. Executive Director Sweeney added that ALL OR NOTHING was a game where players were accustomed to playing in a sit-down format and thirty-seven percent of the total of ALL OR NOTHING sales are derived from the “to-go” feature, where players can later check the numbers on their mobile phone.

Supermarket Strategy

Executive Director Sweeney stated that, back in February, he met with Assistant Director of Sales, Michael Lorden, to review the Player Activated Terminals (PATs) that are positioned in a couple of hundred establishments throughout the Commonwealth. As a pilot program, they decided to drill down using one particular vendor and chose a supermarket that has a particularly good relationship with the Lottery. In an attempt to relieve the store managers of the day-to-day burden of interacting with the machine, reporting numbers back to the Lottery and refilling the product, the team at the Lottery took over that responsibility and created a new program for the maintenance of the machines. Senior sales representatives continue to have weekly communications with store managers and the account representatives continue to monitor vending machines during their regular store visits. Executive Director Sweeney shared the three months results with the Commission and reported that through the first six weeks, at twelve locations, sales increased by 9.8 percent. The average store increase was 15.9 percent and the total number of empty bin notifications decreased 54.4 percent. In six weeks, even with instant ticket sales across the Commonwealth being down, in these twelve locations, instant ticket sales were up \$55,549. This number, projected over a twelve month period, has the potential to bring in approximately \$500,000 at just these twelve locations alone. Treasurer Goldberg complimented Executive Director Sweeney, explaining that this was a great example of the types of references she made towards beefing up marketing, interaction with retailers and working with point of sale customers. She explained that when we talk about marketing, we’re not talking about ads on television, but marketing specialists and working directly with retailers, giving them support and figuring out ways to do increases in every area. Executive Director Sweeney pointed to this initiative as a good example of a drill down that the Lottery did as a mandate from the Treasurer to reexamine the engagement of the retail agents and the business operations. He added that the implementation of this program did not require any new capital investment.

Instant Tickets

Executive Director Sweeney continued the discussion by providing a sales update on May instant ticket sales. He reported that the Bingo Boxes series, which were released on May 23, with a price point of \$2.00 have been well received with five week sales of \$2,548,450.

Executive Director Sweeney introduced a new series of instant tickets and point of sale advertising that was released on June 20, reporting that there’s been good feedback. Chief Administrative Officer Ed Farley reported that these tickets are a spinoff of the \$30.00 price point “200x” multiplier ticket that was launched in April and year-over-year sales on these tickets are high.

Zip Trips

Executive Director Sweeney announced that, for the second year, the Lottery is participating in Boston 25's Zip Trips and asked Chief Administrative Officer Ed Farley to explain the two promotions available to those visitors who stop by the Lottery tent at Zip Trip locations. Chief Administrative Officer Ed Farley stated that one of the promotions is conducted on-site which allows each visitor an opportunity to enter to win a one-year Megabucks Doubler Season ticket. The Lottery will give out a total of ten season tickets, one at each event. The second promotion is a Scratch and Cash promotion where, at the tenth week, there will be two winners, one who will win one hundred \$30.00 instant tickets and another who will win a \$2,500 cash prize. The promotion is being sponsored through FOX 25 and is being marketed on the Lottery's website and on social media. The purpose of this promotion is to add members to the Lottery's VIP club and Chief Administrative Officer Farley stated that this is the second time that the Lottery has done an incentive-based promotion for VIP players. He announced that the Lottery has had over 8,000 entries since the start of the first week. In that 8,000 figure, there are over 800 new VIP entries. Executive Director Sweeney described this promotion to date as a big win for the Lottery.

Promotions

Executive Director Sweeney shared with the Commission a KENO Summer Blast Promotion that will run from July 2 through to July 15. Every non-winning KENO, KENO Bonus, KENO to-go, ALL OR NOTHING, ALL OR NOTHING Bonus, and ALL OR NOTHING to-go ticket will have a bonus chance to win \$1,000. For each day of the promotion, five KENO and five ALL OR NOTHING serial numbers will be randomly selected to win.

Executive Director Sweeney also reported that, from July 2 through August 5, the Lottery will be offering a discount on the purchase of Lucky for Life, Megabucks Doubler and Powerball Season Tickets. Also, every Season Ticket bought or renewed during the discount period, will also be entered into a drawing to win \$1,000.

The Lottery will also be offering a Mystery Caller Agent Promotion, where randomly chosen agents will have a chance to win \$1,000. Each Thursday, throughout the promotion, beginning on July 6, agents who are randomly selected will be called and asked to name the five steps noted on the POS poster on how to sell a season ticket through the Lottery terminal. If answered correctly, they will win \$1,000.00. There will be up to three winners on each of the five days of the promotion. Treasurer Goldberg commented that this was another creative way of managing how to go about engaging agents as well as training them.

Executive Director Sweeney also reported on the MA Lottery App Promotion where, on July 15, all MA Lottery app accounts will be entered into a drawing to win \$2,017. Winners will be contacted through email and must reply to the email, acknowledging that they have won.

Social Media Messaging

Executive Director Sweeney updated the Commission on a number of ways the Lottery has been using social media to increase awareness on Lottery products and build customer relationships. The Lottery highlighted the increased Powerball jackpot, encouraging players to play responsibly and spending appropriate amounts on any game in which they engage.

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 June 12, 2017, the Executive Director is hereby authorized to enter into two separate three (3) year contracts with two (2) one (1) year extension options on each, for Lottery bet slips with the following firms:

Total Business Systems, Inc. d/b/a Deluxe Data Printers
30800 Montpelier
Madison Heights, MI 48071

RMF Printing Technologies, Inc.
50 Pearl Street
Lancaster, NY 14086

The award was made pursuant to a competitive bid process (RFR LOT#1706).

The aggregate maximum obligation assumed under the contracts shall not exceed two million dollars (\$2,000,000.00) for the three year contract term.

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

Executive Director Sweeney explained that these bet slips are used for everything from Powerball to the Numbers Game to KENO.

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.

VOTED (2): For the reasons set forth in the attached memorandum dated June 9, 2017, the Executive Director is hereby authorized to purchase instant tickets, which includes games designs, printing and marketing support services, from July 1, through October 3, 2017, with the following companies:

IGT
10 Memorial Blvd.
Providence, RI 02903

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

Scientific Games Lottery
1600 Bluegrass Lakes Parkway
Alpharetta, GA 30004

The aggregate maximum obligation for services assumed from July 1 through October 3, 2017, shall not exceed six million dollars (\$6,000,000.00).

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

Executive Director Sweeney introduced the vote by explaining that, after the memorandum was developed, Chief Administrative Officer Ed Farley received notification from IGT noting that the company may not be able to print tickets through the end of the year. Chief Administrative Farley confirmed the notification but offered that the company may be able to print for an October run and so were kept on as an item on the agenda.

Recognizing there was no further discussion, Treasurer Goldberg moved the motion to a vote. For the reasons stated above and in the meeting materials, the Commission voted unanimously to adopt the motion.

VOTED (3): The Executive Director is hereby authorized to enter into contracts and to make payments to vendors providing services to the Lottery at regional offices, the back-up data facility and at headquarters, which services include fuel charges for Lottery-issued vehicles, electrical services and postage expenses. If authorized, payments will be made to the following vendors:

Wex, Inc. 225 Gorham Road South Portland, ME 04106	Fuel	\$430,500.00
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Pitney Bowes 3001 Summer Street Stamford, CT 06926	Postage	\$336,000.00
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NSTAR 800 Boylston Street Boston, MA 02199	Electricity	\$472,500.00
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National Grid
25 Research Drive
Westborough, MA 01582

Braintree Electric Light Department
150 Potter Road
Braintree, MA 02184

Purchases are made from state contracts, with the exception of those for electrical service.

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

Executive Director Sweeney introduced the vote by explaining that these are standard contracts and the Lottery built in a five percent increase, anticipating that there would be some fluctuation with electrical and fuel charges.

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.

VOTED (4): For the reasons set forth in the attached memorandum dated June 5, 2017, the Executive Director is authorized to amend an existing contract to obtain a one (1) year extension and to increase the maximum obligation by \$125,000.00 for the purchase of parts and services for Self Service Player Activated Terminals with the following company:

IGT Global Solutions Corporation (f.k.a GTECH Corporation)
10 Memorial Boulevard
Providence, RI 02903

The original award was made pursuant to a competitive bid process (RFR LOT#1113).

The aggregate maximum obligation assumed under the contract, including the one (1) year extension and the increase of \$125,000.00, shall not exceed ten million one hundred forty-four thousand and thirty nine dollars (\$10,144,039.00).

Deputy Comptroller Shapiro moved to enter into the contract and Special Counsel Levine seconded the motion.

Executive Director Sweeney introduced the vote by informing the Commission the Lottery is in the process of issuing an RFR and the contract amendment will keep the Lottery going. These machines routinely need servicing and this amount will cover the Lottery for the upcoming year.

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.

VOTED (5): For the reasons set forth in the attached memorandum dated June 6, 2017, the Executive Director is hereby authorized, under the state contract VEH84A, to contract for state vehicle maintenance, repair and accident reporting services with the following company:

Fleet Response Corp.
6450 Rockside Woods Blvd. South
Suite 250
Independence, OH 44131

The total maximum obligation assumed hereunder shall be two hundred thousand dollars (\$200,000.00).

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

Executive Director Sweeney introduced the vote by informing the Commission that this is a straightforward vote off of the state contract and that the Lottery is on the road five, and sometimes, six days a week throughout the Commonwealth.

Recognizing there was no further discussion, Treasurer Goldberg moved the motion to a vote. For the reasons stated above and in the meeting materials, the Commission voted unanimously to adopt the motion.

VOTED (6): For the reasons set forth in the attached memorandum dated June 15, 2017, the Executive Director is authorized, under state contract OSD ITT046, to enter into a contract for data communications services among the MSLC's Braintree headquarters, Norwell backup host site and regional offices, with the following vendor:

MCI Communication Services, Inc. d/b/a Verizon Business Services
5055 North Point Parkway
Alpharetta, GA 30022

The total maximum obligation assumed hereunder shall be three hundred and sixty thousand dollars (\$360,000.00).

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

Executive Director Sweeney introduced the vote by informing the Commission that this cost represents a decrease from FY17 of \$90,000.00 due in part to operational changes that have been made over the last two years to install new wireless network.

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.

VOTED (7): For the reasons set forth in the attached memorandum dated June 21, 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 Well Avenue
Newton, MA 02459

The maximum obligation assumed hereunder shall not exceed one hundred and sixty-eight thousand, six hundred and sixty dollars (\$168,660.00).

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

Executive Director Sweeney introduced the vote by informing the Commission that, in essence, this vote provides Lottery with a lead senior project manager for hardware and software implementation, which is close to being rolled out with the terminals in the final testing stages. Overture Partners, through the lead project manager, Joshua Fredette, has been with the Lottery for a short contract for about two and a half months and the Lottery would like to continue to retain their services. Executive Director Sweeney explained that the team will need to be further built due to the magnitude of the project and the contract will run through December of this year. Treasurer Goldberg pointed out that the Lottery has a very small IT staff and it's critical to have someone who is focused on the project only. These machines are an important element for long-term success.

Recognizing there was no further discussion, Treasurer Goldberg moved the motion to a vote. For the reasons stated above and in the meeting materials, the Commission voted unanimously to adopt the motion.

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

Treasurer Goldberg took a moment to discuss a few facts that she felt contributed to the Lottery's success in moving past the billion dollar mark. She stated that this is an historic moment for the Lottery and spoke about the cost saving strategies from re-routing vehicles to save money on gasoline, to the kinds of pilot programs being done with major supermarkets. She noted that when you begin to add them all up, it's called, marketing, strategy, and putting the right people in who more than pay for themselves. There are many examples of the types of strategies the Lottery has done in very cost effective ways. This equals profits that fill basic necessities that communities need such as the nurse who speaks at a local school or the elementary school crossing guard. She went on to say that the Lottery intends to keep on doing everything that it can to continue to reach and exceed these types of profits and will continue to recommend strategies to do even more. She stated that, as a Commission, we understand what the Lottery means to every citizen in this Commonwealth. Treasurer Goldberg thanked the Commission for their participation, passion and engagement both at the Commission level and at the staff level. After asking if there was any further business, Treasurer Goldberg sought a motion to adjourn the meeting. Commissioner Salvidio moved to adjourn and Deputy Comptroller Shapiro seconded the motion. The motion carried unanimously. The meeting adjourned at 11:37 a.m.