

Massachusetts State Lottery Commission

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DATE: October 28, 2014

TIME: 10:00 AM

MEMBERS PRESENT: Steven Grossman, Treasurer and Receiver General
Tim McMahon, Commissioner
Martin Benison, Commissioner
Beth Boland, Commissioner
Laura Weierman, Esq. designee for Andrea Cabral,
Commissioner

ALSO PRESENT: Beth Bresnahan, Executive Director, Lottery (arrived at 10:25
am)
William Egan, General Counsel, Lottery
Al Gordon, Deputy Assistant Treasurer, Director of Policy
Christian Teja, Communications and Marketing, Lottery
Cathy Judd Stein, General Counsel, Treasury
Jon Carlisle, Director of Communications, Treasury
Colleen Quinn, State House News Service
Robert Frasca, Interested Member of the Public

I. Opening of meeting

State Treasurer Steven Grossman opened the meeting at 10:03 a.m. Counselor Egan informed the Commission that the Executive Director is delayed due to excessive traffic caused by an accident. He suggested the Commission move the Executive Director's report until the end of the agenda allowing her time to arrive. The Commissioners agreed.

II. Approval of Minutes for September 30, 2014

Treasurer Grossman asked the Commission to accept the minutes of the meeting from September 30, 2014. Commissioner Boland offered an amendment she handed Counselor Egan. Commissioner McMahon made a motion to accept the minutes of the meeting as amended and Commissioner Benison seconded the motion. The minutes were approved 5-0.

III. Matters Requiring Massachusetts State Lottery Commission Approval

VOTE (1): Authorize Executive Director to enter into an extension for one year for ADA Consultant Services with the following firm:

**Kessler McGuinness & Associates LLC
1121 Washington Street, #6
Newton, MA**

This award is made pursuant to a competitive bid process (RFR LOT #1013), in which Kessler McGuinness & Associates LLC submitted the proposal that received the highest scores.

The maximum obligation assumed hereunder shall not exceed one-hundred thousand dollars (\$100,000.00).

Counselor Egan introduced the vote and reviewed the information provided in the supporting memo. He stated that in December 2011, following the engagement of KMA, the Lottery settled the civil suit. This settlement agreement requires, in part, continuation of ADA accessibility audits and review by KMA for the purpose of preparing barrier modification plans. The initial three year contract with KMA began on December 3, 2010 and was set to expire on December 2, 2013. With the Commission's approval, the first one year option was exercised last year, extending the contract expiration date to December 3, 2014. At this time, he strongly recommended exercising the final year option as the Lottery's legal obligations are on-going, require work that cannot be performed internally, and because KMA has become an integral and valuable asset to the Lottery in the exercise of these duties. The anticipated cost associated with a one year contract is less than one hundred thousand dollars (\$100,000.00).

Commissioner Boland asked a question about the cost of these services with respect to budgeted amount versus what is actually expended. Counselor Egan stated that the cost is dependent on the number of and type of location surveys involved and that the service has stayed within budget.

Commissioner Boland made the motion to extend the contract for one year with a maximum obligation of \$100,000.00. Commissioner McMahon second the motion. The motion passed 5-0.

VOTE (2): Ratify and adopt the Decision of Erin Nally, Esq. (hearing officer sitting by designation) in the matter of the appeal of: G&S Auto Sales & Service

Counselor Egan introduced the vote by informing the Commission that the matter was an appeal of a Lottery license denial based on a site visit to the location by the Lottery's sales department. He stated that Vote No. 3 was a similar appeal. He informed the

Commission that it needed to either ratify, amend or reject the decision of Erin C. Nally, Esq. (hearing officer sitting by designation) in the matter.

Commissioner Boland asked if the Commission could seek clarification from the hearing officer prior to making a final decision. Counselor Egan informed the Commission seeking clarification was appropriate and if the Commission so desired he could forward the points the Commission wanted clarified to the hearing officer and resubmit an amended decision at a later date. Commissioner Boland stated that there were two conflicting figures in this decision and Vote No. 3 that she wanted clarified and she desired one other point regarding the site visit clarified.

Commissioner Boland made the motion to table action on this decision and forward a request for clarification to the hearing officer. Commissioner McMahon seconded the motion. The motion passed 5-0.

**VOTE (3): Ratify and adopt the Decision of Erin Nally, Esq. (hearing officer sitting by designation) in the matter of the appeal of:
Indian Market**

The matter was discussed as part of Vote No. 2.

Commissioner Boland made the motion to table action on this decision and forward a request for clarification to the hearing officer. Commissioner Benison seconded the motion. The motion passed 5-0.

IV. Executive Director's Report
a. Sales update
b. Marketing update

Executive Director Bresnahan gave an update on Lottery sales for the month of September 2014, and indicated that overall sales were up \$14 million as compared to the previous September (2013). She noted that while sales were up, the prize payout for the month, and for the first three months of Fiscal 2015, were also on the rise which led to a \$12.3 million decrease in net profit as compared to last year.

Treasurer Grossman felt it was important to explain in detail how overall sales for the year could be up so much higher over the previous record sales year (\$62.9 million, or 4.15 percent, through October 25th), yet the net profit was down. Executive Director Bresnahan pointed to a shift in player purchasing habits, which has been trending to the higher priced/higher payout Instant games, along with the lack of significant jackpot offerings in the multi-state games this year which net about .42 cents on the dollar. She stated that players across the board find greater excitement in the "mega-sized" prizes and are willing to spend more money for a chance to win them, and introducing innovative games like the \$30 ticket that was launched in April helped to further refresh

the Lottery's game offerings; it also served to reinvigorate sales after last year's severe winter.

Treasurer Grossman noted that just how much excitement the \$30 World Class Millions ticket has generated to date with players and with the lottery industry as it had just been named "Best New Instant Ticket" by the North American Association of State and Provincial Lotteries (NASPL). Executive Director Bresnahan shared that it was the first time in Massachusetts Lottery history that the state had ever received the prestigious award.

Commissioner Boland inquired about the number of prizes awarded in the World Class Millions game. Executive Director Bresnahan stated the game was approximately 46 percent sold and to date one \$15 million prize, 14 \$1 million Instant prizes and two \$1 million Second Chance prizes have been awarded. She also expects the game to be sold out by summer 2015.

Treasurer Grossman then said that the Lottery monitors sales trends very closely and following the shift to higher priced games it wisely/accordingly adjusted the budgeted prize payout percentage from the historic 72.3 percent used for the last seven fiscal years to 72.7 percent. He then stressed that this adjustment would NOT impact the Lottery meeting its FY15 net profit projections of \$947 million.

Executive Director Bresnahan moved on to discuss September Instant Ticket sales, which were \$20 million higher than last year. She showed the four holiday-themed Instant Tickets (\$1, \$2, \$5 and \$10) which went on sale earlier that day, along with examples of the point of sale advertising that is the first release in the Lottery's multi-media holiday advertising campaign. Commissioner Boland inquired if/what more the Lottery was able to this holiday season with the additional \$3 million in advertising dollars appropriated in the FY15 budget. Executive Director Bresnahan said that the Lottery is planning to invest approximately \$1.65 million in advertising to support holiday sales, and noted how important it is as one-third of overall sales is typically generated during this 10-week period. She said that Connelly Partners, the Lottery's ad agency, was in the process of filming the holiday TV commercial, and it would be complemented by produced radio spots (something the Lottery's budget has not been able to sustain in recent years), endorsement radio reads, digital ads and out-of-home ads in malls, on buses and in other high-visibility areas near where Lottery games are sold. Additionally, she was very excited to share that for the first time the Lottery would be airing a low cost, but high-impact TV spot to support its Season Ticket/Subscription sales for the Powerball, Mega Millions and Megabucks Doubler games.

Executive Director Bresnahan concluded the sales and marketing update by reviewing slides that showed a nearly \$2 million increase in KENO sales; a \$5 million decrease in Powerball sales due to a smaller jackpot offering as compared to last year; a \$2 million decrease in Mega Millions sales; and, an approximate \$1 million decline in Lucky for Life sales.

At 10:54 a.m. Treasurer Grossman asked if there was any further business, and hearing none, he entertained a motion to adjourn. Commissioner Benison made a motion to adjourn. Commissioner McMahon seconded the motion. Motion passed 5-0.