

Massachusetts State Lottery Commission

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DATE: Tuesday, June 28, 2016

TIME: 10:30 a.m.

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

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
Dave Falcone, Chief of Staff, Treasury
Sarah Kim, General Counsel, Treasury
Chandra Allard, Deputy Communications Director
Shawn Collins, Legislative Director, Treasury
Brittany Koepfer, Legal Intern, Treasury
Rodline Louijeune, Legal Intern, Treasury

Michael Demakos, O'Neill & Associates

I. Opening of the Meeting:

Treasurer Goldberg opened the meeting at 10:34 a.m.

II. Approval of Minutes from May 31, 2016

Treasurer Goldberg asked the Commission to accept the minutes of the meeting of May 31, 2016. Commissioner Shack moved to accept the minutes of the meeting, and Commissioner Salvidio seconded the motion. The minutes were approved at 10:36 a.m.

III. Executive Session

Treasurer Goldberg explained that there was an issue before the Commission for which Executive Session is appropriate. Treasurer Goldberg cited Purpose 7 of M.G.L. Chapter 30A, sec. 21, to comply with, or act under the authority of, any general or special law or federal grant-in-aid requirements. Treasurer Goldberg then stated that the Commission would reconvene in open session at the end of the executive session. Treasurer Goldberg took a roll call vote of the body to enter executive session. The Treasurer asked the Commission all those in favor: Commissioner Shack, Commissioner Bennett, Commissioner Liddy, Commissioner Salvidio, Treasurer Goldberg were all in favor. The Commission entered into Executive Session at 10:38 a.m.

At 11:13 a.m., the Commission reconvened in open session. At this time Commissioner Bennett and Commissioner Shack excused themselves from the meeting and appointed designees, Doug Levine, Special Counsel, Executive Office of Public Safety and Security and Jeffrey Shapiro, Esq., Deputy Comptroller, Chief Operating Officer to attend in their place.

IV. Executive Director's Report

a. Sales Update

b. Marketing Update

Executive Director Sweeney reviewed Lottery sales for May, announcing overall sales were up \$10.4 million compared to May 2015. Executive Director Sweeney explained that, due to a shift in the calendar that resulted in seven fewer days being included in the net profit figure for May 2016, net profit for the month was \$86.6 million compared to \$109.3 million in May 2015. After adding a seven day average net profit figure of \$21.6 million, the adjusted change for May 2016 vs. May 2015 was a \$1.1 million decrease in net profit. Executive Director Sweeney continued to explain that, due primarily to a shift in the calendar, which resulted in one less day being included in the Fiscal Year ("FY") 2016 year-to-date net profit for the first eleven months of FY16, is \$929.8 million compared to \$924.7 million through the first eleven months of FY15. After adding a one day average net profit figure of \$2.8 million, the adjusted year-over-year change for the first eleven months of FY16 vs. the first eleven months of FY15 is a \$7.9 million increase in net profit. The estimated prize payout for the month of May 2016 was at 71.73 percent, as compared to 71.32 percent in May 2015. The year-to-date prize payout for FY16 is 73.16 percent, as compared to 72.42 percent for the same eleven month period of FY15.

Executive Director Sweeney reported that KENO experienced an increase of \$5.6 million over May of last year, and Instant Ticket sales were up \$2.0 million over May of 2015. Powerball sales also experienced an increase of \$4.2 million, as well as Mass Cash and the Numbers Game, both experiencing sales increases over May of 2015.

Mega Millions sales were down \$2.2 million, Jackpot Poker sales were down \$50,788 and Lucky for Life sales were down \$38,724. Megabucks Doubler sales were down \$24,133.

Five Year Comparison Chart

Executive Director Sweeney went on to discuss the Five Year Comparison chart, which is a key chart showing the highest payout as a percentage of the Lottery's sales from the last five years. He reported that it continued to remain steady and went down slightly to 73.2%, compared to last year at this time where it was at 72.4%.

Gross Sales Results

Referring to the Gross Sales Results chart, May FY16 vs. FY15 Unadjusted Non-Fiscal Year, Executive Director Sweeney reported that revenue generation sales were up \$10.4 million, with an increase of about 2.5%.

Referring to the Year-to-Date Gross Sales Results May FY16 vs FY15 Unadjusted Non-Fiscal Year chart, Executive Director Sweeney reported that overall sales were up \$209 million at 4.6%. Executive Director Sweeney mentioned that the increase was attributed to the very large Powerball Jackpot, a subsequent smaller Powerball Jackpot, as well as some recent traction with Mega Millions.

Instant Tickets

Executive Director Sweeney continued the discussion by providing a sales update on the Power Play Cashword, reporting that sales continue to be strong. Although sales of the ticket do not exceed prior year sales, it continues to demand a strong position in the marketplace. He also updated the Commission on the Hit Series Instant Tickets, as detailed in the Executive Director's report.

As part of the discussion around Instant Tickets, Executive Director Sweeney provided an update on the Lottery's efforts around Cadillac Riches. He reminded the Commission that at the beginning of March, the Lottery began a new relaunch of this ticket with multiple agent incentives, new Point of Sale (POS) material, wheel spin events and social media sweepstakes. Before the re-launch, the Lottery had been projected to reach the 60% of game sales in May 2017, but with a 555% weekly sales increase, the 60% mark was reached the week ending June 25th, knocking eleven months off of the life cycle.

Summer Promotions

Executive Director Sweeney informed the Commission that the Lottery will be offering a bonus chance promotion to KENO players for the Fourth of July holiday. Every non-winning KENO, KENO Bonus & KENO-to-Go ticket sold from June 30th through July 6th, will have a bonus chance to win \$1,000. Five (5) winning serial numbers will be selected each day during the promotional period, from the pool of non-winning tickets sold the previous day.

The Lottery will be offering a Season Tickets Summer Discount, from July 3rd through to August 6th. As an extra incentive, every Season Ticket bought or renewed during the discount period will be entered into a drawing to win \$1,000.

Executive Director Sweeney mentioned to the Commission that for some businesses, summers can be slow and with other businesses, it can be a peak time. He stated that the Lottery has formulated its marketing sales strategy this year, and took a minute to compliment the marketing and sales team, the employees in the field and the managers in the regional office. He explained that particularly in June, July and August, the Lottery expects a lot from

its employees, by making a lot of visits to retail agents, moving a good deal of POS material, as well as the introduction of the All or Nothing monitor game that's coming up in mid-July.

Social Media Messaging

Executive Director Sweeney moved on to share social media promotions of Lottery products. He showed examples of recent strategies employed on Twitter, Facebook and Instagram. He spoke about the success of the efforts done by Lottery staff and mentioned as always, the Lottery takes time and effort, to tweet out and use other social media to inform people of the Lottery's relationship with the Mass Council of Compulsive Gambling.

V. Votes Presented to the Commission

There were no votes on the agenda for this meeting.

VI. 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 11:31 a.m.