

Massachusetts State Lottery Commission

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- DATE:** November 25, 2014
- TIME:** 10:00 a.m.
- PLACE:** Office of the Treasurer and Receiver General
12th Floor
One Ashburton Place
Boston, MA
- MEMBERS PRESENT:** Steven Grossman, Treasurer and Receiver General, Chair
Beth Boland, Commissioner
Tim McMahon, Commissioner
Martin Benison, Commissioner
Andrea Cabral, Commissioner
- ALSO PRESENT:** Beth Bresnahan, Executive Director, Lottery
William Egan, General Counsel, Lottery
Deirdre Richardson, Chief Financial Officer, Lottery
Christian Teja, Director of Communications, Lottery
Cathy Judd-Stein, General Counsel, Treasury
Al Gordon, Deputy Treasurer of Policy, Treasury
Chandra Allard, Director of Communication, Treasury
- Justin Vogt, Account Director, Connelly Partners
Ashley McGilloway, Brand Manager, Connelly
- Deborah Goldberg, Treasurer-Elect
John Ostrosky, Staff, Treasurer-Elect Goldberg
Gintautas Dumcius, Reporter, State House News
Robert Frasca, Interested Member of the Public
- I. Opening of the Meeting**
State Treasurer Steven Grossman opened the meeting at 10:03 a.m.
- II. Acceptance of the Minutes of the Meeting of October 28, 2014**
Treasurer Grossman asked the Commission to accept the minutes of the meeting from October 28, 2014. Commissioner Cabral made a motion to accept the minutes of the

meeting as amended and Commissioner Boland seconded the motion. The minutes were approved 5-0.

III. Executive Director's Report

a. Sales update

b. Marketing update

Executive Director Bresnahan provided an update on Lottery sales for the month of October 2014, noting that overall sales were up \$11.4 million as compared to the previous October. She said that while sales were up, the prize payout for the month was up as well due to an extraordinary high number of grand prize winners throughout October. This decreased net profit for the first four months of the fiscal year by \$25.9 million as compared to last year. Executive Director Bresnahan continued to explain that the prize payout fluctuates based on the timing at which players cash in their prizes, and that she anticipates that the prize payout will return to the budgeted average of 72.7 percent during the course of the fiscal year.

Executive Director Bresnahan introduced staff from the Lottery's advertising agency, Connelly Partners, to the Commissioners and to others in attendance, and asked Ashley McGilloway, who works as the Brand Manager on the Lottery's account, to present information on the Lottery's media campaigns that are in market this holiday season. Ms. McGilloway presented information on the two campaigns: a :15 TV spot supporting the Lottery's Season Ticket offerings in the Megabucks Doubler, Mega Millions and Powerball games, as well as the larger multi-media holiday campaign that builds upon the "Happy to Give, Happy to Get" theme used in the point of sale advertising featuring the holiday Instant Tickets. In addition to playing the :15 "Seasons Change, But Your Numbers Don't Have To" Seasons Ticket commercial, she also played :10 and :30 spots supporting Instant Tickets, played a produced radio spot and showed the various digital ads that are in the market, and showed the location-based advertising pieces on display in malls and on buses. The ads can be viewed on the Lottery's website (www.masslottery.com).

Executive Director Bresnahan thanked Ms. McGilloway for her presentation, then opened up the discussion on specific game performance by informing the Commission that October's Instant Ticket sales were up \$5.8 million and that the four holiday-themed tickets were strong sellers. Commissioner Boland inquired about the sales spikes and dips depicted in the Instant Tickets Monthly Sales Chart (see page 7 of Executive Director's Report), noting that there was a significantly high spike in April 2014, but the sales have since seemed to taper off. Executive Director Bresnahan explained that the Lottery sales follow a fairly predictable pattern by design. The Lottery times its game releases so they are consistent with releases of previous years to get a true apples to apples comparison on game performances each year. She then explained that the spike Commissioner Boland was referring to was because the April 2014 sales included the release of a \$30 ticket, as compared to April 2013's \$20 ticket release, hence the higher dollar amount represented in the chart. The subsequent 2014 releases, while all higher than the previous year's sales, did not include any new or higher priced games than years' past. If the Lottery releases a

\$20 ticket in April 2015, rather than a \$30, the chart would then show a dip closer to 2013 sales, but Executive Director Bresnahan shared that she hopes to introduce another \$30 ticket in April 2015 because the World Class Millions game is such a success, and also so there are no sales dips and the Lottery meets its projected net profit for FY15.

Treasurer Grossman stated that he'd like to move to an item that, while appears further down on the agenda, is very pertinent to the current topic being discussed: Governor Patrick's proposed 9C budget cuts. Treasurer Grossman provided a recap of the situation stating that just four months after signing a \$36.5 billion FY15 budget that increased spending by 5.6 percent, the Governor announced that there were insufficient revenues to support that level of spending and proposed a plan to close a budget gap through 9C cuts, including a \$25.5 million cut in local aid. Governor Patrick also asked non-executive branch officials to mandate 1.5 percent cuts across the board at their respective agencies.

Treasurer Grossman said he told Patrick administration officials that he was willing to voluntarily cut his office's budget by 1.5 percent, but that he opposes a \$1.4 million cut to the Lottery's budget as it would mean cutting instant tickets from the print schedule that could result in more than \$170 million in sales and \$30 million in profits if approved. He continued by stating that it would be unwise to make those cuts because it would cost the Lottery and the state much more in lost profit than what would ever be picked up in savings.

Treasurer-elect Goldberg, who formerly served as the chair of the Brookline Board of Selectmen, acknowledged that in her previous role saw firsthand how Lottery local aid dollars serve as a critical lifeline to cities and towns, and that she is extremely concerned about any proposal that would cut into those funds. Treasurer Grossman asked if she would like to address the Commission to speak more about the role she would be assuming in January as its Chair. Treasurer-elect Goldberg continued by sharing additional information about her background which began in the retail, marketing and promotions field. She stated that the Lottery's relationships with its retailers are critical to their mutual success and will be even more critical as the state moves into a more competitive gambling environment. She then stated that Massachusetts currently has the number one lottery, but can be even better, and that she looks forward to working with everyone moving forward to achieve that goal.

Treasurer Grossman then thanked the Commissioners for their work and dedication to the operations of the Lottery. He noted that in the four years since the management team that was put in place in January 2011, sales had grown by approximately half a billion dollars and profits had increased by nearly \$100 billion.

At 10:15 a.m Treasurer Grossman informed the Commissioners that he would like to make a motion to commend the professional team at the Lottery for their achievements and successes. Commissioner Cabral so moved, and Commissioner Boland seconded the motion. All Commissioners were in favor of the motion.

Executive Director Bresnahan thanked the Commissioners for the recognition on behalf of the entire Lottery staff, and continued with the remainder of her sales and marketing report, which included the following updates:

- KENO game sales were up \$3.7 million for the month of October;
- Jackpot Poker sales were down \$233,993 as compared to last year; Lottery staff will be actively searching for a replacement game after the first of the year;
- Numbers Game sales were down slightly, ringing in \$185,474 less than last October;
- Mass Cash sales were up \$281,476 over last October;
- Megabucks Doubler sales were down \$256,315 due to jackpot level;
- Super 50/50 Raffle sales were down by \$147,640 because the game is not being offered this year;
- Lucky for Life sales were down \$527,960 for the month. The game, which is currently offered in the six New England states is expanding to include 17 state lotteries from across the nation. The expanded game, which launches at the end of January, will offer more prizes and with the larger player base, more top prize winners which will serve to reinvigorate excitement around the game;
- Mega Millions sales for the month of October were up \$5.4 million thanks to a larger jackpot offering;
- Powerball sales were down \$2.5 million due to a smaller jackpot as compared to last October;
- All game monthly sales were up \$11.4 million as compared to October 2014;
- Net profit for the month was down by \$7 million as compared to the previous year, which decreased the net profit for the first four months of the fiscal year by \$25.9 million; and,
- Sales for the first four months of FY15 were up by \$63 million, or 4.2 percent, compared to last year. Updated figures as of November 22, 2014 show that YTD sales are up \$84.7 million, or 4.53 percent.

Additional information and all charts detailing October 2014 sales can be found in the *Executive Director's Report* dated November 25, 2014.

IV. Matters Requiring Massachusetts State Lottery Commission Approval

VOTE (1): the Executive Director is hereby authorized to enter into an amendment of the current lease for the Lottery's office in Woburn, MA with:

**Cummings Property
200 West Cummings Park
Woburn MA**

Counselor Egan introduced the vote informing the Commissioners that they have voted on similar measures in the past to improve the functionality of the Woburn office, particularly it's check writing ability to pay prize winners. The task to be performed here is running new fiber optic cable through the Landlord's underground conduit storage through a small area adjacent to

the Lottery space that will improve connectivity of the Woburn office to the Braintree headquarters. The cost for this improvement is a one-time payment of \$1,280 and an increase of \$65 to the monthly rent. These amounts will increase the maximum obligation of the remaining years of the lease to \$947,538.00.

Commissioner Benison made the motion to amend the lease increasing the maximum obligation to \$947,538.00. Commissioner Cabral seconded the motion. The motion passed 5-0.

At 10:55 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.