

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting
held on
Tuesday, May 22, 2018
At 12:00 p.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Donald DeFronzo, Chairman; Patrick Birney, Vice Chair; Meghan Culmo (via teleconference); James Heckman (via teleconference); Michael Janusko; Robert Morgan; Margaret Morton; Natasha Pierre (via teleconference); and Michael Thompson.

Staff Members Present: Chelsea Turner, Interim President and CEO; Paul Granato; Michael Hunter; Theresa Scott; Matthew Stone; Annmarie Daigle; and Rebecca Lambert.

Call to Order: Chairman DeFronzo called the meeting to order at 12:04 p.m.

I. Welcome:

Chairman DeFronzo welcomed the Board members and thanked them for attending today's meeting.

II. Approval of April 19, 2018 Meeting Minutes:

On a motion made by Mr. Thompson, and seconded by Ms. Morton, it was:

“Resolved, that the Board hereby approves the April 19, 2018 Board meeting minutes.”

Mr. Birney abstained.

III. Executive Report:

Interim President's Report:

Ms. Turner welcomed and thanked the Board for attending today's meeting and proceeded to provide the Board with her report. Ms. Turner noted that the Lottery is performing strongly and on pace for a record year. Currently, General Fund transfers are \$298 million, which is 2.1% ahead of budget, and 7.5% ahead of last year. Ms. Turner extended thanks to Mr. Granato and the finance team for their work on accurately forecasting this year's budget projections.

Ms. Turner highlighted \$5,000,000 Ultimate, which is currently the Lottery's best-selling \$30 instant game as well as two new instant games, Cashlicious, and \$500,000 Extreme Cash. Ms. Turner then shared two rough-cut commercials, one for Cashlicious and one for Keno, as well as a rough cut of the PSA regarding lottery scams that was created in collaboration with the Department of Consumer Protection.

Ms. Turner announced the recent selection of Decker Creative Marketing & Makiaris Media as CLC's new marketing partners, noting that they have been working together for over 15 years and are Connecticut-based.

Ms. Turner then discussed HB 5307: AAC Sports Wagering in the State and specifically LCO 5824 (amendment) and the potential for a special legislative session.

Looking ahead, Ms. Turner discussed the forthcoming organizational assessment RFP; the Player Activated Terminals (PATs) contract which is nearing completion; the RFP for a Loyalty Club which is in the bid selection process; the forthcoming database encryption RFQ; as well as an upcoming tabletop disaster-recovery exercise.

This concluded the Interim President's Report.

Sales Performance and Game Update:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided the following report for the period ended April 30. All sales figures are unaudited estimates. Sales for all games during the period were \$1.06 billion, up 5.1% from last year. Instant games sales were \$605.5 million, which is slightly above budget by .1%. Daily numbers games sales were \$201.1 million, which is right on budget. Draw game sales were \$117.2 million, which is under budget by .8%. Powerball, Mega Millions, and Lucky for Life had combined sales of \$129.4 million through April 30. This is ahead of projections by 11%.

IV. Committee Reports:

Audit Committee:

Mr. Thompson noted that the Audit Committee met twice since the last Board meeting; once on May 7th and again earlier this morning. At the May 7th meeting, the Committee met to discuss lease extensions for the Alumni Road facility (CLC's backup warehouse and disaster-recovery site); selection of new financial auditors, as well as Positive Pay initiative with Bank of America. Mr. Thompson stated that the committee voted to recommend that the Board of Directors authorize the Interim President and CEO to execute the lease extensions on the Corporation's behalf.

At the May 22nd meeting the Committee voted to appoint Blum Shapiro and Company, PC as the Corporation's new financial auditors for the next three years. A resolution will be presented to the full Board for approval later in today's meeting.

Finance Committee:

Mr. Birney reported that the Finance Committee met earlier today to discuss the first draft of the FY19 Budget as well as the financial statements for the period ended March 31, 2018. He asked Mr. Granato to provide the Board with an overview of the financial statements. Mr. Granato reported on individual game performance including sales, cost of sales, operating expenses and contributions to the General Fund.

Three-month highlights ended March 31, 2018:

- Total sales were \$317.1 million, up 4.4% compared to the prior year. The Lottery returned \$85.6 million to the State of CT General Fund, up 12.4% for the same period last year.
- Total sales were ahead of budget by \$5.2 million or 1.7%. Overall, General Fund transfers were ahead of budget by \$3.2 million or 3.8%.

Nine-month highlights ended March 31, 2018:

- Total sales revenue was \$945.2 million, up \$43.6 million compared to the prior year. The Lottery returned \$261.1 million to the State of CT General Fund, an increase of \$21.6 million over the same period last year.
- Total sales exceeded budget by \$12.8 million or 1.4%. Overall, General Fund transfers exceeded budget by \$10.1 million or 4%.

This concluded Mr. Granato's report.

Personnel Committee:

Ms. Pierre reported that the Personnel Committee met on May 16, 2018, primarily in Executive Session to discuss a draft organizational chart as well as personnel line items pertaining to the draft FY19 budget. No votes or actions were taken at the meeting.

V. New Business:

On a motion made by Mr. Thompson and seconded by Mr. Birney, it was unanimously:

“Resolved, that after due consideration and based on the recommendation of the Audit Committee, the Board of Directors hereby approves the appointment of Blum Shapiro and Company, PC as the new auditing firm for the Connecticut Lottery Corporation for the next three years.”

On a motion made by Mr. Thompson and seconded by Mr. Birney, it was unanimously:

“Resolved, that after due consideration and based on the recommendation of the Audit Committee, the Board of Directors hereby authorizes the Interim President and CEO to execute on the Corporation's behalf, the First Amended and Restated Lease Agreements concerning office and warehouse space which the Corporation, as tenant, currently holds from Vernel Company LP, as landlord, at 81 Alumni Road in Newington.”

Chairman DeFronzo commended the CLC staff at all levels for their good work during the past year and suggested that the Labor-Management Committee discuss a staff recognition event at the end of the fiscal year.

VI. Executive Session:

At 12:47 p.m., on motion made by Mr. Birney and seconded by Mr. Thompson, the Board moved to Executive Session to discuss:

- Attorney/Client Communications
 - Statutory Matter, Title 12

Ms. Turner and Mr. Stone were invited to stay for Executive Session.

At 1:42 p.m. the Board reconvened in regular session.

VII. Discussion and action, if any, on items discussed during Executive Session:

Chairman DeFronzo noted that no votes or actions took place during Executive Session.

VIII. Adjournment:

On motion made by Mr. Birney, seconded by Mr. Heckman, and unanimously approved, the meeting adjourned at 1:43 p.m.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation