

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting  
held on  
Thursday, February 22, 2018  
At 1:30 p.m.  
at the  
Legislative Office Building, Room 2B  
300 Capitol Avenue  
Hartford, Connecticut 06106

Board Members Present: Donald DeFronzo, Chairman; Patrick Birney, Vice Chair; Robert Dakers; James Heckman; Michael Janusko; Margaret Morton; Natasha Pierre; and Michael Thompson.

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

Call to Order: Chairman DeFronzo called the meeting to order at 1:45 p.m.

I. Chairman DeFronzo welcomed the Board members and thanked them for attending today's meeting. Chairman DeFronzo also welcomed Commissioner of the Department of Consumer Protection, Ms. Michelle Seagull, who was in attendance.

II. Approval of November 15, 2017 Meeting Minutes:

On a motion made by Mr. Birney, and seconded by Ms. Morton, and unanimously approved, it was:

“Resolved, that the Board hereby approves the February 14, 2018 Board meeting minutes.”

III. Resolution to Elect Vice Chairperson:

Chairman DeFronzo asked for a resolution to elect a Vice Chairperson. On motion made by Mr. Janusko and seconded by Mr. Heckman, and unanimously approved, it was:

“Resolved, that the Board elects Patrick Birney as Vice Chairperson of the Connecticut Lottery Corporation's Board of Directors for a period of one year.”

IV. Executive Report:

Interim President's Report:

Ms. Turner welcomed and thanked the Board for attending today's meeting at the Legislative Office Building and proceeded to provide the Board with her report. Ms. Turner provided mid-

year highlights noting that the Lottery had \$219 million in General Fund transfers which is 4% ahead of budget, and 9.1% ahead of FY17. Connecticut recently had a \$1 million Mega Millions winner on February 9<sup>th</sup> and two Lucky for Life second prize winners on February 12<sup>th</sup> and February 19<sup>th</sup>. CLC is now the leader for Lucky for Life second prizes.

Ms. Turner highlighted various recent campaigns including CLC's marketing around the Olympics as well as recent Cash5 promotions which resulted in a 4% increase in Cash5 sales. She shared TV and radio spots supporting a new suite of instant tickets, Lucky 7s, Double Lucky 7s and Triple Lucky 7s. Ms. Turner presented before and after merchandising efforts at several retail locations all of which had a significant positive impact on the retail location's average weekly sales.

Keno continues to perform well, most notably in locations that have a monitor installed. Ms. Turner highlighted several locations' weekly sales numbers both before and after installing a Keno monitor.

New instant tickets launching soon are the \$5,000,000 Ultimate, in March, which will be CLC's highest top prize on an instant ticket; as well as a new Foxwoods instant, Escape to Foxwoods, will launch in June after much success with last year's High Roller ticket.

Ms. Turner then discussed several cost-containment measures including the negotiation of several contracts as well as efforts to save money by both selling and purchasing items on State Surplus.

CLC is working in collaboration with the Department of Consumer Protection on a pilot program to perform compliance checks at a limited number of retailers beginning late spring or early summer.

Ms. Turner highlighted several staff development efforts including spring in-service class registrations which are on the rise; employee training for sexual harassment prevention and responsible gambling, as well as outside leadership programs.

March is designated as Problem Gambling Awareness Month and as such, the CLC has various events planned for each day of the month. Highlights include a proclamation from Governor Malloy, a Board Resolution, employee and retailer training, a display in our lobby, an employee corporate responsibility newsletter, and fundraising for the Connecticut Council on Problem Gambling, as well as extra responsible gambling marketing and "go dark" days during the month.

Looking ahead, Ms. Turner stated that finalists of the advertising RFP have been invited to make detailed presentations to CLC staff, and an RFP for a loyalty program would be issued in the coming weeks. She also discussed recent negotiations for the purchase of Player Activated Terminals (PAT) which would replace older Instant Ticket Vending Machines (ITVM) at approximately 200 retail locations.

Ms. Turner noted that the CLC has been the lead director of the Lucky for Life game for about four years and has expressed interest in passing the baton on to another lottery at the end of the fiscal year. Two other New England states have expressed interest.

Finally, Ms. Turner gave an overview of several bills that the CLC is watching during this legislative session, a short session year, most notably iLottery and sports betting. CLC is also closely following the Commission on Fiscal Growth and Economic Stability.

Mr. Thompson congratulated the management team on the positive sales performance to date, which Ms. Turner attributed in part to Keno as well as recent large jackpots.

Sales Performance and Game Update:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided a brief report for the period ended January 31. All sales figures are unaudited estimates. Regarding All Games, sales through January 31 were \$730.2 million, up 4.9% from last year. Regarding Connecticut Games, Instant Games sales through January 31 were \$415.8 million. This is \$0.6 million or .1% under budget. The fiscal-year projection for Instant Games is \$730 million. The Connecticut Millionaire's Club, a new \$20 ticket, has over \$18 million in sales since its launch on September 26<sup>th</sup>.

Daily Numbers Games sales through January 31 were \$139.1 million. This is under budget by \$0.8 million or 0.6%. The fiscal-year projection for these games is \$242 million. Draw Game sales through January 31 were \$80.2 million. This is below projections of \$83.6 million, a difference of \$3.4 million or 4%. Regarding Multi-State Games, Powerball, Mega Millions and Lucky for Life had combined sales of \$92.9 million through January 31. This is ahead of a projected \$82.5 million for these games, putting sales \$10.5 million or 12.7% ahead of budget. The fiscal-year projection for these games is \$140 million. Keno sales since the April 2016 launch are more than \$136 million.

Regarding Total Sales, through January 31 they were \$730.2 million. Projections for total sales were \$722.3 million, which puts total sales \$7.9 million or 1.1% ahead of budget. The fiscal-year projection for all games is \$1.253 billion.

V. Committee Reports:

Legislative and Games Committee:

Ms. Morton noted that the Legislative and Games Committee met on February 6, 2018. The Committee met in Executive Session, primarily to discuss the draft legislative agenda. Ms. Morton stated that no votes or actions were taken during the Executive Session at the Legislative and Games Committee meeting.

Finance Committee:

Mr. Birney thanked the management team for the increase in Keno sales revenue. He noted that the Finance Committee met on February 9, 2018, primarily to review the second-quarter financial statements and to discuss the section of the state budget that relates to the CLC. Mr. Birney

requested that Mr. Granato give an overview of the second-quarter financial statements. Mr. Granato reported on the unaudited results for the quarter ended December 31, 2017. Mr. Granato reported on individual game performance including sales, cost of sales, operating expenses and contributions to the General Fund. Six-month highlights for the period that ended on December 31, 2017:

- Total sales were \$628.1 million, up 5.1% compared to the prior year. The Lottery returned \$175.5 million to the State of CT General Fund.
- Total sales exceeded budget by \$7.6 million or 1.2%. Overall, General Fund Transfers exceeded budget by \$6.9 million.

This concluded Mr. Granato's report.

Audit Committee:

Mr. Thompson noted that the Audit Committee met on February 13, 2018. The Committee met in Executive Session to discuss a contractual matter. Mr. Thompson stated that no votes or actions were taken during the Executive Session at the Audit Committee meeting. The Committee discussed the upcoming PATs purchase and the retailer Compliance Checks which Ms. Turner discussed in her report.

VI. Old Business:

FOIA Update:

Mr. Stone reported that the CLC recently received a FOI request from a civil rights blogger who requested information with regard to Mr. Adam Osmond.

VII. New Business:

Resolution to terminate contract with Marcum LLP:

On a motion from Mr. Birney and seconded by Ms. Morton, it was:

Resolved, that the Board of Directors, after due consideration, directs the Interim President & CEO of the Connecticut Lottery Corporation to take the necessary steps today, February 22, 2018, to terminate the contract between the Lottery and Marcum LLP for the auditing of the Lottery's financial statements.

Discussion of plans to bring in outside expert to provide organizational evaluation and recommendations:

After a brief discussion, and on a motion from Mr. Birney and seconded by Ms. Morton, the Board of Directors hereby directs the CLC management team to work with the Audit Committee to establish RFP guidelines to bring in an outside expert to provide organizational evaluation and recommendations.

Auditors of Public Accounts: Current Audit:

The State Audit commenced on January 30th. The Auditors are expected to be on site for several weeks and so far the audit is going smoothly.

Resolution to endorse Problem Gambling Awareness Month, March 2018:

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

Resolved, that the Board of Directors of the Connecticut Lottery Corporation endorses the Lottery's observance of and participation in Problem Gambling Awareness Month in Connecticut, from March 1, through March 31, 2018 to raise public awareness about the potential risks of gambling, and to reinforce the Connecticut Lottery Corporation's commitment to corporate social responsibility.

VIII. Adjournment:

On motion made by Mr. Birney, seconded by Ms. Pierre, and unanimously approved, the meeting adjourned at 2:48 p.m.

Respectfully submitted,

Matthew Stone  
Corporation Secretary  
Connecticut Lottery Corp.