



DRAFT MEETING TRANSCRIPTION

Executive Committee

Special Meeting

November 12, 2020 at 10:00 a.m.

via teleconference

Committee Members: Robert Simmelkjaer, Board Chair; Wilfred Blanchette, Jr., Personnel Committee Chair; Patti Maroney, Finance Committee Chair; Margaret Morton, Legislative & Games Committee Chair; and Michael Thompson, Audit Committee Chair.

Staff Members: Greg Smith, President & CEO; Matthew Stone; and Annmarie Daigle.

I. Welcome:

(R. Simmelkjaer): Hello, my name is Rob Simmelkjaer, I am the Chairman of the Board of the Connecticut Lottery Corporation, today is November 12, 2020 and I am calling to order this Special Meeting of the Executive Committee at 10:03 a.m. Before we begin I'd like to introduce Matt Stone, the General Counsel of the Connecticut Lottery Corporation, to discuss the rules under which we are operating.

(M. Stone): Thank you Mr. Chairman. This is Matt Stone, General Counsel for the Lottery, and we continue to operate under Governor Lamont's Executive Order regarding public access to meetings. There is no in-person public attendance at these meetings so the public is listening in on their own phone line. When the Committee goes into Executive Session, the public phone will be taken out of the room. That line will be kept open and active and then brought back into the meeting room after the Executive Session. A reminder that speakers need to identify themselves by name before speaking; this is particularly important for Board members when making motions, seconding motions, voting no or abstaining from a vote. This is important so that the public knows who is taking what action. And finally, the audio of this meeting is being recorded and we will post a transcript of the meeting on our website which will serve as the minutes. That is all, back to you Mr. Chair.

II. Approval of the September 10, 2020 Executive Committee Special Meeting Minutes:

(R. Simmelkjaer): Thank you very much. The first item on the agenda is to approve the minutes of our last meeting which was held on September 10, 2020. Any questions or comments about the minutes? If not, I'll ask for a motion to approve.

(M. Thompson): So moved, Michael Thompson.

(W. Blanchette): Second, Blanchette.

(R. Simmelkjaer): Thank you. All those in favor of approving the minutes?

(All): Aye.

(R. Simmelkjaer): Any opposed? Hearing none, the minutes are approved.

III. Discuss New Management Positions:

(R. Simmelkjaer): Next on our agenda is a discussion of new management positions for the Connecticut Lottery and with that I'll turn it over to the President, Greg Smith.

(G. Smith): Thank you Mr. Chair. This is Greg Smith. Some brief comments for you, I mentioned at the last Board meeting that we were adding some positions to either directly replace or for functionality, replace positions that are vacant. We have posted and I've received applications for both the Senior Director of Operations and for a Government Relations Manager. Good interest in both of those positions based on the applications we've received and I'll be interviewing for those jobs starting next week.

(R. Simmelkjaer): Very good. Any questions? Hearing none, thank you Greg.

IV. Powerball Update:

(R. Simmelkjaer): The next item on the agenda is an update on Powerball, a multi-state game.

(G. Smith): Thank you, this is Greg Smith again. For the Board's awareness the Powerball game group has been looking at a variety of ways to stimulate sales and this has been above and beyond the effects of the pandemic and actually started well before it came into existence – exploring various ways of either adding more drawings or adding international lottery participants into the Powerball game as it exists in the U.S. Last month the Powerball game group voted to add a third drawing to the weekly drawings, which would be Monday, and this would begin in August of 2021. So when this third drawing is added, Powerball would be drawn on Monday, Wednesday and Saturday. The analysis of doing this is that we would expect nationally that game group sales would grow by over five percent due to this addition, and for the knowledge benefit of the Board members, the sales on the drawing dates is typically in the neighborhood of 60-70% of the sales per drawing. The sales that occur on the day of the drawing drive the total sales of each drawing and so adding a third drawing date should have a positive impact on this game. We're going through the same thing with the Lucky for Life game going to daily draws starting in July of 2021, but a bit different concept as Lucky for Life has a fixed top prize amount, \$1,000 a day for life, where Powerball has a growing jackpot; but the idea of adding an additional day was a positive feature for most of the members so the idea passed.

(R. Simmelkjaer): So that will start in August of 2021.

(G. Smith): Yes.

(R. Simmelkjaer): This is Rob. Remind me again about the stagnation of the jackpots. That has been driven as much by financial markets factors as by sales issues, right?

(G. Smith): Yes, thinking back two, three, or more years, the annuity factor had been stronger and allowing jackpot growth and funding of jackpots to occur much more quickly. The recent impact, particularly pandemic-wise, on the annuity factor, keeps that jackpot, the cash versus the advertised value, pretty close so it does not grow as fast as it has in the past. That has a clear impact on the public's interest in participation – many believing that if the jackpot is not 'X' it's not worth their time.

(R. Simmelkjaer): Human psychology, I guess. So more sales at least could help offset some of that annuity issue potentially?

(G. Smith): Yes, this is Greg Smith again. Sometime in the early part of calendar year 2021, we will have the edited game rules to have approved by the Legislative & Games Committee and the Board and go through that whole process for the Powerball game. While we are not changing any other aspects of the game, the drawing date change needs to be rolled into Connecticut's rules.

(R. Simmelkjaer): This is Rob again, one more question. The Mega Millions game is still twice a week, correct?

(G. Smith): Yes, it is and that game group has been made aware of these discussions and decision; they don't always respond in the same way the Powerball group does with regard to feeling a need for a change in a game but they are aware of it and we include some members of that game group in Powerball discussions and vice versa so that we can be aware. When these games were less similar, there was less engagement by the parties together in the groups but now that they are quite similar games it is important for all states to be aware of what might take place in the games so that we can react within our state markets.

(R. Simmelkjaer): Thank you Greg. Any other questions?

V. Discuss Change to CLC Field Staff Work:

(R. Simmelkjaer): Ok, the next item on the agenda is discussing some changes to the Connecticut Lottery field staff work. This is in relation to what is happening with COVID, obviously companies are all making adjustments to where and when their employees are working, and I know we are looking at some changes as well. Greg can you take us through that?

(G. Smith): Yes, this is Greg Smith again. Small bit of background on this. Our field sales staff volunteered to return to call on their routes in person starting in August of this summer. The primary purpose for that returning into field was we needed to have the instant ticket games that had come to an end, those remaining packs needed to be picked up so that we could properly account for the sales of those games and properly invoice the retailers for the ticket sales that they actually had. An example would be a store had been in possession of two packs of the same game, one of those packs was half way sold and the other was not being sold yet. The last top prize of that game was won so we remove all those tickets from the market, the pack that had not been activated allows us to take custody of that and destroy it, no financial transaction had taken place yet. With the partial pack, the retailer would be charged in full for that pack until we take the partial pack back and credit them the unsold tickets. Also by virtue of that, when they are charged for that full pack, we recognize the revenue on that full pack and then would not take that reduction in sales back to the partial sales until we had already accounted for and gotten possession of that partial pack. It's not terribly complicated but because we do consignment sales on these instant tickets, recovering the product and doing the proper retailer and revenue accounting is the only way to do that. So back to the sales reps, the reps volunteered to go to all of their stores and pick up these tickets so we could get them timely and not rely on a third party courier to pick these up. Now by September, all of the reps had volunteered to do this and everyone was back in the field on a voluntary basis. Now we are retracting that volunteer work and having all reps not go to stores but now doing telephone calls to each of their accounts. We will monitor this absence from the field and the volume of instant ticket packs, and if we need to return back to the field while the COVID case counts are at the level that they are, we will look at that and potentially start that at a lower volume of reps and see what are method is to recover those packs but we could go for a number of weeks before taking any action on that and still manage control of the games well enough. We will monitor that situation and I will let you know

if and when we need to return on a partial basis, or if the conditions merit, letting more volunteers go out.

(R. Simmelkjaer): This is Rob Simmelkjaer, the hesitation to using a third party courier, is that just a security issue?

(G. Smith): Yes, this is Greg Smith again. It could be a cumbersome process, we developed the process in full and have been using it for a few months this spring and summer. One of the aspects is the retailer would be packing up these games and they normally give these directly to a Lottery employee and they would be surrendering that to a courier who is an unknown entity to them. It has to do with financial transactions for them as well as the Lottery. We are perfectly comfortable with the courier but not all retailers would surrender their tickets to the courier. So while it was good, it wasn't perfect, and if we feel like the courier is the model we should move forward with next, we know that we have the ability to execute that, it was just a less than perfect approach to it. Just wanted to make sure you were aware of that adjustment with field sales. We continue to operate with good teleworking in the office. We do have some work that is necessary for people to be physically present either by job or with some volume of work on a weekly basis. Some Lottery employees do come into the office each day, some employees telework each day, and some are still intermittent in their need and we continue to adjust as needed for business purposes as well as health and safety concerns.

(R. Simmelkjaer): Very good. Any other questions?

VI. Discuss Executive Committee 2021 Meeting Schedule:

(R. Simmelkjaer): Thank you, Greg. The next item on the agenda is discussing the 2021 meeting schedule for the Executive Committee. Greg, you'll take that one as well?

(G. Smith): Yes, this is Greg. Putting forth a commitment of meeting schedules for the next year is a good idea to the extent that it is relevant to the different committees because the fixed calendar of meetings allows a bit more flexibility for the Committee during the meeting itself, to consider adjusting agenda order and also considering adding items to the meeting agenda. If the Committee can commit to a schedule, which allows for that to happen, if the meetings that they commit to are not necessary they can certainly be cancelled and if there are special meeting needs, they can certainly be added. This is more of a structure to begin with, and to use to the benefit of the Committee, knowing you can always add to or delete from that calendar based on the needs of the Board or the Committee.

(R. Simmelkjaer): Very good. So is the thinking that we will commit to a schedule similar to what we have been using since I came on board which is every other month, on the second Thursday?

(G. Smith): Yes, this is Greg Smith again. The Executive Committee proposed schedule would be the odd months of the year, second Thursday of those months at 10:00 a.m.

(R. Simmelkjaer): That works for me. Does anyone have any comments on that, I think it's been working very well.

(M. Thompson): That works.

(W. Blanchette): Good.

(M. Morton): Thank you.

(R. Simmelkjaer): So we will go with that schedule for 2021. Next we have a couple of items to discuss in Executive Session, so I'll ask for a motion.

(M. Thompson): So moved; Michael Thompson.

(W. Blanchette): Second; Blanchette.

(R. Simmelkjaer): Thank you very much. All those in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Hearing none, we will go into Executive Session at 10:23 a.m. We will close the public line at this point.

(G. Smith): This is Greg Smith, I'd like to have Matt Stone and myself stay for this discussion.

VII. Executive Session:

a. Discussion of Pending Claims and Litigation: Marcum and Vendor Contract

b. Discussion of Draft Plan to Address Contractual Matter

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

(R. Simmelkjaer): This is Chairman Simmelkjaer. We are back in public session at 10:45 a.m., no votes or actions were taken during the Executive Session.

IX. Adjournment:

(R. Simmelkjaer): With that we are prepared to adjourn the meeting. I'd like to ask for a motion to adjourn.

(M. Morton): Peg Morton, so moved.

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): All those in favor of adjourning?

(All): Aye.

(R. Simmelkjaer): Opposed? Ok, that adjourns our special meeting of the Executive Committee at 10:46 a.m. Thank you very much members of the public, Board members, staff. Our next full Board meeting will be on December 10th.

Respectfully submitted,

Matthew Stone
Corporate Secretary
Connecticut Lottery Corporation