

**CONNECTICUT LOTTERY
CORPORATION**



MINUTES
of the Board Meeting
held on Thursday, June 27, 2013 at 1:00 p.m.

at the Connecticut Lottery Corporation
777 Brook Street, Rocky Hill, Connecticut 06067

Board Members Present: Frank Farricker, Chairperson of the Board; Gale Mattison, Vice Chairperson of the Board; Robert Morgan; James Farrell; Steven Bafundo; Natasha Pierre; Robert Dakers; Patrick Birney; Margaret Morton (via teleconference) and Michael Thompson (via teleconference)

Staff Members Present: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Paul Granato; Michael Hunter; Lana Glovach; Christine Valentine and Luci Goodwin

Call to Order: Chairperson Farricker called the meeting to order at 1:02 PM.

I. Approval of Minutes:

On motion made by Mr. Mattison, seconded by Mr. Farrell, and unanimously approved, it was:

“Resolved: That the Board hereby approves the May 23, 2013 Board meeting minutes.”

II. Executive Report:

President's Report:

Ms. Noble thanked Board members for attending today's meeting and also thanked her staff for their support and hard work to achieve another successful year. Highlights from her report are as follows:

- Estimated Sales are \$1.116 billion plus for FY' 13.
- Estimated General Fund Transfers are at \$306 million, and possibly higher, for FY' 13.
- The CT Lottery also collected an estimated \$319,000 in delinquent taxes for the Department of Revenue Services, an estimated \$163,000 in delinquent child support for the Department of Social Services, paid \$2.9 million to the Department of Consumer Protection for regulatory costs, and transferred \$1.9 million to the Chronic Gamblers' Treatment Fund at the Department of Mental Health and Addiction Services during FY' 13.
- For FY' 14, the amount provided to the Chronic Gamblers Treatment Fund will be increased by \$400,000. The CT Lottery supports the increased funding to the Chronic Gamblers' Treatment Fund and is committed to having a healthy, sustainable gaming population.
- The budget projections for FY' 14 are for \$1.122 billion in sales with General Fund Transfers of \$317 million. These goals are ambitious and depend in part on the multi jurisdictional jackpot games, the performance of which is volatile and uncertain.
- Key assumptions for FY ' 14 include: stable gas prices, reasonable weather patterns, prize expense at statistical payouts, head count declining slightly and a positive outlook for the multi-jurisdictional games. Keno is not included in the proposed budget at this time.
- The CT Lottery currently has approximately 2,800 retailers. We are waiting for regulatory approval from DCP on the Mohegan Sun application and have also had exploratory discussions with the Airport Authority.
- Rep. King from New York recently introduced HR 2282, an igaming bill, in Congress. This is broader than the ipoker proposals that were introduced in the last Congressional session. Rep. Barton is expected to introduce an ipoker bill soon. We are monitoring these developments closely.

- We had two graduates of the Outstanding Leaders Capstone Program: Jennifer Hunter and Tom Trella. Congratulations to these managers; we appreciate our aspiring leaders.

Sales Performance Report:

Using sales charts, Ms. Patterson provided an overview of CT Lottery revenues and sales trends. Highlights from her report are as follows:

- Total game sales for the month of May totaled \$111.3 million.
- As of May 31, 2013, Connecticut only games were up 1.3%, which equates to approximately \$11.1 million.
- As of May 31, 2013, multi-game sales were at \$152.1 million.
- Instant ticket sales for the month of May were \$60.5 million.
- Combined sales of Play3Night and Play4 Night were \$21.8 million in May.
- lotto! has been holding steady at an average this year of \$1.8 million per month for the last four months; the rebranding efforts have helped keep the sales steady.
- Cash5 sales remained steady but were impacted by other games.
- Combined Powerball and Mega Millions sales for May totaled approximately \$21.5 million; Powerball sales outweighed the Mega Millions sales and were approximately \$18.4 million.
- Mega Millions sales were at \$3 million for May. Mega Millions was hit 14 times this fiscal year, at an average of \$60 million per payout.
- Lucky for Life is performing as expected. Plans are underway for changes to this game in September 2013. Sales for the game for the month of May were \$2.4 million.
- Super Draw 7 will run from April 28 – July 3, 2013, which is a condensed timeframe. The drawing will take place on July 4, 2013. The ticket price is \$10 with 275,000 total tickets available. This game is easiest to sell during the winter holiday season.
- Powerball jackpots were hit 15 times this year and of these, 7 have been hit at the

\$50 million dollar level. Sales are generally lower at that jackpot level.

This concluded the Executive Report.

Chairperson Farricker stated that at the end of his second full fiscal year as chair, he is impressed by the performance of the CT Lottery. Regardless of what was thrown at this organization, from hurricanes to blizzards, it bounced back. He exclaimed, "bravo and thank you for your hard work."

III. Committee Reports:

Finance Committee:

Mr. Mattison requested that the Committee Report section of the agenda begin with the Proposed FY'14 Budget:

Mr. Granato began with an overview of the proposed budget, noting that it does not include assumptions for implementing Keno. A revised budget including Keno will be submitted to the Board of Directors for their consideration in the first quarter of FY'14. Highlights from his report are as follows:

- Overall lottery game sales are projected at \$1.122 billion, which is \$31.5 million over the prior budget and approximately \$6.0 million over the current year end estimate. Lottery sales are heavily influenced by external factors such as weather, consumer confidence and unemployment.
- The instant ticket portfolio and the daily number games account for over 80% of all sales. Management projects modest growth in these seasoned portfolios.
- Modest improvement in FY'14 for Mega Millions is expected, associated with a matrix change this coming fall.
- Retailer commissions and on-line vendor expenses (Scientific Games) are expected to remain at the same percentages in FY'14.
- Production expenses are expected to increase slightly due to the number of instant games produced and licensing fees. These increases are partially offset by lower lease costs on the ITVMs.
- Salaries and benefits for FY'14 have risen due to the cost increase of fringe benefits per employee. These are rising from \$.60 to \$.80 per employee. Most

other operating expense categories are expected to decline in FY' 14.

- Higher payouts drive sales.

Mr. Birney asked if the \$400,000 was included in the \$2.3 million for problem gambling, and Ms. Noble replied yes.

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

“Resolved: that after due consideration, and based upon the recommendation of the Finance Committee, the budget for FY' 14 is hereby approved. It is acknowledged that the budget does not include keno expenses and will need to be reexamined in the new fiscal year.”

This resolution passed unanimously.

Personnel Committee:

Mr. Mattison reported that the Personnel Committee met several times to discuss compensation, which will be discussed further in today's Executive Session.

Legislative & Games Committee:

Mr. Morton stated that this Committee reviewed the Lucky for Life proposed changes, which will be discussed further in today's Executive Session.

IV. Executive Session:

At 1:30 PM., Chairperson Farricker called for a motion to enter into Executive Session. On a motion made by Mr. Morgan, seconded by Mr. Thompson, and unanimously approved, the Board moved into Executive Session to discuss:

- New Game Initiatives for Keno
- Performance Evaluation and Compensation of Senior Management
- Attorney/Client Communications re: games rules and strategy with respect to collective bargaining

Ms. Noble, Ms. Patterson, Ms. Turner, Ms. Glovach, Mr. Hunter, Mr. Granato and Ms. Rooney were invited to stay for the discussion regarding Keno and game rules. Only Ms. Noble and Ms. Rooney were invited to stay for the discussion regarding performance evaluation and compensation and strategy with respect to collective bargaining.

The Board reconvened in regular session at 2:25 p.m. No votes nor actions were taken during Executive Session.

V. Old Business: None.

VI. New Business:

Mr. Mattison then said there were three items from the Personnel Committee. On a motion made by Mr. Morgan and seconded by Mr. Farrell, the following resolution was made:

“Resolved, The Board of Directors hereby resolves that the current Management Incentive Compensation program be adopted, consistent with the applicable formulas, applied on an annual basis, until otherwise changed by the Board of Directors.”

All board members present voted yes except for Mr. Dakers who abstained.

On a motion made by Mr. Morgan and seconded by Mr. Farrell, the following resolution was made:

“Resolved, The Board of Directors hereby resolves that the Connecticut Lottery Corporation’s Board of Directors that the updated Sales Incentive Compensation be implemented for FY’ 14.”

The resolution passed unanimously.

On a motion made by Ms. Pierre and seconded by Mr. Farrell, the following resolution was made:

“Resolved, The Board of Directors hereby resolves that for FY’ 14, the current salaries for the President & CEO and for the Vice President of Sales & Marketing shall be increased by 4.5% effective July 1, 2013.”

All present board members voted yes except for Mr. Dakers who abstained.

The final resolution was from the Legislative and Games Committee regarding the Lucky for Life Game Rules, effective September 2013. On a motion made by Mr. Morgan and seconded by Mr. Farrell, the following resolution was made:

“Resolved, that after due consideration, and based upon the recommendation of the Legislative and Games Committee, the Board of Directors approves the “Lucky for Life” Official Game Rules to be effective on September 17, 2013, subject to the Department of

Consumer Protection's approval and the required newspaper publication of a notice of rules adoption."

"Be It Further Resolved, that the President of the Connecticut Lottery Corporation is hereby authorized to execute the First Amendment to Lucky for Life Regional Game Agreement on behalf of the Connecticut Lottery Corporation."

The resolution passed unanimously.

VII. Next Scheduled Board Meeting Date:

The next Board of Directors' meeting will be held on Thursday, September 26, 2013 at 1:00 p.m.

VIII. Adjournment:

On a motion made by Mr. Farricker, seconded by Mr. Morgan, and unanimously approved, the meeting adjourned at 2:28 p.m.

Respectfully submitted,

Chelsea E. Turner, Corporation Secretary, CT Lottery Corporation