



**Special Meeting  
of the Finance Committee of the  
Connecticut Lottery Corporation**

Held on  
Wednesday, June 15, 2016 at 2:00 p.m.  
at the  
Connecticut Lottery Corporation  
777 Brook Street  
Rocky Hill, Connecticut 06067

Committee Members: Kia Floyd; Robert Dakers; and Bob Morgan (each attending by teleconference).

Other Board Members: Frank Farricker, Chairperson of the Board (attending by teleconference).

Staff Members: Anne Noble, President & CEO; Chelsea Turner (via teleconference); Diane Patterson; Jane Rooney; Michael Hunter; Paul Granato; Bryan Figueroa; and Cynthia Hadden.

Call to Order: Mr. Morgan called the meeting to order at 2:02p.m.

- I. Approval of Minutes:  
On motion made by Mr. Dakers and seconded by Ms. Floyd, the minutes of the May 19, 2016 Special Meeting of the Finance Committee were unanimously approved.
- II. Approval of Minutes  
On motion made by Mr. Dakers and seconded by Ms. Floyd, the minutes of the May 24, 2016 Special Meeting of the Finance Committee were unanimously approved.
- III. Review of FY17 Proposed Budget
  - Mr. Granato began with an overview of revenue for FY17 with a projection for a new record year of \$1.246 billion in total sales revenue, an increase of 6.7% or \$79 million from budget to budget.

- Instants portfolio is being projected at an increase of \$70 million year over year for budget to budget increase.
- Daily games are performing very strong up \$12 million from our prior budget and that expectation continues in next year's budget.
- KENO budget for next year is going to be a significant driver to our bottom line revenue going from \$17 million in FY16 budget to \$65 million in next year's budget.
- Prize expense increases \$48 million from budget to budget year but a small decline in the prize expense ratio from 62.2% to 62.1% budget to budget.
- Retailer commissions are expected to go down slightly from 5.7% to 5.6% or a \$3.9 million increase from budget to budget year.
- Online vendor fees will increase slightly, up \$1.1 million according to budget as a result of vendor fees for KENO at 1.57% vs. 0.84% for all other lottery games.
- Marketing expense budget is decreasing \$1.2 million, and the ratio for marketing and advertising compared to sales will drop from 1.26% to 1.08%.
- Production expenses are expecting an increase of \$724k year over budget year up to \$7.7 million in FY17.
- The salary line has no projected increase, overall compensation increases are \$375k based on fringe benefits cost rising year over budget year. All operating expenses are increasing \$342k.
- General fund contributions are projected at \$338 million during FY17, a new record.
- Mr. Dakers asked if the Connecticut Lottery Corporation (CLC) had received final information from State of Comptroller regarding fringe benefits?
  - Mr. Granato stated it was still too soon, but the CLC will include final numbers for the budget proposed to the board if the numbers are available.
- Ms. Floyd asked how far in advance the CLC is projecting KENO expenses?
  - Mr. Granato stated most costs are fixed, so as sales rise, costs will rise proportionately.
  - Ms. Noble stated the CLC pays SG 1.57% for every KENO sale vs 0.84% of all other lottery games, so the percentage stays the same but the actual cost will vary with sales year over year.
- Ms. Floyd also inquired whether the CLC anticipates needing fewer people in the field for servicing and operating KENO as time passes?
  - Ms. Noble stated the hires made now are based on the increased retailer base; once the CLC reaches 600 KENO monitor locations, hiring in sales will stabilize. No additional managers, directors or finance employees are needed at this time but sales reps might be needed in the future. She offered that the CLC should see hiring stability in 3 years relative to KENO.

- Mr. Morgan asked if managerial salaries for next year's budget will remain static?
  - Both Ms. Noble and Mr. Granato stated yes.
- Ms. Noble shared questions received late Friday afternoon from the Office of Policy and Management (OPM) regarding compensation.
- Mr. Dakers asked when OPM would want responses to the questions?
  - Ms. Noble stated they were due yesterday but asked for an extension so she could discuss the questions at this meeting, and then report back to OPM.
- Mr. Morgan inquired about the \$845k in retailer equipment lease expense?
  - Mr. Granato stated that the expense is a portion of the \$5.4 million KENO equipment. The CLC is able to recognize \$845k of that as an equipment expense.
- Mr. Morgan asked why this item is an expense and not capitalized?
  - Mr. Granato responded that the CLC does not own the equipment.
- Mr. Morgan asked about the \$302k in media promotion expense?
  - Ms. Patterson stated those costs are promotions that the CLC plans to do with radio, tv, digital channels and holiday promotions.
- Mr. Morgan asked about the increase in the number of dispenser's on page 8 of the budget, and what contributed to the cost increase?
  - Ms. Patterson stated those are ticket dispensers, KENO caddies and anything acrylic to place items in at the retailer. KENO is largely driving this expense.
- Mr. Morgan asked if it's a large increase because of new retailers?
  - Ms. Patterson stated yes, as new retailers come in, they need dispensers.
- Mr. Morgan asked about fees on page 12 and what player's fraud protection referred to in the budget?
  - Ms. Noble stated that the CLC purchased fraud protection for an incident this past winter and was reimbursed by the vendor for this cost.

IV. New Business:

- Review and Possible Action Re: FY'17 Budget  
On motion made by Mr. Morgan, seconded by Mr. Dakers, and unanimously approved, it was:

"Recommended to approve budget as submitted to full Board (as up to date as possible), subject to suspension of incentive compensation plans for FY17."

Ms. Noble thanked the Finance Committee members for their time and effort, and expressed her appreciation for the contributions made by the committee.

V. Adjournment:

On motion made by Mr. Dakers, seconded by Ms. Floyd, and unanimously approved, the meeting was adjourned at 2:41 p.m.

Respectfully Submitted,

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By: Paul A. Granato  
Chief Financial Officer  
Connecticut Lottery Corporation