



**Regular Meeting
of the Board of Directors of the
Connecticut Lottery Corporation**

DRAFT

Held on

Thursday, August 12, 2021 at 12:00 p.m.

at the

Connecticut Lottery Corporation

777 Brook Street

Rocky Hill, Connecticut 06067

Board Members Present: Robert Simmelkjaer, Board Chair; Wilfred Blanchette Jr.; Meghan Culmo; Steven Ezzes; Ajay Gupta; James Heckman; Manny Langella; Andrew Meehan; and Margaret Morton (all via teleconference).

Staff Members Present: Gregory Smith, President & CEO; Pete Donahue; Paul Granato; Mark Walerysiak; Andrew Walter; and Annmarie Daigle.

I. Welcome:

Chair Simmelkjaer welcomed the Board members and called the meeting to order at 12:04 p.m.

II. Approval of June 10, 2021 Board Meeting Minutes:

On a motion by Mr. Meehan and seconded by Mr. Langella, the minutes of the June 10, 2021 Board Meeting were approved. Mr. Ezzes and Mr. Gupta abstained.

III. Approval of July 8, 2021 Board Meeting Minutes:

On a motion by Mr. Blanchette and seconded by Mr. Langella, the minutes of the July 8, 2021 Board Meeting were approved. Mr. Ezzes, Mr. Gupta and Mr. Meehan abstained.

IV. Lottery Report:

a. Financial Report

Mr. Granato began by noting that the auditors' required communication for the Board of Directors was emailed yesterday and asked the Board members to review the communication and to email the Lottery's principal contact at CLA, Vanessa Rossito, with any questions or concerns. He also noted that the annual financial statement audit is underway and that we expect that the audited financial statements will be available for the next regularly scheduled Board meeting in October.

He next reported on the Lottery's performance for fiscal year 2021, noting that it was a record-breaking year in every regard. Total sales were \$1.5 billion, up over 14% or \$190 million from the prior year and over \$175 million or 13% ahead of budget projections. Sales were up over the prior year in each category

of game; except for one. Lotto sales were lower on a comparative basis due to the third largest Lotto jackpot, which produced sales at 50% higher than normal sales volumes for that game in the prior year. All other games exceeded sales volumes. Cost of sales rose commensurately with the increase in sales. Prize expense is the biggest component and accounted for \$930 million of the cost of sales. Prize expense was 62.1% of sales revenue compared to the budgeted 62.8%. Total unclaimed prizes for the year were \$14.9 million, with \$800,000 used to fund the Lotto jackpot. Gross profit before operating expenses was \$451 million. Operating expenses were well controlled even with significantly raised income, at \$31 million, lower than the prior year by \$600,000 or 2%. The Lottery returned an incredible \$418 million in profits back to the General Fund.

Mr. Granato then reported on results for July 2021. Total sales for July were \$121.7 million compared to \$123.9 million in the prior year. Keno sales in particular continue to be very strong and in the middle of July, Lucky for Life which was previously drawn twice a week became a daily drawing and we saw a nice increase there. Prize expense accounted for \$74 million of the cost of sales or 88%. Prize expense was 60.8% of sales revenue compared to the prior year at 59.5% and the budgeted 62.7%. Total operating expenses remain well controlled; expenses were \$2.2 million, with 82% of that total representing salaries and wages, lower than both prior year and budget. For the month of July the Lottery transferred \$35.2 million to the General Fund, exceeding budget expectations by \$4.9 million but down compared to prior year.

b. Marketing Report

Mr. Donahue highlighted instant sales, which are tracking very close to last year and ahead of budget. He noted that Keno is performing 21% ahead of last year and Lucky for Life, since the transition to daily draws in mid-July, overall sales are up 75%. He discussed the current Lucky for Life 365 promotion, noting that approximately 28,000 free tickets have been awarded thus far and also the upcoming Scavenger Hunt promotion, designed to create awareness and drive traffic into retail as consumers search out POS to hopefully win prizes. The Lottery's 50th Anniversary planning is going well, with the new instant ticket family at the \$1, \$2, \$5, and \$10 price points, as well as a \$20 Fast Play ticket with a \$200,000 top prize. The final event in October 2022 will take place at the Hartford Healthcare Amphitheater in Bridgeport.

c. President's Report

Mr. Smith gave his report recapping the Lucky for Life game moving to daily draws and he noted that all of the member states are seeing significant increases in sales. Mr. Smith also noted that with the Multi-State Lottery Association performing the drawings in Iowa, it is the first time that a national game is being performed using a digital draw system vs. a ball machine. Powerball will be adding a third drawing, on Mondays, beginning on August 23rd. Fast Play has just passed its first anniversary in Connecticut in July and the game was very well received by consumers, with \$35 million in annual sales. Mr. Smith noted that all CLC staff has all returned to work full time; enhanced cleaning and limited-size gatherings continue. CLC continues to prepare quarterly compliance reports to the Commissioner and Director of Gaming of the Department of Consumer Protection, reporting any notable compliance matters or topics that we want to emphasize with regard to complying with our regulations. He noted that our sales are weakest in quarter one, and they are the highest in the fourth quarter. We continue to beat prior year sales and we are up about 15% over July of 2019, so still in a good place. Next Mr. Smith welcomed back attorney Andrew Walter, who recently rejoined the CLC as the Director of Legal and Business Affairs for the Sports Betting Division. This concluded the Lottery Report.

V. Committee Reports:

a. Audit Committee

Mr. Meehan gave the Audit Committee report, noting that the Committee met on July 27, 2021 at which time the Audit Committee's areas of cognizance, quarterly review of liquidated damages and service level assessments, and the regulations and rules of operations update were discussed. In Executive Session, the Committee discussed the gaming system procurement draft timeline, Lucky for Life prize liability, and pending claims and litigation.

b. Executive

Mr. Simmelkjaer noted that the Executive Committee met jointly with the Finance Committee on July 8, 2021. Sales and general fund transfers were discussed as well as an update on the financial auditors' agreement. In Executive Session, the Committee discussed real estate and the procurement process for sports betting and iLottery, as well as pending claims and litigation: civil suits.

c. Finance Committee

Mr. Smith provided the Finance Committee report, noting that the Committee met on July 8 with the Executive Committee to recommend the continued use of the financial auditor and the continuation of their contract under the same terms and conditions as they were taken over by another firm, Clifton, Larsen, Allen.

d. Personnel Committee

Mr. Blanchette noted that the Personnel Committee met earlier this morning and decided to review the salary scales for managers as they compare with other State managers and union contract changes over the last seven or eight years. The Committee also discussed studying the compensation package for the President & CEO considering the rapid changing demands imposed on him with the transition to online lottery, sports betting, and real estate challenges in the near future. They will report their findings to the Executive Committee within the next month.

e. Sports Betting Development Committee

Mr. Simmelkjaer gave the Sports Betting Development report, noting that the Committee met several times since the last Board Meeting and the findings will be discussed in Executive Session today.

VI. Executive Session:

On a motion by Mr. Blanchette and seconded by Mr. Langella, the Board moved to Executive Session at 12:38 p.m. to discuss:

- a. Discussion of Sports Betting Draft Outline
- b. Update on Real Estate Time Line
- c. Update on Pending Claims and Litigation: Civil Suit

Mr. Donahue, Mr. Granato, Mr. Walerysiak, Mr. Walter and Ms. Daigle were present for the first topic. Mr. Smith was present for the first and second topic.

VII. New Business:

- a. Discussion and action, if any, on items discussed during Executive Session.

The Board returned to public session at 1:44 p.m. with Chair Simmelkjaer noting that no votes or actions were taken in Executive Session.

b. Review and Possible Action: Sports Betting Short Form Agreement

On a motion by Mr. Blanchette, seconded by Mr. Langella, and unanimously approved, it was:

Resolved: After review and due consideration, and upon the recommendation of the Connecticut Lottery Corporation's Sports Betting Development Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the terms of the short form agreement with Sports Betting Proposer #4 and authorizes the Connecticut Lottery President to sign the short form agreement. Upon completion of the full agreement, the Sports Betting Development Committee and the Connecticut Lottery President shall present the primary features of the agreement to the Connecticut Lottery Board prior to signing the full agreement.

c. Review and Possible Action: Sportech Short Form Agreement

Public Act 21-23 authorizes sports betting in Connecticut, including for the Connecticut Lottery Corporation to operate retail sports betting in 15 locations, and allows Connecticut Lottery to partner with Sportech for retail sports betting at their pari-mutuel facilities. Connecticut Lottery Corporation recognizes the opportunity and value of beginning its retail sports betting at numerous Sportech facilities and is developing a strategy that is beneficial to the state by accentuating Connecticut Lottery's retail strength. In recognition of the statutory authorization and the decision to enter into an agreement for multiple locations with Sportech, the Connecticut Lottery Corporation's Sports Betting Development Committee and the Connecticut Lottery President are requesting Board approval for a short form agreement with Sportech.

On a motion by Mr. Meehan, seconded by Mr. Langella, and unanimously approved, it was:

Resolved: After review and due consideration, and upon the recommendation of the Connecticut Lottery Corporation's Sports Betting Development Committee, the Connecticut Lottery Corporation's Board of Directors hereby approves the terms of the short form agreement with Sportech, and authorizes the Connecticut Lottery President to sign the short form agreement.

VIII. Adjournment:

Chair Simmelkjaer noted that the press conference regarding the CLC's sports betting announcement is at 2:00 p.m. today and will be posted on the Lottery's YouTube channel as well. He also noted that the next scheduled Board Meeting is on Thursday, October 14, 2021 at 12:00 noon.

On a motion by Mr. Blanchette, seconded by Ms. Morton, and unanimously approved, the meeting adjourned at 1:48 p.m.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
CT Lottery Corporation