



**Finance Committee  
Special Meeting Minutes**

Held on  
Wednesday, November 13, 2013 at 3 p.m.

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

Committee Members: Patrick Birney, Chairperson of the Finance Committee; Bob Morgan; and Robert Dakers.

Board Members: Frank Farricker, Chairman of the Board.

Staff Members: Anne Noble, President & CEO; Diane Patterson; Paul Granato; Michael Hunter; and Jessica Hayton.

Call to Order: Mr. Birney called the meeting to order at 3:03 p.m.

I. Approval of Minutes:  
On a motion made by Mr. Morgan and seconded by Mr. Dakers, the minutes of the October 25, 2013 meeting were unanimously approved.

II. Review of Financial Statements for the Period ended September 30, 2013:  
Mr. Granato presented the Financial Statements for Quarter Ended September 30, 2013. Mr. Granato stated the Lottery had a solid first quarter. Sales are up \$16.9 million or 6.4% over last year at this time. Instant games are up 3.9%, the Daily 3 and 4 are up 11.7% and Powerball is up 23.9% due largely to the two large jackpots in August and September. Mr. Granato noted the decline in sales of \$1.5 million for Lucky for Life. Mr. Birney inquired on the decline in Lucky for Life sales from the prior year and also 13.2% below budget. Ms. Noble responded that the game is behaving as expected; sales are initially high and then gradually decline. It is expected that more winners of the recently added Second Prize will boost per capita income. Mr. Granato clarified to the Committee that there does not need to be a Top Prize Lucky for Life winner to have a winner for the Second Prize.

Mr. Birney inquired about the increase in sales and prize expense for the Daily 3 and 4. Ms. Patterson noted the numbers drawn played an important role in the increased sales. Since July 2013, popular number combinations such as 444, 123 and 777 have been drawn. Mr. Granato pointed out that prize expense for the Play 3 and 4 as a group has normalized.

Mr. Birney questioned the reason why Marketing, Advertising Expense is 10.9% under budget and if it is likely to remain that way. Ms. Patterson said that the timing and the transition to a new ad agency

have contributed to the below budget levels. The Lottery is in the process of back filling certain items that would have been normally completed by this time. Ms. Patterson anticipated the budget will catch up in the second quarter with holiday promotions.

Mr. Farricker requested clarification as to what constitutes bad debt. Mr. Granato informed the Committee that bad debt equates to retailer delinquencies. The Lottery budgets \$12,500 each quarter for bad debt expense. In the first quarter of this fiscal year, there was no bad debt expense to report.

Mr. Granato stated that most operating costs are below levels as compared to the prior year. Salaries are down compared to last year at this time and are under budget. While salaries showed a decline, fringe benefit costs increased \$152,000 since last year largely due to state employee retirement system costs and healthcare costs. Other operating expenses decreased by \$190,000 in part by not renewing the financial reporting system maintenance contract and transitioning to an hourly consultant for this contract.

Mr. Granato directed the Committee to the statement of net position. Mr. Granato explained that cash balances fluctuate on a daily basis and are managed according to our cash needs. Ms. Noble said the Lottery's cash management is now more complex with higher cash requirements due to significant cash options available for players. Mr. Granato and Ms. Noble also added that a line of credit may be appropriate and Mr. Birney noted that many corporations have lines of credit with their financial institutions. The Lottery is in preliminary discussions with its bank to obtain information and will bring additional information back to the Committee before any decision is made.

Mr. Birney inquired about retained earnings and there was a general discussion about retained earnings policy.

### III. Review of Draft Modified Budget for Fiscal Year 2014:

Mr. Granato noted that the Committee was given a revised budget for FY' 14, which incorporates further refinement related to the timing of the launch of Keno. The Lottery is taking significant steps to be ready to provide Keno, but finalization of a state-tribal agreement is essential in order to move forward with critical deliverables. Current assumptions do not include any revenue for Keno in FY' 14, due largely to the time needed to order and install equipment and to recruit retailers, items that cannot formally commence until the Lottery receives the tribal agreement. In addition, the approved budget from June 2013 includes a projection of \$2.75 million in revenue associated with a proposed new daily lotto style game, which the Lottery planned to introduce in the fourth quarter of FY'14. The launch of this new lotto style game may be delayed due to competing resources devoted to a potential Keno launch.

Ms. Noble informed the Committee that the Lottery is doing its best to be ready for the launch of Keno without incurring any significant expense prior to receiving the signed state-tribal agreement and that the Lottery is also studying a new lotto style game for a possible 2014 launch.

### IV. Executive Session:

On a motion made by Mr. Morgan and seconded by Mr. Dakers, and unanimously approved, the Committee moved into Executive Session at 3:38 p.m. Ms. Noble, Ms. Patterson, Mr. Granato and Mr. Hunter were invited to stay for the Executive Session to discuss the following:

- Discussion of property at 777 Brook Street, Rocky Hill
- Attorney/Client Communications regarding Lease at 777 Brook Street, Rocky Hill.

The Committee reconvened in regular session at 3:48 p.m. Mr. Birney stated that no actions or votes were taken during Executive Session.

- V. Old Business: None
- VI. New Business: None
- VII. Adjournment:  
On a motion made by Mr. Dakers and seconded by Mr. Morgan, and unanimously approved, the meeting was adjourned at 3:49 p.m.

Respectfully Submitted,

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