



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

Held on
Tuesday, June 27, 2017 at 2:30 p.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Committee Members: Patrick Birney, Chairperson of the Finance Committee; Robert Dakers (attended by teleconference); and Robert Morgan.

Staff Members: Chelsea Turner, Interim President & CEO; Paul Granato; Matthew Stone; Bryan Figueroa; and Annmarie Daigle.

Call to Order: Mr. Birney called the meeting to order at 2:36 p.m.

I. Approval of June 2, 2017 Minutes:

On a motion made by Mr. Dakers and seconded by Mr. Morgan, the minutes of the June 2, 2017 Special Meeting of the Finance Committee were unanimously approved.

II. Old Business:

Financial Software Conversion Update

Mr. Granato presented the Committee with a status update regarding the financial software conversion. Mr. Granato stated that the software conversion parallel testing is moving along well. The Finance and Purchasing departments are completing dual entries to better learn and adjust to the new system. Commencing on July 3, they will only use the new system, Microsoft GP, for all FY18 transactions.

III. Review of FY18 Proposed Budget:

Mr. Birney requested that Mr. Granato give an overview of the proposed budget for FY18. Mr. Granato stated that the current draft budget presented to the committee is up-to-date as of Friday, June 23, after receiving updated rates for fringe benefits from the Comptroller's office. He also noted that even though the budget may seem aggressive, he is optimistic that the CT Lottery will meet its goals in FY18.

Mr. Granato provided a brief summary of FY17 projections:

- Total sales for FY17 are estimated at \$1,219,000,000 which is about \$27 million below budget.
- Prize expense, retailer commissions, gaming systems fees are coming in right where budgeted at 62.2%, 5.6%, and 1.0% respectively.
- Operating expenses for FY17 are under budget by \$2 million due to vacant staff positions.
- CLC estimates General Fund transfers will total about \$331 million.

Mr. Granato provided the Committee with budget projections for FY18:

- Total sales budgeted for next year is \$1,254,000,000 up about \$35 million or 2.8% when compared to FY17 projections.
- Prizes, retailer commissions, and gaming system fees are all driven by sales. Gaming system fees budget includes \$1 million as a placeholder for Player Activated Terminals (PAT).
- Marketing and advertising are budgeted at \$13.7 million for FY18.
- Production expenses are budgeted at \$9.2 million which includes \$1.2 million set aside for instant ticket licensing fees, with \$600,000 being split equally for the Giants and Patriots instant ticket licensing fees.
- Operating expenses are \$25.6 million for FY18 budget, of which \$20.9 million or 82% is related to salaries and fringe benefits. No wage increases are budgeted but fringe benefit costs are rising.
- Budgeted General Fund transfers are \$338.2 million for FY18.

The Finance Committee briefly discussed the budget with regard to vacant positions, salary and fringe benefits, and changes to the gaming systems that were made to the draft budget.

IV. New Business:

Review and Possible Action Re: FY18 Budget

On motion made by Mr. Birney, seconded by Mr. Morgan, and unanimously approved, it was:

Resolved, that the Finance Committee recommends to the Board of Directors that it adopt the FY18 Budget.

V. Adjournment:

On motion made by Mr. Morgan and seconded by Mr. Dakers, and unanimously approved, the meeting was adjourned at 3:09 p.m.

Respectfully Submitted,

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