



Minutes of the Board Meeting
held on
Thursday, June 28, 2018
At 12:30 p.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Donald DeFronzo, Chairman; Patrick Birney, Vice Chair; Meghan Culmo (via teleconference); Robert Dakers; James Heckman; Michael Janusko; Margaret Morton; Natasha Pierre (via teleconference); and Michael Thompson (via teleconference).

Staff Members Present: Chelsea Turner, Interim President and CEO; Paul Granato; Michael Hunter; Theresa Scott; Matthew Stone; Annmarie Daigle; and Rebecca Lambert.

Call to Order: Chairman DeFronzo called the meeting to order at 12:39 p.m.

I. Welcome:

Chairman DeFronzo welcomed the Board members and thanked them for attending today's meeting. Chairman DeFronzo thanked Diane Winston for her positive contributions during her tenure on the Board. Ms. Winston recently resigned from the Board due to her family's relocation.

II. Approval of May 22, 2018 Meeting Minutes:

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

"Resolved, that the Board hereby approves the May 22, 2018 Board meeting minutes."

Mr. Dakers abstained.

III. Executive Report:

Interim President's Report:

Ms. Turner welcomed and thanked the Board for attending today's meeting and continued by offering a big thanks to the CLC employees, retailers, vendors, the DCP, the Board, and the lottery players for a record year. Ms. Turner then proceeded to provide the Board with an outline of her agenda which included: FY18 financial highlights, game performance and marketing update, hidden highlights, and FY19 forecast and future events.

Ms. Turner noted that the Lottery continues to perform strongly and that as of June 23, General Fund transfers are at a record \$339 million, which is 2.2% ahead of budget, and 5.5% ahead of last year.

Ms. Turner highlighted additional revenue that the CLC provides to other state agencies including \$2.3 million to DMHAS-PGS for problem gambling; \$2.7 million to OPM for regulatory costs; \$7.6 million collected in state taxes from prizes; \$269,000 to DRS in state tax delinquencies; \$162,000 to DSS in back child support; a total of approximately \$13 million.

Ms. Turner also highlighted \$5,000,000 Ultimate, which is currently the Lottery's best-selling \$30 instant game as well as the \$10 Escape to Foxwoods ticket which features second chance drawings for both players and retailers.

Ms. Turner showed a short time-lapse video demonstrating an art piece created in-house and on display in our lobby. She also briefly discussed several initiatives in place including compliance checks and a scam PSA, both in collaboration with DCP; a disaster recovery tabletop exercise; security camera refresh; several employee trainings; an upcoming RFQ for database encryption; as well as the Loyalty Club RFP, which is in its final phases. Also discussed was CLC's new advertising partner, Makiaris Media and Decker Creative Marketing; a new Keno commercial, hotline, and retailer success stories; and the remerchandising of 235 retail locations throughout the state.

Looking ahead, Ms. Turner discussed the Player Activated Terminals (PATs) contract which is nearing completion; as well as ongoing conversations surrounding sports betting; upcoming RFPs for instant tickets and maintenance; enhancements for Lotto!; mini-games; promotions for Lucky for Life, a second Powerball PowerCruise; WLA certification; and Ms. Turner's recent selection as an RG Assessor for the Florida Lottery.

This concluded the Interim President's Report.

Sales Performance and Game Update:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided the following report for the period ended June 23. All sales figures are unaudited estimates. Sales for all games during the period were \$1.25 billion, up 4.1% from last year. Instant games sales were \$717.9 million, which is above budget by .3%. Daily numbers games sales were \$237.9 million, which is above budget by .2%. Draw game sales were \$139.6 million, which is over budget by .3%. Powerball, Mega Millions, and Lucky for Life had combined sales of \$147.4 million through June 23. This is ahead of projections by 7.4%.

Chairman DeFronzo congratulated the CLC staff on an outstanding year due to the abilities and dedication of all employees.

IV. Committee Reports:

Audit Committee:

Mr. Thompson noted that the Audit Committee met earlier this morning to meet with Vanessa Rossitto of Blum Shapiro, the Corporation's new financial auditors, to discuss purchasing

justifications; and the Committee also met in Executive Session to discuss two agenda items. No votes or actions were taken in Executive Session.

Finance Committee:

Mr. Birney reported that the Finance Committee met earlier today primarily to discuss the proposed FY19 Budget. He asked Mr. Granato to provide the Board with an overview of the budget, which consisted of the following highlights.

Total sales for FY19 is projected to be \$1,288,500,000. This represents an increase of \$34.6 million from the FY18 budget. He noted that management anticipates that we will produce and launch 38 new instant games across various price points in FY19 and new draw game initiatives include an enhancement to Lotto!, increasing the price to \$2; as well as a continued emphasis on Keno. Gaming system vendor fees are expected to rise and include fees to our gaming vendor in addition to new initiatives for full-service player activated terminals and a new loyalty reward program. Salaries and benefits are up year over year, although we have several vacant positions. The projection includes required increases and lump sum payments to bargaining unit employees under the revised SEBAC agreement. Manager's salaries are frozen at this time but may be reevaluated later in the year. Total operating income for FY19 is projected at \$352 million. After payments of \$2.3 million to the Chronic Gamblers Fund and \$3 million to the Department of Consumer Protection for regulatory costs, there will be a transfer of approximately \$347 million to the General Fund.

V. New Business:

Review and Possible Action Re: FY19 Budget:

On a motion made by Mr. Birney, seconded by Mr. Dakers, and unanimously approved, it was: "Resolved, that after due consideration the Board of Directors hereby approves the FY2019 Budget."

VI. Executive Session:

At 1:34 p.m., on motion made by Ms. Morton and seconded by Mr. Birney, the Board moved to Executive Session to discuss:

- Attorney/Client Communications
 - Pending Claims and Litigation

Ms. Turner and Mr. Stone were invited to stay for Executive Session.

At 2:07 p.m. the Board reconvened in regular session.

VII. Discussion and action, if any, on items discussed during Executive Session:

Chairman DeFronzo noted that no votes or actions took place during Executive Session.

VIII. Adjournment:

On motion made by Mr. Birney, seconded by Mr. Janusko, and unanimously approved, the meeting adjourned at 2:08 p.m.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation