



Finance Committee
Minutes of Special Meeting

Held on
Wednesday, November 14, 2018, at 4:00 p.m.,
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Committee Members: Patrick Birney, Chairperson of the Finance Committee; and Patti Maroney.

Staff Members: Greg Smith, President & CEO; Paul Granato; Matthew Stone; Annmarie Daigle; and Kristen Williams.

Call to Order: Mr. Birney called the meeting to order at 4:01 pm.

I. Approval of May 22, 2018 Minutes:

This item was tabled to the next meeting.

II. Approval of June 28, 2018 Minutes:

This item was tabled to the next meeting.

III. New Business:

a. Review of Financial Statements for the period ended June 30, 2018:

Mr. Birney requested that Mr. Granato give an overview of the fourth quarter financial statements. Mr. Granato reported on the results for the quarter and the year ended June 30, 2018. Mr. Granato reported on individual game performance including sales, cost of sales, operating expenses and contributions to the General Fund. The Committee had a general discussion on sales performance, marketing support of lottery games, and gaming system costs.

Three-month highlights ended June 30, 2018:

- Total sales were \$322.4 million, up 2.5% compared to the prior year. The Lottery returned \$83.9 million to the State of CT General Fund.
- Total sales exceeded budget by \$.9 million or .3%. Overall, General Fund transfers were under budget by \$3.4 million.

Twelve-month highlights ended June 30, 2018:

- Total sales revenue was \$1.267 billion, up \$51.3 million compared to the prior year. The Lottery returned \$345 million to the State of CT General Fund.
- Total sales exceeded budget by \$13.7 million or 1.1%. Overall, General Fund transfers exceeded budget by \$6.7 million or 2%.

The Committee was pleased with the management of expenses to budget projections.

b. FY2018 Financial Audit Review:

Mr. Granato reported that the FY18 Financial Audit was completed yesterday, November 13, 2018, by our newly-appointed firm, Blum Shapiro. The Management Representation Letter was signed by Mr. Granato and Mr. Smith on November 13, 2018 as well; additionally, both reported a positive collaboration with the Blum Shapiro auditors.

The delay in the completion of the audit was in direct relation to the delay in obtaining the Other Post Employment Benefits (OPEB) information until mid-September.

c. Quarterly ratings of insurance companies that maintain active annuity contracts with CT Lottery Corporation:

Mr. Granato reviewed the credit rating of insurance companies that provide the CLC with annuities. The Committee discussed Monarch Life that has a current rating of "E", under regulatory supervision. Mr. Granato reported that Monarch continues to make monthly payments as agreed.

d. Banking; Positive Pay Safe Banking transactions; prize payment via debit cards:

Mr. Granato reported that the Senior Staff met with the Bank of America representatives recently. The bank utilizes Positive Pay Safe Banking transactions to assist with fraud and to ensure that payments match our system; if not, Bank of America will call the CLC for verification.

Mr. Granato also reported that currently the CLC requests for winners to not cash their issued checks for one hour. He would like to look into other options. Mr. Granato also stated that prize payments via debit cards is a possible add-on service.

Mr. Birney inquired about possibly working with a Connecticut-based bank. Mr. Granato reported that the State of Connecticut has a contract with Bank of America, however the CLC is not bound to it. There has been discussion among the Senior Staff members about other potential banking partners.

e. Impact of prizes won in Play 3/Play 4 and Cash5 in Q1 FY19:

Mr. Granato reported a spike in the Play 3, Play 4, and Cash5 games' prize expense in July and August 2018, which has subsequently declined. This has been reported to DCP and DCP has been monitoring the game situation along with the CLC.

f. Sports betting and Lottery financial operations:

Mr. Smith reported that an educational forum regarding sports betting would be held at the CLC on November 16, 2018 and facilitated by the Massachusetts Gaming System. Several Connecticut legislators are slated to attend.

Mr. Smith reported that sports betting would require separate reporting requirements, in addition to different vendors and bank accounts. Currently there are at least four possible vendors available for sports betting in Connecticut.

The Committee requested a written report on sports betting; Mr. Smith is hopeful for a possible drafting of the written product before year's end.

IV. Old Business:

Post System Conversion Update:

Mr. Granato reported that the first Quarter Financials are completed, but were held up due to the post system conversion update. The team continues to move toward monthly reporting cycles.

Mr. Birney inquired what is Mr. Granato's goal in regards to issuing quarterly reports. Mr. Granato reported that within the upcoming year, he would ultimately have a goal of five days.

V. Executive Session:

On a motion made by Ms. Maroney, and seconded by Mr. Birney, and unanimously approved, the Committee moved to Executive Session at 5:12 pm. Mr. Birney invited Mr. Smith and Mr. Stone to stay for the Executive Session.

At 5:22 p.m., the Finance Committee reconvened in regular session.

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

Mr. Birney stated that no actions or votes had taken place during Executive Session.

VII. Adjournment:

On motion made by Ms. Maroney and seconded by Mr. Birney, and unanimously approved, the meeting was adjourned at 5:23 p.m.

Respectfully Submitted,

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