



Minutes of the Board Meeting

Held on

Thursday, June 13, 2019

at 12:00 p.m.,

at the

Connecticut Lottery Corporation

777 Brook Street

Rocky Hill, Connecticut 06067

Board Members: Patrick Birney, Vice Chair; Dawna Capps (via teleconference); John Flores, Designee of the State Treasurer; James Heckman (via teleconference); Patti Maroney; Margaret Morton (via teleconference); Natasha Pierre; and Michael Thompson (via teleconference).

Staff Members: Greg Smith, President & CEO; Chelsea Turner, Vice President; Barbara Petano; Theresa Scott; Matthew Stone; Annmarie Daigle; and Bryan Figueroa.

Call to Order: Vice Chair Birney called the meeting to order at 12:02 pm.

I. Welcome & Pledge of Allegiance:

Vice Chair Birney welcomed the Board members and thanked them for attending today's meeting. He especially thanked Mr. Robert Morgan for his sixteen years of dedicated service to the CLC Board of Directors and wished him well in his June 1st retirement. Mr. Birney then welcomed Mr. John Flores, the Treasurer's Designee for today's meeting.

II. Approval of the April 23, 2019 Special Board Meeting Minutes:

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

"Resolved, that the Board hereby approves the April 23, 2019 Board meeting minutes".

Mr. Flores abstained.

III. Lottery Report:

Review of Sales Performance:

Using sales charts, Ms. Theresa Scott, Interim Director of Sales, provided a brief report for the period ending May 31, 2019. All sales and figures are unaudited estimates.

Ms. Scott reported that sales performance continues to be strong with total sales of \$100 million or more each month for fiscal year 2019. Lotto has not had a winner since January 2018, and the jackpot is currently at \$17.4 million. Keno has earned \$271 million since its launch in 2016. With recent Mega Millions and Powerball jackpots, multi-state games performed 16.4% ahead of last year and 16% ahead of budget through May 31, 2019.

Capitol Update:

Ms. Turner, Vice President, provided a Capitol update including discussion of the Governor's budget, primarily Sections 82-90, establishing a Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund, which may include deposits from the CLC; as well as Sections 362-365, requiring a study to determine if a revenue stream from the sale of lottery draw games over the internet is sufficient to offset the cost of a debt free community college program, and whether the sale of such games over the internet is feasible. Ms. Turner also discussed casino expansion efforts as well as recent conversations with legislators and stakeholders concerning sports betting. Ms. Turner then highlighted the CLC's supplier diversity efforts, mentioning two upcoming matchmaker events as well as a recent APA Business Award the CLC received from the Asian Business Council of Connecticut.

President's Report:

Mr. Smith welcomed and thanked the Board for attending today's meeting.

Mr. Smith noted that the Lottery continues to perform strongly and that sales and General Fund transfers are both ahead of budget.

Mr. Smith discussed several marketing initiatives including the Players Club, which is currently being modified based on responses from DCP; the New Year's Rockin' Eve promotion, which will begin in late August; as well as the Live Big marketing campaign, from which he showed a commercial preview. Mr. Smith also noted the recent employee survey results, two recent disaster recovery drills, as well as CLC's current procurement efforts including RFPs for Instant Ticket Printing, Internal Control System, and Legal Services.

Lastly, Mr. Smith discussed Keno recruiting efforts as well as the Lottery's plan to develop an instant win terminal game using conditions required by DCP. Staff will bring the game idea to the Legislative & Games Committee once the plan is formed.

This concluded the Lottery Report.

IV. Committee Reports:

Executive Committee:

Mr. Birney noted that the Executive Committee met on May 3, 2019, primarily in executive session to discuss pending claims and litigation, as well as goals and objectives for the President and CEO.

Finance Committee:

Mr. Birney reported on the meetings of the Finance Committee from May 3 and May 10. He requested that Ms. Petano provide the Board with a financial update for the period ended March 31, 2019, as well as the FY20 Budget.

Ms. Petano reported on the unaudited results for the quarter ended March 31, 2019, including sales, cost of sales, operating expenses, and contributions to the General Fund.

- General Fund transfers were over budget by \$23.1 million, or 8.3%, for the period ended March 31, 2019.
- Sales revenue totaled \$998.2 million through the third quarter, compared to \$945.2 million for the prior year. Total sales increased \$53 million or 5.6% year over year.
- Overall the Lottery returned \$278.5 million to the General Fund for the nine months ended March 31, which is \$17.3 million, or 6.6%, ahead of last year. With three weekly transfers remaining, through week ended June 8, General Fund contributions have exceeded \$349 million, topping last year's record \$345 million.

Ms. Petano's overview of the FY20 Budget included the following highlights:

- Total sales for FY20 are projected to be \$1.331 billion, an increase of \$42.6 million compared to the FY19 budget. All prize components of lottery games are budgeted at their statistical payout percentages. Total prizes are budgeted at \$829.6 million. Commissions are budgeted based on their respective sales component and total \$74.3 million.
- Gaming system vendor fees are budgeted based on sales revenue for each lottery game and are estimated at \$15.8 million. Marketing expenses are anticipated at \$13.6 million with an increased emphasis on digital marketing. Production expenses are estimated at \$6.7 million. Total operating expenses are budgeted at \$27.3 million compared to \$26.4 million in the prior year budget. Most of the increase is attributable to pension (SERS) increases.
- Overall, the CLC projected estimate for FY20 is approximately \$358.8 million in General Fund transfers compared to \$346.6 million in FY19.

Personnel Committee:

Ms. Pierre noted that the Personnel Committee met just prior to the Board this morning. She stated that the Committee discussed allowing bargaining unit employees to choose to remain in the entrepreneurial compensation program or move to the step compensation program, which the Committee decided to bring to the full Board.

V. Executive Session:

At 1:03 pm, on motion made by Ms. Pierre and seconded by Ms. Maroney, the Board moved to Executive Session to discuss:

- a. Discussion Re: Draft Compensation Proposal
- b. Pending Claims and Litigation: Civil Suits and CHRO Matters

Mr. Smith, Ms. Turner, and Mr. Stone were invited to stay for Executive Session. Ms. Ketchale was invited to stay for the first item.

Ms. Capps left the meeting at 1:05 p.m.

The Board reconvened in regular session at 1:45 p.m.

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

Vice Chair Birney noted that no votes or actions took place during Executive Session.

VII. New Business:

Review and Possible Action Re: Compensation Plan:

On a motion by Ms. Pierre, seconded by Mr. Thompson, and unanimously passed, it was:

“Resolved that, after due consideration, the Board of Directors hereby allows the applicable bargaining unit employees to make a decision to remain in the entrepreneurial compensation program or choose the step compensation program. Decision made by each individual to be effective July 1, 2019.”

Review and Possible Action Re: FY20 Budget:

On a motion by Ms. Pierre, seconded by Ms. Morton, it was:

“Resolved, that after due consideration the Board of Directors hereby approves the FY20 Budget.”

Mr. Birney, Ms. Morton, Ms. Pierre, and Mr. Thompson voted in favor of approving the budget. Mr. Thompson noted that he supported approving the budget due to the fact that managers have not received a salary increase in many years while continuously providing record returns to the state. Mr. Birney concurred. Mr. Flores, Ms. Maroney, and Mr. Heckman voted against. Mr. Flores noted that while he supported the budget numbers, his opposition was because the state had not yet awarded salary increases to managers in other agencies. Ms. Maroney stated that she concurred with Mr. Flores.

VIII. Adjournment:

On motion made by Ms. Pierre and seconded by Ms. Maroney, the meeting was adjourned at 1:49 p.m.

Respectfully Submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation