

CONNECTICUT LOTTERY CORPORATION

Minutes of the Board Meeting
held on
Thursday, April 19, 2018
At 12:00 p.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Donald DeFronzo, Chairman; Meghan Culmo; Robert Dakers; James Heckman (via teleconference); Michael Janusko; Robert Morgan; Margaret Morton (via teleconference); Michael Thompson (via teleconference); and Diane Winston (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 12:04 p.m.

I. Welcome:

Chairman DeFronzo welcomed the Board members and thanked them for attending today's meeting. Chairman DeFronzo expressed his gratitude to the CLC employees for their exceptional performance and focus over the past few months.

II. Approval of March 15, 2018 Meeting Minutes:

On a motion made by Mr. Morgan, and seconded by Mr. Dakers, it was:

“Resolved, that the Board hereby approves the March 15, 2018 Board meeting minutes.”

Mr. Janusko abstained.

III. Executive Report:

Interim President's Report:

Ms. Turner welcomed and thanked the Board for attending today's meeting and proceeded to provide the Board with her report. Ms. Turner noted that the Lottery is on pace for a record year. Currently, General Fund transfers are \$271 million, which is 2.3% ahead of budget, and 7.7% ahead of last year. The CLC exceeded \$1 billion in sales as of April 15, nine days ahead of last year.

Ms. Turner highlighted the recently launched \$30 instant game, \$5,000,000 Ultimate, which we hope will lead to improved sales at this price point.

Ms. Turner discussed recent promotions for the Cash5 game, which have been successful in increasing sales of that game by 4.3%. Similar promotions are planned for the Lucky for Life game. Focus group testing was recently completed on extended scratch playstyles and large format game concepts.

Keno sales are on an upswing with \$150 million reached in sales and \$98 million in prizes since the launch almost two years ago. We also believe that Keno continues to be a growth area for us. We continue hosting Keno parties around the state and will be launching a new commercial soon.

Ms. Turner briefly discussed social media efforts, including a recent Facebook post about a Win For Life winner featured on *Inside Edition's* Twitter page, a potential reach of close to two million.

Ms. Turner gave an overview of recent corporate responsibility efforts, namely CLC's recent Corporation of the Year award from the Greater New England Minority Supplier Development Council, an upcoming supplier diversity matchmaking session, and the corporation's Problem Gambling Awareness Month (PGAM) efforts. Throughout the month of March, CLC planned 31 days of activities and various fundraising efforts to support the Connecticut Council on Problem Gambling. Efforts also included a new GameSense PSA in partnership with the Mohegan Sun Black Wolves lacrosse team.

There are a number of bills that the CLC has been following closely. SB 277: AAC Online Lottery Games has been defeated in the Public Safety Committee. However, SB 540: AAC Sports Wagering and Online Lottery Draw Games in the State has passed the Finance Committee. This bill has language that supports offering draw games online, so the passage of it out of committee is a positive point. HB 5307: AAC Sports Wagering in the State passed the Public Safety Committee narrowly. The fate of the bill depends, in part, on the SCOTUS decision on sports betting, which could be issued at any time.

Other bills being followed include SB 417, which would lower the threshold for the CLC to collect child support and taxes owed from prizes of \$5,000 to \$2,000; HB 5306 which would require DCP to put a plan in place to expand gaming in Connecticut; SB 280, which would have OPM look at using CLC revenue to fund state employee and teacher pensions; SB 445 AAC an Analysis of the Recommendations of the Commission on Fiscal Stability and Growth; and HB 5587 AAC the Commission on Fiscal Stability and Economic Growth.

Ms. Turner shared information about an opinion that the Attorney General recently released regarding, among other things, the future of sports betting in Connecticut.

Sec. 660 of SB 1502 is an item that was looking for the CLC to reduce operating expenses by approximately \$1 million in this fiscal year and next fiscal year. The definition of "operating expenses" is unclear, so the proposed fix is that the CLC increase its General Fund Transfers by \$1 million for fiscal years 2018 and 2019 over the preceding year. Members of all caucuses seem amenable to this proposal.

There has been no budget issued yet. There is potential for a Special Legislative Session to be held during the summer.

Ms. Turner highlighted several staff development efforts including an organization and efficiency workshop the legal team attended recently, a NASPL lottery leadership program recently attended as well as Department of Administrative Services' Aspiring Leaders Program currently underway. Ms. Turner then noted that there are three current job postings at the CLC. Additionally, a Labor-Management Committee has been created and will meet regularly.

Looking ahead, Ms. Turner discussed the recently issued RFP for a Loyalty Club, work on the CLC budget for the next fiscal year, the forthcoming announcement of the advertising and marketing services agency selection, the Player Activated Terminals (PATs) contract, new tickets on the horizon, as well as upcoming compliance checks at retail locations in collaboration with DCP.

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 March 31. All sales figures are unaudited estimates. Sales for all games during the period were \$945.5 million, up 4.9% from last year. On Monday April 16, sales reached \$1 billion, which was 9 days earlier than last fiscal year. Instant games sales were \$538.9 million, which is slightly under budget by .3%. Daily numbers games sales were \$179.5 million, which is slightly under budget by .4%. Draw game sales were \$104.7 million, which is under budget by 1.7%. Powerball, Mega Millions, and Lucky for Life had combined sales of \$120.3 million through March 31. This is ahead of projections by 14.5%.

IV. Committee Reports:

Audit Committee:

Mr. Thompson noted that the Audit Committee met on April 18th. The Committee met in Executive Session to discuss five agenda items. Mr. Thompson stated that no votes or actions were taken during the Executive Session at the Audit Committee meeting.

Mr. Thompson stated that Ms. Deborah Davis, Assistant Director of Security, provided the Audit Committee with an update of the upcoming compliance checks at retail locations that the CLC is performing in collaboration with DCP. Also during the meeting, Mr. Granato provided the Audit Committee with an update of the State Audit which is near completion, with no material findings. New business included discussion of the Financial Audit Services and Organizational Assessment RFPs as well as changes to the lease at Alumni Road, CLC's back up warehouse and disaster recovery site.

Legislative and Games Committee:

Ms. Morton noted that the Legislative and Games Committee met on April 18th in public session to review sales performance as well as hear an update of the various bills that the CLC is following closely. No votes or actions were taken during the meeting.

V. Old Business:

Organizational Assessment Update:

Chairman DeFronzo shared with the Board that he had recent discussions with DCP Commissioner Seagull with regard to the Organizational Assessment RFP that the CLC would procure for, with input from DCP, in the near future.

VI. New Business:

On a motion made by Mr. Dakers and seconded by Mr. Morgan, the Board Agenda was amended to add a Personnel Committee report.

Ms. Turner provided the Board with the Personnel Committee report, noting that the Committee last met on March 5th. Ms. Turner stated that the Committee voted to recommend to the Board of Directors that the provisions of the 2017 Agreement between the State of Connecticut and SEBAC to institute changes in family and medical leave entitlements are extended to all Executives, Managers and Confidential employees of the CT Lottery Corporation. The changes are the same as those provided to bargaining unit employees.

On a motion made by Mr. Morgan and seconded by Ms. Culmo, it was:

“Resolved, that effective immediately the Board of Directors hereby extends to all Executives, Managers and Confidential employees of the CT Lottery Corporation changes in family and medical leave entitlements in accordance with the provisions of the 2017 Agreement between the State of Connecticut and SEBAC.”

VII. Executive Session:

At 12:55 p.m., on motion made by Mr. Morgan and seconded by Ms. Winston, the Board moved to Executive Session to discuss:

- Attorney/Client Communications
 - Statutory Matter, Title 12
 - Contractual Matter
 - Marcum
 - Pending CHRO Claim
 - FOIA Appeal

Ms. Turner and Mr. Stone were invited to stay for the entire discussion. Mr. Hunter was invited to stay for the second item.

At 2:10 p.m. the Board reconvened in regular session.

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

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

IX. Adjournment:

On motion made by Mr. Dakers, seconded by Mr. Janusko, and unanimously approved, the meeting adjourned at 2:11 p.m.

Respectfully submitted,

Matthew Stone
Corporation Secretary
Connecticut Lottery Corporation