



CT Lottery

MEETING TRANSCRIPTION

Finance Committee

Special Meeting

May 19, 2021 at 2:00 p.m.

via teleconference

Committee Members: Patti Maroney, Chair of the Finance Committee; Robert Simmelkjaer, Board Chair (all via teleconference).

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

I. Welcome:

(P. Maroney): Good afternoon and welcome to our Special Meeting of the Finance Committee on Wednesday, May 19, 2021. I'd like to call the meeting to order at 2:03 p.m. Before we start, I'll turn it over to Matt to give us the direction for our meeting protocol.

(M. Stone): Thank you, this is Matt Stone, General Counsel for the lottery and reminder that the Governor's Executive Order regarding public meetings is still in effect. The primary reminder I want to give the Committee is that speakers should identify themselves by name before speaking, and this applies to everyone speaking whether a Committee member or not. I know this can be awkward during a conversation but it is a requirement of the Executive Order, so please do your best to comply. That is all I have, back to you Madam Chair.

II. Approval of the November 20, 2020 Finance Committee Meeting Minutes:

(P. Maroney): Thank you. The second item on the agenda is approval of the November 20, 2020 Finance Committee Meeting Minutes which we are going to defer until later in the meeting.

III. Review of Draft of FY2022 Budget:

(P. Maroney): Next is the Draft FY2022 Budget and I'll turn it over to Paul to lead us through this.

(P. Granato): Thank you Patti. This is Paul Granato. Good afternoon everyone, I'm going to share my screen so you can follow along with me. This is the fiscal 2022 budget and last Friday we gave you an update to our original presentation which was sent out in accordance with our bylaws, due on May 1st. After May 1st we took another look at our sales levels and our current sales trends and we made a decision to lower our estimate for fiscal 2022 budget purposes for next year based on some of the trends that we're seeing right now and we'll talk more on that when we get into the sales line-by-line items but overall we are looking at a very profitable year, returning about \$385 million to the general fund next year. On page three, you'll see more detail on lines one through sixteen, these are our sales by game and we've highlighted for you and the various levels we're anticipating for next year. A couple of items I want to talk about is on line eight, Powerball, and I know you've heard from a number of us in our various meetings that Powerball is going to three days a week starting in August. So that's an additional drawing and based on the additional drawing we expect that we'll see additional sales revenue, but we are not

sure, we are not sure that that's actually going to happen because we can just be spreading out those sales over three days per week versus two days a week. What we hope to see is that jackpots grow faster. Having more drawings and drawings where the jackpots are not won will give the opportunity for jackpots to hopefully rise at a faster rate. And jackpots at a faster rate will hopefully increase sales. Moving on to Lucky for Life on line 14, that is also going to have increased drawings. Currently, that is drawn two days a week and that's going to move to seven days a week, a daily drawing and we anticipate that we will see somewhere between a 20-30 percent increase in sales levels for that game next year and we anticipated that in the budget. We do have some positive news in growing our Keno sales, and that's on line 15 and his game has done tremendously for us, we've seen fantastic growth since we launched it in 2016 we are at our highest level since we launched and we're averaging about \$3 million per week, so we anticipate that we should be able to see \$150 million in revenue in fiscal 2022. Then you've heard as well on Fast Play, we have a number of initiatives for next year in terms of expanding that game and the offerings that we offer out to the public. We're going to have two different progressive jackpot games at the same time in the field as well as a few stand-alone games, one of which will be in celebration of our 50th anniversary next year. We are looking at a total in sales of \$1.45 billion, which will be our second highest ever, down a little bit from this year. Greg and I were talking earlier this week and we are in the same position right now as we were 12 months ago with the uncertainty that we had developing the budget and just coming into the pandemic. Now again as we come out of the pandemic we ask what are the effects of lessening restrictions, how is that going to affect our sales.

(R. Simmelkjaer): Paul, just to ask about that – this is Rob – I know in Connecticut some of the restrictions are expiring today, why wouldn't you just look at it as back to normal in that once the new fiscal year starts we'll be a month or so clear of all of these restrictions, obviously there's still lingering impacts of it but couldn't you say there's more certainty now because you know that the world will look a lot more like it did before the pandemic?

(P. Granato): Yes I would say a little bit more certainty but a little less certainty on how our players are going to spend their discretionary income. When there's more opportunities out there – I think we mentioned the casinos reopening, and if they don't have restrictions and are able to open to full capacity, we expect that some of those lottery players were casino players and they may be going back to the casino.

(R. Simmelkjaer): Right so you don't know whether you'll keep some of the people that you won over during the pandemic potentially or whether they'll go back to where they were status quo before the pandemic.

(P. Granato): We are not expecting to keep a good portion of that, we are not expecting to lose all of it but we do expect that some will go back to the casino.

(G. Smith): I'm also going to chime in, this is Greg, with two points. It's not just gambling discretionary money, people will be able to go back to movie theaters and choose to spend their dollars that way. We have talked about the sales growth in many games but some of the greatest growth has been in the \$10, \$20 and \$30 tickets and we are very hopeful that when the economy springs back that we do gain more strongly at the \$1, \$2, and \$3 games that we sell, it's just difficult to be confident now that we are going to maintain or grow sales over \$1.5 billion which is where we expect to finish this year.

(R. Simmelkjaer): Yes, I think that would be extremely hard to project growth over this year given the additional competition, the options for disposable income and we haven't even talked about the competition that may come with the potential for expanded gaming.

(G. Smith): Yes, and we need to put these numbers out there, we've put good thought into it, what is going to happen to this game and why. Similar to last year, we will say to the Board when we ask for approval for whatever numbers we end up with, if we either miss this badly either low or high, the Board can say at some point in the year, go re-project this. These feel like numbers we can wrap our arms around with a certain confidence very different than if we had to grow over what we believe we will finish with this year.

(P. Granato): Thanks Greg. If there's no other questions or comments on sales, I'll move on to prizes. This is obviously our next biggest category, lines 38-55. In that next group you can see that the total prize expenses are estimated at \$929 million and that comes out to just about 62.6% of sales revenue. That's down .2% from last year and that is due to the mix of games and their contributions to the prizes. So in this instance you'll see estimated increases in Powerball and that has a lower payout in terms of prize expense. So overall \$929 million in gross prize expense, 62.6% overall. On the far right column, right before the comments you'll see how we've done compared to the prior year in terms of our estimations. The Wild Ball actually pushes up the overall payout on the daily number games, those four games have an additional cost and are expected to pay out at 50% but with the Wild Ball they actually are at about 50.5%. So those are additional costs you'll see and the rest of the games are at the statistical averages. We will see an increase in Fast Play just slightly from 69.9 to 72.2 and that is based on the new progressive game that we are launching next year as well as the anniversary game, those are at a higher payout. On the next page you'll see the prize expense credits, these are unclaimed prizes, we expect \$13 million of unclaimed prizes, that is about average, about 1% per month so as our sales grow that number grows as well. Our estimate for fiscal 2021 is at about \$15 million in unclaimed prizes and the numbers vary because there is uncertainty in terms of instant games, when those games end.

(R. Simmelkjaer): Can I ask one dumb question, why is the instant game payout so much higher than the other games?

(P. Granato): I think it's really the instant win component, we have a lot of churn factor as you probably can imagine, someone buys a \$10 ticket and win \$10, they think they won. So those make up a large portion of our total prize expense in the scratch portfolio.

(G. Smith): One other additional thought for you Rob is if you compared lottery games as a portfolio of products to casino games as a portfolio of products, the instant tickets most closely resemble the slots. They have a lot of attraction from a playership point of view, they are relatively easy to understand so they're good for acquisition and the idea of being able to reward for that has been one of the long existing facets of lottery from a gaming product offering.

(R. Simmelkjaer): Got it, ok.

(P. Granato): Moving on to the use of expired prizes, this is what the lottery is planning to do with some of those funds that are unclaimed. You'll see we've set aside \$600,000 for the 50th Anniversary, so we plan to use the unclaimed scratch prizes and use that to reward back to the players again in terms of the 50th Anniversary celebration. That is in the works with our marketing department. And we also have our daily games promotions, we've found them to be very successful the past two years that we have run it and we did see a very large increase. We have \$200,000 set aside there as well and then we have our Lotto augmentation funding, we have

a million and a half set aside there as well for potential jackpots that are not funded at the time of the win. That game is erratic, we've had long periods of time where we've had no funding requirements and then we've had just the opposite where we've had to fund multiple jackpots in a very short period of time. That just goes with the law of averages and statistics so we've set aside about two jackpots for this fiscal year as we've done in the past. That brings our net prize expense to \$918,000 for next fiscal year and as I've mentioned that 62.6% and lower than our last budgeted fiscal year.

The next section is retailer commissions, this is pretty easy, they are just developed right off of our sales numbers. The retailers receive 5% of each sale of each lottery ticket based on the lottery game and 1% for every lottery ticket that they cash. That comes out to a blended rate of 5.6%. Our retailers are eligible for win bonuses so when they sell a winning ticket worth \$10,000 or more, they receive a 1% bonus so they get a commission for selling, a commission for cashing and if they sell a winning ticket they get a 1% value of that winning ticket. All told the retailer commissions come to \$81.8 million for next year and we do have set aside a retailer incentive program for next year that will be based off of some type of incentive for retailers to beat their prior year's sales numbers. Obviously we are coming off an incredible fiscal year with fantastic sales numbers; and if a retailer can beat the numbers that they had in a fantastic year, they'd certainly be eligible for a higher bonus. So we set aside \$500,000 for next fiscal year for that as well.

(R. Simmelkjaer): So \$83 million in commissions – Greg how many retailers, I'm just trying to figure out the average, I'm sure it's all over the place.

(P. Granato): About \$26,000.

(G. Smith): Yeah about \$28,000 per retailer, but certainly we are all over the place, some sell \$50,000 a year, some sell \$5 million a year.

(P. Granato): Continuing to the gaming system, this is our vendor, Scientific Games, they supply the core gaming structure and we pay two fees to them, we pay .84% of our regular lottery sales and we pay 1.57% of our Keno sales. That totals about \$13.3 million for next fiscal year and then we have additional charges for things that were not included within our underlying contract, so we pay additional costs for display charges and multichannel software, ticket checkers and the like. They original contract with Scientific Games allowed us to have 600 Keno monitor locations, we have found that Keno monitor locations have seen an increase in sales so we would like to get as many monitor locations out in the field as possible. To do that we have had to purchase additional equipment, so on line 252 you'll see retailer equipment lease of \$1 million, this is additional cost, above and beyond what we get through our contract, we went out and purchased additional Keno equipment, the monitors and the servers, so that we could employ them in various retailer locations to increase sales. We've done six or seven different initiatives where we've placed 40 to 50 new locations with monitors and servers and we found that to be very beneficial to the Lottery. We also have our player activated terminals, those are the vending machines you see out in the field, that's been a static or flat cost for the last couple of years, there's no increase there. Total gaming system costs for next year are estimated at \$16.1 million, again just over 1%.

(G. Smith): Paul looking at your description of the Keno equipment, there's another number in that million besides the Keno equipment, right? I'm trying to remember what it is, the other primary expense?

(P. Granato): In addition to the Keno equipment, in the original contract, there were 3,000 terminals that we were allowed; we purchased an additional 150 regular lottery terminals in addition to the Keno, this is above and beyond the contract cost.

(G. Smith): So it's not just a million in Keno monitors, I think ball park about \$700,000 in terminal additions and then Keno equipment on top of that.

(P. Granato): Yes. And I think we just mentioned there are 2,900 retailers so we have the capacity to grow about 200 more without incurring any additional equipment costs. We have used them, the retailer numbers tend to jump around a bit.

(P. Maroney): I have a question about the different sales percentage, this is Patti. The .84 for the gaming system and 1.57 for Keno; is it higher for Keno because it was a new game and will that change at some point when we negotiate? Or is Keno always paid out at a higher percentage?

(G. Smith): This is Greg, Patti, we added Keno in 2016 and that was very close to the end of our initial 10 year agreement so we extended the agreement five more years and it basically gave it a lesser time period for return on investment by the vendor and so that's what's causing the higher cost and the additional Keno monitors that came with the contract are also an additional component expense of Keno versus other lottery sales. So with a new agreement that we are in negotiations with now, we have just asked for a singular rate and the only reason this is carved out differently is that one started 10 or 12 years ago and the other started just 5 years ago.

(P. Maroney): Thank you.

(P. Granato): So moving on to Marketing and Advertising on pages 8 and 9, this is our expected spend, it's \$13.3 million for next year, up about \$200,000. Not a lot of change there in the different categories in terms of media radio and television placement. We continue to see a bigger emphasis in digital marketing for next fiscal year as well and you can see the big number the \$750,000, we have a project that we are looking at for next year, the digital menu boards, I think you've heard about those as well a few times from us and they are a great way to advertise and publicize our products, they are beautiful and offer a great marketing tool. Additional costs for corporate public relations includes our 50th Anniversary expenses and then there is a small increase for the agency service fees as we are looking to extend our contract with Makaris.

(R. Simmelkjaer): Greg, a quick question for you, how does our marketing spend per dollar of sales compare to other lotteries?

(G. Smith): We have an envious marketing budget and have for a few decades, so I'll give you an example, Massachusetts is a \$4 billion a year lottery sales state and I think they have about a third of our budget so the point in that is that the answers are all over the board.

(R. Simmelkjaer): So when you say enviable you mean we have a healthy marketing budget?

(G. Smith): Yes we have a healthy marketing budget, we use it well, we test different measures and evaluate how they are performing. One of those is represented in our stronger shift over the last few years further into digital marketing and so I could give you different states and different numbers but it's just what the states have gotten used to and not strong comparability from state to state.

(P. Granato): And that's also because how the states are structured, if they are not a quasi-public agency like we are they've got to go through a lot more red tape legislatively to get approval for marketing costs. Moving on to production expenses, this is primarily related to our design, delivery and distribution of our instant tickets. We are projecting \$7.1 million for next year. One

of the major components here is scratch ticket production. That's really built on our Director of Games' portfolio, he has a plan for next fiscal year and various launches, various games, this is our expected cost based on those various sales levels. For the game license fees we have set aside \$100,000 as you are aware we are still due a net credit from Scientific Games as a result of the liquidated damages back in August so this is one of the outcomes of that. We are due \$400,000 additional and are looking at \$500,000 in game licensing fees with a net cost to the Lottery of only \$100,000. Our gaming service fees relates to our second chance drawing promotions. This is the cost for us to have that platform to allow us to do multiple second chance drawings going forward. This \$800,000 will take care of at least the first one, Greg?

(G. Smith): It's been a common tool in the lottery industry for more than a decade to offer players who have non-winning instant ticket games the chance to enter them into an online platform and to win additional prizes because they did not win on the first try with their ticket. I've used them extensively in Vermont and less extensively in Illinois and believe they are a very good tool. We are going to be starting this up this fiscal year and continue it ongoing. The number of tickets and drawings that we do will start with a certain cadence. The first ones will be our anniversary games but it's likely that we will have games that go out every month that have prizes that make it eligible for the second chance entry and drawing platform. I expect this expense to be an ongoing one and we will expect to see the outcomes of that in player acquisition and ultimately in sales growth.

(P. Granato): Moving on to other game costs. The costs are primarily related to being a MUSL members so fees for joining Powerball, Mega Millions and Lucky for Life. This also includes our production costs for the TV studio; as of right now we still are displaying and drawing our daily and nightly drawings every day so that cost is ongoing for the studio. Good news, legal notices for advertising we have a lower requirement for next year based on new regulations with DCP. Right now we are required to post legal notices when we have expiring winning tickets, as well as when games end and when games start. All of those I believe we will be able to do electronically so we can post a prominent message on our website where we can direct our players or anyone who is interested to find out the information easily. That takes us through all of the costs of sales, just over a billion, \$1 billion, 38 million. That is up from our last year's budget and up from the prior year as well.

Moving on to the operating expenses, these are the salary lines, the union staff – bargaining units have not yet settled or signed a new contract for the next fiscal year so we are leaving everything flat for now, there is no contract in place so there are no increases scheduled for union staff. In fiscal 2022 there is a 2% general wage increase for managers that begins January 1, so it is half year prorated in the fiscal 2022 budget and along with that there is also an incentive program for managers and that has been funded for fiscal 2022. The fringe benefit line is 11.6 million and you can see that is just about the same as the full time salary line, we estimated a 2% increase for next fiscal and are awaiting the comptroller's memo as that number comes directly from the comptroller, to all the state agencies and quasi-public agencies.

(P. Maroney): With regard to the manager salaries I'm going to have to say what I usually say and that is we would like you to reflect what is in agreement with what the Governor authorizes as opposed to giving a raise that no other state managers are getting. I have not gotten any feedback from my boss on that yet but have flagged it for her.

(G. Smith): Yes, so what I think what you are saying to us and I don't know whether it's about if we budget for one or if one is brought forward as a recommendation for an award.

(P. Maroney): So yes budgeting for it is one thing but actually paying it out before anything is acknowledged by the Governor is where I'm concerned. So if you want to include the numbers in here to give the managers the two percent that's great.

(G. Smith): Yes, this is a provision in anticipation of the recommendation but not an automatic award of such.

(P. Maroney): Same with the incentive bonuses, prior to any of that going out I think it would make sense to discuss it with someone, I think that occurred in the past but I would just suggest that it occur again before those go out. You are aware of articles written in the past about bonuses being paid so it would be best to have an agreement on the payment of such things.

(G. Smith): Yes, this is Greg again. The compensation plan that the Board approved for the Lottery has us proposing and getting Board approval before anything is actually done. So that plan would be followed, that is the operating model and policy that we have in place.

(P. Granato): Patti, would you like me to change the comment to refer to just the funding for those?

(P. Maroney): No, it's fine the way it is I just want to be sure that it's understood that it be done with approval.

(P. Granato): Ok. Moving on to other operating expenses these are personnel expenses and the biggest increase is with our insurance policy, this went up based on prior claims experience, not surprising but it's up about 20% from the prior year. Building operations is the next group, looking at spending at about \$2 million in building operations which is relatively flat to the prior year. Nothing really here that really strikes conversation but if you have any questions I'd be happy to answer them. Our biggest cost here is the rent here at 777 Brook Street, about half of the total cost of building operations. The next section is data processing costs, \$790,000 for next fiscal year, that's up about \$180,000 from the prior year, but part of that is for the data processing security consultant, we need to clean up some line items for the next budget iteration. Nothing else in terms of increased costs, we do have our additional data equipment that we are going to be buying and our cyber insurance that went up significantly, and in speaking with our broker there is not a lot we can do there, we do have the information security and data privacy committee and we are doing everything we can internally to monitor and safeguard the lottery's information. Travel cost for next year, these are for our fleet of cars the lottery sales reps use and other individuals, about flat to last year at \$360,000. As you've been informed the state vehicles now include some monitoring tools, including GPS; hopefully these will save money in the future by lowering insurance.

Continuing on to office costs, \$2.1 million, with the largest increase in consultant services, this is the PMO or project management office that we are looking to fund for next fiscal year. This is the consultant we will use for the migration of the gaming system. That's pretty much it; our legal costs are flattening out, I think that may be a little low based on the number of contracts we have coming up.

(G. Smith): The legal costs do not take into consideration expenses for sports betting or iLottery; it's about retail lottery and routine ongoing legal work.

(R. Simmelkjaer): So expenses for legal, when they come up for iLottery and sports betting will be part of a standalone budget for that?

(G. Smith): We will bring forward projections but it will be under one corporation number but presented by division. My expectation is that we will be prepared sometime this summer to present sports betting and iLottery revenue, expense and profit projections. We will show them individually and then we'll do one blended together to show all together. That will happen sometime after June 30th.

(P. Granato): Thanks Greg, moving on to conferences and training, we are budgeting back to normal for fiscal 2022; we did not spend nearly what we had in the budget last year as travel was non-existent. Miscellaneous expense is next, \$61,000, nothing unusual in that category. Moving onto other expenses we have our depreciation, this number is declining over time as equipment we've purchased becomes less valuable. The leasehold improvements particularly will slow down as well. Bad debt expense is estimated at \$75,000, these are retailers who do not pay us as required by their contractual weekly settlement, these are nominal write-offs as our collections department has been doing a great job collecting debts. Other operating income is minimal; that is comprised of charges to retailers, penalties, interest, etc. a nominal amount there of \$35,000, bringing us to about \$390 million for the year in operating income. We have other interest income from investments – monies that we hold that are not due yet, our cash management, monies that are due to players who have not come in to claim yet, we hold that money at the treasurer's office and we earn interest on that as well as interest on our Powerball reserves, a modest amount. So another \$280,000 there in interest income. We have expenses out at the end of the chronic gamblers' fund, that is still at \$2.3 million, the line that says OPM, that's who we actually pay but those are our DCP regulatory costs, the \$3.441 million for next fiscal year anticipates additional staff being at DCP as well as additional passed along costs to the lottery. That leaves us with \$385 million to return to the general fund. It's not quite the \$400 million that I was hoping for but with a few small tweaks and maybe a little bit of luck we'll get there. It will be down a little from this year based on the lower sales volume and just a modest amount of increased expense. There are a few additional pages – a small amount of capital expenditures, the box truck we are looking to replace and that is it. Any questions or anything you would like to discuss further?

(P. Maroney): Paul, this is Patti. You had explained to me what you were anticipating in the budget for filling vacancies, was it 50% of the vacant positions?

(P. Granato): Yes, thank you Patti. We anticipate that 50% of those vacant positions will be filled during the current fiscal year.

(G. Smith): We are not saying that we are only filling half the positions, it's that we don't expect all of them to be filled on July 1st.

(P. Maroney): Thank you.

(R. Simmelkjaer): Paul, this is Rob, can you go back to the sales per game? Is the percentage decrease in sales pretty consistent across the games, not counting obviously the games with an increase in drawing frequency? Do you think that certain games are more at risk for decline versus others?

(G. Smith): I can chime in on that. Certainly some of the games have revenue growth in them there are individual reasons for each one. We do look at each of the games one by one and month by month so there is not a broad-based assumption.

(R. Simmelkjaer): It looks like the bulk of the decrease is coming from the scratch games, which I guess is consistent with your thinking with the reopening.

(G. Smith): Yes, but that is only a 5% decline where the daily numbers are down 6%. We do game by game and Paul's team looks at various viewpoints and a range of where they think it's going to be and I look at that as well and weigh in as well.

(R. Simmelkjaer): Thank you.

(P. Granato): One of the good things about next year is the increased activity in Fast Play, that again is very similar, an instant win, that's a good thing and will hopefully compete with that casino-like mentality. Hopefully we'll see a shift there.

(R. Simmelkjaer): Yes, you've got Fast Play bumping up a little bit as a new game, and new features involved in that, the progressive. Let's talk about Keno for a minute, it makes sense that that number is going up a bit after the retail establishments, the restaurants were obviously hit pretty hard over the last year.

(G. Smith): This is Greg. Even though some of those businesses were sidelined for part of this year, we did still experience good growth, anywhere from 13-15% and we've been doing that for probably three or four years in a row. When the social establishments come back we are not projecting to lose what we did in retail, we are looking at that as a return and recovery on top of good steady growth as well.

(R. Simmelkjaer): Makes sense, thank you.

(P. Granato): So the plan is for management to refine these numbers one more time. I did not hear any major concerns of things that need to be added or removed from the budget so I think that for the most part these numbers will be brought forward with a few minor changes from this version to the version that gets reviewed by the Board. Changes will be highlighted for your ease of reference.

(R. Simmelkjaer): One last recommendation and it's more of a presentation issue; it would be useful for me when we look at this to see how these numbers compare back a couple fiscal years; as the pandemic impacted two fiscal years for lottery, so going back to fiscal 2019 maybe. I'd love to see how it compares to a non-pandemic, normal year, knowing that this isn't a completely non-pandemic normal year that we are going into it should start off as a more normal state than we've been in the last two.

(G. Smith): So just for clarity on that, if we took the column for this budget and we took the column for actual 2019 side-by-side, plotted some differences and did some graphical displays, would that work.

(R. Simmelkjaer): Yes, that would be great, something to tie them together.

(P. Maroney): Mainly for sales, right?

(R. Simmelkjaer): Yes, just for sales. That's it. Thank you.

(G. Smith): Great and if you have any questions that come to mind after this meeting please submit them so we can improve descriptions; I know there are some numbers that I'm still looking at. We plan to have the final round a week into June and we'll pick the date for the next Finance Committee meeting in advance of the Board meeting.

(P. Maroney): Paul, thank you for all your work.

(P. Granato): It's not me, it's my team but thank you Patti.

(R. Simmelkjaer) Echo that – Paul and team, thank you.

IV. Discuss Regulatory Changes:

(P. Maroney): If there are no other questions, we can move on to the next item, the regulatory changes.

(G. Smith): Paul, I'll take that if you don't mind. This is just to alert this committee and we will do the same with the other Board committees as it relates to them. There have been some new regulations for lottery passed that became effective mid-April and we are just making sure that Board members are aware of some specific ones that you'll hear us talking about. Two examples for this Committee are that each year we believe our existing financial auditors will be required to review two of our rules of operation on a rotating basis. This will be a new component of work and certainly some expected cost for that and just to bring your awareness to it. We are going to be updating our rules of operation and submitting them to DCP by the end of this June and this two rules a year review will just be an ongoing component of the auditors' work. The other one to point out, and I think this is new, is that all procedures for lottery operations must be approved by DCP so I'm sure there will be some finance and internal control procedures that we will need to submit to them so we will certainly make the Committee and Board aware of anything that is new or changed as well, but DCP approval is required for procedures so just making sure you are aware of these.

(P. Maroney): Any questions? I don't have any.

(G. Smith): Patti, so Manny has not been able to join us so we'll have to defer the minutes approval to the next meeting.

V. Adjournment:

(P. Maroney): Any other questions or discussion? If not I'll take a motion to adjourn.

(R. Simmelkjaer): So moved.

(P. Maroney): Thank you, I'll second. All in favor?

(All): Aye.

(P. Maroney): Thank you everyone, we are adjourned at 3:16 p.m.

Respectfully submitted,

Matthew Stone
Corporate Secretary