

CONNECTICUT LOTTERY CORPORATION

Minutes of Meeting

Held on
June 23, 2011
at 1:30 p.m.

at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Board Members Present: Frank Farricker, Chairperson of the Board, Gale Mattison, Vice Chairperson of the Board; Robert Morgan, designee of ex-officio member, Denise Nappier, State Treasurer; Steve Bafundo; Robert Dakers, designee of ex-officio member, Benjamin Barnes, Secretary, Office of Policy and Management; James Farrell; Joseph Kaliko; Margaret Morton (who joined the meeting by phone); Natasha Pierre (who joined the meeting at 1:50 p.m.); Kenneth Saccente; Martin Stauffer; and Michael Thompson.

Absent: Patrick Birney

Staff Members: Anne M. Noble, President & CEO; Diane Patterson; John Ramadei; Barbara Porto; Chelsea Turner; and Helen Duffy.

Visitors: Don Kleber and William Ryan, Division of Special Revenue; Kendra Eckhart, Cashman + Katz Integrated Communications; and Tom Muller, Scientific Games.

Call to Order: Chairperson Farricker called the meeting to order at 1:35 p.m.

I. Approval of Minutes:

On motion made by Mr. Stauffer, seconded by Mr. Mattison, and unanimously approved, it was:

“Resolved, That the minutes of the May 26, 2011 Special Board Meeting are approved.”

II. President’s Report:

Ms. Noble thanked the Board for attending today’s meeting. In her opening remarks, she noted that Lottery sales were ahead of last year’s actuals by \$21 million and had grown slightly despite the negative impact of the cross-sell initiative. General Fund (“GF”) transfers are also ahead of last year by 1.4% and, as of June 18th, totaled \$277 million. Ms. Noble also noted that the Lottery projects modest growth for next year.

Ms. Noble reviewed her agenda and continued her report with an overview of some of the many milestones achieved in Fiscal Year 2011. This included the Lottery’s successful introduction of a new draw game called “Connecticut Super Draw,” the development of a regional game concept, the installation of Instant Ticket Vending Machines (“ITVM”) as a first important step toward self-service, the implementation of a new website which has been enhanced with text messaging, and the

installation of an enhanced email system. Our commitment to new technology, such as the website and email system, is designed to help augment lottery sales as well as to streamline lottery operations. Finally, the security assessment was completed during the Fiscal Year 2011, with more work to be done in 2012.

The bill to merge the Division of Special Revenue (“DOSR”) and the Department of Consumer Protection (“DCP”) was passed by both chambers of the General Assembly and awaits the Governor’s signature. The Lottery is looking forward to working with the DCP as the Corporation continues to find ways to increase our transfers to the General Fund, while holding true to a commitment to responsible play.

Ms. Noble thanked Chairperson Farricker and Mr. Morgan (Chairperson of the Finance Committee) for their help and support in finalizing the Fiscal Year 2012 budget.

Before providing the Board with next year’s revenue projections, Ms. Noble outlined several assumptions: (1) scratch game growth will be achieved through niche games and game enhancements, (2) emphasis will be placed on point-of-sale, consumer promotions and new distribution points, (3) high unemployment will continue to impact discretionary spending, (4) multi-jurisdictional uncertainty may lead to continued under-performance, (5) internet usage will be limited and (6) a review of the current regulatory structure may yield new growth opportunities.

Ms. Noble gave the following overview of Fiscal Year 2012 revenue projections. Scratch games are forecasted at \$618 million, an increase of \$8 million over Fiscal Year 2011. Multi-state game sales are on par with Fiscal Year 2011, at \$96 million. Daily games, which are projected at \$222 million, are also similar to Fiscal Year 2011, with the challenging objective of maintaining the growth experienced in FY 2011. Sales for in-state draw games is projected to increase to \$90 million, up \$3 million over Fiscal Year 2011. Overall budget projections for Fiscal Year 2012 have increased by \$12 million over Fiscal Year 2011. General Fund projections for Fiscal Year 2012 are modestly, but realistically, higher at \$287 million. Ms. Noble noted that General Fund transfers have increased every year since 2008.

Sales and Marketing Report:

Before beginning her sales report, Ms. Patterson stated that the Lottery is poised to reach record sales revenues in excess of \$1 billion by the end of this fiscal year. She then introduced Ms. Linda Tarnowski, the Lottery’s new Director of Communications. Ms. Tarnowski has worked in the gaming industry and brings valuable experience and talent to the Lottery’s Marketing team.

Using several sales charts, Ms. Patterson presented an overview of sales trends as compared to the same period last year. Her summary follows:

Instant ticket sales were up compared to last year’s actuals and held steady at 3%, or \$17.3 million. May sales set a record for the best May in over four years. The Lottery launched its first 2-sided scratch ticket, Red Hot 5’s, in May. Sales for this game are exceeding expectations: the game has already indexed as one of the best selling \$5.00 games in our history. Another new scratch game called “\$50,000 Connecticut Cash” was launched. This game gives players a chance to win \$50,000 and a bonus Classic Lotto ticket. To date, the Lottery has already awarded more than 30,000 Classic Lotto tickets through this game.

Numbers games sales increased to 8.9%, up from 8.5%, or \$17.9 million when compared to budget. Play 3 and Play 4 (Day and Night) numbers games are ahead of budget. Sales of Lucky-4-Life game remained steady. Classic Lotto sales were up slightly, at \$4.2 million. Cash5 sales were on par with April sales. Sales of Powerball remained negative due in large part to the frequently-hit jackpots. Ms. Patterson noted that there were approximately 15 jackpot hits during the fiscal year.

Super Draw sales are improving. Mr. Morgan asked what the Lottery was doing to promote Super Draw. Ms. Patterson responded that the Lottery was using various types of media (such as television and digital billboard) and promotions.

Mr. Stauffer asked if cross-border sales of the Powerball/Mega Millions Game were benefiting Massachusetts and New York at the expense of Connecticut. Ms. Noble stated that border states had benefited from the sales of Powerball. She will review and can provide more information.

Mr. Kaliko asked if each member state conducted their own cross-sell promotions at their own expense, or if member states shared the cost. Ms. Noble explained that each state designs, implements and pays for its own promotions. Ms. Porto has worked with Scientific Games to make available the system technology for multiple promotional opportunities. Mr. Stauffer added that New York was promoting Powerball by offering players two free tickets when they purchased 10 Powerball tickets. Ms. Noble noted the possibility of more promotional opportunities, including social media.

Multi-jurisdictional games continued to underperform because there were fewer substantial jackpots. Sales in this category tend to follow jackpot trends; a jackpot level of \$300 million only occurred once during this fiscal year; a jackpot level of \$200 million only occurred twice. Sales were down 18.4%, or \$20 million below budget.

Overall sales were up 1.4%, or \$13.3 million when compared to budget. Transfers to the GF were up 6%, or \$1.7 million compared to budget.

This concluded the President's Report.

III. Committee Reports:

Finance:

Mr. Morgan reported that the Finance Committee met on May 13th and June 22nd to discuss the budget for Fiscal Year 2012. He reported that it was a realistic budget with modest growth, consistent with the current environment.

Mr. Saccante asked about the status of the budget should the unions not ratify the concessions package. Mr. Morgan responded that this had been discussed at the Committee level. It was decided that any changes to salary estimates would be treated as a variance to the budget. When asked what the estimated variance would be, Mr. Saccante was informed that it would be approximately \$500,000.

Mr. Morgan recognized that the Lottery results were good and thanked Lottery management for their hard work over the past fiscal year.

On motion made by Mr. Mattison, seconded by Mr. Stauffer, and unanimously approved, it was:

“Resolved, That after due consideration, and based upon the recommendation of the Finance Committee, the budget for Fiscal Year 2012 is hereby approved.”

IV. Executive Session:

At 2:10 p.m., Chairperson Farricker called for a motion to enter into Executive Session to discuss new game initiatives. He invited Ms. Noble, Ms. Turner, and Ms. Patterson to remain for Executive Session.

The Board reconvened in regular session at 2:35 p.m. Chairperson Farricker noted that no votes nor actions had taken place during Executive Session.

V. Old Business:

None

VI. New Business:

Mr. Kaliko proposed a motion to reappoint Mr. Mattison as Vice-Chairperson of the Board for an additional one-year term. On motion made by Mr. Saccente, seconded by Ms. Morton, and unanimously approved, it was:

“Resolved, That the Board of Directors appoints Mr. Mattison as Vice-Chairperson of the Board for an additional year, from July 1, 2011 to June 30, 2012.”

VII. Next Scheduled Board Meeting Date:

The next Board of Directors Meeting is scheduled for September 15, 2011.

VIII. Adjournment:

On motion made by Vice-Chairperson Mattison, seconded by Mr. Stauffer, and unanimously approved, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Barbara Porto
Corporation Secretary

By: Helen Duffy
Secretary to Anne M. Noble
President & CEO/Connecticut Lottery Corporation