

Special Meeting

Finance Committee

Connecticut Lottery Corporation
777 Brook Street, Rocky Hill, Connecticut

May 10, 2012 at 12:15 p.m.

Board Members: Robert Morgan, Chairperson; Gale Mattison; Robert Dakers

Staff Members: Anne M. Noble, President & CEO; Diane Patterson; Chelsea Turner; Paul Granato; Michael Hunter; Lisa Martin

Call to Order: Chairperson Morgan called the meeting to order at 12:15 p.m.

I. Approval Minutes:

On a motion made by Mr. Morgan and seconded by Mr. Mattison, the minutes of the February 1, 2012 Finance Committee Meeting were unanimously approved.

II. Review of Financial Statements for the Nine Month Period Ended March 31, 2012:

Overall, top line sales grew \$44.3 million over budget. Through the 9 month period ending March 31, total sales were just under \$807 million and were 5.8% ahead of budget.

Instant sales were up \$26.1 million over budget. While the numbers of Powerball ticket sales are down, revenues were up \$8.9 million compared to budget. The end of March included the historic Mega Millions run, and sales were up \$7.9 million or 31% over budgeted revenues. We do have two games underperforming to budget. CT Lucky for Life was down \$1.4 million compared to budget, and the Daily Play 3 game was down \$1.3 million compared to budget.

Prize expense as compared to budget is similar. Prize expense is up \$19 million primarily due to higher sales volume. The primary contributors were instant, Powerball and Mega of \$16.9, \$3.4 and \$3.9 million respectively. The Play 3 Night prize expense is also down – partly due to lower sales, and also due to lower statistical payouts. Interestingly, all other games' sales were up \$3.6 million, but prize expense was down \$2.1 million. That is a fairly large swing and all due to lower payouts across the other draw games.

Retailer commissions and online systems were both up in relation to higher volume of sales. Marketing expense was \$2 million under budget due primarily to timing. Increase in production expenses was related to volume in the scratch ticket production. Cost of sales was \$20 million over budget and totaled \$551.6 million for the nine month period.

Salaries and fringe benefits were under budget primarily as a result of vacancies throughout the year. We returned \$235 million to the General Fund through March 31, 2012, and this is 10.2%, or nearly \$22 million, ahead of budget.

For the statement of net assets, the most important item to note is the fairly large increase in cash at March 31, 2012. This was primarily due to timing of the sweep accounts. Accounts receivable were also impacted due to timing of the actual sweep. It is also important to note that because the levels of sweep grew so quickly due to the Mega jackpot, we closely watched the delinquency from retailers. We did not see any substantial increase in delinquency, either in number of retailers or dollars.

Almost 70% of the balance sheet is comprised of annuities payable and receivable. \$20 million is short term and \$120 million is long term through various contracts in place with a number of insurance companies. These are both on downward trends, due to fewer claimants opting for annuity choices.

The public session concluded with a brief discussion regarding the nine month performance of the individual games.

At 12:22 pm, a motion was made by Mr. Mattison and seconded by Mr. Dakers to enter Executive Session. This motion passed on a unanimous voice vote. Ms. Noble, Mr. Granato, Ms. Turner, Ms. Patterson and Mr. Hunter were invited to remain for the Executive Session.

III. Executive Session:

- Review Draft Preliminary Budget Proposal for Fiscal Year 2013
- Discussion of Responses to Request for Proposals for Supplier Diversity Consultant
- Review Preliminary/Draft Contract Proposal Alternatives Re: Online Gaming System

At 1:25, Mr. Hunter and Ms. Turner left Executive Session.

IV. Old Business:

None.

V. New Business:

None.

VI. Adjournment.

On motion made by Mr. Mattison, seconded by Mr. Morgan and unanimously approved, the meeting was adjourned at 1:53p.m.

Respectfully submitted,

By:

Chelsea Turner

Secretary, CT Lottery Corporation