



**Finance Committee  
Meeting Minutes**

Held on  
Thursday, May 16, 2013  
1:30 p.m.

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

Committee Members: Bob Morgan; Gale Mattison; Patrick Birney; Marty Stauffer

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

Call to Order: Bob Morgan called the meeting to order at 1:35 p.m.

I. Approval of Minutes:

On a motion made by Mr. Birney and seconded by Mr. Stauffer, the minutes of the February 20, 2013 meeting were unanimously approved.

II. Review of Financial Statements for the Period Ended March 31, 2013:

Mr. Granato reported that the quarterly results for sales exceeded budget by \$2.6 million; however, prize expense also exceeded budget by \$4.9 million. Prize expense was up largely due to liability for Play4 Day and Play4Night daily numbers. The additional prize expense resulted in General Fund transfers under budget by \$2.6 million for the quarter.

For the nine months ended March 31, 2013, total sales exceeded budget by \$11.1 million and prize expense was up \$8.7 compared to budget. As of March 31, 2013, General Fund transfers remain ahead of budget by \$1.8 million.

Mr. Granato noted that for the quarter ended March 31, on-line systems costs were below budget by \$200K, due to realized liquidated damages. Marketing expenses were also down \$300K. Ms. Patterson explained that the Marketing Department tabled some of the initiatives they were working on until a new advertising agency

is selected. Mr. Birney commented that that he noticed there is a conscious effort to keep expenses down.

Production expenses were on budget for the quarter but still exceed budget by \$1.2 million for the nine months ended. Mr. Granato noted that a new \$30 instant ticket was launched ahead of schedule. He also noted that Operating Expenses as a group are under budget for the quarter and approximately \$1 million under budget for the nine months ended.

Management informed the Finance Committee that prize expense for April was up significantly due to the number sequences 1-1-1-1 and 1-2-3-4 being drawn in our Play4 Night game. These sequences yielded a combined prize liability of \$13.4 million dollars and will impact fourth quarter results. The average daily prize liability for this game is approximately \$85,000.

There was a general discussion about ensuring the security and integrity of all games, weighing the balls and live drawings versus random number generators. Ms. Noble offered to have her team put together a presentation on the Daily games for the next Board or Games Committee meeting and Board members responded that this would interest them.

Ms. Noble discussed the most recent Powerball and Mega Millions jackpots and noted that having two large jackpots simultaneously will provide useful data that our research consultant needs to study these games. Mr. Stauffer inquired as to whether the number of billboard jackpot signs is sufficient. Ms. Patterson replied that Management is evaluating these contracts now.

Mr. Birney inquired about the performance of Super Draw. Ms. Patterson explained that we added a twist to this niche game by making it a "50-50" drawing, which complemented our overall portfolio for this time of year. Actual sales exceeded budget for this new game.

### III. Executive Session:

On a motion made by Mr. Mattison, seconded by Mr. Birney, and unanimously approved, the Committee moved into Executive Session at 1:58 p.m. Mr. Morgan invited: Ms. Noble, Ms. Patterson, Mr. Granato, Mr. Hunter and Ms. Turner to remain for the Executive Session to review the draft budget.

The Committee reconvened in regular session at 2:50 p.m. No actions or votes were taken during Executive Session.

IV. Review of Retained Earnings:

Mr. Granato provided the Finance Committee with a schedule of net assets which has been increasing since 1998, and referred the Committee to the policy on the transfer of retained earnings set forth in the notes to the financial statements. He noted that in 1997, the CT Lottery Corporation (CLC) transferred a large amount that was inherited from the then Division of Special Revenue. Mr. Granato also noted the importance of following the policy and Mr. Birney concurred.

Mr. Granato explained that General Fund transfers are estimated on a weekly basis based on actual sales less estimated prizes. The final transfer includes estimates for sales, prizes and unclaimed prizes. This process will inherently never be fully precise, so, the CLC accumulates net assets that should be transferred to the General Fund in the following year.

Mr. Morgan inquired about the history of the policy and a detailed discussion ensued which included Mr. Stauffer addressing the distinction between restricted and unrestricted net assets. Mr. Stauffer added the history centered on unclaimed prizes and ensuring that there was enough cash to pay them, and noted that a few years ago the time period to claim a prize shrank from one year to six months. Mr. Stauffer suggested doing additional analysis.

Mr. Granato plans to further discuss the issue with Ernst & Young to learn more about the history of this line in the budget and stated that he would do more research and bring this information to the Committee at the June meeting for further discussion and resolution.

V. Old Business:

None.

VI. New Business:

There was no further review and no vote taken on retained earnings.

VII. Adjournment:

On motion made by Mr. Birney and seconded by Mr. Stauffer, and unanimously approved, the meeting was adjourned at 3:30 p.m.

Respectfully Submitted,

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By: Chelsea Turner  
Director of Government, Regulatory and Operational Affairs  
Connecticut Lottery Corporation