



CT Lottery

MEETING TRANSCRIPTION

Executive Committee

Regular Meeting

January 14, 2021 at 10:00 a.m.

via teleconference

Committee Members: Robert Simmelkjaer, Board Chair; Wilfred Blanchette, Jr., Personnel Committee Chair; Patti Maroney, Finance Committee Chair; Margaret Morton, Legislative & Games Committee Chair; and Michael Thompson, Audit Committee Chair.

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

I. Welcome:

(R. Simmelkjaer): Hello everyone, welcome. This is Rob Simmelkjaer, I am the Chairman of the Board of the Connecticut Lottery Corporation. Today is January 14, 2021 and I am calling to order this Regular Meeting of the Executive Committee at 10:02 a.m. Before we begin I'd like to introduce Matt Stone, the General Counsel of the Connecticut Lottery Corporation, to discuss the rules under which we are operating.

(M. Stone): Thank you Mr. Chairman. This is Matt Stone, General Counsel for the Lottery, and I am going to shorten my reminders being that we have been at this for almost a year now and we have a pretty good handle on things. We continue to operate under Governor Lamont's Executive Order regarding public access to meetings. The primary thing that I want to remind members of is the need to identify yourself before speaking. I know this can be awkward in a conversation but it is a requirement of the Executive Order, so please do your best. That is all, back to you Mr. Chair.

II. Approval of the November 12, 2020 Executive Committee Special Meeting Minutes:

(R. Simmelkjaer): Thank you very much. This is Chairman Simmelkjaer. The first item on the agenda is to approve the November 12, 2020 Executive Committee meeting minutes.

(M. Thompson): So moved, Michael Thompson.

(P. Maroney): Second, Patti Maroney.

(R. Simmelkjaer): Thank you Michael and Patti. All those in favor of approving the minutes?

(All): Aye.

(R. Simmelkjaer): Any opposed? Hearing none, the minutes are approved.

III. Lottery Sales and Transfers:

(R. Simmelkjaer): Thank you. Chairman Simmelkjaer again. Next on our agenda is a report on our lottery sales progress and transfers to the State. For that I'll turn it over to the President and CEO, Greg Smith.

(G. Smith): Thank you Mr. Chair. Good morning, this is Greg Smith. Some brief comments for you, as I know you were well caught up at the most recent board meeting on our sales year-to-date. I am happy to report that for the month of December our sales were \$125 million, compared to \$114 million last December, so up \$10.5 million or 9 percent. To take you through the first twelve days of January, through Tuesday of this week, our sales were already \$60 million. By comparison, for the first twelve days of last year we were at \$42.5 million, so we are up so far in January by \$17.5 million or 41 percent. Sales continue to be strong, certainly the two national jackpot games with jackpots rolling again yesterday and Tuesday, they are now in the \$700 and \$600 million range for drawings on Friday and Saturday. Not only are those games performing well but all games sales are performing stronger prior to these strong jackpot runs and additionally during these strong jackpot runs. We are seeing some good lift and it's a nice position to be in. We were ahead in transfers to budget and to last year and that continues to grow as we work through these weeks. No guesses as to when these jackpots will get hit but it's been more than a year since we've been at levels like this. Kind of odd that they are both happening at the same time, just for comparisons sake: when a jackpot crosses half a billion it usually grows between runs by a couple hundred million, these are now growing by about a hundred-and-something million between runs just because they are both drawing sales at the same time. I hate to say that there is a capacity that the public is interested in spending on lottery jackpots and when they are both going at the same time that capacity gets spread over the two instead of being channeled into the one. Regarding Powerball and Mega Millions sales, the gaming system is holding up well and able to handle this high RPM that we test when we get to these high jackpot runs.

(R. Simmelkjaer): Greg this is Chairman Simmelkjaer. Has that been an issue in the past with large volumes, have we had capacity issues on the system?

(G. Smith): No but it's really the idea of saying – if I compare it to driving a car – you're revving it at high levels, and they're designed to handle this, no jackpot run is supposed to test the system as far as taking it to its limits. It's just nice to see and we tend to monitor when that happens. We had a small telecom issue with Verizon – it was Verizon's issue that effected about 300 retailers for about 40 minutes on Tuesday night and the vast majority of them are back in full operation but there are some occasional blips with telecom issues that are the vendor's responsibility. We encountered a small amount of that and they were quickly on it and kept us up to speed on how the recovery was occurring. It was a very insignificant impact to sales but these things do occur and that's what keeps our eye on it when it comes to these high volume sales periods. A couple of the key things that we focus on as we come into these jackpot runs is keeping the ticket stock supplied so that the retailers have the ticket rolls to meet the customers' purchase demands and we are also reminding customers in our messaging in any interviews that we do and in some of our social media is to honor the stores' requirements for social distancing as people start to queue up to get their tickets if they are not regular customers for lottery. So that's been part of our responses so that we can help to keep the public aware of the public health and safety measures. As I mentioned with all of the games performing at high levels, this is also a positive for lottery when we get new or infrequent players coming in and when you have the runs

occurring at these high levels for a few weeks in a row it can entice and excite people who are not normally lottery players to become lottery players to not only buy the Powerball and Mega Millions tickets but to try a few other games. So it is a good customer attraction method for us as well. All good, I just wanted to give you those couple of numbers and comments to update you.

(R. Simmelkjaer): Very good. Let's see how long those runs go for. Any questions? Hearing none, thank you Greg.

IV. Update on Gaming System RFP:

(R. Simmelkjaer): This is Rob Simmelkjaer again. Next is an update on the Gaming System RFP for which we have now received proposals, Greg I'll ask you to report on that as well.

(G. Smith): Thank you, this is Greg Smith. We have received proposals as responses to the RFP and have begun our review process. In prior meetings with the Board I had reviewed the timeline and we are still on our timeline for evaluating proposals, expecting to make a decision in April, so still about three months in front of us as far as reviewing these. This week we had presentations from those who submitted proposals so that we could give them a chance to highlight or focus attention on certain parts that they want to draw our attention to; and then to inform or remind members of the Board that there is an evaluation team but we do use some internal staff members as well as some consultants as subject matter experts to help in the evaluation process. For example we ask these companies for their financial condition and then we reach out to people both internally and externally as needed to look at some of the financial statements and give us any input or guidance due to maybe a different skill set for the evaluation committee who may not have strong financial statement review skills. We have a plan and we are working through this process and all things are going fine right now, still in the early stages.

(R. Simmelkjaer): This is Chairman Simmelkjaer. Could you go over again, at a high level, the timeline over this process and the major steps, to give me some expectation of how this is going to play out?

(G. Smith): Sure. The review process has the next few months captivating our attention, then a recommendation by the evaluation committee of the company that we recommend going into negotiations with. We will use the time from April to most likely into the summer for contract negotiations. It is a significant contract, it has a lot of content and criteria in it and we will use that time to get that to where both parties reach agreement on it. That contract will be brought to the Board to approve, typically through the Audit Committee and then full Board approval. From there we will take their project plan, the Lottery's project plan, blend those together and begin a full program for onboarding their gaming system, the equipment, training that is needed -- internally as well as retailer -- and then a deployment effort for this. That is a twenty-month time period, so that by the spring of 2023 we are ready to turn that new system on and the old system off. Lots more details in that but that is the big picture.

(M. Thompson): I have a quick question Mr. Chair, this is Michael Thompson.

(R. Simmelkjaer): Yes, go ahead.

(M. Thompson): Greg, without giving away anything, were there any unexpected submissions or were they all entities that you expected to receive them from?

(G. Smith): We received proposals from companies that we expected. We are always hopeful for additional submissions so that we can understand the universe of people that can provide gaming systems that can handle this type of activity and so we received at that point two proposals, we

were hoping for a couple more but we work with what we received following the procurement schedule and procedures that we have.

(M. Thompson): Is that part of the process completed now, the receipt of proposals?

(G. Smith): Yes, the deadline for submission was December 30th.

(M. Thompson): Thanks.

(R. Simmelkjaer): Alright, this is Rob again, any other questions? We have a few items to discuss in Executive Session. A few draft outlines related to discussions of strategy on ilottery, sports betting, and also a draft organizational chart. So now I'd like to ask for a motion to go into Executive Session.

(M. Morton): Peg Morton, so moved.

(R. Simmelkjaer): Do I have a second?

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): Thank you. All in favor?

(All): Aye.

(R. Simmelkjaer): Opposed? Ok, we will close the public line at this point and go into Executive Session at 10:17 a.m.

(G. Smith): This is Greg Smith, I'd like to have Matt Stone included for the first two items.

V. Executive Session:

a. Discussion of iLottery Draft Outline

b. Discussion of Sports Betting Draft Outline

[Mr. Stone left the meeting at 10:59 a.m.]

c. Draft Organizational Chart

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

(R. Simmelkjaer): This is Chairman Simmelkjaer. We are back in public session at 11:14 a.m., noting that no votes or actions were taken during the Executive Session.

VII. Adjournment:

(R. Simmelkjaer): With that if there is nothing further we are prepared to adjourn the meeting. I'd like to ask for a motion.

(M. Thompson): So moved, Michael Thompson.

(W. Blanchette): Blanchette, second.

(R. Simmelkjaer): All those in favor of adjourning?

(All): Aye.

(R. Simmelkjaer): Opposed? Ok, that adjourns our meeting of the Executive Committee at 11:15 a.m. Thank you all very much.

Respectfully submitted,

Matthew Stone
Corporate Secretary
Connecticut Lottery Corporation