



**Finance Committee  
Meeting Minutes**

Held on  
Wednesday, September 25, 2013 at 3:00 p.m.

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

Committee Members: Patrick Birney, Chairperson of the Finance Committee; Bob Morgan; Gale Mattison; and Robert Dakers.

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

Call to Order: Mr. Birney called the meeting to order at 3:01 p.m.

I. Approval of Minutes:

On a motion made by Mr. Morgan and seconded by Mr. Mattison, the minutes of the June 13, 2013 meeting were unanimously approved. Mr. Birney abstained since he did not attend the June 13, 2013 meeting.

II. Review of FY 2014 Budget Amendments Related to Proposed Keno Launch:

Mr. Granato presented to the Finance Committee a revised draft budget for FY 2014 and an outline of the changes from the approved budget which was submitted to the Board in June, 2013. Mr. Granato outlined the following basic assumptions behind the revisions:

- Revenue Assumptions: The introduction of a new lotto draw game in the Fourth Quarter of FY 2014 was planned. The FY 2014 budget included a projection of \$2.75 million in new revenue associated with this new game. Sales revenue for a new lotto draw game was removed from the proposed draft budget provided to the Committee. Revenue additions include the implementation of Keno to commence on June 1, 2014 and based on equipment being ordered on October 1, 2013.
- Expense Assumptions: Prize expense, retailer commissions, online vendor fees, and planned expenditures of \$621,700 of marketing and advertising for the proposed new lotto draw game are removed from the budget. Cost of sales associated with Keno prize expense are increased to reflect the introduction of Keno for one month of sales. Prize expense is estimated at statistical payouts, and commissions and vendor fees are budgeted at contractual levels.

Marketing, advertising and promotional costs for Keno are estimated at approximately \$3.1 million. Other operating costs have been adjusted to reflect additional bargaining unit staff,

equipment and motor vehicles necessary to recruit and license retailers. The budget also includes an additional managerial employee. In addition, the budget includes a salary adjustment for bargaining unit staff which is unrelated to Keno. The Connecticut Lottery was notified of this salary adjustment the week of September 23, 2013.

Mr. Granato stressed that the above assumptions are estimates and that the draft budget is preliminary. Final revenue and expense estimates are contingent on the date a completed tribal agreement is signed. Mr. Granato thanked the Committee for their patience as the budget is refined.

III. Old Business: None

IV. New Business: Review and Possible Action Re: FY 2014 Budget Amendments Related to Proposed Keno Launch

Ms. Noble informed the Committee that as of the date of this meeting, she is not aware that there is a signed Agreement between the Office of Policy Management (“OPM”) and the Tribal Nations. The Agreement is a legislative requirement. The Lottery is not negotiating that Agreement. Ms. Noble indicated that in order for Keno to launch by June 1, 2014, an Agreement must be signed in early October or the window to launch Keno in this fiscal year could close. At Mr. Mattison’s request, Ms. Noble discussed the time frame of deliverables for Keno to launch by June 1, 2014 and discussed the recruitment process in detail. Ms. Noble stated that new games do not typically launch mid June through the month of August. Therefore, if Keno does not formally launch by June 1, 2014, the projected launch date may be September, 2014, FY 2015. The Committee discussed whether the Connecticut Lottery should move forward with the planned lotto draw game as set forth in the current budget. A new lotto draw game could result in \$2.75 million in estimated sales for FY 2014. The Committee made no decision at this time regarding the adoption of the FY 2014 Budget Amendments related to the proposed Keno launch. However, the Committee intends to hold a special meeting to vote on the revised budget if and when the Tribal Agreement is executed.

Mr. Birney inquired where Keno would be sold. Ms. Noble explained that based on best practices from other lottery states where Keno is available, Keno should be available to all retailers and that not all retailers will be equipped with monitors. Mr. Mattison added that economically it is not feasible to limit sales to bars and restaurants.

Mr. Mattison asked about licensing and timeframes. Ms. Patterson responded that there is currently about a two month time period to get licenses. Mr. Mattison asked about needing security and Ms. Noble explained that some of our retailers will need to get a bond or other type of financial backing.

Mr. Morgan asked whether Mohegan Sun would be offering Keno as a CT Lottery game. Ms. Noble replied that she hoped so and that it would be confusing to players to do otherwise.

Additional questions were asked by Board members about how Keno is played. Mr. Morgan asked about limiting liability, similar to the number games. Mr. Hunter explained that numbers are not shut off, but that liability is capped per draw. Ms. Noble added that capping the liability helps with responsible gaming and also limits the Lottery’s risk.

Ms. Noble thanked the Committee for their patience.

V. Adjournment:

On a motion made by Mr. Birney and seconded by Mr. Mattison, and unanimously approved, the meeting was adjourned at 4:02 p.m.

Respectfully Submitted,

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By: Paul A. Granato  
Chief Financial Officer  
Connecticut Lottery Corporation