



DRAFT MINUTES

**Meeting
of the Board of Directors of the
Connecticut Lottery Corporation**

Held on
Thursday, December 14, 2023 at 12:00 p.m.
at the
Connecticut Lottery Corporation
15 Sterling Drive
Wallingford, Connecticut 06492

Board Members Present: Robert Simmelkjaer, Board Chair; Wilfred Blanchette, Jr.; Michael Cicchetti; Meghan Culmo (via teleconference); Douglas Dalena (via teleconference); Matthew Daskal; Steven Ezzes (via teleconference); Ajay Gupta (via teleconference); Manny Langella (via teleconference); Andrew Meehan (via teleconference); and Margaret Morton (via teleconference).

Staff Members Present: Gregory Smith, President & CEO; Pete Donahue; Melissa Durso; Jodi Ganzer; Lauren Perrotti; Mark Walerysiak; Andrew Walter (via teleconference); and Annmarie Daigle.

Guests Present: Jessica Aniskoff and Vanessa Rossitto of CliftonLarsonAllen

I. Welcome:

Chair Simmelkjaer welcomed the Board members and called the meeting to order at 12:04 p.m.

II. Finance Committee Report:

a. CliftonLarsonAllen Report on Audited Financial Statements for the year ended June 30, 2023:

Mr. Smith introduced Jessica Aniskoff and Vanessa Rossitto, representing CLC's financial auditors, CliftonLarsonAllen (CLA), who proceeded to give the report on the Audited Financial Statements for the year ended June 30, 2023. Ms. Aniskoff stated that CLC received an unmodified or clean opinion, which is the highest assessment an organization can receive. Total Assets increased about \$3 million this year while Total Liabilities decreased by \$17.6 million due to decreases in pension liability and OPEB liability. Total Net Position is \$70.6 million. Revenues for the year were \$1.7 billion this year with an increase of \$100 million due to sports betting. Contribution to the general fund was \$404 million. CLA's management letter indicated there were a couple of findings of internal controls, Documentation of Eligible Prize Winners and Proof of Licensing Type to the DCP, but those findings did not raise to the level of material deficiency. There were no disagreements with management; and management did not consult with another accountant.

Mr. Smith thanked CLA for their presentation and their six years of service to CLC and summarized the procurement process for obtaining a new audit firm.

b. Executive Session: CliftonLarsonAllen:

The Board chose not to enter Executive Session with CliftonLarsonAllen.

III. Approval of October 12, 2023 Board Meeting Minutes:

On a motion by Mr. Cicchetti and seconded by Mr. Daskal, the minutes of the October 12, 2023 Board Meeting were approved, with Mr. Gupta, Mr. Langella and Ms. Culmo abstaining as they were not in attendance.

IV. Approval of November 20, 2023 Board Special Meeting Minutes:

On a motion by Mr. Blanchette and seconded by Mr. Dalena, the minutes of the November 20, 2023 Board Special Meeting were approved, with Ms. Culmo and Mr. Langella abstaining as they were not in attendance.

V. Lottery Reports:

a. Financial Report:

Mr. Smith provided the Financial Report noting that for the five months ended November 30, total sales were \$572.5 million, which is below budget by \$9.3 million and behind last year by \$44.6 million. Instant tickets are down but national jackpot games are covering some of the shortfall. In response from a question by a Board member, Mr. Smith noted that CLC has experienced a slow decline in ticket sales for about 1.5 years. Approval of casino gaming has placed pressure on retail-sold scratch games. CLC is working on new games and new price points and is seeing some progress. Transfers to the General Fund for the first five months are \$156 million.

Reporting on Sports betting, CLC did not prepare a budget because of the operator change. For the first five months total online and retail sales were \$109 million which is ahead of last year by 9%. Gross profits as well as operating expenses are flat to last year. Tax payments are \$1.5 million total.

b. Sports Betting Report:

Sports Betting report provided by Andrew Walter. He noted that CLC is in day four of a seven day soft launch with Fanatics sportsbook and it has gone well so far. Soft launch is defined as limited hours of operation and a limited number of accounts online. Online sales have stayed flat and retail sales had strong gains financially.

c. Marketing Report:

Mr. Donahue provided the Marketing Report, starting with a discussion of new Cashword game. For the second straight week Cashword has had \$1 million in sales. On Monday, December 11, CLC launched its first \$50 tix in history which expects to generate \$70 million in sales in FY2024. The limited edition Husky Hoops ticket launch date is December 18, a partnership with UConn and IMG College LLC. Mr. Donahue announced his departure from CLC at the end of the month. Mr. Smith thanked him for his years of service to the CLC and wished him well in his new endeavor. Mr. Smith then discussed the three types of online gaming participation for players -- sports betting, ilottery and second chance games. Although they are all on different platforms, CLC will cross promote through a modernization effort which will allow relevant player messaging and support new player acquisition.

d. President's Report:

Mr. Smith provided the President's Report. He was happy to begin the partnership with Fanatics, stating that they have been extremely professional and wonderful to work with thus far. He also discussed a few new managers beginning employment in the next few weeks: CRM Manager, Public Relations Manager, and Sports Betting Retail Manager.

He noted that the ilottery launch is speculated for mid-January as we are seeing some struggles by our vendor in meeting some of the regulatory requirements.

Mr. Smith also reminded the Board about their AML annual training requirements, a slide presentation will be forthcoming.

VI. Committee Reports:

a. Executive Committee:

Mr. Simmelkjaer provided an Executive Committee update. The Committee met on November 9, 2023; its main focus was a review of current litigation. There were no votes or actions taken during the meeting.

b. Audit Committee:

Mr. Meehan noted that the Audit Committee met on October 31, 2023 and received an update on liquidated damages as well as gaming system updates. No votes or actions were taken at the meeting.

c. Finance Committee:

Mr. Ezzes noted that the Finance Committee met on December 5, 2023 and received the auditor's report on the yearend financial statements. No votes or actions were taken at the meeting.

d. Legislative & Games Committee:

Ms. Morton noted that the Legislative & Games Committee met on November 15, 2023 to review game rules rewrites due to the upcoming ilottery launch; the Committee voted to approve Lotto! game rules as presented at the meeting.

e. Personnel Committee:

Mr. Blanchette stated that the Personnel Committee met on December 11, 2023 and discussed the Managers' Incentive Compensation Program. No votes or actions were taken at the meeting.

VII. Executive Session:

On a motion by Mr. Blanchette and seconded by Mr. Simmelkjaer, the Board moved to Executive Session at 1:08 p.m. to discuss:

- a. Review of Managers' Incentive Compensation Plan
- b. iLottery Update
- c. Sports Betting Update
- d. Discussion of Executive Compensation and Succession Planning

Mr. Smith, Ms. Durso, Ms. Perrotti and Ms. Ganzer stayed for Executive Session.

VII. New Business:

a. Discussion and Action, if any, on items discussed during Executive Session

Upon returning to public session at 2:07 p.m., Chair Simmelkjaer noted that no votes or actions were taken while in Executive Session.

b. Review of Managers' Incentive Compensation Plan

After a brief discussion and on a motion by Mr. Blanchette, seconded by Mr. Ezzes and with only Mr. Daskal opposed, it was:

Resolved, that after review and due consideration, and upon the recommendation of the Personnel Committee, the Connecticut Lottery Corporation's Board of Directors approves the Manager Compensation Incentive Component for Fiscal Year 2023, as presented by the President and the Director of Human Resources.

After a brief discussion and on a motion by Mr. Langella, seconded by Mr. Blanchette and with Mr. Cicchetti and Mr. Daskal opposed, it was:

Resolved, that upon the recommendation of the CLC Executive Committee and after review and due consideration, the Connecticut Lottery Corporation's Board of Directors approves the following compensation adjustments for the Connecticut Lottery President:

A bonus of 10% based on his current base salary attributable on his individual performance in CLC's fiscal year 2022.

c. Board Meeting Schedule for 2024

On a motion by Mr. Daskal and seconded by Mr. Dalena, the Board Meeting Schedule for 2024 is hereby approved as presented.

VIII. Adjournment:

Chair Simmelkjaer thanked all for attending and wished everyone a happy holiday.

On a motion by Mr. Cicchetti, seconded by Mr. Ezzes, and unanimously approved, the meeting adjourned at 2:09 p.m.

Respectfully Submitted,

Melissa Durso
Corporation Secretary
CT Lottery Corporation