

TRI-STATE LOTTO COMMISSION

Commission Meeting Minutes
The Regency Hotel – Portland, Maine
October 25, 2019

PRESENT: New Hampshire: Debra Douglas, Chairman; Charlie McIntyre, Executive Director; Maura McCann, Kelley-Jaye Cleland, and Carmela Nolin
Maine: Julie Sheehan, Commissioner; Gregg Mineo, Director; Lisa Rodrigue, and Michael Boardman
Vermont: Ed Flanagan, Commissioner; Gary Kessler, Deputy Commissioner; Sylvia Buzzell
Guests: Alaina Rodriguez of NPi; Calvin Rinck, Renée Loring, Jeremy Kyzer, and Darrell Frecker of Scientific Games; Lyndlee Hayes of GYK Antler; Michelle Paul, Ryan Sahr, Jeff Savage, Cara Salvatore, and Kristen Paré of Intralot; Paul Guziel and Jeff Allan of Alchemy3; Steve Mason with Fuselideas; Christian Smith with Wipfli; and Jim Acton of Acton Strategies.

Chairman Douglas called the meeting to order at 9:00 a.m.

1. ACCEPTANCE OF MINUTES FROM AUGUST 9, 2019

Motion was made by Commissioner Flanagan, seconded by Commissioner Sheehan to accept the August 9, 2019 minutes with minor corrections. So voted, unanimous.

2. FINANCE COMMITTEE

- Christian Smith of Wipfli presented the Commission with the independent audit for fiscal year 2019. In summary, they pronounced it a clean audit with no changes, no disagreements, and no internal controls deficiencies. The Auditors' opinion is that the finance statements appear fair, and Tri-State follows generally accepted accounting procedures; entries are complete and accurate and contain all disclosures. The Management's Discussion and Analysis and statement of financial assets exceed liability by \$900 thousand in working capital. Long-term liabilities are funded by more than \$500 thousand; and revenues are up due to Fast Play. Consistent with last year, \$21.2 million was returned to the three states. Commissioner Flanagan inquired if we should investigate new accounting principles going forward. Mr. Smith responded that there are no changes expected in the near term. Commissioner Flanagan moved to accept the Independent Auditor's Report as submitted, seconded by Commissioner Sheehan; all in favor, motion carried.
- Sylvia Buzzell, Finance Chair pro tem, presented the Commission's finance report for September. Gross revenue is lower through this month than forecast by \$457 thousand. This is mainly due to Megabucks sales coming in lower by \$937 thousand; Gimme 5, Fast Play, and daily numbers are up, but not enough to make up for the deficiency in Megabucks. This does translate into lower Cost of Sales, including advertising, than forecast by \$128 thousand; and Operating Expenses were lower than forecast by \$663 thousand. Chairman Douglas inquired if that was timing of advertising expenses, and Ms. Buzzell explained that it does depend on when they bill.
- Net Profit through September is higher than forecast by \$351 thousand due to those lower expenses. Sales are behind year to date \$1.3 million, the majority again due to lower Megabucks activity.

- Net profit through September is lower than last year by \$805 thousand; but higher by budget by \$350 thousand.
- At the end of September, the Commission has just under \$2 million in expired, unclaimed prizes. The Gimme 5 jackpot contingency fund is at \$80 thousand, and the low tier is in the negative \$150.
- The Vermont Department of Liquor and Lottery has hired a finance director, who will be starting next week; his name is Brian Evans and he is a longtime state finance professional.
- Ms. Buzzell described the contingency funding levels of each game's funding levels. We originally designed it to have \$1 million on hand to have funds in case of back-to-back jackpot hits. Michael Boardman noted that since we have accumulated \$3 million, it was proposed to take the 3% (\$6-\$7 thousand) and instead build the jackpot faster. We are moving \$100 thousand from the Megabucks jackpot contingency fund to Gimme 5. In summary, these adjustments will shore up Gimme 5 and ensure adequate funding in Megabucks should we get multiple wins, as well as help to grow the jackpot faster. The minimum amount on hand for Megabucks would be readjusted to \$1.5 million, so if we get down to that level, the 3% would go back to funding that contingency until it's built back to \$3 million. There is no defined policy for this fund; Commissioner Douglas requested that Finance submit a written description for the next Commission meeting for the record.
- The Expense and Reimbursement Policy was updated to reflect the 60 day rule; Ms. Buzzell requested a motion to approve it as amended. Commissioner Flanagan so moved, and was seconded by Commissioner Sheehan. All in favor, new policy was adopted.
- With personnel changes to the Vermont office, the check signers on our bank account must be updated. Chairman Douglas signed the authorization, and once notarized in New Hampshire, the form will be sent to Vermont.

3. MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

- Maura McCann reported for the Committee which meets weekly; they continue to focus on The Big Spin game. While there are no license fees from Pollard, there are expenses around the development of the reveal of second tier prizes at retail, as well as the grand prize event itself. The Committee feels that these expenses are within reason, and the states' two vendors are working on the reveal software and specifications, but are not on the same launch schedule. This will take some coordination to align.
- The Committee is discussing adding draws to Gimme 5 and Megabucks. This is heavily dependent on other multi-state games changes such as Cash for Life and Lucky for Life. Director McIntyre explained the potential changes and that they will be discussed at the upcoming MUSL Directors meeting. Upon that outcome, our Committee would propose to change Gimme 5 to five nights per week. Possible changes to Megabucks would include an additional draw or a multiplier option. Finally, Fast Play will introduce \$20 games in see a higher price point product across the three states
- Upcoming promotions among Tri-State include Maine's Secret Santa; and New Hampshire's Keno Power Hour cross promotion with Fast Play, and Jingle All the Way cash in December.
- Commissioner Flanagan inquired if there is such a thing as game saturation, and Director McIntyre responded that there is and strategies to avoid that saturation include offering a controlled number of instants rather than flooding the market. Draw based games naturally have a saturation point, but we will always do well with jackpot chasers and devoted players who always play across all games.

- Concerns over The Big Spin were shared by Commissioner Flanagan and Chairman Douglas. Ms. McCann agreed that they would like to see commitment from the vendors to follow the success Canada lotteries had with the game. Upon further discussion, Director Mineo suggested the Product Development Committee assemble a full list of costs and deliver it ahead of the December meeting for deliberation.

4. DRAW REPORT

- Ms. McCann confirmed that the new drawing balls have been received and annual maintenance has taken place at a cost reduced to \$1,800.

5. SCIENTIFIC GAMES

- Darrell Frecker thanked the Maine Lottery for hosting a great event in Portland. His team is moving ahead with The Big Spin software development and anticipates an April/May go-live.
- Changes to Gimme 5 have been evaluated; subscription would be the easy to accomplish, but logo changes and draw slips redesign may add to that rollout time. Commissioner Douglas thanked Calvin Rinck for his work with the Product Development Committee.

6. INTRALOT

- Ryan Sahr reported that the reveal show for The Big Spin is separate from the terminal, so the data has to go out and come back. Vermont has new software scheduled for November 24, which includes a new \$20 Fast Play game. New Hampshire will have a release on November 17.
- Intralot is now supporting sports betting in Montana and District of Columbia.
- Michelle Paul greeted the group as the new manager of Vermont Intralot.

7. ACCEPTANCE OF COMMITTEE REPORTS

Chairman Douglas entertained a motion to accept the committee reports. Commissioner Flanagan so moved and Commissioner Sheehan seconded; motion passed unanimously.

8. OTHER BUSINESS

- As presented by Ms. McCann on behalf of Tri-State draw employees at the August meeting, the Commission took up the request to grant a 12% pay increase. Commissioner Flanagan deemed it appropriate, but that it be scheduled going and retroactive to July 1. The motion was thereby amended, and Commissioner Sheehan seconded it. All in favor, motion passed unanimously.
- Ms. McCann informed the Commission that the advertising contract with GYK Antler of Manchester, New Hampshire is up for extension for two additional years contingent upon approval of the New Hampshire Lottery's upcoming contract extension by the Governor and Executive Council (G&C). Commissioner Sheehan moved to extend the Tri-State contract contingent upon approval by G&C. Commissioner Flanagan seconded; all in favor, motion carried.

9. NEXT MEETING

The next Tri-State meeting will be on December 13 at New Hampshire Lottery headquarters in Concord.

Chairman Douglas sought a motion to adjourn at 10:05 a.m. Motion was made by Commissioner Sheehan and seconded by Commissioner Flanagan. So, voted, unanimous.

Debra Douglas, Chairman

Respectfully submitted, Carmela Nolin

DRAFT