

**New Hampshire Lottery Commission
14 Integra Drive, Concord NH
Minutes of Commission Meeting
September 24, 2020 · 10:00 a.m.**

Commissioners:

Debra Douglas, Chairman
Paul Holloway, Commissioner
H. Andy Crews, Commissioner, by teleconference

Lottery staff in attendance:

Charles McIntyre	Kelley-Jaye Cleland	Maura McCann	Carmela Nolin
John Conforti	Jim Duris	Danny Maloney	
Katie Brown	Valerie King	Lynda Plante	

Others in attendance:

Ryan Sahr, Intralot	Travis York, GYK Antler
Kristen Paré, Intralot	*Many attended by teleconference, and by the nature of that platform, not all participants are identifiable.
Taylor Yianokopolos, GYK Antler	

Chairman Douglas called the meeting to order at 10:00 a.m., which was held in person and by teleconference.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas requested a motion to accept the minutes from the August 27 meeting. Commissioner Holloway so moved and was seconded by Commissioner Crews; all in favor, minutes were accepted unanimously.

2. FINANCIAL REPORTS

- a. Chief Financial Officer Jim Duris reported that the sales for August were \$6.5 million over this period in the previous year; attributed to continued strong sales in instant ticket, Fast Play, Keno, e-Instants, and sports betting; all other games remain consistent with the prior year. Our year to date sales have increased \$10.7 million for the first two months of the fiscal year with the strength of those sales, and instant ticket sales grew \$6.0 million during that period. Sports betting revenue, which is reported as Net Revenue, reached just under \$600 thousand for the month, and \$1.1 million fiscal year to date. The handle increased, but our revenue dropped slightly. Retail sports betting is reported for one location in August, which reached revenues of \$33,000.
- b. Our transfer to Education for the month exceeded our revenue plan by \$2.0 million at \$10.6 million. He noted that the instant ticket liability saw an adjustment of \$1.3 million which boosted some of the income; it could possibly swing back the other way, but he is monitoring it closely.
- c. Commissioner Holloway remarked that Accounts Receivable year to date is three times what it was a year ago. Mr. Duris explained that the Tri-State transfer still has yet to be made as the audit is not completed. Our Accounts Payable for the month appears high as we had two months of invoices due to Intralot, as well as retailer bonuses which got paid out at the beginning of

September. He noted that the delinquent accounts will be down to zero next month as the last remaining retailer will be clearing their balance. Other notes on Accounts Receivable are that \$370 thousand was moved from MUSL restricted revenues to AR an unreserved account. Additionally the sports betting receivable will go into that line item which make it read higher for the year.

- d. In reviewing the Income Statement, Commissioner Holloway inquired if the salaries expense is higher due to an increase in the number of employees. Director McIntyre confirmed that, and noted also that several employees achieved increments for longevity.
- e. Expenses remain in line with expectations, depreciation increased due to the long-awaited arrival of new fleet vehicles. DoIT should remain steady. Chairman Douglas asked about expenses associated with the new office space. Mr. Duris explained that they will be accounted for in the month of October for rent, but there will be moving and IT equipment costs due shortly. The annual lease for the first year will run about \$53,000, and we will be responsible for the electrical, likely around \$5,000 annually.
- f. Mr. Duris is reviewing bids for headquarters' security system, which is in need of replacement. A new system is expected to be in the \$70,000 range. He will keep the Commission informed. Chairman Douglas thanked Mr. Duris for his good work.

3. SALES AND PRODUCT DEVELOPMENT

- a. Chief Product and Program Officer Kelley-Jaye Cleland expressed that though her report will be very streamlined into two topics, she welcomes the Commission's feedback and any requests they have for more data. Ms. Cleland began her agenda with the report for sales results.
 - Each year, scratch ticket performance is analyzed, and this year, she reviewed the past five years' sales. Ms. Cleland found that the per capita sales for scratch tickets has increased: in fiscal year 17 (FY17), the per capita sales were \$3.18; year to date, they are \$4.65. Last fiscal year they were \$3.80 – this represents a huge increase year over year. Our full lottery offering for that same period went from \$4.39 in FY17 to \$6.57 year to date.
 - Keno hit a new record this past week at \$841 thousand, even with the lingering impact of the pandemic over access to the game. If we stay on this pace, we should achieve sales of \$39 million in Keno sales this year, only about \$4 million below our overall goal.
- b. Upcoming enhancements for our program and products for the fall were summarized:
 - Our instants and e-Instants are planned through the beginning of the year, and we have been meeting with the vendor partners to plan the roadmap for after January.
 - Director McIntyre inquired about Lottolytics under program enhancements. Ms. Cleland explained that it is the new version of the Lottery Sales Rep (LSR) app. Formerly an Intralot product called iLook, this new application is a collaboration of Intralot and Salesforce, tailored to the lottery industry. This will empower the LSRs to access data on the road and be more effective and efficient in servicing their retailers.

4. MARKETING

- a. Maura McCann, Marketing Director, referred to the print and social collateral which are supporting products this fall. Tri-State's The Big Spin instant ticket television advertisement is in production after a film shoot at Klemm's Family Store in Salem. Maine has launched their game, Vermont launches next week, and New Hampshire will follow in a few weeks.

- b.** Commissioner Holloway expressed his astonishment that our own Legislature is unaware where Lottery's revenue goes. He believes we should have stronger advertising to reinforce the message. Ms. McCann agreed that we will have an opportunity to work on that after our audit is complete and we can release our revenue numbers in a press release, and stress our exclusive support of Education.
- c.** Press activity this month included the ribbon cutting at Manchester's new sports book, Filótime. We are supporting both Manchester and The Brook in Seabrook through social media and advertising. A \$30 thousand digital buy with DraftKings has been successful in attracting new players, and we'll collaborate with them for more local advertising.
- d.** Many new projects are coming up. We will make a push to acquire new iLottery players with a last chance, best offer to the remaining contacts in our database. A \$30 thousand Cash O'Lanterns iLottery winner will be featured in an offer to both new and existing players. Ms. McCann concluded her report stating that Marketing is busy preparing for holiday products and point of sales collateral and support.

5. COUNCIL FOR RESPONSIBLE GAMBLING

As Chair for the Council for Responsible Gambling, Ms. McCann offered a summary of their most recent meeting, the minutes for which are posted on the New Hampshire Lottery website.

6. COMPLIANCE

- a.** Chief Compliance Officer John Conforti and Valerie King, Director of Licensing and Enforcement noted that upcoming rulemaking will require the scheduling of the next two meetings so we can plan for public hearing on Lot 7300, Unlawful Gambling Machines. So planned and noted in Section 8.
- b.** Mr. Conforti and Danny Maloney, Director of Sports Betting, gave a summary of the performance of our two sports books. Mr. Conforti prefaced by noting that there was a tremendous lift required at both locations, and DraftKings did a phenomenal job of building the compliance structure and have been working closely with the locations to guide them. Among the many controls is the monitoring of large wagers: patrons who bet \$3,000 are identified and logged; patrons betting over \$10,000 are also reported to the IRS. Additionally, a full time compliance officer has been hired by DraftKings who will split his time between the two locations and continue to support them. Mr. Conforti stressed that there are many compensating controls over the processes and reporting, intended to prevent fraud and money laundering.
- c.** Mr. Maloney briefed the Commission on the activity at the two retail sports book locations. The Brook opened on August 12 and has increased operations from five to six days a week. They have taken over \$4 million in handle; and in particular VIP play (bets of \$1000 or more) has made up almost 40% of the wagers. Chairman Douglas asked if the players seem to be from New Hampshire or out of state. Due to compliance and privacy concerns, we cannot see that data, however Director McIntyre believes that a large percentage are from out of state. Mr. Maloney continued that Filótime had a soft launch on September 3, and has had a steady progression in handle. They have reached \$450 thousand in their first three weeks, and Mr. Conforti explained that this location took care to refine their processes before their grand opening on September 13, and sales have trended up since then. In wrap up, Mr. Conforti expressed satisfaction with the remarkable efforts made by staff at both locations, DraftKings, and Lottery to launch sports betting at retail, and the successful results so far.

7. OTHER

- a. Chief Operations Officer Lynda Plante and CFO Jim Duris updated the Commission about the move of the Licensing and Enforcement team to 53 Regional Drive. That office will not be open to the public, and their incoming mail will still come to headquarters. The move of fifteen people will allow us to evaluate and redesign our space to better fit the staff here and make necessary modifications to secure areas. Ms. Plante continued that the agency has done a good job of spacing staff and constantly cleaning common areas and surfaces. Additionally, we offer flexible schedules and work from home options when practical, especially for staff who must assist their children with remote learning during the day.
- b. Director McIntyre noted that we are in the next biennium budget cycle, and will be required to raise \$115 million in revenues for fiscal year 2022, and \$120 million for fiscal year 2023. We are on track so far this fiscal year, and are prepared to meet any challenges that might arise due to the pandemic. Discussion ended with the complexities of conducting this Legislative session and holding committee hearings, as well as the directive from leadership to keep legislative requests to essential actions.

8. NEXT MEETING

The next meetings will be on October 22, 2020 at 10:00 a.m., and November 20, 2020 at 10:00 a.m. Any public hearings will be posted in advance of the corresponding meeting.

Commissioner Holloway sought a motion to adjourn, which passed unanimously; the meeting was adjourned at 11:23 a.m.



Debra M. Douglas, Chairman



Paul J. Holloway, Commissioner



H. Andy Crews, Commissioner

Respectfully submitted, Carmela Nolin