

TRI-STATE LOTTO COMMISSION

Commission Meeting Minutes

New Hampshire Lottery Headquarters – Concord, NH

December 11, 2020

PRESENT: New Hampshire: Debra Douglas, Commissioner; Charlie McIntyre, Executive Director; Maura McCann, Kelley-Jaye Cleland, Jim Duris, Katie Brown, Lynda Plante, and Carmela Nolin
Maine: Julie Sheehan, Commissioner; Gregg Mineo, Director; Michael Boardman; and Lisa Rodrigue
Vermont: Ed Flanagan, Chairman; Gary Kessler, Deputy Commissioner; Brian Evans; and Sylvia Buzzell
Guests: Christian Smith, Wipfli; Darrell Frecker, Leslie Badger, Shi Zhong, Kimberly Williams, Amanda Cooper, Jack Foley, and Jack Hetzler of Scientific Games; Taylor Yianakopolos, Anna Diffley, and Hayden Stills of GYK Antler; Michelle Paul, Ryan Sahr, Scott Hoss, Kylie Reagan, Cara Salvatore, Jeff Savage, Ryan Boover, and Kristen Paré of Intralot; Steve Mason of Fuselideas; and Jennifer Wankling and Byron Peterson of Pollard Banknote.

Chairman Flanagan called the meeting to order at 10:00 a.m. and requested any changes to the agenda as submitted. Noting there were none, the meeting commenced via Teams video.

1. ACCEPTANCE OF MINUTES FROM October 9, 2020

Motion was made by Commissioner Douglas, seconded by Commissioner Sheehan to accept the October 9, 2020 meeting minutes as submitted. So voted, unanimous.

2. FINANCE COMMITTEE

Financial Report

- Chairman Flanagan introduced Christian Smith from Wipfli to present the Fiscal Year 2020 preliminary audit report for the Commission. Mr. Smith noted that they are still waiting on Intralot's audit for Vermont and New Hampshire to finalize their report, but the submission for Maine from Scientific Games has no findings. The expectation is a clean audit once the Intralot report is received. He commended Finance Chair Sylvia Buzzell on a job well done in preparing the financial statements in their entirety. In general, there were no issues with management, internal controls, and there are sufficient resources in assets, and positive equity. Revenues are up over last year due to growth in Fast Play; all other games remain flat. Return to the states was up over the previous year by over \$800 thousand. Commissioner Douglas inquired when Intralot will complete their audit, Mr. Sahr responded their auditor expects to finish it by the end of next week. Upon receipt, Wipfli will complete and release their official report for the Commission. Chairman Flanagan requested a motion to accept the draft as submitted; so moved by Commissioner Douglas and seconded by Commissioner Sheehan and draft was accepted.
- Ms. Buzzell began the Finance report with October's gross revenues which were higher than forecast nearly \$3.4 million. Megabucks was down \$646 thousand, Gimme 5 was up \$464 thousand, daily numbers combined were up \$464 thousand as well; Fast Play sales made up the majority of the revenues

at \$3.13 million higher than forecast. Due to the overall increase in sales, cost of sales was up a commensurate \$2.87 million over forecast; but operating expenses were lower \$858 thousand, due to a drop in advertising cost by \$570 thousand.

- Our net profit was up \$1.37 million over projected due to overall higher sales in Fast Play. Compared to last October, year to date sales were higher \$6.84 million, due largely to Fast Play sales increase of \$5.1 million. Gimme 5 is up over last year by \$656 thousand and Pick 3 grew by \$579 thousand. Year to date, cost of sales is higher \$5.37 million, reflecting the overall increase of sales. Operating expenses were \$361 thousand higher, made of up \$100 thousand licensing fee for Maine's New England Patriots Fast Play game and the balance in advertising expenses. Net profit so far this fiscal year is \$1.06 million higher than last fiscal year.
- At the end of October, nearly \$2.7 million was in Expired Unclaimed Prizes; and all contingency funds were in the positive except for Gimme 5 low tier fund, which was in the negative \$6,800. Chairman Flanagan asked if the advertising expenses were lower than forecast due to timing; Ms. Buzzell is unsure for New Hampshire and Maine, but does know that Vermont will be spending more for The Big Spin. Ms. McCann and Ms. Rodrigue agreed that advertising in the fall was quieter than normal due to the election cycle, but would be picking up for the holidays.

Investment Portfolio

- Jim Duris shared a summary of investment portfolio fees from several large as well as local banks. Our current bank is charging 40 basis points, and of the four other institutions polled, the best rate was 32 points with TD Bank, which is the state of New Hampshire's bank. In discussing our current portfolio with the various banks, it was confirmed that Tri-State is getting typical results and service for the mix of investments.
- After discussion over next steps, it was agreed by the states' directors and commissioners that a request for proposal should be posted for a new provider to ensure we are being transparent in the process. We will post it publicly as well as sending directly to the banks Mr. Duris spoke with.

3. MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

- Marketing and Product Development Committee Chair Maura McCann congratulated Ms. Buzzell on receiving the Ed Powers Award this fall as outstanding lottery employee.
- Gimme 5 sales were analyzed to see the difference between Fiscal Year 2020 and Fiscal Year 2021 through November. Sales increased 35% overall in the first half of FY21; Mondays remained level, Wednesday sales dropped 16% and Friday dropped 18%. The increase was made up by sales on Tuesday and Thursday. The period of 19 weeks prior to and after the draw schedule change were compared, we are up 42% overall; the same approximate sales ratio was observed as noted in the fiscal year comparison. Mr. Boardman asked if there was an uptick in multi-draw purchases on Mondays for the week; while that was not a data point in the current analysis, it will be added to the report sent to the Commission.
- The Big Spin instant tickets have been reordered in all three states, and Maine has held their first of three second-chance drawings this week. They have chosen to wait until January to put out television advertising as they're doing so well. Vermont will advertise on streaming media, and New Hampshire has launched their television campaign. Ticket sales are over \$300 thousand in Maine and New

advertising as they're doing so well. Vermont will advertise on streaming media, and New Hampshire has launched their television campaign. Ticket sales are over \$300 thousand in Maine and New Hampshire, and Vermont is over \$100 thousand. We are hopeful that we can still hold the big drawing event next summer, depending on the state of the pandemic.

- The committee has been monitoring developments with national games, such as draw frequency changes with Powerball and Lucky for Life. The Mega Millions group is also exploring ways to differentiate its game and make it stand out.
- Promotions will be held in all three states from December 13 through 26; Holiday Hooray in Vermont, Jingle All the Way in New Hampshire, and Deck the Halls in Maine. Each state will award random cash prizes to players who make a minimum Megabucks purchase; and these prizes are paid for with expired unclaimed prize money.
- Following our regular meeting today, both Intralot and Scientific Games will be presenting strategies to improve and refresh Tri-State Megabucks. For the meeting in February, our vendors will also be asked to pitch ideas for the next Tri-State instant game, especially given the success of The Big Spin and to make use of the technology that was developed to support that games.

4. DRAW REPORT

Ms. McCann concluded her reports that draw activity is going well, there are no issues.

5. ACCEPTANCE OF COMMITTEE REPORTS

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

6. NEXT MEETING

The next Tri-State Commission meeting will be by teleconference at 10:00 a.m. on February 12.

The regular meeting adjourned and the states' gaming vendors presented strategies to enhance Megabucks.



Ed Flanagan, Chairman

Respectfully submitted, Carmela Nolin