

TRI-STATE LOTTO COMMISSION

Commission Meeting Minutes

New Hampshire Lottery Headquarters – Concord, NH

April 10, 2020

PRESENT: New Hampshire: Debra Douglas, Chairman; 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; and Lisa Rodrigue
Vermont: Ed Flanagan, Commissioner; Gary Kessler, Deputy Commissioner; Brian Evans; and Sylvia Buzzell
Guests: Darrell Frecker and Calvin Rinck of Scientific Games; Taylor Yianakopolos GYK Antler; Michelle Paul, Ryan Sahr, Cara Salvatore, Jeff Savage, and Kristen Paré of Intralot; Steve Mason and Alexis Garrison of Fuseldeas; Jeffrey Schweig, Karen Harris, and Ben Nicolls of Alchemy3.

Chairman Douglas called the meeting to order at 10:10 a.m. The meeting was televised by Webex.

1. ACCEPTANCE OF MINUTES FROM FEBRUARY 14, 2020

Motion was made by Commissioner Sheehan, seconded by Commissioner Flanagan to accept the February 14, 2020 meeting minutes as submitted. So voted, unanimous.

2. FINANCE COMMITTEE

A. Financial Report

- Finance Chair pro tem Sylvia Buzzell reported on February financials. Gross revenues for the month were higher than forecast by \$2.74 million, with the increase due to Gimme 5 (higher by \$141 thousand), Daily Numbers (up \$534 thousand), and Fast Play (up \$3.73 million). Megabucks sales were down \$1.67 million. Cost of sales were higher than forecast by \$2.7 million, and operating expenses were lower \$1.56 million; advertising expenses were lower by \$1.3 million. Net profit through February was higher than forecast \$1.62 million.
- When compared to February last year, sales were up \$3.46 million, Megabucks were lower \$2.11 million, but Fast Play was higher \$4.65 million. Fast Play contributed to a higher cost of sales (\$3.17 million over last year to date), as those games have higher payouts than draw games. Operating expenses were lower \$283 thousand over last year, and net profit was higher than last year to date by \$615 thousand. Expired, unclaimed prize money totaled just over \$2.1 million at the end of February; and all contingency funds are in the positive, including through March.
- Chairman Douglas asked about the Megabucks contingency fund, which is at about \$3 million. The last jackpot winner has claimed the prize, and has until the end of May to choose cash or annuity. If they take the annuity, \$345 thousand of that prize would have to come out of the contingency fund. The current jackpot is \$1.25 million, and if the jackpot gets hit this weekend, we would be short over \$800 thousand in the annuitized value and \$400 thousand in cash.

- Commissioner Flanagan acknowledged that it's early for March numbers, but asked if we can tell yet how much COVID-19 has impacted sales. Total sales last year through March were \$52.4 million, and this year is at \$55 million. Though it's better year to date by comparison, it's still down against the FY20 projections. Director Mineo and Director McIntyre discussed the effects of stay at home orders on sales nationwide, and to games like Powerball and Mega Millions. In the northeast, we haven't had the same level of impact, but some grocers dropped lottery sales and cashes, with the majority of retailers still conducting sales.

B. Megabucks Jackpot Discussion

- Given the lower sales and the more recent development of COVID-19 stay at home orders, it was suggested that the Megabucks jackpot be reconsidered. Ms. Buzzell suggested it could include lowering the starting jackpot, and lowering the incremental rolls between non-winning draws from \$50,000 to \$25,000. This conclusion was reached after analyzing recent sales coupled with the current interest rate; funding the annuity is becoming challenging. The Finance Committee therefore suggests that Megabucks rule 5F change to include a lower jackpot and smaller rolls; and make the change in a way that allows Finance to have more flexibility in adapting to sales and interest rates.
- Commissioner Flanagan recommends instead that the jackpot be left at a starting amount of \$1 million, to preserve the theme that Megabucks makes millionaires. Ms. Buzzell confirmed that if we did that but reduced the rolls to \$25,000, it would take 24 draws to fund the cash option, and 55 draws to fund the annuitized; this is more sustainable than where we currently are.
- Director McIntyre suggested that changing the starting jackpot may adversely affect long term player value. Vermont Lottery CFO Brian Evans agrees that stretching the annuity past 30 years disincentivizes players. Director Mineo added that the average player is realistic and understands the impact of the current crisis has had across the industry. The Tri-State member states are reacting to sales impacts by both allowing refunds on subscriptions, and recommending that players purchase multiple draws at retail rather than making many individual trips.
- Chairman Douglas and Commissioner Flanagan agreed that triggers for allowing jackpot and roll changes should be drawn up and recommended for a future meeting. This ensures that any actions are based on calculated projections rather than emotional responses to sales and climate. All directors and commissioners were in agreement that a meeting be held in one a month. The Finance Committee is requested to provide trigger scenarios for which the changes would be activated. A motion was made by Commissioner Sheehan and seconded by Commissioner Flanagan to adopt the recommended changes to Megabucks Rule 5F in which the starting jackpot shall be no less than \$500,000, and the increment between draws be no less than \$25,000. All in favor, motion passed unanimously. The Commission will meet on May 15, 2020 at 10:00 a.m. by teleconference. These rules take effect immediately, and the increments can now be made at \$25,000 as the Fiscal committee deems necessary. Ms. Buzzell will contact ICS staff to ensure they are ready to implement this after the Saturday draw.

3. MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

- Maura McCann reported that the Gimme 5 game change has been postponed due to the pandemic. The draw countdown has ceased, and customers can now buy up to 15 draws in advance, which will allow the launch to take place at a three week window. Ads have been put on hold until that new schedule has been determined.
- California Lottery has signed off on our use of The Big Spin trademark. New Hampshire is finalizing the prize structure and ticket creative; Vermont and Maine are both working on their prize structure and creative as well. Chairman Douglas asked why each state is doing their own; Ms. McCann explained that each state has nuanced prize distribution largely based on population. Game specs are final in Maine, and New Hampshire and Vermont are finishing theirs. Part of this is the spin experience at retail, which varies for each state, and is based on minimum prizes starting between \$10 and \$50. Both GYK Antler and Fuseldeas have been tasked with coming up with creative for The Big Spin, which we hope to keep on schedule for the June meeting and a September launch.
- GYK Antler is moving ahead with a May/June production for the responsible gambling public service announcement.
- Both Powerball and Mega Millions have reduced their starting jackpots in response to lower sales due to the pandemic. Lucky for Life still is considering moving to daily draws in calendar year 2021.
- Most states have scaled back or pulled their advertising due to COVID-19. Therefore, the fiscal year 2020 (FY20) funds may not be spent, and we may request to move them to fiscal year 2021.
- Chairman Douglas entertained a motion to roll unclaimed, expired prize funds to FY21 because their planned promotions have been cancelled. So moved by Commissioner Sheehan, seconded by Commissioner Flanagan; no discussion and all in favor, motion carried.
- At Ms. McCann's request, the Chairman sought a motion to indefinitely delay the change to the Gimme 5 draw schedule, previously approved to take place five days per week beginning April 20. So moved by Commissioner Flanagan and seconded by Commissioner Sheehan. All in favor, passed unanimously.
- Chairman Douglas invited New Hampshire Chief Product and Program Officer Kelley-Jaye Cleland to comment on the Gimme 5 proposed rules change for Tri-State. Ms. Cleland clarified that the change would apply to all Tri-State lotteries, giving them the ability to offer the product online, without each state needing to request an additional rule change. This online sale change to Gimme 5 was moved by Commissioner Flanagan and seconded by Commissioner Sheehan. All were in favor, motion carried. Ms. Buzzell sought a clarification to Gimme 5 Rule 4B, agent bonus: since there is no physical agent, is no bonus issued, or does this apply to New Hampshire iLottery only. Director McIntyre responded that this would technically be our vendor, NeoPollard Interactive, and requested that we come back to this.
- Commissioner Flanagan returned to The Big Spin and inquired if the timing of the launch – and encouraging the public spin aspect – would be appropriate given social distancing practices. Ms. McCann acknowledged that we must be fluid about this product and player interaction, and rather than halt production, keep moving on with development. This includes planning the summer of 2021 Big Spin event. Chairman Douglas added that we may have to push this out, depending on the reality of a vaccine and the public's safety overall.

- Commissioner Flanagan reflected on the likelihood of the June meeting given limitations on travel. Ms. McCann agreed and has already explored moving it to fall either there or at the Glen House. She will stay on top of this and explore all our available options in the coming weeks.

4. DRAW REPORT

Ms. McCann has nothing to report for Draw activity.

5. SCIENTIFIC GAMES

Darrell Frecker reported that Scientific Games has been preoccupied with responding to the challenges posed by the pandemic. His team continues to work on the Gimme 5 changes and countdown, and The Big Spin development has taken priority.

6. INTRALOT

Ryan Sahr thanked the lotteries for their teamwork and flexibility as we all work through the pandemic. He wished everyone well for the Easter weekend. Michelle Paul of Vermont concurred with Mr. Sahr's summary and had nothing to add.

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. NEXT MEETING

The next Tri-State Commission meeting will be at 10:00 a.m. on May 15 by teleconference hosted by New Hampshire Lottery.

9. OTHER BUSINESS

- A. Deputy Commissioner Gary Kessler requested a motion to use Tri-State funds for the purpose of hiring a consultant who will assist in writing an RFP for a lottery gaming vendor. Commissioner Flanagan so moved, seconded by Commissioner Sheehan. Motion passed unanimously.
- B. Chairman Douglas entertained a motion to adjourn the meeting at the conclusion of the presentation given by lottery marketing services firm Alchemy3. So moved by Commissioner Flanagan and seconded by Commissioner Sheehan, motion carried at 11:40 a.m.
- C. Alchemy3 conducted a presentation with interested parties remaining on the teleconference for approximately 45 minutes.

Debra Douglas, Chairman

Respectfully submitted, Carmela Nolin