

TRI-STATE LOTTO COMMISSION

Commission Meeting Minutes
New Hampshire Lottery by Webex
August 14, 2020

PRESENT: New Hampshire: Debra Douglas, Commissioner; Charlie McIntyre, Executive Director; Maura McCann, Kelley-Jaye Cleland, Jim Duris, Katie Brown, and Carmela Nolin
Maine: Julie Sheehan, Commissioner; Gregg Mineo, Director; Michael Boardman; and Lisa Rodrigue
Vermont: Commissioner Ed Flanagan, Commissioner; Gary Kessler, Deputy Commissioner; Brian Evans; and Sylvia Buzzell
Guests: Jeremy Kyzer, Scientific Games; Lyndley Hayes, GYK Antler; Michelle Paul, Ryan Sahr, Jeff Savage, and Kristen Paré of Intralot; Steve Mason, Fuseldeas; Paul Guziel and Jeffrey Schweig, Alchemy3.

Chairman Flanagan called the Webex meeting to order at 10:00 a.m. and confirmed that the agenda was approved as submitted.

1. ACCEPTANCE OF PREVIOUS MEETING MINUTES

Chairman Flanagan sought a motion to accept the June 5, 2020 meeting minutes; so moved by Commissioner Douglas, seconded by Commissioner Sheehan. Vote was unanimous.

2. FINANCE COMMITTEE

• Review of Financials

- Finance Chair pro tem Sylvia Buzzell began the Finance Committee report with a review of the June and Fiscal Year 2020 (FY20) financials. Gross revenues for FY20 were higher than forecast by \$3.89 million; Megabucks sales were down \$3.6 million, Gimme 5 sales were higher by \$157 thousand and daily numbers were up \$1.072 million combined. Fast Play sales were nearly \$6.26 million above forecast for the year. Due to the overall increase in sales, the cost of sales was also up \$3.94 million. Operating expenses were lower than forecast by \$2.11 million, in large part to the reduction in advertising expenses by \$1.77 million. Net profit for FY20 was higher than forecast by \$2.08 million due to the increase in Fast Play sales and the lower than forecast operating expenses.
- Comparing year over year, sales were higher by nearly \$2.76 million, chiefly due to Fast Play sales increases in Maine and Vermont. Cost of sales were higher \$3.16 million, but operating expenses were lower than last year in large part to the decrease in advertising. Net profit for FY20 was higher than FY19 by \$810 thousand.
- At the end of June, there was just over \$2.5 million in Expired Unclaimed Prizes. The Gimme 5 low tier contingency fund was in the negative, and funds from the Gimme 5 guaranteed reserve were used to fund the \$13,465 deficit. The Pick 3 contingency fund required a transfer from the Pick 4 fund to reach the required 50% of its \$700 thousand threshold. All other contingency funds were in the positive.
- The auditors completed their review and the one finding we're aware of is with some invoices that had been reviewed but not signed off by the Finance Director. They are waiting on the SSAE audit that the

vendors provide; Intralot has indicated theirs will be pushed out to October, which will cause the financials to be delayed. Auditors cannot finish their report until they receive the reports from all three states. Jim Duris of New Hampshire confirmed that the Intralot audits are late, but he has stressed the importance of moving it up. Michelle Paul of Intralot in Vermont is working with Ryan Sahr in New Hampshire to get documents to their audit team to keep the process moving for both states. Mickey Boardman confirmed that Maine's audit is expected to be completed in September. Chairman Flanagan asked Ms. Buzzell to keep the Commission informed of the progress.

- **Budget Recommendation**

- Ms. Buzzell referred to the Fiscal Year 2021 budget which was included in the Commissioners' packet for review and approval. Key changes from last year include a total increase in sales across the three states, comprised of \$2.6 million decrease in Megabucks with projected increases of \$6.1 million in Fast Play, plus increases in the other games as well. Cost of sales is expected to increase by \$5.15 million which includes a decrease of \$1.3 in Megabucks sales and increase of \$5.27 million in Fast Play. We also increased in the budgeted payout from 67% to 72% with the higher priced games and their payouts.
- Operating expenses have increased \$350 thousand in advertising, largely as New Hampshire is requesting additional funds for money not spent in FY20 due to COVID-19, and this would include the support of launching Gimme 5 on the iLottery platform. Finally, Maine is increasing their budget by \$100 thousand to pay licensing fees for a Patriots Fast Play game. Draw and payroll expenses will increase due to the 12% pay increase of staff, the addition of two Gimme 5 draws per week, and the purchase of five sets of Gimme 5 drawing balls which was approved at the beginning of this fiscal year. Vermont and Maine have a combined Consulting line item of \$775 thousand for gaming vendors which is \$400 thousand higher than last year; and finally an increase in bank fees of \$10,000 for the stock portfolio management. Interest income hasn't been adjusted in several years, so was increased by \$75,000 to reflect the amount we have been receiving.
- Commissioner Douglas inquired if the stocks are dividend yielding or whether the proceeds are being reinvested. Ms. Buzzell confirmed that we are receiving dividends, but some is being reinvested to keep us at the 10% threshold. Chairman Flanagan posed a question to Commissioners Douglas and Sheehan of whether the increase of \$10,000 in fees seems incorrect based on the amount of our investments. The Commission is in agreement that the fees are high and discussion followed that it would be to the Tri-State Commission's benefit to explore other banking and investment options. Director McIntyre suggested that MUSL may have recommendations, and Director Mineo assured Ms. Buzzell that she would be assisted in doing research. Mr. Duris will reach out to institutions he is familiar with, and we need to determine the fee schedule and the services being provided. Commissioner Sheehan inquired if a vote on this would be needed; Chairman Flanagan noted that it would only be taken if a new institution were to be identified.
- Chairman Flanagan returned to the proposed budget and sought a motion to approve it as submitted. Commissioner Douglas so moved, and was seconded by Commissioner Sheehan. All were in favor and the fiscal year 2021 budget was unanimously approved.
- Ms. Buzzell asked the Commission to review the Budget Policy, which states that the budget is presented at the first Tri-State meeting of the fiscal year. Due to the bi-monthly schedule, this has been taking place in August, two months into the fiscal year. She recommended that the budget be

submitted in June; Mr. Duris and Mr. Boardman were in agreement that they could provide their state's projections in May. This will allow the Commission to review it before voting on it in June, ahead of the new fiscal year. Commissioner Douglas moved to change the next year's budget presentation to the last meeting of the fiscal year; seconded by Commissioner Sheehan. All in favor, motion carried.

- **Financials**

- Ms. Buzzell concluded by reporting that the auditors recommended changing the recording of investments from face value to market value. She asked the Commission's preference for the level of detail in which they're posted on the balance sheet. Chairman Flanagan and Commissioner Sheehan are in agreement that the aggregate would suffice on the balance sheet; Commissioner Douglas would like to see a detailed quarterly supplemental summary. They would also like to see the quarterly investment outlook as well.

3. MARKETING AND PRODUCT DEVELOPMENT COMMITTEE

- Maura McCann began the Marketing and Product Development Committee report by complimenting Ms. Buzzell on her presentation, and also for being a vital member of the Product Development Committee. In review of products, Ms. McCann repeated the success of Gimme 5 sales since the addition of two draws, and noted that New Hampshire recently had a jackpot winner. The promotion to buy five consecutive draws for a chance to win \$25 has been successful, with up to \$50,000 given away in each Maine and New Hampshire; and Vermont will give away up to \$25,000 in expired unclaimed prize money.
- The Big Spin will launch in Maine on September 24, New Hampshire is aiming for late September, and Vermont is looking at October 2. All states are working with GYK Antler for point of sale material and television and radio spots; and Pollard is providing the reveal website as well as the second chance drawing website. Scientific Games and Intralot are both finalizing the game software in preparation for launch.
- The voiceover for responsible gambling public service announcement has been recorded as the last phase of production; the spot should be complete next week. Ms. McCann thanked Lisa Rodrigue of Maine and Ms. Buzzell for their responsiveness in helping to turn projects around quickly. The Committee reviews what other states are doing, as well as possible developments with multi-jurisdiction games with an eye to evaluate Tri-State's games in comparison.
- Congratulations to Calvin Rinck of Scientific Games on the arrival of their fourth child, and Ms. McCann thanked Darrell Frecker for stepping in and assisting the group in Calvin's absence.
- Commissioner Flanagan asked if other states are currently selling The Big Spin, particularly with the limitations of the pandemic to the reveal experience at retail. Ms. McCann is not aware of any issues, but she will check with other states selling the game for any indications of problems. She reminded the Commission that the game does have a reveal on the mobile app as an alternative.

- Mr. Boardman inquired if, with the addition of drawings in Gimme 5 and other multi-state games potentially adding drawings, Tri-State has considered adding drawings to Megabucks. Ms. McCann noted that the Megabucks will be the next product to be considered for changes, after the launch of The Big Spin.

4. DRAW REPORT

- Ms. McCann turned to the draw report and announced that the draw room has a much-needed and more efficient new computer and operating system installed. A new multi-function printer has been purchased with Ms. Buzzell's assistance, and will arrive shortly to round out the improvements.
- Commissioner Douglas inquired if a date has been settled on yet for the drawing of The Big Spin finalist event. Ms. McCann is working with Bank of New Hampshire Pavilion in Gilford in selecting an appropriate entertainment act and date. This should be settled in three to four months, as the performers are still being scheduled.

5. ACCEPTANCE OF COMMITTEE REPORTS

Chairman Flanagan entertained 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 on October 9 at 10:00 a.m. by teleconference. *Secretary's note: the meeting was changed to 1:00 p.m. due to a schedule conflict in New Hampshire.*

7. OTHER BUSINESS

Mr. Duris received an update from Ryan Sahr that Intralot's SOC (System and Organization Controls) report will be conducted remotely due to travel restrictions. It will be delivered sometime between October 19 and 23 for both New Hampshire and Vermont.

Chairman Flanagan sought a motion to adjourn, which was made by Commissioner Douglas and seconded by Commissioner Sheehan. All in favor, meeting adjourned at 11:02 a.m.



Chairman Ed Flanagan

Respectfully submitted, Carmela Nolin