

New Hampshire Lottery Commission

14 Integra Drive, Concord NH
Minutes of Commission Meeting
November 23, 2021 · 10:00 a.m.

Commissioners:

Debra Douglas, Chairman
H. Andy Crews, Commissioner
Erle Pierce, Commissioner

Lottery staff in attendance:

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

Others in attendance:

Curtis Barry, Castle Hill Gaming	Travis York, GYK Antler	Adam Schmidt, Scientific Games
Kurt Mathias, Boston Billiards	Taylor Bengtson, GYK Antler	Alicia Preston, NHCGOA
Rich Parsons, RYP Granite	Jeff Newman, GYK Antler	Jim Bouley, Dennehy & Bouley
Rick Newman, NHCGOA	Mike McLaughlin, Capitol Insights	Jackson Bouley, Dennehy & Bouley
	Ryan Sahr, Intralot	

Chairman Douglas called the meeting to order at 10:03 a.m., which was held at Lottery Headquarters.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES

Chairman Douglas requested a motion to accept the minutes from the October 25, 2021, meeting. Commissioner Crews so moved, Commissioner Pierce seconded, all in favor, minutes were accepted.

2. FINANCIAL REPORTS

- Jim Duris, Chief Financial Officer, reported that sales for October increased \$3.36 million compared to the same period last fiscal year. Powerball had the largest increase of \$1.3 million due to the continued jackpot run. Instant ticket sales increased \$0.9 million and iLottery saw a slight decrease over October of last year. Year to date sales are \$30.0 million over our sales last fiscal year. Instant sales have grown \$10.7 million over the same period of last fiscal year; Keno is up \$4.8 million and Powerball increased by \$7.3 million.
- Mobile sports betting revenues for the month totaled \$2.0 million, which is an increase of \$141 thousand over the prior year month; the handle was \$68.1 million for the month which includes the adjusted accrued monthly allowance for promotional expense. Revenues for mobile were \$183 thousand over September of the prior year. Handle at retail was \$30.1 million, with net income of \$628 thousand for September. Year to date, revenues are \$5.0 million for mobile and \$1.3 million for retail.

- Racing and charitable gaming revenues increased for the month by \$78 thousand over the same period last year. Games of chance has grown \$342 thousand over this period last fiscal year to date. Cash receipts for Bingo and Lucky 7 have had another month of modest decreases.
- Our October net profit transfer to Education was \$10.9 million, which is ahead of projections by \$0.4 million. Our year to date transfers are \$44.8 million, which is above our projection of \$41.0 million.
- Accounts receivable remain in line with projections. Cost of sales for instants tickets were a little higher, there was an increase in instants due to the licensing fee of the \$5 Patriots ticket. Mr. Duris is considering whether to spread that cost out month to month, amortized over the life of ticket sales. Operating costs are in line with expectations. SWCAP payables have decreased based on a new calculation method from the State, based on actual expenses versus estimates that have to be trued up. Retirement benefits are lower due to fewer people being covered, and the compensation balances went down. Advertising was higher, which should level out over the year.
- An annuity payable account has been set up on the balance sheet for a winner who chose installments over lump sum. Unclaimed prize estimates for instant tickets have been under consideration for years because the way we estimate them can affect revenue numbers. The adjustment results in a liability of approximately \$2 million.
- Commissioner Crews inquired about the change in deferred revenue; Mr. Duris explained that it was the result of refunding players for the remaining draws of their Lucky for Life and Powerball subscriptions over the summer when we ceased the program.
- Commissioner Crews moved to adopt the Financial Report as submitted. Commissioner Pierce seconded; motion passed unanimously.

3. SPORTS BETTING

Director of Sports Betting Danny Maloney repeated that after the record-breaking month in September, October's handle dwarfed it at \$98 million. Mobile was \$68 million and retail reached \$30 million, which he believes will be our high watermark for a while due to the long month of five weekends of football. Despite the high handle, we – and other sports books – got crushed as so many favorites and longshot parlay bets were hit. The hold was terrible across the country, but it does put house money in players' pockets to bet with later.

Hold for the month was 5%, and the state revenue was \$2.56 million. This puts revenue for the fiscal year so far at \$6.6 million. The hold should rebound; this type of activity is averaged out over months, not weeks. The split for handle was about 70% mobile to 30% retail, and gross gaming revenue was 74% mobile to 26% retail.

4. SALES AND PRODUCT DEVELOPMENT

- a. Chief Product and Program Officer Kelley-Jaye Cleland reported on September sales.
 - October iLottery activity was good; while we missed our targets for net gaming and deposits, first time depositors (FTDs) were up 12% over goal. We're entering our next jackpot run, and though November looks to be down, we are close to our fiscal year to date goals. A new payment method was launched in July (PayWithMyBank); a gradual increase in use has shown us that players are interested in having more options and tend to make larger single deposits with it. We'll continue to analyze methods used, and the segmentation of players

for each method. Another enhancement planned is an expedited withdrawal to get prizes to players more quickly.

- Gimme 5 is up 30%, but a nearly 4% slip has been measured at retail, with iLottery picking up momentum. We can address this with promotions at retail and omni-channel.
- Fast Play sales fiscal year to date have exceeded the total sales for FY2020 and FY2019 with great momentum continuing.
- Instant ticket sales are still having challenges at certain price points, but the \$25 ticket is already 60% sold. The \$10 spotlight game is about 4% ahead of other \$10 games; and the \$5 Patriots ticket is tied for 3rd among our previous versions. The online version of the game is above average as the 6th most popular overall; and the brand awareness is driving their success.
- Lucky for Life trends were analyzed by new data analyst Aime-Jo Bacon. Considered a legacy game, it was found that sales for this game increase on Wednesday with Powerball runs, and there is actually a dip on Mondays. There are opportunities for promoting it in retail with Powerball, which also has lighter sales on that day, and increase the foot traffic in the stores.
- Keno sales have seen a dip, with a few weeks below \$1 million. The Keno team will review the liquor license lists to see where there is opportunity to recruit new bars and taverns. Equipment is in short supply, so management of MPs in locations with multiple machines is important to ensure they are distributed appropriately. Purchasing additional equipment is prohibitively expensive. Chairman Douglas and Commissioner Crews both asked about revenues per location and whether we have an estimate of expected sales before assigning MPs. Director McIntyre affirmed that we do, and the daily sales per retailer is an average of \$500.

b. Ms. Cleland provided an overview of upcoming products:

- Instant tickets continue to launch the beginning of every month, and iLottery e-Instants are released every two weeks. The holiday tickets are going out on December 1.
- For staff, we are still looking to hire a sales support supervisor (in the second round), and iLottery business analyst. The LSR bonus subcommittee will meet on December 6.
- Keno did not pass in Portsmouth, so we have to wait until the next city election in two years.
- The player app has been pushed into January but goes into full user acceptance testing (UAT) next week. We have released the statement of work for the CRM, and we'll be offering free games for the IWG-produced e-Instants. Finally, the LSR sales dashboard app, GemIntelligence, is in UAT, and will go into production directly after the sales team gets trained. Commissioner Crews asked Ms. Cleland if management has the ability to see whether LSRs are using the app and managing their KPIs; she responded they do.
- Commissioner Pierce asked about the player base of Gimme 5 compared to the jackpots of the other games. As Ms. Cleland explained, the top prize of Gimme 5 is a static \$100,000, and with the excitement of jackpot runs, it gets overlooked at retail. In contrast, in the iLottery environment, players are buying it as a companion purchase to their Powerball and Mega Millions tickets. Our sales have essentially doubled to \$90,000 week, which we are thrilled by.

5. MARKETING

- Maura McCann, Marketing Director, introduced and showed the brand halo commercial to the Commission. There are 60-second, and three versions of shorter spots. GYK Antler Director Travis York noted that New Hampshire is fiercely proud of our state and highlighting all parts of NH was central to the theme. It's a very cinematic ad, and the team is proud of the high production values that went into it. Ms. McCann followed this with the holiday spot, a light-hearted animated ad that will be used on radio and visual platforms.
- iLottery registrations are down, however we've learned over the last few months what is effective. In 2022, we'll be putting a welcome package together for first time depositors. We'll be tapping into Instagram more, and drilling down to online gaming segments. There is also a high volume of traffic to the winning number pages, and we can target offers to those visitors.
- Holiday POS has gone out to the retailers, and the sales team loves the versatility of pieces. The placemat ads have been renewed, much to the pleasure of the Commission.
- New DraftKings creative is on our website, our two year sports betting anniversary is coming up, and of course the Super Bowl looms. Creative is ready to support the new app, and the second chance drawing of the \$2 million Double Diamond Spectacular is coming up on December 2.
- Commissioner Crews inquired how we determine a quality site visit. Mr. York described the type of audiences who come to the website and mining those resources according to where they land and their search terms, then learning what their tolerance is for calls to action. Overcoming uncertainty and reassuring players that the platform is legal and safe is the challenge, and Director McIntyre added that the "pond" of likely players was smaller than we anticipated.

6. TRI-STATE

- Ms. McCann moved to the Tri-State Lotto Report, noting that the TS Commission met for the first away meeting in two years. Our vendors Intralot, NPi, and Scientific Games were tasked to report on what Lottery has lived through with the pandemic, and what is our future. New Hampshire is doing everything right in having moved to online sales, the only of the three states to do so. Director McIntyre noted that our profitability is higher than New Jersey's.
- Alchemy3, the promotional package specialists, have pitched a new game, based on the HGTV show My Lottery Dream Home, to follow our Big Country Cash ticket and second chance drawing. Scientific Games had some research to share about changes to Megabucks, and discussed other multi-state games that affect our three states.
- Finally, the holiday promotions are being planned using the unclaimed expired prize money.

7. COMPLIANCE

- Chief Compliance Officer John Conforti presented the quarterly revenue allocation for charitable gaming. Not including rental fees, there was \$4.5 million raised for charities for the first quarter of the fiscal year. Chairman Douglas asked what the charities pay for rent, how is the fee determined. Mr. Conforti explained that by law, the gaming facility can charge a "reasonable market rate," similar to renting a hall. The department does check on those, and recently had our intern dig in to form a matrix of statewide rates.
- Personnel changes include the retirement of Tucker Noack at the end of the month, and part-time investigator Mario Messina is taking a full-time job elsewhere. Those positions will be re-classified and eventually posted. We added an investigator, Dan Wicks, and auditor, Michael Theriault to the Licensing and Enforcement team.

- Director McIntyre reported that he and Mr. Conforti shared the charitable allocation report with the Charitable Gaming Study Committee, where they presented testimony for 90 minutes earlier this month.

8. OTHER

- Director McIntyre and Valerie King, Director of Licensing and Enforcement, reported on the final proposal for Lot 8200, Historic Horse Racing (HHR), which was scheduled for the November 18 JLCAR meeting. We were seeking conditional approval of Lot 8200, where we would address OLS staff comments. The meeting was opened, a motion was heard to object, seconded, and was voted on without the opportunity for public comment. Chairman Douglas asked Ms. King if we had conversations with the staff to clarify or talk through OLS's sticking points. She affirmed she had, as had Director McIntyre and Mr. Conforti to understand their concerns. We believe it was over the revenue share which was perceived as negative; however it prevents the operators from dropping games of chance and populating their rooms with HHR machines. We are seeking to add "guard rails," which benefits and protects the charities. The next step is going back to JLCAR with an objection response, meeting first with OLS to ensure that every concern has been addressed. The deadline for the response is December 9, with the meeting on December 16. The Commission agreed to meet on the morning of December 9, for a limited agenda meeting to approve the objection response.
- In conclusion, Director McIntyre announced that Nashua approved sports betting retail locations at city election, and Filótime recently had a soft opening of their sports betting retail location in Dover.

9. NEXT MEETING

The next meeting will be on December 9 at 9:00 a.m. at Lottery Headquarters, and with a limited agenda to approve the object response.

Chairman Douglas entertained a motion to adjourn at 11:35 a.m., which was made by Commissioner Crews and seconded by Commissioner Pierce, motion passed.



Debra Douglas, Chairman



H. Andy Crews, Commissioner



Erle Pierce, Commissioner

Respectfully submitted, Carmela Nolin