

VERMONT LOTTERY COMMISSION

Berlin, VT
April 20, 2016

PRESENT: Commissioners: Martha O'Connor; Chair, Karen O'Hagan; Vice Chair, Ed Flanagan
Michel Consejo
Staff: Greg Smith; Executive Director, Mary Cassani, Mary Stridsberg
Guests: Russ Leonard and Heather Bowman with NL Partners, Jeff Lipps and
Jeff Savage with Intralot

The meeting was called to order at 10:34 am.

ACCEPTANCE OF MINUTES FROM MARCH 16, 2016

A motion was made by Commissioner O'Hagan to accept the March 16, 2016 minutes as distributed. Motion was seconded by Commissioner Consejo and voted in the affirmative.

NL PARTNERS – Russ Leonard and Heather Bowman

The analytics from the new website were shared. All of the statistics are looking great. We are seeing improvements on a regular basis.

NL is currently working on the May 5th promo called 5 Alive for Gimme 5. This is a nth win which will randomly occur when purchasing a Gimme 5 ticket, you could instantly win \$15, \$50, or \$500. They are matching this up with a social media promotion where players will have the opportunity to win one of 5 \$50 prizes, from 1-5 pm on May 5th.

Also working on the new Fast Play Pro game called Roll em launching in May. This will be supported by TV, radio and point of sale.

MARKETING AND SALES – Greg Smith for Jeff Cavender

The shortage of instant tickets in the field due to the pace of sales has been resolved. There were two shipments in March and two in April as well which put new tickets in the field faster than normal. During the ticket planning meeting last week, extra tickets were ordered to address this situation in the future.

The new agent reporting portal went live in March. Twenty of our agents began using it right away. In April we are up to 70 agents who have registered and are utilizing it. Many of this 70 are chain accounts where one user represents dozens of stores.

Sales for 2014 showed us reaching \$100M in the 51st week of the year. Last year, sales hit \$100M in the 47th week, and this year we have reached \$100M this week which is only the 43rd week of the year. The record setting Powerball jackpot certainly helped this but we would have beat this benchmark in a couple of weeks anyway.

During the first three months of the launching of the 2nd Chance website, which was November, December, and January, customer use has shown some nice growth. There was a 4% increase in new

accounts, a 12% increase in weekly users, and a 14% increase in weekly ticket entries. The age group of users is an even mix of 20-30-40 and 50 year olds.

BUSINESS OFFICE REPORT – Mary Cassani

Total sales for March 2016 were higher than last March by \$801K mostly in Instant ticket sales. Total sales in March were higher than projected by \$938K due to instant scratch tickets and Fast Play sales. YTD sales were ahead of last year, and were higher than projected by \$4.6M.

Net profit for March was higher than last year and higher than projected. YTD net profit was also higher in both categories.

The Tri-State auditors will be here May 16 and again a week later for Vermont's pre audit work. They will return in the last two weeks of July to perform the full audit.

SECURITY REPORT – Greg Smith for Phillip LaCoss

Nothing further to report at this time.

DIRECTORS REPORT – Greg Smith

Legislative update:

- The bill S252 was passed by the Senate but is currently sitting in the house and is not going to go anywhere. The same language has been amended onto the budget bill and is in Senate Appropriations now. It will likely end up in Conference Committee where it will ultimately be decided upon.
- The operating budget was approved by both House and Senate.
- Last year the legislature approved our raising the application fee to become an agent. We would like to exercise that and raise it from \$15 to \$30 to at least cover the cost of the background check.

MOTION

A motion was made by Commissioner O'Hagan to amend Rule #9 (1) in the Vermont Lottery Rules and Regulations to raise the application fee from \$15 to \$30. Motion was seconded by Commissioner Consejo and voted in the affirmative.

The employee engagement survey results came back. It shows many improvements in all areas of the survey, with still a few that need to be addressed. One of the lower scoring questions pertained to pay and whether staff felt that they were paid acceptably for the work that they do. We would like to take the time to explain to staff how the financial side works and for them to look at their entire compensation package including benefits, not just their hourly wage.

There are Tri-State contingency funds for each of the Tri-State games. These funds are used as a back up to pay prizes when the jackpot is not fully funded. If the contingency funds are depleted, we will go to the expired unclaimed prize money to pay our prizes. Having depleted contingency funds and supporting them with other funds puts a restriction on being able to use those funds for promotions. Each state may need to provide funding to bring the contingency fund up to 1M, and a plan will be in place in order to maintain this balance so that the fund will never be depleted. The goal is to get the fund up to the 1M

mark by the end of June to start the new year. Tri-State Finance Committee will recommend a plan for the Directors and Commissioners to approve by our June meeting.

Vermont Lottery is one of six states coming forward with a possible multi-state progressive jackpot game. The six states are Vermont, New Hampshire, Ohio, Washington DC, Arkansas and New Mexico. There will be more information to come once the details have been agreed upon by all of the states involved.

The problem gambling grant for 2017 was written and submitted to the Department of Health. Once approval has come back, it will be brought forward in the May meeting to the Commission for approval as we are administering the grant. The Lottery is happy with Rick Barnett who runs CARTER. They are the current receivers of the grant and he will be reapplying for the grant again this year.

As far back as 1999 Lottery profits have reached \$22M. We have seen sales growth since then but not a higher profit. The question why was raised during testimony at this year's legislative session. The sales then were \$70M, they are now \$110M. The difference is we now offer more games with higher payouts. The most popular ticket now is the \$5 price point, in 1999 it was the \$1 price point. Prize payouts were also increased to keep pace with our neighboring states who still payout more and have prizes than we do in VT. We need to keep our players in VT and not straying more into NH, MA and NY.

INTRALOT – Jeff Lipps

A potential candidate for the Marketing manager position was offered but declined by the applicant. Currently following up on a couple of other resume's and have contacted a couple of agencies to supply them with a nice pool of candidates so that they can expedite this.

Three new Touch Play games were installed last week and are ready and in place whenever the Lottery is ready to activate them.

Fast Play Pro Game Roll em is currently in testing to be launching in early May.

Also wrapping up the Touch Play Console intercept study, the demographic survey questions have been reviewed and the next step is to select a firm and develop the plan with them. Working on this will take place in early spring and summer, with the results coming in by the end of summer.

ACCEPTANCE OF REPORTS

A motion was made by Commissioner Consejo to accept the reports as presented. Motion was seconded by Commissioner Flanagan and voted in the affirmative.

MOTION

A motion to adjourn was made at 12:05 pm. Motion was seconded and voted in the affirmative.

Martha O'Connor, Chair