

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
December 16, 2020**

Chairman Blake McCaskill called the meeting to order at 10:00 a.m. in the Board of Directors Conference Room located at the Louisiana Lottery Corporation Headquarters, 555 Laurel Street, Baton Rouge, Louisiana.

I. Attendance

- A. Members Present:** Chairman Blake McCaskill; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Roman Banks, Cynthia Hedge-Morrell, Anna Jones, and Carmen Jones
- B. Members Absent:** Director Sean Wells and Louisiana Deputy State Treasurer Rachel Kincaid (listening in Virtual)
- C. Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet, Senior Vice President/General Counsel, John Carruth and Director of Communications, Kimberly Chopin.

II. Pledge of Allegiance

Chairman Blake McCaskill asked Rose Hudson to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman McCaskill began by asking if anyone had any questions or corrections to the minutes of the October 23, 2020 Board Meeting. Director Gibbs **moved** to approve the October 23, 2020 Board Meeting Minutes and Director Shamburg **seconded** the motion. There being no objection, the minutes were **approved**. The meeting was then turned over to President Rose Hudson for the President's Report.

IV. President's Report

Ms. Hudson began by providing the board with a brief update on the Lottery's strategic planning process, which resumed in November. The executive team is working to plan for the next 18 months, instead of the usual 3-5 years, since the pandemic has changed the way business is conducted. The group recently determined that it would focus on organizational structure, business analytics and internet gaming. Rose said she plans to bring other staff members from the organization into the fold, as needed. The results of the sessions will be shared with the board.

She then mentioned to the board that she is proud of the organizational makeup of the Lottery staff, how they talk to each other with respect and their outlook towards innovation. She said one of the topics that came up during recent strategic planning sessions was about improving

communications within the organization. Ms. Hudson said that she recently sent out a holiday video internally to staff to further these efforts and informed board members of upcoming webinars being held to further engage staff on the topic of diversity, equity, and inclusion.

She then said that the Lottery is moving forward with the administrative process necessary to introduce new Fast Play (terminal instant-win games) and Pick 5 games to players. The Lottery plans to launch Fast Play games in June and Pick 5 in August, pending approval from the Louisiana Legislature.

Lastly, she told the board that the Lottery is getting ready to compile the fiscal year 2022 budget to present to them for approval during the February board meeting. A Finance Committee meeting will be scheduled prior to the board meeting to allow members time to review the draft budget so it can be finalized and submitted to the legislature for their final approval.

The meeting was then turned over to the Lottery's Director of Communications Kimberly Chopin for an overview of the Louisiana Lottery Official Mobile App.

Mrs. Chopin began her presentation by giving a brief update on the app's performance since it was released to the public in July. Since the launch, approximately 21,000 Apple users and 13,000 Android users have downloaded the app. Statistics show that on any given week, 6,000 of them are opening and using the app.

She said that launching the app during a pandemic was perfect timing due to it helping to reduce "touch points" for players while purchasing their tickets. She then walked board members through the different functions of the app, including creating playslips, choosing numbers, checking tickets, and viewing winning numbers. The app also gives the Lottery the ability to send players custom notifications based on how they are using the app.

Going forward, the Lottery is exploring ways to be able to pay customers for their winnings directly from the app, similar to how the Montana and Ohio lotteries are doing.

The meeting was then turned over to Senior Vice President, Secretary/Treasurer, Karen Fournet who began by analyzing total monthly sales for fiscal years 2018-2021.

Monthly sales started out strong this year due in part to diminishing gaming options, which were closed or had limited capacity due to the pandemic. July sales topped \$50 million and are projected to reach \$46 million to end December. This marks the Lottery's 10th consecutive month with sales of \$40 million or more, which is the longest streak in its history.

Powerball fiscal-year sales through the end of December are projected to be \$25.5 million, which is \$4.4 million less than last year. This represents the lowest six-month start since the Lottery began offering the game in 1995. The decline in sales is due to a long span of low advertised jackpots as well as changes made by MUSL to eliminate guaranteed starting jackpots and increases between drawings, which were necessitated by declining participation during the pandemic-related stay-at-home orders. Karen illustrated the effect of these by comparing four large jackpot run sales

by draw. The latest draw for the current jackpot run (the highest this fiscal year) of \$272 million saw sales of only \$704,867, not much more than the first drawing in its 25-draw run. She compared that to the \$1.3 million in draw sales when another jackpot reached \$324 million on its way to \$759 million where there were \$7.5 million in sales for that last draw. In the past, draw sales have increased along with the jackpot size. In recent years, we are no longer seeing that with sales remaining flat throughout the jackpot run.

Mega Millions continues to experience a similar story with sales projected to end December at \$15.6 million, which is \$4.3 million lower than last year. The highest jackpot during this fiscal year was \$310 million. Karen noted, however, that sales are still higher than they were in similar years with small jackpots due to increased game recognition among players.

Combined Powerball and Mega Millions sales through December are projected to reach \$41.7 million, down \$8.1 million from last year and at their lowest total since the Lottery began offering Mega Millions in 2012.

Lotto fiscal year sales through December are at \$10.6 million, which is \$900,000 less than this time last year. Changes to boost player interest in the game went into effect Aug. 5. The changes were designed so the Lotto jackpot could reach \$1 million more quickly and frequently, which will help increase sales.

Sales of Easy 5 and ezmatch are fairly consistent at \$5.6 million, a \$200,000 decrease from the same time last year.

Fiscal year Pick 3 and Pick 4 sales, currently at \$69.3 million, have exploded, running \$16.2 million or 30% more than last year's totals through December. These daily games continue to be the stars in the Lottery's draw-game portfolio, with Pick 3 bringing in \$200,000 each day – a higher average now than Powerball! Karen said that the Lottery's upcoming Pick 5 game will help to continue to build on the success of the numbers product line.

Scratch-off sales are up considerably through the end of December at \$146.6 million, an increase of \$34.6 million over last year with average prize payouts of 65% versus 63.09% last year. She demonstrated that higher price points are responsible for much of this growth, with the \$10 product bringing in half of the growth (\$18.1 million) and another 20% (\$8.2 million) coming from the \$3 price point.

For fiscal year 2022, the Lottery intends to increase the overall payout to 66% on its scratch-off tickets, up from 65% this year. The increase is due to the Lottery's transfer mandate of 35% being lowered to 25% by the 2020 legislature. We are increasing the payout gradually to ensure the growth of overall dollars to the state so that the 25% mandate does not revert, as outlined in the act. The Lottery is also working closely with its instant ticket vendor to place additional prizes within each price point in order to build upon player enthusiasm for scratch-offs and maximize sales.

Mrs. Fournet reported overall fiscal year 2020 sales through the end of December of \$273.8 million, a whopping \$41.6 million higher than last year and \$49.7 million better than budget due to strong instant game performance and the continued growth of Pick 3 and Pick 4.

General and administrative expenses through the end of October are running approximately \$600,000 under budget at \$6.06 million.

Lastly, she reported that transfers to the state treasury through the end of December are projected at \$91.7 million, which is \$13 million better than budget.

V. Other Business

Ms. Hudson gave a brief overview of the memo that was sent to the Board of directors in the December board packet discussing the Proposed Amendment to the Fiscal Year 2020/2021 Budget regarding the upgrade of the four existing automated drawing machines.

She explained that funding the upgrade would require board approval of an amendment to the Fiscal Year 2020-2021 budget to use retained earnings as the source of funding for this capital expenditure. The quote for the upgrade is \$93,900.

Additionally, an audit of the four machines by KPMG is necessary prior to putting them to use. The estimated cost of the audit provided by KPMG is \$75,000 to \$90,000. Ms. Hudson requested board approval of a budget amendment totaling \$183,900.

If approved by the board, the budget amendment will be reported in writing to the Joint Legislative Committee on the Budget as provided in La.R.S. 47:9010.

Chairman McCaskill invited a **motion** to Approve the Proposed Amendment to the Fiscal Year 2020/2021 Budget. Director Banks made a **motion** to Approve the Proposed Amendment to the Fiscal Year 2020/2021 Budget and Director Morrell **seconded** the motion. There being no objection, the motion was **approved**.

Chairman McCaskill presented board members with an updated draft of the CEO Employment contract for them to review and requested that should they have any questions or concerns to direct them to him or Lottery General Counsel, John Carruth prior to the February board meeting.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, February 26, 2021, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

VIII. Adjournment

There being no further business, Chairman McCaskill invited a **motion** to adjourn the meeting. Director Banks made a **motion** to adjourn the meeting and Director Anna Jones **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 11:07 a.m.

Date Approved: 2-26-2021



Jill Kitchens
Executive Administrative Assistant



Sean Wells
Secretary to the Board of Directors



Blake McCaskill
Chairman of the Board of Directors