

**LOUISIANA LOTTERY CORPORATION  
BOARD OF DIRECTORS MEETING  
June 13, 2014**

Chairman John Fitzpatrick called the meeting to order at 10:14 a.m. in the Board Conference Room located at the Louisiana Lottery Corporation Headquarters, 555 Laurel Street, Baton Rouge, Louisiana.

**I. Attendance**

- A. **Members Present:** Chairman John Fitzpatrick and Directors: Verge Ausberry, Jr., Roy Robichaux, Heather Doss, Blake McCaskill and Ron Henson.
- B. **Members Absent:** Vice Chairman Kim Carver and Director Larry Katz.
- C. **Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet and Senior Vice President/General Counsel, John Carruth.

**II. Pledge of Allegiance**

Chairman John Fitzpatrick requested Ms. Fran Cash lead the Board of Directors and all attendees in our Pledge of Allegiance.

**III. Approval of the Minutes of Prior Board Meeting**

Chairman Fitzpatrick began by asking if anyone had any corrections to the minutes of the February 7, 2014 and April 25, 2014 board meetings. He stated that hearing no corrections, those minutes stand **approved**. The meeting was then turned over to President Rose Hudson for the President's Report.

**IV. President's Report**

Ms. Hudson began by welcoming Director Blake McCaskill to the Louisiana Lottery Board of Directors. She stated that he was an at-large member nominated by the Louisiana Oil Marketers and Convenience Store Association. Chairman Fitzpatrick also extended a warm welcome.

Ms. Hudson informed the Board of Directors regarding House Concurrent Resolution 116 proposed by Representative James Fannin and signed by Speaker of the House Charles Kleckley. She explained that the resolution urges and requests the Legislative Auditor's Office to conduct a performance audit of the Lottery and is separate from the typical audits the Louisiana Lottery Corporation undergoes.

Ms. Hudson also informed the Board of Directors that House Bill 236 sponsored by Representative Chris Broadwater had passed. She explained that this bill gives the Louisiana Lottery Corporation collection responsibilities under a new Office of Debt Recovery, similar to our legally mandated role in collecting back child support from winnings. The bill requires the Louisiana Lottery Corporation to withhold from Lottery winnings any delinquent state debt based on reports to the Lottery from Louisiana State Agencies. The bill was amended to hold provisions from taking effect until a single point inquiry system is in place.

#### **IV. Discussion of HB No. 1026 of the 2014 Regular Session**

Continuing with the legislative update, Ms. Hudson advised the Board of Directors that House Bill 1026 sponsored by Representative James Fannin had been approved with last minute amendments proposed by Senator Jack Donahue. The amendments direct the Louisiana Lottery Corporation to transfer \$9 million of “unrestricted” or “unencumbered” funds to the state treasury and for the Louisiana State Treasurer to direct those funds to the Mega-Project Development Fund to help close the state’s budget deficit. Ms. Hudson reported that the Louisiana Lottery Corporation has last-resort rainy-day funds, approved as part of its budget, which can be used to comply with House Bill 1026. The breakdown of those funds is \$6.5 million from the Capital Asset Replacement Fund and \$2.5 million in the New Game Development Fund. Ms. Hudson advised that the Louisiana Lottery Corporation can afford the transfer but is concerned about the precedent it sets, as these retained earnings are part of a prudent business model (as opposed to a state agency model) to assist the corporation in difficult times such as litigation. Assistant State Treasurer Ron Henson interjected that the Louisiana Lottery Corporation is not the only agency to be hit with such fund sweeps to assist the Legislature in filling budget gaps.

At this time, Chairman Fitzpatrick presented to the Board of Directors **Resolution No. 14-06-13-2** to amend the Louisiana Lottery Corporation’s budget to reflect the transfer of funds in regard to House Bill 1026. Chairman Fitzpatrick asked for any public comments relative to this resolution. There being no public comments, Director Ausberry made a **motion** to approve **Resolution No. 14-06-13-2** and Director Robichaux **seconded** the motion. There being no objections, the resolution was **approved and passed**.

At this time, Ms. Hudson turned the floor over to Sr. Vice President & Secretary-Treasurer, Karen Fournet to present the financial report via Power Point Presentation.

Ms. Fournet began by announcing that this is the final meeting for fiscal year 2014. With that being said, she showed Powerball’s year-to-date performance with two jackpots over \$200 million and three jackpots over \$400 million which still fell short of 2013’s larger jackpots which consisted of \$588 million and \$590 million jackpots. With the addition of the State of California to the Powerball Game, jackpots are growing faster and being hit faster as the ratio of player population base to the games’ odds has grown to 1.67 percent which means a higher percentage of the possible number combinations have the potential to be purchased for each drawing. Powerball is projected to complete the year being \$27.3 million down in sales as

compared to last year. This year sales were at \$102.6 million and last year, 2013, the sales were at \$129.9 million.

Additionally, Ms. Fournet reported that Mega Millions sales are projected to finish at \$10.9 million better than the previous year. She added that Mega Millions sales finished at \$39.1 million this fiscal year with two jackpot runs over \$400 million. However, the total volume of Mega Millions sales does not match Powerball's total sales. Ms. Fournet concluded that combined Powerball and Mega Millions Games fiscal year sales are projected to be \$141.7 million which is \$16.4 million less than last year.

Ms. Fournet added that in addition to Lotto's two large jackpot runs for FY2014 which were \$1.725 million and \$1.9 million, the Lotto Lagniappe promotion also assisted in boosting sales for the game to an estimated \$28.3 million which is up \$2.7 million from last year.

Furthermore, Ms. Fournet stated that Pick 3 and Pick 4 Games are a strong, steady part of the Lottery's product line and these games are estimated to finish roughly at \$400,000 higher in sales than last year. The daily draw-style games are projected to complete the fiscal year at \$89.4 million.

In regard to the Easy 5 Game, Ms. Fournet reported that sales of \$10.9 million are down from last year's sales of \$11.6 million. She thinks that the game's sales are leveling off. Easy 5 Game replaced the Cash Quest Game, which ended its lifecycle with sales in the \$4 million range. She concluded that the Louisiana Lottery Corporation will monitor the Easy 5 Game to determine when its lifecycle is complete.

Additionally, Ms. Fournet stated that the instant scratch-off sales exceeded last year's sales in eleven of the twelve months for FY2014, and every other month for the last five years which is an amazing success story. Ms. Fournet estimated that sales will finish at \$178.9 million, which is 9.7 percent better or \$15.8 million higher than last year. She also noted, according to Ms. Fran Cash of Scientific Games, the Louisiana Lottery Corporation is in the top 10 states for instant sales growth in 2014. She also noted that part of the growth may be attributed to the increase in prize payout percentages as well as sales and marketing efforts.

Mr. Fournet reported that overall fiscal year-to-date sales of \$449.3 million are \$1.9 million higher than last year and the highest since 1993, the Louisiana Lottery Corporation's first full year of operation. Additionally, general and administrative expenses remain \$900,000 below budget.

In concluding, Ms. Fournet announced that the Louisiana Lottery Corporation expects to transfer \$157.7 million to the Louisiana State Treasury at the conclusion of the fiscal year. This amount is \$17 million better than budgeted, before any surplus.

A copy of the financial presentation is attached.

## VI. Board Committee Reports

**Personnel Committee** – Chairman John Fitzpatrick Carver stated that he had no report.

**Finance Committee** – Committee Chairman Verge Ausberry stated that he had no report.

**Bylaws Committee** – Committee Chairman Roy Robichaux stated that he had no report.

## VII. Other Business

Mr. James Goodrum, Vice President/Controller, presented an overview of last year's changes to the Louisiana Lottery Corporation's retirement plans which were designed to increase the percentage of expected employee income replacement provided by the plans to the 70 percent range. These changes included the Louisiana Lottery Corporation paying all administrative fees for fund management, the addition of a second 457 Plan employer-match tier and an increase to the maximum contribution allowed from 2 percent to 4 percent of the Supplemental Retirement Plan discretionary contribution. Mr. Goodrum indicated that the Louisiana Lottery Corporation has met the criteria outlined in the Supplemental Plan for consideration of the discretionary contribution. Sales are higher than last year and higher than budgeted. In addition, total general and administrative expenses are projected to be below budget by \$1 million as indicated in the financial presentation. Mr. Goodrum explained that there are adequate funds in the Louisiana Lottery Corporation's salaries and benefits budget in order for the Louisiana Lottery Corporation to contribute the maximum 4 percent of salary as discretionary contribution to the Supplemental Retirement Plans.

At this time, Chairman Fitzpatrick presented to the Board of Directors **Resolution No. 14-06-13-1** relative to the Supplemental Retirement Plan. Chairman Fitzpatrick asked for any public comments relative to this resolution. There being no public comments, Director Robichaux made a **motion** to approve **Resolution No. 14-06-13-1** and Director Ausberry **seconded** the motion. There being no objections, the resolution was **approved and passed**.

## VIII. Election of Officers

At this time, Chairman Fitzpatrick asked for nominations for Officers for the Louisiana Lottery Corporation Board of Directors.

Nominations were made and the following officers were elected with no opposition:

Chairman of the Board of Directors – John Fitzpatrick

Vice Chairman of the Board of Directors – Christopher “Kim” Carver

Secretary of the Board of Directors – Roy Robichaux

Chairman Fitzpatrick thanked the entire Board for letting him serve as Chairman of the Board this past year and stated that it will be a pleasure to serve again for the coming year.

### **IX. Executive Session**

At this time, Chairman Fitzpatrick asked for a motion to go into Executive Session to discuss the performance evaluation of the president. Director Ausberry made the **motion** and Director Robichaux **seconded** the motion. There being no objection, the motion was **approved** and the Board of Directors went into Executive Session at 10:50 a.m.

Director Robichaux made a **motion** to adjourn the Executive Session and Director Doss **seconded** the motion. There being no objection, the motion was **approved**.

After adjourning from the Executive Session, Chairman Fitzpatrick called the regular meeting of the Board of Directors back to order at 11:40 a.m.

Chairman Fitzpatrick requested that Assistant State Treasurer Ron Henson say a few words regarding the performance of President Rose Hudson. Mr. Henson stated that Ms. Hudson was doing an incredible job for the Louisiana Lottery Corporation and that the Board of Directors had no concerns at this time. In concluding, he announced that the Board of Directors felt as though Ms. Hudson represents the Louisiana Lottery Corporation in a very positive manner and that her successes and attitude is resonated locally and across the nation as shown in her leadership roles with the national organizations.

Director Roy Robichaux made a **motion** to increase President Rose Hudson's salary by five percent (5%) with an effective date of July 1, 2014 and Director Ausberry **seconded** the motion. There being no objection, the motion was unanimously **approved**.

### **X. Announcements**


The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, August 22, 2014 to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

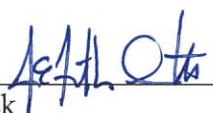
## XI. Adjournment

There being no further business, Chairman Fitzpatrick invited a motion to adjourn the meeting. Secretary Robichaux made a **motion** to adjourn the meeting and Director Ausberry **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 11:52 a.m.

Date Approved: August 29, 2014.

  
\_\_\_\_\_  
Wendy Reeves  
Executive Administrative Assistant

  
\_\_\_\_\_  
Roy Robichaux  
Secretary to the Board of Directors

  
\_\_\_\_\_  
John Fitzpatrick  
Chairman of the Board of Directors

Q:\EXEC\Board of Directors-Main\BOD MAIN Meeting Docs\2014 Board Meeting Docs\Board Meeting 6-13-14