

NEW HAMPSHIRE LOTTERY® COMMISSION
Pease Development Authority – 55 International Blvd, Portsmouth
MINUTES OF COMMISSION MEETING
August 29, 2018, 9:30 a.m.

Commissioners:

Debra Douglas, Chairman
Paul J. Holloway, Commissioner
J. Christopher Williams, Commissioner

Lottery staff in attendance:

Charles McIntyre	Jim Duris	Maura McCann	Carmela Nolin
John Conforti	Valerie King	Lynda Plante	

Others in attendance:

Travis York, GYK Antler	Ryan Sahr, Intralot	Mike Schiano, MP & C	Jim Bouley, Dennehy & Bouley
Rose Longo-White, GYK Antler	Kristen Paré, Intralot	Bill McLaughlin,	Alicia Preston, NH Charitable
Mike Giovanelli, GYK Antler		Seabrook Greyhound Pk	Gaming OA

Chairman Douglas called the meeting to order at 9:39 a.m.

1. ACCEPTANCE AND SIGNING OF PREVIOUS MINUTES:

Chairman Douglas sought a motion to accept the July 18 meeting minutes. Commissioner Holloway so moved, and was seconded by Commissioner Williams. All in favor, meeting minutes were approved as submitted.

2. FINANCIAL REPORTS:

- a. Chief Financial Officer James Duris reported that the year has started off with net profits of \$5 million for July; this is a decrease of almost \$1.3 million over the same period last year, largely due to two claims of \$1.35 million that came in during the month. However, sales increased by \$3.3 million through the addition of Keno and a strong performance by Mega Millions.
- b. We transferred over \$86 million to the Education Trust Fund in FY 2018, and that figure may go higher. We conducted a transfer for May and an estimated transfer for June. The Department of Health and Human Services' transfer has been made for June and July. The accounts receivable and operating expenses are in line with expectations, but the operating AR is up due to the timing of the EFT. The state has reported our interest figure (interest earned on general fund contribution), and we are waiting on the transfer of that revenue, so it is listed as a receivable. We will be meeting with Treasury to discuss how to schedule this disbursement in the future to make it more predictable. Operating expenses are in line with expectations, and we just paid NASPL dues for the half year. Indirect costs had been charged quarterly, but Mr. Duris is instead going to report them monthly. There will be a final draft of June/end of fiscal year financials after the pension figures are sent by the state on September 9.
- c. Chairman Douglas inquired about the Keno license fees. Mr. Duris responded that though we have an income line item for license fees, our expenses are for the state police background checks. Director McIntyre further explained that it is business-friendly for us to absorb this cost, which is in the \$50 range for each retailer. Commissioner Holloway asked for a count of retailers; Director McIntyre reported that we have over 150, and based on the pending applications, we should approach 175 in the next month or so. There will be a drop-off expected at the end of the year as some locations may not renew due to low sales.
- d. Commissioner Williams asked why the Ticket Printing Costs line item appeared to increase dramatically; Mr. Duris clarified that it is mostly due to timing. Director McIntyre noted that we have just launched the Patriots ticket, which includes a licensing fee in addition to the typical printing costs.
- e. Commissioner Holloway asked what comprises the operating accounts receivable, and requested an explanation of the MUSL line item. Mr. Duris clarified that operating AR is the EFT and Tri-State lotto, and Director McIntyre explained that MUSL is a reserve account, which includes items like license fees. The Commissioner further inquired about the delinquent accounts which total around \$41,500. Chief Compliance Officer John Conforti addressed the statute of limitations on collections; it appears that items three years old or less are collectable. Our bad debt against revenues is miniscule, and Mr. Duris

suggests that we write off about \$20,000 of the delinquents as that is very old debt that will likely never be collected.

- f. Discussion of the impact that draw game jackpots (Powerball and Mega Millions) have on our revenues included the bump in sales through the state liquor stores. Lotto America hasn't been launched in New Hampshire yet since the game changed from Hot Lotto given the bandwidth devoted to Keno and iLottery.
- g. Commissioner Holloway evaluated the figures for instant ticket sales and noted the \$1, \$2, \$3, and \$25 sales are down. Director McIntyre directed the Commission to a report that compares the sales in New Hampshire over time and at different price points with a sample of lotteries of interest. We have performed well in comparison and should see a rise in both the average ticket price point and the \$25 ticket sales when the new product launches in October.

3. INTRALOT:

Intralot General Manager Ryan Sahr reported that Keno is approaching \$12 million in sales. Their team has delivered over 200 retailer applications and is planning the next round of town visits. Director McIntyre and Marketing Director Maura McCann described the Keno economic impact study that we are launching with UNH; we expect this to illustrate the benefits of Keno to towns as they decide on their warrants for the next annual meetings in March. Mr. Sahr noted that the change to extend Keno to 1:00 a.m. has been made to the software, but Lottery still must perform extensive testing before that is launched in late September. Director McIntyre cautioned that though we should see a lift in sales, it will be on the order of 5%, given that the majority of our Keno plays occur between 5 p.m. and 8 p.m. Mr. Sahr related that he spoke to two of our Keno retailers and they have seen an increase in their food and beverage sales of around 15% since they started hosting the game.

4. ADVERTISING:

- a. Ms. McCann referred to the advertising packet which illustrates POS and the "screaming" goat campaign for our new jackpot alert advertising. GYK is about halfway through production of the new spots, which are well done and very funny. We had several pairs of Patriots tickets and tailgate passes to give away: they will be awarded through a contest that asks players to find Patriots jersey-clad goat lawn signs in fifteen locations around the state from clues posted on social media. She thanked the New Hampshire Division of Parks and Recreation, the city of Lebanon, and the State House for allowing us to place the goats in their public spaces.
- b. FuseIdeas in Maine just completed filming of several Tri-State television spots for the new Megabucks campaign.
- c. Informational letters will be going out in the next few weeks to select boards of towns that do not currently have Keno. That will be followed by another letter with the results of our retailer survey, which we anticipate will help those select boards decide to place it on their March meeting warrant.
- d. The tiny house sold at auction last week for \$34,000 to a resident of the Lakes Region. That instant ticket and promotion did very well overall.
- e. Travis York of GYK introduced Mike Giovanelli to the Commission. Mr. Giovanelli presented on the launch of the new website and iLottery portal. He complimented all the teams that were involved in bringing the product to launch.

5. RULEMAKING:

Racing and Charitable Gaming Director Valerie King requested a motion to submit the final proposal (FP) for rules governing "Locations Permitted to Sell Keno" (Notice #2018-107). The reference to cigar bars was dropped from FP because this issue has been addressed by recent change to the statute. Additional edits were made to the FP in response to OLS comments. None of the changes were substantive, and were intended only to add clarity. For example, "suitable area for the displaying" of Keno-related items, was revised to "adequate space to allow the prominent display" of Keno-related items. This request was so moved by Commissioner Holloway and seconded by Commissioner Williams. Motion was adopted unanimously.

6. OTHER:

- a. Chairman Douglas inquired on the status of the waiver request to increase the table stakes limit from \$500 to \$1,250. Ms. King explained that the deadline to respond to the request is September 18. Director McIntyre added that there are internal conversations still taking place evaluating the appropriate limit for New Hampshire operators.
- b. The five-year strategic plan is still on the agenda for the upcoming Tri-State meeting, as confirmed by Ms. McCann.
- c. The Chairman reported that per Lottery RSA, the Commission statutorily needs to appoint a secretary. Commissioner Holloway volunteered, which was seconded by Commissioner Williams. All in favor, motion passed.
- d. Commissioner Holloway requested an update on sports betting. Director McIntyre explained that he and Mr. Conforti have drafted proposed legislation, but the agency will not take an official position on sports betting as it is not our place to endorse it. Our effort is more to provide a framework based on research and what other states are doing.

7. NEXT MEETING:

The next meeting will be September 14 at 9:30 a.m. at Lottery headquarters.

Chairman Douglas entertained a motion to go into non-public session under RSA 91-A to discuss contract negotiations. So moved by Commissioner Holloway at 11:36 a.m. and seconded by Commissioner Williams. Upon a roll call, the following members reported: Commissioner Holloway, Commissioner Williams, and Chairman Douglas.

Following the conclusion of the non-public session, the Commission returned to public session and authorized the agency to proceed with purchasing the Lottery headquarters building at 14 Integra Drive in a unanimous vote. Meeting formally adjourned at 11:33 a.m.

Debra Douglas, Chairman

Paul J. Holloway, Commissioner

J. Christopher Williams, Commissioner

Respectfully submitted, Carmela Nolin