

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
June 22, 2018**

Chairman Roy Robichaux 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 Roy Robichaux, Vice Chairman Blake McCaskill; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Carmen Jones and Louisiana State Treasurer John M. Schroder.
- B. Members Absent:** Directors: Verge Ausberry, Jr., Sean Wells, and Butch Gautreaux
- 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 Roy Robichaux asked Director Cager to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman Robichaux began by asking if anyone had any questions or corrections to the minutes of the April 27, 2018 Board Meeting. Vice Chairman McCaskill **moved** to approve the April 27, 2018 Board Meeting Minutes and Director Cager **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 welcoming Louisiana State Treasurer John Schroder to the Louisiana Lottery Corporation Board of Directors Meeting.

Ms. Hudson advised that she withdrew the Louisiana Lottery Corporation's bid to host the 2019 NASPL Conference after determining the project would require staff resources that, from a timing standpoint, were better directed at the corporation's strategic mission. The conference will be hosted by the Arkansas Lottery in Little Rock, Arkansas. The Arkansas Lottery will be celebrating its 10th year of operations.

Ms. Hudson congratulated the Marketing Department for winning five Telly Awards (three silver and two bronze) as well as 14 Communicator Awards (eight awards of excellence and six awards of distinction).

Ms. Hudson advised the Board Members that the Louisiana Lottery Corporation had arrived at an agreement with AT&T on a contract matter to provide telecommunication services that will result in a \$3,000.00 monthly savings.

Additionally, Ms. Hudson indicated that contract extensions with Intralot beginning July 1, 2018, and Scientific Games on January 1, 2019, have been resolved and signed.

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

Ms. Fournet began by analyzing monthly sales for fiscal years 2015-2018, ending June 2018, our 27th fiscal year. Highlights included \$52.1 million in August due to a \$758.7 million Powerball Jackpot and a \$393 million Mega Millions Jackpot. Sales then reached \$45.3 million in December due to a \$560 million Powerball Jackpot and a \$450 million Mega Millions Jackpot. Sales reached \$48.8 million in March with a \$457 million Powerball Jackpot and a \$521 million Mega Millions Jackpot.

Ms. Fournet reported that Powerball fiscal-year-end sales are projected to be \$96.3 million, which is \$11.3 million higher than last year. She pointed out that jackpot fatigue continues to be a factor, comparing 2013 sales which were \$33.6 million higher than in 2018, even though there were only two jackpots above \$400 million.

Additionally, Ms. Fournet reported that Mega Millions fiscal-year-end sales are projected to be \$41.5 million, the highest level since the Lottery joined the game in 2011. This is \$13.2 million higher than last year which is due to three jackpots in the \$400 million-\$500 million range. These larger jackpots and corresponding sales are the result of the game's matrix and price change, which created a play experience very similar to Powerball.

Ms. Fournet advised that combined Powerball and Mega Millions sales are projected to be \$137.8 million, up \$24.5 million from last year. Since adding Mega Millions to the Louisiana Lottery Corporation's game portfolio, sales have improved by providing players more opportunities to play big-jackpot games.

Ms. Fournet reported that Lotto sales are holding steady at \$24.3 million for the year which is just slightly down from last year due to less frequent \$1 million plus jackpots. The price change to Mega Millions has also had a cannibalizing effect on Lotto, but the Lotto game's better odds and longevity provide consistent support to the draw-style game portfolio.

Ms. Fournet informed the Board Members that sales of Pick 3 and Pick 4 continue their upward trajectory with \$100.6 million in combined sales for fiscal year 2018. These continue to be the most stable games in the Louisiana Lottery Corporation's product mix, especially important in their support of the instant ticket prize structure. Sales increased this year even though the average payout was only 47 percent for Pick 3 and 43 percent for Pick 4. The games are designed to average a 50 percent payout over time.

Ms. Fournet advised that Easy 5/ezmatch sales of \$10.6 million for the fiscal year are consistent with prior years. This draw style game with its instant-win component is unique. It provides yet another choice for players with the best jackpot odds. Easy 5 replaced another game, Cash Quest in 2007, which at the time was only bringing in \$5 million in annual sales.

In continuing, Ms. Fournet stated that scratch-off sales remain remarkably strong and are projected to end the fiscal year at \$217.1 million which is the highest level since the Louisiana Lottery Corporation began its strategy of increasing the prize payout percentages, from a low of 58.54 percent in 2010 to 63.3 percent in 2018. Studies indicate the optional prize percentage is approximately 66 percent. Ms. Fournet noted that Louisiana has one of the lowest prize payout percentages in the nation because it is also the only state to operate under a 35 percent transfer mandate. She noted that operational savings and using unclaimed prizes have allowed the Louisiana Lottery Corporation to make these payout increases that correspond with sales increases, the cumulative effect of which she estimated to be \$397 million since the strategy began. The increase has likewise meant an additional \$139 million in state transfers. However, the Louisiana Lottery Corporation must continue to monitor its unclaimed prize fund and evaluate how to maintain this momentum.

Ms. Fournet demonstrated the sales impact of better prize payout percentages by showing sales by scratch-off price point. For example, in 2010 \$1 games accounted for 27.4 percent of sales and \$10 games accounted for 14.1 percent of sales. In 2018, \$1 games accounted for only 18.4 percent of sales with \$10 games accounting for 25.7 percent of the games. This flip is because players recognize and respond to the 68 percent payout of the \$10 game versus the 57 percent payout of \$1 games. However, the Louisiana Lottery Corporation cannot simply produce more \$10 games that players demand (or even higher priced games for that matter) without the ability to fund the games at these higher payout levels.

Ms. Fournet stated that this is great news on the sales front as it translates into fiscal year 2018 overall sales of \$490.3 million. The overall sales is \$35.3 million higher than last year and 11.5 percent better than budget.

Ms. Fournet explained that this stellar sales performance is coupled with general and administrative expenses through the end of May, running \$1.5 million under budget at \$17.1 million.

Finally, Ms. Fournet reported that transfers to the Louisiana State Treasury for fiscal year 2018 are \$17.5 million better than budget and ending the year at \$171.7 million. This represents the Louisiana Lottery Corporation's third best year in both sales and state transfers with 2016 (the year of the record billion-dollar Powerball jackpot) coming in second.

A copy of the financial presentation is attached.

At this time, the meeting was turned over to Chairman Robichaux.

V. Board Committee Reports

Personnel Committee – Vice Chairman Blake McCaskill advised that there was no Personnel Committee Report at this time.

Finance Committee – Chairman Robichaux advised that there was no Finance Committee Report at this time.

Bylaws Committee – Chairman Robichaux advised that there was no Bylaws Committee Report at this time.

VI. Other Business

Chairman Robichaux presented to the Board of Directors **Resolution No. 2018-06-22-1** relative to the Supplemental Retirement Plan. Ms. Fournet explained that the resolution is regarding the Louisiana Lottery Corporation's Supplemental Retirement Plan which allows for up to a four (4%) percent discretionary contribution to the plan based on fiscal and operational performance of the Louisiana Lottery Corporation. Chairman Robichaux asked for any public comments relative to this resolution. There being no public comments, Director Shamburg made a **motion** to approve **Resolution No. 2018-06-22-1** and Vice Chairman McCaskill **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

Chairman Robichaux presented to the Board of Directors **Resolution No. 2018-06-22-2** relative to the Advertising Media Placement Services Contract. Ms. Hudson explained that the Louisiana Lottery Corporation's current vendor, Zehnder Communications, declined to renew the contract for the upcoming fiscal year. Therefore, the Louisiana Lottery Corporation received four responses to the request for proposals and the evaluation committee recommended the Graham Group that is headquartered in Lafayette, Louisiana. Chairman Robichaux asked for any public comments relative to this resolution. There being no public comments, Director Gibbs made a **motion** to approve **Resolution No. 2018-06-22-2** and Director Cager **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

VII. Election of Officers

Chairman Robichaux announced that officers need to be elected for the Louisiana Lottery Corporation Board of Directors for the upcoming fiscal year. He began by taking nominations for the position of Chairman of the Board.

Vice Chairman McCaskill nominated Roy Robichaux for the position of Chairman of the Board. A **motion** was made by Vice Chairman McCaskill to approve Roy Robichaux as Chairman of the Board. Director Cager **seconded** the motion. There being no objections, Roy Robichaux was **elected** as Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Chairman Robichaux nominated Blake McCaskill for the position of Vice Chairman of the Board. Chairman Robichaux made a **motion** to approve Blake McCaskill as Vice Chairman of the Board of Directors. Director Gibbs **seconded** the motion. There being no objections, Blake McCaskill was **elected** as Vice Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Vice Chairman McCaskill nominated Sean Wells for the position of Secretary of the Board. Vice Chairman McCaskill made a **motion** to approve Sean Wells as Secretary of the Board of Directors. Director Shamburg **seconded** the motion. There being no objections, Sean Wells was **elected** as Secretary of the Board of Directors for the Louisiana Lottery Corporation.

VIII. Executive Session to Discuss the Performance of the President

Chairman Robichaux asked for a motion to go into Executive Session to discuss the performance evaluation of the president. Director Shamburg made the **motion** and Director Gibbs **seconded** the motion. There being no objection, the motion was **approved**, and the Board of Directors went into Executive Session at 10:32 a.m.

Vice Chairman McCaskill made a **motion** to adjourn the Executive Session and Director Cager **seconded** the motion. There being no objection, the motion was **approved**, and Executive Session adjourned at 11:00 a.m.

After adjourning from the Executive Session, Chairman Robichaux called the regular meeting of the Board of Directors back to order at 11:05 a.m.

Vice Chairman/Personnel Committee Chair Blake McCaskill advised that Rose Hudson, President and CEO of the Louisiana Lottery Corporation, received a resounding 238 out of 248 “exceeds expectations”. The other 10 responses were “meets expectations” and there were no “needs improvement”. Vice Chairman/Personnel Committee Chair Blake McCaskill concluded by stating that the nearly unanimous findings of the board are that Ms. Hudson exceeds the expectations in every aspect of her job performance.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, August 24, 2018 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 Robichaux invited a motion to adjourn the meeting. Director Gibbs made a **motion** to adjourn the meeting and Director Shamburg **seconded** the motion. There being no objection, the motion was **approved** and Chairman Robichaux adjourned the meeting at 11:16 a.m.

Date Approved: Aug. 24, 2018

Wendy Reeves
Wendy Reeves
Executive Administrative Assistant

Blake McCaskill
Blake McCaskill
Vice Chairman to the Board of Directors

Roy Robichaux
Roy Robichaux
Chairman of the Board of Directors