

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
June 28, 2019**

Chairman Blake McCaskill called the meeting to order at 10:02 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, Vice Chairman Butch Gautreaux; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Carmen Jones, Sean Wells, and Roman P. Banks; Louisiana State Treasurer John M. Schroder, Sr. and Louisiana Deputy State Treasurer Rachel Kincaid.
- B. Members Absent:** Director: Cynthia Hedge-Morrell.
- 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 Blake McCaskill asked Director Wells 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 April 26, 2019 Board Meeting. Director Shamburg **moved** to approve the April 26, 2019 Board Meeting Minutes and Director Banks **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 advising the Board Members that the Louisiana Legislative Auditor recently completed an audit on the Lottery's Comprehensive Annual Financial Report for the Basic, Supplemental and 457(b) Retirement Plans for last fiscal year and have issued an unmodified opinion indicating all internal financial controls in place meet accepted accounting standards.

Ms. Hudson informed the Board Members about the Louisiana Lottery Corporation's upcoming National Lottery Week activities that are planned for July 15-21, 2019. The Louisiana Lottery Corporation's communications and marketing team are in the process of creating content to be shared with players each day. She then thanked Louisiana State Treasurer John M. Schroder, Sr. for agreeing to participate in one of the videos they filmed for Lottery Week highlighting the Louisiana Lottery's cumulative transfers to K-12 public education.

Additionally, Ms. Hudson advised the Board Members that the Louisiana Lottery Corporation was recently recognized by the Louisiana JumpStart Coalition as a 2019 Workplace Financial Education Honor Roll Member for its effort to educate employees on financial literacy. The program recognizes companies or organization that provide financial literacy as an added benefit to their employees.

Ms. Hudson encouraged Board Members to attend the NASPL 2019 Annual Conference that is going to be held in Little Rock, Arkansas from September 17-20, 2019. She added that by attending this conference, they would gain valuable insight into the Lottery industry. Chairman McCaskill and Director Wells resonated her sentiments and explained how valuable they found their experience to be during the NASPL 2017 Annual Conference they attended in Portland, Oregon.

Ms. Hudson also informed Board Members about her recent trip to attend the NASPL Directors Meeting in Williamsburg, Virginia. She stated that several items came to the forefront there, one specifically that the Louisiana Lottery Corporation is interested in pursuing, ticket-by-ticket accounting. This technology replaces the need for a separate Lottery terminal and allows players to purchase tickets directly from a retailer's cash register. She plans to meet with Lottery staff to prepare a presentation for the board on this technology during the next few months.

Additionally, Ms. Hudson said she was able to view the low-profile Lottery vending machines that Wal-Mart and some other retailers are interested in using while at the meeting. The Louisiana Lottery Corporation is in the process of analyzing the cost/benefit of using these and will keep the board posted.

In concluding, Ms. Hudson informed Board Members that the Louisiana Lottery Corporation's fiscal year 2019-2020 budget was officially approved by the Joint Legislative Committee on the Budget during a hearing held on May 16, 2019.

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 total monthly sales for fiscal years 2016-2019. Sales in July started out at \$40 million and jumped to \$72.1 million in October due to the historic \$1.537 billion Mega Millions jackpot. Sales projected to reach \$39.9 million for June.

Powerball fiscal-year sales through the end of June are projected to be \$90.4 million, which is \$5.8 million less than last year. Ms. Fournet noted that jackpot fatigue continues to impact sales levels, due to the number of large jackpots occurring within a brief period of time and the Powerball game's competition with the Mega Millions jackpot.

Mega Millions fiscal-year sales through the end of June is projected to be \$70.2 million, which is \$28.3 million higher than last year. This is due to the record jackpot at the end of October. Overall, Mega Millions sales continue to increase due to the matrix change of October 2017 and subsequent jackpot size. This in turn has helped improve brand recognition for the game and increased sales even at lower level jackpots.

Combined Powerball and Mega Millions fiscal-year sales through the end of June are projected to be \$160.6 million, up \$22.5 million from last year due to large advertised jackpots. This is the highest product line sales level in our history of offering multistate jackpot games.

Lotto sales are projected to be \$21.8 million, which is \$2.4 million lower than this time last year. Lotto sales have experienced a slight decline since the Mega Millions price increase in October 2017 and a lack of jackpots of \$1 million or more.

Ms. Fournet advised that sales of Pick 3 and Pick 4 continue to grow with sales projected to reach \$104.9 million through June, up \$4.1 million from this time last year. Pick 4 has seen the highest increase growing from \$39.6 million in fiscal year 2014 to \$50.2 million for the current fiscal year. These daily games continue to be the most stable game in the Louisiana Lottery Corporation's product mix, generating over 20 percent of overall sales. The increase in all online sales as a percentage of total sales is vital to support the instant ticket prize structure.

Ms. Fournet reported that instant sales have performed very well for the last 4 months of this fiscal year with monthly sales since March higher than each of the 3 most recent years by \$1 million or more. Instant sales for May 2019 recorded the highest total for any month of May in the history of the Louisiana Lottery Corporation.

Ms. Fournet showed a comparison of instant sales by price point for the 11 months ending May 31, 2019 compared to May 31, 2018. The largest increase occurred in the \$3 price point. Comparing instant sales for the same time period, Ms. Fournet reported that \$3.8 million of the total \$7.5 million increase occurred in the Lafayette Region due to improved economic conditions in that area of the state.

Scratch-off sales have increased through the end of June to \$225.7 million, up \$8.5 million from last year with average prize payouts holding steady at 63.35 percent. Ms. Fournet stated that we are currently working to optimize the prize distribution in each price point since we are not able to increase the overall prize structure.

In continuing, Ms. Fournet reported overall sales through the end of June are projected to be \$523.8 million, \$32.8 million higher than last year and \$58.8 million better than budget. This represents the Louisiana Lottery Corporation's best sales year ever in the history of the Corporation.

General and administrative expenses through the end of May are running \$1.3 million under budget at \$17.4 million.

Lastly, Ms. Fournet reported that transfers to the Louisiana State Treasury through the end of June are projected at \$184.1 million, which is \$21 million better than budget, \$12.1 million more than last fiscal year and represents the highest transfer from sales in the Louisiana Lottery Corporation's history.

A copy of the financial presentation is attached.

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

V. Other Business

Chairman McCaskill presented to the Board of Directors **Resolution No. 2019-06-28-1** relative to the Supplemental Retirement Plan. Mr. Goodrum, Vice President of Finance, 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 McCaskill asked for any public comments relative to this resolution. There being no public comments, Director Banks made a **motion** to approve **Resolution No. 2019-06-28-1** and Director Wells **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

VI.

Chairman McCaskill asked for a motion to go into Executive Session to discuss the performance evaluation of the President. Director Wells made the **motion** and Director Cager **seconded** the motion. There being no objection, the motion was **approved**, and the Board of Directors went into Executive Session at 11:46 a.m.

Director Banks made a **motion** to adjourn the Executive Session and Director Gibbs **seconded** the motion. There being no objection, the motion was **approved**, and Executive Session adjourned at 1:04 p.m.

After adjourning from the Executive Session, Chairman McCaskill called the regular meeting of the Board of Directors back to order at 1:15 p.m.

Director Wells made a **motion** to increase President Rose Hudson's salary by four (4%) effective July 1, 2019, and Director Gibbs **seconded** the motion. There being no objection, the motion was unanimously **approved** and **passed**.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, August 23, 2019, 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 Wells made a **motion** to adjourn the meeting and Director Gibbs **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 1:30 p.m.

Date Approved: August 23, 2019



Wendy Reeves
Executive Administrative Assistant



Sean Wells
Secretary to the Board of Directors



Blake McCaskill
Chairman of the Board of Directors