

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
February 24, 2017**

Vice Chairman Roy Robichaux called the meeting to order at 10:05 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:** Vice Chairman Roy Robichaux, and Directors: Verge Ausberry, Jr., Heather Doss, Lisa Reardon, Sean Wells, Butch Gautreaux, Blake McCaskill, and Larry Cager.
- B. **Members Absent:** Directors: J. T. Taylor and Deputy State Treasurer: Renee Ellender Roberie.
- 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

Vice Chairman Roy Robichaux asked President Hudson to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Vice Chairman Robichaux began by asking if anyone had any questions or corrections to the minutes of the December 14, 2016 Board Meeting. Director McCaskill **moved** to approve the December 14, 2016 Board Meeting Minutes and Director Reardon **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 mentioning her recent trip to London to attend the World Lottery Association (WLA) conference (expenses paid by WLA). Ms. Hudson noted that the resurgence of an idea to create a worldwide lottery game was discussed. She explained that there were still many barriers to such a game, i.e. what type of currency to use, size of jackpots, location and time

of draws. She stated that there was a decline in the level of activities and some countries are no longer participating. Ms. Hudson stated that she is not willing to put in any funds into this venture, at this time.

Additionally, Ms. Hudson updated the Board that the Mississippi legislature has not yet decided on whether or not to have a lottery. She stated that their Governor has asked legislators to reconsider this bill. Ms. Hudson stated that this would have an impact on the Louisiana Lottery and that she would keep the Board advised of their decision.

Ms. Hudson also reminded the Board that Alabama was still considering a lottery and they have requested her to travel back to Alabama, in her capacity as President of NASPL, and address a commission assembled by the governor to study gaming.

Additionally, Ms. Hudson advised the Board that a decision had been reached on the procurement of a new air conditioning system and maintenance contract and the Board would be asked to vote on the recommendations.

In concluding, Ms. Hudson spoke on the matter of our instant ticket delivery service. She made reference to the memo that was sent to the Board on February 17, 2017, to explain the Lottery's decision to go with United Parcel Service (UPS). She also noted that due diligence had been performed by Brian Darouse, Vice President of MIS, which proved to be the most cost effective choice for the Lottery. (Memo to Board of Directors on Feb. 17th is attached).

The floor was turned over to Sr. Vice President & Secretary-Treasurer, Karen Fournet, to present the financial report via Power Point Presentation.

Ms. Fournet began by pointing out that our 2017/2018 budget is up for approval by the legislature. She noted that Powerball sales for this fiscal year had a drop of \$39 million, which is the lowest year-to-date Powerball sales in five years. She explained that the decline in sales was due partly to the flood in August and also because of jackpot fatigue.

Ms. Fournet advised that Powerball is projected to end the year at \$85 million which is a conservative estimate that does not take into account another massive jackpot.

Ms. Fournet reported that Mega Millions sales for the first eight months of fiscal year 2017 were \$19.4 million, which is \$1.1 million more than last year. Mega Millions sales are projected to end the year at \$28.7 million. This is the lowest we've seen in the last five years.

Ms. Fournet reported that Lotto sales are fairly solid at \$16.8 million. She explained that sales are down \$4.6 million from this time last year due to lower jackpots and in fiscal year 2016 we had a jackpot of over \$3 million, which hadn't happened in six years.

In continuing, Ms. Fournet stated that steady growth of combined Pick 3 and Pick 4 sales total \$64.7 million through February, which demonstrates that these two games are the most stable in

the Louisiana Lottery Corporation's product mix. She stated that Easy 5 sales continue to level off due to it being a niche game for a certain sect of players.

Ms. Fournet further stated that scratch-off sales are beginning to level off compared to the past years. Instant sales of \$132 million are down \$9.9 million from last year. She explained the decline in sales are partly due to the fact that the prize payout structure of the game cannot be increased as in the past since the legislature swept \$20 million from our unclaimed prize pool. Also, the August flood had an impact on sales and in south Louisiana the drop in the oil and gas industry had an impact on sales.

Ms. Fournet reported overall fiscal year-to-date sales of \$299.1 million through February, which is \$52.7 million lower than last year. General and administrative expenses are running \$900,000 under budget at \$10.9 million through the end of January 2017, which shows how diligently the Lottery is working to keep expenses down.

Lastly, Ms. Fournet announced that the Louisiana Lottery Corporation treasury transfers are projected to be \$104.5 million through February 2017, which is \$2.7 short of budget.

Ms. Fournet then highlighted sales projections for fiscal year 2018 as part of the budget we will present to the Joint Legislative Committee on the Budget. Powerball sales for the current fiscal year are projected at \$85 million, about \$41 million less than we ended last year. We cannot predict whether we will have a record jackpot, so we are setting our FY2018 sales projection at the same amount we anticipate ending this year. Other draw-style game sales are being budgeted similarly as our FY2017 projections, for roughly a \$400,000 net increase for all online sales.

Due to the economic conditions and the situation developing with our prize payouts, we are projecting instant sales to end the current fiscal year with a 5 percent decline or \$10.9 million below last year, and we are also budgeting for an additional 5 percent decline for fiscal year 2018.

With the uncertainties inherent in the mega-jackpot games and the sustaining factors for the decrease in scratch-off sales, we are budgeting total sales of \$439.6 million for FY2018 -- \$248.3 million for draw-style games and \$191.3 million for instant sales.

In concluding, Ms. Fournet stated that we are budgeting for a transfer of \$154.2 million for FY 2018. The distribution of revenue, as indicated on the pie chart, shows \$233.4 million for prizes; \$24.7 million for retailers; \$154.2 million for the state; \$20.3 for administration; and \$8.0 million for vendors.

A copy of the financial presentation is attached.

V. Board Committee Reports

Personnel Committee – No Personnel Committee report at this time.

Finance Committee – Finance Committee Chairman Verge Ausberry reported that the Finance Committee met on Friday, February 17, 2017, to discuss Resolution 2017-2-17-1 which is the proposed Fiscal Year 2018 Budget. Director Ausberry presented to the Board of Directors **Resolution No. 2017-2-24-1** relative to the approval of the 2018 Fiscal Year Budget. Vice Chairman Robichaux asked for any internal and/or public comments relative to this agenda item. There being no comments, Director Ausberry made a **motion** to approve **Resolution No. 2017-2-24-1** and Director McCaskill **seconded** the motion. There being no objections, the motion was **approved and passed with no opposition**.

Bylaws Committee – Bylaws Committee Chairman Roy Robichaux advised that there is no report at this time.

VI. Other Business

Vice Chairman Robichaux presented to the Board of Directors **Resolution No. 2017-2-24-2**, relative to the Chiller Replacement Contract. Vice Chairman Robichaux asked for any public comments relative to this resolution. There being no public comments, Director Ausberry made a **motion** to approve **Resolution No. 2017-2-24-2** and Director Doss **seconded** the motion. There being no objections, the resolution was unanimously approved and passed.

Vice Chairman Robichaux also presented to the Board of Directors **Resolution No. 2017-2-24-3**, relative to the Energy Management System Contract. Vice Chairman Robichaux asked for any public comments relative to this resolution. There being no public comments, Vice Chairman Robichaux made a **motion** to approve **Resolution No. 2017-2-24-3** and Director Reardon **seconded** the motion. There being no objections, the resolution was unanimously approved and passed.

Vice Chairman Robichaux announced that officers needed to be elected for the Louisiana Lottery Corporation Board of Directors. Therefore, he stated that he would begin by taking nominations for the position of Chairman of the Board.

Director Ausberry **nominated** Roy Robichaux for the position of Chairman of the Board. There being no other nominations for Chairman, Director Reardon **moved** to close nominations. Roy Robichaux was unanimously **elected** as Chairman of the Board for the Louisiana Lottery Corporation.

Chairman Robichaux **nominated** Director McCaskill for the position of Vice Chairman of the Board. There being no other nominations for Vice Chairman, Director Reardon **moved** to close nominations. Blake McCaskill was unanimously **elected** as Vice Chairman of the Board for the Louisiana Lottery Corporation.

Director Reardon **nominated** herself for the position of Secretary of the Board. There being no other nominations for Secretary, Vice Chairman McCaskill **moved** to close nominations. Director Reardon was unanimously **elected** as Secretary of the Board for the Louisiana Lottery Corporation.

VII. Announcements


President Hudson welcomed back Larry C. Cager, Sr. to the Lottery's Board of Directors. Director Cager was recently appointed by Governor John Bel Edwards to serve as the representative for the 2nd Congressional District. Director Cager previously served on the Board from 2005 to 2008, after being appointed by Governor Kathleen Blanco.

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, April 28, 2017, 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 Ausberry made a **motion** to adjourn the meeting and Director Doss **seconded** the motion. There being no objection, the motion was **approved** and Chairman Robichaux adjourned the meeting at 10:38 a.m.

Date Approved: April 28, 2017


Stephanie Fonte
Executive Administrative Assistant


Blake McCaskill, Vice-Chairman
For Lisa Reardon
Secretary to the Board of Directors


Roy Robichaux
Chairman of the Board of Directors