

Oklahoma Lottery Commission
Minutes of Regular Meeting
September 14, 2010 – 1:30 p.m.

Members Present:

Mr. William G. Paul, Chairman
Mr. George Charlton, Vice-Chairman
Ms. Charlotte Edwards, Treasurer
Mr. James Orbison, Trustee
Ms. Cindy Ball, Trustee
Mr. Jerry Eden, Trustee

Members Absent:

Mr. Blake Virgin, Secretary

Others Present:

Jim Scroggins, OLC	Doug Parker, Scientific Games
Rollo Redburn, OLC	Ron Miguel, Scientific Games
Terri Jackson, OLC	Allen Blankinship, Scientific Games
Bonnie Presley, OLC	Rhonda Hooper, Jordan Associates
Mary Martha Hall, OLC	Mike Wilkerson, Jordan Associates
Ricky McCullough, OLC	Amy Hindman, Jordan Associates
James Reazer, OLC	Michael McNutt, The Oklahoman
Megan Densow, OLC	Barbara Hoberock, Tulsa World
Dirk Topinka, OLC	April Wilkerson, Journal Record
Gay Tudor, AG's Office	

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

Mr. Paul called the meeting to order at 1:37 p.m.

Roll Call: Ms. Cindy Ball, Mr. George R. Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul were present. Mr. Blake Virgin was absent. Mr. Paul declared a quorum.

ITEM 2

Announcement of Filing of Regular Meeting Notice and Posting of the Agenda in Accordance With the Open Meeting Act

Posting of Regular Meeting Notice and Posting of the agenda were confirmed, in accordance with the Open Meeting Act.

ITEM 3

Approval of Minutes of the June 15, 2010 Regular Meeting

Ms. Edwards made a motion to approve the minutes of the June 15, 2010 regular meeting. Ms. Ball seconded the motion.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 4

Executive Director's Report

Mr. Scroggins discussed the sales and profit figures for FY2011 (see Attachment A for details). Sales through September 4, 2010 are down 3% (\$5.7 million) from projections which are attributed to no large Powerball or Mega Millions jackpots, the typical summer slump and the slacking economy. Profit figures are on track to meet the projected \$66.6 million in transfers to the Oklahoma Education Lottery Trust Fund (OELTF) for FY2011.

Mr. Scroggins reported emphasis was placed on Scratch products last year with a positive result and the lottery will continue the efforts by monitoring number of games, themes and print quantities. The strategic plan includes an option for enhancements to the online games in the form of a "Super Pick" type game which allows the customer to purchase tickets for all online games in one transaction as opposed to separately. A coop signage program is being tested that displays all three jackpot amounts on one sign.

Mr. Scroggins stated that the lottery Sales Department continues to work with Scientific Games to create a tiering of retailers. In addition to retailer training on game changes, the sales team has aggressively pursued several multi-unit retail operations that are engaging in discussions to add the lottery to their locations.

Mr. Scroggins announced an agreement was developed with the Oklahoma Tourism and Recreation Department to promote Oklahoma State Parks through the Explore Oklahoma Scratch off ticket game (see Attachment B for details).

Mr. Scroggins reported members of the Citizen and Governmental Relations Committee, Ms. Charlotte Edwards, Chair and members Ms. Cindy Ball and Mr. Blake Virgin met via conference call September 8, 2010 to discuss the lottery's plan for the upcoming legislative session. A change in the law to eliminate the mandated 35% profit restriction continues to be the most important issue facing the lottery. Further discussions were tabled and will resume after the election in November (see Attachment C for ballot details).

Mr. Paul congratulated the lottery staff for a productive FY2010. The Oklahoma Education Lottery Trust Fund received \$6.6 million more than the amount appropriated by the legislature. Transfers made to the Oklahoma Education Lottery Trust Fund for FY2010 were \$69.9 million and since the lottery's inception, transfers total \$357.8 million.

ITEM 5

Report of Audit and Finance Committee

Mr. Eden reported the Audit and Finance Committee met prior to the Board meeting and in attendance were Ms. Megan Densow, OLC Controller, Lester LaPorte, OLC Internal Auditor, Mr. Rollo Redburn, OLC Director of Administration and Board members: Mr. Orbison, Mr. Charlton and Mr. Eden. Quarterly internal audit reports were reviewed. The committee reviewed the financial statements for July 1, 2010 through August 31, 2010. Cole + Reed, P.C., independent external auditors, presented audited financial statements for fiscal year ended June 30, 2010 with an unqualified favorable opinion.

Mr. Orbison stated audits have been performed on a regular basis by Internal Auditors, Peer Auditors and Independent Auditors and each time the lottery has received a clean opinion. Mr. Orbison commended staff for their diligence.

ITEM 6

Discussion and Possible Action Regarding the FY2010 Financial Report

Mr. Redburn asked the Board to accept the audited financial statements for fiscal year ended June 30, 2010 as the official Oklahoma Lottery financial statements for FY2010.

Mr. Charlton made a motion to accept the financial statements for fiscal year ended June 30, 2010 as the official financial statements. Mr. Orbison seconded the motion.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7

Discussion and Possible Action Regarding the FY2011 and FY2012 Budget and Strategic Plan for the Oklahoma Lottery Commission

Mr. Redburn stated the lottery is required by law to provide a budget to the Office of State Finance (OSF) for subsequent years. Per agreement with OSF, the budget is to be submitted in December. A strategic plan which covers four to five years into the future is also required. Mr. Redburn explained that since a new administration (Governor) will be taking office, we need an approved budget to submit in case the lottery is pressed for a budget earlier than in our previous agreement. This would be a tentative budget as we are working on a possible revision and need as much revenue history as possible.

Mr. Scroggins stated the FY2012 proposed budget being reviewed has no changes in sales or profits compared to the FY2011 approved budget, and only minor changes to coding and categorizing of expenses. Mr. Scroggins asked the Board to approve the temporary FY2012 budget to be submitted to OSF, if the need should arise prior to the December 7, 2010 regular Board Meeting. Mr. Scroggins explained that by the December meeting an adequate amount of information will be available to present an estimate for the FY2012 budget.

A motion was made by Mr. Eden to accept FY2011 approved budget numbers as the FY2012 budget work program to be submitted to the Office of State Finance. The motion was seconded by Mr. Charlton.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 8

Announcement by Board Chair of Nominating Committee Membership and Review of Eligibility for Offices

Mr. Paul stated the Board of Trustees By-laws provide that there shall be two standing committees, Audit and Finance and Government and Citizen Relations. Other committees, task forces, special committees may be appointed by the Chair as deemed necessary with approval of the Board. Mr. Paul announced the Audit and Finance Committee for 2010 is Mr. Jerry L. Eden, Chair and Mr. James Orbison and Mr. George Charlton as members. The Government and Citizen Relations Committee for 2010 include Ms. Charlotte Edwards, Chair and Ms. Cindy Ball and Mr. Blake Virgin as members.

Mr. Paul proposed the Nominating Committee to be Ms. Charlotte Edwards, Chair; Mr. Blake Virgin and Ms. Cindy Ball as members.

A motion was made by Mr. Charlton to accept Mr. Paul's recommendation of Ms. Charlotte Edwards, Chair, Mr. Blake Virgin and Ms. Cindy Ball as members of the Nominating Committee. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

Mr. Paul asked the Nominating Committee to recommend officers for the calendar year 2011 at the next regularly scheduled Board meeting on December 7, 2010.

Mr. Paul announced that according to Board of Trustees By-laws, officers shall include a Chair, Vice Chair, Secretary and Treasurer and no member shall hold more than one office at the same time. Term for officers is for one calendar year following the election and an affirmative vote of a majority shall be required for the election of each officer. The by-laws set out term limits of no more than three consecutive years in the same office. Mr. Paul announced current officers and time served: Mr. Paul has served as Chair for three consecutive years; Mr. Charlton has served as Vice Chair for three consecutive years; Ms. Edwards has served as Treasurer for three consecutive years; and, Mr. Virgin has served as Secretary for two consecutive years.

ITEM 9

New Business

Mr. Paul stated the Board has no new business at this time.

ITEM 10
Adjournment

With no additional business, a motion was made by Mr. Orbison to adjourn. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

At the December 7, 2010 regular meeting Ms. Edwards made a motion to approve the September 14, 2010 meeting minutes. The motion was seconded by Mr. Orbison. Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry Eden, Ms. Charlotte Edwards, Mr. James Orbison and Mr. Blake Virgin voted to approve the minutes.