

OKLAHOMA LOTTERY COMMISSION

Minutes of Meeting

April 12, 2005

1:30 pm

Members present:

Ms. Cindy Ball
Mr. George R. Charlton, Jr.
Dr. Linda Dzialo
Mr. James Orbison
Mr. Thomas Riley, Jr.

Members not present:

Mr. Ron Norick
Mr. William Paul (listening by telephone but did not participate in meeting)

Others attending:

Susan Perry, Office of State Finance, Recording Secretary
Rollo Redburn, Office of State Finance
Ramon Rivera, GTECH
Tony Thornton, The Oklahoman
Sue MacHugh, State Treasurer's Office
Mick Hinton, Tulsa World
Bobby Stem, GTECH
Greg Shields, OSBI
Jack Dailey, OSBI
Jimmy Bunn, Jr., OSBI
Vance McSpadden, Oklahoma Petroleum Marketers Assoc/OK Assoc of C-Stores
Kenneth King, State Treasurer's Office
Gay Tudor, Office of the Attorney General
Alan Middle, SGI
Jim Campbell, OPA Capitol News Bureau
Paul Pearson, Intralot
Shawn Hime, Oklahoma Dept. of Education
Tim Allen, State Treasurer's Office
Ron Jenkins, Associated Press
Randy Parrish, Oklahoma Dept. of Central Services

The Oklahoma Lottery Commission met on April 12, 2005, at approximately 1:30 pm, in the Governor's Blue Room at the State Capitol. The meeting was held in accordance with the Open Meeting Act.

ITEM 1

Announcement of filing of special meeting notice and positing of the agenda in accordance with the Open Meeting Act

The Chairman asked Susan Perry to confirm that the agenda was posted in accordance with the Open Meeting Act. Ms. Perry did confirm the agenda was posted with 48 hours notice.

ITEM 2

Call to Order

The Chairman asked Susan Perry to call the roll. Ms. Perry called roll and the Chairman declared a quorum.

ITEM 3

Approval of Minutes of the March 8, 2005 Special Meeting

Chairman asked if there were any comments on the Minutes and there being none, the Chairman asked if there was a motion to approve the minutes. Mr. Riley so moved and Dr. Dzialo seconded. Ms. Perry then called roll and all were in favor so the motion passed.

ITEM 4

Chairman Comments

The Chairman stated that he had no comments at this time.

ITEM 5

Presentation by Marilyn Hughes, Executive Director of the Oklahoma Ethics Commission

Chairman Orbison introduced Marilyn Hughes, Executive Director of the Oklahoma Ethics Commission. Ms. Hughes presented to each member a copy of a "Synopsis of Ethics and Conflicts of Interest" and did an overview of the Rules of the Ethics Commission.

ITEM 6

Search Committee Report – Mr. Charlton

The Chairman stated that the Mr. Charlton would give the report of the Search Committee as the Chair, Mr. Ron Norick, was unable to attend. Mr. Charlton gave a report stating that the Search Committee had interviewed several candidates from the short list and that the Committee is in the process of issuing background checks on the final candidates. Mr. Charlton stated that the goal of the Search Committee was to present a candidate to the Commission to vote on by the end of May.

Mr. Charlton stated to the Commission that most of the candidates they interviewed expressed that the Commission should hold off any major decisions until the Director is in place. The one item the candidates did mention that the Commission should act on immediately is getting the financing in place.

The Chairman stated that the intent of the Committee is to report to the Commission their recommendation for Director, but it would be after all of the members have had an opportunity to meet the recommended candidate. The Chairman also stated that the Commission will have an opportunity to review all the applications submitted for the Director's position.

Discussion was had among the members on the process the Committee used to narrow the selection down to the final candidates.

ITEM 7

Presentation by State Treasurer's Office Regarding Investment Options

The Chairman stated that Rollo Redburn made arrangements to have representatives from the State Treasurer's give a presentation regarding investment options. Mr. Redburn introduced Sue MacHugh, Chief Investment Officer for the State Treasurer's Office. Ms. MacHugh went over the different funds and investment options the Treasurer's Office has to offer. Ms. MacHugh also discussed that the Commission may want to look at establishing an Investment Policy later down the road. Ms. MacHugh introduced Kenneth King, Deputy Treasurer and Mr. King expressed that the Treasurer's office is looking forward to working with the Commission regarding their investment needs.

ITEM 8

Interim Committee of Operations and Structure Report – Dr. Dzialo

Dr. Dzialo recapped the discussions from the Interim Committee's meetings held on April 4 and 12, 2005. The three items the Interim Committee focused on at the meetings were:

- Obtaining outside legal counsel
- Establish a line of credit
- Locating office space

Dr. Dzialo stated that the Committee has some recommendations to bring to the Commission today regarding the above issues.

ITEM 9

Discussion and Possible Action Regarding Employment of Outside Counsel

Dr. Dzialo stated that the Interim Committee of Operations and Structure recommends to the Lottery Commission to use the services of the Attorney General's office but also that the Commission begin the process to hire outside counsel should the Commission need their assistance. Therefore, the Committee would recommend to the Lottery Commission to proceed with Phase I which includes:

- Place an ad in the Oklahoma Bar Journal (Mr. Paul will handle)
- Have the Commission prepare the RFP/RFQ to submit to interested firms (Mr. Paul and Mr. Orbison will address this issue)

The Chairman discussed the issue of appointing a Committee to place an ad in the Oklahoma Bar Journal, prepare the RFP/RFQ, review the responses and make a recommendation to the Commission for outside legal counsel. Dr. Dzialo made a motion that Mr. Orbison, Mr. Paul and herself serve on the Committee and Mr. Riley seconded the motion. Ms. Perry then called roll and all were in favor so the motion passed.

ITEM 10

Discussion and Possible Action Regarding Rental of Office Space

Dr. Dzialo stated that the Interim Committee was continuing their search for office space and would bring a recommendation to the Lottery Commission at their next meeting scheduled May 10, 2005.

ITEM 11

Discussion and Possible Action Regarding Employment of Temporary Administration Employees

Dr. Dzialo discussed the Interim Committee’s recommendation regarding employment of temporary help to the Commission as follows:

- Allow the Interim Committee authority to hire up to four temporary clerical personnel to assist the Lottery Commission if it is deemed necessary

Mr. Riley made a motion that the Committee be allowed to hire up to four temporary clerical personnel to assist the Lottery Commission if it is deemed necessary. Also that Rollo Redburn, Deputy Director of the Office of State Finance, be authorized to work with a temporary service agency to hire the temporary personnel on behalf of the Lottery Commission. Ms. Ball seconded the motion. Ms. Perry called roll and all were in favor so the motion passed.

ITEM 12

Discussion and Possible Action Regarding Approval of Initial Budget and Process of Approving Expenditures

Rollo Redburn handed out a list of start-up and administrative costs that needed Commission approval. Discussion was had between Mr. Redburn and the members regarding the amounts that needed to be approved for expenditures. Mr. Riley made a motion to approve the initial budget of \$47,100 as follows:

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|----|----------------------|----------|
| 1. | Travel reimbursement | \$ 9,600 |
| 2. | Web site development | \$ 2,500 |
| 3. | Background checks | \$30,000 |
| 4. | Marketing efforts | \$ 5,000 |

Mr. Charlton seconded the motion. Ms. Perry called roll and all were in favor.

ITEM 13

Discussion and Possible Action Regarding Financing of Start-Up and Administration and Operating Expenses

Dr. Dzialo asked Mr. Riley to present to the Commission the recommendation of the Interim Committee regarding the startup financing process. Mr. Riley gave an overview of the startup financing possibilities, bonds versus promissory notes. Mr. Riley stated

that the Committee identified two areas of possible need for financing. One was to fund operations until such point in time the Lottery can be self supporting, and two, was in the event a prize was awarded that exceeded the available resources. The Interim Committee would recommend to the Lottery Commission that we go ahead and proceed looking into the financing and gathering information to present to the Commission.

Chairman Orbison suggested that a Committee consisting of Mr. Paul and Mr. Riley proceed with the financing of the start-up expenses and encouraged any one else to join. Mr. Charlton volunteered to also be on that committee. Chairman Orbison also suggested that this Committee have the authority to prepare and issue a RFP/RFQ and to work with Rollo Redburn and Jim Joseph to select a lender and/or bond counsel. It was decided that the Committee would also bring to the Lottery Commission their recommendation on what type of financing would be most beneficial to the Commission and who the Committee would suggest as a lender and/or bond counsel. Mr. Riley moved that the above recommendation and suggestion of Chairman Orbison be accepted by the Commission and Dr. Dzialo seconded. Ms. Perry called roll and all were in favor.

ITEM 14

Discussion and Possible Action Regarding Background Checks regarding Employees, Retailers and Vendors

Chairman Orbison called on Rollo Redburn to address this item. Mr. Redburn distributed among the members a handout addressing the status of tasks he has been working on and showed the status of the background checks. Mr. Redburn went over the authorization and requirements of the Commission regarding backgrounds checks for different positions with the Commission, vendors and retailers. Discussion was had among the members regarding the background checks for the Director position.

Mr. Riley made a motion to authorize Rollo Redburn, on behalf of the Lottery Commission, to negotiate a contract with the OSBI for up to three Level III background investigations of the Director candidates for a total not to exceed \$30,000.00 and authorize the Chairman to sign the contract on behalf of the Commission. Dr. Dzialo seconded the motion. Ms. Perry called roll and all were in favor.

ITEM 15

Discussion and Possible Action Regarding Participation in Petroleum Marketers Association and Grocers Association Trade Show

Chairman Orbison asked Rollo Redburn to address this item. Mr. Redburn discussed the possibility of the Commission being present at the trade show and the costs involved. The members discussed the options and costs and decided that action will be taken on this issue in the approval of the Initial Budget.

ITEM 16

Discussion and Possible Action Regarding Development of On-Line Web Application Process for Retailers

Rollo Redburn addressed the members regarding development of on-line web application process for Retailers. Mr. Redburn suggested a two-stage process to help with security issues. The initial process would be to just obtain who is interested in becoming a retailer and then they would be given a password to go in and fill out a more detailed application. Discussion was had among the members regarding this issue. Mr. Redburn also stated that the Lottery Commission has two websites as follows:

www.lottery.ok.gov
www.oklottery.org

Mr. Redburn informed the members that he was meeting with the website vendor again to discuss costs and different options concerning the Lottery website.

The members agreed that Mr. Redburn should meet with the website vendor to gather more information and estimates and bring this information to the next meeting.

ITEM 17

Comments by Rollo Redburn, Deputy Director of the Office of State Finance

Rollo Redburn stated that he would just ask the members to look over the handout he gave to each member earlier regarding the status of tasks. Mr. Redburn stated that if after looking at the list if any member had any questions to please let him know.

Discussion was also had among the members regarding the office space they are looking for and whether they are wanting temporary or permanent space. It was decided that the Interim Committee of Operations and Structure was to continue looking for permanent space with the understanding that initially they would not need all the space but needed the ability to expand at a later date.

ITEM 18

Next Scheduled Special Meeting: May 10, 2005

ITEM 19

Adjournment

There being no further business, the Chairman asked if there was a motion to adjourn. Mr. Riley moved for adjournment and Mr. Charlton seconded the motion. Roll was called and all were in favor so meeting was adjourned.

Submitted by:

Linda Dzialo, Secretary

Approved by:

Jim Orbison, Chairman

Linda Dzialo, Secretary