

Oklahoma Lottery Commission
Minutes of Regular Meeting
September 22, 2009 – 1:30 p.m.

Members Present:

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

Others Present:

Jim Scroggins, OLC	Marie Price, Journal Record
Rollo Redburn, OLC	Jason Abbey, Skyline Media
Terri Jackson, OLC	Chad Stalcup, Skyline Media
Bonnie Presley, OLC	Brenda Jones, Skyline Media
Susan Christian, OLC	Barbara Hoberock, Tulsa World
Carl Selby, OLC	Michael McNutt, The Oklahoman
Gay Tudor, AG's Office	Tim Talley, Associated Press
Rhonda Hooper, Jordan Associates	Amy Hindman, Jordan Associates
Mike Wilkinson, Jordan Associates	

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

Mr. Paul called the meeting to order at 1:40 p.m.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison, Mr. Blake Virgin and Mr. William G. Paul were present. 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 9, 2009 Regular Meeting

Mr. Virgin made a motion to approve the minutes of the June 9, 2009 regular meeting. Ms. Edwards seconded the motion.

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

ITEM 4

Proposed Executive Session to Discuss Responses to our Requests for Proposals (RFP) for Advertising and Marketing Support Services Pursuant to 25 O.S. 307(B)(7), 51 O.S. 24A. 10(B)(1) and OAC 580:15-2-7(d)

Mr. Charlton made a motion to exit the open meeting and enter executive session to evaluate responses to the RFP for Advertising and Marketing Support Services. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison, Mr. Blake Virgin and Mr. William G. Paul voted to approve the motion. The motion carried and board members entered executive session at 1:50 p.m.

ITEM 5

Discussion and Possible Action Regarding the Award of a Contract for Advertising and Marketing Support Services

Mr. Paul reconvened the open meeting to order at 2:17 p.m.

A motion was made by Mr. Virgin that the commission recommends to Department of Central Services (DCS) that the Advertising and Marketing Support Services contract be awarded to "Vendor C" subject to the approval of DCS. The motion was seconded by Mr. Orbison.

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

ITEM 6

Executive Director's Report

Mr. Scroggins stated the lottery will be going to an Automated Draw System (ADS) beginning on Sunday, September 27, 2009. The Cash 5 and Pick 3 drawings will be conducted through a computerized system rather than ball machines. Utilizing an ADS will result in a one-time cost savings of \$135,000 and provide an ongoing annual cost savings of \$73,530.

Mr. Scroggins stated the recent discovery of a substance that was found on the lottery premises has been tested and did not contain hazardous material. The testing facility only tests for hazardous material and did not identify the substance.

Mr. Scroggins announced the Attorney General's office has delivered an opinion on quarter pushers and electronic phone card machines and they are considered illegal gambling machines.

Mr. Scroggins provided the board members with an agenda for the upcoming NASPL '09 conference October 6-9, 2009 in Oklahoma City. The conference has an educational theme throughout of "Achieving Success in a Changing Economic Climate" and members are invited to attend as many sessions as their schedule will allow. The annual event is funded and organized by the North American Association of State and Provincial Lotteries (NASPL) and held in a different lottery state each year.

Mr. Scroggins stated Don and Joyce Harvey from Muldrow, Oklahoma won \$102 million playing Powerball back in June 2007. The couple generously shared their wealth with fellow Oklahomans by teaming up with the University of Oklahoma Medical Center to finance and operate a mobile research unit that will study diabetes in children who live in Oklahoma rural areas. They have created the DJH Foundation to help with other local worthy medical causes.

Mr. Paul announced October 12, 2009 will mark the fourth anniversary of the Oklahoma Lottery. As of August 31, 2009, \$288.1 million has been transferred to the Oklahoma Education Lottery Trust Fund (OELTF).

ITEM 7

Report of Audit and Finance Committee

Mr. Orbison stated the Audit and Finance Committee met before the board meeting and those in attendance were Carl Selby, OLC Comptroller, Lester LaPorte, OLC Internal Auditor, Ms. Megan Densow, OLC Budget/Financial Reporting Analyst, Mr. Rollo Redburn, OLC Director of Administration, Cole and Reed, external auditors and Board members: Mr. Orbison, Ms. Ball and Mr. Paul. The committee visited with the external auditors, Cole and Reed, and reviewed the fiscal year end 2009 financial statement audit report which reflected an unqualified favorable opinion. Quarterly audit reports from Lester LaPorte were reviewed. An audit was performed on the status of transfers to the OELTF and the transfers were found to be in compliance with required monthly transfers. The committee received the fiscal year to date financial statements from Carl Selby. Fiscal year-to-date transfers to OELTF total \$8.9 million.

ITEM 8

Discussion and Possible Action Regarding the FY2009 Financial Report

Mr. Redburn stated the FY2009 financial report reflected an unqualified favorable opinion from external auditors, Cole and Reed.

A motion was made by Ms. Ball to approve the FY2009 audited financial report. The motion was seconded by Ms. Edwards.

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

ITEM 9

Discussion and Possible Action Regarding the FY2010, FY2011 and FY2012 Budgets and Strategic Plan for the Oklahoma Lottery Commission

Mr. Redburn stated the lottery is required by law to provide a budget (BWP) to the Office of State Finance for subsequent years by October 1. A strategic plan which covers four to five years into the future is also required.

Mr. Redburn stated modifications have been made to the FY2010 budget work program. Changes were minimal with the majority of changes to coding and categorizing of expenses. Expenditure estimates provided to the State Equalization Board in January will be met and revenue will exceed estimates by approximately \$7,000.

Mr. Redburn explained estimated FY2011 lottery sales are \$5.5 million lower than FY2010, due to the estimated impact of the Arkansas lottery and the weak economy. The Arkansas lottery will begin selling scratch tickets on Monday, September 28th and plan to begin selling Powerball tickets October 31. The salaries and wages category is estimated to increase \$102,000 in FY2011 versus FY2010 due to increases in the state's contribution to the Oklahoma Public Employees Retirement System (OPERS) from 15 ½ % to 16 ½ %, estimated 5% increase in worker's compensation premiums, and an estimated 15% increase in health insurance premiums. Contracted and professional services were decreased \$17,900 in FY2011 versus FY2010, and equipment was reduced by \$52,500. Rent expenses are estimated to increase \$5,000 for rental vehicles from the state motor pool, office supplies are estimated to increase \$447 and other general administrative expense increases are based on estimated inflationary increases for insurance. One-time and annual savings from going to an ADS are included in these figures. Based on revenue estimates for FY2011, transfers to OELTF will decrease a little less than \$2 million versus FY2010. The FY2012 budget estimates will be available at the December 8, 2009 regular board meeting.

A motion was made by Mr. Orbison to approve the FY2010 budget changes, the FY2011 budget and the updated strategic plan. The motion was seconded by Mr. Virgin.

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

ITEM 10

New Business

Mr. Scroggins stated DCS has notified OLC that the vendor awarded the Advertising and Marketing Support Services contract has been verified and approved by DCS. The approved vendor is Jordan Associates.

Mr. Paul stated the 2010 regular board meeting dates will be set at the next meeting on December 8, 2009.

ITEM 11
Adjournment

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

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison, Mr. Blake Virgin and Mr. William G. Paul voted to approve the motion. The motion carried and the meeting was adjourned at 3:00 p.m.

At the December 8, 2009 regular meeting Ms. Charlotte Edwards made a motion to approve the September 22, 2009 meeting minutes. The motion was seconded by Mr. James Orbison. Mr. George Charlton, Ms Charlotte Edwards, Mr. James Orbison, Mr. Blake Virgin and Mr. William G. Paul voted to approve the minutes.