

**Oklahoma Lottery Commission  
Minutes of Regular Meeting**

December 6, 2011 – 1:30 p.m.

**Members Present:**

Mr. George R. Charlton, Chair  
Mr. James C. Orbison, Secretary  
Mr. Jerry L. Eden, Treasurer  
Ms. Cindy Ball, Trustee  
Ms. Charlotte Edwards, Trustee  
Mr. William G. Paul, Trustee

**Members Absent:**

Mr. Blake Virgin, Vice-Chair

**Others Present:**

|                     |                                 |
|---------------------|---------------------------------|
| Jim Scroggins, OLC  | Bryan Colbert, Scientific Games |
| Rollo Redburn, OLC  | Lyn Martin-Diehl, AG's Office   |
| Terri Jackson, OLC  | Erin Boeckman, eCapitol         |
| Bonnie Presley, OLC |                                 |
| Megan Densow, OLC   |                                 |
| Jim Reazer, OLC     |                                 |
| Greg Fields, OLC    |                                 |

**ITEM 1**

**Call to Order. Roll Call and Announcement of Quorum**

Mr. Charlton called the meeting to order at 1:39 p.m.

Roll Call: Ms. Cindy Ball, Mr. Jerry L. Eden, Ms. Charlotte Edwards, Mr. James C. Orbison, Mr. William G. Paul and Mr. George R. Charlton were present. Mr. Blake Virgin was absent. Mr. Charlton 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 September 20, 2011 Regular Meeting**

Mr. Orbison made a motion to approve the minutes of the September 20, 2011 regular meeting. Ms. Edwards seconded the motion.

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

## **ITEM 4**

### **Executive Director's Report**

Mr. Scroggins stated he met with the Lt. Governor this morning along with Mr. Redburn and Mr. Eden. Discussions took place regarding the 35% mandated profit restriction and the impact on the lottery's success. The Lt. Governor suggested a follow-up with Senator Brinkley, Chair of the Committee on Lottery Privatization. Mr. Charlton, Mr. Paul and Mr. Orbison have a meeting at 3:00 p.m. today with the Governor.

Mr. Scroggins updated members on the committee hearing that took place on November 1<sup>st</sup> in regards to lottery efficiencies and privatization, chaired by Senator Brinkley. Senator Jolley initiated an interim study to research the privatization of the Oklahoma Lottery. Senator Jolley stated the Oklahoma Lottery continues to have an annual shortfall, but later acknowledged the projections being used for comparison were provided by other sources and not the forecasts provided by Lottery staff. The projection estimates provided by the Oklahoma Lottery staff are being met. Senator Jolley stated he understood the 35% mandated profit restriction hinders the increase in sales for the Lottery, but was not confident a change would be forthcoming. Problem gambling was another issue discussed. The facts show that last fiscal year the Oklahoma gambling hotline received 626 calls and only 11 were related to the lottery. Gambling experts agree the lottery does not create problem gambling due to the delayed result. Fast action is what satisfies a problem gambler and buying a lottery ticket and waiting two days to find out if it is a winning ticket does not satisfy that need.

Mr. Scroggins stated the New York law firm, DLA Piper, spoke at the meeting in regards to their work on the privatization of the Illinois Lottery. The presentation included comments that the privatization in Illinois had been a very clean quick process. There was no mention of the Auditor General's official opinion that suggests the procurement within the Illinois Lottery was less than pristine. Mr. Scroggins informed the Study committee of this. It was also stated the firm that has the privatization has to guarantee payments to the state. There was no mention in regards to the probability the privatized Illinois Lottery may not make their required payment for the first year and the second year payment is questionable. According to the contract in Illinois if payments are not made in the first two years the state has the opportunity to re-bid the contract or take the program back over. Mr. Scroggins also informed the Study committee of this. DLA Piper also discussed the advent age of the privatization contract in Illinois providing a clause for guaranteed funds/liquidated damages for non-performance. Mr. Scroggins informed them that the Oklahoma Lottery contract with Scientific Games has always included guaranteed liquidated damages for non-performance.

Mr. Scroggins stated he suspects any firm privatizing the Oklahoma Lottery would request eliminating the law mandating the 35% profit requirement and cash only purchases. The Lt. Governor asked if a change in the law must go before a vote of the people. Since inception, the laws governing the Lottery have been changed nine times and not once were the changes presented to the people for a vote.

## **ITEM 5**

### **Report of Audit and Finance Committee**

Mr. Eden reported the Audit and Finance Committee met prior to the Board meeting and those in attendance were Ms. Megan Densow, OLC Controller, Mr. Greg Fields, OLC Budget Analyst, Mr. Rollo Redburn, OLC Director of Administration, and Board members: Mr. Orbison, Mr. Paul and Mr. Eden. The committee reviewed the FY2012 YTD financial statements through October 31, 2011. The committee reviewed the FY2012 and FY2013 budget and the FY2012 – FY2017 Strategic Plan. Six applicants have been interviewed for the vacant Internal Auditor position and a candidate will be hired by the end of the month.

## **ITEM 6**

### **Discussion and Possible Action Regarding the FY2012 and FY2013 Budget and Strategic Plan for the Oklahoma Lottery Commission**

Mr. Scroggins stated the FY2012 sales estimate for the Scratchers product has been reduced by \$9.5 million to \$91.8 million. The reduction in revenue is based primarily on the inability to offer a higher prize percentage in the Scratchers tickets. Projected FY2012 transfers to the Oklahoma Education Lottery Trust Fund (OELTF) total \$64 million, \$3.4 million more than the estimate provided to the Board of Equalization and \$6.4 million more than appropriated. Total estimated transfers to the OELTF by the end of FY2012 are \$482.5 million.

Mr. Scroggins stated the current FY2013 budgeted sales estimate is \$172.8 million, \$10 million less than the revised FY2012 sales estimate. Again, the reduction was primarily made in the sales estimates for the Scratchers tickets.

Mr. Scroggins stated the FY2012-FY2017 Strategic Plan has been revised to reflect the above mentioned sales estimates.

Mr. Paul made a motion to approve the revised FY2012 and FY2013 revenue estimates and profits to the OELTF and revised FY2012-FY2017 Strategic Plan. Ms. Ball seconded the motion.

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

## **ITEM 7a**

### **Discussion and Possible Action Regarding Contracts a. Instant Ticket Contract Renewal (MDI Entertainment LLC)**

Mr. Scroggins stated the lottery currently contracts with MDI Entertainment, an authorized owner or licensor for various well-known product names, logos, designs used to help sell lottery tickets. The fee varies by product. The staff recommends extending the multi-year agreement with MDI Entertainment, LLC for the next one year renewal period beginning April 9, 2012 at an annual cost not to exceed \$400,000.

Ms. Edwards made a motion to extend the multi-year agreement with MDI Entertainment, LLC for the next one year renewal period, through April 8, 2013, at an annual cost not to exceed \$400,000. Mr. Orbison seconded the motion.

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

## **ITEM 7b**

### **Discussion and Possible Action Regarding Contracts: b. Instant Ticket Contract Renewal (Alchemy3 LLC)**

Mr. Scroggins stated Alchemy<sub>3</sub> LLC is an authorized owner or licensor of product names, logos, designs used to help sell lottery tickets. The staff recommends the Board extend the multi-year agreement with Alchemy<sub>3</sub> LLC for the next one year renewal period beginning March 25, 2012 at an annual cost not to exceed \$200,000.

Ms. Edwards made a motion to extend the multi-year agreement with Alchemy<sub>3</sub> LLC for the next one year renewal period, through March 24, 2013, at an annual cost not to exceed \$200,000. The motion was seconded by Ms. Ball.

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

## **ITEM 8**

### **Report of Nominating Committee**

Ms. Edwards stated the Nominating Committee would like to recommend Mr. George Charlton as Chair, Mr. Blake Virgin as Vice-Chair, Mr. James Orbison as Secretary, Mr. Jerry L. Eden as Treasurer and Ms. Cindy Ball, Mr. William G. Paul and Ms. Charlotte Edwards as Trustees for calendar year 2012.

## **ITEM 9**

### **Discussion and Possible Action on the Selection of Board Officers for Calendar Year 2012**

Mr. Paul made a motion to approve the Nominating Committee's recommendation of officers for calendar year 2012: Mr. George Charlton as Chair, Mr. Blake Virgin as Vice-Chair, Mr. James Orbison as Secretary, Mr. Jerry L. Eden as Treasurer and Ms. Cindy Ball, Mr. William G. Paul and Ms. Charlotte Edwards as Trustees. The motion was seconded by Mr. Orbison.

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

## **ITEM 10**

### **Discussion and Possible Action on Appointment by Chair of Committees and Chairs of Committees and Approval by Board of Trustees**

Mr. Charlton recommended the appointment of Ms. Charlotte Edwards as Chair of the Government and Citizen Relations Committee, with Ms. Cindy Ball and Mr. Blake Virgin as members to serve for calendar year 2012.

Mr. Paul made a motion to approve the appointment of Ms. Charlotte Edwards as Chair of the Government and Citizen Relations Committee, with Ms. Cindy Ball and Mr. Blake Virgin as members to serve for calendar year 2012. The motion was seconded by Mr. Orbison.

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

Mr. Charlton recommended the appointment of Ms. Charlotte Edwards as Chair of the Nominating Committee, with Ms. Cindy Ball and Mr. Blake Virgin as members to serve for calendar year 2013.

Mr. Orbison made a motion to approve the appointment of Ms. Charlotte Edwards as Chair of the Nominating Committee, with Ms. Cindy Ball and Mr. Blake Virgin as members to serve for calendar year 2013. The motion was seconded by Mr. Paul.

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

Mr. Charlton recommended the appointment of Mr. Jerry L. Eden to serve as Chair of the Audit and Finance Committee, and Mr. James Orbison and Mr. William G. Paul as members to serve for calendar year 2012.

Ms. Ball made a motion to approve the appointment of Mr. Jerry L. Eden to serve as Chair of the Audit and Finance Committee, and Mr. James Orbison and Mr. William G. Paul as members to serve for calendar year 2012. The motion was seconded by Mr. Paul.

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

## **ITEM 11**

## **Discussion and Possible Action Regarding Calendar Year 2012 Board Meeting Dates and Frequency of Meetings for the Lottery Commission Board of Trustees**

After discussion the board agreed to continue to schedule regular board meetings on a quarterly basis.

Mr. Paul made a motion to schedule the regular Board Meetings quarterly for calendar year 2012 at 1:30 p.m. on March 20, June 19, September 18 and December 4. The motion was seconded by Mr. Eden.

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

### **ITEM 12**

#### **New Business**

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

### **ITEM 13**

#### **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. Jerry L. Eden, Ms. Charlotte Edwards, Mr. James C. Orbison, Mr. William G. Paul and Mr. George Charlton voted to approve the motion. The motion carried. Mr. Charlton adjourned the meeting at 2:09 p.m.

**At the March 20, 2012 regular meeting Ms. Edwards made a motion to approve the December 6, 2011 meeting minutes. The motion was seconded by Mr. Orbison. Mr. Jerry L. Eden, Ms Charlotte Edwards, Mr. James C. Orbison, Mr. Blake Virgin and Mr. William G. Paul voted to approve the minutes.**