

Oklahoma Lottery Commission
Minutes of Regular Meeting
September 20, 2011 – 1:30 p.m.

Members Present:

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

Others Present:

Jim Scroggins, OLC	Bryan Colbert, Scientific Games
Rollo Redburn, OLC	Ron Miguel, Scientific Games
Terri Jackson, OLC	Nancy Burger, Jordan Associates
Mary Martha Ford, OLC	Rhonda Hooper, Jordan Associates
Bonnie Presley, OLC	Jan Preslar, AG's Office
Megan Densow, OLC	Lyn Martin-Diehl, AG's Office
Jim Reazer, OLC	Justin Martino, eCapitol
Paulette Minshall, OLC	
Sonia Horner, OLC	

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

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

Roll Call: Ms. Cindy Ball, Mr. Jerry L. Eden, Ms. Charlotte Edwards, Mr. James C. Orbison, Mr. William G. Paul, Mr. Blake Virgin and Mr. George R. Charlton, were present. 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 June 21, 2011 Regular Meeting

Mr. Paul made a motion to approve the minutes of the June 21, 2011 regular meeting. 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. Blake Virgin voted to approve the motion. Mr. George R. Charlton abstained. The motion carried.

ITEM 4

Executive Director's Report

Mr. Scroggins stated the FY2012 budget estimate for game revenue is \$193.1 million; current projected game revenue is \$186 million. Projected FY2012 transfers to the Oklahoma Education Lottery Trust Fund (OELTF) total \$65.1 million, \$4.5 million more than the estimate provided to the Board of Equalization and \$7.5 million more than appropriated. Total estimated transfers to the OELTF by the end of FY2012 are \$483.6 million.

Mr. Scroggins stated Pick 4 began July 1, 2011 and sales are approximately half of Pick 3 sales. The Powerball game has several changes effective with tickets sold January 15, 2012 for the draw on January 18, 2012. The starting jackpot will increase from \$20 million to \$40 million; 2nd level prize with Power Play option will pay \$1 million. The odds of winning the jackpot decrease from 1:195 million to 1:175 million and overall odds of winning any prize decrease from 1:35.11 to 1:31.8. The most significant change is the increase in the ticket price from \$1 to \$2. The Power Play option will remain an additional \$1. Forty percent of Powerball players in Oklahoma currently choose the Power Play option. Opinions vary on the percentage of players that will continue to choose the Power Play option after the price increase.

Mr. Scroggins explained the current promotion "Win a Home Theatre System!" is intended to introduce the \$1 online game Mega Millions to players that typically play Powerball. September 1st through November 13th if players purchase \$ 5 or more in Mega Millions tickets they receive an entry to win 1 of 6 home theatre systems, or 1 of 60 \$50 Best Buy gift certificates. Powerball players tend to be loyal to the game. The current Mega Millions jackpot is \$75 million and the Powerball jackpot is \$25 million. Even though the Powerball jackpot is 1/3 of the Mega Millions jackpot, more Powerball tickets are being purchased.

Mr. Scroggins announced a new premium game is currently being reviewed by MUSL and the Mega Millions group. The game will have a \$5 price point and will award many smaller \$1 million jackpot prizes versus a few very large jackpot prizes. All the details of the game have not been worked out, but a fall 2012 date is being targeted.

Mr. Scroggins indicated two issues currently impacting the lottery are being reviewed; the 35% mandated profit percentage and Native Lands Lottery. A change in the law to eliminate the mandated 35% profit restriction continues to be the most important issue facing the lottery. The lottery staff will continue to work with the Legislature and the Governor's office to initiate a change in the current law. Another issue is the Native Lands Lottery mirroring Oklahoma Lottery online and scratch games. The Attorney General's office has been contacted to research the legalities of this issue.

Mr. Scroggins announced statistics in the latest Problem Gamblers Helpline report from FY2011. The report indicates 626 calls were received and eleven (11), or 1.75% of the calls, were concerning the lottery. Out of all calls received, 43.19% were related to casino slots. The

Oklahoma Lottery is mandated by law to contribute \$500,000 to the program annually, whereas casinos contribute \$250,000.

Mr. Scroggins stated for the fifth straight year the Oklahoma Lottery has received the Certificate of Achievement for Excellence in Financial Reporting (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

ITEM 5

Report of Audit and Finance Committee

Mr. Eden reported the Audit and Finance Committee met prior to the Board meeting and attending were Ms. Megan Densow, OLC Controller, Mr. James Scroggins, OLC Executive Director, Mr. Rollo Redburn, OLC Director of Administration, Mr. Garrett Morelock and Mr. Mike Gibson from external audit firm Cole and Reed and Board members: Mr. Orbison, Mr. Paul and Mr. Eden. Cole and Reed, independent external auditors, presented audited financial statements for fiscal year ended June 30, 2011 with an unqualified favorable opinion. Mr. Morelock and Mr. Gibson stated the lottery accounting staff continues to be cooperative and efficient. The committee also reviewed the FY2012 YTD financial statements through August, quarterly internal audit reports, FY2012 and FY2013 budget and the Strategic Plan for FY2012 through FY2017. Transfers to the OELTF will total almost \$484 million by the end of FY2012, a noteworthy achievement.

Members agreed to discuss agenda ITEM 7 and ITEM 8 pertaining to the budget next.

ITEM 7

Discussion and Possible Action Regarding the FY2011 Financial Report

Mr. Orbison made a motion to accept the financial statements for fiscal year ended June 30, 2011 as the official financial statements. Mr. Virgin seconded the motion.

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

ITEM 8

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

Mr. Scroggins stated the FY2012 budget included estimated Scratcher sales of \$101.3 million; current projected sales are \$96.5. FY2012 budget estimates for Pick 3 sales are \$5.2 million; current projected sales are \$4.7 million. FY2012 budget estimates for Pick 4 sales are \$3.1 million; current projected sales are \$2.6 million. FY2012 budget estimates for Cash 5 sales are \$3.94 million; current projected sales are \$3.9 million. FY2012 budget estimate for Hot

Lotto sales are \$9.36 million; current projected sales are \$7.8 million. FY2012 budget estimates for Mega Millions sales are \$16.9 million; current projected sales are \$16.0 million. FY2012 budget estimates for Powerball sales are \$53.3 million; current projected sales are \$54.5 million. The FY2012 budget estimate for game revenue is \$193.1 million; current projected game revenue is \$186 million. Projected FY2012 transfers to the Oklahoma Education Lottery Trust Fund total \$65.1 million, \$7.6 million more than appropriated.

Mr. Scroggins stated the FY2013 projected sales are \$181.8 million or \$4.2 million less than current projected FY2012 sales. The lottery is required by law to provide a budget to the Office of State Finance (OSF) for subsequent years. A strategic plan which covers four to five years into the future is also required.

A motion was made by Ms. Edwards to approve the FY2012 budget estimates, FY2013 projected budget and the FY2012 – FY2017 Strategic Plan as presented. 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, Mr. Blake Virgin and Mr. George R. Charlton voted to approve the motion. The motion carried.

ITEM 6

Discussion and Possible Action Regarding Contracts:

a. Advertising Services Contract Renewal (Jordan Associates)

Mr. Scroggins explained Jordan Associates provides media, production, public relations and strategic planning for the lottery. Jordan Associates continues to be an excellent partner. Jordan Associates earns income based on media placed, so the reduction in the lottery's advertising and marketing budget directly affects Jordan Associates' income. The financial impact has not changed their dedication and attention to detail. The staff recommends the Board extend the contract through December 31, 2012.

Mr. Virgin made a motion to extend the contract with Jordan Associates through December 31, 2012 at an annual cost not to exceed \$4 million. 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, Mr. Blake Virgin and Mr. George R. Charlton voted to approve the motion. The motion carried.

ITEM 9

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

Mr. Charlton recommended the Nominating Committee membership to include Ms. Charlotte Edwards, Chair, Ms. Cindy Ball and Mr. Blake Virgin as members.

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

Mr. Charlton stated that all members are eligible for office noting that Mr. Eden's appointment expires January 1, 2012. Mr. Charlton asked the Nominating Committee to recommend officers for the calendar year 2012 at the next regularly scheduled Board meeting on December 6, 2011.

ITEM 10

New Business

Mr. Scroggins introduced Lyn Martin-Diehl, the Board's new liaison at the Attorney General's office. Mr. Bryan Colbert, General Manager from Scientific Games, was also introduced to members.

Mr. Paul recognized the Lottery staff for an efficient operation, favorable audit reports and an overall job well done. Mr. Orbison stated thirty two staff members with operating revenue of \$68 million is an efficient operation.

ITEM 11

Adjournment

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

Roll Call: Ms. Cindy Ball, Mr. Jerry L. Eden, Ms. Charlotte Edwards, Mr. James C. Orbison, Mr. William G. Paul, Mr. Blake Virgin and Mr. George R. Charlton voted to approve the motion. The motion carried. Mr. Charlton adjourned the meeting at 2:15 p.m.

At the December 6, 2011 regular meeting Mr. Orbison made a motion to approve the September 20, 2011 meeting minutes. The motion was seconded by Ms. Edwards. Ms. Cindy Ball, Mr. George Charlton, Mr. Jerry L. Eden, Ms. Charlotte Edwards, Mr. James C. Orbison and Mr. William G. Paul voted to approve the minutes.