



STATE OF OKLAHOMA
OKLAHOMA LOTTERY COMMISSION
OFFICIAL MINUTES

December 5, 2017

The Oklahoma Lottery Commission, established pursuant to the provisions of the Oklahoma Education Lottery Act, Sections 701 et seq. of Title 3A of the Oklahoma Statutes, held a meeting December 5, 2017 at 1:30 p.m. The Meeting was held in the Conference Room of the offices of the Oklahoma Lottery Commission at 3817 North Santa Fe Avenue, Oklahoma City, Oklahoma. In compliance with the Open Meetings Act, 25 O.S. § 301 et seq., the agenda for this meeting was posted at the main and side building entrances, in addition to the main interior office window of the Centennial Business Building at 3817 North Santa Fe Avenue, Oklahoma City, Oklahoma on December 4, 2017 at 9:00 a.m. The agenda was sent electronically to the Board members on December 1, 2017 and was posted to the website on December 4, 2017. The agenda is attached as Exhibit A.

AGENDA ITEM 1:

CALL TO ORDER. Chairperson David Ostrowe called the meeting to order at 1:30 p.m. The roll of Board members was called to establish quorum.

Board members present were:

David Ostrowe
Matthew Felty
Nevyle Cable
George R. Charlton, Jr.
Jack Sherry
James Orbison

Board members absent were: Ralph E. "Ted" Blodgett

Based on the result of the roll call, the Chair declared a quorum was present.

Others in attendance were: Lyn Martin-Diehl, Assistant Attorney General; Rollo Redburn, Executive Director; and Krista Jenkins, Board Assistant. Others present were Jay Finks, Mary Martha Ford, Scott Moulton, Brandie Reisman, Greg Fields, Audra Eccles, Mike Bell, and Melinda Vann.

AGENDA ITEM 2:

ANNOUNCEMENT OF FILING OF REGULAR MEETING NOTICE AND POSTING OF THE AGENDA IN ACCORDANCE WITH THE OPEN MEETINGS ACT. The Chair called upon Ms. Jenkins to verify that proper public notice was made with regard to the December 5, 2017 regular meeting, in accordance with the Open Meetings Act. Ms. Jenkins verified that all necessary steps had been taken to remain in compliance with the Act.

AGENDA ITEM 3:

READING AND APPROVAL OF MINUTES. (Exhibit C) Mr. Felty moved that the reading of the minutes of June 20, 2017 Regular meeting be waived and approved as published and distributed. Mr. Cable seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Sherry	Yes
	Mr. Cable	Yes
	Mr. Charlton	Yes
	Mr. Orbison	Yes

THE RESULT WAS SIX VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

AGENDA ITEM 4:

UPDATE FROM THE LOTTERY'S EXECUTIVE DIRECTOR: Mr. Redburn gave a presentation regarding the planned game modification of PowerBall in April of 2018. At this time, the Winner Take All feature has been postponed and submitted for more discussion, and it is unlikely it will be effective in April.

Mr. Redburn gave an update on recruitment efforts. Currently Lottery personnel are developing a recruitment plan with Scientific Games. Mr. Redburn also indicated the Lottery is continuing to gather information about liquor stores and the potential for Lottery participation with the law change in October 2018.

Mr. Redburn noted that Lottery staff continues to work with Scientific Games and Lapis to develop a timetable for Sales Force Automation implementation, as well as continuing to work with Scientific Games to complete the final clean-up of outstanding items on the installation and implementation of the new gaming system.

Lottery personnel are currently selling tickets at the sales booth at Oklahoma City Thunder Games.

Mr. Redburn noted that staff training is an ongoing effort and that the Lottery is currently providing additional sales staff training.

Mr. Redburn discussed the legislative restrictions on lottery capabilities that inhibit the ability of the Lottery to improve profits for education and outlined the changes to legislation that are planned to be pursued in the next regular session of the Legislature.

- a) Methods of payment: cash is no longer the preferred method of payment by the majority of consumers when making purchases. Today's consumer prefers the use of a debit card and frequently does not carry cash. The Lottery Act prohibits both debit and credit cards as forms of payment for lottery products. The Lottery

would request an amendment to the Lottery Act to allow the use of debit cards for the purchase of lottery products.

- b) **Ensure Game Integrity:** The Lottery Act also prohibits Lottery employees from purchasing or redeeming lottery tickets. That prohibition prevents the Lottery from being able to conduct a full spectrum of investigatory procedures when checking retailer performance to ensure the proper handling of player transactions. The Lottery requests the approval for Lottery employees to legally purchase and/or claim lottery prizes if it is pursuant to an investigation authorized in advance by the Executive Director.
- c) **Quality Customer Service:** The Lottery proposes the approval for players who purchase a lottery ticket at a lottery retail location to enter lottery promotional “2nd Chance Drawings” through the Lottery website rather than have to mail the entries in through the USPS.

Mr. Redburn also outlined the items the Lottery will most likely not pursue during the 2018 regular session, unless circumstances indicate it is appropriate to do so; sales of lottery products over the internet, changes to beneficiary advertising guidelines, and possible legal changes regarding possible lottery sales in liquor stores.

AGENDA ITEM 5:

REPORT OF AUDIT AND FINANCE COMMITTEE: Mr. Cable met with the audit and finance committee before the board meeting. Mr. Cable stated that the audit was received from BKD regarding their audit of Claims and the report was very positive. There were a couple of minor corrections and that was all.

AGENDA ITEM 6:

SALES / REVENUE UPDATE: Mr. Finks gave a presentation regarding year to date sales of the Oklahoma Lottery Commission. In FY2017, the year to date total sales were \$70.3 million. The FY2018 budgeted sales are \$83.0 million and the FY2018 year to date sales are \$92.3 million. Mr. Finks noted that instant game sales are 56% of sales at \$52.0 million, jackpot games are 39% of sales at \$35.7 million, and daily games are 5% of sales at \$4.6 million. Instant ticket sales for FY2018 are doing very well with the revamped and improved payouts.

Mr. Finks outlined that jackpot comparative game sales versus last year are down due to fewer large jackpots. PowerBall jackpots have not reached over the \$200 million mark since the \$700 million jackpot in August 2017. Mega Millions has only had jackpots reach \$100 million since the \$382 million jackpot in August 2017. The Lottery is monitoring to see the impact of the raise in price to \$2 per ticket. Mr. Finks indicated another factor in jackpot game sales is the 2-week hiatus between game sales during the change from Hot Lotto to Lotto America and a decline in players. Hot Lotto sales were \$240 thousand per week and Lotto America sales are \$145 thousand per week.

Mr. Finks indicated the FY2018 Initial OLC Profit goal was \$58.4 million and that current estimates are reaching \$61.53 million, due in large part to the overwhelming impact of the improved payouts.

AGENDA ITEM 7:

DISCUSSION AND POSSIBLE ACTION REGARDING FY2019 REVENUE ESTIMATE FOR OMES: Mr. Redburn outlined that the new law requires the Lottery to provide \$50 million annually to the Lottery Trust Fund. Of this amount, the Legislature can appropriate 95% or \$47.5 million. Any funds collected in excess of the \$50 million will be used to fund reading and STEM programs, to be appropriated by the Legislature as cash. This means that the Legislature cannot appropriate the funds until actually received from the Lottery Commission. Mr. Redburn proposed the FY2019 revenue estimate provided to OMES adhere to the most recent law change, resulting in an estimate of \$50 million each year for FY2019 and FY2020.

Mr. Sherry motioned for approval of the proposed estimate. Mr. Felty seconded the motion. The Chair ordered a Roll Call to approve.

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Sherry	Yes
	Mr. Cable	Yes
	Mr. Charlton	Yes
	Mr. Orbison	Yes

THE RESULT WAS SIX VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

AGENDA ITEM 8:

DISCUSSION AND POSSIBLE ACTION REGARDING APPOINTMENT OF BOARD OFFICERS FOR 2018: Mr. Cable motioned for approval of the officers of the Board of Trustees remaining the same except the treasurer, where Mr. Orbison will replace Mr. Cable. Mr. Orbison seconded the motion. The Chair ordered a Roll Call to approve.

Roll Call Vote:	Mr. Ostrowe	Yes
	Mr. Felty	Yes
	Mr. Sherry	Yes
	Mr. Cable	Yes
	Mr. Charlton	Yes
	Mr. Orbison	Yes

THE RESULT WAS SIX VOTES IN THE AFFIRMATIVE AND NONE OPPOSED.
THE MOTION PASSED.

The list of officers for 2018 is as follows:
David Ostrowe: Board Chair
Matthew Felty: Vice Chair

Jack Sherry: Secretary
Jim Orbison: Treasurer

AGENDA ITEM 9:

DISCUSSION AND POSSIBLE ACTION REGARDING APPOINTMENT TO BOARD COMMITTEES AND APPOINTMENT OF BOARD COMMITTEE CHAIRS FOR 2018: Mr Ostrowe indicated his recommendation is to keep the committees and chairs the same for 2018 as they were in 2017.

Resulting Committees and Chairs for 2018 are:

Government and Citizens Relations Committee

Matthew Felty, Chair
David Ostrowe
Jack Sherry

Audit & Finance Committee

Nevyle Cable, Chair
James C Orbison
Ralph E "Ted" Blodgett

Nominating Committee

George Charlton, Chair
Nevyle Cable
Matthew Felty

AGENDA ITEM 10:

DISCUSSION AND POSSIBLE ACTION REGARDING BOARD MEETING DATES FOR 2018: The approved dates for the 2018 Board of Trustees meetings are March 27, 2018, June 26, 2018, September 18, 2018, and December 4, 2018.

AGENDA ITEM 11:

New Business: No new business.

AGENDA ITEM 12:

ADJOURNMENT. The Board adjourned by general consent.

OFFICIAL MINUTES:

The action taken by the Oklahoma Lottery Commission on the items for consideration after motion duly made and seconded has been noted herein and made a part of these minutes. The Board caused the entire proceeding of the meeting, excepting any executive sessions, to be recorded on a digital audio recording device to be retained as a record in the office of the Board.