



STATE OF OKLAHOMA
OKLAHOMA LOTTERY COMMISSION
OFFICIAL MINUTES

September 19, 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 June 20, 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 September 18, 2017 at 9:00 a.m. The agenda was sent electronically to the Board members on September 8, 2017 and was posted to the website on September 18, 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:

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| David Ostrowe |
| Matthew Felty |
| Nevyle Cable |
| George R. Charlton, Jr. |
| Jack Sherry |
| Ralph E. "Ted" Blodgett |

Board members absent were: James Orbison

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

Others in attendance were: Grant Moak, 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, Jamie Evans, Cynthia Reynolds, Mila Bell, Bryan Colbert, and Kate Cunningham.

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 September 19, 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 B) Mr. Blodgett moved that the reading of the minutes of June 20, 2017 Regular meeting be waived and approved as published and distributed. Mr. Felty seconded the motion. The Chair ordered a roll call with the following results:

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| Roll Call Vote: | Mr. Ostrowe | Yes |
| | Mr. Felty | Yes |
| | Mr. Sherry | Yes |
| | Mr. Cable | Yes |
| | Mr. Charlton | Abstain |
| | Mr. Blodgett | Yes |

THE RESULT WAS FIVE VOTES IN THE AFFIRMATIVE, NONE OPPOSED, AND ONE ABSTAINED.
THE MOTION PASSED.

AGENDA ITEM 4:

UPDATE FROM THE LOTTERY'S EXECUTIVE DIRECTOR: Mr. Redburn gave a presentation regarding the ticket swap, in which the sales team removed and replaced all existing scratcher tickets with new tickets over a period of two weeks, which had not been done previously in the industry.

Mr. Redburn gave a brief update on the implementation of the new gaming system / back office software. He indicated that the Lottery staff is now in the stage of the process of fixing the little problems that occur when you implement this type of project. The goal is to reach completion within three months.

Lottery personnel are currently at the State Fair of Oklahoma selling tickets and preparing for the sales booth at Oklahoma City Thunder Games.

Mr. Redburn noted upcoming game changes for MUSL and that the Lottery is working on upcoming game releases for instant tickets.

Mr. Redburn gave an estimate that the Lottery has contributed \$805 million to the state through 2017, \$863 million through 2018, \$929 million through 2019, and by 2020 will have contributed 1 billion dollars to the state.

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 RSM and the report was very positive. There were a couple of minor adjustments and that was all.

AGENDA ITEM 6:

SALES / REVENUE UPDATE: Mr. Finks gave a presentation regarding a survey conducted with a sample of Oklahoma residents prior to the launch of the new tickets. The survey indicated, among other things, that players are unhappy and would like more prizes and better payouts in the lottery products. 90% of respondents were in favor of changing the law to get more money for education.

Mr. Finks outlined last year at this time the Lottery had \$16 million in instant sales. This year in the first 11 weeks, Lottery sales are \$28 million, 27% over the aggressive goal set by management for this period. Jackpot game sales are ahead of the goal at \$24 million. Total sales for FY2017 were \$38 million after 11 weeks while the projected goal for FY2018 was \$41 million and current sales are \$54 million.

AGENDA ITEM 7:

DISCUSSION AND POSSIBLE ACTION REGARDING FY-2017 YEAR END FINANCIAL REPORT: Mr. Cable motioned for approval of the financial report as presented to the Audit and Finance Committee. Mr. Felty seconded the motion. The Chair ordered a Roll Call to approve.

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

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

AGENDA ITEM 8:

- a. FY2018 Budget: No actions here.

- b. FY2019 Preliminary Revenue Estimate for OMES: Mr. Redburn indicated that the Lottery is to provide OMES with an early estimate of revenues so that the State can prepare initial budget estimates. The Lottery has an agreement with OMES to provide updated estimates after the December Lottery Board meeting. Mr. Redburn presented revenue estimates, including sales and profits, for the fiscal years 2018 through 2022. The estimates mirror the numbers provided to the Governor and Legislature when considering lottery-related legislation during the 2017 legislative session. The estimates show the amount of sales and profit that the Lottery expected to receive if the minimum mandated profit requirement remained in law and compares that to the estimates of sales and profits with removal of the restriction. The net is \$109.54 million (rounded to \$110 million) more in profit for Oklahoma education programs over the five-year period with removal of the restriction. Mr. Redburn indicated that sales were going very well as noted, but it was too early to change the numbers and the Lottery would revisit the estimates prior to the December Board meeting.

Mr. Sherry motioned for approval of the given numbers as the current budget estimate to be provided to the Office of Management and Enterprise Services for their initial budget building exercises. Mr. Cable seconded the motion. The Chair ordered a Roll Call to approve.

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

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

- c. FY2018 – FY2022 Strategic Plan Update: Mr. Redburn updated the Board on a revised Strategic Plan for the Lottery. The new plan includes proposed legislative items to further improve the Lottery's flexibility and to remove impediments to lottery sales. Mr. Redburn pointed out that one of the proposed changes is to allow the Lottery to accept 2nd Chance Drawing entries over the Lottery's website or sponsored website. The Strategic Plan indicates that this item needs to include discussion about possible impact on tribal compacts before passage of the proposed change.

Mr. Charlton moved to approve the updated Strategic Plan. Mr. Cable seconded the motion. The Chair ordered a Roll Call to approve.

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

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

AGENDA ITEM 9:

- a. Contract Amendment: Sales Force Automation System (SFA) Contract – Scientific Games International (gaming systems): Mr. Felty reported that on behalf of the subcommittee approval of the revised contract is recommended. Mr. Redburn indicated that if the Board approves the contract, according to state law, the State's Chief Information Officer in OMES would then need to approve the contract modification.

Mr. Felty motioned for the approval of management's proposed SFA contract to provide for an up-front, one-time payment of \$180,000 plus a monthly licensing fee of \$9,972 to run

concurrently with the existing gaming systems contract. Mr. Sherry seconded the motion. The Chair ordered a Roll Call to approve.

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

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

- b. Contract Amendment: Use of Licensed Properties, special inks and papers – Scientific Games International (gaming systems): Mr. Felty motioned to approve management's proposed use of SG licensed properties and/or special inks and papers for the remainder of the current contract year, not to exceed \$50,000. Mr. Charlton seconded the motion. The Chair ordered a roll call.

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

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

- c. Contract for licensed properties / promotions: participation in PowerCruise II promotion with Alchemy₃, LLC: Mr. Sherry motioned to approve management's proposed contract with Alchemy₃, LLC to participate in the PowerBall Power Cruise II promotion, and for the use of licensed properties, not to exceed \$120,000 for the next 12 months. Mr. Cable seconded the motion. The Chair ordered a Roll Call to approve.

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

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

AGENDA ITEM 10:

DISCUSSION AND POSSIBLE ACTION REGARDING LOTTERY GAME CHANGES:

- a. Acceptance of the MegaMillions game change effective 10/28/2017: Mr. Redburn described the upcoming change to the MegaMillions multi-state draw game. Changes include doubling the ticket price from \$1 to \$2; increasing the starting jackpot from \$15 million to \$40 million; changing the number of balls in the ball pools; and the addition of an optional feature called “Just the Jackpot” (JTJ). The JTJ feature provides players two separate sets of numbers for an additional \$3. The JTJ numbers may only win the jackpot amount and are not valid for any other prize level. Management feels the feature is too confusing and would not positively affect MegaMillions sales. The Oklahoma Lottery will not participate in the JTJ feature, but will instead monitor how well it performs in other jurisdictions and if appropriate, ask the Board to approve adding the feature at a later time.

Mr. Redburn indicated that except for the optional JTJ feature, the other changes are required – the choice is to accept them or to withdraw from the game. Management recommends that the Board accept the changes and for the Oklahoma Lottery to continue to participate in the game without the JTJ feature.

Mr. Sherry motioned to approve continued participation in the MegaMillions game changes except for the JTJ feature. Mr. Felty seconded the motion. The Chair ordered a Roll Call to approve.

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

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

- b. Joining the Multi-State Lottery Association (MUSL) Lotto America game group effective immediately and acceptance of the new Lotto America game as a game offering in Oklahoma effective 11/12/2017: Mr. Redburn explained that the current multi-state draw game known as Hot Lotto is scheduled to end 10/28/2017. Lotteries typically make game changes to offer different games to their players and the Hot Lotto game group decided that it was time to end this game. A new game group was created at the Multi-state Lottery Association (MUSL) and the game is Lotto America (LA). LA is similar to Powerball and MegaMillions except that the jackpots start at \$2 million (annuitized); ticket price is \$1; the game offers a multiplier for a \$1 cost; and of course, the ball matrix is different, offering odds of winning the jackpot at 1 in 26 million rather than 1 in 292 million (Powerball) or 1 in 302 million (MegaMillions).

Management recommends that the Board approve entry of the Oklahoma Lottery in the Lotto America game group and approve Lotto America as a game that is offered by the Oklahoma Lottery.

Mr. Felty motioned to approve membership in the MUSL Lotto America Game Group and participation in the new Lotto America game. Mr. Charlton seconded the motion. The Chair ordered a Roll Call to approve.

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

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

- c. Acceptance of the scheduled "Winner Take All" change to the PowerBall game effective in April of 2018: Mr. Redburn explained the scheduled change to the PowerBall (PB) game that will take effect April 15, 2018. The Game Group is adding a new feature called "Winner Take All" (WTA). Players that purchase a PB ticket can opt in to WTA by paying an additional \$1 on top of the \$2 cost of the PB ticket. WTA draws will take place on Mondays and Thursdays, separately from the PB drawings (PB is drawn on Saturday / Wednesday).

As in Powerball, 50% of the WTA wagers fund a prize pool. The WTA prize pool is paid out in its entirety after every WTA drawing. The WTA prize pool will be paid out on a pari-mutuel basis to the top level of winners for the drawing. For example, if the jackpot level (5 white balls plus the Powerball/red ball) is the highest winning level in the WTA drawing, the prize will be split between the winning tickets at the jackpot level. If there are no 5+1 winners, and the first winning tickets are at the 5 white ball + no red ball match level (5+0), then the prize pool is split among all the winners at that level, and so on. The current PowerPlay option will continue to be offered for \$1. PowerPlay does not apply to the WTA win and is not required to purchase the WTA feature. A purchase can include both the PowerPlay and the WTA features.

Mr. Redburn explained that this change is not an optional change; lotteries participating in the PB game are required to offer it. The only choice is to accept it or drop the game. Management recommends that the Board accept the change and approve the continued participation by the Oklahoma Lottery in the PowerBall game.

Mr. Sherry motioned to accept the addition of the "Winner Take All" mandatory feature to PowerBall and continue to offer PowerBall in Oklahoma. Mr. Blodgett seconded the motion. The Chair ordered a Roll Call to approve.

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

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

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 duty 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.