



STATE OF OKLAHOMA
OKLAHOMA LOTTERY COMMISSION
OFFICIAL MINUTES

September 18, 2018

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 special meeting September 18, 2018 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 Oklahoma Lottery Commission at 3817 North Santa Fe Avenue, Oklahoma City, Oklahoma on September 17, 2018 at 9:00 a.m. The agenda was sent electronically to the Board members on September 13, 2018 and was posted to the website on September 17, 2018. 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
- Jack Sherry
- Nevyle Cable
- James Orbison
- George R. Charlton, Jr.
- Ralph E. "Ted" Blodgett

Board members absent were: None

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

Others in attendance were: Rollo Redburn, Executive Director; and Krista Jenkins, Board Assistant. Others present were Jay Finks, Mary Martha Ford, Scott Moulton, Brandie Reisman, Greg Fields, and Audra Eccles of the Oklahoma Lottery Commission; and Jamie Evans, Marybeth Akin, Mike Bell, and Bryan Colbert of Scientific Games.

AGENDA ITEM 2:

ANNOUNCEMENT OF FILING OF SPECIAL 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 18, 2018 special 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. Cable moved that the reading of the minutes of June 26, 2018 Special meeting be waived and approved as published and distributed. Mr. Felty 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. Orbison	Yes
	Mr. Charlton	Yes
	Mr. Blodgett	Yes

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

AGENDA ITEM 4:

UPDATE FROM THE LOTTERY'S EXECUTIVE DIRECTOR: Rollo Redburn, Executive Director, gave a report outlining current Oklahoma Lottery Commission activities. Mr. Redburn indicated the Lottery is still developing a legislative agenda for the 2019 session and will present it to the Board in the December Board meeting.

Mr. Redburn noted that the Oklahoma Lottery Commission has successfully implemented the replacement sales force automation system approved by the Board last fall. Mary Martha Ford, Director of Sales and Operations, provided a more detailed update later in the meeting. Mr. Redburn also noted that Scientific Games provided a new security reporting and tracking system, which will allow security investigators improved access to reports that will help them complete their investigations of various player and retailer ticket issues. Scientific Games provided this feature at no cost to the Oklahoma Lottery Commission. The system upgrade also included a retailer portal. This upgrade will provide the Lottery and retailers with the ability to access sales information in a standard online reporting format. This feature will allow Lottery retailers, especially those in multi-state jurisdictions, to better analyze their sales data from multiple jurisdictions. This is currently in the testing phase.

Mr. Redburn indicated he is now the Past President of MUSL, having finished his term as President at the end of June. He is still a member of the MUSL Executive Committee, which gives him greater input opportunities to the organization. The organization is currently continuing discussions on how to address the issue of courier businesses that sell lottery tickets outside a lottery's jurisdiction. They are also exploring options for enhancements to the PowerBall game.

The Oklahoma Lottery Commission is currently working to finalize a retailer contract for possible use with tribal businesses that are operating on non-tribal lands.

Mr. Redburn gave an update on liquor store recruitment, indicating that due to recent law changes liquor stores will be allowed, effective October 1, 2018, to have up to 20% of their sales in non-liquor products. This opens the door for lottery sales. Right now, most liquor stores are taking a wait-and-see approach until they figure out exactly how the law changes will affect their businesses.

Their main concern is if they will continue to be in business when the changes take effect on October 1, 2018. Their other questions frequently regard what other products they want to include in their new ability to sell non-alcoholic beverage products.

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 Mike Gibson, a representative from RSM, presented the findings of the financial audit. Mr. Cable reported their findings were positive overall and that there were only a few minor issues. Mr. Cable indicated he had no concerns and that RSM gave a very complimentary report of Lottery personnel cooperation during the auditing process.

Mr. Cable also indicated that the Audit and Finance Committee went over the financial information. Mr. Cable indicated there were no items of concern.

AGENDA ITEM 6:

DISCUSSION AND POSSIBLE ACTION REGARDING YEAR-END FINANCIAL REPORT FOR FY2018: Mr. Redburn gave a presentation outlining the year-end financial report for FY2018. Mr. Redburn noted that the Board of Trustees had been given a chance to read the financial report and recommended the Year-End Financial Report for FY2018 be approved. Mr. Charlton moved to accept Mr. Redburn's recommendation. 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. Orbison	Yes
	Mr. Charlton	Yes
	Mr. Blodgett	Yes

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

AGENDA ITEM 7:

PRESENTATION REGARDING OPERATIONS: Mary Martha Ford, Director of Sales and Operations, gave a presentation outlining the FY2019 Sales Plan. The Focus on the Field initiative includes the "Core 4", or four core competencies used with the sales team and retailers. They are as follows:

- Terminals – checking the terminal to make sure everything is functioning properly and is able to make sales.
- Sales – talking to each store about their sales - discussing where their sales are and where they need to be
- Instant Tickets – These continue to be the focus, as instant tickets are where we can drive sales and make an impact at retail
- POS – Making sure each store has the best representation of the Lottery brand

Each field representative has been tasked with increasing sales by 10% over last year's number. This approach also includes asking each department to support the sales and marketing departments as they strive to drive sales through the above Core 4 and product development.

Ms. Ford outlined the new Sales Force Automation program gemIntelligence, which provides MSRs and Sales Coordinators data and a mechanism for task and call management in every Lottery retail location. Ms. Ford then presented the Board with slides depicting information found in gemIntelligence. Ms. Ford noted that gemIntelligence provides the following:

- Give the MSRs and Sales Team actionable data
- Information is available in a variety of formats
- Mobile device (iPad provided by OLC) is better utilized than laptops
- Tasks and notes provide a systematic and logical information flow
- Provides almost real time data

Ms. Ford indicated another area of focus is the Debit Card Initiative preparing for the November 1st launch of accepting debit cards for Lottery purchases. MSRs and Lottery sales staff are working to educate retailers on the benefits of taking debit. A 2017 Consumer Payment Study showed that the preferred payment type is debit with 44% of consumers.

Ms. Ford noted that liquor stores are interested in selling Lottery products, they are just waiting to see all the changes that come from the new legislations before committing to Lottery. She indicated the expectation is that more liquor stores will come on board as they see what the new legislation means for their business.

Ms. Ford gave an update on staffing changes, the back office system maintenance release, the security software upgrade, and the move of Lottery servers to the OMES offsite location.

AGENDA ITEM 8:

SALES AND REVENUE UPDATE: Jay Finks, Director of Marketing and Administration, gave a presentation regarding fiscal-year-to-date sales. Mr. Finks indicated that sales are down after eleven weeks, due mainly to the absence of a large jackpot run on either of the multi-state draw games. Instant sales in FY2018 were approximately \$26 million year-to-date. FY2019 year-to-date sales are also \$26 million, but are slightly less than the to-date goal of \$28.7 million. Mr. Finks noted that in summer months, it is harder to drive sales and that there is still room for opportunity to educate players about recent changes to the Oklahoma Lottery prize payouts. According to research, only one-third of players knew about the changes made in the last year.

Mr. Finks noted that this year we have reached \$17 million in draw sales, while last year we had reached \$24.5 million in draw sales. The goal was to reach \$26 million, surpassing FY2018 sales. Mr. Finks indicated that the main contributing factor for the dip in draw sales year-to-date is the lack of a PowerBall jackpot run. Mr. Finks indicated that most likely a large jackpot run will happen and will help balance the currently low draw sales.

Mr. Finks outlined the content of the new video ads and then showed them. Mr. Finks noted that the focus is to continue educating players about the improvements and increased winners.

AGENDA ITEM 9:

DISCUSSION AND POSSIBLE ACTION TO MODIFY COMPENSATION OF THE EXECUTIVE DIRECTOR OF THE LOTTERY COMMISSION: Mr. Orbison gave a report of the history of the compensation of the Executive Director. Mr. Orbison indicated that the first Executive Director was hired in June of 2005 at an annual salary of \$175,000. That subsequently increased within 14 months to approximately \$185,000. When the first director left the Lottery, Mr. Redburn was offered a salary of \$140,000. Mr. Redburn accepted the salary offered in order to help provide funds to keep and promote key people, be able to raise their salaries, and be able to stay within the budget constraints created by previous legislation by providing as much funding as possible to prize payouts. At Mr. Orbison's request, Mr. Ostrowe, Board Chair, appointed a committee to examine employee compensation. Based on recommendations of the committee, the Board approved at the June Board meeting, a one-time performance-based pay increase for Lottery staff members, tied to the exceptional increase in sales and profits for FY2018. The Board also desired to increase the compensation of the current Executive Director, but his salary was limited to a lesser salary range. Mr. Orbison indicated that after advice received from Mr. Jolley, Oklahoma Secretary of Finance, Administration, and Information Technology, OLC staff met with representatives at OMES and provided additional information regarding comparable salaries. OMES subsequently modified the pay range for the Executive Director. The committee's recommendation is to increase the Executive Director's annual salary to \$175,000.

Mr. Orbison moved to approve the increase to the Executive Director's annual salary to \$175,000. Mr. Felty 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. Orbison	Yes
	Mr. Charlton	Yes
	Mr. Blodgett	Yes

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

AGENDA ITEM 10:

DISCUSSION AND POSSIBLE ACTION REGARDING FY2019 – FY2023 LOTTERY STRATEGIC PLAN:

Mr. Redburn gave a presentation outlining the FY2019 – FY2023 Lottery Strategic Plan. The strategic plan must be submitted to the state every October 1, 2018. Mr. Redburn outlined that the key components are determined by an assessment of items in the current environment that could affect sales. It also provides a history of sales, the minimum mandated profit issue and how it's changed, new conditions that might exist or come up and action plans for addressing them, long-term goals and measures, and a summary of action plans.

Mr. Redburn indicated the Lottery intends to continue to submit numbers according to the five year plan as given to the Legislature until more data is obtained.

Ms. Martin-Diehl, Assistant Attorney General, requested a review of the discussion of the Wire Act, as she is concerned it is not completely up-to-date.

Mr. Redburn requested a motion for the Board to accept the plan as the Lottery's strategic plan to submit to the state, upon collaboration with Ms. Martin-Diehl in order to make modest corrections to the legal references. Mr. Orbison moved to approve the FY2019 – FY2023 Strategic Plan as outlined by Mr. Redburn. Mr. Sherry 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. Orbison	Yes
	Mr. Charlton	Yes
	Mr. Blodgett	Yes

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

AGENDA ITEM 11:

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.

Minutes approved by the Board of Trustees December 4, 2018