



STATE OF OKLAHOMA
OKLAHOMA LOTTERY COMMISSION
OFFICIAL MINUTES

September 24, 2019

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 board meeting September 24, 2019 at 1:30 p.m. The board 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 23, 2019, at 12:30 p.m. The agenda was sent electronically to the Board members on September 16, 2019, and was posted to the website on September 23, 2019. The agenda is attached as Exhibit A.

AGENDA ITEM 1:

CALL TO ORDER:

Chairperson Matthew Felty called the meeting to order at 1:30 p.m. The roll of Board members was called to establish quorum.

Board members present were:

- Matthew Felty
- Jack Sherry
- James Orbison
- Nevyle Cable
- Tracey Yates
- Christy Rawlings

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: Rollo Redburn, Executive Director, Jay Finks, Deputy Director and Amber Fox, Board Assistant. Others present were Brandie Reisman, Mary Martha Ford, Scott Moulton, Audra Eccles, and Liz Sawyer of the Oklahoma Lottery Commission; Lyn Martin-Diehl, Assistant Attorney General; Eric Tupin and Jamie Evans of Scientific Games; and Caroline Colton of Saxum.

AGENDA ITEM 2:

ANNOUNCEMENT OF FILING OF THE BOARD MEETING NOTICE AND POSTING OF THE AGENDA IN ACCORDANCE WITH THE OPEN MEETINGS ACT:

Mr. Felty called upon Ms. Fox to verify that proper public notice was made with regard to the September 24, 2019 board meeting, in accordance with the Open Meetings Act. Ms. Fox 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. Cable moved that the reading of the minutes of July 22, 2019 special meeting be waived and approved as published and distributed. Mr. Sherry seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Mr. Felty	Yes
Mr. Sherry	Yes
Mr. Blodgett	Absent
Mr. Orbison	Yes
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	Yes

THE RESULT WAS SIX 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, indicated that most of his report would be covered later in other segments. Mr. Redburn referenced the board meeting packet, previously received by the board members.

AGENDA ITEM 5:

REPORT OF AUDIT AND FINANCE COMMITTEE:

Mr. Cable met with the Audit and Finance Committee before today's board meeting. Mr. Cable stated that Mr. Blodgett was absent and that he would let Mr. Redburn report on the details of the committee meeting.

Mr. Redburn reported that the Lottery met all of the appropriation requirements in FY19 and that the Legislature appropriated \$47.5 million. The Lottery is collecting \$67.5 million and will be giving \$20 million for the Legislature to appropriate February 2020.

Mr. Redburn discussed that auditors have reviewed the financials. The auditors had a question about the change in the net position on the financial statement of the Lottery. It looked as though the Lottery was starting to run a deficit. The auditor had the statements reviewed again and they were able to explain that the change is due to the amount of money on deposit with MUSL. This will not impact the reported profit or any of the cash flow statements. The Lottery will be meeting with the auditors again to discuss the issue with the reporting of the deposits with MUSL.

Mr. Finks indicated that the issue does not impact sales, expenses, or profit. MUSL collects monies to build a prize reserve. If there's not enough monies in the reserves, MUSL asks the Lotteries to either pay a larger percentage or may assess an ad hoc charge as needed. MUSL rebalances the reserves from time-to-time and if the reserves attributable to a specific lottery are more than needed, those monies are returned to the credit of the specific Lottery. MUSL holds this money in the unreserved account for Oklahoma and this increases the amount of money on deposit with MUSL. The Lottery has already taken this as an expense. If the Lottery closed, the money would be returned to the Lottery/State. The Lottery is not running a deficit.

AGENDA ITEM 6:

DISCUSSION AND POSSIBLE ACTION REGARDING FY2019 YEAR-END FINANCIAL REPORT:

Mr. Redburn reported that FY19 sales increased by \$20.6 million compared to FY18 and \$90.2 million more than FY17. Profit grew by \$4.3 million compared to FY'18. Commissions paid to retail partners increased by \$1.2 million to \$15.3 million (8.7%) and \$5.2 million moare than FY17 (52%).

Mr. Redburn asked the Board to approve the financials with the understanding that the Lottery may have to make minor changes based on the auditor's final review and report.

Mr. Cable moved to approve the FY2019 year-end financial report. Mr. Sherry seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Mr. Felty	Yes
Mr. Sherry	Yes
Mr. Blodgett	Absent
Mr. Orbison	Yes
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	Yes

THE RESULT WAS SIX VOTES IN THE AFFIRMATIVE, NONE OPPOSED, AND NONE ABSTAINED.

THE MOTION PASSED.

AGENDA ITEM 7:

REVENUES, PROFITS, AND BUDGET REVIEW:

Mr. Finks updated the Board on the FY2020 - 1Q sales. Instant games had a goal of 6% over FY2019 and is up 10%. A lot of this is natural growth and what the Lottery is doing in stores to better position the instant product. Draw games had a budget of 3.12% below FY2019 and is under by 17.2%.

The FY2019 average Powerball jackpot was \$127 million and the FY2019 average Mega Millions jackpot was \$202 million. The FY2020 - 1Q average Powerball jackpot is \$91 million and the FY2020 - 1Q average Mega Millions jackpot is \$114 million.

The FY2020 Strategic Plan includes the following items:

- Self Service Expansion Project Plan:
 - Hardware & Software and Installation
 - Marketing Launch / Program
- In-Lane Retailer Expansion Project
 - System Development
 - Marketing Campaign
- Branding / Promotion
 - Engaging light / lapsed players
 - Advertising campaign “The Feel of Winning”
 - Loyalty-driven promotion
- Lottery Law Modernization
 - Tribal compact impact
 - Lottery Payments
 - Lottery Procurement
 - Beneficiary Contribution
- Sales Team Evolution
 - Corporate initiatives
 - Transition from delivery to sales
 - Personal expansion

Mr. Redburn explained that the Lottery is at the point in its development as a “real lottery” (since relief was granted to the minimum mandated profit restriction) that it needs to halt the events program to concentrate on other projects such as those that Mr. Finks described. Those projects are going to have a much more material impact on sales and profits than the events program. A reconstituted events program, one that will help to enhance sales and profits, would be reconsidered at a later date.

AGENDA ITEM 8:

DISCUSSION AND POSSIBLE ACTION REGARDING FY2020 – FY2025 STRATEGIC PLAN:

Mr. Redburn referenced the meeting packet previously sent to the board. Mr. Redburn highlighted key points in the Strategic Plan: (note: Mr. Orbison had to leave the meeting)

- The Lottery Mission Statement, Vision, and Values and Behaviors are included.
- A new page describing Governor Stitt’s statewide strategic plan was added.
 - Governor Stitt’s Core Values:
 - A desire to make a difference
 - A “Get it done” attitude
 - Be coachable and humble
 - Be street smart
 - Be a team player
 - Governor Stitt’s Core Strategies:
 - Achieve a 75% customer satisfaction rate
 - Launch an online Governor’s score card
 - Reduce employee turn over
 - The Lottery complies with the Governor’s expectations of agency leadership

- A brief history of the Lottery including financial systems and how the Legislature appropriates that money
- A brief history of Lottery products and sales
- A description of the Lottery expenditures and staffing
- Contracted entities and services
- 2017 Legislative changes to appropriations and the 2019 amendments
- New conditions and issues that will exist in the short and long term future:
 - Economy
 - Limited player resources
 - Potential federal legislation restrictions such as types of games, sales locations, and methods of payment
 - Additional assumptions that are relevant to the Lottery's operations
- Agency Wide Action Plans:
 - Awareness
 - Quality Customer Service
 - Product Development / Advertising / Marketing / Field Sales
 - Technology
 - Retailer Recruitment
 - Staffing Needs
 - Legislation
- Financial Plans:
 - Operate frugally
 - Profitable game changes
 - New \$20 scratcher
 - New sales partners
 - In-lane sales solutions
- Long-term Goals and Measures
 - Long-term sustained growth in Lottery provided funding for education
 - Continued excellence in customer service, security, integrity, responsible gaming principles and public accountability
 - MUSL audits of security protocols and practices every other year
 - Development and marketing of fun and innovative Lottery products
 - Grow sales and profits
- Development and maintenance of a staff and working environment that supports and enhances the Lottery's mission, vision, and core values

Mr. Yates suggested incorporating Governor Stitt's plan components into the Lottery Strategic Plan. Mr. Redburn said that he would see what could be done.

Mr. Yates also suggested developing and/or including measures showing how management determines that goals are being achieved. Mr. Redburn said he would also look into that.

Mr. Redburn indicated that while the Strategic Plan was requested to be submitted by October 1, the most important thing to accomplish today would be the acceptance of the multi-year revenue estimates so that we could provide some numbers to OMES for budget planning. The Strategic Plan could be reconsidered at the December meeting and if OMES required something, we could provide a DRAFT according to where it is in development if asked. Also, in the December meeting, the Board would be asked to accept updated revenue estimates which would also be provided to OMES.

Mr. Felty moved to approve the revenue estimates as set forth in the FY2020 – FY2025 Strategic Plan. Mr. Yates seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Mr. Felty	Yes
Mr. Sherry	Yes
Mr. Blodgett	Absent
Mr. Orbison	Absent
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	Yes

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

THE MOTION PASSED.

AGENDA ITEM 10:

ADJOURNMENT:

Mr. Cable moved to adjourn. Ms. Rawlings seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Mr. Felty	Yes
Mr. Sherry	Yes
Mr. Blodgett	Absent
Mr. Orbison	Absent
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	Yes

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

THE MOTION PASSED.

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.