



STATE OF OKLAHOMA  
OKLAHOMA LOTTERY COMMISSION  
OFFICIAL MINUTES

December 3, 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 December 3, 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 December 2, 2019, at 12:30 p.m. The agenda was sent electronically to the Board members on November 27, 2019, and was posted to the website on December 2, 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
Ralph E. "Ted" Blodgett
James Orbison
Nevyle Cable
Tracey Yates
Christy Rawlings

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 of Scientific Games; and Jennifer Mories 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 December 3, 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. Yates moved that the reading of the minutes of September 24, 2019 board 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. Felty	Yes
Mr. Sherry	Yes
Mr. Blodgett	Yes
Mr. Orbison	Yes
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	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, updated the Board with the following comments:

1. The Lottery is working to complete the steps to start up the new Lottery retailer on February 3, 2020. Mr. Redburn reported that the Lottery is still working with InComm and Scientific Games to become the third state to initiate in-lane sales of Lottery products in Dollar General, Dollar Tree, CVS, and Walgreens stores in Oklahoma. Arizona (the 2<sup>nd</sup> state after TX) is pushing the vendors to include a ticket redemption process when they start up. If that is the case in Arizona then we might be doing redemption here in Oklahoma when we start up in September. This will add approximately 900 additional sales locations in Oklahoma.
2. The first \$20 Lottery ticket is in the works. This is the first ticket the Lottery has had of this physical size. To be released right before Christmas.
3. The Lottery finished the financial reports at the last meeting and asked the board to accept them, knowing that the Lottery would have to make a few changes to the document, but the Lottery would update the board about the changes. The auditors met with the Audit and Finance Committee before the board meeting. Changes to the report were not material and the Lottery will continue to work with the Auditor and Audit Committee to make sure that the Lottery is reporting in the most appropriate way. At this point the Lottery is finished and there were no changes in the numbers that the Lottery had reported to the board previously. The financials show that the Lottery's sales were up \$20.6 million versus FY18 and \$90.2 million greater than FY17 sales. Profit for FY19 grew by \$4.3 million over FY18. Commission to retail partners increases by \$1.2 million in FY19 to \$15 million, which was an almost 9% increase.
4. Regarding legislation, the Lottery will be pursuing continuing modernization of our laws. More specifically, we are going to address the ability to accept all forms of applicable retail payments.

This will particularly help with the Dollar General initiative that the Lottery is working on. It will also help with the potential for mobile Lottery as well.

5. The Lottery is also going to seek the commissioning of the Lottery's security staff. This will allow them to enforce our laws and rules around the state. One of the issues that the Lottery faces right now is that local law enforcement and prosecutors a lot of times are not interested in pursuing Lottery cases. The Lottery does get a lot of help from Oklahoma City. They have a detective that takes the time needed to help with Lottery cases. However, he is looking at retiring and it will not be surprising if Oklahoma City replaces him with someone that has the same attitude about helping the Lottery with law enforcement issues. The Lottery is going to pursue trying to get the security staff commissioned so they can do the investigations and work with local law enforcement and local prosecutors so that those who violate the Lottery laws are properly addressed.
6. Mr. Redburn recapped the judgement made in the Hot Lotto / Eddie Tipton case. The Lottery has worked with the Assistant Attorney General and they have filed paperwork in Texas to try to capture land and cash to get back what is owed pursuant to this judgement. If and when that happens the money will be sent to MUSL minus the Lottery's costs. Then MUSL will determine how much will go to the states involved. The Lottery receives a payment of approximately \$160 from Mr. Tipton every one to two months. Mr. Finks stated that there are 14 states involved in the Tipton matter. Oklahoma's "share" is approximately \$75 - \$80 thousand. Mr. Finks is keeping record of his time, Mr. Redburn's time, and the Assistant Attorney General's fee. The Lottery will deduct administrative fees for these services and the balance of the funds will go to MUSL for distribution proportionally to the Hot Lotto member lotteries.
7. Mr. Redburn and Mr. Finks have been responding to requests from the Capital to discuss sports gambling and what can the Lottery do and what the Lottery's participation can be.

## **AGENDA ITEM 5:**

### REPORT OF AUDIT AND FINANCE COMMITTEE:

Mr. Blodgett met with the Audit and Finance Committee before today's board meeting.

- Mr. Blodgett stated that the Audit and Finance Committee met with the auditors from RSM. The committee reviewed the audited financial statements. The audited financial statement is an unqualified opinion. There was no management letter issued. There was a change in how the financials are presented to create a comfort level with the committee regarding the equity section of the balance sheet.
- The committee also met with BKD regarding the internal audit. There were two findings that are immaterial. Both are a low risk level and no further action was determined necessary by the committee.

Mr. Redburn stated that the Lottery has addressed the auditor's concerns and taken the actions recommended.

**AGENDA ITEM 6:**

REVIEW OF REVENUES, PROFITS, AND BUDGET:

Mr. Finks reported that the FY20 draw sales are down 22% compared to FY19. Mr. Finks explained that the gap in sales during week 16 and 17 is due to a \$1 billion Mega Millions jackpot and a \$600 million Powerball jackpot in FY19. There have not been any significant jackpots in FY20. That has created a deficit in revenue.

<b>Draw Sales Year to Date:</b>	<b>FY19</b>	<b>FY20</b>
Powerball		
Average Jackpot:	\$177 million	\$91 million
Draws above \$200 million:	13	0
Highest jackpot:	\$750 million	\$150 million
Mega Millions		
Average Jackpot:	\$263 million	\$120 million
Draws above \$200 million:	21	6
Highest Jackpot:	\$1 billion	\$266 million

**Instant Sales Year to Date:**

\$1: -18%  
\$2: +15%  
\$3: +6%  
\$5: -17%  
\$10: +27%

1. FY20 instant sales are up 5.1% compared to FY19. The business is evolving by price point. Overall the picture is good. 5% - 6% is where the Lottery was targeting up until the launch of the \$20 game, which is in 3 weeks.
2. Continuing to grow sales on the instant side and still have to grow the base.
3. If the draw sales weren't in the deficit they are in, the sales would be really strong. A jackpot or two will cure that gap.
4. From a projection of revenue / profit to the State, the Lottery is not recommending any changes. The FY19 total sales were \$241.7 million and the FY20 goal is \$258 million. The FY20 year to date sales are \$77 million. The \$20 ticket launches in three weeks and the Lottery budgeted for that conservatively. The Lottery feels the \$20 ticket will do very well and will probably exceed what the Lottery budgeted for it.
5. 7-Eleven launches on February 3, 2020 and the Lottery is very excited. Their commitment has surpassed any Lottery corporate partner. 7-Eleven will have a 7-Eleven ticket in their PHDs and a 43 inch monitor over their counters advertising the Lottery. There is going to potentially be an advertising campaign at launch that 7-Eleven is going to participate in as well.
6. Mr. Redburn stated that the mockup of the 7-Eleven ticket would be sent to the board but staff provided copies of the tickets to the Board at the meeting. 7-Eleven has asked that the Lottery put a Dr. Pepper logo on the 7-Eleven ticket. There are some legal copyright components yet to be completed. 7-Eleven and Dr. Pepper both have to sign an agreement. The Lottery has received all of the paperwork, signed and sent to Scientific Games for review. Within the game there are 1

million tickets. The player has a chance to win a matching prize provided by 7-Eleven: a Big Gulp, an Icee, or a coffee on a non-winning ticket.

7. There are a lot of potential players that only go to 7-Eleven convenience stores. These potential players don't buy Lottery tickets because the Lottery isn't sold there. But, it will be in a short period of time!

#### **FY20 Total Sales Projections:**

FY19 Sales: \$241.7 million

FY20 Budget: \$258 million

FY20 Year to Date: \$77 million

FY20 Sales Projections: "Stay the Course"

#### **Major Business Developments:**

- \$20 ticket launch (Dec 20);
- significant retail expansion (Feb 3)

#### **Marketing Initiatives:**

- "Feels Like Winning" branding campaign,
- \$20 campaign

#### **Sales Initiatives:**

- Bin positioning and bin count growth for \$20 launch;
- Top 25 stores focus;
- \$1 and \$5 coupon campaign;
- corporate store management

Mr. Finks reported on the major chains, the number of stores in the chains, the % of total lottery sales that each chain provides, and discussed FY'2020 developments and next steps to be undertaken.

Following that discussion, he presented FY2020 sales projections and budget projections. Mr. Finks indicated that at the March Board meeting, we would report on the following items:

- Sales Results: Instant, Draw, \$20 game, Retailer Expansion Project
- Legislative Update: Bill Status, Sports Betting Status
- Potential Contracts: Scientific Games (10 year opportunity), 36<sup>th</sup> and Santa Fe (5 year deal), Internal and External Audit Firms, IT (State-Mandated) Firm

**AGENDA ITEM 7:**

DISCUSSION AND POSSIBLE ACTION REGARDING THE FY2020 – FY2025 STRATEGIC PLAN:

Mr. Redburn indicated that the strategic plan was discussed at the previous board meeting. The Lottery was asked to look at ways to modify the measures and goals in the strategic plan to help tie more directly to what the Governor has identified as a strategic plan. In the strategic plan the Lottery has outlined exactly what the Governor's plan was but the Lottery did not try to tie to it more directly. Mr. Redburn and Mr. Finks have met with Secretary Mazzei, the OMES budget analyst for the Lottery, and the OMES revenue analyst. The Lottery discussed modifications with the OMES budget analyst that works for Mr. Mazzei and they are happy with the Lottery's measures. The measures added have to do with the type of improvements that the Lottery is making in sales, profits, and number of retailers. Mr. Redburn pointed out that he stated in the strategic plan, because of Oklahoma's political climate, the size of Oklahoma, and the competition the Lottery has, it is not possible for Oklahoma to become one of the top ten states in Lottery sales, profits, or number of retailers.

Mr. Yates asked if anyone on the staff would have the capacity or the ability to focus on the per capita idea and compare Oklahoma to the surrounding states.

Mr. Finks stated that Scientific Games has, for the first time, recently hired a pure sales analyst. As part of the contract, the sales analyst is provided to the Lottery and they are able to do that type of analysis.

Mr. Sherry moved to approve the FY2020 – FY2025 Strategic Plan. Mr. Orbison seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

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

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

THE MOTION PASSED.

**AGENDA ITEM 8:**

DISCUSSION AND POSSIBLE ACTION REGARDING APPOINTMENT OF BOARD OFFICERS FOR 2020:

Mr. Redburn stated that he had spoken to Mr. Sherry and his recommendation is for the board to reaffirm the current officers for 2020. Mr. Sherry confirmed the recommendation. Mr. Redburn indicated that board members serve until a successor is appointed and confirmed by the Senate. Current members would most likely be expected to be at the March board meeting. If those with appointments ending 1/1/20 were not reappointed, the board would need to reappoint officers to fill the vacated (or soon-to-be-vacated) positions.

<b>2019 Board of Trustees</b>	<b>Term End of Current Appointments</b>
Chair: Matthew Felty	Five Year Term, Ending January 1, 2020
Vice Chair: Jack Sherry	Five Year Term, Ending January 1, 2021
Secretary: James C. Orbison	Five Year Term, Ending January 1, 2020
Treasurer: Ralph E. "Ted" Blodgett	Five Year Term, Ending January 1, 2022
Trustee: Nevyle Cable	Five Year Term, Ending January 1, 2023
Trustee: Tracey Yates	Five Year Term, Ending January 1, 2024
Trustee: Christy Rawlings	Five Year Term, Ending January 1, 2024

Mr. Cable moved to approve the appointment of board officers for 2020. Mr. Blodgett seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

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

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

**AGENDA ITEM 9:**

DISCUSSION AND POSSIBLE ACTION REGARDING APPOINTMENTS TO BOARD COMMITTEES AND APPOINTMENTS OF BOARD COMMITTEE CHAIRS FOR 2020:

Mr. Redburn stated that it is Mr. Felty's decision, as chair, to appoint the board committee chairs and members. Then, the full Board reviews and approves the recommendations as appropriate.

Mr. Felty indicated that he recommended the board reaffirm the current committee chairs and members for 2020.

**2020 Nominating Committee**

Chair: Jack Sherry

Member: Ralph E. "Ted" Blodgett

Member: Tracy Yates

**2020 Government & Citizens Relations Committee:**

Chair: James C. Orbison

Member: Matthew Felty

Member: Christy Rawlings

**2020 Audit & Finance Committee:**

Chair: Ralph E. "Ted" Blodgett

Member: Nevyle Cable

Member: Jack Sherry

Mr. Blodgett moved to approve the appointments to board committees and appointments of board committee chairs for 2020. 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	Yes
Mr. Orbison	Yes
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	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 BOARD MEETING DATES FOR 2020:

Mr. Redburn referred to the calendar in the board packet. He outlined the need to approve a meeting schedule for 2020 to comply with the law; why quarterly meetings have historically been used; why Tuesday was the historical meeting day; and pointed out the meeting days preferred by management. Mr. Redburn indicated that any days can be selected by the Board to meet.

After discussion, Mr. Felty recommended the following dates:



March 10, 2020                      June 23, 2020  
September 22, 2020              December 1, 2020

Mr. Felty moved to approve the recommended 2020 board meeting dates. Mr. Blodgett seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

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

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

#### **AGENDA ITEM 12:**

##### ADJOURNMENT:

Mr. Blodgett 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	Yes
Mr. Orbison	Yes
Mr. Cable	Yes
Mr. Yates	Yes
Ms. Rawlings	Yes

THE RESULT WAS SEVEN 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 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.