



STATE OF OKLAHOMA
OKLAHOMA LOTTERY COMMISSION
OFFICIAL MINUTES

June 22, 2021

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 on June 22, 2021 at 1:30 p.m. The board meeting was held at the Oklahoma Lottery Commission headquarters located at 123 Robert S. Kerr, Oklahoma City, Oklahoma. In compliance with the Open Meetings Act, 25 O.S. § 301 et seq., the agenda for this meeting was posted at all main entrances and posted on the Lottery website 24 hours in advance of the meeting.

Call to order:

Vice-Chairperson Jim Orbison called the meeting to order at 1:30 p.m. The roll of Board members was called to establish quorum.

Board members present were:

Ted Blodgett
Scott Eisenhauer
Jim Orbison
Tracey Yates

Board members not present were:

Nevyle Cable
Christy Rawlings
Guy Sims

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

Others in attendance were:

Jay Finks, Executive Director
Amanda Everett, Assistant AG
Brandie Reisman, OLC
Mary Martha Ford, OLC
Tiffany Mather, OLC
Ricky McCullough, OLC
Jennifer Grigsby, Cabinet Secretary
Jamie Evans, Scientific Games
Katy Feaver, Legis OK

AGENDA ITEM 1:

Announcement of filing of the board meeting notice and posting of the agenda in accordance with the open meetings act:

Mr. Orbison asked if proper public notice was made regarding the June 22, 2021 board meeting, in accordance with the Open Meetings Act. Mr. Finks verified that all necessary steps had been taken to remain in compliance with the Act.

AGENDA ITEM 2:

Reading and approval of minutes:

Mr. Blodgett moved that the reading of the minutes of the March 23, 2021 board meeting be waived and approved as published and distributed. Mr. Yates seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Yes: Blodgett; Eisenhauer; Orbison; Yates

No:

Abstain:

The result was 4 votes in the affirmative, none opposed, and none abstained. The motion passed.

AGENDA ITEM 3:

Report of Audit and Finance Committee:

Mr. Blodgett reported that the Lottery is meeting all the Lottery Trust Fund appropriations made by the state this year and that the OLC is on track to exceed the State's FY21 appropriation of \$52.7 million dollars by over \$26 million dollars.

AGENDA ITEM 4:

Executive Director report:

Jay Finks, Executive Director, covered the following items...

Sales & Profits Review:

- Current sales up 29% vs prior year with projected sales expected to exceed \$345 million vs a FY21 budget of \$285 million
- Draw sales up 30% due to higher level jackpots from Powerball & Mega Millions vs prior year
- Instant sales up 29% due to the continued success of the higher priced point games
- OLC anticipates exceeding the FY21 appropriation by over \$26 million
- Reviewed a detailed profit model with 23% of sales being contributed to the Lottery's beneficiary
- Review major expense categories and illustrated an operational budget that came in over \$1m under budget

- Illustrated FY21's record breaking numbers in terms of sales, retailer commissions and contributions to education

Legislative Review

- Reviewed the impact of SB650 which provides a 2% increase to the employee benefit plan provided by the OLC effective Jan 1, 2022
- Reviewed the impact of HJR1046 which approved the revised Lottery rules submitted earlier in the legislative session
- Reviewed the impact of HB1146 which removes all classifications of state employees and establishes State Employee Dispute Resolution program
- Provided information to the Board that the Lottery's initiatives of securing bills supporting iLottery and a redistribution of education funding from the OLC did not advance into an actionable bill

Strategy & Goals

- Reviewed the OLC CY21-22 strategy plan that has been submitted to the Governor's office and covers key areas of the business such as, the launch of the \$50 ticket, Quick Ticket introduced in over 500 new stores, and counter sales at 7-Eleven and a major self-service expansion at major retail locations.

Operations Review:

- Reviewed some updates since the prior meeting such as, the successful launch of Quick Ticket in over 450 Dollar Generals, the successful launch of Sci Trak that provides a predictive ordering system to the OLC for instant tickets, the opening of a new Winner Center across the street from the OLC HQ, the launch of a fully functional ticket checker on the OLC app, the conversion of all Circle K's to Casey's and some major staffing changes coming in very early FY22.
- Reviewed upcoming action items such as the expansion efforts in major chains (7-Eleven, Con Cue and Walmart), an internal audit planned to be conducted to determine a quality risk assessment, SG contract options (automated drawings and GEM corporate module) to be executed and upcoming game changes to Powerball and Lucky For Life.
- Reviewed a major change in validating winning tickets as Homeland was retiring from the Super retailer side of the business. This no longer provided a retailer where players could cash tickets from \$601 - \$5,000 across a system of stores. This led the OLC to expand the Winner Center validation process to handle more remote claims and add more ways to pay a winner.
- Reviewed a change in the way the OLC checks winning ticket for delinquent debt per the OLC statute. The current program called for all claims above \$601 to be checked. Due to the large number of prizes at this level and the extreme amount of time required to check these claims the OLC has decided to move the delinquent debt check to the "withholding level" (all claims above \$5,000) from the "claims level (\$601 and above). This change still fits within statute and creates a much more efficient process for all OLC employees involved.

AGENDA ITEM 5:

Discussion and possible action regarding the FY22 sales and profit targets:

Mr. Finks discussed in detail the projected sales for every Lottery product category totaling an annual sales goal of \$380 million dollars (a 10% increase vs prior year). Estimated contributions are budgeted to not just over \$86 million dollars vs an FY22 appropriation of \$57 million.

Mr. Finks also reviewed the Employee Incentive program for FY22 and made some recommendations to the Board for potential increases in benefits due to the effectiveness of the program. The board recommended a 10% one-time payout to every employee if the OLC hit their sales target of \$380,571,905. This was a 2.5% increase in payout from the approved FY21 bonus payout.

Mr. Blodgett motioned that the target sales of \$380,571,905 and target profits of \$86,190,294 be approved and that the Employee Incentive program be set at 10% given final board approval in June of 2022. Mr. Orbison seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Yes: Blodgett; Eisenhower; Orbison; Yates

No:

Abstain:

The result was 4 votes in the affirmative, none opposed, and none abstained. The motion passed.

AGENDA ITEM 6:

Discussion and possible action regarding the FY22 Operating Budget:

Mr. Finks discussed in detail the FY22 Operating budget the included expenses in the following categories...

Marketing & Advertising Budget: Advertising, Agency Expenses, Broadcast & Digital Production, Retail Signage and Promotions (\$3,900,000)

- Budget included a renewal of the contract with Saxum for agency services. Renewal available for year 2 of the state contract.

Administration Budget: Building Lease, Parking, OMES Services (AG, Payroll, Procurement & Mailing), Office Management, Employee Recognition, Memberships and Travel (\$500,000)

IT Budget: OMES Services, hardware, Software, Licenses and 3rd Party Backup site (\$260,000)

Accounting, Sales & Security Budgets: Audit Fees, Bad Debt, Depreciation, Bank Fees, Ticket Dispensers, Sales Apparel and Fleet

Payroll: FY21 Employee Bonus, Staffing Changes, Employee Retention, Executive Team Incentive Program (3,640,000)

- As part of the pre-approved Employee Incentive program the FY22 budget includes the FY21 bonus one-time payment of 7.5% to all employees for exceeding the FY21 sales goal of \$299,149,500 (Total budget impact \$138,446)
- Budget included the addition of (3) new positions, the adjustments necessary to accommodate the resignation of one of the executive positions and a continued commitment to employee retention

- Per the board's recommendation, the Executive Director presented a program for FY22 and beyond that would allow the board on an annual basis to review the performance of the Executive Director and his Executive team. Performance measure could include sales, profits, results of all audits, vendor management, retailer relationships and employee development. The results of the review would allow the board to award a bonus payment to the executive team (as a percentage of their annual salary, from a one-time payment of 0% to 20%). The Board would approve the budget in June for the next fiscal year and then be presented the Executive review in the September board meeting.

Mr. Finks summarized all the expenses for FY22 to total \$8,795,00 (a 6% increase vs the FY21 budget) and reminded the Board that the Lottery statute only allows a maximum of 3% for administrative expenses. The FY22 expenses total 1.2% of sales; under half the allowable amount. Mr. Finks indicated the total operating budget totaled 2.3% of sales; one of the lowest percentages in the U.S. Lottery industry.

Mr. Eisenhower motioned that the Board approve the FY22 budget to include all expenses detailed by the Executive Director totaling \$8,795,000. Mr. Blodgett seconded the motion. The Chair ordered a roll call with the following results:

Roll Call Vote:

Yes: Blodgett; Eisenhower; Orbison; Yates

No:

Abstain:

The result was 4 votes in the affirmative, none opposed, and none abstained. The motion passed.

AGENDA ITEM 7:

New business:

Mr. Finks stated that there was no new business.

AGENDA ITEM 8:

Adjournment:

Mr. Yates moved to adjourn. Mr. Blodgett seconded the motion.

Roll Call Vote:

Yes: Blodgett; Eisenhower; Orbison; Yates

No:

Abstain:

The result was 4 votes in the affirmative, none opposed, and none abstained. The motion passed.