

OVER \$16 BILLION FOR EDUCATION.



**MINUTES OF THE MEETING OF
THE OHIO LOTTERY COMMISSION**

**HELD AT:
THE FRANK J. LAUSCHE BUILDING
FOURTH FLOOR CONFERENCE ROOM
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**APRIL 20, 2009
1:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

Jonathan A. Allison
Jaladah Aslam
Paul M. Burens
Erskine E. Cade
Matthew R. Cox
Allan C. Krulak
Rudy M. Stralka

Executive Staff of the Commission:

John Martin, Deputy Director, Sales
Dennis Berg, Deputy Director, Finance
Candace S. McGraw, Deputy Director, Charitable Gaming
Constance Miller, Deputy Director, Operations
Gwen Penn, Deputy Director, Product Development
Michael Petro, Deputy Director, Information Technology
Traci Pinkney, Deputy Director, General Services
Jeannie Roberts, Deputy Director, Communications
Terri Tancredi, Deputy Director, Marketing
Christine T. Jasica, Administrative Assistant, Legal

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Also Present Were:

James Manley, Assistant Legal Counsel, Legal Department
Traci Konesky, Administrative Assistant, Finance
Debbie Warren, Administrative Assistant, Legal
Ron Fornaro, Instant Gaming System Manager, Product Development
Dan Price, On-Line Product Manager, Product Development
Marie Kilbane Seckers, Communications
Laurence Snyder, Assistant Attorney General
Mark Graf, Stern Advertising
Tracy Blevins, Hooven Dayton Corporation
Harvey Scholnick, Marcus Thomas
Tom Garcia, Intralot
Paul Ostendorf, Intralot

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

The Ohio Lottery Commission ("OLC") meeting of April 20, 2009, was called to order at 1:05 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairperson Krulak.

ROLL CALL

The following members of the Commission answered present to the Roll Call: Jonathan A. Allison, Jaladah Aslam, Paul M. Burens, Erskine E. Cade, Matthew R. Cox, Allan C. Krulak, Rudy M. Stralka.

APPROVAL OF MINUTES

Commissioner Allison made a Motion that was seconded by Commissioner Cade. The Motion was affirmatively voted upon by all Commissioners present.

DIRECTOR'S REPORT

- Constance Miller, Deputy Director of Operations, reported that Director Dolan and Chief Legal Counsel DeGeeter were meeting in Columbus regarding a contract with White Sands Consulting. White Sands Consulting is an independent firm that is helping the OLC with user acceptance testing.

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- Ms. Miller pointed out that the OLC is 72 days from conversion to Intralot. She stated that the Lottery is meeting major milestones and retailer training sessions will begin on Monday, April 27, 2009 in Boardman, Akron and Cincinnati.
- Ms. Miller added that OLC staff attended an open house earlier this month in Strongsville and Commissioner Stralka also attended. In preparation for retailer training, the staff had an opportunity to have hands-on experience with the equipment and ask any questions they had. The remaining Commissioners were invited to the Strongsville facility to attend one of the training sessions.
- Ms. Miller commented that the Department of Administrative Services had announced the selection of Intralot to provide Cooperative Services to the Lottery beginning July 1st. Those services are currently provided by Scientific Games.

Commissioner Stralka commented that the Lottery may lose the Charitable Bingo function to the Attorney General's Office, and if true how would it impact the Lottery as it relates to budget, employees and funds transfers. Ms. Miller replied that the Lottery has provided services to the Attorney General's office for the past four years under a Memorandum of Understanding that expires on June 30, 2009. There are 8 staff members located at the Central Office, as well as 16 site inspectors statewide. The payroll administration and support for those services are reimbursed to the Lottery by the Attorney General's office. The contract totals about \$2 million per year. The Lottery has provided some additional information to the Attorney General concerning the services that the Lottery provides and why the Lottery is uniquely qualified to continue running Charitable Gaming. The Lottery is waiting, at this point in time, to hear of any further disposition concerning the Lottery's appeal.

Commissioner Stralka inquired who would make the final decision, the Attorney General's office or the Governor's office? Ms. Miller responded that ultimately, pursuant to the Memorandum of Understanding, the decision would be made by the Attorney General.

Commissioner Allison commented that the Ohio Lottery has done a tremendous job from the start and that the Commission should encourage the Attorney General's office that the staff of Charitable Gaming remain a part of the Ohio Lottery.

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Commissioner Cox questioned whether this was a cost-saving decision only. Candace McGraw, Deputy Director of Charitable Gaming, explained that the Attorney General's office indicated that their decision had nothing to do with job performance, but the Attorney General was looking at this purely on an economic basis. The Attorney General was looking at restructuring the Charitable Gaming functions within his office and would realize a cost saving. She added that the Lottery has submitted a counter-proposal to the Attorney General's office.

Commissioner Cox asked whether the Charitable Gaming function was statutorily the responsibility of the Attorney General's office that was contracted to the OLC under a 2004 Memorandum of Understanding. Ms. Miller replied it was.

Commissioner Cade asked how many impacted Lottery employees were here in Cleveland, and if this change were made, would those employees relocate to Columbus. Ms. McGraw explained that the Lottery has 16 site inspectors stationed within regional offices around the state and that the remainder of the employees are at the Lottery Central Office, for a total of 24 employees. The Lottery is looking at ways to absorb the 24 employees back into the OLC.

Commissioner Aslam asked if there was no way for the Lottery to absorb impacted employees, would the Attorney General be willing to take the employees. Ms. McGraw replied that the Attorney General would not.

Discussion was had regarding how to best proceed with letting the Commissioners' thoughts on this matter be made known to the Attorney General. Commissioner Krulak inquired as to the other Commissioners' support of this idea. Commissioner Cox argued that if it is statutorily within the purview of the Attorney General, he would tend to want to leave that up to the Attorney General's discretion. Commissioner Stralka made a Motion to draft a letter recommending to the Attorney General that the OLC should retain the Charitable Gaming Operation. The Motion was seconded by Commissioner Allison. The Motion was affirmatively voted upon by all Commissioners present with the exception of Commissioner Cox who voted against the Motion. Commissioner Cox asked Chairperson Krulak for clarification of what exactly was voted on by the Commissioners.

APPROVAL OF ONE (1) INSTANT GAME RULE IN PROPOSED AND FINAL FORM

Ron Fornaro brought before the Commission one (1) Instant Game Rule for approval in Proposed Form. Mr. Fornaro presented the details of the game:

1. Rule 3770:1-9-693, Casino Royale, (\$5.00)

Chairperson Krulak requested a Motion to approve the one (1) Instant Game Rule in Proposed and Final Form. Commissioner Cade made a Motion that was seconded by Commissioner Stralka. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF TWO (2) INSTANT GAMES RULE IN FINAL FORM

Jim Manley, brought before the Commission two (2) Instant Game Rules for approval in Final Form. The rules were approved in Proposed Form at the March 16, 2009 Commission Meeting. The game rules are:

1. Rule 3770:1-9-691, *The Money Game* (\$1.00)
2. Rule 3770:1-9-694, *\$100,000 A Year For Life* (\$20.00)

Chairperson Krulak requested a Motion to approve the two (2) Instant Game Rules in Final Form. Commissioner Aslam made a Motion that was seconded by Commissioner Allison. With no further discussion or public comment, the Motion was affirmatively voted upon by the Commissioners present.

LEGAL COUNSEL REPORT, JIM MANLEY, ASSISTANT LEGAL COUNSEL

The Legal Counsel Report stands as written.

COMMUNICATIONS REPORT, JEANNIE ROBERTS, DEPUTY DIRECTOR

- The Communications Report stands as written.

Commissioner Aslam inquired if the issue surrounding Director Dolan and the Trooper tickets had calmed down. Ms. Roberts responded that the OLC has responded to several public records requests regarding the incident.

FINANCE REPORT, DENNIS BERG, DEPUTY DIRECTOR

- Mr. Berg reported that March's sales performed very well. The Lottery broke all time sales records for both Instant Ticket sales and total sales for the month of March, leaving the Lottery with two consecutive months of record sales.
- March's sales of \$222.5 million surpassed sales from the prior month by \$12.7 million and \$25.7 million compared to March of last year. Sales were primarily fueled by the growing *Mega Millions*® jackpot that reached \$216 million on March 2, 2009 and strong Instant Ticket sales and KENO sales.
- KENO sales of \$10.5 million were the highest monthly sales figure recorded since the game's inception in August 2008.
- Financial activity allowed the Lottery to transfer \$62.5 million to the LPEF, leaving the Lottery with total fiscal year-to-date transfers of \$516.1 million. This is \$12.3 million higher than transfers made to the LPEF last March, and total transfers of \$17.3 million ahead of transfer for the same time period last year.
- Mr. Berg followed up with a slide presentation regarding the OLC's sales results by game.

Commissioner Stralka asked whether the revenue that the OLC earns from Charitable Gaming funds is transferred to the LPEF. Ms. Miller explained that the OLC does not actually earn any revenue from Charitable Gaming. The fees that the OLC collects, which were a little over \$4 million last year, are retained by the Attorney General's office. The Lottery was paid \$2 million to perform the services. The fees are a direct reimbursement of specific expenses such as payroll and vehicles. Absorbing those expenses will have an increase in the OLC's operating expense.

GENERAL SERVICES REPORT, TRACI PINKNEY, DEPUTY DIRECTOR

- Ms. Pinkney provided an update regarding Broadband Ohio. A cost saving of \$24,500 was realized as a result of further research by the Lottery.
- The Licensing and Bonding Department of the Lottery is still accepting new applicants and preparing the applicants to be licensed, but they will not be turned on until after July 1st due to the conversion,. Ms. Pinkney reported that as of today there are 1,135 KENO retailers. There are about 37 additional retailers that may also be

active prior to July 1. There are 124 locations eligible for *KENO* activation after the July 1 conversion date.

INFORMATION TECHNOLOGY REPORT, MIKE PETRO, DEPUTY DIRECTOR

- Mr. Petro reported that terminal acceptance testing began in March. The online game functionality is being tested through the online terminals now. Also, configuration has been set up for the instant game system per the requirements of the RFP. The hardware and central systems that Intralot provided passed with flying colors. Mr. Petro continues to be cautiously optimistic that all games will be functioning as expected by July 1.

MARKETING SERVICES REPORT, TERRI TANCREDI, DEPUTY DIRECTOR

- Ms. Tancredi announced that the *Fantastic 5* promotion was very successful. There were 253,500 entries for the second chance promotion. Additionally, for promotion, this game offered non-monetary prizes such as flat screen TVs.
- The OLC recently concluded evaluation of creative services RFP. This week the primary contract was awarded to Northlich, LLC who has offices in Cleveland, Columbus and Cincinnati. The two secondary agencies will be Hart & Associates out of Toledo, Ohio, and Ologie LLC which is based out of Columbus, Ohio. Ms. Tancredi offered thanks to the current creative services provider, Stern Advertising, for years of great service.
- Ms. Tancredi previewed the “real winners” television campaign spot which will begin airing today all over the state. Real winners from varying areas of the state were used in the ad.

SALES MANAGEMENT REPORT, JOHN MARTIN, DEPUTY DIRECTOR,

Mr. Martin reported that so far he has visited seven of the nine sales regions across the state. He plans to visit the other two regions this week. Mr. Martin stated that on each of those visits, he is meeting with sales management team, the sales force, and retail agents. He stated that this has been an informative and educational experience.

PRODUCT DEVELOPMENT REPORT, RON FORNARO, INSTANT GAMING SYSTEM MANAGER

The Product Development Report stands as written.

ROUNDTABLE DISCUSSION

Commissioner Cox inquired whether or not the Commissioners would vote again to send the letter to the Attorney General regarding the Charitable Gaming issue. He also voiced concern that since the letter would be reviewed mid-meeting, the Commissioners did not have any information from the Attorney General's office as to why he is making the decision he is making. He went on to say that if the Commissioners' decision to send the draft letter was purely to attempt to save six jobs and a contract, he didn't feel that was a very responsible thing to do. The Attorney General has a budget and if he views that taking this back into his office is something that might save him money, the Commissioners ought to give the Attorney General the discretion to do so. He advised that he wanted his objections noted. Commissioner Cox informed the Commission that he was in a conference next month, and would not be in attendance at the meeting.

Ms. McGraw explained that the current Memorandum of Understanding with the Attorney General expires June 30, 2009. The Attorney General's office has offered to allow an extension through September 30th for transition purposes. She said she believes that Director Dolan intends to try to bring this matter to a close with the Attorney General's office within the next two weeks so. If necessary, the OLC could make a decision if the jobs could be absorbed, how they could be absorbed and in what manner they could be absorbed. She stated that she would be happy to share any communication that the OLC has had with the Attorney General's office thus far.

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ADJOURNMENT

Chairperson Krulak adjourned the meeting at 1:44 P.M.



Michael A. Dolan, Secretary

Approved:



Allan C. Krulak, Chairperson