



**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**

**JULY 11, 2016
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
Allan Krulak
John Lewis
Trevor A. McAleer
Patrick McDonald
Angela Mingo
William N. Morgan
Sean Whalen

Executive Staff of the Commission:

Greg Bowers, Deputy Director, Finance
Danielle Frizz-Babb, Deputy Director, Communications
Steve Kmiolek, Interim Deputy Director, General Services
Sandy Lesko, Deputy Director, Marketing Communications
Constance Miller, Deputy Director, Operations
Mike Petro, Deputy Director, Information Technology
Patricia Vasil, Deputy Director, Sales Management
Jennifer Wilson, Deputy Director, Internal Audit
Traci Konesky, Assistant to the Director

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Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Jim Bonnette, Licensing and Bonding Supervisor
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Brian Sindelar, Assistant Legal Counsel
Steve Senkar, Office of Information Technology
Melissa Penning, Office of Finance
Karen Nichols, Scientific Games
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
John Walker, Scioto Downs
Kyle Wentz, Hard Rock Rocksino
Jon Abbott, Ice Miller
John Oberle, Ice Miller
Ed Dick, JACK Thistledown
Eric Sarmiento, Cavitch
Karen Farkas, The Plain Dealer
Megan Diamond, Member of the Public

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of July 11, 2016, was called to order at 12:02 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Pat McDonald, followed by the Pledge of Allegiance.

ROLL CALL

- The following members of the Commission answered present to the Roll Call: James Brady, Allan Krulak, John Lewis, Trevor McAleer, Pat McDonald, William Morgan and Sean Whalen. Commissioner Angela Mingo arrived following Roll Call at 12:35 P.M.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendees Brian Sindelar, Assistant Legal Counsel; Steve Senkar, Intern in the Office of Information Technology; Megan

Diamond, public attendee; and Melissa Penning, Administrative Professional in the Office of Finance.

APPROVAL OF MINUTES OF JUNE 20, 2016

- Chairman McDonald requested a Motion to approve the June 20, 2016 Minutes. Commissioner Lewis made a Motion that was seconded by Commissioner Morgan. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that Director Berg is unable to attend Meeting. He stated that Mr. Bowers will be sharing a financial update. However, Chairman McDonald congratulated Director Berg and entire agency on another record breaking fiscal year. Transfers to the Lottery Profits Education Fund ("LPEF") for fiscal year 2016 totaled \$1.06 billion and represents an all-time record for transfers benefitting education. This is the eleventh consecutive year of increased profits to education.
- Chairman McDonald also congratulated the entire staff on the successful launch of the *Quick Keno* games last month. The installation of the software to support the *Quick Keno* terminals was installed on Sunday, June 19, 2016. Ms. Vasil will be providing an update on the program during her report.
- Chairman McDonald reported that members of the Spectrum Gaming group were at the OLC for additional meetings last week. Spectrum continues to work on the development of the report and over the next several weeks should begin vetting recommendations with agency staff.
- Chairman McDonald stated that there was one (1) winner of the \$540 million *Mega Millions*® jackpot on Friday, July 8, 2016.

AUDIT COMMITTEE UPDATE, SEAN WHALEN, COMMISSIONER

- Commissioner Whalen reported that the Audit Committee held its quarterly Meeting on June 20, 2016.
- Commissioner Whalen stated that the Internal Audit and Audit Committee Charters were both approved at this Meeting, as well as the fiscal year 2017 Audit Plan.
- Commissioner Whalen stated that in regards to the Audit Plan, there are eighteen (18) audits that are prescheduled. Nine (9) of the audits are high risk, eight (8) of the audits are moderate risk and one (1) of the audits is low risk.
- Commissioner Whalen reported that seven (7) of the audits fall under Finance and Information Technology, and four (4) of the seven (7) audits are high risk audits. The goal for fiscal year 2017 is to have an 80% audit completion rate.
- Commissioner Whalen stated that the Office of Budget and Management (“OBM”) attends all of the Audit Committee Meetings, and they are highly engaged. OBM provides the Audit Committee with best practices, advice and counsel as needed. It is a great partnership to have.
- Commissioner McAleer thanked Ms. Wilson for hard work, and she did a great job putting together the fiscal year 2017 Audit Plan. He stated that the monthly phone calls in between Audit Committee Meetings are very helpful.
- Chairman McDonald asked if the Audit Committee had a timeline for audit completions.

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- Commissioner Whalen responded that the timelines are always hard to achieve. Sometimes it is difficult to assess from a business perspective. Deadlines can be a hard thing to achieve but it is critical for the Audit Committee to manage those situations, especially from a high risk standpoint, so that expectations are known by the next quarterly Meeting. Audits are tracked internally, and every time there is an update, it is tracked and marked. The tracking system can be turned into a report.
- Commissioner Whalen stated that the Audit Committee is contemplating looking at all of the high risk items that are outstanding and pulling a status report around what is being missed or hit. That would put more clarity on where the Audit Committee really needs to focus its attention on.
- Commissioner Whalen stated that typically the Meetings are a course of general updates of all audits. However, most recently, the strategy of objectives was changed to look at any open items that are high risk first and then down to low risk items in order to see what needs to be addressed immediately. Following that, they will move into general updates.
- Commissioner McAleer stated that OLC Senior Staff has done a good job with providing justification if a deadline has passed. This is why its first on the agenda so that they are not getting to timelines late in the Meeting when discussing specific audits. The timeline is part of the discussion during the Meetings. However, they want to focus more on meeting those targets especially if they are high risk.

- Chairman McDonald stated that the Commissioners who serve on the Audit Committee have done a good job, and he appreciated Commissioner Whalen's leadership, as well as Commissioner McAleer, Commissioner Mingo and everyone else who contributes to the Audit Committee.

E-LICENSING PRESENTATION, JIM BONNETTE, LICENSING AND BONDING SUPERVISOR

- Mr. Bonnette gave a high-level overview of the first year of operations of the OLC's E-Licensing program.
- Commissioner Whalen asked what the attrition rate for retailers was. Mr. Bonnette responded that the attrition rate varies. Most of the new applications are from sales of businesses, and most of those are rotating within two (2) years.
- Commissioner Whalen asked Mr. Bonnette if he knew how much loss has been attributable to the attrition. Mr. Bonnette responded that he would have to look into that and get back to him.
- Commissioner Brady asked if the E-Licensing process has helped retailers with the cost of acquiring a bond and/or has it helped in expediting the bonding process for retailers.
- Mr. Bonnette responded that the cost of a bond on average is \$10.00 per \$1,000.00 in sales. The OLC requires all retailers to have a minimum bond of \$15,000.00. If a retailer qualifies for the liability deposit program, they have to produce a check for \$500.00 to begin with, and those funds are refundable. The liability deposit program has played a part in speeding up the process because for every retailer that is licensed, they are required to have a bond or provide the deposit. With that being

said, licensing has been expedited with having bonding requirements included in E-Licensing process.

- Commissioner McAleer asked how often a retailer needs to renew their license. Mr. Bonnette responded that license renewal is done annually.
- Commissioner McAleer asked Mr. Bonnette if he thought the forty-four (44) day timeframe to license a retailer can be shortened. Mr. Bonnette responded that the goal is to continue striving for a shortened timeframe.

DIRECTOR'S REPORT AND OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers reported that total traditional sales in June were \$235.2 million. This was \$6.2 million more than June of last year.
- *Keno* sales for June were \$31.4 million. This was \$4.1 million or 14.9% more than sales realized last June, and broke a monthly sales record for the month of June.
- Mr. Bowers reported that multi-state game sales for June were \$23.8 million, and this was \$9.3 million more than sales in this category last June. Both Jackpots reached triple digits in the month of June. The *Powerball*® jackpot reached a high of \$222 million, and the *Mega Millions*® jackpot reached a high of \$390 million.
- The OLC's share of VLT revenue was \$23.6 million. Of that amount, after expenses, \$22.9 million represented net income. This was \$1.2 million higher than projections and \$1.0 million more than last June.

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- Mr. Bowers reported that transfers to the LPEF for June totaled \$84.4 million, which was \$5.4 million more than the OLC's monthly commitment and \$7.7 million more than last June.
- Mr. Bowers thanked Mr. Bonnette for his presentation, and the OLC is proud to be able to streamline this process and reduce the licensing process by forty-one (41) days. OLC staff will be presenting this process at an upcoming National Association of State and Provincial Lotteries ("NASPL") conference in Pittsburgh.
- Mr. Bowers reported that US Bank did not renew their contract with the OLC to cash prizes at their banks. US Bank had approximately twenty-four (24) locations that mostly served northwestern Ohio, as well as the Dayton and Cincinnati areas. Customers are currently being notified to locate the nearest PNC Bank. Also, the OLC has begun a pilot program to have five (5) Giant Eagle locations offer cashing services in the \$600-\$5,000 range. In the near future, the racinos will also be offering those services as well.
- Chairman McDonald inquired as to why US Bank did not renew their contract. Mr. Bowers responded that it was strictly for business reasons. PNC Bank has the main contract, and US Bank only had twenty-four (24) locations. US Bank just did not get enough activity.
- Commissioner Brady asked if there is a cost associated with bank cashing for the OLC. Mr. Bowers said that it costs the OLC \$3.25 per transaction, and the customer is charged a fee of \$10.00.

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- Commissioner McAleer inquired as to how many individuals used US Bank annually. Mr. Bowers responded that he did not know the exact number but would get that information for him. However, there are approximately five-hundred (500) prizes cashed monthly at banks.
- Mr. Bowers presented a detailed fiscal year 2016 year-end financial review to the Commission. The presentation compared fiscal year 2016 year-end sales to fiscal year 2015 yearend sales.
- Chairman McDonald asked what the status was on the 50/50 raffle. Mr. Petro responded that sales will begin the last week in August 2016.
- Chairman McDonald asked for a recap on the details for the 50/50 raffle. Mr. Petro responded that 50% of the sales for a drawing will go to the jackpot, and there will also be some lower tiered prizes. The jackpot will be seeded at \$10,000 to start.
- Commissioner McAleer asked what the cost was to play the 50/50 raffle. Mr. Petro responded that it costs \$1.00 per ticket or \$5.00 for six (6) tickets.
- Chairman McDonald asked for a recap on *Luck For Life*®. Mr. Bowers responded that Lucky for Life® is a multi-state game, and there are a total of sixteen (16) states in the consortium. The top prize in the game is \$1,000 a day for life and the second tier prize is \$25,000 a year for life. The cost is \$2.00 per ticket.

- Mr. Petro stated that *Lucky for Life*® is a lotto style game. Ohio has had three (3) second tier winners and one (1) grand prize winner thus far, and the game has been on sale since November 2015.
- Commissioner Whalen inquired as to where the OLC ranked in total sales amongst other state lotteries. Mr. Bowers responded that the fiscal year 2016 results are not out as of yet. However, the OLC ranked ninth in traditional lottery sales for fiscal year 2015.
- Chairman McDonald asked which state ranked first in traditional lottery sales. Mr. Bowers responded that New York ranked first in total traditional lottery sales, and Massachusetts ranked first in instant ticket sales. Mr. Petro added that Massachusetts also ranks first in *Keno* sales.

APPROVAL OF SIX (6) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Fornaro brought before the Commission six (6) Instant Game Rules for approval in Proposed Form. The Rules are as follows:
 - Rule 3770:1-9-354, *20X The Money* (\$5.00);
 - Rule 3770:1-9-355, *Hit \$50!* (\$1.00);
 - Rule 3770:1-9-356, *Hit \$100!* (\$2.00);
 - Rule 3770:1-9-357, *Hit \$500!* (\$5.00);
 - Rule 3770:1-9-358, *\$5,000,000 Multiplier Spectacular* (\$20.00); and
 - Rule 3770:1-9-363, *Special Edition Cashword* (\$5.00).

- Chairman McDonald then requested a Motion to approve the six (6) Instant Game Rules in Proposed Form. Commissioner Morgan made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF SIX (6) INSTANT GAME RULES IN FINAL FORM

- Mr. Miltner brought before the Commission six (6) Instant Game Rules for approval in Final Form. The Rules are as follows:
 - Rule 3770:1-9-343, *Dazzling 7's* (\$2.00)
 - Rule 3770:1-9-348, *Holiday Lucky Times 5* (\$2.00)
 - Rule 3770:1-9-349, *Frosty Cashword* (\$3.00)
 - Rule 3770:1-9-350, *Holiday Lucky Times 10* (\$5.00)
 - Rule 3770:1-9-351, *Holiday Lucky Times 20* (\$10.00); and
 - Rule 3770:1-9-353, *Bingo Squared* (\$2.00).
- Chairman McDonald then requested a Motion to approve the six (6) Instant Game Rules in Final Form. Commissioner McAleer made a Motion that was seconded by Commissioner Brady. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF TWO (2) INSTANT GAME RULES IN PROPOSED FORM AS AMENDED

Mr. Miltner brought before the Commission two (2) Instant Game Rules for approval in Proposed Form as Amended. These Rules were approved in Proposed Form at the June 20, 2016 Meeting. However, changes needed to be made to the prize structure by Intralot. As such, they are being brought back to the Commission for approval in Proposed Form as Amended. The Rules are as follows:

- Rule 3770:1-9-951, *EZPLAY® Blustery Bucks* (\$10.00); and
 - Rule 3770:1-9-952, *EZPLAY® Twenty 20's* (\$20.00).
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- Chairman McDonald then requested a Motion to approve the two (2) Instant Game Rules for approval in Proposed Form as Amended. Commissioner Brady made a Motion that was seconded by Commissioner Krulak. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN FINAL FORM – AMENDMENTS

- Mr. Miltner brought before the Commission the approval of one Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, with Amendments, in Proposed Form. The Rule is as follows:
 - Rule 3770:1-5-10, *Financial administration*.
- Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, Amendments, in Final Form. Commissioner McAleer made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

**RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES,
CONSTANCE MILLER, DEPUTY DIRECTOR, OPERATIONS**

- Ms. Miller brought before the Commission a Resolution to approve thirty-two (32) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The thirty-two (32) Game Themes are as follows: one (1) game theme submitted by Aristocrat; four (4) game themes submitted by Bally; eight (8) game themes submitted by Everi; fourteen (14) game themes submitted by IGT; four (4) game themes submitted by ITS; and one (1) game theme submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for thirty-two (32) Video Lottery Game Themes. Commissioner Lewis made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

**BUSINESS ASSESSMENT STATUS UPDATE, CONSTANCE MILLER, DEPUTY
DIRECTOR, OPERATIONS**

- Ms. Miller stated that with respect to the status of Spectrum's report, Spectrum was expected to have a final report by the end of July 2016. That deadline has been extended due to travel issues and the Republican National Convention the week of July 18, 2016.
- Ms. Miller stated that Spectrum will be on-site over the next few weeks to work on various components of their report. The intent is not to issue the report piecemeal but to issue it all at one time, and they anticipate issuing it sometime in August 2016.
- Ms. Miller stated that once the report is complete, Spectrum will meet with Senior Staff and any of the Commissioners that are interested to vet through the items in the

report before Spectrum issues the report publicly. It is expected that everything will be completed in approximately four (4) weeks.

**OFFICE OF MARKETING COMMUNICATIONS REPORT, SANDY LESKO,
DEPUTY DIRECTOR**

- Ms. Lesko reported that several months ago, the former Clear Channel Radio which was rebranded to iHeart Radio, approached the OLC about doing a promotion during the summer months. If a player purchases a \$5.00 Pick 3, Pick 4, Pick 5 or Rolling Cash 5 ticket, and it is a non-winning ticket, the player can enter that ticket from July 11, 2016 through August 15, 2016 through MyLotto Rewards to win prizes through a random drawing. The top prize is a trip to Las Vegas to attend the iHeart Radio Music Festival, and there are several lower tiered prizes as well.
- Ms. Lesko played one (1) television spot and one (1) radio spot for the iHeart Radio Promotion.
- Commissioner Whalen asked when iHeart Radio approached the OLC with this promotion, did they already have the prize in mind and then the OLC decided which games to tie it to. Ms. Lesko responded that yes iHeart Radio established the prize, and the OLC established which games to tie the promotion to.
- Commissioner Whalen asked how long a process such as this generally takes. Ms. Lesko responded that this specific promotion took approximately four (4) to five (5) months from start to finish.
- Ms. Lesko stated that there will be mini *Cash Explosion*® game shows at the State Fair this summer.

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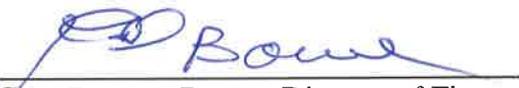
- Chairman McDonald asked what the difference was between a mini *Cash Explosion*® game show and a *Cash Explosion*® road show.
- Ms. Miller responded that it is not an actual taped show that would air on television. Throughout the day at the State Fair, individuals can play the game on touch screen televisions for a chance to win prizes. One of the prizes that can be won is an opportunity to play the mini game show for a chance to win \$500.00.
- Ms. Lesko stated that the OLC will be promoting the Monopoly Millionaire's Club at the State Fair with a scavenger hunt that drives participants to learn more about the game. The scavenger hunt has been successful in previous years at the State Fair.
- Ms. Lesko stated that the *Cash Explosion*® Fan Appreciation Day will be held on Saturday, August 6, 2016.
- Chairman McDonald asked if the next *Cash Explosion*® road show has been scheduled yet.
- Ms. Miller responded that the *Cash Explosion*® Show is coming up on its thirty (30) year anniversary in September 2016. The bonus drawing process is going to be changed and merchandise prizes will be added into the game. Staff is currently looking at Northwest Ohio area to have a road show.

OFFICE OF SALES MANAGEMENT REPORT, PATTY VASIL, DEPUTY DIRECTOR

- Ms. Vasil reported that the MPQK program went live on Sunday, June 19, 2016. As of Saturday, July 9, 2016, nine hundred and seventy-six (976) terminals have been delivered and installed in approximately eight hundred and fifty (850) locations, and sales thus far from those terminals totaled \$1.47 million.
- Ms. Vasil stated that there were three (3) MPQK games available to play on the terminals when the program launched, and the OLC is looking to have an additional game added in August 2016.

ADJOURNMENT

- Chairman McDonald stated that the next Meeting will be held on August 16, 2016 at 12:00 p.m. in Columbus at Mills James. Chairman McDonald adjourned the July 11, 2016 Meeting at 1:04 p.m.


Greg Bowers, Deputy Director of Finance

Approved:


Patrick McDonald, Chairman