



**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**

**OCTOBER 17, 2016
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
John Lewis
Trevor McAleer
Patrick McDonald
Angela Mingo
Sean Whalen

Executive Staff of the Commission:

Dennis Berg, Director
Greg Bowers, Deputy Director, Finance
Steve Kmiotek, Interim Deputy Director, General Services
Sandy Lesko, Deputy Director, Marketing Communications
Constance Miller, Deputy Director, Operations
Lawrence Miltner, Chief Legal Counsel
Mike Petro, Deputy Director, Information Technology
Carla Tricarichi, Deputy Director, Government and Community Relations
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
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Thomas Schervish, Office of Information Technology
Luigi DiRienzo, Office of Information Technology
Debbie Pirone, Marcus Thomas
Sarah Wright, Hart
Charlie Scannella, Scientific Games
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
John Walker, Scioto Downs
Kyle Wentz, Hard Rock Rocksino
Greg Kolocin, Hard Rock Rocksino
Gary DeWitt, Hollywood Gaming, Dayton
Mike Galle, Hollywood Gaming, Mahoning Valley
John Oberle, Ice Miller
Ed Dick, JACK Thistledown
Eric Sarmiento, Cavitch

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of October 17, 2016, was called to order at 12:05 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, John Lewis, Trevor McAleer, Pat McDonald, Angela Mingo and Sean Whalen.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald offered the opportunity for any first time attendees to introduce themselves. However, there were no first time attendees present.

APPROVAL OF MINUTES OF SEPTEMBER 19, 2016

- Chairman McDonald requested a Motion to approve the September 19, 2016 Minutes. Commissioner McAleer made a Motion that was seconded by Commissioner Mingo. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that on September 28, 2016, the OLC received the Business Assessment conducted by the Spectrum Gaming Group. The report is generally positive about the operation of the OLC, but does identify several recommendations for changes to the business structure to improve sales and in turn generate more profits for education.
- One (1) of their key recommendations is to explore transitioning to a quasi-public corporation or broadening the duties of the Commission, either of which would probably require review of 3770.
- Chairman McDonald asked Mr. Miltner if that would be a legislative change or a change to 3770 of the Administrative Code. Mr. Miltner responded that it would require a change to the statute.
- Chairman McDonald stated that Director Berg will expand on the Business Assessment during the Director's Report.
- Chairman McDonald congratulated Ms. Lesko on her marriage over the weekend in Hocking Hills.

- Chairman McDonald stated that the 2016 North American Association of State and Provincial Lotteries (“NASPL”) Business Meeting was held earlier in October in Atlanta, and he congratulated Director Berg on being elected NASPL’s Treasurer.

AUDIT COMMITTEE UPDATE, COMMISSIONER SEAN WHALEN

- Commissioner Whalen reported that the Audit Committee held its quarterly Meeting prior to the Commission Meeting held on September 19, 2016.
- Commissioner Whalen reported that Internal Audit is 47% engaged with the proposed audits in the fiscal year 2017 Audit Plan.
- Commissioner Whalen stated that the Audit Committee is actively working on a resource assessment with the audits to look at the cycle time it takes to complete the entire audit. There is a large population of audits that can be done but they all vary on risk levels, business environment and several other priorities that may come up.
- Commissioner Whalen stated that what the Audit Committee wants to do is make sure that they are hitting all the high risk, medium risk and low risk audits at the right intervals. It is important to hit all sides of the business and not just the high risk. However, the high risk items need to be done as well.
- Commissioner Whalen stated that there are not enough hours in the day, as is with a lot of things, so it is important for the Audit Committee to do some prioritization. The Audit Committee is working with Internal Audit in order to understand how best to approach the prioritization of audits and if there is currently enough resources to achieve that from an audit perspective.
- Commissioner Whalen reported that the annual assurance review from the Office of Budget and Management (“OBM”) has come in. This is important because the OLC

has its own Internal Audit Department and does not rely on the State for its audit services. The assurance review by OBM tests the reliability and standards that are applied by the Internal Audit Department to make sure that what they put fourth is reliable and useful. OBM will conduct another assurance review in March 2017.

- Commissioner Whalen stated that the next Audit Meeting is scheduled on December 19, 2016 at 10:00 a.m. before the Commission Meeting.
- Chairman McDonald stated that the Commissioners who serve on the Audit Committee have done a good job, and he is very impressed how the Audit Committee has evolved over the past couple of years.

DIRECTOR'S REPORT AND THE OFFICE OF FINANCE REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that September represented the third month and the end of the first quarter of fiscal year 2017. Total Sales of \$227.2 million were down \$6.7 million or 3.0% compared to last September.
- Director Berg reported that Multi-State game sales of \$17.2 million were down \$3.9 million compared to last September. Instant ticket sales of \$114.1 million were down \$7.6 million or roughly 6.0% from last September.
- Traditional *Keno* sales of \$30.3 million were \$3.5 million or 13.2% higher than last September and broke an all-time monthly sales record the month of September. The 50/50 raffle game commenced sales on August 29, 2016, and sales for September were \$855,000.

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- Director Berg reported that VLT sales for the month of September were \$73.1 million, of which \$24.5 million went to the OLC. Each track exceeded sales for last September.
- Transfers to the Lottery Profits Education Fund (“LPEF”) of nearly \$82.0 million, were \$5.1 million above projections but \$2.2 million below last September’s profit transfer.
- Director Berg reported that the 2016 Combined Charitable Campaign formally ended last Friday, October 14, 2016. However, contributions will be accepted through the end of October. Statewide, participation has declined from last year.
- Filming for the 2016 Holiday Campaign took place the week of October 10, 2016, and the spots will be shown at the November 2016 Commission Meeting.
- Director Berg stated that the Business Assessment is currently being reviewed by Senior Staff. The review is intended to identify which objectives are achievable, and according to their impact, should be given priority. Several items related to the OLC’s governance structure and interactions with other State agencies, are outside of the OLC’s control and will be noted as such.
- Recommendations related to Marketing and Sales initiatives are being implemented in several areas already. The OLC does support the recommendations related to enhancing its digital presence, as well as exploring cashless transactions in the vending machines.
- Commissioner Lewis asked what a quasi-public organization would look like in terms of governance. Mr. Petro responded that the Governor and the Legislature would appoint a Board of Trustees instead of a Commission. The Board of Trustees

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would be empowered with making decisions on major procurement and major hirings and firings.

- Commissioner Lewis asked who would appoint the Board of Trustees. Mr. Petro responded that typically the Governor and Legislature would appoint individuals. As Mr. Miltner had stated earlier, if the OLC is going to go down that path, there would have to be legislative change.
- Director Berg stated that there are two (2) employees present at today's Meeting that will be retiring later this month, Thomas Schervish and Patty Vasil.
- Director Berg stated that Mr. Schervish started working at the OLC in 1983, and he currently oversees the Gaming Systems group in Strongsville. Mr. Schervish is very diligent, and he has so much experience that he is going to be a huge loss to the agency. Director Berg asked Mr. Petro to say a few words as well.
- Mr. Petro stated that Mr. Schervish is passionate about making the OLC better, not just from a technical standpoint but also with performing services to make things better for OLC customers and retailers. Mr. Schervish is going to be hard to replace.
- Mr. Schervish thanked everyone. He stated that the OLC has been a very good home for him and he wishes it well.
- Director Berg stated that Ms. Vasil started at the OLC in 1991 as a Sales Representative in the Columbus Regional Office. She is extremely passionate about her job, and it has been a pleasure working with her.

- Ms. Vasil stated that since she started working at the OLC in 1991, she has loved every job she has ever had, and she appreciates every staff member and the entire agency.

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 3770:1-9-374, *Cash X5* (\$1.00);
 - Rule 3770:1-9-375, *Cash X10* (\$2.00);
 - Rule 3770:1-9-376, *Cash X15* (\$3.00);
 - Rule 3770:1-9-377, *Cash X20* (\$5.00);
 - Rule 3770:1-9-378, *Cash X50* (\$10.00); and
 - Rule 3770:1-9-379, *30th Anniversary Cash Explosion®* (\$2.00).
- Chairman McDonald then requested a Motion to approve the six (6) Instant Game Rules in Proposed Form. Commissioner McAleer 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 FOUR (4) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Miltner brought before the Commission four (4) Instant Game Rules for approval in Final Form. The Rules are as follows:
 - Rule 3770:1-9-365, *Luck of the Irish Tripler* (\$1.00);
 - Rule 3770:1-9-366, *777* (\$2.00);
 - Rule 3770:1-9-367, *Road to Riches* (\$5.00); and
 - Rule 3770:1-9-368, *Max the Money* (\$30.00).

- Chairman McDonald then requested a Motion to approve the four (4) Instant Game Rules in Final Form. Commissioner Brady 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-seven (37) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The thirty-seven (37) Game Themes are as follows: Aristocrat; seven (7) game themes submitted by Bally; one (1) game theme submitted by Everi; seventeen (17) game themes submitted by IGT; two (2) game themes submitted by ITS; two (2) game themes submitted by Konami; and two (2) game themes submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for thirty-seven (37) Video Lottery Game Themes. Commissioner Brady made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.
- Ms. Miller stated that there will be a presentation at an upcoming Commission Meeting on the 30th Anniversary *Cash Explosion*® Game Show. A Roadshow is being planned, as well as a lot of special events.

OFFICE OF GOVERNMENT AND COMMUNITY RELATIONS REPORT,

CARLA TRICARICHI, DEPUTY DIRECTOR

- Ms. Tricarichi reported that at the Federal level, Senator Tom Cotton of Arizona introduced a new version of Restoration of America's Wire Act which would make internet gambling illegal. There have been no hearings thus far, and the bill has been

referred to the committee. Sheldon Anderson of the Sands Group is supportive of this bill, and NASPL is tracking it.

- Ms. Tricarichi reported that on the State level, Senator Coley introduced legislation, SB 356, which would characterize sports fantasy as games of chance, and it also indicates that the Queen of Hearts type games be regulated by the Casino Control Commission. Currently, no hearings have been scheduled. There has been litigation on this issue whether sports fantasy is chance or skill.
- Ms. Tricarichi reported that the OLC submitted three (3) legislative proposals along with the Biennium Budget submission: the OLC conducting a Voluntary Exclusion Program; Business Continuity; and following OBM's request regarding Audit Committee reports.
- Ms. Tricarichi stated that OLC staff attended problem gambling training in Summit County. It was well attended by approximately one hundred (100) counselors.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers presented to the Commission a fiscal year 2017 first quarter financial review. The presentation compared sales from the first quarter of fiscal year 2016 to the sales from the first quarter of fiscal year 2015.
- Mr. Bowers reported that the fiscal year 2018 and fiscal year 2019 Biennium Budget was submitted to OBM on October 14, 2016. It is still in the review process. Once it is finalized, it will be sent to the Governor's Office, and they have until January 2017 to introduce it to the House of Representatives.
- Chairman McDonald asked Mr. Bowers to forward the Director's Letter to the Commissioners.

- Chairman McDonald asked what the annual budget amount was that was submitted. Mr. Bowers responded that it was \$380 million including prizes.
- Mr. Bowers stated that the OLC received an unmodified audit opinion on its Comprehensive Annual Financial Report.
- Mr. Bowers thanked the General Accounting staff and the Budget staff for all their hard work and efficiency.
- Chairman McDonald asked what the non-prize related administrative portion of the budget was. Mr. Bowers responded that the operating budget for fiscal year 2018 is \$154 million and for fiscal year 2019 it is \$156 million.

OFFICE OF SALES MANAGEMENT REPORT, PATRICIA VASIL, DEPUTY DIRECTOR

- Ms. Vasil stated that she wanted to compare instant ticket sales during the holiday period from when she first started at the OLC to last year's sales.
- Ms. Vasil reported that the highest weekly instant ticket sales in 1991 was the week of Thanksgiving at \$14 million, and total instant ticket sales for the month of December 1991 was \$56.6 million.
- Ms. Vasil reported that in 2015, the OLC had record breaking weekly instant ticket sales. The week ending December 24, 2015, instant ticket sales totaled \$44.3 million, and in 1991 they were \$14 million. Total instant ticket sales for the month of December 2015 were \$160 million.

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- Ms. Vasil stated that the OLC's commitment is to provide quality customer service and to help retailers increase sales to help raise transfers to the LPEF. Ms. Vasil stated that she commends the OLC and wishes it all the success.
- Chairman McDonald stated that Ms. Vasil's service to the OLC is truly commendable, and all of her hard work over the years is greatly appreciated.

ADJOURNMENT

- Chairman McDonald adjourned the October 17, 2016 Meeting at 1:07 p.m.


Dennis Berg, Director

Approved:


Patrick McDonald, Chairman