



**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**

**SEPTEMBER 19, 2016
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

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

Executive Staff of the Commission:

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

Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Gwen Penn, Contract Compliance Manager
Karen Russo, Office of Government and Community Relations
Mike Gonzalez, Office of Finance
Marie Kilbane Seckers, Office of Communications
James Hare, Sales Representative, Canton Regional Office
Scott Anderson, Ohio Department of Mental Health and Addiction Services
Stacey Frohnapfel-Hasson, Ohio Department of Mental Health and Addiction Services
Renee Singleton, Singleton and Partners
Joyce Brown, Singleton and Partners
Elizabeth Abate, Marcus Thomas
Glenda Terrell, Marcus Thomas
Karen Nichols, Scientific Games
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
John Walker, Scioto Downs
Tom Diehl, Scioto Downs
Kyle Wentz, Hard Rock Rocksino
Greg Kolocin, Hard Rock Rocksino
John Oberle, Ice Miller
Ed Dick, JACK Thistledown

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of September 19, 2016, was called to order at 12:04 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: Allan Krulak, John Lewis, Trevor McAleer, Pat McDonald, Angela Mingo, William Morgan and Sean Whalen. Commissioner James Brady arrived after Roll Call.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendees James Hare from the Canton Regional Office; and Renee Singleton from Singleton and Partners.

APPROVAL OF MINUTES OF AUGUST 16, 2016

- Chairman McDonald requested a Motion to approve the August 16, 2016 Minutes. Commissioner Krulak made a Motion that was seconded by Commissioner Lewis. The Motion was affirmatively voted upon by all Commissioners present.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that Commissioner Lewis and Commissioner McAleer were reappointed for terms ending August 1, 2019. Commissioner Vaci's term expired but he expects for her reappointment as well. She is not present at today's Meeting because she is on vacation.
- Chairman McDonald stated that the Audit Committee met prior to today's Commission Meeting to review internal and external audits. Commissioner Whalen will be giving a status update at the October Commission Meeting.
- Chairman McDonald stated that in regards to the Business Assessment, Spectrum will be delivering their report within the week, and the Steering Committee will meet to discuss the next steps once the report is delivered.
- Chairman McDonald stated that today on the Agenda there are two (2) special presentations. Stacey Frohnafel-Hasson will be presenting from the Ohio Department of Mental Health and Addiction Services; and Renee Singleton will be presenting from Singleton & Partners.

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

- Director Berg reported that August represented the second month of fiscal year 2017. Total Sales of \$237.3 million were up \$7.1 million or 3.0% higher compared to last August.
- Traditional Keno sales of \$31.0 million were \$2.9 million or 10.5% higher than last August and broke an all-time monthly sales record the month of August. Multi-state game sales of \$16.8 million were up \$3.8 million over last August.
- Director Berg reported that the OLC's new raffle game, *Ohio 50/50*, commenced sales on August 29, 2016. Sales for the first week were \$202,000.
- Instant ticket sales for the month of August were \$121.2 million. Sales were down \$938,000 or roughly .08% from last August.
- Total sales of \$237.3 million were the highest ever for the month of August. VLT sales for the month of August were \$74.5 million, of which \$24.9 million went to the OLC. Each track exceeded sales compared to last August.
- Director Berg reported that transfers to the Lottery Profits Education Fund of nearly \$84.0 million were \$3.3 million above projection and \$308,000 above last August's profit transfer.
- Year-to-date total sales of \$499 million are up \$34 million or 7.3 % over the same time period last fiscal year. This can primarily be attributed to multi-state game sales.

- Director Berg stated that the prize expense was high for the month of August, and he asked Mr. Bowers to elaborate further.
- Mr. Bowers stated that there were two (2) large payouts on *Pick 4* in August so the prize expense was at 69%. In a typical month, the prize expense should range between 49%-50%. With the prize expense being at 69%, that was \$3.8 million over the game matrix. The prize expense for last August was 48%.
- Director Berg stated that instant ticket sales are down \$4.0 million or 1.6% through the same time period last fiscal year. He stated that the OLC is continually looking at the cause and effect as to why instant ticket sales are down.
- Chairman McDonald asked if there were any thoughts on why instant ticket sales are down and if that was a continuous trend.
- Mr. Fornaro responded that one reason for the decline in instant ticket sales compared to the previous year could be due to a timing issue. Sales are strong in the \$10.00 instant games but sales have been faltering a bit for years in the \$5.00 instant games so the OLC is taking a look into why that could be.
- Chairman McDonald asked if there were any comparables to other States, and are they seeing the same problem as the OLC.
- Mr. Fornaro responded that other States are seeing some increases in their instant ticket sales.
- Chairman McDonald asked staff to report back on the instant ticket discussion to the Commission.

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- Director Berg stated that instant ticket sales are more steady because they are not jackpot driven. The OLC may be seeing some pressure for discretionary money from players that was not seen prior to the opening of the four (4) casinos and seven (7) racinos. Ohio had eleven (11) gaming facilities open in a short period, and he does not believe any other States have had that many gaming facilities opening in such a short time frame.
- Director Berg stated that the Combined Charitable Campaign kickoff was held in the second floor auditorium on Thursday, September 1, 2016. The event was well attended by OLC employees as well as other State employees from the building.
- Director Berg stated that there is a retiree present at today's Meeting. Jim Hare is a Sales Representative out of the Canton Regional Office. Ms. Vasil stated that Mr. Hare has been a Sales Representative since March 1990. She stated that his dedication to the OLC was greatly appreciated, and he is well respected by his peers and the retailers that he services. Mr. Hare stated that it was a pleasure to serve the OLC, and he thanked everyone. On behalf of the Commission, Chairman McDonald thanked Mr. Hare for his hard work and wished him happiness in his retirement.
- Chairman McDonald asked how *Classic Lotto* is doing. Director Berg responded that sales for Classic Lotto are steady and remain consistent and there was not a big impact on sales after joining *Lucky For Life*®.
- Chairman McDonald acknowledged that Commissioner Brady was in attendance at 12:19 P.M.

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

- Mr. Fornaro brought before the Commission one (1) Instant Game Rule for approval in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:1-9-359, *Cleveland Cavaliers*.
- Commissioner Brady asked if the OLC negotiated the contract with the NBA or was it done outside the OLC. Mr. Fornaro responded that the OLC's vendors have different agreements and this is one (1) that Scientific Games has with the NBA. The OLC went through Scientific Games to the NBA to get everything approved. The process took about six (6) to eight (8) weeks to go through all the approvals.
- Mr. Fornaro stated that the directions are on the back of the ticket so that they do not take away from the artwork. The game is a key number match game that players are already familiar with so having the directions on the back of the ticket should not be a problem.
- Chairman McDonald then requested a Motion to approve one (1) Instant Game Rule in Proposed and Final Form. Commissioner Morgan made a Motion that was seconded by Commissioner McAleer. 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. Fornaro brought before the Commission four (4) Instant Game Rules for approval in Proposed 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)
 - Rule 3770:1-9-368, *Max the Money* (\$30.00)

- Chairman McDonald asked how many \$30.00 instant tickets are currently out. Mr. Fornaro responded that there are currently two (2) \$30.00 instant tickets out.
- Chairman McDonald then requested a Motion to approve the four (4) Instant Game Rules in Proposed Form. Commissioner Lewis 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 Final Form. The Rule is as follows:
 - Rule 3770:2-10-60, *Game rule number sixty, “General video lottery game rule”*.
- 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 Brady made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE OF LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

- Mr. Miltner stated that he had sent out an email to all of the Commissioners regarding annual mandatory Ethics Training and the locations it can be completed. The deadline for completion is December 19, 2016.

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

- Ms. Miller brought before the Commission a Resolution to approve forty-three (43) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. Forty-six (46) game themes were submitted for approval. However, two (2) of the game themes submitted by Bally had top denominations of \$20,000 and are being held pending confirmation that those amounts can be blocked; and one (1) game theme submitted by Konami had a prize payout below 85%. The forty-three (43) Game Themes are as follows: five (5) out of seven (7) game themes submitted by Bally; eight (8) game themes submitted by Everi; twenty-two (22) game themes submitted by IGT; four (4) game themes submitted by ITS; three (3) out of four (4) game themes submitted by Konami; and one (1) game theme submitted by WMS.
- Chairman McDonald then requested a Motion to approve the Resolution for forty-three (43) of the forty-six (46) Video Lottery Game Themes. Commissioner McAleer made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

**OHIO PROBLEM GAMBLING SERVICES PRESENTATION, STACEY
FROHNAPFEL-HASSON, PROBLEM GAMBLING SERVICES BUREAU
CHIEF, OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION
SERVICES**

- Ms. Tricarichi introduced Stacey Frohnafel-Hasson and Scott Anderson from the Ohio Department of Mental Health and Addiction Services.

- Ms. Frohnappel-Hasson, Problem Gambling Services Bureau Chief for the Ohio Department of Mental Health and Addiction Services, gave a detailed presentation and overview of Ohio's problem gambling services for fiscal year 2016.

SINGLETON AND PARTNERS PRESENTATION, RENEE SINGLETON, PRESIDENT AND CHIEF EXECUTIVE OFFICER AND JOYCE BROWN, VICE PRESIDENT OF CORPORATE MARKETING, SINGLETON AND PARTNERS


- Glenda Terrel from Marcus Thomas, introduced Singleton and Partners.
- Renee Singleton, President and Chief Executive Officer and Joyce Brown, Vice President of Corporate Marketing for Singleton and Partners, gave a brief overview of their partnership with Marcus Thomas, Mills James and the OLC.

ADJOURNMENT

- Chairman McDonald adjourned the September 19, 2016 Meeting at 1:06 p.m.


Dennis Berg, Director

Approved:


Patrick McDonald, Chairman