

MINUTES

ARKANSAS LOTTERY COMMISSION

Wednesday, December 2, 2013

10:00 a.m.

**124 West Capitol Avenue, Third Floor
Little Rock, Arkansas**

Call to Order

Chairman George Hammons called the meeting to order. Commissioners Smokey Campbell, Julie Baldrige, Ben Pickard, Dianne Lamberth, Raymond Frazier, Doug Pierce and Mark Scott were also present. Staff members present included Director Bishop Woosley, Matt Brown, Jean Block, Jerry Fetzer, Robert Stebbins, Joanna Bunten, Lance Huey, Angela Meredith, Patti Vick, Maria Craig, Terry Williams, Valerie Basham and Jeremy Smith.

Approval of Minutes

The first order of business was the approval of the minutes of the meeting held on October 16, 2013. Commissioner Campbell made a motion to approve, Commissioner Frazier seconded the motion, and the minutes were approved unanimously.

Report from the Internal Auditor

Internal Auditor Brown was recognized to give his monthly Internal Audit Update (in file). Mr. Brown reported that Audit Project No. 15, Instant Ticket Warehouse Operations, was complete and a report had been issued on October 17, citing no observations or recommendations. Audit Project No. 23, Claim Center Operations, was completed and a report issued on November 25. There were observations and recommendations made (on file). Audit Follow-Up No. 14F, Back Office System (BOS) Administration Follow-Up Procedures, was completed and a report was issued on November 1, with observations and recommendations made (on file). Audit Follow-Up No. 36F, Accounting Close & Reporting Follow-Up Procedures, was complete and a report was issued on November 20. There was an observation noted and recommendations made (on file). He reported that work had begun on Consulting Project No. 45, Financial Statements & CAFR Review, and that Audit Project No. 47, Instant Ticket Reconstructions, was in the planning stage.

Report from the Director

Director Woosley was recognized to give his regular report (in file). He reminded the commissioners that there would be an LOC meeting on December 10 at 1:30 and the Joint Legislative Audit Committee would be meeting on December 12 at 9:30. He also reminded the commission that Statements of Financial Interest would be due no later than January 31, noting that they had each been given two forms to complete, and asked that they return the forms to Ms. Vick. She would have all copies file-marked by

the Secretary of State, providing one copy to that office for filing, and one copy to retain for ALC records.

Noting the end of the calendar year, Director Woosley asked the commissioners to consider that Claim Center leases would be expiring in 2014 and suggested that it was time for the commission to begin considering options. He added that ALC's Advertising and Marketing contract was also due to expire in 2014, and asked that the commissioners begin considering what course to take in that regard.

Director Woosley reported on the monthly Comparative Income Statements. In comparing October 2013 to October 2012, he noted that instant ticket sales were down, which he attributed to the launch of a \$20 ticket in October 2012. Online ticket sales had improved, up over \$1.5 million compared to October 2012, which he said could possibly be because two very popular games, Natural State Jackpot and Fast Play AR Progressive Jackpot, had been introduced this year. Net proceeds were up a little over \$141,000 compared to the same month last year. In reviewing the Actual versus Budget Comparative Income Statement for October 2013, instant ticket sales were down considerably, approximately \$4.4 million less than budgeted. He reported that he and ASL sales staff had recently made visits to lottery retailers throughout the state and they had been told at virtually every location that overall sales were slow. Net proceeds for the month were a little lower than projected, which he explained could be related to "jackpot fatigue." Director Woosley then reported on Year-to-Date October 31, 2013, compared to Year-to-Date October 2012. Instant ticket sales for FY 2013 were \$6.2 million less than at this point in FY 2012, but online ticket sales for the current FY had grown by \$6.3 million. In reviewing the transfer analysis year-to-date, he reported that 2014 transfers were a little lower than anticipated, about \$1.7 million under budget for the current fiscal year.

Commissioner Lamberth asked how the Arkansas Million Dollar Raffle was performing. Director Woosley told her that sales were still slow, but he was expecting sales to spike near the date of the draw, which would be held January 2, 2014. During his retailer visits, many store owners relayed to him that they believed most people were delaying the purchase of raffle tickets until closer to the draw date, either because they were superstitious or because they believed they would have better chances of winning if "their tickets were on top."

Commissioner Pickard asked if a revision of the annual budget should be considered, perhaps in January. Director Woosley stated that a revision could still be possible, but that he would like to see the final sales numbers for the Million Dollar Raffle and for the current Mega Millions jackpot before making that decision. He added that generally speaking, the months of February, March and April are the months that generate the most revenue.

Commissioner Pickard asked if the commission could get a report on the Ticket Vending Machine installations, and also to provide monthly updates on the installations, to which Director Woosley agreed.

Commissioner Scott asked Director Woosley if the lottery had considered permitting the use of debit cards to purchase lottery tickets. Director Woosley said that he liked the idea of players being able to purchase lottery tickets using debit cards, but that there was pushback from the lottery retailers. He said that it would need to be brought before the commission to consider. He added that the commission may have to ask the state legislature to define the meaning of the word, "cash." Commissioner Scott asked that the conversation be continued at the next meeting. He added that he would like to know if it was possible to quantify the amount of sales lost by not accepting debit cards.

Reports from ALC Committees

Chairman Hammons recognized Commissioner Pickard to give the Personnel Committee report. Commissioner Pickard reminded the commission that in September it had voted to approve a change to the personnel evaluation period to have an end of May deadline for the current fiscal year, with merit recommendations payable on the last payday of the current fiscal year. On October 16, 2013, the ALC Personnel Committee voted unanimously to forward to the full commission the coordination of the process, to ensure it was conducted in a timely and fair manner. Commissioner Pickard made the following motion:

- 1. Any merit bonus paid to an employee for CY2014 will be based upon the higher performance category percentage received by that employee as between his/her FY2013 and FY2014 performance evaluations.**

- 2. Any merit bonus paid to an employee for CY2015 will be based upon the employee's FY2015 performance evaluation.**

This process will continue in all following years.

The motion was seconded by Commissioner Lamberth and the motion passed unanimously.

Chairman Hammons recognized Commissioner Pierce to provide an update on the Retail & Marketing Committee. Chairman Pierce reported that the committee had met earlier this date and had voted to move out of committee the consideration of the increase in the ALC mileage rate from the state rate of 42 cents per mile to the current GSA rate. He also reported that the committee had been asked by Director of Sales Robert Stebbins to review the Retailer Newsletter and possibly discuss ideas and suggestions for the newsletter at the next committee meeting.

Chairman Hammons recognized Commissioner Scott, who reported that the Vendor Committee had met on October 16 and that ALC Vendors Scientific Games and Intralot had given presentations. Commissioner Scott invited the vendors to return at 1:00 p.m. on January 15 to discuss future opportunities.

Commissioner Frazier reminded Audit and Legal Committee members to consider the upcoming building leases at their next meeting.

Meeting Date

The next commission meeting was set for 10:00 a.m. on Wednesday, January 15, 2014.

There being no further business, the meeting was adjourned.