

**North Carolina Education Lottery Commission Meeting
Meeting Minutes**

Wednesday, June 21, 2023

In-Person – WebEx/Teleconference

Commissioners in Attendance: Ripley Rand, Chair
Cari Boyce
Lindsey Griffin
Joshua Malcolm
Jason Roth
Pamela Whitaker
Chris Hayes – via WebEx
Nigel Long

Commissioners Absent: Randy Jones

Select Staff in Attendance: Mark Michalko
Billy Traurig
Frances Little
Bill Jourdain
Randy Spielman
Terri Avery
Marbet Cuthbert
Hayden Bauguess
Cheryl Sutton
Damen Harris
George Walker

Other Participants: Benjamin T. Spangler, *Assistant Attorney General,
Department of Justice*
Martina Young, *Principal Consultant, Gallagher and
Associates*

The North Carolina State Lottery Commission meeting was held on Wednesday, June 21, 2023, at 10:01 a.m.in-person and via WebEx.

Chair Ripley Rand opened the meeting and welcomed everyone to the Commission’s first in-person public meeting in over two years.

Roll call of the Commissioners was taken. Commissioner Randy Jones was absent; Commissioner Chris Hayes participated via WebEx and all other Commissioners were present in-person.

Billy Traurig, Chief Legal Officer, read meeting announcements.

Attendees recited the Pledge of Allegiance.

Chair Rand reminded the Commission members that the Commission operates under the State Government Ethics Act and the NCEL Commission's adopted code of ethics. In addition to complying with all civil laws, administrative requirements, and criminal statutes governing conduct of State government appointees, Commission members should notify him of any changes in their Statement of Economic Interest that could bring about potential conflicts of interest. It being their duty to monitor, evaluate and manage their personal, financial, and professional affairs to ensure the absence of conflicts of interest. He then asked if anyone had a known conflict of interest with respect to any matter before the Commission at the current meeting. No one indicated they had a conflict of interest.

Chair Rand acknowledged House Bill 347, an Act to Authorize and Regulate Wagering on Professional, College, Amateur Sports and, Horse Racing, along with Authorizing of Live Horse Racing in North Carolina, which was ratified by the General Assembly on June 8, 2023, and signed into law by Governor Cooper on June 14, 2023. Commissioners received a copy of the bill in their email for review prior to the meeting.

Chair Rand stated that the Commission and the NCEL staff had been tasked with the enormous responsibility of licensing and regulating the wagering activities governed by the law while at the same time maintaining the quality work and highest standards of integrity with the Lottery. The Commission and staff take these responsibilities seriously and ensuring they are addressed in a complete, professional, transparent, and timely manner. Based on a preliminary review of the bill, the intent is to launch the first wagers in advance of the statutory deadline of June 14, 2024. There are rules to draft, staff to hire, equipment to purchase, and much, much more. Because staff is still in the very early stages of this process, Chair Rand stated there would not be discussion of the new legislative initiatives during the meeting.

Information will be provided as it becomes available during future meetings and online at nclottery.com/sportsbetting. Adam Owens, NCEL Communications Manager, was present to address media inquiries on the day of the meeting.

Approval of Minutes

Chairperson Rand called for a motion to approve the minutes for the Wednesday, March 22, 2023 Commission Meeting along with the Budget Work Session Minutes from Tuesday, May 16, 2023. The motion was made by Commissioner Nigel Long and seconded by Commissioner Cari Boyce. The motion passed unanimously.

Performance Audit Report

Herb Delahanty from Delahanty Consulting presented the Commission with a detailed review of the annual Performance Audit Report. Mr. Delahanty provided observations and recommendations and then addressed questions from the Commissioners.

Revenue Generating Committee Report

Commissioner Long reported that the Revenue Generating Committee met on June 14, 2023, and covered three standard departmental reports and one action item. Randy Spielman, Deputy Executive Director of Product Development and Digital Gaming began with his report.

Product Development and Digital Gaming Update

Mr. Spielman gave a Product Development Update to the Committee. The report included a Scratch-Off Game Review for the 4th Quarter; Pick 3 and Pick 4 Growth Turnaround; FY23 Fast Play Update; and the Digital Scorecard showing 4th Quarter 2023 Online Play Performance.

Contract Review

The details of the proposed **Softchoice Cloud Services Agreement** were presented by Mr. Spielman, who also answered questions.

On behalf of the Revenue Generating Committee, Commissioner Long moved to approve the Softchoice contract as presented. With there being a motion from the Revenue Generating Committee to approve the Softchoice contract, Chair Rand asked if there were any questions from the Commissioners. There were no questions. A roll call vote was taken and the motion passed unanimously.

Brand Management & Communications Update

Susan Singley, Director of Advertising, presented on behalf of Terri Rose, Deputy Director of Brand Management & Communications, who was unavailable. Ms. Singley gave an update to the Commission, including Jackpot Awareness; the launch of four new scratch-off games; social post reminders for the Second Chance Drawings with Luke Combs; the return of the Fireball add-on for Pick 3 and Pick 4; “The Works” Promotion Digital and Video Messaging; Fast Play Games; Scratch-Off TV and Social Promotion; the Winners Club Trophy Generating Website; Carolina Keno Campaign; refresh of the Bring Home the Bucks Scratch-Offs; “Moving North Carolina Students Forward” story campaign; and Mr. First Tuesday Pet Day. Upcoming marketing sponsorships, winner videos, and Champions for New Schools and Educators initiatives were also presented. A video tour of the newly built Cherokee County Schools of Innovation and Technology was also shared with the Commissioners. There were no questions from the Commissioners.

Sales Update

Terri Avery, Deputy Executive Director of Sales, presented an update to the Commission, including Retailer Growth; Applications; Instant Scratch-Off Distribution; New Game Launch FY Percentage Averages; along with Chain Accounts and Performance. There were no questions from the Commissioners.

Operations and Personnel Committee Report

Commissioner Pam Whitaker reported the Operations and Personnel Committee met on June 14, 2023. She reminded the commissioners of the NCEL Employee year-to-date turnover rate of 2.22% and the vacancy rate of 1.4%. This represents the total vacancies versus the number of authorized positions, which is a great accomplishment. Commissioner Whitaker also described the process for the upcoming confidential Executive Director Review with the Commissioners.

Compensation Study

Commissioner Whitaker referenced the committee's current action item before the Commission: the compensation study recommendations offered by Human Resources and Gallagher and Associates formulated during the past year after a complete review of the agency pay rates, salary structure and policies.

Commissioner Whitaker introduced Ms. Martina Young, Principal Consultant with Gallagher's Human Resources and Compensation Consulting Practice, who provided a detailed overview of the findings to the Commission and provided recommendations. Bill Jourdain, Deputy Executive Director of Finance, Administration, and Security, was present for questions; prior to the meeting he provided the Commissioners with budget figures associated with the compensation study recommendations.

At the conclusion of Ms. Young's presentation questions from the Commission were asked and answered by Ms. Young, and Marbet Cuthbert, Director of Human Resources.

With no other questions, Commissioner Whitaker announced the Operations and Personnel Committee reviewed and approved the recommendations by Gallagher and Associates. On behalf of the Committee, Commissioner Whitaker moved to approve the recommendations brought forth by Gallagher and Associates per the Compensation Study and direct the Staff to implement them.

With there already a motion and approval by the Operations and Personnel Committee, Chair Rand asked if there was any discussion from the Commission regarding the motion. With nothing additional, Chair Rand called for a roll call vote. A roll call vote was taken. The vote was 7 Yea and 1 Nay. The motion was adopted.

Finance and Audit Committee Report

Finance Update

Commissioner Jason Roth mentioned the current meeting being the last for Bill Jourdain, Deputy Executive Director of Finance, Administration, and Security, and how much he would be missed.

Mr. Jourdain presented his final financial update to the Commissioners, which included information for the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Fiscal Year 2023 Ten Months Comparatives. Mr. Jourdain also reported \$885 million being the Cash Transfer to the Office of State Budget and Management through June 15, 2023. Both the Commission and Legislative targets had been met. He reported the Lottery Reserve Funds total was \$47 million and the total funds transferred to the State since inception being \$10.04 billion. At the conclusion of the update there were no questions from the Commissioners.

Budget Review and Approval

Mr. Jourdain proceeded to present the FY 2024 Budget. Questions were taken and answered from the Commissioners.

On behalf of the Finance and Audit Committee, Commissioner Roth moved that the Commission accept the FY 2024 Budget as presented. With there already a motion and approval by the Finance and Audit Committee, Chair Rand asked if there was any discussion from the Commission regarding the motion. With nothing additional, Chair Rand called for roll call vote. The motion passed unanimously.

Chair Rand took a moment to speak on behalf of the Commissioners present and past. He thanked Bill Jourdain for all of his hard work, which has contributed to the successes at the North Carolina Education Lottery. Mr. Jourdain received a standing ovation.

Internal Audit Update

Commissioner Roth referenced the audit reports included in the documents sent to the Commissioners prior to the meeting. Any questions regarding the reports are to be directed to Commissioner Roth or Mark Michalko, Executive Director.

Commissioner Roth announced that the Finance and Audit Committee approved the Internal Audit Activity Charter during its June 14, 2023, meeting. Any questions regarding the approved Charter are to be submitted to Mark Michalko.

Mr. Michalko announced that a new Director of Internal Audit was expected to start soon. [Editor’s note: a candidate accepted the position but subsequently backed out days before starting. The recruiting process was restarted.]

Executive Director Report

Mr. Michalko advised there would be two standard reports: one regarding Diverse Business Spending and the other a Legislative Update.

Diverse Business Spending

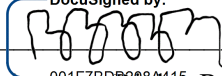
Dr. Cheryl Sutton, Director of Supplier Diversity and Outreach, provided an update to the Commission, which included a summary of the Diversity Spending through May 2023; renewal of the Corporate Membership with the Greater Raleigh Chamber of Commerce; and updates regarding the Diversity Champions initiative. Ms. Sutton addressed questions from the Commissioners.

Legislative Update

Hayden Bauguess, Director of Governmental Affairs, presented an update to the Commission which addressed the Legislative Budget. There were no questions from the Commissioners.

Other Business

With no other business to discuss, Commissioner Rand called for a motion to adjourn, which was made by Commissioner Whitaker. The motion was seconded by Commissioner Boyce. There was no discussion regarding the motion. Chair Rand asked for a roll call vote which passed unanimously. The meeting adjourned at 11:57 a.m.

DocuSigned by:

Chairperson Ripley Rand

9/28/2023
Date