

North Carolina Education Lottery Commission Meeting

Meeting Minutes

Wednesday, June 22, 2011

Commissioners in Attendance: Robert A. Farris, Jr., Chairman
Carla N. Archie
William F. Dowdy
Judge J. Marlene Hyatt
Lawrence M. Spears
Cullie M. Tarleton
Pamela M. Whitaker

Staff in Attendance: Alice Garland
Bill Jourdain
Lou Ann Russell

The NC Education Lottery Commission meeting was held Wednesday, June 22, 2011, at 1:00 p.m. in the Dr. Charles Sanders Conference Room of the North Carolina Education Lottery located at 2100 Yonkers Road, Raleigh, NC.

Opening and Approval of Minutes

Chairman Farris called the meeting to order and reminded everyone of the North Carolina Education Lottery (NCEL) Commission's firm commitment to serve the people of North Carolina by providing funds for education which should truly be additive and supplemental rather than replacement. Chairman Farris presented the minutes of the March 23, 2011 and May 4, 2011 meetings for approval. There being no changes to the minutes, Commissioner Dowdy moved both minutes be approved. Commissioner Archie seconded. The minutes were approved.

Audit Committee Report

Commissioner Archie reported that the Internal Audit Committee discussed plans for the FY 2011 Financial Audit with Mr. Eddie Burke from Cherry, Bekaert and Holland. The final Financial Audit Report should be available for the December Commission meeting.

Commissioner Archie presented the bi-annual Security Audit performed by Delehanty Consulting. Delehanty concluded that "the overall security of the NCEL is exemplary and continues to be enhanced." After discussion, Commissioner Archie moved to approve the Security Audit Report. Chairman Farris seconded. The Security Audit Report was approved.

Commissioner Archie reported:

- Audits were finalized on Retailer Contracts and Tax Reporting in the last quarter.
- Fieldwork is nearing completion for audits of Purchasing and Accounts Payable; Cash, Electronic Funds Transfer; and Accounts Receivable.
- Preliminary planning is underway for audits of instant and on-line ticket validations and related inventory controls.
- End of game processing for ten (10) games that ended in February was completed.
- Internal Audit participated with Security on testing the Random Number Generator drawing for the Lucke-Zone drawings, and served as the draw auditor for the four (4) drawings held.
- The NCEL recently received the GTECH SAS 70 Report which will be provided at the next Audit Committee Meeting.

Operations/Personnel Committee Report

Commissioner Whitaker presented draft revisions to the Attendance and Leave Policy 4.15 which modify the definition of Voluntary Shared Leave (VSL) and clarify that requests for VSL will only be allowed if the employee's Family and Medical Leave Act (FMLA) event requires an absence in excess of 40 consecutive work hours and the employee has exhausted all available leave.

Commissioner Whitaker presented draft revisions to Paid Time Off Policies 4.10 and 4.11. The revisions create a Paid Time Off (PTO) voluntary Annual Payout Option under which employees with at least one year of service as of November 1 each year may elect to request a payout of their unused available PTO balance up to a maximum of 40 hours for Director level and above employees and 80 hours for Non-Director level employees. Employees who elect the payout option must maintain a minimum of 40 hours in their PTO account as of October 31, and if an employee has received VSL during the same calendar year, the amount of VSL received will be deducted from the PTO payout request.

After discussion, Commissioner Whitaker moved to approve the revisions to the Attendance and Leave Policy 4.15 and Paid Time Off Policies 4.10 and 4.11 as presented. Chairman Dowdy seconded. The revisions were approved.

Finance Committee Report

Commissioner Spears presented the April 2011 Financial Report to the Commissioners.

- Total revenue for the ten (10) months of FY 2011 is \$1.21 billion compared to \$1.19 billion for the comparative period of FY 2010.
- FY 2011 sales are approximately \$24.1 million ahead of revised budget revenues from March.
- Net revenue earned for the Education Lottery Fund for the ten (10) months of FY 2011 totaled \$355.8 million. The NCEL has also allocated \$7.7 million towards the Medicaid funding deficit as directed by Office of State Budget Management and the Legislature.

Commissioner Spears submitted the FY 2012 Budget which was approved by the Finance Committee.

- Total anticipated revenues for FY 2012 are \$1.42 billion.
- Anticipated revenue to education is \$425.3 million

Commissioner Spears moved to approve the FY 2012 Budget. Commissioner Dowdy seconded. The FY 2012 Budget was approved.

Commissioner Spears reported that the Finance Committee reviewed the proposed amendment to the Sunshine Electronic Display Corporation Contract. The proposed amended contract states that the NCEL will exercise all five (5) one-year renewal terms in one (1) five-year term, and in return, Sunshine would provide and install new replacement cabinets and digital units for all of the NCEL's boards up to two (2) times during the five-year term. The cost savings of these upgrades to the NCEL would be approximately \$990,000. Before the NCEL commits to a five-year period, the Finance Committee requested that Ms. Russell negotiate with Sunshine for a three-year term with two (2) one-year renewal periods with upgrades prorated on that basis. Ms. Russell will also provide the Finance Committee with feedback on the projected need to change boards in the future due to game changes; and provide information on how many board changes would be needed if there are no game changes.

Executive Report

Alice Garland, Executive Director, presented the Key Performance Indicators, pointing out that FY11 sales surpassed FY 10 sales, making it the fifth straight year the NCEL has had year-to-year sales increases. Ms. Garland reported that with the upcoming transfer to Education, in five (5) years the NCEL will have transferred over \$2 billion to education for the state of North Carolina.

Ms. Garland provided an overview of the legislative activities from the recent legislative session that pertain to the NCEL.

Ms. Garland recommended that the Finance Committee and the Operations/Personnel Committee review their Committee Charters at the September Commission meeting. The Audit Committee Charter has been reviewed annually.

Ms. Russell, Deputy Executive Director, Marketing, Advertising and Communications, informed the Commission that the NCEL issued an RFP for Jackpot Display Signs and Related Services on May 13 for contractors to provide jackpot signs in NCEL retail locations, which will include installation, maintenance, and other related services. Three (3) proposals were received on June 8. The evaluation team had multiple questions for the responding contractors; therefore the team has not been able to finalize the scoring or make a recommendation to the Executive Director or Commission at this time.

Chairman Farris proposed an interim meeting on Wednesday, July 27 by teleconference or in-person to review the Jackpot Display Signs recommendation, the Sunshine Electronic Display Contract renewal, and potentially, the Lucke-Zone player rewards program RFP recommendation.

Ms. Russell presented the FY 2011 Fourth Quarter Advertising/Marketing Update. Ms. Russell provided an overview of advertising and marketing for the last quarter, and for the beginning of first quarter FY 2012.

Ms. Garland reminded the Commission of the upcoming NASPL meeting to be held from October 26-28, 2011.

There being no further business, Commissioner Hyatt moved to adjourn. Commissioner Spears seconded. The meeting adjourned.