

**North Carolina Education Lottery  
Commission Meeting**

**Meeting Minutes**

Thursday, September 12, 2019

*Commissioners in Attendance:* Courtney Crowder, Acting Chairman  
Nick Picerno  
Jody Tyson  
Jason Roth  
Chris Shew  
Buddy Bengel  
Morgan Beam  
Randy Jones

*By Telephone:*

*Absent:* Tony Rand

*Staff in Attendance:* Mark Michalko  
Hayden Bauguess  
Bill Jourdain  
Quan Kirk  
Frank Suarez, Jr.  
Mike Suggs  
Annette Taylor  
Terri Avery  
Van Denton

*The North Carolina Education Lottery meeting was held on Thursday, September 12 at 10:00 a.m. at the NCEL headquarters located at 2728 Capital Blvd, Raleigh, NC.*

Acting Chairman Courtney Crowder opened the meeting and greeted all Commissioners and meeting attendees.

Commissioners stood and recited the pledge of allegiance.

The Commission held a moment of silence in observance of 9/11.

**Approval of Minutes**

Commissioner Crowder presented the minutes from the June 26, 2019 meeting for approval. Commissioner Nick Picerno made a motion to approve the minutes. Commissioner Chris Shew seconded. The minutes were approved.

**Committee Reports**

*\*Financial Matters Committee*

Commissioner Jason Roth, Committee Chair, asked Bill Jourdain, Deputy Executive Director of Finance, Administration & Security, to present the Unaudited Financial Results FY2019 and the July 2019 Financial Report. Mr. Jourdain will report on the lottery reserve fund during the next Commission meeting.

*\*Internal Operations Committee*

Commissioner Shew, Committee Chair, gave a brief explanation of the discussion from the May 22, 2019 committee meeting.

Mike Suggs, Director of Internal Audit, gave Commissioners a brief overview of the committee meeting report and findings for the following audits:

- Audit of Security Operations, Fraud Investigation and Physical Security
- Audit of Tax Compliance
- Compliance review: Powerball Jackpot Winner

Marbet Cuthbert, Director of Human Resources, presented the following proposed policy changes:

- New Policy Updates
  - 4.35 - Paid Parental Leave
  - 4.36 – PTO Cashout.
- Amended Policy Updates
  - 4.10 – PTO Director and Above
  - 4.11 – PTO Non-Director
  - 4.15 – Attendance and Leave Policy
  - 4.35 – Fingerprinting Policy

Commissioner Morgan Beam made a motion to approve policy changes for: 4.35 Paid Parental Leave, 4.15 Attendance and Leave Policy, and 4.35 Fingerprinting Policy. The motion was seconded by Commissioner Picerno.

Policies 4.36 – PTO Cashout, 4.10 – PTO Director and Above, and 4.11 – PTO Non-Director will go back to the Internal Operations Committee for further review.

*\*Games & Marketing Committee*

Brand Management Update

Frank Suarez, Deputy Executive Director of Brand Management & Communications presented on the 1<sup>st</sup> Quarter FY20 (July – September) update. Items discussed included:

- July Scratch-Offs
  - Launched 5 new games
  - Red Hot Double Doubler (\$1) - 109
  - Heat Wave (\$2) - 96
  - Sizzlin Crossword (\$3) - 106
  - Blazing 7's (\$5) - 109
  - Red Hot Millions (\$10) – 116
- Achieved \$165 million in instant ticket sales for July (+14% vs. PY)
- First Millionaire of the Year Promo
  - Players could receive an automatic entry for a chance to be the first millionaire of 2020.
  - Minimum \$10 Powerball ticket purchase required
  - All expense paid trip to New York City to attend Dick Clark's Rockin' Eve and get a chance to win Powerball drawing for \$1 Million after midnight.
  - Lucke-Rewards drawings in July and August or 20 winners
- August Scratch-Offs
  - Launched four games in August

- 777 (\$2) - 118
  - Pay Me (\$5) - 81
  - Power 5's (\$5) – 95
  - \$5,000,000 Fortune (\$20) – 119
- Achieved \$161 million in instant ticket sales for August (+6.2% vs. PY)
- September Scratch-Offs
- Launched 4 Win it All games:
  - \$10,000 Win it All (\$1)
  - \$50,000 Win it All (\$2)
  - \$250,000 Win it All (\$5)
  - \$1,000,000 Win it All (\$10)
- Pick 3 Double Draw Promo
  - Annual Pick 3 Double Draw promotion returns September 1 - 30
  - Whenever the red ball is drawn during the evening Pick 3 drawing, players receive another opportunity to win with a second drawing that night
  - Previous Double Draw promotion last Feb. resulted in 9 of the top 20 sales days for Pick 3
  - Pick 3 is currently up +22% vs. PY
- Faster Keno Drawings
  - Time between drawings reduced to every 4 minutes
  - Starting September 15
  - Adds an additional 62 drawings each day
- Back to School Beneficiary Messaging

#### Product Development Update

Randy Spielman, Director of Product Development, present on the 1<sup>st</sup> Quarter FY20 (July – September) Items discussed included:

- Coming in October: The Big Spin
- Launch The Big Spin on October 1st
  - \$500,000 Top Prize – the largest ever on a \$5 scratch-off
- Engaging ways to play and win
  - Scratch and match
  - Digital prize reveal online
  - Win a live event Big Spin
- Pick 3: Growth Drivers
  - FY19 sales up 11%
  - Responsive to higher payouts
  - High frequency of Trips
    - 14 Trips FY19 vs. 6 Trips Average
    - \$38.8 million in prizes paid on Trips
  - Trends continue in early FY20: +22%
- Instant Optimization Update
  - Optimization Game Plan
    - Right-Sizing Games
    - Retail/Merchandising Alignment
    - Game Feature/Them Performance
    - Game Mix Optimization

**Sales Update**

Terri Avery, Deputy Executive Director of Sales, presented Commissioners with a sales update:

- Annual Sales Conference complete
- Keno blitz in Raleigh and Charlotte
- GT Draw Machines will launch in 10 days (250 machines in first phase)
- Hit 4.1 million in August
- Currently have 732 active/selling retailers; 239 new recruits falling into social category

Ms. Avery will send locations for new machines and any promotional activities to Commissioners

*\*Community Matters Committee*

Hayden Bauguess, Director of Government Affairs, provided the legislative updates:

- H.B. 929 (Gaming Commission Bill) – passed in the Finance Committee
- State Budget has been released. Highlights include:
  - \$694 million lottery target for this year
  - \$708 million lottery target for next year
  - 2.5% raise for state employees over the next 2 years (to total 5%)
- S.B. 154 (Tribal Gaming Bill) – continuing to watch

Annette Taylor, Minority Business and Community Affairs manager, will send Commissioners a master calendar of events and a list of all organizations (and membership fees) that NCEL has joined in the past year.

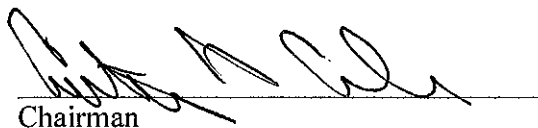
**Executive Report**

Mark Michalko, Executive Director, asked Commissioners to review the Contracts over \$90,000. There were no questions or additional comments.

**Closed Session**

Commissioners entered into closed session at 12:00pm to discuss personnel matters. Closed Session ended at 1:11pm.

With no other business to discuss the meeting was adjourned at 1:18pm.

  
Chairman

9/12/19  
Date