

North Carolina Education Lottery Commission Meeting

Meeting Minutes
Tuesday, March 13, 2018

Commissioners in Attendance: Courtney Crowder, Chairman
Tony Rand
Morgan Beam
Buddy Bengel
Randy Jones
Jody Tyson
Chris Shew

Absent: Doug Baker
Amy Ellis

Staff in Attendance: Mark Michalko
Alice Garland
Sarah Hardin
Bill Jourdain
Quan Kirk
Frank Suarez, Jr.
Mike Suggs

The North Carolina Education Lottery meeting was held on Tuesday, March 13, 2018, at 9:00 a.m. at the NCEL headquarters located at 2728 Capital Blvd, Raleigh, NC.

Chairman Crowder opened the meeting and greeted all commissioners and meeting attendees.

Commissioners stood for the pledge of allegiance led by Commissioner Buddy Bengel.

Closed Session

Chairman Crowder moved the meeting into closed session to discuss a personnel matter pursuant to NCGS §143-318.11(a)(6). The closed session lasted approximately 45 minutes.

Open Session

Chairman Crowder introduced Mark Michalko as the new NCEL Executive Director.

Commissioner Tony Rand expressed his appreciation to Hope Johnson, the NCEL's contracted executive recruiting professional, and the executive search committee for their work to find the best candidate for the NCEL Executive Director position. He was very pleased with the process and the final selection. A motion was made by Commissioner Rand to employ Mark Michalko as the new Executive Director of the lottery. The motion was seconded by Commissioner Jody Tyson. The motion was unanimously approved.

Mr. Michalko made brief comments to the Commission and thanked them for the opportunity to lead the NCEL.

Facilities Update:

- Wilmington Regional office project is complete and the office is operational.
- Charlotte regional office lease is currently under review. The current seven (7) year initial term runs through January 31, 2019 and has an option for an additional five (5) year renewal. This regional office also houses our backup data center for MIS operations.

Mike Suggs, Director of Internal Audit, presented on the internal audit reports.

- Security Assessment Report completed by SeNet International Corporation
- Audit of RFP and Conversion of Gaming System and Instant Ticket Vendor

Operations and Personnel Committee Report

Committee Chairman Jody Tyson gave an overview of the agenda items discussed in the Operations and Personnel Committee meeting held on March 13, 2018. Marbet Cuthbert, Director of Human Resources gave the committee an overview of proposed changes to NCEL policies 4.03 Alcohol Drug Free Workplace Policy, 4.25 Employee Separation Procedures, 4.32 Transfers and Promotions, 4.33 Background Screening and 9.02 Fingerprinting Policy. The committee voted to bring the proposed changes to the full commission for approval.

Commissioner Jody Tyson made a motion to approve proposed changes to the policies. Commissioner Jones seconded the motion. The motion was unanimously approved. The Committee decided to table Policy 4.17, Recruitment and Selection and Policy 7.05, Responsible Marketing and Advertising Standards to the next Commission meeting and requested that the NCEL staff make further changes based upon comments by the Committee members.

Revenue Generating Committee Report

There was nothing to report from the Revenue Generating Committee.

Executive Director's Report

Teri Avery-Fowler, Deputy Director of Sales gave the sales update.

- Keno
 - Upward trend between October and March with over 15 million games sold
 - Largest Keno week was in March with \$868,000 in sales
 - A minimum sales policy went into effect in February
 - There are 62 retailers pending approval for Keno
 - 5 new sales recruiters were temporarily hired by IGT, pursuant to its Gaming System Contract, to assist the NCEL with recruiting new Keno retailers.

Tony Chung, Deputy Director of MIS and Gaming Systems provided information regarding the balancing issue between the gaming systems involving the Carolina Cash 5 game. In summary, incident procedures were not followed correctly. However, NCEL is working with our ICS vendor to implement an automated process that could be used in place of the current manual spreadsheet system. This should help to eliminate errors in the future.

Alice Garland, Executive Director, reminded commissioners of the positions that were banked and could be used at her discretion. She is using one of the banked positions to hire a full-time facilities specialist. The position will service the needs of all NCEL buildings.

Ms. Garland reviewed the HUB and Contracts over \$90,000 reports. There were no questions.

Frank Suarez, Deputy Executive Director of Brand Management & Communications, gave the brand management update:

Keno

- A review and update of the Keno marketing plan was presented
- Keno requires a different approach:
 - Retailers will represent a new social environment retail format
 - The scale of retailers at launch will be relatively low
 - The geographic disbursement of these retailers may be spread across the State with a few pockets of concentration
- Advertising plan included two (2) phases
 - **Phase One :**
 - Objectives:
 - Raise awareness of adults age 25+ of the new game including, where to play and how to play
 - To drive trial, educate potential players in and around restaurants and bars that offer Keno
 - Marketing elements include:
 - Geo-Fenced Digital and Mobile, Utilize Waze for Awareness and Recruiting, Traditional Radio (60 traditional radio spot) and Mobile Billboard,
 - Sponsorship Keno Activations at sporting events like the Carolina Hurricanes and Carolina Panthers
 - Keno Night Onsite Promotions are also scheduled to be executed April – May
 - Plan includes 300 onsite promotions
 - Free ticket coupon developed

January

- Launched 4 new Instant Scratch Off games
- Achieved \$148 million in overall January instant sales (+1.5% vs. January 2017)
- Carolina Pick 4 More Money Mondays promotion returned – resulted in Pick 4 sales up +9.4% vs. Jan 2017

February

- Launched new Instant Scratch Off games on February 7
- Resulted in \$134 million in overall February instant sales (-2.4% vs. February 2017)
- Carolina Cash 5 \$100K Days promotion returned – helped minimize impact of lower jackpots in February vs. February 2017

March

- Launched 4 additional new Instant Scratch Off games
- Digital advertising for \$25,000 Dream Makeover game
- Carolina Pick 3 Double Draw promotion returns
- Commissioner Tyson requested the NCEL staff to consider launching the next \$30 scratch-off ticket based upon his conversation with SGI. Mr. Suarez explained that the NCEL team decided not to launch this game for FY18 because it was unnecessary due to our projected sales, but we will likely plan to include a \$30 game in our FY19 game plan. This same information was already conveyed to SGI.

Sarah Hardin, Director of Corporate and Government Affairs, gave the Responsible Gaming Update. She reported that March is Problem Gambling Awareness Month. The lottery participates in partnership with the National Council on Problem Gambling to increase awareness of problem gambling and the availability of prevention, treatment and recovery services and to encourage healthcare providers to screen clients for problem gambling. During March, the lottery will take special steps to make players and retailers aware that treatment resources are available year-round. There will be a joint announcement with the Department of Health and Human Services, a social media campaign on Facebook and Twitter, blog postings, and TV and Radio ads to generate awareness to players. Retailers will also have displays with the hotline information. The Governor has issued a proclamation making March National Gambling Awareness Month in North Carolina. There are 3 ways players can contact the hotline: 1) text; 2) live chat; and 3) call the number. The hotline also offers assistance for family members and caregivers of players that may have a gambling problem. Our DHHS partners will present to the Commission during our June meeting.

Ms. Hardin also reported that information requested from the Legislative Oversight Committee meeting has been provided. She will keep the Commission informed if there are any other requests. She will send a summary of the oversight committee meeting to the Commission.

Ms. Garland discussed the possibilities that sports betting may become legal. She shared a document with the Commissioners.

Bill Jourdain, Deputy Director of Finance, Administration & Security reviewed the budget adjustments for additional funding for advertising due to increased Lottery sales. This additional funding for advertising is still within the 1% limitation as specified by the North Carolina State Lottery Act. Commission Rand made a motion to approval the request for budget adjustment, which was seconded by Commissioner Shew. The motion was passed by all Commissioners present, with the exception of Commissioner Tyson who opposed.

Commissioner Tyson made a motion to approve the budget adjustments for employee bonuses. The motion was seconded by Commissioner Beam. The motion unanimously passed.

Recognition of Employees / Awards

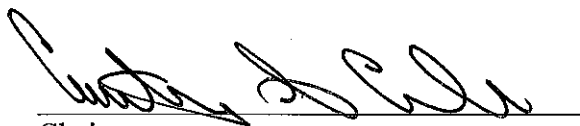
Ms. Garland recognized Commissioner Buddy Bengel for being a Presidential Leadership Scholar.

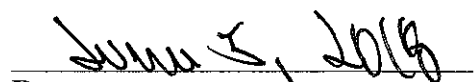
Open Discussion

Commissioner Shew discussed with commissioners that he is working with Senator Randleman to earmark funding for school safety. The funding would provide assistance for the hiring of School Resource Officers, door locks, training, etc. He suggested that commissioners use Statute 162.26 as a reference. He is asking for support of the drafting of the new bill to earmark funding.

There was no other discussion.

The meeting was adjourned at 12:20pm


Chairman


Date