

NORTH CAROLINA LOTTERY COMMISSION

Meeting Minutes

Members in Attendance: Dr. Charles Sanders, chair
Robert Appleton
Secretary Bryan Beatty
Linda Carlisle
Robert Farris
John McArthur

Meeting was Held:

December 8, 2005 at 9:00 a.m., Telephonic Conference Call 919-501-4272. Open for public hearing in ABC Commission Room, 5th Floor Administration Building, 116 West Jones Street, Raleigh.

I. Introduction and Opening

- Dr. Sanders stated that future telephonic meetings have been scheduled for December 12, 15 and 22. He indicated that the meetings would be cancelled if there was no new business requiring them. Dr. Sanders welcomed Mr. Shaheen and lauded his accomplishments to date. He noted that he and Mr. Shaheen would be available for 10- 15 minutes for questions following the meeting.

II. Approval of Minutes

- Mr. Farris moved to approve the minutes from November 17, 2005. Mr. Appleton seconded the motion. The minutes were approved.

III. NASPL

- Dr. Sanders asked that Mr. Shaheen discuss NASPL. Mr. Shaheen stated that NASPL is the North American Association of State and Provincial Lotteries and is the organization of lottery directors in the US and Canada who work together for the betterment of the industry. He briefly highlighted the work of NASPL. Mr. Shaheen noted that the fee for each lottery to participate in the organization this year is \$12,000.00, of which the lottery will pay a prorated amount of \$6,000.00 for the remainder of the year. In July the fees will increase to \$16,000.00. Mr. Shaheen sought commission approval to join. Ms. Carlisle moved that the lottery join NASPL. Mr. McArthur seconded. The motion was passed.

IV. Executive Staff Compensation

- Dr. Sanders described two classes of employees to be hired. The first being six deputy directors. These deputy directors will be in the following classifications: sales, marketing/advertising,

finance/administration, management information systems, legal/ security and legislative corporate/ communications. Salary range for this group will be \$110,000.00 to \$145,000.00. This range is competitive with other lotteries and will allow the North Carolina Education Lottery to attract the people needed to fill the positions and get the lottery operating as quickly as possible. Secondly, there will be 12 directors hired. The classifications mirror the deputy directors. The salary range for this group will be \$80,000.00 to \$120,000.00. Dr. Sanders seeks approval for the salary ranges in addition to the authority for he and Sec. Beatty to allow Mr. Shaheen to go at least 20% above the range to attract someone particularly suited for a position. A discussion followed. Ms. Carlisle moved to approve the salary ranges of \$110,000.00 to \$145,000.00 for deputy directors and \$80,000.00 to \$120,000.00 for directors, as well as, granting the personnel committee the authority to approve a 20% increase in salary offer under special circumstances. Mr. Farris seconded. The motion passed.

- Mr. Shaheen discussed incentive compensation. He requested at the deputy level a start up bonus of \$15,000.00, at the director level \$12,000.00. The next management level would be \$8,000.00, followed by \$5,000.00. The fourth level would be \$2,500.00 followed by \$1,000 for the fifth. This structure would give each employee at least a \$1,000.00 bonus. The incentive would be based upon when employment began. If employment begins between now and February 5, they would receive 100% of the incentive, between February 6- and March 5, the bonus would be 75%, between March 6- and March 15, they would be eligible for 50%, March 16- March 25 they would qualify for 25% anyone who begins after March 26 would not be eligible. This incentive will be further broken down according to the actual start date. A discussion followed. It was determined that this is not an annual bonus; it is a start up incentive. Dr. Sanders suggested that the deputy director's incentive be increased to \$16,000.00 to be symmetrical with other amounts. Mr. Appleton made the motion to approve the incentives as discussed with the only change being to increase the deputy director's bonus to \$16,000.00. Mr. Farris seconded. The motion passed.
- Mr. Shaheen discussed the next level of employment with pay classification. He proposed a pay range of \$65,000.00 to \$90,000.00. There will be about 40 people in this group. Mr. Farris moved to adopt this pay schedule. Mr. Appleton seconded. Ms. Carlisle suggested that the pay schedule be changed to \$50,000.00 to \$90,000.00. The motion passed with the modification.

V. Other Business

- Dr. Sanders stated that there have been discussions with the Attorney General's office regarding hiring an attorney to represent the lottery, in addition to hiring an attorney temporarily who has previous lottery start-up experience. Dr. Sanders needs the commission's approval to write letters to the AG's office making this request. A discussion followed with Grayson Kelley, Deputy Attorney General, concerning the

relationship between the lottery and the AG's office. Mr. Kelley determined the salary and benefits for such a position would be around \$120,000.00. Mr. McArthur moved to approve the request. Ms. Carlisle seconded. The motion passed.

- Mr. Shaheen stated that the lottery needs to establish a checking account due to the volume of upcoming purchases. He noted that he understands that the lottery is housed under the Department of Commerce for budgetary purposes. Dr. Sanders reiterated that in order for the lottery to quickly become operational, it needs to have as much latitude as an independent business as possible. Mr. Appleton recognized the state's structure in handling the funding of the lottery. Dr. Sanders noted the need to hire an internal auditor, and asked that Mr. Appleton accept the general responsibility of tracking expenses until such position is filled. Mr. Shaheen referred to the Lottery Act that states the lottery is a self-sustained agency outside of having the budget go into the Department of Commerce as a matter of record. Mr. Shaheen intends to draw down \$2,000,000.00 to \$3,000,000.00 to start out. Mr. Shaheen agreed to meet with the state controller and report their findings with Mr. Appleton. Mr. Appleton moved to approve the establishment of a lottery checking account. Ms. Carlisle seconded. The motion passed.
- Dr. Sanders proposed that Mr. Shaheen be given the authority to sign checks up to \$25,000.00. Anything above that would require a co-signer. Mr. Shaheen discussed how he developed this amount and a discussion followed. It was determined that a co-signer would be determined after Mr. Shaheen's meeting with the state controller. Ms. Carlisle moved that the commission grant Mr. Shaheen the signing authority up to \$25,000.00. Mr. McArthur seconded. Mr. Farris suggested that this authority be in effect until February 14, 2006. It was also determined that Dr. Sanders, Sec. Beatty or Mr. McArthur serve as temporary co-signers. Ms. Carlisle moved to accept the conditions to the signing authority. Mr. Appleton seconded. The motion passed.
- Mr. Appleton questioned if the employees were bonded. Mr. Kelley will contact the Department of Insurance on the procedure and get back with Mr. Shaheen. Mr. Kelley stated that the directors are covered as a matter of state law. The directors are entitled to legal defense as to any action brought against them as long as they are acting within their official responsibilities. Also, there is an excess policy for employees, directors and commission members in the \$12,000,000.00 per incidence range. Mr. Shaheen stated that all the financial employees in New Mexico were bonded. They had their own D&O insurance. Mr. Kelley would also discuss this with department of Insurance. He feels that the commission has the authority to purchase an excess policy on top of the state policy. He will advise Mr. Shaheen.

The meeting was adjourned.

