

**NORTH CAROLINA EDUCATION LOTTERY  
COMMISSION**

Meeting Minutes  
February 13, 2007

*Meeting Minutes*

*Commissioners in Attendance:* John McArthur, Chair  
Secretary Bryan Beatty  
Linda Carlisle  
Max Cogburn  
Robert Farris  
Bridget Anne-Hampden  
Edwin Speas  
Dr. James Woodward

*Commissioners not in Attendance:* Robert Appleton

*Participating NCEL Staff:* Tom Shaheen  
Robin Diehl

*The commission meeting was held on Tuesday, February 13, 2007 at 1:00 p.m. in the Dr. Charles Sanders Board Room of the North Carolina Education Lottery Headquarters located on 2100 Yonkers Road, Raleigh, NC.*

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**I. Introduction and Opening**

- Chairman McArthur called the meeting to order.

**II. Approval of Minutes**

- Prior to approval of December 19 minutes, Commissioner Hampden recognized an omission on page 2, in the last paragraph. The omission was duly noted and Commissioner Hampden moved to adopt the minutes. Commissioner Farris seconded the motion. The minutes were adopted.

**III. Finance Committee Report**

- Robin Diehl, Deputy Executive Director, Finance & Administration presented the financial report highlighting the Statement of Revenue, Expenses and Changes in Fund Net Assets (2<sup>nd</sup> Quarter of FY07). Total sales as of December 31, 2006 were \$443,137,526, which is 39% of budget.
- Operating revenues are at 39% of the budget. The NCEL transferred \$500,200.00 to DHHS/ Compulsive Gambling Program, which is a little more than 50% of the \$1M that is due to the program. To date, over \$220M has been transferred to education, this amount equates to 35.25% of total revenue in the first quarter and 35.35% in the second quarter.

- Tom Shaheen presented data from other lotteries comparing first year returns. By comparison, he estimated that North Carolina should return over \$300M to education within the first fiscal year. Mr. Shaheen noted that the first year's returns in North Carolina compared favorably with other recent start up lotteries. Lotteries with larger returns are bigger in both size and population than North Carolina., such as California, Texas and Florida.
- Mr. Shaheen noted that later in this meeting the lottery will be requesting approval from the Commission for a new online raffle game. He stated the NCEL introduced three new games today; Crossword, Tic Tac Two's and Cash Vault. He noted that the NCEL is partnering with NASCAR to introduce an instant game which tentatively will go on sale in March. The NCEL is participating in a Powerball promotion in April. This promotion features adding a ten (10) to the Powerplay wheel giving players a chance to multiply their non jackpot winnings ten (10) times by selecting the Powerplay option. The Powerball promotion is scheduled for eight drawings; however, if the Powerplay wheel does not land on 10 (ten), the promotion will continue until it does.
- Commissioner Hampden suggested that Sam Hammett, Director of Sales give a full report of Sales at the Commission meeting in May.
- Commissioner Hampden made the motion to accept the Financial Reports. Commissioner Carlisle seconded the motion. The reports were accepted.

#### **IV. Audit Committee Report**

- Due to Commissioner Appleton's absence, Commissioner Farris presented the Audit report. Commissioner Farris reported that the committee evaluated vendors for the annual Security Audit. He explained that the Security Audit is an annual requirement of the Lottery Act. Delahanty Consulting, LLC received the highest points and with favorable references from other lotteries (Wisconsin and Kentucky) was awarded the bid, along with the SAS70 annual audit.

#### **V. Personnel Committee Report**

- Chairman McArthur noted that the Personnel Committee met briefly on February 12 to discuss Mr. Shaheen's performance evaluation. He reported that the committee recommends that the evaluation will be completed closer to the end of this fiscal year. The Committee also wanted to make clear to Mr. Shaheen that the Commission was very pleased with his performance and looked forward to a good evaluation later on in the year.

## **VI. Executive Director Report**

- Mr. Shaheen explained the online raffle game, stating that there will be 500,000 tickets generated; the cost of each ticket will be \$20. The odds of winning \$1M are 1:125,000. Tickets will tentatively go on sale May 11 and the drawing will be held on July 4. Winners will be selected by a certified random number generator. Mr. Shaheen requested the Commission approve the online raffle game. Commissioner Carlisle moved to approve the game. Commissioner Farris seconded the motion. The online raffle game was approved.
- Mr. Shaheen advised the Commission that the NCEL will join the World Lottery Association (WLA). The benefits included: Development of Standards and Best Practices for Corporate Social Responsibility and Responsible Gaming around the world. Also, WLA is working in conjunction with NASPL in trying to develop a standard request for proposals and worldwide security standards.
- Mr. Shaheen presented Key Performance Indicators (KPI's). He addressed the Electronic Funds Transfer (EFT) process and noted that the reason for reporting 61% versus the 65% goal is that many vendors will not accept EFT payments. Ms. Diehl explained that some vendors preferred manual checks as opposed to EFT's. Mr. Shaheen highlighted that the contracts awarded to minority vendors has reached 44%. He commented that this accomplishment is remarkable. He reiterated that as the KPI's reflect, the NCEL is operating very strongly, with almost all measures on target.
- Craig Fitzgerald, GTECH Account Development Manager presented an outline of the GTECH operation in North Carolina. He discussed the jobs that have been created in the state and gave an update regarding minority participation.
- Smith Worth, Department of Health & Human Services (DHHS) Program Administrator, explained the progress that DHHS is making with the Problem Gambling Program in North Carolina. She discussed that statistics show those with a high school education or higher were more likely to gamble than those without. She also noted that Caucasians were more likely to gamble than African-Americans. Ms. Woods noted that National Problem Gambling Awareness Week is March 5 – 11.
- Mr. Shaheen explained there would be a need for a conference call prior to next Commission meeting in May regarding the Invitation to Bid (ITB) for Interactive Voice Response System. Mr. Shaheen anticipates having this call within two weeks to present his recommendation.
- Chairman McArthur reminded the Commissioners that their Statement of Economic Interest Applications are due by March 15<sup>th</sup>. Alice Garland, Dep. Executive Director Legislative/ Corporate Communications will notify the Commission when a date for ethics training has been determined.

The meeting was adjourned.