

MINUTES
ARKANSAS LOTTERY COMMISSION
JULY 15, 2009, 1:30 p.m.

Arkansas State University – Beebe
Student Center
Beebe, Arkansas

Arkansas Lottery Commissioners present were Commissioners Ray Thornton, Chairman; Diane Lamberth, Vice Chairman; Derrick Smith, Secretary-Treasurer, Mike Malone, Ben Pickard, Patty Shipp, Susan Ward-Jones, and Joe White.

Arkansas Scholarship Lottery staff in attendance: Director Ernie Passailaigue; David Barden, Vice President Gaming Operations; Ernestine Middleton, Vice President Administration; Julie Baldrige, Commission and Legislative Affairs Director; Bridgette Frazier, Staff Attorney; and Lance Huey, Security Director.

Bureau of Legislative Research staff present: Marty Garrity, Assistant Director, Legal Division; Estella Smith, Legislative Analyst; Kendra Drone, Secretary; and Patrick Ralston, Legislative Oversight Committee staff. Also present was Assistant Attorney General Bishop Woosley.

Senator David Wyatt of Batesville also attended.

The meeting was called to order by Chairman Thornton, who advised that Commissioner Hammons was unable to attend.

Minutes, July 8, 2008

The minutes of the July 8, 2009, meeting were reviewed and approved after a motion by Commissioner White and a second by Commissioner Shipp.

The Chairman recognized Dr. Les Wyatt, President of Arkansas State University System, who welcomed the Commission to ASU-Beebe. He remarked on the explosive growth of the Beebe campus

and on the need by Arkansas students to receive the best quality of education at community colleges. He commended the service of the Commissioners and pointed to the 5,000 ASU-Beebe students who have the ambition to pursue their education but need the help and assistance that will be provided by the Lottery. He thanked the Commission for all the students of the future who will benefit from the Arkansas Scholarship Lottery.

Chairman Thornton thanked Commissioner Pickard, a long-time official at ASU-Beebe, for the invitation to the campus. He also recognized Senator Wyatt.

Staff Introductions

Director Passailaigue introduced Vice President for Operations Ernestine Middleton, calling her the best assessor of talent he had ever encountered and giving her credit for choosing the staff that made the South Carolina Education Lottery rated one of the top 15 places to work in the state; Vice President/Gaming David Barden, a former deputy director of the South Carolina Department of Public Safety and a South Carolina Senate Attorney, whom he credited for lifting the SCEL to 7th in the world in instant ticket sales; and Lance Huey of Sheridan, former 20-year State Trooper and current Grant County Sheriff, native of Wynne and former Marine, who will become ASL Director of Security later this month. He noted that Ms. Middleton had spent 18 weeks in Arkansas during the 1990s while her husband was treated at UAMS.

Director Passailaigue, expressing his concern over inaccurate newspaper reports concerning the people of Arkansas, said he looks forward to speaking with as many people as possible to answer their questions about the formation of the lottery, and said he was very affected because he respects Arkansans and their judgment and intellect. He went over the history of the work done thus far: the RFPs have been prepared without cost of consultants and attorneys; the management team is under construction and will build out the remaining employment structure, adjusting as they go; the decision on permanent office space is growing closer; the goal is to minimize the number of days until startup to maximize the scholarship dollars; critical decisions have been made, especially the people part of the infrastructure; the Arkansas Scholarship Lottery is different from other state agencies because it sells a product—it is entrepreneurial and closer to the private sector in structure, although scrutiny is welcome; the lottery sells security and integrity, and a world class lottery can only be built when the right personnel decisions are made, such as hiring a Director of Security with the talent to take responsibility

for the 2,500 bankers (retailers) for the lottery, essentially a \$400 million bank. He stressed that the South Carolina Education Lottery under his leadership had one of the lowest personnel expense ratios in the country. He said the ultimate goal was to lift 3,000 Arkansas families by providing them scholarships and to carry them across the finish line—the equivalent of the scholarship money to be raised in November and December.

Organizational Chart

VP Middleton presented the organizational chart (Attachment 1). She noted managerial positions and job descriptions for the ASL staff, describing the two departments: gaming operations and administration. She stated that the senior management team members are responsible for hiring their staff. Commissioner Smith asked that the chart be expanded to include the name of each person hired in each position, and the salary classification of each. Commissioner Malone asked that the chart be placed on the Commission website once it is finalized. Commissioner Malone also asked the timing to fill the positions and was told that the following had been hired: IT Gaming Director, Sales Director, Procurement Director, and IT Infrastructure Director; and that the Human Resources, Controller, and Treasurer were important to bring in soon, as well as a Security Deputy with lottery experience. Commissioner Smith then moved that the Personnel Committee would review any future hires at the point employment is being offered at salaries higher than \$80,000. Commissioner Pickard seconded the motion. Chairman Thornton stated his opposition to the motion. Commissioner Pickard said that he had asked for an opinion from the Attorney General as to whether such review is legal. Director Passailaigue said that he would be happy to work with the Commission to involve them in such future hires. Chairman Thornton moved to amend the previous motion to accept the Director's assurance of involvement, with a second from Commissioner Shipp. Commissioner Smith said he wanted a formal process. Commissioners Lamberth, Malone, Ward-Jones, and White voiced support for the Smith motion, and Chairman Thornton withdrew his amendment. The motion for Personnel Committee review prior to any Lottery hires in excess of \$80,000 salary was approved by roll call, with Smith, Pickard, Lamberth, Malone, Ward-Jones, and White voting in favor, and Thornton and Shipp voting against the motion. Ms. Middleton stated the ASL's mission is to provide scholarships to the students of Arkansas.

Retailer Contract

Director Passailaigue stated that the Retailer Contract is a work in progress and will be presented at a later time.

Advertising RFP

The Advertising Request for Proposal (Attachment 2) was considered, with a motion for approval by Commissioner Lamberth, seconded by Commissioner Shipp. Commissioner Malone asked that new media and web-based advertising be built into the advertising plan. The motion passed unanimously.

Comprehensive Banking Services RFP Addendum

The Commission next considered an addendum to the Comprehensive Banking Services RFP (Attachment 3) to expand the number of claims centers outside Little Rock from two to three. By motion from Commissioner Smith, second from Commissioner Ward-Jones, the addendum was approved unanimously.

Online Games RFP Addendum No. 3

The Commission next considered Addendum 3 to the Online Games RFP (Attachment 4) to expand the number of claims centers outside Little Rock from two to three. By motion from Commissioner White, second from Commissioner Pickard, the addendum was approved unanimously.

Instant Ticket RFP Addendum No. 2

The Commission next considered Addendum 2 to the Instant Ticket RFP (Attachment 5), an addendum Mr. Passailaigue stated was created in response to questions from the four vendors interested in providing instant ticket services, the answer to which questions dovetails with this addendum. Mr. Woosley referred to Addendum 2 and discussed the changes. Without objection, the Commission approved the Instant Ticket RFP Addendum 2.

Internal Auditor

Commissioner Lamberth discussed the job duties and responsibilities of the Internal Auditor (Attachment 6). She stated that numerous applications have been received for this position. She noted that Ms. Marty Garrity, BLR, has provided CDs to the Commissioners containing resumes received thus far. Commissioner Lamberth added that every application and resume will be reviewed. She submitted a draft of the Internal Auditor job duties and responsibilities for review.

Commissioner Lamberth stated that she would like for the Internal Auditor job description to be updated and published on the web again. She suggested that the Commission consider adding a master's degree to the list of qualifications. Commissioner Lamberth is a member of the Personnel Committee but stated that the Internal Auditor's job description may be a function of the Administrative, Finance and Audit Committee. Commissioners Malone, Smith and White make up this committee. She added that this committee would be responsible for gathering and reviewing all of the applications to the Commission, repeating the steps followed during the Director search. Commissioner Lambert thanked Ms. Middleton for relinquishing from the ASL an Administrative Support Specialist to assist the Internal Auditor.

Commissioner Malone pointed out that, at the last Commission meeting, it was recommended that the Personnel and Audit Committees work on the Internal Auditor job description. He asked if the Committee will facilitate the process or if they will review the applications and make the first round of recommendations to the Commission. Chairman Thornton stated the only precedent the Commission has is the one followed to hire the Director. Therefore, the Commission must approve a job description, an advertisement, a salary, and a time it will consider applications. Finally, the entire Commission will select the Internal Auditor. Chairman Thornton asked that both committees move forward with the task and that Commissioner Malone take the lead in bringing forth a job description for publication, unless there is different formulation to be proposed. Commissioner Pickard stated he is in agreement with the Administrative, Finance and Audit Committee serving as the initial search committee and reporting back to the Commission for a review of the general applicants and recommendations, allowing the Commissioners to add a name to the application pool. Commissioner Malone suggested that the Administrative, Finance and Audit Committee meet prior to the next Commission meeting. The general consensus of the Commission was that the Administrative, Finance and Audit Committee take the lead and report back at the next Commission meeting with a draft job description and outline of the procedure to be followed in making the selection of the Internal Auditor. Chairman Thornton appointed Commissioner Malone chairperson of the Administrative, Finance and Audit Committee. Chairman Thornton reminded the Committee members to suggest a date for consideration of applications in the Internal Auditor job description.

Retailer Report

Commissioner Lamberth reported that the Commission has received 487 inquiries with a potential of 1,413 retailer locations in 69 counties (Attachment 7). All retailers will be directed to the Lottery Commission website.

Other Business

Mr. Passailaigue presented a State map based on congressional districts for use in discussing potential claims office locations. He added that he and the Commissioners could start visiting locations outside of Little Rock to check out sites, working with Arkansas Building Authority Director Anne Laidlaw. Chairman Thornton stated that the claims office location sites had been narrowed down to include Little Rock, Camden, Springdale and Jonesboro.

Commissioner Lamberth stated that the Commission would need to meet next week to approve a long-term space location. Commissioner Malone asked if the office space discussion would be a part of next week's agenda. Commissioner Lamberth stated she will contact Ms. Laidlaw to get the final word on all locations the Commission has considered and move forward to get the best deal for permanent space. Chairman Thornton stated that he would consider Commissioner Lamberth's comments as a motion, which he then seconded. The motion was approved by the Commission.

Next Meeting Dates and Location

The Chairman set the next Commission meeting for Wednesday, July 22, 2009, at 1:30 p.m., in the University of Arkansas System Board Room, 2404 North University, Little Rock, Arkansas. The Administrative, Finance and Audit Committee will meet there at 12:30 p.m. prior to the Commission meeting.

Mr. Passailaigue stated the Online Contract Proposals are due July 22 followed by 7 days for evaluation. As a result, the Commission may need to meet Thursday, July 30, or Friday, July 31. Chairman Thornton stated the Commission will tentatively meet Thursday, July 30, at 1:30 p.m.

The meeting adjourned at 3:25 p.m.