

**Illinois Lottery Control Board**  
**Open Meeting Minutes**  
**May 21, 2014**  
**313 South 6<sup>th</sup> Street**  
**Springfield, Illinois 62701**

On Wednesday, May 21, 2014 at 9:30am, a regular meeting of the Lottery Control Board was held at the Old Journal Register Building in Springfield.

**Lottery Control Board:** Gary Fencik, Chairman  
Robert Anthony Christian  
Geoffrey A. Richards  
Sharon Thompson  
Paul Schaefer

**Director:** Michael Jones

**Lottery Staff Present:** Victor Golden, *Deputy Director*  
Sara Barnett, *Chief of Staff*  
Daymon Ruttenberg, *General Counsel*  
Alison Walters, *Deputy Chief of Staff*  
Harold Mays, *Chief Operation & Technology Officer*  
Melinda Westwater, *Chief Internal Auditor*  
Brett Finley, *Chief Financial Officer*  
Mike Lange, *Media & Public Relations*  
Mike Gedzun, *Chief Internal Investigator*  
Tracy Jacobson, *Deputy General Counsel* (via teleconference)  
Mehpara Suleman, *Senior Counsel* (via teleconference)  
Nora Iniguez, *Lottery Control Board Secretary*

**Other Attendees:** Timothy Simonson, *Northstar CEO*  
Kim Barker Lee, *Northstar VP-Legal & Regulatory Compliance*  
Avis Lavelle, *VP-Corporate Affairs*  
Anita Bedell, *Illinois Church Action on Alcohol & Addiction Problems*  
Kevin McFadden, *7-Eleven/IL Petroleum Marketers Association*  
Alec Laird, *Illinois Retail Merchants Association*  
Matt Walberg, *Chicago Tribune Reporter* (via teleconference)

## **Illinois Lottery Control Board Meeting**

### **A. CALL TO ORDER**

The May 21, 2014, Illinois Lottery Control Board Meeting was called to order by Chairman Fencik at 9:30 a.m. Chairman Fencik stated for the record that a quorum of Board Members is present at today's meeting.

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Board Members Present at the roll call: Robert Anthony Christian, Geoffrey A. Richards, Sharon Thompson, Paul Schaefer, and Chairman Fencik.

**B. PUBLIC COMMENT**

Chairman Fencik opened the meeting for public comment.

Timothy Simonson, CEO, Northstar Lottery Group, stated that Illinois Lottery has been growing an average of 12% per year for the first two years of operation under the Private Management Agreement (PMA). In the five years leading up to the PMA, Lottery was averaging growth at 3% per year. In the PMA, the State forecasted its own Lottery performance if it were to stay under State management as \$773 million in 2021. In Northstar's first year of operation, it delivered \$774 million of profit to the State, which is roughly equal to what the State had forecasted in the 10<sup>th</sup> year under State management. The Auditor General's audit of the Department for FY12 revealed approximately \$19 million more in net income than previously reported. Further, there are a series of upward and downward adjustments to be resolved among the parties. A valid assessment of net income cannot be determined until these issues are resolved.

In response to Chairman Fencik's request, Mr. Simonson discussed the Advertising Policy, stating that the odds of winning are a fundamental component of the product that the Lottery sells; therefore, advertising the winnability of games is important. He noted that the Department explicitly excluding the ability to advertise winnability/odds is counter to U.S. Best Practices. Northstar is unaware of any state that explicitly has a policy that would prohibit or prevent the advertising of the winnability of a game or the odds of a game. Illinois is only one of the five states out of 44 that have lotteries that has achieved WLA certification-level three for responsible gaming.

Mr. Simonson also explained that due to the pending upward and downward adjustments, it was difficult to give a number comparing the \$774 million for the first year versus the target goals for the first three years.

**C. MINUTES OF PREVIOUS MEETING, Exhibit 1**

Presenter: Chairman Fencik

Chairman Fencik moved that the minutes of open session of the Illinois Lottery Control Board meeting held on March 12, 2014, be approved as final, as presented today. Board Member Richards seconded. *The motion passed by a 5-0 quorum vote with Board Member Christian, Board Member Richards, Board Member Thompson, Board Member Schaefer, and Chairman Fencik voting in favor.*

**D. OLD BUSINESS**

Presenter: Sara Barnett

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**Advertising Policy, Exhibit 2 [nsdraftAP.pdf](#)**

Sara Barnett stated that the Advertising Policy is required under Statute as part of the Illinois Lottery's separation from the Department of Revenue. Upon review of the draft submitted by the Illinois Lottery, Northstar recommended that the phrase, "advertising shall not emphasize winnability" be removed.

Board Member Thompson moved to approve the Illinois Lottery Advertising Policy as written. Board Member Richards seconded the motion with the insertion of Northstar's edit to add the following language "to purchase Lottery products" after bullet point below.

- Advertising shall not appear in programming that is directed primarily at those under the legal age (insertion here).

*The motion passed by a 5-0 quorum vote with Board Member Christian, Board Member Richards, Board Member Thompson, Board Member Schaefer, and Chairman Fencik voting in favor.*

**C. NEW BUSINESS**

There was no new business to report.

**D. DIRECTORS REPORT AND POWERPOINT PRESENTATION**

Presenter: Michael Jones, Director

Director Jones thanked the Board members for coming to meet in Springfield and explained that this gave the Board members an opportunity to meet various legislators at the State's Capitol.

A PowerPoint Presentation in relation to topics below was presented by Lottery staff.

**1. Marketing**

Presenter: Sara Barnett, Chief of Staff

Ms. Barnett discussed the launch of the Illinois Lottery's Mobile app in January and the added feature of Lucky Day Lotto subscriptions; the Hit or Miss Promotion; the new family of instant tickets (**\$1-\$2,500 Jackpot**, **\$2-\$25,000 Jackpot**, **\$5-\$250,000 Jackpot**, **\$10-\$2,500,000 Jackpot**); the launch of the Illinois Lottery's *Red Ribbon Cash* specialty ticket with a PR date of June 27, 2014; and the Lottery's sponsorship of the *Anything's Possible Music Series* and Live Nation with an instant ticket promotion consisting of a chance to win \$5000 plus a flyaway trip for two for any Live Nation show.

**2. Retailer Survey**

Presenter: Alison Howlett Walters, Deputy Chief of Staff

Ms. Walters shared the result of the Retailer Survey conducted in February and March 2014 by Aeffect, Inc. an independent research firm of Deerfield, Illinois under contract

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to the State of Illinois. She explained that this was the second phase of research in an overall Retailer Listening Program implemented by the Lottery. Ms. Walters reported that overall, the Illinois Lottery received positive satisfaction ratings across all trade styles with convenience stores typically being the most satisfied. She further stated that when asked how well recent Lottery changes have worked in their retail store, the most positive reaction was to Lottery introducing four new instant games a month. The least positive reactions were to new games and changes to existing games/drawings. She also shared that the vast majority of retailers are very to somewhat satisfied with their in person sales reps and telephone reps. Three-fourths of retailers are aware consumers can purchase lottery games online and say that recent Lottery media coverage has been positive or neutral in tone. She noted that a total of 652 retailers were contacted which was split between larger chains like 7-Eleven and smaller mom & pops and gas stations.

Board Member Christian asked if there is any information in terms of what the overall impact in terms of purchase intent or drawing foot traffic into the stores is versus a retailer that does not have Lottery. Ms. Walters responded that it was not part of the study but something we can look into.

Responding to Chairman Fencik's inquiry, Ms. Walters explained that feedback was received more in depth by store owners who are more engaged and know more about the business as opposed to the store manager.

**3. Sales**

Presenter: Victor Golden, Deputy Director

Deputy Director Golden presented sales for instant and online tickets for FY13 vs FY14 through May 19, 2014. He stated that the numbers in both these categories continue to be low. FY14 numbers are lower than last fiscal year's. He explained that the FY14 projection of 3.5 billion means that Northstar would have to achieve \$168 million per week in sales to meet its goal by the end of the year. Sales for the week ended on May 19, 2014 came to \$56 million. Deputy Director Golden noted that the retail recruitment for new retailers in the categories of independent and corporate stores is below goal of 1300. He stated that Northstar forecasted \$66 million in sales from these new incoming retailers but has only achieved \$19 million from the 586 retailers recruited all from independent stores. He further continued that no corporate stores have come on board in Illinois.

When asked to explain by Chairman Fencik as to why the retail recruitment of corporate accounts is at zero, Mr. Simonson explained that corporate might be more aptly titled national chains. He stated that there are current active pilots in both CVS and Walgreens. Mr. Simonson elaborated that the Lottery industry is eager to recruit many of the National Chains which include Costco, Dollar General, Menards, Target, Aldi, Big Lots and Dunkin Donuts. He noted that this is an industry question not just an Illinois Lottery question.

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**4. Finance**

Presenter: Brett Finley, Chief Financial Officer

CFO Finley presented the Board with the five weekly transfer amounts to the Common School Fund as well as revenues to the State Lottery Fund as follows:

**Finance**

For Month Ending April 30, 2013

- In April, the Department made 5 weekly transfers of \$13,062,700, for a monthly total of \$65,313,500 to the Common School Fund (\$13,062,700 of which was the scheduled transfer for April 30, 2014, but had not yet been recorded by the Comptroller).

Scheduled Transfers for May	
Week 05/07/14 #45	\$15,419,750
Week 05/14/14 #46	\$15,419,750
Week 05/21/14 #47	\$15,419,750
Week 05/28/14 #48	\$15,419,750
<b>Total Transfers for May</b>	<b>\$61,679,000</b>

**Finance**

For Month Ending April 30, 2014

- The weekly sweeps of Lottery retailers netted \$117,129,370.81 in revenues to the State Lottery Fund during the month of April 2014.

For Month Ending April 30, 2014	
Cash Balance carried forward from last month	\$ 266.0M
Receipts into the fund this month	\$ 95.1M
Expenditures from the fund this month	(\$104.3M)
Cash Balance at the end of the month	\$ 256.8M
Expenditures/Transfers made this month	
Vouchers paid this month	\$ 9.4M
Prizes paid this month	\$ 42.6M
Transfers made this month	\$ 52.3M

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**E. ADJOURNMENT**

In order to discuss potential litigation with the lottery's private manager regarding adjustments to net income and net income calculation and to review the past minutes of the last closed session, Chairman Fencik moved to close the open meeting session according to Illinois CS120-2C11. Board member Christian seconded the motion.

*The Board approved the motion unanimously by roll call vote.*

Chairman Fencik adjourned the meeting at 10:50am and moved into a closed session.

Respectfully submitted,

Nora Iniguez  
Lottery Control Board Secretary.