

**MINUTES**  
**IOWA LOTTERY BOARD**  
**April 3, 2008**

The meeting was called to order by Chairman Clausen at 10:08 a.m., at Lottery Headquarters in Des Moines. Board members present: Elaine Baxter, Timothy Clausen, Michael Klappholz, Thomas Rial, Michael Fitzgerald. Participating by telephone: Mary Junge.

Staff present: Kenneth Brickman, Acting CEO; Harry Braafhart, Vice President for Security; Steven King, Chief Financial Officer; Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President for External Affairs; Marci Tooman, Assistant Vice President for Legal Affairs; David Van Compernelle, Assistant Attorney General; Brenda Loy, Financial Manager; Barbara DeHeck, secretary.

Others present: William Petroski (Des Moines Register), Kay Henderson (Radio Iowa), David Berger (Scientific Games).

**Minutes**

Klappholz moved to approve the minutes of the November 1, 2007 and January 14 and February 20, 2008, meetings as presented. The motion was seconded by Baxter and carried unanimously.

**Raffle Game**

Hrdlicka reviewed information presented to the Board at its September 5, 2007, meeting regarding the proposed Million Dollar Raffle game. The game would be an all-cash raffle, with a \$20 ticket price and a top prize of \$1 million. Ticket sales would begin April 13 and the drawing held on June 23. He noted that the Lottery had done raffle games in the past, but they had been merchandise based; therefore, Board approval was requested for this new venture.

Baxter observed that other states had experienced disappointing sales when raffle games were offered for too long a period.

Hrdlicka said the staff had made every effort to learn from other states' errors and incorporate their successful elements. Brickman added that the difficulties had generally resulted from introducing the game at the wrong time of year or beginning a follow-up game too quickly after one that was successful.

Junge moved to approve the proposed raffle game. The motion was seconded by Baxter and carried unanimously.

**Retailer Compensation Program**

Loss presented a proposed change to the Lottery's retailer compensation program to provide for bonuses to retailers selling winning tickets in the Iowa Raffle Game. A \$1,000 bonus would be paid to a retailer selling a \$1 million winning ticket, and a \$100 bonus to

retailers selling \$100,000 winning tickets. He noted that the change was consistent with the retailer bonus provisions for the Lottery's other on-line games.

Baxter moved to approve the retailer bonus program for the Iowa Raffle Game as submitted. The motion was seconded by Klappholz and carried unanimously.

### **Audit Services Contract Renewal**

King requested Board approval to exercise the second and final one-year renewal option available under the contract with Faller & Kincheloe & Co. for game auditing services. He indicated the firm had provided exemplary service, with very competitive rates.

Rial moved to extend the game auditing services contract for another year. The motion was seconded by Jung and carried unanimously.

### **Administrative Rules**

Tooman reported that the administrative rule amendment to require that signatures on all tickets be checked or validated, approved by the Board at its February 20 meeting, had been adopted through emergency filing procedures. Notice of Intended Action was also filed and a public hearing held, at which there was no public input. The legislative Administrative Rules Review Committee would then have opportunity for input.

In reviewing the ticket validation rules, Tooman said, staff realized that with regard to prize payment to minors, a signature was required on the claim form but there was no requirement that the ticket itself be signed. She noted that minors could not purchase tickets, but were permitted to receive them as gifts. Board approval was requested for the filing of Notice of Intended Action to amend rule 11.6 to require the signature of a parent or legal guardian on the ticket in such cases, and updating the language to change the reference to prize payment by a draft to payment by "cash or a check." The customary rulemaking process would be followed, with opportunity for public comment and legislative input, and then the amendment would be presented to the Board for final adoption.

Klappholz moved to publish the Notice of Intended Action. The motion was seconded by Baxter and carried unanimously.

### **Memberships**

Hrdlicka requested Board approval for payment of annual dues of \$500 each to the Petroleum Marketers and Convenience Stores of Iowa and the Iowa Grocery Industry Association. He indicated the Lottery had been a member of both organizations for 16 years, and participation in their meetings and activities encouraged greater understanding and cooperation between the Lottery and its retailers.

Baxter moved to approve paying the dues for membership in the Iowa Grocery Industry Association and the Petroleum Marketers and Convenience Stores of Iowa. The motion was seconded by Rial and carried unanimously.

Brickman indicated Board approval was also needed for payment of dues to the World Lottery Association (WLA), in the amount of 5,600 Swiss Francs. He said the Lottery had been a member of WLA for many years, and benefited from its membership through

information gained about the games and new technology in other countries, as well as the industry standards program being developed

Baxter said she knew the previous CEO, Edward Stanek, was very active in the WLA, but that perhaps it would be better to wait until a new CEO was appointed to see if that individual wanted to continue membership.

Clausen said he anticipated that the Lottery would remain active in WLA and some key staff person would be involved in the interim and perhaps beyond, adding that he felt the cost of dues was worthwhile given the potential knowledge to be gained. Klappholz said he agreed that membership should be continued.

Rial moved to approve WLA membership dues. Klappholz seconded the motion. Ayes: Clausen, Junge, Klappholz, Rial. Nays: Baxter. The motion carried 4-1.

### **Litigation Update**

Clausen stated that the Chair had been advised that the Office of the Attorney General was prepared to consult with the Board on the status of litigation and that the briefing should be conducted in closed session, pursuant to the provisions of Iowa Code section 21.5(1)(c) which provides for closed session to discuss strategy with counsel in matters presently in litigation or where litigation was imminent where its disclosure would be likely to prejudice or disadvantage the position of the governmental body in the litigation.

Junge moved to go into closed session pursuant to the provisions of Iowa Code section 21.5(1)(c). The motion was seconded by Baxter and carried by a unanimous roll-call vote. The Board convened in closed session at 10:35 a.m.

At 11:05 a.m. Rial moved to return to open session. The motion was seconded by Baxter and carried by a unanimous roll-call vote. No action was taken in closed session.

### **Monthly Reports**

Written reports were included in the agenda package. Staff members reviewed the information and responded to questions from Board members.

Klappholz moved to accept the monthly reports as presented. The motion was seconded by Baxter and carried unanimously.

### **Recognition of Departing Member**

Clausen was recognized for his eight years as a member of the Lottery Board, including three terms as Board Chairman. Board members and staff expressed their appreciation for his expertise and dedication

**SGI Contract Update**

Brickman indicated a letter was received from Scientific Games International (SGI), about two months earlier, regarding extension of the on-line contract for the final one-year option available. After reviewing the offer, Lottery staff had discussed with SGI staff other items they would like to have included for consideration before reviewing other possible options. He said the SGI response was expected in the near future. Lottery staff would then review that response and develop recommendations to present to the Board.

**Legislative Update**

Neubauer reported that the legislature had passed and the Governor had signed into law a bill directing the Lottery to issue games in support of veterans' causes. Two scratch ticket games and two pull-tab games were to be produced each year, with the proceeds going to the Iowa Veterans Trust Fund. Sales of the first scratch game, Stars and Stripes, would begin July 14 and the first pull-tab game, All American, would begin July 21. She said the staff was excited about the undertaking. Similar programs had been very popular in other states, and it would be very helpful to have lottery proceeds directed to a specific cause.

Adjournment having been moved and carried, the meeting adjourned at 11:50 a.m.