

A G E N D A
IOWA LOTTERY BOARD

February 22, 2010
1:30 p.m.

Teleconference
Board Members available via telephone

1. Call to Order
Approval of Minutes - 1/5/10
2. Battelle Contract Adjustment
3. Adjourn

“Board meeting – board room Iowa Lottery”

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7870, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES
IOWA LOTTERY BOARD
January 5, 2010

The Iowa Lottery Board convened by teleconference at 10:00 a.m., Chairperson Klappholz presiding. Board members participating: Michael Klappholz, Mary Junge, Brad Schroeder and Elaine Baxter.

Absent: Michael Fitzgerald and Thomas Rial

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President/COO, Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President for External Relations; Joe Diaz, Vice President for Security; Tammy Cooper, Purchasing Agent and Donna Burt, Human Resource Associate/Acting Board Secretary.

Chairperson Klappholz called the meeting to order and noted that the Board members were participating by means of a conference call, with the provisions of Iowa Code section 21.8 governing the conduct of electronic meetings in effect. A meeting with all members in attendance in person was impractical due to the Board member's personal scheduling conflict. The meeting originated from the Lottery central offices in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 21.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. Schroeder moved to conduct the meeting by electronic means, pursuant to Code section 21.8. The motion was seconded by Junge and carried unanimously.

Minutes

Baxter moved to approve the minutes of the November 16, 2009 meeting. The motion was seconded by Schroeder and carried unanimously.

Leases

Ken Brickman reported that the Governor ordered the Department of Administrative Services (DAS) to do a complete review and renegotiation of all state government leases for all properties. DAS went to the landlords and in some cases, negotiated lower immediate rates. In other instances, DAS received a concession on the landlords' side in return for an extension of an existing lease. The terms were negotiated by DAS, which is in the process of preparing lease amendments to send out to most of the agencies. Because the Board of the Iowa Lottery Authority needs to approve leases for Lottery offices, we did some of the work on this end. Tammy got the information from DAS and prepared the proposed lease amendment paperwork to send to DAS and the landlords for approval. Since the information was provided to the Board, staff has received

some minor changes that will adjust some of the figures the board initially received from staff.

For the Ankeny warehouse there was no reduction in the lease cost but the lease was extended at the current rate for an additional 2 years.

In Cedar Rapids the landlord agreed to waive the CPI adjustment that was in the current lease through the end of the lease term which is 6/30/2011 and agreed to a 10% reduction in the base which was about \$531 a month if the lease was extended for an additional 5 years. It is a \$69,503 savings through the lease term.

In Mason City the landlord agreed to a redistribution of payments resulting in a savings of \$11,937 over the term of the lease.

In Storm Lake the landlord agreed to a 10% reduction through the end of the lease term and to hold the reduced rent price through a 5-year extension, which would be through 9/15/2015. It netted total savings through the lease term of \$23,000.

In Council Bluffs the landlord agreed to a 10% reduction in the base through the end of the lease, which is 12/31/2011. The lease was then extended through 2014 at the current rate for a savings of \$17,977.

Rich then asked the board to authorize management to work with DAS to finalize the new leases, with any necessary non-substantive changes from the drafts in the Board agenda package.

A motion by Schroeder, seconded by Junge, to accept the DAS recommendations and authorizing management to enter into new lease agreements effective January 1, 2010, utilizing terms resulting from DAS negotiations carried unanimously

Mega Millions® Update

Rich then informed the Board that under Mega Millions® rules, employees and members of lottery boards of directors of lotteries selling Mega Millions® tickets and their immediate families living within the same household cannot buy tickets or play Mega Millions® in Iowa or any other state when we start ticket sales in Iowa. That is different than Powerball rules which defer to member state requirements pertaining to game play restrictions for anyone other than MUSL staff, member lottery directors, some contractors and the immediate families of those listed.

Personnel (Closed Session)

The Chair stated that the CEO had a matter to discuss with the Board within the parameters of Iowa Code section 21.5(1)(i) that the matter pertained to the prospective hiring and compensation of a key employee and that the proposed candidate has furnished a written request that any such review be conducted in closed session as provided by law. The Chair noted that a vote is required during the public portion of meeting prior to entering closed session. The Chair then entertained a motion to go into closed session pursuant to Iowa Code section 21.5(1)(i) which provides for a closed session to evaluate the professional competency of an individual whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and that individual requests a closed session. Baxter moved to go into closed session pursuant to Iowa Code chapter 21.5(1)(i). The motion was seconded by Schroeder and carried by a unanimous roll-call vote.

The Board convened in closed session at 10:15 a.m. At 10:25 a.m. the Board returned to open session upon a motion by Junge, seconded by Schroeder and carried by a unanimous roll-call vote.

On motion made and seconded, the Board voted to offer Molly Juffernbruch the Key Employee position of Assistant Vice President, Legal Affairs, on a half time basis at an annual salary of \$45,000 commencing upon such date and during such hours as may be mutually agreed upon by Ms. Juffernbruch and the CEO. Schroeder made the motion, which was seconded by Baxter and carried unanimously.

Schroeder moved to adjourn the meeting. The motion was seconded by Baxter and carried unanimously.

There being no further business, the meeting adjourned at 10:28 a.m.

BATTELLE MEMORIAL INSTITUTE CONTRACT COMPENSATION ADJUSTMENT

Re: Battelle Memorial Institute Consulting Contract

Dear Board:

At the May 27, 2009 board meeting, you approved a contract with Battelle Memorial Institute for consulting services in connect with the procurement of a new on-line gaming system.

As the RFP evaluation process was in the formative stage at that point and the scope and complexity of the responses was unknown, management could only estimate the amount of services that would be required in the first phase. EVP Brickman suggested the amount of up to \$25,000, which amount was stipulated by the Board in making the award.

Pursuant to the agreement, Battelle has thus far performed requested services, not yet invoiced but reported as totaling \$4,950 as requested by the RFP team in connection with the preparation of the Request for Proposals. With the actual proposals now in hand, the evaluation team is reviewing them and now advises that Battelle's expertise will be needed in the final phase of the RFP process. The team cites the need for assistance with complex issues in analyzing portions of the responses, including preparing the demonstration plan, benchmarking and documenting system performance at vendor sites and reporting on the results and related travel expenses for two consultants. With the required services now more clearly identified, the revised estimate for the suggested total contract cap is \$58,000, which is less than the amount expended for similar services from Battelle in connection with the last on-line RFP in 1999-2000.

Accordingly, management requests approval of the final expenditure cap of \$58,000 for the Battelle contract.