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Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Matthew N. Strawn · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

December 12, 2019
10:30 am

- Teleconference Only -

Dial In: 1-866-685-1580

Code: 5714936085

- I. Call to Order
 - a. Approval of Agenda
 - b. Approval of Minutes – November 19, 2019
- II. Approval of VP, General Counsel Recommendation
- III. Adjournment

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MINUTES

IOWA LOTTERY BOARD

November 19, 2019

10:30 a.m.

The Iowa Lottery Board convened at 10:30 a.m. at Lottery Headquarters in Clive; Board Chairperson Mary Junge presiding.

Board Members Present:

Mary Junge; Sherrae Hanson; John Quinn, Josh Cook

Board Members Present on Teleconference:

Mary Rathje; Hon. Michael Fitzgerald

Lottery Staff Participating:

Matt Strawn, CEO; Larry Loss, COO; Teri Wood, VP, Sales and Marketing; Michael Conroy, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems; Mary Neubauer, VP, External Relations; David Ranscht, Assistant AG; Deb Bassett, Board Secretary.

Others Present:

David Berger, Scientific Games; Colleen Rowan, IGT (phone); Dar Danielson, Radio Iowa (phone).

CALL TO ORDER

Chairperson Junge called the meeting to order at 10:30 a.m. and roll was taken. There was a quorum. Junge announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Quinn moved to conduct the meeting via teleconference. Cook seconded. Motion carried unanimously.

APPROVAL OF AGENDA

Cook moved to approve the agenda for the meeting. Hanson seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Ranscht stated there was a typo in the minutes related to the Legal Quarterly report and asked the minutes for the September 24, 2019 be corrected. Bassett stated the minutes would be corrected.

Hanson moved to approve the September 24, 2019 board meeting minutes with the correction. Quinn seconded. Motion carried unanimously.

QUARTERLY REPORTS

Financial:

Conroy gave a financial report. Conroy reminded the board that Powerball jackpot has not been above \$200M since June 1, 2019 and Mega Millions has not been above \$250M since June 7, 2019. Keeping that in mind, the Performance Measures through October 2019 show that sales in October were \$1.5M ahead of budget and \$20M less than October 2018. Sales for the fiscal year to date are nearly \$2.8M ahead of budget and \$22M behind last year. We are currently below the 5 year average in sales by \$3M.

Prizes in October 2019 were \$1.2M ahead of budget and \$11M less than October 2018. Prizes for the fiscal year to date are \$4.2M ahead of budget, \$11.9M behind last year and right on target with our 5 year average.

Operating expenses for October 2019 were under budget by \$98K and \$30K lower than October 2018. Operating Expenses for the fiscal year to date are \$770K under budget, \$9K less than last year and \$95K above the 5 year average.

Proceeds in October 2019 were ahead of budget by \$1.1M and behind October 2018 by \$7.4M. Proceeds for the fiscal year to date are \$2.2M ahead of budget, \$8.2M less than last year and \$2.4M less than the 5 year average.

Sales and Marketing:

Wood gave a Sales update. Of notable achievement so far in the 2nd quarter of the fiscal year: September sales were \$500k over budget and \$100k over the previous year. September scratch ticket sales were strong with an increase over the 3 previous Septembers of 6.2%. With the exception of the \$20 price point – all price points showed growth ranging from 1 to 10 percent. October sales were also very strong and the higher price points saw the biggest growth.

Wood then gave a Marketing update. The Kinnick Gridiron Giveaway promotion launched in October and ran through November 12th. Statistics for the promotion show that 23,181 VIP Club members entered the promotion; 56% of the entries were made using a mobile device and 1,743 of them were by new members who had never entered before. The average age of the entries was 53.3; 99% of the entries cam from 25 counties in Iowa.

Wood also stated that in October, the Lottery launched its biggest cash prize holiday promotion, Ho Ho Dough. VIP Club members can enter any of the 11 holiday scratch tickets for a shot to at \$200,000 in cash prizes ranging from \$1,000 to \$25,000.

Wood also discussed the New Year's Rockin' Eve promotion. Four lucky VIP Club members will travel to New York City for an exclusive trip for two to attend Dick Clark's New Year's Rockin' Eve live broadcast and a chance to be the first Powerball Millionaire of the year through a special Powerball drawing just after midnight.

Security:

Coppess provided a security report for September - November 2019. Coppess noted the security team conducted 89 compliance/inspection checks on retail outlets and conducted 2 scratch ticket printing audits at Scientific Games and IGT.

IT Systems:

Strasser stated the VIP website and the ialottery.com websites have been successfully combined and now share web server and database resources.

External Relations:

Neubauer stated the first transfer from Lottery proceeds to the newly created Public Safety Survivor Benefits fund occurred in October. The Department of Public Safety will award money in the fund, in grants, to organizations that help surviving families of eligible peace officers killed in the line of duty and to organizations that help the surviving families of eligible fire fighters killed in the line of duty. The Lottery is not involved in grant process.

Neubauer also noted that Mary Junge's term will end in April 2020.

Legal:

Assistant Attorney General Ranscht gave a brief update on the Culler and Dawson lawsuits. He noted that period to file a claim as part of the settlement stemming from the class-action lawsuit brought by Culler will close in January. The Iowa Lottery is not a party to the lawsuit.

Hanson moved to approve the Quarterly Reports. Quinn seconded. Motion carried unanimously.

WEB HOSTING RECOMMENDATION

Strasser stated that the current contract for the hosting of the Iowa Lottery's VIP Club website was issued to LightEdge through a RFP process in May 2013 and then transitioned to a State of Iowa Master Agreement through the Department of Administrative Services.

Since that transition, the Iowa Lottery added more websites to production and sought updated pricing using a competitively bid process. The Iowa Lottery issued RFP IL 20-02, Request for Proposals, Website Hosting and Services on August 30, 2019.

Five vendors submitted proposals by the September 30, 2019 deadline:

1. AIS Networks, based in Richmond, Virginia
2. Blue Ally Technology Solutions LLC, based in Marietta, Georgia
3. Cherry Road Technologies, based in Morris Plains, New Jersey
4. eWay Corp, based in Johnston, Iowa
5. LightEdge Solutions, Inc. based in Altoona, Iowa

The evaluation had a technical scoring (350 points 58%) and a price scoring (250 points 42%) components. The technical evaluation was entirely based upon each vendor's written responses to the requirements in the RFP's Part 2, Scope of Services. After the Evaluation Sheet was completed, the RFP Coordinator opened the Price Proposals. The RFP sought a monthly price to provide web hosting and related services for the items within the RFP's Scope of Services. In addition, there was a request for each vendor to provide a la carte pricing for additional servers per month, additional disk space per month, and increased network bandwidth per month.

eWay, the vendor with the highest technical score, had a pricing score tied for third. The two less expensive proposals had technical deficiencies. eWay had the best overall score.

The term of the new Web Hosting and Services contract will be for three years, from January 2020 through December 31, 2022, with up to five (5) one-year optional renewal/extension periods available to be exercised at the sole discretion of the Lottery.

The current web hosting and services contract with LightEdge Solutions costs \$10,000 per month; the monthly price provided by eWay is \$8,000.

Strasser stated that the Evaluation Team requests that the Board permit the Iowa Lottery to issue a notice of intent to award for RFP 20-02 to eWay Corp, Johnston, Iowa.

The Evaluation Team further requests that the Lottery be authorized to enter into an agreement with the vendors under contract terms consistent with those included in the RFP, contingent upon the vendors' successful completion of any required background checks.

Cook moved to approve the request related to the web hosting contract. Quinn seconded. Motion carried unanimously.

FISCAL POLICY UPDATE

Conroy requested the approval of fiscal policy updates 210.300, 210.325 and 210.400 related to out of state and international travel.

Conroy stated the first change in these policies is related to approvals for staff to use privately owned vehicles for out of state travel when fiscally beneficial. The second change is related to airline travel accommodations. Recently airlines have begun offering tickets that don't allow for flight plans to be changed/refunded and don't have advance seating selection. Changing these fiscal policies will allow purchase of airline tickets that allow for refunds or changes to flight itinerary with or without a fee and advanced seat selection in the main cabin at the best most economical rate.

Rathje moved to approve the fiscal policy updates. Quinn seconded. Motion carried unanimously.

NASPL MEMBERSHIP

Loss requested the approval of the \$20,000 NASPL membership dues for calendar year 2020.

Hanson moved to approve the membership dues. Cook seconded. Motion carried unanimously.

ADMINISTRATIVE RULES UPDATE

Neubauer stated that since the last board meeting, she and AAG Ranscht have been working through the remaining steps in the administrative rules review process for ARC 4563C. During conversations with legislators and statehouse staffers, it became apparent that there was more concern than initially realized regarding the rule update. Based on feedback, we revisited our rules language and are proposing a modification to it, which we believe will achieve an appeals process involving a variety of perspectives.

Neubauer explained that under the rules language presented today, an initial appeal of a lottery administrative decision will always be heard by an administrative law judge outside the Lottery.

Appeal beyond the administrative law judge's decision would be to the lottery CEO, and should an impacted party wish to appeal beyond that, they could request judicial review within the court system. Essentially, if an appeal were to advance to the courtroom, the judge would have two separate perspectives to consider: that of an ALJ outside the lottery, and that of the lottery CEO.

This rules language would implement Iowa Code Chapter 99G, which directs the Lottery Board to adopt policies and procedures and promulgate administrative rules relating to the management and operation of the lottery. Iowa Code also allows the Board to delegate to the Lottery CEO those duties it deems appropriate, and in this instance, you as Board members would delegate to the CEO the lottery's agency decision in an a contested case or a vendor appeal. Chapter 99G also authorizes the Lottery CEO to conduct hearings or administer oaths for the purpose of assuring the security and integrity of lottery operations or determining the qualifications of or compliance by lottery vendors and retailers. Modification to the rules language will help ensure a clear, fair process for the public.

Neubauer stated that we would ask for a motion that the Lottery Board rescind its Sept. 24 vote to adopt the rules language discussed at that meeting, and that the Board today vote to adopt this “adopted and filed” version of the rule. If you were to vote to adopt this language, we will continue forward through the rules-filing process, and, assuming all filing deadlines are met, this rules language would become effective on January 22, 2020.

Hanson moved to approve the request to rescind the previous vote and to adopt the newly adopted-and-filed version of the administrative rule. Cook seconded. Motion carried unanimously.

\$2 BILLION IN TRANSFERS

Strawn stated that recently a lottery player in Iowa purchased the ticket that pushed total Iowa Lottery proceeds to state causes over the \$2 billion mark. Strawn thanked everyone involved that helped along the way to reach this milestone.

VETERANS TRUST FUND VIDEO

Neubauer played a video produced by the Lottery in coordination with the Iowa Commission of Veterans Affairs. The video highlights the Iowa Veterans Trust Fund and touches on the impact that war has on veterans, and why it’s important that help be available to them. Two Iowa veterans who serve on the commission are featured in the video and they talk about the unique role of the Veterans Trust Fund.

CEO UPDATE

Strawn touched on several topics; he provided an update on the gaming system RFP process, and an update on the hiring process for the VP, General Council vacancy.

ADJOURNMENT

Quinn moved to adjourn. Hanson seconded. Motion carried unanimously.

Meeting adjourned at 11:50 a.m.