

**Minutes**  
**Executive Committee**  
**South Carolina Education Lottery Commission**  
**April 18, 2007**  
**10:30 a.m.**

A meeting of the Executive Committee of the South Carolina Education Lottery was held on Wednesday, April 18, 2007, at 10:30 a.m. in the Third Floor Conference Room at 1333 Main Street, Columbia, South Carolina.

Vice Chairman Jimmy Bailey, Jr. called the meeting to order and determined a quorum was not present and recessed until 11:30 a.m. or until such time when a quorum was present.

The meeting was called to order by the Vice Chairman at 11:40 a.m. when a quorum was present.

The Vice Chairman conducted the meeting pending the arrival of the Chairman who participated briefly via mobile phone until he reached the conference room. Commissioners Burriss and Landess, were present in the conference room. Commissioners Bailey and Stevens, participated via teleconference.

**Compensation Study**

The Vice Chairman recognized Ernestine Middleton, Director of Internal Operations, who introduced John Hankerson, the lead author of the compensation study prepared by Milliman Consultants and Actuaries. Mr. Hankerson gave an overview of the process and methodology for the study. He explained the initial planning meetings with senior management and highlighted the approach and focus of the study, its major components, the current pay structure, performance review process, pay philosophy, goals for the compensation program, and the results of the study. Key findings were discussed and included the following:

- the current pay philosophy is generally well-aligned with the organization's mission, business strategy, organizational values, and philosophy but should be reduced to writing;
- the study relied upon a "market-driven" job measurement approach, consistent with existing practices;
- on average, base salaries for the benchmark positions are approximately 6% below market median, (50<sup>th</sup> percentile, the intended competitive level); and,
- the current salary structure utilizes sound methodologies and has been administered appropriately.

Milliman recommended adopting a compensation philosophy emphasizing both competitive "market-driven" pay and lump sum "performance-driven" compensation independent of merit pay which is added to base compensation. Committee members discussed the compensation study with Mr. Hankerson and asked questions relating to SCEL's current compensation and

performance measures, data collected from private and public sector employers and other lotteries, and the correlation between morale and compensation within SCEL's workforce.

After discussion, the consensus of the Executive Committee was to take no action and to forward the draft compensation study to the Commission for its consideration at its meeting scheduled for May 9, 2007. The Chairman asked the Executive Director to make specific recommendations as to whether portions or the entire study should be approved by the Commission and to present any other policy matters that need to be resolved by the Commission relating to this topic. Further, the Executive Director was asked to report how he would implement the recommendations and findings of the study on an agency-wide basis, not specific to individual employees.

### **Fiscal Year 2008 Budget**

The Director of Finance, Dusty Rhodes, presented an overview of the staff budget recommendation for FY08 and noted the budget summary which contained supporting information (distributed prior to the Executive Committee meeting). Mr. Rhodes noted that the budget was prepared based upon a detailed analysis of each department. However, since the mailing of the proposed budget on March 26, 2007, adjustments have been made to reflect the reorganization of the Sales and Marketing Departments. These adjustments have no impact on the overall totals previously presented.

The budget is based on projected total revenue of \$938 million and net income of \$252.4 million. Advertising (media and placement) is budgeted at \$8.9 million, a decrease of approximately 9% from the current year's budget. Operating expenses, not including retailer commissions, are budgeted at approximately 5.5% of total revenue. This percentage is in the 80th percentile of cost effectiveness among U.S. lotteries. Total expenses, including retailer commissions, equal about 12.6% of revenue which is within the statutory limit of 15% of revenue.

### **Motion Adopted**

Commissioner Stevens made a motion to recommend that the Commission approve the FY08 budget as presented. Commissioner Landess seconded the motion, which was unanimously adopted.

### **Advertising RFP**

David Barden, Director of Marketing and Product Development, was recognized to present the staff recommendation regarding the Advertising Services Request for Proposals (RFP). He reported that staff is in the process of preparing a draft of the Advertising RFP in a manner to reflect an hourly basis rate, up to a certain amount and not to exceed what is currently being paid. The Department is requesting a cap of \$180,000 as the maximum yearly expenditure for the base services to be provided under the new RFP. The overall scope of services under the proposed RFP will be substantially similar to those in the current advertising services contract. Staff believes that the requested services can be obtained within the budgeted amount. Although a document may not be finalized prior to the May 9<sup>th</sup> Commission meeting, staff requests the authority to move forward, based on the report presented and to issue an RFP for Advertising services in June.

### **Motion Adopted**

Commissioner Landess made a motion to recommend that the Commission authorize staff to move forward with the issuance of the advertising RFP based on the approach presented. Commissioner Burriss seconded the motion, which was approved.

**Bylaws Revisions**

Hogan Brown, Director of Legal Services, reported that, at the request of the Chairman, staff had reviewed the current bylaws to determine if revisions would be helpful or necessary based on current Commission practices. Other than the recent committee realignment, the bylaws had not been changed since adopted in October 2003. He explained that the only substantive change to be made is in the Commission meeting schedule (from every other month to quarterly).

**Motion Adopted**

Commissioner Burriss made a motion to recommend that the Commission approve bylaws changes as presented. Commissioner Landess seconded the motion, which was approved.

**Personnel Policies (Handbook) Discussion**

Ernestine Middleton reported that staff has developed a draft handbook that is intended to be flexible and generic in nature so as to minimize the need for periodic updates. The draft was customized to fit SCEL staff needs from a document that was prepared for the State Chamber of Commerce to assist private sector employers. SCEL’s Legal and Human Resources Departments will work with outside counsel to further refine the draft, taking into account changes that are necessary for a public sector employer. A revised draft will be completed prior to the August 8, 2007 Commission meeting and a report will be presented to the Executive Committee before that time. Staff will make recommendations as to what actions, if any, need to be considered by the Executive Committee and/or the Commission.

**Adjournment**

There being no further business, the meeting was adjourned.

\_\_\_\_\_/s/\_\_\_\_\_  
Timothy E. Madden, Chairman

April 24, 2007 \_\_\_\_\_  
Date

As required by Section 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Commission bylaws, the meeting notice and agenda were also posted on the SCEL website, [sceducationlottery.com](http://sceducationlottery.com), and sent via facsimile transmission pursuant to requests made by media outlets and other organizations. These notifications included the time, date, place and agenda of the meeting.