

**Minutes
Executive Committee
South Carolina Education Lottery Commission
June 20, 2008
10 a.m.**

A meeting of the Executive Committee of the South Carolina Education Lottery Commission was held on Friday, June 20, 2008, at 10 a.m. in the Third Floor Conference Room, 1333 Main Street, Columbia, South Carolina. An invitation was extended to all Board members to participate.

The following Executive Committee members were present:

Tim Madden, Chairman
Ashley Landess, Secretary

The following Committee members participated via teleconference: Jimmy Bailey, Jr., Vice Chairman; Moffatt Burriss, Treasurer; and Lisa Stevens, Member At-Large. The following Board members participated via teleconference: Marvin Quattlebaum, Boykin Rose, and Nathaniel Spells, Sr. Present at the meeting was Dr. Edward Keith.

The Chairman called the meeting to order.

The Chairman introduced Legislative Audit Council (LAC) attendees Andy Young and Eric Douglass, who will conduct the next LAC audit as part of the three-year statutorily mandated review cycle.

Report on Potential Restructuring After Online Contract Conversion

Ernie Passailaigue presented an overview of a potential restructuring which will be feasible after the online contract conversion. Mr. Passailaigue explained that the restructuring would yield costs savings and more efficient use of staff. Ernestine Middleton, Director of Internal Operations, further explained the restructuring and the recommendation regarding potential changes in the Sales and Retailer Relations Department employee performance evaluation criteria which would tie, at least in part, compensation adjustments to performance of retail outlets.

Committee members discussed the potential restructuring and the staff recommendation with Mr. Passailaigue and asked numerous questions relating to the current and proposed compensation models. Committee members focused on the policy considerations and the underlying philosophy relating to compensation linked to the sales performance of the retail network (benchmarking same-store sales or evaluating other similar factors as a component of a Marketing Sales Representative's (MSRs) overall performance rating).

After extensive discussion, the consensus of the Executive Committee was to take no action regarding a change to the existing compensation incentive for MSRs and certain other members of the sales staff which is based on reaching the aggregate sales goal. As to adjusting the role or duties of an MSR (without a change in the compensation model), no further action was necessary for the Executive Director to move forward as he deems appropriate.

Bethany Parler, Director of Internal Audit Services, briefly reviewed the current duties performed by the Audit Services Division. The meeting materials explained the recommendation to expand the role and responsibilities of the Audit Services Department to better align SCEL's growing need for certain analytical information for use by Audit Services and management. Ms. Parler also provided an overview of how the expansion would effect the overall operations of SCEL.

After questions from the Commissioners and discussion, the consensus was to refer the question of expanding the scope and duties of the Audit Services Department to the Audit Committee for further review and consideration as the department reports directly to that committee. The Audit Committee will report its recommendation to the Board.

Draw Studio Utilization Plan

Ernie Passailaigue explained that SCEL has an opportunity to generate additional revenue and reduce overall operational expenses by allowing outside entities to use the draw studio during intervals when SCEL is not preparing for or conducting draws. Thus, SCEL should be able to transfer additional funding to the Education Lottery Account (ELA). David Barden, Director of Marketing and Product Development, highlighted the specific types of services outside entities could utilize at the studio, as presented in the meeting materials.

Commissioner Stevens asked staff to consider implementing a discounted fee schedule for state agencies. Committee members reacted favorably to the suggestion and the Executive Director said he would, upon approval of the concept, implement a discount to the extent practicable and appropriate under the law.

Motion Adopted

Commissioner Bailey made a motion to recommend that the Board authorize the Executive Director to move forward with implementing the Draw Studio proposal as presented. Commissioner Stevens seconded the motion, which was unanimously adopted.

Executive Session

Commissioner Landess made a motion to go into executive session as authorized in § 30-4-70(a)(1) for the specific purpose of discussing the performance evaluations that were submitted by each Commissioner concerning the Executive Director and the Internal Auditor. Commissioner Bailey seconded the motion, which was unanimously adopted. Upon adoption of the motion, as provided by the South Carolina Freedom of Information Act (S.C. Code § 30-4-10 et. seq.), the Chair announced the specific purpose of the executive session as referenced in the above motion and asked all those in attendance, except members of the Board, to exit the meeting.

Return to Open Session

Upon conclusion of the executive session, Chairman Madden announced that the Executive Committee was returning to open session. He confirmed that no action was taken during the executive session and no business other than that which was authorized by the motion was discussed.

Motion Adopted

Commissioner Bailey made a motion to recommend that the Commission budget a 4% merit increase (which equates to \$226,829) to the Executive Director’s current salary of \$218,105, effective July 1, 2008. Commissioner Landess seconded the motion, which was unanimously approved.

Commissioner Bailey made a motion to recommend that the Commission budget a merit increase of 4% (which equates to \$99,832) to the Internal Auditor’s current salary of \$95,992, with the understanding that her salary may be revisited if additional duties are assigned to her, effective July 1, 2008. Commissioner Landess seconded the motion, which was unanimously approved.

Adjournment

There being no further business, the meeting was adjourned.

_____/s/_____
Timothy E. Madden, Chairman

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, 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.