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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING Oct. 27, 2021

Lottery Commission: MardiLyn Saathoff, chair
Maulin Patel
Julie Wilcox

Director: Barry Pack

Chair Saathoff called the Oct. 27, 2021 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that the commissioners are attending today's meeting via a web meeting and a quorum of commissioners is present.

Commissioners present at roll call: Commissioners Patel, Wilcox and Chair Saathoff.

Chair Saathoff welcomed Marty Ramirez, who has been appointed to the Commission, but not yet confirmed.

A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment for this meeting and asked the clerk to read the comment that was received.

No public comment was received.

B. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

Chair Saathoff thanked the staff for the gift box that she received and noted that the gift boxes were a nice way to thank the staff for the outstanding performance over the past year and a half.

C. DIRECTOR'S REPORT

Presenter: Barry Pack, director

Lottery news

Director Pack reminded the commission that as part of the classification and compensation work that was completed a few years ago, an annual bonus was added to the compensation

package. Director Pack shared that the bonus criteria for this year will focus on the employees and organizational culture and resiliency, and will include motivational exercises, engagement surveys, Diversity, Equity, Inclusion and Belonging discussion and activities, and IT security training.

Director Pack shared that the latest draft of the Tribal consultation policy was presented at the Legislative Commission on Indian Services' quarterly meeting, where Lottery walked legislators and Tribal leaders through the draft policy. Additional input was collected after the meeting, and the updated draft will be shared with Tribal chairs for an additional round of feedback before presentation to the Commission.

Lottery continues to adapt its office spaces to better meet the needs of the modern work environment, supporting a mix of on-site, fully remote, field and hybrid situations. Employees who will not have a dedicated workspace, due to working remotely or not working in the office frequently, will be able to utilize drop-in workstations that are being created throughout the building.

Director Pack noted that there are not any winners stories this month and shared that two top prizes from the Holiday Scratch-its have been claimed: a \$75,000 prize on a \$10 Oregon Ornaments ticket and a \$50,000 prize on a Holiday Cheer Scratch-it.

D. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the Sept. 24, 2021 Oregon State Lottery Commission meeting draft minutes, which were circulated in advance of the meeting. There were no recommended changes.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the minutes of the Oregon State Lottery Commission meeting held Sept. 24, 2021 be approved as final, as presented today. Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Wilcox, and Chair Saathoff voting aye.*

E. FINANCIAL REPORT, Exhibit 2

Presenter: Kathy Ortega, chief financial officer

Monthly financial statements, September 2021

Ortega provided an overview of the financial statements and described expenses and variances in the operating statements, services and supplies, balance sheet, and capital outlay.

- Chair Saathoff asked about the modernization investment spending and if the underspend is due to timing or if projects are on hold. Ortega remarked that it is partially a delay due to resource constraints. Director Pack noted that some of the

budget may be moved forward to the next budget year but will have a better idea at mid-year budget rebalance.

Chair Saathoff called for a motion.

Commissioner Patel moved that the Oregon State Lottery financial statements for the month ending Sept. 30, 2021 be approved for the record as presented today. Commissioner Wilcox seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Wilcox, and Chair Saathoff voting aye.*

Ortega shared that the first quarter budget has been reviewed and the overall results of the exercise netted a small change to the budget. Since the amount is small, no adjustment is being requested this month but will be brought to the Commission as part of the mid-year budget rebalance in January.

F. ALTERNATIVE DISCLOSURE REQUEST: CIRCLE K STORES, INC., Exhibit 3

Presenter: Barry Pack, director

Director Pack reminded the Commission that OAR 177-040-0001(4) authorizes an alternative disclosure process for large public companies or multi-state retail chains seeking traditional contracts with the Oregon Lottery. Director Pack stated that Circle K Stores, Inc. meets all of the requirements laid out in the rule allowing the Commission to authorize an alternative disclosure process. Lottery Security completed an investigation into Circle K Stores, Inc., which revealed several county and state tax liens that have not been released. These issues are currently being addressed by the retailer and they will supply appropriate documentation to Lottery as needed. No information was found which would preclude Circle K Stores, Inc. from an alternative disclosure process.

- Chair Saathoff asked if the process that Lottery uses in these cases appears to be working, especially when looking back at the retailers that have gone through the process. Director Pack replied that it is a sound process that recognizes modern corporate structures and allows us to focus on the people who have day-to-day control of the operations of the physical locations and everyday transactions. Mike Wells shared that the rule went into effect in 2015 and there have been three retailers that have gone through this process.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery Commission approve the alternative disclosure process, waiving the personal disclosure requirements for Circle K Stores, Inc. as presented today. Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Wilcox, and Chair Saathoff voting aye.*

G. RULEMAKING

Presenter: Kris Skaro, rules and policy analyst

OAR 177-040-0049 Video Lottery Terminal Management During State of Emergency, Exhibit 4

Skaro reminded the Commission that a rule was adopted in May 2020 to explain how Lottery would manage compliance with public health protocols that specifically applied to Video Lottery terminals, such as spacing, cleaning protocols, limits on hours of operation and physical barriers. That rule was temporarily suspended in June in response to the executive order lifting most public health restrictions, including those that applied to Video Lottery terminals. If needed, the Lottery can manage compliance with future restrictions using the temporary rulemaking authority and general authority under the retailer contract. Lottery has completed the rulemaking process to repeal both the temporary and permanent rule and did not receive any public comment related to this rule.

- Chair Saathoff appreciates the two-step process that allows the Commission to hear about the proposed rulemaking in one meeting and then is asked to approve the rulemaking in a following meeting.

Chair Saathoff called for a motion.

Commissioner Patel moved that OAR 177-040-0049(T) and OAR 177-040-0049 be repealed as presented today, to be effective Nov. 1, 2021. Commissioner Wilcox seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Wilcox, and Chair Saathoff voting aye.*

OAR 177-045-0030 Video Lottery Game Terminals, Exhibit 5

Skaro reported that the rulemaking that was adopted in July to convert the weekly minimum sales requirement for Video Lottery into the dollars-played format, consistent with the current commission structure, was filed with an error in the dollar amount. The error was fixed by temporary rule but to permanently correct this error, Lottery needs to repeal the temporary rule and amend the permanent rule to avoid any future uncertainty about the intended weekly sales requirement. Lottery has completed the rulemaking process and did not receive any public comment related to this rule.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that OAR 177-045-0030(T) be repealed and OAR 177-045-0030 be amended as presented today, to be effective Nov. 1, 2021. Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Wilcox, and Chair Saathoff voting aye.*

H. STAFF UPDATES

Presenters: Shad Barnes digital marketing senior manager; Tina Erickson, lottery products portfolio manager; Lyndsey Peterson, gaming products portfolio manager; and Sar Richards, video gaming products manager

Erickson provided an overview of the performance and highlights for Scratch-its, Keno, and jackpot games, including the following sales numbers for the first quarter of business year 2022:

- Scratch-it sales were \$40.3 million, a 5.8 percent increase year-over-year
- Keno sales were \$27.9 million, a 14.2 percent increase year-over-year
- Powerball sales were \$14.4 million, a 109 percent increase year-over-year
- Mega Millions sales were \$7.2 million, a 55.5 increase year-over-year
- Oregon's Game Megabucks sales were \$6.6 million, down 4.3 percent from last year

Richards shared that Video Lottery sales were \$320.4 million, a 43.9 percent year-over-year increase, noting that Lottery launched new games and replaced 601 Crystal Dual and Helix terminals.

- Chair Saathoff asked if there was a game launch strategy and Richards shared that the team is working on updating the strategy with the research and data that is collected with each game launch. Chair Saathoff asked for an update at a future meeting.

Peterson reported on the performance of Scoreboard for the first quarter of the business year, noting that this is typically a slow period for sports wagering since it is between the time when the NBA concludes, and the NFL begins. Gross gaming revenue was \$5.1 million, turnover was at \$57.8 million, and the margin was 8.79 percent. There were 29,604 unique active players and the average bet amount was \$35.78 during the quarter. Peterson shared information about the top sports for the quarter and noted that football began in September. For the start of the football season, Lottery has seen increases in the number of bets, unique active players and turnover for football, compared to last year. This is attributed to a larger customer base entering this season, an increase in offerings, and an improved layout in the app.

Barnes shared information about the "We're Better Together" campaign that will be live from Sept. 20 through Nov. 15 on various media channels, including television, social, digital and print. This campaign recognizes the collective struggles, the silver linings and how Oregonians show up for one another. Lottery has received approximately 2,500 Silver Linings submissions from the public through the website. The campaign has had over 2.6 million impressions from Oregonians and ties together the customer experience, retailer experience and employee experience.

- Chair Saathoff shared that she felt good about reading the comments and Barnes said that the response has been very positive. Chair Saathoff believes that this is the right message at the right time.

I. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled Nov. 19, 2021.

The Oregon State Lottery Commission approved the minutes of the Oct. 27, 2021 Oregon State Lottery Commission meeting on Nov. 19, 2021.

Alisa Zavala
Senior Executive Assistant to the Commission
Lottery Director's Office

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

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OSL Commission meeting exhibits are available at www.oregonlottery.org/about/how-we-operate/commission-and-director-info/.