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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING Dec. 17, 2021

Lottery Commission: MardiLyn Saathoff, chair
Maulin Patel
Marty Ramirez
Julie Wilcox

Director: Barry Pack

Chair Saathoff called the Dec. 17, 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, Ramirez, Wilcox and Chair Saathoff.

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

No commissioner communications were shared.

C. DIRECTOR'S REPORT

Presenter: Barry Pack, director

Lottery news

Director Pack shared that Oregon State Police Lieutenant Joel Ratcliff will be retiring on Jan. 1. Lt. Ratcliff has spent the past 12 years at Lottery and served as Acting Assistant Director for Security for about a year. Director Pack thanked Lt. Ratcliff for his service.

Lottery is continuing to collect feedback and input from Oregon's federally recognized Tribes as it is developing its Tribal Consultation Policy. Director Pack and Tribal Liaison Matt Shelby recently

met with leaders of the Confederated Tribes of the Grande Ronde to collect additional feedback. Director Pack noted that he plans to present a final draft of the policy at the January Commission meeting.

Lottery staff participated in the 2021 Charitable Fund Drive and raised close to \$16,000, which included pledges from 67 Lottery staff and money raised during a silent auction.

During the month of November, Lottery observed Native American Heritage Month. Lottery highlighted opportunities to learn more about the Tribes in our area, their history, and their experience. Many of the resources highlighted were also shared at the statewide Diversity Conference earlier this fall.

On Veterans Day, Lottery recognized veterans for their service, including the 73 that are employed at the Lottery.

Lottery staff were on hand to help name two teachers as finalists for Oregon's Teacher of the Year award last month. Wes Crawford of Sutherlin High School and Carolyn Whitney of Frenchglen Elementary School were both awarded \$2,000 for their respective schools. Oregon Lottery partners with Oregon Department of Education for the Teacher of the Year awards.

During this holiday season, the Oregon Lottery and lotteries worldwide are partnering with the National Council on Problem Gambling and the International Centre for Youth Gambling Problems and High-Risk Behaviors at Canada's McGill University to promote giving lottery tickets responsibly. Lottery has participated in the campaign for more than a decade. While Lottery puts added emphasis on this during the holidays, Director Pack noted that it is part of how we promote Lottery's games year-round. Lottery believes that responsible gaming is for all customers, all the time.

Sales update – Director Pack shared the following sales information:

- Video Lottery sales have performed just above the Office of Economic Analysis (OEA) forecast numbers for the past four weeks. Sales have continued to perform well above FY20 and FY21, particularly due to Video Lottery retailers being closed for periods of time during those fiscal years.
- Scratch-it revenues remain nearly one percent year-over-year and well above the OEA forecast over the past four weeks.
- Keno and jackpot FY22 game revenues all remain positive over FY21 levels and slightly above OEA forecast over the past 4 weeks.
- Scoreboard's greatest revenue month since launch was last month, registering a Gross Gaming Revenue of over \$4.4 million across more than one million wagers with a monthly turnover of nearly \$33 million.

Winners – Director Pack shared stories about the following winners:

- Gilberto R. of Woodburn won \$100,000 playing a \$100,000 Crossword Explosion Scratch-it
- Jeff W. of Newberg won \$73,808 playing Keno

D. MINUTES OF THE PREVIOUS MEETINGS

Presenter: MardiLyn Saathoff, chair

Minutes of the Oct. 27, 2021 meeting, Exhibit 1

The Commission reviewed the Oct. 27, 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 Oct. 27, 2021 be approved as final, as presented today. Commissioner Patel seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

Minutes of the Nov. 19, 2021 meeting, Exhibit 2

The Commission reviewed the Nov. 19, 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 Patel moved that the minutes of the Oregon State Lottery Commission meeting held Nov. 19, 2021 be approved as final, as presented today. Commissioner Ramirez seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

E. FINANCIAL REPORT

Presenter: Kathy Ortega, chief financial officer

Monthly financial statements, October 2021, Exhibit 3 and November 2021, Exhibit 4

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 status report.

- Chair Saathoff noted that Scoreboard appears to be doing well. Director Pack shared that the product was profitable within a year and revenues continue to grow. Lottery anticipates additional sales growth once the product moves to the DraftKings platform.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the months ending Oct. 31, 2021 and Nov. 30, 2021 be approved for the record as presented today. Commissioner Patel seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

F. PROPOSED DESIGNATION OF ENFORCEMENT AGENTS, Exhibit 5

Presenter: Barry Pack, director

Director Pack shared information about the request to designate the Assistant Director for Security and Cybercrime Manager as Lottery enforcement agents, noting that the designation is authorized through the Lottery's operating statutes and will clarify authority to access sensitive law enforcement information that otherwise may not be accessible to the Lottery Security Division. This information is used for the purpose of ensuring the fairness, integrity, security, and honesty of Lottery operations. The designation also enhances the Division's business continuity posture should Oregon State Police be unable or unavailable to share such information.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery Commission designate the AD for Security and Cybercrime Manager positions as enforcement agents as presented today. Commissioner Ramirez seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

G. RULEMAKING

Presenter: Kris Skaro, rules and policy analyst

OAR 177-040-0001: General Application Requirements/Alternative Disclosure Process, Exhibit 6

Skaro informed the commission that Tribally owned business entities have expressed interest in contracting with the Lottery to sell Lottery products off Tribal lands. In considering these applications, the scope of required disclosure under the Lottery's rules is unclear, which has been a barrier to moving forward with the application process. To resolve the uncertainty, Director Pack adopted a temporary rule change to allow Tribally owned applicants to be eligible for an alternative disclosure process. Consistent with Oregon Law, the alternative disclosure process must be recommended by the director and approved by the Commission. Lottery will begin the permanent rulemaking process and Skaro noted that she will report back to the Commission in February, after the rulemaking process is complete.

- Chair Saathoff clarified that these retailers are located off Tribal land but are wholly owned by the Tribe and are subject to all of the other rules and laws that are in place for retailers. Director Pack confirmed and noted that the distinction is whether the retailer is on trust land versus fee land since the Indian Gaming Regulatory Act would take precedence if the business were on trust lands.

H. ALTERNATIVE DISCLOSURE REQUESTS, Exhibits 7 and 8

Presenter: Barry Pack, director

Director Pack shared that under the temporary rule just discussed, he is recommending the approval of the alternative disclosure process for two entities. The first entity is owned by the Coquille Indian Tribe, doing business as Roxy Ann Lanes at Bear Creek; and the second entity is owned by the Confederated Tribes of the Umatilla Indian Reservation, doing business as Hamley

Steakhouse and The Golf Course at Birch Creek. These retailer applicants meet the criteria to qualify for the alternative disclosure process.

- Chair Saathoff asked for clarification about who would be required to disclose for these retailers and Director Pack replied that an analysis of the corporate structure is used to determine the appropriate level of disclosure based on the immediacy of control including decision-making authority and access to the lottery products and associated dollars. Corporate structures vary and identifying who is required to disclose is on a case-by-case basis.

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 Southern Oregon Entertainment, LLC, dba Roxy Ann Lanes at Bear Creek and Wildhorse Entertainment, LLC, dba Hamley Steakhouse and The Golf Course at Birch Creek, as presented today. Commissioner Patel seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

I. STAFF UPDATES

Presenters: Rachel Shepherd, business operations senior manager and Lyndsey Peterson, gaming products portfolio manager

Shepherd provided an update on the Retail Partner Management Program. The program includes replacing some legacy systems and will introduce field service support tools to help support the retail partner experience. Shepherd provided an overview of the budget, the multi-phased approach, and key next steps.

- Commissioner Ramirez appreciates the process and is pleased with the selection of Salesforce as the vendor, noting he has been part of Salesforce implementations in his professional career.

Peterson provided an update on the Video Lottery content management strategy, including a brief overview of the gaming products and services ecosystem and the strategy for building the game library. Peterson noted that the goal of the strategy is to remain relevant and competitive by offering fresh games and features that appeal to a diverse gaming audience and shared how this is accomplished. Peterson also shared the game launch plan for the current fiscal year, noting that the team tests game launches, analyzes the learnings and refines the strategy as necessary.

- Chair Saathoff asked how Lottery knows that the games that are launched are in line with what players are wanting and Peterson shared that revenue is a good indicator, along with player feedback.
- Discussion ensued about leasing versus buying the games. There are models that allow leasing and/or revenue sharing but these models have not been used in a wide area Lottery network to-date. There are accounting rules that make it tricky and can negate the benefits of this type of model. Lottery does review different business models periodically to ensure that the model that is being used makes the most sense for the business.

- Commissioner Ramirez asked if Lottery has the capability to segment the market and Peterson replied that games are released by the type of terminals. Lottery has the ability to segment and will look at opportunities to test it in the future.

J. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled Jan. 28, 2022.

The Oregon State Lottery Commission approved the minutes of the Dec. 17, 2021 Oregon State Lottery Commission meeting on Jan. 28, 2022.

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

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

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