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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
Jan. 26, 2024**

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

Director: Mike Wells

Chair Saathoff called the Jan. 26, 2024, Oregon State Lottery Commission meeting to order and 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, Weller, Wilcox, and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment and confirmed with the clerk that no written public comments were received.

B. DIRECTOR'S REPORT, Exhibit 1

Presenter: Mike Wells, director

Director Wells reported that the Legislature will convene on February 5 for a short session that is scheduled to last about five weeks and noted that there is a memo about the session in the materials. Lottery will keep the Commission informed on any bills that may affect the Lottery.

- Chair Saathoff asked about a proposed bill that includes the definition of a casino and Director Wells shared that Lottery has similar questions about the bill but does not have additional information at this time. Lottery will track the bill and will keep the Commission informed as more information is provided.

Director Wells reminded the Commission that the biennial security review identified issues that needed to be addressed. By the end of this month, Lottery expects to have half of those priority items corrected and the remaining items should be completed by the end of the fiscal year. This security review was much more in depth than previous years, making the suggested remediations considerably more complex. Director Wells thanked the staff for their dedication to this complex work.

The implementation of the building security upgrades is underway at Lottery's Pringle warehouse and the State Data Center and will include the installation of upgraded cameras and access control systems at Lottery headquarters and Wilsonville Claims Center in the coming weeks.

Director Wells reported that an active shooter alert was sent out to all Lottery staff via its emergency notification system, Everbridge. Everyone was safe and there was not an active shooter incident, but the mass notification prompted a law enforcement and Lottery security response to headquarters. There were several employees working in the building who quickly responded and effectively sheltered in place. Lottery is investigating how and why the false alert was sent and will provide an update at a later date.

- Commissioner Wilcox is interested in hearing more about what caused the alert.

Lottery is replacing a legacy system, OrderPad, with a new tool within the Salesforce platform at the end of January. The Salesforce system will be used to manage all interactions and relationships with Lottery retailers. The work to move from one system to another has been a year in the making, with a lot of hard work and collaboration across many work groups.

Oregon Lottery sponsored four scholarships at the Skanner Foundation’s Annual Martin Luther King Jr. Breakfast this month. The event featured inspiring words from community leaders and previous scholarship winners, as the life and work of the civil rights icon was celebrated. Director Wells congratulated the scholarship winners and thanked the staff that represented Lottery at the event.

Sales

Director Wells commented that staff will be providing a sales update later in the meeting.

Director Wells reported that due to the winter storm last week, many businesses were unable to make their banking deposits in time, which led to an unusually high number of non-sufficient funds. Recognizing the special circumstances, Lottery has been waiving these compliance issues with proper documentation from the retailers and banks.

Winners – Director Wells shared stories about the following winners:

- John E. of North Bonneville, WA won \$1 million playing Keno.
- Luke C. won \$20,000 playing Win for Life.
- Rita H. of Bandon won \$20,008 playing Mega Millions.

C. APPOINTMENTS AND COMPENSATION, Exhibit 2

Presenter: Mike Wells, director

Director Wells shared background information about Tai Calandriello and Justin Hedlund and asked the Commission to approve the appointment and compensation recommendation of Calandriello to the Deputy Director and Strategy Officer position and Hedlund to the Assistant Director for Security position.

- Chair Saathoff and Commissioner Wilcox congratulated Calandriello and Hedlund after the motion passed.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Lottery approve the director’s recommendation to appoint Justin Hedlund as the Assistant Director for Security and Tai Calandriello as the Deputy Director and Strategy Officer of the Oregon State Lottery, with the associated salary as presented today, effective Feb. 1, 2024. Commissioner Wilcox seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

D. MINUTES OF THE PREVIOUS MEETING, Exhibit 3

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the Dec. 15, 2023, 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 Dec. 15, 2023, Oregon State Lottery Commission meeting be approved as final, as presented today. Commissioner Weller seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

E. FINANCIAL REPORT

Presenter: Monique Fawver, manager, financial reporting

Financial statements, December 2023, Exhibit 4

Fawver provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies supplemental schedule, and balance sheet.

- Commissioner Ramirez asked if the underspend in games, equipment and services will be made up or carried forward and Fawver replied that Lottery is not expecting all the game set purchases that were originally budgeted so there will be a savings. (Clarification was made after the meeting that Lottery is expected to purchase the content in FY24, but will not receive delivery until FY25 so the expense will be carried into FY25.)
- Chair Saathoff asked about the overage in salaries, wages, and benefits and if Lottery is planning on filling the vacant positions that are helping offset the overage and if so, how will this affect the budget. Director Wells replied that it is not an intentional move to keep the positions vacant to offset the error.
- Chair Saathoff asked about the underspend in the modernization budget. Fawver commented that this is a byproduct of the budget process, as often it is unknown if contracts are going to be capitalized, or how much will be capitalized, until the actual work begins so the items are budgeted as an expense. Lottery is looking into this to see if a solution can be found.

Chair Saathoff called for a motion.

Commissioner Patel moved that the Oregon State Lottery financial statements for the month ended Dec. 31, 2023, be approved for the record as presented today.

Commissioner Weller seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

Mid-year budget review, Exhibit 5

Fawver informed the Commission that Lottery completed a review of the original FY24 budget that was approved in June. Fawver reviewed the key changes and reported that this review resulted in expense reductions of \$2.8 million and noted that the annual budget that is reflected in the financial statements will not be updated to reflect these changes.

Going forward, Lottery will be reviewing the budget monthly and will include a summary describing the major additions, reductions, and corrections for the month and year-to-date as part of the financial statement materials.

- Chair Saathoff likes the idea of the monthly budget review and summary being part of the financial statement packet.

F. STAFF UPDATES

Presenters: Kathy Stromberg, chief marketing officer; Jen Bagger, supervisor, retail channel products; Spencer Haley, manager, operational excellence, Kerry Hemphill, sports betting products manager; and Lyndsey Peterson, manager, gaming products portfolio

Stromberg provided an overview of the forecasting process, including economic and Lottery-specific trends over the last decade, the current outlook, and expectations for the future. Discussion ensued about the declining retailer base and player demographics and Stromberg shared that Lottery is looking closely at these issues.

- Chair Saathoff asked what the trends tell about the business and what can be done, specifically around the erosion of retailers and consumer entertainment choices. With the decline in retailers, Lottery should be looking to improve using the variables that it can control, but Chair Saathoff understands that this may be a policy choice. Director Wells commented that Lottery is working with the Governor’s Office on policy direction and will align its strategy once that is provided.
- Commissioner Wilcox asked if Lottery is looking at the younger generation’s use of entertainment dollars and Stromberg provided information about the different demographics. Stromberg added that Lottery and the Office of Economic Forecast studies this, along with a decline in the population and the economic factors. Commissioner Wilcox would like to see more information about this during the work session in May.
- Commissioner Patel commented that Lottery has faced the same issues and forces for some time and is hopeful that Lottery will use some of the technology that it invested in to become a more data-driven organization to help address these issues. Commissioner Patel is also interested in seeing national information and what other jurisdictions are doing to address these issues.

Lottery products

Bagger provided a quarterly update on Scratch-its, Keno, and Jackpot games and noted that this quarter included 13 weeks of sales, compared to 14 weeks in the second quarter of BY23.

- Scratch-it sales for the quarter were down 3.9 percent year-over-year, but up almost 9 percent over forecast. Year-to-date sales are up one percent year-over-year. Bagger provided an update on the holiday scratch-it sales, noting that all scratch-it sales perform well over the holiday season.
- Keno sales for the quarter were down 10.3 percent year-over-year but were up slightly over forecast.
- Jackpot sales were up with higher jackpot levels contributing to the increase in sales and transfers. Year-to-date sales are up 18.7 percent year-over-year.
 - Powerball sales were down 21.6 percent year-over-year
 - Mega Millions sales were down 57.5 percent year-over-year
 - Oregon’s Game Megabucks was up 14.3 percent year-over-year
 - Bagger shared information about top jackpots for each game.

Note: Commissioner Wilcox stepped out of the meeting and did not return.

Video Lottery

Peterson provided a quarterly update on Video Lottery, noting that sales were down 1.8 percent against forecast for the quarter, but only down .1 percent to forecast for the year-to-date.

Peterson and Haley provided key insights and impacts from the Video Lottery ecosystem work that Lottery has been doing, including Video Lottery Terminal replacements, equipment management, new retailers, and content management.

- Commissioner Ramirez asked about the net impact of removals from the lowest volume retailers and installations in higher performing retailers under the equipment management policy and Haley shared that it is making an impact and providing a benefit to the state.

Sports betting

Hemphill shared that the second quarter was another record-setting quarter for the sports betting product, noting that the extensive betting menu and smooth functionality of the platform are creating a positive experience for customers. Hemphill added that the growth of the sports betting product is not coming at the expense of Lottery's other games, which is seeing the industry-wide trend of user growth driving the product.

Year-over-year growth included:

- The number of bets placed was up 34.8 percent.
- The turnover was up 25.2 percent, with a total of over \$213 million.
- Gross Gaming Revenue was up 37 percent, with a total of \$25.6 million for the quarter.
- The number of players who placed at least one wager increased about 20,000 for the quarter year-over-year.

Hemphill shared that the top sport this quarter was football (NFL) and the start of the basketball (NBA). Table tennis was strong this quarter and continues to grow and mixed martial arts (MMA) continues to be a key contributor.

G. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Audit Committee update - Commissioner Patel shared that Commissioner Weller joined the Audit Committee this month and reported that this month's meeting included an update on Enterprise Risk Management and the Casino Prohibition Rule Program Assessment and a review of the calendar year draft audit plan.

No other business was shared.

Chair Saathoff stated that the next monthly commission meeting is scheduled on Feb. 23, 2024, and adjourned the meeting.

The Oregon State Lottery Commission approved these minutes on Feb. 23, 2024.



Alisa Zavala (Feb 23, 2024 11:06 PST)

Alisa Zavala, Senior Executive Assistant
Lottery Director's Office

Approved by:



Maulin Patel (Feb 23, 2024 11:17 PST)

Commissioner Maulin Patel, Acting Chair
Oregon State Lottery Commission

OSL Commission meeting exhibits are available for one year on the [Oregon Lottery's website](#).