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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
Aug. 31, 2023**

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

Interim director: Mike Wells

Chair Saathoff called the Aug. 31, 2023, 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, 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 comment was received.

B. DIRECTOR'S COMPENSATION

Presenter: MardiLyn Saathoff, chair

Chair Saathoff congratulated Interim Director Wells for being appointed by Governor Tina Kotek to the Director of the Oregon Lottery, pending Senate confirmation in September. On behalf of the commission, Chair Saathoff thanked Interim Director Wells for his time as Interim Director the past eight months and for working closely with the commission and stakeholders to ensure the mission. Chair Saathoff shared that the commission values his transparent and straightforward approach to managing the agency and looks forward to continuing to work together.

Chair Saathoff noted that a memo regarding the recommendation to approve the Lottery Director's compensation was circulated to the Commission in advance of the meeting and shared that Lottery followed its normal compensation analysis process to determine the compensation. This information was provided to the Oregon Department of Administrative Services for its review and approval. There were no recommended changes or questions.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery Commission approve the compensation for the Director of the Oregon State Lottery, pending Senate approval, as presented today. Commissioner Wilcox seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

C. DIRECTOR'S REPORT

Presenter: Mike Wells, interim director

Lottery news

Interim Director Wells thanked the Commission for the opportunity to lead the organization and noted that he is committed to ensuring the organization continues to meet its mission. Interim Director Wells added that he has enjoyed his time in the Interim Director role and looks forward to continuing as Director.

Earlier this month, Lottery successfully began using Microsoft Dynamic 365 Finance & Operations software which marks the completion of a three-and-a-half-year project replacing the previous obsolete finance software AX2009. The project team, which includes Lottery staff and vendor staff, overcame numerous hurdles to support Lottery's financial responsibilities as the system of record for gaming revenue and supports activities to transfer funds to the State. In addition to these critical functions, the software also supports functions such as finance, accounting, distribution, procurement, and contracts. Interim Director Wells thanked Lottery staff for their hard work, commitment and success for a job well done.

Interim Director Wells reminded the Commission that the Cascada field trial began during the spring and lasted several months, noting that the new machines met sales and service performance goals. Lottery will purchase 1,175 of these terminals, which are expected to be received at the end of July.

Earlier this month, Salem celebrated the grand opening of Courtney Place, a 34-unit housing project for Veterans using \$6.1 million in Lottery-backed bonds to construct the facility. Courtney Place, named after former Senate President Peter Courtney, was designed to address challenges that are unique to veterans that may be impacted by issues relating to their service. Veterans from both Marion and Polk Counties will be served at this location. Interim Director Wells shared that it is meaningful to connect the work Lottery does with beneficiaries.

The exterior of the Lottery headquarters building is receiving a new coat of paint. The existing paint was original to the building in 1996 and is no longer providing the protection needed to the structure. The new paint is the same light color that best reflects the heat and helps with rising temperatures in the warehouse.

Sales

- Overall sales are up by 4.7 percent over last year.
- Video Lottery sales are down about two percent compared to last year at this time.
- Scratch-it sales remain the same as last year at this time and remain ahead of pre-pandemic levels. Sales of \$10 and \$20 games continue to expand, currently accounting for half of sales in the category.
- Jackpot games Powerball and Mega Millions are both up significantly from last year due to billion-dollar jackpots.
- Win For Life sales are up by almost 50 percent compared to last year due to marketing and BOGO campaigns.
- Sports betting is up from last year, with turnover (amount wagered) at 42 percent.
 - Commissioner Wilcox asked about the increase in sports betting and Interim Director Wells shared that the player base has increased as the popularity of the product grows.

Winners - Interim director Wells shared stories about the following winners:

- Pamela P. of Salem won \$32,438 a year playing Keno.
- Justin D. of Gresham won \$17,500 playing Big City 5's on Video Lottery.
- A Draft Kings player won \$8,026 betting \$50 on five legs, same game parlay in a Major League Baseball matchup between the Detroit Tigers and Pittsburgh Pirates.

D. MINUTES OF THE PREVIOUS MEETING, Exhibit 2

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the July 28, 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 Patel moved that the minutes of the July 28, 2023, Oregon State Lottery Commission meeting 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

Financial statements, FY23/June 2023, Exhibit 3

Ortega shared that the cutover from AX2009 to D365, along with new GASB requirements added some complexity to the year-end report and that additional work needs to be completed to the GASB adjustments. Ortega also noted that Lottery is awaiting information from Treasury regarding the securities lending, which is a pass down entry. The impacts of these items to the financial statements should not be material, but if there are material changes, Ortega will bring the financial statements back to the Commission for review and approval.

- Chair Saathoff asked whether the motion to approve the statements should be modified to note this and Ortega's recommendation is to approve the motion that was provided, noting that this was the path taken two years ago.

Ortega provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies, and balance sheet. Ortega shared that there will be administrative savings between \$8 and \$9 million that will be transferred to the State.

- Chair Saathoff asked if the services and supplies budget was under budget due to timing issues and if it will roll forward into FY24. Ortega shared that in FY23, Lottery budgeted for work that was not able to be accomplished during the year and that it did not carry forward to FY24. Ortega noted that Lottery changed its FY24 budgeting process to only include objectives that can be accomplished during the fiscal year.
- Commissioner Ramirez asked about the positive variance on the other income category. Ortega shared that we do not budget for this line item and noted that it includes things like damage to terminals, key replacements, photocopies, and various things that we collect money for that do not relate to games.

Financial statements, July 2023, Exhibit 4

Ortega shared that the July financial statements were completed in the new D365 system and provided an overview of the financial statements and described expenses and variances in the operating statements, services and supplies, and balance sheet.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery’s year-end financial statements for FY23, which ended on June 30, 2023, and the financial statements for the month ended July 31, 2023, be approved for the record, 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.

F. MAJOR PROCUREMENT: IGT, A NEVADA CORPORATION, Exhibit 5

Presenter: Mike Wells, interim director

Interim Director Wells reminded the Commission that Lottery’s Video Gaming Product Team is seeking approval to enter into a major procurement with IGT, a Nevada Corporation, for the purpose of replacing 2,500 end-of-life video retailer terminals that facilitate day-to-day operations and communication between the Video Lottery Gaming System and Video Lottery Terminals. The replacement of the existing equipment with the i-LINK Ultra terminals will improve the user experience for the retailers and will support the current and future version of Lottery’s Video Lottery Gaming System. The purchase agreement will include video retailer terminals, spare parts, and warranty support.

Chair Saathoff called for a motion.

Commissioner Patel moved that the Oregon State Lottery Commission authorize the director of the Oregon Lottery to enter into a major procurement with IGT, a Nevada Corporation, for the purchase of i-LINK Ultra video retailer terminals and associated deliverables, as presented today. Commissioner Wilcox seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

G. Rulemaking

Presenters: Kris Skaro, rules and policy analyst

OAR 177-040-0052, Non-Sufficient Funds, Exhibit 6

Skaro reminded the Commission that in May, Lottery proposed to amend the rule that applies when a retailer’s weekly transfer to Lottery is not completed due to non-sufficient funds (NSF). Currently, the rule allows unlimited NSFs if the retailer pays an administrative fee and posts a bond. Due to a small number of retailers who have repeated NSF issues, Lottery proposed to amend the rule to have the option to terminate the retailer’s contract after four NSFs in a 12-month period. The proposed rule will excuse NSFs that occur due to a bank error or bank closure. Lottery may also make exceptions when circumstances warrant. The rule will not apply retroactively and will be effective on the effective date.

Skaro provided an overview of the rulemaking process and shared that Lottery received four written comments, noting that the comments were provided to Interim Director Wells and the Commission for their consideration.

- Chair Saathoff clarified that Interim Director Wells will have the ability to make exceptions if there are extenuating circumstances on a case-by-case basis to determine recommended actions outside of the rules and Skaro confirmed.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that OAR 177-040-0052 be amended, as presented today, effective Sept. 1, 2023. Commissioner Wilcox seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

OAR 177-092, Scoreboard, Exhibit 7

Skaro reminded the Commission that the previous sports betting platform, Scoreboard, was replaced by the Draft Kings platform in January 2022. Although no bets could be placed on the Scoreboard platform after this date, Scoreboard remained accessible to players until all confirmed bets on future sporting events were settled. As of now, all bets have been settled and there are no remaining active player accounts.

Skaro provided an overview of the rulemaking process and noted that no public comment was received.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that OAR chapter 177, division 92, be repealed, as presented today, effective Sept. 1, 2023. Commissioner Ramirez seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

H. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Presenter: MardiLyn Saathoff, chair

Commissioner Ramirez commented that using cameras for this meeting made it more enjoyable and engaging. Chair Saathoff agreed and Interim Director Wells stated that this was a suggestion by the Commission that will be continued in the future as it was a better experience.

The next monthly commission meeting is scheduled on Sept. 22, 2023.

The Oregon State Lottery Commission approved the minutes of the Aug. 31, 2023, Oregon State Lottery Commission meeting on Sept. 22, 2023.

Alisa Zavala, Senior Executive Assistant
Lottery Director's Office

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission