Debbs Potts Oregon State Lottery Commission Building
500 Airport Road SE
Salem, Oregon 97301

OREGON STATE LOTTERY COMMISSION MEETING
JULY 29, 2016

Lottery Commission: MardiLyn Saathoff, chair
Liz Carle
Chris Telfer
Raul Valdivia
Mary Wheat

Acting Director: Barry Pack

OREGON STATE LOTTERY COMMISSION MEETING

Commission Chair MardiLyn Saathoff called the July 29, 2016 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that a quorum of commissioners is present.

Commissioners present at the roll call: Commissioners Carle, Telfer, Valdivia and Chair Saathoff. Commissioner Wheat joined the meeting via telephone at approximately 10:30 am.

A. PUBLIC COMMENT

Chair Saathoff opened the meeting for public comment. It was noted for the record that the public comment portion of the meeting is an opportunity for the commission to hear from the public. During public comment, the commission listens but neither discusses nor responds to questions or concerns.

Kitty Martz, from Voices of Problem Gambling Recovery, commended the Lottery for receiving the National Council of Problem Gambling's Corporate Social Responsibility Award and thanked staff for visiting Voices of Problem Gambling Recovery and the ongoing education and collaboration. Martz asked the commission to review the policy and conduct a study on the social cost versus revenue on television advertising for video lottery.

Howard Marlow, a gambling peer mentor, thanked staff for attending a Voices of Problem Gambling Recovery meeting. Marlow foresees gambling revenue decreasing in the near future and is pleased to see it.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1
Presenter: MardiLyn Saathoff, chair

The commission reviewed draft minutes of the June 27, 2016 Oregon Lottery Commission meeting, which were circulated in advance of the meeting, and recommended no changes to the record. Chair Saathoff called for a motion.

> Commissioner Telfer moved that the minutes of the Oregon State Lottery Commission meeting held June 27, 2016 be approved as final, as presented today. Commissioner Valdivia seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Carle, Telfer, Valdivia and Chair Saathoff voting aye.*

C. COMMISSIONER COMMUNICATIONS
Presenter: MardiLyn Saathoff, chair

No comments were shared.

D. DIRECTOR'S REPORT
Presenter: Barry Pack, acting director

Acting Director Pack provided the following updates:

Video Lottery Terminal Modernization Program – The Video Lottery Terminal Modernization Program met a significant milestone by completing the latest round of testing and is on track to go-live in September.

Retailers – Pack noted that the increase in real estate prices in Portland is causing retailers to close, most recently a long standing retailer, the Lotus Card Room in Portland, which will close in August.

Employee Recognition – Janell Simmons, the Lottery's Chief Human Resources Officer, is being recognized as one of three top human resources executives in the state by the Portland Business Journal in August. The award recognizes human resources executives who have demonstrated leadership, vision and innovation while managing challenging workplace issues. She was nominated by Lottery staff.

National Conference on Problem Gambling – Pack shared that he attended the annual conference of the National Council on Problem Gambling, along with other Lottery staff. Pack had an opportunity to meet with many partners and stakeholders and accepted the Corporate Social Responsibility Award on behalf of the Oregon Lottery.

Pack added that the Oregon Lottery was recognized by LaFleur's Magazine with its 2016 Sustainability Award.

Responsible gambling training – Pack presented Dan Fischer of Dotty's with a plaque to thank Dotty's for partnering with the Lottery to pilot responsible gambling training for his employees. As of last week, 193 Dotty's employees at 40 locations completed the training and assisted in refining the program to create the best responsible gambling training program possible. Fischer thanked his

staff for the work they did with the training and commended the Oregon Lottery for making responsible gambling a priority.

Lottery employees will receive responsible gambling training in August and will refresh this training annually.

Traffic to the helpline and OPGR website – Visits to the Oregon Problem Gambling Resources website reached an all-time high in June while Lottery spending on the campaign remained the same as April. This is the first time that the number of returning visitors was higher than new visitors and the highest number of referrals to date.

- Over 158,000 page views to OPGR.org
- Nearly 10,000 clicks to OPGR.org/es—the Spanish version of the Oregon Problem Gambling Resources website
- 56 percent were returning visitors vs. 44 percent new visitors
- 270 total calls to the Helpline resulted in 89 referrals to treatment

Winners – Pack shared stories about the following winners:

- Steven Dery of Coquille won $1 million and Kris Bean of Eugene won $50,000 playing Powerball.
- John Westbrook of White City won $5,000 and Juan Irigoyen of White City won $10,000 playing Scratch-its.

Rule updates and upcoming policy topics – Pack provided an update on upcoming rules that will be presented to the commission.

- Unauthorized Use of Play slips rules will be voted on at today's meeting.
- Arrest record rule and alternate disclosure process will be discussed today and will be presented for approval in the near future.
- Powerball, Mega Millions, Keno and Win for Life rule changes will be presented for approval at the September meeting.

Ballot measure updates – Pack gave a brief update on ballot measures, which include a measure to dedicate four percent of Lottery revenues to fund outdoor school. The legislature referred its own measure to dedicate 1.5 percent of Lottery revenues to veterans' services.

E. FINANCIAL REPORT

Presenter: Kathy Ortega, chief financial officer

Monthly Financial Statement, June 2016, Exhibit 2

Ortega stated that the financial statements for fiscal year 2016, and for the month ending June 30, 2016 are in preliminary format until the fiscal year books are closed. The June financial statements will be presented at the August commission meeting for final approval.

Ortega gave an overview of the financial report and described expenses and variances in operating statements, services and supplies, and balance sheet, including the capital outlay status report. Variances were stated due to timing or estimating differences.

- Commissioners Telfer, Valdivia and Chair Saathoff asked clarifying questions.
- Chair Saathoff asked for a high level assessment of the growth and expenses for the year. The year-end financial report appears to be flat on growth and under budget on expenses. Ortega stated that Lottery's revenue did well against the approved budget and against prior year, but when adjusted for inflation revenues appear to be flat. Many expenses were deferred to next year due to ongoing projects. Chair Saathoff noted that staff is compiling information on future market issues for discussion at the September meeting and would like Lottery to look at growth adjusted for inflation over a period of time.

Procurement Activity Report, Exhibit 3

The procurement activity report updates the commission on Lottery contracts currently in process and how they align with the approved budget. Ortega reported on 20 items, including 16 that have been executed, for a total of $3,648,556.

F. PLAY SLIP RULES

Participants: Barry Pack, acting director and Mark Hohlt, rules and policies manager

Pack stated that the purpose of the requested rule amendments would be to eliminate the requirement that play slips for draw games be completed by hand and would allow players to produce their own play slips electronically in a format approved by the Lottery.

Hohlt provided details of the rule filing.

Chair Saathoff noted that there was extensive discussion at the last meeting and materials provided to the commission and asked the commissioners if all questions have been answered.

Commissioner Carle commented that this is a big change and represents potential for doing business differently and appreciates the prompt responses and the frank discussions that have occurred. Carle stated that she is concerned about potential fraud or abuse and trusts the administration to manage. She would like to see the commission make a policy statement to help guide future leadership to create accountability and understanding for why this was done. Carle would like to see careful monitoring to maintain the integrity of the games.

Commissioner Telfer asked for a strategy to revisit the rule and documentation of what would trigger the commission to do so, if necessary. Telfer noted that her concerns were satisfied but agrees with Carle on wanting guidelines for reconsideration.

Chair Saathoff agreed with wanting clear documentation on what would cause concern for reconsideration.

Commissioner Valdivia commented that the commission can review the policies, evaluate and make a decision based on the information that is provided and mitigate as many risks as possible. Valdivia asked clarifying questions and Pack responded.

Commissioner Wheat appreciates the time and materials that were provided to the commission to make this decision and agrees that Lottery needs to be watchful of this for the next few years and careful with the third party relationships. Wheat stated that Lottery does need to be diligent with monitoring the rule.

Pack stated that discussions have started with staff regarding how to move forward, security protocols, revenue monitoring and how to structure it to provide guidance in the future and report back to the commission.

Chair Saathoff called for a motion.

> Commissioner Carle moved that the administrative rules presented today be amended as proposed, effective August 1, 2016, as presented today. Commissioner Telfer seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff voting aye.*

G. POLICY/RULES DISCUSSION

Presenters: Barry Pack, acting director, Farshad Allahdadi, chief sales and retail services officer and Major Craig Durbin, assistant director of security

Pack provided a brief overview of both topics being discussed at today's meeting. Staff will gather the commission's additional questions or concerns and provide an update at the next meeting.

Alternate disclosure process – Allahdadi stated that the purpose of this proposal is to change the disclosure process for large, multi-state retailers. This process would shift the emphasis of the background investigation to the suitability of the corporation and its ability to exercise control and governance to assure compliance with contract provisions. The Lottery would analyze the corporation structure against a set of criteria before presenting a proposal for an alternate disclosure process to the commission for approval. Durbin noted that this process would shift focus of the investigation from the sole individual to the corporation.

- Commissioner Carle noted that her concerns have been addressed.
- Commissioner Valdivia appreciates the information and had a clarifying question regarding the process flow chart. Allahdadi walked the commission through the flow chart.

- Chair Saathoff asked a clarifying question and encouraged the commissioners to submit any additional questions prior to the next meeting.

Arrest record rules – Durbin stated that the purpose of this proposal is to change the process of obtaining arrest information, which aligns the Lottery's process with the new federal compliance laws. Security obtains the required information through fingerprint processing rather than the applicant's disclosure on the retailer personal disclosure form.

- Commissioner Telfer asked why the Lottery issues temporary retailer contracts. Allahdadi stated that it is due to the length of time a full background investigation takes. Durbin gave a high-level overview of the information the Lottery reviews before issuing a temporary contract and noted that the Lottery can terminate a temporary contract at any time.

H. STAFF UPDATES

No staff updates were provided.

- Chair Saathoff asked about the decline in the number of Lottery retailers. Pack noted that the Lottery is completing an analysis and present that information at an upcoming meeting.

I. OTHER BUSINESS

No other business was presented.

The next meeting is scheduled Aug. 26, 2016, at the Debbs Potts Oregon State Lottery Commission Building.

Respectfully submitted,

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 oregonlottery.org. Go to "About Us," then "Commission and Director Info" then scroll to "Commission Meetings."