



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

OREGON STATE LOTTERY COMMISSION MEETING AUGUST 26, 2016

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

Acting Director: Barry Pack

EXECUTIVE SESSION

The members of the Oregon State Lottery Commission, Department of Justice and Lottery staff met in executive session for the purpose of consulting with legal counsel. The executive session was held pursuant to ORS 192.660(2)(h). This statute allows the commission to meet in executive session to consult with counsel concerning legal rights and duties regarding current litigation and litigation that is likely to be filed.

OREGON STATE LOTTERY COMMISSION MEETING

Commission Chair MardiLyn Saathoff called the Aug. 26, 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 later in the meeting.

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.

Howard Marlow, a gambling peer mentor with Voices of Problem Gambling Recovery, believes that every household in the state has been touched by problem gambling and stated the need for a gaming commission. Marlow talked about the potential effects of the new Washington casino on the Oregon Lottery.

Sharon Williams, from Voices of Problem Gambling Recovery, believes that Oregon has the best treatment available and that Lottery dollars fund it. Williams appreciates the responsible gambling programs in Oregon but is concerned about the people whom we are not reaching.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed draft minutes of the July 29, 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 Carle moved that the minutes of the Oregon State Lottery Commission meeting held July 29, 2016 be approved as final, as presented today. Commissioner Telfer 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

Chair Saathoff announced that Commissioner Carle will be stepping down from the commission and thanked her for the work that she has done. Acting Director Pack thanked Carle and presented her with a gift on behalf of the Oregon Lottery and the Commission.

Commissioner Carle shared that she has enjoyed her time at the Lottery and appreciates the opportunity to serve.

Commissioner Telfer shared that she has enjoyed working with Carle and appreciates Carle's perspective. Commissioner Valdivia shared that it was a pleasure working with Carle and appreciates that she did what she believed was right.

D. DIRECTOR'S REPORT

Presenter: Barry Pack, acting director

Acting Director Pack provided the following updates:

Video Lottery Technology Modernization Program – Pack shared that as part of the Video Lottery Technology Modernization Program, some retailers could not be connected via the Ethernet and would need a cellular solution. Using a contractor to test the sites to determine the right service provider was costly and not always accurate. The Lottery team brainstormed a solution and figured out how to do it, saving time, money and most importantly, getting an accurate read on cellular reception at the retailer's place of business. Now, our field staff can test the connection without the inconvenience to the retailer of having to schedule an appointment with a contractor.

Responsible Gambling Certification – The Oregon Lottery received the North American Association of State and Provincial Lotteries and National Council on Problem Gambling’s “implementation” certification of the Lottery’s responsible gambling program at a conference earlier this month. The Oregon Lottery was one of the first four lotteries to be certified, and the only one with a video program.

Responsible gambling training – Pack reported that more than 460 retail staff in 160 retail locations have completed the training with more retailers preparing to take it. Retailer feedback has been positive.

Lottery employees and commissioners will receive responsible gambling training in mid-September.

Traffic to the helpline and OPGR website – Ongoing television and internet advertising campaigns continue to send record number of visitors to the Oregon Problem Gambling Resources website.

- Over 248,708 page views to OPGR.org
- Over 38,000 clicks to OPGR.org/es—the Spanish version of the Oregon Problem Gambling Resources website
- Almost 60 percent were returning visitors
- 259 total calls to the Helpline resulted in 72 referrals to treatment

Sales – Pack shared year to date sales:

- \$188.2 million, which is 10.2 percent above a year ago.
- Traditional product \$53,947,294, which is 20.7 percent above a year ago
- Video sales \$134,257,518, which is 6.5 percent above a year ago.

Winners – Pack shared stories about the following winners:

- Lori Hays of Springfield won \$10,000 playing a Bacon Bucks Scratch-it
- Becky Carter of Albany won \$5,000 playing a Wheel of Fortune Scratch-it
- Vicki Lowery of Eugene won \$3,000 playing video lottery

Rule updates and upcoming policy topics – Pack provided an update on upcoming rules that the Lottery will present to the commission for adoption. September rule changes will include:

- The Keno annuity rule change will replace the annuity with a lump sum payment.
- Powerball and Mega Millions’ rules will have housekeeping and liability language changes.
- The multi-state retailer alternative disclosure rule change is a process change to shift the emphasis of a background investigation from individual managers to the suitability of the corporation and its ability to exercise control and governance to assure compliance with contract provisions.

Rule changes that will come later in the year include:

- Win for Life (3¢ rule)
- Keno Bullseye, which would add another feature to the game
- Retail contracts rule changes, which include updating various provisions, repealing obsolete provisions and amending the waiting period rule to make the rules more flexible.

Casino updates – Pack gave a brief update on the status of the Cowlitz Casino, Wood Village Greyhound Racetrack Project, Wood Village private casino, poker rooms and the Coquille Gaming Center in Medford.

- Chair Saathoff asked a clarifying question about the Wood Village Greyhound Racetrack Project.

Hood to Coast Relay – Pack shared that the Oregon Lottery has two teams competing in the Hood to Coast Relay, Team Lotto Runnin’ and Team Lotto Walkin’. The promotions team will be set up at the finish line in Seaside.

E. RULEMAKING-APPLICATION FOR TEMPORARY LOTTERY RETAILER CONTRACT, Exhibit 2

(This agenda item was moved to follow item F to allow for Commissioner Wheat to call in and participate in Items E and G.)

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

Commissioner Wheat joined the meeting via telephone.

Hohlt stated that proposed rule amendment deals with arrest records and evaluating a person’s application for a temporary traditional Lottery retailer contract. The amendments delete the references to arrest records and make a few minor housekeeping edits.

Hohlt provided details of the rule filing and process and explained the reasoning for the recommended amendments, which include exposing the Lottery to potential liability for violating federal civil rights laws and the equal protection clause of the US Constitution. Amending the rules would help ensure compliance with new federal requirements for obtaining criminal histories. Lottery will be able to obtain conviction information by other means, without having to ask the applicant for the information.

Chair Saathoff stated that she appreciates the materials and background that the acting director provided to the commission prior to the recommendation. Commissioner Carle agreed.

Chair Saathoff called for a motion.

Commissioner Carle moved that the administrative rules presented today be amended as proposed, effective Sept. 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.

F. FINANCIAL REPORT

Presenter: Jami Eglund, general accounting manager

Monthly Financial Statements, June 2016/FY16 year-end, Exhibit 4

Eglund stated that since the presentation of the June 2016/FY16 financial statements last month, there was a change made to the entry for the Public Employee Retirement System, which was also discussed last month.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the Oregon State Lottery Financial Statement for the month ending July 31, 2016 be approved for the record 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.*

Monthly Financial Statements, July 2016, Exhibit 5

Eglund gave an overview of the financial statements and described expenses and variances in operating statement, services and supplies and balance sheet. The majority of the variances were due to timing differences.

Chair Saathoff called for a motion.

Commissioner Valdivia moved that the Oregon State Lottery Financial Statement for the month ending July 31, 2016 be approved for the record as presented today. Commissioner Carle seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Carle, Telfer, Valdivia and Chair Saathoff voting aye.*

Procurement Activity Report, Exhibit 6

The procurement activity report updates the commission on Lottery contracts currently in process and how they align with the approved budget. Eglund reported on 27 items, including 12 that have been executed, for a total of \$2,341,000.

G. POLICY/RULES DISCUSSION, Exhibit 7

Presenters: Barry Pack, acting director

Commissioner Wheat took a moment to thank Commissioner Carle for her service.

Pack reported that a memo providing clarification around major and sensitive procurements is part of the materials for today's meeting and will answer any questions and discuss future changes to the rule.

- Chair Saathoff clarified that as long as contracts are within the approved budget, the commission has delegated the authority to enter into those contracts to the director. If not budgeted for, a major procurement or a contract with an unbudgeted impact needs the approval of the commission.

Pack discussed future changes to the procurement rules that stem from research into this issue, and a draft audit report from the internal audit department. Rule updates will include resolving some inconsistencies and ambiguities by inserting clearer language.

- Commissioner Carle asked for details and examples of the inconsistencies and ambiguities. Pack provided examples. Carle asked about the timeline for completion and Pack noted that he anticipates 60 to 90 days for completion of the updates.
- Chair Saathoff asked how a major procurement is defined. Pack replied that a major procurement is defined in the statute and rules by the type of agreement, and is mainly goods or services involving the receiving or recording of number selection in any lottery game, or any goods or services involving the determination of winners in any lottery game.
- Chair Saathoff noted that the delegations seem to be broad and requested that part of the policy be reviewed.
- Commissioner Valdivia noted that the current definition seems to be subjective based on interpretation and Pack stated that there are clear criteria in the rules but there is not a clearly documented process on how the decisions are made.
- Pack stated that he would provide a copy of the audit report to the commissioners once finalized.

H. STAFF UPDATES

Presenters: Farshad Allahdadi, chief sales and retail services officer and Mark Strickler, senior marketing communications manager

Commissioner Telfer asked a question about inconsistencies in the terminated retailer report summary and the terminated retail location report. Allahdadi stated that it is a timing issue and look for a way to make the distinction on future reports.

Wheel of Fortune – Allahdadi noted that the Wheel of Fortune product run is about mid-way complete. Performance is not as expected. Allahdadi shared how the Lottery tracks the games, reviews game performance, and the lessons learned for the future. The Lottery launched the Wheel of Fortune game in June with an end date of mid-November, which is when the drawing

for the second chance trip will occur. Allahdadi shared information on expenditures and sales. Second chance registrations are high, double and triple the entries in other second chance drawings.

- Chair Saathoff asked about looking at other jurisdictions’ performance and making assumptions based on those. Allahdadi stated that the Lottery inquires with vendors, other jurisdictions and research vendors to gather information to review game performance.

Oregon Wins – Advertising

Strickler shared the SOLVE advertisement that is currently on air for the next month. The Lottery is the presenting sponsor of the SOLVE Beach and Riverside Clean-up on Sept. 24.

Marketing has updated the Lottery’s Oregon Wins brand advertising with a new ad that features a speech excerpt from former Governor Tom McCall. The new advertisement is called “Inspiration” and represents what the Lottery brand is all about. It will run throughout the next year.

I. OTHER BUSINESS

No other business was presented.

The next meeting is scheduled Sept. 30, 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.”