OREGON STATE LOTTERY COMMISSION MEETING
JULY 28, 2017

Lottery Commission: MardiLyn Saathoff, chair
Maureen Bedell
Maulin Patel
Chris Telfer
Raul Valdivia

Director: Barry Pack

EXECUTIVE SESSION

The members of the Oregon State Lottery Commission and staff from the Department of Justice and Lottery met in executive session to consider information that is exempt by law from public inspection, pursuant to ORS 192.660(2)(f).

OREGON STATE LOTTERY COMMISSION MEETING

Commission Chair MardiLyn Saathoff called the July 28, 2017 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 Bedell, Patel, Telfer, Valdivia and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff opened the meeting for public comment. She noted for the record that this 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 and concerns.

Howard Marlow, a gambling peer mentor with Voices of Problem Gambling Recovery, spoke about the National Conference on Problem Gambling, the Annual NW Institute of Addiction Studies Conference and the Lottery’s Code of Responsible Gambling. Marlow feels that the Lottery offers predatory gambling and asked the commission to keep problem gamblers in mind when developing new products.

Jim Sterup thanked the commission for its willingness to allow public comment at each commission meeting. Sterup shared his concern with the safety of employees at limited menu retailers, and asked the commission to address the risk and minimize exposure.
B. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

No comments were shared.

C. DIRECTOR’S REPORT, Exhibit 1

Presenter: Barry Pack, director

Awards

Director Pack thanked 25 Lottery staff members for 25 years of service to the State of Oregon and for their commitment to public service. Chair Saathoff also thanked the staff for their dedication to the State of Oregon and the Lottery.

Oregon State Police Lt. Joel Ratcliff, from the Lottery’s Security Section, received the Harold R. Berg Lifesaving Award for taking lifesaving actions when a fellow classmate in training fell to the floor and stopped breathing. Pack congratulated Lt. Ratcliff on his award.

SAIF recognized the Lottery for its safety program in its recent statewide newsletter as an example of best practice. Since the Lottery started its recent program, workplace injuries are down 38 percent, claim costs are down 70 percent and time-loss claims are down 60 percent.

Video Lottery Technology Modernization Program update

The Lottery’s field trial with the new system is due to end next week. Staff have converted all the retail locations in this pilot program to the new G2S system that will enable the use of the new central gaming system, Intelligen. This has been a big push for the team, and a big achievement for the program.

Responsible gambling update

The Lottery co-hosted the National Council on Problem Gambling’s annual conference that took place this month in Portland. The conference included lectures and workshops dealing with a host of topics including gambling addiction prevention, treatment and training for employees and retailers.

Responsible gambling training: All of the Lottery’s field service technicians have taken the advanced responsible gambling training course that was written and delivered by consultant Janine Robinson. The Lottery has surveyed participants and will share that information next month.
Traffic to the helpline and Oregon Problem Gambling Resource website

Ongoing digital marketing advertising campaigns continue to send visitors to the Oregon Problem Gambling Resources website in June.

- Over 210,000 clicks to OPGR.org
- 259 calls to the help line
- 75 referrals to treatment

Winners

Pack shared stories about the following winners:
- Jan Bryson of McMinnville won $11,000 playing Keno
- Pam and Carolynn of Beaverton won $1,500 playing video lottery
- Kaylee Joseph of Wilsonville won $5,000 playing video lottery

Upcoming rules

Pack noted that the Lottery will present rule changes on Powerball and Mega Millions in upcoming months.

D. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed the June 30, 2017 commission meeting draft minutes, which were circulated in advance of the meeting, and recommended no changes to the record. Chair Saathoff called for a motion.

Commissioner Bedell moved that the minutes of the Oregon State Lottery Commission meeting held June 30, 2017 be approved as final, as presented today. Commissioner Patel seconded the motion. The motion passed by a 5-0 quorum vote, with Commissioners Bedell, Patel, Telfer, Valdivia and Chair Saathoff voting aye.

E. LEGISLATIVE UPDATE

Presenter: Mark Hohlt, rules and policies manager

Hohlt noted that the Legislature adjourned on July 7 and provided a brief legislative report of the bills that passed, including the following:
- SB 252 would allow a person with a suspended license to receive a hardship driving permit to drive to and from a gambling addiction treatment program. The effective date is Jan. 1, 2018.
- SB 251 lowers the amount of a Lottery prize at which the Oregon State Lottery must withhold personal income taxes for payment to the Department of Revenue. This bill applies to prize payments made on or after Jan. 1, 2018.
• HB 2597 prohibits all use of mobile electronic devices in motor vehicles by the driver except for hands-free operation. The effective date is October 1, 2017.
• SB 1067 is a cost containment bill. The bill includes some 35 proposals including one that requires the legislative fiscal officer to conduct a study before each long legislative session to report to the Legislature on the Lottery’s administrative costs and the transfer rate, and to determine if the Lottery could make more Lottery funds available.

F. RULEMAKING, Division 40-Retailer Contract, Exhibit 2
Presenter: Mark Hohlt, rules and policies manager

Hohlt provided details of the rule process and a summary of the proposed rule amendments, which include grammatical and punctuation changes, clarification of meaning, elimination of redundant or obsolete language, clarification for retailers adding locations and clarification regarding mediation.
- Chair Saathoff inquired about the process of reviewing and tracking changes to rules.

G. FINANCIAL REPORT
Presenters: Kathy Ortega, chief financial officer

Monthly financial statements, June 2017, Exhibit 3

Ortega stated that the financial statements for fiscal year 2017, and for the month ending June 30, 2017, are in preliminary format until the fiscal year books are closed. Ortega will present the June financial statements at the August commission meeting for final approval.

Ortega gave an overview of the financial statements and described expenses and variances in the operating statement, services and supplies, balance sheet, and capital outlay. Many of the favorable variances are due to items that the Lottery is carrying into the FY18 budget.
- Commissioner Telfer inquired why items would be reclassified from expense to capital. Ortega noted that items were budgeted as an expense but when the charge occurred, the item qualified as capital and was recorded as such.

Procurement activity report, Exhibit 4

The procurement activity report updates the commission on Lottery contracts currently in process and how they align with the approved budget. Ortega reported on 19 items, including 7 that the Lottery has executed, for a total of $732,823.

H. STAFF UPDATES
Presenter: Spencer Haley, senior research analyst and Farshad Allahdadi, chief gaming operations officer

Video lottery sales tracking

Haley provided an update of the study that tracks video lottery sales within proximity of the ilani casino and noted that there has not been much change since last month’s report.
Commissioners asked clarifying questions about the data and observations and how the Lottery will use the information in the future.

Quarterly sales report and product updates

Allahdadi shared the following sales information:

- Overall sales for FY17 were $1,246.1 million, up 2 percent from FY16, and were 2.7 percent above the June 2016 Office of Economic Analysis forecast.
  - Chair Saathoff asked about growth targets and Allahdadi replied that there are goals and expectations by product and the Lottery uses the Office of Economic Analysis’ Forecast as a measuring tool.
- 4th Quarter, FY17 sales were $317.3 million, up from $311 million from FY16.
- Allahdadi presented sales data for the past three years to look at trends.

The following product updates were provided:

- The Video Lottery Technology Modernization Program is still ongoing, with field trials concluding next week. Program delays have slowed the introduction of new game content into the market, which have impacted sales performance for some terminals.
- The Lottery’s mitigation strategy includes launching new games on current, older terminals to stoke sales performance. According to early results, this strategy is recording strong sales. Additional game launches will take place over the next couple of months.
  - Chair Saathoff asked about the game interfaces on the new and older video lottery terminals and Allahdadi noted that the games are nearly identical to the player.
- The Multi-State Lottery Association will be changing the matrix for Mega Millions in October that will increase the average jackpot amount and provide better odds for the $1 million prize.
- Keno Bulls-Eye has been performing strong with FY18 projected sales of the Bulls-Eye option of over $9 million, with projected incremental annual transfers to the state of $612,000.
- Scratch-its Family of Games, Precious Metals is performing as expected. Projected sales of this game are $9.3 million in gross revenues, with projected transfers to the state of $1.6 million.

I. OTHER BUSINESS

There was no other business.

J. COMMISSION WORK SESSION

Presenter: Barry Pack, director

Director Pack presented the commissioners with the agency’s draft strategic plan that is currently under development. The strategic plan has five focus areas including governance, business modernization, leveraging the current portfolio, strategic revenue growth and brand
promise. Pack highlighted some potential policy choices for the commission and a projected timeline.

− Chair Saathoff noted that the presentation is a culmination of a lot of work over many months, including input from commissioners and budget considerations for the FY18 budget and stated that this is the beginning of the process.

The next meeting is scheduled August 25, 2017, at the Debbs Potts Oregon State Lottery Commission Building.

Respectfully submitted,

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

Approved by:

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Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

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