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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
June 24, 2022**

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

Director: Barry Pack

Chair Saathoff called the June 24, 2022, Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that the commissioners are attending today's meeting via a web meeting, Commissioner Wilcox is excused, and a quorum of commissioners is present.

Commissioners present at roll call: Commissioners Patel, Ramirez, and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment for this meeting and asked the clerk to read the comment that was received.

No public comment was received.

B. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair and Maulin Patel, commissioner

Audit Committee update – Commissioner Patel provided a brief Audit Committee update, which included an update on the Lottery's enterprise risk management activities and risk register, an overview of the Cybersecurity Risk Assessment, and an update on engagements and activities currently in progress.

Chair Saathoff thanked the Commission and Lottery leadership for the productive work session that took place on June 6.

C. DIRECTOR'S REPORT

Presenter: Barry Pack, director

Lottery news

Director Pack reported that this year marks the Oregon State Parks Centennial and shared that Lottery dollars have provided nearly \$1 billion over the past 24 years to the state parks system. The State Parks Centennial gives Lottery the opportunity to remind Oregonians that lottery play helps support the Oregon State Parks.

Director Pack shared that earlier this month he was invited to present at the Joint Legislative Committee on State Gambling Regulation to provide an overview of Lottery history, current state, and future considerations. The committee is tasked with reviewing the existing policies and structures that regulate state-sanctioned gambling and taking a comprehensive look at the future of the industry in Oregon. Legislators asked questions about the games, the risks and Lottery's obligation to deliver revenue for beneficiaries. Director Pack also provided information about the Lottery bonding program, the projects it funds and the fiduciary responsibility it places on Lottery to remain viable long into the future. The committee will hear from other legal operators in Oregon, along with other experts in the coming months and Lottery will continue to support the committee's work in any way it can.

Sales update - Director Pack shared the following product sales information:

- Video Lottery sales surpassed \$1.22 billion in revenue for FY22, beating the previous top year by more than 25 percent.
- Scratch-its have generated more than \$160 million in revenue this year, which is under current year-to-date forecast by 2.8 percent, but ahead of pre-pandemic levels by 24 percent.
- The major jackpot games have generated \$109 million, which is seven percent over last year. Higher jackpots have helped fuel the increase.
- Keno has generated \$109 million in revenue for the year, an amount not reached since 2007.
- In the past four weeks, sports betting saw \$35.2 million in turnover leading to more than \$3 million of gaming revenue and an 8.7 percent margin.

Winners - Director Pack shared stories about the following winners:

- Kathleen W. of Wilsonville won \$5.6 million playing Oregon's Game Megabucks
- Larry M. of Milwaukie won \$1,000 a week for life playing Win for Life
- Cynthia C. of Tygh Valley won \$100,000 playing a "Stacks of Cash" Scratch-it

D. MINUTES OF THE PREVIOUS MEETINGS

Presenter: MardiLyn Saathoff, chair

Minutes of the May 20, 2022, meeting, Exhibit 1

Minutes of the June 6, 2022, work session, Exhibit 2

The Commission reviewed the May 20, 2022, Oregon State Lottery Commission meeting and June 6, 2022, Oregon State Lottery Commission work session 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 May 20, 2022, Oregon State Lottery Commission meeting and the June 6, 2022, Oregon State Lottery work session be approved as final, as presented today. Commissioner Ramirez seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Ramirez, and Chair Saathoff voting aye.*

E. FINANCIAL REPORT

Presenter: Kathy Ortega, chief financial officer and Barry Pack, director

Monthly financial statements, May 2022, Exhibit 3

Ortega provided an overview of the financial statements and described expenses and variances in the operating statements, services and supplies and balance sheet. Ortega reported that the game vendor expenses were not budgeted for accurately in FY22, due to a misunderstanding of the sports betting contract expenses, which created a variance.

- Chair Saathoff asked clarifying questions about the game vendor charges budget and the sports betting contract. Ortega noted that Lottery now understands the expenses and has accounted for the expenses accurately in the FY23 budget.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the month ending May 31, 2022, be approved for the record as presented today. Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Ramirez, and Chair Saathoff voting aye.*

Commit Funds for Video Lottery terminal purchases FY23 Lottery budget and compensation, Exhibit 4 Contingency reserve increase

Ortega provided an overview of the FY23 proposed budget, noting that this budget reflects a return to pre-pandemic levels and includes the project items that were shared during the June 6 work session. Ortega also highlighted key items from the profit and loss statement comparisons, services and supplies statement, personal services budget, schedule of capital projects and expenditures, and the schedule of the business investment fund.

- Commissioner Ramirez noted that the lack of questions during this meeting is because the Commission spent a full day in a work session reviewing this information and having all questions answered in advance of this meeting.
- Chair Saathoff asked clarifying questions about the security system and the timing of the expenses and Ortega stated that Lottery will know more once there is a project timeline. Director Pack shared that Lottery has hired a consultant to complete a full assessment for all Lottery facilities throughout the state and Lottery will know more once that is complete.

Director Pack reported that approximately 80 percent of Lottery's Video Lottery terminals in the market need to be replaced since they are nearing the end of their lifecycle and recommended that \$35 million be set aside in committed contracts in anticipation of signing contracts for the replacement terminals.

Director Pack shared information about the contingency reserve and lessons learned from the pandemic and related retailer closures. Director Pack noted that the Commission discussed raising the amount of the cap during the work session and following the work session, Lottery identified the operating costs to keep Lottery operations running for 30, 60 and 90 days. Director Pack used the 90-day figure and multiplied that by 2.5 to get to the \$135 million cap that he has recommended.

- Chair Saathoff stated that the budget-related decisions being made today are important decisions that have been well vetted during the work session and previous conversations. Chair Saathoff appreciates the willingness of the staff to answer all questions related to these items.

Chair Saathoff called for a motion to commit funds for the purchase of Video Lottery terminals.

Commissioner Patel moved that the Oregon State Lottery Commission set aside \$35 million to be committed for the purchase of Video Lottery terminals, as discussed today, and anticipated in the proposed FY23 budget. Commissioner Ramirez seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Ramirez, and Chair Saathoff voting aye.*

Chair Saathoff called for a motion to approve the FY23 budget and compensation.

Commissioner Ramirez moved that the Oregon State Lottery Commission adopt the Lottery's proposed FY23 budget, including the associated compensation increases for the director and assistant director as presented today.

Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Ramirez, and Chair Saathoff voting aye.*

Chair Saathoff called for a motion to increase the contingency reserve.

Commissioner Ramirez moved that the Oregon Lottery Commission approve for an increase to the contingency reserve from \$100 million to \$135 million to support the FY23 budget, as presented and approved today. Commissioner Patel seconded the motion. *The motion passed by a 3-0 quorum vote, with Commissioners Patel, Ramirez, and Chair Saathoff voting aye.*

F. LOTTERY REVENUE FORECAST

Presenter: Josh Lehner, economist, Office of Economic Analysis

Lehner provided information about the economic and revenue forecast, noting that the economy is showing strong growth. The presentation included information about what the economy needs to cool since the economic recovery from the pandemic happened so fast; household finances and personal income; inflation; gaming spending; impacts of the pandemic and recovery on Video Lottery; Lottery sales forecast; and Lottery resources and distributions.

- Chair Saathoff asked that information about lessons learned from the pandemic and possible mitigation strategies be shared at a future meeting.

G. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled July 22, 2022.

The Oregon State Lottery Commission approved the minutes of the June 24, 2022, Oregon State Lottery Commission meeting on July 22, 2022.

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

Approved by:

Commissioner Maulin Patel, Acting Chair
Oregon State Lottery Commission

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