



Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING

June 28, 2024

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

Director: Mike Wells

Chair Saathoff called the June 28, 2024, Oregon State Lottery Commission meeting to order and stated for the record that 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, Weller, Wilcox, and Chair Saathoff.

A. PUBLIC COMMENT

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

Pat McCallum, owner of Mac's Restaurant & Custom Catering, feels that having a Video Lottery terminal removed from his establishment for not reaching sales goals is a punishment. McCallum shared that he was active participant with the Oregon Restaurant Association when Oregon legitimized video gambling under Oregon Lottery and feels like legitimate restaurant and bar owners are losing machines to video poker parlors disguised as delis.

Shelli Toftemark shared her personal story and would like to see lottery dollars used to help problem gamblers financially, with debt consolidation, low interest loans, and other ways to help manage gambling debts in a healthy way.

B. DIRECTOR'S REPORT

Presenter: Mike Wells, director

Lottery news

Director Wells shared that he has been in Puerto Rico this week for the National Association of State and Provincial Lotteries' Director's conference. During the week, lottery directors have attended a variety of meetings and planning sessions to discuss industry trends, work on game enhancements, rules and security, and strategic planning.

Earlier this month, Lottery was a sponsor at the Governor's Marketplace Conference and Tradeshow. This is one of the state's premier events for business owners and entrepreneurs where attendees can network with state agencies and get information about public contracting opportunities and business resources.

Lottery is planning an all-staff meeting in August that employees can attend in person or remotely if they are unable to attend in person. The meeting will include educational opportunities, networking and a volunteer opportunity.

Sales - Director Wells reported the following sales statistics:

- Traditional game sales are up 4.4 percent from last year, thanks to several billion-dollar Powerball and Mega Millions jackpots this year.
- The average daily Megabucks jackpot is below past years, but sales are above the two prior years. Cross-play from Mega Millions and Powerball generate sales during periods of large jackpots and have contributed significantly to Megabucks revenue.
- Scratch-it sales are up .9 percent over last year and are slightly ahead of forecast.
- Video Lottery sales are up .5 percent over last year.
- Sports betting is up nearly 36 percent over last year.
 - Chair Saathoff asked which state was first to offer sports betting and Director Wells shared that New Jersey was the first state to offer it, adding that about 50 percent of the states are offering sports betting at this time.
- Overall sales are up 1.6 percent over last year.

Winners – Director Wells shared stories about the following winners:

- Arthur W. from Redmond won \$23,501.30 playing 8-spot Keno.
- Shawn G. won \$67,326.70 playing 8-spot Keno.
- A Draft Kings player from Portland won \$7,500 on a \$10, seven pick parlay in the NBA playoffs.

C. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the May 31, 2024, Oregon State Lottery Commission meeting and work session draft minutes, which were circulated in advance of the meeting. There were no recommended changes.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the minutes of the May 31, 2024, Oregon State Lottery Commission meeting and work session be approved as final, as presented today.

Commissioner Weller seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

D. FY25 STRATEGIC PLAN, Exhibit 2

Presenter: Mike Wells, director

Director Wells reminded the Commission that last month's work session included an in-depth review of the proposed FY25 Strategic Plan and added that Lottery is excited about the clarity and deliverability of the plan. Director Wells also commented that the plan was used as the basis to create the proposed FY25 budget.

- Chair Saathoff shared that the Commission appreciated the work session and thorough review and added that the plan is thoughtful in planning for the future.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that FY25 Strategic Plan be approved, as presented today.

Commissioner Ramirez seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

E. FINANCIAL REPORT

Presenter: Monique Fawver, manager, financial reporting and Kristy Komes, interim chief financial officer

Financial statements, May 2024, Exhibit 3

Fawver provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies supplemental schedule, and balance sheet.

- Commissioner Weller asked about the reporting of unrealized gains on the financial statements and if Lottery should be doing something differently. Fawver shared that the accounting team is looking into this issue and have reached out to other lotteries to see how they handle this. Fawver shared there may be a better way to handle this situation and will make a recommendation to the executive team once the research is completed. Commissioner Weller asked to be kept apprised of any changes in the treatment of how the unrealized gains are reported.
- Chair Saathoff asked if Lottery works with Oregon State Treasury for guidance on how to handle the reporting of the unrealized gains. Fawver replied that since this is not an investment issue, but rather a reporting issue, Lottery does not work with Oregon State Treasury, but will confer with the Secretary of State auditors during the annual financial statement audit and ensure the Department of Administrative Services understands.
- Commissioner Weller asked if the sales support variance is favorable or unfavorable, as there was conflicting information in the variance report. Fawver researched after the meeting and confirmed the variance was favorable.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the month ended May 31, 2024, be approved for the record as presented today.

Commissioner Wilcox seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

Creation of the investment fund and FY25 Lottery budget and compensation, including the Director, Deputy Director, and Assistant Director for Security, Exhibit 4

Komes provided an overview of the process that was used to build the FY25 budget and highlighted some key points about revenues, expenses, and the capital budget. The proposed budget supports the FY25 Strategic Plan and will allow Lottery to continue a robust financial health and a solid transfer base for the State of Oregon.

To support this budget, Lottery is asking to close the current modernization fund and create an investment fund to provide Lottery sufficient working capital and an ability to address investments for strategy delivery or fund unanticipated needs during the fiscal year. The investment fund will be capped at \$50 million and be funded at the close of the fiscal year with excess administrative savings from the current year, once the contingency fund is fully funded.

- Chair Saathoff shared that the Commission reviewed and discussed the budget and investment fund during the May work session and thanked the staff for their hard work in creating a budget in alignment with the FY25 strategy.

Chair Saathoff called for a motion to approve the creation of an investment fund.

Commissioner Patel moved that the Oregon State Lottery Commission approve the creation of a lottery investment fund to be capped at \$50 million to assist in funding future investments and unexpected expenses. Funding the investment fund annually will come from administrative savings after the contingency reserve account is fully funded. Notwithstanding other Commission approvals, when both the contingency reserve and investment fund are fully funded, all remaining funds will be transferred to the State as administrative savings.

Commissioner Ramirez seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

Chair Saathoff called for a motion for the budget.

Commissioner Weller moved that the Oregon State Lottery Commission adopt the proposed FY25 budget, including the associated compensation increases for the director, deputy director and assistant director for security, as presented today.

Commissioner Ramirez seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

F. ALTERNATIVE DISCLOSURE REQUEST, Pilot Travel Centers LLC

Presenter: Mike Wells, director

Director Wells reminded the Commission that OAR 177-040-0001(4) authorizes an alternative disclosure process for large public companies, multi-state retail chains, or entities owned by a federally recognized tribe seeking traditional contracts with the Oregon Lottery. Director Wells reported that Pilot Travel Centers LLC meets the requirements laid out in the rule allowing the Commission to authorize an alternative disclosure process and is seeking approval to proceed with this process.

Chair Saathoff called for a motion.

Commissioner Weller moved that the Oregon State Lottery Commission approve the alternative disclosure process, waiving the personal disclosure requirements for Pilot Travel Centers LLC, as presented today.

Commissioner Ramirez seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Patel, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

G. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Audit Committee update - Commissioner Weller reported that the Lottery's Audit Committee met on June 25. The committee was briefed on Lottery's Enterprise Risk Management program; results of Internal Audit's quarterly follow-up on review of management's actions in addressing open Biennial Security Review and Internal Audit department recommendations; recent changes to the Internal Audit and Audit Committee charters; and an update on two audit engagements in progress.

- Chair Saathoff asked if any audits that were scheduled to be completed in FY24 are moving into FY25 and Commissioner Patel shared that the Intelligen User Access Review and the Procurement Planning and Contract Development engagement will be moving into FY25, but both will be completed early in the year.

Chair Saathoff stated that the next monthly commission meeting is scheduled on July 26, 2024, and adjourned the meeting.

The Oregon State Lottery Commission approved these minutes on July 26, 2024.

Alisa Zavala, Senior Executive Assistant
Lottery Director's Office

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

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