



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

## OREGON STATE LOTTERY COMMISSION MEETING DECEMBER 16, 2011

**Lottery Commission:** Commissioner Steven Ungar, Chair  
Commissioner Bill Ihle, Vice Chair (*previously excused*)  
Commissioner Pamela Fogg  
Commissioner Amy Lowery  
Commissioner Mary Wheat

**Director/Asst Directors Present:** Larry Niswender, Director  
Jon Clontz, Deputy Director and Chief Operating Officer

**Lottery Staff Present:** Cornell Balagot, Product Development Manager  
Chuck Baumann, Senior Communications Specialist  
Dan Brown, Senior Manager, Field Operations  
Sarah Castner, Assistant Attorney General, Dept of Justice  
Linda DeBlasio, Senior Executive Asst for the Commission and Director  
Steve Green, Senior Manager, Retail Operations  
Lyndsey Hambelton, Video Lottery<sup>SM</sup> Product Manager  
Mark Hohlt, Rules and Policies Manager  
Brandi Holmes, Executive Assistant for Marketing  
Syed Hussain, Chief Information Officer  
Marcia Hutchins, Retail Contract Administration Manager  
Kristy Komes, Human Resources  
Karen Lulay, Marketing  
Marlene Meissner, Public Affairs Specialist  
David Nowacki, Chief Internal Auditor  
Kathy Ortega, Chief Financial Officer  
Louise Plata, Traditional Product Manager  
Jolene Richards, Executive Assistant for Retail Operations  
Nancy Rivera, Executive Assistant for Support Services  
Thais Rodick, Media, Promotions and Winner Awareness Supervisor  
Krystal Smith, Marketing  
Keri Stocks, Materials Manager  
Larry Trott, Senior Public Affairs Specialist  
C.J. Washington, Marketing

**Others Present:** Lori Gaffney, BPN  
Bart Hendrix, GTECH Corporation  
Art Kiuttu, GTECH Printing  
Bob Klingman, GTECH Account Development Manager  
Melisa McDonald, SOLV

**Others Present (cont.):** Lara Miller, SOLV  
Rachael Pecore, SOLV  
John Powell, GTECH Lobbyist  
John Powell Jr.  
Grover Simmons, Independent Employer Association  
Loralee Stapleton, BPN

### **OREGON STATE LOTTERY COMMISSION MEETING**

The December 16, 2011, Oregon State Lottery Commission Meeting was called to order by Chair Ungar. Chair Ungar stated for the record that Vice Chair Ihle was previously excused from today's meeting and that a Commission quorum was present. Chair Ungar introduced and welcomed Commissioner Mary Wheat to her first Lottery Commission meeting. Commissioner Wheat stated she was glad to serve as a Commissioner for the Lottery and was impressed with the Lottery operations she has seen.

Commissioners present at the roll call: Commissioner Wheat, Commissioner Lowery, Commissioner Fogg, Vice Chair Ihle, and Chair Ungar.

#### **A. MINUTES OF THE PREVIOUS MEETING**

Presenter: Chair Ungar

The Commission received the draft minutes of the previous meeting for review prior to today's meeting. (*Exhibit #1.*) There were no recommended changes to the record; Chair Ungar called for a motion to approve.

Commissioner Lowery moved that the minutes of the Oregon State Lottery Commission Meeting held on November 18, 2011, be approved as final as presented today. Commissioner Fogg seconded the motion. The motion passed by a quorum vote with Commissioner Lowery, Commissioner Fogg, and Chair Ungar voting aye. Commissioner Wheat abstained from the vote as she was not present at the last meeting.

#### **B. GOVERNANCE MATTERS and DIRECTOR'S REPORT**

Presenter: Director Larry Niswender

##### **Director's Report**

- **Game Rules Update** - At the last meeting, the Commission approved several rule amendments to the Powerball® and Mega Millions® game rules, to comply with modifications made by the Multi-state Lottery Association (MUSL). After the last meeting, MUSL made additional rule changes that the Commission will be briefed on today.

- **Lottery Prize Winners**

- The Lottery's seventh Thanksgiving Raffle<sup>SM</sup> winner is from Gresham.
- A record 8-Spot Keno jackpot of \$74,000 was won in Merlin, Oregon.
- The winners of Oregon's \$250,000 Mega Millions<sup>®</sup> prize bought their ticket in Oregon as they were traveling through. They play Mega Millions<sup>®</sup> regularly at home in Arizona.
- There was also a \$40,000 Mega Millions<sup>®</sup> winner from Portland.

- **Other** - Speaking of winners, one of the Lottery's Field Representatives, Eli Wolfe, coached the Camas Valley Hornets football team to the Class 1-A Championship.

- **Media Coverage**

- An industry publication, LaFleur's Magazine, ran an article this month on the Oregon Lottery's "Truly Epic Holiday Sweater" Scratch-it<sup>SM</sup> campaign.

- Chuck Baumann, Interim Public Affairs Manager, appeared on the local KATU-TV morning show to promote the "Truly Epic Holiday Sweater" Scratch-it<sup>SM</sup> campaign. KATU-TV asked Mr. Baumann to wear his holiday sweater in several 30-second TV spots to advertise the upcoming Portland Holiday Ale Fest.

- Oregon Lottery's success in the area of Video Lottery<sup>SM</sup> garnered the attention of the National Association of State and Provincial Lotteries (NASPL). NASPL has requested the Oregon Lottery to take a leadership role over the next several years to help other state lotteries with Video Lottery<sup>SM</sup> programs.

- There has been a lot of press coverage to announce the changes to the Powerball<sup>®</sup> game that players will see, effective January 15.

- **Holiday Half-Marathon Run** - A Lottery-sponsored half-marathon was held in Portland on December 11, 2011. The Lottery had a booth at the holiday event where pictures of participants were taken in their "truly epic" holiday attire. There was also an opportunity for eligible participants to sign up for Lottery drawings and be registered into the Lottery's player database. The Lottery now has over 100,000 players registered to exchange communication with and send promotional emails.

- **Marketing Strategies Advisory Panel** - In a press release sent earlier today, the Lottery announced its newly-formed Marketing Strategies Advisory Panel. The panel was formed by Chair Ungar and Director Niswender to review marketing strategies and functions and the features of the proposed ORcade site. The first public meeting will be held in January 2012, with representatives from the problem gambling community, the Oregon Health Authority, and

two Lottery Commissioners. Following the meetings, scheduled through February, the panel will provide its recommendations to Director Niswender and the Commission for consideration.

Chair Ungar added that the Commission has received public comments on any number of issues that relate to the Lottery's programs. In order to make informed decisions, they are very open to this kind of expert and at-large public comment and to hearing about best practices.

- **Hayden Island Business Area** - Chair Ungar offered information regarding the Hayden Island business area, in terms of the concentration of Video Lottery<sup>SM</sup> retailers located there. He affirmed that Lottery is working diligently to review the concerns of the neighborhood that were raised by analyzing data from relevant sources such as the Portland Police Bureau, the Oregon Liquor Control Commission (OLCC), and other sources to determine the Lottery's course of action.

Stakeholders, including the Neighborhood Associations, the Portland Police, the Oregon Liquor Control Commission in particular, and Lottery retailers are sharing information and looking at solutions to specific problems from a broader view. To address these issues and advance the goal of preventing a concentration of Video Lottery<sup>SM</sup> retailers in certain defined areas, some administrative rule revisions will need to be proposed.

- **State Budget and Legislative Session** - This week in the news there was quite a bit of activity with both the Legislative leadership and the Governor's Office relative to the state's fiscal situation and anticipation of the February Session. Due to potential drops in revenue, some of the actions being asked of agencies are to participate in various levels of a hiring freeze and to come under some administrative restrictions. All state agencies have been asked to submit a 10.5 percent reduction option package to the Legislature for their consideration in February, with the exception of Lottery and Higher Education. State government is being cautious and Lottery is shadowing those precautions, under the governance of the Lottery Commission, to contribute to meeting the objectives of these state administrative actions.

- **SOLV Annual Presentation** - Thais Rodick, Marketing Supervisor, introduced SOLV presenters: Melisa McDonald, Executive Director, Rachael Pecore, SOLV Beach & Riverside Cleanup Coordinator, and Lara Miller. Ms. McDonald gave an overview of SOLV's focus as an educational organization and provided a "year-at-a-glance" look back at their 2011 objectives.

Ms. Pecore presented the 2011 Final Report on the SOLV Beach & Riverside Cleanup to the Commission. The statewide cleanup event was held September 17, 2011. It involved 147 sites in 24 counties and 4,650 volunteers from 200 organizations. This was the second year SOLV paired its inland cleanups with the beach cleanup. About 64,700 pounds of litter and debris were removed. Each year, the Lottery partners with SOLV on this highly successful clean-up program to beautify Oregon beaches and waterways.

The Lottery's partnership with SOLV on its annual cleanup project began in 2002. Ms. Rodick stated that the Lottery's return on investment is two-to-one in media alone, "not counting the significant intangibles such as good will." Each year, news releases are picked up statewide for the SOLV Beach & Riverside Cleanup. With Lottery funds allocated to education, economic development, watershed development and state parks, this event notably helps two of those Lottery-funded areas. Ms. Rodick attended the Seaside site this year which had the largest volunteer count of 4,000. Her message is that, just hearing about the large numbers and great achievements doesn't come close to describing the spirit of the volunteers and the tremendous influence of the site leaders. (*Handouts - 2011 Final Report, Lottery promotional materials.*)

*[End of Governance Matters and the Director's Report.]*

### **C. RULES and POLICIES**

Presenter: Mark Hohlt, Rules and Policies Manager

#### **Pending Administrative Rule Changes**

- **Powerball®** - Last month the Commission adopted amendments to the Powerball® game rules authorizing various game changes issued by MUSL, its governing body. On the same day of the Commission meeting, MUSL notified its member lotteries of additional rule amendments that were needed for the January 15, 2012 launch of the revised game. As there is insufficient time to complete permanent rulemaking by January 15, temporary rule changes will be filed until they can be officially adopted by the Commission.

- **Mega Millions®** - MUSL also notified member lotteries of immediate amendments to the Mega Millions® rules. Lottery will also be filing temporary rule changes on Mega Millions® until they can be officially adopted by the Commission.

#### **Carcieri Case and Casino Update**

- **Carcieri Case** - This is a three-year old case in the US Supreme Court. The Lottery is following this case because a final decision that could allow the Cowlitz Tribe to establish a casino in La Center, Washington, 20 miles north of Portland. This would have significant ramifications for the gaming market in the Portland-Metro area which is where Lottery earns the largest share of its revenues.

- **La Center Casino** - In further developments on the proposed Cowlitz casino, the City Council of La Center is pursuing an \$18.6 million dollar sewer agreement with the Cowlitz Tribe to allow the tribe to use the city's treatment system and extend the city's sewer lines to the Interstate 5 junction where the proposed casino would be located. This agreement is contingent on the casino being approved by the federal courts, and there is no timeline on the court's decision.

- **Wood Village Casino** - The sponsors of the proposed private casino in Wood Village have gathered the 1,000 signatures necessary to start the initiative process and have filed three proposed initiatives for ballot measures with the Secretary of State - two constitutional measures and one statutory measure.

Draft ballot titles were posted yesterday from the Attorney General's Office. The 15-day public comment period ends on December 30. Only parties who file comments can contest the titles in the Oregon Supreme Court. In the past, various parties, including the Confederated Tribes of the Grand Ronde, have contested the titles. This timeframe cuts into the time available for signature gathering on the petitions, which could start by February 1, 2012, according to the Secretary of State.

To be placed on the ballot, a constitutional ballot measure requires 116,284 signatures and a statutory ballot measure requires 87,213 signatures. All signatures are due by July 6. In a new procedural requirement, the sponsors must turn in signatures monthly, which allows for tracking the progress of signature gathering on ballot measures.

In accordance with state law, the Lottery, its employees and the Commission must remain neutral on a ballot initiative or measure. The Lottery, its employees and the Commission can respond factually, in an impartial manner, to questions but cannot promote or oppose or take a position on these measures. The Lottery, its employees and Commission must be equitable, fair, unbiased, and dispassionate.

Director Niswender added that, should these measures qualify for the ballot, the Lottery would be asked to participate on the Price Tag Committee in a Secretary of State forum to develop fiscal and revenue impact statements since the Lottery is named in the privately-owned casino measures as having a licensing and regulatory role.

The Lottery will continue to track these items and the other casino projects and report back to the Commission.

### **State and Federal Legislation Update**

- **State Legislation** - The Lottery will not be introducing any legislative concepts in the February Legislative Session. So far, the Lottery has seen no drafts of legislative concepts from Legislative Counsel concerning the Lottery or Lottery revenues. However, some subjects have been raised by legislators regarding Lottery marketing and advertising, retailer concentration, and the Lottery's mission statement.

There has been some media coverage concerning using Lottery bonding money for a 150-bed veteran's home in Lebanon, Oregon. This idea is being pursued by the Linn County Board of Commissioners with legislative leadership.

It should be a short legislative session and the focus will most likely concern the state's budget.

- **Federal Legislation** - There is ongoing discussion in Congress regarding online gambling, but so far the discussion is still about "if" on-line gambling should be legalized and not "when."

There have been requests that representatives of the various federal agencies who might regulate online gambling should appear and testify before Congress. These agencies include the US Department of Justice, Department of Commerce, Department of the Treasury, and the Federal Trade Commission. The Lottery will watch for these hearings and report on the results.

*[End of the Rules and Policies Report.]*

#### **D. SUPPORT SERVICES**

Presenters: Kathy Ortega, Chief Financial Officer; Keri Stocks, Materials Manager

#### **FY 2011 Financial Audit - Exit Conference**

At the Lottery's Audit Committee meeting held earlier today, the Secretary of State Audits Division attended for an exit conference on the FY 2011 Financial Audit. As a part of the process, required by auditing standards for closing out an annual audit, the Secretary of State sent written communication directly to all individuals responsible for governance. The Lottery Commission recently received this communication.

#### **Monthly Financial Statement**

The Commission received a draft copy of the November 2011 Financial Statement for review prior to the meeting. (*Exhibit #2.*) Ms. Ortega provided an overview and described certain expenses and variances in the Financial Statement. It was noted that variances are generally attributable to timing differences. There were no follow-up questions or comments from the Commission. Ms. Ortega requested approval of the November 2011 Financial Statement. Chair Ungar asked for a motion to approve.

Commissioner Fogg moved that the Oregon State Lottery Financial Statement for month ending November 30, 2011, be approved for the record as presented today. Commissioner Lowery seconded the motion. The motion passed unanimously by a quorum vote, 4-0, with Commissioner Wheat, Commissioner Lowery, Commissioner Fogg, and Chair Ungar voting aye.

#### **Procurement Activity Report**

The Commission received a copy of the Procurement Activity Report for review prior to the meeting. (*Exhibit #3.*) Ms. Stocks reported that, of the 10 contracts in progress, three contracts were executed this month for a total of \$147,881, all within the approved budget.

[End of the Support Services Section.]

**E. RETAIL OPERATIONS and MARKETING**

**Presenters:** Steve Green, Senior Manager, Retail Operations; Cornell Balagot, Product Development Manager; Louise Plata, Traditional Product Manager; Lyndsey Hambelton, Video Product Manager; and, Thais Rodick, Media, Promotions and Winner Awareness Supervisor

**Business Year Comparison Sales Report**

Current business information from Retail Operations and Marketing was presented. The Commission received the Business Year Comparisons Sales Report for Week #24 prior to the meeting. (Exhibit #4.) The year-to-date (YTD) sales for week #24 compared to the same week last year was presented.

Traditional Game	YTD Sales	Sales % Compared to Last Year	% of Total Trad'l Sales	Jackpots - \$(Million)		
				Wk #24 2011	Wk #24 2010	Current
Scratch-its <sup>SM</sup>	\$ 49,764,556	-1.31	35.70			
Megabucks <sup>SM</sup>	19,516,767	5.20	14.00	\$12.8	\$1.0	\$13.8
Powerball <sup>®</sup>	16,184,122	11.37	11.61	\$67	\$37	\$94
Mega Millions <sup>®</sup>	5,772,264	11.62	4.14	\$100	\$88	\$135
Pick 4 <sup>SM</sup>	612,379	7.31	0.44			
Keno	41,606,691	0.12	29.85			
Win for Life <sup>SM</sup>	2,633,194	-1.68	1.89			
Lucky Lines <sup>SM</sup>	794,410	-13.71	0.57			
Raffle <sup>SM</sup>	<u>2,500,000</u>	-50.00	1.79			
Total Traditional	\$ 139,384,383	-0.02				
Total Video	<u>320,361,182</u>	0.20				
Total Sales	\$ <u>459,745,565</u>	0.14				

Chair Ungar gave positive feedback on the gradual rise in Keno sales, attributing it to the business focus and endeavor by staff to promote the Keno product this year.

Commissioner Fogg asked about the difference between the actual sales for Mega Millions<sup>®</sup> and the internal target amount, which is higher. Ms. Plata shared that the targets are set before each fiscal year and that the unplanned Powerball<sup>®</sup> changes this year caused a refocus of time and attention away from Mega Millions<sup>®</sup>.

**Retail Operations Update**

- **Scratch-its<sup>SM</sup> Tickets Launching in January 2012:**
  - "Gold Rush Boomtown" is a \$3 ticket with a top prize of \$30,000
  - "Red Hot Slots" is a \$10 ticket with a top prize of \$100,000
  - "Limited Edition" is a \$5 ticket with a top prize of \$75,000
  - "Stars & Stripes Crossword" is a \$3 ticket with a top prize of \$25,000

- "Jungle Jim" is a \$1 ticket with a top prize of \$1,000

- **Retailer Count** - New and terminated retailer activity reports were provided to the Commission prior to the meeting. (*Handout materials.*)

FY 2012/YTD Net Gain: 1 On-premise retailers (Video Lottery<sup>SM</sup>)  
1 Multi-register retailer (i.e., supermarkets)  
2 Single register (i.e., convenience stores)

### **Marketing Business Update**

- **Video Lottery<sup>SM</sup> Games** - Ms. Hambelton reported on new Video Lottery<sup>SM</sup> games being launched in the field. Software for five new game themes is being installed on the Bally's CineVision terminal.
- **"Take Your Pennies for a Spin"** - This new campaign will launch in January 2012. It is a marketing campaign to help promote and bring awareness to the penny (1¢) line games that are offered.
- **Powerball<sup>®</sup>** - Ms. Plata presented materials on the Lottery's "Bigger-er" campaign that promotes player awareness of the changes to the Powerball<sup>®</sup> game that become effective January 15, 2012.
- **St. Patrick's Day Raffle<sup>SM</sup>** - Ms. Plata presented materials on the St. Patrick's Day Raffle<sup>SM</sup> campaign.
- **Portland Timbers Sponsorship** - This year, the Lottery was an initial sponsor for the Portland Timbers Soccer Team, in its inaugural season in Major League Soccer. Ms. Rodick and Mr. Balagot provided a post season overview and final report to the Commission. The Portland Timbers have an avid and passionate fan base. All 12,500 season tickets sold out and another 5,000 names were on a waiting list. The Lottery had eight on-site opportunities at the games this season of which three were used for Video Lottery<sup>SM</sup>, three for Dollar Dreamer, and two for Keno To Go. Because of the extreme popularity of the Portland Timbers, the Lottery experienced a great value and benefit being a part of their first very successful season. The Lottery received one of 50 axes that the Portland Timbers gave away to their initial sponsors.

*[End of the Retail Operations and Marketing Section.]*

### **F. OTHER BUSINESS**

- **Lottery Cost of Living Adjustments (COLAs)** - The Governor's directive for salary adjustments in FY2011-2013, is that all executive management service and non-represented workers receive two COLAs during the course of the budgeted biennium. The first COLA, of 1.5

percent, was effective December 1, 2011, for Lottery employees. The second COLA, of 1.45 percent, will be effective December 1, 2012.

By statute, the Commission must take action to approve salary adjustments for the Lottery Director and Assistant Director positions. Director Niswender proposed a salary adjustment for the Director and Deputy Director positions, consistent with the Commission action taken at the last meeting for all other Lottery employees and granted statewide to all executive branch agencies employees, both represented and unrepresented. Prior to today's meeting, salary adjustment memos and data spreadsheets for Director Niswender and Deputy Director Clontz were sent to the Commission for review. *(Exhibit #5.)*

For the Director position,

Chair Ungar recommended approval for the Lottery to implement the recommended compensation, per the attached spreadsheet. Commissioner Fogg seconded the motion. The motion passed by a unanimous quorum vote, 4-0, with Commissioner Wheat, Commissioner Lowery, Commissioner Fogg, and Chair Ungar voting aye.

For the Deputy Director position,

Chair Ungar recommended approval for the Lottery to implement the recommended compensation, per the attached spreadsheet. Commissioner Fogg seconded the motion. The motion passed by a unanimous quorum vote, 4-0, with Commissioner Wheat, Commissioner Lowery, Commissioner Fogg, and Chair Ungar voting aye.

- **Enterprise Project Update** - Lottery passed a major milestone last week with the issuance of a Request for Proposal for the network transport contract. The Lottery initiated moving to Ethernet services and off the frame relay network to allow the Lottery to have video and online services for all of its games at all locations statewide. The Lottery received delegated authority from the Department of Administrative Services to act on the state's behalf in this procurement process, and the contract will be of benefit by all state agencies.

No other business was brought before the Commission. Chair Ungar adjourned the December 16, 2011, Lottery Commission Meeting. The next meeting is scheduled on January 27, 2012, at the Debbs Potts Oregon State Lottery Commission Building.

**G. PUBLIC TESTIMONY** - no public testimony was offered at the meeting.

Respectfully submitted,

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Linda DeBlasio  
Senior Executive Assistant to the Commission  
Lottery Director's Office

Approved by:



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Commissioner Bill Ihle, Vice Chair  
Oregon State Lottery Commission

*OSL Commission Meeting exhibits are available at [oregonlottery.org](http://oregonlottery.org), or from Public Affairs at 503.540.1016.*