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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING Dec. 20, 2019

Lottery Commission: MardiLyn Saathoff, chair
Maulin Patel
Chris Telfer
Raul Valdivia
Julie Wilcox

Director: Barry Pack

Commission Chair MardiLyn Saathoff called the Dec. 20, 2019 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that the commissioners are attending today's meeting via telephone, and a quorum of commissioners is present.

Commissioners present at the roll call: Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff.

Chair Saathoff noted for the record that this month's meeting will not include public comment. The next opportunity for public comment will be at the Jan. 30, 2020 meeting.

A. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

Director Pack introduced Tessa Hergenreter, the new retail contacts manager and noted that today is former Retail Contracts Manager Ken Brenneman's last day as he enters retirement. Chair Saathoff welcomed Hergenreter and looks forward to meeting in person.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed the Nov. 22, 2019 Oregon State Lottery 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 Wilcox moved that the minutes of the Oregon State Lottery Commission Meeting held Nov. 22, 2019 be approved as final, as presented today. Commissioner Telfer seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

C. FINANCIAL REPORT, Exhibit 2

Presenter: Kathy Ortega, chief financial officer

Monthly financial statements, November 2019

Ortega provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies and balance sheet. Ortega noted that the mid-year budget alignment that will be presented to the commission for approval next month will include a budget for sports betting product expenses.

- Commissioner Telfer asked for an explanation of what the other income gains and losses consist of and Ortega provided an explanation.
- Commissioner Valdivia and Chair Saathoff asked clarifying questions about the mid-year budget alignment and Ortega noted that it is still in process and more information will be provided next month.
- Commissioner Wilcox inquired about the advertising cost for Scoreboard, noting that she has seen more advertising recently.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the Oregon State Lottery financial statements for the month ending Aug. 31, 2019 be approved for the record as presented today. Commissioner Valdivia seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

D. RULEMAKING, Exhibit 3

Presenter: Kris Skaro, rules and policy analyst

OAR 177-050-0100, Official End of Scratch-it Ticket Games and Last Date to Claim a Prize or to Receive Credit for Unsold Scratch-it Tickets

Skaro provided a summary of the rule change and the rulemaking process. The proposed rule will allow the retailers more time to return unsold Scratch-it tickets for credit.

- Chair Saathoff believes that retailers would be supportive of the change and Skaro agreed, based on the feedback received from people who have talked to retailers.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Lottery implement the recommended compensation for the director and assistant director of security, as presented today. Commissioner Telfer seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

E. MAJOR PROCUREMENT, VIDEO LOTTERY TERMINALS, Exhibit 4

Presenter: Lyndsey Hambelton, gaming products portfolio manager

Hambelton shared information in advance of an approval request to enter into a major procurement with IGT and Aristocrat to purchase 2,720 new Video Lottery terminals. The terminals will replace obsolete technology in the market and the purchase and delivery will

span over FY20 and FY21. Lottery leased and tested three terminals as a field trial prior to making any purchase decisions and recommendation to the commission. All three test terminals outperformed every other terminal in the market and the field trial surfaced technical issues that can be addressed in a purchase agreement. Lottery would like to purchase two of the terminals that were tested and extend the leases on the third terminal to keep them in the field until the new terminals arrive to minimize the amount of times that terminals are being swapped out. Additional funds for the lease extension will be included in the FY20 mid-year budget rebalance, which will be presented at next month's meeting for approval, along with the request for permission to enter into contracts with the two vendors. Part of the funds for the purchase of the terminals was included in the FY20 budget and the rest will be included in the FY21 budget. Funds for the entire purchase amount will need to be reserved into funds committed for contracts.

- Chair Saathoff asked a clarifying question about how the costs are treated and Ortega noted that these are treated as operating leases since the term of the lease is under one year.
- Chair Saathoff asked what the depreciation term is, and Ortega noted that the depreciation term is five years.

F. OTHER BUSINESS

Director Pack and Chair Saathoff thanked the commission and the staff for a great year.

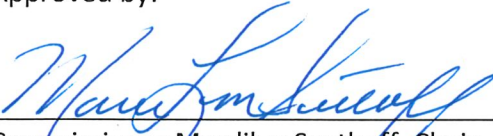
The next monthly commission meeting is scheduled Jan. 30, 2020 in Salem.

The Oregon State Lottery Commission approved the minutes of the Dec. 20, 2019 Oregon State Lottery Commission meeting on Jan. 30, 2020.



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 <https://oregonlottery.org/about/commission-meetings>.