



Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING March 20, 2020

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

Director: Barry Pack

Commission Chair MardiLyn Saathoff called the March 20, 2020 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 April 24, 2020 meeting, unless the meeting needs to be held via telephone due to current events.

A. COMMISSIONER AND DIRECTOR COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair and Barry Pack, director

Chair Saathoff expressed her gratitude for allowing the commission meeting to take place via telephone and noted that the nation is facing a difficult time.

Director Pack shared that these are difficult times for all of us and for the business. Lottery is facing a loss of 70 percent of revenue for the indefinite future and is working to understand the impact to the budgets, cash, employees and retailers. There are questions about managing assets in the field and how to continue to find ways to bolster the sales to meet the mission. More details will be provided in the upcoming weeks.

Commissioner Patel asked about risks and the short-term and long-term effects of what is happening. Director Pack noted that there are immediate decisions around potential charges to the retailers, including NSFs, amusement device taxes, and work to do within our own budgets, revenues, and expenditures. Lottery will also need to review the capital

expenses that currently have funds set aside to evaluate cash flow and determine what needs to continue to ensure long-term viability and what can be paused or delayed. Director Pack will provide a status report next week.

Commissioner Valdivia asked if there has been an uptick in retailer NSF's and how the retailers are feeling. Director Pack reported that there is an uptick in NSF's and anticipates more to come. Director Pack shared that retailers are uncertain and are devastated and noted that many are having to lay staff off. The relationship with the retailers and Lottery is still strong as we work together to get through this time.

Chair Saathoff mentioned that Lottery has her full support when it comes to helping the retailers and noted that temporary rulemaking can be used, if needed. Director Pack thanked the chair and shared that he will keep the commission informed.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed the Feb. 28, 2020 Oregon State Lottery Commission Meeting draft minutes, which were circulated in advance of the meeting, and recommended no additional changes to the record.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the minutes of the Oregon State Lottery Commission Meeting held Feb. 28, 2020 be approved as final, as presented today. Commissioner Patel 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, February 2020

Ortega provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies and balance sheet. Ortega provided an explanation about a variance on the operating statement related to the leased Video Lottery terminals that are being purchased. For accounting purposes, the partial credit from the leases that will be applied to the purchase price needs to be backed out of the lease expense and shown as a reduction to the purchase of the capital asset in the budget.

- Commissioner Telfer and Chair Saathoff asked clarifying questions.
- Commissioner Telfer asked about the asset purchases committed line item under retained earnings and if there are signed contracts. Ortega replied that some of those contracts are signed and Director Pack noted that staff will be evaluating those contracts in the upcoming days. Commissioner Patel asked that break fees also be reviewed.

Chair Saathoff called for a motion.

Commissioner Valdivia moved that the Oregon State Lottery financial statements for the month ending Feb. 29, 2020 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, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

D. RULEMAKING, Exhibit 3

Presenter: Kris Skaro, rules and policy analyst

OAR 177-010, 177-046, 177-091, 177-092 Scoreboard

Skaro provided a summary of the proposed rule changes and the rulemaking process. The proposed changes reflect that digital play is now an option in the Lottery's game portfolio; explain how the new Scoreboard game works; and repeal a division of rules that govern an obsolete Lottery game that was also named Scoreboard. Skaro noted for the record that there are currently temporary rules in place that will expire this month and shared that these proposed rule changes have been discussed at previous commission meetings. No public comment was received related to these rules.

Chair Saathoff called for a motion.

Commissioner Patel moved that the rules in OAR chapter 177, divisions 10, 46, 91, and 92 be adopted, amended, and repealed as presented, to be effective March 29, 2020. 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. OTHER BUSINESS

Commissioner Telfer asked about the future state, knowing that the Lottery cannot borrow money, and Director Pack shared that the challenge is not knowing how long restrictions will be in place. There are assumptions that will need to be made, including short term financial position and cash; longer term revenue loss and cash; and recovery, including how many retailers can survive and come back. There has not been time for analysis, but Director Pack believes that short term, through the end of fiscal year, Lottery will be okay, but modeling will need to be completed to evaluate the longer-term scenarios.

Chair Saathoff noted that Lottery is a necessary component of the state's operation, due to the bonding of Lottery dollars, and believes that the state will help Lottery remain viable in the long run. Chair Saathoff asked for additional information about the contingency fund in the future.

The next monthly commission meeting is scheduled April 24, 2020 in Salem, unless the meeting needs to be held via telephone due to current events.

The Oregon State Lottery Commission approved the minutes of the March 20, 2020 Oregon State Lottery Commission meeting on April 24, 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>.