



THE OHIO LOTTERY COMMISSION
MEETING MINUTES
OCTOBER 12, 2022
IN PERSON/VIA TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman
Caryn Candisky
Nita Gupta
Jonathan Hughes
Angela Mingo
Mark Rickel
Martin Sweeney
Matthew Szollosi (Via Teams)

Director and Staff of the Ohio Lottery Commission Attending In Person & Remotely

Pat McDonald, Executive Director
Sean Webster, Assistant Director, Operations and Administration
Nicole Kostura, Assistant Director, Sales and Marketing
Collin Sheehy, Executive Assistant to the Director
Terri Jones, Administrative Assistant, Executive Office
Greg Bowers, Deputy Director, Office of Finance
Ron Fornaro, Scratch-Off Ticket Product Manager, Office of Sales
Nick Ciofani, Deputy Director, Office of Government & Community Relations
Charles LoPresti, Chief Legal Counsel
Jon Dillinger, Sports Gaming Operations Manager
Liz Alex, Deputy Director, Human Resources
Scott Basom, Office of Security
Greg Beyer, Deputy Director, Office of Internal Audit
Dan Carter, Office of Legal Counsel
Susan Diamond, Office of Responsible Gambling
Danielle Frizzi Babb, Deputy Director, Office of Communications
Scott Frost, Video Lottery Operations
Michael Gonzalez, Deputy Director, Office of Product Innovation

Marie Kilbane Seckers, Office of Communications
Ian Litherland, Sports Gaming Operations
Angela McCracken, Sports Gaming Operations
R.J. Neal, Video Lottery Operations
Richard Perk, Deputy Director, Office of Sales
Carla Reeves, Office of Internal Audit
Bryan Robinson, Office of Communications
Marni Santoro, Office of Legal Counsel
Tom Spayd, Senior Regulator, Video Lottery Operations
Pamela Strickland, Office of Sales
Hurst Talbott, Project Manager, Office of Product Innovation
Percy Turner, Deputy Director, Office of General Services

Additional Attendees

Claire Bennett, Cosgrove Jon Henry Law & Policy
Steven Berk, Giant Eagle
Matthew Block, Scientific Games
E Carano
Cv (guest)
Mike Buzzelli, PGNO
Karen Cincione, Vorys Sater Seymour and Pease, LLC
Ed Dick, JACK Entertainment
Danny Eldridge, Hannah News Service, Inc.
Dustin Ensinger, Gongwer News Service
Thomas Garcia, Arrow International
Tim Kelly, Hollywood Gaming at Dayton Raceway
Larry King, IGT
Carla Kutcha, Intralot US
Jim McGearry, IGT
Shelly Miller, MGM
John Oberle, ICE Miller, LLC
Debbie Pirone, Marcus Thomas, LLC
Justin Remschneider, Boyd Gaming
Fivi Rontini, Alchemy 3
Charlie Scannella, Scientific Games
Jeffery Schweig, Alchemy 3
Michelle Simon, Scientific Games
1-708-288-3049

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Chairman Blair called the meeting of the Ohio Lottery Commission to order at 12:00 p.m. The meeting was held in person and via teleconferencing.

ROLL CALL

The following members of the Commission answered present to Roll Call: Matthew Blair, Caryn Candisky, Nita Gupta, Jonathan Hughes, Angela Mingo, Mark Rickel, and Martin Sweeney.

APPROVAL OF MINUTES OF SEPTEMBER 14, 2022

Chairman Blair presented to the Commission for approval the minutes from the September 14, 2022, meeting. Chairman Blair made a motion to approve the minutes, seconded by Commissioner Gupta. The motion was affirmatively voted upon by the seven Commissioners present.

INTERNAL AUDIT UPDATE- AUDIT COMMITTEE CHAIR MINGO

Audit Committee Chair Mingo reported that the quarterly Audit Committee meeting was held in September. During the meeting the Audit Committee reviewed and approved the internal audit fiscal year 2022 Annual Report. Notable achievements of the Internal Audit team over the past year include the completion of eight audit projects resulting in 22 new recommendations and the remediation of 30 audit issues.

The client survey results remain high with 95% of all responses marked as favorable for the department. This reflects the positive collaboration and quality of service the Internal Audit team provides to the agency. The Audit Committee discussed the results of the Scientific Games enhanced partnership audit as a reminder for the Commission. This contract is for the warehousing and distribution of our scratch-off game tickets to our retailers. The objectives of this audit were to assess the effectiveness and efficiency of management oversight, assess the reliability of the scratch-off ticket inventory moves, and to assess the effectiveness of the physical security controls over the incident tickets. All three objectives were well controlled, and no material issues were noted.

The Audit Committee continues to monitor the remediation progress of outstanding issues. As of the September meeting, they are tracking 22 recommendations that are in varying stages of implementation. The number of outstanding audit issues continues to remain low when compared to prior years.

APPROVAL OF FIVE (5) SCRATCH-OFF GAMES IN PROPOSED FORM

Ron Fornaro, Scratch-Off Product Manager, presented before the Commission five (5) scratch-off games in Proposed Form.

- Rule 3770:1-9-763, \$365,000 Make My Day (\$1.00)
- Rule 3770:1-9-764, \$520,000 Make My Week (\$2.00)
- Rule 3770:1-9-765, \$1,000,000 Make My Month (\$5.00)
- Rule 3770:1-9-766, \$2,500,000 Make My Year (\$10.00)
- Rule 3770:1-9-767, \$500,000 Ultimate Cash (\$10.00)

Chairman Blair moved to approve the five (5) scratch-off games in Proposed Form, with Commissioner Rickel offering a second to the Motion. The Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF EIGHT (8) ADMINISTRATIVE RULES IN FINAL FORM

Charles. LoPresti, Chief Legal Counsel presented before the Commission eight Administrative Rules in Final Form.

- Rule 3770:2-8-04, Responsibilities of excluded facilities under the jurisdiction of the Ohio Lottery Commission.
- Rule 3770:3-3-03, Type C sports gaming host eligibility and application for lottery recommendation.
- Rule 3770:3-5-03, House Rules
- Rule 3770:3-6-01, Sports gaming systems
- Rule 3770:3-6-03, Lottery sports gaming equipment approval and testing.
- Rule 3770:3-6-04, Type C sports gaming proprietor equipment for hosts.
- Rule 3770:3-6-05, Incident reporting.
- Rule 3770:3-8-03, Accounting and revenue audit.

Chairman Blair moved to approve the Administrative Rules as presented in Final Form, with Commissioner Mingo offering a second to the Motion. The Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE ONE (1) TOUCH & WIN EZPLAY® TAP GAME THEME

Mr. LoPresti presented before the Commission One (1) Touch & Win EZPLAY® Tap Game Theme

- *Hot Shots Jackpot*

Commissioner Blair moved to approve the Resolution as presented with Commissioner Gupta offering a second to the Motion. The Motion was affirmatively voted upon by the seven Commissioners present.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Mr. LoPresti presented a Resolution to approve 50 Video Lottery Game Themes for inclusion in the video lottery game theme library.

Chairman Blair moved to approve the Resolution, with Commissioner Sweeney offering a second to the Motion. The Motion was affirmatively voted upon by the Commissioners present.

FINANCIAL REPORT

Office of Finance Deputy Director Greg Bowers provided to the Commissioners a financial update for the month of September 2022.

Sales from traditional lottery games for the month of September were \$328.3 million, which was a 5.0% decrease from sales generated last September.

Sales from scratch-off tickets were \$169.1 million, down slightly from last year by 3.0% or \$5.3 million. Draw-based game sales were down 6.9% or \$11.8 million from last year.

Multi-state jackpot games Mega Millions and Powerball were down by 40.0%, as jackpot levels advertised were lower this year vs last year.

Sales derived from the daily draw games Pick 3, Pick 4, and Pick 5 also fell against last year, down 6.4%.

Gross Gaming Revenue from VLTs for the month was \$111.7 million, down one-tenth of 1% (0.13%). Net profit from that equaled \$36.6 million, which was just \$55,000 less than last year.

Mr. Bowers reported that the accounting department is wrapping up the annual audit and the Annual Comprehensive Financial Report (ACFR) last month and received an opinion letter from the Auditor of State dated September 30th. The Lottery received a good clean audit.

Mr. Bowers also noted that the Lottery received notice that our 2021 ACFR met the requirements and qualified for the Certificate of Achievement for Excellence in Financial Reporting. This was the 25th year the Lottery has received this distinction.

The staff is working on the biennial budget and the submission is due to OBM on October 28.

Deputy Director Bowers also announced that Danielle Daley, Claims & Accounts Payable Manager has taken a new job offer and therefore will be leaving the Lottery. He noted that she has been an asset to the finance department and the agency in her 16 years of service here.

DIRECTOR'S REMARKS

Director McDonald asked Danielle Frizzi Babb, Deputy Director of Communications to introduced Bryan Robinson, the newly hired Video Content Specialist.

The Director informed the Commission that the LPEF transfer for the month of September 2022 was \$109 million which is \$4.3 million less than September of 2021. For the year, our cumulative transfer is \$390 million which is close to \$7 million more than last year's cumulative transfer. Although the scratch-off tickets are slightly down, KENO and some of our other draw-based games are growing. The Lottery is hoping to make gains with the holiday season scratch-off tickets.

Director McDonald asked Assistant Director Nicole Kostura to report on the status of the holiday tickets and campaign. Ms. Kostura noted that the holiday themed scratch-off tickets were released yesterday (October 11th). Lottery Sales Representatives are working with retailers to put in-store marketing collateral up to help enhance sales this season. Additionally, Ms. Kostura noted that paid marketing support will begin in mid-November and the 2nd chance promotion went live with the release of the tickets.

The Director reported on the Combined Charitable Campaign. Employees have donated over \$40,000 which is more than 80% of the campaign goal of \$47,600.

Director McDonald recognized Trinity High School in Garfield Heights as the Lottery's 2021-2022 Partners In Education "School of the Year". Trinity High School was selected as a school of the year in a random drawing of 147 Ohio schools who participated in the Partners in Education program. A student was nominated for Academic All-Star last year, which made the school eligible for the random drawing. The school received a trophy and \$1,000 gift card to OfficeMax, and autographed team merchandise from major and minor league sports teams across Ohio to be used for fundraising efforts.

Director McDonald then reported that the Lottery released a Request for Information (RFI) on the central gaming system on October 4th. He noted that the current contract was last bid out in 2007. This RFI will help the Lottery collect information about new technology and services that will be beneficial to the Lottery and its retailers. The RFI was developed in consultation with the Lottery gaming consultant Gaming Laboratories International. Director McDonald then asked Assistant Director Sean Webster for an overview of GLI and their work.

Assistant Director Webster reported that GLI is well-known in the industry for their work testing different equipment systems and provide consulting services. The Lottery awarded GLI a competitively bid consulting contract at the beginning of this year. Through this contract GLI provides the Lottery with advice on technical topics such as loss prevention, disaster recovery, liquidated damages, and how different contracts are priced.

Director McDonald updated the commission on Sports Gaming. The Lottery has recommended 1,393 host locations and the Ohio Casino Control Commission (OCCC) has received 897 host applications and has approved 847 for licensure this past week. The next batch of hosts are expected to be approved on October 19, 2022.

Additionally, the Director noted that the Lottery has started a series of communications with lottery associated retail groups. The Lottery will continue to update the associations on a recurring basis

on several the Type C Proprietors who are licensed, contracted with the Lottery, and available to contract with Hosts. The Lottery will also be using this platform to communicate upcoming traditional lottery products, services, and promotions, such as the upcoming holiday campaign.

Lastly, Director McDonald and Sports Gaming Operations Manager Jon Dillinger provided an update on the status of type C sports gaming proprietors. The Lottery continues to work with all seven interested Type C Proprietors. Of the seven, four of proprietors have already signed contracts with the Lottery. Mr. Dillinger reported that the four proprietors who have signed are: BetSkyBox, Elys Game Technology/ Wright Bet, UBet Ohio, and BetIGG / Iron Gate Gaming. Three additional proprietors are pending licensure from the OCCC and/or contract execution with the Lottery.

Sports Gaming Operations Manager Jon Dillinger then gave a more detailed explanation of rules, operating standards, contracts, etc. Among other items, Mr. Dillinger described the differences between the independent proprietors and the proprietor using existing, Lottery-owned equipment. Independent proprietors supply their own equipment and supplies, process financials, pay prizes, etc., while the proprietor utilizing existing equipment has also requested to use lottery resources for those processes. Mr. Dillinger then gave a presentation on the four proprietors that have been licensed by the OCCC and signed a contract with the Lottery.

Following Mr. Dillinger's presentation, Director McDonald recognized the OCCC Executive Director Schuler and his staff for all of their work on Type A, B and C sports gaming and the collaboration with Lottery staff on Type C.

ADJOURNMENT

With no further business before the Ohio Lottery Commission, Chairman Blair informed Commissioners that the next meeting will be held on Wednesday, November 9, 2022, at 12:00 p.m. via teleconferencing and in person.

Respectfully Submitted,



Pat McDonald, Executive Director



Matthew Blair, Commission Chair