



THE OHIO LOTTERY COMMISSION

MEETING MINUTES

JULY 8, 2020

VIA TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman
James Brady
Nita Gupta
Jonathan Hughes
Angela M. Mingo
Mark Rickel
Martin Sweeney
Sean Whalen, Vice Chairman

Director and Staff of the Ohio Lottery Commission

Pat McDonald, Executive Director
Sean Webster, Assistant Director, Operations and Administration
Nicole Kostura, Assistant Director, Sales and Marketing
Nick Stadler, Executive Assistant to the Director
Terri Jones, Administrative Assistant, Executive Office
Charles LoPresti, Chief Legal Counsel, Office of Legal Counsel
Greg Beyer, Deputy Director, Office of Internal Audit
Ron Fornaro, Instant Ticket Product Manager, Office of Sales
Jonathan Dillinger, Deputy Director, Office of General Services
Danielle Frizzi Babb, Deputy Director, Office of Communications
Connie Miller, Deputy Director, Office of Operations
Karen Russo, Deputy Director, Office of Responsible Gambling
Michael Black, Deputy Director, Office of Security
Greg Bowers, Deputy Director, Office of Finance
Dan Carter, Deputy Director, Office of Legal Counsel
Nick Ciofani, Deputy Director, Office of Government & Community Affairs
Marty Morrow, Deputy Director, Office of Sales
Rick Perk, Deputy Director, Office of Sales

Holly Coone, Administrative Professional, Office of Information Technology
Michael Gonzalez, Deputy Director, Office of Product Innovation
Marie Kilbane Seckers, Public Information Officer, Office of Communications

Additional Attendees

Elizabeth Abate, Marcus Thomas LLC
Richard Exner, Cleveland.com
Robert Frost, Capitol Partners
Jim Nash, Marcus Thomas LLC
John Oberle, Ice Miller, LLC
Debbie Pirone, Marcus Thomas LLC
Johnathan Reed, Gongwer
Justin Remschneider, Belterra Park Cincinnati
Scott Shaffer, JACK Thistledown
John Walker, Eldorado Scioto Downs

Caller did not identify his/herself from the following numbers:

202-489-3631
216-470-6444
330-338-8935
513-442-9896
614-741-1026
740-602-0682

CALL TO ORDER

Chairman Blair called the meeting of the Ohio Lottery Commission to order at 12:00 p.m. The meeting was held via teleconferencing due to COVID-19 (coronavirus).

ROLL CALL

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

APPROVAL OF MINUTES OF JUNE 10, 2020

Chairman Blair presented to the Commission for approval the minutes from the June 10, 2020 meeting, Chairman Blair made a motion to approve the minutes, seconded by Commissioner Hughes. The Motion was affirmatively voted upon by all Commissioners present.

AUDIT COMMITTEE UPDATE – AUDIT COMMITTEE CHAIRMAN

Sean Whalen, Vice Chairman presented before the Commission an update on the OBM Internal Audit. The Audit Committee met on June 10, 2020. OBM Internal Audit group has completed the Marketing Advertising Contracts Audit, and the final report was shared with us on June 30th. There were no issues found during the audit, the processes and controls Marketing has in place for their contract management are working as intended. Additionally, OBM has continued their work on the annual assurance review of the OLC-Internal Audit department. This project was delayed due to COVID- 19 and we expect the final report to be issued in July. The Audit Committee Charter, Internal Audit Charter and Internal Audit Policy Manual were approved for Fiscal Year 2021 in Final form. The fiscal Year 2021 Audit Plan was approved at our June 10th meeting. Notable Audits for FY2021 include the following: Cashless Payments, Mobile Cashing (OBM will audit the IT Security and controls and Internal Audit will look at the financial controls/reconciliation), Drawings – Random Number Generators, VLT Racino Employee Licensing, Review of the impact to the agency during Stay at Home Order Agency Impact (COVID – 19). For FY 2020 we achieved approximately 70% of our overall audit plan goal. We aim to achieve 80% every year but the hope to achieve 100% if time allows, However, we don't always have the opportunity with limited resources to achieve the 100% of all future potential audits. Open issues resolved throughout the year 22 recommendations were implemented. There are currently 23 new audit recommendations going into the next year which we will continue to work on in FY 2021. There are currently three internal audits in process and one audit with OBM.

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

Marty Morrow, Deputy Director, Office of Sales presented before the Commission Five (5) Scratch Off Game Rules in Proposed Form.

- ✦ Rule 3770:1-9-613, Festive \$50's (\$1.00)
- ✦ Rule 3770:1-9-614, Winter Doubler (\$2.00)
- ✦ Rule 3770: 1-9-615, Winter green 7's (\$5.00)
- ✦ Rule 3770: 1-9-616, Winter Wonderland Riches (\$10.00)
- ✦ Rule 3770:1-9-617, Premier Cash (\$20.00)

Commissioner Blair moved to approve the Rules as presented in Proposed Form, with Commissioner Gupta offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

APPROVAL OF FIVE (5) SCRATCH OFF GAMES IN FINAL FORM

Marty Morrow, Deputy Director, Office of Sales presented before the Commission Five (5) Scratch Off Game Rules in final Form.

- ✦ Rule 3770:1-9-606, Holiday Cash (\$1.00)
- ✦ Rule 3770:1-9-607, Jungle Jackpot (\$2.00)
- ✦ Rule 3770: 1-9-608, Holiday Cash Drop (\$3.00)
- ✦ Rule 3770: 1-9-610, \$500,000 Holiday Money (\$10.00)
- ✦ Rule 3770:1-9-611, Merry Millions (\$20.00)

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

RESCISSION OF FIFTY (50) SCRATCH GAME RULES IN PROPOSED AND FINAL FORM NO LONGER IN USE

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve Fifty (50) Scratch Games for rescission.

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

RESOLUTION TO APPROVE MULTI – PURPOSE NEXT GENERATION GAME THEME

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve one Multi-Purpose Next Generation Game Theme, *Matching Pear Bingo*.

Commissioner 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.

RESOLUTION TO APPROVE TOUCH & WIN EZPLAY® TAP GAME THEME

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve one Touch & Win EZPlay Tap Game theme, *The Big Cash Wheel*.

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

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve two Video Lottery Game Themes.

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

FINANCIAL OVERVIEW OF FISCAL YEAR 2020

Executive Director Pat McDonald presented the financial performance for Fiscal Year 2020. The Lottery Commission began the year with the completion of the upgrade to Intralot's "Photon" point of sale units, which required retraining all 10,000 of our retailers and resulted in some growing pains.

We went live with the Scientific Games warehousing and distribution contract for our scratch-off tickets.

In Fiscal 2019 we had massive multi-state jackpots, which culminated in a \$1.6 billion Mega Millions jackpot and a \$687 million Powerball jackpot – both in October 2018. These jackpots allowed us to set record annual sales for FY 2019 in that category. In October 2019, traditional sales of scratch-offs and draw games were down almost \$83 million, or over 7% behind the previous year.

In January of 2020 we saw an incredible turnaround. The Lottery had a record-setting holiday campaign boosted by the introduction of the \$20 holiday scratch-off ticket and innovative marketing strategy. Christmas Eve recorded the highest ever daily scratch-off sales. The total traditional sales for the month of December were the second highest recorded in Lottery history. By the end of the month we had cut our sales deficit in half and were 2.6% behind the previous year's pace.

By mid-February we had closed the gap and we were on our way to a record sales year. At the beginning of March, we had transferred nearly \$800 million to the LPEF which was \$30 million more than our original forecast and \$2.5 million more than FY19.

Profit transfers benefited from VLT revenues from the seven racinos. At the end of February, racino revenue was up by almost \$20 million or nearly 9% compared to last year. Unfortunately, the Racinos were closed on March 13th due to COVID-19 and remained closed until June 19. VLT revenue finished the year down by approximately \$238 million or 23% compared to last year.

Shutdowns at bars and restaurants also hurt games like KENO, which finished the year down by 3% after initially pacing almost 10% ahead of last year's sales.

Over the last several months we have seen growth in scratch-off sales. Scratch-off sales growth in May and June did very well with sales 50% ahead of last May and June. We have met and slightly exceeded our annual profit commitment by approximately \$1.1 million. The Fiscal 2020 transfer of \$1.127 billion is about \$27 million or 2.3 % less than our record transfer last fiscal year.

Looking into Fiscal Year 2021, one challenge we have is our profit commitment of \$1.177 billion which includes \$45 million we had projected from the lottery program.

Over the past year, the Lottery has developed a strategy that infuses technological improvements and data analytics with a strong focus on industry fundamentals such as price points and payouts, facings and inventory, and retailer recruitment.

FINANCIAL REPORT

Greg Bowers, Deputy Director, Office of Finance, provided to the Commissioners a financial update for the months of May and June 2020.

- Traditional Sales for the month of June were \$346.1 million.
- The daily Numbers games (P3, P4, P5) were up against last year by \$16.2 million, or 32.5%.
- Mega Millions, Powerball and Lucky 4 Life declined \$4.4 million or 24.5%
- Scratch-off ticket sales were \$196.2 million. That is an increase of \$61.5 million, or 45.6% more than the month of June last year.
- There were no revenues collected from VLTs during the month due to closures in March.
- Keno, Lucky One, and Fast Play games were up by \$7.9 million, or 15%.
- Because of the momentum gained during the last 2 months from strong scratch-off and daily game sales, final fiscal year transfers to the LPEF totaled \$1.127 billion, or \$1.1 million more than our commitment.
- The 2019 Comprehensive Annual Financial Report qualified for the GFOA's Certificate of Achievement for Excellence in Financial Reporting Award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting.

NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Executive Director McDonald informed the Commissioners of the following:

Director McDonald informed the Commissioners that following the three months of the racinos being shut down due to COVID- 19, the Lottery is happy to report that we had a very successful reopening of the seven racino facilities on June 19, 2020. This event was very important to the Lottery. The opening was watched by national media, state media and Governor DeWine. We had to make sure the protocols that were developed by our working group to open the racinos were in place. This working group did a very good job on opening and implementing these protocols during the reopening.

Executive Director McDonald asked Assistant Director of Operations and Administration, Sean Webster to give the Commissioners an overview of the reopening of the racinos. Assistant Director Webster informed the Commissioners that there were no major issues during the reopening. Good turn out and

social distancing was observed by patrons and onsite staff. All media reports were positive and no negative media. On the first full week of operations the Director held a conference call with the racino General Managers to discuss how the reopening process was proceeding from their point of view. Overall, the General Managers reported turn out was steady, lines were minimal, guests continue to social distance and customer feedback was favorable. Assistant Director Webster, acknowledged Operations Director Connie Miller, Security Director Mike Black and their staff for all the preparation and planning they put in to make sure the re-opening was successful. They have been working on this ever since the racinos closed in March and the weeks leading up to the re-opening. Our staff has worked very closely with the facilities reviewing their reopening plans and created a whole new licensing system to improve the efficiency of the licensing process for nongaming employees. This system has helped racinos to provide adequate staff during the reopening of the facilities. Despite the restrictions in place VLT revenue has been strong two week since the reopening. First whole week of operations the revenue is up by almost 19% and for this young fiscal year we are up by 17% since this last Saturday.

Senator Bill Coley sent a letter inquiring how the Lottery could help fill the recent cuts to Ohio's education budget from the COVID-19 pandemic. The Senator has a particular interest in gaming issues and currently serves as the President for the National Council of Legislators from Gaming States (NCLGS). Senator Coley is focused on the current legislative debate on sports betting and wanted us to opine on a solution that will boost funding for education. A follow up conversation with the Senator has taken place. There are many ways that the Lottery was able to increase profits for education. This year, this included strategic marketing campaigns, utilization of predictive analytics to optimize product inventory at retail and expanding our loyalty platform to offer better service like mobile prize cashing.

ADJOURNMENT

With no further business before the Ohio Lottery Commission, Chairman Blair complimented the Lottery staff on doing an incredible job. Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, August 12, 2020 at 12:00 p.m. via teleconferencing.

Respectfully Submitted,



Pat McDonald, Executive Director



Matthew Blair, Commission Chair