

Illinois Lottery Control Board
Open Meeting Minutes
Wednesday, October 27, 2021 via WebEx

Board Members:

- Diana Sheehan, Board Chair
- Sarah Alter, Board Member
- Alejandra Garza, Board Member

Lottery Staff:

- Harold Mays, Acting Director
- Cornell Wilson III, General Counsel
- Scott Gillard, Chief of Staff
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Jessica White, Deputy General Counsel
- Joe Weiss, Sales Manager
- Amber Chappell, Finance Manager
- Peter Romano, Labor Relations/HR Manager
- Matthew Bell, Operations & Technology
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Manager/General Counsel
- Andrew Lang, VP Finance
- Marissa Zimmerman, VP Marketing
- Tom O'Connor, VP Retail Sales
- Emilia Mazur, VP Corporate Affairs
- Ashley Urisman, Regulatory Affairs Manager

Other Attendees:

- Paul Haberstock, member of the public
- Matthew Block, Scientific Games
- Kathy Gilroy, member of the public
- Anita Bedell, member of the public

CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone and meeting is called to order at 1:05pm with above board members present to meet a quorum. Lottery and Camelot Staff are introduced.

BOARD CHAIR NOMINATION

Per section 6 of the Lottery law, a new chairperson must be elected every fiscal year. Board member Alejandra Garza nominates Diana Sheehan to continue her role as chairperson. The motion is seconded by board member Sarah Alter. Board members vote and pass to keep Diana Sheehan as board chair.

PUBLIC COMMENT

No public comment

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OLD BUSINESS

- *Approval of Minutes*

Board members vote and unanimously approve and pass the minutes of the Lottery Control Board meeting on 08/02/2021.

NEW BUSINESS

- *Legal Update - Cornell Wilson*

There are no significant litigation, licensing, or compliance issues to report on. The Lottery legislative efforts for veto session will focus on section 7.12 which governs its internet program and is scheduled to be repealed on 07/01/2022. The department has been working with the legislature to extend that law and hopefully make it a permanent part of a Lottery statute.

- *Vote on Lottery Control Board Meeting Dates for 2022*

Board members vote and unanimously approve and pass next year's meeting dates as the following:

- 01/26/2022
- 04/27/2022 (Board chair stated 03/27/2022 in error)
- 07/27/2022
- 10/26/2022

Meetings will be conducted via WebEx starting at 1:30pm.

DIRECTOR'S REPORT

- *Executive Summary - Keith Horton*

1. Lottery has a positive 1st quarter being ahead of budget by approximately 6% due to strong iLottery sales. Illinois has the largest digital Lottery for draw based games in the U.S.
2. Lottery is cautiously optimistic for the 2nd quarter but do see some challenges.
3. Lottery retailers are having issues retaining staff and hiring which may affect product and sales.
4. There is more competition in spending options as more gaming outlets are now open.
5. Walmart, one of Lottery's largest retailers, is on schedule with expanding their offerings in the stores and Lottery looks forward to continue to grow with the retailer over the remainder of the year.

- *Sales Performance Q1 Sales (July- September) - Andrew Lang*

1. After exceptional FY21 sales, the first quarter in FY22 at \$860 million is 6.3 % over budget.
2. Strong Instant and Pick ticket sales coming into the year but have recently softened.
3. Large jackpot rolls in Mega Million and Powerball had impact on draw-based sales for September and October.
4. Pick game changes now deliver more to the Common School fund.
5. iLottery sales passed revenue targets during the Powerball \$700 million roll ending October 4th.
6. FY22 Gross Gaming Revenue (GGR) is averaging at \$23.5 million.
7. Pick Fireball payout changes have clear impact on increasing the GGR and avoiding losses.

Questions and Comments:

Board member, Alejandra Garza, asked what the attributing factors to Illinois are surpassing the curve compared to other states in draw-based games. Andrew Lang stated that weekly sales from other states are publicly available which shows Illinois' performance is similar and the bigger macro factors are having a similar effect both on Illinois as well as the rest of the U.S. Board member Garza also asked if a demographically diverse

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base could be a driver. Andrew Lang stated that different states see different levels of performances for the same game due to cultural and historic reasons. Michigan having a smaller population does better than Illinois on Pick games whereas Texas, with a huge population performs poorly with Pick games. **Board member Garza asks** these questions to understand when decisions need to be made regarding the allocation of marketing and advertising PR dollars. Director Mays adds that Illinois was the first state to start selling online 10 years ago giving it a jumpstart. Illinois also sells all its draw-based games online compared to other states that have only sold Powerball and Mega Million.

Board Chair Diana Sheehan asked if there is a concern in the potential of loss in sales because of a lack of labor in the stores. Tom O'Connor stated yes that this is a concern that has been communicated from key accounts which have reduced store hours, fewer people to operate the store, longer lines, and other supply chain issues.

Chair Sheehan also asked if there are more consistent sales with less losses in places where there is a vending machine and if this is something that can be deployed quickly to offset labor issues. Tom O'Connor states that while vending machines do help, Camelot is still assessing if they are seeing less impact from the macro economics. Vending machines must be stocked and filled by employees of a store in which there is a shortage.

- *Finance – Carol Radwine*

1. YTD Sales Revenue by Game total of \$859,357,495 with a note on Fast Play which started in September FY21 which is why there is a big difference between FY21 and FY22. Mega Million was rolling at the beginning of the fiscal year and was hit on September 21st for \$432 million. Rolls resulted in 1st quarter average jackpot for FY22 of \$212.3 Million compared to the 1st quarter in FY21 which had an average jackpot of \$61.1 Million. Powerball started the fiscal year with a rolling jackpot that was hit on October 4th at \$697 Million. The rolls resulted in a 1st quarter, average jackpot of \$309 Million compared to the 1st, quarter of 21, which had an average of \$75.4 Million
2. Profit and Loss statement for FY22 has an operating income of \$211,970,493 with a slight difference in sales revenue due to recording of an allowance of uncollectibles. In FY21, we had unfavorable Pick hits that we have not experienced this fiscal year so far which has resulted in a lower price expense as percent of sales allowing to contribute more to the common school fund.
3. Common School Fund and Capital Projects Fund transfers were prescribed and met at \$762.5 Million with \$3.7 Million contributed to the capital projects for FY21. The prescribed amount for FY22 is \$775 Million. We have transferred \$200 Million or 25.8 % so we are on track.
4. In FY21 we had 9 specialty causes with Steam being for 1 year. Thus, in FY22 the Department is supporting 8 causes. Veteran Cash launches next week with the previous run selling out resulting in no transfers during the 1st quarter of FY22.

Questions and Comments:

Board chair Diana Sheehan asked if there has been peaks and valleys historically when it comes to the average payout per quarter to the common school fund. Carol Radwine stated that there have been peaks and valleys in each quarter. Prescribed amounts are based on monthly amounts from 2009 and we saw differences in how money was transferred then. So far, the Lottery is on track.

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- *Advertising & Marketing – Marissa Zimmerman*

1. Campaign tracker for the Instants platform (Extreme Cash) did great with overall positive lifts and brand perceptions. Increase in purchase is a good indicator of sales. 62% of consumers thought the ads had strong branding.
2. Media spend has moved to quarterly spend which allows to maintain flexibility and switch between products as needed. Holiday season increases media spend in the second quarter which brings opportunity to bring in frequency and new players into the category.
3. July 2021 launched ads for Cash Extreme family and continued support for 7-11-21 family of tickets. Pick campaign ads continue with “Every Number is a Story” featuring Chicago Bulls player.
4. August 2021-continue to build on Pick campaign with Chicago White Sox partnership. Silver/Gold Instant tickets launch. 3rd Powerball draw day on Monday was supported in retail, and media channels.
5. September 2021- continues with Silver/Gold Instant tickets, pick support with White Sox going to the playoffs and promotion of the New Year Massive Money Sweepstakes that is being put on by Dick Clark production.
6. October 2021 - launch of Holiday tickets with people purchasing for themselves before gifting. Final push for jackpot rolls and seasonal Pick support.
7. New Instants are highlighted in market from July to October.
8. iLottery Performance - 1st quarter revenue had growth of over 30% with revenue from CRM (email/app push marketing) being up 75% above YTD goal. Both Apple and Google Pay are now available as payment options for Lottery players.

Questions and Comments:

Board member, Sarah Alter, asked if the Chicago Sky is on the radar for a partnership since their latest championship win. Marissa Zimmerman stated that Camelot is in conversation with them.

Board chair, Diana Sheehan, asked if there has been growth in downloads and is Lottery getting new players. Andrew Lang stated that he believes we are with just over 1 Million people in the last 90 days and over 100,000 players added regularly. 40% of sales comes from IOS app and Android is about 12%. Scott Gillard added that besides revenue goals there is player base and engagement goals. Right now, we are approximately at 471,000 total people within the platform with the goal year to date goal being 465,000. Increase in players goes up and down according to jackpots.

Board member Diana Sheehan also asks if Lottery has done its research to really understand who the users are on the app, how they are cross purchasing in the store and what brought them to the app so we can recruit new players. Marissa Zimmerman states that right now there is a code that if you scan it, it takes you to a landing page and choose your operating system. The tech team has built a code that automatically detects your operating system which is still in the testing process. This will make it easier for people to download the app. Camelot is taking its data and importing it to a data management platform to create look alike audiences to reach on who will play online.

Board member Sarah Alter suggests doing a pilot program with a big chain store like Walmart in possibly letting a store receive credit for advertising and promoting the download of the Lottery app. Marissa Zimmerman stated that Lottery does not have the capability to do that given the number of independent retailers and something to take into consideration starting with Walmart.

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Board member Diana Sheehan asks if Lottery can sell Instants through the Jewel Grocery store platform. Marissa Zimmerman stated that it cannot.

Board member Sarah Alter asks if a grocer can purchase Lottery tickets in bulk and give them away as an incentive. Tom O' Connor says Casinos will buy in bulk and give them away to loyal players.

Board member Diana Sheehan asks if the Lottery app has geo location embedded where if a player drives up to a store, they will be prompted to purchase tickets there. Marissa Zimmerman stated that she did not know if the app had that capability and will have to follow up.

- Retail - Tom O'Connor
 1. Retail promotions are active with key accounts as with some independents driving cross purchase of lottery and other categories in the store rewarding loyal shoppers within their program.
 2. Driving Pick game purchase and aligned and coordinated with the holiday events.
 3. Incentives are active to drive compliance with vending machines to keep them full, and for activation of new games.
 4. Bundles are being explored at retailers by selecting different games and have them sold as a pre-package.
 5. On track with the retail expansion in Walmart by having 170 stores opened by February 2022. Some CVS stores could not be opened due to a slight remodel within the store and plan to be open by next year.
 6. 22 independent retailers have been opened since June with 50 applications in process.

Questions and Comments:

Board Chair Diana Sheehan asked if targets have been set for ongoing consistency for new acquisitions or new independents. Tom O'Connor says that yes and those targets are revised for the year with the goal of adding 200 retailers. This is being done by having the right flyers sent to the right target following up with a salesperson who can answer questions to close the deal. **Chair Sheehan asks** what the barriers are to getting an independent retailer to close. Tom O'Connor states that some barriers are religious and moral beliefs, having enough space and not having enough staff.

- *Public Relations and Responsible Play - Emilia Mazur*
 1. PR has been focused on driving awareness of the growing jackpots and continue with the winning storytelling.
 2. Specialty ticket for homelessness prevention was launched. The Lottery sponsorship partnered with the boys and girls club alliance to support the after-school program. The program provides support to students across Illinois that are still affected by the pandemic by offering tutoring, homework help and learning activities reaching 60,000 students.
 3. Efforts remain focused on achieving level 4 certification under the World Lottery Association. A mystery shopper pilot was launched in September for shoppers to visit retailers across Illinois to improve support within the retail environment to see if responsible gaming brochures are located within the store and having retailers ID their customers that look 25 and under. Recommendations from the pilot are still being assessed and recommendations will follow.
 4. Gift responsibly campaign will launch over the holiday season stressing that lottery tickets are not suitable gift for children.
 5. Responsible gaming training will be provided for all new hired employees.

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- *Director's Comments - Harold Mays*

1. Major staff change - Deputy General Counsel, Jessica White left the Lottery, and we are actively pursuing to fill her position. She was a valued employee who was with the Lottery for a long time and will be missed. Hired a new budget and accounts payable manager in the Springfield headquarters location.
2. Legislative - Major priority is on focusing on the extension of the iLottery program. Lottery will continue to work with the legislature on stressing the importance of internet sales. If it doesn't pass during veto, we will push aggressively during the spring sessions.
3. FY21 audit is with a financial audit and 2-year compliance audit has been ongoing within the last 4 months and getting ready to close it out. The board will be kept abreast of any findings.
4. Specialty tickets-Tickets supporting Alzheimer's research and breast cancer programs were launched. Veteran ticket will launch in November. Breast cancer and Veterans tickets are two of the oldest specialty causes that started in 2006 and have brought in the most revenue.
5. The Lottery is partnering with Dick Clark Productions on a New Year promotion for Powerball. It is the first millionaire of the year promotion that they have done for the past 2 years. A sweepstakes was created around a promotion and have been encouraged by the results so far. We hope that Illinois will have a candidate in possibly winning the first million-dollar prize of the year on January 1st.
6. Lottery is off to a very strong start and we are encouraged by what we are seeing going into the holiday season. As always, we appreciate the ongoing support and guidance from the board to help enable the mission of the Lottery.

ADJORNMENT

With all business concluded, motion to adjourn was given at 2:27pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary