

Illinois Lottery Control Board Meeting Minutes

Wednesday, October 26, 2022, via WebEx

MEETING ATTENDANCE

Board Members:

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

Lottery Staff:

- Harold Mays, Director
- Cornell Wilson III, General Counsel
- Scott Gillard, Chief of Staff
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Joe Weiss, Sales Manager
- Joseph Logue, Chief Transition Officer
- Matthew Bell, Chief Tech & Operations Officer
- Peter Romano, Labor Relations & Human Resource Manager
- Audrey Cosgrove, Deputy General Counsel
- Mason McDaniel, Legislative Liaison
- Alicia Ivy, Director's Executive Assistant
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Manager
- Andrew Lang, VP Finance
- Marisa Zimmerman, VP Marketing
- Emilia Mazur, VP Corporate Affairs
- Ashley Urisman, Regulatory Affairs Manager
- Tina Wolf, VP Product & Retail Partnerships

Other Attendees:

- Matthew Block, Scientific Games
- Kathy Gilroy, Member of the Public

CALL TO ORDER/ROLL CALL

Diana Sheehan, Board Chair, welcomes everyone and meeting is called to order at 1:35pm with above Board Members present to meet a quorum. Lottery and Camelot Staff are introduced.

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PUBLIC COMMENT

None

OLD BUSINESS

Approval of Minutes

Board Members vote and unanimously approve and pass the 07/27/2022 minutes of the Lottery Control Board meeting.

NEW BUSINESS

Approval of 2023 dates for future Lottery Control Board meetings. Meetings will be held on Wednesdays at 1:30pm CDT via WebEx on the following dates.

Board Members vote and unanimously approve and pass the following 2023 dates:

- Wednesday, 01/25/2023
- Wednesday, 04/26/2023
- Wednesday, 08/03/2023 *
- Wednesday, 10/25/2023

***Please note that the 3rd quarter meeting will be on Wednesday, August 02, 2023. August 03, 2023, was listed in error.**

DIRECTOR'S REPORT

Opening Remarks– Keith Horton

Keith Horton states that sales are ahead of budget, but the present state of the economy can cause some headwinds which can potentially impact the Lottery and future quarters for this fiscal year.

Sales Performance –FY 23 Sales- Andrew Lang

- First Quarter YTD sales are up 2.9 % ahead of budget and +1.7% vs. prior year. Strong FY23 sales driven by \$1.3 Billion Mega Million jackpot in July 2022.
- Instant ticket sales are \$513M which are down 2.3% vs budget. During August and September, over 50% of people were asked if they had purchased a ticket within the last 3 months with a positive answer and self-reported player participation continues to grow.
- Draw based games are up \$36M/11% vs budget. Powerball sales are behind budget, but Powerball & Mega Million sales combined are up \$38M vs. budget.
- Sales excluding Mega and Powerball are at \$253M averaging \$19M a week aided by the launch of Fast Play games.
- iLottery FY23 sales of \$104M are up \$9M/9.4% vs budget.

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- Economic headwinds affecting sales are food, gas, energy, housing, and consumer good prices. This is influencing the way people are choosing to spend their money.
- Sales are declining across the country. Per LaFleur's data FY22, Q4 total US Instants sales were down 8% year over year with Illinois down 12%. The trend is continuing in FY23.
- Camelot will continue to look for growth by relocating underperforming vending machines, adding cashless payment functionality and trials of a new product and new price points.

Questions and Comments:

Board Member, Alejandra Garza asks which top 3 states are the highest in Instants weekly sales and if it is per capita or total sales that are compared. Andrew Lang stated that only one state that has been up year over year is Florida. Texas, California, and New York, benefiting on population mechanics, were all down 7-8% across April-June 2022. Total sales year over year is what was compared.

Board Member Sarah Alter asks how results on claimed play compare to the previous 2 quarters. Andrew Lang states that the increase has been steady between 49 and 51.4%.

Board Member Sarah Alter asks, what tactic, or ad attributed to the high iLottery sales compared to prior years and should continue to scale that. Andrew Lang states the addition to Fast Play and the development of the CRM capabilities using tactical promotions has helped engaging prospective and lapsed players.

Board Member Sarah Alter would like to hear more detail in terms of the new products and pricing strategies. Andrew Lang says Camelot will provide this if not covered in the product section.

Board Chair Diana Sheehan asks what percentage of the 400K iLottery players were new. Andrew Lang states that he does not have that number but will provide this information.

Board Chair Diana Sheehan asks if there is a gauge that we are improving connectivity to lapsed users by a certain percentage over last year. Marisa Zimmerman stated that the reactivation and retaining of players during the big jackpot roll this July compared to the last large roll last year was significantly higher but will follow up with metrics on the conversion from lapse to active users.

Board Chair Diana Sheehan asks if there is a gauge on what is driving the higher sales at the Lottery vending machines vs. the over the counter in the stores. Andrew Lang stated that there is no labor requirement at the vending machines besides restocking. Tina Wolf stated that there is a behavioral shift in consumer usage of self-service tools post pandemic.

Board Chair Diana Sheehan comments that if there is a behavioral shift in self-service then we need to look for next year how to make this more attractive to the Lottery retailers and build and grow from this information. **Board Member Sarah Alter says** the shift to possibly having non-cash payment is a start. Director Mays states that the Lottery has a program in place to specifically look at the performance of the over 3000 machines in the state to determine the best location to place them. **Board Chair Diana Sheehan comments** that location optimization will certainly move the needle. Joseph Logue comments as the player avenues continue to shift year over year, machine locations will be key.

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Finance Update – Carol Radwine

- FY23 as of 09/30/2022 Sales Revenue by Game has a total of \$872,741,107. The Mega Millions \$1.337 Billion jackpot with an Illinois winner was a huge factor as well as new Fast Play games.
- YTD Profit and Loss Statement (Draft & Unaudited) - FY23 as of 09.30.2022 has operating income of \$214,715,552 providing the Department 25% of sales as contributions to the state for the good causes we support.
- FY22 numbers although unaudited, ended with \$3.394 Billion with an operation income of \$833.6 Million providing 24.56% back to the state for good causes we support.
- Due to legislative changes that occurred in the spring effective for FY23, the Department will no longer transfer excess proceeds to the Capital Projects Fund, but all proceeds will go to the Common School Fund. FY22 was last year to contribute to the Capital Projects Fund.
- As of 09/30/2022, \$150 Million has been transferred to the Common School Fund. Estimated proceeds will true up to actual by year end.
- As of 09/30/2022, the Lottery has transferred \$80.9 Million to the 8 specialty causes it supports. Of this, \$2.4 Million has been transferred in Q1 of FY23 as of 09.30.2022

Advertising & Marketing – Marissa Zimmerman & Tina Wolf

- The Ayo Pick campaign was well received and successful with high percentages in both liking/loving the campaign and bought or intend to buy a ticket soon. Consumers thought very highly of the ad with using a local celebrity which brought aspirational perceptions as **being for someone like me, helping one achieve their dreams and family traditions.**
- Media spend continues to focus on various digital channels as paid social, and digital display.
- July 2022 - There was an emphasis on \$5 price point Instants, support of Pick, Fast Play, and the large Mega Millions jackpot roll.
- August 2022 - Launched and supported the new Instant **The Price is Right**, capitalized on win belief with our \$1.3 Billion winner, supported pick platform with Chicago Sky partnership and supported the State Fair.
- September 2022- New Fast Play games are launched and support of Pick games with the Chicago White Sox partnership.
- October 2022- Holiday tickets are launched, and consumers were encouraged to purchase and play the games before they gift them, and Wrap-Up Holiday Sweepstakes begins.
- Tina Wolf presents a product update on Instants and Fast Play games that were launched through the months of July - October. Games are tested through a quant as well as focus groups. New \$5 Big Blowout games are brought in every quarter, licensed property ticket, The **Price is Right**, was in top 3, first Fall seasonal \$3 Instant, **Pumpkin Payout** is launched, and lastly with the holiday tickets, the \$2 **National Lampon's Christmas Vacation** ticket is tying into a great gifting product for the infrequent or non-players.
- Fast Play games introduced its first ever \$3 price point and a Bingo game which is popular in the scratch ticket side.

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Public Relations and Responsible Play - Emilia Mazur

- Huge quarter in winning storytelling as the Mega Millions \$1.337 Billion jackpot was won by a single ticket in Illinois. All major TV, radio and print publications in Illinois carried the story.
- Emilia Mazur commends the Lottery Director, Harold Mays, who played a vital role in being the face of the Illinois Lottery presenting at two major press conferences within 24 hours including interviews with national media outlets like Good Morning America, The Today Show and CNN.
- Media coverage remained on the Mega Million jackpot won in Illinois until someone claimed the prize in September. The prize was won by a single ticket shared by two individuals who claimed via their lawyers.
- \$2 Alzheimer's Instant ticket is launched. Public strategies for FY23 will be shared with the Board in the coming meetings.
- Following Level 4 Certification, the Illinois Lottery was among two lotteries identified as providing easily accessible information in all its core responsible gaming categories. The Lottery's web pages were recently recognized in a peer reviewed article published in the International Gambling Studies journal.

Questions and Comments:

Board Chair, Diana Sheehan, congratulates the Lottery on its Level 4 Certification

Director's Comments - Harold Mays

- The Director thanks the Board Members, Camelot and the Lottery team and members of the public for their participation in today's meeting.
- No staff hires of note
- The Lottery and Camelot have completed their FY23 business planning process and summary and approval has been provided to the Board Members.
- The Department is amid its FY22 financial audit with the Office of the Auditor General and will let the Board know when it is complete.
- Two specialty tickets were launched, Alzheimer's and the Breast Cancer research and support ticket. Veteran's ticket that supports Veteran's programs, comes out next week.
- The Department was successful in passing legislation in the Spring. Except for the specialty tickets, the Common School Fund will be its sole beneficiary of Lottery's proceeds. FY22 will mark the last year the Department will transfer remaining proceeds to the Capital Projects Fund.
- The Department is in the process of facilitating the last transfer pending clarification in the legislation that was passed in the Spring and hopeful to close chapter.
- FY22 remaining proceeds transferred to the Capital Projects Fund was almost \$50 Million. The Department is elated that the schools will get the maximum benefit from our efforts, and it will also narrow or communications around who the beneficiaries are and why the Lottery exists.
- Working on Lottery Agenda in preparation for the Fall veto session and next year's Spring session.

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Closing Remarks

The Lottery has closed out the first quarter of FY23 coming down from the best proceeds year we've ever had. As the economy continues to slow down, we echo the concerns Camelot touched on earlier on the economy having an impact on sales this year. We will continue to focus on things we can control like working to improve our retail service model by working closely with retailers to support our products and growing our online player base and sales. The Director wishes everyone a safe and joyous holiday season since today is the last meeting of the calendar year.

Question and Comments:

Board Member, Sarah Alter acknowledges and congratulates the hard work that has been put forth from everyone and loves that the Lottery's number one priority is serving the schools and provides Responsible Gaming. She loves seeing the increase in innovation and data infused and directed strategic marketing.

ADJOURNMENT

With all business concluded, motion to adjourn was given at 2:45pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary