

Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

On Thursday, June 8, 2017, a regular meeting of the Lottery Control Board was held in Chicago at 122 S. Michigan Ave., 19th Floor. The following people attended:

Board Members:

- Jonathan “Blair” Garber
- Elba Aranda-Suh
- Haydee Olinger
- James Floyd

Illinois Lottery Staff:

- Gregory Smith, *Acting Director*
- Jayme Odom, *Chief of Staff*
- Mark Lewis, *Chief Financial Officer*
- Harold Mays, *Chief Operations & Technology Officer*
- Jason Schaumburg, *Communications Director*
- Annice Kelly, *General Counsel*
- Jessica White, *Deputy General Counsel*
- Rolanda Sudduth, *Senior Counsel*
- Joseph Weiss, *Director of Sales*
- Brooke Mayfield, *Lottery Control Board Secretary*

Northstar Staff:

- Michelle Tomao, *Chief Operations Officer & Vice President, Finance*
- Jay Rivara, *Vice President, Technology and Operations*

Other Attendees:

- Kathy Gilroy, member of the public, Villa Park, Illinois.

CALL TO ORDER

Chairman Blair Garber welcomed attendees and called the meeting to order at 1:33 p.m. The roll call was taken, and it was noted that a quorum was present.

OLD BUSINESS

Approval of Minutes

Garber moved to approve the minutes from the March 2, 2017, meeting. Board Member Elba Aranda-Suh seconded the motion, and the Board unanimously approved the motion.

NEW BUSINESS

Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Legal Update-Cases for Review by the Board

Deputy General Counsel Jessica White presented updates on the Lottery's 2nd quarter legal docket status, as there are no cases or matters currently under administrative review:

- One matter scheduled for administrative hearing June 27, 2017
- Four requests for hearings in 2017; 3 of the 4 have gone to hearing
- Waiting for recommendations from the ALJ for 2 of the 3; third case resulted in a default judgement in favor of the Department.

DIRECTOR'S REPORT

Sales and Marketing Update

Jay Rivara, Vice President of Operations and Technology, Northstar Lottery Group, presented that overall sales are down 1.2 percent over the previous fiscal year, which was expected due to last year's \$1.5 billion Powerball jackpot. Instant ticket sales are about \$30 million ahead of last year.

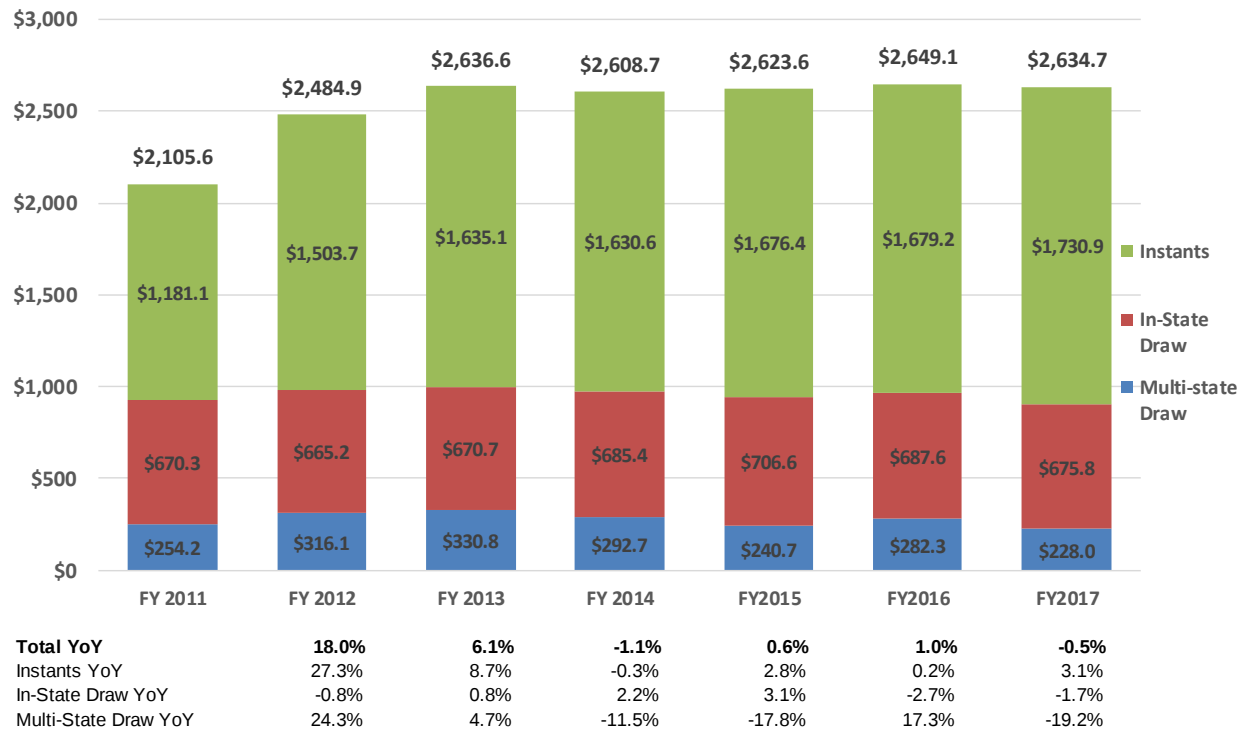
Michelle Tomao, Northstar's Chief Operations Officer & Vice President of Finance, gave a summary of advertising and retail marketing.

Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Sales Performance Overview

Referencing the graph below, Rivara detailed the year-to-date sales summary to the Board.

Illinois YTD Sales Summary July 1st through June 3rd Year over Year

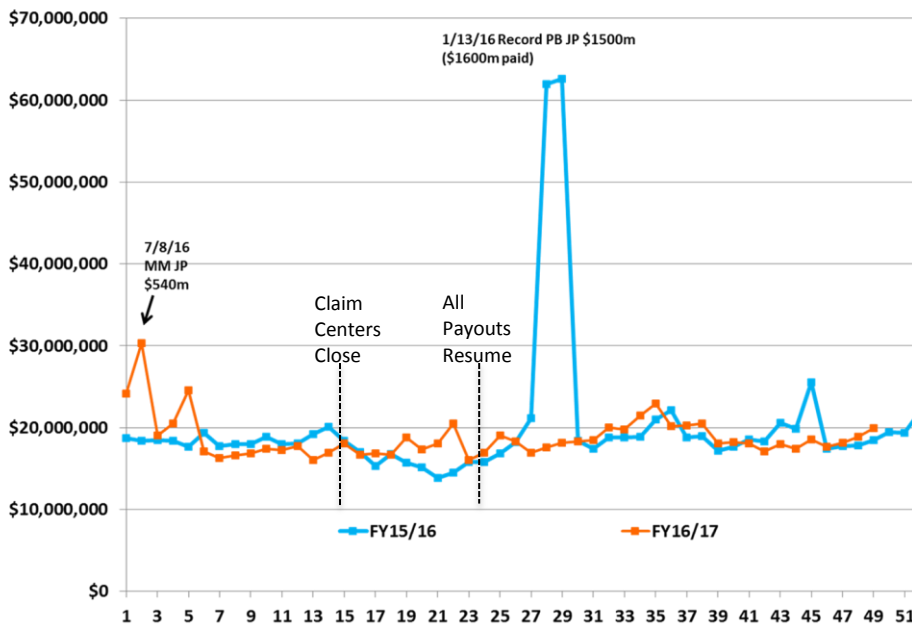


Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

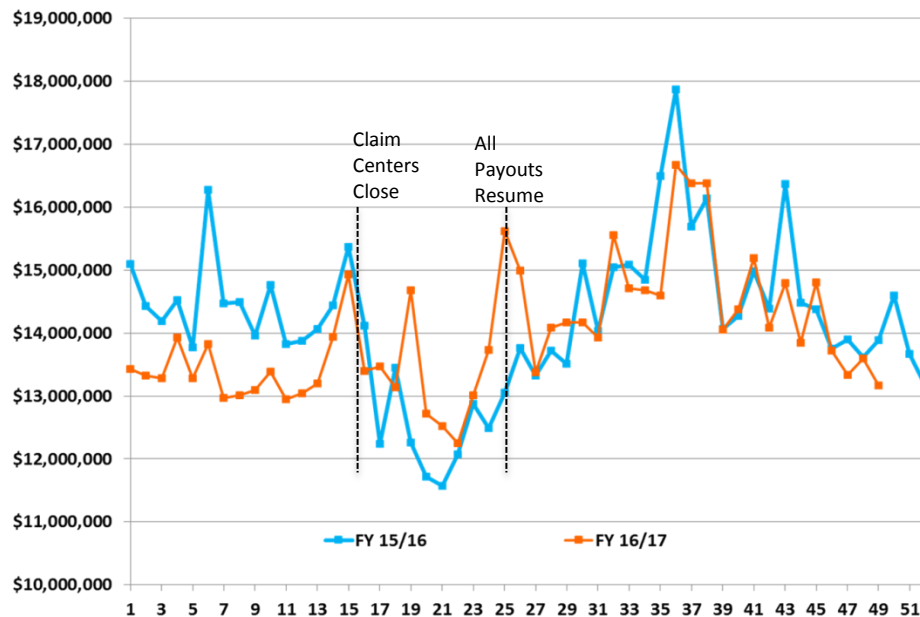
iLottery Sales

Rivara detailed iLottery sales information to the Board, using the below graphs to illustrate sales and registered user data.

Illinois Weekly Online Games Net Sales Week Ending 06/03/2017

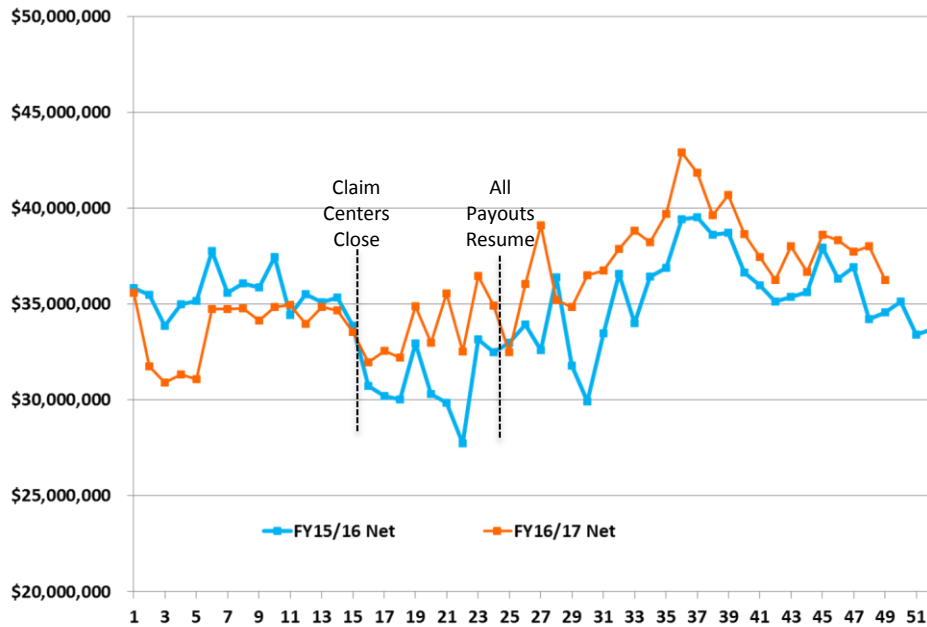


Illinois Weekly In-State Online Games Net Sales W.E. 6/3/2017 FY

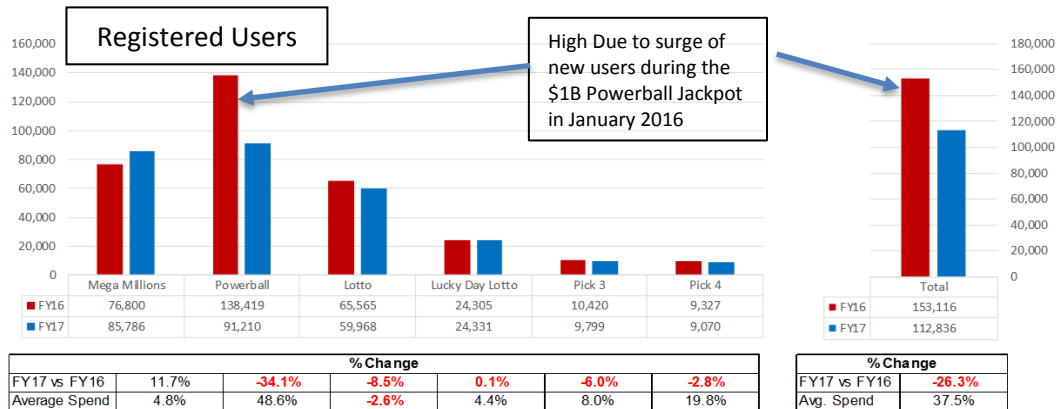
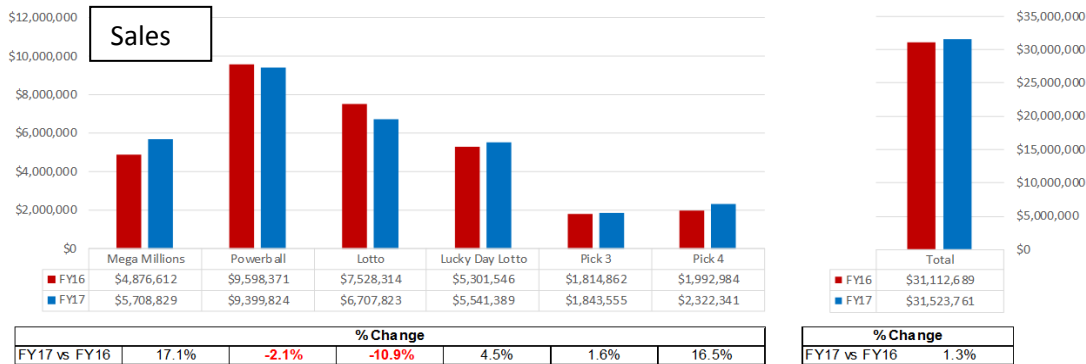


Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Illinois Weekly Sales – Settlements Week Ending 06/03/2017



YTD Comparison



122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Advertising and Retail Marketing

Ms. Tomao spoke to the Board about the current and upcoming advertising and retail marketing for the Lottery.

May Instants: May 8 to June 18

- The new May tickets were supported with a campaign that included television and POS

Red Ribbon Cash: June 9 to July 2

- The Red Ribbon Cash specialty ticket is supported with a multi-channel marketing campaign that includes audio, digital, OOH, POS, website, events, and social media
- A public relations launch will occur on 06/15/17
- The paid campaign run dates are 06/09/17 through 07/02/17

Ticket for the Cure: October

- Multi-channel campaign will include audio, digital, OOH, POS, website, events, and social media
- Public relations launch in planning phase

On-going Instant Support: May through FY18

- Instants supported on an ongoing basis with dedicated television creative, produced every other month featuring new instant tickets

Responsible Gaming

Tomao then gave a summary of Responsible Gaming practices. After a discussion and explanation to Board members, Tomao stated the Illinois Lottery is a member of the World Lottery Association, and that a recertification for WLA Level 3 is currently pending.

The mission of the Illinois Alliance is to assure wide-scale public awareness of problem gambling. The state's gaming industry joined with treatment providers to promote education, increase access and full coordination of the resources and information available to assist problem gamblers, those who are at risk, and those who are affected. Every Alliance member, including the Lottery, has a link to the Alliance on their websites.

*Responsible Gaming messages included on all communications throughout the year

[illegible]

Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Finance Update

Lottery Chief Financial Officer Mark Lewis presented the charts below with details on:

- Common School Fund transfers
- Special causes
- Retailer sweeps/State Lottery Fund

Finance

Common School Fund Transfers

- Per statute, the Illinois Lottery must transfer revenues into the Common School Fund (CSF) at a specified rate, pegged to inflation.

CSF Transfers	
FY 2014	\$668,100,000
FY 2015	\$678,550,000
FY 2016	\$691,550,000
FY 2017 (Planned)	\$705,625,000
Total Transfers – All Fiscal Years To Date	\$19,473,346,165

NORTHSTAR CONFIDENTIAL

Finance

Special Causes

- The IL Legislature has mandated the Lottery produce and sell tickets for special causes. For each ticket below, 100% of profits are transferred to agencies to distribute through grants. To date, the Lottery has transferred \$43.5 Million for these causes.

Ticket/Cause	Lifetime Amount Transferred
Veterans Cash (veterans' causes)	\$13,992,596
Ticket for the Cure (breast cancer research and treatment)	\$11,999,506
MS Project (multiple sclerosis research and treatment)	\$8,532,154
Red Ribbon Cash (HIV/AIDS research and treatment)	\$7,192,123
Special Olympics (state and Chicago organizations)	\$1,814,685

NORTHSTAR CONFIDENTIAL

Finance

For the Quarter Ended March 31, 2017

- The weekly sweeps of Lottery retailers netted \$331,441,491.50 in revenues to the State Lottery Fund during the 1st Quarter of 2017.

For the Quarter Ended March 31, 2017	
Cash Balance carried forward from last quarter	\$ 111.7 M
Receipts into the fund this quarter	\$ 331.6 M
Expenditures from the fund this quarter	(\$303.4 M)
Cash Balance at the end of the quarter	\$ 139.9 M
Expenditures/Transfers made this quarter	\$ 303.4 M
Vouchers paid this quarter	\$ 39.6 M
Prizes paid this quarter	\$ 98.6 M
Transfers made this quarter	\$ 165.2 M

NORTHSTAR CONFIDENTIAL

Illinois Lottery Control Board
Open Meeting Minutes
June 8, 2017
122 S. Michigan Ave., 19th Floor, Chicago, IL 60603

Operations Update

- Staff Updates
 - Acting Director Gregory Smith introduced new staff members to the Board, detailing their positions with the Lottery.
- MUSL Audit (routine)
 - Director Smith explained to Board members that MUSL conducts routine audits for any Lottery participating in multi-state lottery games. The occurrence happens yearly through a non-profit, non-governmental organization that runs the Powerball game.
- Auditor General Audit (routine)
 - Director Smith spoke about the annual financial audit carried out by the State Auditor General, adding that a biannual secondary compliance audit will also occur, which occurs every two years.
- Marketing Awards
 - The ad agency the lottery uses for video and television projects was honored at the Tele awards with nine bronze honors in categories such as cause marketing, fundraising, social responsibility and education.
- Legislation
 - Director Gregory Smith informed the Board members that since the last meeting, the Lottery has testified before the House and Senate Appropriations Committees regarding its annual budget request.

Private Management Update

Acting Director Smith updated the Board on the private management procurement process for the Lottery. The State is completing its assessment of the RFP response submitted by Camelot Illinois. The Illinois Lottery and its current private manager, Northstar Lottery Group, and the Project Management Office (GLI) continue to document processes in anticipation of potential private manager and supplier transitions. Northstar will continue to provide all management services until a new private manager is in place.

ADJOURNMENT

Chairman Garber requested a motion to adjourn. Board Member Olinger moved to close the meeting, and Board Member Aranda-Suh seconded the motion, which was unanimously approved. Chairman Garber adjourned the meeting at 2:16 p.m.

Respectfully submitted,

Brooke Mayfield
Lottery Control Board Secretary