

Illinois Lottery Control Board Meeting Minutes

Wednesday, July 27, 2022, via WebEx

MEETING ATTENDANCE

Board Members:

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

Lottery Staff:

- Harold Mays, Director
- Scott Gillard, Chief of Staff
- Meghan Powers, Director of Communications
- Carol Radwine, Chief Financial Officer
- Joe Weiss, Sales Manager
- Amber Chappell, Finance Manager
- Matthew Bell, Chief Tech & Operations Officer
- Peter Romano, Labor Relations & Human Resource Manager
- 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
- Kelsey Young, VP Strategy
- 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 1:38pm with above Board Members present to meet a quorum. Lottery and Camelot Staff are introduced.

PUBLIC COMMENT

None

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OLD BUSINESS

Approval of Minutes

Board members vote and unanimously approve and pass the 04/27/2022 minutes of the Lottery Control Board meeting.

DIRECTOR'S REPORT

Opening Remarks– Keith Horton

Fiscal year 2022 was a strong year in both sales and net income perspective done in a responsible manner. Covid is still present affecting staff, suppliers, players, and retailers.

Sales Performance – FY 22 Sales- Andrew Lang

- Record sales year, second highest on record at \$3.4 Billion. Net Income at record high which includes money raised for education, and other causes.
- Instant ticket sales are up \$24 Million vs budget with GGR (sales less prizes) of \$606 Million. Q4 sales are down 2.6 % on prior year, FY21.
- Draw based games are at the highest ever sales of \$1,239 Million with highest ever profits (Gross Gaming Revenue) up \$47 Million from the prior year at \$575 Million. Q1-FY23 sales softened due to economic environment. Current MM jackpot as of today, 07/27/2022 is over \$1Billion.
- iLottery FY22 sales were a record year reaching \$278 Million due largely to the introduction of Fast Play games. FY23 growth will require continued innovation and expansion of Fast Play catalog.

Finance Update – Amber Chappell

- FY22 as of 06/30/2022 Sales Revenue by Game has a total of \$841,423,637. There is a softening in sales in both Instants and the Pick games in Q4. Scan and Play was launched 05/08/2022 which is played at retail. Decrease in sales offset slightly by iLottery sales of Fast Play.
- YTD Profit and Loss Statement as of 06.30.2022 has operating income of \$800.358.510. This is not the year end financials as several significant entries are outstanding. Financials will be wrapped up in mid-September 2022.
- The prescribed transfer amount for the Common School Fund for FY22 is \$775 Million which was met. All money was transferred to CSF by 06/30/2022. Any remaining profit after transfers to the CSF are to be transferred to the Capital Projects Fund by 09/30/2022.
- As of 06/30/2022, the Lottery has transferred \$78.6 Million to specialty causes. Of this, \$9.8 Million has been transferred in FY22.

Questions and Comments:

Board Chair, Diana Sheehan, asks for confirmation if moving into FY23 will all monies be transferred to the Common School Fund. Amber Chappell stated that this is the last year that any remaining funds would go to the Capital Projects Fund.

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Board Chair, Diana Sheehan, asks if Lottery anticipated softness in sales from Q3-Q4 and into the new FY23, Q1. Andrew Lang commented that the summer is a softer season in sales and players are spending less due to the economy. Andrew stated that hopefully they will be able to bring in a promotion in rewarding players and investigate player behavior.

Board Member, Sarah Alter, suggests possibly being proactive and changing the marketing message in reminding players that money spent goes to charitable causes and schools.

Board Chair, Diana Sheehan, congratulates Camelot in growing the different line items in Lottery's games but suggest that Lottery investigate making up ground with Instants going into 2023.

Board Member, Alejandra Garza, asks if looking at age cohorts in our players to see if the recession and inflation is affecting all ages or certain groups and does that in turn determine how they will react to a specific charitable message. Marisa Zimmerman commented that the social impact message is likely more important to the millennial and younger consumer than the older consumer who is the core audience.

Advertising & Marketing – Marissa Zimmerman & Tina Wolf

- Ads for Instants both **Hot Cuts** and **Windy** were launched to encourage purchasing, sense of excitement and win belief. The **Windy** ad did exceptionally well with consumers.
- Media spend continues to focus on various digital channels as paid social, and digital display.
- April- 2022-Supporting March tickets that tested well and finding favorite, continued jackpot support with Dream Ranger, and Pick supported with win belief messaging.
- May 2022- Launch of Illinois Jackpot family, continued support of Fast Play with new games and launch of Scan-N-Play. Pick support launched with new Ayo assets with Chicago Bulls Player, Ayo Dosunmu whose partnership was recommitted.
- June 2022-Contined supporting May launches
- July 2022-Focus is drawing players to iLottery platform with huge Mega Millions roll as well continued support Pick and Fast Play. \$5 Instants are promoted, presence at Taste of Chicago, and support for first PB Millionaire that ties in with Dick Clark's NYE promotion.
- Tina Wolf presents product update on Instants that were launched through the months of April- July including IL Jackpot family, Police Memorial, and \$5 prize point tickets. July Fast Play games on hold due to the large MM jackpot.
- Promotions Update-The Circle K promotion resulted in 54,662 joining the Lottery Loyalty Club. The Spring Celebration Sweepstakes held at Jewel, Mariano's and Country Market had almost 50 % of its entries converted to iLottery wagers.

Questions and Comments:

Board Member Sarah Alter asks based on the social media and PR marketing expense, what percent is product versus brand based. Marisa Zimmerman stated that all the campaigns ladder back to **Illinois is Full of Winners**. Though the messaging may be product centered, it is still building the brand.

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Board Member Sarah Alter comments that the charitable aspect of the Lottery which serves communities, schools, family, and children has been pushed too far back into the background and asks how to shift towards this again without disrupting the product and sales investment. Marisa Zimmerman stated that this is something that is top of mind for the marketing team in how best to fit this message.

Board Member, Alejandra Garza, comments that she is curious on Lottery's Return of Investments. Depending on the dollar amount spent on a specific marketing channel, is the return due to the channel or the messaging. Marisa Zimmerman states that it is difficult to measure some of those messages on our own platform to see if the social impact of the Lottery contributes to sales.

Board Member, Alejandra Garza, asks if going to the Taste of Chicago was worthwhile. Marisa Zimmerman stated that it cost more to do than make in sales but helps being involved in the community and being present. The goal is to get out to well attended and represented places across the state to reach as many people as possible.

Board Member, Sarah Alter asks if there will be any presence at Lollapalooza. Marisa Zimmerman stated that given the atmosphere and how it fits with the marketing code of conduct, Lottery decided not to participate.

Board Chair, Diana Sheehan asks if within the brand and media tracking, is Lottery observing to see if consumers are still connecting to the fact that Lottery is an organization focused on raising funds to give back to the community since that messaging has not been lately used. Marisa Zimmerman stated that the numbers in brand appeal are going up showing that people are relating to the brand, but it is hard to know what is in those metrics. The marketing team will dig deeper in seeing what messages resonate with which cohorts.

Board member, Sarah Alter, requested a segment that includes a cohort update on size, dynamics, and trends for the next meeting.

Board Member, Alejandra Garza, would also like to see a category in the race and ethnicity demographic to see the response to messaging depending on the cohort.

Board Chair, Diana Sheehan, comments that it might be worthwhile looking into a pricing strategy in the *Fast Play* games seeing that there might be a decrease in the higher prize point tickets.

Board Chair, Diana Sheehan, asks if Circle K's new members number means that there are 54,662 new iLottery players. Tina Wolf stated that it only applies to their specific loyalty club.

Board Member, Sarah Alter, suggests tapping into the loyalty club members to increase sales.

Board Chair, Diana Sheehan, asks if those participating in the Spring Celebration Sweepstakes entries were new to iLottery and were not already registered. Tina Wolf stated that she believes that they were new but will confirm.

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Public Relations and Responsible Play - Emilia Mazur

- PR continues to focus on driving win belief stories with the help of the retailers focusing on Illinois winners in Elgin, Hyde Park and in Marseilles.
- Powerball jackpot was promoted with a tie to its 30th birthday.
- PR activation is launched for the new Fast Play **Scan-N-Play** and a push in playing Chicago's area code (312) when both the MM and Powerball were both at \$312 Million.
- 3 specialty tickets were launched including **Police Memorial, HIV/AIDS & Homelessness** Instant ticket. Lottery creates stakeholder engagement kits so each of the good causes can promote these tickets through their channels and communities.
- Illinois Lottery has achieved Level 4 certification which is the highest under the WLA Responsible Gaming Framework. Efforts remain focused on continuing to strengthen Lottery's RG program.

Questions and Comments:

Board Member, Alejandra Garza, commented that it would be great to focus and mention the outcome from the PB anniversary promotion as to what went to the Common School Fund so players can make the connection that the money spent is going to a good cause. Emilia Mazur stated that during National Lottery Week, some positive messaging was pushed out and will share that with the board.

The Board Members congratulate Camelot and the Illinois Lottery on the Level 4 Certification.

Director's Comments - Harold Mays

- The department has hired a new role (Chief Transformation Officer) that will help support and drive our efforts to become best in class in Lottery retail. Times will be set up for the board members to meet him.
- Camelot and the department are in the middle of its FY23 business planning process and are making progress in completing the plan. The director thanks the Board for its active engagement in the process and they will be kept abreast on the status of the plan.
- The department has distributed the results from the Office of the Auditor General of its 2-year financial and compliance audit to the Board. FY 22 audit has just begun.
- 3 Specialty tickets were launched, **Police Memorial, HIV/AIDS, and Homelessness Prevention**. Having 8 individual causes to support carries new challenges and potential opportunities to restructure and improve the program. The Lottery is actively pursuing options to increase the efficiency of the program to benefit the causes and the department.
- Fall & Spring legislative agendas include efforts to continue to expand the iLottery program to include the sale of Instant tickets. We will continue to try to make the necessary changes to the sports wagering act to support the Lottery's sports wagering pilot program. We are working diligently to make improvements to our Specialty ticket program.

In closing, FY22 was a strong sales year nearly matching FY21, with the highest proceeds in history. FY23 is starting with a Mega Millions jackpot of over \$1 Billion which will boost sales in these slow summer months. This roll has generated over \$53 Million in sales of which \$23 Million will benefit the schools. Even as the economy continues to slow down going into FY23, the Lottery will build on this momentum and learn from FY22. The Director also thanks all involved for achieving Level 4 certification which only 9 other state Lotteries have. The Lottery will continue to evaluate its product

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and brand marketing to ensure it is showing up in the way needed for its players, retailers, and the public so they know who we are, how we benefit the State of Illinois, and not forgetting that people do win and have fun doing so.

The Director thanks the Lottery team and Camelot for making all this possible and for the guidance and support of the Board Members in helping us meet the mission of the Lottery

ADJORNMENT

With all business concluded, motion to adjourn was given at 3:00pm. **Motion was unanimously approved and passed.**

Respectfully submitted by,
Nora Iniguez/LCB Secretary