

Illinois Lottery Control Board  
Open Meeting Minutes  
Monday, August 02, 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
- Mason Mc Daniel, Legislative Liaison
- Matthew Bell, Operations & Technology
- Nora Iniguez, Lottery Control Board Secretary

Camelot Staff:

- Keith Horton, General Manager/General Counsel
- Andrew Lang, VP Finance
- James Bickford, Chief Commercial Officer
- 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

**CALL TO ORDER/ROLL CALL**

Diana Sheehan, Board Chair, welcomes everyone and meeting is called to order at 10:07am with above board members present to meet a quorum. Lottery and Camelot Staff are introduced.

**PUBLIC COMMENT**

Kathy Gilroy (member of the public) addressed the board about her disagreement on comments from Board Chair Diana Sheehan response email from the prior meeting stating that the board is required to review past advertising major media campaigns, but it is not required to do so at the public board meetings. Ms. Gilroy also disagrees with comments from Lottery General Counsel, Cornell Wilson, that Willy Wonka was written and filmed several decades ago that it would not appeal to children. Ms. Gilroy then referenced an informal study that was conducted in which an under-age girl attempted to buy tickets at 50 stores and succeeded 49 times. Ms. Gilroy states that it is unconscionable that an age restricted product be sold in vending machines that are rarely monitored.

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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 04/28/2021.

**NEW BUSINESS**

- *Legal Update - Cornell Wilson*

General Counsel states that there is no legal update but is willing to answer any questions.

- Approval of 4<sup>th</sup> Quarter Lottery Control Board Meeting

**Board members vote and unanimously approve and pass** the next Lottery Control meeting date as Wednesday, 10/27/2021 from 1-3pm.

**DIRECTOR'S REPORT**

- *Executive Summary - Keith Horton*

1. Lottery finished FY21 strong with \$3.4 billion and that the first month of FY22 first month up by 8% above budget.
2. E-Instant legislation was not passed.
3. Retail network expansion plans include growing key accounts and independent retailers

- *Sales Performance - Andrew Lang*

1. Record FY21 sales of \$3.4 billion attributed to high quality instant portfolio, new Fast Play game launch, Lotto game renovations, and profit risk reduced on Pick games
2. During FY21, iLottery sales doubled year over year to \$170M which attribute 15% of sales.
3. Profits margins improved by structural changes in the Lotto and Pick games.
4. First month of FY22 sales are at 8% above budget. iLottery Sales-11% ahead, Draw Based-approximately 2.5 % ahead of budget.
5. In July the rollout of new Lottery vending machines at Walmart stores began.
6. Camelot also kicked off an effort to onboard more independent retailers.
7. Additional changes are coming at the end of August including Powerball moving to 3 draws per week and reduction of Pick Fireball liabilities to be in-line with industry standards.

**Questions and Comments:**

**Board Chair Diana Sheehan asked** how are draw based games sales projections determined for the following years especially when one year has high sales due to high jackpot amounts. Andrew Lang stated they use of Monte Carlo simulations to project sales outcomes one thousand simulated years which can then be averaged for the yearly projection. This projection is simply divided equally among the weeks of the year to come up with the weekly budgeted sales expectations.

**Board Chair Diana Sheehan asked** what the thinking is behind maintaining the 20 % growth in sales in FY22 compared to what was seen in sales prior to the pandemic. Andrew Lang stated that there might be a bit of a decline, but Camelot is working hard to keep the current level of performance.

**Board Member Sarah Alter asked** what strategies are being put into play to maintain at this pace. Andrew Lang commented that Camelot has not seen a decline in money spent on Lottery now that restaurants, casinos, and other forms of entertainment have opened. Some of these strategies include having great instant ticket

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products, launching new games, giving players a great retail experience, and having availability of product where people shop. James Bickford mentioned that there is a retention of players both in retail and digital. He stated that the brand itself has a huge part to play in how the Lottery supported its retailers, players, and front-line workers during the pandemic.

**Boar Chair Diana Sheehan asked** if there is growth in numbers in the brand tracking. James Bickford stated that there has been growth in key brand equity scores.

**Board Member Alejandra Garza asked** if there is tracking on the frequency of how many times an individual plays to see a trend. Emilia Mazur stated that tracking is only possible with online players since retail play is anonymous. There are default wallet limits on the iLottery platform. Emilia Mazur stated that this data will be investigated to share with the board.

**Board Chair Diana Sheehan asked** what traditional retail numbers are looking like on a weekly basis as of right now. Andrew Lang stated numbers are showing 8% above budget. Draw based games are at 2.6% ahead of budget.

**Board Chair Sarah Alter inquired** about a question from the last meeting regarding exploring a subscription model and if there have been any thoughts on that. James Bickford stated that they are working with Camelot colleagues in Athens in what a subscription could look like but not in traditional terms. This would center on bringing more fun and excitement to existing and potentially new players on how they can play. Director Mays stated that a subscription has been and is currently available for all of Lottery's draw-based games for online players.

- *Finance - Amber Chappell*

1. FY21 was a strong sales year with sales up in every game category since FY19 except for the jackpot games Powerball and Mega Millions. Total approximate sales are at \$3.4 billion.
2. Profit and Loss statement as of 06/30/2021 has several significant year end entries still to make as the year ends including the true-up entry of expenses actually paid out to Camelot according to the private management agreement.
3. The operating income currently stands at \$750,957,175 but is expected to change. Final and audited numbers will be available for the next board meeting.
4. Prize expenses are up due to some unlucky liability from Pick and Instant games.
5. Lottery has transferred 94% of the prescribed Common School Fund of \$762.5 million. The remaining proceeds will be transferred as financials are wrapped up for FY21.
6. Lottery supports 9 different specialty ticket causes which has transferred a total of \$68.8 over the life of the program. Each ticket has a different start date since the program's inception. \$10.2M has been transferred to these causes during the year.

**Questions and Comments:**

**Board member Sarah Alter** asked if Lottery would reach 100% in its transfers. Amber Chappell stated that significant numbers are still missing but that Lottery should be very close. Sarah Alter stressed how important it is to reach 100%.

**Board chair Diana Sheehan noted** a significant decrease in net income versus a percentage of total revenue from FY19 to 20 and 21. She asked if that is coming from prizes and if there are places to look at in our control going into 2022 that allow Lottery to be more efficient. Amber Chappell stated that those numbers will

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significantly change with the some of the year end entries that are currently outstanding. The amount is expected to go up approximately \$25 million. Numbers are down due to prize payouts and adjustments are being made for the liability on the Pick games and Fireball payouts. Board Chair advised to put a footnote that numbers shown are not final for 2021.

**Board chair Diana Sheehan asked** if there is an understanding of how much it is costing to put out the specialty tickets. Amber Chappell stated that approximately 20-23% of specialty ticket sales is being transferred back to the specialty causes.

**Board member Sarah Alter commented** that she understands supporting specialty causes but is wondering if there a greater good if Lottery simplified and just focused on the Common School Fund.

**Board Chair Diana Sheehan asked** that from a financial perspective, are specialty cause tickets incrementing sales or are they cannibalizing lottery sales. James Bickford stated that although these are causes Illinois believes in and supports, it does come at a price and consequence. Camelot is looking for a way to continue supporting these as well as selling tickets to support the Common School Fund. Emilia Mazur stated that this is a conversation that has been brought up and Camelot is looking for more efficient and alternative options to do this. Andrew Lang stated that these tickets don't sell well, take up space in the sales bins, are expensive to produce and do cannibalize sales. He believes that selling a one strong Instant ticket and donating a percentage to all the causes would efficiently be best. James Bickford stated that this would only be possible if there is a change in legislation for the specialty tickets. Director Mays emphasized that there is a legislative statute on each one of the specialty games. Lottery is looking at ways to improve the model and notes that only a little more than 1% of profit goes toward these causes. He states that all factors must be balanced in coming up with a solution and is looking forward to Camelot's proposal.

**Board Chair Diana Sheehan commented** that the time and effort to raise 1% of net income to these causes versus the time to create and launch new products is grossly over skewed.

- *Advertising & Marketing - James Bickford*
  1. **Lotto** renovation includes an increase in ticket price from \$1 to \$2. There have been 5 millionaires since the change and performance is in line with expectations.
  2. Q1 Media spend by channel is managed by partner 360i. Paid social and digital display is making up half of media spending.
  3. Creative platforms allow for increased brand and product recognition. Instants: **Anyone Can Win In An Instant**, Pick: **Every Number Is A Story**, Draw (jackpots): tagline TBD. Lottery partnered with a newly drafted Chicago Bull player for the Pick platform.
  4. The **Extreme Cash** family of scratch tickets was launched in May. Quick Spot is new to the Fast Play suite of games and was launched in June and the 7-11-21 family of tickets launched in July. New Instants launched April - July.
  5. iLottery- The overall target was beaten with approximately 100% growth versus prior year. Now it is all about retention and continued growth. Fast Play online will come in November.
- Retail - Tom O'Connor
  1. There are key account partnerships with stores like Circle K, 7-Eleven, Speedway and Mariano's to drive better performance within their stores one being a drive in the activation of tickets to sell to players.

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2. There is an incentive to reward loyal customers who shop their store like purchasing a \$2 Lotto ticket and receive a free Quick Spot ticket. A new bundle program is being launched in Graham's C stores where clerks are incentivized to sale.
3. Retail expansion continues and actively rolling out with the largest being Walmart stores. Between now and November, we expect to have 164 stores opened. 70 new CVS stores opened with 70 more in the works.
4. The first of the new Dream Touch machines were installed at Walmart in New Lenox. Coordinating efforts between the State, Camelot, Scientific Games and Intralot were made to in installing the machines.
5. Out of 1300 potential new retailers, there are about 800 independent prospects. This will give reach to parts of the state where players do not have access to Lottery.

**Questions and Comments:**

**Board member Alejandra Garza** asked if there were any other professional sports players that Lottery can team up with for a partnership besides the Chicago Bulls. James Bickford stated that they are in communications with someone else.

**Board Chair Diana Sheehan** asked if Lottery is looking for some older athletes, coaches, or managers. She stated that the current Chicago Bull player looks young and would like the legal age of 18 in purchasing a lottery ticket to be reinforced. James Bickford said this is taken into consideration. The Chicago Bull player currently partnered is 21 years old.

**Board Chair Diana Sheehan** asked if there is a target for the independents that Lottery is trying to reach. Tom O'Connor said there is a target at the end of FY23 to add 300. She also asks if the amount of money spent on the promotional loyalty programs is consistent with what is historically spent. Is there an increase in trade spending to increase penetration in sales? Tom O'Connor stated that with retail expansion, Lottery is trying to minimize the application fee for a new retailer. Reasons why people opt out of becoming retailers can be due to religious beliefs, not wanting players purchasing tickets while purchasing prescriptions and a retailer not knowing about the value of having Lottery. James Bickford added that stores not having enough staff is also a current obstacle.

**Board member Sara Alter** commented on hearing these obstacles, maybe shifting resources from the current independent retailers on board. Tom O'Connor stated that a new business development team was hired to ensure that we are not going to reduce the support for the existing network. Director Mays stated that 60% of revenue comes from independent.

**Board member Alejandra Garza** asked if there are a set number of locations within a mile radius to signing on new retailers. What is the best practice? Tom O'Connor stated that by looking at population density, you can see that there are only 2 or 3 retailers within a zip code, that is indicator for opportunity.

**Board member Sarah Alter** asked if there was a turn of retailers closing due to the pandemic. Tom O'Connor said there were temporary shutdowns. Out of 7000, 300 might have closed due to heavily dependent on commuter traffic but with an expectancy to return. Some shut down permanently due to the social unrest where stores were destroyed.

**Board Chair Diana Sheehan** asked if there are options for small independents to automate some portion of Lottery sales that would be more cost effective for them. Tom O'Connor stated that having a vending machine

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in your store is a way to do that. Diana Sheehan wondered if it would be possible to tie the small independents to the Lottery app to drive people to their location and increase sales.

- *Public Relations and Responsible Play - Emilia Mazur*
  1. Continue to focus on winning story telling with the latest in a \$56M Mega Million winner where the retailer receives \$500,000.
  2. Lottery making it easier for players to get their money and has launched e-claim process which going very well.
  3. Support for cross-functional vaccine promotion to encourage statewide vaccination working with the Governor's office, IDPH and Lottery to deliver promotion to market.
  4. Community outreach and sponsorship include Latino film festival, annual black creativity gala, Chicago Latino network with Cinco De Mayo, and the Diversity Mural Festival.
  5. Videos available for viewing on additional story telling one being from the Special Olympics Campaign and the Rockford murals.
  6. Camelot hired new responsible gaming manager who has had previous experience at Michigan Lottery. She will continue strengthening the responsible gaming program towards achieving level 4 certification.
  
- *Director's Comments - Harold Mays*
  1. Major staff change- Lottery has hired new Chief of Operations, Matthew Bell. Luis Rodriguez was promoted from Chicago claims manager to State-wide claims manger overseeing all of Illinois claim centers.
  2. Camelot and the Lottery is coming to the end of the planning process of the FY22 business plan. Thanks to the board for their input and a final recommendation will be implemented and provided to the board.
  3. The department's efforts to move the legislative agenda to the Spring was not successful. Lottery will continue those efforts in the fall veto session and next Spring. Agenda included expansion of iLottery to include e-Instants and make changes to the Sports Wagering Act.
  4. FY20 audit completed and issued from the Office of the Auditor General back in June was given to the board. FY21 audit is in full swing with a financial audit and 2-year compliance audit.
  5. Three specialty tickets were launched since the last meeting. One is to support Alzheimer's research, breast cancer programs and veterans support programs.
  6. Lottery has partnered with the Department of Public Health on their Vaccine Lottery and Department of Financial and Professional Regulation on their Cannabis Lottery. Lottery is providing drawing services to both. No Lottery funding or proceeds were used to support these efforts.
  7. The Lottery has its best sales year it had in the Lottery's history and is very close to meeting its obligation to the Common School Fund. Momentum is being carried forward into FY22. Lottery appreciates the ongoing support and guidance of the Lottery Control Board to help enable the mission of the Lottery.

#### Questions and Comments

**Board Chair, Diana Sheehan**, thanks Camelot and the Lottery team and entertains motion to adjourn meeting.

#### ADJORNMENT

With all business concluded, motion to adjourn meeting was given at 11:55am. **Motion was unanimously approved and passed.**

Respectfully submitted by,  
Nora Iniguez/LCB Secretary