

MONTANA LOTTERY COMMISSION MEETING MINUTES

2525 North Montana Avenue

Helena, Montana 59601

June 9, 2022 @ 9:00 – 10:51 a.m.

COMMISSION MEMBERS

Leo Prigge, Commission Chair

Tony Harbaugh, Commissioner

Steve Morris, Commissioner

Jon Metropoulos, Commissioner

Dwaine Iverson, Commissioner

Denise Blankenship, Commission Secretary

MONTANA LOTTERY STAFF

Scott Sales, Lottery Director

Bryan Costigan, Security Director

Armond Sergeant, Finance Services Director

Anne Charpentier, Marketing and Sales Director

Phil Charpentier, IT Services Director

Mike Arnell, Network Administrator

Jay Boughn, Instant Product Manager

Dustin Hofer, Product Analyst

Daniel Iverson, Communications Manager

Logan Jackson, Sales Manager

Kassie Kultgen, Quality Assurance Analyst Supervisor

Carol Justice, Region 1 Sales Rep

Ryan Cain, Region 6 Sales Rep

Jenny McJannet, Receptionist

INTRALOT

Ben Kamerzel, Intralot General Manager

Patrick Johnston, Intralot Business Analyst

Forrest Webster, Intralot QA Analyst

SCIENTIFIC GAMES

Drew Scolaro, Regional Vice President of North American Sales

INTERNATIONAL GAMING TECHNOLOGIES

Tom Kitts, Government Relations – IGT Consultant

MONTANA COIN MACHINE OPERATOR'S ASSOCIATION

Ronda Wiggers, Wiggers Consulting

MONTANA TAVERN ASSOCIATION

John Iverson, Government Affairs Consultant

GAMING INDUSTRY ASSOCIATION OF MONTANA

Shauna Helfert, Executive Director

WENDT AGENCY

Jennifer Fritz, Senior Account Manager

406 MT SPORTS / COLLEGE BIG SKY CONFERENCE

Reggie Tillerman

DEPARTMENT OF ADMINISTRATION

Nolan Harris, State Procurement Bureau

OTHER LOGGED ON ZOOM PARTICIPANTS

Alice Hecht

Jason – MT GCI

Kyle Rogers

Sean Athey

Henry Thomas

Dan

A

GENERAL BUSINESS

INTRODUCTION AND CALL TO ORDER: (0:23 – 2:10) Commissioner Prigge called the meeting to order at 9:00 a.m. and took roll call to ensure there was a quorum to conduct business. All Commissioners were present. The Lottery Director's and Lottery staff introduced themselves. Phil Charpentier, IT Director identified those participants who dialed into the Zoom meeting.

INTRODUCTION OF NEW STAFF: (2:15 – 4:00) Director Sales introduced new employees. "The Lottery has two new employees. Jenny McJannet began working for the Lottery as the Receptionist on May 31. Jenny is a lifelong Montanan, born and raised in Helena. She attended the University of Montana and Carroll College, completing her bachelor's degree at Carroll way back in the 20th century. She and her husband Patrick (a 22-year state employee) raised fraternal twin daughters, who just completed their first year at the University of Montana. In her rare free time, she loves to read, watch Griz FB games, and spoil her two shelter-rescue cats named Fish and Chips. Daniel Betcher began working for the Lottery as the Information Systems Security Officer on April 4. He graduated from the College of Great Falls - MSU in May 2022 with a A.A.S in Cyber Security. He plans to pursue two additional associates degrees to become a full stack developer. Previously he worked with the developmentally delayed community for over 14 years and then as a Technical Support Technician for the Great Falls Public School District and as a one-man IT Department for services based in Great Falls. Daniel is married and has three daughters, he enjoys fishing, camping, watching movies, reading, swimming, cooking, and of course, anything cyber related."

PUBLIC COMMENT: (4:10 – 4:54) There was no public comment.

VOTE – APPROVAL OF PRIOR MEETING MINUTES OF MARCH 24, 2022: (4:57 – 4:59) Chairman Prigge asked if there were any objections, comments, or corrections to the March 24, 2022, minutes? Commissioner Iverson noted a correction on the second page - Dwight should be changed to Dwaine. Commissioner Iverson made a motion to approve the minutes with the correction. Commissioner Harbaugh seconded the motion. The motion carried. The Commission voted unanimously to approve the March 24, 2022, meeting minutes.

VOTE – APPROVAL OF PRIOR MEETING MINUTES OF APRIL 29, 2022: (6:00 - 6:33) Chairman Prigge asked if there were any objections, comments, or corrections to the April 29, 2022, minutes? Commissioner Iverson made a motion to approve the minutes. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the April 29, 2022, meeting minutes.

ARMOND SERGEANT, FINANCE SERVICES DIRECTOR: (6:35 – 18:35) On May 26, 2022, the New England States voted and determined Lucky for Life no longer needed to be audited as it became a daily draw game. This is a New England game not a MUSL game. MUSL facilitates the game on behalf of the participating lotteries. The Montana Lottery uses Rudd and Company and had renewed its contract for its Lucky for Life audits, which will expire in 2023, in case of other AUP requirements.

Financial Statements

Statement of Net Position – Page 2

March 31, 2022

Current Assets: The total current assets of \$8,873,000 are \$264,000 higher than last year at this time. The main differences are Lottery's increase in Net Receivables and Inventories:

- Net Receivables have increased by \$2,065,000 compared to last year at this time. This is a result of larger sweeps due to Sports Bet activity compared to last year. Also, Lottery was at the end of two growing jackpots with Powerball and Mega Millions.
- Inventories have grown by \$155,000 compared to last year. This was due to purchases not used at any events that are still in the warehouse.

Non-Current Assets: Total Non-Current Assets of \$1,187,000 have decreased by \$16,000 between this year and last year. The reasons for this are a decrease in Lottery's Multi-State Reserve Fund and a decrease in capital assets, i.e., lottery vehicles.

- The Multi-State Reserve Fund decreased by \$12,000, which is due to adjustments MUSL makes on behalf of all lotteries. The capital asset account decreased by \$41,000, which was a result of Lottery sending two vehicles and a trailer to surplus property.

Current Liabilities: Current Liabilities of \$8,996,000 have increased by \$254,000 between this year and last year. This difference is due to the increase in Lottery's estimated prizes payable and Lottery's transfer obligations.

- There was an increase in our estimated prize liability of \$346,000 due to the increase in sales activity, after two jackpot runs, and the receivables directly related to what we may owe in prizes. The transfer obligations are related to our bottom line each quarter, which increased by \$559,000.

Non-Current Liabilities: Non-Current Liabilities of \$3,895,000 is approximately \$934,000 higher than last year at this time. Most of the increase was due to our pension liability.

- The net pension liability increased by \$676,000 compared to last fiscal year. This is a calculation that state accounting makes on our behalf using actuarial information they receive.

All of the above increases and decreases result in total assets and deferred outflows of \$10.9 million, which is \$758,000 higher than last year at this time.

Statement of Revenues, Expenses and Changes in Net Position – Page 3

Operating Revenues: For the nine months ended March 31, 2022, operating revenue was \$89,536,000, which is an increase of \$4,607,000 compared to last year, or an increase of 5.4%. For the nine months ended: Powerball revenue increased by 15.7%; Montana Millionaire increased by 38.9% (because of the increase in Tickets); Treasure Play increased by 20.8%; Lucky for Life increased by 37.0%; Big Sky Bonus increased by 15.2%. Lotto America increased by 2.8%; and Sports Bet increased by 17.3%. While: Scratch revenue decreased by 10.3%; Montana Cash decreased by 26.7%; and Mega Millions revenue decreased by 34.5%.

Direct Game Costs: Direct game costs increased approximately \$2,204,000, or a 3.1% increase compared to last year at this time, which is in direct relation to sales and increases and decreases in ticket and prize cost. The increase in operating revenues and the increase in direct game costs resulted in net operating revenue of \$15,409,000, which is approximately \$2,403,000 higher than last year at this time.

Operating Expenses: Overall Operating Expenses of \$3,475,000 have increased by approximately \$320,000 or 10.1% between this year and last. The variances are due to a combination of increases and decreases. The bigger changes were an increase in Lottery's advertising and advertising production and supplies expense.

- Advertising and Advertising Production costs increased by \$100,000 compared to last year. This line item fluctuates each year, based on quarterly needs, promotions, and high running jackpots.
- Supplies expense increased by \$119,000 compared to last year. There are several factors to this increase. One is a large purchase of bags and boxes that was needed which hadn't been ordered in years. Others are an increase in inventory due to no events.

Total Non-Operating Revenue and Expenses: Our overall non-operating revenue/expenses have increased by \$35,000. This is due to our sale of two vehicles and a trailer at this time.

The combination of the 18.5% increase in net operating revenue and a 10.1% increase in total operating expenses resulted in a quarterly transfer of \$3,851,000, which is \$559,000 higher than last year or a 17.0% increase. The percent of the transfers to revenue is 13.4% for the nine months ended compared to 10.0% for last year at this time.

Statement of Revenues, Expenditures, and Changes in Net Position and Reconciliation of Budget and Actual – Page 4

This statement for the quarter ended March 31, 2022, shows:

- Total revenues are 80.20% of budget.
- Total Direct Game Costs are at 82.03% of the budget, which are in direct relation to revenue.
- Total Operating Expenses are at 65.59% of the budget.
- Net Income (GAAP Basis) is 74.74% of the budget.

Analysis of Revenues and Expenses by Product – Page 5

This statement shows the revenue, game costs, operating expenses, net income, and the profit as a percent of revenue for each game. The profit as a percentage of revenue at the bottom of the schedule shows that:

	As of 3/31/21	As of 3/31/20
Scratch	10.83%	9.71%
Powerball	35.04%	34.16%
Montana Cash	28.30%	26.36%
Montana Millionaire	26.06%	22.56%
Mega Millions	38.33%	34.85%
Treasure Play	12.96%	4.52%
Lucky for Life	29.76%	16.56%
Big Sky Bonus	15.55%	6.35%
Lotto America	34.34%	30.55%
Sports Bet	3.85%	2.14%

Montana Sports Action shows a loss because revenue for this game is shown as Lottery's 3% administrative fee only. The following 28 pages contain notes to the financial statements.

VOTE – APPROVAL OF QUARTERLY FINANCIAL STATEMENTS: (18:03 - 18:35) Chairman Prigge asked if there were any objections, comments, or corrections to the quarterly financial statements for March 31, 2022? There being none, Commissioner Iverson made a motion to approve the financial statements. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the March 31, 2022, financial statements. Questions and full discussion from the Commissioners regarding this presentation may be accessed on the recording at the above timestamp.

PHIL CHARPENTIER, IT DIRECTOR: (18:42 – 28:50)

Switch Over Backup System: During the last meeting, I mentioned Lottery would be redirecting Sports Betting transactional traffic from the servers in Billings, Montana to Helena, Montana. That switchover was successfully executed on April 12th. The servers in Helena are now processing and recording those transactions as the primary system, and then replicating that data to the systems in Billings as the backup system. Both the Traditional Games Central System and Sports Betting Systems are currently in a “switched-over” state where they will remain until the fall. Then Lottery switches them both back to their original configurations at the same time. This is the six-month toggle Lottery is moving to.

Software Updates and Enhancements: Lottery has also tested and deployed several software updates and enhancements this quarter. These include: the test and launch of the \$30 High Stakes progressive Treasure Play game, with sales starting on April 24th. The progressive jackpot for this game starts at \$35,000. Currently it is at approx. \$45,000. Lottery also removed all buttons and references to the Fantasy Games on the MPNG terminal screens in the field. Lottery enhanced the data provided to the Security Department through the automated notification system to help with their efficiency monitoring trends and keeping an eye out for suspicious activity. Lottery tested and activated the summertime promotions for the four Monopoly Scratch games, at the \$1-Dollar, \$2, \$5, and \$10 price points. All tickets from these games qualify as entries into one of the three unique second chance promotional drawings held this summer. A \$10,000-Dollar promotional second chance drawing prize held on June 24th, \$20k held on July 29th, and \$30k on August 26th.

MUSL Rule 2: Since the last meeting, the on-site MUSL Rule 2 review was conducted. Nothing outstanding to note with that walk-through. Lottery is awaiting the final report and are always prepared to address any findings.

Next Quarter: Lottery will be testing the software updates needed to support the upcoming Powerball and Lotto America game changes the Commission has approved. Changes include an additional Lotto America drawing on Monday. Similar to Powerball going from twice-weekly drawings, to a drawing three times a week for Lotto America. Lottery is defaulting the Power Play option on permanently for all Powerball tickets. This will increase the base price from \$2 Dollars to \$3 per play. Lottery is also adding a new optional add-on feature called Double Play. For an additional \$1 Dollar per play, when you select the Double Play feature your selected Powerball numbers are automatically included into a second drawing (held right after the Powerball drawing) which includes a \$10-Million-dollar top prize and smaller prizes similar to but not identical to the Powerball game. It is a completely separate and new set of winning numbers, separate from that night's Powerball drawing, but you get to use your selected numbers in both drawings. All of these LOTTO game changes will be deployed to production on the morning of July 17th.

Sports Betting Enhancements: Lottery is testing several updates and enhancements for Sport Betting. Sports Bet terminal financial reports are being enhanced to include options similar to the traditional MPNG terminals. Being able to pull a daily sales report by terminal, or by specific date, or week-to-date, or a weekly sales report options will be available. Currently the only option on the Sport Bet terminal is to pull the sales report for today, or for just the past week's by-date option. Another enhancement is the addition of the Sports Bet event timestamps per play (or per leg) on the ticket. This was a request made by our Security Department to better help them research sports betting questions on bets made. The addition of the event timestamp will help Lottery and players understand what games they are betting on. Less confusion for baseball double-headers, for example. Promotion updates are coming as well. Lottery will soon be able to offer Sports Betting Player's Account - Bonus Money promotions without issue. Security and system health updates include extra logging for issue tracking and to help Lottery troubleshoot more efficiently for Security. More automated notification enhancements to help Security with their real-time monitoring of suspicious activity. General updates include a fix to ensure the location name is present on cash-out receipts even when there are communications issues with the cellular network. Another update to help troubleshooting – a timestamp on the terminal screen. Is the terminal frozen? How can I tell? What time does the terminal have on it. This is simple, but effective. Lottery has many great updates and enhancements coming for Sports Betting. Lottery is always working to improve performance in the field with the Sports Betting terminals. Lottery tries engaging Sales Agents willing to work with us, to work on especially difficult communications and terminal software issues. For the past two years, Lottery has been working on improving the terminal software communication stability. Lottery has made many improvements, but now are working on those remaining few extremely difficult cases. Difficult to duplicate (or replicate) in the test environment, so appreciate the engagement of our Sales Agents who are willing to help with those efforts to capture the details of the few remaining stubborn annoyances they are dealing with.

IT Environment: The IT Department is working on recycling its older computers per best practice and SITSD requirements. Lottery paused this process for more than a few years to review our procedures to ensure we were complying with SITSD policy and are ready to restart the process. Wiping the hard-drives clean, these computers will be given to OPI to donate to schools. Older computers by SITSD standards, these computers are not that old and have many years left in them to be used in schools and libraries. I'm pleased to see the Lottery restart this effort for that reason, and also to help us free up some space in Lottery's IT Systems Room.

BEN KAMERZEL, INTRALOT GENERAL MANAGER (29:00 – 33:35)

Intralot Staffing: Promotions at Intralot include the CST Bench Technician who was promoted to Junior Dev. Ops. Helena CST, James West was promoted to Lottery Business Analyst. Jillian Nash was promoted from Events Coordinator to Marketing Manager and has since departed the company. New hires at Intralot include Samantha Harker, Montana Events Representative; Ambassador Linda Peak; and Ambassador Sassion Beckman. Recent transfer includes CST, Robert Lamping from Billings to Helena. One retirement, Missoula CST Randy Northrop. Open and advertised positions include Montana Marketing Manager, Helena Bench Technician; Billings CST; Missoula CST; and 1 – Ambassador.

Projects: Intralot completed its ISO Security Audit earlier this month, no findings were noted, and are awaiting the report. Intralot is converting Treasure Play only locations from Satellite to Cell Modems in preparation for Dual Terminal conversions. Intralot has installed Intralot logo decals on all company vehicles. Intralot has completed its Fleet Management migration to Enterprise. Intralot has combed the Sports Bet network for communications issues, and are addressing each location using Cell Modem Boosters, External Directional Antennas, and re-locating modems within locations. Overall, cell modem speed tests are now mandatory on all new installs. Intralot recently purchased a Wilson Pro Cellular Scan Meter for measuring cellular signal strength at existing and new retailer locations. Because this device has proved to be invaluable, in 2022 they have budgeted for the purchase of eight more, one in each field office.

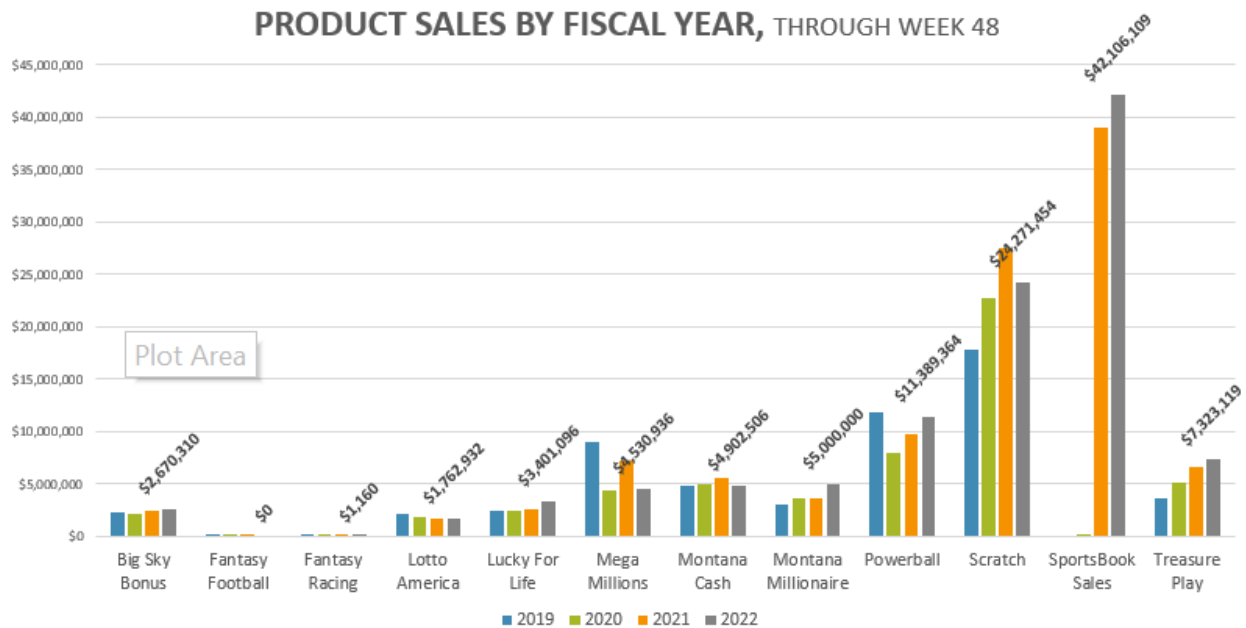
Equipment: Active Terminals: Sports Betting Installs - there are 474 Active Terminals and 109 DUO TVs. There are 397 - Treasure Play active terminals in the field. **Present Stock of DUO TVs:** There are 110 - Sports Terminals; 190 - Treasure Play; 9 – DreamTouch; 1 – WinStation; and 162 – Photons/Printers/Genions. There are a total of 1,707 active devices in the field.

ANNE CHARPENTIER, MARKETING AND SALES DIRECTOR: (33:40 – 43:07)

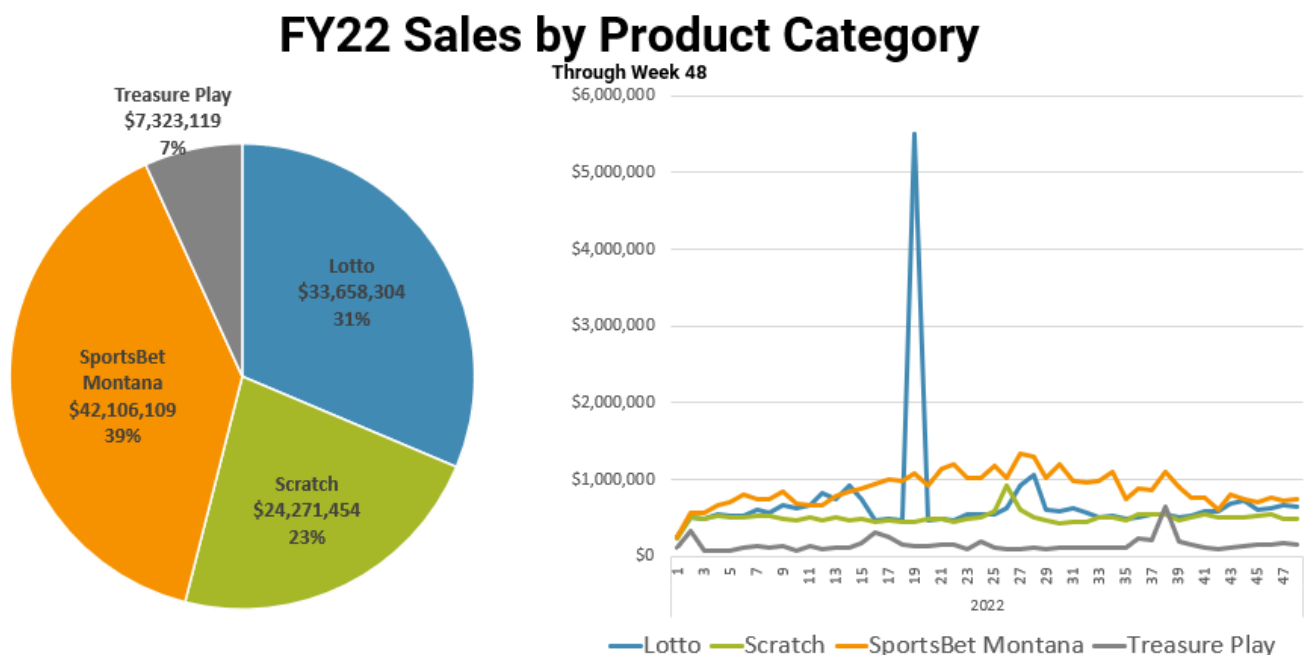
Sales Performance Overview: The following chart shows all product sales through week 48 for this fiscal year compared to last fiscal year for the same time frame. Notable differences are Lucky for Life sales, which have been substantially higher due to the game change from last year when Lottery changed from two draws a week to daily draws. Montana Cash is showing a negative due to the fact that last year the game had a large jackpot. This is quickly changing with the record jackpot right now with the game. Scratch sales are being compared to the higher than usual pandemic sales in FY21.

FY22 Sales Comparison Through Week 48					
Product	FY22	FY21	\$ Change	% Change	
Powerball	\$11,389,364.00	\$9,690,370.00	\$1,698,994.00	17.5%	
Mega Millions	\$4,530,936.00	\$7,227,819.00	-\$2,696,883.00	-37.3%	
Lotto America	\$1,762,932.00	\$1,671,428.00	\$91,504.00	5.5%	
Montana Cash	\$4,902,506.00	\$5,574,001.00	-\$671,495.00	-12.0%	
Lucky For Life	\$3,401,096.00	\$2,524,626.00	\$876,470.00	34.7%	
Big Sky Bonus	\$2,670,310.00	\$2,430,242.00	\$240,068.00	9.9%	
Scratch	\$24,271,454.00	\$27,526,109.00	-\$3,254,655.00	-11.8%	
Treasure Play	\$7,323,119.00	\$6,582,734.00	\$740,385.00	11.2%	
Fantasy Racing	\$1,160.00	\$21,720.00	-\$20,560.00	-94.7%	
Sports Bet Montana	\$42,106,109.09	\$39,035,720.61	\$3,070,388.48	7.9%	
Montana Millionaire	\$5,000,000.00	\$3,600,000.00	\$1,400,000.00	38.9%	
Grand Total	\$107,358,986.09	\$105,884,769.61	\$1,474,216.48	1.4%	

Product Sales by Fiscal Year: A longer term look at product performance, this chart shows how each product sales have performed for the first 48 weeks for the past four fiscal years. Most of the gray bars which indicate sales for FY22, are ahead of previous fiscal years. A few are lagging behind.



FY 22 Sales by Product Category: This chart shows the performance of Lottery products by their major categories. A new chart on the right is a weekly look at sales by product category for this fiscal year. Note the stability in scratch sales this year and significant MT Millionaire spike in week 19. Lottery can attribute the sales bumps for Treasure Play to progressive jackpot increases and the performance of Sports Bet Montana to popular event activity, such as, NFL and NCAA tournaments.

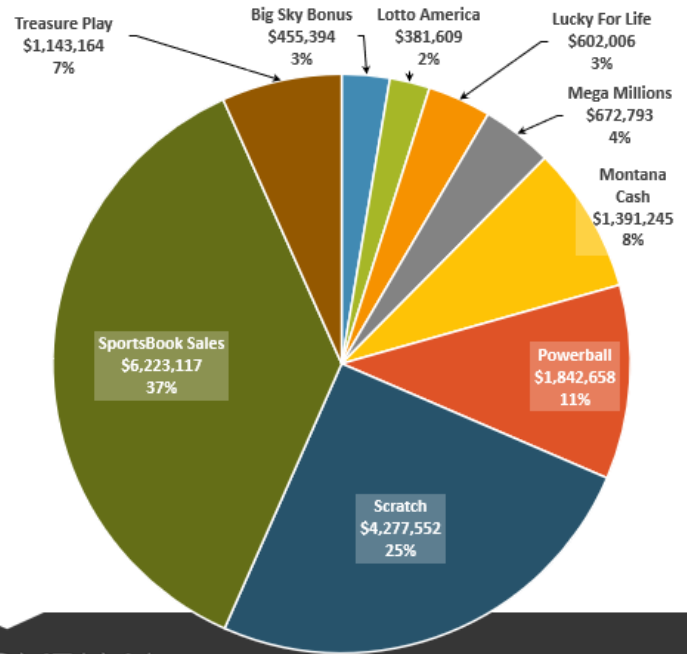


FY 22 Quarter 4 Sales: For weeks 40-48 this is an overview of third quarter sales by product. Included are last year's totals for comparison purposes. Negatives for our Lotto games can be attributed to high jackpots for the similar time period last year. Pandemic sales were considerably higher primarily for the Scratch product.

FY22 Quarter 4 Sales

Weeks 40 - 48

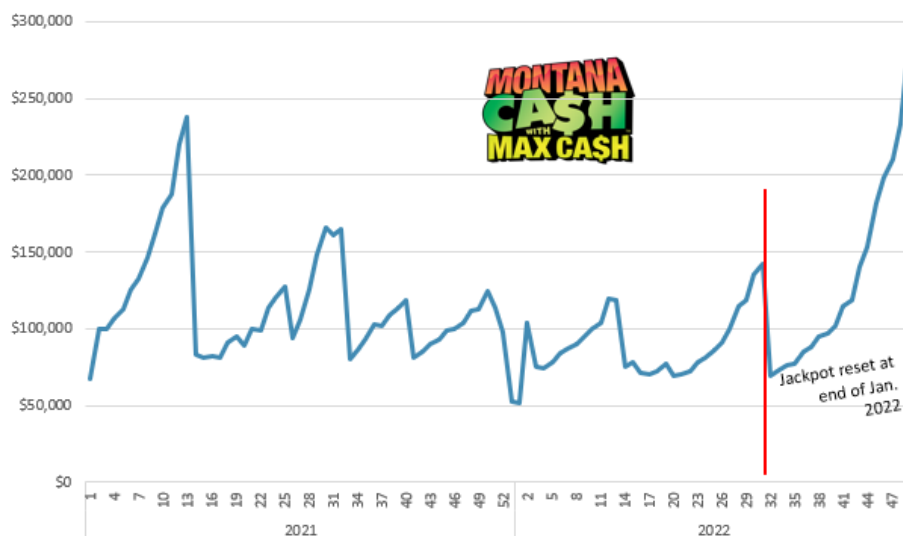
Product	2022	2021	% Difference
Big Sky Bonus	\$455,394	\$506,490	-10%
Lotto America	\$381,609	\$343,638	11%
Lucky For Life	\$602,006	\$466,402	29%
Mega Millions	\$672,793	\$1,336,670	-50%
Montana Cash	\$1,391,245	\$823,121	69%
Powerball	\$1,842,658	\$1,463,079	26%
Scratch	\$4,277,552	\$5,195,407	-18%
Sports Bet Montana	\$6,223,117	\$7,027,778	-11%
Treasure Play	\$1,143,164	\$1,474,179	-22%
Total	\$16,989,538	\$18,636,764	-8.8%



Montana Cash Weekly Sales:

MONTANA CASH UPDATE

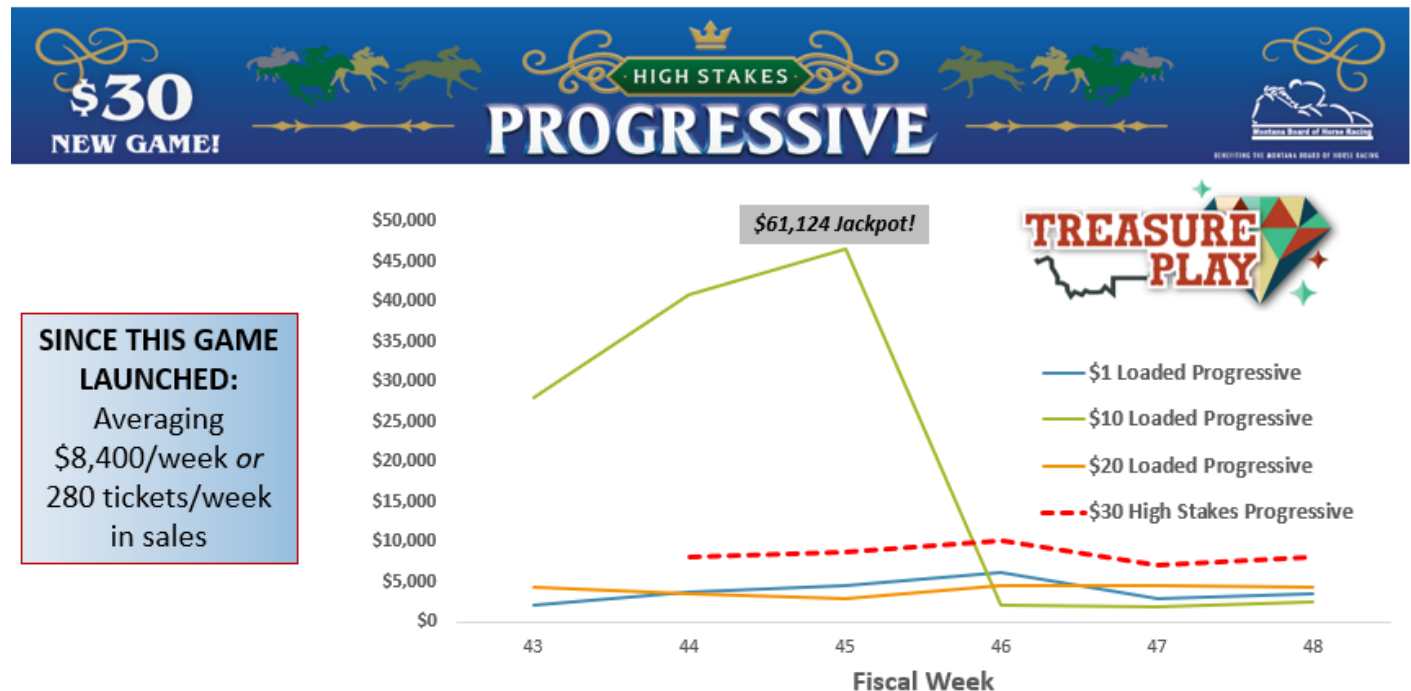
Weekly Sales, FY21 to June 4, 2022



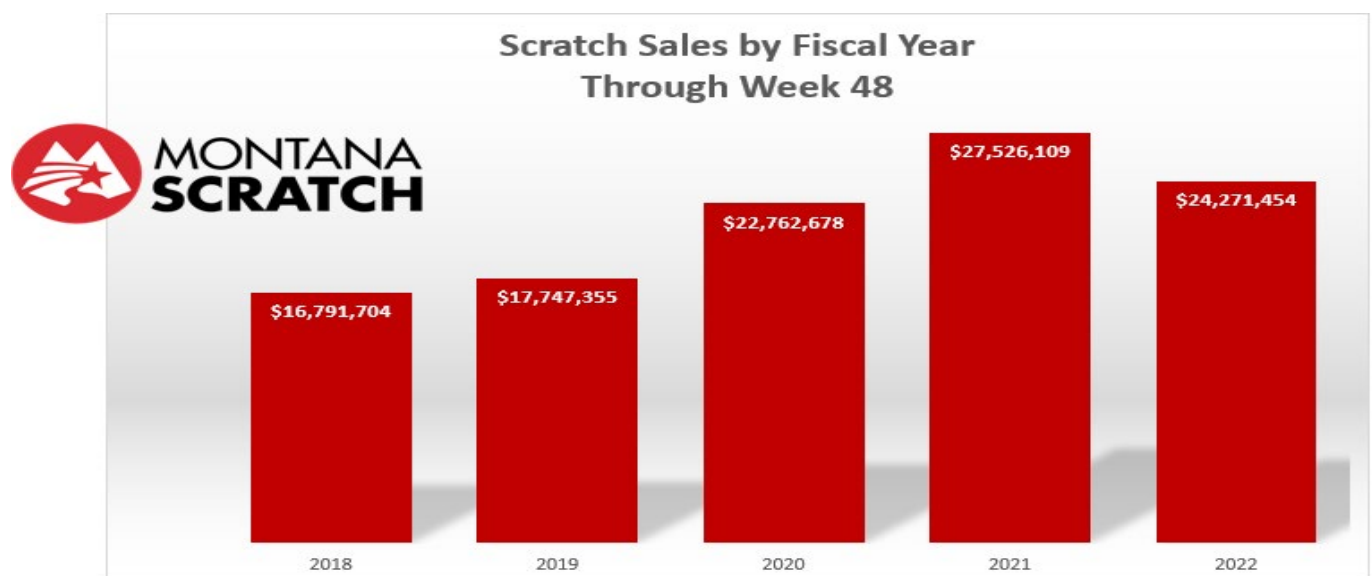
HIGHLIGHTS FOR THIS JACKPOT

- We are at a record-high jackpot level for this product...**OVER \$1 Million!**
- Current total sales for this jackpot are over \$2,393,148.
- A record 78% of players purchased the Max Cash option on May 27th.
 - Daily average for this jackpot is 62%
- 3 of the top 5 best sales weeks in the last three FYs for Montana Cash happened during the growth of this jackpot

High Stakes Progressive: Lottery has had a strong start to the \$30 High Stakes Progressive game. It was overshadowed by a very large progressive jackpot for the \$10 Loaded Progressive jackpot, which much of our sales for all the progressive games were affected. Since that jackpot hit, sales for the \$30 are averaging \$8,400 per week and will only grow stronger as the jackpot increases with each and every sale.

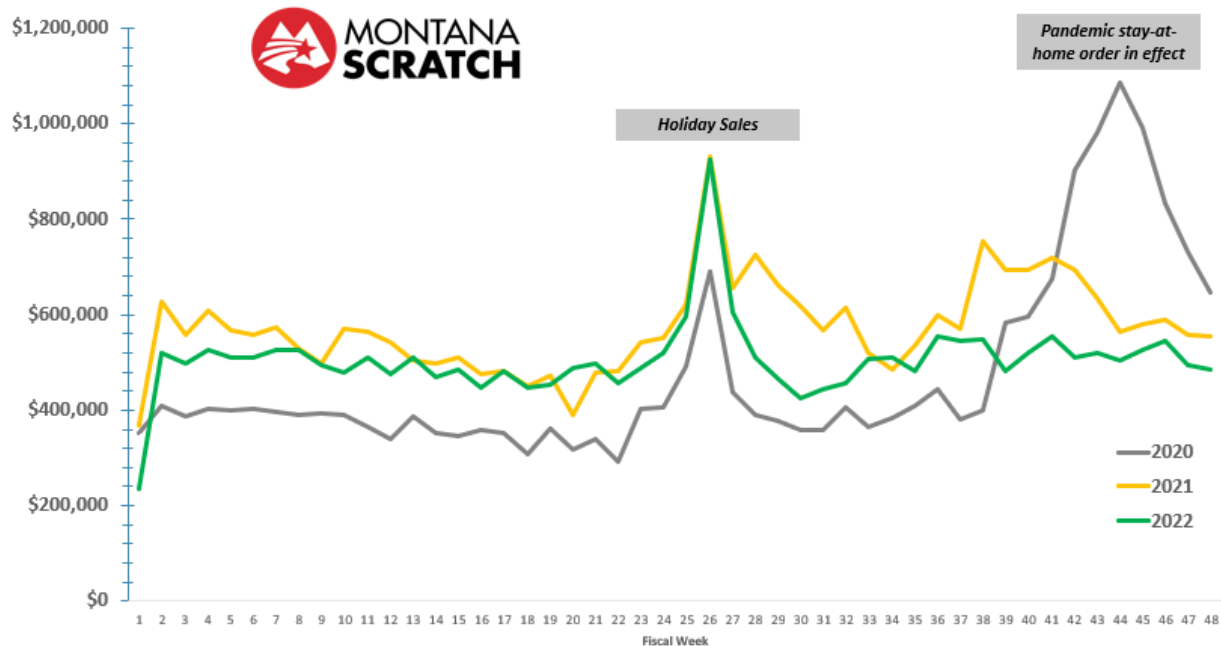


Scratch Product Update: Scratch has been having another stellar year. Fiscal year 22 sales for the product are 27% higher than the average for fiscal years 18, 19 and 20. FY21 was an anomaly for the product, as the pandemic sales were extraordinarily high for tickets at all price points.

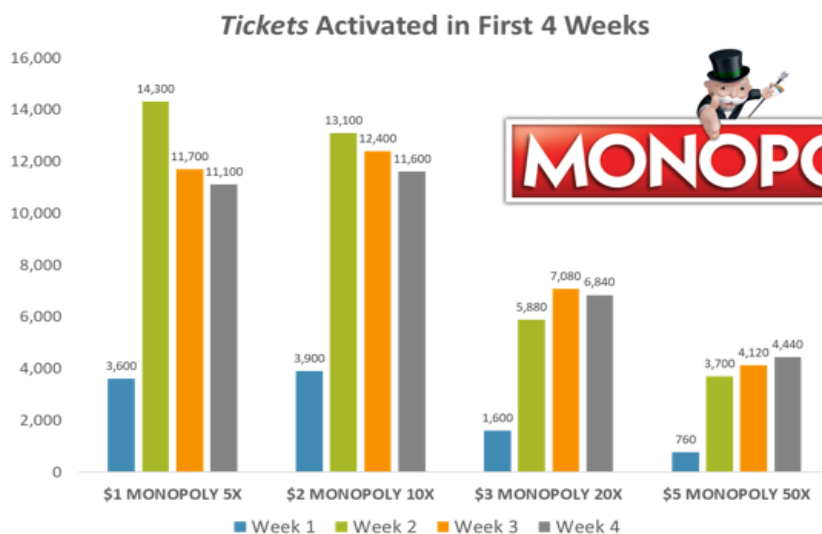


Weekly Scratch Sales: Looking at the last three fiscal years, average weekly Scratch sales this fiscal year are \$505,000 per week. On average, weeks' sales in FY22 are 17% higher than their corresponding week in FY20.

Weekly Scratch Sales by Fiscal Year through Week 48



Summer Promotion: Our summer promotional multiplier Monopoly games just started at the beginning of May. The ad campaign is starting in a couple of weeks, which will include a full TV and radio campaign and will drive sales for the ticket at all price points. Lottery will provide a full update on the summer promotion at the next commission meeting.



- **1st \$10,000 COMMUNITY CHEST SECOND CHANCE DRAWING**
 - Player's Club on June 24th
 - There currently are 176,060 entries in the drawing
 - July and August drawing remaining

JAY BOUGHN, SCRATCH PRODUCT MANAGER: (43:10 – 1:18:26) and (1:35:20 - 1:38:17)

Scratch Plan: Lottery is seeking approval for 50 games it anticipates producing for Fiscal Year 2023. A comprehensive plan is outlined for those games in the tables shown below.

**Pending
Commission
Approval**

Fiscal Year 2023 - anticipated Scratch Games games to be produced				
Price Point	Play Style	Ticket Quantity	Payout Range (%)	Overall Odds Range (1 in -)
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	140,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	140,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	720,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
\$1.00	Non-Extended	240,000	56 - 58	4.60 - 4.90
11 - \$1 games in total				
\$2.00	Bingo	240,000	60 - 62	4.20 - 4.70
\$2.00	Bingo	240,000	60 - 62	4.20 - 4.70
\$2.00	Bingo	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	580,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Crossword	240,000	60 - 62	4.20 - 4.70
\$2.00	Non-Extended	210,000	60 - 62	4.20 - 4.70
\$2.00	Non-Extended	100,000	60 - 62	4.20 - 4.70
\$2.00	Non-Extended	210,000	60 - 62	4.20 - 4.70
\$2.00	Non-Extended	500,000	60 - 62	4.20 - 4.70
\$2.00	Non-Extended	210,000	60 - 62	4.20 - 4.70

**Pending
Commission
Approval**

15 - \$2 games in total				
\$3.00	Bingo	180,000	64 - 66	3.75 - 4.25
\$3.00	Bingo	180,000	64 - 66	3.75 - 4.25
\$3.00	Crossword	150,000	64 - 66	3.75 - 4.25
\$3.00	Crossword	150,000	64 - 66	3.75 - 4.25
\$3.00	Crossword	150,000	64 - 66	3.75 - 4.25
\$3.00	Licensed Property	180,000	64 - 66	3.75 - 4.25
\$3.00	Non-Extended	180,000	64 - 66	3.75 - 4.25
\$3.00	Non-Extended	180,000	64 - 66	3.75 - 4.25
\$3.00	Slingo	180,000	64 - 66	3.75 - 4.25
\$3.00	Slingo	180,000	64 - 66	3.75 - 4.25
10 - \$3 games in total				
\$5.00	Crossword	200,000	68 - 70	3.50 - 3.90
\$5.00	Crossword	200,000	68 - 70	3.50 - 3.90
\$5.00	Licensed Property	180,000	68 - 70	3.50 - 3.90
\$5.00	Non-Extended	160,000	68 - 70	3.50 - 3.90
\$5.00	Non-Extended	160,000	68 - 70	3.50 - 3.90
\$5.00	Non-Extended	160,000	68 - 70	3.50 - 3.90
\$5.00	Non-Extended	260,000	68 - 70	3.50 - 3.90
\$5.00	Slingo	200,000	68 - 70	3.50 - 3.90
\$5.00	Slingo	200,000	68 - 70	3.50 - 3.90
9 - \$5 games in total				
\$10.00	Non-Extended	160,000	72 - 74	3.20 - 3.80
\$10.00	Non-Extended	160,000	72 - 74	3.20 - 3.80
\$10.00	Non-Extended	160,000	72 - 74	3.20 - 3.80
3 - \$10 games in total				
\$20.00	Non-Extended	160,000	75 - 77	2.80 - 3.40
\$20.00	Non-Extended	160,000	75 - 77	2.80 - 3.40
2 - \$20 games in total				
Total number of anticipated games to be produced in Fiscal Year 2023 = 50				

In summary Lottery anticipates producing the following: 11 - \$1 games; 15 - \$2 games; 10 - \$3 games; 9 - \$5 games; 3 - \$10 games; and 2 - \$20 games. Once a group of games have been designed, artwork with overall odds and payout for those games will be posted on our website for the public comment period. Those games will also be sent to the commission for their review. After the commission and public comment period is over, Lottery will ask for commission approval. This process will generally take place on a monthly basis.

VOTE – APPROVAL OF SCRATCH PLAN: (1:35:20 - 1:38:17) Chairman Prigge asked if there were any objections, comments, discussion, or public comment regarding the above proposed scratch plan? There was no public comment. Commissioner Iverson made a motion to table this item until the next commission meeting in September. After some discussion, the Commission approved to temporarily reduce the number of \$10 games from 3 to 2 and reduce the number of \$20 games from 2 to zero. The Commission approved to proceed with producing 47 games for FY23 and they approved the ticket artwork approval process. Commissioner Iverson made a motion to approve the above modified scratch plan for FY 23. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the modified scratch plan. The Lottery will do additional research for the Commission on the \$10 and \$20-dollar price point tickets to determine how marketing will proceed with these tickets in the future. Questions and full discussion from the Commissioners regarding this presentation may be accessed on the recording at the above timestamp.

ANNE CHARPENTIER, MARKETING AND SALES DIRECTOR: (1:38:24 – 1:49:35)

Scratch Printing and Related Services Proposal: As reported at the last meeting, the marketing department has been working on the Scratch Printing and Related Services request for proposal. Lottery is required to do this process through the State's Procurement Bureau through the Department of Administration after exhausting all the years of the contract and all extensions have been awarded. The current contract with Scientific Games ends in August 2022. The RFP process is lengthy and comes with a recommendation to present to the commission today. The timeline of events is provided on the screen for reference. The evaluation committee was comprised of Jay Boughn, Scratch Product Manager; Logan Jackson, Sales Manager; Dustin Hofer, Product Analyst; and Anne Charpentier, Marketing and Sales Director; as well as Nolan Harris from the State Procurement Bureau. The evaluation committee spent a lot of time on this process. Long hours in meetings refining proposal language and several weeks of reading hundreds of pages of responses. Anne thanked the committee for keeping on task and staying within the schedule that was established.

Scratch Printing & Related Services DOA-RFP-2022-0159NH

- Current Scratch contract with Scientific Games – expires August 2022
- The Request for Proposal was drafted with the direction of the State Procurement Bureau at the Department of Administration
- **Contract Award Timeline:**
 - Deadline for questions from Interested Parties: March 25
 - Deadline for responses from MTL to Questions: April 6
 - Proposal due date: May 13
 - **Two proposals received:**
 - Scientific Games (*incumbent*)
 - Pollard Banknote
 - **Evaluation Committee:** Jay Boughn, Instant Product Manager; Logan Jackson, Sales Manager; Dustin Hofer, Product Analyst; Anne Charpentier, Marketing & Sales Director; and Nolan Harris, State Procurement Bureau.
 - Evaluation concluded May 26, with consensus scoring public meeting on May 27.



Score Summary Worksheet: The two offerors, Scientific Games and Pollard Banknote provided complete and impressive responses. By simply summarizing these responses it does not diminish the comprehensive and significant work the two offerors put into responding to Lottery's RFP. They clearly put a tremendous number of hours and careful consideration into crafting responses that met and even exceeded the expectations of the evaluation committee. Lottery wants to thank both offerors for all their efforts. Through this transparent process, the evaluation committee has provided for the Commission's consideration the complete scoring sheet both in summary form and with detailed notes containing individual scoring per section. This provides the consensus scoring the committee agreed to award the offeror. Once all sections were scored, cost proposal scoring was applied, and the final score determined. The highest scoring offeror was Scientific Games with 4,470 points to Pollard Banknote's 4,244. After all scoring has been calculated it is this evaluation committee's recommendation the Montana Lottery enter contract negotiations with Scientific Games for the next five-year Scratch Printing and Related Services contract.

Scratch Printing & Related Services DOA-RFP-2022-0159NH

In awarding points to the evaluation criteria, the evaluation committee consider the following guidelines:

- Superior Response (95-100%): A superior response is an exceptional reply that completely and comprehensively meets all of the requirements of the RFP.
- Good Response (75-94%): A good response clearly meets all the requirements of the RFP and demonstrates in an unambiguous and concise manner a thorough knowledge and understanding of the project, with no deficiencies noted.
- Fair Response (60-74%): A fair response minimally meets most requirements set forth in the RFP. The offeror demonstrates some ability to comply with guidelines and requirements of the project, but knowledge of the subject matter is limited.
- Failed Response (59% or less): A failed response does not meet the requirements set forth in the RFP.

After all scoring has been calculated it is this Evaluations Committee's recommendation to the Commission that the Montana Lottery enter contract negotiations with the apparent winner Scientific Games for the next five-year Scratch printing and related services contract.

Scratch Games & Printing DOA-RFP-2022-0159NH SCORE SUMMARY WORKSHEET				
Category	Possible Points	Pollard Banknote Limited	Scientific Games International Inc	
Ability to Meet Scope of Work	3,250 points (65%)			
1.1 ACCOUNT SERVICES	165 points	155	130	
1.2 CONTRACT CONVERSION	165 points	157	123	
2.1 STRATEGIC GAME PLANNING	325 points			
First Response	200 points	185	162	
Second Response	125 points	119	94	
2.7 GAME SPECIFICATIONS	245 points			
First Response	100 points	70	98	
Second Response	145 points	120	128	
2.8 PRIZE STRUCTURE	325 points			
2.9 PRIZE DISTRIBUTION	165 points	155	160	
2.12 QUALITY ASSURANCE	325 points	285	308	
2.15 GAME LOADER FILES	80 points	73	75	
2.17 DIGITAL TEST GAMES	80 points	75	70	
2.18 CODES	165 points	149	155	
2.19 PACKAGING AND SHIPPING	245 points	215	188	
2.23 BUSINESS CONTINUITY/DISASTER RECOVERY PLAN	165 points	156	160	
3.0 INNOVATIVE SUGGESTIONS AND RECOMMENDATIONS	800 points			
4.1 References	Pass/Fail			
Complete contact information provided. Contract award conditional upon Post-Evaluation Reference Check.	P/F	P	P	
4.2 Company Profile and Experience	500 points (10%)			
Years in Business	100 points	95	95	
Relevant Experience	100 points	97	97	
Relevant Past Projects	100 points	92	97	
Resumes	200 points	188	150	
Equal Pay for Montana Women	250 points (5%)			
Signed and Agreed Certificate	250	250	250	
Cost Proposal	1,000 points (20%)			
Score from Cost Proposal Scoring Spreadsheet	1,000 points	580.0	1000	
Total	5000	4244.0	4470.0	

VOTE – APPROVAL OF SCRATCH PRINTING AND RELATED SERVICES CONTRACT: (1:44:18 – 1:45:01)

Chairman Prigge asked if there were any objections, comments, discussion, or public comment regarding the Printing and Related Services contract? There being none, Commissioner Harbaugh made a motion to approve. Commissioner Iverson seconded the motion. The motion carried. The Commission voted unanimously to enter contract negotiations with Scientific Games. Questions and full discussion from the Commissioners regarding this presentation may be accessed on the recording at the above timestamp.

Sports Wagering Update: This chart shows how the various sports being offered are being wagered on, either through mobile devices using the app, or by the machine in sales agent locations. Basketball, Football, Soccer, Ice Hockey, and Baseball are the most popular, which has been the case since the start of the product.

As of 3/30/2022

Sport	Mobile	PCT	Retail	PCT	Total
Football	\$2,736,138	11.7%	\$20,562,337	88.3%	\$23,298,475
Basketball	\$2,682,476	9.5%	\$25,634,788	90.5%	\$28,317,264
Baseball	\$1,020,541	7.0%	\$13,499,799	93.0%	\$14,520,340
Hockey	\$332,973	9.0%	\$3,371,680	91.0%	\$3,704,653
Golf	\$268,056	19.0%	\$1,140,832	81.0%	\$1,408,889
Specials	\$236,412	14.6%	\$1,384,889	85.4%	\$1,621,301
MMA	\$157,633	11.0%	\$1,270,423	89.0%	\$1,428,057
Soccer	\$154,696	1.8%	\$8,296,704	98.2%	\$8,451,400
Tennis	\$41,002	2.3%	\$1,753,359	97.7%	\$1,794,361
NASCAR	\$38,460	10.7%	\$320,537	89.3%	\$358,997
Boxing	\$4,552	4.0%	\$109,614	96.0%	\$114,167
Athletics	\$2,977	52.7%	\$2,677	47.3%	\$5,654
Formula	\$2,890	11.0%	\$23,389	89.0%	\$26,280
Indycar	\$708	18.5%	\$3,129	81.5%	\$3,837
Rugby	\$664	5.5%	\$11,356	94.5%	\$12,020
Olympics	\$364	7.8%	\$4,284	92.2%	\$4,648
Handball	\$309	84.1%	\$58	15.9%	\$368
Beach Volley	\$271	70.6%	\$113	29.4%	\$384
Volleyball	\$251	67.0%	\$123	33.0%	\$375
Other	\$1,090	5.9%	\$17,381	94.1%	\$18,471
Total	\$7,682,466	9%	\$77,407,475	91%	\$85,089,941



Handle by Week: Lottery's handle by week chart shows those particular times since the start of Sports Bet Montana when sales performed very well. As Lottery learns more about this product's performance, these spikes and lulls are key to reacting sufficiently through messaging and advertising. Wagers over the 2020 and 2021 NFL season were especially popular and continued to the Super Bowl in February. There was some downturn between March Madness and when NBA Playoffs and Hockey Stanley Cup Play Offs started last year. MLB also played a significant role in sustaining sales. March Madness maintains a stronghold on betting popularity and ensuring strong messaging during this time is essential to driving revenue.

Handle by Week Since Launch



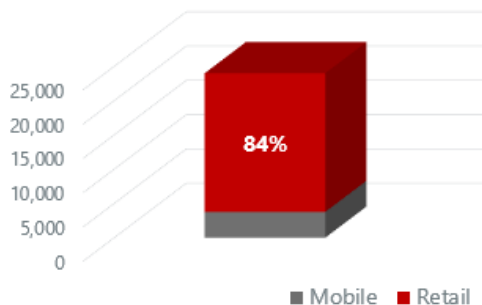
Mobile vs. Retail: Players have two ways to purchase bets, through the machine in sales agent locations or through their mobile phone using the app in a licensed location. The favorite remains to be the machine with an average of over 90% of bets placed on those devices, which are now located in over 460 locations across the state. Lottery continues to grow its account player base with over 9,400 accounts to date.

Mobile vs. Retail – 5/24 – 5/30/2022

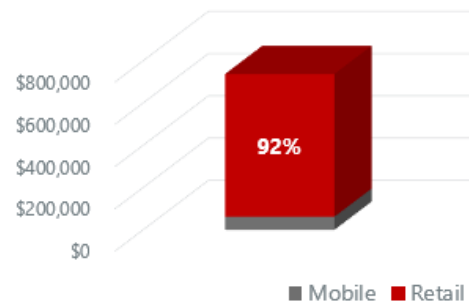
Type	Bets	Total Wager Amt
Mobile	3,761	\$61.8K
Retail	20,226	\$675.7M



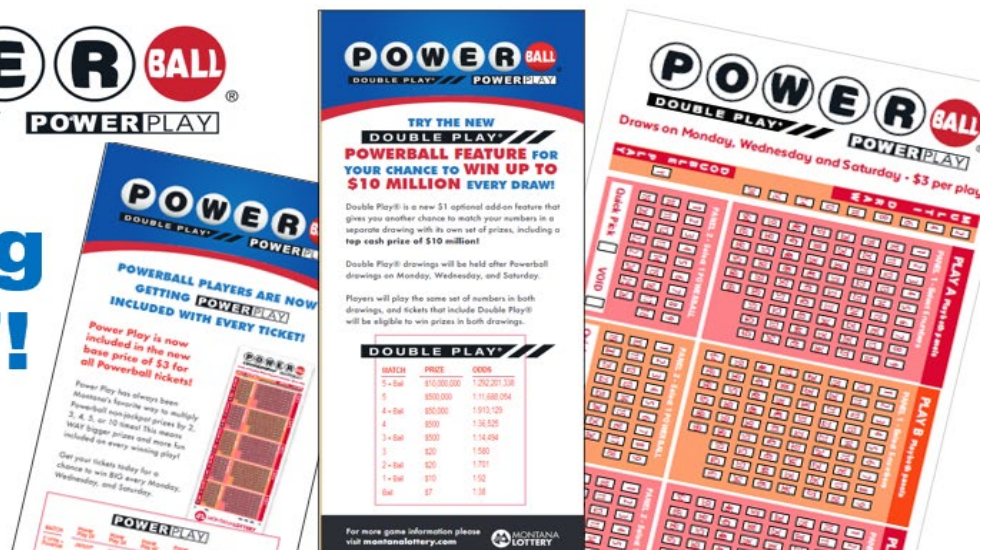
Total Bets



Total Wagers



Game Changes – Powerball / Double Play: Starting July 17, Power Play will now be included in the new base price of \$3 for all Powerball tickets. Double Play is a new add-on feature for an additional dollar that gives players another chance to match their numbers in a separate drawing with its own set of prizes, including a top prize of \$10 million.



Game Changes - Lotto America: Similar to Powerball, Lotto America will add an additional drawing on Monday and now be held on Monday, Wednesday, and Saturday.



Starting July 17!
Adding a Monday
drawing!



Marketing Initiatives: The marketing initiatives the Marketing and Sales Department will be working on for next quarter are noted below:

FY23 Quarter 1 Marketing Initiatives...

- Supporting Monopoly multiplier games all Summer
- 2022 Montana Millionaire
- Sports Bet Montana – World Cup, NFL, College Football
- New Scratch contract implementation
- New game changes
- Prepping for game changes
- ...and much more!



BRYIAN COSTIGAN, SECURITY DIRECTOR: (1:18:30 - 1:26:28)

Game Parameter Change for Sports Betting: The amendment clearly states how wagers are settled for suspended or shortened baseball games for whatever reason. Lottery is tightening and cleaning the language up for clarity as they move forward. Before the Commission is the yellow highlighted proposed language which states, “Money line wagers are settled as per the final and official published result. All other markets, including run lines and totals, are voided.”

Terms and Conditions Changes

Game Parameter updates

- 1.) The addition of a General Parameter to more clearly state how wagers are settled for suspended or shortened baseball games.

Update:

1.5 Baseball

For all baseball games, in contrast to the general sporting rules, the following applies in terms of games postponement: If a baseball game is postponed and not played within the same day of its original schedule in local time, then all selections on this game will be voided (odds = 1,00). If this game is scheduled for a later day, a different event will be offered for wagering purposes.

For all baseball wagers the complete game is taken into account as well any additional extra innings that may need to be played to determine a winner. In contradiction to the rule in the general provisions, when a baseball game is suspended or shortened and not continued from the moment of suspension and also not completed within the next calendar day, then the final result will be considered the result at the time of suspension in the following circumstances:

1.5.1 Money Line wagers are settled as per the final and official published result. All other markets, including run lines and totals, are voided.

1.5.1.2 When the game is concluded at the bottom of the 9th inning (8.5 innings played) with the home team ahead in runs.

1.5.2.3 When the “Mercy Rule” is applied and the game is suspended before completion. The “Mercy Rule” refers to one team having a very large and presumably insurmountable lead over the other team.

The name of the starting pitcher has no relevance on how bets are settled.

VOTE – APPROVAL OF FIRST GAME PARAMETER UPDATE: (1:20:01 - 1:21:17) Chairman Prigge asked if there were any objections, further discussion, or public comments to the proposed rule change to the Terms and Conditions Changes - Game Parameters Update for Baseball 1.5.1? There being none, Commissioner Iverson made a motion to approve the rule change. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the revised game parameters for Baseball.

Staffing Changes – Security, Administration and Warehouse: Emily Hastings who was the Lottery Customer Service Rep. left for a better paying job within state government. There is a lot of movement within state government right now. There is a big shuffle, people are going from one place to another. It’s not only happening at the Lottery it’s happening all over state government. Her position is currently advertised. Bitsy Stein who was 74 retired and was replaced by Jenny who you met earlier today. There is still a vacancy in the Warehouse and one of the issues there is a job at McDonalds for \$15.50 an hour pays more than the position in the Warehouse. Lottery is working on getting that position filled. This is a statewide issue. A lot

of these entry level positions are tough to fill. But to our advantage, some of the people who have started in the warehouse position have had an opportunity to get other positions within the Lottery once they become familiar. For example, Bryan Pellen started in the warehouse years ago and has moved up to an LSR position within the Lottery.

Physical Plant and Equipment: Thanks to the Pandemic, Lottery is still waiting for three vehicles they purchased. They are out there somewhere, maybe they are getting manufactured maybe not. They are talking about the end of the calendar year for delivery. So, the Lottery is short on vehicles but doing O.K. The tentative plan is to use the state motor pool which will be a cost increase in what we are paying now. Lottery is utilizing every vehicle it has and some are reaching or are over their end of life where they would normally be traded in. The fascia in front of the building is missing, with the wind Helena has been getting some of our fascia to the building has been removed. It was supposed to be fixed yesterday and they didn't show. Hopefully it will be repaired today or tomorrow.

ABM Contract: The Janitorial Contract with ABM has been extended. As an extension the Commission does not have to approve it. Its only when Lottery goes out for a new bid the Commission must approve it. This is the last extension on that contract. Lottery is satisfied with the Janitors performance in the building.

Sports Bet: Sport Bet has been with us for a couple years now. Bryan is starting to feel comfortable with a lot of the nuts and bolts and issues we've experienced. Initially the Commissioners heard we've had a lot of issues with players. Lottery is working out resolutions with players. The systems Lottery has in place now to deal with those issues, such as IT fine tuning, has helped us move forward and deal more effectively with players when they have an issue. It's been beneficial to Intralot too. The way Lottery has been working these items through and figuring out what the logical course of events is. So, we are providing better service then we initially were. There are growing pains with starting anything new, but he is starting to feel better about it.

SCOTT SALES, LOTTERY DIRECTOR: (1:26:29 – 1:35:16)

Director's Report: "As you can see from the presentations from the Directors, the hard work here at the Lottery continues. Folks put in a lot of hours and they're constantly thinking about what is best for the Lottery. I continue to be impressed on a daily basis with their efforts and dedication to their jobs. I don't have a lot to add on the individual presentations."

Employment Challenges: "A couple things I would like to highlight, and Bryan just mentioned it is the employment challenges that all of state government and the private sector is enjoying right now is a challenge. Most of that has to do with inflation. I know Anne hasn't had a chance to talk about the RFP for the scratch product. One thing I was going to mention we've seen some significant inflation on what it's going to cost to do the scratch games going forward. No shock to anybody, paper prices, ink, and employment costs in terms of hiring and retaining people, it doesn't matter everything has gone up substantially. In the second half of this biennium that is something we hadn't planned on from a budget standpoint. We will have to make it work somehow. But these guys have done an excellent job in staying within their budgets. I think that we will have the ability to move forward one way or another. We are just five months away from the Governor submitting his budget to the Legislature the first of November. It is coming quickly. We are in the process of looking out two years for what we might need. For the first time, in quite a while from what I've been told, we are going to ask for 1.4 new employees at the Lottery. And the

justification for that is with the increase in responsibilities and work associated with Sports Betting, we want to make the Sports Betting Coordinator position increased from a three-quarter position to a full-time position. And then we've seen about a 24% increase in the number of retailers because of Sports Betting. But we haven't increased the amount of people that are in the field that actually make those sales calls. Looking for new opportunities not only for our Traditional legacy lottery products but for Sports Betting as well. Lottery will propose to the Legislature that we get one more person. Currently we have 7 but we really can justify 8 with that 24% increase in the amount of work that these people have done across the board. So that is something I'm working on."

Commissioner Iverson: "With this request to the Governor's Office will there be an increase in salaries for the masses?" **Scott Sales, Lottery Director:** "We are working on that too; I don't want to put the cart ahead of the horse, but I have made the ask. So, we'll see where that goes, but that is definitely on the table."

Board of Horseracing Agreement: "Lottery did get the Board of Horse Racing Memorandum of Understanding signed. So, we are in agreement on what the Lottery is going to be doing for the BOH for the next couple years or at least for the next year, I would say, at a minimum."

DISCUSSION – HORSERACING ON LOTTERY KIOSK

Commissioner Morris: "Mr. Chairman, I don't know if this is the time, but you brought up the Board of Horseracing. I've brought this up before. And I don't know if I need a motion or if it's just an ask, for the staff to do a white paper to tell us what the hurdles are and what the prohibitions are and whether it needs to be done legislatively or not to get Horseracing on the Kiosk, the Sports Betting Kiosks. We've talked about it..." **Scott Sales, Lottery Director:** "Sure, we've talked about it and there are some barriers as parimutuel betting and advanced deposit wagering and there are a couple different ways to bet on horses. I know there are some licensing issues. But yeah, we can make a commitment. I know Anne has a thousand things on her plate." **Commissioner Morris:** "I'm curious as to whether Intralot runs a Horseracing book in any of their jurisdictions." **Scott Sales, Lottery Director:** "My understanding is no." **Ben Kamerzel, Intralot General Manager:** "I don't believe so." **Anne Charpentier, Marketing and Sales Director:** "I don't believe they do, and I know that from the provider. The data that comes to the system that we have through sport radar, they do not have any connection to any Horseracing data, which is the reason we do not offer any Horseracing offering at all. Because that's where you would have to have somebody provide that data and all that information. You'd have to get it from somewhere." **Commissioner Morris:** "I've had a lot of people ask me about it. I've mentioned it a couple of times. With the absence now of simulcast in the state. I mean you can go to Twin Spires and or on the internet and do it. But it seems to me it would be a good profit center for the state." **Anne Charpentier, Marketing and Sales Director:** "Well, I think going against Twin Spires with the ability to be able to do that from anywhere, would there be a real need to do it from our particular Kiosk?" **Commissioner Morris:** "Well I think so, you don't see a whole lot of people do it. If it was handy and they could go to the Kiosk. If you had a Television in your establishment that was running the Horseracing channel. And those races are broadcast from all over the country simultaneously. And then big races you have a lot of people betting on that. But I've just had a lot of people ask why can't we bet on the Kiosk? I'd just like the information." **Bryan Costigan, Security Director:** "Commissioner your ask then is to come back and determine is it feasible?" **Scott Sales, Lottery Director:** "He wants something in writing." **Commissioner Morris:** "I just want to know what the variables are and if it feasible." **Scott Sales, Director:** "I don't think Draft Kings or Fan Duel or any of these betting sites are seeing cross-over with Horseracing. But we'll verify that, we'll do the research and put a paper out there. Then at least get those questions answered going forward. I've had a couple phone calls in the last month or two that are trying to bring back

simulcasting back in the state. So, I know there is a group of individuals right now that are working on that. So that may be coming back here in the next 6 months or a year, it might require something by the Legislature, I don't know, but I know there are some people looking at it who seriously want to bring it back."

NEXT REGULAR MEETING DATE: (1:49:49 - 1:50:38) Director Sales proposed the next regular Commission Meeting be held on Thursday, September 8, 2022. Bryan will instruct Denise to canvas the Commission closer to the date to confirm there is a quorum. The commission meeting was recorded using Zoom. Pursuant to Section 2-3-212, MCA, the audio recording is designated as the official record of the meeting. A copy of the recording may be obtained upon request from the Lottery.

OTHER PUBLIC COMMENT: There was none.

ADJOURNMENT: (1:51:34) Chairman Prigge asked for a motion to adjourn the meeting. There being no further business, Commissioner Metropoulos made a motion to adjourn. The meeting adjourned at 10:51 a.m.