

OREGON LOTTERY

FY25-31 Strategic Plan



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An abstract, dark gray graphic on the left side of the slide. It depicts a hand holding a pen, with the pen's tip pointing towards the center where the text is located. The graphic is composed of several overlapping, rounded shapes that suggest the form of a hand and a writing instrument.

OUR APPROACH

VISION

ALIGN THE LOTTERY PUBLIC SERVICE NEXUS



NEW CHAPTER

- Governor + Expectations
- Policy Assumptions
- Lottery Director
- Executive Team Members
- VLT Ecosystem Management



WHO WE SERVE

- Governor
- Commission
- Oregon Voters
- Legislators



GOVERNANCE

- Federal Law
- Oregon Constitution
- State Statutes + Administrative Rules
- Department of Justice
- Governor's Policy Direction
- Commission

THE JOB IS THE MISSION



"Operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good."

VALUES IN STATUTE

- **F**airness
- **I**ntegrity
- **S**ecurity
- **H**onesty

COMMITMENT TO EQUITY

We strive to create a workplace that reflects the beautiful diversity of Oregon, embodying the spirit of unity and understanding that defines our great state.

Our multi-focused approach addresses Lottery as an employer, business and community partner.

PESTLE ANALYSIS

LIKELY AND IMPACTFUL EVENTS OUTSIDE OF LOTTERY'S CONTROL

| | | | |
|-----------|---|--|---------------|
| POLITICAL | <ul style="list-style-type: none">• Direction to not expand gaming in Oregon provides strategy guardrails for Lottery management.¹• Any non-Lottery gaming expansion will further dilute Oregon gaming market, resulting in less Lottery play.² | <ul style="list-style-type: none">• Competition for discretionary consumer spending decreases gambling share of personal consumption expenditures.³• Macroeconomic pressures on operating costs for beneficiaries and Lottery¹² decrease margin available for improving Lottery operations and increase importance of transfers. | ECONOMIC |
| SOCIAL | <ul style="list-style-type: none">• Demographic and social attitude shifts and evolving consumer preferences towards digital gambling platforms⁴ necessitate adaptive engagement strategies balancing innovation with responsible gaming.• Oregon population growth rate (2022-23) is flat.⁵• Gen X as a share of our player base in their prime earning years is smaller than previous generation.⁶ | <ul style="list-style-type: none">• Cyber threats exponentially increasing in targeting organizations⁷. Attacks immobilizing operations with a long path to recovery drive a need to invest in security infrastructure.• Innovation rate in gaming industry is incremental and lagging trends in SAAS and fourth wave technology.• Outdated gaming industry technologies force a bi-modal support structure in Lottery operations.• These events increase technology management costs. | TECHNOLOGICAL |
| LEGAL | <ul style="list-style-type: none">• Adherence to changes in statutes and administrative rule—such as defining casino or an increase in regulation of couriers—will require us to act quickly and may impact revenue. | <ul style="list-style-type: none">• Threat of natural disasters or emergencies requires us to prioritize contingency planning and crisis management to defend transfers and continuity of operations, where appropriate. | ENVIRONMENTAL |

SWOT ANALYSIS

SW (INTERNAL) OT (EXTERNAL) TO LOTTERY

| STRENGTHS | <ul style="list-style-type: none"> Well established and recognized brand garnering customer trust and loyalty⁸. Diverse gaming portfolio catering to a wide audience.⁹ Ongoing emphasis on strategic technology investments positions us to enhance efficiency. Prioritizing security measures maintains player trust and confidence in operations integrity. Multichannel retail and online access enhances accessibility¹⁰. Strong retailer network and established market bolsters state program funding. Transfers fund public programs and initiatives, creating a positive social impact¹¹. We are highly committed to responsible gaming balanced with revenue expectations.⁹ | <ul style="list-style-type: none"> Regional collaborations for technology sharing, portfolio enhancement and market management. Consumer demand for corporate social responsibility and digital services to enhance customer experience, increase efficiency and brand loyalty. Realize administrative savings through navigating market constraints and increasing operating model efficiency. Optimize existing product portfolio to improve margins while appealing to and maintaining a broad audience. | OPPORTUNITIES |
|-----------|---|--|---------------|
| | <ul style="list-style-type: none"> Thin margins fund future investments¹². Need to optimize product margins and operating model. Overly dependent on Video Lottery revenue. Our share of available market relatively stagnant (drinking establishments, full-service restaurants, etc.) Technological limitations and some dependency on outdated systems (gaming and internal). Regulatory constraints limit product and service innovations. Loss of institutional knowledge and business continuity due to 25% of workforce eligible for retirement in next 5 years. Lack steady source of investment funds to address ongoing operational needs, skills needed to deliver, and a clear process and governance structure to support. This slows us down. | <ul style="list-style-type: none"> Gaming industry highly consolidated¹³, and there are limited options for gaming platforms and equipment. Unfavorable pricing structures with gaming system providers and limited negotiation power due to limited population size of our market.¹⁴ Brick-and-mortar model changing. Market stagnation¹⁵, rise in online orders over retail visits¹⁶, growth in unregulated gambling channels¹⁷, and increased competition for new entertainment options limits growth. | |

Please see PESTLE for additional details.

STRATEGY GUARDRAILS

HIGH-LEVEL SCENARIOS CONSIDERED

1. LIFE SUPPORT

EXPECTED OUTCOMES

- Less FTE and retailers
- Limited OAR amendments
- Revenue slightly below current forecast
- Slow degradation of transfers
- Lower rated bonds
- Prohibit couriers



**OUR
TARGET**

POLICY CHOICES

- No new games or features and minimal optimization
- Upgrade technology for obsolescence and security only
- Aggressive minimum sales floors

2. EVOLVE PORTFOLIO

- Same or less FTE and less retailers but maintain market share
- Potential OAR amendments
- Revenue at or slightly above current forecast
- Flat to slight increase of transfers
- Maintain current bond ratings

- Limit international couriers but explore domestic partnerships and licensing
- Manage portfolio, improve features such as progressive jackpots and in lane
- Improve existing portfolio to maintain market share, focus on safety and customer experience such as cashless, digital claims + payments, TITO

3. GROW PORTFOLIO

- Same or more FTE and maintain retailer footprint, grow market share
- New and amended OARs, potential ORS changes
- Revenue slightly above to above current forecast
- Slight increase of transfers
- Maintain or improve bond ratings
- Add new lottery games
- App-based, non-VLT digital sales of current lottery products
- Via Draft Kings - Sports betting enhancement with fantasy + college sports and sports betting kiosks in select retail locations
- Sports betting as traditional lottery game (Sports Action revived)



STRATEGY, GOALS, RESOURCES + ROADMAP

OUR STRATEGY HOUSE

WHY

VISION

Align the lottery public service nexus

MISSION

Operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good

VALUES

Fairness | **I**ntegrity | **S**ecurity | **H**onesty

EQUITY

We strive to create a workplace that reflects the beautiful diversity of Oregon, embodying the spirit of unity and understanding that defines our great state

WHAT

FY25-31 STRATEGY: MISSION EXCELLENCE

Master the Fundamentals | Address Deferred Maintenance | Continuous Improvement

HOW

FY25 AGENCY GOALS + OBJECTIVES

Financial Sustainability | Security + Technology | Team | Lottery Community

FINANCIAL SUSTAINABILITY

Department Budget +/-
10% Accuracy

Lottery Product
Profitability Action Plan

SECURITY + TECHNOLOGY

Deliver Y2 of IT Strategic Plan

TEAM

Align Organization to Leadership
Pipeline

Procedure Documentation

Deliver Y1 of DEIB Strategic Plan

LOTTERY COMMUNITY

Create Lottery Community
Sentiment Action Plan

WHY MISSION EXCELLENCE?



MASTER THE FUNDAMENTALS



ADDRESS DEFERRED MAINTENANCE



CONTINUOUS IMPROVEMENT

- Mission excellence enables us to meet state forecast expectations and prepare for the future
- Our business and operating models require a secure, technology-driven organization
- We need to address deferred maintenance costs now and plan for operating cost increases
- Business demand will continue to evolve; our strategy and financial planning approach must follow

WHAT MISSION EXCELLENCE LOOKS LIKE

TEAMS WORKING TOGETHER TO GET TO A RESOUNDING “YES”

MASTER THE FUNDAMENTALS

Has your team built and maintained a healthy foundation (people, process, tools) for your department’s business purpose and activities?

Are employees assigned to the task appropriately trained, skilled and exhibit the behaviors necessary to complete core duties independently and with teammates, while maintaining high levels of productivity, efficiency and quality?

Do you have clear KPIs (Key Performance Indicators) and OKRs (Objectives and Key Results) your team uses to hold themselves accountable and to know they are delivering value?

ADDRESS DEFERRED MAINTENANCE

Does your team have an organized, regularly reviewed, and tracked list of departmental feedback and projects in various stages (draft, under review, approved, in implementation) that represent outstanding operational debt?

Has your team built a process for reviewing this list inclusively at all levels, and worked together to ensure project success across the agency?

Do you have SMART goals on how much deferred maintenance you want to address over multiple fiscal years? Who is leading efforts, and what are your metrics for success in reducing debt?

CONTINUOUS IMPROVEMENT

Does your team have an organized process for identifying hot spots and addressing areas of improvement in an efficient and effective manner? If so, are these efforts tracked, communicated widely and measured for the value they created for the agency’s mission?

Does your team have access to and/or regularly review key internal reports that enable employees to factually identify areas of improvement and act?

Does your team train employees and/or engage internal or hire external partners to consult on process improvement strategies, models and practices?

ALIGNED GOALS + OBJECTIVES

FY25 AGENCY-WIDE TEAM EXPECTATIONS (JULY 2024-JUNE 2025)

FOUR CATEGORIES, SEVEN SMART GOALS

Financial Sustainability: **Department Budget +/-10% Accuracy**

Monitor quarterly with accuracy realized by EOQ4.

Financial Sustainability: **Lottery Product Profitability Action Plan**

Deliver action plan to increase lottery product profitability, approved by ET by EOQ3.

Security + Technology: **Deliver Y2 of IT Strategic Plan**

Deliver detailed year two projects of four-year plan approved by DAS, by EOQ4.

Team: **Align Organization to Leadership Pipeline**

Start delivery of Leader of Leaders by 10/31/24 and Leader of Others by 1/31/25.

Team: **Procedure Documentation**

Integrate documented procedures, maintain currency and continue enhancements by EOQ2. Assess, enhance, format and store by EOQ4.

Team: **Deliver Y1 of DEIB Strategic Plan**

Deliver detailed year one of three-year plan approved by DAS, by EOQ4.

Lottery Community: **Create Lottery Community Sentiment Action Plan**

Deliver action plan to maintain sentiment performance, approved by ET by EOQ2.



ALLOCATION OF RESOURCES

Agency efforts aligned to the strategic plan are self-funded by net profit and administrative savings from a previous fiscal year—that is set aside in an investment fund to ensure we meet future transfer demand and bond obligations—or within a FY through re-prioritization and cost savings achieved by mission excellence efforts.

These efforts seek to decrease operating expense baseline costs. Current and planned FTE, key strategic partners, contracts, capabilities and tools are leveraged to deliver this plan.

FINANCIAL SUSTAINABILITY

EXECUTIVE SPONSORS: DIRECTOR, DEPUTY DIRECTOR AND STRATEGY OFFICER, AD OF OPS, AD OF BUSINESS SERVICES

BUSINESS LEADERS: SENIOR MANAGERS OR MANAGERS IN F&A, PRODUCT, FLEET, DISTRIBUTION + FACILITIES, RETAIL CHANNEL, PLAYER SERVICES, CALL CENTER

| | FINANCIAL | HUMAN | TECHNOLOGICAL |
|--|---|---|---|
| Department Budget +/-10% Accuracy Monitor quarterly with accuracy realized by EOQ4. | Optimize a \$74.4M total department operating budget to minimize unintended administrative savings. | 28 budget managers accountable within departments through performance expectations. | Through M&I*, enhance D365 financial reporting system and develop better complementary tools using existing assets. |
| Lottery Product Profitability Action Plan Deliver action plan to increase lottery product profitability, approved by ET by EOQ3. | Deliver through existing FTE with capacity to scale changes. | 12 in place employees and vendor partners directly assigned to this work as part of their current capacity/contractual obligations. | Existing assets leveraged to enable teams to deliver an action plan developed well enough to be approved by ET. |

ALLOCATED RESOURCES

*Maintenance and innovation manages the ongoing improvements to a system's configurations after it launches a significant program phase.

SECURITY + TECHNOLOGY

EXECUTIVE SPONSORS: DIRECTOR, AD OF SECURITY, AD OF BUSINESS SERVICES

BUSINESS LEADERS: SENIOR MANAGERS OR MANAGERS IN IT, SECURITY, LOTTERY PRODUCT, GAMING OPERATIONS

FINANCIAL

Deliver Y2 of IT Strategic Plan

Deliver detailed year two projects of four-year plan approved by DAS, by EOQ4.

HUMAN

98 IT and Security team members accountable within departments through performance expectations.

TECHNOLOGICAL

3 projects require new software. The remaining projects are improvements on existing assets with maintenance budgets.

ALLOCATED
RESOURCES

TEAM

EXECUTIVE SPONSORS: DEPUTY DIRECTOR AND STRATEGY OFFICER, AD OF BUSINESS SERVICES

BUSINESS LEADERS: SENIOR MANAGERS OR MANAGERS IN EVERY DEPARTMENT

FINANCIAL

HUMAN

TECHNOLOGICAL

Align Organization to Leadership Pipeline

Start delivery of Leader of Leaders by 10/31/24 and Leader of Others by 1/31/25.

Deliver leveraging a budget of \$142K.

Deliver through contracted partners and 2 existing FTE with capacity to scale changes.

Use existing employee productivity tools and those provided by the strategic partner to deliver value.

Procedure Documentation

Integrate documented procedures, maintain currency and continue enhancements by EOQ2. Assess, enhance, format and store by EOQ4.

Deliver through existing FTE with capacity to scale changes.

450 employees each accountable within departments through performance expectations.

Leverage existing M365 platform to facilitate management of resources used for daily work across agency.

Deliver Y1 of DEIB Strategic Plan

Deliver detailed year one of three-year plan approved by DAS, by EOQ4.

Deliver through existing FTE with capacity to scale changes.

4 in place HR and committee team members directly assigned to this work as part of their current capacity.

Leverage existing M365 platform to engage, educate and evolve. Use existing assets for project delivery.

ALLOCATED RESOURCES

LOTTERY COMMUNITY

EXECUTIVE SPONSOR: DIRECTOR

BUSINESS LEADERS: SENIOR MANAGERS IN HR, CORPORATE AND COMMUNITY ENGAGEMENT, A&I

FINANCIAL

Create Lottery Community Sentiment Action Plan

Deliver action plan to maintain sentiment performance, approved by ET by EOQ2.

Deliver through existing FTE with capacity to scale changes.

HUMAN

5 in place employees directly assigned to this work as part of their current capacity.

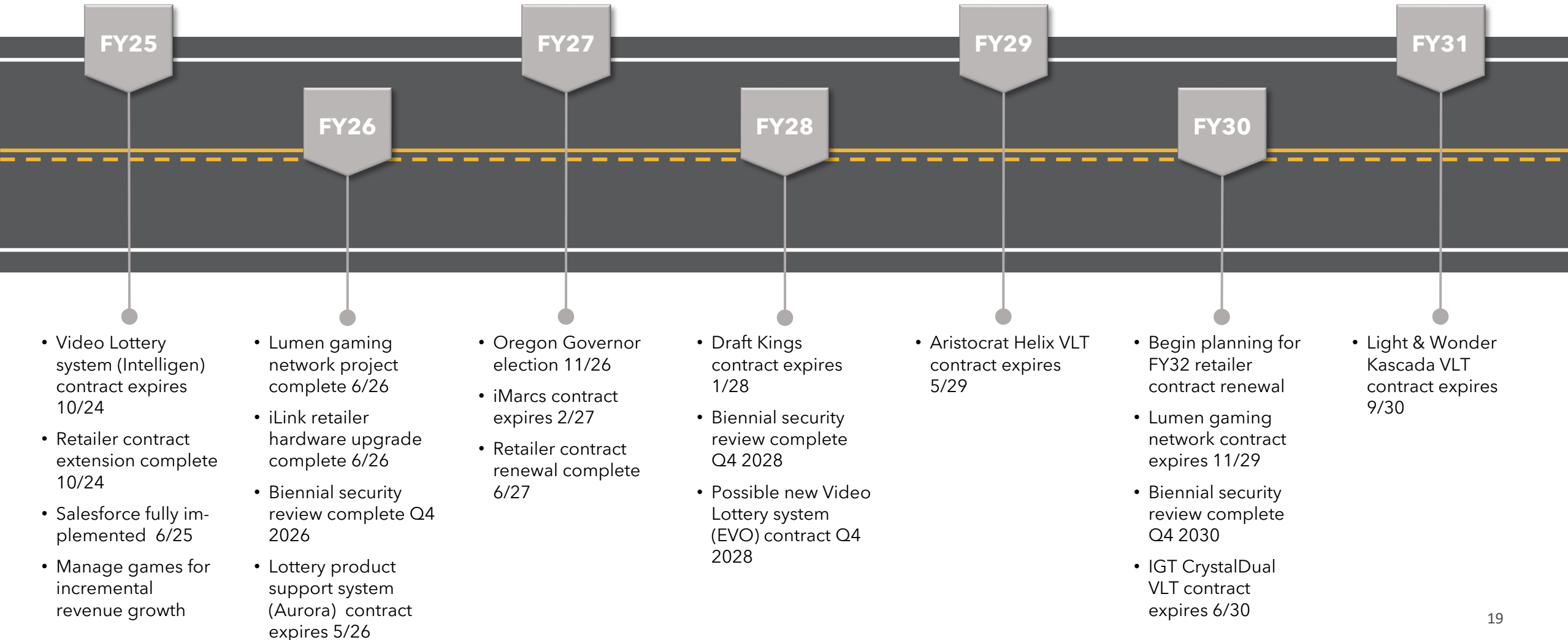
TECHNOLOGICAL

Leverage existing data analytics tools to provide insights informing plan using M365 platform.

ALLOCATED
RESOURCES

LONG-TERM ROADMAP

FY25-31 MAJOR MILESTONES IMPACTING MISSION EXCELLENCE



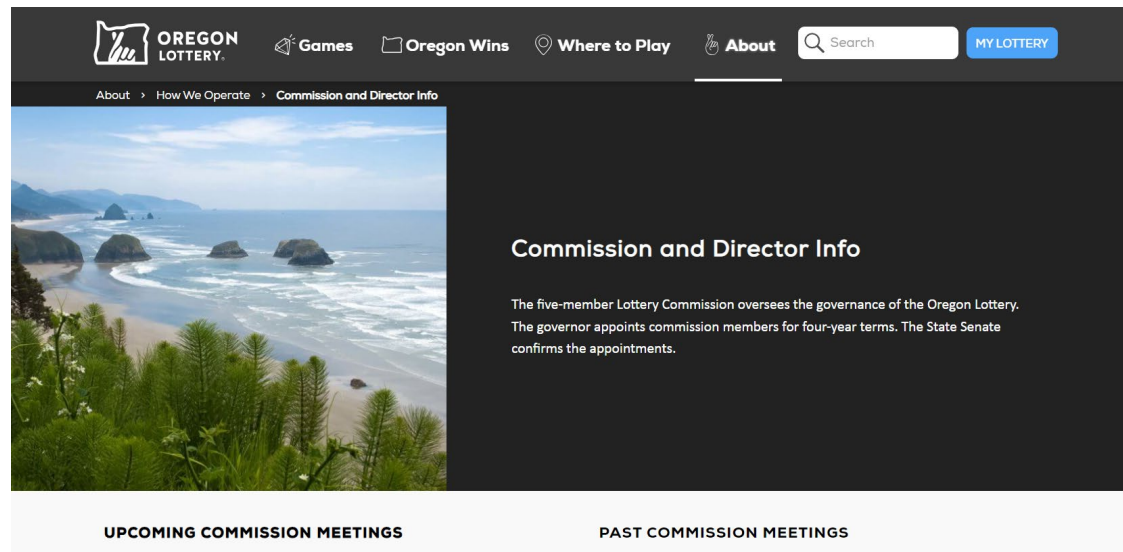


MEASURING PLAN PERFORMANCE

ACCOUNTABILITY + COMMUNICATIONS

COMMISSION INFORMATION, PUBLIC FACING REPORT + EOY ANNUAL REPORT

There will be three ways the public can view our strategic plan and two ways they can receive quarterly updates. Oregon Lottery holds itself **accountable to achieving the SMART goals** approved by our commission every year. Updates will start at the EOQ1 FY25.



View Strategic Plan

An explanation of the plan will be recorded in two, work session and approval meetings occurring in May and June 2024. The meetings will be posted on YouTube on our commission site.

The plan will also be posted on the commission site, and a separate page dedicated to accountability.

Receive Quarterly Updates

At the commission site and oregonlottery.org/strategy, the public may access a PDF of progress-to-date for goals and objectives in the current fiscal year. Further, updates will be provided quarterly at commission meetings and in our EOY Annual Report. The report will be posted within four weeks of the previous quarter's end.