



WASHINGTON'S LOTTERY COMMISSION MEETING MINUTES

August 17, 2023

Lottery HQ - Olympia, WA/Microsoft Teams

Commission Member Attendees:

Judy Giniger, Chair
Schuyler Hoss, Commissioner
Rudy Mendoza, Commissioner
Eileen Sullivan, Commissioner

Lottery Staff Attendees:

Jim Bevan, SharePoint and Office Administrator	Josh Johnston, Acting Director
Anquone Conyer, Support Services Manager	Derek Poppe, Director of Security & Licensing
Lenee Otto, Acting Chief Financial Officer	Tiffany Pringle, Legal Services Coordinator
Kim Ficek, Customer Service Specialist	Debbie Robinson, Director of Human Resources
Crystal Fischer, Chief Information Officer	Ron Smerer, Director of Sales & Marketing
Gaylene Gray, Instant Product Manager	Kristi Weeks, Director of Legal Services
Shar Hawley, Org. Perf. & Planning Administrator	Shanelle Montano, Acting Executive Assistant
Jenna Johnson, Procurement Manager	Stuart Woods, Regional Sales Manager
Corey Emer, IT Architecture Specialist	Carrissa Glassburn, Business Analyst
Randy Warick, Assistant Director of Marketing	Rita Hawkins, Security Administrative Assistant
Janet Brooks, Secretary Lead	Wyatt LaBaw, Security Specialist
Shelly Renecker, Fiscal Analyst	Teresa Wood, Fiscal Analyst
	Chris Rhodes, IT Customer Support Specialist

Other Attendees:

Becky Bogard, IGT	Dan Miller, Curator
Kristie Christensen, Wunderman Thompson	Drew Scolaro, Scientific Games
Brent Ludeman, Gano and Associates	Shannon Struempf, IGT
Eric Allen, Assistant Attorney General	Richard Pirtle, Community Member
Madeline Geller, Curator	Xiamara Garza, Curator
Rona Hoss, Community Member	
Aubrey Seffernick, Wunderman Thompson	

Call to Order:

8:31 a.m. – Chair Judy Giniger called the Lottery Commission meeting to order. She asked for a roll call of the Commissioners present at the meeting. In addition to Chair Giniger, Commissioners Eileen Sullivan, Schuyler Hoss, and Rudy Mendoza, were confirmed in attendance.

Approval of Meeting Minutes:

Chair Giniger entertained a motion to adopt the minutes of the June 22, 2023, Commission Meeting as presented.

Commissioner Sullivan **so moved**, and Commissioner Hoss **seconded**. Chair Giniger called for a vote for approval of the minutes of the June 22, 2023, Lottery Commission Meeting. Ayes were unanimous. **Motion carried.**

Director's and Deputy Director's Update:

Josh Johnston, Director, shared upcoming personnel news. Debbie Robinson, Director of Human Resources and Support Services is retiring after 25 years. A new HR and Support Services Director has been hired. Leah White-Noreen will start next Monday and will have two weeks of transition with Debbie for training.

Josh stated that Maria Douka, Chief Financial Officer has left the Lottery and Lenee Otto has been appointed as the Acting Chief Financial Officer.

Josh updated the group on the new Kennewick office location. We have a signed lease and the permits should be obtained within a week. The opening date is expected to be in November. Josh also updated everyone on the Southcenter DOI store. We have a signed letter of intent and lease negotiations have started. Floor space designs have been completed and we are ready to proceed once we get the leases back. The estimated date of move-in is mid-2024.

Josh then updated the Commissioners on Cash Pop game. This process is going extremely smoothly thanks to the project team. We are still on track for an October 23rd launch date. We will be turning the game on, on a Monday morning so that we are able to support our players if there are any issues.

Josh reported that a mobile app and loyalty program vendor was chosen. We have a 4-year contract with Marcus Thomas, with the potential for 2, 2-year extensions.

Josh gave an update on our current RFPs. Our market research contract has been finalized. Angus Reed has been selected as the successful bidder. This contract is 4 years with 1 potential 2-year extension. Our primary scratch vendor RFP is out for bids and closes on Sept. 14. We plan to announce the successful bidder on October 30. That will be a 6-year agreement with 4 years of potential extensions that can be executed in 1-year increments.

Commissioner Hoss expressed that he was impressed and appreciated the thought that went into the business model and how the Lottery has gone above and beyond to complete internal audits. This helps show the integrity of the Lottery. Josh reported that we have an internal auditor that does extensive audits within the agency. These audits come back with very little findings. Commissioner Hoss congratulated the Lottery on taking this additional step. Chair Giniger asked

how long the Eide Baily audit may take to complete. Lenee Otto, acting CFO, answered that they work for 2 weeks to review documents and then Lenee will work with them to finish. The audit is typically finished by late October or early November. Chair Giniger also congratulated the Lottery on the RFPs and thanked everyone. Chair Giniger asked if there were any questions and there were none.

Legislative & Legal Services Update:

Kristi Weeks, Director of Legal Services, reported that we have processed 13 requests for records or information since the last commission meeting. We received two new requests for administrative hearings. We have no proposed agency request bill for the 2024 legislative session. Kristi had the opportunity to attend the National Council on Problem Gambling conference in Washington DC. Kristi will go into more detail about our Problem Gambling program and initiatives during our next commissioner meeting. Kristi gave an update on Lottery litigation. We have two cases in which the Lottery is a named party in litigation. Neither case is moving at this time. Kristi also updated the group on two different cases that Washington's Lottery is not part of. LotteryNow is a website that sells lottery products online. They approached us about operating in Washington and discouraged it as we believe this is an unlicensed gambling activity. When they began operating anyway, the case was referred to the Gambling Commission, who issued a Cease and Desist Notice. LotteryNow has sued the Gambling Commission. To the best of our knowledge, they have stopped selling products in Washington state. It is scheduled for trial in March of next year. Commissioner Sullivan asked if there was a strategy to inform Legislators so that they are aware of this. Kristi responded that we will be prepping them in preparation for the 2024 session. Commissioner Mendoza asked if there are other states in which this is happening. Kristi responded that yes this is happening, but other states may not have clear laws stating if it is illegal. Washington state has very specific laws against internet gambling. Kristi updated the group on the sports betting lawsuit brought by Maverick Gaming and the legal process of this case. Commissioner Sullivan asked a question about if Maverick has been quiet in the legislative arena and Kristi responded that no, they continue to seek a legislative change. The Commissioners thanked Kristi for her work. There were no questions.

Financial Report:

Lenee Otto, Acting Chief Financial Officer, presented the updated the financials and the changes that occurred from the preliminary budget that was passed at the last commission meeting. Chair Giniger asked a question about the comparison of March-June. There is a big difference in other

non-operating revenues. Lenee reported that we had a large increase in non-operating revenue. The banks increased their interest rate, so we are earning a lot more interest than before. Commissioner Hoss asked about Mega Millions and its repricing. He asked if that was factored into our budget. Josh said that no, Mega Millions and Cash Pop are not reflected in this budget because they are new initiatives. Josh said that we are predicting about a 13 percent bump with Cash Pop and a 20 percent bump from the Mega Millions game change. Commissioner Hoss commented that he felt it was a remarkably solid budget. Josh did express that we do operate in a very restrictive environment, but we are confident in our ability to work within those restrictions. Chair Giniger asked to be reminded about the date for Mega Millions changes. Josh responded that the target date is January 2025, though this is not a promised start date.

A call for the final vote on the FY23-25 budget was made by Chair Giniger.

Commissioner Mendoza **so moved**, and Commissioner Hoss **Seconded**. Chair Giniger called a vote for final approval of the FY2023-2023 Budget for Washington's Lottery. Ayes were unanimous. **Motion carried.**

Lenee reviewed the financials for the year. Lenee explained that some expenses were higher because the Lottery invested in more LVMs. The debit process also has added additional costs because of debit fees. We are about .8 percent higher in contributions than last year. Chair Giniger asked if there were any questions. There were none.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing, reported out on the sales updates. We hit the billion-dollar sales mark for FR 2023, which was very exciting! Ron congratulated the Lottery team for all of their hard work that contributed to this milestone. Our numbers currently are looking very good. Lotto was hit last night, and the retailer is an independent retailer. As of 8/5/2023, every game has been doing very well. Ron spoke about our Corporate Accounts. These accounts account for 49 percent of our sales. All our Fred Meyers, Safeways, and QFCs will have 28 bin machines. Forty-seven percent of our scratch sales come from these corporate accounts. Ron expressed that we have a great team in the field, and we are working toward beating our billion dollar sales milestone. Chair Giniger commented that she noticed that Scratch has gone up in all other retailers, except 7-11. Ron responded that there have been issues with 7-11 paying out winners. Ron talked about the plan for a prize payment card, where prizes could be paid out on prepaid debit cards, making it easier retailer to be able to cash out prizes. Josh added that in retailer contracts, it does say they have to pay out prizes. We don't want terminate contracts with retailers because we recognize that there are limitations since many retailers don't keep large amounts of cash in store due to security reasons. The prize payment card can be used just like a debit card and the balance can be pulled out at any ATM.

Josh asked Derek Poppe, Director of Security, to talk about Security and theft issues. Derek reported that the theft cases have dropped dramatically in the last year. This is believed to be because of the retailer education and incentive to follow the security practices so that they can get reimbursed if they follow these practices faithfully and still experience a theft.

Chair Giniger asked to what extent these large jackpots in Powerball and Mega Millions drive our other sales. Ron said that its very noticeable that when these jackpots are large, we see considerable increases in Hit 5, Lotto, and Scratch sales.

Randy Warick, Assistant Director of Marketing, gave a Public Relations update. Randy shared that yesterday Washington's Lottery won a 1st place Summit Award with our 40th Anniversary booklet from the Public Relations Society of America.

Randy provided an overview of what our new billboards will look like. We will be updating the lighting on the boards so that all the lights are uniform color and easier to see.

Randy talked about the Seahawk's campaign. This campaign is very popular with players. The Seahawks are going back to their original uniforms, which provides us an opportunity to also use the throwback in our advertising. Two new TV commercials were played during the meeting.

Randy explained other content that we will have on social media. It is nice to partner with a brand like the Seahawks because we can leverage that for advertising, and they do that in turn as well.

Randy reviewed the attract screen for Cash Pop. Our attract screens have proven to be highly effective at driving sales and they are in our biggest, highest selling retailers.

Major League Baseball All-star game – This was a very challenging campaign, but it was executed well by the Lottery team. There was a huge turnout for sales and the second chance drawings.

Jackpot promotions – We are notifying players of the jackpots with alerts. Our push notifications have been an effective method of advertising as our jackpots increase. Eileen Sullivan asked if the Lottery was on Threads yet. Randy reported that we are not, but we are watching all social media to see where our advertising would be most effective. We don't want to dilute our advertising too much by spreading it out too thin.

Randy reported that Cash Pop is coming up, as well as a Kraken campaign. We are in the process of getting the creatives done for the Kraken campaign. This year we are giving away season tickets which should be a huge draw. The Kraken is a very eager partner to work with. Commissioner Mendoza expressed that he was very impressed with these campaigns.

Commission Report – Instant Ticket Artwork Review:

Gaylene Gray, Instant Product Manager, presented new scratch ticket artwork for the Commissioners to review. Judy asked how many \$10 tickets will be out at one time. Currently we have 4 and we always keep 4 out. \$10 tickets have become very popular, and players have been buying \$10 tickets more than \$5 tickets, like they did in the past.

Josh is going to do a refresh on this to update the Commissioners in a future meeting.

Commission Business/Agenda Items:

Chair Giniger asked if the Commissioners wished to bring anything forward for discussion, or if there were any topics the Commissioners wanted to recommend for the October meeting agenda. Josh stated that we would provide updated information on the state of the Lottery.

Public Comment:

Chair Giniger asked if any members of the public wished to make comments or voice any concerns.

Richard Pirtle, a community member, has noticed that the website has not been updated and there was no agenda for this meeting. Josh responded that we would investigate this and remedy it. Mr. Pirtle also commented that our 2016 second chance drawing done in partnership with Northern Quest was conducted online. Richard is wondering why the online process hasn't been continued when it's easier for players. Kristi Weeks responded that we had to discontinue this due to RCW 67.70.040(1)(a). Our players are not able to play a lottery game or become eligible to win a prize by interacting with a device other than a Lottery vending machine.

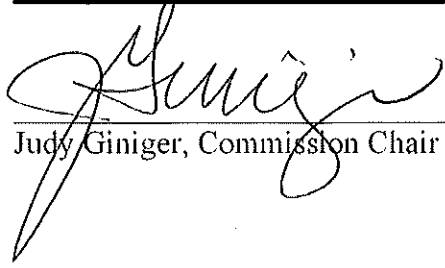
Richard also commented about the poker ticket that the Lottery distributed previously and thinks it would be nice to have one of these tickets again.

Adjournment:

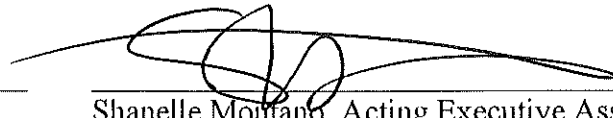
10:14 a.m. – Chair Giniger adjourned the meeting.

The August 17, 2023, Lottery Commission Meeting Minutes were approved this _____ day
of _____, 2023.

Respectfully submitted,



Judy Giniger, Commission Chair



Shanelle Montano, Acting Executive Assistant