

Lottery Commission Meeting
July 10, 2018
Lottery Headquarters
Olympia, WA

MINUTES

COMMISSION MEMBERS PRESENT

Commissioners Peter Bogdanoff, Laura Cantrell, Judy Guenther and Fred Finn

LOTTERY STAFF PRESENT

Director Marcus Glasper; Deputy Director Joshua Johnston; Director of Sales and Marketing Ron Smerer; Finance Director Maria Douka; Marketing Operations Manager Kathi Patnode; Senior Policy Advisor Randy Warick; Sales Assistant Director Lance Anderson; Instant Product Manager Gaylene Gray; Business Development Manager Kurt Geisreiter; Human Resources Director Debbie Robinson; Internal Audit Manager Ilene Frisch; Corporate Accounts Managers Jenny Whiteside & Bobby Frye; Merchandising Specialist Stacy Sund; Sales & Marketing Events Coordinator Patti Swihart; Administrative Assistant Rebecca McGinn; Lean Consultant Shar Hawley; Yakima Regional Sales Manager Scott Gatterman; Federal Way Regional Sales Manager Dean Renner; Spokane Regional Sales Manager Les Denison; Vancouver Regional Sales Manager David Dean; Human Resource Consultant Shelby Sheldon; Brent Pendleton; and Executive Assistant Debbie Meyer

OTHERS PRESENT

Mary Tennyson of the Attorney General's Office; Conrad Granito, Muckleshoot Casino General Manager; Bobby Hatam and Becky Bogard of IGT; Ryan Lyonnais and James Mackenzie of Cole & Weber; Ann Marie Ricard of Curator; Brent Ludeman & Steve Gano of Sci Games; Rebecca Kaldor & Ernie Stebbins of WIGA; Aubrey Seffernick of Miller Nash; Julie Lies of Washington State Gambling Commission; Stephen Wade of Lottery Management Consulting

CALL TO ORDER

9:31 a.m. Acting Chair Bogdanoff called the meeting to order.

INTRODUCTION

Acting Chair Bogdanoff asked for self-introductions from all attendees.

APPROVAL OF MEETING MINUTES

Acting Chair Bogdanoff entertained a motion to adopt the minutes of the May 1, 2018 Commission Meeting.

*Commissioner Guenther **so moved** and Commissioner Cantrell **seconded**.*

*A vote was called for to approve the minutes of the May 1, 2018 Commission Meeting. Ayes were unanimous. **Motion carried.***

CR 103

Acting Chair Bogdanoff shared that the commissioners needed to vote on the rules that were discussed during the work session.

Acting Chair Bogdanoff entertained a motion to adopt the proposed rules – WAC 315-02-130; 315-06-040; 315-34-057; and 315-38-090

*Commissioner Cantrell **so moved** and Commissioner Finn **seconded**.*

*A vote was called for to approve the adoption of the proposed rules WAC 315-02-130; 315-06-040; 315-34-057; and 315-38-090. Ayes were unanimous. **Motion carried.***

FY 19 BUDGET REVENUE AND EXPENDITURES

Acting Chair Bogdanoff entertained a motion to approve the FY 19 budget revenue and expenditures.

*Commissioner Finn **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the FY 19 budget revenue and expenditures. Ayes were unanimous. **Motion carried.***

DIRECTOR'S UPDATE

Marcus introduced the Lottery's New Deputy Director – Joshua Johnston. Joshua comes to us from the Department of Licensing where he recently served as the acting Deputy Director while concurrently filling duties as the Project Director overseeing one of Licensing's largest business transformation projects in the state. He has worked for DOL for the past 8 years. During this time, he has held positions as Tribal Liaison, Policy and Legislative Administrator, Deputy Assistant Director, and Project Business Director. Josh has great experience in policy, strategic planning, tribal relations, legislative matters, and change management. Josh has a Bachelor's degree in Sociology and a Master's in Public Administration, both from the University of Washington. This is his second day on the job and we're excited to have him on board.

Marcus asked Josh if he had any words he wanted to share.

Josh shared that he has noticed that staff are doing an exceptional job. Everyone is excited about what they do and how they do it. He is excited to dig in and get to know all the different parts of lottery.

Acting Chair Bogdanoff welcomed him and told him the Lottery is a great team to work with.

Marcus shared that since the last meeting, three staff had an opportunity to attend the LaFleur's conference in Washington, D.C. and you heard some highlights from Bobby Frye in the work session.

Marcus mentioned he attended the NASPL Director's Meeting in Portland, Maine in mid-June and that was a great opportunity for him as a new director to meet his counterparts and get exposed to the issues and initiatives affecting the lottery industry. The Mega Millions Consortium and the MUSL states also used this time to conduct their formal business meetings. Sports betting dominated many of the sessions and conversations.

Coming up shortly is the NASPL Professional Development Seminar which will be held July 23-26 and several of our staff will be attending.

Marcus reported on courier services at the last Commission meeting. The Canadian Lotteries had sent a letter to MUSL and the Mega Millions Consortium asking us to take reasonable measures to prohibit our member states from promoting or collaborating with courier companies who provide services that are illegal under Canadian law. They were

primarily concerned about a company in Oregon who is partnering with a retailer to conduct Internet sales to international residents and buying a large number of Powerball and Mega Millions tickets that were then sent to Canadian residents.

After much information gathering, meetings, input from our legal counsels, consulting with MUSL, at the recent NASPL Directors meeting in mid-June, the Mega Millions consortium did vote to adopt a new rule into the Mega Millions game rules that seeks to prevent the active enabling of extra-jurisdictional sales of Mega Millions tickets. The rule provides a progressive disciplinary process for the potential removal of any state who knowingly violates the rule upon a two-thirds majority of the Mega members (8 out of 11 states). They would first receive a letter of warning; then suspension from participation from the drawings for a period of time; and then finally expelled from participation in Mega Millions if they don't comply with the rules. Out of the 11 members that were present at the meeting, 9 voted in favor, one opposed, and one was absent.

The Consortium has provided the new rule to MUSL, and the MUSL Executive Committee asked Mega Millions to delay implementation while they consider action within MUSL that would seek to provide consistency across both games. The Mega Millions Consortium sent a letter back to the Canadian lotteries informing them of the new rule.

The new vendor for the Mega Millions Website is Marcus Thomas, LLC. The project kicked off on June 5 and is well underway and they are targeting a November 14th transition and site launch, which is about 6 weeks behind the original target date of October 1. The project will entail a new creative concept and website design, they will manage ad revenue, and then they will focus on building out the hosting environment. The project is being managed by the Georgia Lottery.

You're all aware by now that the Supreme Court declared PASPA unconstitutional. Many states are looking to determine what steps they must take to legalize sports betting. Some are pre-positioned to enact draft regulations while others are looking at what regulatory framework is needed for their particular state. As many as 18 states are considering some form of sports betting legalization.

States are also watching to see if the Federal Government will intervene with a broad brush concept in order to mitigate the impacts of a state-by-state regulatory approach. NASPL has actually come up with a position and talking points on behalf of the lotteries because there were some scheduled hearings that were later postponed.

Washington has not taken a policy position. We do know that the Gambling Commission and some Washington lawmakers are studying the matter to determine potential impacts.

As you can imagine, there is lots of talk about this issue in the Lottery industry. We do have some statistics about who is managing those states that have adopted regulations or are proposing regulations. About half the lotteries are managing sports betting and the other half you have gaming regulators doing it.

We are keeping a close eye on it and working closely with the Gambling Commission on the matter. While we and the Governor's Office have not taken any type of policy position, anecdotally we do know that others are including the Lottery in various hypothetical proposals so it's important that we stay connected and educated on this area. In fact, it might be a good idea for us to provide a more formal presentation on this subject at a future meeting.

There have been a couple Results Reviews with the Governor since the Commission's last meeting, but the one Marcus wanted to highlight was on Improving the Employee Experience.

This was essentially a follow up to the annual employee engagement survey where the purpose of the meeting was to make leaders aware of various ways of how we can improve the employee experience by creating respectful, inclusive and intrinsically motivating work environments where employees can thrive.

The session focused on a variety of areas from presentations on flexible work environments to various presentations on statewide business resource groups such as the Veterans Employee Resource Group, the Rainbow Alliance and Inclusion Network, People with Disabilities Resource Group, Latino Leadership Network, and the recently formed Washington Immigrant Network.

The discussion really centered around the fact that we all have a responsibility in creating a respectful workplace, but especially leaders because they are in positions of influence. John Wiesman, Secretary of Health, gave a very moving talk at the end of the session and Marcus encouraged anyone who is interested to watch it on the Results Washington website.

The Gambling Commission is continuing to make progress on the Program Gambling Study. Marcus referred to it as the pre-cursor to a true problem gambling study.

With the limited time to conduct the study, they agreed to do an interagency agreement with the University of Washington and Washington State University where they will form a combined team and work together as the vendor. They will assess the level of responsible gambling programs in place, review academic literature on such programs to identify program components with evidence of effectiveness, and/or evidence as an

emerging best practice and then develop and conduct survey(s) or qualitative interviews regarding the current state of prevention, treatment and recovery programs and services for people with gambling-related problems offered within Washington State.

The study is essentially focusing on the extent of services available for problem gambling today, not the extent of problem gambling. The study is due to the legislature for the 2019 legislative session. There will likely be a recommendation for further studies.

Internally on the Security front, the Multi-State Lottery Association (MUSL) Annual Certification "Self-Audit" was just completed for our annual certification through MUSL. This is a requirement under MUSL's Rule 2.

This certification covers our Computer Gaming System (CGS), the physical and logical access to the system, the Internal Control System (ICS), and the Lockdown Alternative (LDA). MUSL auditors will be visiting Washington's Lottery this year. They come once a biennium for full compliance audit; they were last here in 2016. Our next onsite audit is scheduled for this fall.

In late May, we had a theft at our South Center Kiosk. Kiosk staff was preparing \$1,700 cash from the Lottery Vending Machine (LVM) for deposit. It just so happened that a suspect was watching, ran up to the kiosk, grabbed the money bag, and then ran out of the mall. One of our staff chased the suspect but luckily the suspect's image was captured on mall security video. Charges have been filed against the suspect, he was sent a summons, and had his first court appearance scheduled. The agency is also in the process of completing restitution forms for recovery of the losses.

This was an unfortunate incident and thankfully no one was hurt, but this has also prompted us to put a cross-functional team together involving Security, Finance, and Internal Audit to evaluate the incident in order to determine what improvements we can make on our side to hopefully try and prevent this type of incident from occurring in the future.

Another incident was discovered at the Lynnwood Fred Meyer store. An internal reviewer conducted an audit of lottery tickets and discovered an estimated \$97,000 shortage. This prompted an investigation in which surveillance video captured footage of a department manager sneaking out packs of \$30 tickets. Our own security staff reviewed our internal systems and could identify that a total of 98 packs had been stolen going back to February 2017.

One of the root causes seems to be that Fred Meyer violated its own policies around internal controls and had trusted this manager to do all the activity around activations and

loading of tickets, and audits without any checks and balances. Out of the \$97,000, the manager cashed in over \$50,000 in winnings from those tickets. Fred Meyer is working with police to complete the case and file charges.

Marcus shared a few more things going on internally. The management team will be having a 2-day off-site leadership development and strategic planning work session on July 30-31.

The agency has awarded work to Scientific Games for our mobile app enhancement. Cole & Weber currently manages our app and that will be transferred to Scientific Games. The work is in the beginning stages and will be rolled out in two phases to include new features.

The first phase of development will feature enhancements such as digital play slips; the opportunity to check both draw and scratch tickets for winnings; and the ability to just scan your ticket for entry into second chance drawings.

The second phase will include a new Loyalty Program for players. The project schedule is still being fine-tuned but the tentative go live date for phase one is January 13, 2019. The team is excited about these new capabilities and the impact it will have on our players.

Commissioner Finn asked how we were covered insurance wise for the theft. Director Glasper pointed out that the state is self-insured. We go through the Department of Enterprise Services for anything that is insurance related.

Commissioner Cantrell thanked the director for his excellent report. She thanked Marcus for making the offer to have a presentation for the commissioners on sports betting and she believes this would be very helpful for the next meeting perhaps, if it is not too soon.

LEGISLATIVE & LEGAL UPDATE

Marcus shared an update on behalf of Kristi Weeks.

Kristi asked Marcus to report that there have been no lawsuits filed since the last commission meeting, and that we have had 15 public disclosure requests.

Kristi is working on a new form to ensure that people who use the Public Records Act to request a list of names such as winners does not use the list for commercial purposes as this is specifically prohibited by RCW 42.56.070(6). In the past, we have only asked requesters to attest that they will not use the list for commercial purposes. A 2016 court

case held that simply asking might not be sufficient. Rather, agencies have an affirmative obligation to investigate the requester's intended use.

The Lottery's rulemaking webpage has an added mechanism for public comment on proposed rule changes. This is a best practice that provides the public with a convenient opportunity to participate in the rulemaking process.

On June 27, the US Supreme Court issued a 5-4 decision that held government workers who choose not to join unions may not be required to help pay for collective bargaining. Forcing those workers to finance union activity violates the First Amendment. Prior to that decision, Washington state employees in certain represented job categories were required to pay union dues although they could elect to pay a reduced fee if they did not want to finance the union's political activities. The Washington Federation of State Employees represents the Lottery's DSRs. At this time, we are unsure how this change from mandatory to voluntary participation will be implemented. We will look to the Governor's office for guidance and work with them as the process unfolds.

There was one question raised at the May meeting - is there a prohibition on Canadians taking lottery winnings home (back across US/Canadian border)? Kristi did some research and found that taking winnings across the border into Canada is allowed although amounts exceeding \$10,000 Canadian must be declared. In fact, foreign lottery winnings are even free from income tax in Canada. However, there is a federal rule, 19 CFR 146.1(13), that prohibits bringing a lottery ticket into the US even if it was originally purchased here and then transported out of the country. Under this law, if a Canadian citizen traveled to the US, purchased a draw ticket, took it home, and then had to return to the US with the winning ticket in order to claim the prize, they could be stopped by US border officials and refused entry.

Acting Chair Bogdanoff mentioned that there would be a short executive session at the end of the meeting.

SALES & MARKETING

Sales Update

Sales & Marketing Director Ron Smerer mentioned that Brent Pendleton not only works with Kurt but he also goes to the meetings that Kurt and Ron attend with the tribes. He takes notes at these meetings and comes back and helps put together the details of the tribal promotions.

Ron shared the sales numbers with the commissioners. He told the commissioners that we had a fantastic year; FY18 actual sales of \$734.4M. A new fiscal year has started and we have a lot of work to do moving forward. The scratch ticket sales were tremendous. The team out in the field, the headquarters team and especially Gaylene came up with the tickets and this did a great job to grow the sales. We are struggling in some of our draw game sales – Lotto & Hit 5 in particular. We are looking at ways to strengthen some of our draw games.

Just to let you know that the SeaTac Airport kiosk had over \$2M in sales for the first time ever. The sales at the Southcenter kiosk were close to \$900,000. Ron shared that Dean has challenged the group there to hit \$1M next year. The Tacoma Mall kiosk was over \$400,000 in sales. Our kiosks are doing really well and we are looking at new opportunities. We have had other malls contact us, and we will be making decisions about whether there is business sense to add more kiosks.

Sales Update

Sales Assistant Director Lance Anderson talked about next year's sales. We utilize the Economic Revenue Forecast Council's number to get our baseline goal and then apply a percentage above that for our district sales representatives who have an incentive to work towards. Next year's sales goal is \$742M. Just for perspective, last year's goal was \$701M. We then take the scratch product and apply the percentage of sales that happened in this fiscal year to that goal. The heavy lifting is really going to come out of the \$10 and \$20 price point. The \$5 price point has been our meat and potatoes so the marketing team is going to share with you some of the activities that we are going to wrap around that.

You will notice that the RSM's are in the room today and they are really tasked with giving direction to the 33 district sales reps that call on the 3,800 lottery retailers to apply a focus to achieve our sales goal.

Commissioner Finn asked about the factors that are considered when we place a kiosk in a mall or an airport.

Ron responded that we want to make sure the foot traffic would be enough to really pay us back for the investment we have put in to not only building it but the staff we hire to run and we aren't open the same hours of the mall. The mall has to be ok with the limited hours that we are open. We just want to make sure that the investment we put in is paid back.

Marketing Update

Marketing Operations Manager Kathi Patnode shared that she and Randy would talk about successful new product and brand launches; the increased exposure for our beneficiary message through Seattle Refined (a KOMO news program); our dynamic jackpot digital creative as well as out of home; player engagement in social and PR winner stories.

In June we launched Ms. Pac-Man and it's amazing! Kathi gave a shout-out to Cole & Weber for coming up with a great campaign. They are always very creative, but for Ms. Pac-Man instead of doing the obvious and promoting Ms. Pac-Man, they told the story from the ghost's perspective. We are in the process of creating a video that is sort of like a documentary where they interview the ghost about how great it was working with Ms. Pac-Man.

Through Pandora, we launched the Washington's Lottery 80's themed radio station which has 100 top 80's hits. We had a goal for a 10 week program to have 15,000 downloads and in the first week we had almost 4,000, so it's been a very popular download. We also had digital media with a 15 second pre-roll which is also on Pandora. We also had banner ads and on social we promoted the ticket and next week we will launch a personality quiz, so you can see what ghost's personality you are most like.

Kathi shared that Muckleshoot was great to work with on designing the advertising campaign for the scratch ticket and second chance drawing. If you watch Channel 13, Wheel of Fortune or Jeopardy you couldn't help miss Muckleshoot's advertisement promoting the ticket. We also created a mobile video game where you try to get three icons that match. Our mobile game had over 1.7M impressions across the state and an interaction time of nine seconds.

We had our first drawing for the qualifying round at the Muckleshoot casino scratch tournament. We had 23,000 entries in the drawing, and we sent 200 people to the first qualifying tournament. Muckleshoot sent 120. Out of the 320 people, 60 people were qualified to go to the final tournament and 34 of those 60 people were Lottery players and winners of the drawing. The grand prize in the qualifying tournament is \$25,000.00 and that was also won by a lottery player.

Kathi shared with the commissioners that the Sounders season is long – it is March through the end of October. From March to June we ran a \$5.00 Hit 5 promotion. If a player purchased a \$5.00 Hit 5 ticket you received a web code to enter one of three drawings and we gave away two Sounders for a Day experiences. This is the first time the Sounders have given away that prize package and we worked with them to develop it. The winners

got to sign a one day contract with the Seattle Sounders; they attended a private pre-game practice; there was a meet & greet with the players; autographed merchandise and they sat in seats on the field. For the third drawing, the winner will attend the MLS All-Star Game in Atlanta, GA in August.

Last year we had great prize packages and for that promotion we had 5,210 web entries and for this year's promotion we had 36,119 entries which is a 500%+ year over year growth in total entries.

For July-October we have stadium assets. We developed a Department of Imagination video that will play in stadium and we have cut down to 30 seconds for website pre-roll and we are advertising it on sports related media channels.

Randy stated that one of the greatest things that Kathi shared was that the Sounders were identified early on as a target audience for us but we struggled to bring them to the table and Kathi has done an excellent job in doing that.

Randy mentioned last year's origami beneficiary spot. He didn't think we would ever top that but this year we had Cole & Weber bring forward the idea of a domino builder and her name is Lily Hevesh; she is world-renowned. She is the leading domino expert in her field. We were able to strike a deal with her and she came to Seattle for three days to build out our beneficiary spot. In doing so, KOMO News and Seattle Refined caught wind that we were doing this and they asked to come down and video it. In that process they did a time-lapsed video and they asked us to participate in the Seattle Refined show. Marcus did an interview with them as well. Kristi Weeks did a spot as well and Dean Renner our RSM in Federal Way stepped up big by doing the final spot.

The spot played through the month of May and in doing so there were many teasers leading up to it. There were many segments and we have it on the website and in social media and obviously the broadcast spot. In the spot you were able to see how the beneficiary was built out and the good that we do. One of the best parts about it is that Curator went and did their work and they reached out to our benefactors and beneficiaries of the scholarship fund. We were able to track down a student that was able to go to school because of college bound dollars which is part of what Washington's Lottery puts money towards. He did an interview and it became very dynamic for us. He is a teacher today and he started planning in 7th grade for this scholarship.

We then went to a retailer in Dean Renner's territory who is very pro-Lottery. He has taken some of his Lottery proceeds and he sponsors a golf tournament and he donates the money raised to a specific school. In the end we did an amazing job, everybody did their part and we did a great job of getting our beneficiary message out.

If you are heading south on I-5 there is a big shining billboard in the I-5 curve that has our Mega Millions and Powerball jackpot information. This is a new program that we started this fiscal year and will roll it over to the next fiscal year. What we have done in the past is just advertise on billboards. What is unique about this program is that we have eight billboards and they are limited to maybe 2-3 months and then we remove the signage and move it to a different billboard. So you get used to seeing it in Fife and then it's gone and it might show up in Tacoma. It will be on both the east and west sides of the state.

We took the imagery of the jackpot sign and took it to social media. We tied it in to specific topics. So if you were to search golf or something like that we would give you a jackpot sign that was related to golf. This has been a very successful program. We have seen 2.5M in impressions which is a 59% increase for this type of program for us.

We have done a really good job about getting more engagement with our players and customers. One of the ways we are doing that is through video and interactive gifts. What Kathi spoke about in the Muckleshoot example was the interactive video mobile game. There are no prizes, people do it for fun. What happens is they stay on there for seven or eight seconds and they are interacting with our message.

Curator works with our winners to get them to share that they are winners but sometimes this is hard. To recap some of our winner stories and what is important to them - pay for education; home improvement projects; visit family; and then you go to a life-long dream of owning your own Corvette.

Randy mentioned what we having coming up next is Seahawks. We have the Day of the Dead scratch ticket that will launch in September. We are also working on our holiday scratch and some of the artwork will be reviewed in a few moments.

What is exciting for Randy and Kathi is that they are working on FY 19 brand. They are working with Cole & Weber and Curator to see where we are going to take the Department of Imagination in FY19.

We had talked about launching a Willy Wonka ticket. We are going to shelve that right now and we are going to put a greater emphasis on the game of Life that will be a big ticket launching in January of 2019.

Our scratch product grew leaps and bounds this year and specifically there was great growth in the \$10 ticket. We launched two new product ideas – a big ticket as well as a high odds game and we are just getting ready to launch our second high odds game. The

high odds concept is that you can only win \$50 or \$100 prizes or you don't have a winning experience.

COMMISSION REPORT – INSTANT TICKET ARTWORK REVIEW

Instant Product Manager Gaylene Gray stated that this year's scratch sales was a new record and everyone keeps saying \$507.9M but she likes to say over a half billion in sales.

Gaylene revised the artwork for the \$10 Holiday Countdown scratch ticket. We have revised some of the symbols and the snow man at the top has been removed. The revised artwork was e-mailed out to the commissioners so they would see the revised artwork. We received no comments from the commissioners. The holiday tickets will go on sale October 31st.

Acting Chair Bogdanoff asked if any of the commissioners had any concern with any of the artwork that is in the packet and those present ok'd the artwork.

COMMISSION BUSINESS

Acting Chair Bogdanoff asked if there was any commission business to bring before the commission and there was none.

OTHER BUSINESS

Acting Chair Bogdanoff asked if there was other business to discuss and there was none.

PUBLIC COMMENT

Acting Chair Bogdanoff asked if there was any public comment.

Stephen Wade made a comment concerning the financial projections for FY19. Stephen Wade congratulated the Lottery on half a billion dollars in sales. More interesting and a little harder to get to is the profit from those sales which easily amounted to over \$100M from just the scratch portfolio alone in FY18.

The thing that connects those two of course – over half a billion dollar in sales and the over \$100M in profit is the prize expense of the games, which is again due to the way we

built the prize structure. The projection that comes from the Economic Revenue Forecast Council is of course mostly concerned with knowing what money we are going to be able to give them. So they are very interested in being able to predict the revenues we will transfer to them and they understand that that comes from sales and they understand that the mediating factor there is the prize expense of the lottery portfolio and particularly the scratch portfolio.

Over time, there is a trend toward selling tickets of increasing face value. A little known fact outside of the industry is that the lottery's profit margin on the more expensive tickets is progressively thinner. Overall across the whole portfolio, we have a 70% prize expense from the scratch tickets that are sold and as the mixture moves toward higher price points the prize expense gets bigger and the margin gets smaller. Therefore it is very encouraging that despite the movement of the actual revenues that we have been able to bring from the scratch portfolio have exceeded the forecast based on the long baseline.

Economists, such as those at the Forecast Council, rely on reams and reams of data to try to understand what is driving the business and they recognized a long time ago that the basic economy in Washington, the size of the population, disposable income, rate of inflation, etc, are very important drivers and their models take that in to account. If you were to, as they did, build a model based on 16 years of results from FY 2000-15 and project using that, our future sales and profit, you would get an ascending curve because after all the population continues to grow and our economy is hot right now. Since FY 16 Washington's Lottery has exceeded that economic forecast by about 8% each year. We attribute this to the changes that were made in the prize structure starting in FY 16.

If that continues through the end of FY 18, and we continue to beat the economic projection by about the same amount, for perspective, it amounted to about \$3M in excess profit just in the last quarter. This is a good story and success continues. The important numbers are not always the ones most visible but we are doing very well in that department.

Acting Chair Bogdanoff commented that he felt the creative marketing and the work of the Lottery staff helped us to exceed the expectations that were based on the projections. We have to take a pretty creative approach and staff have done an excellent job in doing that.

Stephen Wade agreed but stated he wouldn't discount the importance to the player.

Acting Chair Bogdanoff wanted to say something before going in to executive session. He stated this was his last meeting as a Lottery Commissioner and he has enjoyed his work thoroughly. Great staff and a fun group of people to work with.

EXECUTIVE SESSION

Acting Chair Bogdanoff called for an executive session.

ADJOURNMENT

11:03 a.m. *Acting Chair Bogdanoff adjourned the meeting.*

*July 10, 2018 Lottery Commission Meeting Minutes approved this _____ day of
_____, 2018.*

Respectfully submitted,

Valoria Loveland, Commission Chair

Debbie Meyer, Executive Secretary