

Lottery Commission Meeting  
June 23, 2016  
Lottery Headquarters  
Olympia, WA

## **MINUTES**

### **COMMISSION MEMBERS PRESENT**

Chair Valoria Loveland, Commissioners Judy Guenther, Peter Bogdanoff and Fred Finn.

### **LOTTERY STAFF PRESENT**

Director Bill Hanson, Deputy Director Jim Warick, Director of Sales and Marketing Ron Smerer, Director of Legal Services Jana Jones, Director of Finance and Administration Beckie Foster, Research and Development Manager Stephen Wade, Director of Security Dan Devoe, Marketing Assistant Director Randy Warick, Sales Assistant Director Lance Anderson, Lean Consultant Russell Burgess, Business Development Manager Kurt Geisreiter, Human Resource and Customer Service Director Debbie Robinson and Executive Assistant Debbie Meyer

### **OTHERS PRESENT**

Eric Sonju Attorney General's Office; Bobby Hatam, Steve DiMasi, Russ Tanner and Bobby Hatam of IGT; Nadine Tull and Ryan Lyonnais of Cole & Weber; Ann Marie Ricard of Curator; Ron Miguel of Sci Games; Dylan Doty and Eric Peterson

### **CALL TO ORDER**

9:41 a.m. Chair Loveland called the meeting to order.

## **INTRODUCTIONS**

Chair Loveland asked for self-introductions from all attendees.

## **APPROVAL OF MEETING MINUTES**

*Chair Loveland entertained a motion to adopt the minutes of the April 28, 2016 Commission Meeting. Commissioner Finn **so moved** and Commissioner Bogdanoff **seconded**.*

*A vote was called for to approve the minutes of the April 28, 2016 Commission Meeting. Ayes were unanimous. **Motion carried**.*

## **FY17 Budget**

*Chair Loveland entertained a motion to approve the FY 17 Budget.*

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

*A vote was called for to approve the FY17 budget. Ayes were unanimous. **Motion carried**.*

## **CR 101**

*Chair Loveland entertained a motion to approve the filing of a CR 101 for changes to the instant ticket and draw game retailer settlement rules in order to offer additional payment options to licensed retailers. Commissioner Bogdanoff **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the filing of the CR 101 for additional retailer payment options. Ayes were unanimous. **Motion carried**.*

## **DIRECTOR'S UPDATE**

Director Bill Hanson talked about the Lottery's Lean program; Bill believes this program is really working at the Lottery. The employees have grabbed on to the concept and they are seeing that their ideas can make a big difference. For managers this program is a bit

scary; Bill shared that he doesn't need to make as many decisions as he used to and neither does Jim. Bill is very happy about Lean.

Bill attended a Governor's retreat a few weeks ago. They talked about the Budget and the McCleary lawsuit and directors were basically told not to ask for anything because you won't get it. It is tough to move forward with things, but if you put yourself in a legislator's position you can understand it.

We hope to hit \$700M in sales by the end of the fiscal year and we have increased our sales for the last six years. In some years we saw sales increase during years when we had to reduce our budget.

Kurt is now doing a lot with the tribal affairs. For years there has been somewhat a tense relationship that we have had with tribes. Tribes worry about what we do because they think that we are going to cut into their business. We are trying to shore up our relationship with the tribes and Kurt has already met with a number of the tribes and is scheduling more. He is doing a great job. We have 37 tribal convenience stores and they do really well, so we are already in partnership with the tribes.

Bill and Kurt met a couple of weeks ago with the Colville Confederated Tribes above Grand Coulee. They met with the chairman Jim Boyd, and Bill found out last night that he died yesterday.

#### **DEPUTY DIRECTOR'S UPDATE**

Deputy Director Jim Warick reminded the commissioners at the April meeting that he briefly talked about the amusement 12 games that the Gambling Commission had put into play, commonly referred to as the nudge games. They had a commission meeting in May over in Kennewick where they upheld that those nudge games would be continuing in our state. Part of it though is that there are new rules around how those games will operate. The companies that supply these games immediately filed a lawsuit against the new rules. Jim believes there is a preliminary hearing in July of this year, so that puts everything on hold.

Chair Loveland asked what the basis of the lawsuit was.

Jim shared that the basis of the lawsuit is around the new rules. Before, gift cards were used as prizes and the winners could use the gift cards and exchange them for value within the store. Now the gift cards have been done away with and they also eliminated some of the ways that games can be played; that no cash could be provided. Jim had a

chance to talk with Dave Trujillo and Amy Hunter, the director and deputy director of the Gambling Commission. This issue will likely be ongoing for a while. They are upholding the amusement 12 games; they don't plan on rescinding them. They will just be working on establishing what the real rules will be in how they are going to operate here in the state of Washington.

Jim attended the NASPL Director's meeting in Cleveland, OH on behalf of Bill. Some of the topics that came during the meeting were – Paula Otto who is the director of the Virginia Lottery and has been the lead director for the Mega Millions states for the last three years has stepped aside from that role. Debbie Alford from Georgia will be the new lead for the Mega Millions states. Virginia will continue to be the clearinghouse for all the funds when a large jackpot is hit.

On the other side of the equation is the MUSL group which represents 37 different entities. They had a change in leadership; Jeff Anderson out of Idaho had been the current MUSL president and the new president is Gary Grief from Texas. Also there has been a change in leadership at MUSL, the new executive director is Brett Toyne. He replaces Chuck Strutt.

The three groups – Mega Millions, MUSL and NASPL are all still moving forward with an RFI to go out to a third party to see about how these three groups might be combined together to accomplish the goals of this industry. They hope to have the RFI out on the street by the end of June.

For the last two and a half years the commissioners have heard Jim talk about the gaming implementation project and he is happy to say that on Sunday, June 26 it all happens. A number of staff will be in the office on Sunday morning working to make sure that everything goes according to plan as well as multiple people out in the field. Ron has the DSR's and corporate account managers and other folks that will be visiting five retailers in their areas to help retailers if needed. There are also a huge contingent of people from our vendor IGT that will make things go as seamless as possible. We are fully expecting that we are not going to have any major issues, Jim believes there will be some things we have to deal with but as long as the consumer is able to buy tickets and are able to redeem them, we can deal with everything else internally.

There has been a lot of hard work that has been done and we are coming down to the finish line. Staff here have stepped up and done what they have needed to do to make this conversion happen. Jim thinks we are in good shape for the conversion to run very smoothly.

## **LEGISLATIVE & LEGAL UPDATE**

Legislative Services and Legal Director Jana Jones shared that things are going well at the Lottery from a legal perspective, just some routine contracts and extended leases for kiosk spaces.

Jana shared that she was asked to speak at the NASPL Professional Development Legal sub-committee that is coming up in Pittsburgh about the Canadians crossing with tickets. We talked about this topic at a previous commission meeting. This is an ongoing query that the Lottery receives from people that are either Canadians or US citizens living in Canada who frequently cross the national border and they purchase our Lottery tickets. The concern is - has this issue been resolved; what happens if we win the big jackpot; will Canadians be stopped at the border; how will I be able to claim the ticket.

These are questions we really don't have clear answers to at this point in time. Jana shared that she and Bill did contact Senator Murray's office. This is a dilemma for us. We know that we would pay the prize; we would find a way to pay the prize if a Canadian citizen or any citizen if they are holding a winning ticket in Canada and needs to come across the border. We are just not sure how we will make that happen. Jana will be working with some of the other Lottery lawyers around the country. We will be having a discussion at a sub-committee breakout session and she will report back on how that discussion goes.

Chair Loveland suggest that we might want to contact Senator Maria Cantwell's office as well because she does a lot of international work. She is big on trade and issues associated with working with other countries. Her experience with working with Senator's Murry & Cantwell's Office has been that you actually have to have the solution to your problem in order for them to carry it forward.

Jana said the question for her is - why does the US Federal Code prohibit the transport of lottery tickets across the national border. She doesn't think it's been looked at for many, many years and that really is the barrier. That they are simply prohibiting the transport of the tickets. Jana agreed that providing language to Senator Patty Murray's office is really the way to go.

Director Hanson stated that he thinks when we check back with Senator Murray's staff person that we can have some type of draft language put together that we think might work.

Commissioner Bogdanoff shared that if Jana needed some interaction with the Canadians, there is an annual meeting between the Governor's staff and the Premier's staff and there are always topics like this on the agenda. He suggested that she contact the Governor's Office to find out the date for the next meeting.

Assistant Erik Sonju shared that as far as the intent of the language it is in a prohibition era law of prohibiting the cross border transfer of immoral articles, so the federal government at that time deemed lottery tickets to be immoral.

## **SALES & MARKETING**

### **Sales Update**

Sales & Marketing Director Ron Smerer shared the sales numbers with the commissioners. Jim mentioned that we are going to go over \$700M. This is a pat on the back to everybody in this agency because of the work they do to make this happen. It has been a great year and he believes it will continue in to the next year.

If you look at the sales results, Powerball is our big number but scratch continues to be one of the exciting things. We have some great games coming up and you will be talking about some of the artwork later in the meeting. Some of the games we have coming out in the next couple of months will continue to grow that number over the next year.

Safeway customer service in-counters are performing well for us; we have seen an 8.5% increase in the stores that have these and it is worth about \$1.6M in increased sales. This is a great job done by Terri Killion; she has a great relationship with Bob Allison at Safeway and that has helped tremendously in how this has all taken place. Kudos to her on making this happen and Safeway continues to be a great account for us and allows us to do things in their stores because of that relationship.

We ran a Sunday's only promotion to get an idea of what would happen if we tried something on Sunday. The promotion was purchase a \$5 Mega Millions ticket and receive a free Match 4 ticket. It is one of our slower sales days and again we saw a sales increase. We sold about 28,000 extra \$5 Mega Millions tickets and that's the good news. The kind of bad news/good news is that four people won with the free Match 4 tickets and so we had to pay out \$10,000 each to those four.

A couple of other items that aren't in the meeting materials. The airport kiosk is fully functional and up and running. We started sales on April 25 and we are now running about \$5,000 a week and Ron believes that number will continue to grow. We have some

other things in the works at the airport that hopefully will enhance the kiosk; we are working on some advertising with the airport and hopefully that will all work out. All the machines at the airport have been changed out to the new touch machines.

We have signed off on new lease agreements with the Tacoma Mall and Seattle Premium Outlet and we are working with Southcenter to finalize that deal and hopefully that will come real soon.

### **Marketing Update**

Marketing Assistant Director Randy Warick shared that Ann Marie of Curator and their team continue to do a wonderful job with our winners and winning is important to our consumers as it is to the media. It is always good to double check and sort of get a feel of what's happening. Curator supplied us with a slide of stories from our winners and what they do with their winnings. The media likes to pick up our stories too and share the winner's stories.

Randy shared an opportunity that landed in our lap. Ken Griffey is being inducted in to the hall of fame on July 22<sup>nd</sup>. We have an opportunity to send four lucky winners and a guest to travel and be part of the ceremony to see Ken Griffey get inducted. He is one of the highest vote getters in history and he is the first Mariner to get inducted in to the hall of fame. What a great opportunity for us and we were able to jump through some hoops real fast and able to get it out in the market quickly. Fortunately we had a good POS program with our ESMM and we were able to get radio on KJR Sports Radio and the JET. We hit a really nice target audience. Our social media carried this very well and we had some of the most interactions that we've ever had – they shared, they commented, they posted and people remember Ken Griffey Jr. We just contacted the winners this week and they were all super excited.

Randy pointed out that sometimes it is really hard to use the image of the athlete/celebrity. We were fortunate enough to contact Ken Griffey's agent and work directly with him and he approved everything; he allowed us to use the image of Ken Griffey Jr. and we were allowed to use his name and likeness in any form of advertising and that is a hard thing to get at times. So obviously having Ken Griffey's head on all our advertising was huge; it was an easily recognizable promotion and it was a lot of fun to do.

We just launched our Fandango Lottery ticket; movies are a lot of fun for all age groups. We have had a lot of fun with Cole & Weber building an advertising program around this. What is really cool is we are going to send some people to get an experience package down in California. They are going to get a VIP experience on the back lots to see how it is all done and will get wine and dine and have a fabulous time. You can obviously win

some cash prizes on our tickets and there is also secondary prizes of Fandango gift cards in the amount of \$500. This falls in line with what we are all about, we are entertainment. We want people to have fun with us and what better way than to send them to the movie. How we really line up on this – we have the normal advertising but we also did a bite in cinema. So when you are at the movie theater we have two spots previous to the movie launch. We have the premium spot which is 5 minutes before the movie launch.

Randy shared that social media is huge for us. As we talked earlier Ken Griffey was huge on social media. We did a Mother's Day post – what would you do for your mom if you won. We did a visual with a puppy giving a high five and everybody loves puppies.

Our mobile app. is doing fabulous, we are over 131,000 downloads to it. We are seeing a bit of a trend as the jackpot grows, people continue to add the app on which is nice. Week over week we are gaining growth on the app. We are having conversations now around what will version two look like, what can we do differently, how can we make it different.

### **COMMISSION REPORT – INSTANT TICKET ARTWORK REVIEW**

Randy shared that he was filling in for Gaylene because she is doing a lot of work on the launch.

Commissioner Bogdanoff commented on a couple that he feels the commission might want to pull – Selfie Tripler and a number of others were skating on the edge but there was one other, Jingle Bucks that appeared to be cartoonish. There were several, even the frosty and penguins that were questionable. He will share this information with Gaylene.

Commissioner Bogdanoff stated that he isn't quite sure what the criteria is but if it's kind of cartoonish characters that would appeal primarily to children and he thinks staff needs to keep this in mind when they are designing the tickets so you don't have to come back with a new design.

Randy shared that it is a bit tougher at Holidays to find appropriate artwork. We have said no on a Santa but we have done snowmen and reindeer in the past. That is why you can see that there is a bunch of holiday tickets. We don't plan on launching all of these we just wanted to give the commissioners a number of options to select from.

Commissioner Bogdanoff mentioned Dr. Wade's presentation and that there is a huge bump in sales around Christmas time. Randy shared that at Christmas time we see a lot of people giving scratch tickets as gifts and we know that. They go to parties and are put in

stockings and we are very aware of that and again we know there is a real opportunity at that same time to get new players.

Randy shared that with the Holidays and Christmas it is hard not to have that theme and so we walk a fine line and again that is why we will continue to give the Commissioners lots of options. If there is something you don't like you just need to let us know.

Commissioner Guenther commented that the Governor's Office does watch, they periodically do check up on the Lottery. Randy shared that the snowmen for whatever reason seem to slide by. We have done snowmen scratch tickets year after year and that seems to be a zone that works right now.

Chair Loveland commented on the Ken Griffey Jr. promotion. She believes this is a reflection on the Lottery as well as him that he is willing to lend his picture. We are not a negative place and that he is cooperative with us. The Lottery has a great reputation and we are not rubbing anyone wrong. That is so important in the business that we are in.

Randy shared something with the commissioners, the Lottery has been contacted by Nordstrom's to see if there are any possibilities of partnering with us. There have been no concrete conversations. Randy has no idea if something will come of this contact, but we'll see if it goes anywhere.

### **COMMISSION BUSINESS**

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

### **OTHER BUSINESS**

Chair Loveland asked if there was any other business that needed to come before Commission and there was none.

### **PUBLIC COMMENT**

Chair Loveland asked if there was any public comment and there was none.

**FUTURE AGENDA ITEMS**

Chair Loveland asked about future agenda item for the next meeting. This is probably where we discuss the September v. August meeting.

Debbie Meyer shared that the next meeting is currently scheduled to meet in the Tri-Cities the afternoon of August 24 and the morning of August 25. Jim will not be able to attend this meeting and so we are now looking to see if the Commissioners are available the afternoon of September 7 and the morning of September 8. The commissioners confirmed that they would be available September 7/September 8.

Chair Loveland thought it would be good to acknowledge and agree that we move the meeting to accommodate everyone's schedules.

Chair Loveland entertained a motion to officially change the meeting date. The motion was moved and seconded

*A vote was called for to change the meeting date of our next meeting. Ayes were unanimous. **Motion carried.***

We have officially moved our meeting date from August to September 7 & 8.

**ADJOURNMENT**

**10:45 a.m.** *Chair Loveland adjourned the meeting.*

*June 23, 2016 Lottery Commission Meeting Minutes approved this \_\_\_\_\_ day of \_\_\_\_\_, 2016.*

Respectfully submitted,

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Valoria Loveland, Commission Chair

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Debbie Meyer, Executive Secretary