

Lottery Commission Meeting  
October 27, 2016  
Lottery Headquarters  
Olympia, WA

## **MINUTES**

### **COMMISSION MEMBERS PRESENT**

Chair Valoria Loveland, Commissioners Judy Guenther, Peter Bogdanoff, Laura Cantrell 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 Beckie Foster, Research and Development Manager Stephen Wade, Director of Security Dan Devoe, Marketing Assistant Director Randy Warick, Sales Assistant Director Lance Anderson, Instant Product Manager Gaylene Gray, Information Services Director Crystal Fischer, Lean Consultant Shar Hawley, Business Development Manager Kurt Geisreiter, Internal Audit Manager Ilene Frisch and Executive Assistant Debbie Meyer

### **OTHERS PRESENT**

Eric Sonju of the Attorney General's Office; Bobby Hatam, Steve DiMasi, and Becky Bogard of IGT; Nadine Tull, Ryan Lyonnais, and James Mackenzie of Cole & Weber; Ann Marie Ricard of Curator; Ron Miguel, Drew Scolaro and Michael McCullough of Sci Games; Ernie Stebbins of WIGA

### **CALL TO ORDER**

9:30 a.m. Chair Loveland called the meeting to order.

## **INTRODUCTIONS**

Chair Loveland asked for self-introductions from all attendees.

Chair Loveland wanted to thank the Lottery for letting her attend the Fall NASPL meeting she found it very interesting and she learned a lot.

## **APPROVAL OF MEETING MINUTES**

*Chair Loveland entertained a motion to adopt the minutes of the August 30, 2016 Commission Meeting. Commissioner Guenther **so moved** and Commissioner Bogdanoff **seconded**.*

*A vote was called for to approve the minutes of the August 30, 2016 Commission Meeting. Ayes were unanimous. **Motion carried.***

## **2017 Commission Meeting Dates**

Debbie Meyer reviewed the meeting dates and shared that we will need to have a couple of the 2017 meetings at a different location because the drawing studio will be used to temporarily house staff during the building remodel.

We also need to talk about an Eastside location for the June meeting. Commissioner Cantrell stated that the June 22 date doesn't work for her.

Jim Warick shared that we might not have an approved budget and Beckie Foster shared that when we met two years ago we didn't have an approved budget but the commission did approve a preliminary approval of a budget just to keep going and then we came back in August after session was over and share our new numbers.

Jana suggested that we might not want to hold the June meeting on the Eastside just because of the timing.

A decision was made to hold the June meeting in Olympia and have the August meeting on the eastside of the state.

*Chair Loveland entertained a motion to approve the 2017 Commission Meeting dates with the adjustments of moving the June meeting to June 15 and the eastside meeting to the August 24 meeting.*

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

*A vote was called for to approve the 2017 Commission Meeting Dates. Ayes were unanimous. **Motion carried.***

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

Director Bill Hanson stated that the legislative session this year will be very interesting with the McCleary decision and all of that going on and it may be a very long session. We will be dealing with the Hurst bill that we talked about during the work session and we will see where that ends up.

Bill shared that he and Chair Loveland will probably talk with OFM about 3 FTEs that we would like to add. We have the FTEs but we don't have funding for them.

We have some great innovative items that we have discussed over the last several weeks that are starting to come to fruition. We are moving right along with meetings with some of the tribes; Kurt is doing a great job with handling this.

We have had a lot of shuffling going around at the Lottery recently. Jana will have a new assistant; we have a new LEAN person; and we are going to have a new person at the warehouse and it will all be fine.

Chair Loveland understands that there are a couple of plans on the McCleary lawsuit but they don't match up. She believes that this will be the last thing that they deal with in the budget.

Bill remembered that he wanted to mention the NASPL conference. He stated that he has been to a lot of these and this last one was one of the best ones that he has attended. We sent a number of staff to attend the conference.

He stated that if the commissioners can clear their schedules to attend it would be very beneficial; it kind of puts things in perspective about how lotteries all over the country work and you would be surprised that many are run like private businesses but they are still governed by the state. NASPL brings in such great speakers and they aren't just talking about the lottery. They are talking about the future of business for instance in the whole world. Bill stated that next year's meeting is in Oregon.

Chair Loveland shared that there were speakers from private businesses that talked about technology and they made comparisons to what we were doing in the lottery with marketing and what they were doing and how they are going about things. It gave her a better understanding that if you don't keep moving you will get behind the eight ball.

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

Deputy Director Jim Warick echoed what Bill said about NASPL. Having the outside speakers at NASPL this fall was a new format for them. They had speakers from United Parcel Service, Coca Cola, the Atlanta Hawks, and the Atlanta Falcons and it was very enlightening to hear some of the things that were being done. Jim shared that he thought the gentleman from UPS was outstanding the way he talked about some of the things and how they are changing and looking at it; what they are doing and how it had relevance to what the Lottery could do.

Jim shared the employee changes that have happened at the Lottery over the last several months. He introduced Shar Hawley, our new LEAN project coordinator. She replaced Russell Burgess. She comes from the Health Care Authority and she was with the Military Department before that and has several years of experience under her belt.

Sam Wilson who was in our Administrative Services has chosen to pursue a career at the Department of Transportation, so that gave an opportunity for David Schoonmaker who was in that organization to be promoted to lead that area. Debbie mentioned the remodel earlier and that is going to be a huge undertaking for David Schoonmaker for the next six months. Our goal is to start the remodel in November. It will be phased in and Sales and Marketing will be the first to move. Part of this is to satisfy a requirement being provided to us through Department of Enterprise Services as we looked at renewing our building lease.

There has also been a bit of a change with one of our vendors. Ron Miguel who is with Scientific Games has been working with us over a number of years and we will now have a new rep – Drew Scolaro. This is Ron's last meeting with us. Jim thanked him for his good work.

Jim shared that we did end up submitting a supplemental budget request for this year. As it turns out, we missed that our security contract was expiring so we needed to get that done and that cost was roughly \$70,000 that we hadn't planned on.

We really believe that, as we have had to do over the last two biennium's, we are going to have to spend resources and time to prepare for a potential shutdown. We will be starting this shortly to go through the steps required for us. The shutdown is really in

some ways the easy part; we have to do what we need to do in order to start back up smoothly. Jim said he believed last year he had a call at 11:45 pm on June 30 telling him that the budget had passed.

### **LEGISLATIVE & LEGAL UPDATE**

Legislative Services and Legal Director Jana Jones shared that we have no pending lawsuits, no audit issues, there are no ethics complaints against the Lottery and things are going quite well.

We did just sign a promotion agreement with Northern Quest which will likely be mentioned by Sales and Marketing staff later.

Jana briefly mentioned that she attended NASPL and one of the things that really impressed her at this conference was the trade show. There was a lot of information about the future and what it will look like in terms of the equipment and machines and almost virtual reality like. In order for us to participate in some of these things Jana believes that it will necessitate changes in the law.

Jana asked Eric Sonju to share some information with the Commission about a training for the open public meeting law.

Eric alerted the commission to some training opportunities coming up next month that are being provided jointly by the Secretary of State's Office and the Attorney General's Office. These are trainings on open government training and he wanted to remind the commissioners there is a law that requires members of the Lottery Commission and other governing bodies to take open government training within 90 days of being appointed and to take a refresher every four years. It's always good to stay up on this information. There is a flyer in your packets that gives you details on the in person training and trainings that also satisfy the requirement are available on the Attorney General's website.

One thing that will come to light when you take the training is that if you all go to the NASPL meeting in Portland, a group of three or more of you cannot get together and discuss commission business, otherwise that would be an open public meetings act violation. You can certainly socialize; but please talk to either Eric or Jana if you want guidance on what you can talk about.

## **SALES & MARKETING**

### **Sales Update**

Sales & Marketing Director Ron Smerer shared the sales numbers with the commissioners. We are doing great; we are 104.9% to goal and you can see we are up over \$14M vs. last year.

The next slide is about vending machine replay. We are seeing replay continuing to go up, and we continue to see days where we are hitting over \$100,000 in replay and that is people just checking their tickets on the vending machine and when it's a winner hitting the yes button to replay their winnings.

Our kiosks continue to do really well; especially the airport. The airport is up near \$30,000 a week in sales and that's a tribute to David who is handling those kiosks and we hope that the sales will just continue to go higher.

### **Sales Update**

Sales Assistant Director Lance Anderson shared a couple of updates that he has. This time of year we are not popular in the stores to start new initiatives.

The first update is around message wrap on the grocery store conveyor belts. We just missed this opportunity with Safeway and Albertson's who we wanted to test it with, but we do have agreement to test that message belt in their stores in the late spring of 2017.

We will probably get with Dr. Wade to see if there is a lift in impact similar to what we did with the large jackpot signs that we deployed over the last few years. If it does have legs, it is low entry for us to bring it to a store. It is about \$200.00 to install one of these belts. We look forward to updating you on how this goes.

The other two things is a new kiosk opportunity. If you have noticed in some of the stores we have the large stand up kiosks. Those are about \$400 to create; the smaller kiosk is only about \$165 to create. The added benefit is that the check-a-ticket machine comes with the kiosk as opposed to today where the machines are in two different spots in the stores, so we see some opportunity with that. It is pretty easy to install whereas the bigger kiosk is difficult and heavy to install.

Lance said he wasn't advocating for replacing it but that is a conversation that he and Randy will have if the smaller kiosks test out.

We will also be optimizing the smaller jackpot signs. These are not new, they have been around. We saw about a 4% lift in sales when we started using these. We are looking to optimize these signs and put them in stores where it makes sense.

This is not a new initiative but after the holidays are over there will be new opportunities for dual vending machines. We have seen 10 – 20% lift in sales when we put a secondary machine in. We have an agreement with Safeway to contact at least 50 more stores.

We do not have a regional update this meeting; we gave the regions a month off because we have been traveling a lot and the managers have been away from their offices a lot but we'll start this up again at the next meeting.

Lance shared that if you didn't know IGT acquired Hudson Alley which is the business that we get our customer relations management tool that the DSRs have in the field. We see big opportunity with that acquisition in that Hudson Alley is part of IGT. Hudson Alley has a new version of the tool and we will be one of the first states to be using it.

### **Marketing Update**

Marketing Assistant Director Randy Warick gave a quick update on our winner's stories. Curator is doing a great job of continuing to get our winning stories out there. There are some examples in your handout. He summarized what the winners are doing with their winnings – it's charity; it's helping the community, and it's helping friends and family.

When we share these stories the media likes winning stories too. One of the key components he pointed out is that as we continue to fight that nobody ever wins on the east side, the west side feels that only the east side wins. Yakima had another big winner and again they are great stories. We don't always get the winners to share their names and then we just share what is happening instead of talking about the person.

We continue to push the Seahawks and it is another great year. We developed a 1979 TV spot, well actually it wasn't a TV spot, it was a digital buy. We used it on our web and social media and then Bill wanted it on TV so we bought space and it was a great success. Randy stated it was a good call by Bill. This spot broke over 1 million plus views on social media, it was being shared like crazy, so it did make sense to get it on TV. We bought around Seahawks games and prime time and we are getting a great response on it.

With Jim Zorn and Steve Largent we also did some social. Steve Largent is one of the greatest receivers ever, but he and Harden had an opportunity when he played against

Denver. Steve felt like he took a bad shot and it was five games later that we played Denver again. Steve is a receiver, Zorn threw an interception and Harden got the interception. Steve didn't forget when Harden had hit him at the last game and Steve drilled him and to this day he will tell you that it is the hardest hit he ever gave to anyone. Steve and Harden are friends and they still talk about this hit. So we used this opportunity on social media and we shared these teasers and basically it is sort of the behind the scenes of the development of our commercial spot.

The second spot has to do with pizza. Jim Zorn looks at a pizza and there are 10 slices and five people eating the pizza so he thinks that everyone gets two pieces and that's fair but Steve would eat slices as fast as he could. So they are telling the story and you can't hear all the conversation and at the end it directs people to our website to hear the entire story.

We created some retro posters because posters are starting to make a little bit of a comeback. When we were developing the posters with Cole & Weber and low and behold Russell Wilson has this big kick off in Bellevue and what he did was unveil his own poster so we are right in line with what is happening. We started using these posters as handouts and then we took them online. We had our consumers vote on their favorite poster and the winners are on this slide.

Randy shared a picture of the first group of second chance drawing winners. They got to have a day at the stadium. It starts by checking in at the hotel, a van picks them up and drives them in to the player's entrance; they are greeted by Seahawks staff; they are walked through the back way to see the players room; they get to go in to a visitors locker room and when they walk in to the visitors' locker room it has their name on a locker and a jersey with their last name on it. They get to experience what it's like to be in a locker room and then they go to other spots in the stadium to take pictures and at the end they get to meet Steve and Jim. They get to sit down and have some appetizers with them and they get to have a Q & A with them and they also signed memorabilia and had pictures taken with our winners. These people were over the moon, they couldn't say enough about this event. Then they get to stay in the very nice hotel and get up the next morning and attend the game; they get a sideline tour; they get brunch and then we bus them back to the hotel and then they go home after having a fabulous week-end.

This is the third or fourth year that we have had a fan experience and Kathi has raised the bar each year to make it more fun and exciting. What is interesting is that we just had our second drawing and the couple on the end, he won a fan experience and his wife just won. There is also a drawing at the end for season tickets for next year.

Randy stated that we have again done some work with Cole & Weber. We are trying to put more and more on our social networks because one, it is cost efficient; and two, we

have a very large following that are engaging with us. We have launched these beautiful Gemini touch machines. We took an opportunity and said let's put this out on social media Let's talk about this brand new machine and its advantages. Cole & Weber created fun short video clips explaining the machines features. Randy played a couple of them.

Randy covered a little bit more on social media. We continue to do really well on finding new topics to talk about on social media. We saw great interaction with movie trivia and the Seahawks and we will continue to look at new options.

Randy shared that he worked with Jana and we have signed a partnership with Northern Quest and the third party Scientific Games. We will be doing our second co-branded scratch ticket with them. The second chance will allow 250 people to get in to a slot machine tournament. What is really exciting is that the tournament is played on a bank of machines and they have TVs up above. There are cameras on the machines allowing others to see their faces as they play. We are just in the planning stages of getting things going. Gaylene and her team are working with Northern Quest and we have approved artwork and we are happy with the ticket. It should be a great event. There is a lot more detail to come at the next commission meetings. Randy promised to keep everyone updated.

The winner of the first tournament was from Vancouver. She got out of work and she asked that her picture wasn't shared. The next tournament is May 20 and the ticket will launch on January 18.

Chair Loveland shared that she attended the slot tournament last year and said it was a lot of fun.

Northern Quest is very nice; it's a great place to stay. We were fortunate that Bill allowed some staff to attend. We get to help even though Northern Quest is responsible for the tournament.

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

Instant Product Manager Gaylene Gray asked the commissioners if they had any questions on the artwork. The commissioners did not have any questions.

### **COMMISSION BUSINESS**

Chair Loveland asked if there was any commission business to bring before the commission. Chair Loveland asked that the commissioners make themselves available to Bill and Jana during the legislative session. You just never know when something is going to happen.

### **OTHER BUSINESS**

Chair Loveland asked if there was any other business that needed to come before the Commission.

Commissioner Guenther believes her term as a commissioner may run out this next year and she is willing to serve another term if she can. Debbie stated that her term ends August of 2017.

### **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.

Commissioner Finn stated that he would like to have a review on who buys lottery tickets and what their socio economic status is and whether that changes for the various games. Dr. Wade shared that there is a usage and attitude study that's conducted for us by outside vendors. We have a good story that we can share. Dr. Wade said he would share this information at the next commission meeting.

Commissioner Guenther asked Lance if there are other states that advertise on the grocery store conveyor belts and do we know how popular it is or how it helps other states? Lance shared that he doesn't have stats on the results but they did a pilot test at Target, Spartans, Roundy's and Albertson's in Idaho did a test. This is a fairly new option for marketing to the Lottery but other consumer brands have done it. This is one reason we want to do a pilot to see if it would be a good marketing option for us.

**ADJOURNMENT**

**10:40 a.m.** *Chair Loveland adjourned the meeting.*

*October 27, 2016 Lottery Commission Meeting Minutes approved this \_\_\_\_\_ day of  
\_\_\_\_\_, 2017.*

Respectfully submitted,

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Valoria Loveland, Commission Chair

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Debbie Meyer, Executive Secretary