



Lottery Commission Meeting Minutes
Thursday, December 19, 2019
Lottery Headquarters, Olympia, WA

Commission Member Attendees:

Peter Bogdanoff, Commissioner
Fred Finn, Commissioner
Judy Giniger, Commissioner
Valoria Loveland, Chair
Eileen Sullivan, Commissioner

Lottery Staff Attendees:

Jim Bevan, SharePoint & Office Administrator	Kathi Patnode, Marketing Operations Manager
Dan Devoe, Director of Security	Stephanie Porter, Executive Assistant
Crystal Fischer, Director of Information Services	Debbie Robinson, Director of Human Resources
Marcus Glasper, Director	David Schoonmaker, Admin Service Manager
Gaylene Gray, Instant Product Manager	Ron Smerer, Director of Sales & Marketing
Shar Hawley, Lean Program Manager	Stacy Sund, Merchandising Specialist
Josh Johnston, Deputy Director	Kristi Weeks, Director of Legal Services
Maria Lourenco-Douka, Director of Finance	Jenny Whiteside, Corporate Accounts Manager

Other Attendees:

Luis Antezana, Crown	Rebecca Kaldor, WA Indian Gaming Association
Scott Battishill, Curator	Lee Keller, The Keller Group
Delaney Berreth, Curator	Janice Merlino, Merlino Media
Kristie Christensen, Wunderman Thompson	Dan Miller, Curator
Scott Foreman, Copacino	Shannon Struempfler, IGT
Nelson Fortier, Catalysis	Mary Tennyson, Assistant Attorney General
Steve Gano, Scientific Games	

Call to Order:

8:43 a.m. – Chair Valoria Loveland called the meeting to order.

Chair Loveland asked everyone in the room to introduce themselves.

Approval of Meeting Minutes:

Chair Loveland entertained a motion to adopt the minutes of the October 24, 2019 Commission Meeting.

Commissioner Judy Giniger **so moved** and Commissioner Peter Bogdanoff **seconded**.

A vote was called for approval of the minutes of the October 24, 2019 Commission Meeting. Ayes were unanimous. **Motion carried.**

Approval of CR 101 and 102's Filing:

Kristi Weeks, Director of Legal Services, provided the Commissioners with information on the CR 101 they are requesting to file to open up the licensing rules. The Lottery recently conducted an internal audit on licensing procedures and held a Lean event. Some inconsistencies were identified between the existing rules and the agency's current practices. By opening up the licensing rules, the Lottery can begin looking at ways to better align the two. Kristi said they are asking the Commissioners to approve the filing of the CR 101 in order for the Lottery to begin discussions on whether changes are needed.

Chair Loveland entertained a motion to approve filing the proposed CR 101 to open Chapter 315-04 WAC, Licensing Procedure.

Commissioner Fred Finn **so moved**, and Commissioner Bogdanoff **seconded**.

A vote was called for approval of the filing of the CR 101 to open Chapter 315-04 WAC, Licensing Procedure. Ayes were unanimous. **Motion carried.**

Kristi said the first of the CR 102's for approval is concerning the Hit 5 game. During the last Commission meeting it was approved to file the CR 101 to open the rule and begin discussions. The Commissioners have been provided with the proposed changes for filing the CR 102, which will optimize and improve the Hit 5 game. If approved, the proposed changes will be made available for the public to review and comment. A public hearing will then be held during a Commission Meeting, providing an opportunity for the public to come and testify in person for the Commissioners' consideration, prior to approving the filing of the final rule.

Chair Loveland entertained a motion to approve filing the CR 102 for proposed changes to the Hit 5 game.

Commissioner Giniger **so moved**, and Commissioner Finn **seconded**.

A vote was called for approval of the filing of the CR 102 Hit 5 proposed game changes. Ayes were unanimous. **Motion carried.**

Kristi next presented information on the filing of the CR 102, proposing the change to the name of the Daily Game to Pick 3. She explained that many Lottery games are daily games, and by making this name change it will create less confusion for players and help to clarify how many

numbers need to be selected for the game. This change also creates consistency with daily games, Match 4 and Hit 5, which in their name indicates how many numbers are selected by the player.

Chair Loveland entertained a motion to approve filing the CR 102 for the proposed name change to the Daily Game.

Commissioner Eileen Sullivan **so moved**, and Commissioner Bogdanoff **seconded**.

A vote was called for approval of the filing of the CR 102 for the Daily Game name change. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Marcus Glasper began his update by talking about national games. Mega Millions and Powerball continue to underperform and are impacting Lottery revenue goals so far this fiscal year, and subsequently effecting beneficiary contributions. The Mega Millions jackpot has been hit six times so far in 2019, compared to five times in 2018. With jackpot fatigue it takes longer to reach a prize amount that builds sales momentum, however the Mega Millions jackpot was the highest it had been this fiscal year when it was hit this week, at \$372 million.

Earlier in the meeting Kristi mentioned an internal audit and Lean event concerning the agency's licensing process. Director Glasper explained that Lean allows an in-depth look at processes to help identify what is being done well, what could improve, and where risk can be reduced. Lean also increases quality and creates value. Director Glasper said he requested both the internal audit and the Lean event, recognizing that with over 3,500 retailers, licensing is one of the agency's core processes. The Lottery cannot accomplish their mission without retailers, making them a critical component of the agency's operations and integrity. The internal audit identified areas for improvement, which prompted the Lean event. Taking place for a full week in November, the Lean event involved employees from across the agency that play a key role in the licensing process. The team came up with several great recommendations, some of which could impact licensing rules. During the review it was discovered many of the rules have not been updated in quite some time and have not kept up with the current environment. There are a number of areas that were identified that the Lottery would like to look deeper into, which is why the approval of the CR 101 was requested today.

Director Glasper said the Lottery is once again participating in the "Gift Responsibly" annual campaign throughout the holiday season. This is a responsible gambling effort that state and provincial lotteries across the United States and Canada have been participating in for many years. The campaign brings awareness to the public about the hazards associated with underage lottery gambling. The Lottery partners with the National Council on Problem Gambling and the North American Association of State and Provincial Lotteries (NASPL) on this campaign. Participation involves sending out a press release, and providing Gift Responsibly advertising materials to locations where lottery products are sold.

As mentioned at the October Commission meeting, the contract with advertising agency Wunderman Thompson, formerly known as Cole & Weber, ends on June 30, 2020. The Lottery released a Request for Proposal (RFP) earlier this month allowing advertising agencies to submit bids for the next contract. Director Glasper thanked the lottery staff that collaborated and worked diligently to get the RFP written and released on schedule. The bid period closes on January 9, 2020, and they hope to announce a successful bidder in March.

Director Glasper said the Security Division had a busy year, and talked about a recent investigation. A couple used multiple stolen credit cards to purchase lottery games in Idaho, and in Washington at several Grays Harbor County retailers. Through the tracking of the purchased tickets and store surveillance video, the Lottery Security staff were able to assist law enforcement in identifying and pursuing the suspects. The case did not result in any loss to the Lottery, however Washington retailers suffered a loss in excess of \$14,000. There are currently charges pending in Grays Harbor County.

Director Glasper shared that the Lottery received the draft results from the State Employee Satisfaction Survey and they are very encouraging. There was a slight dip in the response rate at 90%, vs. 91% last year, however there was improvement in all areas of the survey but one. He discussed the top highest scoring areas and the lowest scoring areas, which were consistent with agencies statewide. The Lottery is continuing to review the low scoring areas of the survey and will develop an action plan for improvement.

Deputy Director's Update:

Josh Johnston, Deputy Director, began with some positive news concerning the Department of Imagination (DOI) Spokane retail space. The lease has been signed and sent to Northtown mall for counter signature. The lease is set to begin at the beginning of May, with a planned move-in date of mid-April. An extension was signed with the current location to accommodate these new dates. Once the lease is finalized, the mall will hire a contractor and begin work on the space.

Josh said the new Lottery Mobile App was successfully launched on November 7, 2019, and is functioning as intended. This is the first of two launches for the new app. The November launch required users to create a "My Lottery 360" account, which allows players to accumulate points by scanning in non-winning lottery tickets. The ticket scanner feature was also enhanced so players can now scan scratch tickets, in addition to their draw tickets. The second launch is scheduled to occur in January and will open the Points-for-Prizes store.

Since the app's launch, the Lottery has received a large number of complaints from players concerning the ticket checker. Players who were accustomed to the old ticket checker have expressed frustration with having to create an account to continue using this function. The initial decision to have all users create an account was made for two reasons; the first was to be able to automatically track points on the losing tickets scanned, and the second was because of the heightened security. However, because player satisfaction is the Lottery's top priority, the ticket checker will be adjusted and made available to users without creating an account. Players who

want to accumulate points for the Points-for-Prizes store will still need to create an account. This update to the app will be available at the beginning of January.

Josh said during his presentation on the data behind Washington's Lottery at the August Commission meeting, he talked about the statutory responsibilities they have as the administrative side of the Lottery Commission. Part of that responsibility is to bring forward to the Commissioners opportunities to maximize revenue with the state's intent and dignity. To that end, over the last few months Josh explained that they have been meeting with vendors IGT, Scientific Games, and Pollard to do a portfolio appraisal. This provides them with the opportunity to review scratch and draw games and make recommendations on how the Lottery could improve in its existing authority. Proposed recommendations from all three vendors are currently being evaluated for potential changes that could be brought forward to the Commissioners.

Josh shared that the phase one rollout in Walmart stores was completed in October, with 70 lottery vending machines installed in 48 stores. The second phase will begin in January, and will equip 11 more stores with a total of 18 machines. Josh said these stores were delayed because of remodel projects that were taking place. He was happy to share that Washington's Lottery is currently the second highest in sales at Walmart stores in the country, behind Florida.

Josh concluded his update and asked if the Commissioners had any questions. Commissioner Bogdanoff asked if it is normal practice, or written in the agreement, that the mall would select the contractor for the new Spokane retail location. Josh said having never done business with the Northtown mall, or any mall, he is unsure whether it is normal practice. He said the agreement did include language concerning prevailing wages and other stipulations that are required by the Department of Enterprise Services (DES) which will impact the contractor selected by the mall. Director Glasper added that it is standard practice for the state when leasing properties to allow the lessor to select the contractor. Chair Loveland asked Marcus to confirm that it is also standard practice that the state requests a prevailing wage be paid in any agreement that is using state funds. He confirmed that yes, it is standard language that DES uses in lease agreements.

Commissioner Finn asked how long the lease agreement is for. Josh said it is for five years. Commissioner Finn said he thinks it is a noble experiment and would like regular updates on the progress and goals. Josh said they will definitely continue to update the commissioners. This is a pilot project, so they have built in some performance measures to help determine if it is successful. Commissioner Giniger expressed some concern with not having the signed lease agreement yet, and the tight timeline they have set for space construction and moving in by May. Director Glasper agreed that the project schedule is tight, but said they have all the technology ready for installation. Staying on schedule will be dependent on the mall signing the lease and hiring a contractor quickly to complete the work. He said if there is a need to go back and adjust the timeline again, then they are willing to do that.

Chair Loveland asked what the status was on the lease with the SeaTac Airport. Josh provided a quick recap of what was discussed during the August Commission meeting. The Lottery met

with airport staff and came to an agreement that they can keep a kiosk at the airport but it would need to be relocated. Since that time, Josh said they have been trying to settle on a location for the kiosk. The first location the airport suggested for the kiosk was not acceptable, and they met with them again in November to discuss alternatives. The airport suggested a location that Josh believes could work, and the dimensions are currently being reviewed by the Lottery's kiosk designers.

Legislative & Legal Services Update:

Kristi said since the last Commission meeting there have not been any lawsuits, administrative actions, or tort claims. There have been 17 formal requests for public disclosure since the last meeting, and several informal requests for information.

The legislative session begins on Monday, January 13, 2020, and Kristi said she and Marcus have begun meeting with members to update or familiarize them with the Lottery. There are some new individuals in the primary House gambling committee, Commerce and Gaming. Last year's Chair was appointed to the Senate, and Strom Peterson from the 21st District was recently appointed as Chair. He is a strong advocate for environmental issues, and Kristi said she worked with him in the past. He does not have a history of sponsoring bills heard in Commerce and Gaming, so his feelings about gambling in general, or the lottery specifically, are unknown. There will also be a new Vice-Chair on the committee. Kristine Reeves, who held the role last year, resigned her seat earlier this week.

Kristi said there are no agency request bills this year, and there are no early signs of bills that may directly affect the Lottery. She said she does expect there will be a lot of conversations about sports betting, especially now that Oregon has gone live with their online sports betting program. There were bills that were introduced last year on sports betting, and Kristi said she will keep an eye on what happens this year.

Commissioner Finn asked about the nature of the 17 public disclosure requests received. Kristi said there was a new Supreme Court ruling that came out saying that state agencies have to release employee dates of birth when requested. Employee dates of birth were previously considered exempt, so as soon as the ruling was announced, The Freedom Foundation sent out public disclosure requests to state agencies, to include the Lottery, asking for this information. There were also requests for past marketing RFP materials because of the current advertising agency RFP.

Chair Loveland expressed her concern about the Lottery being involved in sports betting. Kristi assured her that the Lottery is not lobbying to have any involvement in sports betting, but will follow the Governor's lead and implement anything the legislature passes. Chair Loveland also discussed some of her concerns with the Self-Exclusion program. Kristi said she believes the proposed rules will be drafted by this spring, and hopes that once the Commission has had the chance to review the proposed language, they will feel more comfortable with the program.

Sales & Marketing Update:

Ron Smerer, Director of Sales and Marketing, was happy to report that Scratch continues to be the shining star for Lottery and is up \$11 million over last year. However, the year-to-date overall sales goal is \$331 million, and sales are currently at \$314.4 million. He said the reintroduction of lottery products to the customer service areas of Fred Meyer stores will bring in additional sales. Fred Meyer has also expressed an interest in selling from their fuel stations, which would add another 47 sales locations. Ron said his staff is looking at some new ideas to help increase sales in other areas and offset the negative impacts of Mega Millions and Powerball. They have some great upcoming promotions planned, and have adjusted from doing small regional promotions to statewide promotions, in an effort to engage more players. He said they are looking forward to utilizing the new mobile app for some of these promotions, and believe it will be a great way to advertise to more players. He said Kathi Patnode, Lottery's Marketing Operations Manager, is filling in for Randy Warick and will be presenting next on some of the promotions for the end of the year, and some of the new ones planned for 2020.

Kathi said the Lottery, in conjunction with their public relations team at Curator, decided to revamp the style of news releases. They took a new human interest approach in hopes of improving the story quality and garnering more engagement from the media. Kathi shared examples of the new style they used with the recent coverage of the \$5.5 million Lotto winner, Seahawks Scratch ticket winner, and a person reinvesting a small Lottery win into a \$250,000 win. Curator dug into each winner's story and really made everyone feel like they were part of these exciting winning moments. Kathi said Curator has also done a great job bringing media attention to the climbing Mega Millions jackpot, which reached \$340 million last week. In addition, Curator is working on a number of other news releases, including announcing the Retailers of the Year, and promoting the new Lottery Mobile App and Points-for-Prizes store.

The Lottery and Curator are working with Wunderman Thompson to create a new winner interview script, in an effort to enhance the process and hopefully draw out more stories. The script will create a comfortable process for Lottery staff to follow, and provide sample engagement questions to use when interacting with winners. Curator is also currently working with Director Glasper to develop content for the upcoming Quarter 2 Director's Update Infographic. This is an internal communication piece that was designed by Wunderman Thompson to be shared quarterly with Lottery employees. It is a unique way to communicate what has been accomplished over the last few months and how it relates to the agency's strategic plan.

Kathi talked about the holiday scratch promotion created by Wunderman Thompson to help encourage giving the gift of scratch. She played the four "Naughty or Nice" videos for the Commissioners, which were created for mobile video and social channels. Anyone that follows Washington Lottery on social media has the opportunity to create their "Elf" name, or take a naughty or nice quiz to find out which category they fall in. Next, Kathy spoke about the Seahawks scratch game, and this year's second chance drawing opportunities. Four mail-in second chance drawings are being offered, and the first three drawings generated eight winners

that received a game day experience package that included a private meet-and-greet with Seahawks legend Cliff Avril. The final drawing will be for a chance to win 2020 season tickets and will take place in January. The Seahawks scratch was promoted through broadcast, radio, social media, and in the stadium. They also created a “wallscape” that was placed on the side of a building in downtown Seattle, and Kathi showed a time-lapse video of its installation. The Lottery also had the chance to be a presenting partner for one Seahawks home game, which took place on December 2, 2019. This came with a variety of advertising opportunities, including four, 15 second videos that were used to promote the Seahawks scratch ticket, and a giveaway of Washington’s Lottery “Take it to 12” rally towels. Kathi showed a video clip from the game showing fans throughout the stadium waving their towels in the air.

Kathi shared that Wunderman Thompson is currently working on two new broadcast spots for the “Lets Imagine Together” campaign, which will be launched in February. The Commissioners had the chance to watch both new spots that brought to life new ideas sent in by lottery players. Kathi said they also captured some behind the scenes footage during the shoots, and they are creating “teasers” that will be used on social media prior to the launch.

Commission Report – Instant Ticket Artwork Review:

Gaylene presented new scratch ticket artwork. Two of the tickets were Halloween themed, and Chair Loveland inquired how early those are released for sale. Gaylene said they typically become available in August. She talked about their usual scratch ticket schedule, which provides about six months between approval and release, depending on the production and design of the ticket. Commissioners did not have any concerns about the presented ticket artwork.

Commission Business:

Chair Loveland asked if there was any new commission business. There was none.

Public Comment:

Chair Loveland asked if there were any public comments. There were none.

Agenda Items for Next Commission Meeting:

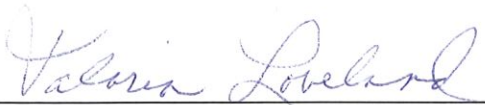
Chair Loveland asked if there were any suggestions for the next meeting agenda. There were none. She encouraged the Commissioners to let Lottery staff know if anything comes up prior to the next meeting on February 20, 2020.

Adjournment:

10:25 a.m. – Chair Loveland adjourned the meeting.

The December 19, 2019 Lottery Commission Meeting Minutes were approved this 20th
day of February, 2020.

Respectfully submitted,


Valoria Loveland, Commission Chair


Stephanie Porter, Executive Secretary

