

Lottery Commission Meeting  
October 26, 2017  
Lottery Headquarters  
Olympia, WA

## **MINUTES**

### **COMMISSION MEMBERS PRESENT**

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

### **LOTTERY STAFF PRESENT**

Deputy Director Jim Warick; Director of Sales and Marketing Ron Smerer; Director of Legal Services Jana Jones; Director of Security Dan Devoe; Information Services Director Crystal Fischer; Marketing Assistant Director Randy Warick; Sales Assistant Director Lance Anderson; Instant Product Manager Gaylene Gray; Business Development Manager Kurt Geisreiter; Internal Audit Manager Ilene Frisch; Marketing Operations Manager Kathi Patnode; Events Coordinator Patti Swihart; Corporate Accounts Manager Jenny Whiteside; Procurement and Supply Specialist Jenna Johnson; Merchandising Specialist Stacy Sund; Lean Consultant Shar Hawley; Procurement and Supply Specialist Sue Fitzgerald and Executive Assistant Debbie Meyer

### **OTHERS PRESENT**

Marcus Glasper, Mary Tennyson of the Attorney General's Office; Bobby Hatam, Nate Sullivan, and Becky Bogard of IGT; Ryan Lyonnais and Sarah Doering of Cole & Weber; Ann Marie Ricard of Curator; Brent Ludeman and Michael McCullough of Sci Games; Rebecca Kaldor of WIGA; Holli Johnson of WA Food Industry Association; Aubrey Seffernick of Miller Nash

### **CALL TO ORDER**

8:45 a.m. Chair Loveland called the meeting to order.

## **INTRODUCTIONS**

Chair Loveland asked for self-introductions from all attendees.

Chair Loveland welcomed Mary Tennyson. They met when Chair Loveland first came on the commission and she is delighted to have her back as the AAG representative. If any of the commissioners haven't met her, please take a moment after the meeting to shake her hand and welcome her back.

## **APPROVAL OF MEETING MINUTES**

*Chair Loveland entertained a motion to adopt the minutes of the August 24, 2017 Commission Meeting. Commissioner Finn **so moved** and Commissioner Guenther **seconded**.*

*A vote was called for to approve the minutes of the August 24, 2017 Commission Meeting. Ayes were unanimous. **Motion carried**.*

## **2018 Commission Meeting Dates**

Chair Loveland reviewed the 2018 meeting dates and asked if there were any issues with the dates. The August meeting will be on the Eastside of the state. If you have any suggestions for locations for that meeting, please let Debbie know.

Chair Loveland asked the commissioners to note these meeting dates on their calendar.

*Chair Loveland entertained a motion to approve the 2018 Commission Meeting dates.*

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

*A vote was called for to approve the 2018 Commission Meeting Dates. Ayes were unanimous. **Motion carried**.*

## **DEPUTY DIRECTOR'S UPDATE**

Deputy Director Jim Warick shared that since the last time we met several things have happened that are very interesting. Bill, Kurt, Jana and Jim attended the Centennial Accord. There was lots of discussion around natural resources and salmon, but the one issue that Jim found interesting that was discussed at the Centennial Accord was around opiate abuse and how widespread that has become and the impacts that the tribes are feeling.

Jim also mentioned that he, Kurt, Ron, Lance & Randy attended the G2E (Global Gaming Expo) conference in Las Vegas. It is considered the largest gaming trade show in the US. The thing that was so amazing to him was that three weeks prior many of Lottery staff attended NASPL. At the NASPL conference the annual trade show takes place. You could have taken the entire NASPL trade show and put it into one of the booths at G2E. The disparity between these two industries is quite amazing.

Jim stated that was all he had unless any commissioner had questions for him. No questions were asked.

## **LEGISLATIVE & LEGAL UPDATE**

Legislative Services and Legal Director Jana Jones shared that she didn't have much of a legal report. She has been reviewing contracts and public records requests have been pretty much what they have been; we average about 14 public records requests every two months. Most of the interest is around prize structure, who won the game, where was the winning ticket sold – those types of inquiries.

This past week she finally reached agreement with the Muckleshoot tribal attorney on a second chance prize event that will be held at the Muckleshoot tribal casino in the future. Each tribe has unique concerns and considerations that they look at when we enter in to these types of event agreements and she was hopeful that the Lottery could come to an agreement with the Muckleshoot's and we finally did.

## **SALES & MARKETING**

### **Sales Update**

Sales & Marketing Director Ron Smerer shared the sales numbers with the commissioners. A lot of the great numbers you see, is because of the extraordinary work

being done by all the lottery staff. This is a very exciting time because we see our numbers continuing to increase. Ron shared that our numbers vs. last year's show that we are ahead \$70.4M as of October 14, 2017.

Ron asked Kathi Patnode & Patti Swihart, who handle the Lottery events & sports, to share an overview of what they do. They have really stepped up this year and things are going great.

Kathi shared that as the marketing operations manager, part of her responsibility is to negotiate and execute advertising contracts for various sports teams as well as overseeing events. Patti is the events coordinator and the two work together to negotiate contracts for events. If it is sports related they work together to design it and execute it and if it is not, Patti takes the lead and designs the event, Kathi approves it and then Patti executes it.

Their encompassing goal is to be a part of communities throughout Washington State and create an atmosphere for people to have fun and an engaging experience interacting with Washington's Lottery.

Kathi shared pictures of the sports teams that we advertise with. You will see that there are really well known teams like the Seattle Seahawks and the Seattle Sounders but we also advertise with universities promoting our beneficiary message. In the smaller communities we promote teams such as the Walla Walla Sweets and the Wenatchee Apple Socks. Even though the audience might be smaller, the impact that Washington's Lottery can have in the communities is not.

One of the things that Kathi does when she negotiates sports contacts is she asks for items that can be used as prizes for events or retailer promotions, but we want to do more than give prizes. We want to be able to touch people in the community in a variety of ways and we also do that when we negotiate event contracts. Our number one priority is to engage with the consumer and promote our games and of course generate sales for the Lottery. We want to touch people along the journey at the festivals and fairs. That may be by having banners in strategic locations such as the main music stage and through that we promote the Department of Imagination and our games. If there is a beer or wine garden, we want a point of sale in there because these people are already having fun and let's get them to our booth to have more fun.

We utilize our partner's social media channels with Facebook and Twitter. If these people are already engaged to come to the event, we want to connect with them and give them a reason to come to our booth. We also utilize their broadcast media if they have any, whether it is to promote it's the Lottery Fair Day in Central Washington Fair or just a

promotion. We also like that we can contribute to highlights of fairs and festivals. We contribute to the fireworks show at Lakefair. Lakefair has been a part of the Olympia community for 40 years and like a lot of events they are struggling sometimes and the fireworks is a tradition – it is the highlight of Lakefair and if we can contribute to that to keep it alive and have our name attached to it, that is a wonderful way to be part of the community.

We also supported the Washington State Fair Rodeo, one of our own employees commented about that and she attended the rodeo and her employer was helping to sponsor the event. Also at the Washington State fair we showed a 30 second commercial before every concert. This year we chose to show the origami commercial, which is our beneficiary message. So what's good about this is even if someone doesn't engage with us at our booth, they are getting to learn about the impact that Washington's Lottery has across the state.

Patti Swihart shared information on some of our events. In July we got to showcase our new trailer at Lakefair and we had an increase in sales of 7.1%. It was beautiful weather and we got a lot of local players come check out our new trailer. We have a new scratch table at the end of the trailer which has been very beneficial. Patti believes this encourages more sales since we now give the player a table to scratch their tickets at and if they have a winner some come back and reinvest their winnings.

In August we participated in the Taste of Edmonds which is a very small venue. There is non-stop music playing in the background and some great food choices. Sales were \$11,500 and this is a 28% increase from last year.

Touchdown City – we do this event about four times during the Seahawks season and we sell tickets before game time and it is open to the public, you do not have to have a game ticket in order to purchase lottery tickets.

Mall Events – we do six to eight events a year, and depending on the Seahawks year, we may do a playoff event. We recently had a mall event where we promoted Seahawk tickets. When we do a scratch promotion we get a lot of interest as people walk through the mall. We get a lot of new players coming in and we educate them on our games and how to play them.

In September we did the Spokane Fair and we haven't been there in about nine years. In the past we had been there for the whole fair time and sales were starting to decrease. So we reintroduced ourselves and had a one day event and our sales were close to \$4,000.

We participated in the Central Washington Fair in Yakima. Patti attended this one-day event and the players were so excited and were lined up to play. We saw a 40% sales increase from last year; \$6,600 in sales.

Washington State Fair – our sales were \$129,000 which was a 13% sales increase. Our trailer is in a great spot, we are just outside one of the gates for the concerts and we get a lot of traffic that comes by and people were excited to see our new trailer.

Kathi talked about the Seahawks tailgate party. This is one of our biggest one-day events. It is an annual tradition; we have been doing this for about nine years. This year our event was a little later than usual and so we were able to bring the trailer up. Kathi & Patti work with the Seahawks to make it a fun and engaging experience for the fans whether they purchase or not. We had a band and inflatables where people could test your football skills. There was also a photo opportunity to take a picture in the Seahawks helmet and we always have a Seahawks alumni signing autographs and this year we had Kenny Easley who was just inducted in to the NFL Football Hall of Fame. The Seahawks normally open the gates two hours prior to the game rather than three hours, so our selling time wasn't as long, but we still sold \$53,000 worth of Seahawk scratch tickets.

### **Marketing Update**

Marketing Assistant Director Randy Warick shared a quick story. About four years ago when Kathi started in the sports contracting area, she showed a lot of sales lifts in presentations but the one thing that wasn't shown was the negotiation process that happens behind the scenes. In that process we get value, added assets and we get more media placements. Randy shared that she does an awesome job negotiating the best deal she can get.

Randy shared that this last quarter we had large Powerball and Mega Millions jackpots. With big jackpots we get a lot of press coverage and that is good for us because it drives our consumers to the market and makes them aware of what is happening. We had over 143 pieces of jackpot related broadcast coverage, resulting in three million+ impressions with an estimated value of \$236,782. Jackpots continue to do a lot of heavy lifting for us in the national media.

Two of our recent winners shared they weren't regular players but because of the excitement around the big jackpots they went out and bought tickets and one of them won \$100,000 and the other one had a \$50,000 winning ticket.

Every year at NASPL there is a big advertising awards banquet and we have had success in the past and this year we had success again. We presented our origami beneficiary spot both for radio and digital and it won best of show and we are very proud of that. Valoria commented that she thought this was one of the better spots that the Lottery has ever done. Ryan from Cole & Weber collected the awards for us. It is always nice to get recognized but what is nicer is that the Georgia Lottery has reached out to us since the NASPL conference and asked us to send them the files for these spots because they want to do a similar spot for their state.

Randy mentioned that Cole & Weber is always looking at creative ways to get people to engage with us. There was a day when all we wanted was for people to like us and that is how we measured ourselves but now the true measurement is through engagement. We use this as a tool to communicate to our players and it is a great way to advertise any of our marketing promotions and any of our events we have going on.

One thing we have earned is our consumers trust, they will tell us how they are feeling and they may even come to our defense if someone posts a negative comment.

We do have a signed contract with the Muckleshoot casino. It is very similar to what we did with Northern Quest last year. The scratch ticket offers a second chance opportunity to participate in a slot tournament. This is the largest casino in our state and they are all in. They believe this is going to be a big deal and are willing to put a lot of support in advertising this. It kicks off on May 1<sup>st</sup>.

Randy pointed out that our new vending machine has a track screen which basically gives us 42" of advertising space and he believes this has helped draw our consumers in as well. It looks like a smart phone. It has a touch screen and you can interact with it. It also allows a player to reinvest their low tier winnings for more tickets.

Commissioner Guenther asked about the problems we are having in getting our machines in to tribal casinos. Randy shared his opinion is that tribes see us as competition and feels there is room for both of us to be in the game. He believes there will be more opportunities for us to work together and he believes that the business sides are starting to come together and see that.

Commissioner Guenther asked if it was possible for the Lottery to have a meeting at one of the casinos? She thinks it might be a good ice breaker that would show that we are willing to work with the tribes. Jim stated that based on the relationships that we have built with some of the casinos that we could absolutely have a meeting at one of their casinos because many do have meeting space.

Jim stated to Commissioner Guenther's previous question, and he gave Kurt the credit for this, what we have been doing is not really working with the tribal entities like the elders, we have been working with the business side and we are leveraging that relationship.

Jana stated that for those in the room that might be confused about the relationship that we have been talking about, she wanted to make it clear that this is a licensed retailer of the state of Washington and they adopt tribal resolutions or tribal ordinances that says they will allow the state Lottery to come in to their land and regulate the sale of lottery tickets in their casinos or retail locations on the tribal land. They also say that in the event of disputes they are willing to come to Thurston County Superior Court as a venue for hearing the disputes. This has to be adopted by the tribal council or we can't go in to the tribal lands and license retailers. The casinos have just recently allowed us to come in and license them as a retailer.

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

Instant Product Manager Gaylene Gray asked the commissioners if they had any questions on the artwork.

Commissioner Cantrell noted a concern with the Day of the Dead scratch ticket. Commissioner Cantrell shared that for those that don't know about the Day of the Dead, this is a national holiday in Mexico but it is not Halloween, it is not intended to be spooky. Gaylene will have the artwork reworked and she will bring it back to the next Commission meeting because we have time before the next celebration to rework it.

Gaylene shared the proposed artwork for the Muckleshoot Casino scratch ticket. The side on the left which is white that is our portion of the ticket. That is where the players will win the prizes that we are providing. The 1" stub that is going to run along the right hand side is where a player will win a chance to enter the second chance drawing to go to the slot tournament that will be held in September at the casino. This is very similar to what we did with the Northern Quest Casino.

Valoria mentioned with the stub on the right hand side we had some issues with Northern Quest. Gaylene stated that in the contract that was just signed we wrote in language that the tribe could not change the rules on redeeming the stub on the right hand side of the ticket.

Commissioner Bogdanoff stated that he didn't have any problems with the artwork but he did have a follow up question on the tribal scenario. Does the tribe receive the standard

commission rate that our retailers get? Gaylene stated that the tribe does receive the standard 5% commission.

Commissioner Cantrell asked a question about the artwork for the Muckleshoot Casino ticket. Do we develop the artwork and do we discuss it with the tribe. Could you please explain the process to the commissioners.

Gaylene explained that we have two to three concepts that the Lottery is happy with and then we meet with the casinos marketing department and review the artwork. We have been provided with their brand guidelines so that we know what we design matches their brand guidelines so we won't do anything with their logo that is not acceptable. We will have meetings discussing the various artwork until both teams are happy with the final artwork and then we have everyone sign off on it and then we will start our production with our print vendor to get the ticket printed and in to the market.

### **COMMISSION BUSINESS**

Chair Loveland asked if there was any commission business to bring before the commission. Does any commissioner have anything they want to bring forward or have staff prepare for the next meeting? There was none.

### **OTHER BUSINESS**

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

Chair Loveland asked Marcus to introduce himself and asked that he share a bit of his background.

Marcus shared that he was glad to be at the Lottery. He has learned a lot. The lottery is an interesting and fascinating industry and he is looking forward to working with the staff and commissioners.

Marcus shared that he is an engineer by discipline and worked at Hanford for about a decade. He worked in the robotics area doing things related to robots and going in to underground storage tanks. Technology to prevent human intervention. He was then recruited to work for the state. He spent the majority of his time at Revenue as the Senior Assistant Director for Administrative Services.

Chair Loveland welcomed Marcus and she acknowledged all the work that Director Hanson did for the Lottery over the years and she wished him well.

### **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 learn about the Lottery's statutory responsibilities. What are the specific statutes that created the Lottery.

Mary Tennyson stated that the statutes that created the Lottery set up both the membership structure of the commission as well as powers and duties of the commission and powers and duties of the director. So the functions are split essentially where the director does the administrative functions, has the hiring and firing authority over employees and even sets out which types of employees are exempt employees vs. those that are subject to civil service. The director is given the authority to sign contracts.

The commissioners are charged with the broader policy questions of what types of lottery games are appropriate for the state. There are some statutory restrictions on the types of games that you can do, for example, the last time that she was the legal advisor for the Lottery, there was a question about whether the state could join one of the shared games. We had to amend the statute so that we could sell Powerball tickets.

The commission advises and makes recommendations to the director for operation and administration of the Lottery.

Commissioner Peter Bogdanoff stated that he assumes the task of selecting the agency director is the Governor's Office decision. AAG Mary Tennyson stated that Commissioner Bogdanoff is correct in his assumption. The decision requires confirmation by the legislature but not by the Commission.

AAG Mary Tennyson stated that actually over the course of many years that's been a pattern for state government because in the past Department of Transportation used to appoint their own director and several years ago this was changed because the Governor wants that authority.

Chair Loveland believes this would be a good topic for a future meeting. We really should go through the statute so the commissioners clearly understand what their responsibilities are.

**EXECUTIVE SESSION**

Chair Loveland asked if there was a need for an executive session. She asked that this be added to the agenda based on things coming up and we have a requirement to the public to let them know if we are going to have an executive session, if one is needed. We want to meet the letter of the law for public notification.

**ADJOURNMENT**

**9:53 a.m.** *Chair Loveland adjourned the meeting.*

*October 26, 2017 Lottery Commission Meeting Minutes approved this \_\_\_\_\_ day of \_\_\_\_\_, 2018.*

Respectfully submitted,

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Valoria Loveland, Commission Chair

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Debbie Meyer, Executive Secretary