

Lottery Commission Meeting
October 25, 2018
Lottery Headquarters
Olympia, WA

MINUTES

COMMISSION MEMBERS PRESENT

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

LOTTERY STAFF PRESENT

Director Marcus Glasper; Deputy Director Joshua Johnston; Director of Legal Services Kristi Weeks; Business Development Manager Kurt Geisreiter; Corporate Accounts Managers Bobby Frye and Jenny Whiteside; Sales & Marketing Events Coordinator Patti Swihart; SharePoint Administrator/ Developer Jim Bevan; Procurement and Supply Specialist Maegan Reed; Lean Program Manager Shar Hawley; Lottery Security Specialist/Drawing Program Manager Derek Poppe; Marketing Operations Manager Kathi Patnode; Senior Policy Advisor Randy Warick; Instant Product Manager Gaylene Gray; Director of Sales and Marketing Ron Smerer; Director of Finance Maria Douka; Director of Information Services Crystal Fischer; Assistant Director of Sales Lance Anderson; Internal Audit Manager Ilene Frisch; and Executive Assistant Debbie Meyer

OTHERS PRESENT

Mary Tennyson of the Attorney General's Office; Lisa Levine and Russ Harben of IGT; Ryan Lyonnais, James Mackenzie, and Mike Doherty of Cole & Weber; Ann Marie Ricard of Curator; Rebecca Kaldor and Glenda Breiter of WIGA; Aubrey Seffernick of Miller Nash; Drew Scolaro and Steve DiMasi of Scientific Games

CALL TO ORDER

10:50 a.m. Chair Loveland called the meeting to order.

INTRODUCTION

Chair Loveland asked for self-introductions from all attendees.

APPROVAL OF MEETING MINUTES

Chair Loveland entertained a motion to adopt the minutes of the July 10, 2018 Commission Meeting.

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

*A vote was called for to approve the minutes of the July 10, 2018 Commission Meeting. Ayes were unanimous. **Motion carried.***

CR 101

Director of Legal Services Kristi Weeks shared that our Mega Millions rules are inconsistent with how the games are currently played, due in part to last year's changes on Mega Millions Consortium's financial guidelines. She wanted to open a CR 101 to investigate whether or not we should amend our rules to conform to the new guidelines.

Some examples of inconsistencies are:

The rules say Mega Millions ticket costs \$1 while it costs \$2.

The rules say there will be 26 installment payments when there are actually 30.

The rules say all the installment payments will be in equal value and now they have incremental increases.

Kristi recommended cleaning up the rules so there is no confusion and no challenges based on these inconsistencies.

Chair Loveland asked for questions or discussion. No questions were raised. Chair Loveland asked Kristi what the incremental increases were. Kristi answered it is 5% every year.

Chair Loveland entertained a motion to accept the CR 101 as presented.

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

*A vote was called for to approve the adoption of the proposed CR 101. Ayes were unanimous. **Motion carried.***

Commissioner Guenther asked how long the process would take. Kristi answered it is a three stage process. The changes needed to be made are formally looked into through the CR 101, then the CR 102 is filed, which is actual draft language of the changes, and the final rules can be drafted no sooner than 30 days after. Typical rule making process would take 4 to 6 months. Commissioner Guenther asked if we are in a bind with our rules not

matching the guidelines. Kristi explained it won't be a successful challenge since our rules also say we will follow the official rules and the guidelines from Mega Millions. However, somebody can always complain and she wants to avoid that possibility.

2019 COMMISSION MEETING DATES

Chair Loveland reviewed the 2019 meeting dates and asked if there were any issues with the dates. Commissioner Cantrell asked if December 19 being close to the holiday would be fine with the staff. No concerns were raised.

Chair Loveland entertained a motion to approve the 2019 Commission Meeting dates.

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

*A vote was called for to approve the 2019 Commission Meeting Dates. Ayes were unanimous. **Motion carried.***

DIRECTOR'S UPDATE

Personnel

Director Marcus Glasper shared that the Tribal Liaison functions are shifted from Kristi Weeks to Joshua Johnston. Kristi will now be serving on the Problem Gambling Advisory Committee since the statute requires a member of the state lottery to participate on this committee.

Chair Loveland asked if this is somebody the Lottery is supposed to recommend as a Governor's appointment. Director Glasper answered that the Lottery can just appoint a person and the person just needs to be a staff member of the Lottery.

State and National Landscape

Mega Millions jackpot reached \$1.53 billion this week setting almost a new world record, and Powerball reached \$620 million, for a combined total of almost \$2.2 billion with the dueling jackpots for the last two days. It has been a frenzy with media inquiries. Director Glasper thanked Marketing staff, Curator, and especially Ann Marie for helping him through media interviews. A \$1 million dollar Powerball winner in Washington from last Saturday's drawing has not come forward yet.

It was an exciting time and educational opportunities for players as well. Ron Smerer commissioned quite a few staff from his team to go out to some of the stores and provide assistance to players who haven't traditionally played. The advertisement also benefited the Lottery in the long run.

There were two NASPL conferences since the last Commission meeting, NASPL Professional Development Seminar in July and the NASPL Annual Conference in Cleveland, Ohio. Thanks to the amazing work of the Marketing team and our partners at Cole & Weber, Washington's Lottery received excellent recognitions from our marketing campaigns. The Lottery was a finalist in five categories and won prizes in three of those categories, including BEST OF THE BATCH which is the award given to the best campaign overall out of all categories. It was an impressive showing. Director Glasper expressed his thanks and appreciation to those who worked on developing these great campaigns.

He updated the Commission on the Mega Millions rule change regarding courier services. Mega Millions made a rule change, and MUSL has been debating whether or not they would do a rule change to be consistent with Mega Millions. They couldn't come to any agreement within their membership. They have chartered a legal subcommittee within MUSL states to look at the issue further. Their focus seems to be more on what is the legality of that kind of operation operating within a particular jurisdiction and being able to offer extra-jurisdictional sales.

Per Chair Loveland's request, he reminded the audience what the issue is. A retailer in Oregon was in partnership with an operation called Lotter.com who takes sales of Mega Millions and Powerball tickets from citizens of other countries via the internet. Canadian Lotteries sent both Mega Millions and Powerball Consortiums letters asking for assistance to stop those sales since it is illegal in Canada. There is a lot of debate whether or not the United States lotteries should intervene in Canada's legal issues, but the Mega Millions Consortium decided to create a rule for that not to happen.

Chair Loveland asked if Canada sells to other countries. Director Glasper shared that they don't but the issue is not about whether or not citizens can come and buy tickets. The problem is that these sales are happening on the internet. Users create an account at Lotter.com, Lotter.com uses another third party in Oregon to plan out that information and uses the associated retailer to buy a ticket. The ticket is kept on premises at that retailer's location. They provide the player with a copy of ticket and they have their protocols on how to handle if someone wins. It is about transmission of the transaction across the internet. At the Mega Millions meeting in Cleveland, Lotter.com and their third party representative in Oregon wanted to appeal to the Mega Millions Consortium trying to repeal the rule. They tried to present that this is the overall direction the world is heading with internet transactions.

Mega Millions is facing trademark issues. Lottoland is one of the synthetic lotteries as they take bets on odds of somebody winning Mega Millions or Powerball game. They are extremely controversial in Australia as well as other places. Lottoland has filed to register the Mega Millions and Powerball trademarks in Germany, which created legal challenges for both Mega Millions and MUSL. Gordon Medenica, the Mega Millions lead director, has

been meeting with Camelot UK on various strategies to resist Lottoland's attempt to trademark Mega Millions logo. Since international rules require the active use of the trademark in order to register, Mega Millions filed counter proposal and also plan to enter an agreement with Camelot UK to create a game in the UK to fight this issue. It may be helpful in UK but may not be in EU where Germany is.

Lottoland is a company based in Gibraltar and they take bets on the "results" of more than 30 different lottery draws around the world. The lottery companies from the 16 federal states of Germany also consider Lottoland as illegal and a violation of the German Inter-State Gambling Treaty, but also have difficulty fighting them.

Mega Millions Consortium tried to combine efforts with MUSL but MUSL has chosen to do their own legal battle. The Mega Millions states are spending money on filing various paperwork. It's not much at this point but it could grow into something bigger. At some point, the states will have to decide whether or not this is something they can fight, since they may not be able to afford. Director Glasper will continue to provide updates as it progresses.

Chair Loveland asked if all the states in Mega Millions Consortium is contributing. Director Glasper shared that all the states are contributing and money is currently being used from the reserve account to be billed later. Up to a total of \$20,000 is authorized to be spent, so it will be less than \$2000 per state.

NASPL has partnered with the National Council on Problem Gambling to develop the Responsible Gambling Verification Program where state lotteries can go through an independent verification process to be assessed on responsible gambling best practices.

Approximately 12-15 states have gone through or are going through the verification program. The program assesses an organization's activities against best practices as they relate to responsible gambling. The activities are such things as employee training, retailer training, public education and awareness, research, and advertising. Lotteries have to submit an application to become accepted in the program which is a multi-year effort.

There is supposed to be an open window for states to apply to the program this fall. The Lottery is planning to submit an application to be part of the program.

Chair Loveland asked who teaches the program. Director Glasper explained that it is not a training program. Lotteries gather all the information for NASPL and the National Council on Problem Gambling to understand what practices are currently employed. They compare the information to the best practices around the nation and provide a grade or rating. Lotteries can also move to the next level where a plan is developed to

improve the areas with deficiency. Chair Loveland asked who owns the program. Director Glasper answered that it is both NASPL and National Council on Problem Gambling. They use assessors from all of the states. If we submit our application, three or four assessors from other states will get together and evaluate that information.

Commissioner Finn mentioned Washington's Lottery spent roughly \$350,000 on problem gambling and asked how the cost is compared to other states. Director Glasper answered that it is very low. He added Oregon spends over \$1,000,000 in this area. The Oregon Lottery went through this verification program and they are seen as one of the best practice states in regards to responsible gambling techniques.

Chair Loveland acknowledged the value in new learning but didn't want the Lottery to be subject to lawsuits by making consumers feel the agency will please everybody who has a gambling problem. Director Glasper clarified that the verification program is not about problem gambling treatment, but is more about the corporate social responsibility to educate and bring proper awareness. The money given to Problem Gambling, the percentage of it is driven by statutes and WAC, and majority of that is at the back end which goes to treatments. This is about what is done to communicate the odds of winning, to prevent children's access, more on the prevention as opposed to the backend. Chair Loveland mentioned she didn't see a value in the problem gambling commercial she has seen, with women's bathroom scene. Senior Policy Advisor Randy Warick valued her feedback and added that the Responsible Gaming Initiative is an informational process. While advertising to play lottery, the Lottery also makes the public aware that if there is a problem, there is help available. It is a good opportunity for players to check if they play inside of their limits.

Agency Operations

The management team held a 2-day leadership development and strategic planning work session at the end of July. The first day was focused on leadership and the second day was focused on strategic planning and establishing a strategic framework for the agency. On the second day, additional 18 team members that are majority of managers and supervisors in the agency, were invited to participate in looking at the Lottery's vision and mission, objectives and values to see if this is the right set for the Lottery. It was taking a step back to lay the groundwork for a strategic framework going forward.

An action plan was created around establishing a strategic framework. The Lottery is doing quite a bit of a work next month to re-lay the foundation. The staff are good at creative ideas, strategies and new product launches, and are passionate about the Lottery's work, but there is no framework for how to prioritize and make decisions.

Director Glasper thinks it will provide a road map of not only where the agency currently is but also where we want to be in the future. The Commissioners have a role in the action plan also and will be provided with opportunities for input and engagement moving forward.

Chair Loveland stated it would be helpful to know what strategic plan looks like and what directions the agency is looking at, for the Commissioners to be prepared for any potential questions, and may be able to find something to offer. She added the Commissioners need to know when it comes to policy and legislation. Director Glasper agreed and explained that this is just the beginning stage, focusing on mission and vision. The big part of it is engagement. It is not near establishing what the Lottery wants to do, but is more about framework. This will provide a framework to communicate both internally and externally about why the agency is doing what it is doing. It is also intended as a communication platform, so there won't be any surprises.

The Lottery has received approval from OFM to participate in the Choice Performance Confirmation pilot program, having successfully met the component requirements of performance review. This will allow the agency to offer recognition leave to the staff for accelerated performance. The rules are currently being established around that. The agency was part of Performance Management Confirmation several years ago, which got stalled during the recession. OFM reignited a new program and not many agencies participate in this program. Attorney General's Office has been a player in this program for many years.

Commissioner Cantrell congratulated the agency on the approval. She wanted to know if there is gender equity and if so, how it would be administered, since she has seen other performance programs where that was not part of the calculation. She encouraged the Lottery to embrace that. Director Glasper agreed and appreciated her feedback.

DEPUTY DIRECTOR UPDATE

Internal Audit

Deputy Director Josh Johnston shared information about the FY 2019 audit plan that Director Glasper recently approved. The internal auditor's work was divided into two categories, priority one and priority two, based on risk to the organization and input from Management Team.

- Priority one includes:
 - Annual review of data and privacy compliance - collection, retention, disposal, protection, and access to data.
 - Records management

- Cash handling at kiosks
 - Internal controls on the Central Gaming System
 - Consulting on the contract management review
 - IIA (Institute of Internal Auditors) Quality Assurance self-assessment
 - Quarterly review of IGT system access and privileges
 - Monthly ticket reconstruction
- Priority two are medium risk which includes:
- Compliance audit of fund expenditures
 - Follow up compliance audit on travel practices
 - Policy compliance review
- Internal Auditor Ilene Frisch is building out a SharePoint site to track action items that result from an audit.

Enterprise Risk Management

In the early summer, the Lottery launched an enterprise risk management inventory of the agency. The staff were educated about what the risk is, and asked what kind of risks they see around the agency. Input from the entire agency was collected, the top concerns were selected, and then likelihood and impact was applied to rank them. The agency risk register was submitted to the governor's office. It included:

- Cash handling
- Contract management
- Credibility, integrity, and accuracy of drawings
- Data integrity and reporting
- Records management
- Employee Safety

Treatment plans and measures of success were developed. The enterprise risk management plan is currently being developed including the above and others. The focus is on developing treatment plans for the top ranking risks.

DOI Retail Project

Spokane regional office's lease is expiring at the end of June, and the office is moving to the NorthTown Mall, turning it into more of DOI experience. The location will sell tickets and also serve as a redemption center. There will be an office and a warehouse in the back. Even though a design is not finalized yet, a couple of concepts were selected. The blueprints will be finalized by December 1. The building construction will start in January with the grand opening slated for late March or early April. The agency is trying to manage the timeline as close as possible since the current lease can be terminated early.

Chair Loveland asked if the costs are similar. Josh answered it is slightly more expensive. However, with ticket sales out of that location, it will more than cover the cost increase. It is projected that there will be a return of additional money back to beneficiaries.

Commissioner Guenther asked what store it is by in the mall. Josh shared that it is close by a couple of restaurants, Barnes & Noble, and is located in corridors leading to an open area. With a movie theatre upstairs and American Eagle right across, the area is decently traveled. It is also located between a couple of major entrances.

Mobile App

In 2017, Forbes reported there are over 1 billion smartphones, and customers have downloaded 179 billion apps. The Lottery recognized a need to be part of that while staying within RCW. The current app doesn't support ticket scanning for scratch tickets, but the new app will support both draw and scratch tickets, and also offer a loyalty program and second chance drawing entrances. Incorporating scratch ticket scanning component is important since Scratch sales are almost 70% of our overall sales.

Chair Loveland emphasized the importance of security around these new features. Josh assured her that the Lottery will go through rigorous testing, which will be followed by Android and Apple's own testing when the app is submitted to those stores. He added it is also about what kind of data we are collecting from customers, and about making sure we are only collecting the data necessary and critical to business needs. He feels comfortable at the security of the new app since Sci Games has already launched mobile apps in other states. The new app also opens up future enhancements around responsible gaming by controlling the activity of the players with time-out or notification. This will not be part of the first roll out but does provide ability to incorporate a lot of things. The new app will need to be downloaded again even when the current app is already on a phone. He will notify when it is closer to the launch.

Walmart

This is exciting news since it has been a long time the agency has been in conversations with Walmart. They divided the country into quadrants and then ranked the states based on their potential success selling lottery products. Washington became the number one state in the northwest quadrant and received a letter of intent from them. Our current 24 and 28 bin machines did not meet their specifications, and needed lower profile. IGT developed a 20 bin machine that meets the specifications. The Lottery agreed to purchase 100 machines to be delivered in June. 59 machines will be initially placed in 45 stores. \$5.67 million towards our beneficiaries is expected over the course of 7 years.

Chair Loveland asked about the cost of those machines. Josh responded the agency chose a one-time purchase of \$17,500 per machine rather than percent of increase over time. The Lottery figured out how long it would take to return to zero and to go into pure profit mode. Once the cost is removed, \$5.67 million goes to beneficiaries. Josh thanked Bobby Frye, Randy Warick, Ron Smerer, and Kurt Geisreiter for their original work. He also thanked Crystal, Maria, and Lance for helping out this project.

Commissioner Cantrell congratulated the agency on the success. She pointed out IGT is about \$1.5 Million over budgeted numbers for the year, and asked if this is additional expenditure for the numbers presented earlier today, or will show up down the road. Josh answered it will be booked on FY19 upon delivery. The reason IGT was over the budget was due to higher than expected sales, which increased IGT's percent also.

Commissioner Guenther asked if Washington is the only state Walmart is starting the lottery. Josh responded Florida, Texas, Georgia, Arizona, and Pennsylvania received letters of intent from Walmart. In Pennsylvania and Arizona, they are already in stores. Commissioner Guenther asked how they are doing. Ron Smerer shared that he and Chris from Walmart met at NASPL and Chris said they had performed much better than expected. Walmart thinks the Lottery would do better than the number they provided also.

Chair Loveland asked how much Walmart is charging for the lease space for the machines. There is no cost. She asked if we will need to put Capital Expenditures in 2019 to set up a budget to pay for this. Director Glasper answered this one time purchase can be handled with the current budget. It will be paid out from this year's funds.

LEGISLATIVE & LEGAL UPDATE

Statistics

Director of Legal Services Kristi Weeks reported that there have been no lawsuits filed since the last Commission meeting.

The US Supreme Court declined to reconsider its earlier decision to not hear a case involving a person who felt wrongfully denied a Mega Millions jackpot in 2005. He didn't buy a ticket but he meant to. He tried to litigate the situation for the last 13 years, unsuccessfully at every turn. Kristi shared the quote from the WA Court of Appeals:

“We note that State governmental entities have expended significant agency and taxpayer resources investigating and reviewing Granton's patently meritless claims...Owing to the Lottery Commission's solicitous consideration for Granton's claim,

Granton was apparently unaware of the costs incurred or that he could be required to reimburse the State for having to respond to a frivolous appeal.”

It's unusual for a court to compliment an agency in this positive manner. Kristi stated the Lottery staff must have done a really amazing job.

32 public records requests have been received since the last meeting. These requests are often very simple, but several of these requests involved voluminous amounts of documents that had to be individually reviewed and, at times, redacted. Kristi is grateful for the IS Department and for her legal assistant Audrey.

One particularly demanding request was from a reporter at the Seattle Times known as the “FYI Guy.” He writes articles using data and statistics. In this case, he wanted detailed sales and win information by zip code in order to show which areas of the state have the highest percentages of wins. It was an immense amount of work. He asked his last question yesterday. Kristi will let everybody know when that article comes out.

Public Records Request / Emails

The number and complexity of requests for public records is increasing. Upon receiving a request, the agency is required to search for responsive records in any location where they may exist. Often, that means searching email, especially when the requester specifically asks for “all emails” related to a certain subject. Agencies, even small ones like Lottery, generate thousands of emails every day. Manual searches are generally not a realistic way of gathering responsive records. For this reason, the state has tools that can use search words to find them. Even that can be onerous – a recent search came up with 437,540 potentially responsive emails but it is easier than a manual search.

From time to time, Kristi may have to ask the Commissioners to manually search their files and emails for potentially responsive records. Most often, they probably won't have any but she has to ask. If the answer is “none,” it's perfectly fine to say so.

Marcus recently contacted the Commissioners individually about possibly setting up state-issued email accounts for conducting Lottery business. Kristi encouraged them to think about taking advantage of that offer. This would mean learning and maintain another email account, but in terms of legal responsibility, to respond to public records requests, it would be helpful to the Commissioners since they wouldn't get an email from Kristi asking to search their email, but it also allows a search of their email the way the agency does for all employees. This would reduce any potential risk of a Public Records Act violation. Kristi hopes the Commissioners think positively about moving in that direction.

Commissioner Guenther recommended having a state email. She had 4 public records disclosure requests in 3 years. When it is on a private phone or a computer, and if information hadn't been separated, it is time-consuming and costly. Kristi agreed. Commissioner Cantrell asked if there is an exception of Public Records Request where a record doesn't need to be kept if there is a duplicate. Kristi responded that it can be and there are other interpretations as well. She asked the Commissioners to let her know if they want to make this change. Information Services Division will help them set it up on a phone or on any other device.

2020 Census

The Governor has put together a project for the 2020 census to ensure everyone in Washington is counted appropriately. One of the people who is working in that group is going out to all state agencies to get their support and ask how state agencies can help further this goal. Kristi met with a lady named Susan. When Kristi informed her about the Lottery's strong tie to the community through lottery retailers, she was very excited. Kristi and Susan are now on a state-wide trip to all the different regions to introduce Susan to our sales reps and get their ideas about how to use our ties to the communities to get the message out. Kristi added it was nice to be able to participate in a Governor's initiative and they have been very happy with the Lottery.

Chair Loveland asked what kind of work they are doing. Kristi shared that they go to the different regions and ask sales reps how to get information out. One of the focus is relationship between our sales rep and retailers. It is about how we provide information to the retailers so they can spread it throughout the community. A small convenient store might be part of a small ethnic group while speaking the language and having close community ties. They are trying to see how to leverage that relationship. Kristi wanted the Commissioners to know the Lottery is working with the Governor's Office. She will update as they come.

Legislation

Similar to last year, the Gambling Commission will likely have agency request legislation to create a voluntary self-exclusion program for their licensees, primarily card rooms. It would allow people to opt-out of participating in gambling activities, including collecting wins.

When the Gambling Commission sent out their draft language for stakeholder input, one of the first questions was "What about the Lottery?" Kristi anticipates getting similar questions from legislators. Self-exclusion was also a hot topic at the recent Northwest Regional Gambling Industry Summit. Many state lotteries already have voluntary self-exclusion programs. Since there is a good chance the Lottery might be drawn into this,

she is planning ahead. Kristi would be asking the Gambling Commission to seek specific exclusions in the public records act because this would contain very sensitive information that the Lottery would not want to be made publicly available. If the agency gets into this, she will make sure there will be strong legal protection for the agency and retailers.

Chair Loveland appreciated Kristi's update, projected it will be difficult to get through the legislature, but also acknowledged anything is possible. She will fight the battle when it comes. It could open the Lottery to every kind of lawsuit. She doesn't want to hang on to something which might be valuable only to the Gambling Commission. This issue concerns her as a former legislator.

Commissioner Cantrell appreciated the update about 2020 census. Chair Loveland asked if the Lottery could put the information on the website. Kristi expects the Governor's Office will ask agencies to do that, close to the actual date of the census.

SALES & MARKETING

Sales Update

Sales & Marketing Director Ron Smerer shared a few Mega Millions facts. The number presented is from the first drawing. The 2nd drawing on October 23rd produced almost 15.8 million winning tickets throughout the country. There were 36 2nd tier winners, but not from Washington. There were 419 3rd tier winners of \$10,000. A lot of DSRs went out to bigger stores helping players. Ron was at 3 different stores over 3 separate days, and noticed there were many first time players who still didn't know how to use our machines, and many people were pool playing putting a lot of money into the machines.

The Lottery is \$24.6 million over its sales goal which comes from ERFC. This is as of the end of the 1st quarter against ERFC target number which is at 101.3%. As of October 20, Quarter to Goal is 155.3% and FY 111%.

Last week sales were \$32,160,000 which was 3rd largest week ever. The largest week was \$39 million in 2016. 2nd largest Mega sales for the week at \$15,539,000. The largest week was \$15.8 million.

Muckleshoot Casino sold \$48,000 worth of tickets last week, while normal sales run around \$27,000. Snoqualmie Casino sold \$22,500, while normal sales are \$9,300. Airport sold \$115,440 while normal sales are \$40,000 a week. South Center sold \$47,363 while normal sales are \$19,397. Most of our stores were very busy, selling \$32 million last week.

Marketing Update

Senior Policy Advisor Randy Warick shared about the NASPL awards. The Lottery received 3 different awards. He is most proud of Sea-Tac BEST OF THE BATCH and praised Cole & Weber for their work. There were 561 entries, so it is a great achievement. He showed the Sea Tac presentation and added this is not only an outdoor experiment but also a transition to social aspect.

In 2017, the Lottery introduced a character and actor Charlie. He debuted in the DOI commercial, The Elevator. Since he is a great spokesperson, the agency figured out how to use Charlie to open up DOI. A video component is introduced in the vending machines, while the same shot is played in social media. There is no sound so as not to disturb the retailers. Randy shared 3 versions. These have been played for months in machines and social media, and generated great responses.

Ms. Pac Man campaign is also deployed, which is the latest of the Nostalgia. This pink character shows really well in the market. Among a lot of different versions of Ms. Pac Man created, Ghost perspective is especially interesting. Many 15 second videos and a long documentary were developed to talk about relationship between Ms. Pac Man and Ghost. Randy played a radio segment for attendees. Washington's Lottery Playlist with 80s music was developed in Pandora to promote Ms. Pac Man which was created in 80s. Consumers can go and see Lottery sponsors and also enjoy the music. It will transition into another campaign that will be shared later. Randy played the campaign created out in the field, stopping traffic. Ms. Pac Man won a prize in radio for humor. Randy played 2 examples of 15 second video, Blinky and Inky. The licensors were thrilled seeing the Lottery's product, and allowed the movements they typically wouldn't allow for the characters. They loved the whole eye movement, and shared it on their social network as well.

Marketing Operations Manager Kathi Patnode updated the Commission about Seahawks activity. Seahawks scratch tickets were launched on August 1 along with a 2nd chance drawing. In the past, home game prize packages were given away. This year's grand prize winners will receive a trip to an away game in Arizona, LA and San Francisco. A dynamic campaign "Take Your Loud on the Road" was created by Cole and Weber, with explosions of vibrant powder effect. While promoting on broadcasting in stadium and online, the Lottery also promoted tickets on social media with 30 second videos. With our 15 second powder video, these videos' average viewing time is 13 seconds while national average is 9 seconds.

On the social media side, promoting our products, the agency tried to engage the fans with DOI messages about what they would do if they won a jackpot. People are posting unique pictures and stories. Our engagement rate is over 7% while national average rate is 2.3%.

Mega Millions jackpot rolled over to \$250 Million on September 19 climbing until October 23, reaching almost \$1.6 Billion, and created a lot of excitement in all media channels. The stories on both broadcast and online created over 90 million impressions, which equals a \$5 million dollar value. Director Glasper had a lot of interviews with media and did a fabulous job, not just answering questions, but also providing information about beneficiaries. If Powerball jackpot rolls over from 750 million, he might get busy again.

During normal business days, spotlights are put on the winners. One of the winner stories recently posted is about a man winning \$500,000. He went into a convenience store craving a hotdog and somehow purchased a \$20 scratch ticket. King 5 and KIRO picked up this story generating 420,000 impressions and \$12,961 in media value.

COMMISSION REPORT – INSTANT TICKET ARTWORK REVIEW

Chair Loveland asked if the Commissioners reviewed the artwork. Commissioner Cantrell didn't have any concerns but had a question about the \$2 Magic Eight Ball Bingo ticket. Washington's Lottery medallion usually located on the front of scratch tickets is not on that artwork. Gaylene Gray agreed and will make sure it is included before the launch.

Chair Loveland mentioned the staff are doing a good job at providing products that people want and people are familiar with, for example, Loteria.

Gaylene shared that the Loteria started small but currently outsells \$2 Crosswords on a weekly basis. In most weeks, it also outsells \$2 Bingo. This is a product resonating across the state to all of our players.

Chair Loveland asked if any of the Commissioners had any concerns with any of the artwork that is in the packet. All the Commissioners present approved the artwork.

COMMISSION BUSINESS

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

She asked the Lottery to extend the Commissioners' thanks to the Gambling Commission for explaining about sports betting. Director Gasper asked if she would like a written note on behalf the Commissioners. She would appreciate something in writing. It can be signed by the Director on behalf of the Commissioners.

OTHER BUSINESS

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

PUBLIC COMMENT

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

Chair Loveland asked if any of the Commissioners need an Executive Session.

Commissioner Cantrell asked about Lottery Commissioners' terms. Chair Loveland stated that by her understanding, Commissioners serve until replaced. Her talk with the Governor's Office indicated they didn't have any intention of putting anybody new in place. Commissioner Guenther said they have filled her spot. This is her last meeting. Chair Loveland asked if it was her idea or somebody else's. Commissioner Guenther answered she has been serving over 7 years while the Lottery's RCW allowed only 6 years for the Commissioners. The Governor's Office notified her they found somebody but that person couldn't make it to this meeting. Chair Loveland stated again that the Commissioners continue to serve until the Governor's Office replace them and they need to contact the Governor's Office if their service is up or they don't want to serve any more. Even though new boards are good, it will be hard with a lot of new changes going on within the Lottery. It depends on the Governor's Office and what they want.

Commissioner Guenther appreciated her experience at the Lottery. It is nice to be in a community people are excited about. She thanked everybody for their work.

Director Gasper hasn't got any official notice for a replacement for Commissioner Guenther, but if it does happen before the next meeting, Commissioner Guenther will be invited back for a formal presentation. He will let her know.

Chair Loveland asked when the next meeting is. Debbie Meyer said December meeting is scheduled for December 27 with an error on her part. It will be the 13th if there is a December meeting.

ADJOURNMENT

12:55 p.m. *Chair Loveland adjourned the meeting.*

*October 25, 2018 Lottery Commission Meeting Minutes approved this _____ day of
_____, 2018.*

Respectfully submitted,

Valoria Loveland, Commission Chair

Debbie Meyer, Executive Secretary