



# WYOMING LOTTERY CORPORATION

## Board Minutes

January 27, 2015

BOARD MEETING – QUARTERLY MEETING  
Best Western Ramkota – Casper, WY

### Board Members Present:

Brian Gamroth-Chairman, Mark Macy-Vice Chairman, , Gerry Marburger-Treasurer, Dave Bonner, Sandi Chitwood, Jim Griffin, Ross Newman.

### Board Members Absent:

Erin Taylor-Secretary and Jim Whalen

### Staff Members Present:

Jon Clontz-CEO, Louise Plata-COO, Donna Dittimore-CFO, David Stevens-Sr. Retail Compliance Manager, Justin Ballard-Sr. Research Analyst, Kayla Runkel-Product Marketing/Retail Specialist, and Alisha Pineda – Player Services/Administrative Assistant.

### Guests:

Tim Monroe-Wyoming Business Report, Robin Reining–Warehouse Twenty One, Paul Ostendorf-Intralot, Tim Rutten-Intralot.

Chairman Gamroth called the meeting to order at 12:11 p.m. with a roll call of board members and welcomed guests. Motion made by board member Dave Bonner to approve the minutes from the October 23, 2014 meeting. The motion seconded by Treasurer Gerry Marburger and the motion passed by a unanimous 7/0 vote.

### CEO Executive Update:

- Total Sales
  - The total sales from August 24, 2014 to today is \$7,465,620.00
  - Total retailer income, which includes total sales and total validations commissions, is \$454,141.
- Retailers
  - Previous retailer count was 445 with one pending. The current count is 441 active retailers, 1 pending and 1 in transfer.
  - The final count of active retailers is expected to reach 450-475.
  - There are four (4) contracts that have been terminated.
    - One loss because the location was sold.

- One loss because the retailer asked for the terminal to be removed because the owner did not feel they were performing well in sales.
  - Two contracts have failed because the retailer failed to provide signatures and finalize contracts.
- Bank Loan
  - A meeting with Jonah Bank is scheduled in February to discuss the loan repayment.
  - Due date for loan repayment in full comes up in April. This was established in the beginning and will be discussed.
    - First payment of \$75,000 was made in October and a monthly goal is set at \$150,000. This amount needs to be formalized.
    - \$367,150 has been repaid and \$517,000 is expected by the end of January.
    - The actual loan repayment date will be discussed.

## Financial Reports

- Quarterly Reports
  - Quarter 1
    - Motion made by board member Ross Newman to accept the First Quarter Fiscal Year 2015 financial statements as presented by the Chief Financial Officer.
    - Motion seconded by Treasurer Gerry Marburger.
    - Motion passed with a unanimous 7/0 vote.
  - Quarter 2
    - Motion made by Treasurer Gerry Marburger to accept the Quarter 2 financial statements as presented by the Chief Financial Officer.
    - Motion seconded by board member Ross Newman.
    - Motion passed with a unanimous 7/0 vote.

## Marketing

- New Game
  - New game research has been completed and next stages of development are taking place.
- Pool Play
  - Our pool play campaign launched and included television, radio, and in-store materials. Also included a promotion opportunity for a pool to win \$5,000.00.
    - We had 60 pools register and about 34 pools that completed their registration.
    - One pool did win \$5,000.00.
- Retailer Survey
  - The retailer survey had a high respondent level.
  - Data was collected from an online survey and participants were recruited from our website and individuals who did sign up to receive further information.

- An invitation to participate was sent out on December 9, 2014 as well as a link to the survey page on our website. The survey was available to participants through December 31, 2014.
  - To qualify for the survey, participants had to be 18 years of age or older and had to have bought a lottery ticket in the State of Wyoming.
  - Our target was 400 and we received 1300 respondents.
  - The largest age segment of respondents was the 40-44 age group and the lottery appears to be drawing primarily of older individuals with more than Fifty-eight percent (58%) of all survey participants being 55 years or older.
- Respondent profile
  - Educational background was very diverse. Most respondents indicated at least one form of higher education or technical training.
  - Sixty-two percent (62%) indicated an average household income above \$50,000.
- Survey Findings
  - Almost 1300 respondents indicated they have purchased a Wyoming Lottery product within the first five months of operation.
  - Respondents indicated they are spending the majority of their lottery budget in Wyoming.
  - 1,269 respondents indicated they have spent almost 41% of their total lottery expenditures, since we began selling, on products from other states.
  - Thirty-three percent (33%) lottery customers have also played at a casino, off-track betting or played slots at an off-track betting location. This does account for 43% of their total wagering spent.
    - It is significant to note that Off Track Betting is the Lottery's biggest competitor.
  - News articles were the primary source of initial awareness.
    - Of traditional media, television was the most mentioned, followed by radio and newspaper ads.
    - The other category was represented with following the state legislature and hearing from retailers and store clerks.
  - Accessibility of products
    - Ninety-seven percent (97%) of respondents feel that our products are easily accessible. This indicates we are well proportioned through the state.
    - More locations, self-service kiosks and allowance of debit card purchases were the most frequently suggested improvements from those who indicated they didn't feel our products were accessible.
      - Debit card purchases will be given to the Governance Sub-Committee for further research.
  - Winning Number Notification

- Out of 1,280 respondents, 824 respondents indicated they visit the Wyoming Lottery (wyolotto.com) website to find winning number information.
- Respondents also indicated they retrieved information from in-store, phone apps and other websites.
- Purchasing Locations
  - Out of 1,350 respondents, 1,121 mentioned they frequented convenience stores twice as much as grocery stores.
- Spend by state
  - Majority of respondents have purchased a lottery product in Wyoming within the first five months.
  - Colorado was the next highest mention by 344 respondents.
- Lottery products type by state
  - The largest group of participants have purchased a Powerball or Mega Millions ticket in Wyoming.
    - More than 90% of respondents have purchased both a Powerball and Mega Millions ticket.
  - Almost as many people have bought Scratcher tickets in Colorado.
  - Other category was divided among state specific draw games and specific names.
- Spend breakdown of Lottery products by area
  - While Wyoming is getting the majority of the lottery spend, 41% is still being spent on games from other states.
  - Powerball/Mega Millions in surrounding states are the largest competitor at 21%.
  - Scratchers account for 13% of competitive spending.
- Scratchers
  - 22% of individuals who play Scratchers make a dedicated trip to purchase them.
  - The primary appealing attributes of Scratchers are:
    - Instant winnings;
    - Perception of better odds;
    - More fun than other lottery games.
- Desired lottery information.
  - Of participants who wanted additional information the most frequently mentioned responses were:
    - How the proceeds are being used;
    - Updates on scratch ticket availability;
    - Number/Locations of winners in Wyoming.
- Additional messages for Wyoming Lottery
  - Participants were given an additional opportunity to provide information to the Wyoming Lottery.
  - The most frequently mentioned messages were:

- o Thank you;
  - o Add scratch tickets.
- o Wyoming Lottery next steps
  - Utilize the survey results to provide players with information that interest them.
  - Take into consideration survey feedback to assist in marketing communication strategies.
  - Leverage survey results to assist in determining possible new game concepts for testing.
  - Use data results to determine potential future research projects.
  - Conduct another survey in May 2015. Expand the potential respondent population to include non-Wyolotto website subscribers.

Motion presented by Vice Chair Mark Macy for board to move into executive session to review budgetary issues, adjustments and exceptions, and other proprietary information. Motion was seconded and motion passed unanimously with a 7/0 vote.

The regular board meeting resumed and was called into session at 3:49 p.m.

### **Old Business**

- Budget Adjustment
  - o Motion presented by Treasurer Gerry Marburger to accept the changes to the FY15 budget as presented by the Chief Financial Officer. The budget is under-stated to actual projected spending. The motion would allow the Chief Financial Officer to perform the following changes to the budget: 1) Reformat the budget into detailed categories, 2) Assign budget line account numbers, and, 3) Allow for a budget adjustment of \$695,109.00. The budget adjustment will increase the overall FY15 budget to a total amount of \$5,686,240.00. The budget adjustment detailed worksheet will become part of the FY15 budget record.
  - o Motion seconded by board member Sandi Chitwood.
  - o Motion passed with a unanimous 7/0 vote.
  
- 401K Plan
  - o Motion presented by Vice Chair Mark Macy to allow the employee benefits to include a 401(k) plan. The plan shall:
    - 1. Allow employees to participate for up-to 4% of their salary.
    - 2. The corporation will contribute a match up-to 4% of each employee's salary.
    - 3. The maximum contribution for an employee under the 401(k) plan will not exceed \$18,000 for each employee under 50 years of age and will not exceed \$24,000 for each employee over 50 years of age.
    - 4. The accepted plan includes a Safe Harbour provision and will be facilitated by Jonah Bank Wealth Management.

- 5. The lottery is directed to begin the benefit on July 1, 2015 and include in the costs of the plan in the FY16 budget. Total costs not to exceed \$28,774.00.
- Motion seconded by board member Jim Griffin.
- Motion passed with a unanimous 7/0 vote.

## **New Business**

- The [www.wyominglottery.com](http://www.wyominglottery.com) website.
  - Motion presented by board member Dave Bonner to authorize the Wyoming Lottery Corporation's attorney to proceed with legal action with United States Federal District Court to protect our brand name.
  - Motion seconded by Vice Chair Mark Macy.
  - Motion passed with a unanimous 7/0 vote.
- Motion to direct CEO, Jon Clontz, in conversation with Jonah Bank to procure a \$500,000 line of credit per our discussion of budgets earlier.
  - Motion presented by board member Ross Newman
  - Motion seconded by Treasurer Gerry Marburger
  - Motion passed with a unanimous 7/0 vote.
- New game research
  - Motion presented by board member Dave Bonner for staff to proceed with research on prospective new SA game.
  - Motion seconded by Vice Chair Mark Macy
  - Motion passed with a unanimous 7/0 vote.
- Administrative Rules
  - Motion presented by Treasurer Gerry Marburger to accept the administrative rules for Cowboy Draw as provided by the Chief Operations Officer.
  - Motion seconded by board member Sandi Chitwood.
  - Motion passed with a unanimous 7/0 vote.
- Problem Gambling
  - First Steps taken on problem gambling:
    - When CEO, Jon Clontz arrived in Wyoming, he looked into contacting the problem gambling officials in Wyoming and came to discover there wasn't a lot of activity pertaining to problem gambling. We developed a problem gambling brochure, which was not required but knew was important to do, and put the brochure out there with the National Problem Gambling Council number on it because there is not a local council.
    - The National Problem Gambling Council number on the back of the ticket stock.

- Limited single ticket transaction amounts to \$125.00 so players are aware of how much they are spending.
- Limited sales hours, which was more symbolic gesture to show we do not have 24 hour sales.
- Debit/credit card purchases are not allowed.
- Department of Health (DOH)
  - Began partnering with DOH, which is required per statute. Through these meetings, we developed a charter, meeting schedule and a problem gambling campaign and a plan of action. DOH has taken the lead on the treatment side.
  - DOH has reached out to the Governor's Council on Mental Health and some other formalized governed associated entities to pull treatment providers from for additional consult. This is where we are getting our treatment experts from which was a decision made by DOH.
  - DOH wanted to reach out to consultants that were affiliated with some organization, that were governed by by-laws and had some substance to them.
- National Council on Problem Gambling
  - We are partnered and will continue to work with the National Council on Problem Gambling.
  - Chairman Brian Gamroth and CEO, Jon Clontz are scheduled to attend a national problem gambling conference at the beginning of February. Will continue to be present at these conferences for purposes of seeking certifications and to stay in contact with the problem gambling officials and experts.
- Ed Atchison, Director, Wyoming Council on Problem Gambling
  - Several meetings took place between Mr. Atchison and the CEO.
  - There has been a meeting between Mr. Atchison and Chairman Gamroth.
  - Mr. Atchison is not affiliated with any organization. He is not affiliated with the National Council on Problem Gambling. He does not have an office or any employees.
  - Wyoming Lottery moved in a different direction and decided not to partner with Mr. Atchison based on the partnering with DOH and some concerns with Mr. Atchison's behavior.
    - Mr. Atchison made some unrealistic demands, exhibited some bizarre behavior and some other problems.
      - Mr. Atchison walked out on the meeting with Chairman Gamroth.
      - Mr. Atchison had some unusual encounters with the Lottery staff.
  - DOH and Lottery discussed these issues and decided to no longer partner with Mr. Atchison and felt, collectively, that we could not move forward if

Mr. Atchison's behavior was going to continue to be disruptive and unprofessional.

- CEO contacted the National Council on Problem Gambling and they reminded the CEO that they have no governing authority over Mr. Atchison.
  - Mr. Atchison was sent a certified letter around 8 weeks ago, from the CEO alerting him to the fact that we were in partnership with DOH and move towards pulling in these other treatment consultants for the reasons that have been described. Also, due to the inability for Mr. Atchison to engage with us properly, there would no longer be an invitation for him to attend the meetings. This decision was made by the DOH and Lottery.
    - Upon receiving the letter, Mr. Atchison's behavior and inappropriate activities has escalated.
    - There has been some retaliation in the paper, attacking the CEO personally; interfering with Lottery's ability to execute contracts, contacting MUSL, NASPL, and other colleagues and misrepresenting the facts about a variety of issues, and contacting these colleague groups and these other people that we are working towards building relationships with and building our program with.
  - With the reasons stated above, the concern has been escalated and the Lottery's legal team felt a formal complaint needed to be filed.
    - The complaint was not filed on the issues of attacking the CEO or Board of Directors, but on the issues of Mr. Atchison interfering with the Lottery being able to execute contracts, do business, develop relationships, etc.
    - The complaint has been drafted by the Lottery legal team and it is scheduled to be filed with the court within the next week and Mr. Atchison will be served the complaint by a Deputy Sheriff.
      - The purpose of the complaint is for Mr. Atchison to cease and desist his behavior.
  - Discussions were made at DOH regarding what brochures, helplines and types of statistical research were in place before, which amounts to zero.
    - Wyoming Lottery has brought a lot of this for the first time to Wyoming in this form.
- Unclaimed Prize Money
    - As of Quarter 1 there is about \$68,000 in unclaimed prizes.
    - Efforts using ticket stock and press releases to check tickets to get prizes claimed.
    - The funding is made available to Department of Health annually.
  - Legislature
    - Three bills have been introduced into this legislative session.



- HB81 – Disposition of lottery proceeds. This is to move the sunset date from 2019 to 2022.
- HB175 – Determination of lottery proceeds. This is to prevent the lottery from making accelerated loan payments.
- SF130 – Lottery commission reporting requirements. This is to require Wyoming Lottery to give quarterly reports to the Joint Travel, Recreation, Wildlife and Cultural Resources Interim Committee in addition to the other required statutory reports.

Motion presented by Chairman Gamroth to adjourn meeting. Motion to adjourn was seconded by Vice Chair Mark Macy. Meeting was adjourned at 4:35 p.m.