



WYOMING LOTTERY CORPORATION

Board Meeting Minutes

May 10, 2016

Riverton, WY – Wind River Casino & Hotel

Board Members Present:

Mark Macy-Chairman, Gerry Marburger-Treasurer, Dave Bonner-Secretary, Sandra Wallop, Sandi Chitwood, Ross Newman, Jim Whalen, and Brian Gamroth

Board Members Absent: Erin Taylor-Vice Chairman

Staff Members Present:

Jon Clontz-CEO, Macy Holmes-Administrative Assistant, Justin Ballard-Sr. Research Analyst, Mike Scissons-CFO, Kayla Runkel-Director of Marketing & Communications, Dave Stevens-Security Manager, Alisha Pineda-Player Services Specialist

Guests: Matt Kaufman-Lawyer, Tim Rutten-Intralot, Jennifer Bohlig-Intralot, Tim Monroe-Associated Press, and Laura Lewis-Intralot

Mark Macy called the meeting to order at 1:06 p.m. with a roll call of board members and staff members. All guests welcomed. Motion made by Dave Bonner to approve the minutes from the February 10, 2016 meeting. The motion seconded by Brian Gamroth and the motion passed by a unanimous 8/0 vote. Motion made by Brian Gamroth to approve the minutes from the March 17, 2016 meeting. The motion seconded by Gerry Marburger and the motion passed by a unanimous 8/0 vote.

CEO Report:

Mr. Clontz provided report update:

Discussed recent winners with Mega Millions and Cowboy Draw

Retailer celebration of largest prize in Wyoming so far

Cowboy Draw winner discussed, including media event

Capitalize on release of their name, campaign built around it coming soon

Powerball hit in New Jersey, seeing higher jackpots from matrix change

Briefly discussed new game development for Lucky for Life

No exact launch date set currently

Consortium vote coming, confident we'll get voted in for this game

Recent conferences and training for staff and board members discussed

New members to the National Council of Problem Gambling (NCPG), very welcoming group
Security manager is becoming a certified fraud examiner
Director's meetings with MUSL due to changes in their director and recent events
Another meeting coming up and MUSL pays for it
Discussing cap on Powerball at the meeting, but it's not receiving a lot of support
Wanting to control jackpot increase by \$100 million rather than larger leaps for payouts
Complicated to levels of reserve accounts as far as payouts
Statistically jackpot runs are anticipated; based off of sales
Funding lower level jackpot amounts to cover by slowing larger leaps of main jackpot
Same state level responsibility of sales, but no penalties assessed by change
Leadership Wyoming speech recently, great group
Governor's Arts Awards went well
Giving back to local events is the main focus
Intralot visit, paid for by Intralot, to see monitoring systems and meet senior staff
Legislative event this year, good turnout at Lottery Headquarters
Required quarterly report outs to committees submitted
One presentation in person, all accepted report by no contact requesting additional information
State transfer April 5th, original amount estimation changed after jackpot run
Event at Treasury headquarters with staff and board members present
Start-up major objectives have been achieved
Almost \$400,000 in transfer account already with 8 transfer weeks to go
Seasonal trends with all jackpots being hit for sales drops
Request by Brian Gamroth for breakdown of distribution to each county, city, and town
Same percentage of sales tax based on population in distribution
Receiving calls about distribution at headquarters; Jon Clontz meeting with Evanston City
Council for feedback after article was run about issues with distribution
Audit with MH&P scheduled for July; asked for it not to be during Cheyenne Frontier Days
because of staff working more than Warehouse Twenty-One due to budget cuts
Preparing audit manual for 3rd annual audit
Security audit set for creating an audit checklist, make that a routine part of annual inspection
for transparency
Outcome will be presented to the board
Develop depth in audit for things that MH&P doesn't look at
Results made privy to the board; want to look at that as closely as we can
New staff position filled after reevaluation of Chief of Operations position
Made the new position Project & Performance Manager; Performance Management Plan to go
into effect as soon as person moves into position
Primarily project manager position; starting with orientation and new game timeline
Robin Grandpre starts June 1st; excited about her coming on board
Added retailers after jackpot run, which caused a boost in revenue
Employee evaluations completed and developing a clear HR system; currently up to date
Summer giveaway campaign including retailer forums while we're in various communities
Great opportunity to connect with them as well
Reduced marketing and advertising budget by contract renegotiations with Warehouse Twenty-
One

Greater control of budget, significant reduction in spend; more normal/routine operations
Cowboy Draw accounted for without dipping into reserves to payout jackpot winner
Justin Ballard explained how jackpot payouts work for Cowboy Draw; prefunding, multiple hits, etc.

Removal of SCA coverage provides greater return

Not violating directive to lobby for the Lottery, thoughts about new game options, debit card use, daily game to enter new market; considered draw games by title

Groups reacted negatively towards keno previously, so we formed an internal advisory group with no authority to talk to key stakeholders to see where they are on gaming changes and debit card use

Response was overwhelmingly positive; get back together for additional feedback

Discussed difference in games and what can be added for revenue opportunity

Time for board discussion on the matters, as the feedback is dramatically different from last year due to the state's economic position

Legislature coming into session next season, we need to be talking about this now to provide legislature with information to consider

Requests for data on what we would get on return from scratch; getting asked more and more

Finance & Accounting Report:

Mr. Scissons presented the following updates:

Profit and Loss for the third quarter discussed

Jackpot driven revenues

SCA payment discussed; no longer using them

Transfer and reserves briefly mentioned

Balance sheet outlined with revenue and disbursement

Policy going to come in for jackpot payments and paying players after we receive payments from MUSL or appropriate consortium for high jackpot amounts

Reimbursements from consortium discussed

Disclosure to players and how to make them aware of it is something that will be discussed with the lawyer

Reaching out for best practices to other lotteries, and we'll implement it so players will get timely payments

Equity/net position positive; nice to see on the balance sheet

Contingency funds line item explained

New category in budget for new game development, as it's not a regular cost

Easier to track trending of new game expenditures this way

Profit and Loss Year to Date discussed briefly

State payment and line of credit payments highlighted

Favorable gross profit on Budget vs. Actual

Sales didn't drop like we anticipated it would

Advertising for new position explains higher expenses

Historical data collections help with budget preparation for each fiscal year moving forward
Not factoring in jackpot runs into projections; built based on regular occurrences
Got a baseline from Cowboy Draw historical data
Low to mid jackpot levels were what projections were based off of
Funding new game launch came from weekly money allocations along with state transfers and line of credit repayments
Opportunity to set money aside to fund new game launch weekly
If not spent, it'll be swept into the transfer account
Track individual expenses of new game launch, unlike Cowboy Draw
Allocate funds appropriately with work with Intralot and Warehouse 21
No other line items affected, as it is now its own line item
Nothing pulled from operating budget to work on new game launch
Motion made by Ross Newman to approve the Q3 Financials as presented. The motion seconded by Sandi Chitwood and the motion passed by a unanimous 8/0 vote.

“Bundle” offering to mitigate cannibalization of other draw games discussed
New game is not jackpot driven; different type of game from current portfolio
Appealing to younger demographic with new game

Appreciate input of sub-committee work with this budget, as it has a lot of moving parts
New game development will change how gaming expense is allocated
Will need a revised budget mid-year once we know how this new game will reclassify
Marketing budget down from previous year
Added new game development line item
Need to continue to do tracker studies, but not as many as we needed in first few years
Gathered information from historical data
Costs are down and revenues are up
Conservative assessments, but possibly might need adjustments at our end of fiscal year board meeting
If we see trends of change, we can adjust our numbers accordingly
Variables a new lottery faces keep numbers on the conservative side
Keeping a cautious budget as there are many unknowns in this business
Based on behaviors, players, etc., we'll come to more accurate numbers
Legislatures looking at transfers as positive and more than what they expected
Allowed to transfer a lot more based on a series of factors, but we were anticipating it to be much less based on our conservative projections prior to the jackpot run
July transfer has not been disclosed, but hoping for consistency
Moving target is income, but expenses are solid
The idea of “under-promise, over-perform” is a smart way to approach this budget
Trying to create more fixed costs and predictable billing cycles for the future
Changes in storage and inventory discussed to save money on our Warehouse 21 expenses
Number one positive thing that “hit home” was the reduction in the marketing & advertising budget with the grassroots group of stakeholders

Motion made by Brian Gamroth to approve the FY17 Budget as presented. The motion seconded by Gerry Marburger and the motion passed by a unanimous 8/0 vote.

Department of Health funds distribution discussed

Fully funded for fiscal year 2016 & fiscal year 2017

“Up to” verbiage in statute explained in our interpretation; board’s discretion is important
Matt referenced statute and the amount is not fixed; discretionary and the only hard line is “not to exceed”

Memo requested for Problem Gambling Department of Health funding and budget needs

Should be proactive on how we put it out there as a Lottery with Department of Health

Policy and procedure outlined for stability with Department of Health and used going forward as an outline of how we deal with funding their accounts

Presented by Brian Gamroth as making a training opportunity to serve the state of Wyoming better by holding a training in Cheyenne so no travel is necessary as it is currently restricted by the state

Do our due diligence to address Problem Gambling in Wyoming

We have a MOU with Department of Health to manage the funding on our end rather than transferring money directly to Department of Health

Projects and studies are currently in the works with the Problem Gambling group

Justin Ballard discussed Problem Gambling features and aspects coming up in our program development

Ideas have been brought up about funds distribution and maximizing allocations of funds but board will have decide at what increments going forward on how much would be moved and how often

Special promotions or paying future prizes on any monies not spent in problem gambling is a possibility under the board’s discretion, as long as it falls within the statute

Could come back and fund to players on any funds not utilized by Department of Health and the Problem Gambling program

Board is in control of the distribution of those funds; we will document how that money is used for audit purposes

*Response Dave Bonner- The account is not “fully funded” and can go back to special promotions and prizes. The concern is in overfunding the account.

*Response Jon Clontz- We can change line items to express more appropriate allocations, and explained “fully funded” terminology

Most lotteries don’t account for every unclaimed dollar, investigating what is best practice used by other lotteries

Discussed funding at lower percentage and board should still have more money to relocate money to another area

Through sub-committees we will start discussions about spending and special promotions

Sandi Chitwood added that after the NCPG conference, she hopes to speak with some authority on Problem Gambling; happy to travel and relay information as needed

Working towards start of policy and procedures relating to this group

WLC cannot become problem gambling solution for the state of Wyoming

Work towards setting a structure so we’re not trying to control aspects we have no control over

Careful not to become responsible party for problem gambling for gaming in all of its forms
Acknowledgement of Ed Atchinson passing last week, keep his family in our thoughts
WLC moved for dismissal of his lawsuit as of yesterday
Discussion of funding requests for training on problem gambling in consult with Department of Health
Matt researching what “in consult” means and it will be presented to the board on its outcome
Concern & caution is what we need to make sure there is awareness of training availabilities
and WLC staff doesn’t take on the majority of outreach and training plans for the state
Need to work on details of problem gambling and have the Department of Health be responsible for them; WLC will write checks and remove themselves from this responsibility

Break: Andi Clifford Guest Speaker

Sales Report:

Mr. Ballard presented the following updates:
Total Sales for fiscal year 2015-2016 discussed with data highlights
Powerball Sales for fiscal year 2015-2016 discussed with data highlights
Mega Millions Sales for fiscal year 2015-2016 discussed with data highlights
Hoping to see Mega Millions continue to climb
Powerball & Mega Millions for fiscal year 2015-2016 discussed with data highlights
Didn’t have historical data to include Cowboy Draw previously
Cowboy Draw Sales for fiscal year 2015-2016 discussed with data highlights
Continues to be our most popular game
Offers higher payout percentage, higher price point considered surprising with its turnout
Actual vs. Revised Projected Sales discussed with data highlights
Requested side by side accounting of games previously presented

Marketing Report:

Sponsorships discussed
Lucky for Life advertising options available discussed
Wyoming’s Big Show – Sweetwater County Fair detailed for board members
Similar to Cheyenne Frontier Days (CFD), but on a smaller scale
Supporting sponsor, as well as a vendor to be able to sell tickets while we’re there
Get advertising recognition as a sponsor
CFD and Wyoming’s Big Show run back to back
Renegotiated location and are in front of the park, as well as a second location inside the park
Special emphasis on Cowboy Draw during CFD
Looking to test and survey to see the ROI on CFD for year over year comparison
Dramatically cut Warehouse 21 budget, included help at CFD
Requiring lottery staff to do more work
Bringing in temps from Express Employment to assist
Discussed what we get as a sponsor and outlined possible CFD promotions
Try to brief the board on summertime events just ahead of the next board meeting
CFD schedule of concerts discussed in conjunction with our July board meeting

Considered "Burnout" and Big Show meeting times as well
Get together and find a date that collectively worked for everyone on the board

Lottery Activity Update:

Mr. Stevens presented the following updates:

Recognized we needed some policy that tracks the mail that comes in to the office, putting mail into some kind of organization

Read through the purpose, policy, and procedure of the mail processing policy

Security controls is a two person method in front of camera

Outgoing mail will go through standard US mail unless approved otherwise

Tickets registered on daily mail in validation form, with employee signatures to verify those claims

Adopted to prevent someone from sending ticket in to lottery and them claiming we got it

This would show that we track the claims that we do receive

Motion made by Brian Gamroth to approve the Mail Processing Policy as presented. The motion seconded by Ross Newman and the motion passed by a unanimous 8/0 vote.

Security Upgrades & Measures discussed in detail for all changes in 2015-2016

Colorado lottery visit to improve security

Preparing for security audit next month

Prize Payment Data & Statistics discussed since inception

Higher tier winners highlighted with winners of \$50,000 or more

Closing Remarks:

Statistics on distribution coming from the State Treasury

Added Security updates as we don't do that often

Best position we've been in as a Lottery

Major goal is new game launch and maximizing the transfers

Readdressed Ed Atchison situation in litigation terms

Discussed La Fleur's conference; quite a learning experience

Advertising campaign from Lucky for Life as a "groundhog's day" concept

Policy for Problem Gambling with Department of Health to get started on

Hard work for everyone; appreciate all for the undertaking

Appreciate efforts of Macy Holmes for work put into this meeting

Economic downturn and its effects on lotteries and the history behind them discussed

Jon Clontz discussed Oregon experience with this situation; switch from traditional product to Video Lottery Terminals (VLT) in popularity

Guest speaker discussion and how it plays into the Lottery

Motion made by Brian Gamroth to go into executive session. The motion seconded by Dave Bonner and the motion passed by a unanimous 8/0 vote.

Meeting Adjournment:

Chairman Macy announced closure of meeting. Meeting was adjourned at 5:28 p.m.