

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

Tuesday, July 27, 2021

In Person and Zoom Video Conference

Converse County Library

Douglas, Wyoming

Board Members in person: Jim Willox-Chairman, Gina Monk- Vice Chairwoman, and Todd Peterson.

Board Members via Zoom: Ed Liebzeit- Secretary, Dave Bonner-Treasurer, and Sandra Wallop.

Staff Members Present: Jon Clontz-CEO, Robin Medina-COO, Loy Jackson-CFO, and Jessica Baldwin- Executive Assistant.

Guests Present: Matt Kaufman-Legal Counsel

Establish Quorum:

Chairman Jim Willox called the meeting to order at 8:30 a.m. with a roll call of board members and staff members. It was noted that Board Member David Snyder and Board Member Mary Throne were absent for the meeting.

Agenda Approval:

Chairman Willox presented there were no additions or changes requested.

Approval of the Minutes:

Minutes from April 27, 2021

- A Motion from Board Secretary Ed Liebzeit and seconded by Vice Chairwoman Gina Monk to approve the minutes, passed by unanimous vote.

Special Session Minutes from June 21, 2021

- Board Secretary Ed Liebzeit, Board Member Todd Peterson and Treasurer Dave Bonner had corrections to the minutes.

Following a Motion from Board Member Peterson and seconded by Board Treasurer Dave Bonner, the corrected minutes were approved by a unanimous vote.

CEO Report:

Wyoming Lottery Corporation (WLC) CEO Jon Clontz reported and discussed the following:

- MUSL, NASPL and directors' meetings are beginning to start back up
- Jon will attend Kansas City Directors' Meeting
- Media attention via TV and radio has been improving post COVID and there were many positive items to report on:

- 2by2
 - Keno
 - University of Wyoming Sponsorship
 - New chairman and new chairwoman for WLC
 - Jackson media published the press release about the Lottery transfer to the State of Wyoming.
- Keno Research
 - Moving forward and progressing
- Upcoming Intralot meeting to discuss
 - Keno partnership
 - Contributions
 - Commitments
- The National Legislatures in Gaming Conference in Chicago, Illinois reported
 - Wyoming was mentioned twice due to its great problem gaming program and being a new gaming state.
 - Wyoming should try to get a Representative, Senator and/or Board Members to attend.
 - One main topic that was discussed was many lotteries now have competition due to skills games and sports wagering. These games are on the rise in many states and not many states know how to adapt and control it. Due to skills games on the rise, the problem gambling program is extremely important.
- Forums
 - Turn out from retailers in specific areas were not good due to Covid-19 and staffing shortages.
 - Response from retailers regarding the virtual information was positive.
- Retailer Visits
 - Staff visited many retailers in Cheyenne and other places, engaged and handed out swag
 - Personally visited retailers in Jackson, Douglas, and Casper, engaged and handed out swag.
 - Evaluated Lottery Service Representatives in specific areas to make sure the retailers knew who they were and how to contact them.
 - Will be sharing the findings with Intralot.
- Keno has been the major focus right now

Questions / Comments from Board Members:

- Chairman Willox included that pressure to get vaccinated may come back due to the rise in cases and the staff needed to be ready for the Governor's COVID vaccination incentive.
- Board Treasurer Bonner questioned Mr. Clontz regarding the most recent TRW Legislative Committee Meeting. He stated that Representative Sandy Newsome informed him that they are working on and are ready to introduce legislation to approve scratch tickets. The revenue from the scratch tickets would be earmarked for outdoor recreation, specifically to improve state parks. However, she added that it may be amended so that the revenue from scratch tickets would benefit schools instead.

- Mr. Clontz cautioned the Board regarding the allocation of revenue towards a specific item because every group is passionate about something.
- Mr. Clontz added that most state lotteries do allocate most of the money to education.
- Mr. Clontz also added that what is great about this state is the money goes back to local government.
- Board Member Peterson asked if the scratch tickets would fall under the lottery commission or gaming commission?
 - Mr. Clontz stated the following:
 - The lottery would be producing the tickets
 - There would be 6 to 8 scratch ticket products
 - WLC has estimates of the revenue it would bring in
 - WLC would need to contract with a print company
 - WLC has the capabilities or would be ready should the opportunity rise
- Board Member Wallop questioned if WLC would be the one to distribute the revenue from the scratch ticket sales?
 - Mr. Clontz stated the following:
 - Most lotteries are not able to distribute funds and it would be unusual for it to come to that and there are not enough employees to do that.

Budget:

Mrs. Jackson presented an overview of the Financials. All directors had received detailed statements prior to the board meeting.

Balance Sheet

- As of July 30, 2021
 - \$4.8 Million in the checking account
 - Savings account has \$853,000
 - Unclaimed Prize Account
 - \$1.2 Million
 - Utilized \$300,000 in November for the Cowboy Draw Jackpot
 - Responsible Gambling Funds
 - Decreased by \$7,000

Profit and Loss Report for the Quarter

- 2by2 Sales
 - \$787,000
- Gross Profit
 - \$2.2 Million (Up \$500,000 from the prior year)

No unusual operating expenses

Annual Profit/Loss

- Total Income
 - \$31.7 Million (\$7.6 Million over the prior year)
- COGS

- Prizes paid out
 - \$17 Million
- Total COGS
 - \$23 Million (Increase over the prior year of \$5.4 Million)
- Gross Profit
 - \$8.5 Million (Increase over the prior year of \$2.2 Million)
- Operating Expenses of Note
 - Board Expenses
 - \$12,000 (\$9,000 less than the prior year due to no board expense travel for this fiscal)
 - Employee Recruitment
 - Increased slightly by \$3,000 due to listing the EA position
 - Membership dues
 - \$25,000 (decrease from the prior year by \$4,800 due to the NASPL fee)
 - Problem Gambling
 - Dues paid in addition to the \$5,000 for this quarter
 - Question from Attorney Matt Kaufman regarding allocation of funds for problem gambling (question asked during the Gaming Commission meetings).
 - WLC does not get a report from Responsible Gaming on how the money is being used and who is using it.
 - Account, Auditing and Legal Fees
 - \$13,000 under from the prior year
 - Marketing
 - Total for the year was \$675,000 (a decrease over the prior year of \$74,000)
 - Warehouse 21 contract is down by \$94,000 from the prior year
 - Events (UW Contract)
 - App Expenses
 - Governor's Covid Vaccination project
 - Marketing Costs were down 10%
 - New game development was an incremental \$676,000 primarily due to launch of 2by2
 - Total New Game Development
 - \$676,000
 - \$545,000 was due to 2by2, which includes most of the new game development expense
 - Outside Contract Services / IT
 - \$144,000 (\$36,000 over the prior year)
 - Net Income before the transfer
 - \$5.2 Million (\$1.5 Million over the prior year)
 - State Transfers
 - \$4.3 Million (\$1 Million over the prior year)
 - Net Income
 - \$882,000 (\$500,000 over the prior year)

- State Transfer Percent of Net Income
 - 83%

Board Treasurer Bonner responded and wanted to point out the Cowboy Draw has really excelled in this state. The sales for Cowboy Draw make up almost 40% of WLC’s revenue and the payout is at 68%.

2020-21 Budget vs. Actual

- Total Income
 - \$31.67 Million (Over budget by \$8 Million)
- COGS
 - \$5.3 Million over budget
- Gross Profit
 - \$8.5 Million (\$2.5 Million over the budgeted amount)
- Net Income before the state transfer
 - \$5.2 Million (\$2.8 Million over for what was budgeted for the year)
- Tracker study to start in the upcoming fiscal / needing to get fresh data with the new gaming ventures
 - Working with a firm that has done it before
 - Getting quotes and schedules
 - Need to see what types of issues are in Wyoming
 - Need to also review if there is enough money for this issue

Vice-Chairwoman Monk made a motion to approve the financials as presented. The motion was seconded by Board Member Peterson, and the motion passed by a unanimous vote.

Keno Budget

Mr. Clontz stated the Keno Budget was discussed in depth during the subcommittee meetings. However, there were a few adjustments made regarding Keno Training, the Keno Manager and dates added to the months.

Chairman Willox reviewed information regarding the Keno Manager. He would like to decide on the term of the Keno Manager between one of the following:

- 1-year contract employee
- Contract employee
- WLC employee

Mr. Clontz will be meeting with Matt Kaufman regarding getting a “start-up” employee who would:

- Help launch Keno
- Have knowledge of Keno
- Have Keno experience
- Be trustworthy

Mr. Clontz added that after launch WLC could transition to someone more permanent. Also, Intralot would be adding an extra person for maintenance and product management focusing mainly on Keno.

Questions/Comments

Board Treasurer Bonner asked for clarification on the Keno Manager vehicle.

Mr. Clontz explained the following:

- Keno Manager needs a vehicle because this position will require being on the road 65-70% of the time.
- Due to traveling the state, it wouldn't leave a vehicle for other staff members if needed.
- The Subaru was traded in for a Jeep, which will be the company car and the Keno Manager would get a different vehicle.

Chairman Willox proposed to lease the vehicle instead of buying the vehicle. Which was discussed and agreed upon that too many miles would be accrued on the vehicle.

Board Treasurer Bonner also wanted to review the \$80,000 Keno bonus.

Mr. Clontz explained the following:

- His employment agreement, that was approved by the Board, stated he was to receive a \$20,000 bonus for Keno, if there were not any operational issues
- The additional \$60,000 remaining would be distributed to the staff
- He wanted to be able to reward WLC employees for the Keno launch
- He researched "game bonuses" from other jurisdictions
- Bonuses would be contingent on a successful launch of Keno

Board Member Peterson asked if Mr. Clontz anticipated any pushback from legislatures during a budget crisis?

Mr. Clontz explained the following:

- WLC mirrors the lotteries in Georgia and Tennessee
- The statute allows bonuses and has specific language regarding that
- The governance manual also allows bonuses
- Bonuses have never been an issue in the past 8 years

Board Treasurer Bonner pointed out the payable bonus should be paid 3 months after successful first-year sales. It was discussed that this payable bonus should be reviewed in next year's Keno budget. Board Treasurer Bonner's recommendation would be to defer the bonus and follow the contract language. Mr. Clontz agreed.

Board Treasurer Bonner made a motion to approve the Keno budget as presented, removing line 64, 200, which is the Keno launch budget and adjusting the numbers accordingly. The motion was seconded by Vice-Chairwoman Monk, and the motion passed by a unanimous vote.

Marketing Report:

WLC COO Robin Medina presented the Marketing Report.

Sales Update Report

FY'21 Actual vs. Projection

- FY'21 Actual Sales were \$31.9 Million

- Sales were over projection by \$8.2 Million

FY'21 vs. FY'20

- Total sales for FY'21 was \$31.9 Million
- Total sales for FY'20 was \$23.5 Million

Actual Weekly Sales FY'21 vs. Actual Weekly Sales FY'20

- Average weekly sales \$613,000
 - Budget was \$476,000

4th Quarter Actuals vs. Projections

- FY'21 Quarterly Sales Projected Sales were \$5.8 Million
- Quarter 4 Actual Sales were \$7 Million

Powerball FY'21 vs. FY'20

- FY'21 sales to date were \$8.8 Million, up 29% vs. previous year

Mega Millions FY'21 vs. FY'20

- FY'21 sales to date were \$7.1 Million, up 42% vs. previous year

Cowboy Draw Sales FY'21 vs. FY'20

- FY'21 sales to date were \$12.1 Million, up 38% vs. previous year

Lucky for Life Sales FY'21 vs. FY'20

- Total sales for FY'21 was \$2.7 Million, up 13% vs. previous year

2by2 FY'21 // Did not have a FY'20 for comparisons

- Total sales for FY'21 was \$985,000
- Weekly pace projected amount was \$29,000
- Weekly sales average YTD was \$66,000

WyoLotto Product sales YTD

- Total Sales YTD for Powerball was \$8.8 Million (28% of overall sales)
- Total Sales YTD for Mega Millions was \$7.1 Million (22% of overall sales)
- Total Sales YTD for Cowboy Draw was \$12.1 Million (38% of overall sales)
- Total Sales YTD for Lucky for Life was \$2.7 Million (9% of overall sales)
- Total Sales YTD for 2by2 was \$985,000 (3% of overall sales)

Round Up Sales FY'21 vs. FY'20

- Round Up total sales FY'21 YTD was \$4.5 Million, up 32% vs. previous year

Questions/Comments

Secretary Liebzeit asked Mrs. Medina about how many people are playing the lottery in the state? Mrs. Medina and Mr. Clontz stated they would investigate their system and see if there was a way to report on that question.

Marketing Update

2by2 Campaign

- Product is doing well
- Started the paid media campaign on March 14, 2021, and it ran through June 20, 2021
- Billboards were the most effective marketing channels and that was extended (coming into Evanston and coming in from Colorado)
- The goal was \$29,000 for a weekly pace
- The results were an average of \$62,000 weekly pace (exceeded goal by 113%)
- At the time this was published WLC has 346,000 winners and \$402,000 winnings in the first 4 months
- 11 grand prize winners

Lucky for Life Game Change

- Went live to daily on July 19, 2021
- No other changes/strictly the amount of draws during the week
- Announced changes to retailers and players starting on May 7, 2021, about the drawdown schedule (which just increases the number of future plays they can buy) and made sure they understood the changes.
- July 19, 2021, campaign launch, including corporate communications, in-store, retailer, and media buy
- Paid media channels (radio, YouTube, digital, and social ads) running from July 19, 2021, to August 15, 2021.
- WLC goal was to increase weekly sales by 25% and has seen that increase so far
- 61% increase week over week
- Performance of this product is great

Powerball Game Change

- August 23, 2021, Powerball will add a third draw on Monday nights/no other changes
- August 23, 2021, corporate communications only campaign launched which targeted current players and retailer patrons which will include, web, social, app, retailer communications, email, and in-store POP pads.

Mobile App Updates

- App launched in September 2020
- 19,000 current registered users
- 181,000 total tickets scanned
- 7,000 users opted for the push notifications
- Continuing to look at different way to encourage players to use it

App Exclusive Swag Giveaway

- Ran from May 23, 2021, through May 29, 2021, app-only giveaway promotion
- Had to have the app to be enrolled in this giveaway
- Ticket scans were automatically entered to win a summer swag bag
- 1 winner a day for 7 days
- The results were that 6,000 tickets were entered compared to the weekly average of 3,000 to 4,000 ticket scans
- Keeping users engaged

Celebrities Against Cancer Event

- 6/18 – 6/19
- WyoLotto sponsored \$2,000
- Matched and donated all sales at the bus to St. Jude’s Children’s Research Hospital & Cody Regional Cancer Treatment Center
- The PR benefits included:
 - Banners
 - Live mentions
 - WyoLotto staff at the event
 - Prime on-site locations for bus
 - Logo on jerseys
 - Printed program ad
 - Logo on event website
- Earned Media consisted of:
 - WyoLotto staff photo was featured in the Cody Enterprise & Powell Tribune
 - 30 Minutes on KODI AM/FM radio
 - Press release thanking sponsors
 - Social posts
 - Video
 - 20-minute podcast

FY22 Marketing Plan

- Key initiatives for next fiscal year
 - Completion/Launch of LFL Game Change
 - Completion/Launch of PB Game Change
 - UW Football Sponsorship/1st game is on September 4th and the van will be there
 - Live reads through the radio (Reece Monoco)
 - UW Cowboy Draw BOGO running for ALL games this year / runs between 11 AM to 2 PM
 - Ongoing Corporate Communications//big winners, big jackpots, and transfers
 - Email
 - Social
 - App
 - Web
 - Pads
 - PR
 - Annual Report

- Website Redesign
 - Will be able to handle all games
- Keno
 - Launching August of 2022

Executive Session:

The motion was made by Board Member Peterson to move into Executive Session. The motion was seconded by Board Treasurer Bonner, and the motion passed by a unanimous vote.

Readjournalment:

Meeting Adjournment: Chairman Willox announced the closure of the meeting with the motion to adjourn by Board Secretary Liebzeit, seconded by Board Treasurer Bonner, and passed with a unanimous vote.