**WYOMING LOTTERY CORPORATION**

**Board Meeting Minutes**

June 21, 2021

Zoom Video Conference

**Board Members via Zoom**: Gerry Marburger-Chairman, Jim Willox- Vice Chairman, Ed Liebzeit- Secretary, Dave Bonner-Treasurer, Sandra Wallop, Todd Peterson, and Mary Throne.

**Staff Members Present:** Jon Clontz-CEO, Robin Medina-COO, Loy Jackson-CFO, Dave Stevens-Chief of Security and Enforcement, Sarah Shoden- Digital Marketing Manager, Ashley Pexton- Marketing Manager and Jessica Baldwin- Executive Assistant.

**Guests Present:** Matt Kaufman-Legal Counsel

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**Establish Quorum:**

Chairman Gerry Marburger called the meeting to order at 8:30 a.m. with a roll call of board members and staff members. It was noted that Gina was absent for the meeting.

**Agenda Approval:**

Chairman Marburger asked for any additions or edits to the presented agenda. With none presented, an approval was motioned by Board Secretary Liebzeit, seconded by Board Treasurer Bonner, and passed with a unanimous vote.

**Results of the election:**

Chairman Marburger asked Matt Kaufman to take over regarding the election. The new Vice Chairwoman will be Gina Monk. Chairman Marburger asked for a Motion of Approval of Officers as corrected by Board Treasurer Bonner, an approval was motioned by Board Secretary Liebzeit, seconded by Board Treasurer Bonner, and passed with a unanimous vote.

Chairman Marburger then allowed Chairman Willox to resume the meeting acting as Chairman.

**CEO Report:**

Wyoming Lottery Corporation (WLC) CEO Jon Clontz presented the Quarterly overview report.

Mr. Clontz began by congratulating all the new officers and thanking them for their service. Mr. Clontz went into discussing the events in Cody, Wyoming regarding the St. Jude’s Cancer Research Fundraiser. The WLC booth sold almost $1,000.00 worth of tickets and bought many jerseys and t-shirts and will be sending them to the Board. Mr. Clontz explained that everything that was donated and purchased goes back to St. Jude’s cancer research. He let the Board know that this will happen every year and many celebrities have shown interest in this fundraiser. Mr. Clontz would like to attend this event every year because of the exposure that WLC received, and he stated that Mr. Yarburo would be featuring the WLC on his sports website (demographic is retired sports athletes). Mr. Clontz also informed the Board that as soon as we received word on the total amount raised, he would send it their way along with pictures of the event.

Mr. Clontz moved on to Keno and the development. He will be meeting with Byron Booth and Christos Tzoumaras again soon just to follow up on Keno development and equipment. Mr. Clontz and staff are continuing to work on the budget, which would be presented later in the meeting and updated the Board on the forums and where they are being held throughout the state. The virtual forums will also be offered again in certain places to capture as many people as possible, and the forums will be wrapped up by June 30th.

Mr. Clontz continued and spoke about getting ready for the new fiscal year and the transfer in early July which should be over one million dollars. He mentioned that the jackpots are low again except for Cowboy Draw which was currently over $700,000. He informed the Board that Lucky for Life and Powerball updates are on track, and they will be done on time.

Mr. Clontz spoke about NASPL and MUSL and let the Board know they are moving to in-person meetings. NASPL Director’s Meeting will be held in Kansas City and MUSL will be in Chicago or Cleveland however, the NASPL annual main event will still be virtual out of concerns for the large crowd. Mr. Clontz mentioned if a board member would like to attend the NASPL conventions, he would keep them updated on dates and times.

Mr. Clontz went on to discuss the update with the Governor’s Office regarding the COVID project and that he has not heard anything from them. He added that in his opinion, the project has either slowed down exponentially or has completely stopped. Mr. Clontz assured the Board that they will be prepared if/when they hear from the Governor’s Office.

This concludes the CEO report for Mr. Clontz.

**FY22 Sales Projections:**

WLC COO Robin Medina presented FY’22 sales projections.

Mrs. Medina began by reviewing the sales projections in comparison to actuals. She stated that WLC entered the FY’21 very conservatively. WLC did not know what was going to happen with the pandemic and how it would impact retailers and players. Mrs. Medina stated Powerball was projected to be $135,000 per week, and as of right now WLC sales are averaging $171,347. Mrs. Medina said that Powerball is changing and will be adding a draw but that does not start until August. She noted that the change will not likely impact sales and drive them up, but what Powerball is hoping is that by adding a draw, it will increase game interest. She went on to say that on the draw days, sales do see an increase, so it looks like people are waiting for the draw date and buying tickets. However, it is not significant - probably $10 to $15,000 per draw date. Therefore, the projection was increased to $145,000 per week.

Mrs. Medina went on to speak about Mega Millions and stated that they projected $92,000 per week in FY’21. She shared that this product is gaining a lot of recognition and brand awareness in Wyoming after large jackpot increases. She noted that due to this, the projected sales per week increased to $95,000.

Next, Mrs. Medina went on to speak about Cowboy Draw. She noted that Cowboy Draw had been projected at $175,000 per week, and she explained that this was not as conservative because there would be multiple BOGOs. In the end, it averaged $237,244 weekly. She projects $175,000 for the next fiscal, and WLC plans to launch multiple BOGOs for home and away game wins.

Moving on to Lucky for Life, Mrs. Medina shared WLC projected $45,000 per week and that we are seeing an average of $52,546 for this product with a steady player base that does not fluctuate too much from $50,000 per week. It will also be going to a daily game. Mrs. Medina projected a 25% increase in sales for the product as there are more plays during the week, and they have an amount of $61,750 for the weekly projection.

Mrs. Medina moved on to 2by2 and stated that initially WLC was unsure how this product would be received but WLC projected a conservative amount of $28,846. She stated that the players are loving the game and were educated enough on how to play it. We are seeing $68,556 in weekly sales. She wanted to come down a little on the projection and set it at $55,000 because it is a new game and can still fluctuate. So, for the FY’21 the projection was $475,846, and the next fiscal year would be set at $531,750. She ended by saying for the whole FY’21, annual sales were at $23,676,690 and right now the amount she plans on hitting with one week to go is, $31,500,000. However, she explained there are always uncertainties so the total projected sales would be $27,651,000.

Chairman Willox added that the proposed FY’22 projected sales represent an 11% increase over the budget a year ago which is 20% lower than actuals. The $475 vs. $531 is the 11% increase but the $531 vs. $670 is 20% lower than the actuals. So, he noted that the WLC is leaving a lot of cushion which is smart planning. Mrs. Medina agreed with Chairman Willox. She stated that the big cushion that was put in or “the increase” was bringing a new product on for a full year and part of that was the $2.8 million they are projecting for 2by2. Ms. Medina stated that it is still uncertain with Powerball because adding a draw day may not be the solution to sales. The change is required, so WLC will ensure it is done well. Mr. Clontz agreed with Ms. Medina and elaborated. He stated the change in Powerball will lower sales, and many states are looking into abandoning it. He said that it will be a very unpredictable year. He went on to say that Keno will stabilize projections, and it will be the biggest selling game. He noted that Keno will not be jackpot driven, so it will be more predictable. Mrs. Medina agreed, and she stated that Lucky for Life will be a positive change in Wyoming with a steady player base that loves the product. It gained its popularity in January when they had large jackpots, and players utilized the “Roundup” option which includes Lucky for Life. Mrs. Medina shared that the WLC feels confident for the 25% increase for this product.

Chairman Willox posed a question regarding Keno and wanted to investigate having some projected income. He stated that he hoped there would be a little bit, but he understands that it is at the end of the fiscal year. Mrs. Medina and Mr. Clontz stated that depending on launch and knowing which stores would have the product, then they would be able to estimate revenue and add it. Mr. Clontz said that there could be incoming income as early as March but as late as May. Mrs. Medina added that projections were looking at $1.4 million per month as a total. Board Secretary Liebzeit added he believes that Keno should be in the budget, as it is in the plan and to him the budget seems very conservative. Ms. Medina stated that when the budget is presented, the projections will be as well. Chairman Willox posed a question to Board Secretary Liebzeit regarding modifying the revenue projections to add Keno or waiting until launch date is set. Board Secretary Liebzeit responded and stated that yes, he believes Keno should be in there now as it was added into the plan. He continued to explain that since there is a plan to launch it, there should be a revenue number. Mrs. Medina stated that she could add in the numbers as they have projected the product already for a gross amount. Mr. Clontz then said that a number could be added to the budget, but it would be difficult to pinpoint exactly the correct amount at this time. Chairman Willox asked Board Member Liebzeit if he agreed to let the office get a number together and present it at the next meeting. Mr. Clontz stated they will have a number ready by July. Chairman Willox asked the Board if everyone agreed to amend the number accordingly in July. With no objections from the Board, Chairman Willox stated that the budget will be presented in July with Keno additions.

This concludes Mrs. Medina’s sales projections portion of the report.

**Budget Proposal:**

Mrs. Jackson presented FY’22 Projections.

Mrs. Jackson started with the revenue section to add in the free plays. She explained the section shows the deductions of the free plays. She noted that out of the $2.86 million for 2by2 sales, Mrs. Jackson had calculated $357,500 which was about 12.5% to come out as free plays. This would take the total income to $27,293,500.

Board Treasurer Bonner then asked for a review on how the free plays worked. Ms. Medina explained that if one number is matched, that constitutes as a free play, and the free plays will print out on the terminal. Mrs. Jackson added that free plays still need to be allocated because it does have a potential to be a winner, so those are added as a cost of goods sold (COGS). She then noted that it needs to come off the total revenue rather than the (COGS), so it is comparable to other jurisdictions.

Mrs. Jackson then moved on and stated again that the total budgeted income was $27,293,500 which was a little bit over $3.6 million from what was budgeted for last year. She then proceeded on to the COGS section. She explained that the total prize payout for each game needed to be taken out and allocated to low tier, MUSL and Cowboy Draw jackpot expense. She explained that all these stay in line with the total prize payout for each game between 50% and 68% for all the games. This brings the total prize payout to $15,444,000 which is almost $2 million more than what was budgeted for last year due to the $3.6 million more in revenue.

Board Treasurer Bonner asked a question regarding Mega Millions low tier and why there was a decrease in the year ahead. Mrs. Jackson explained that the decrease was based on the last five years and that she takes an average, and, if more is going to MUSL rather than the low tier, she reallocates it to MUSL. She explained that the MUSL expense did not go down, and it increased by $60,000 for Mega Million. It was a shift from the Mega Millions low tier to the Mega Millions MUSL expense. Board Treasurer Bonner said he understood her explanation.

Mrs. Jackson then explained that after the prize payouts and other gaming expenses which include Intralot, retailer commissions, and the validation bonuses, this section of COGS will increase by a little over $600,000 from what was budgeted last year due to the increase in the revenue numbers. She explained that these were all based on the actual percentages of those payouts which will bring the total COGS to $20.3 million. This is $2.5 million more than what was budgeted last year. She noted that this will offset the $3.6 million increase in the revenue.

Board Secretary Liebzeit asked Mrs. Jackson if she had FY’21 actual spending available. He stated that he wanted to add a column comparing this year’s budget to last year’s budget, because it would be difficult to establish a new budget without that information. He stated it would be hard to build a budget without knowing what actual expenditures were from last year. Mrs. Jackson said that information could be added. She went on to explain the total COGS, including what is projected for the next few weeks, which would be an additional $23,190. She explained the budgeted amount of $17,747,000 and is expecting that to come in a little over $23 million. Board Secretary Liebzeit asked why the COGS is going to decrease by $3 million. Mrs. Jackson stated that this section is based on percentages of the revenue, so that number was based on the revenue of $27,293,000. She explained that the actual revenue for this year is almost $32 million to date, which is why it would go down because the revenue is $5 million less in the original budget. Board Secretary Liebzeit said that it made sense but would like to see actual numbers for the current fiscal year. Mr. Clontz stated to the Board that they can add more numbers for the budget development figures, however, there is a reason why they have approached the budget presentation like this for the past eight years. He noted that if the Board wants something different, they can incorporate what is needed but, some of the numbers would still be an estimate. This is because they would not have all the closing numbers until July. Mr. Clontz stated they are approaching the budget this year the same as prior years with actual numbers in July. He noted the estimates will be included as close to final numbers as possible before closing out the year. Mrs. Jackson followed by agreeing with Mr. Clontz regarding the policies for the purposed budget. Board Member Peterson added that the information was appropriate in how it was presented. Chairman Willox asked Mrs. Jackson how difficult it would be to add an extra column. Mrs. Jackson explained that yes, it would be possible to add columns requested to present the information needed. Chairman Willox agreed that having actual numbers to look at would be beneficial. He then added that he knows there will be an estimated Keno amount. He confirmed with Mrs. Jackson that there will be more information regarding Keno amounts and expenses in the updated report. Mrs. Jackson responded by saying because launch date is not confirmed, it was not included in the preliminary report.

Mrs. Jackson then continued to discuss the operating expenses. She reported that there were not a lot of changes to this section other than game changes. She reported the annual credit card fee of $25.00 will remain consistent, the board expenses of $39,710 (full budget due to more in person meetings), insurance policies decreased slightly, membership dues are remaining consistent from what was budgeted last year (currently under budget for this year by about $27,000 due to virtual meetings held by MUSL and NASPL, but there will be the full fees for this upcoming year), which brings the total business expenses to $111,000 which is comparable to last year. She then went on to contract services. The accounting fees are the same as last year however, she does anticipate a 3% increase. There was a decrease this year, so they are under budget for the current year. The increase for the accounting fees would be due to new games and having to audit more. Legal fees saw a decrease of about $15,000 from last year but, to date, the legal fees are under budget by $20,000.

Mrs. Jackson went on to discuss marketing. She explained the marketing contract increased by about $15,000 to include a new web design for this year. Mrs. Medina added that due to Keno being added, it will require a new website to integrate Keno (or any other new game) launch. The new website will be able to handle the amount of information for Keno which draws every 4 minutes.

Mrs. Jackson continued that they are under budget in the current year and the proposed total marketing budget now totals $746,000. This is $4,000 over the prior year’s budgeted amount.

Mrs. Jackson reviewed the new game development and she stated that there was almost $600,000 in the new game development of 2by2 which will not occur in the next year. There will be some expenses for Lucky for Life and Powerball updates so that will include new game testing, marketing and updates. The total new game development will be $333,970 which is a decrease from the prior year of $380,000 due to the full new game of 2by2.

Mrs. Jackson went on to report the outside contract services which includes hardware, software, and other outside services. She reported the anticipated amount to budget would be $131,000 which is an increase of $14,000. She said the main reason for the increase was for increased security services and IT services.

Continuing, Mrs. Jackson reviewed the payroll services and she stated these were based on actual numbers that would not vary much from the prior year. She noted that retail investigations fees are expected to come in a little higher than what was budgeted for last year due to increased efforts with retailers. This includes all the new Walmart stores to be added this year.

Board Treasurer Bonner asked if this budget amount anticipated new retailer additions for Keno. Mrs. Jackson responded that those specific Keno expenses would have to be within the Keno budget itself. Mr. Clontz added that these Keno estimates need to be extremely flexible. Chairman Willox added that it will be better for Keno to have its very own standalone budget. He noted that he preferred not to have Keno included in this budget discussion because it has the potential to not fall in line with budgeted amounts. He asked if everyone agreed. Mrs. Jackson added that his idea was what WLC had planned on doing. She stated that because there was not a set launch date, it was hard to put it into this year’s fiscal. She then noted that the budget is without Keno and a later addendum with Keno will be coming. Mr. Clontz told the Board that the Keno budget would be ready for the July board meeting. He stated he would speak with Byron Booth and get a launch date on Keno.

Board Secretary Liebzeit asked if there would be a reimbursement for the Powerball update expenses. Mrs. Jackson said they would not be. Mr. Clontz added that with MUSL games, there is a requirement that each jurisdiction pay their percentage for any updates and the amount is different depending on the number of sales. Mrs. Jackson stated that Lucky for Life was $250,000 total for the update and Powerball was about $200,000. Mr. Clontz included that the Powerball Consortium wants to be able to sell overseas, but they do not believe that Europe will allow it. However, the 36 states are looking at Great Britain and Australia to sell. He said the state would vote no to selling overseas because it forces Idaho out. This is because as they have a statute that they cannot sell overseas. Also, some states do not believe they should be abandoning states and their ability to bring revenue in. They also believe it could hurt sales in the United States and have legal ramifications that have yet to be discussed. He stated if it does pass and the sales go overseas, he does not know how that will impact revenue. He believes it may hurt sales in the long run. He then included that there are similar issues with Mega Millions as well. Mr. Clontz stated he would keep the Board posted on the happenings of said issues.

Mrs. Jackson continued with the discussion of purchasing a new company vehicle. Board Chairman Willox asked if this was a request to purchase a van or a car. Mrs. Jackson responded it would be for a car. Mr. Clontz asked the Board on their preference of the make and model of the car. Board Secretary Liebzeit added he believes it needs to be an SUV. Everyone agreed that Toyota is the most American made car, but WLC should get what will be best to accommodate the needs of the company. Chairman Willox added that he would like to see some funds set aside for the vehicle annually. So this way, a large amount does not come out all at once. He then added that he would like to see it added as an annual expense rather than a single event expense. Mr. Clontz agreed with Chairman Willox. Chairman Willox added that he did not mind spending that money this year but the idea of having $10,000 set aside for the next budget year is important. Mrs. Jackson explained that they do have the cash available. She went on to explain the depreciation amount would go down, but the car would not go into the depreciation number until it was purchased. Therefore, the two numbers will offset each other. She concluded that only the depreciated amount will be deducted, and the remainder would go to the state. She also noted that the $10,000 idea would be considered.

Mrs. Jackson went on to discuss the IT equipment which $21,000 was budgeted due to the new server that was purchased this year. She explained that this would bring the total amount for facilities and equipment to $180,000 which was $12,000 less than what was budgeted for last year.

Mrs. Jackson discussed the operations budget. She noted that communications were the actual cost, and office costs were $9,000 less than what was budgeted, but it was more in line with the actual expenses this year.

Mrs. Jackson discussed outside services, and she stated that this is the $36,000 that includes the services of Gale Geringer which is consistent with last year as well.

Mrs. Jackson then spoke about the retailer special incentive which was increased due to the number of jackpots that occurred in the last couple of years, so $12,000 was budgeted for this as opposed to the $9,000.

Mrs. Jackson then discussed the rent and janitorial expenses which had increased by 1%. It was based on the actual number, so it was $600 over from the prior year. She noted that the total operations budget amounts would be $201,000 as opposed to $204,000 from the prior year which included the new vehicle.

Mrs. Jackson reviewed personnel salaries and benefits. She noted the total benefits were $315,000 which was an increase of $36,000 from the prior year. She explained that this was due to an additional staff member, a potential 3% increase from Blue Cross Blue Shield, and Wyoming Retirement increases. She then noted that employee compensation was $918,000 which was $55,000 over the prior year. The main reason for that is due to the additional staff member. Chairman Willox asked about the vacation expenses. Mrs. Jackson explained that every quarter there is an accrual entry based on the liability of available vacation time for all employees and the current vacation policy. She explained that there are several employees of are eligible for the vacation “cash-out” benefit that is currently available to staff. Mr. Clontz stated they could send him the policy on the vacation leave and said that outgoing Chairman Marburger wanted to review the policies in the new year for the new board members who have not seen some of the policies. Mr. Clontz said he would send out policies that he believed to be of interest. Chairman Willox agreed that some policies likely needed to be revisited.

Mrs. Jackson continued with the travel budget. She noted the budget for employee conferences and training. She said the budgeted amount of $78,000 was more compared to the prior year of $48,000 due to COVID. However, they believe more trainings and events will be attended this year. She explained that with everything included, this brings the total amount of expenses to $3,312,000 which is a decrease from the prior year by $246,000. The main reason for the decrease is the difference in the new game expenses.

Mrs. Jackson then covered interest income and expenses. She stated that she has only budgeted $6,000 for interest income which is a decrease from the $7,500 due to low interest rates. The copy machines and interest expense were based on the actual number which will decrease by about $1,000. Mrs. Jackson concluded that the budgeted net income for FY’22 is $3,682,531 which is $1.3 million over last year’s budget. She stated this will still leave $2.7 million to be transferred to the state at the 75% mandate and estimated that the transfers to the state this fiscal will be over $4 million due to increased revenue. She then noted that the 25% that is allowed to be retained by WLC will be almost $1 million, which would be a $330,000 increase over the prior year.

Board Secretary Liebzeit asked if the finance committee had approved this budget. Mrs. Jackson and Mrs. Medina replied stating that subcommittees did not occur before Special Session.

The motion was made by Chairman Willox to approve the FY’22 budget as presented. The motion was seconded by Board Member Peterson and the motion passed by a unanimous vote.

This concludes Mrs. Jackson’s FY’22 budget proposal.

**Executive Session:**

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

**Readjournment:**

When the board returned to open meeting after the Executive Session, Board Treasurer Bonner moved, with second by Board Secretary Liebzeit, to adopt three board-approved CEO goals for FY’22 to headline the CEO’s FY’22 program of work.  They include:

* Launch of Keno as a new portfolio game and conduct retailer forums around the state dedicated to Keno education.  Goal to be completed by 6-28-22.
* Organize and conduct a statewide legislative and outreach tour in the state focused on Keno and what it can mean to annual lottery revenues; specifically, to emphasize the key role kiosks can play in increasing Keno revenue, with an end objective leading to legislative introduction and approval of kiosks.  Goal to be completed by 6-30-22.
* Full implementation of a Performance Management System to formulate best practices, action review and accountability.  Goal to be completed by 6-30-22.

The motion was made by Board Treasurer Bonner to approve the CEO goals for FY’22. The motion was seconded by Board Secretary Liebzeit, and the motion passed by a unanimous vote.

**Meeting Adjournment:**

Chairman Willox announced the closure of the meeting with the motion being made by Board Secretary Liebzeit. The motion was seconded by Board Treasurer Bonner, and it passed with a unanimous vote. The meeting was adjourned.