



WYOMING LOTTERY CORPORATION

Board Meeting Minutes

July 31, 2018
Rock Springs, WY

Board Members Present: Sandi Chitwood-Chairman, Jim Whalen-Vice Chairman, Gerry Marburger-Treasurer, Dave Bonner-Secretary, Gina Monk, Mary Throne, and Sandra Wallop

Board Members via Teleconference: Ross Newman and Jim Willox

Board Members Absent: None

Staff Members Present: Jon Clontz-CEO, Robin Reining-COO, Loy Jackson-CFO, and Hallie Swain-EA

Staff Members via Teleconference: Dave Stevens-Security Manager

Guests Present: Matt Kaufman-Legal Counsel, and Jay Schneider-Red Horse Oil

Guests via Teleconference: Mark Larson-President of Colorado and Wyoming Petroleum Markets Association, Laura Lewis-Lobbyist for Intralot, and Mike Moser-Executive Director of Wyoming State Liquor Association

Establish Quorum: Chairman Chitwood called the meeting to order at 8:07 a.m. with a roll call of board members and staff members. All guests were welcomed.

Approval of Meeting Minutes: The motion was made by Secretary Bonner to approve the minutes from the April 27, 2018 Quarterly Board Meeting with amendments. The motion was seconded by Treasurer Marburger and the motion passed by a unanimous 9/0 vote.

Approval of Special Session Minutes: The motion was made by Board Member Gina Monk to approve the minutes from June 25, 2018 Special Session with amendments. The motion was seconded by Treasurer Marburger and the motion passed by a unanimous 9/0 vote.

CEO Report: Jon Clontz gave updates about recent events and conferences that he and staff attended. Jon also provided updates to Mega Millions and spoke about jackpots going significantly higher. Changes to Powerball are put on hold for the time being, until further notice; suggestions have been made such as add-ons to the game. Discussed sports betting and courier services, several jurisdictions are for it and several are against it. Texas is very interested

in courier services. We would have to proceed with caution because every jurisdiction's laws are different and in our jurisdiction, it would require at least two legislative law changes. We met with one of the representatives from the courier sales industry and we are keeping it on our radar, however, this is not something Mr. Clontz sees in the near future as a possibility. Matt Kaufman is looking at sports betting from a legal perspective and a couple of jurisdictions are already on board with this. Jon Clontz has not presented a formal proposal to the Board Members yet because this is still in the beginning stages. By the next Board Meeting, Mr. Clontz should have a summary to give the Board Members regarding sports betting and some recommendations for the Board Members to consider. Right now, we are just investigating it like all the other jurisdictions are. Robin Medina said that we are getting as much information as we can about sports betting, as this was the topic at hand at the conferences she and Jon Clontz had attended. Jon Clontz said that there are two concerns about sports betting, the population of the state and will it make revenue. McGee, Hearne and Paiz, LLP (MH&P) came to our office on July 18th for our annual audit preparation. We have been very successful in our audits and staff has also done a wonderful job developing relationships with our various auditors. The auditors will be back on August 3rd to start gathering preliminary information and then return August 20th to start the full audit. We had a surprise Internal Revenue Service (IRS) audit and it was completed very successfully with no findings. We were randomly selected by the IRS that oversees government owned businesses. There was only one issue that came up, the 1099 form versus W2 form with board members. The auditor was not necessarily opposed to it, he just believed that it should be a W2 rather than 1099 based on his experience. Matt Kaufman did some research as well as Loy Jackson, and it looks like it will come out in our favor using the 1099. Mr. Clontz went into detail about the upcoming security audit. The details of this audit will go directly to Board Members. We are planning on conducting the security audit every two years. The recommendations the Security Auditor made two years ago were installing more cameras inside the office and punch locks; those changes were made. Jon is not expecting any problems to come up, but that is why we ask him to conduct the audit to ensure there is not any issues. Vice Chairman Whalen asked if the two-year security audit was included in policies, and if not, would we need to do this. Jon Clontz responded by saying that it was not in policies and he believes that it should be made a requirement. Mr. Clontz said we will prepare this for the next board meeting. Jon Clontz spoke about NASPL Professional Development being the most beneficial training opportunity that NASPL provides. Dave Stevens and Robin Medina attended and it is a great opportunity to continue education. This is a great way for David Stevens to meet his colleagues and stay in the know on what is going on in the world of security. Jon went into detail about sponsoring Cheyenne Frontier Days. Wyoming Lottery sponsored it the first three years, but after looking at the return decided to hold off for a little while. It may be beneficial to sponsor every couple of years, however, just not every year. There is a three-year contract associated with Cheyenne Frontier Days, which is a bit excessive, financially speaking. We may want to sponsor this event next year. Right now, we are getting ready for our most beneficial sponsorship which is University of Wyoming Athletics. This is a venue where we get a good return on investment. Mr. Clontz attended the MUSL Director's Meeting in June that was held in Maine. The meeting discussed NASPL and new game development. Jon is on the New Game Development Committee and Robin Medina is on the New Game Sub-Committee. Jon Clontz also announced the bus had been sold and went over some of the features of the new van. Jon Clontz said that we ended the year underspent and over our revenue targets, and he spoke about

the two record transfers that we had this year. Mr. Clontz has put together a Legislative Support Task Force, Matt Kaufman has taken the time to assist with this.

Guest Jay Schneider was introduced by Jon Clontz. Mr. Schneider is present to address the Board Members on an issue he is experiencing. Mr. Schneider explained that he cannot control individual cashier reports and they do not have the capability of capturing the sales data from each cashier. He would like to be able to have the ability to look at each cashier, hence keeping cashiers from being dishonest. Board members will have a meeting at a later date and will be able to give Mr. Schneider a more accurate answer to his problem. Mr. Clontz said that he would bring Mr. Schneider into the loop as soon as he has information.

Board Member Jim Willox advised Jay Schneider of the cost associated with the process he was inquiring about. Mr. Willox asked if the retailers would be willing to contribute towards the process of new point of sale (POS) machines. Jay Schneider said that we must explore what the possibility is and said that he does not think they are asking to tie the lottery machine to the individual cashier; It is about getting the information that needs to be collected.

Finance & Accounting Report: Loy Jackson presented Quarter Four (Q4) Financials. Motion made by Sandra Wallop to accept the Q4 Financials as presented. The motion seconded by Treasurer Marburger and the motion passed by a unanimous 9/0 vote.

Loy Jackson provided the following financial updates:

Q4 Financials: Loy Jackson presented Q4 financial highlights from the balance sheet, profit & loss, and budget v. actual. Sandra Wallop made a recommendation to include the prior year comparison on the financial reports. Jim Willox made a recommendation to research further interest-bearing savings accounts for reserve accounts. Matt Kaufman will assist us in direction regarding the flexibility of the reserve accounts per statutes. Jim Willox questioned the need to have the estimated \$250,00 pension expense included in the operating expenses. Loy explained the Governmental Accounting Standard Board entry will be prepared by MH&P during the audit and will provide a clearer reasoning behind this entry once she consults with the audit team.

Approval of Jonah Bank Line of Credit: Secretary Bonner motioned to approve the resolution and Vice Chair Whalen seconded the motion. The motion passed unanimously with a 9/0 vote.

Board member Sandra Wallop made a recommendation for board members to start using iPads during Board Meetings. Sandra thought this would save time and money by not having to make board member presentation books for each board meeting. It was then discussed that not everyone wanted to have one bought for them, that they had enough electronics.

Marketing & Sales Report: Robin Medina provided the sales updates including Round-Up sales and discussed sales projections for Fiscal Year 2019. Robin began to discuss weekly sales, projections and actuals. She discusses the weekly sales for Powerball, Mega Millions, Cowboy Draw and Lucky for Life. Mrs. Medina also provided marketing updates to include public relations, social media accounts, website traffic and player emails. Robin begins to talk about social updates such as Facebook, Twitter, giveaways and the process for future giveaways. She

also went into detail about the fanbase of each game and how they relate when sales go up in another game. She also stated that there are loyal fans who will not play any other game, and then there are fans who switch back and forth between games depending on jackpots. Robin Medina began the marketing presentation and showed the Giving Back video to the Board Members. Mrs. Medina closed the Marketing and Sales Report with questions from Board Members and guests.

Chairwoman Chitwood inquired to see if there is a procedure on gathering the census on how many sales are from out of Wyoming. Sandi said she was asking and wondering if we could get data to find out what the state is actually contributing.

Executive Session: Secretary Bonner motioned to move into Executive Session for legal counsel discussion. Motion seconded by Sandra Wallop and passed by a unanimous 9/0 vote. Executive session was adjourned at 1:07 pm.

General Session resumes.

After reviewing contract provisions with lottery counsel in executive session, the Board approved for signature of a new, 5-year contract with CEO Jon Clontz, effective September 1, 2018.

Meeting Adjournment: Chairman Chitwood announced the closure of the meeting, with the motion being made by Vice Chairman Whalen and seconded by Board Member Sandra Wallop. The motion passed with a unanimous 9/0 vote and the meeting was adjourned at 1:15 p.m.