

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

Monday, January 31, 2022

In Person and Zoom Video Conference

Wyoming Lottery Corporation

Cheyenne, Wyoming

Board Members in person: Jim Willox-Chairman and David Snyder.

Board Members via Zoom: Gina Monk- Vice Chairwoman, Ed Liebzeit- Secretary, Dave Bonner-Treasurer, Sandra Wallop and Todd Peterson.

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

Guests Present via Zoom: 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 Wallop would be joining later and would be in and out of service.

Agenda Approval:

Chairman Willox presented there were no additions or changes requested.

Approval of the Minutes:

Minutes from November 1, 2021

- A Motion from Board Secretary Ed Liebzeit and seconded by Board Treasurer Dave Bonner to approve the minutes, passed by unanimous vote.

CEO Report:

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

- Main happenings
 - Preparing for the legislative event on February 17th – Providing lunch to the House side of the Legislature and provide a one sheeter update regarding the lottery
 - Providing breakfast on March 3rd starting at 7:00am at the Capitol for the House and Senate – meet and greet
 - Keno Development – is on track with progress and has been the major focus
 - Keno Training – Select staff will have formal Keno training within the next month in Ohio

Questions / Comments from Board Members:

- Secretary Liebzeit questioned Mr. Clontz regarding the Keno “kiosks”, how many and where will they be?
 - Mr. Clontz stated the “kiosks” would be placed in select retailers and the data will be tracked for the Board to review. After reviewing, it could be decided to put more “kiosks” in more selected locations.
 - “Kiosks” will be paid for by Intralot
- Board Member Mary Throne questioned Mr. Clontz regarding the pilot program timing and how long it needs to last.
 - Mr. Clontz stated he believes there needs to be 3 months (1 quarter) of data.
 - “Kiosks” will be ready and Intralot will provide however many we may need.
 - “Kiosk” size was discussed and explained.
- Board Member Sandra Wallop questioned the term being used for “kiosks” and should they be called “ticket dispensers”.
 - Mr. Clontz agreed, and ticket dispensers should be the correct term in describing the machine.
- Board Treasurer Dave Bonner questioned Mr. Clontz regarding the timing of rolling Keno out to retailers in May 2022.
 - Mr. Clontz responded that the roll out date was adjusted (with permission from the Board) because of the RFP. The new date of launch will be on September 18, 2022.
- Board Secretary Liebzeit questioned Mr. Clontz regarding the pilot program and why wouldn’t WLC be able to put in the ticket dispensing machines everywhere.
 - Chairman Willox responded stating it was more of a political issue and that the ticket dispensing machines were too close to “instant games” which are not legal in the state. Matt Kaufman agreed with Chairman Willox.
- Chairman Willox would like to make sure that retailers are being surveyed with regards to ticket dispensing machines, which has already been planned by staff.
- Board Member Dave Snyder questioned the timing on getting the ticket dispensing machines into a new retailer.
 - Mr. Clontz stated it would be just a few days to get the machine to the retailer.
- Board Secretary Liebzeit asked if they would be able to see how the ticket dispensing machine worked.
 - Mr. Clontz stated the WLC staff could show the Board how the machine worked.

Financial Presentation:

WLC CFO Loy Jackson presented an overview of the Financials.

Balance Sheet

- End of December with comments made of the differences from the prior year
 - \$4.3 Million in the checking account
 - Operating account / \$3.6 Million

- Savings account and Contingency account / \$1.8 Million
 - Keno Expenses of \$1.2 Million will be taken from this account
 - Prize fund account
 - \$789,000
 - Unclaimed prize fund
 - \$870,000
 - Utilized these funds twice since December for Cowboy Draw Jackpot payments
 - Responsible Gambling Funds
 - \$39,000

Profit and Loss Report for the Quarter / October through December

- Total revenue
 - \$6.7 Million
- COGS
 - \$3.9 Million
- Gross Profit
 - \$1.5 Million

Operating Expenses / variations from prior year reported on

- Responsible Gambling
 - Incurred \$16,000
 - Partial payment for tracker study
- Accounting and Audit fees
 - \$6,600
 - Timing difference on how MH&P bills
 - Due to MUSL changes there was a difference of \$2,000 more due to changing billing cycle and numerous mistakes
- Marketing
 - \$243,000
 - Increase due to UW sponsorship
- New Game Development
 - \$10,900
 - Keno
- Total Operating Expenses
 - \$800,000
- Net income before the transfer
 - \$775,000
- Net income after the transfer
 - \$90,000

Profit/Loss YTD – July through December 2021

- Total Revenue
 - \$14.2 Million

- COGS
 - \$10.6 Million
- Gross Profit
 - \$3.6 Million

Operating Expenses

- New Game Development
 - Lucky for Life and Powerball game changes
 - Keno
- Travel
 - \$53,000
 - Increased this year / no travel last year due to COVID
- Total Operating Expenses
 - \$1.7 Million
- Net Income before the transfer
 - \$2 Million
- Transfers to the State
 - \$1.7 Million
- Net Income after the transfers
 - \$252,000

Board Secretary Liebrecht questioned the transfer percentage amount. Mrs. Jackson stated that by statute the 75% is mandatory however, WLC likes to give back as much as possible to the state. WLC likes to reach an internal goal of \$1 Million per quarter. Mr. Clontz added that the mandated law states that the WLC should maximize the transfer as much as possible and the minimum is 75%. Board Treasurer Bonner agrees that the political pressure to keep the transfer high is a factor in the percentage amount that is transferred to the state every quarter.

It was concluded that a calculation would be sent out to the board members before a transfer was made with the percentage amount of the transfer and how the percentage was determined.

Quarter 2 Budget vs. Actual / October through December

- Game Revenues
 - \$6.6 Million (Under budget by \$167,000)
- COGS
 - \$5 Million (Over budget by \$22,000)
- Gross Profit
 - \$1 Million (Under budget by \$189,000)
- Business Expenses
 - \$31,000 (Over budget by \$500)
- Contract Services
 - \$300,000 (Under budget by \$39,000)
- Total Expenses
 - \$783,000 (Under budget by \$48,000)
- Net Income before the state transfer

- \$775,000
- Net Income after the state transfer
 - \$90,000

Budget vs. Actual YTD / July through December 2021

- Game Revenues
 - \$14.2 Million (Over budget by \$620,000)
- COGS
 - \$10.6 Million (Over budget by \$473,000)
- Gross Profit
 - \$3.6 Million (Over budget by \$149,000)
- Business Expenses
 - \$66,000 (Under budget by \$23,000)
- Contract Expenses
 - \$703,000 (Under budget by \$290,000)
- Total Expenses
 - \$1.7 Million (Over budget by \$370,000)
- Net Income before the state transfer
 - \$2 Million
- Net Income after the state transfer
 - \$252,000

Board Treasurer Bonner made a motion to approve the financials as presented. The motion was seconded by Vice Chairwoman Gina Monk, and the motion passed by a unanimous vote.

Marketing Report:

WLC COO Robin Medina presented the Marketing Report.

Sales Update Report

FY'22 Actual vs. Projection

- FY'22 Actual Sales were \$14.6 Million
 - Sales were over projection by \$1.92 Million

FY'22 vs. FY'21

- Total sales for FY'22 was \$14.6 Million
- Total sales for FY'21 was \$15.9 Million

Actual Weekly Sales FY'22 vs. Actual Weekly Sales FY'21

- Average weekly sales \$541,000
 - Budget was \$532,000

2nd Quarter Actuals vs. Projections

- FY'22 Quarterly Sales Projected Sales were \$6.9 Million

- Quarter 2 Actual Sales were \$6.6 Million

Powerball FY'22 vs. FY'21

- FY'22 sales to date were \$4.9 Million

Mega Millions FY'22 vs. FY'21

- FY'22 sales to date were \$2.6 Million

Cowboy Draw Sales FY'22 vs. FY'21

- FY'22 sales to date were \$4.6 Million

Lucky for Life Sales FY'22 vs. FY'21

- Total sales for FY'22 was \$1.5 Million

2by2 Sales FY'22

- Total sales for FY'22 was over \$1 Million
- Weekly sales average YTD was \$42,000

WyoLotto Product sales YTD

- Total Sales YTD for Powerball was \$4.8 Million (33% of overall sales)
- Total Sales YTD for Mega Millions was \$2.6 Million (18% of overall sales)
- Total Sales YTD for Cowboy Draw was \$4.6 Million (32% of overall sales)
- Total Sales YTD for Lucky for Life was \$1.5 Million (10% of overall sales)
- Total Sales YTD for 2by2 was \$1 Million (7% of overall sales)

Round Up Sales FY'22 vs. FY'21

- Round Up total sales FY'22 YTD was \$2 Million
 - 142,000 total plays

Questions/Comments

Board Treasurer Bonner questioned Mr. Clontz regarding inflation. Mr. Clontz stated WLC is apprised of the situation and will adjust costs accordingly. He stated that WLC will be prepared for the impacts and will use BOGOs, giveaways, etc. to try and boost sales.

Marketing Update

Cowboy Draw BOGO

- Product is doing well
- Goal was 250% increase in sales on BOGO Sundays (8 BOGOs total)
 - Average daily total was \$137,000 for the BOGO
 - Average Sunday with no BOGO sales of approximately \$22,000
 - 496% sale increase on BOGO Sundays
 - \$583,000 net revenues

Winner and Jackpot Promos

- Promoting jackpots when they are growing through player emails, social media, app push notifications and website
- 5 winners shared their stories this quarter and these stories are shared through social media, website, etc.

Holiday Giving

- 2nd year that WLC has done this
- This supports seniors in Wyoming
- WLC partnered with Alf's Pub in Cheyenne and Horseshoe Bar and Grill in Casper

Website

- Website redesign
- This will include the Board's photos and bios
- This will support Keno launching
- This will include better automation and animation
- Players will be able to go online and schedule an appointment with headquarters and know what is needed to claim their winnings
- This new design will allow players to share their story on the website
- This website will go live when Keno goes live

Up Next

- Keno Development
- Jackpots and Winners
- Problem Gambling Tracker Study
- FY2023 Marketing Plan

Executive Session:

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

Readjournalment:

A few action items were discussed during executive session and will be voted on.

- **457B Plan as presented during executive session:**

A motion was made by Board Member Snyder to move to approve the policy. The motion was seconded by Board Member Todd Peterson, and the motion passed by a unanimous vote.

- **WLC to purchase all rights and codes to the App for a price of \$150,000**

A motion was made by Board Member Bonner to move to approve the purchase of the app. The motion was seconded by Board Member Mary Throne, and the motion passed by a unanimous vote.

Meeting Adjournment: Chairman Willox announced the closure of the meeting.