

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

Friday, April 29, 2022

In Person and Zoom Video Conference

Ramkota Hotel and Conference Center

Casper, Wyoming

Board Members in person: Jim Willox- Chairman, Ed Liebzeit -Secretary, Dave Bonner-Treasurer, Dave Snyder, and Todd Peterson.

Board Members via Zoom: Mary Throne and Sandra Wallop

Board Members not present: Gina Monk- Vice Chairwoman

Staff Members Present: Jon Clontz- CEO, Robin Medina- COO, Loy Jackson- CFO, David Stevens- Chief of Security (via Zoom) 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 Vice Chairwoman Gina Monk would not be in attendance.

Agenda Approval:

Chairman Willox presented there were no additions or changes requested.

Approval of the Minutes:

Minutes from January 31, 2022

- Board Secretary made a correction to the 7th page under “readjournalment”.
 - It now reads, A few items were discussed during executive session, but no decisions were made.”
- 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
 - Keno is on target for the September 18, 2022, launch date
 - Continuing training for staff
 - Continuing to educate retailers
 - Continuing to educate vendors
 - MUSL game (Powerball) is now approved to be sold overseas in Australia

- Lucky 4 Life has more changes/expansion to be voted on
 - More to come
- There has not been any pressure from the legislature regarding inflation and the transfer amount
- Discussion of scratch tickets and the potential revenue
- Retailer forums and legislative outreach update
 - Good responses from the legislative members
 - Good responses from the retailer forums
- Audit preparation
- Retailer count recruitment
 - 441 retailers and counting for Keno and traditional retailers
- BOGOs for Cowboy Draw and Powerball have gone well and sales are up

Questions / Comments from Board Members:

- Board Member Todd Peterson questioned Mr. Clontz about the Gaming Commission and their issues
 - Mr. Clontz stated he was asked about the “skills games” and what is the Gaming Commission supposed to do and what to look for when it came to “skills games”. He added that he informed the Governor’s Office that he would be happy to help with any issues.
 - WLC Attorney Matt Kaufman added that the Gaming Commission is having issues managing the growth of the skills games, they have multiple conflict of interests with the board members, there are vendors giving gifts to board members, they have enforcement problems, and are understaffed.
- Board Treasurer Dave Bonner questioned Mr. Clontz regarding the Keno Manager position.
 - Mr. Clontz stated that due to inflation and the sales being low, he decided to hold off on hiring that position to not have to incur that expense.
 - Mr. Clontz added that we also didn’t get any good quality candidates for this position. However, we did a second recruitment and there were 2 individuals that had some potential and we will be contacting them again for a second interview.

Financial Presentation:

WLC CFO Loy Jackson presented an overview of the Financials.

Balance Sheet

- Quarter 3 sales were substantially lower than the prior year and lower than the budgeted amount
- End of March with comments made of the differences from the prior year
 - \$5 Million in the checking accounts
 - Unclaimed prize fund
 - \$813,000
 - Utilized it 3 times over the year in comparison
 - Responsible Gambling Funds

- \$60,000
 - Total Assets
 - \$5.9 Million
 - State Transfer Payable
 - \$737,514
 - Prizes Payable
 - \$1 Million
 - Total Liabilities
 - \$3.8 Million
 - Net Loss
 - \$78,000
- Transferred more than what we took in for total net revenue

Profit and Loss Report for the Quarter

- Total Income
 - \$6.2 Million
- COGS
 - \$3.6 Million
- Gross Profit
 - \$1.5 Million

Operating Expenses / variations from prior year reported on

- Total Operating Expenses
 - \$1 Million
- Net income before the transfer
 - \$422,000

Profit/Loss YTD

- Total income
 - \$20 Million
- Prizes paid out
 - \$11.6 Million
- Gross Profit
 - \$5 Million

Operating Expenses

- Responsible Gambling
 - \$39,000
- Total Operating Expenses
 - \$2.7 Million
- Net Income before the transfers
 - \$2.4 Million
- Transfers to the State
 - \$2.5 Million

Quarter 3 Budget vs. Actual

- Total Income
 - \$634,000 under budget
- Gross Profit
 - \$274,000 under budget
- Operating Expenses
 - \$23,000 under budget
- Net Income before the state transfer
 - \$274,000 under budget

Budget vs. Actual YTD

- Total Income
 - \$13,000 under budget
- Gross Profit
 - \$125,000 under budget
- Operating Expenses
 - \$352,000 under budget
- Net Income before the state transfer
 - \$237,000 over budget

Profit and Loss Responsible Gambling Budget

- \$15,000 remaining

Board Treasurer Bonner made a motion to approve the financials as presented. The motion was seconded by Board Member Sandra Wallop, and the motion passed by a unanimous vote.

Budget Amendments

- WLC is asking to amend the budget by \$117,000 which is a net of Keno budgeted revenue less Keno COGS due to no Keno sales occurring this fiscal as originally budgeted

Board Secretary Liebrecht made a motion to approve the Budget Amendment as presented. The motion was seconded by Board Member Todd Peterson, and the motion passed by a unanimous vote.

Sales Projections:

WLC COO Robin Medina presented the FY’23 Draft Sales Projections and Proposed FY’23 Budget

FY’23 Draft Sales Projections

- Powerball
 - \$7,640,000 Annually

- \$146,000 Weekly
- Mega Millions
 - \$4,940,000 Annually
 - \$86,000 Weekly
- Cowboy Draw
 - \$8,218,000 Annually
 - \$168,000 Weekly
- Lucky for Life
 - \$2,912,000 Annually
 - \$68,000 Weekly
- 2by2
 - \$1,820,000 Annually
 - \$36,000 Weekly
- Keno
 - \$9,006,616 Annually
- Total
 - 34,434,616

Keno Retailer Projections

- 100 Retailers at launch in September
- 175 Retailers in 6 Months from September
- Retailer parties
- Keno promotions during happy hour, etc.

Draft Proposed FY'23 Budget Line Item Questions:

- Retailer parties for Keno
- Promotions for Keno
- State Transfer Amount
- Keno Staff Bonus / CEO Bonus
 - Bonus is not payable until projections are hit
- Some expenses from FY'22 roll into FY'23
 - Testing
 - Warehouse 21

Marketing Report:

WLC COO Robin Medina presented the Q3 Marketing Report.

Sales Update Report

- FY'22 Actual Sales were \$20 Million
 - Sales were under projection by \$504,000

FY'22 vs. FY'21

- Total sales for FY'22 were \$20.2 Million
- Total sales for FY'21 were \$24.8 Million

3rd Quarter Actuals vs. Projections

- FY'22 Quarterly Sales Projected Sales were \$6.9 Million
- Quarter 2 Actual Sales were \$6.3 Million

WyoLotto Product sales YTD

- Total Sales YTD for Powerball were \$6.6 Million (33% of overall sales)
- Total Sales YTD for Mega Millions were \$3.7 Million (19% of overall sales)
- Total Sales YTD for Cowboy Draw were \$6.1 Million (30% of overall sales)
- Total Sales YTD for Lucky for Life were \$2.1 Million (11% of overall sales)
- Total Sales YTD for 2by2 were \$1.4 Million (7% of overall sales)

Round Up Sales FY'22 vs. FY'21

- Round Up total sales FY'22 YTD were \$2.9 Million

Marketing Update

- The Giving Back Giveaway
 - Social Giveaway
 - Gave away 25, \$100 gift cards to celebrate the \$25 Million given back to the state
 - Chairman Willox requested that the WLC should say \$25 Million given back to cities, towns, and counties instead
- Promotions
 - Cowboy Draw BOGO / UW Basketball Promotion
 - Powerball BOGO
- Keno Update
 - Brand Development
 - Design the logo
 - Play slips
 - It was concluded that the “WyoLotto” logo should be bigger on the play slips
 - Retailer Recruitment
 - Launch Campaign
 - Updated disclaimer
 - Gambling hotline number
- Up Next
 - Keno Development
 - WRGC
 - Website
 - FY'23 Marketing Plan

Governance Report:

WLC Attorney Matt Kaufman presented the governance report.

- Legislation
 - Not much legislative action
 - No current bills
 - Authorization for crypto payment will come back
 - Gaming Commission is looking to be reorganized under the Department of Revenue under the appropriates committee.
 - Horse racing vendor update / bill
 - Wanting to abolish 100-mile rule
 - Wanting to allow counties to opt in or opt out of 100-mile rule
 - There is heavy criticism regarding the Gaming Commission
 - Scratch tickets have good support with Appropriations and TRW Committees
 - Where will the money go?
- Jon had two updates
 - Legislative tour is progressing
 - Wanted to let the Board know that Gale Geringer is retiring

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.

Readjournment:

A few action items were discussed during executive session, but no decisions were made.

- **Extension of Mr. Clontz’s Employment Contract as presented during executive session:**

A motion was made by Board Secretary Liebzeit to approve the extension of Jon’s employment contract by three (3) years (June 30, 2026). The motion was seconded by Board Member Todd Peterson, and the motion passed by a unanimous vote.

- **Increase of Mr. Clontz’s salary by 1.51%**
- **Amend the contract element that was contingent on “all” Keno retail locations being operational. The word “all” is deleted in Jon’s contract regarding Keno.**

A motion was made by Board Secretary Liebzeit to approve the increase in salary and the amended contract. The motion was seconded by Board Treasurer Bonner, and the motion passed by a unanimous vote.

Meeting Adjournment: Chairman Willox announced the closure of the meeting at 1:30pm.