



WASHINGTON'S LOTTERY COMMISSION MEETING MINUTES

April 18, 2024

Lottery HQ – Olympia, WA/Microsoft Teams

Commission Member Attendees:

Judith Giniger, Commissioner, Chair
Eileen Sullivan, Commissioner
Schuyler Hoss, Commissioner
Rudy Mendoza, Commissioner

Lottery Staff Attendees:

Joshua Johnston, Director	David Seeley, Warehouse Operator
Cassandra Villegas, Deputy Director	Alex Satterlund, Chief Audit Executive
Leah White-Noreen, Director of Human Resources	Lenee Otto, Finance Manager
Kristi Weeks, Director of Legal Services	Nikki Holien, Policy Coordinator
Todd Steben, Director of Finance	Viola Lippincott, Project Manager
Crystal Fischer, Director of Information Services	Derek Poppe, Director of Security and Licensing
Ron Smerer, Director of Sales & Marketing	Kathi Patnode, Marketing Operations Manager
Randy Warick, Assistant Director of Marketing	Linda Su'a, Senior Graphic Designer
Rita Hawkins, Executive Assistant	Stacy Sund, Merchandising Specialist
Tiffany Pringle, Legal Services Coordinator	Kim Ficek, Customer Service Specialist
Gaylene Gray, Instant Product Manager	David Boudia, Customer Service Supervisor
Shar Hawley, Director of Org. Perf. & Planning	Jim Bevan, SharePoint and Office Administrator
Cheryl Earsley, Promotion/Scratch Coordinator	Debbie Porter, Licensing Coordinator, Security Specialist
Jenna Johnson, Procurement Manager	Jenny Whiteside, Corporate Acct. Manager
David Boudia, Customer Service Supervisor	Qwaidon Frederick, Customer Service Specialist
Jennie Brashear, Accounts Payable Supervisor	Young Cho, Customer Service Specialist
Dylan Reinhold, Accounts Payable Analyst	Amy Brever, IT Customer Support
Jon Flores, Security Specialist	Carissa Glassburn, Gaming Vendor Liaison

Other Attendees:

Eric Allen, Assistant Attorney General	Drew Scolaro, Scientific Games
Emily Libby, VML	Xiamara Garza, Curator
Madeline Geller, Curator	Aubrey Rumore, VML
Becky Bogard, IGT	Rebecca George, WIGA
Kristie Christensen, VML	Linda Edwards, WIGA
Dan Miller, Curator	Shannon Struempfler, IGT
Kristie Christiansen, VML	Kristina Mendoza
Aubrey Seffernick, Kalispel Tribe	Kathi (Member of the Public)

Call to Order:

8:30 a.m. – Chair Judy Giniger called the Lottery Commission meeting to order.

Chair Giniger asked for a roll call. In addition to Chair Giniger, Commissioners Eileen Sullivan, Schuyler Hoss, and Rudy Mendoza confirmed their attendance.

Approval of Meeting Minutes:

Chair Giniger entertained a motion to adopt the minutes of the October 19, 2023, and February 18, 2024, Commission Meetings as presented.

Commissioner Hoss **so moved**, and Commissioner Mendoza **seconded**. Chair Giniger called for a vote for approval of the minutes of the October 19, 2023, and February 18, 2024, Lottery Commission Meeting. Ayes were unanimous. **Motion carried.**

Director's Update:

Director Johnston began his presentation by updating the Commissioners on the 2025-2027 Strategic Planning process. Director Johnston shared an overview of the process and mentioned the collaborative effort of staff during a three-day retreat and after to prioritize, refine, and shape our mission, vision, values, goals, and initiatives. Director Johnston shared a few areas of focus, including Diversity, Equity, Inclusion, Belonging (DEIB) work, warehouse expansion, and beneficiary messaging. Director Johnston shared we are in the final stages and will present the full Strategic Framework and Business Plan to the Commission in June. Director Johnston recognized Dan Miller of Curator, James MacKensie of VML, and Washington's Lottery staff, especially Shar Hawley, for their work on the strategic planning project.

Commissioner Hoss expressed his appreciation and was happy to see we continue to challenge ourselves to make the organization better.

Commissioner Giniger also voiced her gratitude for the input from everyone, and mentioned how critical it is for staff to participate.

Director Johnston concluded his portion of the agenda with one last announcement. Director Johnston announced the nomination for the Power Award, named after one of the North American Association of State and Provisional Lotteries (NASPL) founders, the late Edward J. Powers. The award recognizes significant contributions lottery employees have made through exceptional job performance. Director Johnston read the nomination submitted for Shar Hawley to the group. The nomination included comments on Shar's amazing work overseeing the mobile app refresh and transition to a new vendor while also managing our strategic planning process and taking care of her daily responsibilities. Director Johnston continued by saying, Shar's leadership, strategic insight, dedication to innovation and growth as a leader all lead to this nomination. Director Johnston said awards will be handed out at the NASPL meeting in July.

Commissioner Giniger asked for any questions, with none, moved on to an update with the Deputy Director.

Deputy Director's Update:

Deputy Villegas started by introducing our new Director of Finance, Todd Steben. Todd joined the Lottery one day after our last Commission meeting. Deputy Villegas talked about the great work Todd is already doing, making strategic changes to processes and practices, helping the agency innovate, modernize, and improve finance practices, which you will see during Todd's presentation.

Next Deputy Villegas updated the Commissioners on the mobile app update and transition. Deputy Villegas said that overall, this has been a successful launch, there have been a few bumps, but that is to be expected with complicated projects. Deputy Villegas expressed her gratitude for lottery staff, but also, our vendor support, when issues have come up, our support team has been very responsive. This highlights the dedication and effort put forth by the team. Our next step will be to begin work on enhancements that were out of scope for the original project. Deputy Villegas also shared that since the launch of the Lottery Loyalty Store, available through the app, we have added 15,394 new users, 6,901 prize orders, more than

1.5 million tickets submitted for more than 9 million ticket points, and 86,393 achievement points awarded. Gift cards are the hot items purchased from the Loyalty Store, with different denominations of Amazon cards taking the top four spots.

Next Deputy Villegas shared an update on DOI Southcenter. Since the last Commission meeting, we have made progress and worked through some obstacles around the lease agreement. Deputy Villegas also mentioned that the DOI concept is still new to many people involved, both at Westfield and Department of Enterprise Services (DES), so this project has been a learning experience that hopefully can help make any future DOI projects easier to replicate. We will keep the Commission posted on any updates and steps forward.

Commissioner Hoss commented as we consider options for other locations for DOI, hopefully we can work it out so the next time we have a great opportunity, we're not bogged down with reviewing and going back and forth. Commission Hoss hopes we can have a more public face in operations and templates, so OFM/DES can understand and buy off on it, to help on some of the barriers of internal review.

Deputy Villegas explained that there has been a loss in expertise in our partner agencies due to turnover, as well as at Westfield, it has been a unique set of challenges.

Deputy Villegas completed her presentation by discussing Cashless Operation Services and Debit Card Refunds. While the cashless payment option on our lottery vending machines (LVMs) has been making payments easier for our players, it has created some challenges for Lottery staff, including additional work managing debit card refunds and any potential fraud. Washington's Lottery has chosen to transfer responsibility to IGT, a common practice in the industry. This will save the Lottery money and help to manage workloads. The Lottery and IGT are working through new processes together and IGT is developing new software that Lottery will be able to create case tickets that flow directly to IGT for investigation. This will all be vetted and tested before going live in approximately three months.

Commissioner Giniger asked if there has been a decline in refunds. Deputy Villegas said yes, significantly lower. Commissioner Mendoza followed up and asked besides workload, are there any other concerns about debit. Director Johnston said, no, most issues have been resolved.

Commissioner Giniger asked if there were any questions, with none, introduced the Legislative and Legal Services update with Kristi Weeks.

Legislative & Legal Services Update:

Kristi Weeks began by sharing since the previous Commission meeting the Lottery has processed 21 new formal and informal requests for information and no new administrative hearing requests. The one administrative hearing request mentioned at the February meeting, a denial of a retailer license application, has been completed.

Ms. Weeks also mentioned a new tort claim, that has been filed and is currently being investigated. It involves a player who allegedly lost his wallet and his ID and had a \$10,000 winning ticket. This player went to one of our regional offices and told staff what had happened and asked if his friend could cash it. Staff said yes and provided the form. As it turns out, the friend had a debt to the state so, in keeping with the law, we withheld payment. It is still in the tort claim process, no lawsuit has been filed at this time. Ms. Weeks will keep the Commission updated.

Ms. Weeks continued her presentation saying Legislative session was very quiet for Lottery and concluded March 7th. Ms. Weeks provided updates on a couple regulatory reform bills or all state agency bills that will be implemented in the next few months. HB1746, HB1105, and HB1471, addressing topics like accumulation of paid time off, public comment periods for rule making, and procurement law, are each effective June 6, 2024.

Next Ms. Weeks shared about the Scratch contracts, saying the good news is, it's going well, and the contracts will be completed soon. More information will be shared out and available at the next meeting.

Lastly, Ms. Weeks updated the Commissioners on the Mido Lottery Courier Case. Ms. Weeks shared there has been movement on the case. Ms. Weeks believes it is likely to be resolved during summary judgement, scheduled for Friday, April 19, 2024. During this time, oral arguments will happen, and we hope to have the judge make a decision soon after that. Ms. Weeks said that while Washington's Lottery is not a party to the lawsuit, the State's position is that couriers are prohibited in Washington. If the judge decides otherwise, we will be prepared to make some quick moves to ensure that they are treating our product and brand appropriately. Ms. Weeks promised to keep everyone apprised of any updates as soon as they are received.

Commissioner Giniger thanked Ms. Weeks and asked if there are any questions, with none, moved on to our next agenda topic, the State Auditor's Office Report.

State Auditor's Office Report Update:

Our Chief Audit Executive, Alex Satterlund, joined the Commission via Teams to present an overview of the findings from the Lottery's accountability audit. Mr. Satterlund shared that this audit is completed approximately every three years and this year covered four main areas: purchase cards, vehicle fleet cards, cash deposits, and stolen ticket reimbursements. Mr. Satterlund was happy to report that the purchase card areas and stolen ticket reimbursements had no issues. The two other areas (deposits and vehicle fleet cards) SAO made recommendations for improvements. These include updating our OFM waiver, ensuring more timely deposits, dual signatures on every deposit slip, and new policies and restricted access for vehicle fleet cards, key access, and checkout procedures. The adjustments will take some time, but we are working to resolve these issues quickly. Mr. Satterlund asked for any questions.

Commissioner Hoss commented on the fleet vehicle issues, saying he understood that this was an issue that affects many state agencies, the policy and implementation communicated previously may be inconsistent with current policy and procedure.

Mr. Satterlund said that was his understanding as well. He said our fleet operations manager would have more information on this, but it is Mr. Satterlund's understanding that we are not in a unique situation and other agencies do not have a particularly robust policy on fleet vehicles and keys.

Commissioner Hoss appreciated the direction and guidance from Mr. Satterlund. Also, said the professionalism of the staff and auditor's office was impressive. Commissioner Hoss has had the opportunity to sit in on many audit reports during his time with the State. He was pleasantly surprised how smoothly the audit went.

Commissioner Giniger agreed and continued saying that the Lottery has a history of doing well in audits. Carrying on the tradition of responsibly with financial management, transparency, and accountability. Commissioner Giniger thanked staff and Mr. Satterlund for his presentation and work.

Commissioner Giniger announced a break until 9:30am.

Financial Report: FY 24 Quarter 3:

Todd Steben opened the financial report by taking us through a series of slides showing year-to-date (YTD) performance, budget to actuals, sales, and operating profit by product, and more. A few highlights from Mr. Steben included: operating profit is at 128% vs budget YTD, total contributions are at 127.9% vs budget YTD, and that our operating profit margin for all products is at 25.1%, which Mr. Steben said is just perfect. Mr. Steben asked for questions.

Commissioner Hoss asked if by the end of the year we will be considerably over budget or will we see this smooth out?

Mr. Steben said there are some timing differences and clarified that these are expenses to date, compared to prior years. Mr. Steben said the next slide will be able to answer that versus budget. Mr. Steben said we are taking a look at some associated expenses, like excise tax for example, and we are going to see if there are alternative ways to manage that. Mr. Steben doesn't anticipate being over budget.

Commissioner Hoss thanked Mr. Steben for his presentation and great financial management.

Director Johnston ask Mr. Steben to share more about the cash flow model.

Mr. Steben explained that we are strategically taking advantage of the high interest rates currently available with U.S. Bank. By moving idle cash on hand and investing it each week on Thursdays, Fridays, Saturdays, and Sundays, then retrieving it for player payments on Mondays. Washington's Lottery is earning four days of interest each week that is pure profit and can go straight to beneficiary contributions with no risk. A test of this strategy has already netted about \$80,000 in interest for the March period end.

Commissioner Mendoza asked what the risk level is for this strategy?

Mr. Steben said there is minimal risk, as it's all in U.S. Bank secure accounts, with a two-step verification process and good internal controls as well. U.S. Bank is our partner, and we will be looking to see what other options are available at no risk, to maximize those earnings and take advantage of best practice levels for cash management.

Commissioner Giniger confirmed, the general fund has received 127.4% and asked if this is also a timing issue?

Director Johnston said that during higher jackpot sales, we increase our contributions to the general fund. Because we have had higher Powerball sales, we have more to contribute. As our sales increase, we can have a larger contribution.

Commissioner Hoss commented that he was pleased to see expenses and income are balancing.

Mr. Stebens continued his presentation, summarizing that the main takeaway for the Commission is that sales are up, expenses are up, in a consistent manner and tracking consistently.

Commissioner Giniger asked if we had the price for the new Scratch contract?

Director Johnston shared the new contract price and said to keep in mind the previous contract included the mobile app. This one does not, so we do see that price drop.

Mr. Steben shared a slide showing a comprehensive look at our product mix. Some highlights to take away include the scratch total, \$500.9 million, which is 63.3% of sales. Another highlight is the draw total, which is 36.7% of sales and finally the total operation profit margin, 25.1% which is fantastic. The product mix, sales growth, and product ratio essentially are all on target.

Mr. Steben concluded his presentation by sharing again that we are tracking on point to be in line with our appropriated expenses for the year and biennium.

Commissioner Giniger thanked Mr. Steben for his report. We then moved on to the sales and marketing report with Ron Smerer.

Sales & Marketing Update:

Ron Smerer began the Sales and Marketing portion of the agenda by continuing the good financial news that Mr. Steben just shared. Mr. Smerer announced we are well on our way to another billion-dollar year and we are not slowing down. As of March 30, we were at \$789.3 million in sales and Mr. Smerer shared that we had added another \$24 million since the end of March, putting us close to 3% ahead of last year's pace. He also shared every game or category is performing at 98% of goal or better year-to-date.

Mr. Smerer moved on to CashPop, showing the last six months of sales since its introduction in October 2023. Mr. Smerer said that CashPop is performing as we expected, 100.24% to projected goal, \$8.6 million in sales, and shared the average purchase is \$7.81, meaning players are purchasing more than one Pop. Mr. Smerer did mention that many players are still learning about the game and the game is still finding its regular players. Once people learn about the game, the propensity to play is higher, which is why we have been doing outreach around the game, including the ambassador program, a CashPop "Pop-Up" to help people learn about the game, and doing a CashPop "Happy Hour" promotion. These programs, events and promotions have all helped increased CashPop sales and engage our players.

Next Mr. Smerer shared about a recent trip to Arkansas. Representatives from Washington's Lottery, along with several other lotteries, visited Walmart headquarters to talk about the company's move to make lottery a category within their stores. This means making lottery a category like dairy or clothing. Mr. Smerer shared that Walmart wants to invest in lottery, including allowing additional point-of-sale (POS) locations and migrating to 24-bin LVMs. The big news that came out of this meeting was Walmart is testing an in-lane cloud solution for lottery, where customers can choose lottery products during self-checkout at the touch of a button. This testing is at the beginning stages, more information is still needed, we will be tracking this, but it is exciting news although it will not be available until 2025 at the earliest.

Mr. Smerer ended his presentation with an update on the Alderwood Mall Kiosk. Mr. Smerer said we are currently in production and hope to have it in place mid-to-late May.

Commissioner Giniger thanked Mr. Smerer for his presentation.

Randy Warick took over to provide a public relations update. Mr. Warick shared with the Commission the great news coverage across the state, including more than 1,800 stories totaling 2.1 billion impressions. Curator, our PR Partner, has helped place stories about topics such as our winners, beneficiaries, unclaimed winnings, high jackpots, and more. Mr. Warick highlighted news stories including one of our own announcing the luckiest places in Washington to buy a winning ticket. Mr. Warick also focused on a story from the front page of The Spokesman-Review about an unclaimed ticket.

Next Mr. Warick talked about advertising and social media campaigns the team is working on with our advertising agency partner, VML. Mr. Warick showed examples of the Seattle Kraken players testing our new Game Face filter. This filter allows people to digitally put face paint on or grin to reveal a missing tooth. Mr. Warick showed a new beneficiary campaign ad spot, which focuses on the Washington Student Achievement Council (WSAC) and the WA Grant program. These campaign ads will appear as digital videos, on LVM attract screens, and on our social media. Mr. Warick also shared, as April is Problem Gambling Awareness Month, the great social media work done by the team to bring additional awareness. Mr. Warick shared we had over 10,000 impressions. To conclude, Mr. Warick teased the upcoming Seahawks Scratch ticket and promotional partnership. We are excited about it, and we hope to have a lot of engagement from fans and players.

Commissioner Hoss expressed appreciation for the beneficiary campaign work and asked if there is a chance for the Lottery to help or assist WSAC with the visibility and understanding of their WA Grant program.

Director Johnston responded saying we have identified our beneficiary relationships and messaging in our strategic planning work as something we want to improve. We have identified initiatives to help expand and improve awareness of opportunities available.

Commissioner Giniger thanked the Sales and Marketing team and introduced our next topic, Data of Washington's Lottery with Deputy Villegas.

Deputy Villegas began the final portion of the meeting sharing about Data of Washington's Lottery to provide the Commissioners a deeper dive into what makes the Lottery tick, changes we have seen over time to everything from sales mix to spending habits to demographics, and to help provide a good frame of reference as Commissioners make and understand decisions staff make as we continue to evaluate and grow our business.

Deputy Villegas highlighted the importance of diversifying our portfolio, providing more predictable and stable contributions to our beneficiaries, the changing or natural shifts of the demographics of Washington State, and payment habits. Deputy Villegas said we will continue the conversation, continue researching areas to improve, and utilizing the market research and feedback from players. We want data to help us make informed decision, so making the data available and understandable is very important moving forward.

Commissioner Giniger thanked the entire group and asked for any new business for the next meeting.

Commission Business/Agenda Items:

Commissioner Hoss suggested a presentation from the Washington Student Achievement Council, Washington Opportunities Pathways Account (WOPA) and WA Grants, so we have a better appreciation and understanding of how our funding is benefiting students and educational priorities.

Public Comment:

Commissioner Giniger moved on to public comment, asking if anyone in person or online would like to speak. Hearing none, Commissioner Giniger thanked everyone.

Adjournment:

Commissioner Giniger adjourned at 11:45am.

The, April 18, 2024, Lottery Commission Meeting Minutes were approved this 20th day of
June, 2024.

Respectfully submitted,



Judy Giniger, Commission Chair



Rita Hawkins, Executive Assistant