



## WASHINGTON'S LOTTERY COMMISSION MEETING MINUTES

June 20 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  
Cassandra Villegas, Deputy Director  
Leah White-Noreen, Director of Human Resources  
Kristi Weeks, Director of Legal Services  
Todd Steben, Director of Finance  
Crystal Fischer, Director of Information Services  
Ron Smerer, Director of Sales & Marketing  
Rita Hawkins, Executive Assistant  
Tiffany Pringle, Legal Services Coordinator  
Gaylene Gray, Instant Product Manager  
Shar Hawley, Director of Org. Perf. & Planning  
Cheryl Earsley, Promotion/Scratch Coordinator  
Jenna Johnson, Procurement Manager  
David Boudia, Customer Service Supervisor

David Seeley, Warehouse Operator  
Lenee Otto, Finance Manager  
Nikki Holien, Policy Coordinator  
Derek Poppe, Director of Security and Licensing  
Kathi Patnode, Marketing Operations Manager  
Jim Bevan, SharePoint and Office Administrator  
Jenny Whiteside, Corporate Acct. Manager

### Other Attendees:

Eric Allen, Assistant Attorney General  
Emily Libby, VML  
Madeline Geller, Curator  
Becky Bogard, IGT  
Kristie Christensen, VML  
Dan Miller, Curator

Xiamara Garza, Curator  
Rebecca George, WIGA  
Shannon Struempfler, IGT  
Julie Lies, WSGC

### Call to Order:

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

Chair Giniger began the meeting by asking for a commissioner roll call. In addition to Chair Giniger, Commissioners Schuyler Hoss, Eileen Sullivan, and Rudy Mendoza confirmed their attendance.

### Approval of Meeting Minutes:

Chair Giniger entertained a motion to adopt the minutes of the April 18, 2024, Commission Meetings as presented.

Commissioner Hoss **so moved**, and Commissioner Sullivan **seconded**. Chair Giniger called for a vote for approval of the minutes of the April 18, 2024, Lottery Commission Meeting. Ayes were unanimous.

**Motion carried.**

**Director's Update:**

Director Joshua Johnston began his presentation by sharing that on Tuesday, for the second straight year, Washington's Lottery surpassed \$1 billion in sales. He shared that we had approximately \$450,000 left to break the record we set last year, which likely would be broken during the Commission meeting today. Director Johnston acknowledged the hard work and commitment of the entire agency and our partners, without whom this milestone would not be possible.

Following the exciting sales news, Director Johnston announced the upcoming retirement of Ron Smerer, Director of Sales and Marketing. Mr. Smerer's last day will be July 15, 2024. Director Johnston expressed his appreciation to Mr. Smerer for his hard work, creativity, drive, and passion during his time at the Lottery. Mr. Smerer will be sorely missed.

Commissioner Giniger and Commissioner Hoss also voiced their appreciation for Mr. Smerer's effort, drive, imagination, and leadership during his time at the Lottery.

Director Johnston concluded by updating the Commission that our strategic business plan for FY25-FY27 is now complete. The plan will soon be available on our website, and we will soon have hard copies to distribute, as well.

Overall, the entire team engaged in a full agency collaborative and inclusive approach to developing this new plan. We were careful to look at every part of our previous strategic framework and business plan and made adjustments based off what we were hearing internally, including small but substantive changes to our mission, vision, and values. We also updated all our initiatives for the next two years.

Director Johnston noted that in the last six years we have done a lot of legwork to improve our strategic planning process, so this plan includes more in-depth research papers that position us to potentially implement new products for our players, retailers, beneficiaries, and staff. He hopes the commissioners enjoy reading it as much as we enjoyed creating it.

Commissioner Hoss was impressed with the conscious and deliberate effort to get everyone in the agency involved. He congratulated the team for the work done as well as using language and focused actions throughout the strategic plan development.

**Deputy Director's Update:**

Deputy Cassi Villegas began by announcing some unfortunate news, we will no longer be moving forward with the DOI locations in Southcenter Mall. Deputy Villegas shared that after conducting a thorough financial analysis with multiple considerations, our team reached the conclusion that the recent lease proposal presented by Westfield Southcenter would not align with our objectives or be beneficial to our agency. Although it was not the outcome we had hoped for, Deputy Villegas thanked the team for all the work they did to help with the proposal and negotiations, especially Anquone, Nikki, Ron, Leah, Josh, Todd, and the staff at Department of Enterprise Services (DES).

Deputy Villegas continued by saying, while this pause has changed our plans for our next DOI location, we are still moving forward with the DOI model and are currently scouting different locations for consideration. It is her hope that we will have more information to share soon.

Commissioner Hoss commented that he does not see this as disappointing news at all. He indicated that if it's not a good fit, it's not a good fit. Commissioner Hoss thanked Deputy Villegas and staff for their effort.

Commissioner Sullivan agreed with Commissioner Hoss, saying she did not see it as a failure or bad news. Commissioner Sullivan expressed her appreciation for the work done and looks forward to seeing where the next location will be.

### **Legislative & Legal Services Update:**

Kristi Weeks began by sharing that Washington's Lottery had processed seven new formal and informal requests for records or information since our last Commission meeting, two of which were complex requests related to our Test Drive a Win promotion. Ms. Weeks mentioned that we received no new requests for administrative hearings and no new lawsuits.

Ms. Weeks asked the Commissioners present in person to notice in front of them, an updated law book. Ms. Weeks shared that Tiffany Pringle, the second member of our Legal Team, recently had our law book reprinted. It is up to date for the moment, but Ms. Weeks noted that there will be changes once we amend the Mega Millions rules to comply with the new game play. To check out the latest version of the laws and rules at any time, you can visit the Legislature's website. Ms. Weeks said copies will be mailed out to the Commissioners attending virtually.

Next, Ms. Weeks provided an update to the Commissioners on our debt collection process. Washington's Lottery is required to collect debts owed to state agencies or political subdivisions if that agency works with ours by providing periodic data about outstanding debts. Whenever we pay a prize valued over \$600, we run the winner's name and Social Security number against the data provided and if there is a debt listed, we hold it for that agency. In fiscal year 2023 we recovered over \$272,000 for the state.

Recently, we were contacted by the Secretary of State's Office, who wanted to be able to share more information with local governments about our agency's debt collection process. In working to fulfill this request, Ms. Weeks said we have learned that we do not have a formal process because the agencies that we work with were set up in the system a long time ago. Ms. Weeks is now working with the Human Resources, Support Services, and Information Services teams to create a new process, forms, and FAQs for agencies and political subdivisions to learn about this process and potentially enter into data sharing agreements with Washington's Lottery.

Ms. Weeks announced, during the April commission meeting, that we had completed the second RFP for our primary and secondary Scratch vendors, with Scientific Games being the apparent successful bidder on the primary contract, and IGT and Pollard receiving secondary contracts. She is happy to report that we have an executed contract for the next six years, with another four years of potential extensions with Scientific Games and should have contracts wrapped up with IGT and Pollard very shortly. Ms. Weeks said despite the delay, the Sales and Marketing team was able to anticipate our players' needs and keep our Scratch ticket inventory fresh and exciting during this challenging time. Ms. Weeks also went on to praise Jenna Johnson, citing the amazing job Jenna did coordinating the original RFP and evaluation process, the second RFP and the evaluation process, and the ensuing contract negotiations. Thank you for all your hard work, Jenna!

Ms. Weeks also reminded us that the oral arguments in the Mido Lotto courier case were held a few days after our last meeting, and she was surprised that the judge gave an oral ruling that same day in favor of

the Gambling Commission. Because the written order was not entered until May 23, Mido has 30 days from that date to file an appeal of the order, which will be June 24. Ms. Weeks will keep us updated if anything arises.

Ms. Weeks next update was discussing Washington's Lottery responsible gambling verification from the National Council on Problem Gambling, NASPL. Ms. Weeks said because our verification at the implementation level expires this fall, we are currently preparing to submit our application for the final level, sustaining level. She said our Responsible Gambling program is in a good place, and she feels confident that we will achieve it. Currently, we are waiting for instructions from the organization regarding how, what, and where to make our submission.

Ms. Weeks concluded her presentation sharing with the Commission that both she and Deputy Villegas attended the Evergreen Council on Problem Gambling's Spring conference in May. It was fascinating, they learned a lot. The dominant topic was the exponential growth of disordered gambling among young men who bet on sports. This was a topic that really stood out, not only in Washington but nationally. Ms. Weeks also noted it was nice to hear that Lottery is not considered a primary driver of problem gambling or disordered gambling. Ms. Weeks asked for any questions from the Commission.

Commissioner Hoss stressed the importance of having a clear statement for support of initiatives to deal with problem gambling in our state. Commissioner Giniger echoed that comment and mentioned that our contributions have increased in the last year as well. Commissioner Giniger introduced the next section, Financial Report with Todd Steben.

#### **Financial Report: FY 24 Quarter 4:**

Todd Steben began presenting the financial performance for year to date through May 31<sup>st</sup>, noting it is not the closed quarter yet and these are interim numbers. Mr. Steben continued walking us through a series of slides showing financial comparisons between FY23 and FY24, budget to actuals, sales and operating profit by product, and more.

Some highlights include sales activity lines. Powerball sales are leading the way with 131% compared to last year and most products coming in at 98% or above. Mr. Steben also highlighted the total operating income, expenses, and noted the increase in expenses which tracks with sales and increased contributions to beneficiaries. Mr. Steben mentioned the problem gambling fund, directing attention to \$734,000 in the bottom line, considerably up from last year and we expect to generate more contributions by year end.

To wrap up the financial numbers, Mr. Steben took a comprehensive look at our product mix and operation margins; some highlights include scratch total revenue, draw total revenue, and our grand total, hitting our target perfectly.

Commissioner Hoss commented on operating revenue, saying he hoped everyone understands that success is because interest rates have increased, but more importantly because Lottery staff has taken advantage of those rate increases and managed the money to show that additional benefit. Commissioner Hoss and Commissioner Giniger both articulated their appreciation for this team effort.

Mr. Steben said our decision to take advantage of the high interest rates currently available with U.S. Bank continues to prove strategic and beneficial, with interest income up 500% over last year, which is great to see.

Director Johnston reminded the group that the risk is extremely low, because we are moving money within the same banking institution. We do it based on daily cash flow analysis and if something changes, it is very easy to correct any issues.

Commissioner Giniger thanked Mr. Steben for his report and announced a short ten-minute break. When we return, we will hear from Mr. Smerer and the Sales and Marketing report.

**Sales & Marketing Update:**

Ron Smerer started his last Commission Sales and Marketing update with breaking news, “fresh off the press” – we officially have broken last year’s sales record! Mr. Smerer thanked the Lottery team for this fantastic win and the incredible work done to get here! And we still have 10 days to go in the fiscal year.

Mr. Smerer also shared that most of our games have hit more than 100% of their annual sales goals and that the remaining two (which are in the 99% range) should get to the 100% mark by the end of the fiscal year.

In other news, as Deputy Villegas shared earlier, although we are not moving forward with Southcenter Mall for our next DOI location, Mr. Smerer let the Commission know that the team was going to be meeting with another mall shortly after this meeting to see if there were any possibilities for us into a new location. In the meantime, we can all look forward to the kiosk at Alderwood Mall, which is going to be installed next week.

Mr. Smerer took another moment to thank everyone at Lottery for being an excellent group of people to work with for the last 17 years.

From the entire agency, thank you again for your service to the state of Washington, and we hope you enjoy your retirement!

Following Mr. Smerer, Kathi Patnode took over to give the public relations update. Ms. Patnode shared the great news coverage our Public Relations (PR) partner, Curator, has earned since our last Commission meeting – more than 616 stories totaling 2.4 billion impressions. Ms. Patnode shared multiple stories shared throughout April and May, about our winners, retailers, beneficiaries, unclaimed winnings, high jackpots, and more, including interviews Director Johnston took part in. Ms. Patnode acknowledges the work done by our PR Partner, Curator, specifically Ximara and Madaline, and the Support Staff here at the Lottery, connecting with the players and asking the tough question to share their story.

Ms. Patnode then shared the Marketing update, showing off all the great advertising and social media highlights that the team worked on with our advertising agency partner, VML. With football season around the corner, everyone is hard at work on broadcast spots and social media posts promoting our upcoming Seahawks Scratch ticket – featuring legends Richard Sherman and Kam Chancellor, who are encouraging fans and players to find their inner boom.

Additionally, Ms. Patnode announced that our Lotto and HIT 5 billboards on I-5 in Tacoma are officially live. Ms. Patnode shared that it took a lot of work, deciding to promote our in-state games on billboards across Washington State. We asked VML to assist us in finding these locations. VML was able to find three, one in Eastern Washington and two in Western Washington. It paid off because the billboard looks fantastic.

Commissioner Giniger commented that she saw the billboard on her way down to the Commission meeting. It looks great. Commissioner Giniger also asked how long this billboard will be up. Ms. Patnode said it will be up until 2025.

This was not the only good news from the Marketing team; Ms. Patnode shared that we are not doing a Kraken Scratch ticket this year (we will instead conduct a draw promotion). Ms. Patnode let us know that last year's advertising campaign outperformed all benchmarks, and we are very excited about all the engagement. We cannot wait to see what the team does next with this upcoming campaign, as well as the other campaigns the team are working on for the DOI brand and holiday.

Finally, Ms. Patnode reported that last month's Warehouse Dash was a success! The winners flew to Chicago and got their prize. If you would like to view the video please check out our website and we will also have it shared out on social media.

Commissioner Giniger thanked Kathi Patnode for her work.

### **Scratch Artwork**

Gaylene Gray then took over to share an update on Scratch Artwork. Ms. Gray took a moment to refresh the group on the criteria that we use when selecting artwork to ensure players are having the best experience, including her initial review, a review from Management staff and then the Commission for final approval. When we are ready to launch, Ms. Weeks and Director Johnston have final review. Ms. Gray also shared that because we did not have a Scratch vendor contract for some time, we only had one new ticket to review – the upcoming Seahawks Scratch ticket, which is printed on foil paper this year and looks fantastic. Now that we do have a contract in place, Ms. Gray said we can look forward to seeing a lot more artwork at our next meeting.

### **Indian Gaming Regulatory Act**

For our final presentation, we had a special guest, Julie Lies, the Tribal Liaison for the Washington State Gambling Commission. Ms. Lies started with Gambling Commission in November of 1989 and has spent her entire career with the Gambling Commission. Ms. Lies gave a presentation on the Indian Gaming Regulatory Act, which confirmed the rights of tribes to conduct gaming on Indian lands and requires states and tribes to enter into negotiated compacts for certain types of gaming. Ms. Lies highlighted the history of tribal gaming, made suggestions of what we should be aware of as part of the industry, and answered questions.

Commissioner Giniger and Director Johnston thanked Ms. Lies for her time and continuous work.

### **Commission Business/Agenda Items:**

Commissioner Giniger asked the Commissioners about any new topics or agenda items they wish to include on the agenda for the upcoming meeting. There were no new topics added.

### **Public Comment:**

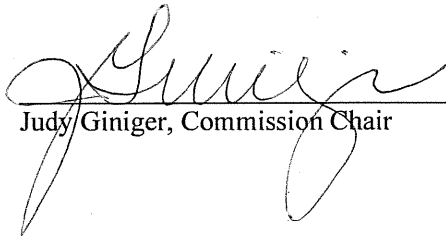
Commissioner Giniger moved on to public comment, asking if anyone in person or online would like to speak. Hearing none, Commissioner Giniger thanked everyone for their time.


### **Adjournment:**

Commissioner Giniger adjourned the meeting at 11:45am.

The, June 20, 2024, Lottery Commission Meeting Minutes were approved this 15<sup>th</sup> day of August, 2024.

Respectfully submitted,

  
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Judy Giniger, Commission Chair

  
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Rita Hawkins, Executive Assistant