FEBRUARY 15, 2013

COMMISSION REPORT

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NOTICE OF PUBLIC MEETING AND EXECUTIVE SESSION OF THE ARIZONA STATE LOTTERY COMMISSION

Pursuant to Arizona Revised Statute (ARS) § 38-431.02, notice is hereby given to the members of the Arizona State Lottery Commission and to the general public that the Arizona State Lottery Commission will hold a meeting open to the public on February 15, 2013, at 10 a.m., in the Arizona Lottery Board Room located at 4740 East University Drive, Phoenix, Arizona. Pursuant to ARS § 38-431.02(B), notice is hereby given to the Arizona State Lottery Commission and members of the public that the Arizona State Lottery Commission may vote to go into Executive Session, which will not be open to the public, for the purpose of obtaining legal advice pursuant to ARS § 38-431.03(A)(3) regarding any of the agenda items, as well as for the purposes listed on the agenda under Executive Session. The Commission may also vote on any item listed on the agenda. One or more members of the Commission may participate by means of telephonic communication.

Call to Order

1. Call for Quorum
2. Call for Notice
3. Approval of Minutes for January 18, 20132, Public Meeting

Agency Reports

1. Director's Report
2. WestGroup Tracking Report
3. Marketing/Advertising Report

New Business

Discussion and Action on new Scratchers℠ Game Profiles: *Mustache Cash* #860, *Money Multiplier Bonus* #861, *Coffee Break Crossword* #879, and *Red Hot 7s* #889.

Discussion and Action on Dates for Future Lottery Commission Meetings

Call to the Public

Consideration and discussion of comments from the public. Those members of the public wishing to address the Commission need not request permission in advance and will be given approximately five minutes for their comments and requests. Action taken as a result of public comment will be limited to directing staff to study the matter or rescheduling the matter for further consideration at a later date to comply with ARS § 38-431.02.

Announcements

The next Commission meeting will be held March 15, 2013, at 10:00 a.m.

Adjournment

Materials

A copy of the agenda and background material provided to Commission members, which is not exempt by law from public inspection, is available for public inspection at least 24 hours in advance of the meeting at the Lottery Office located at 4740 East University Drive, Phoenix, Arizona.

Notice

Any amendments or additions to the agenda will be made available at least 24 hours prior to the meeting.

Dated this 11th day of February, 2013

Jeff Hatch-Miller, Executive Director

Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by calling (480) 921-4486. Requests should be made as early as possible to allow time to arrange the accommodation.

PUBLIC MEETING OF THE ARIZONA LOTTERY COMMISSION MINUTES JANUARY 18, 2013

PRESIDING	Chair Jeff Weintraub
COMMISSIONERS	Vice-Chair Frank Conley, Commissioners Jeff Boehm, Chip Scutari, and via teleconference, Leo Valdez.
LOTTERY	Jeff Hatch-Miller, Executive Director; Raynie Hosto, Director of Sales; Kim McGlothlen, Director of Marketing & Advertising; Adam O'Kane Director of Audit, Accounting, & Procurement; and Steve Johnson, Director of IT Barbara Anderson, Ivy Gilio, Nick Schell, Tim Matykiewicz, Brett Moulton, Cindy Esquer, Graham Bennett, Roland Tang, Robin Peters, Jessica Reimann, Melissa Zamora, Tasha Younger, Rhonda Kaiser, and Jacqui Ayala
GUESTS	EB Lane Representatives: Carlos Pastor, Conchita Rajces Kollman, Emily Ginzl, Jamison Davis, and Jen Byron GTECH Representatives: Russ Harben and Serena Arlotta Henry & Horne Representatives: Bobby Mikkelsen and Chuck Goodmiller Attorney General Representative: LaDonna Ockinga

Call to Order. Pursuant to the Public Notice dated January 14, 2013, the Public Meeting of the Arizona State Lottery Commission was called to order at 10:00 a.m. by Chair Weintraub. A quorum was present.

Upon request by Chair Weintraub, Vice-Chair Conley made a motion to approve the minutes of December 21, 2012; Commissioner Boehm seconded. All members voting aye, motion carried.

Financial Audit Report. Chuck Goodmiller and Bobby Mikkelsen from Henry and Horne, LLP, who conducted the annual audit, presented an overview and copies of the Audit report were provided to the Commissioners.

Retailer of the Quarter. Ms. Melissa Zamora, District Sales Representative, presented an overview of the Retailer of the Quarter, 7-Eleven 16082 in Phoenix. 7-Eleven 16082 was recognized for keeping its dispensers full, and being up 23.7% for draw game sales and 41% for instant game sales.

Director's Report. Director Hatch-Miller presented a PowerPoint overview of the Director's Report. The Director's Report is attached for the official minutes.

Retailer Survey/Out-Of-Stocks. Ms. Hosto presented results of the retailer survey conducted in November and December. She explained that the survey covers six broad categories and has some open-ended questions to allow for more detailed responses. She stated that the goal was to receive 365 retailer responses and said we exceeded the goal with 445 responses, which is 15% of our retailer base. She also stated the overall satisfaction of retailers with the Lottery increased by 1%.

Ms. Hosto also presented information on out-of-stocks, stating we ended December at 5.3%, which is historically low. She said that typically as sales go up, out-of-stocks increase. However, this was not the case with Vice-Chair Conley and his team at Safeway. Safeway was the only chain to increase sales and decrease out-of-stocks.

Chair Weintraub asked what the time frame is for larger pack sizes. Ms. Anderson explained that we are looking to move the $20 from a 15-ticket pack to a 30-ticket pack and the $10 tickets from a 30-ticket pack to a 60-ticket pack. Ms. Hosto said there would be two ordering options available. Ms. Anderson said this might be about six months.

New Business.

Chair Weintraub asked if any members of the public would like to address the Commission regarding the new Scratchers℠Game Profiles: *Joker's Jackpot #864, Arizona Blackjack #874, Super Match 3 #875, and Triple Payout #877.* No response from the public.

In accordance with A.R.S. §5-554 (C), Chair Weintraub entertained a motion to approve the order and authorize the Director to issue the order regarding new Scratchers Game Profiles: *#864, #874, #875, and #877.* Commissioner Boehm moved; Commissioner Scutari seconded. All members voting aye, the motion carried.

Marketing Update.

Ms. McGlothlen introduced Jessica Reimann, the new Marketing and Advertising Manager.

Ms. McGlothlen followed up with results of the Safeway retail activations that took place in November and December. She explained there was a grand prize winner at each of the remotes who won a VIP experience, including a $1,000 Safeway Gift card and two Arizona Cardinal tickets. She pointed out that as part of our increased digital efforts, we sent out over 71,000 E-Blasts. She said we had a 16% open rate and a 6.33% click through rate, which is almost double the industry average.

Ms. McGlothlen stated that the Lottery was the presenting sponsor of the Cardinals game held December 16, 2012. She said that our game day sponsorship was also the Salute to Troops sponsorship, so we were able to recognize and celebrate our armed forces veterans who were present at the game. She explained we were able to have the ticket trolley staffed by Safeway employees due to a change in the retailer rules. She said this was a great first for the Lottery.

Ms. McGlothlen spoke about Black Series Scratchers and played the radio spots that will begin airing Monday, January 21, 2013. She also showed the new Hall of Winners spots that will be airing.

Call to the Public. Chair Weintraub invited members of the public to speak before the Commission. No one from the public requested to speak.

Announcements. The next meeting will be February 15, 2013, at 10 a.m.

Adjournment. Upon request by Chair Weintraub, Vice-Chair Conley moved; Commissioner Scutari seconded. All members voting aye, motion carried. Meeting adjourned at 11:06 a.m.

Agency Reports
Report to Arizona Lottery Commission
February 15, 2013

Director's Report

Each month, the Lottery provides the Governor's Office with a status report for the previous month. This is a succinct look at agency activities and success statistics containing information we believe the Commission might find interesting as well. Detailed sales information is available in the Dashboard Update, Attachment A.

Transfers to Beneficiaries made in January 2013

State General Fund: $8,728,000
Heritage Fund: $1,035,200
Healthy Arizona: $1,999,800
Court Appointed Special Advocate (CASA) Fund: $59,867

Total January Transfers $11,822,867

Transfers to beneficiaries FY13 YTD: $84,333,583
Transfers to beneficiaries FY12 YTD: $76,450,437

Events/Sponsorships

Lottery-sponsored events in January:

Casa Grande Main Street – Main Street Fair/Car & Bike Show
Community Foodbank of So. Arizona – Mardi Gras
Willow Bend Environment Education Center – Family Science Series

Lottery-sponsored events in February:

Yavapai Big Brothers/Big Sisters – Bowling for Kids' Sake
Santa Cruz Valley Car Nuts – Collector Car Show
AZ Commission of Indian Affairs – Indian Nations & Tribes Legislative Day
Wickenburg Chamber of Commerce – Gold Rush Days Celebration
Phoenix Union Foundation for Education – Scholarship Gala
MADD Southern Arizona Affiliate – Walk Like MADD
Asian Chamber of Commerce – Lunar New Year Awards Banquet
Xico – Dinner and Art Auction
Transitions for the Developmentally Disabled – Butterfly Dash 5K Run/Walk
Jewish Family & Children's Services – Brighter Tomorrow Luncheon

WestGroup Tracking Report

Marketing/Advertising Report

New Game Introductions

New Games Introduction. The following games were introduced since the last commission meeting: *Black Cherry Doubler* #811, *2X Cash* #815, *Three Queens #844, 9s in a Line #847, Let's Make A Deal™ #849,* and *$100,000 Taxes Paid #869.*

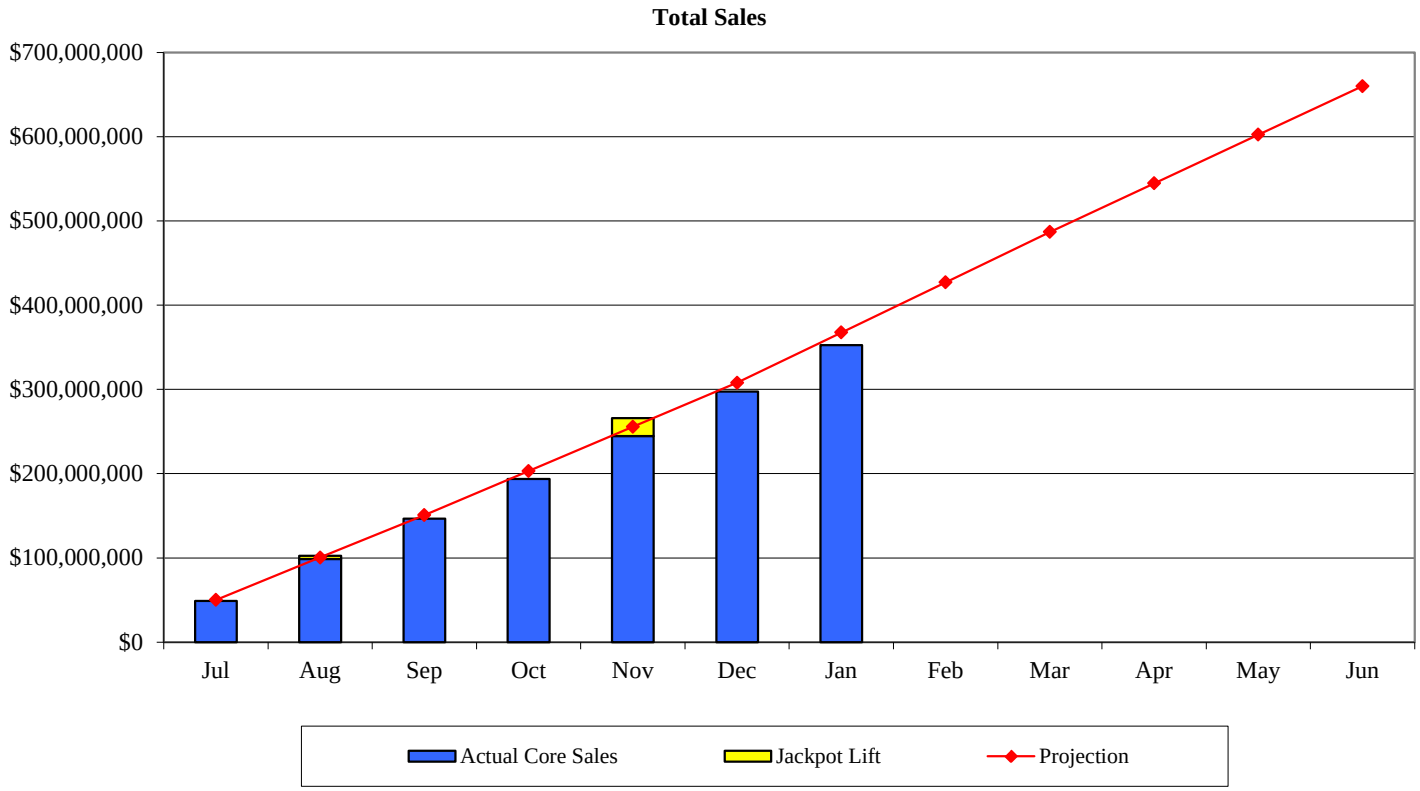
More information on these games is available by visiting the Scratchers℠ section at ArizonaLottery.com

ATTACHMENT A

Arizona Lottery
Dashboard
January 2013

Fiscal Year 2013

Arizona Lottery
FY 2013 Sales versus Projections



Projection:	367,551,532
Actual Core:	354,237,936
Jackpot Lift:	25,470,000
Total Actual:	379,707,936
Difference:	12,156,404
% Difference:	3.3%

* Total sales through January are 3.3% above projections.

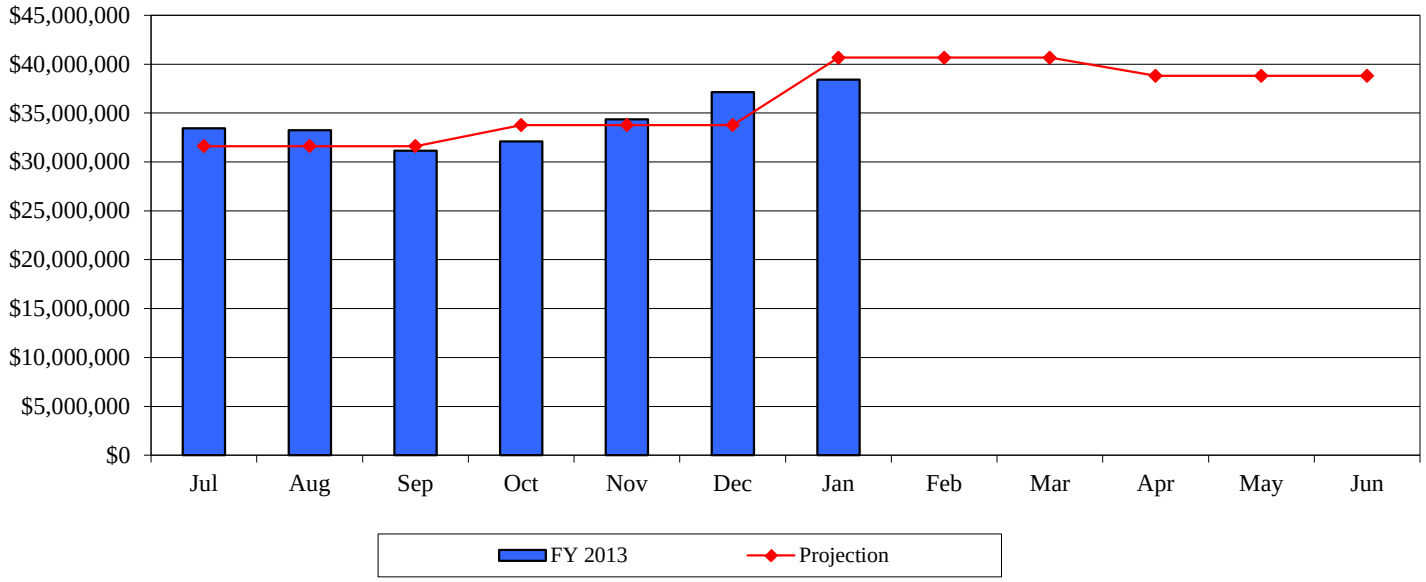
* Scratchers sales continued strong through January and are currently 1.3% ahead of projections.

* Total draw game sales are 7.0% ahead of projections.

* The Multi-State draw games are 10.8% ahead of projections; in-state games are 2.1% below projections.

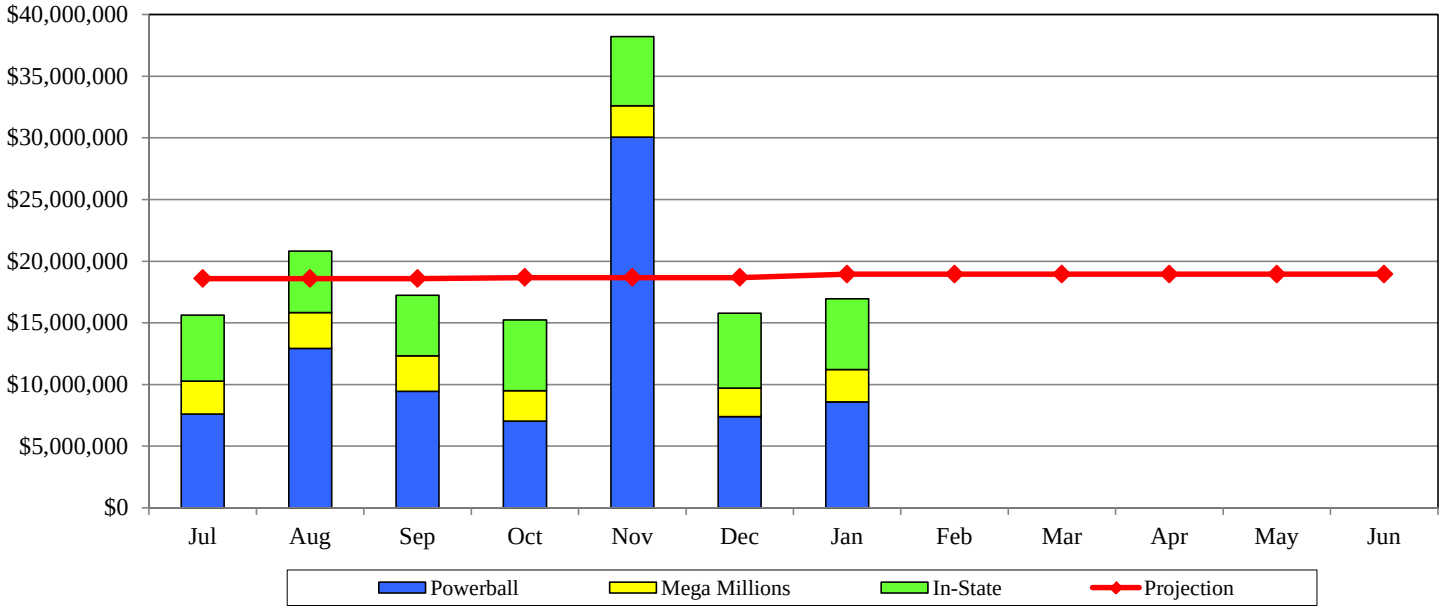
Arizona Lottery
FY 2013 Sales versus Projections

Scratchers



Projection:	236,793,000
Actual:	239,855,354
Difference:	3,062,354
% Difference:	1.3%

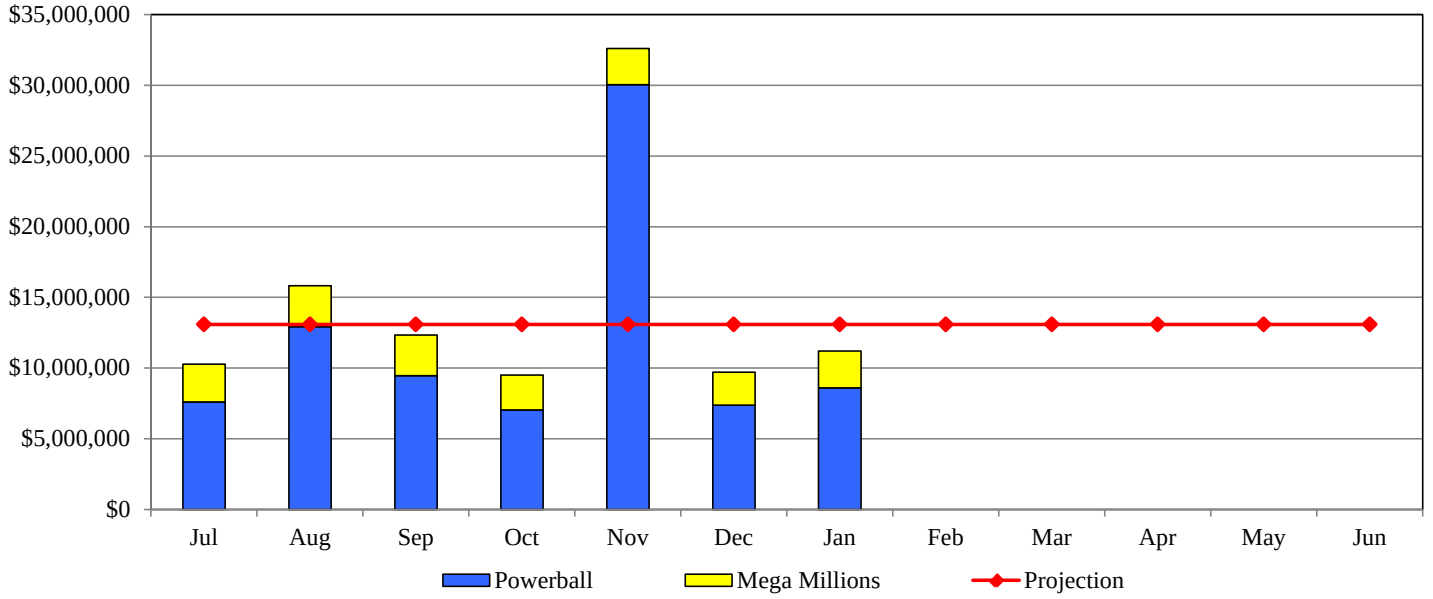
Total Drawing Games



Projection:	130,758,532
Actual	139,852,582
Difference:	9,094,050
% Difference:	7.0%

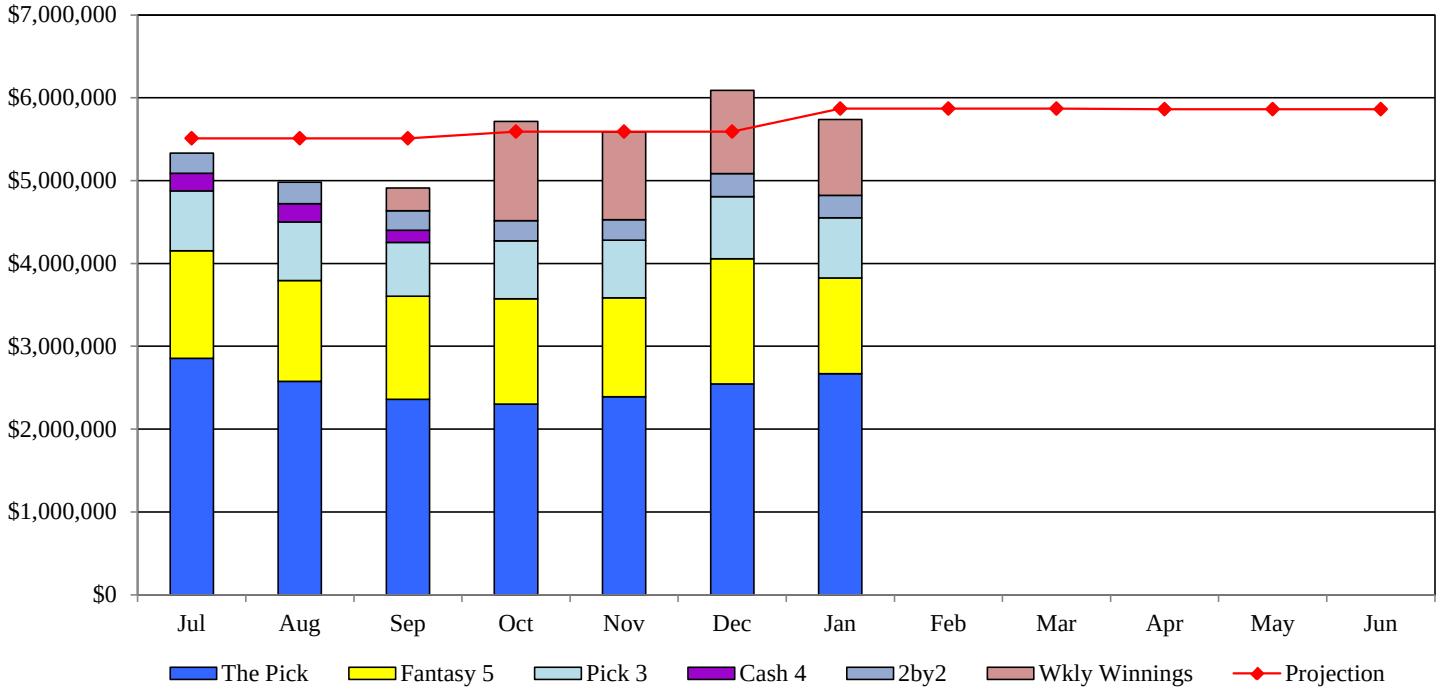
Arizona Lottery
FY 2013 Sales versus Projections

Multi-State Jackpot Games



Projection:	91,583,333
Actual	101,497,212
Difference:	9,913,879
% Difference:	10.8%

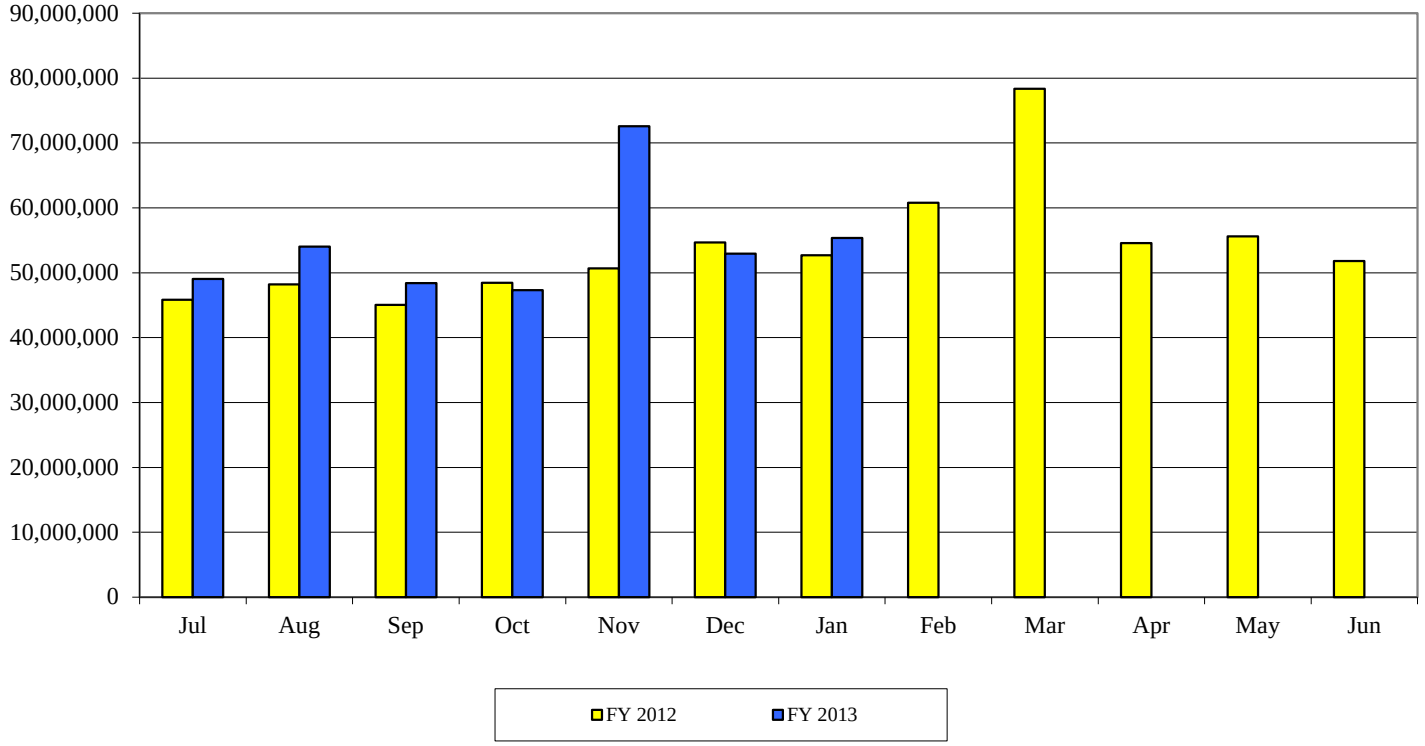
Total In-State Games



Projection:	39,175,199
Actual	38,355,370
Difference:	-819,829
% Difference:	-2.1%

Arizona Lottery
FY 2013 versus FY 2012

Total Sales



FY 2013	379,707,936
FY 2012	345,536,276
% Change	9.9%

* Total sales remain 9.9% ahead of last year.

* January sales for Scratchers reached a high of $38 million and remain 6.7% ahead of last year.

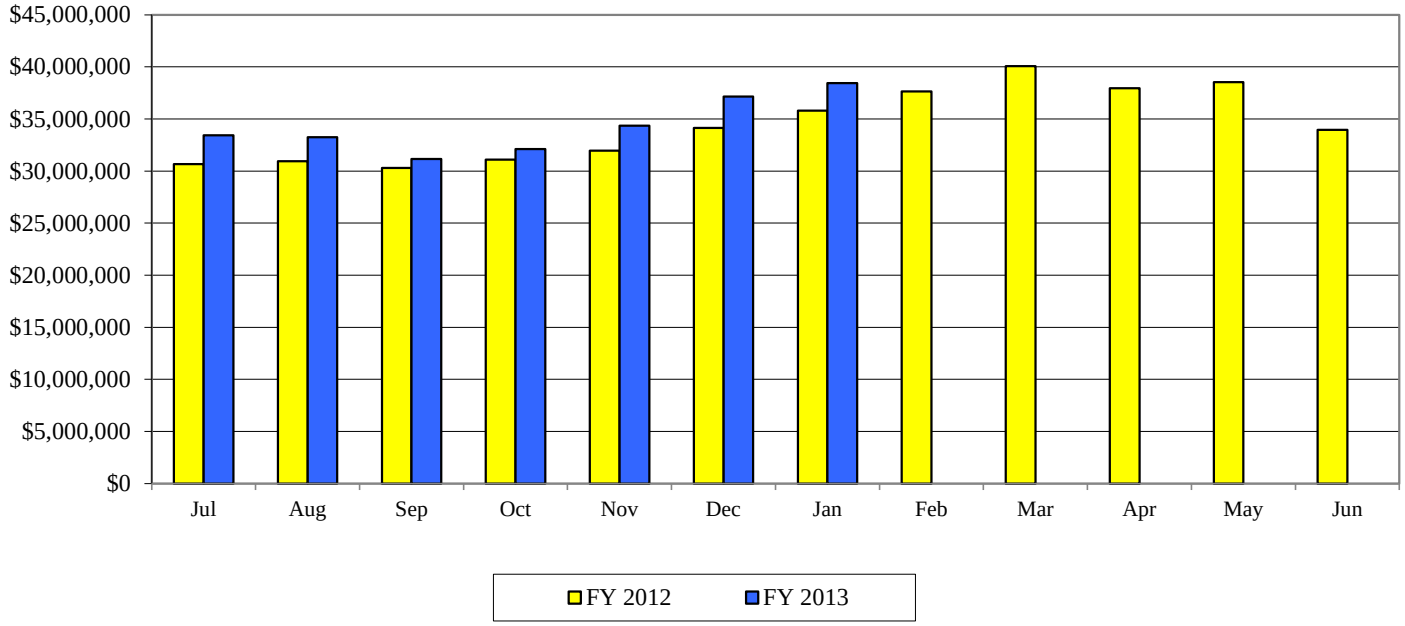
* Sales of the multi-state games, Powerball and Mega Millions, are 31.2% ahead of last year.

* Sales of the in-state games are currently 11.4% below last year.

* Total draw game sales are 15.9% ahead of last year.

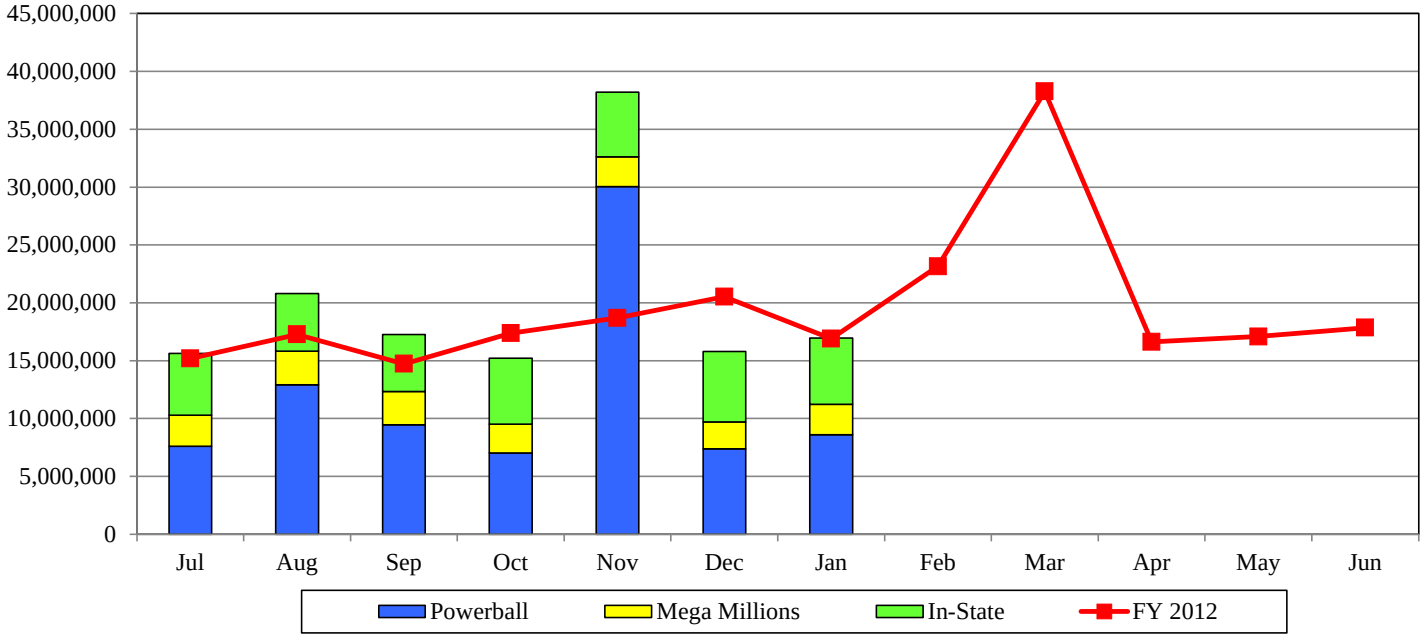
Arizona Lottery
FY 2013 versus FY 2012

Scratchers



FY 2013	239,855,354
FY 2012	224,890,171
% Change	6.7%

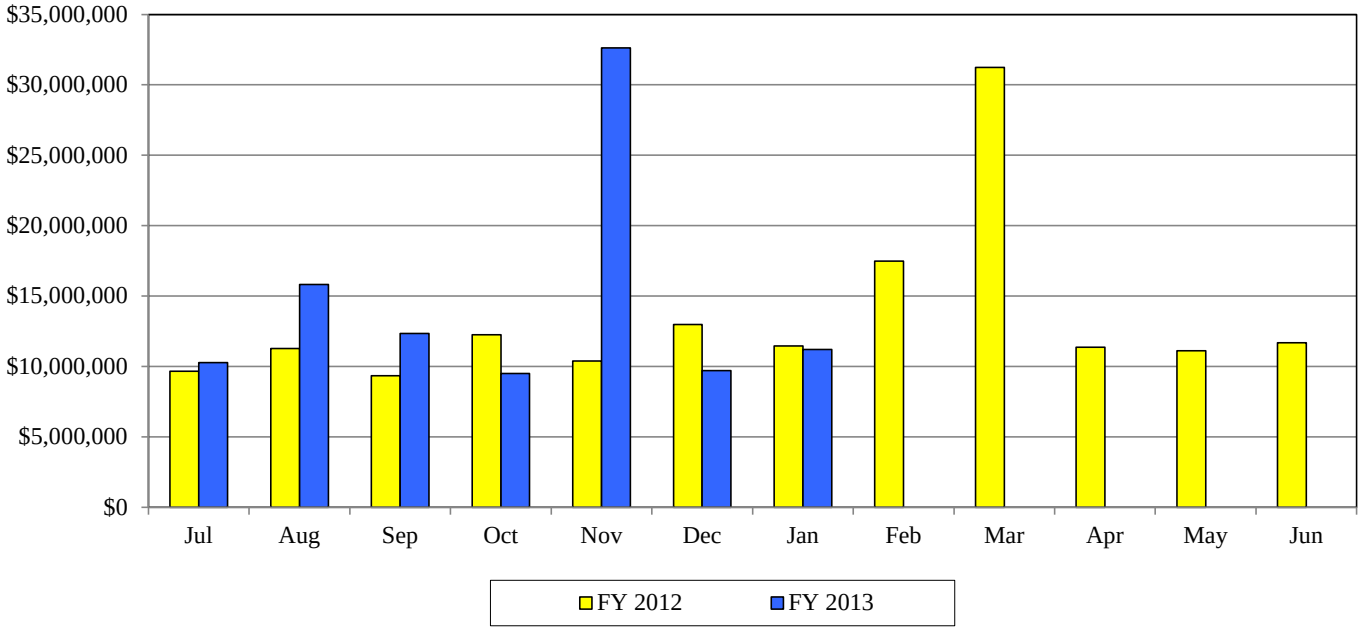
Total Drawing Games



FY 2013	139,852,582
FY 2012	120,646,105
% Change	15.9%

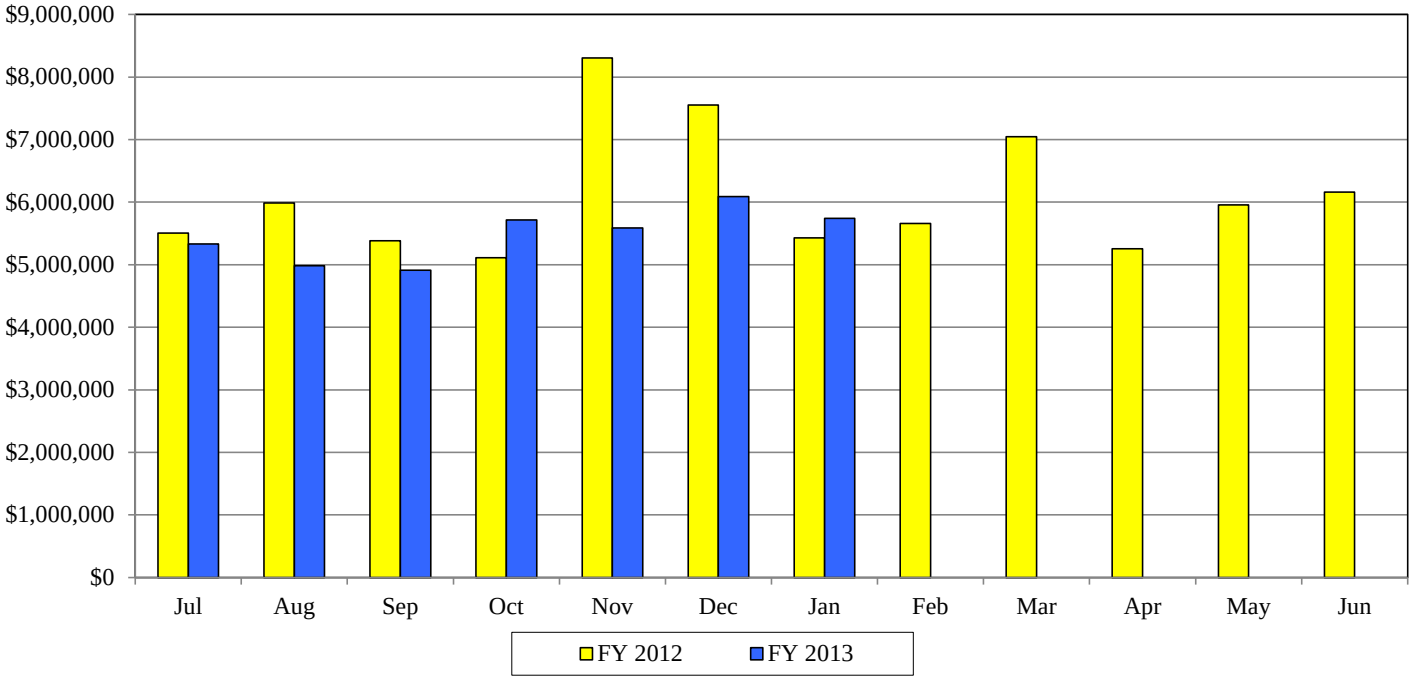
Arizona Lottery
FY 2013 versus FY 2012

Multi-State Jackpot Games



FY 2013	101,497,212
FY 2012	77,370,145
% Change	31.2%

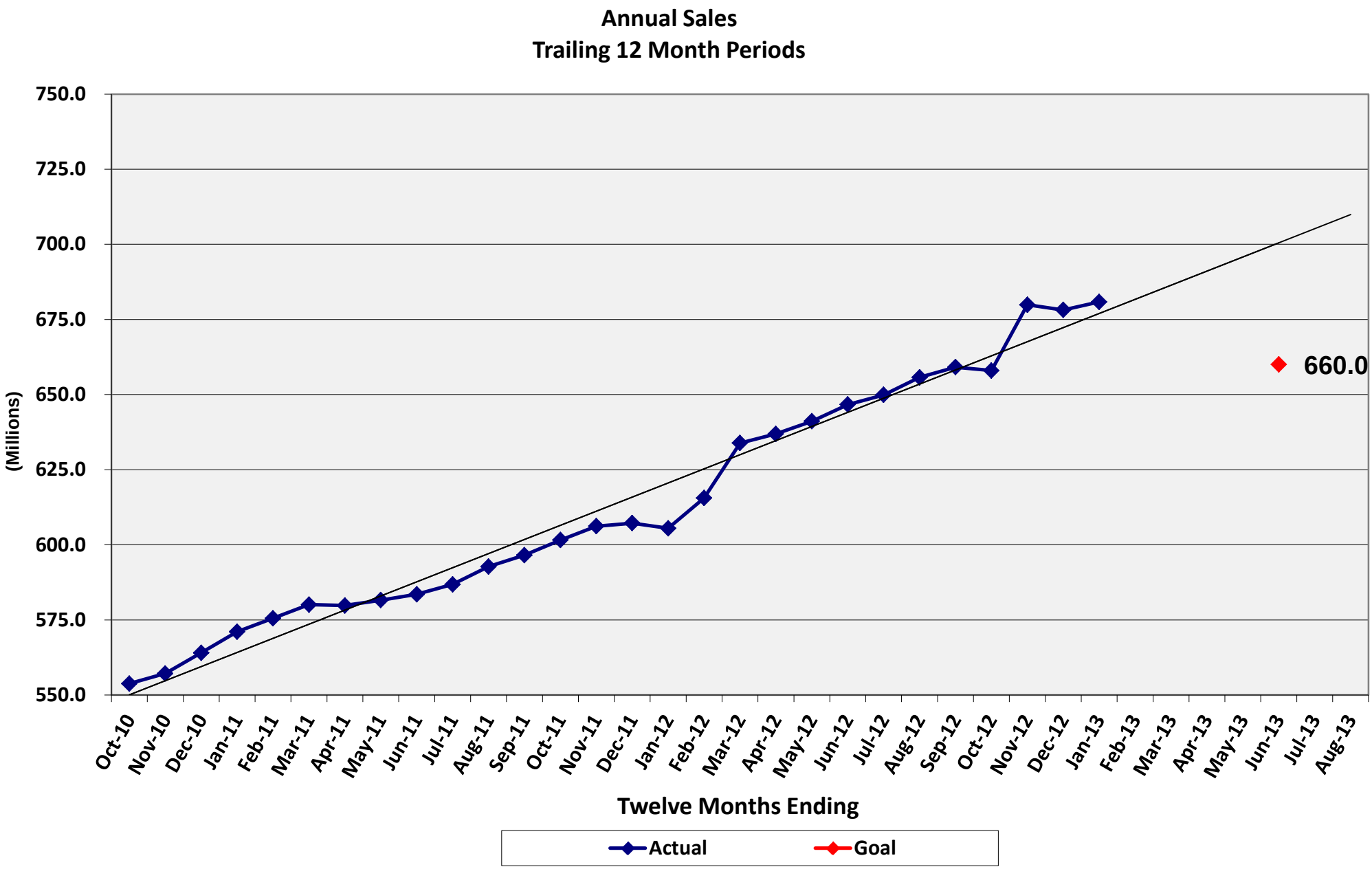
Total In-State Games



FY 2013	38,355,370
FY 2012	43,275,960
% Change	-11.4%

Arizona Lottery
Sales by Product - FY 2013

Month	Scratchers	Instant Tabs	Total Scratchers	Powerball	Mega Millions	The Pick / EXTRA	Fantasy 5 / EXTRA	Pick 3	CA$H4	2by2	Weekly Winnings	Total Online	Total Sales
July	33,132,712	293,628	33,426,340	7,610,744	2,675,159	2,855,479	1,298,677	723,807	209,796	244,750		15,618,412	49,044,752
August	32,920,509	311,760	33,232,269	12,916,642	2,915,034	2,577,449	1,218,159	707,454	220,548	258,614		20,813,900	54,046,169
September	30,954,443	206,904	31,161,347	9,455,754	2,881,827	2,361,819	1,242,029	649,901	148,002	235,098	272,876	17,247,306	48,408,653
October	31,799,131	299,124	32,098,255	7,030,799	2,477,867	2,303,327	1,271,103	700,141		244,198	1,196,284	15,223,719	47,321,974
November	34,053,978	309,270	34,363,248	30,056,195	2,559,417	2,389,107	1,197,549	694,003		247,742	1,059,880	38,203,893	72,567,141
December	36,822,926	320,742	37,143,668	7,381,968	2,320,528	2,547,298	1,511,049	748,936		277,322	1,003,960	15,791,061	52,934,729
January	38,076,359	353,868	38,430,227	8,598,994	2,616,284	2,670,339	1,153,242	728,788		268,774	917,870	16,954,291	55,384,518
February			0									0	0
March			0									0	0
April			0									0	0
May			0									0	0
June			0									0	0
YTD Sales	**237,760,058**	**2,095,296**	**239,855,354**	**83,051,096**	**18,446,116**	**17,704,818**	**8,891,808**	**4,953,030**	**578,346**	**1,776,498**	**4,450,870**	**139,852,582**	**379,707,936**
YTD Rtlr Commissions	15,454,404	419,059	15,873,463	5,398,321	1,198,998	1,150,813	577,968	321,947	37,592	115,472	289,307	9,090,418	24,963,881
% of Sales	62.6%	0.55%	63.2%	21.9%	4.9%	4.7%	2.3%	1.3%	0.2%	0.5%	1.2%	36.8%	100.0%
Avg Mo Sales	33,965,723	299,328	34,265,051	11,864,442	2,635,159	2,529,260	1,270,258	707,576	192,782	253,785	890,174	20,343,437	54,608,487


Annual Sales
Trailing 12 Month Periods
750.0
725.0
700.0
675.0
650.0
625.0
600.0
575.0
550.0
(Millions)
660.0
Oct-10
Nov-10
Dec-10
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12
Jul-12
Aug-12
Sep-12
Oct-12
Nov-12
Dec-12
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Twelve Months Ending
Actual
Goal

Arizona Lottery
Transfers To Other State Funds

Month	Heritage Game & Fish	Healthy Arizona	State General Fund	Mass Transit LTAF II*	Homeless Shelters	State General Fund II	Arizona Commerce Authority	Univ Capital Debt Service	Dept of Gaming	C.A.S.A.	Total Transfers
July	789,900	1,525,900	6,659,900	1,488,000						147,225	10,610,925
August	818,300	1,580,800	6,899,400	2,503,500						92,380	11,894,380
**Approp Transfer									300,000		300,000
September	758,100	1,464,200	6,390,700	1,860,100						750,836	11,223,936
October	767,800	1,483,200	6,473,500	1,381,900						69,176	10,175,576
November	1,111,800	2,147,900	9,374,500	3,991,300						66,061	16,691,561
December	986,900	1,906,500	8,320,100							400,839	11,614,339
January	1,035,200	1,999,800	8,728,000							59,867	11,822,867
February											0
March											0
April											0
May											0
June											0
**Approp Transfer											0
Profit Distribution											0
YTD Transfers	**6,268,000**	**12,108,300**	**52,846,100**	**11,224,800**	**0**	**0**	**0**	**0**	**300,000**	**1,586,383**	**84,333,583**
FY12 Transfers	6,114,700	11,981,400	49,317,900	6,644,700	0	0	549,000	0	300,000	1,542,737	76,450,437

*Clean Air Act
**Pursuant to Proposition 202 (Compulsive Gambling Treatment)

Arizona Lottery
Transfers To Other State Funds
By Product - FY 2013

	Scratchers	Instant Tabs	Powerball	Mega Millions	The Pick / EXTRA	Fantasy 5 / EXTRA	Pick 3	CA$H4	2by2	Weekly Winnings	Unclaimed Prizes C.A.S.A.	Total Transfers
July	6,295,200	29,400	2,016,900	708,900	756,800	344,200	191,800	55,600	64,900		147,225	10,610,925
August	6,254,900	31,200	3,423,000	772,500	683,100	322,800	187,500	58,500	68,500		92,380	11,894,380
Gaming Department	190,100	1,500	48,300	26,000	18,900	8,400	4,000	1,300	1,500			300,000
September	5,881,400	20,700	2,505,800	763,700	625,900	329,200	172,300	39,300	62,400	72,400	750,836	11,223,936
October	6,041,900	29,900	1,863,300	656,700	610,400	336,900	185,600		64,700	317,000	69,176	10,175,576
November	6,470,300	31,000	7,964,900	678,300	633,100	317,400	183,900		65,700	280,900	66,061	16,691,561
December	6,996,400	32,100	1,956,300	615,000	675,100	400,500	198,500		73,500	266,100	400,839	11,614,339
January	7,234,600	35,400	2,278,700	693,300	707,600	305,700	193,100		71,300	243,300	59,867	11,822,867
February												0
March												0
April												0
May												0
June												0
Profit Distribution												0
YTD Transfers	**45,364,800**	**211,200**	**22,057,200**	**4,914,400**	**4,710,900**	**2,365,100**	**1,316,700**	**154,700**	**472,500**	**1,179,700**	**1,586,383**	**84,333,583**
Transfer % of Total Sales	11.9%	0.1%	5.8%	1.3%	1.2%	0.6%	0.3%	0.0%	0.1%	0.3%	0.4%	22.2%
YTD Sales	237,760,058	2,095,296	83,051,096	18,446,116	17,704,818	8,891,808	4,953,030	578,346	1,776,498	4,450,870		379,707,936
% of Sales by Product	62.6%	0.6%	21.9%	4.9%	4.7%	2.3%	1.3%	0.2%	0.5%	1.2%		100.0%
% of Transfer by Product	19.1%	10.1%	26.6%	26.6%	26.6%	26.6%	26.6%	26.7%	26.6%	26.5%		21.8%

FY13 Year-to-Date Budget Status
JANUARY

Date: **1/31/2013**
Elapsed: **59%**

		Budget	Expenditures thru Jan.	Percent Expended	Balance	Comments
	Personal Services	**4,472,700**	2,383,900	53%	2,088,800	
	ERE	**2,073,700**	985,400	48%	1,088,300	
	Professional & Outside	**384,300**	255,700	67%	128,600	payment timing
	Travel In-State	**269,800**	105,100	39%	164,700	
	Travel Out-of-State	**16,700**	4,300	26%	12,400	
	Other Operating / Equip.	**1,106,500**	570,500	52%	536,000	
	Operating Subtotal:	**$ 8,323,700**	**$ 4,304,900**	**52%**	**$ 4,018,800**	
	Advertising 1/	**15,500,000**	5,431,200	35%	10,068,800	
% of sales	Instant Tickets	**14,359,800**	6,839,700	48%	7,520,100	
% of sales	On-Line Vendor Fees	**7,988,100**	4,946,100	62%	3,042,000	on-line sales higher than JLBC estimate
% of sales	Charitable Commissions	**567,500**	419,100	74%	148,400	instant tab sales higher than JLBC estimate
% of sales	Retailer Commissions	**41,000,000**	24,628,300	60%	16,371,700	total sales higher than JLBC estimate
	Total Budget:	**$ 87,739,100**	**$ 46,569,300**	**53%**	**$ 41,169,800**	

1/ Advertising agency expenses are typically one month behind.

Notes on Sales-Related Line Items:

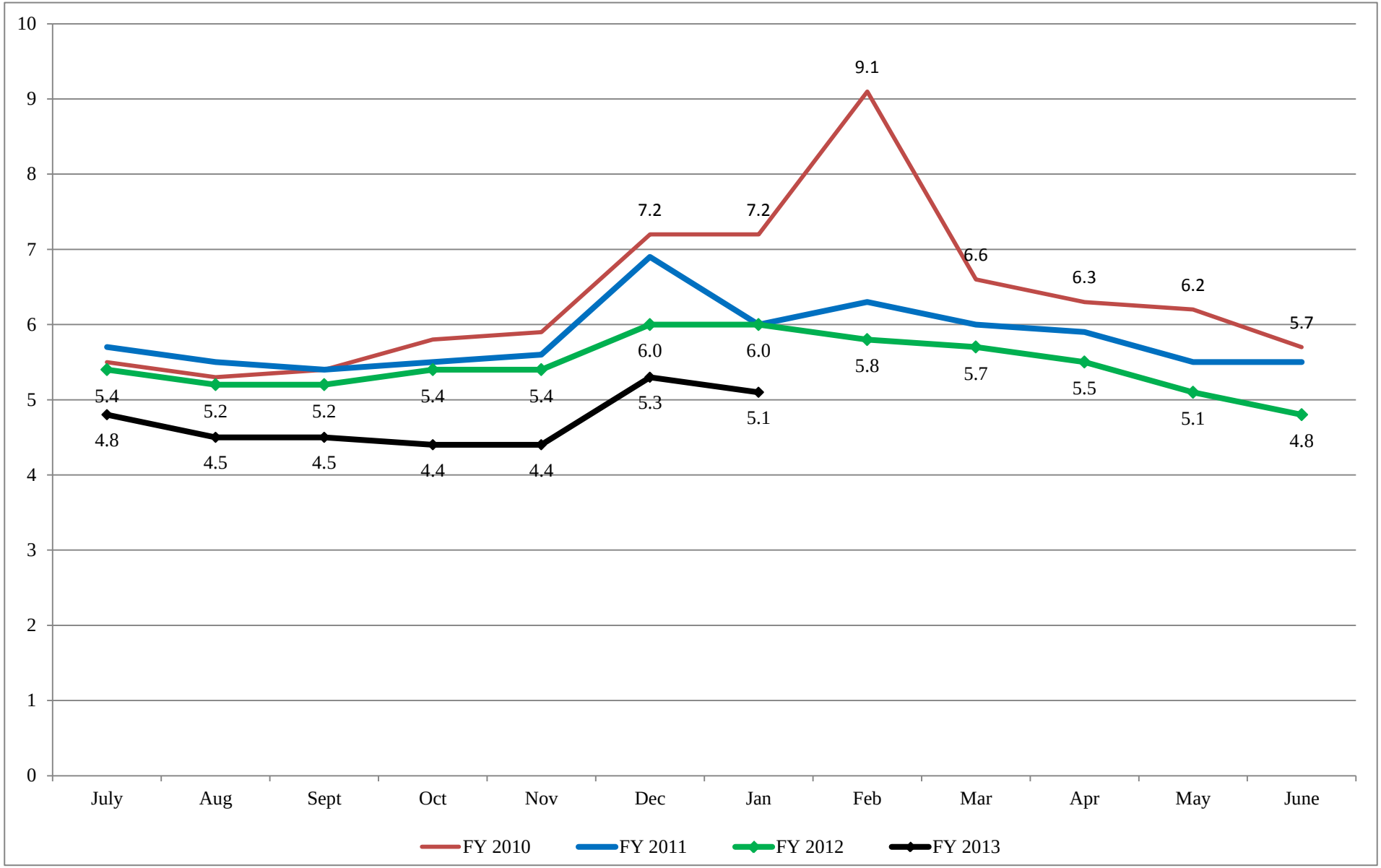
Instant Tickets: Appropriated based on 3.6% of sales. The budget reflects the JLBC instant sales estimate of $398.9 million for FY13.

On-Line Vendor Fees: Appropriation based on percentage of on-line sales as determined by contract. The budget reflects the JLBC on-line sales estimate of $215.9 million for FY13.

Charitable Commissions: The compensation rate is 20% of instant tab ticket sales. The budget reflects the JLBC sales estimate of $2.84 million for FY13.

Retailer Commissions: The compensation rate is 6.5% plus up to an additional .5% based on performance criteria. The budget reflects the JLBC estimated compensation rate of 6.7% based on total sales of $614.8.

Arizona Lottery
Ticket Vending Machine - Monthly Out-of-Stock Averages



New Business Item #1
New Scratchers℠ Games Profiles
Report to Arizona Lottery Commission
February 15, 2013

This report has been provided to the Lottery Commission regarding game profiles planned for Arizona Lottery Scratchers games. The Commission is requested to approve these game profiles. After Commission approval, staff will commence with plans for printing, distribution, and sales of these games.

NEW GAME PROFILES
Attached for the Lottery Commission's action are new Scratchers Game Profiles*: Mustache Cash* #860*, Money Multiplier Bonus* #861*, Coffee Break Crossword* #879, and *Red Hot 7s* #889.

Mustache Cash #860. This $2 game has a top prize of $10,000 and will be printed at a quantity of approximately 1.4 million tickets

Money Multiplier Bonus #861. This $5 game has a top prize of $50,000 and will be printed at a quantity of approximately 1.2 million tickets.

Coffee Break Crossword #879. This $5 game has a top prize of $50,000 and will be printed at a quantity of approximately 4.8 million tickets.

Red Hot 7s #889. This $2 game has a top prize of $7,777 and will be printed at a quantity of approximately 5 million tickets.

Attachments (Commissioners only)

New Business Item #2
Dates for Future Lottery Commission Meetings
Report to Arizona Lottery Commission
February 15, 2013

Dates for Future Lottery Commission Meetings

Current Date	Proposed Date
March 15, 2013	March 22, 2013
April 19, 2013	No Change
May 17, 2013	May 24, 3013
June 21, 2013	June 28, 2013
July – No meeting	No Change
August 16, 2013	August 23, 2013
September 20, 2013	No Change
October 18, 2013	No Change
November 15, 2013	November 22, 2013
December 20, 2013	No Change