

**PUBLIC MEETING OF THE ARIZONA LOTTERY  
COMMISSION MINUTES FEBRUARY 19, 2016**

**PRESIDING** Chair Frank Conley, Telephonic

**COMMISSIONERS** Telephonic Vice-Chair Michael Love  
In Person Jeff Weintraub, Andy Anderson, and Kristine Burnett

**LOTTERY** Kevin Donnellan, Interim Director; Michael Schiefelbein, Director of Products; Raynie Hosto, Director of Sales, Steve O’Ney, Director of IT, LaTrina Rosemond, Director of Audit and Accounting; and Brian Townsend, Deputy Director, Telephonic  
Barbara Anderson, Shannon Nelson, Ivy Gilio, Brett Moulton, Pam DiNunzio, Roland Tang, Mark Strickling, Shelby Alessi, Joe Liethem, Karen Flatt, George Celaya, Joel Arseo, Monica Godek, Kimberly Siddall, and Jacqui Ayala

**GUESTS** GTECH Representatives: Russ Harben, Maryanne Manning, and Serena Arlotta  
Scientific Games Representatives: Topper Wilson, Genva MacCaffery, Cory Bonogofsk, Dan Grace, Amy Hill, and Heather Cusnitz  
LaneTerralever: Todd Bresnahan, Amy Ramer, Andy Purnell, Bill Woodward  
Moss Adams: Lupita Martinez, David Nguyen, and Mark Weber  
Attorney General Representative: Deanie Reh

**PUBLIC** Brent Stephens and Matt Silverman

**Call to Order** Pursuant to the Public Notice dated February 17, 2016, the Public Meeting of the Arizona State Lottery Commission was called to order at 10:00 a.m. by Chair Conley. A quorum was present.

Chair Conley entertained a motion to approve the minutes of the January 27, 2016, Public meeting; Commissioner Weintraub moved, Commissioner Burnett seconded. All members voting aye, motion carried.

**Retailer of the Quarter** – Karen Flatt, Territory Manager, recognized Fry’s 51 as Retailer of the Quarter. Ms. Flatt stated that the store has done exceptionally well with increasing sales and maintaining low out-of-stocks.

Commissioner Weintraub asked what the store did to increase sales, as this is an established store. Ms. Flatt stated that the bookkeeper tapes packs together to keep the machine full.

Chair Conley opened a discussion regarding ticket pack size. Barbara Anderson stated

that the testing is complete, and we will now move forward on increasing the pack size of \$5 tickets to a 400-pack size, and the \$10 and \$20 tickets will be a 600-pack size. Raynie Hosto stated that the taping of packs works well in the vending machine because of the depth of the ticket holders; however, taping is not ideal for the in-counter and on-counter dispensers because they do not fit very well. Ms. Hosto also stated that we are unable to provide two different pack sizes for just vending machines. There are 850 vending machines versus more than 2,900 retailers; therefore, we must make decisions that benefit our vending machine retailers while at the same time not having an opposite effect on our other retailers.

Director's Report – Assistant Director Raynie Hosto presented a PowerPoint overview of the Director's Report. The Director's Report is attached for the official minutes.

Commissioner Weintraub wanted to know at what dollar point does the jackpot lift kick-in. Barbara Anderson stated that annual sales projections are divided to create a monthly target. When jackpots are rolling, sales that exceed that monthly target are attributed to jackpot lift.

Commissioner Weintraub wanted to know what we are seeing with Powerball sales since the jackpot was hit. Did the sales go off a cliff or are they below average. Assistant Director Hosto stated that they are holding their own.

Chair Conley wanted to know how the out-of-stock incentive and the retailer incentive went. Ms. Hosto stated that she will share some of the winners and give an overview of that incentive at the March meeting.

Chair Conley commended Ms. Hosto on the out-of-stock percentage. The goal was 4.4%, and every month they have been at that or below.

**Audit Report** Lupita Martinez of Moss Adams delivered the results of the FY15 Financial Audit. The Commission was provided copies of Moss Adams Communications with the Commissioners, the Report of Independent Auditors, and Financial Statements for the Arizona Lottery.

Ms. Martinez stated that the Lottery did adopt the GASB 68, which is the new standard that all government has had to adopt, and it is the pension standard. That standard had an impact of \$7 million dollars pension liability that was accrued.

There were two significant deficiencies. First was to establish a policy regarding the prize fund, which has a liability of \$20 million; second was to obtain a third-party service report from GTECH. Internal controls need to be audited, as they have not provided an audit report since 2011.

**Player Rewards Targeted Loyalty Program** Scientific Games provided an overview of the loyalty program.

Chair Conley asked when they are planning to launch the loyalty program. Michael Schiefelbein stated that it may be launched the first part of March.

Commissioner Weintraub stated that he understands the push for the \$1, \$2, and \$3 tickets because the margin is higher; however, we are not distributing margin, we are distributing dollars. Therefore, we want to maximize the dollars we bring into the Lottery. Barbara Anderson stated that the \$1, \$2, and \$3 tickets tend to be the trial entry point for new players, and it is not heavy core players' that play at that level. This is a pilot program for Arizona, and we want to gauge our players' interest in this type of program. Therefore, it seemed logical to start with the \$1, \$2, and \$3 tickets and, if the program works, we would expand to a full program.

**New Scratchers Games** Michael Schiefelbein provided an overview of the new Scratchers games.

**New Business** Chair Conley asked if any members of the public would like to address the Commission regarding Article 2, Retailer Rule Changes. No response from the public.

In accordance with A.R.S. §5-554 (B), Chair Conley entertained a motion to authorize the director to adopt the rule changes. Commissioner Weintraub moved; Commissioner Anderson seconded. All members voting aye, the motion carried.

Chair Conley asked if any members of the public would like to address the Commission regarding new instant scratch game profiles: *35<sup>th</sup> Anniversary (\$1) #1051, 35<sup>th</sup> Anniversary (\$2) #1052, 35<sup>th</sup> Anniversary (\$5) #1053, 35<sup>th</sup> Anniversary (\$10) #1054, Red Hot 7s #1067, Triple Red 7's #1068, and Jumbo Bucks #1069*. No response from the public.

In accordance with A.R.S. §5-554 (C), Chair Conley entertained a motion to approve the order and authorize the Director to issue the order regarding new instant scratch games Profiles: #1051, #1052, #1053, #1054, #1067, #1068, and #1069. Commissioner Weintraub moved; Commissioner Anderson seconded. All members voting aye, the motion carried.

Chair Conley asked if any members of the public would like to address the Commission regarding promotion profile #78, Player Rewards Promotion Profile. No response from the public.

In accordance with A.R.S. §5-554 (C), Chair Conley entertained a motion to approve the order and authorize the Director to issue the order regarding promotion profile #78, Player Rewards Promotion Profile. Commissioner Weintraub moved; Commissioner Burnett seconded. All members voting aye, the motion carried.

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

**Announcements** The next Commission meeting will be held March 18, 2016, at 10:00 a.m.

**Adjournment** Chair Conley entertained a motion to adjourn, Commissioner Weintraub moved; Commissioner Anderson seconded. All members voting aye, motion carried. Meeting adjourned at 10:53 a.m.

**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.