

PUBLIC MEETING OF THE ARIZONA LOTTERY

Commission Minutes of January 24, 2020, meeting

PRESIDING Chair Jeff Weintraub (in person)

COMMISSIONERS Debra Roth (in person), and Trent Crump (in person)

LOTTERY Gregg Edgar, Executive Director; Chris Rogers, Deputy Director of Products & Marketing; Sherri Zendri, Deputy Director of Legal Services; Raynie Hosto, Deputy Director of Sales and Customer Service; and Russ Harben, Deputy Director of Operations

Luanne Mansanares, Ivy Gilio, Shelby Alessi, Mary Cimaglio, John Gilliland, Stacey Henderson, Holly Gordon, Tiffany Paris, Jacob Rusywick, Orion Steen and Susan Kalember

GUESTS Attorney General Representative: Pamela (Linnins) Peiser
Scientific Games Representatives: Topper Wilson, and Rachelle Shackelford
IGT Representative: Serena Arlotta
Owens Harkey Representatives: Noelle Hobaica, Angie Vollmers and Chelsea Smeland

PUBLIC None

Call to Order

1. Call for Quorum: Pursuant to the Public Notice dated January 16, 2020, the Public Meeting of the Arizona State Lottery Commission was called to order at 10:00 a.m. by Chair Jeff Weintraub.

A quorum was present, with Chair Weintraub, Commissioners Roth, and Crump appearing in person.

2. Notice: Notice was posted by Luanne Mansanares on January 17, 2020, at 11:26 a.m., at the Arizona State Lottery, located at 4740 E. University Dr., Phoenix, Arizona.
3. Approval of minutes: Chair Weintraub entertained a motion to approve the minutes of the December 20, 2019, Public Meeting. Commissioner Roth moved; Commissioner Crump seconded. The vote was unanimous with all members voting aye and the motion was carried.

Agency Reports

1. **Retailer of the Quarter:** Ms. Tiffany Paris gave a PowerPoint presentation highlighting Fry's Marketplace #694. The presentation is attached for the official minutes.
2. **Director's Presentation:** Director Edgar presented a video of the beneficiary of the month,

Local Transportation Assistance Fund (LTAF). LTAF is one of two beneficiaries that have existed since Arizona Lottery's establishment in 1981.

Chair Weintraub inquired if Valley Metro created the video themselves.

Director Edgar informed that the video was created by Story tellers.

Director Edgar presented information on FY20 Financial Projections. He informed the Commission that the projections were lowered from \$1,134,000,000 to \$1,052,500,000 due to lower jackpots. The Director's report is attached for the official minutes.

3. **Financial Report:** Mr. Russ Harben presented a financial overview of sales from all product lines for the past 12 months as well as year-to-date sales.

Director Edgar informed the Commission that the Arizona Lottery is currently running a promotion utilizing unclaimed prizes to increase the prizes for non-jackpot prize winners of the Arizona draw game The Pick.

Mr. Harben continued to inform the Commission that the Arizona Lottery has given a little over \$200,000 in additional prizes during this promotion.

Chair Weintraub inquired if the Arizona Lottery has seen a lift in sales.

Mr. Harben informed the Commission that the Lottery has seen a 13% lift from a sales perspective.

Chair Weintraub inquired what the 13% is in monetary value.

Mr. Harben informed the Commission that it's about \$100K in incremental sales.

Director Edgar informed the Commission that the unclaimed prize promotion increases player excitement and has also drawn media attention, creating a positive player interaction.

Mr. Harben concluded his presentation with a projected financial overview for each Arizona Lottery product. The presentation is attached for the official minutes.

4. **Vending Machine Sales and Out of Stocks Presentation:** Ms. Raynie Hosto presented sales information on the following vending machines; Low Profile (LP), Playcentral (PCT), and Playcentral EX.

Chair Weintraub inquired if the increase of vending machines increased the amount of sales.

Ms. Hosto informed the Commission that the upcoming information within the presentation would provide answers to Chair Weintraub's inquiry.

Commissioner Crump inquired what defines out of stock and if out of stock prevents the

customer from purchasing lottery tickets.

Ms. Hosto informed the Commission that an out of stock is defined as one or more bins being out of stock, however, it does not prevent the customer from utilizing the machine, it only hinders the customer from purchasing the preferred game that is out of stock.

Chair Weintraub inquired if the Arizona Lottery explains to the vendor that being out of stock of a particular game costs the vendor money due to lack of sales.

Ms. Hosto informed the Commission that the Arizona Lottery does a great job explaining to the vendor the percentage of out of stocks in relation to the amount of potential revenue the vendor lost due to the out of stocks.

Commissioner Roth inquired if grocery stores have more vending machines than Circle K.

Ms. Hosto informed the Commission that yes, grocery stores do have more vending machines and Circle K is just a pilot right now and she would have more information within the presentation that would explain.

Chair Weintraub inquired if the increase of scratcher sales is tied to the Walmart expansion.

Director Edgar informed the Commission that it's not tied directly to Walmart; that the numbers are up due to the increase in sales at all retail locations, the added feature of debit, and the rise in population.

Ms. Hosto and Director Edgar informed the Commission that Walmart has the potential for added growth and future expansion plans for Walmart vending.

Commissioner Crump inquired if out of stocks are due to lack of the individual store not having ticket stock or the store simply not refilling the machines.

Ms. Hosto informed the Commission yes, it is due to lack of refilling and in some cases it is due to lack of ticket stock. The Arizona Lottery is working on educating those retailers on the importance of refilling and how to order adequate inventory to ensure the vending machines remain full. Ms. Hosto also informed the Commission of the upcoming CVS Vending Machine Pilot Program, explaining how the Arizona Lottery would train a vendor partner to service the CVS vending machines.

Chair Weintraub inquired if CVS would pay for this vendor service program.

Director Edgar and Ms. Hosto informed the Commission that a different contract would be created for CVS that would cover the labor costs. The presentation is attached for the official minutes.

5. **2nd Quarter Product & Sales Review:** No Presentation

6. **New Game Introduction:** No presentation.

New Business

1. Chair Weintraub asked if any members of the public wanted to address the Commission regarding new instant scratch game profiles: *\$100,000 Instant Jackpot #1265, Route 66 Road to \$1,000,000.00 #1266, Joker's Wild Crossword #1267, and \$50 or \$100 #1270*. There were no responses 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 instant scratch game profiles #1265, #1266, #1267 and #1270. Commissioner Roth moved; Commissioner Crump seconded. The vote was unanimous with all members voting aye and the motion was carried.

Call to the Public

Chair Weintraub invited members of the public to speak before the Commission. There were no responses from the public.

Announcements –

1. The next Commission meeting will be held February 21, 2020, at 10:00 a.m.

Adjournment

Chair Weintraub entertained a motion to adjourn. Commissioner Roth moved; Commissioner Crump seconded. The vote was unanimous with all members voting aye and the motion was carried.

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.