

Time, Date and Place:

The 219th meeting of the Idaho Lottery Commission took place on Thursday, November 15, 2018 at 10:00 AM.

Attendees:

Commissioners Present: Commissioner Craig Corbett

Commissioner, Susan Kerrick

Commissioner, Gary Michael

Commissioner, Grant Brackebusch

Lottery Staff Present: Executive Director, Jeff Anderson

Management Assistant, Jennifer Quinno-Miller

Chief Operating Officer, Becky Schroeder

Chief Financial Officer, Jay Prickett

Deputy Director of Sales, Larry Polowski

Deputy Director of Security, Amber French

Deputy Director of Marketing, Sherie Moody-St. Clair

Detective, Michelle Emmons

Lottery Staff Present Via Teleconference:

Public Information Specialist, David Workman

Others Present Scot Phillips, Eide Bailly

Ryan Belveal, International Gamco

Billy Mitchell, Mitchell Palmer

Scott Henneman, International Gamco

Tom Donahoe, Mitchell Palmer

Justin Ruman, United Parcel Service

1. Meeting Called to Order

Vice Chairman Corbett called the meeting to order at 10:00 AM.

2. Approval of the Minutes

Commissioner Kerrick moved to approve the minutes from the September 13, 2018 Commission Meeting. The motion was seconded by Commissioner Brackebusch. The vote was unanimous for approval.

3. Financial Statement Approval

Scot Phillips with Eide Bailly presented the Financial Statements to the Commission. He reviewed the summary letter from Eide Bailly, the Management Discussion and Analysis and notable highlights. He pointed out Eide Bailly's stated opinion that they give the financial statements a clean bill of health and that they are materially correct.

Commissioner Michael moved to approve the Financial Statements. Commissioner Kerrick seconded the motion. The vote was unanimous for approval.

4. Director Update

Pollard Banknote Scratch Ticket Printing Contract Extension

The contract for Pollard Banknote, who prints about 75% of all of our scratch tickets, is expiring and we have one final extension option of the three total available in this contract before we have to go out to bid. Jeff asked the Commission for approval to initiate the final extension on the contract which would run from May 7, 2019 to May 7, of 2021.

Commissioner Kerrick moved to approve the extension. Commissioner Brackebusch seconded the motion. The vote was unanimous for approval.

Intralot Contract Addendum

Director Anderson proposed an addendum to our current Intralot Contract. We would like to do an in-lane pilot test with the smaller footprint terminal called the Protons from Intralot. There has been a lot of discussion within the industry regarding how to sell in-lane in grocery stores so if someone wants to buy a lottery ticket while they are checking out with the rest of their groceries they can. This addendum would allow for 120 Protons to be put in the field, testing in-lane sales. We will test first in independent grocery stores to see how it goes before considering adding them to bigger chains. This is valued at \$612,000. There is also an additional 200 jackpot signs for convenience store windows advertising Powerball and Mega Millions jackpots. These additional jackpot signs are valued at \$160,000. Last, is for the development and build out of APIs for both a Check-A-Ticket app with Pollard Banknote as well as an API for Milestone for some projects they are working on for us. The APIs are valued at \$175,000. These changes included in the addendum to the contract were negotiated and will not cost us any cash out of pocket.

Commissioner Michael moved to approve the proposed addendum to the Intralot contract. Commissioner Brackebusch seconded the motion. The vote was unanimous for approval.

General Update

Director Anderson updated the Commission on Governor-Elect Little's transition team, big draw game jackpots and Powerball Arcade. He also mentioned that Intralot is working on development of the 54" DreamTouch for Walmart for use in their Super Centers. We also just completed two days of strategic planning with Team Lottery as well.

Warehouse Shipping RFP

The Lottery issued an RFP for shipping services for delivery of our scratch tickets resulting in a 5 year contract that begins January 7, 2019 with additional ongoing 2-year extensions after that. We had four companies submit proposals: Medical Logistics Solutions, Hot Shots, United States Postal Service and United Parcel Service. In early November each bidder made a presentation to the evaluation team. The team measured three areas: business response and their ability to deliver, technical specifications on how they handle and deliver packages and the third component was cost. Out of a grand total of 48 total points available from each of the areas, the company with the most points was United Parcel Service (UPS) who received a total of 42 points. The Director's recommendation to the Commission is to allow us to move into contract negotiations with UPS for a 5 year contract beginning January 7, 2019.

Commissioner Kerrick moved to award UPS the contract for the shipping of lottery tickets for 5 years with optional 2-year extensions. Commissioner Brackebusch seconded the motion. The vote was unanimous for approval.

5. Quarterly & Current Sales Report

The Quarterly & Current Sales Report is entered into the minutes as an attachment.

6. Security Division Update

Deputy Director French reported to the Commission about Security's recent project where they present high-dollar winning tickets to retailers and monitor and track whether retailers do the right thing when presented a winning ticket from a supposed "player" who does not appear to know if the ticket is a winner or not.

Detective Michelle Emmons reported that she went to 102 retailers throughout the state and none of the retailers kept the winning ticket with criminal intent. She tracked other things such as responses from clerks which did expose areas where better or more training would be helpful.

7. Marketing Division Update

Deputy Director Moody-St. Clair presented the Holiday Scratch Games and the Holiday campaign. We are ahead in sales of Raffle and currently working on a campaign which features Marilyn Monroe as our Valentine's Day ticket and the 30th Anniversary.

She also presented information about a marketing data automation integration system which will bring all of our data together and help us market to our players better. While the yearly contract will be less than the \$50,000 required to be approved by the Commission, we would like to do a multiyear contract, therefore, she asked for approval

from the Commission to move forward with selecting the best company and initiating a contract for this data integration service.

Commissioner Brackebusch moved to approve moving forward with approval to select a company for data integration. Commissioner Kerrick seconded the motion. The vote was unanimous for approval.

8. Sales Division Update

Deputy Director Polowski reported on current sales of big draw games and outlined a Raffle promotion that is happening out in the field. We also have a new Sales Representative starting work in the Lewiston area.

9. Set Future Commission Meeting Date

Commissioner Brackebusch moved to set the next meeting for Thursday, January 17, 2019. The motion was seconded by Commissioner Kerrick, the vote was unanimous for approval.

10. Executive Session

Pursuant to Idaho Code 67-7442 (2) to hear security information brought before the Commission by the Director, Commissioner Brackebusch moved to enter into Executive Session. Commissioner Kerrick seconded the motion. Via a roll call vote, the vote was unanimous and the meeting moved into Executive Session.

Commissioner Brackebusch made the motion to move back into regular session. Commissioner Kerrick seconded the motion. Via a roll call vote the vote was unanimous and the meeting moved back into regular session.

11. Adjournment

Commissioner Michael moved to adjourn the meeting. Commissioner Brackebusch seconded the motion and the meeting was adjourned.

Certification:

I hereby certify that the foregoing minutes are a true and correct record of the actions and decisions made by the Lottery Commission.