

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, June 10, 2020, via Google Hangouts. The meeting was called to order at 8:00 a.m., and was presided over by Chairman Jim Bensberg.

Attendees

In attendance were the following:

Jim Bensberg, Chairman	Summer Hershey, Cactus
Stella Peterson, Vice Chair	Todd Greco, Lottery
Stan Podolski, Commissioner	Ethan Noski, Cactus
Bill Clayton, Commissioner	Carol Sanchez, Lottery
Dennis Maes, Commissioner	Cristi Gannon, Lottery
Tyson Barr, IGT	Christian Hawley, Lottery
Tom Seaver, Lottery	Jessica Ross, AGO
Trisha Macias, Lottery	Heidi Humphreys, DOR
Emily Stewart, Lottery	Chris Schroll, Lottery
Jennifer Anderson, Lottery	Dave Aldag, Lottery
Jay Sisson, Lottery	Tom Cargal, Lottery
Clint Petrun, Lottery	Diane Boddicker, Lottery
Tom Campbell, Lottery	Heather Love, Lottery
Nancy Bartosz, Lottery	

Public Comment

Chairman Benberg called for Public Comment. There was none.

Introductions and Welcome

Heidi Humphreys addressed meeting attendees. Ms. Humphreys requested continued support from the Commissioners with the General Assembly toward attainment of the Lottery's Wildly Important Goals to become a billion dollar lottery and continue to work toward conservation.

Commissioner Maes requested an update of the Joint Budget Committee's (JBC) decision on the Lottery's come back. Jennifer Anderson responded that the JBC discussed the come back but did not vote on it. The JBC had earlier approved the consolidation of research and travel lines into operations but did not approve for marketing and communications to be included. Rep. Esgar did comment that she had spoken to some of the Commissioners and was convinced that the Lottery's request was something the JBC should approve. Sen. Moreno was particularly vocal that he felt the information provided in the come back was not enough to make him feel it was something he wanted to approve. Vice Chair Peterson requested updated high level talking points to discuss with legislators.

Lottery Spotlight

Christian Hawley shared the Mega Millions trigger ad that started to run over Memorial Day weekend when the jackpot hit \$313M. Unfortunately the jackpot got hit in Arizona last night but we got a good roll out of it for five draws. Jay Sisson added that there was a lift in sales once the ad began running. Last May's Mega Millions run was very similar and allowed for an apples to apples comparison of sales. Colorado's sales with the trigger campaign were up 25%, or \$830K, compared to all other Mega Millions states who reported a 7.5% increase in sales over the five draws.

Vice Chair Peterson asked whether the Lottery is working on any campaigns to address current sensitivities of the pandemic. Mr. Seaver responded that we are working on the next generation of our proceeds campaign. The Governor has advised us to encourage people to enjoy the outdoors and has tentatively given permission for us to return with product advertising at end of July. Ms. Hawley added that a proceeds campaign began in May with an updated message about how Lottery helps to provide the outdoor lifestyle Coloradans embrace. The campaign received a lot of positive response. The new proceeds campaign is a Tier 1 plus campaign, the same amount as would be spent for a holiday campaign. A proceeds campaign has not been done to this extent since 2015. New ads will begin filming next week.

Approval of Minutes

A motion was made by Vice Chair Peterson to approve the minutes for the Commission Meeting held on May 13, 2020, and was seconded by Commissioner Podolski. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Permanent Rule Changes, presented by Emily Stewart;

- Rule 14.C, Colorado Lottery Multi-State Jackpot Game, Mega Millions®

A motion to approve the Permanent Rule Change presented was made by Vice Chair Peterson and seconded by Commissioner Maes. The motion passed unanimously.

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- Game #170 \$10 The Golden Ticket
- Game #176 \$20 \$500,000 Crossword
- Game #177 \$50 Series IV

A motion to approve the Scratch Game Guidelines presented was made by Commissioner Maes and seconded by Commissioner Clayton. The motion passed unanimously.

Approval of Repeal of Scratch Games, presented by Emily Stewart;

- Game #114 A-MAZE-ING Money

A motion to approve the Repeal of Scratch Games presented was made by Commissioner Maes and seconded by Vice Chair Peterson. The motion passed unanimously.

FY20 Projected Sales, Expenses, and Disbursements

David Aldag presented FY20 projections. Scratch sales had a stellar year and Jackpot sales have climbed in the last few weeks. The latest trend lines estimate that Scratch sales will be in excess of \$485M for the year and the BEST spillover will approach \$3M or more. Under Direct Sales Expenses, ticket costs have been reprojected to reflect the reduction of the cost of tickets and an increase in average revenue per ticket, both contributing to an improvement in the bottom line. Three open positions are reflected under Personal Services. Savings in advertising and the inability to travel have kept us well below our spending authority appropriation.

The Long Bill for FY21 has not yet been set and is the final piece to tie up our budget for the next fiscal year. There are no significant changes in our FY21 spending authority levels. If projected sales levels are hit in FY21 we will need to ask the JBC for additional spending authority to cover retailer commissions because the current appropriation is not large enough to cover an increase in sales.

Vice Chair Peterson asked how Colorado compares to other states in providing retailer commissions, to be used as leverage in the ask to the JBC. Mr. Aldag responded that the information is readily available and can be incorporated into the ask.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #171 \$1 Reindeer Riche\$
- Game #172 \$2 Holiday Magic
- Game #173 \$3 Merry Money
- Game #174 \$5 Season's Greetings
- Game #175 \$10 \$250,000 Luck/Mania

A motion to approve the Scratch Games presented was made by Commissioner Clayton and seconded by Commissioner Maes. The motion passed unanimously.

Scratch Game Performance

Mr. Greco reported that Scratch sales in May were \$49.5M, up \$12.2M over April and \$9.3M over last May. May was the best month of Scratch sales since the Lottery launched in 1983. We have had six weeks of consecutive sales surpassing \$10M each week. The old record was three consecutive weeks this past holiday season. Sales are currently trending ahead of the FY20 goal and \$37.4M ahead of where we were last year at this time.

Jackpot Game Performance

Mr. Sisson reported that Jackpot sales were up in May in large part because of the growing Mega Millions jackpot. Sales were up about \$4.3M, or 27%, over April. Sales for this May compared to last May were down about \$3.8M but both Mega Millions and Powerball had large jackpots last year this time. There were no Jackpot winners in May but both Powerball and Lotto got hit during the first week of June and the jackpots started over. Pick 3 has averaged over \$293K per week over the past six weeks and broke \$300K for the first time last week. The average for the whole fiscal year is about \$253K. Pick 3 is the only jackpot game that will surpass its FY20 sales projection.

Chairman Bensberg asked if we have been happy with the Colorado+ performance. Mr. Sisson responded that the Plus is steady at 28% over the \$1 game. The virus put a damper on the game for a few weeks but it is rebounding. The goal was to make the game easier to win and we are seeing a lot more winners and that the players are happy. Jackpots are getting hit around the \$3M mark.

Overall Mr. Sisson estimates that Jackpot sales will come in around \$170M for the year, lower than projected due to jackpot luck throughout the year and the impact from COVID. Mr. Seaver added that the further we diversify our jackpot portfolio the greater we lessen our dependence on multi-state jackpot game performance.

Director's Report

- **Back Office Conversion Update – Carol Sanchez**
The back office conversion went live on June 5th. Lottery was able to sell and redeem prizes successfully upon conversion. We went live with some outstanding issues identified in testing that IGT is continuing to address. The Lottery BAMO team did a fantastic job implementing temporary work arounds to make sure retailers and players are not impacted. Mr. Seaver added his accolades to the IGT and Lottery teams whose work was made more difficult because of the pandemic. IGT staff were not able travel and had to oversee the conversion remotely.
- **Lottery Return to Work Update – Tom Seaver**
The Lottery continues to follow guidance from the Governor's Office for staff to return to work. Current guidance is to continue to meet customer and retailer needs without putting staff back in the office or in the field. The Lottery team has been incredibly adaptable to work from home and we have been fortunate to have the ability to provide drive through claims. Over \$14M in prizes has been paid through the drive through window and Claims staff are doing a great job processing mail-in claims. Because Lottery has been able to function successfully without returning staff to offices and sales to the field, we will continue to do as much as we can in this environment until the Governor's Office directs us to return to normal working conditions. Even after we go back to "normal" many staff will continue to work from home. We have found that staff is able to provide high levels of productivity while working from home. A timeframe for returning to a normal routine of staff in offices and sales reps in the field is not expected before August. Other DOR departments who have customer backlogs will begin opening by appointment. Lottery's return to office will be very conservative.

- “Buildathon”/“Hackathon” – Tom Seaver

Lottery is working with the IGT team on a virtual product research development project to generate game ideas that can be sold through the monitor network in our pursuit to develop and introduce new games. The Lottery will retain all intellectual property from the project. Bringing in outside developers provides the opportunity to get new sets of eyes to help generate new revenue and bring in new players. Lottery has provided parameters for quick play, quick outcomes, and to be games of chance rather than games of skill.

- Propensity Study Overview – Tom Seaver

Lottery had planned, as part of World Lottery Association certification, to develop a propensity study of problem gambling. The project has been delayed due to COVID and will resume when players have full access to casinos and other gambling choices again. It is important for the Lottery to know what their gambling environment is and what the likelihood for problem gambling to develop in their market. Results of the study will be used to develop and mold the Lottery’s responsible gambling program. Lotteries typically find that a small amount of problem gambling is oriented toward lottery play and is more prominent around casinos, racetracks, and other types of gaming. We are not required to conduct this study, but it is important to know what people are engaged in and how we can help.

- FY21 Decision Item Update – Jennifer Anderson

This topic was discussed earlier in the agenda with Ms. Humphreys. Ms. Anderson expressed the need to think about strategies for next year when we have bigger asks of the JBC. There are several processes available to us to leverage our legislative capital in support of our continued growth.

- Denver Galleria Office Reconfiguration – Jennifer Anderson

DOR has determined the Annex building in Denver to not be suitable for housing DOR staff. Around 500 staff will be moving into other DOR division offices or moving to full-time work from home status. Some staff from the DOR Executive Director’s Office, HR, and Administrative Offices Division will be moving into the Lottery’s Denver Galleria office. Some Lottery staff will be moved to work from home to help accommodate the additional DOR staff. Hoteling space will be created in the Galleria to allow staff to work from the office, as needed. The move is expected to happen in the next two months. The consolidation of space is not fully related to COVID, but the quick transition of moving staff to work from home was an easier transition than was previously thought and has had positive outcomes. The office consolidation is a cost saving idea but also a way to modernize the way we work. Mr. Seaver added that teleworking also promotes health, safety and the environment, allowing for fewer employees to be on the road.

Vice Chair Peterson asked how the Lottery is being proactive in returning staff to offices. Mr. Seaver responded that DOR departments already have plans in place and are just

waiting for the Governor to allow them to be implemented. Our top priority is to protect staff and keep them safe. There is no rush to be the first to return staff to offices.

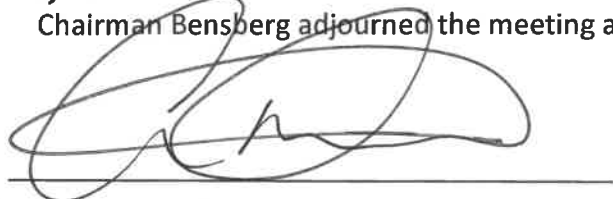
The Director's Report was concluded at 9:18 a.m.

Commission Items

- Election of FY21 Lottery Commission Officers
Commissioner Maes made a motion to nominate Vice Chair Peterson to Chair and Commissioner Podolski to Vice Chair for FY21. Chairman Bensberg seconded. The motion passed unanimously.

Adjournment

Chairman Bensberg adjourned the meeting at 9:24 a.m.



Completed by: Clint Petrun

Aug 12, 2020
Date of Approval