

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, May 13, 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	Devin Kaveny, Lottery
Stan Podolski, Commissioner	Tom Campbell, Lottery
Bill Clayton, Commissioner	Jessica Ross, AGO
Dennis Maes, Commissioner	David Aldag, Lottery
Bryon Martinez, Lottery	Chad Wedmore, Lottery
Carol Romanski, Lottery	Jennifer Anderson, Lottery
Ken White, Lottery	Bryan Rasco, Lottery
Michelle Hauck, Lottery	Jay Sisson, Lottery
Tom Seaver, Lottery	Besty Schmerge, Lottery
Tyson Barr, IGT	Nancy Bartosz, Lottery
Barbara Marino, Lottery	Cristi Gannon, Lottery
Tara Stosek, Lottery	Daniel Bewley, Lottery
Wendy Weldon, Lottery	Kelly Tabor, Lottery
Tom Horvat, Lottery	Joe Conrad, Cactus
Carol Sanchez, Lottery	Heather Love, Lottery
Tom Cargal, Lottery	Dwayne Wilson, IGT
Meghan Dougherty, Lottery	Sara Abeyta, Lottery
Todd Greco, Lottery	Marie Valtakis, Lottery
John Negley, Lottery	Trisha Macias, Lottery
Ethan Noski, Cactus	Christian Hawley, Lottery
Emily Stewart, Lottery	Diane Boddicker, Lottery
Joel Messmer, Lottery	

Introductions and Welcome

Jennifer Anderson introduced Daniel Bewley, who joined the Lottery team on April 20th as the Public Outreach Manager. Mr. Bewley comes from Crooked State Brewing where he was an Operations Specialist, working closely with the legislature and on rule making related to the beer industry. He worked closely with Colorado Brewers Guild, the retailers and restaurant associations, and grocery stores. He will be managing all stakeholder relationships including with retailers, the Problem Gambling Coalition of Colorado, World Lottery Association, local governments, the Joint Budget Committee, proceeds beneficiaries, and other key Lottery stakeholders.

Tom Campbell introduced Devin Kaveny who will serve as a relief rep in the northern part of state supporting the sales team. Mr. Kaveny previously worked as a sales rep for Cisco Foods and Frito Lay.

Tom Seaver also recognized Tom Horvat, who will retire at the end of May after 32 years at the Lottery.

Public Comment

There was none.

Lottery Spotlight

Christian Hawley introduced the television ad for the Play On campaign. Along with other state lotteries, Colorado Lottery decided to put a halt to all advertising so as not to push players to go out to purchase product during the pandemic. Ms. Hawley worked with Cactus to update a 2015 proceeds message to the current ad that started running on May 4th. The message introduces the Play On tagline and provides an upbeat, positive message about how Lottery proceeds makes the outdoors more fun.

Mr. Seaver shared that there is not a timeline for when product advertising will resume but hopes it will be in time for a new product launch in July. In the meantime, Cactus is working on an extension of the proceeds campaign and Lottery will continue to be present in the marketplace. Money saved from FY20 advertising costs will be redirected to beneficiaries.

Approval of Minutes

A motion was made by Commissioner Maes to approve the minutes for the Commission Meetings held on April 8, 2020 and April 13, 2020, and was seconded by Commissioner Podolski. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Trisha Macias;

- Game #166 \$1 \$50 Mayhem
- Game #167 \$2 \$100 Mayhem
- Game #168 \$5 \$200 Mayhem
- Game #169 \$10 \$500 Mayhem

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

FY20 Projected Sales, Expenses, and Disbursements

David Aldag reported that sales began to rebound in April. Last week Scratch had the biggest week of sales for the fiscal year. Mr. Adlag estimates spillover to BEST to exceed \$1M, based on latest trend lines and estimates. Direct sale expenses are down, personal services and

operations are running fine. Two staff positions are vacant until we know more about the state's budget situation. A freeze on advertising for March and April resulted in an estimated \$2.5M in cost savings.

Commissioner Clayton asked how sales at DIA have been impacted with the reduction in airline travel. Mr. Horvat responded that DIA sales are down about 90%. DIA sales usually come in at \$30K per week but were only about \$5K last week.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

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

Mr. Greco noted that Games 171-175 are reserved for the holiday games that will be presented at the June Commission Meeting for approval.

Mr. Seaver added that the number of retailer facings for Scratch games has increased from an average of 24 to up to 30. Offering more facings provides retailers the opportunity to add a broader variety of games at different price points without squeezing out other games. Tom Campbell added that Gemini machines each have 24 facings but retailers can carry more than one Gemini to provide up to 48, in addition to what they carry at the counter for as many as 72 facings.

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

Scratch Game Performance

Mr. Greco reported that Scratch sales were \$37.3M in April, about \$3.6M down to last April, but with significant increases going into May. Overall Scratch sales are still about \$28M ahead of FY19. The Play On and a \$10 crossword games just launched and will both help to further increase May sales.

Jackpot Game Performance

Mr. Sisson reported Jackpot sales were \$11.5M in April, down almost \$1M compared to March. Powerball got hit on April 8th which resulted in a low start over pot and sales. Mega Millions and Pick 3 were the only jackpot games with increased sales in April. The Mega Millions jackpot is growing and could be in the trigger range of \$325M by the end of May. Overall Jackpot sales are \$81M down to projection for the year. Jackpots keep getting hit and take a toll on building back up. Lotto is down about \$10M to projection. A Lotto campaign had been planned for March that might have increased sales, but was cancelled with other Lottery advertising. Jackpot sales are also coming back with last week being the highest week of Jackpot sales in six weeks.

Mr. Sisson pointed out that cash prize amounts for Mega Millions and Powerball are much larger now compared to the annuitized jackpot because interest rates are so low, currently about 80% of the annuitized jackpot whereas it had been in the 60 percents in November.

Mr. Seaver updated the Commission that the meeting regarding possible changes to Powerball will likely be delayed to September or October. He does not anticipate any changes to the game before then.

Director's Report

- **Upcoming Mega Millions Permanent Rule Change**
Trisha Macias shared the draft of permanent changes to the Mega Millions Rule. The emergency rule change the Commission voted to approve in April is set to expire on August 11, 2020. The permanent rule change adopts the emergency rule change as well as updates the verbiage and format of the rule to be consistent with other Jackpot game rules. The rule change has been reviewed internally and will be presented at the June Commission meeting for adoption by the Commission.
- **2020 Starburst Award Winners**
Mr. Bewley presented the list of 2020 Starburst Award Winners, which included projects ranging from \$1.3M to \$30K in Lottery funding throughout the state. Award winners represented a wide variety of projects from major land acquisitions and playgrounds to conservation projects and baseball fields. Presentation awards are on hold for now but will hopefully occur sometime in the fall. Virtual award presentations are under consideration but the strong preference is to present awards at a public event with maximum exposure.
- **Drive Through Claims**
Wendy Weldon shared photos of winners who have taken advantage of drive through Claims in Pueblo for high tier prizes by appointment. We are the only Lottery in the country to offer drive through claims service. Drive through service began in April for winners of \$10K or more and picked up nationwide media attention with the Powerball winner who won \$1M on two separate tickets using numbers he has been playing for thirty years. Drive through claims is averaging about 4-5 appointments a day and as of Monday over \$9.5M in prizes had been given. The drive through has been a positive experience for players and Claims staff. The prize threshold has dropped to \$5K due to demand and has resulted in an increase of people coming to claim prizes, some from as far away as Grand Junction. Pueblo is the only Claims office open at this time but plans are being discussed to reopen other claims offices throughout the state.
- **FY21 Decision Item Update**
Ms. Anderson reported that the JBC has resumed budget meetings and heard Lottery's come back on May 11th, along with two other DOR requests. The come back will hopefully be approved later this week. Jean Robinson provided information to members of the JBC and received responses from Sens. Rankin, Moreno and Zenzinger. Emails and

calls of support from Lottery Commissioners to members of the JBC are welcome and appreciated.

Ms. Anderson also shared the Confirmation Hearing for Commissioner Clayton's second term will still occur this year but the process has not yet been determined.

- **Back Office Conversion Update**

Carol Sanchez provided an update of the back office conversion. Aggressive testing has been ongoing since March 2nd. Proper social distancing and staggered schedules are in place to allow staff to conduct testing. Converted data testing has also begun and some problems that arose are being addressed by the vendor remotely. The project is still on target to go live on June 5th. The go live will occur remotely as well, adding an additional layer of difficulty for the vendor to address.

- **Walmart Install Update**

John Negley provided an update on the expansion into Walmart Super Centers. Lottery currently provides service to fifteen Walmart neighborhood markets and three Walmart fuel centers. Thirty "squatty body" vending machines will be installed in Walmart Super Centers in locations TBD following a site survey of their stores. Installation will begin in the middle of July. Most stores will have two machines that will be installed on the back end of the self-checkout stands and in the tobacco register lane.

Mr. Seaver clarified that this expansion is on a smaller scale than originally planned because the legislature denied the Decision Item request related to expansion last year. These machines were purchased as part of an existing contract with IGT and some of them are being directed to Walmart Super Centers as part of our longstanding expansion plans with the chain, although the installation of thirty machines is much less than originally planned. Colorado Lottery is one of twenty-seven state lotteries in Walmart's national retail network.

- **Lottery Staff Return to Work**

Mr. Seaver continued that as of today, almost 90% of Lottery staff are working from home. The process has been very successful and staff have adapted well. The state is now concerned about a second wave of coronavirus cases once restrictions are lifted and state agencies have been directed to be conservative with return to work situations. Lottery's first step will likely be to reopen Claims offices around the state on an appointment basis to limit staff to the public. Circumstances to send Sales Reps back into the stores are also being evaluated. Sales Reps would visit their accounts less frequently but maintain daily telephone contact. Any return will be a gradual process and employee safety and comfort are a high priority.

The state is also looking to decrease its footprint in leased spaces. Lottery has been working with DOR to create more hoteling and shared spaces at the Denver Galleria for DOR staff so that others can continue to work from home on a limited or long term basis. Intermediate steps may begin in June or July, pending state guidance. Employees have

been participating in weekly video conferencing with both Lu Cordova and Lottery leadership to allow for questions and updates. Employees will be eased back in to offices only as they are comfortable doing so. The priority is to keep employees safe, following the state's guidance for the opening of services.

Commissioner Maes asked whether the decision to return employees to work can be made by Lottery leadership. Mr. Seaver responded that once the Governor makes the determination to return employees to work, a plan for Lottery staff to return will be submitted to DOR for approval. Lottery will continue to work from home as long as they can continue to meet business needs.

Vice Chair Peterson asked if the office space will change and how staff are being taken care of both with regard to health and morale. Mr. Seaver responded that managers are conducting regular calls with direct reports and there are a lot of resources available to all state employees to help them be productive while working from home and deal with the trauma of working alone. The Department of Personnel Services, DOR HR and Comms teams are doing a good job of keeping employees informed of available resources. Mr. Campbell added that work teams are busy in preparation for the back office conversion to a new sales platform and are in daily contact with retailers.

Mr. Seaver continued that staff has been working with variety of resources to stock items such as disinfectant cleaner, masks, gloves, and wipes in all of the offices for when staff return. Staff are not allowed into the office without prior written approval from himself or Ms. Anderson, and masks must be worn by staff at all times while in the office. When staff do return to the office, there will still be controls in place in terms of providing materials and social distancing.

Commissioner Maes requested consideration for live Commission meetings with appropriate social distancing beginning with the June meeting. Mr. Seaver responded that the current direction from the state is that all state commission meetings will be conducted virtually until further notice.

Vice Chair Peterson asked how sick employees are being tracked and how their PTO is being handled. Mr. Seaver responded that there is very strict protocol required by the CDC and state to track employees who report symptoms. Lottery has fortunately not had any employee test positive for COVID and areas have promptly been cleaned where employees who were tested have worked. There have not been any limitations on staff taking leave and the state has loosened its guidance on allowing hours to be rolled into the next fiscal year. The issue of employee leave may become larger when restrictions are lifted and staff are able to travel again.

The Director's Report was concluded at 9:55 a.m.

Commission Items

Commissioner Clayton requested an update of the increased OIT allocation listed in the financials. Ms. Anderson responded that OIT miscalculated its charge to departments and the increase shown is Lottery's new calculated share. Lottery has requested an analysis of the calculation and is waiting for a response. Lottery is also amending its OIT agreement to rely on shared services rather than dedicated FTE, in an effort to reduce costs for the Lottery. The change will take a year to go into effect and a true up credit will be realized through the common policy billing process. OIT may also shift to real time billing, away from true up and average billing, that would provide for more transparent and predictable billing.

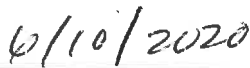
Commissioner Clayton asked whether the new back office system will reduce payments to OIT for work that vendors will provide instead of OIT. Ms. Anderson responded that yes, a lot of the back office systems will be shifted to IGT and should further reduce Lottery's reliance on OIT to support the back office system. Mr. Seaver added that the overall strategy is to get billing to a variable cost basis.

Adjournment

Chairman Bensberg adjourned the meeting at 10:02 a.m.



Completed by: Trisha Macias



Date of Approval