

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, February 10, 2021 via Zoom. The meeting was called to order at 8:03 a.m. and was presided over by Chairwoman Peterson.

Attendees

In attendance were the following:

Stella Peterson, Chairwoman	Dwayne Wilson, IGT
Stan Podolski, Vice Chair	Emily Stewart, Lottery
Hon. Dennis Maes, Commissioner	Ethan Nosky, Cactus
Bill Clayton, Commissioner	Heather Love, Lottery
Jim Bensberg, Commissioner	Jay Sisson, Lottery
Andrea Conrad - GOCO	Jennifer Anderson, Deputy Director, Lottery
Anna Aragon, Lottery	Jessica Ross, AGO
Bill Burruel, Lottery	Lauren Kramp, Lottery
Brian Kohnlein, Lottery	LuAnn Caligaris, Lottery
Byron Martinez, Lottery	Marie Valtakis, Lottery
Carol Romanski, Lottery	Meghan Dougherty, Lottery
Carol Sanchez, Lottery	Michelle Hauck, Lottery
Chris Schroll, Lottery	Mike Strasser, Lottery
Christian Hawley, Lottery	Summer Duncan, Cactus
Cristi Gannon, Lottery	Todd Greco, Lottery
Daniel Bewley, Lottery	Tom Campbell, Lottery
Danielle DeLeon, Lottery	Tom Seaver, Senior Director, Lottery
David Aldag, Lottery	Tyson Barr, Lottery
	Wendy Weldon, Lottery

Introductions and Welcome

Public Comment

Chairwoman Peterson called for public comment. There was none.

Lottery Spotlight

Ms. Hawley presented the recent Casino Nights spot that featured the new Casino Nights family of scratch games.

Approval of Minutes

A motion to approve the minutes from the January 13, 2021 lottery Commission meeting was made by Commissioner Bensberg and seconded by Vice Chair Podolski. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game and Guidelines, presented by Emily Stewart and Todd Greco;

- Game #205 \$20 \$1,000,000 FORTUNE *Special Request*

A motion to approve Scratch Game #205 was made by Commissioner Maes and seconded by Commissioner Clayton.

A motion to approve Scratch Game Guidelines for Game #205 was made by Commissioner Maes and seconded by Commissioner Clayton.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #200 \$50 SERIES V
- Game #201 \$3 RING TOSS RICHES
- Game #202 \$3 SPECIAL EXTRA FREE SPACE BINGO TRIPLER
- Game #203 \$5 SUPER HUGE, MASSIVE, ENORMOUS CROSSWORD
- Game #204 \$10 INFERNO/ARCTIC CROSSWORD

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

Scratch Game Performance

Mr. Greco reported that January had impressive sales with \$49.6 million – the best monthly scratch sales ever and it has surpassed the December record sales. Scratch had a record sales week of \$13.4 million, up from the record sales week during Christmas of \$13.1 million. Averaging over \$11.4 million per month and trending nicely. Casino Nights family of games should show a nice boost in sales at the end of the month. Chairwoman asked, with the sales growing, if the Lottery is making sure that it's addressing gambling habits. Mr. Greco responded that Lottery is working on its WLA level 4 certification and participate in responsible gaming. Mr. Seaver added that a lot of research is happening, including the gambling prevalence study, which is the most extensive consumer research on problem gambling in Colorado in 20 years. The Colorado Lottery wants to be ahead of the problem, not behind it. The WLA level 4 certification application will be submitted in October. Ms. Hawley has advertising guidelines that follow the responsible gaming guideline.

Jackpot Game Performance

Mr. Sisson reported January 2021 having jackpot sales of \$45 million. January was not a record month but it was 52% higher than December, being \$23.5 million ahead of the previous month. Compared to last year jackpot sales are up \$26.9 million; the large jackpots helped get all products above projection with the exception of two in-state games. There were multiple national jackpots won: on January 22, the \$1 billion winner was sold in Michigan, Maryland sold a winning Powerball ticket on January 20th for \$730 million, New Jersey sold a winning Powerball ticket on January 23rd for \$23.2 million and on January 30, New Jersey also sold a winning Powerball ticket for \$33.3 million. From January 2nd to January 22nd, both Powerball and Mega Millions had high enough jackpots, with \$700 million between the two of them, to reflect \$33.6 million in sales. Retailers received \$2 million in commissions.

\$13.1 million came back to proceeds during the above period, with Parks and Wildlife receiving \$3.1 million. Should hit cap of proceeds ahead of schedule this year.

Pick 3 is a niche game for players and there's not much advertising done for it. It has slowly been climbing on an upward trajectory. Last year, only two weeks saw sales over \$300,000 and this year it has had nine weeks; last week saw \$343,000 in sales for Pick 3. Lucky for Life is ahead of projection and doing as well as it has done when it was advertised. Jackpocket sells a lot of Lucky for Life, compared to other in-state games.

Chairwoman Peterson asked about BEST and if there are any predicted contributions. Mr. Sisson referred to Mr. Aldag.

FY21 Projected Sales, Expenses, and Disbursements

Mr. Aldag presented a graphic showing the growth in scratch sales, showing higher sales every week compared to last year. The two year trend shows the spike in sales due to the large jackpots for Mega Millions and Powerball. Projecting around \$3.8 million to BEST this year, conservatively. Expenditures – no big concerns but would note that Lottery is on target to exceed appropriation for money to retailers. Will be going back to JBC for an emergency supplemental, in June. Probably won't exceed the appropriation until the second or third week of June, but it will be exceeded. Personal Services – projecting about \$200,000 underspent but it's been adjusted to \$800,000. There are roughly six positions that are being held until closer to the end of the year, dependent upon the decision item. Operating costs are doing really well and Carol Sanchez is keeping a close eye on the costs for the move from the Galleria to Pierce.

Chairwoman Peterson asked if the Lottery is having higher expectations on when funds will be delivered to the community or whether projects will be turned around faster, with the amount of money projected to be sent. Mr. Aldag responded that generally, the Lottery is a little conservative about communicating how much money will be going to beneficiaries because of fluctuation in sales. There's no formalized method to let beneficiaries know about how their funds are tracking. Mr. Bewley added that the Lottery's role is to raise as much money as possible to help the beneficiaries succeed in the services that they offer. In general, the Lottery

isn't too hands-on with the beneficiaries, more as a financier. Mr. Seaver included that Ms. Dougherty and the communications team do a great job in getting the message out about the various projects completed from proceeds. It would be irresponsible to be overpromising to the beneficiaries with a lot that could happen within a short amount of time, changing the amount. Chairwoman Peterson commented that she would hope that the Lottery is remaining proactive during these times of high sales and success. Ms. Dougherty added that more beneficiaries tend to ask about the proceeds as the year goes on. There is discussion on how to approach talking about proceeds that can't necessarily be discussed. Mr. Seaver is writing a guest column in GOCO's newsletter that gives updates locally and throughout the state. Commissioner Clayton added that GOCO is aware of where they're at with the cap they're set at. BEST has other proceeds coming in and the amount that Lottery contributes isn't as much but appreciated by them.

Director's Report

- \$150,000 Expiring Powerball Ticket – Meghan Dougherty
Marketing has a great trigger campaign once jackpots are over \$300 million and soon media starts to reach out, giving the Lottery great exposure. A point was made to be in front of media during big runs and included the \$150,000 expiring Powerball ticket. There were more than 100 different stories about the high jackpots, winning tickets, the expiring ticket and the statewide impact of the two large jackpots.

Emails were sent to the media about once per week regarding jackpots. When tickets are about to expire, the Colorado Lottery does everything in its power to inform the public. If a ticket goes unclaimed, it goes back to proceeds partners. All key messages were delivered to the media during the month of January. The expiring ticket was posted daily on social media and reached out to the media to arrange interviews with Mr. Seaver. The marketing team reached out to radio stations in the area where the ticket was sold with great chatter from the hosts that spanned over three minutes, which is valuable air time. Mr. Seaver added that the communications team, for being only two people, are doing a fantastic job – they work incredibly hard to get the positive messages out and to receive the amount of free media that amounts to millions, is very impressive.

Commissioner Bensberg asked about the six CORA requests reported and how they were resolved. Ms. Dougherty responded that it's usually the same individuals asking for the same CORA requests. Ms. Tabor works with the various departments to get answers and and they're usually addressed within a couple of days. The CORA requests run rather smoothly and the requests tend to be more specific than what's available to the public. Mr. Seaver added that there's an increase in companies that want to buy annuities from players which has an impact on the increase in CORA requests the Lottery receives. Commissioner Clayton asked if a CORA form is required or whether a verbal response is allowable. Ms. Dougherty responded that, depending what the information was, a request for a CORA form is made so that it can be tracked.

- **Ouray Ice Festival Recap – Marie Valtakis**
Ms. Valtakis presented a video recorded from the perspective of an ice climber during an active climb. There were 46 climbers that participated this year on a course that included a combination of ice, rock and artificial structure. The total length of the course was 112 feet from the top of the structure to the ground. The weather was around 20-30 degrees with light snow during the competition. Additionally, 284 feet of rope was used and climbed with axes and the boots worn are called “fruit boots”. The United Climbing and Mountaineering Federation is working to get ice climbing into the Winter Olympics.
- **Decision Item Update – Jennifer Anderson**
Mr. Bewley has worked hard to gain support from many different groups, including GOCO, Keep It Colorado, Colorado Parks and Recreation Association, BEST, as well as the Brewers Guild and Tavern League. There was also a meeting with the Colorado Gaming Association (CGA), who opposes the decision item, and it doesn’t seem that a compromise will be possible. There has been a lot of support from the new Executive Director, Mark Ferrandino, and the legislative liaison, Cooper Reveley. There has been a meeting with almost every JBC member, at this point, and there has not been any negative feedback. They understand that they’re not approving the game of Keno, only the spending authority. The figure setting, for Lottery, has been set for March 11th at which time we hope the JBC votes to approve.

Mr. Seaver agreed that it was beneficial meeting with the CGA in order to understand their perspective.

Chairwoman Peterson asked if customer surveys are allowed in regards to Keno. Ms. Anderson responded that a long list of items were discussed and the fact sheets can be shared with the Commissioners. The most important thing during the meeting with the CGA was to listen and understand their concerns. Commissioner Bensberg asked if Lottery products are available within casinos. Mr. Seaver responded that there are currently some casinos that are licensed Lottery retailers. Mr. Bewley added that some of the smaller casinos may prefer to not make the large investment in Keno and would rather remain a retailer of Lottery.

- **Starburst Awards Update – Daniel Bewley**
Applications are being accepted for the 2021 Starburst Awards. Hopefully, events in person will be allowed for the presentation of the 2021 Starburst Awards. Submissions are being accepted until March 19th. Colorado Parks and Recreation Association, GOCO and Colorado Parks and Wildlife are all sharing Starburst Awards information with their members. This year, an effort will be made to highlight some of the beneficiaries that aren’t as well known as GOCO, BEST and CPW.
- **Security Updates – Brian Kohnlein and Chris Schroll**
Mr. Schroll introduced Mr. Kohnlein to present information about a recent investigation. Mr. Kohnlein reported on a recent case that involves lottery theft. In January of 2020, a burglar had cut a hole in the roof of a retailer and stole a number of items, including lottery

products. The following day, marked tickets started showing up and Mr. Kohnlein worked closely with the Lakewood police department. During the suspect's break-in, they left a backpack on the roof of the retailer that contained documents with identifiers. At the beginning of October, the Pueblo police department contact Mr. Kohnlein regarding the suspect and his connection to a homicide. The suspect was taken to jail in Jefferson County and charged with first degree murder with the help of Mr. Kohnlein securing footage of the suspect surrounding the lottery theft.

Mr. Schroll added that the Security and Investigations team aren't just peace officers, they go above and beyond. Mr. Seaver agreed that the team are not just peace officers; that they understand the criminal justice process and do a great job. Commissioner Clayton praised the team in being able to work together with various outside agencies successfully.

The Director's Report was concluded at 9:52 a.m.

Commission Items

- Commissioner Bensberg asked about additional Colorado Lottery face masks. Ms. Hawley responded that she can coordinate obtaining additional masks for the Commissioners. The masks have been redesigned and improved upon, which will be ordered soon.
- Commissioner Clayton asked Mr. Aldag about the long-term liability for accrued annual and sick leave increase. Mr. Adlag deferred to Ms. Bartosz who responded that it's an ebb and flow situation. This year has been unusual and many employees haven't had an opportunity to use their annual or sick leave.
- Commissioner Clayton asked Mr. Aldag about how much the back office conversion should reduce the Lottery's dependence on OIT. Mr. Aldag responded that the amount allocated for OIT services has seen an increase, compared to three years ago. There wasn't enough allocated and there has been some catch up, which is why the amount has gone up. OIT is going to a real-time billing system and will eliminate the look-back process, using a pay per service model. Mr. Aldag will gather additional information on the real-time billing process and have that for the next commission meeting. OIT allocates to DOR and anything they can identify as being used by DOR is sent and DOR turns around to directly charge each division.

Adjournment

Chairwoman Peterson adjourned the meeting at 10:02 a.m.

Heather Love

Completed by: Heather Love

3/10/2021

Date of Approval