

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, July 8, 2020, via Google Hangouts. The meeting was called to order at 8:00 a.m., and was presided over by Chairwoman Stella Peterson.

Attendees

In attendance were the following:

Stella Peterson, Chairwoman	Ethan Noski, Cactus
Stan Podolski, Vice Chair	Heather Love, Lottery
Bill Clayton, Commissioner	Jay Sisson, Lottery
Dennis Maes, Commissioner	Jean Robinson, DOR
Jim Bensberg, Commissioner	Jennifer Anderson, Lottery
Betsy Schmerge, Lottery	Jessica Ross, AGO
Brittany Wirth, DOR	Marie Valtakis, Lottery
Carol Sanchez, Lottery	Meghan Dougherty, Lottery
Christian Hawley, Lottery	Nancy Bartosz, Lottery
Chris Schroll, Lottery	Summer Hershey, Cactus
Clint Petrun, Lottery	Todd Greco, Lottery
Cristi Gannon, Lottery	Tom Campbell, Lottery
Daniel Bewley, Lottery	Tom Cargal, Lottery
Dave Aldag, Lottery	Tom Seaver, Lottery
Diane Boddicker, Lottery	Tyson Barr, IGT
Dwayne Wilson, IGT	Wendy Weldon, Lottery
Emily Stewart, Lottery	

Public Comment

Chairwoman Peterson called for Public Comment. There was none.

Lottery Spotlight

Christian Hawley shared three spots that tell a story about where the Lottery dollars are going, showcasing the Colorado Lottery's conservation efforts, in a funny and relatable way. The spots follow characters Barb and Bill as they explore Colorado's outdoor spaces and parks, with each ad highlighting different ways the Colorado Lottery helps protect those areas. The spots are part of a tier-one plus campaign and will start running at the end of July.

Approval of Minutes

Minutes for the Commission Meeting held on June 10, 2020, will be motioned for approval at the next Commission Meeting, scheduled on August 12, 2020.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- 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

Vice Chair Podolski asked when the holiday themed tickets will enter the market. Todd Grecco confirmed they will be available October 19, 2020.

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

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

- Game #825 Piece of the Prize
- Game #889 Poker Pirate
- Game #882 Ne\$t Egg Scramble
- Game #884 Limelight Loot
- Game #117 \$50 and \$100 Blowout
- Game #891 Super Stellar Crossword
- Game #864 Dollar Doubler
- Game #118 Monopoly

Commissioner Maes asked if game #825, Piece of the Prize, was unpopular, due to the numbers reported. Mr. Grecco stated it was not and that with launching new games every six weeks, it doesn't leave much space for all of the games. Retailers were also not ordering game #825 anymore, so that helped the decision to end the game.

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

FY20 Projected Sales, Expenses, and Disbursements

David Aldag presented FY20 projections but first addressed a question presented last month regarding retailer commission percentages and where Colorado's percentage compared with other states. Colorado Lottery's percentage is 6.65%. This puts Colorado in the top third of states, with Oregon being first at 9%. A dozen other states have a base rate of 5%. The Colorado Lottery pays over \$50 Million, per year, in retailer commissions.

The year ended with a significant bump in scratch sales at \$490 Million. Jackpot games sales reached \$168 Million. Combined, total sales reached \$659 Million in FY20. It's about \$20

Million less than last year. Overall, expenses ran as projected and expected. The best spillover for this year will reach \$3.9 Million.

There are three and a half open positions. Staffing is pretty complete heading into FY21.

Commissioner Bensberg asked when final figures for FY20 will be ready. Nancy Bartosz stated the earliest will be early August. The figures will be available for the August Commissioners Meeting.

Commissioner Maes highlighted the BEST Grant program and that Pueblo was awarded with two grants. The two grants will go towards building two new elementary schools and will ultimately bring in \$30 Million of revenue to build those schools on top of the \$218 Million that voters approved back in November.

Mr. Aldag ended with a FY21 projections preview. Games sales are at \$750 Million in revenue. Beneficiary proceeds is targeted at \$170 Million, including \$13 Million to BEST. The GoCo CPI is down 1.9% - the cap is at \$71.7 Million, up slightly from the \$70.3 Million for this year.

Commissioner Bensberg asked if it would be possible to have a presentation on BEST. Tom Seaver stated it would be possible in the coming months.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #178 \$5 Super Special Bubble Bingo
- Game #179 \$10 \$500,000 Spotlight Game X

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

Scratch Game Performance

Mr. Greco reported that sales in June reached \$45.8 Million, down \$6.3 Million compared to May, but still the second best month. May was the best month ever seen for scratch sales. Higher price point games still remain extremely popular. June sales, compared to last year, are up \$9.8 Million. This year's sales averaged \$9.3 Million per week. FY21 goal is \$535 Million, meaning the weekly average has to be \$10.2. \$10.9 Million worth of sales were reported in the first week of FY21.

Chairwoman Peterson asked if there was any data, or feedback, measuring the emotional state of lottery players. Mr. Greco stated that was something the lottery could ask the vendors or have researchers look into. Retailers have remained open during the pandemic and customers don't have many other options in spending their discretionary income. Mr. Seaver included that retailers have remained happy and that the Colorado Lottery has provided them with continued revenue. The lottery's research company, Leger, found that customers weren't making as many trips out to retailers due to the pandemic. The Colorado Lottery has remained an inexpensive and convenient way of entertainment for customers.

Jackpot Game Performance

Jay Sisson reported that June sales were \$14.2 Million, down \$1.5 Million from May. The average Powerball jackpot in June was \$40 Million, compared to \$87 Million in May. The average Megamillions jackpot in June was \$149 Million, compared to \$264 Million in May. June saw a lot of winners, with two Powerball jackpot winners – unfortunately, neither in Colorado – one in West Virginia for \$136 Million and the other in Wisconsin at the \$20 Million starting range. Megamillions had a jackpot winner in Arizona for \$410 Million. Colorado Lotto Plus had a jackpot winner on June 3, 2020 for \$3.3 Million. These winnings lead into July with lower jackpot amounts. Megamillions is at \$73 Million, Powerball is at \$69 Million and Lotto Plus is at \$2.1 Million. Pick 3 is up compared to projections and goals. Lotto Plus is down, compared to the goal, but saw a large increase compared to older version of Lotto game. Plan on pushing in-state game Lotto and running ad campaigns.

Director's Report

- Security and Investigations Update – Chris Schroll

Mr. Schroll reported on the Security and Investigations fourth quarter. S&I has been in a lull due to COVID-19. Employee background investigations, retailer responses and law enforcement assists have stayed the same. Have successfully completed the SSAE18 audit and MUSL self-assessment. Have had some innovative plans put in place with remote access and video teleconferencing, partnering well with IGT. MUSL self-assessment was completed in mid-June via the security portal and are 100% compliant. Revamped the retailer compliance program. The Colorado Lottery has at least 3,000 retailers and two compliance investigators, making it a monumental task to reach every retailer. Have partnered with OIT and internally with other functional areas to create an online platform, including username and passwords. Compliance investigators will still perform ad hoc investigations and compliance visits with retailers. Partnering differently with sales team to make sure the right set of eyes are on retailers. Looking at WLA level 4 lotteries to align best practices and compliances. Implementation will probably be late July or early August. Retailer thefts were flat across the quarter, with the exception of a few cases due to rioting and looting during the protests. Messages were sent to retailers terminals letting them know to be on the lookout and stay alert. Still working with OIT to transition current architecture infrastructure onto the Colorado State network. Implementation will probably be January or February 2021. Partnership has grown with both internal and external OIT.

Vice Chair Podolski asked about tickets stolen during riots and whether those tickets have been identified. Mr. Schroll confirmed that the stolen tickets have been identified and flagged – no persons have come forward with the flagged tickets attempting to claim them yet. Will look at the numbers and try to trace the stolen tickets to a redemption period.

Mr. Seaver highlighted the increase in security discussion around technology. Using more and more technology in business, especially in security, to identify and deactivate stolen tickets among other important things. Ongoing evolution in security aspect of business to be more focused on using technology as an ally. The lottery goes through a number of

audits throughout the year and the extra work it has created having to complete these audits virtually. Proud of the hard work performed by Chris and Nancy's team in order to get the audits completed successfully.

- Sales Record Best Practices and Sale of Games – Tom Campbell

Mr. Campbell reported record sales of scratch at \$490 Million, beating the forecast of \$5 Million. Hit the scratch goal with two days to spare. Definition of organic growth of business is through changes of internal processes. Started implementing changes mid-fiscal year 2019. Launched three, four or five games every six weeks. Sales reps worked with retailers to prepare them for the new games. In between launches and the spikes in sales, the valleys started to become smaller and started to see overall sales start to grow. Implemented family of games, with the next family being the cash games. All have similar look and play style – coincided with the tier-one campaign. When looking at a display, customers could quickly identify the games and correlate it with the commercial. Caused customers to purchase multiple price points, helping increase sales. Needed 40-45 games available, meaning more facings to accommodate. Some higher volume retailers carry anywhere from 48, 56 or 72 games. Sales increased and reaching the goal seemed achievable, then COVID-19 hit. Sales reps are sociable and kept communication with the retailers constant. Kudos to the sales reps and retailers during the pandemic. Sales started climbing in May. Converted to a new back office in June and there were many stumbling blocks. Directed sales reps to monitor every order generated and change as needed to meet the retailer's needs.
- Level 3 Application Submission – Tom Seaver

In previous years, have talked about importance of balancing sales growth with responsible gaming. The World Lottery Association maintains a four level program in responsible gaming. The Colorado Lottery has achieved level 2 certification this year. On June 1, 2020, the application for level 3 certification has been submitted. There are eight U.S. lotteries with level 4 certification: California, New York, Indiana, North Carolina, Oregon, Tennessee, Missouri and New Jersey. Five lotteries have level 3 certification: Georgia, Illinois, Kentucky, Maryland and Texas. Hope to find out about Colorado's level 3 certification within the next two or three months. The Colorado Lottery wasn't in the program at all a couple of years ago. WLA requires documentation in ten different areas that show best practices in responsible gaming: research, employee training, retailer training, game design, remote gaming, marketing and advertising, player education, treatment referral, stakeholder engagement and reporting and measurement. The level 3 certification application submitted was close to ninety pages. Responsibility and sales growth are equal – if given the opportunity to expand further, it has to be proven that Colorado Lottery is a capable and trustworthy organization. Videos have been produced and shared in the last year regarding responsible gaming and recognizing possible problem gamblers. WLA is based in Switzerland and this year the President is Rebecca Hargrove, who is the Director of the Tennessee Lottery.

Chairwoman Peterson asked for a recap on levels 1 and 2 certification and why the Colorado Lottery decided to achieve those. Mr. Seaver stated that the level 1 application

is an acknowledgment of commitment in creating a program, level 2 demonstrates what will be done in each of the ten areas and level 3 is evolving in each of those ten areas to make them more comprehensive. Level 4 is continuous improvement, making it the hardest level and a big achievement. When level 4 is reached, can speak to any audience and say that the Colorado Lottery is doing the best that they can do in terms of being the most responsible lottery in the world, not just the most profitable.

- Revised State Fair Agenda – Marie Valtakis

Ms. Valtakis reported that in early June, the State Fair Board voted to have a reimagined State Fair. Very limited amounts of people will be in attendance and limited activities include catch a calf and the junior livestock auction and sale. Limited food vendors and limited vendors in general will be present. Some activities will be on a scheduled basis. Contact information will be captured for every individual that enter the gates, in the event that any COVID-19 situation comes from the State Fair. Waiting for the Governor to make an announcement on allowing 1,000 people to be in attendance. The capacity is currently set at 170, including the participants and staff. The number is based on square footage of activity and location of the activity. Not planning on opening the State Fair building with the limited number of people in attendance. If the 1,000 capacity is allowed, some fair rides may be allowed but would have an appointment only ride schedule.

Chairwoman Peterson asked what the numbers look like as far as the budget needed to run something like the State Fair and if it would be possible to move some of those costs over to providing things like face masks with the Colorado Lottery logo. Mr. Seaver stated that communication is still ongoing with the fair in regards to sponsorship. The thought has shifted to what the lottery can do with the fair and will look into the face masks as one of the options.

- Drone Footage – Daniel Bewley

Mr. Bewley introduced two drone footage videos, one for Alamosa Riparian Park and one for Hartland Ranch Nature Preserve in Lamar, Colorado. These locations were both Starburst Award winners. Wanted to expand on the interactive features to show customers the different areas that Lottery dollars go to. The Alamosa Riparian Park protects one mile of the Rio Grande River and the Hartland Ranch is a nature preserve and grew to 40,000 square miles. This footage will be available on social media, to our stakeholders and help build upon the Colorado Lottery's portfolio. Mr. Seaver included that this footage is important to help customers identify projects near them and places that they can visit. There is a large amount of footage captured for both locations and can be spliced to provide different versions for different formats.

- Local PSAs – Meghan Dougherty

Ms. Dougherty presented various radio spots that will serve as a PSA for the Colorado Lottery, informing customers of where the Colorado Lottery dollars are going. The spots are serving as a reminder to customers of different projects happening around their areas. There is a generic thirty second spot and more specific fifteen second spots, detailing

localized projects. Mr. Seaver added that these spots are important to show the diversity of projects being funded by the Colorado Lottery.

- **Lottery Return to Work Update – Tom Seaver**
Two sides to the return to work update – received permission from the Governor’s office that lets the sales force return to the field, starting next week, on a limited basis. Reps won’t be visiting retailers every two weeks or having the same exposure they had in the past. The new back office system is changing the way retailers are allocating tickets. All reps will wear masks, wear gloves, use sanitizer and maintain social distancing. Reps will also have masks available for retailers to wear and if a retailer refuses to wear the mask, the sales rep can leave because safety of the team is first priority. This is a trial of letting the team have more exposure to the public. Tom Campbell put together a very comprehensive plan, looking at other lotteries in the U.S. and what would be a comfortable level of letting the sales reps back into the field. Taking excellent precautions to protect the team and a benefit to retailers in having the reps back in the field. Mr. Campbell added that the sales reps each have a different level of risk factor and that no rep is being made to go back into the field. Will start to look at opening the remote claims offices. The drive-thru claims window in Pueblo is still successful and the claim amount is still set at \$5,000. Still keeping up with mail-in claims at this time, so there is no rush to place employees back into the offices as the safety of employees is first. The work from home employees are coming in on a scheduled basis to pick up any equipment needed to work from home. For those still coming into the office, stricter screening processes will be in place such as taking temperatures and checking that employees are non-symptomatic.

Commissioner Maes asked, not considering COVID-19, whether there was any discussion on, at the state level, about processes and guidelines on employees working from home. Mr. Seaver stated that it has given the government a better opportunity to view how jobs are performed. It has proved that a lot of positions have proven to be successful working from home. More employees working from home will leave a smaller carbon footprint and will be due to some budgetary issues. The question is whether employees can do their job from home on a permanent basis and that won’t be known for another several months.

The Director’s Report was concluded at 9:34 a.m.

Commission Items

- **JBC Member Follow-Up for FY21**
Chairwoman Peterson reached out to Senator Moreno to set up a meeting that would include Chairwoman Peterson, Jennifer Anderson and Tom Seaver. Jean Robinson will set up a meeting with Senator Zenzinger. Commissioner Maes agreed to set up a meeting with Representative Esgar. Jennifer Anderson will create presentation for next Commissioner Meeting to help with legislative strategy and decision items for FY21.

Commissioner Maes asked if there was going to be a change in JBC membership. Ms. Anderson stated that typically the JBC members don’t change because it’s beneficial to have historical knowledge. Doesn’t know of any plans to change that. Zenzinger and

Moreno were the most vocal about having concerns and led the partial approval. Hoping that Esgar can provide any additional insight in regards to the members thoughts on the lottery. Also want to have meetings with Ransom, Renkin and McClusky after the decision items are more final. Ms. Robinson stated she doesn't know of or expect any changes happening with the JBC memberships. Doesn't understand what the problem is with the lottery and need to pushback in order to understand what can be done to provide more comfort in the direction that the lottery is going. Ms. Anderson will be emailing the commissioners a list of JBC members and their stance on the lottery.

Commissioner Maes asked about the next Commissioner Meeting and whether the date will be different due to the change in the State Fair agenda. Mr. Seaver stated that virtual meetings are still required and that keeping it on the second Wednesday would be ideal.

Chairwoman Peterson suggested that a group photo of the commissioners and employees be taken for August, to show the Colorado public the efforts and goals of the Colorado Lottery.

Adjournment

Chairwoman Peterson adjourned the meeting at 9:50 a.m.



Completed by: Heather Love

8/12/2020

Date of Approval