

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, October 14, 2020, via Zoom. The meeting was called to order at 8:04 a.m., and was presided over by Chairwoman Peterson.

Attendees

In attendance were the following:

Stella Peterson – Chairwoman	Heidi Bonzer-Smith - Lottery
Stan Podolski – Vice Chairman	Jay Sisson – Lottery
Hon. Dennis Maes – Commissioner	Jeff Martinez - Lottery
Jim Bensberg – Commissioner	Jennifer Anderson – Lottery
Bill Clayton – Commissioner	Kelly Tabor - Lottery
Betsy Schmerge - Lottery	Lauren Kramp – Lottery
Bill Burruel - Lottery	LuAnn Caligaris - Lottery
Brian Kohnlein – 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	Nancy Bartosz – Lottery
Cristi Gannon - Lottery	Patricia Nord – OIT
Daniel Bewley – Lottery	Ryan Reather - DOR
Danielle DeLeon - Lottery	Summer Duncan – Cactus
David Aldag – Lottery	Tara Stosek - Lottery
Debbie Thibault - DOR	Todd Greco – Lottery
Diane Boddicker – Lottery	Tom Seaver – Lottery
Eliza Tyndall - Lottery	Tyson Barr – IGT
Emily Stewart – Lottery	Wendy Weldon – Lottery
Ethan Nosky - Cactus	
Heather Love – Lottery	

Introductions and Welcome

OIT Billing and True-Up Process

Patricia Nord, Budget Director from OIT, reported on the real-time billing initiative where she serves as the lead. The real-time billing initiative has been in the works for over a year and stemmed from frustration with the current billing model. With the real-time billing, as soon as costs are incurred, there is a bill the following month. Scheduled to go live July 1, 2021, during fiscal year 2022. This year is considered a “shadow bill” year; still using the current billing model but sending invoices like real-time billing in order to practice processes, roles and

responsibilities and to figure out how they are going to allocate costs when they go live. OIT is looking at internal processes and additional details on the technical side. During the transition, fiscal year 2022 and 2023 will still see the old true-up method. The plan is to send a separate invoice, within the first quarter, to each agency that is only for the true-up. Some agencies will have a debit while others may have a credit.

Ryan Reather added that the real-time billing is to gain visibility and show transparency. The current structure, falls into a shared service model that is FTE allocated. The goal with real-time billing is to get more detail at the project level. There will always be an element of an FTE allocation but the goal is to eliminate as much of that as possible. Trying to identify more of the services that OIT provides so that it can be billed to the division that incurred the cost. There will be four categories: servers, circuits, special projects and FTE allocation models. Tom Seaver asked how much will change, taking this year's allocation and putting it into the real-time billing. Mr. Reather responded that the major difference will be with the special projects and the goal is to get as much of it specified to certain divisions. Ms. Nord added that the current bill has the true-up and the real-time billing will not include that.

Debbie Thibault included that every single service that is delivered is being looked at. Intent is to get as close as possible to make sure each division feels they have the insight to manage their OIT costs. Commissioner Clayton asked how soon the Lottery's recipients can expect to receive money. Ms. Nord responded that the true-up will come through next fall and an invoice will go out before September 30, 2021. For fiscal year 2022, a second true-up will be sent out by September 30, 2022. Mr. Reather added that they expect to have the decision item that Lottery submitted as part of the true-up. All services will be paid for with the credit before being taken out of the Division's budget.

Public Comment

Chairwoman Peterson called for Public Comment. There was none.

Lottery Spotlight

Christian Hawley shared the VR footage from Mustang Pavilion in Kim, Colorado. The pavilion is housed on 130 acres, holds about 100 events annually and is run by volunteers. GoCo has provided three grants totaling \$1.1 million. The video is a 360 degree virtual reality video that showcases various elements of the town with an emphasis on its deep rooted ranching culture. Ms. Hawley added that the Lottery will have headsets available to showcase this video at events, once the pandemic has subsided. The video consisted of a two-day shoot and included the opportunity to meet with a special rancher named RC. Kim, Colorado is a small town in Los Animas County.

Approval of Minutes

A motion to approve the minutes from the September 9, 2020 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 Guidelines, presented by Emily Stewart;

- Game #188 \$20 Million Series IX

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

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

- Game #877 \$1 One Way Winnings
- Game #883 \$5 Cash Cache
- Game #884 \$10 Limelight Loot
- Game #890 \$3 Special Bingo-A-Go-Go
- Game #102 \$5 Blue Chip Cash
- Game #122 \$1 Triple Tripler
- Game #124 \$3 Jewel Quest

Chairwoman Peterson asked why sales were low for games #877 and #122. Mr. Greco responded that the number of available games are increasing and, with predictable ordering in place, if games that are selling well, they will be reordered. If a game isn't popular in the marketplace, the system will stop ordering it. These games were a reaction of being unpopular. Mr. Seaver added that it's a low cost issue compared to the potential loss of sales.

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

FY21 Projected Sales, Expenses, and Disbursements

David Aldag presented that sales for scratch, through October 3rd, were slightly ahead of target. Jackpot is still running a little short. Latest projections show BEST coming in at \$2.25 million worth of proceeds. Need a lot of scratch sales to make up for jackpot.

Operating expenses are running less than expected but there are upcoming larger expenditures. Indirect cost estimate appears to be ahead. Personal services are within our appropriation.

There are a couple of positions that are actively being recruited for and a couple of others being put on hold due to COVID 19.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #186 \$2 7s Series
- Game #187 \$3 Fast Lane Crossword

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

Scratch Game Performance

Mr. Greco reported scratch continues to grow in sales. September had \$44 million in sales, down about \$1.4 million compared to August due to having one less day in September. Daily scratch sales are at about \$1.5 million. Compared to September of FY20, scratch sales are at \$5.6 million. October should see a boost in sales due to holiday games.

Mr. Sisson reported that September had an increase compared to August – up \$16,000. Lotto+ was up \$720,000 and Mega Millions up \$253,000. Mega Millions had a big jackpot that was hit in September. All other products are down \$958,000 for the month. Sales for September 2020 were up \$1.3 Million compared to September 2019. September 16th had a \$94 million Powerball winner, in New York, and on September 15th, a \$119 million jackpot was won in Wisconsin. Lotto+ jackpot is at \$7.2 Million, largest since April 2018. Broke \$600,000 on Lotto+ last draw on Saturday and outsold PB and MM for the last eight weeks. Down 14.27% to projection for the current fiscal year. Down \$1.8 million in the big games. Lotto+ up \$1.6 Million compared to projection. If this trend continues, we should hit \$45 million which was last year's projection. Cash 5, Lucky for Life and Pick 3 are at \$500,000 which is down a little bit.

Director's Report

- Commission Meeting on November 11, 2020 – Tom Seaver
November 11th is Veterans Day and a state holiday so offices will be closed. November 12, 2020 will be the next commissioners meeting. Commissioners unanimously agreed upon the new date.
- Website Update – Meghan Dougherty
In addition to building out the media center on the website, the goal is to enrich the giving back portion. We are striving to offer more featured projects – highlights of proceeds projects to showcase in a more visible way. Will start with one to three projects and will add more over time. Items will include drone footage, VR footage and other media. Planning another VR video for the spring.
- Runyon to the Res Event – Marie Valtakis
The event was a success with 83 volunteers coming out – volunteers included several Lottery employees, IGT and Cactus. Partners, CO Parks and Wildlife, Nature and Discovery

Wildlife Center and Pueblo City Parks hosted in City Park. Did health check, wore masks, socially distanced. Cleaned almost 8 miles along Arkansas River from Runyon Lake to Lake Pueblo. CPW and City of Pueblo estimated picked up about 2,600 pounds of trash including clothes, tires, bumpers, and other heavy items.

- Gateway Mesa Project – Daniel Bewley
Lottery sponsored this project along with Volunteers for Outdoors Colorado (VOC). The project was completed over four days in two weekends. Gateway Mesa open space, down in Castle Rock, spans 275 acres. The goal was to expand a trail more towards the forested area, instead of toward the grassland area and is dedicated to hikers. Crews were limited to ten people per day and safety protocol was enforced. Castle Rock Parks and Recreation and Lottery volunteers were in attendance. Drone footage was taken and presented that showcased the process of the project.
- JBC Update – Jennifer Anderson
Commissioner Clayton, Ms. Anderson, Mr. Seaver, Mr. Bewley and Kachina Weaver, from the Governor’s Office, recently had a meeting with representative Julie McCluskie of House District 61. At this point, they were unable to discuss decision items publically, so chose to talk generally about the Lottery and past years with difficulty getting items passed. Asked for ideas and suggestions on how to work better with the JBC on getting decision items passed as well as the impact of when items are not passed. About an hour was spent with Representative McCluskie, and she was very receptive and interested in the Lottery. She said she would be sure to reach out if there was anything that came up related to Lottery that she wanted more information on or had questions about.

The upcoming JBC briefing schedule has not been published publically but they are proposing that Lottery’s briefing be held on December 9, 2020 and the hearing be held on January 8, 2021. Lottery is currently scheduled to present with the rest of DOR. The goal is to reach out and meet with JBC members separately before the briefing and hearing. Chairwoman Peterson asked if a reason was given for not receiving a separate briefing. Ms. Anderson replied that it is unclear why Lottery will not have a separate briefing, as proposed by Senator Moreno this summer.

Commissioner Bensberg asked if Jean Robinson has been replaced yet. Ms. Anderson stated that an offer was made and accepted. The name hasn’t been released yet, but he should be starting in the next few weeks.

- Multi-State Games – Tom Seaver
There are potential changes to Powerball and Mega Millions and Lucky for Life – significant decisions are being made about the course these games are taking. Yesterday, there was a meeting with the MUSL board and a vote was made to extend Powerball to one additional drawing per week, on Mondays. Depending on ability of vendors, the change might start in August of 2021. It was felt that 7-day drawings would cannibalize in-state games. Many states are contacting Colorado asking how Lotto+ was revived. Drawings on Monday are a harmless way of moving forward and will increase sales by adding the extra

day. First drawing is planned to take place on August 23, 2021 – this gives time for IGT to update systems. It's a step in the right direction and not an overkill move by the Powerball group. Currently working with IGT to make sure it can get done.

Lucky for Life product is managed by New England states – we don't have a vote on how it's managed. Can only decide to keep or get rid of the game. The group decided it would do 7-day drawings. The game has a unique value proposition – doesn't compete directly with other in-state games. Worked through economic scenarios on what could happen if cannibalization happens. Colorado will make the change, happening in April 19, 2021, but will monitor sales very closely. If the game begins to effect in-state games, Colorado will exercise our exit rights and leave the game.

There could be other changes coming with Mega Millions, possibly responding to what Powerball does. Powerball will begin to sell in three Australian states, pending a licensing agreement with TabCorp and the MUSL group. A draft contract has been sent for review and, if approved, won't impact Colorado – Australians play jackpot much more vigorously than scratch and the U.S. is vice versa. Could see bump in sales and faster growing jackpots without much impact to Colorado. Will work with marketing due to impact on getting information out to customers.

- Return to Work Update – Tom Seaver
 Lottery currently has more than 70% of workforce working from home. Some big changes have been opening all claims centers by appointment only for prizes \$600 or more. Tickets worth \$600 or less can be redeemed at retailers – King Soopers and 7-Eleven being the better retailers at fulfilling those. No customer needs to mail in tickets but can if they want to. The Lottery will put the safety of its employees first. The warehouse has been working this entire time to get tickets out to retailers. Until there is more confidence with bringing people back into offices, it will remain as it's currently running. Lottery is exceeding the stated goal of having at least 50% of staff working from home. This goal was set by the Governor's Office. Sales reps are visiting retailers on a less frequent basis, including maintenance on terminals – IGT is going out on as-needed basis.
- Furloughs – Tom Seaver
 All state employees will be subject to furloughs except those making under \$50,000 per year, gross. There is an effort by the Governor's Office to protect employees with lower incomes. There is a graduated schedule that includes up to four furlough days for those making over \$140,000 per year, gross.

Furlough days can be taken starting November 1st. Each employee will have to take one in November, focusing on the day after Thanksgiving which was traditionally the governor's holiday. Employees have up until March 31, 2021 to take their additional furlough days, making sure to work with their supervisors. Lottery is making sure to maintain business needs – no office closures wherever possible. It was explained that every state employee, regardless of funding source, will take the required furlough days out of fairness to all state employees. Federally funded employees will also have furlough days. The philosophy is

making it a level playing field. Lottery will make a donation to its proceed beneficiaries with funds saved from furloughs. Agencies geared towards public safety and judicial are not taking furlough days.

- Office Space – Tom Seaver

Lottery is supporting the governor's objective of reducing the state footprint by one million square feet. The goal is to have a 50% permanent work from home workforce and means that less office space is needed. Lottery may move its Denver office out of the Denver Galleria and over to the Pierce Street office space, mostly occupied by DMV. There are three main concerns about proposal: legal concern – asked to move to Pierce to defray some of lease cost that DMV has on that building. Concerned that it's asking to use Lottery money to help DMV curb costs. Second concern is financial. Moving out to Pierce would cost at least \$100,000 between moving and renovations, adding a claims window – making it comparable to what we have now in the Galleria. There's nothing budgeted for an office move at this time. Lottery funds are doing ok, despite low jackpots, but this added expense would affect the Lottery's beneficiaries. Third concern is cultural – the Lottery has worked very hard to have a team that works together. Moving out to Pierce is far from where most staff live and there's concern that the culture of the Lottery could be compromised. It's a long distance to want to go out there just to have meetings. There's currently a survey being taken by staff to gauge their reaction to the proposed move. There will be a meeting coming up to discuss next steps. It's an important opportunity to let the Commission and staff know that the Lottery is working very hard to ensure its best interests are taken care of.

Vice Chair Podolski asked whether the Pierce location was a state owned facility. Ms. Anderson replied that the building is state owned and run by Capital Complex. DOR is wanting to provide more hoteling space, similar to a WeWork space. In doing so, DOR is trying to figure out the lease situation. The big problem with moving Lottery from the Galleria over to Pierce is the Lottery will have to pay moving costs and other costs related to the relocation out of its own pocket; however, the rent is comparable. Commissioner Bensberg suggested taking this issue and challenging it at a legal level.

Commissioner Clayton asked what ramifications there are to breaking the lease at the Galleria. Mr. Seaver responded that there is a clause which indicates a state agency can break a lease if moving into another state agency location.

Commissioner Maes expressed concern about sharing space and protecting the integrity of the work being performed. Asked how a legal issue would be resolved if the attorney general is representing both the DOR and Lottery. Ms. Anderson responded that the AG's office could represent both DOR and the Lottery Commission, as they would put up walls to avoid conflicts of interest.

Commissioner Bensberg asked how the other offices are affected. Mr. Seaver replied that only the Denver metro area is being looked at right now. The belief is that the Lottery will

grow over time and will need room to expand – another concern is that there is no room at Pierce to grow in the future.

Chairwoman Peterson asked when the employee survey results will be collected. Mr. Seaver responded that the survey will be completed by close of business on Friday.

Ms. Anderson said that if the Commissioners want to discuss this issue from a legal perspective, an executive session can be scheduled with the AG's office. A conversation with Heidi Humphreys, involving the commissioners, would be another possibility. The commissioners agreed that they would like to have Commissioner Maes attend the next meeting to discuss the move with Heidi Humphreys on October 20, 2020.

The Director's Report was concluded at 10:41 a.m.

Commission Items

- Chairwoman Peterson called for Commission Items. There was none.

Adjournment

Chairwoman Peterson adjourned the meeting at 10:42 a.m.

Heather Love

Completed by: Heather Love

11/12/2020

Date of Approval