

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, July 17, 2019, at the Denver Lottery Office, 720 Colorado Blvd., Denver, CO 80246 and via videoconference at the Pueblo Lottery Headquarters, 225 N. Main St., Pueblo, CO 81003. The meeting was called to order at 8:00 a.m., and was presided over by Chairman Jim Bensberg.

Attendees

In attendance were one (1) Chairman, three (3) Commissioners, fourteen (14) representatives from the Colorado Lottery, one (1) representative from Cactus, one (1) representative from Scientific Games (SGI), two (2) representatives from IGT, two (2) members of the public, and one (1) representative from the Attorney General's Office (AGO). One (1) Commissioner participated via teleconference.

Present Denver:

Jim Bensberg, Chairman
Dennis Maes, Commissioner
Stella Peterson, Vice Chair
Bill Clayton, Commissioner
Diane Boddicker, Lottery
Christian Hawley, Lottery
Tom Campbell, Lottery
Tom Hovat, Lottery
Todd Greco, Lottery
Summer Duncan, Cactus
Angela Saviano, SGI
Tyson Barr, IGT
Matt Cedor, IGT
David Skaggs, Denton's
Jessica Ross, AGO
Jennifer Anderson, Lottery
Tom Cargal, Lottery
Tom Seaver, Lottery
Trisha Macias, Lottery
Anna Zawisza, Volunteers for Outdoor Colorado

Present in Pueblo:

David Aldag, Lottery
Nancy Bartosz, Lottery
Mindy Chapman, Lottery
Cristi Gannon, Lottery
Carol Sanchez, Lottery

Via Teleconference:

Stan Podolski, Commissioner

Introductions & Welcome

Tom Seaver introduced David Aldag, Lottery Budget Manager.

Lottery Spotlight

Mr. Seaver announced new anticipated record sales of \$679M for FY19. Scratch experienced a strong year that will continue to be developed. A formal announcement ceremony of the record year will take place the morning of the August Commission meeting.

Christian Hawley presented a rough cut of the Frenzy Scratch ticket commercial that will go live on July 29th. The Frenzy Scratch games are becoming an industry best practice.

Approval of Minutes

A motion was made by Commissioner Maes to approve the minutes for the Commission Meeting held on June 12, 2019 and was seconded by Commissioner Clayton. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Permanent Rules Changes, presented by Trisha Macias;

- Rule 10.A. – In-State Jackpot Game – Colorado Lotto
- Rule 10.G. – In-State Jackpot Game – Colorado Lotto Plus
- Rule 14.A. – Multi-State Jackpot Game – Powerball
- Rule 14.B. – Multi-State Jackpot Game – Powerball Power Play
- Rule 14.E. – Multi-State Jackpot Game – Lucky For Life

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

Approval of Scratch Game Guidelines, presented by Trisha Macias;

- Game #136 \$20 Back Scratch Gold

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

Approval of Repeal of Scratch Games, presented by Trisha Macias;

- Game #833 Money Money Money
- Game #869 Willy Wonka Golden Ticket

Commissioner Maes asked of the differing financial performances between the two repealed games. Todd Greco explained that the games had different price points, Money Money Money offered lower payouts, and licensing fees had to be paid on Willy Wonka. Licensing fees lower game profitability but expand the player base.

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.

Financial Reports

Cristi Gannon presented financials for the ten (10) months ended April 30, 2019. Gross ticket sales YTD at the end of April came in at over \$568.6M and proceeds at just over \$141.9M. Proceeds distribution YTD at the end of April were \$68.49M to GOCO, which was at the cap for the year, just over \$56.7M to the Conservation Trust Fund, just under \$14.2M to Colorado Parks and Wildlife, and \$2.47M in spillover to BEST. Sales for the month of April only came in at \$55.1M and proceeds were distributed at \$11.9M.

Actual sales are listed on the projection sheet through the end of FY19. Total sales ended at \$679,779,611.00. Of this total Scratch sales were \$402.9M and Jackpot Sales were \$236.36M. Jackpot hits for the months of April, May and June came on June 1st in Powerball and on June 7th in Mega Millions. There were no Lotto jackpot hits during this same time. The projection amount of spillover to BEST is still around \$14M through the end of the fiscal year. May and June prize expense are not finalized on the projections sheet.

Nancy Bartosz estimated the GOCO cap to have been hit on April 17th.

Jackpot and Scratch Game Performance

Mr. Greco reported that Mega Millions and Powerball had large jackpot hits this year resulting in June sales being down in both to end FY19 and begin FY20. In-state Jackpot games were up in May. Mr. Seaver reiterated that Jackpot sales performance is at the mercy of how well multi-state games perform and added that the changes to Colorado Lotto just approved by the Commission will reduce that dependence.

Mr. Greco continued that Scratch sales were up \$48.6M up to goal. \$5 Scratch used to be the best selling category and still produces the most sales, but in FY19 \$10 Scratch exploded with Willy Wonka and the Blow Out and Multiplier games to almost become an entry level category. Increases of combined sales in the \$10 and \$50 games basically provided the \$40M increase in Scratch for the year. The \$5 Monopoly game launched in June and is averaging over \$1M per week. The Blowout game increased June sales and more inventory has been added. It is selling between \$800K and \$1M per week. The \$50 game just had the last \$3M prize hit the last week of the fiscal year. A new \$50 game will be introduced next week.

Mr. Seaver noted the strength of higher price point games. Some states are now offering two \$50 games in the market at the same time.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #137 \$5 Super Special BONGO Bonus Bingo
- Game #138 \$10 Triple Red 777
- Game #139 \$10 \$250,000 Xword

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

Director's Report

- **Volunteers for Outdoor Colorado Update**
Anna Zawisza provided an annual update of Volunteers for Outdoor Colorado (VOC). VOC operates on a \$1.5M budget aimed at sharing conservation best practices and increasing volunteerism and stewardship in the state. Seventy to ninety percent of Coloradans utilize outdoor spaces yet less than one percent volunteer toward conservation efforts. VOC's relationship with the Lottery began in 1988. Lottery has been a season and project sponsor. Last year's project was the trail extension to Floyd Hill Open Space in Clear Creek County. VOC and Lottery have aligned values, with VOC working to enable the ways Colorado plays. Lottery is a recognized supporter at volunteer events and in their annual report.
- **Security/Investigations 4th Quarter Recap**
Jennifer Anderson provided a recap in Mike Cuento's absence. Recommendations from last year's Performance Audit have all been implemented and evidence will be presented before the Legislative Audit Committee in the fall.

Commissioner Clayton asked what is involved in compliance investigations and what the noncompliance rate indicates. Ms. Anderson responded that they are twenty to thirty minute visits with the retailer on a two year visit cycle to ensure ticket security and inventory tracking is in compliance. Mr. Seaver added that noncompliance rates are generally driven by independent retailers who do not track their inventory as stringently as chain retailers. Compliance investigators and sales reps work to remediate noncompliant retailers and explain the risks of not tracking inventory.

- **National Coalition on Problem Gambling Conference**
Several Lottery staff are participating in and volunteering at the NCPG Conference hosted in Denver this week. Lottery sponsored the conference monetarily and is providing staff to assist with conference logistics. Mr. Seaver will provide introductory comments to conference attendees later this week.
- **Crazy French Ranch Celebration**
The City of Trinidad, Trust for Public Land, and Nature Conservancy will receive a Starburst Award on August 2nd for their work in obtaining the Crazy French Ranch. Lottery provided funds toward the closing of the land and has pledged additional money to help build the infrastructure for it to become a state park.
- **NASPL Directors' Meeting Recap**
Mr. Seaver was among thirty six of forty five Lottery directors at their annual meeting to discuss trends in the industry and report on the status of last year's trends. NASPL is discussing internally whether the industry needs its own lobbyist at the federal level following the recent controversy over the Wire Act. There may be voluntary enhancements to Mega Millions in the coming year. Similar changes to Colorado Lotto will be launched in September of this year.

The impact of sports betting was also discussed. Angie Saviano shared that results from studies on the cannibalization on lottery products by sports betting and player predicted behaviors are still a little early. Every state has a different structure to provide sports betting. Sports betting in Colorado falls under Gaming.

The Director's Report was concluded at 9:36 a.m.

Commission Items

- The FY20 Commission Meeting Schedule was distributed.
- FY20 Commission Officers Election
Commissioner Maes made a motion to nominate Chair Bensberg and Vice Chair Peterson for second terms. Commissioner Clayton seconded. The motion passed unanimously.
- Commissioner Maes noted that the Court of Appeals resolved the Massihzadeh matter in the Lottery's favor. All points counsel relied on were sustained by the court.

Public Comment

Chairman Bensberg asked for Public Comment. There was none.

Executive Session

Vice Chair Peterson made a motion that the Commission enter into Executive Session for the purpose of conferencing with counsel pursuant to C.R.S. 24-6-402(3)(a)(IV) concerning operations of Jackpocket, Inc. in Colorado. Commissioner Maes seconded. There was no discussion and the motion passed unanimously. No decisions or votes were made in Executive Session. Executive Session ended at 10:40 a.m.

Adjournment

Chairman Bensberg adjourned the meeting at 10:41 a.m.



Completed by: Trisha Macias



Date of Approval