

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, September 9, 2020, via Zoom. Due to technical issues, the meeting was called to order at 9:10 a.m., and was presided over by Chairwoman Peterson.

Attendees

In attendance were the following:

Stella Peterson – Chairwoman	Jay Sisson – Lottery
Stan Podolski – Vice Chairman	Jennifer Anderson – Lottery
Hon. Dennis Maes – Commissioner	Jessica Ross – AGO
Jim Bensberg – Commissioner	Joe Conrad – Cactus
Bill Clayton – Commissioner	John Paller – Opolis
Carol Sanchez – Lottery	Lauren Kramp – Lottery
Chris Schroll – Lottery	Marie Valtakis – Lottery
Christian Hawley – Lottery	Meghan Dougherty – Lottery
Clint Petrun – Lottery	Mindy Chapman – Lottery
Cristi Gannon - Lottery	Nancy Bartosz – Lottery
Daniel Bewley – Lottery	Summer Duncan – Cactus
David Aldag – Lottery	Todd Greco – Lottery
Diane Boddicker – Lottery	Tom Campbell - Lottery
Dwayne Wilson – IGT	Tom Seaver – Lottery
Emily Stewart – Lottery	Tyson Barr – IGT
Ethan Nosky - Cactus	Wendy Weldon – Lottery
Heather Love – Lottery	

Introductions and Welcome

Tom Seaver announced that the Colorado Lottery family has lost Joel Messmer, who had been with the lottery since 1993. He was an incredibly positive influence who will be sorely missed.

Mr. Seaver also announced the lottery's new Research Manager, Mike Strasser, who brings with him a strong research and analytics background. The lottery is excited to have him on board and is looking forward to his contributions.

Hackathon Winners Presentation

Mr. Seaver stated the Hackathon was a very big event, and a first, for the Colorado Lottery. It was a way to bring fresh ideas and new games to the lottery, to help broaden the player base.

John Pallar, from ETHDenver and Opolis, presented the winning entries from this year's Hackathon. Every February, the largest block chain Hackathon is held and, this year, they were asked to produce an event for the Colorado Lottery. There were 209 unique participants from twenty-five U.S. states and eighteen countries. Mr. Pallar presented a video highlighting the closing ceremony which included announcing the three winners of this year's Hackathon. In third place was Roll-E-O from Agartha Games in Colorado; in second place was Blackbeard's Booty from Covideo Games in California; and, in first place was "Peaks and Rivers" from Pichya Games in New Jersey. There were 30 total game submissions and the quality was incredibly high – with seven or eight games being considered "top drawer." Mr. Pallar thanked IGT and the lottery team for helping out. Another project is in the works in coordination with the state, but has not been formally announced yet.

Chairwoman Peterson asked about the press release regarding the Hackathon and the title of the article – if the Lottery had funded the competition, would there be opportunity to share the article with more of a Lottery driven presence. Mr. Pallar responded that the article was created in conjunction with Meghan Dougherty and the communications team at the lottery. The article shown at the meeting is also part of Medium.com, which is an account owned by ETHDenver and they have a specific following of around 5,000 people internationally. The media strategy was agreed upon over weeks and week, collaboratively. Ms. Dougherty added that a press release was sent by ETHDenver to attract their community, followed by a press release that was all about Colorado Lottery and the strategy behind the competition. The article being presented at the meeting is just about the winners of the competition, by the group that helped organize and run the event. Other articles were ran locally and nationally, both in lottery and tech trades. The Colorado Lottery has always been presented as the "host" of the competition in articles and media that isn't necessarily reflected on the article being presented, as it's on the ETHDenver side.

Public Comment

Chairwoman Peterson called for public comment. There was none.

Lottery Spotlight

Christian Hawley presented the new video that highlights the Colorado Lottery player demographics. This video was put together largely by the communications team, Daniel Bewley and Meghan Dougherty. It was a large task to make demographics fun again and to reflect the diversity of players within the state. An example is 90% of players have a college education – not all players are "old", with three-fourths being between the ages of 18-54. Cactus also helped put the video together in a fun, lighthearted and informative way.

Joe Conrad, Cactus, included that this video is a great project because it's foundational to the strategy of broadening the appeal of the Colorado Lottery to more people. It helps break stigmas, introduce game designs and will help, as a brand, to increase the number of players. Chairwoman Peterson asked where the video can be viewed or if it would be an internal-use video. Ms. Hawley responded that the video is on the Colorado Lottery website as well as the lottery's Youtube channel. No advertising dollars were used because the video is intended as an educational and informative piece. Chairwoman Peterson added that her only concern and

feedback is that the video could have included more of a message regarding being here for everyone – encouraging more diverse people to want to play. It was exciting to hear the story and that it is a diverse player community.

Ms. Dougherty added that we wanted to compare the lottery player demographics with Colorado demographics as whole and maintain consistency between the two.

Commissioner Clayton added that the video would make a great commercial and says what the lottery is all about.

Mr. Bewley added the video is planned on being used when out and about because it's an easy, one-minute video, with a lot of good information. The video will also be utilized at meetings with legislature and other things to help dispel myths surrounding the lottery.

Mr. Seaver included that visibility is reduced, due to circumstances, but will have a tremendous amount of value because it gives an opportunity to tell the lottery's story – how fair, even and well-distributed the player ship is.

Mr. Conrad suggested using paid social to promote the video. Chairwoman Peterson reiterated that, if used in social, incorporating the message that the Colorado Lottery is here for everyone would be a great addition. Ms. Dougherty responded that the message could easily be included if used as a social piece.

Approval of Minutes

A motion to approve the minutes from the August 12, 2020 lottery Commission meeting was made by Commissioner Clayton and seconded by Vice Chairman Podolski. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- Game #180 \$10 Wild Cash
- Game #181 \$1 Tic Tac Toe Tripler
- Game #182 \$2 Fireball 5s
- Game #183 \$5 Power Shot
- Game #184 \$5 James Bond 007™
- Game #185 \$10 James Bond 007™

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

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

- Game #115 \$5 Super Special Ultra Fun Bingo

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

FY20 Projected Sales, Expenses, and Disbursements

David Aldag reported that there is not much to present on due to only being in the first part of the fiscal year. Graphs are included that show last fiscal year and this year's target line for scratch and jackpot. Scratch is where it should be as far as weekly goals. Jackpot, because of Powerball and Mega Millions not rolling over, is lagging behind. For beneficiaries, the GOCO cap is at \$71.7 Million – just up 1.92% over last year.

Mr. Aldag added that there are no particular concerns about expenditures at this point. This year, travel and research appropriations will be combined into operations. The JBC did not approve the marketing appropriations to be combined into operations. This gives a little more flexibility in the operations area this year, especially with the expectation of travel expenses being down, compared to prior years. Staffing wise, there are currently six or seven positions open – they are in various stages of being hired. Due to staffing situations during COVID-19, some positions have been elected to wait on filling.

Chairwoman Peterson asked whether there were particularly strict rules on traveling. Mr. Aldag responded that the state is under a complete travel restriction, in terms of out of state travel. In-state travel is restricted to an as-needed basis.

Jennifer Anderson added that in-state travel now requires special approval from supervisor; whereas, it previously did not. In-state travel is still allowed to meet business needs and to ensure the staff's safety when they have to drive long distances. However, it is not being required of anyone, and if they don't feel comfortable staying in a hotel.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #188 \$20 Millions Series IX

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

Scratch Game Performance

Mr. Greco reported that the month of August was another stellar month – sales were at \$45.7 Million, up \$1.2 Million, compared to July. Usually, the first quarter of year is the weakest sales period and it's not unusual for scratch sales to be down during the first quarter of the fiscal year. This year, so far, scratch is at about \$2 Million ahead of the goal through the first two months of the fiscal year. Compared to last year's sales, scratch is up \$6 Million dollars. There was a boost from the cash family games, the new \$50 game and the new \$20 crossword game. The momentum will continue with the launching of the Willy Wonka game in November. Then, the holiday games will come out in November and a new series of family games out in January.

Jackpot Game Performance

Jay Sisson reported that the month of August was not as great as scratch – down about .07%, around \$100,000 behind July. Compared to last August, jackpot sales are up \$1 Million. During the months of July and August, the Powerball jackpots have remained pretty even. Mega Millions is where the \$100,000 loss came from, with the average jackpot only being \$38.9 Million, compared to \$76.5 Million in July. There was one Powerball winner on August 12th in Florida, with the fiscal year’s highest jackpot of \$169 Million. For the current fiscal year, jackpot is 15.37% behind projection, down \$5.9 Million – 94% of that amount is due to Powerball and Mega Millions. Colorado Lotto+ and Lucky for Life are ahead of projections, with the amount of projections being slightly lower. Cash 5 and Pick 3 are down but not a lot – about \$260,000 of the \$5.9 Million is from Cash 5 and Pick 3 sales. Powerball and Mega Millions only account for around 47% of sales for jackpot games during the current fiscal year, resulting in Lucky for Life and in-state games pulling 53% of sales. For total percentage of jackpot sales, Colorado Lotto+ sits at second place, right behind Powerball. Powerball is at 28.7%, Lotto is at 23.5%, Mega Millions is down at 18.5%, Cash 5 at 11% and lastly, both Pick 3 and Lucky for Life at 9%.

Mr. Seaver added that Lotto+ has been a bright spot in the lineup of products for almost a year, since being redesigned. Mr. Sisson presented to MUSL group regarding success stories in the jackpot game group – Lotto+ was acknowledged for its success and MUSL asked how the change has helped the Colorado Lottery and what that meant. Powerball and Mega Millions is dragging everyone down but important to remember that bounce back is possible, if the jackpot would roll over.

Mr. Sisson concluded with the Lotto+ currently being tied at having the largest jackpot, since starting in September 2019, at \$5 Million. The other time Lotto+ had a \$5 Million jackpot was back in December 2019. Mr. Conrad added that it had been attempted to revive Lotto+ for a long time and that he hopes to see jackpots climb past \$5 Million. The goal is to try and cross-promote in-state games and gain awareness.

Director’s Report

- 2020 “Runyon to the Res” Update - Marie Valtakis

Ms. Valtakis reported that they are about a month out from the second annual “Runyon to the Res” cleanup event on October 10th. Volunteers will be cleaning almost eight miles along the Arkansas River, spanning a great area that allows the lottery to partner with CPW, the Sangre de Cristo chapter of the Sierra Club, Nature and Wildlife Discovery Center and Pueblo Parks and Rec. There will be up to 125 volunteers who will meet their zone captains assigned throughout the eight miles. Volunteers will be capped to no more than ten per zone. Supplies will include lottery masks, personal hand sanitizer, t-shirts, tools, breakfast burrito and more upon check-in. Volunteers will clean the area and then return to City Park because it allows for more people to attend and facilitates social distancing. Registration opens on Thursday for anyone that is interested. Volunteers will be screened, temperatures taken, given a symptoms checklist, etc.

Mr. Seaver added that CPW reports being up 30% over what is normally experienced during this time of year, due to COVID-19. Outdoor spaces take a tremendous amount of pressure, recreationally, and it's a really important project for the lottery to show that the lottery cares about conservation and not just a funding source but a partner. Last year was very uplifting and a difference can be seen with the impact it makes in keeping this resource clean and available for the people in Colorado.

- Commerce City Park Opening – Daniel Bewley

Mr. Bewley presented photos surrounding the opening of Commerce City Park. There was a grand re-opening of the Commerce City Veterans Memorial Park and was the first in-person event for Mr. Bewley since starting with the lottery. It was a fun event with plenty of safety precautions in place. The renovations totaled \$3.1 Million for the park, which opened in 1971, with the selling point of making the park accessible to all. Commerce City leaders shared heart-felt stories during the ceremony regarding their experience with the park and wanting to preserve that for future generations. The park is 2.6 acres and located next to the Eagle Point Rec Center. Over a 50-year span, the park has slowly grown with support from the Colorado Lottery, GOCO grants and local affairs.

- New Compliance Process – Chris Schroll

Mr. Schroll reported that the compliance program has been moved to an online certification with the retailer group and will be getting the message out to retailers via terminal message, mailers, direct communications, etc. Since September 1st, more than thirty retailers have successfully met their compliance requirements. On-site visits are reserved for those retailers who are facing challenges with inventory or have questions about what is going on. It's important to make sure that any retailers having issues with being licensed in the state of Colorado are supported to give them success with providing lottery products in the state of Colorado.

Mr. Seaver added that it's a very practical and common sense solution for the compliance team in working with retailers, many of them being chains or franchises. It makes better use of the skilled investigators to prioritize retailers that need the most support. It's a good program with cost and time savings. Ms. Anderson seconded Mr. Seaver's comments, adding that the compliance team came up with the idea to offer these services online before COVID-19 and commended Mr. Schroll and his team for being so proactive about making services virtual, efficient and streamlined for retailers.

- GT20s Installation and New Menu Board – Tom Campbell

Mr. Campbell reported that nineteen of thirty Walmart Supercenters have had installations completed. Installations will be completed by September 21st and stores are very excited that the Colorado Lottery are now in Walmart. Stores are averaging about \$1,000 per week in sales, per store.

Circle K has a thirty-two game menu board implemented as an addition to in-counter displays, allowing customers to see the games prior to reaching the cash register and speeding up transactions. There is 188 Circle K stores and around eighty are being

targeted, with the first twenty installations happening within the next couple of weeks. This project has been worked on with different chains over the last several years. Mr. Seaver added that menu boards are an industry best practice and have been around. Retailers will find that the menu boards will pay for themselves, being placed next to the point of sale area, helping customers make their purchases before reaching the counter.

The Director's Report was concluded at 9:29 a.m.

Commission Items

- Commissioner Maes stated that he's impressed with the enthusiasm the lottery staff brings to every project. Continuously amazed at the effort and vision and desire to keep getting better at what we're doing. Chairwoman Peterson echoed the sentiments of Commissioner Maes, that it's exciting to be a part of this group. The great work is reflected in the continued revenue and different projects that are being worked on.
- Commissioner Clayton asked Mr. Aldag about the amount of money being sent to OIT - operating expenses went from 2.7% to 6% and unsure of why the expenses are going up with OIT. Mr. Aldag responded that there was a big jump from FY19 to FY20 because of staffing changes. The amount of detail that is provided in terms of OIT charges is fairly limited. Due to a two-step process, OIT allocates to state level departments first, then the department allocates to divisions from there – so, the lottery's allocation comes from the Department of Revenue. Information regarding what is being allocated to DOR is limited. There is anticipation of a true-up, a reduction of costs, for FY22 or FY23, of any FY20 costs where we were over allocated. OIT is rolling out a plan to do real-time billing as opposed to projected billing. There was a true-up from FY19 and there were some outstanding costs that reached the lottery. Commissioner Clayton expressed concern about DOR treating the lottery the same as other divisions within the department and not acknowledging that the lottery has recipients that could be receiving money that is being taken for OIT. Ms. Anderson added that there were some vacancy savings from FY19 and now that the entire OIT staff has transitioned to OIT, the Lottery expects to see a credit from OIT for the over-payment as part of the true-up process. Commissioner Clayton asked why it takes two years for OIT to return money that is owed. Ms. Anderson responded that, according to OIT, it would be difficult for them to refund money right away. However, they recognize the inherent problems in the current system, and they are transitioning to real-time billing which will be more transparent – it may be a little messy during the transition, but the lottery believes it will still receive the true-up that is expected. David is tracking our over-payments to ensure we receive the proper credit. Chairwoman Peterson requested that the lottery ask the new director of OIT to attend and present information at a future Commission meeting to better explain the billing process.
- Vice Chairman Podolski asked Nancy Bartosz and Cristi Gannon about an audit update. Ms. Bartosz stated they are continuing to review the report – the final piece is the pension footnote and that it's very extensive and takes time. The next step will be going to auditors next week and from there, to the state auditors. They are optimistic and getting close to ending. Have not heard anything from auditors during process – nothing brought to fiscal's

attention to be concerned about and hopeful that means that lottery will get a clean audit again this year.

- Vice Chairman Podolski asked about Lu Cordova's replacement. Mr. Seaver responded that the position is getting ready to post and Heidi Humphreys is acting as the interim director for now. It may be a recruiting process and for the next two or three months, it can be expected that Heidi will act as the interim director until a replacement is found.

Adjournment

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



Completed by: Heather Love

10/14/20

Date of Approval