

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Thursday, November 12th, 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 Stan Podolski - Vice Chair	Emily Stewart – Lottery
Bill Clayton - Commissioner	Ethan Noskey – Cactus
Hon. Dennis Maes – Commissioner	Heather Love – Lottery
Jim Bensberg - Commissioner	Heidi Humphreys – EDO
Alison Blaire – AGO	Jay Sisson – Lottery
Byron Martinez – Lottery	Jennifer Anderson – Lottery
Carol Romanski – Lottery	Meghan Dougherty – Lottery
Carol Sanchez – Lottery	Nancy Bartosz – Lottery
Chris Schroll – Lottery	Robert Dodd – AGO
Cristi Gannon – Lottery	Summer Duncan – Cactus
Daniel Bewley – Lottery	Todd Greco – Lottery
David Aldag – Lottery	Tom Seaver – Lottery
Diane Boddicker – Lottery Dwayne Wilson – IGT	Tyson Barr – IGT

Introductions and Welcome

Public Comment

Chairwoman Peterson called for public comment. There was none.

Lottery Spotlight

Summer Duncan, Cactus, presented on behalf of Christian Hawley. Ms. Duncan presented a holiday commercial which included a singer following a couple around for the holidays and singing about observations ranging from meeting the parents to re-gifting. This commercial showcases the current holiday games Lottery is offering.

Tom Seaver included that Colorado was one of the first Lotteries to shoot commercials during the pandemic. Safety was of utmost importance when doing commercial shoots. Ms. Duncan added that they worked with SAG and came up with careful guidelines in terms of distancing, testing, etc. Everyone had to wear an N95 mask at all times and actors were tested for COVID-19. There were also extra days built in for professional services to go in to clean and disinfect and there was no open food on set. Those that weren't essential on set worked remotely. Ms.

Duncan felt really safe and appreciated the amount of effort put in for protecting everyone. Another shoot is coming up in the next couple of weeks and she feels even more confident going into the next shoot. Mr. Seaver added that the VR shoot in Kim also included an EMT on site, making sure protocols were being followed; he feels confident that everything is being done to make commercial shoots safe.

Approval of Minutes

A motion to approve the minutes from the October 14, 2020 Lottery Commission meeting was made by Vice Chair Podolski and seconded by Commissioner Maes. The motion passed unanimously.

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Emily Stewart;

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

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

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

- Game #868 \$20 Back Scratch Series II
- Game #131 \$1 Reindeer Riche\$
- Game #132 \$2 Snow Me The Money
- Game #133 \$3 Holiday Winning\$
- Game #134 \$5 Holiday Gold
- Game #138 \$10 Triple Red 777

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

FY21 Projected Sales, Expenses, and Disbursements

David Adlag reported that Lottery has exceeded sales every week this year versus last year for scratch and jackpot, with one or two weeks being an exception. Sales targets are aggressive but sales are running high every single week. The last week of September dropped off and the first week of October came back up and is on the right track. Chairwoman Peterson asked if these targets were made prior to COVID-19 and if adjustments are being made with current situations. Mr. Seaver replied that we're staying within our goal but if another stay at home order is put in place, it will damage the chances of reaching our goal. Mr. Adlag concluded that we're still going forward with game plans for the year and that changes to Powerball and Lucky for Life won't come until the next fiscal year, in August.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #189 \$1 \$10,000 Casino Nights
- Game #190 \$2 \$20,000 Casino Nights
- Game #191 \$5 \$100,000 Casino Nights
- Game #193 \$20 \$1 Million Casino Nights
- Game #194 \$1 7-11-21

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 that this time last year we were down almost \$10 million to goal, putting it into perspective how well we've done so far this fiscal year with only being down about \$1 million. Holiday game sales have generated over \$6 million in sales. At the end of the month, the two Bond games are coming out and there will be a tier-2 advertising campaign for those. January has the Mayhem game coming out, which correlates with the upcoming commercial shoot mentioned earlier.

Jackpot Game Performance

Jay Sisson reported that October was a good month for jackpot games, specifically with Lotto+. Up \$1.8 Million in October over September, with \$16 Million total sales. Other state products were down but Lotto+ is picking up more players. No jackpots won during October for Powerball, Mega Millions or Lotto+. Currently at \$9.5 Million jackpot for Lotto+, biggest jackpot since October 15, 2016. The last time \$9.9 Million was reached wasn't since 2011. The revised Lotto game is going really well. Started on June 4th with the current jackpot run – on the 46th drawing, 23 weeks of drawings without a jackpot hit.

Last month we were 14.27% behind on jackpot games to goal, this month is 11.75% behind. Down \$8.5 Million to goal - \$11.4 Million are from Mega Millions and Powerball. Lotto+ is ahead of projection by \$3.6 Million. \$40 Million was the goal for Lotto+ and we're projected to do \$50 Million. On the 8th week of over \$1 Million in sales for Lotto+ - Powerball and Mega Millions jackpots are growing, now in the \$160 Million range. Powerball broke \$1 Million in sales last week. Lotto+ is at 28% of all sales, leading the charge. PB is at 26% and MM is at 17% of sales. Lucky for Life is the lowest percentage of sales on the list.

Commissioner Maes asked what happened with Lucky for Life performing low. Mr. Sisson responded that Lucky for Life, in years past, had a lot of advertising power behind it. This fiscal year, there hasn't been any advertising done for Lucky for Life due to promoting Lotto+. Only \$700,000 behind to projection with Lucky for Life. The game offers a different winning experience and Colorado Lottery isn't pushing the game. It will be interesting to see what happens to the game with the upcoming changes. Mr. Seaver added that Colorado has never had a top prize winner with Lucky for Life. Players stop believing they can win when their state hasn't had a winner. Some states are doing well with the game because they have been able

to produce winners. Moving to drawings seven days per week may give the game better sales but may also reduce the amount of play per drawing.

Director's Report

- Fisher Peak State Park Soft Opening – Jennifer Anderson
Ms. Anderson reported that herself, Commissioner Bensberg and Commissioner Clayton traveled to Trinidad for the soft opening of Colorado's newest state park. The Lottery received recognition from Governor Polis, DNR and others for contributing over \$17 Million for the project. The Colorado Lottery face masks were a big hit with attendees at the event. Commissioner Clayton agreed that it was a great event and a lot of publicity was given surrounding the event.
- NASPL "Batchy Awards" – Meghan Dougherty
Ms. Dougherty reported that the "Batchy Awards" were named after Ralph Batch who was a big Lottery proponent, having a hand in the New Jersey, Illinois and Delaware Lotteries. The award recognizes advertising that upholds the level of quality that Ralph Batch expected. This year's category was staff or external communications and Colorado Lottery submitted last year's annual report. The goal was to redesign the report to be more true to our conservation pillar. Past years included many pages and the redesign helped reduce the number of pages down to four. Mr. Seaver added that going to the smaller format saved a lot of trees, keeping us in line with our conservation efforts.
- FY22 Decision Items – David Aldag
Mr. Aldag reported that the request was to adjust contracting strategy with the scratch game vendor to move towards an incentive base and offering more types of game play to customers through monitor games. The scratch vendor also offers additional services that Lottery could tap into.

For FY22, Lottery is asking the JBC to allow an increase in spending authority because all of Lottery's money comes out of proceeds. Lottery would be increasing spending authority by \$16.9 Million but not all of it would be spent unless sales reach the projected targets; if targets aren't reached, the amount spent on vendors would also be down because of the percentage based contract. There would be an increase \$2.75 in marketing for upcoming monitor games, \$12 Million in vendor fees and \$8.6 Million in retailer compensation for additional projected sales. There would also be a decrease of \$6.6 in ticket costs which would be rolled into vendor fees. Projecting about a \$7.2 Million increase for beneficiary proceeds for FY22 and \$19.6 Million for FY23.

Mr. Seaver added that monitor games are the untapped category for Colorado Lottery and would reach out to new points of sale. It's estimated that 250 new retailers would start out because of Keno and monitor games and they would mostly be bars, restaurants and independent businesses, which is an underpenetrated area of business that Lottery partners with. Nineteen other states sell monitor games and do a very good job. Colorado Lottery has the advantage of learning from the states who have monitor games in place by learning from their mistakes and what they did well. Scientific Games can bring a lot of

services that haven't been looked at because of the current contract. At this point, Lottery is just asking JBC for the spending authority to move forward with planning.

Ms. Anderson added that asking for the spending authority is where the process begins. The commission would still have to approve monitor games, and the contracts with the vendor will still need to be negotiated. The Lottery is the number one prioritized decision item for the department. There are two new members on the JBC that the Lottery can talk to and build rapport with. Daniel Bewley put together a stakeholder list of all the groups that would have interest in this decision item. Will be working aggressively with Cooper Reveley, the new legislative liaison.

Commissioner Podolski asked if there were concerns about putting these machines into bars and other locations. Mr. Seaver responded that it's hard to say – bars and restaurants view this as an additional source of income. Having a broader footprint is good for the Lottery and adds to the social responsibility. Ms. Anderson added that while Walmart may have a stigma around it, bars and restaurants generally don't. Lottery will still have to be cautious in its recruitment efforts to ensure that we are not targeting bars and restaurants in lower-income neighborhoods.

Ms. Humphreys added that she is optimistic with this move and so is the Governor's office. The Walmart decision item was surprising and a narrow request. This decision item is a much bigger package and more foundation with conservation and helping bars and restaurants that have suffered from the pandemic.

Commissioner Podolski asked if there was a particular state to look at that has a good monitor game program. Mr. Seaver responded that Pennsylvania has a good program. The difficult part of recommending an eastern state as a model is that their neighborhoods and markets are different from Colorado. Something beneficial about Keno is that promotions and features can be added and the format is pretty universal across jurisdictions.

Mr. Bewley added that the Hackathon, held this past summer, was to introduce new and innovative monitor games that could draw in more types of new players. The three winners chosen had exciting games and a lot of potential for the new monitor games. Mr. Seaver added that Keno is easy to teach, it's fun and fast. Once monitor games are in place, the Lottery can cater to players and what they want.

The Director's Report was concluded at 9:12 a.m.

Commission Items

- Chairwoman Peterson suggested that the commissioners come together and send a treat to the Lottery staff who report in-office, as a thank you for their continued hard work. The other commissioners are in favor of the idea and it was decided that the commissioners will each send Mr. Seaver \$50 to procure treats. The food will have to be individually wrapped so as not to cause cross-contamination.

- Ms. Humphreys presented a slideshow on the current status of COVID-19 in Colorado. The Governor’s office is incredibly concerned about the pandemic at this time. The slides included statistics showing the increase in positive cases which can be attributed to colder weather and staying indoors as well as the fatigue surrounding COVID-19 and people lowering their guard. Hospitalizations have grown since the summer and is at its highest, which is very concerning to public health officials and the Governor. Deaths from COVID-19 were high in April and May – since then, hospitals have learned how to care for patients in a more effective way but the number of deaths is rising again. At the county level, there are a number of counties that should be at stay-at-home level again but are trying to mitigate things before getting to that point again. The number of increased cases include a high number of younger individuals, between 20-39 years old, and hospitalizations include a high number of older individuals, between 40-64 and 65+ years old.

Another concerning thing was the underestimated projection compared to actual data for behavior. If there is no change in social distancing over the holidays, it’s estimated that there could be as much as 2,000 ICU needs, at the peak, and perhaps 8,500 deaths. Currently under 3,000 deaths but the holidays could make a big difference. Individuals should only interact with those in their immediate household, wear a mask and stay home if sick. There’s also a new notification system for contact tracing – it uses tokens and not GPS tracking.

Adjournment

Chairwoman Peterson adjourned the meeting at 9:54 a.m.

Heather Love

Completed by: Heather Love

12/09/2020

Date of Approval