

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, October 9, 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 8:02 a.m., and was presided over by Chairman Jim Bensberg.

Attendees

In attendance were one (1) Chair, two (2) Commissioners, twelve (12) representatives from the Colorado Lottery, three (3) representatives from Pollard, one (1) representative from Cactus, one (1) representative from IGT, and one (1) representative from the Attorney General's Office (AGO).

Present Denver:

Stella Peterson, Vice Chair
Stan Podolski, Commissioner
Diane Boddicker, Lottery
Dave Aldag, Lottery
Tom Campbell, Lottery
Paul Shea, Pollard
Byron Peterson, Pollard
Robin Williams, Pollard
Todd Greco, Lottery
Christian Hawley, Lottery
Summer Duncan, Cactus
Dwayne Wilson, IGT
Jessica Ross, AGO
Tom Cargal, Lottery
Tom Seaver, Lottery
Trisha Macias, Lottery

Present in Pueblo:

Jim Bensberg, Chairman
Cristi Gannon, Lottery
Jay Sisson, Lottery
Nancy Bartosz, Lottery
Carol Sanchez, Lottery

Lottery Spotlight

Christian Hawley presented digital content currently running for Lotto+. The ads are performing well on digital platforms.

Approval of Minutes

A motion was made by Commissioner Podolski to approve the minutes for the Commission Meeting held on September 11, 2019 and was seconded by Vice Chair Peterson. The motion passed unanimously.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #143 \$1 eXtreme Match

- Game #144 \$2 eXtreme Bucks
- Game #145 \$5 eXtreme Wins
- Game #146 \$10 eXtreme Money
- Game #147 \$20 eXtreme Cash
- Game #152 \$10 Pay Me!

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

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Trisha Macias;

- Game #141 \$1 7-11-21
- Game #142 \$2 Super 7-11-21
- Game #143 \$1 eXtreme Match
- Game #144 \$2 eXtreme Bucks
- Game #145 \$5 eXtreme Wins
- Game #146 \$10 eXtreme Money
- Game #147 \$20 eXtreme Cash
- Game #148 \$3 Loteria
- Game #152 \$10 Pay Me!

Ms. Macias noted corrections to the Price Point, Top Prize, Prize Payout, Inventory and Overall Odds of Winning for Games 145, 146, and 147, as they were listed incorrectly in the Commission Memo.

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

Financial Reports

Cristi Gannon presented financials for the one month ended July 31, 2019, the first month of FY20. Financials show gross tickets sales YTD at \$58.3M and proceeds distribution at \$8.2M. Two Scratch game Second-Chance drawings were booked in July, one at \$1M and the other at \$3M, resulting in a high prize expense for the month. Sales for July FY20 to FY19 were comparable.

FY20 Projected Sales, Expenses, and Disbursements

David Aldag reported that FY20 expenditures are on target for the year. Revenue from Mega Millions and Powerball are being closely monitored. Departmental spending plans are being finalized and work will begin on the next three to five years of budget projections.

Jackpot Game Performance & Lotto+ Launch

Mr. Sisson reported that September Jackpot sales were down about 2.5% compared to August. Mega Millions and Powerball jackpots are still too low to generate big sales. Each has been hit multiple times before the jackpot had a chance to grow. Lucky for Life and Cash 5 are slightly down. Pick 3 is up almost \$750,000.

Sales for Colorado Lotto+ on the first draw were up nearly fifty percent compared to previous jackpots of similar size. The second draw was up nearly fifty-eight percent, the third fifty percent and the fourth sixty-one percent, compared to the old game. Growth on average is fifty percent on Wednesdays and fifty-nine and a half percent on Saturdays. Sales are strong so far. The Plus option for an extra dollar for the second draw continues to grow from thirty-four percent of players on the first draw up to forty-three percent on the last draw. There were 5,500 winners on the first draw and almost 7,400 winners on the last draw. Every multiplier combo possible has been it hit except the 4X for \$1,200 on the Plus. There has not been a Plus \$250,000 jackpot winner or a jackpot winner yet. The number of winners will increase as sales do.

Tom Seaver identified two items about early Lotto+ results that are particularly encouraging. First, initial sales definitely reinforce that Lotto has its own audience independent of multi-state games, as shown by the strong initial growth curve despite current low multi-state game jackpot performance. Second, forty percent of players spending an additional dollar to play tells us that price sensitively is not a concern. Mr. Seaver lauded the great job done by sales, marketing, and our retailers to get the game launched and off to a great start.

Scratch Game Performance

Mr. Greco reported that September Scratch sales remained consistent. Our lower price point games are doing better than the industry average. Overall Scratch sales are up compared to last year but down to goal slightly. It is a slow time of year but sales will start to pick up when holiday games launch. Sales reps have really stepped up by moving seventy-one percent of retailers from a twenty-four to a twenty-eight game dispenser, making more games available to players.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #149 \$3 Money Scramble
- Game #150 \$5 Powerball
- Game #151 \$10 \$500,000 Spotlight Game IX

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

Director's Report

- **NASPL Conference Recap**

Mr. Seaver shared information gathered at the NASPL conference he attended in September. First, retailers are now starting to recognize the value of having lotteries in their stores, following the lead by Wal-Mart, where there had been resistance before. There were a lot of large corporate retailers in attendance who were engaged in conversations and are amenable to working with lotteries to make them more profitable in their stores. Second, lotteries who started selling sports betting reported mixed experiences. They are having a hard time offering a wide variety of bets and some have lost money, on last year's Superbowl for example, because there were so many bets on the Patriots in a concentrated area. Lotteries are not used to losing money. Finally, the MUSL development group is proposing that Powerball be sold in the United Kingdom, adding 66M people to the pool. While sales would increase, so would coverage and play combinations, ultimately diluting Colorado's share of sales and lessening the opportunity for Coloradans to win a jackpot. Mr. Seaver has asked the DOR analysis group to review data in the MUSL proposal to inform his vote. The issue will be controversial for smaller lotteries because expansion on this level would not be good for their populations.

- **Marketing Plan Update**

Tom Cargal presented an overview of the Marketing Plan. Three pillars have been identified to drive Lottery goals – Revenue, Responsibility, and Conservation. The overall goal is to be a billion dollar lottery by FY23. The Marketing Plan is aggressive but realistic given what is available over the next several years beyond current basic game offerings. Pick 4, monitor sales, an improved inventory management system for Scratch games, retail expansion, and new points of sale will contribute toward goal achievement.

Chairman Bensberg inquired whether a Colorado Springs Lottery site is part of the Lottery's growth plan. Mr. Seaver responded that it continues to part of the discussion with DOR but has not made the priority list for expansion in place of other DOR services.

As the Lottery grows so does responsibility to protect players to the best of our ability. Application has been submitted to the World Lottery Association for Level II Responsible Gaming Certification. Work will begin to attain Level III certification in FY21 to include retailer and staff training and developing a code of conduct to guide advertising, and ultimately to obtain Level IV certification thereafter. Lottery will continue to work closely with the Colorado Problem Gaming Association of Colorado on program development and sponsored events.

With regard to Conservation, our goal is to increase the public's perception of the Colorado Lottery as a conservation organization by two percent. We will continue to participate in conservation efforts throughout the state and are sponsoring an upcoming trail clean up event in Pueblo on October 19th. Winner awareness is also part of the conservation strategy, as is aligning ourselves with strong product names and industry leaders such as the Denver Broncos, Colorado Rockies and Wal-Mart. The Wal-Mart

strategy will help other retailers be more receptive to selling lottery products through demonstrated effective retail strategies that can work across a broad spectrum.

- **Legislative Audit Committee Hearing**
Fiscal is still working with the external auditors in preparation for the Legislative Audit Committee Hearing on November 4th. A follow up to last year's Performance Audit will follow the financial presentation.
- **Pueblo YMCA Corp Cup Participation**
Ms. Macias shared photos and information about the Pueblo YMCA Corporate Cup competition that Pueblo Lottery staff participated in during the month of September. Employees from other DOR agencies in Pueblo and IGT also participated in the competition as part of the Lottery team. The annual competition provides a fun, healthy opportunity for employees to play together and get to know one another outside of regular business hours.
- **Lottery Lowdown Monthly Newsletter**
The monthly Lottery Lowdown newsletter was created as a primary means of Lottery communication in response to employee requests for more communication. Initial readership has been low but employees are being encouraged to better utilize it as a resource. The Lowdown is also sent to Commissioners to keep them apprised of Lottery information.

The Director's Report was concluded at 9:50 a.m.

Commission Items

Commissioner Podolcki asked whether it was determined if financials need to be approved by the Commission. Nancy Bartosz responded that financials do not require Commission approval. Financials are not legislatively required to be provided to the Commission, they are done so as a courtesy on a monthly basis rather than in year-end format. The Commission does approve the financial audit report, once it has been presented to and approved by the Legislative Audit Committee.

Public Comment

Chairman Bensberg asked for Public Comment. There was none.

Adjournment

Chairman Bensberg adjourned the meeting at 9:53 a.m.



Completed by: Trisha Macias



Date of Approval