

Minutes for the Colorado Lottery Commission

Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, January 8, 2020, 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 the following:

Present Denver:

Jim Bensberg, Chairman
Stan Podolski, Commissioner
Stella Peterson, Commissioner
Dennis Maes, Commissioner
Bill Clayton, Commissioner
Diane Boddicker, Lottery
Tom Campbell, Lottery
Tom Horvat, Lottery
Jennifer Thiebaut, Lottery
Todd Greco, Lottery
Meghan Dougherty, Lottery
Christian Hawley, Lottery
Ethan Nosky, Cactus
Angie Saviano, SGI
Jessica Ross, AGO
Jennifer Anderson, Lottery
Tom Cargal, Lottery
Tom Seaver, Lottery
Trisha Macias, Lottery
Corry Powers, Lottery

Present in Pueblo:

Nancy Bartosz, Lottery
Cristi Gannon, Lottery
Tyson Barr, IGT
Dwayne Wilson, IGT
Jay Sisson, Lottery

Public Comment

Chairman Bensberg asked for Public Comment. There was none.

Lottery Spotlight

Christian Hawley presented the eXtreme TV commercial currently in market. eXtreme games are the first family of games of 2020 and offer players a \$20 price point option. eXtreme games will be featured at the annual National Western Stock Show Lottery booth, as well as Powerball when the jackpot rolls higher. The Stock Show provides for a lot of player interaction and there are a lot of repeat customers from year to year.

The Jackpot trigger campaign will run on TV, radio, digital and social media again when Powerball is anticipated to rise later this month.

Approval of Minutes

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

Colorado Lottery

MAIN MOTIONS

Approval of Scratch Game Guidelines, presented by Trisha Macias;

- Game #153 \$1 Mad Money
- Game #154 \$2 Max Money
- Game #155 \$5 Ca\$h Deluxe
- Game #156 \$10 \$50 & \$100 Blowout

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

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

- Game #845 Dizzying Ca\$h
- Game #893 \$250,000 Crossword Dazzler

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

FY20 Projected Sales, Expenses, and Disbursements

Tom Seaver presented FY20 projections performance. Sales are close to year end projections however Jackpot sales are low to projections due to low Jackpot sales. Direct Sales and Prize Expense are also below YTD projections because of low Jackpot sales. Personal Services are running lower than projected because of the number of open positions, but that number is decreasing as positions are being filled. Operations spending will catch up to projections in the second half of the year with upcoming marketing campaigns. Beneficiary Distributions are currently projected to be about same as last year.

Decision Items

Approval of Scratch Games, presented by Todd Greco;

- Game #157 \$1 Washington
- Game #158 \$2 Hamilton
- Game #159 \$3 Jackson
- Game #160 \$5 Grant
- Game #161 \$10 Franklin

- Game #162 \$2 Play On!

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

Scratch Game Performance

Mr. Greco reported that Scratch sales for this December compared to last December were up almost \$6M. Holiday game sales were up \$530K over last year. Scratch sales overall are \$25M ahead of last year this time, still about \$1M off to goal but sales in the second half of the year are usually very strong. Sales reached \$10M per week for the last two weeks of December for the first time. Mr. Seaver noted that players typically purchase Scratch tickets when buying Jackpot tickets but Scratch sales have experienced an extra lift despite low Jackpots.

Vice Chair Peterson asked whether anything has been done differently this year to increase Scratch sales. Mr. Greco responded that the advertising budget has not changed for Scratch but more dispensers are available at retail locations to allow retailers to carry more game options. Mr. Seaver added that the launch schedule was adjusted to allow retailers to plan for coming games and better manage their inventory.

Commissioner Clayton asked how high dollar Scratch tickets sold during the holidays. Mr. Greco responded that all high dollar games sold well, especially the \$10 games, as they have become the new entry level game. The \$50 ticket regularly sees sales of \$850K-\$1M per week with just one ticket in the market. Other states that offer two \$50 tickets in the market at the same time have experienced strong sales.

Jackpot Game Performance

Jay Sisson reported that Jackpot sales in December were up \$2.1M over November. Two Jackpots were hit in December, one being the first Lotto Jackpot winner under the new game on Dec. 14 for \$5M. Lotto was the only Jackpot product down from November to December, since the Jackpot was reset to \$1M after being hit, however Lotto was still up 31 percent for the new game compared to the old game with like Jackpot sizes. On average, 48 percent of Lotto players purchase the Plus option.

Powerball sales were up \$1.4M in December. The Powerball Jackpot is growing and the trigger amount is expected to hit on Jan. 15 or 18. The current Jackpot of \$258M is the largest this fiscal year. The Mega Millions pot has only gotten up to \$372M with two draws between hits.

Mr. Seaver added that lower Powerball and Mega Millions pots have suppressed other Jackpot game sales. As the Powerball Jackpot grows, other games should see a lift.

Mr. Sisson continued that the only Jackpot game up compared to projections is Pick 3, up almost \$1M. Pick 3 continues to slowly pick up players and grow organically on its own.

Director's Report

- **2nd Quarter Security/Investigations Report**

Corry Powers reported 2nd Quarter activity for Security and Investigations. 20 of 337 retailer compliance checks reported as non-compliant were easy fixes, primarily non-visible licenses and out-of-date inventory. Four tickets were compromised during sting operations but have not come into the office for redemption, so a crime has not occurred. Six high tier tickets came in for redemption and all were found to be compliant. Investigators worked on 43 criminal cases involving theft, burglaries and robberies, and assisted outside agencies with 30 cases. In December a retailer reported an employee theft of a \$10K winning ticket and the investigator was able to catch it before it came in for redemption.

Commissioner Podolski asked for an explanation of a compromised ticket. Mr. Powers responded that compromised tickets are flagged tickets used in sting operations that must be brought into the Claims office to complete a crime. If two to three months have passed and the compromised ticket has not been turned in, investigators will return to the retailer and use the event as an educational moment.

- **Annual Report Update**

Meghan Dougherty reported that the final draft of the Lottery's Annual Report will be received today. The Department of Revenue (DOR) Annual Report is available online and was passed out at the Joint Budget Committee (JBC) Hearing yesterday.

- **2019 Demographic Tracking Waves**

Mr. Seaver shared that Lottery continues to find that legislators and the general public do not understand and have a lot of misconceptions about who comprises the Lottery player base. In response there has been a concerted focus on having accurate, up to date demographic information to share with stakeholders to help them understand who plays Lottery and to see that Lottery games are a broadly played and accepted part of our culture.

Jennifer Thiebaut presented the most recent research project results, comparing Colorado Lottery playership demographics to 2018 U.S. census demographics for Colorado residents.

Data indicated that the average Colorado Lottery player is between the ages of 20-50, with college or some college, are employed or retired, and have an annual income over \$89K. Demographic data is used each year in product strategy planning, for instance to make games appealing to the declining number of in players in the 20 year-old category, whose numbers are declining, with an innovative and creative product mix.

The Director's Report was concluded at 8:53 a.m.

Commission Items

Commissioner Maes asked how New Years Rockin' Eve promotion went. Ms. Dougherty responded that five finalists and their guests left DIA for New York on Jan. 29 and provided photos during the event. None of the Colorado players were finalists in the promotion.

Commissioner Podolski requested an OIT financial systems update. Mr. Seaver responded that Lottery and OIT continue to work on a reporting structure to accurately track how many hours and on what projects former Lottery employees are dedicating to Lottery. Lottery is the first division to request OIT reporting.

Mr. Seaver informed the Commission that Powerball changes may be narrowed down to the addition of another drawing. He is not in favor of any changes to the game at this point. A good Powerball roll right now could make this entire conversation go away. The MUSL Board will receive a final recommendation from the MUSL Development Committee at their March meeting.

Commissioner Clayton asked how long the back office conversion is expected to take. IGT has committed to and are on target for a Jun. 5 conversion date. IGT will face financial penalties if they do not meet the deadline.

Mr. Seaver reported that Lottery was included in the DOR presentation at the JBC Hearing yesterday. Lottery's primary request this legislative season is to consolidate budget allocations to allow for more spending flexibility. It is not a request for increase spending authority. Members of the JBC did not have any questions for Lottery during the Hearing. Mr. Seaver and Ms. Anderson have met with four of the six JBC members to distribute and explain Lottery player demographic information and growth plans.

Executive Session

Commissioner Maes 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) for the purpose of obtaining a Massihzadeh litigation update. Vice Chair Peterson seconded. There was no discussion and the motion passed unanimously. No decisions or votes were made in Executive Session. Executive Session ended at 9:13 a.m.

Adjournment

Chairman Bensberg adjourned the meeting at 9:14 a.m.



Completed by: Trisha Macias



Date of Approval