

# Minutes for the Colorado Lottery Commission

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## Call to Order

A Commission Meeting for the Colorado Lottery was held on Wednesday, November 10, 2021 via Zoom. The meeting was called to order at 8:01 a.m. and was presided over by Chairwoman Peterson.

## Attendees

In attendance were the following:

Stella Peterson, Chairwoman	Christian Hawley, Lottery
Stan Podolski, Vice Chair	Daniel Bewley, Lottery
Bill Clayton, Commissioner	Danielle DeLeon, Lottery
Arnold Hanuman, Commissioner	Cristi Gannon, Lottery
Tom Seaver, Senior Director, Lottery	LuAnn Caligaris, Lottery
Jennifer Anderson, Deputy Director, Lottery	Brian Kohnlein, Lottery
Jessica Ross, AGO	Dave Aldag, Lottery
Leslie Jones, DOLA	Dierrick Davis, Lottery
Danielle, Reino, Cactus	Mike Strasser, Lottery
Ethan Nosky, Cactus	Marie Valtakis, Lottery
Heather Love, Lottery	Scott Chavkin, Lottery
Emily Stewart, Lottery	Kelly Tabor, Lottery
Jay Sisson, Lottery	Rick Reyes, Lottery
Todd Greco, Lottery	Tom Campbell, Lottery
Heidi Bonzer-Smith, Lottery	Nancy Bartosz, Lottery
Meghan Dougherty, Lottery	

## Introductions and Welcome

### Public Comment

Chairwoman Peterson called for public comment. There was none.

### CTF Program Update – Leslie Jones, DOLA

Ms. Jones has been with DOLA for 13+ years and shared a presentation on what the Conservation Trust Fund (CTF) is. DOLA distributes CTF dollars from net Lottery proceeds to over 475 eligible local governments. Distributions amounted in \$52,457,945 for 2021. Local governments are asked to keep their CTF funds listed as a separate line item and must be accounted for separately from all other funds. DOLA has monitoring authority over the funds. Allowable expenses include: acquisition, development and maintenance of new

conservation sites or capital improvements or maintenance for recreational purposes on any public land.

Chairwoman Peterson asked what DOLA's process is and how they choose the agencies they work with. Ms. Jones responded that DOLA works differently than GOCO and the local governments use the funds at their discretion. Mr. Bewley added that GOCO often times gets the big and flashy projects and CTF dollars are a continuous flow.

## **Lottery Spotlight**

Ms. Hawley presented a previously run holiday commercial that was successful the last holiday season. The commercial features an elderly couple relaxing in their living room while scratching their Colorado Lottery tickets.

## **Approval of Minutes**

A motion to approve the minutes from the October 13, 2021 lottery Commission meeting was made by Commissioner Hanuman and seconded by Vice Chair Podolski. The motion passed unanimously.

A motion to approve the amended minutes from the September 8, 2021 lottery Commission meeting was made by Commissioner Clayton and seconded by Commissioner Hanuman. The motion passed unanimously.

## **Decision Items**

Approval of Scratch Games, presented by Todd Greco;

- Game #239 \$1 CORNER PAYOUT GAME
- Game #240 \$2 FEELIN' LUCKY

Commissioner Hanuman responded that a customer he spoke with told him the tickets were hard to read and asked what font is used for the instructions on the back of the ticket and whether this issue has come up before. Mr. Greco responded that this issue has come up and the tickets are required to have specific information in certain sizes and try to make the winning symbols as big as they can. There's no standard font size - it's dependent on the size of the ticket and type of game. Trying to enlarge the font is looked at with every ticket. Mr. Greco will discuss enlarging the font with the scratch ticket vendor.

Commissioner Clayton asked if there is any research on whether customers care about the size of tickets. Mr. Greco responded that some states have enlarged tickets called "jumbo tickets" that are about the size of a sheet of paper. Special vending machines are needed for these tickets. A 4x12" ticket is as large as the vending machines can hold.

Commissioner Clayton asked how long the holiday tickets last. Mr. Greco responded that the inventories are much smaller than other games in those price points. They launch in mid-October and hope to be sold out by early December so that by January, customers get introduced to a brand new batch of inventory.

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

## **Colorado Lottery**

### **MAIN MOTIONS**

Approval of Scratch Game Guidelines, presented by Emily Stewart;

- Game #239 \$1 CORNER PAYOUT GAME
- Game #240 \$2 FEELIN' LUCKY

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 #147 \$20 eXTREME CASH
- Game #160 \$5 GRANT

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

## **Scratch Game Performance**

Mr. Greco reported that sales are doing well. October totals were almost \$48 million - down about \$1.3 million compared to September but still the best October ever had. Up \$4.1 million compared to last year. Holiday games are doing well the first three weeks in the market - sold \$6 million in inventory and should be sold out on schedule.

November has several games being launched and should be a strong month. Tracking around goal for the year and should be ahead by the end of the month for FY22.

Commissioner Clayton asked how many games are in the market at one time. Mr. Greco responded that the vending machines hold 24 games but there are more games available with the on-counter units. Over 30 games are normally available for purchase.

Commissioner Clayton asked about doing a higher price point holiday game. Mr. Greco responded that a ticket over \$50 would need a much higher top prize, meaning a much

larger inventory to sell and fund that type of prize. Mr. Seaver added that there's always a danger of selling the top prize early and end up not selling a lot of inventory.

## **Jackpot Game Performance**

Mr. Sisson reported that October sales were down 17% due to September having the large Powerball and Mega Millions jackpots and a growing Lotto+ jackpot. Sales totaled \$22.1 million - down about \$3.8 million. Up \$6.2 million compared to October 2020.

All products were up except Powerball and Mega Millions. Lotto+ is at a \$15.4 million jackpot for the next draw and the jackpot has been rolling for about eight months. Year-to-date, up \$6.8 million in jackpot games. Three products, Powerball, Lotto+ and Lucky for Life are up. Mega Millions is down about \$2.3 million, Cash5 is down \$500,000 and Pick3 is down about \$166,000.

Powerball add-ons - had an opportunity to compare starting jackpots. Adding the second draw helped increase the jackpot quicker with about a 20% gain. Powerball sales are up 27% in Colorado and power play sales are up 12.3%. Double play is at 21% of players choosing it. There has been a 66% increase in add-on sales.

Mr. Seaver added that Colorado Lottery is waiting for Mega Millions to follow suit with what Powerball has done. It's being predicted that Mega Millions will change their game to match Powerball. Mega Millions has a smaller number of states that can vote and Colorado isn't one of them.

Commissioner Clayton asked why customers don't purchase more of the add-on with Lotto+. Mr. Sisson responded that reports shows about half of the customers choosing the add-on.

Mr. Seaver added that double play was only at 13% when first introduced and has since grown. A close eye is kept on the add-ons and helping keep customers aware of the extra features.

## **FY21 Projected Sales, Expenses, and Disbursements**

Mr. Aldag reported that a history of sales by scratch game can be provided and shows that a shift has been made to the higher price point tickets. Scratch sales have been higher every week of this year than in prior years.

Beneficiary proceeds - looking upwards to \$175 million for the year. The goal is \$166 million and currently on track to reach that goal.

Expenditures - an item is coming up in January with the JBC for decision on continuous spending for retailer compensation. This will allow to adjust retailer compensation based on sales without having to go back to JBC.

MUSL fees have gone up a little and keeping track of these fees.

Commissioner Hanuman asked about the JBC decision item and if there were any updates. Ms. Anderson responded that the JBC did have some questions. The money can't be spent on anything else. Mark Ferrandino did a great job answering questions and the meeting went well.

Mr. Seaver added that the percentage paid to retailers isn't changing, just the amount of dollars as sales go up. Ms. Anderson included that the Commission sets the percentage paid to retailers as bonuses and compensation. Mr. Aldag added that continuous spending is in place for prizes and beneficiary proceeds.

Personal services - 98 positions filled – Lottery has put an emphasis on ensuring consistency and transparency in the hiring process. Three pending retirements are coming up, opening up a few more positions. Commissioner Hanuman asked what on hold meant. Mr. Aldag responded that those positions are not actively being hired right now but plans are in the works for recasting the job descriptions to meet future needs. Ms. Anderson added that when a position becomes vacant, it's an opportunity to assess if that position is still needed or if it could be better utilized to meet our business needs.

Mr. Seaver added that most of the job openings are due to retirements and other companies offering an amount that couldn't be refused. Lottery has seen the lowest turnover rate compared to other divisions within DOR.

## **Director's Report**

- LAC Audit Update – Nancy Bartosz

Ms. Bartosz reported that the audit hearing was held on Oct. 25th at the State Capital. The meeting was short, with Mr. Seaver and Ms. Dugan sat at the table. Auditors from Eide Bailey were in attendance, virtually, to give their report. There were no findings in the audit, and the hearing went smoothly.

- KRONOS Transition – Tom Seaver

Mr. Seaver reported that KRONOS is a new payroll software that is being used to replace old systems used throughout the state. Thanked Nancy and her team for handling the transition and working hard with the resources and other departments to help with the transition. The switch was made on November 1st.

- Offices Opening to the Public – Tom Seaver

Mr. Seaver reported that the Lottery is fortunate to have a large volume of staff working from home. Claims are still being held by appointment and the team has done a great job scheduling to allow time between appointments.

The offices will open to the public following the guidelines set by the Governor's Office. Coordination will be made with DMV when opening offices to the public, since they are one of the highest public facing divisions.

- Security and Investigations Director Update – Jennifer Anderson

Ms. Anderson reported that Mr. Kohnlein has been chosen as the new Security & Investigations Director. Brian was previously serving as the lead criminal investigator. Brian has demonstrated strong leadership and management skills, being at the Lottery around 5 years and, acting as the Director during the interim when the position was vacant.

Mr. Kohnlein responded that there are currently three investigators, with one retiring in Denver. Hoping to get back to three criminal investigators with a criminal investigator supervisor. Have to see how the workload balances out when hiring vacancies. Currently work from home part-time and there are two in Pueblo and one in Denver that's retiring. The replacement for Denver have been interviewed and hoping to hire soon. The future will have two investigators in Denver and two in Pueblo.

- Pierce Street Makeover – Kelly Tabor

Ms. Tabor reported that when Lottery moved to the Pierce location, the space was blank and needed sprucing up. Images were chosen and sent to the Denver area staff to vote for their favorites. There were walk-throughs done and 16 photos were determined to be needed. Ms. Tabor presented the winning photos that will be printed and put up in the new office space at Pierce.

Ms. Tabor also presented photos on the office signage. Mr. Chavkin reported that even larger printing will be installed in and around the office with the help of Cactus.

Commissioner Clayton complimented the photos and how they will really help with the ambiance. Commissioner Hanuman also asked about possible marketing when the offices do open up to the public. Mr. Seaver responded that planning hasn't gotten that far but the public will certainly be made aware of the reopening, especially since a large amount of business were from walk-ins before the pandemic.

Commissioner Clayton asked how the ticket sales were at the Pierce office. Mr. Seaver responded that a vending machine is available to the public while the ticket window is currently by appointment only. The ticket window sales will be lower due to only appointment made customers having that opportunity. As foot traffic picks up, business will increase.

- Sweetwater Lake – Daniel Bewley

Mr. Bewley reported that Colorado announced its 43rd State Park, currently unnamed, but located in Garfield County between Glenwood Springs and Eagle. First state park in the country that's part of forest service land. It was being eyed by developers with talks of golf courses, water bottling plant, and luxury homes. GOCO provided a bridge loan to help secure the property. There is still a lot of planning for development with a lot of exciting things to come.

The Director's Report was concluded at 9:41 a.m.

## Commission Items

- Commissioner Hanuman asked what impressions were in regards to the social media report. Ms. Dougherty responded that impressions are the number of looks that a post gets.
- Commissioner Hanuman asked about the tracking survey and if there were any updates. Mr. Seaver responded that the tracking survey is quarterly and new updates will be presented to the Commissioners, showcasing the highlights. Mr. Strasser added that it takes about a month to get the results back and the most recent panel wrapped up last week.
- Commissioner Hanuman asked if there were any statistics on unclaimed prizes and what happens to those. Ms. Bartosz responded that they range 1.5-2% of all sales and the majority of unclaimed prizes are lower dollar amounts. A journal entry is made and the unclaimed prizes go towards the bottom line. There's an effort made to alert the public when a higher prize is left unclaimed, especially with jackpot tickets.
- Commissioner Hanuman asked about retailers asking for permission to hand out tickets for sales and goods promotions. Mr. Seaver responded that most retailers use the tickets as a promotional tool, or as an incentive, to drive merchandise sales. The retailers buy the tickets to use and do it quite often.
- Commissioner Clayton asked whether the majority of unclaimed tickets were with scratch or jackpot. Ms. Bartosz responded that it's about 2% on each product. Cash5 has seen a number of unclaimed prizes with the EZ Cash.
- Chairwoman Peterson gave thanks to the collective group for giving her the opportunity to act as Chairwoman and wished everyone a safe and wonderful upcoming holiday season.
- Commissioner Clayton gave thanks to the Veterans with the upcoming Veterans Day.

## Adjournment

Chairwoman Peterson adjourned the meeting at 9:55 a.m.

*Heather Love*

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Completed by: Heather Love

November 10, 2021

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Date of Approval