

COLORADO LOTTERY COMMISSION
Minutes of Meeting
August 13, 2003

The Meeting was called to order by Chair Hess at 9:17 a.m. on August 13, 2003, at the Pueblo Lottery Office. Present were Chair Stephen Hess, Vice-Chair Javonni Willis and Commissioners Timothy Bachicha and Micheal Acree; Mark Zamarripa, Director; Kathy Jones, Deputy Director; Tom Kitts, Deputy Director; Tom Thornburg, Security Director; Vickie Robb, Administration Director; Dan Noreen, Marketing Director; Maurice Knaizer, Deputy Attorney General; Michael Santisi, Assistant Deputy Attorney General, Jim Kennedy, Toben Molica, Tom Brewer, Tom Garcia, and Topper Wilson of Scientific Games International; Phyllis Mendoza and Adam Pacheco of GTECH Corporation; Paul Louderman of Karsh and Hagan Communications; Kris Staff of Peter Webb Public Relations; Marci Bachicha; and members of the Lottery staff.

Chair Hess inquired if there were any comments, additions, or corrections to the Minutes of the Public Hearing on July 9, 2003. There were none. Commissioner Acree made a motion to approve the Minutes of the Public Hearing on July 9, 2003. The motion was seconded by Commissioner Bachicha and passed unanimously.

Chair Hess inquired if there were any comments, additions, or corrections to the Minutes of the Meeting on July 9, 2003. There were none. Commissioner Bachicha made a motion to approve the Minutes of the Meeting on July 9, 2003. The motion was seconded by Vice-Chair Willis and passed unanimously.

The next Agenda item Chair Hess called for was the Financial Statement (Unaudited) for eleven (11) Months Ended May 31, 2003. At the request of Director Mark Zamarripa, Debbi Marroney, an accountant on the Lottery's Fiscal staff, reviewed the Financial Statement. Ms. Marroney stated sales for the month ended May 31, 2003 were \$32.3 Million. Scratch sales were \$22.8 Million. Powerball and Powerplay sales were \$3.7 Million and \$1.3 Million, respectively. Lotto and Cash 5 sales were \$3.3 Million and \$1.2 Million, respectively. She reported Administrative Costs for the month of May were at 8.2 percent, compared to the same period of fiscal year 2002 at 7.8 percent. She also reported the prize expense for Scratch games through the month of May 2003 was 64.51% after the write off of Scratch games. She reported the total prize expense through the month of May was 58.10% as compared to the same period of fiscal year 2002 at 58.74%. Further comparisons to the same period of fiscal year 2002 showed: 1) distributions have decreased by approximately \$7.5 Million; 2) sales have decreased by approximately \$19.8 Million; 3) game costs have decreased by approximately \$15.4 Million; 4) operating expenses have decreased by approximately \$116,000; and 5) other revenue has

decreased by approximately \$4.2 Million. She stated as of May 31, 2003, the Lottery had achieved 99.68% of the total fiscal year-to-date sales goal. Commissioner Bachicha inquired about the change in capital assets and bonding reserve. Ms. Marroney stated when the Lottery implemented GASB 34, money was taken from distributions to cover the reserve balance.

Director Zamarripa called for the first "Decision" item, Approval of Prize Structures for Scratch Games presented by Drawing Manager Jon Mullett. Mr. Mullett stated he had four Scratch Games to present. He reviewed the prize structures for Game No. 236, Pieces of Eight, a \$1 game; Game No. 237, 7-11-21, a \$1 game; Game No. 238, Crazy Eights, a \$2 game; and Game No. 239, Celebr8ion, a \$10 game. He reviewed game features including prize levels, the prize percentage payout, the number of times a player may win on a ticket, the number of tickets to be ordered, and the projected launch date of each game.

After discussion, Vice-Chair Willis made a motion to approve the prize structures for Games 236, 237, 238, and 239. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa called for the next "Decision" item, Liquidated Damages for the month of June 2003 presented by Project Manager Jay Sisson. Mr. Sisson stated there were no incidents of central system downtime, no incidents of degraded performance, failure to provide supplies or conduct preventive maintenance by GTECH during the month of June. He further stated there were no incidents of retailer terminal downtime during the month of June that had not been corrected within the allowable time frame. A motion was made by Commissioner Acree to approve the Liquidated Damages Report as presented. The motion was seconded by Commissioner Bachicha and passed unanimously.

Director Zamarripa called for the next "Decision" item, Quarterly Proceeds Newsletter presented by Project Manager Jay Sisson. Mr. Sisson stated there were two changes to revenue projections as presented in the May Newsletter: 1) actual sales figures and proceeds amounts for the past fiscal year; the actual proceeds of \$104.8 Million of which spillover of \$3.7 Million went to the School Fund; 2) proceeds percentages were recalculated with updated prize payout percentages and administrative costs, which increased the Proceeds projections for FY 03-04 and long-range projections. After discussion, Commissioner Bachicha made a motion to approve the Quarterly Proceeds Newsletter contingent upon the removal of "Despite the slow economy," leaving the sentence to read: "The Lottery was able to achieve an impressive 99.7 percent of projected sales in fiscal year 2003". The motion was seconded by Vice-Chair Willis and passed unanimously.

Director Zamarripa commended Phyllis Mendoza of GTECH for their outstanding performance for the year. Chair Hess echoed his comments.

Director Zamarripa called for the first "Discussion" item, Denver Post Open Records Request, which was tabled for Executive Session.

Director Zamarripa reported that Mr. William J. Huntley of Scientific Games was unable to attend the Commission Meeting today.

Director Zamarripa reviewed the next "Discussion" item, Legislative Update. He reported that the program for intercepting prizes for criminal restitution had been implemented. He further stated that Representative Nancy Spence has agreed to be the guest speaker for the Colorado Lottery All Employee Business Meeting on August 15.

Commissioner Bachicha made a motion to convene into Executive Session at 9:50 a.m. to discuss the Denver Post Request, 24-6-402 3AIII; Contract Extensions, 24-36-204 3AI & III; and Security Issues in regard to Subscriptions, 24-6-402 3AIV. The motion was seconded by Vice-Chair Willis and passed unanimously.

The meeting reconvened at 10:17 a.m.

Director Zamarripa called for the next "Discussion Item," Image Survey, presented by David Howell. Mr. Howell presented the highlights of the Image Survey. He stated the primary objectives of the annual Image Survey are to measure support and trust for the Lottery; assess the awareness and perceptions of Colorado residents regarding the use of proceeds; knowledge and perception of Powerball; examine perceptions and awareness of the Lottery's advertising and other communications; the Colorado Lottery as an organization; its contribution to Colorado; and to tell whether or not there are any changes/trends in those areas. Mr. Howell stated the same methodology has been used over the past 13 years. He stated the survey is a statewide telephone survey of randomly selected households throughout the state. A sample is selected proportionate to the population throughout the state by the major counties.

Director Zamarripa called for the next "Discussion Item," Media Coverage presented by Communications Manager Lisa Murray. Ms. Murray showed media coverage in regard to a Lottery scam targeting elderly Hispanics. Kris Staff of Peter Webb Public Relations stated that 30 to 35 television stations have publicized this story.

Director Zamarripa called for the last "Discussion Item," Subscription Program presented by Director of Administration Vickie Robb. Ms. Robb stated staff would be requesting approval of changes to Lottery Rule in order to end the subscription program at the September commission meeting. She stated that because of the higher level of complexity this adds to the conversion process (CMAC) at startup and the additional cost of the On-line Subscription program, this issue would be better addressed at a later date when more developing technologies become available. Ms. Robb stated staff is recommending that implementation of the On-line Subscription program be postponed

until after the new system is launched. She stated to implement these recommendations, immediate changes to Lottery Rules are needed to assure active plays from the current program do not extend beyond September 29, 2004. She further stated on October 31, 2003, Director Mark Zamarripa would be able to set the end date and last renewal dates for the Subscription program under the Amended Rule, as well as provide for refunds to players whose plays would extend beyond September 29, 2004.

Director Zamarripa stated several written reports were included in the meeting packet and inquired if there were any questions from the Commission in regard to the reports. Chair Hess inquired whether or not the timeline could be converted to a graphic timeline. Project Manager Jay Sisson stated he would change it to a graphic chart.

Chair Hess inquired if there were any issues from the public. There were none.

There being no further business to come before the meeting, a motion to adjourn was made by Vice-Chair Willis. The motion was seconded by Commissioner Acree and passed unanimously. Chair Hess adjourned the meeting at 11:10 a.m.

Antoinette A. Lewis
Secretary