

COLORADO LOTTERY COMMISSION
Special Meeting
April 22, 2008

Present - Denver Office

Dick Reeve, Chair
Robin Wise, Vice-Chair
Tracie Keesee, Commissioner
Roxy Huber, DOR Executive Director
Peggy Gordon, Lottery Director
Maurice Knaizer, Attorney General's Office
Tom Kitts, Lottery Deputy Directory (joined meeting @ 11:45)
Marie Burnett, Lottery

Present - Pueblo Office

Betty Martinez, Commissioner
Jack Boehm, Lottery COO

The Meeting (via videoconference) was called to order by Chair Reeve at 8:58 a.m. on April 22, 2008 at the Denver Lottery Office.

Chair Reeve began the Special Meeting with introductions from attendees.

Chair Reeve welcomed the attendees and gave opening remarks and stated that this meeting is a follow up to the Retreat held in Colorado Springs on March 6, 2008.

Chair Reeve stated that Deputy Director Tom Kitts would present an overview of Rule 5 at the end of the meeting.

Chair Reeve announced that Commissioner Jerry McMahan has resigned effective April 18, 2008. Mr. McMahan was the CPA representation, which is required for the Commission. Chair Reeve reminded the Commission that a quorum is required to hold a meeting and to be sure to inform Marie Burnett if they are unable to attend a meeting.

Chair Reeve next stated that beginning with the May, 2008 the Commission Meeting will be held in the Pueblo office, with videoconferencing available in the Denver office. Chair Reeve encouraged the Commission to attend the meetings in Pueblo if possible for the next six months. He stated it is a great opportunity for the Commission to meet the staff in the Pueblo office.

Chair Reeve stated that the purpose of the meeting was to discuss the roles of the Commission. He inquired if the Commission would like to create general policies to regulate the Commission. He felt policies or guidelines would be beneficial to future Commissioners. This could define important items for a new Commissioner to complete such as visit the Pueblo office, ride with a sales rep, meet the staff in Denver and Pueblo

offices, and attend research focus groups and drawings. Chair Reeve stated that the general consensus of the Commissioners from the Retreat was the Commission should provide oversight, understand all aspects of the Lottery, serve in a role of checks and balances, have a watch dog role, utilize the staff for educating the Commission and advocates for the Lottery and the citizens of Colorado.

Vice-Chair Wise created a handout, Lottery Commission Model Worksheet, to have a starting point. This contained the following items under "Role of Commission":

- Shape and monitor the strategic direction of the organization
- Provide policy governance
- Evaluate and govern itself
- Protect the Colorado Lottery brand

Other items on the worksheet were: Lottery Composition; Commissioner Expectations; Meetings; Special Projects.

Commissioner Martinez agreed it would be beneficial for a new Commissioner to have a document to assist them with the understanding of the Lottery. Director Gordon stated that the Commissioners are given a Commission Handbook and that she does spend a half day of review with each Commissioner. Director Gordon stated that she encourages the Commissioners to ride with a sales rep because it gives them the opportunity to talk to the rep, retailers, and the public.

Commissioner Keesee suggested that the half day training with Director Gordon include introduction to key staff that can give a more detailed overview of program areas prior to riding with a sales rep. Commissioner Keesee felt that the expectations and responsibilities of a Commissioner should be given when the candidate accepts the position.

Chair Reeve stated that he agrees that a candidate interested in the Commission needs to understand the commitment and expectations of a Lottery Commissioner.

Vice-Chair Wise suggested that once the roles are determined that they are published in the Boards & Commissions Handbook.

Maurice Knaizer, Attorney General's Office, gave an overview of past Commission meetings under the Type I agency status. Mr. Knaizer stated that although the status has changed to a Type II agency, the Commission still has the authority to request information.

Executive Director Roxy Huber stated she sees the role of the Commission to ensure the meetings are held accordingly and the Commission's questions get answered. Ms. Huber agreed that training needs to be provided on the front end so the Commission knows what questions to ask. Ms. Huber stated the Commission is

very important to her especially if she is unable to attend the meetings. Ms. Huber stated the Commission is very valuable to the Lottery.

Vice-Chair Wise added "assure maximum revenue back to the state" as one of the roles of the Commission in addition to protecting the brand. She stated the Commission should ensure the business processes are efficient and marketing is adequate to maximize the amount of money that goes back to the state to do good things. Director Gordon stated that is the mission of the Lottery.

Chair Reeve inquired if the Commission's role should bear a degree of conscience. Director Gordon stated that part of the mission statement states that the Lottery is charged with returning as much money as possible that is fitting for a state agency.

Director Gordon stated that the Lottery staff is always willing to give presentations to the Commission to answer their questions and give the Commission discussion points on potential changes to games, advertising, etc.

Executive Director Huber, with the assistance of Lottery COO Jack Boehm, gave an update and overview of the progress of Scientific Games and the Lottery's back office system.

Chair Reeve asked if the role of Commission will change once the back office system is complete in regard to future business opportunities. He inquired if the Commission should be preparing now for these future opportunities. Vice-Chair Wise stated the Commission should be able to set a long range role plan. Vice-Chair Wise stated the Commission should prepare now for future plans once the back office system is complete. Director Gordon stated that the Lottery needs to proceed cautiously before the back office system is complete so revenues are not wasted on research, marketing, etc. and then not be able to implement it. COO Jack Boehm explained the overall limitations with the back office systems and the Scientific Games gaming system.

Vice-Chair Wise stated the role of the Commission needs to be determined. Vice-Chair Wise suggested a mission statement for the Commission

Commissioner Martinez requested Maurice Knaizer, Attorney General's Office, to explain what middle ground for the Commission looks like to him. Mr. Knaizer stated that in regard to the rule making, the Commission sets the broad parameters of the types of games. Mr. Knaizer stated that is where the Commission's decision making authority is focused. Mr. Knaizer stated the Commission has the opportunity to get into more detail by the authority to make reports and recommendations, and to get the facts necessary for purposes of rule making. Mr.

Knaizer stated that in the past the Commission requested very detailed reports from staff on various aspects of the Lottery.

Executive Director Roxy Huber stated once the Department of Revenue has their overall strategic plan completed, and complete a strategic Business Plan for the Lottery it would be worthwhile to have a workshop to give the Commission the opportunity to ask questions on it. The Commission should understand the Marketing and Advertising plan.

Discussion was held on the ramifications of the political realm and the Lottery. The Commission decided decisions should not be made based on political climate, but based on what is best for the state of Colorado.

Executive Director Roxy Huber left the meeting at 10:45 a.m.

Chair Reeve stated he would like to create a rough draft of the mission statement and create a working document of what the role of the Commission. The rough draft of the mission statement is: Ensure maximum Lottery proceeds to the state of Colorado.

Vice-Chair Wise stated the Commission needs to protect the brand and help shape and monitor the strategic direction of the organization, i.e. the yearly business plan. This would continue on with new Commissioners. The Commission would then set yearly objectives for themselves, i.e. assist with the development of a three year strategic plan. Vice-Chair Wise stated the Commission would have a Mission, a Role and a Yearly Business Plan for the Commission. This year the business plan would include a better understanding of SGI.

Vice-Chair Wise gave a review:

The Mission Statement:

Ensure maximum Lottery proceeds for the state of Colorado and protect the security and integrity of the operation of the Lottery.

The Role of the Commission:

Shape and monitor the strategic direction of the organization
Provide policy governance
Evaluate and govern itself
Protect the Colorado Lottery brand

Yearly Commission Business Plan:

A plan the Commission would like to accomplish from January to January.

Vice-Chair Wise stated the Mission Statement and the Role of the Commission will not change from year to year, only the Yearly Business Plan.

Vice-Chair Wise suggested this year the Commission's Yearly Business Plan should consist of thoroughly understanding the back office situation. Director Gordon agreed with this plan. Vice-Chair also suggested the Commission should also include in its plan understanding the future business plan for the Lottery and assist the Lottery in making their goals.

Commissioner Keesee stated she needs an understanding from a statute standpoint and from the Lottery standpoint exactly what the Commission is tasked to do. Chair Reeve requested Mr. Knaizer review statute 24-35-208 Commission - Powers & Duties. Mr. Knaizer stated the statute allows the Commission to perform the oversight function which includes requesting reports from the Lottery staff and making recommendations to the Governor, the General Assembly and the Lottery staff. Mr. Knaizer reiterated the fact that the Commission can request any information, either in written or verbal form, from the Lottery staff that they feel necessary. Mr. Knaizer stated the basic requirements for the Commission are in paragraphs a, c, d and e of 24-35-208 Commission Duties. Paragraph b is no longer applicable under the Type II status.

Chair Reeve asked if a resolution needed to be passed to prepare clean-up bill for the 2009 legislation. Mr. Knaizer stated the Commission can direct the Lottery Director to do it. Mr. Knaizer stated the Commission will need to determine what they want to do and make the statute consistent. Chair Reeve requested Mr. Knaizer make recommendations on the changes to the language to the statute.

Next Chair Reeve discussed the Commission creating an annual report to the citizens of the Colorado. Vice-Chair Wise expressed concern of the responsibility that rests with the Commission and their accountability. The Commission agreed. Chair Reeve suggested that each Commissioner be individually tasked with to be the liaison with a certain operational area of the Lottery. Each Commissioner would be more mission specific to gather information, to be a resource, and report back to the Commission. Vice-Chair Wise inquired if she could bring in outside experts to attend a briefing with staff and use them as volunteer help to assess the situation and offer advice. Commissioner Keesee does not want the Commission's role to be to micromanager.

Director Gordon stated that there should be comprehensive reports to the Commission. Director Gordon stated that the Commission has study and investigation ability to gather information to feel competent in answering questions presented to them. Chair Reeve requested COO Jack Boehm to provide the Commission with a report on the SGI issues.

Chair Reeve stated he would like to have an additional meeting(s) to continue this discussion.

Mr. Knaizer stated that in compliance with Amendment 41, the Ethics Commission is in place now and creating rules. They are accepting questions from state employees. Mr. Knaizer suggested the Commission compile questions to submit to the Ethics Commission. Mr. Knaizer stated he could provide copies of the questions submitted by the legislature, which may assist the Commission in their questions.

Director Gordon requested Deputy Director Tom Kitts present an overview of Rule 5. Mr. Kitts requested that the Commission review Rule 5 and the recommended changes by staff. Mr. Kitts stated that prior to approval of this rule; it will take several monthly meetings to discuss due to the complexity of the rule.

Chair Reeve thanked the Commission for a productive meeting. The meeting adjourned at 12:05 p.m.

Marie Burnett
Secretary