

COLORADO LOTTERY COMMISSION
Minutes of Meeting
May 13, 2009

Present (Denver Lottery Office)

Dick Reeve, Chair
Betty Martinez, Vice-Chair
Robin Wise, Commissioner
Tracie Keesee, Commissioner
Dana Franzen, Commissioner
Maurie Knaizer, Attorney General's Office
Jim Carr, Attorney General's Office
Tom Kitts, Lottery Deputy Director
Tom Horvat, Lottery
Tom Cargal, Lottery
Carol Harmon, Lottery
Todd Greco, Lottery
Lee Burnett, Lottery
Kristen Shew, Lottery
Matt Robbins, Lottery
Bill Clayton, Scientific Games, Inc.
Tony Lombard, Scientific Games, Inc.
Tobin Molica, Scientific Games, Inc.
Ainslie Fortune, Cactus Communication
Charlie Scanella, MDI
Marie Burnett, Lottery

Present(Pueblo Lottery Office)

Roxy Huber, Executive Director, Dept. of Revenue
Jack Boehm, Lottery Director
Topper Wilson, Scientific Games, Inc.
Pablo Mora, Pueblo Chieftain
JE Lewellen, Lottery COO
Mari Boyd, Lottery
Barb Aggson, Lottery
Patrick Maroney, Lottery
Deb Marroney, Lottery
Marcus Sipolt, TB Consulting
Kathleen O'Leary, TB Consulting
Terri Geier, Lottery

The Meeting (via video conference) was called to order by Chair Reeve at 8:16 a.m. on May 13, 2009 at the Denver Lottery Office.

Chair Reeve inquired if there were any comments, additions, or corrections to the Minutes of the Public Hearing and Meeting held on April 22, 2009. There were none. Commissioner Wise made a motion to approve the Minutes of the Public Hearing and Meeting on April 22, 2009. The motion was seconded by Commissioner Keesee and passed unanimously.

Chair Reeve asked if there were any comments or questions on the Statement of Lottery Revenues. There were none.

Chair Reeve stated that Kristen Shew, Lottery Communications, does a great job on responding to consumers on their behalf. Chair Reeve requested Ms. Shew copy the Commission on all correspondence sent on their behalf.

Chair Reeve stated that there are no "Decision Items" for discussion and approval for the May meeting.

Chair Reeve called for the next agenda item, Director's Report presented by Director Jack Boehm.

Director Boehm updated the Commission on the back office system. Director Boehm stated that a decision was made to push back the launch of the new back office system from May 30, 2009 to June 14, 2009. Director Boehm stated there are several reasons for this decision, one of which is the Lottery lost the project manager as of the end of April. In addition, the CLASS system software needs to be customized specifically for the needs of the Colorado Lottery. Those items in addition to the testing process have taken longer than anticipated and the decision to delay the conversion was made. This will allow the Lottery to release a solid system implemented in mid-June. Director Boehm stated that this decision will present some challenges due to the Lottery's financial audit started last Monday. The auditors will spend time at the Lottery in June and again in August.

Director Boehm stated that as of the end of February we are ahead in returns to the beneficiaries this year. He stated that we are slightly up in administrative expenses, which is primarily due to the back office project. Director Boehm stated that we will most likely not meet the JBC goal this year.

Next Director Boehm stated that in the next fiscal year all state employees will be required to take four furlough days. The days will be the same for all state employees, all state agencies will be closed on those days. Director Boehm stated that could impact lottery sales.

Director Boehm informed the Commission that application has been made for the FY 2010 budget to include initial funds to begin doing research on Keno. Launch may not occur until 2011 or 2012; however the game implementation plan is lengthy. This would require an increased retailer base across the state.

Commissioner Wise inquired how much the state would lose in sales during the furlough days. Director Boehm stated that sales at the claims offices total approximately \$5,000 per day. Director Boehm stated that the furlough days would save approximately \$50,000 per day for the Lottery, however the savings will go to the Lottery beneficiaries and not to the general fund. Commissioner Franzen inquired if the furlough days have been scheduled yet. Roxy Huber, Executive Director of the Department of Revenue stated that the dates have not been announced yet. Ms. Huber stated that there are very strict personnel rules that need to be followed and they are waiting for legal opinion. Ms. Huber stated that initial response from the Personnel Administration was that personnel rules do not allow us to vary from the mandatory days, even though there may be agencies that should be exempt. She stated that there is still legal research to be done, and she will forward any new information when it is available.

Tom Horvat, Sales Manager, gave a sales update. Mr. Horvat stated that the Lottery will not make our JBC goals this year of \$525 million. Mr. Horvat stated that currently we are behind approximately \$26 million to the JBC goal. In year to year comparison to last year, we are down approximately \$14.5 million or 3.5%. Of that \$14.5 million, Powerball is down approximately \$12 million; Scratch is down approximately \$6 million. Cash 5 is up approximately \$1.5 million and Lotto is up approximately \$2 million. Mr. Horvat stated that we are tracking to approximately \$497 - \$498 million, or 2% down to last year's total of approximately \$506 million. Director Boehm stated even though Colorado is down 2%, we are doing very well in comparison to other states that are down up to 15%. Mr. Horvat stated that the Lottery launched four new scratch games last week, one of which was the "I Love Lucy" game.

Chair Reeve next called for "Commission Issues". Chair Reeve stated that the final draft of the Lottery Commission Governance Manual has been completed. He stated that there is one more section to get final input on before the June meeting. Once that has been complete Maurie Knaizer, Attorney General's Office, will review it and passed at the June meeting.

At this time Lucy Ricardo impersonator came into the meeting. She is part of the marketing included in the "I Love Lucy" scratch game. She made several appearances in Denver and Colorado Springs. Sales during the first week the game was launched totaled \$418,000.

Chair Reeve inquired if there were any additional questions for Director Boehm. There were none.

Matt Robbins, Lottery Proceeds Manager, thanked Commission Franzen for inviting the Lottery to speak on Thursday, at the Pikes Peak Sertoma Club.

Roxy Huber, Executive Director of the Department of Revenue, stated that it is Employee Appreciation Week and it gives an opportunity to recognize employees not only to the Lottery, but to all state of Colorado employees and offered Chair Reeve the opportunity of acknowledge the staff.

Chair Reeve stated that he would like to offer for motion a Resolution. On behalf of the Colorado Lottery Commission, giving recognition and great appreciation for the Lottery staff, on their commitment to public service, not only over the last year, but especially in calendar year 2009 in facing tremendous challenges in the financial environment and upcoming furloughs. Vice-Chair Martinez made a motion to pass the Resolution. The motion was seconded by Commissioner Keesee, and passed unanimously.

Chair Reeve inquired if there were any comments or questions on the written reports included in the Commission Packets. There were none.

Chair Reeve inquired if there were any comments from the public. There were none.

Chair Reeve called for the next agenda item, Ethics Training. Chair Reeve stated that this training is required yearly for the Commission. Jim Carr, Attorney General's Office, conducted the ethics training. Article 29, formerly Amendment 41, was reviewed. The each Commissioner signed and turned in the Conflict of Interest statement and Acknowledgement of Lottery Commission Code of Ethics.

Chair Reeve inquired if there were any other Commission Issues. There were none.

Chair Reeve closed the regular meeting at 9:40 a.m.

Marie Burnett
Secretary