

COLORADO LOTTERY COMMISSION  
Minutes of Meeting  
September 10, 2003

The Meeting was called to order by Chair Hess at 9:27 a.m. on September 10, 2003, at the Pueblo Lottery Office. Present via telephone conference was Vice-Chair Javonni Willis. Present in person were Chair Stephen Hess, Commissioners Timothy Bachicha and Micheal Acree; Mark Zamarripa, Director; Tom Kitts, Deputy Director; Tom Thornburg, Security Director; Vickie Robb, Administration Director; Dan Noreen, Marketing Director; Alan Lippa, Technical Services and Support Director; Maurice Knaizer, Deputy Attorney General; Janine Whiteman and Topper Wilson of Scientific Games International; Phyllis Mendoza and Robert Doyle of GTECH Corporation; Tracy McInnis of Karsh and Hagan Communications; Krista DeSabato 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 August 13, 2003. There were none. Commissioner Acree made a motion to approve the Minutes of the Public Hearing on August 13, 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 August 13, 2003. There were none. Commissioner Bachicha made a motion to approve the Minutes of the Meeting on August 13, 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 twelve (12) Months Ended June 30, 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 June 30, 2003 were \$32.3 Million. Scratch sales were \$20.7 Million. Powerball and Powerplay sales were \$5.0 Million and \$1.7 Million, respectively. Lotto and Cash 5 sales were \$3.8 Million and \$1.1 Million, respectively. She reported sales for the fiscal year ended June 30, 2003 totaled \$391.5 million and was the Lottery's second highest sales year ever, only second to last year. Total fiscal year sales by product were: Scratch \$254.3 million, Powerball \$56.7 million, Powerplay \$19 million, Lotto \$48.3 million and Cash 5 \$13.2 million. She reported Administrative Costs for the month of June 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 June 2003 was 64.48% after the write off of Scratch games. She reported the total prize expense through the month of June was 57.96% as compared to the same period of fiscal year 2002 at 58.91%. Further comparisons to the same period of fiscal year 2002 showed: 1) distributions have decreased by

approximately \$5.3 Million; 2) sales have decreased by approximately \$16.5 Million; 3) game costs have decreased by approximately \$14.6 Million; 4) operating expenses have decreased by approximately \$79,000; and 5) other revenue has decreased by approximately \$4.1 Million. She stated as of June 30, 2003, the Lottery had achieved 99.72% of the total fiscal year-to-date sales goal. Ms. Marroney reported the proceeds distribution for fiscal year 2003 totaled \$104,779,061 and was the second highest distribution since the start-up, only second to last year's \$110,046,680. She stated as of September 1, 2003, the \$104.8 million has been distributed as follows: \$48.7 million to the Great Outdoors Colorado, \$41.9 million to the Conservation Trust Fund, \$10.5 million to State Parks and Recreation and a spill-over of \$3.7 million to the State School Fund.

Director Zamarripa called for the first "Decision" item, Approval of Prize Structures for Scratch Games presented by Product Manager Lee Burnett and Drawing Manager Jon Mullett. Mr. Burnett stated he had three Scratch Games to present. He reviewed the prize structures for Game No. 201, \$100,000 Bank Vault, a \$10 game; Game No. 208, Money Game, a \$1 game; and Game No. 241, Bingo, a \$3 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.

Mr. Mullett stated he had four Scratch Games to present. He reviewed the prize structures for Game No. 240, Blazing 7s, a \$2 game; Game No. 242, Black Jack, a \$1 game; Game #243, Snake Eyes Doubler, a \$1 game; and Game No. 244, Hot 100s, a \$1 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 Game No. 201, \$100,000 Bank Vault; Game No. 208, Money Game; Game No. 241, Bingo; Game No. 240, Blazing 7s; Game No. 242, Black Jack; Game No. 243, Snake Eyes Doubler; and Game No. 244, Hot 100s. The motion was seconded by Commissioner Bachicha and passed unanimously.

Director Zamarripa called for the next "Decision" item, Liquidated Damages for the month of July 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 July. He further stated there were no incidents of retailer terminal downtime during the month of July 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 Vice-Chair Willis and passed unanimously.

Mr. Sisson next gave a brief update of Semi-Annual Liquidated Damages for the current On-line contract with GTECH (November 1, 1995 through October 31, 2004).

Director Zamarripa called for the next "Decision" item, Karsh and Hagan Communications Contract presented by Alan Hoffman. Mr. Hoffman stated the Lottery's current advertising services contract with Karsh & Hagan started July 1, 2000 for an initial two-year period and was extended July 1, 2002, for an additional two years ending June 30, 2004. He stated the contract includes the option to extend for one final year at the same terms. Mr. Hoffman stated staff is requesting approval to extend the Karsh and Hagan contract for the final one-year period July 1, 2004, through June 30, 2005. Vice-Chair Willis made a motion to approve the Karsh and Hagan contract extension for the final one-year period July 1, 2004, through June 30, 2005. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa reviewed the next "Decision" item, Ciber and NSR Contract Amendments. Director Zamarripa stated staff is requesting approval of the Ciber and NSR Contract Amendments. Commissioner Bachicha made a motion to approve the Ciber and NSR Contract Amendments. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa next introduced Technical Services and Support Director Alan Lipa who will be in charge of the computer migration project and overseeing the information technology and research development sections. Mr. Lipa gave a brief overview of his education and work history.

Director Zamarripa called for the next "Discussion Item," Resolution for Deputy Director Kathy Jones. Director Zamarripa next read a resolution (attached) into the record honoring Deputy Director Kathy Jones for her years of service with the Lottery.

Director Zamarripa called for the next "Discussion Item," Powerball Sunday presented by Marketing Director Dan Noreen. Mr. Noreen stated staff would be requesting approval of the Emergency and Permanent Powerball Sunday Promotion Rule and drawing guidelines at the October Commission meeting. Mr. Noreen stated "Powerball Sunday" is a multi-state promotion in conjunction with "Super Bowl Sunday." He reviewed the concept, prizes, timing and elements of the promotion. He further stated up to 150 Powerball players would win a weekend VIP trip for two to the Super Bowl; currently seven of those winners will be selected from Colorado. He stated that MUSL plans to make this an annual Powerball promotion. He stated this promotion is an opportunity to grow overall Powerball sales and net proceeds. Commissioner Bachicha inquired if the name "Powerball Sunday" would be consistent from state to state. Director Noreen stated each state has the option to select the name of their choice for this promotion. After discussion, Commissioner Bachicha informed staff that if the name remains "Powerball Sunday," he would vote against it. Director Zamarripa stated that staff would review the list of names.

Director Zamarripa called for the next "Discussion Item" Legislative Update presented by Administration Director Vickie Robb. Ms. Robb stated under Senate Bill 121 - Changes to Rule-Making Procedures, state agencies are now required, at the time of filing a notice of proposed rule making with the Secretary of State, to submit a draft of the proposed rule or amendment to an existing rule to the Department of Regulatory Agencies, Office of Economic Competitiveness & Regulatory Reform for review. She stated if the Director of this office determines that it may have a negative impact on economic competitiveness or on small business in Colorado, she could direct the state agency to perform a cost-benefit analysis of the rule or amendment. She further stated that the Department of Regulatory Agencies anticipates that the majority of the rules and amendments submitted will not require a cost-benefit analysis.

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. Director Zamarripa pointed out the document "Looking at VLTs" compiled by Deputy Director Tom Kitts and Media Manager Todd Greco. Commissioner Acree stated he would like to discuss a concern he had regarding the VLTs during Executive Session.

Commissioner Bachicha made a motion to convene into Executive Session at 10:10 a.m. to discuss Pending Lawsuits, CRS 24-6-402 2D.51A and CRS 24-6-402 3AII; Security Issues, CRS 24-6-402 3AIV; Contracts, CRS 24-6-402 3AI & III; and Audits, CRS 24-6-402 3AIII that is required to be confidential under the State Lottery Statute. The motion was seconded by Commissioner Acree and passed unanimously.

The meeting reconvened at 11:13 a.m.

There being no further business to come before the meeting, a motion to adjourn was made by Commissioner Acree. The motion was seconded by Commissioner Bachicha and passed unanimously. Chair Hess adjourned the meeting at 11:15 a.m.

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Antoinette A. Lewis  
Secretary