

COLORADO LOTTERY COMMISSION  
Minutes of Meeting  
February 12, 2003

The Meeting was called to order by Chair Javonni Willis at 9:15 a.m. on February 12, 2003, at the Denver Lottery Office. Present via telephone conference was Commissioner Timothy Bachicha. Present in person were Chair Javonni Willis; Vice-Chair Stephen Hess; and Commissioners Micheal Acree and Michael Bennet; George Turner, Enforcement Director, Department of Revenue; Mark Zamarripa, Director; Kathy Jones, Deputy Director; Vickie Robb, Lottery Administration Director; Tom Thornburg, Lottery Security Director; Dan Noreen, Marketing Director; Perry King, Internal Auditor; Maurice Knaizer, Deputy Attorney General; Michael Santisi, Assistant Deputy Attorney General; Paul Louderman of Karsh and Hagan; Toben Molica of Scientific Games International; Janet Colbert of Qwest; Kris Staff of Pete Webb Public Relations; Jack Schaffer and Phyllis Mendoza of GTECH Corporation; and members of the Lottery staff.

Chair Willis inquired if there were any comments, additions, or corrections to the Minutes of the Public Hearing and Meeting on January 8, 2003. Commissioner Bennet made a motion to approve the Minutes of the Public Hearing and Meeting on January 8, 2003. The motion was seconded by Commissioner Acree and passed by a majority vote as follows: Chair Willis, Commissioners Acree, Bachicha, and Bennet, aye. Vice-Chair Hess, abstain, as he was not present at the January 8, 2003 meeting.

The next Agenda item Chair Willis called for was the Financial Statement (Unaudited) for five (5) Months Ended November 30, 2002. 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 ending November 30, 2002 totaled approximately \$32.8 Million. Ms. Marroney also reported Scratch sales for the month ending November 30, 2002 were \$22.4 Million. Powerball and Powerplay sales were \$3.7 Million and \$1.4 Million respectively. Lotto and Cash 5 sales were \$4.3 Million and \$1 Million respectively. She reported Administrative Costs for the month of November were at 8.5 percent compared to the same period of Fiscal Year 2002 at 7.7 percent. She also reported the prize expense for Scratch games through the month of November 2002 was 64.75% after the write off of Scratch games. She reported the total prize expense through the month of November was 58.44% as

compared to the same period of Fiscal Year 2002 at 58.37%. Further comparisons to the same period of Fiscal Year 2002 showed: 1) distributions have decreased by \$6.3 Million; 2) sales have decreased by approximately \$19.4 Million; 3) game costs decreased approximately \$12.8 Million; 4) operating expenses decreased approximately \$38,000; and 5) other revenue was increased by approximately \$76,000. She stated as of November 30, 2002, the Lottery had achieved 97.95% of the total fiscal year-to-date sales goal.

Commissioner Bachicha inquired about Scratch and Lotto sales in October and November 2002. He stated he would like to compare sales for the last three months, and requested this information be included with the financial information sent to him monthly for review.

Director Zamarripa called for the first "Decision" item, Approval of Revised Prize Structures for Scratch Games presented by Product Manager Lee Burnett. He reviewed the revised prize structure for Game No. 192, Cash Cards, a \$2 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 the game.

The second revised prize structure reviewed by Mr. Burnett was Game No. 193, Winner Take All, a \$2 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 the game.

The third revised prize structure reviewed by Mr. Burnett was Game No. 195, Bonus Slingo, 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 the game.

The last revised prize structure reviewed by Mr. Burnett was Game No. 198, Jumbo Bucks, a \$2 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 the game.

Mr. Burnett stated the revised prize structures are due to the pack sizes being reduced. After discussion, Vice-Chair Hess made a motion to approve the revised prize structures for Games 192, 193, 195, and 198. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa called for the next "Decision" item, Approval of Prize Structures for Scratch Games presented by Product Manager Lee Burnett. He reviewed the prize structure for Game No. 206, 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 the game.

The second prize structure reviewed by Mr. Burnett was Game No. 207, Match 3, 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 the game.

The third prize structure reviewed by Mr. Burnett was Game No. 208, Money Game, 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 the game.

The fourth prize structure reviewed by Mr. Burnett was Game No. 209, Fun 1s, 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 the game.

The fifth prize structure reviewed by Mr. Burnett was Game No. 210, Four Leaf Fortune, 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 the game.

The last prize structure reviewed by Mr. Burnett was Game No. 211, 7-11-21, 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 the game.

After discussion, Commissioner Acree made a motion to approve the prize structures for Games 206, 207, 208, 209, 210 and 211. The motion was seconded by Commissioner Bennet and passed unanimously.

Chair Willis called for the next "Decision," item Liquidated Damages for the month of December 2002 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 December. He further stated there were no incidents of retailer terminal downtime during the month of December that had not been corrected within the allowable time frame. He stated staff was requesting approval of the Liquidated Damages Report as presented. A motion was made by Commissioner Bennet to approve the Liquidated Damages Report as presented. The motion was seconded by Vice-Chair Hess and passed unanimously.

Mr. Sisson stated a Performance Overview of 2002 from Jack Schaffer of GTECH Corporation was included in the Commission Packet. Chair Willis commended GTECH for their success in 2002.

Vice-Chair Hess made a motion to convene into Executive Session at 10:40 a.m. to discuss security and contract issues concerning the On-Line vendor procurement and a Scratch ticket production issue, CRS 24-6-402-3AI and IV. The motion was seconded by Commissioner Bennet and passed unanimously.

The meeting reconvened at 11:30 a.m.

Director Zamarripa next requested approval from the Commission for a change in direction for the Computer Migration to Open Systems (CMOS) project and any associated budget alterations that will be submitted for this project. Vice-Chair Hess made a motion to approve the change in direction for the Computer Migration to Open Systems (CMOS) project and any associated budget alterations that will be submitted for this project. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa next requested approval of the Commission to release the Ticket Destruction - FY 2002

Internal Audit report submitted by Internal Auditor Perry King as a public document. Commissioner Bennet made a motion to release the Ticket Destruction - FY 2002 Internal Audit report as a public document. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa next announced that Internal Auditor Perry King would be retiring at the end of February 2003. Mr. King thanked the Commission and Lottery staff for the opportunity to work at the Colorado Lottery.

Director Zamarripa called for the next "Decision" item, Getronics Contract, presented by Chief Information Officer Rich Myers. Director Zamarripa stated staff is requesting approval of the Getronics contract for maintenance and disaster recovery. Deputy Attorney General Maurice Knaizer stated the attorney for Getronics stated the language is acceptable; however, he has a couple of approvals to obtain. He further stated if there were any substantial changes to the contract, staff would return to the Commission for approval of those changes. Vice-Chair Hess made a motion to approve the Getronics Contract. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa reviewed the first "Discussion Item," Legislative Update. He stated Commissioners Bennet and Bachicha went before the Senate and Finance Committee On Tuesday, February 11, 2003 and were unanimously approved to be forwarded to the full Senate for confirmation.

Director Zamarripa stated the Legislative Bill, which concerns the interception of Lottery winnings to offset delinquent state obligations (criminal restitution) has passed the House. The Lottery, in conjunction with the Department of Human Services, drafted language to clarify the Lottery's authority to intercept non-cash prizes. This language has not yet made it on to the Bill. The Bill will be forwarded to the Senate where further changes could be made.

Director Zamarripa stated the state is facing a budget shortfall and the legislature has been concentrating most of its efforts on budget bills. He stated, as a cash exempt agency, the Lottery has not experienced the same level of budget cuts as other general fund agencies. However, Lottery staff could be affected by Department of Revenue layoffs.

Director Zamarripa stated the proposal authorizing Video Lottery Terminals to be placed in dog and horse tracks under the control of the Lottery has been presented. Proponents have chosen to seek a Constitutional Amendment; signatures will be obtained to place it on the

ballot rather than submit it as legislation. He further stated there is a competing proposal from the Casino Owner's Association, which would define a slot machine to include a video lottery terminal, which would only be allowed in the three mountain towns. Hearings on those two proposals, on whether they will make the ballot, will occur with the Secretary of State.

Director Zamarripa reviewed the next "Discussion Item," Retreat/Dates/Location. He stated Commission Secretary Antoinette Lewis would contact the Commission individually for their schedule to finalize the date and location of the Retreat as well as any agenda items the Commission would like to discuss.

Director Zamarripa next invited the Commission to view the Media Jackpot Coverage, Lucky Loot Scratch game, and 20 years of Lottery Commercials during the lunch break. He further stated a videotape of the 20 years of Lottery Commercials would be available to the Commission upon request.

There being no further business to come before the meeting, a motion to adjourn was made by Commissioner Bennet. The motion was seconded by Commissioner Acree and passed unanimously. The meeting was adjourned by Chair Willis at 11:45 a.m.

---

Antoinette A. Lewis  
Secretary