

COLORADO LOTTERY COMMISSION
Minutes of Meeting
April 23, 2003

The Meeting was called to order by Chair Javonni Willis at 8:10 a.m. on April 23, 2003, at the Pueblo Convention Center, 320 Central Main Street, Pueblo, Colorado. Present were Chair Javonni Willis; Vice-Chair Stephen Hess, and Commissioners Micheal Acree, Timothy Bachicha and Michael Bennet; Mark Zamarripa, Director; Kathy Jones, Deputy Director; Vickie Robb, Administration Director; Tom Thornburg, Security Director; Dan Noreen, Marketing Director; Maurice Knaizer, Deputy Attorney General; Janine Whiteman and Toben Molica of Scientific Games International; Dennis Miller of Oberthur Gaming Technology; Paul Louderman of Karsh and Hagan; Phyllis Mendoza and Robert Doyle of GTECH Corporation; and members of the Lottery staff.

Chair Willis stated since the public hearing was noticed for 9:00 a.m., she would like to take the agenda out of order and begin with the meeting. Chair Willis inquired, via telephone conference, whether members from the public were present at the Pueblo Lottery Office for the Meeting. Program Assistant Alysia Ivan responded that no one from the public was present for the Meeting.

Chair Willis inquired if there were any comments, additions, or corrections to the Minutes of the Public Hearing and Meeting on March 12, 2003. There were none. Vice-Chair Hess made a motion to approve the Minutes of the Public Hearing and Meeting on March 12, 2003. The motion was seconded by Commissioner Bachicha and passed unanimously.

The next Agenda item Chair Willis called for was the Financial Statement (Unaudited) for seven (7) Months Ended January 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 ending January 31, 2003 were \$30.9 Million. Ms. Marroney also reported Scratch sales for the month ending January 31, 2003 were \$20 Million. Powerball and Powerplay sales were \$4.4 Million and \$1.5 Million respectively. Lotto and Cash 5 sales were \$3.8 Million and \$1.2 Million respectively. She reported Administrative Costs for the month of January were at 8.1 percent compared to the same period of Fiscal Year 2002 at 7.6 percent. She also reported the prize expense for Scratch games through the month of January 2003 was 64.54% after the write off of Scratch games. She reported the total prize expense through the month of January was 58.08% as compared to the same period of Fiscal Year 2002 at 58.21%. Further comparisons to the same period of Fiscal Year 2002 showed: 1) distributions have decreased by \$4.3 Million; 2) sales have decreased by approximately \$13.9 Million; 3) game costs decreased by

approximately \$9.6 Million; 4) operating expenses increased approximately \$194,000; and 5) other revenue decreased by approximately \$85,000. She stated as of January 31, 2003, the Lottery had achieved 101.65% of the total fiscal year-to-date sales goal.

Director Zamarripa called for the first "Decision" item, Approval of Prize Structures for Scratch Games presented by Product Manager Lee Burnett. The first prize structure reviewed by Mr. Burnett was Game No. 215, Beginner's Luck, 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 second prize structure reviewed by Mr. Burnett was Game No. 217, Lucky Shamrock, 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 prize structure reviewed by Mr. Burnett was Game #218, Trucks and 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.

The fourth prize structure reviewed by Mr. Burnett was Game #219, 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.

The fifth prize structure reviewed by Mr. Burnett was Game #220, Betty Boop, 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 sixth prize structure reviewed by Mr. Burnett was Game #221, Caribbean Cash, 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 seventh prize structure reviewed by Mr. Burnett was Game #222, Win Win Cash, 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 eighth prize structure reviewed by Mr. Burnett was Game #223, Lucky 13, 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.

Commissioner Bennet made a motion to approve the prize structures for Games 215, 217, 218, 219, 220, 221, 222, and 223. The motion was seconded by Vice-Chair Hess and passed unanimously.

Chair Willis called for the next "Decision" item, Liquidated Damages for the month of February 2003 presented by Director of Administration Vickie Robb. Ms. Robb 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 February. She further stated there was one retailer terminal maintenance incident during the month of February that had not been corrected within the allowable time frame, and, staff was recommending liquidated damages in the amount of \$400 for this incident. A motion was made by Commissioner Acree to approve the Liquidated Damages Report, as presented, and that liquidated damages be assessed in the amount of \$400. The motion was seconded by Commissioner Bennet and passed unanimously.

Director Zamarripa next commended staff on their presentations at the Commission Retreat. Chair Willis echoed his comments on behalf of the Commission.

Chair Willis called for the first "Discussion" item, Revenue Projections, presented by Director of Administration Vickie Robb. Ms. Robb stated that Project Manager Jay Sisson has worked closely with Dr. Don Ilvisaker, the independent statistician from UCLA in California. She stated that Ilvisaker's projections indicate that there will be a slight decline in Scratch and On-Line sales for Fiscal Years 2003-2008. She stated the one caveat is on the Powerball product. Because that game is designed to have extremely large jackpots, Dr. Ilvisaker factored those out. Director Zamarripa stated the on-line game is still declining slightly. Ms. Robb stated after the Commission has approved the projections in May, the Revenue Projections information will be published in the quarterly Revenue Proceeds Update that is distributed to proceeds recipients.

Chair Willis called for the next "Discussion" item, Legislative Update presented by Director Zamarripa. Director Zamarripa stated that the Long Bill for the budget process has been working its way through both Houses. All of the Lottery's requests have been fully funded. The Bill to intercept for criminal restitution has passed and will be implemented in August 2003. Ms. Robb stated that the primary intercept would be for child support. If there are any funds remaining, the secondary intercept will be for criminal restitution. Director Zamarripa stated the Division of Gaming is up for sunset review

and extension; a Bill must be passed to extend the Division. The House has added to that Bill a definition of slot machines to include Video Lottery Terminals (VLTs). This would limit the placement of VLTs to the three mountain gambling towns. He stated that if the Bill were to pass, and if it were decided to implement VLTs, the Lottery would need enabling legislation to secure the resources necessary to operate the system.

Director Zamarripa called for the next "Discussion" item, State Auditor's Request to Review Executive Session Tapes, presented by Chief Financial Officer Mike Saucedo. Mr. Saucedo stated the State Auditors have requested access to the Executive Session tapes. He stated this matter was referred to Deputy Attorney General Maurice Knaizer. Mr. Knaizer spoke with David Kaye, a Deputy State Auditor, and was informed that the Lottery was not authorized to release the tapes to the auditors, that only the Commission could authorize such release. He also stated if authorization was granted, it would be limited to those executive sessions that do not have pending issues; anything with current issues would not be provided. Mr. Knaizer stated the tapes are confidential. He stated the law in terms of the Lottery's ability to turn this confidential information over to the state auditor is unclear. He stated that he is assuming that the auditors are requesting this information to make sure the Lottery is in compliance with the open meetings law as part of the Lottery's operations. He stated that his concern is that if the Lottery turned over this information to the state auditor, it may become accessible to others. He stated the Lottery has litigation that is ongoing, security issues, and contracts. He stated he discussed with David Kaye the possibility of doing a partial waiver - issues that no longer have a need for confidentiality. He stated a partial waiver would waive all privileges with regard to those particular issues. After a lengthy discussion, it was the consensus of the Commission not to release the Executive Session tapes to the state auditors.

The meeting was recessed at 8:50 a.m.

The meeting reconvened at 9:18 a.m.

Commissioner Bachicha made a motion to convene into Executive Session at 9:20 a.m. to discuss Audits and Contracts, CRS 24-6-402 3AIII and Bazemore Lawsuit, CRS 24-6-402 3AI. The motion was seconded by Vice-Chair Hess and passed unanimously.

Commissioner Bennet left during Executive Session at 9:50 a.m.

The meeting reconvened at 10:25 a.m.

Director Zamarripa called for the next "Discussion" item, Ticket Distribution Project presented by Director of Administration Vickie Robb. Ms. Robb stated staff is requesting

approval for the Invitation for Bid for the Ticket Distribution Project. Vice-Chair Hess made a motion to approve the Invitation for Bid for the Ticket Distribution Project. The motion was seconded by Commissioner Acree and passed unanimously.

Director Zamarripa thanked the Commission for taking time from their busy schedules to attend the Retreat.

Director Zamarripa inquired if there were any issues from the public. There were none.

Commissioner Bachicha made a motion to adjourn the meeting at 10:35 a.m. The motion was seconded by Vice-Chair Hess and passed unanimously.

Antoinette A. Lewis
Secretary