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TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION  
COMMISSION MEETING

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700 North 10<sup>th</sup> Street  
Sacramento, California 95811

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**A P P E A R A N C E S**

**California State Lottery Commission**

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Commissioner

Keetha Mills  
Commissioner

Tiffani Alvidrez  
Commissioner

Anthony Garrison-Engbrecht  
Commissioner

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Jennifer Chan  
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Tiffany Donohue  
Deputy Director of Operations

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Participating Lottery Commission Staff (continued)

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Assistant to the Commission

Rebecca Estrella  
Recording Secretary

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**February 2, 2023**  
**Sacramento, California**

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**CHAIR AHERN:** Good morning, everyone. We'll call the Lottery Commission Meeting to order, and we'll start with the Pledge of Allegiance. Will you please stand and join me for the Pledge of Allegiance?

*(The Pledge of Allegiance was recited.)*

**CHAIR AHERN:** Thank you very much. We'll move on to Item Number Three, which is Roll Call. Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Present.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Mr. Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Here.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Here. Thank you very much. We have a quorum. We'll move on to Item Number Four. Commissioners, does anyone want to suggest any changes to today's agenda in any respect? With nothing, do I hear a motion to adopt the agenda?

**COMMISSIONER MILLS:** Move to adopt the agenda.

**CHAIR AHERN:** We have a motion. Is there a

second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

**CHAIR AHERN:** We have a motion and a second.

Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right. Item Number Five is the next item on the agenda, Approval of the Minutes. Do any of the Commissioners have any corrections or anything they'd like to note about the minutes? Hearing none, do I hear a motion to approve the minutes of the December 8<sup>th</sup>, 2022 Commission Meeting?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve the minutes.

**CHAIR AHERN:** We have a motion. Is there a second?

**COMMISSIONER MILLS:** I'll second.

**CHAIR AHERN:** We have a motion and a second.

Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right. Item Number Six, the next item on the agenda is Informational Items. We're moving on to our Director, Alva Johnson. Alva?

**DIRECTOR JOHNSON:** Okay. Thank you, Mr. Chairman. Okay. Good morning, everyone.

**CHAIR AHERN:** Good morning.

**DIRECTOR JOHNSON:** Mr. Chairman, Members of the Commission, Members of the Public, Lottery Staff, I'm pleased to present to you today our Sales Report for February 2<sup>nd</sup>, 2023.

Lottery Sales are currently in a very strong position. Sales surpassed the \$5 billion milestone faster than any fiscal year in our history and now stand at more than \$5.3 billion. As you can see from the data displayed here, total sales are now 17 percent ahead of our goal through this same time period and are ahead of last year's sales pace. The main drivers behind our successful sales are our Multi-State Jackpot Games, Powerball and Mega Millions. With multiple jackpots of \$1 billion or more,

including one reaching a record \$2 billion, each of these games have already surpassed their annual sales goals, even though we are roughly halfway through the fiscal year. SuperLotto Plus, our California-only jackpot game, has also benefited from Mega Millions and Powerball's high jackpots. As players came in for the billion-dollar jackpots offered by the Multi-State Games, they also spent that extra dollar to take a chance at SuperLotto Plus. As a result, sales for this game are moderately ahead of its goal and higher than sales from the first six-and-one-half months of last year.

Scratchers are still performing well this year and are contributing a significant amount to total sales. Year-to-date Scratchers sales exceed \$3.5 billion. As the pandemic restrictions have been lifted throughout the State, and Californians have returned to other entertainment and leisure activities, demand for Scratchers has lessened, resulting in slightly lower sales than the prior year. Fortunately, the actual decline in demand was not as large as forecasted, and Scratchers sales are currently running three percent above goal.

Lastly, Hot Spot and our Daily Games each have year-to-date sales of over \$200 million. While these sales are slightly lower than last year, they are performing moderately better than expected, coming in above goal.

While having back-to-back billion-dollar jackpots



strongly benefits our revenue, it may also bring an unfortunate consequence. The presence of so many large jackpots in a short period of time may desensitize the news media and players to future big jackpots. This chart shows sales for draws offering similar billion dollar-level jackpots over time. As you can see, after the \$1.3 billion jackpot in July 2022, the subsequent jackpots over \$1 billion had sales that were less than half of what was seen in July. Our tracking study provides further data. It shows that the number of people participating in the most recent big jackpot was about half the number we saw back in July for buying a ticket to the \$1.3 billion jackpot. While not ideal, this is not unexpected. As these jackpots become more frequent, it is natural for consumer interest and media attention to soften as the novelty wears off, and the Lottery industry has experienced this jackpot fatigue phenomena for decades and has successfully evolved its products and marketing strategies to adapt to the new environment many times. Even now, the Mega Millions Consortium, which California is a part of, is reviewing potential changes to the game. Despite lower sales response to the billion-dollar plus jackpots coming later, the sheer number of them so far this year is still providing significantly higher sales than forecasted, and the next slide will demonstrate another nice benefit from this series

of large jackpots this fiscal year.

The unique circumstances over the past six months have led to jackpot games making up a greater portion of our total sales than is typically seen. This benefits the contributions we provide to California public education. In this chart, the blue bar indicates the share of sales coming from jackpot games. As shown in the highlighted box, they are making up almost a quarter of total Lottery sales so far this fiscal year. This is a significantly greater share than we have seen in the past three years. The last time we saw the share of sales from jackpot games around this level was back in Fiscal Year 2019 when Mega Millions had its first billion-dollar jackpot. Since a greater portion of jackpot game sales go to education, more sales (inaudible) education than originally expected.

That leads me to this month's update on our estimated contributions to education. I'm happy to share that expected funds for education from sales during the first half of this year are significantly exceeding our goal. Total contributions are estimated at \$1.1 billion. Our estimated contributions through the end of December are 34 percent higher than the figure in our budget through the same time period and compared to the first six months of last fiscal year, contributions to education are up by about \$100 million in the current year. With such a strong first

half of the year and more than a billion dollars already earned for education, we are cautiously optimistic about what the full fiscal year will provide in terms of our contributions to education.

Lastly, from our team, I'm pleased to present another Lottery Funding in Action video to the Commission. You may recall at our last meeting, our leader in Public Affairs presented and talked about our commitment to amplifying the California Lottery mission through storytelling. We are debuting another video today, demonstrating not only where our dollars are going, but also how they're being spent, the programs they're supporting, and how those programs can benefit all Californians. Today's video features our funding in the higher education community, set on the campus of Long Beach City College, where dozens of students are enrolled in a medical assistant's program paid for with Lottery revenue. This is a particularly worthy program to highlight because any Californians who visit the doctor's office likely come into contact with a medical assistant checking them in, taking their vitals, et cetera. Our Communications team is amplifying the video today across public channels like our website and social media, as well as sharing it with a few education reporters in the Long Beach area. We'll play the video for you now. And before I turn to that, I just want

to make sure I mention that we continue to be grateful for the hard work of our Business Planning and Research Team to prepare these sales reports for you.

**(Video Plays)**

**DIRECTOR JOHNSON:** All right.

**COMMISSIONER MILLS:** Bravo.

**DIRECTOR JOHNSON:** All right.

**COMMISSIONER MILLS:** Well done.

**DIRECTOR JOHNSON:** Absolutely.

**COMMISSIONER MILLS:** Well done.

**DIRECTOR JOHNSON:** Absolutely. Thank you so much. You know, our Public Affairs and Communications team has been working really hard to develop content. This is the second in the series of new videos they're doing. I want to ask our Deputy Director of Public Affairs Carolyn Becker just to say a few words about how we put it together. Go ahead.

**DEPUTY DIRECTOR BECKER:** Thanks, Director. Good morning, Commission.

**CHAIR AHERN:** Good morning.

**DEPUTY DIRECTOR BECKER:** We have been continuing our networking opportunities to meet contacts like those you saw in the video just now at Long Beach City College, and we hope to continue to produce, as the Director said, a series of stories to uplift where our dollars go and how they're

being spent. Because it's real easy to track the numbers. I probably am taking that for granted, Jim, our Deputy Director of Strategic Planning, but the numbers are nice and shiny and one thing, but to help people really understand where they go is part of our mission to tell the Lottery story. So this was a really great one to produce. You heard one of the students say something that we heard a lot down there, which is they didn't even realize higher education was part of our beneficiary. Everybody thinks about the elementary school children or maybe high school, but we're really happy to showcase the higher educational institutions as well. Happy to answer any questions if you have them.

**CHAIR AHERN:** Anyone have any questions?

**COMMISSIONER ALVIDREZ:** Quick question.

**DEPUTY DIRECTOR BECKER:** Sure.

**COMMISSIONER ALVIDREZ:** And so what is the kind of roll-out for that beautiful, glossy, video that is so incredibly informative? I mean, do you have, like, a tiered media plan or strategy?

**DEPUTY DIRECTOR BECKER:** We do. We sent it to a couple of Long Beach education reporters earlier this week as a sneak peek, just to plant the seeds in their inbox. Even if they're not going to write a story about this video, we want to make sure they know who we are, why we exist, and

the stories we're telling. So we did that already. Today it'll be amplified through a news release statewide as well as on our news Twitter feed that the California Lottery Media team runs. Tomorrow it'll go out on our primary Facebook and Instagram channels, and it'll also be featured on the "Who Benefits" page of our website. So a lot of different ways we can amplify it, both through the Public Affairs team and through our Marketing colleagues as well.

**COMMISSIONER MILLS:** Awesome. I was just -- thank you. Thank you for putting this together. I know this takes a lot of work, but it's so important, and it's so inspiring and to keep us grounded in "the why" of what we do. And if there's anything that we can do as Commissioners to help amplify this message? I know I follow you guys on Facebook. I'm happy to share and "like" and "love" or whatever.

**DEPUTY DIRECTOR BECKER:** Great.

**COMMISSIONER MILLS:** So if you can kind of let us know where it is --

**DEPUTY DIRECTOR BECKER:** Sure.

**COMMISSIONER MILLS:** -- so we can kind of go out and help amplify. I'm really proud that you showcased one of our California Community Colleges. It was really cool to see our students and hear the impact that we're having on our California Community College students. So thank you for

that, and I'm happy to use my role with the Foundation for California Community Colleges to try to amplify this message as well, so I'll be thinking about that, and I might reach out to try to get access to the video to help share it in the California Community College community.

**DEPUTY DIRECTOR BECKER:** That's terrific. Thank you for sharing.

**COMMISSIONER ALVIDREZ:** Just as a quick follow-up.

**DEPUTY DIRECTOR BECKER:** Sure.

**COMMISSIONER ALVIDREZ:** You used the word "amplification."

**DEPUTY DIRECTOR BECKER:** Yes.

**COMMISSIONER ALVIDREZ:** So as we think about amplifying some of these messages, I heard you say, you know, Long Beach, Long Beach Community College, it feels very, kind of regional, with the exception of our website and some of the more governmental entities. What other plans do you have to amplify that messaging beyond using our website and some of our state resources? When I think about amplification, I think about what role our retailers can play, if any? I think about public video strategies that include educating legislators, when we know that they are watching everything that we do and that we are under a microscope. So could you give me kind of just a few of the

layers?

**DEPUTY DIRECTOR BECKER:** Absolutely. First of all, the news media focus lately has been largely on what the Director highlighted this morning, which is our billion-plus dollar jackpot, and every time we engage with a reporter or a newsroom on that, we quickly pivot. We address it, of course, because that's the shiny object in the room, but we pivot to how much money any given jackpot run -- jackpot sequence as they grow -- has raised for public education. That goes in all of our press releases, which, when they get this high, we issue multiple times a week. So it's not just about this video. It's about every time we have an opportunity to speak publicly, like you said, whether that's to the Legislature, whether that's to the news media, or even just a member of the public, we're uplifting or amplifying our mission, our dedication, quite frankly, to public education and the dollars that these big, shiny jackpots mean for schools. It's probably gotten a little redundant, but that's the trick of messaging, right, is to keep saying it. But every time I talk to a reporter, I use phrases like, it's a win-win no matter what. Because even if the jackpot is hit in another state, like we saw last month -- Maine, I believe, on January 13<sup>th</sup>, with that billion-dollar Mega Millions jackpot -- that doesn't change how much revenue we've raised for schools. So we make sure



reporters understand that and the public. Thank you, guys.

**CHAIR AHERN:** Thank you.

**DIRECTOR JOHNSON:** Commissioners, I've also asked Sharon Allen, our Deputy Director of Sales and Marketing, just to talk a little bit to your question about how we partner with our retailers to talk about the benefits of Lottery funding.

**DEPUTY DIRECTOR ALLEN:** We communicate our educational funding messages through signage, making sure that our retailers know how much they earn in terms of contributions to Education, and we've been rolling out signage for each retailer to say this store or this chain has generated "X" amount of dollars to contributions to education. So that's one way that we get the message out and other types of communications through our Field Sales team. Additionally, just to build, we will distribute this video through our email, Registered Player email database, which is about four million registered players as well. So we'll take this great content and push it out across all of our channels in working closely with our Public Affairs colleagues.

**DIRECTOR JOHNSON:** And lastly, I'll mention that when we have high-level winners, seven figures or above, it's our practice, working with our External Affairs and the Legislative Unit, to send out letters to legislators. This

is in the case of both winners and the retailers that sold the winning tickets, we send letters to the legislators representing that individual or that area in their district explaining, hey, by the way, there's a winner -- this is public information, after all -- this is a winner, and here's how much they won. But importantly in the letter, we spend the remaining four or five paragraphs talking about how much money was sent to their district in the last fiscal year. Now, for the smaller legislative districts, we can actually itemize by school, to the penny, here's how much they got. For a county like Los Angeles, where it's over \$400 million, we can't itemize all the schools there, but every time we have an opportunity, we push out to legislators, hey, here's how much Lottery money is going to your community, and so that's part of our strategy as well.

**CHAIR AHERN:** And Alva, do we also include the retailers that provided that winning ticket?

**DIRECTOR JOHNSON:** That's right. We'll talk about the commission or the bonus the retailer may have received. And so, often -- because I sign every one of these letters -- often we send out two or three letters for a single event, one for the player --

**CHAIR AHERN:** Got it.

**DIRECTOR JOHNSON:** -- one where the ticket was purchased, and then, you know, to the Assemblymember or the

Senator or both. So, you know, it's a lot of paperwork, and we're churning out letters every month, but it's an important part of our communications.

**CHAIR AHERN:** Wow. Outstanding. Good stuff.

**DIRECTOR JOHNSON:** Okay. Thanks, everybody. Again, thank you to the staff for their work on this very important project, and we really appreciate it. Thank you.

**CHAIR AHERN:** Okay. Thank you, Alva. Item Number Seven, the next item on the agenda, is the Consent Calendar. There are no items under Consent, so we'll proceed to the Action Items, moving on to Number Eight. We'll start with 8a. It's a Request to Add Position for the Security and Law Enforcement Division (SLED), and that's Florence Bernal. Good morning, Florence.

**DEPUTY DIRECTOR BERNAL:** Good morning, Chairman Ahern and Commissioners. I am here to request one additional position for the SLED Division. The SLED's Emergency Management and Physical Security Unit, or what we call EMPS, is requesting one Associate Governmental Program Analyst, or AGPA position. EMPS's primary duty is to ensure all Lottery facilities are safe and secure by providing 24-hour, seven-day-a-week statewide physical security support. Some of the duties that we have in the EMPS Unit are daily review and resolution of statewide Lottery incident reports; assessment of physical security devices; researching and

analyzing equipment purchases; and processing access badge requests, and many more duties as well. And to give you a little bit of background on this issue, the Lottery's physical security responsibilities transitioned from an outside vendor to internal resources in October of 2020. EMPS now handles physical security in-house with our own staff. Before the transition, SLED had two AGPAs assigned to the EMPS Unit to provide oversight, operations, and support to the SLED Division. Since the transition, one AGPA was removed and reallocated to SLED's Death Unit. We estimate the workload has more than doubled for the EMPS Unit, and we have only one staff person and no backup for this position. Additionally, SLED did not include this position in our recent budget request because we believed that our one staff person could complete these tasks with extra help from others, but it is becoming too burdensome. So it's for these reasons that I am requesting approval for one AGPA in our SLED EMPS Division, and I'm happy to answer any questions if you have any.

**CHAIR AHERN:** All right, thank you. Do any of the Commissioners have any questions or comments on Action Item 8a? Okay. Does any member of the public want to address the Commission at this time regarding Action Item 8a? Hearing none, do I hear a motion to approve Action Item 8a, Request to Add Position for the Security and Law

Enforcement Division?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

**CHAIR AHERN:** We have a motion to approve. Is there a second?

**COMMISSIONER MILLS:** Second.

**CHAIR AHERN:** We have a motion and a second.

Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right. Congratulations.

**DEPUTY DIRECTOR BERNAL:** Thank you.

**CHAIR AHERN:** Well done. The motion passes.

We'll go on to Action Item 8b, and we'll have Sharon back up for Scratchers Shipping Bags Contract.

**DEPUTY DIRECTOR ALLEN:** Good morning again.

**CHAIR AHERN:** Good morning again.

**DEPUTY DIRECTOR ALLEN:** All right. This is Item 8b, Scratchers Shipping Bags Contract. This item requests approval of a new contract for the purchase of dedicated

bags to ship Scratchers from the Lottery's Distribution Centers to our network of approximately 23,000 retailers, and to ship unsold, expired tickets to the Distribution Center for destruction. We require these bags to be made of a specialized polyethylene material. This provides the necessary security and durability to protect the tickets during shipment. An invitation for bid was released in October, and nine vendors submitted bids in response. Victory International Group was determined to be the responsive, responsible bidder offering the lowest cost to the Lottery. Additionally, the Lottery validated Victory International Group's experience through reference checks. The new contract will provide guaranteed pricing, as well as anticipated long-term savings. As polyethylene is a natural gas-based product, and the costs fluctuate in part based on the price of natural gas, this contract contains provisions to limit the frequency and percentage of price increases. Furthermore, it provides the Lottery assurance on delivery and ordering timelines to ensure the product is available when needed. Staff reviewed a three-year history of Scratchers' bag usage and estimated future shipping needs. Utilizing the pricing provided by Victory International Group for each bag type, the estimated funding required is \$376,000. Lottery staff recommends that the Commission approve the award of a new contract for the supply of

Scratchers shipping bags to Victory International Group for a term of three years, with the option to extend for two additional one-year terms and a maximum expenditure authority of \$376,000. With that, I can answer any questions.

**CHAIR AHERN:** All right. Thank you, Sharon. Do any Commissioners have any questions or comments regarding Action Item 8b?

**COMMISSIONER MILLS:** Chair Ahern, I do have a question. Hi, Sharon.

**DEPUTY DIRECTOR ALLEN:** Hi.

**COMMISSIONER MILLS:** Thank you for the presentation. Is this a new vendor for the Lottery?

**DEPUTY DIRECTOR ALLEN:** This is a new vendor, yes.

**COMMISSIONER MILLS:** A new vendor, okay. And so I just want to confirm that you feel confident that all the processes and protocols were followed to fully vet the new vendor --

**DEPUTY DIRECTOR ALLEN:** Uh-huh.

**COMMISSIONER MILLS:** -- that they will be able to meet the requirements of the Lottery and meet the contractual obligations?

**DEPUTY DIRECTOR ALLEN:** Yes, we do.

**COMMISSIONER MILLS:** Amazing. Thank you.

**DEPUTY DIRECTOR ALLEN:** And we'll continue to monitor through the contract management process to make sure they meet those standards.

**COMMISSIONER MILLS:** Thank you.

**CHAIR AHERN:** Go ahead.

**COMMISSIONER ALVIDREZ:** Good morning.

**DEPUTY DIRECTOR ALLEN:** Good morning.

**COMMISSIONER ALVIDREZ:** Question about your IFB process as opposed to the RFP. Can you talk to us about why you chose one procurement process over another?

**DEPUTY DIRECTOR ALLEN:** This is at the direction of and recommendation of the Procurement Services Division or section, and because it's a pretty standard requirement, and I can invite -- Tiffany, if you want to speak a little bit more about this?

**DEPUTY DIRECTOR DONOHUE:** Good morning. So, essentially, the difference between an IFB and an RFP process is industry standard, which Sharon mentioned. With shipping and manufacturing of bags, it's a pretty standard process in the industry. And so when you have that kind of scenario, you've outlined your specifications and requirements, and you seek a cost for that particular good or service. And so that's what we did in this case -- sorry, out of breath. RFPs are typically when you don't know the solution you're seeking; you're looking for



innovation. And so in this case, we weren't looking for innovation. We were looking for a specified product. Does that answer?

**COMMISSIONER ALVIDREZ:** Yes, it does. Thank you so much.

**DEPUTY DIRECTOR DONOHUE:** Okay, thank you.

**DEPUTY DIRECTOR ALLEN:** Thanks, Tiffany. Appreciate -- she explained it much better than I did.

**CHAIR AHERN:** Any other questions? All right. Does any member of the public want to address the Commission at this time regarding Action Item 8b? Hearing none, do I hear a motion to approve Action Item 8b, Scratchers Shipping Bags Contract?

**COMMISSIONER MILLS:** I'll move to approve.

**CHAIR AHERN:** We have a motion. Is there a second?

**COMMISSIONER ALVIDREZ:** I'll second.

**COMMISSIONER GARRISON-ENGBRECHT:** I'll second.

**CHAIR AHERN:** We have a motion and multiple seconds. We have a motion and a second. Will the Secretary please call the roll.

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right, Sharon, don't go anywhere. We see you're up for 8c. That's Extension and Addition of Funds to the David&Goliath Contract.

**DEPUTY DIRECTOR ALLEN:** Okay. The Lottery currently contracts with David & Goliath, or D&G, for lead agency advertising services. D&G is responsible for assisting the Lottery in overall market analysis, strategy development, creative and messaging, and media planning and buying for the Lottery's Marketing and Advertising initiatives. In 2018 the Commission awarded D&G a five-year contract for lead agency advertising services, with an initial contract expenditure authority of \$295 million and two one-year extension options. The initial five-year term is set to expire in August. Exercising the first one-year extension will enable the Lottery to continue essential marketing efforts. Over the course of the contract, D&G has consistently provided the level of service required to develop, plan, and execute complex and multi-faceted marketing and advertising efforts. They are an important part of our roster of agencies in bringing a unique set of skills to address the Lottery's marketing and advertising objectives. D&G has been instrumental in developing and

coordinating the launch and ongoing advertising initiative supporting our strategic business objectives and programs, including the Scratchers category repositioning effort. Additionally, the marketing contract procurement process is extensive, lengthy, and places an extraordinary strain on staff resources. While the Lottery could go out to bid, it's not necessary to expend these resources when we have a capable agency partner in place and the option to extend the contract.

The D&G contract has approximately \$42 million of funding available for the remaining contract term. To allow sufficient funding through the current term and proposed extension ending in August of 2024, staff recommends increasing the contract expenditure authority by \$129 million. This increase is necessary to carry out marketing efforts that support the Lottery's business plan initiatives in Fiscal Year '23-'24. The additional funding will also help the Lottery address ongoing challenges to reach consumers in a more fragmented media environment in some of the most expensive advertising markets in the United States.

Lottery staff recommends that the Commission approve a one-year extension and an increase in the expenditure authority of \$129 million for the David&Goliath contract. This will extend the contract through August of 2024 and bring the maximum authorized contract expenditure

to \$424 million. I'd be happy to answer any questions.

**CHAIR AHERN:** Okay. Thank you very much. Do any of the Commissioners still have any questions or comments regarding Action Item 8c? Seeing none, does any member of the public want to address the Commission at this time regarding Action Item 8c? Seeing none, do I hear a motion to approve Action Item 8c, Extension and Addition of Funds to the David&Goliath Contract?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

**CHAIR AHERN:** A motion to approve. Is there a second?

**COMMISSIONER MILLS:** Second.

**CHAIR AHERN:** A motion and a second. Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right, the motion passes. Thank you very much, Sharon.

**DEPUTY DIRECTOR ALLEN:** Thank you.

**CHAIR AHERN:** All right, Action Item 8d, Laptop/Tablet Refresh -- Jennifer Chan. And good morning, Jennifer.

**DEPUTY DIRECTOR CHAN:** Good morning, Chairman and Commissioners. Item 8d is a request for approval to purchase 275 new laptops to refresh our existing desktop and laptops throughout the Department. Currently, the Lottery has approximately 1,400 desktops and laptops in production, but up until recently, the Lottery has not had an Enterprise Refresh Plan in place. This has meant that equipment such as our laptops and desktops have been purchased on a reactive and as-needed basis, and this has meant that equipment has been difficult for planning and budgeting purposes. And from a maintenance and support perspective, this has also made it challenging for the Information Technology Services Division to proactively ensure that equipment is replaced before it reaches its end of its useful life. As a result, users have had to deal with issues such as swollen batteries, failed network card replacement issues, and compatibility issues with operating systems. But even more significant and more importantly, the devices experience issues such as hardware failure, slowness, and become subject to increased security risks once they fall out of support. Additionally, this reactive process of replacing equipment when failures happen has a

huge operational impact, resulting in major unplanned disruption to the user, and this replacement with different makes and models causes support issues and an inability to keep sufficient inventory in stock for break in fit, as well as a lack of a specific method to allow for budgeting and forecasting of future needs.

To address all of these problems, ITSD has established and is implementing this Enterprise Refresh Plan that will allow for the proactive and predictable budgeting in planning for equipment needs. Specific to this Laptop and PCs, ITSD is rolling out a phased approach. Phase I will replace our existing oldest devices that are over three years old and no longer supported. Phase II will begin in Fiscal Year '23 and '24 to address the next set of devices that are no longer supported and will establish a rolling and annual refresh schedule that will ensure that all of our PCs and laptops remain on an annual three-year refresh schedule. This will ensure that no more than one-third of our devices will (inaudible) replaced during each fiscal year, and it will allow us to control costs, time, and resources, while allowing the forecasting and budgeting for needs; directing security risks; and enhancing the user experience, while making the process more efficient and effective. And as a side note, we'll see this as an additional intangible benefit for the retention of our staff

because they're getting refreshed equipment on a regular basis.

Therefore, Lottery staff recommends that the Commission approve the purchase of 275 new laptops to refresh our existing desktops and laptops throughout the Department to establish a baseline for a continual refresh cycle. The total cost of this agreement is \$504,586, and I'm happy to answer any questions you may have.

**CHAIR AHERN:** All right. Do any Commissioners have any questions regarding laptops?

**COMMISSIONER MILLS:** I just have a comment. Jennifer, thank you for that presentation, and I really appreciate that the way that you brought this forward is part of a bigger plan to make sure that -- not just a one-time expenditure but a part of a broader plan that makes sure that Lottery has updated technology and that our employees can do the jobs they need to do, especially in this day and age when we can hardly do any job without our technology, so I appreciate that. I also really appreciate the fact that you're using an agreement through DGS that's leveraging the buying power of the State of California, so it gives you confidence that we're getting kind of best price on these purchases. Thank you for that.

**DEPUTY DIRECTOR CHAN:** Thank you.

**CHAIR AHERN:** Any other questions or comments? I

have two. So the new laptops -- sometimes, with purchasing this great number, they get misplaced or lost. Do we have an application from the IT people of "Find my tablet?"

**DEPUTY DIRECTOR CHAN:** I'm sorry. Could you repeat that?

**CHAIR AHERN:** The tablets get misplaced.

**DEPUTY DIRECTOR CHAN:** Yes.

**CHAIR AHERN:** They get on top of a vehicle or on the back of the trunk, and then they drive off. Do the tablets come with a "Find My Tablet?"

**DEPUTY DIRECTOR CHAN:** They do not come with a "Find My Tablet;" however, they are all asset tagged.

**CHAIR AHERN:** They're all what?

**DEPUTY DIRECTOR CHAN:** They're all asset tagged. So at the point of, say, something were to happen like that, and an employee reports that, we have the ability to immediately disable the (overlapping).

**CHAIR AHERN:** That's -- okay, that's the second question. Thank you.

**DEPUTY DIRECTOR CHAN:** Yes, yeah. We have the ability to immediately disable the device and turn it off, and then we'll have that, you know, completely secured.

**CHAIR AHERN:** Okay. That was the second question. Thank you very much.

**DEPUTY DIRECTOR CHAN:** Okay, thanks.



**CHAIR AHERN:** All right. Any other questions or comments? All right. Does any member of the public want to address the Commission at this time regarding Action Item 8d? Hearing none, do I hear a motion to approve Action Item 8d, Laptop/Tablet Refresh?

**COMMISSIONER MILLS:** I move to approve.

**CHAIR AHERN:** We have a motion to approve. Is there a second?

**COMMISSIONER ALVIDREZ:** Second.

**CHAIR AHERN:** We have a motion and a second. Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Okay, thank you very much, Jennifer. You are up again for 8e, Microsoft Enterprise Licensing Agreement, 8e.

**DEPUTY DIRECTOR CHAN:** Thank you. Item 8e is a request for approval to add additional funds in the amount of \$350,000 for the existing Microsoft Enterprise Licensing Agreement, also called the MELA, to cover continuing Azure

Cloud services for the remainder of our contract.

When the Lottery entered the current MELA Contract in 2020, we originally estimated our Azure Cloud Services usage at a rate of \$55,555 per month for 36 months for an approximate amount of \$2 million for that three-year term. However, our Azure Cloud Services has steadily increased over the last 29 months. This increase is due to several factors, such as the increase in our infrastructure to support our public website's new features, disaster recovery, increased load during multiple high jackpots, as we've seen recently with the multiple billion-dollar plus jackpots and the increased traffic that comes with that, and the rapid adoption of Azure Cloud Services for our Lottery's Central Data Center. As a result, the Lottery will exceed the original allocation of \$2 million for the Azure costs for this three-year contract.

The current contract expires on February 28<sup>th</sup> of 2023, and the Information Technology Services Division projects that the Lottery will need an additional \$350,000 to cover the remaining Azure Cloud Services charges through the end of February. I should mention that a new Procurement for Services will take effect on March 1<sup>st</sup> of 2023, so there will be no loss in services, and we have accounted for the higher rate of Azure Cloud Service usage to ensure that this does not happen again with overcharges.

Therefore, Lottery staff recommends that the Commission approve the amendment that the Microsoft Enterprise Licensing Agreement current three-year contract with SoftwareOne add funds of \$350,000 for Azure Cloud Services for a total contract amount of \$5,150,000, and all other provisions of the contract will remain in effect. I'm happy to answer any questions you may have.

**CHAIR AHERN:** All right, do any Commissioners have any questions or comments regarding Action Item 8e? Okay. Does any member of the public want to address the Commission at this time regarding Action Item 8e? Seeing none, do I hear a motion to approve Action Item 8e, Microsoft Enterprise Licensing Agreement?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

**CHAIR AHERN:** We have a motion to approve. Is there a second?

**COMMISSIONER MILLS:** I'll second.

**CHAIR AHERN:** We have a motion and a second. Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Okay, Jennifer, thank you very much. The motion passes. Moving on to Item Number Nine, which is Commissioner General Discussion. Do any Commissioners have anything they'd like to bring up at this time?

**COMMISSIONER MILLS:** I do.

**CHAIR AHERN:** Okay, go ahead.

**COMMISSIONER MILLS:** Thank you to the Chair. So we're down -- we're missing one, and we didn't get a chance to publicly thank Commissioner Stern for his service, so I just want to take a moment to thank Commissioner Stern for his service on the Commission and especially express my appreciation for his service on the Audit Committee. He was a great partner in that really important work. And so I am missing him and appreciate his work.

And so I also want to acknowledge that unfortunately, I'm not going to be able to be at the next meeting. I have previous travel commitments, so I'll miss our March meeting, but I know there are a few important points of business that the Commission will need to take up at that March meeting with the departure of Commissioner Stern, and so one will be filling the position on the Audit Committee, and I want to take a moment to thank my fellow

colleague who has been spending a little bit of time getting to know a little more about that work and starting to orient, and so I would encourage my fellow Commissioners to make his role official in my absence at the next meeting, and then I think we also have a vacancy in the Vice Chair. And so I think as part of good governance that we -- I know we normally do those types of elections in June, but I think it would be good governance if we think about filling that leadership position sooner rather than later. We're a small but mighty Commission here, and I just think it's important that we have our leadership positions intact. So, thank you, and I'll miss you guys in March.

**CHAIR AHERN:** Okay. I'll agree with the small. I'm not sure about the mighty. I also would like to note that the vacancy of the Vice Chair, the Commission will try to elect a Vice Chairperson at that March meeting, so a Commissioner can self-nominate or nominate another Commissioner to serve as Vice Chair of the Lottery Commission, and if you do, please direct your nominations to me prior to that March Commission meeting, or make Elisa know, and we'll get that listed on the agenda, as well as a comment for the Audit Committee, all right? Anything else we'd like to bring up during General Discussion?

Okay. Next is Scheduled Next Meetings. We have tentatively scheduled Commission meetings on March 30<sup>th</sup>, May

25<sup>th</sup>, and June 29<sup>th</sup>, all here in the beautiful City of Sacramento.

I'm moving on to Item Number Eleven. It's Public Discussion. Is there any member of the public who'd like to address the Commission at this time? Seeing none, we can move to adjourn. All right. Thank you very much for all your hard work and really glad to see the amount of money it's bringing into the State Lottery. Keep the game going. Thank you all for your outstanding work and efforts. We're adjourned. That means you can get closer than six feet, I think.

(End of Recording)

**(MEETING ADJOURNED)**

