

**STATE OF CALIFORNIA
TRANSCRIPT OF PROCEEDINGS**

**CALIFORNIA STATE LOTTERY COMMISSION
COMMISSION MEETING**

TIME: 10:00 a.m.
DATE: Thursday, December 8, 2022
PLACE: California State Lottery Headquarters
700 North 10th Street
Sacramento, California 95811

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A P P E A R A N C E S

California State Lottery Commission

Peter Stern
Vice Chair of the Commission
Commissioner

Keetha Mills
Commissioner

Tiffani Alvidrez
Commissioner

Anthony Garrison-Engbrecht
Commissioner

Participating Lottery Commission Staff

Alva V. Johnson
Director

Fernando Aceves
Chief Counsel

Jennifer Chan
Deputy Director of Information Technology Services

Rebecca Estrella
Recording Secretary

I N D E X

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| 1. Call to Order | N/A |
| 2. Pledge of Allegiance | N/A |
| 3. Roll Call of Commissioners | N/A |
| 4. Consider Approval of the Agenda | N/A |
| 5. Approval of the Minutes of the September 29, 2022, Commission Meeting | N/A |
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Thursday, December 8, 2022

Sacramento, California

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(Agenda Items 1 through 5 -- the Call to Order, Pledge of Allegiance, Roll Call of Commissioners, Consider Approval of the Agenda, and Approval of the Minutes of the September 29, 2022 Commission Meeting were not recorded. The recording begins part way through Agenda Item 6, Director's Comments.)

DIRECTOR JOHNSON: -- sequence as well, earning an estimated \$23.9 million combined from bonuses and commissions. The retailer in Altadena who sold the winning ticket, hitting the jackpot, will receive a bonus of \$1 million for selling that single winning ticket. And most importantly, the contribution to Education from this entire Powerball sequence is estimated to be \$156.3 million. This is the highest contribution to Education generated from a single rolling sequence in the California Lottery's history.

Switching gears, it is common at this time of year for us to share the results of the National Lottery Sales from the prior fiscal year. Specifically, at this time, we are presenting Fiscal Year '21-'22 sales of traditional lottery products. Now these figures exclude revenue from video lottery terminals. With unaudited sales over \$8.8 billion, California will remain the state with the second-

highest sales in the United States. We had a one-year hiatus from this position as Fiscal Year '19-'20 saw us drop to fourth place. In terms of the remaining quarter, there was just minor improvement. Massachusetts returned as the fifth-largest lottery, flipping places with Georgia, and Michigan moved up one spot to eighth place in sales, surpassing Ohio, which is now ninth. We narrowed the sales gap between us and Florida over the past year. Whereas in Fiscal Year '21, the gap was \$671 million, in Fiscal Year '22, we trail Florida by only \$458 million. This narrower sales gap is a result of our sales increasing by a higher percentage than Florida, as well as many other jurisdictions. We had the third-best sales-growth rate, with a five percent increase in total sales. Only Massachusetts, with an 11 percent growth, and New York, with a seven percent growth rate, performed better than California. About 60 percent of the U.S. lotteries in Fiscal Year '22 saw a decline in total sales compared to the prior fiscal year.

Here are some other highlights and rankings from the most recent fiscal year's Industry Update. California continued to have the highest sales for Powerball, and we had the second highest in-state Lotto sales with our SuperLotto Plus game. California moved up to the second-highest Scratchers sales out of the 48 U.S. jurisdictions

that sell lottery products. Only Florida had higher Scratchers sales. This was due to California having the highest growth in Instant or Scratchers sales, with a seven percent growth year-over-year. California slipped down a spot for Mega Millions sales, as Texas had higher sales this past year. Our annual per capita sales of \$226.00 -- that's \$226.00 per person -- was ranked 25th place, just slightly below the median, which was \$235.00. This was the same rank we had last fiscal year as well. And lastly, our estimated contributions to Education continued to be the third highest in the nation, with \$2 billion. New York's figure of more than \$3.6 billion included funds going to their beneficiary from their video lottery terminals. That is the reason why it led all U.S. lotteries. Florida estimates \$2.3 billion in contributions to their beneficiary last year.

And to conclude my report on this for today, I'd like to thank the entire Lottery team. None of this would be possible without the hard work of each and every single one of our Lottery employees across the State. We are extremely proud of the teamwork from every division that made all of these successes I shared today possible. And if I may, Mr. Chairman, I want to mention one other matter.

We have an employee, a day-one employee -- he started with us in 1985 -- who is retiring very soon. His name is Mike Vaday, and I just have a few points I wanted to

share about his service. Mike Vaday is one of the Lottery's few original remaining employees. He'll be retiring at the end of this year, later this month. As I mentioned, he joined the Lottery in August of 1985 and has been with the Lottery for over 37 years. He started as a District Sales Representative, promoted to District Sales Supervisor, and then to Lottery Sales Manager of the now Costa Mesa District Office in Southern California, and he's been a Lottery Sales Manager since 2017. His knowledge, experience, and positive attitude has earned him the respect of his team, colleagues throughout the Lottery, and their retailers. This past fiscal year, the Costa Mesa District under Mike's leadership achieved \$1 billion in sales for the first time. We'll be presenting a Resolution from the Lottery to Mike later this month, and we extend our grateful appreciation to Mike today for his service to the Lottery and the State of California. So those are all of my remarks. Thank you very much for your time.

VICE CHAIR STERN: Thank you very much for the report. Any questions or comments?

COMMISSIONER MILLS: I do have a question. Thank you for that report, Director Johnson, and congratulations on amazing results all for the benefit of Education. My question is around the last slide that you put up around the comparisons of the contributions to Education by state, and

I wondered if you could talk a little bit more about -- well, can you remind us all what our contribution to Education was in '22?

DIRECTOR JOHNSON: I don't have the number handy. I want to say it was close to \$2 billion. We crossed \$2 billion for the first time in this last period.

COMMISSIONER MILLS: Two billion dollars.

DIRECTOR JOHNSON: Yes. I think before that, it was \$1.8 billion.

MR. BUCHEN: (Inaudible).

DIRECTOR JOHNSON: Ah. There he is. Nick, our Deputy Director of Finance, has precision on those numbers. Did I get that right, Nick?

MR. BUCHEN: Yes.

COMMISSIONER MILLS: Great.

DIRECTOR JOHNSON: Okay, very good.

COMMISSIONER MILLS: Thank you. And then there was something about -- there was a note on I think Florida's numbers that it included something else. Like, can you talk a little bit about -- like, it looked like our sales were above at least one of these states, but our contribution was a little bit lower. Can you talk a little bit about those dynamics, and are there any best practices that we can learn from the other states to continue to increase our contribution to Education?

DIRECTOR JOHNSON: That's a great question, and I want to invite our Director of Business Planning, Jim Hasegawa, to speak on that point. Jim? Yes, please.

MR. HASEGAWA: Yes, it was New York. The sales that we showed in the earlier slides, those are of traditional lottery products, ones like we have. However, in their financials for the contributions to their beneficiary, they don't break out, like, what came from traditional lottery products and video lottery terminals, and that's why they're number one in the U.S. Video lottery terminals are essentially like slot machines that are run in New York at various racetrack venues.

COMMISSIONER MILLS: Thank you. Very helpful.

MR. HASEGAWA: Uh-huh.

DIRECTOR JOHNSON: Thanks, Jim.

COMMISSIONER MILLS: That concludes my questions; thank you.

VICE CHAIR STERN: Okay. Any other questions or comments? Okay. Thank you very much.

DIRECTOR JOHNSON: Thank you very much.

VICE CHAIR STERN: And the next item on the agenda is the Consent Calendar. There are no items under Consent Calendar, so we're going to proceed to the Action Items. We'll start with Action Item 8a, DocuSign Renewal, and we'll invite Jennifer Chan to the podium.

MS. CHAN: Thank you. Good morning, Commissioners. I am Jennifer Chan. I'm the Deputy Director of the Information Technology Services Division; I'm happy to be here today and nice to see you all.

Item 8a is a request to enter into a two-year agreement to renew the subscription and support services for DocuSign's digital signature technology to support the Lottery's electronic signature processes.

In 2019, the Lottery performed a product capability analysis on multiple digital signature companies, and DocuSign was selected as the product that met all the Lottery's requirements. DocuSign was implemented in 2020 and has the leverage to meet critical business and employee needs through the automation of critical paper-based processes and manual processes.

Since 2020, the Lottery has employed over 55 DocuSign easy-to-enter templates and automated workflows. Currently the Lottery is routing and signing over 3,900 electronic documents per month and continues to identify and prioritize additional templates and workflows for automation.

Renewal of DocuSign will allow the Lottery to continue to fully use digital processes for signing important documents like time sheets; the State Controller's Office payment claim schedules; invoice approvals; our

procurement packages; and internal transmittal and approval to holders. Four-hundred DocuSign professional service hours are included as part of this agreement to allow the Information Technology Services Division to partner with the specialized DocuSign engineers to ensure that existing design DocuSign workflows adhere to best practices and standards and also to assist in the development of more complex workflows and upgrades.

In addition, ITSD has kicked off an Electronic Document Automation or EDA Project to implement a repeatable and sustainable process for automating document workflows and to improve the efficiency of processes that currently rely on manual routing and wet signatures. The Lottery is invested in implementing operational efficiencies and effectiveness by reducing paper-based and manual processes, which would be negated if the DocuSign agreement was not approved. Therefore, Lottery staff recommend the Commission approve the renewal of the subscription and support services for DocuSign Digital Signature Technology. The total contract amount is anticipated to not exceed \$621,900 for the term date of January 31st, 2023 through January 30th of 2025. And I can answer any questions you may have.

VICE CHAIR STERN: Great. Thank you. Thank you, Jennifer. Do any of the Commissioners have any questions or comments on Action Item 8a? Hearing none, do I have a

motion to approve Action Item 8a, DocuSign Renewal?

COMMISSIONER MILLS: Move to approve.

COMMISSIONER GARRISON-ENGBRECHT: I'll second.

VICE CHAIR STERN: Thank you. Will the Secretary please call roll?

MS. ESTRELLA: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. ESTRELLA: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. ESTRELLA: Commissioner Garrison-Engbrecht?

COMMISSIONER GARRISON-ENGBRECHT: Yes.

MS. ESTRELLA: Vice Chair Stern?

VICE CHAIR STERN: Abstain. Okay, thank you very much. We're going to move to Item 8b, Juniper Network Hardware Refresh, and Jennifer -- oh, thank you, Jennifer.

MS. CHAN: Thank you. Item 8b is a request to enter into a three-year agreement to replace the aging Juniper Network infrastructure and to procure Juniper Network software and support as part of the Lottery's Refresh and Life Cycle Updates for its infrastructure.

The Lottery's network is mission-critical and supports all Lottery business operations and critical functions from email to access to business applications to supporting our Voice over Internet Protocol for phone services. The support contract will end in March of 2023,

and the hardware will be end-of-life in June of 2024.

In March 2022 of this year, Information Technology Services Division completed a thorough market analysis and solutions assessment that spanned over ten months, and which included an in-depth pilot to review the latest technology from leading network manufacturers. The last time an in-depth evaluation and assessment was performed on network manufacturers was in 2010 due to the complexity and heavy investment in the network infrastructure. This most recent analysis and assessment involved key network and technical subject-matter experts, and Juniper was identified as the solution that best fit the Lottery's requirements, taking into consideration its capabilities, total costs of ownership, manageability, performance, usability, and enterprise maturity.

The Lottery has been continuously improving its network infrastructure, and its continuous improvement efforts require updated Juniper Network hardware and corresponding support services to be in place to keep the business operating without interruption.

Lottery staff recommend the Commission approve the agreement with Dynamic Systems, Incorporated for Juniper Network switches, supporting software, and associated network maintenance and support. This whole contract amount is anticipated to not exceed \$684,361 for a three-year term

beginning February 1st of 2023 and ending January 31st of 2026. And I can answer any questions you may have.

VICE CHAIR STERN: Thank you, Jennifer. Do any of the Commissioners have any questions or comments on Action Item 8b? Questions? Okay. Do I hear a motion to approve Action Item 8b, Juniper Network Hardware Refresh?

COMMISSIONER ALVIDREZ: Motion to approve.

COMMISSIONER GARRISON-ENGBRECHT: Second.

VICE CHAIR STERN: Second? Thank you. Will the Secretary please call roll?

MS. ESTRELLA: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. ESTRELLA: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. ESTRELLA: Commissioner Garrison-Engbrecht?

COMMISSIONER GARRISON-ENGBRECHT: Yes.

MS. ESTRELLA: Vice Chair Stern?

VICE CHAIR STERN: Yes. Okay, thank you, and Jennifer, you're still up -- Action Item 8c, Microsoft Enterprise Licensing Agreement Renewal.

MS. CHAN: Thank you. Okay, Item 8c is a request to enter into a new three-year agreement to renew the Microsoft Enterprise Licensing Agreement, also called MELA Subscription.

The Lottery has predominantly been a Microsoft

shop utilizing their products and platforms to support our business operations. For over 20 years, the Lottery has taken advantage of substantial savings by procuring Enterprise Software Renewal Licenses through a single master agreement with Microsoft such as this ME LA and has negotiated renewal agreements approximately every three years. In previous ME LA agreements, Office 365 licensing products were also included in the overall agreement.

At the January 2020 Commission, the Lottery sought and received approval to enter into a three-year ME LA for three main Microsoft services. The first piece was the Enterprise Office 365 Subscription Licenses, which are productivity software such as Word, Excel, PowerPoint, et cetera. The second piece was licensing for servers, networks, and developmentals, and the third piece was Microsoft Azure Cloud Services.

At the January 2021 Commission Meeting, the Lottery sought and received approval to cancel the second and third year of the Office 365 portion of the existing ME LA contract to instead leverage a statewide Enterprise Licensing Agreement that the Department of Technology had negotiated. This resulted in the server enrollment and the Azure Cloud Services as the remaining components on our current ME LA. This is a request to renew the ME LA for those same two components. The server enrollment description

provides critical infrastructure functions such as software virtualization, application development, network management, and database administration. The Azure Cloud Services provides a wide variety of Cloud services from highly available data centers to support the Lottery's public website, our Virtual Data Center, and ongoing modernization efforts to move the additional services to the Cloud.

Lottery staff recommend the Commission approve the renewal of the Microsoft Licensing Agreement. The total contract amount is anticipated to not exceed \$6,898,274, with a three-year term date beginning March 1st of 2023 and ending February 28th of 2026, and I can answer any questions you may have.

VICE CHAIR STERN: Great. Thank you again, Jennifer. Do any of the Commissioners have any questions or comments on Action Item 8c?

COMMISSIONER MILLS: Vice Chair Stern, I have more of a comment than a question.

VICE CHAIR STERN: Okay. All right, thank you.

COMMISSIONER MILLS: Thank you, Jennifer, for the presentations, and my comment really applies to all three of the action items that you've brought forward to us today. I've said this before, but I just want to reiterate, I really appreciate the fact that you guys are utilizing contracts that have already gone through the public bidding

process by the State of California. I think it's just a really smart thing. It creates efficiencies for the Lottery so that the Lottery doesn't have to go out to their own bid process as an agency, and you guys can stay focused on what we're here to do, which is create additional funding for public education, but I think it also helps saves costs for the Lottery as well because no doubt, the State of California can get a much better price for the State of California as a whole than the Lottery Commission would be able to get going out on your own. So I appreciate the efficiency and cost savings that have gone into making sure that we're using existing contracts versus doing our own thing, so thank you for that.

MS. CHAN: Thank you.

VICE CHAIR STERN: Thank you very much. Any other questions? Okay, great. Does any member of the public want to address the Commission at this time regarding Action Item 8c? All right, hearing none, do I hear a motion to approve Action Item 8c, Microsoft Enterprise Licensing Agreement Renewal?

COMMISSIONER MILLS: Move to approve.

COMMISSIONER GARRISON-ENGBRECHT: I'll second.

VICE CHAIR STERN: Great. Will the Secretary please call the roll?

MS. ESTRELLA: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. ESTRELLA: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. ESTRELLA: Commissioner Garrison-Engbrecht?

COMMISSIONER GARRISON-ENGBRECHT: Yes.

MS. ESTRELLA: Vice Chair Stern?

VICE CHAIR STERN: Yes. Great. Thank you very much. I do recognize I did not allow the public to comment on Action Items 8a or 8b. Are there any comments in regard? Hearing none, thank you very much. We'll continue.

We're now moving to Commissioner General Discussion. Next on the agenda is Commissioner's General Discussion. Do any of the Commissioners have anything they would like to bring up at this time? Hearing none, I do have a comment. It's a sad comment from my perspective.

I am going to be stepping down from the Commission. It's not something I'm personally happy about, but the reason is, is I co-founded a technology company about a year-and-a-half ago, and as the technology company continued to grow and grow, my responsibilities continue to grow and grow and leaving me with not much time to be able to focus on interests outside of my work. And by sitting on the Commission is very important to me that I put my best work out there, and I support the Lottery every way I can, but unfortunately, moving forward, I would have a really

hard time doing that, and with increased travel, et cetera.

So I do want to thank Governor Newsom for the opportunity. I want to thank First Partner Jennifer Siebel Newsom for this opportunity. I did have an opportunity to speak with the Governor, and I shared how fantastic the Lottery is, how amazing it is, how it's continuing to grow and thrive and achieve the mission that it set to achieve. I would like to thank the senior staff and Director. I would like to thank the entire staff of the Lottery doing such an incredible job. I would like to thank my amazing fellow Commissioners. It's been a pleasure working with all of you. And again, I'm sad to move on, but my door is always open. I'm happy to help in any way I possibly can and looking forward to watching the Lottery continue to thrive. So thank you.

Okay, moving to Item 10, Scheduling Next Meeting. We've tentatively scheduled Commission meetings on February 2nd, March 30th, May 25th, and June 29th, 2023, in Sacramento. Any comments or questions or concerns? Okay, great.

Moving to Item Number 11, Public Discussion. Comments are limited to three minutes per person. Does anyone wish to address the Commission at this time? Hearing none.

Okay, moving to Item Number 12, the meeting is Adjourned. Thank you very much.

(End of Recording)

(MEETING ADJOURNED)

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