

**STATE OF CALIFORNIA
TRANSCRIPT OF PROCEEDINGS**

**CALIFORNIA STATE LOTTERY COMMISSION
COMMISSION MEETING**

TIME: 10:00 a.m.
DATE: Thursday, January 27, 2022
PLACE: Held remotely consistent with Executive Orders N-25-20 and N-29-20 using the Microsoft Teams platform

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Commissioner

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Thursday, January 27, 2022

Sacramento, California

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CHAIR AHERN: Good morning to the California State Lottery Commission meeting. Today is January 27th, 2022. Happy New Year to everybody that we haven't talked to yet. It is 10 o'clock. We'll call our meeting to order. I'd like to start with the pledge of allegiance. So, if you would please join me. And all together:

(The Pledge of Allegiance was recited.)

CHAIR AHERN: Thank you very much. Nice technology touch on that as well. So, thank you to our team. We'll ask the Secretary to please call the role.

MS. TOPETE: Commissioner Kirtman?

COMMISSIONER KIRTMAN: Here.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Here.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Here.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Here. All right. We have a quorum and a good team ready to go. We'll go to Item number 4, Approval of the agenda. Do any of the Commissioners have any changes to today's agenda?

COMMISSIONER STERN: No changes.

COMMISSIONER KIRTMAN: No changes.

CHAIR AHERN: Hearing no changes. Do I hear a motion to adopt the Agenda?

COMMISSIONER MILLS: So moved.

COMMISSIONER STERN: Motion to approve.

CHAIR AHERN: We have a motion by Commissioner Stern; 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 Kirtman?

COMMISSIONER KIRTMAN: Yes.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Yes.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right. We have our Agenda approved. We'll go to item Number 5, which is the Approval of the Minutes from November 18th, 2021. Is there any corrections to the Minutes? Hearing none. Do I hear a motion to approve the minutes from the November 18th, 2021 Commissioner Meeting?

COMMISSIONER MILLS: I'll move to approve.

CHAIR AHERN: We have a motion to approve; is

there a second?

COMMISSIONER KIRTMAN: Second.

CHAIR AHERN: We have a motion and a second.

Will the Secretary please call the roll?

MS. TOPETE: Commissioner Kirtman?

COMMISSIONER KIRTMAN: Yes.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Yes.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right. Minutes have been approved. Item Number 6. Next Item on the Agenda are the Informational Items. We'll call on Director Alva Johnson.

DIRECTOR JOHNSON: Thank you, Mr. Chairman. We can go ahead and start with the first slide. Thank you, Justin. Appreciate that very much. I'll start with our Sales Summary. Total Lottery Sales through Saturday, January 15th are \$4.9 billion with sales trending 13 percent higher than Lottery sales over the same time period last fiscal year. We are on pace to surpass \$5 billion five weeks earlier than last fiscal year. Total Lottery Sales are \$129.4 million higher than our mid-year sales goal. Scratchers distribution sales are over \$3.75 billion. These games have continued to see strong year over year sales

growth. Currently, scratcher sales are pacing 14 percent ahead of last year sales and seven percent over goal. The multi-state games, which includes Powerball and Mega Millions, have wrapped up the first half of this fiscal year with almost \$570 million in sales.

This year has been an exciting one for Powerball so far. It's amount of year-to-date sales of \$358 million is already making up 88 percent of the total annual goal just halfway through the year. Our second Powerball jackpot win for this fiscal year was on Wednesday, January 5th when two tickets won the \$630 million dollar jackpot. One of those lucky tickets was sold here in California at a 7-11 in Sacramento. The contribution to Education from this entire Powerball sequence that started in October and rolled 39 times, is estimated to be more than \$67.8 million. So, far this year, Powerball has had 17 jackpots of \$400 million or more. Through this time last year, we only had three jackpots at those levels. This has led to current sales to be more than 50 percent higher than last year's sales.

Mega Millions sales for the first half of the year are over \$200 million and are 90 percent of goal. Mega Millions had stronger sales due to higher jackpots last fiscal year. So, current sales are running 19 percent behind. However, combined Multi-State Games sales are netting a 15 percent growth over last fiscal year so far.

Through mid-January, sales for California's in-state jackpot game, SuperLotto Plus, are now \$130 million and tracking slightly higher than goal and six percent higher than last year's sales. This game continues to see a halo effect from the several higher Multi-State Game jackpots in recent months. The Daily Games, which include Daily 3, Daily 4, Fantasy 5, and Daily Derby, have combined sales over \$235 million so far, running very close to their category goal. Only Daily Derby's current sales are trailing last year's sales.

Finally, Hot Spot mid-year sales are totaling over \$217 million. This game closed out the fiscal year with sales averaging \$7.7 million per week. Year-to-date sales are six percent over goal and 14 percent higher than last year through this time. Next slide, please.

We also assess how the Lottery is performing in terms of its most important measure, the contributions to Public Education. These figures are based on the Lottery's monthly cumulative financial sales report through December 31st. Over the first half of this fiscal year, total sales are running eight percent ahead of goal. Estimated contributions to Education are doing even better, running 15 percent ahead of goal thanks to the stronger performance of the more profitable Powerball Game. Total contributions to Education already exceed \$1 billion through the first half

of this fiscal year. Next slide, please.

At the end of August 2021, Powerball began draws on Mondays making it the only jackpot game offered with three draws a week. At our September Commission Meeting, I reported that it was showing mixed results at that early stage. Since then, we now have had 19 weeks and over 50 jackpots to start analyzing the impact of sales. With this updated analysis, the new Monday Powerball draws are showing promise. If you refer to the blue bars in the chart shown, you'll see that since the \$700 million Powerball jackpot in early October, weekly Powerball sales are higher than weeks with similar jackpots when Powerball only had two draws a week. The orange line shows the cumulative percentage growth since the change in late August. Despite a few weeks in the fall with poor showings, there are signs the new Monday draws will be contributing a net increase to Powerball sales this year. Next slide, please.

With the 2021 holiday season officially behind us, we are beginning to analyze power games performed during this season. The lottery typically sees strong sales during the winter holiday months as players give the fun of Scratchers as gifts. You may have seen the holiday campaign effort asking players to give the gift of Scratchers and to gift responsibly throughout November and December. This year, we released a variety of different holiday and

seasonal Scratchers. This included a \$1 scratch-and-sniff peppermint gift tag game, festive \$5 dollar and \$10 dollar games and a \$20 2022 New Year's game. Sales for these games are currently pacing seven percent better than last years holiday Scratchers. This year, we also expanded our Lunar New Year offerings to a \$1 dollar Year of the Tiger and a \$20 Year of Fortune game. Lastly, a unique \$5 dollar Winter Winnings game was launched to pair well with the upcoming Winter Olympics. All combined, these games have helped push December sales and profits to meet their monthly goals. The \$1 dollar price point exceeded its weekly goal every week in December. This is the first time this fiscal year that the \$1 dollar price point was above goal for an entire reporting month. The \$20 dollar and \$30 dollar price points also managed to exceed their goals throughout the month, which has been the trend for the past several months. Scratchers ended the year very strong. As the Scratchers gifts were claimed after Christmas, the week ending Saturday January 1st had validation sales of over \$148 million, which was the third highest Scratchers week ever. Next slide, please.

As we bring in the new year, I am also pleased to share some highlights for 2021 compiled by our Public Affairs and Communications team. Are unaudited sales figures for fiscal year 2020-21 were recently released. With the support of communities from across the state, the

California Lottery earned a record \$8.4 billion in sales last fiscal year. Which is estimated to result in approximately \$1.87 billion dollars in contributions to Education. Despite major obstacles that continued through the pandemic, 2021 was a big success. Showing that Lottery Games continue to be a fun source of entertainment for California Lottery players. In calendar year 2021, the Lottery created a record-breaking single year tally of more than 146 new millionaires. That includes the win that made headlines in October with the win of a \$699.8 million dollar Powerball jackpot purchased in Morrow Bay. Additionally, SuperLotto Plus also proved lucky with four separate jackpot wins throughout the state.

The year ended on a high note with notification that the California Lottery received recertification from the World Lottery Association, the WLA, for its responsible gaming Level Four framework. The WLA recertification is an integral part of the Lottery's dedication to responsible gaming and is the highest globally recognized award for this kind of program. As reported in last year's Commission meetings, the COVID 19 pandemic forced the lottery to make several changes to its business practices, including finding alternative ways for players to claim their prizes in a safer manor. This year, the lottery improved and expanded its contactless drop off system at its district office

locations and later, as public health conditions improved, the lottery began allowing winners to make appointments for in-person service. The latter allows players of validated prizes of \$1,000 dollars and under to receive payment via check on the spot at the Lottery's district office locations in Sacramento, Fresno, and San Diego. Future program expansion is planned in 2022 at the Lottery's remaining district offices.

This past year, also marked historic participation from the Lottery in support of California's COVID-19 support efforts. In June, the Lottery facilitated draw support for the Governor's vaxs for the win incentives program designed to motivate Californians to get vaccinated. The Lottery's participation in the program insured accuracy and integrity of all draws totaling \$15 million dollars in cash prizes. The Lottery has been proud to support the state's pandemic response through contact tracing, digital advertising for the Vaccinate All 58 campaign and assistance at mass vaccination sites in Northern and Southern California. Through it all, the Lottery has remained committed to growing in a responsible manor while staying keenly focused on its mission to provide supplemental funding to California Public Education. The Lottery would like to thank its employees for their dedication in helping the department achieve a productive and successful 2021. Excuse me. The

Lottery also thanks it's 23,000 retail partners and many many players for their continuing support in helping the Lottery achieve such great successes. Next slide, please.

Commissioners, I would be remiss not to address the current COVID-19 climate in California. The surge related to the Omicron variant and the effects this is having on the Lottery team. As you know, the health and safety of our team members is our top priority. Like everyone else, we have been navigating this complex pandemic in real time and adjusting and pivoting as many times as is necessary to keep our team and our community safe by following the evolving guidance and policies of various public health agencies. A few weeks ago, I sent a department-wide email acknowledging this latest Omicron surge to address some concerns from some of our employees. Next slide, please.

As you know, Lottery has a robust COVID safety protocol known as the CSP. That's a document housed on our intranet site for all employees to access and it serves as both our emergency COVID policy, as well as a repository for pandemic related guidance and resources. The CSP is updated regularly and timely whenever there is new guidance or requirements from Cal/OSHA, CDPH, and CDC, as well as when there are applicable local health orders in the various counties and cities statewide. As a recent example, just

this month, the County of Los Angeles announced a new requirement for all employees working indoors within close proximity of others to wear an N95 respirator. This prompted swift action from our human resources, operations, and sales and marketing divisions to update our COVID safety protocol, as well as to procure, train staff on appropriate use of, and issue the N95 respirators. We are happy to report we had items in place and are compliant with the new requirements. Lottery's leadership staff, mainly managers and supervisors in each of our divisions, regularly remind everyone to diligently continue all of the best practices we have laid out in the COVID safety protocol from the beginning of the pandemic and make them aware of and address any changes in real time. Next slide, please.

Just recently with the rapidly spreading Omicron variant and the updated public health recommendations, Lottery's now making N95 masks available to all employees upon request. As well as continuing to issue other PPE such as face shields or gloves where appropriate. We're also reminding our staff who work in the field that we have a long-standing Lottery policy that employees can and should leave a retail location and contact their supervisor or manager if they feel unsafe for any reason. Further, for non-field staff, our operations team continues the additional cleaning services we implemented towards the

beginning of the pandemic at all Lottery locations including twice daily cleaning and disinfecting high touch surfaces. Next slide, please.

Excuse me. I'm also pleased to report that our testing program for employees with unverified vaccine status is going smoothly at a number of our locations. And thanks to our continued partnership with CDPH and their testing partners, we expect to have the testing program fully implemented at all Lottery facilities by this time next month. Rolling this out has been complicated, but as we've seen with other issues that have emerged with this pandemic, Lottery's becoming adept at figuring out how to overcome challenges to implement new systems that help keep us all safe.

Lastly, our team is tracking all employee COVID cases and potential exposures at Lottery work sites and communicating those exposures to all affected employees in real time so that people can take the necessary next steps to keep themselves, their families, and their communities safe. On this point, I really want to acknowledge the diligence of our Lottery teams involved in tracking all this as it is, quite literally, taking hundreds of hours each week by staff members in our Human Resources Division, Security and Law Enforcement Division, Operations Division, and also many of our managers and leaders across the entire

department. I am thankful for our team's hard work on this important part of the Lottery's COVID-19 response. We all know this has been a challenging environment. And that is why we are particularly grateful for the dedication of our staff, and for all of those who continue to follow COVID protocols while also working diligently to keep our central operations running smoothly in support of our Lottery mission. Mr. Chairman and Commissioners that concludes my report.

CHAIR AHERN: All right, Alva. I have two questions for you. First, can you remind me, do state employees have to indicate if they're vaccinated or not vaccinated?

DIRECTOR JOHNSON: No. Actually, they don't.

CHAIR AHERN: Okay.

DIRECTOR JOHNSON: We ask them, and they can choose to answer or not. I'll invite our Human Resources Deputy Director to comment further. He's our expert on these matters. Chris, are you there?

MR. FERNANDEZ: Yes. Good morning, Commissioners. Thanks Alva. Alva, you answered that very well. We have offered all of our employees the opportunity to verify their vaccination status and the states testing policy requires that we test on a weekly basis when an employee does not have a status verified as fully vaccinated.

CHAIR AHERN: All right. That takes care of my second question. I was going to ask how often are they going to be tested if they don't indicate if they're vaccinated or not vaccinated. Thank you very much. All right. Did any other Commissioners have any questions to Alva in regards to his Director's comments?

COMMISSIONER STERN: None for me.

COMMISSIONER MILLS: This is Commissioner Mills. I just had really a comment and a question. First, I just wanted to say congratulations Director Johnson to you and the team for those really spectacular sales numbers and for the projection to significantly exceed the contribution or our goals for the contribution for Education this year. I know we've had this conversation before but I wondered if you would just talk briefly about kind of the inner relation between the increase in the sales numbers versus the increase in the contribution to education numbers because we're seeing at a much larger kind of percentage overage in the contribution to education this time, whereas sometimes we see that the relationship between the increase in contribution to Education and the increase in sales kind of varies depending on the sales mix. So, I wondered if you could just take a moment to talk about like what's happening this year to create kind of that relationship between the two.

DIRECTOR JOHNSON: Thanks so much for your question, Commissioner. I'll start and answer and then I invite our Deputy Director of Research and Planning Jim Hasegawa to comment further. And perhaps our Deputy Director of Finance Nick Buchen can comment as well. But what I can tell you to start off the answer is we have, as you know, a very well a mix of games and each of those games has different levels of profit for the Lottery and of course all the Lottery's profits go to education. And so, because we had such very strong jackpots in the last period from Powerballs we spoke about and also even Mega Millions, those games are actually more profitable for the Lottery. The Lottery makes more money off of those games. Actually, I might have the relationship reversed. The general answer is because we have a different mix of games, some draw games like Powerball and Mega Millions, some Scratchers games are instant ticket games, which we actually make more money off of. I misspoke earlier. That kind of changes the mix of how much money the Lottery can take home after expenses. So, there is some variability. A lot of it depends on the performance we have in each period, which depends on factors that we can't control, the popularity of games, when jackpots occur. Some of our games do very well. Some are not as good as others. So, Jim or Nick, can you add anything to that?

MR. HASEGAWA: Yeah. Exactly. It is a function of the mix and particularly since the report you saw today talks about just six months of data. And in those six months, we had a tremendous Powerball jackpot and that kind of exacerbates the differences. And that's why in this case, the profit over goal is at 15 percent where the sales over goal is only at like eight percent. As the year, you know, since the jackpots, we get this infusion of sales all at once in one big week and so forth. As time goes on, that probably will go back to a more normal level. And then there are some years, because the jackpots we can't predict, that as you've noticed the opposite happens. That we have actually, you know, unfortunate luck in the formations of the jackpots, and as such, Scratchers makes a larger share than we initially anticipated in the goal and that's why sometimes our sales growth is higher than the actual percentage over goal for our contributions.

COMMISSIONER MILLS: Thank you, Jim. Thank you, Director Johnson.

CHAIR AHERN: All right. Anybody else with a comment or questions for Alva? Seeing none. We'll go to Item Number 7. Next item on the Agenda is Consent Calendar. There are no items under Consent Calendar, so we'll proceed to Action Items. Action Items, we'll start with 8a, Emergency Extension of the KPMG Financial Auditing and

Related Services Contract.

MS. SHEIKHOLISLAM: Good morning, Commissioners.

CHAIR AHERN: Good morning.

MS. SHEIKHOLISLAM: I'm presenting 8a, Emergency Extension of the KPMG Financial Audit Contract. California State Lottery currently contracts with KPMG for financial auditing and related services. KPMG is working on the 2021 financial audit and it's unlikely to complete the audit before the contract expires on March 29th, 2022. The current contract started on March 30th, 2016 with a contract term of three years and options to extend for three additional one-year periods. The Lottery has exercised all three extensions. The contract total is now \$1,230,000. The contract allows the lottery to request KPMG to provide up to one year of additional emergency extended services. KPMG may not complete its audit prior to contract expiration because we are awaiting final pension and other post-employment benefit data from other state departments. Those departments are still working through two recent and very substantial governmental accounting standards forward preannouncements that significantly changed the reporting and financial accounting pensions and post-employment benefits other than pensions. There is currently no date for when that information will be provided. In addition, the Lottery is currently conducting a new request for

proposal to replace the current contract. The RFP is under way, and we anticipate coming to the March Commission meeting with the new contract for approval. Regardless of who the successful bidder is, the audit of the Lottery's 2021 financial statements needs to be completed under the current contract with KPMG.

This emergency extension is needed to enable KPMG to finish their current audit of the Lottery's financial statements and to allow for some transition period between KPMG and the successor to the current contract. Services under this extension are anticipated to end well before March of 2023. The contract can be mutually terminated before such time. If an extension is not approved, KPMG may not have enough time to complete its audit due to circumstances beyond both KPMG and the Lottery's control. The Lottery would be at risk of having its 2021 financial statements unaudited which conflicts with the Lottery's responsibilities under government code. Since sufficient funds remain in the current contract, no additional funds are needed for this emergency extension. Lottery staff recommends the Commission approve this emergency extension of up to one year for the financial auditing and related services contract with KPMG. I am happy to answer any questions you may have.

CHAIR AHERN: Okay. Does any of our

Commissioners have any questions for Sara regarding Action Item 8a?

COMMISSIONER MILLS: Chair Ahern, this is Commissioner Mills. I do have a question.

CHAIR AHERN: Go right ahead.

COMMISSIONER MILLS: Hi, Sara. Thank you for your report. I was wondering, are there any regulations? So, there's a regulation that requires us to have an annual audit. Within that regulation or are there other any regulations that prescribe a timeline under which we are to have an audit completed?

MS. SHEIKHOLISLAM: It's not to my understanding. I don't know if -- Fernando, if you have an answer to that. I do not believe there is.

COMMISSIONER MILLS: Okay.

MS. SHEIKHOLISLAM: But I will look to see if there is and let you know.

COMMISSIONER MILLS: Okay, great. And can you remind me on our fiscal year? Is it a fiscal year or calendar year? So, this is a 6-30-2021 audit or a 12-31?

MS. SHEIKHOLISLAM: It's a fiscal year.

COMMISSIONER MILLS: 6-30? Okay. So, we're just -- we're seven months. Okay.

MS. SHEIKHOLISLAM: It looks like Nick's on.

MR. BUCHEN: Yeah. Hi, Commissioner Mills.

This is Nick Buchen.

COMMISSIONER MILLS: Hi, Nick.

MR. BUCHEN: So, the government code section that prescribes us to have an independent audit of our financial statements, it also does include a date. It's 120 days after the close of the fiscal year, which is October 28th of each year. Like Sara explained, there have been some recent pronouncements that have made that date unachievable for the last several fiscal years now. So, obviously, we didn't have our financials for last year completed by October 28th. They're still in progress, so.

COMMISSIONER MILLS: Okay. And we've been able to get an exemption on that regulation?

MR. BUCHEN: Yeah. It's one of those that even though there's a requirement there's no penalties or anything for not meeting that date. And the folks that we report to when we have our financials audited that they've understood that -- and the Lottery is not unique in this regard. All departments are under that same (inaudible) pronouncements. So, there have been delays across the board.

COMMISSIONER MILLS: Okay. And so, this has happened in the past? And, like, I'm echoing, I'm sorry. This has happened in the past. So, what I heard Sara say was that we didn't have an anticipated date of when we'll

get the information that we need. So, as we're sitting here today, we don't know when we will be able to issue the financials. Do we have any historical prospective on that?

MR. BUCHEN: It's --

COMMISSIONER MILLS: You know, based upon past experience.

MR. BUCHEN: Yeah. It's kind of ranged. So, last year it was completed right before the start of this current fiscal year. So, it was the end of June. The year before that was the longest so far. It went into, I can't remember if it was late July or early August. I think the year before that it was around March. So, it's, and frankly, we were thinking this year would be closer to the February, March dates but we're not sure at this point.

COMMISSIONER MILLS: Okay. Thank you. Thank you for that information. I do think, you know, that the annual audit is an important requirement and something, you know, another avenue to provide, you know, even more transparency into the Lottery's activities and financial results. And so, you know, whatever -- I know some of this is out of our control, but whatever we can do to continue to push to try to get the information we need as quickly as possible and get the audit issued. I think that's important. The other thing I would say is that if there are other strategies, you know, if we were just waiting for this piece of information

for this one footnote, if there are other strategies to, you know, issue information, you know, without that particular footnote audited that we understand what those options are if there are other options because I do think that this is an important part of our kind of financial transparency to the public and to Californians. Thank you.

MR. BUCHEN: Yeah. I appreciate that. I just want to clarify one item. For this particular item that we're waiting on, the external entities to provide data for, it actually can affect the amounts. So, it's not just a footnote.

COMMISSIONER MILLS: I see.

MR. BUCHEN: We actually can't close out our books until we get the pension and other post-employment benefit data.

COMMISSIONER MILLS: I see.

MR. BUCHEN: So, and it's certainly, you know, it's out of our control. It's out of KPMG's control, as well. It's with those external entities, so.

COMMISSIONER MILLS: Great. Thanks, Nick. I appreciate the clarification.

MR. BUCHEN: All right. Thank you.

MS. SHEIKHOLISLAM: Thank you, Nick. Thank you, Commissioners.

CHAIR AHERN: Do any other Commissioner's have

any questions for Sara? All right. Do any member of the public want to address the Commission at this time regarding Action Item 8a? Seeing no hands or comments. Do I hear a motion to approve Action Item 8a, Emergency Extension of the KPMG Financial Auditing and Related Services Contract?

COMMISSIONER MILLS: I'll move to approve.

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

COMMISSIONER STERN: Second.

CHAIR AHERN: We have a motion and a second.

Will the Secretary please call the roll?

MS. TOPETE: Commissioner Kirtman?

COMMISSIONER KIRTMAN: Yes.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Yes.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right, motion passes.

Thank you, Sara.

MS. SHEIKHOLISLAM: Thank you.

CHAIR AHERN: We'll go on to Action Item 8b. And Jennifer Chan, want to talk about the Juniper Network Maintenance and Support Contract.

MS. CHAN: Thank you. Good morning, Chairman and

Commissioners.

CHAIR AHERN: Good morning.

MS. CHAN: Item 8b, is a request to enter into a three-year agreement to renew the Juniper Ultimum Care Service package. The Lottery's network is mission critical and supports all Lottery business operations and critical functions. The current network switch environment consists of all Juniper hardware, which is critical to the ongoing availability of the Lottery's network. This is a maintenance and support contract with the Lottery obtained to keep the network fully optimized and secure. This contract also helps ensure that the Lottery network will not be exposed to security vulnerabilities, and that it receives regular software updates to improve the performance, stability, and functionality of the network. Additionally, the contract will provide the Lottery with access to specialized technical assistance for troubleshooting on a 24/7 basis. This is a request to approve the three-year maintenance and support contract, which would start on April 1st, 2022 and go through March 31st of 2025. The maximum amount for those contracts is \$525,262. And I'm happy to answer any questions that you may have.

CHAIR AHERN: Okay. Do any of our Commissioners have any questions for Jennifer regarding Action Item 8b?

COMMISSIONER STERN: Just a quick question. This

is Commissioner Stern. So, this is a support contract. Specifically, do we have a sense of how long the hardware that we currently have implemented will be viable and at which point would we consider an upgrade from a hardware perspective?

MS. CHAN: Sure. So, we are currently undergoing a network switch evaluation assessment right now. So, we are assessing the products and the vendors out there. This maintenance and support contract would take us through the two-to-three-year time period it would take us to potentially migrate to a new platform if the decision is to move away from the existing hardware that we have.

COMMISSIONER STERN: Thank you.

MS. CHAN: Thank you.

CHAIR AHERN: Okay. Does any other Commissioners have any question regarding Action Item 8b? Seeing none. Does any member of the public want to address the Commission at this time regarding Action Item 8b? Seeing no hands up or comments. Do I hear a motion to approve Action Item 8b, the Juniper Network Maintenance and Support Contract?

COMMISSIONER STERN: Motion to approve 8b.

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 Kirtman?

COMMISSIONER KIRTMAN: Yes.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Yes.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right, the motion passes.

Thank you very much, Jennifer.

MS. CHAN: Thank you.

CHAIR AHERN: We'll now call on Tiffany for Action Item 8c, Amendment to Statewide Architectural Services Contract.

MS. DONOHUE: Thank you. Good morning, Commissioners. Good morning, Director Johnson.

CHAIR AHERN: Good morning.

MS. DONOHUE: The Lottery is seeking the Commission's approval to extend the Lottery's Architectural and Designs Services Agreement with LPAS for an additional year by exercising the emergency amendment authority of the contract. The Lottery has worked with LPAS under contract on facility-related projects since 2009, including facility projects approved as part of the Facilities Master Plan. In November of 2020, the Commission approved a one-year

extension of the agreement by exercising the last remaining two-year amendment option. The Lottery did not exercise the full two-year option as the services were expected to be completed in the first half of 2021. However, due to pandemic surges and significant wildfires in the state, the State Fire Marshal resources were redirected for nearly eight months, resulting in significant delays in impacts to the provision of these services. Also, during this period of time, the Lottery expanded the scope of work of its Northern Distribution Center Warehouse remodel project to increase its shipping capacity. The change in scope required additional time for LPAS to design and finalize project plans and then subsequently submit to the State Fire Marshal for approval. The review and approval of designed plans by the State Fire Marshal is a key step in any construction project and subsequent phases cannot progress until plans are reviewed and approved.

Currently, the Lottery is working with the LPAS on three projects. The Northern Distribution Center renovations, the Headquarters security fencing project, and the improvements at the Richmond District Office. The projects are in various phases of seeking construction service, but all three are either advertised for bid or will be advertised in the very near future. Without the continued services of LPAS, the Lottery would be required to

halt all three projects to obtain replacement services, resulting in at least another year delay for project completion. As most of the work is tied to improving the security and safety of the facilities and increasing compacity that directly impacts sales, the Lottery recommends the Commission approve a one-year agreement extension through March 20th, 2023 by exercising an emergency amendment. No additional funds are being requested as there is sufficient funding in the agreement to cover costs associated with all three of those projects. I can now answer any questions you may have.

CHAIR AHERN: All right. Do any of the Commissioners have any questions for Tiffany regarding Action Item 8c? Seeing no hands or comments. Does any member of the public want to address the Commission at this time regarding Action Item 8c? Seeing no hands or comments. Do I hear a motion to approved Action Item 8c, Amendment of the Statewide Architectural Services Contract?

COMMISSIONER MILLS: I'll move to approve.

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

COMMISSIONER STERN: Second.

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

MS. TOPETE: Commissioner Kirtman? Commissioner

Kirtman?

COMMISSIONER KIRTMAN: Yes.

MS. TOPETE: Commissioner Stern?

COMMISSIONER STERN: Yes.

MS. TOPETE: Commissioner Mills?

COMMISSIONER MILLS: Yes.

MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right, motion passes.

Thank you very much, Tiffany.

MS. DONOHUE: Thank you so much.

CHAIR AHERN: We'll move on to Item Number 9.

The next addenda items is Commissioner General Discussion. Do any of the Commissioners have anything they'd like to bring up at this time? Seeing no hands or comments. We'll move on to Item Number 10. We have tentatively scheduled Commission Meetings on March 17th, May 26th, and June 30th, of the year 2022. I hope those scheduled dates will fit into everybody's schedule. Any comments about the meeting dates? Seeing none. We'll go onto Number 11, Public Discussion. Comments are limited to three minutes per person. Do we have any public that wants to make a comment or address the commission at this time? I was told there might be someone by the name of Coty Walker? Oh, I see a hand up. Can technology help us with the hand that's up.

MR. BRANDT: Yes. Coty, your mic will be

enabled. Please press *6 to unmute your phone.

CHAIR AHERN: Coty, *6 to unmute your phone.

MR. BRANDT: Yep.

CHAIR AHERN: Coty, are you with us? Okay, counsel. I'm going to need some help here. If he's trying to talk but doesn't have any connectivity, how should we proceed?

MR. BRANDT: We can hold off Chair. I believe we might have somebody else raising their hand. So, in the meantime, we can have this individual make the public comment and wait until Mr. Walker is able to.

CHAIR AHERN: All right. Do we have someone else other than Coty wishing to address the Commission at this time?

MS. VASQUEZ: Hello. Can you hear me?

CHAIR AHERN: There we go. Could you please identify yourself and we'll--

MS. VASQUEZ: Yes.

CHAIR AHERN: Go ahead.

MS. VASQUEZ: Commissioner Ahern, it would probably be great if you reminded people that they have to raise their hand first by pressing *5, that hasn't been reminded at all during this call. And then *6 to unmute yourself.

This is Paulina Vasquez. I'm a DSR, as you well

know. I am also a Union Steward. I'd like to address the Director's comments at the beginning regarding COVID safety and testing. I am a walking example of Lottery failure regarding testing. In July of 2021, the state passed the policy to test all unvaccinated and unverified employees. We were asked to submit our vaccination statuses and provide them to our manager. Many of the sales reps were strong armed in to providing their vaccination statuses. So, they didn't really want to because they wanted to be allowed the opportunity to test. Given the high level of exposure we experience and the nature of our work, we work in gas stations, in liquor stores, in grocery stores, and bars. We're in the back of those counters where there isn't even three feet of space exposing our retailers to being exposed. I tested positive for COVID yesterday. I was in the hospital. I'm waiting to be wheeled in for a God-damn chest x-ray and no tests have been provided by the Lottery. While they launched their pilot program in Northern California Distribution Center with roughly, I don't know, 30 employees testing maybe less than a third of them because others have provided their vaccination statuses, but the sales reps have yet to see testing supplies. In the last two weeks they did roll them out to the Sacramento District Office, but those in L.A. County where they are grossly exposed, where COVID rates are soaring, there's no testing supplies. Other state

agencies have had them, have had ample amount of testing supplies. By not providing them to the Lottery Sales Reps and genuinely making that their top priority -- do you know how many retailers I've exposed? My managers have had to call over 40 retailers probably due to my exposure. Do you think I'm going to sleep well at night knowing that I could have given some low-wage, minimum-wage worker that works at a grocery or a gas station or a liquor store? Do you think I'm going to sleep well knowing that I could have infected them as well? If I had known sooner --

MR. BRANDT: You have 30 seconds left.

MS. VASQUEZ: Yes, thank you. I know. You know I'm calling from the hospital. I'm having a hard time talking but I understand three minutes is the limit because you clearly give a damn too, right? This is nothing but a shiny spin. This is what you guys do. A shiny spin to the Commissioners while deflecting and putting lies and lack of transparency. It's unconscionable, it's unconscionable. I'm disgusted and we're going to start making very public and very open demands for resignations if you don't get your shit together. Thank you.

MR. BRANDT: Your time's up.

CHAIR AHERN: Okay. We've heard your comments and Director Johnson has addressed the issues with their COVID response by the California Lottery. I know I have

spoken to him directly, as well as the other Commissioners in regards to what actions are taking place and we're -- Alva, do you have any further comments, or can we address it because you did make comments about it during the meeting today?

DIRECTOR JOHNSON: Commissioners, I am very sorry to hear of Ms. Vasquez's current condition. And we will do everything we can to make sure that, from the Lottery's perspective, we can keep her workplace safe and support her however is appropriate. As I indicated in my report earlier, we are, our whole team across multiple divisions is taking every effort to keep our workplaces safe, to provide direction and guidance to our team members. And I want to reiterate, Mr. Chairman, that we have directed all of our employees as a long-standing policy, if they do not feel safe going into a location, they don't have to go in there. We are continuing to roll out our testing program. It has gone in phases. We know that it's public knowledge that it's been hard to get ahold of testing supplies, but we are making a lot of progress. And as I indicated in my report, we expect to have most of our locations covered by next month. So, those are the quick responses that I have, and we'd be happy to discuss further at a later time.

CHAIR AHERN: All right. Thank you, Alva. And I wanted to give you the comment because you and I discussed

that in our briefing about what you're doing with the employees and with your staff. I want to make sure you were able to speak out to the fact that if they don't feel safe, they don't have to go into those type of facilities. So, thank you. And I do want anyone listening to please understand that we as Commissioners do care greatly about the COVID response. It's affected not only our personal lives but our work lives and the entire state, the entire nation. So, everyone's trying to do their best to mitigate the COVID issues regarding our environments. So, thank you. Coty, we're trying to get ahold of you. Are you ready to address the Commission?

MR. BRANDT: Okay. So, his hand is up. So, Coty, if you want to press *6 on your phone. That should unmute yourself. You have 3 minutes to speak.

CHAIR AHERN: Coty? Is there a method that he has to hit to *5 to get access or only has to press *6?

MR. BRANDT: Yes. The *5 was -- his hand is risen or is raised. It's just --

CHAIR AHERN: Okay.

MR. BRANDT: -- I don't know why the *6 is not working for him.

CHAIR AHERN: Coty, are you with us? Okay. Council, any suggestions?

MR. BRANDT: We can move on, Chair. We're still

waiting. He has been unmuted on our end so, he needs to take that action from his end on his phone.

CHAIR AHERN: I see one hand, plus one other. Is there someone else who wants to address the Commission at this time? We heard somebody try to reach out.

MS. CHAVEZ: Hello. Can you hear me?

CHAIR AHERN: There we go. Thank you. Can you identify yourself, please?

MS. CHAVEZ: Yes. My name is Cathy Chavez member of the public. Just tuning into these commission meetings.

CHAIR AHERN: Okay.

MS. CHAVEZ: And the comment I have to make will be brief but I'm trying to collect myself after hearing the last comment from a field worker who is now sick with COVID. I can't even imagine what she is going through, and I hope that the help and support that she is requesting will be honored. These people are in a horrific position when they could be doing some other work via telework or a staggered hours. But the fact that this woman is fully working in the field, and I've read the stories in the Sacramento Bee. So, I'm very familiar with what is going on at this time. So, please, Commissioners, do what you can to make the situation better for Lottery employees, Lottery retailers, and the public.

My comment was about a commercial that I saw for Scratchers. This is called The Broom Commercial and it was brought to my attention by my (inaudible) and she was offended by this commercial. So, I went onto YouTube and found it, and very much agree with her and her thoughts about it. As a Latino woman, I cannot believe the insensitivity of the California Lottery putting out this kind of commercial. To show multiple Latino persons cleaning with a broom while they are dancing is offensive. To show them in what appears to be low-income housing, it looks like an apartment complex that was a Motel 6 complex at one time and to show this further depicts Hispanics in an unfavorable light. As a Latino woman, I could not have been more offended. We try so hard to raise our profile from being thought of as just domestics and not being able to afford living in homes that we all want to enjoy living in. I applaud the Lottery for having Hispanic advertising but why couldn't have it --

MR. BRANDT: 30 seconds.

MS. CHAVEZ: -- been showing a college student dreaming of money or an attorney or a soccer mom. Something that depicts Hispanics in a different light than what they are commonly, stereotypically shown as and we are trying to get away from that model. And I think whoever approved this advertising is very much tone deaf to what is going on in

society --

MR. BRANDT: Your time is up.

MS. CHAVEZ: -- and in California which --

MR. BRANDT: Please wrap up.

MS. CHAVEZ: California has so, many Latino's Hispanics that work hard. And if you are in the domestic trade, that is good.

CHAIR AHERN: Okay. Thank you very much for addressing the Commission. I'll just note that our advertising crew will be made aware of your comments, and they have a difficult job to do, and they do the best they can with the circumstances. So, does any Commissioners have any comments other than that? Okay. Is there anyone else, member of public that wants to address the Commission at this time? I think we'll give Coty one last try to speak. Coty are you there? All right. There's some technical difficulty with Coty. Coty, please if you'd like you'd be invited to our next Commissioners Meeting. Be glad to listen to your comments at that time. If you'd like to send your comments into the California Lottery, you're more than welcome to do that as well. Okay. With that, Council do we --

MR. WALKER: Hello.

CHAIR AHERN: Yes. And we have --

MR. WALKER: Hello. Hello, this is Coty Walker.

CHAIR AHERN: Please. Okay. Thank you, Coty.

MR. WALKER: Yes.

CHAIR AHERN: Thank you. We'll give you three minutes.

MR. WALKER: Hi I'm --

CHAIR AHERN: Go ahead.

MR. WALKER: Thank you. Sorry about that. Good morning, Commissioner and Chairman. I'll be really quick. Sorry for the technical difficulties. My name is Coty Walker and I'd like to just talk to you guys today about a new Lottery game idea that I've come up with. I've tried to go through, like, the game channels and things, but it seems like there's a couple of things I think I really just need your guys help on. So, let me just explain what the game proposal is. Pretty much what it does is it's a game for students. For students who have already graduated, it's for their student loan debt. And what it does differently than the regular Lottery is instead of giving one person that winning, it spreads the winning to as many people who need it as possible. So, what it technically does is it takes the Lottery, and it turns it into a multi win raffle. What that -- what I've been doing a lot of research and everything and I know what needs is that requires your guys help, your guys push for it. But from everything that I've been researching, this kind of just fits in perfectly with

your guy's mission of helping not only add funding, supplemental funding for public schools and education but promoting education overall. And this is a game specifically designed for those people who would benefit most from winnings, from spreading that winning around, and from relieving each other of that kind of pressure that is affecting millions of Americans or sorry, hundreds of millions of Americans, I think. And excuse me. I'm sorry. I'm getting a little bit flustered now. But pretty much what it does it helps California students, people who have already gone through education, who have seen the value, helps them to give back in a way that's going to benefit them as well. It has a lot of benefits and I'd love to speak with anybody who would like to listen and work with them on trying to get this moved forward. I've already been in -- not in contact. But I've already been trying to get in contact with state representatives and senate members and specifically, my district to help out. But I figured I'd give you guys a call because I feel like you guys know a little bit more about this than I do. And I think that's it for me today.

CHAIR AHERN: All right. And you saved us 30 seconds. Thank you very much Coty. I think, for the record, your name has been mentioned more times in a Lottery Meeting than anyone else's name so, you have that for

prosperity. But because your presentation is part of Public Comment for the creation of a new game is not on the agenda, any documents associated with this idea cannot be presented to the Commissioners to consider at the meeting. However, once you make your public comment to the Commissioners, should one or more of the Commissioners request a follow up of this item for future meeting, additional information and documentation could be provided to the Commissioners at that time. But this would have to be at the request of the Commissioners. So, council, I think I addressed that as directed. Any further comments? Okay. Thank you very much. Is there any other member of the public that wishes to address the Commission at this time? I don't see any more hands or hear any more comments. With that, I think we'll be adjourned. Thank you very much for our January meeting. I'll look forward to seeing you all and hearing from you on March 17th. And please, take care of yourselves and enjoy the rest of the day.

COMMISSIONER KIRTMAN: Thank you.

MR. BRANDT: Goodbye Commissioners.

MALE UNKNOWN: Thank you.

COMMISSIONER MILLS: Thank you.

MS. TOPETE: Thank you.

FEMALE UNKNOWN: Thanks everyone. Bye.

CHAIR AHERN: We're adjourned.

(End of Recording)

(MEETING ADJOURNED)

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