

CALIFORNIA STATE LOTTERY COMMISSION

Minutes – November 21, 2024

Sacramento, California

1. **Call to Order**

Chairman Anthony Garrison-Engbrecht called the meeting of the California State Lottery Commission to order at 10:09 a.m.

2. **Pledge of Allegiance**

Chairman Garrison-Engbrecht led the Pledge of Allegiance.

3. **Roll Call**

Chairman Garrison-Engbrecht asked Rebecca Estrella to call the roll.

Commission Members Present:

Chairman Anthony Garrison-Engbrecht

Vice Chair Keetha Mills

Commissioner Tiffani Alvidrez

Commissioner Alexandre Rasouli

California State Lottery Staff and Presenters:

Harjinder K. Shergill Chima, Director

Nicholas Buchen, Deputy Director of Finance

Jean Cooper, Deputy Director of Operations

Chris Lopez, Acting Deputy Director, Information Technology Services Division

Sharon Allen, Deputy Director of Sales and Marketing

Jim Hasegawa, Deputy Director of Business Planning and Research

Rebecca Estrella, Acting Assistant to the Commission

Farida Sarwari, Acting Recording Secretary

4. **Consider Approval of the Agenda**

Chairman Garrison-Engbrecht stated Informational Item 6(c), Holiday Scratchers Marketing Campaign has been pulled from the agenda and asked if the Commissioners had any suggestions or changes to today's agenda. Commissioner Mills made the motion to approve the agenda and it was seconded by Commissioner Rasouli. The motion passed unanimously.

5. **Approval of the Minutes**

Chairman Garrison-Engbrecht asked if there were any corrections to the minutes of the September 26, 2024, Commission meeting. Commissioner Alvidrez made the motion to approve the minutes and it was seconded by Commissioner Mills. The motion passed unanimously.

6. **Informational Items**

a. Director's Comments:

Director Chima provided an update on the Lottery's estimated contributions to education, reporting nearly \$617 million allocated to California's public schools and

universities since July, achieving 97% of the projected goal. Total sales for all games reached \$3 billion by October, led by Scratchers[®] games with over \$2.3 billion in sales. A highlight was the successful October launch of the Lottery's first \$25 ticket, the "2025" game, which generated \$33 million in just three weeks, exceeding expectations and last year's \$20 ticket sales. Appreciation was extended to various teams for their efforts in this achievement.

Director Chima stated that sales for Hot Spot[®], Daily Games[®], and SuperLotto Plus[®] met or exceeded goals, but multi-state games underperformed due to lower jackpots, with the highest jackpot this year reaching \$800 million compared to prior years with billion-dollar jackpots. To address jackpot fatigue and shifting player behavior, enhancements to Mega Millions[®] were announced, including larger and more frequent jackpots, a built-in multiplier for non-jackpot prizes, improved jackpot odds, and no break-even prizes. The new game will cost \$5, marking only the second price adjustment in over 20 years. These enhancements aim to create more billion-dollar jackpots and millionaires, with final regulations to be reviewed in January.

b. Audit Committee Update

Commissioner Mills gave a report on the Audit Committee and highlighted its role in overseeing the California Lottery's internal controls, audit functions, and compliance with laws and regulations. The committee, led by Commissioner Mills and supported by Commissioner Garrison-Engbrecht, met quarterly throughout the year to review findings, track progress, and ensure continuous improvement.

No significant audit findings required elevation to the Commission, as most findings focused on strengthening controls and refining policies. The committee annually reviewed its charter, the Lottery's Internal Audits Division's charter, and the internal audit plan, which is informed by a risk assessment. Findings were tracked until completion, and external audits were also reviewed.

In 2024, a peer review of the Internal Audits Division, mandated every five years, was conducted, supported by a self-assessment from the Internal Audits team. Commissioner Mills commended the Internal Audits team for their collaborative approach, emphasizing continuous improvement and stewardship of public funds.

Chair Garrison-Engbrecht thanked Commissioner Mills and the Lottery's Internal Audits team for their efforts and dedication to enhance the Lottery's operational effectiveness and internal controls.

c. Holiday Scratcher's Marketing Campaign

Item was removed from the agenda.

d. FY 2023-24 U.S. Lottery Sales

Jim Hasegawa, Deputy Director of Business Planning and Research provided preliminary sales figures for Fiscal Year 23-24. Florida maintained its position as the highest-selling lottery state with \$9.4 billion in sales, narrowly ahead of California at \$9.2 billion. The gap between the two has significantly decreased compared to previous years. Texas ranked third, followed by New York and Massachusetts, with minimal changes among the top 10 lotteries.

California achieved modest overall growth of 0.5%, ranking 20th out of 45 jurisdictions, while most states experienced declines in sales. Per capita, California's lottery sales were \$230, placing it 25th among jurisdictions, significantly lower than Massachusetts, the leader in this metric. Scratchers accounted for over 70% of California's sales, with the state ranking third in instant ticket sales but 21st per capita for this category. California also led the nation in Mega Millions® and Powerball® sales and ranked fifth in monitor games. Contributions to beneficiaries likely placed California third, slightly behind Florida.

California faces challenges due to regulatory constraints, preventing the state from offering certain popular games like instant win terminal games, fixed-prize games, and add-on features that are available in other states. Eastern states, particularly along the Atlantic seaboard, tend to perform better in per capita sales and diversify their revenue streams, aided by historical familiarity with certain games. Despite these challenges, California has shown strong performance in core product categories, but its ability to match the revenue growth of other states is limited by these regulatory and market dynamics.

Commissioners Alvidrez and Mills expressed their appreciation for Deputy Director Hasegawa's comprehensive presentation, noting its helpfulness in addressing their questions about California Lottery's sales in comparison to other top lotteries. Commissioner Mills also emphasized the importance of the presentation in deepening their understanding of operational and regulatory distinctions across states. Commissioner Alvidrez highlighted the value of the slide comparing California's sales with other states, particularly in explaining the differences in game categories and regional variations between Eastern and Western Seaboard lotteries. Chair Garrison-Engbrecht inquired about the decline in lottery sales for 2023-2024, noting that over half of U.S. lotteries experienced this trend. Deputy Director Hasegawa explained that the decline is influenced by two main factors: the return to normalcy post-pandemic, which ended a period of significant growth driven by limited entertainment options, and rising prices for goods and services like groceries and gas, leading to tighter budgets and reduced discretionary spending. These nationwide trends have resulted in flat or declining sales for many lotteries and industries.

7. Consent Calendar

8. Action Items

a. Workiva Wdesk Subscription Extension

Nick Buchen, Deputy Director of Finance made a request to the Commissioners for approval to amend the agreement with Ablegov, Inc., to extend the Workiva Wdesk Software subscription for one additional year and increase the agreement amount by \$163,656, bringing the total to \$482,696. Wdesk is a cloud-based productivity platform used by the Lottery's Finance Division for nearly nine years to produce financial reports, including budgets and annual reports. The software enhances efficiency and accuracy by linking data across documents, streamlining updates, and enabling collaborative controls.

The extension includes a new feature, Wdata, which integrates the Lottery's financial system with Wdesk, automating workflows, centralizing data, and further reducing manual entries and errors. The extended term would run from December 29, 2024, to December 28, 2025.

Chairman Garrison-Engbrecht asked if there were any questions. There were none. Commissioner Mills made a motion to approve Action Item 8(a), and Commissioner Rasouli seconded. The motion passed unanimously.

b. Extension and Addition of Funds to David&Goliath, LLC (D&G) Contract

Sharon Allen, Deputy Director of Sales & Marketing requested Commission approval to extend the Lottery's marketing and advertising contract with David&Goliath (D&G) by nine months using an emergency provision in the current agreement. This extension, necessitated by staffing shortages and delays in the Request for Proposal (RFP) process for a new lead agency, would increase the contract's expenditure authority by \$83 million, bringing the total to \$612 million and extending the term through May 18, 2026. D&G has played a critical role in executing successful campaigns such as the Scratchers repositioning and Jackpot Alert Program, supporting the Lottery's mission and objectives.

The extension addresses a significant resource gap caused by the retirement of the marketing team lead and several other vacancies. These issues have delayed the RFP process, which typically takes 12 to 18 months. Ms. Allen assured the Commission that the extension will allow the Lottery to complete the RFP process effectively without risking service interruptions.

Commissioner Alvidrez expressed concern over the costly skills gap, noting the impact of staffing shortages. She also questioned the potential response to the new RFP, to which Deputy Director, Sharon Allen expressed confidence in attracting significant interest. Commissioner Mills asked about the feasibility of completing the RFP within

the extension period, and what the consequences would be if it was not completed by the end of the emergency extension. Ms. Allen stated there are contingency plans in place in case of further delays and that Legal would be consulted.

Chairman Garrison-Engbrecht asked if any member of the public had any questions regarding Action Item 8(b).

Paulina Vasquez, Lottery Sales Representative and Senior Union Steward raised concerns about staffing turnover and lack of exit interviews at the Lottery. Russell Sehn, former Local 1000 steward, and retired Lottery employee stated that he did not receive an exit interview. Dottie Wallace, Assistant Deputy Director of Human Resources clarified that exit interviews are optional and available to all departing employees, Ms. Allen continued her presentation and emphasized that the additional \$83 million expenditure is necessary to continue marketing efforts and does not represent an extra cost beyond what is required to maintain operations.

Commissioner Rasouli made a motion to approve Action Item 8(b), and Commissioner Mills seconded. The motion passed unanimously. This decision ensures continuity in marketing efforts while allowing the Lottery time to address staffing challenges and finalize the RFP process.

c. Statewide Furniture CMAS Contract

Jean Cooper, Deputy Director of Operations requested Commission approval of a contract to provide modular furniture and related services, including reconfiguration, installation, and space optimization, across all Lottery locations statewide. The proposed contract, valued at \$800,000, is intended to meet current and future workstation needs. The current furniture contract expires in December 2024.

Chairman Garrison-Engbrecht asked the Commissioners and the public if they had any questions regarding Action Item 8(c). There were none. Commissioner Alvidrez made a motion to approve, and it was seconded by Commissioner Rasouli. The motion passed unanimously.

d. Ratification of Amendment to Add Funds to Z Squared Construction Agreement for Completion of Northern Distribution Center Remodel

Jean Cooper, Deputy Director of Operations requested ratification of Amendment 02 of the agreement with Z Squared Construction related to the Northern Distribution Center (NDC) Remodel Project. The amendment extends the contract by one year, through November 2025, and adds \$292,596 to cover work completed through October 2024. The extension was necessary due to delays caused by an industry-wide shortage of a key power switch, which postponed the project close-out.

Before the close-out, the State Fire Marshal identified additional health, safety, and compliance issues that must be addressed. The project team is working to define the scope and budget for this additional work and plans to update the commission in January or March 2025.

Chairman Garrison-Engbrecht asked the Commissioners and the public if they had any questions regarding Action Item 8(d). Commissioner Mills asked how the amount of the extension was determined. Ms. Cooper stated that the project was delayed due to an industry-wide supply shortage of a main power switch, a key piece of equipment needed to complete the project. Chairman Garrison-Engbrecht asked if there were any more questions. Hearing none he asked for a motion to approve Action Item 8(d). Commissioner Mills made a motion to approve Action Item 8(d), and Commissioner Alvidrez seconded. The motion passed unanimously.

e. DocuSign Renewal

Chris Lopez, Acting Deputy Director of Information Technology Services Division (ITSD), requested Commission approval to renew its subscription to DocuSign, an e-signature solution implemented in January 2020 to streamline and automate document signing processes. DocuSign is currently used for tasks such as timesheets, claim schedules, invoice approvals, procurement packages, and other internal workflows. Usage has grown to 4,900 documents per month, an increase of 1,000 over the past year.

The platform also supports the Lottery's telework operations and contributes to environmental savings. Since 2023, DocuSign has saved over 73,000 pounds of carbon emissions, 91,000 gallons of water, and 31,000 pounds of wood. The current subscription ends on January 30, 2025, and the renewal would extend the service for another 12 months at a cost of \$280,000. Allied Network Solutions submitted the lowest bid for the renewal.

Chairman Garrison-Engbrecht asked the Commissioners and the public if they had any questions. There were none. Commissioner Alvidrez commented that she appreciated the inclusion of points on environmental savings given the State's emission goals and would like to see more of that in future reports.

Chairman Garrison-Engbrecht asked for a motion to approve Action Item 8(e). Commissioner Rasouli made a motion to approve Action Item 8(e), and Commissioner Alvidrez seconded. The motion passed unanimously.

f. Sitecore XP and Sitecore 360 Renewal

Chris Lopez, Acting Deputy Director of ITSD requested Commission approval to renew subscriptions for Sitecore Experience Platform (XP) and Sitecore 360 services,

essential tools for managing and delivering public website content, including jackpot amounts, winning numbers, and product promotions. Sitecore ensures the website can handle high-traffic volumes, such as the 27 million visitors in the past year and the 355,000 visitors during a two-hour window on April 6, 2024, for a \$1.3 billion jackpot.

Sitecore XP has powered the Lottery's website since 2012, and Sitecore 360, added in 2023, provides 24/7 training support for content creators. Both subscriptions expire on December 10, 2024. The renewal combines the agreements into one procurement, with the lowest bid of \$1,394,787 submitted by Ablegov, Inc., for a 36-month term.

Chairman Garrison-Engbrecht asked the Commissioners and the public if they had any questions. There were none, so he asked for a motion to approve Action Item 8(f). Commissioner Mills made a motion to approve, and Commissioner Rasouli seconded. The motion passed unanimously.

9. Commissioner General Discussion

Chairman Garrison-Engbrecht proceeded with Item 9, Commissioner General Discussion. Chair Garrison-Engbrecht reflected on his early experiences, mentioning a recent visit to the Northern Distribution Center, where he observed operations related to Scratchers disposal, shredding, HVAC issues, and staff support. He also recounted visiting a film site in Los Angeles for a holiday campaign, where he learned about film production and saw the teamwork involved, particularly with Media.Monks and David&Goliath. The commercial will air in both English and Spanish across multiple platforms. The holiday commercial was played for the audience during the meeting. The Chair acknowledged the hard work of the team, especially during the commercial shoot.

10. Scheduling Next Meetings

The next Commission meeting dates for 2025 are tentatively scheduled for January 23rd, March 27th, May 22nd, June 26th, September 25th, and November 20th, all to be held in Sacramento.

11. Public Discussion

During the public discussion, several individuals representing SEIU Local 1000 raised concerns about bullying and abusive behavior by management at the Lottery.

Paulina Vasquez, Lottery Sales Representative and Union Steward criticized the Lottery for failing to address a manager's abusive conduct despite previous warnings from an Attorney General's report in 2020. She pointed out the increasing number of complaints, legal actions, and financial costs, urging action to address the ongoing issue.

Frances O'Rourke, Local 1000 member echoed these concerns, highlighting failures in the EEO office and a lack of accountability for bullying, noting the high turnover in the IT and Corporate Communications divisions.

Sofia Andasola, a high school student, expressed dismay that bullying is tolerated in the workplace despite being strictly punished in schools, stressing the need for accountability.

Mike Ramos, Local 1000 member shared testimony about the defamation and mistreatment of employees who spoke out against bullying, urging the Lottery to address the toxic culture.

Anika Walls, President of SEIU Local 1000, discussed her own experiences with bullying and the broader issues at the Lottery, including retaliation against union activities and management's failure to investigate complaints. She emphasized the high cost of bullying in terms of productivity, turnover, and morale.

In response, Director Chima stated that all allegations of misconduct are taken seriously and investigated impartially, respecting the rights of all parties involved. If any policies were found to be violated, appropriate action would be taken. Director Chima did not comment on specific personnel matters due to confidentiality.

12. Adjournment

Chair Garrison-Engbrecht thanked the Director and everyone for their time and participation, then adjourned the meeting at 11:33 a.m.