

CALIFORNIA STATE LOTTERY COMMISSION
Minutes – January 16, 2020
Sacramento, California

1. Call to Order

Chairman Gregory Ahern called the public meeting of the California State Lottery Commission to order at 10:02 a.m. at California State Lottery Headquarters, 700 North 10th Street, Sacramento, CA 95811.

2. Pledge of Allegiance

Chairman Ahern led the Pledge of Allegiance.

3. Roll Call

Chairman Ahern asked Elisa Topete to call the roll.

Commission Members Present:

Chairman Gregory Ahern
Commissioner Peter Stern
Commissioner Keetha Mills

Commission Members Not Present:

Commissioner Nathaniel Kirtman

CSL Staff and Presenters:

Alva V. Johnson, Director
Fernando Aceves, Chief Counsel
Nicholas Buchen, Deputy Director of Finance
Jon Schlussler, Deputy Director of Information Technology Services
Sharon Allen, Deputy Director of Sales and Marketing
Elisa Topete, Assistant to the Commission
Rebecca Estrella, Recording Secretary

4. Consider Approval of the Agenda

Chairman Ahern asked if any of the Commissioners wanted to make changes to the January 16, 2020 agenda as proposed. Commissioner Mills made the motion to approve the agenda; seconded by Commissioner Stern. The agenda passed unanimously (3-0).

5. Approval of Minutes

Chairman Ahern asked if there were any additions or corrections to the November 21, 2019 minutes. Commissioner Mills stated there was no reference to any conversations between the Commissioners in the minutes and would like any questions by the Commissioners be noted publicly in future Commission meeting minutes. Commissioner Stern made the motion to approve the minutes; seconded by Commissioner Mills. The minutes passed unanimously (3-0).

6. Director's Report

a. Director's Comments

Director Johnson provided an update to the Commission on Lottery sales for the first six months of the fiscal year that included the multi-state games, Scratchers® sales as well as the daily games. Director Johnson stated that staff assesses the Lottery's performance in terms of its profit goals. The calculations, which are done monthly and through the week ending December 28th, show sales running at 94 percent of goal, and profits at 92 percent of goal.

Commissioner Stern asked Director Johnson to expand on the seasonal or holiday offers and how they contributed to the overall December performance. Director Johnson responded that Lottery field staff that service the 23,000 retailers make a big push in the holiday season as that is a time where there is a lot of interest in purchasing the games as holiday gifts. Many of the Lottery's promotions and advertising take advantage by promoting Scratchers as gifts. Director Johnson went over a couple of the new promotions and thanked the Sales Team for working extra hard to get this done. Deputy Director of Sales & Marketing, Sharon Allen, stated that the holiday campaign typically starts around the Black Friday week/weekend and staff tries to stress that Scratchers are "great last-minute gifts." Sales are measured after Christmas and New Year's, as that is when there are redemptions and prize claims. Jim Hasegawa, Deputy Director of Business Planning clarified that the sales are based on validation sales which is the way staff estimates consumer movement of the tickets, rather than the financial sales, which would be the distribution less returned.

7. Consent Calendar

No items were listed on the Consent Calendar.

8. Action Items

a. Request to Add Positions

Nicholas Buchen, Deputy Director of Finance, presented a request for approval that included the establishment of one position in Finance, six positions in Human Resources, two positions in Legal, and two positions in Operations.

Commissioner Mills asked for a better understanding of the process the Lottery goes through to determine what the needs are for a two percent increase in overall staffing of 870 staff members as a total budget. Commissioner Mills also asked Director Johnson how he is prioritizing and allocating the Lottery's resource requests. Director Johnson went through his process of looking at the internal health of the organization. Director Johnson indicated he has been addressing the resource requests by prioritizing them and addressing the most pressing needs first.

Commissioner Mills asked for more information on how the Director would be addressing the processes and the systems needed by the Human Resources Division. Director Johnson spoke about digitizing many of the paperwork approvals and stated that there is a working group that meets regularly to discuss how to improve the Lottery's processes through modern technology.

Commissioner Mills spoke about the movement of the procurement function out of Legal and into Operations and asked how the partnership between Legal compliance and business needs work and how it is going to work going forward in ensuring the Lottery has the right compliance and best cost oversight over that function now that it is in Operations. Director Johnson stated that he spent a lot of time with an interdisciplinary, interdivisional team trying to evaluate the processes and procedures for approving contracts. Director Johnson ensured that there will be close collaboration between Contract Development and Contract Administration. With both units being in Operations, there should be a better checks and balances with contracts, which is a very important aspect of the Lottery's administration and management.

Mr. Buchen added that from Fiscal Year 2009-10 to now, the Lottery has grown by over 200 positions, about a 35 percent increase. With respect to the Human Resources request for six positions, it has been a strain on them trying to keep pace with that significant a percentage of growth to the entire organization.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 8(a). No one came forward, so he proceeded to the motion of approval.

Commissioner Mills made the motion to approve Action Item 8(a); seconded by Commissioner Stern. The motion passed unanimously (3-0).

b. Microsoft Enterprise Licensing Agreement

Jon Schlussler, Deputy Director of Information Technology Services, requested approval of the Microsoft Enterprise Licensing Agreement for a three-year contract term from March 1, 2020 through February 28, 2023. The Lottery uses multiple Microsoft products to support the Lottery's technology infrastructure and to provide productivity tools to every Lottery employee.

Commissioner Mills commended staff on using the procurements agreement through DGS which gives the Lottery the best price that leverages all State agencies in California versus just the Lottery Commission.

Commissioner Stern asked if there were other tools or technologies that the mobile workforce requires in addition to this procurement? Mr. Schlussler responded that Office 365 Suite covers most office productivity and that it is also available to mobile users. There is some sales-specific software, that is provided through the IGT gaming systems contract. Commissioner Stern asked what the Lottery's device requirements are for field staff – are they tablets or laptops? Mr.

Schlussler stated that staff is working on upgrading the technology to Surface Pros.

Chairman Ahern asked if Microsoft, the Lottery or the State of California managed the Lottery's firewall. Mr. Schlussler stated that Microsoft manages Cloud services as part of our contract and that the Lottery uses various types of security measures to ensure that the devices, employees and email are all protected. Chairman Ahern asked if our systems are on Windows 10 or Windows 7. Mr. Schlussler stated that approximately 300 systems have been upgraded to Windows 10 with 400 planned in the next few months. Chairman Ahern asked if Microsoft covers the security issues with Windows 10 and Windows 7 and whether Microsoft did any necessary patching. Mr. Schlussler stated that Microsoft charges us a small fee and that staff have tools that automatically push out the patches to the user devices.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 8(b). No one came forward, so he proceeded to the motion of approval.

Commissioner Stern made the motion to approve Action Item 8(b); seconded by Commissioner Mills. The motion passed unanimously (3-0).

c. United Parcel Service (UPS) Contract Amendment

Sharon Allen, Deputy Director of Sales and Marketing, requested approval of the amendment of the UPS contract for Scratchers delivery and return services to exercise the mutually agreed two-year contract extension and add additional expenditure authority. The extension will allow the Lottery to continue services without interruption to Scratchers product delivery, while completing the solicitation, evaluation of bids, and award of a new contract.

Commissioner Stern asked Ms. Allen to expand on the Request for Proposal (RFP) process regarding security standards, quality, tracking, and accountability, and not just the lowest-cost provider. Ms. Allen responded that security is the most important factor as deliveries should be received on time. There are also background checks, uniformed personnel and marked vehicle requirements.

Commissioner Mills asked what types of lessons were learned and what steps will be taken because of the failed RFP process. Ms. Allen stated that staff will be looking at the scope of services and requirements and are doing further analysis by surveying other lotteries.

Chairman Ahern asked if anyone from the audience had any questions on Action Item 8(c). No one came forward, so he proceeded to the motion of approval.

Commissioner Mills made the motion to approve Action Item 8(c); seconded by Commissioner Stern. The motion passed unanimously (3-0).

9. Commissioner General Discussion

Commissioner Mills asked that Lottery leadership provide additional financial information when items are being requested for approval, to assist the Commissioners in understanding how it affects the Lottery's budget. She stated it would be helpful to them in their voting and decision making. Commissioner Mills would also like the Commission meetings to include various additional presentations that highlight the support that the Lottery gives to education programs. Director Johnson stated that providing more information to the Commission and to the public is in development.

10. Scheduling Next Meetings

The next Commission Meeting is tentatively scheduled for March 19, May 28 and June 25, 2020, in Sacramento.

11. Public Discussion

Chairman Ahern asked if anyone from the public had anything to discuss. No one came forward, so he proceeded to the next item on the agenda.

12. Adjournment

Meeting adjourned at 10:49 a.m.