

**STATE OF CALIFORNIA  
TRANSCRIPT OF PROCEEDINGS**

**CALIFORNIA STATE LOTTERY COMMISSION  
COMMISSION MEETING**

**TIME:** 10:04 a.m.  
**DATE:** Thursday, May 27, 2021  
**PLACE:** Held remotely consistent with Executive Orders  
N-25-20 and N-29-20 using the Microsoft Teams  
platform

Transcription Service: Martha J. Hanna  
Foothill Transcription Company  
9328 Elk Grove Blvd.,  
Suite 105-309  
Elk Grove, California 95624  
(916) 443-7400

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

**California State Lottery Commission**

Gregory Ahern  
Chair of the Commission  
Commissioner

Peter Stern  
Vice Chair of the Commission  
Commissioner

Nathaniel Kirtman, III  
Commissioner

Keetha Mills  
Commissioner

**Participating Lottery Commission Staff**

Alva V. Johnson  
Director

Fernando Aceves  
Chief Counsel

Duane Tadlock  
Supervising Lottery Agent of Security and Law Enforcement  
and Jorge DeLaCruz  
Assistant Deputy Director of Public Affairs & Communication

Jim Hasegawa  
Deputy Director of Business Planning

Nicholas Buchen  
Deputy Director of Finance

Sharon Allen  
Deputy Director of Sales and Marketing

Jennifer Chan  
Deputy Director of Information and Technology Services

Sara Sheikholislam  
Deputy Director of Internal Audits

Elisa Topete  
Assistant to the Commission

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1           **CHAIR AHERN:**    We have a motion, and is there a  
2 second?  
3           **COMMISSIONER STERN:** Second.  
4           **CHAIR AHERN:**    A motion and a second. Will the  
5 Secretary please call the roll?  
6           **MS. TOPETE:**       Commissioner Kirtman?  
7           **COMMISSIONER KIRTMAN:**    Yes.  
8           **MS. TOPETE:**       Commissioner Stern?  
9           **COMMISSIONER STERN:** Yes.  
10          **MS. TOPETE:**       Commissioner Mills?  
11          **CHAIR AHERN:**       (Inaudible).  
12          **MS. TOPETE:**       Chairman Ahern?  
13          **CHAIR AHERN:**       Yes. Tom?  
14          **MALE:**           (Inaudible).  
15          **CHAIR AHERN:**       Okay. I'll move on to Item Number  
16 5, which is the Approval of the Minutes. Are there any  
17 corrections to the minutes?  
18          **COMMISSIONER KIRTMAN:**    No.  
19          **CHAIR AHERN:**       Okay. Do I hear a motion to  
20 approve the minutes for March 26, 2021 Commission Meeting?  
21          **COMMISSIONER KIRTMAN:**    Motion to approve the  
22 minutes.  
23          **CHAIR AHERN:**       We have a motion. Is there a  
24 second?  
25          **COMMISSIONER MILLS:** Second.

1           **CHAIR AHERN:**    Motion and a second.  Will the  
2 Secretary please call the roll?  
3           **MS. TOPETE:**       Commissioner Kirtman?  
4           **COMMISSIONER KIRTMAN:**    Yes.  
5           **MS. TOPETE:**       Commissioner Stern?  
6           **COMMISSIONER STERN:** Yes.  
7           **MS. TOPETE:**       Commissioner Mills?  
8           **COMMISSIONER MILLS:** Yes.  
9           **MS. TOPETE:**       Chairman Ahern?  
10          **CHAIR AHERN:**    Yes.  All right.  Next item is Item  
11 Number 6, and it's for Informational Items.  We'll call on  
12 Director Alva Johnson to report.  
13          **DIRECTOR JOHNSON:**    Okay, very good.  Thank you,  
14 Mr. Chairman.  I'm just going to wait a moment for the  
15 PowerPoint to load up to the screen.  Okay, here we go.  
16 Let's go to the first slide.  Thanks very much.  
17 Commissioners, we are very pleased to report total Lottery  
18 sales through Saturday, May 15<sup>th</sup> are over \$7.3 billion.  This  
19 is 19 percent above the sales goal and 30 percent higher  
20 than Lottery sales over the same time period last fiscal  
21 year.  The annual sales goal for this fiscal year is \$7.12  
22 billion, so even with a month-and-a-half left in the year,  
23 we have already exceeded our annual sales goal by \$200  
24 million.  Scratchers continue to exceed expectations, with  
25 distribution sales over \$5.5 billion through mid-May.  This

1 is 19 percent ahead of goal and 31 percent over last fiscal  
2 year's sales. Scratchers set another new record during  
3 April, surpassing \$150 million in a single week for the  
4 first time in its history. Weekly Scratchers sales in the  
5 past two months since the last Commission meeting have  
6 averaged over \$140 million, thanks to continued strong sales  
7 at the \$10, \$20 and \$30 price points, as well as the new  
8 Monopoly game's launch at the end of March. Scratchers  
9 sales have already surpassed the full annual sales goal of  
10 \$5.4 billion and are already a new fiscal-year record. The  
11 prior record of \$5.17 billion was set two years ago in  
12 Fiscal Year 2018-19. The multi-state games, which include  
13 Powerball and Mega Millions, had year-to-date sales close to  
14 \$850 million, pacing 25 percent ahead of goal and 48 percent  
15 higher than last fiscal year. Both games are outperforming  
16 their goals due to high-rolling jackpots. Powerball has  
17 seen five jackpots over \$400 million so far this year, while  
18 last fiscal year never saw a jackpot over \$400 million. So  
19 far this year, Mega Millions sales of \$483 million make up  
20 57 percent of the multi-state game category sales. In  
21 January, this jackpot rolled to \$1 billion, creating much-  
22 needed excitement and interest for the jackpot game  
23 category. Since January, the jackpot games, including  
24 SuperLotto Plus, have seen sales bounce back to pre-pandemic  
25 levels. Mega Millions is once again boosting sales and

1 contributions to Education, as this jackpot rolls to \$515  
2 million. Last Friday, one ticket sold in Pennsylvania  
3 matched all six numbers to win the jackpot. Through mid-May,  
4 sales for California's in-state jackpot (inaudible),  
5 SuperLotto Plus, are seven percent higher than goal and last  
6 year's sales. This game greatly benefited from the  
7 increased traffic for Mega Millions back in January.  
8 However, SuperLotto Plus jackpots are growing at levels not  
9 seen for this game in two years. For the month of April,  
10 SuperLotto Plus sales were even higher than Powerball sales,  
11 despite Powerball having significantly larger jackpots. The  
12 Daily Games, which include Daily 3, Daily 4, Fantasy 5, and  
13 Daily Derby, continued to see strong sales this fiscal year.  
14 Combined, these games are running 13 percent above goal and  
15 14 percent higher than last fiscal-year sales through this  
16 time. These games had continued to appeal to Lottery  
17 players throughout the pandemic, showing new promise for  
18 these games in the years to come. Finally, Hot Spot sales  
19 through mid-May are over \$320 million. Fiscal-year sales  
20 are at 15 percent above goal and 19 percent higher than last  
21 fiscal year. At this time last year, the statewide shutdown  
22 at many bars and restaurants greatly stunted Hot Spot sales,  
23 yet since then, sales have returned and even exceeded their  
24 pre-pandemic levels. We will further elaborate on this  
25 phenomenon in a few minutes during the Draft Business Plan

1 presentation later on in the agenda. Next slide, please.

2 We also assess how the Lottery is performing in  
3 terms of its most important measure, the contributions to  
4 public education. These figures are based on the Lottery's  
5 monthly cumulative financial sales report through April 30<sup>th</sup>.  
6 Over the first ten months of the fiscal year, our sales were  
7 running 19 percent ahead of its goal, while our  
8 contributions to Education were about 22 percent ahead of  
9 our goal over that same time period. Estimated  
10 contributions to education through the first ten months are  
11 over \$1.45 billion. Next slide, please.

12 Total Lottery sales this year are on track to be  
13 the highest-selling year in California Lottery history. The  
14 chart here shows total Lottery sales for the past six fiscal  
15 years in blue and this current year in orange. As stated  
16 earlier, total Lottery sales through mid-May are \$7.33  
17 billion. Based on current sales trends, we estimate the  
18 fiscal year will close out with sales around \$8.4 billion, 5  
19 million dollars. This would be \$1.8 billion more than last  
20 fiscal year and more than \$1 billion higher than the  
21 previous fiscal year record from 2018-19. Finally, all  
22 Lottery staff have worked diligently this year to continue  
23 Lottery growth and do their part individually and as a team  
24 to provide supplemental funding to Education, all the while  
25 managing unprecedented challenges in their own working and

1 personal lives. It is thanks to their hard work,  
2 dedication, and great demonstrated flexibility that the  
3 Lottery is on pace to exceed its contributions to the  
4 Education goal of \$1.6 billion this year. That concludes my  
5 report.

6 **CHAIR AHERN:** All right, thank you very much.  
7 Pretty exciting, record-breaking information there, so thank  
8 you. All right. We wanted you to go to 6b for Lottery's  
9 COVID Support Efforts.

10 **MR. DELACRUZ:** Good morning, Commissioners. My  
11 name is Jorge DeLaCruz. I'm the Assistant Deputy Director  
12 of Public Affairs and Communications here at the Lottery.  
13 I'm joined by Duane Tadlock, Supervising Lottery Agent here  
14 at the California State Lottery. Today we want to talk  
15 about the Lottery COVID-19 Support Efforts. Next slide,  
16 please.

17 The California Lottery was assigned these mission  
18 tasks by the Governor's Office, and even though these  
19 assignments were mission tasks, the Lottery employees were  
20 given the opportunity to volunteer, and we're very proud to  
21 announce that the level of interest from our Lottery team  
22 members was higher than expected, and even though only a  
23 select number of Lottery Team members were volunteers for  
24 this task, we're proud of every single Lottery team member  
25 and their efforts, because those who were not working on the

1 missions did their part to help as well with the workload  
2 and the volunteers' actions. Next slide.

3           The first effort we want to talk about is contact  
4 tracing, which is identifying and notifying people who were  
5 exposed to people infected with COVID-19, and since May of  
6 2020, 35 Lottery employees have assisted with contact  
7 tracing. Next slide, please.

8           The second effort we want to talk about is the  
9 "Vaccinate All 58," and this effort was to proactively and  
10 aggressively protect the health and the well-being of  
11 Californians, providing recent relevant and reliable  
12 information through social media and digital platforms, and  
13 the California Lottery assisted and continues to assist the  
14 "Vaccinate All 58" campaign by publishing two posts per week  
15 on Facebook and Instagram, Facebook with over 535,000  
16 followers and Instagram over 60,000 followers. The  
17 California Lottery is also doing email outreach with the  
18 "Vaccinate All 58" newsletter, and all the most recent  
19 information can be found on [vaccinateall58.com](http://vaccinateall58.com). And with  
20 that, I'd like to pass on the next effort to Duane Tadlock.

21           **MR. TADLOCK:** Good morning. The next slide,  
22 please. The Lottery was mission-tasked by the Governor's  
23 Office of Emergency Services, and as you can see, there was  
24 a large number of agencies that were involved. These were  
25 the two first mega-vaccination sites in the United States.

1 They were operated by FEMA and organized, and we were  
2 mission-tasked to participate with them. Next slide,  
3 please.

4 And as you can see, the two locations were the  
5 California State University of Los Angeles -- next slide,  
6 please -- and the Oakland Coliseum. Next slide, please.

7 At the Oakland Coliseum, our employees worked  
8 seven days a week, 12 to 14 hours a day on average. They  
9 were charged with registering community members as they came  
10 up to the drive-through or the walk-up vaccinations. At the  
11 California State University Los Angeles locations, our team  
12 were assigned to the mobile teams where they went out into  
13 the communities such as East Los Angeles, Compton, Korea  
14 Town, Paramount, and at those sites, they also worked seven  
15 days a week, 12 to 14 hours a day registering folks for the  
16 vaccinations. Next slide, please.

17 Our mission-tasking started on February 28<sup>th</sup> of  
18 this year with four employees on two-week missions. On  
19 March 3<sup>rd</sup>, we were asked to add a fifth employee for a 30-day  
20 mission, and then on March 12<sup>th</sup>, we had an investigator in  
21 Southern California on the mobile teams that actually made  
22 some improvements to the registration process and some other  
23 improvements there that took the vaccinations from 300 a day  
24 to 600 a day. So after doubling their productivity, they  
25 asked us to extend him for 30 days, which of course we did.

1 The last two employees finished their mission and were in  
2 Oakland on April 15<sup>th</sup>, and we were cleared the entire mission  
3 at that date. Next slide, please.

4 In total, we had 17 employees work over 2,800  
5 hours over that three-month period, as you can see the  
6 breakdown, and we helped facilitate over 780,000  
7 vaccinations in California. Next slide, please.

8 The Lottery did receive several letters of  
9 appreciation, some letters of appreciation. The State  
10 Operations Center for the California Office of Emergency  
11 Services, which is kind of the heartbeat of all emergency  
12 responses in California, reached out and shared their  
13 appreciation for the California Lottery's participation and  
14 the efforts that we made to assist. Next slide, please.

15 With that, I open it you, Sir, and the  
16 Commissioners for any questions.

17 **CHAIR AHERN:** All right, does anybody have any  
18 questions for Duane? Are there any comments?

19 **COMMISSIONER MILLS:** This is Commissioner Mills. I  
20 just want to just say how proud I am to be associated with  
21 this team. Really amazing work, both from the Sales  
22 perspective and in your efforts to assist with the COVID-19  
23 relief and recovery efforts -- really, really impressive and  
24 important. So thank you. Thank you for your commitment and  
25 your work in those areas.

1                   **CHAIR AHERN:**    And I, too, would like to commend  
2 you and also the Director of Emergency Services here in  
3 Alameda County and for Region 2 in California.  The Oakland  
4 site at one time was doing between 4,000 and 5,000  
5 vaccinations a day and just serving a really challenged  
6 population that had serious issues with COVID in specific  
7 zip codes in that very neighborhood of the Oakland Coliseum.  
8 So big thank yous to FEMA, to CAL OES and to the Lottery  
9 staff for getting those people vaccinated.  Since being  
10 vaccinated, the number of COVID cases in Alameda County and  
11 specifically, those challenged zip codes, have decreased  
12 dramatically, and so you have to conclude that by doing that  
13 work, you people at the Lottery saved lives, so thank you.

14                   **DIRECTOR JOHNSON:**   Thank you, Mr. Chairman, and I  
15 just want to recognize again our Lottery employees who  
16 stepped up, volunteering to help in this critical effort,  
17 and we really are grateful for their work, and thank you.

18                   **CHAIR AHERN:**    All right, we'll move on to the  
19 3,000-page Business Plan, 6c.  Jim?

20                   **MR. HASEGAWA:**   All right.  Thank you.  Good  
21 morning, Mr. Chairman, Commissioners, as well as Director  
22 Johnson.  So I have the honor of presenting the Draft  
23 Business Plan for the upcoming fiscal year, and by being an  
24 informational item, the Commissioners will have a lot of  
25 time before the next month's meeting where the Plan will be

1 formally brought to you for approval to ask questions, gain  
2 deeper insights, and provide feedback over the next month.  
3 Next slide, please.

4 Today I will provide some background on the  
5 process of developing the Annual Plan. Then I will present  
6 highlights from the extensive review of our business that is  
7 conducted. This will be followed by the proposed objectives  
8 for next year, along with some examples of the tactics that  
9 will help us achieve those objectives. Next slide.

10 The foundation for developing the Annual Business  
11 Plan is the Strategic Plan and its six objectives. As we  
12 work to meet these objectives -- and our ultimate financial  
13 goal, you might recall, is surpassing \$2 billion for  
14 California public schools -- and so as we work to achieve  
15 this, we look at what needs to be done in the upcoming  
16 fiscal year in order to stay on that path. However, our  
17 plan needs to be dynamic and have the ability to address new  
18 issues that have emerged or any recent trends in our  
19 business, so we conduct a review of the Lottery business  
20 every year. Next slide.

21 All right. As that foundation I mentioned  
22 earlier, here are the six strategic objectives that the  
23 Commission approved in 2020. You may recall that these were  
24 done after an extensive review of our business, an  
25 assessment of our organization and of the Executive Team and

1 our key managers, and many, many hours of discussion. This  
2 led to the six objectives identified, and these six  
3 objectives together allow us to achieve success in the  
4 future, continuing to grow our contributions to California  
5 public education, with the ultimate goal of surpassing the  
6 \$2 billion threshold. Next slide.

7           With these six objectives, we are still in the  
8 process of creating strategic roadmaps. We created several  
9 teams of staff from divisions throughout the Lottery who are  
10 developing different strategies and tactics to reach these  
11 objectives, then exploring and assessing these alternatives.  
12 This will result in identifying the most effective ways to  
13 achieve our objectives and that will ensure that we maximize  
14 the contribution we can provide to our beneficiary,  
15 California public schools. With the many immediate needs  
16 that needed to be addressed this past year, this effort is  
17 still ongoing, and as the strategic roadmaps get  
18 constructed, we will keep the Commission updated. Next  
19 slide.

20           In the highlights from the Business Review, I'll  
21 be presenting Trends in Sales. You may recall from our  
22 presentation made at the January Commission meeting that we  
23 estimate that the Lottery experienced a nine percent loss in  
24 sales due to the COVID-19 pandemic and an eight percent loss  
25 in contributions to Education. And through the next few

1 slides, I'll be showing trends in sales during the current  
2 fiscal year by product along with the key reasons behind  
3 those trends. I'll also present just a few slides from our  
4 outside review in terms of things like General Trends in  
5 Retailing, the Lottery Industry and Consumer Behavior. Next  
6 slide.

7           So, previously, with Director Johnson's report,  
8 you did hear how total Lottery sales in the current fiscal  
9 year are doing extremely well. You heard how our sales are  
10 now on pace to set an all-time record for sales and have  
11 rebounded to be more than \$1.8 billion higher than last  
12 year's figure. Similarly, from this chart, you can see that  
13 the number of California adults who play the Lottery has  
14 also rebounded. Our Tracking Study Survey provides this  
15 data for us on a monthly, quarterly, and annual basis. This  
16 chart displays two different lines. The top line in the  
17 lighter blue represents the percentage of California adults  
18 who have played any Lottery game in the 12 months preceding  
19 their interview, and the lower, darker blue line represents  
20 the percentage of California adults who have purchased any  
21 Lottery game in the month preceding their interview. And so  
22 you can see from this chart that during the quarter of  
23 April, May, and June of 2020, there was quite a large drop  
24 in past-month playership, you know, as the effects of the  
25 pandemic reduced shopping trips and interest in things like

1 the Lottery. However, playership began to rebound by the  
2 summer, and during the most recent quarter we have data for,  
3 January through March of 2021, we're about on par with the  
4 level seen prior to the pandemic. Next slide.

5           So this chart represents consumer sales, and we  
6 measure the sales of consumers by the validation of winning  
7 tickets. As you can see here, there were large declines in  
8 March and April of 2020 as the pandemic unfolded, a bit of a  
9 rebound in May and June; however, throughout this time from  
10 March through June, the Lottery was challenged in shipping  
11 tickets to our retailers to meet the level of demand due to  
12 the social distancing protocols that we needed to adhere to  
13 in our distribution centers. So what happened was, as  
14 inventory at the retail locations got depleted, you can see  
15 that consumer sales also started to dip again in the summer.  
16 By fall, with the resumption of new Scratchers games being  
17 launched and modifications in our distribution centers being  
18 implemented, ticket inventories at our retail locations  
19 rose, and consumer purchases followed suit. Then again you  
20 see the lines growing again yet after January. We've seen  
21 Scratchers sales continue to grow quite dramatically, and  
22 many times during the period since January, Scratchers sales  
23 were breaking all-time records. And as you heard in the  
24 sales report earlier, the week ending April 10<sup>th</sup> saw just  
25 under \$152 million in Scratchers being purchased by

1 consumers during that week, and that set the all-time  
2 record, dating all the way back to the start of the Lottery  
3 back in October of 1985. Next slide.

4           Since January, as Scratchers sales were  
5 consistently doing well, you can see that playership also  
6 has grown, so, you know, during the quarter of the pandemic  
7 start, you can see that just 21 percent of California adults  
8 played a Scratcher game in the past year, but the most  
9 recent quarter, we are up to 30 percent of California adults  
10 purchasing a Scratcher ticket in the past month. And that's  
11 on par, pretty much close to pre-pandemic levels. Next  
12 slide.

13           So, with many forms of entertainment and leisure-  
14 time activities either closed, such as, like, movie theatres  
15 or indoor dining, or, in some cases, consumers not being  
16 comfortable participating in them, like traveling, it makes  
17 sense that some people would spend a few more of their  
18 discretionary dollars on entertainment vehicles like  
19 Scratchers, and that's why Scratchers sales increased even  
20 though maybe the playership numbers didn't increase. The  
21 implication for this upcoming fiscal year, however, is that  
22 as people get vaccinated, and entertainment venues open up,  
23 and people get more comfortable traveling or dining inside a  
24 restaurant, some of the recent Scratcher games in sales may  
25 diminish. Next slide.

1           So, the jackpot games have been strong, and as  
2 discussed earlier, primarily because of the large jackpots,  
3 but that's not the only reason. So you can see that the  
4 current-year sales are likely to be about \$1.2 billion  
5 across all three games combined, and that's about \$200  
6 million over goal and over \$300 million over last year's  
7 sales. We had the \$1 billion jackpot in Mega Millions, and  
8 we have current rollovers in SuperLotto Plus, but really  
9 importantly is that sales rebounded to their pre-pandemic  
10 levels after the big jackpots, and you can see that on the  
11 next slide, if you could change, please.

12           So this chart -- let me explain a little bit --  
13 represents -- so, obviously, the sales in a jackpot game are  
14 driven by the size of the jackpot, and so what we do is we  
15 compare the week's jackpot levels and find prior weeks with  
16 similar jackpot levels, and then we compare sales at those  
17 respective weeks. So this chart is looking at comparing  
18 sales in the week to prior weeks prior to the pandemic with  
19 comparable jackpot sizes, and this is just in this current  
20 fiscal year. So you can see from July through about late  
21 December or early January, sales of our jackpot games were  
22 consistently well below what we previously experienced  
23 before the pandemic with similar jackpot levels, in some  
24 cases, dropping as low as 20 and 25 percent. Then we had  
25 the large jackpots in January, but even after January, you

1 now see how the lines are pretty much above the zero percent  
2 line, meaning that the sales we're experiencing now are  
3 close to the levels we were seeing previously prior to the  
4 pandemic, and this is good news as we look forward to the  
5 setting of sales goals for next year, because it does look  
6 like the large jackpot we had in January was able to re-  
7 engage more of our players and bring back some more interest  
8 in the Lottery, along with of course as people get  
9 vaccinated and feel more comfortable going on shopping trips  
10 and so forth. Next slide.

11           Switching to a different product, soon after the  
12 stay-at-home directives took effect, Hot Spot sales took  
13 severe hits, and actually the largest hits in terms of all  
14 of our products because more of its prime retail locations  
15 were closed, like bars, restaurants, bowling centers,  
16 fraternal organizations, places where people may socialize  
17 or stay for more than an hour. You can see from this slide  
18 that by summer, sales began to grow and return to their pre-  
19 pandemic levels. And more recently, since about February-  
20 March, sales are climbing yet again, and they're above the  
21 pre-pandemic levels, and they're actually -- we've had some  
22 record-breaking weeks. One driver for this is that we've  
23 seen sales increase at more traditional Lottery locations  
24 like convenience stores, liquor stores, grocery stores for  
25 the Hot Spot product, and of course, in the late and early

1 Spring, we began to see some social locations resuming some  
2 prior operations. Next slide.

3           However, the biggest driver was an increase in the  
4 percentage of adults playing Hot Spot. You can see here the  
5 percentage of adults playing has increased over the past few  
6 quarters, almost doubling some of their earlier levels. So  
7 it does seem that some of our existing Lottery players,  
8 people who might have been Scratcher players or jackpot game  
9 players decided to try Hot Spot and have continued playing  
10 that game. It should be noted that during the pandemic,  
11 certain marketing efforts through our own channel, such as  
12 newsletters and social media posts, have mentioned to our  
13 existing players to try another Lottery product such as Hot  
14 Spot, and those efforts seem to have definitely paid off.  
15 Next slide.

16           Now this represents Daily Games average weekly  
17 sales on a quarterly basis, so it is a little different from  
18 the previous slides. Daily Games sales, you can tell, were  
19 probably the least impacted of all of our products when the  
20 pandemic arose, and sales have been above the pre-pandemic  
21 levels for much of this fiscal year. And probably since  
22 January, as you can see, sales have really risen again, and  
23 if you can go to the next slide, we can see the reason  
24 behind it.

25           And again, it deals with the number of

1 Californians playing these games. You can see that the  
2 percentage of California adults who have played any of our  
3 Daily Games in the past month has significantly increased  
4 over the past few quarters, and I will say we were showing  
5 this for "played any Daily Game," but if we looked at each  
6 one individually, you will also see this nice jump in  
7 playership. Next slide.

8           Moving from our products to some general trends, I  
9 think one of the many consumer trends that the pandemic  
10 accelerated was the decline in cash usage. This data is  
11 from our Federal Reserve bank in San Francisco. They  
12 conduct a survey annually to look at the way transactions  
13 are paid, and these transactions are outside of paying  
14 bills. And if you look at the data, by 2020, only 19  
15 percent of payment transactions were done with cash, and as  
16 recently as 2015, about one-third of these types of  
17 transactions were done in cash, and so you can see the  
18 pandemic really, really has accelerated that trend, and some  
19 prognosticators do feel that this type of trend will  
20 continue because we have been seeing the decline in cash  
21 prior to the pandemic, and that of course has implications  
22 for the Lottery that we will be looking at as we develop our  
23 efforts strategically. Next slide.

24           Over the past decade or so, the retail industry  
25 has dramatically changed. There's been new types of

1 retailers and shifts in the ways people shop at retail, yet  
2 the type of retailers that are in the Lottery network remain  
3 pretty much the same as they did ten years ago. Convenience  
4 stores made up 49 percent of our locations last year, and  
5 this percentage was about 44 percent ten years ago. In a  
6 bit, I'll talk about some other data we have that actually  
7 the U.S. Census Department does that does a census of retail  
8 locations, and we've been starting to work with that  
9 information as well to identify some opportunities for the  
10 Lottery. Next slide.

11 I want to spend a little time to explain some of  
12 the new ways of selling Lottery tickets that some other  
13 Lottery jurisdictions are exploring. In fact, the ones I'm  
14 going to talk about today involve selling tickets right in  
15 the cash register laying at, say, a supermarket or a multi-  
16 lane large retailer, so they present great opportunities for  
17 us. The first one I'm going to talk about is called  
18 QUICKTICKET. It's on the left. You can see a picture  
19 there, and that comes from the Texas Lottery, who is  
20 employing this new device. What it does, it essentially  
21 uses the Gift Card Network that retailers have already in  
22 their locations, and that network is connected to the gaming  
23 system and the Lottery, and no terminal then is therefore  
24 required. What happens is the card you see in the picture,  
25 they have pre-printed QUICKPICK numbers on them, and then

1 they are overlaid with latex, so that players can't see the  
2 numbers. So what happens is you take one of the cards, and  
3 you hand it to the clerk. The clerk scans it, much like  
4 when you purchase a gift card, and that activates that  
5 ticket. The player can then scratch the ticket to reveal  
6 their numbers. And then behind the scenes of course,  
7 through the Gift Card Network connected to the gaming  
8 system, that wager, if you want to call it that, is then  
9 registered in the gaming system and is activated for the  
10 next draw. So it's a very different way; it doesn't require  
11 a retailer to have a terminal or printers or things like  
12 that at the in-lane location, which does make it attractive  
13 to the retailer. The second method is called the Receipt  
14 Ticket, and so here the best way to describe it is thinking  
15 of, again, maybe like if you go to Costco, and you're going  
16 to buy, like, \$100 worth of dining at a certain location,  
17 like I've done for \$80, what you do is you take this card --  
18 so it's not printed with any numbers or anything, it's just  
19 a card with a UPC type of code on it -- and you take that  
20 card up to the register. The clerk will scan that card just  
21 like other items at a grocery store or other items like at  
22 other mass merchants. Then a Lottery ticket is issued from  
23 the retailer's point-of-sale system, and it's printed on the  
24 regular register receipt paper. So the retailer must add  
25 functionality to their POS system, and that is connected to

1 the Lottery's gaming system through again an API that the  
2 national organization of lotteries (NASPL) work together  
3 with industry representatives. So that way, again, it  
4 doesn't require a specific terminal at the register area,  
5 and that again allows for the tickets to be bought in lane  
6 where the consumers are because right now, let's say, in a  
7 supermarket, a Lottery purchase has to be done outside of  
8 where they're buying their groceries. So these are some  
9 exciting new types of in-lane sales concepts that are being  
10 piloted in the Lottery industry that I wanted you to be  
11 aware of. All right, next slide, please.

12           Okay, so this coming year, we'll see a mix of  
13 objectives and initiatives that both respond to issues  
14 needing more immediate attention along with objectives that  
15 have an eye towards the future to deliver growth in  
16 subsequent years. There'll be two objectives that will deal  
17 with more immediate needs, some of which result from the  
18 pandemic, and there'll be three objectives where the Lottery  
19 will be looking towards the future. And I think compared to  
20 the current fiscal year, we all believe that the Lottery  
21 will be able to put more focus on investigating ways to  
22 transform the Lottery for future growth because as the  
23 pandemic begins to subside, I think we can devote a little  
24 more attention to some longer-term issues. Next slide,  
25 please.

1           So in terms of responding to some immediate needs  
2 resulting from some of the recent trends that we've  
3 discussed, examples include the need to re-engage our casual  
4 Scratcher players. So the Scratchers category repositioning  
5 effort, that marketing campaign, to bolster interest with  
6 our casual players, that is planned for this upcoming fiscal  
7 year. And one of the nice things that I've noted is that we  
8 increased playership of Daily Games and Hot Spot, so that  
9 was unanticipated, the size of that gain, and as such, there  
10 probably is an immediate need to make sure to maintain that  
11 increased playership. We've got to retain those recent  
12 adopters of those games, and there'll be an initiative such  
13 as Jackpot signage, which will display the Fantasy 5 and  
14 Daily Derby top prizes as well as localized efforts through  
15 different retail efforts or promotions that are being  
16 developed. And as you've probably seen in the news, there's  
17 been a lot of changes in the workplace being announced by  
18 various companies, and so it behooves the Lottery to work  
19 and develop a post-pandemic telework policy and plan. Next  
20 slide.

21           The second objective that is dealing with more  
22 immediate needs, and those are efforts to focus some  
23 attention to reinvigorate retail. Obviously, retail has  
24 gone through a lot of changes with the pandemic, and so we  
25 do need to focus some additional efforts on reinvigorating

1 our retail channels. There are many initiatives focused not  
2 only on ways to grow sales out of our existing retail  
3 network but also areas that are looking for new channels to  
4 grow our retail base. One thing I wanted to point out in  
5 this, as you can see from this bullet, is the geographic  
6 shift in our sales that we're seeing, and we're really going  
7 to be doing some deeper analysis and to see if it continues.  
8 As an example, our sales were growing quite tremendously  
9 during the latter half of Calendar Year 2020, of this fiscal  
10 year. And so suburban, residential communities here in the  
11 Sacramento area, they were up in kind of 20, 30 percent  
12 range or higher. On the other hand, the area around  
13 Downtown Sacramento, the Downtown Core Area, they saw their  
14 sales decline by seven percent year over year. So you can  
15 see, because of the things like telework, where our retail  
16 sales are coming from has dramatically changed as people's  
17 workplaces have changed, and so we're going to be working  
18 quite a bit this coming year to really understand that  
19 phenomenon as well as look at if that trend is changing, so  
20 that we can adjust accordingly. Similarly, we'll be looking  
21 at trade channels that we talked about. So there is data  
22 available to view, a census that identified the number of  
23 certain types of locations, whether it be convenience  
24 stores, gas stations, et cetera, that are present in this  
25 State, and so looking at that data and comparing it with our

1 own database, we're able to understand what percentage of  
2 the locations in California are we penetrated into? And  
3 some of the locations, like convenience stores and gas  
4 stations and liquor stores and so forth, we are pretty much  
5 saturated at close to the 100 percent level, so there really  
6 aren't many more of those locations. On the other hand,  
7 there are a number of trade channels where we may only have  
8 one, two, three, four or five percent of the possible retail  
9 locations in that channel, and some of those locations do  
10 pretty well for us that are selling Lottery at this time.  
11 So again, we'll be doing some deeper analysis in that area  
12 to find some growth opportunities. Another example of some  
13 of the new ways that we've been talking about, new ways to  
14 sell Lottery tickets, we have teams tasked to kind of  
15 research, evaluate, and really understand what will it take  
16 to begin these methods, and what types of sales potential do  
17 they offer so that we can determine whether it should be one  
18 of our priorities. A great, exciting area is the  
19 acquisition of the next generation of self-service machines.  
20 These units allow for touch-screen technology, allow for  
21 more stations of Scratchers for some of the units, and other  
22 units will allow us to expand into new types of retailers.  
23 And finally, I did talk a little bit more about analyzing  
24 the retail penetration and performance that really, we can  
25 look at finding those opportunities for expanding our retail

1 network. Next slide, please.

2           So one of the objectives, starting to move a  
3 little bit into the longer-term range areas are dealing with  
4 our Jackpot games. The reason why Jackpot game performance  
5 and sales is so important is that these games offer much  
6 higher profit margins than Scratchers. So as we increase  
7 sales of these products, more dollars go towards our  
8 contributions to Education. It's a way for us to balance  
9 our portfolio as we strive to optimize our payouts. And  
10 again, for many years after the passage of AB 142 on the  
11 Lottery, the organization was very focused on Scratchers to  
12 demonstrate the effectiveness of prize payout in delivering  
13 more dollars to Education. There are a number of areas  
14 where the Lottery over the next year will be looking at ways  
15 to strengthen sales in the Jackpot games, some at very  
16 short-term in the sense of -- Sharon, in a minute, will be  
17 talking about Powerball changes that will be coming up this  
18 fiscal year. The Mega Millions Consortium is looking into  
19 changes to its product, and so research and development in  
20 that area will take place during the upcoming year. We'll  
21 also, for our own internal games, our California-specific  
22 games, staff will be looking at developing ideas, testing  
23 these ideas, and assessing them so that we can determine  
24 which ones pose the most benefit for us in terms of other  
25 Draw games. And finally, the placement of more Jackpot

1 signs, because as the jackpots grow, awareness of that and  
2 keeping it top of mind is really critical for growing sales  
3 at those higher Jackpot levels. Next slide, please.

4           On a long-term basis, it's really important to  
5 grow participation in the Lottery; that's one of the  
6 Lottery's long-term goals. Even though currently about two-  
7 thirds of California adults have bought a Lottery ticket at  
8 least once in the past year, we want to make sure that our  
9 sales come from a wide number of people rather than relying  
10 on just a few people for our sales, and so that's a long-  
11 term goal. After much research in this area, we've begun to  
12 understand the barriers, why certain people don't play the  
13 Lottery, and so some of those efforts will begin this  
14 upcoming year, such as looking at the way we position  
15 Scratchers, so the Scratchers-category repositioning effort  
16 in the upcoming year will help defuse some of those  
17 barriers. Another way that, at least for Scratchers is a  
18 barrier to play is the actual process of selecting a  
19 Scratchers game. You know, an average retailer now carries  
20 in excess of 24 or 25 different Scratcher games at various  
21 different price points with different themes, with different  
22 ways to play, that for a non-player becomes rather daunting  
23 and scary, and the best way that they kind of solve that  
24 situation is deciding not to play. And so we've got to  
25 strive to make ways that make the game selection process a

1 little easier at retail for the non-players. And we're  
2 going to be investigating ways to do this while at the same  
3 time reducing the potential for ticket thefts by having all  
4 of our ticket dispensers currently displayed, so this is  
5 going to be a win-win situation as we were work on finishing  
6 them over the next year. And another barrier of course is  
7 understanding the Lottery, wondering what we're doing as an  
8 organization. So the goal here is to deliver more  
9 information to the public and to our stakeholders about us  
10 so that we can counter any myths. And as part of that, we  
11 really need to inform Lottery staff and retailers, make them  
12 well aware of the information and able to respond to  
13 questions, because we have found that as more information  
14 gets disseminated to the public, that they may have  
15 questions, and they aren't going to necessarily come  
16 directly to the Lottery organization. They're going to  
17 either talk to a retailer, their local retailer about it, or  
18 they may talk to somebody they know who works at the  
19 Lottery, so we need to make sure that those people are well  
20 informed and able to respond to those types of inquiries.  
21 Next slide.

22 In order to realize the type of growth that we  
23 want to have to increase our contributions to Education  
24 above the \$2 billion mark, an organizational review revealed  
25 that we really need to transform the Lottery into a mature

1 yet modern and nimble organization, and that will include  
2 things like improving our infrastructure. Projects being  
3 completed in the upcoming year include the Epicor 10  
4 Project, which has been a multi-year endeavor, transforming  
5 our corporate culture and increasing staff engagement and  
6 investigating ways to increase the efficiency and  
7 effectiveness of our operations. Obviously, we're here  
8 designed to increase our contributions to Education, so this  
9 has become an important initiative. But it's not just at  
10 trying to find ways to reduce costs, it's really to solve,  
11 look for ways to solve problems to improve the player and  
12 retailer experience but do so in a cost-effective manner.  
13 There are a lot of roadblocks, a lot of bumps that don't  
14 necessarily make the player and retailer experience exactly  
15 100 percent smooth for them, and so we really need to work  
16 on those things. We'll have more details on all of these  
17 initiatives and particularly in this area at the June  
18 meeting, because right now a lot of these initiatives and  
19 projects are still being reviewed, discussed, and vetted  
20 within the Lottery organization. So ultimately, though,  
21 with all of these efforts, we'll be able to continue the  
22 record-breaking sales that we have, and this current year  
23 we'll break the \$8 billion mark for the first time, and  
24 through these efforts, we'll be able to continue to have  
25 sales at that level and ultimately have much higher future

1 sales growth, because since that's our ultimate goal again  
2 is to surpass the \$2 billion threshold for providing a  
3 contribution to Education. And that concludes my  
4 presentation. I can entertain any questions at this time.

5 **CHAIR AHERN:** Okay, Jim, thank you very much.  
6 Does any member of the Commission have any questions for  
7 Jim?

8 **COMMISSIONER STERN:** This is Commissioner Stern. I  
9 do. First off, I want to thank you for all that valuable  
10 information, and I want to thank the entire team on the  
11 incredible results from a revenue perspective and  
12 contribution back to Education. So, very well done, and I  
13 do have a question on the cash list streams action and how  
14 we're moving to more online, credit card-centric, but it was  
15 self-service kiosks, more sophisticated point-of-sale  
16 systems. How do we think about capturing more information  
17 through a digital transaction to give us more insight into  
18 things like sales and marketing attribution? I do recognize  
19 this might be a two-hour question, but just any high-level  
20 insights on that would be interesting.

21 **MR. HASEGAWA:** Yeah, I mean, that is a part of an  
22 initiative. There are some ways of getting a little bit  
23 more information, particularly if -- even if it's not  
24 purchased digitally, but if it's purchased with some type of  
25 non-cash instrument, then there are ways of kind of

1 simulating or doing some attribution models with that  
2 information. Like, I know with, like, say, debit card and  
3 so forth, then they're able to, you know, even though it's  
4 still anonymous, they're still able to do a lot more with it  
5 in terms of the econometrics. So that would be a kind of, a  
6 more immediate step if we're able to get out of 100 percent  
7 cash transactions. If we can at least go to some type of  
8 digital instrument for paying, then you can do some  
9 attribution.

10 **COMMISSIONER STERN:** Great, thank you, and it would  
11 be interesting to explore that in further detail over time,  
12 but, again, congratulations to all, and I appreciate the  
13 update.

14 **MR. HASEGAWA:** Okay.

15 **CHAIR AHERN:** Anyone else?

16 **COMMISSIONER KIRTMAN:** Hey, Jim, it's Nate. I  
17 had a quick question. I was hoping you can just describe a  
18 little bit the Scratcher-category repositioning effort and  
19 what that means.

20 **MR. HASEGAWA:** Okay. Actually, rather than me do  
21 it, I think it would be better to have maybe Sharon explain  
22 it a little bit. That's really a big effort within her  
23 shop, and if she's on the call, if she doesn't mind taking  
24 that question for me, she'll do a much better job.

25 **MS. ALLEN:** Sure, no problem, and we'll

1 definitely share more in a future Commission meeting. We're  
2 working on it right now, and this is really to appeal to our  
3 more casual players and new players who have barriers to  
4 play the game in general. And looking at the entire  
5 category right now, we've been very successful at building  
6 and growing our players up through price points post-AB 142,  
7 and this effort is to look at the entire category and not as  
8 much focused on individual games. We will still have  
9 communications to those loyal players who react every month  
10 and love those new games and want to try everything, but  
11 this effort is a repositioning for the category that  
12 emphasizes the play aspect of the game itself and that  
13 there's value just in the play and not only a win-lose  
14 proposition, which is one of the barriers. It's to build an  
15 emotional connection that this is fun playing Scratchers.  
16 So more to come, but in general, it's a re-positioning shift  
17 looking at the entire category. The individual games  
18 certainly have an important part of the overall mix and  
19 continue to be strong performers, but this is to build some  
20 value for the entire Scratchers portfolio to expand  
21 playership.

22 **COMMISSIONER KIRTMAN:** Thanks, Sharon. One  
23 quick follow-up, only because I remember it was probably a  
24 year and some change ago that there was an update done to  
25 the State Lottery app, and I'm curious as to how that fits

1 into the overall plan, or is that app still going to be  
2 simply used as a reference point for games and numbers?

3 **MS. ALLEN:** The app?

4 **COMMISSIONER KIRTMAN:** Yeah.

5 **MS. ALLEN:** Or I was -- the app that --

6 **COMMISSIONER KIRTMAN:** The app. Yeah, yeah.

7 **MS. ALLEN:** -- yeah. The app is continuing to  
8 evolve along with our website to showcase different features  
9 and players coming in, so we know people definitely go there  
10 to check winning numbers, to check the jackpots, to check  
11 their tickets to see if they've won. It's a big part of our  
12 overall player experience. It's also an opportunity for  
13 players to enter into Second Chance for those games as well,  
14 and it's a great opportunity for us to build data and to  
15 understand further consumer behavior as well and connect and  
16 message. One of the things that we've launched recently in  
17 the last several months is an opt-in player notification, so  
18 players who have downloaded the app, they can opt in to  
19 receive in-app notifications to let them know when there's  
20 some games available or jackpot amounts and other types of  
21 key messages from the Lottery.

22 **MR. HASEGAWA:** And I think one of the great things  
23 is that by having these things like the app and the  
24 notifications is that way a lot of the communications to our  
25 existing players, just some loyal players, about new games

1 and new things like that can be done through those measures  
2 as opposed to through more traditional marketing, like  
3 advertising and so forth, and that allows us to shift a lot  
4 of the focus to the Scratcher category to engage our more  
5 casual players or non-players. So that's the evolving the  
6 way we communicate to our existing player base through our  
7 own channels like the app and pick notifications and email,  
8 and so forth, that allows us to then do things like the  
9 Scratcher category repositioning effort.

10 **COMMISSIONER KIRTMAN:** Thank you. Thank you  
11 both.

12 **MR. HASEGAWA:** Uh-huh.

13 **CHAIR AHERN:** Okay. Well, thank you very much,  
14 Jim.

15 **MR. HASEGAWA:** All right.

16 **CHAIR AHERN:** Very good report. Alva, I think  
17 that moves us on to 6d, the Draft of the Fiscal Year '21-22  
18 Budget.

19 **DIRECTOR JOHNSON:** That's correct, sir. Thank  
20 you very much. Our Deputy Director Nick Buchen will  
21 present. Nick?

22 **MR. BUCHEN:** All right. Good morning,  
23 Commissioners. I'm here to provide an overview of the  
24 Lottery's Draft Budget for the 2021-22 Fiscal Year, which  
25 begins on July 1<sup>st</sup>. And because certain aspects of this

1 draft budget are still being refined, there will be some  
2 minor changes when I present the Lottery's final proposed  
3 2021-22 Budget for your approval next month. And although  
4 it's not completely finalized, I am presenting this as a  
5 non-voting informational item today to give you an  
6 opportunity to weigh in on the direction we are headed and  
7 to be more thoughtful and informed when you vote to approve  
8 the budget next month. Before I get into the numbers, I  
9 want to give you a quick recap of our budget development  
10 process. So as we did last year, we developed the entire  
11 operational expense budget from the ground up, which is  
12 referred to as zero-based budgeting, and this means that  
13 each individual element was vetted and justified prior to  
14 inclusion in the proposed budget, and which enables  
15 resources to be concentrated where they're most effective  
16 and best aligned with the Lottery's strategic objectives.  
17 After we had a sense of the major initiatives that would be  
18 underway in the coming fiscal year, the Business Planning  
19 Group developed a preliminary sales estimate by product, and  
20 we determined the associated prize expense. This allowed  
21 for the retailer compensation and gaming cost estimates to  
22 be completed as well, since these are largely dependent on  
23 sales. If we'd move to the next slide?

24           The result of this process is the Draft Fiscal  
25 Year 2021-22 Budget, projecting nearly \$8.4 billion in sales

1 revenues and a contribution to Education of more than \$1.8  
2 billion. And I know this is difficult to see, and I'll walk  
3 through each of the main sections separately. So each chart  
4 I'll go over with you today compares our estimated revenues  
5 and expenditures for the 2021-22 fiscal year to our estimate  
6 of how we will end the current fiscal year on June 30<sup>th</sup>. And  
7 this display presents some challenges with this particular  
8 budget, since we are projecting such stellar performance in  
9 the current fiscal year that, for a couple of key reasons,  
10 will not be sustainable in the coming fiscal year. And I'll  
11 go into detail on the reasons for this as I walk through the  
12 budget. Just a couple of final housekeeping items before I  
13 begin. All the dollar amounts on the charts are in  
14 thousands, and also feel free to stop me at any time if you  
15 have questions. So as I walk through the Lottery's budget,  
16 it is helpful to keep in mind it is an easy formula  
17 comprised of four major elements: sales revenue from our  
18 products minus the associated prize expense minus our  
19 administrative expenses equals our contribution to  
20 Education. Next slide, please.

21           So for the first of those major components, Sales,  
22 you can see in the middle column that we are projecting a  
23 total of \$8.37 billion in the Draft 2021-22 budget, and the  
24 far-right column shows that this is a decrease of \$125.2  
25 million from the sales level with which we are projecting to

1 end the current fiscal year, and that decrease represents a  
2 1.5 percent decrease. And there are two main reasons for  
3 the projected year-over-year decrease in total sales -- it's  
4 Scratchers and the Lottery's jackpot games. And for  
5 Scratchers, we ended up shipping an unusually large amount  
6 of tickets to retailers in this current fiscal year to  
7 restock their depleted ticket inventories, and this is  
8 relevant, since for our financials, Scratcher sales  
9 represent tickets distributed to the retailers less an  
10 allowance for returned, unsold tickets. You may recall that  
11 we had Scratchers distribution challenges in the final  
12 quarter of the previous fiscal year and in the first part of  
13 this current fiscal year as well, and these challenges  
14 primarily arose from needing to follow social-distancing  
15 protocols in the warehouses to keep our staff safe. So this  
16 current year's unprecedented shipments to restore ticket  
17 inventory levels was a one-time course correction, and the  
18 Scratchers estimate for the 2021-22 fiscal year assumes a  
19 more typical ticket distribution. And there are some other  
20 factors at play in Scratchers that I'll cover in more detail  
21 when I present the budget for your approval next month. But  
22 if we consider the estimate of consumer Scratcher sales  
23 based on ticket validations rather than ticket distribution,  
24 we are actually projecting a year-over-year increase in  
25 Scratchers of approximately two percent. So this clearly

1 highlights the one-time shipping issue. And the other main  
2 reason for the year-over-year decrease in total sales is in  
3 the big jackpot games as shown on the next few lines. And  
4 first, we are projecting a slight year-over-year increase in  
5 Powerball. That's primarily due to adding a third weekly  
6 draw beginning this August. This changes the subject of the  
7 first action item you'll be taking on today. However, these  
8 games are more than offset by estimated year-over-year  
9 decreases in Mega Millions and SuperLotto Plus. And this is  
10 primarily a function of assuming more typical roll patterns  
11 in both games in the coming fiscal year than we've  
12 experienced in this current fiscal year. And specifically,  
13 we had three Mega Millions draws in this current year that  
14 were in the \$700 million to \$1 billion range, and SuperLotto  
15 Plus has been rolling since the end of December, which is  
16 out of the norm as well. There are some additional factors  
17 at play with these games, too, and that will be covered in  
18 detail when I present the final budget for adoption next  
19 month. And the next two game categories have some modest  
20 projected gains. Specifically, we are projecting year-over-  
21 year increase in Hot Spot sales, primarily based on growth  
22 in playership. In particular, more customers have been  
23 purchasing Hot Spot in convenience, liquor, and grocery  
24 stores, which are locations that do not typically have a Hot  
25 Spot monitor showing the Draw results, and more players are

1 therefore taking advantage of the Hot-Spot-to-Go feature on  
2 the Lottery's mobile app, which displays this game's Draw  
3 results. And for the final area within our sales, our Daily  
4 Games, we are projecting a minor year-over-year increase as  
5 well, and we have seen gains in playership in these games,  
6 too, as existing Scratchers and/or jackpot game players have  
7 added playing Daily Games to their repertoire. And we are  
8 estimating that we'll be able to retain many of these new  
9 players in the coming year, and we need to get some new  
10 interest in these games as we roll out additional jackpot  
11 signs in store retailers that display the Fancy Five and  
12 Daily Derby top prize amounts. Next slide, please.

13           So the next key area of the budget is Prize  
14 Expense, which is projected to total \$5.58 billion in 2021-  
15 22, and that's a decrease of \$82.1 million or 1.5 percent  
16 from the current year projection. And that decrease is  
17 driven by the overall year-over-year decrease in sales. And  
18 the prize expense for Fiscal Year 2021-22 currently totals  
19 66.6 percent of total projected sales, and that's right in  
20 line with the range of 65 percent to 67 percent that was  
21 recommended in the recent analysis that was conducted for  
22 the Lottery to determine the optimal prize payout rate. And  
23 the Lottery now has a policy requiring the Director to make  
24 an annual determination that prize payout levels across all  
25 games have been optimized for the coming fiscal year to

1 ensure that funding for Education is maximized annually.  
2 And we are still refining both Sales and Prize Expense to  
3 reflect the optimal prize payout for the coming fiscal year,  
4 and we'll have this finalized in the budget we're going to  
5 present for your approval next month. Next slide, please.

6           The next major category of the budget is the  
7 Administrative Expenses, which the Lottery Act caps at 13  
8 percent of total sales, and the first few areas of  
9 Administrative Expenses are Retail Compensation and Gaming  
10 Costs, and combined, these are estimated to total \$738.8  
11 million in 2021-22, and this represents an increase of \$5.5  
12 million or 0.8 percent over the current-year projection.  
13 And most of these items have projected year-over-year  
14 decreases, which mirror the total projected decrease in  
15 sales. However, these decreases are offset by projected  
16 increases in Scratchers Ticket and Delivery Costs, and those  
17 costs are projected to increase in Fiscal Year 2021-22, as  
18 we will have more licensed Scratchers games, more tickets  
19 being printed, and more five-game launches as compared to  
20 this current fiscal year. And the final area of  
21 Administrative Expense is Operating Costs, which I will go  
22 through line by line. The first of these is Personnel  
23 Services, which includes the salary and benefit costs of all  
24 our employees, including temporary help and overtime. The  
25 projected \$18.4 million increase is attributable to several

1 factors. First, the Personal Leave Program will end on July  
2 1<sup>st</sup> for many Lottery employees, according to provisions  
3 negotiated last year by the primary bargaining unit  
4 representing Lottery employees, and that accounts for \$6.6  
5 million of the year-over-year increase in this item.  
6 Second, we are estimating we will have more positions filled  
7 in the coming fiscal year than we had in this current year,  
8 as resources were devoted to meeting other higher-priority,  
9 immediate needs. Our vacancy rate in the current fiscal  
10 year has averaged around 15 percent, and we are projecting  
11 this will decrease to around 10 percent in the coming fiscal  
12 year. So having more positions filled accounts for  
13 approximately \$3.6 million of the year-over-year increase in  
14 this item. Another factor explaining the projected increase  
15 is we experienced an atypically low usage of temporary help  
16 in the current fiscal year, and we are projecting  
17 utilization rates will increase to more normal levels in the  
18 coming year, which accounts for \$38.5 million of the year-  
19 over-year increase. And the next largest factor is that we  
20 are proposing to add 30 new positions for the coming fiscal  
21 year, which accounts for approximately \$2.7 million of the  
22 year-over-year increase. And this increase will bring the  
23 Lottery's total budgeted positions to 966. And I will go  
24 into detail on each new position request when I present the  
25 budget for approval next month, but a recurring theme with

1 these new positions is the need to invest in our  
2 infrastructure to better keep pace with the growth we've had  
3 in recent years and to enable us to proactively prevent some  
4 of the deficiencies that have led to audit findings.  
5 Another theme within the New Position Requests is to provide  
6 better customer service to our stakeholders, both external  
7 and internal. And the requested 30 positions is still being  
8 refined and may change slightly when I present the budget  
9 next month, but again, I will cover each new position we are  
10 requesting in detail at that time. And the last component  
11 making up that \$18.4 million year-over-year increase is  
12 associated with filling vacant positions that were  
13 previously approved by the Commission for our Paying at the  
14 District Office Program, and this accounts for approximately  
15 \$ 1 million of that year-over-year increase. So under this  
16 program, Lottery staff working in the District Offices issue  
17 checks drawn from the Lottery's Office Revolving Fund to pay  
18 prizes of \$1,000 and under, and we are currently operating  
19 this program in the Sacramento, Fresno, and San Diego  
20 District Offices and will be expanding to the remaining six  
21 district offices in the coming fiscal year. The Commission  
22 approved resources for the entire program back in 2018, and  
23 we have purposely been rolling that out in phases since. So  
24 to put some context on this entire projected \$18.4 million  
25 increase, our total Personnel Services costs for Fiscal Year

1 2021-22 is less than 1.5 percent of projected revenues, so  
2 we still run very lean, even with the investment in the 30  
3 new positions. All right, moving on.

4           So the next line is the Marketing Program, and we  
5 are projecting a \$14.5 million year-over-year increase, and  
6 some of this increase is simply a result of spending in the  
7 current fiscal year being less than typical due to canceling  
8 or pausing many initiatives to be sensitive to consumer  
9 mindset and public health directives, particularly during  
10 the second surge of infections that the State experienced  
11 during the winter. This year-over-year increase in  
12 Marketing will also allow for some new initiatives to  
13 support the Lottery's strategic goal to defuse barriers to  
14 play by changing consumer perceptions that Jim just spoke  
15 of. Specifically, the Marketing team is looking to build  
16 stronger appeal for Scratchers among casual players and to  
17 reach consumers in new ways and build top-of-mind  
18 consideration.

19           For the next line item, Contractual Services, we  
20 are projecting a year-over-year increase of \$5.8 million,  
21 and one of the main drivers of that increase is the ICF Next  
22 Contract Extension that is the subject of the second action  
23 item in today's agenda. Specifically, an additional \$3.2  
24 million is needed in the coming fiscal year to enable ICF  
25 Next to provide additional support for marketing initiatives

1 and to address backlog to public website items until a new  
2 contract is awarded.

3           And onto the next line, Depreciation, we are  
4 projecting a year-over-year increase of \$763,000, primarily  
5 for additional vehicles we'll be purchasing to replace  
6 vehicles that have hit the mileage threshold, and this is  
7 another item that's refined, and I expect will be reflecting  
8 some additional increases in depreciable costs when I  
9 present the budget next month. And for the Operating  
10 Expense line, we are currently projecting a year-over-year  
11 increase of \$7.3 million, and that increase is based on  
12 several factors. The largest single driver of this year-  
13 over-year increase is an increased pro rata assessment, and  
14 State departments are assessed a pro rata share of paying  
15 indirect costs incurred by Central Service agencies such as  
16 the Department of Finance and the Legislature. And  
17 generally, this assessment increases each year as the size  
18 of our economy increases. Other contributing factors for  
19 the year-over-year increase in this item include Facilities  
20 Projects and Maintenance that were deferred in this current  
21 fiscal year, Modular Furniture Optimization and  
22 Reconfiguration to support return to work and a permanent  
23 telework program, increased Maintenance and Repair Costs  
24 resulting from many of the warranties of our recently  
25 constructed facilities expiring, and increased Travel Costs,

1 as we anticipate that travel will resume for certain  
2 functions that are more conducive to in-person meetings. We  
3 are still working out some of the specific details within  
4 this line item, so this is another area I expect will be  
5 revised in the budget I present next month. And the last  
6 two items within Operating Costs are the Reserves. In the  
7 current year, we zeroed out the Reserves since anything that  
8 we funded from them is already reflected as an expenditure  
9 in the other Operating Costs categories. And for 2021-22,  
10 we are again maintaining a \$5 million reserve for Insurable  
11 Risk to cover fiscal exposures for the areas of our  
12 organization that we are self-insuring. As shown on the  
13 next line, the 2021-22 budget also currently includes \$73.6  
14 million for the Administrative Spending Reserve, and this  
15 amount is derived by a formula. It's simply 13 percent of  
16 our total sales projection minus the sum of all of the  
17 initiative expense items above this line. So this  
18 Administrative Spending Reserve acts as a safeguard against  
19 uncertainties, such as if our sales do not come in as  
20 projected, and this reserve is also needed to meet our  
21 operational needs when unanticipated items arise during the  
22 year. And this is more important since in zero-basing the  
23 budget, we only include funding for items that are certain  
24 to be needed or areas of cost that may or may not happen,  
25 such as potential increases in contractual rates. The

1 Lottery will utilize funding from the Administrative  
2 Spending Reserve to cover these costs to the extent they  
3 come to fruition. So looking at the bottom line, the total  
4 Administrative Expenses, which is the sum of Retailer  
5 Compensation, Gaming Costs, and the Operating Costs,  
6 including both of the Reserves, are projected to be \$1.1  
7 billion in 2021-22, and that's precisely 13 percent of the  
8 \$8.37 billion in projected revenues. And any unspent  
9 administrative funds below that 13 percent cap, including  
10 unspent funds within both Reserves, will be transferred in  
11 their entirety to Education. And the Lottery typically  
12 spends well below the cap each year and has transferred more  
13 than \$1.1 billion into Administrative Savings to Education  
14 to date. Next slide, please.

15           So moving on to the last area of the budget, this  
16 is why the Lottery exists -- it's our contribution to  
17 Education. So there are a few additional items beyond the  
18 major categories I've already covered that factor into the  
19 final contribution, specifically, both Unclaimed Prizes and  
20 Interest Earnings on our cash sitting within the State  
21 Treasury are mandated to be transferred directly to  
22 Education. So assuming both Reserves remain unspent for the  
23 coming fiscal year, the total projected contribution to  
24 public education is currently estimated to be nearly \$1.83  
25 billion in Fiscal Year 2021-22. And again, although this is

1 a decrease compared to the phenomenal success we've had in  
2 this current year, this should not take anything away from  
3 the impressive performance we are projecting for the coming  
4 fiscal year. And next slide, please.

5           So before I sign off, this last slide is a simple  
6 depiction of where all the Lottery funding goes, and you can  
7 see that assuming the Reserves remain unspent and ignoring  
8 the Unclaimed Prizes and Interest Earnings, 67 percent of  
9 our projected sales for Fiscal Year 2021-22 will go toward  
10 paying prizes. Twenty-one percent will go toward providing  
11 supplemental funding to Education, nine percent will be used  
12 to compensate our retail partners and to pay for our gaming  
13 costs, and only three percent is for our operating expenses.  
14 And that nine percent for retailer and gaming costs combined  
15 breaks out as approximately seven percent for retailer  
16 compensation and two percent for gaming costs. Therefore,  
17 approximately 95 cents out of every dollar the Lottery  
18 brings in is returned to the public in the form prizes paid  
19 to our players, funding for public education, and  
20 compensation paid to our retailer partners. And that  
21 concludes my presentation, and I'm happy to answer any  
22 questions you may have.

23           **CHAIR AHERN:** All right, do any Commissioners  
24 have any questions for Nicholas?

25           **COMMISSIONER KIRTMAN:** None from any.

1           **CHAIR AHERN:** All right, I don't see anybody  
2 coming off of mute, so thank you very much, Nick, and we'll  
3 look forward to the final budget next month.

4           **MR. BUCHEN:** All right, thank you.

5           **CHAIR AHERN:** Okay. Alva, we'll move on to Item  
6 Number 7, which is the Consent Calendar, and there are no  
7 items on the Consent, so move on to Action Items. That puts  
8 us on Action Item 8a, which is Regulation Changes to the  
9 Powerball® Game, and I think we have Sharon Allen to report.

10          **MS. ALLEN:** Good morning.

11          **CHAIR AHERN:** Good morning again.

12          **MS. ALLEN:** Yes, good morning again. All  
13 right. I am here for Item 8a, Regulation Changes to the  
14 Powerball® Game. The Powerball Product Group has adopted  
15 game changes to add a third draw day on Mondays beginning  
16 August of this year. Therefore, changes to Lottery  
17 Regulations are needed to account for the additional draw  
18 day. As you may recall, the Lottery launched Powerball in  
19 2013 with a cross-sale license between the Mega Millions  
20 Consortium, which is the group that was responsible for the  
21 Mega Millions game, and the Powerball Product Group, which  
22 is coordinated by the Multi-State Lottery Association, also  
23 known as MUSL. Currently, the Lottery is a voting member of  
24 the Mega Millions Consortium but not the Powerball Product  
25 Group. As such, the Lottery is required to implement the

1 Powerball game changes outlined in the Powerball Group Rules  
2 and a cross-sale agreement in order to continue to sell  
3 Powerball in California. Powerball launched in California  
4 with large sales and public interest; however, like other  
5 jurisdictions, California has seen its sales softening  
6 across all jackpot levels in recent years. Both MUSL and  
7 the Mega Millions Consortium have implemented periodic game  
8 refreshes to maintain player interest for new and assisting  
9 players. These changes increase the frequency of higher  
10 jackpots, which ultimately resulted in jackpot fatigue,  
11 requiring even the larger jackpots to engage media coverage  
12 and player interest. In Fiscal Year '19-20, Powerball  
13 experienced a significant decrease in sales due to a  
14 combination of lower jackpots than prior years as well as  
15 the impact of the COVID-19 pandemic. In April 2020, MUSL  
16 adjusted the minimum starting jackpot amounts and set  
17 increases were eliminated, resulting in a significant year-  
18 over-year decline in Powerball sales. Thankfully, and as  
19 we've heard earlier, Powerball sales have rebounded with a  
20 large jackpot series in early 2021. However, overall, the  
21 game is still experiencing jackpot fatigue. In an effort to  
22 increase play frequency, ticket sales, and higher jackpots,  
23 the Powerball Product Group approved the addition of a third  
24 weekly Powerball drawing that will be held every Monday  
25 beginning August 23<sup>rd</sup>. No other aspects of the game will be

1 changed. The amended regulations now include the new Monday  
2 draw day as well as further clarification on the authority  
3 of the Powerball Group Rules. As a result of the pandemic,  
4 the Powerball Group approved an emergency rule-making clause  
5 that makes Powerball Group rule changes effective  
6 immediately in the event of a crisis or emergency. The  
7 amended regulations further clarify that the Powerball Group  
8 rules are controlling over Lottery regulations except where  
9 they are inconsistent with the Lottery Act. If the  
10 Commission does not adopt these amended game regulations,  
11 the Powerball Game would no longer be available in the State  
12 of California. The Lottery would therefore lose sales  
13 revenue from Powerball and the associated contributions to  
14 Education. We recommend that the Commission approve the  
15 proposed regulations to add a third draw for Powerball,  
16 which would become effective on August 23<sup>rd</sup>, 2021, and with  
17 that, I'd be happy to answer any questions.

18 **CHAIR AHERN:** Okay, do any of our Commissioners  
19 have any questions regarding Action Item 8a?

20 **COMMISSIONER KIRTMAN:** Hi, it's Nate. Just one  
21 quick question: When MUSL decides to make these regulatory  
22 changes or adding another day, what's the marketing cost,  
23 generally, of that? Does MUSL handle that, or is that  
24 assumed by the State to market that there's a third draw  
25 day?

1                   **MS. ALLEN:**       There are some efforts that MUSL  
2 coordinates across jurisdictions that we can participate in,  
3 but in terms of marketing within California, that's our  
4 cost, and we have efforts planned at our retail stores using  
5 our own channels, email, social media, some digital efforts.  
6 It's a relatively straightforward consumer communication in  
7 terms of adding a day, so we're not projecting a large  
8 expense to help get this word out. A lot will be at retail  
9 and through our own channels where we can speak to our  
10 players directly.

11                   **COMMISSIONER KIRTMAN:**    Got it. Thank you.

12                   **CHAIR AHERN:**    Any other questions? I forgot to  
13 ask this during our briefing, but by having a third draw,  
14 statistically, will that most likely raise the value of the  
15 jackpots at a faster rate and then get more players to play  
16 that jackpot game?

17                   **MS. ALLEN:**       That's the intent behind it, that  
18 with more opportunities, more sales, it will increase, drive  
19 more players into the stores three days a week and get some  
20 more buzz going as well.

21                   **CHAIR AHERN:**    Got it. And I got to be careful  
22 getting more buzz going because, I mean, it's Jamieson for  
23 me, but all -- I don't think that's what you're talking  
24 about.

25                   **MS. ALLEN:**       No, no, chatter, publicity, social

1 media buzz, that's all I meant.

2           **CHAIR AHERN:** All right. All right. Formally,  
3 does any member of the public want to address the Commission  
4 at this time regarding Action Item 8a? Hearing none, do I  
5 hear a motion to approve Action Item 8a, Regulation Changes  
6 to the Powerball® Game?

7           **COMMISSIONER KIRTMAN:** Motion to approve.

8           **CHAIR AHERN:** We have a motion; is there a  
9 second?

10           **COMMISSIONER STERN:** Second.

11           **CHAIR AHERN:** Will the Secretary please call the  
12 roll?

13           **MS. TOPETE:** Commissioner Kirtman?

14           **COMMISSIONER KIRTMAN:** Yes.

15           **MS. TOPETE:** Commissioner Stern?

16           **COMMISSIONER STERN:** Yes.

17           **MS. TOPETE:** Commissioner Mills?

18           **COMMISSIONER MILLS:** Yes.

19           **MS. TOPETE:** Chairman Ahern?

20           **CHAIR AHERN:** Yes. All right. Our motion  
21 passes. We'll move on to Action Item 8b, the Public Website  
22 Contract Extension, and Jennifer Chan.

23           **MS. CHAN:** Good morning, Sheriff and Commissioners.

24           **CHAIR AHERN:** Good morning.

25           **MS. CHAN:** Item 8b is a request to extend the

1 current ITF Net Spender Services Contract for two years to  
2 support continued development and maintenance and operation  
3 of our public website, also known as PWS, and its  
4 infrastructure to spend necessary time to develop and  
5 release a robust Request for Proposal, or RFP, and award a  
6 new contract. ITF Net currently manages and supports the  
7 PWS platform and Cloud-based infrastructure, which must be  
8 available 24/7 365 to support Lottery operations. The  
9 current contract with ICF Net is scheduled to expire on  
10 September 30<sup>th</sup> of this year. At the May Commission Meeting  
11 in 2020, the Commission approved the Lottery's  
12 recommendation to extend the ICF Net's contract by one year  
13 to its upcoming September 30<sup>th</sup> date, along with an additional  
14 \$3 million in funds. The intent of that extension was to  
15 add PWS functionality and features that were deferred from  
16 the previous website, enable hardware migration, and to  
17 provide time to conduct a solicitation and award a new  
18 contract for PWS services. Earlier this year, on January  
19 19<sup>th</sup>, a solicitation was released in the form of a Request  
20 for Offer, or RFO, which utilized the California Multiple  
21 Award Schedule, CMAS, leveraged procurement vehicle. The  
22 Lottery received only one non-responsive bid. Due to the  
23 lack of responsive bidders, it was determined that the RFO  
24 needed to be revised, and on March 4, 2021, the RFO was  
25 canceled. Also during this time the Lottery experienced

1 changes in leadership, and it was identified that additional  
2 analysis was needed to broaden the potential contractor pool  
3 and to increase the number of responsive bids.  
4 Specifically, a leveraged procurement vehicle will not meet  
5 the Lottery's needs. An extension of the ICF Net contract  
6 is necessary to allow sufficient time to restructure the  
7 solicitation to include a Request for Information, or RFI,  
8 with the RFP process. And RFI and RFP process will allow  
9 for thorough analysis to be completed to ensure the full  
10 scope and complexity of services required to support PWS is  
11 captured and accurately documented. The RFI process will  
12 enable the Lottery to seek feedback from the industry and  
13 vendor pool to determine if there are potential gaps that  
14 need to be addressed in the RFP. Additionally, the use of  
15 the RFI will serve as a marketing and outreach effort to the  
16 industry and the vendor community to increase visibility and  
17 encourage contractors to bid on the RFP. The RFI will allow  
18 the Lottery to expand its understanding of the digital  
19 services management market such as Cloud management in  
20 complex environments. The Lottery is requesting to exercise  
21 two of the remaining four one-year terms to ensure that  
22 there are sufficient resources to support the PWS, allow the  
23 Lottery sufficient time to develop the RFI and RFP, address  
24 delays in the event Lottery resources are temporarily  
25 diverted, and to reduce the need to request additional

1 extensions of the ICF Net contract. The exercise of  
2 additional second one-year term will provide the Lottery  
3 with additional time for transitioning services and any  
4 other unforeseeable delays that may occur. However, it is  
5 possible that the Lottery may not need the full extension  
6 term after a new contract is awarded. The amount of  
7 \$7,500,000 in additional funds is being requested to support  
8 the two one-year extensions and was calculated using  
9 historical services costs and by determining the amount of  
10 staff needed to maintain existing service levels to allow  
11 for the additional support for new and existing marketing  
12 initiatives, as well as to address PWS backlogged items  
13 until a contract is awarded. It will also allow for the  
14 continued maintenance of the PWS support infrastructure. I  
15 am happy to answer any questions that you may have.

16 **CHAIR AHERN:** Okay, do any of our Commissioners  
17 have questions in regards to Action Item 8b? Nobody's  
18 coming off of mute. I don't see any hands, so formally,  
19 does any member of the public want to address the Commission  
20 at this time regarding Action Item 8b? Hearing none, do I  
21 hear any motion to approve Action Item 8b, Public Website  
22 Contract Extension?

23 **COMMISSIONER MILLS:** So moved.

24 **CHAIR AHERN:** We have a motion; is there a  
25 second?

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**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. Thank you very  
much, Jennifer. Well done.

**MS. CHAN:** Thank you.

**CHAIR AHERN:** The motion passes. We'll now move  
on to Action Item 8c, which is the Extension and Addition of  
Funds to the KPMG Draw Auditing and Review Services  
Contract, and we'll call on Sara.

**MS. SHEIKHOLISLAM:** Good morning, Commissioners  
and Director Johnson. I'll be presenting Item 8c, the Draw  
Auditing and Review Services Contract Extension. As part of  
the Lottery Act, Independent Draw Auditing and Review  
Services are required for our draws. KPMG has been  
providing these services since the contract was initiated in  
2017. This is a three-year contract which includes two  
optional years to extend. Last year we utilized the first

1 extension, and this year we are asking to utilize the final  
2 extension. KPMG's contract will expire on July 31<sup>st</sup> of this  
3 year. Additional funding is necessary in the amount of  
4 \$330,000, which includes monitoring of the additional  
5 Powerball draw Sharon previously mentioned, which will start  
6 on August 23<sup>rd</sup>, 2021. The contractual agreement we have with  
7 KPMG allows for annual rate increases every year. If  
8 approved, the new rate will increase from \$89 to \$91  
9 starting on August 1<sup>st</sup>, 2021 and continue to the end of the  
10 contract, which is July 31<sup>st</sup>, 2022. The Lottery has a good  
11 working relationship with the student interns providing the  
12 auditing services. They have proven to be very dependable.  
13 If not approved, the Lottery will need to undergo a Request  
14 for Proposal to seek another qualified firm. This could  
15 pose the risk of interruption in the Lottery's Draw  
16 Services. We are currently working on developing the  
17 Request for Proposal for the new contract starting August  
18 1<sup>st</sup>, 2022. We are asking the Commission's approval to extend  
19 the term by one year, from August 1<sup>st</sup>, 2021 through July  
20 31<sup>st</sup>, 2022. The total maximum dollar contract amount will  
21 then be \$1,599,000. I'll take any questions you might have.

22 **CHAIR AHERN:** All right, do any of our  
23 Commissioners have any questions regarding Action Item 8c?  
24 Looking for any hands or people coming off of mute. I don't  
25 see any. Does any member of the public want to address the

1 Commission at this time regarding Action Item 8c? Hearing  
2 none, we'll go to a motion to approve Action Item 8c,  
3 Extension and Addition of Funds to the KPMG Draw Auditing  
4 and Review Services Contract.

5 **COMMISSIONER MILLS:** So moved.

6 **CHAIR AHERN:** We have a motion; is there a  
7 second?

8 **COMMISSIONER STERN:** Second.

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

11 **MS. TOPETE:** Commissioner Kirtman?

12 **COMMISSIONER KIRTMAN:** Yes.

13 **MS. TOPETE:** Commissioner Stern?

14 **COMMISSIONER STERN:** Yes.

15 **MS. TOPETE:** Commissioner Mills?

16 **COMMISSIONER MILLS:** Yes.

17 **MS. TOPETE:** Chairman Ahern?

18 **CHAIR AHERN:** Yes. All right, thank you, Sara,  
19 and the motion passes. Well done.

20 **MS. SHEIKHOLISLAM:** Thank you.

21 **CHAIR AHERN:** Okay. Item Number 9 is  
22 Commissioner General Discussion. Do any of the  
23 Commissioners have anything they'd like to bring up at this  
24 time?

25 **COMMISSIONER KIRTMAN:** Congratulations on a

1 great year. Really well done, especially with all of the  
2 obstacles in front of you.

3 **CHAIR AHERN:** All right, thank you, Nate.  
4 Anybody else?

5 **COMMISSIONER MILLS:** This is Commissioner Mills. I  
6 just want to commend the staff on the informational  
7 presentations that were done today. I thought the  
8 discussion on the annual planning and the budget were really  
9 very thorough, a lot of transparency. You could tell  
10 there's a lot of passion in Jim and a lot of depth of  
11 knowledge of the Lottery operations, so I really appreciate  
12 that, and the data that was presented gives me a lot of  
13 confidence that you guys are starting to make decisions that  
14 are data-driven decisions, which I think is really  
15 important, and the fact that the presentation of the plan  
16 and the budget were done together, and we could see clear  
17 ties between your kind of strategic planning and both your  
18 short-term and long-range outlook and how your budget helps  
19 you achieve your goals was really well done. So, thank you.  
20 I know it's no small task to bring those two things together  
21 in an organization your size, and I thought it was really  
22 well done, so thank you.

23 **DIRECTOR JOHNSON:** Thanks very much.

24 **CHAIR AHERN:** Okay, and very well said. And I  
25 would like to note that the Commission will elect its

1 Chairperson and Vice-Chairperson at the upcoming June  
2 Commission meeting. A Commissioner can self-nominate or  
3 nominate another Commissioner to serve in either role, so  
4 please direct your nominations to me, and I'll see that they  
5 get forwarded to Alva and Elisa, all right? Okay, if  
6 nothing else, we'll move on to Item Number 10, which is  
7 Scheduling Next Meetings, and we have tentatively scheduled  
8 a Commission meeting on June 24<sup>th</sup>, 2021. I hope that works  
9 out for everyone. And Item number 11 is Public Discussion.  
10 I was not notified of any member of the public wishing to  
11 address the Commission at this time, but I will offer the  
12 opportunity. Is there anyone from the public? Okay. We  
13 have none. That means we're out for adjournment. So Alva,  
14 thank you very much -- an exciting year, great new  
15 advantages going into our commercial partners with the new  
16 technology and access to gift cards, so a pretty exciting  
17 time. So thank you very much. You guys all be safe and  
18 have a great rest of the day. Thank you.

19 **COMMISSIONER STERN:** Thanks very much.

20 **COMMISSIONER KIRTMAN:** Thank you very much.

21 **COMMISSIONER MILLS:** Thanks, everyone.

22 (End of Recording)

23 **(MEETING ADJOURNED)**

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