

STATE OF CALIFORNIA
TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION
COMMISSION MEETING

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A P P E A R A N C E S

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Commissioner

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Commissioner

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1 agenda.

2 **CHAIR GARRISON-ENGBRECHT:** Second?

3 **COMMISSIONER RASOULI:** Second.

4 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary
5 please call the roll?

6 **MS. ESTRELLA:** Commissioner Mills?

7 **COMMISSIONER MILLS:** Yes.

8 **MS. ESTRELLA:** Commissioner Alvidrez?

9 **COMMISSIONER ALVIDREZ:** Yes.

10 **MS. ESTRELLA:** Commissioner Rasouli?

11 **COMMISSIONER RASOULI:** Yes.

12 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

13 **CHAIR GARRISON-ENGBRECHT:** Yes. The next item on
14 the agenda is Item 5, Approval of the Minutes. Are there
15 any corrections to the Minutes? We'll hear a motion to
16 approve the Minutes of the September 26, 2024 Commission
17 Meeting.

18 **COMMISSIONER ALVIDREZ:** Motion to approve.

19 **COMMISSIONER MILLS:** Second.

20 **CHARI GARRISON-ENGBRECHT:** Will the Secretary
21 please call the roll?

22 **MS. ESTRELLA:** Commissioner Mills?

23 **COMMISSIONER MILLS:** Yes.

24 **MS. ESTRELLA:** Commissioner Alvidrez?

25 **COMMISSIONER ALVIDREZ:** Yes.

1 **MS. ESTRELLA:** Commissioner Rasouli?

2 **COMMISSIONER RASOULI:** Yes.

3 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

4 **CHAIR GARRISON-ENGBRECHT:** Yes. We'll move to
5 Item 6, next item on the agenda are Informational Items.
6 I'll ask the Director to (inaudible) our report. Good
7 morning.

8 **DIRECTOR CHIMA:** Good morning. (Inaudible) see
9 here. Okay, good morning, Commissioners. I'm starting my
10 update today with our Estimated Contributions to Education
11 through October. So far, we are set to provide almost \$617
12 million to California's public schools and universities from
13 revenues generated since July. That's more than \$150
14 million per month, and it's about 97 percent of our goal.
15 You will see in my later slides why we feel we haven't quite
16 hit our profit goal yet; however, we were able to make some
17 headway as we're closer to goal now than we were at the time
18 of our last meeting.

19 Now, to report on our Sales Performance. Total
20 sales for our games hit \$3 billion at the beginning of this
21 month. This was led by our Scratchers games, which had over
22 \$2.3 billion in sales, coming in right around our goal. And
23 to highlight some recent Scratchers excitement, in late
24 October, we launched our very first \$25 ticket. The 2025
25 game rings in the New Year with the elegant style of our

1 premium New Years' games that they've been known for.

2 Several other states currently offer the \$25
3 Scratchers. In our case, we felt that the 2025 year
4 provided the perfect opportunity to try out this new price
5 point, offering our players more excitement and reasons to
6 celebrate the two stylish tickets that come in black and
7 gold and specific metallic inks, and you can see them
8 reflected in front of you.

9 Sales for the game are doing very well. Even
10 before we got into prime gift-giving season, after three
11 weeks on the market, sales for 2025 tickets were at over \$33
12 million, exceeding our early expectations and far surpassing
13 sales for last year's \$20 new game.

14 Launching a new price point is a momentous
15 occasion, and it's not an easy task. It required the
16 support and hard work of many teams across the Lottery,
17 including our RD, our Sales, Business Planning, ITSD,
18 Finance, and our Security and Law Enforcement Division, and
19 that's just naming a few. So, I just want to give a very
20 big thank you to everyone who contributed to this important
21 strategic goal.

22 With regards to our other games, Hot Spot, the
23 Daily Games, and SuperLotto Plus, all have sales close to
24 our exceeding our goals. Both Multi-State games have sales
25 below goal, unfortunately, in last year's sales, but I'll

1 explain that just a little bit further.

2 As we've talked about a lot in past meetings, our
3 National Paid Draw Games are pretty dependent on the
4 jackpots, and we've had a softer jackpot seen during the
5 first quarter. This chart highlights the largest jackpot
6 offered in the first quarter of this year and the prior two
7 years.

8 As you can see, the rollover left for Mega
9 Millions and Powerball in prior years was more favorable,
10 with several billion-dollar jackpots in just the first three
11 months. This year, unfortunately, our highest jackpot was
12 \$800 million. SuperLotto Plus, on the other hand, had a
13 reasonable run, ending with a jackpot at \$54 million in
14 July, leading its sales to currently exceed goal.

15 Overall, with jackpot fatigue and no million-
16 dollar jackpot yet, the Multi-State games haven't had quite
17 the level of sales or profits to push the overall totals to
18 meet our goal, but we're currently sitting at about 97
19 percent, and we have some ideas on how we may expand that.
20 We do anticipate things to improve in the future, and that
21 leads into my next update, which is the Mega Millions Game
22 Enhancement.

23 The performance of all our jackpot games continues
24 to be impacted by this jackpot fatigue that we've talked
25 about, and as the Commission may remember, we have discussed

1 this industry-wide trend requiring a larger and larger
2 jackpots to retain the attention of our players and the
3 media. Adapting to this changing player behavior requires
4 regular review and consideration of our jackpot games like
5 Mega Millions.

6 On October 7th, the Mega Millions (overlapping)
7 announced new enhancements to the game to reflect shifting
8 player behavior, including jackpot fatigue. The
9 announcement follows years of review and planning by the
10 Consortium and the member states, highlighting the changes
11 as jurisdictions submit the enhancement for their own
12 respective review processes.

13 Beginning in 2021, the Consortium created a multi-
14 jurisdictional group to assess opportunities to enhance and
15 improve the game. This included evaluating and analyzing
16 potential options and conducting nationwide research to
17 understand player motivations and interests.

18 Representatives from the California Lottery
19 participated in this development process. The resulting
20 game enhancements will provide a new and exciting player
21 experience. The enhanced game will have a larger Sunday
22 jackpot and will grow more frequently and faster.

23 There will also be a new feature, a built-in
24 multiplier on every play, automatically improving a non-
25 jackpot win by two times, three times, four times, five

1 times, or ten times. Players will also find improved odds
2 to win the jackpot and no break-even prizes, meaning when a
3 player wins, they'll always win more than the cost of the
4 ticket.

5 All of these enhancements should help create more
6 billion-dollar jackpots and more millionaires. The new game
7 will cost \$5, marking only the second price change since
8 Mega Millions was first launched more than 20 years ago.
9 The Lottery will bring further details and the proposed
10 regulations on this game enhancement to the January
11 Commission Meeting for Commission voting.

12 That's my update for you today, but I'm happy to
13 answer any questions that you might have.

14 **CHAIR GARRISON-ENGBRECHT:** Any questions?

15 **DIRECTOR CHIMA:** Thank you.

16 **CHAIR GARRISON-ENGBRECHT:** Okay, thank you,
17 Director. I'd like to invite my colleague, Commissioner
18 Mills, to provide an Audit Committee Update.

19 **COMMISSIONER MILLS:** Thank you. So, it is my
20 pleasure to report out on what happened on the Audit
21 Committee for the California Lottery, and I want to first
22 start by thanking my colleague to my right who also serves
23 on the Audit Committee, Commissioner Garrison-Engbrecht.
24 Thank you for your service and your partnership in this
25 work.

1 So, the purpose of the Audit Committee is to
2 assist the Lottery in fulfilling of oversight
3 responsibilities relating to the integrity of the Lottery
4 system of internal controls, performance of the audit
5 function, and compliance with various laws and regulations.

6 So, our work as -- in the Audit Committee, is
7 guided by a charter, and that charter includes an annual
8 requirement that we report out significant audit findings,
9 and that we basically report out on the overall performance
10 and structure of Internal Audits to the Commission. And so,
11 that's what I'm doing here today.

12 So, while there were a variety of audits that
13 happen during the year and a variety of audit findings that
14 we discuss throughout the year and the various audits.
15 There were no findings from the audits that were really
16 deemed significant enough to warrant elevation to the
17 Commission. The Audit findings were really more about
18 strengthening controls, continuous improvement, and
19 continuing to refine Lottery's policies and procedures.

20 So, we met four times. We meet quarterly, so we
21 met four times over this past year. We do an annual review
22 of our charter. And we also do an annual review of the
23 internal audit department's charter. So we did that this
24 year. We also on an annual basis review and improve the
25 internal audit plan, which informed by a risk assessment

1 done by internal audit staff.

2 We also review all of the findings, and we track
3 the findings. And so, we review the findings that occurred
4 and then we track them every quarter until they are
5 complete. And so, that is an important part of our work as
6 well. In addition to the internal audits that we review and
7 discuss, we also review any external audits that are
8 conducted for the Lottery.

9 And then this year, in 2024, there was a peer
10 review that is occurring. And so, that peer review is
11 required every five years, and so that's where an
12 independent peer organization comes in and reviews the work
13 of the Internal Audit Department. And actually, it's almost
14 like an internal audit on the internal audit group.

15 And so, that is happening this year I believe in
16 September. And getting -- as we were getting ready for that
17 peer review, the Internal Audit Department also does their
18 own self-assessment of their work. And so, that was
19 completed as well.

20 So, it's been a pleasure to serve on the
21 committee. Really proud of the work that the internal audit
22 team does as far as leadership. She has an amazing team.

23 And for me, I just want to commend the team on how
24 they really work to partner with the different departments
25 and business leaders throughout the organization so that

1 it's not a -- seen as a punitive activity. It's really seen
2 as continuous improvement and making sure that we are all
3 good stewards of the public dollars.

4 And so, for me, I think the most important thing
5 about internal audits; it's not about just going in and
6 finding all the things that are wrong. It's really about
7 also highlighting all of the things that are really going
8 right, and that people are doing well.

9 So, it's really a value-added service to the
10 organization. It's strengthening our policies.
11 Strengthening our processes. Strengthening our internal
12 controls. Strengthening our overall operational
13 effectiveness, and really kind of increasing just awareness
14 across the organization.

15 So, that concludes my report. I'm happy to answer
16 any questions from any of my colleagues.

17 **CHAIR GARRISON-ENGBRECHT:** Any questions? I just
18 wanted to thank Commissioner Mills and our internal audit
19 team who have dedicated their service to making sure that we
20 have proper controls, and that we're (inaudible), and thank
21 you for your time on the Audit Committee.

22 The next Informational Item will be the FYI 2023-
23 2024 US Lottery Sales, with Jim. Good morning, Jim.

24 **DEPUTY DIRECTOR HASEGAWA:** Thank you. Good
25 morning. Has it started?

1 So, these are very preliminary sales figures for
2 Fiscal 23-24, I've collected by lottery industry source La
3 Fleur's Magazine. So, it's a little caveat of the
4 California Lottery sales figures that you'll be seeing, will
5 slightly change from the actual financial statements that
6 are developed out of it and finalized that you'll be
7 receiving. These were provided to La Fleur's in the summer.
8 So, soon after the fiscal year ended. So, for all the
9 jurisdictions, they're very preliminary sales numbers.

10 So, Florida continues to be the state with the
11 highest lottery sales at over \$9.4 billion, closely followed
12 by us in California with more \$9.2 billion in sales. So,
13 while we have been second in sales for the past four years,
14 the gap between Florida and California has narrowed.

15 For example, in fiscal 22-23, that gap was, you
16 know, over a half-billion dollars in sales. This past
17 fiscal year, this gap is just \$133 million.

18 So, after California, Texas is the third largest
19 lottery with sales over \$8.3 billion, and it's followed then
20 by New York and Massachusetts.

21 In terms of the top 10 selling lotteries, you can
22 see from the rankings in then the -- this would be the third
23 column on the left of the Table. There's very little change
24 from the prior fiscal year with just Massachusetts and
25 Georgia flipping spots.

1 We also provided rankings for the two largest
2 product categories, Scratchers or instant tickets as a they
3 are often called in many states. And for draw games or as
4 the La Fleur Groups reference it as terminal game sales.

5 So, unlike California and Florida, who rank high
6 in both of those two categories, some of the other states
7 may be top performers in one category, but much lower in the
8 rankings for the other.

9 For example, Texas is the largest lottery in terms
10 of sales as far as instant tickets. However, when you look
11 at draw games, they rank 10th. And conversely, New York is
12 number one for draw games, but they rank 4th for instant
13 ticket sales. And so, some of the strengths of Florida and
14 California is that we have very strong performances in both
15 of these two major categories.

16 So, in California in this past fiscal year, sales
17 have a very modest gain. You know, less than one percent.
18 About half of one percent. But now, when we look at it in
19 the context of all the lotteries, it provides a different
20 context for it. So, we end up being the 20th of the 45
21 lottery jurisdictions. Twentieth in terms of growth last
22 fiscal year.

23 And as you can see, when we look at the top 10
24 lotteries, there were only three jurisdictions that had
25 positive growth last year including us. Most of the states

1 have sales declines. For example, Florida and Texas both
2 declined by more than three percent compared to the prior
3 fiscal year.

4 Slightly more than half of all lottery
5 jurisdictions had declines last fiscal year and in '23. And
6 at the other end of the scale, Illinois had the best showing
7 at a gain of 6.9 percent.

8 Because states have such different populations,
9 per capita sales is a measure that's often used in the
10 lottery industry when comparing different jurisdictions. In
11 the lottery industry, this comparison is typically
12 calculated as sales divided by total population, even though
13 not the total population isn't eligible to buy tickets.
14 It's that way because it's much easier to get -- obtain
15 sales data for total population of the state rather than the
16 adult population.

17 For California, this calculation equates to \$230
18 per year. And if you look at it, California's pretty much
19 right in the middle of the pack at 25th best amongst the 45
20 lotteries. And as you can tell, Massachusetts there,
21 overall ranked number one per capita lottery sales.

22 Some of the other jurisdictions that were in the
23 top included Georgia at number two, Michigan at number
24 three, the South Carolina Lottery at number four, the
25 Maryland Lottery at number five. And you'll see New York up

1 there as at number six.

2 So, Massachusetts per capita sales rate is about
3 3.6 times the rate in California. And as you can see also,
4 Florida has the 7th highest per capita sales rate. So, I
5 thought I'd, you know, do some math there and give you an
6 example there.

7 So, if our per capita sales rate was the same as
8 what Florida's was last year, our sales would have been over
9 \$16 billion given the size of the population in California.
10 And if we actually had the per capita sales rate that
11 Massachusetts enjoyed, our total sales would be over \$30
12 million [sic]. Which just kind of gives you the differences
13 with the jurisdictions.

14 You'll see also throughout this presentation
15 states on the Atlantic seaboard tend to have much higher
16 sales on a per capita basis, and in other measures than
17 states say, you know, west of the Mississippi. I'll go into
18 that little bit more in just a second.

19 Now, with our Scratchers sales accounting for more
20 than 70 percent of our sales, I thought you would like to
21 see a little more detail about the top 10 lotteries for
22 instant ticket sales. And that's what's displayed on this
23 chart. As you can see, the top three are closely bunched
24 together in terms of sales with less than a hundred million
25 dollars separating first place Texas and third place

1 California.

2 Our Scratchers sales were essentially flat the
3 last year. However, most of the top selling states have
4 larger sales declines than what we experienced. In fact,
5 two thirds of all US lotteries saw a decline in their
6 instant ticket sales during fiscal year 23-24.

7 The Texas Lottery is just one of just a handful of
8 lotteries that offer a \$100 instant ticket. Many lotteries,
9 including eight of the top 10 Scratcher sales states offer a
10 \$50 ticket. As of the last fiscal year, California and New
11 York had the \$30 game as their highest selling price point.
12 But as mentioned in the presentation of our business plan
13 back in June, we will begin selling \$40 Scratchers games in
14 2025.

15 Per capita sales for instant tickets out of the 45
16 US jurisdictions, we rank in 21st place. And Massachusetts
17 had the highest per capita sales rate over three times the
18 rate of sales of instant tickets that we experience here in
19 California.

20 All right, in terms of some other product
21 categories, there's some other rankings where we stand in
22 the industry. So, in addition to being the second largest
23 lottery in total sales, and number three for Scratcher
24 sales, we were the number one state for Mega Million sales.
25 We also led the nation in our sales of Powerball.

1 For our monitor games, which in California is our
2 Hot Spot game, we were 5th. We're at number five.

3 Now, in terms of the all-important measure of
4 contributions to their beneficiaries. That's a little
5 harder statistic to do -- garner on one, that it will
6 fluctuate between the preliminary figures and the final
7 financials. But also look for the fact that New York is one
8 of the states that offers video lottery terminals in the
9 state under the jurisdiction of the lottery.

10 And it's kind of hard to separate their profits of
11 contributions to their beneficiary by product category. So,
12 the \$3.775 billion for New York includes revenue from video
13 lottery terminals. Something that most lotteries don't
14 offer or can't offer.

15 So, we would like to be third in the nation in
16 terms of estimated contributions to the beneficiary or
17 beneficiaries. Florida is just slightly ahead of us at
18 \$2.386 billion. And obviously, when the final numbers come
19 up from them, we'll be able to report on if we finished
20 second or third.

21 With the next set of slides, we want to compare
22 the share of sales coming from the various product
23 categories in different states. So, this first chart
24 compares California with Florida.

25 So, you can see between California and Florida, we

1 have a lot of similarities in terms of where our sales are
2 coming from. Both states have around 70 percent of our
3 sales coming from instant tickets. We do have a slightly
4 higher share of our sales coming from the multi-state
5 jackpot games, Powerball and Mega Millions compared to
6 Florida with just a slight difference.

7 And then conversely, Florida has a bigger share
8 coming from their daily numbers games. That would be the
9 equivalent of our Daily 3 and Daily 4 game. And in addition
10 to the three- and four-digit games, Florida also has a Pick
11 2 and a Pick 5 game. While they offer a Cash4Life game,
12 they don't offer in Florida any monitor type games like our
13 Hot Spot game.

14 So, you can see the two bars look pretty similar.
15 And I started with them because that's where the
16 similarities are. But when we start moving to other
17 jurisdictions, we'll see a lot more differences. So, this
18 chart compares us with the number three and number four
19 states of Texas and New York. And here, that's where
20 differences start to appear.

21 You can see there's a different mix of sales. So,
22 for example, in Texas, Texas has a little bit higher share
23 of almost 80 percent of their sales coming from instant
24 tickets. They also don't offer a monitor type game like Hot
25 Spot in their state.

1 For New York, they have a significantly smaller
2 share of sales coming from their instant tickets. But a
3 much greater share coming from their draw games,
4 particularly the daily numbers games. Interestingly, in New
5 York, their equivalent of our Daily 3 and Daily 4 product
6 sold a combined \$800 million more in sales than Mega
7 Millions and Powerball did. Very different situation where
8 as opposed to here. You know, we sold a combined over a
9 billion -- well over a billion dollars in Mega Millions and
10 Powerball combined. And daily numbers represent a very
11 small share of our sales.

12 Some of that is due to the fact that most states
13 along the East Coast had daily numbers games in existence
14 long before lotteries were around through illegal number
15 games. And as such is when the lotteries came about and
16 they adopted those games, they already had a built-in
17 marketplace. And people would -- shifted much over from the
18 illegal game to the state sanctioned numbers games.

19 Those types of games didn't exist like here in
20 California previously. So, when we offered it, people
21 weren't familiar with it. Didn't know about it. In fact,
22 even to this day, a lot of the people who play those games
23 are people who have migrated from eastern states or have
24 family or relatives from those states and became familiar
25 with it. It's just not a game that's as familiar to people

1 in the western half of the United States compared to the
2 eastern half. You all see that New York does also offer
3 Cash4Life game.

4 Now, finally looking at this chart that compares
5 us with the states in the 5th through 10th ranking. So,
6 unlike California's 71 percent share of sales coming from
7 instant tickets, you have states like Michigan and Ohio
8 where only about half of their sales are coming from instant
9 tickets.

10 And again, since the states to the right of us are
11 all more to the east, you can see that the percentage of
12 sales coming from numbers games, daily numbers games in
13 pink, are for the most part a lot higher than what we see
14 here in California. In fact, Michigan has again, 21 percent
15 of their sales coming from their daily numbers games similar
16 to the percentage that we saw in New York.

17 For monitor games, all the states do offer these
18 monitor games, but you see the percentages vary quite a bit.
19 At one extreme, you have Massachusetts where 21 percent of
20 their sales are coming from their monitor style games. And
21 at the other end, Pennsylvania and North Carolina have
22 monitor games but it comprises a very small share of their
23 total sales.

24 And now, and you can also see there are some other
25 colors in the other states. That means that they offer some

1 games that are not part of our product mix. And I'll
2 discuss this more in this next slide.

3 So, one of the games that's a multi-state game is
4 called Cash4Life in some jurisdictions, and Lucky for Life
5 in others. It's offered in eight of the 10 -- top 10
6 selling lotteries. And California and Texas do not offer
7 it. So, while our teams in marketing (inaudible) have
8 looked into the game, we've -- they've learned that we're
9 precluded from offering this game. And the reason is
10 because unlike Powerball and Mega Millions that have a
11 growing jackpot prize as it's top prize, these games have a
12 fixed top prize.

13 In fact, for example, in the Lucky for Life game,
14 the top prize is \$1,000 a day for life. Now, this makes it,
15 because of the fixed top prize the bank game. And
16 therefore, it's something that we wouldn't be able to offer
17 here in California.

18 There are many states that offer instant win
19 terminal games. In some of these states they're called Fast
20 Play, and so forth. You can think of it as you go to the
21 store, you buy at retail, but out of the terminal prints a
22 ticket. And the ticket provides an instant win experience
23 because it sort of looks like an instant ticket that's
24 already been scratched off. That's what's printed off the
25 terminal.

1 So, this sort of instant winning game coming from
2 a lottery terminal does not comply with our Lottery Act as
3 there are specific sections in the lottery that discusses,
4 you know, how tickets could be dispensed from the lottery
5 equipment. And one of it, is the fact is that it has a
6 physical covering that has to be removed by the player. And
7 of course, this doesn't.

8 There are also many states that offer what are
9 called like add-on games to the many of their draw games,
10 which is really in the lotto category. And so, (inaudible)
11 you in a typical example in there's a game called Double
12 Play. And in that game, players can decide to spend an
13 additional dollar when they're buying their lotto style
14 product.

15 With the extra dollar, the players numbers on
16 their tickets are now eligible to use a second set of
17 winning numbers that the lottery draws. And in Double Play,
18 the price structure is set, so that way, matching all the
19 numbers with the much smaller prize than the jackpot on the
20 regular game. But this allows for much bigger prizes for
21 matching fewer numbers. Now, this game offers fixed prizes,
22 which makes it a bank game, and something that we couldn't
23 offer.

24 But one thing I want to point out, is even if we
25 made this game parimutuel, and therefore not banked, the

1 problem arises how do we communicate to our players what
2 they could win in this game. Because participating in this
3 add-on game is totally voluntary and optional.

4 So, we wouldn't know for many months until we hit
5 a very stable set of sales numbers to understand like, well,
6 what would be the price pool of Double Play available to be
7 won. We wouldn't know that. So, it would be hard -- so,
8 why would -- it makes it very difficult for players to think
9 about playing a game where they really may not know what
10 they're playing for until after the pools close and the
11 draw's going to happen, when we know how many tickets have
12 been purchased.

13 So, with various laws in California governing our
14 lottery games, and different laws and regulations that
15 regulate the lotteries in other jurisdictions, it just means
16 that sometimes there's products offered in many states that
17 may not be feasible here in California. And as such, there
18 are times and opportunities for sales growth can be even
19 more difficult and challenging in our planning efforts maybe
20 rather than just looking at what other states are doing.

21 So, I wanted to provide this perspective not only
22 where we rank in sales in terms of the different states, but
23 also to give you some perspective in terms of the different
24 products and the different challenges that face the
25 California Lottery.

1 Any questions?

2 **COMMISSIONER ALVIDREZ:** A comment. We thank you
3 so much for the presentation. I particularly appreciate the
4 slide that gives -- that compares how our sales with other
5 top 10 lotteries. Because at the top of your presentation,
6 I sketched out a couple of questions relating to some of the
7 outliers that I saw from other states. And my immediate
8 question was, you know, why Ohio, for example.

9 And so, as I'm sketching out these questions, the
10 more you progressed in your presentation, my questions were
11 answered. That slide comparing California sales with other
12 top lotteries is particularly helpful because it identifies
13 the different types of game categories and percentages. And
14 in your statement about the differences in the lotteries on
15 the Eastern Seaboard as opposed to the Western Seaboard.

16 So, thank you so much for that clarification for
17 the comprehensive presentation. I appreciate it.

18 **COMMISSIONER MILLS:** And thank you, Jim, for that
19 presentation. That's super helpful, and it's just part of
20 our learning journey, and really understanding how our
21 operations are similar and different from other states and
22 our different regulations.

23 And, Chris, do we have any goals around ranking or
24 the per capita spend. And then like -- or does it make
25 sense for us to have goals? I don't know. And then like

1 can you talk about an example of like how we could use this
2 data like to make -- do we use this data to make decisions
3 and is there an example of that?

4 **ACTING DEPUTY DIRECTOR LOPEZ:** Yeah, insomuch as
5 it allows us to understand what trends are going on in the
6 lotteries.

7 **COMMISSIONER MILLS:** Uh-huh.

8 **ACTING DEPUTY DIRECTOR LOPEZ:** And we do look at
9 like some of the sources of sales or higher sales come from
10 products that, as we then learn, that aren't available for
11 us to then use.

12 It also kind of allows us to look at differences
13 with different geographies. And that's where a lot of look
14 and research went into analysis into like to see how states
15 on certain seaboard perform much better than those that --
16 all the lotteries in the west and all.

17 It also allows us to provide some comparable
18 goals. So, like for example, the Texas Lottery's one that
19 has, you know, it's a big state, both physically as well as
20 the number of people. Because, you know, Massachusetts,
21 that's very high per capita sales, but again, you know, you
22 can drive the state, you know, in less than a day.

23 So, as such, it's hard for us to use it as
24 comparable. So, we do look a lot at Texas when looking at
25 stuff. So, I know since I was here prior to the passage of

1 AB 142 and what would the price payouts look like. So, we
2 did kind of try and look and model after certain states to
3 project what our sales would be if we got price pay off
4 relief.

5 So, similar to here, it looks -- it allows us to
6 kind of look at what might be similar thresholds for our
7 growth. And it does show that we do have room for growth in
8 certain areas. But not saying that we would be in per
9 capita sales of Massachusetts and be at \$30 billion because
10 the geography of the state, the residents of the state. You
11 know, when you look a bit deeper, it would make it hard to
12 make that comparison. However, Texas is a very solid type
13 of state for us to make comparisons, and (inaudible).

14 **COMMISSIONER MILLS:** So, you might say one of our
15 goals is to be comparable with other states that have our
16 comparable size.

17 **ACTING DEPUTY DIRECTOR LOPEZ:** Comparable size and
18 comparable demographics, and comparable, I guess, cultures
19 and heritage with gaming in general.

20 **COMMISSIONER MILLS:** Thank you.

21 **CHAIR GARRISON-ENGBRECHT:** I have a quick
22 question, and it might be getting a little old. Or the
23 (inaudible). What are we learning pertaining to the decline
24 in sales for 2023-2024. You mentioned that more than half,
25 23 of the lotteries had sales declines in that by 2024. I'm

1 just curious, are we learning anything about sale behavior,
2 trends, (inaudible).

3 **DEPUTY DIRECTOR HASEGAWA:** Yeah, we haven't done a
4 national study on that, but I do think a lot of the things
5 we've found with California, is apply -- would be something
6 nationally (inaudible). It really is twofold.

7 Some of it is coming out of the pandemic. So,
8 again, during the pandemic years, all lotteries had dramatic
9 growth. And I think we've talked about that it's because so
10 many other types of, you know, discretionary fun and
11 entertainment type of activities, people were either
12 precluded from doing, or they just didn't feel comfortable
13 like traveling and so forth.

14 So, for some people, lotteries got -- were
15 beneficiaries of some additional discretionary dollars and
16 more spending on it. And so, now that, you know, pandemic's
17 in everybody's back of their mind, things are returning to
18 more normal as a result. Sales in more recent years are
19 declining.

20 On top of that, we also have factors of rising
21 prices for regular goods and services, like groceries and
22 gas, and so forth, that seem to be a nationwide trend. And
23 so, through our studies, we have found that people are
24 cutting back in a lot of different discretionary dollars,
25 different spending.

1 And we see that now with sales reports in big
2 companies. You know, certain types of industries are not
3 having year over year gains anymore because budgets are
4 tighter, and people are watching what they spend. And I
5 think those two factors tend to be why lottery's, you know,
6 sales are very flat or declining in the recent year.

7 **CHAIR GARRISON-ENGBRECHT:** Thank you so much. And
8 I appreciate it.

9 **DEPUTY DIRECTOR HASEGAWA:** Okay.

10 **CHAIR GARRISON-ENGBRECHT:** Any additional
11 questions? Thank you.

12 **DEPUTY DIRECTOR HASEGAWA:** All right.

13 **CHAIR GARRISON-ENGBRECHT:** The next item on the
14 agenda is Consent Calendars. There are no items under
15 Consent Calendars, so we'll proceed to Action Items. And
16 our first Action Item, Action Item 8(a), and I might
17 mispronounce this, I'm sorry. Workiva Wdesk Software
18 Subscriptions Extension.

19 **DEPUTY DIRECTOR NICK BUCHEN:** All right passed it
20 right. Passed the first test.

21 **CHAIR GARRISON-ENGBRECHT:** Thank you.

22 **DEPUTY DIRECTOR NICK BUCHEN:** Hello,
23 Commissioners, I'm requesting your approval to amend the
24 agreement with Ablegov, Incorporated to exercise the
25 remaining one-year extension of the Workiva Wdesk Software

1 subscription and to increase the amount of the agreement.

2 And Wdesk is a cloud-based productivity platform
3 that includes a word processor spreadsheet application and
4 presentation application that each link directly to our
5 underlying financial data. The Lottery's Finance Division
6 has been using Wdesk for almost nine years to produce
7 financial reports such as our annual budget, our annual
8 comprehensive financial report, popular annual financial
9 report, and various associated reports, and backup material.

10 Workiva's Wdesk has many benefits. It reduces the
11 number of manual entries across financial reports by using
12 data linking. Which results in greater efficiency in
13 developing sustainable reports and it increases our data
14 accuracy and efficiency.

15 It allows for immediate updates across the several
16 documents types using a single data entry form which helps
17 streamline the reviewing process. And it minimizes issues
18 with formatting, rounding, and cross flipping as well as
19 mitigating other errors by enabling simultaneous
20 collaborative controls.

21 The request of extension would also allow us to
22 expand our views of an additional subscription feature that
23 further (inaudible) control, accuracy, and efficiency in
24 developing our financial reports. This feature is known as
25 Wdata, and it enables the Lottery's financial system and

1 Wdesk to be integrated allowing financial data to be shared
2 between the two applications.

3 This creates a centralized source of information
4 for reporting, and it automates processes and data work
5 flows by retreating data on a routine basis. By reducing
6 manual entries of data from the financial system, Wdata
7 further increases data integrity and reduces the chances for
8 error.

9 I ask the Commission to approve a second of two
10 one-year subscriptions with Ablegov, Incorporated for the
11 Workiva Wdesk software subscription. And to add \$163,656 to
12 the agreement. And this would extend the term of the
13 agreement from December 29th, 2024 through December 28th,
14 2025. That would bring the total amount of the agreement to
15 \$482,696.

16 And with that, I'd be happy to answer any
17 questions.

18 **CHAIR GARRISON-ENGBRECHT:** Do any of the
19 commissioners at this time have any questions or comments on
20 Action Item 8(a)?

21 Is there a motion to approve the Action 8(a) for
22 Workiva Wdesk Software Subscription extension?

23 **COMMISSIONER MILLS:** I'll move to approve.

24 **COMMISSIONER RASOULI:** Second.

25 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary

1 please call the role?

2 **MS. ESTRELLA:** Commissioner Mills?

3 **COMMISSIONER MILLS:** Yes.

4 **MS. ESTRELLA:** Commissioner Alvidrez?

5 **COMMISSIONER ALVIDREZ:** Yes.

6 **MS. ESTRELLA:** Commissioner Rasouli?

7 **COMMISSIONER RASOULI:** Yes.

8 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

9 **CHAIR GARRISON-ENGBRECHT:** Yes. Okay, thank you
10 for that.

11 Next Action Item, Item 8(b), Extension and
12 Addition of Funds to David & Goliath, LLC, (D&G) Contract,
13 is with Ms. Sharon.

14 **DEPUTY DIRECTOR ALLEN:** Thank you, good morning.

15 **CHAIR GARRISON-ENGBRECHT:** Good morning.

16 **DEPUTY DIRECTOR ALLEN:** The Lottery currently
17 contracts with David & Goliath, or D&G, for lead agency
18 marketing and advertising services. The current contract is
19 set to expire next August, and the Lottery is requesting to
20 exercise the emergency extension option within the contract
21 to continue services with D&G for an additional nine months.

22 As a result of a formal solicitation in 2018, the
23 Commission awarded D&G a five-year contract with an initial
24 contract expenditure authority of \$295 million with options
25 to extend for two one-year terms.

1 In 2023, the first option was exercised, and the
2 expenditure authority was increased by \$129 million.
3 Earlier this year, the Lottery exercised the second option
4 to extend, and the expenditure authority was increased to
5 \$105 million for a maximum authorized contract expenditure
6 of \$529 million.

7 Under the terms and conditions of the contract,
8 there's an emergency extended service provision that allows
9 the Lottery to extend the contract up to nine months in the
10 event of an urgent and compelling need. D&G plays a
11 critical role in supporting the Lottery's marketing and
12 advertising initiatives.

13 Throughout the contract, they have consistently
14 delivered the expertise required to develop and execute
15 complex, multi-faceted marketing campaigns. They've had a
16 significant role in the successful launch and ongoing
17 support of key initiatives, including the Scratchers
18 category repositing effort and the Jackpot Alert Program.

19 D&G has been instrumental in advancing the
20 Lottery's strategic objectives and assisting in achieving
21 the Lottery's mission. The Lottery has already begun
22 working on a procurement for the new -- a new lead agency
23 contract. It is a complex, involved, and important
24 procurement that typically takes 12 to 18 months to develop,
25 implement, and complete.

1 The contractor selected in this role will be the
2 Main Marketing Agency, responsible for developing and
3 leading strategy, creative assets, and media plan
4 development across all marketing agency partners to support
5 the Lottery's marketing efforts.

6 While there was initially adequate time to develop
7 and execute the RFP, new circumstances will require more
8 time to complete the procurement. Our primary marketing
9 subject matter expert and team lead has retired.

10 Additional vacancies and multiple key positions
11 from the marketing unit have also left to resource gap
12 requiring existing staff to pick up duties and carry out an
13 expanding docket of important, time-sensitive projects and
14 ongoing day-to-day marketing activities until staff are
15 hired for the vacant roles.

16 Additionally, the Lottery is currently completing
17 the Scratchers printing RFP, placing additional resource
18 strain on the marketing unit as key division employees are
19 involved in both procurements. This extension will provide
20 the time and resources needed to complete the lead agency
21 RFP process effectively while continuing marketing and
22 advertising services without interruption.

23 It is estimated that approximately \$13 million
24 will be remaining in the expenditure authority when the
25 contract expires next August. To ensure there is sufficient

1 funding through the proposed extension ending in May 2026,
2 an increase in contract expenditure authority of \$83 million
3 is recommended to continue important business plan
4 initiatives and marketing efforts.

5 Lottery staff recommends the commission approve a
6 nine-month extension of the D&G contract, and an increase
7 of \$83 million in the expenditure authority. The amendment
8 would extend the contract through May 18th, 2026, and with a
9 maximum authorized expenditure authority of \$612 million.

10 With that, I'd be happy to answer any questions.

11 **CHAIR GARRISON-ENGBRECHT:** Thank you, Sharon. Do
12 any of the commissioners have any questions or comments on
13 Action Item 8(b)?

14 **COMMISSIONER ALVIDREZ:** Question. Thank you so
15 much for the presentation. I heard several points. I heard
16 that D&G plays a critical role, but the point that struck me
17 most significantly was that the primary marketing subject
18 matter expert and team lead on the RFPs retired. Is that
19 the primary reason why we need the additional extension?

20 **DEPUTY DIRECTOR ALLEN:** It's one of them. She was
21 the primary -- one of our senior marketing staff members who
22 worked across the RFPs, several projects, and we did, you
23 know, offboarding, training, and things like that. But we
24 also have several other vacancies, a new vacancy just
25 emerged in the last several days as well.

1 That puts a real strain on getting all of the
2 projects done and balance them.

3 **COMMISSIONER ALVIDREZ:** Uh-huh.

4 **DEPUTY DIRECTOR ALLEN:** So, it's that plus all of
5 the others.

6 **COMMISSIONER ALVIDREZ:** Hmm. Only because it
7 strikes me as a very expensive skills gap. And I don't have
8 any additional thoughts to add. I just wanted to make sure
9 I added that point.

10 **DEPUTY DIRECTOR ALLEN:** Yeah.

11 **COMMISSIONER ALVIDREZ:** Is that I appreciate that
12 there is an -- what did you refer to it as a kind of an
13 emergency extension of this built into the contract, thank
14 goodness. I appreciate hearing that from a staffing
15 perspective. It just strikes me as an expensive skills gap.

16 **DEPUTY DIRECTOR ALLEN:** Yeah, it's challenging to
17 recruit.

18 **COMMISSIONER ALVIDREZ:** Uh-huh.

19 **DEPUTY DIRECTOR ALLEN:** I think a lot of, you
20 know, a lot of state agencies are experiencing as the
21 Lottery is experiencing. But specifically in specialized
22 roles, like marketing, it's very difficult to recruit
23 qualified staff.

24 The recruitments will be posted multiple times
25 until we have successful candidates. So, it is a gap. And

1 we've been working for, you know, short term, but also long-
2 term solutions to help with this issue.

3 **COMMISSIONER ALVIDREZ:** And the second question on
4 the eco system for this type of contract. Do we have a
5 sense as to whether -- I appreciate that D&G has done a
6 phenomenal job in serving the California State Lottery's
7 marketing needs. What does that eco system look like so
8 when we do put that RFP out, are we expecting a fairly
9 robust response?

10 **DEPUTY DIRECTOR ALLEN:** We, yes. The last time
11 this contract went out in 2018, we had a record number of
12 bidders or people who had expressed interest. And we will
13 work towards making sure we promote it. That the RFP is
14 available and get the word out so that we can attract a wide
15 range of qualified bidders.

16 **COMMISSIONER ALVIDREZ:** Thank you.

17 **CHAIR GARRISON-ENGBRECHT:** Additional questions
18 from the commissioners?

19 **COMMISSIONER MILLS:** I just have one question.
20 Thank you, Sharon for the presentation. So, we're -- we
21 will be approving a nine-month emergency extension. Are you
22 confident that the team will be able to work through the RFP
23 process in that nine-month period?

24 **DEPUTY DIRECTOR ALLEN:** Depending on what -- if
25 something emerges that we don't anticipate right now, this

1 is such a key priority --

2 **COMMISSIONER MILLS:** Uh-huh.

3 **DEPUTY DIRECTOR ALLEN:** -- we have to get it done.
4 We're well on the way. And it is a long process that takes
5 a lot of time, and we don't want to rush through it.

6 **COMMISSIONER MILLS:** Sure.

7 **DEPUTY DIRECTOR ALLEN:** So, we are, you know,
8 working weekly, daily, to make sure we're hitting those
9 milestones.

10 **COMMISSIONER MILLS:** Okay, and just for my
11 information purposes. So, when we get -- if we were to get
12 to the end of this emergency extension and not be able to
13 complete the RFP, what are the consequences of that?

14 **DEPUTY DIRECTOR ALLEN:** We would look at -- work
15 with our legal team to see if we had any other options. You
16 know, the worst-case scenario would be we wouldn't have any
17 services.

18 If we could shift some of them to some of our
19 other agencies that are smaller or figure out how we could
20 utilize other contracts to keep it going. Or if there is
21 any other option within the legal terms to allow us to
22 continue. But we're working really hard to make sure that
23 we don't have that situation.

24 **COMMISSIONER MILLS:** Okay, thank you.

25 **CHAIR GARRISON-ENGBRECHT:** Does any member of the

1 public want to address the commission at this time regarding
2 Action Item 8(b)?

3 **MS. VASQUEZ:** Paulina Vasquez, California Lottery
4 senior steward.

5 I heard your concern about vacancies. It's also,
6 you know, vacancies do impact the work that we do and can be
7 costly. I'm curious if anybody can tell me, does the
8 California Lottery do exit interviews when vacancies are
9 happening, because there's a lot of vacancies happening in a
10 lot of departments here, and it's causing a problem.

11 As a steward, I hear a lot of grumbling about why
12 people are leaving. And I'm wondering if in the Marketing
13 Department, anyone from the HR department or if you're
14 aware, commissioners, if exit interviews are being --
15 happening? So that we can gauge why these vacancies are
16 happening that end up having a ripple effect and causing us
17 to come here and ask for more money.

18 **CHAIR GARRISON-ENGBRECHT:** Thank you for the
19 comment.

20 **MS. VASQUEZ:** Thank you.

21 **DIRECTOR CHIMA:** I can address that. We
22 absolutely do conduct exit interviews with every employee
23 that leaves. And there's nothing that we've been told that
24 causes us any concern.

25 **CHAIR GARRISON-ENGBRECHT:** Thank you. Oh.

1 **MR. SEHN:** Good morning, I'm Russell Sehn. I was
2 a steward with the lottery. I retired a year ago. I never
3 had an exit interview. And I know other colleagues that
4 have left and never had exit interviews. So, that simply is
5 not a true statement. Thank you.

6 **DIRECTOR CHIMA:** Dottie, would you like to comment
7 on that?

8 **MS. WALLACE:** Thank you. Good morning,
9 commissioners.

10 **CHAIR GARRISON-ENGBRECHT:** Good morning.

11 **MS. WALLACE:** My name is Dottie Wallace. I'm the
12 Assistant Deputy Director of Human Resources. As you may be
13 aware that we hired within the last year a manager of
14 employee engagement.

15 She has come and she has presented to this
16 commission, and she has initiated an exit survey process.
17 And we have it. It's on -- both on our California Lottery
18 Information Center, which is our intranet. And she also
19 conducts in-person exit interviews upon request.

20 Exit interviews are always optional. Some folks
21 choose not to participate. But they are optional, and when
22 employees indicate they'd like to share anything regarding
23 their experience here, we are always, always open to hearing
24 about how they view their time here at the Lottery.

25 **CHAIR GARRISON-ENGBRECHT:** Thank you for the

1 additional information, I appreciate it.

2 **MS. WALLACE:** Thank you.

3 **DEPUTY DIRECTOR ALLEN:** I just wanted to clarify
4 that the additional dollars would be spent, if we had a
5 different vendor, so the marketing efforts would continue.
6 This is not costing us anything additional because the
7 marketing efforts would continue. So, there's not an
8 additional cost per se, because of this emergency extension.

9 **CHAIR GARRISON-ENGBRECHT:** Thank you, Sharon, I
10 appreciate the clarification. Do I hear a motion to approve
11 Action Item 8(b), Extension and Addition of Funds for David
12 & Goliath, LLC (D&G) Contract?

13 **COMMISSIONER RASOULI:** Motion.

14 **CHAIR GARRISON-ENGBRECHT:** Do we have a second?

15 **COMMISSIONER MILLS:** Second.

16 **CHAIR GARRISON-ENGBRECHT:** Would the Secretary
17 please call roll?

18 **MS. ESTRELLA:** Commissioner Mills?

19 **COMMISSIONER MILLS:** Yes.

20 **MS. ESTRELLA:** Commissioner Alvidrez?

21 **COMMISSIONER ALVIDREZ:** Yes.

22 **MS. ESTRELLA:** Commissioner Rasouli?

23 **COMMISSIONER RASOULI:** Yes.

24 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

25 **CHAIR GARRISON-ENGBRECHT:** Yes.

1 Thank you, Sharon.

2 **DEPUTY DIRECTOR ALLEN:** Thank you.

3 **CHAIR GARRISON-ENGBRECHT:** I appreciate it.

4 The next Action Item, Action Item 8(c), Statewide
5 Furniture CMAS Contract with Jean. Welcome, Jean.

6 **DEPUTY DIRECTOR COOPER:** Thank you. Good morning,
7 everyone.

8 **CHAIR GARRISON-ENGBRECHT:** Good morning.

9 **DEPUTY DIRECTOR COOPER:** Good morning. So, I have
10 the next two items. Item 8(c) is to request approval to
11 contract for modular furniture, and the related services.
12 Such as reconfiguration, installation, and space
13 optimization.

14 This is for all Lottery locations statewide. And
15 to accommodate the current and future workstation demand for
16 \$800,000.

17 This current contract expires next month in
18 December 2024. It is for these reasons, we ask for your
19 approval in support. And I'm happy to answer any questions
20 you might have.

21 **CHAIR GARRISON-ENGBRECHT:** Thank you, Jean.

22 **DEPUTY DIRECTOR COOPER:** You're welcome.

23 **CHAIR GARRISON-ENGBRECHT:** Do the commissioners
24 have any questions regarding Action Item 8(c)?

25 Does any member of the public want to address the

1 commission at this time regarding action on 8(c)?

2 Do I hear a motion to approve Actively Item 8(c),
3 Statewide Furniture CMAS Contract?

4 **COMMISSIONER ALVIDREZ:** Motion to approve.

5 **CHAIR GARRISON-ENGBRECHT:** Do I have a second?

6 **COMMISSIONER RASOULI:** Second.

7 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary
8 please call roll?

9 **MS. ESTRELLA:** Commissioner Mills?

10 **COMMISSIONER MILLS:** Yes.

11 **MS. ESTRELLA:** Commissioner Alvidrez?

12 **COMMISSIONER ALVIDREZ:** Yes.

13 **MS. ESTRELLA:** Commissioner Rasouli?

14 **COMMISSIONER RASOULI:** Yes.

15 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

16 **CHAIR GARRISON-ENGBRECHT:** Yes.

17 Jean, you're up next. Action Item 8(d),
18 Ratification of Amendment to Add Funds to Extend terms of Z
19 Squared Construction Agreement for Completion of the
20 Northern Distribution Center Remodel.

21 **DEPUTY DIRECTOR COOPER:** Thank you. For this
22 particular request, this is a ratification of Amendment 02.
23 For this particular agreement that we have with contractor Z
24 Squared Construction.

25 And this is construction being introduced for our

1 Northern Distribution Center (NDC) Remodel Project. The
2 current contract expired last week. So, we're coming in
3 front of you to ask for -- to report the ratification of
4 this amendment.

5 So, Amendment 02 extended the term for another
6 year through November 2025. And to add funds, well, added
7 funds in the amount \$292,596. And the project had a point
8 close out date for the end October, which the team wrapped
9 it up in -- for the amount of \$292,000, the above stated
10 amount is the amount that we needed to cover for all the
11 work that's -- for the work performed through the end of
12 October.

13 Prior to the project close out, the state fire
14 marshal provided additional guidance, and pointed out a few
15 more items for the Lottery to address. And for -- this is
16 for health and safety and for compliance purposes.

17 Therefore, the project team is currently working
18 with all parties in the suspend, to identify the impact and
19 the scope. So, once we have the scope solidified and the
20 team will develop a schedule for the estimated time needed
21 as well as a proposed budget.

22 So, with a plan to address these items, we will
23 report back to the commission in the near future. Likely
24 either in the January or March commission meeting. So, this
25 is what I have to report for this particular request, and

1 I'm happy to answer any questions you might have.

2 **CHAIR GARRISON-ENGBRECHT:** Thank you, Jean. Any
3 commissioners have any questions or comments regarding
4 Action 8 -- Action Item 8(d)?

5 **COMMISSIONER MILLS:** I do have a question. So, it
6 sounds like their work is still ongoing to determine the
7 cost related to the items that the fire marshal is
8 recommending. So, can you say a little bit about how the
9 amount of this particular extension was determined?

10 **DEPUTY DIRECTOR COOPER:** Sure. For the work
11 that's performed through the end of October, mainly it -- we
12 were impacted by an industrywide delay of a main switch.
13 That main power switch that we were waiting for it's
14 arrival. And without that main equipment, our work was
15 delayed.

16 And so, that kind of had a ripple effect to delay
17 our works, which kind of pushed out our close out date. But
18 the team worked very diligently to make sure that we managed
19 the project so we could close out in a timely manner. Which
20 the team was working towards to do for the end of October.

21 And like I said, you know, the team was ready.
22 But we received additional guidance that we did not receive.

23 **COMMISSIONER MILLS:** Okay, so what we're approving
24 is the extension and the amount that's already incurred.

25 **DEPUTY DIRECTOR COOPER:** Correct.

1 **COMMISSIONER MILLS:** Got it. Okay, thank you,
2 that was helpful.

3 **DEPUTY DIRECTOR COOPER:** You're welcome.

4 **CHAIR GARRISON-ENGBRECHT:** Any other questions
5 from the commissioners?

6 Does anyone, any member of the public want to
7 address the commission at this time regarding Action Item
8 8(d)?

9 Seeing none, do I hear a motion to approve Action
10 Item 8(d), Ratification of Amendment to Add Funds, Extend
11 Terms of Z Squared Construction Agreement for Completion of
12 the Northern Distribution Center Remodel?

13 **COMMISSIONER MILLS:** I'll move to approve.

14 **CHAIR GARRISON-ENGBRECHT:** Do I have a second?

15 **COMMISSIONER ALVIDREZ:** Second.

16 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary
17 please call roll?

18 **MS. ESTRELLA:** Commissioner Mills?

19 **COMMISSIONER MILLS:** Yes.

20 **MS. ESTRELLA:** Commissioner Alvidrez?

21 **COMMISSIONER ALVIDREZ:** Yes.

22 **MS. ESTRELLA:** Commissioner Rasouli?

23 **COMMISSIONER RASOULI:** Yes.

24 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

25 **CHAIR GARRISON-ENGBRECHT:** Yes.

1 **MS. ESTRELLA:** Thank you.

2 **CHAIR GARRISON-ENGBRECHT:** Jean, I just want to
3 say thank you for helping move this project forward. I know
4 we're really excited to reopen and have the remodel done.
5 Great work.

6 The next item is Action Item 8(e), the DocuSign
7 Renewal presented by Chris Lopez.

8 Welcome, Chris.

9 **ACTING DEPUTY DIRECTOR LOPEZ:** Good morning,
10 Commission.

11 **CHAIR GARRISON-ENGBRECHT:** Good morning.

12 **ACTING DEPUTY DIRECTOR LOPEZ:** Thanks for the kind
13 welcome.

14 Action Item 8(e) is for the DocuSign Renewal.
15 DocuSign is the Lottery's e-signature solution. It was
16 procured back in January 2020 to automate paper based and
17 manual processes with the Lottery since 2020.

18 The Lottery has used DocuSign automate document
19 signing for numerous processes including timesheets, claim
20 schedules, invoice approvals, procurement packages, and
21 other internal approval processes.

22 Currently, 4900 documents are routed through
23 DocuSign per month, which is a thousand document increase
24 just over the last year alone. These automated digital
25 signature work flows allow the Lottery to operate under a

1 high rate in office telework environment in an efficient
2 manner.

3 Utilizing DocuSign also helps the environment.
4 Since 2023 alone, the Lottery has saved over 73,000 pounds
5 of carbon emissions, over 91,000 gallons of water, and
6 31,000 pounds of wood using DocuSign.

7 The current subscription term for DocuSign ends
8 January 30th, 2025. Renewing DocuSign will allow the Lottery
9 to continue using its digital signature work flows. Renewal
10 will also allow the Lottery to automate additional business
11 processes using DocuSign.

12 This renewal -- for this renewal, the Lottery is
13 utilizing a leverage procurement agreement requesting bids
14 from multiple resellers that participate in the software
15 licensing program administered by the Department of General
16 Services. The lowest bid was submitted by Allied Network
17 Solutions.

18 The Lottery recommends that the commission approve
19 the renewal of DocuSign subscription services for a 12-month
20 term at a cost of \$280,000.

21 With that, do you have any questions for me?

22 **CHAIR GARRISON-ENGBRECHT:** Thank you, Chris. Any
23 questions?

24 **COMMISSIONER ALVIDREZ:** No, question, but a
25 comment. I want to thank you for the presentation, but

1 particularly the point about the environmental savings. I
2 think I mentioned this in our briefing, but I wanted to make
3 sure I acknowledged it kind of for the record, that I
4 appreciate that inclusion given State's emissions goals, and
5 our carbon footprint. And I would love to see more of that
6 in future reports.

7 Thank you so much, it was a very thoughtful
8 inclusion.

9 **ACTING DEPUTY DIRECTOR LOPEZ:** The feed back and
10 yeah, automation, digital automation is definitely making a
11 difference. And we'll share more information along those
12 lines next time.

13 **COMMISSIONER ALVIDREZ:** Thank you.

14 **CHAIR GARRISON-ENGBRECHT:** No questions?

15 Does any member of the public want to address the
16 commission at this time regarding Action Item 8(e)?

17 Being none, do I have a motion to approve Action
18 Item 8(e), DocuSign Renewal?

19 **COMMISSIONER RASOULI:** Motion.

20 **CHAIR GARRISON-ENGBRECHT:** Do I have a second?

21 **COMMISSIONER ALVIDREZ:** Second.

22 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary
23 please call roll?

24 **MS. ESTRELLA:** Commissioner Mills?

25 **COMMISSIONER MILLS:** Yes.

1 **MS. ESTRELLA:** Commissioner Alvidrez?

2 **COMMISSIONER ALVIDREZ:** Yes.

3 **MS. ESTRELLA:** Commissioner Rasouli?

4 **COMMISSIONER RASOULI:** Yes.

5 **MS. ESTRELLA:** Chairman Garrison-Engbrecht?

6 **CHAIR GARRISON-ENGBRECHT:** Yes.

7 Chris, you're up again. Action Item 8(f),
8 Sitecore XP and Sitecore 350 Renewal.

9 **ACTING DEPUTY DIRECTOR LOPEZ:** Okay. Sitecore
10 Experience Platform, XP, is an integral part of the
11 Lottery's public website.

12 It is responsible for managing and delivering
13 lottery information and content to the public. Such as
14 jackpot amounts, winning numbers, product information,
15 promotions, information. While ensuring the Lottery can
16 handle high website traffic volumes.

17 The past year alone, 27 million players visited
18 our website. And on April 6th, 2024, an estimated 355,000
19 players visited PWS for the \$1.3 billion jackpot. And that
20 was actually during a very short window about a two-hour
21 window.

22 The Lottery has been using Sitecore since 2012 to
23 power it's public website. In 2023, the Lottery procured
24 Sitecore 360 services. Which is a service that provides 24
25 by 7 training support for sales and marketing content

1 managers and creators.

2 Both Sitecore XP and the Sitecore 360 services are
3 needed to operate and maintain the Lottery's public website.
4 The terms for both product subscriptions expire next month
5 on December 10th. As part of this renewal, both agreements
6 will be combined into one procurement.

7 The Lottery solicited quotes from multiple small
8 businesses vendors, and the lowest bid was submitted by
9 Ablegov, Inc. The Lottery recommends that the commission
10 approve the renewal of Sitecore XP and Sitecore 360 for a
11 period of 36 months at a cost of \$1,394,787.

12 With that, do you have any questions for me
13 regarding this agenda item?

14 **CHAIR GARRISON-ENGBRECHT:** Thank you, Chris. Any
15 questions regarding the renewal?

16 Does any member of the public want to address the
17 commission at this time regarding Action Item 8(f)?

18 Seeing none, do I have a motion to approve Action
19 Item 8(f), Sitecore XP and Sitecore 360 Renewal?

20 **COMMISSIONER MILLS:** I move to approve.

21 **CHAIR GARRISON-ENGBRECHT:** Do I have a second?

22 **COMMISSIONER RASOULI:** Second.

23 **CHAIR GARRISON-ENGBRECHT:** Will the Secretary
24 please call roll?

25 **MS. ESTRELLA:** Commissioner Mills?

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COMMISSIONER MILLS: Yes.

MS. ESTRELLA: Commissioner Alvidrez?

COMMISSIONER ALVIDREZ: Yes.

MS. ESTRELLA: Commissioner Rasouli?

COMMISSIONER RASOULI: Yes.

MS. ESTRELLA: Chairman Garrison-Engbrecht?

CHAIR GARRISON-ENGBRECHT: Yes.

Thank you, Chris, and thank you for stepping in as acting deputy director. I know this is a big role, and so, I really appreciate your time and dedication presenting today.

ACTING DEPUTY DIRECTOR LOPEZ: You're most welcome, my pleasure. Thanks.

CHAIR GARRISON-ENGBRECHT: Next on the agenda is the Commissioner's General Discussion. Do any other commissioners have anything to bring up at this time for discussion?

I want to invite Sharon to come up and to get the computer ready, I believe.

DEPUTY DIRECTOR ALLEN: I will.

CHAIR GARRISON-ENGBRECHT: Thank you. I believe some of you remember when I first started. And I think I'd use the term learning how the sausage is made.

And I had the opportunity really early on in my tenure here to visit the Northern Distribution Center,

1 because we kept talking about how many Scratchers we had to
2 dispose of, and shredding, and HVAC issues, and streamlining
3 operations to support our staff there in the packing.

4 I had the opportunity to visit and had a great
5 opportunity to tour the facility, and really get to see with
6 my own eyes what we had talked about as far as our contract
7 approval for moving these pallets.

8 Earlier this fall, I had the opportunity to visit
9 a film site in Los Angeles not too far from my home where we
10 were filming part of our holiday campaign. And two of our
11 major partners, David & Goliath, and Media Monks were there
12 to help to coordinate along with our team the filming of the
13 commercial. I got to learn a lot about onsite film
14 production and how much it takes to put in -- how much work
15 it takes to create a 30 second commercial.

16 But part of what I think I got to see that really
17 impressed me was the coordination of our teams, and how our
18 contracts come alive. So, the work that we do with Media
19 Monks, with David & Goliath, our marketing team here onsite,
20 and really capitalizing on our partnerships while also
21 really achieving our goals.

22 I think some of you remember when we worked with
23 the Media Monks contractors really look at the Latino
24 population as an audience that the Lottery was really
25 looking to appeal to. So, I got to watch the commercial we

1 filmed both in English and Spanish.

2 Kudos to the amazing actors who, I think, probably
3 did every scene at least two dozen, three dozen times. It's
4 just an incredible team effort onsite. But I thought it
5 would be great -- I think the commercial aired live this
6 week.

7 **DEPUTY DIRECTOR ALLEN:** It started to air this
8 week.

9 **CHAIR GARRISON-ENGBRECHT:** And I would love to be
10 able to show the commercial to the commissioners who are
11 here today and to the audience.

12 **DEPUTY DIRECTOR ALLEN:** All right, we ready?

13 **CHAIR GARRISON-ENGBRECHT:** We're all ready. Thank
14 you, Sharon.

15 *(Holiday commercial played.)*

16 **CHAIR GARRISON-ENGBRECHT:** I believe if I
17 understood correctly that this will be both shown in English
18 and Spanish. But also on social media as well. I think
19 there are multiple cuts of the video.

20 **DEPUTY DIRECTOR ALLEN:** They're cut down and
21 rerolled. Fifteen seconds, 30 seconds, and that will be
22 part of the summary that we'll share (inaudible). One big
23 moment of an entire campaign founded by giving the gift of
24 Scratchers in several (inaudible).

25 **CHAIR GARRISON-ENGBRECHT:** Great work to your and

1 your team. And Flo (phonetic) and Harish (phonetic) were
2 great hosts on the film site when I was there a few months
3 ago. Thank you so much.

4 **DEPUTY CHIMA:** And I will extend that invitation
5 to all of the other commissioners when we have our next
6 shoot date.

7 **CHAIR GARRISON-ENGBRECHT:** And I'm happy to host
8 you down in LA.

9 **COMMISSIONER ALVIDREZ:** I'll accept your
10 invitation.

11 **COMMISSIONER MILLS:** Any other general discussion
12 items?

13 **CHAIR GARRISON-ENGBRECHT:** The next item is Action
14 Item 8, I'm sorry 10. We have tentatively scheduled the
15 next Commission Meeting for January 23rd, March -- sorry, for
16 the next year. January 23rd, March 27th, May 22nd, June 26th,
17 September 25th, and November 20th, 2025. All meetings will
18 be held here in Sacramento.

19 The next item on the agenda is Item 11, Public
20 Discussion. I do have a number of individuals signed up for
21 public discussion. I will call you up one by one to the
22 podium. You have three minutes to speak. Rebecca will be
23 helping me to keep time.

24 The first individual is Paulina Vasquez, SIE --
25 SEIU 1000. And Paulina, can you please state your name for

1 the record?

2 **MS. VASQUEZ:** Paulina Vasquez, Lottery sales
3 representative, union steward.

4 Good morning, commissioners. In March of 2020, an
5 unbiased third party you may have heard of called the
6 Attorney General issued a report regarding concerns at the
7 Lottery, and it clearly warned the Lottery about the manager
8 in Santa Fe Springs.

9 It states the manager had a highhanded style of
10 management that undermines morale and fails to address
11 employee concerns. It describes him as a poor witness who
12 often contradicts himself and was misleading with the Deputy
13 Attorney General.

14 Most importantly, the commission -- the report
15 warns that the Lottery should continue to monitor this
16 manager for improvement. Four years later, and things have
17 continued to get worse. There has been no monitoring.
18 There's been no change with this manager's abusive conduct.

19 The number of complaints related to abusive
20 conduct and bullying continues to grow. And it's not just
21 rank-and-file employees. He's an equal opportunity abuser.
22 He yells and abuses managers, supervisors, warehouse
23 workers, office staff, you name it.

24 We are experiencing a record number of Workman's
25 Comps stress cases, legal actions, outside investigations,

1 and settlement payouts, all of which cost money and take
2 funding away from our benefactor, public education. Now, I
3 just heard you mention being good stewards of Lottery
4 dollars. This issue is ultimately costing taxpayer money.

5 I would like to remind everyone here that just
6 last year, the California State Lottery paid out hundreds
7 and thousands of dollars for two settlement payouts because
8 of the same manager in the Sacramento District Office.

9 A third woman has come forward. She's working
10 with a law firm. Last week, I heard from a fourth woman,
11 and yet this manager still remains in a position of
12 authority? What's going on here? When EEO complaints make
13 their way to the EEO department, the EEO department fails to
14 interview witnesses. They don't interview witnesses, and
15 they close out complaints.

16 Now, we've had enough. And I'm going to ask when
17 is enough enough? The HR department and some of these
18 managers continue to slap lipstick on the same old pork
19 chop. Every time there's a complaint, they quickly try to
20 defend these bad managers. They attempt to dismiss and
21 minimize allegations. And if that's not enough,
22 commissioners, they're attempting to discredit people who
23 come forward.

24 And I have emails. Oh, I have emails showing high
25 ranking managers that ended up in my lap where they're

1 trying to discredit other supervisors and the employees who
2 come forward. Now, there is a serious problem here at the
3 Lottery. And if I have to attend every commissioner
4 meeting, or every confirmation hearing, or use every
5 lobbying visit to speak with --

6 **CHAIR GARRISON-ENGBRECHT:** It's probably --

7 **MS. VASQUEZ:** -- senators --

8 **CHAIR GARRISON-ENGBRECHT:** -- that's time.

9 **MS. VASQUEZ:** -- I will. Thank you.

10 **CHAIR GARRISON-ENGBRECHT:** Thank you.

11 Next is Frances O'Rourke (phonetic), SEIU 1000.

12 **MS. O'ROURKE:** Commissioners, there are ongoing
13 issues at the EEO office, and their lack of response to
14 employee complaints. The majority of these complaints are
15 related to bullying. And it's become abundantly clear that
16 the EEO office, whose role is to be a neutral party, is
17 clearly acting in a pro management capacity.

18 Our public schools have no bullying zones, and
19 children who bully other children are held accountable for
20 their behavior. While our Lottery bullies have no
21 accountability for the behavior and are protected by both
22 Lottery management and the EEO office.

23 While employees continue to suffer from unchecked
24 bullying behavior, the EEO office fails to respond to
25 complaints timely, fails to thoroughly investigate issues,

1 lacks integrity to objectively gather facts, and sweeps
2 valid complaints under the rug.

3 The union has raised these concerns to senior
4 management on numerous occasions to the sound of a trash
5 compactor squashing the facts. Over the past year, there's
6 been a mass exodus of staff from the Corporate
7 Communications Division impacting both rank-and-file and
8 management staff.

9 Do longtime employees leave this division for an
10 entry level job? Yes, they do. Do newly hired supervisors
11 leave the division after only four months? Yes, they do.
12 Has senior management made any effort to address this
13 leadership issue? No, they have not. Where there's smoke,
14 there's fire, and this is a four alarmer.

15 There's also been numerous EEO complaints within
16 the IT Division effecting both rank-and-file and management
17 staff. This resulted in employees going out on stress
18 and/or medical leaves due to unchecked bullying.

19 Lottery management and HR closed their eyes to the
20 bullying and high turnover rate in IT which started with the
21 newly departed senior directors unfortunate hire. High
22 turnover was not just isolated to rank-and-file fleeing to
23 other jobs, it was even higher among managers.

24 From my perspective, and as a member of this
25 division, Lottery management turned a blind eye to a

1 flashing neon sign where IT culture suffered, talent and
2 staff departed, and the ability to recruit quality staff was
3 squashed like a pumpkin.

4 Lack of action in all of the examples I provided
5 today, is paramount to the Lottery leadership acting like an
6 ostrich. They bury their heads in the sand and hope the
7 issues go away, or even worse, pretend obvious issues do not
8 exist. Thank you.

9 **CHAIR GARRISON-ENGBRECHT:** Thank you for your
10 comments.

11 Next on the list is Sofia Andasola (phonetic).
12 And Sofia, can you please state your name for the record?

13 **MS. ANDASOLA:** Huh?

14 **CHAIR GARRISON-ENGBRECHT:** Can you please state
15 your name for the record?

16 **MS. ANDASOLA:** All right, my name's Sofia
17 Andasola. And I'd like to say bullies aren't just teenagers
18 in school, they're also adults in offices with nice titles,
19 who think they have the right to break the spirits of others
20 just so they can feel better about themselves.

21 I'm a 15-year-old Sophomore in high school, and
22 even I know better than to bully someone. At my school,
23 bullying in any way, shape, or form, is not tolerated. It
24 is investigated immediately, and action is taken. If I'm
25 caught bullying, I can face detention, suspension, and even

1 expulsion.

2 Bullying is very serious and hurtful. So, if
3 bullying is not allowed in school, why is it allowed at
4 work? No one, and I mean no one, should protect bullies,
5 and everyone should stand up for the victims.

6 So, at the end of the day, it's really simple.
7 What's right is right, and what's wrong is wrong. So, why
8 can't you get it right? Thank you.

9 **CHAIR GARRISON-ENGBRECHT:** Thank you.

10 Next speaker is Mike Ramos (phonetic), SEIU 1000.
11 And can you please state your name for the record?

12 **MR. RAMOS:** Absolutely. My name is Mike Ramos,
13 I'm a district sales representative and steward at SEIU
14 1000.

15 You know, we have heard this morning the question
16 of what is it going to take to effect change in the culture
17 of bullying and unprofessional behavior in Lottery amongst
18 all levels of management. We have seen multiple times brave
19 individuals like Adrian Yamas (phonetic) who testified
20 before this commission last year about the same abusive
21 behavior mentioned earlier.

22 In the hopes that it would be the push the Lottery
23 needs to effect change. Instead of seeing change, Adrian
24 was met with defamation and even accused in an email of
25 being a potential workplace shooter from local area

1 management.

2 I have chosen to speak today to further push the
3 dialogue and demand the Lottery fix the problem amongst it's
4 culture, amongst -- two managers, and truly focus on the
5 mission statement of raising supplemental funding for public
6 education. Thank you.

7 **CHAIR GARRISON-ENGBRECHT:** Thank you.

8 Next speaker is Anika Walls (phonetic). Can you
9 please state your name for the record?

10 **MS. WALLS:** Yes, thank you. Anika Walls. Good
11 morning, commissioners. My name is Anika Walls, and I'm a
12 disability evaluation analyst with the Department of Social
13 Services, and also the proud President of SEIU Local 1000.
14 The largest public sector union in California.

15 Our members provide -- our members are the every
16 day heroes that provide and help run all the essential
17 programs and critical services to Californians, including
18 funding the public schools generated from the work that our
19 members do here at the Lottery.

20 As a rank-and-file member, I have had my own
21 experiences with bullying and harassment from bad managers.
22 As president of Local 1000, I'm committed to doing something
23 about it.

24 Commissioners, you have just heard a series of
25 testimonials all of which speak to different pieces of what

1 you should see as a problem.

2 These are a few of the hardworking individuals
3 that have been attempting to help identify a problem that
4 has been ignored for far too long. Our goal is always to
5 solve issues at the lowest level, and for this reason, this
6 steward team has, on more than one occasion, set up meetings
7 with new directors to keep identified issues from coming
8 into the future.

9 Issues like denying union leave to our shop
10 stewards. Retaliation for union activity. Mistreating,
11 disrespecting, and dismissing members complaints. Covering
12 up and protecting management without proper investigation.
13 In fact, as you've heard, there's evidence showing that
14 management has attempted to cover up and conceal
15 information.

16 Researchers claim one in every three employees
17 will experience bullying at work. Experts say bullying
18 costs businesses over \$200 billion a year due to decreased
19 productivity, increased absenteeism, and high turnover
20 rates. All of which you've heard of today.

21 Perhaps the Lottery should consider the exodus of
22 employees, a microcosm of the issues experienced by both
23 rank-and-file and middle management alike. Our governor
24 would like to think of the state as an employer of choice,
25 commissioners, the majority of my members will disagree.

1 Not only are our members overworked due to the
2 high vacancy rates identified today, but they are also
3 mistreated while trying to provide these critical services.
4 Many of which we need ourselves. There is new leadership at
5 Local 1000, and we are committed to protecting our worker's
6 rights and working conditions.

7 And now more than ever, we are paying attention.
8 Departments like Lottery, DMV, Corrections, and even my own
9 Social Services will no longer be able to hide bad managers.
10 We are going to track and identify these bad actors. And
11 now more than ever, we are committed to --

12 **MS. ESTRELLA:** Time.

13 **MS. WALLS:** -- doing something about them. Please
14 work with us to stop this systemic problem. Imagine if your
15 work force enjoyed the Lottery --

16 **CHAIR GARRISON-ENGBRECHT:** You've (overlapping).

17 **MS. WALLS:** -- as much your consumers do. Imagine
18 your profits then. Thank you.

19 **CHAIR GARRISON-ENGBRECHT:** Thank you. Are there
20 any additional speakers? I'd like to turn it over to the
21 Director for some comments.

22 **DIRECTOR CHIMA:** Thank you, Chair. I just want to
23 reiterate to the commission and to the public that the
24 California Lottery takes all allegations of misconduct very
25 seriously. That said, it's wholly inappropriate for me to

1 discuss publicly any specific investigations regarding
2 confidential personnel matters.

3 I will say that at the Lottery, we investigate and
4 respond to all allegations in an impartial manner that
5 respects the rights of all parties involved. If anyone is
6 found to have violated policy, appropriate action would then
7 be taken. Beyond that, I won't be commenting any further.
8 Thank you.

9 **CHAIR GARRISON-ENGBRECHT:** Thank you, Director.
10 Thank you all for the time and for joining us today. This
11 meeting is adjourned. (Recording Ends)

12 **(MEETING ADJOURNED)**

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