

STATE OF CALIFORNIA  
TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION  
COMMISSION MEETING

TIME: 10:00 a.m.  
DATE: September 19, 2023  
PLACE: California State Lottery Headquarters  
700 North 10<sup>th</sup> Street  
Sacramento, California 95811

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**California State Lottery Commission**

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Keetha Mills  
Vice Chair of the Commission  
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Tiffani Alvidrez  
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**Tuesday, September 19, 2023**

**Sacramento, California**

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**CHAIR AHERN:** Good morning, everyone. We'll call our Commission meeting to order, and we'll start with the Pledge of Allegiance. If you could all please stand and join me.

*(The Pledge of Allegiance was recited.)*

**CHAIR AHERN:** Okay, Item Number 3 is, will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Present.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Present.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Present.

**MS. TOPETE:** Commissioner Rasouli? Chairman Ahern?

**CHAIR AHERN:** Present. All right. Thank you very much, and Item Number 4 is Consider Approval of the Agenda. Commissioners, does anyone want to suggest any changes to today's agenda in any respect? Okay, hearing none, do I hear a motion to adopt the agenda?

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

**CHAIR AHERN:** We have a motion, and is there a

second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

**CHAIR AHERN:** And will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Okay. Item Number 5 is Approval of the Minutes from the June 29<sup>th</sup>, 2023 Commission Meeting. Are there any corrections to the minutes? Hearing none, do I hear a motion to approve the minutes of the June 29<sup>th</sup>, 2023 Commission Meeting?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

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

**COMMISSIONER ALVIDREZ:** Second.

**CHAIR AHERN:** We have a motion and a second; will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Moving on, Item Number 6 is Informational Items, and we'll call on Alva Johnson to report, and then we'll also have a report from Jennifer Chan.

**DIRECTOR JOHNSON:** Good morning, Mr. Chairman and Commissioners --

**CHAIR AHERN:** Good morning.

**DIRECTOR JOHNSON:** -- members of the public and guests. I am pleased to present to you today my first Director's Report for the fiscal year, and we have good news. Total sales for these past two months are close to \$2 billion. This will be the fastest we have hit this sales milestone in Lottery history. If you saw or heard any news coverage of the past couple of months, it shouldn't be a surprise to hear that our jackpot games -- Mega Millions, Powerball, and SuperLotto Plus -- are the main sources for this better-than-expected start of the fiscal year. In July, one lucky ticket sold in downtown Los Angeles won the \$1.08 billion Powerball jackpot, which was the third-largest Powerball jackpot ever. And, fun fact, this means that

California has had a winner for each of the top three largest jackpots won in Powerball history. Mega Millions followed suit in August, reaching a jackpot of \$1.6 billion, which was a new record for the game. This marked the third Mega Millions sequence to roll past \$1 billion in just the past 13 months. SuperLotto Plus also set a record during the month of August, when its highest jackpot since September 2007 of \$82 million was hit by a ticket sold in Victorville, California. Individually, each jackpot game is significantly exceeding its goal through August. Combined, we are already coming close to hitting our six-month jackpot sales goal just two months into the fiscal year. Not to be overlooked, Scratchers are also selling well, contributing over \$1 billion to Lottery sales since the beginning of July. I am happy to report that Scratchers has continued to rebound from last year and had one of their strongest summers yet, coming in better than projected, and strong sales mean strong contributions. Through August, the estimated funds for Education are significantly exceeding our goal by 40 percent. This is even better than our sales performance, due to the strong summer for jackpot games, which had better profit margins. These estimates mark the strongest start to a fiscal year in Lottery history, exceeding last year's estimates by \$50 million. This concludes my report, and I can answer questions at any time.

**CHAIR AHERN:** Any questions? All right, thank you, Alva.

**DIRECTOR JOHNSON:** Okay.

**CHAIR AHERN:** Next, we have a report from Jennifer Chan.

**DEPUTY DIRECTOR CHAN:** Good morning, Commissioners.

**CHAIR AHERN:** Good morning.

**DEPUTY DIRECTOR CHAN:** I'm Jennifer Chan, and I'm the Deputy Director of the Information Technology Services Division and the Chief Information Officer. I am pleased to be here this morning to provide you with an overview and update of ITSD, the first since I started at the Lottery in January of 2021. ITSD provides a wide range of services in the Lottery to support business operations, everything from email, network, infrastructure, our public website, mobile applications, et cetera. In addition, we support over \$2.3 billion in IT contracts, so it's really important that ITSD is running smoothly and efficiently.

On this slide is an overview of how ITSD is currently structured. I'll provide a quick overview, but we have twelve main lines of business. Starting from left to right, on the left side is the Enterprise Transformation, Innovation, and Support branch. This is our strategy arm of ITSD. Within that are four units. The first is a Gaming



Application Support and Quality Management. This unit is responsible for customer acceptance testing of all of our gaming system applications. The Gaming Management Unit is responsible for vendor management of our largest contract or gaming system contract. They provide vendor management for that as well as for our Internal Control Services contract. Underneath is the IT Strategy, Policy, and Business Services area. This group provides support for IT policies. They do our IT procurements, and they handle the administrative functions for IT. The Enterprise Architecture Office is the most strategic arm of ITSD, and they're responsible for making sure that when we evaluate products, especially new products, that they are sustainable, reusable, and something that we can support within our environment.

Moving to the middle is our Technology Operations branch. This is the boots-on-the-ground branch, as I like to call it. Within it is the Infrastructure Administration and Support unit. This group is responsible for our servers, keeping our databases up to date, and maintaining those. Operations Support is our boots-on-the-ground folks. These are our service desks and telecom people that support all of Lottery operations. Network Engineering and Administration is responsible for our infrastructure with respect to our network, so they handle our firewalls, network and access switches, et cetera. And Cybersecurity

and Engineering handles and makes sure that they validate and look at any cybersecurity or security threats to the organization, and they provide our security controls for the organization.

On the far right is our Enterprise Platforms and Application Services. These groups are responsible for the critical applications within the Lottery. The Application Development and Support Unit is responsible for supporting our financial system, DocuSign, SharePoint, those critical applications. Digital and Interactive Services, they are responsible for our mobile applications and supporting our 24/7 public website. The Net (inaudible), Data Information and Analytic Services are responsible for our business intelligence, our data warehouse, reporting and analytics - everything related to data. And lastly, our Enterprise Software Administration and Support area is responsible for the main platforms that support the departments with this service now, which is our IT Service and management platform.

At the very bottom, you'll notice that there are two additional critical functions of IT. These two groups reside actually in the Executive Division and not ITSD. These are the Enterprise Project Management Office and the Information Security Office. The Enterprise Project Management Office is responsible for managing the projects

within the organization, and the Information Security Office is responsible for the IT security policies of the organization.

Whenever I join a new organization, one of the first things I do is assess where there are possible gaps in service and where there are improvements to be made, and what are the pain points, challenges, et cetera? I look at three main areas. Those three main areas are People, Process, and Technology, and within that, I evaluate each component within that end-line of business to see where improvements can be made in the organization.

Starting with People, the Lottery had a lot of risk. Most important was the loss of institutional knowledge with respect to the "silver tsunami" due to our aging workforce. IT was also significantly under-resourced, as technology over the past several years had outpaced the resource need, and the result of that were lots of single points of failure; the lack of "deep benches" to be able to pull talented staff from; and just being under-resourced overall. The other thing that ITSD, like many other State agencies, have to deal with is competition from other agencies, departments, and private-sector services for really talented and key staff.

Within People, we perform ongoing workload and capacity analysis. As you have probably seen over the past

three budget cycles, we have asked for additional resources and have been approved for that. While we are normalizing our positions and our resources, we continue to perform ongoing resource capacity and workload analysis to determine if we need additional resources, so we don't get to a point where technology outpaces our ability to keep up with it. We also have reorganized ITSD significantly to support long-term sustainability. That organizational slide you saw at the beginning showed three different branches of ITSD. When I first came aboard, there were only two branches in ITSD, and the result of that was a huge gap in service. We didn't have the ability to focus on our mission-critical applications and platforms, so we established the separate branch to support those platforms and applications. So, that's our Enterprise Platforms and Applications Services. The other area we identified where there were gaps was our inability to really service our remote offices and our district warehouses in a proactive manner. What we had been doing previously was reacting when something broke, or some issue came up that would send us back down to fix things. This left a lot of our district offices neglected. So, we went to Commission last year around this time and asked for additional positions to establish a Field Support Unit, and I'm pleased to announce that we soft-launched this unit at the beginning of this month. Also, with respect to people,

there is a need to do a lot of workforce development and succession planning. To that end, we have been working on building our line-of-business charters that clearly outline what the roles and responsibilities are for each of our different units, and really looking at the services we provide by each unit and determining if there are any overlaps or gaps in those services. And finally, we've identified that ITSD, in order to be competitive, we need to be an employer of choice. So, our focus has been investing in staff as our number one asset. It has been really important for us to increase our staff engagement, further develop our staff in management. We've done this through things such as monthly all-staffs and team-building activities. We've launched a departmentwide ITSD newsletter that really highlights ITSD's efforts but also introduces all of our new IT staff. We have also been placing a priority on recruitment and retention efforts. We know that the best way to hire a new staff is through word of mouth, so we've gotten some really great hires through that, but we've also done a lot of networking, and we're participating in job fairs. Additionally, to look at bringing in new talent, where possible, we are participating in apprenticeship programs, and we're currently participating in a statewide cybersecurity apprenticeship program. Just to demonstrate the good work that we've been doing in the

past two years in relation to our attrition and retention and recruitment statistics, you can see that we've lost five staff in the past two years, but of those, four left for promotions in other state departments, and one left for the private sector. We have been working hard to fill our vacant positions. We've hired 34 new staff in '21 and '22 alone. We've promoted ten staff internally, and, as I mentioned, with the "silver tsunami," we've had 13 staff unfortunately retire. To that end, we've been working to ask for additional positions, so, in the past two years, we've gained eight positions in 2021 and 15 in 2022, and you recently approved seven in this budget cycle. So, we're getting there with supporting our operations.

**COMMISSIONER MILLS:** Jennifer, what is the total staff in ITSD?

**DEPUTY DIRECTOR CHAN:** We currently have 137 budgeted positions.

**COMMISSIONER MILLS:** One-hundred thirty-seven, thank you.

**DEPUTY DIRECTOR CHAN:** Looking at Process, ITSD has historically been very reactive, and with that, it's not allowed us to be super-proactive to address things. So, we have been focusing on transitioning to being a really proactive organization. One of the things that you have seen in previous Commission meetings, and you'll hear me

talk about it more, is this "Enterprise Refresh." We have not been replacing our equipment on a regular basis, which leads us to operating on end-of-life, unsupported technology that creates work stoppage or operational issues, and/or has security risks associated with that. The other thing is we have not been very good at documenting our critical processes and procedures, so we have been working very hard on that work. As an example of that, when I came aboard, the Lottery had never had a fully executable Technology Recovery Plan. A Technology Recovery Plan is a plan that is the partner to a Business Continuity Plan, so in the event of a disaster, we are able to mobilize and support the critical business functions, most critical business functions, to keep the department running. I'm pleased to announce that we now have our first fully executable TRP that was completed in October of 2022 after a lot of hard work by the SNEs, and we have transitioned to doing Disaster Recovery and Tabletop drills now, so we can see how that TRP evolves over time, as it's a living document. The other thing I wanted to bring up is the need for stronger vendor and contract-management practices. This has been one area where the Lottery has needed to do a better job of holding our vendors accountable. So, as an example, in 2021 alone, we recovered over \$1.34 million in financial assessments from our Lottery's gaming system vendor. That was the

largest financial recovery in a single year. Related to that, in 2021 and 2022 alone, we actually assessed more in those two years than the previous five years -- 2016 to 2020 -- ever, so a lot of good work there. Where our vendors have been falling short on performance, we have issued multiple Corrective Action Plan requests to vendors to improve their deficiencies in performance, and that has proved to be very successful. We've updated our Financial Assessment Plan for our gaming system vendors, and as you'll hear later today, we're building in stronger contract language in our solicitations, as you'll hear when I present the PWS request.

**COMMISSIONER MILLS:** Jennifer, before you move to the next slide, can you say a little bit more about the financial assessment?

**DEPUTY DIRECTOR CHAN:** Sure. So, our Gaming System contract has a separate Financial Assessment Plan in there, so there are a lot of nuanced service-level agreements that the vendor must meet in order to fully meet performance. And so, one unit I mentioned, Gaming Management, that's their job. They evaluate the service-level agreements, and anytime the vendor misses a service-level agreement, we assess them based on that Financial Assessment Plan.

**COMMISSIONER MILLS:** Thank you.



**DEPUTY DIRECTOR CHAN:** Sure. As I mentioned, we've been focusing on standardizing our processes and procedures. We also, though, focus on centralizing where we can, as well. We stood up a centralized IT audit function in the Deputy Director's Office to really focus on making sure that we're being responsive to any audits or findings related to IT audits. We've been making revisions and implementing new IT policies and standards, we've standardized how we provision new users, and we've been focusing on a lot of strategy and roadmap planning over the next three to five years. Another area we've been improving in, is our customer service. We've implemented such things as a guest wi-fi service; a new service desk phone number that had disappeared when COVID hit; the ability to do electronic fax; and we've been piloting open-house meetings with our customers for them to give us feedback and us to respond back to them. And finally, we just released, at the beginning of this year, our 2023-2026 IT Strategic Plan and Balanced Scorecard. So, we aligned our Strategic Plan against the business objectives of the Lottery as an organization, but we also want to make sure that we are marking and measuring progress to meeting our own strategic objectives and performance. So, on a regular basis, we have a balanced scorecard where we report back our progress, and our first balanced scorecard is due to be published soon.

**COMMISSIONER MILLS:** Jennifer, can I ask a question on this slide, too? Can you say a little bit more about the IT audit function within the IT Department? We've been talking a lot about this on the Audit Committee, about how IT is so specialized, and how do we make sure that IT is included in our Internal Audit Plan, and how do we have the right expertise? So, I love seeing this, that we've got the function kind of set up within the Department. I wonder if you could talk a little bit about that, and then maybe talk a little bit about, like, how -- because one of the important parts of Internal Audit is not only the expertise, but kind of the independence, and so, I'm just really curious how that works.

**DEPUTY DIRECTOR CHAN:** Sure. Okay, so, we don't actually audit ourselves; that's not what we do, but that internal centralized audit function, as we partner very closely with our Internal Audits area, and so, any time an audit comes up, whether it's the Controller's Office audit, a Multi-State Lottery Association (MUSL) audit, or, like, an internal audit, the Internal Audit's functions, any time they do any audit, this audit function and my office will work with the respective SNEs to make sure that we're being responsive to the audit, that we have the right SNEs available to answer the questions, and then once the audit report is finalized, this audit function tracks any sort of

corrective actions that we need to take, make sure that we are meeting those corrective actions, and that we're reporting back, again, working with the respective SNEs to report back to Internal Audits, and then Internal Audits compiles everything. Separately, Internal Audits does a regular review of all the risks and potential areas to audit when they develop their annual Audit Plan, so we participate in that process, and we work with them with their criteria to rate which areas we deem our most critical, when have they last been audited, not been audited? Do we deem it's an area that needs to be audited? So, we provide that sort of guidance and feedback as well.

**COMMISSIONER MILLS:** Super-helpful, thank you.

**DEPUTY DIRECTOR CHAN:** Sure. Looking at Technology next, the Lottery had been operating on a lot of legacy, end-of-life and end-of-support technology, which has resulted in a significant amount of technical debt, and with technical debt comes security risks. So, the Lottery has been doing a lot of work in this space. ITSD has been doing great work as well. One of the things, for example, is we've decommissioned one of the Lottery's oldest and most vulnerable system, which was a retailer website. Believe it or not, since the inception of the Lottery, the Lottery did not have a backup Internet circuit, which was a single point of failure if something happened, so that has been

implemented as well. We have rolled out a lot of increased security features such as multi-factor authentication. We've upgraded our physical security system. We've done single sign-on, and we've upgraded different areas, such as the gaming system back-office applications and our financial system, Epicor, in conjunction with our Enterprise Project Management Office. As we look at Technology, we have been focusing very heavily on modernization efforts. We've been able to automate the background-check service. We've integrated teams in Lifesize to provide virtual capabilities in our conference rooms. We are in the midst of transitioning to a SoftRound capability. We've completed all of our remote offices and will be transitioning headquarters in early October. And again, we've partnered with EPMO to roll out a brand-new Instant Ticket vending machines, our GT 20s and 28s, with our partners in Sales and Marketing. And finally, we've been very proactive in implementing a lot of new security tools, monitoring tools, threat assessment tools, to increase our security posture.

So, for the future -- I mentioned our 2023 to 2026 IT Strategic Plan -- our five main objectives in there are to promote an enterprise approach and transparent communication; secure and protect our technology and our information assets; enhance our employee experience, going back to "our staff are our number one asset;" promoting the

innovation and digital transformation; and really improving the excellence we provide in customer service. With that, over the next three to five years and hopefully some in the near future, in the area of People, as needed, you may see us come for additional resource requests as we do our capacity assessment and if we determine we need more resource requests. We are doing continued engagement with our staff on focusing on workforce development, succession planning; that retention and recruitment is super-important as well, and we'll be completing much of our critical documentation for process and procedures.

**COMMISSIONER MILLS:** Jennifer, what's an LOB Charter?

**DEPUTY DIRECTOR CHAN:** Line of Business. Also, within Process, we will be doing continued Disaster Recovery and Tabletop drills. We will be rolling out a centralized IT work intake before the end of this year, and that will allow us to better rationalize our IT Portfolio, and we'll also be introducing how we do Portfolio Governance within ITSD. Other areas that we're looking at for continuous process improvement is making sure that we have the processes to support major incident management, looking to see if there's a need for after-hours support and service, and other areas that we can make improvements in. One of the areas that has long not been paid attention to is data.

So, we have three projects that are in different stages of flight related to data governance; data reporting; taking a look at data retention; and how we can fill data requests. So, those are three important projects we currently have in progress. Within Technology, we will be continuing to migrate to the Cloud to increase our resiliency and redundancy and security posture. One of our efforts currently in flight is SharePoint Online. That's a migration to -- offramp to in-the-Cloud SharePoint. We are partnering with our Human Resources Division. You heard me present this Spring for the HR Modernization Projects; we're partnering on that modernization effort. And we have a number of analyses and projects in progress right now to look at customer relationship management, Enterprise Resource planning, and how we can expand our existing technology platform for service now. And the work doesn't stop. We are also looking at making sure we have better resiliency for our network. You'll hear me talk about continuing to address technical debt through the Player Direct Second-Chance Upgrade later today, and we are continuing to work on making sure that our network and our infrastructure are as robust and secure as possible by doing operational improvements, refreshing equipment, and migrating into the Cloud where necessary.

So, in summary, we've done a lot of work in the

past couple of years. There's still a lot more work to do, but I just wanted to take a moment and an opportunity to really give a shout-out and thanks to my team. None of this would have been possible without their hard work, their dedication and commitment, whether it be boots on the ground; my service desk; behind the scenes, my network and server support; to my different analysts and management teams. So, they've done an amazing job in the past couple years. I continue to be impressed by them, and I just want to say that it's an honor, and I'm very proud to be able to work beside this group. So, with that, I hope I've provided you with a good overview of ITSD, and I'm happy to answer any questions you may have.

**CHAIR AHERN:** Any Commissioners have any questions? Okay.

**COMMISSIONER MILLS:** Jennifer, that was an amazing presentation. Thank you, and thank you for your leadership over this eminent body of work. You have clearly been very busy, so thank you to you and your team. I just want to say how much I appreciate this comprehensive level of detail, the transparency that you presented, your focus on the overall assessment and risk assessment and continuous improvement; it's so very important. And these infrastructure-type things are not always the most glamorous to talk about and focus on, but they're so

incredibly important, and the work that you and your team are doing in ITSD and even more efficient you can be, the more money we have for Education; the more efficient you can help your teammates to be across the organization, the more money we have to contribute to Education, so it's super-important, and the last thing I'll say is that it's super-helpful for me as a Commissioner, and I hope my fellow Commissioners agree. You know, we get so many contracts put in front of us, and it's just, like, one contract that we know is part of this big, mammoth operation, and so to understand the operation and how the contracts fit in to the operation is just super, super-helpful to help me do my job, so thank you.

**DEPUTY DIRECTOR CHAN:** Thank you.

**CHAIR AHERN:** I have a couple questions for you. Is your ITSD unit and division totally separate from the California government IT people, or do you collaborate?

**DEPUTY DIRECTOR CHAN:** So, we're not separate in the sense that I actually participate on the State IT Executive Council. I'm a representative for all the independent departments out there. That said, the Lottery and IT Department is exempt from most of the State requirements. That doesn't mean that I don't network and that I don't reach out, and we don't leverage the department technology where needed, and, you know, where we determine



we need additional assistance, and from our security sites, we do get their alerts, and we do evaluate and assess them and implement the necessary controls when they come through.

**CHAIR AHERN:** And so, we get to use their expertise and collaboration as well. Okay, thank you. And does the Lottery Act have the redaction requirements for the storage of data?

**DEPUTY DIRECTOR CHAN:** I'm not aware of anything within the Lottery Act. I can tell you, as I mentioned previously, we're working on a number of projects to work on data retention, and that's a hot topic right now with respect to that and what we keep and how long we keep it.

**CHAIR AHERN:** Okay, so because we keep so much data, are there backup systems to that data, and are they independent of the Lottery?

**DEPUTY DIRECTOR CHAN:** We do have backup systems. We have a secondary backup site, and then our vendors have secondary backup sites as well offsite where they back up data.

**CHAIR AHERN:** All right. And I saw that (inaudible), Defender of Cloud. I didn't understand that.

**DEPUTY DIRECTOR CHAN:** It's just an application that helps us monitor threats to the Cloud and any sort of security events that we receive related to our Cloud applications.

**CHAIR AHERN:** Okay. All right. Thank you very much. Any other questions? You did a wonderful, wonderful job. Thank you.

**COMMISSIONER GARRISON-ENGBRECHT:** I'd just echo Commissioner Mills' comments that, I just, kudos to you and your team. I think since I've joined the Commission, I think you've had a contract proposal memo every time, and so I think I got to see firsthand your diligence in improving the systems, and I really appreciate your summary today; thank you.

**DEPUTY DIRECTOR CHAN:** Thank you.

**CHAIR AHERN:** All right, moving on, we'll go to Item Number 7, Consent Calendar. There are no items under the Consent Calendar, so we'll proceed to Action Items, Item Number 8. We'll start with Action Item Number 8a, Investment Policy and Investment Strategy by Nick, and Nick, you're much more handsome than a few minutes ago.

**DEPUTY DIRECTOR BUCHEN:** Yes. Glad you noticed. Good morning, Commissioners. So, Action Item Number 8a is the Lottery's Investment Policy and Investment Strategy, and these ensure sufficient cashflow to make scheduled payments to certain Lottery prizewinners. The recurring payments are for our jackpot winners who choose the annuity payout option as opposed to the lump sum payment for SuperLotto Plus, Mega Millions, and Powerball, and for the top prizewinners of

Scratchers games that offer an annuity payout option. The Lottery's Investment Policy requires both our Investment Strategy and Policy to be reviewed and approved by the Commission annually. Our Investment Policy lays out the requirements of our Investment Program, which revolve around timeliness of payments to our Lottery annuity prizewinners and safety of principal. The policy includes permitted investment categories and places limits on certain securities to promote diversification and to reduce risk. The Investment Policy also includes requirements pertaining to changes in credit ratings as well as the reinvestment of securities within our portfolio in certain situations. The Lottery's Investment Policy requires our review annually to ensure that its guidelines remain consistent with current principles and standards for the investment of funds managed by a public entity. We review all investments within the Lottery's portfolio to ensure that each continues to comply with the provisions of our Investment Policy. So, I'm certifying today that we've reviewed and verified all elements of the Lottery's Investment Policy for this year, and we are recommending no changes. The Lottery's Investment Policy provides the framework for the particular Investment Strategy that we utilize, and this is the second part of this agenda item.

The Lottery's Investment Strategy focuses on two

main areas, Activity and Maintenance. The investment activity ensures sufficient cashflow to make scheduled payments to our top prizewinners who choose the annuity payout option, and the other aspect of our strategy is maintenance of our investment portfolio, which includes ongoing monitoring and mitigation of potential investment risk. Our current Investment Strategy, which has remained unchanged for more than 13 years, is to purchase United States Treasury Bonds for new annuity prizewinners, and we do this because these investments are backed by a repayment pledge from the United States government, which means they are essentially risk-free. Under our Investment Strategy, we time the maturity of our investments with the scheduled payments of the annuity prizes. Our Investment Strategy continues to focus on keeping our investment portfolio safe and secure. And the primary function of both our Investment Policy and Strategy is to ensure the investments yield only what is needed to make the scheduled annuity payments, so this is why we typically acquire such conservative securities. However, the Investment Policy allows us to look for opportunities to leverage other investment types with more risk to ultimately provide more funding to public education when it clearly makes sense to do so. So, we recommend the Commission approve the Lottery's existing Investment Policy and Investment Strategy. I'm happy to

answer any questions.

**CHAIR AHERN:** All right. Thank you. Do any Commissioners have any questions or comments regarding Action Item Number 8a?

**COMMISSIONER MILLS:** Thanks, Nick, for the presentation. I'm curious; do we know how our Strategy and Policy compare to other statewide lotteries? Are there other lotteries doing things differently, and how do we compare and contrast?

**DEPUTY DIRECTOR BUCHEN:** So, within the lottery industry, the majority are like us, where we're part of the state governments. There are some that are more private-sector, so certainly within the state government, in our comparisons to those, we're right in line. Frankly, for some in the private sector, I'm not aware that they have their own investment shops that do kind of day trading, but that would surprise me. I mean, each lottery has a distinct mission to provide to their beneficiaries, so to the extent you had it going outside of that to get a little more creative to find ways to give money to your beneficiary that are outside of sales and your fundamental product, then that's kind of getting away from why you were set up, so I don't know for sure, but that would surprise me.

**COMMISSIONER MILLS:** Great, thank you.

**CHAIR AHERN:** Any other questions? All right.

Does any member of the public want to address the Commission at this time regarding Action Item Number 8a? Seeing none, do I hear a motion to approve Action Item Number 8a, Investment Policy and Investment Strategy?

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

**CHAIR AHERN:** We have a motion to approve; do we have a second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

**CHAIR AHERN:** We have a motion and a second; will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right. We'll continue on with Nick with Action Item Number 8b, Insurable Risk Analysis.

**DEPUTY DIRECTOR BUCHEN:** So, the Lottery's Insurable Risk Policy requires us to conduct a comprehensive enterprise-wide analysis every five years to ensure that we are tracking the appropriate risk exposures for the organization and are most effectively managing our insurable

risk. Insurable risk is a type of risk for which an insurance provider can charge a large enough fee to cover both the expected risk exposure and the expenses of the insurance provider. We conducted the most recent analysis, which is the attachment to this issue memo, in coordination with an External Risk and Insurances Services contractor. The analysis identified nine major categories that represent the Lottery's most significant insurable risk exposures, and these are property losses; general liability; automobile liability, including physical damages; crime liability; loss from errors and omissions; professional liability; workers compensation; cybercrime liability; and advertising injury. For each identified insurable risk, the analysis includes a needs assessment rate and an estimated maximum probable dollar exposure. In addition to the identified insurable risks, the analysis considered two provisions within the Lottery Act that shape our approach to insurable risk managements, and these are the 13 percent cap on administrative expenses and the prohibition on the Lottery receiving funding from the State. And the analysis also considered the Lottery's capital expense capabilities, which provides the organization with the ability to manage the highest and least likely type of catastrophic loss without the need to request other State funds. Based on the analysis, we recommend continuing with a combination of

self-insurance and purchasing insurance to appropriately manage the Lottery's risk. Specifically, we recommend purchasing insurance coverage for property losses for our own facilities; automobile liability; excluding physical damage; and workers compensation. We recommend self-insuring for general liability; automobile physical damage; crime exposures; loss from errors and omissions; professional liability; cybercrime exposure; and advertising injury. To determine which risks should be transferred to an insurance provider versus which risks should be self-insured, the analysis recommends continuing with a risk exposure threshold of \$15 million. Exposures of \$15 million and below constitute losses that the Lottery didn't absorb within our unallocated administrative expense, and this can be done during the vast majority of fiscal years without violating Lottery Act provisions. Any risks that are identified to be above \$15 million will generally be transferred to an insurance provider, but there are a few exceptions to these thresholds, as noted in the analysis. Specifically, we are recommending continuing to pay for coverage for automobile liability, excluding physical damage through the Department of General Services, DGS. And this is despite the Lottery's probable maximum loss from this type of exposure being estimated at \$300,000. This recommendation is due to DGS being a cost-effective option



and providing much better coverage than can be found in the private sector. And similarly, the Lottery participates in the State Compensation Insurance Fund, and this is to meet the statutory requirement that each California employer maintain insurance for workers compensation, and we do this despite the estimated probable maximum loss from this exposure being estimated at \$1.2 million. And on the other end of the spectrum, we recommend self-insuring for our exposure to crime, including third-party theft, although this has an estimated maximum probable exposure of \$20 million. And this estimated maximum probable loss is so high because of the apparent risk of theft with the more than 23,000 retailers that sell Lottery products. Our recommendation to self-insure for this is due to the Lottery continuing to invest staff resources into monitoring, researching, and reporting abnormalities and ticket inventory provided to retailers to limit the crime exposure. In addition, the Lottery maintains a cross-divisional Retailer Relations Committee that meets regularly to discuss areas of potential retailer risk and mitigation strategies. Although we are currently recommending self-insuring for cybercrime, the Lottery is in the process of obtaining quotes for cyber perils, and this is because this Lottery has multiple exposure points to cybercrime, and this was rated as a high-level needs assessment in the analysis. A

cross-divisional team will consider the cost and coverage of this insurance, the exposure amount, and alternatives to aid in determining if the Lottery should continue to self-insure for cybercrime or to purchase insurance. And lastly, the analysis recommends maintaining a \$5 million reserve for insurable risk within the Lottery's annual budget. Although this amount has not changed in the last 10 years, the reserve can be used to cover the majority of risks for which the Lottery has elected to self-insure, as well as to pay the deductibles for the risks for which we are purchasing insurance. So, with that, we ask the Commission to approve the recommendations included in the analysis to appropriately manage the Lottery's insurable risk. These recommendations should enable the Lottery to maximize the contribution to public education, and with that, I'm happy to answer any questions.

**CHAIR AHERN:** Any questions?

**COMMISSIONER MILLS:** Thanks, Nick, for the presentation. I wanted to talk just a little bit about the cybercrime. It sounded like the third-party evaluator recommended that we ensure for that, and you're recommending that we self-insure. You put a team together to investigate further what the insurance options are, and so you may or may not come back with a different recommendation? Is that --

**DEPUTY DIRECTOR BUCHEN:** Right.

**COMMISSIONER MILLS:** Okay. I wanted to make sure I understood that. And then the other thing I think I heard you say is that this assessment happens once every five years, and so, as it relates to the cybercrime, it just feels like the cybercriminals are just so crappy, and that's changing so rapidly, and I wondered, as you've put together this team, if that's something that this team could maybe evaluate maybe on an annual basis or more than once every five years to evaluate the insurance coverages that are available in light of the risks that are there, to make sure that we're covered given just how rapidly that changes.

**DEPUTY DIRECTOR BUCHEN:** Yes, for sure. So, I did provide that feedback to the team, and regardless of if we choose to remain with self-insuring, or if we purchase insurance, like you said, the environment changes so frequently that it would make sense to analyze this much more frequently than every five years, so.

**COMMISSIONER MILLS:** Thank you.

**CHAIR AHERN:** I, too, have some questions for you regarding cybercrime as we talked about in our briefing, and I'm reviewing your informational items that you have here on Page 8 about cyberterrorism and phishing. So, do we provide a regular training to Lottery staff people on the risk of opening the documents and things of that nature?

**DEPUTY DIRECTOR BUCHEN:** Yes, so there's actually a mandatory Security Training in which you're automatically enrolled each month, and it goes out to all Lottery employees, and if you don't take it, there's a follow-up that occurs to ensure that happens, so, yes, the Lottery is very diligent about ensuring that staff are aware of the latest threats and how to potentially avoid those.

**CHAIR AHERN:** All right. And I see that our estimation has at least doubled, from \$5 million to \$10 million to \$25 million, and we have outside insurance. Does that insurance also provide us with some advice and review on what they're seeing, and what we can do to prevent and be proactive?

**DEPUTY DIRECTOR BUCHEN:** So that's one of the elements that we're looking at with the cross-divisional team that's looking into this. The insurance providers do have different aspects to their coverage on different elements. So, I'm honestly not aware of any that have built in their own arm of being proactive and helping; it's more reactive, but like I said, I know we have our own security staff who do an amazing job of being proactive to help us.

**CHAIR AHERN:** Okay. All right. Thank you. Any other questions? All right. Does any member of the public want to address the Commission at this time regarding Action Item Number 8b? Seeing none, do I hear a motion to approve

Action Item Number 8b, Insurable Risk Analysis?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

**CHAIR AHERN:** We have a motion to approve; is there a second?

**COMMISSIONER MILLS:** Second.

**CHAIR AHERN:** We have a motion and a second; will the Secretary please call the roll?

**MS. TOPETE:** Yes. Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes.

**DEPUTY DIRECTOR BUCHEN:** Thank you.

**CHAIR AHERN:** All right, thank you very much.

Next, we'll go to John Lowden, and we have Action Item Number 8c, Motorola APX 8000 Radios and Associated Equipment Purchase. Good morning.

**DEPUTY DIRECTOR LOWDEN:** Good morning, Chairman and Commissioners. How are you?

**CHAIR AHERN:** Very good, thanks.

**DEPUTY DIRECTOR LOWDEN:** Good to be here. Action Item Number 8c, Motorola APX 8000 Radio Purchase. The Security and Law Enforcement Division, SLED, is requesting

the California Lottery Commission approve an agreement with Motorola Solutions, Inc., for the purchase of 55 Motorola APX 8000 radios and associated maintenance services for assignment to SLED peace officers Statewide. The mission of SLED is to promote and ensure the integrity, security, honesty, and fairness of the operation and administration of the Lottery pursuant to the California Lottery Act. As such, SLED peace officers rely on radio communications to effectively perform their required duties and ensure their safety and the safety of those they interact with. In order to be effective, SLED peace officers need radio communication with the California Highway Patrol, as well as local law enforcement agencies Statewide to perform their official duties. SLED's existing radio inventory is over 10 years old and has exceeded its useful life, with no maintenance options available. As such, the supply of radios that SLED has are either nonfunctional or do not hold a battery charge for even a short period of time. The purpose of these radios would be to allow SLED the ability to join the California Radio Interoperable System, CRIS, managed by the California Governor's Office of Emergency Services. The CRIS Program was established in 2019 as part of a strategic effort to leverage the most advanced radio technology available on the market today to create a more robust and effective communication tool at the disposal of

California's first responder community. When fully developed, the CRIS will provide radio coverage to over 90 percent of the State's population and over 60 percent of the State's geographic footprint. This CRIS addition would increase safety and efficiency with field investigations, Headquarters operations, and Lottery events by giving SLED personnel the ability to communicate directly with jurisdictional law enforcement agencies. This would decrease response times to emergencies and enhance coordination of resources. The Lottery is utilizing a leveraged procurement agreement through the California Department of General Services for this contract. In compliance with the rules of the LTA, the Lottery determined Motorola Solutions to be the sole permissible contractor, utilizing the existing Statewide contract with the California Department of Technology. The agreement, if approved, will commence for a term of three years, which is inclusive of radio equipment, programming, encryption, Wi-Fi inclusion, wireless accessory kits, and a maintenance agreement at a total cost of \$543,762.02. Thank you, and I'm happy to answer any questions.

**CHAIR AHERN:** Thank you. Do any Commissioners have any questions regarding Action Item Number 8c? Okay.

**COMMISSIONER MILLS:** Thank you, John, for the presentation. In the write-up, it seemed like this

particular set of equipment has reached end-of-life and this critical period if it needs to be replaced now, and I wondered if you could talk a little bit about maybe procedures or policies that have been in place to make sure that this type of critical equipment gets reviewed more frequently and maybe doesn't get to the place that it is now where it's like an emergency that it needs to be replaced?

**DEPUTY DIRECTOR LOWDEN:** Sure. Yes, that's a good question, and it's fair. Yes, so, we've identified the need, obviously. We're at year 10, which is not ideal for any type of technology, especially critical components such as radios that peace officers use as their primary means to communicate what's going on. So, in this particular case, we've identified a few earmarks. One is the maintenance contract itself. It's a three-year contract. We had the option of looking at a one-year contract or perhaps a seven-year, but most feasible is about a three-year, a three-year mark at the end of that contract is a good benchmark to address where you're at with your equipment and your technology, so that's Option A. The second component, now that we have a stable leadership team within SLED, is to incorporate all of our technology, not just radios, but equipment, anything that is perishable or that would depreciate, or just is no longer valid within our internal audit system, and that's conversations that we've had



internally, and we intend to address in formal replies within the SLED Division itself. And then the third and most practical way of incorporating this technology so this doesn't happen 10 years from now is obviously to include it in the Strategic Plan, which, since my assignment, I've learned that that is a good thing to do. It's on the to-do list, and I'll be more than happy to work on that and incorporate technology, computers, perishable equipment. All of those things are and should be a part of your Strategic Plan, so they will be addressed.

**COMMISSIONER MILLS:** Wonderful, thank you.

**CHAIR AHERN:** All right, and I think the California Department of Justice stepped up some new regulations regarding encryption, so I'm glad to see that SLED is also following that guideline as well.

**DEPUTY DIRECTOR LOWDEN:** We are, and we are working through this purchase with Cal OES so that we're in full compliance.

**CHAIR AHERN:** Okay. And I know -- I love that about this radio programming that you guys are doing. Are your SLED people made aware of the areas from Motorola mapping, the areas that are not covered, like in the mountain ranges and certain areas of the State?

**DEPUTY DIRECTOR LOWDEN:** Yes, so we'll have to do training with all SLED personnel for these particular

radios. This will be new. Interoperability is going to be new to SLED. I have experience with it, so we'll definitely have to know where our gullible points are because there always will be, and being able to identify alternate resources for communication when you are within those areas.

**CHAIR AHERN:** And does Motorola provide us with a future mapping on covering of those difficult areas?

**DEPUTY DIRECTOR LOWDEN:** That, I'm not too sure about mapping from Motorola. I don't know. I can circle back with you on that, though.

**CHAIR AHERN:** I'd be interested in that, just to make, if they have some ideas on additional towers, or --

**DEPUTY DIRECTOR LOWDEN:** I would hope so, but I would assume that that's much like Ebert's, but that would be within the CRIS system, and they would have identified that. Seeing that this process started in 2019, I would hope to believe that they have identified some of those vulnerabilities within the CRIS program, not necessarily Motorola, but in conjunction with Motorola, I'd assume.

**CHAIR AHERN:** On that, I do find it very appropriate that you're doing this in September, because their operabilities started after 9-11, so great work on your part. Thank you.

**DEPUTY DIRECTOR LOWDEN:** Yes, sir.

**CHAIR AHERN:** Okay. Any other questions? All

right, does any member of the public want to address the Commission at this time regarding Action Item Number 8c? Seeing none, do I hear a motion to approve Action Item Number 8c, Motorola APX 8000 Radios and Associated Equipment Purchase?

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

**CHAIR AHERN:** We have a motion to approve; is there a second?

**COMMISSIONER ALVIDREZ:** Second.

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

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Thank you very much, John. All right. Our meeting wouldn't be complete without Jim, so Action Item Number 8d, Advertising Tracking Services Contract.

**DEPUTY DIRECTOR HASEGAWA:** All right, thank you. Thank you, Mr. Chairman. Good morning, Mr. Chairman and Commissioners, Director Johnson. I'm presenting an

issue memo that recommends approval to award a four-year contract with Ipsos for Advertising Tracking Services. This type of specialized research assesses a marketing campaign after it has run, and it monitors all the different types of executional elements that are part of the campaign, everything from television spots to home billboards, to social media posts. It allows the Lottery to determine the campaign's effectiveness and make decisions such as whether to air these campaign elements in the future as is, or to make modifications or enhancements to these executions before airing again, or to not air them again at all and develop new executions. The types of measures collected in these studies include recall of the advertising, so, do people remember seeing it when we show them clips? We don't show them, in the case of television, the whole spot; in the case of television, the proposed methodology from the vendor is to show nine different still photos from the commercial. So, do people recall seeing the advertising? Importantly, brand linkage: Can consumers recall or name the brand as actually the sponsor of the advertising, which makes it ultimately effective? People might remember the ad, but they don't know who it's from; how effective can it be? Other measures include the engagement or kind of connection the executional elements have to the individual, and finally, the campaign's potential persuasion. Now, these

studies have proved very valuable to the Marketing Team in the past, and so we do have a current contract for these types of services, and it will expire on October 31<sup>st</sup> of this year. As such, a new procurement was conducted. An RFP was issued on May 25<sup>th</sup> with proposals being due on July 10<sup>th</sup>. The Lottery received six proposals by that deadline. Now, the proposals were rated on these factors during the first phase of rating, what's called the rated submittals: the company's qualifications to conduct this type of research; the specific research design and methodology proposed by the vendor; how the vendor would analyze and report the results; and the project timeline and how they would manage the project. For these rated criteria, Ipsos provided the strongest proposal and the strongest research design of all six bidders, and therefore received the most points in the rated submittal section. In particular, I want to point out that Ipsos has a bank of more than 2,000 ads, some with various lotteries, but most importantly, most of them are from other industries. And this bank of 2,000 ads means that they've been tested with the same methodology, and that allows us to understand our numbers and how they compare to this bank. Is it above average, at norm, or, not performing as well as other ads have done? Other bidders either did not have this kind of normative data bank for comparison, or some actually proposed building one if they were awarded the

contract. And in one case, the bidder did not have as robust a bank of ads with comparison. In that case, they had ads from lotteries and gaming companies only, and those were from those in Canada. Ipsos also provided a significant added value in terms of diagnostics that will afford the marketing team rich insights to be able to enhance or optimize the advertising executions. Also, Ipsos provided insights from their vast experience in evaluating advertising campaigns. Now, proposals that received a score of at least 38 points out of a possible 75 points advanced to the cost-evaluation phase, and two firms achieved these scores and had their cost proposals evaluated. In this phase, the business costs were just seven percent higher than the lowest bidder, and when you add together the scores from the rated submittals and the cost to determine the proposal with the best value, Ipsos had the highest score. Now, I do want to point out that Ipsos currently does hold a contract for these services, and we compared the project cost from this new procurement with those from the existing contract, and the average project cost would increase by about 10 percent. However, given that the current pricing was set back in 2018, and there has been significant inflation in the past year or so, and that the new contract requires additional research and analysis in the area of ad diagnostics, again, so as a result, this increase seems very

reasonable. Now, this contract will have a term from November 1<sup>st</sup>, 2023, through October 31<sup>st</sup>, 2027, with a contract expenditure authority not to exceed \$860,000, and that's based on the current pace of campaigns done by the Marketing Team. And so, we seek the Commission's approval of this contract, and I can answer any questions at this time.

**CHAIR AHERN:** Okay, thank you very much. Do any of the Commissioners have any questions regarding Action Item Number 8d? No questions. Does any member of the public want to address the Commission at this time regarding Action Item Number 8d? Seeing none, do I hear a motion to approve Action Item Number 8d, Advertising Tracking Services Contract?

**COMMISSIONER ALVIDREZ:** Motion to approve.

**CHAIR AHERN:** We have a motion to approve; is there a second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

**CHAIR AHERN:** There's a motion and a second; will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes.

**DEPUTY DIRECTOR HASEGAWA:** Thank you very much.

**CHAIR AHERN:** All right, Jim, thank you. Up for another appearance, I have Jennifer Chan, Action Item Number 8e, Internal Control System Contract Renewal.

**DEPUTY DIRECTOR CHAN:** Okay. Item Number 8e is a request to enter into a new contract with Elsom Consulting for our Internal Control System Services. Internal Control System is a system that independently validates our gaming system transactions in real time. It's a requirement for the Multi-State Lottery Association, also called MUSL, and the World Lottery Association, also called the WLA. This is required in order for the Lottery to be able to sell its games. The ICS, as I mentioned in my overview earlier, is also one of the Lottery's mission-critical systems. As some background, since its inception in 2014, ICS services were included in the original gaming system contract along with Lottery tax documentation and preparation services. During that period of time, the gaming system vendor actually subcontracted with Elsom to provide those services; however, those services were later broken out due to an audit finding in 2012. The audit finding was related to the independence of an entity being able to provide internal control system



services. So, as a result, the Lottery directly contracted with Elsom for those ICS services with the original contract expiring in 2019. In 2019, the Lottery extended its contract with Elsom for an additional four years, which brings us to this upcoming expiration in October of 2023. In preparation for this, the Lottery performed a sensitive market research to evaluate different alternatives, including looking at other options available and leveraging information from other state jurisdictions and what they use, as well. It was determined that Elsom is the only vendor that can meet the Lottery's needs. I should mention that there are other task documentation and preparation companies out there, but there are only two vendors that provide these services in the Lottery space, with Elsom being one of them. Additionally, Elsom provides proprietary services for two systems that are part of this ICS contract, Those two systems are proprietary to California, so that's another reason only Elsom can meet the Lottery' needs. Therefore, Lottery staff recommend that the Commission approve a five-year contract with Elsom and two one-year extension options. The total contract amount is \$1,776,749, with the five-year term beginning October 14<sup>th</sup> of 2023 and ending October 13<sup>th</sup> of 2028. And I can answer any questions you may have.

**CHAIR AHERN:** Do any Commissioners have any

questions regarding Action Item Number 8e?

**COMMISSIONER MILLS:** I have a question. Thanks, Jennifer, for the presentation. Can you talk a little bit about, in your research, the work that you did to ensure best price, given that this is really the only firm that can work on a couple of the proprietary areas of the system, and so how do we make sure that we're getting a good deal?

**DEPUTY DIRECTOR CHAN:** Sure. So where publicly available, we did look at costs provided by other jurisdictions for these types of services, but with respect to the proprietary systems, what we did was we did an analysis of the existing contracts that Elsom had and what they charged for these services, and then we did a cost comparison on their new proposal to make sure it was reasonable and comparable for the period of time being provided, and then also looking at the duration and then the change in time to evaluate any cost increases to make sure they were fair and reasonable.

**COMMISSIONER MILLS:** Great, thank you.

**DEPUTY DIRECTOR CHAN:** Sure.

**CHAIR AHERN:** Any other questions? All right. Does any member of the public want to address the Commission at this time regarding Action Item Number 8e? Seeing none, do I hear a motion to approve Action Item Number 8e, Internal Control Systems Contract Renewal?

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

**CHAIR AHERN:** We have a motion to approve; is there a second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

**CHAIR AHERN:** A motion and a second. Will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Don't go anywhere, Jennifer. We are going on to Action Item Number 8f, Copier Refresh.

**DEPUTY DIRECTOR CHAN:** Item Number 8f is a request for approval to purchase 69 new Sharp copiers and printers with a five-year maintenance agreement as part of our ongoing Enterprise Refresh effort. You've heard about this in a previous Enterprise Refresh effort earlier in the year, when we brought to you a request for laptops. That was the first phase of this. This is our second phase, and we're bringing in copiers and printers into this Refresh project. This Refresh project is necessary for us to be able to be proactive to address end-of-life and end-of-

supported equipment, as well as being able to being able to forecast for future budget needs. Specific to the copiers and printers, over 80 percent of our equipment that is in circulation today is end-of-life. The impacts of these end-of-life and unsupported copiers are security and maintenance risks; work stoppage; they don't have the current technology to provide the security standards that we need, and they can't do basic tasks. In completing this Refresh, we will be reducing our overall fleet through the consolidation and phasing out of what we call our small-formed network printers. With these multi-function, they do by assist, these multi-function devices do have the copy, print, scan capabilities, so we're consolidating for that. Additionally, these new printers have the ability for higher volume and better-quality devices, and this will support our ability to take claims at the DOs by the check-printing pieces of that. This process to replace outdated copiers began in Fiscal Year 2021-22. We leveraged a Statewide contract for that, and we did an evaluation of copier technologies and decided at that time that Sharp best met our needs, and so we chose Sharp to replace our existing fleet. Since then, that mandatory contract with Sharp expired, so for this procurement or this purchase, we are leveraging the National Association of State Procurement Officials, also called NASPO contract, and we will re-

evaluate copier technology again when it comes up, the Refresh, in around 2027. This request is for the Commission to approve the purchase of 69 new copiers and printers with a five-year maintenance plan to refresh existing copiers. The total cost of the agreement is \$817,072.74, with a five-year term beginning upon receipt of when we receive the copiers. And I can answer any questions.

**CHAIR AHERN:** Any Commissioners have any questions regarding Action Item Number 8f?

**COMMISSIONER ALVIDREZ:** I do.

**CHAIR AHERN:** Okay.

**COMMISSIONER ALVIDREZ:** Jennifer, I think I mentioned in the briefing about the Enterprise Refresh Plan. I'm very pleased that you actually have been developing one and that you have one I recognize, and it's somewhat of a living document and a bit incomplete, but given the Enterprise Refresh Plan is going to be kind of the backdrop for a projection of future procurement needs, it would be helpful if Commissioners could review at least a draft of the Enterprise Refresh Plan, just so that we have a more comprehensive understanding in the sense of how this fits with the contracts, with the procurement, with maintenance.

**DEPUTY DIRECTOR CHAN:** I'll be presenting at a future Commission meeting for Digital Refresh Needs, so at that time, I will present the plan to you as well.

**COMMISSIONER ALVIDREZ:** Thank you.

**CHAIR AHERN:** Any other questions? Does any member of the public want to address the Commission at this time regarding Action Item Number 8f? Seeing none, do I hear a motion to approve Action Item Number 8f, Copier Refresh?

**COMMISSIONER ALVIDREZ:** Motion to approve.

**CHAIR AHERN:** There's a motion to approve; is there a second?

**COMMISSIONER GARRISON-ENGBRECHT:** Second.

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

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. All right. Continuing on with Action Item Number 8g, Public Website and Cloud-based Infrastructure Contract. Jennifer?

**DEPUTY DIRECTOR CHAN:** Item Number 8g is a request for approval to enter into a new five-year contract with ICF, Incorporated, LLC for public website our PWS

Services. We use these contracted services to maintain and support our public website and Cloud infrastructure, as our public website must be available 24/7 seven days a week, so around-the-clock operations. A little bit of background: In 2015, Olson and Company, which was the previous name of ICF, was awarded a Digital Agency Services contract to provide strategic web design, maintenance, and marketing consultation. In 2021, the Commission approved the Lottery's recommendation to extend the ICF contract to two years, to September of 2023, to add PWS functionality, some enhancements, migrate hardware, but mainly that was in order to provide us time to conduct a robust solicitation and be able to award a new PWS contract. So, this is that culmination of that effort. The Lottery has been hard at work developing the PWS solicitation. In October of 2022, the RFP was posted, with an estimated contract start date of July of 2023. However, due to some issues with the RFP, the RFP was canceled, which led to a delay in the contract award, so it was re-released in March of 2023 with a final vendor response date of May of 2023. In evaluating the responses, and due to the complexity of that solicitation process in the solicitation, we opted to extend the final response date to June 2023, and the result of that is when you heard me come to Commission earlier this year to ask for an extension on the existing contract to give us enough time

to complete the solicitation process. We are now at a point where we have completed the solicitation process. We completed evaluations, and we are ready to award a new contract. If approved, this new contract has improved terms and conditions, including service-level agreements or SLAs. There are an increased number of key staff, and we have additional services being provided, such as PWS Translation Services. These improvements are a direct result of taking the lessons learned from the existing contract and looking to where we can add in more accountability for the contractor and manage vendor performance more efficiently and effectively. So, these have been built into the new contract. This RFP was based on a best-value analysis, with the evaluation team selecting the idea. I should mention that as we went through the procurement process, we had a number of things that happened along the way, where we started out with a handful of bidders and then that narrowed down to where ICF was the only bidder. Even though they were the only bidder, they met all of our requirements, and we did a robust evaluation up in Costing to make sure it was reasonable. Therefore, Lottery staff recommend that the Commission award the Public Website Services contract to ICF, Incorporated, LLC, for the initial term of five years, with two two-year extensions and one one-year extension, with a maximum authorized contract expenditure of \$58,



583,703. The initial term of the contract will begin November 1<sup>st</sup> of 2023 and run through October 31<sup>st</sup> of 2028. And I can answer any questions.

**CHAIR AHERN:** Okay. Do Commissioners have any questions or comments on Action Item Number 8g? No questions? Does any member of the public want to address the Commission at this time regarding the Action Item Number 8g? Seeing none, do I hear a motion to approve Action Item Number 8g, Public Website and Cloud-based Infrastructure Contract?

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

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

**COMMISSIONER ALVIDREZ:** Second.

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

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Action Item Number 8h is Lottery Gaming System Contract Amendment 23.

**DEPUTY DIRECTOR CHAN:** Okay, Item Number 8h is a request for approval to extend the current International Gaming Technology (IGT) Lottery Gaming System contract to address two main issues with our current system. So, this first issue is what I mentioned earlier with relation to addressing technical debt. So, the first part of this amendment is to enable the Lottery to upgrade its Player Direct/2<sup>nd</sup> Chance platform. This platform is over 20 years old. It contains legacy end-of-life technology that poses security risks. Additionally, because this technology is so old, it has limitations in functionality, so we are unable to add on additional enhancements or meet business needs where they want changes to the system to be made. The second piece of this is for the Lottery to approach our gaming system and applications in a more strategic and long-term way and allow it to plan for that strategic and long-term. The original Gaming System contract was awarded in 2002; that was a result of a competitive bid, but the Lottery has not done another competitive bid since then. I should mention that in the Lottery industry, there are only a handful of competent vendors out there that provide these types of services, and IDT is the largest provider of those services. The other piece of this puzzle is California is the largest state with the second-highest volume in sales, so our needs are much more unique and complex than other

states. Because of that, you're seeing other states that have contracts for long durations of time. You're seeing states that extend their extensions multiple times, so even though this is a large request in the overall context of the Lottery market for gaming systems and gaming systems services, what we're requesting today is not unique. To give you some context for that, our gaming system provides products and services that support the core operations of the Lottery. At a high level, this contract supports the maintenance of over 130,000 pieces of gaming equipment across over 23,000 retailer locations. It supports the software and development support for IDT's proprietary systems and applications. They provide us around-the-clock, 24/7 retailer technical support. They operate both our primary and backup data centers, and they support our productions and services in support of Lottery operations. Since the original contract was awarded in 2002, not only has technology evolved significantly, but technology and the gaming system industry has evolved significantly as well. The original system that was implemented back in 2002 has had significant amounts of customizations made to it, and the result of that is it's highly complex and customized because of that. There are literally thousands and thousands of requirements and business rules that must be identified and documented, as well as numerous dependencies

and integrations that we'll need to account for as we're building out the requirements for potentially a new system and a solicitation. And based on that analysis and research, we have estimated that it could take up to 10 years or more to be able to fully perform the market research that we need to and develop the solicitation to support a system of this high level of complexity. As such, this amendment will allow us to plan strategically for the future and allow us to projectize this effort. It will also provide a significant value and benefits. So, with that, the Lottery has negotiated very aggressively with IDT to the new terms within the proposed amendment. There are pages of benefits, but I just wanted to provide you with a high level of some of the more significant benefits. So, the first is IDT's commission rate has decreased. Under this new amendment, IDT will earn 1.0735 percent of the Lottery's annual sales, up to and including \$5 billion, and then that will decrease to one percent of annual sales above \$5 billion. Now, those percentages are the same as in our existing contract, but what has changed is the threshold, so that lower percentage is being decreased from that \$7 billion to \$5 billion, so that's a significant savings for us. The further benefit of that is this change will actually occur at the point in time that we sign this amendment, so we won't have to wait for that. IDT will also

provide nearly 36,000 pieces of new equipment at no cost to the Lottery. This equipment has been valued at about \$115 million, and this will allow the Lottery to continue its modernization efforts with modernized equipment and allow us to further expand our footprint in retailers. IDT will be extending the cap on the current monthly fee. This monthly fee was negotiated back in 2017 as part of Amendment 16, and so those are rates several years old, but they have agreed to extend this cap through this new contract amendment all the way through October 31<sup>st</sup> of 2033, so that's a significant benefit as well, keeping the fixed rate under 2017 amounts. We will be migrating all three of our business applications to the Cloud. That's our Retailer Wizard, Sales Wizard, and Order Wizard, which is an alignment with the Lottery's and ITSD's strategic objective to do more migration to the Cloud to increase our security posture and support redundancy. The new amendment will support multiple pilots, should the Lottery choose to leverage those. There will be increased full-time staffing for California-based resources for IDT, and IDT will also be providing us a Security Operations Center for security monitoring 24/7 to monitor our security threats, and that's through the operation centers located in Italy. So, as I mentioned before, this amendment will have a two-pronged effect. The first is to address our current risk with end-of-life legacy technology, but it will also

enable us to strategically plan for the future for our gaming system, so we're asking for this additional time at this time to be able to work on a project to do that market research and to plan for our future needs. Therefore, we are asking the Commission to approve amending the Lottery's Gaming System Contract. This would extend the term by seven years, with five optional one-year extensions, and increase the total contract amount by \$974,825,000. The new maximum contract amount will be \$3,224,825,000, with the term ending on October 31<sup>st</sup> of 2033, and I can answer any questions you may have.

**CHAIR AHERN:** All right. Thank you. Do any Commissioners have any questions or comments regarding Action Item Number 8h?

**COMMISSIONER MILLS:** I do. I have a question. Thank you, Jennifer, for the presentation. I think this might be the largest contract that's come to the Commission in my tenure. Can you just confirm that this contract is being brought forward in full compliance with the Lottery's procurement policies and procedures?

**DEPUTY DIRECTOR CHAN:** Yes. So, we are following, to the best of our ability, the State contracting laws and public contracting laws. As you know, the Lottery is exempt from the public contracting code, but that does not mean we don't follow best practices and industry

standards, so we are following that with that. And then we are following all of the regulations as laid out in our Lottery Procurement and Contracting Manual with respect to this amendment.

**COMMISSIONER MILLS:** Great, thank you. And then, the contract link is quite long, and you did a great job of explaining why and some of the benefits and savings that the Lottery was able to achieve due to that longer term, but are there outs along the way, that if something does happen -- a lot can change in 10 years -- are we able to get out of the contract earlier than a 10-year period if something catastrophic were to happen?

**DEPUTY DIRECTOR CHAN:** Yes, all of our contracts, including this one, include the ability for us to offramp off a contract. We do have to provide the vendor sufficient notice to let them know in advance, but we do have the ability to terminate the contract at any time.

**COMMISSIONER MILLS:** Thank you.

**COMMISSIONER ALVIDREZ:** Good comments. When I think about the nature of these meetings, and I think about the public hearing these numbers, the numbers are staggering. They're a bit overwhelming, and they may sound to the public like they're on repeat. I appreciate your department's comprehensive analysis that you do. I appreciate the Strategic Plan, the Refresh Plan, because it

provides the public with the context for the need for these types of contracts, whether they're new contracts, amendments, extensions. You know, the public hears the numbers. They don't necessarily understand. We don't necessarily understand all of the nuances that are involved in what's needed to keep the Lottery running in a state of this size, with the complexity, with the sophistication of the operation that we have. And so, when we think about these numbers, and we think about the vendors, we think about the procurement process, and we hear things like "the only vendor that's available;" "there are only two that are available to provide these types of services," this is a unique ecosystem, and so, I really appreciate the thorough nature and the depth of the analysis that you do to make sure that the information that you're presenting is accurate, that it is well thought out, that it is well-researched, and that you're presenting us with the best information possible for us to make the decision that is in the Lottery's best interest and ultimately, the public's best interests, so thank you.

**DEPUTY DIRECTOR CHAN:** Thank you.

**COMMISSIONER GARRISON-ENGBRECHT:** And I'll just add quickly, I know we talked a little about this during my briefing, but even the pre-training process for a project and solicitation, I know that you shared with me the



complexities of putting that together, so building that in to the timeline, I really appreciate that you're doing your due diligence and making sure that we have appropriate scientific and market research to look at, putting it together and RFI'd, the solicitation project, in a timely manner so that we can make in the future a very informed decision on a future contract. Thank you for that.

**DEPUTY DIRECTOR CHAN:** Thank you.

**CHAIR AHERN:** Okay, Jennifer, thank you. Do any members of the public want to address the Commission at this time regarding Action Item Number 8h? Seeing none, do I hear a motion to approve Action Item Number 8h, Lottery Gaming System Contract Amendment 23?

**COMMISSIONER GARRISON-ENGBRECHT:** Motion to approve.

**CHAIR AHERN:** We have a motion to approve; is there a second?

**COMMISSIONER ALVIDREZ:** Second.

**CHAIR AHERN:** A motion and a second; will the Secretary please call the roll?

**MS. TOPETE:** Commissioner Mills?

**COMMISSIONER MILLS:** Yes.

**MS. TOPETE:** Commissioner Alvidrez?

**COMMISSIONER ALVIDREZ:** Yes.

**MS. TOPETE:** Commissioner Garrison-Engbrecht?

**COMMISSIONER GARRISON-ENGBRECHT:** Yes.

**MS. TOPETE:** Chairman Ahern?

**CHAIR AHERN:** Yes. Okay, Jennifer, thank you very much for all your hard work and your presentations today. Next, we'll move on to Item Number 9, Commission General Discussion. Do any of the Commissioners have anything they'd like to bring up at this time? We have no comments, so we'll move on to Item Number 10, which is Scheduling Next Meeting. We have tentatively scheduled a Commission Meeting on November 9<sup>th</sup>, 2023. Next, we have Public Discussion. I understand we have some members of the public who would like to address the Commission. We will start, and I have a list of individuals. First, Paulina Vasquez. Is Paulina here? Hello, Paulina. Welcome. Paulina, I know you're aware of this, but we're going to allow you three minutes to address the Commission.

**MS. VASQUEZ:** Yes. Yes, three minutes. So, thank you. I'm Paulina Vasquez. I am a Sales Representative in the Central Valley area, and I'm also an SEIU 1000 Union Steward. A few months ago, I sent to this Commission a complaint which included photographs from a Facebook Live video as a supervisor drove down a Southern California freeway in a State van while holding a cellphone in hand recording live because there was an unexpected snowstorm. This action is not only reckless endangerment of

public lives, but it's against the law. It highlights the poor judgment of this supervisor. I had also been assigned to the same vehicle, which is a Chevy Express, and so I did side-by-side photos. My local dealership confirmed that this dash is only customary to the Chevy Express, which the supervisor was driving. Additionally, the vans have Geotab tracking, so this should be easy to substantiate. Now, I just listened to a presentation about risk and insurance. What would this have cost the Lottery if he had hit and killed someone? This supervisor also rear-ended someone a few months later. This supervisor not only believes that he's above the law, but this supervisor continues to show a lack of regard for policy and safety practices. Over the last few years, these employees have complained about this supervisor repeatedly counting cash on open sales floors, thousands of dollars, when you're supposed to count it in a secure back office, and he will lie about it and deny it when he's been accused numerous times, but we have photos. Not only has this supervisor violated safety policies in these photos, that employee on the end right there has only been with us for a few months, and so he is training employees to hustle and cut corners to violate safety practices in an environment where brazen robberies occur regularly. Along with other complaints against this supervisor, the management team has really done nothing, and

I believe it's because they're afraid, after 2018, of public media, of external audits, of negative press. So, instead of accountability, transparency, and holding managers accountable, they sweep it under the rug. Recently a whistleblower letter was just sent to the Governor and legislators. This whistleblower letter alleged -- and I have proof, over a hundred pages of proof -- that Lottery retailers are being charged for their Scratchers packs early. They're being cheated out of their credit terms. Three minutes is up; thank you. I'm just going to end it by saying, respectfully, if you're not able to hold your management accountable and lead, then it's time that you should resign. Thank you.

**CHAIR AHERN:** Thank you, Paulina. Thank you very much. Personnel matters aren't discussed in a public forum like this, so we'll take your information and pass it on to our Director.

**MS. VASQUEZ:** Thank you. Are you Adrian?

**MR. LLAMAS:** Yes.

**CHAIR AHERN:** Okay, can you state your name for the record, please?

**MR. LLAMAS:** Yes, my name is Adrian Llamas. I am a Route Sales Representative from Southern California, and in case you didn't know, September is Suicide Awareness. Over the last 18 months, I have been bullied and harassed by

my manager and supervisor. I have been yelled at in random sales meetings, and I have been screamed at in parking lots. I have even had my work sabotaged. I became a target of bullying when I reported my supervisor for counting cash. With every complaint I made, the bullying behavior has increased. Nine months ago, I walked into the office to find my manager and supervisor talking on speaker phone about me. My manager was saying that "Adrian is going to hang himself." They were talking about how they're going to "take care of me" and watch me hang myself. As they talked about how they were going to sabotage me, I started feeling helpless, depressed, and anxious. Eight months ago, my manager and supervisor were overheard by others in the office saying that I was a complainer and that every time I complained, they were going to put an EAP brochure in my office. They laughed, saying every time Adrian takes one out, I'm going to put another one in. I received six brochures over the course of three weeks. This is another tool to bully and belittle me. They made a mockery out of mental health, and they weaponized brochures. I later overheard my supervisor bragging on the phone about putting EAP brochures into my mailbox. I reported these incidents to the management, HR, and EEO, and even though other supervisors have witnessed, the bullying continues. Instead of investigating and acting, they sit on it and do nothing.

Seven months ago, I suffered a complete mental breakdown at work because of this abuse. I had a panic attack. I started vomiting while at a retailer. I don't remember much because I woke up in an ambulance, and I was sedated at the hospital. I feel beaten, broken, and defeated. I feel worthless. Everything was impossible, and suddenly hanging myself sounds like a rational idea. I never had this low in my life before. I spent several weeks in intense therapy before I could return back to work. My management felt that bullying and abusing me was a good idea. They made fun of my mental, and they would hope that I would hang myself. My manager has a long history of bullying and abusive conduct towards others, including supervisors. Tomorrow marks the two-year anniversary since one of our HR managers committed suicide. Mental health is serious and should be treated as such. Life is challenging enough without adding workplace bullying and harassment. Change is long overdue at this agency, and I'm here to demand it.

**CHAIR AHERN:** All right, Adrian. Thank you very much for your comments. Next, we have Sandra -- Sandra, could you pronounce your last name for the record, please?

**MS. SELDEEN:** Seldeen.

**CHAIR AHERN:** Okay. Welcome.

**MS. SELDEEN:** Thank you. Hello, my name is Sandra Seldeen, and I'm a Route Sales Representative for the

same district office as Adrian in Southern California. I want to start by saying that I was on the phone with Adrian when he reached his breaking point and experienced a mental breakdown at work. This didn't just come out of nowhere. It has been building for a while. And I witnessed Adrian being repeatedly targeted. The more he complained, the worse it got. I never forgot that day when he had to be taken away in an ambulance. I remember feeling absolutely helpless, feeling horrified that abusive managers are not held accountable. I remember wondering if it will ever end and why upper management allows this. It triggered stress and anxiety, as I remembered also being bullied and harassed by that same supervisor. It was just before the Pandemic when I found myself parked on the side of the road in my Lottery van hysterically crying because I had also been bullied and targeted by that same supervisor. I have been screamed at by that supervisor in the middle of the CVS as people watched. He made unprofessional comments, used inappropriate nicknames, and uses profanity. He distorts the truth and is known to be dishonest. I also complained about the supervisor violating safety policies by counting cash in open public view. Like Adrian, I also found myself the subject of unfair treatment and bullying. I've had to reach out to local management and later, to HR and EEO, but what I have learned by all this is that these supervisors

and managers are personal friends outside of work. They attend family weddings, baseball games, and dinner parties together. You realize that they work together to minimize and dismiss your concerns to cover things up. Then suddenly your work is undermined; you're being scrutinized. The rules always seem to be different for you than your colleagues. Your achievements are overlooked. You're blackballed from promotions. You complain about it to EEO, and they don't substantiate anything because they don't interview witnesses or conduct adequate investigations. Just yesterday, I was sent an email threatening adverse actions because I opted to tell HR and other management about my supervisor's bullying behavior. With the support of HR, I was threatened with adverse actions because I didn't discuss the specifics with my abusive supervisor.

**CHAIR AHERN:** Thirty seconds.

**MS. SELDEEN:** It's like asking the victim of domestic violence to talk to their abuser about the conduct, the fox watching the henhouse. When you ask for help, you're retaliated against. Others become too scared to speak up. You become ostracized. The environment is toxic. You're punished for exposing bad practices and violations of policy. When are you going to be held accountable for this? It is time for leadership and HR to step up or step out. Thank you.



**CHAIR AHERN:** All right. Thank you. Russell?  
And could you state your name for the record, please?

**MR. SEHN:** Yes, I'm Russell Sehn.

**CHAIR AHERN:** Pardon me?

**MR. SEHN:** Russell Sehn, excuse me.

**CHAIR AHERN:** Okay.

**MR. SEHN:** I'm a District Sales Rep from the Sacramento District Office. I'm also the Union Steward. The last time I spoke to the Commission during COVID, I presented you with a unanimous vote of no confidence in the Lottery EEO signed by every union steward in the Lottery. I'm here today to tell you that nothing has changed, and the vote of no confidence still stands. In fact, things seem to have gotten worse. EEO seems to be the place where complaints go to die a slow and painful death, or they get buried, and the employee is left suffering as the subtle and sometimes not-so-subtle retaliation continues. Witnesses are not interviewed, and there's no follow-up. The number of complaints continues to grow. The slow response time from HR, which takes over a year, continues to be the norm. This lack of response and tolerance of bullying emboldens these bad managers as they continue. Something else that continues to grow is the number of legal actions taken against the Lottery as well as the amount of money spent on legal fees, investigations, and settlement payouts, which

takes critical funding away from our mission, public education. In the last six months, two settlements have been paid out to two women who had to take legal action against the same manager because EEO failed to do their job. Because HR failed to investigate and hold the manager accountable, both women are seated here in the audience today. I'm here to tell you that I've also been a victim of abuse, bullying, and harassment by the same manager in Sacramento. I'm here to tell you that a third female has also stepped forward with accusations against the same manager. I'm also here to tell you that I've also considered legal action because instead of holding this manager accountable, leadership seems to be dedicated to protecting bad managers. In Adrian's case, he sent up a complaint through the chain of command, and then we discovered through a Public Records Act that the Chief who received the complaint forwarded the complaint back to the abusive manager. They worked together to formulate a dismissive response. There's no accountability, integrity, or transparency. It tends to be the same few managers over and over again. This leadership doesn't seem to understand where there's smoke, there's fire. And I'm here today to demand change, to demand accountability, and demand resignations if you are unable to do your job. I'd like to close by saying I fully expect all of us to be retaliated

against for being here today. Thank you.

**CHAIR AHERN:** All right, Russell. Next, we have Mary. Mary, could you state your name for the record, please?

**MS. HUSTLER:** Yes, my name is Mary Hustler. I began with the Lottery when it first started, and I worked in the building that's no longer here and this current one, and what I do is I created Scratchers orders for the California Lottery retailers. Even though I just retired ten months ago, I am still involved with the union. I was a union steward through my entire Lottery service. As union stewards, we have an opportunity to work with State legislators and discuss current concerns of the employees, so that you might recall when you had your confirmation hearings, many on the Senate Rules Committee expressed concerns about culture and accountability at the Lottery. At that time, the negative media attention was going on. The audits at the Lottery were going through with -- for bad management. But that was a valid concern. The concern was able to canvas (inaudible) for the MVD Project. But when you looked closer, at the MVD Project, there's nothing new being given included. Courtesy, respectful treatment, as well as honesty and integrity have always been part of the California Government Code of Conduct, as well as the Lottery conduct policy, yet it has not been able to hold

people accountable. Rerouting and relabeling something doesn't make it new or different. How are you going to enforce the support of this when you haven't been able to enforce and support before? I have seen every Director and Deputy Director appointed by the Lottery up to this date, and I've seen a decline in culture and worse, was once a supportive and representative of employees. I have seen the decline of management abuse go unchecked, and mostly in the last 10, 15 years.

**CHAIR AHERN:** Thirty seconds.

**MS. HUSTLER:** I have seen HR (inaudible) is on the same management accountability. It is your responsibility as the Commissioners to ensure that this agency upholds the California Government Code of Conduct and the California Conduct, (inaudible) Lottery Conduct. It is your responsibility to hold responsible leadership accountability for the past and for the report to the Governor who appointed you. It is time for managers to be accountable, and it's time to make a change. And for me, I thank you for your time, and I also want to say let's be kind to everyone. Thank you.

**CHAIR AHERN:** Thanks. Thank you very much. All right. To our speakers, I'd just like to say it's not easy to come forward and speak with such emotion in a public setting like this, so we'll take your words and appreciate

your time. Thank you. Is there anyone else from the public who would like to address the Commission at this time? Seeing none, we'll move on to Item Number 12, which is Adjournment. I'll yield. Follow-up comments.

**FEMALE:** Just one thing. I won't be here next month, and I would like to wish the California Lottery a Happy Birthday.

**CHAIR AHERN:** A Happy Birthday, okay. Well, on that, we'll be adjourned. Thank you very much for all your attendance and hard work by all of the members of the Lottery staff. Appreciate it. (End of Recording)

**(MEETING ADJOURNED)**

