

STATE OF CALIFORNIA
TRANSCRIPT OF PROCEEDINGS

CALIFORNIA STATE LOTTERY COMMISSION
COMMISSION MEETING

TIME: 10:00 a.m.

DATE: January 25, 2024

PLACE: California State Lottery Headquarters
700 North 10th Street
Sacramento, California 95811

Transcription Service: Martha J. Hanna
Foothill Transcription Company
PO Box 597
Sloughouse, California 95683
(916) 892-9869

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A P P E A R A N C E S

California State Lottery Commission

Gregory Ahern
Chair of the Commission
Commissioner

Keetha Mills
Vice Chair of the Commission
Commissioner

Tiffani Alvidrez (arrived 10:11 a.m.)
Commissioner

Anthony Garrison-Engbrecht
Commissioner

Participating Lottery Commission Staff

Harjinder K. Shergill Chima
Director

Fernando Aceves
Chief Counsel

Carolyn Becker
Deputy Director of Public Affairs and Communications

Jennifer Chan
Deputy Director of Information Technology Services

Jim Hasegawa
Deputy Director of Business Planning

Florence Bernal
Acting Deputy Director of Operations

Elisa Topete
Assistant to the Commission

Rebecca Estrella
Recording Secretary

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I N D E X

<u>Description</u>	<u>Page</u>
1. Call to Order	4
2. Pledge of Allegiance	4
3. Roll Call of Commissioners	4
4. Consider Approval of the Agenda	5
5. Approval of the Minutes of the November 9, 2023 Commission Meeting	5
6. DIRECTOR'S REPORT:	
a. Director's Comments	6
b. "You Play, Schools Win" Presentation	12
7. CONSENT CALENDAR	29
8. ACTION ITEMS	
a. Data Information and Analytics Services (DIAS) Modernization -- Astute Solutions	29
b. Communications Effectiveness Tracking Study Contract Extension Alter-Agents	38
c. Amendment to Add Funds to Z Squared Construction Agreement for Completion of Northern Distribution Center (NDC) Remodel	44
d. Arktos Incorporated Amendment	50
9. Commissioner General Discussion	53
10. Scheduling Next Meetings: March 21, May 23, June 27, September 26, and November 21, 2024, in Sacramento	53
11. Public Discussion	53
12. Adjournment	54

1 **Thursday, January 25, 2024**

2 **Sacramento, California**

3 **--oOo--**

4 **CHAIR AHERN:** All right, good morning. We'll
5 call our Lottery Commission Meeting to order, and we'll
6 start with the Pledge of Allegiance, so if you could please
7 rise and join me in the Pledge of Allegiance?

8 *(The Pledge of Allegiance was recited.)*

9 **CHAIR AHERN:** Thank you. Item #3 is the Roll
10 Call of Commissioners. Will the Secretary please call the
11 roll?

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

13 **COMMISSIONER MILLS:** Present.

14 **MS. TOPETE:** Commissioner Alvidrez?
15 Commissioner Garrison-Engbrecht?

16 **COMMISSIONER GARRISON-ENGBRECT:** Present.

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

19 **CHAIR AHERN:** Here. All right. Before we begin,
20 we'd like to publicly thank Alva Johnson, who served as
21 Lottery Director from 2019 to 2023. We thank him for his
22 years of service and wish him well in his future endeavors.
23 We'd also like to congratulate our new Director, Harjinder
24 Chima, who was sworn in as the Lottery's newest Director in
25 December 2023. Harj previously served the Lottery as a

1 Chief Deputy Director beginning in 2019, so welcome.

2 **DIRECTOR CHIMA:** Thank you.

3 **CHAIR AHERN:** Congratulations (inaudible). Okay,
4 Item #4, Consider Approval of the Agenda. Commissioners,
5 does anyone want to suggest any changes to today's agenda in
6 any respect? Do I hear a motion to adopt the agenda?

7 **COMMISSIONER MILLS:** Move to approve.

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

10 **COMMISSIONER GARRISON-ENGBRECHT:** I second.

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

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

14 **COMMISSIONER MILLS:** Yes.

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

16 Commissioner Garrison-Engbrecht?

17 **COMMISSIONER GARRISON-ENGBRECHT:** Yes.

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

19 **CHAIR AHERN:** Yes. All right. And we're
20 expecting another Commissioner in a few minutes. She's just
21 having some trouble driving through our traffic area here.
22 Next is the Approval of the Minutes, Item #5, Approval of
23 the Minutes. We are looking for any corrections? No
24 corrections noted. Do I hear a motion to approve the
25 Minutes of the November 9th, 2023, Commission Meeting?

1 **COMMISSIONER MILLS:** Move to approve.

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

4 **CHAIR AHERN:** We have a lot of motions. All
5 right. And a formal second?

6 **COMMISSIONER MILLS:** I'll second.

7 **CHAIR AHERN:** There we go. And will the
8 Secretary please call the roll?

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

10 **COMMISSIONER MILLS:** Yes.

11 **MS. TOPETE:** Commissioner Alvidrez?
12 Commissioner Garrison-Engbrecht?

13 **COMMISSIONER GARRISON-ENGBRECHT:** Yes.

14 **MS. TOPETE:** Chairman Ahern.

15 **CHAIR AHERN:** Yes. All right. Item #6 is
16 Informational Items. We'll start with our Director's
17 Comments. Big moment.

18 **DIRECTOR CHIMA:** I'm sorry?

19 **CHAIR AHERN:** It's a big moment.

20 **DIRECTOR CHIMA:** No pressure. All right. Good
21 morning. For my first update as Director, I'm happy to
22 share that total Lottery sales are already over \$5 billion,
23 and all of our major games are currently exceeding goal.
24 Scratchers sales are over \$3.5 billion, and that exceeds
25 last year's sales and expectations through mid-January. And

1 we even ended 2023 with a bang, as an influx of Scratchers
2 gift redemptions from the holidays led to an all-time record
3 in weekly consumer sales. Combined, all of our multi-state
4 games are well above goal due to nine -- yes, you heard me --
5 -- nine jackpots of \$1 billion-plus in the past six months
6 alone. Powerball has been our strong game again, and we've
7 had record-setting sales through the first half of the year,
8 even without a \$2 billion jackpot. Now, despite the
9 competition from Powerball, Mega Millions sales also remain
10 above goal, thanks to its own billion-dollar jackpot at the
11 start of the fiscal year. And not to be left behind,
12 California's jackpot game, SuperLotto Plus, is holding its
13 own alongside the multi-state games this year, with year-to-
14 date sales exceeding goal and exceeding last year's sales.
15 And sales for our Hot Spot and the Daily Games are over \$200
16 million each. Both are pacing slightly over goal so far,
17 and Hot Spot is also pacing higher than last fiscal year.
18 Combined, our total game sales through the first half of the
19 year are exceeding our budgeted goal by 12 percent, and
20 we're on par with the last fiscal year, so even without a \$2
21 billion jackpot, which we had in the first half of the last
22 fiscal year, this year's sales are very strong.

23 Okay. Now, to the important stuff: I'm excited
24 to share that the estimated funds to Education are already
25 over \$1.1 billion for the six-month period of July through

1 December 2023, and that exceeds our goal by 30 percent,
2 which is fantastic. And, as with sales, it's on par with
3 last fiscal year's record contribution, and for the first
4 half of the year. And I think something that Commissioner
5 Mills, you're particularly interested in, Industry Sales, I
6 want to talk about the data that was just released for
7 Summer of 2023, and while we already knew, and we've already
8 reported to the Commission that we've had strong growth over
9 the summer, we now know how that stacks up compared to other
10 lotteries. And as you can see on the slide in front of you,
11 total Lottery sales in California for July, August, and
12 September of 2023 were over \$2.4 billion, which is a nine
13 percent growth over last year, and the highest in the United
14 States, so, we finally beat Florida.

15 **CHAIR AHERN:** It's awesome.

16 **DIRECTOR CHIMA:** Yes, it is. We're very proud
17 of that. Florida, which had the number one sales last
18 fiscal year overall, came in second, with \$38 million less
19 in sales, so, we are quite a bit ahead of them. Both
20 Scratchers sales and Draw sales contributed to the success,
21 and during the past summer, California Scratchers sales
22 ranked number one in the nation, with Florida at number two
23 and Texas at number three. And comparing that to 2022,
24 where our Scratchers sales ranked number three, so we've
25 jumped from number three to number one, which is, again,

1 fantastic, and great work by all of our employees. For our
2 Draw Games, because of the \$1.6 billion jackpot this past
3 August -- all of the states across the nation saw large
4 gains in sales over the Summer of 2023; however, our games
5 were just a little bit larger than Florida's, and so, our
6 Draw sales came in at number two this summer, with New York
7 taking the number one spot.

8 Now, switching gears a little bit, I want to share
9 some exciting achievements from the last fiscal year, and
10 some of these were included in a press release that our
11 Public Affairs and Communications Division sent out at the
12 end of the year, and some of them, we've previously
13 highlighted here at Commission meetings, but I wanted to
14 just end the year or start the year highlighting the
15 achievements from last year. So, I want to talk about the
16 fact that October 23 is going to mark our 38th anniversary at
17 the California Lottery, and that is 38 years of raising
18 supplemental funding for Public Education. It's a mission
19 that I know that all of us here at the Lottery are extremely
20 proud of, and we work diligently toward each year. We
21 launched several key initiatives last year to strengthen
22 workforce culture and retention, such as our MVV Program,
23 which you all heard about at the November Commission
24 Meeting, and we also had other key programs that focused on
25 improving workforce adaptability, productivity, compliance,

1 and safety. And in 2023, our Facilities Operations received
2 a Leadership in Energy and Environmental Design Award for
3 our commitment to energy savings and sustainability, and
4 several of our new Scratchers games won notable awards from
5 the North American Association of State and Provincial
6 Lotteries. So that is also a fantastic achievement.

7 Moving beyond achievements within our Lottery,
8 many Californians were made winners this past year. Most
9 notably, there was a record of two back-to-back billion-
10 dollar-plus Powerball jackpot tickets. One sold in L.A. and
11 the other in Kern County, and over 175 millionaires were
12 made through our Draw games and Scratchers products. With
13 more winners and expansion to pay claims of under \$1,000 at
14 our district offices, the Lottery staff paid out over
15 190,000 prize claims in 2023. That's an increase of more
16 than 40 percent over the year before. And, last but not
17 least, sales estimates for the calendar year are over \$9
18 billion for the second year in a row, and that means our
19 cumulative contributions to Education exceed \$44 billion
20 over our 38-year history. That's something that we should
21 all be extremely proud of.

22 So, I do want to share, to close, how extremely
23 proud I am of the work and the dedication of the entire
24 Lottery team. They've made these wonderful accomplishments
25 in the last year, and I know, moving forward, that we'll

1 continue to see great work from them and great achievement.
2 That concludes my remarks, and I'm happy to answer any
3 questions that you may have.

4 **CHAIR AHERN:** Does anyone have any questions for
5 our Director? Go ahead.

6 **COMMISSIONER MILLS:** Thanks, Director, for that
7 report. I feel your enthusiasm and your pride in the
8 accomplishments, and so, congratulations --

9 **COMMISSIONER GARRISON-ENGBRECT:** Yes,
10 congratulations.

11 **COMMISSIONER MILLS:** -- and congratulations to all
12 the staff. I know many of you are in the room as well.
13 Really, really amazing accomplishments, and so proud and
14 happy to have you in this new leadership position.
15 Congratulations on --

16 **DIRECTOR CHIMA:** Thank you.

17 **COMMISSIONER MILLS:** -- your appointment, and so
18 grateful to our Governor for making such a wise decision in
19 selecting you and appointing you to this position, so I look
20 forward to our continued work together, and wonderful
21 report; thank you.

22 **DIRECTOR CHIMA:** Thank you. And I just want to
23 say thank you for your kind comments, and really, big thank
24 you to everyone, from our OTs all the way up to Deputy
25 Directors, everyone has contributed to our success over the

1 last year and has done a wonderful job.

2 **CHAIR AHERN:** All right, thank you.

3 **DIRECTOR CHIMA:** Thank you.

4 **CHAIR AHERN:** We'll move on to Item #6b, "You
5 Play, Schools Win." Carolyn Becker? Good morning.

6 **DEPUTY DIRECTOR BECKER:** Thanks. I think the
7 biggest challenge is making sure I push the right button on
8 the laptop. Nice to see you all this morning. I am equally
9 as excited and proud as our Director to talk this morning
10 about a new initiative that rolled out just in the past few
11 weeks, called, "You Play, Schools Win." It's a
12 comprehensive Strategic Communications Campaign, with some
13 paid media as part of it, and that isn't something we've
14 done in some time, so I'm looking forward to sharing more of
15 that this morning with you. As you all know, the Public
16 Affairs team's main mission is to educate Californians about
17 the Lottery's mission. Internally, we actually call this
18 effort our Education Campaign, which is a bit of a double
19 entendre because we are educating Californians about our
20 mission to raise money for Education, and so we're excited
21 to do that. But really understanding the landscape of
22 Californians' awareness was the key place to start, and we
23 partnered up with Business Planning and Research, with
24 Marketing, and a number of divisions inside Lottery to
25 really understand where we were starting. And it may not

1 surprise you to know Californians are largely unaware of our
2 mission. Voters, as we all know, created the Lottery in the
3 1980s. Many of them may no longer be with us. Some
4 Californians were too little to vote, so it's been some
5 time, and we need a refresh. We've done some past efforts
6 over the years, mainly focused on owned media, which is what
7 we call things like our website, our social media channels,
8 and earned media. We've had a lot of eyeballs on the
9 Lottery in the last year or two for reasons that we're all
10 familiar with -- billion-dollar reasons -- and so, we've
11 leveraged a lot of that to get mission messaging out to the
12 world, but we wanted to do something even bigger, and so
13 this is the initiative we're talking about today.

14 Drilling down into some of those insights, thanks
15 to our research team -- and you're going to hear more about
16 that at today's Commission meeting, too, with the Continuous
17 Tracking Study -- we know that less than half of California
18 adults know our mission, just borne out of ignorance, as I
19 talked about. They weren't here in the '80s or have
20 forgotten, and so that breeds a little bit of lower public
21 trust. There are some natural skeptics of the Lottery.
22 Public trust in us can be low. I like to think that's
23 largely borne out of a lack of being of aware and education,
24 so that's what we're here to fix. And the two demographics
25 we learned where we have the greatest opportunity to

1 educate, meaning lower levels of awareness, are Hispanic
2 Californians and Millennial Californians.

3 **CHAIR AHERN:** The public trust thing is kind of
4 awkward to me, that the Lottery's there for the benefit of
5 the schools and Education and why it's not trusted is
6 difficult to understand.

7 **DEPUTY DIRECTOR BECKER:** And there's a lot to
8 unpack there, Chair. It's related to just simply not
9 knowing. It's also related to things like integrity --
10 people not realizing that is one of our core values, and
11 that we take the integrity of games so seriously. So, a lot
12 of times in the news media part of all of this, we unpack
13 that and drill down really deep into some of those subject
14 matters, particularly after big jackpots are won here
15 because then all eyes are on us. And we'll talk more about
16 that and the importance of leaning into the fact that we
17 raise supplemental funding. In an economic environment like
18 we have right now in California, it's important for
19 Californians to know that we are not the savior of school
20 budgets; we are adding little bells and whistles in the
21 programs in classrooms, but they're having real impact. And
22 this campaign is designed to make more Californians aware of
23 that through storytelling, and I just want to invite you to
24 look at the screen with some of our quote-unquote "main
25 characters." One of the aspects of this effort that I'm

1 really proud of is that we are working with authentic
2 educators, real students in real learning environments.
3 None of the PSAs or ads you're going to see today involve
4 actors or sets; they are all stories, and storytelling is at
5 the heart of this campaign because we probably have hundreds
6 of thousands if not millions of stories in California that
7 are benefiting from the Lottery funding that we raise as a
8 team, as the Director pointed out. So, we're very grateful
9 for all of our characters, as I like to call them, but these
10 are real educators you're seeing on this screen.

11 I mentioned that we launched a few weeks ago,
12 early January, we are thick into what's known in the
13 advertising, marketing, and communications space as
14 "sentiment analysis." You all know that data is growing as
15 an industry, but that is something we're able to tap into.
16 So, we have a lot of different ways to look at how our
17 campaign is performing, and which ads are delivering more
18 impressions and engagements and things like that with
19 California. So, we're excited to have deep insights from a
20 variety of platforms. Speaking of research, though, backing
21 up just a little bit: When we were developing the look and
22 feel of this campaign, knowing that the two groups where we
23 had the most opportunity to educate, we actually held a
24 bunch of focus groups, a series of focus groups, both in
25 English and in Spanish, with Millennials and Hispanic

1 Californians to just show them some of the work that we had
2 started, get their input, and that allowed us to refine some
3 of the creative aspects that we're going to show you today.
4 We also developed an online survey, and this isn't a survey
5 like the Tracking Study that you're going to hear about;
6 this is a survey that we can send just via a link to
7 hundreds of schools across California to invite them to tell
8 us how they're using our dollars, and we've learned that
9 that's been the key to unlocking these stories. It's no
10 secret that it's easy to find out how much money we've
11 raised for different schools. You can go right on our
12 website, use our map, see how much we've raised for
13 Sacramento County, for L.A. County, for even individual
14 school districts, but how those dollars are spent can be
15 difficult to track down. So, now we're engaging with
16 schools far and wide across the State, and that's been a
17 really key part of our research leading up to this launch.
18 I mentioned the online sentiment-monitoring and how we're
19 using that. We're only a few weeks in, so we're still at a
20 premature level, but there are a couple of different waves
21 of media where we have the opportunity to refine messages or
22 messengers or even the creative when we glean new insights.
23 So, that's something I just want to stress is that we have
24 an ability to be agile and respond to what we're learning in
25 just about real time.

1 Hundreds of schools we've reached out to -- you
2 can see all across the State -- to understand how our
3 dollars are being spent. These are where we're getting our
4 stories. So, you hear about the media a lot. I just want
5 to explain that this is really, truly multi-pronged. Owned
6 media I explained earlier -- that's school outreach.
7 Bilingual, targeted paid media, particularly when we're
8 talking about Hispanic Californians, has become really
9 important, including in the earned media space, and that's
10 that news reporter, journalist engagement that we've been
11 doing for a long time, but even that, we're refining more
12 and more towards Spanish language outlets when it makes
13 sense. In our experience, in my experience, both here at
14 Lottery and previous Communications experience, ethnic media
15 in particular, and I'm talking about Hispanic media, Asian
16 media, Black media, tend to be far more open to issues and
17 coverage that really affect their audience. They're almost
18 advocates for their diverse audiences in a way that
19 mainstream is a little bit different, so we're able to
20 leverage some of those techniques for this campaign as well.

21 **CHAIR AHERN:** Is there a reason that some of the
22 counties didn't participate in the survey?

23 **DEPUTY DIRECTOR BECKER:** No. We are reaching out
24 to all 58. It's actually -- I just learned this last night
25 -- it's actually over 800 schools that we've reached out to.

1 I was, like, well, that's still bigger than 600, so this
2 slide is still accurate. But, yes, and this is just a
3 constant churn. It's almost overwhelming our team and in a
4 very good way. We're getting so many stories. They won't
5 all be something we're able to take a video production crew
6 to, but we're talking about how to share more of those
7 stories just in written form, even on the Lottery's LinkedIn
8 page website, et cetera. So, as I said, we have a lot of
9 different platforms, and there are more stories right now
10 than we know what to do with, and I'll take that as a good
11 problem to have.

12 **CHAIR AHERN:** Okay.

13 **DEPUTY DIRECTOR BECKER:** Here's some of the
14 sampling of the earned media. We had an op-ed authored by
15 our former Director that did very well in a lot of different
16 publications. You can see some of that ethnic and Black
17 media that we talked about -- the Sentinel is a
18 predominantly Black newspaper in Los Angeles -- so our
19 message is really getting into the news outlets that matter
20 to us.

21 We talked a minute ago about the billion-dollar
22 jackpots we've all experienced now several times. Those are
23 huge opportunities for us. I'm not going to play this video
24 for you. Anyone who's on the receiving end of this
25 presentation on our website later, or if you guys have a

1 copy in PDF form, you can play that video that the
2 Sacramento Bee actually shot and edited themselves, but it's
3 just message after message after message from us, from me in
4 particular, when we were out at a retailer hyping up a big
5 jackpot. It's an opportunity for us to talk about the
6 integrity of our games, our mission, how much money any
7 given jackpot sequence is raising for California schools.
8 So that's worked really well. The image on the right there
9 where you see "Love for Schools": We held that news
10 conference on Valentine's Day to announce our largest-ever
11 winner, and that was infused with Education messaging, both
12 from us and from our winner, who let us read his statement,
13 how proud he was to have supported public schools as well.
14 So, that was a huge win.

15 On this slide, on the left, there's a news
16 reporter. We actually called her up when we were shooting
17 some of our ads that you're going to see in a second at
18 Glendale Community College. We called a news reporter in
19 the area and said, hey, we're here to tell our story; do you
20 want to come see what we're up to? And she came out; she
21 brought her own video crew and aired a story that night
22 about how all of the Lottery funds at Glendale Community
23 College are supporting programs and students. So, we're
24 really kind of pulling every lever to create -- and this is
25 a little bit of an industry term -- but to create that

1 surround sound in California, so that people may be seeing
2 it in the news, hearing it on the radio, seeing it on TV.
3 So, real people, real impacts.

4 This is what I already shared with you, authentic
5 environments, really key to helping validate what we're
6 doing when we hear from the people who are benefiting from
7 it.

8 So, the next few slides each have a short video,
9 and we'll talk about the paid media in a second, but we're
10 actually leveraging these videos -- PSAs, as I like to call
11 them -- they are ads on both paid media as well as our
12 social channels, too. So, I just want to play a few for
13 you. You'll get to see some of the flavor of this campaign
14 and the terrific humans that we've been working with to put
15 it together.

16 **(Video plays)**

17 El Sol is a Dual Language Immersion Program in Orange
18 County, and they're using Lottery dollars to help fund those
19 after-school programs. You saw some of the Folklórico in
20 there. CHAT really helps the educators, and the students
21 build relationships in those after-school programs and
22 boosts the overall experience kids are having at El Sol.
23 So, that was a really fun story to shoot.

24 This one is closer to home for us here in
25 Sacramento. The entire Theatre Program, the Drama Program

1 at Sac City Community College, just not too far from here,
2 is funded by the Lottery, and the Director, Shawn, told us
3 that without the Lottery, that program wouldn't exist,
4 either.

5 **(Video Plays)**

6 Okay, I have one more for you from Gerardo. He is a Chief
7 School Business Officer for Robla, which is an elementary
8 school in a district here in Sacramento County -- a little
9 farther out, but I actually personally was at this shoot,
10 and he was so terrific and really helpful in helping us
11 understand where the Lottery dollars go to help students, so
12 I'll play that one for you as well.

13 **(Video Plays in Spanish)**

14 A little flavor of our bilingual efforts there.

15 So, we actually have two waves of media. In the
16 industry, we call those flights. The first one is underway;
17 I mentioned it rolled out a few weeks ago. This is about
18 paid media. This is where those PSAs have dollars behind
19 them on a variety of platforms. You may notice on the
20 screen in those charts that we're concentrating
21 geographically in two specific regions of California media
22 markets on certain platforms, and we're doing that as a
23 pilot to see what we can learn by rolling out terrestrial
24 radio, which is the over-the-air radio, as opposed to
25 streaming audio, in places like Fresno and San Diego. We

1 want to glean insights. We want to put some ads out in
2 front of the audience, see how they do, so that will inform
3 future efforts to scale this campaign. We'll come down off
4 of paid for a few months while we apply a lot of our
5 learnings. We'll stay heavy in earned and social and owned,
6 I mentioned, leveraging the LinkedIn platform more in the
7 future. And then we'll go back up on paid media just in
8 time for graduation season in the Spring. Beyond that, now
9 we're talking about long-term planning, and maybe there'll
10 be another presentation for you all later this year, but
11 right now, this is brand new. We're out in that paid media
12 space for the first couple of weeks of January, and we're
13 excited to see where it takes us from here.

14 A new look and feel for the "Who Benefits?" page
15 of our website, californialottery.com: As I mentioned a few
16 years ago, the Marketing Team developed a terrific tool. We
17 leverage it all the time when talking to reporters or the
18 public, but this is now the creative image at the top of the
19 "Who Benefits?" page that matches, again, those ads that
20 hopefully create some of that consistent look and feel or
21 surround sound for Californians.

22 And lastly, I'll close with this: I would be
23 remiss not to point out that although the primary purpose of
24 this campaign is to educate Californians about Lottery
25 funding, we're finding it's such a win-win for a lot of

1 these schools as well because they have programs to offer
2 such diverse students, everything from K through University,
3 and I just really appreciate how that fits into the
4 "California for All" umbrella that this state has embraced
5 over the past several years. These are programs that are
6 fostering inclusive learning environments, as you saw with
7 El Sol Dual Language Immersion Program, so it's really a
8 great secondary sort of benefit of showing off these
9 programs to California adults. So, I'd be happy to answer
10 any questions, but thank you for your time and letting me
11 share those with you today.

12 **CHAIR AHERN:** Any questions? Go ahead.

13 **COMMISSIONER MILLS:** Hi. Thank you, Carolyn. I'm
14 just so excited about this initiative, and I could watch
15 those videos all day long.

16 **DEPUTY DIRECTOR BECKER:** I know, me, too.

17 **COMMISSIONER MILLS:** They are so well done, and I
18 was getting little chilly bumps, and I'm just filled with
19 pride to serve on this Commission and to know the impact
20 that we're having on our students and our schools and on our
21 broader communities. I mean, we heard you're making
22 programs possible that wouldn't be possible without this
23 spending. But as you mentioned many times, we're also
24 providing that seed funding or that margin of excellence or
25 accelerating innovations that are happening in our schools,

1 and that type of infusion of funding makes things possible
2 that would otherwise not be possible for our students. So,
3 just, kudos. I also feel like this campaign and this
4 initiative really dovetail really nicely with the work
5 that's happening with the Marketing Team --

6 **DEPUTY DIRECTOR BECKER:** Yes.

7 **COMMISSIONER MILLS:** -- right? I mean, our
8 messages on the Marketing Team, are these feel-good messages
9 about the fun of play, right?

10 **DEPUTY DIRECTOR BECKER:** Yes.

11 **COMMISSIONER MILLS:** And when you combine those
12 messages of the fun of play, that feel-good, with the, like,
13 not only is it you feel good because it's fun, and it's a
14 form of play, but you're helping schools, and you're helping
15 students at the same time, and so you kind of get this -- I
16 don't know; it's, like, nothing but feel-good about why you
17 should play the Lottery --

18 **DEPUTY DIRECTOR BECKER:** Yes.

19 **COMMISSIONER MILLS:** -- and why it's a good thing
20 for Californians, so I loved that as well. I feel like the
21 two kind of work together --

22 **DEPUTY DIRECTOR BECKER:** Yes.

23 **COMMISSIONER MILLS:** -- and play off of each other.
24 And then the last thing I'll say is that I loved the
25 showcasing of the real people at the schools who are

1 receiving the benefit, and as we continue to kind of iterate
2 on this Campaign, I wonder if it might be powerful to
3 showcase some students and hear from the students about the
4 impact that the program had on them. And then, I'll say one
5 last thing: As you guys are out at community colleges, let
6 me know, because that's what I do. I --

7 **DEPUTY DIRECTOR BECKER:** We've actually thought
8 about that.

9 **COMMISSIONER MILLS:** -- so, if you ask me, let me
10 know; I may be in the neighborhood and would love to come
11 out and see also firsthand the impact that we're having at
12 our community colleges.

13 **DEPUTY DIRECTOR BECKER:** Okay, thank you.

14 **COMMISSIONER MILLS:** Well done.

15 **COMMISSIONER MILLS:** Thank you. Appreciate it.

16 **COMMISSIONER ALVIDREZ:** I have a quick comment.

17 **CHAIR AHERN:** Go ahead.

18 **COMMISSIONER ALVIDREZ:** So, thank you so much for
19 this presentation. I agree with my fellow Commissioners
20 that the Education Campaign is incredibly well done.

21 **DEPUTY DIRECTOR BECKER:** Thank you.

22 **COMMISSIONER ALVIDREZ:** It is phenomenal work. I
23 love hearing about the multi-tiered approach, the PSAs, paid
24 and earned media, and just kind of the timelines. I would
25 also really love to hear about other partners that you're

1 engaged with that will help amplify some of this messaging
2 because I think you're spot on when you talk about the fact
3 that it's education of the average Californian who needs to
4 really fundamentally understand the significance of the
5 Lottery and where the money goes and how it is absolutely
6 helping Californians. And so, I think that there are some
7 natural partners that we can align with and maybe some that
8 aren't so intuitive that could really help amplify some of
9 that messaging to get that word out to a broader strata of
10 Californians.

11 **DEPUTY DIRECTOR BECKER:** Thank you, Commissioner.
12 I agree. Can I just make a comment on that? As a result of
13 this presentation, we had obviously sent this over to the
14 Governor's Office, and we were able to connect with the
15 California Board of Education, and we will be meeting with
16 them and hopefully be partnering with them on some of this
17 media.

18 **COMMISSIONER MILLS:** Yes, I mentioned the Public
19 Affairs Team's strong partnerships internally with Jim
20 Hasegawa's group, Sharon's Marketing Team, but I'd be remiss
21 also not to acknowledge we work very closely with Paula
22 Negrete in the Legislative and External Affairs space
23 because we really want to strengthen those relationships
24 with our stakeholder groups and a variety of groups. So,
25 this is what I hope ends up being a really strong foundation

1 on which we can build.

2 **COMMISSIONER GARRISON-ENGBRECHT:** I just wanted
3 to mention: Incredible work, as always. I love seeing the
4 stories. I'll echo both those sentiments from my fellow
5 Commissioners. As an educator, I love seeing the stories.
6 I got a little tear. I get teary-eyed about the library.
7 It's important to literacy in California. I have one
8 question. On Slide Five, I know that you and Jim are
9 working on data analytics and reviewing market impact. I'm
10 curious: Are there targets set? I know that we've talked
11 about public trust, knowledge about the beneficiaries of the
12 Lottery and the target markets -- I think you said
13 Millennials and Hispanics. I'm curious; is there a
14 measurable goal for the Campaign? Do we know the data now
15 and then where we want?

16 **DEPUTY DIRECTOR BECKER:** That's a great question,
17 and the short answer is yes, and Jim's group is really key
18 to this. We did what's called a benchmark survey before
19 this paid media went out, so that we could establish a
20 baseline. Then, at intervals throughout this work, we'll be
21 able to check in. How are we doing? Are we moving the
22 proverbial needle with raising awareness? That's what we
23 want to know. And one thing I've told our team on the
24 Public Affairs side is that, if it shows it's not moving as
25 fast as we hope it is, or that it's not moving, those are

1 incredibly valuable insights as well. I'm not rooting for
2 that; of course, we want to be raising awareness; that is
3 the whole goal, but until we really have all of the data
4 back, we won't know if this making a dramatic change or not
5 and how we need to pivot to adjust based on the data that
6 we're collecting. So, we have a lot of fingers in the data
7 pool, both through our in-house team as well as some of our
8 vendor partners with incredible data tools as well. So, I
9 think there's probably a follow-up to be done in this
10 setting, to share some of that analytic information with you
11 guys and really lean into the metrics and see how we're
12 doing. Does that answer your question?

13 **COMMISSIONER GARRISON-ENGBRECT:** Absolutely, and
14 my encouragement is to be patient with yourselves and the
15 team.

16 **DEPUTY DIRECTOR BECKER:** Yes.

17 **COMMISSIONER GARRISON-ENGBRECT:** Culture changes
18 take time, and that'll just probably take time to permeate
19 both the individual's consciousness and also community
20 consciousness, and so, be patient. I think we can also be
21 patient with you all about the impact. But great work, as
22 always, and also, back on what Commissioner Mills said,
23 please use us as to how we can be helpful to amplify the
24 messages that you're putting out. I know that we are all
25 here because we love the Lottery, and we love supporting the

1 mission --

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

3 **COMMISSIONER GARRISON-ENGBRECT:** -- and if there
4 are ways that we can be helpful -- I'll speak for them --
5 tap us.

6 **DEPUTY DIRECTOR BECKER:** Okay, thank you. Noted,
7 and more to come.

8 **COMMISSIONER GARRISON-ENGBRECT:** Thank you.

9 **DEPUTY DIRECTOR BECKER:** Terrific. Thank you,
10 guys.

11 **CHAIR AHERN:** All right. Thank you very much.
12 Item #7 is Consent Calendar. There are no items under the
13 Consent Calendar, so I will proceed to the Action Items.
14 We'll start with Action Item #8a, which is Data,
15 Information, and Analytics Services (DIAS) Modernization --
16 Astute Solutions, and Jennifer Chan. Good morning,
17 Jennifer.

18 **DEPUTY DIRECTOR CHAN:** Good morning,
19 Commissioners. Item #8a is a request for Commission
20 approval to approve a new agreement with the Astute
21 Solutions, Incorporated for IT consulting services. The
22 Lottery manages and hosts its own data warehouse, and we
23 currently have a homegrown data analytics platform called
24 the Business Intelligence and Business Analytics platform,
25 and we use that to do a lot of reporting, analytics, ad hoc

1 reporting, interactive dashboards, and provide information
2 to our Business units. This on-premise BIBA platform is
3 aging. It's based on old software, end-of-life software and
4 hardware, and because of that, it has a lot of technical
5 limitations. Some of the technical limitations have to do
6 with the fact that we are unable to run our daily processing
7 jobs and batch jobs in a timely manner, which doesn't meet
8 business needs. This in turn results in a lot of additional
9 staff time required after hours, on weekends, and on
10 holidays, and it's contributing to everything from staff
11 burnout to low morale to even some turnover, so this is not
12 sustainable, obviously.

13 We have an effort in place to migrate our BIBA
14 platform to the Cloud. This effort is in alignment with our
15 IT Strategic Plan, and as I've talked to you about
16 previously at other Commission meetings, we are implementing
17 an Enterprise Refresh Plan, so this is in alignment with the
18 process of refreshing our equipment, hardware, and software
19 in a timely and cyclical manner. So, doing this will
20 provide us with a baseline as we move forward and migrate to
21 the Cloud. We have completed a Proof of Concept, and with
22 that Proof of Concept, we have been able to confirm that
23 moving BIBA into the Cloud will increase our processing time
24 and provide us with additional efficiencies. However, what
25 we have learned in that Proof of Concept is that our BIBA

1 platform is, because it is on legacy technology, and it was
2 custom built in-house, we need to redesign and re-architect
3 the entire platform, and that will ensure that it remains
4 safe and secure for all users. To date, we have completed
5 initial development, and we've leveraged some of our
6 Microsoft contracted resources that we already have on
7 contract, but as we move into further implementation of the
8 effort, we've identified that it's bringing on brand new
9 technology that our existing staff are not familiar with.
10 So, as such, we released a competitive solicitation for IT
11 consulting services to provide us with the additional
12 expertise to not only help us migrate the platform into the
13 Cloud, but also for those consultants to provide us with on-
14 the-job training and knowledge transfer, so our staff can
15 fully support it moving forward. One of the things that's
16 important to us as we do this and migrate to this new
17 platform in the Cloud is that we also look at process
18 improvement. So, as part of this effort, we'll be looking
19 at our existing processes, our workflows, et cetera, working
20 with a consultant, taking some of their recommendations, and
21 also encouraging staff to figure out a way that they can
22 make their processes more efficient and effective as we move
23 into the Cloud. This competitive solicitation was released
24 leveraging a Leverage Procurement Agreement, specifically,
25 the Technology Digital and Data Consulting Master Services

1 Contract or MSA. Therefore, the Lottery recommends that the
2 Commission approve the IT Consulting Services Agreement with
3 Astute Solutions, Incorporated, in order to allow us to
4 complete the necessary migration of BIBA into the Cloud.
5 The agreement would be for an initial term of two years with
6 two one-year extension options, with a maximized contract
7 expenditure of \$1,400,000. The initial term of the
8 agreement would begin on February 1st of 2024 and end January
9 31st of 2026, and I'm happy to answer any questions you may
10 have.

11 **CHAIR AHERN:** Great. Do any Commissioners have
12 any questions regarding Action Item #8a at this time? Go
13 ahead.

14 **COMMISSIONER MILLS:** Thank you, Jennifer, for the
15 presentation, and I really appreciate how you helped us
16 understand how the review of this technology platform is
17 part of your broader strategy in the department to review
18 all technology, and as part of that, because it seems that
19 perhaps this technology should -- is this technology now on
20 some sort of regular review plan as part of your overall
21 strategy so we won't get so far down the road next time, and
22 we'll be able to keep it up to date along the way?

23 **DEPUTY DIRECTOR CHAN:** Yes. So, the current
24 technology that we have is actually over 10 years old, and
25 we haven't had a regular process to refresh our technology,

1 so, this is what we're calling more of a baseline effort.
2 So, when I talked about the Enterprise Refresh Plan
3 previously, it's a lengthy and complex process, and so we
4 evaluate our most critical items first, and then based on
5 industry standards and our manufacturer time frame, we do
6 the evaluation; we look at the industry standards
7 manufacturer time frames, and that becomes our new baseline
8 for when we'll re-review it the next time around. So, this
9 is our process of establishing that baseline for this BIBA
10 platform.

11 **COMMISSIONER MILLS:** Great. Thank you. And then,
12 can you talk a little bit about -- so, the current system is
13 a homegrown system. So, the new system that's being
14 migrated and implemented, how much of that is remaining kind
15 of homegrown versus being able to use current technology
16 tools that are on the market?

17 **DEPUTY DIRECTOR CHAN:** So, one of the things
18 that we have been looking at is, obviously, when we moved to
19 a Cloud solution, it becomes more supportable, right?
20 Anything that's custom built is more difficult to implement
21 and also maintain. So, where we can leverage the Cloud
22 solution or the Cloud software, we are going to do that --
23 that's part of that process improvement -- and try to
24 minimize the customization that we need to do, part of that
25 upgrade, and then where we can leverage the what we call

1 configurable items, we'll be leveraging that at a higher
2 rate.

3 **COMMISSIONER MILLS:** That's great. And can you
4 talk a little bit about, like, was your best-practice
5 research that was done, did you talk to other lotteries and
6 find out what systems that they're -- because I would
7 imagine there's a lot that's unique, but that perhaps other
8 lotteries are using the same type of technology --

9 **DEPUTY DIRECTOR CHAN:** Yes.

10 **COMMISSIONER MILLS:** -- so, can you talk a little
11 bit about the research process and (overlapping)?

12 **DEPUTY DIRECTOR CHAN:** Sure, yes, exactly. So
13 doing reporting analytics is a fairly common practice, even
14 though Lottery data is specific, and reporting it for what
15 we do is specific to the Lottery, but other departments also
16 have data warehouses. They do similar work. It's prevalent
17 in the private sector. So, we make sure to look at what's
18 out there in the industry. Specifically, we'll leverage
19 research firms, advisory research firms, so the Gartner Info
20 Tech, et cetera, to see where they rate that software and
21 the applications, and then, as necessary, we'll reach out to
22 other departments. The new technology that we're moving to,
23 Power BA, is very robust. It's in the top corner of
24 Gartner's Magic Quadrant, and so, we know from that and from
25 our other experience that it's a highly robust technology,

1 and so we're comfortable with that, and then we were able to
2 further confirm that through the Proof of Concept that we
3 completed.

4 **COMMISSIONER MILLS:** Okay, great. And then my last
5 question is about the time frame. The time frame seems
6 really long -- four years. Could you talk a little bit
7 about the process and maybe how you might be able to create
8 more efficiencies throughout this process, so that it
9 doesn't stretch out four years? It sounds like the current
10 technology is end-of-life, and so there is some kind of
11 sense of urgency around this, but at the same, you want to
12 get it right. So, talk about how you're balancing all of
13 that to try to do this as quickly as possible, as
14 efficiently as possible, and as cost effectively as
15 possible.

16 **DEPUTY DIRECTOR CHAN:** Sure, great question.
17 And, actually, so bringing in the consultant resources is
18 the first part of that. We recognize we have the need for
19 additional resources to help us in expertise. In addition
20 to the fact that this technology is end-of-life, we have
21 seen an exponential growth in our data volume over time, and
22 that's partly due to the fact that we don't have robust
23 processes and procedures in place for data retention. So,
24 we have recognized that as a problem, and in the previous
25 year, we put together three business project proposals, or

1 BPPs, related to data strategy, data retention, data
2 governance, and how we handle data. So, all those will help
3 feed into the overall process improvement that we're doing,
4 to hopefully allow us to see where we can make efficiencies
5 with our data retention, where we can have processes in
6 place to purge data that is particularly old and no longer
7 useful, so to reduce our data volume, and then also that
8 will help with the efficiency as we're processing the data.
9 Going to the Cloud also gives us additional processing power
10 because we're able to spin up basically called virtual
11 devices versus buying hardware that has limitations via
12 technology, where we cannot do that ramp-up so quickly. So,
13 we're kind of addressing this from a multi-faceted, multi-
14 pronged effort, but it's, again, all part of our overall
15 Strategic Plan to not only address legacy end-of-life
16 problems, but to be able to modernize and innovate.

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

18 **DEPUTY DIRECTOR CHAN:** Sure.

19 **CHAIR AHERN:** Any other questions? And do they
20 also have in the contract some type of protection for back-
21 up of their information and data that they're putting in the
22 Cloud, that they're not just leaving it in one database?

23 **DEPUTY DIRECTOR CHAN:** Yes, so, as we move to
24 the Cloud, we'll be leveraging Microsoft Azure Services for
25 Cloud services. They are FedRAMP-certified, so that

1 provides us the security credentials and the protections
2 related to security. We'll also make sure that we have our
3 own Instance for our data in the Cloud that is specific to
4 the Lottery and our data, and we will still own our data.
5 So, we've made sure to ensure that we have all the
6 appropriate protections in place.

7 **CHAIR AHERN:** All right. Thank you very much.
8 Any other questions? No? Does any member of the public
9 want to address the Commission at this time regarding Action
10 Item #8a? Seeing none, do I hear a motion to approve Action
11 Item #8a, Data Information and Analytics Services
12 Modernization -- Astute Solutions?

13 **COMMISSIONER MILLS:** Move to approve.

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

16 **CHAIR AHERN:** We have a motion --

17 **COMMISSIONER GARRISON-ENGBRECHT:** And a second.

18 **CHAIR AHERN:** And a second. All right. Will the
19 Secretary please call the roll?

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

21 **COMMISSIONER MILLS:** Yes.

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

23 **COMMISSIONER ALVIDREZ:** Yes.

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

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

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MS. TOPETE: Chairman Ahern?

CHAIR AHERN: Yes. All right, Jennifer. Thank you very much. All right, batting second, Jim, Action Item# 8b, Communications Effectiveness Tracking Study Contract Extension Alter-Agents.

DEPUTY DIRECTOR HASEGAWA: All right.

CHAIR AHERN: Good morning.

DEPUTY DIRECTOR HASEGAWA: Good morning, Mr. Chairman and Commissioners. So, for this item, what we're doing is, staff is seeking Commission approval to exercise the first one-year option in this contract and also to add \$575,000 in contract expenditure authority. Let me give you a little background and the purpose of the Tracking Study. So, through this contract, a random sample of California adults are surveyed through a combination of online and telephone interviews. Surveys are conducted year-round, with different people being interviewed each week. The information collected through this study not only helps the Lottery satisfy certain requirements in the Lottery Act, as outlined in the Issue Memo, but it provides very essential information for developing the annual Business Plan and the Strategic Plan. It also allows us to assess past programs and activities, so, let me provide you with a few examples of how we use this information from the study. For some of the big jackpots that we experience, we actually go in and

1 interview additional respondents during that short period of
2 time when people are buying tickets for that big jackpot,
3 and that allows us to measure the percentage of California
4 adults who are participating in that big jackpot experience
5 and also to track it and compare it over time. So, what
6 we've found is, we've seen a decline in the number of
7 Californians who actually buy tickets, as well as their
8 awareness of the jackpots, if you compare the first billion-
9 dollar jackpot to the more frequent billion-dollar jackpots
10 that we have been experiencing. So, that provides us with a
11 really good understanding and helps us plan for the future
12 better. We also survey respondents, as Carolyn mentioned,
13 about their knowledge about the Lottery's beneficiary.
14 Awareness that proceeds go to California Public Education
15 was lower in certain areas, as she talked about, so that's
16 why certain targets for the Campaign were developed, and
17 that all came from data from the Tracking Study. And
18 finally, the demographics of Lottery players: They continue
19 to reflect the demographics and the diverse demographics of
20 California adults, and those are just some of the many, many
21 uses out of this study. The Lottery has had the Tracking
22 Study for more than 30 years, with a number of different
23 market research vendors conducting it over this time period.
24 Now, the current contract was awarded by the Commission on
25 March 25th, 2021, after a competitive procurement process,

1 where there was a total of six firms submitting proposals.
2 Alter Agents received the most points in the evaluation
3 process and provided the best overall value for the Lottery.
4 This contract was for a period of three years, and it
5 included in the contract options for two one-year
6 extensions, and the current contract will expire on May 31st
7 of this year, and the Lottery's requesting to exercise the
8 first one-year extension option. Now, with nearly three
9 years of performing work in this study so far, I want to
10 mention that Alter Agents has been an excellent partner,
11 great performance, though consistently meeting the deadlines
12 for the monthly deliverables that they have to provide us,
13 as well as they're very responsive because, as you can
14 imagine with this type of large study with lots of
15 objectives, the questionnaire itself and the survey
16 instrument has to go through changes periodically. New
17 questions need to come up, and we have to review older and
18 existing questions on it, so they've been very responsive in
19 that area. By exercising the option, I want to also mention
20 that the existing pricing structure that we've been
21 experiencing over the past three years will be locked in
22 during this extension period with no cost increases. In
23 addition to the one-year contract extension, we are
24 requesting you to add \$575,000 in the contract expenditure
25 authority. This amount will cover anticipated costs, not

1 only for the one-year extension, but also about three months
2 of activity in the current contract period, and that's
3 because with the many large jackpots and some of the other
4 objectives of this study, we've needed to go in and do these
5 augments on a little more frequent basis than we originally
6 anticipated when the contract started. And this will raise
7 the maximum authorized expenditure amount to \$1.6 million
8 for this contract, and that's the item, and I can answer any
9 questions or provide any additional details, if you like.

10 **CHAIR AHERN:** Do any other Commissioners have any
11 questions or comments regarding Action Item #8b?

12 **COMMISSIONER MILLS:** Thanks, Jim, for the
13 presentation. I just wanted to confirm that this contract
14 will also cover measuring the results and the effectiveness
15 of the Education firm that we just heard about?

16 **DEPUTY DIRECTOR HASEGAWA:** Right. Carolyn
17 mentioned the benchmark that she talked about in answering
18 one of the questions, and the benchmark was essentially an
19 augment to the Tracking Study, where we collected more
20 information. Because we are concentrating initial efforts
21 on more like a pilot in certain DMAs, the marketing areas
22 for television and radio, we are going to have over-sample
23 in Fresno and San Diego, and so that's all part of the
24 request for the \$575,000. So, this Tracking Study does
25 cover it.

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

2 **DEPUTY DIRECTOR HASEGAWA:** Uh-huh.

3 **CHAIR AHERN:** Go ahead.

4 **COMMISSIONER ALVIDREZ:** So, as part of our
5 overall discussion about the surveys and tracking and
6 augments, as we consider this vendor, as we consider this
7 kind of item and potentially, another one-year extension
8 next year and then a new contract or a new vendor or not
9 after that, are we taking into consideration some of these
10 augments that we're experiencing this year, the Education
11 Campaign, kind of the regularity with which Carolyn talked
12 about possibly wanting to do this more frequently, possibly
13 twice a year -- is that all being factored in to kind of our
14 overall budget, particularly as it relates to these types of
15 services?

16 **DEPUTY DIRECTOR HASEGAWA:** Yes, yes it has
17 been, yes, and for the Tracking Study, because there are
18 some studies because of the length that we're adding to it,
19 that we might actually do a separate project in and of
20 itself. The one advantage of the Tracking Study is, as
21 Carolyn mentioned, is that we have interviews being
22 conducted every week, so it's not how I go in and just take
23 a one-time snapshot; it's when you combine all the data over
24 the course of the year, you have a very robust sample that's
25 not just contingent on that one data point in terms of time.

1 And so, all of these things are taken into account, both in
2 our department budget for the Business Planning, but also
3 for this contract budget.

4 **CHAIR AHERN:** Any other questions? All right,
5 does any member of the public want to address the Commission
6 at this time regarding Action Item #8b? Hearing none, do I
7 hear a motion to approve Action Item #8b, Communications
8 Effectiveness Tracking Study Contract Extension -- Alter
9 Agents?

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

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

13 **COMMISSIONER GARRISON-ENGBRECHT:** Second.

14 **CHAIR AHERN:** There we go. We have a motion and
15 a second. Will the Secretary please call the roll?

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

17 **COMMISSIONER MILLS:** Yes.

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

19 **COMMISSIONER ALVIDREZ:** Yes.

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

21 **COMMISSIONER GARRISON-ENGBRECHT:** Yes.

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

23 **CHAIR AHERN:** Yes. Okay, Jim, thank you very
24 much.

25 **DEPUTY DIRECTOR HASEGAWA:** Thank you.

1 **CHAIR AHERN:** Action Item #8c is Amendment to Add
2 Funds to Z Squared Construction Agreement for Completion of
3 the Northern Distribution Center Remodel. Florence Bernal?
4 Good morning.

5 **ACTING DEPUTY DIRECTOR BERNAL:** Good morning,
6 Commissioners. Happy New Year. Today I'm presenting two
7 items. The first one is an amendment to our Z Squared
8 Construction project. So, as many of you know, in 2022, the
9 Lottery solicited construction services for the completion
10 of our Northern Distribution Center Remodel Project. The
11 purpose of the project was to support sales growth,
12 modernize operations, and to better secure assets. This
13 included creating additional Pick and Pack stations,
14 installing a new roof and heating, ventilation, air
15 conditioning, and installing other equipment to address the
16 health and safety issues, as well as additional construction
17 to address physical security concerns. The Commission
18 approved an amendment with the successful bidder, Z Squared,
19 for the amount of \$5,777,910, which included a \$670,910
20 contingency, and this is for a term of November 15th, 2022,
21 to November 4th, 2024. And in this agreement, we had options
22 to extend it for two one-year periods. Construction
23 commenced in April of 2023; however, early on in the
24 project, Z Squared identified some critical design omissions
25 and other deficiencies with the original physical security

1 drawings and specification at the time of bid. The Lottery
2 agreed with Z-Squared's analysis, so consequently, the
3 physical security portion of the project was deemed outside
4 of the scope, and this increased the overall cost and also
5 was considered a change order. This required the project to
6 be reworked into different phases than we had originally
7 planned, and in reworking these phased portions of the
8 project, it's ultimately limited the contractor's ability to
9 work in multiple areas simultaneously, and also required
10 repeated mobilization and demobilization of the contractor,
11 which, again, ultimately increased the amount of associated
12 change orders. One of the larger challenges in this project
13 was to keep the Northern Distribution Center open for
14 business while performing all of the construction work.
15 Other challenges that we faced within this project were some
16 equipment manufacturer changes, as well as some unforeseen
17 issues, such as water damage on the roof deck, which needed
18 to be repaired prior to installing the HVAC system, so there
19 were quite a few obstacles within this project that we
20 faced. We also faced some supply-chain issues, specifically
21 concerning the electrical work that needed to be done on the
22 NDC. So, consequently, at the request of the Lottery, we
23 asked for a Rough Order of Magnitude from Z Squared
24 Construction, which is an estimate of the efforts and the
25 costs involved in completing this project. The Rough Order

1 Estimate came in at \$1,051,000, and the Lottery subsequently
2 carefully reviewed this Rough Order of Magnitude and is in
3 agreement with this estimate. The bulk of the funds
4 includes approximately \$696,100 for the physical security
5 scope of work, with the remaining funds being used to
6 address the other challenges that I mentioned. If the
7 additional funding isn't approved, it would significantly
8 impact the Lottery's ability to complete the project, and it
9 would also impact NDC operations. The amendment will bring
10 the project to completion date to be extended to January
11 31st, 2024, to May 2024, and doing this will allow us enough
12 time to address all of the issues that I had mentioned. And
13 I also wanted to point out that as operations, as we partner
14 with all of these vendors, we kind of understand that this
15 industry is changing landscapes all the time, and to keep up
16 with this, we have partnered with Caltrans to work on
17 Construction Contract Management courses to better address
18 these similar issues that we could face moving forward. We
19 also have partnered in some construction courses from
20 private entities that we are trying to partner with in the
21 future, so that we can better foresee some of these
22 circumstances that could arise, and we also are going to
23 participate in third-party peer reviews to ensure that
24 contracts meet requirements of the bidding community. So,
25 there are some safeguards we're trying to put in place now

1 to prevent these issues in the future, but it is for these
2 reasons that I ask for support of this item, and I welcome
3 any questions, if you have any. Thank you.

4 **CHAIR AHERN:** Okay. Do any Commissioners have
5 any questions regarding Action Item #8c? Go ahead.

6 **COMMISSIONER MILLS:** Thank you, Florence, for the
7 presentation, and I appreciate you talking about maybe some
8 of the lessons learned from this experience and different
9 controls that you're putting in place to try to keep that
10 from happening in the future; I think that's an important
11 part -- I mean, I think, you know, construction projects,
12 it's not unusual to have change orders or have things that
13 come up that are unexpected, but it does sound like in this
14 instance there were some omissions and deficiencies in the
15 planning process, so I appreciate the continuous improvement
16 effort to really understand what happened and to try to put
17 parameters in place to keep that from happening going
18 forward or prevent it from happening going forward, so thank
19 you for that. My question is around the Rough Order of
20 Magnitude Estimate. Was there a contingency included in
21 that estimate as well? Just the words "Rough Order of
22 Magnitude", I think, I understood it was reviewed, but is
23 there a contingency amount included in that, and how
24 confident are you that the approval of this amount is going
25 to cover what we need to finish the project?

1 **ACTING DEPUTY DIRECTOR BERNAL:** I am not sure
2 of the answer to that. However, I do have one of our Branch
3 Chiefs here, Eric Hornbaker, who has a lot of the deeper
4 details within that Rough Order of Magnitude. I believe
5 there is, but I'll have him speak to that.

6 **COMMISSIONER MILLS:** Okay.

7 **MANAGER HORNBAKER:** Good morning, Commissioners.
8 Yes, we are fairly confident in the Rough Order of Magnitude
9 received, and we have about a 10 percent contingency added
10 to that.

11 **COMMISSIONER MILLS:** Okay, great. And if there are
12 overruns on this, how would that come back? Would that then
13 come back to the Commission, or is there a dollar amount
14 that is a threshold, or how does that work?

15 **MANAGER HORNBAKER:** I don't know the threshold,
16 but the hopes are we stay within that contingency we've
17 added. We've really value-engineered the heck out of this,
18 this last portion of this project, to kind of get it over
19 the finish line, so we're confident that we won't be coming
20 back asking for additional funds to finish this project,
21 based on the Order of Magnitude and the slight contingency
22 that we added.

23 **COMMISSIONER MILLS:** Great, thank you, and then can
24 you -- this may have been in the writeup -- but can you
25 remind us of the time frame? Like, what is the new time

1 frame to completion?

2 **MANAGER HORNBAKER:** So, we've asked to extend the
3 contract out to the end of this calendar year, but right now
4 we're tracking about end of May, again, based on still,
5 there are still some items that are held up in the supply
6 chain, but we are tracking for the end of May.

7 **COMMISSIONER MILLS:** Perfect. Thank you.

8 **MANAGER HORNBAKER:** Of course, my pleasure. Thank
9 you.

10 **CHAIR AHERN:** Any other questions? All right.
11 Does any member of the public want to address the Commission
12 at this time regarding Action Item #8c? Seeing none, do I
13 hear a motion to approve Action Item #8c, Amendment to Add
14 Funds to Z Squared Construction Agreement for Completion of
15 Northern Distribution Center Remodel.

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

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

19 **COMMISSIONER ALVIDREZ:** Second.

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

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

23 **COMMISSIONER MILLS:** Yes.

24 **MS. TOPETE:** Commissioner Alvidrez? (Inaudible)
25 Commissioner Garrison-Engbrecht?

1 **COMMISSIONER GARRISON-ENGBRECT:** Yes
2 **MS. TOPETE:** Chairman Ahern?
3 **CHAIR AHERN:** Yes. Up for another bat.
4 **ACTING DEPUTY DIRECTOR BERNAL:** Yes.
5 **CHAIR AHERN:** We have Action Item #8d, Arktos
6 Incorporated Amendment. Thank you.
7 **ACTING DEPUTY DIRECTOR BERNAL:** Yes, thank you.
8 So, for this item, we're requesting approval to extend the
9 term of an agreement with Arktos, Incorporated for their
10 construction services pertaining to the Lottery's perimeter
11 fencing at Headquarters. It's important to note upfront
12 that this amendment is to add more time, and we won't
13 require additional funds for this contract. An extended
14 completion time will allow the project additional time to
15 complete additional work that may be required after a recent
16 State Fire Marshal's inspection, and we would like to
17 exercise the extension that's available within the agreement
18 to add 12 additional months, and this will extend the
19 agreement expiration date from January 24th, 2024 to January
20 29th, 2025. To give a bit of background about our fencing
21 project: In December 2019, the CHP conducted a risk
22 assessment of our Headquarters and identified significant
23 vulnerabilities with unsecured and uncontrolled driveways,
24 as well as pedestrian access concerns. So, it was
25 recommended that we install a perimeter fence around

1 Headquarters, and this would provide additional security
2 measures that would make it safer for Lottery's assets,
3 State vehicles, and employee parking. It would also address
4 the legal risk to the Lottery by eliminating public
5 loitering, vandalism, and other crimes. So, after the
6 required bidding process in August 2022, Arktos was the
7 winning bidder and deemed the best value to the Lottery, and
8 they were awarded the contract with the lowest bid amount of
9 \$533,000. And at the time, construction costs increased at
10 the rate of one percent per month and an annual inflation
11 rate of 13 percent. Subsequently, the Lottery requested an
12 additional \$69,290, which was approximately 13 percent of
13 Arktos's bid above the award amount to address any potential
14 cost escalations caused by supply-chain issues. Again,
15 during construction, several issues arose that fell outside
16 of the scope of the contract and required change orders,
17 which, again, required additional funds for the work to be
18 completed. Some of the work included additional curb work,
19 asphalt work, additional posts, panels, and some ADA
20 upgrades. As of September 2023, the project required nine
21 change orders due to the issues stated. There were also
22 some additional reasons for the request to add more time to
23 this contract. On November 28th, 2023, the State Fire
24 Marshal inspected the Headquarters campus and found that six
25 of our fire hydrants were in violation of the California

1 Fire Code; they didn't meet the height requirement.
2 However, when the Lottery was constructed in 2010, all the
3 hydrants were in compliance and approved by the State Fire
4 Marshal, but since then the National Fire Protection
5 Association has updated their height requirements for
6 hydrant access. So, subsequently, the Lottery had to
7 execute a service agreement with a second contractor called
8 Alwest Fire Protection, to bring the fire hydrants into
9 compliance. Currently, Operations is working with Alwest to
10 schedule the corrective work, and the anticipated timeline
11 to complete this work is six to eight weeks. Thus, we would
12 like to exercise the option to extend the contract by 12
13 more months, so that we can have ample time to complete
14 additional work. And we are asking for approval of this
15 item, and we'd like Arktos to remain under contract until
16 the State Fire Marshal approves the repaired fire hydrants.
17 And with that, we are asking for Commission approval of this
18 request. I welcome any questions.

19 **CHAIR AHERN:** Do any Commissioners have any
20 questions regarding Action Item #8d? No questions. Does
21 any member of the public want to address the Commission at
22 the time regarding Action Item #8d? Seeing none, do I hear
23 a motion to approve Action Item #8d, Arktos Incorporated
24 Amendment?

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

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

3 **COMMISSIONER GARRISON-ENGBRECHT:** Second.

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

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

7 **COMMISSIONER MILLS:** Yes.

8 **MS. TOPETE:** (Inaudible)? Commissioner
9 Garrison-Engbrecht?

10 **COMMISSIONER GARRISON-ENGBRECHT:** Yes.

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

12 **CHAIR AHERN:** Yes. All right, Florence, thank
13 you very much.

14 **ACTING DEPUTY DIRECTOR BERNAL:** Thank you.

15 **CHAIR AHERN:** Moving on to Item #9, the
16 Commissioner General Discussion. Do any Commissioners have
17 anything they'd like to bring up at this time? Hearing
18 none, we'll go to Item #10, which is Scheduling Next
19 Meetings. We have tentatively scheduled Commission Meetings
20 on March 21st, May 23rd, June 27th, September 26th, and
21 November 21st, all to be held in Sacramento. Any problems
22 with those dates that we see now? Seeing none, we'll go to
23 Item #11, which is Public Discussion. Is there any member
24 of the public who wants to address the Commission at this
25 time for three minutes? Okay. Seeing none, we'll move to

1 Item #12, Adjournment. Thank you very much for being here,
2 and we'd like to welcome our new Director. A round of
3 applause for your outstanding (inaudible). Good. Then
4 we're adjourned. (End of Recording)

5 **(MEETING ADJOURNED)**
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This is to certify that I transcribed the foregoing pages 1 to 54 to the best of my ability from an audio recording provided to me by The California State Lottery Commission.

I have subscribed this certificate at Elk Grove, California, this 30th day of January, 2024.

Martha J. Hanna

Martha J. Hanna
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