

# CALIFORNIA STATE LOTTERY COMMISSION

Minutes – February 2, 2023

Sacramento, California

## **1. Call to Order**

Chairman Gregory Ahern called the meeting of the California State Lottery Commission to order at 10:02 a.m.

## **2. Pledge of Allegiance**

Chairman Ahern led the Pledge of Allegiance.

## **3. Roll Call**

Chairman Ahern asked Elisa Topete to call the roll.

Commission Members Present:

Chairman Gregory Ahern

Commissioner Keetha Mills

Commissioner Tiffani Alvidrez

Commissioner Anthony Garrison-Engbrecht

California State Lottery staff and presenters:

Alva Johnson, Director

Fernando Aceves, Chief Counsel

Florence Bernal, Acting Deputy Director of Security and Law Enforcement

Sharon Allen, Deputy Director of Sales and Marketing

Jennifer Chan, Deputy Director of Information Technology Services

Elisa Topete, Assistant to the Commission

Rebecca Estrella, Recording Secretary

## **4. Consider Approval of the Agenda**

Chairman Ahern asked if any of the Commissioners wanted to make any changes to the February 2, 2023, proposed agenda. Commissioner Mills made the motion to approve the agenda and was seconded by Commissioner Garrison-Engbrecht. The agenda passed unanimously.

## **5. Approval of the Minutes**

Chairman Ahern asked if there were any additions or corrections to the December 8, 2022, minutes. Commissioner Garrison-Engbrecht made the motion to approve the minutes of the December 8, 2022, Commission Meeting and was seconded by Commissioner Mills. The minutes passed unanimously.

## **6. Informational Items**

### a. Director's Comments

Director, Alva Johnson, stated that sales are currently in a very strong position, surpassing the \$5 billion milestone faster than any fiscal year in the Lottery's history, standing at more than \$5.3 billion. Total sales are now 17% ahead of goal through this same time period and are ahead of last year's sales pace. With multiple jackpots in the multi-state games of \$1 billion or more, including one reaching a record \$2 billion, Powerball® and Mega Millions® games have already surpassed their annual sales goals even though we are roughly half-way through the fiscal year. SuperLotto Plus® has also benefitted by the high multi-state jackpots as sales for this game are moderately ahead of its goal and higher than sales from the first six and one-half months of last year.

Scratchers® are performing well this year and are contributing a significant amount to total sales. Year-to-date sales exceed \$3.5 billion and are currently running 3% above goal. Hot Spot® and the daily games each have year-to-date sales over \$200 million. While these sales are slightly lower than last year, they are performing moderately better than expected, coming in above goal.

Director Johnson explained that the Lottery was going through "Jackpot Fatigue." While not ideal, this is not unexpected. As these jackpots become more frequent, it is natural for consumer interest and media attention to soften as the novelty wears off. The lottery industry has experienced this phenomenon for decades and has successfully evolved its products and marketing strategies to adapt to the new environment many times.

The unique circumstances of large jackpots over the past six months have led to jackpot games making up a greater portion of the Lottery's total sales than is typically seen. This benefits the contributions we provide to California public education. Funds for education from sales during the first half of the year are significantly exceeding goal with total contributions being estimated at \$1.1 billion.

Director Johnson presented a "Lottery Funding in Action" video, which was created by the Lottery's Public Affairs and Communication Division. The video featured Lottery funding utilized in the higher education community. Set on the campus of Long Beach City College, the video highlights dozens of students enrolled in a Medical Assistants program, paid for with Lottery revenue. Mr. Johnson invited Carolyn Becker, Deputy Director of Public Affairs and Communications, to say a few words about the video. Commissioner Alvidrez asked if staff had a tiered media plan or strategy. Ms. Becker stated that the video was sent to a few Long Beach education reporters, as well as a statewide news release, and is being featured on a Twitter feed that is run by the Lottery's media team. It will also be shown on Facebook and Instagram channels, as well as on the "Who Benefits" page of the Lottery's website.

Commissioner Mills thanked staff for creating the video and said that she would be happy to use her role with the Foundation for California Community Colleges to help amplify the message. She was happy to see that a California Community College was showcased and was inspired by the impact that the Lottery was having on its students.

Commissioner Alvidrez asked what staff plans to do to amplify the messaging beyond using the Lottery's website and some of the state's resources, such as retailers having a role or strategies in educating legislators. Ms. Becker stated that every time staff has the opportunity to speak publicly, whether it is to the Legislature, the news media or just a member of the public, the message that staff is amplifying is the Lottery's mission and dedication to public education and what the dollars of big jackpots mean for schools.

Director Johnson also asked Sharon Allen, Deputy Director of Sales and Marketing, to speak about how the Lottery partners with retailers to talk about the benefits of Lottery funding. Ms. Allen stated that through signage and the Lottery's Field Sales team, the retailers know how much they have generated for education. Additionally, staff will distribute this video through the Lottery's Registered Player email database. Mr. Johnson stated that when there are high-level winners, it is the Lottery's practice, working with the External Affairs and Legislative Unit, to send out letters to legislators. These cases involve both winners and the retailers that sold the winning tickets. The letters will go to the legislators representing that individual or that area in their district, to notify them of how much they won. In those letters, they are notified how much money was sent to their district in the last fiscal year.

## **7. Consent Calendar**

## **8. Action Items**

### **a. Request to Add Position for the Security and Law Enforcement Division (SLED)**

Florence Bernal, Acting Deputy Director of Security and Law Enforcement Division requested Commission approval for an Associate Governmental Program Analyst (working title will be Security Systems Administrator) to support and enhance the Lottery's statewide physical security program.

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

Commissioner Garrison-Engbrecht made the motion to approve Action Item 8(a) and it was seconded by Commissioner Mills. The motion passed unanimously.

b. Scratchers® Shipping Bags Contract

Sharon Allen, Deputy Director of Sales and Marketing, requested Commission approval to enter into a new agreement with Victory International Group for the procurement of polyethylene shipping bags. The Lottery's Distribution Centers use dedicated bags to ship Scratchers tickets to over 23,000 retailers and to ship unsold, expired tickets to the Northern Distribution Center for destruction.

Commissioner Mills asked if this was a new vendor for the Lottery, which Ms. Allen replied that it was. Ms. Mills asked if staff felt confident that all the processes and protocols were fully followed and if the new vendor would be able to meet the requirements of the Lottery and meet the contractual obligations. Ms. Allen stated they did, and that staff will continue to monitor through the contract management process to make sure they meet those standards.

Commissioner Alvidrez asked why staff chose the Invitation for Bid (IFB) process over the Request for Proposal (RFP) procurement process. Ms. Allen invited Tiffany Donohue, Deputy Director of Operations, to speak about the procurement process. Ms. Donohue explained the differences between IFB and RFP processes and stated that because the shipping and manufacturing of bags is a standard process in the industry, staff has outlined the specifications and requirements and are seeking a cost for that particular good or service.

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

Commissioner Mills made the motion to approve Action Item 8(b) and was seconded by Commissioner Alvidrez. The motion passed unanimously.

c. Extension and Addition of Funds to the David&Goliath Contract

Sharon Allen, Deputy Director of Sales and Marketing, requested Commission approval for a one-year extension and an increase in the expenditure authority for the David&Goliath, LLC (D&G) contract to continue services without interruption. D&G is responsible for assisting the Lottery in overall market analysis, strategy development, creative and messaging, and media planning and buying for the Lottery's marketing and advertising initiatives.

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

Commissioner Garrison-Engbrecht made the motion to approve Action Item 8(c) and was seconded by Commissioner Mills. The motion passed unanimously.

d. Laptop/Tablet Refresh

Jennifer Chan, Deputy Director of Information Technology Services, requested Commission approval to purchase 275 new laptops and refresh existing desktops and laptops throughout the department in order to establish a baseline for continual refresh cycle.

Commissioner Mills thanked Ms. Chan for bringing this forward as part of a bigger plan to make sure that it will not be a one-time expenditure, but part of a broader plan that makes sure that the Lottery has updated technology and that employees can do the jobs they need to do. She also appreciated the fact that staff is using an agreement through the Department of General Services that is leveraging the buying power of the State of California, which ensures the Lottery is getting the best prices on these purchases.

Chairman Ahern asked if the tablets come with a “Find my Tablet” feature in the event they get misplaced. Ms. Chan stated that they do not come with that particular feature, but they are asset tagged so if an employee reports that it has been lost, IT staff have the ability to immediately disable the device and turn it off.

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

Commissioner Mills made the motion to approve Action Item 8(d) and was seconded by Commissioner Alvidrez. The motion passed unanimously.

e. Microsoft Enterprise Licensing Agreement

Jennifer Chan, Deputy Director of Information Technology Services, requested Commission approval to add additional funds to the current contract for the Microsoft Enterprise Licensing Agreement (MELA) subscription with SoftwareONE, Inc. to cover continuing Azure Cloud services for the remainder of the contract.

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

Commissioner Garrison-Engbrecht made the motion to approve Action Item 8(e) and was seconded by Commissioner Mills. The motion passed unanimously.

**9. Commissioner General Discussion**

Commissioner Mills thanked Peter Stern for his years of service as a California Lottery Commissioner and for his service on the Audit Committee. Ms. Mills also stated that she will not attend the March 30<sup>th</sup> Commission meeting. She also stated

that at next month's meeting, the Commission will need to fill the vacant position on the Audit Committee as well as the Vice Chair position. Chair Ahern stated that the Commissioners will hold a special election for Vice Chair at the March 30<sup>th</sup> Commission meeting.

**10. Scheduling Next Meetings**

The next Commission Meetings are tentatively scheduled for March 30, May 25, and June 29, 2023.

**11. Public Discussion**

For Public Discussion, Chairman Ahern sought public comments or questions. No one came forward.

**12. Adjournment**

Meeting adjourned at 10:50 a.m.