

CALIFORNIA STATE LOTTERY COMMISSION

Minutes – January 25, 2024

Sacramento, California

1. Call to Order

Chairman Gregory Ahern called the meeting of the California State Lottery Commission to order at 10:00 a.m.

2. Pledge of Allegiance

Chairman Ahern led the Pledge of Allegiance.

3. Roll Call

Chairman Ahern publicly thanked Alva Johnson for his four years of service as the Lottery's Director and congratulated Harjinder Chima on her appointment to the position of Director of the California State Lottery. Chairman Ahern asked Elisa Topete to call the roll.

Commission Members Present:

Chairman Gregory Ahern

Vice Chair Keetha Mills

Commissioner Tiffani Alvidrez (Arrived at 10:11 a.m.)

Commissioner Anthony Garrison-Engbrecht

California State Lottery staff and presenters:

Harjinder K. Shergill Chima, Director

Carolyn Becker, Deputy Director of Public Affairs and Communication

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

4. Consider Approval of the Agenda

Chairman Ahern asked if the Commissioners had any changes to today's 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 November 9, 2023, minutes. Commissioner Garrison-Engbrecht made the motion to approve the minutes of the November 9, 2023, Commission Meeting and was seconded by Commissioner Mills. The minutes passed unanimously.

6. Informational Items

a. Director's Comments

Director Chima stated that total Lottery sales are over \$5 billion and all major games are exceeding goal. Scratchers[®] sales are over \$3.5 billion, exceeding last year's sales and an influx of Scratchers gift redemptions from the holidays led to an all-time record in weekly consumer sales. Combined, multi-state games are well above goal due to nine jackpots of \$1 billion+ in the past six months. California's jackpot game, SuperLotto Plus[®] year-to-date sales are exceeding goal and last year's sales. Sales for Hot Spot[®] and the daily games are over \$200 million each, both pacing slightly over goal so far, with Hot Spot pacing slightly better than last fiscal year.

From July through December 2023, the estimated funds for education are over \$1.1 billion, which is significantly exceeding goal by 30% and is on par with last fiscal year's record contribution estimates for the first half of the year.

Director Chima shared some industry sales data that shows the total lottery sales in California for July, August, and September of 2023 were over \$2.4 billion, a 9% growth over last year and the highest in the U.S. Ms. Chima also shared some successes for 2023.

Commissioner Mills congratulated Director Chima and staff on the Lottery's accomplishments and her appointment as Director of the California Lottery. Director Chima thanked the Commission for their kind comments, as well as the entire Lottery staff for their contribution to the success over the last year.

b. "You Play, Schools Win" Presentation

Carolyn Becker, Deputy Director of Public Affairs and Communication, spoke of the new initiative that rolled out the past few weeks called, "You Play, Schools Win." Californians are largely unaware of the Lottery's purpose to benefit public schools and often misunderstand its operations. Past efforts have been somewhat limited to Lottery-owned channels and through earned media. Therefore, the Lottery launched a new campaign to reach a broader audience across more platforms, showcasing the real impacts Lottery funds have on public school programs. Ms. Becker provided findings from the Lottery's continuous Communications Effectiveness Tracking Study. She provided information on the multi-pronged, robust research program that included focus groups, online surveys, online sentiment monitoring and data-informed refinements. Staff conducted one-on-one outreach to 600+ schools across the state that receive Lottery funding and gathered information on how Lottery funds are used. Ms. Becker played several videos which are ads on both paid media as well as social media, that showcase various schools who are sharing how Lottery funds have benefitted their schools.

Commissioner Mills congratulated Ms. Becker on the impact this will have by showcasing the Lottery's contribution to the students, schools, and the broader community by making programs possible with the Lottery's funding. She asked if it would be possible to showcase some students and hear from the students about the impact that the program had on them. She also stated that in the future, if staff will be focusing on community colleges and she is in the neighborhood, she would love to come out and see firsthand.

Commissioner Mills also congratulated staff on the Education Campaign and appreciated hearing about the multi-tiered approach with the PSAs, paid and earned media, and the timelines. She stated that she would love to hear about other partners that the Lottery is engaged with that will help amplify some of the messaging. Ms. Becker explained that the Education Campaign was sent to the Governor's Office and staff will be meeting with the California Board of Education to hopefully partner with them on this media.

Commissioner Garrison-Engbrecht congratulated Ms. Becker on the incredible work that has been done on the campaign. He asked if there were measurable goals for the campaign and if staff knew the data now and then where the Lottery wants to be. Ms. Becker stated that Business Planning Deputy Director Jim Hasegawa and his staff did a benchmark survey before the paid media went out so that they could establish a baseline. At intervals throughout this project, staff will be able to check in to see if the campaign is raising public awareness. She would like to provide a follow-up to the Commission to share some of the analytic information on how the campaign is doing. Commissioner Garrison-Engbrecht also stated that he would like to provide support in amplifying the messaging about the impact the Lottery is having on schools.

7. Consent Calendar

8. Action Items

- a. Data, Information and Analytics Services (DIAS) Modernization – Astute Solutions

Jennifer Chan, Deputy Director of Information Technology Services, requested the Commission to approve a new agreement with Astute Solutions, Inc. to obtain Information Technology consulting services. The proposed agreement contract term is two years, beginning on February 1, 2024, and ending January 31, 2026, with two one-year extension options.

Commissioner Mills asked if this particular technology was now on a regularly reviewed plan as part of the overall strategy so that it doesn't get so far down the road next time, and staff will be able to keep it up to date along the way. Ms. Chan stated that the particular technology that was presented is actually over 10

years old and staff has not had a regular process to refresh this technology. This is what ITSD is calling a more baseline effort. Staff evaluates their most critical items first. Based on industry standards and our manufacturer time frame, staff will then do an evaluation and will look at the industry standards manufacturer time frames. These results become the new baseline for when items will be re-reviewed the next time. That is the process for establishing the baseline for the BIBA platform.

Commissioner Mills asked how much of the remaining system is homegrown versus how much are current technology tools that are on the market. Ms. Chan explained that anything that is custom built is more difficult to implement and maintain. Staff can leverage the Cloud software, which is part of the process improvement, to try to minimize the customization that we do for part of that upgrade. Then they can leverage configurable items which will be leveraged at a higher rate.

Commissioner Mills asked what best-practice research was done and if they spoke to other lotteries to see if they were using the same type of technology. Ms. Chan stated that staff made sure to look at what was out in the industry, specifically advisory research firms to see how they rate software and applications. Ms. Chan noted that they will also reach out to other departments.

Commissioner Mills asked how staff can create more efficiencies throughout the process so that it doesn't stretch out to four years. The current technology is end-of-life and there is a sense of urgency around this. How is staff balancing all of that to try to do this as quickly as possible, as efficiently as possible, and as effectively as possible. Ms. Chan stated that they recognize the need for additional resources to help them in expertise. Due to the fact that the technology is end-of-life, staff has seen an exponential growth in the data volume over time. This is partly due to the fact that the Lottery does not have robust processes and procedures in place for data retention. In the previous year, staff has put together three business project proposals related to data strategy, data retention, data governance and how they handle data. Staff is addressing this from a multi-faceted, multi-pronged effort, which is all part of the overall Strategic Plan to not only address legacy end-of-life problems, but to be able to modernize and innovate.

Chairman Ahern asked if the contract had some type of protection for back-up of information and data that is being put in the Cloud. Ms. Chan stated that as they move to the Cloud, staff will be leveraging Microsoft Azure Services for Cloud services.

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. Communications Effectiveness Tracking Study Contract Extension-Alter Agents

Jim Hasegawa, Deputy Director of Business Planning, requested Commission approval to add additional funds and extend the agreement with Alter Agents for one year. The agreement between the Lottery and Alter Agents will expire on May 31, 2024. The Lottery has the authority to exercise a one-year option to extend the agreement and continue to receive Communications Effectiveness Tracking Study services.

Commissioner Mills wanted confirmation that the contract will also cover measuring the results and effectiveness of the Education Campaign that was previously presented by Ms. Becker. Mr. Hasegawa stated that the benchmark Ms. Becker spoke about was essentially an augment to the Tracking Study, where staff collected more information, which this contract covers.

Commissioner Alvidrez asked if staff is taking into consideration some of the augments that are happening this year, such as the Education Campaign. She asked about possibly wanting to do this more frequently, possibly twice a year, and she asked if it is being factored into the Lottery's overall budget, particularly as it relates to these types of services. Mr. Hasegawa stated that the one advantage of the Tracking Study is that staff conducts interviews every week. When all the data is combined over the course of the year, there is a very robust sample that is not just contingent on that one data point in terms of time. All of these things are taken into account, both in the department's budget for the Business Plan and also for this contract budget.

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

c. Amendment to Add Funds to Z Squared Construction Agreement for Completion of Northern Distribution Center (NDC) Remodel

Florence Bernal, Acting Deputy Director of Operations, requested the Commission to approve additional funds to the existing Agreement with Z Squared Construction to complete the Northern Distribution Center Remodel Project.

Commissioner Mills asked if there was a contingency included in the estimate of the Rough Order of Magnitude and if staff was confident the approved amount

will cover what is needed to finish the project. Branch Chief Erik Hornbaker stated that there was approximately a 10 percent contingency that was added. Ms. Mills asked if there was an overrun, would that need to come back to the Commission for approval or is there a dollar amount that is a threshold. Mr. Hornbaker stated that staff is confident that they will not be coming back to the Commission asking for additional funds to finish the project based on the Order of Magnitude and the slight contingency that was added. Ms. Mills wanted to know the new timeframe for the completion of the project. Mr. Hornbaker stated that although the contract extension is for the end of the calendar year, the project is tracking completion for the end of May, although there are still some items that are being held up in the supply chain.

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

d. Arktos Incorporated Amendment

Florence Bernal, Acting Deputy Director of Operations, requested Commission approval to extend the term of the agreement with Arktos Incorporated for construction services of the Lottery's perimeter fencing project at the Lottery Headquarters campus. The extension is issued under the available one-year option and will allow the project additional time for completion of any additional work that may be required after the State Fire Marshall's inspection.

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

9. Commissioner General Discussion

Chairman Ahern asked if the Commissioners had anything they would like to discuss.

10. Scheduling Next Meetings

The next Commission Meetings are tentatively scheduled for March 21, May 23, June 27, September 26, and November 21, 2024.

11. Public Discussion

For Public Discussion, Chairman Ahern sought public comments or questions. No one came forward so he proceeded with the next agenda item.

12. Adjournment

Meeting adjourned at 11:15 a.m.