

CALIFORNIA STATE LOTTERY COMMISSION

Minutes – February 27, 2014

Sacramento, California

1. Call to Order

Chairman John Smolin called the public meeting of the California State Lottery Commission to order at 10:04 a.m. at the California State Lottery Headquarters, 700 North 10th Street, Sacramento, CA 95811.

2. Pledge of Allegiance

Smolin led the Pledge of Allegiance.

3. Roll Call

Smolin asked Elisa Topete to call the roll.

Commission Members Present:

Chairman John Smolin

Vice Chair Nate Kirtman

Commissioner Connie Perez

CSL Staff and presenters:

Paula LaBrie, Acting Director

Nicole Soluri, Chief Counsel

Paula Negrete, Deputy Director of Legislative and External Affairs

Joy Guzman, IT Vendor Management and Digital Program Manager

Terry Murphy, Deputy Director of Operations

Amy Tong, Deputy Director of Information Technology Services

Liz Furtado, Chief of Instant Games

Dottie Wallace, Assistant Deputy Director of Human Resources

Nicholas Buchen, Deputy Director of Finance

Elisa Topete, Assistant to the Commission

Glenda Lewis, Recording Secretary

4. Closed Session

No Closed Session scheduled.

5. Consider Approval of the Agenda

Chairman John Smolin asked if any of the Commissioners wanted to make changes to the February 27, 2014 agenda as proposed. Kirtman made the motion to approve the agenda. Seconded by Perez. The agenda passed unanimously (3-0).

6. Approval of Minutes

Smolin asked if there were any additions or corrections to the November 21, 2013 minutes. Kirtman made the motion to approve the minutes. Seconded by Perez. The minutes passed unanimously (3-0).

7. Director's Report

The following oral reports were presented:

- a. Acting Director's Comments – Paula LaBrie
- b. Corporate Social Responsibility Website – Paula Negrete and Joy Guzman

8. Consent Calendar

9. Action Items

a. Statewide Architectural Services Contract

The contract to LPAS will cover architectural designs for improvements of newly acquired properties and additional architectural work that may be needed at currently owned properties during the life of the contract. The contract will be for as-needed work assigned through task orders with no minimum guarantee of work to be assigned. Presented by Terry Murphy, Deputy Director of Operations.

Smolin asked if anyone from the audience had any questions on Action Item 9(a). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(a). Seconded by Perez. The motion passed unanimously (3-0).

b. Microsoft Enterprise Licensing Agreement Renewal

The agreement renewal provides the Lottery with the best pricing for Microsoft product licenses, new product versions, technical support, and training. The term will be three years beginning March 1, 2014 and ending February 28, 2017. Presented by Amy Tong, Deputy Director of Information Technology Services.

Smolin asked if anyone from the audience had any questions on Action Item 9(b). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(b). Seconded by Perez. The motion passed unanimously (3-0).

c. Juniper Network Software Support and Maintenance Renewal

The renewal would include support and maintenance of the Lottery's network, to be paid over three succeeding fiscal years commencing April 2014. The Lottery would be entitled to receive software updates and technical assistance from Juniper Networks. Presented by Amy Tong, Deputy Director of Information Technology Services.

Smolin asked if anyone from the audience had any questions on Action Item 9(c). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(c). Seconded by Perez. The motion passed unanimously (3-0).

d. Scientific Games Inc. (SGI) Sales Commission Payment

Staff requested approval to use purchase orders to make remaining payments to SGI for sales commissions on Scratchers® games developed under an expired contract. Presented by Liz Furtado, Chief of Instant Games.

Smolin asked if anyone from the audience had any questions on Action Item 9(d). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(d). Seconded by Perez. The motion passed unanimously (3-0).

e. California Department of Human Resources (CalHR) Examination Services Contract

The contract with CalHR is to develop and administer online examinations for six Lottery sales-specific classifications, all of which are in the development phase of the process. The Lottery does not have the internal resources to develop and implement online examinations. Presented by Dottie Wallace, Assistant Deputy Director of Human Resources

Smolin asked if anyone from the audience had any questions on Action Item 9(e). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(e). Seconded by Perez. The motion passed unanimously (3-0).

f. Lottery Investment Strategy and Investment Policy

The Investment Strategy and Investment Policy focuses on on-going investment activity in support of SuperLotto Plus®, MEGA Millions®, Powerball® and various Scratchers games and maintenance of the Lottery's Investment Policy Portfolio that includes monitoring and mitigating potential investment risk. Presented by Nicholas Buchen, Deputy Director of Finance.

Smolin asked if anyone from the audience had any questions on Action Item 9(f). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(f). Seconded by Perez. The motion passed unanimously (3-0).

g. Revised Fiscal Year 2013-14 Budget

The approved 2013-14 budget was based on a sales goal of \$5.1 billion and was estimated to generate \$1.332 billion in contributions to education. Despite the fact that the Lottery is seeing positive sales response to its business plan

strategies, sales-to-date and anticipated trends for the remainder of the year point to a revised sales goal of \$4.99 billion. The Lottery has taken steps to make the related adjustments to the prize fund category and administrative spending category to bring the budget in balance and is now estimating that education will receive \$1.309 billion for FY 2013-14, which still reflects one of the highest contributions to public education in Lottery history. Presented by Nicholas Buchen, Deputy Director of Finance.

Smolin asked if anyone from the audience had any questions on Action Item 9(g). No one came forward so he proceeded to the motion of approval.

Kirtman made the motion to approve Action Item 9(g). Seconded by Perez. The motion passed unanimously (3-0).

10. Commissioner General Discussion

11. Scheduling Next Meetings

The next Commission Meetings are tentatively scheduled for March 27, May 22 and June 26, 2014 in Sacramento.

12. Public Discussion

Smolin asked if anyone from the public had anything to discuss. No one had signed up prior to the meeting and no one came forward, so he proceeded to the next item on the agenda.

13. Adjournment

Meeting adjourned at 11:06 a.m.