STATE OF CALIFORNIA

LOTTERY COMMISSION

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CALIFORNIA STATE LOTTERY COMMISSION

MEETING

TIME: 9:30 a.m.

DATE: Wednesday, June 29, 2011 PLACE: California State Lottery

600 North Tenth Street Sacramento, California

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TRANSCRIPT OF PROCEEDINGS

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ALEX FORTUNATI

JOHN MENCHACA

--000--

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1	Wednesday, June 29, 2011
2	Sacramento, California
3	000
4	CHAIR MASS: I'd like to call to order the
5	California State Lottery Commission meeting for
6	June 29 th , 2011.
7	Can everyone please rise for the Pledge of
8	Allegiance?
9	(The Pledge of Allegiance was recited.)
10	CHAIR MASS: Good morning, everyone.
11	Can the secretary please take roll?
12	MS. TOPETE: Commissioner Menchaca?
13	COMMISSIONER MENCHACA: Present.
14	MS. TOPETE: Commissioner Fortunati?
15	COMMISSIONER FORTUNATI: Present.
16	MS. TOPETE: Chairman Mass?
17	CHAIR MASS: Present.
18	The first item on the agenda is to approve the
19	agenda as stated.
20	Does anyone have any changes?
21	Commissioner Fortunati?

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1
                COMMISSIONER FORTUNATI: No changes.
2
                CHAIR MASS: Any changes, Commissioner
3
     Menchaca?
4
                COMMISSIONER MENCHACA: No changes.
5
                CHAIR MASS: Then do I hear a motion to
6
     approve?
7
                COMMISSIONER MENCHACA: I move to approve
8
     the minutes from our last Commission meeting of
     May 26<sup>th</sup> --
10
                CHAIR MASS: Though, this is the agenda.
11
                COMMISSIONER MENCHACA: I'm sorry, I move to
12
     approve the agenda.
13
                CHAIR MASS: For today's meeting?
14
                Do I hear a second?
15
                COMMISSIONER FORTUNATI: Second.
16
                CHAIR MASS: Can the secretary please take
17
     roll?
18
                MS. TOPETE: Commissioner Menchaca?
19
                COMMISSIONER MENCHACA: Yes.
                MS. TOPETE: Commissioner Fortunati?
20
                COMMISSIONER FORTUNATI: Yes.
21
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1
                MS. TOPETE: Chairman Mass?
2
                CHAIR MASS: Yes.
 3
                The next item on the agenda is Item 5, which
      is approval of the minutes from our last meeting of
4
     May 26<sup>th</sup>, 2011.
5
6
                Do any of the commissioners wish to propose
7
      changes?
8
                Commissioner Fortunati?
9
                COMMISSIONER FORTUNATI: No changes for me.
                CHAIR MASS: Commissioner Menchaca?
10
11
                COMMISSIONER MENCHACA: I have no changes.
12
                Thank you.
13
                CHAIR MASS: Then do I hear a motion to
      approve the minutes from May 26<sup>th</sup>, 2011?
14
15
                COMMISSIONER MENCHACA: I'll move to approve
      the minutes of May 26<sup>th</sup>.
16
17
                CHAIR MASS: Can I have a second?
18
                COMMISSIONER FORTUNATI: Second.
19
                CHAIR MASS: Will the secretary please take
20
      roll?
21
                MS. TOPETE: Commissioner Menchaca?
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9

1	COMMISSIONER MENCHACA: Yes.
2	MS. TOPETE: Commissioner Fortunati?
3	COMMISSIONER FORTUNATI: Yes.
4	MS. TOPETE: Chairman Mass?
5	CHAIR MASS: Yes.
6	The next item on the agenda is Item 6, which
7	are the liaison reports.
8	I'm going to turn it over to Commissioner
9	Menchaca.
10	COMMISSIONER MENCHACA: Okay, I'm going to
11	start off with the Audit liaison report.
12	Since our last Commission meeting of May 26 th ,
13	the following is the status of audit projects of the
14	California Lottery:
15	Final reports were issued on the 3Ball
16	Production contract on May 2011. And there were five
17	findings.
18	Second was implementation of the past State
19	Controller's Office audit recommendations. A report was
20	issued in June 2011. There were five findings.
21	We had a first-quarter transfer report of

1	fiscal year 2011. The report was issued in June of
2	
2	2011. There were no findings. The final report is
3	pending.
4	The second quarter transfer report of fiscal
5	year 2011. No findings.
6	And the Samuel Ramirez and Company report, no
7	findings. There are draft reports pending.
8	Otto Construction contract: Field work has
9	been completed and is under review. Six findings will
10	be noted once the draft report is issued.
11	The LPA Sacramento, Inc., contract: The field
12	work is complete and is under review. One finding will
13	be noted once a draft report is issued.
14	The risk assessment: Field work is complete
15	and under review. No preliminary findings.
16	Work in process: We have a budget process.
17	Field work is expected. This would be the State
18	Controller's Office work, with respect to the budget
19	process. Field work is expected to last through the end
20	of June 2011. There are six preliminary findings.
21	The retailer network: Field work is suspected

```
to last through July 2011. No preliminary findings.
1
2
               Casanova Pendrels Publicada, Inc., marketing
3
     contract: Field work is expected to last through
     July 2011. There are no preliminary findings.
4
5
               New audits.
6
               New SCO audits: Third-quarter transfer
7
     report, fiscal year 2011. The field work began on
     June 1^{st}, 2011, and is expected to last through July
8
9
     2011.
10
                Personnel and payroll: Field work began in
11
     June 2011, and is expected to last through August 2011.
12
13
               KPMG audits: Draw observation reviews: KPMG
14
     continues to observe and report on the Lottery's daily
15
     draws. No significant findings were noted.
16
               Financial statement audit: Field work is
17
     expected to last through October 2011. No preliminary
18
     findings.
19
               The Lottery internal audits: Final reports
20
     issued.
21
               Camelot contract: The final report issued in
```

1	June 2011, and had two findings and one observation.
2	Draft report is pending.
3	Asset management: Field work is complete and
4	is under review. Eight findings will be noted once a
5	draft report is issued.
6	Scratchers® ticket activation: Field work is
7	complete and is under review. There are three
8	preliminary findings.
9	Work in progress: Travel program: Field work
10	is expected to last through the end of July 2011. There
11	are no preliminary findings.
12	New internal audits: Confidential fund
13	account audit: Field work began in 2011, and is
14	expected to last through the end of August 2011.
15	FISMA audit: Field work began in June 2011,
16	and is expected to last through September 2011.
17	Investigative claims process audit: Field
18	work began in June 2011, and is expected to last through
19	September 2011.
20	And then finally, the audit committee met
21	yesterday and discussed the status of all the current

1	audits.
2	And that concludes my Audit liaison report.
3	CHAIR MASS: Thank you very much,
4	Commissioner.
5	Commissioner Fortunati?
6	COMMISSIONER FORTUNATI: Yes.
7	Good morning, everybody.
8	Mine is the Education and Community Relations
9	liaison report, June 29 th , 2011. It's a brief one.
10	We're looking forward to the beginning of our
11	Imagination in Education program, which highlights
12	outstanding student artwork from high schools throughout
13	the state in the lobby of our new building.
14	Artists from Elk Grove High School will be the
15	first to have their artwork displayed. The winning
16	artists have received a certificate. In a few months,
17	their work will be replaced by outstanding art from
18	students at another high school.
19	That concludes the report.
20	CHAIR MASS: Thank you, Commissioner.
21	As Marketing liaison, the Marketing staff

1	updated me on the following: The Set For Life
2	Scratchers® game advertising campaign, it was relaunched
3	at a \$5 price point, offering 16 chances to win. This
4	ticket featured an advertising campaign that included
5	separate commercials for general market television and
6	Spanish-language television.
7	The advertising began on June 13 th and ran
8	and will run through or just finished on June 27^{th} .
9	Marketing is not on the air at this time, with
10	advertising. We're planning the next round in
11	August, which will focus on Set for Life that will
12	follow the introduction of our \$10 Scratchers®, and
13	we're all excited about.
14	Advertising for that game will air at the end
15	of October.
16	The introduction from a new Hot Spot with ten
17	spots will launch in August, as will our new public
18	Web site, another thing we're very excited about.
19	As Procurement liaison, the staff requested
20	approval on the following:
21	To purchase the Avaya voice-over-IP equipment

1 for the Lottery's district offices and the Lottery's secondary site. The new equipment will eliminate the 2 3 need for traditional phone lines by utilizing the data 4 network, and I think also reducing overall costs. 5 To purchase Jupiter Ethernet switches for 6 wiring access closets and data center. The new headquarters building will utilize a redesigned network 8 to connect and manage the computers, server systems with the headquarters building and with the Lottery district 10 offices. 11 As Budget liaison, the 2010-2011 budget was 12 presented to me by staff, which continues to monitor the 13 expenses against our sales goals. The analysis of the 14 actual sales and expenses through the end of 15 May confirms that the Lottery is on track to meet the 16 goal of 17 \$1.1 billion to public education this fiscal year. 18 Again, very excited about that. We've got to 19 commend staff for achieving that. We'll talk later about it. 20 This will also mark the 11th consecutive year 21

that the Lottery will surpass the \$1 billion mark in 1 2 contributions to public education. 3 We're also presented -- the staff also presented me with the 2011-2012 budget. Staff will be 4 5 presenting that later on today, in today's meeting. 6 Staff provided an overview of the budget 7 development process to Commissioners Menchaca and 8 Fortunati earlier this month. That overview included the timeline for building the -- the target for building 10 the budget and the key components to drive the evolution of the budget over time. 11 12 As Legislative and Legal liaison report -- did 13 you notice I'm on a lot of committees here? 14 So the Lottery is following one legislative 15 bill that would amend the Lottery Act, and that's AB 16 363. 17 This bill changes the reporting dates from the State 18 Controller to make specified reports to the Legislature 19 from September 1st and December 31st of one year, to January 1 and April 1 of the following year 20 21 respectively, and for each five full fiscal years,

1 regarding the Lottery's efforts under AB 142 to boost 2 contributions to public education. 3 It also extends the operation of AB 142 and the restoration of the prior law from December 31st of 4 one year, to April 1st of the following year if the 5 Controller notifies the Legislature and the Governor has 7 specified that events relating to the total net revenues 8 allocated to the benefit of public education has occurred. 10 This bill was enrolled and presented to the 11 Governor for signature. 12 The Lottery has been following SB 939, which 13 would have made several technical and non-substantive corrections to the Lottery Act. This bill has been 14 15 amended and no longer pertains to the Lottery. 16 Those are my reports as liaison. 17 I want to turn the meeting over to Linh for 18 the Director's Report. 19 COMMISSIONER FORTUNATI: Chairman Mass, I actually did have a Security liaison report. 20 21 CHAIR MASS: Okay, excuse me. Sorry.

1 COMMISSIONER FORTUNATI: Okay, so the security 2 liaison report: The move into the Lottery building is scheduled for the weekend of July 8^{th} , 9^{th} , and 10^{th} . 3 Three private contractors are moving property from the 4 5 old building to the new building. Over 70 movers from the three contractors are involved with the move. 6 7 To assure the integrity and the security of 8 the Lottery, the team -- a team of SLED investigators 9 will be working throughout the weekend to monitor the 10 movers. 11 During May and June 2011, we had five armed robberies that occurred at retailers across -- at retail 12 13 stores in Antioch, Pittsburg, Concord, and the 14 unincorporated areas of Contra Costa County. 15 All the armed robberies were believed to be 16 committed by the same suspects, and involved the theft 17 of cash and Lottery tickets. The armed robberies were 18 extremely violent in nature. 19 Local law enforcement does not have SLED's ability to identify where suspects are cashing the 20 stolen winning tickets at other retail stores. 21

1 A SLED investigator was responding to a 2 cashing location, only to unexpectedly find a vehicle 3 matching the description of the robbery vehicle. investigator followed the vehicle to the suspect's 4 5 residence, copied the license plate, and shared the information with Antioch police. 6 7 During the following weekend, three more armed 8 robberies occurred at retail -- other stores in 9 Brentwood, Pleasant Hill, and Alamo. 10 The following day, based on investigators' 11 information, local undercover police began a mobile 12 surveillance of the suspect vehicle. 13 To everyone's surprise, the suspects committed 14 yet another armed robbery in front of the undercover 15 officers. Three suspects were arrested. The firearm 16 was seized, and stolen Lottery tickets were found in the 17 suspect's vehicle. The suspects have since been charged 18 with all nine armed robberies. 19 The credit for identifying the suspect 20 vehicle, in the first place, went to our SLED 21 investigator.

1	That concludes my Security liaison report and
2	my other reports.
3	Thank you.
4	CHAIR MASS: Thank you.
5	And congratulations to the SLED unit for doing
6	that. Fantastic.
7	Linh?
8	ACTING DIRECTOR NGUYEN: Good morning,
9	Commissioners, Chairman Mass.
10	I'm pleased to present the director's report.
11	
12	First up, is the Lottery Report Card. And I'd
13	like to have Jim Hasegawa present the sales-report
14	portion of that.
15	MR. HASEGAWA: Good morning, Mr. Chairman and
16	Commissioners.
17	There are only a few days left in the fiscal
18	year. Unlike prior sales reports from trying to project
19	year-end sales, this one is a little bit easier to do.
20	I'm happy to report that year-end sales for
21	this fiscal year will be up nearly \$400 million, or

1 13 percent over last fiscal year. And this projection 2 is based on the most recent data -- in fact, including, 3 actually, some data through last night's draw. So as such, some of the numbers that will be presented in the 4 5 budget portion may be a little different because they 6 were based on earlier numbers. 7 But in any case, the \$3.432 billion that we 8 believe will come through sales through the end of this 9 fiscal year, pretty close to what we have been talking 10 about the last couple of Commission meetings, the last 11 couple of months, is a little bit over the \$3.4 billion 12 mark. Again, that is 13 percent over last year's 13 numbers. 14 What's fueling it? Well, Scratchers® has the 15 largest percentage gain growth. Scratchers® will be 16 just shy of the \$2 billion mark. That's a 20 percent 17 increase over last year. 18 Last year sales were about a little over 19 \$1.6 billion. 20 We also have large gains in MEGA Millions®. 21 MEGA Millions® sales will be at \$537 million through the

fiscal year, an 11 percent increase over \$485 million 1 2 last year. And that's also above the original goal set 3 for this year. 4 SuperLOTTO Plus® has a decline of 6 percent. 5 The only product category that's showing a decline that follows the traditional decline that we've seen ever 6 7 since we've launched MEGA Millions®. However, the 8 decline is much smaller than anticipated. As such, 9 sales are above the goal numbers. 10 Daily Games shows an increase of about 11 6 percent, primarily due to Fantasy 5. And sales for 12 that product category will be about \$333 million this 13 year. 14 And Hot Spot's showing a 10 percent gain. 15 That's the first gain we've seen in Hot Spot in many 16 years. And that gain is from \$130 million to 17 \$118 million. 18 In terms of what's fueling the sales growth, 19 I'll summarize it. I know I've discussed this earlier. But for Scratchers®, of course, AB 142, with 20 21 the pay-out increase. And by allowing us to increase

1 the pay-out, we've been able to grow the \$5 game 2 category tremendously during the year. 3 We also have changes to our games in the Scratchers® plan, as well as Ex\$ell. All of those RENEW 4 5 initiatives that are contributing to the growth in Scratchers®. And finally, because of advertising. 8 marketing plan and marketing budget is devoting more dollars to Scratchers® this year; and those 10 advertising campaigns have been paying off. 11 I believe I reported last time, we have seen 12 about close to \$40 million in additional sales just from 13 advertising campaigns from February through May. 14 In terms of MEGA Millions®, we are seeing, as 15 a result of advertising efforts, increases in draw 16 sales at all jackpot levels due to advertising: We've 17 had two jackpots over \$300 million this year. 18 So total sales at \$3.432 billion. Again, 19 nearly a \$400 million increase. And that provides education, \$1.103 billion, which is, as discussed 20 21 earlier, is right on goal with the plan for this fiscal

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1
     year.
2
                The $13 million difference from last fiscal
3
     year that you probably note in the chart, I do want to
     make a note of that, in the sense of, it is really, you
4
5
     know -- while we're proud to increase the contributions
     by the $13 million, this figure really doesn't account
6
7
     for all of the factors because we had the benefit of
8
     $45 million in investment proceeds that we did not have
9
     this fiscal year.
10
                And so, you know, to be honest and so forth,
11
     the efforts from this fiscal year really did result in
12
     much more than just the $13 million gain for public
13
     education.
14
                And that concludes the sales report.
15
                ACTING DIRECTOR NGUYEN: Thanks, Jim.
16
                Did the commissioners have any questions or
17
      comments?
18
                CHAIR MASS: Commissioner Menchaca?
19
                COMMISSIONER MENCHACA: No. No questions.
                CHAIR MASS: Commissioner Fortunati?
20
21
                COMMISSIONER FORTUNATI: None.
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1 CHAIR MASS: Thank you very much, Jim. 2 ACTING DIRECTOR NGUYEN: Okay. I'm slated to 3 do the project update at this meeting. Ed Fong is on vacation. 4 5 I want to take this opportunity to also give my view of the last year. 6 7 So just looking back, I think 2010-2011 is 8 what I would say is a transformational year for the 9 Our business practices have changed Lottery. 10 significantly. We provided a lot more structure for the 11 sales force through the Ex\$ell project. We're more 12 data-driven than ever before, and we're proactive as a 13 result of the weekly Scratchers® action meetings. We're 14 using data like never before because of our business 15 intelligence system, which has truly been a game changer 16 this year. 17 We've become laser-focused on decisions based 18 on a return-on-investment formula for education. We've 19 shown that if done right, advertising works. 20 We've implemented succession planning efforts, including the leadership academy and new employee 21

1	orientation.
2	Our Security and Law Enforcement Division has
3	been focused on core skills training, and completely
4	revamping their policies and procedures. And they're
5	leading the effort in that respect.
6	We've nearly completed a new building that is
7	under-budget, ahead of schedule; and that will save us a
8	hundred thousand dollars a year.
9	We've begun implementing initiatives driven
10	by our employee survey.
11	We've embraced internal communication as a key
12	part of our success.
13	We've broken down walls between headquarters
14	and field operations, and between our divisions.
15	We're communicating and working better with
16	our partners and our stakeholders.
17	We've learned that teamwork is paramount to
18	our success.
19	And I believe the Commission is much more
20	involved and knowledgeable about our operations. I hope
21	you agree.

1 I think these accomplishments give us 2 tremendous momentum heading into this next fiscal year. 3 As you'll see in the budget presentation, we're projecting some big numbers for next year. And I 4 5 don't want to step on Michael Ota's presentation. It's going to be a big year for us, and I'm 6 7 very excited about what the future holds. 8 It will, no doubt, be challenging. We won't 9 be able to reach these goals with prize pay-outs alone. 10 It's going to take finding resources and allocating 11 them effectively. 12 We need to execute our key initiatives to the 13 best of our abilities to reach our numbers. But in the 14 end, I would say we have really come alive in this last 15 year. We are really, truly firing on all cylinders. 16 could not be more proud of the leadership team and the 17 hard-working and dedicated staff. I think they've all 18 come together and put in an A-plus effort to get us 19 where we are today. 20 The staff of the Lottery care deeply about 21 their work, our organization, our beneficiary; and it

1	shows in their effort and their accomplishments.
2	I honestly cannot believe that you would find a more
3	dedicated group of employees anywhere.
4	Without their hard work, we would not be the
5	fastest growing lottery in the United States. This year
6	alone, we've met our goal to education despite a slow
7	start on higher prize pay-out Scratchers® and despite
8	the slowing economy.
9	Next year, we're going to break our all-time
10	sales record by over \$500 million. We'll also be
11	providing a hundred million dollars more to education
12	than we did last year.
13	So congratulations to the staff. It's been a
14	tremendous year.
15	CHAIR MASS: Thank you.
16	ACTING DIRECTOR NGUYEN: And with that, I'd
17	like to move into the project updates.
18	The project updates, each of the projects are
19	divided into two parts: One is a discussion of what
20	we've accomplished in the past year, and then what is up
21	for the next year, for fiscal year `11-12.

1 The first slide shows the business objectives. 2 I'm not going to focus on this slide. You've seen these 3 before. These are where we're focusing our energy. 4 The key projects are retailer and sales 5 support. Scratchers® end-to-end, draw and jackpot games, marketing, digital communications and the public 6 7 Web site, and business optimization, which we're calling 8 "market response analytics." It's also known as 9 "econometrics." But it's basically telling us what our 10 ROI on our marketing is. 11 So those are the key projects. You've heard 12 those before as well, and they cover all the key areas 13 of our business. 14 Under "retailer and sales support," our key 15 successes under the retailer sales billing program are 16 having completed the make-over project. And we've also 17 developed and implemented a retailer incentive program 18 surrounding our Mega Crossword game, which was our first 19 \$5 crossword game. 20 Essentially, this project is about creating 21 incentives for retailers, and measuring whether it works or not, and determining what we want to continue into the future.

So the next steps are to conduct an analysis of our current efforts and to develop a program of off-the-shelf promotions and retailer incentives that we know work; and then to continue looking at possible future incentive programs. That will continue into next year.

Next, under the Ex\$ell program: As you know, we've introduced four basic components, which we have the staff focusing on, which were full facings, activating new games, ensuring the ideal game mix was displayed, and increasing our visibility from the street at our retailer locations.

For fiscal year 2011-12, we're looking to provide -- well, we're looking at our visitation schedule, and making sure that we're visiting the retailers that have the most potential for growth. For example, as you know, we've divided retailers into A, B, C, D, and E categories, A being our highest volume retailers.

1 And, you know, overgeneralizing, but it 2 appears that we should be spending most of our time with 3 B and C retailers. They have the most potential for growth. But that's just one aspect of it. 4 5 Next up is our Scratchers® inventory and 6 distribution project. This is a very high priority for next year. I think there are large gains to be made 8 with efficiencies and effectiveness on that. So 9 personally, for me, that is a very high priority. 10 Over the last year, we've developed our 11 efficiencies in getting our tickets onto the street. 12 You know, we've been recording data, using that data to 13 fine-tune our distribution program. And we have 14 revitalized the staff in that area, and they're being 15 much more proactive than they used to be. Next up, is for 2011-12, is to implement key 16 17 findings. We've also started a pilot project to 18 determine if aligning our retailers, our ticket 19 specialist, and our DSR will help us better coordinate and get the right tickets at the right retailers. 20 21 Finally, under "Retailer Network Optimization

and Communications, " we are evaluating our distribution 1 2 base and addressing equipment placement to maximize 3 sales performance. So that will continue. And also, for 2011-12, we're completing a 4 5 break-even analysis and determining a sales performance range. And this will help us determine which retailers 6 7 that we want in our network. 8 We also want to work on communications. 9 want to take a one-voice approach to messaging to our 10 retailers. This will help us avoid inconsistencies and 11 drive a singular message, whichever particular message 12 we think is going to help us grow sales the most at that 13 particular time. 14 Under Scratchers® end-to-end, we've reduced 15 the number of games in order to focus on the 16 best-selling games. We've also increased the 17 availability and assortment of \$3 and \$5 games in the 18 market. We have refined our Scratchers® product plan, 19 the timing of our launches, and when we end games. We're continuing to refine that. 20 21 One of the best decisions we've made is to

1	launch games on Friday instead of Monday. That gives us
2	a weekend of sales for new games.
3	We've also utilized proven games in the
4	industry, and those have tested well with consumers in
5	creating prize structures with increased frequencies of
6	winning. We'll continue to refine that as well.
7	The next steps for 2011-12 include the launch
8	of our \$10 Scratchers® game, the first in our history.
9	We're also going to build efficiencies in our
10	distribution channel. And you saw that on our prior
11	slide as well.
12	Up next is, under our draw and jackpot games,
13	we've completed an evaluation of SuperLOTTO Plus®.
14	We're implementing strategies to broaden playership
15	through value-added programs that include second-chance
16	draws for SuperLOTTO Plus®, and also differentiating
17	SuperLOTTO Plus® from MEGA Millions®.
18	We've also completed a situation analysis for
19	Hot Spot, and that led us to implement the ten spots for
20	next year.
21	The next steps on SuperLOTTO Plus® oh, I

already mentioned those. It's to develop a second-chance draw and to differentiate that game from MEGA Millions®.

Under, "Marketing Communications," we are continuing to do process maps. That should help us with effectiveness, redundancy, and communication within our marketing program.

Also in progress is our Hispanic advertising RFP. Our next steps are to identify the successful bidder for the Hispanic advertising services contract, and to complete process mapping for consumer marketing and advertising functions. And that will help us identify improvements for next year.

Next up, we have our digital communications and public Web site. With our existing Web site, we've improved player communications. And it has become a much-improved marketing tool for us.

We've also developed protocols and identified tactical changes to the current Web site that provide a more engaging experience for players, including second-chance draws for draw games, and a simplified

1 process to enter Scratchers® tickets into the 2 second-chance draw program. 3 Next steps, as you're well aware, we're launching a new Web site in the summer of 2011. We 4 5 believe it's going to be in August 2011. We will be 6 developing longer-term value-added projects to build 7 sales, including integrating the social media channel with all of our Lottery activities. 8 And finally, under, "Business Optimization," 10 we've completed our marketing response analytics or 11 econometric modeling, as I mentioned earlier, that will help us determine how to more effectively make media 12 13 buys: Which media and under which channels. 14 We'll also be scheduling a presentation on the 15 findings of this project, to senior management, in the 16 next few weeks. 17 Next steps for fiscal year 2011-12 is to 18 implement the model that we develop. And we're going to 19

implement the model that we develop. And we're going to continue to refine the model with updated additional sales data one or two times a year. And at that point, it is a business-as-usual process.

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1	That concludes the Lottery Report Card.
2	Do the commissioners have any questions or
3	comments?
4	CHAIR MASS: Commissioner Fortunati?
5	COMMISSIONER FORTUNATI: None.
6	CHAIR MASS: Commissioner Menchaca?
7	COMMISSIONER MENCHACA: No comments.
8	CHAIR MASS: Thank you.
9	ACTING DIRECTOR NGUYEN: All right, thank you.
10	The next item on the director's report is the
11	Security and Law Enforcement Division's status report.
12	And I'd like Joe Robillard to come up and
13	present that.
14	MR. ROBILLARD: Good morning, Chairman,
15	Commissioners, Director.
16	I'd like to introduce Crime Analyst Amber
17	Bettar. She runs our Latin Lotto. Not only will she do
18	the PowerPoint presentation, but I'm going to refer to
19	Amber in this presentation.
20	It's been a year since I gave you the last
21	update. Significant changes have occurred within the

Security division. I'm going to just focus on the most significant changes.

But before I begin, I need to thank publicly every member of the senior staff and every division within the Lottery, especially the Legal division, our chief auditor, our Human Resources, and Information Technology. Everyone has been very helpful in helping me make positive changes within SLED.

Physical security: We converted to the new Pro-Watch system. It's working as expected. It was a little bit more labor-intensive, setting it up. But the reason we went to the new Pro-Watch is, the old system was no longer being serviced by the vendor. So if it crashed, we would have been in a very challenging position. But Pro-Watch is up and running. It now incorporates all the district offices throughout the state.

For the new building, the California Highway
Patrol has offered to do a security assessment for the
new building. And their report should be done by
September. I'm hoping to give a draft at the next

1 Commission meeting. 2 Their assessment are recommendations only. 3 They're non-binding. They've already done a preliminary 4 inspection of the new building, and come up with a 5 couple recommendations. I'm looking forward to seeing 6 that report. 7 Another significant change within SLED is how 8 we do background investigations. There were four types: The standard 10 background, the sensitive background, peace-officer 11 backgrounds, and contractor disclosure. Sensitive backgrounds were employees that came 12 13 to the Lottery, served us very well, but were promoted or moved into what was defined as a sensitive position. 14 15 Had to go through another updated background. wasn't well-received. There was some discussion on 16 17 that. 18 However, analyzing those sensitive backgrounds, no one 19 ever failed. We were producing a widget, sir, that was meaningless. 20 21 Since then, we've discontinued the sensitive

background investigations.

enters the California State Lottery; but the standard background processes have been improved. In essence, the standard background now is more comprehensive than what the sensitive background was a year ago. So there has been no compromise in integrity or security; we just streamlined our processes.

Internal audits: When I first came here about a year and a half ago, we assigned some staff to do some internal audits within the division. We inventoried our physical evidence to come into compliance with POST standards. POST is the California Commission on Peace Officer Standards and Training. Our physical evidence had some room for improvement.

We did office inspections of every office throughout the state. And our information security officer did an audit of our own division. We found we needed to improve how we stored background files and better secure our everyday files.

Since then, I've asked Roberto Zavala, the

chief of Internal Audits, to do his own independent audit of our division. That's a standard practice within the law-enforcement community. And I look forward to his report here sometime this coming year.

entire Policy and Procedure Manual. This is it. Every policy, every procedure, both in the LOM and our internal policies were completely revised. It included such things as the Law Enforcement Code of Ethics. We incorporated a mission statement, which we did not have before. Use of force. We now have a contract with CHP to do independent investigations when necessary. We now have an internal-affairs policy. It's up-to-date and within industry standards.

On the Lottery Operating Manual, we also updated every one of those sections, updating how we investigate questioned claims, our disclosure investigations, how we investigate forged warrants or stolen checks from the State Controller's Office, and how we inventory our safety equipment.

Here's one of the biggest changes,

1 Commissioners: We no longer have Lottery agents. 2 now have state investigators. Thanks to Human 3 Resources, the old Lottery agent classification has been 4 abolished. 5 The reason for abolishing that and 6 transferring to state investigator is the old classification had no educational requirements. It took 7 8 three years of criminal law-enforcement experience and burglary and robberies. So the only way to become a 10 Lottery agent was to work for a local law-enforcement 11 agency. 12 However, Amber here, who has aspirations to 13 be an investigator -- and I want her to be an 14 investigator -- not only has a bachelor's degree, but a 15 master's degree. Under the old specifications, she 16 would never be eligible. 17 The result of that is we have a very -- we 18 have an aged workforce that does not reflect the 19 demographics of today's California. 20 If you go to the next one. 21 So we now have state investigators. And the

1 minimum qualifications to become a state investigator is 2 either based on experience, education, and/or a 3 combination of experience and education. So what this has done, Commissioners, is its 4 5 broadened our candidacy pool. We're more competitive. We're getting better qualified applicants in the long 6 7 run; and people like Amber and others that have an 8 aspiration to be a state investigator are now eligible. 10 Next one. 11 Because of the old specification -- when I 12 first came here, Commissioners, there was not one female 13 investigator assigned to field investigations. It was 14 predominantly a white-male, 55-plus organization. 15 did not reflect the demographics of today's population. 16 17 And because of the new specifications, we are 18 now having an infusion of female investigators in our 19 field investigations. We now have Hispanic 20 investigators, Asian investigators. And we're going to

continue to move forward with diversifying our

21

1	investigative workforce. We still have a ways to go,
2	but we're getting there.
3	SLED was not, in the past, in full compliance
4	with POST mandated perishable skills training. They
5	have standards. It's a biennial training process.
6	For example, the racial profiling, code of ethics,
7	first-aid/CPR, and many other specialized topics.
8	We are now in full compliance with POST
9	mandated training. We've come a long away in our
10	training.
11	SLED is going through a reorganization
12	process. Field operations was considerably understaffed.
13	
14	Thanks to our Information Technology Services
15	Division, they accepted an IT position that was within
16	SLED, and took the person but not the position. That
17	vacant position then was converted to an investigator
18	and moved to the field. The first thing we did is we
19	put a female investigator out in the field.
20	There was a vacant another headquarters
21	vacant position that has since been converted to an

1	investigator position and moved to Southern California.
2	
3	So from last year, headquarters SLED is now
4	10 percent reduced, but we're enhancing our field
5	operations. We're just moving the resources where they
6	need to be.
7	The Special Investigations in Security, which
8	we refer to as "SIG" there are three investigators in
9	headquarters. They now carry field assignments.
10	Before, it was strictly they would answer phones and do
11	preliminary investigations based in headquarters. They
12	now have routine, regular field investigations. They're
13	out in the field.
14	They may be here in headquarters, but they're
15	predominantly, basically a district investigator now.
16	We're relocating headquarters staffing and resources to
17	the field.
18	This last sentence on that point about doing
19	less with less is misleading. I should have removed it.
20	It's my error.
21	What we're doing is, we're reevaluating what

services we provide, and putting them where they should be. And, again, that's out in the field.

The tone, the message, the philosophy of SLED, and what I've been trying to instill is the California State Lottery is our primary customer. We're here to serve the California State Lottery. We're here to serve Sales and Marketing. We're here to provide a service to enhance sales to service the rest of the Lottery. That is the tone, that is the message.

And I'm glad -- I'm pleased that the staff has seen that new message. And with the latest employee survey, SLED now has one of the highest morale within the Lottery.

Our priorities for field operations:

Preventing the redemption of stolen tickets. SLED

investigators work 24/7, 365 days a year. The reason

is, when our retailers, which are our partners -- when

they experience a robbery or a burglary and Lottery

products are stolen, those tickets -- the winning stolen

tickets are cashed. We need investigators there on the

weekends, on the holidays, on Christmas morning, on

1 Thanksgiving morning, getting those stolen tickets 2 entered into the database, flagging them so they can't 3 be redeemed. Our processes are improving. A couple years ago, we reimbursed retailers 4 5 for their stolen tickets that they unknowingly cashed. It was about a half million dollars a year. We now -- I 6 7 think by the end of this fiscal year, we got it down 8 below \$250,000, which means we're being more responsive, 9 more timely in getting those stolen tickets entered into 10 the database. 11 We're also doing better investigating claims 12 that have tickets that are altered, forged, counterfeited, or stolen. 13 14 Crimes committed against our retailers: These are the burglaries, these are the robberies, these are 15 16 the employee embezzlements where Lottery products are 17 That is one of our priorities. stolen. 18 Crimes committed against our players: Stolen 19 tickets. The Consumer Protection Program, such as Latin Lotto, which Amber leads -- she is now -- not to 20 21 embarrass you, Amber -- but one of the nation experts in Latin Lotto scams.

Providing customer service to our players via the 1-800 line. A lot of the calls are just customer service in nature. Sometimes the players -- they're not reporting a crime, they just have a question. And it comes down to customer service. And so I've encouraged staff to think of it as a customer-service function.

And we're doing better.

The next bulletin: One of the things -- and I need to thank our Information Technology Services

Division -- is a system called Critical Reach. Amber also runs that program.

The old days, up to about a year ago, we sent black-and-white faxes to law-enforcement agencies. And most of those faxes were blurred, and would just sit in the fax machine.

Now, with technology, we can send out bulletins -- color bulletins, such as this one, in almost real-time. And the advantage, just like on the liaison report is, we know where the stolen tickets are being cashed.

So we don't necessarily go to the store where the tickets are stolen; we go to the store where the stolen tickets are being cashed. And suspects, they smile in the camera.

In this case, Investigator Melissa

Francesconi, this is her case. It was a burglary or robbery in Auburn. She puts this bulletin together. We send it out. A local law enforcement officer recognized this suspect as one of their regulars. Because of the investigator's assistance and cooperation, within 24 hours after the release of this bulletin, the suspect was interviewed, in custody, and booked; and they found some of the stolen tickets in his residence. That's the service our investigators are providing.

I would like to emphasize that suspects who steal Lottery tickets, they just don't do it once.

Like, in the liaison report, those suspects were responsible for nine burglaries, nine robberies. They are repeat offenders. They find something that they get comfortable with and they stick with it.

So when we solve these crimes, we are

preventing future robberies, future burglaries at our retailers where Lottery products are stolen.

SLED does have some challenges. And this is a good problem. I am welcoming this problem. Because of Michael Brennan and the RENEW Program, the California Lottery has the greatest, most significant increase in sales of any lottery in the nation. Sales are on the increase. Prize payments has improved their efficiencies.

The end result is, though, we have 46 percent more claims being referred to SLED for investigation.

We're no longer able to keep up with our goal of completing claims investigations within 45 days. We're falling behind. And it's just because of increased sales.

Again, I see this as a good problem to have.

So with diverting headquarters staff to the field, with reassigning the SIGs investigators to field investigations -- I have a reorganization plan being forwarded to the director, we have a leadership development plan -- we are addressing these issues.

1 Another challenge that I have is, I am 2 noticing -- and this is because of our business 3 intelligence systems from I.T. -- the Lottery is better at identifying suspicious claims and referring them to 4 5 So we're getting better referrals from our B.I. But I'm seeing an increase where, unfortunately, 6 7 retailers and some of their employees are buying winning 8 tickets at a discounted price. And, mostly, the players 9 that do engage in this activity are just trying to avoid 10 the State's offsets: Back-taxes, child support. 11 And my goal this coming fiscal year is to try 12 to better communicate to our retailers that that's not 13 acceptable, and explain the consequences. 14 I'm still trying to think of the best way to deliver that message. It can't be done in enforcement 15 16 It's got to be a combination of education, 17 combined with enforcement. 18 Another challenge is developing our leadership 19 I'm looking forward to the next generation of team. leadership within SLED. We have reached out to POST --20 21 again, the California Commission on Peace Officer

1	Standards and Training for a team-building workshop.
2	We're also sending our future leaders to career
3	development schools. We're developing our future staff.
4	These, Commissioners, are the most significant
5	changes within SLED within the past year.
6	I'd like to say, we have lots of improvements.
7	We have professionalized. We still have a way to go.
8	But having said that, may I answer any
9	questions?
10	CHAIR MASS: Commissioner Menchaca?
11	COMMISSIONER MENCHACA: Yes, you mentioned
12	that you're getting more claims now.
13	How do you go about tracking at what stage of
14	the process of the investigation our individual claims
15	are at?
16	MR. ROBILLARD: It comes down to case
17	management. We now get a monthly report from prize
18	payments of all the claims assigned to SLED. That was
19	not historically done. And we track each claim it's
20	a case management. And I'm holding the field
21	lieutenants responsible for working on the oldest claims

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1
     first.
                     Staff now understands because the message
2
     has been repeated time over --
3
                (End of Tape 1-A. Start of Tape 1-B.)
                MR. ROBILLARD: -- and new claims coming
4
5
     within the division.
                We're focused on it.
6
7
                COMMISSIONER MENCHACA: Do you receive -- do
8
     you personally receive a report of all the claims
9
     outstanding in the process -- the place in the process
10
     where they're at?
11
               MR. ROBILLARD: Yes, the manager of prize
12
     payments, I receive a monthly report, usually the first
13
     working day of each month. And I scan it, send it out
14
     to the field lieutenants; and they know that I'm going
15
     to -- I follow up, starting asking about the oldest
16
     claims first.
17
                COMMISSIONER MENCHACA: And then you mentioned
18
     that you were no longer being able to meet your 45-day
19
     goal of completing an investigation on claims.
20
                Are you going to revise that 45-day to a
     new -- 45-day number to a new number?
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MR. ROBILLARD: I prefer not to do that, sir.
1
2
      That's like moving the goalpost closer rather than
3
     trying to reach that goalpost.
4
                COMMISSIONER MENCHACA: Okay.
               MR. ROBILLARD: I think that goal is still
5
6
     obtainable.
7
                I'm not prepared at this time to change that
8
     goal.
                ACTING DIRECTOR NGUYEN: And if I can jump in
10
     here. You know, at the end of the day, we only have so
11
     many resources and we're selling a lot more product. I
     mean, that's clear.
12
13
                We're going to have to work on getting Joe
14
     some resources to meet his 45-day requirement. So we're
15
     going to work towards that as well.
16
                So it's going to be efficiencies and then
17
     getting him some additional resources.
18
                COMMISSIONER MENCHACA: Okay, thank you.
19
               No further questions.
20
                CHAIR MASS: Thank you, Commissioner.
               Commissioner Fortunati?
21
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1 COMMISSIONER FORTUNATI: Yes, I have one 2 question. 3 Do you categorize the burglaries, the robberies, the employee embezzlement, stolen tickets, do 4 5 you kind of like, know where your priorities are? to allocate? For instance, employee embezzlement, do we know if retailers -- do they do background checks? 8 that part of the requirement of the agreements when we 9 sign them up or not? 10 MR. ROBILLARD: No, sir. Many employees, 11 especially at the independent grocery stores, or the 12 independent stores, are minimum wage or a little bit 13 above that. It's challenging to get employees. 14 From my experience, they don't do background checks. 15 However, some of the embezzlement cases that 16 I am reviewing are not at the employee level. They're 17 at the first-line managerial level within some stores, 18 where they were entrusted to do the bookkeeping, where 19 they could conceal the stolen tickets for a period of 20 time. 21 So to answer your question directly, no, we do

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1
     not mandate background checks on their employees.
2
                COMMISSIONER MENCHACA: Is there a way to,
3
     perhaps in the future, slowly head in that direction,
     for instance? You know, by advocating that that's a
4
5
     good practice?
6
                This is an educational issue, perhaps.
7
               MR. ROBILLARD: That's an idea worth
8
     exploring. I still --
                ACTING DIRECTOR NGUYEN: We haven't done that
10
     in the past for several reasons: The type of retailers
11
     we're talking about, there's a lot of turnover at that
12
     level.
13
                What we do rely on is background checks on the
14
     retailers themselves, and we make them responsible. I
15
     just don't know that we would ever have the resources to
     do those kinds of background checks.
16
17
                You know, some employees work a couple of
18
     months at a time, you know, and find new jobs.
19
               MR. ROBILLARD: Right. But I'm not saying
20
     that we have to do that. We get them to pay that cost.
21
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1
                ACTING DIRECTOR NGUYEN: Oh, I see.
2
                COMMISSIONER FORTUNATI: It's just an
3
     educational process for them to better-improve their own
4
     operations.
5
                ACTING DIRECTOR NGUYEN: Well, then I would
6
     second Joe's comment, and say that that's worth looking
7
     into.
8
                COMMISSIONER FORTUNATI: Okay, I have nothing
9
     else.
10
                CHAIR MASS: Thank you, Commissioner.
11
                Thank you, Joe.
                ACTING DIRECTOR NGUYEN: Thank you.
12
13
                CHAIR MASS: The next item on the agenda is --
14
     thank you very much, Amber.
15
                MS. BETTAR: Thank you.
16
                CHAIR MASS: The next item on the agenda is
17
     the consent calendar.
18
                There are no items under the consent calendar,
19
     so we'll proceed to the next agenda item, which are the
     action items.
20
21
                I'm going to ask Terry Murphy to come up.
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1 Hi, Terry. 2 He is going to be discussing action Item 9.a, 3 the second phase of the headquarters campus plan. MR. MURPHY: Good morning, Commissioners. 4 5 I'm here to present the proposed next phase for the headquarters campus plan. 6 7 I'd first like to go over some history. 8 have changed up there over time. 9 In January 2009, the Commission approved a 10 phased headquarters campus development plan. The first 11 phase of that plan was the new headquarters; and the 12 second phase included developing two additional office 13 buildings and parking structures to support them, with 14 the idea of leasing them out to others for additional 15 income. 16 It was understood that we would proceed with 17 Phase I and return to the Commission prior to moving 18 forward with the second phase or any other action. 19 With the new headquarters nearly complete and 20 us getting ready to move out of this building, now is 21 the time that we're going to look at that.

1 We've taken a fresh look at the campus plan 2 that was developed back in 2008-2009. And we've also 3 analyzed some other alternatives that we might want to consider. 4 5 The original plan for the other office buildings does make sense financially if the Lottery had 6 7 a committed tenant, which we do not. 8 Given the current market conditions, we feel 9 it would be too risky to proceed with development 10 without such an agreement in place. 11 Consideration to leasing out the existing 12 building -- this building -- was analyzed. However, due 13 to, first, the condition of the building itself, the 14 limited parking that would be available, along with the 15 risk to the Lottery, it doesn't make sense to us to pursue leasing it out. Basically, your rental rates 16 17 wouldn't support the building. 18 Finally, we looked at, briefly, the idea of 19 subdividing and selling the property. Basically, isolate our new headquarters with the parking and sell 20 21 off the excess property.

1	In consulting with both State and private real
2	estate folks, they sort of had two common thoughts:
3	First, why would you try to sell anything
4	right now. The market is just not good, if you don't
5	have to.
6	And then second probably the more
7	pertinent the property would be more valuable without
8	any buildings on it than it would be with the existing
9	building on it. Easier to move, more value.
10	At this time, staff recommends proceeding with
11	the demolition of the existing building and continuing
12	to investigate campus alternatives into the future.
13	I'd be happy to answer questions.
14	And I see I seem to see some.
15	CHAIR MASS: I'm just reading through your
16	memo.
17	MR. MURPHY: Okay.
18	CHAIR MASS: Commissioner Fortunati, do you
19	have any questions for Terry?
20	COMMISSIONER FORTUNATI: I understand that
21	this was a process, basically, that in the budget

1 already is this demolition considered. 2 MR. MURPHY: Yes, we've actually drawn --3 written this building -- to my understanding, we've written this building down completely to "no value" with 4 5 the anticipation of demolition. COMMISSIONER FORTUNATI: You know, a building 6 7 is kind of like a tree. To throw it down, you always 8 want to think about if it's the right thing to do. And 9 I presume that everybody has put a lot of time into 10 thinking it through. 11 MR. MURPHY: Yes, it's not your initial 12 instinct to tear down a building; but when you start 13 running numbers and looking at what it costs to sit even 14 empty, it's significant. So it begs the question. 15 CHAIR MASS: Commissioner Menchaca? 16 COMMISSIONER MENCHACA: Yes. I guess it's 17 going to \$180,000 per year to keep the building up. 18 MR. MURPHY: If we basically -- yeah, the 19 numbers we ran, using actual numbers that we have, after owning the building for several years, it's about 20 21 \$180,000 a year. And that's with letting it degrade, to

1 some degree. It's basically keeping the outside looking 2 nice: Landscaping, keeping it secure, and then 3 performing minimal maintenance, just to not let bad 4 damage happen. 5 COMMISSIONER MENCHACA: I know that you'll 6 probably need to meet with senior staff to determine a 7 target date for demolition. 8 When do you think you're going to have --9 start having those discussions? 10 MR. MURPHY: Looking -- we already have our 11 move plan in place. We know I.T. is looking at about a 12 60-day transition to get fully out of this building. 13 Actually, the one item that's probably going to run 14 last, would be the retail, in order to have food service available to our employees. 15 16 Subway's our current only source, local. 17 The new building, we are just in the process 18 of negotiating a lease with a retailer, then we have to 19 do tenant improvements. So we're actually looking at probably late October, early November before that space 20 would be occupied with the retailer, at which point this 21

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1
      space wouldn't be needed any longer.
2
                So that's -- we're looking at later in the
     fall.
3
4
                COMMISSIONER MENCHACA: So the actual
5
     demolition may -- the target date may be early next
6
     year.
7
               MR. MURPHY: Yeah, late, late this year, more
8
     likely.
                CHAIR MASS: In looking at 5, I think is on
10
     the memo, essentially what is being proposed --
11
     recommended, option 5, which is --
12
               MR. MURPHY: Option 5 included the two
13
     additional office buildings, as well as the parking
14
     structure.
15
                Keep in mind, the concept behind the campus
16
     plan that was developed, was basically maximizing all
17
     the Lottery assets. And the idea of the campus was to
18
     offset Lottery facilities costs. Essentially, the
19
     additional developed buildings would offset the cost of
     the Lottery's own headquarters, essentially giving us,
20
21
     you know, free rent, if you will.
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1
                CHAIR MASS:
                             Right.
2
                MR. MURPHY:
                             That's --
3
                CHAIR MASS: Right. And sort of where we're
     at right now, because of the economy, because of the
4
5
     state of the real-estate market in Sacramento, that now
     isn't the best time to develop those two buildings, yet
6
7
     you're recommending demolishing this, putting grass on
8
     it, and then determining at some point in the future,
9
     does it make sense to either develop or sell off the
10
     land.
11
               MR. MURPHY: Yes. Part of that, again,
12
     related to it slightly, is a philosophical decision.
13
     Really, it's a business decision. What's the Lottery's
14
     business, and does it really want to be a landlord or
15
     does it not?
16
                CHAIR MASS: Right. So is that --
                MR. MURPHY: The demolition of this
17
18
     building -- if you want to be a landlord, this is not
19
     the building you want to be a landlord of.
20
                The fear of fears I have there is, okay, we
21
     sign a multiyear lease with another agency and then we
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1 have a major repair that we know that this building has 2 some lurking. We're pretty much committed then to make 3 that large investment on a property we probably shouldn't have. 4 5 CHAIR MASS: I would just make this observation -- and, you know, whether I'm a part of the 6 7 decision further on, whether I'm a part of the 8 Commission or not, I'll just make this statement, is 9 that what the Lottery's really good at is selling 10 Lottery tickets, right, and managing the Lottery. It's 11 what we're really good at. 12 And I've always found historically, when 13 someone gets far from what they're really good at, they 14 usually don't succeed at it. 15 Now, there are times when people are just so 16 good at what they do, they can do anything and do it 17 well. But I think, you know, "Stick to your 18 19 knitting," so to speak. You know, we're really good at 20 selling Lottery tickets. We're really on a good roll 21 right now, so to speak -- you know, no pun intended.

1 But the development of real estate is not what 2 we know. It's not our expertise. And whoever makes 3 that decision in the future, whoever the Commission is made up by, just like I hope everyone looks at that and 4 5 says, "Is that something we should be doing?" 6 Now, I get the macroeconomics of it all and 7 paying for the building and having our rent paid -- you 8 know, whatever -- our mortgage paid for by somebody 9 else's rent, so to speak. But I go back to, you know, 10 what is it that we're really good at. 11 So -- but this has been terrific. This is 12 great. And I want to commend you on finishing the 13 building and doing it under-budget and in such a quick 14 time period. You really deserve a lot of credit for 15 that. 16 MR. MURPHY: Thank you. Yes, we've had a 17 great team on the project, and it's made all the 18 difference. 19 CHAIR MASS: That's terrific. 20 Commissioner Fortunati, any other questions 21 for Terry?

COMMISSIONER FORTUNATI: No, no questions.
CHAIR MASS: Commissioner Menchaca?
COMMISSIONER MENCHACA: No, no questions.
CHAIR MASS: Thank you very much.
Do I hear a motion to approve action Item 9.a?
COMMISSIONER MENCHACA: I move that we approve
action Item 9.a, to demolish the existing headquarters
and move forward with completing the campus project as
identified in the approved M&D.
CHAIR MASS: Is there a second?
COMMISSIONER FORTUNATI: Second.
CHAIR MASS: Okay, if there's no further
discussion
MS. TOPETE: Chairman, Public Comment?
CHAIR MASS: Yes.
MS. TOPETE: Okay.
CHAIR MASS: If there's no further discussion
or public comment is there any public comment on that
matter?
(No response)
CHAIR MASS: Okay, then will the secretary

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1
     please take roll?
                MS. TOPETE: Commissioner Menchaca?
2
3
                COMMISSIONER MENCHACA: Yes.
                MS. TOPETE: Commissioner Fortunati?
4
5
                COMMISSIONER FORTUNATI: Yes.
6
                MS. TOPETE: Chairman Mass?
7
                CHAIR MASS: Yes.
8
                The next item on the agenda -- thanks again,
9
      Terry.
10
                The next item on the agenda is the Scratchers®
11
      ticket delivery courier service that Michele is going to
12
     bring up.
13
                MS. TONG: Hi. Good morning.
14
                CHAIR MASS: Hi.
15
                MS. TONG: Sorry.
                Our current contract is with United Parcel
16
      Service, and the term is from August 20<sup>th</sup>, 2006, to
17
     August 19^{th} of 2011.
18
                We have approximately 60,000 deliveries made
19
     per month, to the tune of approximately 600,000 packs of
20
      tickets delivered to our retailer network.
21
```

1 Delivery costs of the current contract started 2 in 2006-07 at \$4.15; and through the course of the 3 five-year term, this last final term comes up to \$4.77 per order. 4 5 The new contract is recommended to be Golden State Overnight. The term to be August 20th, 2011, 6 7 through August 19th of 2016. And the contract amount is 8 \$20,000,000 over the course of five years. Just a bid summary for you. The bid was posted on the Web site on April 7th, 2011. The letter of 10 11 notification sent to 25 vendors. The intent to bid was 12 received from seven companies. Questions and responses were addressed by April 27th of 2011. The proposals were 13 due by 3:00 p.m. on May 25th of this year. 14 Three bidders submitted proposals. Accurate 15 Courier Services was one of the three bids, who was 16 rejected due to inability to provide services without 17 18 subcontractors. And that is part of our scope. 19 The review team evaluated the two remaining

The review team evaluated the two remaining bids on June $6^{\rm th}$, and the cost comparisons are: Golden State Overnight starting at \$4.25 per delivery, maxed

20

21

1	out in the five-year term to \$4.92. And United Parcel
2	Service started with \$5 per order, with the five-year
3	cap at \$6 per order.
4	This, by selection of Golden State Overnight,
5	as a new courier, we will save approximately
6	\$3.3 million over the course of the five-year contract.
7	
8	And that summarizes all that paperwork you're
9	looking at.
10	CHAIR MASS: Thank you very much, Michele.
11	Commissioner Menchaca, do you have any
12	questions?
13	COMMISSIONER MENCHACA: Who was on the
14	evaluation team for this decision?
15	MS. TONG: The evaluation team is comprised of
16	multiple stakeholders at the Lottery, including our
17	Contracts unit, Legal, Sales representatives from
18	distribution. And I believe there was SLED also
19	included in that as part of the background checks.
20	COMMISSIONER MENCHACA: And SLED was perfectly
21	comfortable then, I take it, with Golden Golden State

```
1
     Overnight?
2
               MS. TONG: SLED has done their portion of
3
     reviewing the submitted backgrounds. And at this point,
4
     we are following all the process and procedures; and
     they have confirmed. I believe we are A-okay.
5
6
               COMMISSIONER MENCHACA: Okay, great.
7
               No further questions.
               CHAIR MASS: Commissioner Fortunati?
8
9
               COMMISSIONER FORTUNATI: I have a few
10
     questions on this one. Since UPS was here for 20 years,
11
     I understand.
12
               MS. TONG: Eight.
13
               COMMISSIONER FORTUNATI: Oh, eight years?
14
     I'm sorry, then I have the wrong information. But many
15
     years.
               This is a five-year contract.
16
17
               And is it a base option of a couple of years
18
     and then renewals, or just five years straight?
19
               MS. TONG: That, I'm going to have to ask Dave
20
     Merrill.
21
               MR. MERRILL: It's five years straight.
```

1	COMMISSIONER FORTUNATI: And with a new
2	vendor, wouldn't it be wiser to perhaps consider a
3	shorter term and options?
4	MS. TONG: Looking at what we've always had, I
5	think the five years is a good term.
6	Our three-year business plan at this point,
7	shortening the term would be not in our best interest.
8	We're getting very good prices.
9	Currently, UPS gave us a very good price on
10	how they entered into the contract with us. And now,
11	with the approval of the new one, I think we'd like to
12	secure the prices as they are stated.
13	COMMISSIONER FORTUNATI: And does this vendor
14	have other large operations that do this type of volume?
15	MS. TONG: In the background they submitted,
16	they currently have several state agencies as regular
17	clients of theirs. So they are familiar with delivering
18	throughout the state.
19	COMMISSIONER FORTUNATI: And the cancellation
20	of this could be, what, 30, 60 days, if they do not
21	perform?

1 MS. TONG: Thirty days. 2 COMMISSIONER FORTUNATI: Good. 3 Thank you. 4 CHAIR MASS: Is there a plan for transition? 5 Is it easily transitioned from one vendor to 6 another vendor? 7 MS. TONG: I'd like to say all transactions 8 should be easy. No matter how much planning we do, 9 there will be that one situation or question that just 10 escaped us. 11 We have, as a project manager, Dave Merrill, 12 who has been with the Lottery for over 25 years. 13 of them, he has been running our career contract as the 14 manager. And he's gone through several transitions. 15 And we're counting on his expertise to make sure this one will be as smooth as the last ones. 16 17 So I felt very confident we could make this as 18 smooth as possible; but we know there will be some 19 hiccups along the way. 20 Timing is very critical for us because we got 21 a big number to reach. And every order really does

count.

CHAIR MASS: I think the focus is, from the commissioners -- if I may speak for everyone -- and please correct me -- is that as we're increasing our sales and Scratchers® increase 20 percent this year, there's a higher dependence on the delivery and distribution of those Scratchers® over time. So I just want to make sure that staff is on top of it as we transition and we monitor our new distribution partner.

MS. TONG: Yeah, as part of the transition plan to give you some comfort, and we will have general meetings with them.

They have, I think, the next three weeks for us to provide them a lot of details on how it is actually running now. And we will have IT involved and contracts and definitely Finance, to make sure everything is smooth as much as possible.

By August 20th, they will be shipping out their first orders. So for three weeks, we get them integrated into understanding our system; and three

21 ir

1	weeks thereafter, they must perfect what they've got and
2	provide us the confidence level that they will be able
3	to meet our needs.
4	CHAIR MASS: Thank you, Michele.
5	Does any member of the public wish to address
6	the Commission on this issue? Action Item 9.b?
7	(No response)
8	CHAIR MASS: If not, do I hear a motion to
9	approve action Item 9.b, Scratchers® ticket delivery
10	courier service?
11	COMMISSIONER MENCHACA: I move to approve the
12	Golden State Overnight contract for delivery.
13	CHAIR MASS: Do I hear a second?
14	COMMISSIONER FORTUNATI: Second.
15	CHAIR MASS: Is there any further discussion?
16	
17	(No response)
18	CHAIR MASS: If not, can the secretary please
19	take roll?
20	MS. TOPETE: Commissioner Menchaca?
21	COMMISSIONER MENCHACA: Yes.

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1
                MS. TOPETE: Commissioner Fortunati?
2
                COMMISSIONER FORTUNATI: Yes.
3
               MS. TOPETE: Chairman Mass?
4
                CHAIR MASS: Yes.
5
                The next item on the budget is action
6
     Item 9.c, the fiscal year 2011-2012 budget --
7
                Thank you, Michele, by the way. Thank you.
     Thank you.
8
9
                -- 2011-2012 budget. Michael Ota is going to
10
     be making a presentation regarding the budget.
11
               MR. OTA: Good morning, Mr. Chairman and
12
     Commissioners.
13
                Today, I have the privilege of presenting the
14
     Lottery's fiscal year 2011-12 budget for your approval,
15
      a budget that contains sales goals of over $4 billion,
     an all-time high for the California State Lottery.
16
17
                I was kind of hoping Barbara Krabbenhoft was
18
     here to blow her train whistle, but I guess not.
19
                ACTING DIRECTOR NGUYEN: No, we don't.
20
               MR. OTA: More importantly, this budget
     forecasts $1.2 billion in profits to public education in
21
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1 the upcoming year, \$100 million greater than the 2 expected contribution level for this fiscal year. 3 The budget reflects the second year of operations since passage of Assembly Bill 142, the 4 5 Lottery Modernization legislation that provided the Commission the flexibility for setting prize pay-out 6 levels. 8 The budget also reflects the second year of 9 execution of our 2010-13 business plan. 10 The higher prize pay-outs afforded by AB 142 11 in our business-plan initiatives are the drivers for 12 what is expected to be record-level sales in the 13 upcoming year. 14 I would like to walk you through the key 15 elements of the budget, starting with revenues, and 16 refer you to the chart on page 2 of the issue memo. 17 The chart compares projected sales for the end 18 of this fiscal year with the sales goals in the proposed 19 2011-12 budget. And as Jim Hasegawa mentioned, these numbers are a little bit different than his most current 20

21

numbers.

The largest increase in projected sales is in the Scratchers® product line. Sales are expected to grow \$705 million, to a total of \$2.7 billion. This will be the largest year-over-year increase in Scratchers® ticket sales in the Lottery's history.

What makes this even more noteworthy is the \$1.995 billion expected for this year will set an all-time high for the Lottery.

Sales growth is fueled by a series of business-plan initiatives. And you've heard many of them already today. Specifically, for Scratchers® games, and a Scratchers® product plan that incorporates higher prize pay-outs and the introduction of that \$10 Scratchers® game.

The expected \$2.7 billion in Scratchers® ticket sales, which amounts to a 35 percent increase over the current year, may on the surface appear to be extremely optimistic; but in developing our business plan for the upcoming year, and working with our vendor partners who provided independent estimates of potential Scratchers® sales, those estimates ranged from

1 \$2.9 billion, to \$2.6 billion. 2 So the target that we came up with, looking at 3 our business plan is, we were reinforced with comfort with that. 4 5 Sales for SuperLOTTO Plus® are projected to continue the downward trend that started with the 6 introduction of MEGA Millions® to California. Since 8 that time, sales for SuperLOTTO Plus® have averaged a 9 year-over-year decline of 11 percent. 10 A smaller decline is expected this year. 11 for next year, we're introducing a second-chance draw to 12 lessen the downward sales trend. 13 Sales for MEGA Millions® is projected to 14 decrease \$21 million. Now, this decline is not 15 reflective of any issues with the health of that game. Sales for MEGA Millions® and for SuperLOTTO Plus® as 16 17 well are heavily influenced by jackpot levels. 18 year, sales for MEGA Millions® were greatly boosted by 19 the fact that we had two jackpots exceeding \$300 million. 20 21 This was an anomaly as jackpots reached the

\$300 million level only once in each of the prior four years; and, actually, in fiscal year 2008-09, there were no jackpots at that level.

so the \$500 million -- \$519 million sales goal is somewhat conservative because in the assumptions to build this number, we assumed that there would be zero jackpots at \$300 million in the upcoming fiscal year.

The sales goal for MEGA Millions® does include expectations that advertising initiatives in the business plan that were begun this fiscal year will continue to result in year-over-year increases in sales at comparable jackpot levels.

The sales of \$328 million for Daily Games is slightly below projected sales -- year-end sales for this fiscal year. There are currently no business plan initiatives targeting the Daily Games; and, therefore, the sales forecast is based on the trends for each of those Daily Games.

The sales goal for Hot Spot is \$140 million, an increase of \$10 million over estimated sales of \$130 million for the current year. This increase is

1 noteworthy because as Jim mentioned, hitting the \$130 million sales mark this year will be the first time 2 3 in five years that Hot Spot sales have increased over the prior year. This turnaround is attributable to 4 5 higher prize pay-outs and promotions that were introduced this year. Also, continued sales growth is 6 expected from changes to the game, to increase the 8 maximum number of spots that can be picked, from eight to ten. And then corresponding increases in prize 10 pay-outs, addition of a rolling jackpot, and continued 11 promotions for the game. 12 For discussion on the expenses in the budget, 13 I'd like to refer you to the attachment to the budget 14 memo which provides a summary of the budget. 15 So expenses are broken down into two major 16 categories: Prize expenses and administrative expenses. 17 Starting with prize expenses, the growth in 18 sales for the Scratchers® product line and Hot Spot game 19 is supported by an increase in prize pay-outs. As a result, prize expenses are budgeted to increase from 20 21 \$1.9 billion, to \$2.4 billion.

1 To put this into context of the strategy to 2 utilize higher prize pay-outs to increase sales, the 3 aggregate change in prize pay-out goes from 56 percent 4 of sales this year, to 58 percent of sales in the year. 5 Moving on to administrative expenses: 6 7 like to start with the reminder that Assembly Bill 142 8 reduced the cap on administrative expenses to 13 percent of sales. The total administrative expense budget is 10 \$532 million. 11 Retailer compensation costs account for more 12 than half of the administrative expense budget. At 13 \$281 million, retailer compensation represents 14 53 percent of the total administrative expense budget. Are you checking my numbers, John? 15 16 CHAIR MASS: Yes. 17 MR. OTA: This reflects a \$48 million increase 18 above expected retailer compensation costs for the 19 current fiscal year. The remaining administrative expense budget increases \$38 million. Nearly half of 20 that increase is in game operations, the \$18 million 21

1 figure. 2 Game operations includes our gaming contracts, 3 contract costs that are directly tied to increase in sales, plus acquisition of new gaming equipment and 4 5 associated installation and maintenance costs. 6 Also included in game operations are the costs to produce and distribute our Scratchers® tickets. 7 8 An increase of \$10 million is budgeted for the 9 marketing plan to fund the advertising and marketing initiatives contained in the business plan. 10 11 The general administration category includes 12 Lottery personnel costs and other base operating costs. 13 Basically, this category covers our basic costs of 14 doing business. 15 We did do a comprehensive review of our base 16 operating costs and reduce the budget approximately \$500,000 through that review. 17 18 General administration also includes 19 facilities, security, audits, and information technology products in our business plan. And those IT projects, 20

what you've heard about, are the BI project and the

21

And finally, the budget continues the

public Web site project.

long-standing practice of providing an administrative reserve as a safeguard against future uncertainties.

The administrative reserve is set at \$16 million. This reserve is an element of the 13 percent of total revenues specified for administrative expenses.

While the proposed reserve is significantly higher than the \$2 million reserve that was approved in the prior two budgets, it's still a modest 3 percent of the total administrative expense budget.

Consideration was given to providing or committing a portion of the administrative reserve for other sales-generating initiatives. However, after assessing potential uses of the reserve, staff is recommending that we retain the \$16 million reserve as part of the budget approval.

There are a couple of reasons. The sales goals in this budget are dependent on a wide range of business-plan initiatives that were described earlier.

And so the reserve gives us an opportunity to monitor

1 the progress on those business-plan initiatives, to make 2 sure that we're on track. It also provides the 3 Commission with the flexibility to take advantage of anything that emerges during the year as an opportunity 4 5 to grow sales, and to take action on those. If -- or any portion of the administrative 6 reserve that is unspent at the end of the fiscal year 7 8 goes directly to education. So in summary, to recap, the budget that we 10 are proposing for Commission approval is expected to 11 provide \$1.2 billion to California public schools in fiscal year 2011-12. This would be the 12th consecutive 12 13 year that the Lottery surpasses the \$1 billion mark in 14 contributions to public education. 15 The \$1.2 billion is fueled by sales goals of 16 over \$4 billion, the highest sales total in the history 17 of the Lottery. 18 And the proposed budget funds the first full 19 year of the Lottery's -- excuse me, the second full year of the Lottery's 2010-13 business-plan strategies, and 20

21

resulting from AB 142.

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1
                The budget in the business-plan initiative
2
      supporting the budget, it's important to know, are
3
     geared for sustainable growth of Lottery sales into the
4
     future.
                     This concludes my presentation.
5
                I'd be happy to answer any questions.
6
                CHAIR MASS: Thank you, Michael.
7
                Commissioner Menchaca, any questions for
8
     Michael?
                COMMISSIONER MENCHACA: No questions.
                CHAIR MASS: Commissioner Fortunati?
10
11
                COMMISSIONER FORTUNATI: I have a couple of
12
     questions.
13
                In the MEGA Millions®, $519 million in sales
      is a decline of $21 million.
14
15
                If there is something that reaches -- if it
     reaches a $300 million jackpot, what do you think would
16
17
     be the increase then in sales, if it does, indeed, one
18
     time?
19
                MR. OTA: We did look at that scenario.
20
               ACTING DIRECTOR NGUYEN: Yeah, when we
21
     built -- revenue forecast, we looked at different
```

1 assumptions. And if we assume that there is one jackpot 2 of \$300 million or more during the year, we felt the 3 estimate would be about \$541 million for the fiscal 4 year. 5 CHAIR MASS: Okay. And essentially -- I think I know where Commissioner Fortunati is going -- this 6 7 year was somewhat of an anomaly, because we had two 8 hitting over \$300 million. 9 COMMISSIONER FORTUNATI: Thank you for that. 10 One more question: On the Scratchers®, it 11 seems to be a stretch, which is always good to stretch. 12 And what's the initiative that you think really is the 13 highest initiative that provides this difference, this 14 stretch? Is it just the pay-out? Higher prize pay-out 15 or --16 MR. OTA: Oh I think the \$10 game provides the 17 single largest dollar amount to that. 18 There are many business-plan initiatives that 19 are driving it. All the business-plan initiatives combined are going to contribute, we estimate, about 20 \$438 million towards the Scratchers® revenue. 21

```
1
                COMMISSIONER FORTUNATI: So it's a hybrid of
2
     all of these initiatives --
3
               MR. OTA: Right.
4
                COMMISSIONER FORTUNATI: -- but not one that
5
     carries the highest rate?
6
               MR. OTA: The largest one of that $438 million
7
     is the $10 game.
8
                COMMISSIONER FORTUNATI: The $10 game?
9
               MR. OTA: Because that's in excess of
10
     $200 million, just that one initiative alone, in terms
11
     of additional Scratchers® revenue.
12
                COMMISSIONER FORTUNATI: Good.
13
                And, I'm sorry, I have one more question.
14
     Since I'm new, I apologize, I have a couple more
15
     questions.
16
                But the acquisition of gaming equipment, does
17
     that happen every year? For instance, next year there
18
     will be more? Or just, this was one year where we
19
     needed to purchase more?
20
                MR. OTA: It's not an annual process. So
21
     there is a schedule.
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1
                COMMISSIONER FORTUNATI: Okay, good.
2
                I have no further questions.
3
                Thank you.
4
                CHAIR MASS: Does any member of the public
5
     wish to address the Commission at this time regarding
6
     action Item 9.c?
7
                (No response)
8
                CHAIR MASS: If not, do I hear a motion to
9
     approve action Item 9.c?
10
                COMMISSIONER MENCHACA: I move that we approve
11
     action Item 9.c, the proposed budget that presents a
12
     sales goal of $4 million -- $4.090 billion; and that
13
     provides $1.2 billion in contributions to public
14
     education.
15
                CHAIR MASS: Do I hear a second?
16
                COMMISSIONER FORTUNATI: Second.
17
                CHAIR MASS: Can the secretary please take
18
     roll?
19
               MS. TOPETE: Commissioner Menchaca?
20
                COMMISSIONER MENCHACA: Yes.
               MS. TOPETE: Commissioner Fortunati?
21
```

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1
                COMMISSIONER FORTUNATI: Yes.
2
                MS. TOPETE: Chairman Mass?
3
                CHAIR MASS: Yes.
                The next item on the agenda is action Item 10,
4
5
     which -- obviously, not "action," excuse me -- is
6
      Item 10, which is the Commission general discussion.
7
                Commissioner Menchaca, do you have anything to
     address the Commission with?
8
9
                COMMISSIONER MENCHACA: No, I have nothing at
10
     the moment.
11
                CHAIR MASS: Commissioner Fortunati?
12
                COMMISSIONER FORTUNATI: I wanted to commend
13
     everybody. This year, it's exciting to have a large
14
     stretch, and I look forward to participate and help
15
     everybody out.
16
                Thank you.
17
                CHAIR MASS: Thank you.
18
                Thank you, Commissioner.
19
                I have a couple things. I was thinking it's
20
     an interesting day. It's our last time being in this
21
     room.
```

Many of you have been in this room for 25 years or twenty-some-odd years. You know, I've been in it for seven years, and I've been around five acting and confirmed directors. And over that time, with all these different directors and all the different administration changes, it is incredible what the staff has accomplished.

MEGA Millions® was adopted -- with me, while I was around, there was seven consecutive years of growth of over a billion dollars in contribution to public education each year. AB 142 was adopted. We have a new logo. If you remember the old logo, this is an incredible improvement. We have a robust planning effort now. We have a succession effort.

I mean, think of all the things that have happened in a very short period of time. And I just can't say enough about what you've accomplished.

And now we're moving into a new building. And I think that's also exciting, because with change comes great opportunity. And I use this metaphor -- I was talking to Linh about this beforehand -- but it's sort

1 of the opportunity -- as you go through your desk and 2 you go through your files, and you see all this history 3 that you've been through, get rid of a lot of it. Start throwing some of it out. Because now is the time -- and 4 5 I found, when you move houses or something, it's time to get rid of some things -- keep some things, preserve 7 some things -- and we're going to see some of it on 8 display in the lobby -- but get rid of a lot of it. is the opportunity to sort of refresh the Because now 10 Lottery and do things that are different and break new 11 boundaries; and not rely, "Well, that's not the way we 12 do it here." 13 Well, you know what? We're going to do a lot 14 of things a lot differently because we're in a new 15 place, which is not necessarily a panacea, it's not 16 going to solve all the problems; but we're going to have 17 increased communication, we're going to have increased 18 teamwork, we're going to be in a better environment. 19 And I promise, not just because of AB 142, but 20 sales are going to increase because of that place that 21 we're in.

1	And I wish everyone the very best and I'm glad
2	to be a part of it.
3	So thank you.
4	I just wanted to say, the next scheduled
5	meetings are October 27^{th} and December 8^{th} . We'll be in
6	our new building bless you, whoever sneezed.
7	It will be December excuse me, October 27 th
8	and December 8^{th} in our new building.
9	Does any member of the public wish to address
10	the Commission at this time? Anyone? Any staff or
11	member of the public?
12	(No response)
13	CHAIR MASS: If not
14	ACTING DIRECTOR NGUYEN: If I may, actually.
15	CHAIR MASS: Yes.
16	ACTING DIRECTOR NGUYEN: I forgot to mention
17	during my director's report, that congratulations are in
18	order for the financial reporting team.
19	The Government Finance Officer's Association
20	of the United States and Canada awarded a certificate of
21	achievement for excellence in financial reporting to the

1	Lottery for its comprehensive annual financial report
2	for the fiscal year that ended June 30 th , 2010.
3	This was the eighth consecutive year that the
4	Lottery has achieved this prestigious award. In order
5	to be awarded the certificate, we must publish an easily
6	readable, efficiently organized, comprehensive annual
7	financial report. And the report must satisfy both
8	generally accepted accounting principles and applicable
9	legal requirements.
10	So congratulations to your team, Michael.
11	CHAIR MASS: Congratulations.
12	COMMISSIONER MENCHACA: I had one other thing.
13	CHAIR MASS: Yes.
14	COMMISSIONER MENCHACA: The calendar that's in
15	the booklet indicates that the tentative Commission
16	meeting is October the $6^{\rm th}$. And item No. 11 on the
17	agenda indicates October 27 th .
18	Which one
19	CHAIR MASS: Secretary?
20	MS. TOPETE: Yes, it's been moved to
21	October 6 th .

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1
                CHAIR MASS: Okay. I'm sorry about that.
2
                MS. TOPETE: Thank you.
3
                CHAIR MASS: Thanks, Commissioner.
4
                Anyone else have anything to address the
5
     Committee with? The Commissioners?
6
                (No response)
7
                CHAIR MASS: No?
8
                If not, I adjourn the meeting.
9
                Have a great Fourth, everyone.
10
                COMMISSIONER MENCHACA: Thank you.
11
                (Gavel sounded.)
12
                (The meeting concluded.)
13
                                --000--
14
15
16
17
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