Director's Comments

**Presentation to
California State Lottery Commission
February 23, 2012**

Overview

- **Actions To Date**

- **Initial Perceptions**

- **Major Areas of Focus Going Forward**

- **Next Steps**

Actions to Date

- On the job 2 months
- Taking a "top down" look at the Lottery
  – Legal Mandates
  – Major Functions
  – Organization and Staffing
  – Systems and Processes
  – Policies, Procedures and Practices
- Meetings with Senior Leadership Team and Key Staff
- Reviewing Documentation
- Walk-throughs

Initial Perceptions

- Getting to know organization/functions and roles/responsibilities

- Mid-way through 2010-2013 Lottery Business Plan

- Collaborative Senior Leadership Team

- Strong support and mission ownership by staff

- Willingness to revisit "way things have been done"

- Openness to potential improvements/change

Major Areas of Focus Going Forward

- Building Capacity within Lottery Staff

- Retailer Recruitment/Development

- Organizational Efficiency and Effectiveness

- Lottery Security/Risk Management

- Product Development and Promotions

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Building Capacity Within Lottery Staff

- Fill Mission Critical vacant positions
- Focus on recruiting Full-time Staff vs. use of Retired Annuitants or Intermittent Staff
- Training and Development Programs for new staff, particularly Sales Staff
- Encouraging use of new tools/systems

Retailer Recruitment/Development

- California ranks 40th out of 42 lottery jurisdictions in the United States in retailer penetration in Calendar Year 2010

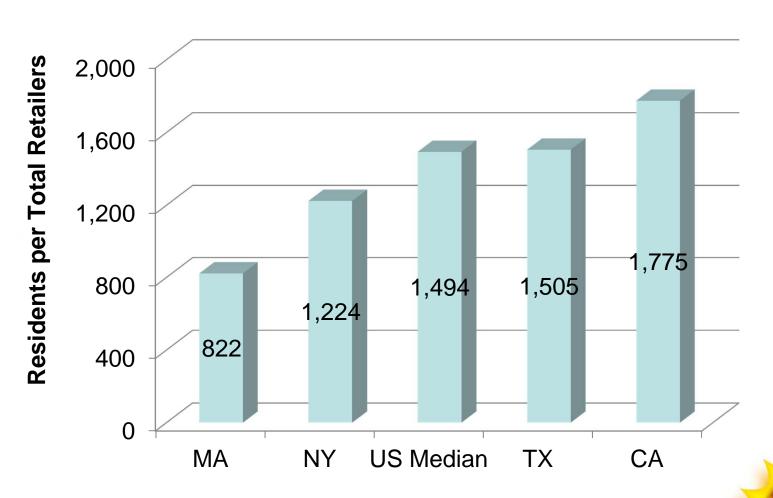- Additional retailers present a large potential Sales upside for the Lottery

Lottery Needs to Increase Total Sales

Annual Sales per Capita

- $700
- $600
- $500
- $400
- $300
- $200
- $100
- $0

$698 (MA)
$351 (NY)
$159 (US Median)
$150 (TX)
$101 (CA)

CA's annual total sales per capita is $58, or 36%, less than the US Median

Source: LaFleur's, Calendar Year 2011 Data

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Lottery Needs to Increase Retailer Penetration

Residents per Total Retailers

MA	NY	US Median	TX	CA
822	1,224	1,494	1,505	1,775

CA has 485 more residents per total retailers, or 18.8%, above the US Median

CA would need to add 3,944 retailers to get to the US Median residents per total retailers

Source: LaFleur's, Calendar Year 2010

Organizational Efficiency and Effectiveness

- "Top Down" look at Lottery includes
  - Grouping of Major Functions
  - Layers of Management
  - Staff to Manager Ratios
- Project Management
- Distribution System and Practices
- Contract Management
- Call Center Operations
- Asset Management
- Spending Efficiencies (cell phones, vehicles, etc.)

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Lottery Security/Risk Management

- Enhancing Security and Law Enforcement Division Operating Procedures and Practices

- Reviewing Risk Management Practices

- Conducting Information Technology Security Audit

- Revisiting Business Continuity/Disaster Recovery Plans

Product Development and Promotions

- Developing aggressive Product Development Plans for FY 2012/13 for Scratchers and Draw Games

- Considering additional promotions for Retailers, Lottery Players and Staff to boost sales

- Expanding the use of the Internet as a Sales Channel

- Focusing on improving our Players Club and Loyalty Program

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Next Steps

- Continue "top down" look at the Lottery

- Work with Senior Leadership Team to develop initiatives to address areas of need

- Prepare the draft FY 2012/13 Business Plan

- Work with Commission to develop and approve Business Plan Initiatives and Sales Goals