

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, MARCH 20, 2018

Chairman Ragazzo called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Frank Ragazzo, Chairman
Robert D'Anton, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Dini Ajmani, Treasurer Designee

John M. White, Acting Executive Director
Robert E. Kelly, Deputy Attorney General

VISITORS

Russ Knapp, Northstar
Foster Krupa, Northstar
Erica Helms, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Jon Renner, Brushfire
Chris Havard, Ferrara
Warren Broudy, Mercadien
Digesh Patel, Mercadien

STAFF

Regina Arcuri
Michael DeCheser
Janetta Foy
Megan Mazzoni
Charlene Mello
Prerna Mukhija
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
Tom Weber

After the Pledge of Allegiance, Chairman Ragazzo announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act, and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman Ragazzo requested a motion to approve the minutes of the February 20, 2018 Commission Meeting. Commissioner D'Anton made the motion, which was seconded Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Acting Executive Director White reported that during the month of February almost \$250 million worth of product was sold. This was a drop off of 3.9% from February of last year. It was 6.7% less than the budgeted figure was for February 2018. The prime factor behind the drop off was in the lotto games. There were modest jackpots during the month of February. Sales for lotto games were down by almost 22%. For the year, for the first eight months, the Lottery sold \$2.164 billion in product. This is 3.1% above the first eight months of FY17 and it is 1.4% above the budgeted figure for FY18. The lotto games are, again, the driving factor. Lotto games year to date are 17% above the same period last year. They are almost 21% above the budgeted figure for the year.

Acting Executive Director White stated that the contribution for the month of February was just over \$73 million. This is 5.1% below the February 2017 contribution. It is 9.1% below the budgeted figure for February 2018. The Lottery contribution year to date is over \$652 million. This is 5.4% above the same period of last year and it is 1.5% above the budgeted amount for this period. Again, the jackpots are the driving factor. The Lottery has two significant jackpots running through March. The Powerball was hit in Pennsylvania just recently, but there is still a significant jackpot rolling for Mega Millions. Tonight's drawing is at \$377 million, so if that continues the Lottery should have a healthy March.

Acting Executive Director White noted that Fiscal Year 2018 profits from lotto games is still running at 40%. The profit from daily games is also running at 40%. The profit from instant games is just under 22%. Total to date FY18 contributions, including 30% of the current estimated forfeited prizes, is just over 31% of sales. Additional forfeited prizes will be included in future transfers as audits are completed.

Acting Executive Director White reported that receipts and deposits for the month were \$215.3 million.

Acting Executive Director White noted that there were 117 electronic fund transfer (EFT) failures totaling \$395 thousand or 0.18% of total receipts and deposits for the month. The Accounts Receivable Unit settled or closed 85% of EFT failures from January. Field Account Adjusters visited 353 retailers and collected \$242 thousand.

Acting Executive Director White stated that the balances in the unclaimed prize reserve totaled over \$21 million. Once the audits and final settlements from other states on the multi-state games are completed, these funds will be moved into the contribution.

Acting Executive Director White reported that the balance in the annuity investment accounts were \$126.7 million. The S&P ratings have not changed since last month.

Acting Executive Director White stated that the three top selling non-core games for February generated \$18.5 million for the month.

Acting Executive Director White reported that the Core and Family Games generated \$83.9 million.

Acting Executive Director White noted that the Lottery introduced four new instant games during February and these games made up \$14 million in sales.

Acting Executive Director White stated that there were two new games presented for Commission rule approval and subsequent vendor production.

Acting Executive Director White reported that the "Gold Rush Family" of instant games led our advertising efforts in the instant portfolio with various 30 second radio spots, out of home ads and billboards, digital banners, as well as in store point of sale including newspaper stand cards at retail locations.

Acting Executive Director White noted that there are now 639 retailers selling Quick Draw.

Acting Executive Director White stated that the Jersey Collect 'N Win monthly second chance promotion for draw games tickets continued. There have been eight grand prize winners each winning \$50,000. Over 29,000 players are registered to date for this promotion.

Acting Executive Director White reported the Lottery currently has 25 Fast Play games available to players.

Acting Executive Director White noted that there were a number of high tier winners throughout the state in February. The February 6 Jersey Cash 5 XTRA drawing had two \$192,167 winners. One in Ocean County and one in Monmouth County. The February 9 Mega Millions drawing had two \$1 million winners. One in Passaic County and one in Burlington County. The February 13 Jersey Cash 5 XTRA drawing had one \$67,000 winner in Sussex County. The February 15 Pick-6 drawing, which had rolled for a few months, had a \$6.7 million winner in Bergen County. The February 21 Jersey Cash 5 XTRA drawing had a \$252,747 winner in Middlesex County. The February 25 Jersey Cash 5 XTRA drawing had a \$248,352 winner in Monmouth County.

Acting Executive Director White stated that the Lottery continues to have a strong presence on various social media platforms.

Acting Executive Director White noted that the VIP Club now has 454,591 active members.

Acting Executive Director White reported that since the inception of the Million Dollar Replay game in 2011, nearly 250,000 people have made MDR entries. The Million Dollar Replay game has recorded over 63 million entries since its inception.

Acting Executive Director White stated that it will be discussed in more detail next month, but the Million Dollar Replay grand prize drawing was very successful last week in Asbury Park. It was the biggest MDR event to date. It had the biggest turn out. It had the largest amount of media coverage. And it had the largest amount of actual winners present to claim their winnings. Acting Executive Director White thank all the staff at Northstar and Lottery that helped to build this event over the last several years, to make it the success it was.

Acting Executive Director White reported that all drawings for the month of February were completed with no abnormalities.

Acting Executive Director White noted that all on-line pools were closed according to procedures with no abnormalities. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts.

Acting Executive Director White stated that the Public Information Office disseminated Lottery news in February that reached more than five million daily viewers with an estimated advertising value of nearly \$50,000. Contributing to these results were Winner Awareness press releases and a \$9.6 million Pick-6 winner press release.

Acting Executive Director White reported that the Public Information Office issued the routine Winner Awareness press releases throughout the month. One of the few extraordinary press releases we had was on February 28 advising of a joint press conference with the Council on Compulsive Gambling of New Jersey focusing on Problem Gambling Awareness month starting in March.

Acting Executive Director White noted that all press releases, winner stories and photos were provided to the Lottery's business partners at Northstar for the social media team to use as content for the website and social media.

Acting Executive Director White stated that the Public Information Office continues to regularly monitor Federal, New Jersey State and other state's legislative websites for any lottery related Legislative activities. Staff continued to work with the Council on Compulsive Gambling of New Jersey and its Executive Director regarding gambling related legislation and the Courier Regulations open comment period. Staff worked with the Treasury Legislative staff on Lottery related legislation. They also participated in an introductory meeting with the newly appointed Department of Treasury Public Information Officer. In March staff also met with the new Legislative Liaison.

Acting Executive Director White reported that in the Responsible Play Program, staff continues to work with Northstar and CCGNJ staffs on 2018 Problem Gambling Awareness Month. The annual press conference was held at Lottery headquarters on March 2.

Acting Executive Director White noted that there were a few Speaker's Bureau Events completed in February. There are a few scheduled for March.

Acting Executive Director White reported that there were various Public Promotional Events held in February. Again, the focus of our activities were at the Prudential Center (the Rock) in Newark to promote various instant games during the month as well as increase the push for Pick-6. Public Promotional Events planned for March are listed and, again, the Rock is featured prominently.

Acting Executive Director White stated that there were 163 security investigations initiated during the month. There were 234 random field inspections were conducted at retailer locations.

Acting Executive Director White reported that the Licensing unit received and processed 76 applications. There were 56 licenses issued.

Acting Executive Director White noted that at the end of February, there were 8,069 licenses issued.

Acting Executive Director White stated that due to the Division's efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$25,573.00 in arrearages collected in February. Year to date, the Lottery has collected \$169,779.40.

Acting Executive Director White reported that the Lottery's IMS Department and DORES completed the Microsoft Office 2013 upgrade to all computers at the back up site.

Acting Executive Director White noted that in compliance with the Multi State Lottery requirement, IGT switched over its operations from its primary data center in Lawrenceville, NJ to its backup data center in Austin, TX and operated from its back up data center for one week. During this period, Lottery staff successfully connected to IGT's backup data center to access the Enterprise Series Dashboard to conduct business in a normal fashion.

Acting Executive Director White stated that the Finance and IMS Departments continue to work diligently together to support the transfer of revenues to Pension Fund L in compliance with Chapter 98 of the Public Law of 2017.

Acting Executive Director White reported that the IMS staff has been working with our Security Department, DORES, and Tyco to install the new digital camera system and the new badge system for the Security department. Both Lawrenceville and the business continuity site will be upgraded.

Acting Executive Director White noted that the Validations Department received and sorted nearly 4,300 mailed claim forms during February and an additional 349 walk-in claims. During the month, there were over 5,200 claims totaling nearly \$26 million that were paid to winners, including annuity payments.

Acting Executive Director White stated that there were 29 claims that were processed and garnished because of current and previous matches totaling over \$30 thousand. Since inception in 1992, the Lottery has collected \$8.165 million in arrearages, low income home energy assistance, food stamps and overpayments of welfare, student loans and other SOIL programs.

Acting Executive Director White reported that the Retailer/Call Center Services Unit handled nearly 6,800 incoming calls during the month.

Acting Executive Director White noted that the Warehouse unit received over 3,500 packages during the month. Staff received over 192 full packs from retailers as partial packs. The Warehouse staff processed 345 liberty boxes of the ticket books for current game ends.

Acting Executive Director White stated that the Facilities unit worked with Nexus to ensure that the facility was kept in good working order. Several preventive maintenance inspections and repairs were conducted. A power outage occurred at the Trenton Water Works Filtration plant which caused Lottery and the surrounding neighborhood to experience lower water pressure for a short period of time. That did not disrupt operations.

Acting Executive Director White reported that Northstar's personnel count at the end of February totals 140 employees, which consists of 100 in Sales, 21 in Marketing and 19 in Administration.

Acting Executive Director White noted that Northstar's sales team continued to focus on the recruiting of new Quick Draw retailers. With regard to Quick Draw, they are driving sales higher by focusing on building weekly sales average. The averages have climbed since the beginning of the year. At the beginning of the launch, sales were about \$600 thousand per week. For the week ending last Wednesday Quick Draw broke \$1.4 million in sales, so the trend is definitely going higher.

Acting Executive Director White stated that Northstar continues to post the growing jackpots as a reminder to players and drive the penetration for February's new instant games. They also focus retailers on the Pick-6 and the sales goals incentives that they have given to the retailers.

Acting Executive Director White reported that this concludes the Director's Report.

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that he read an editorial last week that Lottery sales were down, that the contribution to the state is down and what can be done about that. The Editor stated they didn't know what they were going to do. They are assuming that is fact. But it's not true if you look at the Director's report. Do the papers get the Director's report?

Acting Executive Director White reported that they do not. They would have to file an OPRA request in order to receive it.

Chairman Ragazzo stated that when it says for the year, we are still contributing 5.4% more this year to the state than last year and we are still over 1.5% over budget for the entire year. Maybe they were thinking of February. This is a fluid report. Some months are up and down. It's not correct to say that sales are down because it looks like sales are up. Do we just ignore the article?

Acting Executive Director White reported he is not familiar with the article. But, they may have been building on the article that Dustin Racioppi generated for AP in January. He was speaking from terms of the FY17 audit verses the FY16 audit where our sales were lower but our overall contribution was higher. From 16 to 17. From 17 to 18 we are running higher than the same period last year.

Chairman Ragazzo stated since no one else saw the editorial, it must not be that important. But it's not factual.

Acting Executive Director White stated that if he is referencing FY16 to FY17, there is some argument for fact. But if he's looking at FY17 to FY18, our numbers are running higher

Treasurer Designee Ajmani asked is there a reason they are not on our website. They are public information.

Acting Executive Director White stated we do not because they are unaudited. But, someone could file an OPRA request and they have historically been heavily requested.

Deputy Director Mazzoni stated that the Commission meeting minutes are on the website but the Director's report is not.

Chairman Ragazzo stated that he remembers a former Deputy Attorney General stating that we might not want to put it on the website since it is unaudited for a few months. There may be some changes once it's in fact audited.

Deputy Director Mazzoni stated that we post the yearly annual audit on the website so the numbers are never going to match the audit.

Acting Executive Director White reported that the big thing is it's against expenses that are estimated. Whereas at the end of the year we have the actuals.

Treasurer Designee Ajmani asked for an update on Courier Regulations.

Acting Executive Director White asked Deputy Director of Administration and Compliance, Megan Mazzoni, to respond.

Deputy Director Mazzoni stated that we received all the public comments and we have a meeting set up next week with Treasury and the Governor's Office to go over the policy concerns that were raised in the comments so that we can respond. Once we have those answers then we'll go through the adoption process with the Office of Administrative Law. We need decisions to be made on the policy level before we can respond to the comments.

Treasurer Designee Ajmani asked if there is a target date for launch.

Acting Executive Director White stated that it would be late summer.

Deputy Director Mazzoni stated that the registration process will vary based on the company that applies and probity investigations. We are prepared to go forward and have the applications ready.

Chairman Ragazzo requested a motion to approve the Director's Report. Commissioner D'Anton made the motion which was seconded by Commissioner McDonough.

NEW BUSINESS

Acting Executive Director White certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Summer Lucky Times 10," "Wild Time Multiplier," "Ruby Red Riches" and "\$5,000,000 Lucky 7's." Commissioner D'Anton made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

EXECUTIVE SESSION

There was no Executive Session.

PUBLIC COMMENT

There was no Public Comment.

ADJOURNMENT

Chairman Ragazzo asked for a motion to adjourn the Public meeting. Commissioner McDonough made the motion which was seconded by Treasurer Designee Ajmani. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on March 20, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 17 day of April, 2018.



John M. White
Acting Executive Director