

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, SEPTEMBER 26, 2017

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
Patrick Toscano, Vice Chairman (by phone)
Robert Slater, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Matt Spadaccini, Treasurer Designee

John Custodio, Deputy Executive Director
Robert E. Kelly, Deputy Attorney General
Tom Huth, Gov. Auth. Unit (by phone)

VISITORS

Bill Murray, Northstar
Foster Krupa, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
Jon Renner, Brushfire
Nicole Wasserman, Ferrara

STAFF

Regina Arcuri
Denise Coleman
Duane Daniels
Michael DeCheser
Judy Drucker
Janice Eckstein
Frances Edwards
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
John White
Melissa Williams

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 August 22, 2017 Commission Meeting. Commissioner Slater made the motion, which was seconded by Vice Chairman Toscano. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

DIRECTOR'S REPORT

Deputy Executive Director Custodio reported that the Director is not at the meeting because there was an unexpected death in her family. One of her twin brothers passed unexpectedly. She sends her regrets that she could not be here but she felt you would understand her situation.

Deputy Executive Director Custodio stated that we are ahead of budget. We had a great month and that was wholly due to the Powerball and Mega Millions run ups. At its peak, the Powerball reached \$758.7 million on August 23 and Mega Millions hit \$393 million on August 11. Because of those two run ups, we were able to produce the numbers that you see. Month over month, from August 2016 to August 2017, we are up 216%. That was clearly due to the Lotto games. August was a good month. We mention it month after month that we live and die by these jackpots and this was a great example of that.

Deputy Executive Director Custodio noted that Quick Draw is doing very well. It had another good month.

Deputy Executive Director Custodio reported that in Fiscal Year 2018, profit from lotto games was \$54 million or 40.40%. Profit from daily games, except instant, was \$58.2 million or 40%. Profit from the instant games was \$66.8 million or 21.97%.

Deputy Executive Director Custodio stated that receipts and deposits for the month were \$304.7 million.

Deputy Executive Director Custodio stated that the balances in the unclaimed prize reserve totaled \$2,238,577.00.

Deputy Executive Director Custodio noted that the balance in the annuity investment accounts were \$135.5 million.

Deputy Executive Director Custodio reported that the three top selling non-core games for August were "\$5,000,000 Fortune," "\$200 Million Cash Bonanza" and "100X the Bucks." They contributed \$36.2 million or 23% of sales for the month.

Deputy Executive Director Custodio stated that the Core and Family Games contributed \$60.7 million or 40% of total sales.

Deputy Executive Director Custodio noted that four new instant games introduced in August. They contributed \$16.9 million or 11% of total sales.

Deputy Executive Director Custodio stated that our Social Media was number one again. He introduced Michael DeCheser, our Director of Media & Drawings, to address the Commissioners and explain what happened and what his team accomplished.

Michael DeCheser stated that we broadcast our twice daily drawings on WPIX in New York and WPHL in Philadelphia through our control room here at New Jersey Lottery headquarters. We also stream our draws live with a service called Livestream. We take that live video player and imbed it with our website and our mobile app so that everyone can see it. As we know, most people spend their time on Facebook and other social media sites. They don't always run to Livestream or a television station to catch the winning results. With the upgrade of our control room in the past month, and the upgrade of our software that runs the broadcasting of our daily draw, we were able to integrate with Facebook into a service they have called Facebook Live, which is live video. It's not taking a video and uploading it, it is streaming actually live, directly on Facebook and having Facebook update the over 100,000 followers of the New Jersey Lottery. By doing this, we have thousands of new viewers, or additional viewers each day, as well as conversation. Through Facebook, through the New Jersey Lottery's page, players interact with each other, calling out the numbers, discussing the hosts and talking about the Lottery in general. We are looking forward to seeing any growth or even the idea that the conversation of the lottery is happening on line amongst players who find that they have something in common. Doing a little more research into this, we found that the New Jersey Lottery is the first to offer this Facebook live video option. NASPL did a survey and surveyed all other lotteries around the country and said the New Jersey Lottery has another first – we are the first lottery in the country to use Facebook Live's streaming platform. That we were able to do it without any additional cost or a large infrastructure roll-out is something that is very beneficial to the lottery.

Deputy Executive Director Custodio stated that we take great pride in that because throughout the past couple of years we have upgraded all of our facilities at lottery headquarters. We have been able to do more and more and now it's an adjective, the "New Jersey Method". So the other lotteries talk about the "New Jersey Method" and we take great pride in that. We wanted to highlight that today because of all the hard work Michael and his team have done. We are very active with working with our partners at Northstar in our social media space.

Deputy Executive Director Custodio reported that we had 1,714,042 visitors to our website.

Deputy Executive Director Custodio stated that the VIP Club increased its membership with 6,291 new registrations during the month of August. We now have 428,261 active members.

Deputy Executive Director Custodio noted that all drawings for the month of August were completed with no abnormalities.

Deputy Executive Director Custodio reported that all Powerball and Meg Millions Drawings were verified and processed with no abnormalities.

Deputy Executive Director Custodio stated that the Public Information Office disseminated Lottery news in August that received more than 38.4 million daily views with an estimated advertising value of nearly \$356 thousand.

Deputy Executive Director Custodio noted that there were a great number of press releases issued. Our Media department works very hard in getting our message out there and it's covered by many different outlets.

Deputy Executive Director Custodio stated that after the hurricane issues in Texas and Florida, and now Puerto Rico, Treasury has put on all of our websites the links that you can go to for information on the various hurricane relief issues.

Deputy Executive Director Custodio stated that we continue to monitor all of our Legislative activities. We continue to work with the Council on Compulsive Gambling and their staff on the gambling related legislation.

Deputy Executive Director Custodio noted that we are working with staff of the Council on Compulsive Gambling on arrangements for the Responsible Gambling workshop that we are hosting today at Lottery headquarters.

Deputy Executive Director Custodio reported that you can see the Speaker's Bureau Events that were completed in August; they are listed for your review, and the upcoming events, as well.

Deputy Executive Director Custodio stated that we have other Public Promotional Events listed in the report and if you have any questions on any of those events, we can get that information to you. You'll see some of the events that are planned for September and, as always, if you are in any of those areas and you want more information, our team will happy to provide that to you.

Deputy Executive Director Custodio noted that there were 212 security investigations initiated during the month.

Deputy Executive Director Custodio reported that due to our efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$20,772.14 in arrearages collected in August. Year to date, we have collected \$27,654.71.

Deputy Executive Director Custodio stated that our Technology department is extremely busy. There are a lot of different projects that are moving forward. You can see all of those in detail in the section for Information Management Services.

Deputy Executive Director Custodio noted that the Validations staff received and sorted 4,294 mailed-in claim forms during the month of August with an additional 457 walk-in claims. During the month, 5,793 claims totaling \$18,712,538.00 were paid to winners, including annuity payments.

Deputy Executive Director Custodio stated that the Retailer/Call Center Services Unit handled 7,025 incoming calls during the month.

Deputy Executive Director Custodio noted that the Warehouse unit received 11,791 packages from UPS, FedEx and other special deliveries. This was an extremely busy month in the warehouse because of game ends, especially the "High Card Poker" game. We want to commend Margaret Square and Bob Ptaszenski and his staff for a great job that they performed in the warehouse. There were over 12,000 full pack returns and thousands of partial pack returns. It was an unexpected project for the warehouse but they were able to complete everything with no problems. Kudos to them for a job well done.

Deputy Executive Director Custodio noted that you will see the Northstar activities that took place during the month at the end of the report.

Deputy Executive Director Custodio reported that this concludes the Director's Report.

Chairman Ragazzo asked if there were any questions or comments.

Chairman Ragazzo stated that it is great that we are 20% over budget for the Fiscal Year. He understands that it's only two months but we have to remember this because these are the best of times so we have to understand when the number dwindles down. We are over 28% for the monthly contribution and that is all attributed to the Powerball.

Chairman Ragazzo requested a motion to approve the Director's Report. Vice Chairman Toscano made the motion which was seconded by Commissioner Slater.

NEW BUSINESS

Deputy Executive Director Custodio 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 "Double Win," "7" and "\$1,000,000 Spectacular." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Commissioner Slater asked if the annuities are Treasury bills.

Deputy Executive Director Custodio stated that term annuities are Treasuries.

Commissioner Slater asked what the cash option amount is.

Deputy Executive Director Custodio stated that it is advertised on the back of the ticket. It is usually in the \$700 thousand range.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The game rules for approval are "\$1 Jersey Jackpot," "\$2 Jersey Jackpot," "\$5 Jersey Jackpot" and "\$10 Jersey Jackpot." Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the amendment to the general rules governing the "Mega Millions" game. Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Commissioner Slater offered condolences to Executive Director Hedinger on behalf of Board.

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. Vice Chairman Toscano made the motion which was seconded by Commissioner Slater. 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 September 26, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 24TH day of OCTOBER, 2017.



R. John Custodio
Deputy Executive Director