

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JANUARY 23, 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 Slater, Commissioner (by phone)
Christopher McDonough, Commissioner (by phone)
Anna McMullen, Treasurer Designee

John M. White, Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Craig Ambrose, Gov. Auth. Unit

STAFF

Regina Arcuri
Denise Coleman
Michael DeCheser (by phone)
Janetta Foy
Megan Mazzoni
Charlene Mello
Richard Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Tom Weber

VISITORS

Foster Krupa, Northstar
Erica Helms, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Desiree Hardy, Brushfire
Chris Havard, Ferrara

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 December 19, 2017 Commission Meeting. Commissioner Slater made the motion, which was seconded Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the minutes of the January 2, 2018 Special Commission Meeting. Commissioner Slater made the motion, which was seconded by 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 for December gross sales were over \$296 million. That is 9.6% above the same month of last year and 2.4% above the budgeted amount for December for this fiscal year. This increase was primarily driven by lotto game sales with the huge jackpots in Mega Millions and Powerball. Lotto games were 81.5% above the same selling period last year and came in 33.4% above the budgeted amount for the month of December. All games year to date, there were 1.64 billion in gross sales and which is 3.6% above the first six months of last year and 2.8% above the budgeted amount for the first six months of the year. This was driven by lotto games, which are 17.7% above sales from the same the selling period last year and 20.5% above the budgeted amount for the first six months of the year.

Acting Executive Director White noted that the contribution was over \$91 million for the month of December. This is 16.4% above December 2016 and it is 4.6% above the budgeted amount for the month. Year to date our contributions exceed \$496 million. This is 6.3% above the first six months of last year and is 3% above the budgeted amount.

Acting Executive Director White stated that our FY18 profit from lotto games was \$107.6 million or almost 40% profit. Profit from instant games was nearly 22%. Total to date FY18 contributions, including 30% of the current estimated forfeited prizes, is 31.4% 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 exceeded \$294 million.

Acting Executive Director White noted that there were 108 electronic fund transfer (EFT) failures totaling \$329 thousand for the month. The Accounts Receivables Unit settled or closed 70% of EFT failures from November. Our Account Adjusters visited 293 retailers and collected \$283 thousand.

Acting Executive Director White stated that the cumulative outstanding accounts receivable balance at the end of December was \$3.8 million. The total of bad debt reserve is \$3.1 million.

Acting Executive Director White reported that the balances in the unclaimed prize reserve totaled \$20,379,185.

Acting Executive Director White noted that the balance in the annuity investment accounts were over \$128 million. The S&P ratings have not changed since last month. The portfolio continues to decline because no new annuities are taken as winners opt for the cash value.

Acting Executive Director White stated that the three top selling non-core games for December contributed \$32.6 million for the month.

Acting Executive Director White reported that the Core and Family Games contributed over \$98 million.

Acting Executive Director White noted that we introduced three new instant games during December and these games made up \$16.6 million or 10% of total sales.

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

Acting Executive Director White reported that various holiday instant games were advertised throughout the month of December.

Acting Executive Director White noted that there are now 526 retailers selling Quick Draw. That is having a positive result on sales for the game.

Acting Executive Director White stated that the Jersey Collect 'N Win promotion continued. There have been six grand prize winners each winning \$50,000. The December winner hails from Mays Landing in Atlantic County.

Acting Executive Director White reported that one new Fast Play game was added in December and one was suspended. We currently have 25 Fast Play games available.

Acting Executive Director White noted that there were a number of high tier winners throughout the state in December.

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

Acting Executive Director White reported that Lottery Consumer and Retailer Websites Support responded to 200 email requests and inquiries from VIP Club members and users.

Acting Executive Director White noted that the VIP Club increased its membership with 6,032 new registrations during the month. There are now 445,020 active members.

Acting Executive Director White stated that the Million Dollar Replay game has recorded over 61 million entries since its inception.

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

Acting Executive Director White reported 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. All in-house staff received appropriate information via email.

Acting Executive Director White stated that the Public Information Office disseminated Lottery news in December that reached more than 10.3 million daily viewers with an estimated advertising value of nearly \$95,000.

Acting Executive Director White noted that in addition to press releases are sent out routinely regarding winners from various games, there were several extraordinary releases during the month of December. On December 4, there was the "Gift Responsibly this Holiday Season – Lottery Tickets Aren't Child's Play" press release. On December 5, the Division advertised "Four Days Left Before \$1,000,000 CASH4LIFE Ticket Expires." That ticket did subsequently lapse. When the tickets lapse on the multi-state games, New Jersey has to remit back to the states that contribute to the prize. Out of that \$1,000,000, New Jersey maintains about 18%. On December 20 a press release was issued indicating that the Lottery would not conduct draws on Christmas day. The only draw conducted was multi-state CASH4LIFE draw. On December 29 a press release was issued indicating "Mega Millions sales are growing as jackpot rolls to \$306 million." The final extraordinary press release was the one on December 29 announcing the retirement of Executive Director Carole Hedinger.

Acting Executive Director White reported 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 various social media platforms.

Acting Executive Director White stated that the Lottery Public Information Office continue to monitor all of lottery related Legislative activities. Various bills from the previous session have been refiled in the current session. Staff continues to track them.

Acting Executive Director White noted that in our Responsible Play Program, arrangements were completed between the Lottery and the Council of Compulsive Gambling in New Jersey to hold the "Holiday Gifting Awareness Annual Campaign" press conference at Lottery headquarters. The Lottery participated in the Council's Responsible Gambling working group meeting at Stockton University. The Lottery coordinated arrangements for and participated in the meeting with Treasury staff to preview the final employee Responsible Gaming online training video, which all Lottery staff will take once it is fully edited. Lottery continues to work with Treasury and the Council of Compulsive Gambling to process financial contributions toward Council's school curriculum program.

Acting Executive Director White reported that there were a few Speaker's Bureau Events completed in December. There are several scheduled for January.

Acting Executive Director White stated that there were a great many Public Promotional Events held in December. Essentially, holiday instant games were promoted throughout many malls in the state.

Acting Executive Director White noted that there were 146 security investigations initiated during the month.

Acting Executive Director White reported that 258 random field inspections were conducted at retailer locations.

Acting Executive Director White stated that the Licensing unit received and processed 76 applications and 91 licenses were issued.

Acting Executive Director White noted that at the end of December, there were 8,096 licenses issued.

Acting Executive Director White reported that due to the Division's efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$3,043.49 in arrearages collected in December. Year to date, the Lottery has collected \$108,502.40.

Acting Executive Director White stated that in Technology, the IMS and Security departments continued to work with OIT in the development of the case management system. OIT worked with the Division's IMS department to complete a quarterly test restore of the Division's financial database to verify that the backups can be restored. On December 7, the quarterly EFT drill at the BCS had been run successfully. The purpose of these drills is to identify any issues that may hinder or prevent the creation of the ACH file and its upload to the bank in preparation of a real emergency that requires us to actually function at the BCS. Finance and IMS continue to work diligently together to support the transfer of revenues to Pension Fund L that will help fund the pensions per Chapter 98 of the Public Law of 2017, commonly known as the Lottery Transfer Act.

Acting Executive Director White noted that the Validations staff received and sorted nearly 3,800 mailed-in claim forms during the month of December. They entered nearly 3,900 claims into the system. During the month, 2,589 claims totaling more than \$6.5 million were paid to winners, including annuity payments.

Acting Executive Director White reported that there were 15 claims that were processed and garnished because of current and previous matches totaling \$29,696.82. Ten of those garnishments were to satisfy child support arrearages totaling \$19,764.21. Since inception, we have collected \$8.1 million in arrearages, low income home energy assistance, food stamps and overpayments of welfare, student loans and other SOIL programs.

Acting Executive Director White stated that the Retailer/Call Center Services Unit handled nearly 6,000 incoming calls during the month. They also handled more than 2,200 winner claim status calls during the month of December.

Acting Executive Director White noted that the Warehouse unit received 3,036 packages during the month. The Tri-factor machine continued to perform without incident.

Acting Executive Director White reported 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. Specifically, HVAC repairs and maintenance were performed on the roof top unit at the BCS. Emergency exterior plumbing work was completed during the month.

Acting Executive Director White stated that Northstar activities are included at the conclusion of the report. The sales team continues to work on various initiatives. Northstar launched its 9th After School Advantage Computer lab at the Boys & Girls Club of Paterson & Passaic in Passaic.

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 doesn't ever remember that at this time of the year that we have been in the sixth month and we are still 4.6% over. That can change since most of that is attributed to the large jackpots. He wanted to acknowledge that in our total contributions, last month was 16% more this year to the state than last December and for the whole year it's still up 4.6% over the budgeted amount. Next month could be different but noted that as of December 31, we were still 4.6% ahead of the budgeted amount.

Acting Executive Director White noted that the Division was blessed that the two jackpots that went through December carried into January and they were both hit on the weekend of January 5 and 6. Thus, January started on a good note.

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

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 "Backstage Pass to Cash," "Fast Money," "High Card Poker" and "Jersey Cash Blowout." Commissioner Slater made the motion which was seconded by Commissioner McDonough. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The game rules for approval are "Hit \$50," "Hit \$100" and "Hit \$250." Commissioner Slater made the motion which was seconded by Treasurer Designee McMullen. 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 McMullen. 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 January 23, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 20 day of February, 2018.



John M. White
Acting Executive Director