

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, AUGUST 15, 2019

Chairman D'Anton called the Commission meeting into session at 10:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman
Marilyn Blazovsky, Vice Chair
Gary Terwilliger, Division of Investment Designee
(by phone)
Dini Ajmani, Treasurer's Designee

James A. Carey, Jr., Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Lauren LaRusso, Governor's Auth. Unit (by phone)

VISITORS

Adam Perlow, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Erica Helms, Northstar
Jon Renner, MSI

STAFF

Regina Arcuri
Jerry Guarino
Dean Ialacci
Robert Kersey
Kalliopi Kostis
Joseph Oleszkiewicz
Richard Pagnani
Steven Palmieri
Debbie Raub
Mary Ann Rivell
Margaret Square
John White

After the Pledge of Allegiance, Chairman D'Anton 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.

Acting Executive Director Carey circulated a revised copy of the minutes to the Commissioners before the meeting began. Additional comments and colloquy were added that occurred at the end of the meeting as follows:

Treasurer Designee Ajmani referred to the Director's discussion of the June and end of year results and asked if the figure estimating the total contribution to the Pension Fund accounted for the cost of the incentive payment to Northstar. Deputy Director of Finance John White answered that the contribution estimate also factors in the estimated amount of the incentive payment.

Commissioner Blazovsky stated that Fast Play and "5 Card Cash" are down significantly for the year and asked if there are any plans for those games. Foster Krupa, Senior Director of Product Innovations at Northstar, responded that there are new games being launched for Fast Play. Acting Executive Director Carey added that Fast Play has a new series of games, the "Hit" series, that will be similar to the "Hit" family of scratch-off games launching in September. Northstar hopes that "Hit" series of Fast Play games will have crossover benefits with the new scratch-offs.

Commissioner Blazovsky questioned why the Powerball HMS/water promotion was not used for Pick-3 or Pick-4 to enhance sales. Sam Fromkin, Product Innovation Manager at Northstar, explained that the promotion is aimed at out of state players passing through New Jersey on the major highways and stopping at the HMS-run rest stops. There is no cost to the Lottery for the promotion, and HMS covers the cost of the water.

Chairman D'Anton asked how Northstar deals with low performing retailers. Northstar General Manager Russ Knapp responded that they have a number of programs in place, focused on Lottery Sales Representatives trying to add and drive better sales. Chairman D'Anton asked how often the Lottery

Sales Reps visit the retailers. Mr. Knapp responded that in general they visit every two weeks. Depending on the sales volume of the location, it might be three weeks for one and weekly on others.

Chairman D'Anton asked if lottery terminals are licensed to an individual or a specific address. Deputy Director of Security, Daniel O'Brien, stated that Lottery does not have a policy that bars a specific address from being licensed as a Lottery retailer.

Chairman D'Anton requested a motion to approve the minutes of the July 18, 2019 Commission meeting. Vice Chair Blazovsky made a motion to approve the minutes of the July meeting, which was seconded by Treasurer's Designee Ajmani. Chairman D'Anton asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Carey reviewed the Lottery's July results and activities. Highlights were:

All games total sales were: \$268.5 million
Lotto games total sales were: \$32.7 million
Daily machine games total sales were: \$78.8 million
Scratch Off Tickets total sales were: \$157 million

As of the end of July, year to date total sales were \$268.5 million, a decrease of 8.1% compared to sales at the end of July 2018.

Acting Executive Director Carey noted that Northstar is conducting a promotion with Jersey Cash 5 where the starting jackpot is \$100,000 for the months of August and September. Normally those jackpots start at \$75,000.

Acting Executive Director Carey stated that Quick Draw had actual sales of \$10.7 million compared to \$7.5 million the prior year, which was an increase of 42%.

Acting Executive Director Carey reported that New Jersey only games sales were down 2.3% overall from \$246 million to \$240 million, compared to July 2018.

Acting Executive Director Carey noted that all games total sales were down 8.1% from \$290 million to \$268 million, compared to the prior year.

The monthly contribution to Pension Fund L was \$75.9 million, which is a 12.2% decrease over the prior year.

Acting Executive Director Carey reported that net proceeds for the fiscal year to date are \$75.94 million or 28.6% of sales. Lotto games were \$12.2 million or 37.2% of sales. Daily games were \$30 million or 38% of sales. Instant games were \$33.2 million or 21% of sales.

The three top selling non-core games for July were "\$200X the Money Bonus," which generated \$20.8 million in sales, "Super Triple 777," which generated \$9.3 million in sales and "\$200 Million Cash Bonanza," which generated \$5.4 million in sales.

Total sales for Core and Family Games for the month were more than \$66 million. The "Crossword" family of games had \$27.4 million in sales, "Precious Metals" family of games had \$12 million in sales and the "Spectacular" family of games had \$11.2 million in sales.

Acting Executive Director Carey stated that there were a number of high tier winners throughout the state in July. Jersey Cash 5 had a \$536,940 winner in Burlington County on July 2. CASH4LIFE had one \$1,000 a Week for Life winner in Sussex County on July 14 and one \$1,000 a Week for Life winner in Ocean County on July 22. Jersey Cash 5 had a \$647,242 winner in Somerset County on July 25. There was one instant winner of \$150,000 in Mercer County, one \$695,000 winner in Union County and two \$200,000 winners, one in Mercer County and one in Morris County.

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

Acting Executive Director Carey stated that all on-line game 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 Carey noted that there were 189 open investigations at the end of the month. There were 170 security investigations initiated in July.

Acting Executive Director Carey stated that the Validations department received and sorted 3,697 mailed claim forms during the month of July and an additional 357 walk-in claims.

Acting Executive Director Carey noted that there were 26 claims that were processed and garnished because of current and previous matches totaling \$40,650.95. Six of the garnishments went to satisfy child support arrearages, eleven were for public assistance and food stamps and there were eight student loan payments.

Acting Executive Director Carey reported that the total number of active retailers is 7,161 compared to 7,204 at the end of June 2019. The total number of Quick Draw only retailers is 482, compared 497 at the end of June.

Acting Executive Director Carey concluded the Director's Report.

Acting Executive Director Carey asked if there were any questions or comments.

Chairman D'Anton asked if sales begin to rise for Pick-6 when the jackpot is around \$10 million. Deputy Director of Finance John White answered that when Pick-6 has a flat jackpot of \$2 million, the sales are approximately \$500,000 a draw depending on the time of year. Right now the jackpot is at \$6.1 million and sales are just over \$600,000. In the fall of last year, the jackpot was above \$20 million and sales were about \$1 million a draw.

Chairman D'Anton asked if Pick-6 is a game that Northstar is examining to improve. Acting Executive Director Carey stated that Northstar last year considered making changes to the game, but held off on doing anything when the jackpot was increasing to over \$20 million. It is something that will be reconsidered this year.

Chairman D'Anton asked when the jackpots rise for Mega Millions. Acting Executive Director Carey stated that with the multi-state games, there would be a real take off with sales when it was reached \$450 million. It is taking more time to get into the real excitement level for multi-state games. Once you cross the threshold, it starts to generate its own excitement.

Chairman D'Anton asked how many New Jersey residents hit the Mega Millions grand prize or the second prize in the last fiscal year. Deputy Director of Finance John White answered that in a year we have had about twelve \$1 million winners, which is a second tier prize. New Jersey had one Mega Millions winner last March.

Commissioner Blazovsky asked if there is a way to make revenues less jackpot dependent in terms of bolstering other games that players gravitate towards and stabilize the revenues a little bit more. Acting Executive Director Carey answered that the Pick-3, Pick-4 and instant games serve that role. Instant games are almost 2/3 of our sales. The jackpots from Mega Millions, Pick-6 and Powerball are more profitable than the instant games. We had a good year last year, a lot of it driven by the large jackpot from Mega Millions.

Treasurer's Designee Ajmani asked about the drop in Quick Draw only retailers. Acting Executive Director Carey responded that Northstar has been working to remove some lower performing retailers. Northstar has been approaching the retailers to see if they still want to participate in the Lottery and to see if they need assistance to improve their sales.

Treasurer's Designee Ajmani asked what criteria Northstar uses to remove a Lottery terminal. Adam Perlow, Vice President and Chief Operating Officer of Northstar, responded that in this case they were looking at less than 10% of Quick Draw only retailers. They focused on retailers that were doing less than \$50 a week. They wanted to make sure they were using their resources wisely.

Treasurer's Designee Ajmani asked how long they give the retailer to raise their sales. Mr. Perlow stated that there is no set time frame and they will work with them if they think there is potential. The intent is to try to keep them and help them grow their Quick Draw business so Northstar is not too quick to try to pull the plug. Northstar is constantly trying to increase the number of Quick Draw retailers. They have a full team that is dedicated to prospecting new Quick Draw retailers specifically.

Chairman D'Anton requested a motion to approve the Director's Report. Vice Chair Blazovsky made the motion which was seconded by Treasurer Designee Ajmani.

NEW BUSINESS

There was no New Business.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

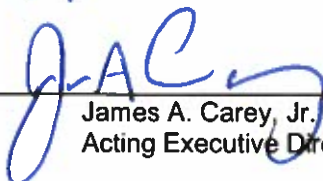
ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Vice Chair Blazovsky 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 August 15, 2019.

IN WITNESS WHEREOF, I hereby set my hand on

the 12th day of September, 2019.


James A. Carey, Jr.
Acting Executive Director