

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, APRIL 17, 2018

Deputy Director of Administration and Compliance, Megan Mazzoni, 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 (by phone)
Patrick Toscano, Vice Chairman (by phone)
Christopher McDonough, Commissioner (by phone)
Dini Ajmani, Treasurer Designee

John M. White, Acting Executive Director
Robert E. Kelly, Deputy Attorney General
Lauren LaRusso, Governor's Auth. Unit (by phone)

STAFF

Regina Arcuri
Denise Coleman
Dean Ialacci
Megan Mazzoni
Charlene Mello
Perna Mukhija
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Margaret Square
Tom Weber

VISITORS

Russ Knapp, Northstar
Foster Krupa, Northstar
Erica Helms, Northstar
Sarah Brennan, Northstar
Sam Fromkin, Northstar
Chris Havard, Ferrara

After the Pledge of Allegiance, Deputy Director Mazzoni, 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.

Deputy Director Mazzoni requested a motion to approve the minutes of the March 20, 2018 Commission Meeting. Chairman Ragazzo made the motion, which was seconded Commissioner McDonough. Deputy Director Mazzoni 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 March, the Lottery had net sales of \$307.7 million. This is 10.1% above the previous March and it is 2.7% above the budgeted amount for this March. The Lotto games led the charge with the high jackpots in Powerball and Mega Millions. The Lotto games when compared to the previous March, were 86.7% higher. Sales were 52.9% above the budgeted amount for this March. Year to date, all games have netted sales of \$2.472 billion. This is 3.9% above the first nine months of FY17 and it is 1.5% above the budgeted amount for this Fiscal Year. Again, it is the Lotto games that have helped sales. Year to date, Lotto sales are 23.8% above the prior year. And 24.4% above the budgeted amount.

Acting Executive Director White stated that the monthly state contribution for the Lottery was \$94.4 million. This is 14.4% above March 2017 and 5.2% above the budgeted amount for March. The Lottery contribution year to date for the first nine months of the year is \$747 million. This is 6.4% above the first nine months of FY17 and it is 1.9% above the budgeted amount. Again, it was the Powerball and Mega Millions jackpots that helped the contribution amount. The average Powerball jackpot was over \$40 million above the same period last year. The average Mega Millions jackpot was a clear \$200 million above the prior March.

Acting Executive Director White noted that Fiscal Year 2018 profits from lotto games are at 40%. The profit from daily games is just under 40%. The profit from instant games is just under 22%. Total to date FY18 contributions, including 30% of the current estimated forfeited prizes, represents 31.32% 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 \$293.9 million.

Acting Executive Director White stated that there were 50 electronic fund transfer (EFT) failures totaling \$237 thousand or 0.08% of total receipts and deposits for the month. Because of inclement weather during March, the EFT was postponed on a couple occasions and this helped significantly reduce the failure rate. The Accounts Receivable Unit settled or closed 68% of EFT failures from February. Field Account Adjusters visited 284 retailers and collected \$193.9 thousand.

Acting Executive Director White noted that the balances in the unclaimed prize reserve totaled over \$27.8 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 was \$126 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 March exceeded \$33 million in sales.

Acting Executive Director White noted that total sales for Core and Family Games for the month were in excess of \$91 million.

Acting Executive Director White reported that the Lottery introduced four new instant games during March and these games made up over \$15.9 million in sales for the month.

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

Acting Executive Director White noted in Instant Game Advertising activities, advertising centered on the "iHeart Radio "Backstage Pass to Cash" instant game which ran throughout the much of the month.

Acting Executive Director White reported that there are now 781 retailers selling Quick Draw. Week over week sales for Quick Draw continued to increase. At the launch, the weekly sales were about \$600,000 and now they exceeded \$1.7 million for week ending April 11.

Acting Executive Director White noted that the Jersey Collect 'N Win monthly second chance promotion for draw games tickets continued. There have been nine grand prize winners each winning \$50,000. Over 30,000 players are registered to date for this promotion. There were over 1.1 million total entries in March.

Acting Executive Director White stated that four new Fast Play games were added in March. The Lottery currently has 25 Fast Play games in circulation.

Acting Executive Director White reported that there were a number of high tier winners throughout the state in March. This was a phenomenal month for high tier winners. There were several significant winners from Jersey Cash 5. In CASH4LIFE, there was a top tier winner prize for the first time in some time. That prize is \$1,000 a day for life and that was won in Middlesex County on March 1. There was a second tier winner in CASH4LIFE, which is \$1,000 a week for life, and that was won on March 5 in Salem County. The March 27 Mega Millions drawing had a second tier winner of \$1 million in Somerset County. The Powerball draw on March 28 had a \$1 million winner in Mercer County. Finally, the biggest jackpot of all in the history in the State of New Jersey was won on Good Friday, March 30. There was a \$533 million Mega Millions winner in Morris County. Again, this was the biggest winner in the history of the State. Because of the timing on the win on March 30 and the subsequent media coverage into April, this topic will figure prominently in the April report. The press conference for the winner was held at Lottery headquarters this past Friday (April 13). It was a success on all fronts. The media was here in force. The feedback from the media on this event has been tremendous. They were really happy with the

access that they had and that they had ample time to ask questions of the winner. The event went off very smoothly.

Acting Executive Director White thanked the Lottery's partners at Northstar for their help in accommodating the Lottery with certain needs that the press required. This was a win-win for the State of New Jersey.

Acting Executive Director White noted that the Lottery continues to maintain a presence on various social media platforms, including Facebook, YouTube, Twitter, Google and Instagram.

Acting Executive Director White stated that the Lottery Consumer and Retailer Websites Support responded to 250 email requests and inquiries from VIP members and users. There were 1,358,270 users, including a one day average of 190,000 users on the website.

Acting Executive Director White reported that the VIP Club increased its membership by over 5,600 new registrations during the month of March. The VIP Club now has an enrollment of over 460,000 active members. During the month of March, the VIP exceeded its FY18 goal of increasing membership by 10%. The 10% growth would have taken membership to over 459,000, but it now stands at 460,000. That goal was achieved three quarters of the way through the year.

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

Acting Executive Director White stated 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 reported that the Public Information Office disseminated Lottery news in March that reached more than 18 million daily viewers with an estimated advertising value of over \$170,000. Contributing to this in a big way was the significant \$533 million Mega Millions jackpot on March 30.

Acting Executive Director White noted that in addition to routine press releases that are issued on a daily basis for winning ticket information on the various games, there were several extraordinary press releases. There was the March 1 Media Advisory about the Joint Press Conference focusing on problem gambling. Followed up on March 2 with the highlights of the aforementioned press conference. On March 9 the New Jersey's newest millionaire was announced from the Million Dollar Replay program. On March 16 the Lottery issued the March Madness press release about the substantial jackpots in both Mega Millions and Powerball. On March 29 the Jackpot Fever press release was issued stating the Mega Millions jackpot broke the half billion dollar mark. Finally, after the big win on March 30, a press release was issued on Saturday March 31. Public Information Officer Mary Ann Rivell came in on Saturday, her day off, and with Draw Manager Regina Arcuri's assistance, they issued the press release about the lucky retailer, which was Lukoil in Riverdale. Security Supervisor, Tom Weber also came in on that Saturday which was in the middle of the three day Easter Holiday Weekend.

Acting Executive Director White stated 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 reported that the top reactive Social Media stories posted in March included a winner story about a couple from Middletown that won a \$200,000 prize, a story on the CASH4LIFE top tier and second tier prizes that were won in March and the Million Dollar Replay grand prize winner. And, again, the Riverdale Lukoil that sold the winning ticket on March 30.

Acting Executive Director White noted 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 regarding gambling related legislation.

Acting Executive Director White stated that in the Responsible Play Program, staff continues to work on preparations for the 2018 Problem Gambling Awareness Month event held at Lottery Headquarters. They continue to work with the National Council on Problem Gambling staff for New Jersey Lottery's sponsorship of the 32nd National Conference on Problem Gambling scheduled for July 20 and 21. They also participated in the Responsible Gambling working group in Atlantic City.

Acting Executive Director White reported that there two Speaker's Bureau Events completed in March. There are two more events scheduled for April.

Acting Executive Director White noted that there were a few Public Promotional Events completed in March. The Lottery had a presence at the Atlantic City Boat Show at the Convention Center where Pick-6 was promoted. The Lottery hosted the Million Dollar Replay event in Asbury Park on March 9. The Lottery also participated in the St. Patrick's Day parade in Ocean County. The Lottery continued its presence at the Prudential Center with the New Jersey Devils. The Lottery is going to continue its presence, for as long as possible, with the New Jersey Devils since the team is in the NHL playoffs. In April, the Lottery continues its partnership with the Red Bulls arena. The Lottery will be doing promotional events there for the soccer games.

Acting Executive Director White stated that there were 158 security investigations initiated during the month. There were 232 random field inspections conducted at retailer locations.

Acting Executive Director White reported that the Licensing unit received and processed 71 applications. There were 56 licenses issued.

Acting Executive Director White noted that due to the Division's efforts, along with the Department of Taxation Joint Investigation Project, there was a total of \$13,566.19 in arrearages collected in March. Year to date, the Lottery has collected \$183,345.59.

Acting Executive Director White stated that the IMS Department, working with IGT and DORES, enabled certain Lottery staff members to now have access to the IGT camera that views the Quick Draw random number generator.

Acting Executive Director White reported that Finance and IMS continue working diligently together to support the transfer of revenues to Pension Fund L.

Acting Executive Director White noted that the IMS staff has been working with Lottery's Security Department, DORES, and Tyco to install the new digital camera system and the new badge system for the Security department.

Acting Executive Director White stated that Lottery IMS and Finance successfully conducted the March quarterly EFT drill at the business continuity site. These drills are pivotal in exposing any technical glitches or procedural hitches needing correction to keep them from compounding into a multitude of problems when least desirable. The next drill is scheduled for June.

Acting Executive Director White reported that the Validations staff received and sorted over 4,700 mailed claim forms during March and an additional 333 walk-in claims.

Acting Executive Director White noted that there were 31 Social Security number matches between the files from the Departments of Human Services, Labor, Community Affairs and the Division of Taxation. There were 24 claims that that were processed and garnished because of current and previous matches totaling over \$30 thousand. Since inception in 1992, the Lottery has collected nearly \$8.2 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 in excess of 6,500 incoming calls during the month.

Acting Executive Director White reported that the Warehouse unit received over 3,200 packages during the month.

Acting Executive Director White noted that the Warehouse staff also assisted with transporting and setting up the Million Dollar Replay equipment for the Million Dollar Replay Grand Prize Drawing on March 9 in Asbury Park. Also, they assisted with setting up for the press conference for Responsible Gambling on March 1.

Acting Executive Director White stated that Northstar's personnel count at the end of March totals 139 employees, which consists of 99 in Sales, 22 in Marketing and 18 in Administration.

Acting Executive Director White reported that the number of active retailers is 7,101. Of those active retailers, 781 are Quick Draw retailers.

Acting Executive Director White noted that a Quarterly Responsible Gaming E-newsletter recognizing March as "Problem Gambling Awareness Month" was sent by Northstar. Also, "Problem Gambling Awareness Month" messaging went out over social media and was displayed to retailers via terminal messaging and players via ticket messaging.

Acting Executive Director White stated that Northstar's sales team continued to focus on the recruiting of new Quick Draw retailers, driving Quick Draw sales, running Quick Draw promotions, driving penetration during March for the new instant games and posting jackpots as a reminder to players. That was very important during in March with the ever increasing jackpots.

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

Deputy Director Mazzoni asked if there were any questions or comments.

Chairman Ragazzo asked if the \$307 million the Lottery had in monthly net sales was the highest ever grossed.

Acting Executive Director White stated that he believes that January 2016 may exceed that because we had the \$1.5 billion jackpot for Powerball. Acting Executive Director White will work with the Finance Department and we will email that information to the Commissioners indicating the top several months. **Subsequent to the Commission Meeting, Acting Executive Director White had the answer to the Chairman's question researched by the Finance Department, under separate cover he advised the Commissioners that January 2016 was indeed the highest month for net sales (\$366.9 million) and for net proceeds (\$122 million). March 2018 was the Lottery's 4th highest month for nets sales (\$307.7 million) and for net proceeds (\$94 million).**

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

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.

Deputy Director Mazzoni requested a motion to approve the instant ticket game rules for "Super Tic Tac Toe," "Lady Luck Bonus" and "Million Dollar Multiplier." Vice Chairman Toscano made the motion which was seconded by Chairman Ragazzo. Deputy Director Mazzoni 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

Deputy Director Mazzone asked for a motion to adjourn the Public meeting. Vice Chairman Toscano made the motion which was seconded by Chairman Ragazzo. 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 April 17, 2018.

IN WITNESS WHEREOF, I hereby set my hand on

the 22nd day of May, 2018.



John M. White
Acting Executive Director