

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING, OCTOBER 15, 2015

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)  
Albert Alvarez, Commissioner (by phone)  
Robert Slater, Commissioner (by phone)  
Tom Neff, Treasurer Designee

John Custodio, Deputy Executive Director  
Roger Gibson, Deputy Attorney General  
Tyler Yingling, Governor's Auth. Unit (by phone)

#### STAFF

Regina Arcuri  
Denise Coleman  
Michael DeCheser  
Janice Eckstein  
Karen Kokoll  
Megan Mazzoni  
Richard Pagnani  
Debbie Raub  
Mary Ann Rivell  
Margaret Square  
John White  
Melissa Williams

#### VISITORS

Russ Knapp, Northstar  
William Murray, Northstar  
Lou Cleary, Northstar  
Sarah Brennan, Northstar  
Sam Fromkin, Northstar  
Chris Havard, Ferrara  
Jon Renner, Brushfire  
Dustin Racioppi, The Record

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 September 17, 2015 Commission Meeting. Treasurer Designee Tom Neff made a motion to adopt as amended an addition to acknowledge that at the last meeting the Executive Director reported that she would be recovering from Northstar the contractual obligation to reimburse us for the outages for that occurred in September. They were missing from the minutes. The motion was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

#### DIRECTOR'S REPORT

Deputy Executive Director Custodio stated that month over month we have an 8.5% increase in our total game portfolio. Year over year we have a 6.3% increase. We are headed in the right direction. We just finished our first quarter and we are moving into the holiday season. There are many promotions coming up in the next weeks and months and we should see good sales as a result.

Deputy Executive Director Custodio reported that receipts and deposits for the month of September were over \$218 million.

Deputy Executive Director Custodio noted that there were 119 electronic fund transfer (EFT) failures totaling almost \$375 thousand. The Accounts Receivables Unit settled or closed 81% of EFT failures from August. Field Account Adjusters visited 390 retailers. The EFT recovery has a lot to do with the work we do with Northstar and the sales team in identifying those retailers who may be having an EFT

failure in the future and to head those off before they actually happen. He thanked the sales team for their work in working with our adjusters on the EFT project.

Deputy Executive Director Custodio stated that the balances in the unclaimed prize reserve accounts for September were over \$4.5 million.

Deputy Executive Director Custodio reported that the balances in the annuity investment accounts total \$176.4 million.

Deputy Executive Director Custodio noted that the three top selling non-core games for September totaled \$26.7 million or 19.3% of total sales. These games do very well for us and we will continue to promote them out in the field.

Deputy Executive Director Custodio reported that the Core and Family Games for the month reflect \$68.2 million in sales or 49.5% of our total sales.

Deputy Executive Director Custodio stated that the three new instant games that were introduced in September made up \$12.4 million in sales or nearly 9% of the total sales for the month.

Deputy Executive Director Custodio noted that during that time period there were many promotions taking place; TV spots, cable, online and a lot of promotional events. This adds to the success of the games.

Deputy Executive Director Custodio reported that for online product activities, the September 30 Powerball jackpot of \$301 million was the highest jackpot we have had since February 2015. The final jackpot reached \$310 million and was won by a factory supervisor in Michigan.

Deputy Executive Director Custodio noted that as the Executive Director mentioned last month with the change in the Powerball matrix, we should see higher jackpots. That is the goal for the change in the matrix.

Deputy Executive Director Custodio reported that we have had several promotions in September for "Pick-4 Green Ball," "Fast Play" and "CASH4LIFE".

Deputy Executive Director Custodio stated that as was reported previously, Tennessee will be joining CASH4LIFE beginning November 1 and Maryland will be joining in early January 2016.

Deputy Executive Director Custodio noted that our social media continues to be very active. It is heavily used and bringing in many new types of players. We are excited about that.

Deputy Executive Director Custodio stated our website had over 1.1 million visitors for the month. The website is constantly being updated and it's a great place to get information on all of our Lottery products.

Deputy Executive Director Custodio reported that our VIP Club continues to be actively joined. We now have an enrollment of more than 322,000 active members.

Deputy Executive Director Custodio noted that the Million Dollar Replay, which is part of that, has had over 34 million entries since inception. It continues to be an extremely popular program.

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

Deputy Executive Director Custodio stated that all of our pools were closed according to procedures with no abnormalities.

Deputy Executive Director Custodio noted that in Media and Public Relations and Events is where the Lottery goes out into the public. This includes press releases, Winner Awareness that we produce and all of the events that are happening during the month.

Deputy Executive Director Custodio reported that in the Responsible Play Program, we were able to take care of our employee training on Responsible Play. We will also be scheduling, as part of our World Lottery Association certification, training for Commissioners. It's an interesting exercise to go through and well worth the time.

Deputy Executive Director Custodio stated that we continue to work with Northstar on Responsible Gaming as well as with the Council on Compulsive Gambling.

Deputy Executive Director Custodio noted that we continue to monitor any proposed legislation that might affect the Lottery.

Deputy Executive Director Custodio reported that there was a full schedule of events that took place in September. We have many scheduled for the remainder of October.

Deputy Executive Director Custodio stated that there were 209 security investigations initiated during the month.

Deputy Executive Director Custodio noted that 168 random field inspections were conducted.

Deputy Executive Director Custodio stated that the Security Unit is also involved with working with Northstar to revise and streamline our application process. This will modernize the process and make it electronic.

Deputy Executive Director Custodio reported that our IMS Unit continues to work with DORES and OIT in the effort to implement an email encryption policy as well as other technology issues surrounding upgrading many of our servers and our connection back to the BCS.

Deputy Executive Director Custodio stated that the BCS is completed and we are fully operational.

Deputy Executive Director Custodio noted that the Validation staff received and sorted 4,000 claim forms during the month of September with an additional 330 walk-in claims. There were more than 5,700 claims totaling over \$23 million paid to the winners, including annuity payments.

Deputy Executive Director Custodio stated that there were 27 Social Security number matches. There were 19 claims that were processed and garnished because of current and previous matches totaling over \$18,000; ten of which went to satisfy child support arrearages and one claim was released from a previous match.

Deputy Executive Director Custodio noted that the Retailer/Call Center Services Unit handled 4,785 incoming calls during the month.

Deputy Executive Director Custodio reported that the Warehouse staff continues to process game end returns.

Deputy Executive Director Custodio stated that the Warehouse staff has provided upgrades in the building that were the result of having some safety recommendations from Treasury's Health and Safety Unit.

Deputy Executive Director Custodio noted that the Facilities coordinator worked with Nexus to make certain the maintenance and any repairs to the building were accomplished satisfactorily.

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

Chairman Ragazzo asked if there were any questions or comments.

Vice Chairman Toscano asked about the amount of licenses that were not issued during the month and a discussion was held.

Chairman Ragazzo stated that we are 7% ahead of last year in terms of our fiscal contributions to the state. He asked if there was a discussion or an article in the paper that we were behind in the first month. He stated that we were criticized that in the past that our contributions were down. He said that it is obviously not true as we are bottom line 7% ahead in our contribution to the state. Irrespective of where it's coming from.

Treasurer Designee Tom Neff said that is correct for this current fiscal year. In FY15 there was a decrease in the contribution to the state over the prior year. He noted that some of the press accounts suggested that that our receipt of funds, the state contribution, is \$930 million in 2015. It is actually higher than that. The audit just isn't done yet. At some point we will figure out what that amount is but it is significantly higher than \$930 million.

Chairman Ragazzo asked about the Operations Unit's processing of claim forms regarding garnishments and a discussion was held.

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.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "Double Doubler." Treasurer Designee Tom Neff 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.

Chairman Ragazzo requested a motion to approve the instant ticket game rules for "\$500,000 Winfall." Commissioner Slater made the motion which was seconded by Commissioner Alvarez. Chairman Ragazzo asked if there were any comments and there being none the motion carried.

Chairman Ragazzo read Commissioner Tucci's letter of resignation as Commissioner.

### **PUBLIC COMMENT**

Dustin Racioppi from the Record said that we state that sales are up 7% and asked what the budgeted figure is and what the actual bottom line is.

Chairman Ragazzo responded that fiscal year to date, net sales are \$749.94 million. Last year it was in the gross amount of \$705 million; which is an increase of 6.3%. Contribution to the State last year was \$205 million. This year it is \$220 million; which is an increase of 7.4%.

Dustin Racioppi asked if we are on target for the budget so far this quarter.

Chairman Ragazzo stated that the fiscal year has only been 3 months.

Dustin Racioppi asked if there was a ball park on the 930 million as it was said it would be significantly higher.

Treasurer Designee Tom Neff stated it was too premature to give the final number as it is still being audited. It is definitely higher than \$930 but we do not have a final number. In the coming months we should have the final audited numbers.

Dustin Racioppi asked what the contribution is based on.

Treasurer Designee Tom Neff stated it will have to wait until the audit. And that we are as anxious as he is to get the final numbers.

**EXECUTIVE SESSION**

There was no Executive Session.

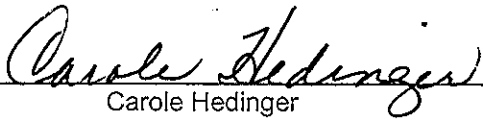
**ADJOURNMENT**

Chairman Ragazzo adjourned the meeting.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on October 15, 2015.

IN WITNESS WHEREOF, I hereby set my hand on

the 17<sup>th</sup> day of November, 2015.

  
Carole Hedinger  
Executive Director