

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, FEBRUARY 21, 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
Robert Slater, Commissioner (by phone)
Tom Neff, Treasurer Designee

John Custodio, Deputy Executive Director
Christin Deacon, DAG
Labinot BerlaJolli, Gov. Auth. Unit

VISITORS

Foster Krupa, Northstar
Lou Cleary, Northstar
Sam Fromkin, Northstar
Sarah Brennan, Northstar
Rick Garzillo, IGT
Donald Dupuis, IGT
Jon Renner, Brushfire, Inc.

STAFF

Regina Arcuri
Pat Cirillo
Duane Daniels
Michael Decheser
Judy Drucker
Frances Edwards
Janetta Foy
Claudio Graziano
Kalliopi Kostis
Megan Mazzoni
Charlene Mello
Debbie Norton
Richard Pagnani
Debbie Raub
Mary Ann Rivell
Nikki Roberts-Apeadu
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 January 24, 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 stated that looking at the financial reports, sales have declined January over January and Year over Year. If you look at the 91% decrease, that is due to jackpots. This time last year, we were at \$127 million in Powerball sales and this January sales are at \$10.6, so it is \$160 million swing. We have gone through that before, at different times of the year depending on when the jackpots roll. February is looking good and we'll have a good report next month because the Powerball jackpot is up. We are pretty close to budget, just under budget at 1.7%. But, again, these numbers will change with regard to the Powerball jackpot.

Deputy Executive Director Custodio noted that our total Fiscal Year contribution, including the 30% of the current estimated forfeited prizes, was 30.36% of sales.

Deputy Executive Director Custodio stated that receipts and deposits for the month of January were \$206.4 million.

Deputy Executive Director Custodio stated that the balance for all unclaimed prizes is over \$16 million.

Deputy Executive Director Custodio noted that the balance in the annuity investment accounts is \$143.2 million.

Deputy Executive Director Custodio reported that the three top selling non-core games contributed \$33.1 million or 23% of sales for January.

Deputy Executive Director Custodio stated that the Core and Family Games contributed \$76.1 million or 51% of sales.

Deputy Executive Director Custodio noted that two new instant games were introduced in January. They were "Kisses & Cash" and "All Cash Club." These games made up over \$6.9 million or 5% of sales for the month.

Deputy Executive Director Custodio reported that we introduced one new Fast Play game in January. We currently have 24 Fast Play games available.

Deputy Executive Director Custodio stated that we are very active in social media. All of our platforms continue to perform very well. In YouTube alone, the New Jersey Lottery's top three most watched YouTube videos in January had a total of 46,952 total views. We are out there, people are watching our story and our marketing team is doing a great job of getting our story out to the public.

Deputy Executive Director Custodio noted that the VIP Club increased its membership with 4,743 new registrations during the month of January. We now have 393,360 active members.

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

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

Deputy Executive Director Custodio stated that our Public Information Office disseminates a lot of news daily. We have press releases out every day about prizes and winner awareness. It is a tremendous effort and he recognized Judy Drucker and her staff for the job they do with getting out the press releases and presenting a great face for the New Jersey Lottery and our players.

Deputy Executive Director Custodio reported that we continue to monitor Federal and State legislation that might affect us. We continually update tracking lists. We meet monthly to go over all the activities that are pending that affect the New Jersey Lottery. We also watch legislation for the Responsible Play Program, the Council on Compulsive Gambling of New Jersey and responsible gaming activity regularly.

Deputy Executive Director Custodio stated that we began work with the Council on Compulsive Gambling of New Jersey (CCGNJ) for our March 2 press conference at Lottery headquarters kicking off our Problem Gambling Awareness month campaign.

Deputy Executive Director Custodio noted that we also began working with the Council on Compulsive Gambling of New Jersey staff on arrangements for the meeting of CCGNJ Responsible Gambling Working Group, which is hosted at Lottery Headquarters. It is our outreach to this community, we're centrally located in the state, and it provides a great opportunity for all of the various organizations throughout the state that are involved in gambling to get together to make sure responsible gaming is at the top of agendas.

Deputy Executive Director Custodio stated that we are constantly involved with our partners at Northstar in promoting the New Jersey Lottery. Whether it is through our own Speaker's Bureau events or through the events that are run through Northstar, there are things that go on almost daily throughout the month.

Deputy Executive Director Custodio reported that there were 188 security investigations initiated during the month.

Deputy Executive Director Custodio stated that 98 random field inspections were conducted at retailer locations.

Deputy Executive Director Custodio reported that at the end of January, there were 7,887 licenses issued.

Deputy Executive Director Custodio reported that our Information Management Services department actually touches all the other departments. It is something to point out that all the other departments work off some type of IT related system. It is Rick Pagnani and his staff that keep this facility moving forward. They also participate when other units are looking at different programs that they want to upgrade in our system or present to myself and the Executive Director for approval. They are very busy working with DORES and OIT to review some of our backup measures to make sure they have the ability to do their job. We are currently working with DORES to make sure all of our systems are accessible by our IMS staff

Deputy Executive Director Custodio reported that the Validations staff received and sorted over 5,000 claim forms during the month of January with an additional 621 walk-in claims. During the month, 6,466 claims totaling almost \$20 million were paid to winners, including annuity payments.

Deputy Executive Director Custodio stated that there were 32 Social Security number matches in January. Twelve of the garnishments were to satisfy child support arrearages and twenty were for public assistance. There were no student loan payments for the month.

Deputy Executive Director Custodio noted that our Pension Benefit Information (PBI) System was initiated in January. It is now processing our claims and checking social security numbers to make sure the New Jersey Lottery is not paying out claims to anyone who is deceased. That is working great and that process is now in place.

Deputy Executive Director Custodio stated that the Retailer/Call Center Services Unit handled 5,703 incoming calls during the month. They made 55 outgoing calls to retailers. This is a very busy unit.

Deputy Executive Director Custodio noted that in our Warehouse unit it is important to see that we have a lot of information going out but there is much that comes in to this facility. All the cancelled tickets and game ends have to be returned here and over 5,500 packages were delivered. They also have been upgrading much of the equipment in the warehouse that is used to help the staff with stocking shelves and making sure we are in compliance with all the OSHA requirements. We just received another motorized hand truck, which helps us move equipment around the room.

Deputy Executive Director Custodio stated that our Facilities unit has been very busy. We have a major upgrade beginning for new carpeting and painting. We are also upgrading our control room. Between the studios and some staffing changes we have a lot of relocations of cubicles. In addition to their normal operations, the Facilities Coordinator and the Warehouse staff are going to be pretty busy over the next several weeks. There will be a lot of disruption in the facility, but when it is all done, it will all be worth it.

Deputy Executive Director Custodio noted that you see the activities from Northstar. You can see that they are very busy.

Deputy Executive Director Custodio stated that it was a good month and hopefully this will be a better month with our Powerball rolling and hopefully we can get Mega Millions to roll a little more.

Deputy Executive Director Custodio stated that he wanted to take a moment for another little project. The New Jersey Lottery operates 365 days a year, we never close. We have a dedicated staff and the employees are tasked with performing the daily and evening draws in all types of emergencies. We have been very proud of our staff and we wanted to make sure that we recognize them. As you know, we were closed on February 16th for snow, and for most it was a great day, except for our staff. Our staff has to come in because the drawings are held regardless of the emergency or the weather condition. Because of that, the Executive Director would like to have some of our staff recognized. Michael DeCheser will now recognize some of our staff.

Michael DeCheser stated that to follow with what Deputy Executive Director Custodio said, our pool and draw staff positions are usually volunteer positions. They come in nightly, and even with a state of emergency; they still need to come in. Michael DeCheser acknowledged Nikki Roberts, Fran Edwards, Pat Cirillo, Michele McArdle, Jaswant Kamboh, Debbie Norton, Shkeema Torres, Rick Garzillo and Donald Dupuis from IGT. We thank you very much and it is appreciated.

Vice Chairman Toscano stated, and he is sure that the Chairman will echo his sentiments, that this is more appreciated than people think. He knows that it's not easy as he runs his own law firm. It is very difficult to get people to come in during inclement weather. He thanked the staff for going above and beyond. That's the kind of thing that should be recognized.

Chairman Ragazzo stated that he appreciated their efforts and that people do not realize that the Lottery does not miss a day.

Deputy Executive Director Custodio also wanted to recognize Regina Arcuri, our Draw Manager. She does an excellent job in the details that she provides with the weather. She really pulls it all together as we prepare. She is the consummate professional.

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

Chairman Ragazzo asked if there were any questions or comments.

Commissioner Slater asked about OIT being unable to backup our database and what is the impact is to Lottery.

Deputy Executive Director Custodio reported that issue has been corrected. All the backups have been fully completed. There were some conflicts in some programs and it is all been resolved. We have to give kudos to OIT. Their staff worked with ours perfectly to complete this.

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 "Lucky Catch," "Loteria," "Lady Luck," and "100x The Bucks." 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 stated that we have been able to maintain the 30% mandate of contribution, maybe we should target the impact of the "100x The Buck's" 71% payout after the fact to see if we have control of our higher payout on this particular instant game.

Chairman Ragazzo stated that he is sure this has been worked out.

Commissioner Slater thinks it's a good idea to take a good look at the things that could possibly have a negative impact and have a tighter grip on it. He requested a report that says everything has come out in the mix, notwithstanding the fact that we went to a 71% payout.

Deputy Executive Director Custodio stated that we will review it and we'll report on that next month.

Chairman Ragazzo requested a motion to approve the on-line game rules for "FAST PLAY." The game rules for approval are "Tic Tac Cash" and "\$5k Slots." 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 addendum to the general rules governing the CASH4LIFE game's "Doubler" feather. 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.

PUBLIC COMMENT

There was no Public Comment.

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 February 21, 2017.

IN WITNESS WHEREOF, I hereby set my hand on

the 28th day of March, 2017.



Carole Hedinger
Executive Director