

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, JULY 16, 2009

Vice Chairman Slater called the Commission meeting into session at 11:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert Slater, Vice Chairman  
Trina Glass, Commissioner  
Munr Kazmir, Commissioner  
Frank Ragazzo, Commissioner  
Robert Smartt, Treasurer's Designee  
Thomas Tucci, Commissioner

William Jourdain, Acting Executive Director  
Marc Krefetz, Dep. Attorney General

STAFF

Regina Arcuri  
Joe Bacso  
Marilyn Blazovsky  
Lou Cleary  
Nancy Coccia  
Denise Coleman  
Dominick DeMarco  
Yoke DiGiorgio  
Bob Kersey  
Karen Kokoll  
Foster Krupa  
Dolores Matos  
Steve Palmieri  
Mary Ann Rivell  
Margaret Square  
Nick Wiener

After the Pledge of Allegiance, Vice Chairman Slater 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.

Vice Chairman Slater welcomed Frank Ragazzo and Thomas Tucci who were just recently sworn in as new Commissioners to the Board.

Vice Chairman Slater requested a motion to approve the minutes of the June 18, 2009 Commission Meeting. Commissioner Kazmir made the motion, which was seconded by Treasurer Designee Smartt. Vice Chairman Slater asked if there were any comments.

Acting Executive Director Jourdain stated that on page 4, the last paragraph the following corrections were made deleting the word "Acting" from Acting Chairman and the word "issue" changed to "thought through."

Vice Chairman Slater asked for a motion to approve the minutes as amended which was moved by Commissioner Kazmir and seconded by Treasurer Designee Smartt. The motion carried. Commissioners Ragazzo and Tucci abstained.

DIRECTOR'S REPORT

Acting Executive Director Jourdain stated that the sales for the month of June totaled \$205.19 million, which is an increase of 5.9% compared to last year's total monthly sales. He stated that all of the games sales increased, especially Pick 6 and Mega Millions. He stated that all of the daily games also had increases in sales, especially Jersey Cash 5 which had a jackpot that reached over \$1 million during the month.

Acting Executive Director Jourdain stated that for the second year in a row the New Jersey Lottery achieved sales of over \$2.5 billion.

Acting Executive Director Jourdain stated that we achieved our budget target of \$2.498 billion.

Acting Executive Director Jourdain stated that the State contribution for FY 2009 was \$886.2 million which surpassed last year's contribution by approximately 0.5%. He stated that this is a preliminary amount and is subject to change based on final audit.

Acting Executive Director Jourdain stated that the receipts and deposits that the Finance Unit received for the month of June totaled \$182.5 million.

Acting Executive Director Jourdain stated that the balance in the unclaimed prize reserve account is \$14.1 million. He stated that an additional \$12 million has been designated to turn over for education and state institutions. He stated that it will leave a balance of \$2.1 million available for future game prizes in FY 2010.

Acting Executive Director Jourdain stated that the current balance in the annuity investment accounts totaled \$563 million. He stated that Reliance Standard Life has been downgraded from an "A" to "A-".

Acting Executive Director Jourdain stated that the number of weekly retailer settlements as of the end of June 2009 was 6,047.

Acting Executive Director Jourdain stated that planning began for "Super Sevens" Instant Match promotion scheduled to take place at the end of August.

Acting Executive Director Jourdain stated that the Mega Millions jackpot rose during the month of June and was supported by spot radio and cable advertising. He stated that the Pick 6 Jackpot reached \$24.2 million during the first week in June and was supported by spot radio advertising.

Acting Executive Director Jourdain stated that the sales staff reports that the 7-Eleven stores will be opening 20 new stores before the end of this year.

Acting Executive Director Jourdain stated that the sales staff reports that there are about 30 retailer terminations each month and the sales staff has been increasing their efforts to replace these retailers. He stated that the estimated retailer count as the end of June is 6079 which does not include 61 new applications which are pending approval.

Acting Executive Director Jourdain stated that the Retailer/Customer Call Center handled 2,095 incoming calls during the month of June.

Acting Executive Director Jourdain stated that there were 108 security investigations conducted by the Security Unit and there were 147 random field inspections conducted at retailer locations.

Acting Executive Director Jourdain stated that there are 6,175 retailer licenses issued as of June 30, 2009.

Acting Executive Director Jourdain stated that a total of \$24,894.98 was collected for the month of June through the efforts of the NJ Lottery and the Division of Taxation Joint Investigation Project. He stated that the total collected for FY'09 to date is \$191,860.95.

Acting Executive Director Jourdain stated that the Public Information Office began the design and production efforts on the upcoming Retailer Insights magazine for the retailers which is a quarterly publication. He stated that this issue will focus primarily on the new gaming equipment.

Acting Executive Director Jourdain stated that the Public Information Office continued the outreach campaign to area organizations, making preparations for upcoming Speaker's Bureau events throughout the remainder of 2009 and into 2010.

Acting Executive Director Jourdain stated that the Public Information Office continues to monitor the legislative calendar and digest for related lottery/gambling/responsible play legislative activity.

Acting Executive Director Jourdain stated that the Drawing Unit reports that all drawings were held in accordance to established procedures and there were eight opt-in drawings for the month of June.

Acting Executive Director Jourdain stated that the Midday drawings that are now being conducted at Lottery Headquarters continue to go well and the backup ADT system has been installed.

Acting Executive Director Jourdain stated that there were no special events for the month of June. He stated that July 18 will be Lottery Day at the Meadowlands Racetrack and July 25 will be Lottery Day at the Monmouth Racetrack.

Acting Executive Director Jourdain stated that the IMS staff assisted OIT with installing the operating and application systems for the Websense server. He stated that IMS staff reviewed and tested the procedures for the Electronic File Transfer bank backup system located at GTECH Corporations off-site location.

Acting Executive Director Jourdain stated that programming has begun to implement the 3% state income tax withholding on Lottery winnings over \$10,000.

Acting Executive Director Jourdain stated that the Lottery VIP Club increased its membership last month by 1,634 new members and the total enrollment now is 158,236 active members.

Acting Executive Director Jourdain stated that the Operations Unit had 38 social security number matches between the files from the Departments of Human Services and Community Affairs and the Higher Education Student Assistance Authority and Lottery winners.

Acting Executive Director Jourdain stated that the Validation staff received and sorted 3,955 claim forms during the month of June.

Acting Executive Director Jourdain stated that all on-line game pools were closed according to procedures with no abnormalities.

Acting Executive Director Jourdain stated that the Facilities Unit reports that ADT installed purchased redundant equipment for the Lottery Headquarters back-up drawing facility. He stated that the Treasury Lease Compliance performed an inspection of the Lawrenceville property and identified 10 action items. He stated that most of these items were repaired by Nexus.

Acting Executive Director Jourdain stated that this concludes the Director's Report.

Commissioner Glass asked how often do we monitor the legislative calendar and digest.

Acting Executive Director Jourdain stated that we monitor on a weekly basis and we are usually under the advice of the Department of Treasury's legislative liaison's office.

Commissioner Tucci agreed with Commissioner Glass about tracking legislation.

Commissioner Glass requested that any issues that pertains to the Lottery needs to be mentioned in the report.

Commissioner Glass requested that if there is a comment period, the commissioners need to be made aware of that fact.

Commissioner Glass asked if the commissioners could review the policy and procedures for the business continuity site.

Acting Executive Director Jourdain stated that he will reach out to the Department of Treasury as it is the Treasury's departmental policy.

Commissioner Glass stated that she wants to review how they address regional issues because she would consider Cranbury to be in this same region.

Acting Executive Director Jourdain stated that the Cranbury site is a result of the last contract and the reason for the selection of the Cranbury site was that it was in a different transfer area for the gaming network. He stated that the new contract requires that to be looked at and he believes that the backup site for the gaming system will actually be out of state.

Commissioner Tucci asked about the spot radio advertising for Pick 6 jackpots and if we track the cost of the advertising versus the benefit of the increased revenue and what that ratio is and how that is compared to other previous games that there was spot advertising on.

Acting Executive Director Jourdain stated that we do look at that initiative and we look at the cost of implementing that spot radio advertising. He stated that we look at the sales and we make that business decision if there are certain levels that it is not making a difference. He stated that Mega Millions spot advertising does not kick in until the jackpot level reaches \$50 million.

Commissioner Ragazzo raised his concerns about taxing New Jersey Lottery winnings on prizes over \$10,000. He asked if this would have any negative affect on people purchasing tickets.

Acting Executive Director Jourdain stated that we constantly monitor sales so this is something to keep an eye on to see if there is any negative impact

Acting Executive Director Jourdain stated that on the Lottery website we are providing a link to the Division of Taxation for our players because it is a change in the tax law. He stated that we have been working with Taxation on a section of questions and answers for our players.

Vice Chairman Slater requested that the commissioners be made aware of any input that is significant from the players.

Acting Executive Director Jourdain stated that part of the duties of the Public Information Office is to constantly monitor these issues and we will be able to get a sense of the player reaction and any of those reactions will be reflected in the monthly report.

Commissioner Ragazzo stated that the people who won in January are now being told five months later that they now will be getting a W2 which will affect their tax situation and it's already six months into the year.

Commissioner Glass stated that the purpose of this board is to watch over those things specifically when it comes to legislation. She asked whether these winners would be allowed to pay those taxes over a certain period of time. She stated that \$10,000 could be all that they made that year.

Acting Executive Director Jourdain stated that we are directing those people to the Division of Taxation where they can ask those questions.

Vice Chairman Slater asked if there were any comments on the Director's Report and there being none asked for a motion to approve the Director's Report. The motion was made by Commissioner Kazmir and seconded by Commissioner Glass. The motion carried.

## **NEW BUSINESS**

Vice Chairman Slater asked for a motion to approve the instant ticket game rules for "Golden Wishes," "Kickoff Cash," "Giants Football Fantasy," "Jets Football Fantasy" and "\$100 Snowfall."

Acting Executive Director Jourdain stated that both the "Giants Football Fantasy" and the "Jets Football Fantasy" will have a 2<sup>nd</sup> chance drawing for non-winning tickets. He stated that originally the game rules that the commissioners received with their packets had a mail in element for the non-winning tickets. He stated that for these two games it is going to be an internet entry only. He stated that the revision on the games rules for these two games is redacting any reference to the mailing in of non-winning tickets to qualify.

Acting Executive Director Jourdain stated that the "Kickoff Cash" game is a generic football game. He stated that this game will not have a 2<sup>nd</sup> chance drawing because of its generic nature of the game. He stated that the Jets and Giants instant tickets will be distributed from central Jersey north and the "Kickoff Cash" instant tickets will be distributed to the South Jersey market.

Vice Chairman Slater asked if there were any comments and there being none asked for a motion. Commissioner Kazmir made the motion which was seconded by Commissioner Ragazzo. The motion carried.

## **MISCELLANEOUS**

Acting Executive Director Jourdain distributed a chart of annuity contracts over \$500,000 and our exposure if these companies defaulted and what the liability would be to the state on the annuity contracts. He stated that there is an insurance guarantee out there that would guarantee annuity contracts of up to \$500,000. He stated that this chart shows an exposure overview of where the contract stands, number of contracts and how they are due to expire over the next 15 to 20 years.

Vice Chairman Slater asked about the dollars that go with the 313 contracts and asked how much was at risked.

Acting Executive Director Jourdain stated that we will break the financial amounts out by group for the next commission meeting.

Vice Chairman Slater stated that we should discuss if we should recommend having a reserve.

Acting Executive Director Jourdain stated that he would have to take that recommendation to the Treasurer's office as it is an accounting policy.

Acting Executive Director Jourdain gave an update on the conversion of the new equipment which will be going out in the field starting the end of next month.

**PUBLIC COMMENT**

There was no public comment at this meeting.

**EXECUTIVE SESSION**

Deputy Attorney General Krefetz stated that it be resolved that pursuant to N.J.S.A. 10:4-13, the Lottery Commission enter into Executive Session during which the public shall be excluded to discuss personnel matters. He stated that as to any matter discussed in Executive Session, the subject and nature of the discussion will be timely made known to the public if and when the need for confidentiality ends.

Commissioner Kazmir made the motion to go into Executive Session which was seconded by Commissioner Glass. The motion carried.

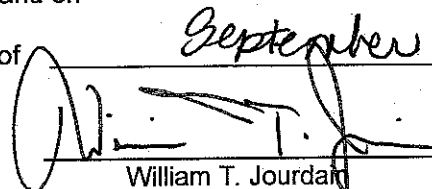
**ADJOURNMENT**

Vice Chairman Slater asked if there was any other business to be discussed in the open public meeting and there being none, asked for a motion to adjourn. Commissioner Kazmir made the motion, which was seconded by Commissioner Glass. 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 July 16, 2009.

IN WITNESS WHEREOF, I hereby set my hand on

the 18 day of September, 2009.

  
\_\_\_\_\_  
William T. Jourdain  
Acting Executive Director